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Weekend Market Newsletter
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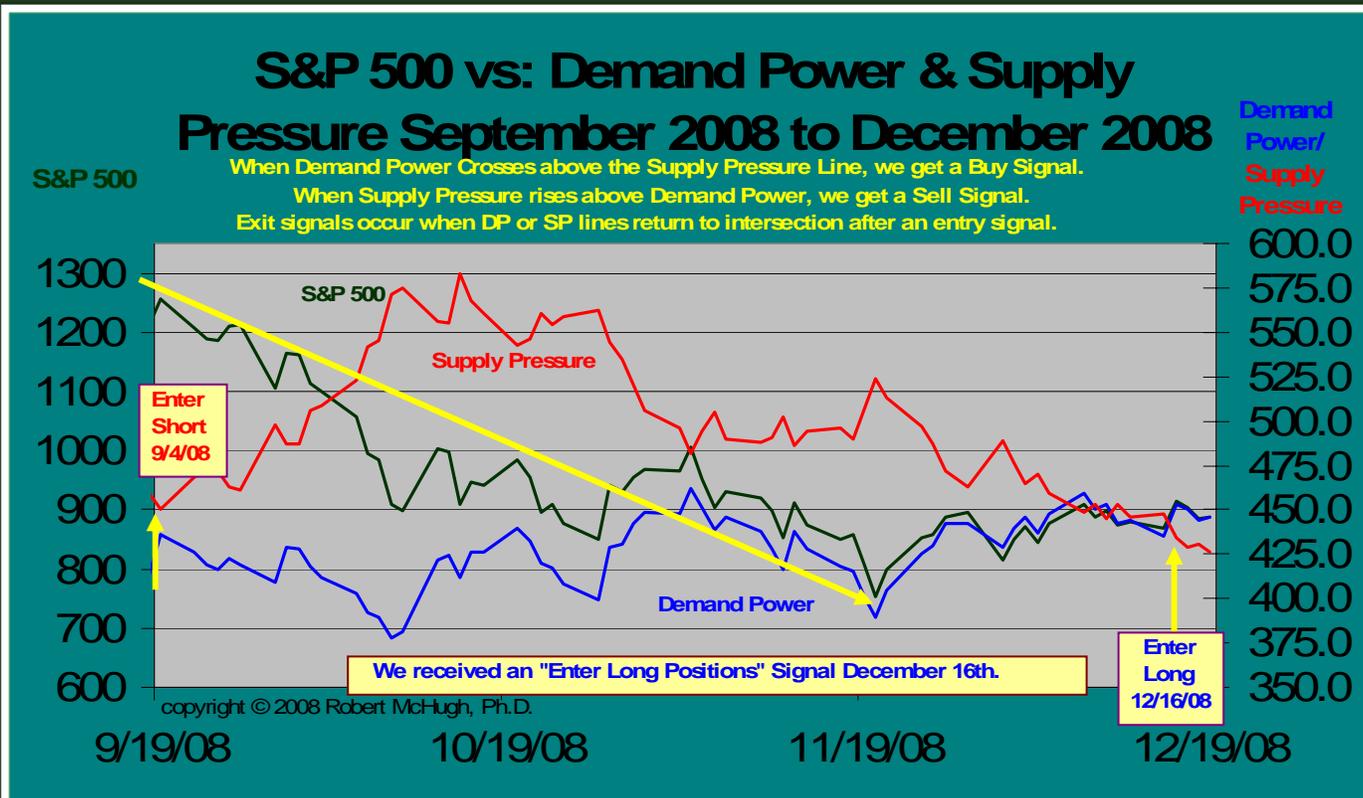
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SUMMARY OF INDEX DAILY CLOSINGS FOR FRIDAY, DECEMBER 19th, 2008

<u>Date</u>	<u>DJIA</u>	<u>Transports</u>	<u>S&P</u>	<u>NASDAQ</u> <u>COMPQ</u>	<u>NASDAQ</u> <u>100</u>	<u>Russell</u> <u>2000</u>	<u>30 Yr Treas</u> <u>Bonds</u>
Dec 12	8629.68	3245.44	879.73	1540.72	1206.65	468.43	134^26
Dec 15	8564.53	3206.11	868.57	1508.34	1181.87	452.57	135^06
Dec 16	8924.14	3380.70	913.18	1589.89	1243.49	482.85	137^02
Dec 17	8824.34	3466.12	904.42	1579.31	1225.86	486.59	139^11
Dec 18	8604.99	3381.68	885.28	1552.37	1204.69	479.17	141^12
Dec 19	8579.11	3389.47	887.88	1564.32	1217.19	486.26	140^26



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 Long	12/11/2008	446	426	SPX Rose 45 Points (5.2 %)
NDX	Short	Exit Short	12/8/2008	421	418	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

	<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 16th, 2008	DJIA Rose 37 Points (0.4 %)
DJIA 14 Day Stochastic	DJIA	Short	Sell	Dec 11th, 2008	DJIA Fell 217 Points (2.5 %)
DJIA 30 Day Stochastic	DJIA	Short	Buy	Dec 16th, 2008	DJIA Rose 37 Points (0.4 %)
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 18th, 2008	NDX Fell 0 Points (0.0 %)
NDX 14 Day Stochastic	NASDAQ 100	Short	Buy	Dec 16th, 2008	NDX Rose 1 Points (0.1 %)
RUT Purchase Power Indic	RUT	Short	Buy	Dec 16th, 2008	RUT Rose 14 Points (3.0 %)
HUI Purchasing Power Indic	HUI	Short	Buy	Dec 10th, 2008	HUI Rose 57 Points (22.4 %)
HUI 30 Day Stochastic	HUI	Short	Buy	Nov 21st, 2008	HUI Rose 98 Points (46.3 %)

Administrative note: The coming two weeks bring the start of the holidays, and markets are closed or close early several days. Here is our publishing schedule: We will publish a market newsletter Monday and Tuesday, December 22nd and 23rd. Then we will not publish again until Monday evening, December 29th, 2008. There will be no weekend newsletter next weekend, however we will publish several Guest Articles and an update of our Conservative Investment Portfolio model. We use this time to be with our families, but also to update our files and programs for the new year. It is our sincerest wish that you and your families have a peaceful and joyful Christmas and Hanukkah.

The *Dow Industrials* fell 25.88 points, or 0.30 percent, Friday, closing at 8,579.11, after being up 182 points mid-day. *NYSE volume was up at 105* percent of its 10 day average. Upside volume led at 57 percent, with advancing issues at 63 percent, with upside points at 63 percent. *S&P 500 Demand Power rose 2 points to 446, while Supply Pressure fell 5 points to 426*, telling us retreating sellers allowed minor buying to take prices up. It was options expiration day Friday, and our indicators suggest there was mild intervention to support prices from falling hard into the close. We did get the sharp rally Friday that Thursday's 30 and 15 minute Full Stochastics suggested was likely, however its shelf life was short, and by the close all of the gains were lost.

We are approaching a window of time where our phi mate and Fibonacci cluster analysis suggests a multi-week trend change is likely, starting this week and lasting into year end. This turn could be an interim top within wave (B) up.

The early rise Friday was news-triggered, as the Master Planners announced a \$17.4 billion assistance plan for GM and Chrysler. Ford is not getting the bridge loans. But it really won't accomplish much because most consumers can't get a car loan anyway even if they want to buy.

Bonds remain above 140, and are going parabolic. ***Both the Bond market and the Treasury Bill/Fed Funds short-term lending markets are telling us we are headed into an Economic Depression, so we plan to use the current wave (B) rally in stocks to raise cash that will be necessary to survive.***

The Demand Power/Supply Pressure indicators generated an exit short position signal December 12th. Friday's McClellan Oscillator improved to positive + 181.45. The Summation Index improved to negative -586.73. NYSE New Highs rose to 9, with New Lows rising to 38 Friday.

The percent of DJIA stocks above their 30 day moving average remained at 53.33. The percent above 10 day rose to 33.33 from 30.00. The percent above 5 day rose to 33.33 from 30.00. The NYSE 10 day average Advance/Decline Line Indicator fell to positive + 259.8, 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) remain on a "sideways" signal Friday. The DJIA 30 day Stochastic Fast remained at 53.33, below the Slow at 58.67, remaining on a "buy" signal from December 16th. The DJIA 14 day Stochastic fell to 46.67, below the Slow at 58.33, 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 1 point to negative -101.22, remaining on a "buy" signal from December 16th.

The Plunge Protection Team Risk Indicator rose to negative -7.66 Friday, remaining on a "sell" signal from December 12th. 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 rose to 1.10 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 Friday, the Secondary Trend Indicator rose 5 points to negative -2, 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

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	<u>Secondary Trend Indicator</u>
Dec 12	Up 2 to 444	Down 7 to 446	Up 1 to -108	Up 4 to -10
Dec 15	Down 9 to 437	Up 2 to 448	Down 2 to -110	Down 3 to -13
Dec 16	Up 18 to 453	Down 14 to 434	Down 13 to -97	Up 8 to -5
Dec 17	Down 3 to 450	Down 5 to 429	Down 1 to -98	Up 2 to -3
Dec 18	Down 6 to 444	Up 2 to 431	Down 4 to -101	Down 4 to -7
Dec 19	Up 2 to 446	Down 5 to 426	Flat 0 at -101	Up 5 to -2

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)
Dec 12	Up 2 to 424	Down 5 to 424	Up 5 to -82	- 14.19
Dec 15	Down 6 to 418	Up 3 to 427	Down 5 to -87	- 14.31
Dec 16	Up 9 to 427	Down 8 to 419	Up 16 to -71	- 12.00
Dec 17	Down 2 to 425	Flat 0 at 419	Down 2 to -73	- 10.32
Dec 18	Down 4 to 421	Up 1 to 420	Down 4 to -77	- 8.29
Dec 19	Flat 0 at 421	Down 2 to 418	Up 3 to -74	- 7.66

10 Day Average Short-term Advance/Decline Signals

<u>Index</u>	<u>Dec 19th 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	+ 259.8	Buy	Dec 3rd, 2008	SPX Rose 48 Points (5.5 %)
NASDAQ 100	+ 3.3	Buy	Dec 3rd, 2008	NDX Rose 78 Points (6.7 %)
Russell 2000	+ 129.0	Buy	Dec 3rd, 2008	RUT Rose 43 Points (9.6 %)

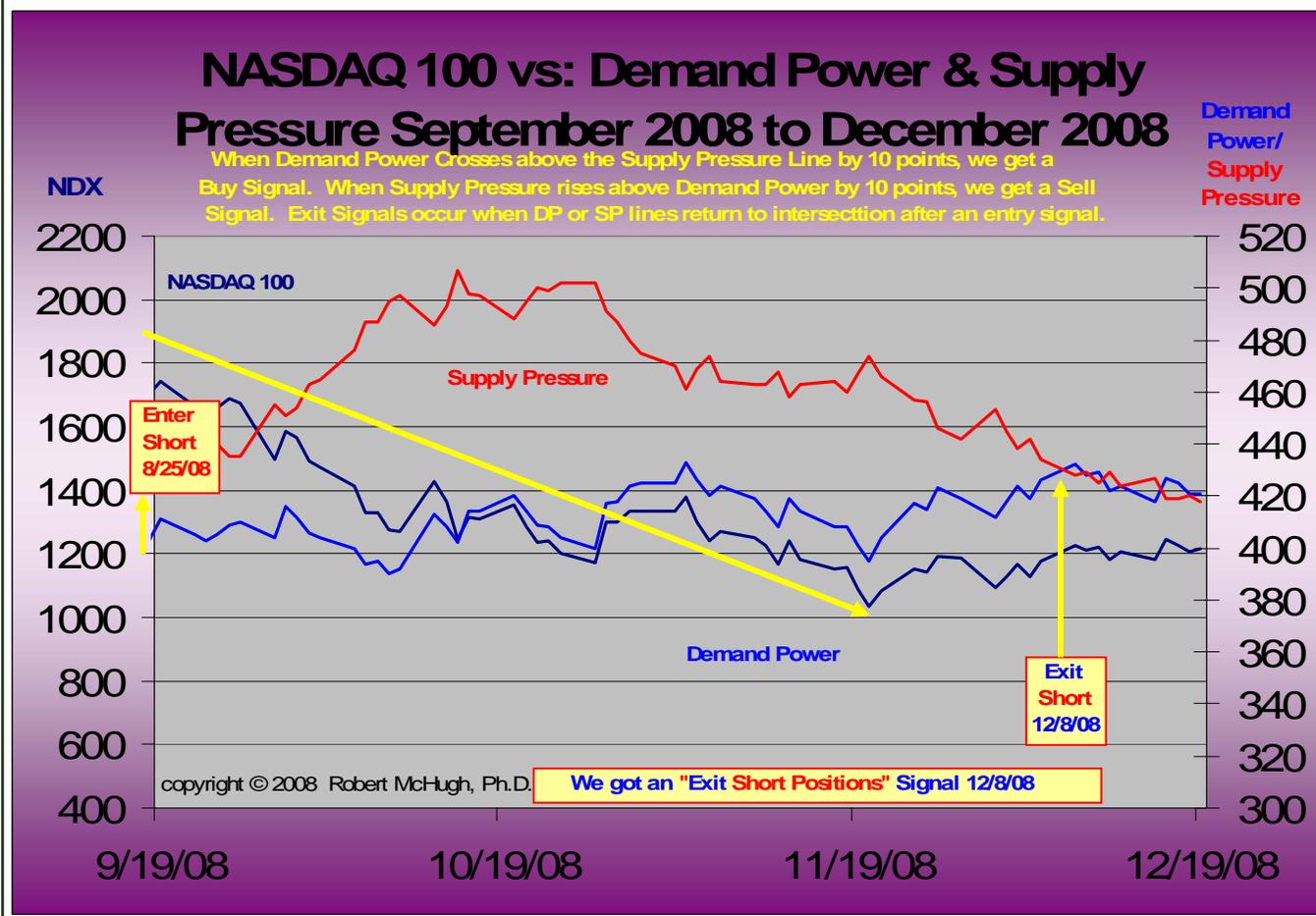
We have been expecting a short-term decline in precious metals and the HUI, and finally got that Thursday and Friday. This decline should last into year-end. Gold's and the HUI's Daily Full Stochastics generated a sell signal December 18th, confirming the short term correction within an intermediate term rally is underway.

The Weekly Full Stochastics in both Gold and the HUI are on a buy, and the Monthly are also on a buy in the HUI, and approaching a buy in Gold from oversold levels, suggesting that a huge multi-week, maybe multi-month rally leg is underway, and will resume once this short-term decline finishes.

Check out our new Holiday Season Specials, extended through [Sunday, December 21st](#), including an 18 month offering. If you are enjoying your subscription, please tell a friend.

The **NASDAQ 100** rose **12.50 points Friday, closing at 1,217.19**. Volume rose to 108 percent of its 10 day average. **Upside volume led at 59 percent. Advancing issues led at 60 percent, with upside points at 59 percent. NDX Demand Power were flat at 421, with Supply Pressure fell 2 points to 418**, telling us the rise was weak, and due to a lack of selling. **A crossover generated an exit short positions signal December 8th, 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 "sideways" signal Friday**. The **NDX 14 day Stochastic Fast** rose to 69.00, above the Slow at 67.60, **remaining on a "buy" signal from December 16th**. The **NDX Purchasing Power Indicator** rose 3 points to negative -74.53, **remaining on a "sell" signal from December 18th**. The **NDX 10 day average Advance/Decline Line Indicator** fell to positive + 3.3, **remaining on a "buy" signal from December 3rd**, when it first rose above the positive + 5.0 threshold for a new "buy" signal.



The *Russell 2000* rose 7.09 points Friday, closing at 486.26. Volume was up at 139 percent of its 10 day average, with upside volume leading at 64 percent, with advancing issues leading at 64 percent. *The RUT Purchasing Power Indicator* rose to positive + 1.39, *remaining on a "buy" signal from December 16th*. The *RUT 10 day average Advance/Decline Line Indicator* fell to positive + 129.0, a Bullish divergence, *remaining on a "buy" signal from December 3rd*, when it rose above the positive +180.00 threshold for a new "buy" signal.

The *HUI Amex Gold Bugs Index* fell 3.31 points Friday, closing at 271.37. Volume was higher at 122 percent of its 10 day average. Upside volume was 64 percent, with advancing issues at 70 percent, and upside points at 90 percent. *Our key trend-finder indicators remain on a "buy" signal Friday, December 19th*. The *HUI 30 day Stochastic Fast* fell to 90.00, below the Slow at 92.78, *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* fell to 215.36, *remaining on a "buy" signal from December 10th*. January *Gold* fell to 836.6. *Silver* fell to 10.82, while January *Oil* fell to 33.87. *February futures for Oil* came in at 42.36. The *Dollar* rose 1.32 to 81.12. *Bonds* fell half a point to 140^26. 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 2.41 to 44.93.

The *Australia SPASX200* rose 34.50 points, or 0.96 percent Friday. Click on the Weekend Australia Report, *which includes EW charts of the FTSE and DAX, for the latest analysis*.

Bottom Line: *The Fed has to continue hyperinflating to bail out this sick economy, feeding a major trend up in precious metals. Households, not just Wall Street, must be bailed out. If this doesn't happen we are headed for an economic depression.*

New Holiday Season Specials:

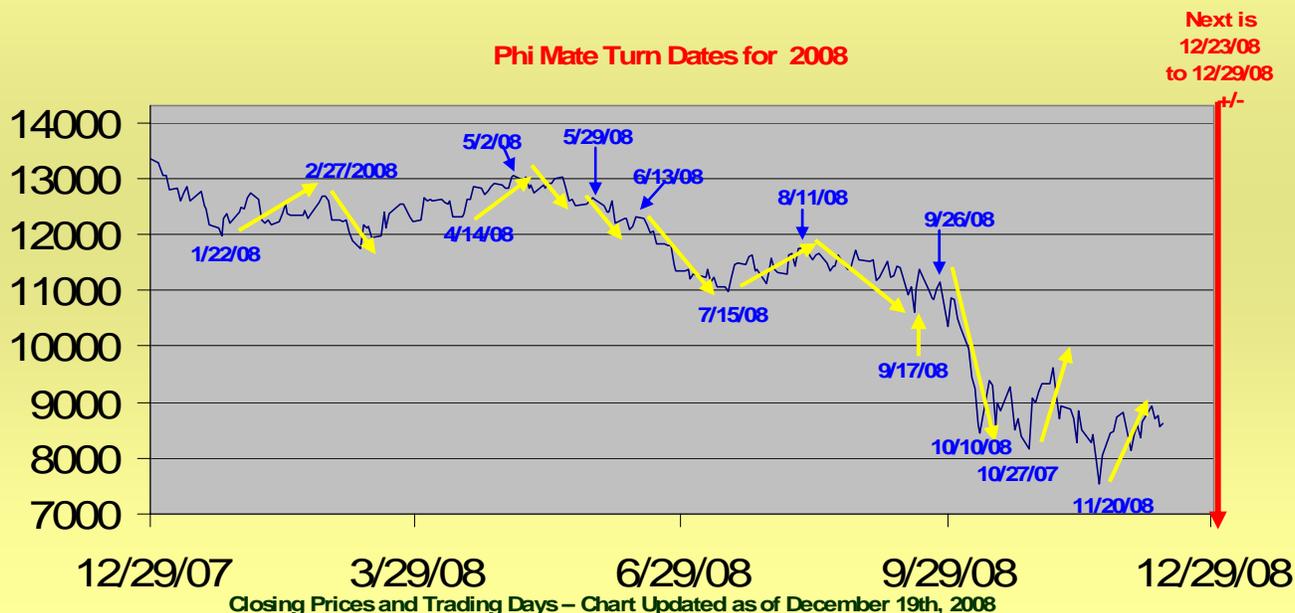
*6 Months for \$175, or
10 Months for \$215, or,
12 Months for \$300, or
13 Months for \$249, or
18 Months for \$359, or
* 24 Months for \$449 **

Extended through Sunday, December 21st, 2008

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Here Are The Phi MateTurn Dates in the Dow Jones Industrial Average Over the Past Year Based Upon Fibonacci Ratios From 1/14/2000



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 have risen 1,474.12, or 19.51 percent.***

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 declined 1,345 points 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. The Industrials rallied 830 points 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. Prices then fell almost 1,000 points, 962.68 points 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* mate turn dates December 23rd and December 29th, so this combination of Fibonacci analysis, two separate 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.

There is a Significant Fibonacci Cluster Event From Dec 22nd to Dec 31st 2008 +/- 1 Day

Significant Turns Often Occur When Fibonacci Numbers
and Ratios Converge Into a Short-term Period.

Tops and Bottoms and the Fibonacci # of Trading Days Clustering From 12/22/08 to 12/31/08

Dec 22nd
to
Dec 31st



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.



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 {III}'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.



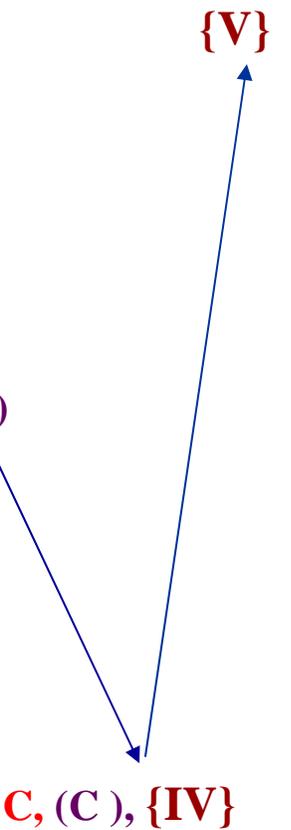
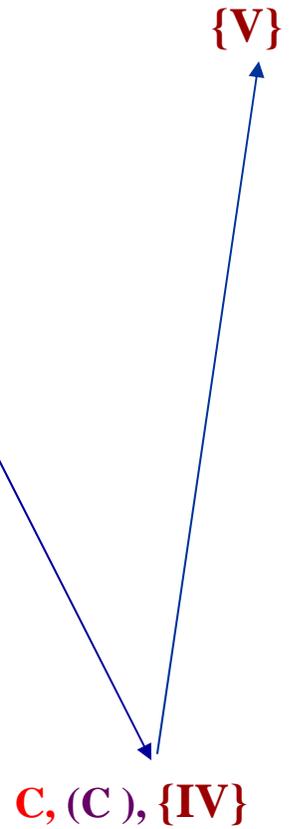
A decisive decline below 10,800 confirmed this Very Bearish pattern, giving a downside crash target of 7,500ish.

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.





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

Daily Full Stochastics On a Sell Signal, Topping.



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

Daily Full Stochastics On a Sell Signal, Topping.



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

If the degrees of these waves are one
 lower than depicted, it means this Bear
 Market will Last At Least Until 2012.

Guidance Indecisive
 for Monday.

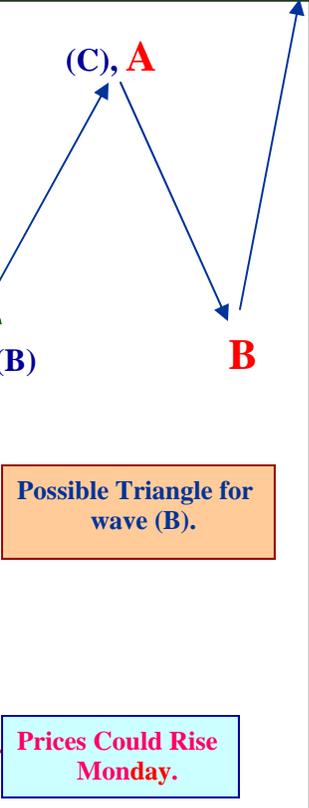


Wave (B) up may have
 Started Friday,
 November 21st.
 The day after our phi
 mate turn date

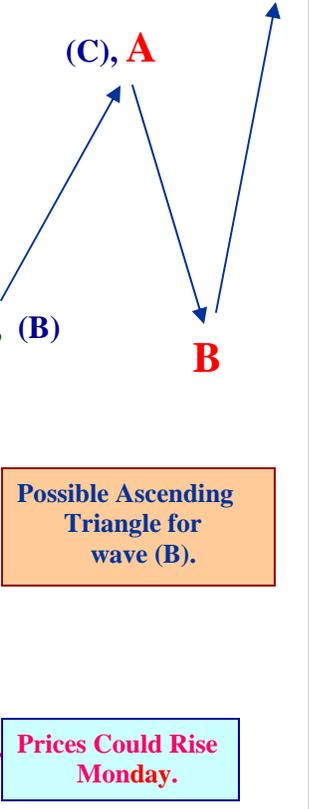
If the degrees of these waves are one
 lower than depicted, it means this Bear
 Market will Last At Least Until 2012.

Guidance Indecisive
 for Monday.

\$INDU (Dow Jones Industrial Average) INDX
 19-Dec-2008 Close 8579.11 Volume 1.3B Chg -25.88 (-0.30%)
 - MACD(12,26,9) -30.685, -28.649, -2.036



\$SPX (S&P 500 Large Cap Index) INDX
 19-Dec-2008 Close 887.88 Volume 5.0B Chg +2.60 (+0.29%)
 - MACD(12,26,9) -2.338, -2.081, -0.257

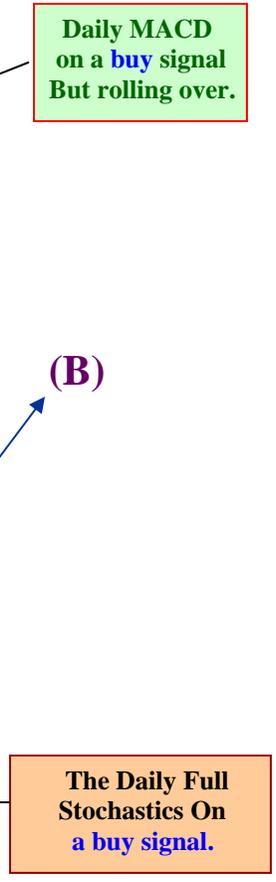
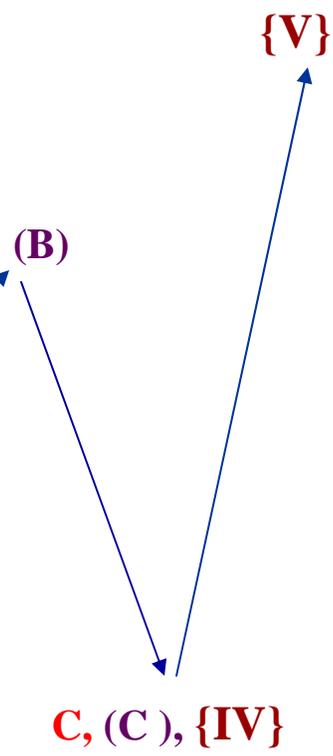




A Bullish Head & Shoulders Bottom has formed over the past month, and is complete. Confirmation of the upside target has come with a rise above 8800. Upside target is 10,000ish in the DJIA



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





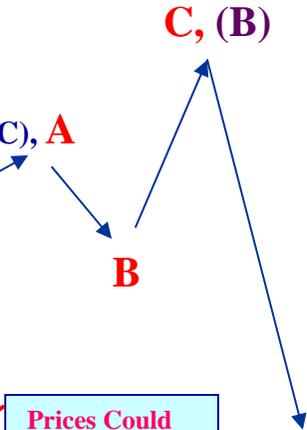
The NASDAQ 100 Completed the first wave of a five wave Declining Wedge, for wave (C) down. B up is now underway.



Guidance Indecisive for Monday.



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



Prices Could Decline Monday.



The Weekly Full Stochastics suggest a multi-month bottom is approaching.





The Monthly Full Stochastics are on a Sell, at the level where tops occur, rolling over. A major decline is imminent.



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.

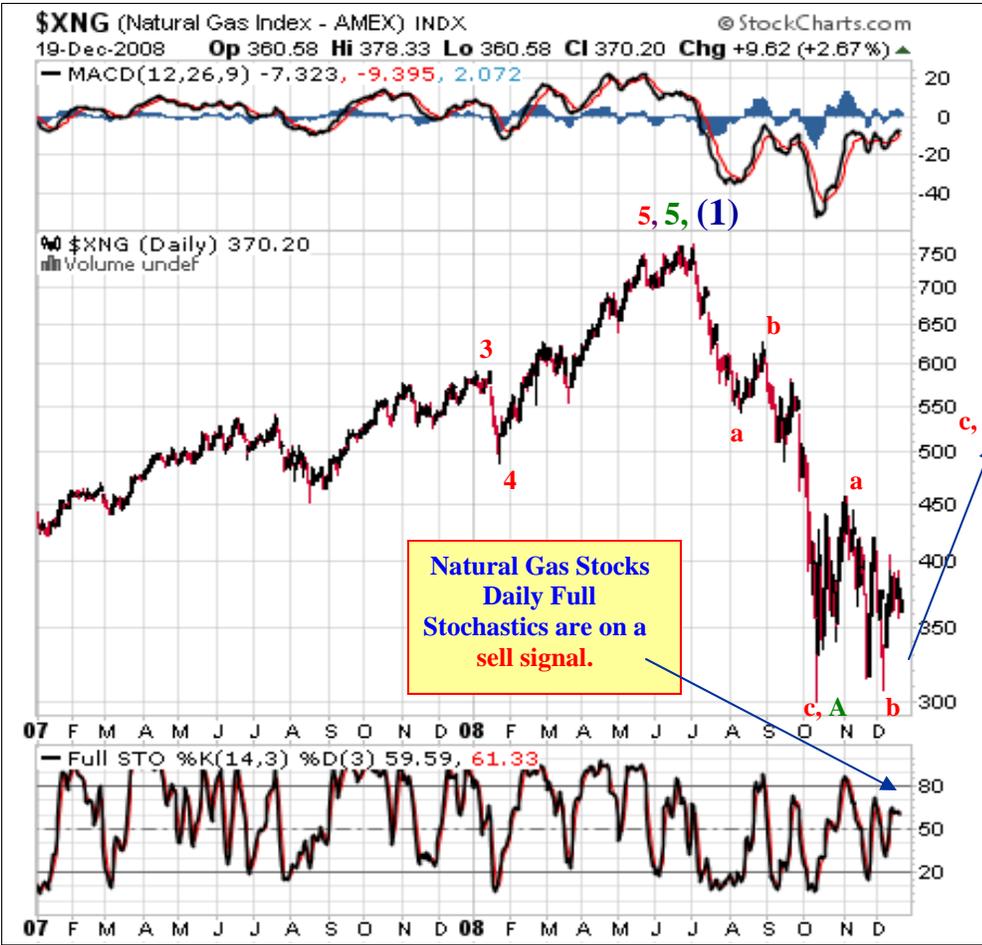
Bonds have rallied dramatically as we have been calling for weeks and months. The Daily and Weekly Full Stochastics allow for a short-term decline in U.S. Bonds, wave ***{iv}*** down, however ***the Monthly Full Stochastics suggest that once that correction lower finishes, Bonds should continue to rally.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



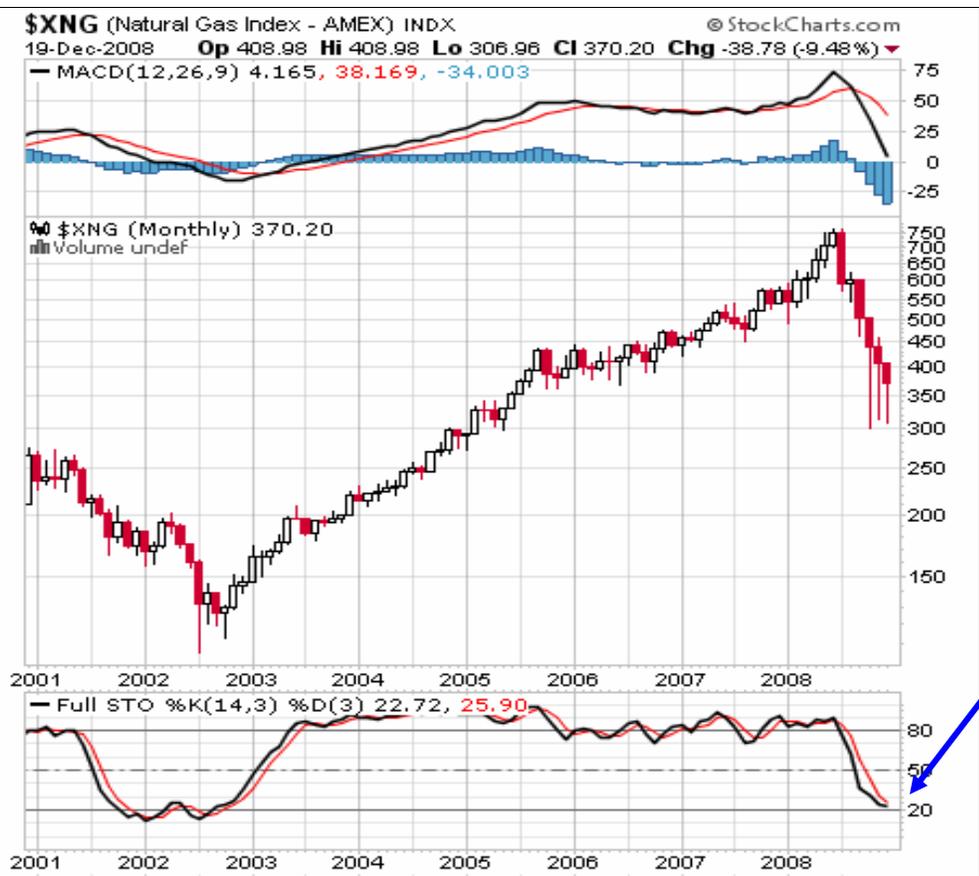
Natural Gas Stocks Correct in Wave (2) down.

C, (2)

Natural Gas Stocks Weekly Full Stochastics are ready to generate a new buy signal.



C, (2)



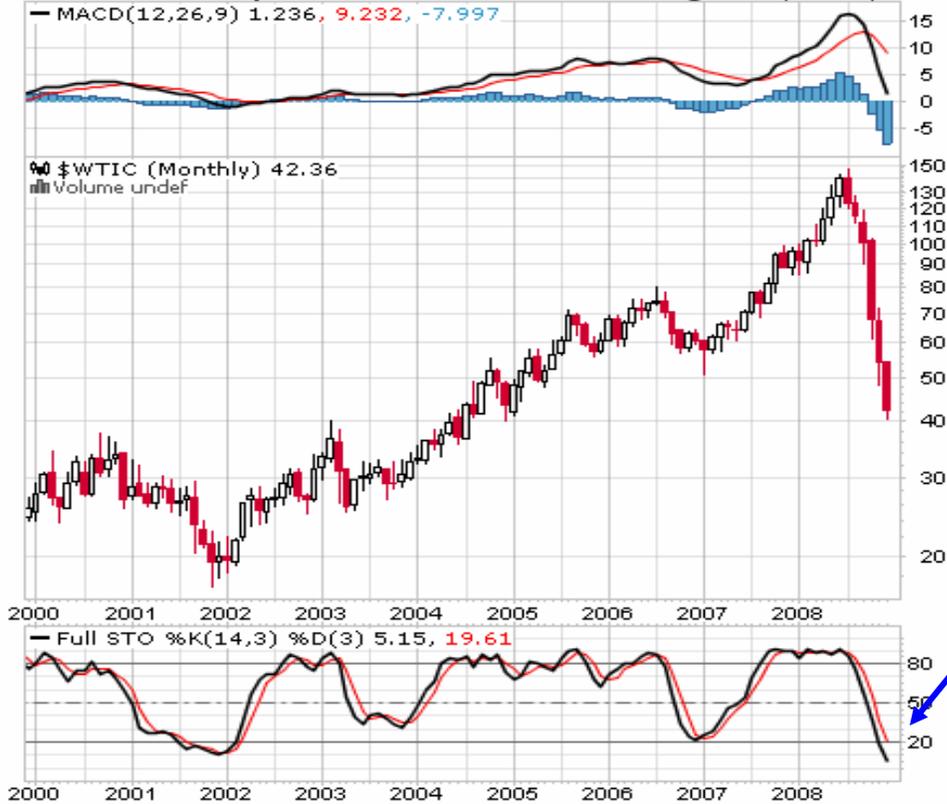
The Monthly Full Stochastics are on a sell, but approaching the level where bottoms occur. This decline is Corrective



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

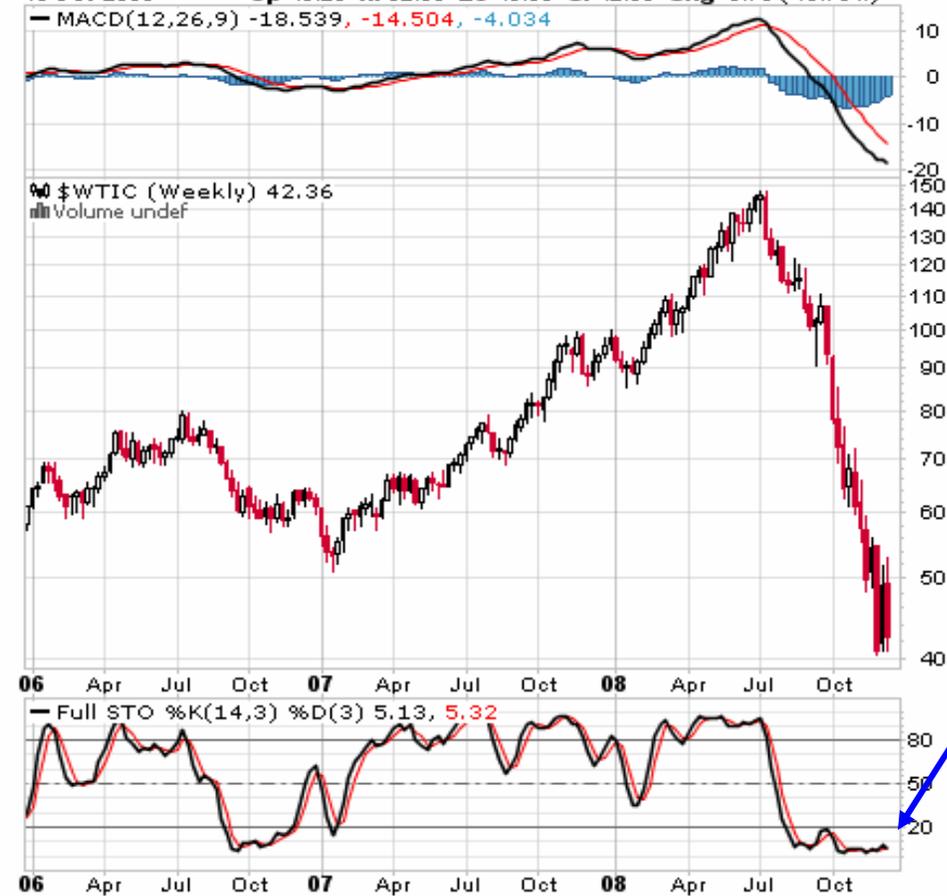
The MACD is on Buy signal. On a short-term basis, the Daily Full Stochastics is on a sell signal, But at levels where short-term Rallies start.

\$WTIC (Oil - Light Crude - Continuous Contract (EOD)) INDX © StockCharts.com
 19-Dec-2008 Op 54.62 Hi 54.62 Lo 40.50 Cl 42.36 Chg -12.07 (-22.18%)



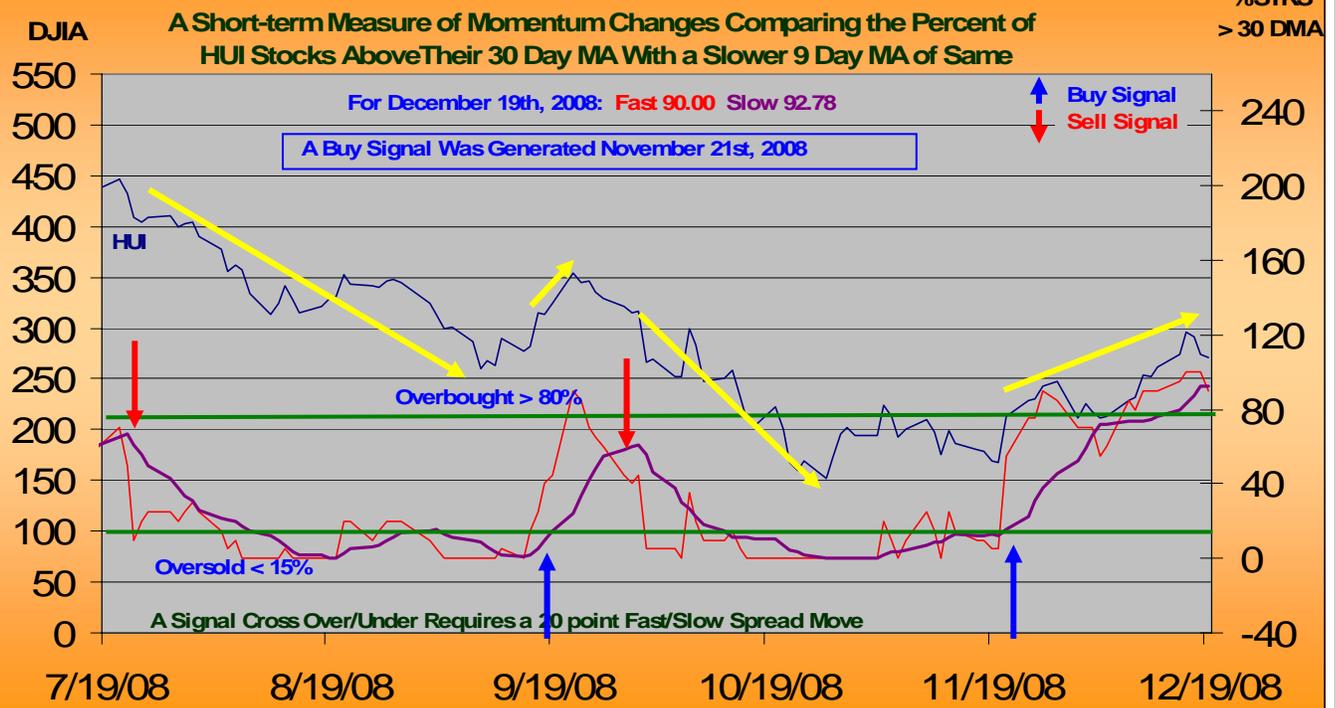
The Monthly Full Stochastics are on a sell, but approaching the level where bottoms occur. This decline is Corrective

\$WTIC (Oil - Light Crude - Continuous Contract (EOD)) INDX © StockCharts.com
 19-Dec-2008 Op 49.29 Hi 52.95 Lo 40.90 Cl 42.36 Chg -6.76 (-13.76%)



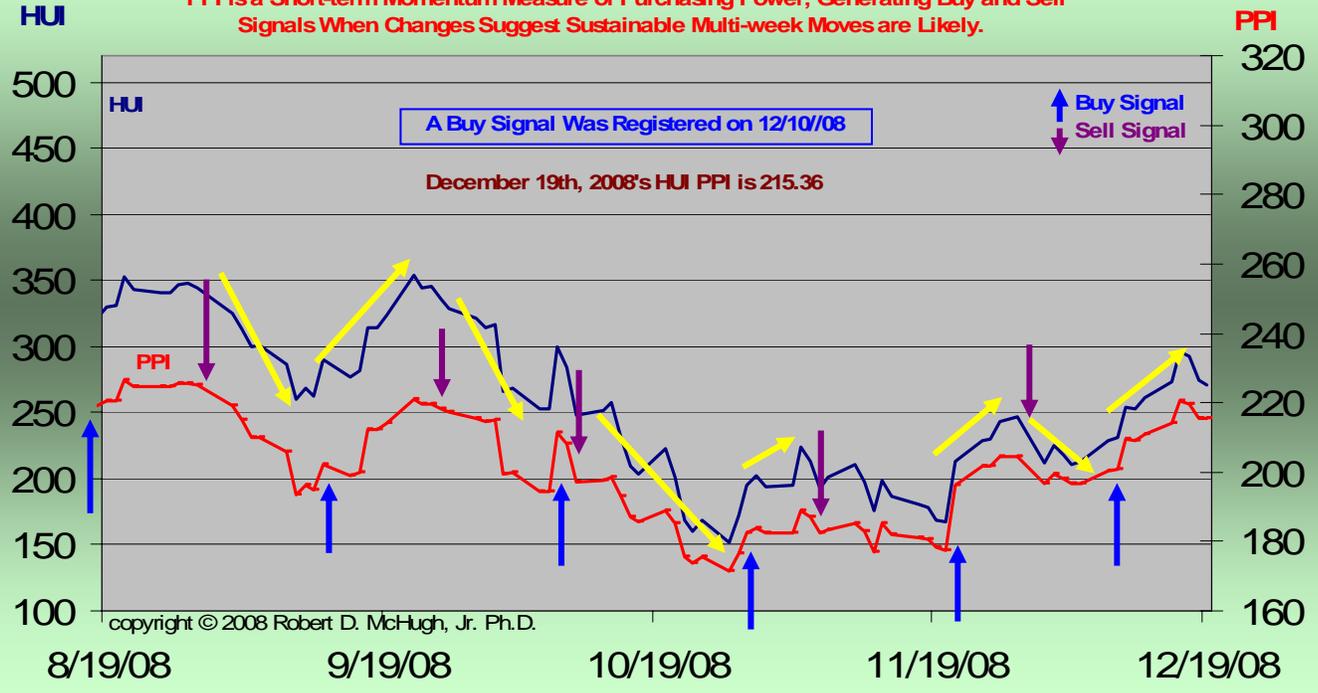
The Weekly Full Stochastics are on a Sell, buy at the level Where bottoms occur. This decline is Corrective And about over.

30 Day Stochastic HUI GOLD BUGS



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.



The Weekly Full Stochastics Are on a Buy signal, at the level where Intermediate-term Rallies Occur.



The MACD
 Is on a Buy signal.
 The Full Stochastics
 Generate a sell 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 are on a
 buy signal.
 Once the short-term
 decline ends, we
 should see a huge
 rally.



3 of (1), III

Weekly Full STO Suggests Gold is bottoming.





Daily MACD
On a buy signal.

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

Daily Full STO
on a
sell signal,
from a
short term top
within an
intermediate and
long term rally.



The MACD is
On a Buy 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 Sell Signal At the level where short-term tops arrive.



Weekly MACD Curling Up Triggering an intermediate term rally.

Weekly

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.



{ 5, 1, iii

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

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>
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
12/19/08	44.93	81.12	139.17	218.87	836.6	10.82	33.87	Hidden

Note: VIX and Dollar fall; inflation assets rise.

Conservative Balanced Portfolio Recent Transactions As of Friday December 19th, 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 **

Extended through Sunday, December 14th, 2008

Simply go to www.technicalindicatorindex.com

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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.***