



The duCati Report

a weekly newsletter based on S & P 500

"All culture and all communication depend on the interplay between expectation and observation, the waves of fulfillment, disappointment, right guesses, and wrong moves that make up our daily life". *E.H. Gombrich, Art & Illusion 1960.*

Week three, with some big companies reporting in this extended earnings season. The general complaint being that analysts have lowered expectations so much, that companies can't help but beat the lowered earnings targets, and god-forbid, should they fail, then their business must be borderline catastrophic.

I will review the over-all earnings once the earnings reporting for this season ends, and take a much closer look at the fundamentals underpinning the overall market, which will become the pattern in the letter, the earnings

will, in their relation to the market, be analysed on a quarterly basis, there is little point in running an analysis of the fundamentals on a weekly basis.

Index Metrics - Technical:

- [i] Oscillator: [Hold Long]
- [ii] Regression analysis: Broke resistance, waiting to see if resistance becomes support.
- [iii] Propriety + propriety: Extending, but no signal at this time.
- [iv] Paired securities: Indicating towards top of range; prepare to close positions.
- [v] 5 day trend: Rising trend. Buy any intra-day dips to enter positions.
- [vi] 3 month trend: Trend higher, no resistance currently.





Technical Analysis:

The variety of timeframes still send the same consistent message: the trend is intact and it is moving higher. All over blogoland through the weekend there have been 'opinions' that the trend is reaching maturity, that a reversal is imminent, that positions should be lightened.

All this may well be true. Unfortunately, it is very difficult to quantify these 'gut' calls. Which is why I remain long. I also feel that the extended rally that the market is putting up is 'extended' that all manner of possible disaster sell-offs are just around the corner, which is precisely why I must continue to hold until a quantifiable signal emerges.

In addition I have a second, belt & braces money management system that is guaranteed to buy low and sell high, the only rule that you need to make a ton of money in the stockmarket, backing up the 'timing' mechanism of the newsletter: thus I can get the timing wrong within the 'timing' component, yet still make money...nice.

Summary:

From last week, the summary remains the same.

The overall trend through all timeframes is still long. The only hint currently is on a relative valuation to TIP's Bonds. That in of itself is not enough to trigger a sell signal, and therefore the signal on the swing system remains long.

Recommendation for 'Swing Trades':

- hold long position.

Recommendation for The duCati system:

- hold long position, take no action.

I will gradually incorporate a couple of other markets into the newsletter. The two markets that I have followed consistently have been Oil & Gold. I am working on the Oil market as we speak, and I hope to have a reliable buy/sell signal operational in a week or two. If I can develop the signal it will simply become part of the newsletter, added value.

Until next week,

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