

MARKET TRENDS

The weekly chart of the Wyckoff Wave still shows a market under the influence of a trading range and a down trend. At this point, it is unclear which of these forces is going to win out over the other. However, the odds still favor the down trend. It may not be the currently defined down trend, but the enormous divergence which persists between the Wyckoff Wave and the O.P. indicates that the line of least resistance will be down as soon as the upside effort is removed from the market. There is no way to know which rally will bring an end to the upside effort.

Consider the rally effort that began last week. It is an obvious test of the supply line. Notice that the volume declines. Advancing prices on declining volume is negative. Therefore this may be the last rally before the bottom is broken out of the trading range. Of course, drawing such a conclusion based on just one week's action is unwise. What is needed is confirmation, which could come in the form of narrow spread. If it is combined with continued shrinkage of volume, the indication will be of a withdrawal of demand. If the narrow spread is combined with high volume, the indication is of meeting supply, which is more negative. Should the price pass through the supply line on wide spread and with sustained volume, the indication will be that the trading range has won out over the down trend at least for now.

From an intermediate standpoint, things are beginning to look more positive again. This is due to the fact that the supply line of the down trend has once again been penetrated. Since this is the second time this has occurred, the influence of this supply line must now be doubted. This is not reason for extremely positive feelings, however. The rally that began last week is a test of the upthrust that ended on October 10. Anything less than a jump across the creek at this point will be a successful test and point to more negative action in the weeks ahead. At the very least, this means a return to the bottom of the trading range.

STOCK TRENDS

Exxon has now been in a trading range since August. It has tried to break out in both directions without success. The first attempt was a spring in early October. This produced a positive response, but the final result was an upthrust position two weeks later. This upthrust has been tested twice and the resistance held both times. Therefore an immediate breakout on the upside is unlikely. Another spring will likely be needed to accomplish this. Since the stock has shown little interest in following through on its successfully tested upthrust, it is unwise to short this stock. Those already long may remain long with tops placed at 34.7. There is no justification at this point for taking new long positions.

General Electric is rallying in its longer term trading range. However, the previously defined intermediate uptrend has been broken. Therefore, this rally is an effort to confirm the break. With the exception of the last two days, the volume has been relatively low. The higher volumes are not positive because they are coming on narrowing spread at the top of a rally just below a resistance level. This rally may also be seen as a test of the upthrust. However, since it is coming after a break in price, it is a more important test. If the resistance level continues to hold firm, the stock may be shorted at the top of the rally.

I.B.M.'s short term downside objective was almost reached on November 4. Since then, the price has rallied to the supply line of the down trend channel and appears to be on the verge of penetrating it. When this occurs, watch for a reaction to a higher bottom on lower volume. This will provide a buying point for a more important rally back to the top of the trading range.

Merrill Lynch has penetrated the supply line of its intermediate term down trend. This removes it from consideration as a short candidate. There will, however, be additional reactions to confirm the breaking of the down trend. These may be used to cover short positions. At this time, there is no reason to consider long positions.

The upward action of Pepsico since September has begun to attract a following. This can be seen in how quickly the stock met support on the last reaction. This has been followed by a rally to a new high for the advance. Unfortunately, this has put the price in an overbought position on its uptrend, which calls for a corrective reaction. Assuming that the character of this reaction is positive, it may be used to add to long positions.

UAL has had a very nice rally of six points, which has put it in an upthrust position. For the past three days, there has been narrow spread at the top of the rally. This appears to argue against a jump across the creek at the moment in favor of a reaction back into the middle of the trading range. Those already long in this stock may remain long until the character of the next reaction is determined. If it is negative, long positions may be closed out on the test of the upthrust. A short selling opportunity will also exist at this time.

Union Carbide is in an intermediate term down trend within the long term trading range. It is trying to break the supply line of that down trend, however. Therefore, no new positions are warranted in this stock at this time. If the trend is broken, short positions may be covered on a confirming reaction.



NOVEMBER 9, 1983.

INDEX CHARTS STOCK MARKET INSTITUTE, INC.

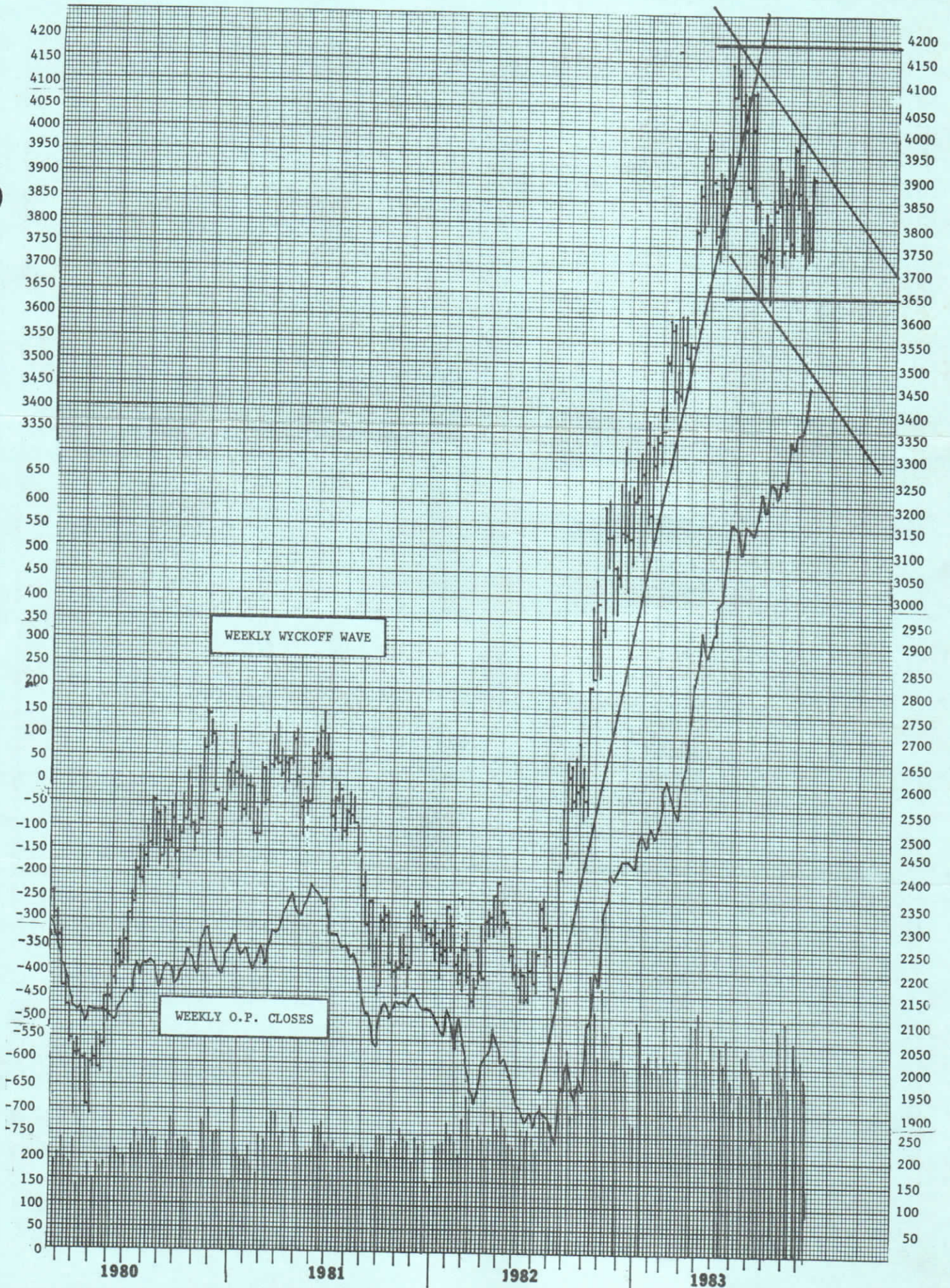
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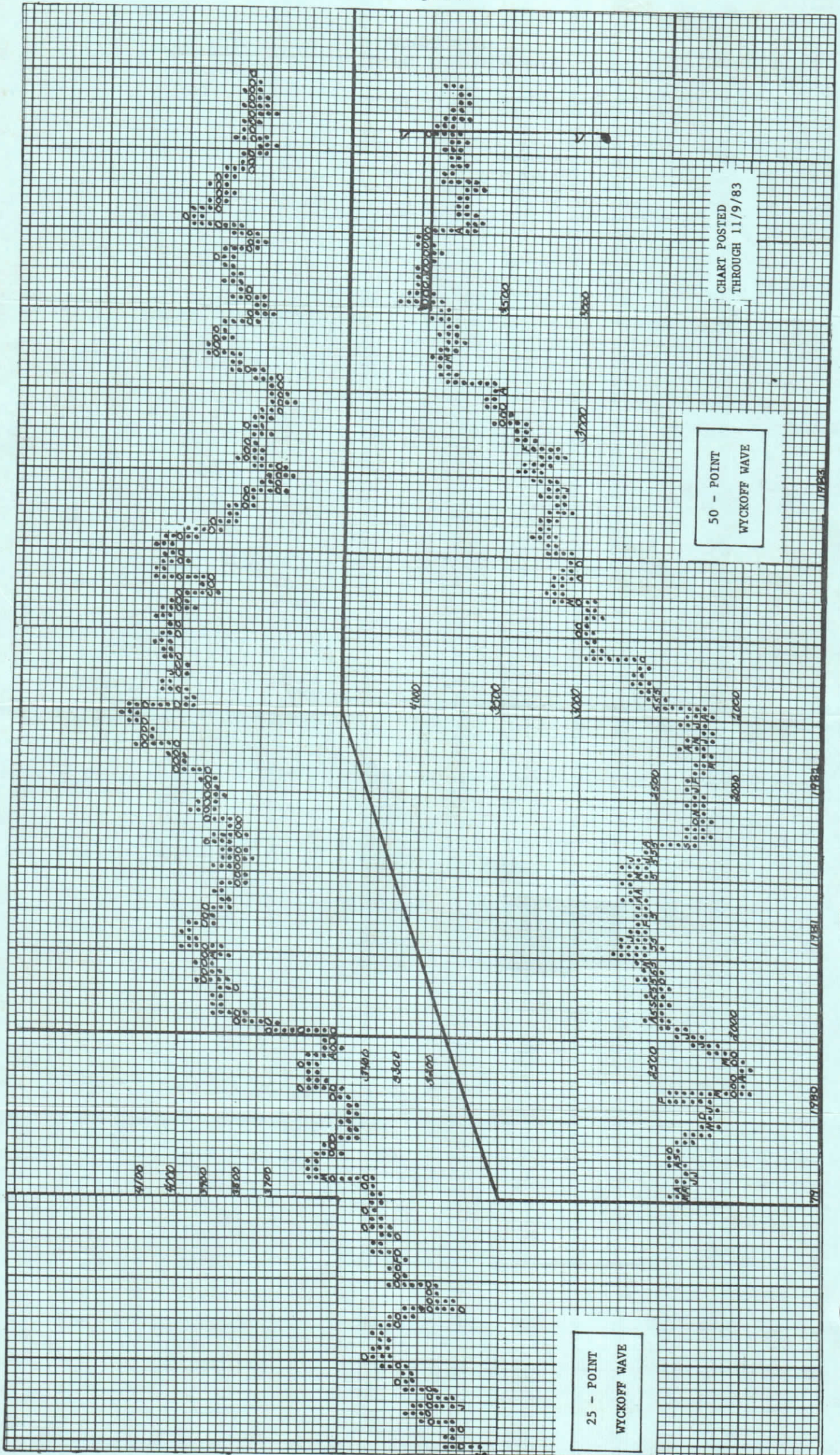
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50-Point Modified Wyckoff Wave
25-Point Modified Wyckoff Wave
3-Point of the 10-Point Modified WW
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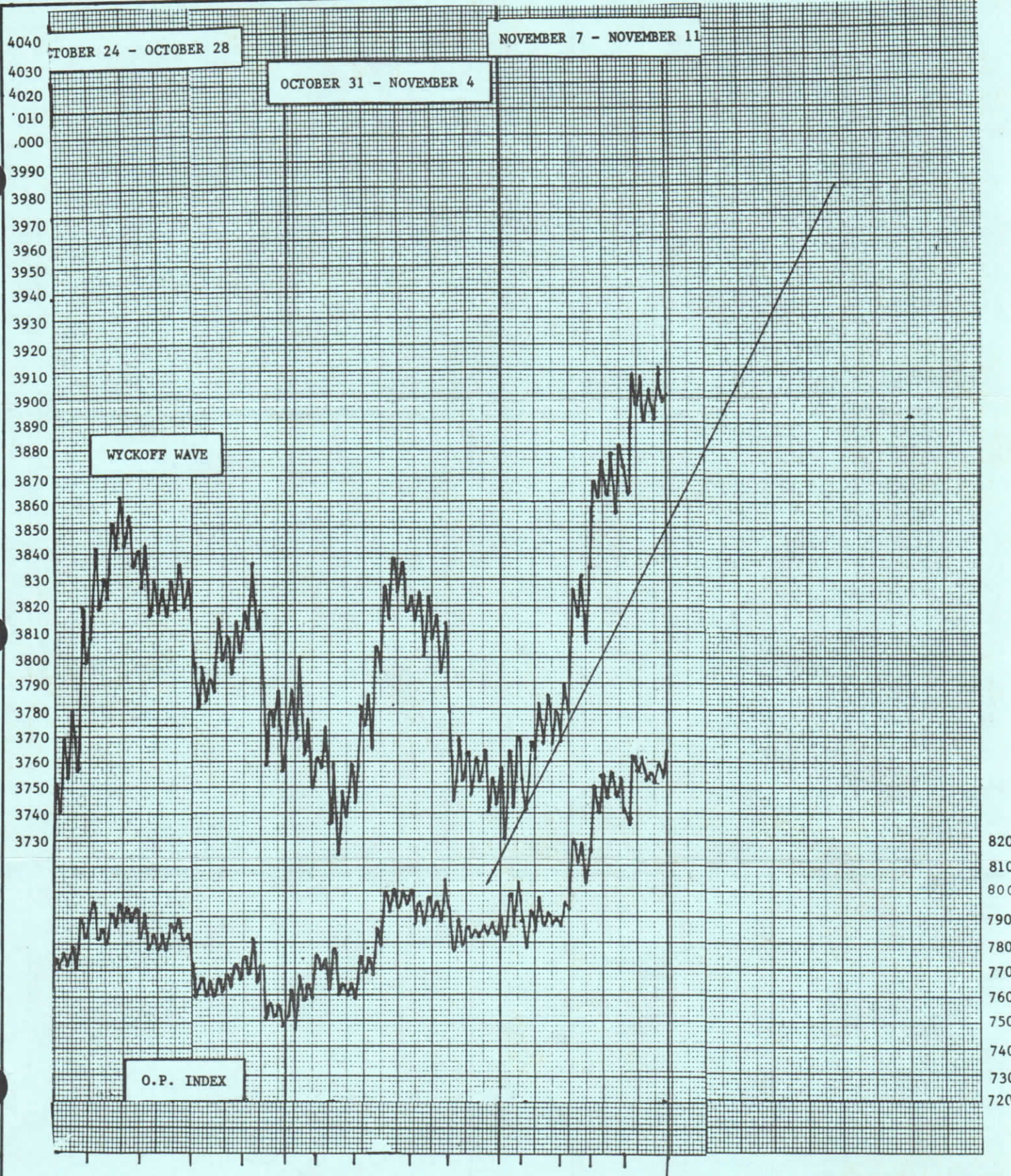
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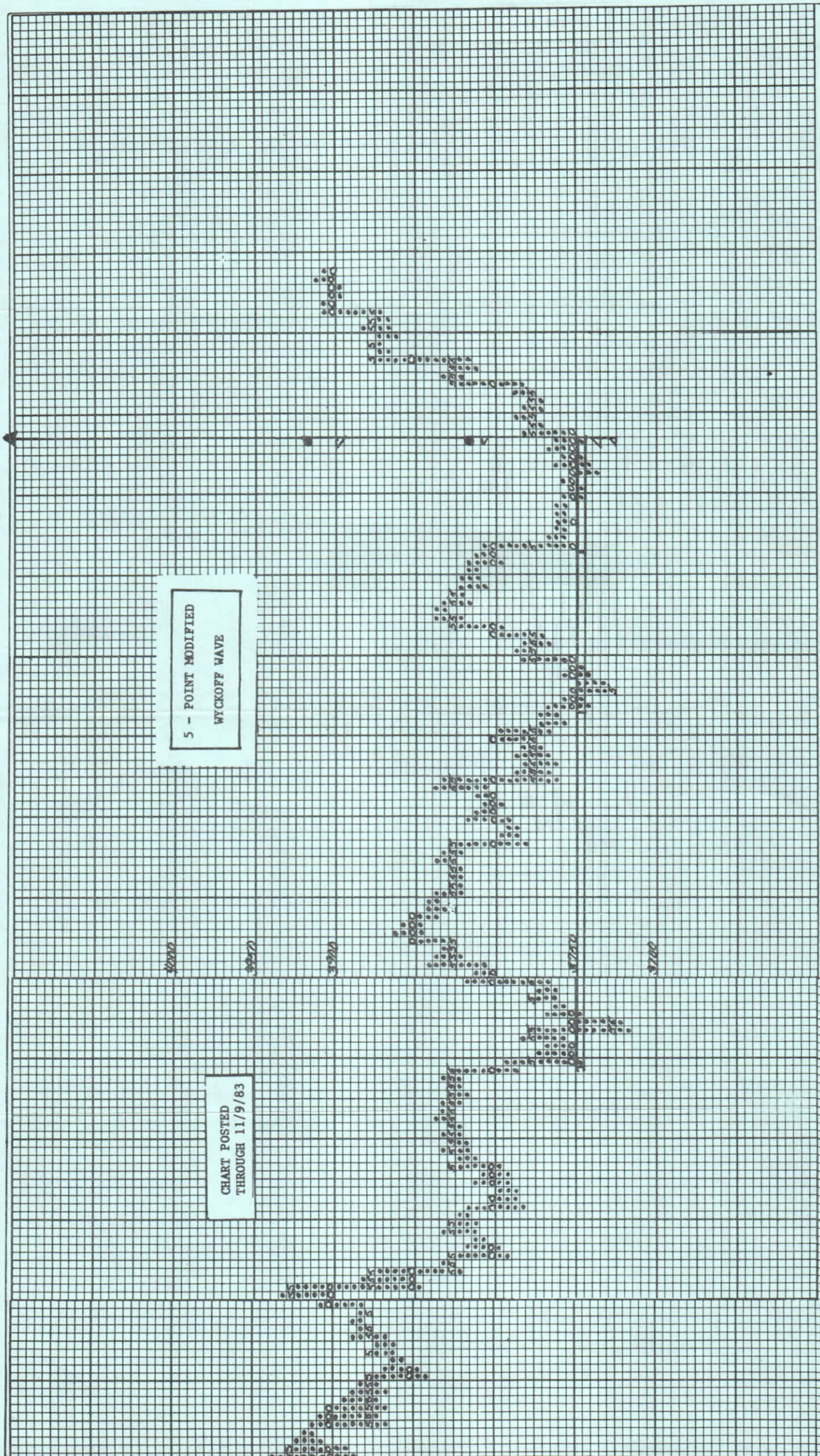
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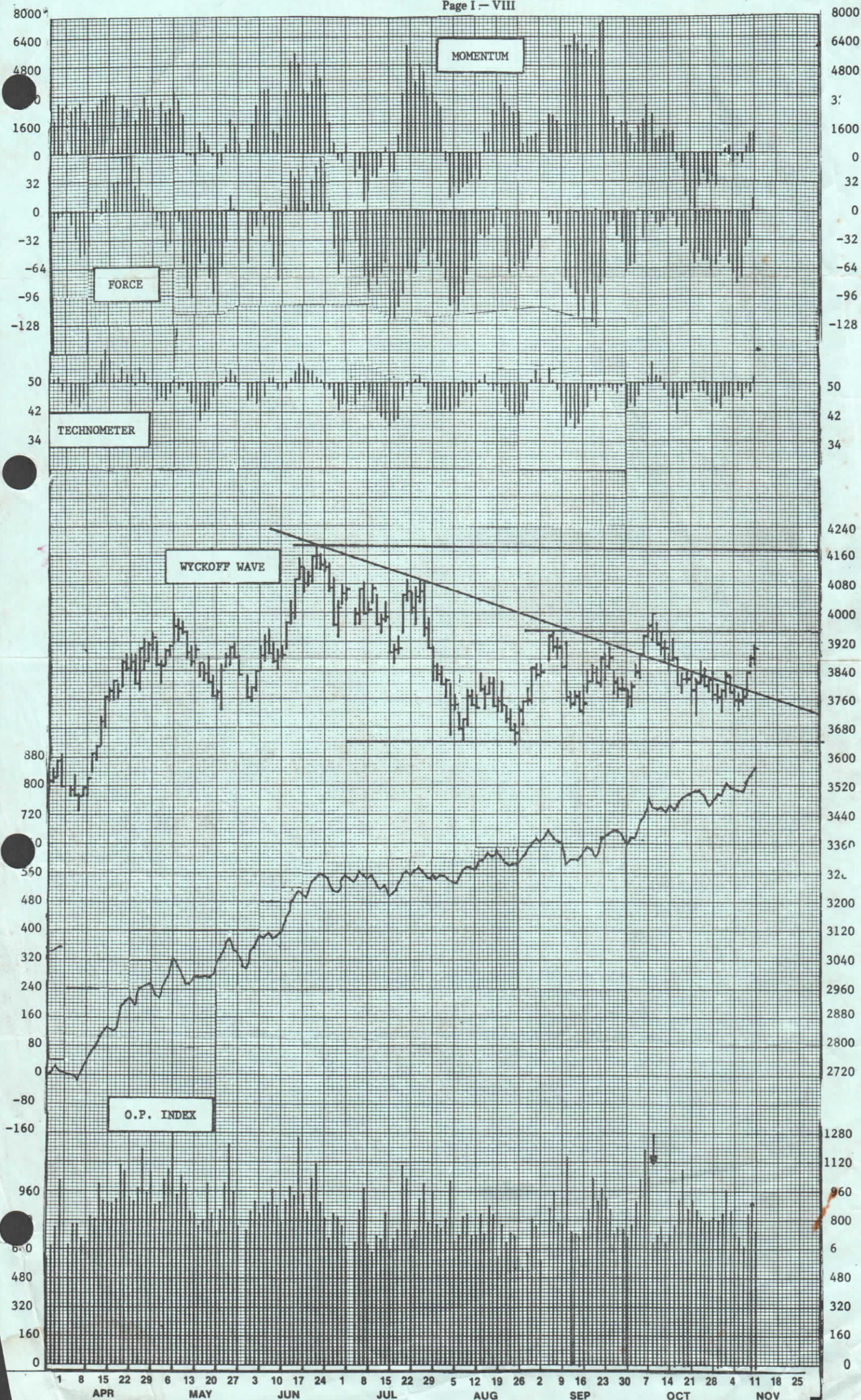






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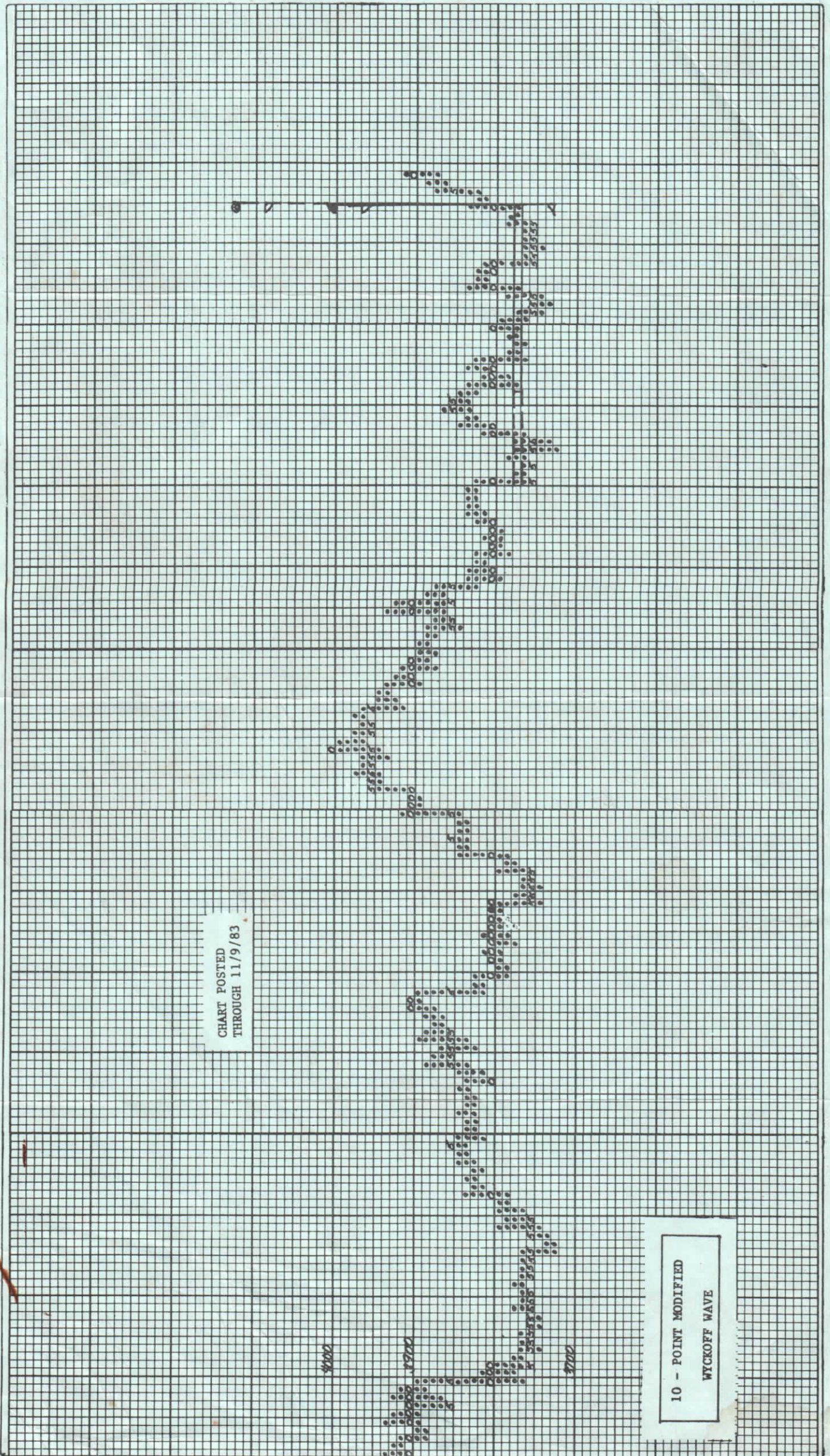


CHART POSTED
THROUGH 11/9/83

10 - POINT MODIFIED
WYCKOFF WAVE

