

## >: Watch Those NASDAQs!

*Saturday, June 6, 2009 / William Kurtz*

There is a natural tendency to look to the Dow Jones Industrials Index and to the S&P 500 and 100 as bellwethers of the next likely direction of the overall stock markets. However, the Dow consists of only 30 issues; its makeup changes from time to time, as we have just seen; and it still includes two banking stocks which arguably have no business being in an "Industrials" index at all. The S&P 500 is much broader, but it's not representative of the entire array, either.

Today, Friday June 5, 2009, the Dow Jones Industrials Index left in its wake a "High-Wave Spinning Top" Candlestick bar, which warns of a possible change in trend. The S&P price bars were spinners too, but might be characterized as "nondescript."

The NASDAQ price bars tell a different story. They can be characterized as "Dragonfly" patterns or as "near-Doji Hanging Men," at the top of uptrends. In each of the NASDAQ Composite and the NASDAQ 100, we see that the close was nearly the same as the open, and that the open and the close were almost at the very top end of the total price range of the day.

We take these patterns to be bearish warnings of possible reversals of trend. It is obvious, in each case, that by the end of the trading day the bulls were able to have their way "to force prices back up to a level very close to the opening price and to the top price of the day.

The problem with such structures is that they're rickety. They're topheavy. The bulls will need to repeat their performance. They will have to commit themselves, in order to keep prices from closing lower than those of today.

And if NASDAQ prices do close lower on Monday, the bearish signal will have been confirmed. That, in turn, would cross-confirm bearish signals which are being given off by our Indicators. That, plus the plain vanilla price bars in the S&P's and the High-Wave Spinning Top in the Dow Industrials, would enhance the probability that prices will decline across the board.

William Kurtz June 5, 2009 <http://www.candelaabra.com>

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