

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

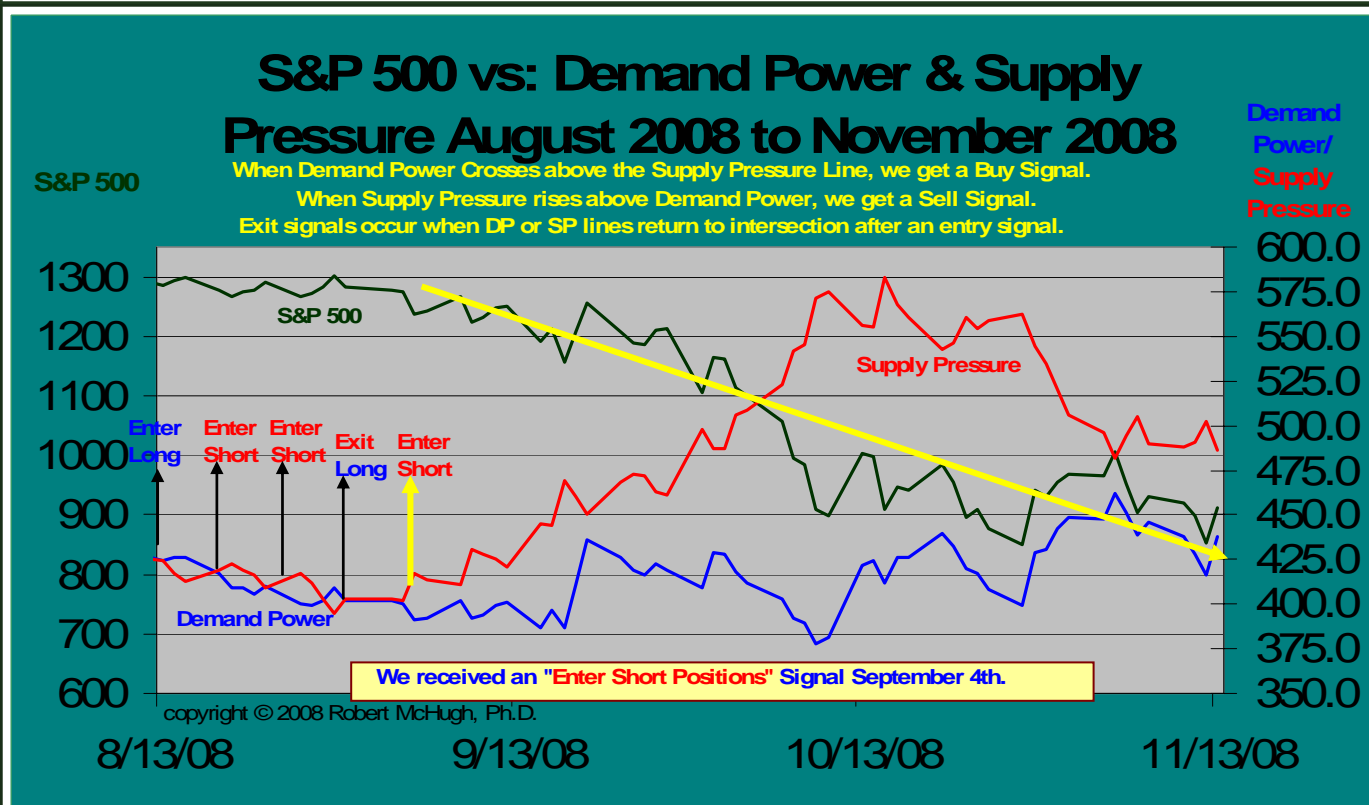
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**SUMMARY OF INDEX DAILY CLOSINGS FOR THURSDAY, NOVEMBER 13th, 2008**

<u>Date</u>	<u>DJIA</u>	<u>Transports</u>	<u>S&amp;P</u>	<u>NASDAQ COMPQ</u>	<u>NASDAQ 100</u>	<u>Russell 2000</u>	<u>30 Yr Treas Bonds</u>
Nov 7	8943.81	3666.02	930.99	1647.40	1271.62	505.79	116^12
Nov 10	8870.54	3689.74	919.21	1616.74	1251.00	493.10	117^20
Nov 11	8693.96	3634.01	898.95	1580.90	1225.59	482.29	118^14
Nov 12	8282.66	3474.06	852.30	1499.21	1165.38	452.80	118^03
Nov 13	8835.25	3692.57	911.29	1596.70	1240.93	491.23	116^31



**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	438	486	SPX Fell 414 Points ( 33.6 % )
NDX	Short	Enter Short	8/25/2008	419	458	NDX Fell 780 Points ( 41.3 % )

\* 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>
<b>Purchasing Power Indicator</b>	DJIA/S&P	Short	Buy	Nov 13th, 2008	<b>New Buy Signal</b>
<b>DJIA 14 Day Stochastic</b>	DJIA	Short	Buy	Nov 13th, 2008	<b>New Buy Signal</b>
<b>DJIA 30 Day Stochastic</b>	DJIA	Short	Buy	Nov 13th, 2008	<b>New Buy Signal</b>
<b>DJIA Primary Trend Indicator</b>	DJIA	<b>Long</b>	Sell	Sept 30th, 2008	DJIA Fell 2968 Points ( 27.4 %)
<b>Secondary Trend Indicator</b>	DJIA/S&P	Short	Sell	Oct 2nd, 2008	DJIA Fell 2600 Points ( 24.8 %)
<b>NDX Purchase Power Indic</b>	NASDAQ 100	Short	Buy	Nov 13th, 2008	<b>New Buy Signal</b>
<b>NDX 14 Day Stochastic</b>	NASDAQ 100	Short	Sell	Nov 5th, 2008	NDX Fell 190 Points ( 14.6 %)
<b>RUT Purchase Power Indic</b>	RUT	Short	Buy	Nov 13th, 2008	<b>New Buy Signal</b>
<b>HUI Purchasing Power Indic</b>	HUI	Short	Buy	Nov 13th, 2008	<b>New Buy Signal</b>
<b>HUI 30 Day Stochastic</b>	HUI	Short	Sell	Oct 2nd, 2008	HUI Fell 115 Points ( 43.4 %)

*Stocks started Thursday down in a big way, taking direct aim at the 2008 intraday lows for this Bear Market, the October 10th, 7,773.71 level in the Industrials. In fact, on Thursday, the Industrials fell 313.42 points, falling below 8,000 to 7,969.24. Prices failed to take out the October lows Thursday, but fell enough to suggest wave 4 ended at the November 4th, Election Day intraday high of 9,653.95, blowing up the triangle scenario, suggesting wave 4's pattern was not a triangle but rather an {a} up, {b} down, {c} up flat. The **stock market crash over the past 7 trading days** has been wave 5 down, which we have been suggesting for a while would be a crash, and it has been.*

*Wave 5 down so far has fallen **1,684.71 points, a stock market crash of 17.45 percent**, in just 7 trading days through today, Thursday, November 13th. The question now is, has wave 5 down completed? Did it bottom Thursday? Has the first phase of the Bear Market from October 2007, wave **a**-down, completed? Was Thursday's V bounce the bottom? We study that possibility tonight.*

*One item of interest is that wave 5 down has not fallen below wave 3 down in the Industrials or Trannies, but has in the S&P 500, the NASDAQ Composite, NDX, and RUT. That divergence can happen when a huge new trend change is imminent. Wave 5's can truncate, and intermarket divergences are signs of major trend changes. Certainly the start of the second phase of the Bear Market, a multi-month rally, wave **b**-up, is a huge trend change, and is close at hand.*

*As mentioned, the S&P 500 hit a new low for the Bear Market and for 2008 intraday Thursday, November 13th. See the chart at the top of page 9. That argues that wave 5 down could have ended Thursday. However, we do not see a clean five wave decline from November 4th's wave 4 top. Thursday's dramatic intraday rebound seems to have occurred after a three wave decline from November 4th. That would argue that wave 5 down is not over, that it may be starting a five wave **Declining Bullish Wedge**, which would consist of five waves of three subwaves each. That would explain why the decline from November 4th is three waves. The rebound Thursday, which Wednesday's 30 minute and 15 minute Full Stochastics correctly suggested was likely Thursday, has invaded the territory of the*

first wave down from November 4th, so that tells us the rally Thursday in the S&P 500 cannot be a wave **{4}** up within a five wave decline for wave **5** down. It must be something else. If in fact a Declining Bullish Wedge has started for wave **5** down, it suggests wave **5** down could drop low enough to challenge the October 2002 low.

The 30 minute and 15 minute Full Stochastics Thursday suggest prices could decline Friday, which could be the middle wave **{b}** of the second of five subwaves for this Declining Bullish Wedge.

We have *a scheduled phi mate turn date coming next week on November 20th +/- a few days*. It is possible the **Declining Bullish Wedge** could complete around then, meaning that would be the kickoff to a multi-month wave **b**-up, 20 to 30 percent rally in stocks. We also show the more immediate Bullish scenario that suggests wave **b**-up started Tuesday October 28th (see chart at the bottom of page 9).

The **Dow Industrials** plunged 313.42 points intraday Thursday, then absolutely rocketed higher, rising 911.17 points during the afternoon, closing up 552.59 points at 8,835.25 Thursday, November 13th. **NYSE volume was up at 139** percent of its 10 day average. Upside volume was 93 percent, with advancing issues at 75 percent, with upside points at 99 percent, a 90 percent up day, which can be a sign that a bottom is close or in. **S&P 500 Demand Power rose 22 points to 438, while Supply Pressure fell 16 points to 486**, telling us the rally was strong, about a third of it shorts covering open positions.

In spite of a 911 point intraday rally Thursday, *we are bothered by the Daily MACD rolling over* (see chart below), *and the sell position of the Full Stochastics*. These support the Declining Bullish Wedge scenario (Bearish until it completes, but an early signal a huge rally is coming).



*The Demand Power/Supply Pressure indicators **generated an enter short position signal September 4th, and remains there Thursday. Thursday's McClellan Oscillator improved to positive + 7.80. The Summation Index improved to negative -2,643.59. NYSE New Highs rose to 17, with New Lows higher at 776 Thursday.***

*The percent of DJIA stocks above their 30 day moving average rose to 40.00 from 6.67. The percent above 10 day rose to 40.00 from 0.00. The percent above 5 day rose to 70.00 from 0.00. The NYSE 10 day average Advance/Decline Line Indicator worsened to negative -345.5, a Bearish divergence with Thursday's large price rise, **arguing for the Declining Wedge scenario, remaining on a "sell" signal from November 12th, when it fell below the negative - 120.00 threshold necessary for a new "sell."***

*Our three Blue Chip key trend-finder indicators (other than the Demand Power/Supply Pressure Indicator) moved to a new "buy" signal Thursday. The DJIA 30 day Stochastic Fast rose to 40.00, decisively above the Slow at 25.33, **triggering a new "buy" signal November 13th.** The DJIA 14 day Stochastic rose to 50.00, decisively above the Slow at 31.11, **triggering a new "buy" signal November 13th.** The Fast had to cross more than 10 points above the Slow for a new "buy." The S&P 500 Purchasing Power Indicator rose 21 points to negative -98.42, **triggering a new "buy" signal November 13th, needing to fall below negative -104.42 for a new sell signal.***

*The Plunge Protection Team Risk Indicator rose to **negative -22.09 Thursday, 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 fell to 0.96 Thursday, 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 Thursday, the Secondary Trend Indicator rose 7 points to negative -22, 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&amp;P 500/DJIA

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	<u>Secondary Trend Indicator</u>
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
Nov 10	Down 8 to 438	Down 2 to 488	Down 3 to -99	Down 5 to -13
Nov 11	Down 10 to 428	Up 3 to 491	Down 5 to -104	Down 8 to -21
Nov 12	Down 12 to 416	Up 11 to 502	Down 15 to -119	Down 8 to -29
Nov 13	Up 22 to 438	Down 16 to 486	Down 21 to -98	Up 7 to -22

## 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)
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
Nov 10	Down 5 to 419	Down 1 to 463	Down 2 to -74	- 27.29
Nov 11	Down 5 to 414	Flat 0 at 463	Down 5 to -79	- 27.67
Nov 12	Down 6 to 408	Up 5 to 468	Down 14 to -93	- 27.45
Nov 13	Up 11 to 419	Down 10 to 458	Down 26 to -67	- 22.09

## 10 Day Average Short-term Advance/Dcline Signals

<u>Index</u>	<u>Nov 13th 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	- 345.5	Sell	Nov 12th, 2008	SPX Fell 33 Points ( 3.9 %)
NASDAQ 100	- 14.0	Sell	Nov 11th, 2008	NDX Fell 115 Points ( 9.4 %)
Russell 2000	- 213.1	Sell	Nov 12th, 2008	RUT Fell 19 Points ( 4.3 %)

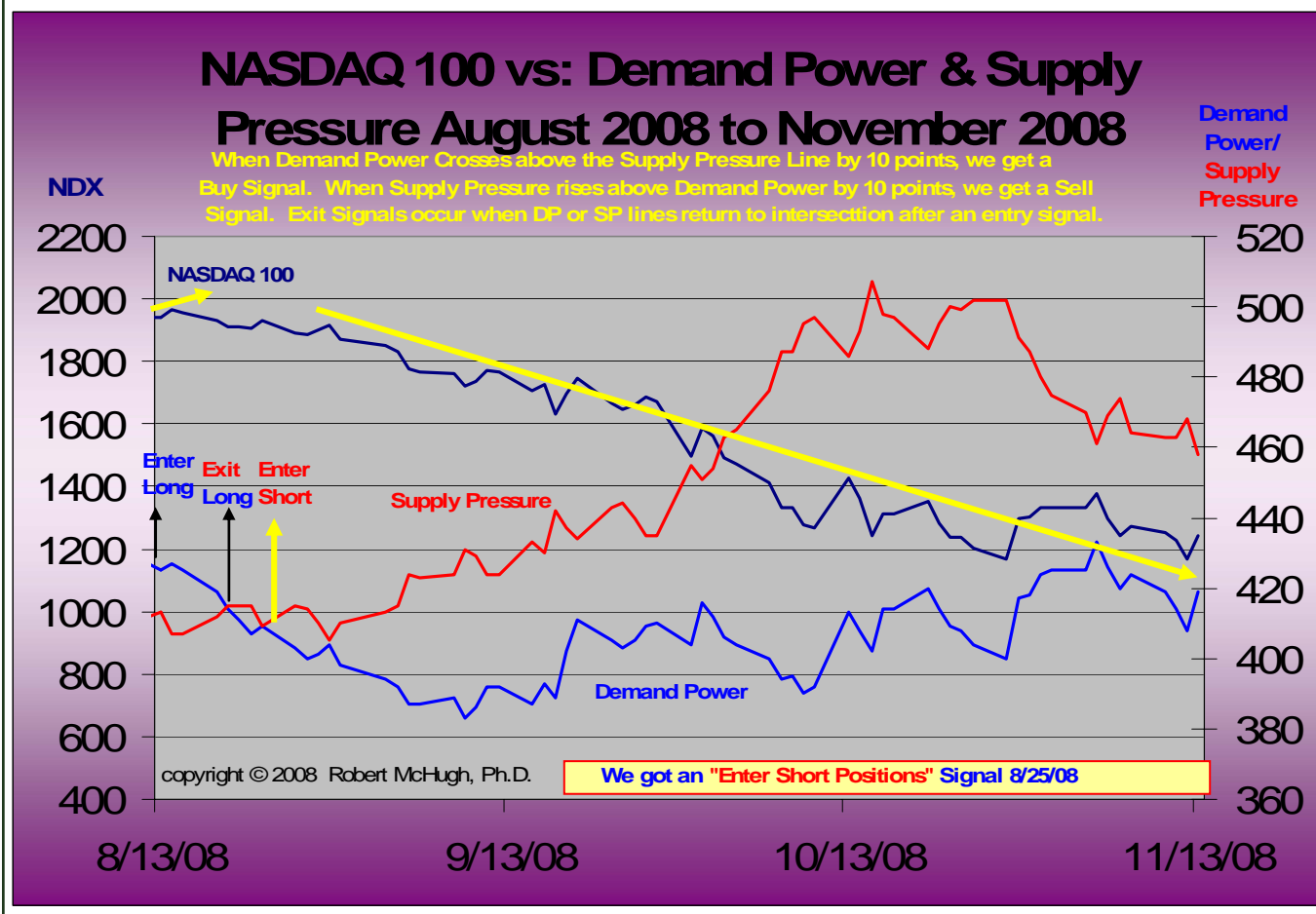
*Shorting should only be done with funds that are speculative and the investor is willing to accept a substantial loss on.* That is because the PPT is very active at this time.

*Check out our new Veterans Day Specials, good through [Sunday, November 16th](#), [including an 18 month offering](#). If you are enjoying your subscription, please tell a friend.*



The **NASDAQ 100** rocketed 75.55 points Thursday, closing at 1,240.93. Volume rose to 139 percent of its 10 day average. **Upside volume led at 92 percent. Advancing issues led at 92 percent, with upside points at 92 percent, a 90 percent up day. NDX Demand Power rose 11 points to 419, with Supply Pressure fell 10 points to 458**, telling us the advance was strong and solid.

Our key trend-finder indicators **moved to a "sideways" signal Thursday**. The **NDX 14 day Stochastic Fast** rose to 29.00, above the Slow at 27.60, **remaining on a "sell" signal from November 5th**. The **NDX Purchasing Power Indicator** rose 26 points to negative -67.64, **triggering a new "buy" signal November 13th**. The **NDX 10 day average Advance/Decline Line Indicator** rose to negative -14.0, **remaining on a "sell" signal from November 11th**, 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 Thursday, November 13th.



The *Russell 2000* flew 38.43 points higher Thursday, closing at 491.23. Volume was up at 134 percent of its 10 day average, with upside volume leading at 80 percent, with advancing issues leading at 92 percent. *The RUT Purchasing Power Indicator* rose to positive + 8.17, *triggering a new "buy" signal November 13th*. The *RUT 10 day average Advance/Decline Line Indicator* was flat at negative - 213.10, *remaining on a "sell" signal from November 12th*, when it fell below the negative -180.00 threshold for a new "sell" signal.

The *HUI Amex Gold Bugs Index* rose 23.13 points Thursday, closing at 198.61. Volume was up at 136 percent of its 10 day average. Upside volume was 100 percent, with advancing issues at 100 percent, and upside points at 100 percent. *Our key trend-finder indicators moved to a new "sideways" signal Thursday, November 13th*. The *HUI 30 day Stochastic* Fast rose to 25.00, above the Slow at 11.67, *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 185.00, *triggering a new "buy" signal November 13th*. December *Gold* rose to 728.5. *Silver* fell to 9.32, while *Oil* rose to 58.60. The *Dollar* fell 0.85 to 86.69. *Bonds fell a point to 116^31*. 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 6.63 to 58.99, *as volatility and fear remain*.

The *Australia SPASX200* plunged 230.00 points, or 5.86 percent Thursday. 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.*

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*12 Months for \$300, or*  
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*18 Months for \$359, or*  
*\* 24 Months for \$449 \**

***Good through Sunday, November 16th, 2008***

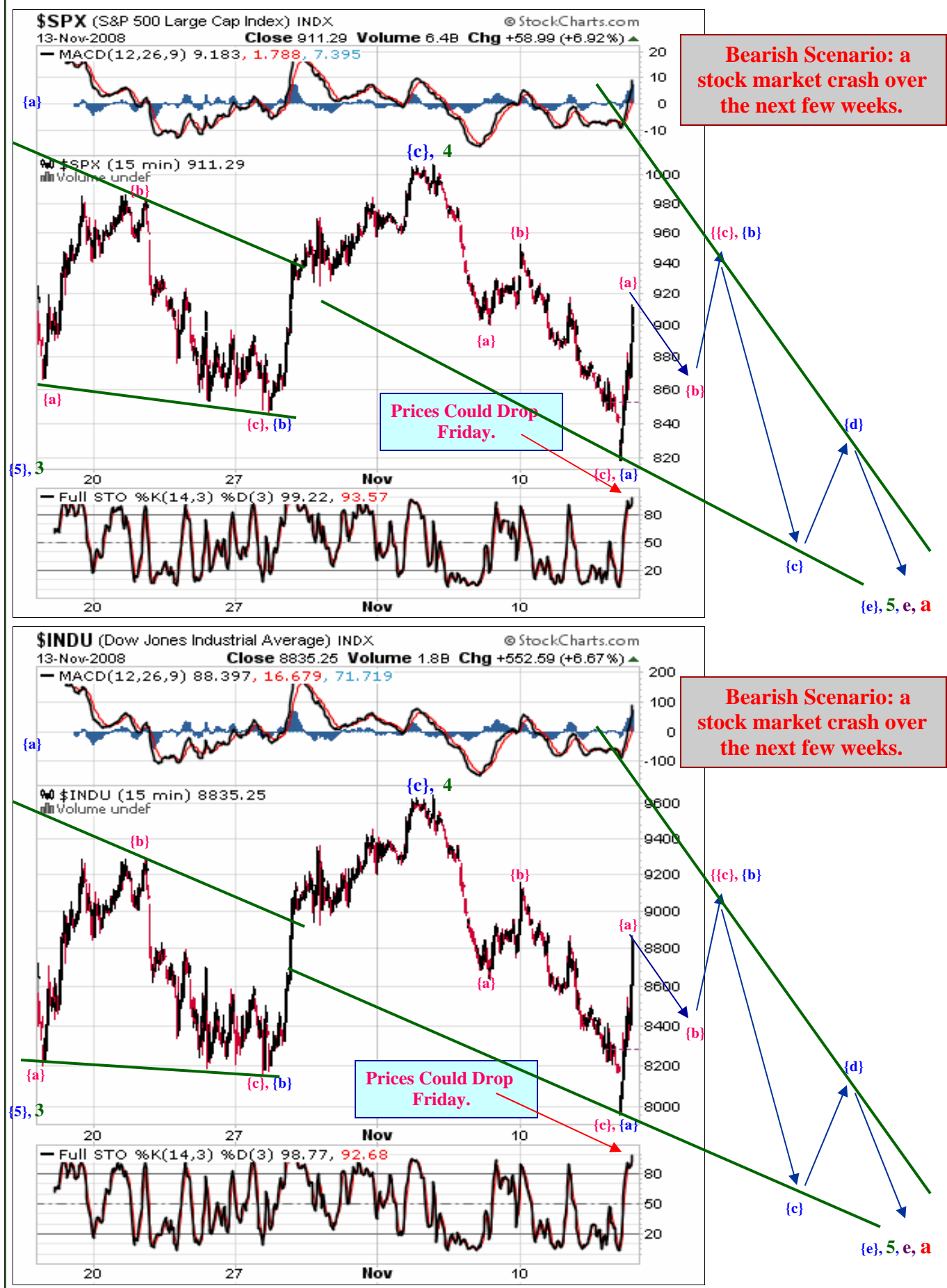
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The MACD triggers a Buy signal.  
 The Full Stochastics Trigger a sell signal, at the level where tops arrive.



The Weekly Full Stochastics trigger a buy signal, at the level where bottoms arrive.  
 Once the short-term decline ends, we should see a huge rally.





## 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>	1 Week Avg. <u>M-3</u>
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
<b>11/13/08</b>	59.83	86.69	127.65	247.63	728.5	9.32	58.60	Hidden

*Note: VIX and Dollar rise; Inflation assets fall.*

## Conservative Balanced Portfolio Recent Transactions As of Thursday November 13th, 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.*

## ***New Veterans Day Specials:***

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

***Good through Sunday, November 16th, 2008***

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***“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:***

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

***\* 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.***