

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

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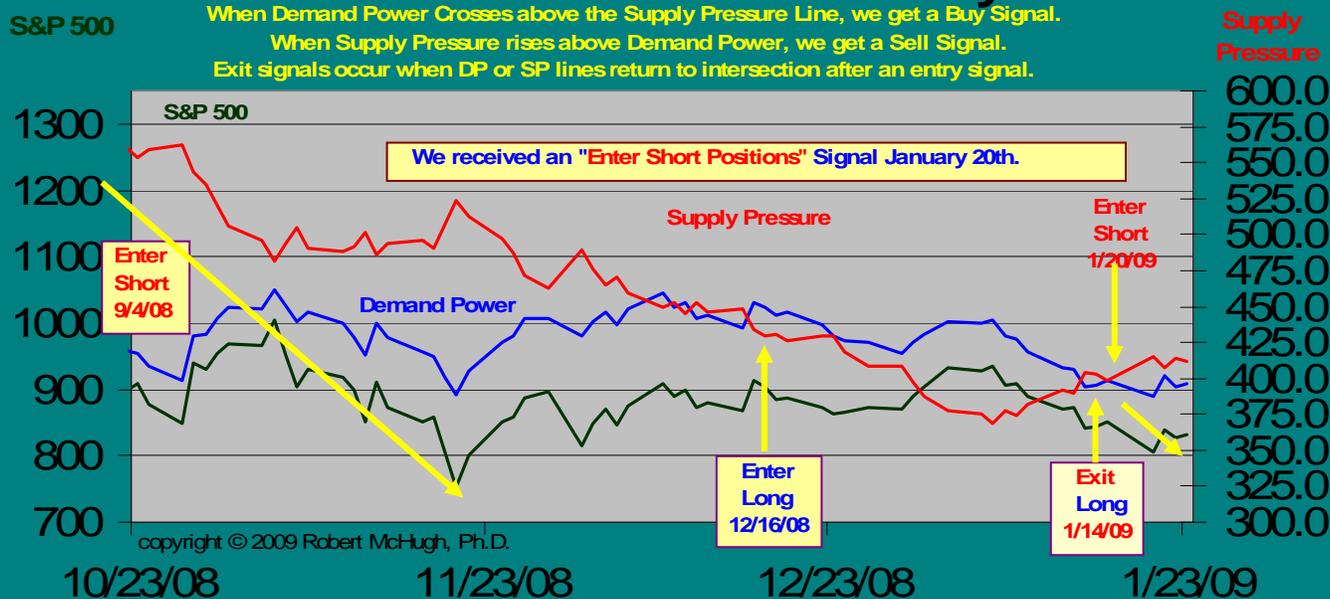
Issue No. 1001  
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**SUMMARY OF INDEX DAILY CLOSINGS FOR FRIDAY, JANUARY 23rd, 2009**

<u>Date</u>	<u>DJIA</u>	<u>Transports</u>	<u>S&amp;P</u>	<u>NASDAQ</u> <u>COMPQ</u>	<u>NASDAQ</u> <u>100</u>	<u>Russell</u> <u>2000</u>	<u>30 Yr Treas</u> <u>Bonds</u>
Jan 15	8212.49	3169.77	843.74	1511.84	1183.52	462.62	137^15
Jan 16	8281.22	3147.60	850.12	1529.33	1198.14	466.45	136^07
Jan 20	7949.09	2959.40	805.22	1440.86	1136.61	433.65	134^29
Jan 21	8228.10	3061.98	840.24	1507.07	1185.76	456.76	131^21
Jan 22	8122.80	3032.60	827.50	1465.49	1168.08	445.85	129^30
Jan 23	8077.56	2965.89	831.95	1477.29	1175.89	441.45	129^19

**S&P 500 vs: Demand Power & Supply Pressure**  
**Pressure October 2008 to January 2009**



**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	1/20/2008	396	412	SPX Fell 01Points ( 0.1 %)
NDX	Short	Enter Short	1/14/2009	399	413	NDX Fell 26 Points ( 2.3 %)

\* 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>
<b>Purchasing Power Indicator</b>	DJIA/S&P	Short	Buy	Jan 21st, 2009	Rose 0 Points ( 0.0 %)
<b>DJIA 14 Day Stochastic</b>	DJIA	Short	Sell	Jan 7th, 2009	Fell 860 Points ( 9.8 %)
<b>DJIA 30 Day Stochastic</b>	DJIA	Short	Sell	Jan 7th, 2009	Fell 860 Points ( 9.8 %)
<b>DJIA Primary Trend Indicator</b>	DJIA	<b>Long</b>	Sell	Sept 30th, 2008	DJIA Fell 3401 Points ( 31.3 %)
<b>Secondary Trend Indicator</b>	DJIA/S&P	Short	Buy	Dec 26th, 2008	DJIA Rose 572 Points ( 6.7 %)
<b>NDX Purchase Power Indic</b>	NASDAQ 100	Short	Buy	Jan 21st, 2009	Rose 0 Points ( 0.0 %)
<b>NDX 14 Day Stochastic</b>	NASDAQ 100	Short	Sell	Jan 7th, 2009	Fell 102 Points ( 8.2 %)
<b>RUT Purchase Power Indic</b>	RUT	Short	Buy	Jan 21st, 2009	Rose 0 Points ( 0.0 %)
<b>HUI Purchasing Power Indic</b>	HUI	Short	Buy	Jan 16th, 2009	Rose 13 Points ( 5.0 %)
<b>HUI 30 Day Stochastic</b>	HUI	Short	Buy	Jan 23rd, 2009	<b>New Buy Signal</b>

*Gold kicked butt Friday*, and is back up to 900 a troy ounce. The *Dow Industrials fell 45.24* points Friday, or 0.56 percent, closing at 8,077.56. This was up significantly from a deep intraday low, for the second day in a row, falling 213 points to 7,909.03 before rising nicely into the close. *NYSE volume was flat on the decline at 104* percent of its 10 day average. *Downside volume led at 66 percent, however with advancing issues leading at 54 percent, with upside points at 61 percent in mixed trading. While the Industrials and Trannies fell, the S&P 500 and NASDAQ rose. S&P 500 Demand Power rose 2 points to 396, while Supply Pressure fell 2 points to 412*, telling us the S&P's rise was mild but solid.

*This weekend we are on watch for a possible significant rally in stock prices, as we present later in this report a potential Dow Theory Primary Trend Buy signal scenario. We show what has to happen to trigger that buy signal, or cancel its potential, and if it does occur, how that fits in this Grand Supercycle degree Bear market.* We also study a large Bullish Divergence we note in a key indicator we follow daily. We are in a period of respite for a few months, but a severe decline is coming once this wave **(B)** up pause ends. The Monthly Full Stochastics are arguing there is another up leg coming that lasts several weeks, maybe months. The next up leg should be wave **C**-up of **(B)** up.

The percent above 30 indicator remains at an extreme oversold level, arguing for a coming rally that could last several weeks. The Daily Full Stochastics just generated new buy signals (page 16) from oversold levels, suggesting a short-term rally lasting a week or two is not far off. While the Weekly Full Stochastics are on a sell signal, they are not near overbought levels, so could reverse to buys at any time. The Monthly Full Stochastics are at levels where multi-month rallies start. The Dow Industrials volatile back and forth movements over the past two weeks could be forming a Bullish Descending Wedge, shown on page 19. If so, it may need a few more days to complete and then a breakout north should start. We also saw a Hammer Candlestick pattern (see page 19) form Friday, which suggests prices could rise next week.

*The Demand Power/Supply Pressure indicators generated an enter short position signal January 20th, and remains there Friday. Friday's McClellan Oscillator rose to negative - 97.58. The Summation Index worsened to positive + 1,477.16. NYSE New Highs remained anemic at 2, with New Lows rising to 125.*

*The percent of DJIA stocks above their 30 day moving average remained at 6.67. The percent above 10 day rose to 26.67 from 6.67. The percent above 5 day rose to 40.00 from 30.00. The NYSE 10 day average Advance/Decline Line Indicator worsened to negative -608.3, remaining on a "sell" signal from January 16th, when it dropped below the negative - 120.00 threshold necessary for a new "sell."*

*Our three Blue Chip key trend-finder indicators (other than the Demand Power/Supply Pressure Indicator) remain on a "sideways" signal Friday. The DJIA 30 day Stochastic Fast remained at 6.67, below the Slow at 8.67, remaining on a "sell" signal from January 7th. The DJIA 14 day Stochastic remained at 3.33, below the Slow at 3.89, remaining on a "sell" signal from January 7th. The Fast had to cross more than 10 points below the Slow for a new "sell." The S&P 500 Purchasing Power Indicator rose 1 point to negative -122.42, remaining on a "buy" signal from January 21st.*

*The Plunge Protection Team Risk Indicator rose to positive + 34.58 Friday, January 23rd, remaining on a buy signal from January 16th. A rise above positive + 20.0 or a drop below -16.0 triggers a new "buy" signal. 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 rose to 1.01 Friday, remaining on a "neutral" signal from January 15th, (moving below 1.00 and above 1.40 is neutral, while rising decisively above 1.00 (above 1.10) triggers a new "buy"). On Friday, the Secondary Trend Indicator rose 4 points to positive + 18, remaining on a buy signal from December 26th when it went positive for the first time in three months. 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&amp;P 500/DJIA

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	<u>Secondary Trend Indicator</u>
Jan 15	Up 1 to 395	Down 1 to 403	Flat 0 at -117	Up 4 to + 11
Jan 16	Up 3 to 398	Down 5 to 398	Up 2 to -115	Up 5 to + 16
Jan 20	Down 10 to 388	Up 17 to 415	Down 16 to -131	Down 7 to + 9
Jan 21	Up 14 to 402	Down 8 to 407	Up 11 to -120	Up 8 to + 17
Jan 22	Down 8 to 394	Up 7 to 414	Down 3 to -123	Down 3 to + 14
Jan 23	Up 2 to 396	Down 2 to 412	Up 1 to -122	Up 4 to + 18

## 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)
Jan 15	Up 4 to 395	Down 4 to 409	Down 5 to -85	+ 15.89
Jan 16	Up 4 to 399	Down 3 to 406	Up 4 to -81	+ <b>20.02</b>
Jan 20	Down 6 to 393	Up 10 to 416	Down 15 to -96	+ 22.36
Jan 21	Up 7 to 400	Down 5 to 411	Up 12 to -84	+ 23.03
Jan 22	Down 4 to 396	Up 4 to 415	Down 5 to -89	+ 29.77
Jan 23	Up 3 to 399	Down 2 to 413	Up 1 to -88	+ 34.58

## 10 Day Average Short-term Advance/Decline Signals

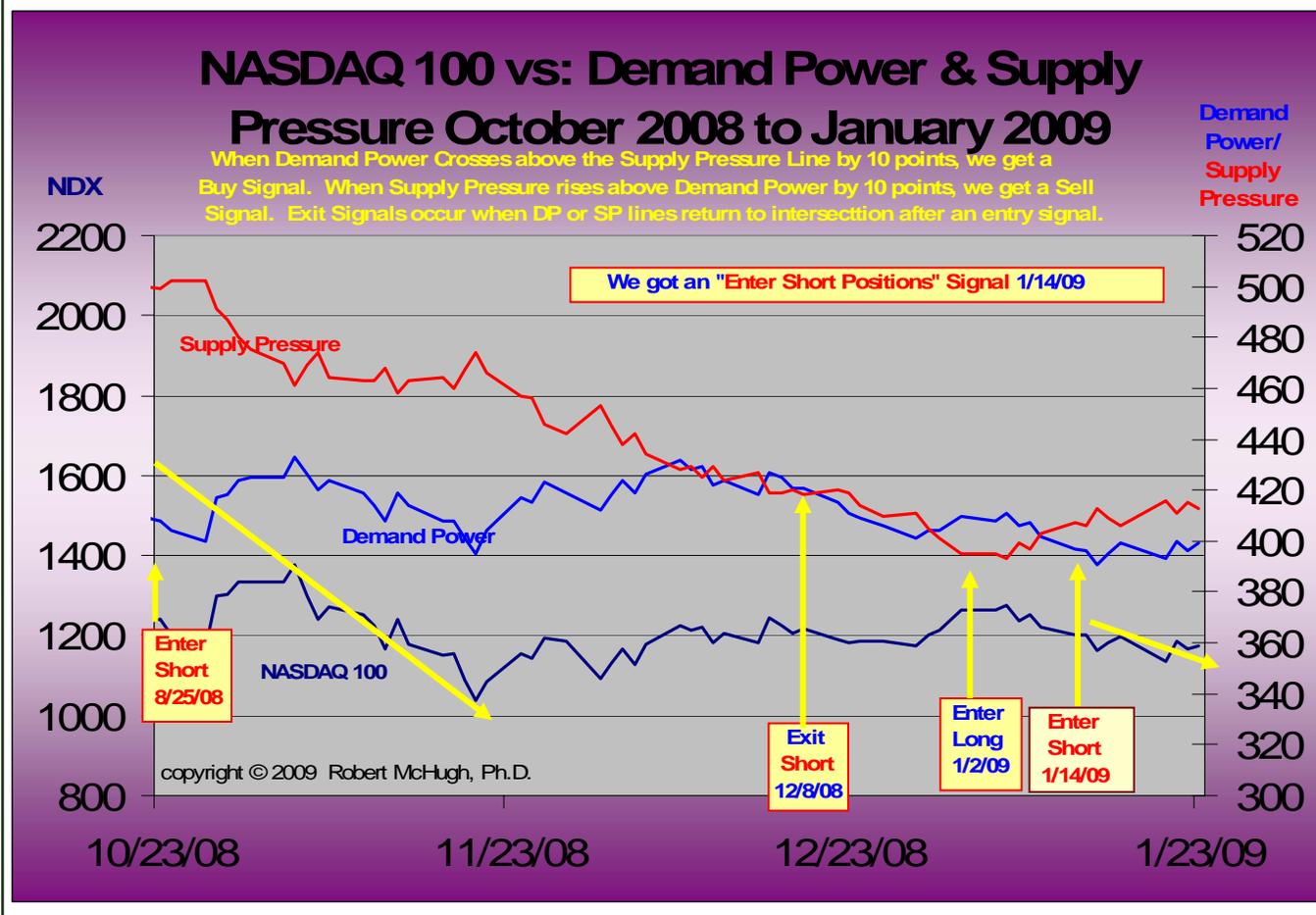
<u>Index</u>	<u>Jan 23rd A/D Indicator</u>	<u>Signal</u>	<u>Date of Signal</u>	<u>Fullest Extent of Index Move Since Signal</u>
NYSE/S&P 500	- 608.3	Sell	Jan 16th, 2009	SPX Fell 45 Points ( 5.4 %)
NASDAQ 100	- 17.9	Sell	Jan 14th, 2009	NDX Fell 26 Points ( 2.3 %)
Russell 2000	- 528.9	Sell	Jan 14th, 2009	RUT Fell 21 Points ( 4.7 %)

*Gold's and the HUI have rallied sharply, as expected from their target lows we gave a few weeks ago. We gave a downside target for Gold of 800ish, and the HUI to 240ish. Gold hit 801.50 on January 15th, and the HUI hit 241.78 the same day. Since then, Gold rose 100 points, 12.5 percent, and the HUI rose 60 points, or 25 percent in about a week. This rally was suggested by the bottoming position of the Monthly Full Stochastics several weeks ago. We believe a huge multi-week, maybe multi-month rally leg is underway.*

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The **NASDAQ 100** rose 7.81 points Friday, closing at 1,175.89. Volume fell to 100 percent of its 10 day average. **Upside volume led at 78 percent. Advancing issues led at 58 percent, with upside points at 68 percent. NDX Demand Power rose 3 points to 399, while Supply Pressure fell 2 points to 413**, telling us the advance was mild but solid. **The DP/SP indicator triggered an enter short positions signal January 14th**, DP dropping more than 10 points below SP, remaining there Friday.

Our key trend-finder indicators remain on a **“sideways” signal** Friday. The **NDX 14 day Stochastic** Fast rose to 11.00, below the Slow at 12.00, remaining on a **“sell” signal from January 7th, 2008**. The **NDX Purchasing Power Indicator** rose 1 point to negative -87.66, remaining on a **“buy” signal from January 21st, 2009**. The **NDX 10 day average Advance/Decline Line Indicator** worsened to negative -17.9, remaining on a **“sell” signal from January 14th, 2009**, when it first fell below the negative - 5.0 threshold for a new “sell” signal.



The *Russell 2000* fell 1.40 points Friday, closing at 441.45. Volume was flat at 99 percent of its 10 day average, with upside volume leading at 56 percent, but with declining issues leading at 51 percent in mixed trading. *The RUT Purchasing Power Indicator* fell to negative -18.10, **remaining on a "buy" signal from January 21st, 2009**. The *RUT 10 day average Advance/Decline Line Indicator* worsened to negative -528.90, **remaining on a "sell" signal from January 14th**, when it fell below the negative -180.00 threshold for a new "sell" signal.

The *HUI Amex Gold Bugs Index* exploded higher, up 25.27 points, 9 percent, Friday, closing at 304.03. Volume was sharply higher at 137 percent of its 10 day average. Upside volume led at 94 percent, with advancing issues at 95 percent, and upside points at 99 percent. *Our key trend-finder indicators generated a new "buy" signal Friday*. The *HUI 30 day Stochastic* Fast rose to 90, decisively above the Slow at 66.67, **triggering a new "buy" signal January 23rd**. The Fast had to rise more than 20 points above the Slow to trigger a new "buy." The *HUI Purchasing Power Indicator* rose to 214.10, **remaining on a "buy" signal from January 16th**. February *Gold* exploded higher to 899.4. *Silver* rose sharply to 11.87, while March *Oil* rose to 45.65. The *Dollar* rose 0.03 to 85.52. *Bonds* half a point to 129^19. 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* was flat at 47.27.

The *Australia SPASX200* fell 144.10 points, or 4.13 percent Friday. 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 Years Specials:***

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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, January 25th, 2009***

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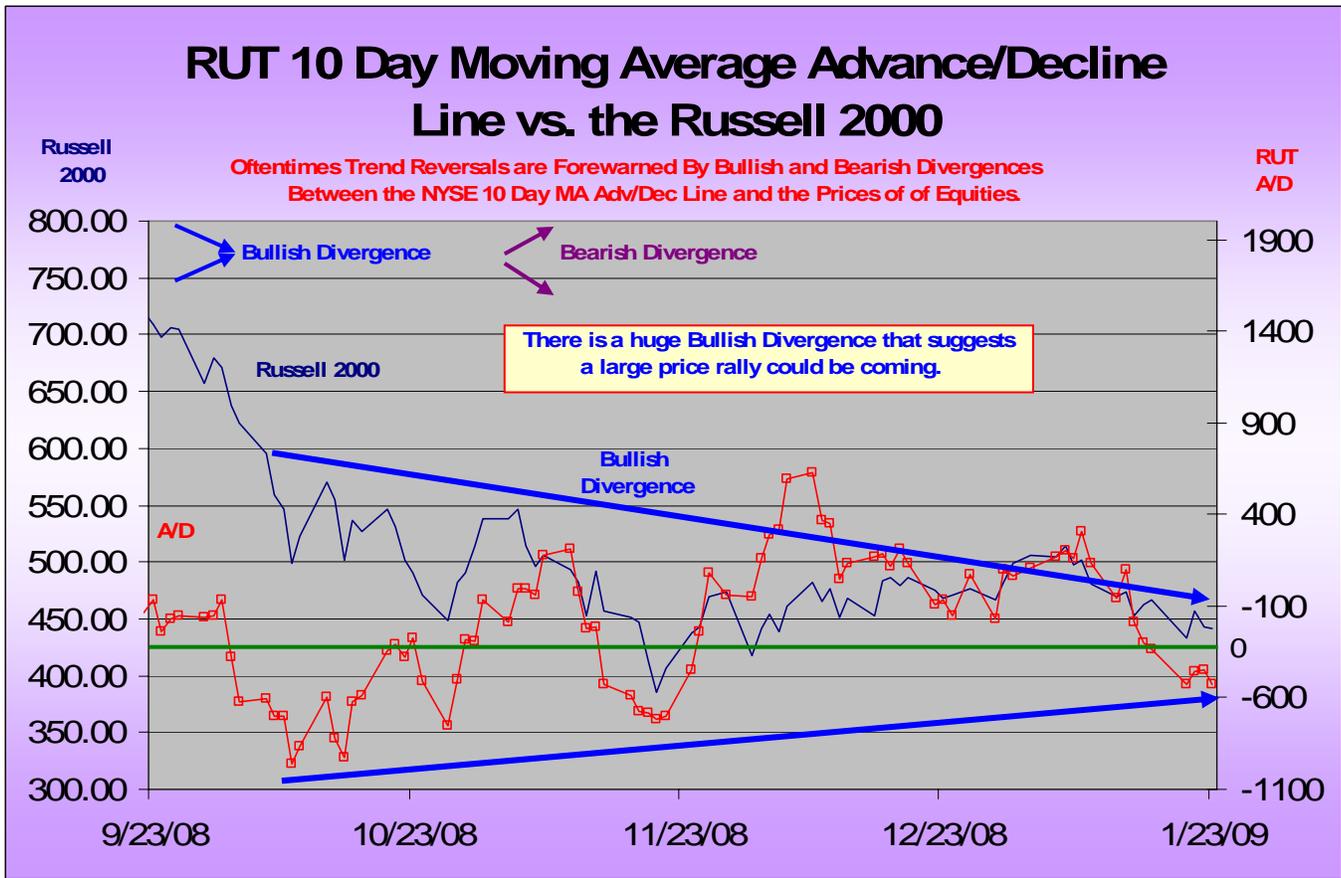
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## NYSE 10 Day Moving Average Advance/Decline Line vs. the S&P 500



## NASDAQ 100 10 Day Moving Average Advance/Decline Line vs. the NASDAQ 100





*The charts on the previous page, and above, indicate that there are Bullish Divergences, that are pretty large, in three key stock indices. This suggests that there is an increasing probability that a significant rally in stocks is coming, and may not be far from starting. This analysis does not give upside targets, however we can say that based upon previous Bullish divergences, this rally could last several weeks, maybe even a few months, and be significant, perhaps 15 percent or more.*

What we aren't given is when this will start, and from what levels it starts. It is possible this coming rally could start from lower levels than where we sit now. That would be the case if wave **B** down is not yet complete in the Industrials and S&P 500. Once this coming rally begins, it likely will be wave **C** up of (**B**) up.

Theoretically, what this analysis is saying, is that while the overall indices prices have fallen sharply from three months ago, a majority of the individual stocks that make up these indices are actually strengthening. It could be that a small segment of the indices are pulling prices down with terrible performance, however once they capitulate, the rest of the stocks making up the indices will pull prices higher, no longer weighed down by the anchor of poor performing stocks.

*The last Dow Theory Primary Trend signal was a Sell Signal on November 21st, 2007. It confirmed we were about to see a huge decline. It happened.* The analysis for that signal was presented in our November 26th, 2007 weekend newsletter and that can be accessed in the archives at [www.technicalindicatorindex.com](http://www.technicalindicatorindex.com) for those of you interested. We presented the potential for that change in issue # 694, October 26th, 2007, when the Industrials were at 13,800ish.

Let's be clear here that *the Sell Signal is still in effect*. However, one of our jobs is to identify potential changes in major signals before they occur. *There is a set up that has the potential to generated a new Dow Theory Primary Trend Buy Signal*. The charts on the next page show the three events that have taken place over the past month that set this situation up.

*For a new Buy signal, what has to happen next is for both the Industrials and the Trannies to rise and close above their January 2009 highs. Those levels are 9,034.69 in the Industrials and 3,717.26 in the Trannies, before both averages would fall to new closing lows below their November 20th, 2008 lows, 7,552.29 in the Industrials and 2,988.99 in the Trannies.* So it is a race. Which set of figures gets bettered first.

The primary event that set this situation up is that *this past week, Trannies closed below their November 20th, 2008 lows and the Industrials failed to confirm*. Such a non-confirmation suggests something may be wrong with the current decline.

*If we get a new Dow Theory Primary Trend Bull Market signal, we could still be getting any of the three patterns possible for Grand Supercycle wave {IV} down shown on pages 11 through 13, but most likely the zigzag or triangle patterns shown on pages 11 and 12 would be forming. The rally would be wave (B) up, and could be a 25 to 30 percent move higher. If the flat pattern is forming shown on page 13, it would likely be wave C-up of (B) up, and could be strong, taking C up 15 to 20 percent.*

*If we do not get a definitive move above or below the levels cited above, over the next few months, it probably means wave (B), the middle wave of wave {IV} down, is forming a sideways triangle inside a zigzag for Grand Supercycle wave {IV} down, as shown in the alternate labeling on page 18. In that case, we have seen prices at their highest for years to come. It would mean waves A up and B down have completed, with C up next, of a five wave pattern, A-up, B-down, C-up, D-down, E-up of (B) up with the peak for the move being wave A, the highest prices will get for several years to come. What would happen is once this pattern for (B) completes, next we would get a down-side reconfirmation of the current Dow Theory Primary Trend Sell signal, with no Dow Theory Buy signal, which would be the kickoff for wave (C) down, the start of the coming cataclysmic decline that should change the political structure of our nation, and set off Great Depression II.*

**Potential Set Up for a Dow Theory Primary Trend Bull Market Signal**



**Needed Event # 4:**  
 If the Industrials rise and close above 9,034.69 and the Trannies rise and close above 3,717.26, we will get a new Dow Theory Primary Trend Bull Market Signal. That could signal wave C Up of (B) up is underway and it will be a large

**Event # 3:** A Failure by the Industrials to confirm another new low in the Trannies, since January 20th, when Trannies Closed at 2,959.40.



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**Event # 3:** A Failure by the Industrials to confirm another new low in the Trannies, since January 20th, when Trannies Closed at 2,959.40.



The above chart is a closer look at the big picture. We originally hoped that the decline we are seeing now would be the bottom of wave 2, however *with the new “Sell” signal in our long-term PTI signal, clearly there is more substantial downside coming.* This fits with November 20th’s development where the S&P 500 fell decisively below their 2002 lows, confirming we are in Grand Supercycle wave {IV} down.

*If Grand Supercycle wave {IV} down forms a Zig-zag pattern, it means time-wise, the Grand Supercycle wave could be short relative to other Grand Supercycle degree waves, however price-wise the decline will be dramatic, and therefore worthy of Grand Supercycle degree status.* Above we show the Zig-zag scenario. A *multi-week bottom, perhaps multi-month bottom, occurred on November 20th.* The Monthly Full Stochastics are oversold. This suggests the first leg of the Bear Market is complete, wave (A) down within an (A)-down, (B)-up, (C)-down Grand Supercycle Wave {IV} down. Wave (B) up is underway. This rally should be dramatic, should consist of three waves, A-up, B-down, C-up within wave (B)-up. There is a possibility this coming wave (B) forms a triangle pattern, as shown on page 19. If so, it will consist of five violent swings, each successive wave smaller than its preceding wave. We will identify which pattern is developing as soon as evident.

The bad news is, that once this wave (B) rally finishes, maybe early to mid 2009, *a nasty decline will follow, the third leg of the Bear Market, wave (C) down. That bottom suggests something along the lines of Armageddon is transpiring, in its early stages, which no doubt will lead to change in our political structure, installing either fascism or socialism to a degree never before imagined. What we are saying is, this should be worse than the 1930’s, which led to World War II. That political environment is where holding actual gold coins would be beneficial.*



The above chart depicts the scenario where Grand Supercycle wave {IV} forms a sideways triangle pattern. This pattern would provide clear alternation with wave {III}'s pattern, which was either a flat or a zigzag, so its odds of occurring have to be taken seriously.

It is a good news, bad news pattern. The good news is the lowest prices for this Bear market either occurred on November 21st, intraday, or will occur in early 2009 if Supercycle wave (A) down has further to go before completion. The good news is that every Supercycle degree wave left to complete this pattern will be shorter than its prior wave, so price damage will be contained.

The bad news is this pattern will be drawn out, take time, and likely last 4 to 6 years. It's a five-waver. Now maybe the worst for the stock market is over with this pattern price wise, but the worst would not be over for the economy with this pattern. For the Bear Market to last 4 to 6 years, it means many more years of distress, of rising unemployment, of weak economic growth, of redefinition of our economic system, of social discord that comes with Bear Markets. It means economic depression will occur. It means a tug of war between perilous economic events and government intervention aimed at pulling us out of the abyss. But it means a great deal of change because of this unprecedented intervention.



Above is the big picture Grand Supercycle wave {IV} scenario where a Flat pattern unfolds. Wave (A) has to be three waves for this pattern, which means the rally phase we started November 21st is merely Cycle degree wave B, and is not Supercycle degree wave (B). The significance of this is twofold: First, it means another sharp decline to lower lows in 2009 is coming without the end to the Bear Market. Second, because waves are one lower degree than we anticipate in the Zigzag scenario, it means a longer timeframe for the Bear Market, again 4 to 6 years like the Triangle scenario.

What we can say with this scenario is that whatever bottom Supercycle degree wave (A) puts in, the bottom for wave (C) will be close to the same level, lower than we have seen so far.

Any way we cut it, Grand Supercycle degree wave {IV} down is bad, and will get worse.

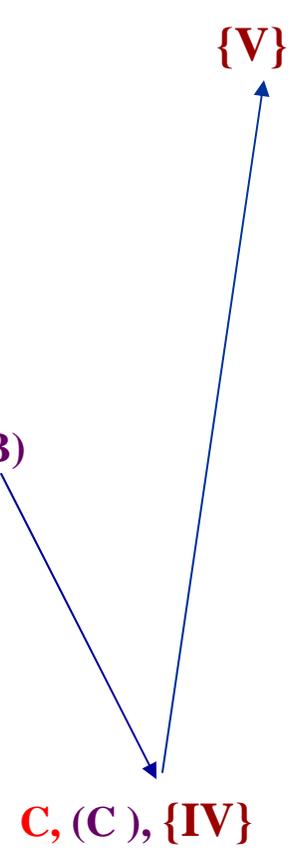
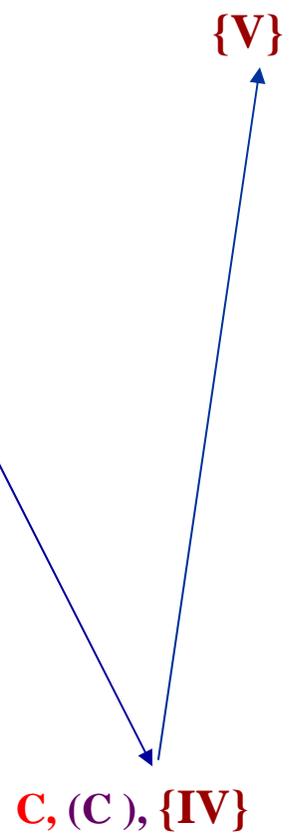


The Monthly Full Stochastics Suggest wave (B) up has further to go, perhaps could last deep into 2009.



Here is a multi-year "M" pattern in formation for the S&P 500, also known as a Double Top pattern. If this is occurring, we could see a complete meltdown all the way to 500, Or lower.

This pattern's downside target will likely be hit once wave (C) down takes over. The Monthly Full Stochastics Suggest wave (B) up is about to start Or has started.





Daily Full Stochastics On a Buy Signal, Near the level where Rallies start.

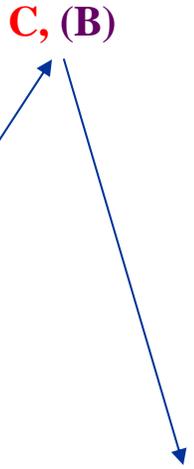


Daily Full Stochastics On a Buy Signal. At the level where bottoms arrive.

**\$SPX (S&P 500 Large Cap Index) INDX** © StockCharts.com  
 23-Jan-2009 **Close 831.95 Volume 4.9B Chg +4.45 (+0.54%) ▲**  
 - MACD(12,26,9) 2.202, 1.333, 0.870

If the degrees of these waves are one lower than depicted, it means this Bear Market will Last At Least Until 2012.

Wave (B) up Started Friday, November 21st. The day after our phi mate turn date

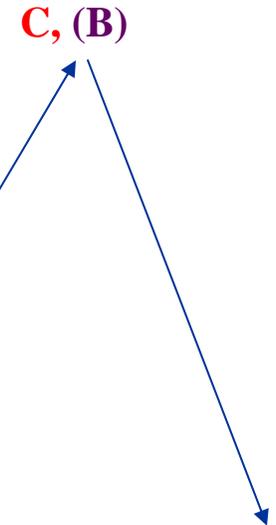


Prices could fall Monday

**\$INDU (Dow Jones Industrial Average) INDX** © StockCharts.com  
 23-Jan-2009 **Close 8077.56 Volume 1.7B Chg -45.24 (-0.56%) ▼**  
 - MACD(12,26,9) -0.904, -6.062, 5.158

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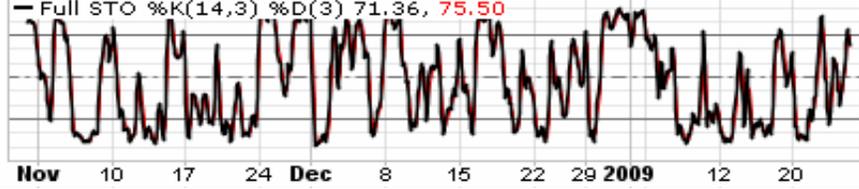


Guidance Indecisive For Monday

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23-Jan-2009 Close 831.95 Volume 4.9B Chg +4.45 (+0.54%) ▲

MACD(12,26,9) 2.202, 1.333, 0.870

Alternate Labeling:  
Sideways Triangle for wave (B) up.

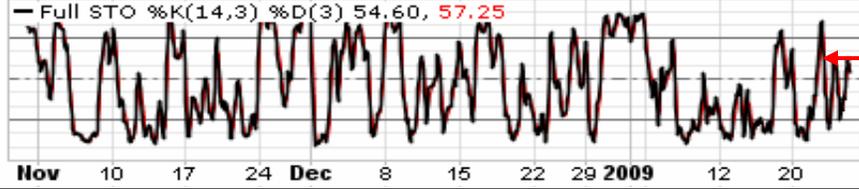


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Sideways Triangle for wave (B) up.



Guidance Indecisive For Friday



The Dow Industrials Appear to be Forming a Declining Bullish Wedge pattern, which suggests a sharp breakout higher is coming, and not far off.



This is a Hammer Candlestick pattern, suggesting a bottom has arrived or is very close. It comes at the end of a period of decline.



Guidance Indecisive For Monday



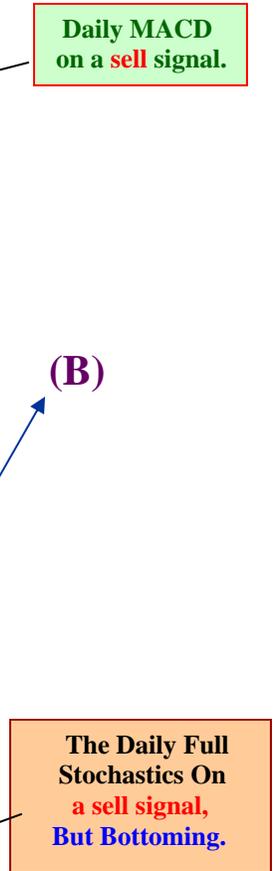
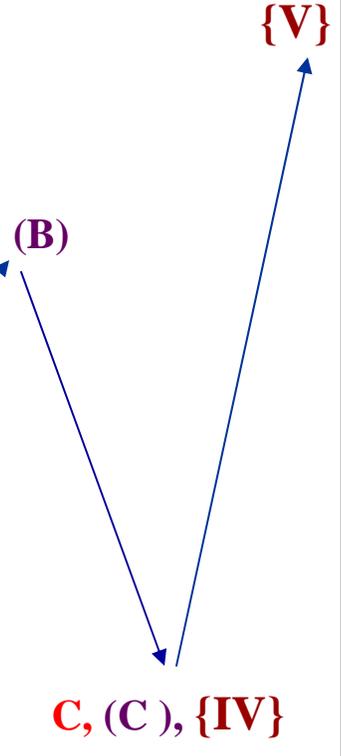
Guidance Indecisive For Monday



Monthly Full Stochastics Suggest a Multi-month Rally is underway, with more to come.



Monthly Full Stochastics Suggest a Multi-month Rally is underway, with more to come.





The NASDAQ 100 Completed the first wave of a five wave Declining Wedge, for wave (C) down. B up is now underway.

The Daily Full Stochastics are on a buy signal, approaching a bottom.

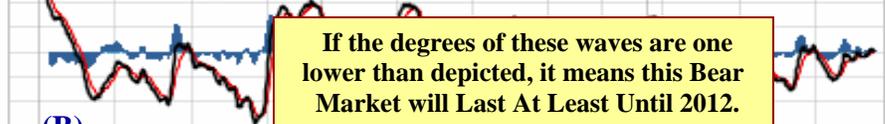




\$RUT (Russell 2000 Small Cap Index) INDX © StockCharts.com

23-Jan-2009 Op 437.82 Hi 449.84 Lo 431.26 Cl 444.36 Chg +1.51 (+0.34%) ▲

MACD(12,26,9) 0.217, -0.023, 0.239



Wave (B) up Started Friday, November 21st. The day after our phi mate turn date

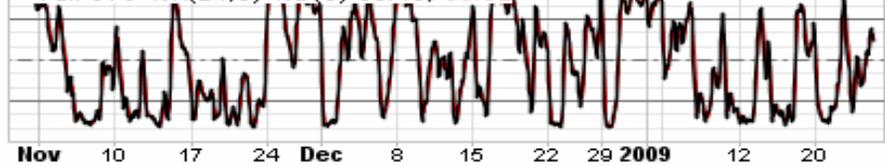
\$RUT (30 min) 444.36 Volume undef



C, (B)

Nov 10 17 24 Dec 8 15 22 29 2009 12 20

Full STO %K(14,3) %D(3) 63.40, 66.02

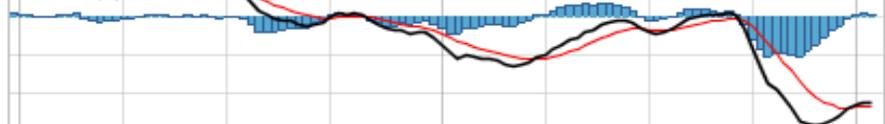


Guidance Indecisive for Monday.

\$RUT (Russell 2000 Small Cap Index) INDX © StockCharts.com

23-Jan-2009 Op 464.45 Hi 464.45 Lo 431.26 Cl 444.36 Chg -22.09 (-4.74%) ▼

MACD(12,26,9) -56.970, -58.827, 1.858



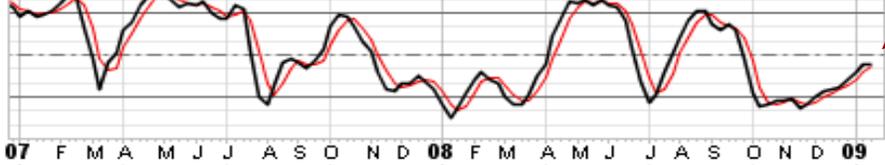
\$RUT (Weekly) 444.36 Volume undef



The Weekly Full Stochastics on a buy.

07 F M A M J J A S O N D 08 F M A M J J A S O N D 09

Full STO %K(14,3) %D(3) 43.31, 41.52







The Monthly Full Stochastics are on a Sell, at the level where tops occur, rolling over. A major decline is imminent.



The Daily Full Stochastics are on a Sell Signal. At the level where tops occur and declines begin.

Take notice of the Dollar's Monthly Full Stochastics shown on the chart at the top of page 26. It has just generated a sell signal from overbought levels. This means ***a massive devaluation of the Dollar is about to start, one that could take several months, maybe a year. It should cut the value of the Dollar in half***, which of course should be positive for Gold, and to a lesser extent Silver. Intermediate term, the Dollar is working through a wave (2) rise, and appears to be in the middle wave of that move, wave ***b***-down, which may be forming a triangle. The Weekly Full Stochastics generated a new buy, but not from oversold levels, suggesting a whipsawing triangle may be in formation. This wave (2) pattern could take several weeks, maybe a few months, to complete. ***Short-term, the Dollar completed wave a up***. The Dollar is now descending into its wave ***b***-down leg, which could be a triangle and last another few weeks. ***The Daily Full Stochastics just generated a new sell signal from overbought levels, suggesting the next leg down of the sideways wave b triangle is about to start***.

Fundamentally, the ***Dollar*** has been in high demand during this crisis, as over 10 trillion dollars of wealth have been destroyed in the stock market and the housing market. That is an entire year's GDP. That creates a shortage of Dollars. A credit market freeze has also caused increasing demand for dollars. As lines of credit were/continue to be cut, and credit card companies will cut \$2 trillion more of lines soon, as the ability to borrow is being cut off, it means that cash is in demand, helping dollars increase in value. Further, given the international scope of this crisis, a flight to quality, to U.S. Dollars as well as U.S. Treasuries has been occurring, increasing demand for Dollars. ***Under these conditions, the Dollar should have rallied to 100. It did not, only rising from the high 70's to the mid 80's. Technically, this confirms that the Dollar's rally is corrective in an ongoing long-term Bear market***. Our forecast remains the same, that the Dollar will fall sharply, long-term into the 40's. This means hyperinflation or competition from another currency that backs itself with gold is coming. Or it means economic collapse will require repudiation of Dollar denominated debts and a new currency is coming. ***A major devaluation of the dollar is coming***.

As for ***Oil***, the depth of the decline is arguing that this is a primary degree correction going on, which means we should expect an ***A***-down, ***B***-up, ***C***-down for wave (2) down. ***A bottom of significance completed, wave A-down. Wave B-up is now underway***. The Daily Full Stochastics are bottoming, as are the Monthly Full Stochastics, suggesting hyperinflation, or supply limitations, or a combination of both are about to drive Oil prices higher. ***Any further decline should be within the context of a larger degree rally***.

***Gold*** has held up relatively well during this worldwide financial crisis, its intrinsic monetary nature providing a floor for its value during deflationary times. It gained 5.4 percent in 2008. The ***HUI***, which is gold below ground, does not hold gold in the form of money, so it behaved more like a stock and experienced a similar crash to the general stock market. However, ***the HUI rallied hard recently, as the Daily Full Stochastics suggested it would. Daily Full Stochastics are now approaching a top, suggesting a short-term corrective decline is coming. The Weekly Full Stochastics are also topping***. Wave ***III*** up has started, which could be dramatic. If you study the Monthly chart, it is on a buy, with room for more upside. Rallies starting from monthly bottoms tend to be impressive, and this rally has done just that. Any declines should be within the context of a larger degree rally.

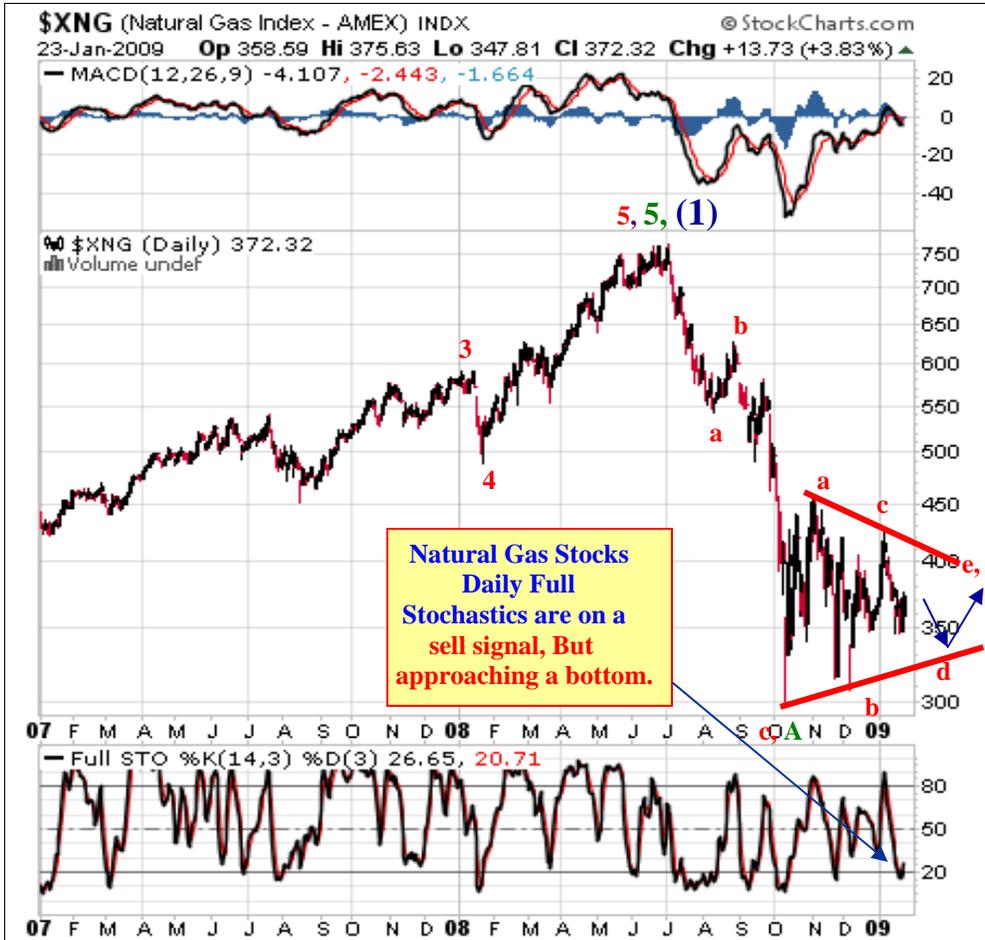
***Silver's Daily and Weekly Full Stochastics suggest a top is approaching***. But the monthly Full Stochastics argue any decline will be corrective within the context of a large Bull Market. This implies huge hyperinflation injections into world-wide economies by central banks.

***Bonds have rallied dramatically as we have been calling for weeks and months***. The Daily Full Stochastics are bottoming suggesting a short-term rally is coming. The Weekly and Monthly Full Stochastics suggest Bonds are topping longer term. They could decline sharply over the first half of 2009.



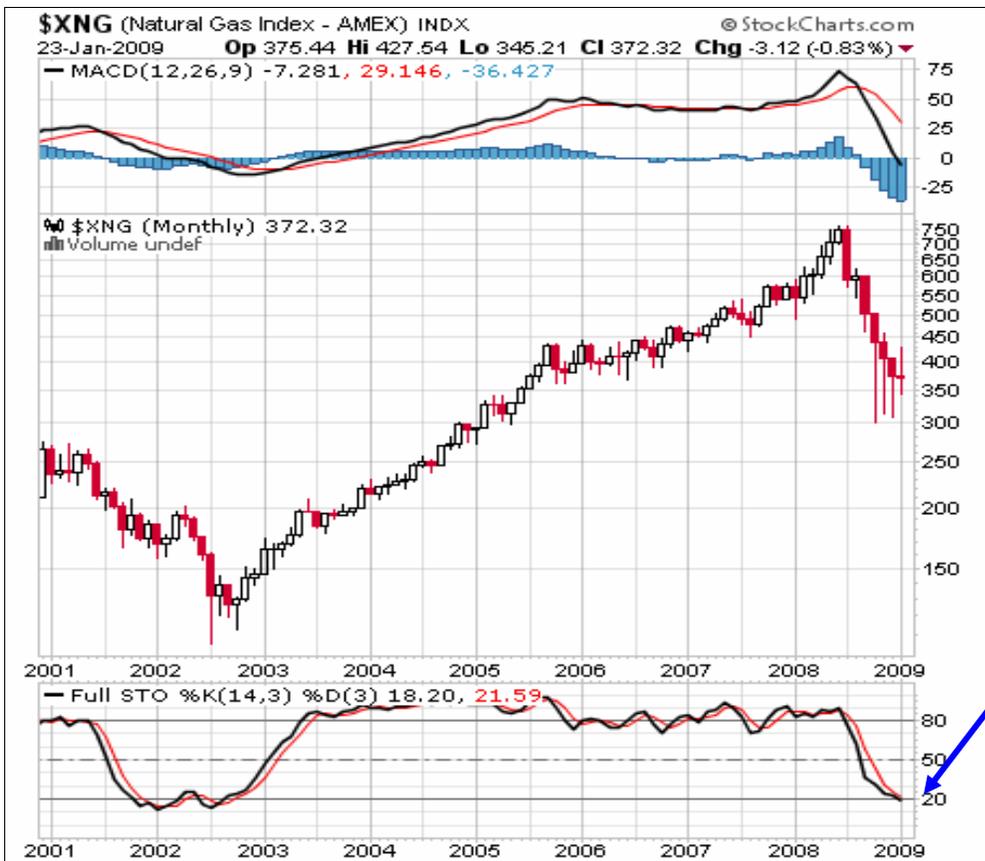
Natural Gas Stocks Correct in Wave (2) down.

Natural Gas Stocks Weekly Full Stochastics are on a buy signal.



Wave B forms a Sideways Triangle, needing a few more waves to complete.

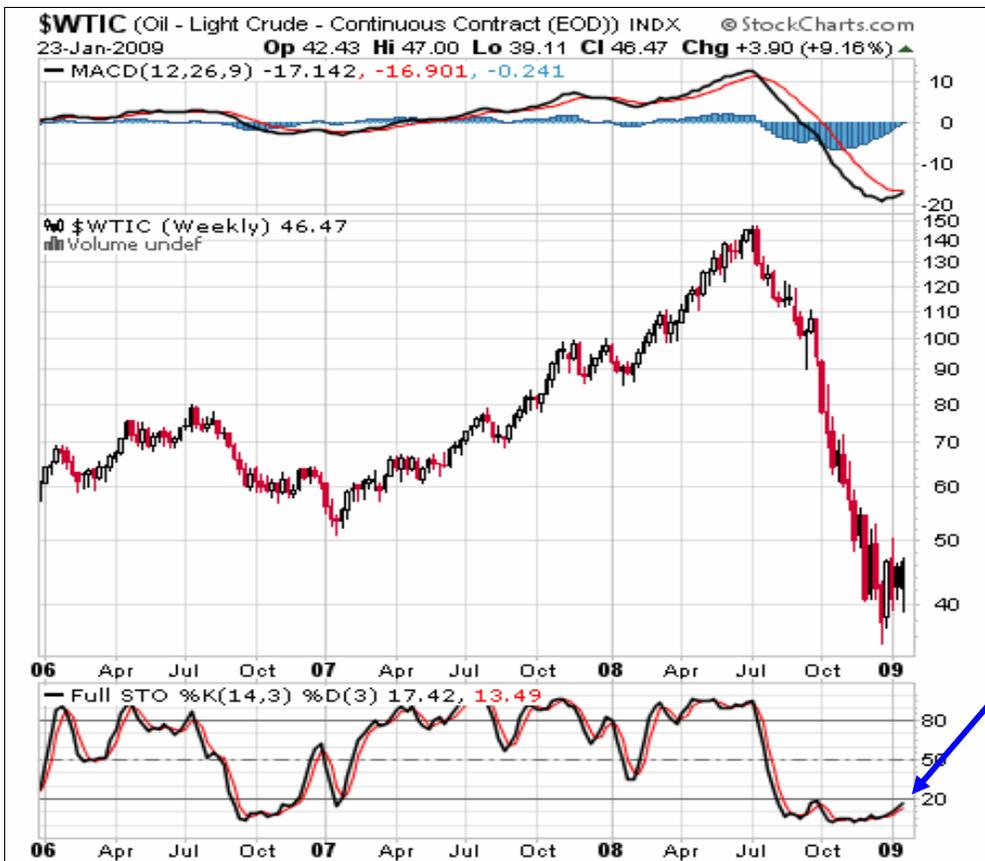
Natural Gas Stocks Daily Full Stochastics are on a sell signal, But approaching a bottom.



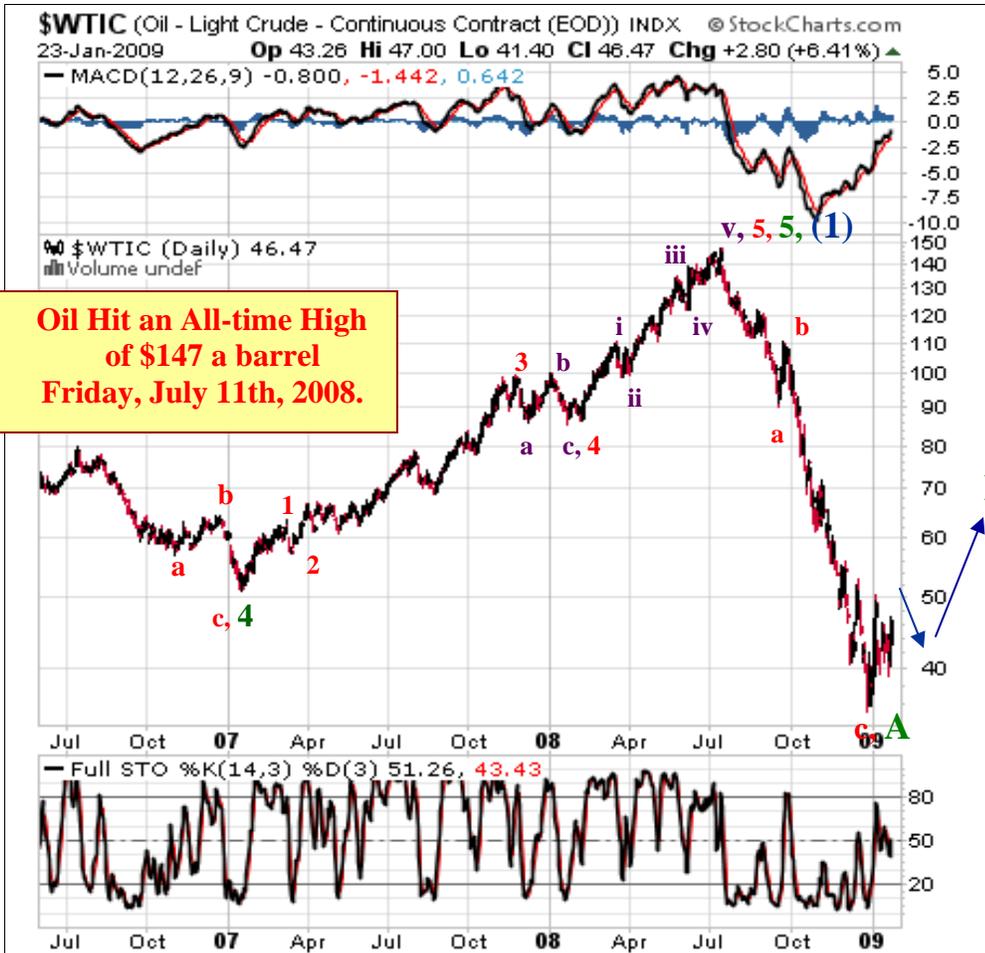
The Monthly Full Stochastics are on a sell, but approaching the level where bottoms occur. This decline is Corrective



The Monthly Full Stochastics are on a sell, but approaching the level where bottoms occur. The Fast Measure is Curling up—Bullish.



The Weekly Full Stochastics are on a Buy, at the level Where bottoms occur.

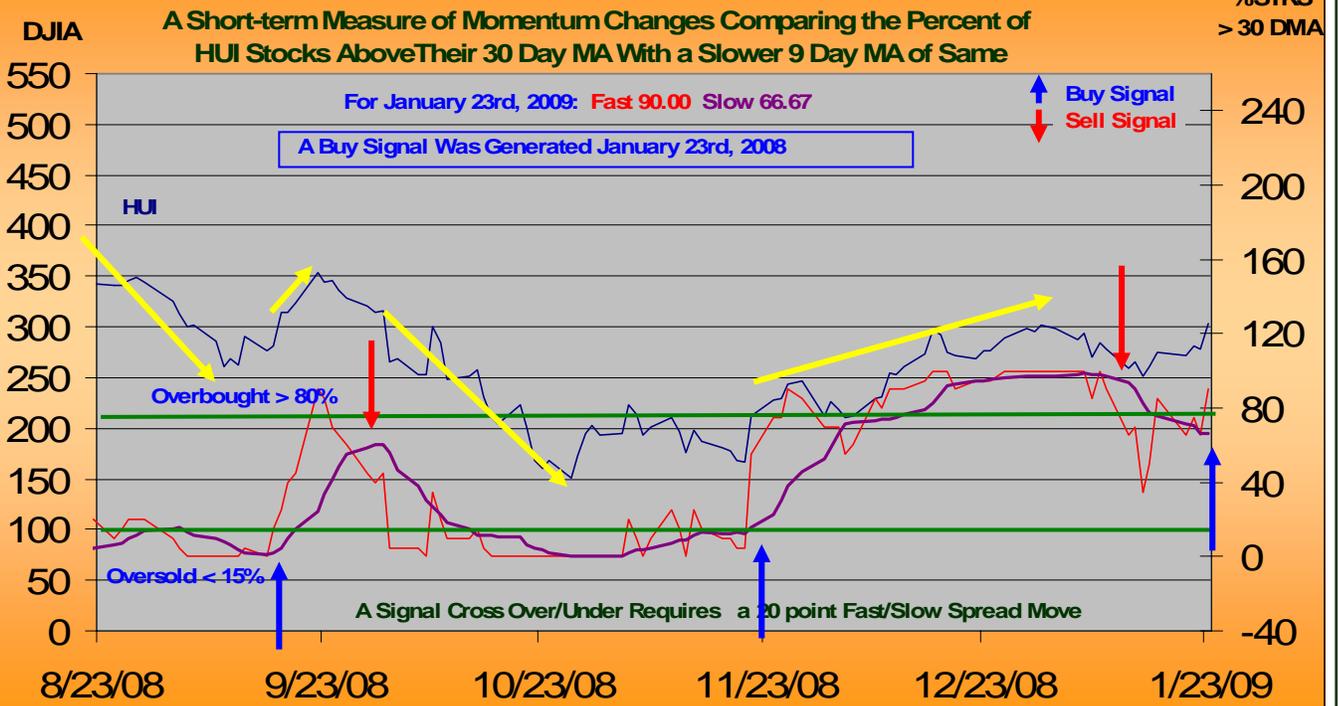


The MACD is on Buy signal. On a short-term basis, the Daily Full Stochastics is on a sell signal.

Oil Hit an All-time High of \$147 a barrel Friday, July 11th, 2008.

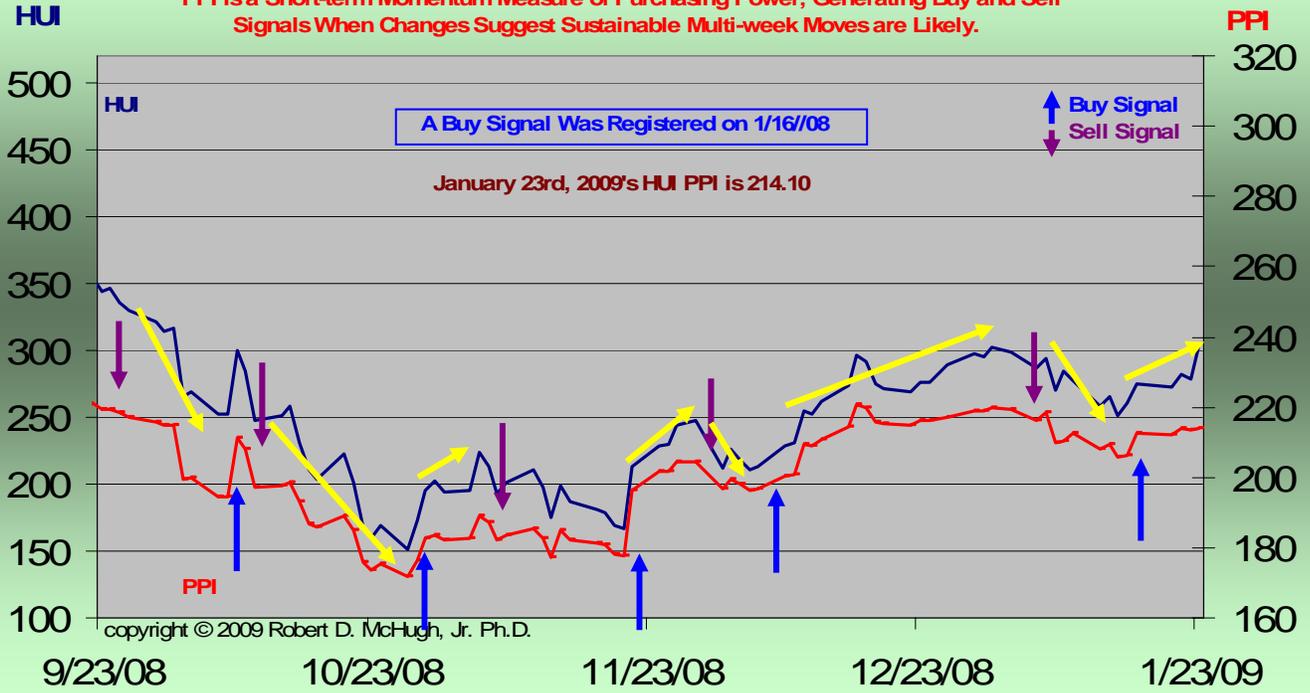
B  
 C, (2)

# 30 Day Stochastic HUI GOLD BUGS



# HUI Gold Bugs Purchasing Power Indicator

PPI is a Short-term Momentum Measure of Purchasing Power, Generating Buy and Sell Signals When Changes Suggest Sustainable Multi-week Moves are Likely.



\$HUI (Gold Bugs Index - AMEX) INDEX © StockCharts.com  
 23-Jan-2009 Op 274.81 Hi 307.12 Lo 265.21 Cl 304.03 Chg +29.22 (+10.63%) ▲





The MACD  
 Is on a **sell signal**.  
 The Full Stochastics  
 Are on a **buy signal**,  
 Bottoming.

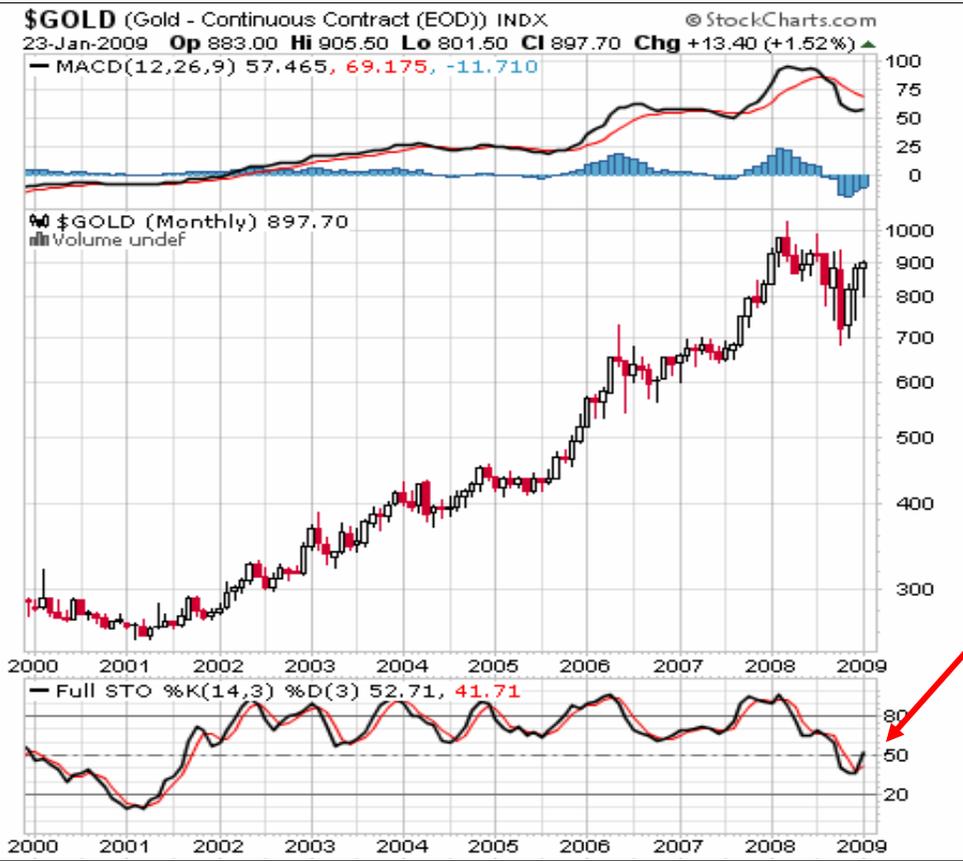
Breakout above the  
 upper boundary of  
 the declining  
 trend-channel is a  
 real positive for  
**Gold Stocks**.



The Weekly Full  
 Stochastics are on a  
 buy signal.  
 After a bit more  
 rally, we should see a  
 multi-week decline.



The Monthly Full Stochastics are on a New buy signal. As are the Monthly Full Stochastics, at The level where major bottoms arrive. This means any declines will be corrective within a larger degree Bull phase.



Gold's Monthly Full Stochastics generate a buy signal. That suggests A huge long-term rally Has started.





**Daily MACD**  
 On a sell signal.

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

**Daily Full STO**  
 On a Buy signal.



**The MACD is**  
 On a Buy Signal.

**The Weekly Full Stochastics**  
 Are on a Buy Signal,  
 With more rally possible, but a top approaching.



The Daily Full Stochastics are on a Buy Signal At the level where short-term tops arrive.



Weekly MACD Curling Up Triggering an intermediate term rally.

Weekly

3 of 5

Weekly Full Stochastics on a buy signal, But are topping.



## 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>	<u>1 Week Avg. M-3</u>
1/9/09	40.36	82.71	134.53	230.08	854.3	11.30	40.36	Hidden
1/16/09	46.11	83.97	132.95	221.09	839.9	11.20	35.88	Hidden
<b>1/23/09</b>	47.27	85.52	129.68	225.79	899.4	11.87	45.65	Hidden

*Note: Everything Rises, except the Euro.*

## Conservative Balanced Portfolio Recent Transactions As of Friday January 23rd, 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 November 30th, 2008, available in the Conservative Portfolio section.*

## ***New Years 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, January 25th, 2008***

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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:***

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

***\* 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.***