

THE McCLELLAN MARKET REPORT

DAILY EDITION

Prepared after the close of trading,
Monday, November 17, 2008

CURRENT OPINIONS

STOCKS: Bullish short, intermediate, and long term. Thursday's key reversal day, and the rejected penetration of the October lows, says that we have seen a final washout of the last of the selling pressure, and should head higher. The market just needs to realize that.

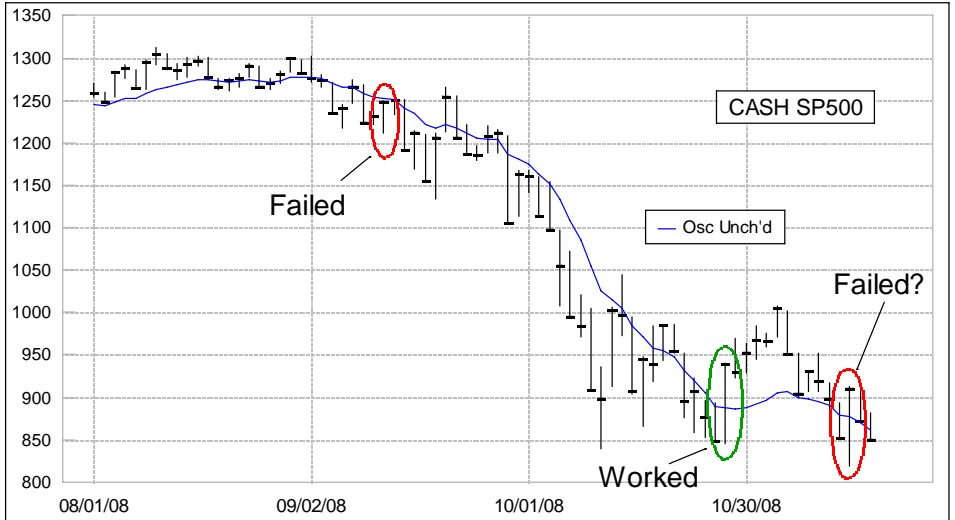
T-BONDS: Neutral short and intermediate term. Change to short and intermediate term bearish if the Dec. T-Bonds contract closes below 117-01/32.

GDM & GOLD: Bullish short and intermediate term. Look for dollar weakness to finally give gold the chance to rally along with stock prices.

It has become a bad environment to be a trader or investor during the last hour of the trading day. I checked back to the top on Nov. 4, and found that the final hour of each trading day saw an average price swing up or down of 1.8% from the 3 PM spot SP500 value. Last Thursday saw a 4.2% gain in the final hour; Friday saw a 4.4% drop in the last 60 minutes, and Monday saw a paltry 1.6% drop.

Last Thursday, I mentioned the outside day reversal bar, sometimes called a "key reversal", which portended a bullish reversal for stock prices. The key elements are an oversold condition, an outside day with intraday high and low outside of the prior day's values, and with the close moving up. The outside day reversal bar that we saw on Oct. 28 did serve as a reversal, even if only temporarily, with the uptrend terminating on election day.

Looking farther back in time, there was another apparent outside day reversal bar on Sep. 11, 2008,



Segment	Rank	Score	Current Managed Account Program Positions		
Sm Cap Value	4	-18.44%	Stock Optimizer: 100% Nova		
Sm Cap Grwth	5	-19.13%	Equity Allocation: 100% IWD (Lg Value)		
Lg Cap Value	3	-15.53%	RS 2000: 15% REIT, 21% 2x Russ2000, 7% 2x Inv SP500, 57% Cash		
Lg Cap Grwth	2	-15.34%	Program funds managed by Global Investment Solutions, LLC		
Cash	1	0.00%	For more information, call (866) 547-3123		

ADV-DECL	ADV	DECL	A-D	10%T	5%T	A-D OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO	
NYSE	11/17/08	772	2396	-1624	-642.643	-512.036	-130.607	-2944.903	-773	1839
NASDAQ	11/17/08	927	1927	-1000	-570.308	-493.962	-76.347	-3252.496	-647	880
NDQ 100	11/17/08	18	81	-63	-25.084	-20.701	-4.383	-167.569	-29	58
VOLUME	UP VOL	DN VOL	UV-DV	10%T	5%T	Volume OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO	
NYSE	11/17/08	228108	1068191	-840083	-276767	-235494	-41273	-1983488	-318040	507419
NASDAQ	11/17/08	326528	1491521	-1164993	-521702	-470841	-50861	-4250666	-572562	444650
NDQ 100	11/17/08	128145	790951	-662806	-289320	-258952	-30368	-2316215	-319687	287663
PRICES	HIGH	LOW	CLOSE	10%T	5%T	PRICE OSC	OSC Direction	OSC UNCH'd	Sum/10 Level	1%T
DJIA	8571.30	8246.89	8273.58	8865.91	9317.44	-451.532	DOWN	8414.37	9723.82	11150.56
NYComp	5510.20	5314.16	5323.36	5794.08	6231.18	-437.106	DOWN	5356.97	6624.58	7948.71
SP500	882.29	848.98	850.75	922.46	983.11	-60.657	DOWN	861.80	1037.70	1215.16
SP400	505.37	487.82	489.81	534.74	582.38	-47.646	DOWN	487.09	625.26	740.04
NASDAQ	1526.96	1481.70	1482.05	1630.12	1753.11	-122.986	DOWN	1507.14	1863.80	2173.20
NDX	1187.98	1149.20	1151.96	1262.69	1358.48	-95.791	DOWN	1166.90	1444.69	1701.18
Russ2000	463.96	449.39	451.30	499.43	542.24	-42.806	DOWN	456.63	580.77	665.53
GDM	576.34	534.12	544.29	600.87	676.16	-75.283	UP	525.59	743.91	1014.75
TYX	4.233	4.172	4.206	4.222	4.233	-0.011	DOWN	4.210	4.243	4.423
Dec Bonds	119.297	118.344	118.813	116.942	116.841	0.101	UP	117.042	116.750	115.643
DJI Osc Rising Index:	23%	Low Neutral, Trend Dn			DJI Osc Pos & Rising:		0%	Oversold, Falling		
NDX stocks >100MA:	4	Arms Index:	1.51	VIX: 69.15		Uppr Band:	67.30	Lwr Band: 36.21		

which failed to materialize into a real reversal for stock prices.

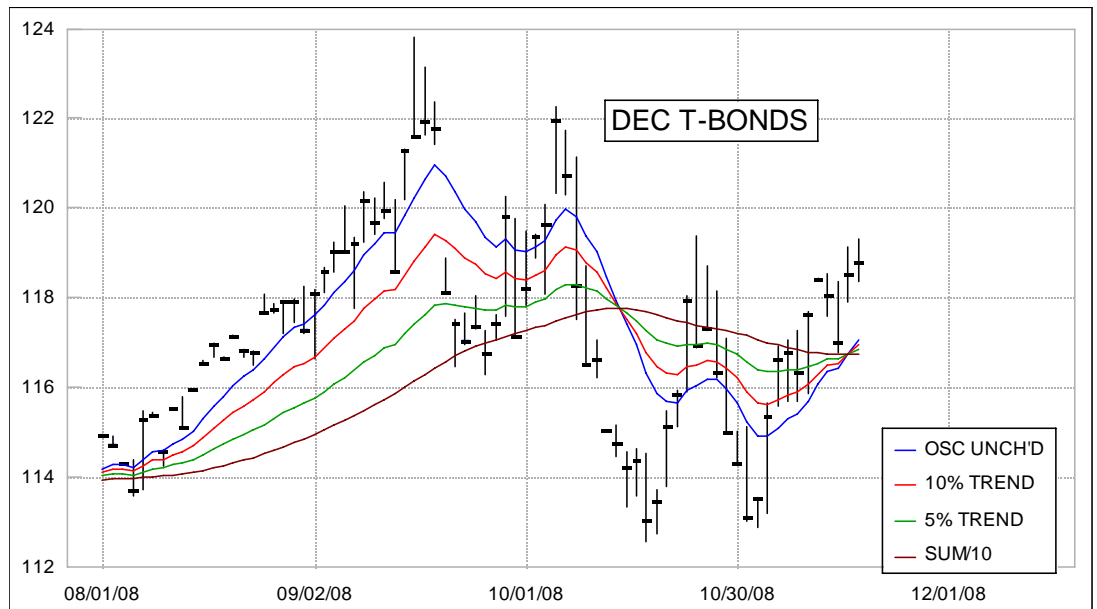
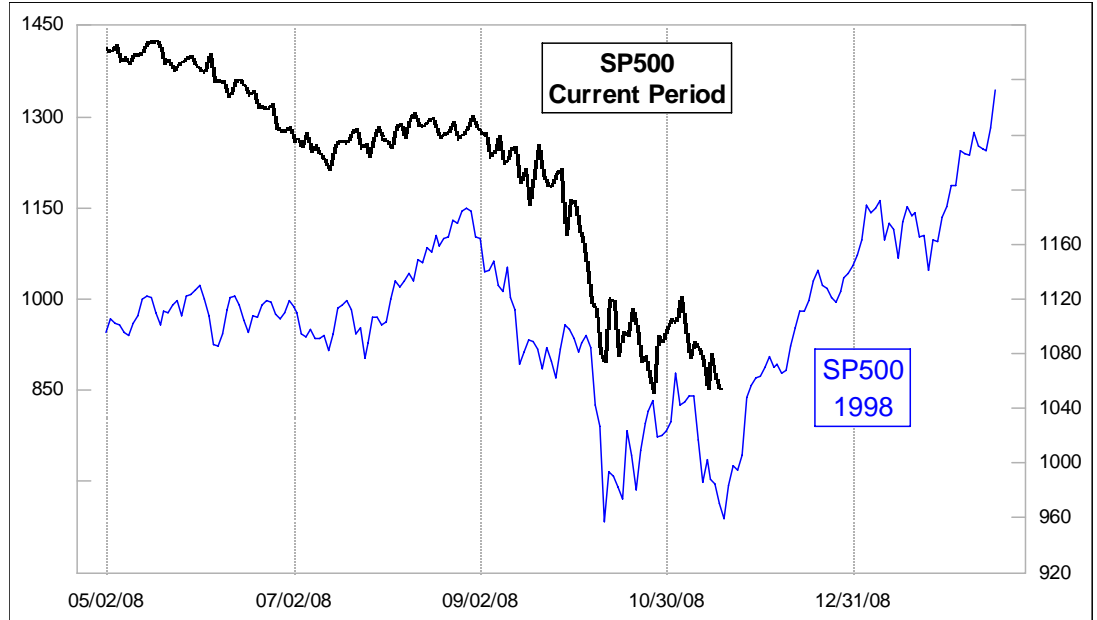
On Friday, I showed a price pattern analog comparing the current crash-retest structure to what we saw in 1994. That comparison still looks right on target, and calls for at least a temporary advance out of this retest bottom. Another price pattern analog that also correlates quite nicely with the current price structure is that of the 1998 bear market. From a background picture standpoint, 1998 is a more compelling period to compare to the current one than is 1994. 1998 saw the stock market decline due to liquidity worries stemming from a potential Russian debt default, whereas 1994 was just a minor panic during the second year of a presidential term when the Fed began a series of rate hikes. There are no rate hikes this time, but there surely is a debt default and liquidity problem.

1998 also saw the collapse of the money management firm known as Long Term Capital Management. That seemed like a huge crisis at the time, and the Fed under Greenspan was hailed for its heroic effort to muster support from several major banks to each take a bit of LTCM's poisoned book, and prevent a wider crisis from unfolding. Ironically, Bear Stearns demurred on accepting its share of the pain in that incident 10 years ago, and evidently there are some long memories on Wall Street. There were few of the big banks calling for a big effort to save Bear Stearns earlier this year, even though its collapse likely led to the domino effect bringing trouble now to nearly all of the major banks. Wall Street's history is full of these little ironies.

Once the retest was complete in 1998, it quickly became clear that liquidity had been restored, and the stock market surged higher. We have now seen an amount of time since the Oct. 10, 2008 crash low that is equivalent to the spacing between the twin bottoms in 1998. Sentiment now is certainly as bad as I remember it being in 1998, and the conversion of hard-core bears to reluctant bulls will bring a lot of their money in off of the sidelines to help push prices up.

T-Bonds are doing all that they can to make it appear that the bullish case is in effect. We have just seen a completion of the rainbow convergence as shown in the lower chart. The dip back toward the price-time point of the convergence implies that the former trend direction (upward) should reassert itself. The other type of behavior typically seen at convergences is a short term acceleration which completes the convergence, and the moment of the convergence usually marks the end of that move.

I am suspicious of this time, because bond prices are only seeming to do well as a function of stock prices doing poorly. That can change at any time, and I expect stock prices to begin doing better. Thus, I am reluctant to embrace the signs of bond



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prices seeming to do well.

Gold held onto Friday's gains on Monday, and the gains recorded on Friday were actually gains that took place during the after hours session on Thursday afternoon. That was the day when the Dollar Index had its own outside day reversal bar along with stock prices, as highlighted in the chart here on page 3. Some past outside day reversal bars are also highlighted with the arrows in this chart.

One of the important points to remember about such days is that in order for an outside reversal bar to actually be a reversal, there has to be a trend in effect to be reversed. If you were to see an outside day with an up close during the middle of an uptrend, it would not be a sign that prices were "reversing" upward, since they were already going upward. Thus, from an interpretational standpoint, one must somehow evaluate what the existing trend is, either objectively or subjectively, and then see if a categorization as a reversal day is appropriate under such circumstances.

The dollar's outside day last Thursday does seem to be appropriate to classify as a reversal, since it came on a day when the Dollar Index surged to a new multi-year intraday high. And the Dollar Index is still overbought by just about any measure one can name. If the dollar does start downward (as it should), gold prices ought to finally be able to get up off the floor and serve as a sponge to soak up all of the excess money that the Fed is creating to try to get us out of this financial quicksand.

