Sid Klein Global Strategy
1001 BOUL. DE MAISONNEUVE O., BUREAU 950, MONTREAL, CANADA H3A 3C8
TEL: (514) 939-2221 FAX: (309) 417-0942
e-mail: sidklein@sidklein.com
www.sidklein.com

With Confidence

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DOW JONES

Once again, the MACD (most technicians' favoured indicator) appears above the **6-month Dow price chart** on the next page, while the slow stochastic (my own favourite) appears beneath it.

Despite today's spike up, the MACD is still in sell mode and would easily return to a sell signal, even if the Dow were to advance a like amount again from here. This is bad.

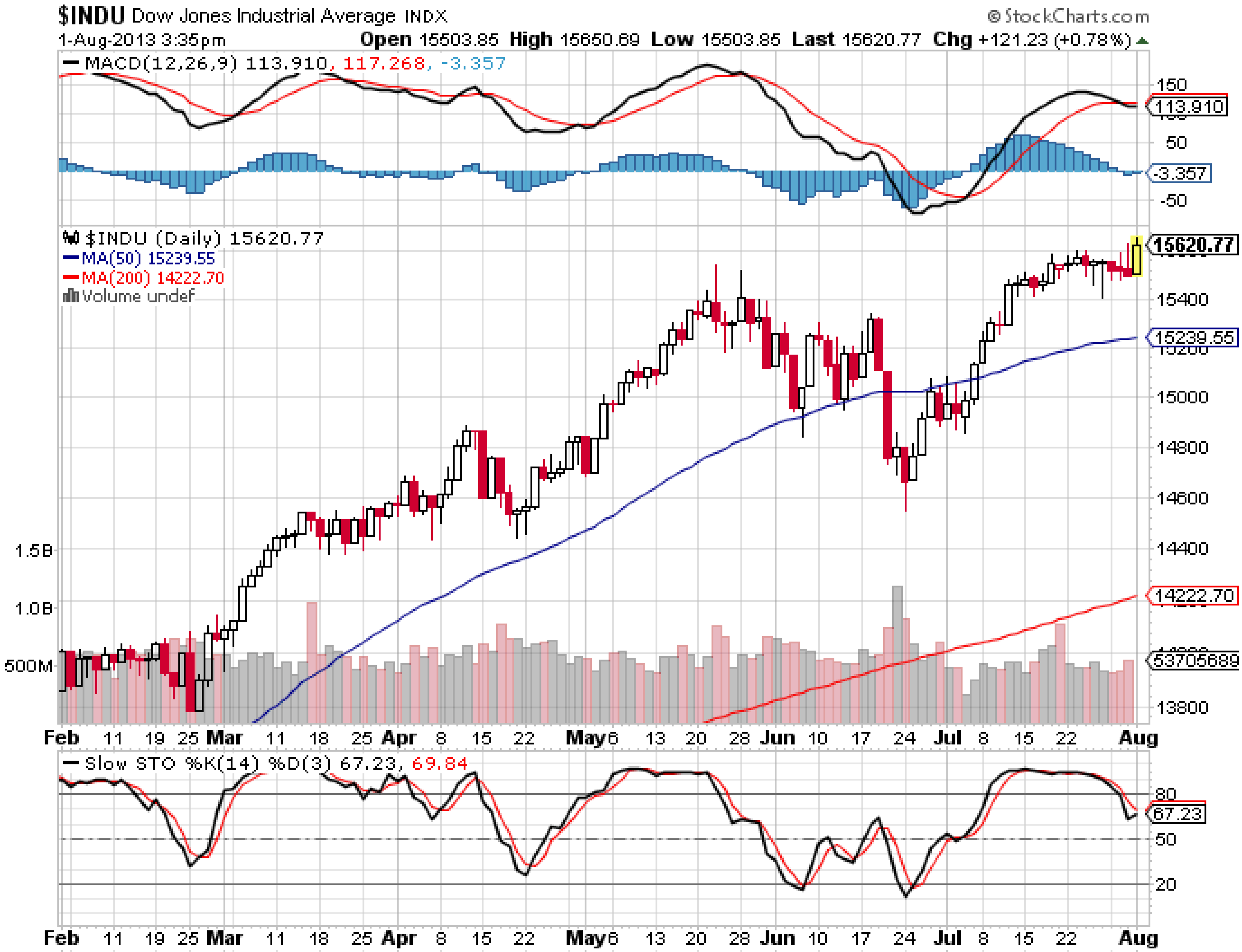
Equally, another spike up will merely confirm a sell signal divergence at last in the slow stochastic, unless the Dow were to truly blast-off from here!

Moreover, the Elliott formations (not annotated here) in the short and intermediate terms are consistent with terminal patterns.

The combination of the preceding two paragraphs spells nastiness.

So, in response to general questioning: a preferred bearish approach is a diagonal 10% - 15% out-of-the money DIA put spread, while including a straight long put component in the mix.

The latter could be December yearend options, while the spread may be comprised of regular December puts against end-of-3rd quarter options.



Sid Klein

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