

ROBERT D. MCHUGH, JR., Ph.D.
Weekend Market Newsletter
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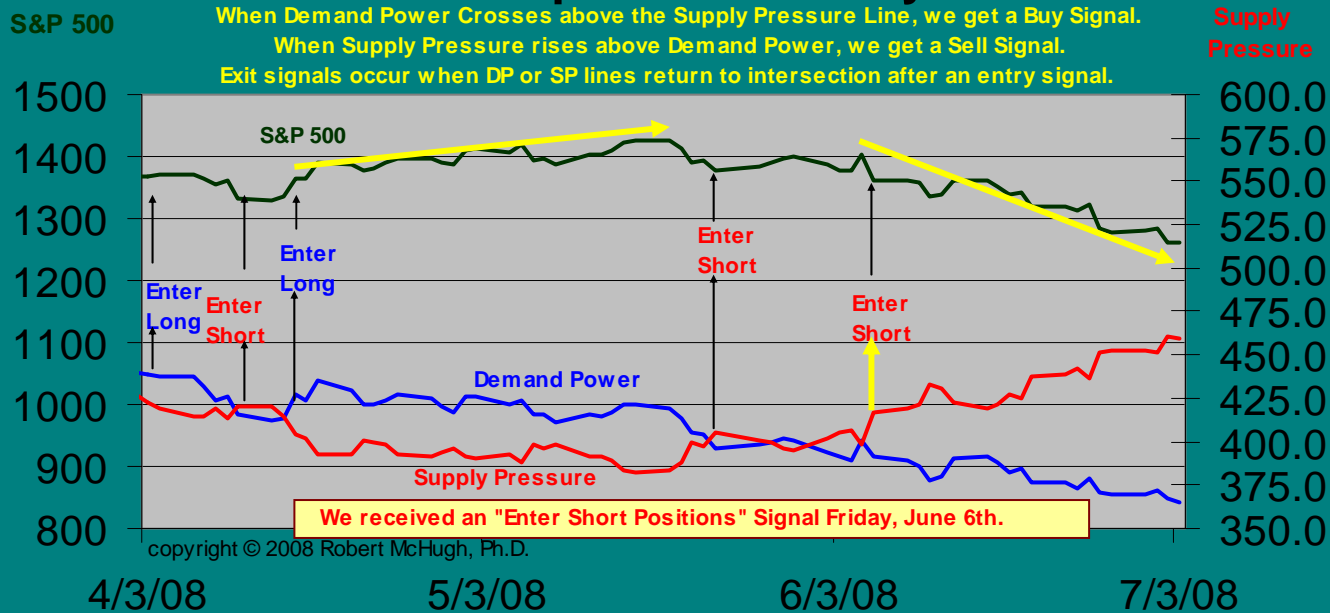
Issue No. 864
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SUMMARY OF INDEX DAILY CLOSINGS FOR THURSDAY, JULY 3rd, 2008

<u>Date</u>	<u>DJIA</u>	<u>Transports</u>	<u>S&P</u>	<u>NASDAQ</u> <u>COMPO</u>	<u>NASDAQ</u> <u>100</u>	<u>Russell</u> <u>2000</u>	<u>30 Yr Treas</u> <u>Bonds</u>
June 26	11453.42	4892.83	1283.15	2321.37	1855.39	698.42	115^00
June 27	11346.51	4909.12	1278.38	2315.63	1855.72	698.14	115^21
June 30	11350.01	4948.03	1280.00	2292.98	1837.09	689.66	115^19
July 1	11382.26	4862.05	1284.91	2304.97	1862.71	691.59	115^16
July 2	11215.51	4653.13	1261.52	2251.46	1816.15	672.34	116^04
July 3	11288.54	4678.75	1262.90	2245.38	1816.35	665.78	115^28

**S&P 500 vs: Demand Power & Supply Pressure
 April 2008 to July 2008**



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	6/6/2008	365	459	SPX Fell 108 Points (8.0 %)
NDX	Short	Enter Short	6/6/2008	387	435	NDX Fell 188 Points (9.5 %)

* 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>
Purchasing Power Indicator	DJIA/S&P	Short	Sell	June 6th, 2008	DJIA Fell 1,052 Points (8.6 %)
DJIA 14 Day Stochastic	DJIA	Short	Buy	June 18th, 2008	New Buy Signal
DJIA 30 Day Stochastic	DJIA	Short	Sell	June 11th, 2008	DJIA Fell 926 Points (7.7 %)
DJIA Primary Trend Indicator	DJIA	Long	Buy	October 31st, 2003	DJIA Rose 4,396 Points (44.9 %)
Secondary Trend Indicator	DJIA/S&P	Short	Sell	June 17th, 2008	DJIA Fell 1,003 Points (8.2 %)
NDX Purchase Power Indic	NASDAQ 100	Short	Sell	June 26th, 2008	NDX Fell 53 Points (2.9 %)
NDX 14 Day Stochastic	NASDAQ 100	Short	Buy	June 13th, 2008	NDX Rose 27 Points (1.4 %)
RUT Purchase Power Indic	RUT	Short	Sell	June 6th, 2008	RUT Fell 79 Points (10.7 %)
HUI Purchasing Power Indic	HUI	Short	Buy	June 26th, 2008	HUI Rose 29 Points (6.6 %)
HUI 30 Day Stochastic	HUI	Short	Buy	June 27th, 2008	HUI Rose 15 Points (3.4 %)

Oil set another new all-time high Thursday. It is getting nuts. There will be a delayed response by the economy to exploding oil prices, commerce getting hit hard next year. That may be what the stock market sees ahead and is telling us now. We got another very small change in the McClellan Oscillator Thursday, a 1.28 decline, suggesting a very large price move is coming early next week. If it is down, it could represent selling capitulation. If it is up, it will signal a two to three week countertrend rally has started which should end around our July 22nd phi mate turn date. Once any countertrend rally is over, we should see a huge plunge into the autumn.

Thursday's 10 day average advance/decline line indicator fell to an extreme negative -970.1, screaming a multi-week low is either in or very close. Over the past five years we have only seen one time this reading was worse, and it was at a multi-week bottom. Over the past five years, every time we saw this measure approach this level, a multi-week bottom was either in or within a few days of being in. If we want good guidance on confirmation of when a short-term bottom has arrived, and a two to three week bounce has started, we would look for buy signals in a) our key trend-finder indicators, b) the Daily or Weekly MACD, or c) a new buy signal in the Daily or Weekly Full Stochastics. Our key Blue Chip trendfinder indicators did trigger a new "sideways" signal Thursday, so that may be a hint that a correction rally of some sort is close.

The Industrials managed a rally that stuck, up 73.03 points, closing at 11,288.54 Thursday. There are two Elliott Wave scenarios possible at this juncture. First is that micro wave 1 down, within wave iii down just completed, with wave 2 up starting, perhaps lasting into our July 22nd phi mate turn. Second would consider wave 3 down of {iii} down of {3} down in process, an immediate stock market crash scenario. NYSE volume was lower at 66 percent of its 10 day average, with downside volume leading at 59 percent, declining issues at 65 percent, with downside points at 52 percent. S&P 500 Demand Power fell 2 points to 365, while Supply Pressure fell 2 points to 459, telling us the rally was due to abandoning selling, with neither side particularly interested in taking a position.

The Demand Power/Supply Pressure indicators triggered a new enter short positions signal Friday, June 6th, as the Supply Pressure line rose back above the Demand Power line, and remain there Thursday. We want to watch for convergence, which would confirm a multi-week rally.

Thursday's McClellan Oscillator fell slightly to negative -238.28. The Summation Index fell to negative -1,568.74. We have seen bottoms near this negative summation index level. NYSE New Highs fell to 10, with New Lows rising to 487.

The percent of DJIA stocks above their 30 day moving average rose to 6.67 Thursday. The percent above 10 day rose to 30.00 from 23.33. The percent above 5 day rose to 50.00 from 26.67. The NYSE 10 day average Advance/Decline Line Indicator fell to negative -932.9, on a sell from June 2nd, needing to rise above positive +120.0 for a new "buy." We have seen bottoms near this reading.

Our three Blue Chip key trend-finder indicators (other than the Demand Power/Supply Pressure Indicator) triggered a new "sideways" signal Thursday. The DJIA 30 day Stochastic Fast was 6.67, above the Slow at 3.33, remaining on a "sell" signal from June 11th. The DJIA 14 day Stochastic rose to 23.22, decisively above the Slow at 10.56, triggering a new "buy" signal July 3rd. The Fast has to cross more than 10 points above the Slow for a new "buy." The S&P 500 Purchasing Power Indicator was flat at 24.21, remaining on a "sell" signal from June 6th, needing to rise above 30.11 for a new "buy."

Whenever the *Plunge Protection Team Risk Indicator* 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. *It was positive + 17.43 Thursday, a neutral/sell signal April 16th, between -16.00 and + 20.00, within the range where declines can occur, but approaching the positive +20.0 level where rallies can occur.* 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. *Once again, we have seen a significant decline within this range.*

The DJIA Call/Put Ratio fell to 0.95 Thursday, on a "neutral" signal from May 27th (moving below 1.00 and above 1.40 is neutral, while rising decisively above 1.00 (above 1.10) triggers a new "buy"). On Thursday, the Secondary Trend Indicator rose 1 point to negative -16, a Bearish reading, however recent readings of negative -19 suggest a multi-week rally may be about to start. Above zero is Bullish. Below zero is Bearish. The closer it moves toward zero, the greater the risk of a coming trend turn, thus caution with open positions would be recommended. *After it first turned Bearish on December 31st, 2007, the Industrials fell 1,630 Points, or 12.3 percent.* This indicator has correlated pretty well with price trends, adding to our belief a downside move is coming.

The Head & Shoulders top in the Dow Industrials is now confirmed, with the decisive break and close below 12,000 again this week, the neckline, giving a downside target of 9,750. It would be unusual for this pattern to fail. Even if markets rise for a few weeks, this pattern is still in play.

SUMMARY PAST WEEK'S DEMAND POWER/SUPPLY PRESSURE STATISTICS

Blue Chips S&P 500/DJIA

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	<u>Secondary Trend Indicator</u>
June 26	Down 8 to 371	Up 15 to 451	Down 13 to 30	Down 8 to -19
June 27	Down 1 to 370	Up 2 to 453	Down 1 to 29	Down 1 to -20
June 30	Flat 0 at 370	Down 1 to 452	Flat 0 at 29	Up 1 to -19
July 1	Up 2 to 372	Down 1 to 451	Up 1 to 30	Down 3 to -16
July 2	Down 5 to 367	Up 10 to 461	Down 6 to 24	Down 1 to -17
July 3	Down 2 to 365	Down 2 to 459	Flat 0 at 24	Up 1 to -16

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)
June 26	Down 6 to 390	Up 10 to 431	Down 21 to 96	+ 13.33
June 27	Flat 0 at 390	Flat 0 at 431	Flat 0 at 96	+ 14.18
June 30	Down 3 to 387	Up 2 to 433	Down 3 to 93	+ 15.40
July 1	Up 4 to 391	Down 2 to 431	Up 5 to 98	+ 17.78
July 2	Down 3 to 388	Up 6 to 437	Down 11 to 87	+ 16.49
July 3	Down 1 to 387	Down 2 to 435	Flat 0 at 87	+ 17.43

10 Day Average Short-term Advance/Decline Signals

<u>Index</u>	<u>July 3rd 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	- 970.1	Sell	June 2nd, 2008	SPX Fell 133 Points (9.6 %)
NASDAQ 100	- 27.7	Sell	June 10th, 2008	NDX Fell 170 Points (8.7 %)
Russell 2000	- 621.3	Sell	June 25th, 2008	RUT Fell 47 Points (6.6 %)

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. The current rally is indicative of this.

Administrative notes: We will be traveling this coming holiday weekend, so this weekend's newsletter will be shorter than usual, but more detailed than a daily report.

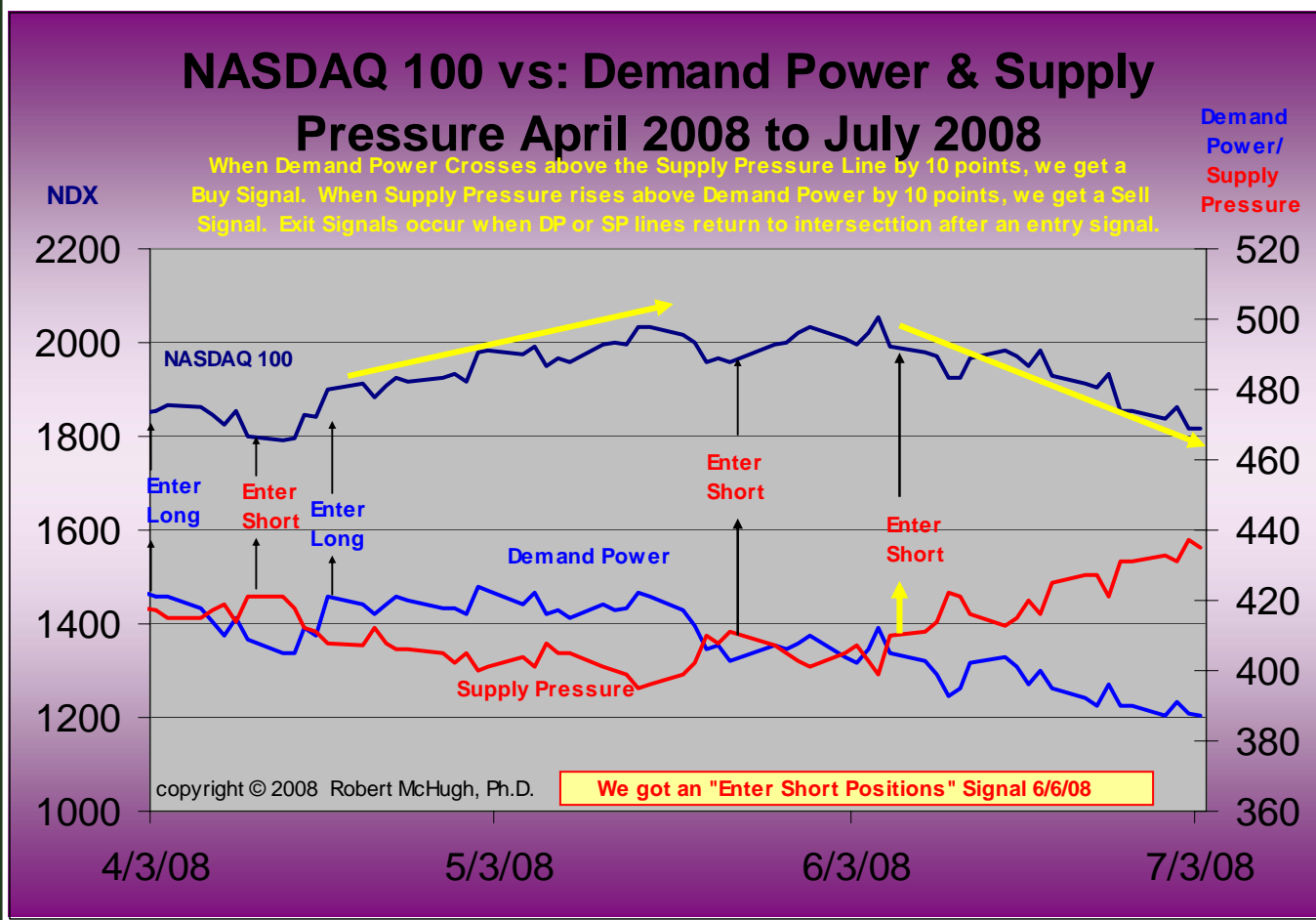
Also, we introduced our **Fourth of July Independence Day Specials**, which are **good through this coming Monday, July 7th.**

Have a safe and enjoyable holiday weekend.

The *NASDAQ 100* was flat Thursday, up 0.20 points, closing at 1,816.35. Volume was lower at 67 percent of its 10 day average. Downside volume was 57 percent, with declining issues at 53 percent, with upside points leading at 55 percent in mixed trading. *NDX Demand Power* fell 1 point to 387, with *Supply Pressure* down 2 points to 435, telling us neither side wanted to take a strong position Thursday.

Our key trend-finder indicators remain on a "sideways" signal Thursday. The *NDX 14 day Stochastic* Fast rose to 13.00, below the Slow at 14.00, but not decisively below, remaining on a "buy" signal from June 13th. It may be seeing a short-term bottom approaching. The *NDX Purchasing Power Indicator* was flat at 87.16, remaining on a "sell" signal from June 26th, needing to rise above 93.14 for a new "buy." The *NDX 10 day average Advance/Decline Line Indicator* worsened to negative - 27.7, remaining on a "sell" signal from June 10th, needing to rise above positive + 5.0 for a new "buy."

The *Demand Power/Supply Pressure Indicator* generated an enter short positions signal Friday, June 6th, when the SP indicator rose above the DP indicator, and remains there Thursday, July 3rd.



The *Russell 2000* fell 6.56 points Thursday, closing at 665.78. Volume was down at 56 percent of its 10 day average, with downside volume leading at 71 percent, with declining issues leading at 65 percent. *The RUT Purchasing Power Indicator* fell to 35.99, **remaining on a "sell" signal** from June 6th, needing to rise above 41.99 for a new "buy." The *RUT 10 day average Advance/Decline Line Indicator* worsened to negative -621.3, an extreme oversold level, **remaining on a "sell" signal from June 25th**, needing to rise above the positive + 180.00 threshold for a new "buy" signal.

The *HUI Amex Gold Bugs Index* fell 7.44 points, closing at 435.95 Thursday. Volume was lower at 75 percent of its 10 day average. Downside volume was 87 percent, with declining issues at 90 percent, and downside points at 88 percent. **Our key trend-finder indicators remain on a "buy" signal Thursday.** The *HUI 30 day Stochastic* Fast fell to 65.00, above the Slow at 55.56, **remaining on a "buy" signal from June 27th.** The Fast had to rise more than 20 points above the Slow to trigger a new "buy." The *HUI Purchasing Power Indicator* fell 1 point to 253.27, **remaining on a "buy" signal from June 26th, needing to fall below 252.20 for a new "sell."** July *Gold* closed lower at 932.9, inside an accumulation opportunity short-term. *Silver* fell to 18.29, and *Oil* closed at a new all-time closing high again, at 145.31. The *Dollar* rose 0.65 to 72.72, along its journey toward the sixties, then eventually the 40's. *Bonds* fell a quarter point to 115^28. 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, unless a stock market collapse continues. The *VIX* fell 1.12 to 24.80.

The *Australia SPASX200* fell 96.50 points, or 1.89 percent Thursday. 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.

Independence Day Specials:

6 Months for \$159, or
 8 Months for \$179, or
 11 Months for \$ 229, or,
 12 Months for \$299, or
 13 Months for \$249, or
 * 24 Months for \$449 *

Good through Monday, July 7th, 2008

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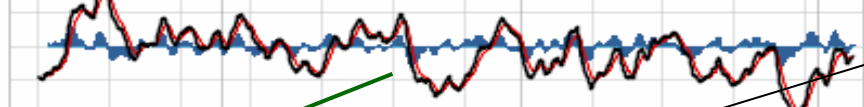


This labeling suggests we have a five wave decline, for wave 1 down, within iii down, meaning wave 2 up should follow soon, and may have started at Tuesday's intraday low.

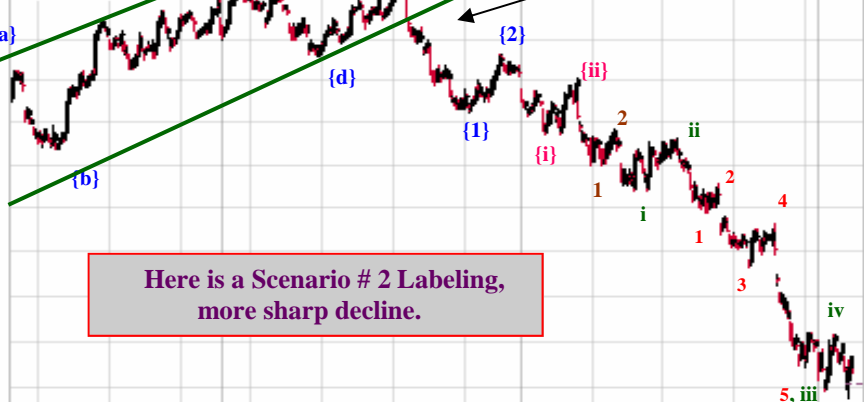


\$INDU (Dow Jones Industrial Average) INDX © StockCharts.com
 3-Jul-2008 Close 11288.54 Volume 148.8M Chg +73.03 (+0.65%) ▲

MACD(12,26,9) -16.175, -17.716, 1.542



%0 \$INDU (30 min) 11288.54
 Volume undef

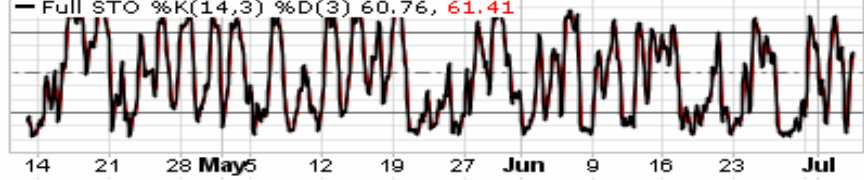


Here is a Scenario # 2 Labeling, more sharp decline.

The break below the bottom boundary suggested wave iii down had started.

All these wave threes hitting at once suggested a dramatic decline dead ahead. And we got it.

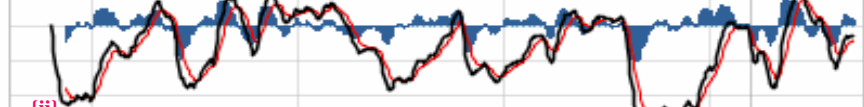
Full STO %K(14,3) %D(3) 60.76, 61.41



5, (iii), {3}, 1, iii

\$INDU (Dow Jones Industrial Average) INDX © StockCharts.com
 3-Jul-2008 Close 11288.54 Volume 148.8M Chg +73.03 (+0.65%) ▲

MACD(12,26,9) -6.995, -10.244, 3.249



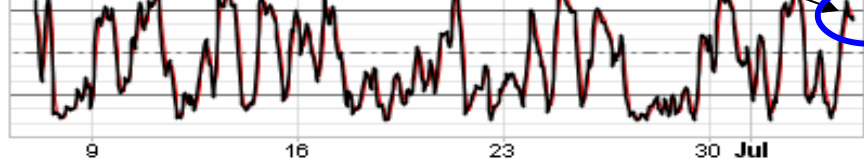
%0 \$INDU (15 min) 11288.54
 Volume undef



Prices Could Fall Monday.

5, (iii), {3}, 1, iii

Full STO %K(14,3) %D(3) 76.68, 75.40





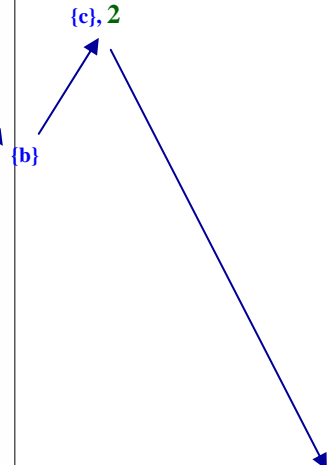
The Daily Bollinger Band Analysis warned we could be inside a waterfall decline like occurred in January 2008 where prices ride the bottom boundary lower. However, we must respect a rally of 2 to 3 weeks is possible from these levels, into July.

The Daily Full Stochastic was oversold back in January and remained there as a waterfall decline occurred. Same thing now.



According to the Weekly MACD, this decline is not over on a sell signal.

The Weekly Full Stochastics Fast measure (black) has reached oversold territory, so a rise above the slow (red) would signal a multi-week rally was starting. For now, we have a Weekly Full Stochastic Sell Signal.



The Daily MACD remains on a "sell."

The NDX bounces off the bottom BB then falls back to it.

The Full Stochastics on the Daily Chart trigger a buy, perhaps nearing a short-term bottom.



Both the weekly MACD and the weekly Full Stochastics suggest this decline is just getting started in the NDX.

However, a two week +/- Bounce is possible soon.



Both the weekly MACD and the weekly Full Stochastics suggest this decline is just getting started in the RUT.

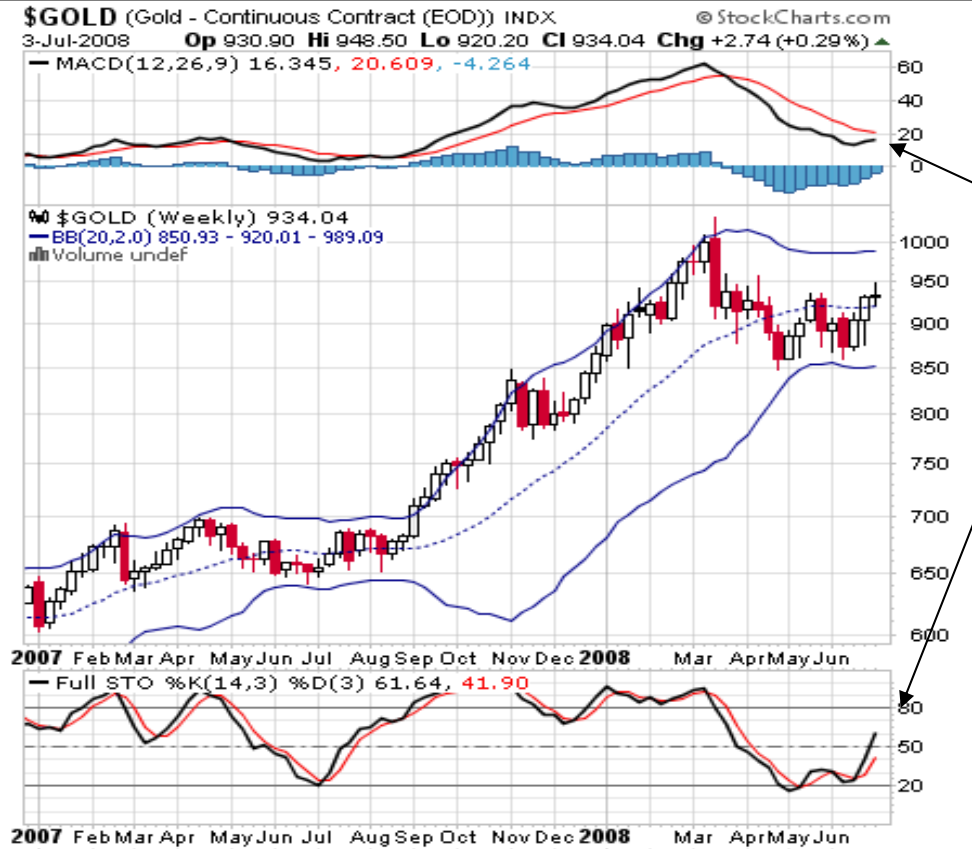
However, a two week +/- Bounce is possible soon.



The Daily Full Stochastics tell us a short-term decline has started.



The HUI Weekly MACD and Weekly Full Stochastics suggest much more rally is coming after a short-term correction.



Gold looks to be starting a nice long rally, according to the Weekly MACD which is close to a new buy signal, and the Weekly Full Stochastic which just generated a new buy signal.



Gold corrects in wave ii down before heading for \$1300, probably higher. Wave iii up may have started.

Daily Full STO Suggests Gold is approaching a short-term top.



The Weekly Chart suggest the Dollar is approaching a top.

2
 3 of (3)



iii, 3 of 5



v 3,5

The Full Stochastics say a correction lower is likely.



Bonds look ready for a short-term top and correction. However, the Weekly MACD and Full Stochastics suggest a nice intermediate-term rally has started, as the weekly Full Stochastics are on a buy signal from oversold levels, and the MACD looks ready to generate one (chart not shown).

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>
6/20/08	22.87	73.05	156.07	455.38	901.8	17.40	134.62	Hidden
6/27/08	23.44	72.29	157.90	464.40	931.3	17.62	140.21	Hidden
7/03/08	24.80	72.72	156.93	472.36	932.9	18.29	145.31	Hidden

Note: Everything is up except the Euro. Can you spell i-n-f-l-a-t-i-o-n?

Conservative Balanced Portfolio Recent Transactions As of Thursday, July 3rd, 2008

* **On Tuesday, May 6th, 2008**, we purchased 50 shares of the ETF GDV at \$44.90 each, an ETF for the HUI Amex Gold Bugs stock index. We also bought 20 shares of the ETF SLV at \$167.27 each, an ETF for Silver. We also bought 30 shares of GLD at \$86.56 per share, an ETF for Gold. These purchases were made in our Buy and Hold segment of the portfolio, putting about \$7,000 of cash to work.

* **On Friday, April 18th, 2008**, we purchased 40 shares of the DIA Diamond Trust shares (cash market Dow Industrials ETF) at \$128.70 per share, for a total of \$5,148, plus we purchased 40 shares of the SPY (S&P 500 ETF) for a total of \$5,572.40; plus we purchased 100 shares of the QQQQ's (NDX ETF) at \$46.82 per share for a total of \$4,682 for the Buy and Hold section of the portfolio. Also, we purchased 40 shares of the DIA and 40 shares of the SPY at the same prices for the Market Timing section of the portfolio. We essentially put to work about \$25,000 of our cash balances going long the equity market.

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 March 31st, 2008, available in the Conservative Portfolio section.

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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:

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

**** 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.***