

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

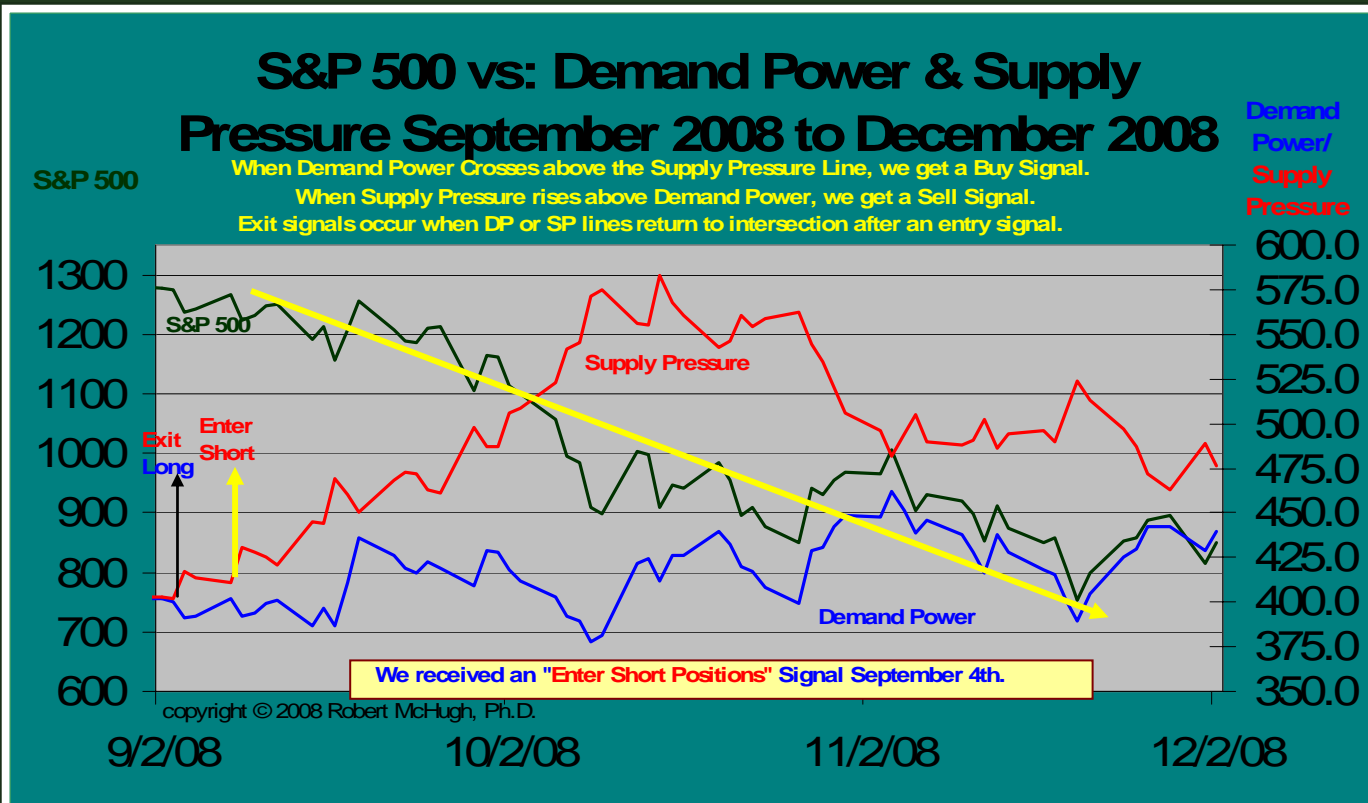
P.O. Box 1026
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Tuesday December 2nd, 2008

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SUMMARY OF INDEX DAILY CLOSINGS FOR TUESDAY, DECEMBER 2nd, 2008

<u>Date</u>	<u>DJIA</u>	<u>Transports</u>	<u>S&P</u>	<u>NASDAQ COMPQ</u>	<u>NASDAQ 100</u>	<u>Russell 2000</u>	<u>30 Yr Treas Bonds</u>
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
Nov 28	8829.04	3512.20	896.24	1535.57	1185.75	473.14	127^15
Dec 1	8149.09	3196.83	816.21	1398.07	1091.16	417.07	130^20
Dec 2	8419.09	3315.86	848.81	1449.80	1130.00	441.82	131^07



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	440	476	SPX Fell 491 Points (39.9 %)
NDX	Short	Enter Short	8/25/2008	418	445	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>
Purchasing Power Indicator	DJIA/S&P	Short	Buy	Dec 2nd, 2008	New Buy Signal
DJIA 14 Day Stochastic	DJIA	Short	Sell	Dec 1st, 2008	DJIA Fell 0 Points (0.0 %)
DJIA 30 Day Stochastic	DJIA	Short	Sell	Dec 1st, 2008	DJIA Fell 0 Points (0.0 %)
DJIA Primary Trend Indicator	DJIA	Long	Sell	Sept 30th, 2008	DJIA Fell 3401 Points (31.3 %)
Secondary Trend Indicator	DJIA/S&P	Short	Sell	Oct 2nd, 2008	DJIA Fell 3033 Points (28.9 %)
NDX Purchase Power Indic	NASDAQ 100	Short	Buy	Dec 2nd, 2008	New Buy Signal
NDX 14 Day Stochastic	NASDAQ 100	Short	Sell	Dec 1st, 2008	NDX Fell 0 Points (0.0 %)
RUT Purchase Power Indic	RUT	Short	Buy	Dec 2nd, 2008	New Buy Signal
HUI Purchasing Power Indic	HUI	Short	Sell	Dec 1st, 2008	HUI Fell 0 Points (0.0 %)
HUI 30 Day Stochastic	HUI	Short	Buy	Nov 21st, 2008	HUI Rose 35 Points (16.5 %)

The **Dow Industrials rose 270.00** points, or 3.3 percent, Tuesday, closing at 8,419.09. The rally was suggested by yesterday's 30 and 15 minute Full Stochastic readings. **NYSE volume was up at 92** percent of its 10 day average. Upside volume led at 89 percent, with advancing issues at 76 percent, with upside points at 96 percent. **S&P 500 Demand Power rose 11 points to 440, while Supply Pressure fell 13 points to 476**, telling us the rally was strong, with a reluctance to sell helping prices rise.

Last night we noted that it is a characteristic of sideways triangles that there are violent moves in opposite directions during the first two of the five waves that make up triangles. We suggested we may be witnessing a triangle move since November 20th, and that triangle could be the middle wave of the first leg up of wave **(B)** up. Tuesday's 3.3 percent rally fits nicely with this scenario.

We believe wave **(B)** up started Friday, November 21st, 2008, but for confirmation we need a few things to occur. We would like to see a pattern of higher highs and higher lows, which means that once prices correct the past week's huge bounce, we would like to see **the next decline bottom above November 21st'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, meaning a breakout above the upper boundary of the declining parallel trend-channel we show tonight on page 8.** So far those lows have held.

More confirmation did come Tuesday with buy signals in the Monthly Full Stochastics for the Industrials, joining the new buy signals from Monday in the Weekly Full Stochastics for the S&P 500 and the Industrials. Those buy signals have triggered from oversold levels. We do not have a new buy signal yet in the Monthly Full Stochastics for the S&P 500, but are close Tuesday.

Chrysler's Sales fell 47 percent in November. GM's fell 41 percent. Amazing. We also learned that the Bank of America's acquisition of Merrill Lynch will cost 30,000 jobs. Unemployment is going to be a huge dagger in the economy's posterior next year.

The Demand Power/Supply Pressure indicators generated an enter short position signal September 4th, and remains there Tuesday. Tuesday's McClellan Oscillator improved to a positive + 187.12. The Summation Index improved to negative -2,982.55. NYSE New Highs fell to 16, with New Lows falling to 83 Tuesday.

The percent of DJIA stocks above their 30 day moving average rose to 30.00 from 23.33. The percent above 10 day rose to 76.67 from 33.33. The percent above 5 day rose to 26.67 from 3.33. The NYSE 10 day average Advance/Decline Line Indicator improved to positive + 51.0, 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) triggered a new "sideways" signal Tuesday. The DJIA 30 day Stochastic Fast rose to 30.00, below the Slow at 36.67, remaining on a "sell" signal from December 1st. The DJIA 14 day Stochastic rose to 66.67, above the Slow at 57.22, remaining on a "sell" signal from December 1st. The Fast had to cross more than 10 points below the Slow for a new "sell." The S&P 500 Purchasing Power Indicator rose 8 points to negative -115.95, triggering a new "buy" signal December 2nd.

The Plunge Protection Team Risk Indicator was fell to positive + 3.05 Tuesday, remaining on a "sell" signal from November 17th. A rise above positive + 20.0 or a drop below -16.0 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 was flat at 1.04 Tuesday, 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 Tuesday, the Secondary Trend Indicator rose 8 points to negative -16, 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.

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.

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>
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 12 to 442	Down 15 to 472	Up 7 to -103	Up 7 to -18
Nov 28	Flat 0 at 442	Down 9 to 463	Up 1 to -102	Up 2 to -16
Dec 1	Down 13 to 429	Up 26 to 489	Down 22 to -124	Down 8 to -24
Dec 2	Up 11 to 440	Down 13 to 476	Up 8 to -116	Up 8 to -16

NASDAQ 100

PPT Risk Indicator

(Above +18% Means High Risk of a Short-covering Rally)

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	
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
Nov 28	Down 4 to 419	Down 4 to 442	Down 1 to -84	+ 4.07
Dec 1	Down 7 to 412	Up 11 to 453	Down 25 to -109	+ 4.03
Dec 2	Up 6 to 418	Down 8 to 445	Up 8 to -101	+ 3.05

10 Day Average Short-term Advance/Decline Signals

<u>Index</u>	<u>Dec 2nd 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	+ 51.0	Sell	Nov 12th, 2008	SPX Fell 111 Points (13.1 %)
NASDAQ 100	+ 2.6	Sell	Nov 11th, 2008	NDX Fell 206 Points (16.9 %)
Russell 2000	+ 156.3	Sell	Nov 12th, 2008	RUT Fell 81 Points (18.0 %)

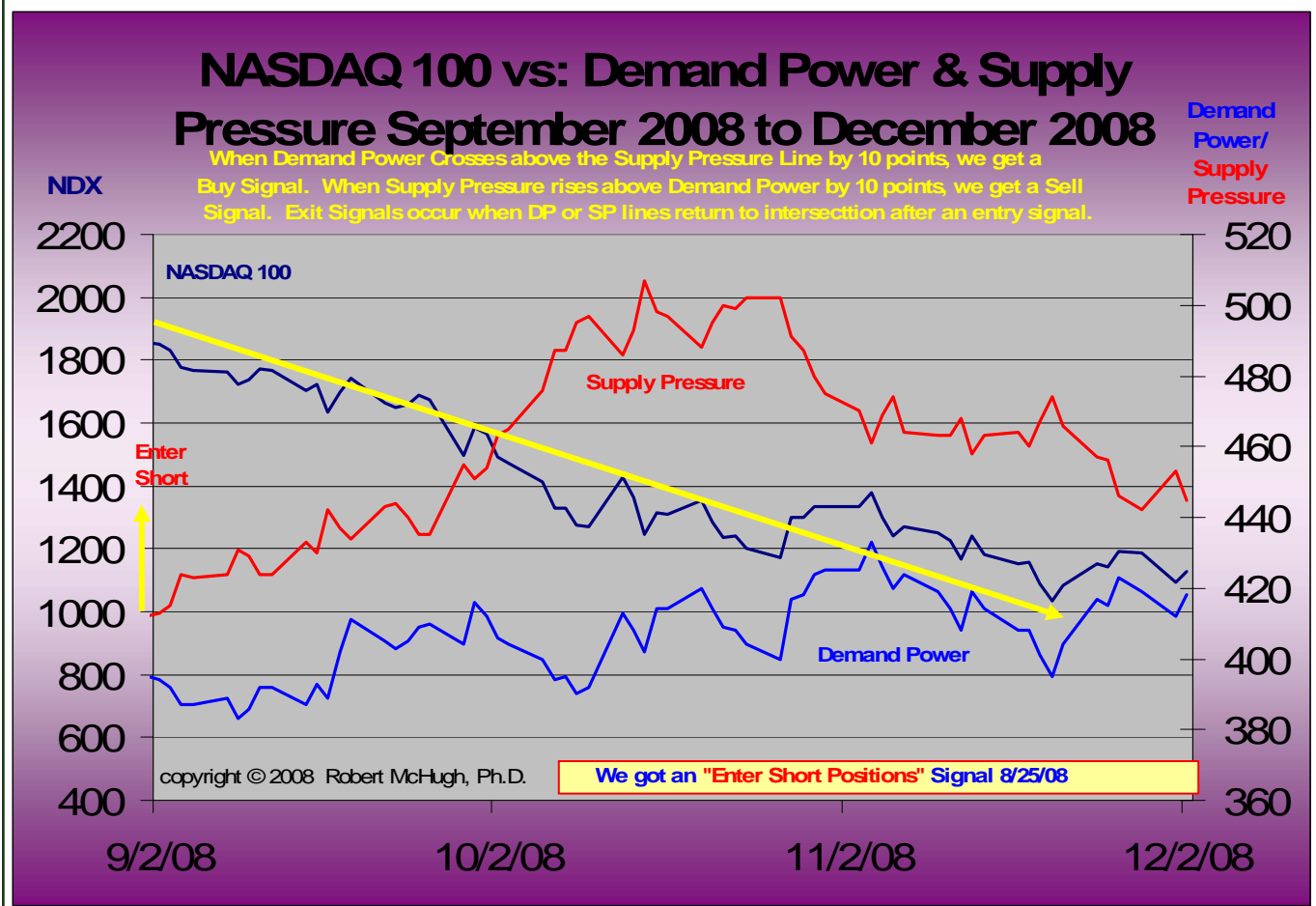
Gold's Daily Full Stochastics are on a sell signal, suggesting a short-term decline is likely. However, the Weekly Full Stochastics are on a buy, and the Monthly are approaching a bottom, suggesting that once this short-term decline completes, a huge multi-week, maybe multi-month rally leg is coming.

The HUI's Daily Full Stochastics are on a sell signal, suggesting a short-term decline is likely. However, the Weekly Full Stochastics are on a buy, and the Monthly are approaching a bottom, a buy signal is imminent, suggesting that once this short-term decline completes, a huge multi-week, maybe multi-month rally leg is coming.

Check out our new Holiday Season Specials, good through Sunday, December 7th, including an 18 month offering. If you are enjoying your subscription, please tell a friend.

The **NASDAQ 100** rose 38.84 points Tuesday, closing at 1,130.0. Volume was down at 88 percent of its 10 day average. *Upside volume led at 89 percent. Advancing issues led at 90 percent, with upside points at 96 percent. NDX Demand Power rose 6 points to 418, with Supply Pressure falling 8 points to 445*, telling us the advance was strong with a lack of supply helping demand push prices higher.

Our key trend-finder indicators **triggered a new "sideways" signal Tuesday**. The **NDX 14 day Stochastic Fast** rose to 40.00, below the Slow at 43.20, **remaining on a "sell" signal from December 1st**. The **NDX Purchasing Power Indicator** rose 8 points to negative -101.24, **triggering a new "buy" signal December 2nd**. The **NDX 10 day average Advance/Decline Line Indicator** rose to positive +2.6, **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 Tuesday, December 2nd.



The *Russell 2000* rose 24.75 points Tuesday, closing at 441.82. Volume rose to 101 percent of its 10 day average, with upside volume leading at 82 percent, with advancing issues leading at 90 percent. The *RUT Purchasing Power Indicator* rose to negative -15.53, *triggering a new buy signal December 2nd*. The *RUT 10 day average Advance/Decline Line Indicator* improved to positive +156.3, *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 13.93 points Tuesday, closing at 225.75. Volume was down at 85 percent of its 10 day average. Upside volume was 97 percent, with advancing issues at 90 percent, and upside points at 99 percent. Our key trend-finder indicators *remain on a "sideways" signal Tuesday, December 2nd*. The *HUI 30 day Stochastic* Fast remained at 70.00, above the Slow at 58.89, *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 199.32, *remaining on a sell signal from December 1st*. December Gold was up at 781.3. Silver was up at 9.59, while Oil was down at 47.50. The Dollar fell 0.33 to 86.65. Bonds rose three quarters of a point to 131⁰⁷. 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. Bernanke finally suggested they will. The VIX fell 5.53 to 62.98.

The *Australia SPASX200* fell 153.00 points, or 4.16 percent Tuesday. 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 Holiday Season 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, December 7th, 2008

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Elliott Wave Principle. Simply email us your shipping address.***



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(B)

C, (C), {IV}

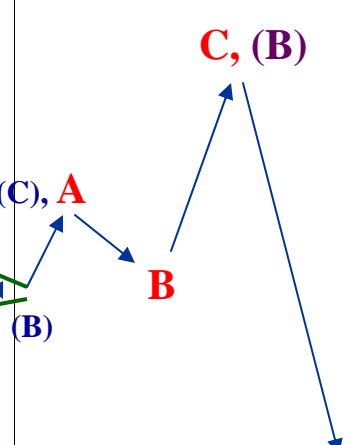
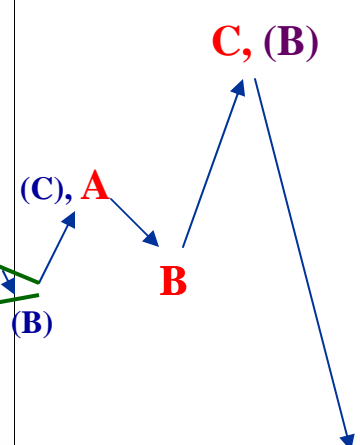


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The NASDAQ 100 Is Completing the first wave of a five wave Declining Wedge, for wave (C) down. B up is next, and may have started.

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





The MACD triggers
 Are on a Buy signal.
 The Full Stochastics
 Are on a Sell signal,
 At the level where
 short-term tops arrive.



Daily MACD
 On a buy signal.

Daily Full STO
 on a
 sell 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>	1 Week Avg. <u>M-3</u>
11/21/08	72.67	87.80	125.89	231.58	791.8	9.48	49.93	Hidden
11/28/08	55.84	86.54	126.94	241.68	816.2	10.19	54.43	Hidden
12/02/08	62.98	86.65	127.09	228.87	781.3	9.59	47.50	Hidden

Note: VIX and Dollar fall; inflation assets rise.

Conservative Balanced Portfolio Recent Transactions As of Tuesday December 2nd, 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 Holiday Season 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 **

Good through Sunday, December 7th, 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:

<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.***