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Expanded Technical Market Report
June 30th, 2007

by Robert McHugh, Ph.D.

As part of our celebration of America's July 4th, Independence Day, this week we would like to show you a sample of what our subscribers receive in our expanded weekend market newsletters. This report provides in-depth analysis of most major markets, including stocks, bonds, precious metals, oil, and the dollar. We hope you enjoy this report. We offer a free 30 day trial subscription which you can get by clicking on the button at the home page at www.technicalindicatorindex.com.

The ***Dow Industrials*** fell 13.66 points to close at 13,408.62 Friday, after another strong open that failed. NYSE volume was 99 percent of its 10 day average, with downside volume leading at 56 percent, however with advancing issues at 52 percent, and with S&P 500 downside points leading at 59 percent. NYSE New 52 week Highs rose to 131, with New Lows also rising, to 50. No new Hindenburg Omen observation Friday, however ***a confirmed Hindenburg Omen is in play***, meaning the odds are greater than normal for a significant decline over the next 120 days. ***S&P 500 Demand Power fell a point to 391, while Supply Pressure was flat at 408***, telling us the market took a breather and trading was mixed.

SUMMARY OF INDEX DAILY CLOSINGS FOR FRIDAY JUNE 29th, 2007

<u>Date</u>	<u>DJIA</u>	<u>Transports</u>	<u>S&P</u>	<u>NASDAQ COMPO</u>	<u>NASDAQ 100</u>	<u>Russell 2000</u>	<u>30 Yr Treas Bonds</u>
June 22	13360.26	5108.22	1502.56	2588.96	1921.94	834.75	106^12
June 25	13352.05	5124.84	1497.74	2577.08	1912.90	827.46	107^01
June 26	13337.66	5076.57	1492.89	2574.16	1908.64	826.13	106^25
June 27	13427.73	5129.77	1506.34	2605.35	1933.06	838.46	107^04
June 28	13422.28	5133.36	1505.71	2608.37	1931.67	839.03	106^25
June 29	13408.62	5098.88	1503.35	2603.23	1934.10	833.70	107^24

Summary of McHugh's Proprietary Index Key Trend-finder Buy/Sell Signals

	<u>Index</u>	<u>Term</u>	<u>Signal</u>	<u>Date Current Signal</u>	<u>Fullest Extent of Index Move Since Signal</u>
Purchasing Power Indicator	DJIA/S&P	Short	Sell	June 22nd, 2007	DJIA Fell 100 Points (0.8 %)
DJIA 14 Day Stochastic	DJIA	Short	Sell	June 20th, 2007	DJIA Fell 229 Points (1.7%)
DJIA 30 Day Stochastic	DJIA	Short	Sell	June 20th, 2007	DJIA Fell 229 Points (1.7 %)
DJIA Primary Trend Indicator	DJIA	Long	Buy	October 31st, 2003	DJIA Rose 3,891 Points (39.7 %)
Secondary Trend Indicator	DJIA/S&P	Interm	Neutral	February 8th, 2007	DJIA Up 770 Points
NDX 14 Day Stochastic	NASDAQ 100	Short	Sell	June 20th, 2007	NDX Fell 22 Points (1.2 %)
NDX Purchase Power Indic	NASDAQ 100	Short	Sell	June 26th, 2007	NDX Fell 8 Points (0.5 %)
RUT Purchase Power Indic	RUT	Short	Buy	June 27th, 2007	RUT Rose 7 Points (0.8 %)
HUI 30 Day Stochastic	HUI	Short	Sell	June 25th, 2007	HUI Fell 11 Points (3.4 %)
HUI Purchasing Power Indic	HUI	Short	Sell	June 25th, 2007	HUI Fell 11 Points (3.4 %)

SUMMARY PAST WEEK'S DEMAND POWER/SUPPLY PRESSURE STATISTICS

Blue Chips S&P 500/DJIA

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	<u>Secondary Trend Indicator</u>
June 22	Down 6 to 393	Up 10 to 408	Down 6 to 126	Down 8 to + 5
June 25	Down 6 to 387	Up 5 to 413	Down 1 to 125	Down 4 to + 1
June 26	Down 3 to 384	Up 4 to 417	Down 1 to 124	Down 4 to - 3
June 27	Up 8 to 392	Down 7 to 410	Up 3 to 127	Up 5 to + 2
June 28	Flat 0 at 392	Down 2 to 408	Flat 0 at 127	Up 1 to + 3
June 29	Down 1 to 391	Flat 0 at 408	Flat 0 at 127	Down 2 to + 1

NASDAQ 100

<u>Date</u>	<u>Demand Power</u>	<u>Supply Pressure</u>	<u>Purchasing Power Indicator</u>	<u>PPT Risk Indicator</u> (Above +18% Means High Risk of a Short-covering Rally)
June 22	Down 3 to 401	Up 4 to 406	Down 4 to 149	- 1.01
June 25	Down 3 to 398	Up 2 to 408	Down 1 to 148	- 2.41
June 26	Down 1 to 397	Flat 0 at 408	Down 1 to 147	- 6.43
June 27	Up 5 to 402	Down 4 to 404	Up 5 to 152	- 6.59
June 28	Down 1 to 401	Down 1 to 403	Flat 0 at 152	- 8.61
June 29	Down 1 to 400	Up 2 to 405	Flat 0 at 152	- 12.46

10 Day Average Short-term Advance/Decline Signals

<u>Index</u>	<u>June 29th A/D Indicator</u>	<u>Signal</u>	<u>Date of Signal</u>	<u>Fullest Extent of Index Move Since Signal</u>
NYSE/S&P 500	- 249.2	Sell	June 25th, 2007	SPX Fell 13.5 Points (0.9 %)
NASDAQ 100	- 11.9	Sell	June 29th, 2007	NDX New Signal
Russell 2000	- 234.2	Sell	June 25th, 2007	RUT Fell 7.2 Points (0.9 %)

Status of Demand Power/Supply Pressure Key Trend-finder Indicator

<u>Index</u>	<u>Term</u>	<u>* Signal</u>	<u>First Date of Signal</u>	<u>Current Demand Pr.</u>	<u>Current Supply Pr.</u>	<u>Fullest Extent of Index Move Since Signal</u>
S&P 500/DJIA	Short	Enter Short	6/20/2007	391	408	DJIA Fell 229 Points (1.47 %)
NDX	Short	Enter Short	6/26/2007	400	405	NDX Fell 8 Points (0.5 %)

* We consider a new entry point for a signal the day when one measure crosses more than 10 points above the other. We like to exit when (or before if conservative) the two measures return to an intersection.

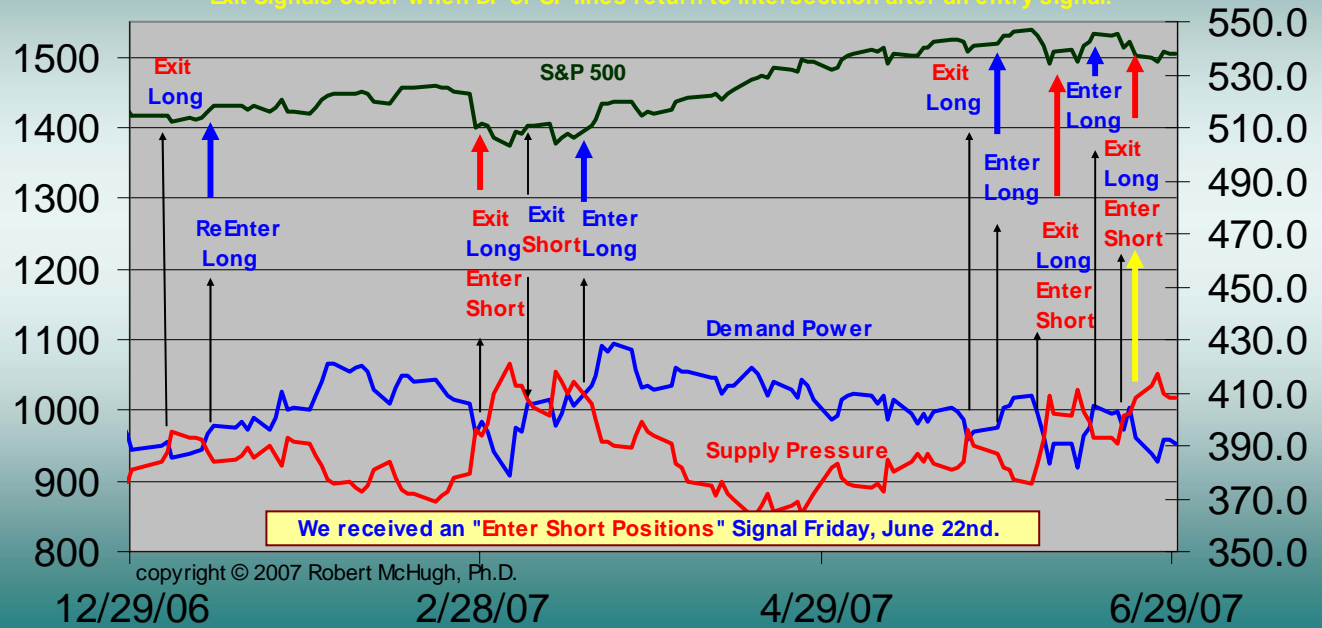
The S&P 500 *Demand Power/Supply Pressure indicator* generated a new “*enter short positions*” signal on June 20th, and remains there Friday, June 29th. The chart appears at the top of the next page. However, we are uncomfortable with the enter short position signal, as that would be going against the primary trend, and has been an unprofitable venture in the past. Pattern analysis also suggests we are being whipsawed within a Micro degree fourth wave consolidation, which should be followed by a Micro degree wave **5** up. So again, shorting here is risky. That said, the confirmed Hindenburg Omen suggests that shorting could payoff nicely, if one has the stomach for the risk, and allows enough time to ride the short-run pattern out.

S&P 500 vs: Demand Power & Supply Pressure Dec 2006 to June 2007

S&P 500

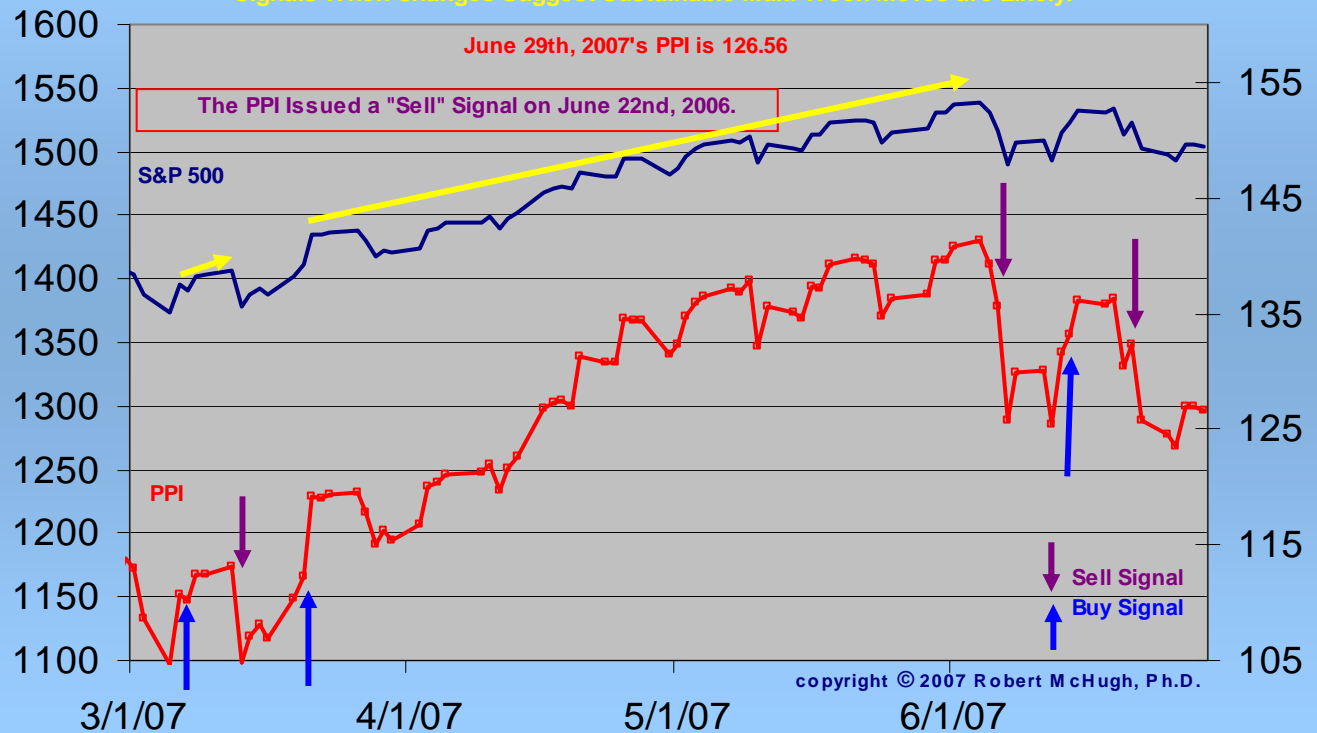
When Demand Power Crosses above the Supply Pressure Line, we get a Buy Signal.
 When Supply Pressure rises above Demand Power, we get a Sell Signal.
 Exit Signals occur when DP or SP lines return to intersection after an entry signal.

Demand Power/
Supply Pressure

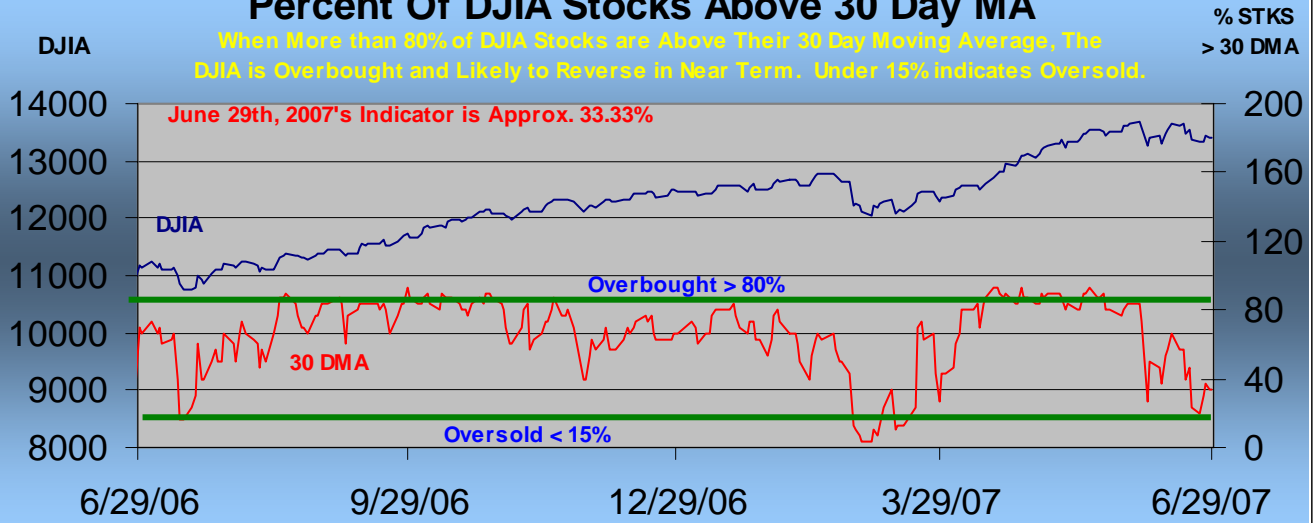


S&P/DJIA Purchasing Power Indicator™

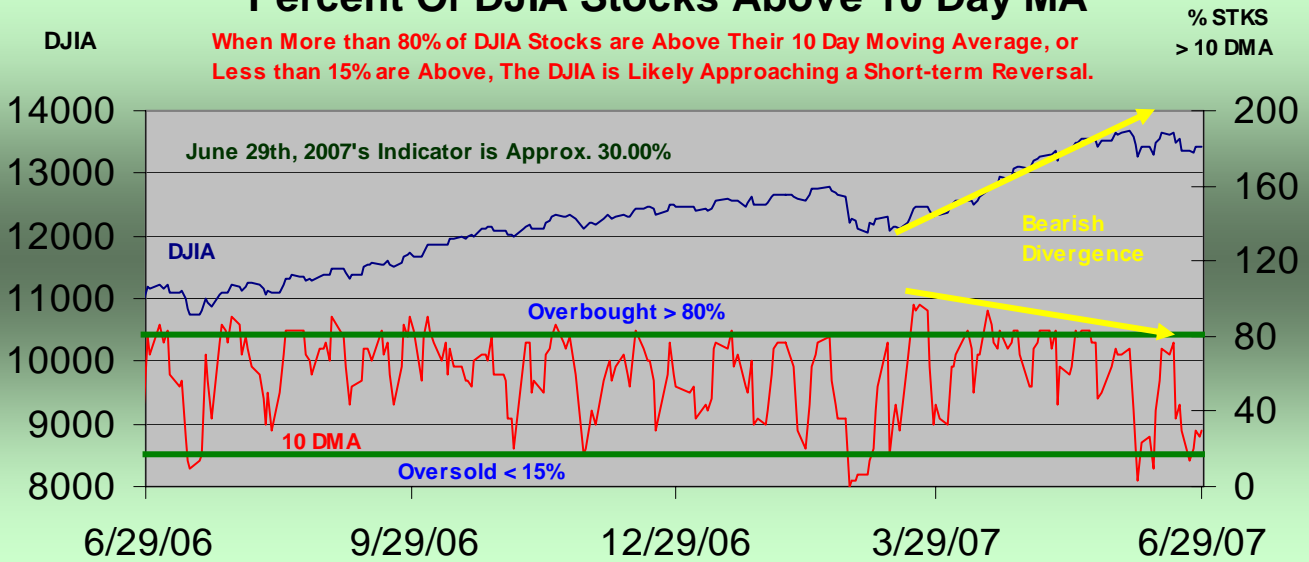
PPI is a Short-term Momentum Measure of Purchasing Power, Generating Buy and Sell Signals When Changes Suggest Sustainable Multi-Week Moves are Likely.



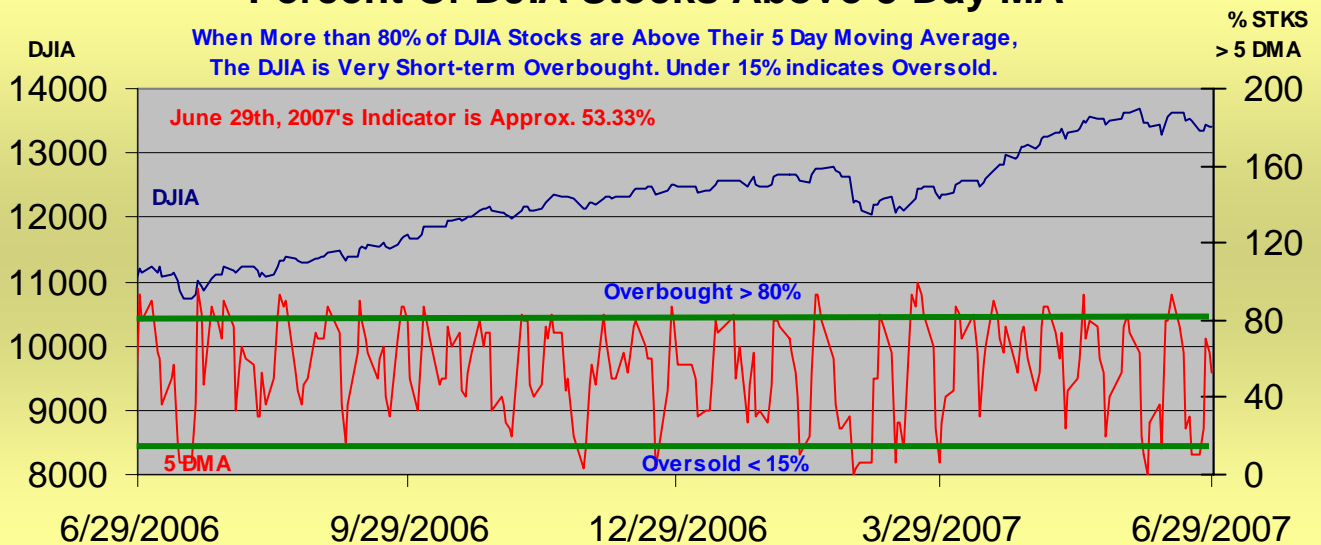
Percent Of DJIA Stocks Above 30 Day MA



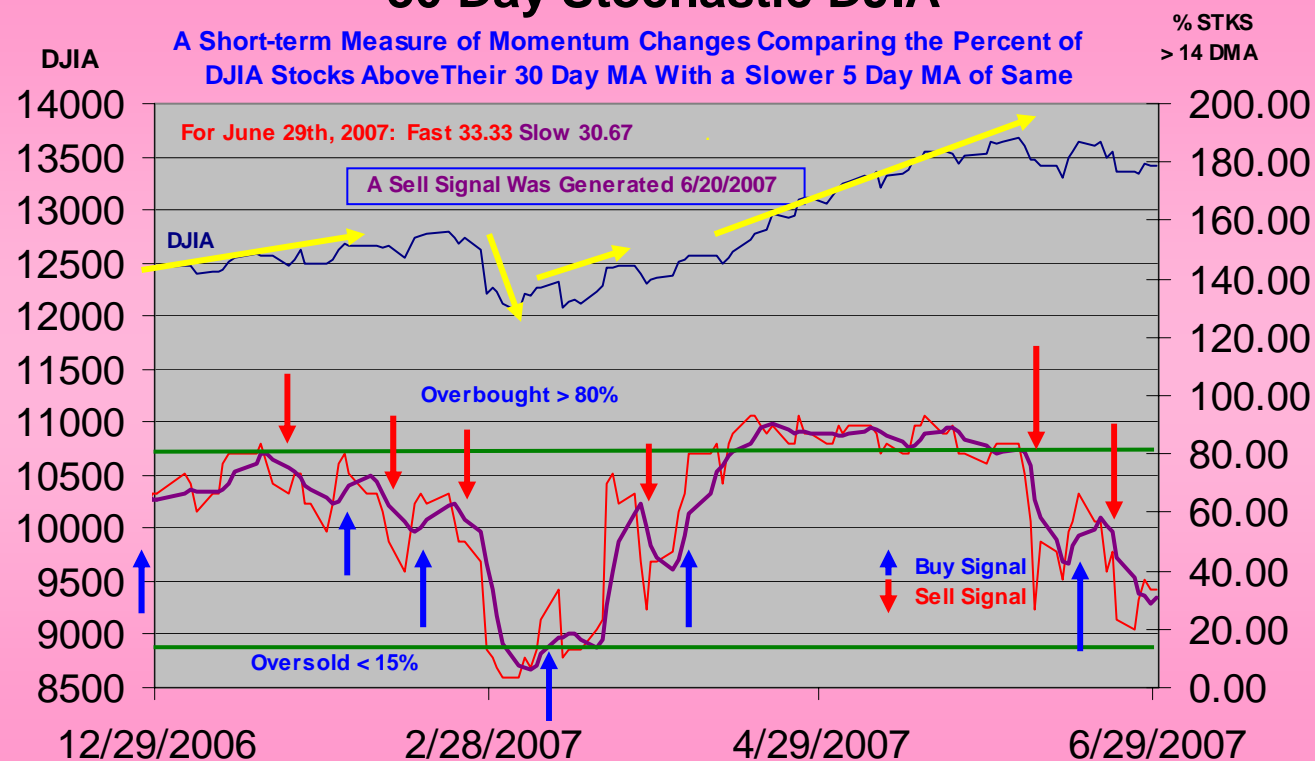
Percent Of DJIA Stocks Above 10 Day MA



Percent Of DJIA Stocks Above 5 Day MA



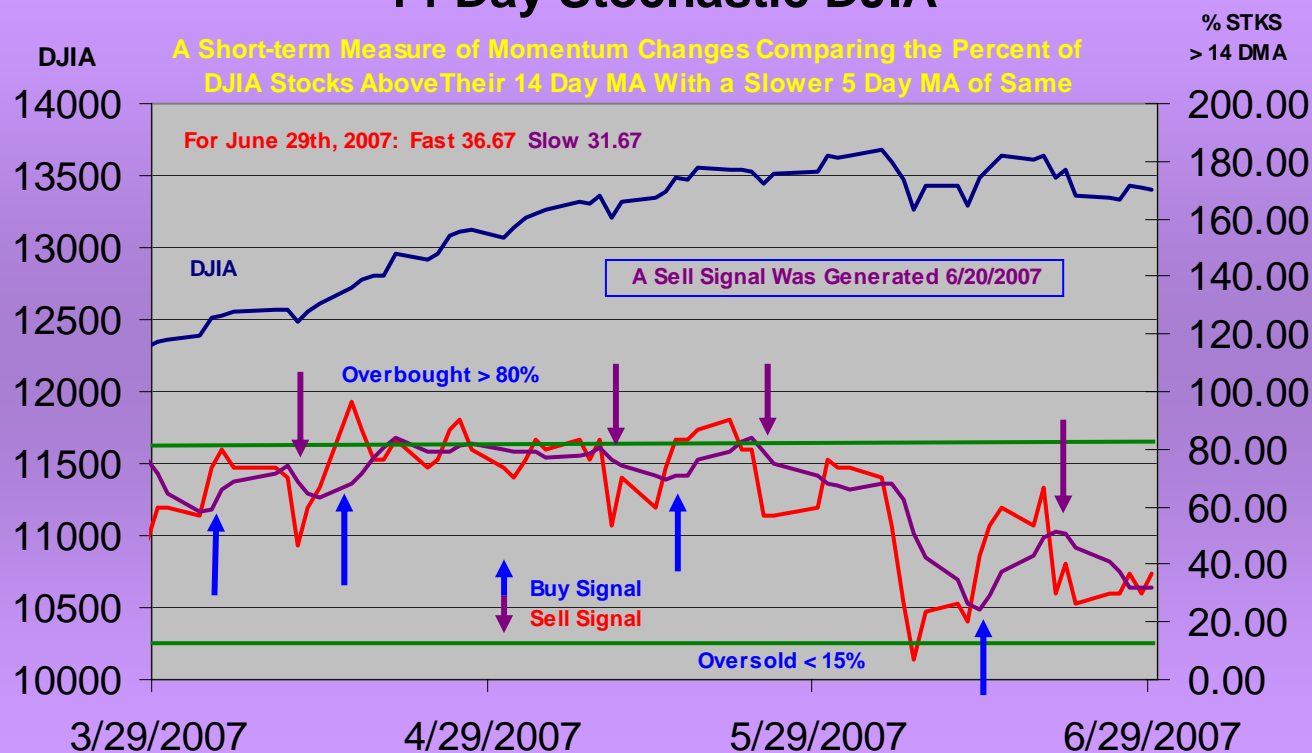
30 Day Stochastic DJIA



The *McClellan Oscillator* improved to negative -33.59 . The *Summation Index* fell to positive $+1,287.00$. The percent of DJIA stocks above their 30 day moving average remained at 33.33. The percent above 10 day rose to 30.00 from 26.67. The percent above 5 day fell to 53.33 from 63.33. One fly in the Bullish ointment is the presence of *a confirmed Hindenburg Omen Friday, a three Omen cluster, which means we now have a higher than normal probability of seeing a significant stock market decline within 120 calendar days*. We discussed this indicator in detail on pages 9 through 12 of last weekend's report, issue no. 607, available in the archives. One interesting point: Prices rose relentlessly in 1987, and continued to rise after a Hindenburg Omen — for a short period of euphoric time. Then the Omen took over a few weeks later. That could happen again if we are finishing a sideways Micro degree wave **4 consolidation pattern**, which would be followed by a Micro degree wave **5** to new all-time highs. However, we expect breadth to suffer on the next rally leg, to a major top.

Our three Blue Chip key trend-finder indicators (other than the Demand Power/Supply Pressure Indicator) remain on a "sell" signal Friday. The *DJIA 30 day Stochastic* Fast was 33.33, above the Slow at 30.67, remaining on a "sell" signal from June 20th. The *DJIA 14 day Stochastic* Fast was 36.67, above the Slow at 31.67, remaining on a "sell" signal from June 20th. The *S&P 500 Purchasing Power Indicator* was flat at 126.56, remaining on a "sell" signal from June 22nd. The stochastic indicators measure breadth momentum, and the PPI measures supply/demand momentum. While we are fairly confident about the sideways consolidation Micro degree wave **4** pattern, there is always the possibility that prices topped in a truncated wave **5** up on Friday, June 15th at 13,688.66. A drop below 13,251 would increase the odds that wave **5** up is over, and a significant decline has started. A weekly MACD "sell" signal, where the blue histograms turn decisively negative (see weekly charts in subsequent pages) would also increase the odds that Micro degree wave **5** up has topped.

14 Day Stochastic DJIA

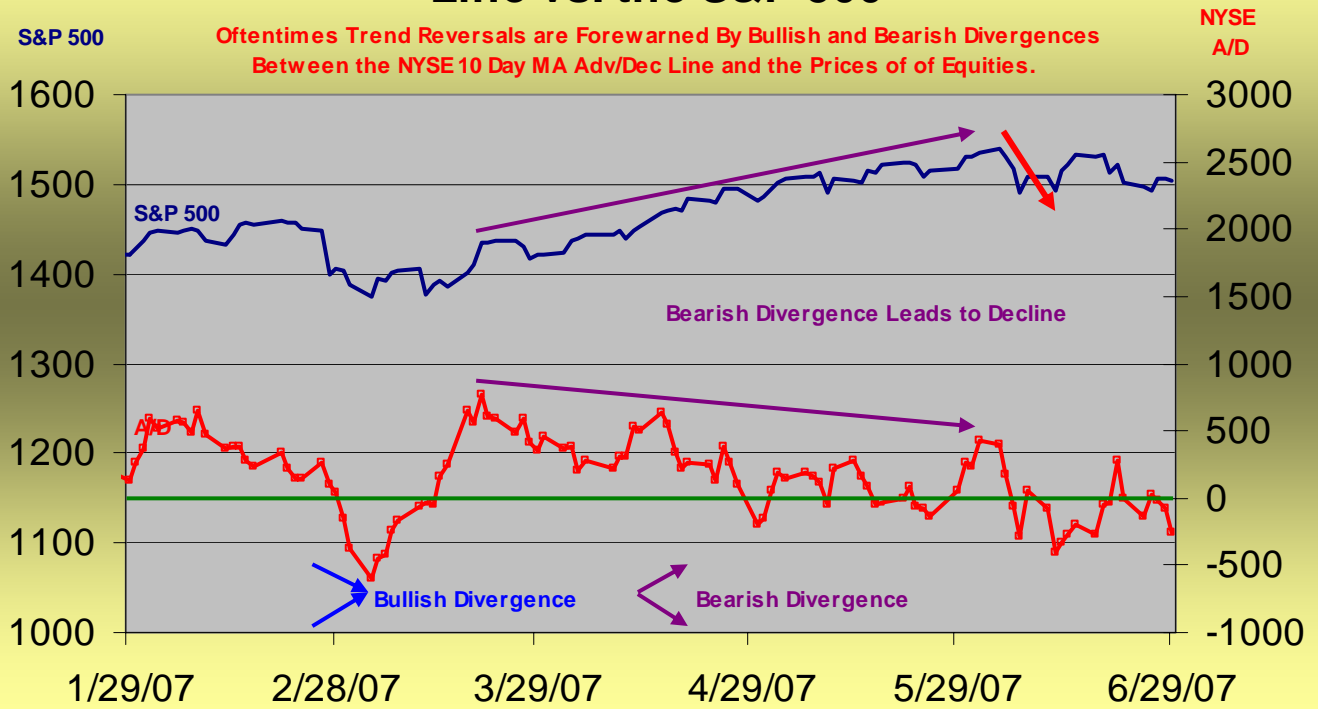


The *Plunge Protection Team Intervention Risk Indicator* fell to negative -12.46 percent, below the positive $+20.00$ threshold that would suggest a short-covering rally would likely lead to a multi-week rally. However, *it is approaching the minus -16.00 level where tradable rallies often start*. Readings within the range of minus -16.00 to positive $+20.00$ are supportive of a price decline, which has been evident lately. Take a good look at the chart at the bottom of page 8. *The PPT indicator is proving to be a rising star in the new paradigm of active government intervention into markets, via the Plunge Protection Team. It is a rally catcher*. When this indicator rises above $+20.00$, there is great risk of an intervention multi-week rally. When this measure falls below negative -16.00 , there is also risk of a rally in equities. This has proven correct over and over again.

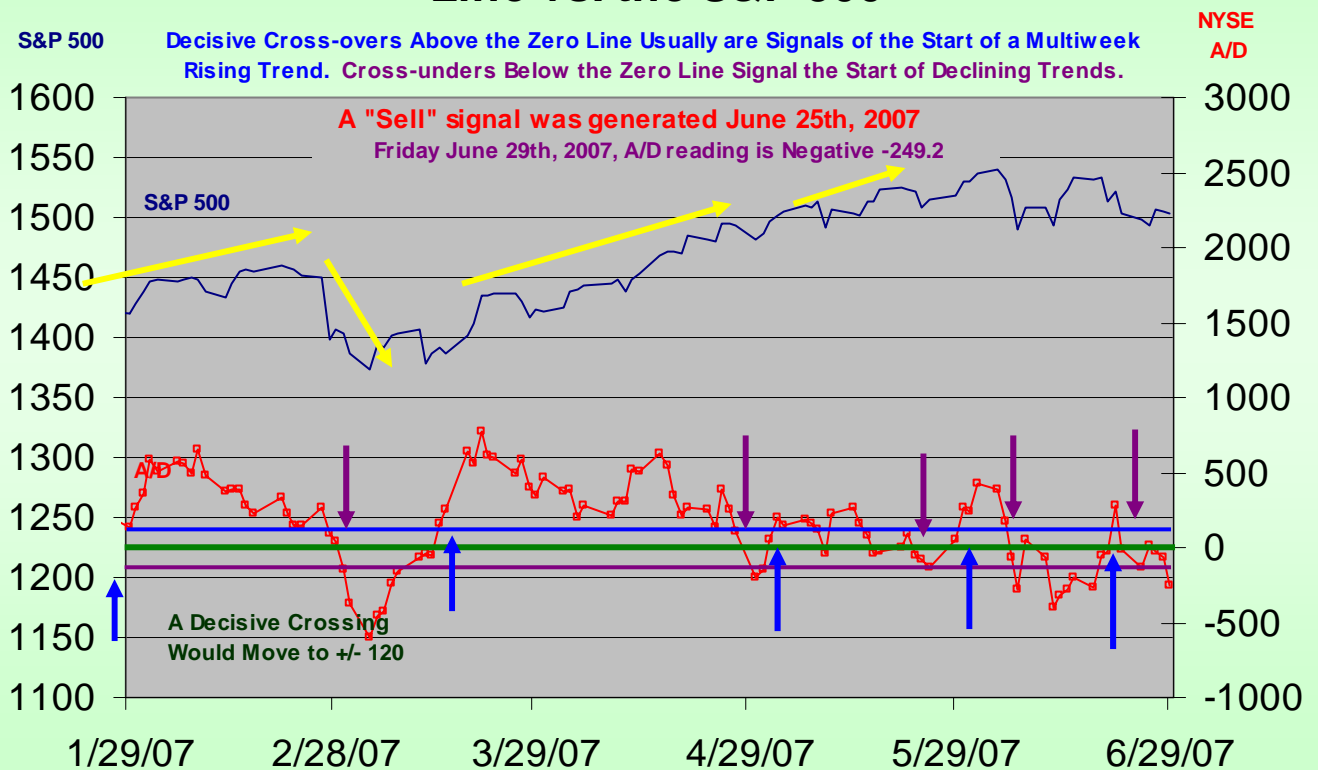
The DJIA Call/Put Ratio came in at 0.98, remaining on a “neutral” signal from June 7th (moving below 1.00 and above 1.40 is neutral), needing to rise *decisively* above 1.00 for a new “buy.” We define “decisive” as above 1.10ish. The *Secondary Trend Indicator* fell 2 points Friday to positive $+1$, remaining in neutral territory. A rise above $+30$ would trigger an intermediate term “buy.” A decline below negative -30 , would give an intermediate “sell.” The *NYSE 10 day average Advance/Decline Line Indicator* fell to negative -249.2 , remaining on a “sell” signal from June 25th.

The Primary Trend is up and actually strengthened as of June 2007. So playing the short side could prove hazardous. *We've mentioned that what would make us a whole lot more comfortable playing the short side would be a weekly MACD sell signal in the major averages, along with a Hindenburg Omen signal*. Well, we got the Hindenburg Omen, now all we need is the MACD weekly sell signal where the blue histograms turn decisively negative. If we get that, we like the short side. Until then, we remain uncomfortable shorting.

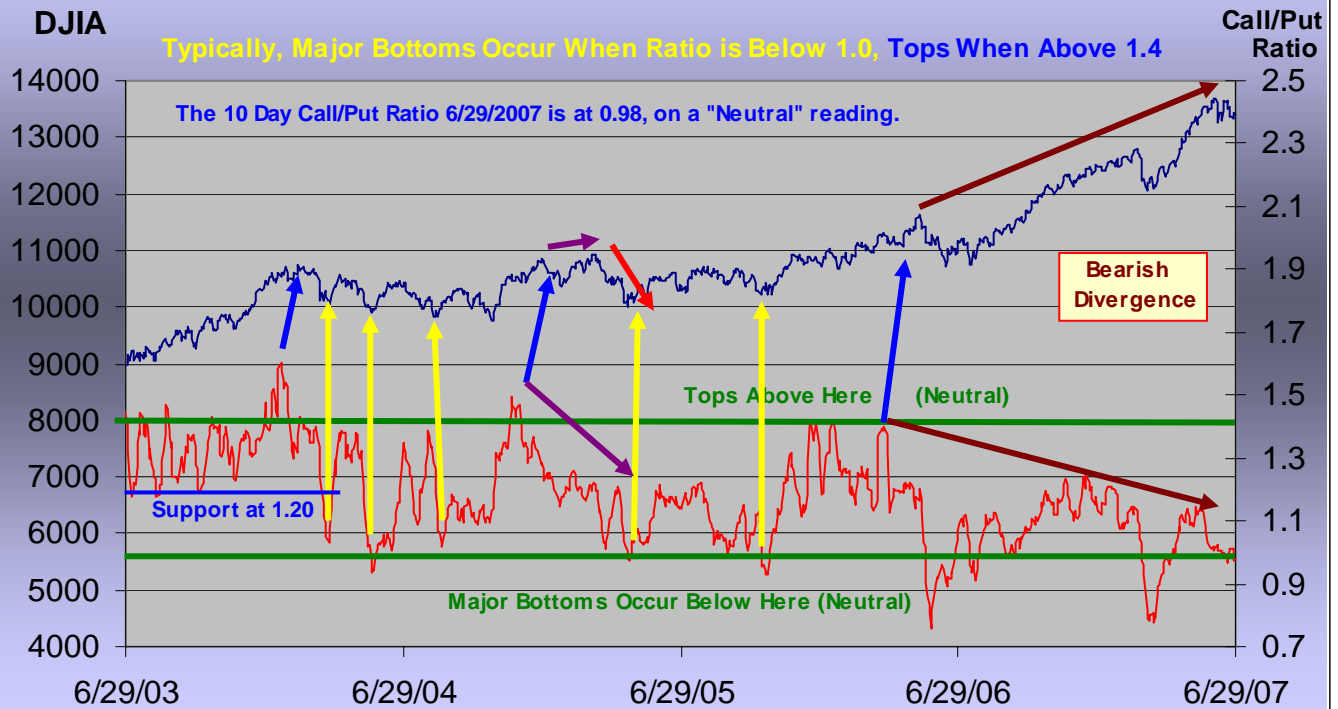
NYSE 10 Day Moving Average Advance/Decline Line vs. the S&P 500



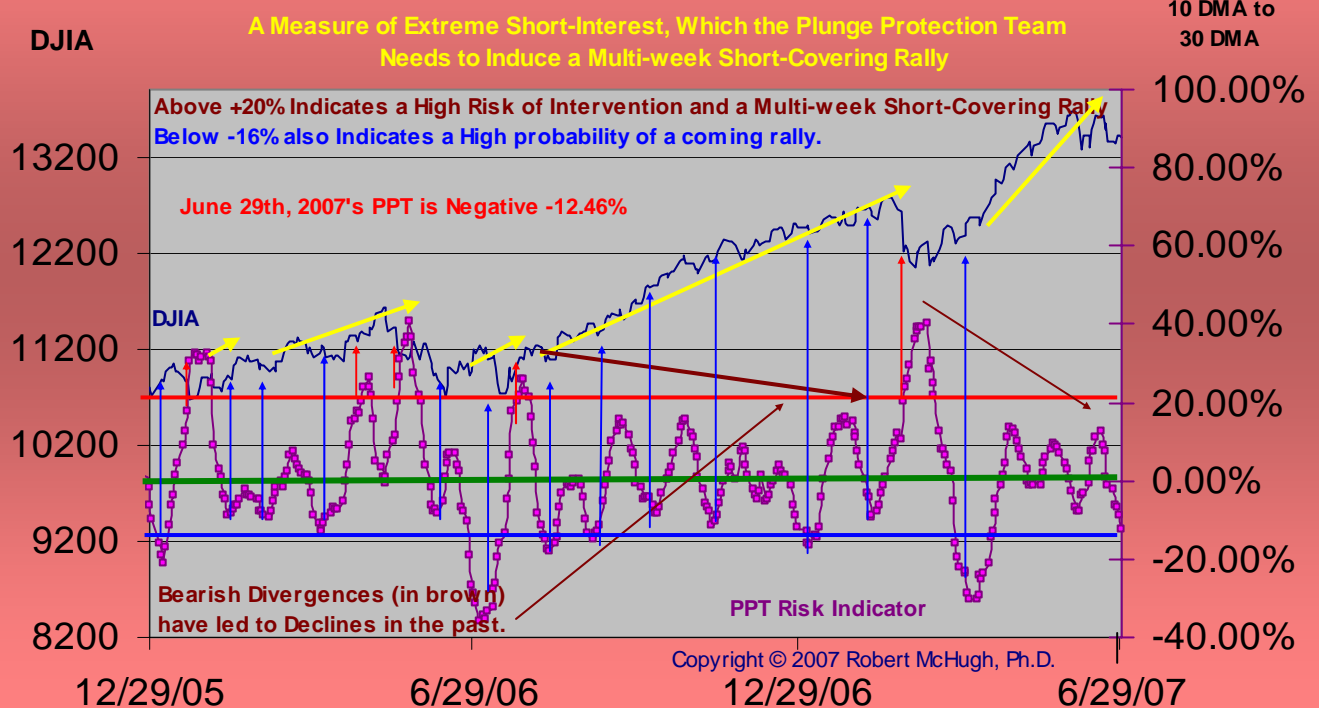
NYSE 10 Day Moving Average Advance/Decline Line vs. the S&P 500



The Dow Industrials vs. The 10 Day Average CBOE Call/Put Ratio

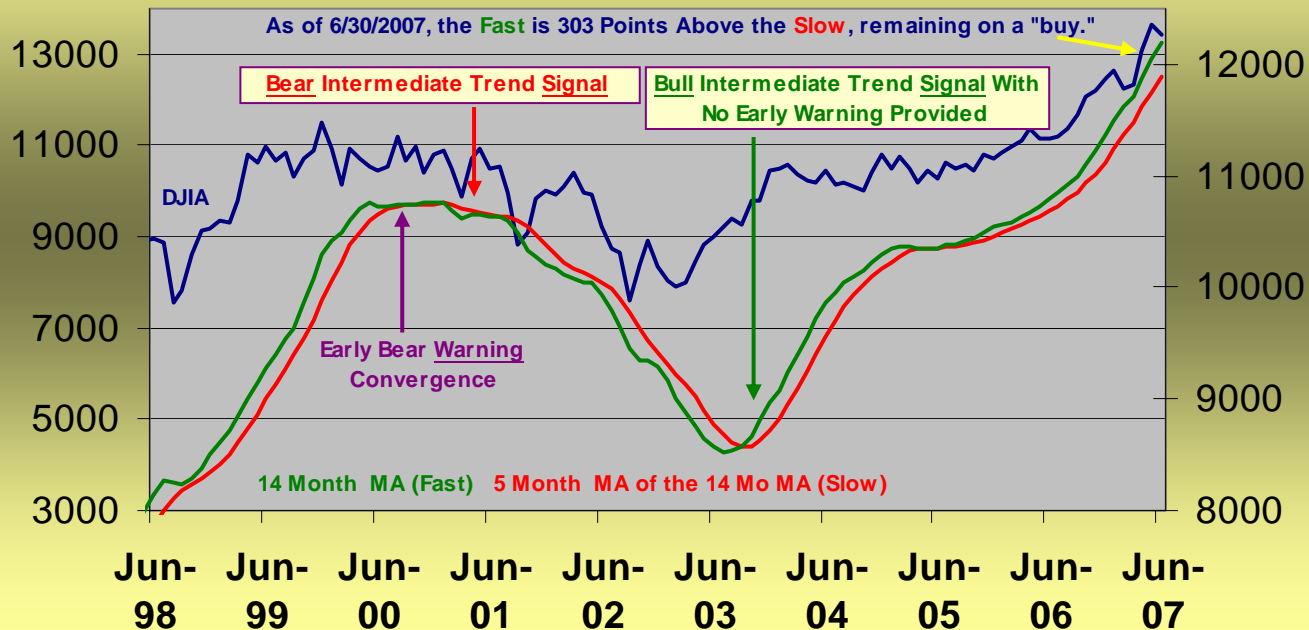


DJIA vs. the CBOE Put Options 10 Day Moving Average as a Percent of 30 Day MA -- A PPT Intervention Risk Indicator



Primary Degree Trend Indicator for the DJIA: The 14 Month Moving Average vs. Its 5 Month MA

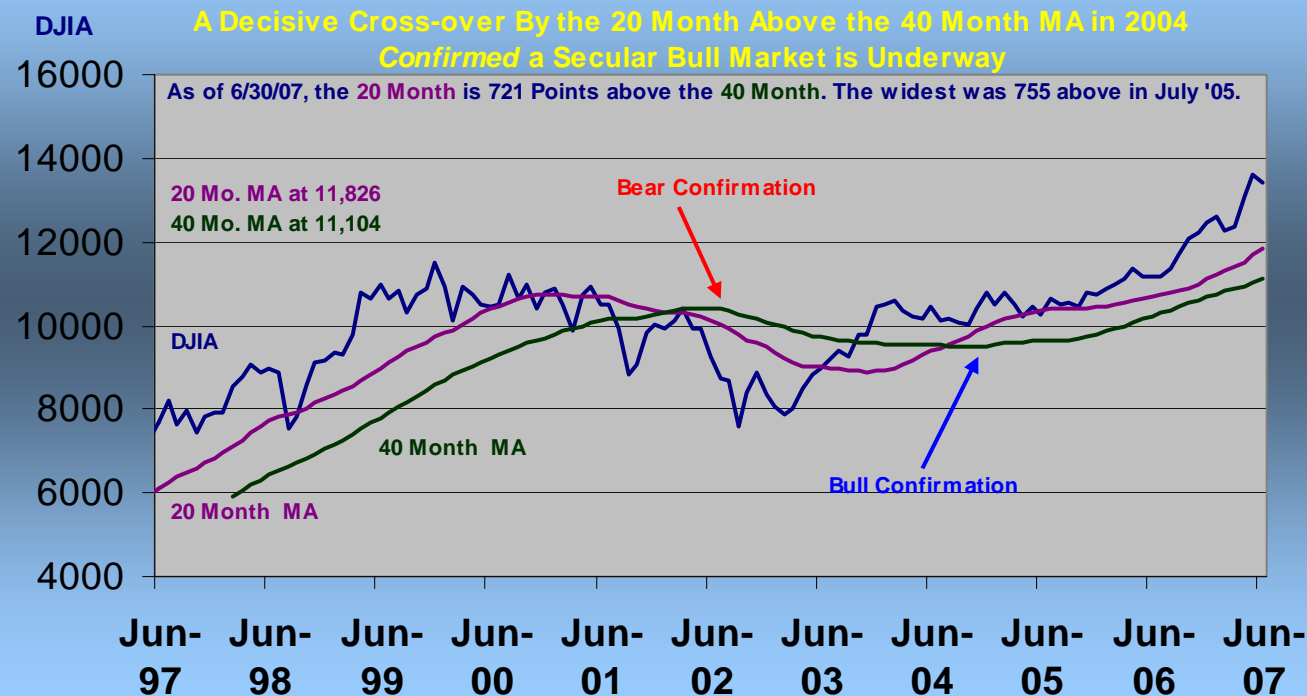
Our Primary Degree Trend Indicator, Whenever the 14 Month MA (Fast) Crosses Below the 5 Month MA of Itself (Slow), a Primary Degree Bear Trend is Underway. A Rise Above Signals a Bull Market.



The above chart updates our *Primary Trend Indicator* for the month of June, 2007. *It remains on a "buy" signal* from October 31st, 2003, when the DJIA closed at 9,801.12. One of the tools we have in our arsenal to identify the status of a Primary Degree trend is a simple analysis of the 14 month moving average versus a Slower moving average calculation, the 5 month MA of the 14 month. It has been terrific at identifying multi-year trends, both up and down. While it is a little late in generating the buy and sell signals, *it triggered a "sell" near the start of Primary degree wave (4) down, in mid 2000. What followed was a two and a half year, 39 percent drop into the wave (4) bottom on October 10th, 2002.* It took a while for this indicator to confirm that the rally that started on October 11th, 2002 would in fact be a multi-year primary degree wave up, wave (5) up. But by *October 2003, this analytical tool did in fact trigger a Primary Degree "buy" signal. Since then, there has been a three and a half year further rally to new all-time nominal highs.* We got a near "sell" signal in mid-2005, but the rally rejuvenated itself, continuing on its "buy." *As of June 30th, 2007, it remains on its "buy," and the spread between the Fast and the Slow is widening.* The positive spread widened for the first time in several months, from 232 points in March to 252 in April, then widened further to 297 in May, and now 303 in June. But the spread is relatively narrow, as this compares to a 1,744 spread in December 2003. We require a 5 month moving average of the Spread between the Fast and Slow to reverse in a new direction for 3 consecutive months in order to declare that a new primary trend, a new multi-year trend, is underway. *Since the PTI generated a "buy" on October 31, 2003, the DJIA has risen 3,891 points, or 39.7 percent.*

There have only been two signals since 1997, so this tool is useful for long-term investors, as it filters out the noise of up and down corrections of significance in favor of the primary trend. It did give an early warning in 1999 and early 2000 as the two measures were nearly identical for several months. This chart is useful for our Conservative Balanced Investment Portfolio since once we get a new signal, we can rely upon that signal for years. Further, it tells us which direction surprises are

The 20 Month Moving Average versus the 40 Month Moving Average in the DJIA



likely to occur, so when playing speculative options or futures, we will know the direction where a surprise trend turn is most likely to occur. Knowledge of the primary trend is also useful for trading. In this case, we can be more aggressive when entering a position in the same direction as the primary trend, and less aggressive when entering a short-term trend play against the primary trend.

We look at the above chart as a confirming indicator of the *Primary Trend Indicator* on the previous page. It is a comparison of the position of the 20 Month Moving average versus the 40 month. As of June 30th, 2007, the 20 Month widened to 721 points above the 40 month, confirming the “buy.” The spread is almost equal to its widest point of 755 points in July 2005. What is nice about this indicator, is that *once we get this indicator’s confirming “buy” or “sell,” we can look forward with high confidence to a large chunk of the primary trend’s move still being ahead of us.*

For example, the 20 month MA crossed below the 40 month MA in February 2002, with the Dow Industrials at 10,106. From that “sell” signal point, the DJIA dropped 2,909 points, or 28.8 percent. That suggested a great spot to purchase Leaps Put options.

Then, going the other way, the 20 month MA rose above the 40 month MA in August 2004, at DJIA 10,174. The Dow Industrials since rose 3,518 points, or 34.6 percent. Here, your strategy could have been to either play long-term leaps call options, or to simply go long in the cash market and stay there, in other words, increase your long investment position.

There were no false crossovers or cross-unders with this confirming 20 Month/40 Month MA measure. Once it turned negative, the trend was down. Once it went positive, the trend was up.



The above chart shows the Elliott Wave labeling for the Dow Industrials since January 14th, 2000. The choppy decline from then through October 10th, 2002 is an extremely rare Triple Three wave pattern. The Triple Three pattern essentially formed a Bullish Flag, which suggested a sharp spike higher, which we've gotten since 2005.

The rally from 2002 has been strong. Very strong. With several sub-waves nearly vertical. *Using slope analysis, flatter sloped rallies imply an end to a Bull run. Sharper upward sloping rallies imply a beginning.* When we couple this analysis with the fundamental economic new paradigm where the Master Planners are now willing to hyperinflate our economy, and other central banks around the world are willing to do the same, which is in effect world government market intervention on a scale never seen before, *we have to draw the conclusion that the current rally from 2002 — which is coming to a conclusion, is merely the first of five intermediate degree waves within a final primary degree wave (5) up.* Thus we believe we are now seeing the conclusion to intermediate degree wave 1 of (5) here in 2007, not the conclusion of intermediate degree wave 5 of (5).

We believe that wave 1 of (5) should end this summer, or by early fall 2007, to be followed by a relatively painful correction, intermediate degree wave 2 down within a five wave structure for (5) up. Intermediate 2 down could be brief, lasting only a few months, as the decline in 1987 saw, or it could last 6 to 9 months, finishing in 2008. In either case, it will be painful. However, it is corrective, and should be followed by a huge mega-Bull market starting in 2008/2009, intermediate degree wave 3 up. We presented this scenario with an alternate notation the past several weeks. We now have placed it as our top count. It means many of the longer term EW labelings are one degree lower.



The above pattern in the *Dow Industrials* is an *Ascending Expanding Wedge*, with diverging upper and lower boundaries, *which suggests a top here of significance*. Once complete, prices can be expected to drop to about the start of the pattern, at a minimum, meaning into the 9,000s over the intermediate-term, although if the PPT responds by hyperinflating the money supply, it could be 9,000 in *real* dollars (gold adjusted), not nominal. *Tuesday February 27th's decline was the largest one-day sell-off since 9/11, and the seventh worst in the history of the stock market*. However, it looks to have been merely a three-wave corrective decline, wave *b* down, with *c* up underway (*c* is possibly complete). *It is looking increasingly likely to us that world central banks will choose hyperinflation rather than nominal decline in stock indices*, which will force precious metals prices to rise sharply. The recent confirmed Hindenburg Omen suggests that the coming Intermediate degree wave *2* decline could be sharp, and should occur within 120 days, possibly starting within five weeks.

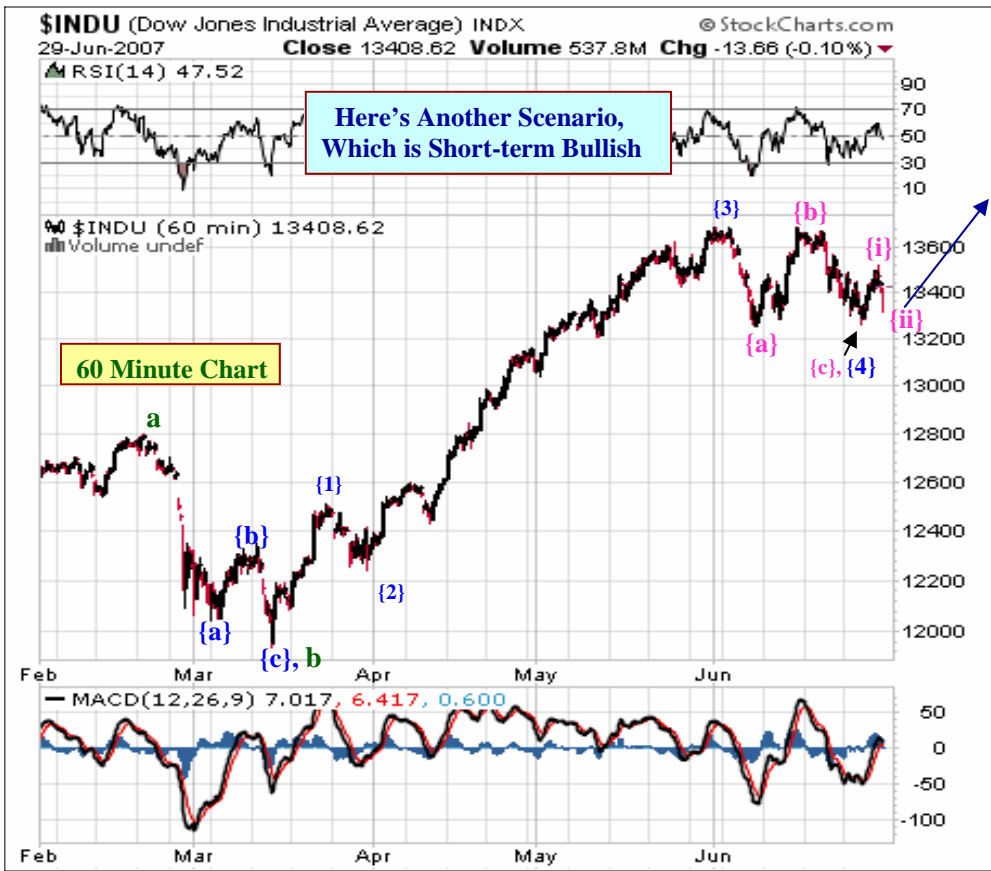
In Elliott Wave terms, this *Expanding Ending Triangle* can have an extended wave “*e*” if it wants to — and it does. *The Encyclopedia of Chart Patterns*, by Thomas Bulkowski, gives this pattern a 76 percent chance for success in forecasting a downturn, and a 94 percent chance if one waits for a downside breakout as defined by a drop below the bottom boundary. Bulkowski states on page 73 and 74, “*Once prices pierce the bottom trendline, they drop rapidly*. Once a breakout occurs, there is no looking back; prices break down cleanly and continue down.” This means the decline from February 20th will likely be dwarfed by what is coming after this short-term bullish, intermediate-term bearish pattern completes.



Above we show a 60 minute chart of the *Elliott Wave labeling of the decline and bounce from February 20th, 2007*. February 20th's top is wave **a** up, and March 14th's bottom is wave **b**-down, of an **a**-up, **b**-down, **c**-up for a final minor degree wave **e** up in the *Expanding Ending Triangle*.

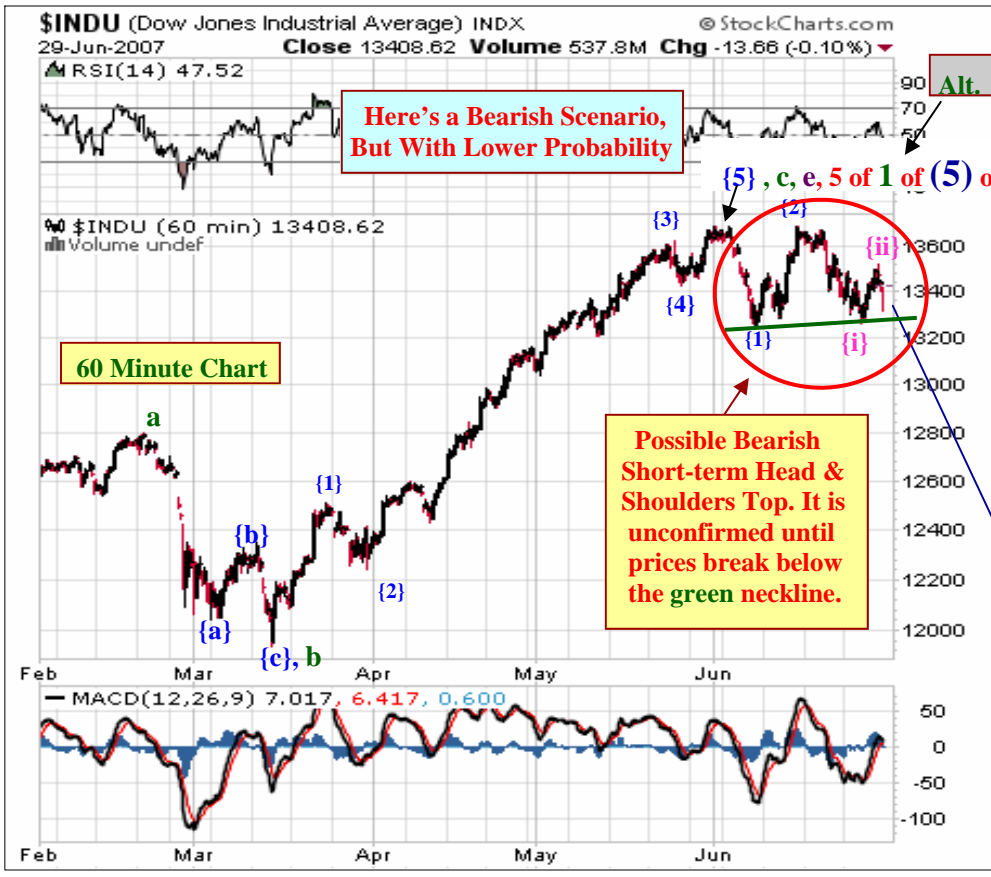
Fundamentally, the economy is a wreck about to happen, due to housing, lending, and debt crises, and a new coming credit crunch crisis. *The 500 point crash on February 27th was an early warning. The recent rash of large down days is another*. We got a bunch of them similarly in 1987 before the big plunge. The PPT is very active at this time. They will do everything they can to prevent a major stock sell-off. Their key tool is to print a ton of money and get it into the economy by buying bond and equity markets. If they do this, any major decline should be reversed, with new nominal highs to follow, *our new top labeling — the hyperinflation scenario*, considers the developing top merely intermediate degree wave **1** up, not **5** up.

Short-term, prices are traveling in a nice upward parallel trend-channel for wave **c**. Wave **{3}** topped on June 1st, at 13,692. A *Micro degree wave {4} correction may have completed on June 7th*, at 13,251, with a final wave **{5}** up underway, however our top labeling is that the DJIA is forming a Micro wave **{4}** down *Ascending/Symmetrical Bullish Triangle*. Wave **{5}** up should rise at least an amount equal to the first “**{a}**” wave of the triangle, about 410 points above the breakout point, which should take the DJIA toward 14,000. There are other short-term scenarios shown on the next page, one Bullish, the other Bearish. A breakout above 13,692 would be Bullish. A drop under 13,251 increases the odds of the Bearish scenario, that the major top is in on a truncated (prices fell short of the wave **{3}** top) **{5}**th.



Alt. 5

{5}, c, e, 5 of 1 of (5) of V



Alt. 5

{5}, c, e, 5 of 1 of (5) of V



The S&P 500 is finishing its terminating top *Ending Diagonal Triangle*, a.k.a. *Rising Bearish Wedge* from August 2004. The recent sharp decline in February was merely corrective wave **b** down, with **c** up underway. Once complete, risk of a decline is likely, in an amount that is measurable based upon the pattern. Breakout targets from triangles (in this case an ending diagonal) are usually — at a minimum — the widest distance of the move within the triangle. In the case of *Rising Bearish Wedge, ending diagonal triangles*, the breakout occurs in the opposite direction of the wedge. This gives us a minimum downside target for this major decline in the S&P 500 of 1,060, the point where this three year wedge started, shown above. It likely won't happen all at once, but could zig-zag lower deep into 2007. Of course, hyperinflation by the PPT could mean the next decline will be in real dollars, and not hit the nominal dollar targets noted here (that assume price stability). That's the new paradigm Technical Analysis must deal with — hyperinflation.

The S&P 500 may want to test its all-time nominal high of 1,553 from March 2000 before finishing the intermediate pattern. In fact, at the top of the next page, we show a multi-year Bullish Head & Shoulders pattern that has *a minimum upside target of 1,558*, a few points above the all-time high, and about 55 points above Friday's close. This is a minimum, so prices can go higher. The fact it has not yet accomplished this, argues for the short-term Bullish scenarios we present this week.

An interesting tidbit is that Friday, June 1st's close, the S&P 500's all-time *closing* high, is exactly twice the intraday low on October 10th, 2002 (768). So maybe that will stick.

The chart at the top of page 19 shows that the *OEX* in a similar pattern as the DJIA.

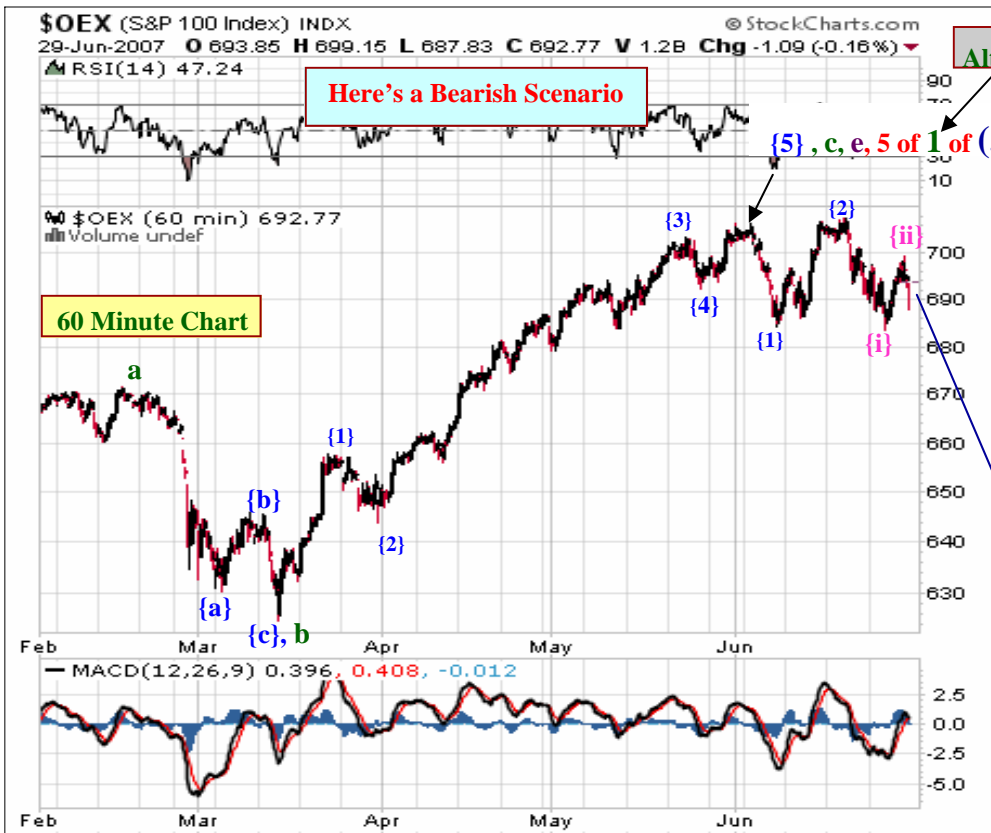


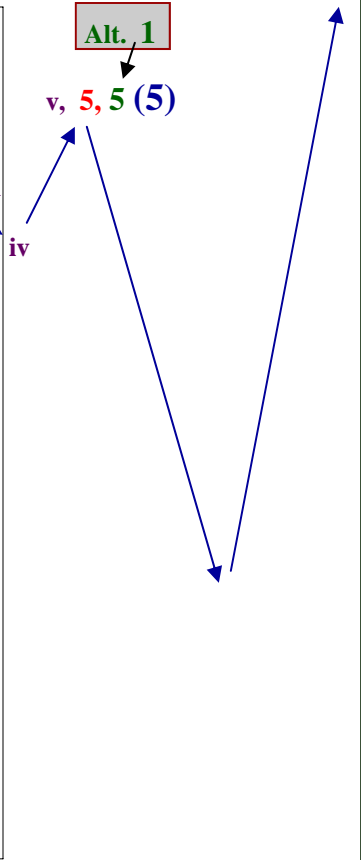
This Bullish Head & Shoulders Bottom has a *Minimum* Upside Target of 1,558, just above the all-time intraday high for the S&P 500 of 1,553.09 from back on March 24th, 2000, about 55 points above where we closed Friday. You have to think the S&P 500 Will Get There Before the Major Top is in.



Alt. 5

{5}, c, e, 5 of 1 of (5) of V





There is a confirmed **Bullish Head & Shoulders pattern** that has formed in *Trannies*, with an upside target of 5,600. Confirmed means the neckline was breached, which increases the likelihood that the minimum upside target will be reached. This pattern supports *the Elliott Wave labeling*, which suggests the 5,211.41 top on February 22nd, 2007 was merely Minuette degree wave **1** up within wave **iii** up, with the decline to March 14th's 4,614.35 corrective Minuette wave **2** down, with **3**-up and **4** down also complete. This would be a five wave rally (waves **i**, **iii** and **v** progressive, and waves **ii** and **iv** regressive), toward the upside targets. On the Bearish side of the fence, we can spot a short-term **Rising Bearish Wedge** pattern, that looks close to completion, suggesting the above two targets may not get reached.

Inside wave **iii** up, it looks as if the decline last week was Micro degree wave **4**, and the rally this week is the start of wave **5** up. The hyperinflationary hypothesis suggests we are completing Intermediate wave **1** up, instead of **5** up, meaning that after an Intermediate wave **2** correction later in 2007, there should be a huge Bull market run, Intermediate wave **3** up.

We are *watching the weekly MACD closely*. Once the blue histograms turn decisively negative, we will have a "sell" signal. That would likely mark the start of Intermediate wave **2** down. They went negative this week, but not quite decisively, so this bears watching.



Bullish Head & Shoulders Bottom supports the alternate labeling, and has a minimum upside target of 5,600ish. The pattern is confirmed with a break above 4,900, which means the probability of seeing 5,600 is good. But, the Rising Bearish Wedge below suggests 5,600 may be overstating the potential here.



Ascending Bullish Triangle has morphed into a Bearish Rising Wedge, allowing for one more push higher, to the 5,400ish area.



Alt. 1

e, 5, of 1 of (5)

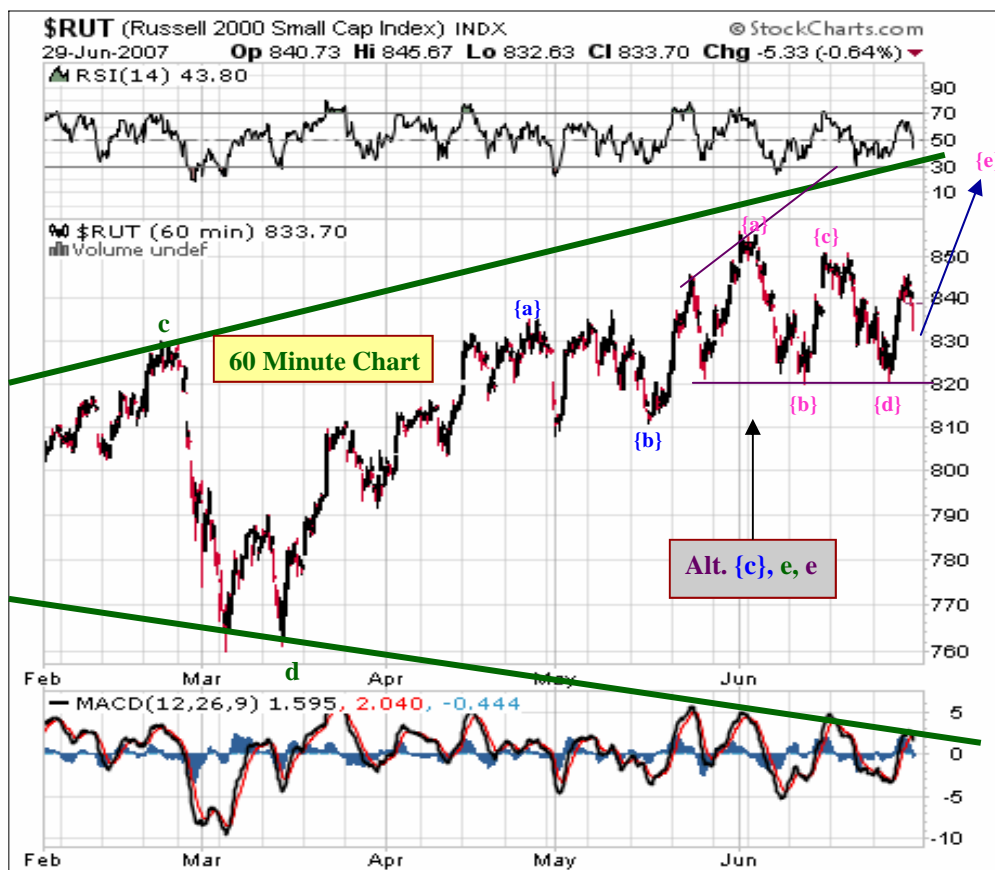
2



Alt. {c,} e

{c,} e, e

A Broadening Megaphone Top that suggests a possible rally to the upper boundary, to 870ish. But this pattern is ultimately Bearish intermediate-term, once completed.



The *Russell 2000* has formed a *Megaphone Top pattern*, which may not yet be complete, and which gives us an upside target of 870ish. The first leg of the Minuette wave *e* Megaphone Top, Micro wave “*a*” up, topped on December 4th, 2006 at 801.01. Corrective wave *b* down bottomed on January 9th, 2007 at 768.69. Wave *c*-up within the five wave Megaphone topped on February 22nd, 2007 at 830.01, after extending and taking shape as a *Cup with Handle*. The *Cup and Handle pattern* promised a significant subsequent move, which we got — up. The mini-crash from February 22nd was wave *d* down. Wave *e* of *e* up is in process, and should reach at least 870ish. It can truncate, so any major decline here will mean the Megaphone is complete.

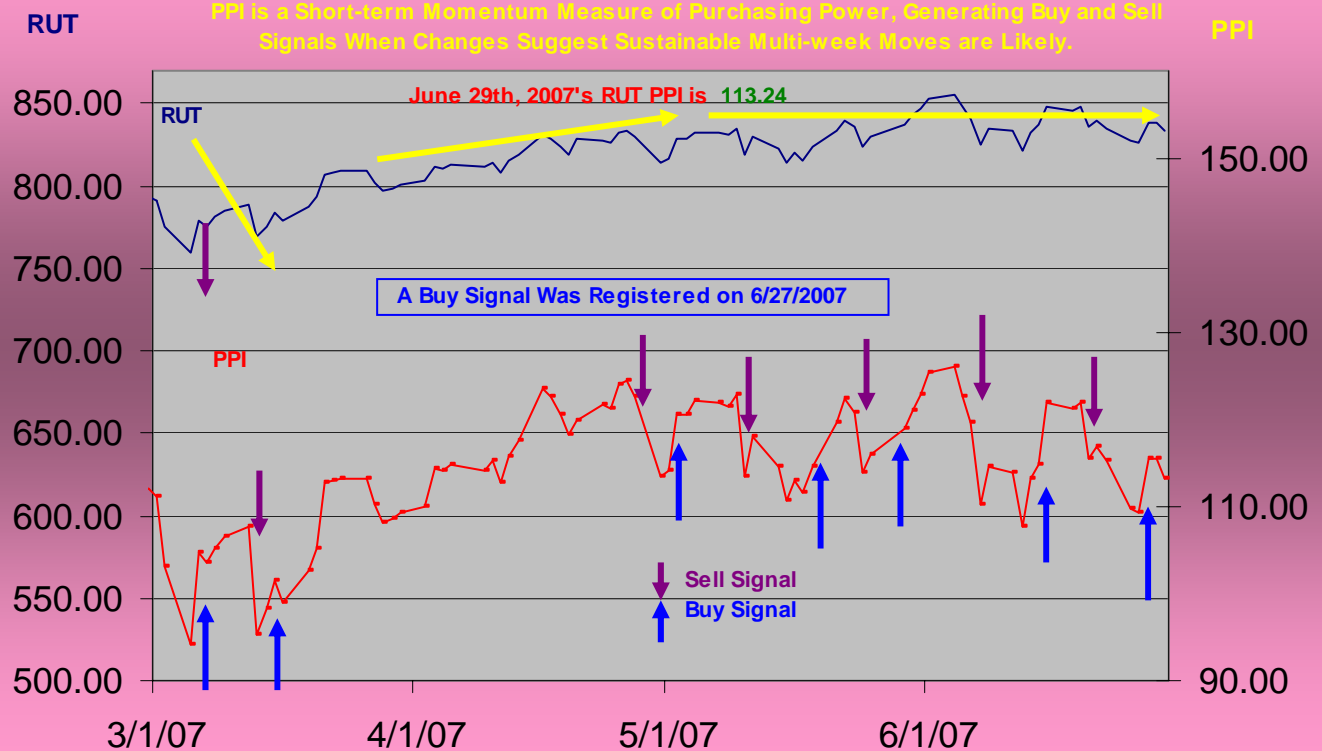
The thing about the *Broadening Top Megaphone pattern* is that while it is *short-term Bullish*, it is *intermediate-term Bearish*, with significant downside potential intermediate-term once the pattern completes.

Short-term, wave {*c*} up of *e* up may be taking shape as an *Ascending Expanding Wedge*, which is a Bearish topping pattern. Inside that wave *e* up, we have completed waves {*a*} up, {*b*} down, {*c*} up, and {*d*} down are complete, with {*e*} up starting Friday, June 8th.

The hyperinflationary scenario labeling has the RUT completing Intermediate wave *1* up, instead of *5* up.

Russell 2000 Purchasing Power Indicator

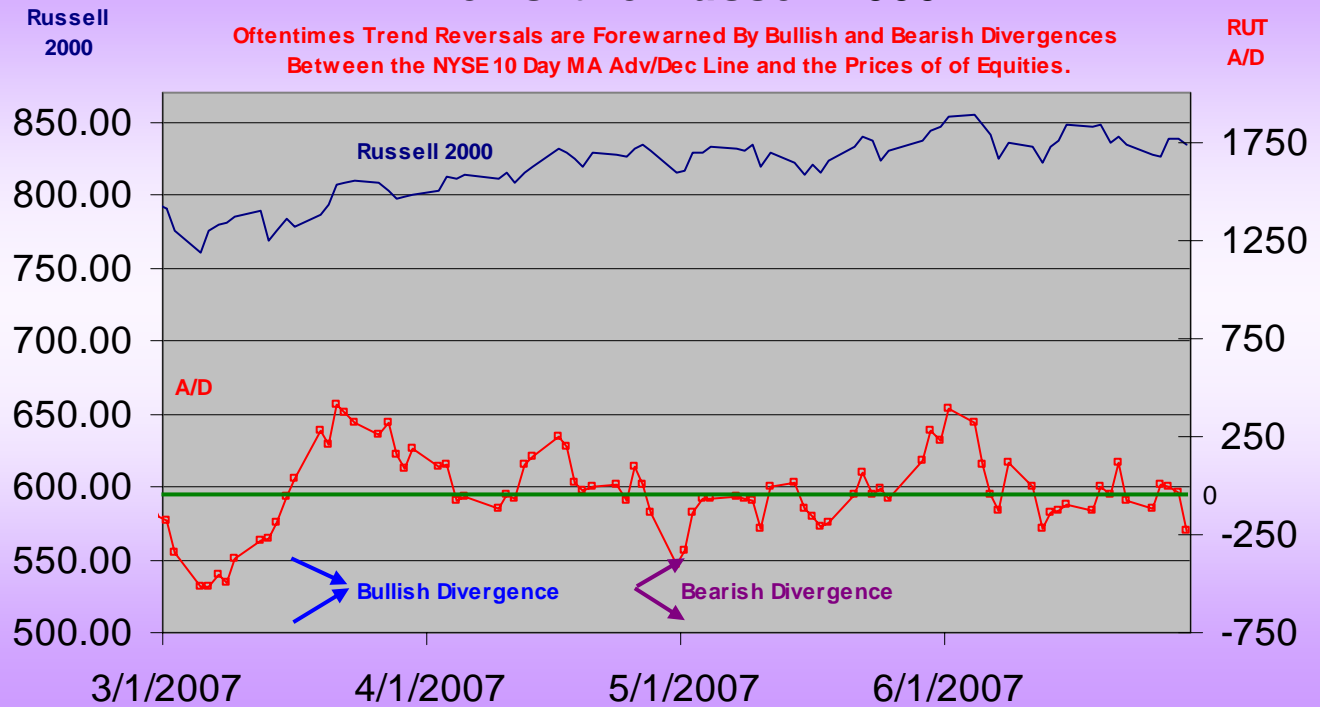
PPI is a Short-term Momentum Measure of Purchasing Power, Generating Buy and Sell Signals When Changes Suggest Sustainable Multi-week Moves are Likely.



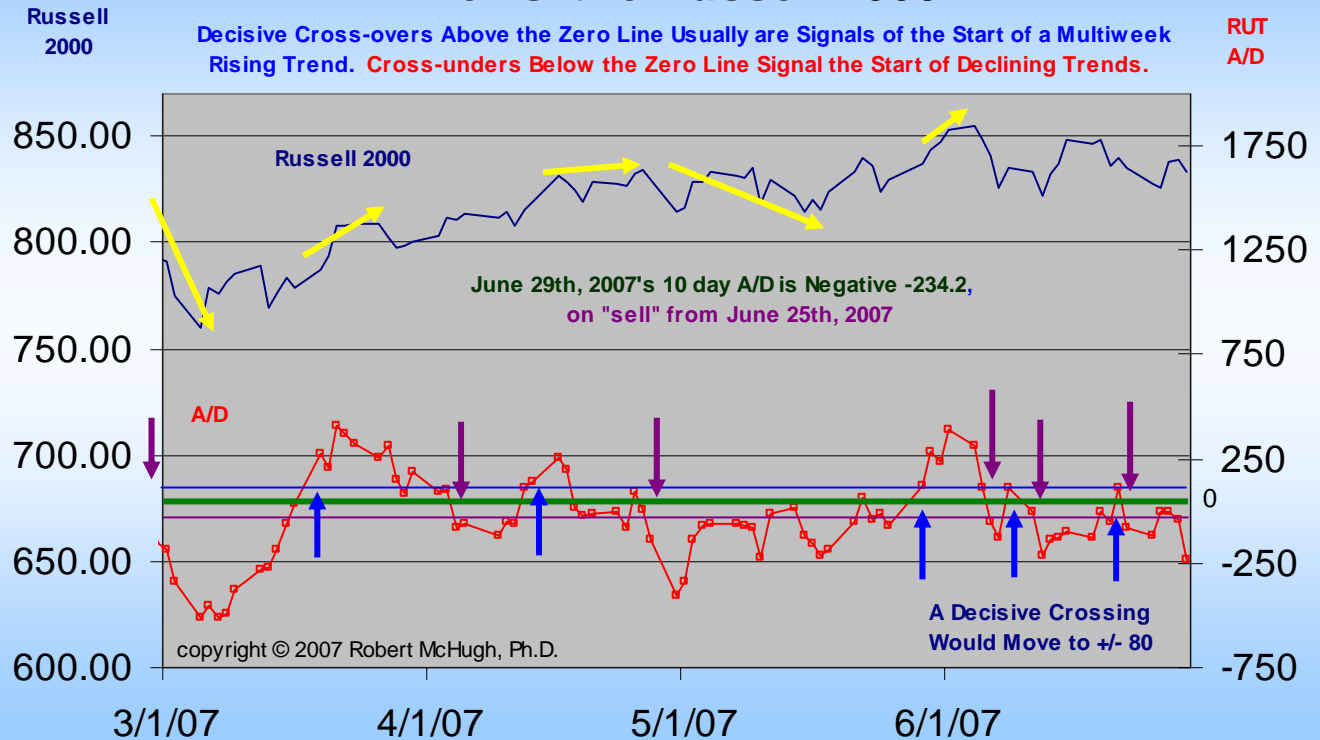
The *Russell 2000* fell 5.33 points, closing at 833.70 Friday. Volume was 98 percent of its 10 day average on the decline, with downside volume leading at 57 percent, and declining issues leading at 71 percent. *The RUT Purchasing Power Indicator* fell to 113.24, remaining on its “buy” signal from June 27th. It would need to fall below 109.53 for a new “sell” signal.

The *RUT 10 day average Advance/Decline Line Indicator* came in at negative -234.20, remaining on a “sell” signal from June 25th.

RUT 10 Day Moving Average Advance/Decline Line vs. the Russell 2000



RUT 10 Day Moving Average Advance/Decline Line vs. the Russell 2000





Alt. A

e, C, (B)

(C)



Alt. A

c, e of C of (B)



The **NASDAQ 100** rose 2.43 points to close at 1,934.10 Friday. Volume was 102 percent of its 10 day average. Downside volume led at 60 percent, with declining issues at 72 percent, however with upside points leading at 63 percent. **NDX Demand Power fell 1 point to 400, with Supply Pressure rising 2 points to 405**, telling us trading was mixed with little conviction about the trend. **Our key trend-finder indicators remain on a “sell” signal Friday.** The **NDX 14 day Stochastic Fast** came in at 44.00, below the Slow at 46.20, remaining on a “sell” signal from June 20th. The **NDX Purchasing Power Indicator** was flat at 151.89, remaining on a “sell” signal from June 26th, needing to rise above 153.29 for a new “buy.” The **NDX 10 day average Advance/Decline Line Indicator** fell to negative – 11.9, triggering a new “sell” signal. The **Demand Power/Supply Pressure Indicator**, charted on page 28, **remains on an “enter short positions” neutral signal Friday.** Once the two lines intersect, we will have an exit short positions signal. Once the Demand Power reading rises more than 10 points above the Supply Pressure line, we will have a new enter long positions signal.

The **NDX formed a Bearish Expanding Ascending Wedge for Intermediate wave C up of wave (B) up.** That top is finishing, to be followed by wave (C) down, which could last several years. Short-term, the February mini-crash took the NASDAQ 100 down to the wave **b** bottom within a final wave **e** of **C** of **(B)** up. The bounce that has followed, is wave **c** up of **e** up, which is still in process. If **c** up reaches the upper boundary of the **Expanding Ascending Bearish Wedge**, that would target 1,950ish +/- . Prices have already reached 1,947. An alternate labeling has the NDX completing Intermediate degree wave **A** of **(B)**, not **C** of **(B)** at this time.

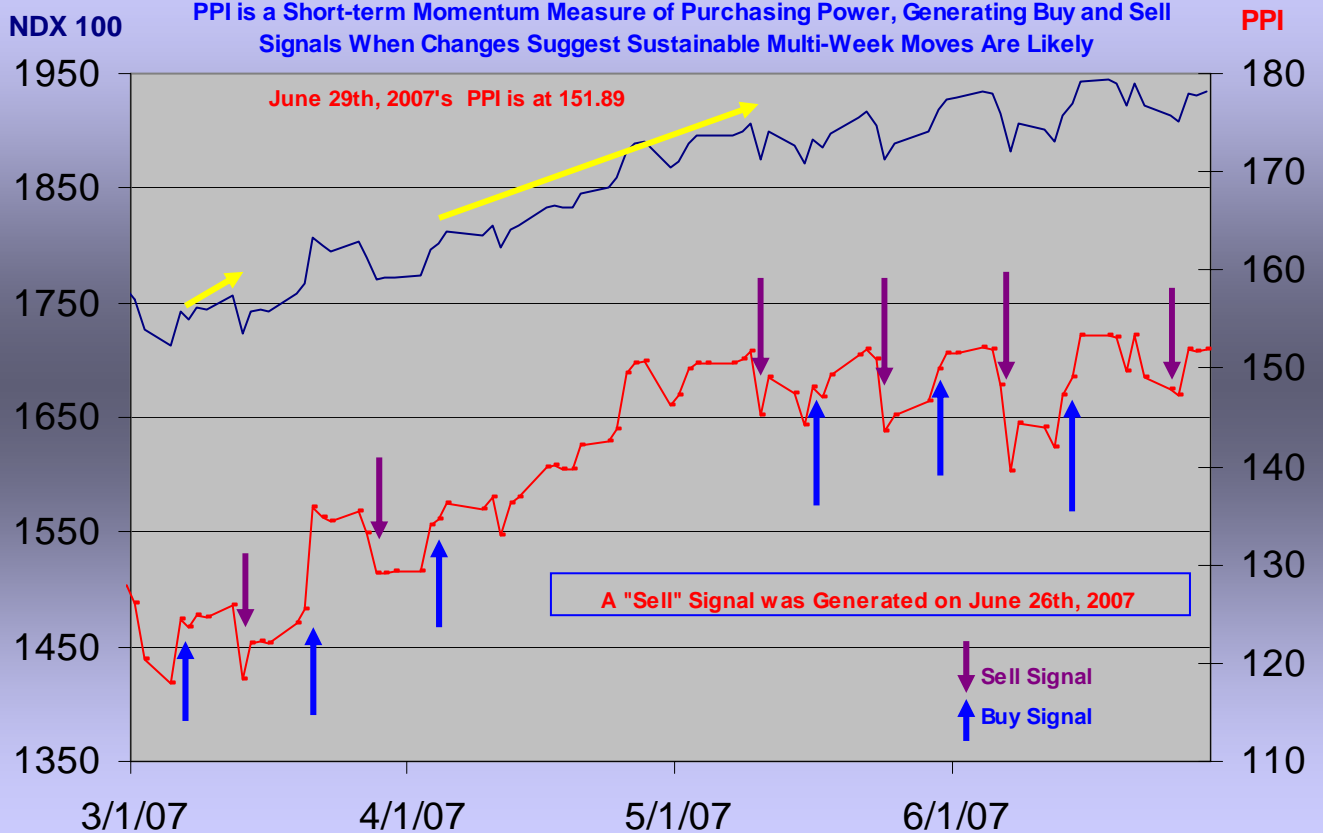
14 Day Stochastic NASDAQ 100 Index

A Short-term Measure of Momentum Changes Comparing the Percent of NASDAQ 100 Stocks Above Their 14 Day MA With a Slower 5 Day MA of Same

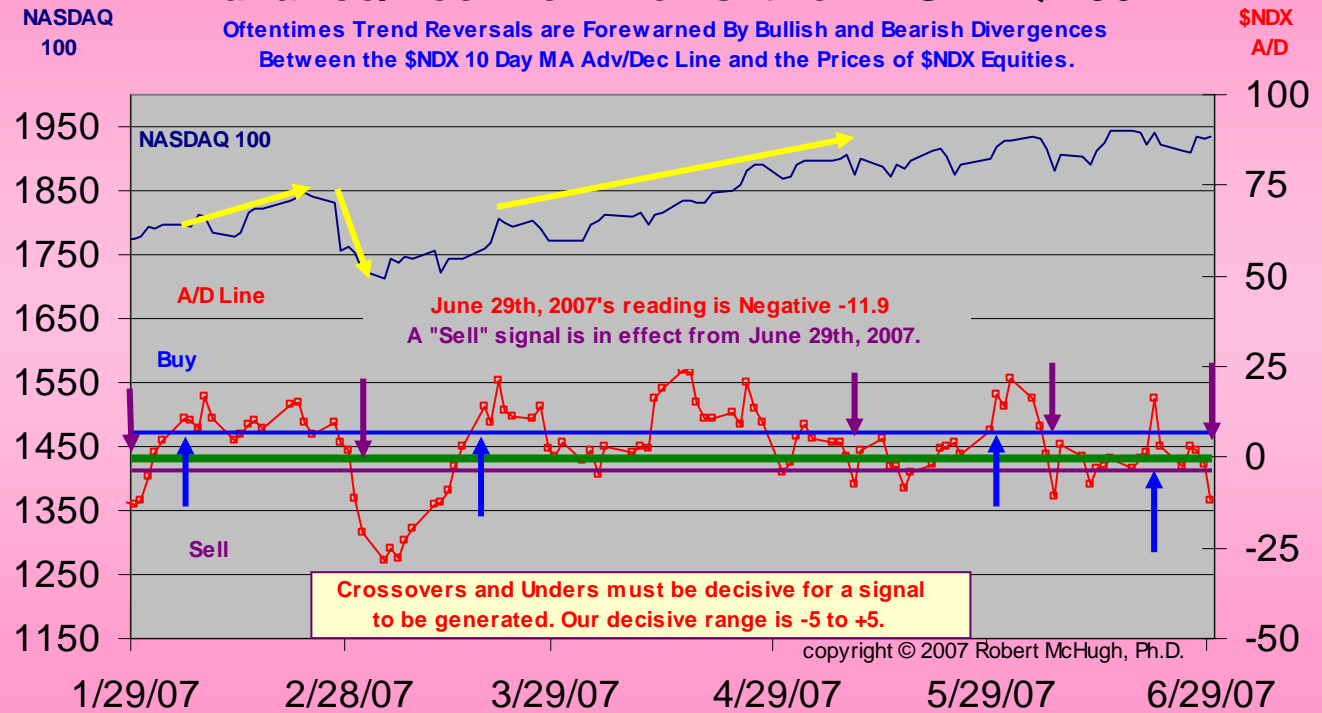


NASDAQ 100 Purchasing Power Indicator™

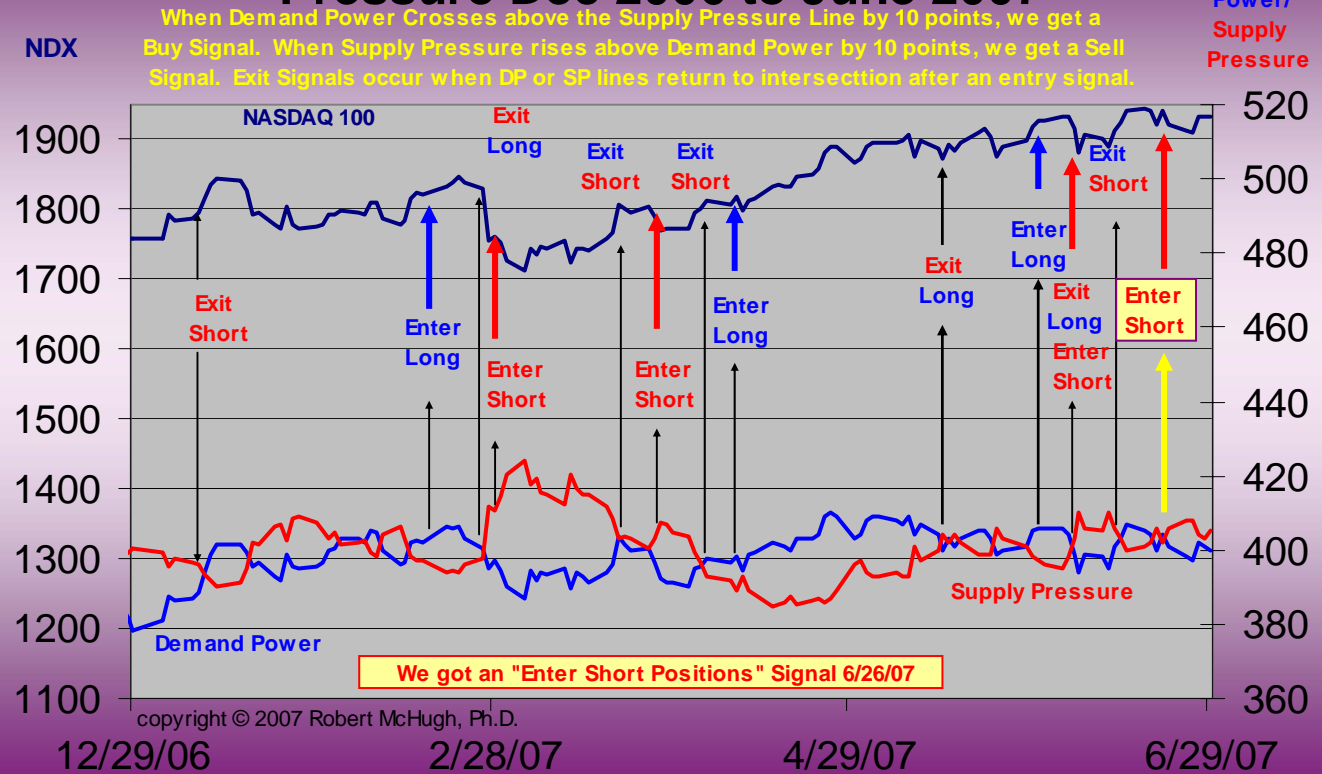
PPI is a Short-term Momentum Measure of Purchasing Power, Generating Buy and Sell Signals When Changes Suggest Sustainable Multi-Week Moves Are Likely



NASDAQ 100 10 Day Moving Average Advance/Decline Line vs. the NASDAQ 100



NASDAQ 100 vs: Demand Power & Supply Pressure Dec 2006 to June 2007



The Economy:

We learned this week that *Gross Domestic Product* grew at an annualized 0.7 percent pace the first quarter of 2007, according to the Commerce Department's nth revision. The National Association of Purchasing Management-Chicago reported that its *Midwest Business Index* fell to 60.2 from 61.7 in May. Above 50.0 indicates growth. *Durable Goods Orders* fell 2.8 percent in May, down from a 1.1 percent increase in April, according to Commerce. Excluding transportation orders, it still fell 1.0 percent. This indicates a slowing economy the second quarter.

The *Federal Reserve* brain trust *left short-term interest rates unchanged* at their latest Open Market Committee meeting, this week. It kept its Federal Funds target rate at 5.25 percent. When you don't know what to do, you do nothing. Hyperinflation is the new macro economic policy, its execution in stealth fashion the tactic, propping up all markets the objective.

Construction Spending rose 0.9 percent in May, according to the Commerce Department. Construction on private homebuilding was down 0.8 percent, the fifteenth consecutive month this figure has shrunk. Public spending is carrying the industry. Next year's real-estate tax increase at work. Have you ever seen a time with such ill regard for confiscating the wealth of Americans? Real estate taxes are unconstitutional, a confiscation of property. And it is getting worse, as more and more artificial turf is laid at our public schools, so a handful of kids can wreck their knees, all to the glory of the School Boards.

The *Prices of Existing Homes* fell 0.2 percent in April, the fourth consecutive monthly decline. *New Home Sales* fell 1.6 percent in May, according to the Census Bureau, and they revised April's figure lower. This is *the 18th straight month of declines*, and sales are now down 15.8 percent from a year earlier, according to an article this week at www.cnnmoney.com.

Initial Jobless Claims came in at 313,000 in the latest reporting week, according to Labor, and of course they revised the previous week's figure higher.

And the sum of all this is that *Consumer Confidence is dropping*. The Reuters/University of Michigan Consumer Sentiment Index fell to 85.3 in June from 88.3 in May, and was the lowest since August 2006. The Conference Board's measure of Consumer Confidence concurred. It's June Index fell to 103.9 from 108.5 in May.

Dangerous Soybeans? Have you noticed they are putting soy in everything? Check your food labels. It is being used as a tasteless, odorless filler, taking on the flavor of other ingredients. So what, you say? *Have you noticed trouble swallowing lately? Have you noticed an increase in food allergies lately?* KYW radio in Philadelphia this week ran a story noting that food allergies are on the rise among school students, and many kids are now traveling to school with a medical kit to inject anti-allergenic drugs in themselves — at school — to deal with the food allergies. *Are we so sure adding soy to everything we eat is such a great idea?* You can't escape it. It is now in ice cream, mayonnaise, pretty near everything. It's cheap. Is it genetically altered? Is that a good thing? *Did you know that soy increases your levels of estrogen, a female hormone?* Here's a quote from the marvelous book, *Prescription for Nutritional Healing*, 3rd edition, by Phyllis (CNC) and James (M.D.) Balch, page 552: "If you are a menopausal or postmenopausal woman with osteoporosis, include plenty of soy products in your diet." (no problem doing that nowadays, just buy something and eat it). "Soy is rich in phytoestrogens, which may, to some extent, substitute for your body's own estrogen." That's great of you are menopausal, but what if you are not?

So men, is your libido down? Could it be the soy that has invaded most of the food? Gee, if someone manufactures prescription medications that raise libido, they would have a vested interest in seeing the entire adult male population secretly ingesting estrogen, wouldn't they?

So women, if too much estrogen increases your risk of breast cancer, increases your need for hormone therapy, increases your need for the birth control pill, someone who manufactures and sells pharmaceuticals to combat those issues, would have a vested financial interest in persuading the food manufacturers to include tasteless, odorless soy fillers in the food supply, wouldn't they?

You'll find soy in pretty much anything that comes in a can or a jar. It is in most dairy products. It is in most breads, many processed meats, in chocolate, in many of your vitamins, found throughout your health food store. Forgetting about the FDA for the moment (which is manned by many pharmaceutical firm employees, if you take Kevin Trudeau seriously in his book, *Natural Cures "They" Don't Want You to Know About*), the best consumer safety watchdog we have, the homeopathic industry, needs to pay more attention to the potential dangerous effects of soy. Is it possible that a myriad of different ailments are tied to soy ingestion? Soy has become the universal food ingredient, so we better fully understand what it does to the human body.

I would love to hear from subscribers, especially those of you in the medical profession, on your thoughts on this issue. As a matter of disclosure, I do *not* have a short position against soybeans. I don't trade them, period.

Money Supply, the Dollar, and Gold:

M-3 remains hidden by the Fed, so that *We the People* can't know what the Federal Reserve is up to. Where's the transparency Ben? ***We continue to monitor the monster at the bottom of the next page*** — it tells you all you need to know about what the Fed has been doing with M-3:

Nothing has changed from the last several weeks. The pattern at the bottom of the next page is a ***Head and Shoulders top***. These patterns are highly reliable. It is not yet a "confirmed" pattern, meaning until prices drop below the neckline decisively, say below 80.00 to 77.00 or so, the probability of the minimum target of 40.00ish being hit is not as great. However, ***should we see the Dollar drop down to 77.00ish, we are in a high risk situation of a devaluation of the dollar all the way down to 40.00***. Not all at once, but over the course of several years. ***Perhaps all at once, should the government elect to flat-out issue an edict that a dollar is now worth 50 cents. Would they? Maybe. Why? It is a way to repudiate half of all the debt in the United States.*** Why would they want to do that? Perhaps if a recession became a depression, or the risk thereof. Perhaps if housing was to absolutely dive into the tank. ***It would be a way to relieve mortgage holders of a huge chunk of their obligations in lieu of mass foreclosures.***

Since late 2005, the *Dollar* has been stair-stepping toward the neckline. *Should it drop decisively through 80.00, key support will be breached, and a rapid decline into the low 70s should follow.*

The pattern is ominous as far as its size, its timeframe, and as far as its downside implications. *This pattern is textbook.* No flaws. In fact it carries a rare added textbook feature of a weaker right shoulder than left. That is not good. This is right in line with the Fed's decision to hide M-3, enabling them to hyper-inflate the economy with too much money for secret purposes (The Working Group's minutes are secret, their market buying intervention activities are secret, the quantity of M-3 being created is secret). Any auditor worth his salt will tell you that secrecy breeds mischief, often with dire consequences. The founding fathers established accountability in our constitution, and the Federal Reserve and the Working Group (a.k.a. Plunge Protection Team) are managing M-3 in violation of that spirit.

The Elliott Wave labeling shown at the top of the next page suggests more downside is coming. The Dollar finished its descent into wave **iii** down, and completed its Minuet wave **iv** corrective rally. Wave **v** down of Minor **1** down is completing as a *Descending Bullish Wedge*, which will lead to a corrective wave **2** rally. That rally and decline into wave **3** down will establish a right shoulder of a *Bearish Head and Shoulders pattern*. Once the neckline of that H&S pattern is breached, perhaps sometime in the autumn of 2007, the Dollar should decline hard.





At the top of the next page *we show this developing Head & Shoulders top*, and we annotate its projected completion. If the Elliott Wave labeling occurs that we expect, then this large H&S pattern will complete and confirm, with *a minimum downside target of 70.00ish*, well below the necessary 77.00 target for confirmation of the mega-Head & Shoulders pattern from 1992 through 2006.

Short-term, we expect one more small decline to the 81ish area, wave **e** of **v** down, to complete wave **1** down, also completing the *Descending Bullish Wedge for wave v down*. We hit 81.89 Friday. Then, wave **2** should supply a summer rally, perhaps as a result of a minor short-term interest rate rise from the Fed. However such an interest rate rise would nail the top in the coffin, if it comes, and the Fed will have no choice but to flood markets with money to rescue the economy, at the sacrifice of the dollar.

This is risk analysis, not trading advice. But this risk is enormous, for if the Dollar in fact devalues 50 percent, it will change life as we know it, which is great long-term for Gold and Silver of course. Housing has been breaking down. Now we see signs that banks that lent heavily in the sub-prime markets are in trouble. Next, bank prime real estate loans will be in trouble. Unless the Master Planners devalue the Dollar and hand out mega-money to every household, we will likely see the 2007 resurrection of the Resolution Trust Company, a 1980's Savings and Loan embalmer. *For now, their plan is to get the money into the economy through Wall Street, and hope it trickles down to the little guy. Not enough of it will, using that venue. The handout will have to be more direct.*



The Dollar has Formed a Descending Wedge, which is short-term Bullish. The rally which is coming should form a right shoulder.

Right Shoulder



A Descending Bullish Wedge Suggests a Summer Rally in the Dollar after one more drop to 81ish.

2



Gold finished the Minor degree wave 3 of Intermediate degree 1 up on May 12th at \$730.40.

Gold's Minor degree wave 4 *Symmetrical Triangle*, which is a consolidation pattern of the Minor degree wave 3 rally that started back in 2001 and extended into the May 12th, 2006 top, looks complete. The recent rise to 698 is a breakout north, meaning the wave 4 pattern is complete, and wave 5 up has started. If so, it means the first small degree wave up within 5 up is over, and the recent minor sell-off is a corrective small degree wave {2} down within 3 up. An alternate is that waves a through d within wave 4 are complete, with e down occurring now. A break above \$730 would eliminate this possibility. Wave fives typically extend with precious metals, so for wave 5, \$900 is not out of the realm of possibility for Gold later in 2007/2008.

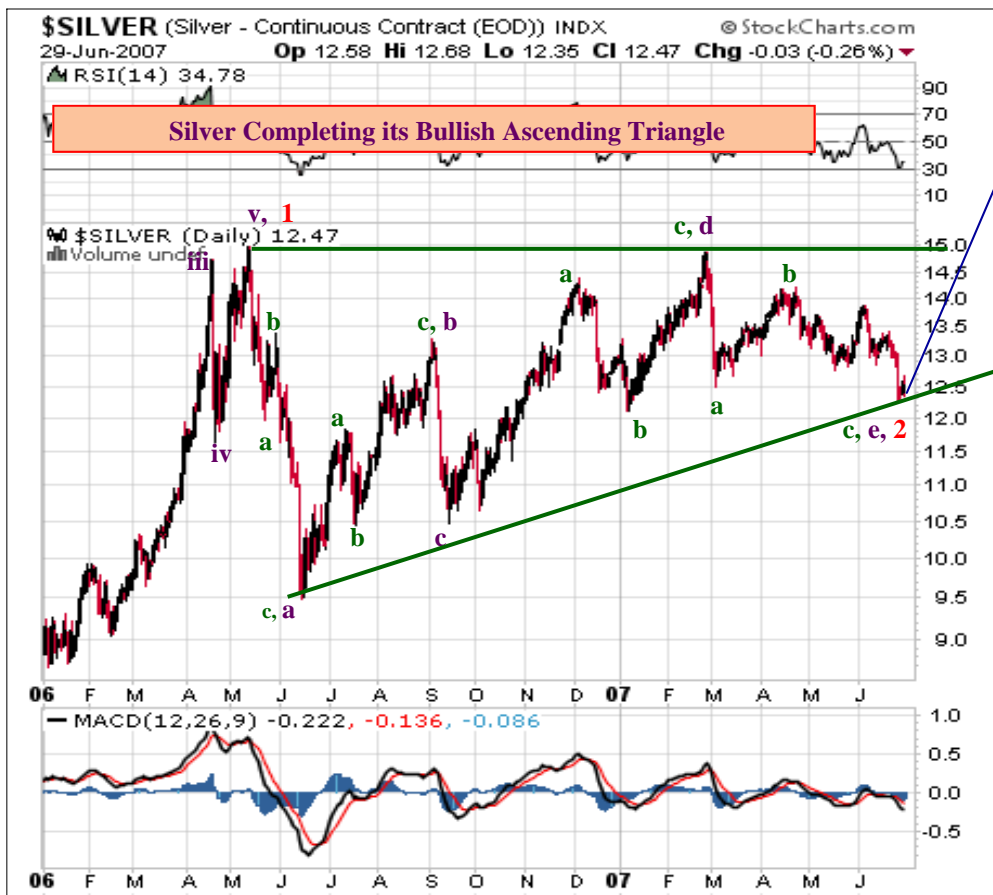
A second alternate scenario is that Gold may morph into a 3-3-5 Flat, meaning wave c down of 4 would drop toward 525ish or lower. If it drops much farther than that, then the third alternate labeling shown above is likely occurring, a one degree larger correction, Intermediate 2 down. But if that alternate is occurring, wave 2 down would be on its last leg, wave c down. A rise above the May 2006 \$730.40 would eliminate the alternate labelings. If one of these alternates are occurring, we will consider it a wonderful buying opportunity since hyperinflation is our future.



{3}, 3, 1, 5 of 1 of (1)

This looks like a Bullish Breakout.

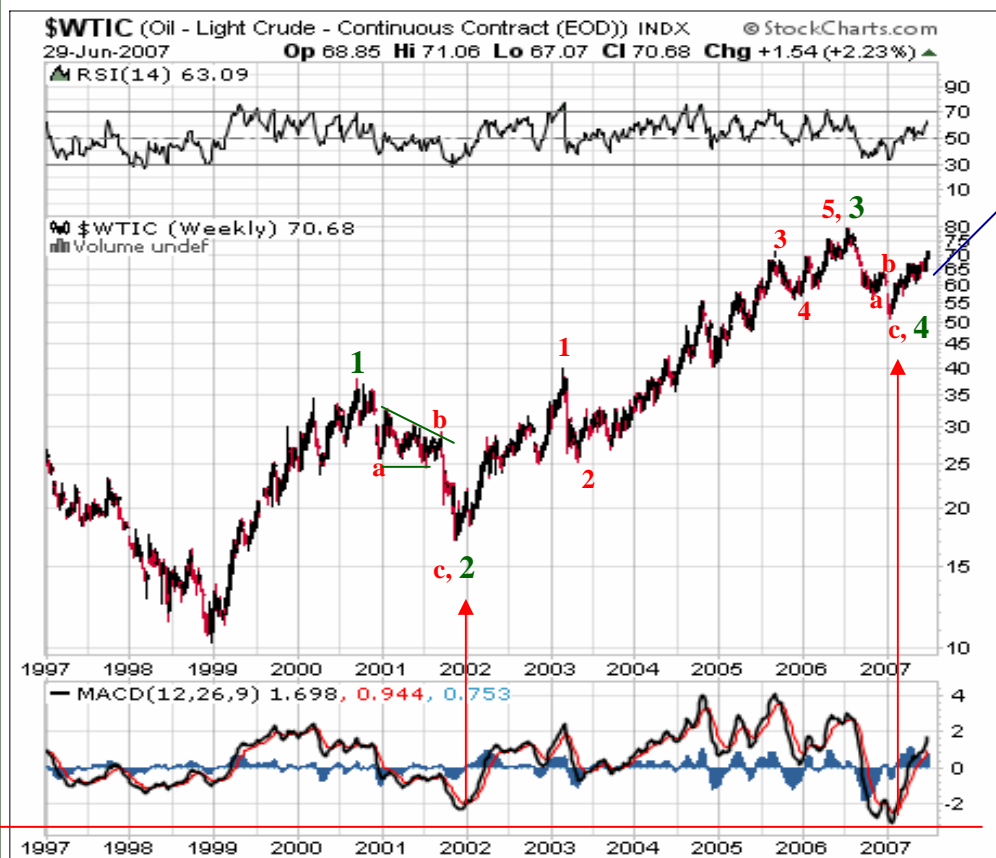




A decisive breakout north of the upper boundary line would confirm that the wave 2 Ascending Bullish Triangle is complete and wave 3 up is underway.

Silver has formed an **Ascending Bullish Triangle**, with an upside target of 21ish. *Silver* finished its Minor degree wave **1** up, and our top count shows it has also completed an **Ascending Bullish Triangle** for wave **2** down. It is very rare for triangles to form in wave twos, they usually appear in wave fours, but one occurred here. A decisive breakout north of the flat upper boundary of the Triangle, above 15, would confirm that wave **3** up of **5** up is underway.

It is possible that the first small degree wave **i** up of **3** up has finished, and the decline the past several weeks is corrective wave **2** down, within **iii** up. Wave fives typically extend in precious metals, another reason *Silver* could be headed for \$21. An alternate labeling has wave **2** down completing now.



5 of (1)

Intermediate wave 3 topped in July, and Intermediate 4 down correction looks complete.

Above, we present the long-term Elliott Wave labeling for *Oil* (West Texas Intermediate Crude). It finished a huge Intermediate degree wave **3** bull market in July, 2006. The decline since was *corrective Intermediate wave 4 down*. Wave 4 down is finished. Short-term, it looks to us like wave **5** up has started, with oil up 40 percent over the past five months. Within wave 5 up, wave **i** of **1** up is complete, as is corrective wave **ii** down. We've been saying for months that wave **iii** up could lift oil into the 70s. Well, on Friday it hit 71.06. This huge wave 5 up should take oil above \$80 a barrel over the next year or so. Wave 5's typically extend in commodities. There is a *bullish Head and Shoulders bottom* that has formed in Oil, which suggests a minimum upside target of \$77.0 a barrel. The pattern is confirmed, meaning the odds of the minimum upside target being reached is high.

The *Natural Gas stocks Amex index \$XNG* has completed its primary wave **(2)** correction of wave **(1)** up, which means wave **(3)** up is underway. This index is comprised of 15 stocks by Amex, companies that manage the production and distribution of Natural Gas, the commodity. *They use hedging techniques to protect themselves from gas price plunges such as occurred last summer in the fuel itself*. Notice on the chart at the top of the next page that the bottom boundary of the \$XNG's long-term rising trend-channel supported its price twice recently, which is Bullish. It stopped the decline for minor degree wave **2**, and stopped the decline for Minuette degree wave **ii** down. The alternate labeling is we just finished a protracted sideways intermediate wave **4**, with wave **5** up underway. Both scenarios see rising Natural Gas Stocks. *A Bearish alternate* has wave **5** up nearly complete as a Rising Bearish Wedge. If that is the case, then a multi-month decline would follow. The bottom trend-line will tell us whether the Bearish alternate is occurring or not. A break below it would confirm this Bearish alternate.



Wave 4's Bottom is in. Oil should rally hard and long from here. It is up 40 percent over the past six months.



A Bullish Head & Shoulders Bottom has formed in Oil, which is confirmed by a breakout above the neckline. The minimum upside target is 77.0 We hit 70 this week.



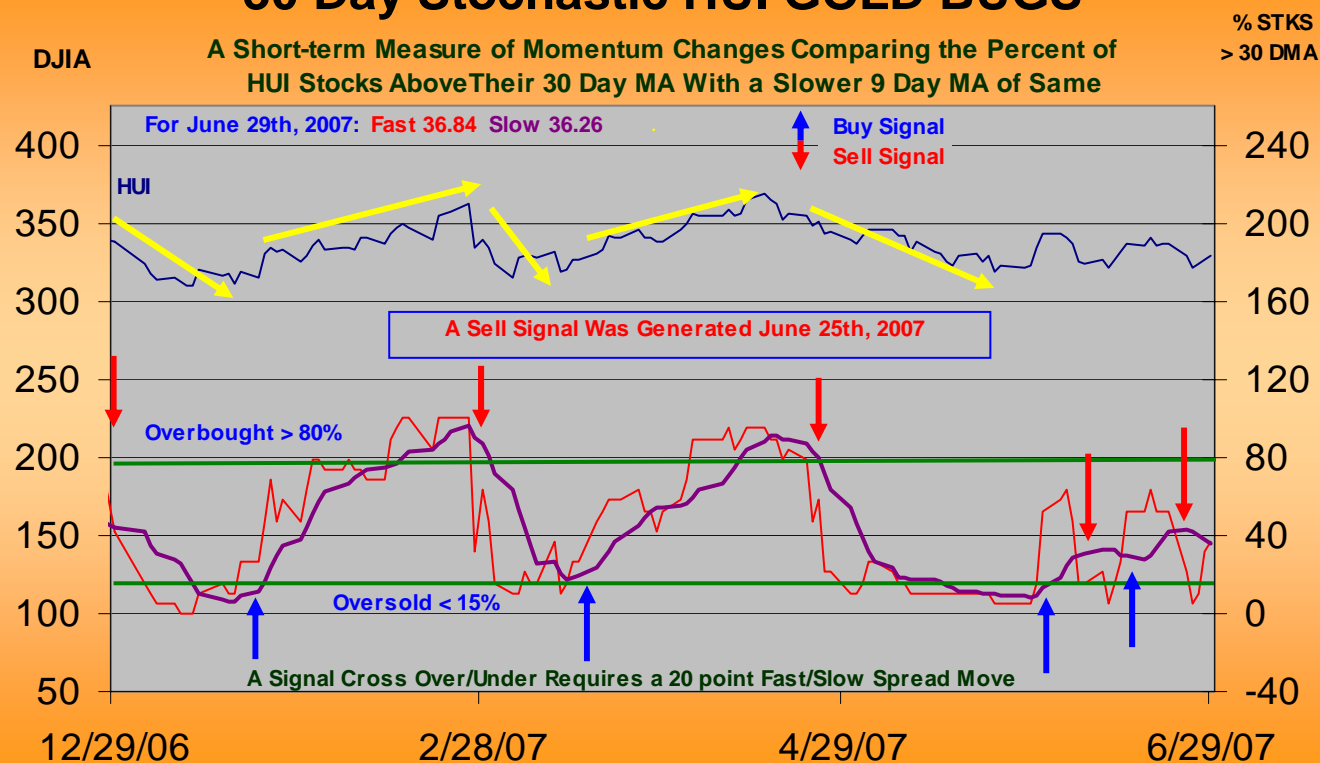
Natural Gas Stocks Remain in their long-term Rising Trend-channel. The bottom boundary has held.



Nice Long-term Rising Trend-channel
 HUI is ready to bust out higher!

Once the blue histograms turn positive, we will have a Weekly MACD Buy Signal.

30 Day Stochastic HUI GOLD BUGS

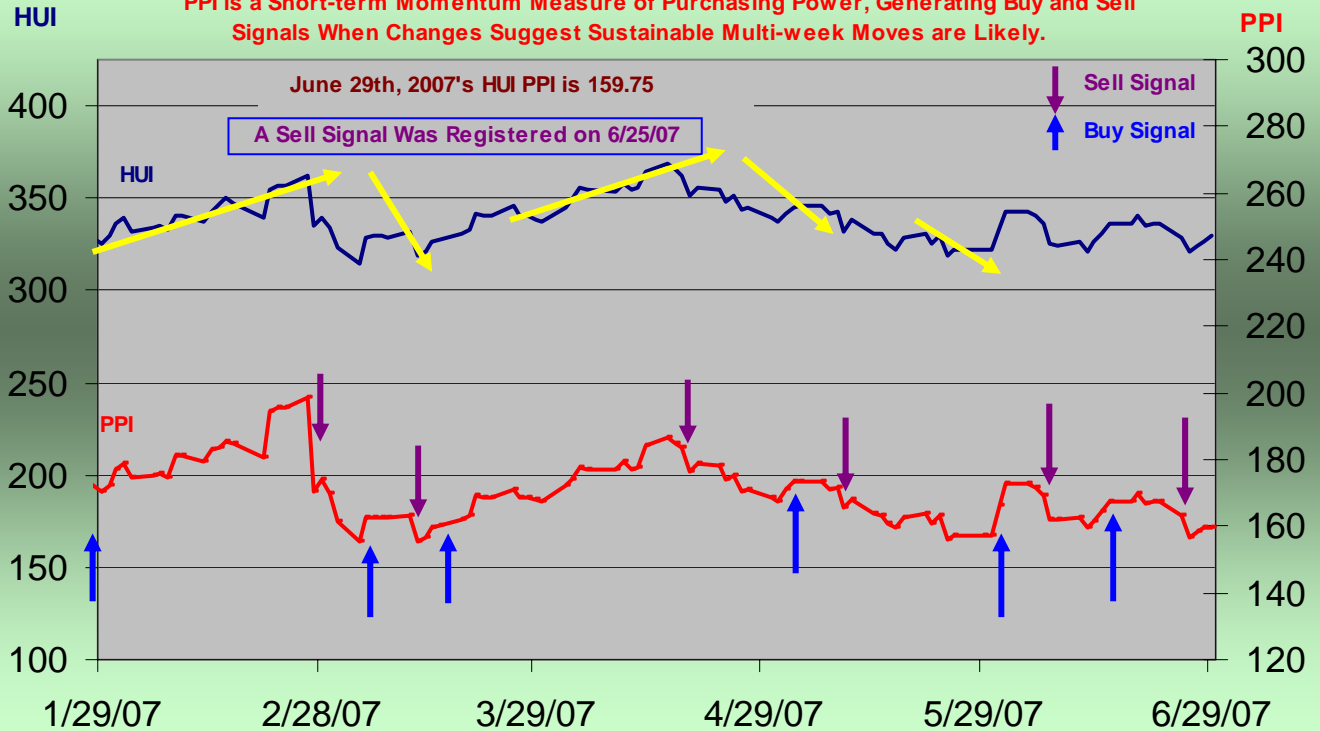


The *HUI Amex Gold Bugs Index* rose 3.03 points, to close at 329.35. Volume was 93 percent of its 10 day average. Upside volume led at 80 percent, with advancing issues at 79 percent, and upside points at 93 percent. *Our key trend-finder indicators remain on a “sell” signal Friday.* The *HUI 30 day Stochastic* Fast came in at 36.84, above the Slow at 36.26, but not decisively above, remaining on a “sell” signal from June 15th. The Fast must cross more than 20 points above the Slow for a new “buy” signal. The *HUI Purchasing Power Indicator* came in at 159.75, remaining on a “sell” signal from June 25th, needing to rise above 162.71 for a new “buy.”

The chart at the bottom of the next page shows that the *HUI Amex Gold Bugs Index* has *formed an Ascending Bullish Triangle pattern*. Prices hit the bottom boundary Friday, June 8th. This pattern is close to completion, maybe the recent down sequence has further to run, however, we merely await a decisive breakout above the pattern, above 375ish, for a pattern “buy” signal. The HUI looks set up to rise well into the 400s later in 2007. We may play options on the GDX in the speculative portion of our Conservative Portfolio, perhaps establishing an open Call Options position, once we get a breakout above the upper boundary of the Ascending Bullish Triangle. We will inform you with a *Traders Corner* should we choose to do this. The triangle can also be considered Symmetrical, if using the wave 3 top for the upper boundary. That is also a Bullish pattern, as the direction of prices going into the triangle will likely be the same going out — up.

HUI Gold Bugs Purchasing Power Indicator

PPI is a Short-term Momentum Measure of Purchasing Power, Generating Buy and Sell Signals When Changes Suggest Sustainable Multi-week Moves are Likely.



\$HUI (Gold Bugs Index - AMEX) INDEX © StockCharts.com
 29-Jun-2007 Op 326.32 Hi 330.63 Lo 326.27 Cl 329.35 Chg +3.03 (+0.93%) ▲



This is an Ascending Bullish Wedge. A rise above 375 would signal a breakout north, giving off a "buy" signal.

Our key trend-finder indicators just generated new "buys," suggesting the HUI is ready to bust out north.



iii, 1 of 5 of (3)

While short-term, it appears that the HUI is following the general market, there should be a divergence by mid-2007. The HUI may need — and appears to be in — another down-leg to complete its one-year-old *Symmetrical Triangle pattern*. The Ascending Bullish Triangle shown at the bottom of the pervious page argues it does not need more decline to finish, however the above chart shows we could see another 10 percent decline and still have a very strong bullish intermediate term pattern. Regardless, these patterns are continuation patterns, meaning the direction of prices going into the pattern will be the same once the pattern completes — in this case up. There is a totally different pattern going on in Blue Chip stocks indices, so separation will occur before long. The HUI will rise, while the general stock market falls.

Confirmation that 4 down is over would come with a rise above 401. Wave 5 up should hit at least the 475 area, with higher potential. Further confirmation will come when the *Weekly MACD* generates a “buy” signal by having its blue histograms turn positive.



We believe the intermediate-term risks in Bonds have moved away from a decline to a rise in prices, and declining long-term interest rates. This is frightening, as it means we are about to enter — or have entered — another recession, one that could be deeper than we have seen in a long time. Why do we see this as an increasing risk?

Primarily what has changed is the development of a Symmetrical or hybrid Ascending Bullish triangle from 2002, shown at the top of the next page. Triangles are usually wave fours, so that means we have a wave five up coming after this pattern completes. Whether this pattern is a Symmetrical Triangle or is an Ascending Triangle, **both are Bullish for prices**. In the case of a Symmetrical, the trend leading into the triangle is the trend that will continue after it completes — in this case up. In the case of Ascending, they are almost always Bullish.

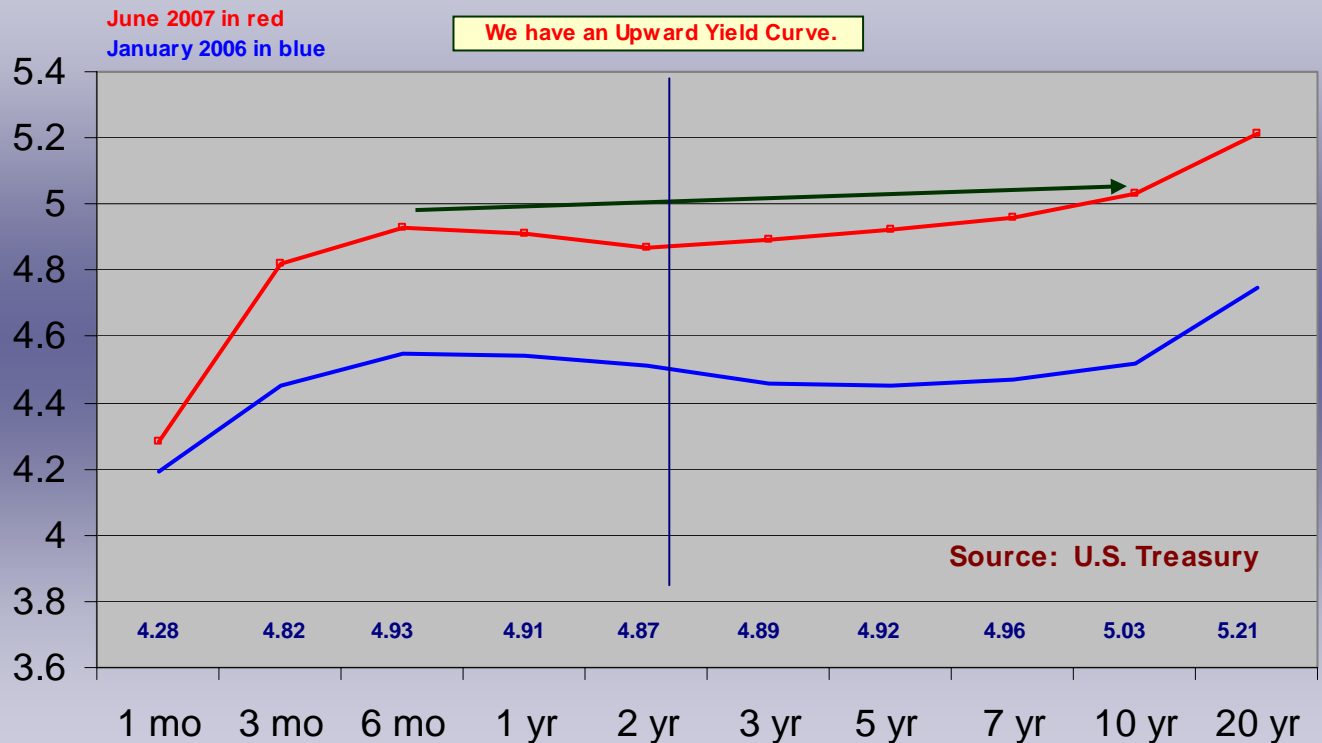
Above we show the long-term Elliott Wave labeling from 1982 when bonds bottomed, ending a century long decline in prices, perhaps of Supercycle degree. Perhaps the above labeling is one degree too low, that the Intermediate labels should be primary degree, that the minor degree labels should be intermediate degree. However, the point is, once this triangle finishes, a major rally in Bonds should unfold, higher than we saw in 2000, which means long-term interest rates could approach 1 or 2 percent, which suggests a major recession or even depression is coming. If so, look for a devaluation of the Dollar to deal with the coming debt crisis.

Timing? It looks to us like wave e down and wave 4 down has bottomed. If so, Bonds should now rally into wave 5 up, as the recession becomes evident. Bonds did rise a point on Friday, June 29th. The yield curve is upward sloping this week, which means the Fed will need to buy the long end soon.



This is a close-up of a concluding long-term Intermediate wave 4 Triangle, which is a hybrid between a Symmetrical and an Ascending, which in either case is Bullish, as the trend going into the triangle will be the trend coming out — up.

Treasury Yield Curve for June 29th, 2007



Key Economic Statistics

<u>Date</u>	<u>VIX</u>	<u>U.S. \$</u>	<u>Euro</u>	<u>CRB</u>	<u>Gold</u>	<u>Silver</u>	<u>Crude Oil</u>	<u>1 Week Avg. M-3</u>
03/30/07	14.64	82.92	133.66	316.88	663.0	13.39	65.87	Hidden
04/05/07	13.23	82.71	134.24	317.60	674.2	13.69	64.28	Hidden
04/13/07	12.20	82.17	135.36	317.93	685.4	14.05	63.41	Hidden
04/20/07	12.07	81.69	135.98	312.05	692.0	13.94	63.38	Hidden
04/27/07	12.45	81.49	136.34	314.20	678.7	13.44	66.46	Hidden
05/04/07	12.91	81.75	135.96	311.24	687.2	13.41	61.93	Hidden
05/11/07	12.95	82.11	135.27	311.13	670.6	13.21	62.37	Hidden
05/18/07	12.76	82.17	135.09	313.17	661.0	12.93	64.94	Hidden
05/25/07	13.34	82.30	134.52	313.10	653.1	12.94	65.20	Hidden
06/01/07	12.78	82.32	134.38	314.12	671.2	13.68	65.08	Hidden
06/08/07	14.84	82.66	133.60	307.51	647.1	12.99	64.59	Hidden
06/15/07	13.94	82.85	133.83	319.30	654.5	13.23	68.25	Hidden
06/22/07	15.75	82.35	134.65	314.75	653.5	13.00	69.14	Hidden
06/29/07	16.23	81.92	135.30	315.74	648.1	12.35	70.68	Hidden

Note: VIX and Oil are up; Dollar, Gold, and Silver are down.

Bottom Line: The Primary Trend Indicator is Bullish, and has strengthened in May. On the flip side, but not relied upon for trading, over the horizon, there are technical patterns, analogs, cycles, and Elliott Wave counts that support the notion that a major top is approaching in equities, and a major bottom is forming in precious metals and the HUI. A new Hindenburg Omen warns of a higher than normal probability of a significant decline over the next 120 days. Precious metals may be ready to bust higher. Bonds look Bullish intermediate-term, which means the economy is in trouble.

***“And if you have not been faithful in the use of that which is another’s, who will give you that which is your own?
No servant can serve two masters; for either he will hate the one, and love the other, or else he will hold to one, and despise the other,
You cannot serve God and mammon.”***

Luke 16:12, 13

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Conservative Balanced Portfolio Recent Transactions Friday, June 29th, 2007

- * On Thursday, June 14th, we **Purchased** \$10,000 par T Note, coupon 4.00%, maturing Nov 15th, 2012, price 94:27, Yield 5.10%

- * On Thursday, June 14th, we **Purchased** \$10,000 par T Note, coupon 4.25%, maturing Aug 15th, 2013, price 95:16, Yield 5.11%

We posted an updated Balances/Market Value Portfolio as of April 30th, 2007, available in the Guest Articles section.

Robert McHugh Ph.D. is President and CEO of Main Line Investors, Inc., a registered investment advisor in the Commonwealth of Pennsylvania, and can be reached at www.technicalindicatorindex.com. The statements, opinions, buy and sell signals, and analyses presented in this newsletter are provided as a general information and education service only. Opinions, estimates, buy and sell signals, and probabilities expressed herein constitute the judgment of the author as of the date indicated and are subject to change without notice. The information contained in the newsletter is expressed in good faith, but its accuracy is not guaranteed. Nothing contained in this newsletter is intended to be, nor shall it be construed as, investment advice, nor is it to be relied upon in making any investment or other decision. Prior to making any investment decision, you are advised to consult with your broker, investment advisor or other appropriate tax or financial professional to determine the suitability of any investment. Neither Main Line Investors, Inc. nor Robert D. McHugh, Jr., Ph.D. Editor shall be responsible or have any liability for investment decisions based upon, or the results obtained from, the information provided. Copyright 2007, Main Line Investors, Inc. All Rights Reserved.

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Here's the color coded, legend we use for our Elliott Wave count symbols, starting from the largest degree waves to the smallest:

	<i>Impulse Waves</i>	<i>Corrections</i>
Grand Supercycle	{1} to {V}	{A} to {C}
Supercycle	(I) to (V)	(A) to (C)
Cycle	I to V	A to C
Primary	(1) to (5)	(A) to (C)
Intermediate	1 to 5	A to C
Minor	1 to 5	a to c
Minuette	i to v	a to c
Micro	1 to 5	a to c
Subnmicro	{1} to {5}	{a} to {c}
Nano	{1} to {5}	{a} to {c}

Here are the symbols for Exchange Traded Funds for the Major Indices:

DIA	Dow Industrials	IYT	Trannies
SPY	S&P 500	GDX	HUI Amex Gold Bugs*
QQQQ	NASDAQ 100	GLD	Gold
IWM	Russell 2000	EWA	Australia

* Note: The GDX actually tracks the GDM, a grouping of 45 mining stocks, but the GDX has very high correlation to the HUI so we mention that as a suitable ETF for the HUI.