

So, Is This Finally It? Is It?



October 11, 2014

DOW

October 4, 2014

"As in August, the Dow has again fallen toward the 200-day moving average and merits consideration for perhaps closing short positions. Indeed, any minor break of this week's lows, I believe, would be unconfirmed by key momentum indicators.

"Therefore, based on close-only charts, I recommend closing short positions at minor per cent profits, since I again do not believe that the 200-day moving average will be broken."

In deference for the possibility of a 4th-quarter blow off and the more conservative approach of closing short positions at strategic points with minimal gains, I advised doing so (above), as I was forecasting that the 200-day MA would not be broken.

Equally, my thinking was that this could be how we might be able to catch the final peak, lest the market fall to 14,700, or so, at which point we would aim to short the ensuing countertrend rally (also October 4, 2014 report).

On a daily chart, the 200-day MA shows as being at 16,592.37. Since this figure was broken (below which it closed) during the last half hour, there is a chance that investors did not close one of the two long term short positions that we have been trading.

Having said that, the following **3-year weekly Dow chart** reflects an ominous TRIPLE slow stochastic divergence, as well as a confirmed sell signal (cross under 80) that, both together, are the stuff of which multi-week and 2500-point secular bear market-commencing declines are made.

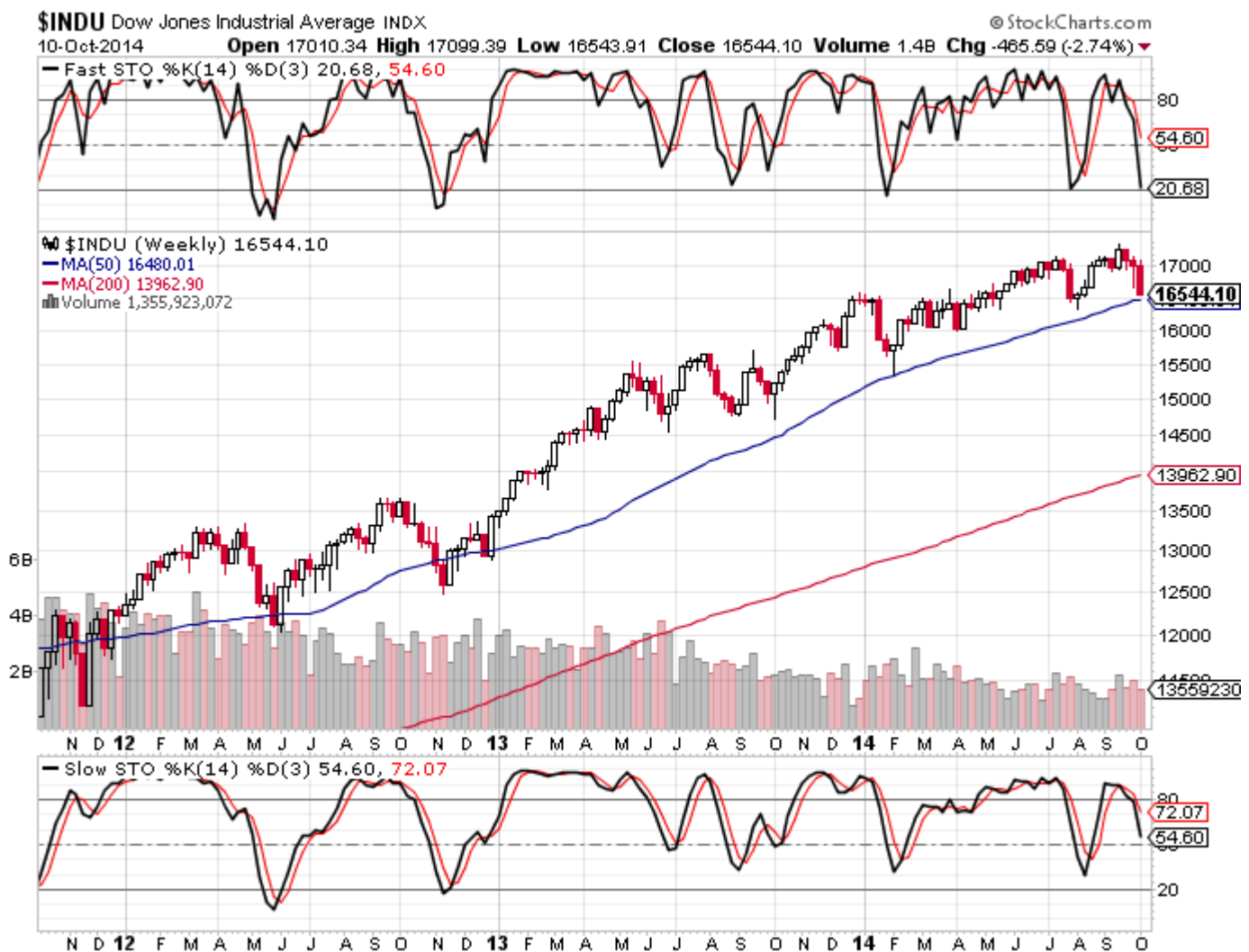
The chart also illustrates a 50-week moving average (blue line) that has yet to be broken and stands at 16,480.01 (50 weeks is treated by many technicians as important as the 200-day MA; 1 week = 5 days).

All to say, maintain both long term short positions.

To refresh: Both positions are long term diagonal put spreads (2 years over 1, and 1-year over 6 months, at the time of the recommendation some months ago). There were 2 proposed ways for establishing the 2nd position.

One involved establishing the long side of the put spread, aiming to complete that spread by putting on the short position after a market decline. The alternative involved simply putting on both legs simultaneously (purchasing the spread, as opposed to "legging-in").

It is this 2nd position that is being referred to again today.



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