

Intra-week *ALERT* for Wednesday – October 5, 2005

“Stock Index Slide?”

Stock Indices fulfilled expectations for a reversal lower on Monday and have given initial fulfillment to analysis for a sharp drop from Oct. 3rd into October 14/17th. In the process, the SPZ has closed below monthly support and is poised to drop to its weekly *HLS* & weekly *21 High MARC* support - at 1189.6--1190.2/SPZ.

The NQZ turned its daily trend up but has already given two neutral signals against this trend. It needs a daily close below 1581.5/NQZ to reverse the daily trend back to down. It also needs a weekly close below 1606.0/NQZ to re-enter its weekly downtrend.

Daily closes below 1200.2/SPZ & 1581.5/NQZ are also needed to trigger confirmed intra-month downtrends (and reinforce the potential for a drop into mid-October).

1-4 week traders should have sold the December e-mini S+P futures at an avg. of 1229.5/ESZ and be holding these w/avg. open gains of about \$1,450/contract. Move buy stops to 1221.5/ESZ.

Bonds & Notes are bouncing (slightly) but will not neutralize their daily downtrends (and give the first sign of a reversal higher) until daily closes above 114-22/USZ & 110-02/TYZ. If this fails to occur by Friday's close, Bonds & Notes will probably see another drop into Oct. 13/14th.

Eurodollars maintain the potential for a low in the next 1-2 weeks, most likely around mid-October.

The **Dollar** spiked to a new rebound high and then immediately reversed lower. It needs, however, a daily close below 89.27/DXZ to give the first sign that a 2-4 week top could be taking hold.

Similarly, the **Euro** dropped to new lows and immediately reversed higher. It needs a daily close above 1.2080/ECZ to give the first signal that a low is forming.

The **Yen** needs a daily close above 88.93/JYZ to turn the intra-month trend up and signal that a low is taking hold. Until then, the trend remains down.

All of these currencies have fulfilled expectations for a Dollar rally/Euro & Yen drop into Sept. 26--30th and are poised for a counter-trend move (Dollar drop/Euro & Yen rally) into November 7--11th. They just need price action to validate this next phase of the cycle analysis.

Gold has consolidated but will not turn down until a daily close *below* 461.2/GCZ. If it can close *above* 472.7/GCZ, Gold will likely trigger the next phase of an anticipated rally into November 7--11th.

Silver pulled back to its weekly *21 High AMAC* and then (today) gave a daily *2 Close Reversal* higher. Silver needs to close above 751.0/SIZ to validate this signal and to trigger a rally to 780.0/SIZ or higher.

(continued on page 2)

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1--4 week traders should have bought Dec. Silver at 740.5 down to 736.0 and can still average into these longs down to 729.5/SIZ. Place sell stops at 719.5/SIZ.

Platinum is consolidating but remains in a daily uptrend until a daily close below 911.4/PLF. As long as this does not occur, Platinum will continue to target a rally to 954.0/PL.

Copper remains on course for a 2-3 month top by October 14th. It did begin the week and spike above 175.35/HGZ, setting the *potential* for an outside week reversal lower. However, it will take a drop below 169.50/HGZ by Friday to realize this potential. In the interim, a daily close below 172.25/HGZ would be the first sign that a top is taking hold.

Soybeans did rally further, but require a daily close above 586.0/SX to signal a 2-4 week trend reversal. Otherwise, the trend remains down with the potential to drop back to 540--545.5/SX.

Corn remains in a downtrend - with the potential for a spike down to 191.0/CZ - until a daily close above 209.5/CZ.

Wheat remains in a daily uptrend - with the potential for a surge above 368.0/WZ - until a daily close below 335.5/WZ.

1-4 week and 1-2 month traders should have bought Dec. Wheat at an avg. of 328.0/WZ and be holding these w/avg. open gains of about \$850/contract. Move sell stops to 329.75 OCO a daily close below 333.5/WZ.

Natural Gas spiked to a new high in October but quickly pulled back. It will take a daily close below 14.340/NGZ to neutralize its daily uptrend, turn its intra-month trend down, and to signal that a 2-4 week top is taking hold. Until that occurs, all trends remain up.

Crude Oil could not validate its weekly reversal pattern and could not neutralize its daily downtrend. As a result, it remains on course for a drop to 58.30/CLZ. It still needs a weekly close below 63.75/CLZ to confirm this scenario.

Heating Oil just missed spiking above 2.2200/HOZ before turning lower. Last week, it completed an 18--19-week low-low-low-high *Cycle Progression*... and could be in for a drop into Oct. 17--21st. A daily close below 1.9230/HOZ is needed to confirm this potential.

Unleaded Gas is fulfilling its weekly *LHR* pattern and its *Cycle Progressions*, all calling for a reversal lower between Oct. 3--14th. It gave a daily close below 1.9100/HUZ as the first signal of a reversal lower. Unleaded Gas now needs a daily close below 1.8550/HUZ to reverse its daily trend to down and to signal that a 1-3 month top is intact.

Cotton is in a position to give a breakout rally and provide several levels of confirmation that a major low is developing. It has given a 5 day consolidation after testing important gap resistance, but not reversed its trend down.

(continued on page 3)



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If Cotton can give a *weekly* close above 54.52/CTZ, it will turn the weekly & intra-month trends up while closing above gap resistance. This would be the most convincing sign that a 2-3 month low is intact. If confirmed, this uptrend should stretch into the week of October 24--28th.

1-4 week traders should be long Dec. Cotton from around 50.30/CTZ and holding these longs w/avg. open gains of about \$1,800/contract. Move sell stops to 51.85/CTZ.

Coffee needs a daily close above 95.50/ KCZ to reverse its daily trend and its intra-month trend to up. This would be the next validation that the Sept. 19th cycle low is a significant one. Since Coffee did not see a surge leading into Oct. 4th, it

has the potential to extend this rally into at least the 12--14th.

Sugar is getting more volatile, indicating that an initial peak could be seen soon. However, this will not be signaled until a daily close below 11.12/SBH. Until then, all trends remain up.

Live Cattle has given an initial intra-month uptrend and remains in a daily uptrend until a daily close below 89.80/LCZ.

Please refer to the Oct. 1, 2005 **Weekly Re-Lay** for all other analysis & trading strategies.
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