

**Longer term in the S&P 500**, the 5 wave fall from the Oct 2007 high at 1576 (see numbering on weekly chart below) suggests that the gain from the March low at 667 is a correction, and with an eventual resumption of the declines to new lows after. Also, the market is forming a large rising wedge since March, generally seen as a reversal pattern that resolves sharply lower, and adds weight to the view of an eventual, downside reversal. However as been warning for quite some time, there are still no signs of a top of that magnitude, suggesting further upside first. The market has indeed continued higher, but is **approaching important resistance at 1115/25 (50% retracement from the Oct 2007 high at 1576)**. **It's also interesting to note that this important retracement area coincides with the bearish trendline from that high, as well as the ceiling of the wedge, over the next few weeks, and would be an "ideal" (almost too perfect) area to form a potentially major top (see weekly chart below)**. For now for the longer term, risk is starting to rise sharply for a potentially major top and will be looking for further signs "pattern-wise" (5 waves down on shorter term chart, etc.) over the next week or 2, to switch the bias to the bearish side. A final note in the bigger picture, some sector etf's still look quite far from completing their upside patterns (at least time-wise, oil for example) while others appear virtually complete (semis for example). This in turn suggests that there could be a more extended period of topping over the next month or 2 to allow some to "complete" their patterns (reach new highs), while others fail (divergences), and before a more broad turn sharply lower (see potential scenarios in red on weekly chart below).

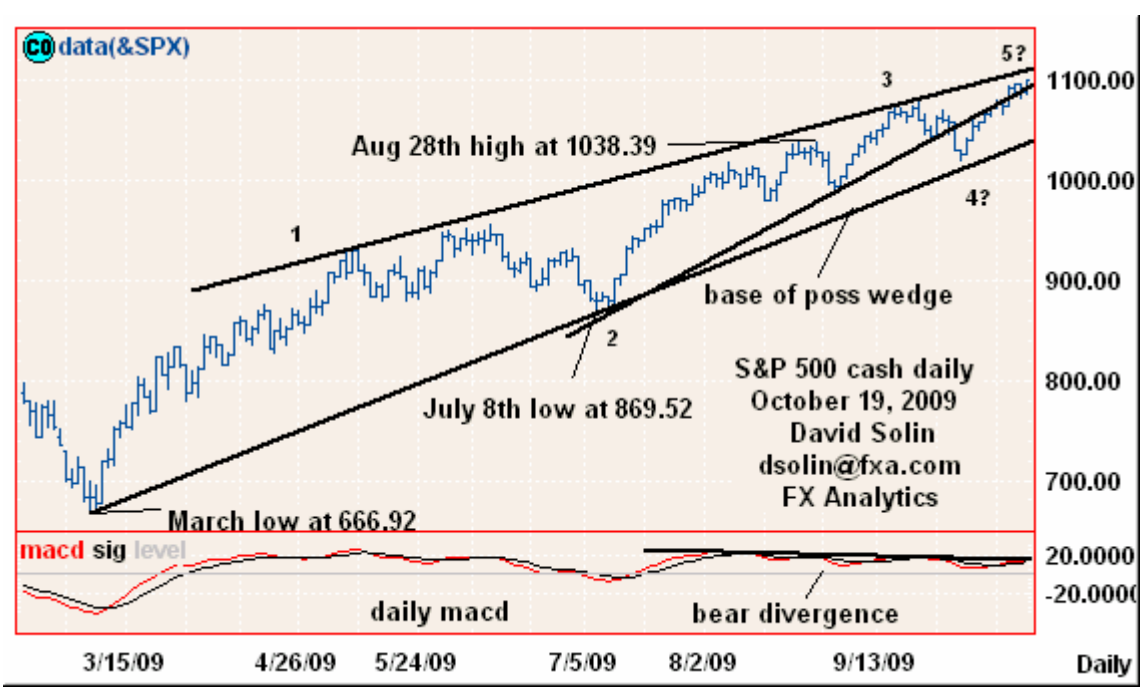
**Nearer term**, the market is at new highs and levels not seen in over a year. Though there are no signs of even a short term top "pattern-wise" suggesting at least some further upside, the market is approaching the current ceiling of the wedge (currently at 1105/10, just below the more important 1115/25 level a week or 2 ahead). Note also the bearish divergence on the daily macd (see bottom of daily chart/2<sup>nd</sup> chart below). Just too much rising risk (and likely limited potential) in being long, but with no signs of even a short term top "pattern-wise", still a bit premature to short. So for **now, would just be patient but with expectation of shorting a week or 2 ahead as more indications/confidence in a top start to appear**. In the Sept 29<sup>th</sup> email, said another few weeks of upward grinding was favored and bought there (then at 1062). Unfortunately was stopped just a few days later below the bullish trendline from July (then at 1048, closed at 1030), just missed the rebuy at the bullish trendline from March (then at 1010, reached a low at 1020).

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