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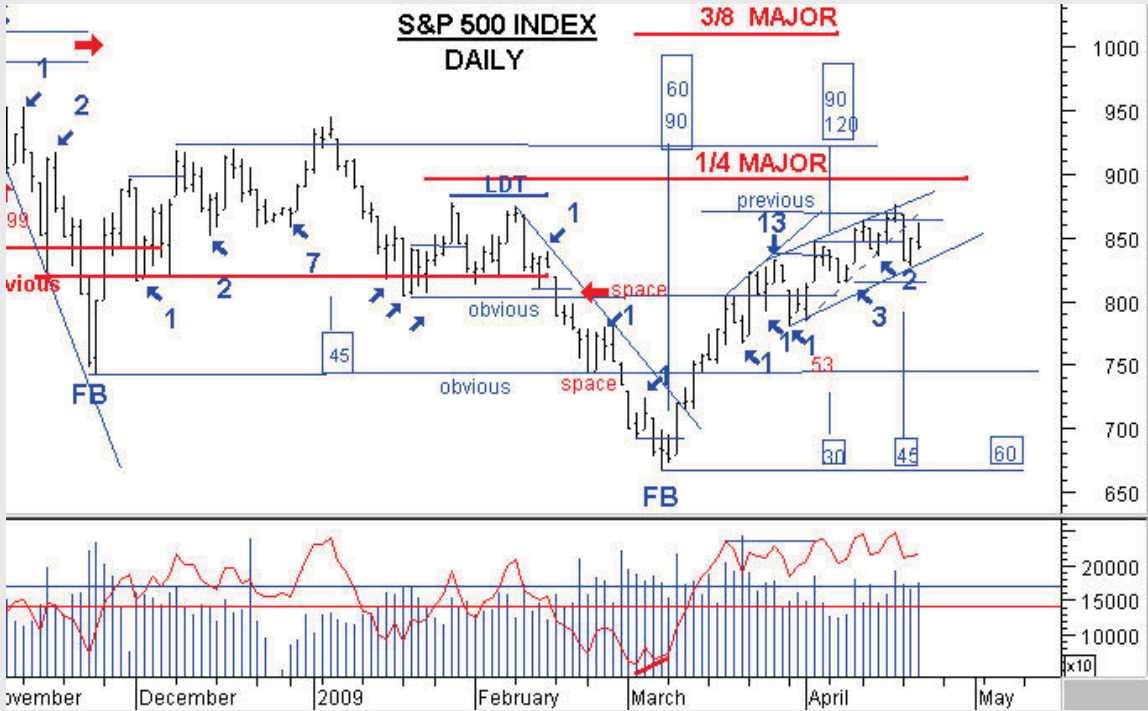
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By [Bill McLaren](#) | Published Today | [April 2009](#) | Unrated

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S&P 500 INDEX

The indexes showed a rally day that couldn't hold the gains. If the index can break the low of Tuesday the 21<sup>st</sup> then there will be a one day counter trend in place. If it cannot break that low with two days then something else is going on. It could be going into a further distribution as occurred August 19, 2008 through Sept 2, 2008 or it could be setting up for a marginal higher high.



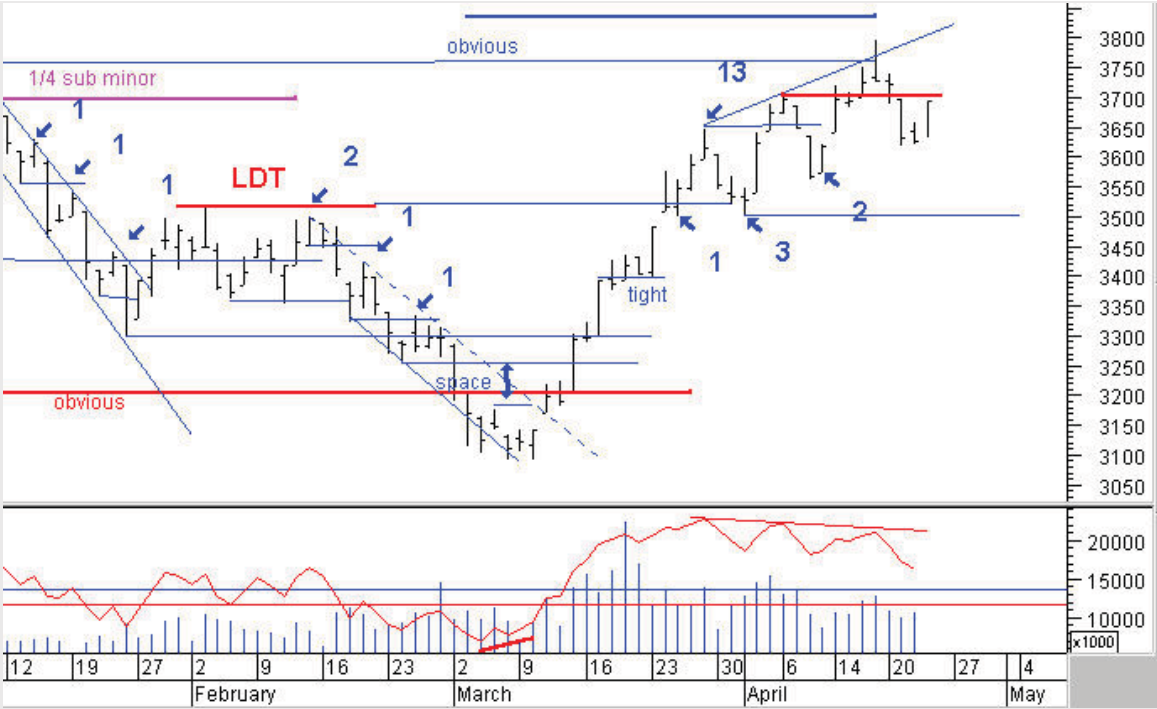
I am still having a problem with the style of the three thrust pattern. The fact that each counter trend was becoming smaller could still leave an exhaustion or marginal new high possible. If the index moves down and breaks the low of two days ago then there is evidence of trending down. Then index should then run down to hit support. I would still expect a large rally once support is found and likely around the 800 to 805 price level at 50% of the previous larger range. If support is 770 it would present a problem for the bulls. This is looking "obvious" as a top so I am looking for a possible surprise. A "broadening pattern" is possible when this volatility comes into the market and would allow for another marginal new high. Tomorrow is now the key and needs to see a wide range down day to indicate trending just as all the examples pointed out a few days ago. I chose to look for an indication of trending down rather than selling the new high and thus selling the three thrust pattern. The reason for this was the nature of the three thrust pattern as previously explained. Now we'll see if my caution was valid or not. If the index goes down and breaks the low then my caution was not valid. If it rallies further then my caution was validated.



One of the reasons for this rally and better feeling towards the indexes has been the earnings of the financial or banking stocks. The earnings have been a sham at best and blatant fraud at worst. Martin Weiss has done a good job of that analysis as have others. Martin refers to the Citibank earnings as the “greatest banking deceptions of all time.” The sickening aspect of all the ‘bank earnings’ is this fraud is encouraged by the Fed and Treasury. I thought we would be through with all the lies when a new administration took over. But Geithner, Summers, Bernanke and the current bank managements were the ones who brought us to this point and will not change their perspective. They are looking to save the financial system by keeping in place what brought us to this cliff. They still view securitization as one of the saviors of the system even though that is one of the aspects that created this problem. Nothing has changed and nothing will change until the banks are brought back to being just banks and not underwriters, brokerages and hedge funds. I have this awful feeling the “stress test” will be just as fraudulent as the latest bank earnings. Remember it was just 6 months ago the banks needed \$700 billion dollars or Armageddon was upon us. The economy and value of their assets have continued to plunge but now everything within the banking industry is fine?

ALL ORDS INDEX

The index opened up and ran to a high the first 45 minutes and corrected 50% of the advance into noon. The index then rallied back to the morning high during the noon hour and kept advancing to new highs before 2:00. The index then moved “on the side” until the last hour where it rallied to another new daily high.



There is now the possibility of setting up a “one day counter trend rally” if the index breaks the 3618 level tomorrow (Friday). Viewing major stocks it is possible the banks still have to work through their last exhaustion and BHP still appears vulnerable. We could see the index trade on the side for a week or two for further distribution. But tomorrow should tell the story. First support is around the 1<sup>st</sup> April low at 3500.

The current low has held ¼ of the range up and seems unlikely a solid low as that would imply another big thrust upward. Even if this were an uptrend it would be more likely to move down to the 1/3 to 3/8 level before advancing. So there is a strong trend that has moved down to the level that keeps the strong trend intact. We'll now see if my cautious attitude toward this trend ending was valid. Today closed on the high and that could have exhausted the move up. A lot depends upon tomorrow's price action.



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