

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

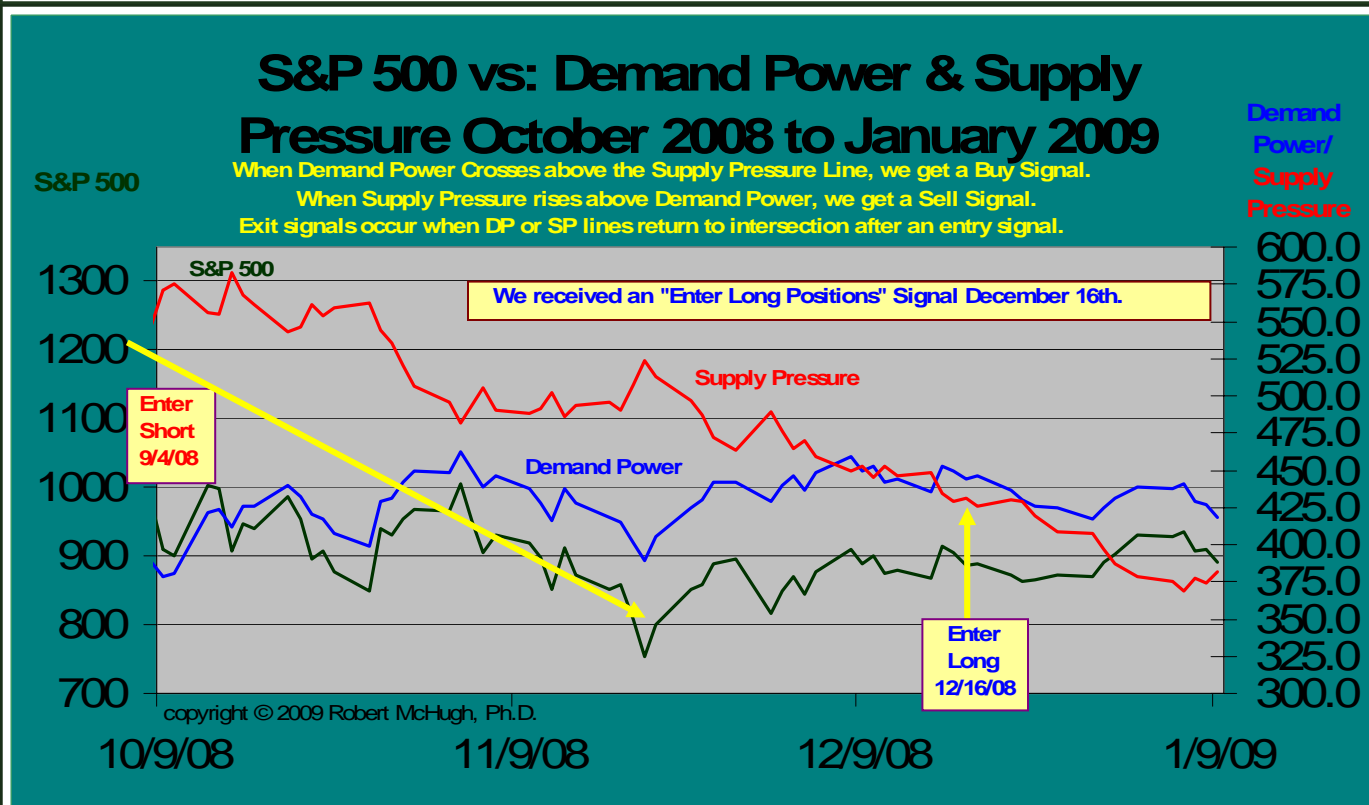
P.O. Box 1026
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SUMMARY OF INDEX DAILY CLOSINGS FOR FRIDAY, JANUARY 9th, 2009

<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>
Jan 2	9034.69	3651.02	931.80	1632.21	1263.70	505.84	135^15
Jan 5	8952.89	3626.54	927.45	1628.03	1262.52	505.03	133^01
Jan 6	9015.10	3717.26	934.70	1652.38	1274.49	514.71	132^22
Jan 7	8769.70	3567.26	906.65	1599.06	1238.60	497.10	132^22
Jan 8	8742.46	3558.34	909.73	1617.01	1252.52	502.01	133^01
Jan 9	8599.18	3460.71	890.35	1571.59	1223.01	481.30	133^05



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	12/16/2008	418	382	SPX Rose 70 Points (8.0 %)
NDX	Short	Exit Long	1/9/2009	402	403	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	Sell	Jan 7th, 2009	Fell 192 Points (2.2 %)
DJIA 14 Day Stochastic	DJIA	Short	Sell	Jan 7th, 2009	Fell 192 Points (2.2 %)
DJIA 30 Day Stochastic	DJIA	Short	Sell	Jan 7th, 2009	Fell 192 Points (12.2 %)
DJIA Primary Trend Indicator	DJIA	Long	Sell	Sept 30th, 2008	DJIA Fell 3401 Points (31.3 %)
Secondary Trend Indicator	DJIA/S&P	Short	Buy	Dec 26th, 2008	DJIA Rose 572 Points (6.7 %)
NDX Purchase Power Indic	NASDAQ 100	Short	Sell	Jan 7th, 2009	Fell 21 Points (1.7 %)
NDX 14 Day Stochastic	NASDAQ 100	Short	Sell	Jan 7th, 2009	Fell 21 Points (1.7 %)
RUT Purchase Power Indic	RUT	Short	Sell	Jan 7th, 2009	Fell 21 Points (4.2 %)
HUI Purchasing Power Indic	HUI	Short	Sell	Jan 7th, 2009	Fell 0 Points (0.0 %)
HUI 30 Day Stochastic	HUI	Short	Buy	Nov 21st, 2008	HUI Rose 98 Points (46.3 %)

The *Dow Industrials* fell 143.28 points, 1.64 percent, Friday, closing at 8,599.18. *NYSE volume was lower at 109* percent of its 10 day average. Downside volume led at 85 percent, with declining issues at 70 percent, with downside points at 93 percent. *S&P 500 Demand Power fell 9 points to 418, while Supply Pressure rose 8 points to 382*, telling us the decline was powerful and solid. There was a very small change in the McClellan Oscillator Thursday, suggesting a large price move was coming Friday, which occurred. The Daily Full Stochastics are topping, suggesting a decline that lasts a week to 10 days has started. It may have another week left in it. *But we believe it is corrective, inside a larger degree rally leg.* The weekly Full Stochastics remain on a buy, and at a level where multi-week rallies occur, so this decline should be measured in days, not weeks or months. There should be corrective rallies interspersed. *There is a better than 90 percent chance that the Plunge Protection Team indicator will generate a new "sell" signal Monday, January 12th. The Unemployment rate skyrocketed to 7.2 percent, and you can bet the farm it will be much higher as this year progresses.*

We present a study of the stock market pattern at the start of the Great Depression on page 8. There is a warning from history to prepare for a coming cataclysmic wave (C) down.

The Monthly Full Stochastics are rising from levels where multi-month bottoms arrive, supporting our belief is that we are in a multi-month rally leg within a primary Bear Market, a wonderful chance to raise cash, Supercycle degree wave (B) up. It could last several months from its start in November 2008. This primary Bear market should see three major waves. The first and third are down legs. The second is a correcting rally phase. The first Bear phase started in October 2007 and lasted just over a year through November 2008. It was characterized by a dangerous assault on the credit system, with financial stocks leading the plunge. The third phase will be a plunge characterized by a response to declining corporate and personal income, plunging dividends, spreading unemployment, and perhaps fearful geopolitical events, Supercycle degree wave (C) down, which could start in 2009 and last a year or longer.

The Demand Power/Supply Pressure indicators generated an enter long position signal December 16th, and remains there January 9th. Friday's McClellan Oscillator fell to positive + 131.58. Summation Index improved to positive + 2,071.15. NYSE New Highs came in at 3, with New Lows falling to 7 Friday. Not much information can be gleaned from New Highs/New Lows this weekend.

The percent of DJIA stocks above their 30 day moving average fell to 36.67 from 56.67. The percent above 10 day fell to 16.67 from 60.00. The percent above 5 day fell to 3.33 from 6.67. The NYSE 10 day average Advance/Decline Line Indicator fell to + 735.1, remaining on a buy signal from December 3rd, needing to drop below the negative - 120.00 threshold necessary for a new "sell."

Our three Blue Chip key trend-finder indicators (other than the Demand Power/Supply Pressure Indicator) remain on a "sell" signal Friday. The DJIA 30 day Stochastic Fast fell to 36.67, below the Slow at 62.00, remaining on a "sell" signal from January 7th. The DJIA 14 day Stochastic fell to 16.67, below the Slow at 72.78, remaining on a "sell" signal from January 7th. The Fast had to cross more than 10 points below the Slow for a new "sell." The S&P 500 Purchasing Power Indicator fell to negative -101.01, remaining on a "sell" signal from January 7th.

The Plunge Protection Team Risk Indicator fell to negative -17.36 Friday, January 9th, after triggering a buy signal Wednesday, December 24th when it fell to negative -19.72. We expect a new "sell" signal Monday. 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 1.11 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 fell 4 points to positive + 19, remaining on a buy signal from December 26th when it went positive for the first time in three months. 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>
Jan 2	Up 8 to 439	Down 9 to 378	Up 8 to -89	Up 6 to + 23
Jan 5	Down 1 to 438	Down 3 to 375	Down 1 to -90	Down 1 to + 22
Jan 6	Up 3 to 441	Down 6 to 369	Up 3 to -87	Up 3 to + 25
Jan 7	Down 12 to 429	Up 8 to 377	Down 10 to -97	Down 6 to + 19
Jan 8	Down 2 to 427	Down 3 to 374	Up 1 to -96	Up 4 to + 23
Jan 9	Down 9 to 418	Up 8 to 382	Down 5 to -101	Down 4 to + 19

NASDAQ 100

PPT Risk Indicator

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

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	
Jan 2	Up 6 to 410	Down 6 to 395	Up 15 to -60	- 35.03
Jan 5	Down 2 to 408	Flat 0 at 395	Flat 0 at -60	- 35.09
Jan 6	Up 3 to 411	Down 2 to 393	Up 3 to -57	- 31.03
Jan 7	Down 5 to 406	Up 6 to 399	Down 10 to -67	- 28.65
Jan 8	Up 1 to 407	Down 2 to 397	Up 1 to -66	- 26.72
Jan 9	Down 5 to 402	Up 6 to 403	Down 8 to -74	- 17.36

10 Day Average Short-term Advance/Decline Signals

<u>Index</u>	<u>Jan 9th 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	+ 735.1	Buy	Dec 3rd, 2008	SPX Rose 73 Points (8.4 %)
NASDAQ 100	+ 9.7	Buy	Jan 8th, 2009	NDX Rose 0 Points (0.0 %)
Russell 2000	+ 136.1	Buy	Dec 3rd, 2008	RUT Rose 65 Points (14.4 %)

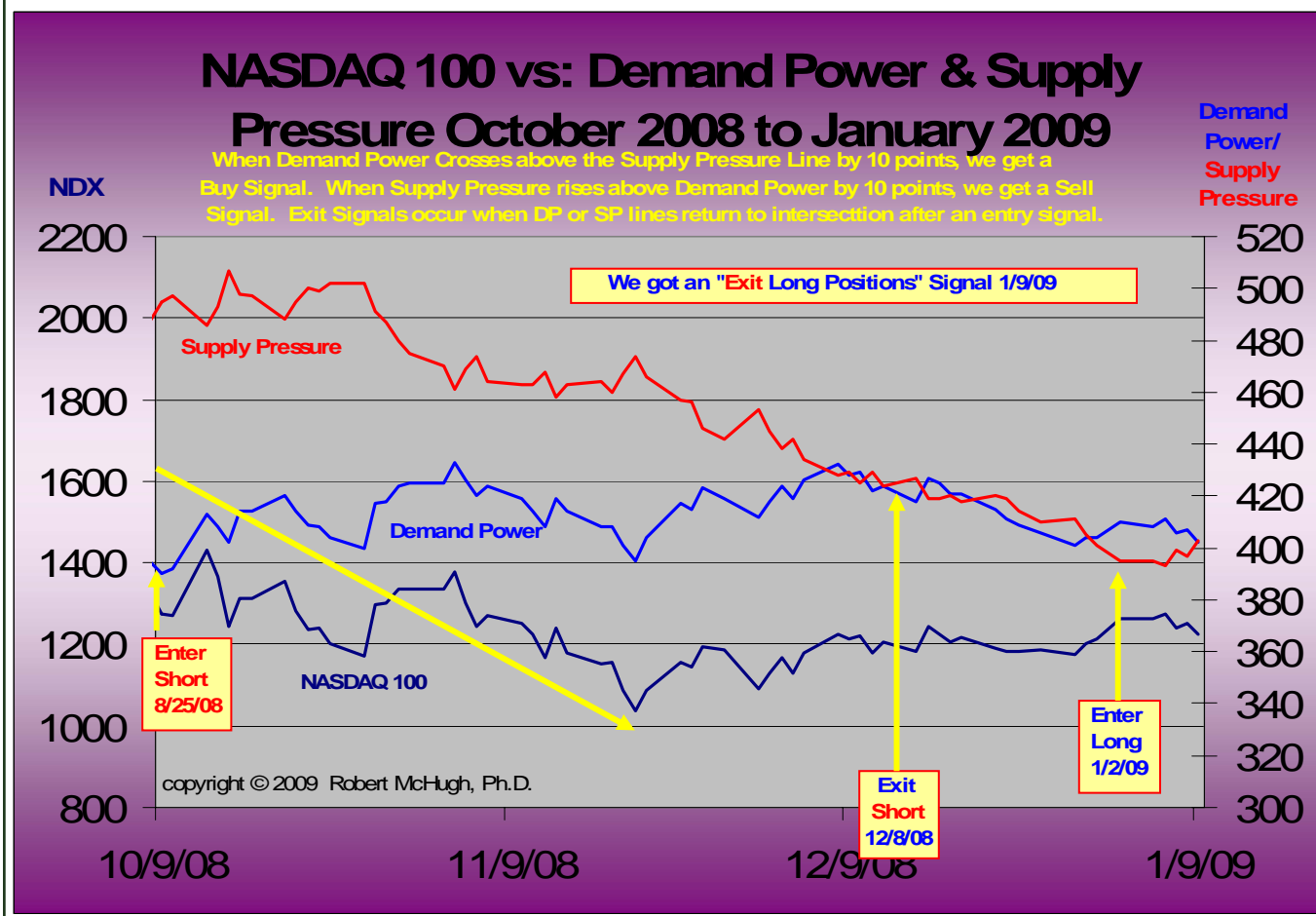
We are getting the short-term decline in precious metals and the HUI that we have been expecting. Gold's and the HUI's Daily Full Stochastics suggest a short term correction within an intermediate term rally is underway. Gold could fall to 800ish before bottoming. The HUI could fall to 240ish before bottoming.

The Weekly and Monthly Full Stochastics in both Gold and the HUI are on a buy, the Monthly on a buy 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 New Years Specials, extended through Sunday, January 11th, including an 18 month offering. If you are enjoying your subscription, please tell a friend.

The **NASDAQ 100** fell 29.51 points Friday, closing at 1,223.01. Volume fell to 122 percent of its 10 day average. **Downside volume led at 77 percent. Declining issues led at 86 percent, with downside points at 88 percent. NDX Demand Power fell 5 points to 402, while Supply Pressure rose 6 points to 403**, telling us the decline was strong and solid. **The DP/SP indicator triggered an exit long positions signal January 9th.**

Our key trend-finder indicators **remain on a "sell" signal Friday**. The **NDX 14 day Stochastic Fast** fell to 27.00, below the Slow at 52.60, **remaining on a "sell" signal from January 7th, 2008**. The **NDX Purchasing Power Indicator** fell 8 points to negative -74.34, **remaining on a "sell" signal from January 7th, 2008**. The **NDX 10 day average Advance/Decline Line Indicator** worsened to positive +9.7, **remaining on a "buy" signal from January 8th, 2009**, when it first fell below the negative -5.0 threshold for a new "sell" signal.



The *Russell 2000* fell 20.71 points Friday, closing at 481.30. Volume fell to 113 percent of its 10 day average, with downside volume leading at 78 percent, with declining issues leading at 93 percent. The *RUT Purchasing Power Indicator* fell to negative -2.03, **remaining on a "sell" signal from January 7th, 2009**. The *RUT 10 day average Advance/Decline Line Indicator* fell to positive + 136.10, **remaining on a "buy" signal from December 3rd**, needing to fall below the negative -180.00 threshold for a new "sell" signal.

The *HUI Amex Gold Bugs Index* fell 6.62 points Friday, closing at 277.47. Volume was down at 104 percent of its 10 day average. Downside volume was 86 percent, with declining issues at 75 percent, and downside points at 93 percent. Our key trend-finder indicators **remain on a "sideways" signal Friday, January 9th**. The *HUI 30 day Stochastic Fast* fell to 90.00, below the Slow at 97.22, **remaining on a "buy" signal from November 21st**. The Fast has to fall more than 20 points below the Slow to trigger a new "sell." The *HUI Purchasing Power Indicator* fell to 212.80, **remaining on a "sell" signal from January 7th**. January *Gold* rose to 854.3. *Silver* rose to 11.30, while January *Oil* fell to 40.36. The *Dollar* rose 1.15 to 82.71. *Bonds* rose 4 ticks to 133^05. The *Daily Full Stochastic* are bottoming. 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* was flat at 42.82.

The *Australia SPASX200* rose 41.40 points, or 1.12 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 Years Specials:

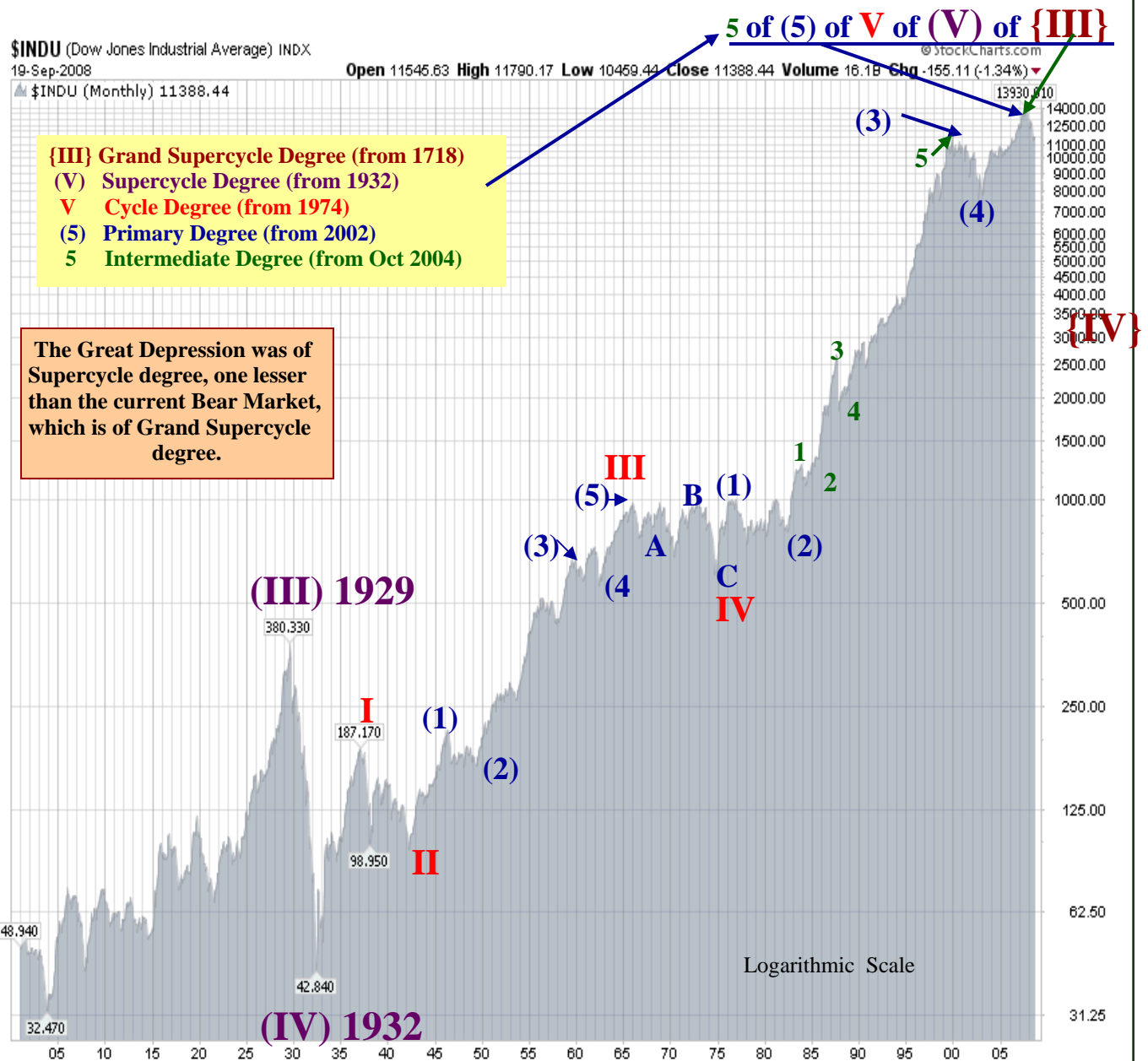
6 Months for \$175, or
 10 Months for \$215, or,
 12 Months for \$300, or
 13 Months for \$249, or
 18 Months for \$359, or
 * 24 Months for \$449 *

Extended through Sunday, January 11th, 2009

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Note: *The 24 Month Subscription gets you a free copy of the book,
 Elliott Wave Principle. Simply email us your shipping address*

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.*

The Dow Industrials During the Great Depression 1929 through 1930s

After the Stock Market Crash of 1929, A Corrective Wave B Rally Unfolded, Lasting about Six Months, then a Catastrophic Wave C Down Followed that Lasted Over Two Years.



The above chart show the Supercycle Degree wave (IV) decline that kicked off the Great Depression of the 1930's. The point we want to make here is that the initial crash was merely wave A down of an A-down, B-up, C-down move that lasted in full about three and a half years.

Wave A down lasted about three months, from September 1929 through November 1929. Wave B-up corrected half the decline from Wave A down, and lasted about six months into April 1930.

At that point, it was a critical error to assume the worst was over. In fact, it was far from over. A catastrophic Wave C-down started in April 1930 and lasted into the summer of 1932. That two plus year decline was destined to wipe out more than the crash did, and take prices down to the point where the total damage from wave (IV) was 90 percent from its wave (III) peak in 1929.

The economy then was stuck in the throes of the Depression for the rest of the decade, only to be pulled out by the onset of World War II in the early 1940s.

The point here is we cannot be fooled by this Grand Supercycle degree wave (IV) that started in October 2007. Wave (A)-down is over, and Wave (B)-up is underway. However, a catastrophic Wave (C)-down is coming, just like one did in 1930 through 1932.



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 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.



{V}

C, (C), {IV}



{V}

C, (C), {IV}

\$SPX (S&P 500 Large Cap Index) INDX © StockCharts.com
 9-Jan-2009 **Close** 890.35 **Volume** 3.4B **Chg** -19.38 (-2.13%)



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

A breakout below the lower boundary of this rising parallel trend-channel Will confirm wave A up is over and B down is underway.

Daily Full Stochastics On a Sell Signal.

\$INDU (Dow Jones Industrial Average) INDX © StockCharts.com
 9-Jan-2009 **Close** 8599.18 **Volume** 756.0M **Chg** -143.28 (-1.64%)



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

A breakout below the lower boundary of this rising parallel trend-channel Will confirm wave A up is over and B down is underway.

Daily Full Stochastics On a Sell Signal.



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

C, (B)

B

Prices Could Rise
Monday.

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

C, (B)

B

Guidance Indecisive
For Monday.





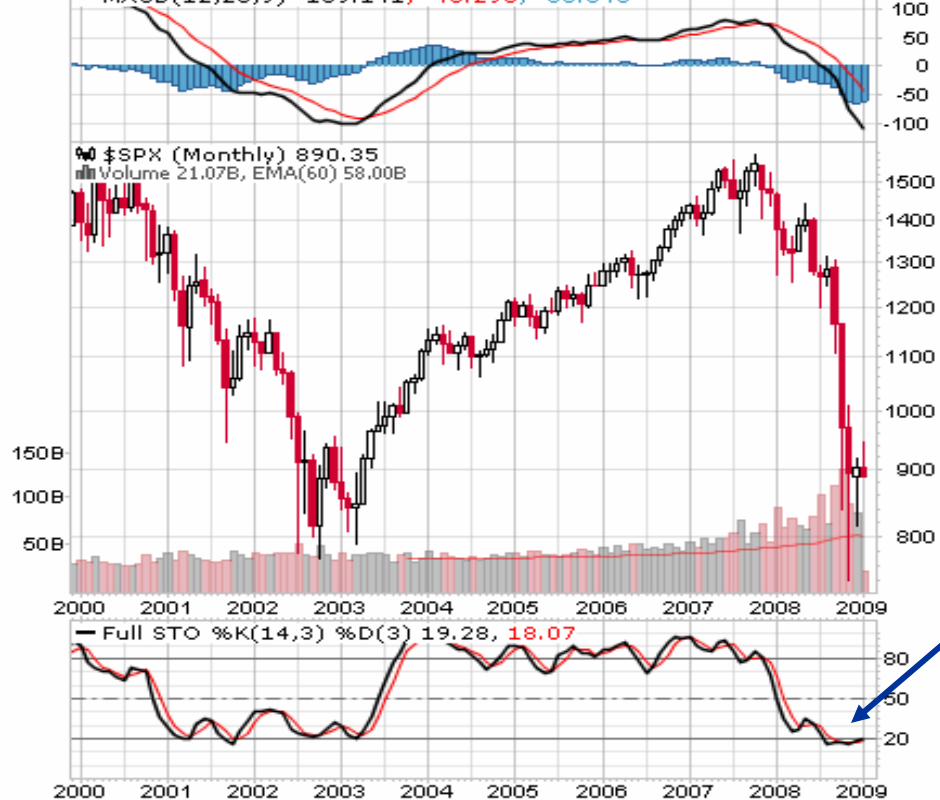
\$SPX (S&P 500 Large Cap Index) INDX

© StockCharts.com

9-Jan-2009

Close 890.35 Volume 21.1B Chg -12.90 (-1.43%)

MACD(12,26,9) -109.141, -45.295, -63.846



Monthly
Full Stochastics
Suggest a
Multi-month
Rally Has Started.

\$INDU (Dow Jones Industrial Average) INDX

© StockCharts.com

9-Jan-2009

Close 8599.18 Volume 5.1B Chg -177.21 (-2.02%)

MACD(12,26,9) -788.412, -264.362, -524.050



Monthly
Full Stochastics
Suggest a
Multi-month
Rally Has Started.



{V}

(B)

C, (C), {IV}



Daily MACD on a sell signal.

(B)

The Daily Full Stochastics On a sell signal.





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

c, B

b

C, (C)

Guidance Indecisive
for Monday.



The Monthly Full
Stochastics are
bottoming, telling
us any short-term
decline coming will
be within a larger
degree move up.



\$USD (US Dollar Index (EOD)) INDX
 9-Jan-2009 Op 81.63 Hi 84.02 Lo 80.85 Cl 82.71 Chg +1.50 (+1.85%)
 - MACD(12,26,9) -0.234, -1.681, 1.447

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

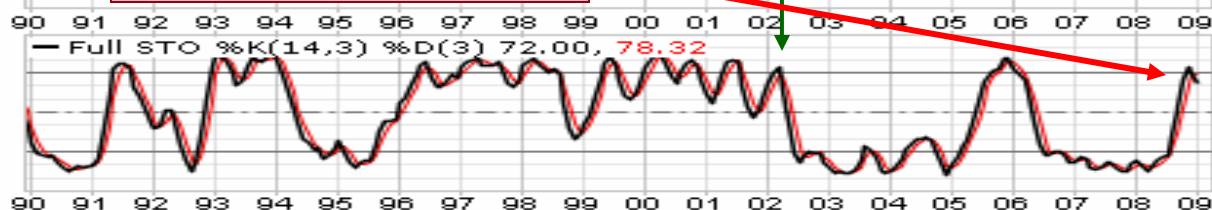
Weekly

Left Shoulder

Neckline at 80.00

Right Shoulder

Monthly Full Stochastics top, and are on a sell. Major decline imminent.



\$USD (US Dollar Index (EOD)) INDX
 9-Jan-2009 Op 81.61 Hi 84.02 Lo 81.18 Cl 82.71 Chg +0.85 (+1.04%)
 - MACD(12,26,9) 1.741, 2.324, -0.583

Weekly MACD is Rolling Over and Generates a Sell Signal.

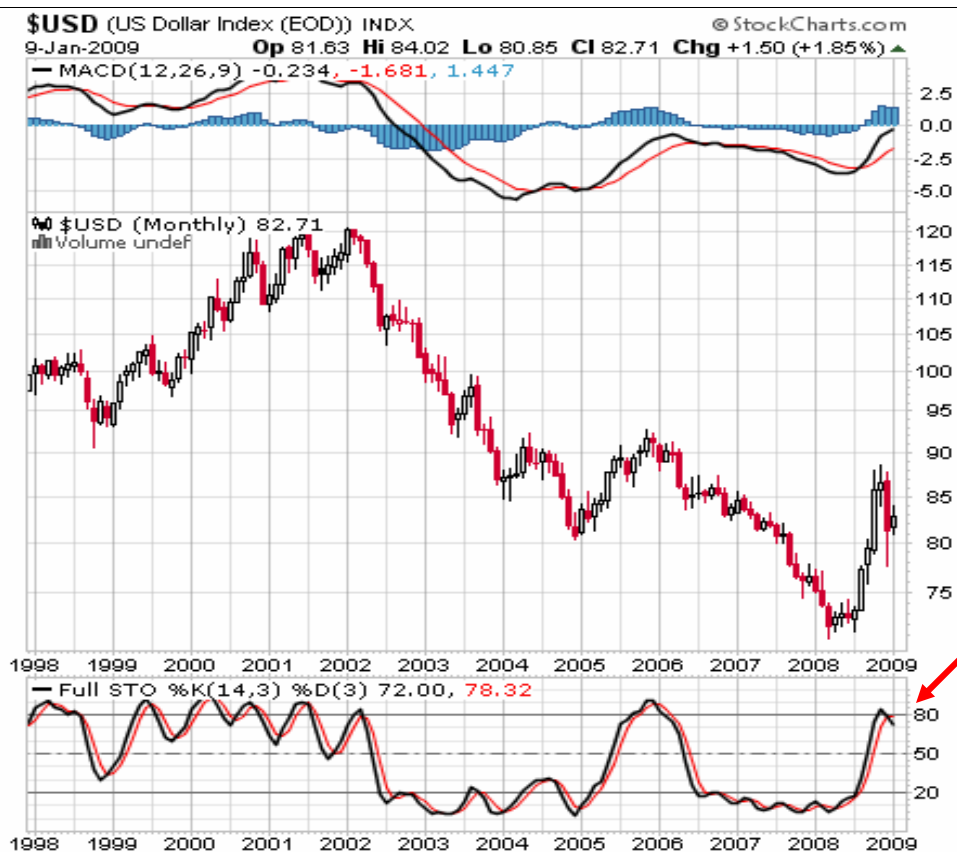
(5), V

The Weekly Full Stochastics suggested a top was imminent and a decline has started right on cue. It is now on a sell signal.



c, (2)

(3)



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. At the level where tops occur and declines begin.

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 Monthly Full Stochastics suggest a major top for the Dollar. Short-term the Dollar should fall.***

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 completed, wave A-down. Wave B-up is now underway.*** The Daily Full Stochastics are on a sell signal, and Weekly and Monthly Full Stochastics are at a bottom level, suggesting hyperinflation, or supply limitations, or a combination of both are about to drive Oil prices higher. ***Any further decline should be within the context of a larger degree rally.***

Gold has held up relatively well during this worldwide financial crisis, its intrinsic monetary nature providing a floor for its value during deflationary times. It gained 5.4 percent in 2008. 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 ***III*** up has started, which could be dramatic. The Weekly Full Stochastics are on a buy signal, as are the Monthly Full Stochastics. If you study the Monthly chart, it is bottoming, and it is clear that rallies starting from monthly bottoms tend to be impressive. Any short-term declines should be within the context of a larger degree rally.

Silver reached a significant bottom according to the Weekly, and Monthly Full Stochastics. This implies huge hyperinflation injections into world-wide economies by central banks. The bottoming action in the Monthly Full Stochastics suggests any decline should be corrective.

Bonds have rallied dramatically as we have been calling for weeks and months. The Daily Full Stochastics are bottoming, suggesting a short-term rally is next. The Weekly, and Monthly Full Stochastics suggest that Bonds are topping. They could decline sharply over the first half of 2009.



Natural Gas
 Stocks Correct in
 Wave (2) down.

C, (2)

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



Natural Gas Stocks
 Daily Full
 Stochastics are on a
 sell signal.

C, (2)

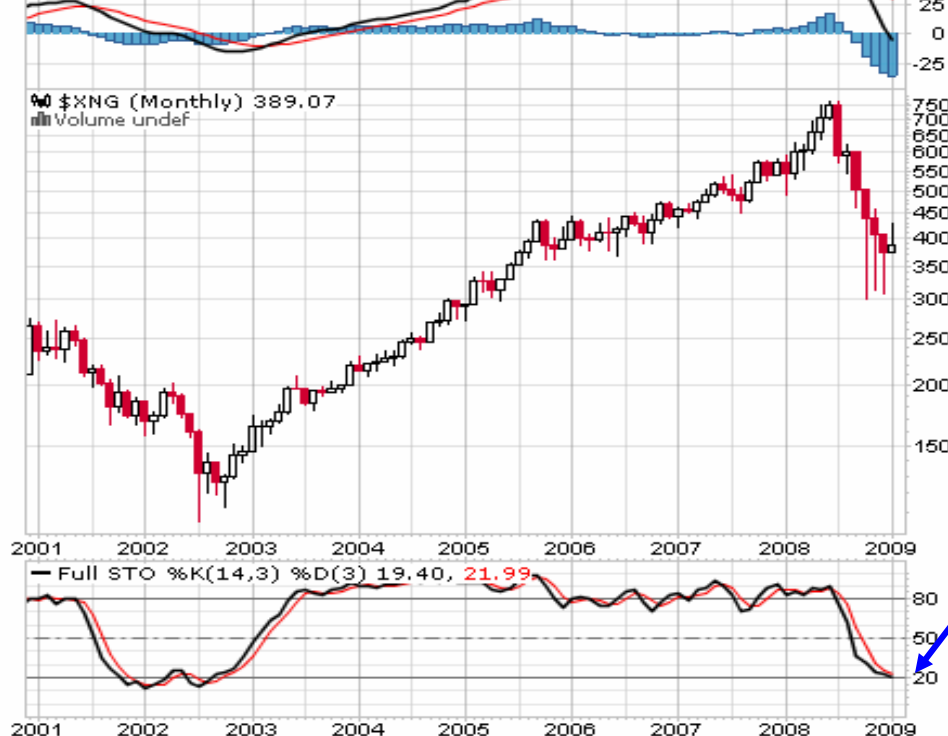
\$XNG (Natural Gas Index - AMEX) INDX © StockCharts.com

9-Jan-2009 Op 375.44 Hi 427.54 Lo 375.44 Cl 389.07 Chg +13.63 (+3.63%) ▲

MACD(12,26,9) -5.945, 29.413, -35.358

% \$XNG (Monthly) 389.07

Volume undef



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

9-Jan-2009 Op 42.45 Hi 42.70 Lo 39.38 Cl 40.83 Chg -0.87 (-2.09%) ▼

MACD(12,26,9) -2.077, -2.856, 0.778

% \$WTIC (Daily) 40.83

Volume undef



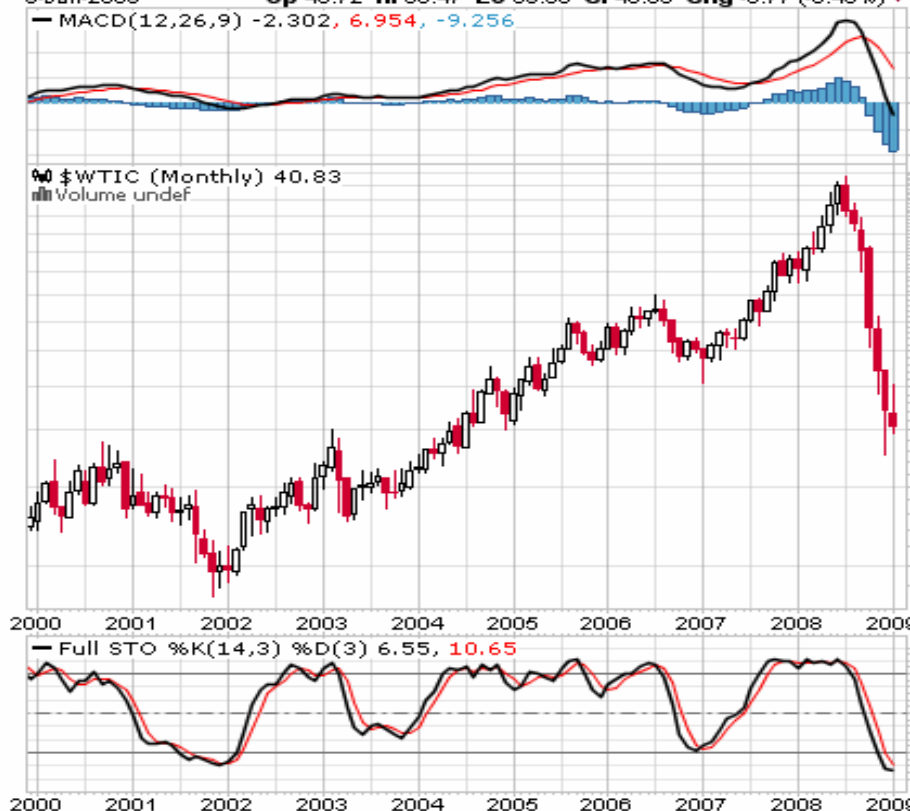
Oil Hit an All-time High of \$147 a barrel Friday, July 11th, 2008.

The MACD is on Buy signal. On a short-term basis, the Daily Full Stochastics is on a buy signal, And have started to rally as we suggested two weeks ago.

\$WTIC (Oil - Light Crude - Continuous Contract (EOD)) INDX © StockCharts.com
 9-Jan-2009 **Op** 43.72 **Hi** 50.47 **Lo** 39.38 **Cl** 40.83 **Chg** -3.77 (-8.45%) ▼

— MACD(12,26,9) -2.302, 6.954, -9.256

% \$WTIC (Monthly) 40.83
 Volume undef



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

\$WTIC (Oil - Light Crude - Continuous Contract (EOD)) INDX © StockCharts.com
 9-Jan-2009 **Op** 47.04 **Hi** 50.47 **Lo** 39.38 **Cl** 40.83 **Chg** -5.51 (-11.89%) ▼

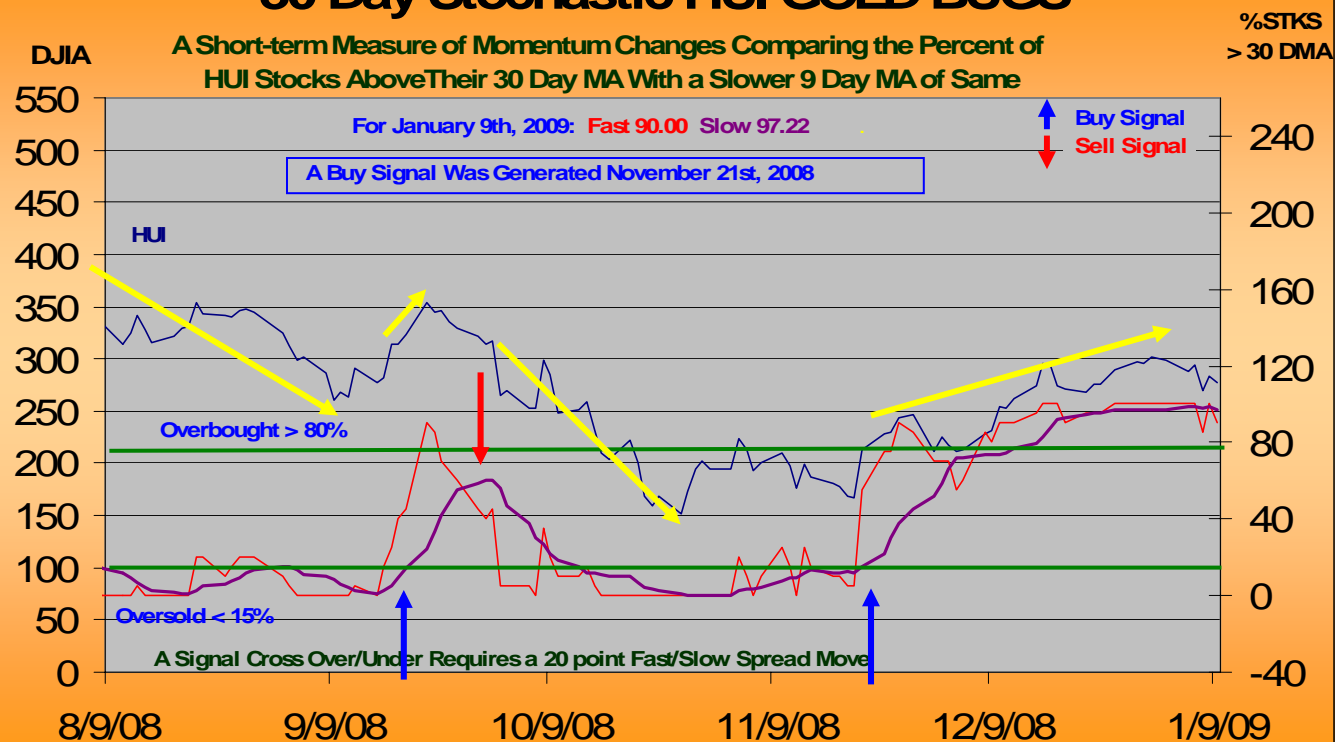
— MACD(12,26,9) -18.480, -16.546, -1.934

% \$WTIC (Weekly) 40.83
 Volume undef



The Weekly Full
Stochastics are on a
Buy, at the level
Where bottoms occur.

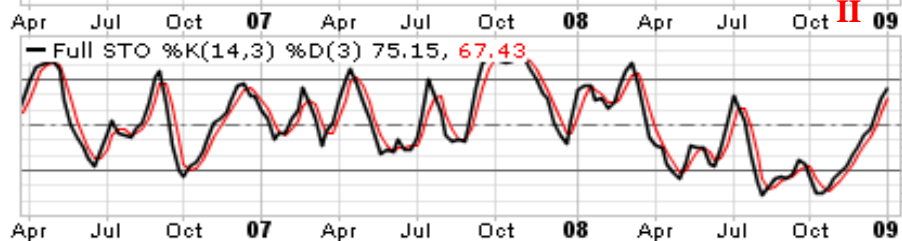
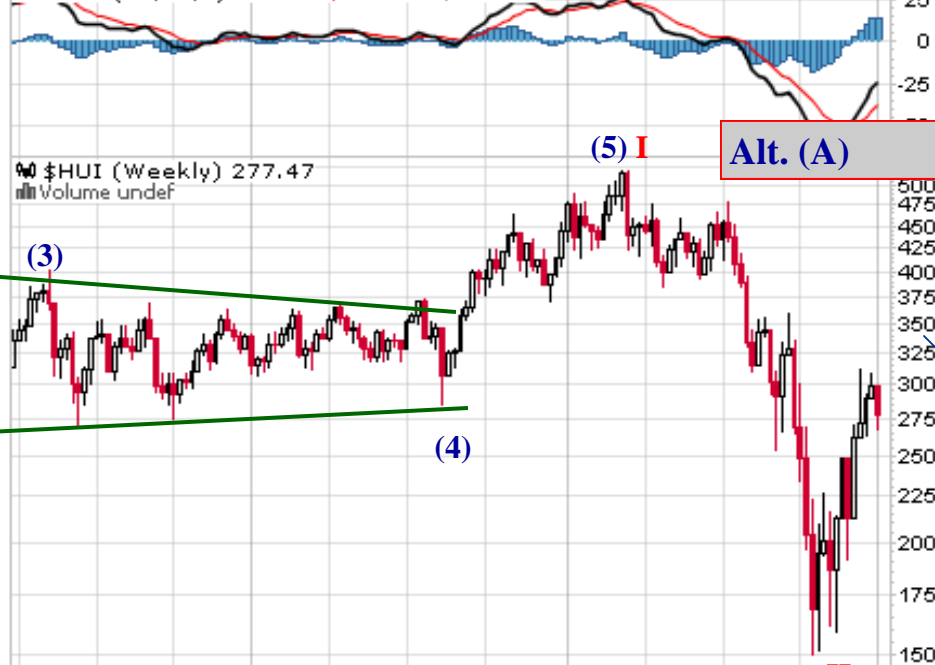
30 Day Stochastic HUI GOLD BUGS



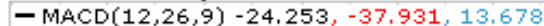
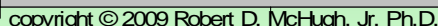
\$HUI (Gold Bugs Index - AMEX) INDEX

9-Jan-2009 Op 299.20 Hi 299.20 Lo 266.88 Cl 277.47 Chg -21.73 (-7.26%)

MACD(12,26,9) -24.253, -37.931, 13.678



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 (Gold Bugs Index - AMEX) INDEX

9-Jan-2009 Op 284.09 Hi 286.93 Lo 272.12 Cl 277.47 Chg -6.62 (-2.33%)

MACD(12,26,9) 12.659, 15.909, -3.250

% \$HUI (Daily) 277.47

Volume under

5, (5) I

3

2

4

a

b

(B)

c, (A)

(C) II

J J A S O N D 08 F M A M J J A S O N D 09

Full STO %K(14,3) %D(3) 29.75, 37.78

J J A S O N D 08 F M A M J J A S O N D 09

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.

\$HUI (Gold Bugs Index - AMEX) INDEX

9-Jan-2009 Op 299.20 Hi 299.20 Lo 266.88 Cl 277.47 Chg -21.73 (-7.26%)

MACD(12,26,9) -24.253, -37.931, 13.678

% \$HUI (Weekly) 277.47

Volume under

75.15, 67.43

05 Apr Jul Oct 06 Apr Jul Oct 07 Apr Jul Oct 08 Apr Jul Oct 09

Full STO %K(14,3) %D(3) 75.15, 67.43

05 Apr Jul Oct 06 Apr Jul Oct 07 Apr Jul Oct 08 Apr Jul Oct 09

The Weekly Full
Stochastics are on a
buy signal.
After a bit more
rally, we should see a
multi-week decline.

\$HUI (Gold Bugs Index - AMEX) INDX

© StockCharts.com

9-Jan-2009 Op 302.41 Hi 308.89 Lo 266.88 Cl 277.47 Chg -24.94 (-8.25%) ▼

MACD(12,26,9) -13.704, 8.214, -21.918



% \$HUI (Monthly) 277.47

Volume undef



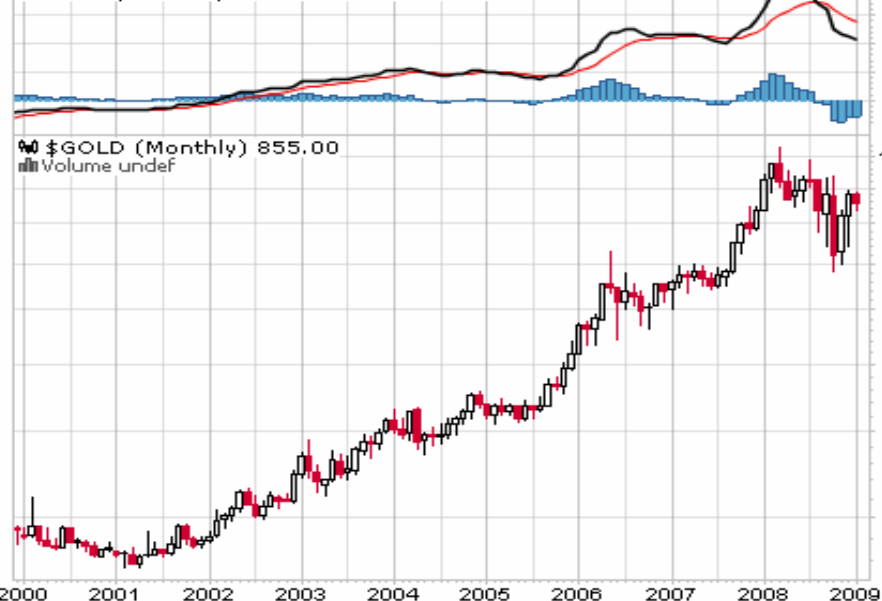
The Monthly Full Stochastics are on a New buy signal. And the Monthly Full Stochastics are at The level where major bottoms arrive. This means any declines will be corrective within a larger degree Bull phase.

\$GOLD (Gold - Continuous Contract (EOD)) INDX

© StockCharts.com

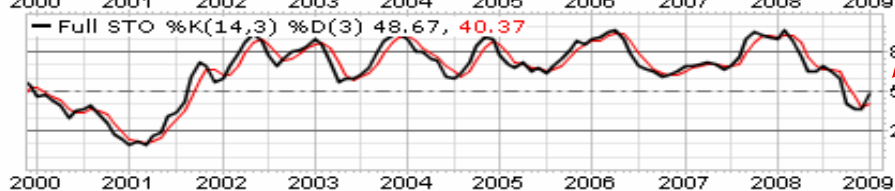
9-Jan-2009 Op 883.00 Hi 889.10 Lo 836.00 Cl 855.00 Chg -29.30 (-3.31%) ▼

MACD(12,26,9) 54.059, 68.494, -14.435



% \$GOLD (Monthly) 855.00

Volume undef



Gold's Monthly Full Stochastics generate a buy signal. That suggests A huge long-term rally Has started.





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,
 within an
 intermediate and
 long term rally.



The MACD is
 On a Buy Signal.

**The Weekly Full
 Stochastics**
 Are on a
 Buy Signal,
 With more rally
 possible, but a top
 approaching.



The Daily Full
Stochastics are on a
Sell Signal
At the level where
short-term tops
arrive.





iii, 1, 5, (1)

Bonds rallied sharply as expected due to the sideways triangle pattern that preceded the rally. Wave iii up was a parabolic ascension which appears to be over, fulfilling the price target we gave months ago. Treasuries should decline from here short-term.

The Weekly Full Stochastics on a sell, and topping.



{ 5 }, 1, iii

{ 4 }

The Daily Full Stochastics are at the level where short-term rallies 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>	1 Week Avg. <u>M-3</u>
12/26/08	43.38	80.89	140.31	215.28	870.5	10.50	37.71	Hidden
1/2/09	39.19	81.56	135.15	233.92	878.8	11.47	46.34	Hidden
1/9/09	40.36	82.71	134.53	230.08	854.3	11.30	40.36	Hidden

Note: VIX and Dollar rise; Inflation assets fall.

Conservative Balanced Portfolio Recent Transactions As of Friday January 9th, 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 November 30th, 2008, available in the Conservative Portfolio section.

New Years Specials:

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

Good through Sunday, January 11th, 2008

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

John 6: 35, 38, 40

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Let them know about our free — one time — 30 day trial subscription.***

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.***