

ROBERT D. MCHUGH, JR., Ph.D.
Daily Market Newsletter
A Publication of Main Line Investors, Inc.

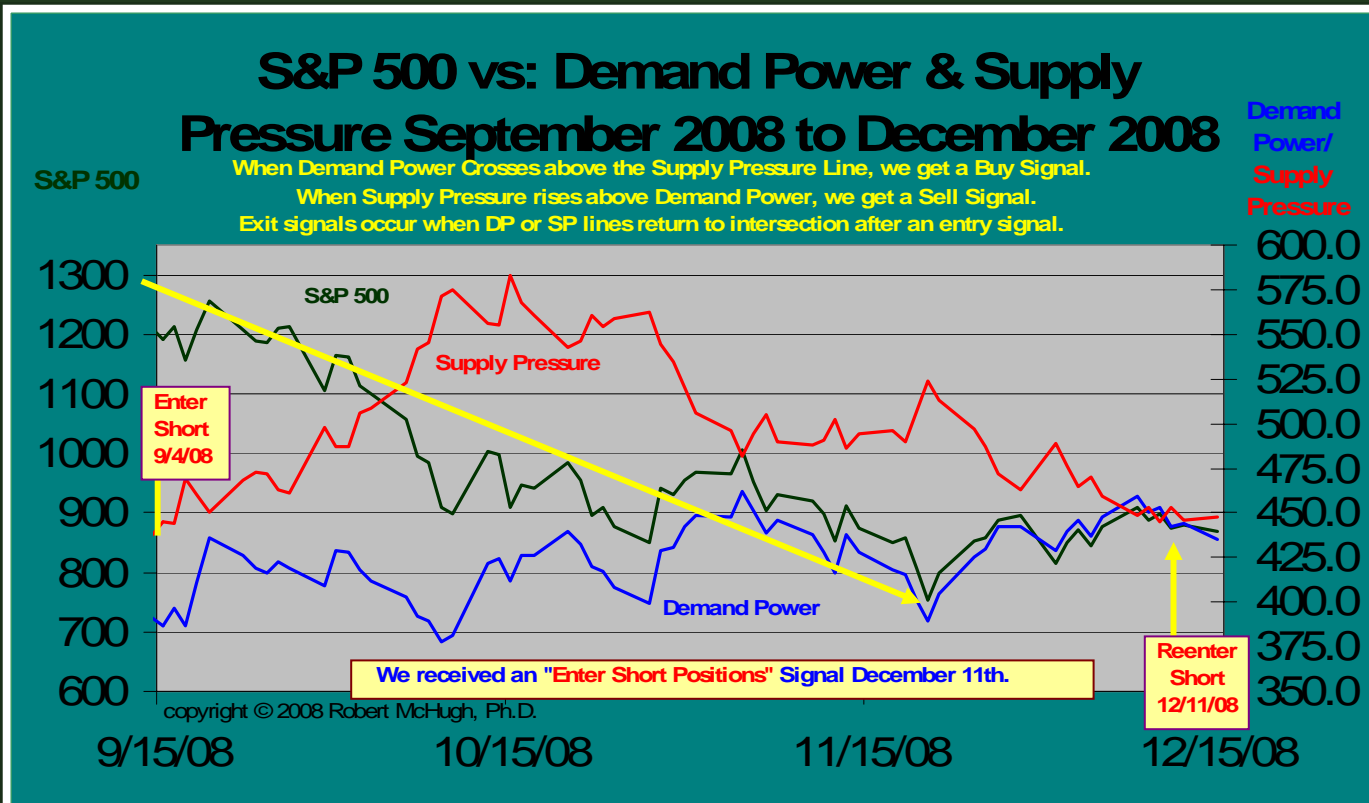
P.O. Box 1026
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Issue No. 977
 Monday, December 15th, 2008

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SUMMARY OF INDEX DAILY CLOSINGS FOR MONDAY, DECEMBER 15th, 2008

<u>Date</u>	<u>DJIA</u>	<u>Transports</u>	<u>S&P</u>	<u>NASDAQ COMPQ</u>	<u>NASDAQ 100</u>	<u>Russell 2000</u>	<u>30 Yr Treas Bonds</u>
Dec 9	8691.33	3387.10	888.67	1547.34	1212.45	465.71	134^12
Dec 10	8761.42	3444.16	899.24	1565.48	1222.38	476.40	133^26
Dec 11	8565.09	3251.73	873.59	1507.88	1180.46	451.21	134^13
Dec 12	8629.68	3245.44	879.73	1540.72	1206.65	468.43	134^26
Dec 15	8564.53	3206.11	868.57	1508.34	1181.87	452.57	135^06



Status of Demand Power/Supply Pressure Key Trend-finder Indicator

<u>Index</u>	<u>Term</u>	<u>* Signal</u>	<u>First Date of Signal</u>	<u>Current Demand Pr.</u>	<u>Current Supply Pr.</u>	<u>Fullest Extent of Index Move Since Signal</u>
S&P 500/DJIA	Short	Enter Short	12/11/2008	435	448	SPX Fell 0 Points (0.0 %)
NDX	Short	Exit Short	12/8/2008	418	427	Neutral Signal

* We consider a new entry point for a signal the day when one measure crosses more than 10 points above the other. We like to exit when (or before if conservative) the two measures return to an intersection.

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Summary of McHugh's Proprietary Index Key Trend-finder Buy/Sell Signals

	<u>Index</u>	<u>Term</u>	<u>Signal</u>	<u>Date Current Signal</u>	<u>Fullest Extent of Index Move Since Signal</u>
Purchasing Power Indicator	DJIA/S&P	Short	Sell	Dec 11th, 2008	DJIA Fell 217 Points (2.5 %)
DJIA 14 Day Stochastic	DJIA	Short	Sell	Dec 11th, 2008	DJIA Fell 217 Points (2.5 %)
DJIA 30 Day Stochastic	DJIA	Short	Sell	Dec 11th, 2008	DJIA Fell 217 Points (2.5 %)
DJIA Primary Trend Indicator	DJIA	Long	Sell	Sept 30th, 2008	DJIA Fell 3401 Points (31.3 %)
Secondary Trend Indicator	DJIA/S&P	Short	Sell	Oct 2nd, 2008	DJIA Fell 3033 Points (28.9 %)
NDX Purchase Power Indic	NASDAQ 100	Short	Sell	Dec 11th, 2008	NDX Fell 24 Points (2.1 %)
NDX 14 Day Stochastic	NASDAQ 100	Short	Sell	Dec 11th, 2008	NDX Fell 24 Points (2.1 %)
RUT Purchase Power Indic	RUT	Short	Sell	Dec 11th, 2008	RUT Fell 10 Points (2.3 %)
HUI Purchasing Power Indic	HUI	Short	Buy	Dec 10th, 2008	HUI Rose 15 Points (6.2 %)
HUI 30 Day Stochastic	HUI	Short	Buy	Nov 21st, 2008	HUI Rose 57 Points (26.9 %)

The ***Dow Industrials*** fell **65.15** points, or 0.75 percent, Monday, closing at 8,564.53, as we mentioned in the weekend newsletter was likely given the position of the 30 and 15 minute Full Stochastics. ***NYSE volume was lower at 78*** percent of its 10 day average. Downside volume led at 72 percent, with declining issues at 74 percent, with downside points at 87 percent. ***S&P 500 Demand Power fell 9 points to 435, while Supply Pressure rose 2 points to 448***, telling us the decline was mild, with a lack of buying allowing mild selling to push prices lower.

We got a Bullish divergence between the 10 day average advance/decline line indicator Monday and prices, as well as in the new Highs/New Lows, suggesting a rally Tuesday is possible. The 30 minute and 15 minute Full Stochastics also suggest a rally is possible Tuesday. That rally could come on Fed news, and would be inside wave **B** up of wave **(B)** down, shown on page 10 tonight. However, after a rally Tuesday, we should see a drop over the next week or so toward 8,200ish +/- in the Industrials, to be followed by another rally leg into the end of the month. Then a larger decline would follow, one that lasts several weeks, but again, likely stays above the November lows. The pause we find ourselves in within this Bear Market from October 2007 will likely see a lot of stair-stepping, volatility, in a frustrating move higher, supercycle degree wave **(B)** up that lasts into early 2009.

Will the Fed drop the Federal Funds rate to zero Tuesday, the rate of interest banks lend overnight money to each other at, and a rate that the prime lending rate often follows? We sit at 1.00 percent Monday night. Probably not, is the conjecture here, however, ***if they drop it 3/4 a point to 0.25 percent, it would be the lowest Federal Funds interest rate ever*** (this interest rate started in 1954). Incredible. A half percent is the most likely move they make tomorrow.

*The Demand Power/Supply Pressure indicators **generated an exit short position signal** December 12th. Monday's McClellan Oscillator worsened to positive + 77.61. The Summation Index improved to negative -1,313.00. NYSE New Highs remained at 1, with New Lows falling to 71 Monday, a minor Bullish divergence, suggesting prices could rally Tuesday.*

*The percent of DJIA stocks above their 30 day moving average fell to 46.67 from 50.00. The percent above 10 day fell to 46.67 from 50.00. The percent above 5 day fell to 26.67 from 30.00. The NYSE 10 day average Advance/Decline Line Indicator improved to positive + 198.2, **remaining on a buy signal from December 3rd**, when it rose above the positive + 120.00 threshold necessary for a new "buy."*

*Our three Blue Chip key trend-finder indicators (other than the Demand Power/Supply Pressure Indicator) **remains on a "sell" signal** Monday. The DJIA 30 day Stochastic Fast fell to 46.67, below the Slow at 51.33, **remaining on a "sell" signal** from December 11th. The DJIA 14 day Stochastic fell to 50.00, below the Slow at 72.78, **remaining on a "sell" signal** from December 11th. The Fast has to cross more than 10 points above the Slow for a new "buy." The S&P 500 Purchasing Power Indicator fell 2 points to negative -110.3, **remaining on a "sell" signal** from December 11th.*

*The Plunge Protection Team Risk Indicator fell to **negative -14.31 Monday, remaining on a "sell" signal** from December 12th. A rise above positive + 20.0 or a drop below -16.0 triggers a new "buy" signal. After it generated a buy signal on July 31st, the Industrials rose 489 points. When the reading rises above positive + 20.00, or falls below negative -16.00, we usually see multi-week rallies. On the other hand, **declines can (don't have to) occur when this reading falls within the range of negative -16.00 to positive + 20.00.** The PPT Indicator was in the range where declines typically occur, between negative -16.00 and positive + 20.00 for most of the late December/January decline, which saw the DJIA drop over 1,100 points. It then rose above + 20.00 January 14th. Rallies usually start about a week or two after this measure exceeds positive +20.00. When this indicator last went below negative -16.00, triggering a new "buy" signal, on February 7th, 2008, the Industrials closed at 12,247. After that the Industrials rose 509 points. After they rose above negative -16.00 on March 3rd, the DJIA dropped over 500 points. **From May to July 2008 we saw a significant decline within this range, 1,650 points. After this indicator generated a sell signal October 1st, the Industrials declined 2,948 points. After this indicator generated a sell signal November 17th, the Industrials fell 824 points, or 10 percent.***

*The DJIA Call/Put Ratio remained at 1.06 Monday, **remaining on a "buy" signal** from December 5th, the first change in this indicator since it went on a **"neutral" signal** May 27th (moving below 1.00 and above 1.40 is neutral, while rising decisively above 1.00 (**above 1.10**) triggers a new "buy"). On Monday, the Secondary Trend Indicator fell 3 points to negative -13, **remaining on a sell signal.** Above zero is Bullish. Below zero is Bearish. The closer it moves toward zero, the greater the risk of a developing trend turn, thus caution with open positions would be recommended. **After it turned Bearish on December 31st, 2007, the Industrials fell 1,630 Points, or 12.3 percent. After it generated a sell, on June 17th, the Industrials fell 1,200 points. After it triggered a sell signal on October 2nd, the Industrials fell 2,600 points.** This indicator correlates well with price trends.*

***Shorting should only be done with funds that are speculative and the investor is willing to accept a substantial loss on.** That is because the PPT is very active at this time.*

SUMMARY PAST WEEK'S DEMAND POWER/SUPPLY PRESSURE STATISTICS

Blue Chips S&P 500/DJIA

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	<u>Secondary Trend Indicator</u>
Dec 8	Up 11 to 459	Down 10 to 449	Down 10 to -100	Up 8 to -4
Dec 9	Down 9 to 450	Up 4 to 453	Down 5 to -105	Down 5 to -9
Dec 10	Up 3 to 453	Down 8 to 445	Up 2 to -103	Up 2 to -7
Dec 11	Down 11 to 442	Up 8 to 453	Down 6 to -109	Down 7 to -14
Dec 12	Up 2 to 444	Down 7 to 446	Up 1 to -108	Up 4 to -10
Dec 15	Down 9 to 437	Up 2 to 448	Down 2 to -110	Down 3 to -13

NASDAQ 100

PPT Risk Indicator

(Above +18% Means High Risk of a Short-covering Rally)

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	
Dec 8	Up 6 to 432	Down 6 to 428	Up 11 to -77	- 22.96
Dec 9	Down 4 to 428	Up 1 to 429	Down 2 to -79	- 24.07
Dec 10	Up 1 to 429	Down 4 to 425	Up 2 to -77	- 22.13
Dec 11	Down 7 to 422	Up 4 to 429	Down 10 to -87	- 19.25
Dec 12	Up 2 to 424	Down 5 to 424	Up 5 to -82	- 14.19
Dec 15	Down 6 to 418	Up 3 to 427	Down 5 to -87	- 14.31

10 Day Average Short-term Advance/Decline Signals

<u>Index</u>	<u>Dec 15th A/D Indicator</u>	<u>Signal</u>	<u>Date of Signal</u>	<u>Fullest Extent of Index Move Since Signal</u>
NYSE/S&P 500	+ 198.2	Buy	Dec 3rd, 2008	SPX Rose 48 Points (5.5 %)
NASDAQ 100	+ 13.8	Buy	Dec 3rd, 2008	NDX Rose 71 Points (6.1 %)
Russell 2000	+ 168.0	Buy	Dec 3rd, 2008	RUT Rose 30 Points (6.6 %)

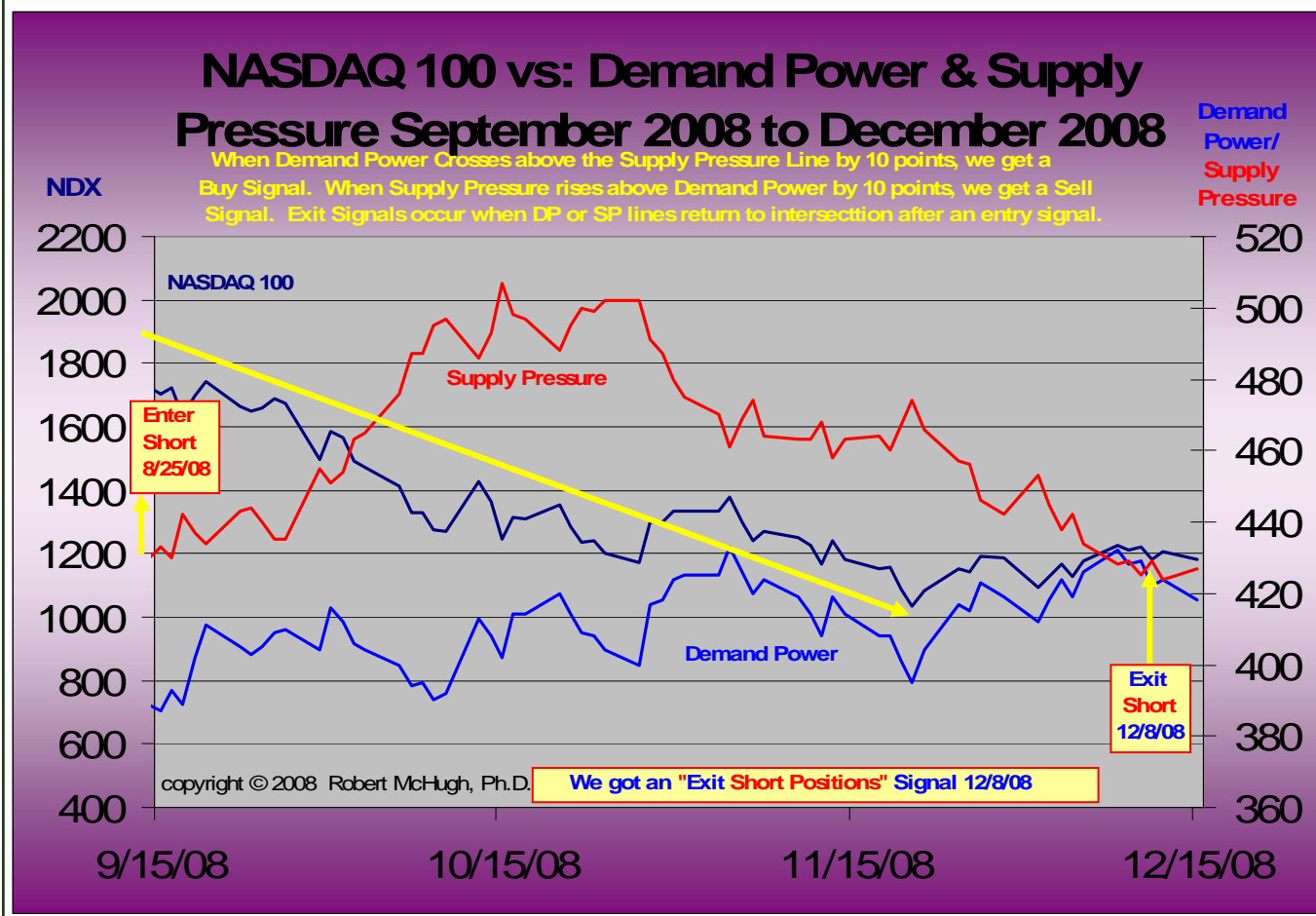
Gold's Daily Full Stochastics are on a buy signal, as are the Weekly Full Stochastics, and the Monthly are approaching a bottom, suggesting that a huge multi-week, maybe multi-month rally leg is coming, and may be starting now.

The HUI's Daily Full Stochastics are on a buy signal. The Weekly Full Stochastics are on a buy, and the Monthly are also now on a buy, suggesting that a huge multi-week, maybe multi-month rally leg is starting.

*Check out our new **Holiday Season Specials**, extended through [Sunday, December 21st](#), including an 18 month offering. If you are enjoying your subscription, please tell a friend.*

The **NASDAQ 100** fell 24.78 points Monday, closing at 1,181.87. Volume fell to 80 percent of its 10 day average. **Downside volume led at 83 percent. Declining issues led at 84 percent, with downside points at 96 percent.** **NDX Demand Power** fell 6 points to 418, with **Supply Pressure** up 3 points to 427, telling us the decline was mild, with a lack of buyers allowing a few sellers to push prices lower. A **crossover generated an exit short positions signal December 8th, and remains neutral Monday.** Once DP rises 10 points above SP, it will trigger a new enter long positions signal.

Our key trend-finder indicators **remain on a "sell" signal Monday.** The **NDX 14 day Stochastic Fast** fell to 50.00, below the Slow at 66.10, **remaining on a "sell" signal from December 11th.** The **NDX Purchasing Power Indicator** fell 5 points to negative -86.76, **remaining on a "sell" signal from December 11th.** The **NDX 10 day average Advance/Decline Line Indicator** rose to positive + 13.8, **remaining on a "buy" signal from December 3rd,** when it rose above the positive + 5.0 threshold for a new "buy" signal.



The *Russell 2000* fell 15.86 points Monday, closing at 452.57. Volume was down at 77 percent of its 10 day average, with downside volume leading at 84 percent, with declining issues leading at 90 percent. *The RUT Purchasing Power Indicator* fell to negative -11.33, **remaining on a sell signal from December 11th, needing to rise above -6.11 for a new buy.** The *RUT 10 day average Advance/Decline Line Indicator* rose to positive + 168.00, a Bullish divergence, **remaining on a "buy" signal from December 3rd**, rising above the positive +180.00 threshold for a new "buy" signal.

The *HUI Amex Gold Bugs Index* rose 12.31 points Monday, closing at 273.61. Volume was higher at 110 percent of its 10 day average. Upside volume was 100 percent, with advancing issues at 100 percent, and upside points at 100 percent. *Our key trend-finder indicators remain on a "buy" signal Monday, December 15th.* The *HUI 30 day Stochastic Fast* rose to 95.00, above the Slow at 79.44, **remaining on a "buy" signal from November 21st.** The Fast had to rise more than 20 points above the Slow to trigger a new "buy." The *HUI Purchasing Power Indicator* rose to 214.22, **remaining on a "buy" signal from December 10th.** January Gold rose to 837.6. Silver was higher at 10.59, while Oil fell to 44.68. The Dollar fell 1.42 to 82.14. Bonds rose half a point to 135^06. The PPT has to buy the long end to keep Bonds headed in the right direction, to support the housing market, especially now that AMBAC and MBIA are no longer rated AAA, Fannie Mae and Freddie Mac — who hold half of all mortgages - have collapsed, and credit markets have frozen, requiring lower interest rates, and Master Planner interest rate (bond) intervention. Bernanke finally suggested they will. The powerful rally in Bonds confirms they are monetizing Treasury debt. The *VIX* rose 2.48 to 55.76.

The *Australia SPASX200* rose 81.00 points, or 2.31 percent Monday. Click on the Weekend Australia Report, *which includes EW charts of the FTSE and DAX, for the latest analysis.*

Bottom Line: *The Fed has to continue hyperinflating to bail out this sick economy, feeding a major trend up in precious metals. Households, not just Wall Street, must be bailed out. If this doesn't happen we are headed for an economic depression.*

New Holiday Season Specials:

*6 Months for \$175, or
10 Months for \$215, or,
12 Months for \$300, or
13 Months for \$249, or
18 Months for \$359, or
* 24 Months for \$449 **

Extended through Sunday, December 21st, 2008

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***Note: The 24 Month Subscription gets you a free copy of the book,
Elliott Wave Principle. Simply email us your shipping address***



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A breakout above the upper boundary of this declining parallel trend-channel confirms wave (B) up started on November 21st.

Daily Full Stochastics Generate a Sell Signal, At a short-term top.



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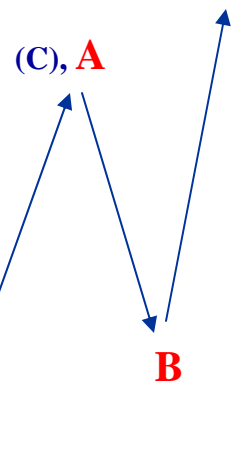
Daily Full Stochastics Generate a Sell Signal, At a short-term top.



\$INDU (Dow Jones Industrial Average) INDX
 15-Dec-2008 **Close 8564.53 Volume 819.1M Chg -65.15 (-0.75%)**
 - MACD(12,26,9) -7.785, -9.638, 1.853



Full STO %K(14,3) %D(3) 51.43, 32.33
 Dec 24 8 15

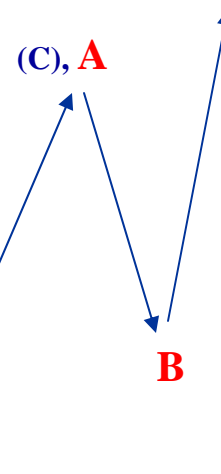


Prices Could Rise Tuesday.

\$SPX (S&P 500 Large Cap Index) INDX
 15-Dec-2008 **Close 868.57 Volume 3.3B Chg -11.16 (-1.27%)**
 - MACD(12,26,9) -1.775, -2.040, 0.265



Full STO %K(14,3) %D(3) 53.87, 31.51
 Dec 24 8 15



Prices Could Rise Tuesday.



A Bullish Head & Shoulders Bottom has formed over the past month, and is complete. Confirmation of the upside target has come with a rise above 8800. Upside target is 10,000ish in the DJIA



A Bullish Head & Shoulders Bottom has formed over the past month, and is complete. Confirmation of the upside target has come with a rise above 8800. Upside target is 10,000ish in the DJIA





\$HUI (Gold Bugs Index - AMEX) INDX © StockCharts.com

15-Dec-2008 Op 261.30 Hi 281.20 Lo 261.30 Cl 273.61 Chg +12.31 (+4.71%) ▲
 — MACD(12,26,9) 12.390, 5.806, 6.584



The MACD triggers
 Are on a Buy signal.
 The Full Stochastics
 Generate a Sell signal,
 At the level where
 short-term tops arrive.

Breakout above the
 upper boundary of
 the declining
 trend-channel is a
 real positive for
 Gold Stocks.

\$GOLD (Gold - Continuous Contract (EOD)) INDX © StockCharts.com

15-Dec-2008 Op 824.13 Hi 842.94 Lo 821.80 Cl 839.39 Chg +18.89 (+2.30%) ▲
 — MACD(12,26,9) 12.412, 6.137, 6.274



Daily MACD
 On a buy signal.

Gold is Looking
 Good as its next
 Intermediate
 term Rally Gets
 Underway.

Daily Full STO
 on a
 buy signal,
 But nearing a
 short term top
 within an
 intermediate and
 long term rally.

Key Economic Statistics

<u>Date</u>	<u>VIX</u>	<u>U.S. \$</u>	<u>Euro</u>	<u>CRB</u>	<u>Gold</u>	<u>Silver</u>	<u>Crude Oil</u>	1 Week Avg. <u>M-3</u>
12/05/08	59.93	86.95	127.19	208.60	756.1	9.41	41.65	Hidden
12/12/08	54.28	83.56	133.50	226.96	819.4	10.20	46.28	Hidden
12/15/08	55.76	82.14	136.96	225.70	837.6	10.59	44.68	Hidden

Note: Oil and Dollar fall; VIX and inflation assets rise.

Conservative Balanced Portfolio Recent Transactions As of Monday December 15th, 2008

* On 8/25/08 we increased the Market Timing segment allocation of our conservative portfolio from 5 percent to 10 percent, by moving \$50,000 of cash to this segment.

* On 8/25/08, we sold 50 shares of IYT, an ETF that mirrors the Trannies, at \$89.17 per share. We also sold 100 shares of QQQQ, the ETF that mirrors the NDX, at \$46.50 per share.

* On 8/25/08, we purchased 50 shares of SLV, at \$136.89 per share, an ETF that mirrors Silver. We also purchased 300 shares of GDX, at \$36.91 per share, an ETF that mirrors the HUI Amex Gold bugs Index. We also purchased 100 shares of GLD, at \$80.95 per share, an ETF that mirrors the price of Gold. These purchases were made within the Market Timing Segment of our Conservative portfolio.

* On 8/25/08, we purchased 12 ounces of actual Gold at \$820 an ounce, in the Gold segment of our portfolio.

Note: Our Conservative Portfolio Model substantially outperformed the S&P 500 in the first quarter, 2008. Check it out! Click on the Conservative Portfolio button at the left side of the home page.

We posted an updated Balances/Market Value Portfolio as of March 31st, 2008, available in the Conservative Portfolio section.

New Holiday Season Specials:

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“Jesus said to them, “I am the bread of life; he who comes to Me shall not hunger, and he who believes in Me shall never thirst. For I have come down from heaven, For this is the will of My Father, that everyone who beholds the Son and believes in Him, may have eternal life; and I Myself will raise him up on the last day.”

John 6: 35, 38, 40

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Here are the symbols for Exchange Traded Funds for the Major Indices:

<i>DIA</i>	<i>Dow Industrials</i>	<i>IYT</i>	<i>Trannies</i>
<i>SPY</i>	<i>S&P 500</i>	<i>GDX</i>	<i>HUI Amex Gold Bugs*</i>
<i>QQQQ</i>	<i>NASDAQ 100</i>	<i>GLD</i>	<i>Gold</i>
<i>IWM</i>	<i>Russell 2000</i>	<i>SLV</i>	<i>Silver</i>
<i>EWA</i>	<i>Australia</i>		

**** Note: The GDX actually tracks the GDM, a grouping of 45 mining stocks, but the GDX has very high correlation to the HUI so we mention that as a suitable ETF for the HUI.***