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Weekend Market Newsletter

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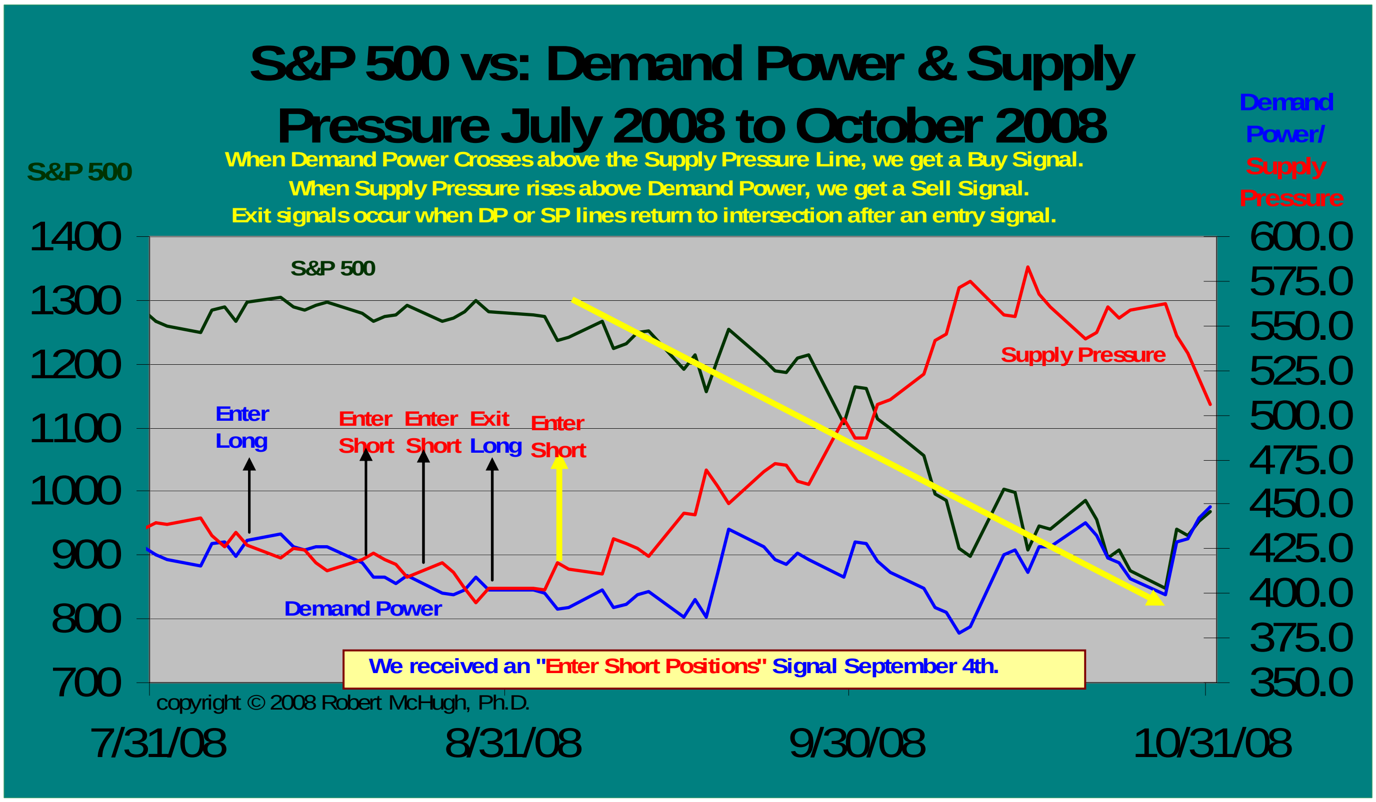
SUMMARY OF INDEX DAILY CLOSINGS FOR FRIDAY, OCTOBER 31st, 2008

Date	DJIA	Transports	S&P	NASDAQ COMPQ	NASDAQ 100	Russell 2000	30 Yr Treas Bonds
Oct 24	8378.95	3448.44	876.77	1552.03	1202.27	471.12	116^30
Oct 27	8175.77	3364.98	848.92	1505.90	1169.78	448.40	117^11
Oct 28	9065.12	3574.16	940.51	1649.47	1297.57	482.55	116^11
Oct 29	8990.96	3610.45	930.09	1657.21	1302.12	490.88	115^03
Oct 30	9180.69	3727.01	954.09	1698.52	1333.94	514.18	114^10
Oct 31	9325.01	3885.83	968.75	1720.95	1334.78	537.52	113^04



Status of Demand Power/Supply Pressure Key Trend-finder Indicator

Index	Term	* Signal	First Date of Signal	Current Demand Pr.	Current Supply Pr.	Fullest Extent of Index Move Since Signal
S&P 500/DJIA	Short	Enter Short	9/4/2008	449	506	SPX Fell 393 Points (31.9 %)
NDX	Short	Enter Short	8/25/2008	425	475	NDX Fell 743 Points (39.3 %)

* We consider a new entry point for a signal the day when one measure crosses more than 10 points above the other. We like to exit when (or before if conservative) the two measures return to an intersection.

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Summary of McHugh's Proprietary Index Key Trend-finder Buy/Sell Signals

	Index	Term	Signal	Date Current Signal	Fullest Extent of Index Move Since Signal
Purchasing Power Indicator	DJIA/S&P	Short	Buy	Oct 28th, 2008	DJIA Rose 298 Points (3.3 %)
DJIA 14 Day Stochastic	DJIA	Short	Buy	Oct 28th, 2008	DJIA Rose 298 Points (3.3 %)
DJIA 30 Day Stochastic	DJIA	Short	Buy	Oct 28th, 2008	DJIA Rose 298 Points (3.3 %)
DJIA Primary Trend Indicator	DJIA	**Long**	Sell	Sept 30th, 2008	DJIA Fell 2968 Points (27.4 %)
Secondary Trend Indicator	DJIA/S&P	Short	Sell	Oct 2nd, 2008	DJIA Fell 2600 Points (24.8 %)
NDX Purchase Power Indic	NASDAQ 100	Short	Buy	Oct 28th, 2008	NDX Rose 46 Points (3.6 %)
NDX 14 Day Stochastic	NASDAQ 100	Short	Buy	Oct 13th, 2008	NDX Rose 41 Points (2.9 %)
RUT Purchase Power Indic	RUT	Short	Buy	Oct 28th, 2008	RUT Rose 31 Points (6.6 %)
HUI Purchasing Power Indic	HUI	Short	Buy	Oct 29th, 2008	HUI Rose 14 Points (7.3 %)
HUI 30 Day Stochastic	HUI	Short	Sell	Oct 2nd, 2008	HUI Fell 110 Points (42.5 %)

Short-term, both the Bullish and Bearish scenarios remain alive Friday, both implying a huge move around the corner, but in opposite directions, of course. Both are charted later in this report. We continue to give each a 50 percent probability. Just one of those times where uncertainty reigns. A rise above 9,750 suggests the Bullish, Minor degree wave **b-**up rally started Tuesday. The Bearish scenario considers wave **4** may not be complete yet. On pages 20, 21, and 23 we show Elliott Wave charts for the short-term Bearish view. This view warns a dramatic decline may be necessary before the wave b multi-month rally starts. On pages 20 and 22, we show Elliott Wave charts that allow for the bottom of major wave **"a"** to be complete, the first phase of the Bear market from October 2007, suggesting a multi-month rally has started. That view is supported by many new buy signals that have recently been generated in several indicators which we present tonight.

The coming ideological directive next Tuesday, the presidential election result, is likely the reason for this indecisive technical set-up. This weekend we present a fascinating analysis of how markets have behaved after ideologically different presidential election results. The results may surprise you. They did us. Further, and this is very interesting, the stock market has actually done a pretty good job predicting the outcome of the past nine presidential elections. In this eight page analysis, complete with charts, we reveal which presidential candidate the stock market has already predicted will win this coming Tuesday, and the likely direction stocks will take as a result. Don't miss this, and please tell your friends about it.

What we can say, is that about a month from now, stocks should be in a huge Bear Market rally, phase two of a three phase Bear Market, affording an opportunity to raise cash before all damnation breaks loose later in 2009, when phase three strikes fear into the hearts and minds of men.

The ***Dow Industrials*** rose 144.32 points, closing at 9,325.01 Friday, October 31st. ***NYSE volume was flat at 100*** percent of its 10 day average. Upside volume was 74 percent, with advancing issues at 72 percent, with upside points at 83 percent. ***S&P 500 Demand Power rose 7 points to 449, while Supply Pressure fell 14 points to 506,*** telling us buying interest was strong, but a lack of interest in selling helped drive prices higher.

To repeat what we said, in last weekend's newsletter, our view of the big picture after this developing decline to a bottom for wave **a-**down, ***"if there is a bottom here, it is certainly a technical bounce we get. The present economic fiasco does not deserve a bottom here.*** The bailout plan is an utter socialist disaster. A major recession, possibly depression, is just starting, and nobody has a clue what to do. Confidence in markets and governments is gone, the PPT is proving ineffective, jobs are disintegrating, foreclosures wiping out entire neighborhoods like some sort of plague, runs on banks 1930's style, mortgage backed securities so complicated nobody can identify who owes what to whom, lines of credit evaporated, cries for Federal Reserve guarantees of pretty much everything contracted to offset all counterparty risk in the universe, trembling lipped, flush-faced newly anointed King Henry, the Treasury Secretary, letting it slip he won't be staying on the job much longer, "nationalization" the most popular word in the English vocabulary, and a political campaign with divisiveness rhetoric last seen in pre-Civil War times.

"Here is what is going on big picture: ***We just got a reconfirmation of the Dow Theory Primary Bear Market sell signal, and just got a new sell signal in our Primary Trend Indicator. These are two long-term fresh sell signals, suggesting that this Bear Market is nowhere near over.*** It means the coming bounce will be corrective. Putting this all together, it means the decline from the October 2007 highs is just wave **a-**down of an **a-**down, **b-**up, **c-**down Bear Market. Friday's closing low came precisely on the one-year anniversary of the all-time high in October 2007, and precisely the same day, six years later, from the October 2002 Bear Market bottom. This is amazing. It has a poetry to it. ***Whether the final bottom comes Friday, October 10th, or next Friday, or some other day soon, this will only be the bottom of the first leg down of a three-phase Bear Market***.

"The next leg, wave **b-**up, could/should last about 2 to 4 months, and we anticipate a ton of volatility. We have a bunch of *phi* mate turns coming over the next 2 to 4 months, the next one after October 13th scheduled for October 23rd +/-. Wave **b-**up could be an **a-**up, **b-**down, **c-**up affair, or a five wave **a-b-c-d-e** triangle, with violent swings, each wave shorter than its precedent wave.

"Once wave **b-**up completes, sometime in early 2009 most likely, wave **c-**down will follow, which should prove cataclysmic, and based upon how low wave **a-**down got Friday, will likely hit new lows far below the 2002 lows. It will feel like it is ushering in Armageddon. ***Conservative investors must raise cash at the coming technical bounce, wave b-up.*** If wave **b-**up retraces 38.2 percent of the decline from October 2007, it could rise to 10,295. If that is the case, it argues for a triangle pattern, essentially sideways pattern for wave **b-**up, as its price target would get hit before a reasonable proportional time period has passed. If the rebound is 50 percent, we are talking an upside target of 11,040. A 61.8 percent retrace would target 11,785.

"Wave **c-**down could result in a new form of government, something quite different than the Founding Fathers established. There could be an international crisis that feeds it, perhaps a new war, assassinations, or something horrendous and violent. It is here that owning gold coins will be important.

***The Demand Power/Supply Pressure indicators generated an enter short position signal September 4th, and remains there Friday*. *Friday's McClellan Oscillator improved to positive + 234.35, an extreme overbought level. The Summation Index improved to negative –3,692.85*. *NYSE New Highs was flat at 4*, with *New Lows falling to 49 Friday*.**

The percent of DJIA stocks above their 30 day moving average rose to 43.33 from 33.33. The percent above 10 day rose to 86.67 from 83.33. ***The percent above 5 day fell to 86.67 from 93.33, a Bearish divergence.*** The ***NYSE 10 day average Advance/Decline Line Indicator rose to positive + 14.8, remaining on a "sell" signal from September 11th, needing to rise above the positive + 120.0 threshold necessary for a new "buy."***

Our three Blue Chip key trend-finder indicators (other than the Demand Power/Supply Pressure Indicator) remain on a "buy" signal Friday. The ***DJIA 30 day Stochastic*** Fast rose to 43.33, above the Slow at 20.67, ***remaining on a "buy" signal from October 28th.*** The ***DJIA 14 day Stochastic*** fell to 73.33, above the Slow at 45.00, ***remaining on a "buy" signal from October 28th.*** The Fast had to cross *more than* 10 points below the Slow for a new "sell." The ***S&P 500 Purchasing Power Indicator rose 3 points to negative –84.72, remaining on a "buy" signal from October 28th***.

The ***Plunge Protection Team Risk Indicator*** rose ***to negative –22.88 Friday, remaining on a "buy" signal from October 30th. A drop below negative -16.0 triggered a new "buy" signal. After it generated a buy signal on July 31st, the Industrials rose 489 points.*** When the reading rises above positive + 20.00, or falls below negative –16.00, we usually see multi-week rallies. ***On the other hand, declines can (don't have to) occur when this reading falls within the range of negative –16.00 to positive + 20.00.*** The PPT Indicator was in the range where declines typically occur, between negative –16.00 and positive + 20.00 for most of the late December/January decline, which saw the DJIA drop over 1,100 points. It then rose above + 20.00 January 14th. Rallies usually start about a week or two after this measure exceeds positive +20.00. When this indicator last went below negative –16.00, triggering a new "buy" signal, on February 7th, 2008, the Industrials closed at 12,247. After that the Industrials rose 509 points. After they rose above negative –16.00 on March 3rd, the DJIA dropped over 500 points. ***From May to July 2008 we saw a significant decline within this range, 1,650 points. After this indicator generated a sell signal October 1st, the Industrials declined 2,948 points.***

The DJIA Call/Put Ratio remained at 0.99 Friday, on a "neutral" signal from May 27th (moving below 1.00 and above 1.40 is neutral, while rising decisively above 1.00 ***(above 1.10)*** triggers a new "buy"). ***On Friday, the Secondary Trend Indicator rose 6 points to negative –11, on a sell signal.*** Above zero is Bullish. Below zero is Bearish. The closer it moves toward zero, the greater the risk of a coming trend turn, thus caution with open positions would be recommended. ***After it turned Bearish on December 31st, 2007, the Industrials fell 1,630 Points, or 12.3 percent. After it generated a sell, on June 17th, the Industrials fell 1,200 points. After it triggered a sell signal on October 2nd, the Industrials fell 2,600 points.*** This indicator correlates well with price trends.

On October 10th, the Industrials blew past the downside target of 9,750 we had been warning for months would be reached, per a ***Head & Shoulders top in the Dow Industrials***. ***There is a smaller H&S top that has completed with a downside target of 7,500ish***, which we also came close to hitting Friday, October 10th. That level could be tossed aside over the next few weeks if the triangle scenario is occurring.

SUMMARY PAST WEEK'S DEMAND POWER/SUPPLY PRESSURE STATISTICS

Blue Chips S&P 500/DJIA

Date	Demand Power	Supply Pressure	Purchasing Power Indicator	Secondary Trend Indicator
Oct 24	Down 9 to 408	Up 5 to 559	Down 9 to -114	Down 6 to –30
Oct 27	Down 9 to 399	Up 3 to 562	Down 6 to -120	Down 1 to –31
Oct 28	Up 30 to 429	Down 18 to 544	Up 27 to –93	Up 9 to –22
Oct 29	Up 2 to 431	Down 9 to 535	Down 2 to –95	Down 1 to –23
Oct 30	Up 11 to 442	Down 15 to 520	Up 7 to -88	Up 6 to –17
Oct 31	Up 7 to 449	Down 14 to 506	UP 3 to -85	Up 6 to –11

NASDAQ 100

Date	Demand Power	Supply Pressure	Purchasing Power Indicator	PPT Risk Indicator (Above +18% Means High Risk of a Short-covering Rally)
Oct 24	Down 4 to 404	Up 3 to 502	Down 8 to –88	- 14.36
Oct 27	Down 4 to 400	Flat 0 at 502	Down 6 to –94	- 15.85
Oct 28	Up 17 to 417	Down 11 to 491	Up 34 to –60	- 15.30
Oct 29	Up 1 to 418	Down 4 to 487	Flat 0 at -60	- 15.67
Oct 30	Up 6 to 424	Down 7 to 480	Up 7 to –53	**- 20.75**
Oct 31	Up 1 to 425	Down 5 to 475	Flat 0 at –53	- 22.16

10 Day Average Short-term Advance/Decline Signals

Index	Oct 31st A/D Indicator	Signal	Date of Signal	Fullest Extent of Index Move Since Signal
NYSE/S&P 500	+ 14.8	Sell	Sept 11th, 2008	SPX Fell 409 Points (32.8 %)
NASDAQ 100	- 6.3	Sell	Aug 20th, 2008	NDX Fell 766 Points (40.00 %)
Russell 2000	- 65.3	Sell	Aug 25th, 2008	RUT Fell 272 Points (37.8 %)

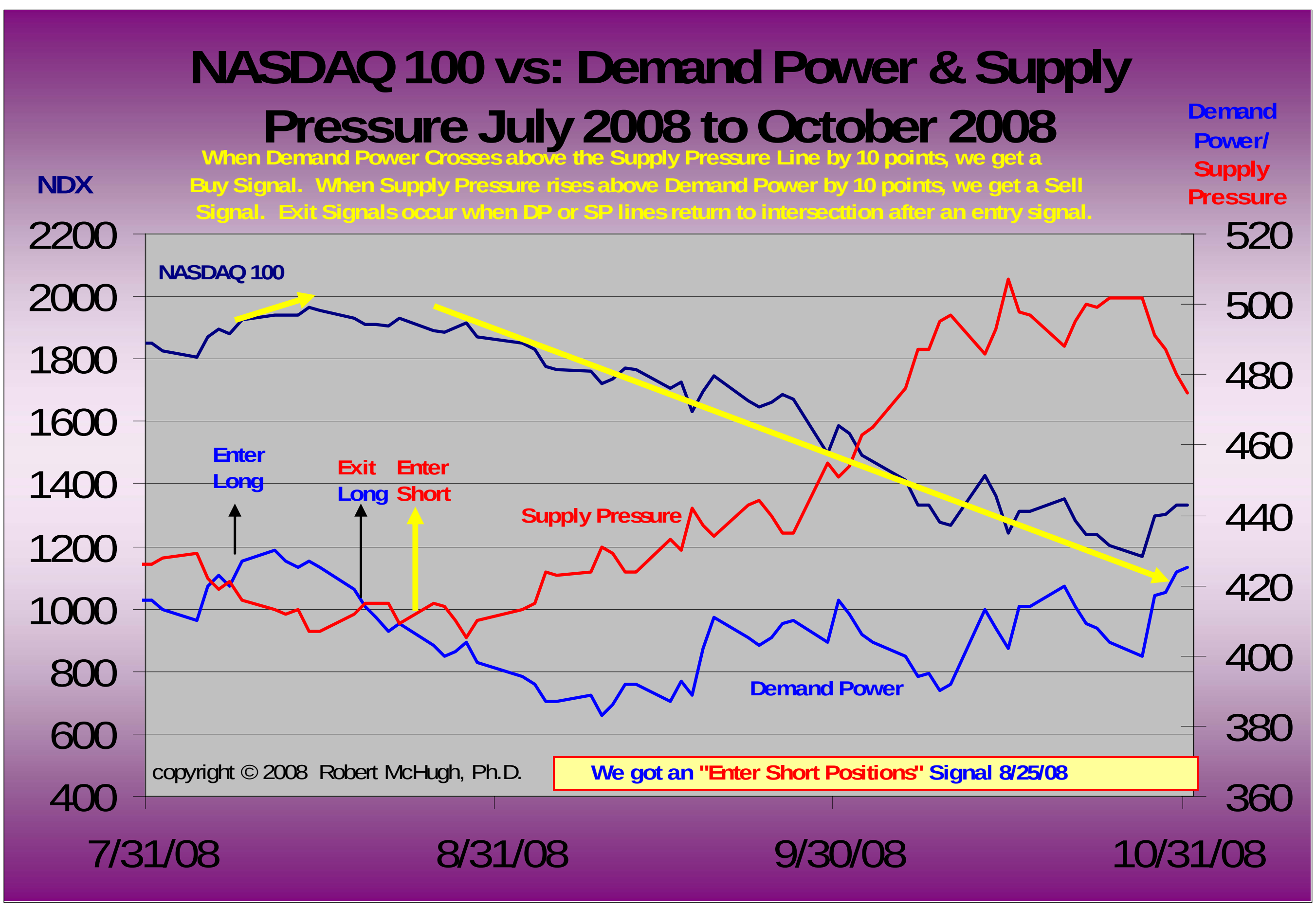
Shorting should only be done with funds that are speculative and the investor is willing to accept a substantial loss on. That is because the PPT is very active at this time.

Have you noticed that the NDX crashed 40.0 percent since our NDX 10 day average Advance/Decline Line Indicator generated a sell signal August 20th, 2008, less than two months ago.

Gold's Daily Full Stochastic generated a new buy signal Tuesday. The HUI Amex Gold Bugs Index Daily and Weekly Full Stochastics just generated new buy signals.

The ***NASDAQ 100 rose 0.84 points Friday, closing at 1,334.78.*** Volume was down at 92 percent of its 10 day average. ***Downside volume led at 52 percent, Friday. Advancing issues led at 59 percent, with upside points at 75 percent. NDX Demand Power rose 1 point to 425, with Supply Pressure down 5 points at 475,*** telling us the rally came more from a lack of selling interest than a strong urge to buy.

Our key trend-finder indicators remain on a "buy" signal Friday. The ***NDX 14 day Stochastic*** Fast rose to 66.00, above the Slow at 45.40, ***remaining on a "buy" signal from October 13th.*** The ***NDX Purchasing Power Indicator was flat at negative –52.99, remaining on a "buy" signal from October 28th***. The ***NDX 10 day average Advance/Decline Line Indicator*** rose to negative - 6.3, ***remaining on a "sell" signal*** from August 20th, when it fell below the negative –5.0 threshold for a new "sell" signal. The ***Demand Power/Supply Pressure Indicator generated an enter short positions signal Monday August 25th***, when the SP indicator rose more than 10 points above the DP indicator, and remains there Friday, October 31st.

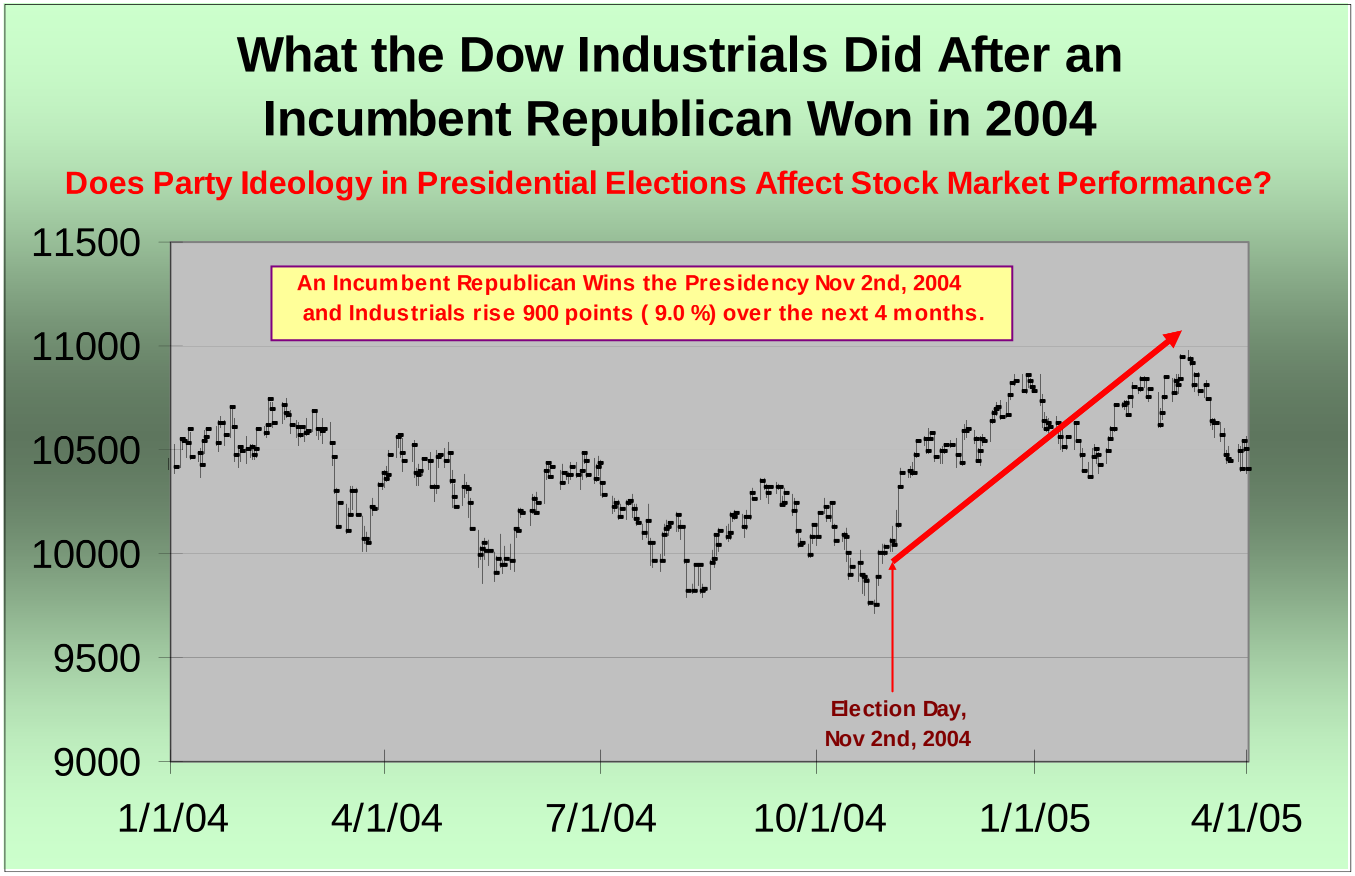


The ***Russell 2000 rose 23.34*** points Friday, the exact same rise as Thursday, closing at 537.52. Volume was higher at 113 percent of its 10 day average, with upside volume leading at 79 percent, with advancing issues leading at 87 percent. ***The RUT Purchasing Power Indicator*** rose to positive + 18.22, ***remaining on a "buy" signal from October 28th***. The ***RUT 10 day average Advance/Decline Line Indicator*** rose to negative –65.30, ***remaining on a "sell" signal from August 25th***, needing to rise above the positive +180.00 threshold for a new "buy" signal.

The ***HUI Amex Gold Bugs Index fell 8.80 points Friday, closing at 193.87. Volume fell to 72 percent of its 10 day average.*** Downside volume was 89 percent, with declining issues at 85 percent, and downside points at 99 percent. ***Our key trend-finder indicators remain on a "sideways" signal Friday, October 31st.*** The ***HUI 30 day Stochastic*** Fast remained at 0.00, equal to the Slow, ***remaining on a "sell" signal from October 2nd.*** The Fast has to rise more than 20 points above the Slow to trigger a new "buy." The ***HUI Purchasing Power Indicator rose to 182.39, remaining on a "buy" signal from October 29th.*** December ***Gold*** fell to 718.2. ***Silver fell to 9.73***, while ***Oil rose to 67.81.*** The ***Dollar*** rose 0.89 to 85.67. ***Bonds fell a point to 113^04.*** The PPT has to buy the long end to keep Bonds headed in the right direction, to support the housing market, especially now that AMBAC and MBIA are no longer rated AAA, Fannie Mae and Freddie Mac — who hold half of all mortgages - have collapsed, and credit markets have frozen, requiring lower interest rates, and Master Planner interest rate (bond) intervention. The ***VIX fell to 59.89, as volatility and fear remain.***

The ***Australia SPASX200 rose 16.90 points, or 0.42 percent Friday***. Click on the Weekend Australia Report, ***which includes EW charts of the FTSE and DAX, for the latest analysis***.

Bottom Line: ***The Fed has to continue hyperinflating to bail out this sick economy, feeding a major trend up in precious metals. Households, not just Wall Street, must be bailed out. If this doesn't happen we are headed for an economic depression***.



How Does Party Ideology in Presidential Elections Affect Stock Market Performance?

We went back over the past nine presidential elections, dating back to 1972, and analyzed how the stock market preformed within the first month after an election, and then how it looked 4 months later. What we are interested in finding out is whether the stock market seems to prefer the Democratic ideology, or the Republican, and whether stock market responds differently based upon the three possible scenarios: First, that an incumbent is reelected, and if so, whether his party makes a difference; Second, that an incumbent is ousted, and whether the party of the winner makes a difference; and third, whether a particular party makes a difference if neither candidate was an incumbent. We present charts of the performance of the Dow Industrials after each of the nine most recent presidential elections in the pages that follow.

Here is what we learned:

In six of the nine elections, we saw a bump in stock prices over the short-run, over the next few weeks after the election. The three times we did not get a short-term bump was 1984 (Reagan's reelection), 1988 (George the 1st's election), and in 2000 when prices were flat (George the 2nd's first term election). So, 7 out of 9 times, prices did not fall (were flat or rose) over the short-run.

In six out of the nine elections, we saw prices 5 percent or more higher 4 to 5 months after the election. The 3 times prices fell from election day levels, 4 to 5 months later, were in 1972 (Nixon), 1976 (Carter), and again in 2000 (George W. Bush). But in 2 of those 3 instances where prices were lower 4 months out, stocks staged a short-term pop after the election. That tells us that in eight of nine elections, prices were at least 5 percent higher than election day at some point over the

subsequent 5 months. ***That tells us presidential elections, no matter who wins, almost always provide reason for hope and stocks reflect that hope at least for a short while afterwards.***

Applying this to the current situation is difficult as we are currently in an economic environment similar to the one instance when prices did not rise over the subsequent 5 months from an election, 2000. Forgetting the economic environment, ***there is an 8 out of 9 chance prices will be higher sometime over the next 5 months than they will be this coming Tuesday at the close.***

Incumbents won reelection four times out of the past nine elections: Nixon in 1972, Reagan in 1984, Clinton in 1996, and George the 2nd in 2004. Here's how the stock market performed each of those times: ***All four instances found stocks sharply higher at some point over the subsequent 4 months. This tells us reelections are the safest elections to take a long position.***

Incumbents lost 3 times: Ford in 1976, Carter in 1980, and George H. Bush in 1992. ***In each instance, stocks rose after the election.*** In two of the three instances, both in 1980 and 1992, stocks rose sharply in both the short term (within a month of the election), and the intermediate term (through March/April). In 1976 stocks rose over the short-run, then declined into April.

Republicans won six of the nine elections since 1972. In five of the years the Republicans won, stocks rose sharply after the election. In 4 of the 5 rises, stocks were higher 4 months later. The only year stocks did not rise within 4 months after a Republican victory was when Dubya won in 2000.

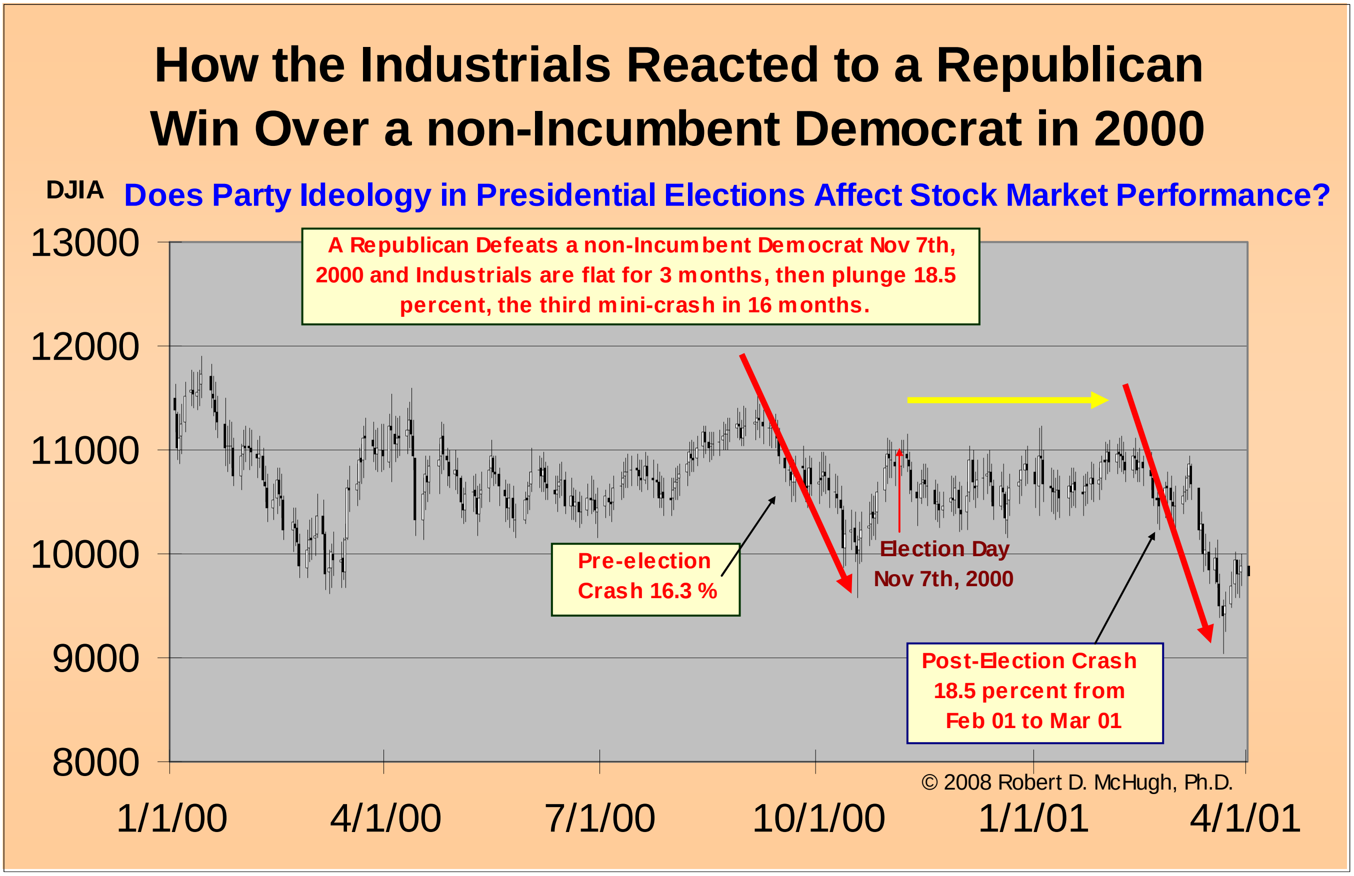
In all three instances when a Democrat won the election, stocks rose sharply after the election. The rallies were huge after both Clinton victories, and were up both in the short-run and long run. They rose in the short run after Carter won, then fell sharply, and were down four months later.

Whenever a Democrat beat a Republican incumbent, stocks rose. That occurred in 1876 (Carter beat Ford), and in 1992 (Clinton best George the 1st).

The only time a Republican beat an incumbent Democrat, stocks rose in both the short-run and were up four months later. That happened in 1980 (Reagan over Carter).

What conclusion can we draw from this? Party ideology in the White House has little to do with stock market performance. This flies in the face of conventional thought that markets do better under Republican administrations. The odds are pretty good (8 out of 9, 89 percent) that sometime over the next four months, before April 2009, stocks will be 5 percent higher than they are at the close Tuesday, November 4th, 2008, no matter who wins Tuesday.

Here's an interesting question? Did the stock market accurately predict the outcome of the past nine presidential elections? What if stocks fell in the two months prior to an election if the party in power was going to lose, and rose if the party in power was going to win? Why would it do that? Because the market hates change more than ideology. Stocks fell in 1972 during September and October while a Republican was in office, however Nixon won in 1972, so that means the stock market failed to predict re-election. Or, did the stock market accurately predict that Nixon would be gone 9 months later? If so, it was right. ***In 1976, stocks fell in September through October, and the Republican party that was in power lost that election, thus stocks accurately predicted change from Republicans to Democrats. In 1980, stocks fell in October, suggesting a change was coming, that a Democrat incumbency was going to lose, that change was coming. That proved correct, as Reagan beat Carter.***

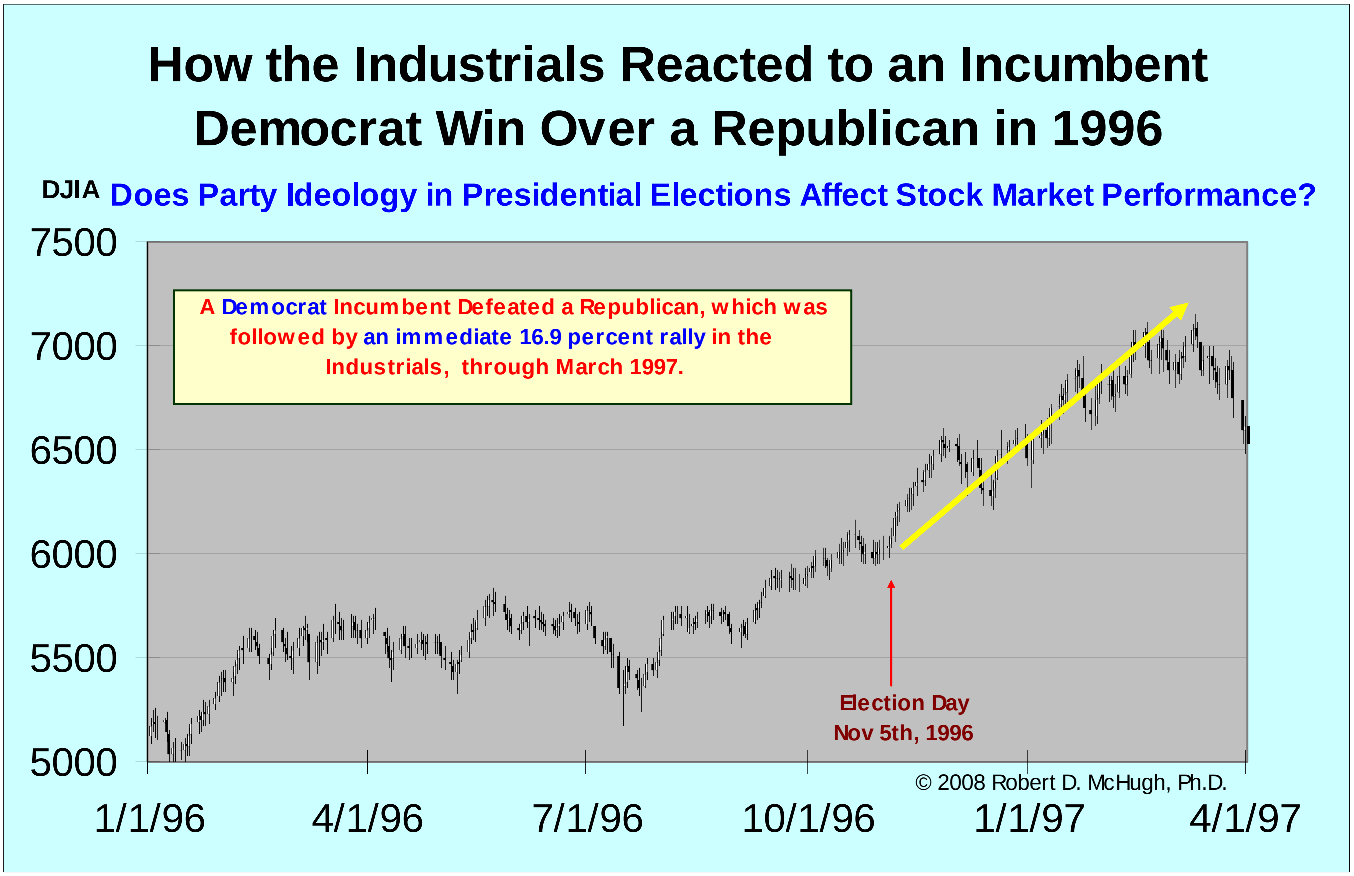


In 1984, stocks rose in in the months leading up to the election, and rose sharply in October, suggesting the incumbent Republican would be reelected. That is exactly what happened, as Reagan beat Mondale. Then in 1988, stocks rose sharply in September and October, predicting that the Republicans, the incumbent party, would win the presidency. That is exactly what happened, as George the 1st beat Democrat Michael Dukakis.

Get this, in 1992, stocks fell sharply in October, suggesting a change was coming. Well sure enough, the Democrats defeated the incumbent Republicans as Clinton defeated Bush the 1st. In 1996, stocks rose sharply in September and October, predicting victory for the incumbent party. In fact Democrat Bill Clinton was reelected. ***Then in 2000, stocks fell sharply in September and October, forecasting a change in White House ideology. In fact, sure enough, that prediction was correct, Republican George W. defeated the incumbent Democrats, and Al Gore.*** This forecasting method failed in 2004. Stocks fell during September and October 2004, suggesting Republican George the 2nd would lose. That was wrong, of course.

So as a forecasting tool, the stock market accurately predicting 7 of the past 9 elections, and failed to predict the 1972 and 2004 elections. Now this may be coincidence, but in the two instances when the prediction failed, what did lie ahead was a cataclysmic crisis, in 1972, the constitutional crisis that ended with Nixon's resignation, and in 2004, the coming economic crisis that we now have. That may be a stretch in interpreting this forecasting measure.

So what are stocks predicting for Tuesday, November 4th, 2008? A victory for the Democrats over the Republicans, as stocks have plunged in September and October. But if that happens, stocks have an 89 percent chance of being 5 percent higher at some point over the coming four months.



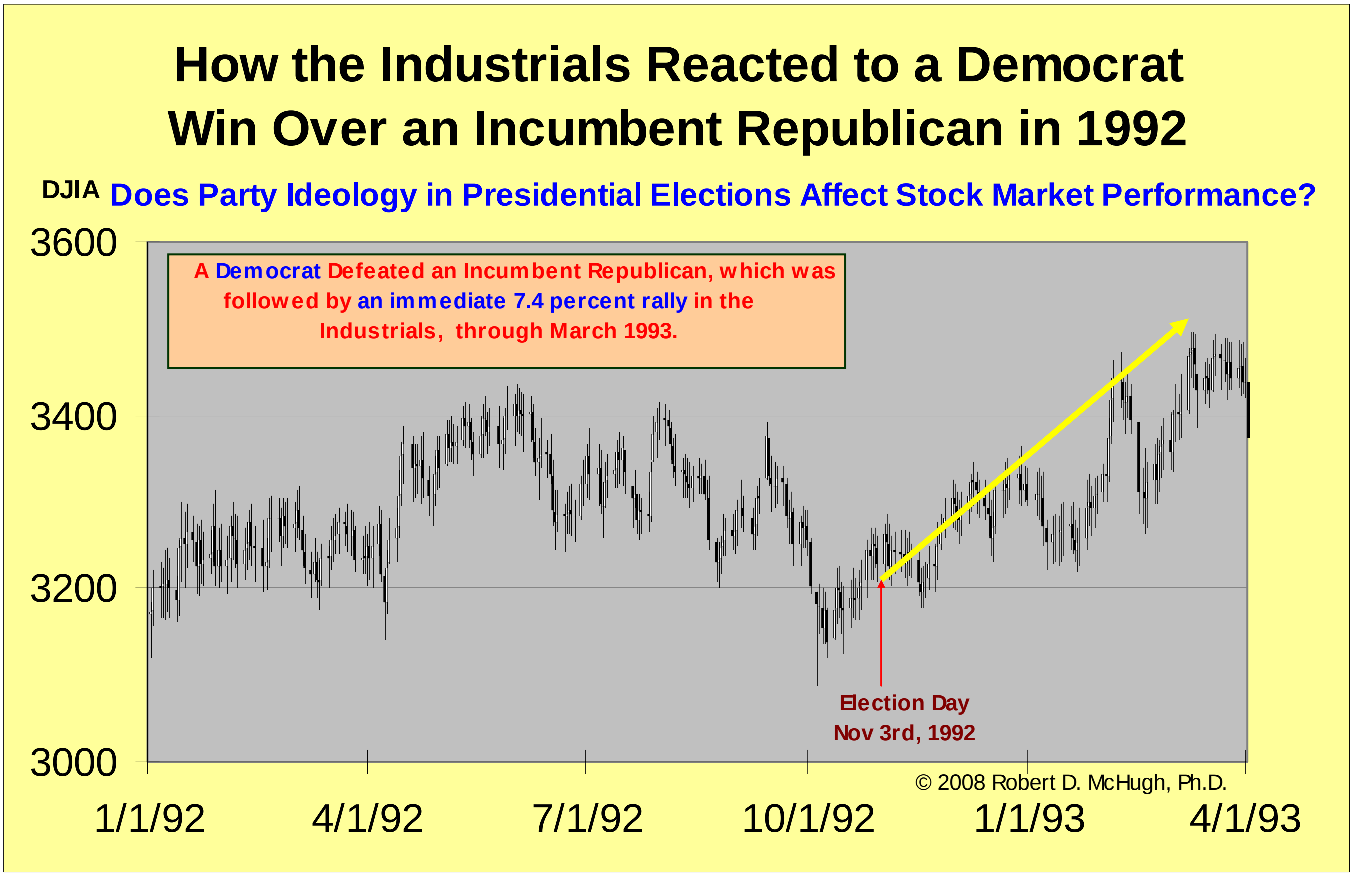
Here are the details for each of the past 9 presidential elections:

In 1972, Incumbent president Nixon defeated Democrat McGovern. The market closed at 984.80 the night before the election. The markets were closed on election day until 1984. Post election, the Industrials rose 82.40 points, or 8.40 percent, to 1,067.20 on January 11th, 1973. However, by March 23rd, 1973, the Industrials fell and ended down 73.68 points, or 7.48 percent, lower than the election day level, at 911.12.

In 1976, Democrat Jimmy Carter defeated incumbent president Gerald Ford. The market closed at 966.09 the night before the election, November 2nd. Post election, there was lots of volatility. After a one-week minor sell-off, the Industrials found themselves up 41.72 points, or 4.32 percent, to 1,007.81 on January 3rd, 1977. However, by April 6th, 1977, the Industrials fell and ended down 56.0 points, or 5.8 percent, to 910.07.

In 1980, Republican Ronald Reagan defeated incumbent president Jimmy Carter. The market closed at 937.20 the night before the election, November 4th. Post election, there was an immediate rally to 1,009.39 November 19th, a two week, 72.19 point, 7.7 percent rally. Then, through April 1st, 1981, stocks showed volatility, but ended up rising 83.42, or 8.9 percent, to 1,020.62.

In 1984, incumbent Ronald Reagan defeated Democrat Walter Mondale. On election day, the Industrials were at 1,224.15. Immediately after the election, stocks declined to 1,154.70 on December 10th, an 89.45 point, 7.19 percent drop.



In 1988, Vice President George H. Bush defeated Democrat Michael Dukakis. On election day, the Industrials closed at 2,150.96. Immediately after the election, stocks declined to 2,026.67 on November 16th, a 124.29 point, 5.7 percent drop. Then stocks rallied hard to 2,369.29 on February 8th, 1989, a 218.33 point rally from the close on election day, a 10.15 percent rise.

In 1992, Democrat Bill Clinton defeated Republican incumbent George H. Bush. On election day, the Industrials closed at 3,252.48. Immediately after the election, the Industrials rallied hard continuously through 3,493.74 on March 11th, 1993, rising 241.13 points, or 7.4 percent.

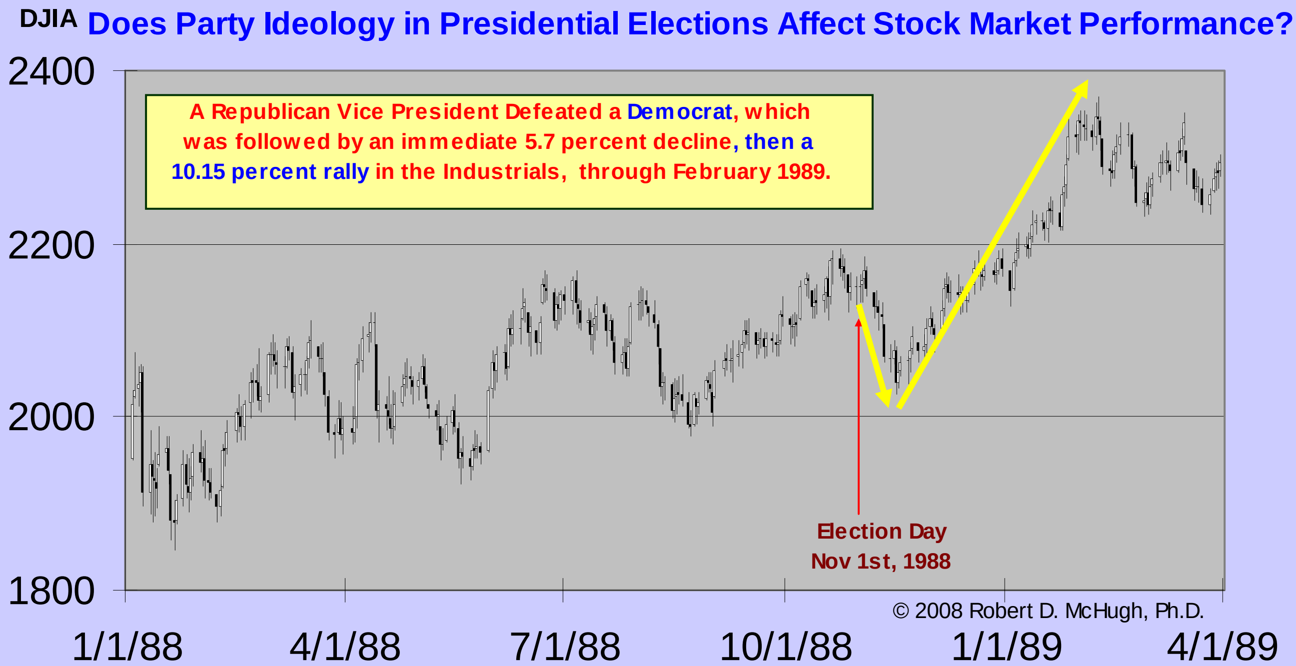
In 1996, incumbent Democrat Bill Clinton defeated Republican challenger Bob Dole. On election day, the Industrials closed at 6,081.18. Immediately after the election, the Industrials rallied hard continuously through March 12th, 1997, rising 1,030 points, or 16.9 percent to 7,112.72.

In 2000, Republican George W. Bush defeated incumbent Democrat Vice President Al Gore. On election day, the Industrials closed at 11,105.75. Immediately after the election, the Industrials went flat through February 7th, 2001. Stocks then plunged 2,058 points, or 18.5 percent through March 22nd, 2001.

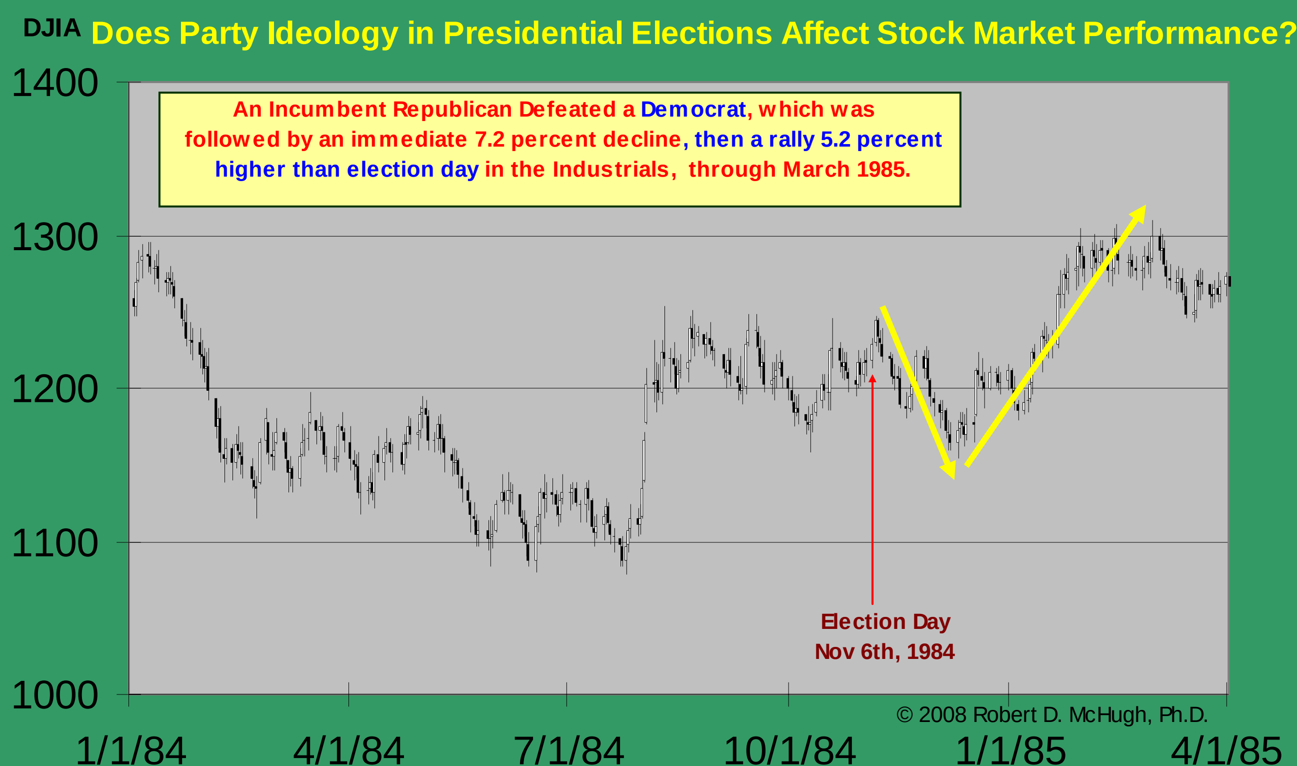
In 2004, Incumbent George W. Bush defeated Democrat John Kerry. On election day the Industrials were 10,035. The Industrials then rose over 900 points, or 9 percent, to 10,984.46 on March 7th, 2005.

We now await 2008's .

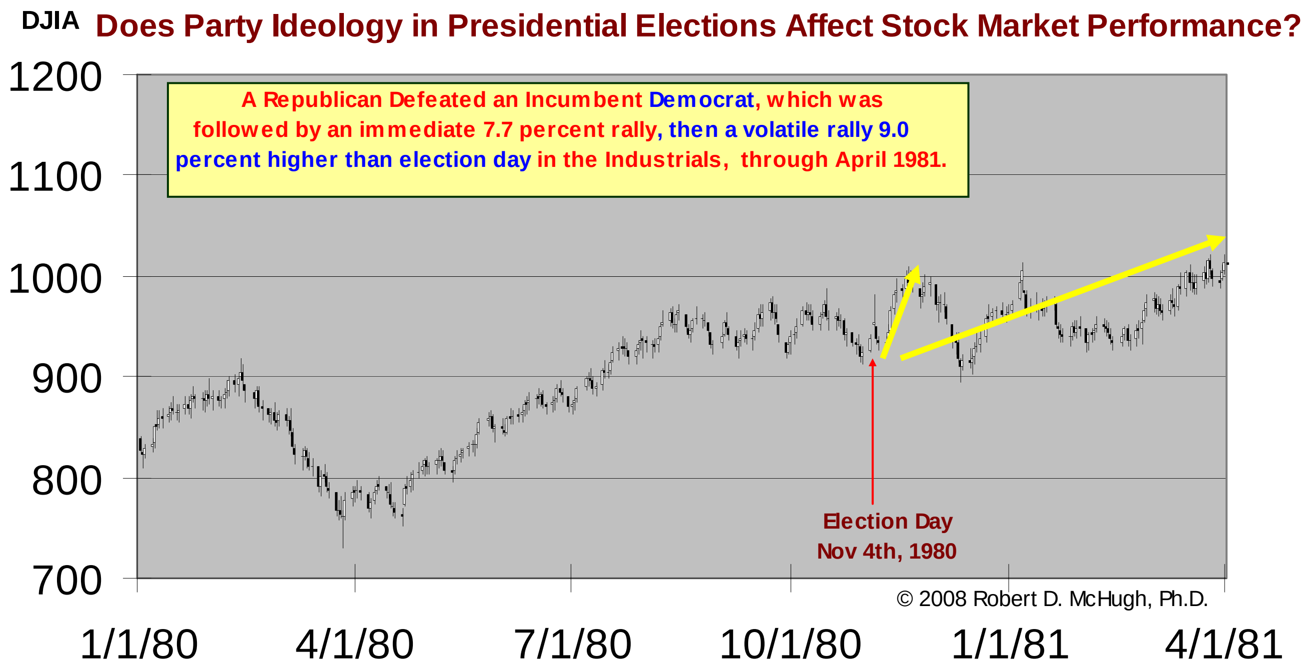
How the Industrials Reacted to a Republican VP Win Over a Democrat in 1988



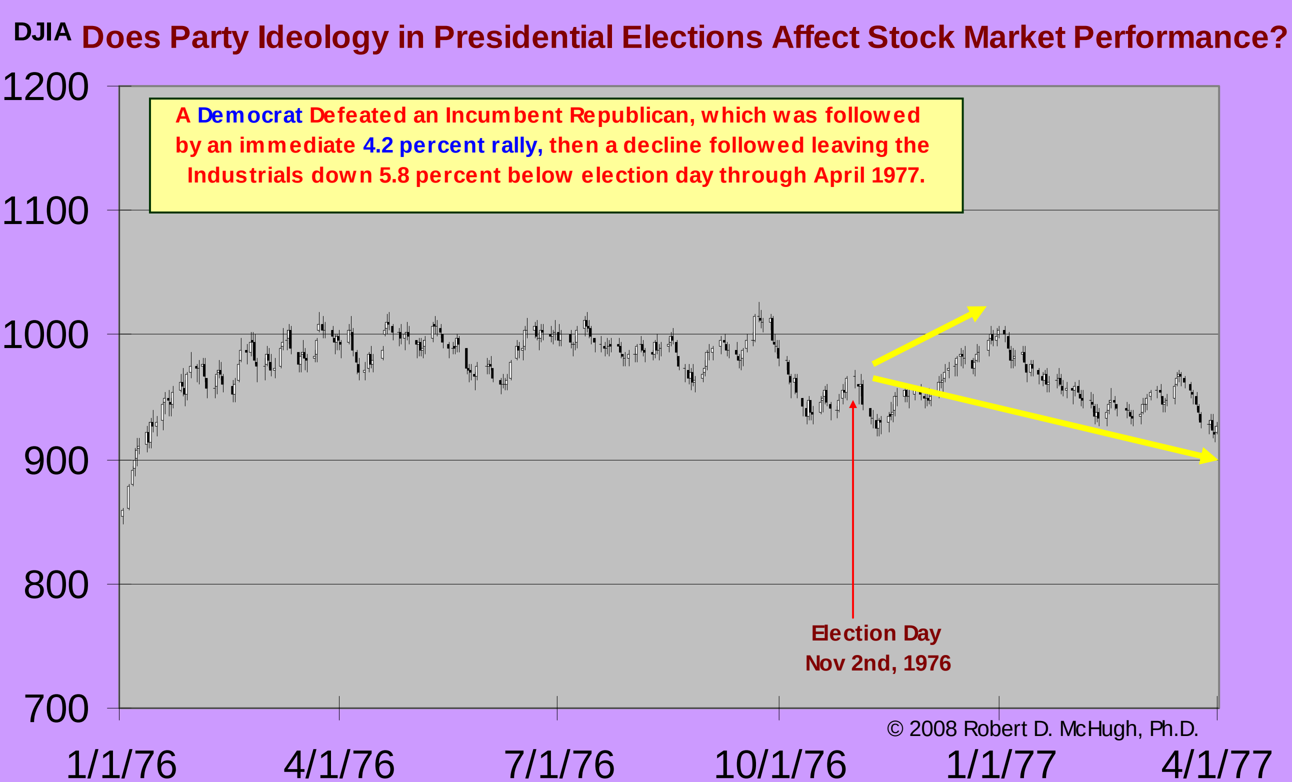
How the Industrials Reacted to an Incumbent Republican Win Over a Democrat in 1984



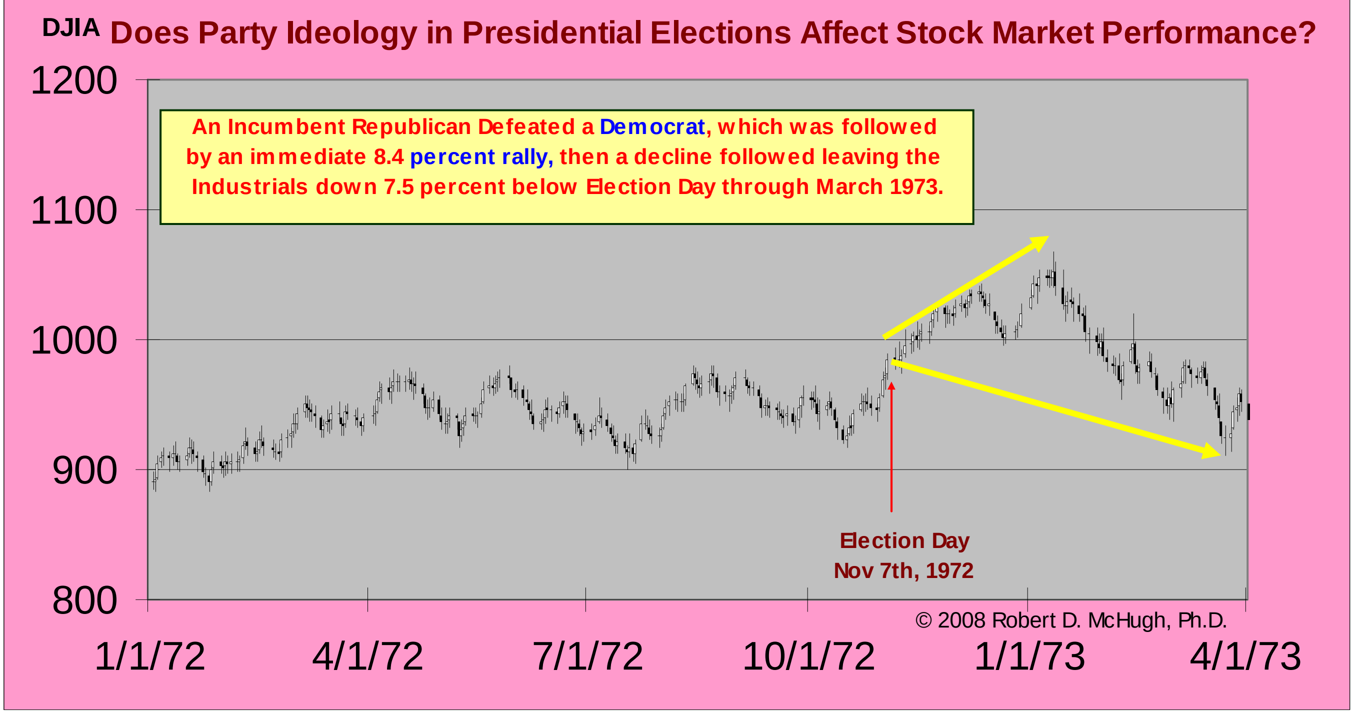
How the Industrials Reacted to a Republican Win Over an Incumbent Democrat in 1980



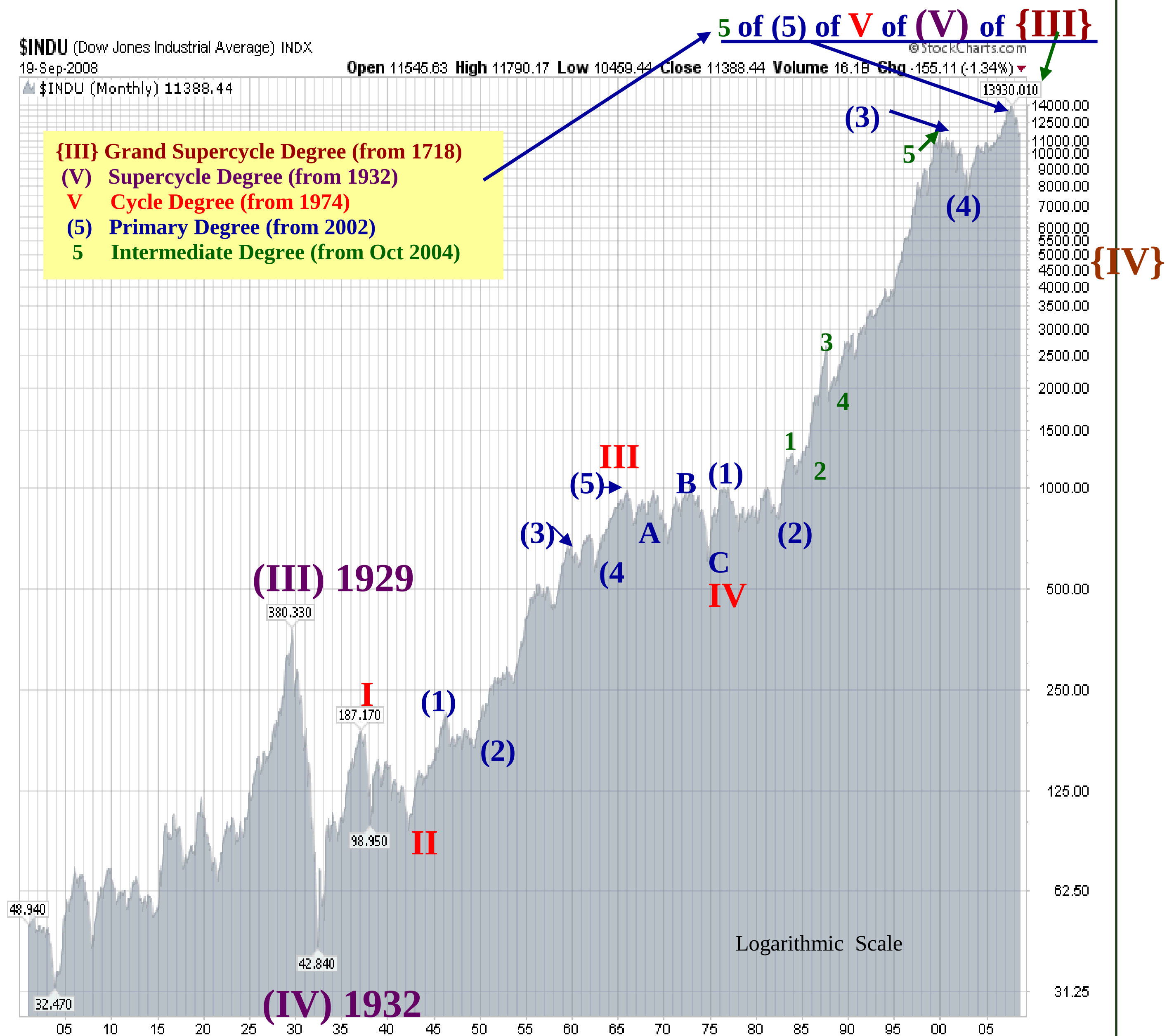
How the Industrials Reacted to a Democrat Win Over an Incumbent Republican in 1976



How the Industrials Reacted to an Incumbent Republican Win Over a Democrat in 1972



The Big Picture Elliott Wave Long-term Count in the Dow Industrials 1900 to 2008



Here is a Big Picture Historical Elliott Wave Labeling for the Dow Industrials. What is in question is whether or not Armageddon is right around the corner, which would suggest the above labeling, placing us deep inside a developing Grand Supercycle Wave **{IV}** down, or whether Grand Supercycle wave **{III}** up is still in process, where the October 2007 top was merely Intermediate degree wave **1** up within **(5)** up, meaning the decline from October 2007 is wave **2** down, with **3** up to follow. The latter would be the most optimistic count. If prices break below the October 2002 lows, below 7,197, then we believe the worst case wave **{IV}** scenario is occurring. If prices remain above that level, we are comfortable with this decline being wave **2** down. However, we came eerily close to the October 2002 levels Friday. If in fact Grand Supercycle **{IV}** is occurring, we believe it will change the United States' political landscape like never before, to some form of totalitarian regime.

The above chart is a quick sketch of the best case scenario big picture. We originally hoped that the decline we are seeing now would be the bottom of wave **2**, however ***with the recent reconfirmation of the Dow Theory Signal, and a new "Sell" signal in our long-term PTI signal, clearly there is more substantial downside coming*** after any rally here.

However, we believe we are approaching a multi-week bottom, perhaps multi-month bottom. The Monthly, Weekly, and Daily Full Stochastics are all oversold. This suggests the first leg of the Bear Market is completing, wave **a** down within an **a**-down, **b**-up, **c**-down Intermediate wave **2** down. Wave **b**-up is approaching. This rally should be dramatic, should consist of three waves, **a**-up, **b**-down, **c**-up within wave **b**-up. There is a possibility this coming wave **b** forms a triangle pattern. If so, it will consist of five violent swings, each successive wave smaller than its preceding wave. We will identify which pattern is developing as soon as evident.

The bad news is, that once this wave **b** rally finishes, maybe early 2009, a nasty decline will follow, the third leg of the Bear Market, wave **c** down. That bottom needs to stay above 7,197, 2002's low. If it does not, then a larger degree Bear Market is occurring, which suggests something along the lines of Armageddon is transpiring, which no doubt will change our political structure, installing either fascism or socialism to a degree never before imagined. That political environment is where holding actual gold coins would be beneficial.

That is the big picture way things look at this time.

A decisive decline below 10,800 confirms this Very Bearish pattern, giving a downside crash target of 7,500ish.

Here is a multi-year "M" pattern in formation for the S&P 500, also known as a Double Top pattern. If this is occurring, we could see a complete meltdown all the way to 500. Getting close.

The Monthly Full Stochastics can hang around the oversold 20 level for several years, as was the case in 2001 through 2003, before a recovery arrives.


$INDU (Dow Jones Industrial Average) INDX
© StockCharts.com
31-Oct-2008 Close 9325.01 Volume 5.9B Chg +946.06 (+11.29%)
MACD(12,26,9) -835.109, -582.468, -252.641
$INDU (Weekly) 9325.01
Volume 5.94B, EMA(60) 4.17B
This scenario suggests wave b up started Tuesday, October 28th. Confirmation comes with a rally above 9,750.
1
a
b
c
d
e, a
b
c, 2
3
Alt. a
Full STO %K(14,3) %D(3) 26.34, 20.06


$INDU (Dow Jones Industrial Average) INDX
© StockCharts.com
31-Oct-2008 Close 9325.01 Volume 5.9B Chg +946.06 (+11.29%)
MACD(12,26,9) -835.109, -582.468, -252.641
$INDU (Weekly) 9325.01
Volume 5.94B, EMA(60) 4.17B
Alternate Bearish Scenario allowing for a stock market crash over the next few weeks.
1
a
b
c
d
e, a
b
c, 2
3
Full STO %K(14,3) %D(3) 26.34, 20.06


$SPX (S&P 500 Large Cap Index) INDX
31-Oct-2008 Close 968.75 Volume 5.1B Chg +14.66 (+1.54%)
MACD(12,26,9) 10.373, 10.680, -0.307
$SPX (30 min) 968.75
Full STO %K(14,3) %D(3) 74.21, 80.99
This scenario suggests wave b up started Tuesday.
Confirmation comes with a rally above 1,050.
Stocks could Fall Monday.


$SPX (S&P 500 Large Cap Index) INDX
31-Oct-2008 Close 968.75 Volume 5.1B Chg +14.66 (+1.54%)
MACD(12,26,9) 10.373, 10.680, -0.307
$SPX (30 min) 968.75
Full STO %K(14,3) %D(3) 74.21, 80.99
Alternate Bearish Scenario allowing for a stock market crash over the next few weeks.
Stocks could Drop Monday.
This shows a pretty interesting, well defined, Declining Bullish Wedge calling for a crash of 150 to 200 points to complete the pattern, starting immediately.


$SPX (S&P 500 Large Cap Index) INDX
© StockCharts.com
31-Oct-2008 Close 968.75 Volume 5.1B Chg +14.66 (+1.54%)
MACD(12,26,9) 10.373, 10.680, -0.307
$SPX (30 min) 968.75
Volume undef
Full STO %K(14,3) %D(3) 74.21, 80.99
d
{a} {b} {c} {d} {e}, 1
2
{1} {2}
{i} {ii} {iv} {4} {v}, {3} {5}, 3
{a} {b} {a} {c}, {b}
{c}, 4
b
5, e, a
Another Bearish Scenario allowing for a stock market crash over the next few weeks.
Stocks could Fall Monday.


$SPX (S&P 500 Large Cap Index) INDX
© StockCharts.com
31-Oct-2008 Close 968.75 Volume 5.1B Chg +14.66 (+1.54%)
MACD(12,26,9) 4.557, 5.924, -1.367
$SPX (15 min) 968.75
Volume undef
Full STO %K(14,3) %D(3) 31.02, 43.87
Alternate Bearish Scenario allowing for a stock market crash over the next few weeks.
{a} {b} {a} {c}, {b} {5}, 3
{c}, 4
5, e, a
Stocks could Fall, Then rise Monday.


$INDU (Dow Jones Industrial Average) INDX
© StockCharts.com
31-Oct-2008 Close 9325.01 Volume 1.1B Chg +144.32 (+1.57%)
MACD(12,26,9) 92.021, 95.531, -3.511
$INDU (30 min) 9325.01
Volume undef
d
{a}
{b}
{c}
{d}
{e}, 1
2
{1}
{2}
{i}
{ii}
{iii}
{iv}
{v}, {3}
{4}
{5}, 3
4
5, e, a
b
This scenario suggests wave b up started Tuesday. Confirmation comes with a rally above 9,750.
Stocks could Fall Monday.
Full STO %K(14,3) %D(3) 75.16, 80.74
Alt. 5, e, a


$INDU (Dow Jones Industrial Average) INDX
© StockCharts.com
31-Oct-2008 Close 9325.01 Volume 1.1B Chg +144.32 (+1.57%)
MACD(12,26,9) 39.883, 50.166, -10.283
2
$INDU (15 min) 9325.0
Volume undef
{iv}
{iii}
{4}
{v}, {3}
{5}, 3
{a}
{b}
{c}
{d}
{e}, 4
5, e, a
b
This scenario suggests wave b up started Tuesday. Confirmation comes with a rally above 9,750.
Guidance Indecisive for Monday.
Full STO %K(14,3) %D(3) 34.50, 44.72
Alt. 5, e, a


$INDU (Dow Jones Industrial Average) INDX
© StockCharts.com
31-Oct-2008 Close 9325.01 Volume 1.1B Chg +144.32 (+1.57%)
MACD(12,26,9) 92.021, 95.531, -3.511
$INDU (30 min) 9325.01
Volume undef
Full STO %K(14,3) %D(3) 75.16, 80.74
Alternate Bearish Scenario allowing for a stock market crash over the next few weeks.
Stocks could Fall Monday.
d
{a}
{b}
{c}
{d}
{e}, 1
2
{1}
{2}
{i}
{ii}
{iii}
{iv}
{v}, {3}
{4}
{5}, 3
4
5, e, a
b


$INDU (Dow Jones Industrial Average) INDX
© StockCharts.com
31-Oct-2008 Close 9325.01 Volume 1.1B Chg +144.32 (+1.57%)
MACD(12,26,9) 39.883, 50.166, -10.283
$INDU (15 min) 9325.01
Volume undef
Full STO %K(14,3) %D(3) 34.50, 44.72
Alternate Bearish Scenario allowing for a stock market crash over the next few weeks.
Guidance Indecisive for Friday.
2
{iv}
{iii}
{4}
{v}, {3}
{5}, 3
{a}
{b}
{c}, {b}
{d}
{c}, 4
5, e, a
b

The Full Stochastics move to a buy signal.

Daily MACD on a buy signal.

The Daily Full tochastics On a buy signal.

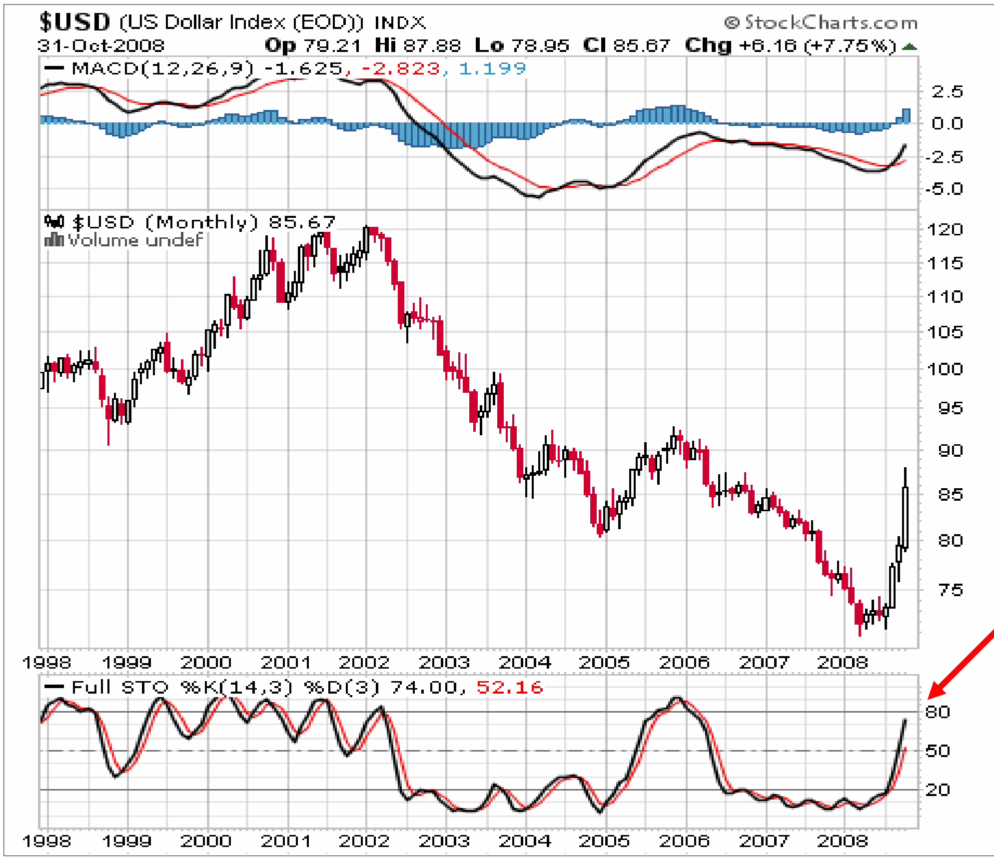
The NASDAQ 100's Wave C up of (B) up would be considered finished.
If so, we are headed back down to 800 or lower.

The NDX is approaching a Short-term top.

The Paulson manifesto assures wave 3 down is about to start.

Watch the Dollar tank.

(3)



The Monthly Full Stochastics are on a buy, but the Fast is approaching the level where tops occur. This rally is corrective.

The Daily MACD Is rolling over, close to a sell, at the level where tops occur.

The Daily Full Stochastics are on a sell, at the level where tops occur.

Fundamentally, the ***Dollar*** has been in high demand during this crisis, as 10 trillion dollars of wealth have been destroyed in the stock market and the housing market. That is an entire year's GDP. That creates a shortage of Dollars. A credit market freeze has also placed increasing demand for dollars. As lines of credit were cut, as the ability to borrow was cut off, it meant that cash was in demand, that dollars were of increasing value. Further, given the international scope of this crisis, a flight to quality, to U.S. Dollars as well as U.S. Treasuries was occurring, increasing demand for Dollars. ***Under these conditions, the Dollar should have rallied to 100. It did not, only rising from the high 70's to the low 80's. Technically, this confirms that the Dollar's minor rally was corrective in an ongoing long-term Bear market.*** Our forecast remains the same, that the Dollar will fall sharply, long-term into the 40's. This means hyperinflation or competition from another currency that backs itself with gold is coming.

Technically, ***the Weekly and Daily Full Stochastics suggest a top for the Dollar is close***. The Monthly (long-term) Full Stochastics are also working their way to the level where a top is approaching. Patience during the height of this market turmoil should payoff for Dollar Bears.

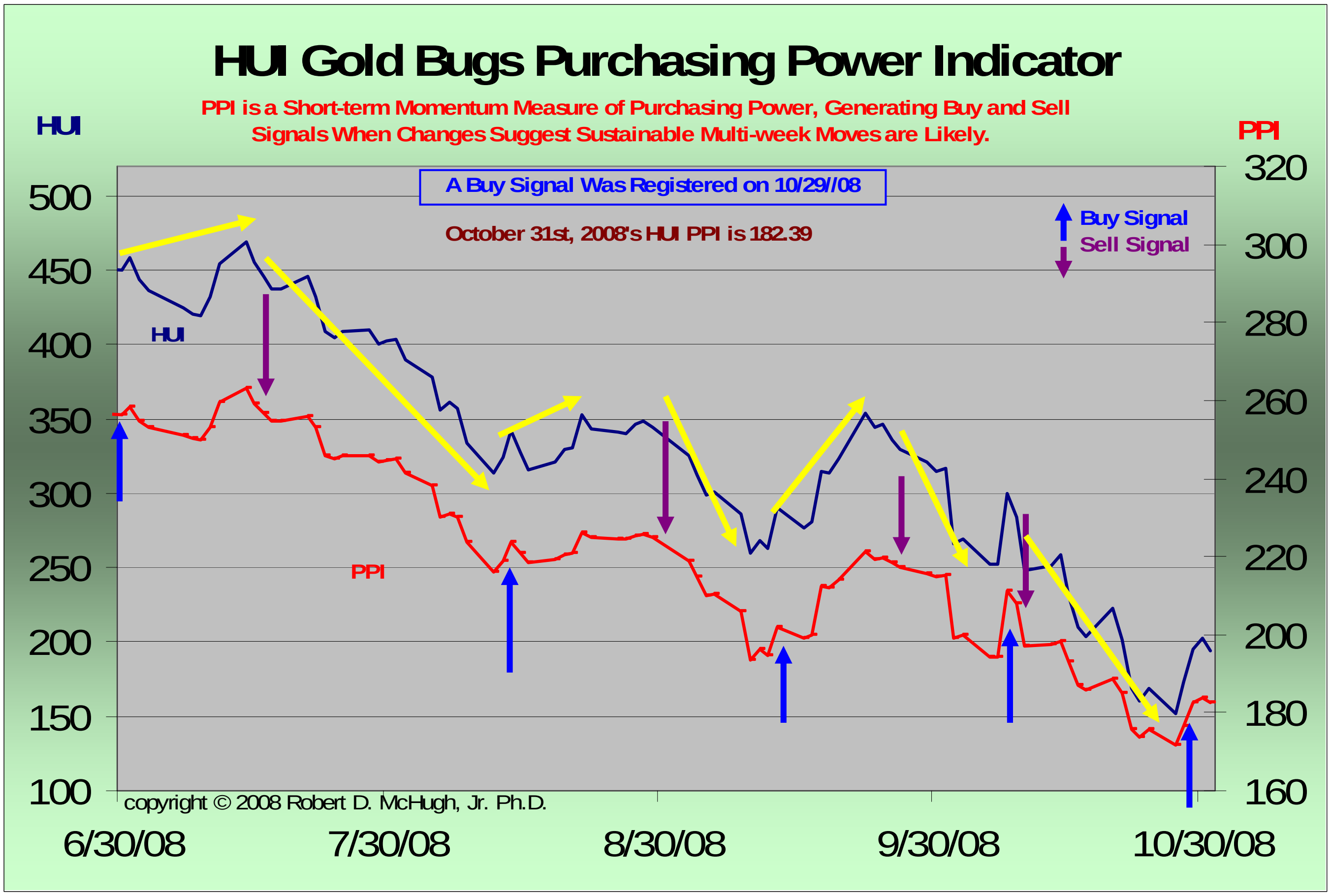
As for ***Oil***, corrective wave 2 down is close to completion. Wave 2 was a 50 percent plunge. However, the Daily and Weekly Full Stochastics are at a bottom level, suggesting hyperinflation, or supply limitations, or a combination of both are about to drive Oil prices higher. The Monthly Full Stochastics are approaching a bottom, but allow for a bit more decline.

Gold has held up relatively well during this worldwide financial crisis, its intrinsic monetary nature providing a floor for its value during deflationary times. The ***HUI***, which is gold below ground, does not hold gold in the form of money, so it behaved more like a stock and experienced a similar crash to the general stock market. However, ***the Daily Full Stochastics as well as the Elliott Wave labeling suggests the HUI is close to a significant bottom***. Wave two declines can retrace a substantial percentage of wave one moves, and the HUI has seen this. However, it is a wave ii decline that is wrapping up, with wave iii up next, which could be dramatic. The Weekly Full Stochastics suggest a bottom is approaching, as do the Monthly Full Stochastics shown on page 30. If you study the Monthly chart, it is clear that rallies starting from monthly bottoms tend to be impressive.

Gold could be approaching a bottom according to the Daily Full Stochastics, and the Elliott Wave count allows for a bottom. However, both the weekly and monthly Full Stochastics do allow for more decline. A closer look at the weekly Full Stochastics suggest a significant bottom occurred during the summer, that the recent sell signal is minor, along its journey to readings above 80. ***So we continue to believe a rally should resume soon, one that takes Gold to new highs.***

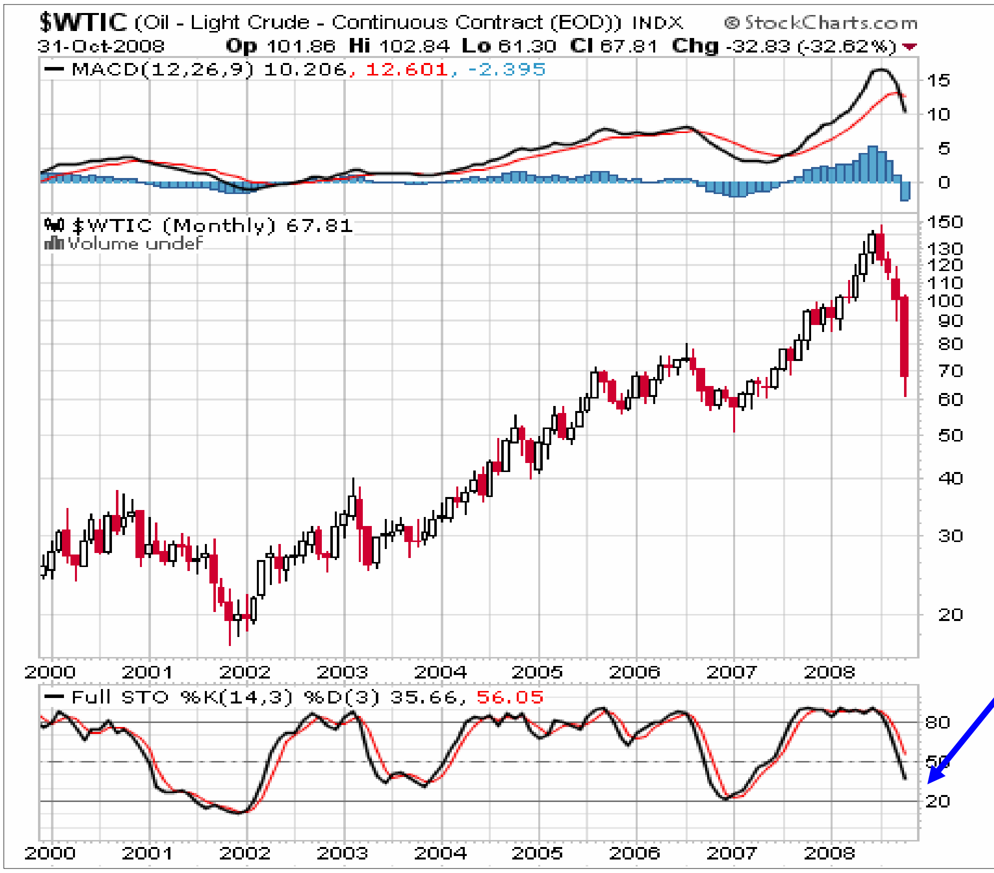
Both the weekly and daily Full Stochastics suggest ***a significant bottom is approaching in Silver***. This implies huge hyperinflation injections into world-wide economies by central banks.

The Daily Full Stochastics allow for a bit more decline in U.S. Bonds, however ***the weekly Full Stochastics suggest that a major bottom is approaching in Bonds***.



3 of 5

The MACD is on sell signal.
On a short-term basis, the Daily Full Stochastics is on a sell signal,
But near levels where short-term bottoms arrive.



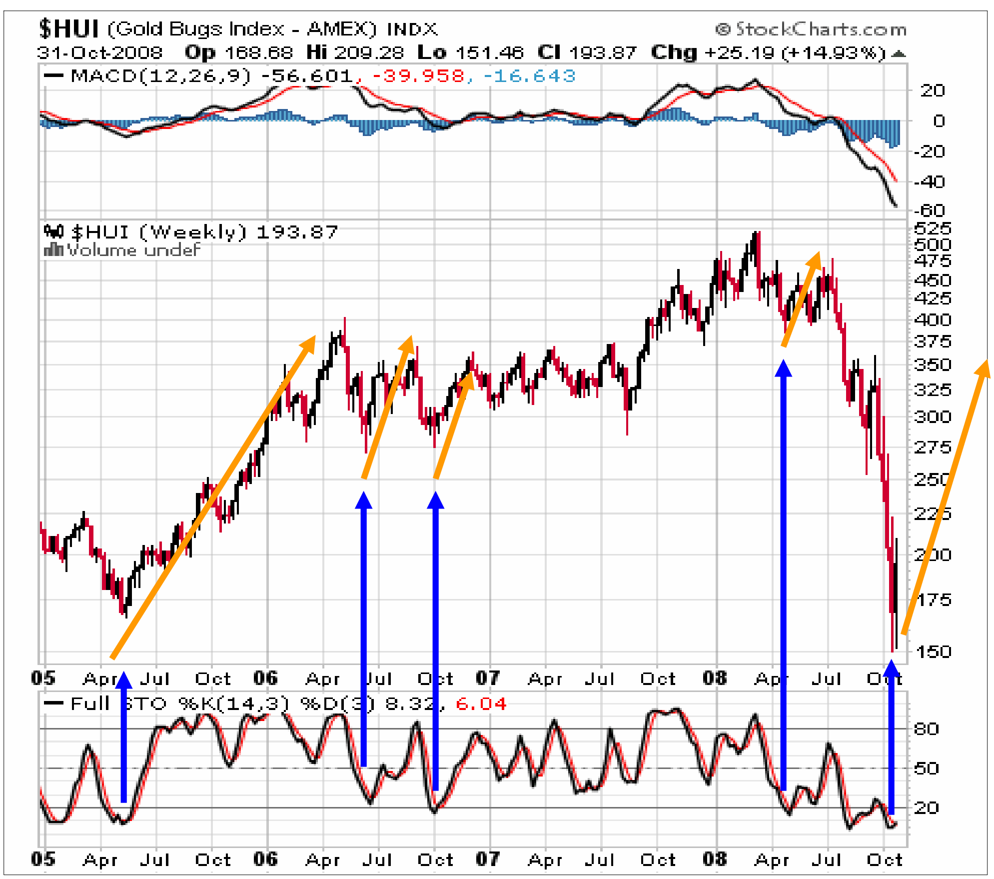
The Monthly Full Stochastics are on a sell, but approaching the level where bottoms occur. This decline is Corrective

The Weekly Full Stochastics are on a new buy, at the level Where bottoms occur. This decline is Corrective And about over.


$HUI (Gold Bugs Index - AMEX) INDX
© StockCharts.com
31-Oct-2008 Op 168.68 Hi 209.28 Lo 151.46 Cl 193.87 Chg +25.19 (+14.93%)
MACD(12,26,9) -56.601, -39.958, -16.643
The HUI Big Picture
$HUI (Weekly) 193.87
Volume undef
Weekly
(5) I
(3)
5, (1)
b
a
3
1
4
2
c, (2)
(4)
II
Primary Degree
Intermediate Degree
Full STO %K(14,3) %D(3) 8.32, 6.04

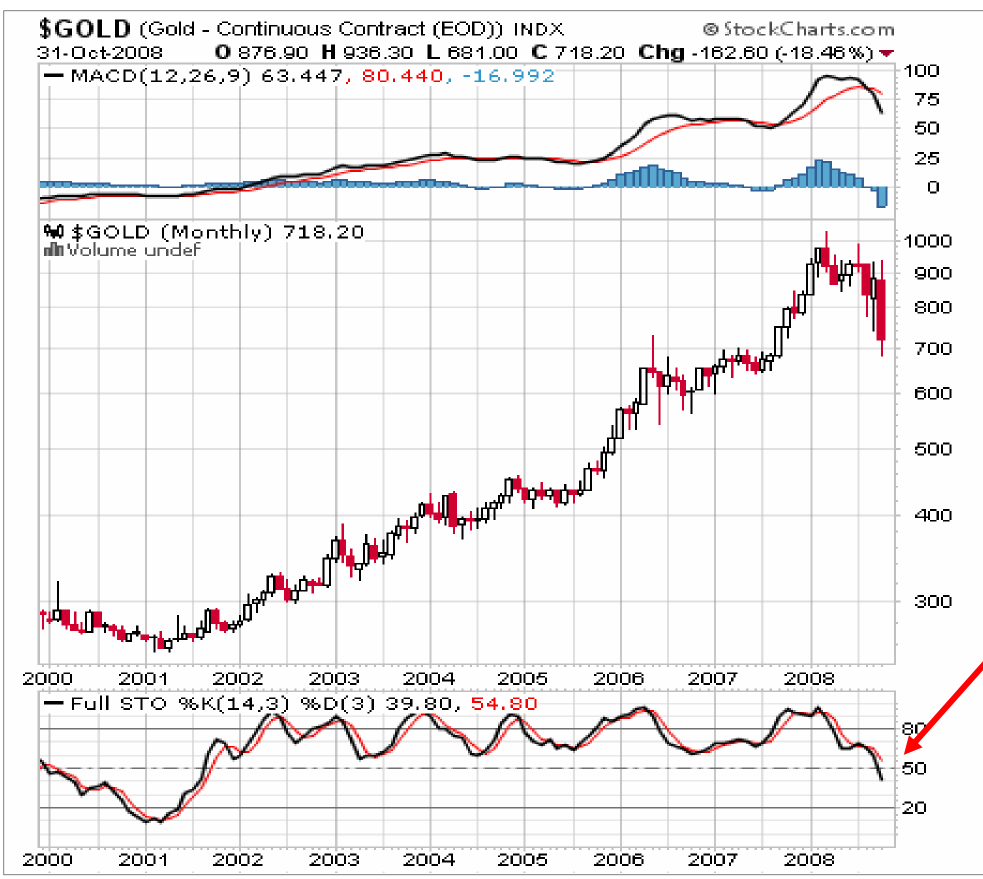

$HUI (Gold Bugs Index - AMEX) INDX
© StockCharts.com
31-Oct-2008 Op 168.68 Hi 209.28 Lo 151.46 Cl 193.87 Chg +25.19 (+14.93%)
MACD(12,26,9) -56.601, -39.958, -16.643
$HUI (Weekly) 193.87
Volume undef
(5) I
(3)
(4)
II
Full STO %K(14,3) %D(3) 8.32, 6.04

The MACD triggers a Buy signal. The Full Stochastics Trigger a buy signal. However, the Full Stochastics are at the level where bottoms arrive.



The Weekly Full Stochastics trigger a buy signal, at the level where bottoms arrive.

The Monthly Full Stochastics are on a sell signal. However, the Monthly Full Stochastics are at The level where bottoms arrive.



Gold's Monthly Full Stochastics allow for more decline, however by dropping to the 50 level, they have fallen further than at any time since 2001. That suggests either a deep decline is underway, or a bottom is imminent.


$GOLD (Gold - Continuous Contract (EOD)) INDX
© StockCharts.com
31-Oct-2008 Op 735.91 Hi 778.30 Lo 707.16 Cl 718.20 Chg -12.10 (-1.66%)
MACD(12,26,9) -32.168, -17.291, -14.877
$GOLD (Weekly) 718.20
Volume undef
3 $730 5/12/2006
Weekly
(C) II
$253
8/25/1999
Full STO %K(14,3) %D(3) 16.67, 26.43
3 of (1), III
Weekly Full STO Suggests Gold is bottoming.


$GOLD (Gold - Continuous Contract (EOD)) INDX
© StockCharts.com
31-Oct-2008 Op 735.91 Hi 778.30 Lo 707.16 Cl 718.20 Chg -12.10 (-1.66%)
MACD(12,26,9) -32.168, -17.291, -14.877
$GOLD (Weekly) 718.20
Volume undef
v, 5, 1
c, 2
Full STO %K(14,3) %D(3) 16.67, 26.43

Daily MACD
On a sell signal,
But curling up,
ready to generate a
new buy.

Daily Full STO
Trigger a new
buy signal!!

The MACD is
On a Sell Signal.

The Weekly Full
Stochastics
Are on a
Sell Signal.

Great News for Precious Metals: This Declining Bullish Wedge is Nearing Completion, maybe one more spike below the bottom boundary, then a huge rally back to 15 +/- !!

The Daily Full Stochastics Generate a New Buy Signal.

3 of 5

Weekly Full Stochastics on a sell signal but at the levels suggesting an explosion higher is at most a few weeks away.

iii, 1, 5, (1)

This is a close-up of a concluding long-term Intermediate wave 4 Triangle, which is a hybrid between a Symmetrical and an Ascending, which in either case is Bullish, as the trend going into the triangle will be the trend coming out — up. But short-term, wave c down of ii down is underway.

The Weekly Full Stochastics on a sell.

Short-term, Bonds could decline as the Daily Full Stochastics are on a sell signal, but approaching a bottom.

c, ii

Key Economic Statistics

Date	VIX	U.S. $	Euro	CRB	Gold	Silver	Crude Oil	1 Week Avg. M-3
10/17/08	70.33	82.40	134.14	280.65	787.7	9.34	71.85	**Hidden**
10/24/08	79.13	86.42	126.35	256.00	730.3	9.30	64.15	**Hidden**
10/31/08	59.89	85.67	127.43	268.39	718.2	9.73	67.81	**Hidden**

Note: VIX rises; Dollar and inflation assets fall.

Conservative Balanced Portfolio Recent Transactions As of Friday October 31st, 2008

* On 8/25/08 we increased the Market Timing segment allocation of our conservative portfolio from 5 percent to 10 percent, by moving $50,000 of cash to this segment.

* On 8/25/08, we sold 50 shares of IYT, an ETF that mirrors the Trannies, at $89.17 per share. We also sold 100 shares of QQQQ, the ETF that mirrors the NDX, at $46.50 per share.

* On 8/25/08, we purchased 50 shares of SLV, at $136.89 per share, an ETF that mirrors Silver. We also purchased 300 shares of GDX, at $36.91 per share, an ETF that mirrors the HUI Amex Gold bugs Index. We also purchased 100 shares of GLD, at $80.95 per share, an ETF that mirrors the price of Gold. These purchases were made within the Market Timing Segment of our Conservative portfolio.

* On 8/25/08, we purchased 12 ounces of actual Gold at $820 an ounce, in the Gold segment of our portfolio.

Note: Our Conservative Portfolio Model substantially outperformed the S&P 500 in the first quarter, 2008. Check it out! Click on the Conservative Portfolio button at the left side of the home page.

We posted an updated Balances/Market Value Portfolio as of March 31st, 2008, available in the Conservative Portfolio section.

"Jesus said to them, "I am the bread of life; he who comes to Me shall not hunger, and he who believes in Me shall never thirst.
For I have come down from heaven,
For this is the will of My Father, that everyone who beholds the Son and believes in Him, may have eternal life;
and I Myself will raise him up on the last day."

John 6: 35, 38, 40

If you are enjoying your subscription, please tell a friend.
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Here are the symbols for Exchange Traded Funds for the Major Indices:

DIA	*Dow Industrials*	*IYT*	*Trannies*
SPY	*S&P 500*	*GDX*	*HUI Amex Gold Bugs**
QQQQ	*NASDAQ 100*	*GLD*	*Gold*
IWM	*Russell 2000*	*SLV*	*Silver*
EWA	*Australia*		

****Note: The GDX actually tracks the GDM, a grouping of 45 mining stocks, but the GDX has very high correlation to the HUI so we mention that as a suitable ETF for the HUI.***