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Your Free Wrap today is based on an extract from the latest Edition 689 of our 'Investing & Online Trading' Stock Report

October Smash – “What to do NOW?” By Jim Berg and John Atkinson

In recent weeks we cautioned our Members of our weekly [mentoring-style Report](#):

“Since Oct 19th 1987, traders and investors have tended to be jittery, often with a rapid sell-off during the anniversary month, with October usually then ending higher at month's end than it started the month.

(This is often followed by a 'Christmas rally' in November to January.)”

As an update, in the USA on Wednesday 10th October:

- The Dow fell nearly 832 points, or 3.15%.
- The S&P 500 posted its fifth straight decline, falling nearly 3.3% and
- The Nasdaq fell more than 4% in its worst percentage decline since June 2016.

In response, on Thursday 11th October, the benchmark S&P/ASX 200 index (**XJO**) closed down 2.7%, or 166 points, with all major sector indexes in the **red** and USA Markets also fell further.

On Friday 12th October, the Australian defied global malaise, with the ASX200 (**XJO**) managing to close up 12 points at 5,896 and in the USA all 3 major Indices rallied.

For many years in our weekly '[Investing & Online Trading Report](#)', John has drawn attention to the importance of psychological round numbers as traders and investors often tend to buy and sell when prices fall back to those levels, thereby creating support and resistance levels at round numbers.

This intraday chart shows how this played out in the Dow Jones Industrials Index in USA on Friday 12th October, after 2 very large down days:



The Dow opened at 25,407 then fell over 400 points in the first 3 hours.

However, just before 1pm, the Dow touched a Low at 25,000.83, **i.e. only 0.83 of a point above the psychological number of 25,000**, as shown by the blue ellipse.

At that very point the buyers moved in, creating a mini V shaped rebound in only a few minutes. Over the next 3 hours, the DOW rose strongly, closing at 25,340, up **+1.15%** from Thursday's close.

(It's also interesting to note another positive in that after the bounce off 25,000, the DOW also staged an intra-day triple bottom reversal signal off the previous day's closing price, as shown by the horizontal line and yellow ellipse.)

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This poses the question: "**What to do NOW?**"

The easiest way to provide our response to this very important question is to show how we are handling the current market for Members of our Signals Services and weekly hands-on ['Learn-by-doing' Report](#):

In Jim's Australian Trading and Investing [Signals Services](#):

1. In recent weeks leading up to this correction, only a few shares have passed Jim's Entry criteria* which Jim had progressively tightened for weak market conditions (as detailed in our *'Cutting Room Floor'* articles in our weekly Report), so the number of 'open' positions was kept correspondingly low.
2. Only 1 'open' position triggered an exit trigger during this week's melt down, so the others are all still currently 'open'*.

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ASX200 Index Weekly

To take advantage of a possible rebound and Christmas rally in the Australian market, in both the notional Portfolio in our weekly Report and also for Members of Jim's Australian [Trading Signals](#) and [Investing Signals](#) Services, we now plan to:

- A. Wait until the ASX200 (**XJO**) first moves back above its Moving Average (see *weekly chart above*), then
- B. Look for those individual shares which trigger bona fide confirmed Entry Signals using our recently expanded *'Weight-of-Evidence'* stock selection tool**. We will also continue to reject those which do not pass Jim's newly tightened entry criteria (so are filtered to his *'Cutting Room Floor'*).

(** currently provided with our compliments to new Report Members as part of their [Bonus welcome pack](#))

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In addition, as an update on our Australian [ETF Signals Service](#):

1. Leading up to a possible correction in September or October (as documented in our *'Investing & Online Trading'* Report every week by Daryl Guppy in recent months), we deliberately kept 3 notional positions in 'cash' pending a suitable Entry Signal afterwards.
2. Stops were triggered on Thursday 11th Oct for 1 Australian and 3 International 'open' ETF Signals. These 4 ETFs were exited on Friday with notional losses of **-9.1%**, **-6.7%** and **-0.7%** and a notional profit of **+15.1%** after dividends*.
3. On Friday 12th October, an Emergency Stop was also triggered on another international ETF (currently in open profit of **+9.3%**), ready for an exit on Monday 15th Oct*.
4. This will now leave:
 - A. 2 'open' international ETF notional positions which we will continue to monitor daily on behalf of our ETF Signals Members* and
 - B. 8 notional 'Cash' positions* which we plan to use to:
 - i. Enter new ETF positions if/when they:
 - o Break out to new Highs or
 - o Consolidate, then provide confirmed Entry Signals using Jim's JB Volatility Indicators, in which case we plan to
 - ii. Take advantage of the potential capital growth if Australian and /or selected international ETFs on our Watch List resume their upward rise within their rising trends and result in a *'Christmas rally'* in coming weeks*.

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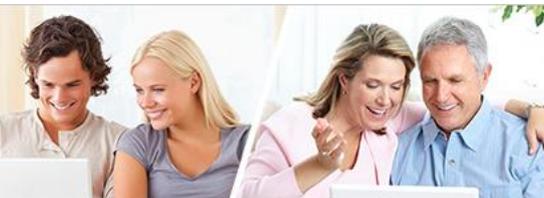
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- Notional portfolios for the current USA and Australian Markets - to help you learn **WHEN to Buy** and, more importantly, when to **SELL**
- Money & Risk Management & trading/investing psychology
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