

Market Timing Update

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Dow Jones Industrial Average



Short term Outlook:

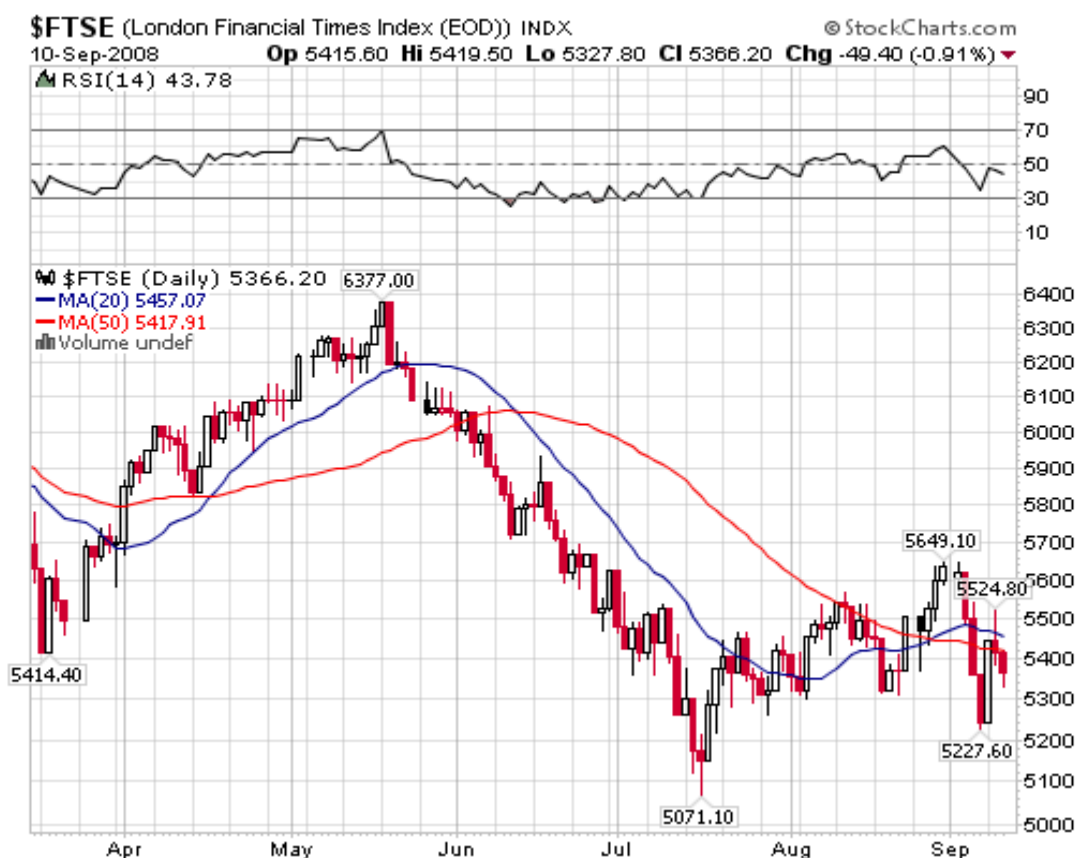
In the last Market Timing Update, I stated that “as things stand, the technical evidence suggests that we should now see further downside in the index. However ... more conservative traders may wait for a move below the 11520 price support area which is expected to result in a test of 11450–11400 support. Breaches below there will see 11280–11200 quickly hit to the downside.” Looking back over the time since that analysis was sent to subscribers the movement in the Dow has been exactly as anticipated. Even for more conservative traders who waited for confirmation, the index now sits about 300 points below that trigger level for entry into short positions (at 11520).

Now, after the decline of almost 323 points over the last week, the question is what next for the Dow Jones and other major equity indices?

Bottom-line: The technical evidence at this point continues to point to further downside over the next few weeks as the equity markets remain under selling pressure. Indeed, any potential short term bounce to 11350–11420 could be seen as opportunities for new short positions for those who exit open positions at current levels to bank the ongoing substantial profits.

Support	11200; 11000; 10840–10800
Resistance	11350–11420; 11520; 11680–11720

FTSE 100



Short term Outlook:

Following the decline of 121 points in the Footsie on Wednesday, I concluded the analysis for the index by stating “we expect further declines after a brief (perhaps only intraday) bounce”.

True to our expectations, the FTSE 100 index started the Thursday trading session in high spirits, gaining over 40 points in the morning before selling off to close the session at 5362.1—right at the lowest point for the session. That was an indication of further downside momentum to follow in Friday’s session, during which the index dropped a further 121.4 points.

Bottom-line: As things stand, in the short term, we could see another ‘dead cat bounce’ in the index. Such a move could see the Footsie move to 5300–5350 early in the coming week—assuming it bounces at all.

Nevertheless, the bottom line is that the index is in the grip of another bear market downturn which should ultimately see it test 5000–5070 as significant price support/downside target.

Support	5200; 5150–5100; 5070-5000
Resistance	5300–5350; 5420; 5480–5500

British Pound [\$/£]



Short term Outlook:

The loss of 39 pips in the Cable on Friday belied the big decline of almost 600 pips over the course of the last week.

As things stand, the outlook for the Cable is mixed. This is because from a pure, technical standpoint, there are strong indications of a high probability of a bounce—especially as the US Dollar Index is now looking over extended and thus due for a pullback to lower levels. However, the Cable continues to face significant bearish headwinds from fundamental factors. Moreover, as I have mentioned several times in the recent past, in strong bear markets such as this, even significant price support areas often fail to inspire a bounce.

Therefore, as with the call last week, since no new directional trade is called for, conservative spread betters should either remain short (with tighter stop losses) or stay on the sidelines and await better entry points.

Bottom-line: The risk of a sharp, temporary bounce is high even though the short to medium term outlook remains decidedly bearish. More risk-tolerant traders may consider small, (very short term) buy bets on a move above \$1.7880–\$1.7920—at high risk!

Support	\$1.7500; \$1.7230–\$1.7260
Resistance	\$1.7780; \$1.7880–\$1.7920; \$1.8240

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