Sand Spring Advisors LLC

Don’t Look for a Bottom Until….

by

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Wednesday, November 8th brought an outside-day down reversal in many stocks, including Microsoft pictured below. This likely ends the bounce period begun back on October 18th when another stock, Amazon.com, left an outside-day up formation. Now, most stocks look back in synch for another run at new lows for the NASDAQ, and we can almost begin a checklist of where some individual stocks will need to end up before their Fibonacci rhythms will be complete. Such targets include:

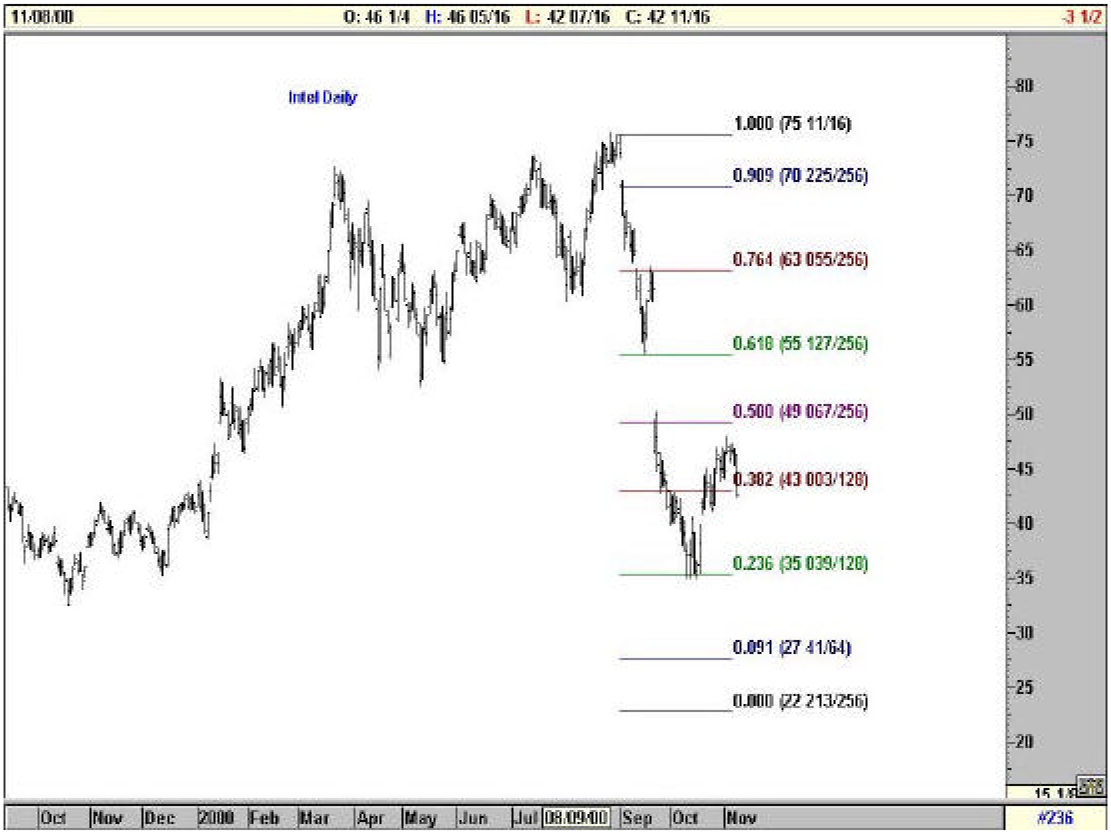
Microsoft	44 ½… 36% lower from 11/8 close
Global Crossing	15 ½….26.5% lower from 11/8 close
Intel	23…… 46% lower from 11/8 close
UAL	28 ½….25% lower from 11/8 close
Cisco	40 ¼…23% lower from 11/8 close
GE	46….. 15.5% lower from 11/8 close
Lucent	14 ¼…40.6% lower from 11/8 close
Gateway	32 …...33% lower than 11/8 close

These are not insignificant further percentage drops to stocks (GE excluded) already down a substantial amount from their year 2000 highs at this writing. Ideally a majority of these levels will be reached in the same cluster of time. Could the move toward these levels be fast and “crash-like?” That is possible. If so, Dec 6-11 would be our cyclical target for a low. Could the move be slow and grudging? This is more likely, with Dec 6-11 perhaps just representing an intermediate low along the way.

But whenever you see the majority of these objectives being reached, then it might be reasonable to start anticipating a bottom. To help recognize such a low, we suggest ticking off the stocks above as these levels are reached. The Fibonacci rhythms of each of the stocks are depicted on the following charts (updated from earlier Sand Spring missives) .


11/08/00
O: 71 1/8 H: 72 3/8 L: 68 C: 69 07/16
-1 01/16
Microsoft
1.000 (119 15/16)
0.909 (113 009/128)
0.764 (102 1/8)
0.618 (91 027/256)
0.500 (82 13/64)
0.382 (73 19/64)
0.236 (62 071/256)
0.091 (51 085/256)
0.000 (44 119/256)
Possible Target
140
130
120
110
100
87 17/32
80
70
60
50
40
Oct
Nov
Dec
2000
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
03/22/01
#394


11/03/00
O: 23 H: 24 09/16 L: 20 5/8 C: 21 1/2
-1 3/4
66 29/32
Global Crossing Weekly
1.000 (64 09/64)
0.909 (59 091/128)
0.764 (52 167/256)
0.618 (45 35/64)
0.500 (39 205/256)
0.382 (34 007/128)
0.236 (26 243/256)
0.091 (19 57/64)
0.000 (15 059/128)
B
c
a
v
b
ii
iii
a
iv
b
i
i
iv
ii
iii
b
a
v
A
c
C
65
60
55
50
45
40
35
30
25
20
15
10
1999
2000
11/03/00
#116



11/08/00
O: 46 1/4 H: 46 05/16 L: 42 07/16 C: 42 11/16
-3 1/2
Intel Daily
1.000 (75 11/16)
0.909 (70 225/256)
0.764 (63 055/256)
0.618 (55 127/256)
0.500 (49 067/256)
0.382 (43 003/128)
0.236 (35 039/128)
0.091 (27 41/64)
0.000 (22 213/256)
80
75
70
65
60
55
50
45
40
35
30
25
20
Oct Nov Dec 2000 Feb Mar Apr May Jun Jul 08/09/00 Sep Oct Nov
#236

UAL - UAL Corp, Monthly
11/30/00
O: 37 11/16 H: 40 1/8 L: 37 C: 37 15/16
+0
106 09/16
1.000 (101 3/4)
0.909 (95 025/256)
UAL Daily
0.764 (84 1/2)
0.618 (73 53/64)
0.500 (65 053/256)
0.382 (56 149/256)
0.236 (45 233/256)
0.091 (35 05/16)
Target = 28 1/2
0.000 (28 169/256)
110
100
90
80
70
60
50
40
30
20
1995 1996 1997 1998 1999 2000
05/13/05
#135


CSCO - Cisco Sys Inc, Daily
11/08/00
O: 55 7/8 H: 56 11/16 L: 52 1/8 C: 52 1/8
-4 5/8
1.000 (81 3/4)
0.909 (77 125/128)
0.764 (71 247/256)
0.500
0.382 (56 031/256)
0.236 (50 017/256)
0.091 (44 007/128)
0.000 (40 09/32)
Eventual Target
80
75
70
65
60
55
50
45
40
Nov
Dec
2000
Feb
Mar
Apr
May
Jun
Jul
Aug
10/09/00
Nov
#1978


GE - General Elec Co, Daily
11/08/00
O: 54 7/8 H: 55 1/4 L: 54 1/8 C: 54 09/16
-0 3/8
1.000 (60 1/2)
0.909 (59 045/256)
0.764 (57 017/256)
0.618 (54 241/256)
0.500 (53 057/256)
0.382 (51 129/256)
0.236 (49 097/256)
0.091 (47 069/256)
Target
0.000 (45 121/128)
60
55
50
45
Osc 5,35
5.00
2.84
0.00
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
01/03/01
#338


LU - Lucent Tecnologies, Weekly
11/10/00
O: 24 5/8 H: 25 11/16 L: 23 13/16 C: 24 01/16
-0 1/4
Lucent Daily
1.000 (78 117/128)
0.909 (73 003/128)
0.764 (63 163/256)
0.618 (54 047/256)
0.500 (46 139/256)
0.382 (38 231/256)
0.236 (29 115/256)
0.091 (20 01/16)
0.000 (14 11/64)
1997
1998
1999
2000
09/04/01
#282


GTW - Gateway Inc, Daily
11/08/00
O: 51 051/256 H: 51 051/128 L: 48 C: 48
-3 23/64
1.000 (84)
0.764 (71 191/256)
0.236 (44 043/128)
0.091 (36 103/128)
Target
0.000 (32 021/256)
18 09/32
11/23/99
#1505

Now what could cause these objectives being met? Maybe it is as simple as: Few people expecting such price action this November-December. As witnessed by some of late October's wild price gyrations, the NASDAQ, despite having headed lower overall this year, has also recently experienced some of its biggest single-day and weekly gains in its entire history. This has clearly been driven by fund managers jumping back into the pond after being forced out of some of their tech positions earlier in the year. Perhaps already under added pressure to perform, most managers are just too petrified to "miss" another up-leg in the market. Mutual fund cash levels remain well below 5% today – near their all-time lows. That's not a sign of a good bottom. Nor is the fact that margin debt levels have been headed back up again in the last several months.

Anecdotally, Fred Hickey of the *High Tech Strategist* also points out that Gail Dudack, one of the last bearish market strategists on Wall Street just got fired, and replaced by an unabashed bull. He adds the obvious, of course: P/E ratios remain at silly levels for many popular names -- "Juniper Networks 672, Broadcom 423, Siebel Systems 333, Brocade Communications 657, Ciena 546, and Sycamore 553. The bear market will not end with prices at these levels," Hickey advises.

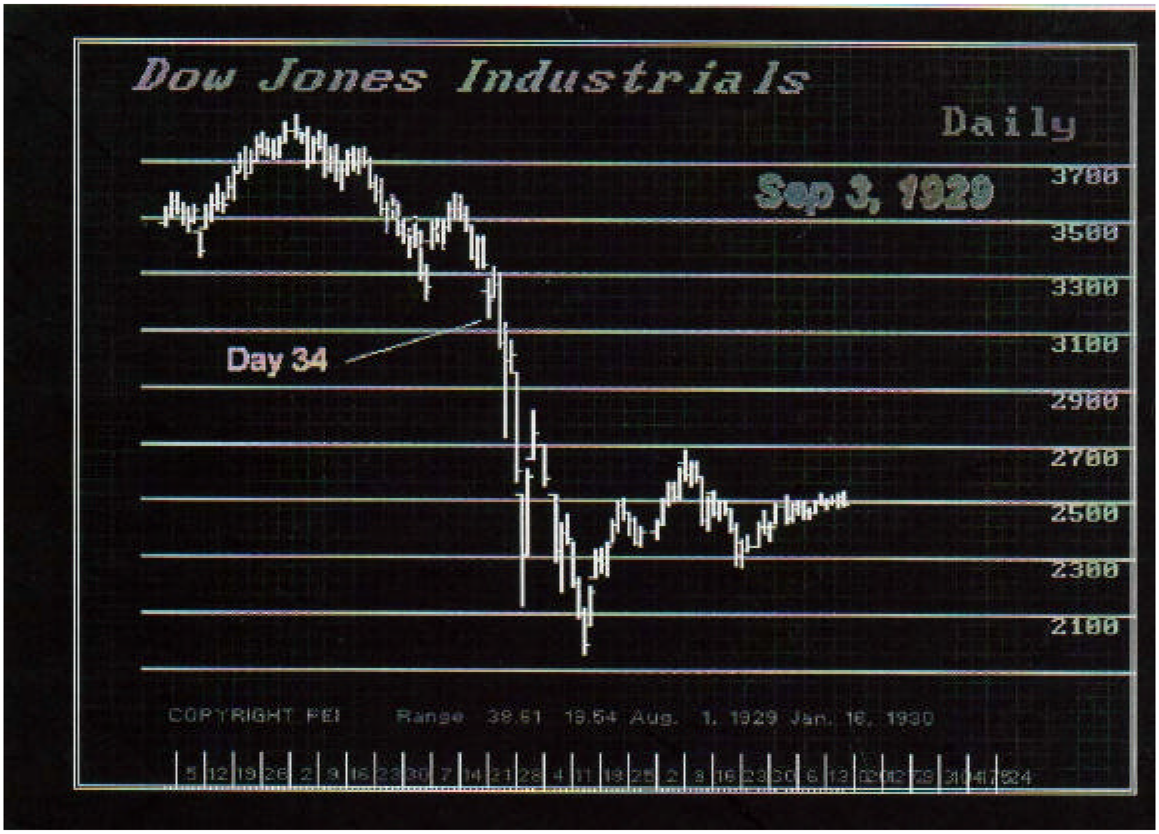
Cheap financing for capital spending has also dried up. Pursuant to our story in September, "Where the Excess Lies," much telecom debt (particularly in Europe) has already fallen into the "junk distressed" category. According to Thompson Financial Securities Data, over $50 billion in high-yield telecom bonds were issued in 1998-1999. In October, just $1 billion of any type of high-yield bond was sold. The fixed income swap market is beginning to seize up. Telecom bankruptcies are starting to become more common.

And how many people do you know that still need a cell phone or new PC this Christmas? Market saturation, at least in the U.S., for much of this stuff is finally being reached, just as Tyco beanie babies now sit untouched on the toy store shelves. And replacement turnover is also diminishing. Would you turn in or replace your cell phone just because Nokia comes out with a marginally better one next month? I certainly wouldn't bother.

Lastly, let's just mention that if you look back at the 1929 or 1998 equity market declines, it took 34 trading *days* from a significant high before downtrends started to accelerate. Last week marked 34 *weeks* since the March NASDAQ high. Now 34 is not a Fibonacci number, but we find this repetitive type price action of some interest. While we favor a slow sloshy move lower, one cannot eliminate the possibility for a real "wush down" to finally scare the hell out of some people. To date, many individuals -- either directly or through their mutual funds -- may have started to lose money, but they aren't scared yet. That's likely to change.

We present the 1929 DJIA daily chart versus the current NASDAQ weekly chart on the next page -- just to make our readers aware that, when comparing days back then to weeks now, there is some similarity in overall chart construction and timing. It's not a time for complacency, although that is exactly the emotion most in the market exude.

Send us your comments at info@Sandspring.com.


Dow Jones Industrials
Daily
Sep 3, 1929
Day 34
3700
3500
3300
3100
2900
2700
2500
2300
2100
COPYRIGHT FEI Range 38.61 19.54 Aug. 1, 1929 Jan. 16, 1930


11/10/00
O: 34693 H: 34800 L: 32312 C: 32317
-2198
Nasdaq Composite Weekly
0.000 (51506)
0.091 (48054)
0.236 (42553)
week 34 from March high
0.382 (37014)
0.500 (32538)
minor support
0.618 (28062)
more support= 200 week moving average
0.764 (22523)
0.909 (17022)
1.000 (13570)
55000
50000
45000
40000
35000
30000
25000
20000
15000
12182
10000
1997
1998
1999
2000
04/20/04
#627