



As I prepared you for over the past few weeks, we saw another wild trading day today in the stock market. That's a good thing! Last week, I sent out price levels on where I thought the indexes would rally to before rolling over as we saw yesterday.

Dow 12323 to 12417
S&P 500 - 1407 to 1417
NASDAQ 100 - 1764 to 1781

Interestingly, all three rallies ended right in the middle of those ranges. If you opened the attachments last time, you saw how I calculated those ranges using Fibonacci retracements where you take a key high and low. It's the same way I was able to forecast where the indexes would decline to from the February highs. Now, we move our lows to today for the Dow and S&P 500, but leave NASDAQ 100, Russell 2000 and Midcap 400 alone since they did not breach their previous low.

This morning I spoke to a group about the scenario I discussed with you for the past few weeks. To reiterate, I believe we saw the internal or momentum low on March 5 and we will spend some time rallying and retesting or probing that bottom. That's another good thing! In several strategies we were able to take some chips off the table yesterday before the market collapsed and put them back on today. Since I sincerely believe the worst is behind us, I am keen on watching for the indexes to break old lows and reverse again, just like today. Our models indicate that the second quarter is going to be a huge up quarter for equities with new highs seen. It's going to be very difficult for me to waver on that.

Attached are four charts. Two are from 1987 and two from 1997 on the S&P 500 and NASDAQ. The way the models are behaving looks very similar to those periods, although I favor 1987 over 1997. You can see in 1987 the market made its initial low on the first blue arrow where the IT model turned positive, but had to retest that level two more times. The S&P 500 never went lower, but the NASDAQ did twice. All in all, it took about five weeks before the major bull trend reasserted itself. I believe something very similar will occur now and that's a good thing!

Today's market reversal was almost too easy. Not enough fear and panic was seen. If the rhyme holds true, we should see the indexes close above the highs from last week listed below before attempting another retest. This is not an absolute, but I would follow it until proven otherwise.

Dow - 12349
S&P 500 - 1409
NASDAQ 100 - 1761

I also expect the news flow to continue to be negative, especially on the sub prime lending front. That's a good thing! Anything and everything even remotely connected to sub prime is being taken out and shot on declines. The all clear signal to me will come when we get a piece of bad news and the market rallies in the face of it. As you know from my writings, the single most bullish thing a market can do is rally in the face of bad news!

That's it for this short update. I expect a large up opening on Thursday and then some quiet movement into Friday when we see the quarterly expiration of options and futures. Our strategies are positioned properly to take advantage of my forecast and you are welcome to call or email with any questions or comments!

If you are not having fun in this market, you never will!

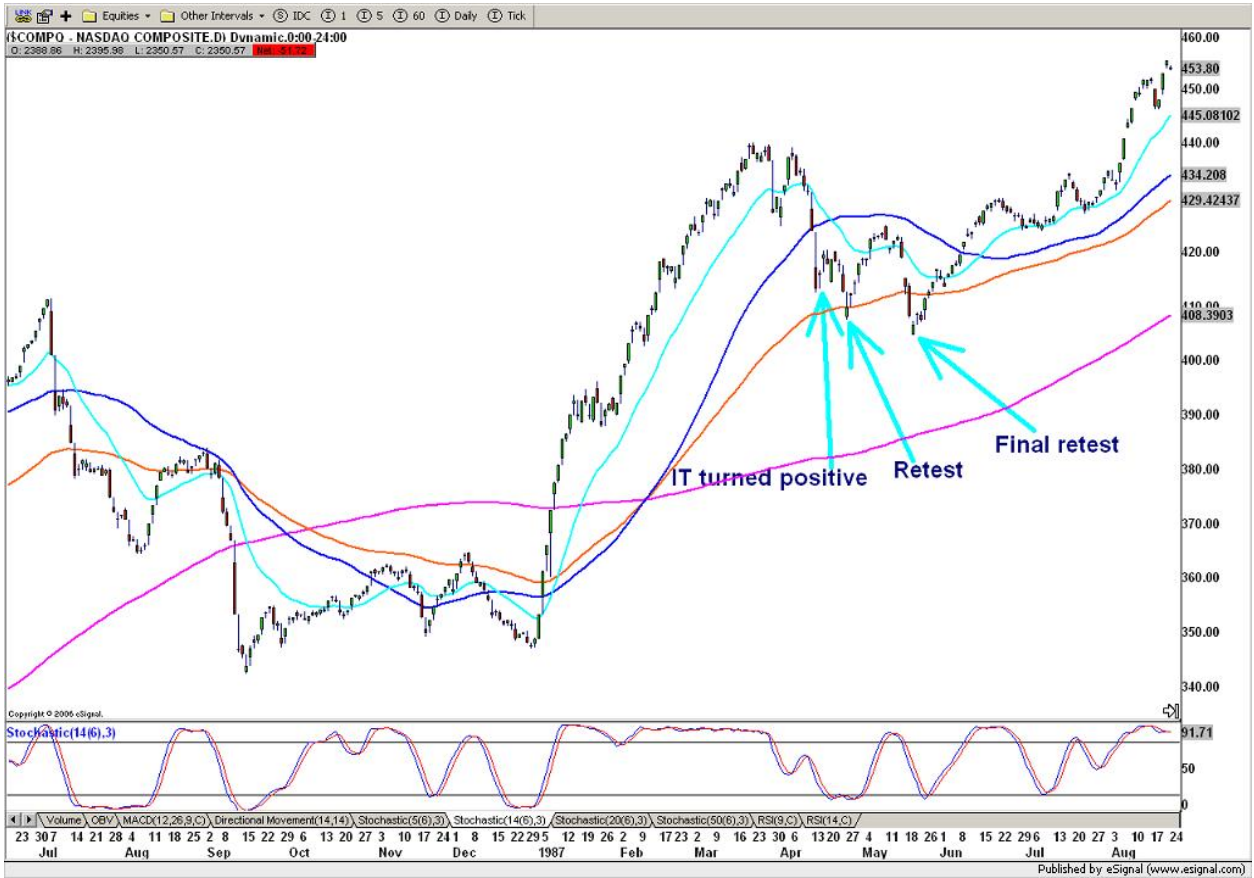
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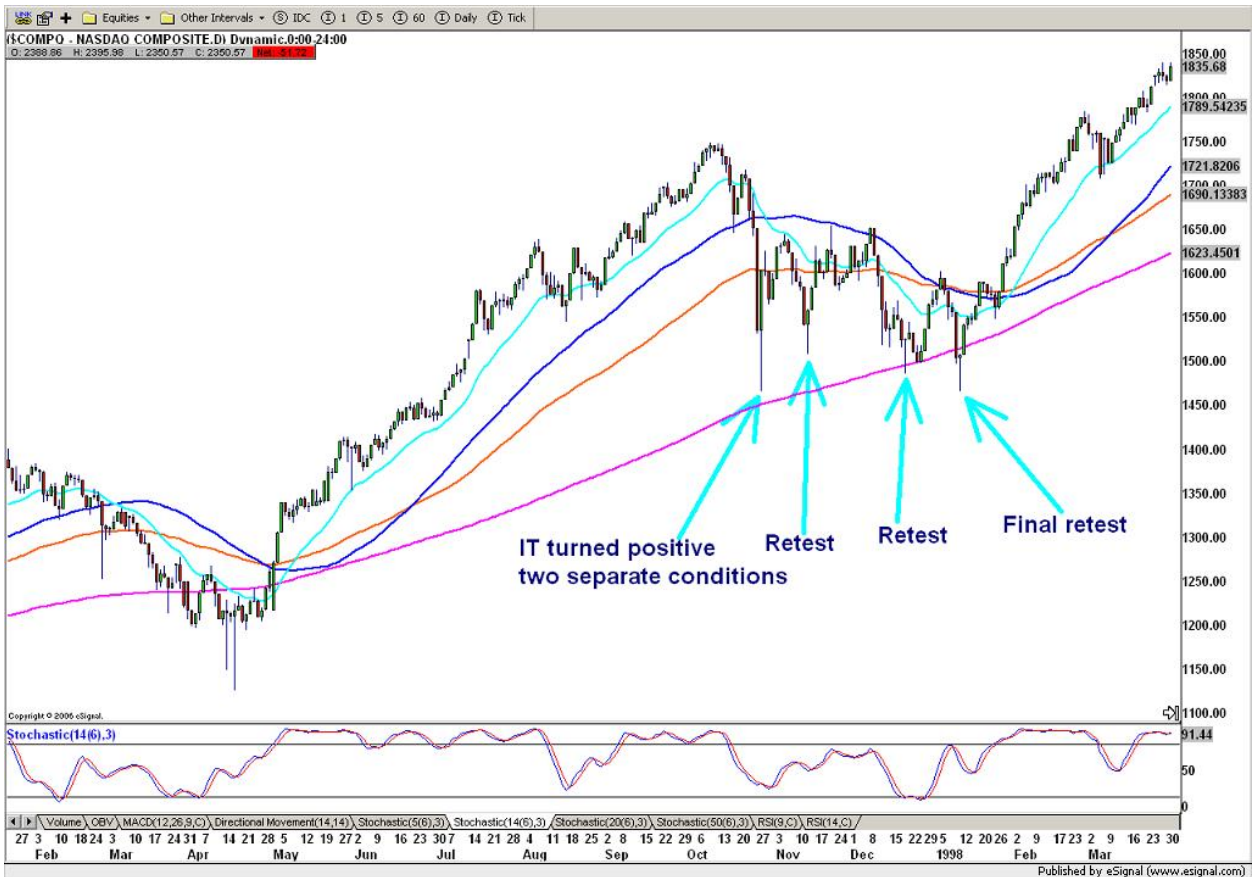
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1987 Nasdaq



1997 Nasdaq



1987 S&P



1997 S&P

