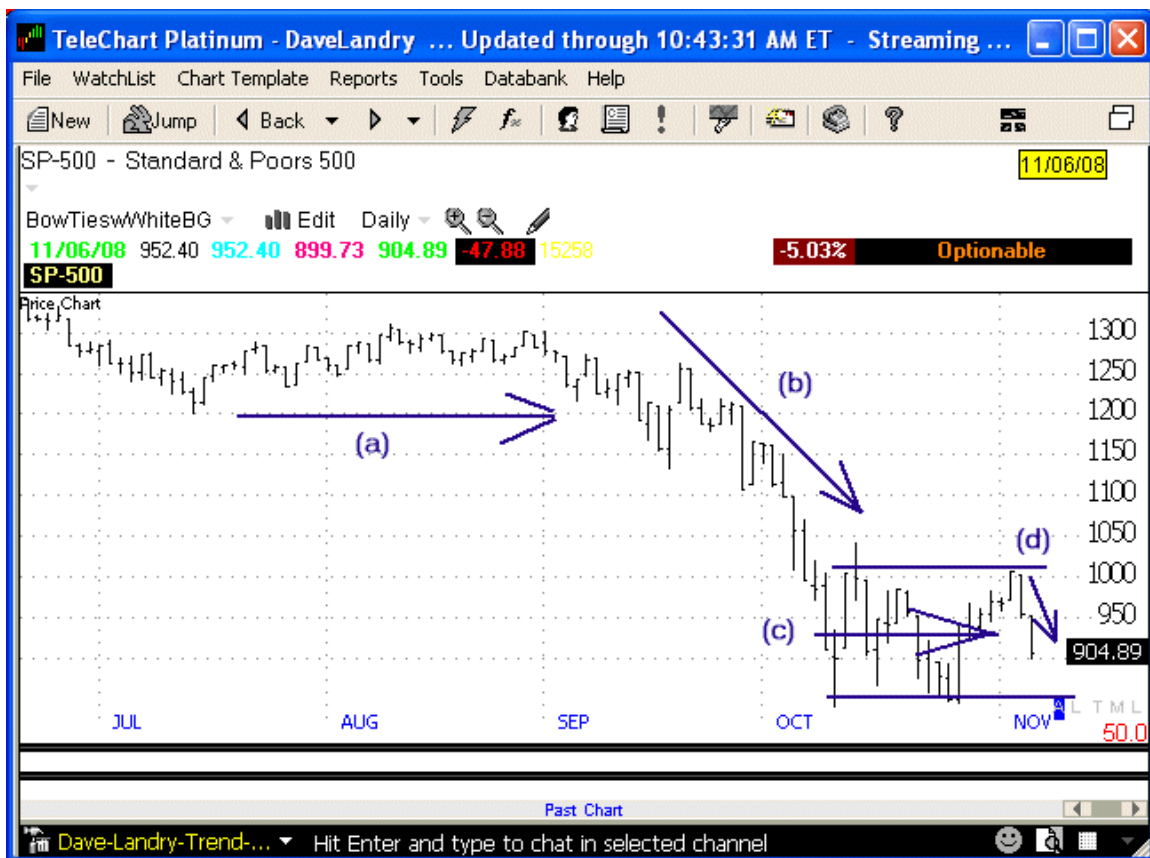


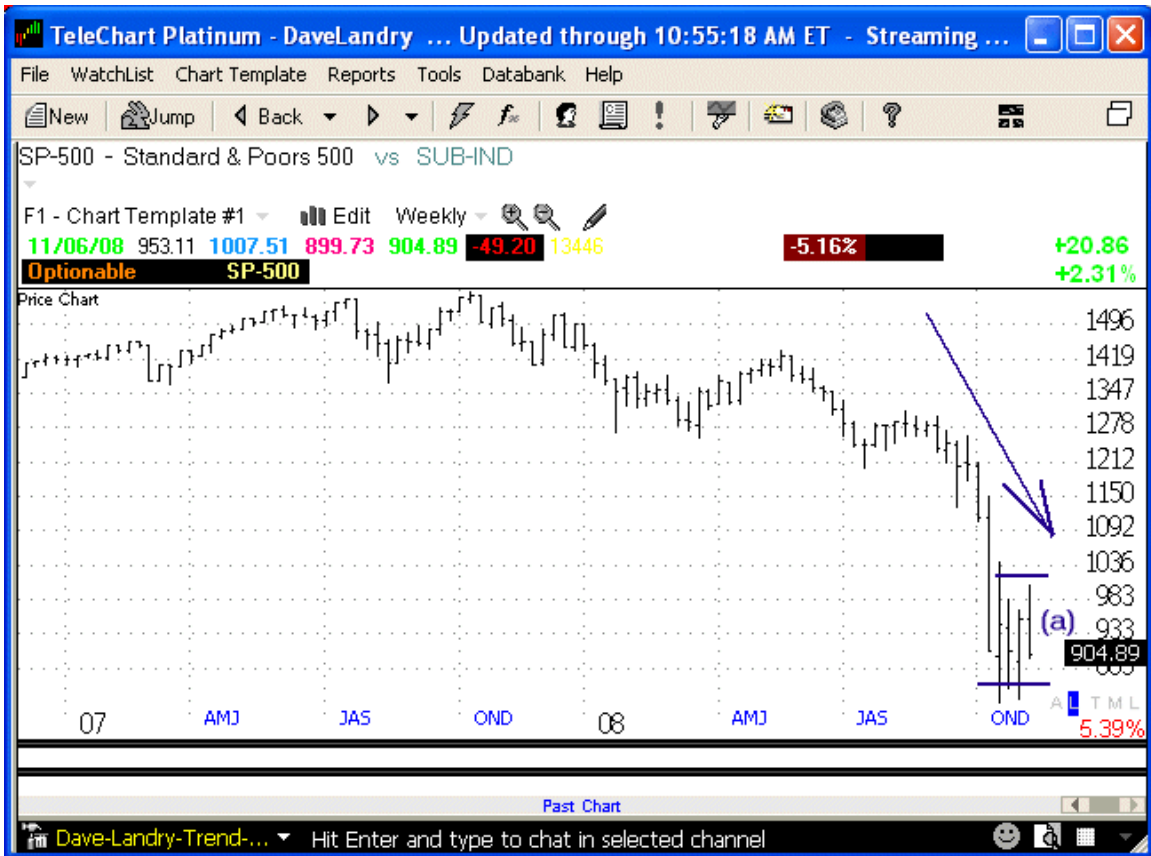
So far, 2008 is the worst US bear market since 1929. Therefore, instead of focusing on techniques this week, I thought it would be a good idea to show where we are from both a shorter-term and longer-term perspective. We'll get back to techniques next week.

Since technicals are technicals and world markets are also in similar bear markets, the same concepts should apply to the Italian markets (and other world markets). With that said, let's start with the daily chart.

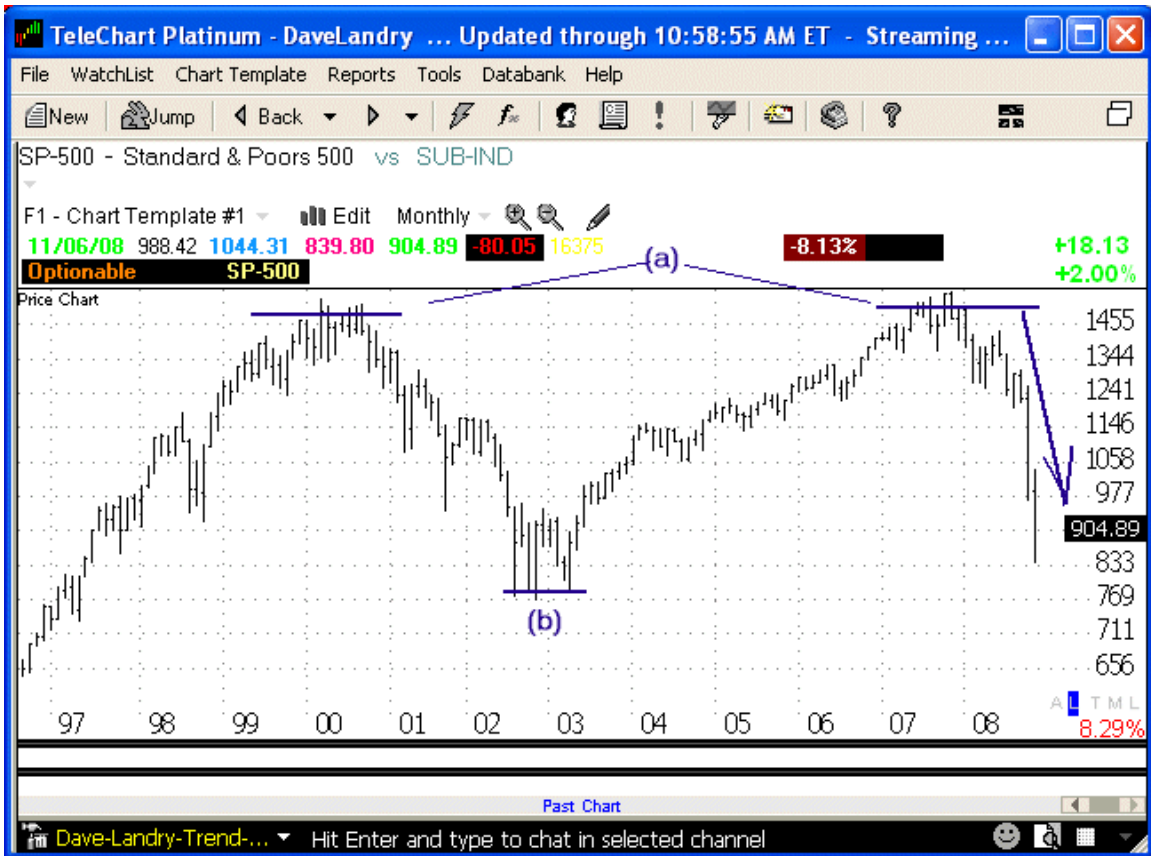
Notice the market consolidated (a) by trading sideways in late summer/early fall of 2008. It then sold off hard (b), resuming its longer-term downtrend. In early October, it began to consolidate again by trading sideways. Earlier this week, it bounced from near the top of this range (d) and began to sell off again. This action suggests that we will, at the least, challenge the October lows/the bottom of its trading range.



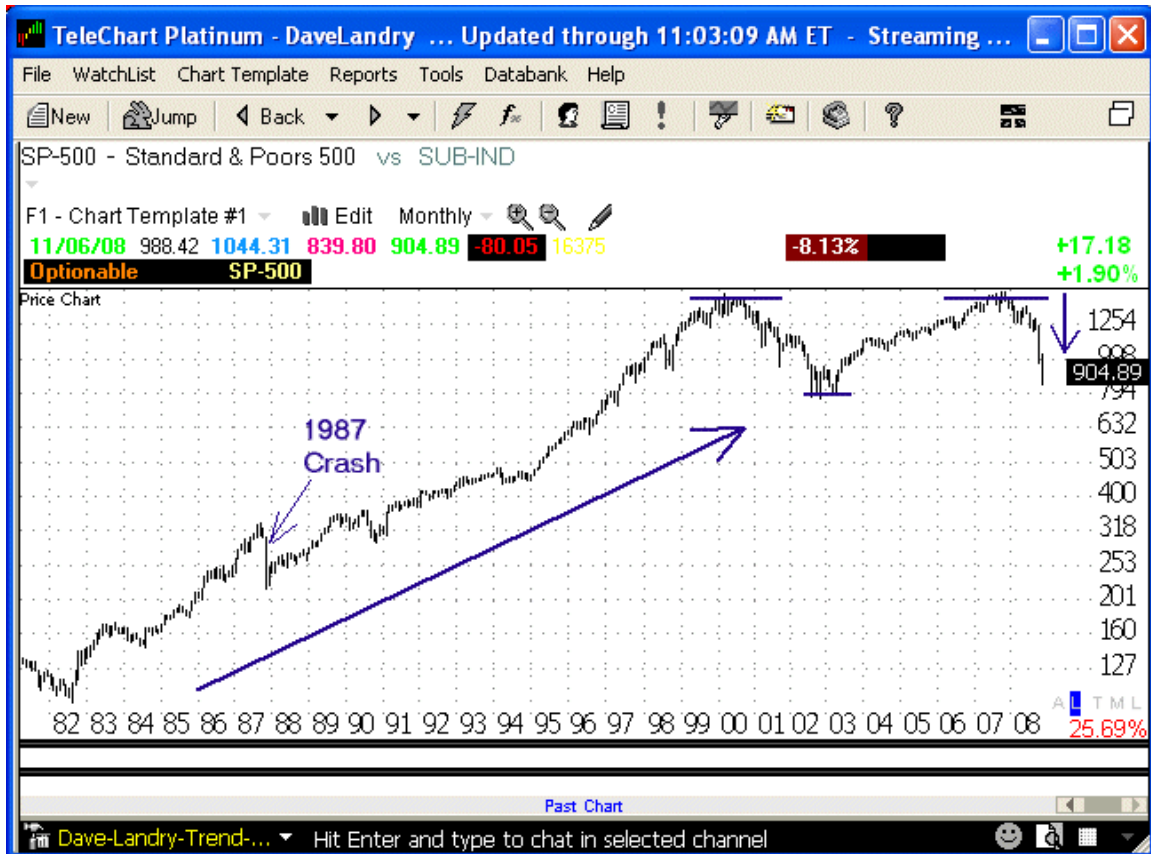
Now, let's take a look at the weekly chart. Notice below that the October/early November consolidation (a) only looks like a brief pause in the longer-term downtrend (so far).



When we back the chart out to the monthly, we see that the 2008 slide began with a bigger picture double top. The 2002/2003 bottom(b) could be the next stop.



What's worst is, if we do take out the '02/'03 low decisively, there's no other support beneath the market—unless of course you go all the way back to the mid 90's. Further, notice that the crash of 1987 is just a “blip” in the longer-term trend. This is nothing in comparison to the major double top and slide from it we've seen so far in 2008.



As you can see, the longer-term outlook does not look good. However, as short-to-intermediate-term traders, we continue to take things one-day-at a time.

Although it looks ugly, this doesn't mean that we won't have some tradable rallies lasting weeks to even months on the long side. I'll continue to follow up on the US market in coming weeks. And next week, we'll get back to techniques.