

3 October, 2003

Last week's break below the channel line dictated a sell for principal protection. This week's breakup may will put us right back in. It's frustrating, at least, but principal protection must always be the first priority.

The NDX is breaking above its lower channel line today. The lower channel should be retested on Monday with a slight drop and then a resumption of the up move. This may make Monday a better buying opportunity. Also notice that NFA's composite cycle tracker (lowest quarter in red) is turning up. This signals that we should have an up market for at least two weeks with the upper channel price target of 1640, rising around 4 points per day.

The blue line just below the NDX price is the short term (4 day) oscillator and will already be over bought by today's price action. I think this could cause a pause for a day or two in the advance but probably not a significant decline. This breakthrough action means a few different things. Speculation is rampant. A 6 to 7 percent up move in two days is a melt up. Investors are worried more about missing an up move than the potential of a decline. This kind of speculation is most apparent at the end of a protracted move. Any investing must be done with extreme caution.

See if you can follow this. The second half (15-day) of the second 27-day cycle of the 54-Day cycle is due to bottom on October 23-24th. This could slow the rally into the end of the month. The 52-Week cycle is due on October 10 but may have already come in. On the short term this rally looks good. On the weekly and monthly charts however, this rally is long in the tooth. While in the short-term the market does have room for one more push up the weight of the 9-month cycle low due at the end of December will ultimately show its power.



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