WATCHING DROPS IN THE MARKET

The ten largest one-day drops of 2007 have averaged 326 points.

If the average one-day drop is 326-350 points, a cyclical downturn may now be averaging just over 600 points. The large one-day drop tends to be more than the entire cyclical downturn.

Whipsaw begins whenever the market begins upward moves of over 100 points. Typically there is a large burst UP, a slight retracement, and then upside that averages 170 points from the lowest downside. The total move UP, after the whipsaw begins is a call bias that can upside 450 points overall.

If the market drops 326+ points, and after it has dropped further, typically up to 600 points, the first buying is now 100 points or more. The first upswing may be hesitant, over a day and half, but then average 170 points.

As the market rises deduct 50% to 60% from the overall rise. (If the market has moved up 150 points, it's 75.) Wherever the Dow is right then is a place to potentially buy a call - between bid/ask.

> Ex: After a drop, the market is at 13,820. It rises 150 points.
> 13,820+150=13,970. When the market moves back 75 points
> (half of the rise), or to 12,895 it's a good call entry spot.

Assuming the trader buys at 13,890 during this whipsaw period we would add the first day of the initial drop (the 326 to 350 point moves) and 170, where the upswing average.

> Ex: We are buying at 13,890. 326 +170 = 496 points.
> Using averages we're then suggesting the top of the
> market might now be 14,386.

This same formula is what we're now studying with all large market moves. It's used in conjunction with support and resistance and ATR. ATR, on large swing days, should be recalculated intraday.