The No-Load Fund Advisor

Guerrilla Tactics for Mutual Fund Investing

SPECIAL REPORT NOVEMBER 25, 2003

Top in Early December

The market is now moving into dangerous territory and I suspect it is going to produce a top into the early December time frame. While the daily cycles show the likelihood of a short term rally, the weekly and monthly charts indicate that this may be the last hurrah for the year with violent consequences to follow.

Below are a few daily charts with NFA's cycles work. As you can see, we have bounced out of the oversold condition (middle red line), broken back above the rising trend line and should be moving up towards the mid-part of this brutal rising range.

There are a significant confluence of projection dates between **December 5th and the 9th., It is my target area for the market top**. December 5th marks 122.8 Lucas trading day form the 6/17/03 top. The 6th is the 122.8 calendar days from the 8/8/03 bottom and the Fibonacci 233 trading days form the 1/14/03 top. December 7th will be 987 trading days from the 2/25/00 high. The 6th and 7th occur on the weekend putting more stress on that Friday and Monday. Monday will be the 8th and is the Fibonacci 89 trading days from the 8/8/03 low. And finally, December 9th will mark the 61.8 extension of the 10/23/03 54-trading day cycle. December 9th will also be the 189 trading day from the 03/12/03 low. The spectacular 1987 rally topped at 189 trading days and then proceeded into the "Black Monday" crash. Like 1987, I expect this to be the last move up before a breakdown becomes evident. Why? Let us look at some longer time frames.

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The weekly charts show how far this rally has come. The cycles composite is neutral, leaving room for the short term to rally. The 1999 declining weekly close trend line above price, in blue, has acted as resistance 5 times in the past. The 1998 declining weekly highs tops line, in red, has held been resistance 4 times in the past. While the market will likely surpass the closing tops, the rally should stall at the 1998 declining intra-day highs trend line. A turn back in the Value Line Geometric at this point means that the broad market is still in Bear mode. I would expect at least a two to three month consolidation before the next Bull push is attempted.

Based on the over extension of the monthly cycles composite below, the equity markets should , after this rally, see a down slide. In perfect fractal balance, we are now up against the declining bear market trend line and Fibonacci resistance lines. These should prove to be significant resistance to over come, especially with the monthly oscillators hovering at top of the range. The market may greet the end of the year with only half of its gains in tact.

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