

Stock Market Forecast For 2009. Which Penny stock you must pick?

The stockmarket has dropped over 40% since it reached the top in October 2007. The SP 5 hundred index reached highs of 1,561.80 and over a year later has been trading in the eight hundred to 900 range. Does this mean the correction is over and we will now look for a new bull market to occur in 2009? First, the market formed the left side of a parabolic pattern as the market essentially went straight up from 1982 to 2k. Even the 1987 crash now appears like a blip on a bubble formation. Over the next eighteen years it increased to 1,527.46. To paraphrase the SP five hundred index rose by 1,500% in eighteen years. Beginning in two thousand we had a pointy three year correction that cut the gains over the last 18 years nearly in half as the low on the SP five hundred index was 800.58. Then the market moved to a questionable new high at 1,561.80 over the following four years. So to summarise we formed an ominous double top formation over a period of seven years. Since that time in 2008 the market has started moving down again. These kinds of double top patterns over long periods after a parabolic rise are awfully strong chart patterns that signal lower costs ahead. And when I'm saying lower, I mean significantly lower. It's not nice to point out how this kind of pattern often plays out, but here it is. The 1st real rebound would be anticipated down in the eight hundred area where the last correction finished. And in the latter part of 2008 that is precisely what went on. But I wouldn't expect it to carry there for long. After the next real hold area would be in the 450 area, but there's no guarantee it will even stop there. Even if it does we are possibly in a depression or at least an agonizing recession. Remember this is an index of 5 hundred stocks and many of them have revenues for now so I wouldn't expect it to be as serious as some of the dot com stocks in 2k that were brought to the moon on merely an expectancy of takings before the bubble burst. As an example, YHOO topped out at approximately 200 and prior to it being over the stock was trading below ten 2 years on. However, keep one thing in mind about takings. If we are going into a particularly major recession or depression in the economy lots of these corporations will have negative takings to paraphrase they'll be losing money. Bottom Line : The double top formation won't be damaged unless the SP 5 hundred goes back above the old high of 1,561. I believe the much more likely eventuality is the market moves lower and at some point in 2009 the SP five hundred index dips below 5 hundred. The Fed and Congress are throwing trillions at the economy in hopes that we intend to avert a significant recession or depression. At about that point I suspect the chances still favor a major market and depression in spite of their brave attempts to stop this hideous eventuality from unfolding. Only time will tell if they are going to be successful, but I have my doubts unless and till I see encouraging signs in the economy. Till then the stockmarket is on shaky ground and subject to unexpected and violent down days which will wipe out all those making an attempt to pick the bottom in this market at this time before the final bottom is reached at significantly lower levels.

About the Author

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