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Market Commentary: Catalyst Could Turn the Tide

The market always looks great -- until it does not. It's like a bodybuilder who looks buffed out at his best, and sometimes there is just no where left to go when you are maxed out.

I am not saying that the market cannot go any higher. I have been around long enough to know that when the speculative mare has the bit in its mouth, she can do whatever she wants. Momentum is its own handmaiden.

But methinks that the momentum here is embedded more in the psychology of market participants than in the price action itself.

Sure, there are comets and bottle-rocket stocks exploding here and there, but what has the **S&P 500** done except for a new closing high on Wednesday? It is 10 points higher than the close 11 trading sessions ago on July 20. That is hardly the poster child for the kind of momentum mantra reflected by the bullish sentiment out there.

The point is that the bulls have done a great job of shrugging off higher oil prices, higher rates and historically low mutual fund cash levels. That is not a prescription for complacency. Especially not with the cycles playing out in my work.

The market shrugs off stuff until it doesn't. Sometimes a catalyst is required to turn the tide. Sometimes it is simply the natural ebb and flow of the market's own internal tides.

Today, I believe that a potential catalyst -- or at least the symptom of what that catalyst may ultimately be -- appeared on the radar. On Wednesday, a Get Into Dodge (as opposed to a Get Out of Dodge) Buy Signal was generated on the Philadelphia Gold and Silver Mining index (XAU). This signal confirms an earlier buy setup from late May. The rally in gold stocks is coincident with a new two-month low in the dollar vs. the euro. A falling dollar may be the catalyst that will knock the stock market off its perch.

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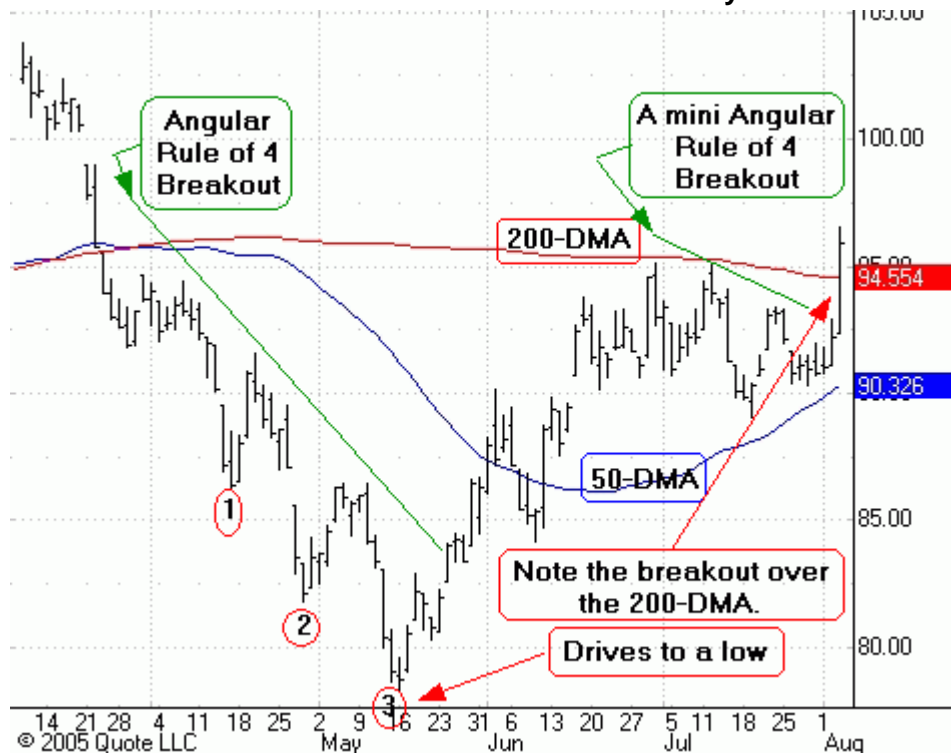
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I believe that a fast move in the gold stocks is commencing from here and will last for some time (pullbacks notwithstanding) based on the aforementioned Get Into Dodge Buy Signal and the position of the monthly chart on the XAU.

* * *

All of the signals and factors I've mentioned here will be explained in detail in an upcoming seminar that I and my partner, Dave Reif (www.mutualmoneyflow.com) will be offering in early October in Las Vegas, sponsored by Traders Library. At this seminar, a new, never-before shown unified theory of stock market behavior will be presented. We will give a practical way to use and profit from the Wheel of Price and Time. We will also demystify the Gann Square of Nine chart and show a simple, practical way to employ it as one of your trading and investment tools. These are just a few of the highlights from this upcoming seminar. Please [email me](#) if you have any interest in attending.

Gold and Silver Sector Index -- Daily



(Continued on the next page)



THE DAYTRADING REPORT

Chart 1

Cymer
(CYMI:Nasdaq)
Long

Entry: 35.75 officially, but ideally on an Opening
Range Breakout (ORB)
Stop: 1 point from entry
Pattern: Jack-in-the-Box

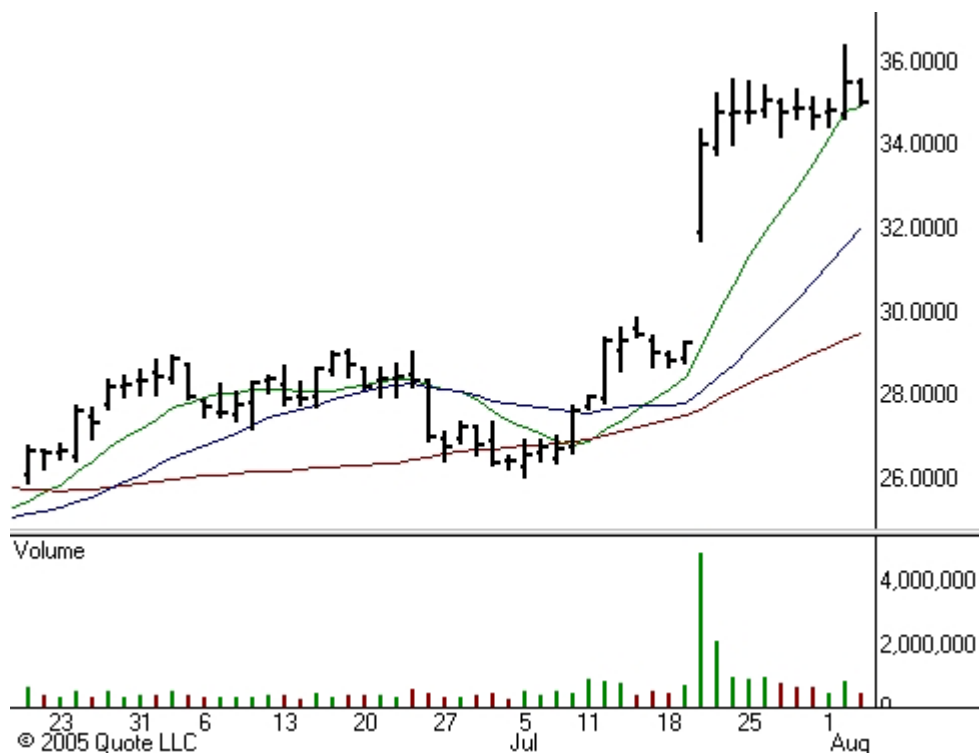
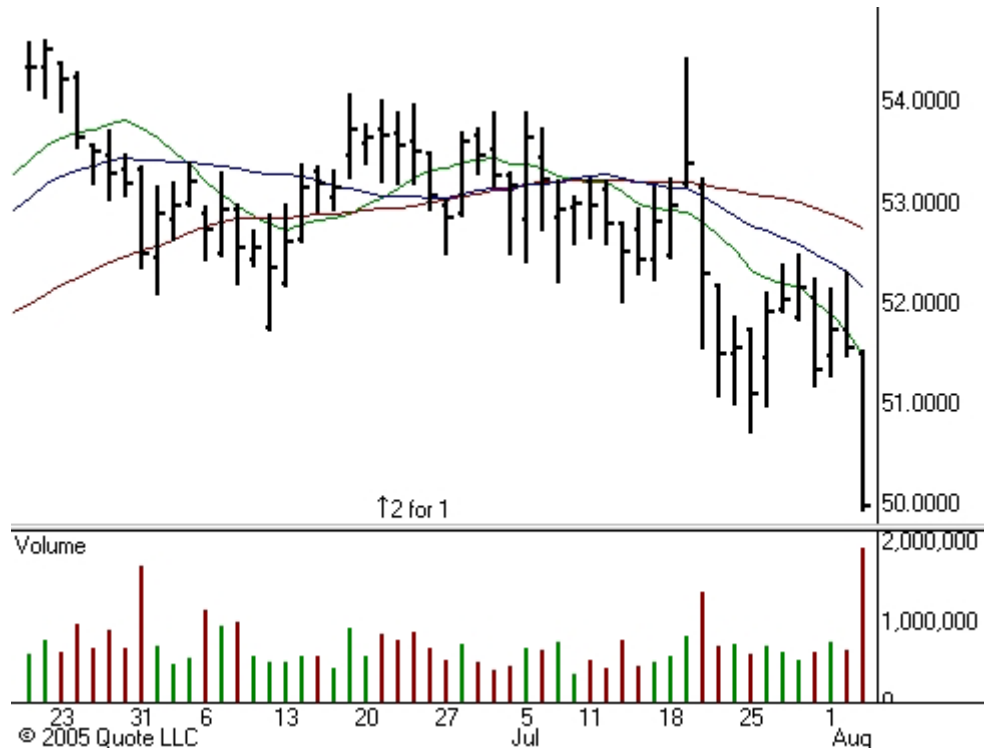


Chart 2

**Quest Diagnostics
(DGX:NYSE)
Short**

**Entry: 49.80
Stop: 50.80
Pattern: Expansion Breakdown**



THE SWING REPORT

Chart 1

**Fisher Scientific
(FSH:NYSE)
Long**

Entry: 66.05
Stop: 65.05
Initial Target: 67.40 (trade toward)

Pattern: Cooper 1-2-3 Pullback / 180 / Holy Grail

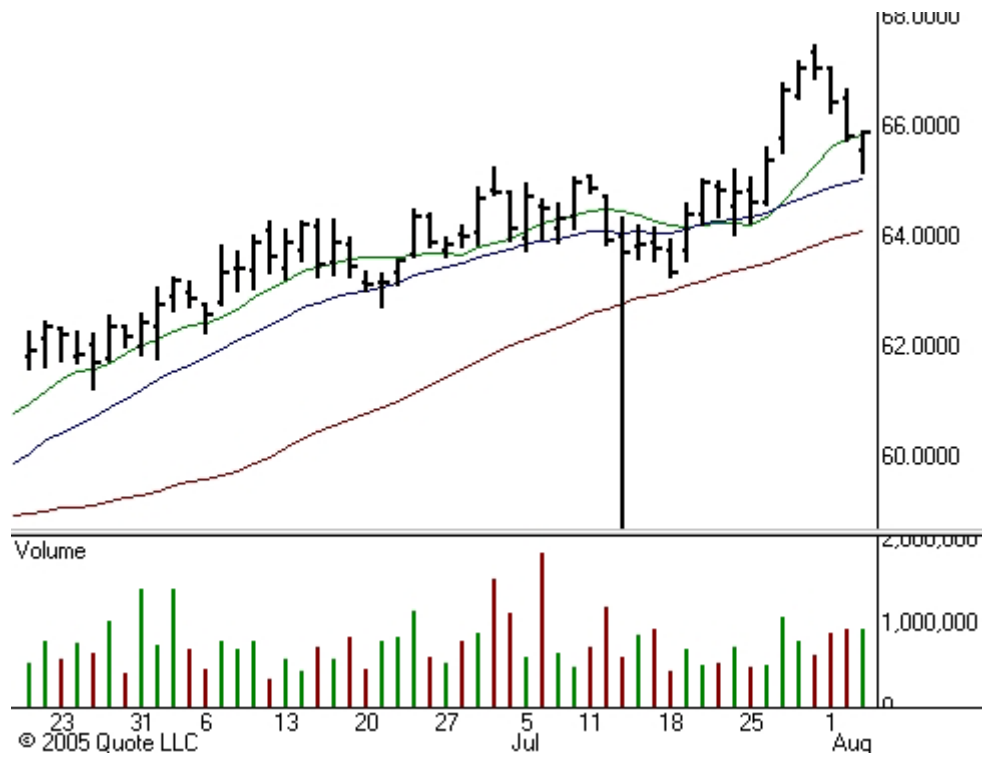


Chart 2

**Alcon
(ACL:NYSE)
Long**

Entry: 114.60
Stop: 113.00
Initial Target: 116.60 (trade toward)

Pattern: Cooper 1-2-3 Pullback + 1

Comments: ACL looks interesting as it has pulled back to its 20-day moving average and fills the gap from July 28.

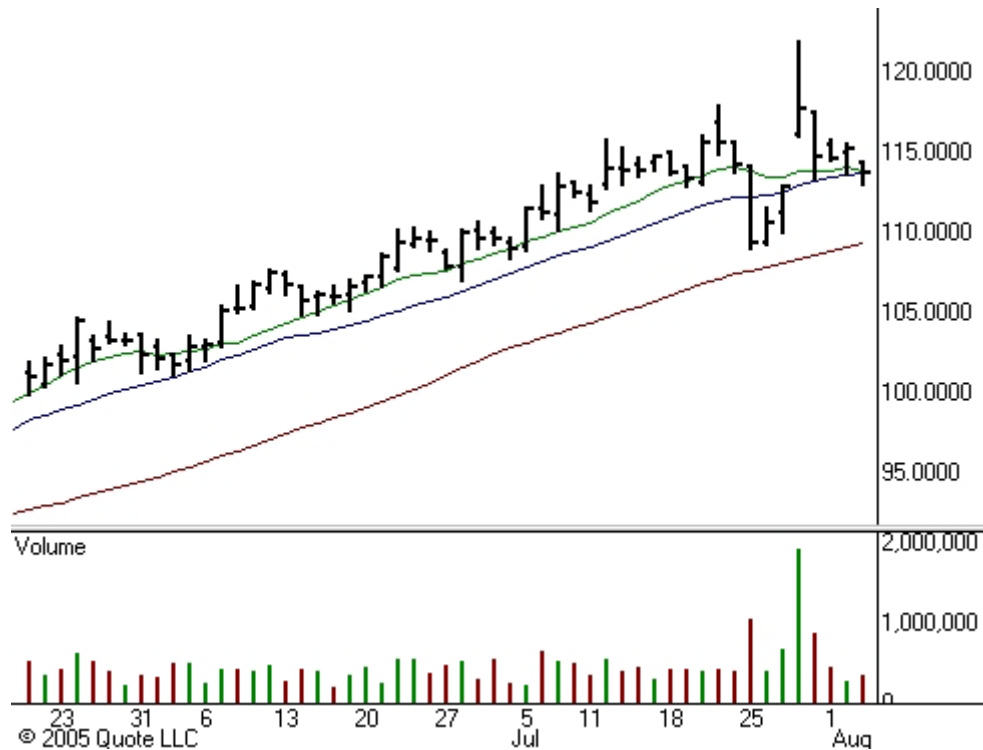


Chart 3

**Vornado Realty Trust
(VNO:NYSE)
Long**

Entry: 88.15
Stop: 87.15
Initial Target: 89.60 (trade toward)

Pattern: Cooper 1-2-3 Pullback

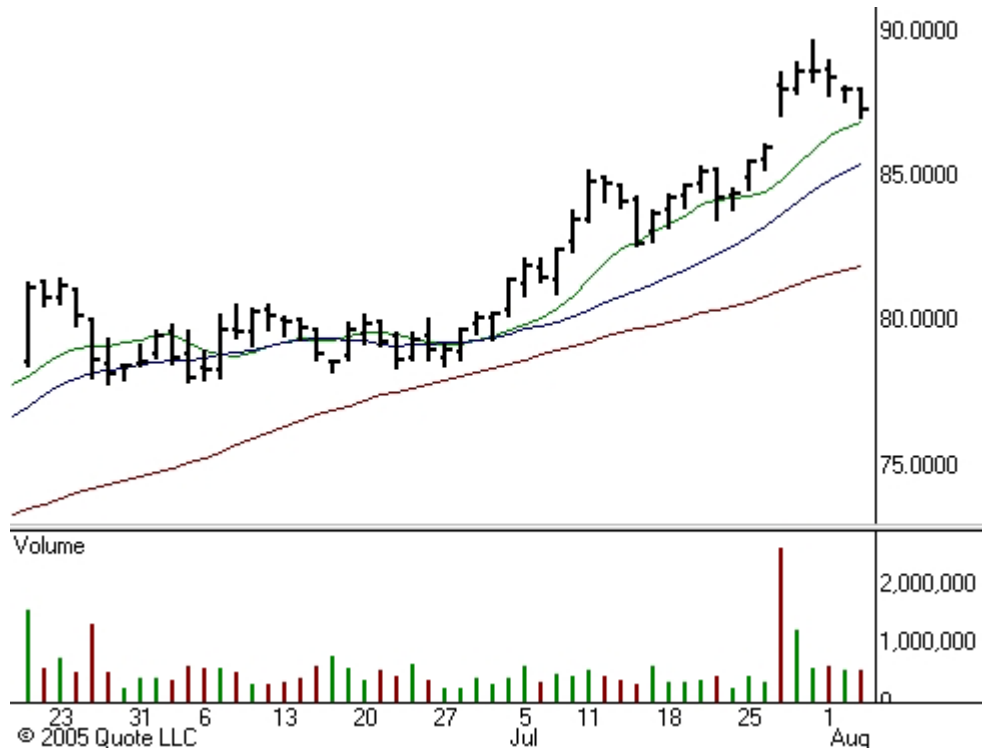
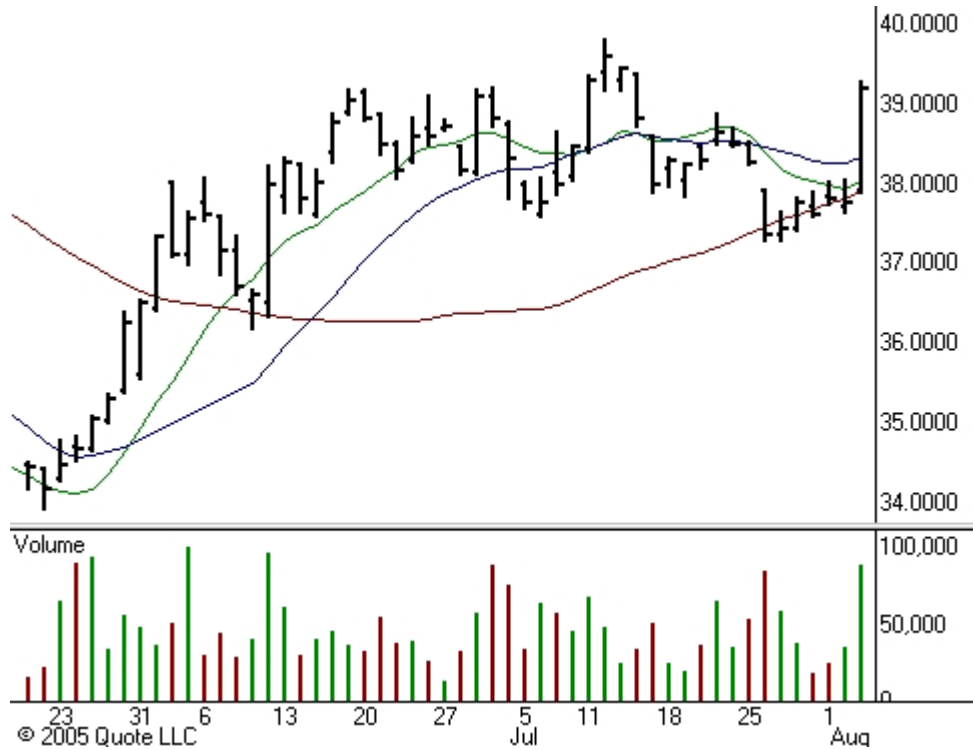


Chart 4

**ASA Limited
(ASA:NYSE)
Long**

Entry: 39.40
Stop: 37.40
Initial Target: 41.40 (trade toward)

Pattern: Expansion Pivot / 180



OBSERVATIONS AND TRAILING STOPS

-- Thursday is day two in **General Dynamics** (GD:NYSE) (long). We are long from 115.35. Maintain the stop at 113.35 and the initial target on trade toward 117.35. As of Wednesday's close, we are up 7 cents.

-- Thursday is day three in **F5 Networks** (FFIV:Nasdaq) (short). We are short from 41.95. We covered our first piece on trade toward 39.95, locking in a 2.00 gain. Lower the stop on the second piece to 39.95. As of Wednesday's close, we are up 3.19.

-- Thursday is day three in **eBay** (EBAY:Nasdaq) (long). We are long from 44.10. Maintain the stop at 42.10 and the initial target on trade toward 46.10. As of Wednesday's close, we are up 45 cents.

-- Thursday is day four in **Neurocrine Biosciences** (NBIX:Nasdaq) (long). We are long from 50.10. Maintain the stop at 48.80 and the initial target on trade toward 51.60. As of Wednesday's close, we up 4 cents.

-- Thursday is day five in **Denbury Resources** (DNR:NYSE) (long). We are long from 47.35. Based on Wednesday's reversal in DNR, raise the stop to 46.35 and maintain the initial target on trade toward 49.35. As of Tuesday's close, we are down 45 cents.

-- Thursday is day seven in **Celgene** (CELG:Nasdaq) (long). We are long from 47.85. Raise the adjusted stop to 47.85 to breakeven due to today's market action and reduce the target on trade toward 48.85. As of Wednesday's close, we are up 56 cents.

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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