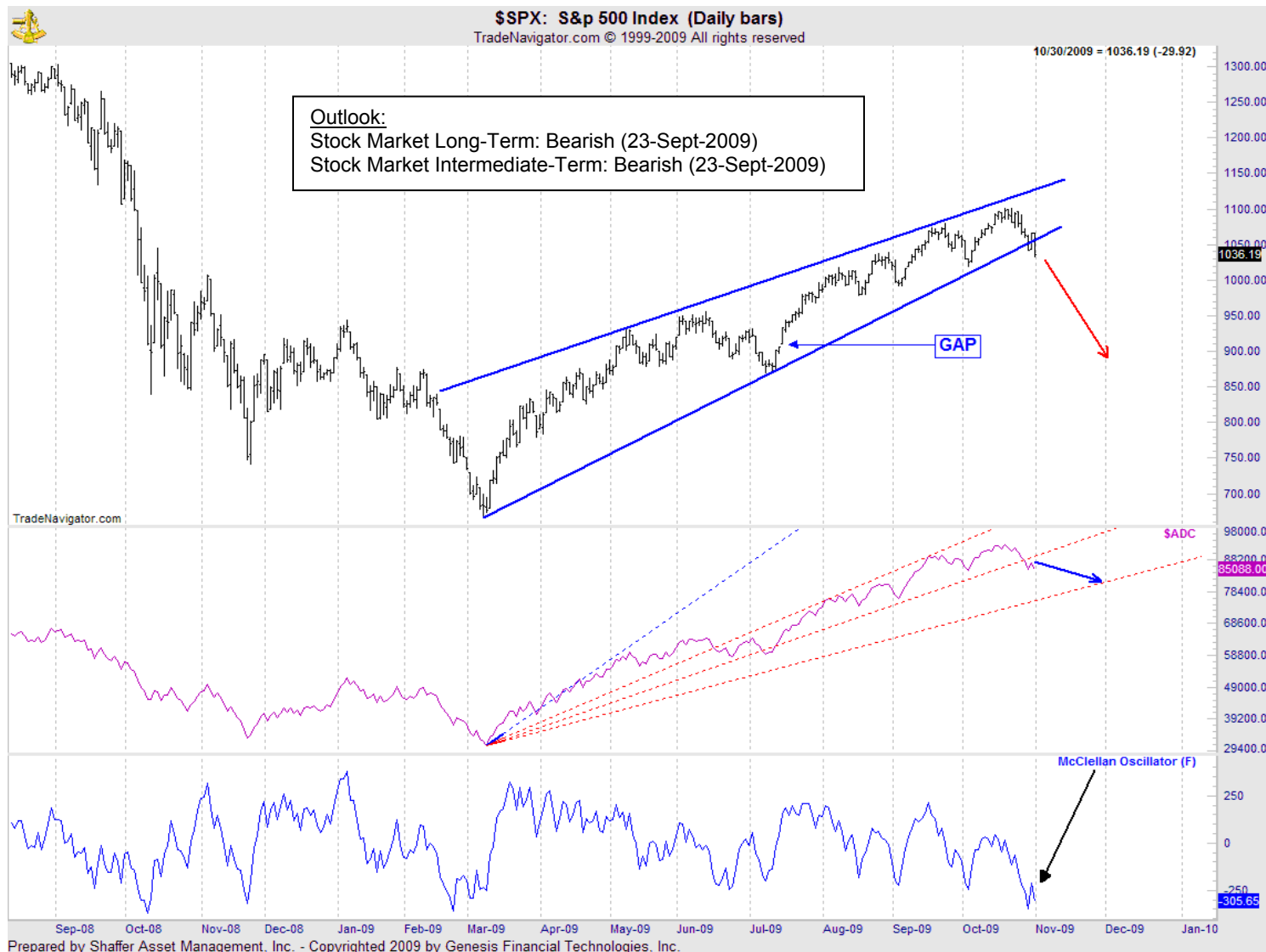


SHAFFER MARKET REPORT

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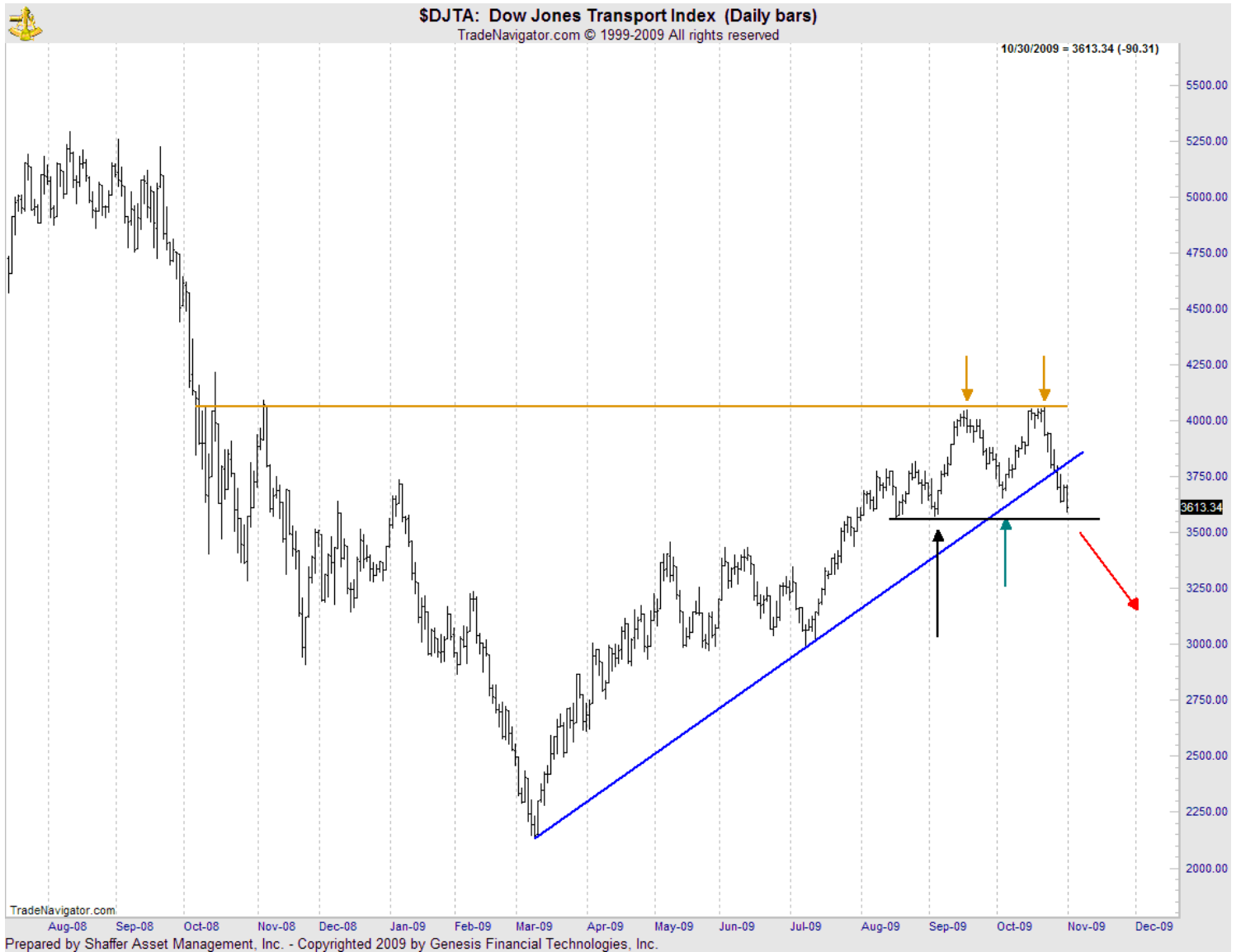
The Stock Markets:



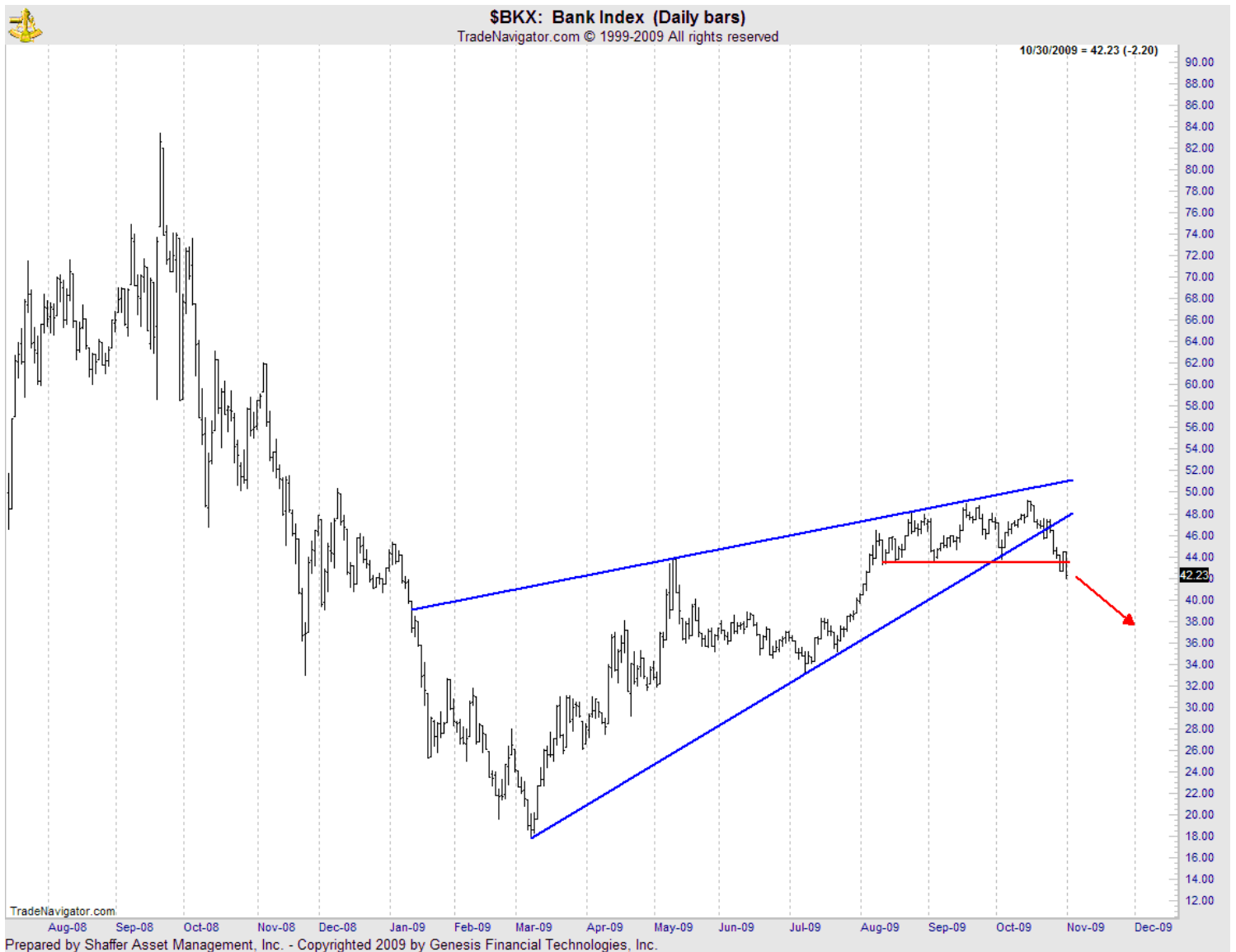
Looks like the fireworks are about to begin. Thursday's fake rally supported by the 3.5% rise in GDP didn't fool us. In fact, the GDP usually goes through many revisions, so let's see where this one ends up months from now. But, for now our expected move lower in the stock market has begun as we have been anticipating in our past newsletters, and it's not over yet. We project that the market will reach an interim low into the second week of November around the 9th-13th, then maybe a slight bounce, followed by a sharper decline ending around the last week of November into early December. We will reassess this predicted pattern through our newsletters but be prepared for a decline for now.

As shown on the chart above, the S&P500 Index has broken below the bearish rising wedge pattern for the second time which technically indicates that this is the beginning of a new trend. The New York Stock Exchange Cumulative Advance Decline Ratio (\$ADC) presented in the center section continues its decline below the next "Fibonacci Fan" line (red) which measures time and mathematical points. Also, the McClellan Oscillator is signaling either a short term adjustment bounce or because of its extreme low value not seen since February, the market may be in for a sell off of great magnitude. We continue to see risk in the stock market in the coming weeks.

Our current projected target continues to be the 900-930 area with possible surprise spike lower below 900 on the S&P500 Index around the end of November into early December. The relationship between the \$ADC and the S&P500 Index will continue to be critical for our predictions. If the S&P500 Index spikes down below the low of this past July, and the \$ADC does NOT make a new low and break the Fibonacci Fan line we have drawn, then we would tend to believe another move higher is possible for a final attempt to reach higher. But for now, we will focus on this current projected move down and as it is proving itself out on many indexes not only the S&P500 as you will see in further sections in our report.



Above, the daily Dow Jones Transportation Index which had completed a double top (orange arrows) pattern has now confirmed a breakdown as we had been anticipating. The next target for support for this index would be the black horizontal line connecting the September low (black arrow) and a prior low in August. We anticipate that once this line is tested that the index will continue lower as shown with the red arrow. The index closed below the middle bottom of the M pattern as we point out with the green arrow from our last report. The Dow Jones Transportation Average is signaling slower business activity and economic conditions ahead, usually precedes the Dow Jones Industrial Average's movements. The breakdown below the upward sloping trend line (blue) and then the break of the low made in the middle of the double top at 3656.23 (green arrow) confirms a further downward move. A break of the low with a close from mid August at 3561.54 would confirm a greater decline ahead. We will continue to monitor this index.



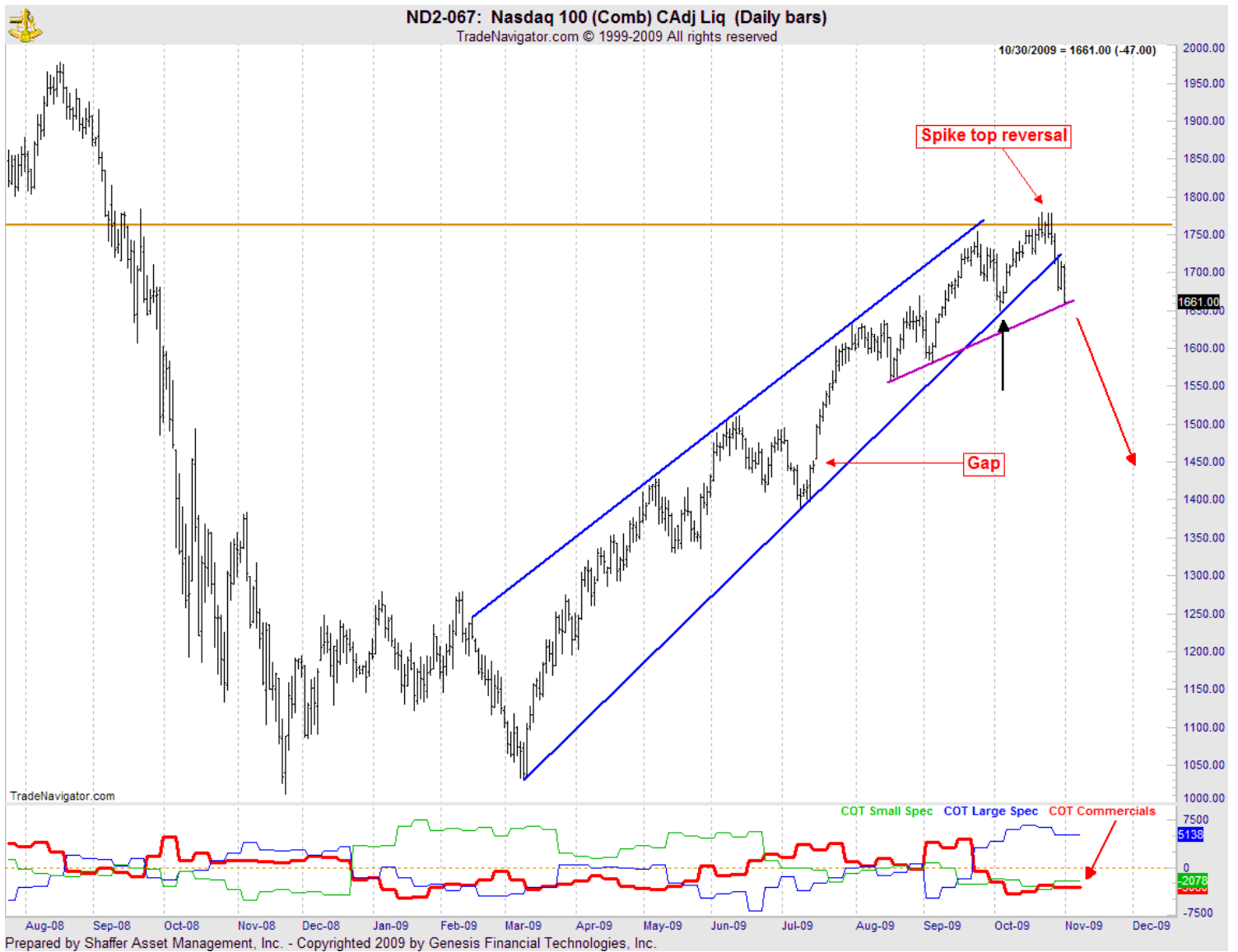
As shown on the chart above, the daily KBW Bank Index is now following through with its decline after it broke beneath the bearish rising wedge pattern (blue line). The index has now closed below the horizontal support level (red line) of the past three months indicating a greater decline ahead. The banking sector was one of the first indicators to let us know something was not right and is leading market direction. One of the sectors to lead the current seven month stock market rally has been the KBW Bank Index but, as for now, it has confirmed a change in trend to the downside. This index also preceded the broader market decline. We continue to indicate problems in the banking sector for some time to come.



Above, the Semiconductor Sector Index well known as the SOX Index not only broke the middle purple line of the trend channel but now has also closed beneath the lower trend line (blue) as we had been anticipating. The SOX Index has been a leading market indicator from the March lows, but now we indicate that the SOX Index closing below the trend line (blue) is about to confirm a broader market break down. We had noted with two orange arrows at the top of the trend range as showing a double top formation that ended near a prior low support area back in July 2008 indicated by the orange horizontal line. Now that the double top pattern is complete, the downtrend can pick up some speed with a second close beneath the trend line (blue).

We now anticipate that the gap, in red circle, on the chart at 265.65 for the Index, which occurred back in July 2009, will be filled. Gaps usually at some point get filled and we could see this gap acting as a magnet to bring the index down to fill it.

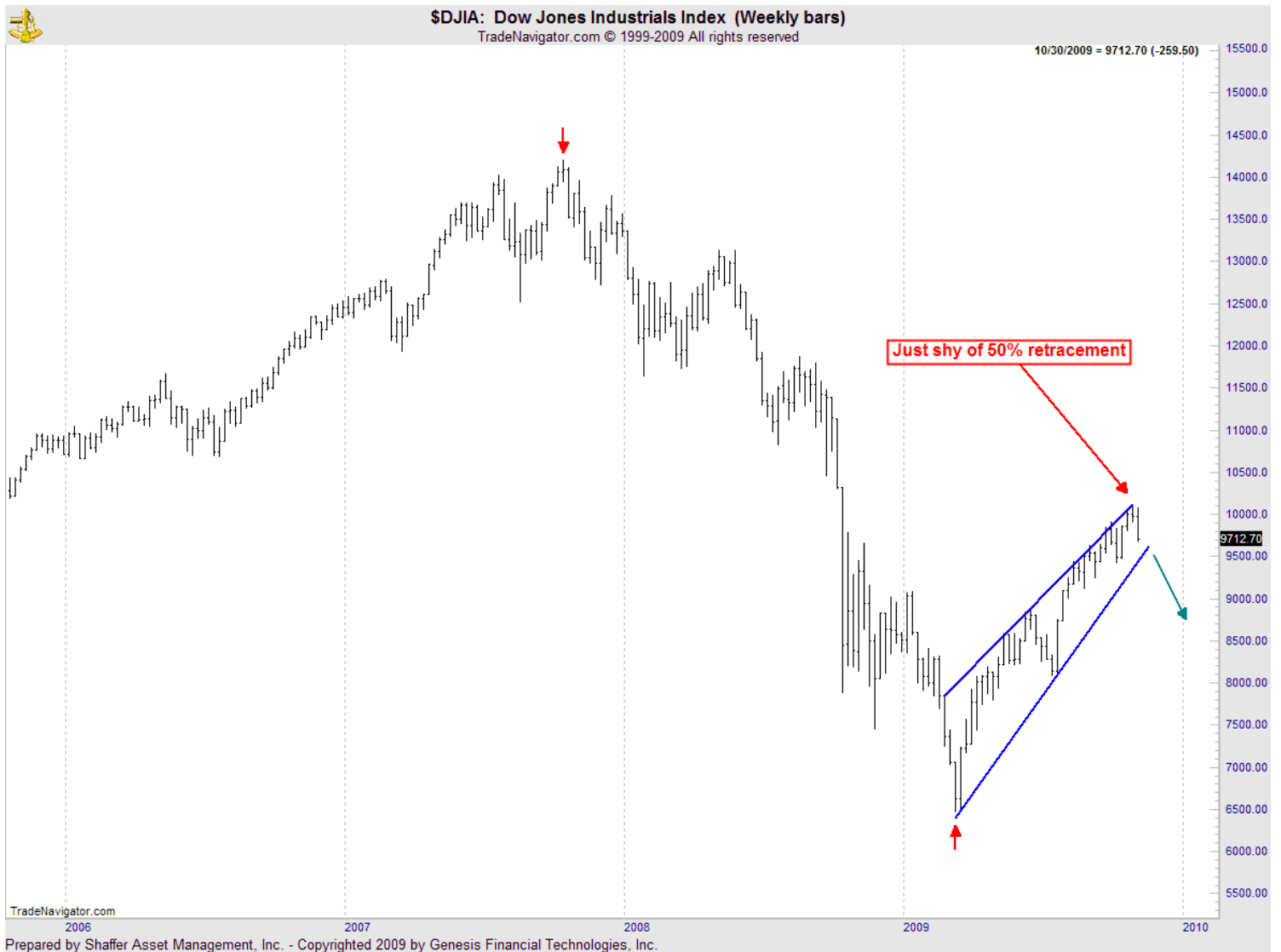
We continue to believe that as the SOX Index declines to lower levels, we would expect the broader stock market to decline as well.



The daily NASDAQ 100 futures contract has broken the major uptrend line (blue) and we received our final confirmation that the top has been put in as it closed twice below the line. As we anticipated, it should continue moving lower going below the low of last October 2nd of 1649.75. A break of the purple trend line would send this index on its way lower. As per the Commitment of Traders (COT) report released every Friday by the Commodity Futures Trading Commission (CFTC), we observe that the commercials or hedgers are continuing their net short position which indicates lower prices ahead. As we mentioned in our last newsletter, we did get our anticipated breakdown below 1738.00 and 1724.00 which both occurred and as we indicated would lead to further potential declines towards filling of the gap.

Pressure held at the horizontal line (orange line) as the Index did run out of buyers at that level and was not able to close above it. The horizontal line (orange line) is where the futures contract broke down back between July-September 2008. We continue to predict that the top may be in for the NASDAQ and we predict a lower move similar to our prediction of the S&P500 Index, SOX Index and the Bank Index from the previous sections.

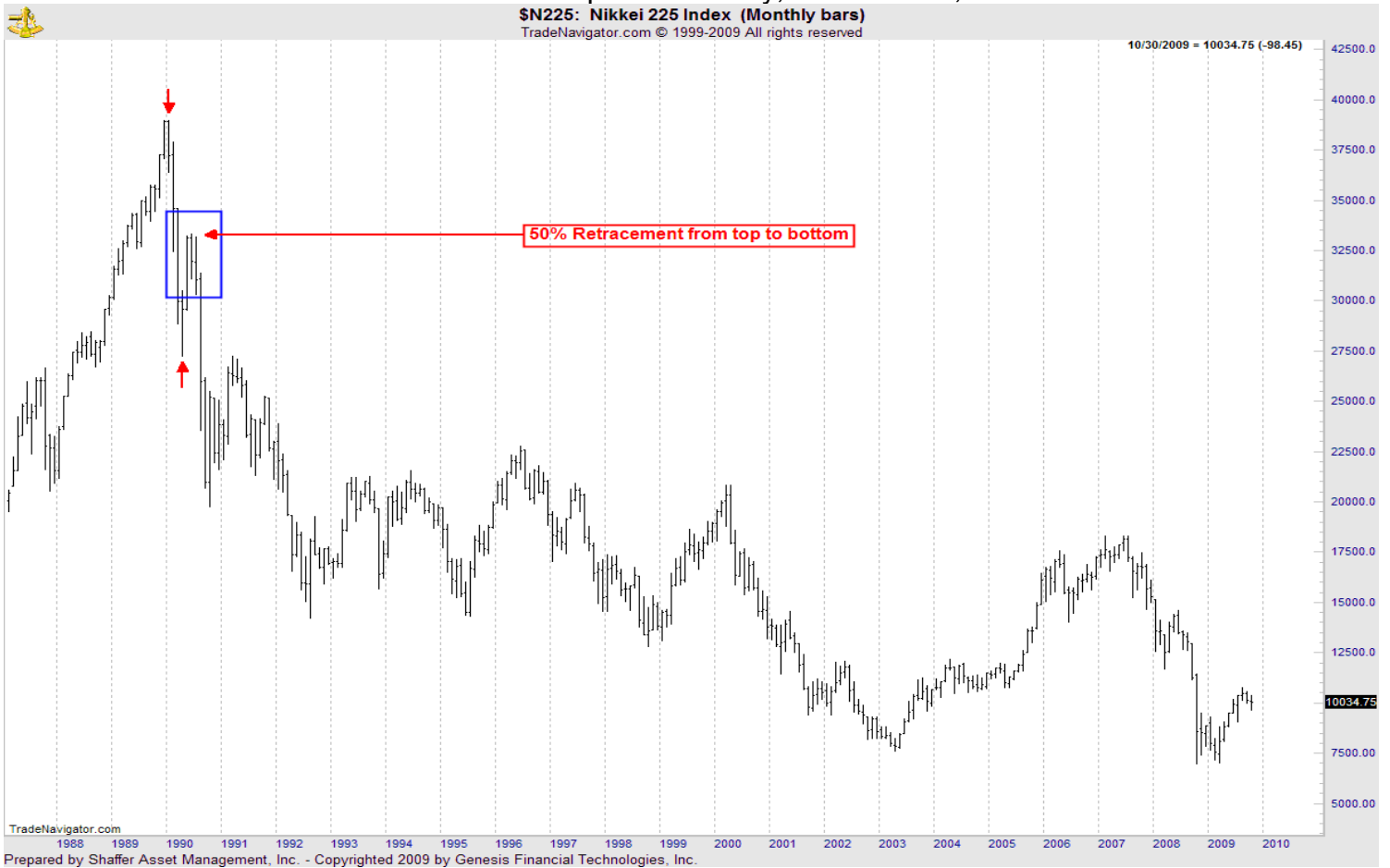
We also continue to point out the gap from the July breakout higher which may become a magnet for the anticipated move lower.



Above, we display the weekly Dow Jones Industrial Average. The bear market rally has taken the average to just shy of a 50% retracement similar to the patterns shown in the next section which represent the monthly Nikkei 225 Index showing what happened 1990 and the weekly Dow Jones Industrial Average showing what happened in 1930.

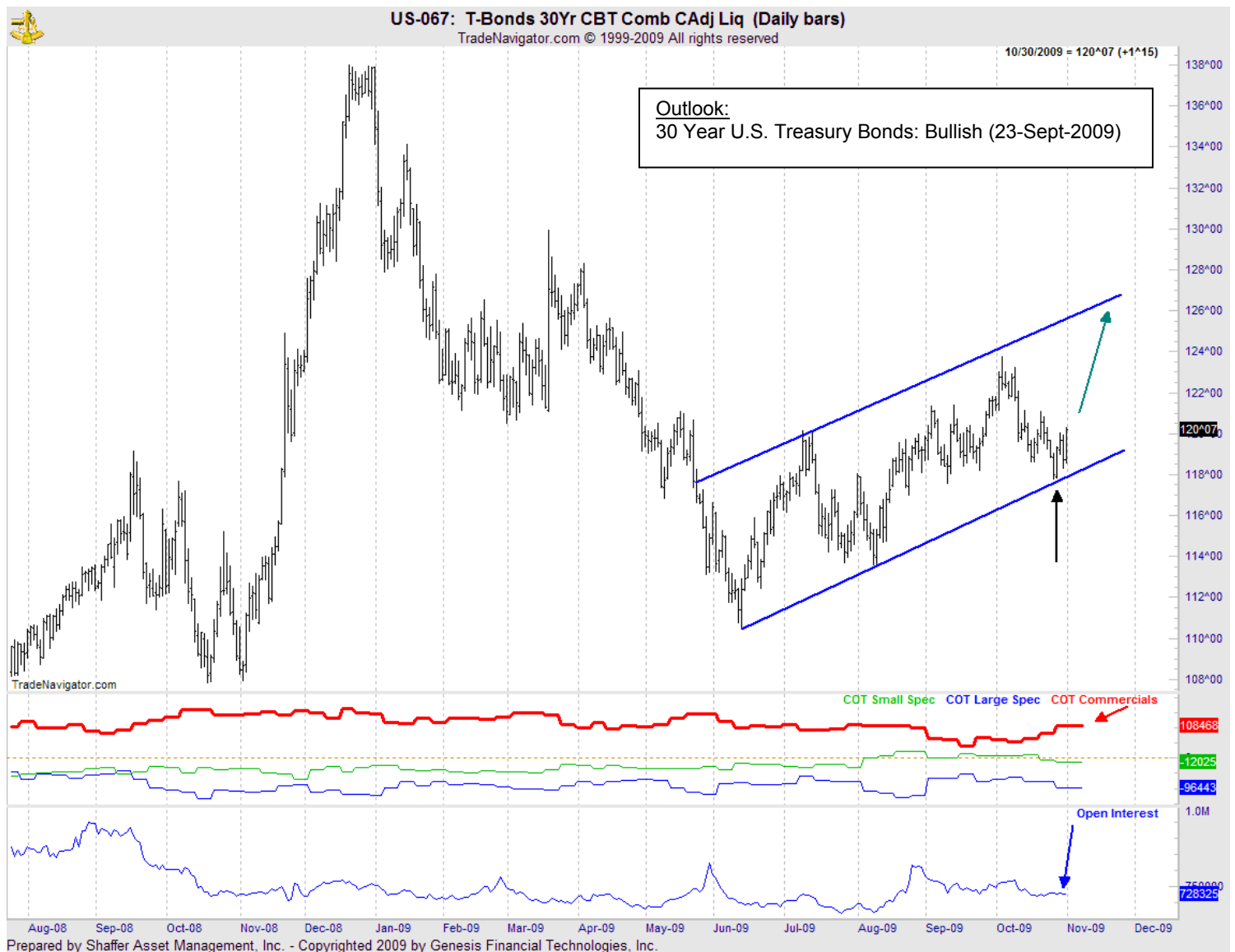
We note that after such a strong 50% retracement, both markets sold off to extremely lower levels for many years to come after the bounce. We believe that we are in the early stages of such a pattern and continue to reiterate caution for investors that want to hold on for the long term.

Shaffer Market Report – Monday, November 2, 2009



We continue to present the Nikkei 225 Index chart and the Dow Jones Industrial Average chart from 1927-1934 as reference.

The 30 Year US Treasury Bond Futures:

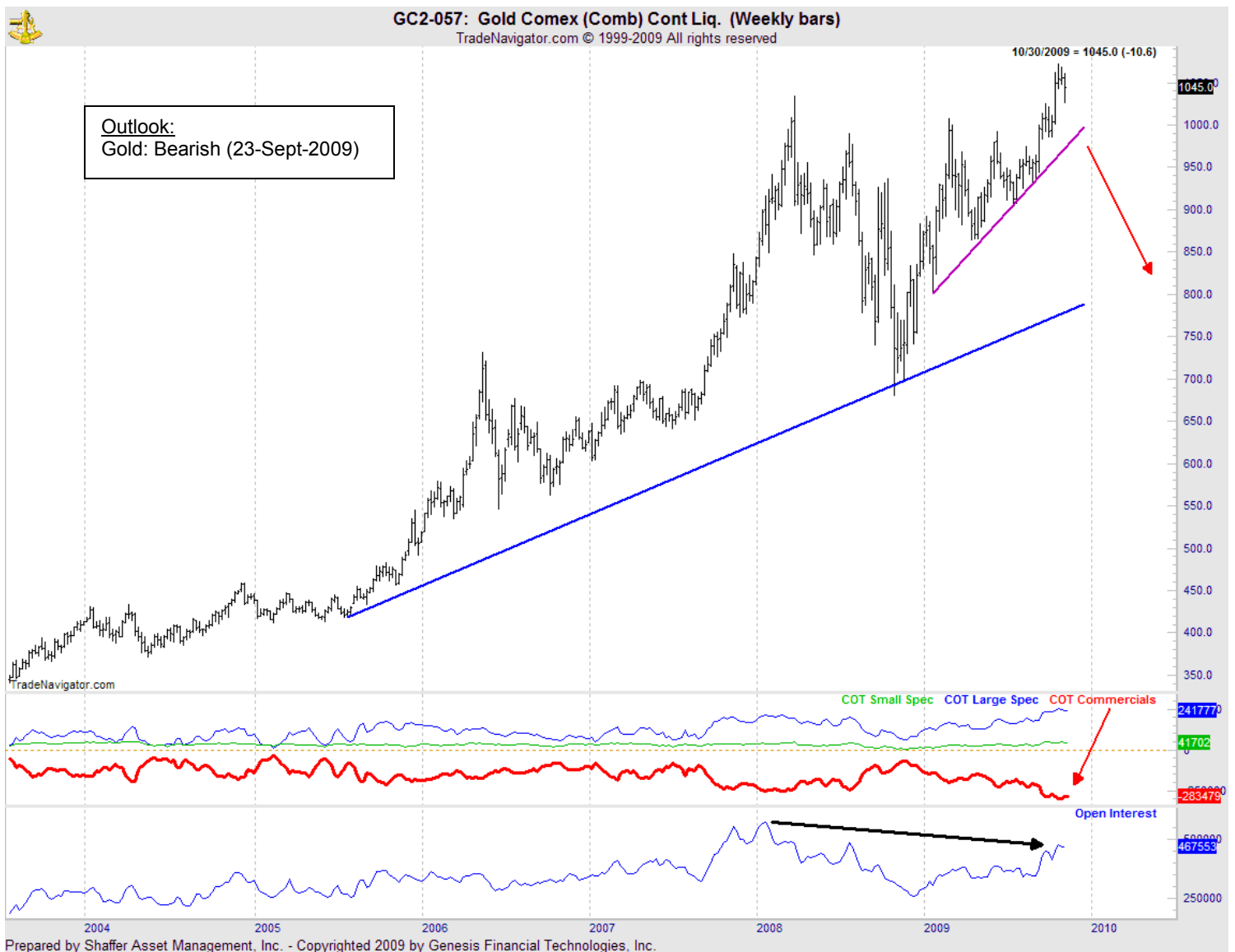


Again, the 30 Year US Treasury Bond continues to stay within the trend lines as show above (blue lines) with another supportive bounce over the past few trading days (black arrow). As we continue to emphasize, we currently believe that one of the safest holdings in the current economic cycle are US Treasuries. As per the Commitment of Traders (COT) report released this past Friday by the Commodity Futures Trading Commission (CFTC), the Commercials or Hedgers have again moved higher in their net long positions (see red arrow) indicating that they expect higher bond prices, which means lower yields ahead. As the stock market continues to move lower, we expect money to flow into the US Treasury market more than any other market.

We note that open interest continues to stay at low levels as shown on the bottom of the chart (blue arrow) which indicates that there is not a lot of hedging by the commercials or hedgers, another indication that prices may rise in the future. We continue to project lower yields as prices increase.

Our belief is that the United States could be going into a depression economic environment and the Treasury market, regardless of the US deficit is signaling slow growth ahead. Many pundits have been saying that the US Treasury bond market will fall and interest rates will rise because of the largest debt in history. We disagree with this thinking and believe a greater economic slowdown is a far greater power to keep yields low and bond prices up than the US deficit. We will continue to monitor the Commercials or Hedgers and follow their positions as we believe they have a better handle on the direction of the market.

Gold Futures:

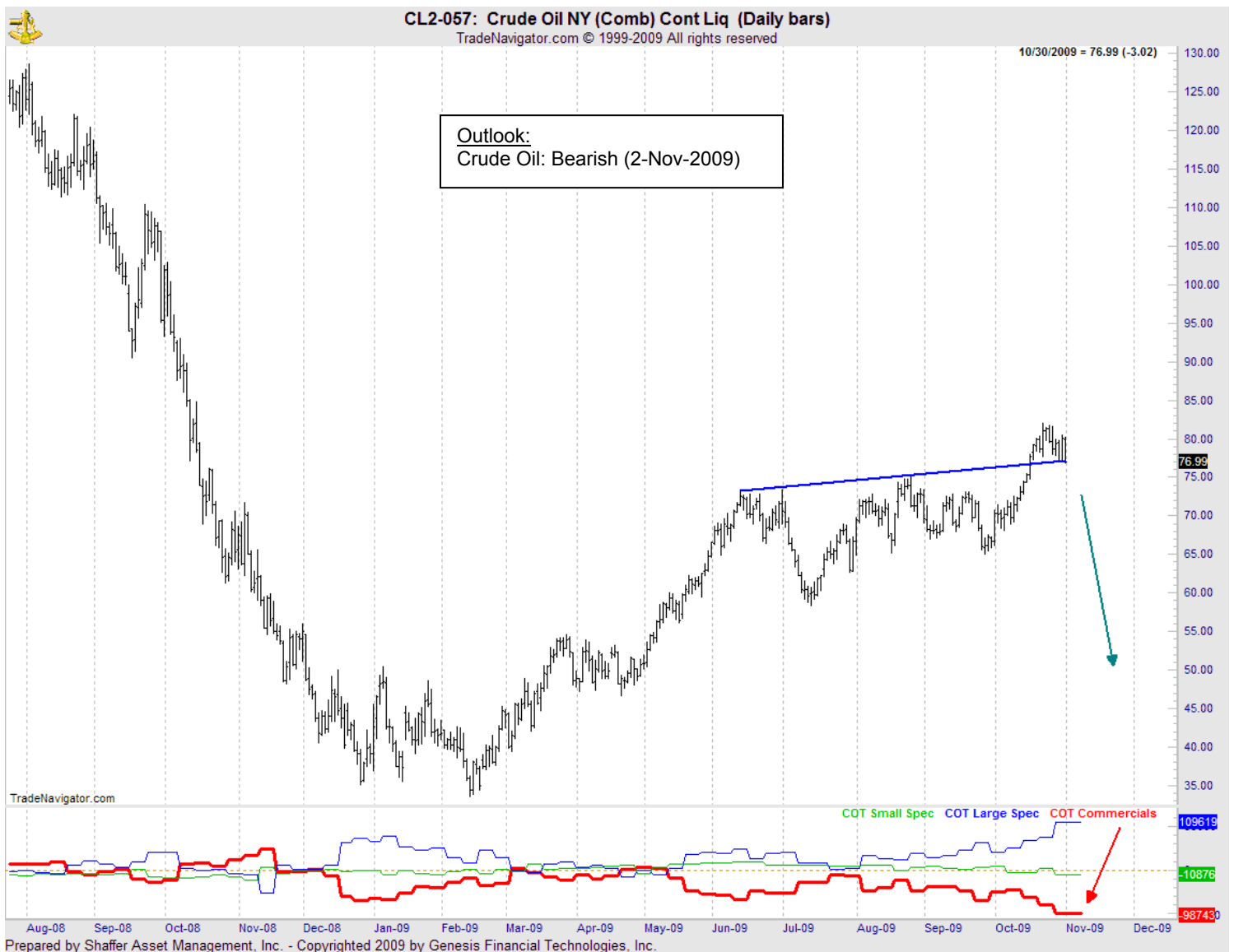


Again, not much more to add to Gold conversation today except for an updated weekly chart above. We are waiting for a much larger move lower coming very soon.

We observe that Gold has turned lower here along with the stock market and the strengthening US Dollar. We repeat that with the Commitment of Traders (COT) report released this past Friday by the Commodity Futures Trading Commission (CFTC), the commercials or hedgers continue to sell into this current Gold rally and continue to hold net short positions again (see red arrow), expecting lower prices ahead. This level of net short positions continues to be at the highest levels since the CFTC started to report such numbers. We continue to interpret that there may not be much more on the upside for Gold and we predict a large downward move coming soon. If Gold trades below \$970 (the purple trend line) then we would have confirmation that a long term top may have formed. We continue to suggest being extremely cautious of long Gold at these levels and if the stock market continues its decline as we anticipated, then Gold will decline as well.

We continue to monitor the open interest which is actually less than when Gold was at a high in 2008 (see black arrow). We interpret this lower open interest to risk aversion and even though Gold has had a strong move higher, that many are not participating in the rally. As we predict a deflationary economic environment for many years to come, Gold right now may be seen as a fear trade instead of an inflation trade. Once the US Dollar begins to advance, which we expect shortly, then Gold may take a major tumble as the speculative nature of the trade may be taken off rather quickly.

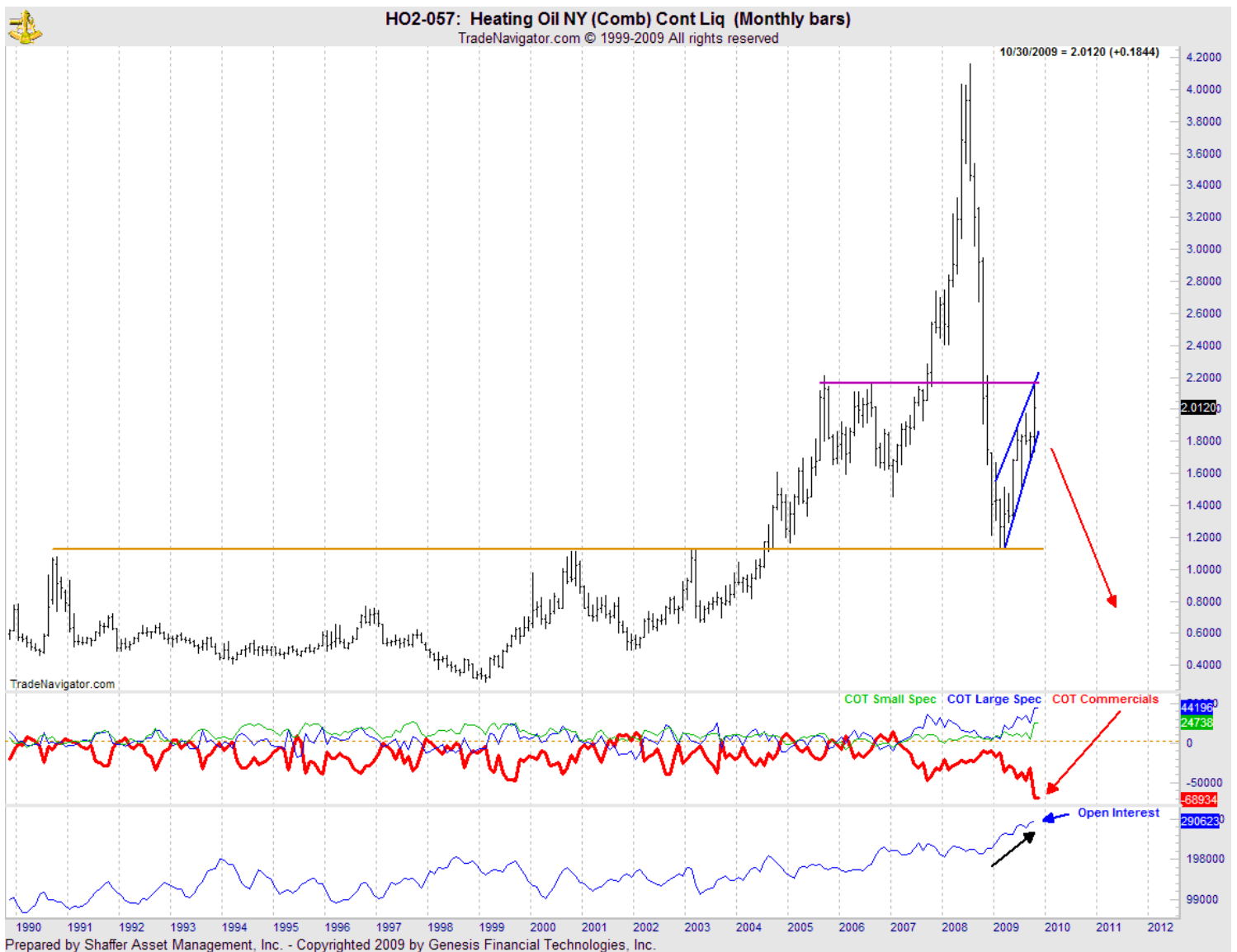
Crude Oil Futures:



Above, we show the daily Crude Oil chart. We have changed our outlook to bearish as of November 2nd. As per the release of the Commitment of Traders (COT) report released last Friday by the Commodity Futures Trading Commission (CFTC), the commercials or hedgers significantly increased their net short positions (see red arrow) from the prior report. In fact, it is the largest net short position since March of 2008. We continue to project that the current rally in prices from here will begin to reverse to the down side as long as the Commercials hold their high net short positions. Friday's closing price for the current contract was right on our trend line (blue line) and if Crude Oil closes below the trend line then we anticipate an accelerated decline to lower levels. We continue to monitor for our scenario to evolve as the pattern develops. Oil company stocks continue to move lower with the general stock market which usually precedes crude oil prices.

Longer term and based on the net short position level of the Commercials, our analysis continues to project that the price of crude oil could possibly trade down below \$50 a barrel shortly. Depending on economic conditions going forward, we may lower our target to below \$40 a barrel as we anticipate a strengthening US Dollar.

Heating Oil Futures:

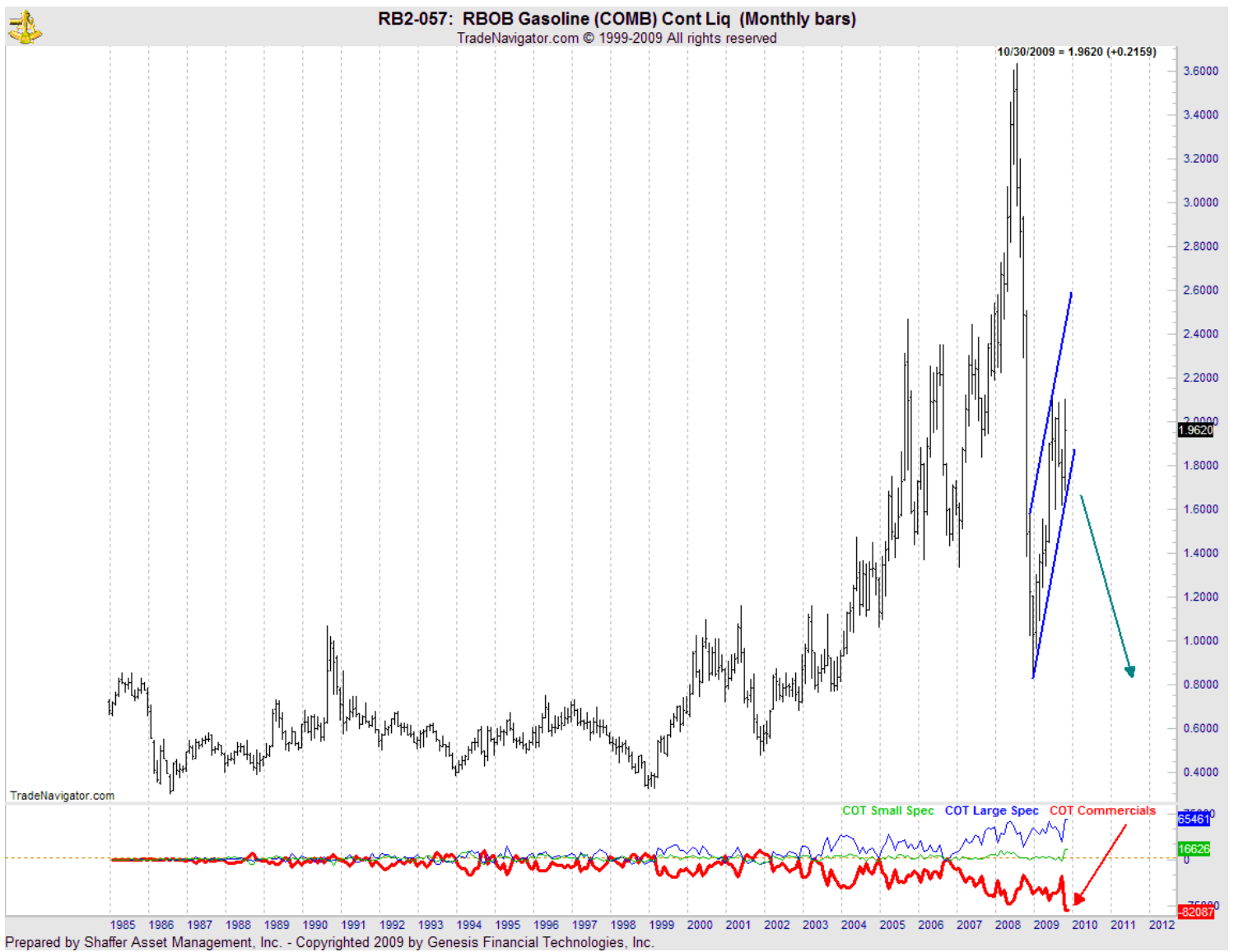


Above, we show the monthly chart of Heating Oil. We particularly would like to point out some very interesting indications being presented on the chart. First, note that the recent monthly peak of October reached a resistance area (purple line) from 2005 and 2006, but could not penetrate these level highs. Second, we point out that the earlier low this year was supported from highs from 1990, 2000 and 2003 as shown with the orange horizontal line. Finally, we believe that a technical upside down flag pattern as shown with the two blue trend lines has developed which indicates lower prices ahead.

But, most importantly, as per the Commitment of Traders (COT) report released every Friday by the Commodity Futures Trading Commission (CFTC) shows that the commercials or hedgers have taken an even greater net short position as indicated with the red arrow. Also, the open interest has increased to the highest levels reported since at least 1990. Both of these indicators are extremely bearish for prices as not only are the commercials or hedgers at high net short positions, but the open interest is indicating that the industry involved with either using heating oil or producing heating oil are extremely bearish for future prices.

We will continue to monitor prices as we expect this pattern develops.

RBOB Gasoline Futures:



Above, we show the monthly chart of RBOB Gasoline. We also have the same chart pattern as Heating Oil. We believe that a technical upside down flag pattern as shown with the two blue trend lines has developed which indicates lower prices ahead.

As per the Commitment of Traders (COT) report released every Friday by the Commodity Futures Trading Commission (CFTC) shows, the commercials or hedgers have taken an even greater net short position as indicated with the red arrow. This is extremely bearish for prices as the commercials or hedgers are at the highest net short position ever reported which is indicating that the industry involved with either using RBOB Gasoline or producing RBOB Gasoline are extremely bearish for future prices.

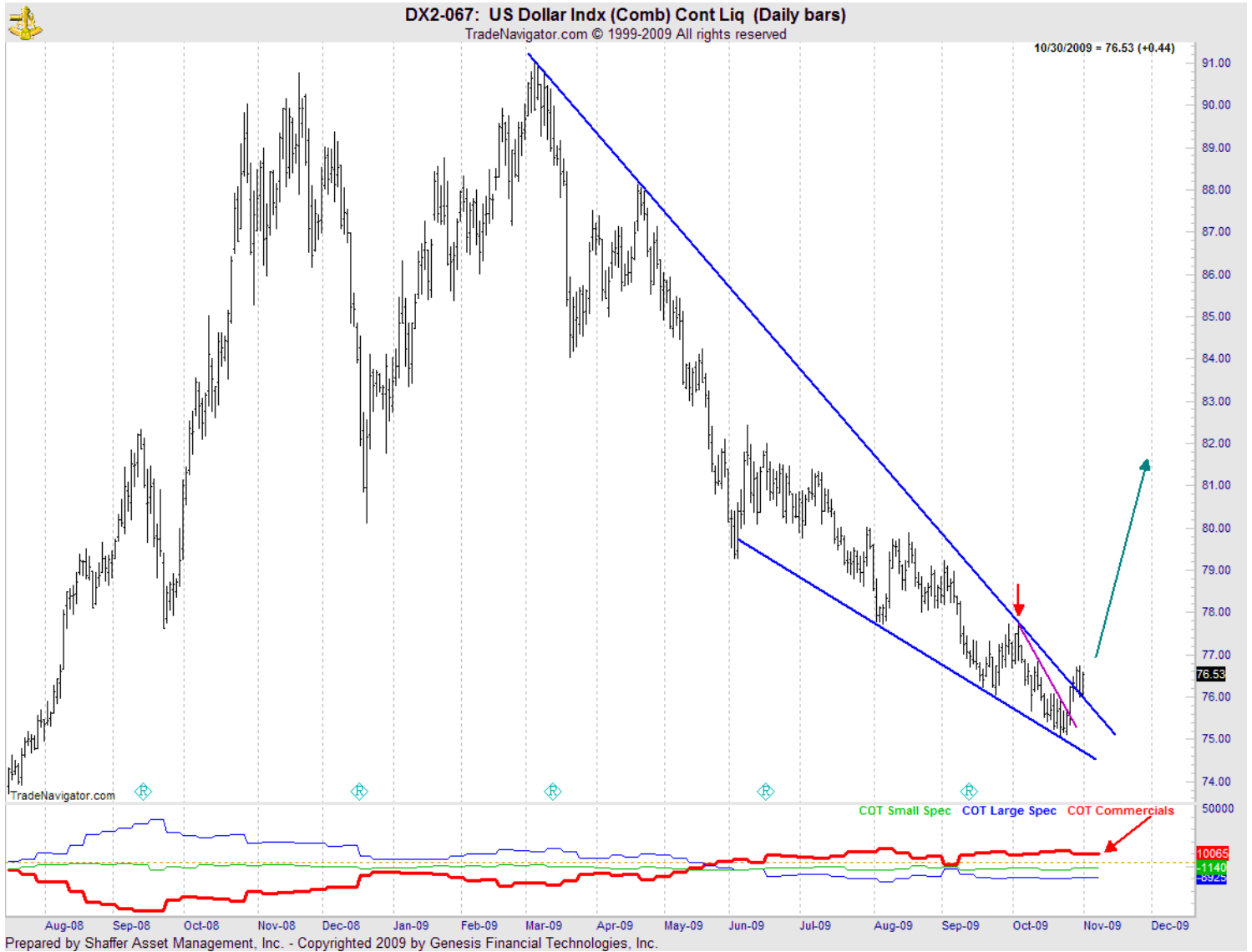
We will continue to monitor prices as we expect this pattern develops.

Euro Currency Futures:



Above, we show the daily Euro Currency futures chart. The Euro Currency is now positioned to decline against the US Dollar and may be in the early stages of a major decline as it closed Friday (green arrow), again, right on the lower bearish rising wedge pattern trend line (blue line). A rising wedge formation is an indication of prices reversing to lower levels. We have indicated that at the horizontal orange line, there is resistance from the August 2008 level (see blue arrow). As per the release of the Commitment of Traders (COT) report by the Commodity Futures Trading Commission (CFTC) this past Friday, the commercials or hedgers are maintaining their net short positions (see red arrow) indicating lower prices ahead. As we now have the beginnings of our anticipated stock market decline, we also expect the Euro Currency will weaken with a move in tandem with the stock market.

US Dollar Index Futures:



Above, we show the US Dollar Futures contract. The US Dollar has broken through the down trend line (blue line) and has consolidated for a few days above the line. Our first level of resistance, as shown by the purple trend line was penetrated first. We will become more bullish of a trade above 77.72 as noted by the red arrow. As per the Commitment of Traders (COT) report released Friday by the Commodity Futures Trading Commission, the commercials or hedgers are holding their net long positions which indicate to us that they are getting ready for a stronger US Dollar.

We will continue to monitor the progress of the US Dollar and the Commitment of Traders report released on Fridays as an indication of the strength of our expected move higher.

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Daniel S. Shaffer is President & CEO of Shaffer Asset Management, Inc. He earned the designation of Certified Public Accountant (CPA) in May of 1989 and is currently registered as inactive status with New York State. He obtained the Chartered Financial Consultant (ChFC) designation in October of 1992 from the American College. In June of 1986, he received his Masters of Science Degree in Accounting from New York University. Daniel S. Shaffer also received his Bachelors Degree in Speech Communications from Syracuse University in December of 1982.

In January of 1983, Daniel S. Shaffer started his career as a floor trader for his own account on the New York Futures Exchange. From 1983 through 1989, he had been with such firms as Bear Stearns, Coopers & Lybrand (now known as PricewaterhouseCoopers) and Hambrecht & Quist (now owned by JPMorganChase). In 1989, Daniel S. Shaffer became an independent financial planner and money manager. He has been in the securities industry since 1983. In 2000, he developed money management strategies where he has since managed money utilizing stocks, futures and foreign exchange for individuals, major institutions and for his former hedge fund. In May of 2000, Daniel S. Shaffer joined Berthel Fisher & Company Financial Services, Inc. as a Registered Representative to assist individuals and business organizations attain their financial management goals.

In June of 2000, under Shaffer Asset Management, Inc.'s separate capacity as a Registered Investment Adviser, Daniel S. Shaffer developed and introduced the Shaffer Stock Investment Program as an alternative investment to his predicted future of a more challenging stock market, which invests in cash, stocks and exchange traded funds (ETFs).

Daniel S. Shaffer's technical analysis of the stock, currency and commodity futures markets has been widely recognized by the financial community and the media. He believes in helping others attain his or her financial goals by sharing his wealth of knowledge, research, investment experiences and technical analysis. One of the benefits of working with Daniel S. Shaffer is his ability to provide clear, easily understood explanations of his philosophy, strategies, methodologies and technical analysis techniques.

Daniel S. Shaffer is a frequently invited guest lecturer, panel member and workshop/seminar presenter for many Private Organizations and Public Events; and is a frequent guest commentator on national business television networks and is quoted in the press.

Daniel S. Shaffer is a Featured Commentator on Thestreet.com and can be found in the " RealMoney Section" and is a daily contributor to FinanceBanter.com.