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Market Commentary: Tuesday's Lows Mark a Line in the Sand

The tension is on the tape as the daily, weekly, monthly and hourly charts duke it out. What will be the resolution of this trendless year?

On the heels of a late-day reversal from new highs in oil, the market staged a late-day rally on Tuesday.

Down nearly 9 points on the session as crude oil made new record highs, the **S&P 500** reversed direction to flirt with the unchanged level just above 1124 one hour before the close. The index settled back to close at 1121.85, still down on the day and with a close below 1123.

The turnaround was impressive, but the bulls failed to capitalize on the potential for a last-hour continuation and a squeeze into the bell. However, mirroring the decline in oil, the bulls hoisted the S&P back above the important 200-day moving average, and, as [suggested yesterday](#), the daily Swing chart will likely turn up on Wednesday. This will give us a chance to observe the character of the market.

A turn-up of the daily chart that fails to generate momentum and instead sees the S&P falter -- not necessarily immediately, but within a day, for example -- will indicate a bearish posture is warranted, at least in the intermediate term.

Near-term resistance remains 1128/1130 S&P, the point of the recent breakdown.

Conclusion: Interestingly, the S&P rebounded after flirting with the level of the low of the last Real Accumulation Day, 1115.95 from Oct. 1. Additionally, the **Nasdaq** also rebounded after undercutting the low of its last [Real Accumulation Day](#), also on Oct. 1. In other words, both indices have snapped back from key support. Now a line in the sand -- Tuesday's lows -- can be drawn as to the interim trend.

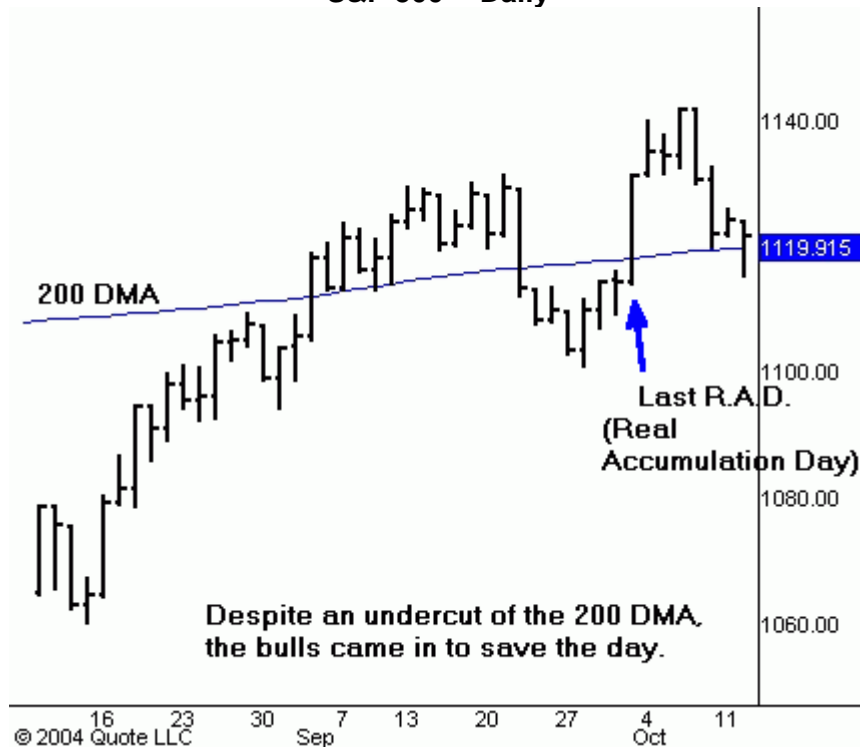
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I suspect Thursday will be a large-range day in one direction or the other. That is because 1128/1130 is overhead resistance and because of the potential of cycles in my work to exert pressure into the end of October. If the market does not go down in October and is able to hold up, that would suggest much internal strength and a pop in the market once the election is out of the way.

Additionally, Wednesday being the last presidential debate, the market may get hit with news Thursday morning as one or both candidates try for a knockout punch vs. the shadowboxing that has reflected a dead heat in the presidential race.

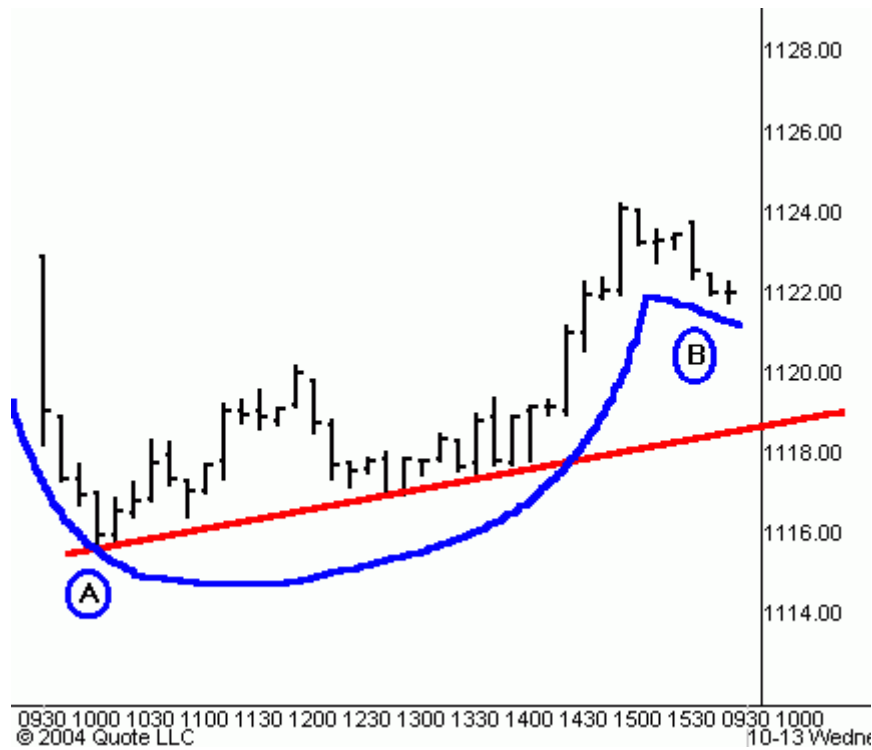
S&P 500 -- Daily



Pivot Points

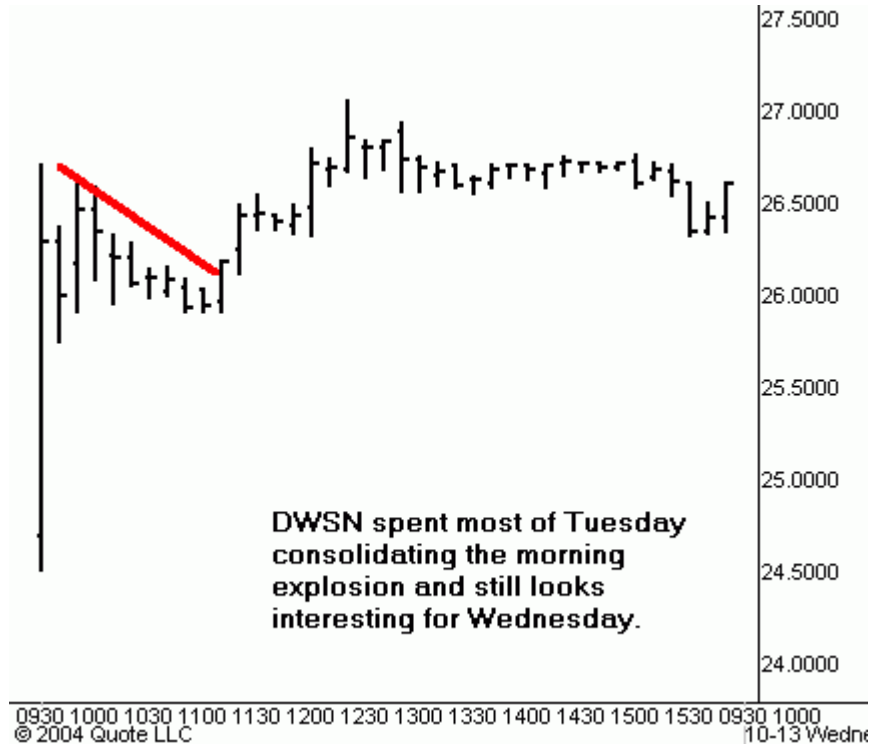
S&P 500 -- 10-Minute

- A) First-hour low
- B) Tuesday's action left a Handle just below our key 1123 pivot, which suggests higher trade early Wednesday.



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Dawson Geophysical (DWSN:Nasdaq) -- 10-Minute



THE DAYTRADING REPORT

Chart 1

Dawson Geophysical ▲
(DWSN:Nasdaq)
Long

Entry: 27.20 or an ORB
Stop: 1 point from entry
Pattern: Expansion Breakout

Comments: First and foremost, DWSN is extremely thin and volatile, so I recommend it only for those of you who are more aggressive traders. Second, although I did not see DWSN's nice Cooper 1-2-3 Pullback setup for Tuesday, the stock still looks interesting for two reasons: 1) the Expansion Volume Breakout on Tuesday, and 2) the fact that Tuesday's Pivot was out of a Handle of a Cup & Handle pattern traced out since July.

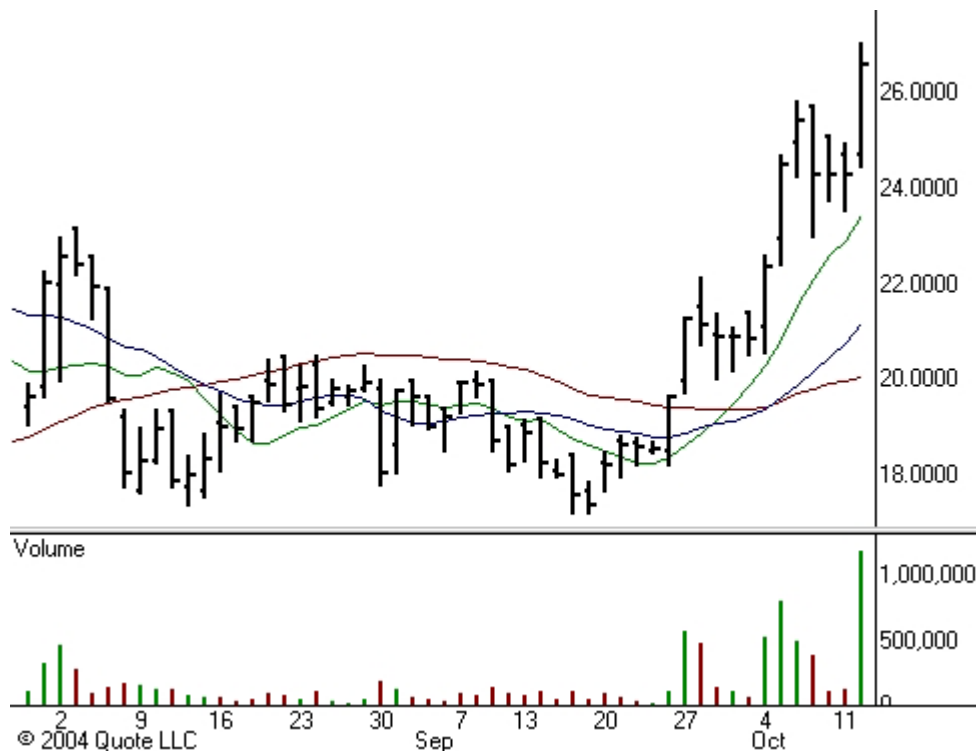


Chart 2

**Amerada Hess
(AHC:NYSE)
Short**

Entry: 89.10
Stop: 90.10
Pattern: Hook, Line & Sinker / LROD

Comments: AHC hooked up, turning its daily chart up on Tuesday only to reverse, leaving an outside day down. Coming on the heels of last Thursday's reversal, AHC looks like it wants to go lower.



THE SWING REPORT

Chart 1

Armor
(AH:NYSE)
Long

Entry: 42.90
Stop: 41.20
Initial Target: 44.60 (trade toward)

Pattern: Signal Day +1 / NR7

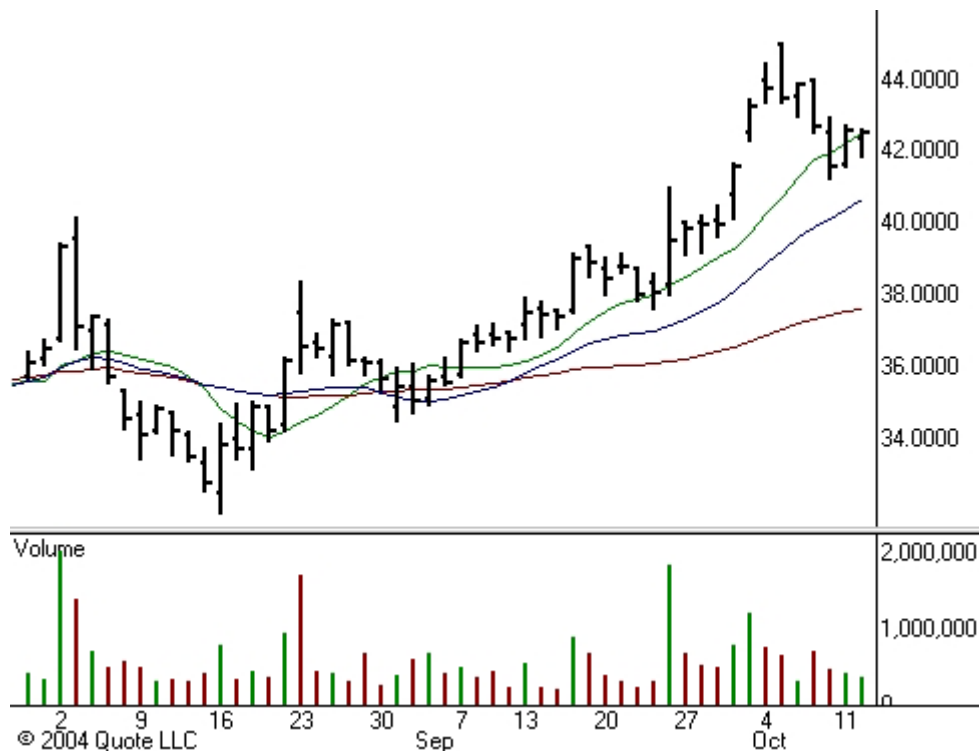


Chart 2

**Bear Stearns
(BSC:NYSE)
Long**

Entry: 93.20
Stop: 91.40
Initial Target: 95.00 (trade toward)

Pattern: *V-Thrust / 180 / Holy Grail

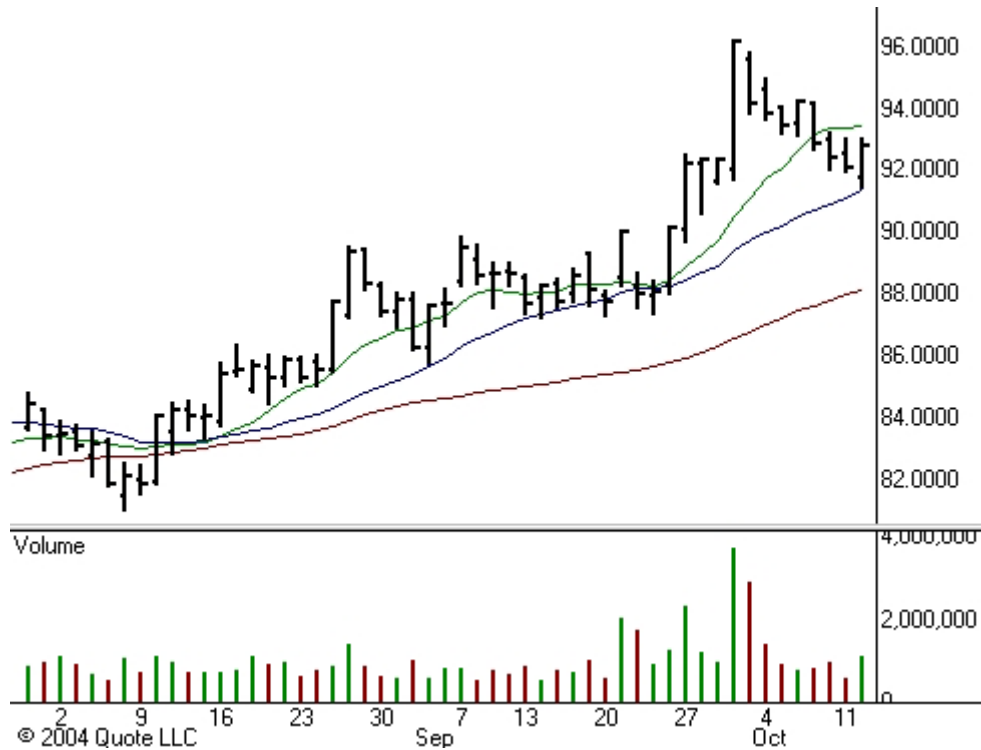


Chart 3

**EGL
(EAGL:Nasdaq)
Long**

Entry: 30.40
Stop: 29.40
Initial Target: 32.30 (trade toward)

Pattern: Cooper 1-2-3 Pullback +1

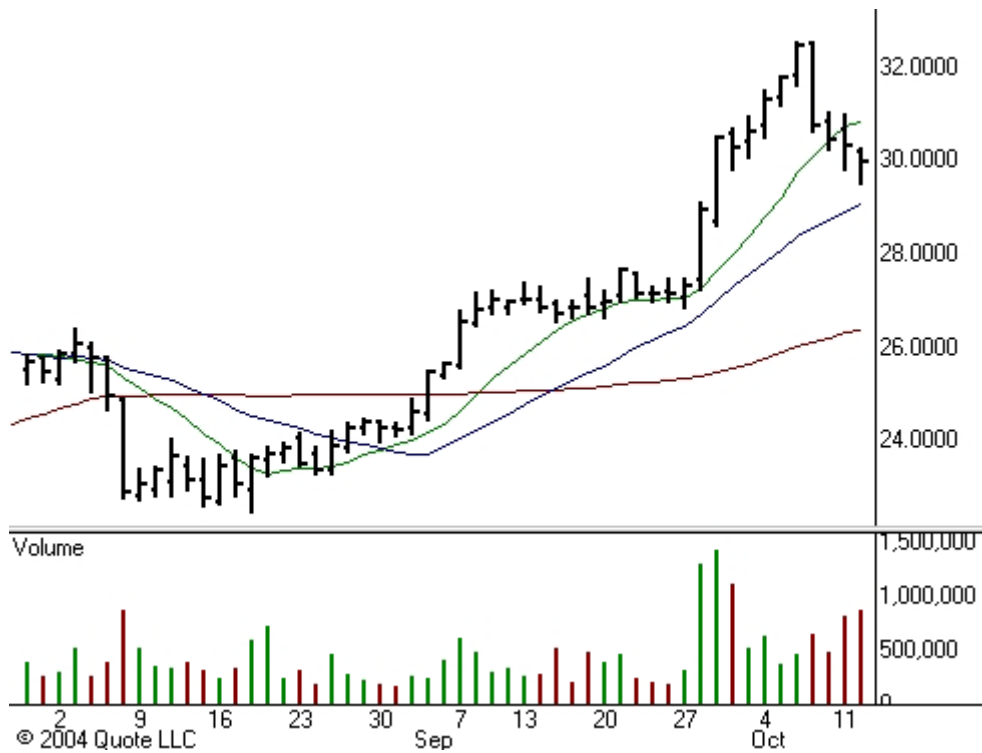


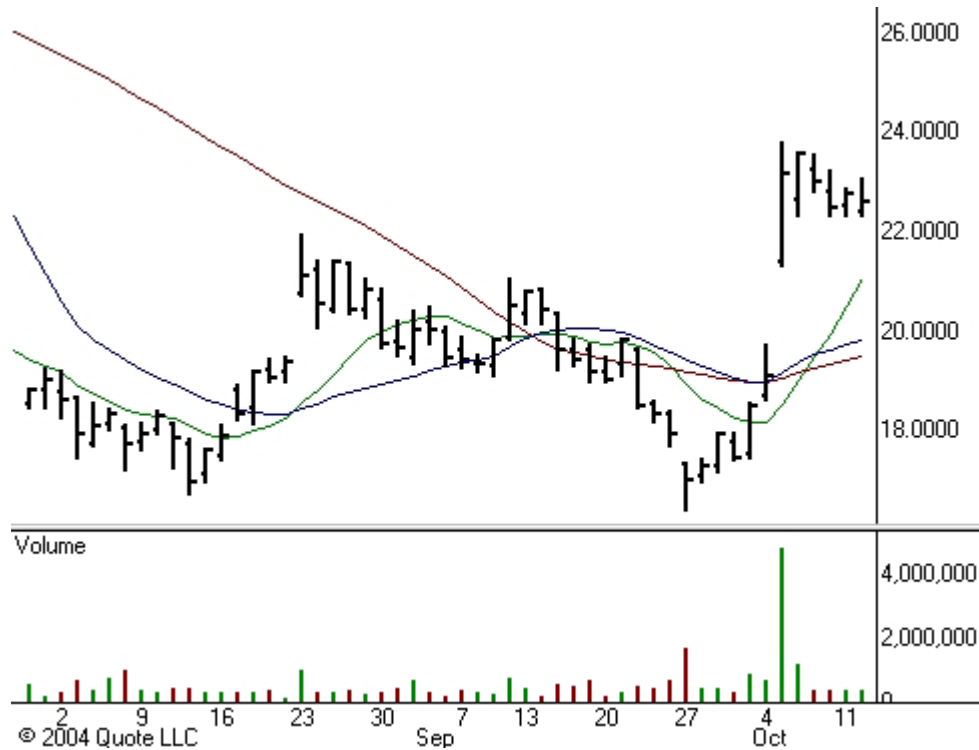
Chart 4

FileNet
(FILE:Nasdaq)
Long

Entry: 23.20
Stop: 22.20
Initial Target: 24.70 (trade toward)

Pattern: Low-Level Extended Level Boomer

Comments: Yesterday, we used FILE as a Daytrade. Based on the High-Volume Thrust from a week ago Tuesday, I think it warrants taking a Swing position as the stock pauses.



OBSERVATIONS AND TRAILING STOPS

- **Armor** (AH:NYSE) (long) did not trigger, and we will use it again.
- **Tessera Technologies** (TSRA:Nasdaq) (long) did not trigger.
- Wednesday is day three in **Whole Foods Market** (WFMI:Nasdaq) (short). We are short from 84.55. On Tuesday, as per instructions, we covered our first piece on a gap-down open, locking in an approximate gain of 1.35. Lower the stop to 84.55 and look to cover the second piece on trade toward 80.70. As of Tuesday's close, we are up 1.38 on the second piece.

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.

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