

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

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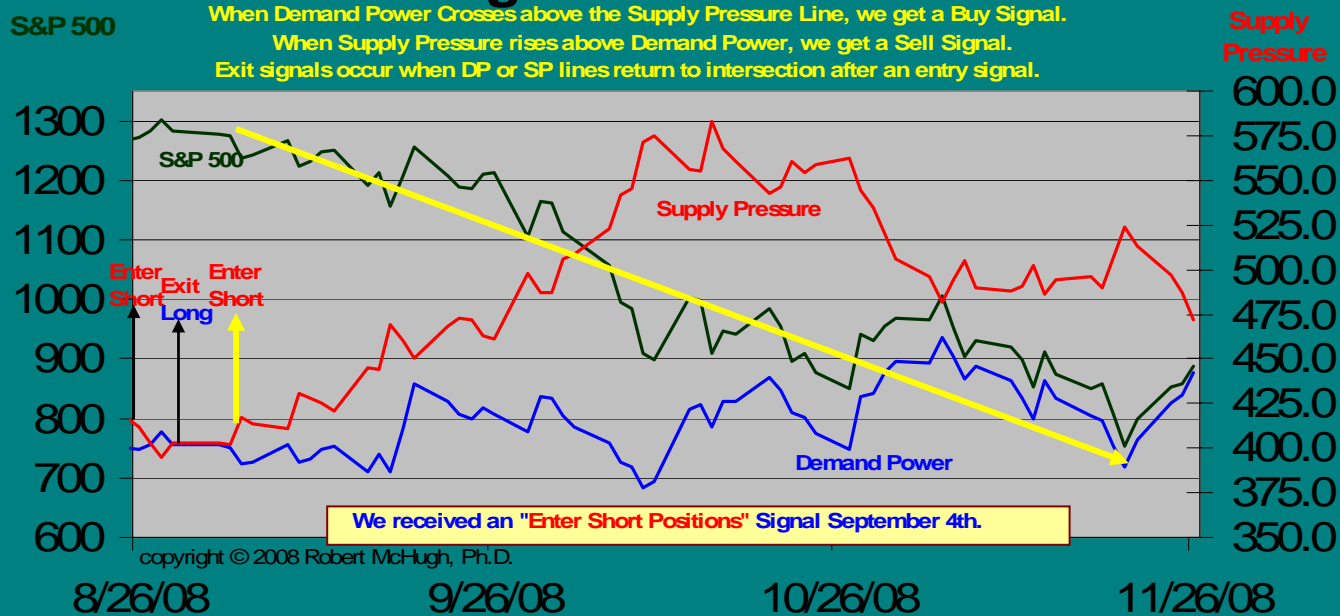
Issue No. 965  
 Wednesday, November 26th, 2008

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**SUMMARY OF INDEX DAILY CLOSINGS FOR WEDNESDAY, NOVEMBER 26th, 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 20	7552.29	2988.99	752.44	1316.12	1036.51	385.31	127^24
Nov 21	8046.42	3122.75	800.03	1384.35	1085.57	406.54	126^09
Nov 24	8443.39	3300.13	851.81	1472.02	1154.34	436.80	125^09
Nov 25	8479.47	3393.44	857.39	1464.73	1142.58	443.18	126^29
Nov 26	8726.61	3500.60	887.68	1532.10	1193.09	468.85	127^02

**S&P 500 vs: Demand Power & Supply Pressure  
 August 2008 to November 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	442	472	SPX Fell 491 Points ( 39.9 %)
NDX	Short	Enter Short	8/25/2008	423	446	NDX Fell 870 Points ( 46.1 %)

\* 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 21st, 2008	DJIA Rose 680 Points ( 8.5 %)
<b>DJIA 14 Day Stochastic</b>	DJIA	Short	Buy	Nov 24th, 2008	DJIA Rose 283 Points ( 3.4 %)
<b>DJIA 30 Day Stochastic</b>	DJIA	Short	Buy	Nov 24th, 2008	DJIA Rose 283 Points ( 3.4 %)
<b>DJIA Primary Trend Indicator</b>	DJIA	<b>Long</b>	Sell	Sept 30th, 2008	DJIA Fell 3401 Points ( 31.3 %)
<b>Secondary Trend Indicator</b>	DJIA/S&P	Short	Sell	Oct 2nd, 2008	DJIA Fell 3033 Points ( 28.9 %)
<b>NDX Purchase Power Indic</b>	NASDAQ 100	Short	Buy	Nov 21st, 2008	NDX Rose 107 Points ( 9.9 %)
<b>NDX 14 Day Stochastic</b>	NASDAQ 100	Short	Buy	Nov 24th, 2008	NDX Rose 38 Points ( 3.4 %)
<b>RUT Purchase Power Indic</b>	RUT	Short	Buy	Nov 21st, 2008	RUT Rose 62 Points ( 15.3 %)
<b>HUI Purchasing Power Indic</b>	HUI	Short	Buy	Nov 21st, 2008	HUI Rose 26 Points ( 12.4 %)
<b>HUI 30 Day Stochastic</b>	HUI	Short	Buy	Nov 21st, 2008	HUI Rose 26 Points ( 12.4 %)

Announcement: Thursday is Thanksgiving Day, and U.S. markets are closed. The next U.S. Market Newsletter will be Friday's Expanded Weekend report. We will produce a short Australia report Thursday morning. We wish everyone a safe and restful Thanksgiving holiday.

The Weekly Full Stochastics stubbornly refuse to generate new buys signals in the Dow Industrials and S&P 500, in spite of a four day, 16 percent rally from lows at our recent phi mate turn date, November 20th, 2008. The Monthly Full Stochastics also remain on a sell in the S&P 500. However, ***the Monthly Full Stochastics for the Industrials did trigger a new buy signal today, Wednesday, November 26th.*** This latest confirmation by the Industrial's Monthly F.S. strengthens our belief that wave (A) down ended on last week's phi mate date, and (B) up started the next day, Friday, November 21st. Enjoy every second of this ride and use it wisely to raise cash before it ends, before wave (C) down gets its deathgrip on our nation.

***For further confirmation that wave (A) down is over, we would like to see the next decline bottom above last Friday's intraday lows, 741.02 in the S&P 500, and 7,449.38 in the Industrials. Then we would like to see higher highs, a breakout from the declining parallel trend-channel we show tonight on page 9. In other words, we want to see a pattern of higher lows and higher highs to be fully convinced wave (B) up has started.***

The ***Dow Industrials rose 247.14*** points Wednesday, closing at 8,726.61. It was the fourth consecutive day stocks rallied. ***NYSE volume was down at 83*** percent of its 10 day average Wednesday, not bad for pre-holiday trading. Upside volume led at 90 percent, with advancing issues at 85 percent, with upside points at 97 percent. ***S&P 500 Demand Power rose 12 points to 442, while Supply Pressure fell 15 points to 472,*** telling us the rally was strong and solid.

New Home Sales fell 5.3 percent in October to the lowest level in 18 years. Durable Goods Orders fell 6.2 percent. The road to Depression marches on.

*The Demand Power/Supply Pressure indicators generated an enter short position signal September 4th, and remains there Wednesday. Wednesday's McClellan Oscillator improved to positive +182.40. The Summation Index improved to negative -3,500.13. NYSE New Highs rose to 19, with New Lows falling to 55 Tuesday.*

*The percent of DJIA stocks above their 30 day moving average rose to 46.67 from 33.33. The percent above 10 day rose to 90.00 from 70.00. The percent above 5 day rose to 100.00 from 96.67. The NYSE 10 day average Advance/Decline Line Indicator improved to negative -173.8, remaining on a "sell" signal from November 12th, when it fell below the negative -120.00 threshold necessary for a new "sell." This argues that another leg lower is coming over the short-run before a bottom.*

*Our three Blue Chip key trend-finder indicators (other than the Demand Power/Supply Pressure Indicator) remained on a "buy" signal Wednesday. The DJIA 30 day Stochastic Fast rose to 46.67, above the Slow at 25.33, remaining on a "buy" signal from November 24th. The DJIA 14 day Stochastic rose to 66.67, above the Slow at 27.78, remaining on a "buy" signal from November 24th. The Fast had to cross more than 10 points below the Slow for a new "sell." The S&P 500 Purchasing Power Indicator rose 7 points to negative -103.21, remaining on a "buy" signal from November 21st.*

*The Plunge Protection Team Risk Indicator fell to positive +9.19 Wednesday, remaining on a "sell" signal from November 17th. A rise above positive +20.0 would trigger 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. After this indicator generated a sell signal November 17th, the Industrials fell 824 points, or 10 percent.*

*The DJIA Call/Put Ratio rose to 1.03 Wednesday, 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 Wednesday, the Secondary Trend Indicator rose 7 points to negative -18, remaining 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.*

## 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 19	Down 14 to 401	Up 17 to 507	Down 18 to -131	Down 8 to -36
Nov 20	Down 12 to 389	Up 17 to 524	Down 25 to -156	Down 6 to -42
Nov 21	Up 16 to 405	Down 11 to 513	Up 28 to -128	Up 8 to -34
Nov 24	Up 20 to 425	Down 16 to 497	Down 17 to -111	Up 6 to -28
Nov 25	Up 5 to 430	Down 10 to 487	Up 1 to -110	Up 3 to -25
Nov 26	Up 8 to 423	Down 10 to 446	Up 7 to -93	Up 7 to -18

## 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 19	Down 7 to 401	Up 7 to 467	Down 19 to -107	- 7.65
Nov 20	Down 6 to 395	Up 7 to 474	Down 17 to -124	- 2.39
Nov 21	Up 9 to 404	Down 8 to 466	Up 14 to -110	+ 7.79
Nov 24	Up 13 to 417	Down 9 to 457	Up 19 to -91	+ 10.50
Nov 25	Down 2 to 415	Down 1 to 456	Down 2 to -93	+ 10.44
Nov 26	Up 8 to 423	Down 10 to 446	Up 10 to -83	+ 9.19

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

<u>Index</u>	<u>Nov 26th 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	- 173.8	Sell	Nov 12th, 2008	SPX Fell 111 Points ( 13.1 %)
NASDAQ 100	- 0.7	Sell	Nov 11th, 2008	NDX Fell 206 Points ( 16.9 %)
Russell 2000	+ 79.4	Sell	Nov 12th, 2008	RUT Fell 81 Points ( 18.0 %)

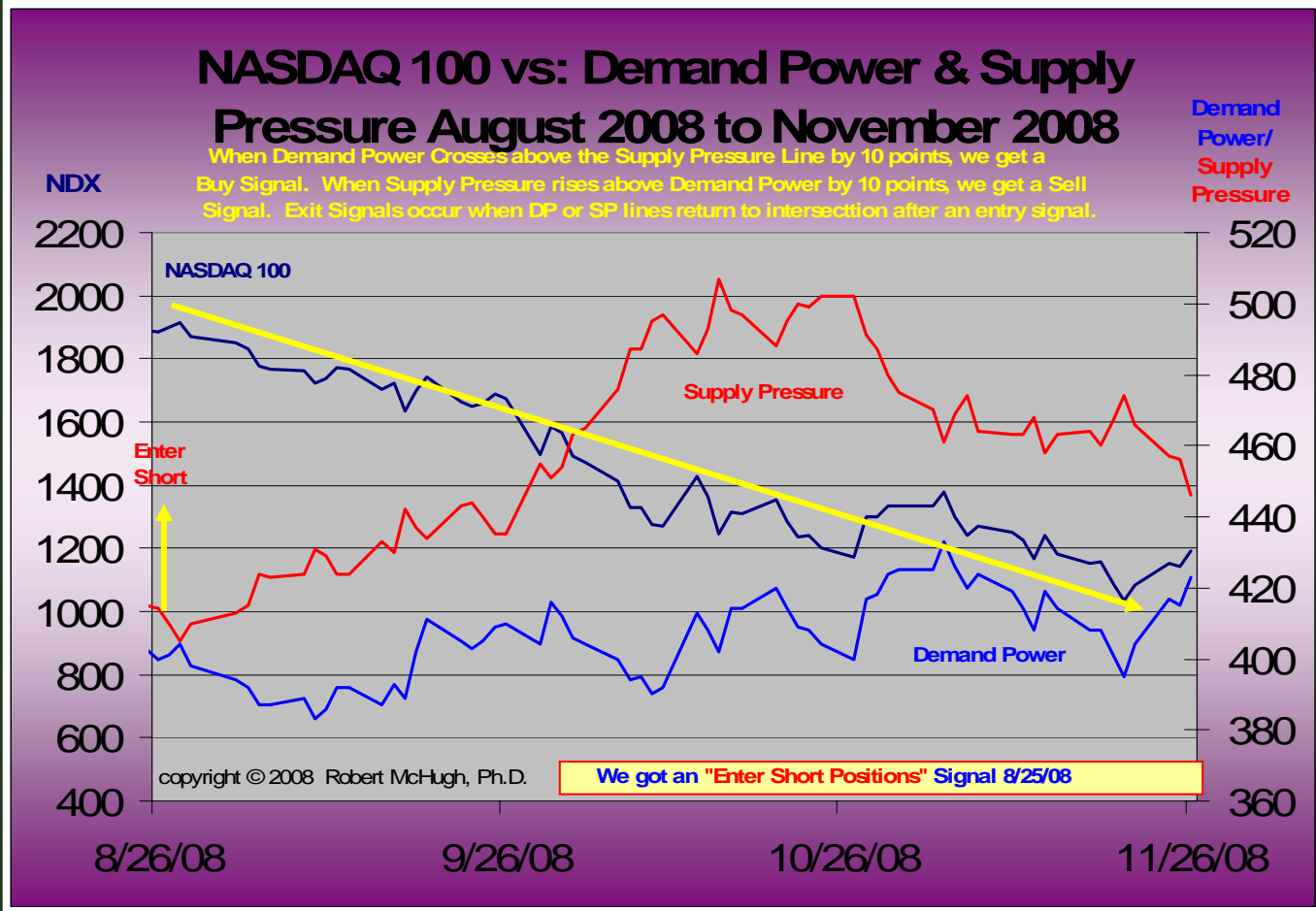
*Shorting should only be done with funds that are speculative and the investor is willing to accept a substantial loss on.* That is because the PPT is very active at this time.

*Gold's and the HUI's Daily and Weekly Full Stochastics, are on a buy signal. The Monthly Full Stochastics are close to generating new buy signals.*

*Check out our new Thanksgiving Day Specials, extended through [Sunday, November 30th](#), including an 18 month offering. If you are enjoying your subscription, please tell a friend.*

The **NASDAQ 100** rose **50.51 points Wednesday, closing at 1,193.09**. Volume was down, but not bad for pre holiday, at 78 percent of its 10 day average. **Upside volume led at 99 percent. Advancing issues led at 96 percent, with upside points at 99 percent. NDX Demand Power rose 8 points to 423, with Supply Pressure falling 10 points to 446**, telling us the advance was powerful and solid.

Our key trend-finder indicators **remain on a "buy" signal Wednesday**. The **NDX 14 day Stochastic Fast** rose to 64.00, above the Slow at 27.00, **remaining on a "buy" signal from November 24th**. The **NDX Purchasing Power Indicator** rose 10 points to negative -83.55, **remaining on a "buy" signal from November 21st**. The **NDX 10 day average Advance/Decline Line Indicator** rose to negative -0.7, **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 Wednesday, November 26th.



The *Russell 2000* rose 25.67 points Wednesday, closing at 468.85. Volume fell to 88 percent of its 10 day average, with upside volume leading at 84 percent, with advancing issues leading at 91 percent. The *RUT Purchasing Power Indicator* rose to negative -4.02, **remaining on a "buy" signal from November 21st**. The *RUT 10 day average Advance/Decline Line Indicator* improved to positive + 79.4, **remaining on a "sell" signal from November 12th**, needing to rise above the positive +180.00 threshold for a new "buy" signal.

The *HUI Amex Gold Bugs Index* rose 13.83 points Wednesday, closing at 243.53. Volume was lower at 78 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 remain on a "buy" signal Wednesday, November 26th**. The *HUI 30 day Stochastic* Fast rose to 90.00, above the Slow at 37.78, **remaining on a "buy" signal from November 21st**. The Fast had to rise more than 20 points above the Slow to trigger a new "buy." The *HUI Purchasing Power Indicator* rose to 204.41, **remaining on a "buy" signal from November 21st**. December Gold was flat at 811.8. Silver was flat at 10.29, while Oil rose to 514.77. The Dollar rose 0.88 to 85.61. Bonds rose 5 ticks to 127^02. 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 5.98 to 54.92.

The *Australia SPASX200* fell 83.40 points, or 2.30 percent Wednesday. 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 Thanksgiving Day 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 30th, 2008***

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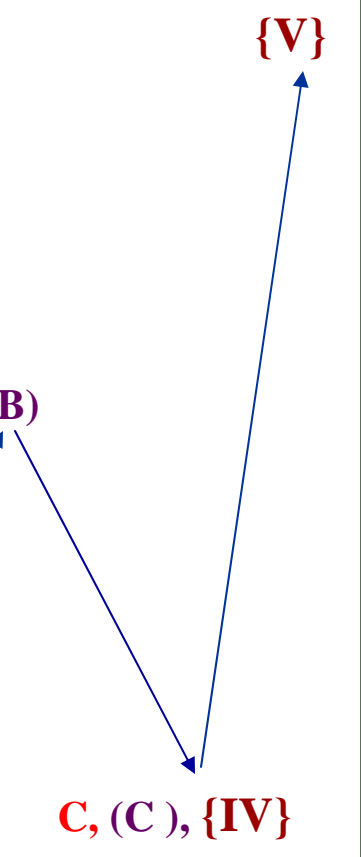
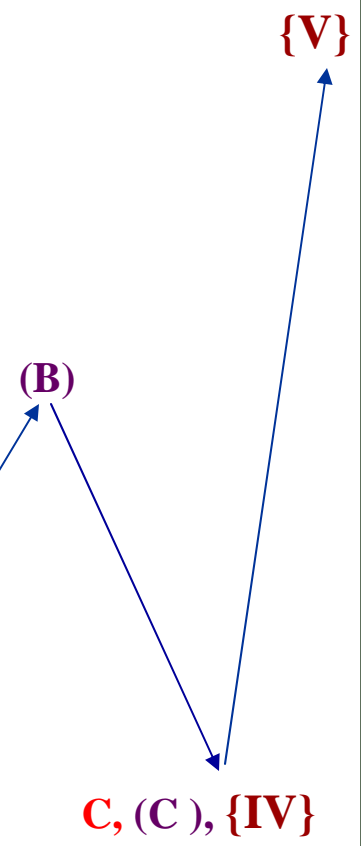


The above chart is a closer look at the big picture. We originally hoped that the decline we are seeing now would be the bottom of wave 2, however *with the recent reconfirmation of the Dow Theory Signal, and a new “Sell” signal in our long-term PTI signal, clearly there is more substantial downside coming* after any rally here. This fits with last Thursday’s development where the S&P 500 fell decisively below their 2002 lows, also confirming we are in Grand Supercycle wave {IV} down.

*However, we believe we reached a multi-week bottom, perhaps multi-month bottom, intraday last Friday, and closing last Thursday, November 20th.* The Monthly, Weekly, and Daily Full Stochastics are all oversold. This suggests the first leg of the Bear Market is completing, may be over, wave (A) down within an (A)-down, (B)-up, (C)-down Grand Supercycle Wave {IV} down. The start of wave (B) up is imminent, and may have already started. 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 to mid 2009, a nasty decline will follow, the third leg of the Bear Market, wave (C) down. That bottom suggests something along the lines of Armageddon is transpiring, in its early stages, which no doubt will lead to change in our political structure, installing either fascism or socialism to a degree never before imagined. What we are saying is, this should be worse than the 1930’s, which led to World War II. That political environment is where holding actual gold coins would be beneficial.

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



**\$INDU (Dow Jones Industrial Average) INDX**

26-Nov-2008 **Close 8726.61 Volume 1.3B Chg +247.14 (+2.91%)**  
 - MACD(12,26,9) -268.008, -319.476, 51.468



A breakout above the upper boundary of this declining parallel trend-channel would suggest wave (B) up started on November 21st.

**\$SPX (S&P 500 Large Cap Index) INDX**

26-Nov-2008 **Close 887.68 Volume 4.4B Chg +30.29 (+3.53%)**  
 - MACD(12,26,9) -39.140, -44.499, 5.360



A breakout above the upper boundary of this declining parallel trend-channel would suggest wave (B) up started on November 21st.







The NASDAQ 100 Is Completing the first wave of a five wave Declining Wedge, for wave (C) down. B up is next, and may have started.



Wave B up may have Started Friday, November 21st. The day after our phi mate turn date



The MACD triggers a Buy signal.  
 The Full Stochastics Are on a Buy signal.



Daily MACD On a buy signal.

Daily Full STO on a buy signal.

## 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>
11/14/08	66.31	86.72	126.04	247.58	742.5	9.49	57.60	Hidden
11/21/08	72.67	87.80	125.89	231.58	791.8	9.48	49.93	Hidden
<b>11/26/08</b>	54.92	85.61	128.78	245.78	811.8	10.29	54.77	Hidden

*Note: VIX and Dollar falls; inflation assets rise.*

### Conservative Balanced Portfolio Recent Transactions As of Wednesday November 26th, 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.*

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\* 24 Months for \$449 \**

***Extended through Sunday, November 30th, 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.***