

Stock Market Newsletter

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The Nasdaq 100 index is showing signs of trending back up. Friday's close was above the downsloping trendline from the 2002 highs. Confirmation comes on a close above the recent swing high of 1508.



This week's lesson is about the power of the 200 day moving average.

Might seem strange to be talking about a moving average that is so far away from current prices - especially for the Nasdaq 100 index. But, when situations that I am about to describe occur, you'll want to know what the best course of action is.

Consider the following chart for Ultimate Electronics, ULTE.

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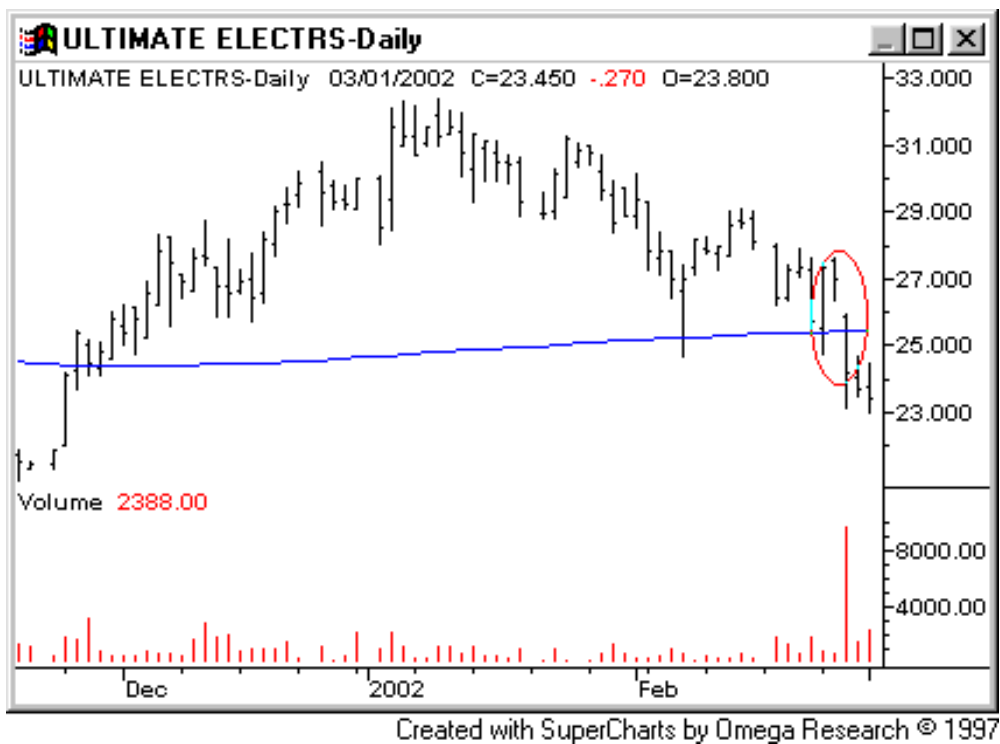
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What you are looking at here is a good example of when the big traders are unloading a stock. When I talk about the big traders, I'm not referring to you and me trading a few hundred or even a few thousand shares. I'm talking about the institutions that take on sizeable positions in companies.

Notice last week on Wednesday - the day with the large increase in volume. Somebody obviously was interested in selling the stock. The stock made a multi-month low on large volume.

The stock closed below the 200 day moving average convincingly. Thursday and Friday were also down days. If you consider that Friday was generally a very positive day for most stocks, you should be on alert that this stock is headed lower.

This situation - where a stock trades decisively through the 200 day moving average *on higher than normal volume* is one of the best indicators of lower prices to come. Understand the nuances of this setup and you are ready to take low risk short sell positions in stocks. There are more details at the moving average page ... <http://www.woodingtrading.com/movingaverages.html>

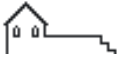
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