

## >: Sucker Bait

Sunday, May 17, 2009 / William Kurtz

• S U C K E R B A I T •

• They™ Do It Every Time •

• There They Go Again •

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Here are a few excerpts from the Business Day page of The New York Times, yesterday May 16, 2009:

• Small Investors Edge Warily Back Into Stocks

• A woman on Long Island opened an Ameritrade account and started buying stock in mining companies. In Chicago, a developer in advertising is betting heavily on oil. And outside Seattle, a Microsoft employee is snapping up shares of technology firms and retailers.

• After being pummeled in Wall Street™s plunge last year, many small investors pulled out of stocks. But the stock market™s recent rally • one of the sharpest since World War II • is starting to beckon some of them back.

• So step by nervous step, some smaller investors are tiptoeing back in. They are pulling money out of savings accounts and money market funds and buying stocks and bonds, fingers crossed.

• But many experts are growing increasingly skeptical about whether the stock market can hold on to its gains, a worry underscored as stock markets fell on Friday. Analysts say stocks are no longer as cheap as they were in early March, when market indexes slid to their lowest levels in 12 years.

A sure-fire recipe for disaster. Watch out for that • beckon. • It sounds just like a Siren song.

Actually, I interpret stories such as that to be very bearish indicators. When the • little guy • jumps in and starts buying at the top of a rally in an underlying bear market, that™s a dead-on clue of big trouble ahead.

We called the turn in the stock market on March 6, two trading days before it took off like a rocket on March 10. That was the time to buy.

It happens every time. You can depend on it. A strong rally comes along, people are suckered in, and they buy right at the top of the rally just when it is about to expire and prices turn around and head south.

Since their recent tops, a 38% correction is the best that any of the indexes has been able to accomplish, so far. They might do better than that in future days. Even so, I think the odds are that we have seen the top of the rally.

The Daily chart of the NASDAQ Composite shows the extraordinarily rare • Quintuple Outside Down Day • on May 8. I™m not aware that any other commentator has noticed it or spoken about it. The Composite completely engulfed the price action of the five preceding days, by two styles of measurement • • Western • and • Japanese Candlestick. • I interpret this to be an extremely bearish omen, and so far at least, the pattern has proven

point. I have a deep-seated feeling that this is only the beginning.

Respectfully submitted.

William Kurtz May 17, 2009

**William Kurtz**