john magee technical analysis

December 22 2006 Ho Ho Ho Santa Analyst is flying the coop until New Years -- unless the Grinch strikes the market, in which case we'll send you a Xmas card toot sweet -- so last letter of the year

As can be seen there are still some trend lines to break in the NDX, and the wedge (or whatever) formed here on this excursion out on to the plank is not definitively broken. But the two volume lines Dec 15 and 18 are ominous (i.e., lighten up). Such volume peaks often mark the end of the wave.

Some sort of turning point seems to have been reached. The CRB broke. Silver broke. Both either still shorts, or for very long term holders a watching time for a wave low to be made, assuming always that it does not take out a previous crucial low in a decisive way.

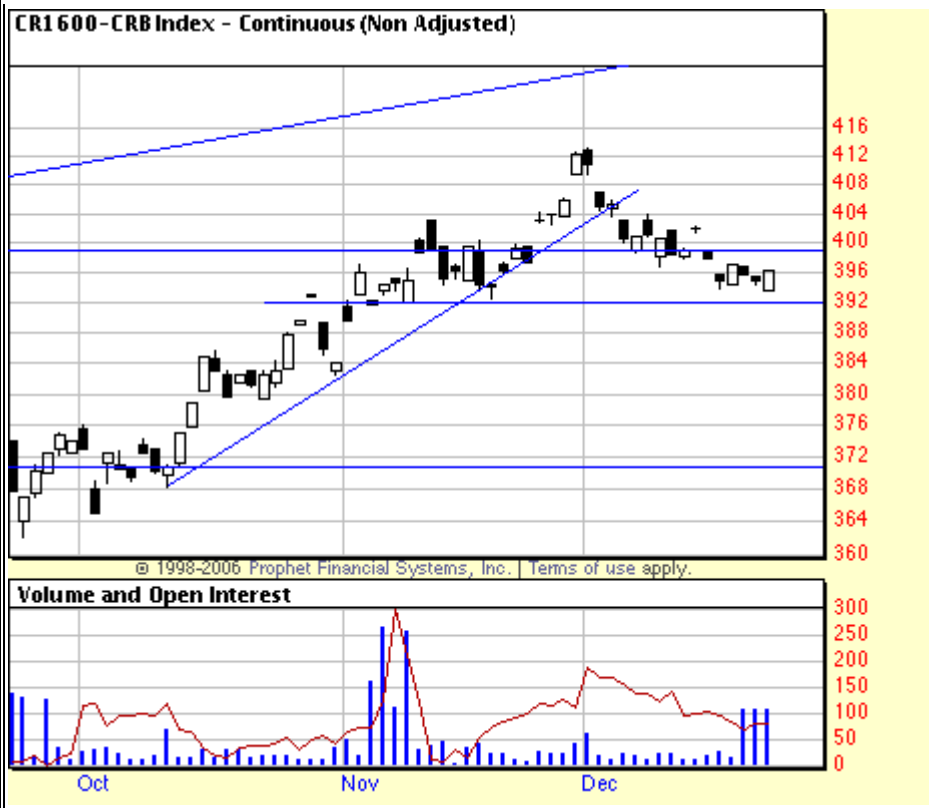
The horizontal lines under this month's lows, penetrated by 3% would send longs scurrying for cover and reward short term shorts.

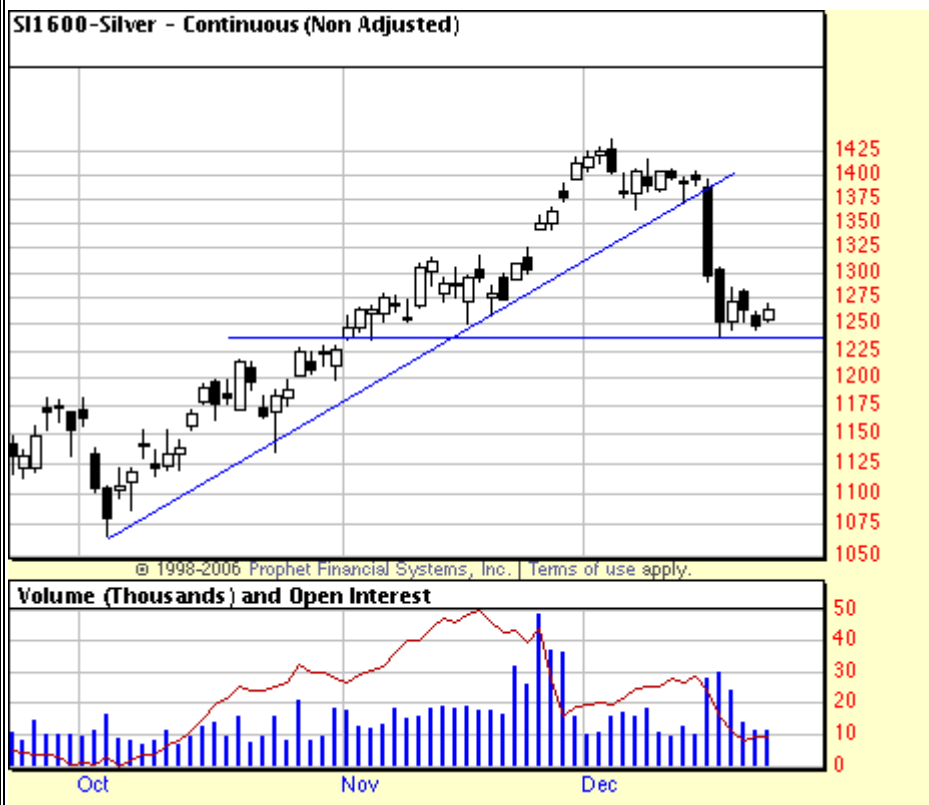
A strange end to a strange year. Jack Schannep at thedowtheory.com correctly points out the divergence between the industrials and the transportations. Worth listening to.

The Dow is placed here so that the reader may compare it directly to last week's chart.

Bull trap anyone? The failure to follow through on the breakout nullifies the signal. Bad signals have been the hallmark of these markets.

So the game we thought was still on last week may have been a very





short one. The only drawback we see to scaling out here is that some phantom profits may be foregone. If this thing falls out of bed those will be very quickly forgotten.

December 15 2006 Stranger and stranger in paradise...

If we were going to be lightening up longs on this minor runaway bull we would be selling less each time, but we would be selling some. Friday the Dow broke out of whatever it was -- consolidation, attempt to form a double top (so much for prognostication) -- on heavy volume which means the game is still on. As you well know the book says you don't liquidate your longs until the trend is proved to have changed (thereby giving away the top). Our tactic of scaling out on strength sometimes results in capturing greater profits, sometimes not. For certain, it reduces risk, and we consider risk to be at a high at this time. We would not be surprised to see half this advance taken back in a week, which could be painful. So even giving up some profits here may be worth it to take some risk off the table. Worth noting that the NDX and the XMI didn't mimic the Dow, so, as usual, signs are mixed.

Not mixed however in the metals and dollar. Dollar on a tear, tears in

the metals. You will remember that we previously noted that the precious metals were in a down wave, and the dollar recovering off the bottom.

Speculators will be long the $ and short the metals.

At the moment we remain with our previous comment on the DX -- shooters are already long. As they are in the metals.

We will be looking to buy the metals and sell the dollar before long.

Readers interested in learning our exact advice can contact us to subscribe to the real time service.

December 8 2006 So, is it, or ain't it or what is it?

Wedge or not, the action in the major indices looks toppy, as we

have indicated with the horizontal lines across the last several months. Technically the last low was lower than the previous wave low. By a hair, but by a hair. Interestingly the high in the Dow has not been taken out after the November low, which we thought might have been the signal. Now we think the signal might be a firm break of the horizontal line.

At any rate our tactics (maybe it's a strategy -- sometimes it's hard to tell them apart) of maintaining longs while looking for shorts and lightning up as these highs are reached is working.

The XMI is showing the same toppy action as the Dow. The comforting thing about this is the clearly defined horizontal line. Would we be out of all longs on a confirmed break? We would certainly be looking at the individual charts and seeing how they related to this broad market action.

While ordinarily not fans of covered calls we could certainly see it as a possibly profitable tactic here.

In gold traders would have exited on the gap. Trendfollowers would be looking at the wave low in November. Very long term holders of GLD will be yawning.

Basically we think the markets are backing and filling here, as indicated by the CRB. A head feint to the upside in May. A downside fake in September. Whether November's breakout is a feint or not is yet to be seen. Anyway, you can't be long after the island reversal at the top in November.

A 15 year look at the dollar index is found at

DOLLAR INDEX LINK

December 1 2006 Wedge Issues

Interesting formation. What looks like a trading range, and might be a top finished off with a hanging

wedge. Mere lucubrations of a deranged technician. Pay no attention. To the lucubrations. Pay close attention to the wedge. At the moment we are watching to see if the pronounced break down from the top is indeed the signal or if it is another false move. A close above the November high would nullify the break, a close below the recent low might be the beginning of the avalanche. Take it one day at a time, with holidays off. Several different lines defining the wedge seem to make sense, and significantly the hard break was across the line.

If you want to see something dramatic compare this chart with last week's chart of the dollar index. Quite outside the profit potential of the move the implications for the market and the economy may be dark indeed.

Readers, except for new readers, know that we never harp on these opportunities correctly identified. Nor do we go back and crow over past brilliant observations. (Caw caw. Except for buy the dollar at .82 and sell it at 1.30 Euros.) We point out the situation and depend on mature readers to act on it.

We have been saying for some time that the markets were swaying on the edge of tipping point. And saying that gold (and oil) would rise again. We pointed out the little Kilroy (H&S) bottom in the gold, the breakout over the fenceline and the pullback (throwback to you E&M purists) to the fenceline.

A word to the wise is sufficient.

As we were saying (caw caw) we do not crow over our successes, but we will point out that in spite of being bears our advice, BASED ON READING THE CHARTS, has been profitable over the past year. Stay with longs until they have broken trendlines and lighten up at the top and look for some shorts. The shorts thing will soon pay off (already has in the dollar).

November 24, 2006 Tipping Point?

Every once in a while we get these semi-conscious itchings as if something is going on inner body. It could be the after effects of Thanksgiving, or it could be vague signals from the weltanschauung or it could be nothing at all. So just ignore it and concentrate on the charts, which could be what is inspiring this post holiday angst. Here the Industrials, seen through the DIA have a nasty wedge like look, as does the NDX, below. We have been saying for some time that we would be lightening up, and this just reinforces that rational analysis.

NDX also looking wedge-like.

Sometimes we sit around and wonder if some dramatic event will break the market.

Seems we remember that Presidents who have taken office in 40 year intervals, one being 2000, have often died in office, and George W. is fox trotting around

an area (the Middle East for a meeting with the Iraqui Prime Minister) where everyone would like to see him dead. That would certainly break the wedge. If it doesn't break of its own weight, which is what usually happens with wedges.

Anther ingredient in the witches' brew is this little chart of the dollar. Sell signal if we ever saw one. You would want to see the May low taken out before piling on. Avalanches often start with a misplaced snowflake.

Meanwhile, gold and silver are poised for something. Gold after a minor Kilroy Bottom (H&S to you old timers) broke the fan line and the neckline (fenceline to you new timers) and is now tap dancing. We remain bullish over the long term and the stop is back under the right shoulder or left hand in November, however you see it.

We thought the breakout worth a buy and would wait for a breakout of this little rectangle before venturing more.

November 15 2006. Is this surreal or what?

With Turkey Day coming, as well as the Game, and The Big Game and the Cal USC game we won't be scribbling here until after Thanksgiving unless something really interesting happens, in which case we'll email you.

You can live a hundred years (as Grace Ryan claims we have done, in addition to personally experiencing the great crash of 1929) and most of the time be left wondering what the market is thinking -- or smoking. Then when it gives you a dope slap in the back of the head you say, oh, yeah, of course. So. The market knew the Demos were going to win and liked the idea. Whaaa? Go figure. Tant pis, as the frogs (vide Borat) say.

So we've been wondering what it was thinking, but not wondering about the charts which have been saying stay long for months. And still saying stay long. Actually we

might be selling a little bit the higher it goes.

It appears that GLD might come back to the breakout line. The stop is back there under October's low.

Meanwhile, back in the oil patch oil looks to be making a rounding something. Maybe a bottom. Maybe a continuation. We think it's just a matter of time till it comes a gusher again.

November 3, 2006 Six black crows marching. 14% drummers drumming.

Just kidding about candlestick

jargon. Actually we like candlestick jargon and Steve Nison, and in fact are Nipponophiles. The point here is extremely interesting. Six days of lower closes. As we remember, (a memory somewhat like Reagan's when asked if he dealt with the Iranians before the 1980 election) there have only been a couple of seven down days in a row in like 24 years. Don't quote us. Exactly. But approximately, OK. We would say it is an ominous development, and would lighten up the longs.

We still think it's a bull trap. That's our story and we're sticking to it.

Maybe we would put some of that lightened capital into gold. As can be seen here a clear buy signal has been given in gold.

Readers will remember our comments earlier that a small Kilroy (H&S) bottom was obvious on the chart.

The breaking of trend lines here is mildly significant. The real significance is in the surprising angle of ascent and the feeling in the air. The country is at a tipping point. A tipping point is what a witch feels when she gets dunked (a colonial form of waterboarding).

This tipping point will affect not only the politics of the country, but the fiscal state of the nation. We do not expect it to be pretty.

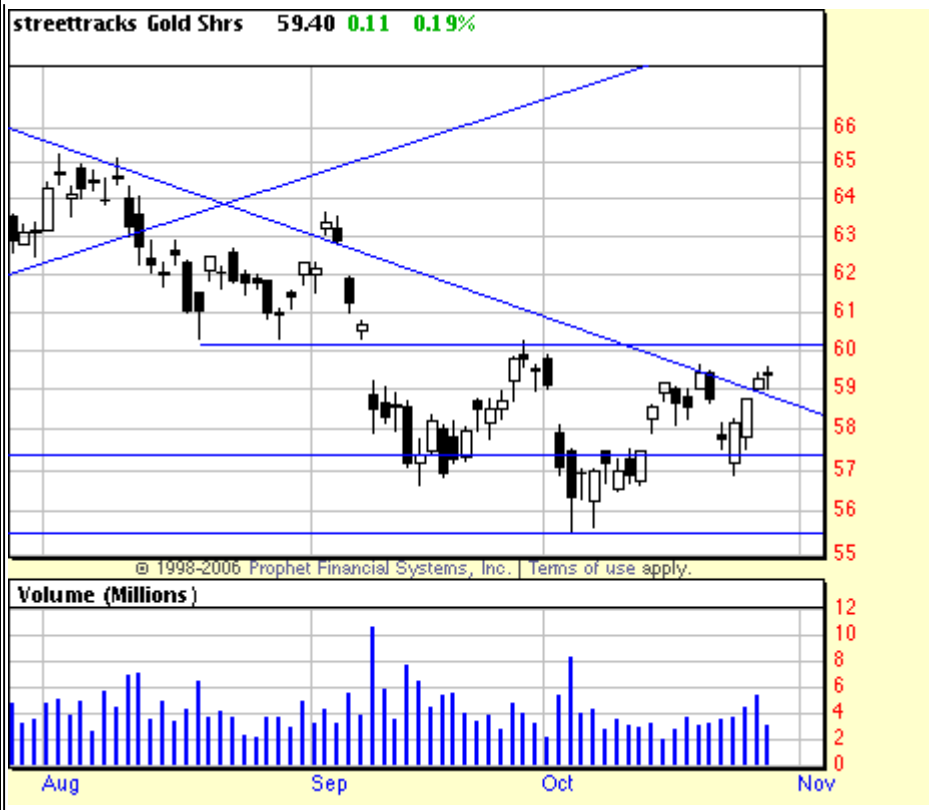
Our ballot on Tuesdays will be soaked with throw up. We'd like to put them all in jail (or water board them). Any halfway decent country would not allow the political speech that has gone on in this the meanest most despicable of election seasons.

Do we believe in the death penalty? For politicians, yes.

October 27 2006 Boo! Halloween is coming. Will it be tricks or treats?

Friday's black bar is not scary enough to jump off the train, but, hey, anyone who's not jumpy here is not paying attention.

Just for amusement (actually like Queen Victoria our readers are probably not amused) we are paying much closer attention to the market than usual because we are going to see if we can pick the top. Friday is not a signal day. In situation like this where a strong run is in progress Magee recommended sometimes setting a tight progressive stop. That is, pick a strategic low like 4 days back, or 1 day back, or whatever, resetting it every day as the market rockets on up. When the market comes back and gets your stop you count all your ill gotten gains and go to the beach. This technique is in contradistinction to observing the inevitable reaction calmly and waiting for it to exhaust itself. That is the trend follower's way. Sometimes one works, sometimes the other.



Isn't this interesting? What well might be a kilroy (or upside down head and shoulders) bottom in gold (GLD). Strength day or healthy gap on volume would put us long. Braver speculators might already be getting long and we would be saying that's ok as long as you have a stop about 3% under the low of October. There is even an argument for the second low of Oct.

Since NEM is a line chart the support line appears below the points. Based on the situation we wouldn't buy it here, but would hold it if long with the stop based on the 05 low, or on a money management stop 5 or 6% under the recent low.

But why bother? Do you want to trade the company or the metal? See above.

October 20 2006 Stranger and stranger. But ours not to question why, but to comment on how...

In *The General Semantics of Wall Street* Magee demonstrated that you don't need to know why it's doing it. You just need to know how it's doing it. Anyway it's doing it.

We are presently thinking about a tactic of selling strength, as we think when this party ends (whatever is the trigger to end it) the mess is going to be horrible.

For the moment the strategy remains the same. If long, stay long. There is a tactic for joining a trend late. Trade lightly. And tread lightly. And use a money management stop.

As always we watch gold and observe that it is in a secondary downtrend. It is between the nearby highs and lows with the trend implications obvious as to the penetration of either of those.

Aggressive traders would have bought the gap. Conservatives will be waiting for a definitive end of the downtrend.

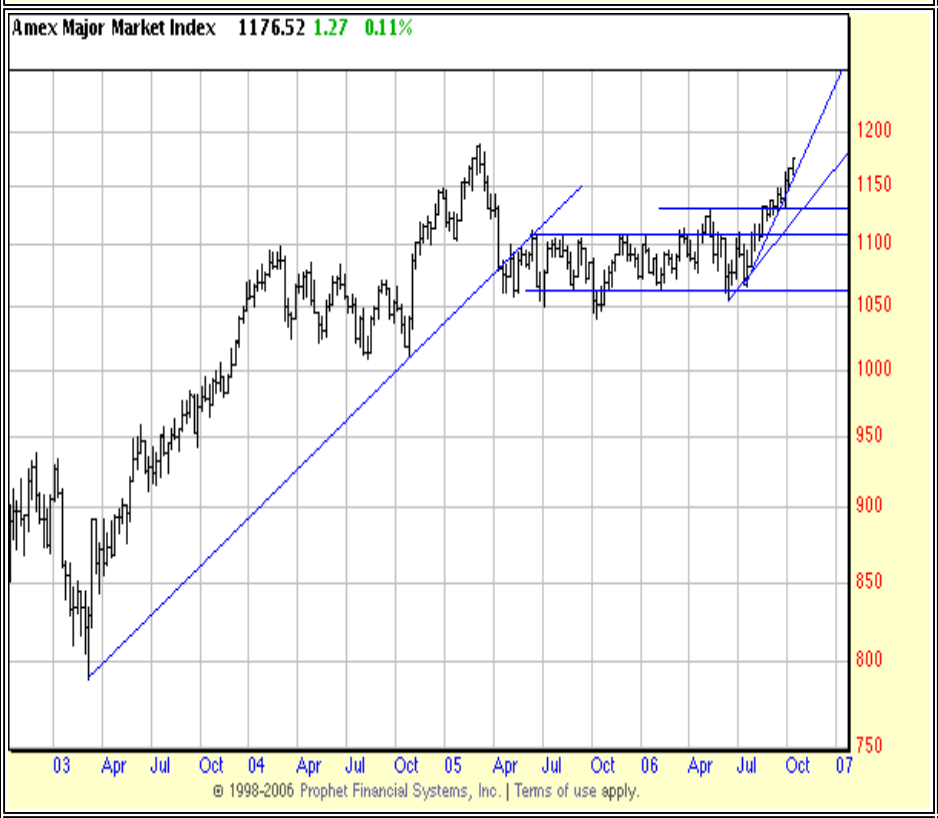
The XMI confirms the Dow. Bulls rule.

Stranger and stranger. Can you buy google? The chart says yes. A year long triangle, almost perfect with a breakaway gap after the breakout.

October 15 2006 Same old same old

There's believing and not believing and there's analyzing and not analyzing. As jaundiced as we are

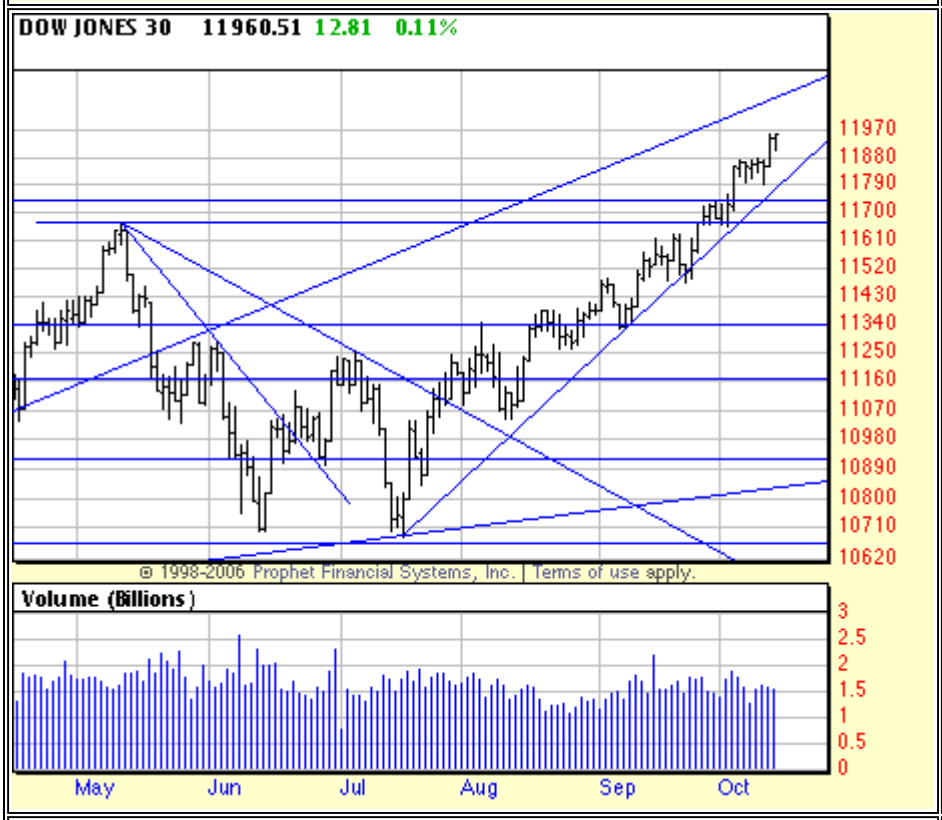
about new highs in the Dow the analysis is simple. It's making new highs, ergo stay long. The slope and strength of this advance lead us to predict with certainty that a sharp correction is in the wings. The results of that correction will determine whether this is just an extension of the trading range or a new leg in the bull market.



We think the XMI more reflective of reality. Knocking at the old high and yet to be determined whether the trading range is to be extended or whether a valid breakout occurs.

Remember we have conjectured that the current Dow breakout if valid will require a close above 12200. A 3% higher close above the old high would be necessary here also.

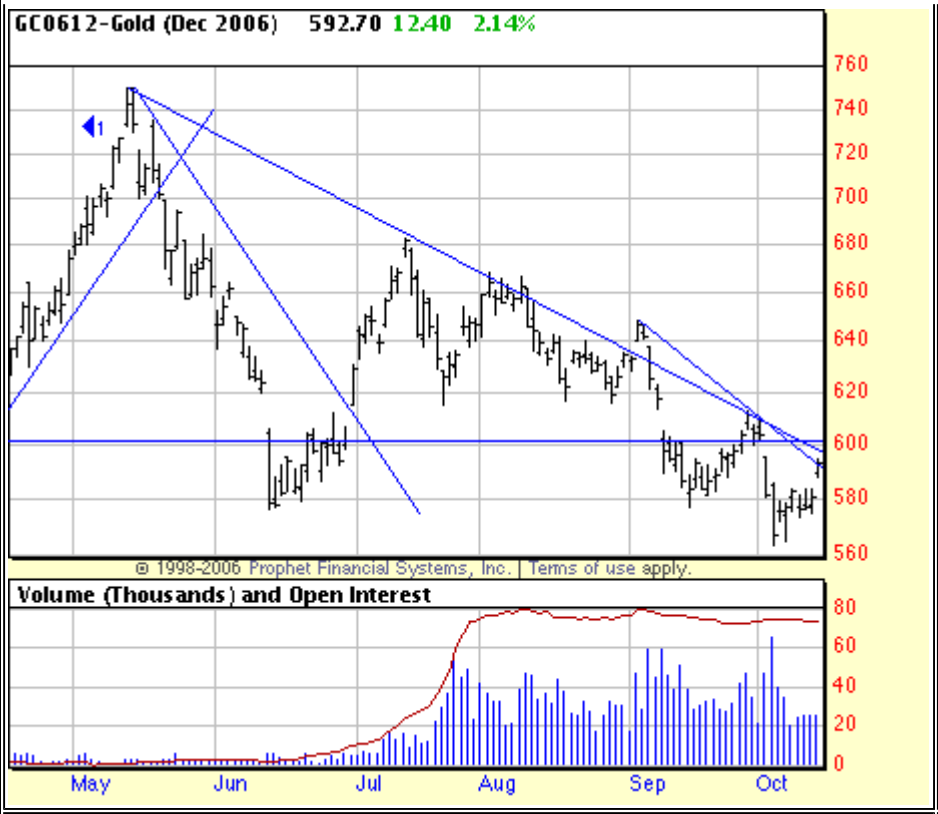
In the meantime the NYC is in a booming uptrend, with an obvious stop under the July low.



The Dow just keeps on keeping on. Here in a close up. Markets that go this long without a correction get a lalapolooza when the correction comes.

Stranger and stranger. Folks have you noticed that the mini skirt is back in a tent version? That David Geffen is cashing in some of his art collection for unheard of prices? And most interesting of all that an internet startup (unburdened by any profits) was bought by Google for $1.6 B? As in big ones.

Gold appears to be on a support. The gap is probably meaningless. A pattern gap we would say. But we think it could be bought here with a stop under this month's lows.



We think a lot of the strangeness in the markets is due to hedge fund panic. And we are rethinking general market conditions. Hedge funds are likely to be with us for some time and their performance will follow the bell shaped curve rule. Most mediocre (with windfall fees for the managers) some outright failures like Amaranth which obviously didn't know how to control risk, and there will even be some successful ones. Let us know which ones you like. Or hate.

October 6 2006 Days of the Texas Chain saw Massacre and Smashing Pumpkins.

In case you think this could be the start of something big take a look at the next two charts.

From that perspective it looks like a bear market rally. Well, why do the Dow do what it do?

Well, it do what it do because there are a lot of strong stocks in it. In fact the number of weak stocks is so small that you almost can't count them. But you can count a lot of strong stocks -- in fact 70% are strong. Let us remind you of Magee's Evaluative Index. Magee noted in the 65-82 market that whenever the percentage of strong stocks reached 80% that a peak had been reached. Whenever strong stocks constituted 8% a bottom had been reached.

It was out of mere curiosity that we ran the MEI. The charts speak for themselves. And what they say is that this leg of the uptrend is intact. Since we don't cheer for bull or

bear markets any longer we can observe with some equanimity as the lemmings charge over the cliff (Our experienced opinion.) into the bull trap. Our friend and colleague Hank Pruden has a different analysis, maintaining that the Dow will hit 14400.

Here are 10 and 12 year charts which should put the present "breakout" over the old Dow high in perspective. Readers of Composite Market Theory in the 8th edition will remember that we consider that the three major indices must confirm each other to confirm a bull market. And, of course, we are now about three years into the bull market that started in 2003.

We consider all of this to be built on quicksand, and that doesn't stop us from holding on to stocks which are still in uptrends, and the ETF indices.

Sunday's Times had an interesting headline: Real Estate plunge, Bull market stocks. Somebody is wrong here. (Quoted from memory, not exact.)

Here's what we think. When the market gets what it wants, the Fed to lower interest rates, grab your phone and sell.

Meantime, if you think the silver bull market is over think again. Primarily we think that the current state of the markets is determined by hedge fund bets. When all those guys run out of money, and when the Demos take over in Washington, Katy bar the door.

Cantor Fitzgerald we understand has started covering Ebay and issued a sell recommendation. Well, duh. Where were they back in January 05 when we really needed them.

September 29 2006 Dark Cloud rains on your correspondent... Dow noses at all time high -- tentatively

Thinking and analyzing are two different things, as we have often said. Conjecturing and stop setting are two different things. While we think that market action here is a fruitless attempt to surpass the previous high our analysis is that this short term trend is intact. Longs should be held and the basing point is obvious in the last wave low. Our long term remarks on this market (12 year) are at Dow 12yearlink

And here is the straight word on taking out the all time high of 11750.28. Using Magee's rule of thumb of a 3% margin the breakout is not valid until it closes over 12102.78.

Silver and gold (below) seem to us to have made a low. We wouldn't buy any futures unless we were experienced at that sort of thing, but GLD and SLV in modest amounts with a stop under the near low (3-5%) might be a good long term bet.

Meanwhile as we have remarked in the 8th Edition groping towards a better way to identify broad market trends, according to Composite Market Theory we need the major indices to make new highs if we have an unambiguous signal and that certainly is not happening with the NDX here.

We know that everything is sideways now. We suspect that everything will stay sideways until we know who will win the election. A Democratic sweep would light a fire to the cat's tail. But they are so inept and such pansies on terror (and everything else) that Rove will drive them into a defensive fetal position and they will manage to lose an election they should win.

Let's hear it for regime change in Iran. (And $100 oil).

September 22 2006 Last Friday and this Thursday cast a dark cloud cover...

We are still conjecturing because

we don't have anything better to do and because that's all that can be done at the moment. But... what if in a month or so pundits look back and nod wisely and say "You could tell when the market couldn't muster more momentum than that for the Fed's not raising interest rates that it was the top..." Duh. The nice thing about being a chart analyst is you just have to report what is happening right now and how it fits into the big picture. Readers should be 100% conversant with our analysis. Whether our remarks on the immediate situation carry long term

implications we will know in the long term. For the immediate present we will watch the latest trendline and also watch to see whether in fact Thursday was the wave high and whether September's low is taken out. Our bet: Looks like we are setting up for a test of lows, near and far, towards late October.

AND again we emphasize the multitude of false signals occurring in this sideways market and the capriciousness of investors trading on the latest price of oil. Oil can go to $30 and not measurably affect the long term economic situation. There is nothing short term oil declines can but hypo the short

term volatility traders who are having a ball in this market.

Do not be deceived by a break above the previous 2000 top. Unless of course you are scalping

and swing trading in which case have at it. Investors should continue to do what we have advised for months: Look at the individual chart and sell it when the trend changes.

As for trying to profit from the oil market seed chart for oil ETF.

If not equipped for big game hunting stay away from big game. We will watch this market and tell you when we think the time is right to buy. In the meantime it's too late to sell short.

September 18 2006 Is that a volume climax I see before me, the handle towards my hand?

Entirely possible. These volume

spikes often foreshadow the end of the wave. Friday's action would, if you were hoping instead of analyzing might be encouraging, but if you looked at the bowl shaped volume from July to present and then the Friday's spike you might get a different idea. Any way it fits (so far) with our analysis of this as a sideways market. And only for traders.

Here is a closeup. Friday doesn't fit the perfect picture of a reversal day, but, hey, you never know till later anyway. And, amazingly the trendline is still intact.

Some information may be obtained from the NDX, namely that after following the Dow for three months it is nose up against resistance. We would bet against it. Same volume pattern as the Dow.

Now isn't this interesting. The CRB which looked (up until May) like a great bet fell out of triangle. The way to be, if at all is short, but we don't think it will really be a long downtrend. We think it will find support maybe about 355 and settle down to a big trading range, but a good trade nonetheless.

Silver will we think do the same thing and based on the charts at the time we would be buyers of silver if bottoms look in at 10.

After the dogs of August went

home we settled down to wait for Godot, who will arrive we expect early November, unless the Hezbollah Republicans throw in their hand in October. Also the God of the markets is scheduled to rear his ugly head in October, especially after the markets we have been observing. Wake us up when the fun starts.

September 9 2006 Old Jokes, so Familiar that they are told by number

Presumably every one knows the joke about the jokes. The joke here is on anyone who takes signals seriously, as we have said ad nauseam false signals proliferate during markets such as we have been in long enough to start numbering the jokes. See last week's letter where we expressed scepticism about what appeared signals in silver and gold, which coincided with a few days enthusiasm in securities. Folks you have to look at the big picture (unless you're making your living scalping). We conjectured that this picture would not be fully developed until the November

you-know-whats. (With a large speed bump October 19 or thereabouts.)

The gap in August in the NDX was just such a one. As was the break

below the horizontal line. This is the time to get your capital ground to hamburger, unless you observe quietly with a cynical smile on your face and find some good shorts.

Everything is waiting for Godot, including the dollar index. While this is not the time for the general investor to trade (much less invest) it is the time to watch closely. When markets coil up like this there can be some serious consequences.

We suspected the breakout in gold and silver for traders and didn't take the trade personally while remarking that it was a half hearted signal for the serious speculator. The problem with disciplined (or

slavish) adherence to any system or method comes with moments like this where jaded experience (AND some serious analysis) inclines you not to follow a mechanical system or method. Now we would not be at all surprised to see it break below the horizontal support line, and we would not want that trade either.

September 3 2006 Whichever way the wind blows this five minutes

A lost and wandering market is driven by whatever is the whim of the minute or this second's news. Of greater interest look at how the trendline from 2004 held up prices in July, in conjunction with the horizontal range line. Then, last week prices appeared to break out of the 2nd upper range. All this is confirmation that the crash is not yet. But until the 2000 high is taken out (decisively) neither is it confirmation of a bull market. Readers of the Major Turning Points Letter know that we think no resolution will come until the elections are decided. Could it be that they are already decided?

Apparently, to the uninitiated the XMI broke out. Not so fast. Robert Edwards rule was 3% more or less for a valid breakout. The lack of a confirmed breakout here weakens the case in the Dow, and

strengthens the case for indecision and weakness in the S&P.

There was an apparent breakout in the silver also. We say apparent because we are so deeply suspicious of all the markets right now. Nonetheless this is a tradable signal for the trader. And of course investors we have said for a long time can be long the silver ETF. This pattern is different from the gold pattern which is unresolved and struggling in a big triangle, another thing which makes us suspicious of this. But the two can easily diverge.

You could make something out of the May-July formation here. A complex Kilroy bottom. We continue to think that individual issue charts rule the day. But you could spec long this one,

remembering that really smart investors are probably already sitting on the sidelines, or are still in the Hamptons.

August 28 2006 Waiting for Godot, or waiting for the market to go

Talk about a picture of waiting for Godot. The Dow, the gold, the dollar, the CRB commodities index, all shifting uneasily from foot to foot and wishing the November elections were tomorrow. If they are waiting for good news and not Godot they are going to be waiting a long time. Think of some good news that would cheer you up -- fewer CEOs going to jail? Iraqis throw us a farewell beer bust and kiss and make up? Gas goes back to 2.95 a gallon? Administration resigns en masse and turns over government to Ralph Nader?

None of the above. Dow in big line drifting sideways, looking for the iceberg of October.

Gold pointing at extended trading range. Remember, triangle

breakouts this far into the apex don't signify much.

Dollar drifting sideways, weak in general, like our foreign policy.

Even the CRB commodities index. Waiting for developments.

Oh, well, back to the Hamptons to work on our real estate letter and our uranium letter.

August 19 2006 Just waiting for October 19 and the apocalypse

Actually we don't see anything nearby which could take the market down, but we feel a shifting of the public mood. A Viet Nam type war will do that for you. But more than anything it will put a crimp in your mood when you have to park your Lincoln Navigator and get out the old bike. We thought this war was going to make the world safe for democracy and keep gas cheap. The market, as always seduced by today's news, threw a party for the end of rising interest rates. A bang and a whimper signifying nothing. As may be seen in this week's charts some long term trend lines are in play. Zip. Walter Lippmann wasn't brilliant today.

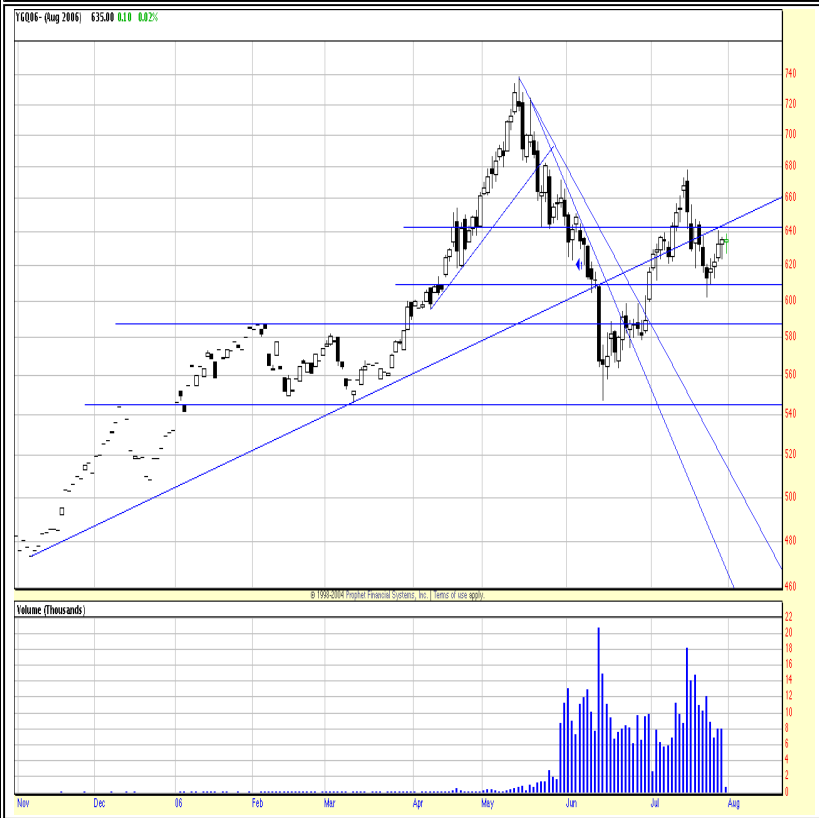
Is that a definitive break of the 2003 trendline? Sort of a superfluous question, in that it already appeared from the pattern that a sideways trend had started. All of this, including our feelings

about current market tactics (short weak ones, bail out of longs breaking trendlines, look to be long for the long term in the metals) is pretty thoroughly covered in recent letters and the just posted Major Turning Points Letter.

The tide already appears to be running out again the NDX.

For traders gold is setting up a triangle which will give us some indication of short term direction. Long term investors should not be buying now, but holding and preparing to buy more if lower

levels are made.



August 1 2006 Dog days of August just ahead. Dog days of July just behind. Dog gone.

Gold, having made a v top and taken back all its ill gotten gains. A trading situation. Investors will still be long GLD. We never promised you a rose garden without thorns. We promised you a rose garden on a roller coaster.

The NDX has broken its support and is in a clear downtrend. Any individual tech issues with broken trendlines should be sloughed. Depend on the ebbing of the tide to affect all tech issues negatively. Do

not believe in long term prospects. Money is lost in the short term. You may not live long enough for the long term.

(Quote, Keynes: In the long run we are all dead. At the rate things are going in Iraq many of us will be dead in the short term.)

The S&P busily making new lows in a trading market, and basically confirming the mule market dominated by the Dow, below.

THREATS, THREATS, THREATS. Our oft repeated threat to produce a major turning points letter is repeated here, and composition has actually started. This will be the ultimate (well maybe the penultimate) word on the markets at this time. Watch this space and also the heavens for signs of comets and black holes. How do you see a black hole anyway?

Compare this chart with that just below. At that time we said that what was happening would continue happening, and sure enough that's what happened.

Specifically what happen in the Dow was the confirmation of the bottom of the range. In mule, or sideways, markets the rule is be sideways the market, and long or short the individual instrument depending on the chart. Remember that the broad tide, sideways, will affect trading and investment decisions.

NOTE

THAT YOUR FAITHFUL CORRESPONDENT WILL BE ON THE ROAD FOR THE NEXT THREE WEEKS so no letters

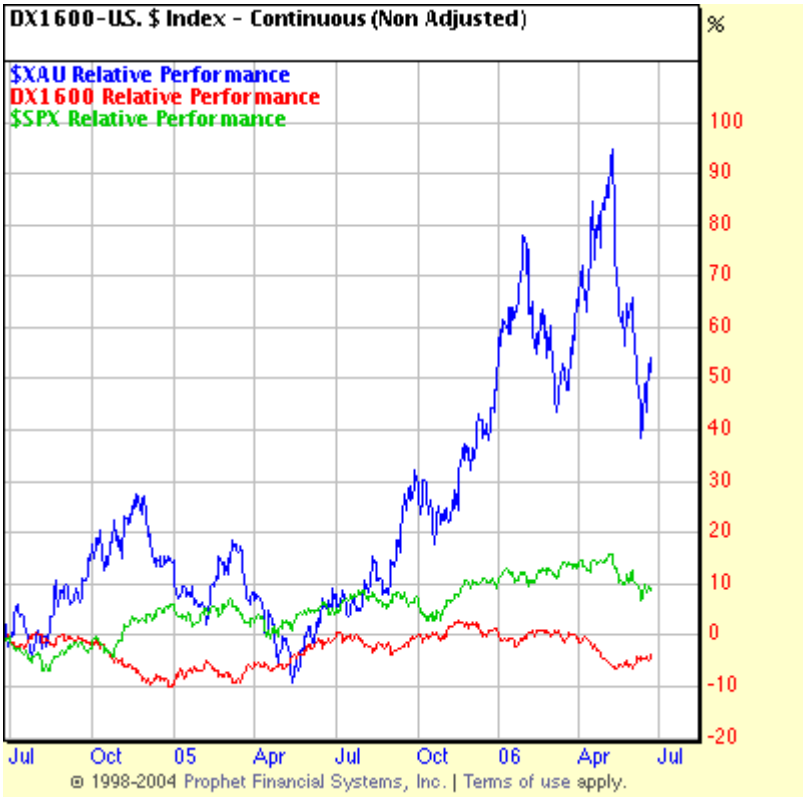
And, on the other hand you know what we think anyway, as you couldn't keep us from telling you except with a gag. Dow looks like a trading range candidate unless it takes out the highs or lows.

We will not be answering any email. Most all our addresses will be bouncing email. We might check johnmageeta@sbcglobal.net but don't depend on it.

Gold is recovering from a huge sell off. We specified earlier how we would trade it or invest. We're not particularly worried about it so are flat in our personal accounts except for a little bit of GLD.

We think the S&P presents a clearer picture of the market than the Dow. Just based on your every day chart analysis we would expect it to test the October low. And, of course, all that stuff above it now is resistance.

Gold, dollar and S&P, relative performance. Just to dramatize what's been going on. This chart is not finished. As you know what's happening tends to keep on happening.



June 16 2006 A multiplicity of opportunities to be wrong, or stupid, or unskillful

usually means that the market is vacillating and throwing off false signals. So you're damned if you do and damned if you don't, so damn it all just don't do anything the chart doesn't tell you to do. Certainly if you make decisions based on a few days activity you will manage to optimize the opportunities for being wrong. Sooo, You could be right being out of the indices, and you could wrong. You could be right being short, and you could be wrong (less likely in our opinion but we *have* said the stance is for aggressive traders).

What the chart says is, hello, looks like a support zone here, so let's bounce catlike and bite a bear. Or could be the quick bears biting the slow bears. Whatever, the bull case is badly damaged unless the

previous high is taken out. Probabilities: slim and none, but what a great chance to be wrong. Or to sell options.

BUT (OR, AND) note the volumes scalloping gently and strengthening on the recent trading range and sell off. Looks like smart money distribution to us. Another strike against the bulls.

At the same time gold has given an aggressive traders buy signal (very aggressive). But the stop 3% under the low is so obvious as to invite daring.

Folks, faithful readers, scornful sceptics, this bull market is not over. The purpose of this sell off is to get rid of all the camp followers and Johnny-come-latelies and talking heads. This is a good spot for investors to buy GLD put a deep stop on it and let the hedge funds and locals sting each other to death. Actually a damn good idea anyway you slice it.

Sam situation in silver. But considering the deep gap, only for the agile and skilled or those with deep deep pockets, which is better than being agile or skilled.

June 9 2006 Worser and worser

If everything had stopped Wednesday you would have said, now, that's a one day reversal. Your 200 point ranges are not that common. Certainly an interesting day. Technically it would seem to be a reversal, but these phenomena are always subject to interpretation in context. The external context at the moment is fear and uncertainty springing from the devil we don't know, Bouncing Ben (who better learn pretty quick to talk in oracles, like his predecessor). Internally, or technically as we have been saying for some time prices balked at the previous high and the quick sellers decided to liquidate. We would venture the 200 point day

is the result of short covering rather than buying in. Technically not only was the market shying like a horse at a rattlesnake at the all time highs but Wednesday would have been five days down,

so buying a plunge is smart trader tactics. Meanwhile the NDX is approaching the moment of truth (after quite a long time of lies). It fell pretty hard out of the trading range and is approaching a critical low. If we had any tech issues which had broken trendlines and important lows we wouldn't stick around. When it's happening it's difficult to comprehend that it might be the beginning of the next great market, but it might. Certainly nothing is to be lost here but perhaps some upside and much is to be lost on the downside.

The XMI, which we have pointed out contradicts the recent run up, is testing the trading range low after a false breakout. We remind you that a false signal followed by another signal usually indicates that the second signal is valid. Take out this low and the October low and bad things are forecast.

If you missed the run up in gold you are going to be given a second chance. We were short for awhile, and now are watching for a bottom to this major correction to get long again. Now it would be unwise to

buy a downtrend. Careful watching is in order to let a bottom get put in place.

As is obvious here the major trend line is not even broken, and the price is nearing it. Time to wait.

Same is true of silver. One is always tempted to try to time the bottom. As someone said the purpose of experience is to allow you to recognize a mistake the second time you make it. Catching the bottom is a lot of fun, but doesn't have much to do with being a successful trader or investor. Staying alive is what's important for that breed.

June 2 2006 Mene mene tekle...is the handwriting on the wall?

Could be. What is surprising is how the Dow has held up compared to the SPX and the NDX

which appear to us pretty damaged at this point. As we often point out, when the angled trendlines are broken the horizontal lines then become crucial. In addition to the wave lows (as, Basing Points, Chapter 28, 8th edition). Here the Dow is in support, but has made a lower low. Not a favorable sign.

The S&P took out 4 wave lows and broke important trendlines. The present rally is to be expected after a precipitous decline like this. Basically the rally means nothing until the May low is tested or the may high is tested.

The NDX fell out of its trading range after flirting with a bull trap. The trend line was already broken.

Aggressive determined bears might begin feeding about the edges. The

stops are pretty obvious -- the recent highs with a filter of perhaps 2 or 3%. These ideas often get altered if, for example prices surged when attacking the highs on big volume. Then a bear would have to lick his wounds and hide in his cave, which is what conservative bears will be doing. At any rate we would continue to lighten up as until further notice the markets are either in a cross current or turning.

Gold is making a major retracement without having to this point affected the major trend. We are actually short futures, long light GLD positions (much lighter than previously. We regard this as an unparalleled opportunity and will be plungers when a bottom is in and our readers who do the same will rejoice when the golden bull resumes.

We keep sending notes to the Federal Reserve and they keep coming back with "Alan Greenspan no longer at this address". The ones that don't come back they don't answer. But we'll

tell you what they say. High interest rates cause inflation, and also cause high profits for people who believe our letters and short the bonds. Here TLT, SHY below. Duh. Was this a no brainer?

Will interest rates go up more? How can they not? Unless you have figured out a way to stop spending $10 B a month in Iraq and running 1/2 $T deficits. In the meantime, cross currents, and probably some near term turbulence as the Fed realizes that

high interest rates cause inflation and that they are basically helpless to do anything about inflation, deflation or interest rates.

Welcome to the Titanic Captain Ben.

The Atlanta Journal Constitution's Mike Lukovich just published a hilarious cartoon of the Titanic going down, with the crew shouting, "Relax, Captain Bush says he's going to ban gay marriage." Ah, so that's what was causing the economic turbulence. Gay marriage.

May 26 2006 The beginning of the end, or the end of the beginning?

It strikes us that the present situation of the market is more

precarious than at any time in the last several years. We could be wrong of course (and often are, because the preceding statement is a question of interpretation, not chart analysis). Precarious we think because the market is at a tipping point: Nose up against the all time high (a daunting prospect) with volume picking up on the sell off and analysts running around like chickens littles. It is a time of uncertainty. So what does the chart say? Cluck Cluck. This one says the price decline is stalled at the previous low and support.

But, while the Dow is at least not overtly bearish at this point, the S&P after giving a very bearish false breakout has sliced through four lows and rests at a lower level of support. It has rebounded vigorously there, but as may be seen a nine month trend line has been broken. Signs like these are ignored at the investor peril.

Let us put it this way. If you lighten up some and it goes up all you have lost is some paper profits. And it may just be a case of selling too soon. We have often sold too soon and marveled later after bad breaks at our wisdom. If it should sell off and start the inevitable correction you can sell some more and pat yourself on the back for following good technical procedure.

The NDX is even more negative. Take out the October low and some blood could be shed. Two important trend lines are broken here. We would certainly examine our tech issues and prune any with

bearish charts.

If you have a particular issue causing you grief send us the symbol and we will look at it.

bassetti@edwards-magee.com

The silver chart is perhaps a study for what is happening in securities. A failed signal up, a sell signal through the triangle trend line which so far has not followed through, and the entire pattern could morph into a trading range, which is what might also happen in the securities.

Would we be buyers here? Yes, because the stop is so obvious -- 3% under the May low. This is a spec gut trade. There is no signal to make such a trade.

Like silver the gold is in a downtrend, looking for support, which it might find here. Again, the stop is obvious, under the April break by 3%.

The potential damage of the ETFs (GLD, SLV) is limited by the lack of leverage so we think even conservative investors could dip in a toe there.

May 19 2006 Midnight? Smashing Pumpkins?

We speculated (our most prominent character flaw) about the market turning into a pumpkin in our letter quoted in Barron's May 8. Little did we suspect that the light at the end of the tunnel was a pumpkin bearing down on us. And it may not be, but the signs are not benign. An important trend line broken and a weak basing point taken out. Here. Worse in the other major indices. Don't just watch in horror. Lighten up you positions. And lighten up more if the April and March lows are taken out. Is this the beginning of the end? Won't really know till the October low is taken out. But nasty portents.

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The suddenly deteriorated situation is confirmed by the NDX. We have been bleating for some time about the true state of the market being more fragile than the Dow showed. Lambs to the slaughter.

Even in Silver, as shown here you should be hedged out or short. Failed breakout, 1 day island reversal, breakaway down gap, broken trendlines. A god send or a da Vinci code invitation to those

lost lambs who didn't get long for the last run up. Buying opportunities lower.

Same in gold. For the conservative wise investors will be buying the precious metals ETFs lower and holding them for years. We lightend up considerably in the ETFs before the break, enough so that our positions there will be left to take the equity drawdown and catch to perfection the turnaround. When the downwave ends we will be doubling up for the next wave up. When will that be? Never know till afterwards.

May 12 2006 Couldn't be better...

Last week Barron's quoted our email letter. Never mind. We know what we said, and so do you. What

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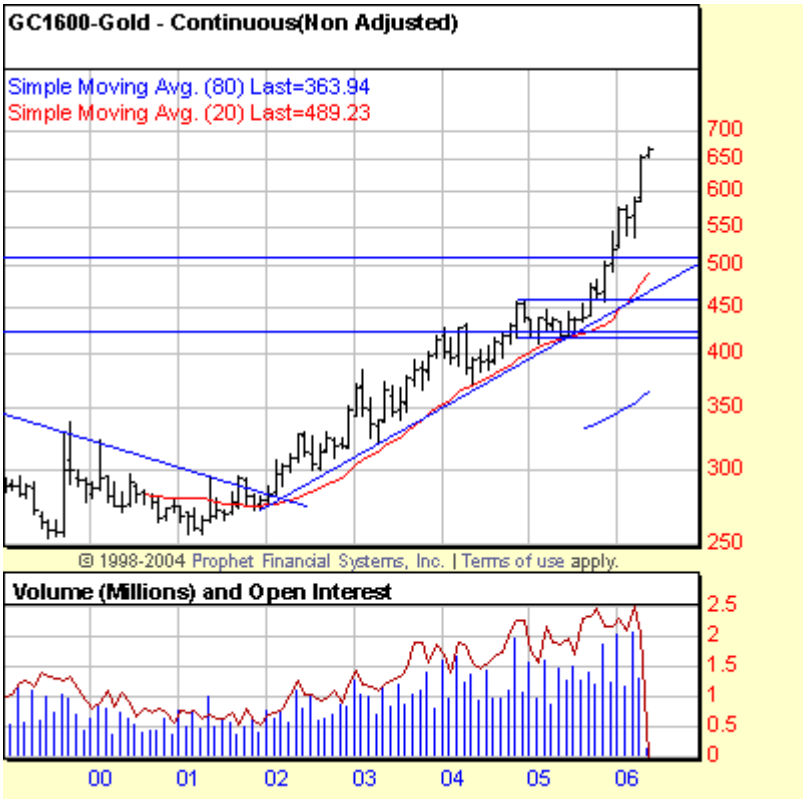

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5th of May, day the Mexicanos defeated the French in Puebla, for our readers who wonder about our dishwashers, tomato pickers, etc. Anyone who thinks dirt cheap labor (illegal or not) is a disadvantage is invited to remember what a country we were able to construct using slaves. Not a big thing with us, though we are hispanophiles. Big thing here is this trend. Knocking at the all time high. We think all of us "grumpy old bears" as Professor Hank Pruden calls us totally misunderestimated the effect that $10B a month war spending would have on the market. Well, actually

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trade. We think we should be long, but are pretty cautious at the moment. Subscriber to the precious metals letter can be informed by email of our trades.

April 28 2006 On the razor's edge

As may be seen here in the NDX and below in the S&P these two indices are at a crucial point. The NDX looks toppy, and the SPX is right at the five year inflection point.

The Dow, of course is square in the middle of the tulip patch resistance from the bubble, but looking strong. Near its all time high, which the others are miles from.

Still it is an impressive performance after the 02-03 markets and the Kilroy bottom there. Good practice says at this point that longs in hand should be held until trends are proven to

reverse. And, with Santa Claus in Washington going wild with the old government credit card and spending $10B a month on travel expenses in Iraq (next on the itinerary, Iran, a much more satisfying target) there is no reason to think the economy will crash until the spending rug is pulled from underneath it.

But readers who are only in stocks are doomed to long term disappointment. On the other hand here is the GLD chart which we have been talking about for several years.

We continue long and expect to be long for a long time. Entering at this time always entails more risk (stop under the reaction at 54) but we are still buying, and still expecting a lot more bull in this market.

More bang for the buck in futures, but leverage cuts both ways.

April 21 2006 Knowing and not knowing.

Sometimes we know the reasons for events, sometimes not. In this case we know the reason. After lying and dissembling and obfuscating the government admitted that the Iraq civil war prevention; regime change; destruction of weapons of mass destruction; peace keeping mission; nation building initiative; democracy spreading effort; correcting dad's mistakes (dad's beginning to look wise beside son); (pick one) is costing $10 B (big ones a month. That means it's

costing about $12 or $13 B (big ones.) Maybe more with those fast pencils at the Pentagon. Can't pour that much money into the economy without hyping corporate profits, and besides that this whole charade has revealed the ugly truth behind fund management: THOSE GUYS ARE TECHNICIANS. THEY KNOW AN UPTREND WHEN THEY SEE ONE and are riding the tiger. Of course when they get off the tiger they will all go over the cliff like lemmings. Nonetheless, true picture here with the major market index.

With a tiger in its tank and a song in its heart the crude market. Crudely about to rip the economy to shreds.

But what a great ride for the riders.

As Dogen used to say, ride the tiger in the direction its going.

Collusion? Or heaven sent opportunity for shorts to stop the bleeding? Worth an investigation, but the silver break will never get investigated in this administration. Extremely uncertain situation at this point. Further action will clarify whether the buying opportunity is here or a little lower.

The up bar is the automatic reaction to the panic (?) sell off.

April 14 2006 Two years. Where would you rather have been?

The Dow, in bull uptrend with mules included, basically since last April. We notice that more and

	more talking heads are talking their heads off about how this market is going to tank. We agree, but the chart is long right now. Our esteemed colleague Professor Hank Pruden consulting his Wyckoff crystal ball says the Dow is going to 14,400. Could be and anyway not to be short right now, but ready to jump when the avalanche starts, but not to be early. We already tried that.
	One of the tenets of Pragmatic Portfolio Theory, as expounde3d in the 8th Edition of Technical Analysis of Stock Trends is that moving markets are allocated greater capital, as non performing markets are deprived of it. Two years of silver. And a doubling, and if you were in the futures, which we are, you are purring like a cat licking the cream off his whiskers. Next week -- silver companies.
	Same with the gold. These markets are basically in full cry, and likely to continue on as more and more investors are persuaded by common sense if not fear of the economic quicksand the neocons

	are leading the country into. We have discussed a number of times the way the general investor participates in the gold market. But participate he should and not cling to hope that the Dow will reach 36,000. It probably will, but not in this lifetime.
	Like, it's a head and shoulders top, and we've been talking about it for a year. TLT, easy money on rising interest rates. Duh. Breakaway gap. Sigh. Just do it.
	April 6 2006 GOLD! GOLD! IN .... The best way to own gold for the general investor, GLD, which shows what the physical is doing.

We have been long for months, and will be long until a definitive trend change is signaled.

For those who aren't in the know we are hot in the chase of the Maserati at sbfantasyportfolio.com.

But if you hot on the heels of a Maserati, and can't own GLD here are some gold stocks worth looking at.

GFI, clearly still in the uptrend and more speculative since it hasn't broken out. Perhaps that shows more promise. Perhaps more risk.

BGO broken out and running. Has the advantage of being cheap. Might not meet minimum $500MM market cap.

But raises question of what you do when you miss the breakout but want to buy anyway. What do you do? Trade lighter and increase the position if it continues.

GG, same situation but stronger trend. We might point out that any of these stocks bought over the past year while we have been preaching gold would have reaped strong returns.

HL. Cheap and breaking out.

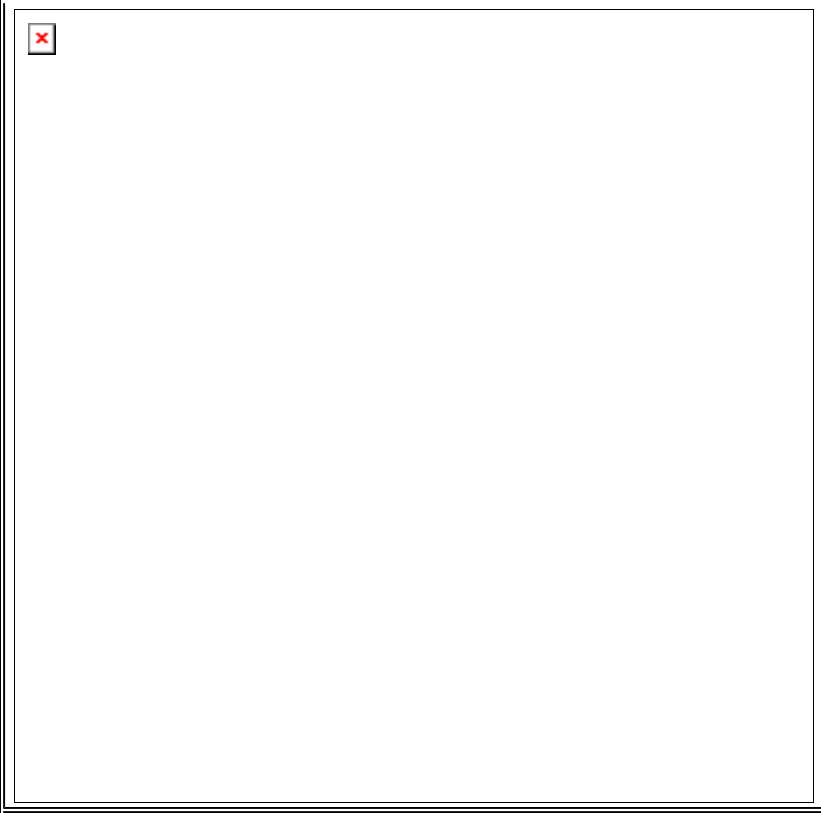
LET US EMPHASIZE! We don't know a damn thing about these stocks, except they benefit from

gold's bull market, and that should go on for a long time. But we don't do serious brow furrowing research about the management and sales etc etc. Think of how much time and effort we save. But if you're into stock picking it would be foolish to ignore this group.

NEM, Newmont is paradoxically not as strong as the above, but the gap and advance make it buyable for a speculative buy. We opine based on the chart that it has weaker possibilities than the others.

March 24 2006 How Time Marches on and isn't this the month when it comes in like a lamb and goes out like a.....

	Pundits (we almost said "other pundits" and then recoiled in horror at the thought of being a pundit instead of an humble chart reader) have recently remarked on the low volatility levels in the markets. Perhaps that's why we're feeling queasy -- or is it just spring fever? In our experience low volatility is followed by a reversion to the mean -- sometimes viciously so. Like it or not the charts are long, and experience says not too long and not for long.
	Once again, we think the XMI is the true picture of the market, and if you were a trading man you'd be shorting it right now.
	And until the real thing comes along (the silver ETF) the GLD just gave a little buy signal. Might be a pattern gap. Clearing the recent top would confirm it.



March 17 2006 Vicious spite of market disrespecting pundits

As quickly became apparent this past week the market is ignoring us and every other intelligent analyst, all of whom seem to be saying this market is walking on eggs. Then in short order it invalidated (or appeared to invalidate) the broadening top pattern. Well, you can't add $3 T (rillion) to the national debt and spend $5 B (illion) a month on war games without pumping up corporate earnings. Farther and farther out on the limb with the sound of the saw clearly to be heard. We would stick to the policy of holding any longs with good charts, scalping longs and waiting for the dam to break.

Don't forget the Jim Rogers story. "Everybody always says that Jim Rogers is great at catching the top. They don't talk about the seven or eight times I tried before I succeeded. (Approximate quote:

source, folklore)"

We divide our readers into sensible investors (who will not be trying to catch the top) and speculators (the speculator who dies rich dies before his time --old market saying).

The tulipomania top we referred to last week is the all time top; and by taking it out we mean a valid breakout of a minimum of 3%. Here's what we think. If it does take it out it's the biggest sucker play of all time.

This market is like the alps at avalanche time. If a chamois sneezes, or Asian flu gets popular, or if Iran burns.... Watch out.

The SPX confirmed the Dow, but the NDX did not. What does that mean? Well, if you credit our Composite Market Theory it is not a confirmed bull signal.

Meanwhile the gold and silver markets at the XAU are offering a buying opportunity as seen here.

For an analysis of the recent Dow

http://www.edwards-magee.com/nf06/dow2006q1.html

We have increased our silver positions. Bunker Hunt rides again:

http://www.edwards-magee.com/nf06/alchemist.html

March 12 2006 So? What's gnu?

Three years of Dow. Nothing gnu. If you only looked at 3 years you'd think we were breaking free. That resistance line lurking overhead is from the tulipomania. Think it doesn't matter? John Magee found resistance lines 14 years long in his charting. We are in the first serious attempt to surpass tulipomania highs. Won't happen.

9 months of Dow showing details of trading range.

3 months of Dow showing broadening top and Friday's about face. A new high could be made without invalidating the pattern, but taking out the high by 3% would presage more upward working. As all of this is built on quicksand the higher up it works the farther down it will fall.

March 6 2006 Mysterious voodoo of ruler lines

Comes true (so far it seems check back later never cackle when you've laid an egg because you

might wind up with egg on your face) as price seems to have bounced off the broadening top line. Are we suspicious? Like a black cat on a hot tin roof. Suspicious or not shorts here have a stop that can be seen from outer space. Like the great wall of China and the great pile of economic B.S. in Washington.

Complimenting the Dow the S&P appears to have bounced off the resistance line shown.

And the XMI is in a perfect position to test the bear market hypothesis. Take out the nearby high, more sideways. Take out the nearby low, another nail in the coffin of the bull.

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We have increase our silver positions. Bunker Hunt rides again:

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February 24 2006 Price bounces off resistance line.

But don't start celebrating yet bears. Because this could be only the 355th false signal in these markets. But we could see exploratory shorts here. We could even see really long term shorts if you were really willing to take some heat -- and we do mean heat. It wouldn't surprise us to see prices try to take out the all time high, and even take them out before hitting the bob sled run to Tierra del Fuego. Rest assured though, that is the eventual destination. At the moment we think there might be a few more months of sideways left here.

Certainly the indices are at a major decision point as seen here in the SPX, which has bounced along with the Dow.

The XMI shows the real heart of the market. True sideways with a downward bias since December, but nothing definitive until the October low is taken out.

Very shortly (midweek) readers will be able to see a broader market view at

http://www.edwards-magee.com/nf06/dow2006q1.html

We continue to evaluate the metals as the markets with most promise: http://www.edwards-magee.com/nf06/alchemist.html

February 17 2006 On the Razor's Edge.

Interesting moments in the life of the market. The broadening top line we drew in January has now

come true, as we conjectured. Significant further price progress will invalidate the pattern and be bullish. A downward wave still leaves things in doubt because the lower pattern line would have to be taken out to be meaningful for your average bear.

While the NDX also sits on the razor's edge, not having confirmed the Dow with a new high. And looking toppy. Once again needing to escape either up or down from the high and low horizontal lines.

Here in the XMI is we think the true picture of the market. Mush.

A reflective thought or word.... we assume our readers are familiar with chart reading and recognize

this as a meaningless sideways (or mule) market.

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February 12 2006

Still happy bears in a still sideways market.

Actually, we don't think it's irrational exuberance. We think it's stupid thinking, but that is generally what the market exhibits before the grim black cat comes to call. On the other hand (maybe it's the third hand) you can see this broadening pattern might turn into a diamond. Less ominous than a broadening top but a diamond set the stage for the great sidewinder market of 99-01.

IYR

US Real Estate. We think intrepid speculators could sell real estate, using about a 5% stop. If it didn't work we'd try it again higher.

Followed by some bearish looking bond charts from the ishares.

SHY

Here's a very bearish looking 1-3 year bond chart with a gap signal for a short sale.

IEF

The 7-10 year is just as ugly looking, in fact there is even a gap in there too.

Meanwhile turbulence (or Alan Greenspan) hit the metals markets, altering nothing but the short term futures outlook. Not too late to subscribe at Gold! Gold! Gold in...

February 3 2006 False black cats strike again. For the second week in a row the markets ended on a scaredycat note. We have remarked often over the past year on the numerous false signals thrown off by this market. The market knows that it is on the razor's edge and shys like a startled horse every time a bad piece of paper blows across its path. We had expected this leg of the Dow to exceed the last high, and that may still happen, but even if it takes out the nearest low (Jan) that does not mean the bear market has started, only that prices have returned to the trading range. The signals may not be clear, but the message is: Sit. Hold any longs you have which have not broken their trend

lines. Hedge any shorts you have. Scalp long issues. And find something better to do with your capital in general. The metals and energies are in bull trends. We still expect a real estate implosion. And

we still expect soaring interest rates. In the meantime the entry to these trends is tricky and difficult.

The XLE here is buyable with an obvious stop near the low at 45.

The gap and run day in the NDX are more ominous signs, but like the SPX price is headed for a support line. It is a little shocking to an old hand that the painful lessons of 1999-2000 should be forgotten so soon, but the recent plunge in GOOG is a warning of the get rich quick mentality in the markets. And of the over exposed state of all the markets.

Oh, and incidentally our fearless leader just asked for another $120 B for Iraq. As we have predicted for several years the 30 year bond is returning, but the house of toothpicks will not likely crash till the Chinese decide to use their debt holdings for political extortion. Nice knowing you Taiwan, but business is business.

Meanwhile, speaking of bull markets. Let's see, it is about two or three years we have been telling our readers to lay in some gold. Here is the investor's way to do it -- unless you are very well

capitalized and want to store it under your bed. Thrill ride seekers can subscribe to our Alchemist Letter where Karnak is position building in the futures.

STANDARD WARNING! TRADING FUTURES IS A HIGH RISK ACTIVITY AND NOT FOR THOSE WITH HIGH BLOOD PRESSURE OR HEART CONDITIONS.

January 27 2006 Cats. Cats everywhere. Dead Cats, Hello Kitty

And your faithful correspondents who startle every time a black cat crosses their path. The irrational strength of this little bull is impressive. And this pattern is still a broadening pattern and should take out the January high and then come back. In the meantime long scalping is the thing to do. What a country! $6B a month in Iraq $85B for New Awlins (actually, sell Washington and rebuild NOLA). $2T long term for the Iraq quagmire. Tribal politics. GDP slows to snail's pace...

It's enough to give a bear heart. But it's being Chinese New Year we are resolving to be attached to nothing but the chart. Unlike the Dow this is a valid uptrend and if a bear you must be hedge or short

term trading longs.

Same with the NDX, still a bull trend. All the majors are now in between, waiting to either take out the nearby high or low. Given the enthusiasm of the bounce off the panic days it looks like higher. The panic selling though is an indication of what an adverse news day (Japanese scandals in this case) can do to the markets. At the moment it appears that the disintegration of this market will occur bit by bit -- death of a thousand cuts as the underlying foundation of sand dissolves.

For real bull markets see Metals: Gold/Silver.