

ROBERT D. MCHUGH, JR., Ph.D.
Weekend Market Newsletter
A Publication of Main Line Investors, Inc.

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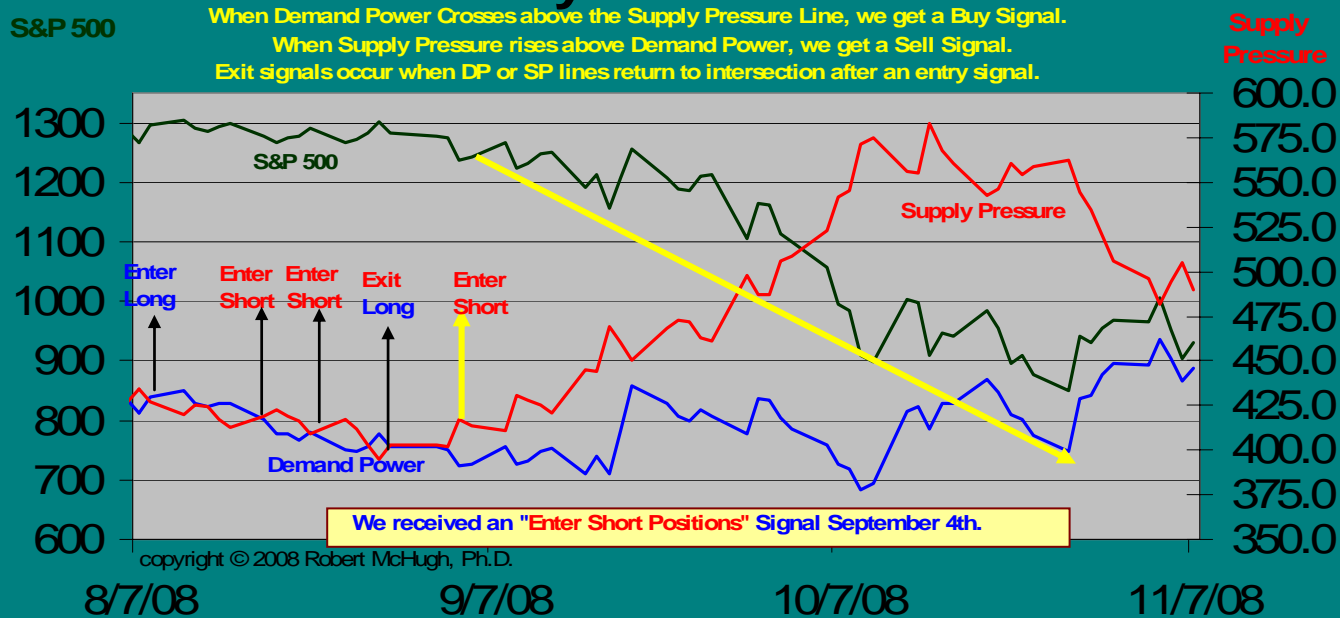
Issue No. 953
 Friday, November 7th, 2008

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SUMMARY OF INDEX DAILY CLOSINGS FOR FRIDAY, NOVEMBER 7th, 2008

<u>Date</u>	<u>DJIA</u>	<u>Transports</u>	<u>S&P</u>	<u>NASDAQ</u> <u>COMPQ</u>	<u>NASDAQ</u> <u>100</u>	<u>Russell</u> <u>2000</u>	<u>30 Yr Treas</u> <u>Bonds</u>
Oct 31	9325.01	3885.83	968.75	1720.95	1334.78	537.52	113^04
Nov 3	9319.83	3917.63	966.30	1726.33	1334.75	538.50	113^18
Nov 4	9625.28	4071.81	1005.75	1780.12	1378.40	545.97	115^12
Nov 5	9139.27	3800.62	952.77	1681.64	1299.98	514.64	116^20
Nov 6	8695.79	3605.56	904.88	1608.70	1241.97	495.84	116^26
Nov 7	8943.81	3666.02	930.99	1647.40	1271.62	505.79	116^12

S&P 500 vs: Demand Power & Supply Pressure
Pressure July 2008 to October 2008



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

<u>Index</u>	<u>Term</u>	<u>* Signal</u>	<u>First Date of Signal</u>	<u>Current Demand Pr.</u>	<u>Current Supply Pr.</u>	<u>Fullest Extent of Index Move Since Signal</u>
S&P 500/DJIA	Short	Enter Short	9/4/2008	446	490	SPX Fell 393 Points (31.9 %)
NDX	Short	Enter Short	8/25/2008	424	464	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

	<u>Index</u>	<u>Term</u>	<u>Signal</u>	<u>Date Current Signal</u>	<u>Fullest Extent of Index Move Since Signal</u>
Purchasing Power Indicator	DJIA/S&P	Short	Sell	Nov 5th, 2008	DJIA Fell 502 Points (5.5 %)
DJIA 14 Day Stochastic	DJIA	Short	Sell	Nov 6th, 2008	DJIA Fell 0 Points (0.0 %)
DJIA 30 Day Stochastic	DJIA	Short	Sell	Nov 5th, 2008	DJIA Fell 502 Points (5.5 %)
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	Sell	Nov 5th, 2008	NDX Fell 64 Points (4.9 %)
NDX 14 Day Stochastic	NASDAQ 100	Short	Sell	Nov 5th, 2008	NDX Fell 64 Points (4.9 %)
RUT Purchase Power Indic	RUT	Short	Sell	Nov 5th, 2008	RUT Fell 18 Points (3.7 %)
HUI Purchasing Power Indic	HUI	Short	Sell	Nov 6th, 2008	HUI Fell 0 Points (0.0 %)
HUI 30 Day Stochastic	HUI	Short	Sell	Oct 2nd, 2008	HUI Fell 110 Points (42.5 %)

Let's start this weekend's newsletter with a note from our International Market Analysis, this Weekend's Australia Newsletter. The Daily Full Stochastics for three major markets, the London FTSE, the German DAX, and Australia's SPASX200 all just generated new "sell" signals, and from overbought levels where significant declines usually begin. One of the reasons we follow these markets and devote daily and weekend newsletters to them is that it is clear that world markets are interdependent, that if one market catches a cold, it usually spreads around the globe — even to U.S. markets. *These foreign markets are confirming that a sharp plunge has started in U.S. markets. It started with a two day plunge this week, on Wednesday and Thursday, that was the worst EVER.* We believe this decline is a short-term event, has further to go, and will likely complete by the end of November, and will be the bottom of wave *a*-down, the end of the first phase of this devastating Bear Market. In fact, Friday's rally was expected, the start of wave *{2}* up within wave *5* down of *e* down of *a*-down. Friday's rally was annotated in Thursday night's newsletter charts. But to follow will be a nasty wave *{3}* down, and yet another downleg, wave *{5}* down of *5* down later this month.

Unemployment. This will be the crisis of 2009/2010. Expect a rise above 10 percent next year. Jobs and a lack of income will cause the next wave of delinquencies, which means fresh new toxic assets far beyond what we have seen this year. The United States has lost a reported 1.2 million jobs so far in 2009, with two more months to report. Actually, the number is substantially higher as the 1.2 million figure fails to back out the phony Birth/Death estimate of new jobs the Labor Dept assumed new businesses created in 2008, a complete guess. If we back out this phony adjustment, the U.S. has lost 2.0 million jobs so far in 2008. Now, consider this: Just to keep pace with population growth, the U.S. had to add 150,000 new jobs per month. So, the result is, the U.S. saw 3.5 million of new unemployed people in 2008. That is a ton of future loan delinquencies, foreclosures, destroyed marriages, crushed dreams, heart attacks, and all the other dire consequences of this horrid development. This is serious, 1929 to 1933 Depression era stuff. The true job losses in October were 311,000, were 326,000 in September, and were 252,000 in August, far worse than what Labor reported Friday.

Stocks staged the worst two day plunge in history, that is right, EVER, on Wednesday and Thursday, November 5th and 6th. This collapse in prices suggests the short-term Bearish scenario, wave 5 down, is underway, and will likely take prices below their intraday bottoms on October 10th, to a bottom for wave a-down, the end of the first phase of the Bear market that started over a year ago in October 2007. Confirmation will arrive with a break below 7,882 in the Industrials.

The charts at the bottom of page 15 and 16 present a slight variation of this short-term Bearish scenario, where prices can zigzag next week into the completion of a wave 4 triangle. That would mean wave 5 down would start later next week, or early the following — which should be a crash like decline. Or, as mentioned earlier, wave 5 down may have already started this past week.

Let's talk about wave fives. This wave could approximate wave 1 down of e down, shown in the chart on page 14. Wave 1 down was a 1,407.67 drop. That would give us a downside target of 8,226.28 for this wave 5 down. Problem is, that would be higher than wave 3 down reached, which was 7,882. Which brings up the point, wave fives can truncate. Wave 5's do not have to equal wave 1 moves in distance. There should also be comparable time periods for these two waves. Wave 1 down lasted five weeks. That argues wave 5 down will drop far below 8,226.28 since the decline so far has only been three trading days, and 8,226.38 isn't far off. So, doing some educated guessing here, it is possible that wave 5 down will drop below the wave 3 down bottom over the next two weeks, perhaps bottoming close to the coming November 20th phi mate turn date. That accomplishes some proportionality in time. ***If prices drop below 7,882, wave 3's low, there could be a free fall plunge that finally produces selling exhaustion.*** There should be powerful support at the October 2002, 7,197 low.

We know this current, or soon to be current decline is going to be the final descent into the first phase bottom, wave a-down. A multi-month rally is likely to start by the end of November, middle of December at the latest. Final waves for downtrends should arrive on falling volume, and arrive with ***Bullish divergences in several key indicators such as Advance/Decline line and New Highs/ New Lows data. These Bullish divergences are quite evident at this time.*** For example, at the October 10th intraday lows, the wave 3 bottom, the NYSE 10 day average Advance/Decline Line indicator was a huge negative -1,484. Thursday night, with the Industrials at 8,695, about the same price level as October 10th, that measure comes in at positive + 38.6 — substantially higher. New Lows on October 10th were a horrid 2,901. Thursday night they were a much improved 133. So, we can tell you tonight that this decline is terminal. It could drop a lot more, but it will mark the end of the first phase of the Bear market.

The ***Dow Industrials*** bounced 248.02 points, closing at 8,943.81 Friday, November 7th. ***NYSE volume was down at 83*** percent of its 10 day average. Upside volume was 81 percent, with advancing issues at 68 percent, with upside points at 93 percent. ***S&P 500 Demand Power rose 7 points to 446, while Supply Pressure fell 15 points to 490,*** telling us the rally was mostly due to retreating interest to sell, rather than a strong urge to buy, which has to happen if a significant rally is going to happen.

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. There is no guarantee President Obama's policies will fix this mess.

“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 + 175.13. The Summation Index improved to negative -2,673.19. NYSE New Highs fell to 7, with New Lows lower at 113 Friday.

The percent of DJIA stocks above their 30 day moving average rose to 20.00 from 6.67. The percent above 10 day rose to 26.67 from 16.67. The percent above 5 day rose to 16.67 from 0.00. The NYSE 10 day average Advance/Decline Line Indicator improved to positive + 360.3, remaining on a "buy" signal from November 4th, when it rose above the positive + 120.00 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 "sell" signal Friday. The DJIA 30 day Stochastic Fast rose to 20.00, below the Slow at 28.00, remaining "sell" signal from November 5th. The DJIA 14 day Stochastic rose to 40.00, below the Slow at 63.33, remaining on a "sell" signal from November 6th. The Fast had to cross more than 10 points below the Slow for a new "sell." The S&P 500 Purchasing Power Indicator rose 5 points to negative -96.62, remaining on a "sell" signal from November 5th.

The Plunge Protection Team Risk Indicator fell to negative -27.89 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 rose to 1.00 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 -8, 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

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	<u>Secondary Trend Indicator</u>
Oct 31	Up 7 to 449	Down 14 to 506	Up 3 to -85	Up 6 to -11
Nov 3	Down 1 to 448	Down 10 to 406	Flat 0 at -85	Up 3 to -8
Nov 4	Up 14 to 462	Down 14 to 482	Up 9 to -76	Up 7 to -1
Nov 5	Down 11 to 451	Up 12 to 494	Down 12 to -88	Down 5 to -6
Nov 6	Down 12 to 439	Up 11 to 505	Down 13 to -101	Down 8 to -14
Nov 7	Up 7 to 446	Down 15 to 490	Up 5 to -96	Up 6 to -8

NASDAQ 100

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	<u>PPT Risk Indicator</u> (Above +18% Means High Risk of a Short-covering Rally)
Oct 31	Up 1 to 425	Down 5 to 475	Flat 0 at -53	- 22.16
Nov 3	Flat 0 at 425	Down 5 to 470	Flat 0 at -53	- 22.87
Nov 4	Up 8 to 433	Down 9 to 461	Up 9 to -44	- 20.96
Nov 5	Down 7 to 426	Up 8 to 469	Down 18 to -62	- 23.41
Nov 6	Down 6 to 420	Up 5 to 474	Down 15 to -77	- 25.13
Nov 7	Up 4 to 424	Down 10 to 464	Up 5 to -72	- 27.89

10 Day Average Short-term Advance/Decline Signals

<u>Index</u>	<u>Nov 7th A/D Indicator</u>	<u>Signal</u>	<u>Date of Signal</u>	<u>Fullest Extent of Index Move Since Signal</u>
NYSE/S&P 500	+ 360.3	Buy	Nov 4th, 2008	SPX Rose 0 Points (0.0 %)
NASDAQ 100	+ 9.8	Buy	Nov 7th, 2008	New Buy Signal
Russell 2000	+ 174.0	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.

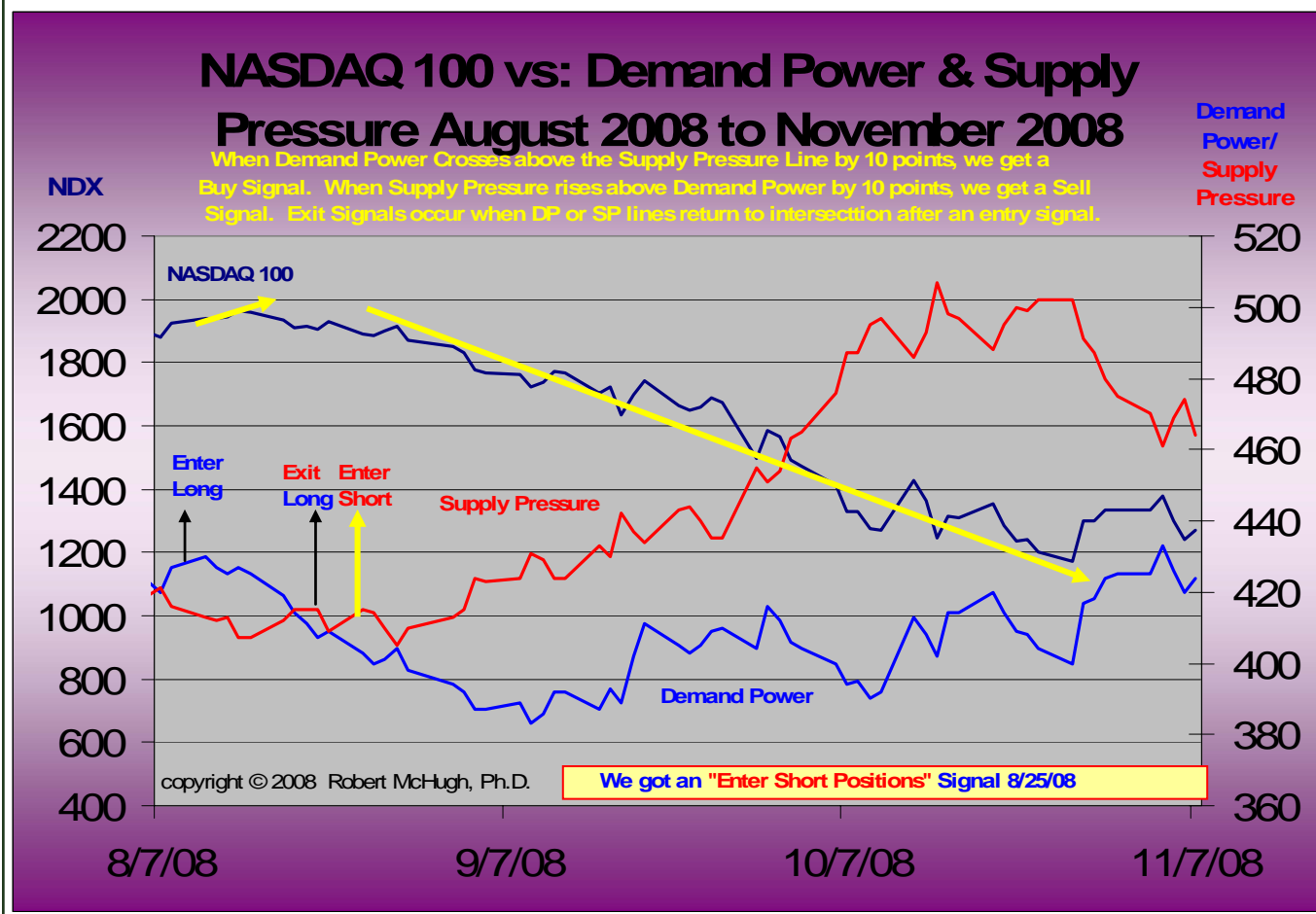
Have you noticed that the NDX crashed 40.0 percent since our NDX 10 day average Advance/Decline Line Indicator generated a sell signal August 20th, 2008, less than two months ago.

Gold's Daily Full Stochastic generated a new buy signal Tuesday, October 28th. The HUI Amex Gold Bugs Index Daily and Weekly Full Stochastics just generated new buy signals.

*Check out our new **Bailout Specials** extended through **Sunday, November 9th**, including an **18 month offering**. If you are enjoying your subscription, please tell a friend.*

The *NASDAQ 100* rose 29.65 points Friday, closing at 1,271.62. Volume fell to 81 percent of its 10 day average. *Upside volume led at 76 percent. Advancing issues led at 85 percent, with upside points at 93 percent. NDX Demand Power rose 4 points to 424, with Supply Pressure down 10 points at 464*, telling us the decline was powerful and solid.

Our key trend-finder indicators remain on a "sell" signal Friday. The *NDX 14 day Stochastic Fast* rose to 45.00, below the Slow at 52.80, *remaining on a "sell" signal from November 5th.* The *NDX Purchasing Power Indicator* rose 5 points to negative -71.46, *remaining on a "sell" signal from November 5th.* The *NDX 10 day average Advance/Decline Line Indicator* rose to positive + 9.8, *triggering a new "buy" signal* November 7th, when it rose above the positive + 5.0 threshold for a new "buy" 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, November 7th.



The *Russell 2000 bounced 9.95* points Friday, closing at 505.79. Volume was down at 81 percent of its 10 day average, with upside volume leading at 63 percent, with advancing issues leading at 71 percent. *The RUT Purchasing Power Indicator* rose to positive + 6.35, **remaining on a "sell" signal from November 6th**. The *RUT 10 day average Advance/Decline Line Indicator* improved to positive + 174.00, **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 rose 8.15 points Friday, closing at 201.11*. Volume was down at 73 percent of its 10 day average. Upside volume was 83 percent, with advancing issues at 80 percent, and upside points at 94 percent. *Our key trend-finder indicators remain on a "sell" signal Friday, November 7th*. The *HUI 30 day Stochastic* Fast rose to 10.00, above the Slow at 4.44, **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." Close. The *HUI Purchasing Power Indicator rose to 183.51, remaining on a "sell" signal from November 6th*. *December Gold* rose to 734.2. *Silver rose to 9.96*, while *Oil rose to 61.04*. The *Dollar* was flat at 85.92. *Bonds fell half a point to 116^12*. 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 56.10, as volatility and fear remain*.

The *Australia SPASX200 fell 98.40 points, or 2.37 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.*

New Bailout Specials:

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10 Months for \$215, or,
12 Months for \$300, or
13 Months for \$249, or
18 Months for \$359, or
* 24 Months for \$449 **

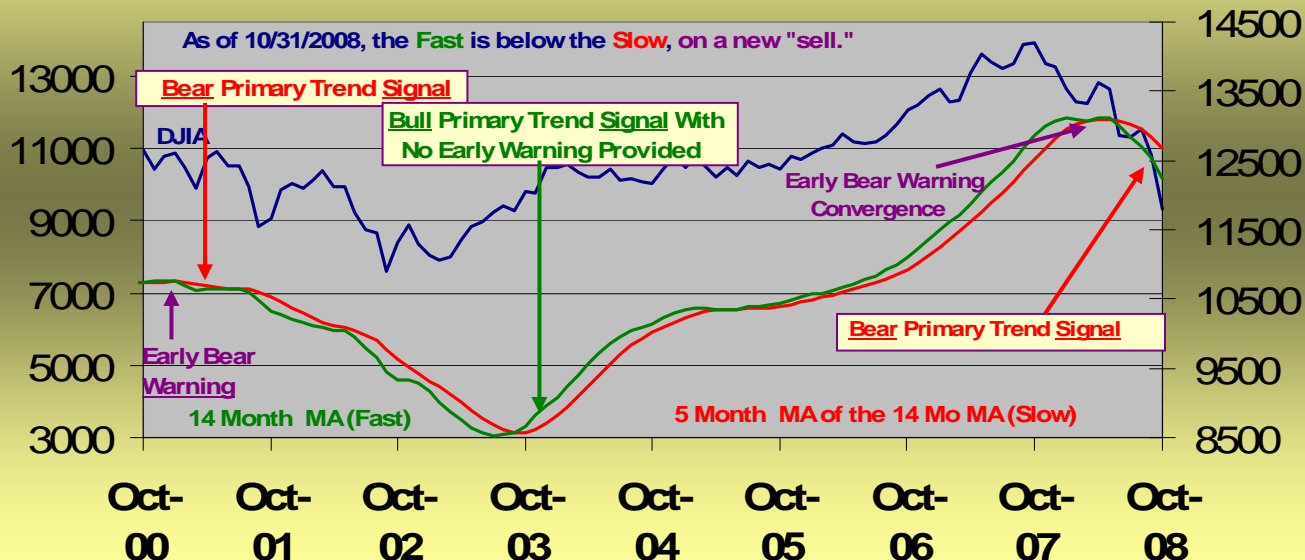
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Primary Degree Trend Indicator for the DJIA: The 14 Month Moving Average vs. Its 5 Month MA

Our Primary Degree Trend Indicator, Whenever the 14 Month MA (Fast) Crosses Below the 5 Month MA of itself (Slow), a Primary Degree Bear Trend is Underway. A Rise Above Signals a Bull Market.

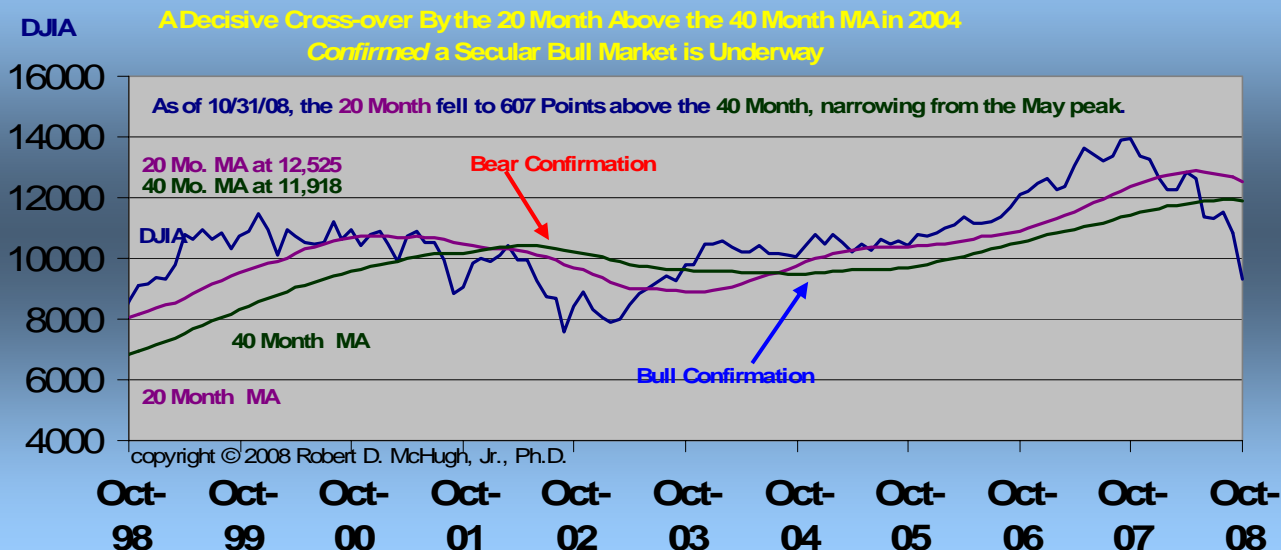


The above chart updates our *Primary Trend Indicator* for the month of October, 2008, the long-term view, which has nothing to do with the short-term view. ***It generated a new long-term trend "sell" signal on September 30th, 2008***, the first change from the buy signal October 31st, 2003, five years ago, when the DJIA closed at 9,801.12, and the first sell signal since 2000. What this means is there is a high probability the Industrials will fall substantially lower than present levels over the next 2 to 4 years +/-.

Here is how the indicator works: One of the tools we have in our arsenal to identify the status of a Primary Degree trend is a simple analysis of the 14 month moving average versus a Slower moving average calculation, the 5 month MA of the 14 month. It has been terrific at identifying multi-year trends, both up and down. While it is a little late in generating the buy and sell signals, ***it triggered a "sell" near the start of Primary degree wave (4) down, in mid 2000. What followed was a two and a half year, 39 percent drop into the wave (4) bottom on October 10th, 2002.*** It took a while for this indicator to confirm that the rally that started on October 11th, 2002 would in fact be a multi-year primary degree wave up, wave (5) up. But in ***October 2003, this analytical tool did in fact trigger a Primary Degree "buy" signal, which led to a four year further rally to new all-time nominal highs on October 11th, 2007 at 14,198.10.*** We got a near "sell" signal in mid-2005, but the rally rejuvenated itself, continuing on its "buy."

As of October 31st, 2008, our PTI remains on a new "sell" from September 30th, 2008. The spread between the Fast and the Slow has gone negative for the fifth month in a row. The spread went negative, to -75 in June, -188 in July, -250 in August, -305 in September, and -418 in October. This compares to a 1,744 positive spread in December 2003. The 5 month moving average was negative for the third month in a row in September at negative -158, triggering the long-term sell signal. It worsened to negative -247 in October. We require a 5 month moving average of the Spread between the Fast and Slow to reverse in a new direction for 3 consecutive months in order to declare that a new primary trend, a new multi-year trend, is underway.

The 20 Month Moving Average versus the 40 Month Moving Average in the DJIA



There had only been two signals since 1997 before the new sell signal this past month, so this tool is useful for long-term investors, as it filters out the noise of up and down corrections of significance in favor of the primary trend. Again, we now have a third. With a new Bear Market signal at these levels, it means we are likely headed into the low 7,000's in the Industrials, or maybe even lower. This suggests to us that the current decline from October 2007, a year ago, through now, is just the first phase of a three phase Bear Market. That means once this first phase ends, we should see a dramatic bounce for several months, but then that will lead to the third and final phase, a disastrous decline toward 6,000ish or lower.

This chart is useful for our Conservative Balanced Investment Portfolio since once we get a new signal, we can rely upon that signal for years. Further, it tells us which direction surprises are likely to occur, so when playing speculative options or futures, we will know the direction where a surprise trend turn is most likely. Knowledge of the primary trend is also useful for trading. In this case, we can be more aggressive when entering a position in the same direction as the primary trend, and less aggressive when entering a short-term trend play against the primary trend.

Next, we look at the chart at the top of the next page as a confirming indicator of *the Primary Trend Indicator* shown on the previous page. It is a comparison of the position of the 20 Month Moving average versus the 40 month. As of October, 2008, the 20 Month narrowed to 607 points above the 40 month, down from May's 1,026 peak spread. What is nice about this indicator, is that *once we get this indicator's confirming "buy" or "sell," we can look forward with high confidence to a large chunk of the primary trend's move still being ahead of us.*

For example, the 20 month MA crossed below the 40 month MA in February 2002, with the Dow Industrials at 10,106. From that "sell" signal point, the DJIA dropped 2,909 points, or 28.8 percent. That suggested a great spot to purchase Leaps Put options. Then, going the other way, the 20 month MA rose above the 40 month MA in August 2004, at DJIA 10,174. The Dow Industrials then rose 4,106 points, or 40.35 percent. Here, your strategy could have been to either play long-term leaps call options, or to simply go long in the cash market and stay there, in other words, increase your long investment position.



If the Industrials drop below the 2002 low, then this decline is wave {IV} down, which would be cataclysmic.

There were no false crossovers or cross-unders with this confirming 20 Month/40 Month MA measure. Once it turned negative, the trend was down. Once it went positive, the trend was up. Short-term countertrend moves can occur within the primary trend.

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.

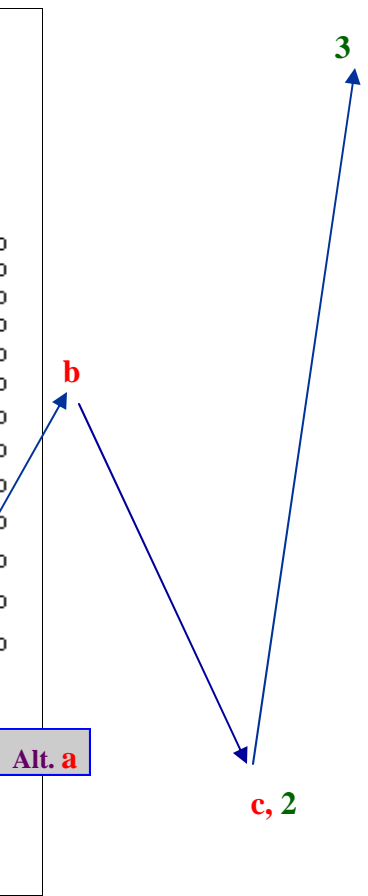
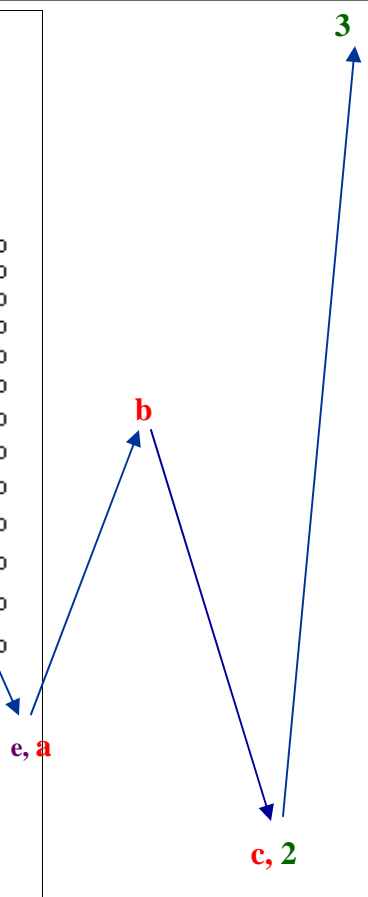


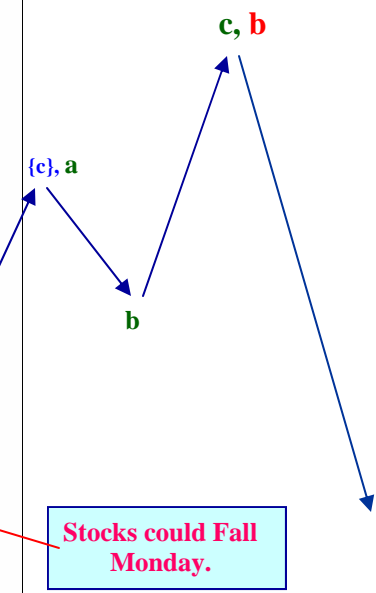
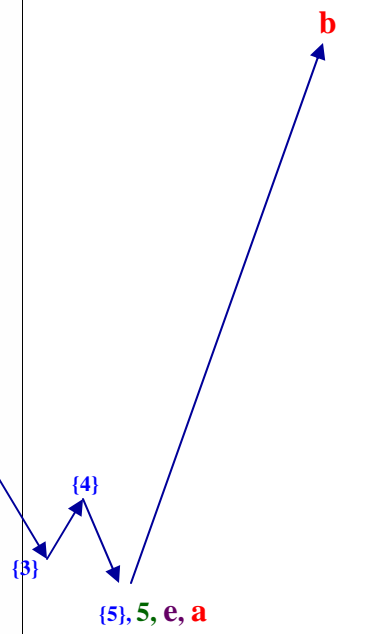
A decisive decline below 10,800 confirms this Very Bearish pattern, giving a downside crash target of 7,500ish.



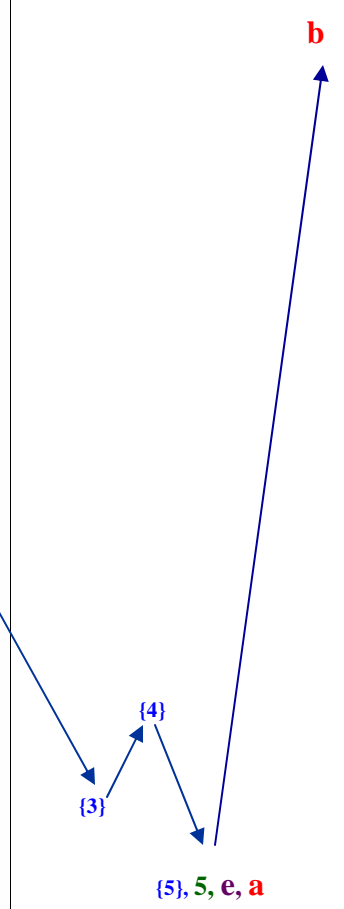
Here is a multi-year "M" pattern in formation for the S&P 500, also known as a Double Top pattern. If this is occurring, we could see a complete meltdown all the way to 500. Getting close.

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.









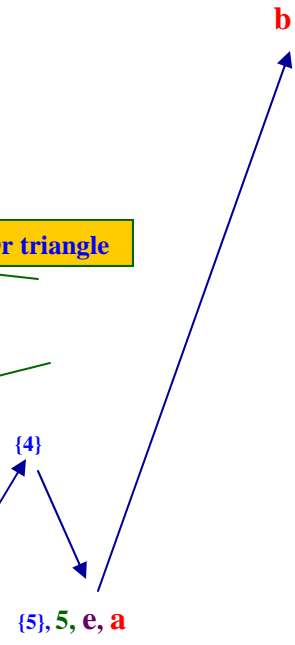
Here is a slight variation of the Bearish Crash Scenario allowing for a completing triangle first. This allows for sideways movement next week.



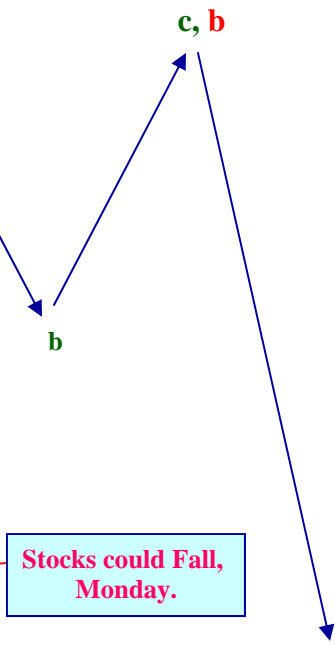
Guidance Indecisive for Monday.



Or triangle



Stocks could Fall, Monday.





The Full Stochastics move to a buy signal.

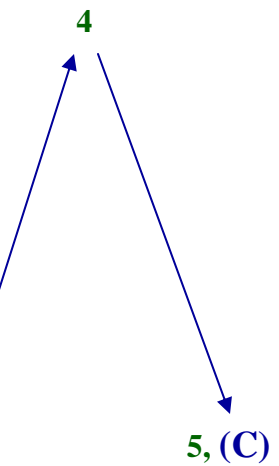
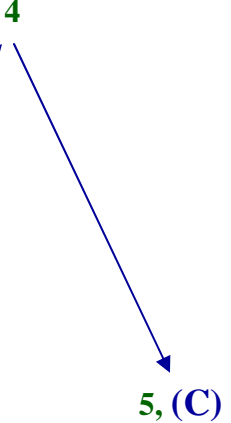


Daily MACD on a buy signal.

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



The Daily Full Stochastics are on a Buy, allowing for one more wave 5 up.

Short-term the Dollar is nearing completion of a wave 4 triangle, meaning that once complete, the direction of the Dollar going into the triangle will be the same leaving it. The Elliott Wave count is a five wave rally from its summer low. That suggests this next rally will be a wave a within an **a-up, b-down, c-up** for corrective primary degree wave (2). Once the Dollar hits its coming high, perhaps around the 90ish level, the Dollar should descend into its wave **b-down** leg, which should be well underway in early 2009. Technically, **the Monthly and Weekly Full Stochastics suggest a top for the Dollar is nearing. The Daily Full Stochastics argue for one more rally leg short-term.** Patience during the height of this market turmoil should pay off for Dollar Bears.

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 is 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.

As for **Oil**, the depth of the decline is arguing that this may be a primary degree correction going on, which means we should expect an **A-down, B-up, C-down** for wave (2) down. That is presented as an alternate labeling. Or, corrective wave 2 down is close to completion. Wave 2 was a 60 percent plunge. **Any way it is labeled a bottom of significance is approaching.** 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.

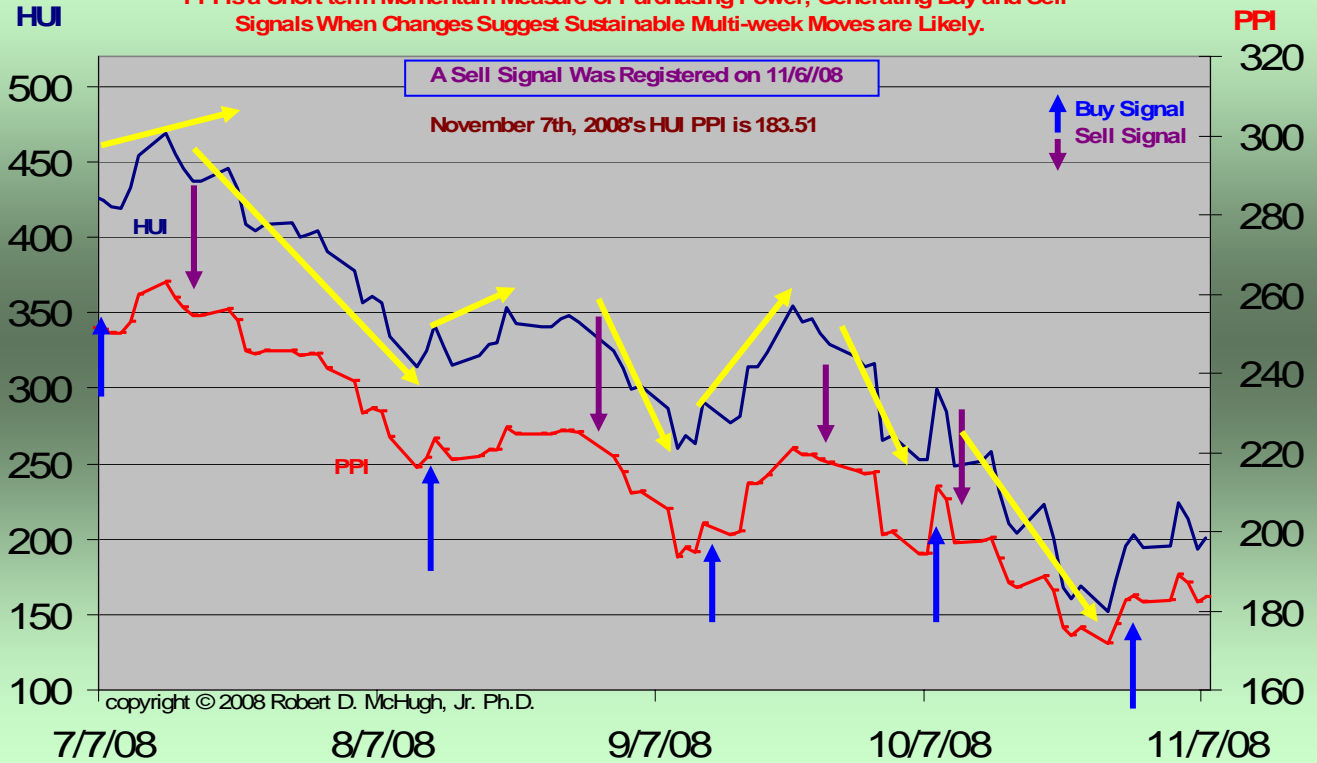
Gold could be approaching a bottom according to the Daily Full Stochastics, and the Elliott Wave count allows for a bottom. However, both the weekly and monthly Full Stochastics do allow for more decline. A closer look at the weekly Full Stochastics suggest a significant bottom occurred during the summer, 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.**

Short-term, the Daily Full Stochastics suggest a decline is next, however, once that decline is over, the Weekly Full Stochastics are suggesting **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**, wave **iii** up.

HUI Gold Bugs Purchasing Power Indicator

PPI is a Short-term Momentum Measure of Purchasing Power, Generating Buy and Sell Signals When Changes Suggest Sustainable Multi-week Moves are Likely.



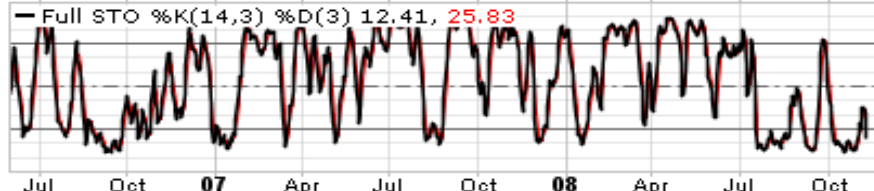
\$WTIC (Oil - Light Crude - Continuous Contract (EOD)) INDX © StockCharts.com
7-Nov-2008 Op 60.67 Hi 62.82 Lo 59.97 Cl 61.04 Chg +0.27 (+0.44%)



Alt. 5 (1) A B C (2)

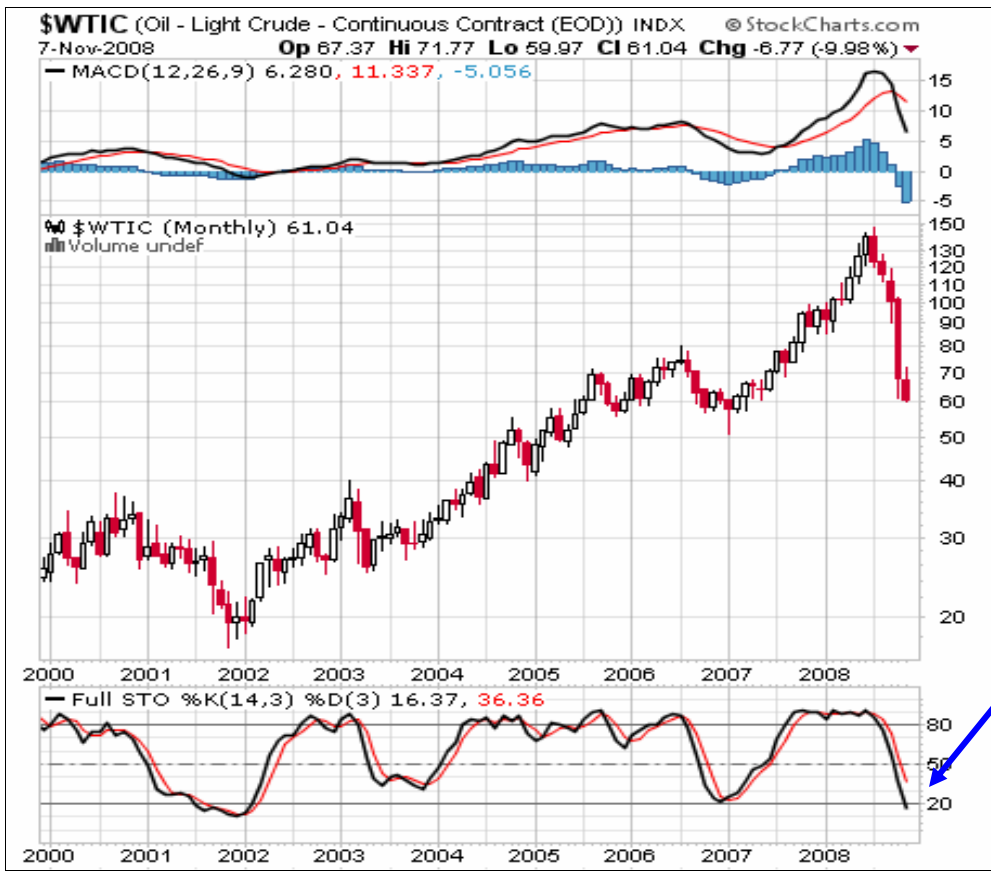
\$WTIC (Daily) 61.04
Volume undef

Oil Hit an All-time High of \$147 a barrel Friday, July 11th, 2008.



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.





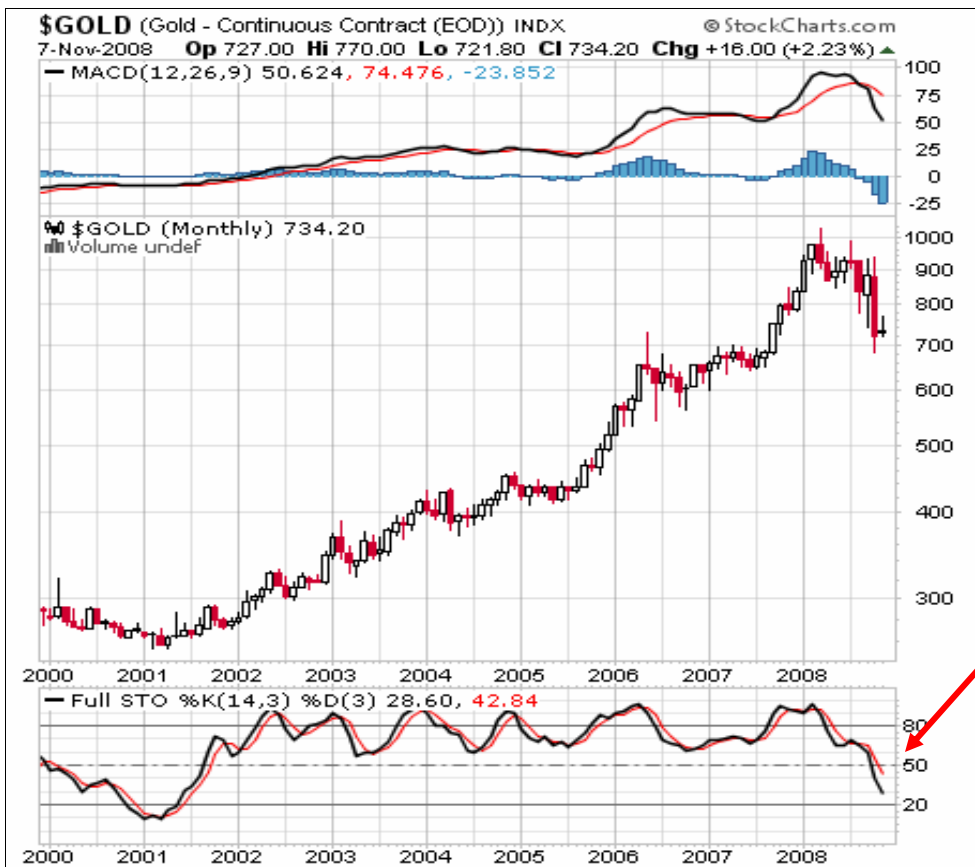
The MACD triggers a Buy signal.
 The Full Stochastics Trigger a sell signal.
 However, the Full Stochastics are at the level where bottoms arrive.



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.



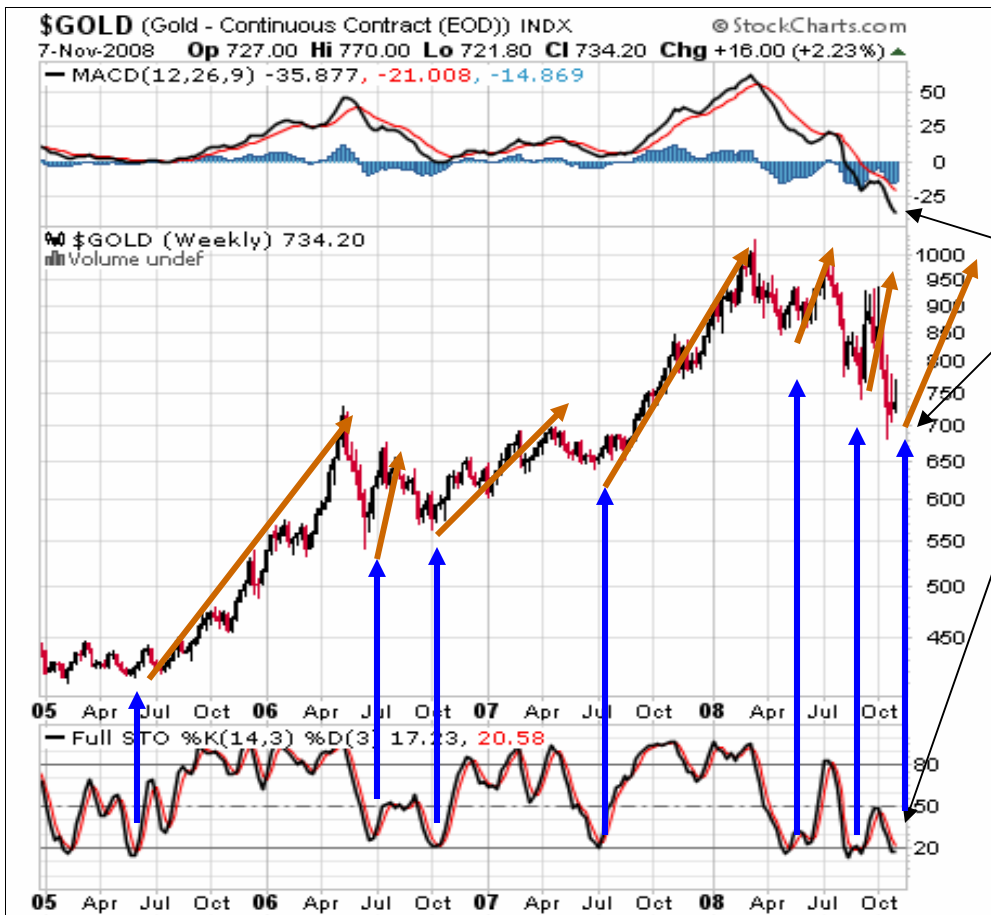
Gold's Monthly Full Stochastics allow for more decline, however by dropping to the 50 level, they have fallen further than at any time since 2001. That suggests either a deep decline is underway, or a bottom is imminent.





**Daily MACD
On a buy signal.**

**Daily Full STO
Trigger a new
buy signal!!**



**The MACD is
On a Sell Signal.**

**The Weekly Full
Stochastics
Are on a
Sell Signal.**



The Daily Full Stochastics Generate a New Sell Signal.



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

3 of 5



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 buy.



c, ii

Key Economic Statistics

<u>Date</u>	<u>VIX</u>	<u>U.S. \$</u>	<u>Euro</u>	<u>CRB</u>	<u>Gold</u>	<u>Silver</u>	<u>Crude Oil</u>	<u>1 Week Avg. M-3</u>
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
11/07/08	56.10	85.92	127.17	256.84	734.2	9.96	61.04	Hidden

Note: VIX and Oil fall; Dollar, Gold and Silver rise.

Conservative Balanced Portfolio Recent Transactions As of Friday November 7th, 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 GDV, 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.

New Bailout Specials:

*6 Months for \$175, or
10 Months for \$215, or
12 Months for \$300, or
13 Months for \$249, or
18 Months for \$359, or
* 24 Months for \$449 **

Extended through Sunday, November 9th, 2008

Robert McHugh Ph.D. is President and CEO of Main Line Investors, Inc., a registered investment advisor in the Commonwealth of Pennsylvania, and can be reached at www.technicalindicatorindex.com. The statements, opinions, buy and sell signals, and analyses presented in this newsletter are provided as a general information and education service only. Opinions, estimates, buy and sell signals, and probabilities expressed herein constitute the judgment of the author as of the date indicated and are subject to change without notice. The information contained in the newsletter is expressed in good faith, but its accuracy is not guaranteed. Nothing contained in this newsletter is intended to be, nor shall it be construed as, investment advice, nor is it to be relied upon in making any investment or other decision. Prior to making any investment decision, you are advised to consult with your broker, investment advisor or other appropriate tax or financial professional to determine the suitability of any investment. Neither Main Line Investors, Inc. nor Robert D. McHugh, Jr., Ph.D. Editor shall be responsible or have any liability for investment decisions based upon, or the results obtained from, the information provided. Copyright 2008, Main Line Investors, Inc. All Rights Reserved.

“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

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Here are the symbols for Exchange Traded Funds for the Major Indices:

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

**** 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.***