The Wooding Trading Company
... real time stock market education ...

Market Commentary

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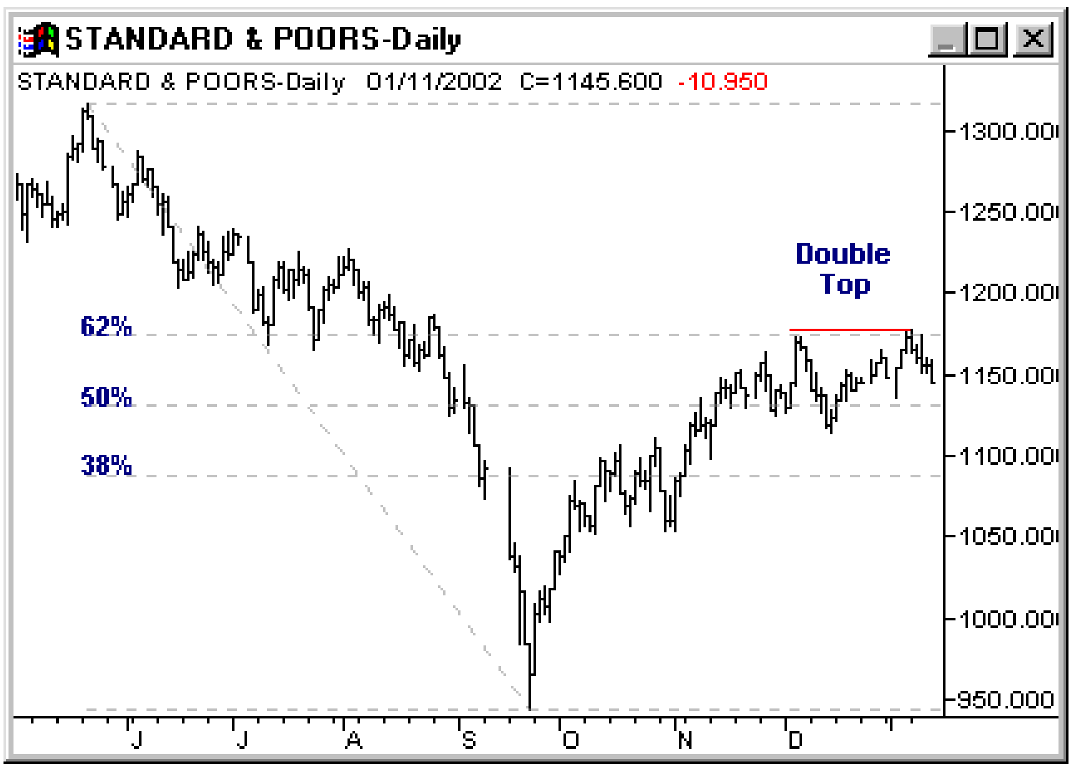
This week's price action in the major stock market indices indicates lower prices.

Let's start with the Standard & Poor's 500 index. Mentioned last week how the recent highs occur right at a cluster of Fibonacci retracement levels (38%, 50%, 62%) over different periods of time.

This week, the S&P500 traded down, indicating the recent double top will be tough to break to the upside.

Until the market makes a lower low, the uptrend since September is in tact (barely).



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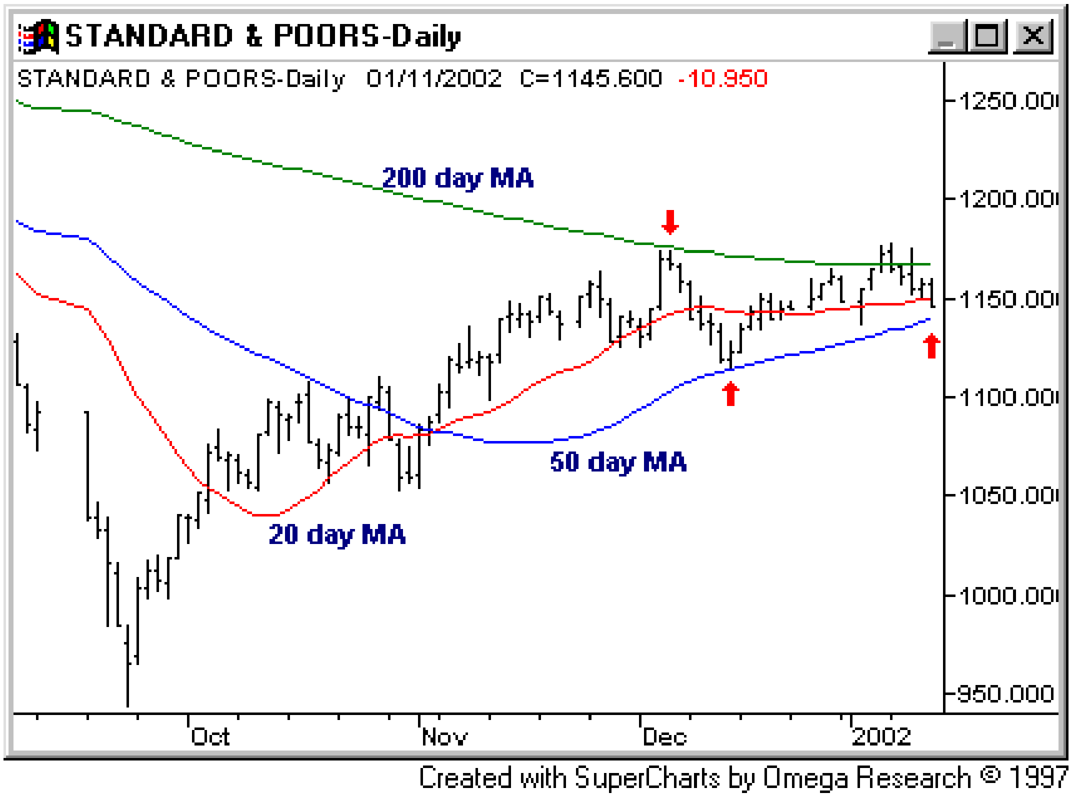
As much as I suspect we are forming a major top at these prices and the bear market is ready to resume, I'll be the first to admit I'm not certain.

This next chart shows the recent S&P 500 price being "squeezed" my some of the most popular moving averages.

The downward trending 200 day moving average recently acted as resistance to the rally. Then the 50 day moving average acted as support to the recent declines. It looks like the 50 day MA will be retested soon.

Only one thing is certain, eventually the market will make a decisive move in one direction or the other.



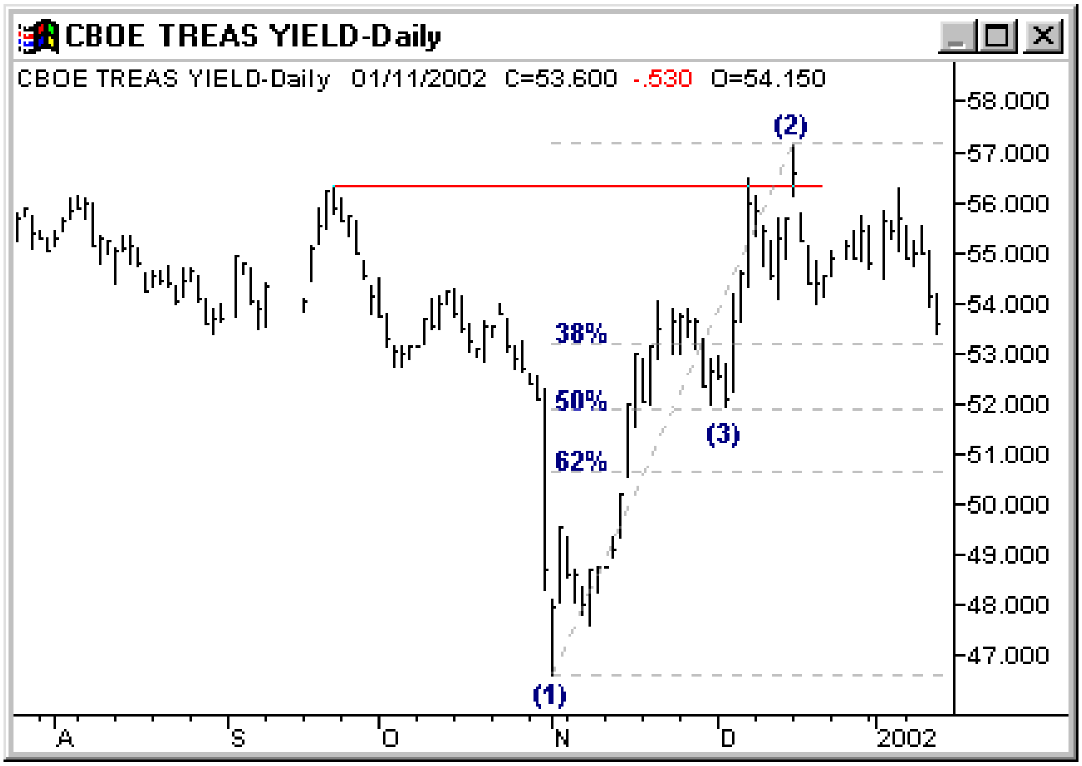
For those who did not refinance their home mortgages recently ... a second chance may be coming up soon.

The yield on the 30 year bond (i.e. 30 year interest rates) dropped sharply in late October after the Federal Reserve announced discontinuing issuing 30 year debt. This sent the yield to a multi-year low.

Soon after, yields rallied more than 1% within two months (from 1 to 2). The chart below shows rates dropping recetly. Obvious levels where the rates might stop dropping is at the Fibonacci levels - 38%, 50%, or 62%.

The most obvious level is the 50% retracement (3), this is where yields found support on the way up.

I'll revisit this chart as time continues.



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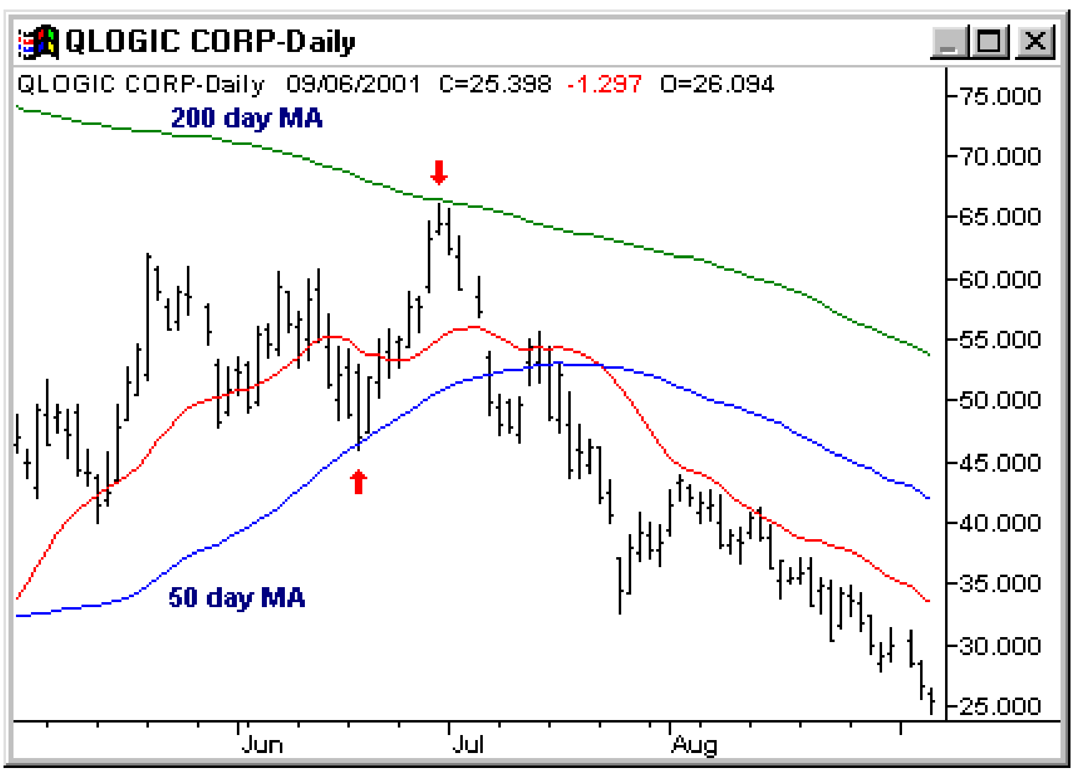
Remember the last chart for the S&P 500 I showed you with the moving average "squeeze"?

Here's another one from this past summer showing Qlogic ...



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Notice that price resumed the downward trend. In other words the 200 day moving average won. That's what I suspect will happen with the S&P 500.

Trade well!!

Dave

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