Wyckoff Stock Market Institute
P.O. Box 4130
Clifton Park, NY 12065
www.wyckoffstockmarketinstitute.com

The Macro View of A. T. & T
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***NOTE;** For a better appreciation of the text of this article, the reader is encouraged to retrieve a weekly chart of A. T. & T covering the past two years and a monthly chart covering the past tend years at bigcharts.com and to number the columns from left to right. The weekly chart has twenty-four columns and the monthly chart has ten columns*.

The very long term view of A. T. & T. has been a story of three trends. The first trend was an aggressive down trend that began to form following the high in column 2. The second point that defined the supply line of the down trend was recorded in column 3 at the top of the relatively weak rally that followed the initial decline from the high. The over sold line of the down trend channel was constructed parallel to the supply line passing through the low near the beginning of column 3. This trend channel contained the action into 2002 in column 4 when the price entered an over sold position relative to the down trend. Wyckoff tells us that over sold positions need to be corrected. In this case, the correction could have taken the form of a corrective rally back toward the supply line of the down trend or the form of a new trading range allowing the price to reestablish a position in the down trend over a period of time. A. T. & T. chose the corrective rally approach. The rally was completed at the end of column 4 and down side progress resumed.

After being aggressively bearish through the end of column 4, the character of the action began to change in column 5. Wyckoff traders should always be alert to potential changes in the character of the action because they indicate that an existing position needs to be more actively and defensively managed. They also provide an early signal to the long term investor with a neutral position that there may be a new trading opportunity in the foreseeable future. In this case, the indication of a change in character was given near the beginning of column 5 when the down side progress that had resumed in column 5 was unable to reach the over sold line of the down trend channel. This failure to make what would have been a normal amount of down side progress suggested that the down trend was in trouble.

As the action progressed across column 5 in 2003, there were other more obvious indications that the down trend was in trouble. The first came when the rally off the low in column 5 weakened the supply line of the down trend. For the long term investor participating in the down trend, the weakening of the supply line should have been seen as being an unacceptable development requiring an even more active management of an existing short position. Toward the end of column 5, a higher bottom was put in on a reaction. This confirmed a new trading range to compete with the down trend for control of the action. By the end of column 5, the trading range had won the battle for control of the action and the supply line of the down trend had been decisively broken.

Long term bears had plenty of time to realize that the trend was no longer in their favor and to liquidate their positions as the trading range dominated the action in columns 6 and 7. At the beginning of column 8, the action played what can be seen as a dirty trick on long term bears looking to reestablish short positions. The first posting in column 8 produced a penetration of the resistance level of the trading range. When the price failed to follow through on the second posting in the column with another strong performance to the up side, the Wyckoff investor could have and should have concluded that the penetration was not a jump but rather a potential up thrust. An up thrust is a primary selling position. Therefore, long term bears could have justified reentering on the short side in anticipation of the potential that had been built during the trading range would take the price much lower. Here is where the dirty trick entered the picture.

Mr Evans frequently mentioned on is recorded lectures that Wyckoff investors should always begin by anticipating what is normal because that is what happens most of the time. The normal response to an up thrust is a move back to at least the middle of the trading range. In this case, the price did move back into the trading range, but it was supported well above the middle of the range. When the action fails to unfold in a normal manner, investors need to see red flag warnings and take defensive action. Abnormal behavior usually is an indication that a development not anticipated by the investor when a position wad established may be about to unfold. The investor's response should be to protect the funds involved in any open positions. In this case, the unanticipated development was the failure of the test of the up thrust as the price left the trading range to the up side on wide price spread.

The departure from the trading range allowed for the second long term trend that has dominated the action since the high in column 2 to be defined. It was an up trend defined off the lows in column 5 and column 7 with the over bought line defined through the high in column 5. Unfortunately for the long term bulls, there was no clearly defined ending action to signal that the price was intending to leave the trading range to the up side. Therefore, they likely did not have an opportunity to participate in the advance into column 9. If they had found an acceptable entry point, they would likely have spent much of the time in that position worrying about its status. The reason for concern was the development of an over bought position that developed near the end of column 8 and worsened throughout column 9. The need for a correction of the over bought position is what lead to the development of the third long term trend that can be best assessed on the weekly chart. It should be noted that the over bought position that developed during 2007 was in the vicinity of the halfway point of the decline from the high in 2000. Therefore, there were two reasons to anticipate a new trend to try to take control away from the up trend.

The current long term down trend began to form in column 13 of the weekly chart. The high in that column combined with the high in column 18 to define the supply line. The over sold line was constructed through the low in column 15, The down trend has had three thrusts thus far that have been of similar size. Usually, Wyckoff investors anticipate the thrusts in an extended move to shorten as the move develops and more and more of the bears participating are satisfied. The first thrust produced a 9.84 point decline as the price moved from the high in column 13 to the low in column 15. The second thrust began in column 18 and ended in column 20 with a 10.98 point decline. Down thrust number three began in column 21 and ended in column 23 with the price in a severely over sold position relative to the down trend having completed a decline of 10.73 points. Together, the three thrusts represent a sustained pattern of considerable weakness. However, nothing is forever. The action since the low in column 23 suggests that there is a new battle for the control of the long term action underway.

As noted, the low in column 23 resulted in a severely over sold position that needed to be corrected. The correction has been underway for nearly two months at this point and the price is just attempting to reenter the down trend channel. This is a critical point in the long term action. The normal expectation is for the price to continue horizontal action for many more months as it did during 2004 and 200f allowing the price to reestablish a solid position in the down trend from which it could resume down trend activity. A second and less likely scenario is that the price will resume down side progress immediately from the over sold line of the down trend and move decisively into new low ground allowing an accelerated down trend to be defined. In this case, the bears would have a windfall profit added to the already substantial gains that have rewarded their patience. Either scenario suggests that the long term bears are still in control and that long term bulls that are actively looking for opportunities should look elsewhere.