

Analysis for Wednesday 28th November 07

By Sebastian Manby

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A; Wide spread up with next bar down is a top reversal, and this is bearish. The first red arrow is no demand, market is weak at this point.

B; Tom would call this a hidden test, but it is the opposite of an hidden upthrust, with a low lower than the low of the previous bar, and the close on the high, this is bullish, and we are now looking for a test of strength.

C; A test, the market is challenging the bears to show their hand, and they don't, volume relatively low and the market takes off.

D; This bar shows some weakness, it is also into the zone of point A, and this is why we are seeing this weakness, there is an old top to the left, and this is having an effect on prices.

E; The market is strong enough to push higher and through the old top at A, liquidation between 1470 and 1476 is now in play, the shorts around point A at these levels are probably having to cover their shorts, giving the smart traders the liquidity to short sell, we know this because the volume is ultra high.

F; No demand, and with weakness now in the background, there is only one direction the market can take, and that is down the toilet.

G; A second and more obvious no demand up bar here, if you look at the volume, it is really low. The market cannot rally as it is too weak, so a no demand up bar in a declining market is a golden opportunity in a weak market.

H; the close on this bar is equal to the open, this shows that buyers are returning to the market, enough to allow this to happen, at this point I would be looking for a sign of strength to close out a short.

I; A selling climax, a wide spread down, closing way off the low on ultra high volume is a sign of strength, these professionals are active, they are closing out their shorts, and getting bullish, if this were not true, then the close would be near the low and prices would continue lower, instead prices have reversed, so as we continue to observe time after time, strength always appears on down bars, and weakness on up bars, hopefully you will have grasped this by now.

J; An average up bar, with an increase in volume, closing off the high means that the rally is stalling, the market could become bearish and we are looking for confirmation of this.

K; No demand, the rally is in trouble here, and we are near a top channel of a trend line, and with an old top at point E & F, that old top will hold for now. The next few bars are a mish mash of whipsawing.

Outlook:

I think it is difficult to get a handle on which direction for Friday, but in a down trend I would expect the market to retest the low at 1463 possibly in the Asian session. Friday we have personal income and outlays at 13:30 GMT, I don't know if this number is significant, but if Friday is up, then today's action is a test, and I would expect a rally into next week, Friday will be a better day for me to predict the future.

Daily chart;

Text on chart.

User: \\<DEFAULT>\us@ES.1 Page 1 of 250 # Symbols: 6 FUNDAMENTAL.BFL

| i | Symbol                        | Last Sale | Net    | pctc   | 3mpc   | 6mpc  | ytdpct | Trade Size | Trade Time | Volume |
|---|-------------------------------|-----------|--------|--------|--------|-------|--------|------------|------------|--------|
|   | E-MINI S&P 500 Stock Index    | 1470.75   | -0.75  | -0.05% | -0.41% | 4.06% | 0.00%  | 1          | 21:43:45-  | 2887   |
|   | Mini Dow Futures \$5 Electrol | 13330     | 23     | 0.17%  | -0.25% | 2.34% | 4.24%  | 2          | 21:43:54   | 200T   |
|   | Euro-US Dollar                | 1.4743    | 0.0091 | -0.61% | 8.19%  | 9.62% | 11.72% | <N/A>      | <N/A>      | <N/A>  |

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