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Your Free Wrap today is based on an extract from Edition 606 of Jim Berg's 'Investing & Online Trading' Stock Report

Strategic Market Updates

1. Background

In December 2007, Jim Berg warned members of our mentoring-style '[Investing & Online Trading Report](#)' of the potential for a bear market or crash and explained the conditions he was looking for to close the Report's notional portfolio.

Two weeks later, in early January 2008, those conditions did eventuate, so Jim closed the notional portfolio and 'switched to *cash*'. History now shows this was just *before* the Global Financial Crisis. That portfolio remained closed for the next 18 months.

Those [members](#) who followed Jim's lead and also switched to cash did NOT lose millions of dollars between them.

In our Report in March 2009 we rang the bell and wrote that we thought the USA market had hit the capitulation Low and that we would wait for a confirmed market re-entry signal – which would take about 2 to 3 months to meet Jim's documented criteria. Indeed, 3 months later, in June 2009, Jim announced that his re-entry signal had occurred.

During the Global Crisis, many Indices around the world fell in the order of 50% or more. The cruelty of the market is such that a 50% fall in stock, index or portfolio value requires NOT 50% to recover – **but actually 100%**

Consequently, after the Global Crisis, those who had hung on in '*hope*' or who had listened to '*professional*' advice to '*buy and hold for the long term*' had lost about half of their nest eggs and needed long term increases in the order of 100% to recover their savings . Many were forced to delay their retirements and to keep working for several year. Others have yet to recover their losses.

Meanwhile, those who had followed Jim's lead and had locked away their profits and capital 18 months beforehand could take advantage of the rising trend after the GFC to ADD to their portfolio - *instead of having to rebuild*.

In Editions 602 and 603 of our Report, Jim Berg wrote that to date he has NOT issued a red **Caution** warning, by his definitions.

However, Jim also wrote; "*... I believe we need to be cautious as there is a potential market bubble and it will be difficult to trade even in this rising trend.*"

In those two Editions we gave a few alternatives for traders and investors to consider.

2. Current USA Markets

In John Atkinson's '*Last Word*' a week ago we showed daily charts of the 4 main USA Indices and wrote;

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'How steep can these go before they fall over? We do not predict the market. We work on the balance of probability and react accordingly to price moves.

Obviously, markets do not continue to rocket upwards forever. Eventually they run out of momentum and they either:

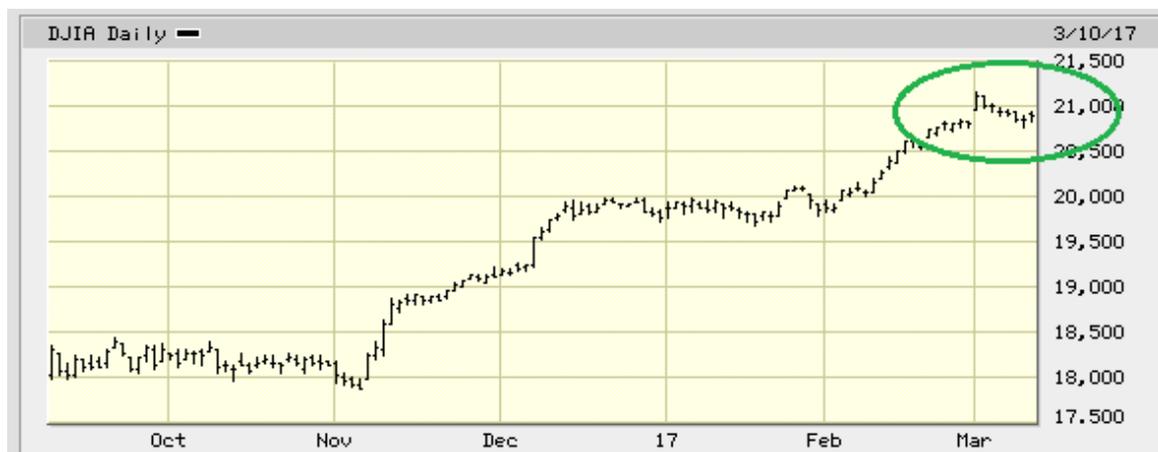
- i) Retrace and take a breather within the rising trend, or
- ii) Retrace further and switch from a rising trend to a falling trend, with a bubble 'burst'

Markets very rarely reverse as a 'crash' without warning. Rather, often there are early warning signals – e.g. stocks and Indices may start to roll over beforehand before they go into 'freefall'."

In particular we highlighted how the Dow Jones Industrials and the S&P500 had gapped up strongly on Wednesday 1 March and were at risk of gapping back down this week. If so, that would have created an 'island reversal' early warning signal at the top of their rising trends.

A week later, we are pleased to see that rather than gapping back down, the updated charts for the Dow and the S&P500 below show that:

- 1) They both retraced slowly this week to fill the original gap 'conventionally', then
- 2) Yesterday, Friday 10th March, they lifted slightly from their original levels set from before they gapped up, 9 days before.



Dow Jones Industrial Average



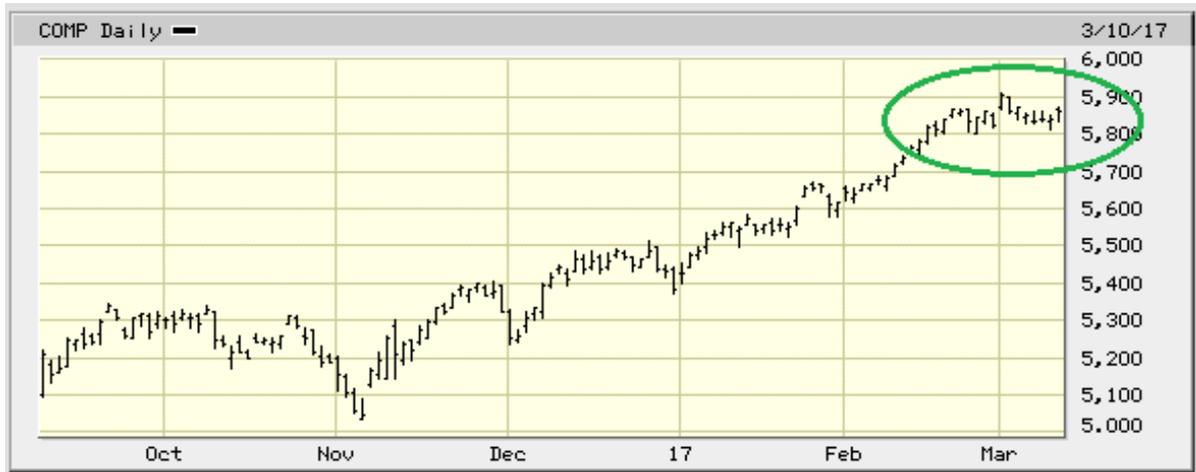
S&P500

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I.e. there was no 'island reversal', so need for 'alarm' at this stage, though Jim's call to remain cautious in this 'bubble' environment remains.

Meanwhile, as further updates on the other 2 main USA Indices:

A) The Nasdaq continues to consolidate at a support level of around 5800



Nasdaq Composite

B) The Russell 2000 continues to consolidate at a support level around 1,350



Russell 2000

In our weekly [mentoring-style Report](#), we will continue to monitor these markets in coming weeks for any other potential early warning signs in the future and keep our [members](#) informed of the latest developments.

In the meantime we recall a phrase quoted by a professional fund manager we met years ago "Trade what you see, not what you feel".

3. Australian Market

Here in Australia, in recent weeks we drew attention to the risk of increased volatility during the Reporting Season in February.

That Reporting Season is now behind us, so 'normal' market conditions have resumed within a confirmed rising trend, as shown in the latest weekly chart of the ASX200 below:

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ASX200 Index Weekly Chart

As an update on Jim Berg's daily and weekly [Australian Signals Service](#), the following shows the current status for all the remaining open Signals, of which **70%** of the Trading Signals and **80%** of the Investing Signals are now showing **open profits***:

A) Trading Signals:

(Targeting short term profits up to 15% and managed *using daily charts*)

On Friday 10th March, a notional Trading Signals trade was closed at a **+15.0%** notional profit or **+16.2%** with dividend. For the remaining 17 open Trading Signals:

	No. Of Open Positions
Open Loss up to -6%	5
Open Profit up to +5%	7
Open Profit +5% to +10%	5
Total Open Trading Signals	17

B) Investing Signals

(Designed to 'let profits run' and managed with *weekly charts*)

	No. Of Open Positions
Open Loss up to -7%	5
Open Profit up to +5%	4
Open Profit +5% to +10%	5
Open Profit +10% to +30%	8
Open Profit +30% to +50%	1
Open Profit +50% to +70%	2
Total Open Investing Signals	25

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For more information on Jim Berg's Australian Signals Services, click on these 2 links:



[Jim Berg's Trading Signals](#)



[Jim Berg's Investing Signals](#)

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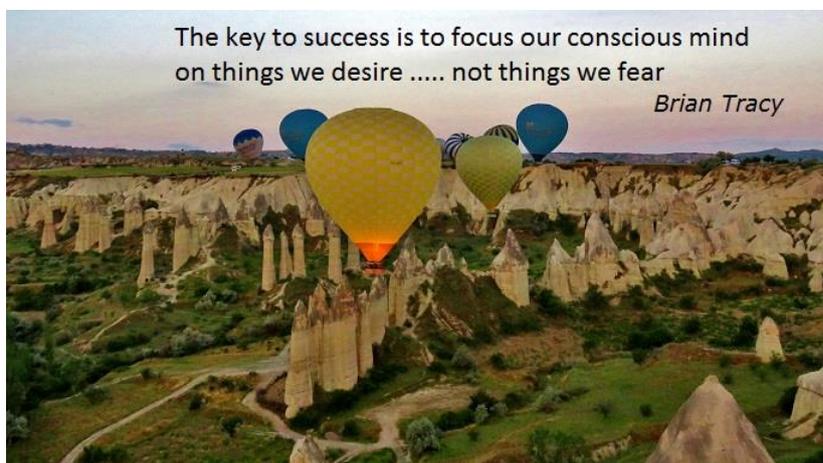
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