

**Courtesy of Dennis Gartman
November 13, 2008**

As our long standing clients know, every Friday following Thanksgiving here in the US we issue our annual edition that includes our "Rules of Trading." It is a popular tradition that we shall continue this year. To that end, we offer the following ten rules from Mr. Robert Farrell, who was until 1992, and had been since 1967, Merrill Lynch's chief market strategist. He had ten market rules that we remember always keeping nearby "back in the day," and those rules were brought to our attention yesterday and deserve to be reproduced here this morning. Remembering them, and using them will serve, and have served, us and our clients well over the years:

Bob Farrell's Ten Market Rules to Remember

1) Markets tend to return to the mean over time. This is especially noteworthy now, for the housing market is returning to its mean by plunging, as are equity market, the dollar, the Yen, et al.

2) Excesses in one direction will lead to an opposite excess in the other direction. They always do, and the excesses of the housing bubble and excessive, lenient bank lending, are living way to the housing collapse and inordinately tight lending practices.

3) There are no new eras — excesses are never permanent. And how strongly does that speak to us now, for the supposed era of unending housing price increases and of globalisation has given way to weak housing and growing protectionism.

4) Exponential rapidly rising or falling markets usually go further than you think, but they do not correct by going sideways. Markets correct by going in the opposite direction, falling sharply after sustained, broad rallies, and rallying after sustained broad weakness. The world ebbs and the world flows; it has always been thus, and shall always be thus.

5) The public buys the most at the top and the least at the bottom. Of course they do; they always have and they always shall. The public buys when euphoria reigns, and it sells when depression does years later.

6) Fear and greed are stronger than long-term resolve. We are human beings dealing with rational and irrational markets; to believe that "fear" and "greed" can ever be lost is naive for they are the most fundamental of human traits.

7) Markets are strongest when they are broad and weakest when they narrow to a handful of blue chip names. Just as volume must follow the trend, so too must good markets have broad support and weak markets have broad weakness... and at the moment, the market is very, very broadly weak.

8) Bear markets have three stages — sharp down — reflexive rebound — a drawn-out fundamental downtrend. This really is how this bear market shall end; not with a hoped for "V" bottom, but with a great washing-out... a capitulation... and then months, or even years, of base building.

9) When all the experts and forecasts agree — something else is going to happen.... or as we like to say, "When they are yellin', you should be sellin,' and when they are cryin,' you should be buyin.' "

10) Bull markets are more fun than bear markets.... or as a friend of ours from Raleigh, N. Carolina used to say many years ago, "Bears don't eat; bulls party!"