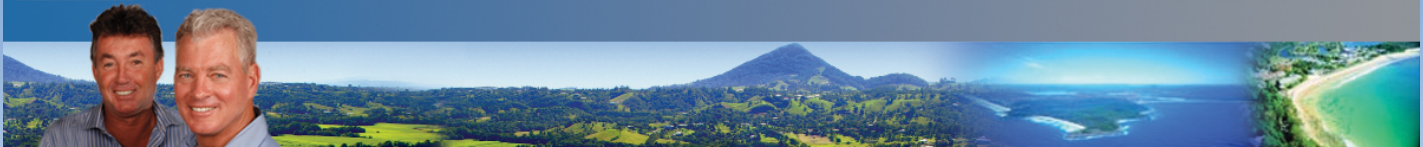




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Volatility and the Markets

Volatility has been white hot in the past few months. The volatility index (VIX) is referred to as the fear gauge and has been at historic highs in recent months. The market movements of late have been spectacular, as you can see from the attached chart. The VIX spikes have coincided with significant down moves in the S&P500 and consequently on other world markets.



What this means is that traders are now more prepared to hold positions, while at the same time they are hedging all or part of their holdings.

The markets are desperately trying to form a base in the short term. Markets in the US have priced much of the bad news into the equity prices, this is confirmed by the fact



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that is the past week or so it has been able to shake off the barrage of bad news that seems to appear daily. The key catalyst in the short term has been the resolution to the Auto Bailout package, with the White House acting as the white knight; then the implementation of the TARP program. Keep an eye on the NASDAQ and the Dow Jones Transportation index as lead indicators for any recovery.

In Australia the ASX has been consolidating above the October lows and a close above 3750 will be a trigger for an assault on the 4000 then possibly the 4500 levels. We remain in a bear market but we are looking for a bear market rally in the near term.

MDS Financial maintains offices in Sydney, Melbourne and the Gold Coast. NISER can assist local businesses or individuals, please contact them. Sean Rothsey is Executive Chairman of the ASX listed diversified financial services company MDS Financial Group Ltd. (MWS: ASX). He works in Cooroy and lives in Sunshine Beach.

If you would like to discuss these issues further please contact Sean Rothsey at niser@niser.org.au or 5442 5050 or your own financial advisor or visit www.mdsfinancial.com.au

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