

October Panic

September 10, 2003

It's been a good bull run. The 9-month cycle that started 03/12/03 is now 7 months old and tired. The good news is this cycle has shown right translation. Right translation means that the cycle high peaks to the right of the mid point and is a bullish indication moving forward. The bad news is that this cycle, like most, is measured low to low and if the peak is in then there is nowhere to go but down.

Our Fibonacci and Lucas forecast tables show significant pivot potential between 9/9 and 9/23/03. These dates are arrived at by taking previous significant market high and low turning points and adding either the Fibonacci or Lucas number series values to arrive at potential turning points in the future. The table below indicates some of the line ups.

Previous pivot point	High/Low	+Fib/Lucas days	Prediction Pivot date
NYSE 5/21/01	High	+ 841.7 Lucas CD	9/9/03
NYSE 9/11/01	-----	+ 520.2 Lucas TD	9/9/03
OTC 05/22/01	High	+ 841.7 Lucas CD	9/10/03
OTC 01/09/02	High	+ 610 Fib CD	9/11/03
OTC 01/02/01	LOW	+ 987 Fib CD	9/16/03
NYSE 9/21/01	Low	+ 520.2 Lucas TD	9/19/03
NYSE 12/4/87	Low	+ 5768.8 Lucas CD	9/19/03
NYSE 5/21/01	High	+ 610 Fib TD	9/22/03
OTC 05/22/01	High	+ 610 Fib TD	9/23/03

While this is no reason to trade on it's own, the confluence of dates from such a diverse time period coupled with the over bought indications from our the daily, weekly and monthly composite oscillators suggest that the climate for a serious direction change is now present and may have already been reached. This means profit protection is in order.

The next 54-trading day cycle is only 25 days old, and while this cycle's sub component, the 27-day cycle, is due for a bottom late this week any rally should be short and timid with the 9-month cycle (reset to the 3/12/03 low) now 7 months old and due for decline. The next idealized low for the 9-month cycle is in mid-October. The next expected low for the 54-trading day cycle is 10/21/03. This places enormous pressure between now and late October, the most notorious season for market panics.



Bonds:

Poised and ready for a recovery rally. Although struggling, I believe the rally is underway and should pick up speed when the market finally rolls over. I expect a 38 percent to 50 percent retracement of the June to September decline. This should put the 30-year back in the 112-113 range. This rally won't move mortgages as much but if you have a refinance in the hopper and can wait until mid-October to lock I think you will be happier than today.



Gold:

Gold and the XAU (Gold and Silver Mining index) are both stretched to their outer limits and are due for a correction. As I suggested in the August 11th special report the 375 octave would pose significant resistance. Some consolidation is in order. In a steep market decline, often gold stocks do not offer the safe haven they are supposed to. When margin calls are mounting, the good stocks are sold with the bad. If the market declines as I suspect, I believe the gold stocks will go with them, but then recover significantly.

