Top 5 Price Patterns to Shape 2008

We've put together a list of the **five most important price patterns** to watch (and trade) in 2008. These price patterns, ranging from *bullish continuation patterns to bearish reversal patterns*, are likely to shape the year in the market.

Our list of the five price patterns to watch in 2008 is a follow-up to the list of the Top 10 Price Patterns of 2007. Make sure to check it out if you haven't already.

We decided to limit the list of patterns to trade in 2008 to five candidates. These are *broader patterns* that are applicable to most stocks and across multiple markets. Think of the patterns as *big pictures* of what's likely to unfold across the markets this year. These patterns are being shaped by big economic forces such as the *credit crunch, housing slump, low interest rates, and looming recession*.

So, here they are, the **Top 5 Price Patterns to Shape 2008**:

Dow Jones Industrial Average - *Bearish Triangle*

The Dow Jones Industrial Average ($INDU) completed a bearish triangle at the beginning of the year with a breakdown below the 13,200 level. **The bearish price objective of the triangle is approximately 11,800**!

The bearish triangle in the Dow is likely to shape a volatile first half of the year for stocks, with an overall bearish bent.

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Gold - *Bullish Triangle*

We've been pounding the table on gold ($GOLD) [for months and months](). It appears as if the yellow metal will continue to shine.

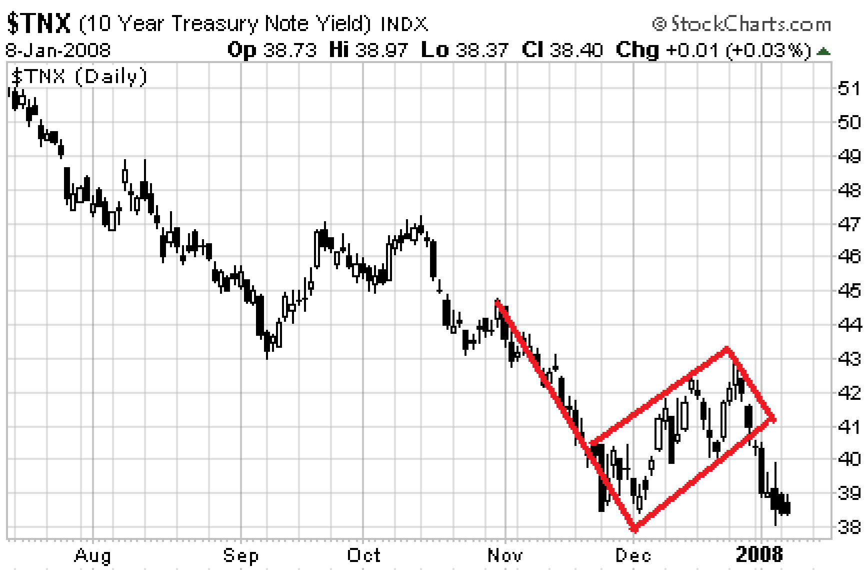
Gold prices traced another *bullish triangle* through November and December of last year. The metal recently broke out and is poised to **climb to $1,000 an ounce** later this year.

Retail Sector - *Bearish Wedge*

The retail sector has taken a tremendous tumble in the last six months. The **S&P Retail Index ($RLX)** has traced one bearish continuation pattern after another. But the sector appears to be heading even lower as the consumer starts to feel the pinch of the housing bust and a slowing labor market.

The RLX just confirmed a *bearish wedge* with its breakdown below the 400 level. Look for a retest of the previous support at 400 to offer good entry points into bearish positions in the retail sector. A nice, diversified way to play the group is through the **Retail Sector HOLDRs (RTH).**

Interest Rates - *Bearish Flag*



The bond market is forecasting many more rate cuts courtesy of the Federal Reserve. It's unlikely to help the stock market in the short-term, but it's still actionable vis-à-vis the many bond-related exchange traded funds available.

The *bearish flag* in the **10-year Treasury Note Yield ($TNX)** signals lower interest rates, which means higher bond prices. (Bond prices move inverse to yields.)

Defensive Stocks - *Bullish Flags, Wedges, and Triangles*

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Defensive stocks in general are poised for a solid 2008. We're not talking about defense contractors. We're talking about **consumer staples, health care, and utilities**.

The low interest rate environment is forcing money managers to find yields elsewhere such as the *utility sector*. The recent breakout from the bullish flag in the **Utilities Select Sector SPDR (XLU)** reveals the move into utilities as a source of yield.

Meanwhile, the looming recession and slowing economy are doing wonders for stodgy old **sectors like food, tobacco, pharmaceuticals, and insurance.** Look to these groups to continue higher in the coming months. Bullish continuation patterns can be found all over the place in these sectors:

ABT - Bullish Flag **BAX - Bullish Flag**
CEG - Bullish Wedge **ETR - Bullish Triangle**
GENZ - Bullish Wedge **HUM - Bullish Wedge**
KO - Bullish Flag **MO - Bullish Flag**
WAT - Bullish Flag **XTO - Bullish Flag**