

Market Observations: 11/23/12

Summary: Major US markets display simultaneous late uptrends on the weekly timeframe and simultaneous mid-downtrends on the daily timeframe. An intraday reversal on Friday carried over into a strong bounce on Monday, 11/19. The 2-3 sub-stage is considered bullish and the 4-2 sub-stages are considered bearish. Markets quickly reclaimed their longer-term rising 200-day moving average on Monday. The anticipated technical bounce is currently underway.

Market Stages: Weekly 11/21/2012

SPY	Current Weekly Stage is 2-3 (Weakening Mark-Up); Current weekly stage for 2 week(s)	Late Uptrend
DIA	Current Weekly Stage is 2-3 (Weakening Mark-Up); Current weekly stage for 4 week(s)	Late Uptrend
QQQ	Current Weekly Stage is 2-3 (Weakening Mark-Up); Current weekly stage for 5 week(s)	Late Uptrend
IWM	Current Weekly Stage is 2-3 (Weakening Mark-Up); Current weekly stage for 4 week(s)	Late Uptrend

Market Stages: Daily 11/21/2012

SPY	Current Stage is 4-2 (Medium Decline); Current stage for 3 day(s)	Mid-Downtrend
DIA	Current Stage is 4-2 (Medium Decline); Current stage for 2 day(s)	Mid-Downtrend
QQQ	Current Stage is 4-2 (Medium Decline); Current stage for 1 day(s)	Mid-Downtrend
IWM	Current Stage is 4-2 (Medium Decline); Current stage for 1 day(s)	Mid-Downtrend

Stages Scans: 11/19/2012**11/21/2012**

Weekly Strong Mark-up + Daily Late Accumulation-Strong Mark-up	117 results
Weekly Strong Mark-up	231 results
Weekly Strong Decline	404 results

11/11/2012

Weekly Strong Mark-up + Daily Late Accumulation-Strong Mark-up	90 results
Weekly Strong Mark-up	308 results
Weekly Strong Decline	169 results

Monday's rally was not sufficient to repair some of the technical damage incurred over the past two weeks. In my personal notes last week, I wrote:

Leadership remains selective at this time; certain gold miners (AEM AUJ), homebuilder-related (LEN TREX), leisure-related (CCL CNK CUK RCL), and medical stocks (DVA MDF MYL) populated Scan 1. More variety was found in Scan 2, though, but a unique feature was the surprising lack of defensive names. During prior market weakness, consumer staples, tobacco, and utilities made frequent appearances here, which is simply not present today (with the exception of CPB).

At present, Weekly Strong Mark-up stocks are characterized by similar names, though certain gold miners appear stuck in various patterns of consolidation. Stage 4 stocks expanded over the prior week, more than doubling – numerous sectors are represented. Some companies of note include steel-related names (AKS CLF PKX), various retailers (ARO BBY BIG DECK) semiconductor firms (AIXG CY MRVL) and software companies (CTXS TIBX). For-profit education stocks continue their slide. Finally, McDonalds (MCD) entered a weekly strong decline phase, undercutting the June lows.

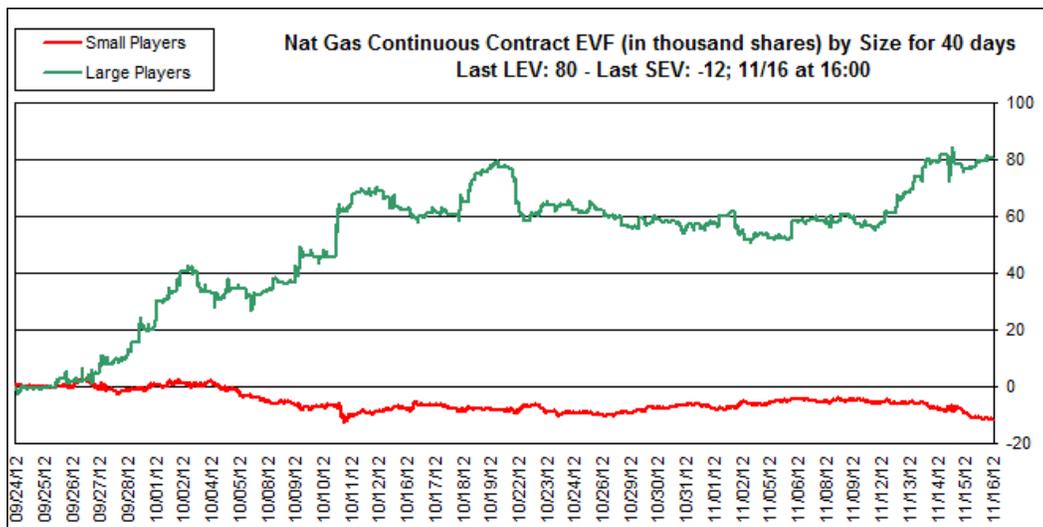
Overall, market leadership grows scarcer. An expansion of Stage 4 stocks and simultaneous decline in Stage 2 issues, to this observer, suggests cautious expectation regarding the extent and durability of an ensuing advance or rebound. Despite recent weakness and a breakdown in leading issues, vigorous short-covering rallies may erupt, and Effective Volume tools assist in illustrating price extremes.

Natural Gas:

For the first time in years, natural gas morphed into a Stage 2 uptrend. Indeed, one observes price on the verge of pressing recent highs. Additionally, EV for Nat Gas futures reveals steady buying from large players.

UNG: United Natural Gas Fund

Current Stage is 3-1 (Early Distribution); Current stage for 3 day(s)	Bullish turning to neutral
Current Weekly Stage is 2-1 (Strong Mark-Up); current weekly stage for 1 week(s)	Strong Uptrend



Turkey: TUR

TUR tracks the performance of the MSCI Turkey investable market index. Amidst declines in global markets, TUR remains resilient.

Current Stage is 3-1 (Early Distribution); Current stage for 1 day(s)	Bullish turning to neutral
Current Weekly Stage is 2-1 (Strong Mark-Up); current weekly stage for 7 week(s)	Strong Uptrend

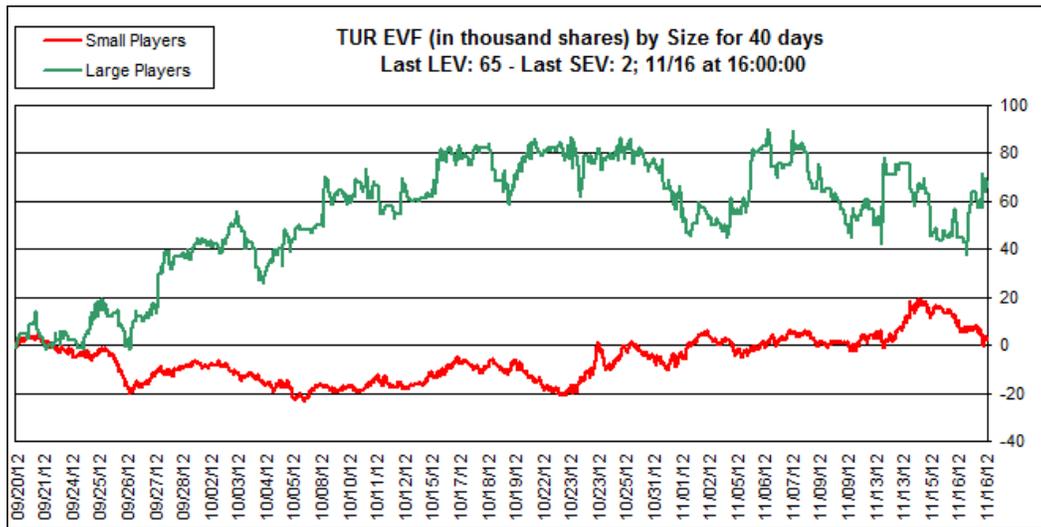
TUR: 3 month Charts + 50 and 200 day moving average



TUR: 5 year Chart + 50 and 200 day moving average



TUR already climbed more than 20% from the June lows, which suggests tempered expectations from the current pullback as more time may be necessary to digest recent gains. EV reflects the current pattern of consolidation, and large players are not avid sellers here. TUR is one worth monitoring for now.



Gold:

A late summer rally in gold prices retraced toward the 200-day moving average in early November. A sharp rebound from the decline reveals some sideways/choppy trading over the past several days; nonetheless, the weekly stage structure remains bullish. (GLD Stages and chart below)

Current Daily Stage is 1-1 (Early Accumulation); Current stage for 5 day(s)	Start of base; Needs much more time
Current Weekly Stage is 2-2 (Medium Mark-Up); current weekly stage for 4 week(s)	Advancing Stage



Light volume trading characterizes this holiday week, but gold pushes higher from the recent consolidation. A strong trending move out of the summer lows commenced under very poor sentiment. The subsequent pullback and short-term consolidation may signify that another move is underway, especially with the recent washout sort of down-move. The overall stage structure is constructive for a bullish resolution. A failure in follow-through would negate this analysis.

Conclusion:

Markets sold off, and numerous indicators suggested a probable bounce was at hand. The extent and duration of this rally from recent lows is difficult to project. Aly's 11/16 BSI report points out that bullish sentiment remains minimal, which may allow the bounce more room to advance. On the other hand, recent stage scans reveal a lack of leadership, and stocks breaking into long-term downtrends considerably expanded as stocks in strong mark-up phases declined. Of note was the lack of defensive issues that seemed to attract sponsorship during the recent sell-off, which differed from market pullbacks/corrections during the past year.

Natural gas is showing a transition after many months of declines, and large players express interest as evidenced by continued large players buying in the Nat Gas futures chart. One thing I'll be watching is the effect of higher natural gas prices on the coal sector, which continues to experience large player support in select names (ANR WLT). Given the extreme declines over the past year, a stage one bottom may be underway.

Turkey remains one of the few emerging market standouts over recent weeks, and gold remains in a long-term bullish trend, but a pending move higher waits. Next week should offer more insight, as volume will pick up further.