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Weekend Market Newsletter

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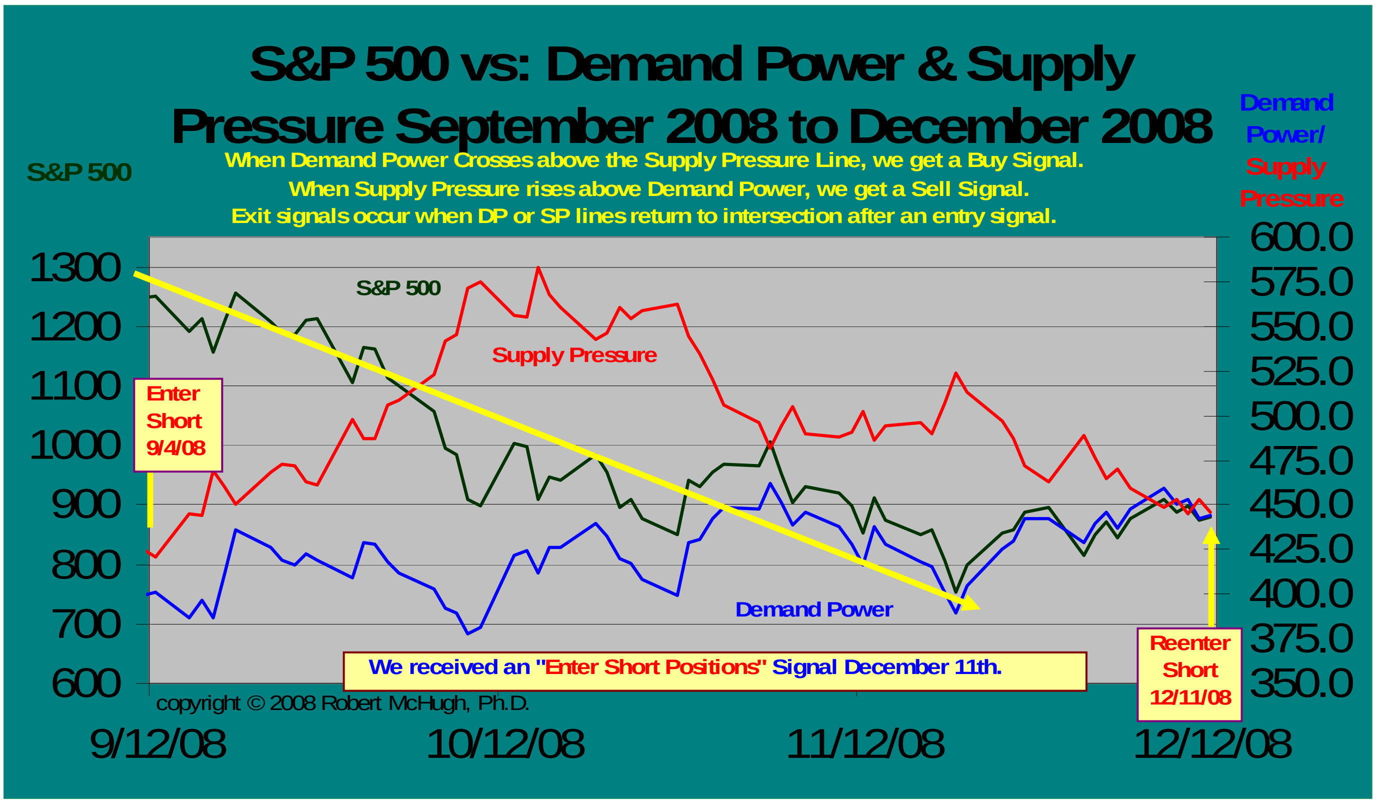
SUMMARY OF INDEX DAILY CLOSINGS FOR FRIDAY, DECEMBER 12th, 2008

Date	DJIA	Transports	S&P	NASDAQ COMPQ	NASDAQ 100	Russell 2000	30 Yr Treas Bonds
Dec 5	8635.42	3433.33	876.07	1509.31	1177.87	461.09	133^13
Dec 8	8934.18	3589.63	909.70	1571.74	1225.06	481.38	133^15
Dec 9	8691.33	3387.10	888.67	1547.34	1212.45	465.71	134^12
Dec 10	8761.42	3444.16	899.24	1565.48	1222.38	476.40	133^26
Dec 11	8565.09	3251.73	873.59	1507.88	1180.46	451.21	134^13
Dec 12	8629.68	3245.44	879.73	1540.72	1206.65	468.43	134^26



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

Index	Term	* Signal	First Date of Signal	Current Demand Pr.	Current Supply Pr.	Fullest Extent of Index Move Since Signal
S&P 500/DJIA	Short	Exit Short	12/12/2008	444	446	Neutral Signal
NDX	Short	Exit Short	12/8/2008	424	429	Neutral Signal

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

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

	Index	Term	Signal	Date Current Signal	Fullest Extent of Index Move Since Signal
Purchasing Power Indicator	DJIA/S&P	Short	Sell	Dec 11th, 2008	DJIA Fell 217 Points (2.5 %)
DJIA 14 Day Stochastic	DJIA	Short	Sell	Dec 11th, 2008	DJIA Fell 217 Points (2.5 %)
DJIA 30 Day Stochastic	DJIA	Short	Sell	Dec 11th, 2008	DJIA Fell 217 Points (2.5 %)
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	Sell	Dec 11th, 2008	NDX Fell 24 Points (2.1 %)
NDX 14 Day Stochastic	NASDAQ 100	Short	Sell	Dec 11th, 2008	NDX Fell 24 Points (2.1 %)
RUT Purchase Power Indic	RUT	Short	Sell	Dec 11th, 2008	RUT Fell 10 Points (2.3 %)
HUI Purchasing Power Indic	HUI	Short	Buy	Dec 10th, 2008	HUI Rose 15 Points (6.2 %)
HUI 30 Day Stochastic	HUI	Short	Buy	Nov 21st, 2008	HUI Rose 57 Points (26.9 %)

This weekend we present why we believe this Bear Market is a Grand Supercycle Degree wave {IV}, with cataclysmic, nation changing potential. This analysis starts on page 12. ***We are in a Grand Supercycle Bear Market decline, wave {IV}, that started in October 2007. This is why we see so many huge 5 percent daily moves up or down, why we see so many 15 percent multi-week moves. It is correcting a Grand Supercycle wave {III} that started in the 1700s, three centuries ago.*** Grand Supercycle wave ***{IV}*** will likely be an ***(A)*** down, ***(B)*** up, ***(C)*** down affair. We believe the decline from October 2007 to November 20th, 2008, our last ***phi*** mate turn date, was wave ***(A)*** down, of Supercycle degree. It represents the first of three phases to this Grand Supercycle Bear market. That places us in a pause, wave ***(B)*** up, a chance to raise cash before wave ***(C)*** down hits.

The ***Dow Industrials rose 64.59*** points, or 0.75 percent, Friday, closing at 8,629.68, as we mentioned in Thursday's newsletter was likely given the position of the 30 and 15 minute Full Stochastics. ***NYSE volume was lower at 89*** percent of its 10 day average. Upside volume led at 71 percent, with advancing issues at 65 percent, with upside points at 69 percent. ***S&P 500 Demand Power rose 2 points to 444, while Supply Pressure fell 7 points to 446,*** telling us the rally was mild, with a lack of selling allowing mild buying to push prices higher. ***We got a new sell signal in the PPT indicator Friday, as expected.*** This tells us we are now in a period of time where risk of a short-term, mild decline, is high.

Short-term, we should see a drop over the next week or so toward 8,200ish +/- in the Industrials, to be followed by another rally leg into the end of the month. Then a larger decline would follow, one that lasts several weeks, but again, likely stays above the November lows. Real short-term, the 30 minute and 15 minute Full Stochastics suggest a minor rally could occur Friday or Monday, likely a bounce within this wave **(B)** decline. The pause we find ourselves in within this Bear Market will likely see a lot of stair-stepping, volatility, in a frustrating move higher.

The Demand Power/Supply Pressure indicators generated an exit short position signal December 12th. ***Friday's McClellan Oscillator improved to positive + 164.28. The Summation Index improved to negative –1,390.61***. ***NYSE New Highs fell to 1***, with ***New Lows rising to 102 Friday***.

The percent of DJIA stocks above their 30 day moving average rose to 50.00 from 40.00. The percent above 10 day rose to 50.00 from 40.00. ***The percent above 5 day fell to 30.00 from 26.67.*** The ***NYSE 10 day average Advance/Decline Line Indicator worsened to positive + 101.6, remaining on a buy signal from December 3rd, 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) remains on a "sell" signal Friday. The ***DJIA 30 day Stochastic*** Fast rose to 50.00 below the Slow at 55.33, ***remaining on a "sell" signal from December 11th.*** The ***DJIA 14 day Stochastic*** rose to 53.33, below the Slow at 78.33, ***remaining on a "sell" signal from December 11th.*** The Fast has to cross *more than* 10 points above the Slow for a new "buy." The ***S&P 500 Purchasing Power Indicator rose 2 points to negative –107.90, remaining on a "sell" signal from December 11th***.

The ***Plunge Protection Team Risk Indicator*** rose to ***negative –14.19 Friday, triggering a new "sell" signal December 12th, as expected. A rise above positive + 20.0 or a drop below –16.0 triggers 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 fell to 1.06 Friday, remaining on a "buy" signal from December 5th, the first change in this indicator since it went on a "neutral" signal 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 4 points to negative –10, 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 developing 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

Date	Demand Power	Supply Pressure	Purchasing Power Indicator	Secondary Trend Indicator
Dec 5	Up 11 to 448	Down 11 to 459	Up 6 to –110	Up 4 to –12
Dec 8	Up 11 to 459	Down 10 to 449	Down 10 to –100	Up 8 to - 4
Dec 9	Down 9 to 450	Up 4 to 453	Down 5 to –105	Down 5 to –9
Dec 10	Up 3 to 453	Down 8 to 445	Up 2 to –103	Up 2 to –7
Dec 11	Down 11 to 442	Up 8 to 453	Down 6 to –109	Down 7 to –14
Dec 12	Up 2 to 444	Down 7 to 446	Up 1 to -108	Up 4 to –10

NASDAQ 100

Date	Demand Power	Supply Pressure	Purchasing Power Indicator	PPT Risk Indicator (Above +18% Means High Risk of a Short-covering Rally)
Dec 5	Up 7 to 426	Down 8 to 434	Up 19 to –88	- **16.02**
Dec 8	Up 6 to 432	Down 6 to 428	Up 11 to –77	- 22.96
Dec 9	Down 4 to 428	Up 1 to 429	Down 2 to –79	- 24.07
Dec 10	Up 1 to 429	Down 4 to 425	Up 2 to –77	- 22.13
Dec 11	Down 7 to 422	Up 4 to 429	Down 10 to –87	- 19.25
Dec 12	Up 2 to 424	Down 5 to 424	Up 5 to -82	- **14.19**

10 Day Average Short-term Advance/Decline Signals

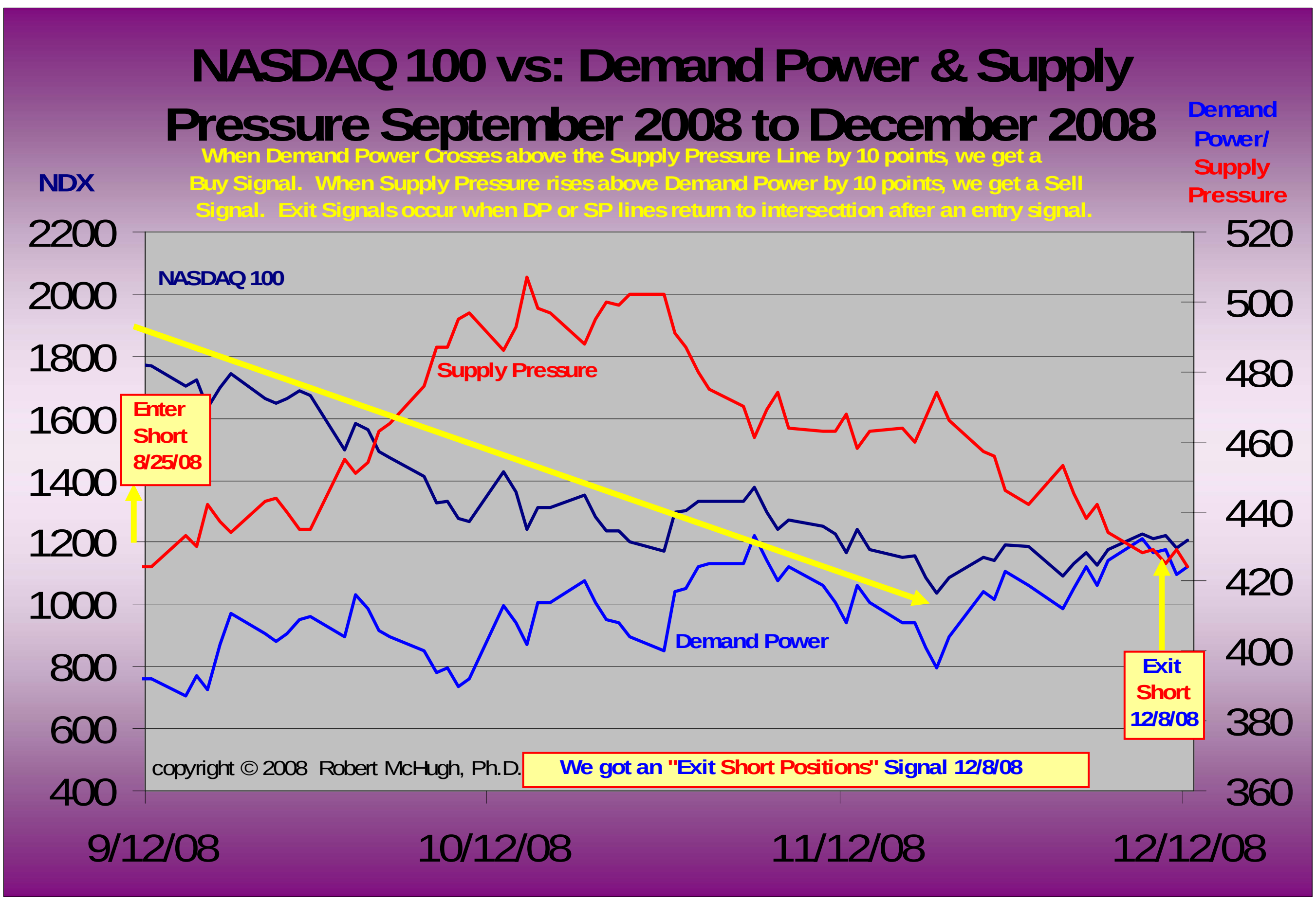
Index	Dec 12th A/D Indicator	Signal	Date of Signal	Fullest Extent of Index Move Since Signal
NYSE/S&P 500	+ 101.6	Buy	Dec 3rd, 2008	SPX Rose 48 Points (5.5 %)
NASDAQ 100	+ 11.0	Buy	Dec 3rd, 2008	NDX Rose 71 Points (6.1 %)
Russell 2000	+ 134.7	Buy	Dec 3rd, 2008	RUT Rose 30 Points (6.6 %)

Gold's Daily Full Stochastics are on a buy signal, as are the Weekly Full Stochastics, and the Monthly are approaching a bottom, suggesting that a huge multi-week, maybe multi-month rally leg is coming, and may be starting now.

The HUI's Daily Full Stochastics are on a buy signal. The Weekly Full Stochastics are on a buy, and the Monthly are also now on a buy, suggesting that a huge multi-week, maybe multi-month rally leg is starting.

The ***NASDAQ 100 rose 26.19 points Friday, closing at 1,206.65.*** Volume fell to 85 percent of its 10 day average. ***Upside volume led at 68 percent. Advancing issues led at 77 percent, with upside points at 89 percent. NDX Demand Power rose 2 points to 424, with Supply Pressure down 5 points to 424,*** telling us the advance was mild, with a lack of sellers allowing a few buyers to push prices higher. ***A crossover generated an exit short positions signal Monday, and remains neutral Friday.*** Once DP rises 10 points above SP, it will trigger a new enter long positions signal.

Our key trend-finder indicators remain on a "sell" signal Friday. The ***NDX 14 day Stochastic*** Fast rose to 62.00, below the Slow at 72.20, ***remaining on a "sell" signal from December 11th.*** The ***NDX Purchasing Power Indicator rose 4 points to negative –82.29, remaining on a "sell" signal from December 11th***. The ***NDX 10 day average Advance/Decline Line Indicator*** rose to positive + 11.0, ***re-maining on a "buy" signal from December 3rd***, when it rose above the positive + 5.0 threshold for a new "buy" signal.



The ***Russell 2000 rose 17.22*** points Friday, closing at 468.43. Volume was down at 89 percent of its 10 day average, with upside volume leading at 80 percent, with advancing issues leading at 85 percent. ***The RUT Purchasing Power Indicator*** rose to negative –6.91, ***remaining on a sell signal from December 11th, needing to rise above –6.11 for a new buy***. The ***RUT 10 day average Advance/Decline Line Indicator*** rose to positive + 134.7, a Bearish divergence, ***remaining on a "buy" signal from December 3rd***, rising above the positive +180.00 threshold for a new "buy" signal.

The ***HUI Amex Gold Bugs Index rose 8.81 points Friday, closing at 261.30. Volume was lower at 93 percent of its 10 day average.*** Upside volume was 86 percent, with advancing issues at 95 percent, and upside points at 95 percent. ***Our key trend-finder indicators remain on a "buy" signal Friday, December 11th.*** The ***HUI 30 day Stochastic*** Fast remained at 90.00, above the Slow at 76.67, ***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 210.84, remaining on a "buy" signal from December 10th.*** January ***Gold*** fell to 819.4. ***Silver was lower at 10.20***, while ***Oil fell slightly to 46.28.*** The ***Dollar*** fell 0.20 to 83.56. ***Bonds rose half a point to 134^26.*** 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 powerful rally in Bonds confirms they are monetizing Treasury debt. The ***VIX fell 1.50 to 54.28.***

The ***Australia SPASX200 fell 87.60 points, or 2.43 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***.

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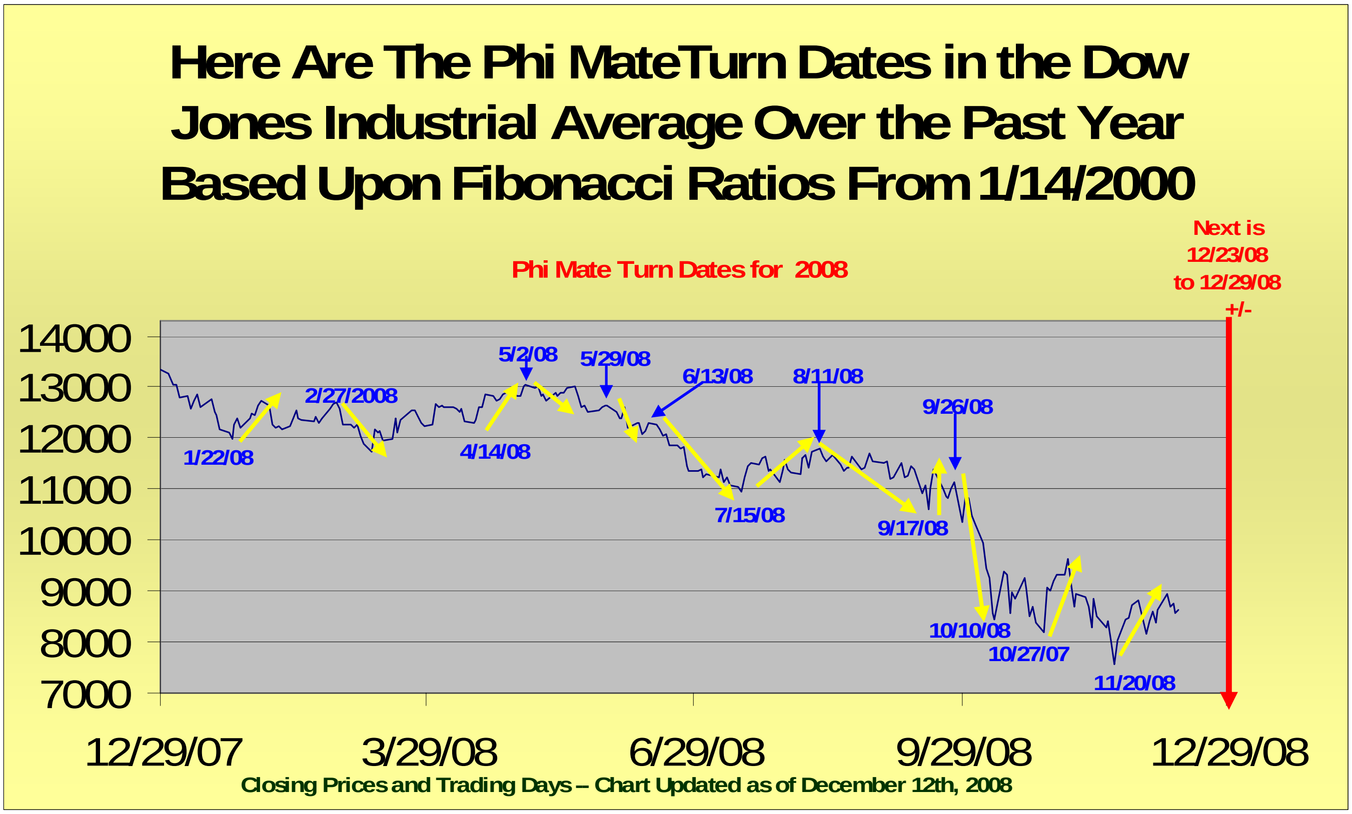


Our Fibonacci phi mate analysis is suggesting another turn is due later this month, around December 23rd through December 29th, 2008 +/-: This is the fourteenth and last phi mate turn date we have scheduled for 2008. It is looking like it could be a top. Wave **(A)-**down started a year ago, in October 2007, and it bottomed precisely on our last *phi* mate turn date, November 20th, 2008. Wave **(B)-**up started from the intraday low the next day. Wave **(B)** up should be a three wave rally or a five wave sideways triangle. It could last 3 to 4 months. It could be that the *phi* mate turn date scheduled for the end of December will mark the end of the first subwave of **(B)** up. That argues for a top later this month. It would make sense as the holiday season is often bullish, as the "Santa" rally often unfolds.

There are actually two phi mate turn dates scheduled for the last week of the year, however they are so close together (only three trading days) that we believe one turn will result, and this will be more of a turn window than a turn date. The math for these coming phi mate turn dates: December 23rd, 2008 is 2,249 trading days from the January 14th, 2000 top. Its phi mate is the June 17th, 2003 top, which was 859 trading days from 1/14/00. 859 / 2,249 = .382, or the value 1.00 minus phi. The December 29th, 2008 phi mate turn date is 2,252 trading days from 1/14/00. Its phi mate is the July 28th, 2005's high, which was 1,392 trading days from 1/14/00. The relationship between these two dates, is 1,392 / 2,252 = .618, or *phi*.

Here's the math for the recent November 20th +/- turn: November 20th, 2008 was 2,227 trading days from the Dow Jones Industrial's top back on January 14th, 2000, eight years ago. ***Its phi mate*** is July 6th, 2005's low, which was 1,376 trading days from 1/14/00. The relationship between these two dates, is 1,376 / 2,227 = .618, *phi*. In fact, the Industrials had a closing bottom, "the" closing bottom for the decline from October 2007 ***precisely on this scheduled phi mate date. Since this phi mate turn date bottomed on a closing basis at 7,552.29 on November 20th, the Industrials <u>have risen 1,474.12, or 19.51 percent.</u>***

What the *phi* mate analysis has demonstrated consistently since January 2000, is that whatever trend is going into the turn will reverse, nearly every single time, into a tradable trend. ***The value here is that aggressive traders don't care which way a trend goes, as long as they know when it is coming,*** to be alert to trade it. While *phi* analysis will not find every significant trend, it finds most of them, and when it does identify the probability of one coming, we have always gotten it since January 2000. These trends are not subject to intraday reversals. They are not for day-traders. They are multi-week trends.

Prior to our recent phi mate turn date of November 20th, we had a phi mate turn date on Monday, October 27th, 2008, which was a closing bottom (phi mate analysis uses dates where closing prices are tops or bottoms) that came 2 trading days after the ideal mathematical scheduled date of Thursday, October 23rd. The Industrials closed at 8,175.77 on October 27th, then ***the Industrials rallied 1,449.51 points, or 17.72 percent through Tuesday, November 4th's Election Day top of 9,625.28.*** October 27th, 2008 was 2,209 trading days from the Dow Jones Industrial's top back on January 14th, 2000, eight years ago. ***Its phi mate*** is June 17th, 2005's high, which was 1,364 trading days from 1/14/00. The relationship between these two dates, is 1,364 / 2,209 = .618, or *phi*.

Prior to that, we had a phi mate turn on October 10th, 2008, a closing bottom (phi mate analysis uses dates where closing prices are tops or bottoms) that came 1 trading day early from the ideal mathematical scheduled date of October 13th. The Industrials closed at 8,451.19 on October 10th, then ***the Industrials rallied 936.42 points, or 11.08 percent Monday, October 13th, the largest one day rally ever.*** October 10th, 2008 was 2,198 trading days from the Dow Jones Industrial's top back on January 14th, 2000, eight years ago. ***Its phi mate*** was May 20th, 2003's high, which was 840 trading days from 1/14/00. The relationship between these two dates, is 840 / 2,198 = .382, or 1 minus *phi* (.618).

Prior to that we had a phi mate turn date on September 26th, 2008. It was a top, the Industrials closing at 11,143.13. The Industrials then crashed ***3,260.62 points, or 29.26 percent through October 10th, 2008's intraday low of 7,882.51***. Its *phi* mate was the June 2nd, 2005 high, which came 1,353 trading days from January 14th, 2000's top. September 26th, 2008 was 2,188 trading days from the January 2000 top. 1,353 / 2,188 = .618, precisely *phi*.

Prior to that, we had a phi mate turn date on September 17th, 2008. It was a bottom, the Industrials closing at 10,609.66. It came 2 trading days early from the ideal mathematical scheduled date of September 19th. The Industrials the ***rose 558 points*** through September 26th's intraday high of 11,168.06. Its *phi* mate was the May 12th, 2003 high, which came 834 trading days from January 14th, 2000's top. September 17th, 2008 was 2,181 trading days from the January 2000 top. 834 / 2,181 = .382, precisely the value 1 minus *phi*, .618.

Prior to that, we had a phi mate turn date on August 11th, 2008, when the Industrials closed at 11,782.35, a top, ***then plunged 1,322 points*** through September 18th's intraday low of 10,459.44. Its phi mate was the May 9th, 2005 high, which came 1,336 trading days from January 14th, 2000's top. August 11th, 2008, was 2,155 trading days from the January 2000 top. 1,336 / 2,155 = .6199, or approximately phi, .618.

Prior to that, we had a phi mate turn on July 15th, 2008, a bottom that came 5 trading days early from the ideal mathematical scheduled date of July 22nd. The Industrials closed at 10,962 on July 15th, and ***rallied 904.57 points*** through August 11th's intraday high of 11,867.11. Its *phi* mate was the April 20th, 2005 bottom, which came 1,323 trading days from January 14th, 2000's top. July 15th, 2008 was 2,136 trading days from the January 2000 top. 1,323 / 2,136 = .619, or approximately *phi*.

Prior to that we had a *phi* mate turn date ideally scheduled for June 20th, and it was a very small top on June 13th, five trading days early, the Industrials closing at 12,307.35. Its *phi* mate, the April 1st, 2005 low, was 1,310 trading days from 1/14/00. June 13th, 2008 was 2,115 TD's from 1/14/00. 1,310 / 2,115 = .619, or approximately *phi*. ***Since then the Industrials <u>declined 1,345 points</u> to July 15th's 10,962 closing low***.

Prior to that *phi* mate turn date, there were minor tops on May 2nd, and May 29th that led to strong declines (see chart above). Prior to them the April *phi* mate turn had two mates, and was ideally scheduled for April 10th or 11th. One mate preferred the 10th, the other the 11th. We saw a closing bottom in the Industrials on April 14th, one trading day from the 11th's ideal date, and only two from the 10th. The closing low was 12,302.06. ***<u>The Industrials rallied 830 points</u>*** after that bottom.

Prior to that *phi* turn date, we had one that was ideally scheduled for March 3rd, 2008. However, it came three trading days early, on ***February 27th, 2008***, which was a top at 12,694.28. ***<u>Prices then fell almost 1,000 points, 962.68 points</u> over the next two weeks to March 10th, 2008's intraday low of 11,731.60***. February 27th, 2008 was 2,041 trading days from January 14th, 2000's top. Its *phi* mate, January 24th, 2005's low, was 1,263 trading days from 1/14/00. 1,263 / 2,041 = .618, or *phi*.

Another cycle turn tool we like is the Fibonacci Cluster turn window. Here, we identify periods of a week or two where there were prior tops and bottoms that are a Fibonacci number of trading days from that coming week. We identified high potential for a major stock move later in September through early October in our September 12th Weekend newsletter. We wrote, "***There is a Fibonacci turn window set up for the end of September into early October, around the two phi mate turn dates shown for September. It is a window of 10 days, and has six prior tops or bottoms a Fibonacci number of trading days from this ten day period:*** May 17th, 2002's top is 1,597 trading days from 9/22/08. October 25th, 2004's bottom is 987 trading days from 9/26/08. February 27th, 2008's top is 144 trading days from 9/23/08. May 29th, 2008's top is 89 trading days from 10/3/08. July 15th, 2008's low is 55 trading days from 10/1/08, and August 11th, 2008's top is 34 trading days from 9/29/08. This Cluster points to some strong trend action later this month."

Of course that proved prescient. Focusing on the future, ***we have a large Fibonacci Cluster window coming from December 22nd, through December 31st, 2008. It is a window of 7 trading days, and has nine prior tops or bottoms a Fibonacci number of trading days from this two week period:***

December 26th, 2008 is a Fibonacci 1,597 Trading Days from August 22nd, 2002's Top.
December 24th, 2008 is a Fibonacci 987 Trading Days from January 24th, 2005's Low.
December 23rd, 2008 is a Fibonacci 233 Trading Days from January 22nd, 2008's Low.
December 22nd, 2008 is a Fibonacci 144 Trading Days from May 29th, 2008's Top.
December 31st, 2008 is a Fibonacci 55 Trading Days from October 13th, 2008's Low.
December 22nd, 2008 is a Fibonacci 21 Trading Days from November 20th, 2008's Low.

Six tops or bottoms a Fibonacci number of trading days from a two week window is significant, and comes encompasses the phi maet turn dates December 23rd and December 29th, so this combination of Fibonacci analysis, two seperate methods, coming to the same turn window conclusion, makes us believe a strong turn will arrive around then. Whatever direction prices head into this time period will likely be reversed.

Phi Mate Turn Date Theory: Since the dramatic date of January 14th, 2000, ***almost all market tops or bottoms of measurable significance have occurred precisely a Fibonacci .618 to .382 ratio of trading days from either that starting date 1/14/00, or another top or bottom that has occurred since 1/14/2000, based upon closing balances.*** There were a few in the past few years that approximated .382 or .618 by hitting a Fib 3/8ths (.375) or Fib 5/8ths (.615). This is astonishing! ***A mathematical formula has been nearly 100 percent correct in predicting market tops or bottoms in the Dow Industrials since a Bear Market began on January 14th, 2000, eight and one-half years ago!*** And the trend continues. What is so special about January 14th, 2000? The Dow Jones Industrial Average topped then in ***real dollar terms.*** It remains the all-time top adjusted for inflation.

While Fibonacci numbers and ratios have existed since Creation, a 12th century mathematician, ***Leonardo Fibonacci***, is largely credited with identifying the unique sequence and ratios, and their prevalence throughout nature. ***The sequence goes like this:*** It starts with the number 1 and then adds that number to itself to get the next number. It then takes those two numbers and adds them together to get the next number in sequence. Each number next in sequence is the sum of the prior two numbers in the sequence, ad infinitum. Thus the sequence looks like this: 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, etc… ***The ratios between these numbers are unique in that each addend is either .382 or .618 of the sum.*** For example, 13 plus 21 equals 34. 21 is .618 of 34. 13 is .382 of 34. .618 plus .382 equals a complete 1.00. This holds true for all pairs. These pairs are known as *phi* mates. ***The world around us is filled with these ratios and relationships, in art, architecture, nature, the human body, etc...*** For more theory on *phi* mate analysis, go to the glossary at www.technicalindicatorindex.com or the archives, issue no. 496.

How We Know that this Bear Market is Grand Supercycle Wave {IV}

We have discussed in recent weekend issues that we now believe we are in a wave {IV} Grand Supercycle Bear Market, which suggests a Bear market worse than the Great Depression of the 1930's, and suggests the possibility of nation changing by the time it completes. That nation changing could produce new larger national alliances with the United States becoming one state of a larger nation, perhaps a union with European nations, or a North American nation, or some combination thereof. This weekend we want to cover why we believe this is the case:

Grand Supercycles are huge moves in stock prices, in terms of time and/or price. Robert Prechter's *Conquer the Crash* presented his research into the start of Grand Supercycle waves. We have studied his work and believe it to be quite reliable. We have a slightly different take on when Grand Supercycle wave ***{III}*** ended, but prior to that are in general agreement with his labelings.

First a little Elliott Wave Theory. Elliott Wave Theory believes that impulsive waves are waves that move prices in a progressive direction. Corrective waves send prices in the opposite direction as impulsive waves, retracing less than the progressive waves. They "correct" the major thrust of prices. So prices move in stairstep fashion toward an end goal. Impulsive waves are five wave moves, and corrective waves are usually three wave moves, however if triangles are forming, the corrective waves will be five waves, not three. The impulsive waves are labeled with numbers, and the corrective waves are labeled with letters.

Within a five wave impulse wave, three of the five waves will progress prices, and two of the five waves will regress prices. Thus, an impulse wave will be 1-up, 2-down, 3-up, 4-down, 5 up to conclusion. That conclusion becomes the first wave of a yet larger degree move higher. So those five waves become subwaves of a larger degree wave 1. We distinguish the different degrees by using parentheses, or Roman numerals, or different colors, etc… We summarize our nomenclature symbols for each degree of trend at the end of our newsletters.

Within a three wave corrective wave, two of the three waves will regress prices from the trend direction the prior impulsive wave took, and one wave will be in the same direction as the prior impulsive wave. Thus we would see an a-down, b-up, c-down for a corrective wave of an impulsive rising wave. Or, if the correction takes the form of a triangle, it will be an a-down, b-up, c-down, d-up, e-down to complete the correction.

Usually the form of a correction for wave 2 will be different than the form for correction of a wave 4. If wave 2 was a zigzag, which is a form that usually corrects the deepest, then wave 4 is most likely going to be either a flat, which is a shallower correction, or a triangle, which also is shallower typically than a zigzag.

Now some rules: Ralph Elliott had three key rules in his observation of stock price movements that have held up as scientifically accurate in both back testing and projections. His first rule was that ***wave 2 can never move back beyond the starting point for wave 1. This is critical and key in our conclusion that we are now in a Grand Supercycle Bear market (very large — multi-century), and not some lesser degree Bear market.*** His second rule was that wave 3 can never be the shortest wave in distance. It must be larger than either wave 1 or wave 5. The third rule is that wave 4 can never enter the price territory of wave 1, except in the case of an ending diagonal triangle pattern or wedge.

Progressive waves thus are waves 1, 3, 5, a, and c. Corrective waves are 2, 4, and b. Triangles usually appear in waves 4 or b, and rarely appear in wave 2's. There should be some sense of proportionality in the waves. Waves 2 and 4 should be reasonably approximate in terms of time, and waves 1 and 5 should be approximate in terms of time and distance. No hard and fast rule, but this proportionality guidance helps when trying to identify when waves complete.

Okay, so how does this apply to the current position of stocks within the grand scheme, the big picture? ***Grand Supercycle degree waves are multi-century length waves and are the largest degree waves we identify in our work***, although these ultimately are subsets of even larger millennial size waves. But for practical purposes, Grand Supercycle is large enough to track, yet small enough to identify here and now with current market moves.

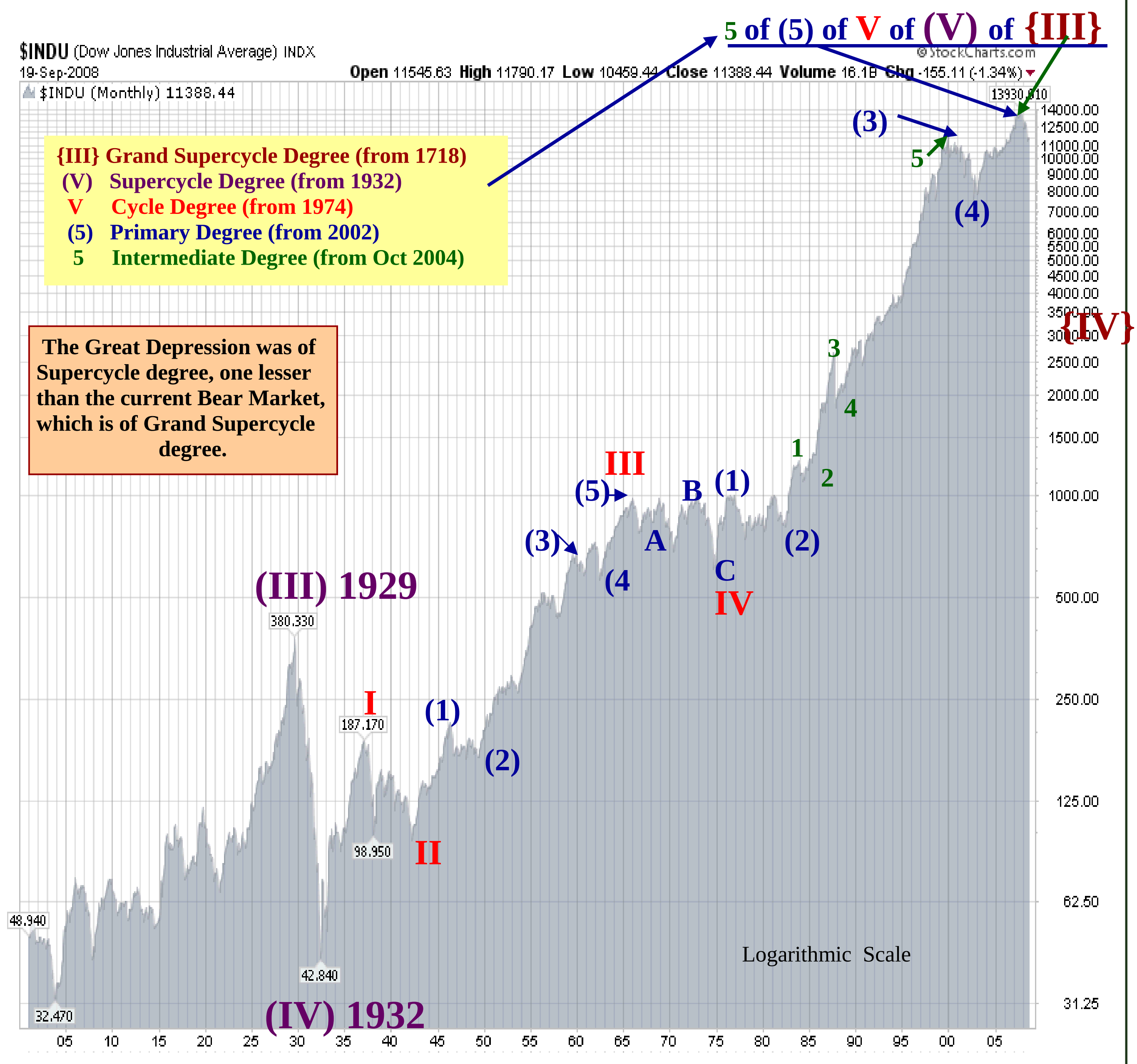
Prechter identified that this current Grand Supercycle impulsive series of waves began back before the 16th century. The first wave up, {I}, peaked in 1718, before the United States of America was a pleasant thought. Prechter identified corrective wave ***{II}*** down as bottoming in 1784, just as the United States was starting. It is debatable whether or not wave ***{II}*** down was a zigzag or a flat. This interpretation becomes important because it brings into question what pattern of correction wave ***{II}*** took. If it was a zigzag pattern, it means that wave ***{IV}*** should be something other than a zigzag, either a triangle or a flat, which would suggest a milder decline for Grand Supercycle wave ***{IV}.*** If wave ***{II}*** was a flat, it means wave ***{IV}*** could be a zigzag or a triangle. It could be a zigzag, even if ***{II}*** was also a zigzag that ended in 1784, but it probably would alternate into a flat or triangle. ***So, unfortunately, we do not have great guidance to determine what pattern wave {IV} is going to take.***

The big picture chart we show on the next page is critical. It shows that all Supercycle degree waves, all five of them, count complete for Grand Supercycle wave {III} up. Wave {III} up is over. The first Supercycle degree wave top occurred in the 1840s, and Supercycle wave ***(II)*** down finished in the 1850s. Supercycle degree wave ***(III)*** finished in 1929, and ***the Great Depression of the 1930s was <u>Supercycle</u> degree wave (IV)***. Supercycle degrees are one smaller than Grand Supercycle degrees.

Now we get to the interesting part. Has Grand Supercycle degree wave {III} up, a three century move, completed? Or, is the current decline simply a correction within wave {III} up. There was only one chance that Grand Supercycle degree wave {III} was not over, and that was if the final fifth Supercycle degree wave up (remember Supercycle degree wave (IV) was the Great Depression) had not completed. The fifth Supercycle degree wave started at the bottom of the Great Depression in 1932. The proportionality of the waves is clear about this. We can count four clear proportional waves for Supercylce wave ***(V)*** as follows, and this appears on the chart on the next page: Cycle degree wave **I** peaked in 1937. Wave **II** down bottomed in 1942. Wave **III** topped in 1966. Wave **IV** down bottomed in 1974.

Which brings us to the critical analysis, Cycle wave V of Supercycle wave (V) of Grand Supercycle wave {III}. When did it end? Once again, looking at the proportionality of waves as a guideline, it is clear that ***primary degree wave (4) down bottomed in October 2002. That left one open question of uncertainty: Was the rally from October 2002 the first leg (intermediate degree wave 1) of a five wave impulsive primary degree wave (5)?*** If that was the case, then this Bear market was merely Intermediate degree wave ***2*** down, within primary degree ***(5)*** up, a smaller degree decline than the Great Depression of the 1930s, the same degree as the 1987 stock market crash, and is over. We could only hope. ***Or, was the October 2007 high the top of a final primary degree wave (5) up of Cycle V up, of Supercycle wave (V) up of Grand Supercycle wave {III} up, {III}'s top.***

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



Here is a Big Picture Historical Elliott Wave Labeling for the Dow Industrials. It now appears that Armageddon is right around the corner, which would suggest the above labeling, placing us deep inside a developing Grand Supercycle Wave **{IV}** down, that Grand Supercycle wave **{III}** up is over, at the October 2007 top. Because the S&P 500 broke below the October 2002 lows, we believe the worst case wave **{IV}** scenario is occurring. If in fact Grand Supercycle **{IV}** is occurring, we believe it will change the United States' political landscape like never before, to some form of totalitarian regime. Grand Supercycle waves change nations and governments. ***The Great Depression was of Supercycle degree, wave (IV) down, and was not of Grand Supercycle degree, like the current Bear Market is, which means this Bear Market will be worse.***

Here we go: For the October 2002 to October 2007 rally to be merely the first wave up of an eventual five wave impulsive wave for the final primary degree wave (5) up, the most Bullish scenario, it means it had to be an intermediate degree wave 1 five-year rally. But it also means that <u>prices could not drop below their October 2002 lows intraday</u> (Elliott Wave analysis uses intraday prices). This is because of the first of three Elliott Wave rules that <u>wave 2's cannot drop below the start of where wave 1's began</u>. That means the October 2002 lows had to hold.

In the S&P 500, one of the most followed, and broadest, major Blue Chip indices, <u>prices fell below their October 2002 lows on November 21st, 2008</u>, the day after our last phi mate turn date, intraday, and below the October 2002 lows on a closing basis precisely on our November 20th phi mate turn date. On October 10th, 2002, the S&P 500 bottomed at 768.63. On November 21st, 2008, the S&P 500 fell to 741.02. ***Therefore, this Bear market decline from October 2007 cannot be Intermediate degree wave 2 down. Therefore primary degree wave (5) topped in October 2007, and therefore also did Cycle degree wave V up, as did Supercycle degree wave (V) up, and therefore also did Grand Supercycle degree wave {III} up. The larger degree waves' tops hit like dominoes.***

Grand Supercycle degree wave {IV} is a corrective wave of a multi-century Grand Supercycle degree wave {III} Bull Market from the 1700s. At this point we cannot be sure what pattern this corrective decline will follow. Time proportionality would suggest it will last 50 years, however, if the price decline is severe and fast enough, it could mean it lasts a shorter period of time, along the lines of 2 to 6 years. But it means we are likely going much lower than what we have seen so far to make up for the shorter time duration. So far, the first year plunge has been severe, with changes to financial structures that are suggestive of a large degree Bear market. This suggests we will see a shorter time duration than the 50 years Grand Supercycle wave ***{II}*** took, but a very severe price decline, with major changes coming in the political and economic structure we have known for centuries. Grand Supercycle degree waves are nation changing.

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***. This fits with November 20th's development where the S&P 500 fell decisively below their 2002 lows, confirming we are in Grand Supercycle wave **{IV}** down.

If Grand Supercycle wave {IV} down forms a Zig-zag pattern, it means time-wise, the Grand Supercycle wave could be short relative to other Grand Supercycle degree waves, however price-wise the decline will be dramatic, and therefore worthy of Grand Supercycle degree status. Above we show the Zig-zag scenario. ***A multi-week bottom, perhaps multi-month bottom, occurred on November 20th***. The Monthly and Weekly Full Stochastics are oversold, on buy signals. These intermediate term buy signals suggest the first leg of the Bear Market is complete, wave **(A)** down within an **(A)**-down, **(B)**-up, **(C)**-down Grand Supercycle Wave **{IV}** down. The start of wave **(B)** up is underway. 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.

The above chart depicts ***the scenario where Grand Supercycle wave {IV} forms a sideways triangle pattern.*** This pattern would provide clear alternation with wave ***{II}'s*** pattern, which was either a flat or a zigzag, so its odds of occurring have to be taken seriously.

It is a good news, bad news pattern. The good news is the lowest prices for this Bear market either occurred on November 21st, intraday, or will occur in early 2009 if Supercycle wave ***(A)*** down has further to go before completion. The buy signals in the weekly and monthly full stochastics argue against wave ***(A)*** down needing another leg lower, however the Daily Full Stochastics just generated a sell signal, so we cannot completely rule out a drop below the November 21st lows. The good news is that every Supercycle degree wave left to complete this pattern will be shorter than its prior wave, so price damage will be contained.

The bad news is this pattern will be drawn out, take time, and likely last 4 to 6 years. It's a five-waver. Now maybe the worst for the stock market is over with this pattern price wise, but ***the worst would not be over for the economy with this pattern.*** For the Bear Market to last 4 to 6 years, it means many more years of distress, of rising unemployment, of weak economic growth, of redefinition of our economic system, of social discord that comes with Bear Markets. ***It means economic depression will occur. It means a tug of war between perilous economic events and government intervention aimed at pulling us out of the abyss. But it means a great deal of change because of this unprecedented intervention.***

Above is the big picture Grand Supercycle wave {IV} scenario where a Flat pattern unfolds. Wave (A) has to be three waves for this pattern, which means the rally phase we started November 21st is merely Cycle degree wave B, and is not Supercycle degree wave (B). The significance of this is twofold: First, it means another sharp decline to lower lows in 2009 is coming without the end to the Bear Market. Second, because waves are one lower degree than we anticipate in the Zigzag scenario, it means a longer timeframe for the Bear Market, again 4 to 6 years like the Triangle scenario.

What we can say with this scenario is that whatever bottom Supercycle degree wave **(A)** puts in, the bottom for wave **(C)** will be close to the same level, lower than we have seen so far.

Any way we cut it, Grand Supercycle degree wave {IV} down is bad, and will get worse.

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

That target was precisely hit Thursday, November 20th, 2008, our recent scheduled phi mate turn date.

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, Or lower.

This pattern's downside target will likely be hit once wave (C) down takes over. The Monthly Full Stochastics Suggest wave (B) up is about to start Or has started.


$INDU (Dow Jones Industrial Average) INDX
© StockCharts.com
12-Dec-2008 Close 8629.68 Volume 5.7B Chg -5.74 (-0.07%)
MACD(12,26,9) -918.070, -840.063, -78.008
e of 5 of (5) of V (V) {III}
$INDU (Weekly) 8629.68
Volume 5.70B, EMA(60) 4.58B
(A)
(B)
(C)
(D)
(E), A
B
C, (A)
(B)
C, (C), {IV}
{V}
If the degrees of these waves are one lower than depicted, it means this Bear Market will Last At Least Until 2012.
Full STO %K(14,3) %D(3) 29.23, 24.86
Weekly Full Stochastic are on a New Buy Signal.


$SPX (S&P 500 Large Cap Index) INDX
© StockCharts.com
12-Dec-2008 Close 879.73 Volume 22.0B Chg +3.66 (+0.42%)
MACD(12,26,9) -121.237, -107.247, -13.990
e of 5 of (5) of V (V) {III}
$SPX (Weekly) 879.73
Volume 22.04B, EMA(60) 19.88B
(A)
(B)
(C)
(D)
(E), A
B
C, (A)
(B)
C, (C), {IV}
{V}
If the degrees of these waves are one lower than depicted, it means this Bear Market will Last At Least Until 2012.
Full STO %K(14,3) %D(3) 25.88, 21.00
Weekly Full Stochastic are on a New Buy Signal.

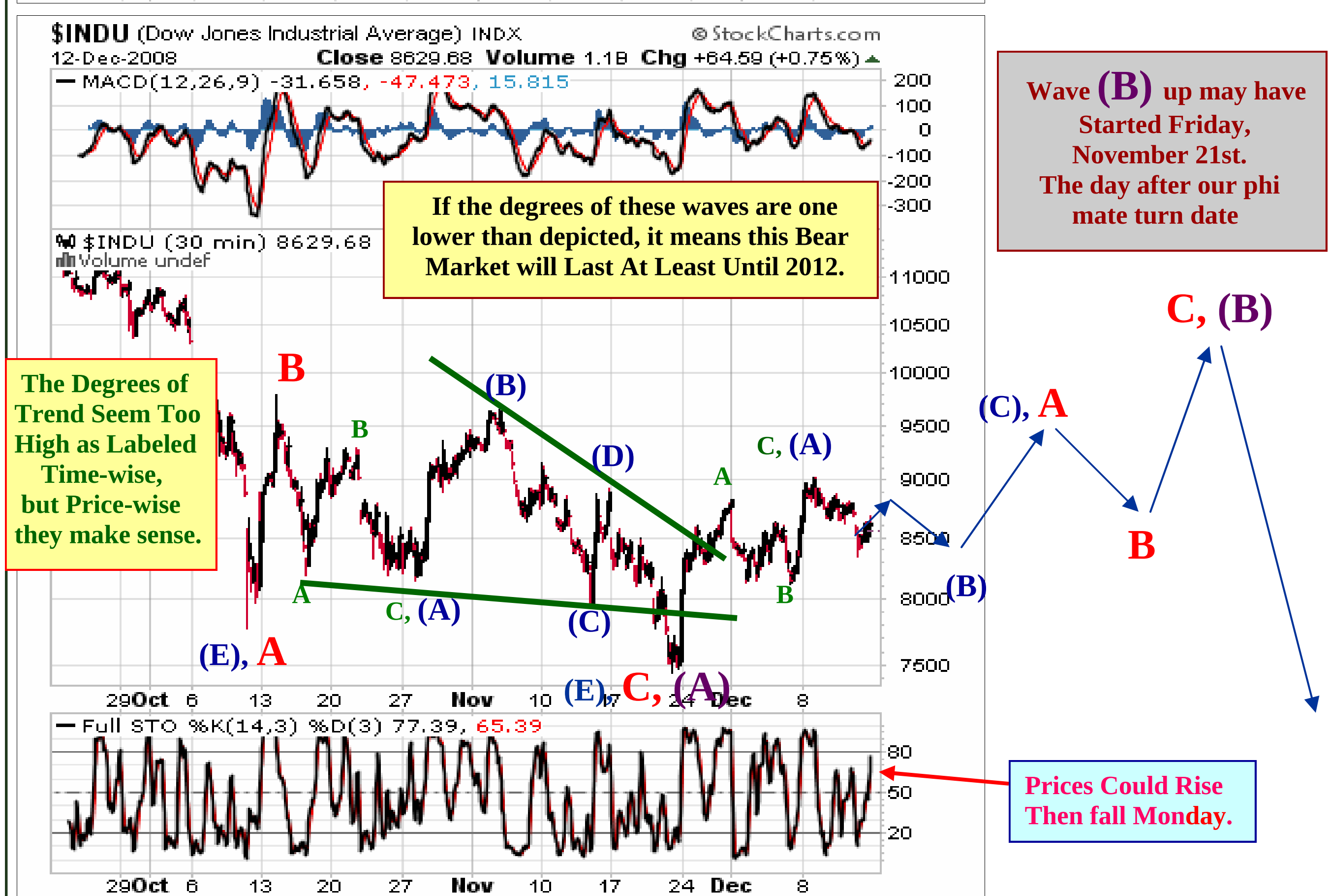
A breakout above the upper boundary of this declining parallel trend-channel confirms wave **(B)** up started on November 21st.

Daily Full Stochastics Generate a Sell Signal, At a short-term top.

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

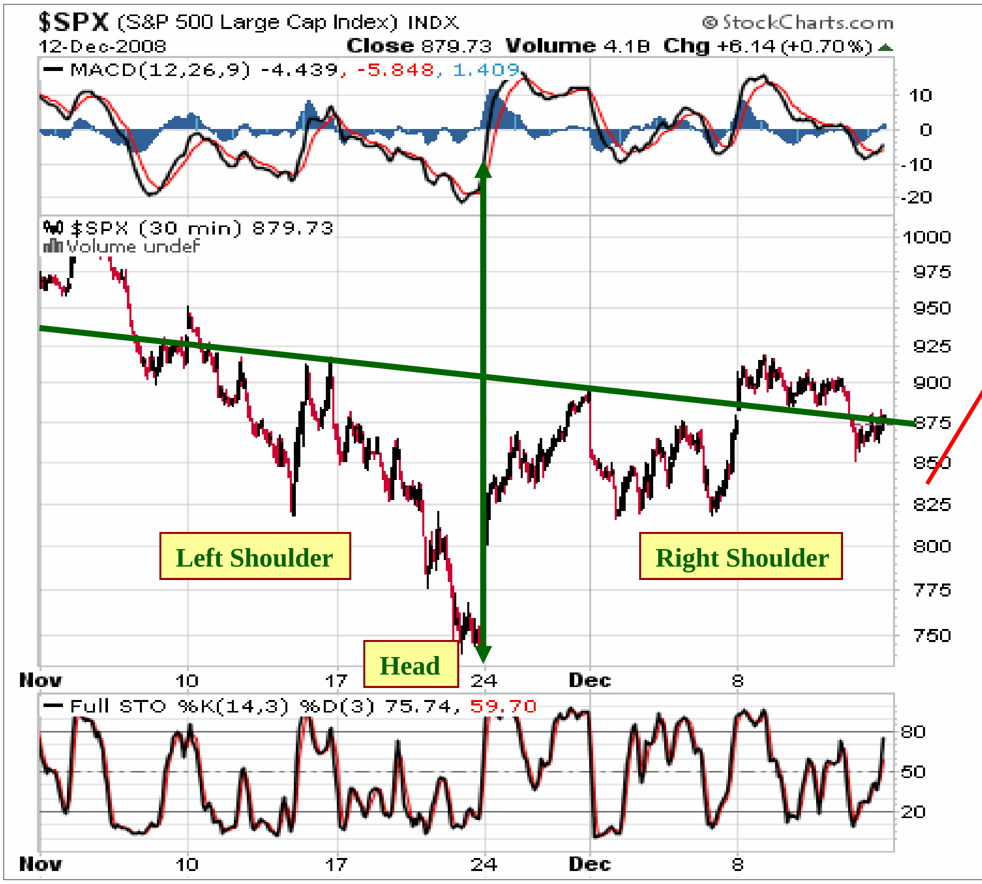
Daily Full Stochastics Generate a Sell Signal, At a short-term top.


$SPX (S&P 500 Large Cap Index) INDX
© StockCharts.com
12-Dec-2008 Close 879.73 Volume 4.1B Chg +6.14 (+0.70%)
MACD(12,26,9) -4.439, -5.848, 1.409
$SPX (30 min) 879.73
Volume undef
(D)
If the degrees of these waves are one lower than depicted, it means this Bear Market will Last At Least Until 2012.
The Degrees of Trend Seem Too High as Labeled Time-wise, but Price-wise they make sense.
B
B
(B)
(D)
A
C, (A)
(E), A
A
C, (A)
(C)
B
(E), C, (A)
(B)
(C), A
B
C, (B)
Oct 6 13 20 27 Nov 10 17 24 Dec 8
Full STO %K(14,3) %D(3) 75.74, 59.70
Wave (B) up Started Friday, November 21st. The day after our phi mate turn date
Prices Could Rise Then fall Monday.


$INDU (Dow Jones Industrial Average) INDX
© StockCharts.com
12-Dec-2008 Close 8629.68 Volume 1.1B Chg +64.59 (+0.75%)
MACD(12,26,9) -31.658, -47.473, 15.815
$INDU (30 min) 8629.68
Volume undef
If the degrees of these waves are one lower than depicted, it means this Bear Market will Last At Least Until 2012.
The Degrees of Trend Seem Too High as Labeled Time-wise, but Price-wise they make sense.
B
B
(B)
(D)
A
C, (A)
A
C, (A)
(C)
B
(E), A
(E), C, (A)
(B)
(C), A
B
C, (B)
29 Oct 6 13 20 27 Nov 10 17 24 Dec 8
Full STO %K(14,3) %D(3) 77.39, 65.39
Wave (B) up may have Started Friday, November 21st. The day after our phi mate turn date
Prices Could Rise Then fall Monday.

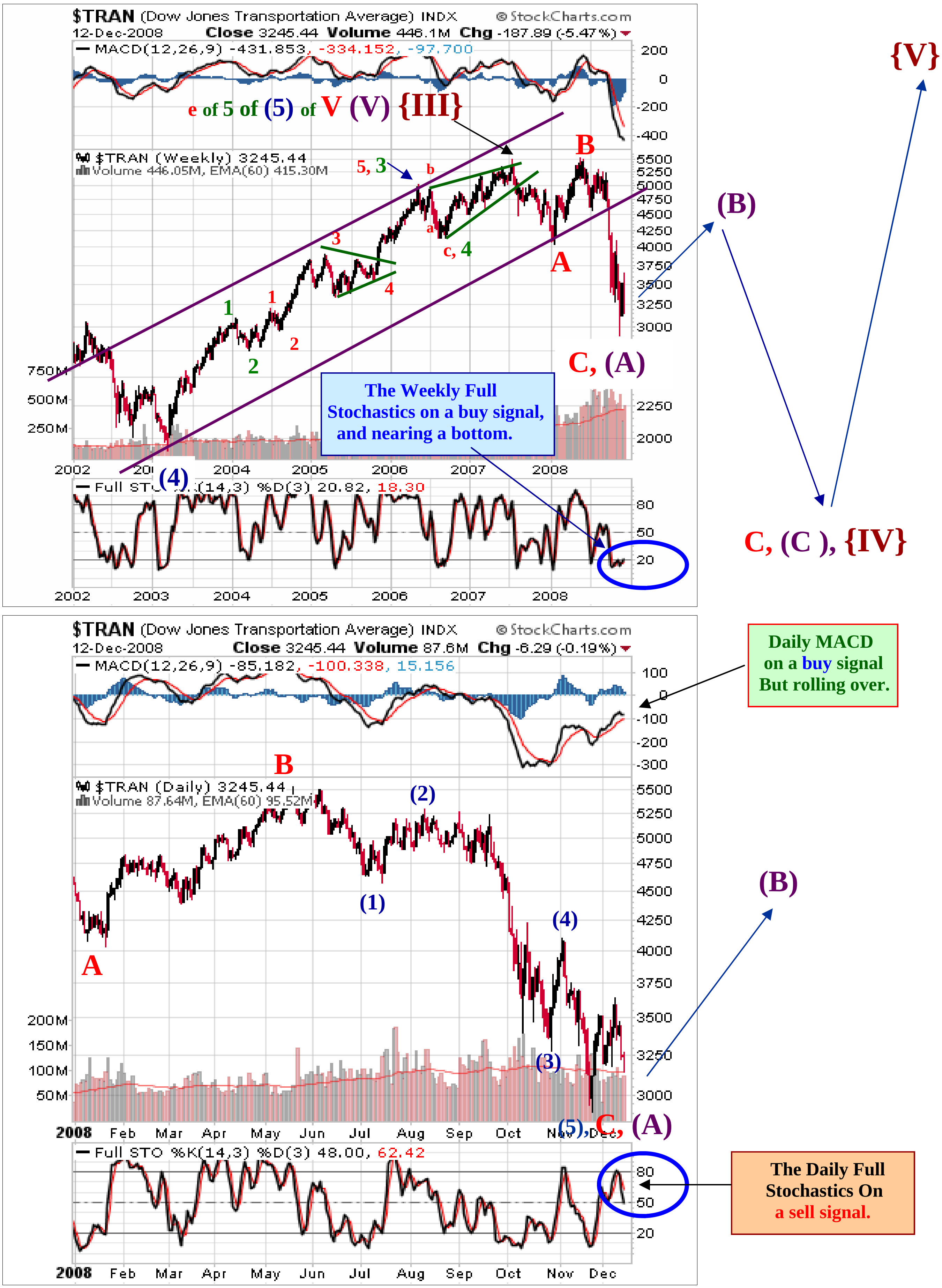

$SPX (S&P 500 Large Cap Index) INDX
© StockCharts.com
12-Dec-2008 Close 879.73 Volume 4.1B Chg +6.14 (+0.70%)
MACD(12,26,9) -0.131, -1.945, 1.813
$SPX (15 min) 879.73
Volume undef
Full STO %K(14,3) %D(3) 71.10, 68.82
C, (A)
A
B
B
A
C, (E), C, (A)
(B)
(C), A
B
Prices Could Rise Then fall Monday.


$INDU (Dow Jones Industrial Average) INDX
© StockCharts.com
12-Dec-2008 Close 8629.68 Volume 1.1B Chg +64.59 (+0.75%)
MACD(12,26,9) 7.972, -8.915, 16.887
$INDU (15 min) 8629.68
Volume undef
Full STO %K(14,3) %D(3) 69.21, 68.99
C, (A)
A
B
B
A
C, (E), C, (A)
(B)
(C), A
B
Prices Could Rise Then Fall Monday.

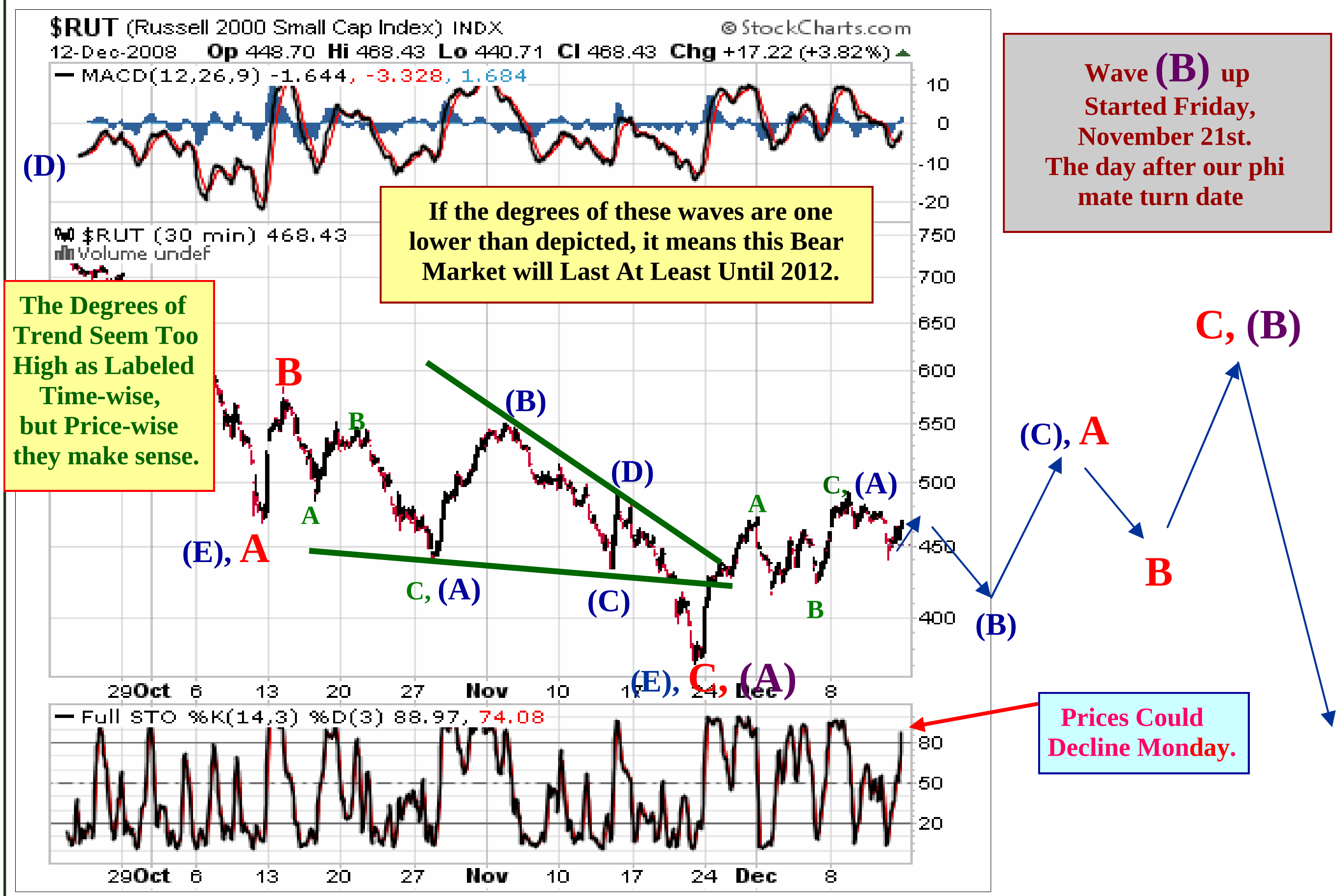


A Bullish Head & Shoulders Bottom has formed over the past month, and is complete. Confirmation of the upside target has come with a rise above 8800. **Upside target is 10,000ish in the DJIA**

A Bullish Head & Shoulders Bottom has formed over the past month, and is complete. Confirmation of the upside target has come with a rise above 8800. **Upside target is 10,000ish in the DJIA**


$TRAN (Dow Jones Transportation Average) INDX
© StockCharts.com
12-Dec-2008 Close 3245.44 Volume 446.1M Chg -187.89 (-5.47%)
MACD(12,26,9) -431.853, -334.152, -97.700
e of 5 of (5) of V (V) {III}
$TRAN (Weekly) 3245.44
Volume 446.05M, EMA(60) 415.30M
{V}
(B)
A
B
C, (A)
(4)
The Weekly Full Stochastics on a buy signal, and nearing a bottom.
C, (C), {IV}
Full STO %K(14,3) %D(3) 20.82, 18.30
$TRAN (Dow Jones Transportation Average) INDX
12-Dec-2008 Close 3245.44 Volume 87.6M Chg -6.29 (-0.19%)
MACD(12,26,9) -85.182, -100.338, 15.156
Daily MACD on a buy signal But rolling over.
$TRAN (Daily) 3245.44
Volume 87.64M, EMA(60) 95.52M
(1)
(2)
(3)
(4)
(5), C, (A)
Full STO %K(14,3) %D(3) 48.00, 62.42
The Daily Full Stochastics On a sell signal.

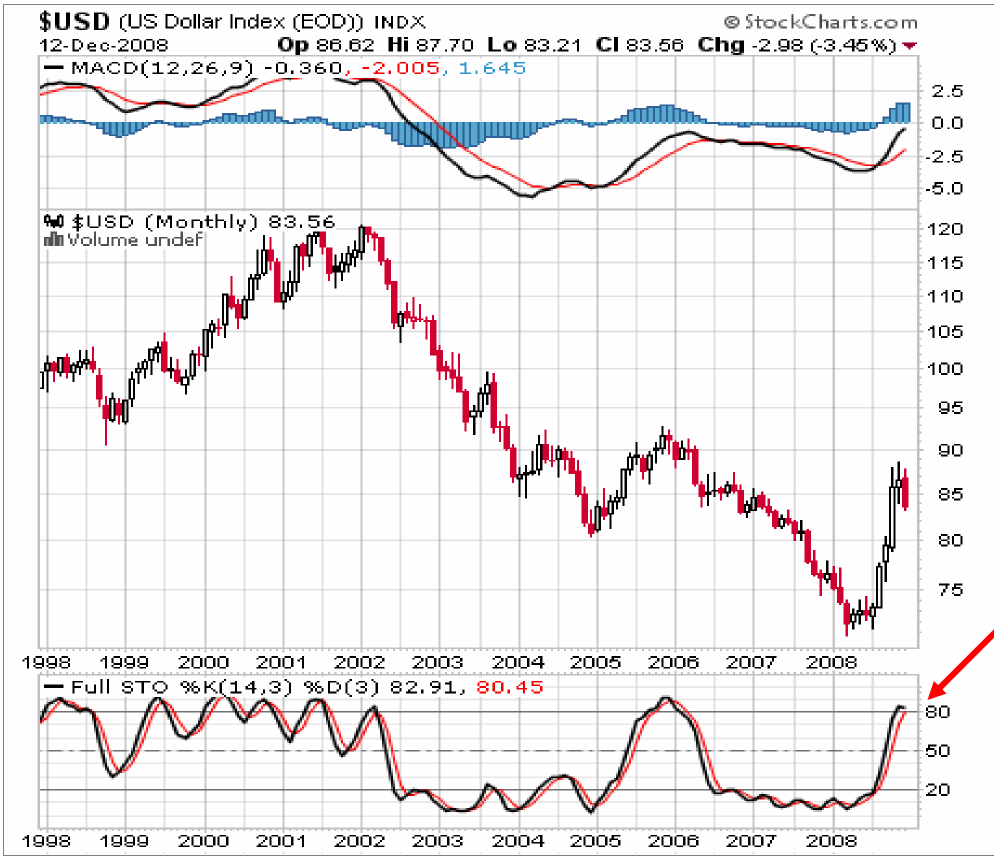

$NDX (Nasdaq 100 Index) INDX
©StockCharts.com
12-Dec-2008 Close 1206.65 Volume 5.0B Chg +28.78 (+2.44%)
MACD(12,26,9) -187.873, -161.554, -26.319
NDX Big Picture Highest Probability Labeling
$NDX (Weekly) 1206.65
Volume 4.97B, EMA(60) 4.92B
e, C up of (B)
The NASDAQ 100 Completed the first wave of a five wave Declining Wedge, for wave (C) down. B up is now underway.
The NDX's Weekly Full Stochastic Is on a buy, Bottoming, Intermediate-term.
%K(14,3) %D(3) 20.10, 15.25
E, (C)
$NDX (Nasdaq 100 Index) INDX
©StockCharts.com
12-Dec-2008 Close 1206.65 Volume 892.3M Chg +26.19 (+2.22%)
MACD(12,26,9) -2.671, -4.902, 2.231
$NDX (30 min) 1206.65
Wave B up may have Started Friday, November 21st. The day after our phi mate turn date
The NDX Crashed from Election Day. Now we get a pause.
Prices Could Fall Monday.
Full STO %K(14,3) %D(3) 88.22, 78.74
C, (C)


$RUT (Russell 2000 Small Cap Index) INDX
© StockCharts.com
12-Dec-2008 Op 448.70 Hi 468.43 Lo 440.71 Cl 468.43 Chg +17.22 (+3.82%)
MACD(12,26,9) -1.644, -3.328, 1.684
$RUT (30 min) 468.43
Volume undef
Full STO %K(14,3) %D(3) 88.97, 74.08
29Oct 6 13 20 27 Nov 10 17 24 Dec 8
(D)
If the degrees of these waves are one lower than depicted, it means this Bear Market will Last At Least Until 2012.
The Degrees of Trend Seem Too High as Labeled Time-wise, but Price-wise they make sense.
B
(E), A
A
B
C, (A)
(B)
(D)
(C)
(E), C, (A)
A
B
C, (A)
Wave (B) up Started Friday, November 21st. The day after our phi mate turn date
(C), A
(B)
B
C, (B)
Prices Could Decline Monday.


$RUT (Russell 2000 Small Cap Index) INDX
© StockCharts.com
12-Dec-2008 Op 465.45 Hi 491.78 Lo 440.71 Cl 468.43 Chg +7.34 (+1.59%)
MACD(12,26,9) -70.644, -56.376, -14.267
$RUT (Weekly) 468.43
Volume undef
Full STO %K(14,3) %D(3) 24.65, 19.35
07 F M A M J J A S O N D 08 F M A M J J A S O N D
The Weekly Full Stochastics suggest a multi-month bottom is approaching.


$USD (US Dollar Index (EOD)) INDX
© StockCharts.com
12-Dec-2008 Op 86.71 Hi 86.91 Lo 83.21 Cl 83.56 Chg -3.39 (-3.89%)
MACD(12,26,9) 3.042, 2.755, 0.286
$USD (Weekly) 83.56
Volume undef
We had a decisive break below 80.00 giving us a minimum downside target for the U.S. Dollar of 40.00, another 50 % devaluation of the Dollar.
Head
A Massive Devaluation of the Dollar is Coming Due to this Current Financial Crisis
Weekly
Left Shoulder
Right Shoulder
Neckline at 80.00
The final devaluation point could take years, but the trend would be down for a long time. The cause is the Master Planners will have to Hyperinflate us out of the Economic Crisis — sooner or later.


$USD (US Dollar Index (EOD)) INDX
© StockCharts.com
12-Dec-2008 Op 86.71 Hi 86.91 Lo 83.21 Cl 83.56 Chg -3.39 (-3.89%)
MACD(12,26,9) 3.042, 2.755, 0.286
Weekly MACD is Rolling Over and Ready to Generate a Sell Signal.
(5), V
$USD (Weekly) 83.56
Volume undef
The Weekly Full Stochastics suggest a top is approaching fast.
It is now on a sell signal.
c, (2)
b
(3)
5, (1)
Full STO %K(14,3) %D(3) 77.89, 85.45



The Monthly Full Stochastics are on a buy, but the Fast is approaching the level where tops occur, And is rolling over. A major decline is imminent.

c, (2)

b

The Daily Full Stochastics are on a Sell Signal, But close to generating a new buy signal, which means a short-term rally is coming inside a major decline.

Short-term, the Dollar completed a wave a up. The Dollar is now descending into its wave ***b-*** down leg, which should be well underway in early 2009. Technically, ***the Weekly, and Monthly Full Stochastics suggest a major top for the Dollar. Short-term a corrective rally may be about to start, as the Daily Full Stochastics are bottoming.***

Fundamentally, the ***Dollar*** has been in high demand during this crisis, as over 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 caused increasing demand for dollars. As lines of credit were cut, and credit card companies will cut $2 trillion more of lines soon, as the ability to borrow is being cut off, it means that cash is in demand, helping dollars increase in value. Further, given the international scope of this crisis, a flight to quality, to U.S. Dollars as well as U.S. Treasuries has been 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 mid 80's. Technically, this confirms that the Dollar's 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. Or it means economic collapse will require repudiation of Dollar denominated debts and a new currency is coming. A major devaluation of the dollar is coming.

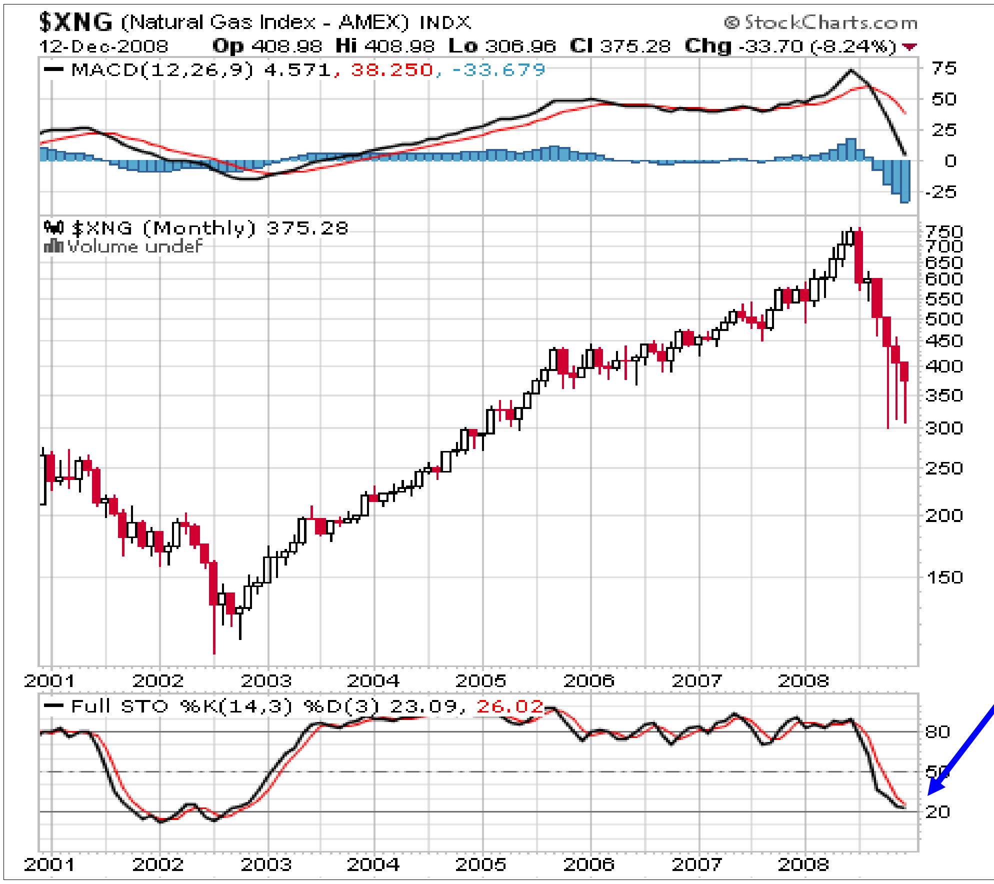
As for ***Oil***, the depth of the decline is arguing that this is a primary degree correction going on, which means we should expect an **A-**down, **B-**up, **C-**down for wave **(2)** down. ***A bottom of significance is approaching.*** The Daily and Weekly Full Stochastics are at a bottom level, 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 HUI rallied hard recently, as the Daily Full Stochastics suggested it would. Daily Full Stochastics are now nearing a top, suggesting a short-term decline is coming***. 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. If you study the Monthly chart, it is clear that rallies starting from monthly bottoms tend to be impressive.

Gold could be approaching a significant bottom according to the Weekly, and Monthly Full Stochastics. The same applies to Silver. This implies huge hyperinflation injections into world-wide economies by central banks. Short-term, a corrective decline may be close to starting. But it will be within the context of a major rally.

Bonds have rallied dramatically as we have been calling for weeks and months. The Daily and Weekly Full Stochastics allow for a short-term decline in U.S. Bonds, wave **{iv}** down, however ***the Monthly Full Stochastics suggest that once that correction lower finishes, Bonds should continue to rally. Short-term Treasuries are near zero percent. Longer-term Treasuries could also get there once wave (C) down hits.***


$XNG (Natural Gas Index - AMEX) INDX
© StockCharts.com
12-Dec-2008 Op 336.24 Hi 405.87 Lo 336.24 Cl 375.28 Chg +39.04 (+11.61%)
MACD(12,26,9) -66.590, -58.160, -8.430
Natural Gas Stocks Should Rise
$XNG (Weekly) 375.28
Volume undef
Weekly
5, 3
5, 5, (1)
B
A
Full STO %K(14,3) %D(3) 23.93, 23.92
Natural Gas Stocks Correct in Wave (2) down.
C, (2)
Natural Gas Stocks Weekly Full Stochastics are ready to generate a new buy signal.
$XNG (Natural Gas Index - AMEX) INDX
© StockCharts.com
12-Dec-2008 Op 378.89 Hi 378.92 Lo 361.22 Cl 375.28 Chg -3.61 (-0.95%)
MACD(12,26,9) -10.257, -12.822, 2.565
5, 5, (1)
$XNG (Daily) 375.28
Volume undef
c, B
c, A
Natural Gas Stocks Daily Full Stochastics are on a buy signal.
Full STO %K(14,3) %D(3) 65.38, 60.83
C, (2)

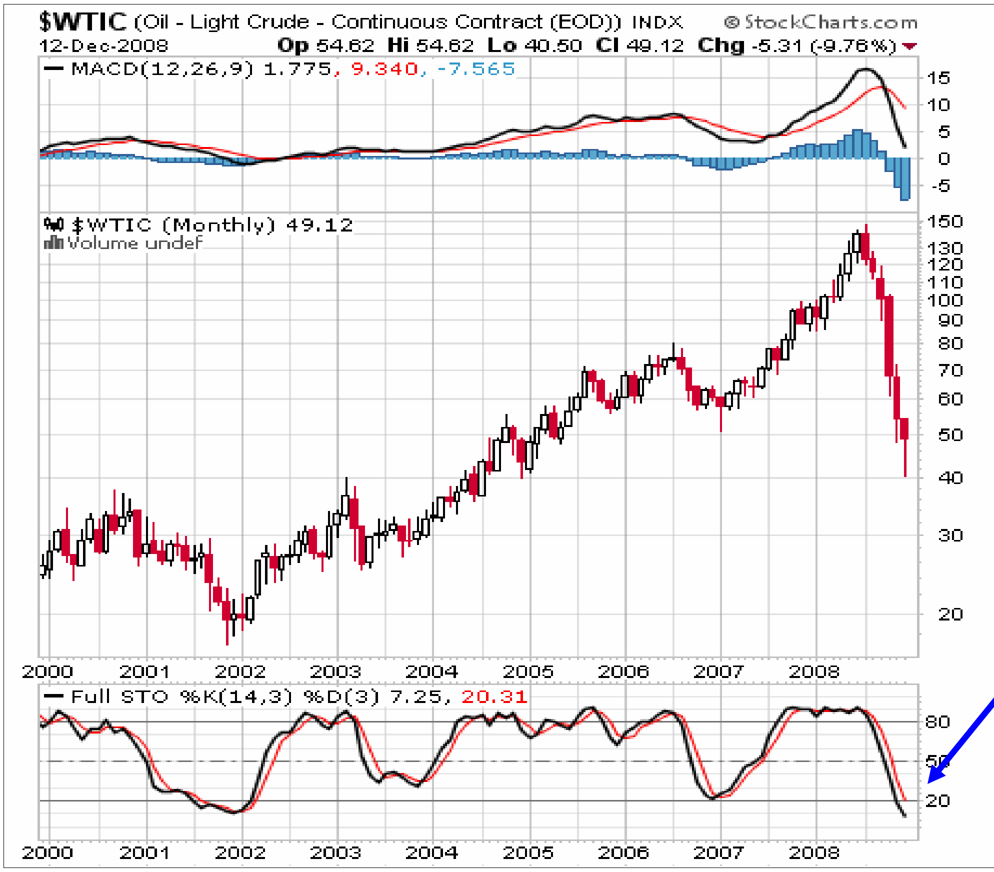


The Monthly Full Stochastics are on a sell, but approaching the level where bottoms occur. This decline is Corrective

The MACD is on Sell signal. On a short-term basis, the Daily Full Stochastics is on a sell signal, *But at levels where short-term Rallies start.*

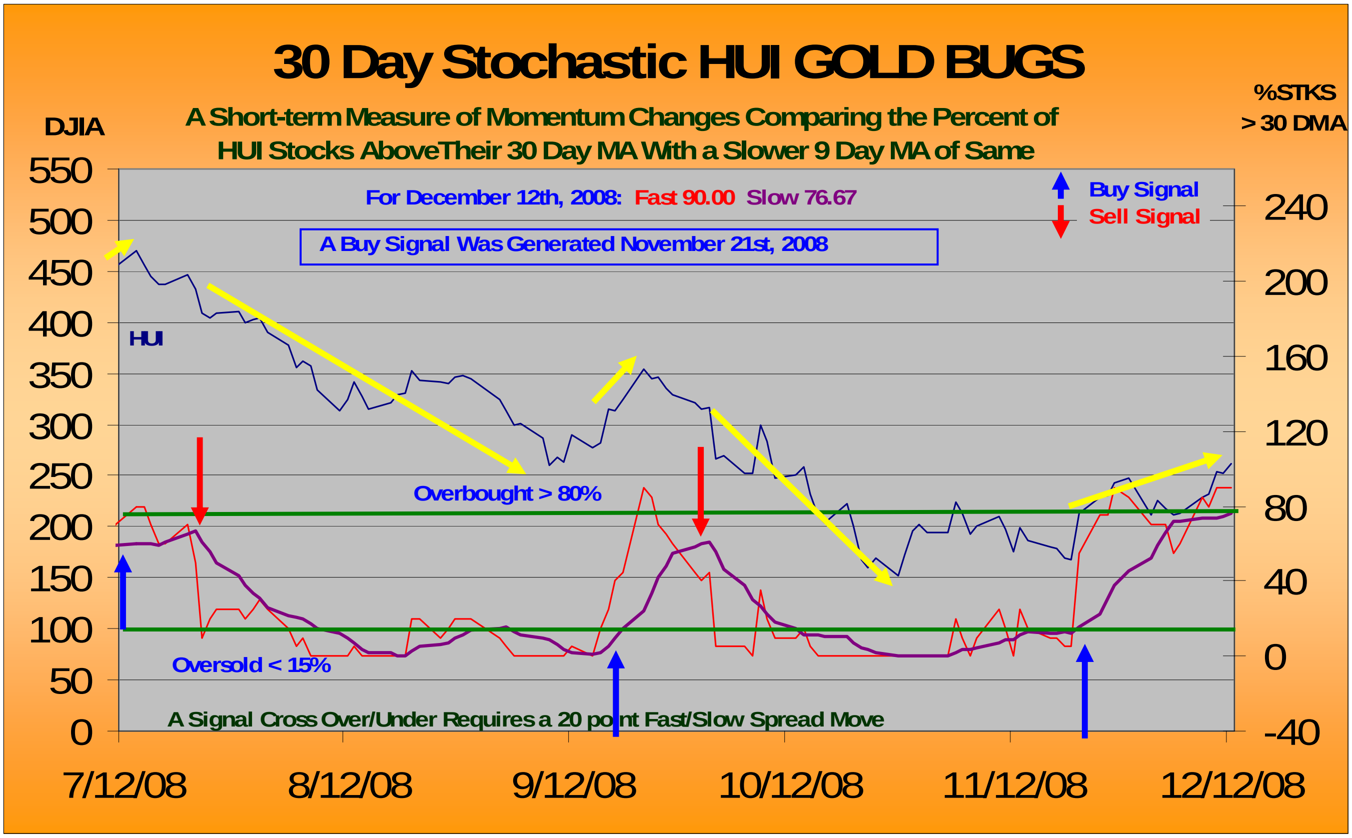
B

C, (2)

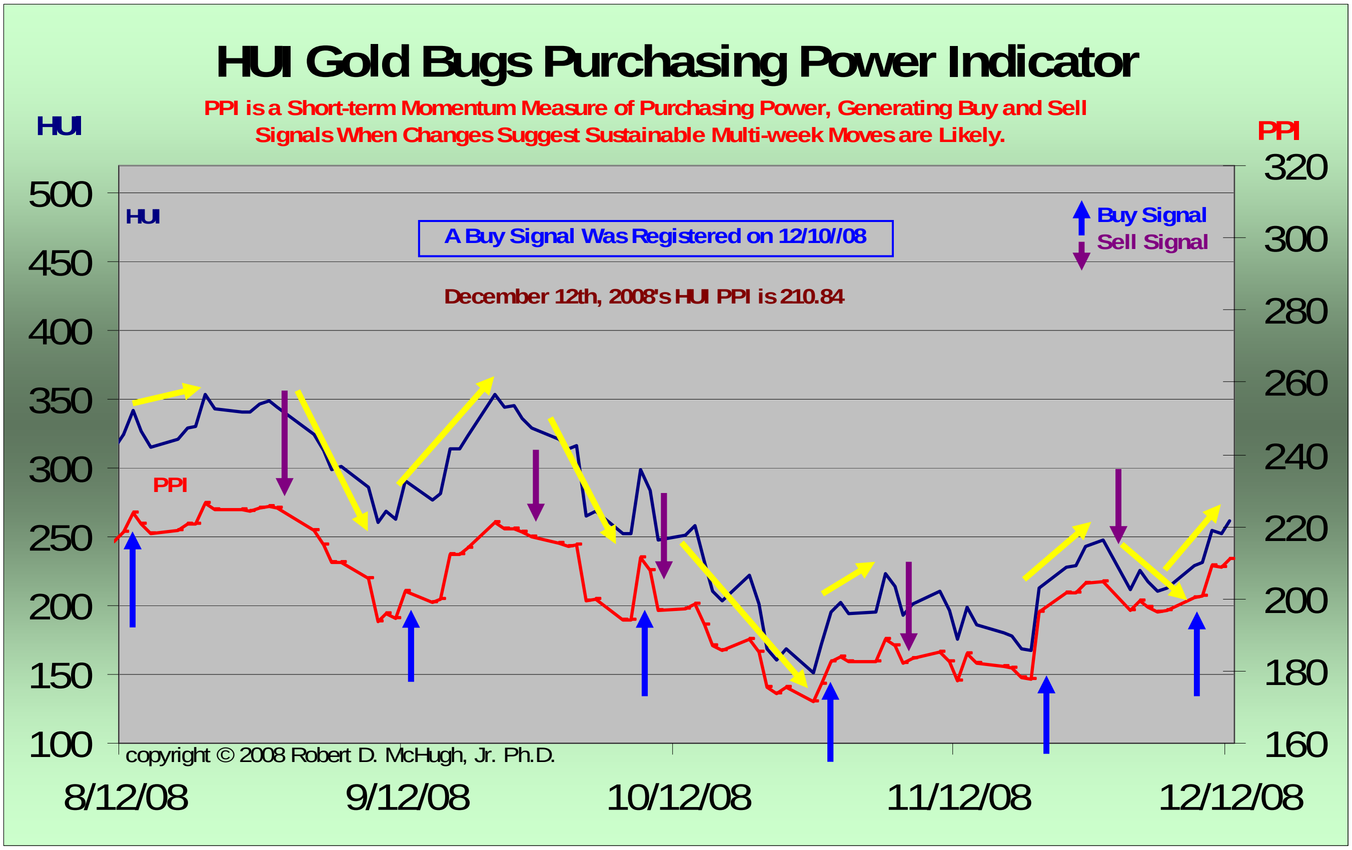


The Monthly Full Stochastics are on a sell, but approaching the level where bottoms occur. This decline is Corrective

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


30 Day Stochastic HUI GOLD BUGS
A Short-term Measure of Momentum Changes Comparing the Percent of HUI Stocks Above Their 30 Day MA With a Slower 9 Day MA of Same
DJIA
%STKS > 30 DMA
For December 12th, 2008: Fast 90.00 Slow 76.67
A Buy Signal Was Generated November 21st, 2008
Buy Signal
Sell Signal
HUI
Overbought > 80%
Oversold < 15%
A Signal Cross Over/Under Requires a 20 point Fast/Slow Spread Move
550
500
450
400
350
300
250
200
150
100
50
0
240
200
160
120
80
40
0
-40
7/12/08
8/12/08
9/12/08
10/12/08
11/12/08
12/12/08


$HUI (Gold Bugs Index - AMEX) INDX
© StockCharts.com
12-Dec-2008 Op 212.61 Hi 270.10 Lo 212.61 Cl 261.30 Chg +48.69 (+22.90%)
MACD(12,26,9) -45.988, -49.306, 3.318
$HUI (Weekly) 261.30
Volume undef
(3)
(4)
(5) I
Alt. (A) (B) (C) II
II
Full STO %K(14,3) %D(3) 43.03, 36.51
Apr Jul Oct 07 Apr Jul Oct 08 Apr Jul Oct


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.
HUI
PPI
A Buy Signal Was Registered on 12/10//08
Buy Signal
Sell Signal
December 12th, 2008's HUI PPI is 210.84
copyright © 2008 Robert D. McHugh, Jr. Ph.D.
8/12/08
9/12/08
10/12/08
11/12/08
12/12/08

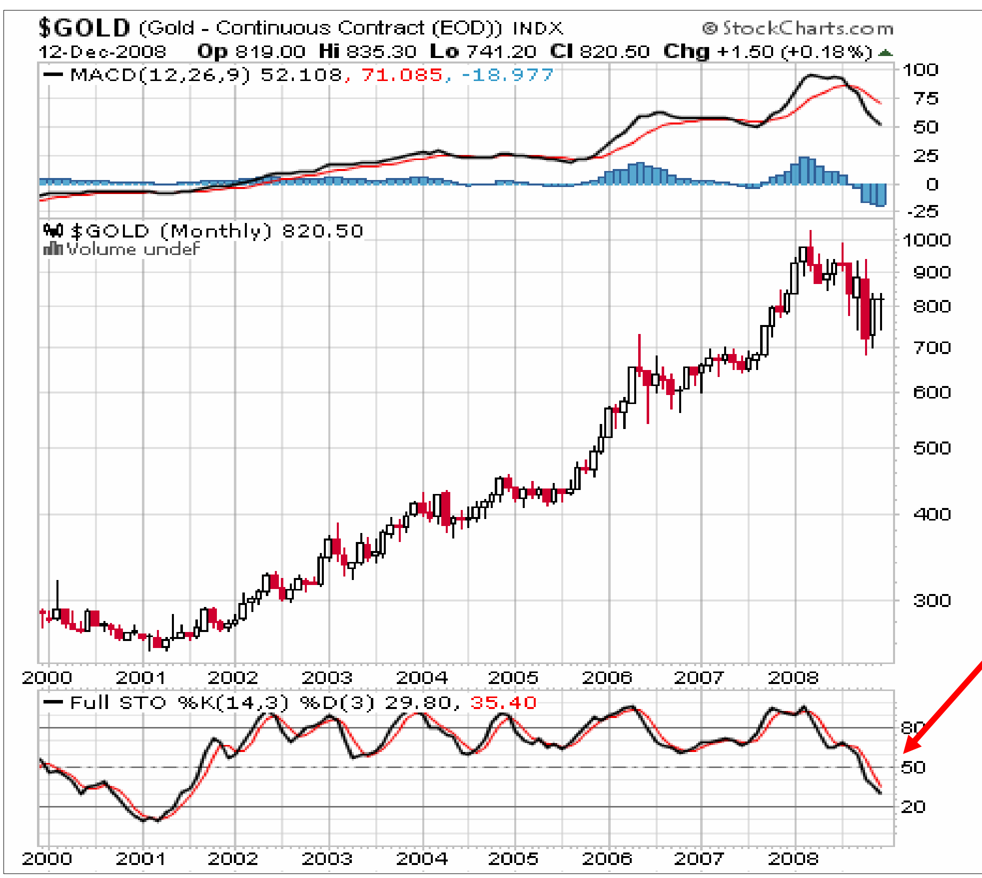

$HUI (Gold Bugs Index - AMEX) INDX
© StockCharts.com
12-Dec-2008 Op 212.61 Hi 270.10 Lo 212.61 Cl 261.30 Chg +48.69 (+22.90%)
MACD(12,26,9) -45.988, -49.306, 3.318
The HUI Big Picture
$HUI (Weekly) 261.30
Volume undef
Weekly
5, (1)
(3)
(5) I
(4)
b
a
c, (2)
II
1
2
3
4
Primary Degree
Intermediate Degree
Alt. (A) (B) (C) II
Full STO %K(14,3) %D(3) 43.03, 36.51
The Weekly Full Stochastics Are on a Buy signal, at the level where Intermediate-term Rallies Occur.

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

Breakout above the upper boundary of the declining trend-channel is a real positive for Gold Stocks.

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.

The Monthly Full Stochastics are on a New buy signal. And the Monthly Full Stochastics are at The level where major bottoms arrive.



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


$GOLD (Gold - Continuous Contract (EOD)) INDX
©StockCharts.com
12-Dec-2008 Op 755.20 Hi 835.30 Lo 754.10 Cl 820.50 Chg +68.30 (+9.08%)
MACD(12,26,9) -26.233, -27.591, 1.357
$GOLD (Weekly) 820.50
Volume undef
Weekly
3 $730 5/12/2006
3 of (1), III
Alt. a b c 2
Weekly Full STO Suggests Gold is bottoming.
(C) II
$253
8/25/1999
Full STO %K(14,3) %D(3) 45.53, 42.61


$GOLD (Gold - Continuous Contract (EOD)) INDX
©StockCharts.com
12-Dec-2008 Op 755.20 Hi 835.30 Lo 754.10 Cl 820.50 Chg +68.30 (+9.08%)
MACD(12,26,9) -26.233, -27.591, 1.357
$GOLD (Weekly) 820.50
Volume undef
v, 5, 1
c, 2
e, 4
Full STO %K(14,3) %D(3) 45.53, 42.61

Daily MACD On a buy signal.

Gold is Looking Good as its next Intermediate term Rally Gets Underway.

Daily Full STO on a buy signal, But nearing a short term top within an intermediate and long term rally.

The MACD is On a Sell Signal.

The Weekly Full Stochastics Are on a Buy Signal, at the level where significant Intermediate-term rallies occur.

The Daily Full Stochastics are on a Buy Signal But at the level where short-term tops arrive.

3 of 5

Weekly Full Stochastics on a buy signal, at the levels suggesting *an explosion higher is approaching.*

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.

The Weekly Full Stochastics on a buy, But topping.

The Daily Full Stochastics are at the level where short-term declines start.

Key Economic Statistics

Date	VIX	U.S. $	Euro	CRB	Gold	Silver	Crude Oil	1 Week Avg. M-3
11/28/08	55.84	86.54	126.94	241.68	816.2	10.19	54.43	**Hidden**
12/05/08	59.93	86.95	127.19	208.60	756.1	9.41	41.65	**Hidden**
12/12/08	54.28	83.56	133.50	226.96	819.4	10.20	46.28	**Hidden**

Note: VIX and Dollar fall; inflation assets rise.

Conservative Balanced Portfolio Recent Transactions As of Friday December 12th, 2008

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

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

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

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

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

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

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

John 6: 35, 38, 40

If you are enjoying your subscription, please tell a friend. Let them know about our free — one time — 30 day trial subscription.

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

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

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