

DRIVING DOWN

The STI has paused in mid-air. This consolidation is temporary as it is not related to any historical support or resistance level. This makes the market vulnerable to even a small shock which can drive it quickly to the 2700 support level. This remains a panic market and traders are fearful of another shock. October has a habit of serving up shocks. Traders must wait for an exhaustion pattern to develop prior to entering. The volatility in this momentum fall makes it difficult to set the stops. It's too much like gambling for our liking.



The downside target for the Straits Times Index is 2700. The rallies are an opportunity to trade short. This is a dangerous market and the lows of these moves have yet to be confirmed. Traders watch for genuine consolidation patterns to signal the end of the down pressure. We continue to remain alert for the dragonfly doji day before entering the market on the long side.

We continue to prefer the relative stability of the FX market with its ability to deliver good returns within very small timeframes. Managing time is the most important aspect of managing risk in the current market conditions.