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CRUCIAL WEEK AHEAD as MARKET HITS TARGET AHEAD OF FED...

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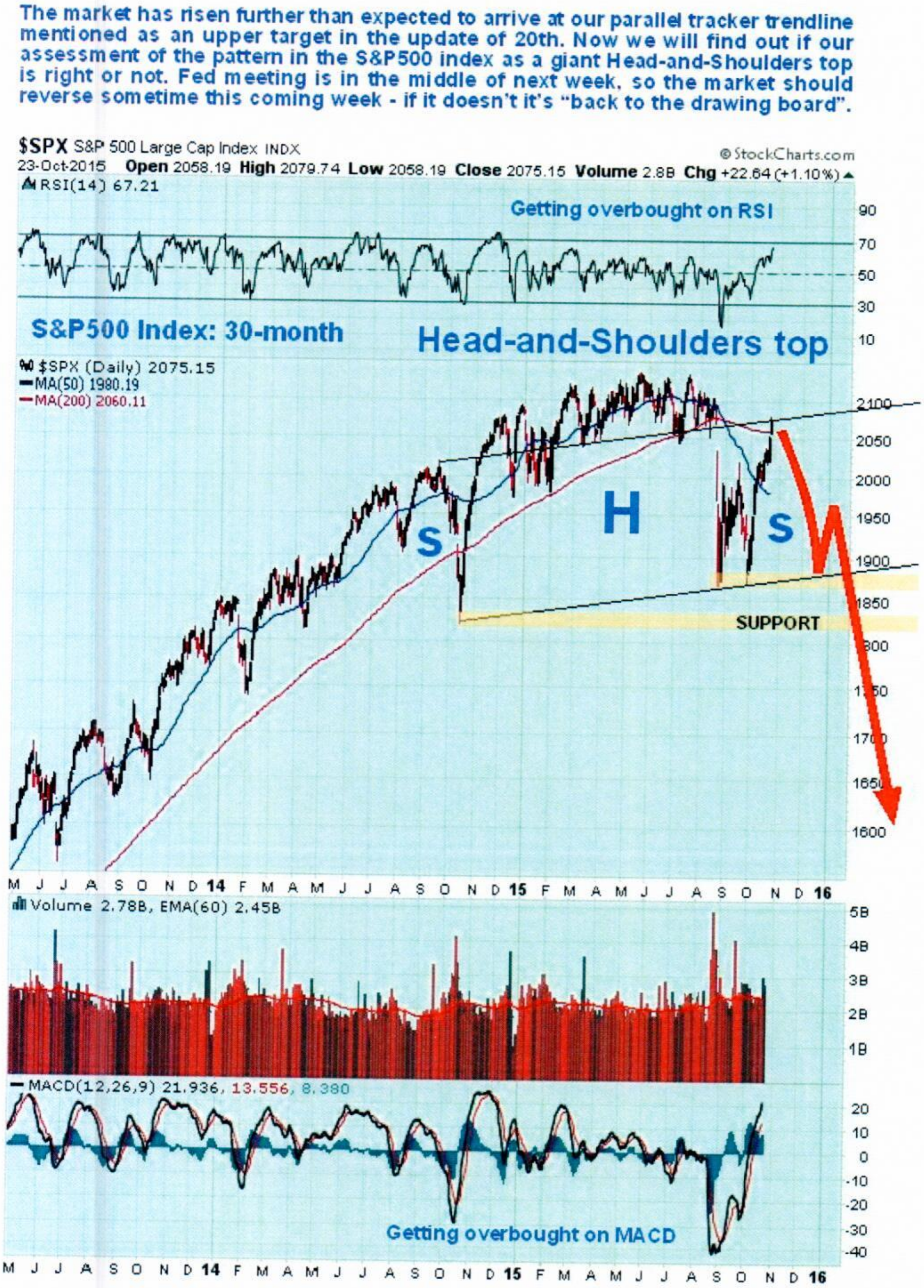
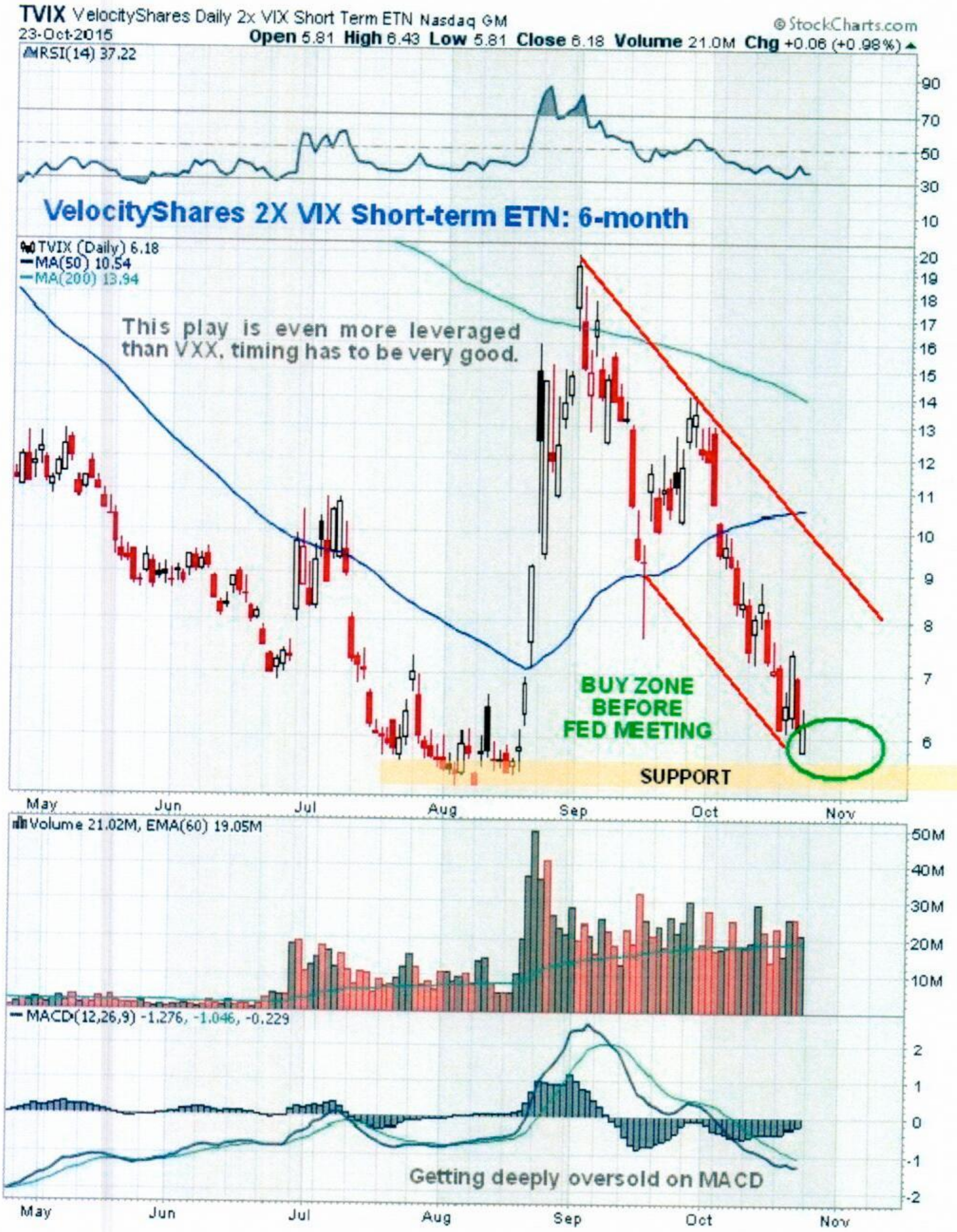
THIS IS IT – we are either plain wrong in our assessment that the market is marking out a giant Head-and-Shoulders top, or we are right and it hit our upper target for the S&P500 on Friday. If you look at the 30-month chart for the S&P500 index below you will see how the market hit the parallel tracker trendline described as a possible upper target in the update Market Battle Plan Ahead of Fed, including Volatility Plays, posted on the site on the 20th. Certainly the Fed meeting in the middle of next week should prove to be a pivot point for the market. Our expectation is that it will reverse at or around the time of the Fed meeting, and possibly early next week, given that it has arrived at a target.



Updated charts for the two leveraged bear ETFs that we selected to capitalize on a market reversal this coming week are presented. It is a little surprising that these didn't drop any more late last week, given that the market rose steeply, which is good news for any of you who bought these early. For those of you who believe the assessment that the market should reverse next week, we have now arrived at the point to go ahead and buy these bear ETFs. The market is now substantially overbought and upside is limited here.

> We would have expected this to drop back more in recent days as the market has continued to advance, but it hasn't, and the market having hit our upper target on Friday, it is considered to be worth going for both this and similar but even more leveraged TVIX right away early next week. It's possible that the market could rally even more early next week ahead of the Fed, but we would presume that it is getting tempting to sell at these levels, so the advance may be about done.

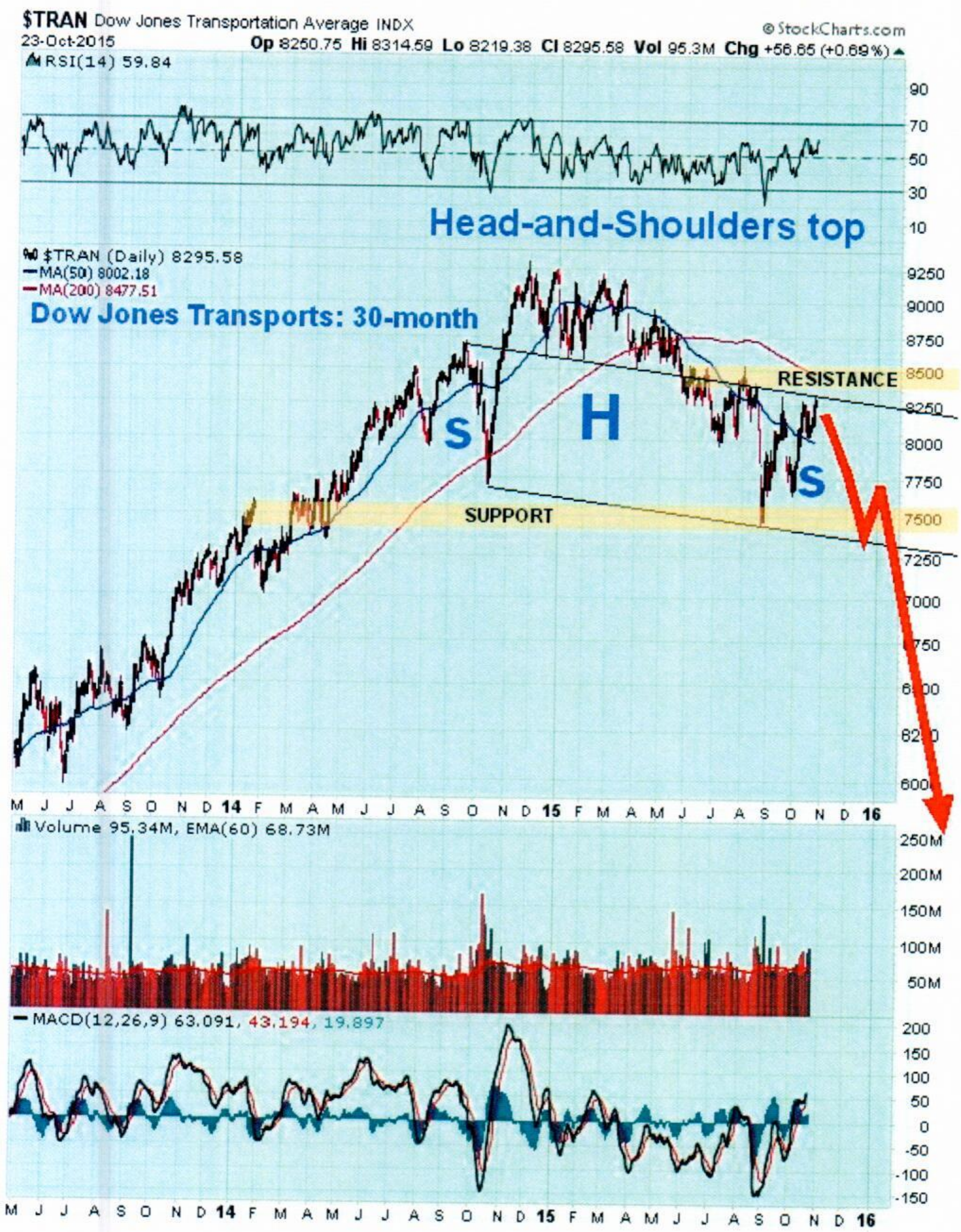
We would have expected this to drop back more in recent days as the market has continued to advance, but it hasn't, and the market having hit our upper target on Friday, it is considered to be worth going for both this and similar but less leveraged VXX right away early next week. It's possible that the market could rally even more early next week ahead of the Fed, but we would presume that it is getting tempting to sell at these levels, so the advance may be about done.



The big news last week was that Draghi, the head of the European Central Bank, made plain that they are considering another round of QE. This is why markets rallied sharply. The fact that earlier rounds of QE haven't lifted Europe out of the mire doesn't seem to matter. At least more QE will allow Europe's leaders to avoid an immediate insolvency crisis – and they can push the bill for it onto the ordinary citizens in the form of more inflation later. But will more QE lift the markets much? – probably not, because it is doing nothing for the economy which is stuck in depression, and even though QE does put money into bankers' pockets to bid up stock prices, they are going to face stiff headwinds from collapsing corporate profits. The situation is similar in the US, although not so severe, partly of course because it has a, for now, strong currency.

Also on Friday there was a rather curious big gap up in the NASDAQ Comp Index, which could market the start of an "Island Reversal", and it is worth noting that the Dow Jones Transports, which are completing a downsloping Head-and-Shoulders top, are weak and not confirming the rally in the Industrials and the S&P500 index, as we can see on its 30-month chart shown below...

Dow Jones Transports are WEAK, and not confirming DJIA or SPX.
Observe how this index also hit a parallel tracker trendline target on Friday.



Finally, the latest COT for silver was extremely bearish – we will be having a look at that next on the site.

Posted at 5.45 pm EDT on 24th October 15.