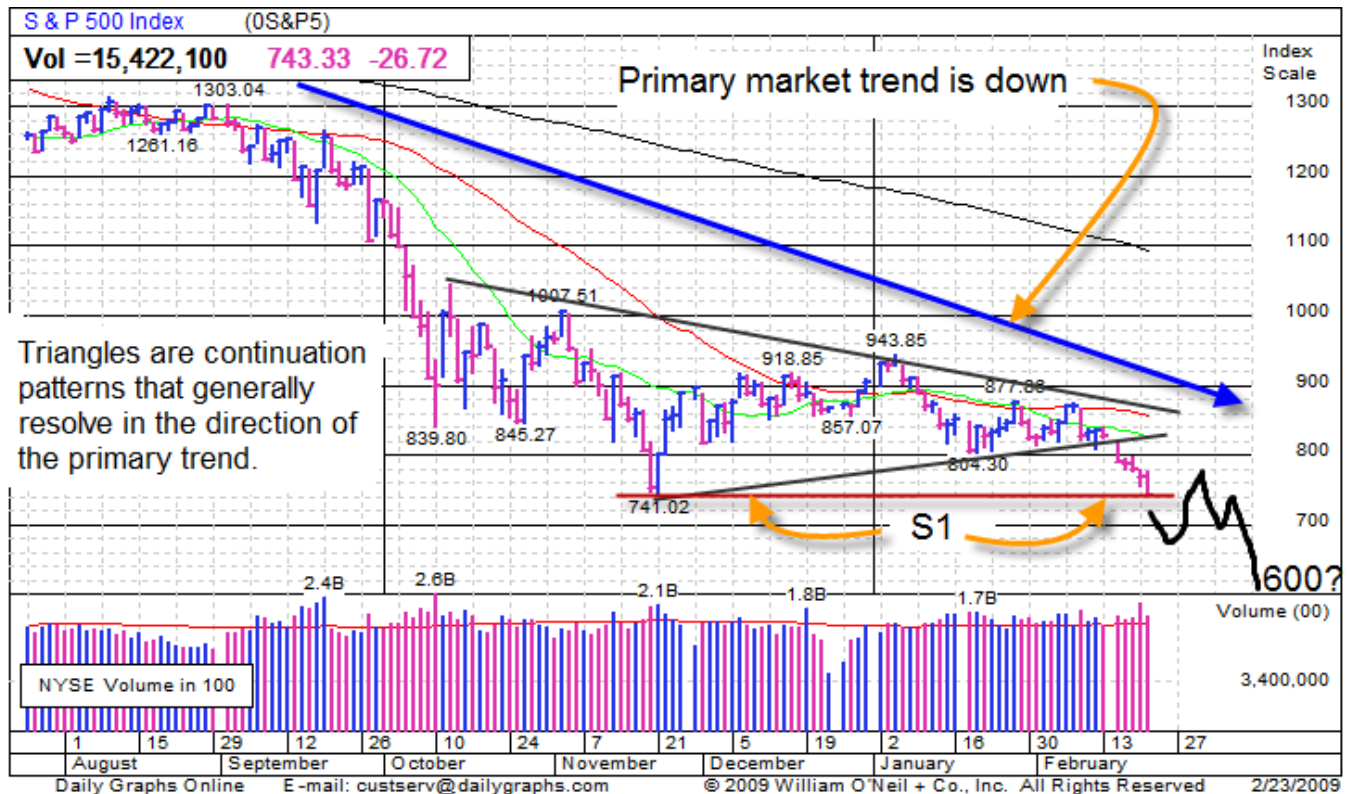


February 24, 2009 – Triangles are Continuation Patterns

Sitting in Geometry class in 10th grade, I often wondered why I needed to know about shapes and angles. It is now clear as I have learned the value of chart pattern recognition in stock analysis. The S&P500 Index has formed a *triangle pattern* in recent months with a series of lower highs tracing out the descending top line of a triangle and a series of higher lows tracing out the bottom line of a triangle. This is a consolidation pattern and indicates a struggle for control of the market between those who believe it should go higher (bulls) and those who believe it should go lower (bears).



Triangles are continuation patterns of the primary trend of the market going into the pattern...down in this case. Last week the S&P broke out of the triangle to the downside and has come to critical support at 741 marked by S1 on the chart. If the stock market fails to hold this level - which incidentally also corresponds to the 2002 low - my analysis suggests 600 *could be* the next stop in this bear market.

A fall from 1576 on 10/9/07 to possibly 600...could anyone have imagined? This is exactly why buy and hold is only a viable strategy during secular bull markets (to learn more about secular market cycles go to www.davefulkerson.net > Newsletter Archive). Unfortunately, we have been in a secular bear market since 2000. Secular bears have an average length of 13-16 years so this bear likely has several years to run. Many are learning the hard way that "buy and hold" and asset allocation does not protect us from bear markets. Many feel like they cannot sell now. Will they sell at 600? What if the losses in the banking system around the world are too large to be saved by world government printing presses... will they sell at 400? My target *if* 600 is reached and does not hold.

My analysis says a bounce is likely any day. We at FCM are already conservatively positioned but if I were still heavily invested, I would use any rallies as an opportunity to sell into and raise cash. It is my assessment, this is not the time to be a hero as no one knows how low this bear market could go.

All information, data and contents are obtained from sources believed to be correct but reliability cannot be guaranteed. Past performance is not indicative of or a guarantee of future performance. Readers of these comments should not take action based on information contained. Comments could pertain to time periods or to trends which are not expected to persist, or could refer to actions not commensurate with other individual's level of acceptable risk.

248.670.9823 • dave@davefulkerson.net • www.davefulkerson.net • fax: 267.350.9052

Money Management and Advisory Services offered through Fulkerson Capital Management, a Registered Investment Advisor.