



## Morning Comments October 21, 2009

### Some Pattern Implications Begin to Fulfill

The action in the market yesterday was less than compelling as the good news in index heavyweights CAT and PFE were greeted with heavy selling rather than follow through. I think a glance at both of these charts is instructive. While PFE is testing resistance of an intermediate term nature amidst generally constructive action, I think it is important to note that CAT has now fulfilled its pattern implications at the neckline of a massive multi year triple top. Digestion is in order. I am also attaching my note of 9/23 where I highlighted a bunch of heavyweight index patterns because I believe that more fulfillment a la CAT will be necessary to exhaust the market. In the near term pullbacks will continue to be bought until large index names have the opportunity to make CAT like tests and fulfill the promises of well defined patterns. The way I am thinking about the broad market is that once greater swaths of single stock names reach their targets then, and only then, will the market be free to embrace the well documented and much discussed negative divergences that have setup recently. I suspect another quarter will be necessary to achieve a top of sufficient weight to topple the bulls and bring shorts back in the money.

My love of airline equity keeps me vigilant on TRAN and I have attached that chart today as it appears to be on the cusp of either breaking out immediately or getting thrown back into consolidation, stay tuned.

I got totally smoked in copper while I was traveling on Monday and Tuesday and was stopped out of the short side. Overall, I see my hand has cooled a bit and I will take it as a warning to be even more deliberate now in my actions/recommendations.

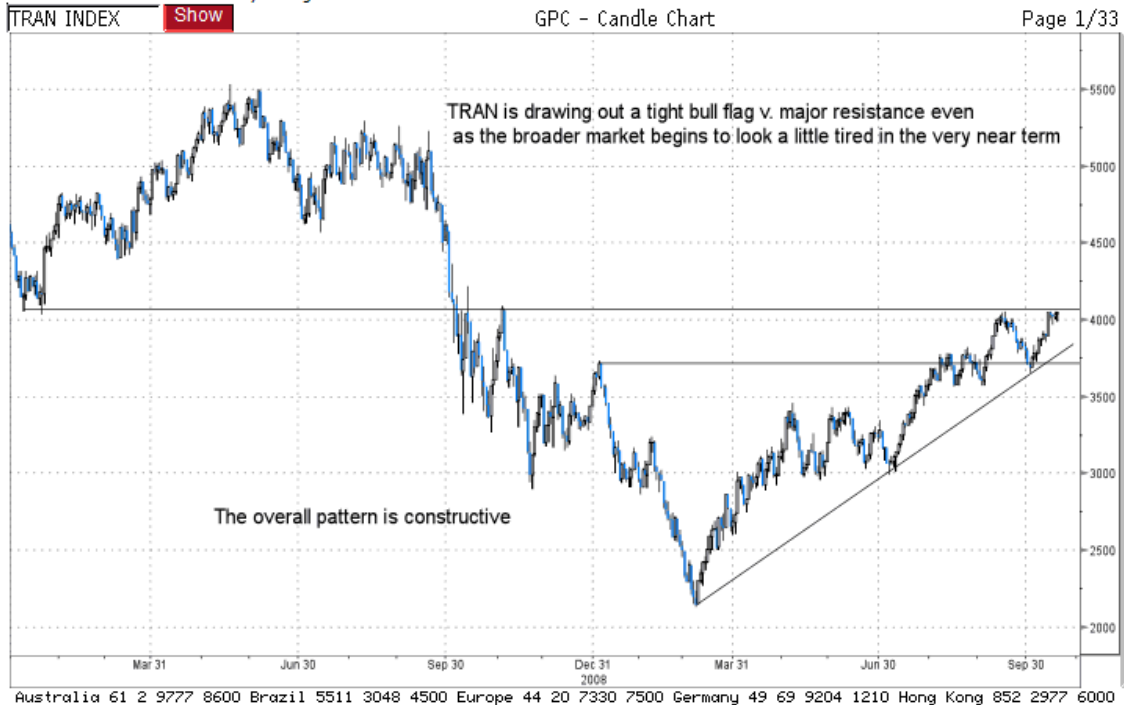
Full disclosure: I am personally long PFE for a long-term investment

Technical Analysis & Strategy



**TRAN 4045.11Y** as of close 10/20  
Vol 21,220y

Index **GPC**



# Technical Analysis & Strategy

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