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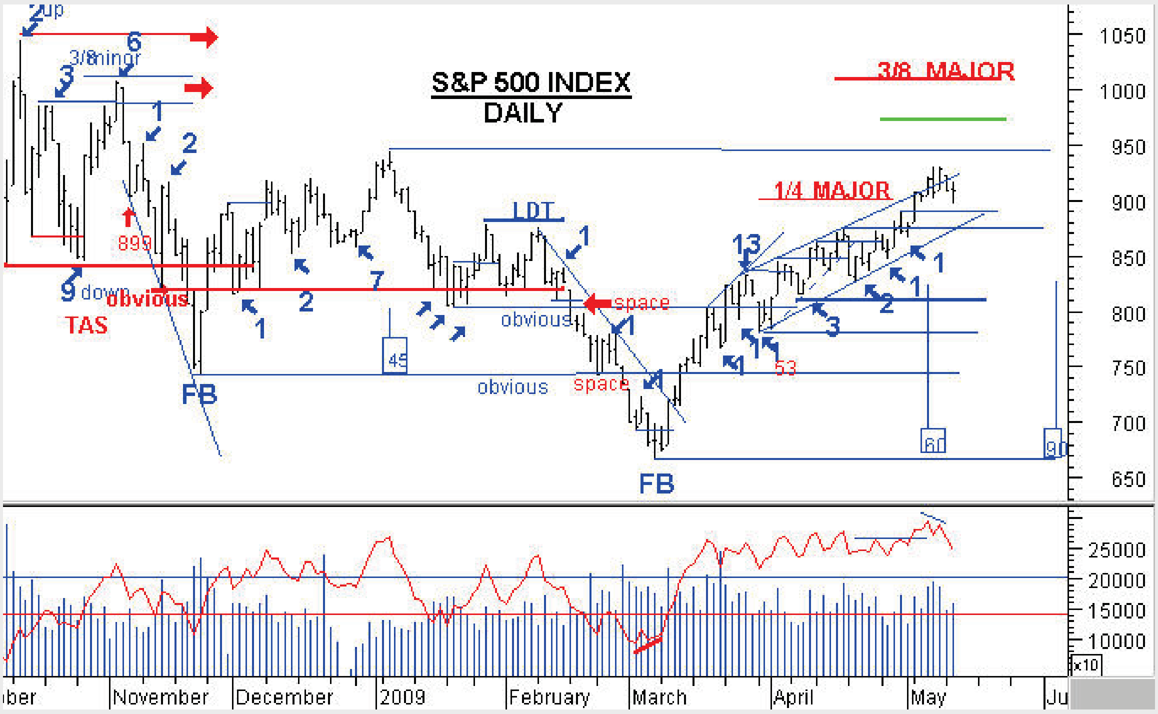
Credit card company Advanta has large losses and can no longer lend money.

S&P 500 INDEX

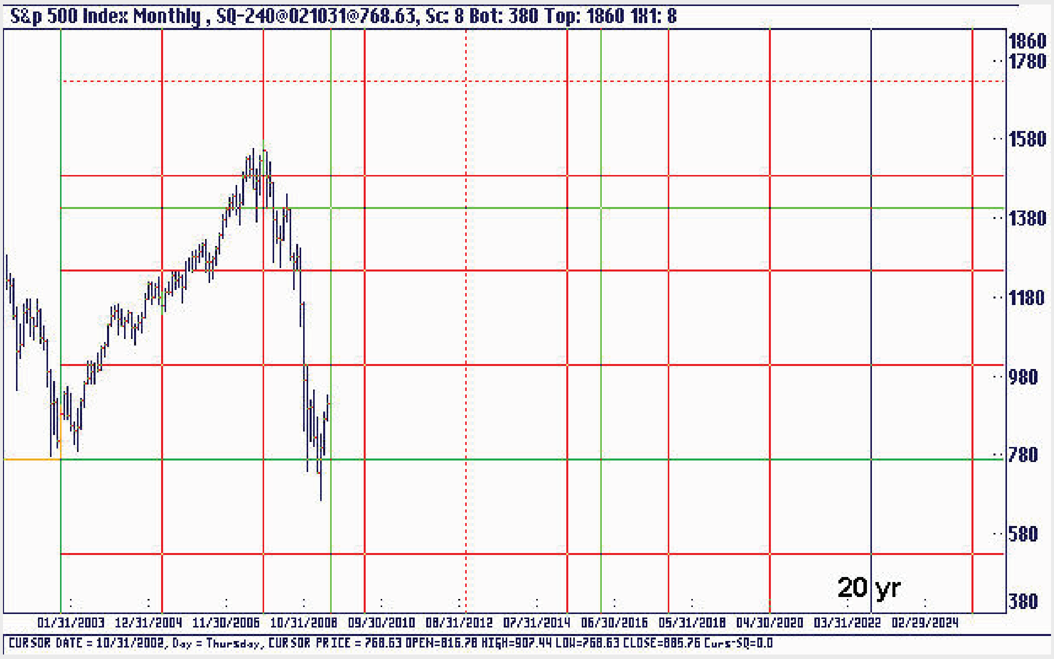
The index closed marginally down after testing the downside. Since Monday did not move below Friday's low we have to consider Monday an inside day and not start the count for a counter trend until yesterday (Tuesday) so the index is down one day. If the trend is up the normal counter trend would be 3 days down and hold the 875 or even 888 if the trend is very strong. In a 90 low to high cycle 60 days can produce resistance for the 3 or 4 day counter trend move down and that is what it appears is going on now. There is an outside chance 60 was a top but the pattern of trend makes that doubtful. Remember the two huge volume spikes did indicate an exhaustion of buyers but should be temporary.

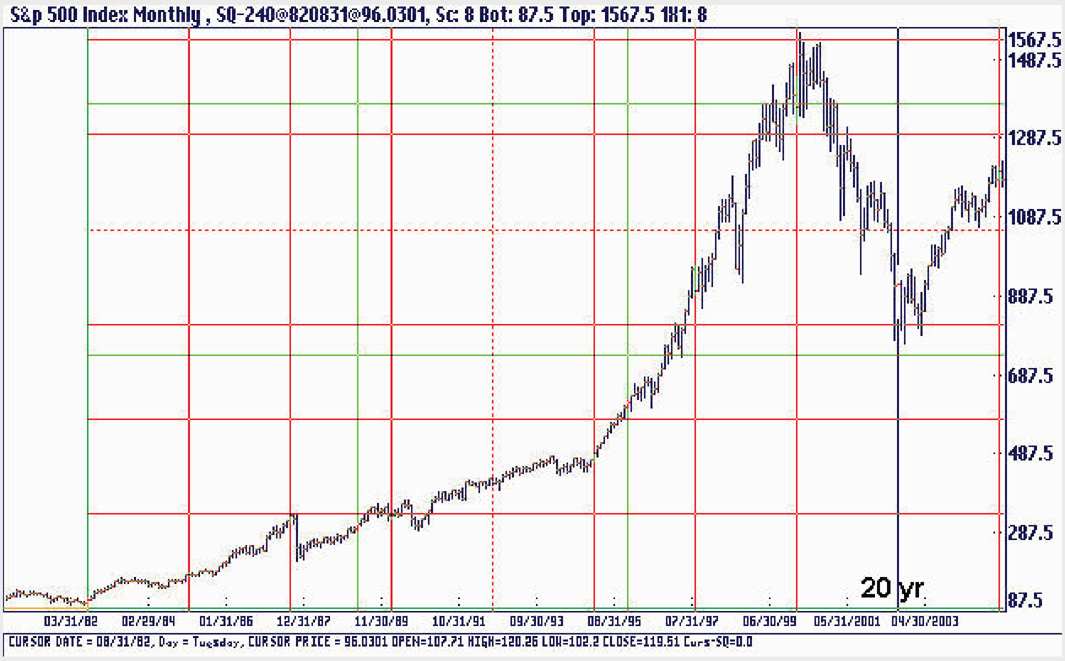


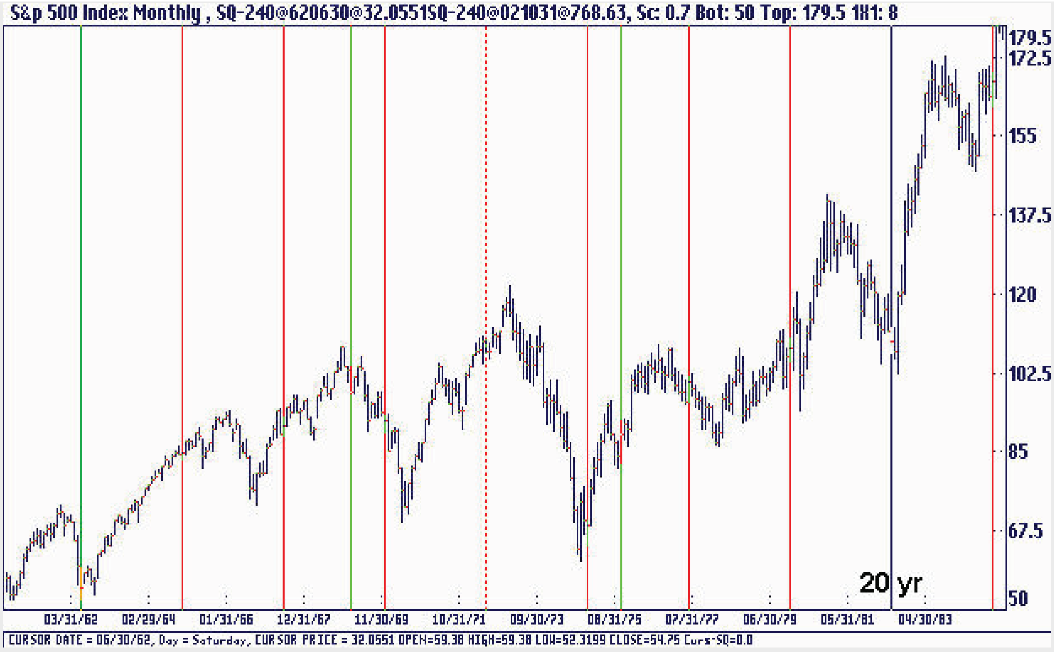
There was no urgency to sell today. Another down day seems likely.

When we do a forecast we first look at the decennial pattern and determine if this could be a bull or bear year and if the previous years have fit that pattern. Then we study the 10 year cycles to see if there is a similar circumstance for the market. Then we look at the 20 year cycle and see where the index has progressed though that cycle. One of the most important aspects of the analysis is to find the similar circumstances for the market.

This report will take a few days to complete. Today we'll take a brief look at the 20 year cycle which doesn't bottom again until 2022. The next series of charts are monthly with a 240 month or 20 year cycle overlay placed at the low in the second year of the decade. The 1921 low came 6 months early and if adjusted to 1922 the cycle was almost perfect in the vibrations. The 20 year cycle consists of two 10 year cycles and possible four 5 year cycles. There are bull 5 year cycle and bear 5 year cycles. We'll look at those later. Our task is to draw on the monthly chart what we anticipate for the next two or three years. Then we'll go to the weekly and do the same. Sometimes it is very easy as the end (last 12 months) of the 20 year cycle and the next two to five years of the beginning of the cycle. You'll notice the first 10 year period after the 20 year bottom has only had a significant low in 1932. The 10 year increment is the dash vertical line. Considering the secular nature of this economic downturn a return to a bull campaign as occurred in the 1920s, 1950s, 1990s seems unlikely. Right now the highest probability in that regard is to track a 5 year down cycle. This is not certain but is a reasonable roadmap considering the secular nature of what is current present. So we'll also see if we can justify that cycle as part of a larger cycle. I will refer to these charts in the near future so you may want to save a print out.



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179.5
172.5
155
137.5
120
102.5
85
67.5
50
20 yr
03/31/62
02/29/64
01/31/66
12/31/67
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09/30/73
08/31/75
07/31/77
06/30/79
05/31/81
04/30/83
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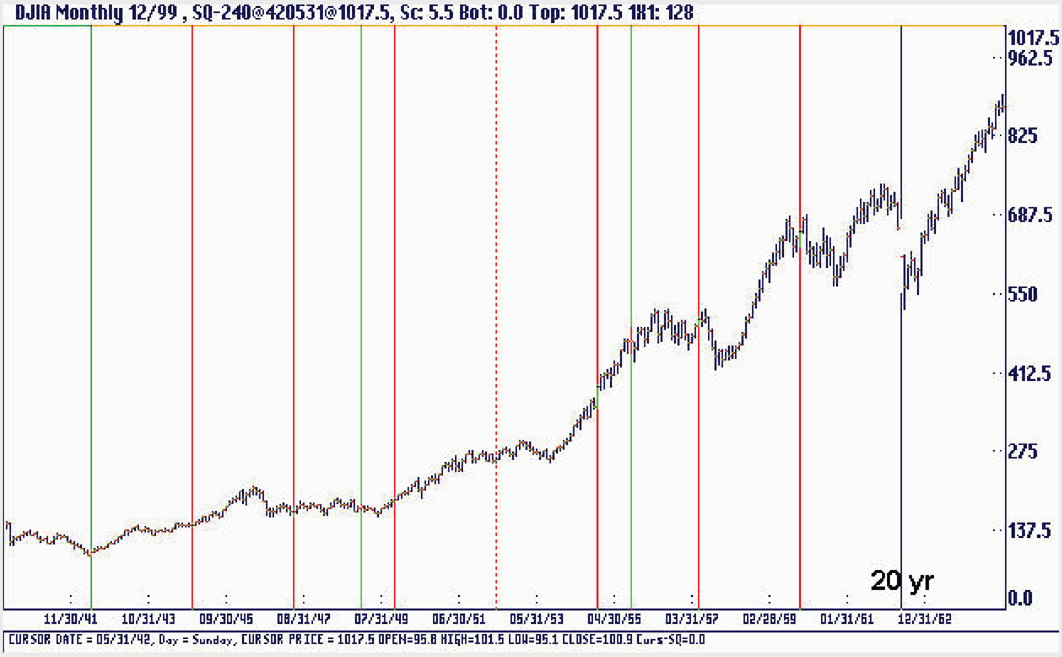
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412.5
275
137.5
0.0
20 yr
11/30/41
10/31/43
09/30/45
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05/31/53
04/30/55
03/31/57
02/28/59
01/31/61
12/31/62
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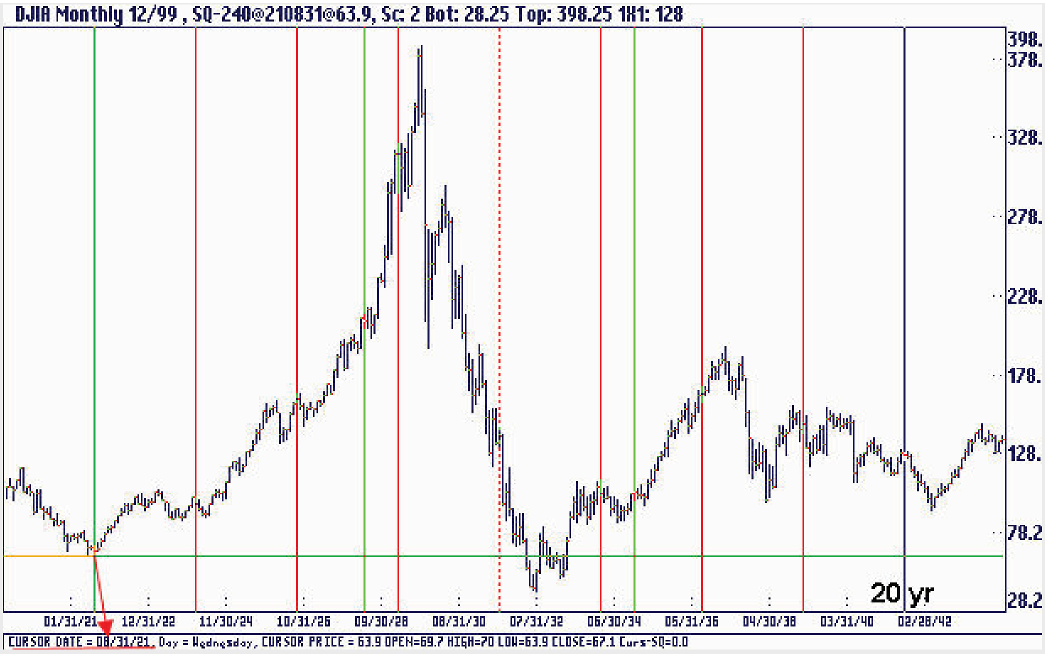
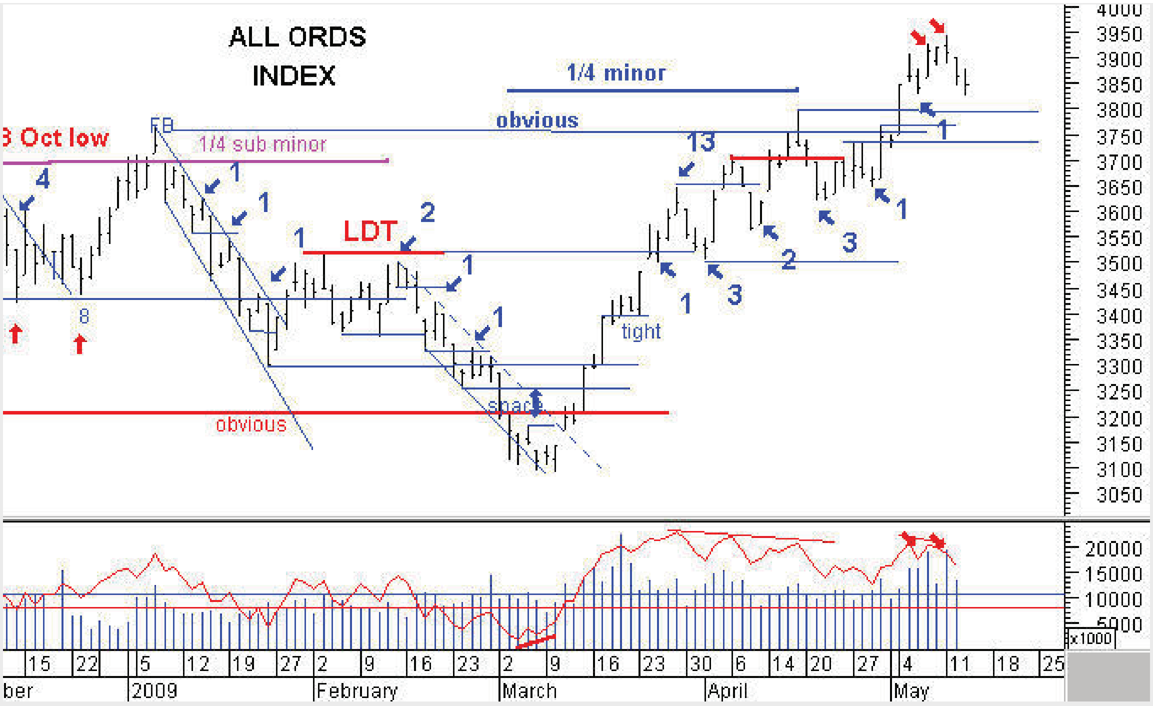


Each vertical line is 30 months so the first two are 60 months or 5 years. In the decennial pattern the 8th year should be a bull year and this 8th year was not, so that does put the decennial pattern in doubt. The 9th year (2009) is to be the strongest of bull years and the year to exhaust the bull campaign---if there is a bull campaign in progress. During this decade the bull campaign exhausted in October 2007. The bear markets usually starts in September to November of the 9th year. Year 10 is a bear year with a rally running until March or April followed by a severe decline into November or December. Then year one (2011) is the year to look for the bear campaign to end. So unless I can determine a way to shift the 10 year cycle or find a dominate cycle that has eluded me so far we'll not use the decennial pattern. It is possible to start the 10 year cycle at the 2002 low and that makes the top 5 years but also leaves the 6th year as a bear year and that shouldn't occur. The decennial pattern can be a problem going into the end of the first 10 years. The second 10 years which bottom on the 20 year cycle is much easier to work with because a high will come in around the 9th year and can be an exhaustion since the 2nd year will be a low. In order to have a low there needs to be high prior. Here we don't have the 20 year low in 2012 since it won't occur until 2022. But I'm sure we'll still have a good road map for the next few years anyway.
Next we'll look at similar circumstances tomorrow.

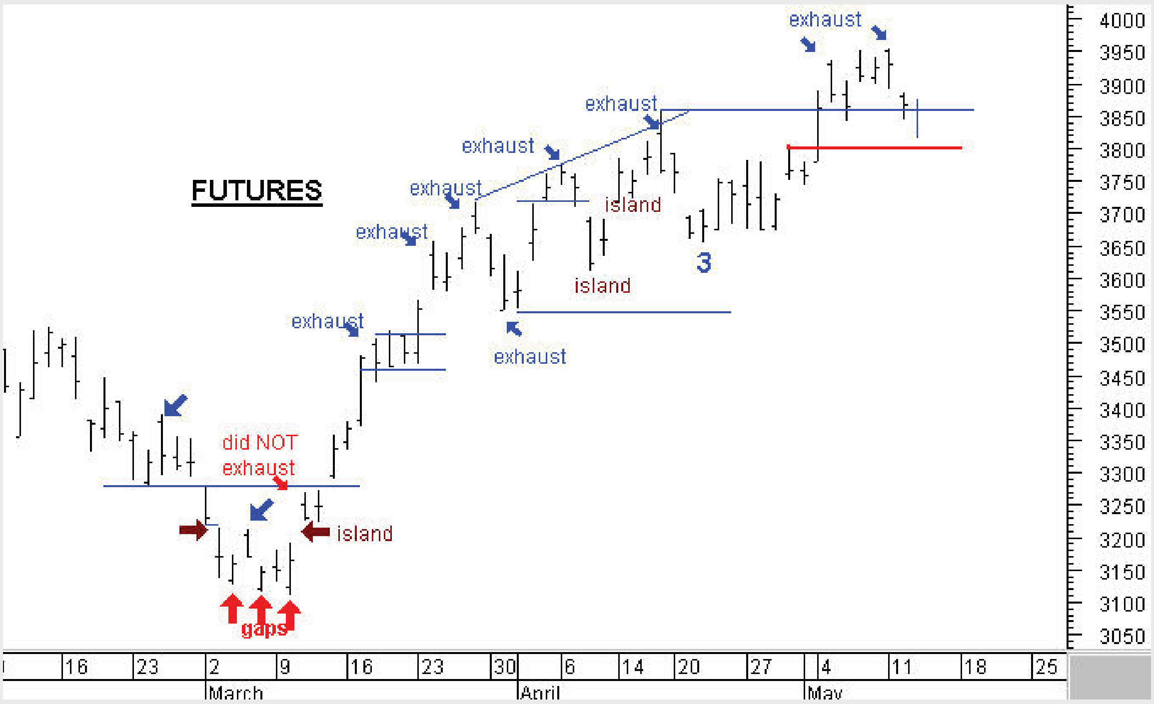
ALL ORDS INDEX

The index open marginally higher and immediately fell to a low at the end of the first hour. The trend down was fast and the rally was less than a ¼ retracement of the daily range. It then fell to a new low into the noon hour. The rally in the afternoon took back 50% of the decline and turned down during the 2:00 hour and fell into 3:30 holding the noon low. It then rallied the last 15 minutes of trading.

The index was again down for the second day. There are two important support levels within the trend; the high of the 17th at 3796 and the high of the 28th at 3734. The 60 day cycle is still the resistance but if the move down is a counter trend then the low should be today or tomorrow. With the extension not reaching ¼ the odds still favor another move up. Today should be another down day.



The futures chart below doesn't have today's trading other than my penciling in the approximate range. The exhaustion on Monday is easy to see and since Tuesday showed a big gap down confirming there an exhaustion of some sort. Today is the third day down in the futures contract. But the INDEX is a better market to count days.



There is a one year cycle from the May high next week. This index doesn't bounce to one year cycles as the S&P 500 but if there is a series of one year cycles that are valid as a vibration then we can consider them a probability until they stop working. We've seen how well March has been working the past 9 years. May has been a solid vibration in time since 1994 so this weekend we'll see what probabilities we can glean from that cycle.

The budget has been a disappointment. I am not through studying the figures but it seems self defeating to through cash at people with one hand and dramatically increase taxes on a specific group with the other hand. I don't know the percentage to the total but there is a group whose taxes will go up 200% and hardly seems like a way to stimulate the economy.

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	1	2	3	4	5	
Poor	○	○	⊙	○	○	Excellent

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