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Market Commentary: Turning Point?

Did Friday represent a turning point? Does the Thrust, Pause, Thrust, price action traced out by Wednesday's large-range Thrust, Thursday's Pause or narrow-range consolidation, and Friday's continuation of Wednesday's initial impulse indicate a genuine indication of momentum, which will signify a new leg up, or was Friday just a foray into the upper regions of a trading range?

Certainly the late-day pullback that cut Friday's rally in half and saw the indices basically close at the level of the morning gap open is not a plus, and indicates a hard-down open on Monday.

However, anything can happen on Monday, as it is the Jewish Yom Kippur holiday and volume will be light, so expect a narrow-range day with some initial pressure and then a likely market on close program by the bulls to save the day.

Will Friday's economic stimuli stick, which was the raison d'etre for the gap-up open? Conceptually, the nature of price action is to Thrust, Pause, Pivot, but Friday's late-day selloff and iffy close puts Friday's Thrust in some doubt.

On the other hand, if Wednesday and Friday were just short-covering rallies, the **S&P** shouldn't have gone past 1016 and held on a weekly-closing basis. The opening stats on Friday were very impressive: Six-to-one advancers, 90% of volume up, new highs expanding for the first time in a month, and of course the staunchest technology issues made a run for the roses. For example, two of our daytrading picks yesterday, **Adtran** (ADTN:Nasdaq) and **j2 Global Communications** (JCOM:Nasdaq), were up 9 points and more than 3 points, respectively, on the day.

Remember, It's October

Given many stocks' parabolic runs here, only a runaway impulse move that goes every day can be respected at this point; otherwise, one has to entertain the possibility that the market is simply testing the prior swing highs, and will fail from here. Remember that Oct. 4 in 1987 was another important rally fake-out high in an October that led to a crash.

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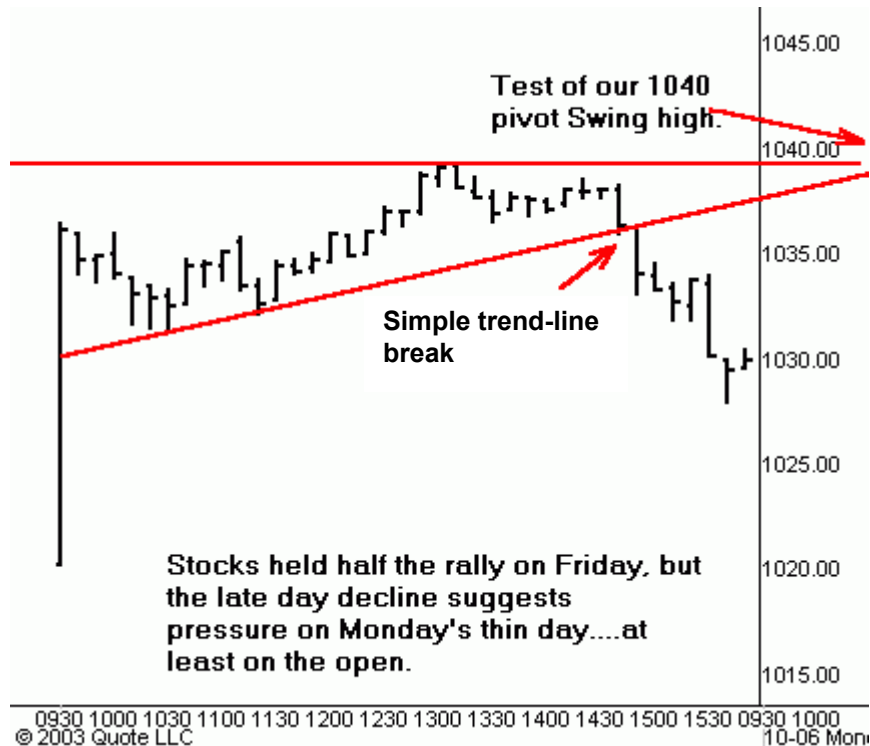
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Furthermore, a "Gann" 24 years ago (on the Square of Nine chart), in 1979, saw an October collapse. And there is always the possibility that Friday's collapse in bonds and in gold can contaminate equities and see stocks cave in as well if things get panicky.

Given Friday's bond meltdown, the Achilles heel for the market is clear: interest rates and valuations.

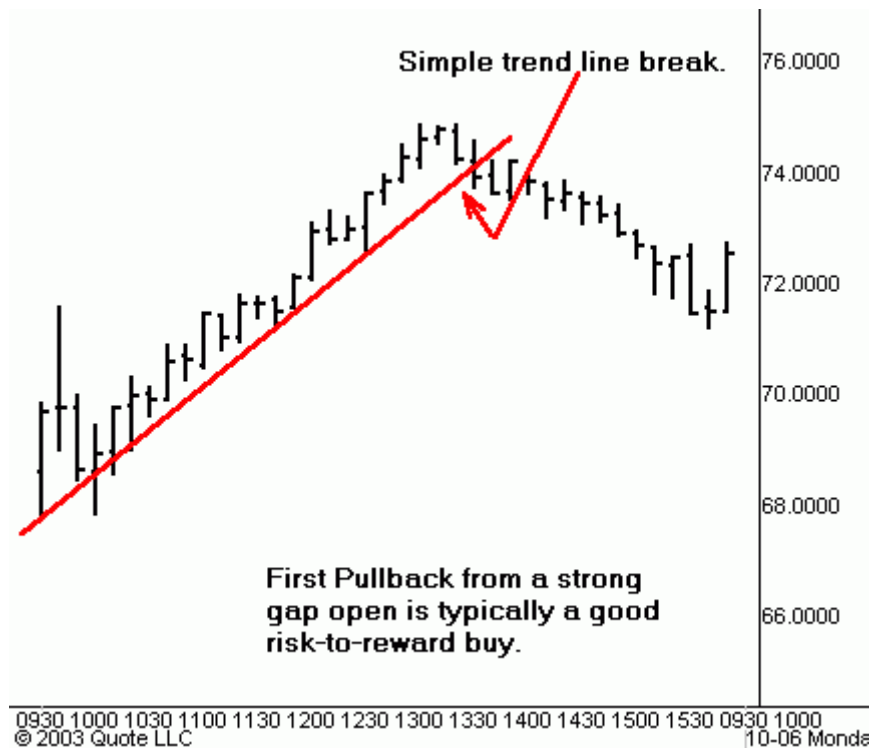
Conclusion: If the market is truly in an impulse wave, which would be signified by Friday's gap-open, and if it sticks, then the first projection would be to 1057, and we'll take another look from that point. Conversely, heads-up on any move back below 1020 on Monday, and particularly a move back below our 1015/1016 Pivot that sticks. That would put our projection down at 979/980 back into play.

S&P 500 10-Minute

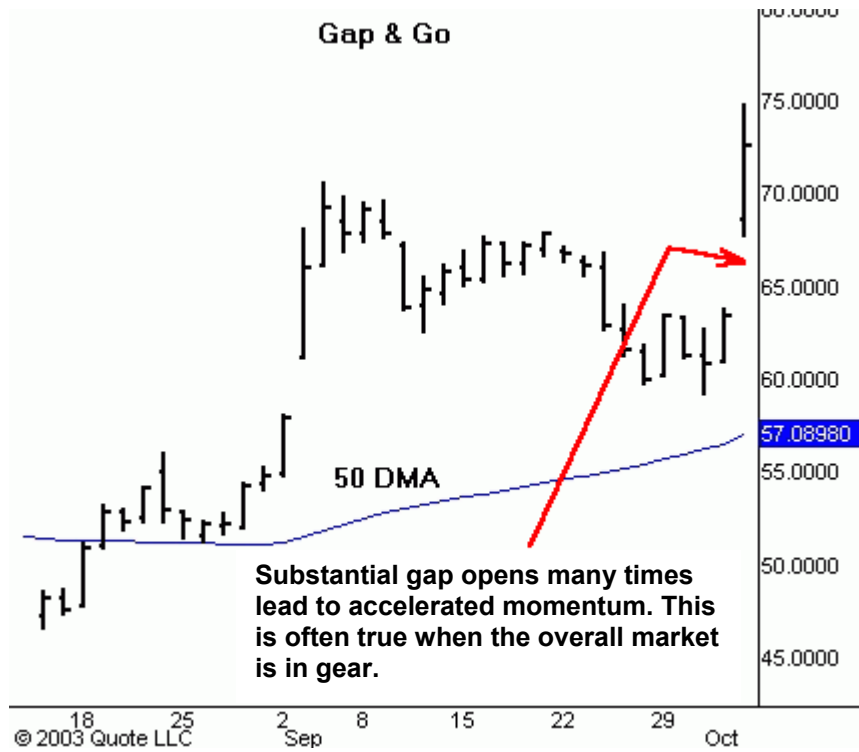


Pivot Points

Adtran -- 10-Minute



Adtran -- Daily



THE DAYTRADING REPORT

Chart 1

**Newmont Mining
(NEM:NYSE)
Short**

Entry: 37.15
Stop: 38.15
Pattern: Expansion Pivot / 180

Comments: Alternate entry -- Look to short NEM on any early rally toward 38.70 with a 1-point stop.

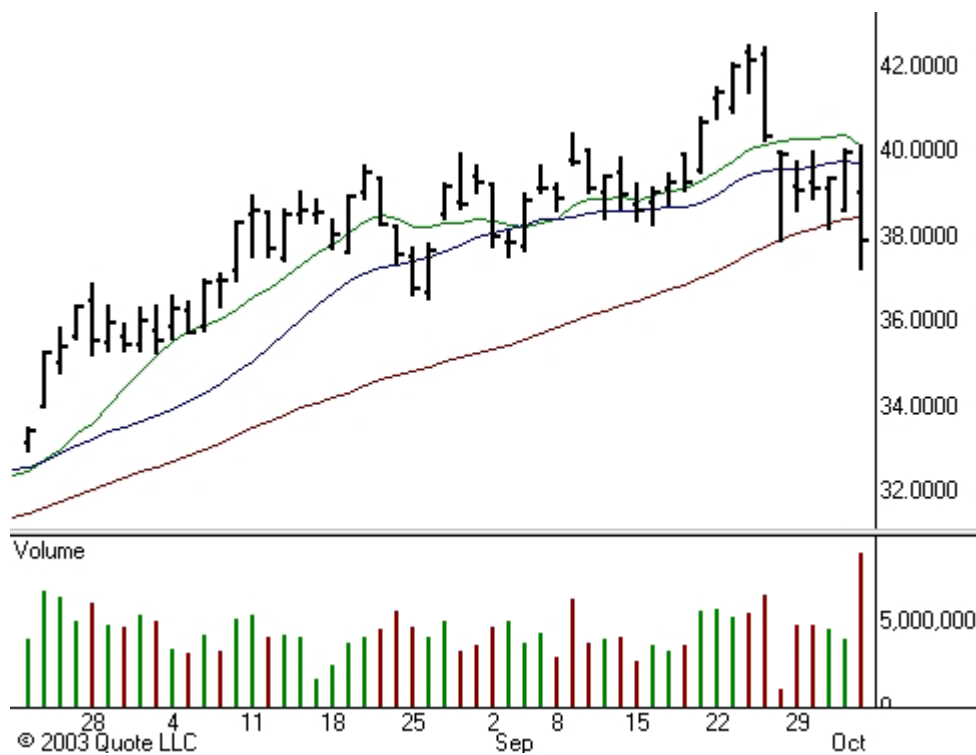


Chart 2

**Apache
(APA:NYSE)
Long**

**Entry: 72.00
Stop: 71.00
Pattern: Expansion Breakout**

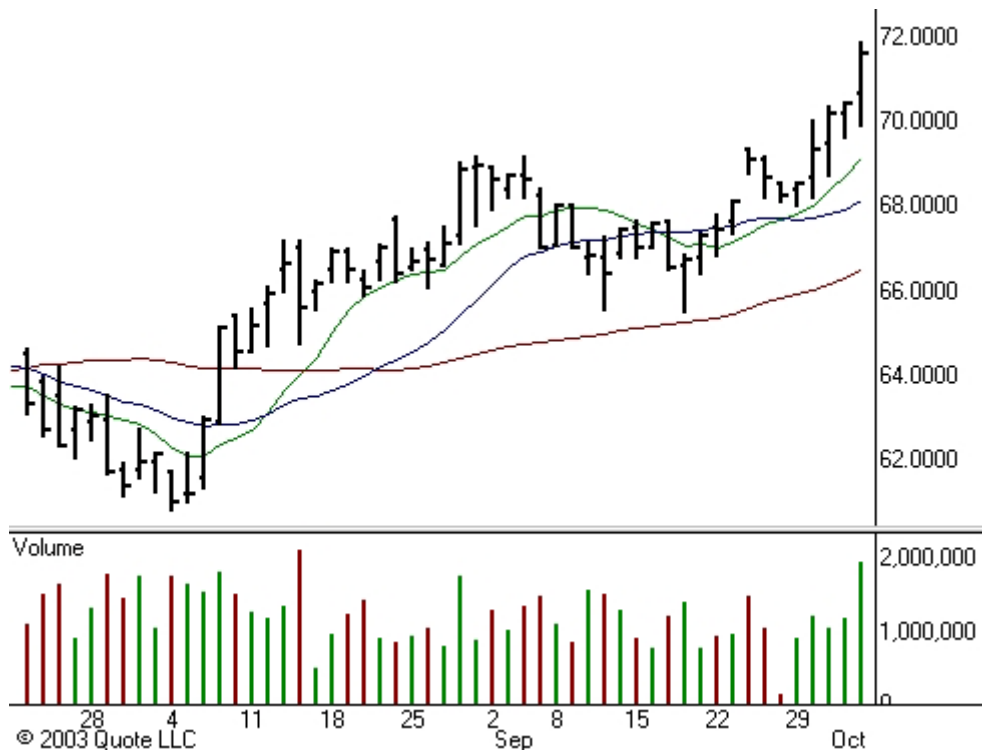


Chart 3

**Amgen
(AMGN:Nasdaq)
Short**

**Entry: 64.45
Stop: 65.45
Pattern: LROD**

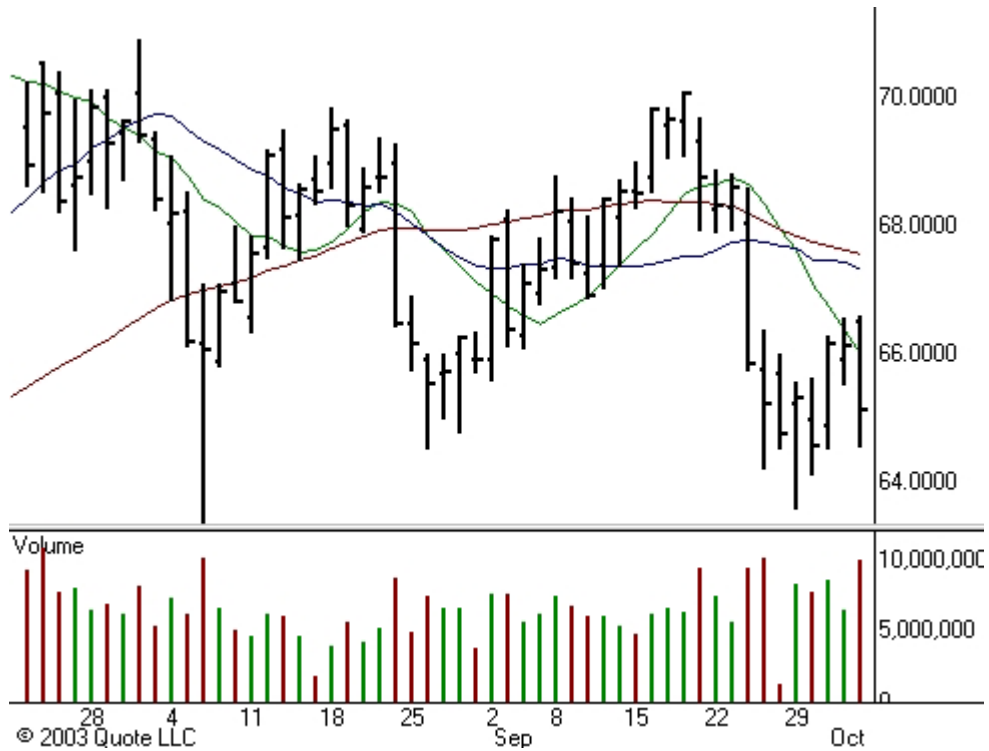


Chart 4

NVE
(NVEC:Nasdaq)
Long

Entry: 36.70
Stop: 35.70
Pattern: V-Thrust



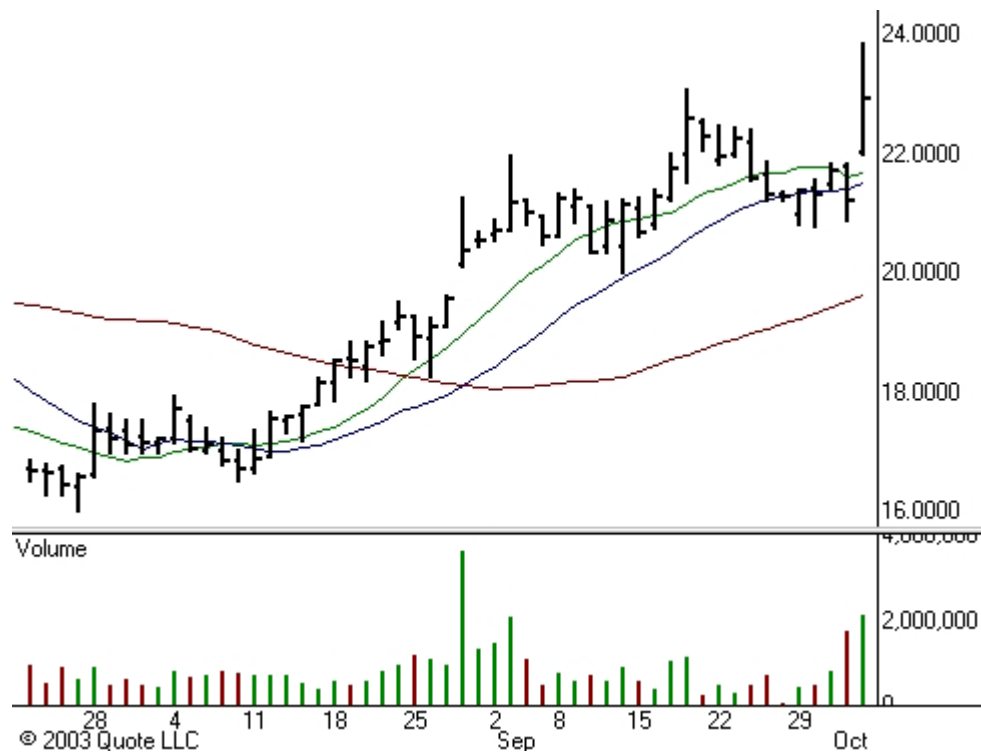
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Chart 5

**Documentum
(DCTM:Nasdaq)
Long**

Entry: 24.00 (Alternate entry on any ORB -- Opening Range Breakout; i.e., a breakout over the first three bars)
Stop: 1 point from entry
Pattern: Expansion Breakout

Comments: Friday's Expansion Breakout Gapper out of a Cup & Handle looks quite interesting.



THE SWING REPORT

Chart 1

**Affiliated Managers
(AMG:NYSE)
Short**

**Entry: 65.40
Stop: 67.10
Initial Target: 63.70**

Pattern: Cooper 1-2-3 Pullback

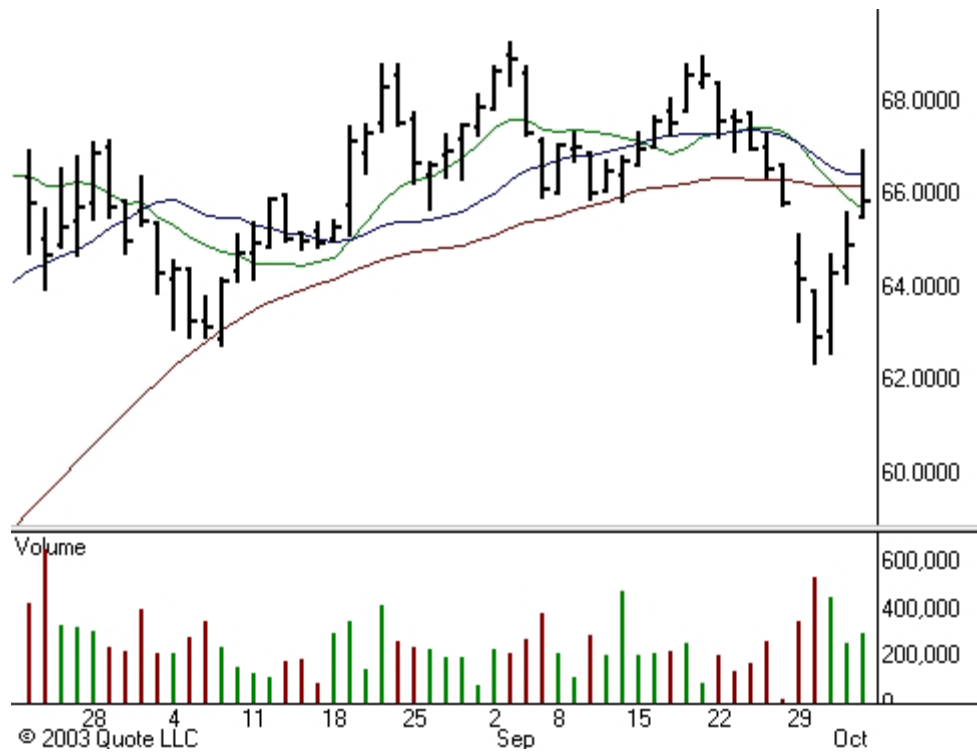
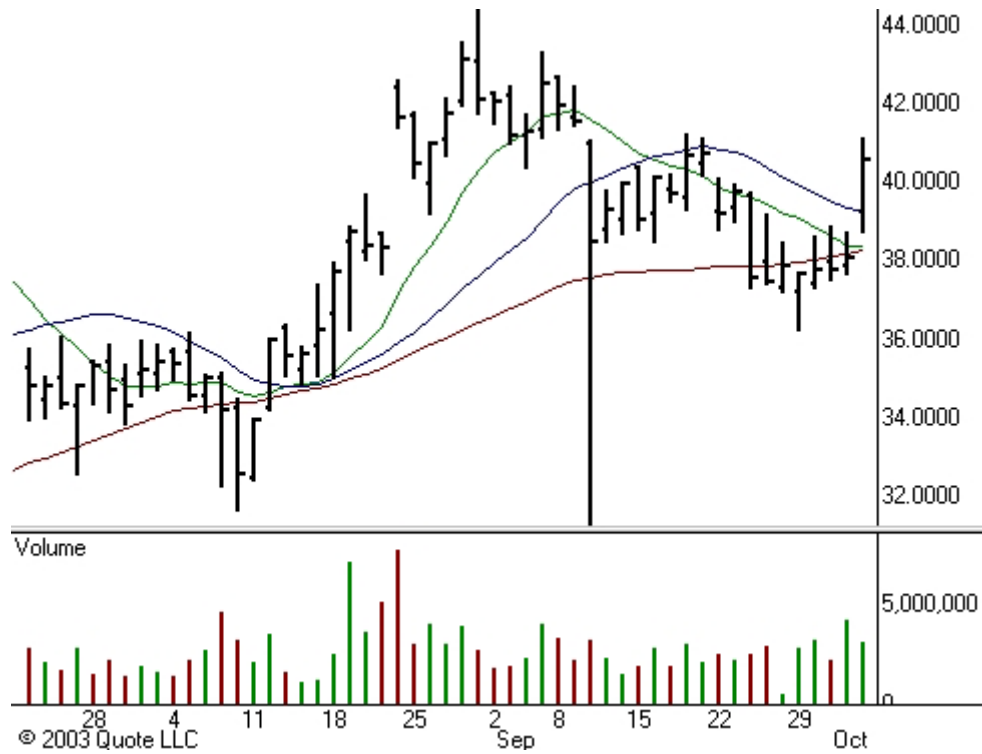


Chart 2

**Marvell Technology
(MRVL:Nasdaq)
Long**

**Entry: 41.25
Stop: 40.25
Initial Target: 43.00**

Pattern: Expansion Pivot / 180



OBSERVATIONS AND TRAILING STOPS

-- Monday is day two in **Barr Laboratories** (BRL:NYSE) (long). We are long from around 69.90. Maintain the stop at 67.70 and the initial target at trade toward 71.70.

-- Monday is day two in **Chiron** (CHIR:Nasdaq) (long). We are long from 54.25. Maintain the stop at 52.25 and the initial target at trade toward 56.25.

-- **Grupos Televisa** (TV:NYSE ADR) never triggered.

-- Monday is day four in **Mid Atlantic Medical** (MME:NYSE) (long). We are long from 52.10. Continue to look to sell all your shares in MME on any move toward 54.10 on Monday. Raise the stop to 52.10 for the *entire* position.

-- Monday is day five in **Capital One Financial** (COF:NYSE) (long). We are long from 57.90. On Friday, you should have sold half your shares, according to instructions, on the open near 60.20, locking in a gain of 2.30 on your first piece. Based on Friday's close below the open by COF, maintain your protective stop at 57.90, but look to sell your second piece near the open on Monday to protect your profit.

-- On Friday, we sold our second piece of **JetBlue** (JBLU:Nasdaq) around 64.70, locking in a gain of 3.60, after locking in a gain of 2.00 on the first piece.

-- Monday is day five in **Coventry Health Care** (CVH:NYSE) (long). We are long from 52.30. Maintain the stop at 52.30, and based on the current pattern in the stock, look to exit on any open Monday around Friday's close.

Notes and Guidelines

DayTrading Report:

Trades marked ▲ indicate stocks that are considered small-cap, trading 500K shares or less. As you know, thin stocks are generally more volatile and trade with a wider spread.

Trades marked * indicate patterns that don't conform to the original rules of the pattern but are defined as "in the spirit of" their namesakes.

The 1-Point Gap Rule: Any stock recommendation that opens 1 or more points above the listed entry price (for longs) or 1 or more points below the listed entry price (for shorts) should be ignored for the day. Please note that history suggests that entering a stock on a gap open increases your potential for a loss.

Reminders: A signal is not valid unless the stock trades at or above the listed entry price for longs and at or below the listed entry price for shorts. ***If a position moves 1 point in your favor in this choppy environment, it is a good idea to sell half the position and move your stop on the remaining position to break even.***

Charts: The green line is a simple 10-day moving average, the blue line is a simple 20-day moving average, and the red line is a simple 50-day moving average.

The Swing Report:

Trades marked ▲ indicate stocks that are considered small-cap, trading 500K shares or less. As you know, thin stocks are generally more volatile and trade with a wider spread.

Trades marked * indicate patterns that don't conform to the original rules of the pattern but are defined as "in the spirit of" their namesakes.

The 2-Point Gap Rule: Any stock recommendation that opens 2 or more points above the listed entry price (for longs) or 2 or more points below the listed entry price (for shorts) should be ignored for the day. Please note that history suggests that entering a stock on a gap open increases your potential for a loss.

Initial Target: Target price at which you should look to sell/cover half your position.

Reminders: A signal is not valid unless the stock trades at or above the listed entry price for longs and at or below the listed entry price for shorts. ***If a position moves 2 points or more in your favor in this choppy environment, it is a good idea to sell half the position and move your stop on the remaining position to break even.***

Charts: The green line is a simple 10-day moving average, the blue line is a simple 20-day moving average, and the red line is a simple 50-day moving average.

Contact Info

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