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Technical Report by Randall Ashbourne

The World At Large

Week beginning June 22, 2008

Astrological conditions affecting stock markets combined with technical analysis

Stock indices worldwide are diverging from each other, with notable divergences opening up between different American markets.

In a relatively rare event, the Dow Jones Industrials did not end the Mercury Retrograde period back within a per cent of where prices were when the astrological phenomenon started in late May.

I should point out that Kaye Shinker's research on the Mercury Rx effect applies only to the DJI itself and not other stock indices.

However, because the Dow usually acts as a benchmark index, in terms of price levels and trend direction, it's not unreasonable to extrapolate the effect to other indices.

Most of the time.

But this has been a very unusual time because the effect of other astrological aspects has made the markets extraordinarily difficult to predict with a high degree of accuracy.

The DJI, for example, closed out last week within 0.9% of its March Low. However, the S&P 500 is 3.5% above its Low and the Nasdaq Composite is still almost 11% off its Low.

Even more oddly, the Midcap index and the Russell 2000 have displayed unusual resilience – with the latter index sitting 12.7% above its March Low.

I say oddly because in a true Bear market, the strength usually lies with the very big Blue Chips which have the resources to ride out an economic downturn. Investors normally desert midcap and smallcap stocks.

Strength in the smallcaps against relative weakness in the Blue Chips is something we normally expect to see during Bull runs.

The FTSE, the ASX 200 and the DAX have all held well above their March Lows, while Tokyo's Nikkei index has managed to hold the line at a very high level.

However, the Indian stock market and the two main Chinese indices, Shanghai and the Hang Seng, display considerable weakness.

Mercury has now resumed Direct motion, from a geocentric perspective, but our worldwide picture remains contradictory as we approach a week in which we experience another major astrological aspect – Uranus turning Retrograde, a condition with a very high probability of coinciding closely with a major market turn.

The Uranus Rx station is taking place in the middle of a series of high-energy astrological impacts stretching out over several weeks.

There are no major aspects involving the planet of restriction, Saturn, over the next couple of weeks – but, Mars will change signs to Virgo on July 2 and will move to an exact conjunction with Saturn on July 11.

The problem in trying to determine how all of this is likely to play out in the stock markets is whether the cosmic cluster breaks down into a series of different effects which whipsaw the markets up and down … or if the energy patterns coalesce to provide significant and reliable turning points at roughly the midpoint of the patterns.

The decline in the DJI – which is not being reflected in some of the other Wall Street indices – confounds accurate analysis even further.

For one thing, we now have another confirmed Hindenberg Omen on the clock, pointing to a significantly-increased possibility of a stock market crash within the next four months.

Against that signal, we have some technical indicators for the DJI now at their lowest levels since the bottom of the Bear in the early 2000s – and, on top of that, price action from various indices indicating a high probability of a confirmed, four-year-cycle bottom now in place.

In short, we are in probably the most difficult trading conditions since the late 1980s or 90s.

In the coming week, we should see the start of a bounce higher from fairly deeply oversold conditions in key stock indices. The question is whether it is simply a bounce, or whether it signals the start of a directional movement.

We also need to try to make some sense of the continuing non-confirmation from the Dow Jones Transports, which are firmly holding to an uptrend line in spite of the difficult economic conditions outlined last week by one of the key component companies, FedEx.

The performance of the Transports flies in the face of what, on the surface, seems to be commonsense. Tight credit, soaring oil prices and continuing speculation of possible military conflict with Iran, ought to have caused the Transports to tumble severely – especially when popular opinion is so gloomy about the overall health of the American economy.

One of the indices … the Industrials or the Transports … is wrong. The reappearance of a confirmed Hindenberg Omen suggests it is the Transports.

And yet, it is difficult to believe investors could be holding the Transports, the Midcaps and the Russell 2000 at such high levels if everything is on the verge of going to Hell in a handbasket.

UNITED STATES

Dow Jones Transports

Given the warnings from FedEx, the behaviour of the Transports last week was really quite remarkable.

It tested the trendline and horizontal support before recovering quite strongly.

The DJT has made two strong attempts at a major breakout higher – and looks as if it has the potential to try again.

I need to be clear that the performance of the index does not cancel the Dow Theory primary Bear signal which took place when both the DJI and the DJT made lower secondary Lows earlier this year.

But the non-confirmation provided by the DJT trying to breakout to new Highs continues to suggest something very unusual is going on. We may get our answer if the index fails to break decisively above last year's Highs on its next attempt.

Dow Jones Industrials

On the other hand, we have the DJI marking out territory which should see it attempt to bounce back – even if only temporarily.

It has spent almost the entire Mercury Rx period sliding down the bottom Bollinger Band, retesting the Lows it put in during January and March.

Bear in mind, this is the third retest – and if the DJI does not bounce, and bounce strongly, the omens are quite dire indeed.

We see some weakly positive signs from the CCI and the MACD; the CCI troughs are showing some very slight positive divergence and the MACD histograms did not cut quite as deeply last week as they did when the decline started.

Nasdaq Composite

Unlike the Dow, the Nasdaq has not gone into freefall mode – one of the elements which is making reliable analysis extremely difficult.

It suggests there is something overdone with the downtrend in the various industrial indices since late last month.

With Uranus due to change directions – and Uranus is the symbol of the weird, the surprising, the unexpected – it's not impossible that many indices could drop even further and capitulate into a new Low.

However, the combined signals seem to suggest there is not enough universal negative energy unfolding to drive indices dramatically below the March Lows.

S&P 500

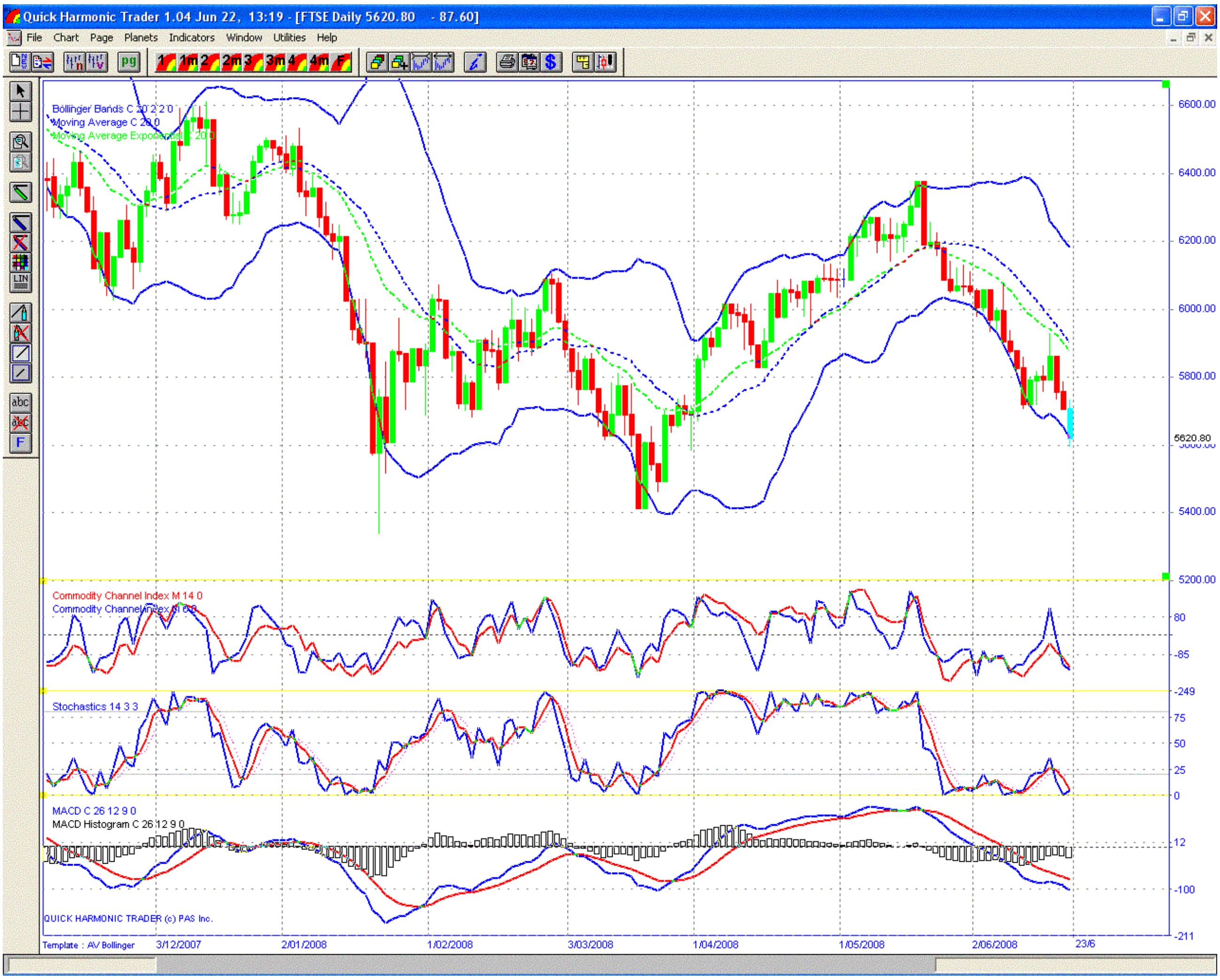
The broad-based S&P 500 dropped below critical Support on Friday's plunge. However, since it was a triple witching expiration we cannot rely on the signal as being entirely valid.

What is interesting about the price plunge is that it did not take the MACD histograms, nor the CCI line, to deeper troughs.

And that is similar to the picture suggested by the Nasdaq's indicators.

EUROPE

London



And the same pattern of very mild positive divergence between the indicators and the index price also shows up on the FTSE 100, which is also holding at the level of the January closing Lows, rather than the deeper Lows of March.

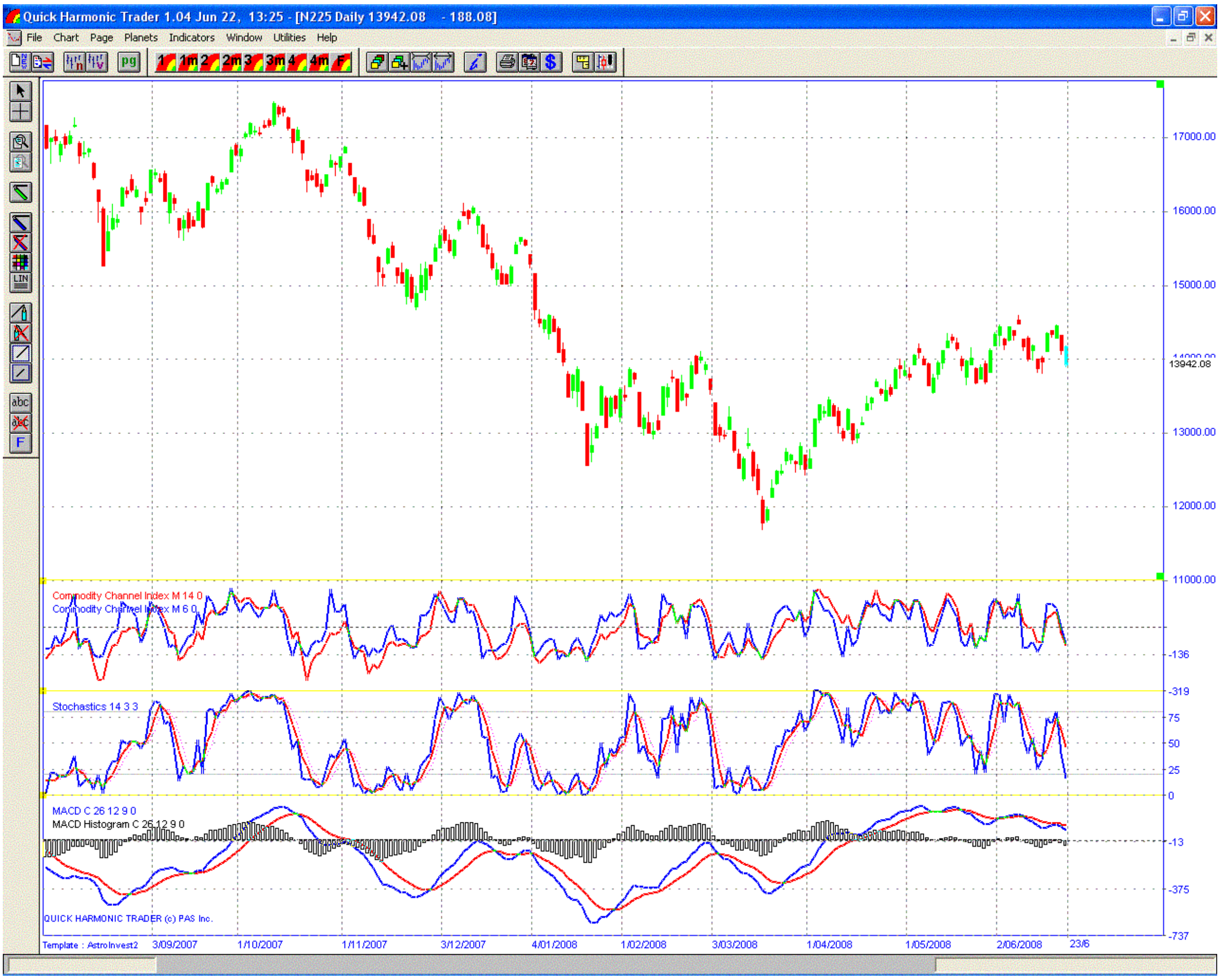
In fact, each big price bottoms recently on the FTSE has happened with a slightly higher trough in the slower, red CCI.

And once again, the MACD histograms suggest the fall is getting very close to be overdone.

The CAC 40, in Paris, is retesting its March Lows, while Germany's DAX is still holding above the level of its January Lows. The technical indicators on both charts, unfortunately, do nothing to aid our understanding of what's likely to happen.

ASIA

Japan

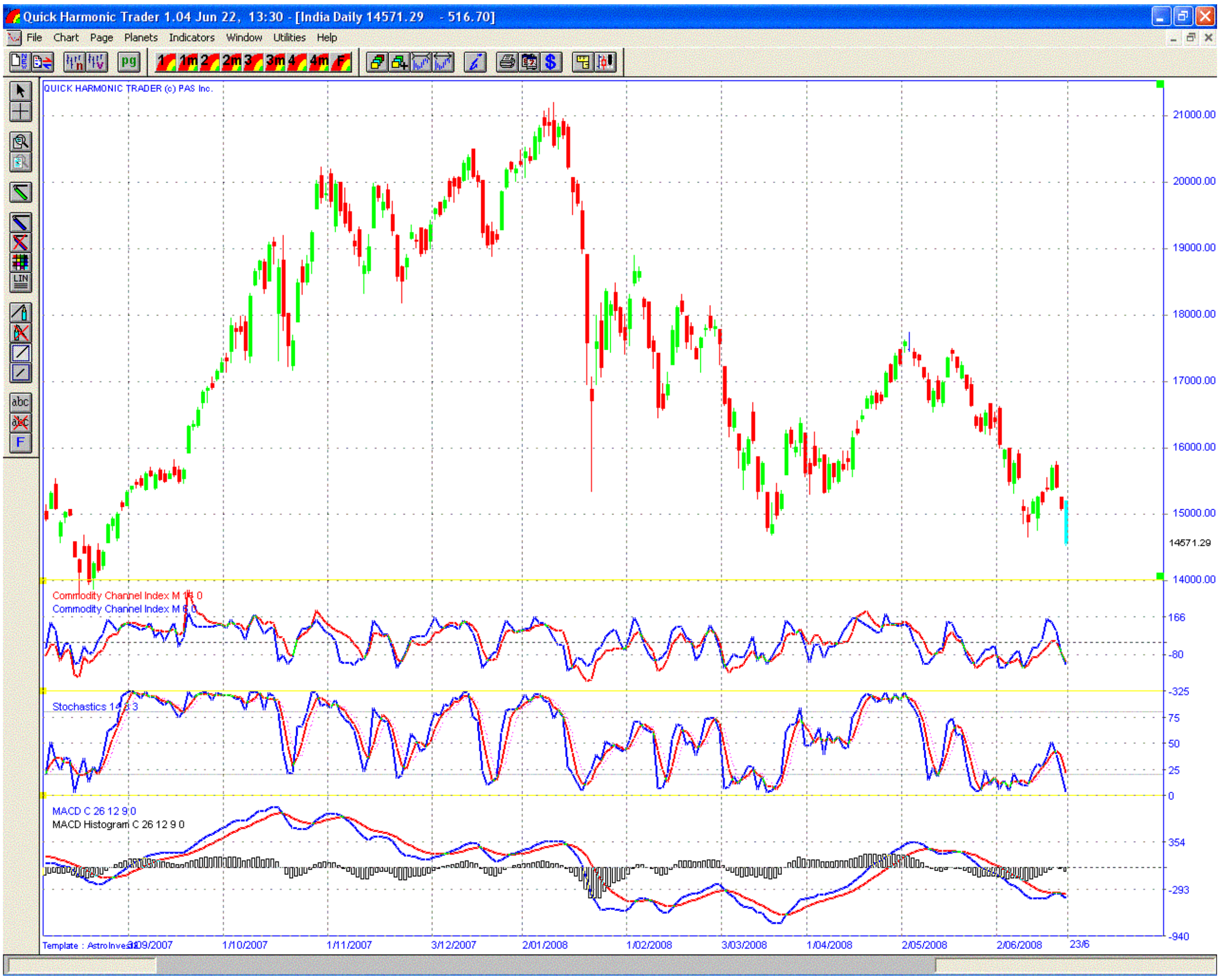


To add to the confusion, Japan's Nikkei index still shows signs of wanting to breakout higher, although the signals from the MACD lines and histograms indicate this high level of support could fail at any time.

Clear buying pressure remains intact in the Nikkei – and one suspects that if it were not for the performance of the DJI and the record crude prices, the Japanese market would be launching itself into a new Primary Bull run.

And that is at clear odds with China and India.

India



Bombay's Sensex closed out last week by recording a new Low – in very stark contrast with the renewed optimism which seems to be gaining ground in Tokyo.

The money flow indicators suggest funds are pouring out of the Indian market and it may not be able to stop its decline, other than very short-term, until it plunges back somewhere between 12,800 and 12,400 from its current level at 14,500.

On the other hand, if we take note of the MACD signal lines and its latest histograms, they suggest at least a short-term turnaround is now imminent.

Hong Kong

Hong Kong's main index is also showing turnaround potential, despite the unhappy nature of Friday's candlestick, which is hanging by a thread.

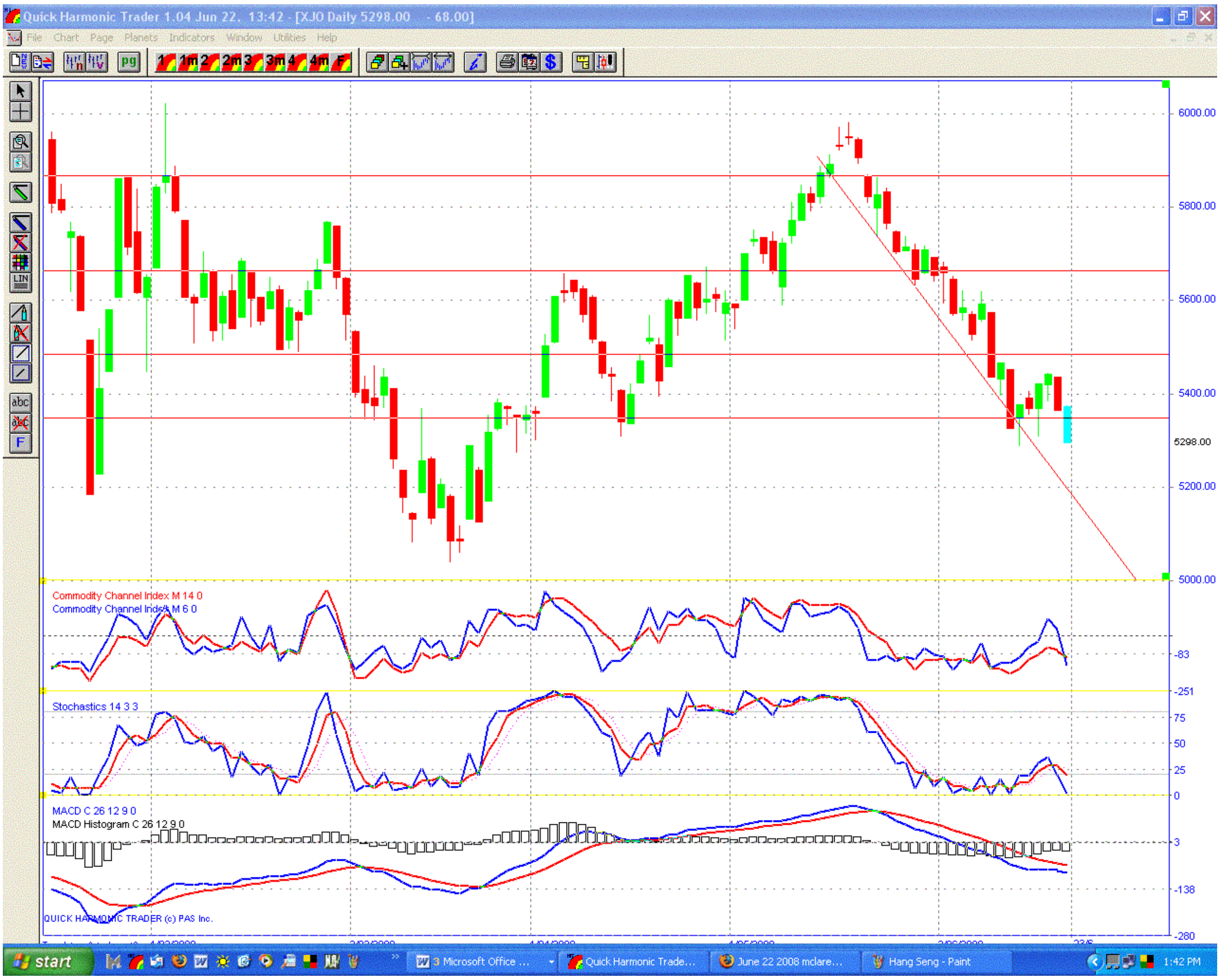
But there is quite clear divergence in the CCI and the MACD histograms.

And the Hang Seng has left big gaps all over the place during the Mercury Rx period.

So, we are left with a very uncertain picture from the major Asian indices – with Japan continuing to show distinct signs of emerging from its long-running decline, but doing so while the emerging markets of China and India are pulling back.

AUSTRALIA

ASX 200



The ASX 200 managed a weak rally last week before relapsing.

However, it was the first rally which managed to last past a single day since we received the island reversal signal last month.

It is possible we could yet see a new capitulation low in this index – especially since Monday is likely to show a reaction to Friday's negative lead from Wall Street.

But, when one looks at the level of some specific, major stocks, it is hard to see too much more downside … unless the resource stocks collapse.

Overall then, we still have no clear picture of the ground immediately ahead. We know that technically and astrologically we should be now fast approaching a trend turn – and probably one of at least second-degree, meaning a rally (or consolidation pattern) which runs for a couple of weeks.

But it won't be until we see the strength of that rally that we can get a good idea of the likely next directional movement.