

CHRISTOPHER CADBURY

Ranked #1 in the U.S.
by Timer Digest for
2000 to 2009

Suite LT, 520 East 72nd St.
New York, NY 10021

Ranked #1 in the U.S.
by Timer Digest for
2001 to 2010

212-510-7019

Market Fax No. 4503

OCT. 31, 2011

SHORT TERM OUTLOOK

S.&P. 500: UP 0.3% TO 1289 OR MORE AT NOV. 4th CLOSE

S.&P. 500: UP 0.5% TO 1291 OR MORE AT NOV. 11th CLOSE

The unrealized profit in the current long position remains at 168 S.&P. 500 points. The position was established in the initial half hour of trading on Oct. 5th, the first full day of the October rally, when the S.&P. 500 fell back to 1117. The intraday stop has been placed at 1217 or less. The stop becomes effective ten minutes into a session. The stock market rose slightly on Friday. The S.&P. 500 edged up 0.4 points to close at 1285 while the Dow rose 22 points to 12,231. The Nasdaq Comp, though, eased a point to end at 2737.

Coming off some of the most oversold investor sentiment percentages and the most oversold readings for the CBOE equity put-call ratio since about the end of the 2007 to 2009 bear market or earlier, the October rally is likely to need additional overbought readings for a top. So far the value for the Trendline Oscillator has been overbought at +8.0 or higher for three days with a reading of +9.6 on Thursday. The Rydex ratio or the net inflow into the Rydex bull fund divided by the net inflow into the Rydex bear fund has been overbought for one day only on Thursday when it reached the highest level of the past year.

On Thursday, however, the McClellan Oscillator value climbed to a new high of +282. Most new high values for the McClellan Oscillator lead to a significant new high for the S.&P. 500 within the next two weeks. Also this year the Dow remains far behind its average gain for the last five Presidential Pre-election years of 22.1%. So far in 2011 the Dow is up 5.7%.

Other recent indicators have not been topy. On Friday AMG/Lipper reported a near-average net inflow of \$3 billion into the equity mutual funds and equity ETF's for the week through Wednesday, Yahoo's relative strength indexes for the major stock market averages on Thursday stayed below an overbought level of 80 or higher at 68 for both the S.&P. 500 and the Dow and 67 for the Nasdaq Comp.. On Thursday, too, the speculation index, the Nasdaq volume divided by the non-consolidated NYSE volume, was dead neutral at 1.96. The reading for the CBOE equity put-call ratio was low for the second straight session at less than .60 Friday with a reading of .55. Many days of low readings point to a top. The 5-day total for the closing Arms index continued to be mid-range between 4.00 and 5.99 on Friday with a value of 5.31. There were no very large intraday uptick readings of +1600 or more or closing uptick readings at +1020 or higher either Thursday or Friday to suggest an interim or greater top.

As you know, last week's percentages of bulls and bears from the investor sentiment surveys were not overbought either. On Thursday AAI disclosed a near-average level of bulls and bears, 43% bulls with 25% bears. On Wednesday Investors Intelligence reported only a few more bulls than bears; 40% bulls vs. 37.9% bears.. As you know, too, the gap between the 10-year U.S. Treasury yield and the yield for the S.&P. 500 has bullishly been very low by historical standards. Friday's gap in yield was .37%.