November 11, 2011

Dear Investors:

It was another volatile week on Wall Street as the markets plunged over 3% on Wednesday only to surge higher on Thursday and Friday and finally to finish the week in positive territory. It is interesting that the markets surged higher on some of the lowest trading volume of the year into the precise Fibonacci phi mate date of November 11th. However, it is too soon to tell if this is the actual market turning point. Generally, the actual market turning point is plus or minus two or three trading days of the estimated date. However, the last market turning point did occur precisely on the last phi mate date of October 3rd. The trading activity on Monday and Tuesday will help clarify where we are in the overall technical market analysis forecast.

The Dow Jones Industrial Average finished the rollercoaster week up 170.44 points, or 1.4%, for the week to close at 12,153.68, and is now up 5.0% for the year. The S&P 500 added 10.62 points, or 0.85%, this week to close at 1,263.85, and is up 0.5% year-to-date. The NASDAQ Composite lost 7.40 points, or 0.3%, this week to close at 2,678.75, and is now up 1.0% this year.

To recap where we currently are, it appears that the larger degree bear market rally that began in March of 2009 finished in April of this year. The first **major leg** **down** started in May and appears to have finished in the beginning of October. It appears that we are in the midst of the next **major leg** **up**, but exactly where it is should be clarified early this week. If the markets rally and surpass their October 27th highs, then we are still in the midst of the first wave up of this **major leg up**. However, it is more likely that we are in the second wave, a down wave, from the October 27th highs. This wave has three possibilities. The first is a sideways triangle pattern. If the sideways triangle is occurring, then the S&P 500 Index should drop to about 1,230 to 1,240 within the next week before the third wave up begins that could last through the end of the year. The second possibility is that the S&P breaks below the 1,230 range, which means that we could see the broad market index drop to about the 1,150 range before the third wave up of the **major leg up** begins. Once this **major leg up** is complete, which appears to be around the end of the year, the markets are poised for a third **major leg down**. The last alternative is that the **major leg up** finished on October 27 and that we are in the midst of the third **major leg down**. In order for this last alternative to unfold, the markets would have to continue to fall below their October 3rd lows. This is unlikely since the first major leg down lasted almost five months from May through September and the second major leg up lasted just over three weeks. The markets tend to seek balance, which is why it appears that the second major leg up should last a few more weeks.

Yet again, the markets were driven by news out of Europe as the focus changed from Greece to Italy. Nothing has been solved in either country but the same promises of austerity seemed to excite investors. It was a light week for U.S. economic news as nothing materially excited or disappointed investors. Seasonally-adjusted first time unemployment claims came in at 390,000, which was better than the market expectations of 400,000. This week we will get October retail sales, industrial production, and housing data which could all move the markets.

The key to a solid financial plan is to stay your course and not to be fooled or persuaded by unjustified rallies. I encourage you to make an appointment to review your financial plan and explore year-end tax planning opportunities. As always, I welcome your comments and feedback regarding my letters. I want to thank you again for your referrals and confidence. A referral is the greatest validation of our service and commitment.

If you have any questions, please do not hesitate to call.  Our mission is to be your trusted financial professionals dedicated to delivering a high level of service to enhance your lifestyle and provide peace of mind.

﻿﻿Best Regards,

**Vincent Pallitto, CPA, CFP®**

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