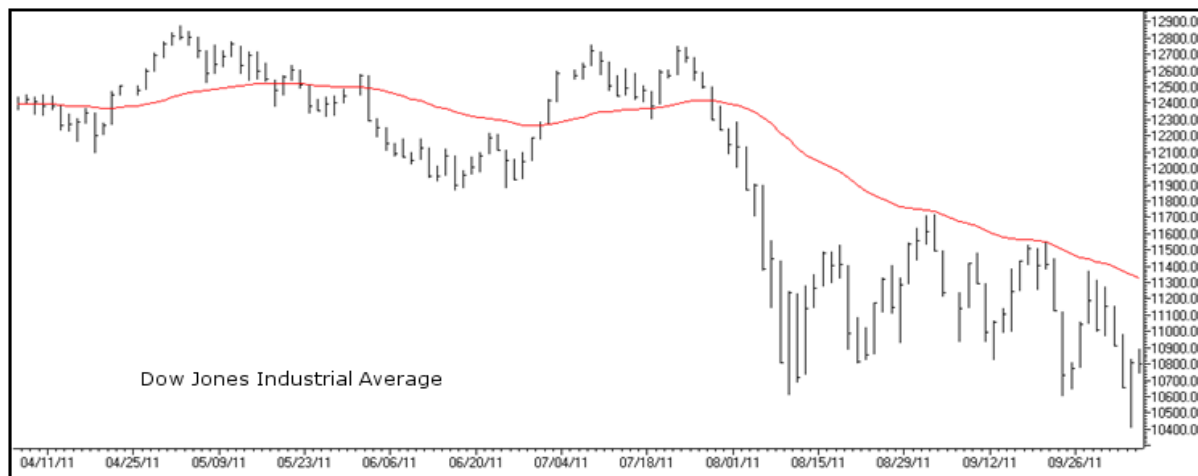




## Is 10800 the New Top or the Old Bottom of the Market Trading Range? October 5, 2011 by MKG Financial Group

After falling over 250 points to 10404.49 intraday on Tuesday the DJIA rallied 404 points in the last 49 minutes of the day to close up 153.41. This puts the Dow back to the 10800 level and begs the question whether this level is the new top for the current trading range, or reestablishes the bottom of the range where the market had been trading throughout much of the third quarter.

The turnaround was stellar and historic in many ways when considering how low stocks had been trading into the last hour of the day. Seldom has there been such a fast reversal from this level of decline leading to a recovery that left the market in significantly higher territory. The movement in the market was not only broad-based; it also extended into other markets giving oil and commodities a similar boost from lower levels seen earlier in the day.



There were many reasons given in after hour conversations and articles for what may have been behind the market recovery. Economic data reported on previous days or earlier in the trading session had not been as weak as expected. Work continues to be done on strengthening the financial stability of European banks, but this remains just that, a continuation of old news. Finally, Ben Bernanke, speaking earlier in the day to the Congressional Joint Economic Committee on the economic outlook and recent

monetary policy activity, stated that the Federal Reserve is ready to take action. This was not necessarily an upbeat outlook on the economy from the Federal Reserve's point of view. Much of the commentary regarding Tuesday's movement did not delve into the reason behind the market activity.

The market activity today was fairly muted; the answer to the question regarding the new trading range versus old remains unanswered at this point. The one word of caution, however, is that in looking at the trend for the turbulent market conditions we have experienced over the past few months, we are seeing a market that is trending down with lower highs and lower lows—for the moment. While this can be altered, as seen during yesterday's reversal, or in the eventual bottom that brings the bearish market to an end, it would appear for now to be far too early to call this a turnaround in the direction of the market. Given the economic issues still plaguing the world today, as well as upcoming corporate earnings that are expected to trend lower, we would want to see something more persuasive than an intraday force of capital pushing the market in a positive direction before we abandon our cautious outlook towards more downside potential.

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