

The way to judge the quality of a market letter is to see what it said at critical junctures in the past. [edwards-magee.com](http://edwards-magee.com) closed its long positions in the Dow in January 2008 and went short.

In October 2008 we commented as follows: Is this present collapsing market a surprise? Not really. Our systems took us out of the market and went short in January 2008. It is always instructive to look back and see what the picture looked like at the time the decision was made. Hindsight is always better than foresight but seeing the picture at the time the decision was made illustrates the central tenet of technical analysis -- that we may not be able to foretell the future, but we can know what to do in the moment.

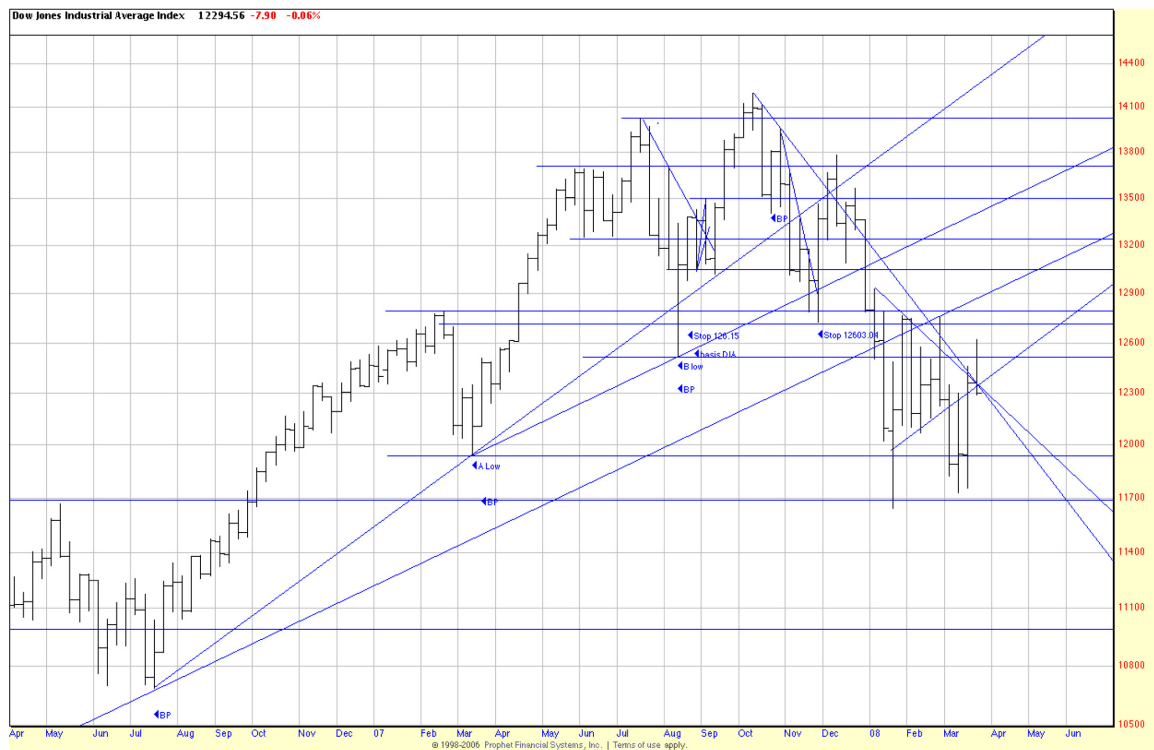


The contrast to the present is literally breathtaking. You could do the same thing with an Enron chart. There is nothing magical about what happened here. It is simply the exercise of the principle that when the trend changes you liquidate your position. In the case of the Dow our studies have demonstrated that reversing from long to short is a profitable strategy. A further technical study followed this analysis attempting to determine the possible extent of a downtrend.

On March 28 2008 we looked at the formation and said: QUOTE:

**March 28 2008 Dow 16000? Flying-Vampire Pigs, Levitating pundits.... Random egg attacks.**

03/28/2008 1:15 PM EDT (4 years, weekly)



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Note "A low" and "B low". If this yearlong formation is a massive top (perhaps a double headed head and shoulders) and A low is its

lower boundary then a low of 9680 is predicted. If B low is the defining point the predicted low is 10836. Remember Nils Bohr and the difficulty of forecasting. Again, it is not necessary to believe this scenario to know how to bet. The Dow is in a six month downtrend, the last 2 1/2 months of which are sideways, with lower highs in the sideways trend.

(<http://www.edwards-magee.com/nf08/pigsnpundits.html>) The low of 9680 is a probable minimum. Note, *probable minimum* as Robert Edwards cautioned in The Book. UNQUOTE

At this moment October 8 2008 we don't know what will happen in the market. But it is clear that it is unwise to be long, and being short is very profitable. Is this the bottom? No one knows, and you could get cut up fingers trying to catch the bottom.

The originals of these letters may be found at <http://www.edwards-magee.com/nf08/08apr.html>