

Dow Jones fails at cited resistance target...

Sandy Jadeja

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Our target of 13430 has held the Dow Jones index back and may prove to be another key upside level for the coming weeks.

We now have a Price, Pattern and time confluence at this level which suggests that either we trade sideways for a short while or continue to head lower.

Last weeks employment report failed to ignite the index for the upside and instead helped take the index lower by -3.5%. I pointed out that volatility should increase around the resistance level and the weekly trading range came in at 473 points and Friday's trading range alone was 278 points.

This type of expansion is common around a Wave 4 pattern. But if the analysis is correct then larger expansion ranges are in store and any surprises are likely to the downside. The Wave 5 move should take the index lower than the August 16th low of 12455.

In order for the bearish scenario to continue, a break below 12970 is required. Thereafter, the nearest Fibonacci support levels come in at 12385 – 12250. Only a move above 13505 would invalidate the bearish view and help the bulls to take control, albeit for a short while.

With regards to time factors, we should keep an eye for turning points around October 3rd - 5th.

We should remember that September is historically a weak month and traders should be cautionary on the Long side of the market. Our expectation of a turn between September 3rd – 4th has played out nicely so far. Any upside moves can be viewed as counter-trend moves and may provide opportunities to establish or add to Short positions.

Sandy Jadeja is Chief Market Strategist for ODL Markets www.odlmarkets.com and founder of www.spreadbettingtowin.com where he teaches low risk trading strategies and money management.

