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Weekend Report for Monday, October 16

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Bottom Line:

Most traders aren't going to want to hear this, but the obvious exogenous events are having and will continue to have an enormous impact on ALL markets. The element of potential "randomness" could not be higher.

You don't have to trade. This is one of the underrated benefits of being a screen-based trader. If you are sitting there thinking, "Well, I do have to trade", then you are in the wrong profession/advocation.

If you choose to trade in the current environment I strongly suggest trading lighter - much lighter - than your typical size.

The early October lows are important for an intermediate term bullish scenario. This is a seasonally positive time of year, that contains a lot of important lows that have led to strong end of year rallies. BUT...as usual, it is a must to let price action confirm that seasonal tendency.

It's quite possible the RUT will trade to a lower low below its October lows and set up a classic divergence.

Market internals need to expand soon for the bullish case.



I am highlighting intermediate term charts and levels this week because trying to fine-tune short term trade direction right now is pointless.



SPX

Upper KRA: 4390

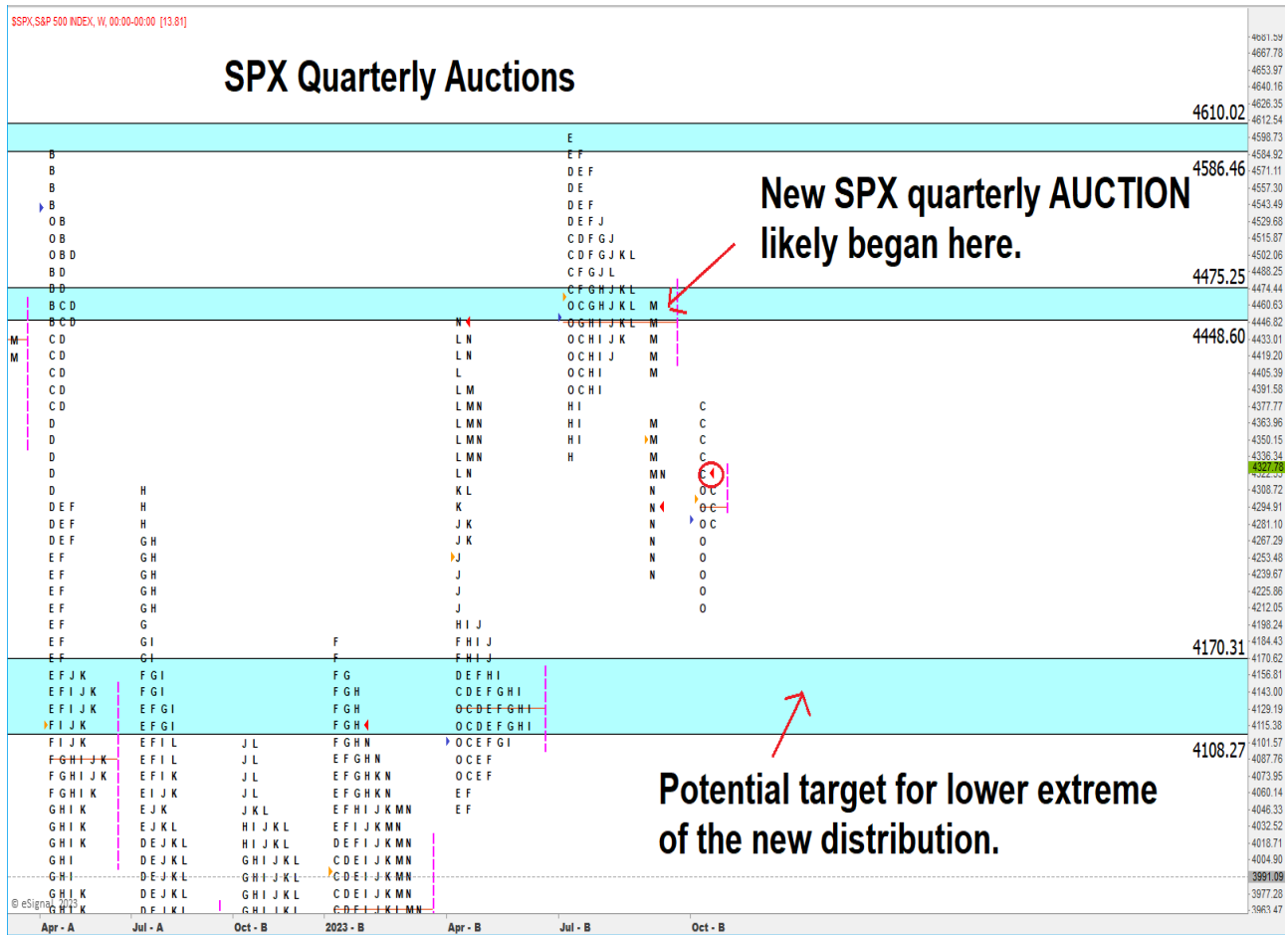
Lower KRA: 4216



SPX - Intermediate-term Auction

The 4th quarter Auction likely began with the last week of the 3rd quarter Auction.

A strong candidate for the upper extreme of the 4th quarter Auction is 4448-4475. The most likely levels for the lower extreme are last week's low, then 4170-4108.



NDX

The NDX is once again showing relative strength.

Upper KRA: 15334

Lower KRAs: 14795; 14429



RUT

The RUT is in the lower extreme of an almost year long Balance Area. A close below 1641 could be very bearish.

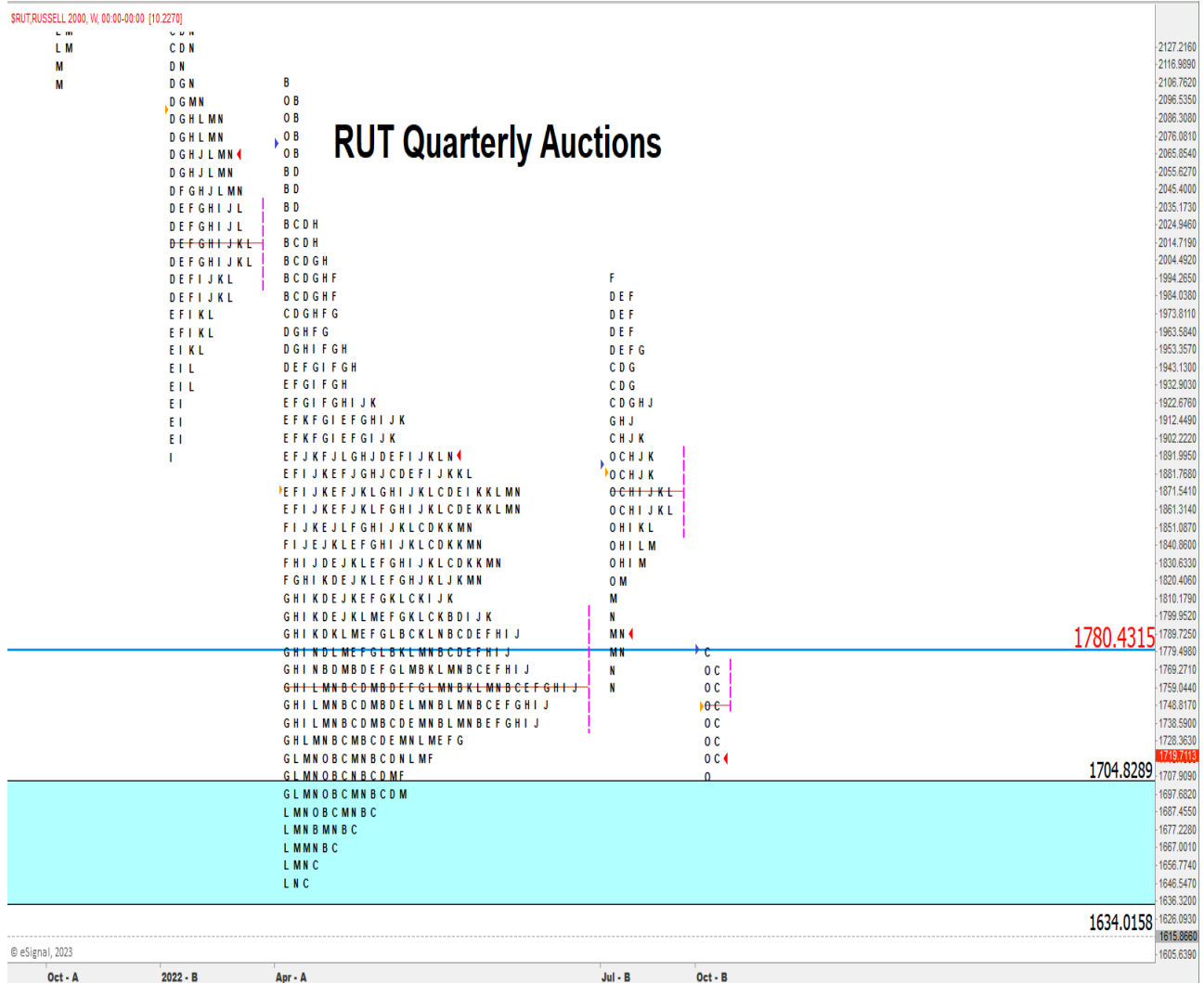
Upper KRA: 11789

Lower KRAs: 1698; 1641



RUT Intermediate-term Auction

As posted above, a close below the lower KRA at 1641 could be extremely bearish.



DOW

This one is simple.

Upper KRA: 33977

Lower KRA: 32821



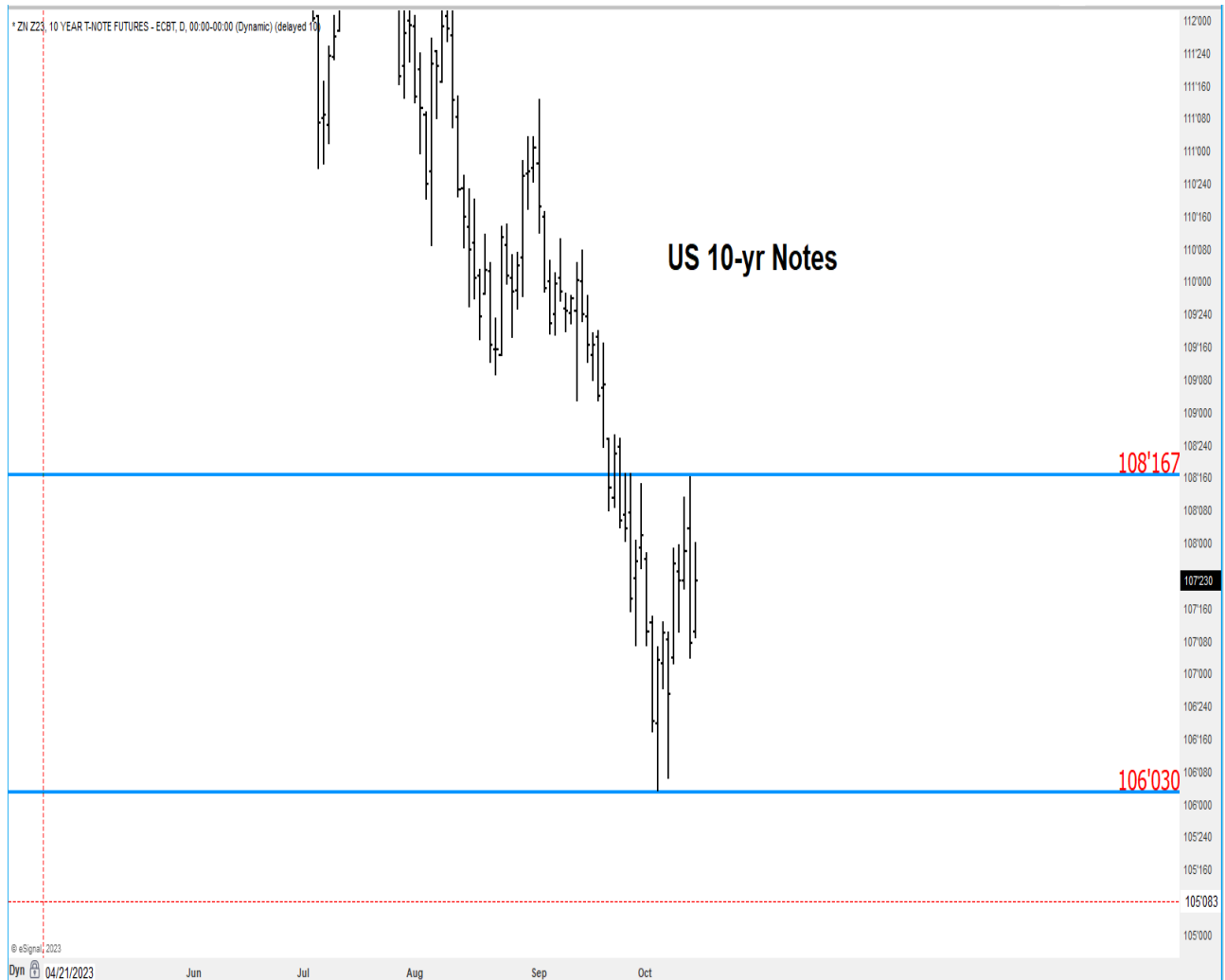
Internals

A lot of if/and/or/but between price and internals heading into next week. Let's default to price action.



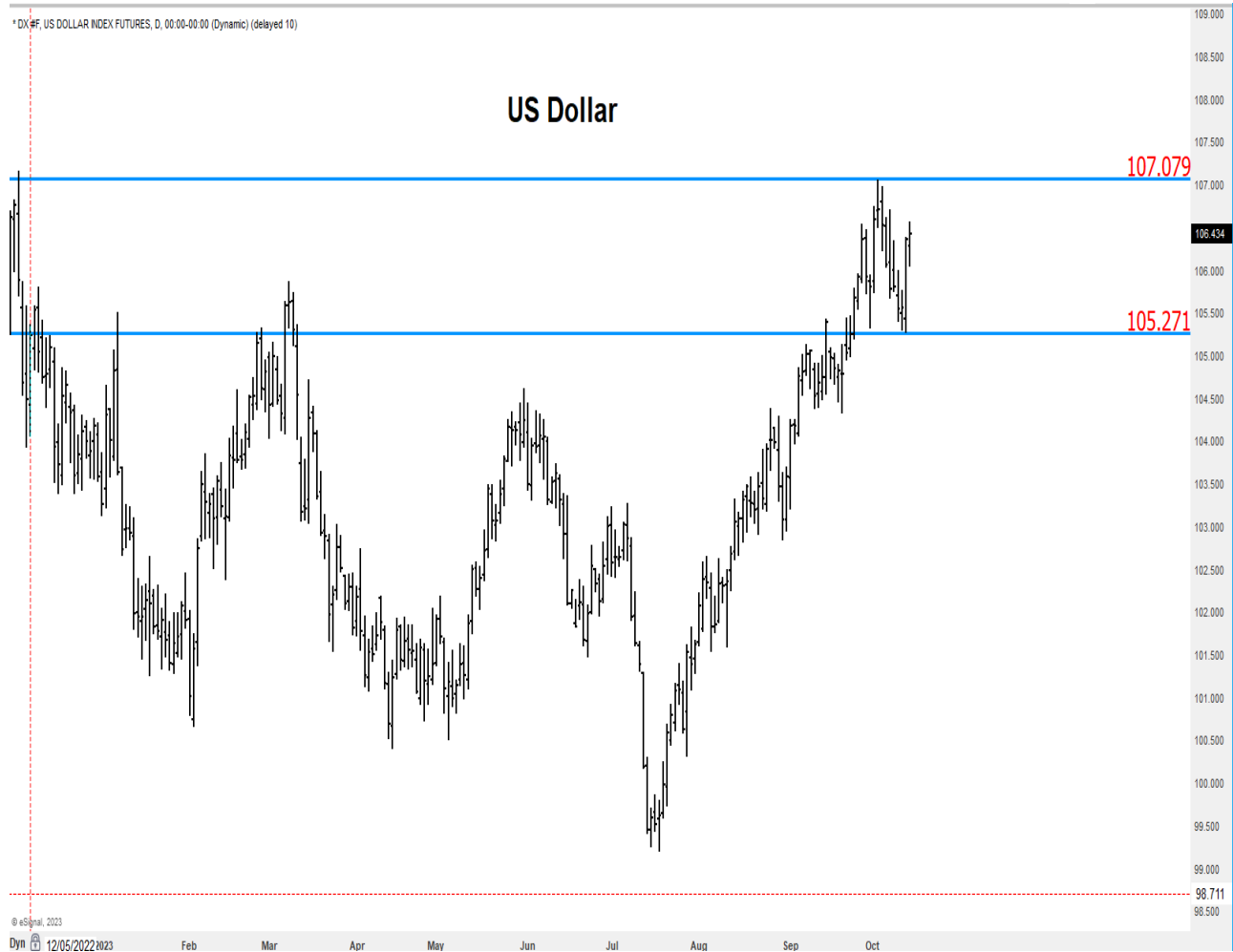
US 10-yr Notes

No change: *Volatility in US 10-yr Notes and 30-yr Bonds is unprecedented. If trading these contracts I suggest going down in timeframe.*



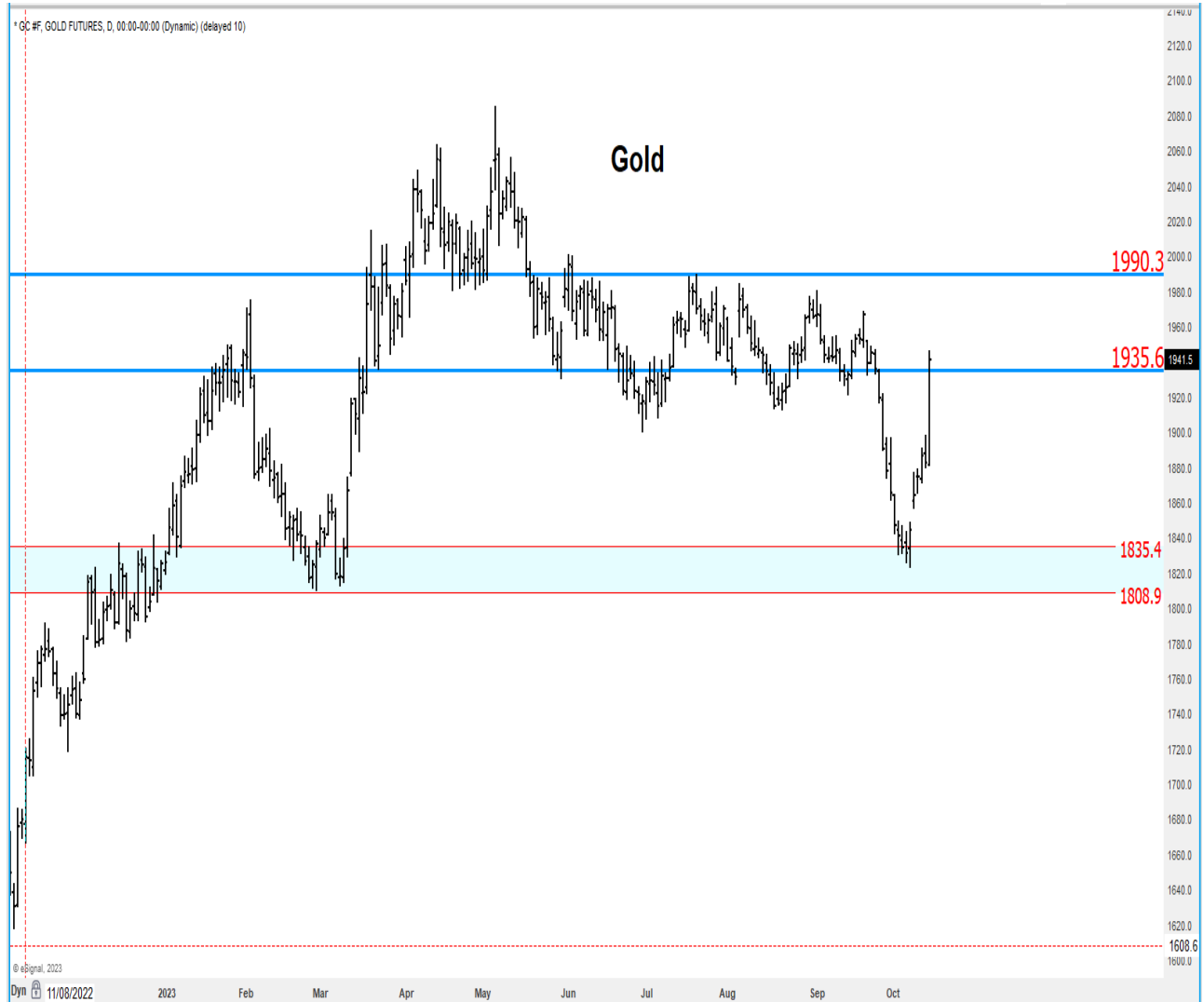
US Dollar

No change: *The US Dollar has been a persistent, two-sided grind higher since the end of July. My guess (emphasis guess) is to favor shorts against the recent high.*



Gold

Favor longs because of the conviction, but be aware this contract is likely to be extremely volatile, possibly in both directions.



Crude

From last weekend's Update: *Crude is due for a bounce, but the trend is definitively down.*

Obviously, Crude is likely to be wildly volatile for a while. Be aware of that. 81.70 is the key downside level.

