Insider Stock Index Advisory

Wednesday October 05, 2005

UPCOMING ECONOMIC REPORTS

Economic Report Slate	Time(cst)	Estimate	Probable	Range
10/05 Challenger Employment Survey	9:00	+15	-20	+15
10/05 ISM Non-Manufacturing Index	9:00	-2	-5	-1
10/06 Jobless Claims	7:30	-8,000	-10,000	+5,000
10/07 Unemployment Rate	7:30	+.1	+.2	unch
10/07 Non Farm Payrolls	7:30	-120,000	-180,000	-100,000
10/07 Wholesale Trade	9:00	+.5	+.4	+0.5
10/07 Consumer Installment Credit	2:00	+1 bil	+500 ml	+1.5 bil
10/11 KC Fed Manufacturing Survey		n/a	n/a	n/a
10/11 FOMC Meeting Minutes Release	1:00	n/a	n/a	n/a
10/11 Weekly ICSC-UBS Chain Store S	6:45	n/a	n/a	n/a
10/11 Johnson Redbook Retail Sales	8:00	n/a	n/a	n/a

STOCKS COMMENTARY

10/05/05

THE BEARS HAVE AN EDGE BUT ANXIETY DOESN'T POINT TO PROTRACTED LOSSES

OVERNIGHT CHANGES THROUGH 4:00 AM:
S&P 500 +90, **DOW** +1

The stock market was certainly knocked down by rate hike fears yesterday, but apparently investors were looking for a reason to move to the sidelines. Surprisingly the market didn't find support off sharply lower oil prices yesterday and that hints at a short term negative posture. It is certainly possible that the stock market sees the upcoming Monthly payroll as a threat and we also think that the increasingly hawkish tone of the Fed is somewhat of a fresh element to investors. In other words, the market has been generally upbeat toward the future, but the combination of potentially negative payroll readings, on top off even higher interest rate expectations is simply too much. Fortunately for the bull camp, the current environment lacks anxiety and therefore it is possible that the market will respect support above the August and September spike lows. In the coming session, the market will be partially undermined by the Challenger layoff figures and with another Fed speech in the early going today, the market could seem more pressure from the higher interest rate issue. On the other hand, crude oil prices around the lows on Tuesday were $8.57 below the August highs and unleaded prices around the lows on Tuesday were 25 cents below the recent highs and that should have comforted the bulls. However, a number of analysts are suggesting that oil inventory readings over the last 4 weeks have not fairly reflected the massive loss of US refinery production and that could increase the odds of a weekly inventory report inspired recovery in energy prices. In conclusion, the bear camp has an edge, but the current break could be an excellent opportunity to set up a position buy for the quarter!

S&P 500: We think the current break is setting up an opportunity to get long at a deflated price level. However, in the near term there would seem to be enough negative news to send prices down before a solid bottom is forged. Given the favorable economic readings and some weakening in oil prices, a big spike down reversal move, might be a major opportunity to get long for a 4th quarter bounce. In order to make a major bottom, Gulf oil and gas production will have to recover and oil prices will have to show significantly less daily price volatility! Our estimate for a critical low is 1212.40 today and 1211.10 on Thursday.

DOW: While the Dow could have found support off the sharp slide in oil prices on Tuesday, it seems that large Cap stock players simply shifted their concerns of high oil prices, to the threat of rising costs from the interest rate front. With the Fed ramping up interest rate targeting off the inflation argument, we can understand the concentrated profit taking washout in prices. However, against the backdrop of generally favorable US economic readings and softer oil prices, we suspect that the December Dow will be able to hold above the August and September spike lows of 10,370 and 10,392. While GM seems to be close to carving out an agreement on health care costs with its Unions, the market is still generally downbeat off the recent auto sales figures and the prospect of debt downgrades for Ford and GM. Therefore, we see no reason for the liquidation to halt quickly, especially with the payroll report looming on Friday morning. However, on a decline below 10,42o in the December contract, we would suggest that aggressive traders enter the long side while conservative traders should look to buy December Dow call options.

TODAY'S MARKET IDEAS:
None.

NEW RECOMMENDATIONS:
Buy a November S&P 1250 call for 750, with an objective of 1300. Risk the option to a close below 350.

PREVIOUS RECOMMENDATIONS:
None.

STOCKS TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

S&P 500 (DEC) 10/05/2005: The close below the 40-day moving average is an indication the longer-term trend has turned down. A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market back below the 18-day moving average suggests the longer-term trend could be turning down. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 1202.53. The next area of resistance is around 1226.25 and 1240.32, while 1st support hits today at 1207.35 and below there at 1202.53.

S&P E-MINI (DEC) 10/05/2005: The close below the 40-day moving average is an indication the longer-term trend has turned down. A crossover down in the daily stochastics is a bearish signal. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The major trend has turned down with the cross over back below the 18-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 1202.38. The next area of resistance is around 1226.25 and 1240.37, while 1st support hits today at 1207.25 and below there at 1202.38.

NASDAQ (DEC) 10/05/2005: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The major trend could be turning up with the close back above the 18-day moving average. The outside day down is somewhat negative. The market is in a bearish position with the close below the 2nd swing support number. The next upside objective is 1636.87. The next area of resistance is around 1617.75 and 1636.87, while 1st support hits today at 1591.25 and below there at 1583.88.

Tech Stats
10/05/2005

Contract		Close	RSI 9 Day	RSI 14 Day	14 Day Slow Stoch D	14 Day Slow Stoch K	20 Day MA	40 Day MA	60 Day MA
USAAZ5	BONDS	113-31	34.29	37.79	22.55	17.57	115.26	115.67	115.50

TYAAZ5	TNOTES	109-205	28.57	34.45	14.30	10.63	110.76	110.81	110.69
SPZ5	S&P 500	1216.80	37.44	41.36	42.38	40.46	1231.35	1230.39	1234.05
EPZ5	SP EMINI	1216.75	37.37	41.19	42.48	40.46	1231.34	1230.39	1234.05
NDZ5	NASDAQ	1604.50	52.84	51.90	50.06	60.15	1601.33	1598.93	1604.91
DFZ5	DOW	10453	39.17	42.21	42.87	42.25	10570.75	10576.83	10610.88

Daily Swings
10/05/2005

Contract		Suprt 2	Suprt 1	Pivot	Resist 1	Resist 2
USAAZ5	BONDS	113-10	113-21	113-29	114-08	114-16
TYAAZ5	TNOTES	109-065	109-140	109-195	109-270	110-005
SPZ5	S&P 500	1202.52	1207.35	1221.42	1226.25	1240.32
EPZ5	SP EMINI	1202.37	1207.25	1221.37	1226.25	1240.37
NDZ5	NASDAQ	1583.87	1591.25	1610.37	1617.75	1636.87
DFZ5	DOW	10339	10378	10489	10528	10639