



RE-VIEWING THE PREVIOUS WEEK & LAY-ING THE GROUNDWORK FOR THE WEEK AHEAD

FOR THE WEEK OF: October 10--14, 2005

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10/08/05 SYSTEM TRADE(S) UPDATE: Stock Indices reversed lower in line with expectations for a steep drop in the first two weeks of October. Traders should be holding ESZ (e-mini S+P) short positions w/avg. open gains of about \$1,450/contract. Bonds & Notes spiked to new lows and initially bounced. The Dollar fulfilled analysis for a reversal lower on Oct. 3--7th & could see a drop into Nov. 7--11th. The Euro & Yen are poised to rally into the same

week. Gold & Silver pulled back to near-term support and then surged. Traders should have bought Dec. Silver and be holding w/avg. open gains of about \$1,900/contract. Crude Oil gave the next level of confirmation to a multi-month correction while Natural Gas is trying to signal a top. Long positions in Wheat are intact w/avg. open gains of about \$500/contract. Long positions in Cotton are being held w/avg. open gains of about \$1,650/contract.

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS & ACTUAL RESULTS ACHIEVED BY A PARTICULAR TRADING PROGRAM. ONE LIMITATION OF HYPOTHETICAL PERFORMANCE RESULTS IS THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK & NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. THE ABILITY TO WITHSTAND LOSSES OR ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS THAT CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM THAT CANNOT BE FULLY ACCOUNTED FOR IN PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

The *Weekly Re-Lay?* is written after the weekly close & transmitted by Monday's open. It is published/priced a minimum of 12 wks/qtr (48 wks/year). **Alerts** are market-driven intra-week updates sent before, during or after trading hours. For explanation of terms & indicators, see *Eric Hadik's Tech-Tip? Reference Library* or *insidetrack.com*. All *Tech Tips?* & the term *Tech Tips?* are trademarks of *INSIIDE TRACK Trading*. Information is from sources believed reliable but accuracy cannot be guaranteed. Principals/employees/associates of *INSIIDE TRACK Trading* may have positions in cited contracts. No part of this publication may be re-transmitted or reproduced w/out the editor's written consent. All analysis & trade strategies are based on the entire trading session (not just 'pit-session') unless otherwise specified. Trading Strategy results are based on entry & exit at the recommended levels and do not account for slippage or commission costs. Readers using this information are solely responsible for their actions & invest at their own risk. **PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. FUTURES TRADING INVOLVES SUBSTANTIAL RISK.** ? 2005 *INSIIDE Track Trading Corporation*

STOCK INDICES

	<u>Dec S+P (SPZ/ESZ)</u>	<u>DJIA (Cash)</u>	<u>Dec Mini Nd-100 (NQZ)</u>
Mo Resistance:	1250.9--1254.3	10,718--10,743	1649.5--1675.0
Mo Support:	1211.0--1214.3	10,345--10,393	1563.5--1578.5
Weekly Trend:	Down	Up/Neut (2)	Down
Wk Resistance:	1226.5--1234.3	10,447--10,487	1603.0--1614.0
Wk Support:	1174.1--1179.5	10,097--10,138	1522.0--1524.5
Daily Trend:	Down	Down	Down

10/08/05 – 1-4 WEEK OUTLOOK:

Stock indices reversed lower and finished the week by generating outside-week/2 Close Reversal sell signals. This has the potential to extend their respective declines into month-end. That will be monitored on a week-to-week and even day-to-day basis.

The action of the past week initially validated analysis for a “*significant 2-week drop to start the month of October.*” In the process, the SPZ hit and held its weekly HLS, indicating that a low should take hold in 1-3 weeks.

The weekly 2CR sell signal indicates an extended decline for 1-3 weeks while the weekly HLS pattern indicates a low within 1-3 weeks. So, a *sharp drop into* October 17--21st or even into Oct. 24--28th could be seen AND a *1-2 month low* could be seen *at that time.*

The next two weeks are the opportune time for all three indices to turn their weekly 2I MACs down (most likely on Oct. 17--21st, unless another sharp decline is seen quickly). Similar to the

reversal of the weekly trend, the reversal of this weekly channel often signals (within 1-2 weeks) an initial low. So, most intermediate factors continue to portend a sharp drop into at least mid-October & an intermediate low during October (could be as late as the 28th or 31st).

Short-Term (1-5 day) Outlook:

The daily trends pinpointed Monday as ‘*an important decision day*’ & ‘*a likely reversal day in all three indices.*’ The indices cooperated and reversed lower to begin the new month. Soon after, the new intra-month trends and daily 2I MACs confirmed a reversal lower. The NQZ reversed its daily trend back to down, as well. A few days of consolidation are possible before the next (expected) round of selling emerges.

Trading Strategy: 1-4 week traders should be short the December e-mini S+P futures up to 1236.0 (avg. entry of 1229.5/ESZ) and holding these short positions w/avg. open gains of about \$1,450/contract. Move buy stops to 1219.75/ESZ.

INTEREST RATES

	<u>Dec Bonds (USZ)</u>	<u>June Euro\$ (EDM)</u>	<u>Dec 10-Yr Note (TYZ)</u>
Mo Resistance:	116-18--116-31	95.73--95.77	111-09--111-18
Mo Support:	112-08--112-19	95.05--95.12	108-17--108-27
Weekly Trend:	Up/Neut (2)	Down	Up/Neut (2)
Wk Resistance:	115-00--115-07	95.45--95.50	110-06--110-09
Wkly. Support:	113-16--113-20	95.28--95.33	109-04--109-08
Daily Trend:	Down	Down	Down

10/08/05 – 1-4 WEEK OUTLOOK:

Bonds & Notes remain in a 4+-month congestion range and are likely to continue there for at least a few more weeks. However, the 2-3 month trend - and consequently the 2-3 month outlook - are turning a bit more negative.

Bonds are flattening their weekly 21 MAC while Notes have just turned theirs lower. This has the potential to be bearish for (at least) the next 1-2 months. If this is confirmed, it would remove the potential for a rally into January - or at least delay it until after November.

The weekly trend remains the most important filter. Bonds need a weekly close below 113-20/USZ and Notes need a weekly close below 109-04/TYZ to reverse these trends to down. If this occurs in the next 2-3 weeks, it will signal that a drop into late-November is unfolding.

For now, my focus is on 3-5 day resistance in Bonds - at 115-00--115-07/USZ.

This range includes the weekly raw SPR, weekly 21 Low AMAC, weekly 8 Low MARC, weekly trend point & weekly LHR. If Bonds rally to this level and reverse lower, it will also corroborate the potential for a drop into late-November.

Eurodollars may have just set a 2-4 week low & could see a rebound to 95.50/EDM.

Short-Term (3-5 day) Outlook:

Bonds & Notes spiked to new correction lows on Friday and then gave daily 2 Close Reversals higher. This could/should spur a rally into mid-week, at which point an intermediate high could take hold (particularly if Bonds and Notes have tested and held their respective weekly LHRs - at 115-05/USZ & 110-09/TYZ). The daily trend should clarify if/when a top is most likely.

Trading Strategy: 1-4 week traders can sell Dec. Bonds at 114-31 up to 115-19 and place buy stops at 116-01/USZ.

CURRENCIES

	<u>Dec Dollar (DXU)</u>	<u>Dec Yen (JYZ)</u>	<u>Dec Euro (ECZ)</u>
Mo Resistance:	90.92--91.21	90.87--91.38	1.2344--1.2372
Mo Support:	87.05--87.49	86.67--87.10	1.1745--1.1780
Weekly Trend:	Dn/Neut (2)	Down	Up/Neut (2)
Wk Resistance:	89.80--90.05	88.99--89.20	1.2311--1.2322
Wkly. Support:	87.95--88.10	87.58--87.93	1.2009--1.2023
Daily Trend:	Up	Down	Down

10/08/05 – 1-4 WEEK OUTLOOK:

The **Dollar** completed its projected 2-3 week rebound and topped along with cycles, the weekly **LHR** pattern AND the weekly trend pattern (all indicating that an intermediate top should take hold by October 7th, at the latest).

If the Dollar can give a weekly close below 88.11/DXZ, it will re-enter its weekly downtrend and signal a drop into November 7--11th. It did give an outside-week/2 **Close Reversal** lower, initially validating this scenario. It also tested and held its weekly **HLS**, signaling that a low should take hold by Oct. 28th.

The **Euro** also completed its anticipated decline and now needs a weekly close above 1.2228/ECZ to re-enter its weekly uptrend and to reinforce analysis for a rally into Nov. 7-11th.

It gave a spike low and subsequent outside-week/2 **Close Reversal** higher, so it has already generated a preliminary sign of a low. However, it also hit and held its weekly **LHR**,

indicating that an intermediate top should take hold by October 24--28th. Price action and price patterns will have to clarify which time frame is the more likely for a peak.

The **Yen** is struggling to hold recent lows and could make another drop down toward major support around 87.10/JYZ.

Short-Term (3-5 day) Outlook:

The Dollar entered a new confirmed intra-month downtrend while the Euro entered a new intra-month uptrend. This should spur a Dollar drop & Euro advance into at least mid-month.

A retest of the monthly opening range (89.27/DXZ & 120.80/ECZ) could be seen before the Dollar sees its next 1-2 week decline and the Euro sees its next 1-2 week rally.

Trading Strategy: 1-4 week traders can sell the December Dollar Index at 89.12 up to 89.60 and place buy stops at 90.19/DXZ.

INFLATION MARKETS

	<u>Dec Gold (GCZ)</u>	<u>Dec Silver (SIZ)</u>	<u>Nov Sybns (SX)</u>	<u>Dec Crude (CLZ)</u>
Mo. Resistance:	492.3--497.5	791.0--800.5	598.5--604.5	69.88--70.30
Mo. Support:	452.3--455.3	705.5--711.5	540.0--542.5	62.58--63.11
Weekly Trend:	Up	Up	Down	Down
Wk. Resistance:	482.5--484.3	798.0--804.0	575.0--577.0	64.20--64.60
Wk. Support:	469.5--471.1	751.5--756.0	548.5--551.0	58.65--59.20
Daily Trend:	Up	Up	Down	Down

10/08/05 – GC/SI: 1-4 WEEK OUTLOOK:

Gold just retested its Sept. 19--23rd cycle top, following the “fairly bullish spike low and weekly 2 Close Reversal higher” of Sept. 26--30th. Gold is very likely to break through this previous top as it heads for a larger-degree cycle peak on **November 7--11th**.

The monthly charts corroborate this. The month of **November** is a VERY likely one for a significant peak in Gold. A peak in **November** would perpetuate a very consistent 17--19 month cycle that has governed Gold beginning with its July 1999 major bottom.

November 2005 is 18 months from Gold's May 2004 low (the most important bottom of the past 2 years) & 19 months from Gold's April 2004 peak (a double-top that held until Oct. '04).

November 2005 is also the next phase of an 11-month high-high-high-(high) Cycle Progression, connecting Gold peaks in Feb. 2003, Jan. 2004 (the first part of the aforementioned double-top) & December 2004.

November 2005 also completes a 9-month low-low-high Cycle Progression in Gold.

So, I continue to expect a surge into November 7--11th with Gold capable of retesting its 1987 peak of 512.0/GC. However, it must first make it through its yearly resistance - at 482.0--491.5/GC.

Silver finally reversed its weekly trend to up, powerfully validating its Aug. 29--Sept. 2nd cycle low and reinforcing that a surge to at least 800.0/SI is in the offing. As stated last week (10/01/05 **Weekly Re-Lay**):

“Silver reinforced its weekly 21 MAC uptrend and only needs to make it above 769.0/SIZ - by October 21st - to assure that this channel keeps heading higher. In the interim, it would not be surprising - and would in fact be very consistent with an intermediate advance - if Silver pulled back to test its weekly 21 High AMAC (currently at 738.1/SIZ and rising) before rallying further.”

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INFLATION MARKETS (con't from pg. 6):

So, what did Silver do? It pulled back to 736.0/SIZ to start the week (and month) and then surged above 769.0/SIZ to finish the week. This added yet another level of confirmation to the scenario for an advance into early-November.

While 800.0/SIZ is the minimum upside objective, 832--838.0/SIZ is the 'ideal' upside objective and would also involve a test of Silver's yearly resistance, a very consistent wave objective, and could even be a synergetic weekly LHR target (beginning with the coming week's LHR at 833.5/SIZ).

For now, I am watching October's monthly resistance as a 1-2 week upside target and a level of 1-2 week resistance.

Platinum remains on track for a rally to 954.0/PL leading into monthly and weekly cycles in October 2005. An initial top (whether or not it makes it to 954.0/PLF remains to be seen) is expected before mid-month but a final top could wait until the week of October 31st--Nov. 4th. This would complete a 40-week high-high-high Cycle Progression, connecting the two most important peaks of the past couple years.

Copper remains in an all-out uptrend although a 2-3 month top is likely to be set by October 14th. It rallied through daily cycles on Oct. 3/4th - reinforcing the strength of its intermediate and longer-term cycles - but is still poised to top (at least for a few weeks) in the coming week.

Copper rallied to its weekly PLLR,

another pattern that often follows (by 1-2 periods/weeks) a weekly LHR test and precedes (by 1 week... or coincides with) the ultimate peak. Copper is approaching its monthly resistance (181.55--183.95/HGZ) and could see a peak around this level.

From a much longer-term perspective, the monthly charts argue for a major peak in November or December 2005. A high in November would complete successive 17-month rallies (wave equivalency) while a peak in December would complete a 21-month high-high-high Cycle Progression.

Short-Term (3-5 day) Outlook:

Gold & Silver fulfilled all of last week's short-term outlook and are on pace to see further gains in the coming week. To reiterate:

"Gold and Silver spiked to new inter-week lows and then rallied the rest of the week. This came after Gold gave two neutral signals to its daily uptrend without reversing it to down. As a result, a rally above 479.0/GCZ is likely.

This could wait until after a brief pullback since Silver appears likely to test its daily trend point - at 739.0/SIZ (which coincides with its weekly 21 High AMAC at 738.1/SIZ) before continuing its advance."

Gold & Silver gave a brief pullback to begin the week - allowing Silver to spike down to 736.0/SIZ - and then surged to new highs into week's end. Gold hit 479.1/GCZ on Friday, fulfilling the minimum upside target for the daily trend pattern.

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If my scenario for a surge into November 7--11th is to remain intact, Gold & Silver should now NOT close below 465.9/GCZ & 736.0/SIZ until after Nov. 7--11th. Ideally, they will also NOT close below 472.7/GCZ & 751.0/SIZ (although this is *possible*, just not *preferred*).

Trading Strategy: 1-4 week traders should have bought Dec. Silver at 740.5 down to 736.0/SIZ and be holding these long positions w/avg. open gains of about \$1,900/contract. Move sell stops to 749.5/SIZ. If/when Silver *closes* above 778.5/SIZ, move sell stops again - to 761.5/SIZ

Soybeans remain vulnerable to a drop to 540--545.5/SX until and unless they close above 586.0/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 is pulling back but should NOT close below 335.5/WZ if it is to maintain the potential for a rally above 368.0/WZ in the coming weeks/months.

If Wheat spikes below 336.75/WZ on Monday and then reverses higher, it will complete the next stage of a 20-day low-low-low *Cycle Progression*... and project a rally into the next phase - on October 31st. This would also complete successive 2-month advances.

1-4 week and 1-2 month traders should be long Dec. Wheat from an avg. of 328.0 and holding these w/avg. open gains of about \$500/contract. Use a daily close below 333.5/WZ as the sole sell stop for the coming days.

Crude Oil: Crude Oil finally gave a daily - and weekly - close below 63.75/CLZ, giving final confirmation that a 2-3 month top is intact. It remains on course for a test of 58.30/CLZ in the near term. 56.03/CLZ is the monthly *HLS* and would be the second downside target if 58.30/CLZ is broken.

Natural Gas spiked to a brief new high one day before its short-term *Cycle Progression* (12-14 day low-low-low-low) that was expected to generate a 1-2 week turning point. It has since neutralized its daily uptrend, turned its intra-month trend down and signaled that a 2-4 week top is taking hold (see 10/05/05 *Alert*).

Natural Gas needs a daily close below 13.650/NGZ to turn its daily trend to down and to signal a drop back to its weekly trend point at 12.696/NGZ.

Heating Oil still needs a *daily* close below 1.9230/HOZ to confirm the 18--19 week *Cycle Progression* it completed last week. This would also project selling into October 17--21st. A *weekly* close below 1.8750/HOZ is needed to confirm a 2-3 month peak.

Unleaded Gas is fulfilling analysis for a reversal lower in this time frame. It is now in a daily & intra-month downtrend. The next level of confirmation would come if/when Unleaded Gas can give a weekly close below 1.7750/HUZ. Until that occurs, expect some consolidation.

Trading Strategy: No new system trades.

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DEVELOPING/UNFOLDING SPECIAL SITUATIONS

Coffee still needs a daily close above 95.50/KCZ to reverse its daily & intra-month trends to up. It has already rallied 3 weeks from its Sept. 19th cycle low and is likely to stretch this rebound into October 12th.

If it can rally to 103.05--103.90/KCZ (the last two weekly LHR levels and the monthly raw SPR) on Oct. 12/13th, an initial top will likely take hold. This would be 2 months from its August 12th top and represent a 1.618/1 decline & advance combination (38 days down/23 days up) and match the duration of its previous (24-day) rebound.

Cotton needs a daily close above 54.45/CTZ and a weekly close above 54.52/CTZ to close above gap resistance and to reverse its weekly trend to up. It needs a daily close above 54.30/CTZ to signal an intra-month uptrend and to trigger a *rally* into mid-month and potentially into October 24--28th.

In the interim, Cotton should NOT close below 52.80/CTZ or it would signal a *drop* into mid-October.

1-4 week traders should be long Dec. Cotton futures positions from around 50.30/CTZ and holding these w/avg. open gains of about \$1,650/contract. Move sell stops to 52.15 OCO a daily close below 52.80/CTZ.

Live Cattle hit and held its intra-week PLLR in the week after it hit and held its weekly LHR. This reinforces that a 1-2 month top should take hold in the coming week(s). A daily close below 89.80/LCZ would be the first sign of a reversal lower.

Sugar set an initial high on October 4th but will not validate it until a daily close below 11.12/SBH. Until that occurs, the intermediate outlook remains for a rally into October 21st.

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