

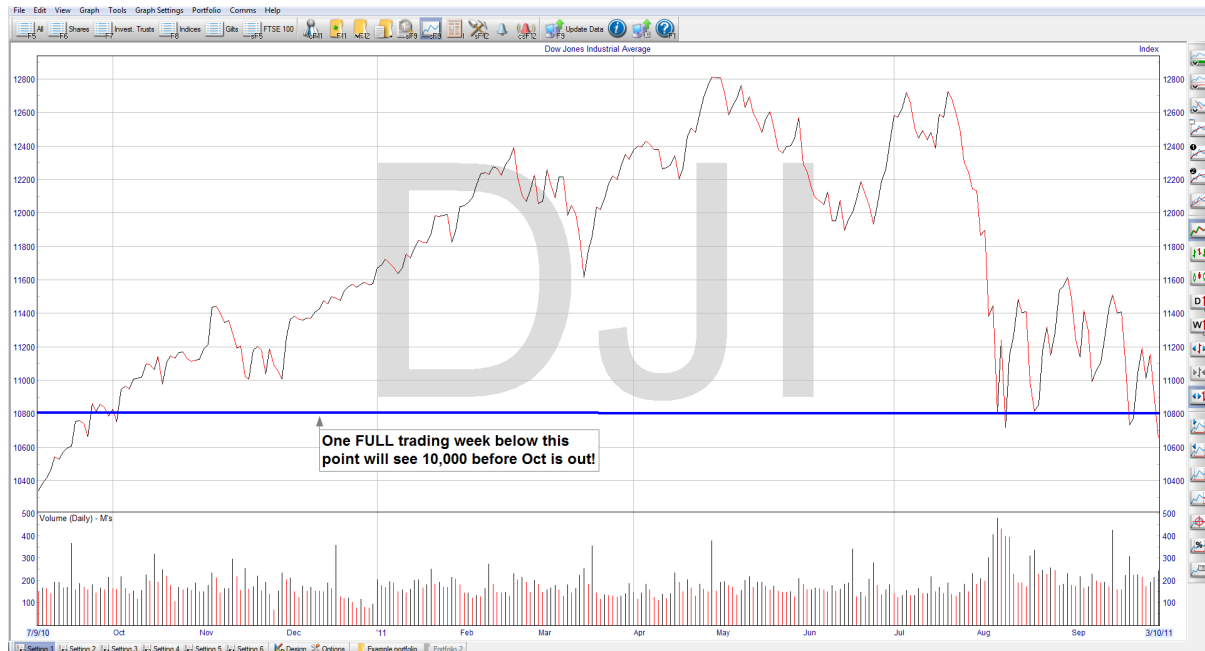
PB Update Oct 4th 2011

Oh dear, we are certainly seeing the effects of the global meltdown begin to play out. After this dirty slanging match has been played out in public, I call a short covering rally, meaning that a lot of traders could see value at these lower levels and race to buy the market back up a few % before selling once more.

This happens during a lot of equity sell-offs, in most cases market indicators can show that a typical oversold reading, whereby a temporary rally takes place as a sort of relief to the broader market.

Then before you know it, we're off again and reeling the hurt whilst hurtling towards the ground.

It will happen here and I am sure we will see a short rally very soon, before the next wave lower - Just wait for it!



With a weak job market and the stresses circulating Europe right now, trust me when I say there is no relief from anywhere right now and when [Alessio Rastani shot his mouth off on the BBC last week](#), insinuating that we were all doomed and many will lose their savings in the coming years – he was not far wrong.

OK, so he is not a trader and yes he hardly has a plastic piece to urinate in; however he is renowned for getting his point across in an ever seemingly radical orthodox manner... Remind you of anyone?

Now my focus for the Dow has to be selling and I took a small spread bet out on this market. I have sold, but am willing to take profits and run by Wednesday on the fear (not so much scared just wary of rebound) of change in sentiment short term.

After I bail out of this trade (hopefully get out around 10450) having already SOLD this market at 10800, I plan to get in and SELL AGAIN after the market has seen a 2-day RALLY or 2 up day's in general.

I don't think that if we see a 'reaction' rally, it will continue beyond 10800/10900 or 2-3 days of buying/rallying. I hope that we do see a short term rally, because that way I can get in at a higher level to enjoy more profit on the way back down.

On the other side of the coin, if no upward trajectory can be had beyond 10800 up to the 10th Oct close then I will most certainly be adding to my sort positions and not even be questioning a short term relief rally.

I will place High No Touch trades via my Fixed odds account, with No Touch levels of around 10800/10900, or even up to 11,000 if it does not compromise my return.

As stated previously, my anticipation of a break below 1.54 was well accounted for. Cable is now pressing below this juncture with critical mass.



Having already witnessed a small dip below this point, a follow through to the upside quickly diminished a hopes of a bear rampage for the £. However, now one more test could finally spill the milk and leave plenty of £ bulls sobbing their hearts out.

I think that two session of downside momentum through 1.54 will bring more selling en-route to final destination 1.500 until then death should catch up with the £ and spark life back into the £'s bloodstream back above 1.55 over the coming 14 days!

I will be looking to short the £/\$ below 1.54 if I see these two close sessions and also place a high no touch above 1.55 at the same time just to top up my dough.

Alternatively, another bounce from this pivotal zone (1.54) will lead me to placing low no touch trades with NT levels of around 1.52 and possibly buying the market if a bounce from 1.54 is seen with a rally up through 1.55 within 24 hours.

However, you can bet your bottom buck (see what I did?) that the \$ will ease down through 1.500 as the Dow and the rest of the equity indices flounder at current levels and end up sinking towards 2009/2010 lows.

Potential for \$ bulls and equity bears to burn out!

As I have hinted, we could potentially witness the \$ bottoming out and rallying from support at 1.54, or even at levels down below 1.500. This may well coincide with the equity markets temporary bottom, before a well-deserved relief rally musters up enough gust.

The chances are quite high that the \$ will bottom out short term and the equity bears will take a nap. With that, the chances are more or less 100% that if we see that scenario act out in scene2 we will watch them reverse just as quickly to the downside once more (£/\$ and equities) for which we will see the next leg lower last longer and will be the REAL ugly duckling!

What about the yellow metal?

That's Gold for those of you who are still asleep from the weekend!

Well, what we have seen has been a necessary and healthy pullback in the spot price of Gold. As you will learn with what I am about to send you this week with 'trend lines', is that Gold has kept its strong uptrend, but should now rest after coming off 15%+ from its high of last month.

I am just about to purchase some real stuff of this, with profits of my last two £/\$ trades and the short of the Dow trade I placed!



The \$1600 level (black line on chart) is where we have bounced from most recently, but it is also the level by where this market picked up a LOT of upside momentum back at the end of July, where it went on to thrust up to the highs of \$1900 some weeks later.

I will not be surprised if we see a rally back toward these highs and maybe even test that massive psychological level of \$2000 sometime within the next 6-8 weeks, which should bode well in conjunction with the equity sell-off phase 2.

That's all for this week folks.

Get in touch for more info of my upcoming seminar in December.

Do you want to be there? I will also have a guest speaker speaking specifically on forex and one guest chatting about the wider economy.

Very Best for now as the tide is turning quickly.

Regards,

Matt

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