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The duCati Report
based on S & P 500

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a weekly newsletter based on S & P 500

"Vision is a process that allows you to think ahead to where you want to be and what you want to be doing, and to create a workable plan to lead you there". *Fred Pryor.*

That has been my focus this week. To develop or create a viable day-trading system that can capitalise upon the weekly analysis that is the subject matter of the newsletter: viz. harness the 'timing' component with a 'transmission' vehicle.

This has been accomplished. The posts detailing the vehicle will appear on the blog predominantly. Further, I have sourced a 'live chatroom' where certainly I will be during the trading week, and possibly my mate SpyderCrusher. Admittance to the chatroom will be free with subscription to the newsletter and/or subscription to the TradeTimer.

Included with the newsletter, in the e-mail, is the link to the chatroom and the login details. This will change each week obviously.

To business;

Blogoland is slowly turning bullish after three months of fairly bearish sentiment. This potentially could add some volume to the current market action. Blogoland tends to hold active traders, so they are usually in the market in one form or another. Volume did come into the market this week. The gain this past week was significantly higher than previous weeks.

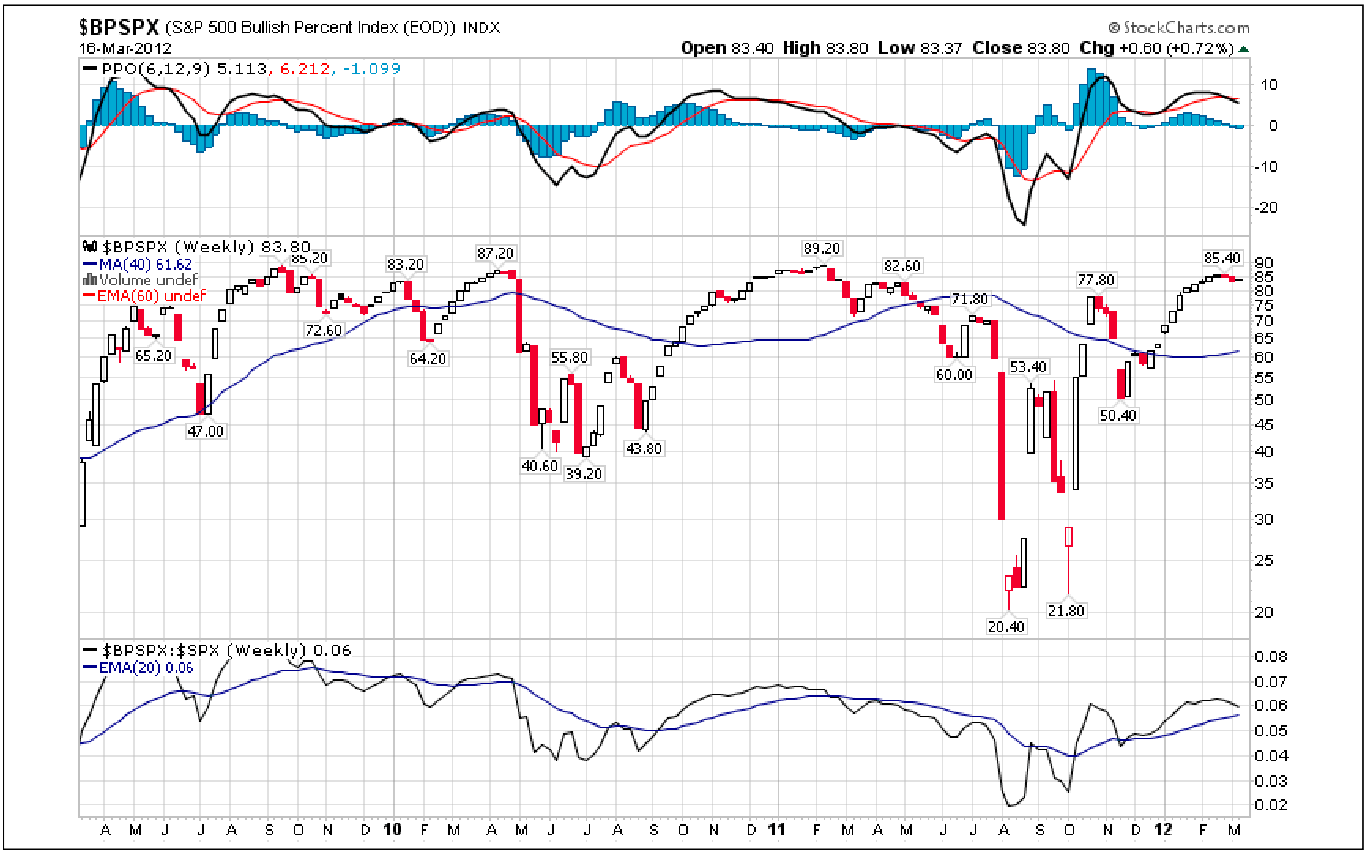
Starting back-to-front, take a look at the 3yr chart. The breakout, and the testing of that resistance is immediately obvious in this timeframe, with the thrust higher last week. In addition, we have broken past that previous high's resistance of the chart, again, this lends weight to the bullish case.

Moving to the 3mth chart, we are sitting on a support, that has already been tested. Potentially, again, trapping the traders, we may see a 'dip' on Monday, or a gap higher. I'll look at this further in the shorter timeframes.

This next screen shot is the 20day trend. We are higher from last week's trading and price action, which opens the possibility of an opening gap lower, which should be bought, but not aggressively, keep some powder dry just in case we retest the $136 area.

Last, but not least, the 5day chart. Has space both ways. Buy the dip if it eventuates, support is higher than on the 20day and at $139, but just be cognizant of the gap higher that traps bears. It is possible that this week we end a little lower than last week, a flag pattern.

Breadth in the market is still strong at 85%. No sign yet of any stealth bears lurking.

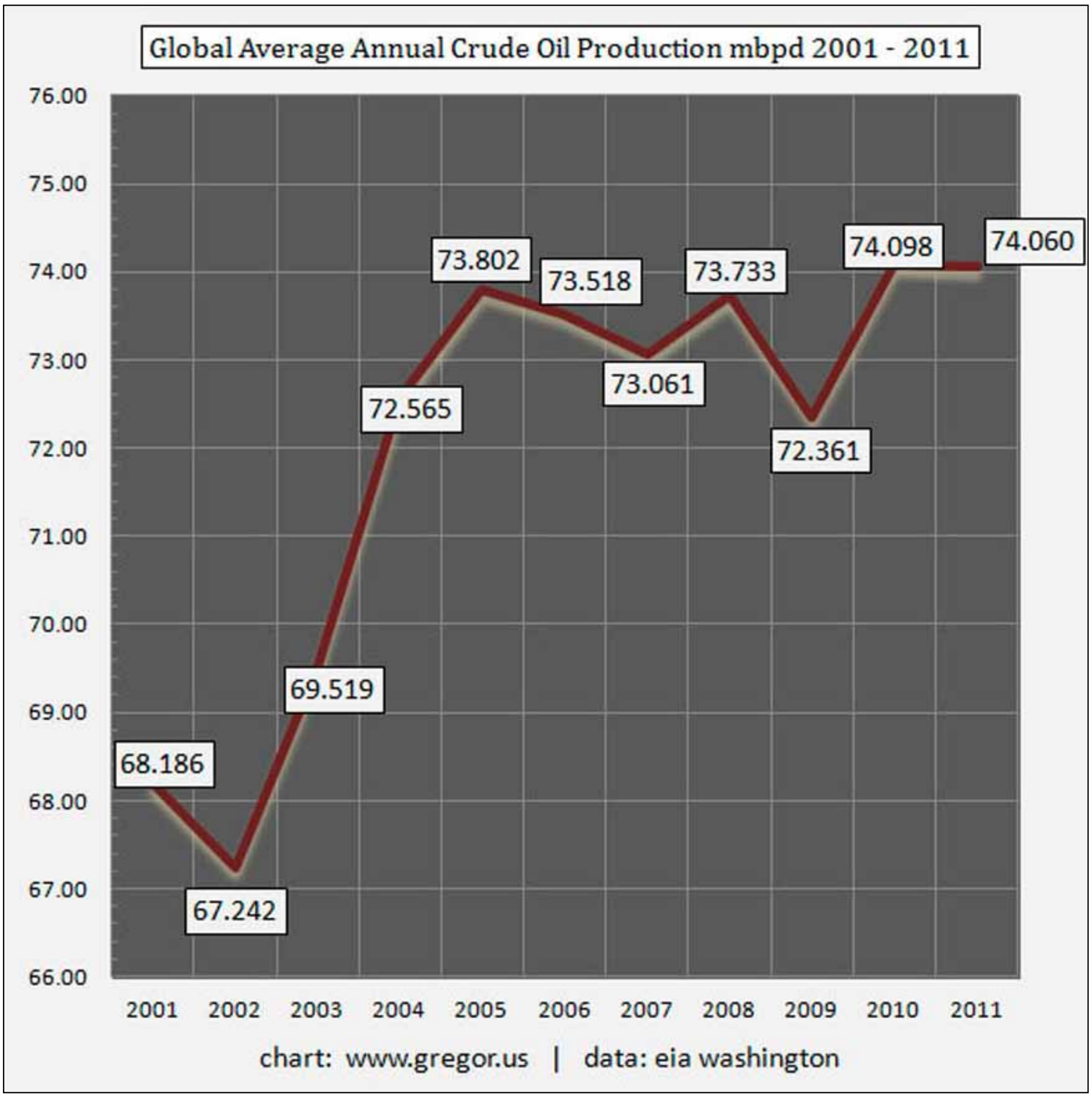


Which brings me to a macro-theme. QE, or Quantitative Easing via the Federal Reserve and Bernanke. The TWIST QE continues through to the end of March. That means that as we are only half-way through March, there remains plenty of time for the big boys to push the market higher. This is an easy money market. Do not fight the Fed. is the mantra that you must recite daily. You want to remain long this market.

Invading blogoland over the past few weeks have been currency concerns and oil concerns.

How correlated are these markets to the stockmarket and each other? Well oil is being driven higher in nominal and real terms through a combination of dollar devaluation, which is not as much a factor currently as is reduced supply.

As the price of oil rises, so the supply should ratchet up to capitalise upon those higher prices. The problem is that the two swing suppliers do not have the spare capacity to do so. Both Russia & the Saudi's are supply constrained.



Thus the weakness in the dollar has more to do with higher nominal stock prices than it does oil. With the continued QE program, continuing through till the end of March, it is unlikely that the dollar will experience a substantial rally to threaten stocks just yet.

In addition, Treasury yields moved higher this past week. The US government cannot afford higher interest charges, the deficits that require funding would simply explode if interest rates moved higher, thus, should the trend in interest rates continue to climb, expect a very unexpected intervention by Bernanke announcing some new form of QE, which, I think might explode stocks higher.

Essentially the recommendation is stay long. If you are day-trading, or some form thereof, you want to buy the dips, this is likely to prove profitable again this week. No changes to my longer term system.

This week I introduce my weekly system, that I have been working to develop. It's fully operational, utilises Options to leverage the returns, and provide risk management while essentially day-trading the timing component provided by the newsletter. I have currently no way of verifying trades/results, so the results will be informal, and based on a bit of trust.

Recommendation: Stay long.
duCati system: No changes hold long.
Until next week, jog on, duc.