

## CHRISTOPHER CADBURY

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Market Fax No. 4206

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### SHORT TERM OUTLOOK

S.&P. 500: UP 1.0% TO 1099 OR MORE AT OCT. 23<sup>rd</sup> CLOSE

S.&P. 500: UP 1.7% TO 1106 OR MORE AT OCT. 30<sup>th</sup> CLOSE

The profit in the current trade has dipped to 217 S.&P. 500 points. The trade began on Jul. 8<sup>th</sup> when the S.&P. 500 index fell to the 871-level, two points above the five-month low of 869. The intraday stop, which does not apply to the first ten minutes of a session, has been placed at 1015 or less. The stock market pulled back on Friday. The Dow lost 67 points to close at 9995 while the S.&P. 500 fell 8.8 points to 1087.6 and the Nasdaq Comp. dropped 16 points to 2156.

Again most signs of an interim or greater top were missing on Friday. There were no very large intraday uptick readings of +1500 or higher or closing uptick readings of +1000 or more to suggest any sort of top. The maximum intraday uptick readings on Friday were +1112 at the NYSE and +1456 on the Nasdaq. Friday's closing tick readings were -199 on the NYSE and +473 at the Nasdaq. The intraday VIX index of NYSE volatility made a low of 20.98 on Friday, far above a reading near 15 or less that is normally associated with the end of a bull market rally. On Thursday Yahoo's RSI's for the Dow, S.&P.500, and Nasdaq Comp. remained substantially below an overbought level of 80 or higher with readings in the low 60's.

Eleven indicators have been bullish during the past five weeks. (1) On Sep. 16<sup>th</sup> the Trendline Oscillator shot up to an ultra-high value of +10.0 or above at +12.1. The nine prior first readings of +10.0 or more over the 40 years prior to this year always led to a higher S.&P. 500 two and three months later. (2) Four very large closing downtick readings of -300 or more occurred from Sep. 21<sup>st</sup> to Sep. 30<sup>th</sup>. They were the most in memory for a period of less than two weeks in a bull market. More than half the single very large closing downtick readings of -300 or higher establish an interim or greater bottom; four of them are especially bullish. (3) The NYSE Arms index closed at 3.71 on Oct. 1<sup>st</sup>. Over half the closing Arms index readings of 3.00 or more in a bull market also generate at least an interim bottom. (4) On Oct. 2<sup>nd</sup> the reading for the CBOE equity put-call ratio soared to .84, the most oversold level since a reading of .86 occurred at the Jul. 8<sup>th</sup> bottom. (5) On Oct. 2<sup>nd</sup>, too, the value for the NYSE McClellan Oscillator sank to -247, the lowest level since Mar. 6<sup>th</sup>. (6) On Oct. 2<sup>nd</sup> as well, the value for the Nasdaq McClellan Oscillator fell to -175, the lowest level since a similar reading of -177 was produced at the Jul. 8<sup>th</sup> bottom. (7) For the week through Oct. 2<sup>nd</sup>, the odd-lot short sale percentage jumped to 46.6%, the highest level of the past seven months. (8) For the week through Oct. 7<sup>th</sup>, AMG Data Services reported a net outflow of \$4.5 billion from the equity mutual funds and equity ETF's. Weekly net withdrawals of \$4.0 billion or more during a bull market usually set up a new upleg. (9) Through Oct. 7<sup>th</sup> the 5-day total for the closing NYSE Arms index had been oversold at 6.00 or higher for 14 out of 15 sessions. (10) Also through Oct. 7<sup>th</sup>, the 5-day total for the closing Nasdaq Arms index had been oversold in 7 out of 8 sessions. (11) On Oct. 8<sup>th</sup> AAII announced 6% more bears than bulls.

The stock market has been forecast to rally farther. The S.&P. 500 has been projected to end the week at 1099 or higher and next week at 1106 or more.

