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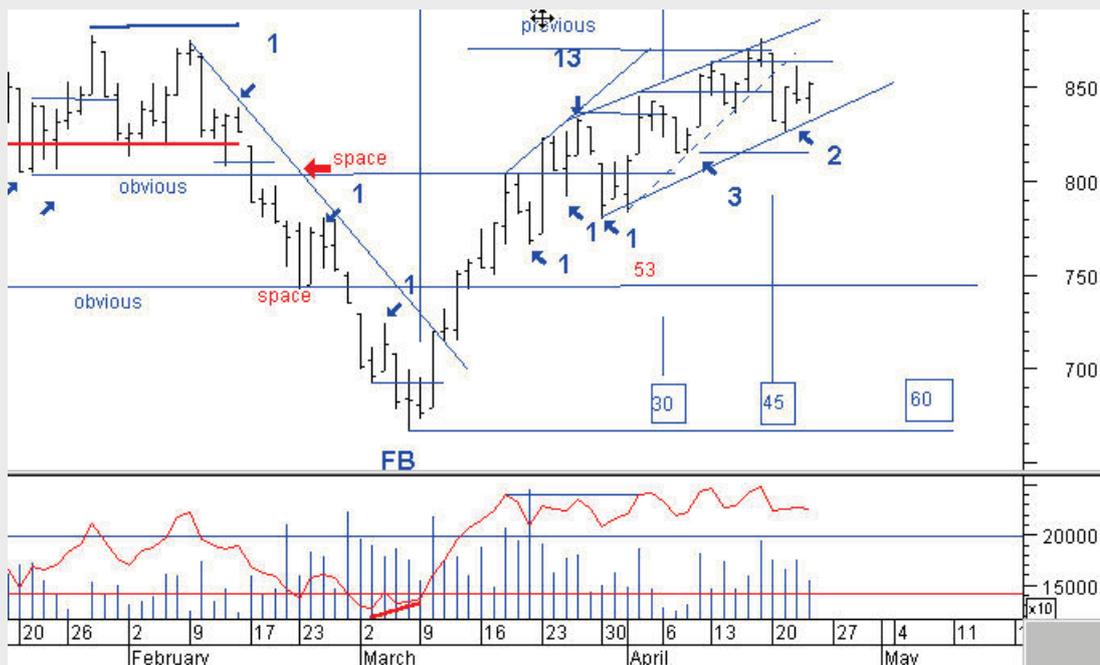
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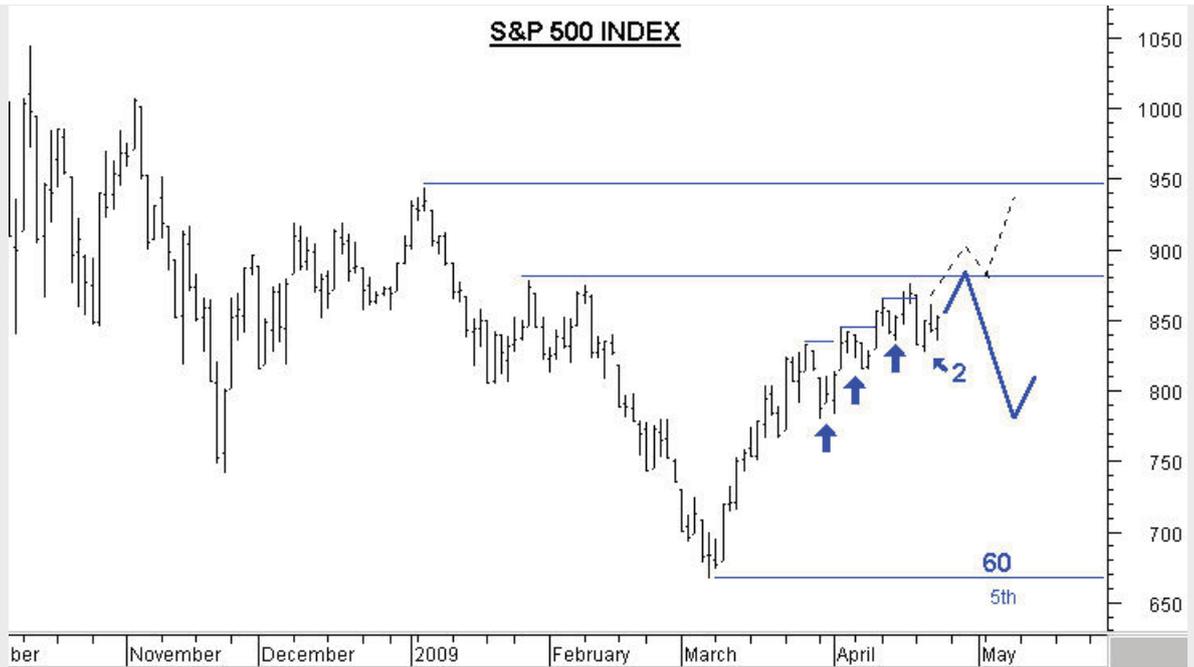
S&P 500 INDEX REPORT FOR FRIDAY

The index did not break the 826 level (low of the 21st) so there is not yet a lot of selling pressure. Now the index can possibly do something normal for a top—if one is here. There is a high on the 17th that was an exhaustion of some sort. It wasn't a big spike up but it did exhaust a three thrust pattern of trending. Remember how a three thrust pattern on many occasions will struggle up with its last move up but in this instance the move down was so small the index was able to go to a new high within one day. That left a probability of further distribution with a struggle up after another low or it could resolve the struggle to the upside. The later seems unlikely but still possible. A high should set in the next week days as either a lower high or a marginal new high.

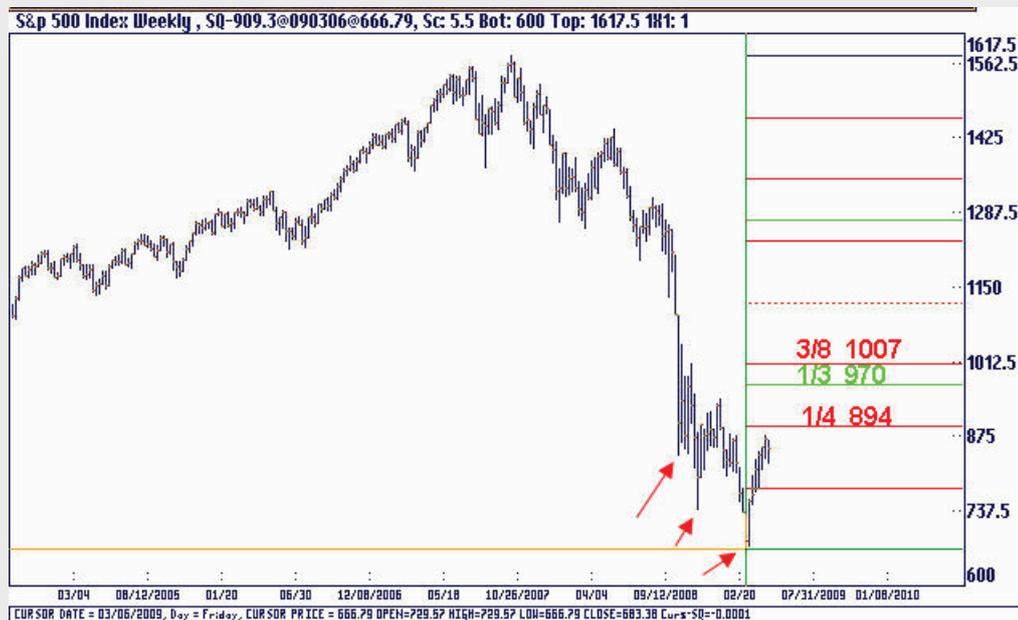


If there were a lot of selling pressure and the trend were complete, today there would have been a wide range down day as explained throughout the week. This could now show a more normal distribution by struggling back to the April high. The index is now two days up after two days down and two or three more days of weak rally could set up the move down. Remember the normal counter trend is one to four days so the third or fourth day up could set in a lower high. Or a marginal new high may leave us with the opportunity of that break to a new high becoming a top.

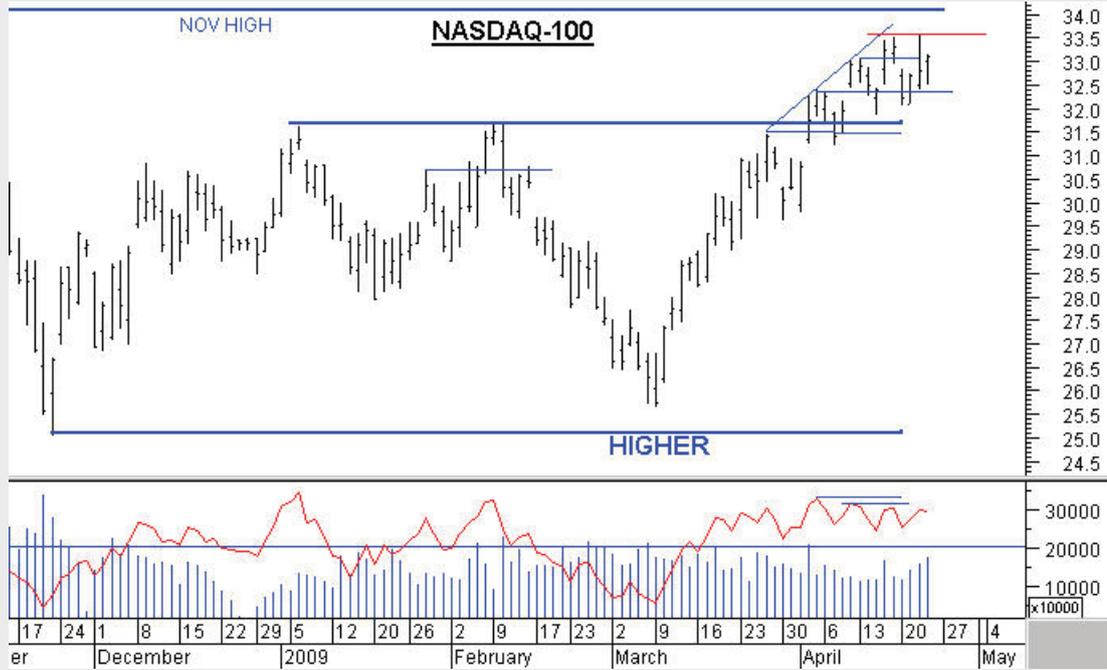
The way this trend could be resolved to the up is to break above the high of the 17th (875) and a swing low or counter trend low could hold that price level on a downside test. That pattern of trending only occurs in legs of bull trends. I still believe there needs to be a base or downside test so I am not looking for that to occur. We still want to see the index complete a distribution pattern now. A lower high or even the possibility of a higher high that turns into a false break would appear sufficient to indicate the up trend is complete. Those probabilities are drawn on the chart below although there could also be a lower high with another day or two of rally.



Remember there is a three thrust pattern for low on the weekly chart and that does add to the probability of a low being in place. We are still looking for a base to emerge but we do need to know what the alternative is and viewing this current rally as possibly being a new leg up is necessary no matter how bearish. If this index is able to reach the 1/3 to 3/8 level it is a strong indication the bear trend has completed. There would be a reaction down from that level but it would be bullish. The 1/4 level at 894 is the limit to this rally that keeps the downtrend in a strong position. So how this struggle gets resolved on the daily chart is very important. I personally need to look at this chart often to keep my bearishness in tow. This is a strong pattern for low and a way to end a bear or bull campaign with three thrust with overlapping on a weekly chart. But we need some confirmation from the daily chart and that hasn't occurred yet.



If we look at the strongest of the indexes or the leadership as the NASDAQ 100 it clearly shows the struggle attempting to move up. This index did not go to a lower low versus the November low and that higher low signaled the coming strength. Now it is above the February high with a very easily seen struggling trend. If the index can show a low on top of this congestion it would be very bullish and the leg up would go as high as to make this struggle the mid point of the drive up. A lower high or another marginal new high that fails could set up the evidence for the move down we have been looking to occur. But since this is the strongest index if there were going to be a bullish resolution of the struggle it would likely occur here.



I'm sure everyone can remember the "revolving door" that occurred between the pentagon and the defense industry and the corruption that occurred and actually still occurs because of that revolving door. This may be the reason why the actions of the government are so illogical when it comes to the financial industry. There has been a revolving door between the financial industry and the government agencies that oversee that industry. So why wouldn't the industry get everything it wants just for the asking? The money they have given congress in the past and continue to give congress this very minute and the revolving door that has occurred between the government and the financial industry explains the bailout process. The entire process is so corrupted it boggles my mind there are not numerous reports exposing this fraud. The two oversight bodies that have looked at this whole process have scathing reports.

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