

Hello, everyone, and welcome to Monday morning..

It's Stephen Whiteside here from theuptrend.com..

In the pre-market this morning, stock.

index futures are trading right around fair value..

So far, it looks like we're going to have a fairly quiet open..

Commodities are mixed with crude oil.

higher while gold is down in the pre-market on Monday morning..

Now, last week was a historically volatile.

week for the market, and luckily enough, it was to the upside..

I thought we'd do a little recap of how we got here this morning..

Remember, we were back in August, we were.

looking for buying into the middle of September, looking at the seasonality.

chart of the TSX, and then some selling into October..

From the October low, we were looking for.

a move up into November, which would hopefully lead to a year-end rally..

Now, October is a very spooky month for the stock market..

Some of the biggest declines in history have happened in October..

You find a lot of people on edge during the month of October..

Now, a week ago, we were still watching.

the same movie, which was lower highs and lower lows..

That had not changed..

A week ago, I asked you to lock in profits on short positions, whether you were short.

stocks or long-bear ETFs, just to make sure you had already done that..

From that point on, the market moved higher..

Why did I tell you to lock in profits down at that level?.

Well, we were very oversold at the time down at the bottom of the Panic Zones..

We were coming into a weekend that had a full moon..

We were also coming into month end..

You don't want to trade against that month end of the money..

We were also coming into November first..

Now, November first is significant because.

that's when the sell in May crowd comes back..

If traditionally people who are selling in May, they come back on November first or.

around that date, depending on the calendar..

Of course, we don't want to trade against those people if they come back and think.

this is the time and place to get back into the market..

Now, for six weeks, we were constantly talking about market fear..

The reason for that was that we had the VIX on a weekly buy signal..

Of course, when the VIX is rising, we know that portfolio managers are willing to pay.

higher prices for portfolio insurance using options..

For six weeks, we were expecting lower stock prices..

Last week, what happened?.

Well, things turned around sharply..

Now, when the VIX is elevated, the least you should be doing is just stop buying.

and stop looking for buying opportunities in the market because you know the.

probabilities are that the market is going to go down..

Now, if we look at the seasonality of the VIX, you can see that it usually peaks in.

October and then starts to come down coming into year end..

And so it is this trend in the VIX to come down over the next month or so is what.

helps fuel the stock market rally into the year end..

So now that we've got the VIX back on a.

weekly sell signal, we're going to go from being long term bearish to long term.

bullish on the market and we'll continue to be long term bullish.

on the market as long as the VIX continues to close below \$19.50 this coming Friday..

Now, if you're trading the market on Monday, we're going to remain short term.

bullish on the market as long as the VIX doesn't close above \$19.81 on Monday..

You can see that that upper channel line is starting to point down and is going to.

continue to move lower daily until we do close above that upper channel line..

Now, we've been talking about a range.

bound market and we were talking about the TSX..

If we go back a month, you can see the TSX was trading in a tight range and we were.

looking to see if the TSX could hold support at 19,375..

If that wasn't the case, then we would.

expect it to come back down to our next price target at 18,750..

Move ahead a month and you can see over.

the past two weeks, we've been holding support at the 18,750 level..

Last week, we completely reversed and started to head back up..

That's what price targets are for..

They're not only for resistance, but.

they're also for potential areas of support..

And of course, if you were short the market, you would be wanting to take some.

money off the table down at a price target like that..

Now, we're also looking at the Russell.

2,000, which was range bound for much longer than the TSX..

And we were looking to see if it would break out above 200 or break down below 16.

2.50. A month ago, we were looking to see if it was going to hold the 175 level..

If it didn't, we were expecting to find support at the 162.50 level..

And that's exactly what happened..

We came down for two weeks..

We used 162.50 as support..

And last week, we headed back up..

Our next price target is 175, and we landed at 174.49 on Friday..

So it looks like the movie might start to change..

We've got the remote control away from the cat, and we might be changing from lower.

highs and lower lows to maybe higher highs and higher lows..

And that's what we're looking for..

We want the year end rally to start..

Now, I mentioned last week that I thought the rally was based on short covering..

And at the end of the day, it really doesn't matter..

When the market goes up, it goes up and it affects everybody equally..

And that's what happened last week, short covering..

That's why it was so sharp and so fast,.

because what happens is that people get sucked in..

When they see the market trading down at.

these levels, they just think it's going to continue to move lower..

There's nothing wrong with going short, but you're going short at the wrong time..

We want to be shorting off the top, off.

the start of the trend to the downside, not at the end, but it is at the end where.

people get emotionally involved in taking a short position..

And that mistake of getting in at the last minute is what causes shortcoming rallies.

to be so quick because the people who shorted down here have no profits in the.

trade and have to get out as quickly as possible..

Now, nothing's guaranteed..

The fact that the seasonality has changed, the fact that we've come off lower lows.

and moved up sharply, nothing's guaranteed..

We just have to work with what we've got..

What we've got is a lot of resistance to the upside..

If you've been watching our videos SPY, our next resistance is at 437.50, and then.

just above that is the top of an open gap that hasn't been filled yet..

That's a potential wall for the market to have to climb over..

Now for the triple QQQ's,.

367.19, that was resistance, and we traded up and closed just above that on Friday..

Our next target is the October high..

Then looking at the Russell 2.000, our.

next target was 1.75, and we peaked out in October just above that level..

That's going to be an important area of resistance to get over..

Now, the iShares for the TSX 60 actually.

started to trade above the October highs on Friday..

You can see just above that, not only do.

we have a price target of 30, 47, but we have an open gap to deal with..

It could act as a price magnet to pull us.

up and it could act as an area of resistance..

Now, probably the most important chart to watch this week is Apple..

Apple did not get hit hard during the month of October..

It held up very well..

It had very weak earnings out last week and did not get hit hard to the downside..

And so we're looking to see if Apple, the most broadly held stock in the world, if.

it can hold and maintain a buy signal at this time, that should be supportive for.

the overall market to continue to move higher from here..

So on Monday, we're looking for Apple to.

not close below \$170.74, and hopefully, it will continue to move higher this week..

Okay, folks, that is all for this morning's presentation..

We've got to go from being overly bearish to being overly bullish..

We have to wait and see if the market can.

continue to break out above resistance and if we can start to change the movie.

script from lower highs and lower lows to higher highs and higher lows..

Enjoy the rest of the day..

Next time you'll hear my voice is on Tuesday morning..