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Market Commentary: A Hard 10

What a week. First, the seemingly impregnable trends in the energies and basic materials stocks got bludgeoned. Then, the autos and auto parts -- thanks to **General Motors'** (GM:NYSE) earnings -- got crushed. Then, thanks to the grenade thrown by New York Attorney General Eliot Spitzer at the insurance companies, the financials cratered.

Now, I am not sure, but I guess if they did housecleaning in every segment of Wall Street in corporate America, you could probably take another couple of hundred billion dollars of market cap off the market. Wall Street and corporate America just ain't the place to look for choir boys. Is it?

In the meantime, who takes the hit? The public, of course. Once again the public takes the brunt of overcharging and price fixing, while investors saw billions in market capitalization get wiped out. This caused investors to ask the question, "Can't we just all get along?"

'Make Way for the Bad Guy'

Funny how this kind of stuff does not get spotlighted in a bull market. This is just what the market needed: more erosion and loss of confidence in corporate America. There has got to be a better way of getting rid of the "cock-a-roaches," as Tony Montana put it in the movie *Scarface*, without setting the living room on fire. Isn't there? Just askin'.

Friday's rally was all about Alan Greenspan, who says that he is not worried about the high price of oil. Of course, the crude oil market is not really worried about Greenspan either, as it rallied to hit a new high of \$55 a barrel. To quote Greenspan, "The impact of the current surge in oil prices, though noticeable, is likely to prove less consequential to economic growth and inflation than in the 1970s."

Noticeable? Can you say PA-RA-BO-LIC? Thanks AI, I feel so much better now. I will remember that when I fill up my car at \$2.89 a gallon tomorrow. Just let me know when the CD will be released so that I can learn the mantra, too.

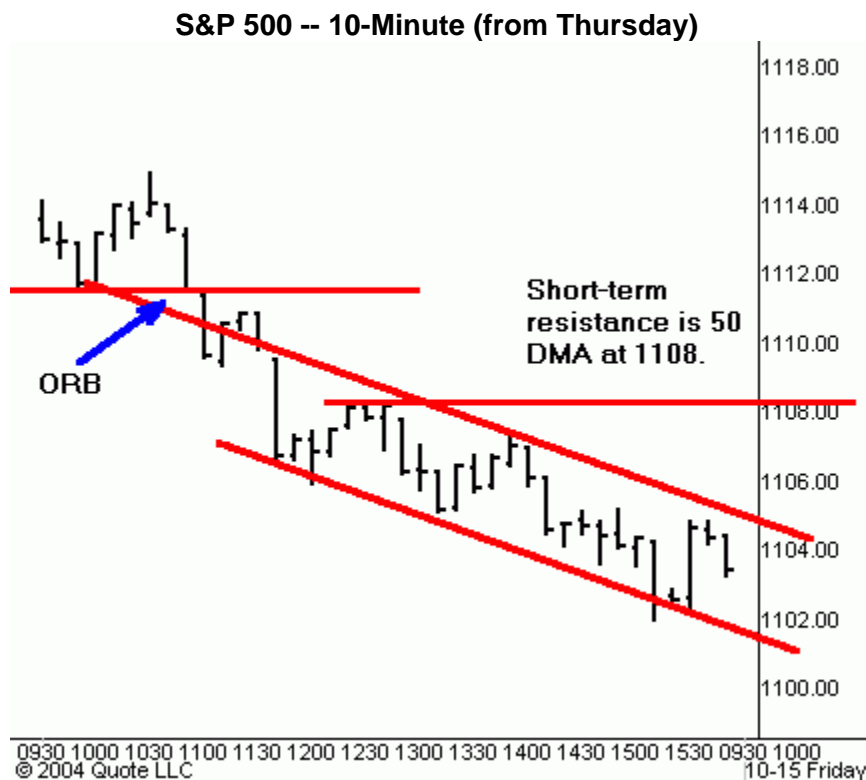
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However, the marketplace is well-versed in the notion that on an inflation-adjusted basis, crude oil would have to go to \$80 a barrel to reach the highs hit in the 1970s -- not to mention a little concept called supply and demand, which is sometimes not exactly a stranger to the Street either.

Perhaps it is just a matter that Greenspan knows that the next president will have to consider, as Bush would say, the "nook-yoo-lar" option as they do in France. Now imagine that, an administration of energy Francophiles. Live long enough and you will see everything, I guess.

In Thursday's pivot section, I showed the following chart, which gave the short-term resistance at 1108 on the **S&P 500**. Although the S&P took off after a first-hour low and a test on Friday to trade to 1113.15, it gave up half of that gain to close at the 1108 resistance and just a tad under the 200-day moving average.

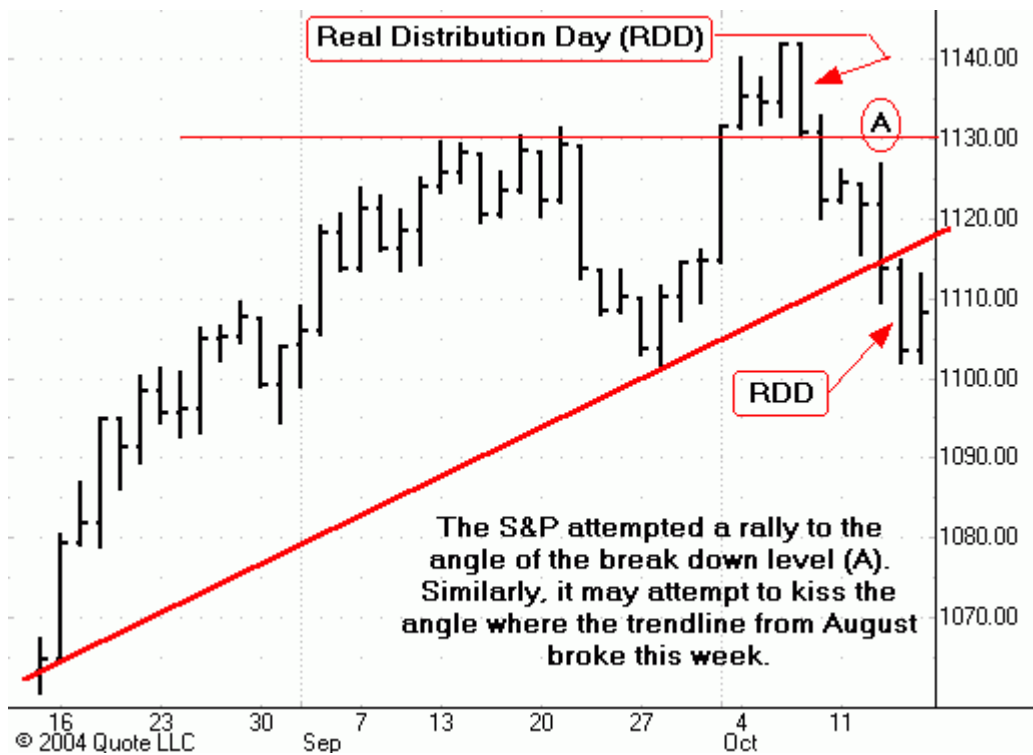


Speaking of supply and demand, the S&P issued another Real Distribution Day on Thursday. This leaves two Real Distribution Days in relatively close proximity (Oct. 7 and Oct. 14). This occurrence of what I call Piggyback Distribution Days (or Piggyback Accumulation Days on the way up) -- along with the break of the Trendline from Aug. 13 and a close below the 200-day moving average, the 50-day moving average, and our old friend 1123 pivot on the S&P -- continues to indicate that the line of least resistance is lower.

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The notion of a plunge into the November election should be confirmed with a break of 1101.35, which is the midpoint of the August/September swing. As you know, 1101 also coincides with the last swing low on Sept. 28, which also closely coincides with the low of September at 1099.20. Trade below that level, the September low, will give us an outside down month, which, along with the evidence of two Real Distribution Days within a week, indicates a test of the August low.

S&P 500 -- Daily

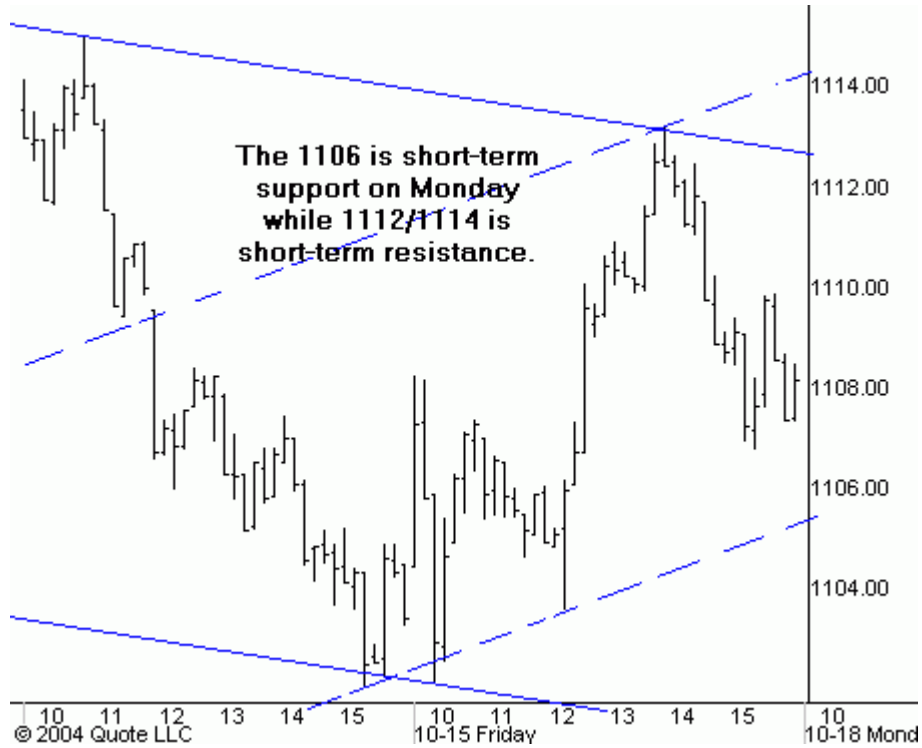


If the 1100 level breaks, it is my impression that 1060, the low for the year on the S&P, will be undercut because a full revolution, or 360 degrees down on the Gann Square of Nine Chart, has not been accomplished this year. Such a 360-degree revolution from the March high projects to 1025/1030 S&P.

If this is going to occur, I would expect to see these prices in early November. There are only 10 more trading days left in October. But it could be a hard 10.

Pivot Points

S&P 500 -- 10-Minute



S&P 500 -- 60-Minute



THE DAYTRADING REPORT

Chart 1

NCR
(NCR:NYSE)
Long

Entry: 53.05
Stop: 52.05
Pattern: Extended Level Boomer / NR7



Chart 2

**Flir Systems
(FLIR:Nasdaq)
Short**

**Entry: 54.40
Stop: 55.40
Pattern: 180**

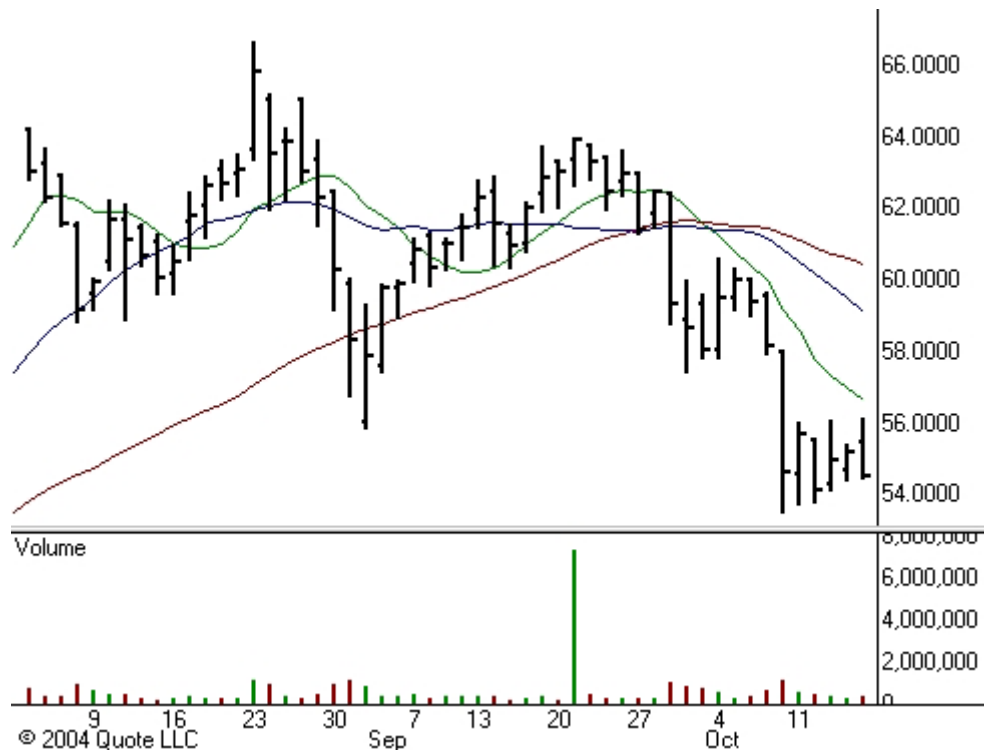
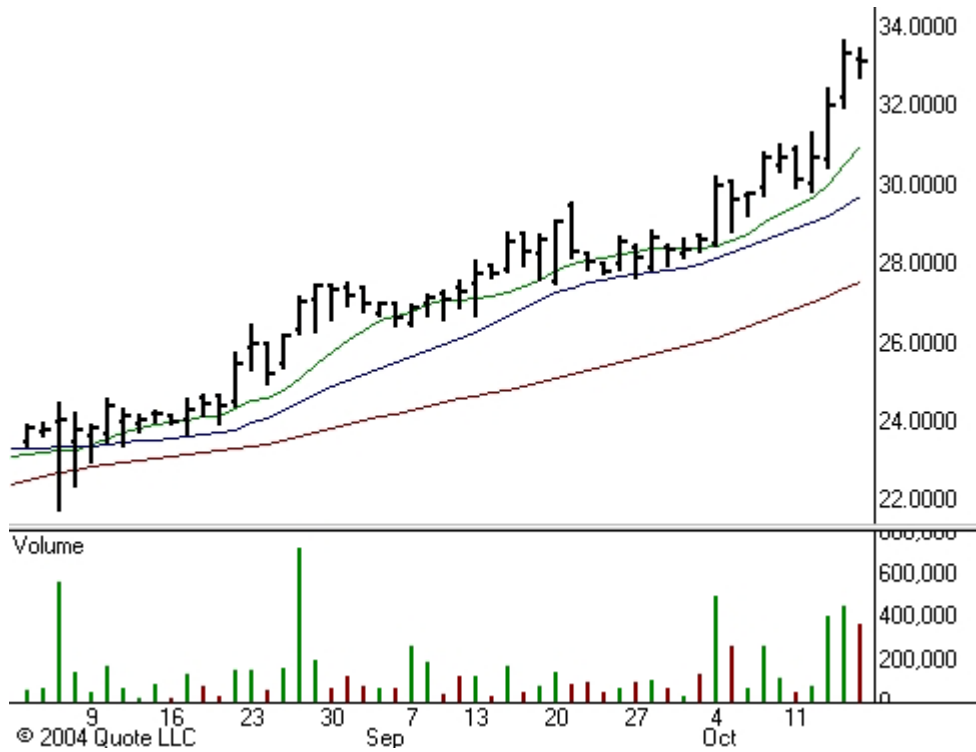


Chart 3

**Central European Media Enterprises ▲
(CETV:Nasdaq)
Long**

**Entry: 33.75 or on an Opening Range Breakout
Stop: 1 point from entry
Pattern: Jack in the Box**

Comments: Heads up, as this one is extremely thin, but interesting.



THE SWING REPORT

Chart 1

EGL
(EAGL:Nasdaq)
Long

Entry: 31.00
Stop: 29.50
Initial Target: 32.50 (trade toward)

Pattern: Pullback Pivot

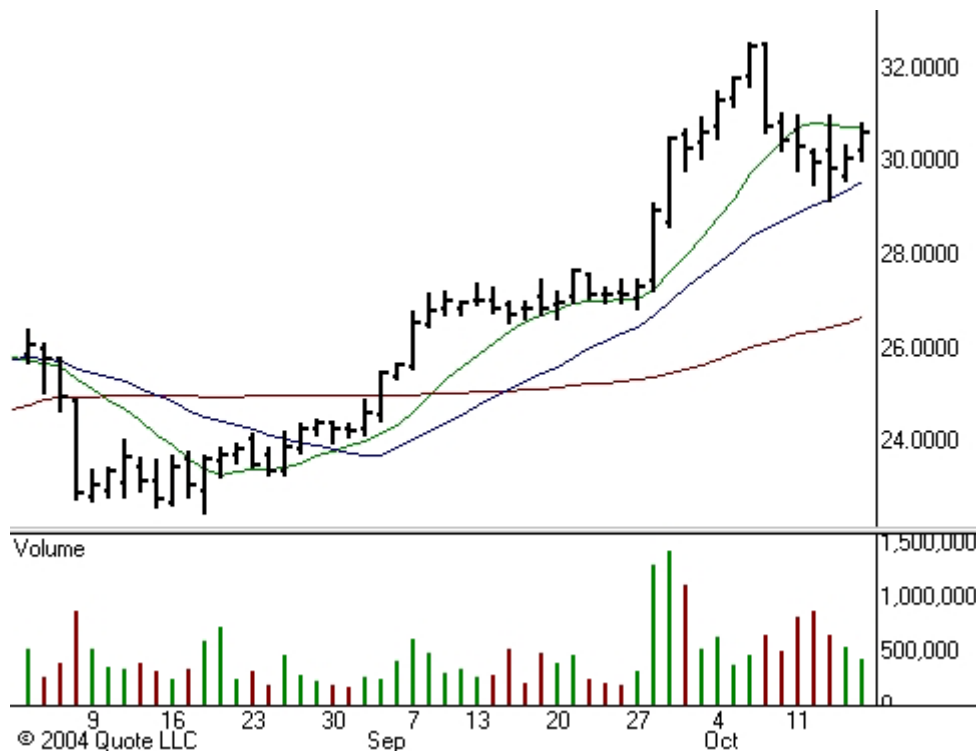
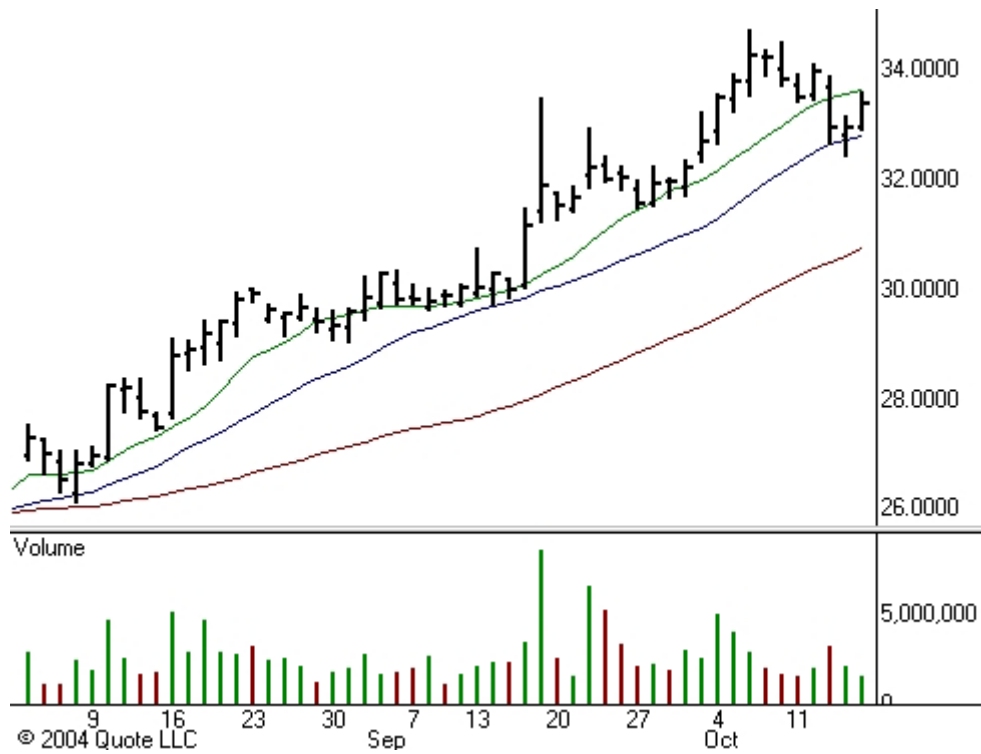


Chart 2

**Eastman Kodak
(EK:NYSE)
Long**

Entry: 33.70
Stop: 32.25
Initial Target: 35.15 (trade toward)

Pattern: Pullback Pivot



OBSERVATIONS AND TRAILING STOPS

-- Monday is day two in **Petco Animal Supplies** (PETC:Nasdaq) (long). We are long from approximately 35.90 on an Opening Range Breakout. Maintain the stop at 34.50 and the initial target on trade toward 37.50. As of Friday's close, we are up 21 cents.

-- Monday is day two in **Teekay Shipping** (TK:NYSE) (long). We are long from 45.60. Maintain the stop at 43.60 and the initial target on trade toward 47.60. As of Friday's close, we are down 4 cents.

-- **Valero Energy** (VLO:NYSE) (long) did not trigger.

-- Monday is day three in **FuelCell Energy** (FCEL:Nasdaq) (long). We are long from 12.40. Maintain the adjusted stop at 12.00 and the initial target on trade toward 13.90. As of Friday's close, we are up 15 cents.

THE TRADING REPORTS HIT LIST

For the week beginning Oct. 18, 2004

The following is a list of those strongly trending stocks (up and down) that my work shows to be the most interesting for the current week. Not all strongly trending stocks are created equal. The following stocks are culled from screens that meet my proprietary criteria based on patterns, time and price.

Uptrending

Harman International Industries (HAR:NYSE)
Cooper Companies (COO:NYSE)
Cal Dive International (CDIS:Nasdaq)
Symantec (SYMC:Nasdaq)
Sunoco (SUN:NYSE)
Overseas Shipholding (OSG:NYSE)
Teekay Shipping (TK:NYSE)
Qualcomm (QCOM:Nasdaq)
Grupo Televisa (TV:NYSE ADR)
Blue Nile (NILE:Nasdaq)
Peabody Energy (BTU:NYSE)
Black & Decker (BDK:NYSE)
EGL (EAGL:Nasdaq)
Suncor Energy (SU:NYSE)
Leadis Technology (LDIS:Nasdaq)
Air T (AIRT:Nasdaq)
Armor (AH:NYSE)
bebe stores (BEBE:Nasdaq)
Research in Motion (RIMM:Nasdaq)
Central European Media Enterprises (CETV:Nasdaq)
Wynn Resorts (WYNN:Nasdaq)
General Maritime (GMR:NYSE)
NCR (NCR:NYSE)
Yahoo! (YHOO:Nasdaq)
Apple Computer (AAPL:Nasdaq)
PetSmart (PETM:Nasdaq)
Satyam Computer Services (SAY:NYSE ADR)
United Parcel Service (UPS:NYSE)

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Downtrending

palmOne (PLMO:Nasdaq)

Apollo (APOL:Nasdaq)

Fastenal (FAST:Nasdaq)

Flir Systems (FLIR:Nasdaq)

Tractor Supply (TSCO:Nasdaq)

Lear (LEA:NYSE)

Whirlpool (WHR:NYSE)

Express Scripts (ESRX:Nasdaq)

Alcon (ACL:NYSE)

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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