

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

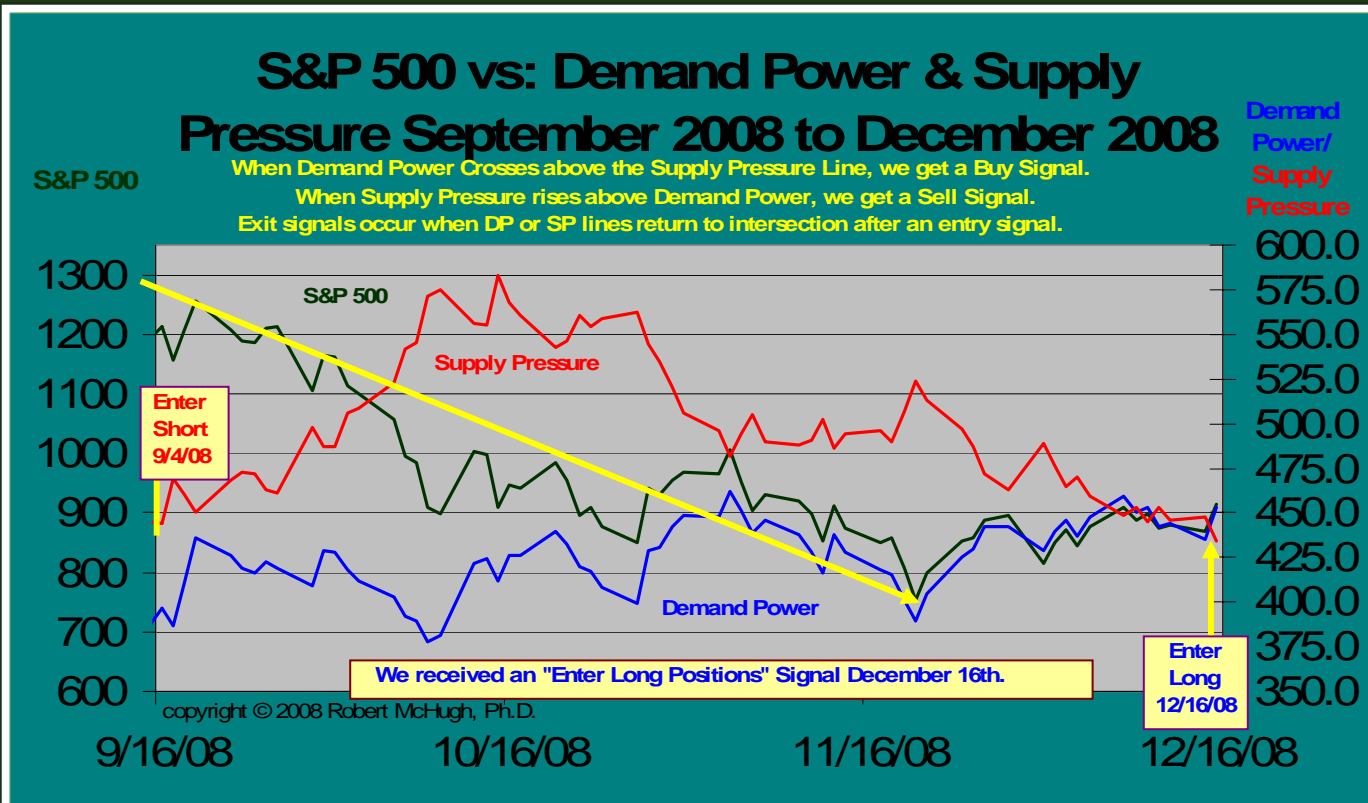
P.O. Box 1026
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Issue No. 978
Tuesday, December 16th, 2008

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SUMMARY OF INDEX DAILY CLOSINGS FOR TUESDAY, DECEMBER 16th, 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 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
Dec 16	8924.14	3380.70	913.18	1589.89	1243.49	482.85	137^02



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 Long	12/11/2008	453	434	New Buy Signal
NDX	Short	Exit Short	12/8/2008	427	419	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	Buy	Dec 16th, 2008	New Buy Signal
DJIA 14 Day Stochastic	DJIA	Short	Sell	Dec 11th, 2008	DJIA Fell 217 Points (2.5 %)
DJIA 30 Day Stochastic	DJIA	Short	Buy	Dec 16th, 2008	New Buy Signal
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	Buy	Dec 16th, 2008	New Buy Signal
NDX 14 Day Stochastic	NASDAQ 100	Short	Buy	Dec 16th, 2008	New Buy Signal
RUT Purchase Power Indic	RUT	Short	Buy	Dec 16th, 2008	New Buy Signal
HUI Purchasing Power Indic	HUI	Short	Buy	Dec 10th, 2008	HUI Rose 42 Points (16.7 %)
HUI 30 Day Stochastic	HUI	Short	Buy	Nov 21st, 2008	HUI Rose 84 Points (39.9 %)

The **Dow Industrials rose sharply, up 359.61** points, or 4.02 percent, Tuesday, closing at 8,924.14. Last night's 30 and 15 minute Stochastics, and the Bullish Divergences in the A/D and New Highs/New Lows suggested prices could rally Tuesday. We speculated the Fed action would trigger that. **NYSE volume was higher at 103** percent of its 10 day average. Upside volume led at 95 percent, with advancing issues at 85 percent, with upside points at 99 percent. Tuesday was a 90 percent up day. **S&P 500 Demand Power rose 18 points to 453, while Supply Pressure fell 14 points to 434**, telling us the rally was powerful with some minor short-covering. The rally triggered a new enter long positions signal in the DP/SP indicator. Wave B's are notoriously volatile, with lots of back and forth, making trading difficult. The 30 and 15 minute Full Stochastics Tuesday suggest prices could drop Wednesday.

The answer to last night's question is yes. **The Fed dropped 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.** They lowered the target from 1.00 percent to a range of zero to 0.25 percent. **This is the lowest Federal Funds interest rate ever.**

What does it mean? Well, **it means the key Fed tool taught in your child's college economics class now no longer exists.** They can't lower interest rates below zero. Ironically, the interest rates for consumers is not dropping, as the remotest indication of counterparty risk has made banks reluctant to lend to consumers. The stock market rallied on the news, but upon further consideration, it puts us in uncharted waters. Markets hate uncertainty. Now all that is left for the Fed is to buy assets for money they print out of thin air. And they plan to do just that. But who gets the dough? Are they going to buy your television for cash? Or, are they going to buy bad loans and bad securities from banks who will not lend the money they get for those instruments? **This is merely setting up Supercycle degree wave (C) down within Grand Supercycle degree wave {IV}. The market spent what was left of Fed hope Tuesday, shot its wad. In the meantime, wave (B) up continues. Enjoy it and raise cash.**

*The Demand Power/Supply Pressure indicators **generated an exit short position signal** December 12th. Tuesday's McClellan Oscillator improved to positive + 189.67. The Summation Index improved to negative -1,123.33. NYSE New Highs rose to 7, with New Lows falling to 54 Tuesday.*

*The percent of DJIA stocks above their 30 day moving average rose to 70.00 from 46.67. The percent above 10 day rose to 80.00 from 46.67. The percent above 5 day rose to 93.33 from 26.67. The NYSE 10 day average Advance/Decline Line Indicator improved to positive + 255.8, **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) **moved to a new "sideways" signal** Tuesday. The DJIA 30 day Stochastic Fast rose to 70.00, above the Slow at 54.00, **triggering a "buy" signal** December 16th. The DJIA 14 day Stochastic rose to 76.67, above the Slow at 70.00, **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 rose 13 points to negative -96.94, **triggering a new "buy" signal** December 16th.*

*The Plunge Protection Team Risk Indicator rose to **negative -12.00 Tuesday, 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 Tuesday, **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 Tuesday, the Secondary Trend Indicator rose 8 points to negative -5, **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 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
Dec 16	Up 18 to 453	Down 14 to 434	Down 13 to -97	Up 8 to -5

NASDAQ 100

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	<u>PPT Risk Indicator</u> (Above +18% Means High Risk of a Short-covering Rally)
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
Dec 16	Up 9 to 427	Down 8 to 419	Up 16 to -71	- 12.00

10 Day Average Short-term Advance/Decline Signals

<u>Index</u>	<u>Dec 16th 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	+ 255.8	Buy	Dec 3rd, 2008	SPX Rose 48 Points (5.5 %)
NASDAQ 100	+ 14.6	Buy	Dec 3rd, 2008	NDX Rose 71 Points (6.1 %)
Russell 2000	+ 182.5	Buy	Dec 3rd, 2008	RUT Rose 30 Points (6.6 %)

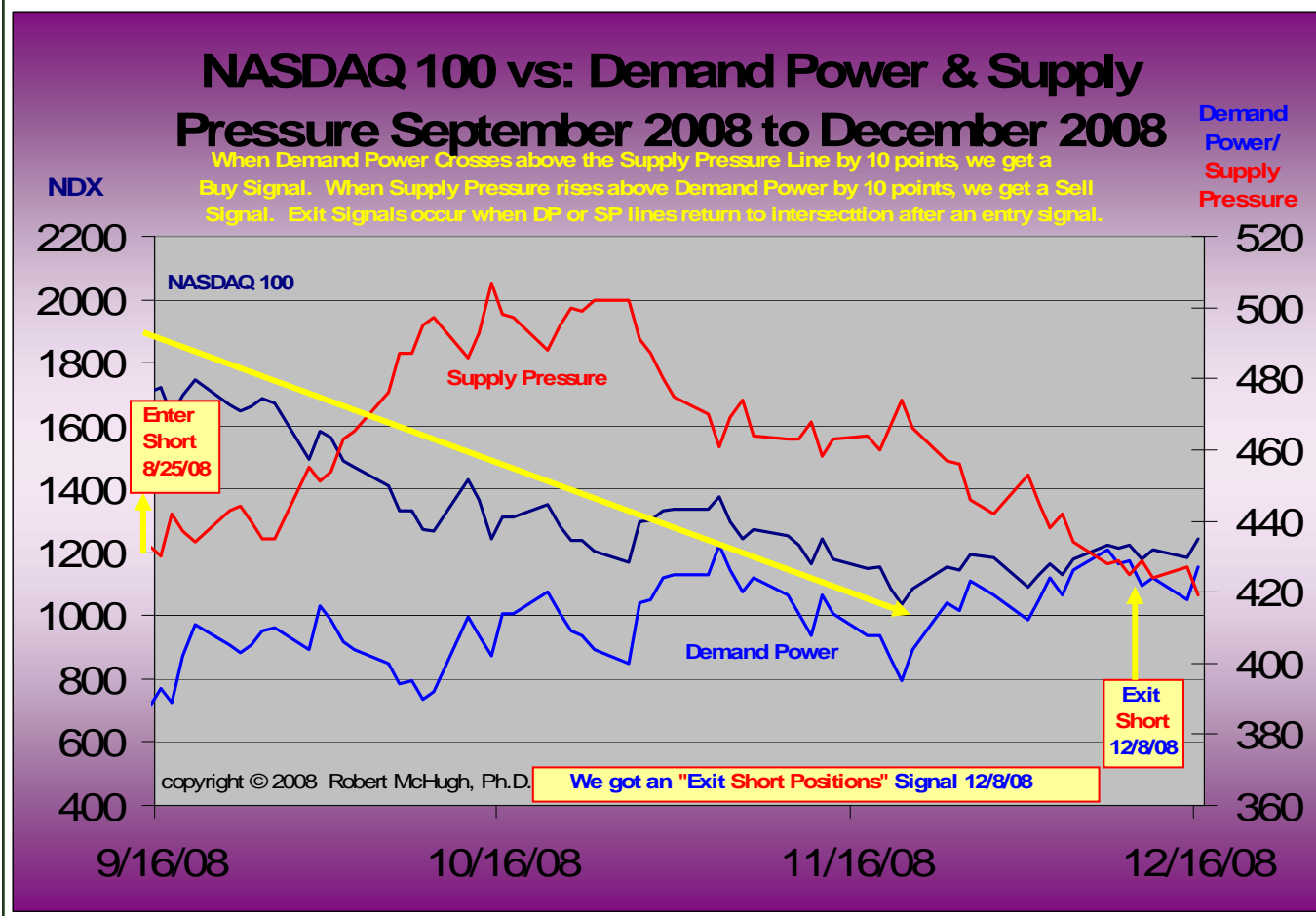
Gold's Daily Full Stochastics are on a buy signal, as are the Weekly Full Stochastics, and the Monthly have bottomed, suggesting that a huge multi-week, maybe multi-month rally leg is underway.

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 underway.

*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** rose **61.62 points Tuesday, closing at 1,243.49**. Volume rose to 104 percent of its 10 day average. **Upside volume led at 92 percent. Advancing issues led at 94 percent, with upside points at 99 percent. NDX Demand Power rose 9 points to 427, with Supply Pressure down 8 points to 419**, telling us the rally was powerful with mild short-covering. **A crossover generated an exit short positions signal December 8th, and remains neutral Tuesday**. Once DP rises 10 points above SP, it will trigger a new enter long positions signal.

Our key trend-finder indicators **generated a new "buy" signal Tuesday**. The **NDX 14 day Stochastic Fast** rose to 76.00, decisively above the Slow at 65.40, **triggering a new "buy" signal December 16th**. The **NDX Purchasing Power Indicator** rose 16 points to negative -70.69, **triggering a new "buy" signal December 16th**. The **NDX 10 day average Advance/Decline Line Indicator** rose to positive +14.6, **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* rose 30.28 points Tuesday, closing at 482.85. Volume was up at 99 percent of its 10 day average, with upside volume leading at 90 percent, with advancing issues leading at 94 percent. The *RUT Purchasing Power Indicator* rose to negative -0.06, *triggering a new "buy" signal December 16th*. The *RUT 10 day average Advance/Decline Line Indicator* rose to positive + 182.5, *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 22.77 points Tuesday, closing at 296.38. Volume was higher at 114 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 Tuesday, December 16th*. The *HUI 30 day Stochastic Fast* rose to 100.00, above the Slow at 82.78, *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 220.70, *remaining on a "buy" signal from December 10th*. January Gold rose to 841.9. Silver was higher at 10.68, while Oil fell to 43.73. The Dollar fell 1.90 to 80.23. Bonds rose two points to 137^02. 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* fell 4.39 to 52.37.

The *Australia SPASX200* fell 35.20 points, or 0.98 percent Tuesday. 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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\$SPX (S&P 500 Large Cap Index) INDX © StockCharts.com
 16-Dec-2008 **Close 913.18 Volume 4.8B Chg +44.61 (+5.14%) ▲**



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 Buy Signal.

\$INDU (Dow Jones Industrial Average) INDX © StockCharts.com
 16-Dec-2008 **Close 8924.14 Volume 1.3B Chg +359.61 (+4.20%) ▲**



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

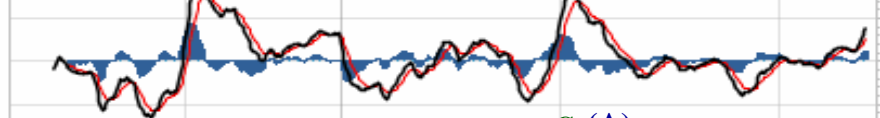
Daily Full Stochastics Generate a Buy Signal.



\$INDU (Dow Jones Industrial Average) INDX © StockCharts.com

16-Dec-2008 **Close** 8924.14 **Volume** 1.3B **Chg** +359.61 (+4.20%) ▲

— MACD(12,26,9) 76.908, 52.570, 24.338



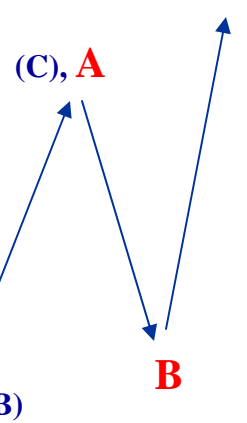
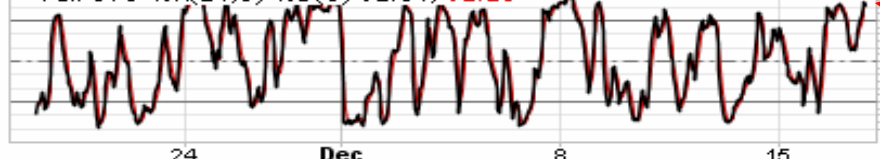
% \$INDU (15 min) 8924.14

Volume undef



Dec 24 8 15

— Full STO %K(14,3) %D(3) 91.64, 92.20

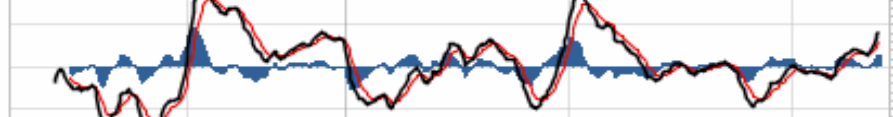


Prices Could Fall Wednesday.

\$SPX (S&P 500 Large Cap Index) INDX © StockCharts.com

16-Dec-2008 **Close** 913.18 **Volume** 4.8B **Chg** +44.61 (+5.14%) ▲

— MACD(12,26,9) 8.558, 5.835, 2.723



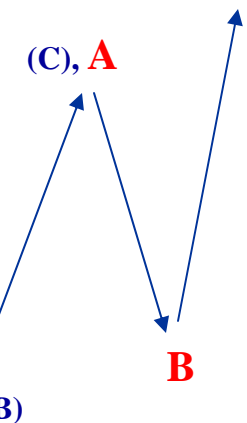
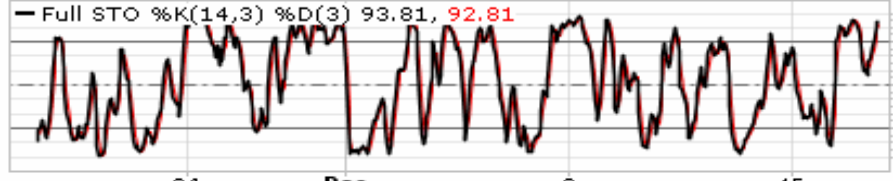
% \$SPX (15 min) 913.18

Volume undef



Dec 24 8 15

— Full STO %K(14,3) %D(3) 93.81, 92.81



Prices Could Fall Wednesday.



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







The MACD
 Is on a Buy signal.
 The Full Stochastics
 Generate a Buy 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.



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
12/16/08	52.37	80.23	140.57	226.31	841.9	10.68	43.73	Hidden

Note: VIX, Oil and Dollar fall; Inflation assets rise.

Conservative Balanced Portfolio Recent Transactions As of Tuesday December 16th, 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:

*6 Months for \$175, or
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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.***