

Decision Point for the Dow Jones...

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The week and the day before a holiday are usually bullish. This factor helped lift the Dow Jones into both our price target of 13430 and within the time window of September 3rd.

We were looking for a big move from the prior week and last week had a trading range of 395 points. Now that we are at a decision point for the index, we need to watch closely for any signs of weakness. If the index rallies during the day but closes weak then this could provide us with early warning signs that the market may be running out of steam.

Both the Intermediate term high of 14022 and the near term high of 13695 provide a Fibonacci relationship at the 13430 level. This indicates that we could be hovering at a resistance level as we speak.

The alternative scenario is that the recent move from the August 16th low of 12455 is forming an "abc" correction to the upside. If this is the case then we could allow the index to move up to 13610 – 13686. Also a contributing factor for resistance is that a left hand "head and shoulders" pattern is formed at 13692.

However for the bears to stay in control and hold this market down, they will want to see the index stay below 13695 which is the August 8th near term high.

A counter case for the bulls is that the index is now above its 20 day moving average and the RSI indicator has signaled a short term buy signal. But this is only on the daily chart and the intermediate term trend still remains down.

We should remember that historically September is one of the weakest months and any surprises should be to the downside. We have non-farm payrolls out on Friday and one should expect volatility to pick up around this day.

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