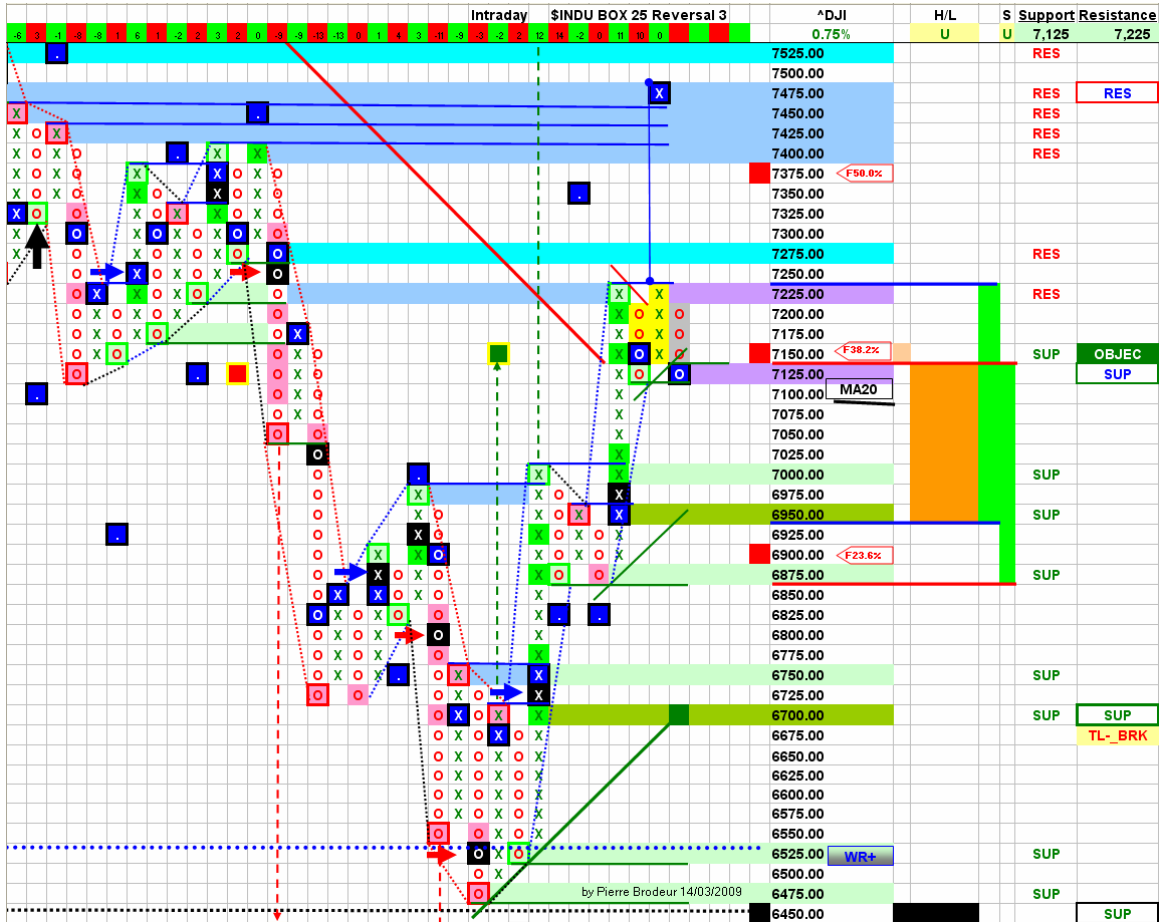


## Quick market comment for CTAB traders, March 14, 2009

As requested by Bill, this is a follow-up to my previous market comment of a few days ago. I am approaching this review using my own swing trading approach and I do not pretend to be a professional trader as CTAB trader's are. My purpose is to provide objective information that can be considered in the market timing aspect of portfolio management.

The following chart shows the Dow Jones progress since my last review:



My conclusion is that this intermediary uptrend has not run its course yet. I may regret this conclusion in the future but here is what I am looking at this morning:

### The Positives:

-1- The market took a rest in the general area of my initial price projection of 7,150. This allows me to look at the next low (6,525) and make a second more long term projection of 7,950. Typically the second projection takes a long time to be realized and it must be considered as a long term goal. But I find it realistic if the long term scenario discussed below materializes.

-2- The market broke the resistance line of 7,125. This must be taken seriously. However, the break at 6,975 is too far to confirm the reversal of trend which justifies caution in the very short term, or at least in the next few days.

-3- A breakout above 7,225 would confirm the trend change, and traders should focus on that next Monday. If we have a breakout, level 7,475 is the next short term target. If that level is not reached and we get another 75 points correction before reaching this level, we would get our second warning sign that this rally is losing steam. The first warning was the break below 7,150 Friday.

-4- The market closed in what I call a disequilibrium state given that the current low is higher than the previous high. The market always quickly comes back to equilibrium in the hours following such a condition. 75% of the time, in my experience, the market will break out in the direction of the trend. The trend is bullish right now so we should expect an upside breakout Monday. We will see...

-5- I use the Bullish % index as an indicator of risk in the market. The S&P, NASDAQ and Dow Jones bullish % all reversed to a positive late in the week suggesting that capital appreciation strategies should be preferred.



-6- I am sure that the CTAB traders saw the head and shoulder accumulation formation with a neckline of 7,000 shown above since the beginning of March. The technical projection for that is a minimum of 7,575 which would put the market at the Fib61.8% the real test on whether or not we have a bear market bottom, in my opinion. At that time, I would expect the very important 50 days moving average to have reached that area as well and as you know, many market participants believe this average to be the best proxy in identifying intermediary trend.

### The Negatives:

-1- If the Dow breaks below 7,125 Monday, it will be a clear signal to protect capital in the very short term and wait for other market behaviour typical of the current accumulation formation. In my world, the signals would be the first failure to hold support at 7,150, a second failure to reach the price objective of 7,475 would confirm a lack of bullish momentum and thus the bears taking control, and finally a breakdown below pattern support at 7,125 would seal the deal in the very short term.

-2- The market is trading in the “dangerous zone” of Fibonacci 38.2% to 50%.

-3- The market only has the 20 days moving average for support, and that MA is still falling...! A change of direction upwards would go a long way towards supporting the current upswing.

-4- I usually use the 5 days moving average (6,993) as an indicator of short term upswings (see hourly chart above) and an area for short term trades stops. It is currently rising and the market is trading above. It will provide last resort support and a decline or a breakdown below would be another indicator of weakness. Often (but not always) there is a pullback to the H&S neckline before the next thrust upwards. It will be very important to monitor volume if there is any pullback.

That being said, I would like to bring forward another longer term scenario that I am monitoring currently. It goes as follows:

The current uptrend is part of a longer term accumulation formation which confirms that 6,469.95 was the bottom of this bear market. The market would move forward to the general area of Fib50% (7,375) and then pullback from there as we continue receiving bad economic news and initial negative corporation reports in the next quarterly cycle. As investors realize that corporate America will survive this recession, the pullback would bottom in the general area of 7,125 and then on significant volume the next upswing would confirm a larger accumulation formation with a target of 8,350.

I have tried to indicate many of the factors to consider for next week’s trading activity in the context of a larger and longer term bullish scenario. I hope this helps.

Food for thought ...

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