

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 18th December 2010



S&P500 INDEX CASH DAILY CHART

Point A

Monday 13th December. Here we have a clear upthrust. This is not good news for higher prices and you certainly wouldn't be buying when an upthrust has just appeared. There is a yellow box above the bar telling us that it is an upthrust but it is not producing a real signal because it is waiting for the next bar to be down which in hindsight probably looks correct because the next bar is not down but has struggled to go up. It's this sign of weakness that knocked the market sideways, but not sufficient weakness to cause any serious or obvious bear market, but you proceed with caution.

Point B

We can see we've had an attempt to go up. It failed fairly miserably and closed in the middle, but note the low volume. The volume is less than the previous two bars. We use relative volume, and this attempted to go up on low volume because the volume is less than those previous two bars. So expect the weakness to continue.

Point C

Here we have a fairly widespread down, closed on the lows, the volume is average. There doesn't appear to be a lot of selling pressure going on seen by the average volume. This lack of serious selling pressure allowed the next bar to go up.

Point D

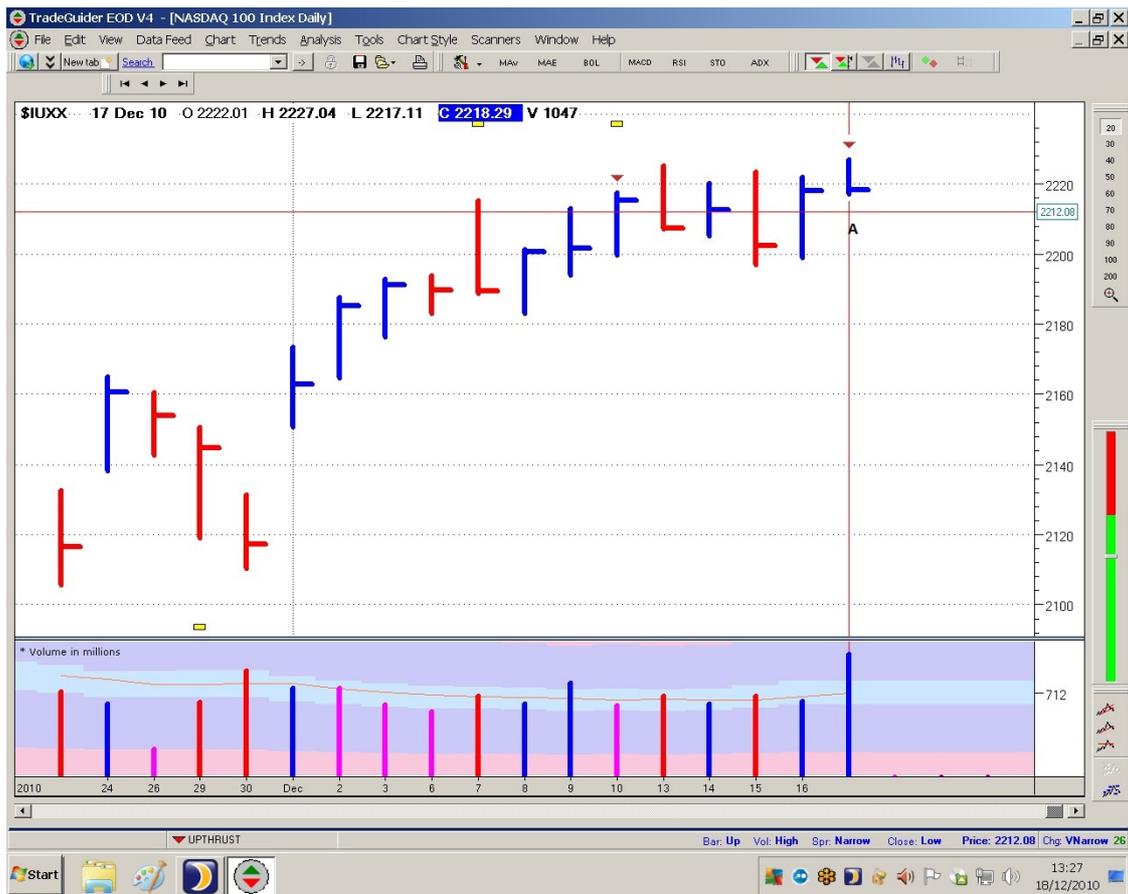
Here we have an up-bar, closed on the highs. There's not a lot we can read into that bar. It has just simply gone up through the lack of selling on the previous bar.

Point E

Friday. This is far more significant because note how the spread has narrowed, and note how it has closed well off the high, but the most important thing is, there's a surge in volume. This has to be weakness. Note it's at a similar level to the upthrust at Point A.

Point X

This is a new trendline drawn using the last two points of support. If and when the data reaches this line, we will be able to analyse this market far more accurately at that point.



NASDAQ 100 INDEX DAILY CHART

Point A

Note how the Nasdaq is behaving in a very similar manner to the previous chart, the S&P500. The big difference is that at Point A we have a very clear sign of weakness which the automatic signal tells us is an upthrust. An upthrust is where they mark the price up to catch as many stops as possible, encourage people to go long, panic those who short to cover. It's a money-making manoeuvre. Note it collapsed on the lows, and note the very high volume. Expect lower prices.



BRITISH PETROLEUM (BP) DAILY CHART

Point A

Tuesday 14th December. This is an up-bar on very ultra-high volume. Markets don't like ultra-high volume on up-bars as it tends to show massive supply hitting the market.

Point B

An up-bar, closed just off the high producing an automatic signal telling us supply is hitting the market. Note these two bars precede the News that the US Government is going to sue BP for damages. This News was announced at **Point C**. Note the data cannot possibly be correct here.

Point D

Friday. Here we have a down-bar closed in the middle, the spread is narrow, the volume is relatively about average. If this data is correct there is not a lot of selling pressure now in British Petroleum. Somebody out there must know something about what's going on. But with that very ultra-high volume at Points A and B, at the best, you would expect this stock to go sideways.

PRICE RANGE

Even if the volume is incorrect, the actual price range gives us a huge clue to what's going on. Professionals have to buy on down-bars and if you see a down-bar and the spread is narrow, something must be capping the lower end of the price range for that day. The only thing that can do that is that professional money are absorbing any selling, thereby supporting the lower price and creating a narrow spread. If the bar is an up-bar then the exact opposite is likely to happen. Weakness when it appears, appears on up-bars because professional money has to sell or unload into an up-bar, very often on good News or an artificial mark-up often gapped up. If the gap up on good News sucks in buyers, then these orders are quickly filled from the professional money capping the top end of the market. It's like putting a lid on it. This causes the narrow spread on an up-bar.

On behalf of the Tradeguided team, we wish you a very merry Christmas, and a happy and successful New Year 2011.

Regards,

Tom Williams