

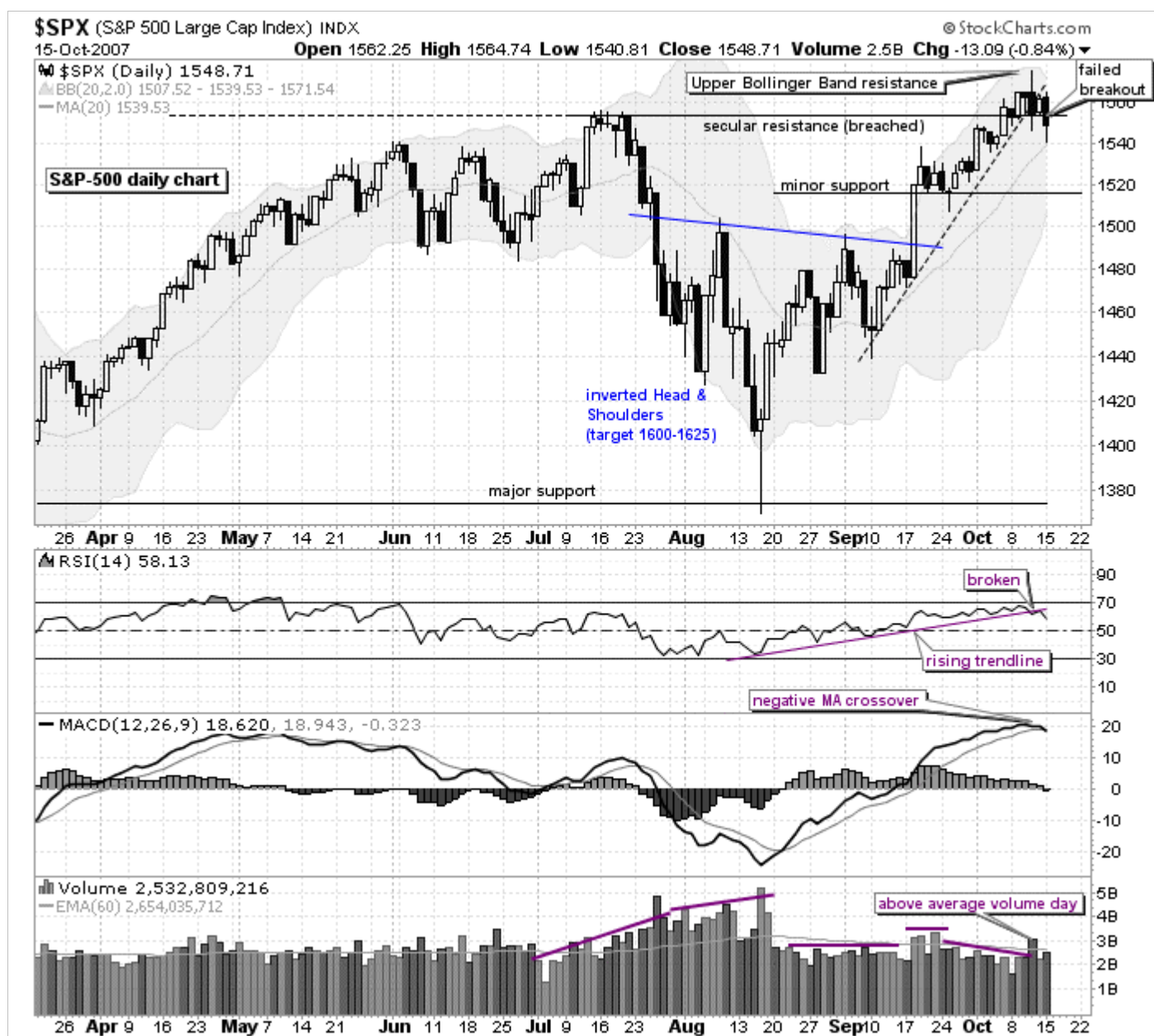
The Beginnings of a Major Top? Or Just a Minor Hiccup?

The following is the 'Nightly Commentary' piece that was presented to members of TheMarketMessenger.com after the trading session on Oct 15th...

Good evening,

It was not the kind of trading session that the bulls would have liked. Certain important resistance levels - specifically on the Dow and the SPX - that had been broken over the past week or two, have failed to support prices after a thorough testing.

S&P-500...

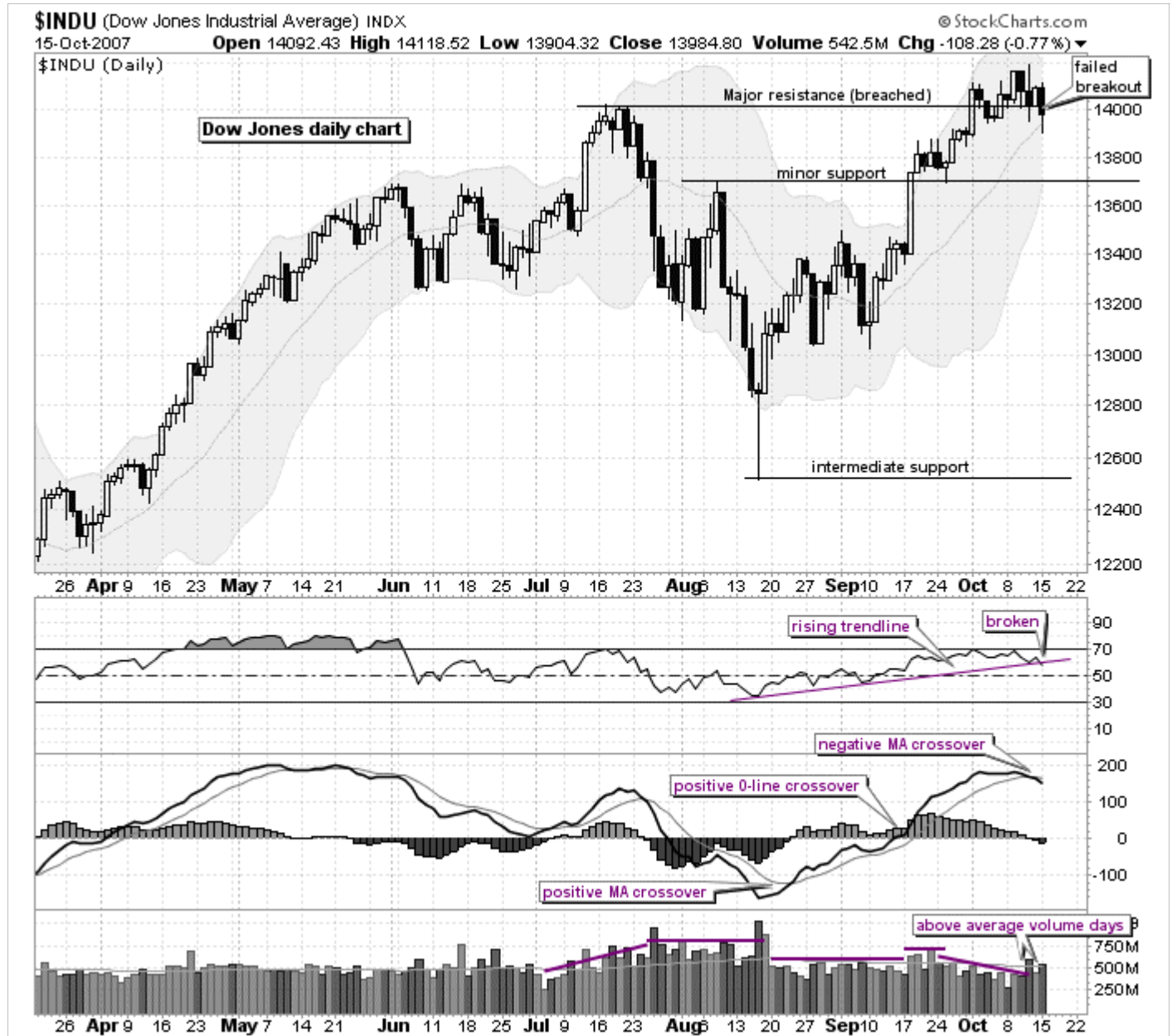


SPX is now showing a few potentially bearish signs... The uptrend in RSI has been broken, MACD is showing a negative MA crossover and the Bollinger Bands are now starting to tighten (a sign that a strong trend has come to an end and should give way to bearish or sideways action).

As mentioned earlier, prices have not been able to stay above the all-important level of 1555 and this will certainly start to make traders worry about the possibility that a top of a significant magnitude is in formation.

Unfortunately, there isn't enough clear evidence as yet to suggest that the action seen over the past three days is anything more than a correction of a strong minor uptrend that began in mid-August. Now, if RSI makes a negative centerline crossover and/or a couple of other confirmed sell signals crop up, things will obviously change.

Dow Industrials...

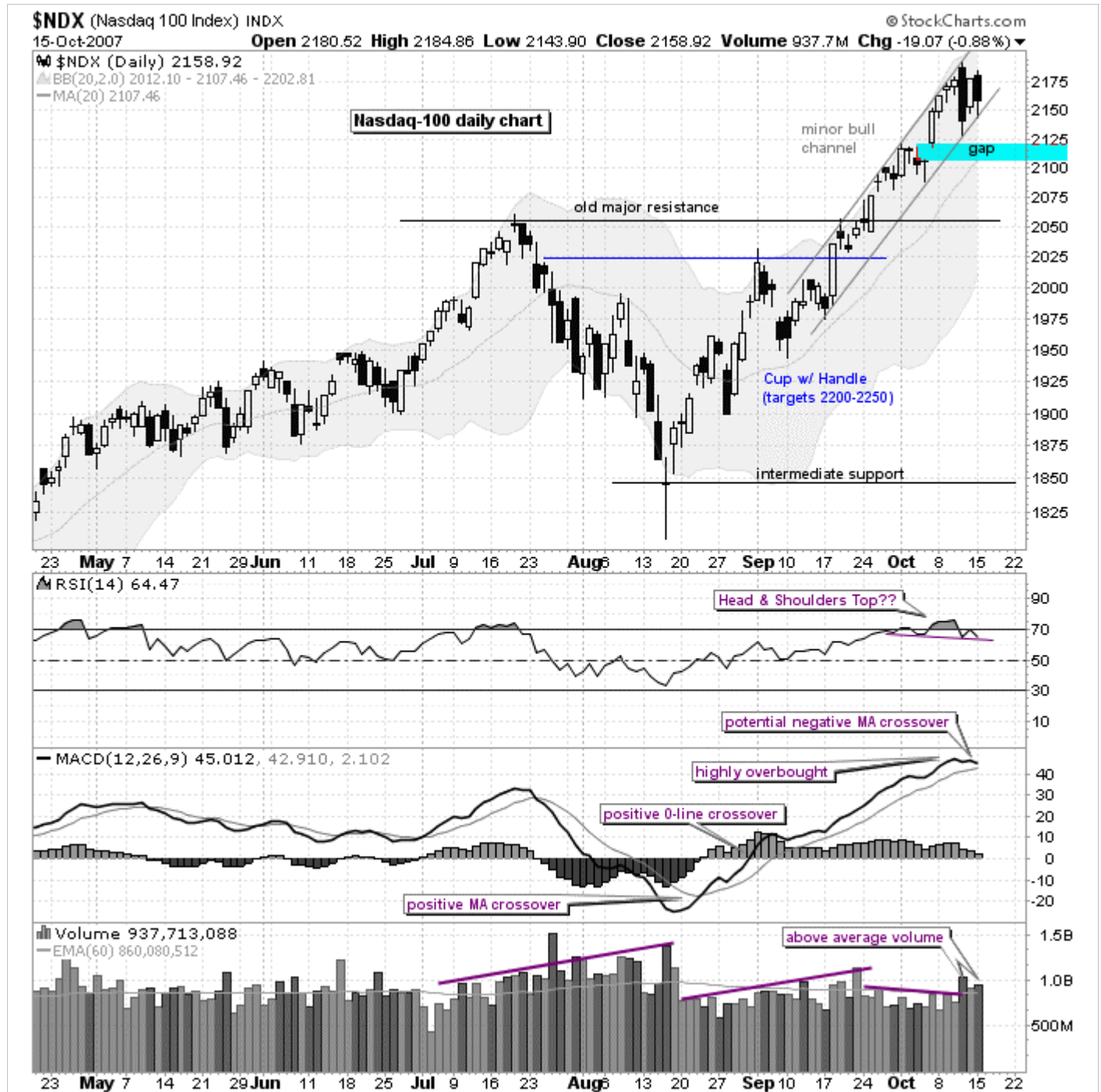


The Dow has also closed below the level of its July-highs. That is not a good signal for the short-term. Additionally, the rising trendline on RSI has been broken and MACD is showing a negative MA crossover. Volume is also starting to pick up on down-days. Taken together these signs will give the bulls a sleepless night tonight.

If the rally can find its legs once again tomorrow and push prices back above the 14000-14020 mark, then the most recent action will only prove to have been a sub-minor correction, intended to shakeout weak players.

A continuation in the correction should end at probable support near 13700. Any move below that level would call for a bearish reversal.

Nasdaq-100...



Somewhat amazingly, the NDX has managed to stay within the bull channel that it has been trading within over the past 5-6 weeks. However, there are a couple of signs that point to the possibility that the said channel will be history fairly shortly.

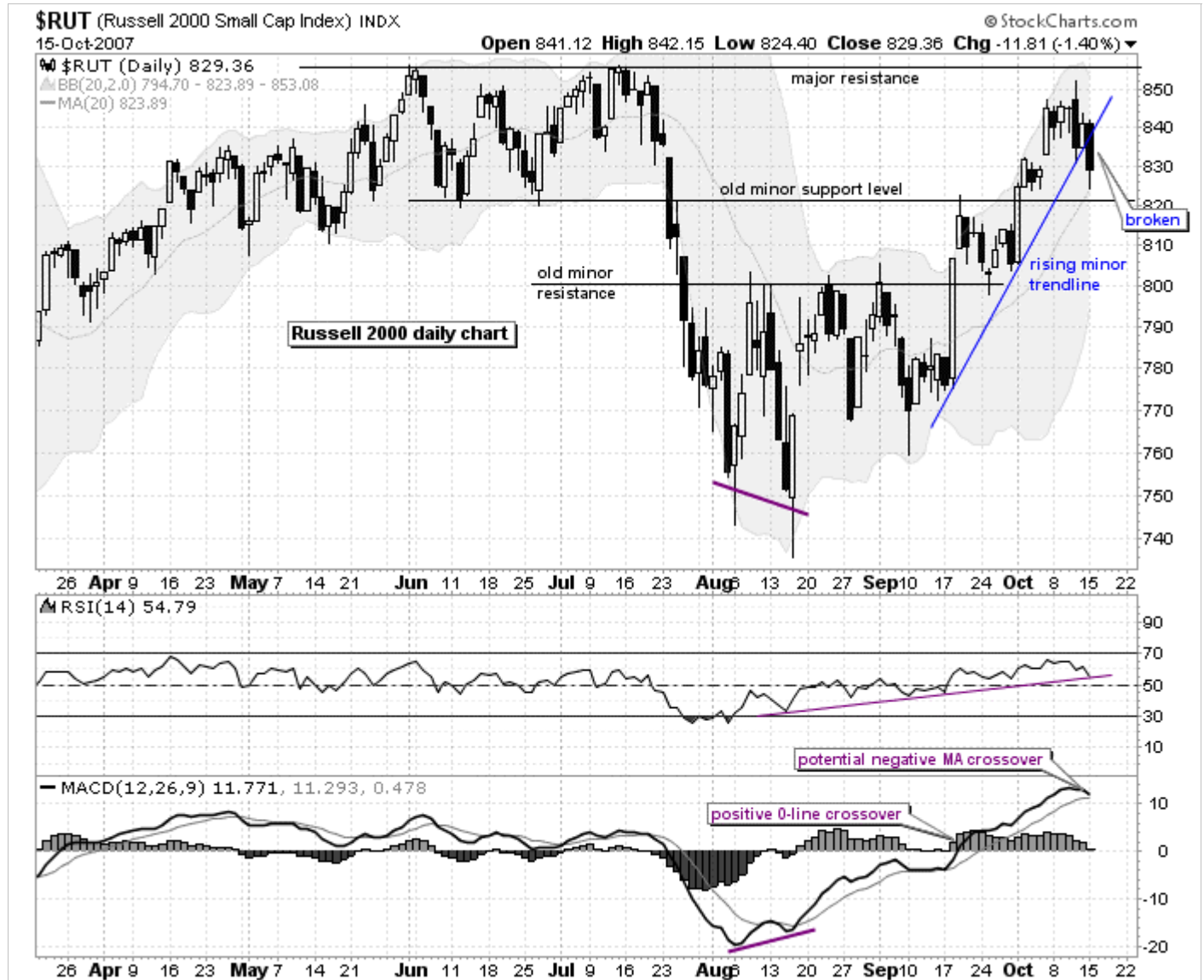
Those signs include the fact that volume has been high since the minor peak on Thursday (this is a possible sign of *distribution*) and MACD is close to providing a negative MA crossover.

Another interesting potentiality is the development of an apparent head & shoulders top on RSI. As traders know, chart patterns often show up on indicators just as they do on price. Often the occurrences of these patterns on the indicator does not coincide with the development of a similar pattern on price itself and, hence, can provide otherwise unapparent trading signals.

The neckline of the H&S has not been broken as yet, so the pattern is only a potentiality for now. However, if the index cannot find support asap, that neckline will be broken and the pattern confirmed. Such a development will call for a further decline in prices that should send RSI to or just below its centerline.

Incidentally, the Nasdaq Composite (chart not provided here) is also showing a potential head & shoulders top on its own RSI.

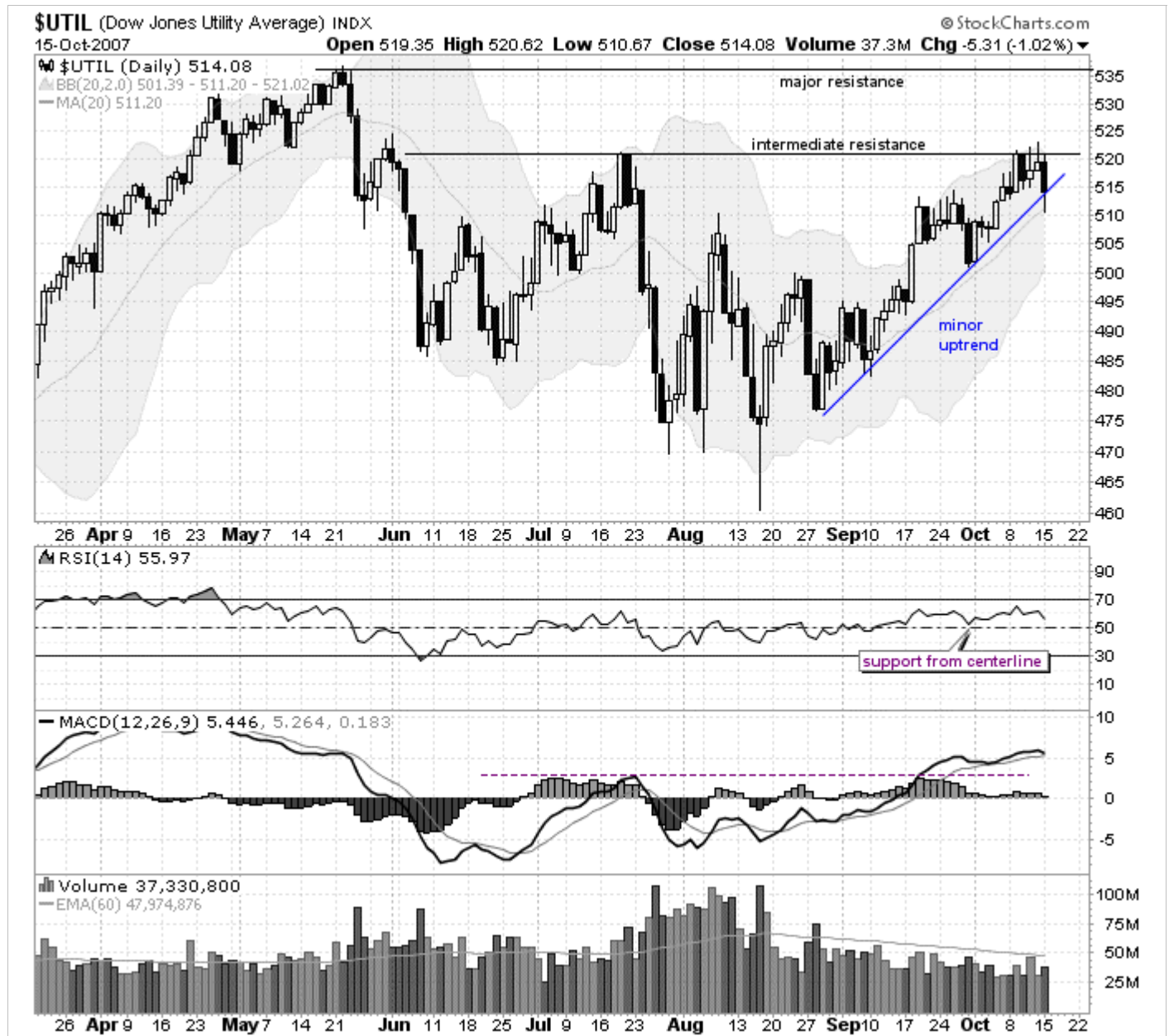
Russell 2000...



RUT has broken the rising minor trendline that has guided that index towards major resistance since mid-September.

A couple of sell signals will soon appear if the rally does not resume right away. These include a breaking of the uptrend line on RSI and the development of a negative MA crossover on MACD.

Utilities...



For a week or so now, we've mentioned the fact that it seems crucial that the Utilities manage to break intermediate resistance at 520. So far, that has come to bear and this has been one of the reasons for the recent slip up in the indices.

The good news is that at the close, UTIL is still trading above the minor uptrend line that has guided it higher since late-August. Will the trendline stay strong tomorrow? We'll have to wait and see.

So, just what does the action seen over the past three days say about the health of the rally? Its hard to be too sure at this point.

On one hand, a minor correction was to have been expected at some point given the overbought levels in the markets. On the other hand, the failure to stay above significant levels of broken resistance is a worrisome development, especially when one looks beyond the US markets.

...and that is the main source of apprehension at the moment. The Chinese and Indian markets and a handful of others have gone absolutely berserk since the August lows. There is almost certainly a watershed event on the horizon that is bound to bring serious pain to the bulls.

Not having a crystal ball, we can't be certain when/where the first signs of that monumental peak will develop, but we can take on an air of caution.

Our unequivocal opinion at the moment is that having a portfolio that predominantly consists of bullish positions without the protection of index puts is probably not a wise decision.

Notice that we haven't said that we'd go short right away. There just aren't enough confirmed sell signals to suggest doing such a thing, as yet.

It is easily possible that the rally reaches new peaks and even adds on 5, 10, 15 or more percentage points before imploding, but unless the global markets slow down considerably, there is going to be a calamitous fall sometime in the very near future.

Do not get caught not having adequate defensive measures in place when that happens.

Recent Stock & Options Trading Picks

14 Options Picks over the past 10 weeks have provided **gains of 100%-400%**. Many others have provided gains of 50-100%. The following are a handful of options picks closed so far in the month of October. They are followed by a set of stock picks that have been closed so far this month.

To view selected trading picks from the previous two months, click the respective links below:

[September Trading Picks Archives](#) [August Trading Picks Archives](#)



GILD (Gilead Sciences, Inc.) Nasdaq GS

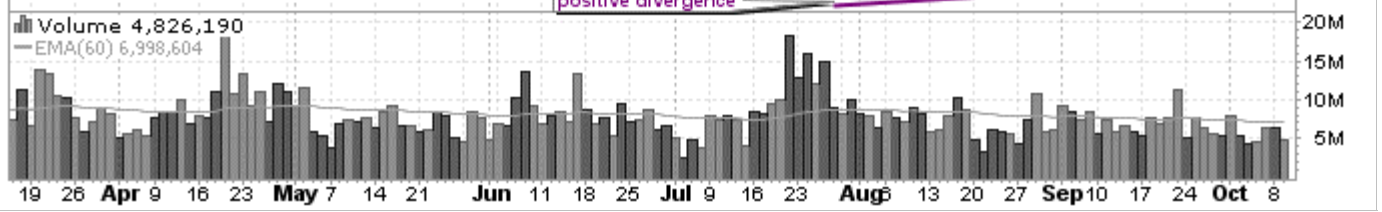
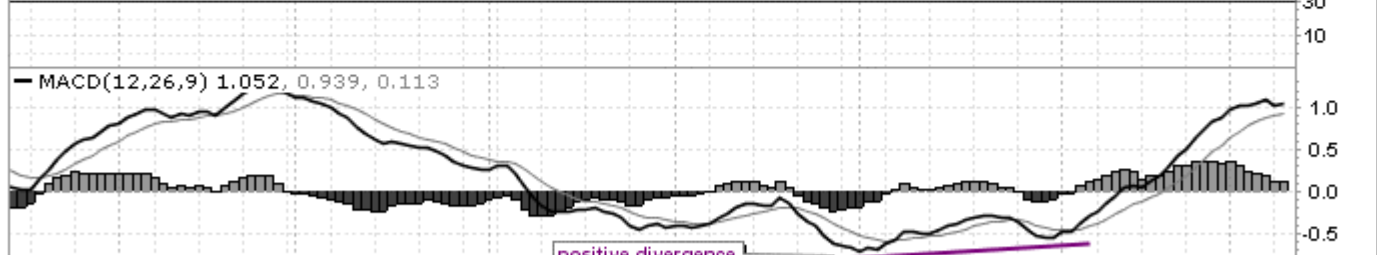
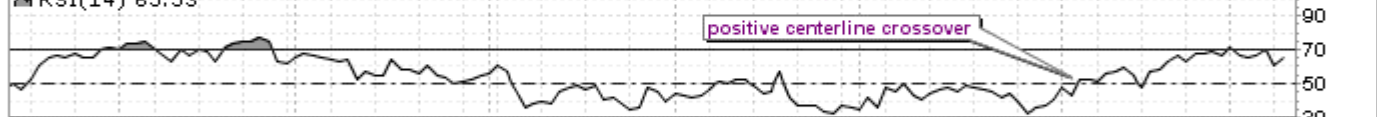
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9-Oct-2007

Open 41.50 High 42.12 Low 41.43 Close 42.09 Volume 4.8M Chg +0.88 (+2.14%) ▲



19 26 Apr 9 16 23 May 7 14 21 Jun 11 18 25 Jul 9 16 23 Aug 13 20 27 Sep 10 17 24 Oct 8



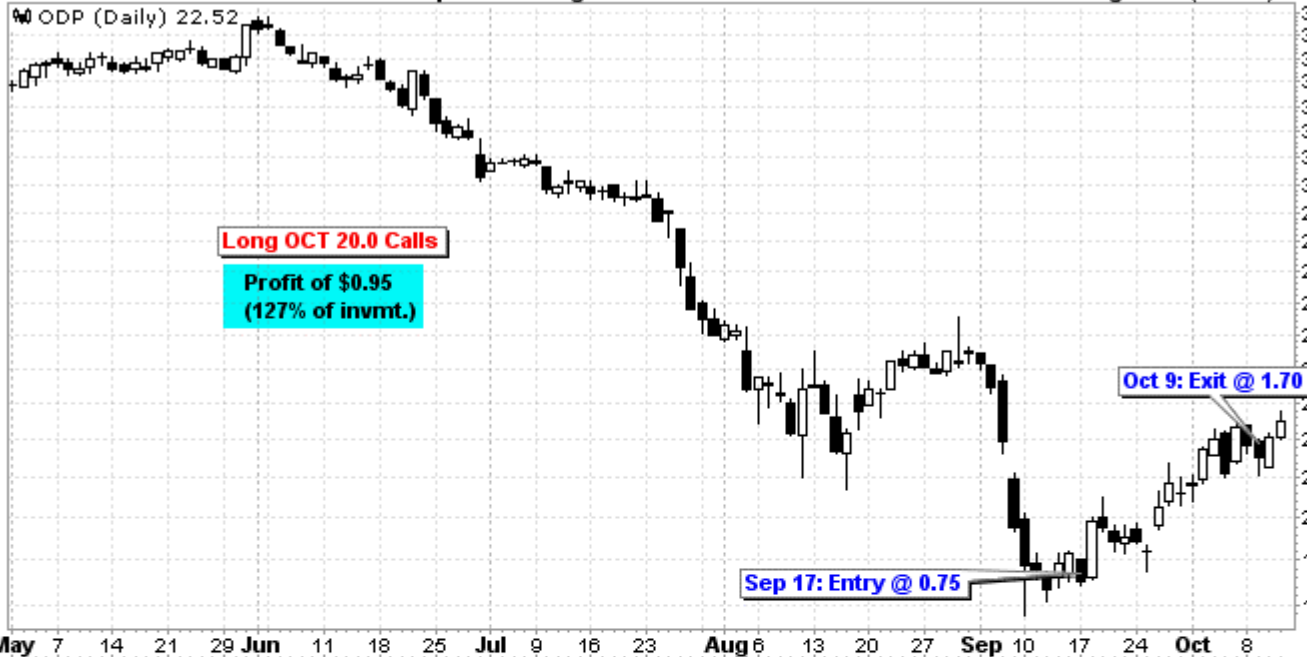
19 26 Apr 9 16 23 May 7 14 21 Jun 11 18 25 Jul 9 16 23 Aug 13 20 27 Sep 10 17 24 Oct 8

ODP (Office Depot, Inc.) NYSE

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11-Oct-2007

Open 22.07 High 22.79 Low 22.04 Close 22.52 Volume 5.1M Chg +0.44 (+1.99%) ▲



RSI(14) 57.14

positive centerline crossover

deeply oversold

MACD(12,26,9) 0.078, -0.296, 0.374

Volume 5,138,100

EMA(60) 5,057,786

capitulation

May 7 14 21 29 Jun 11 18 25 Jul 9 16 23 Aug 6 13 20 27 Sep 10 17 24 Oct 8

MMM (3M Co.) NYSE

11-Oct-2007

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Open 96.10 High 96.49 Low 93.92 Close 94.36 Volume 3.7M Chg -1.46 (-1.52%)

MMM (Daily) 94.36

Long OCT 90.0 Calls

Profit of \$1.10
(29% of invmt.)

Oct 11: Exit @ 4.90

Sep 4: Entry @ 3.80

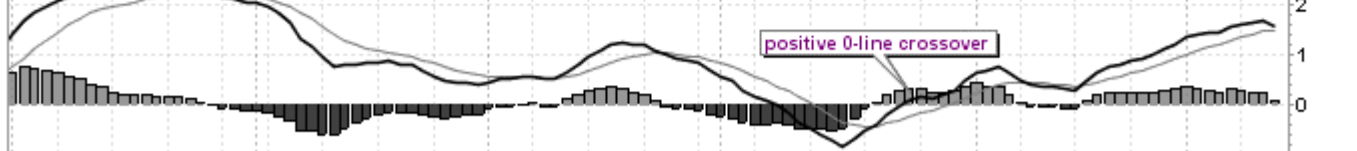
Rectangle

May 7 14 21 29 Jun 11 18 25 Jul 9 16 23 Aug 6 13 20 27 Sep 10 17 24 Oct 8

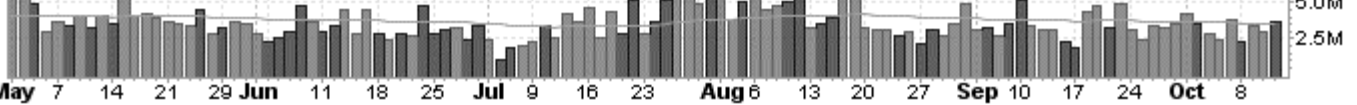
RSI(14) 60.05



MACD(12,26,9) 1.550, 1.473, 0.077



Volume 3,679,395
EMA(60) 3,563,780



May 7 14 21 29 Jun 11 18 25 Jul 9 16 23 Aug 6 13 20 27 Sep 10 17 24 Oct 8

BA (Boeing Co.) NYSE

3-Oct-2007

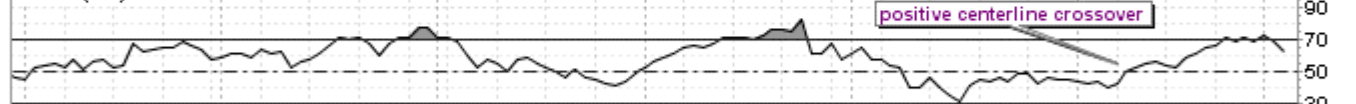
Open 105.33 High 105.73 Low 104.25 Close 104.72 Volume 3.7M Chg -1.21 (-1.14%)

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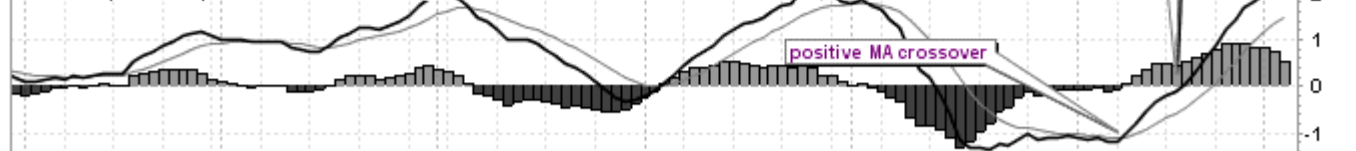
BA (Daily) 104.72



RSI(14) 62.10

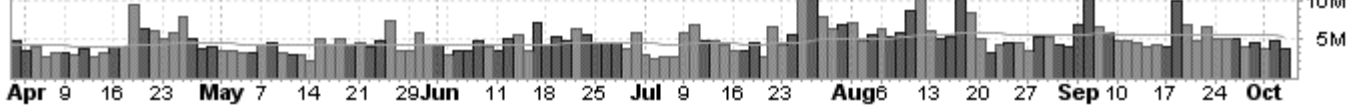


MACD(12,26,9) 2.034, 1.488, 0.546



Volume 3,655,500

EMA(60) 5,309,260



LMT (Lockheed Martin Corp.) NYSE

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12-Oct-2007

Open 111.87 High 112.06 Low 110.76 Close 111.67 Volume 1.7M Chg -0.21 (-0.19%)

LMT (Daily) 111.67



AOB (American Oriental Bioengineering Inc.) NYSE

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15-Oct-2007

Open 12.36 High 12.59 Low 12.05 Close 12.26 Volume 1.4M Chg -0.07 (-0.57%)

AOB (Daily) 12.26



AAPL (Apple, Inc.) Nasdaq GS

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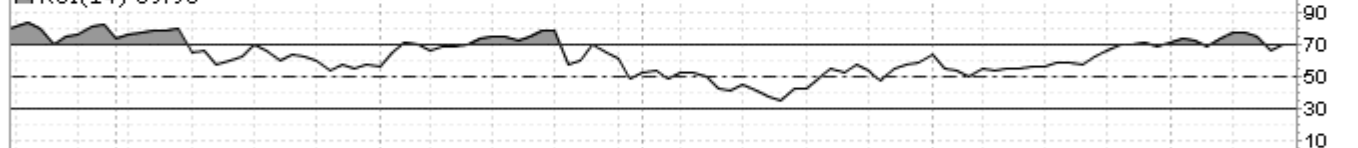
12-Oct-2007

Open 163.01 High 167.28 Low 161.80 Close 167.25 Volume 35.2M Chg +5.02 (+3.10%) ▲

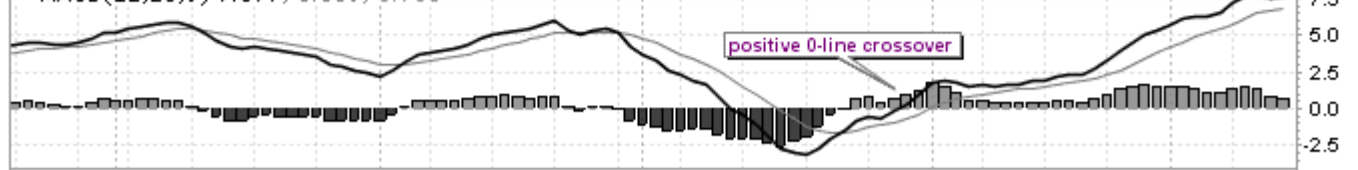
▲ AAPL (Daily) 167.25



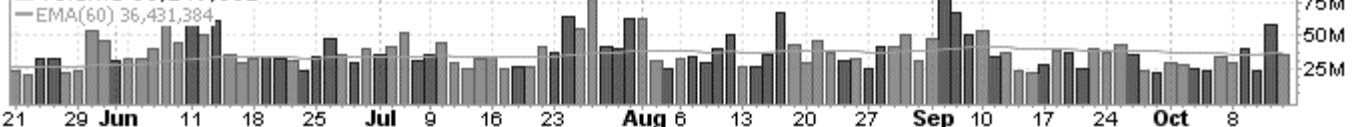
▲ RSI(14) 69.93



— MACD(12,26,9) 7.577, 6.869, 0.708



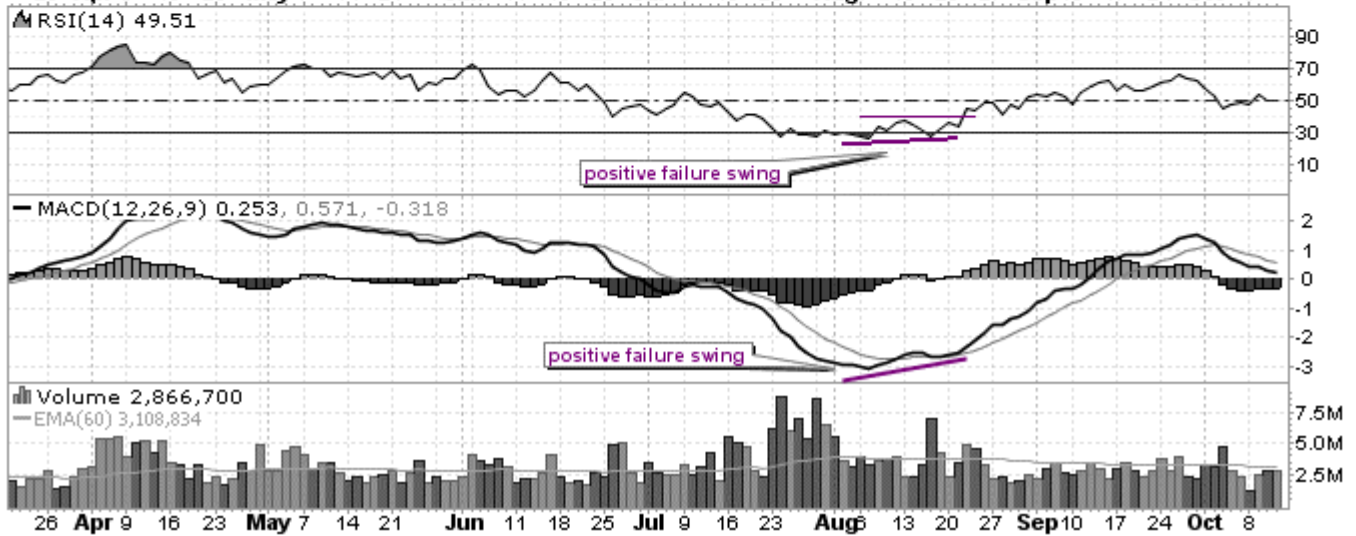
■ Volume 35,249,552



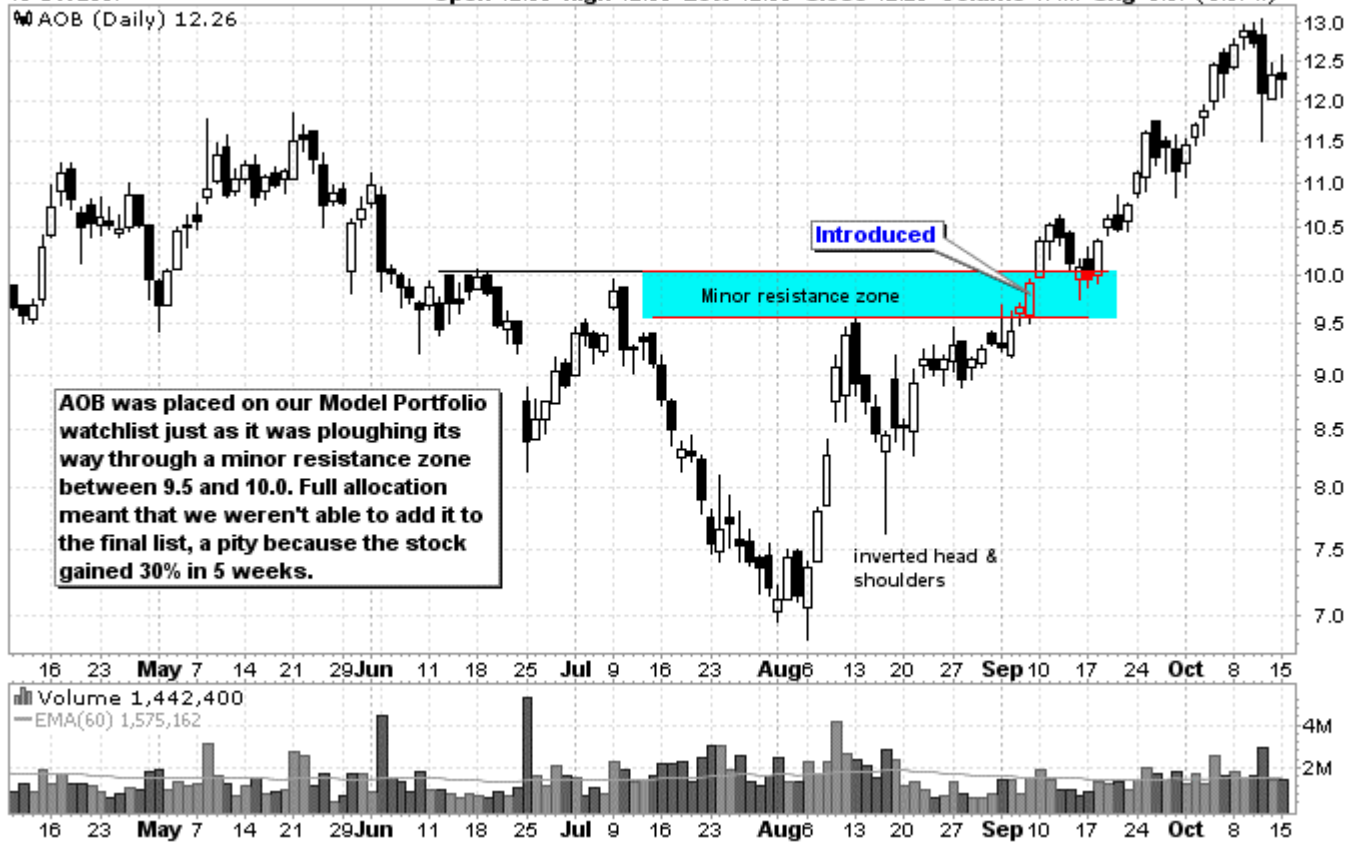
CCJ (Cameco Corp.) NYSE
11-Oct-2007

© StockCharts.com

Open 43.35 High 44.25 Low 42.25 Close 42.92 Volume 2.9M Chg +0.19 (+0.44%) ▲



AOB (American Oriental Bioengineering Inc.) NYSE © StockCharts.com
 15-Oct-2007 **Open 12.36 High 12.59 Low 12.05 Close 12.26 Volume 1.4M Chg -0.07 (-0.57%)**



That was a wrap-up of select trading picks from the month of October, so far. Remember to take a look at trading picks from other months at the following links:

[September Trading Picks Archives](#) [August Trading Picks Archives](#)

We also urge you to consider **Signing Up for a 'Swing Traders' Membership Package** at our [Membership Services](#) page, so that you may have access to trading picks like these before they make their moves.

Sincerely,

Asher Pinto

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Purely Technical

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