

## Market Update - Tuesday, 17 June 2008

Not surprisingly nothing much has changed since my last analysis of the Index markets. As was stated previously the markets are in a consolidation phase and therefore TIME is the important word here. The markets need more time to catch up from the huge bull market that we have seen since 2003 and then the major volatility and corrections of August 2007 and from the start of this year.

The only things still bullish seem to be the resources and energy sectors. It is true of the current times that Oil and Gas are running up like their running out, and Gold seems to have taken a bit of a sideways break at the moment until there is more threats of economic recession. The "credit crunch" is yet far from over, housing is far from being more affordable and it seems that most people are just struggling to make ends meet.

Remember as traders we are only concerned with the instruments that we are trading and what is in front of us NOW, on the chart. So let's cut through all the crap and get on with the market analysis.

### XJO Analysis

Have a look at the weekly XJO. Yes, don't forget looking at the weekly chart gives that "big picture analysis" that I always speak of. The current price action is under the longer term moving average indicating that the trend is down. This is confirmed by the LH and LL formed. Momentum is also down, confirmed by the direction of both the long and short term averages. Therefore this indicates more downside moves. Currently, there is a trading range between 5000 and 6000 and this will remain until either is clearly broken. Due to the markets having travelled up for the past 5 years this side ways action could last for quite some time yet.

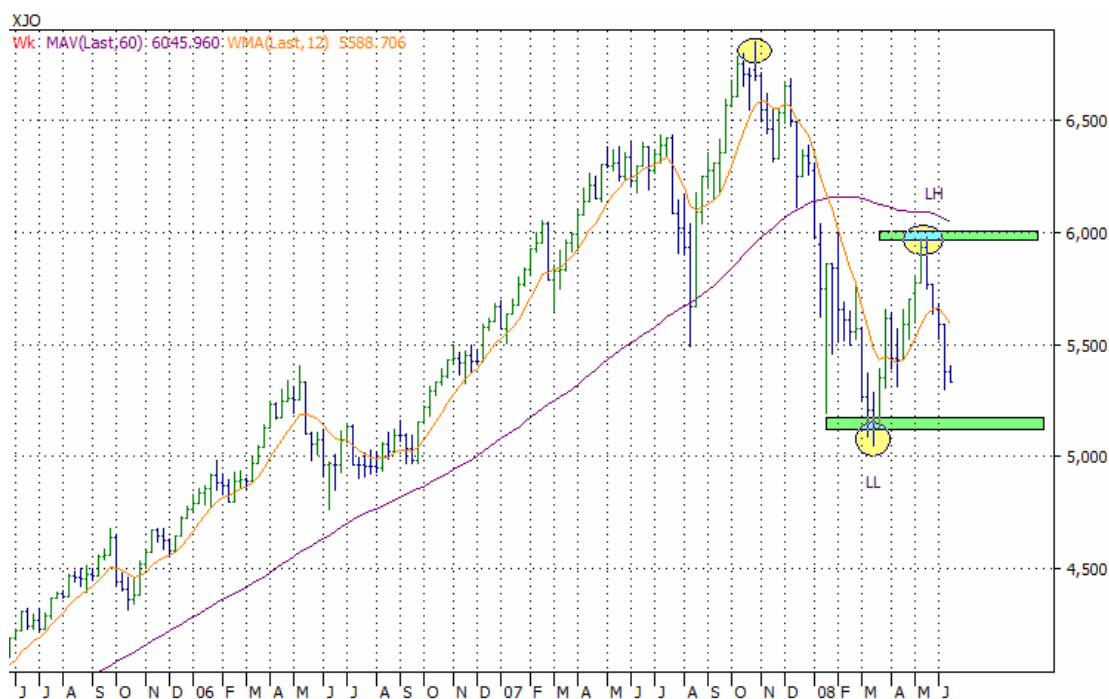


Figure 1 - XJO Weekly Chart - Source [www.thebourse.com.au](http://www.thebourse.com.au)

## XJO – Daily

Recently I was listening to some brokers commenting that at 6000 the XJO was going to continue on and that the bearish wows had come to an end. Obviously they had not heard of 50% of the move. So much for breaking 6000!

Lets look at the daily chart now and there is nothing much to say other than the current move to the downside has not come to an end yet. The short term average indicates that the momentum is still down, and that the next level of support is somewhere between 5200 and 5000. We need to be proactive traders and look at some different scenarios for what could take place. This current move could well continue below 5000, which is likely, however, not before a short sideways move or pullback to the upside, this would form yet another LH and then the price could continue to move down. A second scenario, could see a HL being formed and then the direction change to return and break 6000 to the upside. In each case we need to be ready.

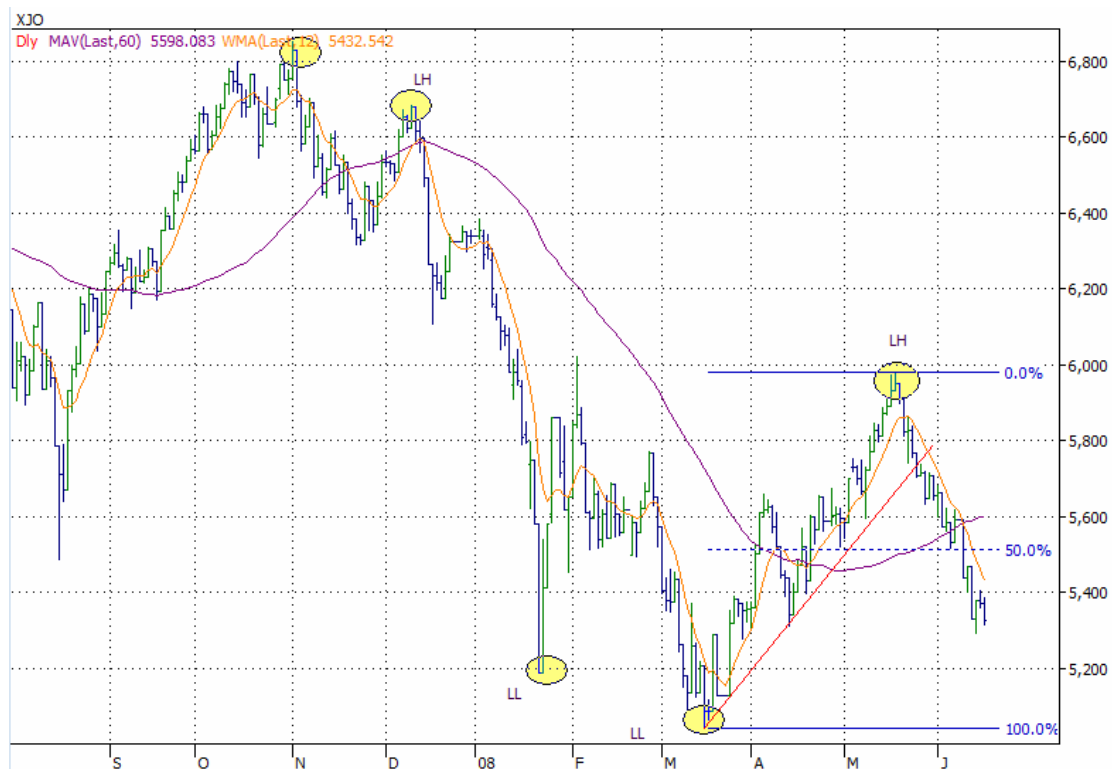


Figure 2 - XJO Daily

## XJO – Hourly

I will look at the hourly chart for the following items.

- Possible trade direction
- Momentum
- Short term trend

The price activity is below the longer term hourly average; therefore indicating that I can only trade short. The price activity has also broken the short term average indicating that the market may be entering into a sideways time period with a range between 5400 and 5280. It would be good to see a few days of sideways now so that some momentum accumulates before the next move. I feel that the only trade possible here is a short if the 5280 support is broken. A break to the upside would not be tradable as we need a HL first and preferably that the 5400 is broken clearly to the upside.

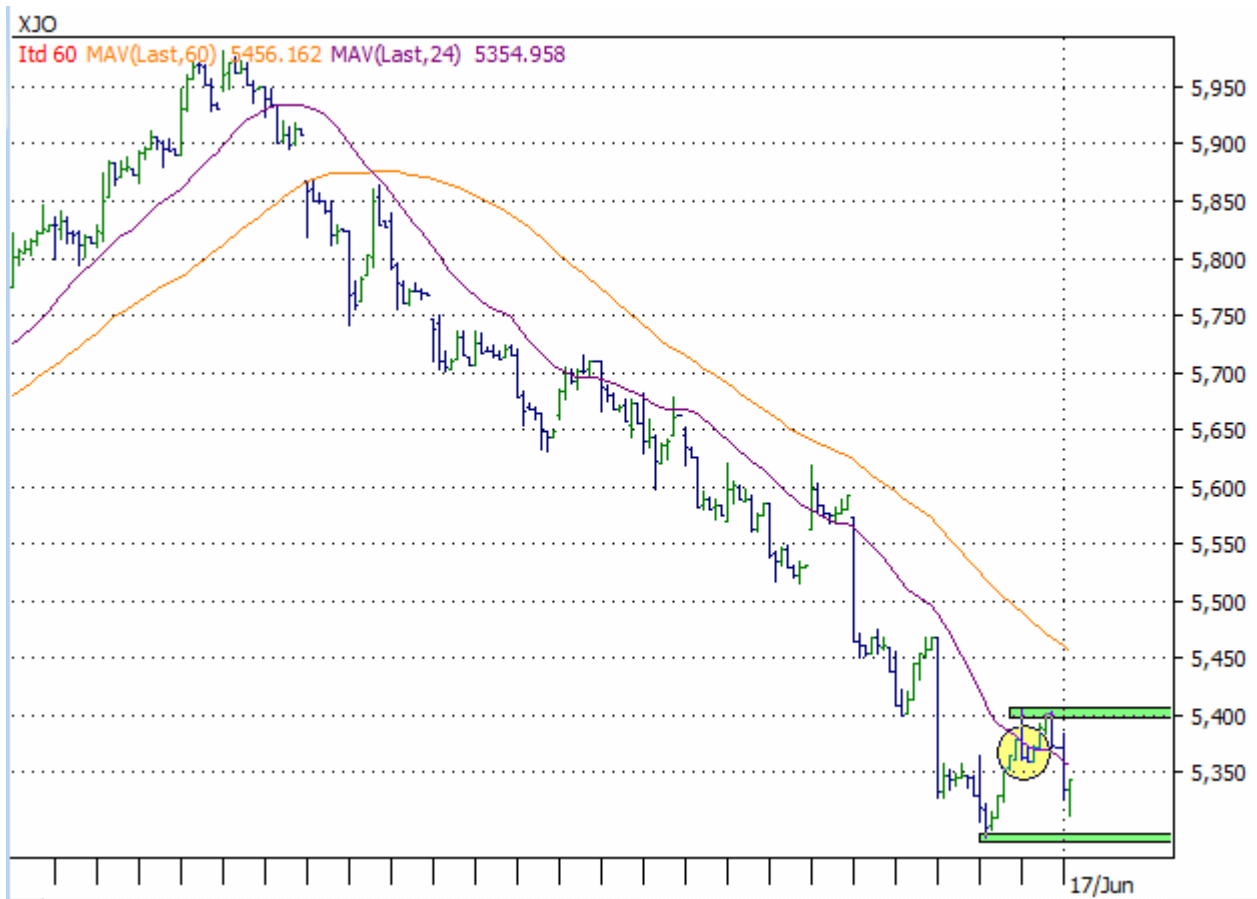


Figure 3 - XJO Hourly

### What next?

During these times of consolidation we need to be proactive traders, don't wait for the move to happen and then wonder why you missed it, however, prepare the different scenarios, draw them, print them out and ask yourself what would you do if that trade came up. Be Ready!

Also this may take days or weeks to happen so don't just sit there, do some back-testing. Get a new stock to back-test re-do one of the stocks you have already done. Backtest the XJO, the SP500 index and others. One good way is to use MS Power-point and to record screen shots of each backtesting trade entry and exit so that you have a ready reference of trades for when the next one comes up and you want to compare the pattern and outcome. Look for patterns, like double-tops and bottoms, head and shoulders and reverse H&S, and triangles. Look at what takes place when these patterns are triggered and how often they occur and the percentage success rate of the trades when taken.

There is so much to learn and even I have only just scraped the surface after 16 years of playing this game that WD Gann called "Speculation of the Financial Markets". We are professional traders and we use analysis and probability to determine the entry of our next trade, don't forget it.

Do the same analysis that I have done above on stocks that you have on your watch list. To view an hourly intraday chart you will need to get a live dynamic data plan from your Data vendor, otherwise the hourly intraday charts on **index codes** only are available on The Bourse delayed data plan.

Send me an email to [support@davidgaltieri.com](mailto:support@davidgaltieri.com) if you have any questions.

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