

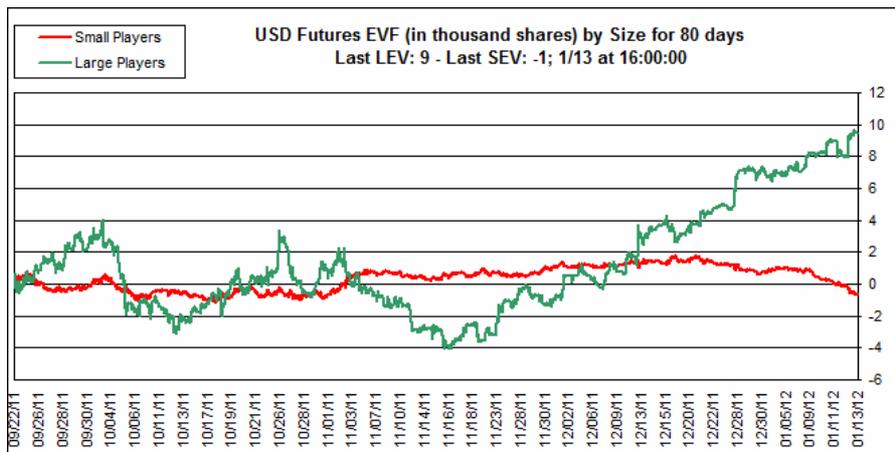
Market Observations: 1/16/2011

By Eric Coleman

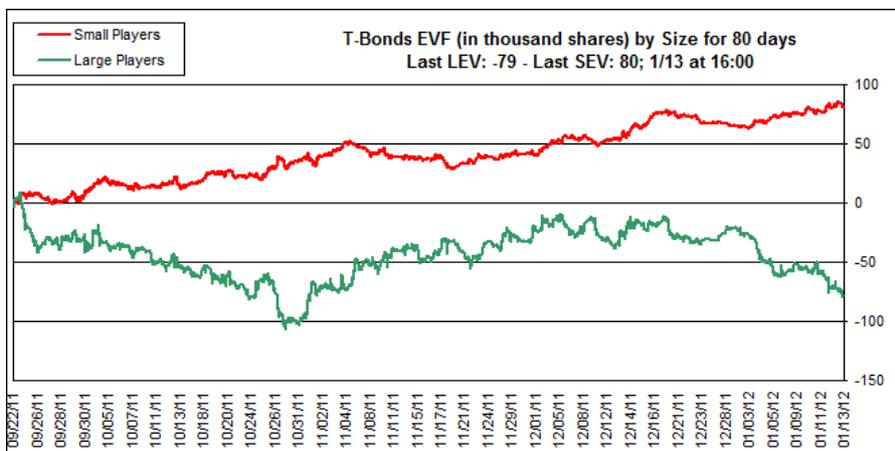
Overview:

I have not much to add to last week's comments. There appear to be some good sector specific opportunities, though.

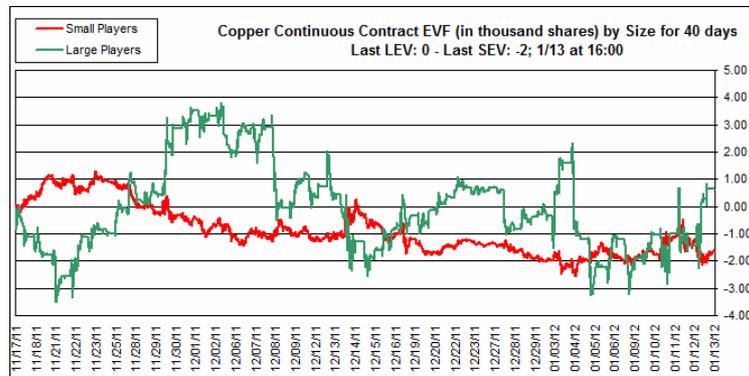
The dollar continues to be bought:



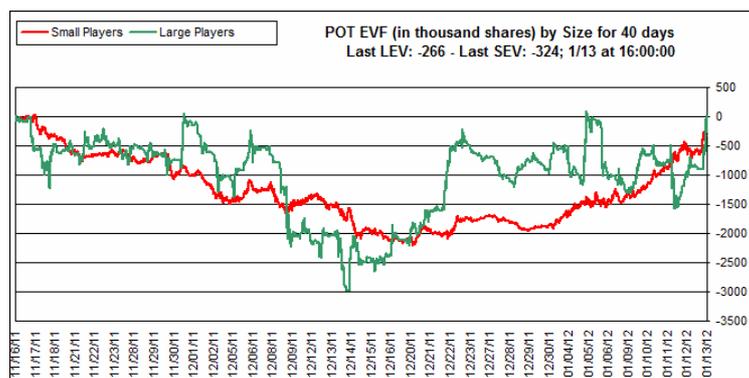
T-Bonds are being sold:



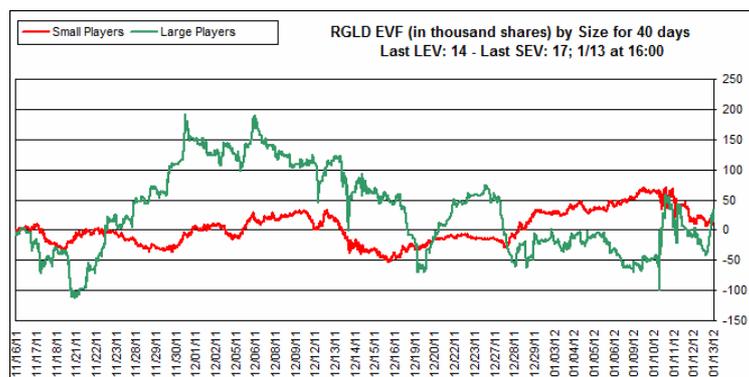
I find the action in copper futures pretty interesting, as large players took advantage of the dip in price last Friday:



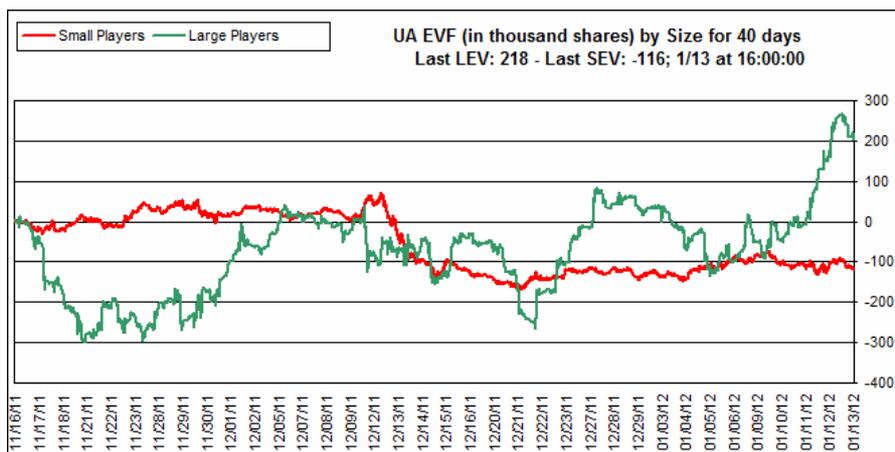
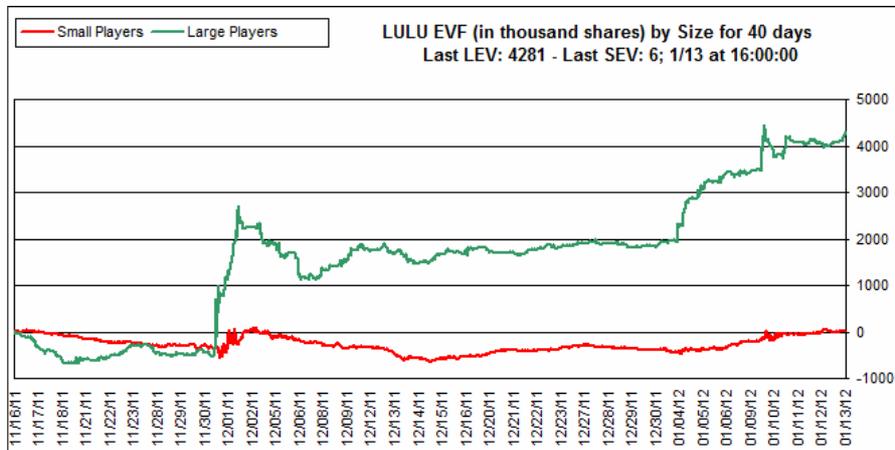
Fertilizer stocks are under serious accumulation, and the group populates the “Best Stocks” filter. POT below:



Meanwhile, Gold stocks still offer opportunity. RGLD attracts some buying near the 200-Day MA on Friday:



Some long-time leaders are showing life. LULU gives nothing back so far. And UA is flirting with the 50-day from below.



Overall, the action continues indicating a market not on the cusp of breaking down. Still, a pullback or shakeout may occur at anytime, so stocks that have attracted money during weakness are where this participant will focus.

Stage Analysis Comments:

Finally, a degree of momentum characterizes all major etf's, highlighted by simultaneous strong daily mark-ups of various durations. Indeed, last week's action confirmed the suspicion that "an upcoming dip may be short-lived," as intra-day weakness attracted buyers throughout the week.

Anticipating a pullback remains difficult with the bullish daily price action and the expectation of a brief vacuum of bids seems rather prevalent.

SPY	Current Stage is 2-1 (Strong Mark-Up) Has been in current stage for 7 day(s)
QQQ	Current Stage is 2-1 (Strong Mark-Up) Has been in current stage for 2 day(s)
DIA	Current Stage is 2-1 (Strong Mark-Up) Has been in current stage for 4 day(s)
IWM	Current Stage is 2-1 (Strong Mark-Up) Has been in current stage for 4 day(s)

The weekly stages are slightly less aligned; nonetheless, all major etf's remain in weekly accumulation modes, which augur for a more subdued neutral stance, at least for longer duration position trades. The Q's and DIA are pre-leading the other indexes, though, and one must respect the underlying bid.

SPY	Current Weekly Stage is 1-1 (Early Accumulation) Current weekly stage for 7 week(s)
QQQ	Current Weekly Stage is 1-2 (Mid Accumulation) Current weekly stage for 6 week(s)
DIA	Current Weekly Stage is 1-2 (Mid Accumulation) Current weekly stage for 4 week(s)
IWM	Current Weekly Stage is 1-1 (Early Accumulation) Has been in the current weekly stage for 6 week(s)

Once again, I find the scans offer more insight. Bullish scan #1 increased by 34, and the results illustrate the underlying change of the market landscape. Utilities, healthcare, and consumer staples are no longer the sole participants here. A wider swath of issues representing more speculative elements of the market are showing up – *Biotech* (ALXN BIIO CELG ELN VVUS) *Restaurants* (MCD SBUX YUM) *Tech* (CSCO EQIX GRMN INTU JBL NUAN SIMO) *Retail* (HD LIZ LOW LZB M PIR) and even a *mortgage insurer* (MBI). These results are not inherent buys, rather a qualitative overview of current market movers from which one may deduce a better sense of the market's mood.

1/16/2012

Weekly Strong Mark-up + (Daily Late Accumulation-Strong Mark-up)	104 Results
Weekly Strong Mark-up	190 Results
Weekly Strong Decline	107 Results

1/08/2012

Weekly Strong Mark-up + (Daily Late Accumulation-Strong Mark-up)	68 Results
Weekly Strong Mark-up	175 Results
Weekly Strong Decline	182 Results

The number of weekly strong-decline stocks fell significantly, even though weekly strong mark-ups increased by a much smaller percentage. This suggests that short covering continues amongst the most beaten and battered sectors rather aggressively. I think this can go on for some time, and that weekly strong mark-ups now exceed weekly strong declines is certainly constructive.

Conclusion:

Declining volatility and tightening price action are encouraging. While the arguments for a pullback remain valid, the price action in certain issues and sectors is noteworthy. Particularly, fertilizers and some gold stocks appear attractive. Additionally, certain leaders like NUAN are following through, which is healthy. Until price deteriorates for more than a few hours or days, this participant will remain focused on long-side opportunities.