

Using the 34-Day MA

Date - 9/23/2009 " I'm beginning to reinvest the 20% as you are recommending. I am not sure of the stop loss. I understand what you are saying and how calculated but do not understand what history has done. If it hits one target which is the 34-day MA, and given where stocks have been would it also have hit the 10-month moving average? Seems like you will fall out of the 10-month earlier than the 34-day when stocks are increasing at the percent that they have been."

ANSWER: The 34-day MA has a very good long term track record. Today it is at 1021. The 10-month (month end price) MA also has a long term trend record that is quite good for trend determination. Today the 10-month MA is at 887 and if the market closes at month end at the 1060 level, the 10-month MA will be at 904.

You can see the history of the 34-day MA and test it on the daily charts using the website www.finance.yahoo.com. The 10-month MA is harder to see but you can use a 304-day MA to get an idea of how it has performed. You actually have to do your own calculation because it can't be input accurately in the Yahoo site.

What the 10-month MA does is it gets us out of the market when it is clear that the trend is down. You can see it generally by using a 304-day MA on Yahoo. It will lag the 34-day MA and be much less volatile.

Today, the technicians are very, very bearish (!) and we cannot ignore good technical work. My feeling is that the technicians are interpreting the trading patterns incorrectly. However, there is little certainty today, and I am very concerned about losing more money. Capital preservation must be priority number one when the markets and economics are as uncertain as they are today.