INSIIDE TRACK
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"...Let us run with patience the race that is set before us." Hebrews 12:1

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Contents

"Blessed is the man who finds wisdom, the man who gains understanding, for she is more profitable than silver and yields better returns than gold. She is more precious than rubies; nothing you desire can compare with her.

...My son, preserve sound judgment and discernment, do not let them out of your sight; they will be life for you, an ornament to grace your neck."
Prov. 3:13-15, 21 & 22

(New Int'l Vers. ©1986)

The Marathon (Big Picture)

(Overview for long-term investors, fund traders, etc.)

09-30-04 - Stock Indices - Stock indices remain above their October 2002 lows and keep adding signs that a secondary high is still in the future (possibly mid-2005). The monthly trends are the key filter for this analysis.

Interest Rates (opposite of Bond direction) **-** Long-term neutral-to-down trend bottoming. If the monthly trend in Bonds reverses down, an interest rate low will be intact. Important cycles in Feb./Mar. & June 2005.

Gold & Silver - Long-term uptrends in Gold & Silver consolidating. Investors should have been holding physical Gold & Silver from near the very lows (in 2001... 270/GC & 420 - 430.0/SI) but exited in Jan. - March. Correction into April 2005 is possible.

Dollar - Long-term trend down and projected to continue into Aug./Sep. 2006. However, a Dollar rebound into 2005 is expected.

Crude Oil - Long-term trend up with important, long-term cycles coming into play in November.

Commodities - Long-term trends up but correcting. New bull markets could begin in coming months.

2004: Trend Changes -

EU Momentum Gaining? US Pre-election Jitters...

09-29-04 - October 2004 could be one of the most anxiety-ridden months in recent history. As Europeans plan for the historic signing of the new EU Constitution - in the exact room where the Treaty of Rome was signed in 1957 (and who says the Roman Empire is not being resurrected??) - the US will prepare for its elections, while hoping and praying that threats for pre-election attacks are thwarted or abandoned (since they could actually backfire).

Also on the docket is the October 9 election in Afghanistan. From a market perspective, we will be seeing the 2-year anniversary of the October 2002 stock market low (and the anniversaries of dramatic market moves and/or lows in 1929, 1987, 1989 & 1990). Octo-

The Short Run...

09-30-04 - Stock Indices are still capable of setting another intra-year low (as long as the weekly trends in the NQZ & DJIA do not reverse to up). October 25-29th is the most likely time for a low.

Bonds rallied beyond intermediate cycles and could extend this advance into late-October or early November. The action of the next week should clarify this.

Gold & Silver declined in the first half of September and then rallied into month-end. A secondary top could be seen in the first half of Oct.

The Dollar is dropping into its 33-34 week cycle while the Euro & Yen are rebounding. October 18/19th is important in the Dollar & Euro.

Energy markets are retesting longer-term upside objectives with all four having important cycles (first described in February) in October/November. Soybeans, Corn, Wheat & Cotton are all poised for new lows. See page 6 for analysis & outlooks for other 'commodity' markets.

ber is also a historically active month with respect to earthquakes and volcanoes. Before looking ahead, however, it is important to review events that culminated this year's 'Time of Trouble' in early September.

For starters, there was a resounding defeat of Schroeder's party in Germany. This could have some ramifications during the next 1-2 years.

Then there was a unique coincidence of events in the Middle East. Iran successfully test-fired a long-range missile (capable of reaching Israel and other nations with conventional or non-conventional warheads) at the same time their nuclear ambitions are becoming clearer and clearer. Also, Israel said it was buying - from the United States - about 5,000 smart bombs, including 500 1-ton bunker-busters that can destroy 6-foot-thick concrete walls.

Now, remind me again, what would you need to penetrate underground nuclear facilities? And what Persian nation is forging ahead - with the help of their allies from the 'far-north' - with their plans to develop nuclear armaments? And what lone & hated Middle East democracy felt forced to squelch similar plans by an ancient Babylonian nation back in 1981?

Is there a pattern here? Or, borrowing from another Babylonian/Persian event of 2,500 years ago, is the proverbial '*handwriting on the wall*?' 2005 - 2008 remains the culmination of numerous war/peace cycles and events are certainly taking some interesting turns leading into this period.

However, another twist to this Russian/Iranian development may actually delay Iran's plans to go nuclear. At the tail-end of the 'time of trouble/testing' (*Tisha b'Av* + 40 days), Russia experienced its own version of '9/11'. The Beslan #1 School in Russia was overtaken by militants - many of them later discovered to be imported Arab fighters, NOT just Chechnyans - and over 300 teachers, parents and children were killed ...as well as a few of the terrorists who turned against the idea of slaughtering children for their 'cause'. The ramifications of this were quickly seen...

In 2001, the events of 9/11/01 forged a stronger bond and a previously impossible empathy between Americans & Israelis. In 2004, *'Russia's 9/11'* as it was quickly called (and the realization that this was more of an Islamic issue than a political one), forced Russia to confront the reality that they need a better ally/foothold in the Middle East.

This immediately drew them closer to Israel as well. Whether this turns out to be long-term or just a temporary *'enemy of my enemy is my friend'* alignment, it was clear that Russia was seeking or accepting Israel's assistance in diverse ways. Could this generate some short-term agreements where Russia holds back some of the technical and material assistance they have been providing Iran? Time will tell. But, let's step back and look at the cycle perspective:

As explained last month, March/April 2005 is the midpoint between 9/11/01 & Sept/Oct. 2008 (when major war/peace cycles converge). March 11, 2005 will also be the 1-year anniversary of '*Spain's 9/11'* and an exact 3.5 year cycle from our 9/11/01. Now, it will also be a 180-degree move from the recent Russian terrorist attack.

So, the focus remains on March/April 2005 as a dangerous time, while analysis for Sept/Oct. 2004 being an equally dangerous time has already been initially fulfilled. But, there are still 33 days left in this initial cycle period.

Who is next? Could it be another European nation? Or Japan? Or America again? Or a Middle Eastern 'ally'? Historically, the *'Ides of March'* seems to have more of a European connotation and application, so that would be my first focus. The year of 2004 has already reinforced my analysis that Europe would be the primary target of attacks and that the Euro would turn at the same time (not necessarily *cause* and *effect*).

However, mid-2005 is when this focus could be-

Quotes of the Month

"Democracy is two wolves and a lamb voting on what to have for lunch. Liberty is a well-armed lamb contesting the vote."

Benjamin Franklin

"We can't expect the American people to jump from capitalism to communism, but we can assist their elected leaders in giving them small doses of socialism, until they awaken one day to find that they have communism."

Soviet dictator **Nikita Khrushchev** discussing FDR's "New Deal" shift of thinking in the US.

gin to shift back to the US, so the March/April 2005 period could mark a big transition (remember that April 19th is a day more notorious in America - from the Revolution forward to Waco, Oklahoma City, etc.).

And then there are earth cycles. I have previously described the correlation between earth disturbance cycles and political upheaval/war & peace cycles. However, there is another related topic that I have intended to discuss in greater detail. With its beginning to take center stage again - in the election debate - now is as good a time as any...

The topic is that of *global warming*. This incorporates all aspects of climate and is NOT a discussion on greenhouse gases. I do believe the earth has seen a warming trend in recent decades and in recent centuries. However, I do NOT believe this is man-made. There is ample evidence to confirm it is ***very cyclic*** and has occurred many times in the recent AND ancient past. This is NOT how many of today's politicians view it, choosing instead to see it as a perfect opportunity to forge ahead with an already-developed agenda (a perfect example of the Hegelian Dialectic).

Leaving aside the political debate, here are a few conclusions drawn in the ***first half of the twentieth century*** (long before the current debate took hold) by Raymond H. Wheeler after studying millennia of climate cycles and projecting these cycles into the 21st century. His work drew from a team of several hundred researchers, working over a period of more than 20 years. Among his observations were that:

- An approximate 1,000 year cycle of warming/cooling had bottomed (cold maxima) around 1475 (meaning that temperatures began warming in the centuries that followed and should continue warming into about 2000).
- The 500-year cycle should bottom around 1975 and begin to turn up (warm) leading into the 21st century. This new warming trend could be similar to the 1000's when it was so '*warm that trees grew in Greenland*' and when the Vikings crossed the Atlantic.
- The 100-year cycle showed a cold/dry maxima (the equivalent of winter on a long-term basis) due to occur around 1965, after which temperatures should warm for 40-50 years.

Perhaps you notice a pattern here. These cycles - which have been very consistent through at least the last 2,500 years (based on Wheeler's and others' research) - show a 1,000-year cycle reaching a warming climax around 2,000, a 500-year cycle beginning to warm after 1975 and a 100-year cycle poised to warm from about 1965 to 2005-2015. Guess what? Temperatures have done almost EXACTLY what was to be expected - with or without the Industrial Revolution - during a period when all three cycles were pointing the same direction (Up... as in warming).

Nothing could validate this stronger than this quote from the March 5, 2004 *Chicago Tribune*:

> *Study Says Europe Hit 500-year heat mark*
> *by Paul Recer - AP*
>
> *"Last year's deadly summer in Europe probably was the hottest on the continent in at least five centuries...The average winter and annual temperatures during the three decades from 1973 - 2002 were the warmest of the half-millennium...*
>
> *Starting in 1977, the record shows 'an exceptionally strong, unprecedented warming' the researchers report, with average temperatures rising at the rate of about 0.36 degrees per decade."*

Notice something? Wheeler's work - from over 50 years ago - estimated turning points in 1965 & 1975. This means that after 1975, all three cycles would be in warming phases of one degree or another. So, is it any great surprise that temperatures have risen - since 1977 - as a result? The potential problem is that the 1,000 year cycle should soon be turning down (cooling) AND the 500- & 100-year cycles are due for at least a 3-5 year dip in the coming decade.

There is much, much more to this discussion, but a more pressing matter needs to be re, re, re-addressed. Wheeler's work also showed a correlation between the transition times of these cycles (when shifting from warm to cold or cold to warm) and a significant increase in earthquake/volcano activity. With the 500 & 1,000 year cycles at crucial transition points and the 100-year cycle likely to shift in the next few years, an increase in earth disturbances seems very likely.

My overall earth-disturbance cycles projected an increase in both earthquakes and volcanoes beginning in mid-2004 into 2005. This has been published many times over the past 5-7 years. The following article is another example testifying to this potential:

Volcanic Unrest in Mount St. Helens Crater
Scientists Note Flurry of Small Earthquakes
By MELANTHIA MITCHELL, AP

SEATTLE (Sept. 27) - Seismologists believe

INSIIDE Track Technical Overview (09/30/04)

Mkt	*M Trd*	*W Trd*	*1 W H*	*1 W L*	*1 W Tr*	*1 M H*	*1 M L*	*1 M Tr*	*Y SPR*	*Y SPS*
SPZ	**Up/N 2**	**Up**	**1131.0**	**1103.5**	**0**	**1155.0**	**1103.5**	**0**	**1275.8**	**945.3**
NQZ	**Up/N 1**	**Dn**	**1545.0**	**1460.5**	**-1**	**1563.0**	**1460.5**	**-1**	**1741.2**	**1200.7**
DJIA	**Up/N 2**	**Dn**	**10,592**	**10,384**	**-1**	**10,705**	**10,367**	**-1**	**11,973**	**8934.9**
USZ	**Up/N 2**	**Up**	**111-15**	**107-08**	**+1**	**113-22**	**107-08**	**0**	**118-28**	**99-24**
TYZ	**Dn**	**Up**	**113-30**	**111-01**	**0**	**115-03**	**111-01**	**0**	**118-10**	**106-07**
EDZ	**Dn**	**Up/N 2**	**98.13**	**97.63**	**0**	**98.23**	**97.63**	**0**	**99.05**	**98.08**
GCZ	**Up**	**Up**	**431.5**	**416.6**	**0**	**431.5**	**396.5**	**0**	**465.4**	**366.8**
SIZ	**Up**	**Up/N 2**	**652.0**	**599.5**	**+1**	**679.5**	**599.5**	**+1**	**682.0**	**511.0**
HGZ	**Up**	**Up**	**111.00**	**105.40**	**+1**	**114.70**	**105.40**	**+1**	**121.70**	**86.90**
SX	**Dn**	**Dn**	**807.5**	**785.5**	**-1**	**855.0**	**785.5**	**-1**	**941.5**	**646.5**
CZ	**Dn**	**Dn**	**257.0**	**247.75**	**-1**	**281.5**	**247.75**	**-1**	**275.0**	**217.0**
WZ	**Dn**	**Dn**	**407.0**	**380.5**	**-1**	**407.0**	**373.0**	**-1**	**445.0**	**309.0**
CTZ	**Up/N 2**	**Dn**	**76.00**	**73.50**	**-1**	**76.18**	**67.76**	**-1**	**94.32**	**54.82**
SBH	**Up**	**Up**	**5.95**	**5.70**	**+1**	**6.00**	**5.58**	**+1**	**6.37**	**3.97**
KCZ	**Up**	**Up**	**70.50**	**64.00**	**+1**	**79.20**	**64.00**	**+1**	**71.75**	**58.15**
DXZ	**Dn/N 2**	**Dn/N 2**	**87.20**	**85.27**	**+1**	**88.17**	**85.10**	**+1**	**95.75**	**78.77**
ECZ	**Up/N 2**	**Up/N 2**	**128.46**	**125.39**	**-1**	**128.46**	**123.32**	**-1**	**136.94**	**113.74**
JYZ	**Up**	**Dn**	**94.64**	**93.57**	**-1**	**94.97**	**92.80**	**-1**	**98.98**	**87.38**
CLZ	**Up**	**Up**	**33.85**	**31.65**	**+1**	**34.50**	**31.65**	**+1**	**40.00**	**25.05**
NGZ	**Up**	**Dn/N 2**	**7.461**	**6.120**	**+1**	**7.500**	**5.350**	**0**	**9.940**	**2.440**

Column 1 - ***Mkt*** = Specific futures market & contract month (DJIA = cash index) *www.insiidetrack.com*

Column 2 - ***M Trd*** = **Monthly Trend based on proprietary indicator: Up = Up, Up/N 1 = Up with 1 neutral signal, Up/N 2 = Up with 2 neutral signals, Dn = Down, Dn/N 1 = Down with 1 neutral signal, Dn/N 2 = Down with 2 neutral signals

Column 3 - ***W Trd*** = *Weekly Trend based on proprietary indicator (see Column #2 for explanation of symbols)

Column 4 - ***1 W H*** = Price high of Jan. 2 - 9th (basis continuous futures contract)

Column 5 - ***1 W L*** = Price low of Jan. 2 - 9th (basis continuous futures contract)

Column 6 - ***1 W Tr*** = *Intra-year trend based on Column #4 & #5 (+1 = latest weekly close was above *1 W H*, 0 = latest weekly close was in between the high and low of range, - 1 = latest weekly close was below *1 W L*)

Column 7 - ***1 M H*** = Price high of the entire month of January for the nearest (continuous) futures contract during January

Column 8 - ***1 M L*** = Price low of the entire month of January for the nearest (continuous) futures contract during January

Column 9 - ***1 M Tr*** = **Intra-year trend based on Column #7 & #8

Column 10 - ***Y SPR*** = Intra-year raw SPR (*Symmetrically Projected Resistance*) (**Double Underline** denotes level already tested)

Column 11- ***Y SPS*** = Intra-year raw SPS (*Symmetrically Projected Support*) (**Double Underline** denotes level already tested)

* ***Weekly Trend*** and ***1 W Trend*** (Columns #3 & #5) are based on the latest weekly close prior to date of calculations.

** Monthly indicators are calculated as if the closing price of the date shown is the closing price of the actual month. Since the date will usually be 1-3 days before the end of the month, keep this in mind if dramatic month-end moves occur. In this event, it could alter the actual indicator based on its final month-end settlement price.

there's an increased likelihood of a hazardous event at Mount St. Helens due to a strengthening series of earthquakes at the volcano. The key issue is a small explosion without warning. That would be the major event that we're worried about right now," said Willie Scott, a geologist with the USGS office in Vancouver.

Initially, hundreds of tiny earthquakes that began Thursday morning had slowly declined through Saturday. By Sunday, however, there had been more than 10 temblors of magnitude 2.0 to 2.8, the most in a 24-hour period since the last dome-building eruption in October 1986...We haven't had a swarm of earthquakes at Mount St. Helens since 2001," state seismologist Tony Qamar said. "Clearly something new is happening."

...Experts believe there is "an increased probability of explosions from the lava dome if the level of current unrest continues or escalates," USGS and the University of Washington Pacific Northwest Seismograph Network in Seattle said in a joint statement. A similar swarm of quakes in Nov. 2001 and another in the summer of 1998 did not result in an eruption...In the 1986 eruption, magma reached the surface and added to the pile of lava on the crater floor."

The interesting thing is that major volcanic eruptions sometimes create partial global cooling in the 1-2 years that follow. While Mt. St. Helens might not have a major eruption right away (although some degree of eruption seems likely based on both cycles and activity), there is a growing probability for a couple major global volcanic eruptions between now and 2007/2008.

Late Breaking News: A 6.0 quake struck Central California, increasing the activity along the West Coast of the US. As we head into the cyclically significant month of October, things could get even shakier. *IT*

Market Analysis

STOCK INDICES

09/30/04 - Long-term (3 months+) Outlook:

Stock indices are showing a mixed picture with regard to longer-term trends. They have not reversed their monthly up/neutral trends to down (it will take a monthly close below 10,007.5/DJIA & below 1077.0/ SPZ to do this) and could still see a spike below the August lows before a bottom is intact. October 25 - 29th is the next important weekly cycle.

The NQ gave a neutral signal to its monthly uptrend. The earliest that it could reverse this trend down is Nov. 30th. So, a low could be seen between now and then. Since the 11-12 week cycle should keep pressure on the Nasdaq for another 3-4 weeks, a new intra-year low could be set in October. (It will take a weekly close above 1442.5/NQZ to negate this.)

1-2 year investors could have lightened up on the long side in January and early February. A new buy signal could be triggered at the end of September.

Intermediate #2 (1-3 months) Outlook:

"The stock market does remain in a very vulnerable time between late-July and mid-September. This period could even stretch into mid-October. However, if the stock indices do not collapse during this time (a collapse is not considered a very high probability), they will be poised for a bullish move in late-2004 and early-2005. It is AFTER that point that things begin to look unsettled for the markets... and for the U.S."

The above 8/31/04 quote remains in force. However, given that the indices traded in a narrowing range throughout the entire 3rd quarter, a spike low to begin the 4th quarter could extend into late-October. (The SP has more weekly cycles converging Oct. 11-15th while the DJIA & NQ have greater synergy on Oct. 25-29th.)

The Nasdaq 100 - for the 4th consecutive time this year - gave a spike high & reversal lower during its 11-12 week cycle. This cycle has been in force for over 4 years (along with its 2x & 4x-multiple 22-23 & 44-45 week cycles) & now points down for at least 2-4 weeks.

TRADING STRATEGY: 1-3 month traders can sell the Dec. mini-NQ 100 at 1424 up to 1461 and place buy stops at 1482.5 OCO a weekly close above 1446.5/ NQZ. Take profits on 1/2 of this position if 1302/NQZ is hit before the next update. *www.insiidetrack.com*

INTEREST RATES

09/30/04 - Long-term (3 months+) Outlook:

Bonds & Notes rallied further, indicating either that a multi-year low is already intact or this overall

FEATURED MARKET UPDATE

9/30/04 - **Cotton** could not give a weekly close above 52.40/CTV to reverse its weekly trend to up, following its outside-month/*2 Close Reversal* higher in August. As a result, it could now drop back into its 1-2 year support and projected low zone at 40.50 - 46.30/CT. Based on the weekly trend pattern, it should spike below 42.60/CTZ before a low is intact. 1-3 month & 3-6 month traders can buy Dec. Cotton at 42.65 down to 40.60 and place sell stops at 39.70/CTZ.

ADD'L COMMODITIES (AGRICULTURALS, SOFTS, ETC.)

Soybeans came within 3.0 cents of their upside objective for the previous rally... and then reversed back down. In the process, they reversed their weekly trend to down - indicating that a final low is not yet intact. They are testing major support (532.0) and could see an initial low in the first few days of October. 1-3 month traders can buy Jan. Soybean 580 call options at 538.0 down to 520.0/SF and risk the entire premium for now. *www.insiidetrack.com*

Wheat gave a 3-week rebound - in line with 8/31/04 analysis - and went right to weekly trend resistance at 338.0/WZ. It could not give a weekly close above this level, reinforcing analysis that the 1-3 month outlook was/is negative. A drop into mid-October - and below 295.0/WZ - is possible.

Corn also rebounded right to weekly trend resistance at 246.5/CZ and reversed back down. It remains on track for a test of 204.5/C (1-2 year support) and possibly 192.0/C (2-3 year support) before a major low becomes likely. October 1st is a grouping of daily and inter-month anniversary cycles and could pinpoint a low (+ or - 2 trading days). *www.insiidetrack.com*

Sugar (World #11) pulled back but could not give a weekly close below 7.53/SBV to signal a new decline and instead reversed back up. 1-3 month traders might have another buying opportunity and should look to buy March Sugar at 8.66 down to 8.38 IF hit by Oct. 22nd. Place sell stops at 7.96/SBH.

Coffee quickly confirmed signs of a developing low and could continue higher in the coming weeks. The only thing that would short-circuit this - and instead signal a pullback to 75.50/KCZ first - would be a daily close below 79.70/KCZ. ***IT*** *www.insiidetrack.com*

decline could stretch beyond 1Q 2005 (into 2Q 2005). The strongest reinforcement of an extension would be if Bonds waited until early-November to peak... and did so around 115-10/US. Ultimately, Bonds still need a monthly close below 103-27/US to reverse their monthly trend to down and confirm a top.

Intermediate #2 (1-3 months) Outlook:

Bonds & Notes remain in weekly uptrends though Bonds have just tested an important resistance zone that has influenced trading all year (114-02/US). As long as Bonds do not close below 111-09/USZ, they will likely resume their 3+-month uptrend in early October. If they do close below 111-09/USZ - particularly if this occurs on Friday, Oct. 1st - it will signal that a pullback into mid-October is likely.

TRADING STRATEGY: No new 1-3 month or 3-6 month system trades. *www.insiidetrack.com*

INFLATION MARKETS

09/30/04 - Long-term (3 months+) Outlook:

Gold & Silver remain in the midst of a major bull market that is expected to continue into 2007-2008. Simultaneously, they are in the middle of what has been forecast to be a 6-12 month correction/consolidation that could stretch into April 2005 before a new multi-year low takes hold.

Intermediate #2 (1-3 months) Outlook:

Gold & Silver are moving higher as Gold heads into the 180 & 240-degree (days) cycles from its 1/06/04 & 4/01/04 peaks. Based on these cycles and the weekly *LHR* pattern, Gold has been expected to rally into at least October 1st and possibly into Oct. 8th. However, it is not expected to exceed 428-431.5/GC.

Platinum rallied back to its highs after setting a low during cycles on September 18-20th. A rally into October 11-13th is now even more likely.

Copper has fulfilled analysis for a retest of 138--142.00/HG and could surge up to 148-150.00/HG in the coming weeks.

TRADING STRATEGY: 1-3 month traders should have bought Dec. Copper at 128.00 down to 122.00/HGZ and be holding w/avg. open gains of about $3,600/contract. Move sell stops to 133.90/HGZ. Take profits on 1/2 of positions if 146.50/HGZ is hit. Trail stops 7.50 points below the highest high of the move.

US Dollar / Int'l Currencies

09/30/04 - Long-term (3 months+) Outlook:

The **Dollar** has been unable to reverse its monthly or weekly trend up. As it approaches the next occurrence of a longer-term 33-34 week cycle (in the first couple weeks of October), the Dollar could spike below 87.20/DXZ and test 86.40/DXZ as part of a 'B' wave low. The **Euro** has not been able to reverse its weekly or monthly trend down, so a corresponding rally into mid-October is possible, based on longer-term cycles.

The **Yen** remains below its year-opening range and in a weekly downtrend, so any bounce (if it rebounds with the Euro) should be short-lived. 6-12 month and 1-3 year investors should be holding some Dollar long and Euro short positions from early 2004.

Intermediate #2 (1-3 months) Outlook:

The month of October could be a big one for the Euro. With the October 29th vote on the EU Constitution, this month could go down in the history books as the beginning of a 2-year make-or-break period for the European Union. It could also mark a 'buy-the-rumor-sell-the-news' reaction if the Euro remains below its January/February peaks. October 18/19th represents several geometric and Golden-Ratio cycles and could identify a 'B' wave peak. The Dollar could drop into the same time frame.

The Yen remains in a weekly downtrend and could see a lower peak set in the first few days of October. 91.99 - 92.33/JYZ is 2-4 week resistance.

TRADING STRATEGY: 1-3 month traders can sell the Dec. Yen at 92.19 and average in up to 92.84. Place buy stops at 93.21/JYZ.

Energy

09/30/04 - Long-term & Interm. Outlook:

Crude Oil is retesting its second major objective of 47.80 - 49.50/CL. It has major cycles in November 2004 and intermediate cycles (now) through Oct. 8th. Until Crude Oil can give a weekly close below 47.90/CLZ, all trends remain up.

Natural Gas was expected to *'put in a low before mid-September'*. It bottomed on Sept. 15th and has headed straight up ever since. It has already equaled the magnitude of its Sept. 2003-Jan. 2004 rally and could see further gains in the months ahead. Unleaded Gas & Heating Oil are approaching major cycles in October/November and could set important peaks. However, Gas could retest 1.4700/NG in the process.

TRADING STRATEGY: No new 1-3 or 3-6 month system trades. ***IT***

Administrative Notes

The trader's hotline will be updated after 9:00 PM CDT on Oct. 5th, 12th & 21st... and any other day the DJIA cash index closes 200+ points in either direction. This hotline is transmitted via e-mail or available via password-accessed toll-free number (for callers inside the continental US). Trades given in the hotline are distinct from those in the *INSIIDE Track* newsletter, since some newsletter readers do not subscribe to the hotline. As a result, trades given in the newsletter must be maintained separately from those in the hotline. *insiidetrack.com*

INSIIDE Track newsletter trades entail greater risk (to avoid being whipsawed between written updates) & are longer-term oriented. *INSIIDE Track* hotline trades usually maintain tighter stops and are quicker to exit. As a result, trades that originate in the newsletter will be followed based on their most recent **written** update ***in the newsletter*** & should not be mixed with *IT Hotline* updates.

All trades should be exited or rolled into the lead contract before first notice day. Until updated stops are given, use the equivalent stop calculated on a mathematical basis from the close on the day of rollover (e.g. if an existing stop was 3.50 points above the close on the day of rollover, use a stop 3.50 points above the close of the new contract). Trading strategies pertain to the ***entire (24-hour) trading session***, including Globex, etc. *©ITTC*

INSIIDE Track Terminology

Daily/Weekly 'Trend' – A LAGGING indicator – based on a proprietary indicator – & used in three primary roles. The first is to confirm an evolving trade. The second is to identify the most likely time (within 1-3 periods) for the end of the first wave of a new move. The third is to alert a trader when to prepare for an upcoming 3rd wave move – usually the most dynamic and extensive.

2 Close Reversal™ – A market sets a new high above the previous day's/week's high and subsequently closes below both of the 2 previous closes… or vice-versa (new low and close above both of the 2 previous closes).

Extended 2 Close Reversal™ – A market sets a new high above the previous day's/week's high and closes below the previous day's close (key reversal) but waits an additional 1-3 periods to close below the original *2nd Close*… or vice-versa.

2nd Close Resistance/Support™ – The closing price of two days/weeks prior to the current period and/or the confirmation level of a key reversal that has not yet closed beyond the *2nd Close* (in an *Extended 2 Close Reversal*Ô).

2 Step Reversal™ – A pattern encompassing at least 3 trading days/weeks but no more than 7 days/weeks in which two corresponding *2 Close Reversals* occur in the same direction with consolidation in between (but NO conflicting *2CRs* in the interim). *www.insiidetrack.com*

Double-Key Reversal™ – A key reversal (new low and higher close or new high and lower close) followed by a second key reversal in the SAME direction. In other words, back to back days/weeks of new highs & lower closes or new lows & higher closes.

Turn-Key Reversal™ – A key reversal (new low and higher close or new high and lower close) followed by a second key reversal in the OPPOSITE direction. In other words, back to back days/weeks where the market makes a new low and closes higher, only to make a subsequent new high and lower close… or vice-versa.

Intra-month V™ – A month in which a market trades lower into mid-month, then reverses higher (ideally between the 13th & 18th), then rallies and sets new (intra-month) highs before the end of the month. *www.insiidetrack.com*

Intra-month Inverted V™ – A month in which a market trades higher into mid-month, then reverses lower (ideally between the 13th & 18th), then declines and sets new (intra-month) lows before the end of the month.

Intra-month X-X (Extreme-Extreme)™ – A month in which a market begins at one extreme (high/low) and trades in the opposite direction the remainder of the month – setting the opposite extreme (high/low) in the final days of the month.

MAC, AMAC & MARC™ – Moving Average Channel calculations based on highs or lows of a specified time period.

More detailed and diagrammed descriptions can be found in ***Eric Hadik's Tech Tip™ Reference Library***.

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