

S&P 500's Overhead Resistance - 500-Day MA - Something We Should Be Aware Of

While history tells us that the topics in this Asset Class Update **should not derail the current bull market**, they may cause some headaches and short-to-intermediate downtrends for stocks. As shown on the chart below, the S&P 500 faces several forms of possible resistance in the coming days and weeks:

- The orange trendline from the October 2007 peak
- The 500-day moving average (yes, 500-day)
- 1,120: 50% retracement of the bear market losses (a common resistance area -green lines)
- Overhead trendline (blue line) from current rising trend. These areas may not be show-stoppers, but they could cause some frustrating times for investors.

Chart 1: 2009 S&P 500 - Possible Resistance



Leading Markets Have Already Exceeded Most Of These Levels In 2009: To emphasize that the potential resistance shown above will most likely NOT bring an end to the bull market, on Page 7 we show markets that have already shown how to clear these hurdles in 2009.

500-Day MA: Historical Examples Of Impact On Price

On the following pages, historical examples of the impact of the 500-day moving average on prices are shown. Investors can study these charts to get a better understanding of the potential impact of the S&P 500's 500-day moving average (shown in blue in the chart above) on future events.

Please see important disclosures at the end of this report.

500-Day Moving Average - S&P 500

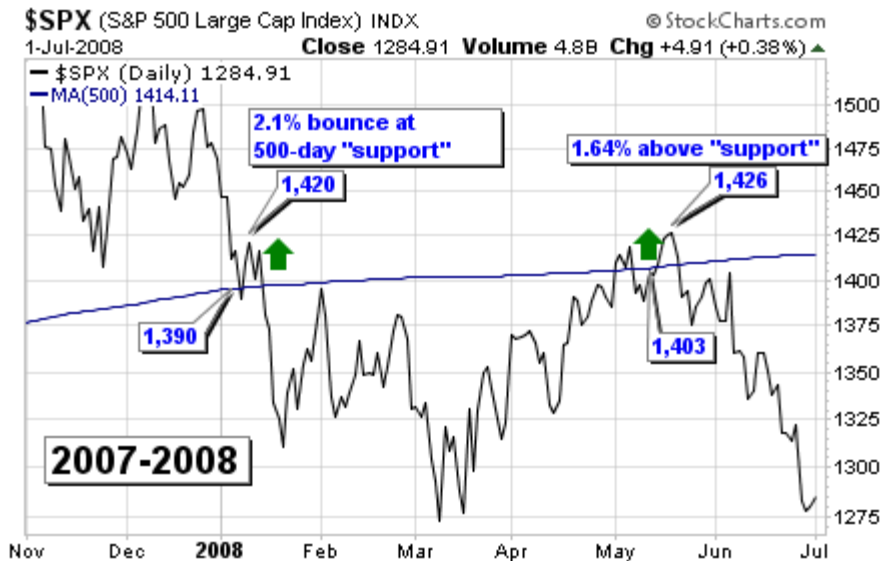
As we know, what was once support below a market can become resistance above a market when prices try to retake former levels. Conceptually, any form of strong support that is broken (as prices fall) becomes strong resistance as price tries to move back up above the former point of support. Therefore, the strength of the support by the 500-day moving average on the way down, during the 2007-2008 bear market, may help us understand the potential resistance we currently face in 2009 with the 500-day residing above price. As of the close on Thursday, November 13, 2009, the 500-day stood at 1,104.

Chart 2 - 500-Day (blue line) Provided Some Support On Way Down



The good news is the 500-day moving average (blue line in Chart 2 above) did not provide a great deal of support on the way down. Therefore, it is possible that the 500-day does not act as strong resistance on the way back up in present day 2009. However, notice price did stay near the 500-day for approximately 4.3 months in 2007. We should be prepared for the possibility that price congregates near the 500-day for some time on the way back up. Chart 3 shows the somewhat muted bounces at the 500-day on the

Chart 3 - 500-Day Provides Little Support On Way Down



500-Day Moving Average - Examples From History

Chart 4 (below) shows the support provided by the 500-day MA on the way down in the 2000 (bear market).

Chart 4 - 500-Day Acts As Support On Way Down In 2000-01



The same 500-day MA that acted as support on the way down (in the bear market above), acted as resistance on the way back up (in the subsequent bull market - see below). Chart 5 shows stocks in an early stage bull market in 2003 (similar to 2009). Notice the period of congestion near the 500-day was much shorter on the way back up (Chart 5) than it was on the way down (Chart 4). It is possible that will be the case again as we go back up in 2009.

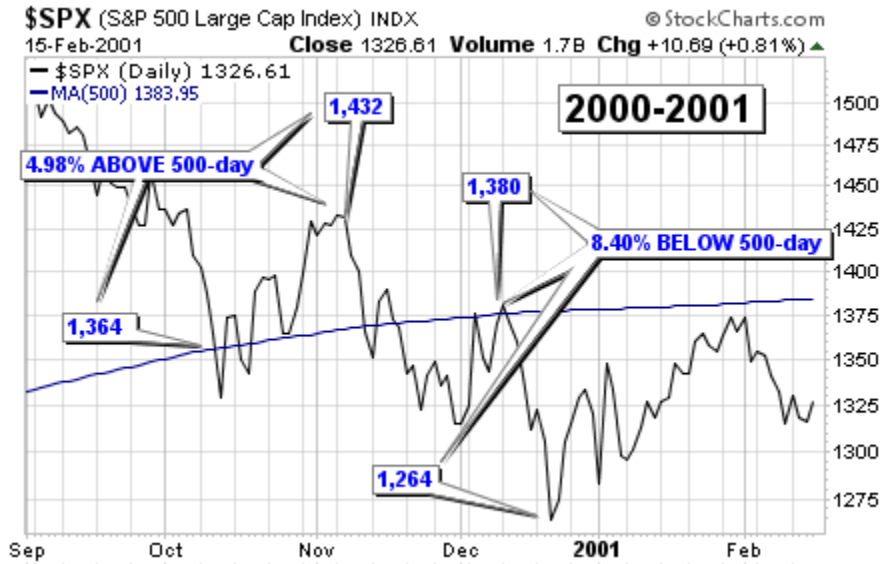
Chart 5 - 500-Day Acts As Resistance In 2003 (as stocks rise)



500-Day Moving Average - Examples From History

Chart 6 (below) shows stocks gained 4.98% after bouncing off the 500-day's support in 2000.

Chart 6 - 500-Day Acts As Support On Way Down In 2000-2001



Instead of going 4.98% above support in Chart 6 (above), price went 4.6% below the 500-day after hitting it in June of 2003. We may be able to learn something about 2009 using these two charts and Chart 3 on page 2.

Chart 7 - 500-Day Acts As Resistance In 2003 (as stocks rise)



500-Day Moving Average - Examples From History

After the 1987 crash, the 500-day moving average acted as a congestion zone for stocks. The good news is once stocks moved away from the 500-day, they went on to make impressive gains. Notice the 500-day did not alter the trend, it just slowed it down.

Chart 8 - 500-Day Acts As Resistance In 1988 (as stocks rise)



Same thing in 1991, the 500-day acted as resistance as stocks moved higher. Once stocks moved away from the 500-day, they went on to make impressive gains. Notice the 500-day did not alter the trend, it just slowed it down.

Chart 9 - 500-Day Acts As Resistance In 1991 (as stocks rise)



500-Day Moving Average - History and 2009

In 1994, the 500-day acted as support. After an 8-month stay near the 500-day, stocks resumed a strong bullish trend.

Chart 10 - 500-Day Acts As Resistance In 1988 (as stocks rise)



Chart 11 - A Little Closer Look At The 2009 S&P 500



Visit www.ciovaccocapital.com
For Short Takes – Updated Regularly

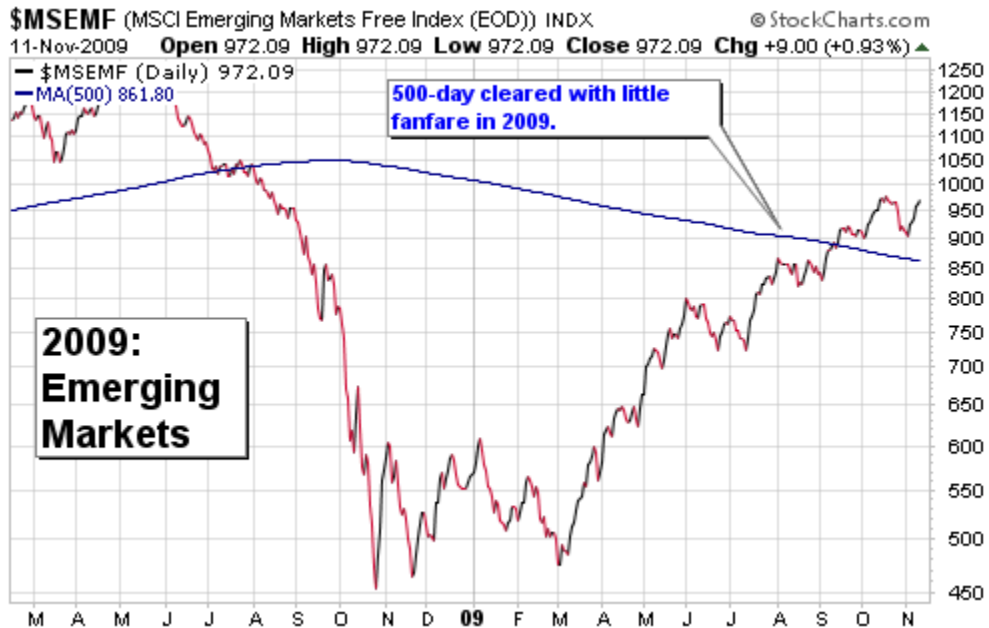
500-Day Moving Average - 2009 Examples - Does Not Mean All Is Lost

So we do not get too spooked about the S&P 500 nearing its 500-day MA, we need to keep in mind the NASDAQ and Emerging Markets Index (EEM) have both easily cleared their 500-day MAs already in 2009. Once the 500-day was cleared, it started to act as support instead of resistance.

Chart 12 - In 2009, 500-Day Was Cleared Easily By The NASDAQ



Chart 13 - In 2009, Emerging Markets (EEM) Cleared 500-Day



About Ciovacco Capital Management

Ciovacco Capital Management, LLC (CCM) is an independent money management firm based in Atlanta, Georgia. CCM helps individual investors protect themselves from inflation while minimizing the probability of investment losses via research, disciplined risk management techniques, and globally diversified investment portfolios. Since we are a fee-based financial advisor, our only objective is to help you protect and grow your assets. Our long-term, theme-oriented approach allows for portfolio rebalancing from time to time to adjust to new opportunities or changing market conditions. CCM's risk management and stop-loss disciplines help preserve principal in even the most challenging investment environments. We explore opportunities in all asset classes to help protect and grow your hard earned assets. Our clients may hold positions in timber, foreign commercial real estate, gold, silver, base commodities, foreign stocks, foreign bonds, and foreign currencies to complement their positions in U.S. stocks and U.S. bonds. When conditions warrant, we also use hedging strategies as "insurance policies" to protect against downside risk. This approach (wide diversification and hedging) has been used successfully for many years by the best pension and endowment managers to reduce risk and improve returns. Clients who work with Ciovacco Capital Management gain access to a diversification strategy that is seldom seen at the individual investor level.

Visit www.ciovaccocapital.com For CCM's Five Major Investment Themes
Visit www.ciovaccocapital.com For Short Takes – Updated Regularly



* Subject to registration requirements

If you have questions or would like to schedule a time to talk, please email

info@ciovaccocapital.com

or call Chris Ciovacco at

(678) 362-7698

If you get voice mail, please leave a detailed message including your name and phone number.

CIOVACCO CAPITAL MANAGEMENT



Risk and legal disclosures apply to ALL pages in this report.

All material presented herein is believed to be reliable but we cannot attest to its accuracy. The information contained herein (including historical prices or values) has been obtained from sources that Ciovacco Capital Management (CCM) considers to be reliable; however, CCM makes no representation as to, or accepts any responsibility or liability for, the accuracy or completeness of the information contained herein or any decision made or action taken by you or any third party in reliance upon the data. Some results are derived using historical estimations from available data. Investment recommendations may change and readers are urged to check with tax advisors before making any investment decisions. Opinions expressed in these reports may change without prior notice. This memorandum is based on information available to the public. The data and analysis contained herein are provided "as is" and without warranty of any kind, either expressed or implied. CCM, any CCM affiliates or employees, or any third party data provider, shall not have any liability for any loss sustained by anyone who has relied on the information contained in any CCM publication or web posting. This memorandum is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned. The investments discussed or recommended in this report may be unsuitable for investors depending on their specific investment objectives and financial position. Past performance is not necessarily a guide to future performance. All opinions expressed herein are subject to change without notice, and you should always obtain current information and perform due diligence before trading. CCM, accounts that CCM or its affiliated companies manage, or their respective shareholders, directors, officers and/or employees, may have long or short positions in the securities discussed herein and may purchase or sell such securities without notice. CCM uses and has historically used various methods to evaluate investments which may, at times, produce contradictory recommendations with respect to the same securities. When evaluating the results of prior CCM recommendations or CCM performance rankings, one should also consider that CCM may modify the methods it uses to evaluate investment opportunities from time to time, that model results do not impute or show the compounded adverse effect of transaction costs or management fees or reflect actual investment results, that other less successful recommendations made by CCM are not included with these model performance reports, that some model results do not reflect actual historical recommendations, and that investment models are necessarily constructed with the benefit of hindsight. For this and for many other reasons, the performance of CCM's past recommendations and model results are not a guarantee of future results. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors. All prices and yields contained in this report are subject to change without notice. This information is based on hypothetical assumptions and is intended for illustrative purposes only. Investment recommendations may change and readers are urged to check with their investment counselors and tax advisors before making any investment decisions. Opinions expressed in these reports may change without prior notice. The securities mentioned in this document may not be eligible for sale in some states or countries, or be suitable for all types of investors; their value and income they produce may fluctuate and/or be adversely affected by exchange rates, interest rates or other factors. All of the views expressed in CCM research reports accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of any analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in a research report. THERE ARE NO WARRANTIES, EXPRESSED OR IMPLIED, AS TO ACCURACY, COMPLETENESS, OR RESULTS OBTAINED FROM ANY INFORMATION CONTAINED IN THIS REPORT. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. Reproduction or references made to CCM research without specifically providing the source, Ciovacco Capital Management and www.ciovaccocapital.com is prohibited without prior permission. Copyright 2009 © Ciovacco Capital Management, LLC. All rights reserved.