

**Market Action**

- Stocks fell for the third straight day Monday but also ended off their worst levels after a very choppy session. The NASDAQ Comp fell 1.1% to join the S&P 500 below its own 50-day MA. It ended down 0.5%. At their lows those averages were down 1.8% and 1% respectively. Solid Q4 results from Caterpillar limited the DJ I's decline to just 0.3%.
- The advance decline data was again weak and more stocks showed new 52-wk lows than new highs. Volume fell for a minor plus signaling at least some institutional traders stepped back to consider the situation. There was another heavy reading for new stock sell signals, almost matching the action from late last June. That occurred just at the end of that modest market pullback of about 1000 pts for the DJ I.
- All index charts fell for the second day and most now show their initial bearish formations. That relieves some of the tension from the record highs recently shown. They remain in overall up trends, well above rising support lines from prior lows.
- Oscillating indicator charts showed more losses and some oversold readings at the close. Other short term charts were down to their bottom levels achieved during the modest corrections over the last year. None of those pullbacks approached the traditional 10% correction but they did offer trading opportunities.
- Sectors moved broadly lower but defensive groups performed better. There is now some chance for rebound efforts but long trades would only be for risk tolerant traders. We would trade cautiously only in positive sectors.

**Market Drivers**

- Turkey announced measures to halt their currencies slide against the US\$ and that helped stabilize emerging markets around the world. Asian markets still moved lower on the heels of Friday's big drop in the US. There is lots of work needed to reposition Asian economies for the expected slower growth and demand from China.
- Domestically there was weaker than expected data on new home sales but with the major caveat of the horrible weather. Shopping for a new home is difficult at best and arctic temperatures for much of the nation clearly didn't help.
- In the corporate area Caterpillar released positive results and also projected even strong gains this year. After Monday's close Apple beat top and bottom line forecasts but also announced iPhone sales below estimates and said sales may be light for upcoming quarters.

**Technical Outlook**

- There were further broad index chart declines Monday, ending with most showing at least their initial bearish formations. That relieved some of their recent excesses, with many at highs barely a week ago. Indicator declines expanded further into the medium-long term charts. The short term action tumbled again, with many oscillators ending down at levels of their bottoms over the last half year. While not broadly oversold those were enough to offer trading rallies and that could occur again. Longer term a deeper market retreat may still develop over the next few months. Stock selection remains critical with trading this year much more selective.

**Portfolios**

- Large Caps 55% invested, Mid Caps 40% and Small Caps 45%.
- Bear Portfolio is 45% short.

**Indicators****Short Term****II Short Term Composite Indicator**22.4% (-8.60%) **Bear Confirmed****NYSE %10 Week Moving Average**35.11% (-6.80%) **Bear Confirmed****II Short Term Sector Sum****Medium Term****NYSE Bullish % Indicator**62.79% (-2.33%) **Bear Confirmed****NYSE %30 Week Moving Average**55.28% (-3.76%) **Bear Confirmed****II Long Term Composite Indicator**

+0.50 (-11.50)

Bearish

+129.50 (weekly)

Bullish

### New P&F Signals: US Breakouts

	Close	1-Day Change
Bulls	5	+1
Bears	100	+7

- The **short term composite** fell to oversold territory and equaled its last low.
- The NYSE and NASDAQ Comp % **10-wk MA** charts also ended near their lows shown over the last half-year.
- Very high sell signal levels increased the industry group chart moves down. That shifted the **sector sum** status to long term negative, one day after its short term shift.
- The **NYSE bullish %** reversed down. It shows its worst two-days since it bottomed late June 2013.
- All % **30-wk MA** charts fell again.
- The daily NASDAQ **high low ratio** reversed down.
- The daily NYSE **cumulative advance decline line** chart reversed down.

### Index Trends

	Close	Volume	1-Day Change		P&F Signals				Support
					Signal	Trend	Start Date	Trend Reversal	
DJ Industrials	15,837.9	141.5m	-41.23	-0.3%	Bull	Down	11 Jul 2013	15,700.00	15703.8
S&P 500 Index	1,781.56	711.4m	-8.73	-0.5%	Bull	Down	20 Dec 2013	1,760.00	1767.99/1815.32
NASDAQ Comp.	4,083.61	609.7m	-44.56	-1.1%	Bear	Down	27 Jan 2014	4,260.00	3979.59/4097.99
NASDAQ 100	3,509.02	228.4m	-32.46	-0.9%	Bull	Down	9 Sep 2013	3,480.00	3422.86/3499.37
S&P Midcap 400	1,302.51	131.8m	-11.56	-0.9%	Bear	Down	24 Jan 2014	1,360.00	
Russell 2000 Index	1,127.73	302.2m	-16.41	-1.4%	Bear	Down	27 Jan 2014	1,185.00	

Closing prices through Monday January 27, 2014

### Chart Activity - Broad Index Moves

Stocks remained under pressure Monday with all indexes again finishing lower. Unlike the steep vertical drop on Friday, yesterday's session included up and down action as the averages sought support from their 50-day MAs. Volume also contracted as at least some large traders stepped back to consider the damage. There were also divergences with the DJ I ending down 0.26% and the S&P 500 losing 0.49% while the NASDAQ Comp fell 1.08% and the Russell 2000 tumbled 1.43%. Those final readings are also all up from the worst levels which showed the NASDAQ down nearly another 1%.

For the second session every index chart moved down. The primary charts are following the more volatile averages through their sell stops to fulfill the forecasts of their high pole retreats from recent records. New sell signals occurred for the NASDAQ Comp, Russell 2000 and S&P Small-Cap, one session after the NYSE Comp, Value Line Comp and S&P Mid-Cap hit their own stops. Ending with sell alert formations were the long term [100 pts] DJI, S&P 100, NASDAQ 100, IBD Mutual Fund and AMEX Comp XAX charts. The S&P 500 still holds a high pole while the short term [50 pts/box] DJ I shifted to a sell signal last Thursday. Many charts just reached highs last Wednesday. The overall uptrend is under pressure and a pause was due for at least some consolidation.

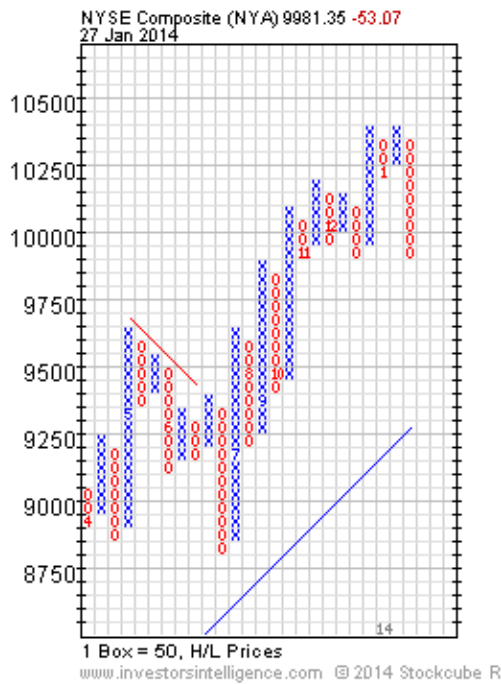
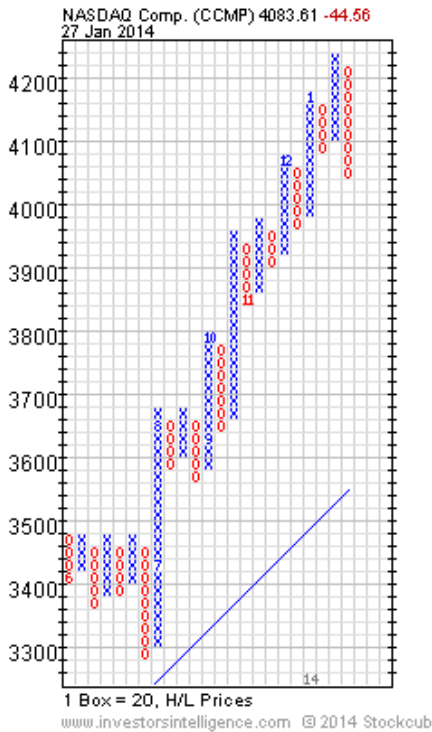
### Chart Activity - Sector Indexes

Of course most sector charts also declined included nearly every one of the S&P 500 groups. That action included a sell signal for Metals & Mining and high pole for Health Care. The DJ Transports had another negative session, hitting the sell stop at O 7200. That index hit 7590 on Thursday. Other sector index charts extended their declines although the utility indexes avoided reversals down.

### Chart Activity - Commodities

Spot gold retreated \$14 at Monday's close but the chart held at X \$1270. That Friday high was enough for a P&F buy signal that fulfills the prior low pole formation recovery from its second 2013 low at O \$1190. The upturn from the low pointed to a rally to resistance at \$1310. The two gold indexes [XAU & HUI] reversed down yesterday and ended near aborting their short term bullish signals. Long trades for gold have not worked out for some time. Last Wednesday the Precious Metals bullish % reversed up from O 8% to X 14%. That shifts its status to bull alert, the initial positive formation from an oversold low.

Crude was steady with its Thursday move up to X \$97. It is rebounding from its second bottom at O \$92. Those lows tested support developed last May and June. The April 2013 low at O \$86 and a move up to X \$101 is needed for a bullish signal. The energy index [OSX & XOJ] charts moved lower Monday with both holding short term sell signals.



### Index Breadth

% 10 Week	Close	1-Day Change	P&F Trends		
			Signal	Status	Date Changed
NYSE	35.11	-6.80	Bear	Confirmed	24 Jan 2014
Nasdaq Composite	44.58	-8.08	Bear	Confirmed	24 Jan 2014
S&P 500	34.21	-4.42	Bear	Confirmed	23 Jan 2014
Nasdaq 100	46	-9.00	Bear	Confirmed	24 Jan 2014
Option Stocks	36.07	-7.04	Bear	Confirmed	24 Jan 2014

% 30 Week	Close	1-Day Change	P&F Trends		
			Signal	Status	Date Changed
NYSE	55.28	-3.76	Bear	Confirmed	13 Jan 2014
Nasdaq Composite	65.62	-2.77	Bear	Alert	27 Jan 2014
S&P 500	62.78	-1.41	Bear	Confirmed	24 Jan 2014
Nasdaq 100	77	-2.00	Bull	Top	24 Jan 2014
Option Stocks	61.33	-3.47	Bear	Confirmed	24 Jan 2014

Bullish %	Close	1-Day Change	P&F Trends		
			Signal	Status	Date Changed
NYSE	62.79	-2.33	Bear	Confirmed	27 Jan 2014
Nasdaq Composite	64.81	-2.19	Bull	Confirmed	2 Jan 2013
S&P 500	70.42	-4.03	Bull	Top	24 Jan 2014
Nasdaq 100	71	-6.00	Bull	Top	27 Jan 2014
Option Stocks	70.59	-2.31	Bull	Confirmed	17 Jul 2013

Breadth Indicators oscillate between overbought highs, at 70% and above, and oversold lows, at 30% or lower. The % 10-week moving average is short term, % 30-week moving average intermediate, and the bullish %s are longer term.

### Short-term:

Index declines moderated yesterday but they still ended lower with very weak advance decline readings. Losses were also shown for every daily **moving average breadth** value although they were also smaller than on Friday. They still moved every chart lower. The already bear confirmed **short term % 10-wk MA** charts continue their sharp vertical declines. All show breaks of their January and December bottoms with trading at least near their worst October 2013 levels. The NYSE and NASDAQ Comp show lows since August. Oversold readings occurred earlier last summer. Upturns now would signal trading rebounds.

### Medium-term:

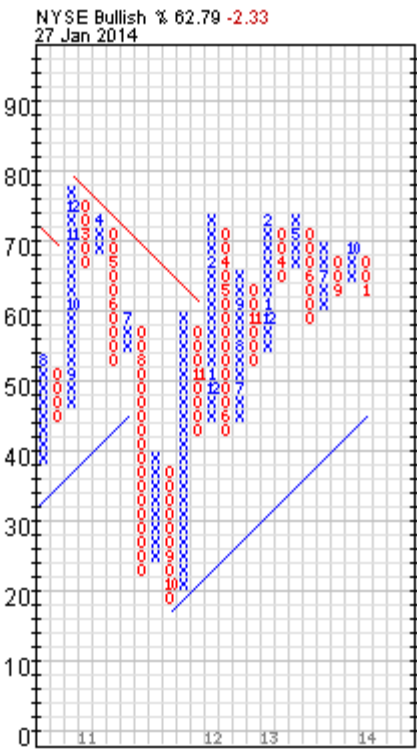
Lower levels were also shown for all **% 30-wk MA** charts and the NASDAQ Comp joined the other broad areas by dropping out of overbought territory. It also shows its fourth bottom at O 66% (and support) with a bear confirmed sell signal now close. The NYSE chart is relatively weaker, already trading below its December and October lows and through its uptrend line. Last August it fell to the 50% area before stabilizing.

### Long-term:

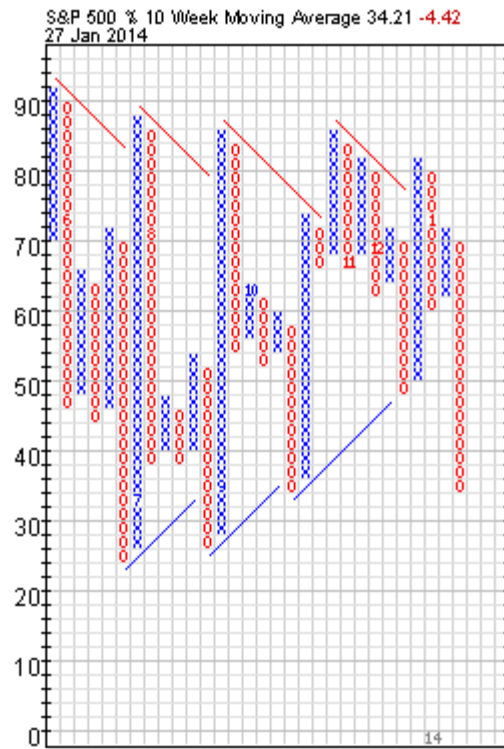
For the second day there were a very large number of stocks hitting their sell stops, lifting the two-day total to 193. That produced more big losses for the **bullish %** values and reversals down for the NYSE and NASDAQ 100 charts. It was the worst two-days from sell signals since last June 21 & 24. That is when the NYSE bullish % turned down from its May X 74% level, ending at O 60%. It is possible the current drop could mark a new bottom. It is also possible a large decline is developing so caution is still in order.

### Current outlook:

Yesterday's close showed sharp declines on the **moving average breadth** indicators with the short term action overextended but not yet oversold. However declines over the last six months haven't produced those conditions and rallies have certainly followed similar drops. That says to view any rebound as a trading opportunity but with extreme caution. Keep a hand on the sell button in case there is another turn down, with that direction still suggested by the medium term charts. There is still the chance the retreat could develop into the 10% correction which is long overdue. We won't know until it occurs. Concentrate longs on groups maintaining their strength. Watch positions closely and exit if raised stops are hit.



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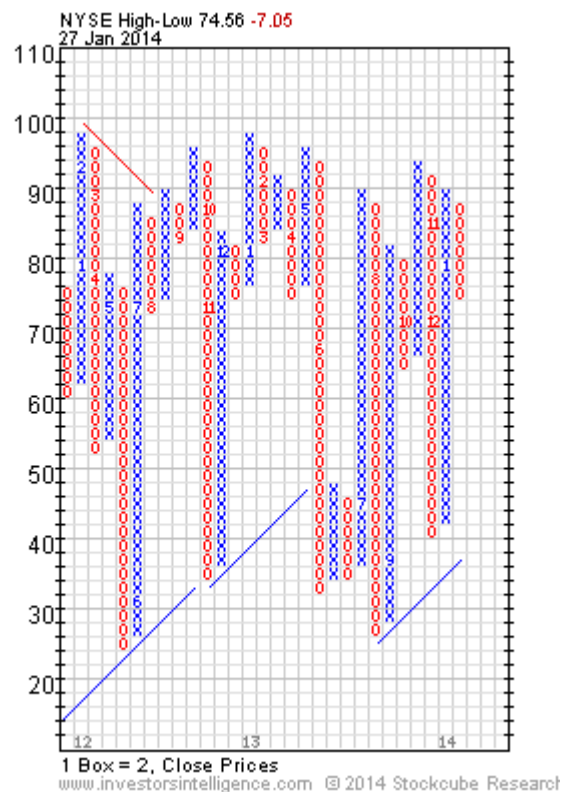
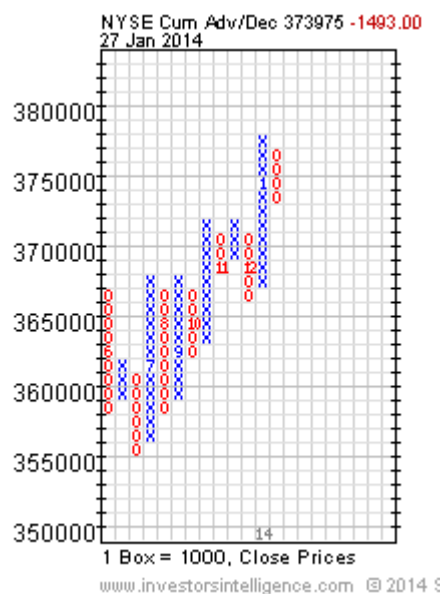


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## Indicators

	Close	Change	Chart Direction	Chart Status	Chart Action
<b>Short term Composite Indicator</b>	22.4	-8.60	Falling	Bearish	Lower
<b>NYSE High-Low Index</b>	74.56	-7.05	Falling	Caution	Lower
<b>Nasdaq High-Low Index</b>	83.79	-4.28	Falling	Caution	Reversal Down
<b>NYSE On Balance Volume (by DJIA)</b>	266,676	-779.00	Falling	Bearish	Lower
<b>NYSE On Balance Volume (by breadth)</b>	516,859	-780.00	Falling	Neutral	Reversal Down
<b>Nasdaq on Balance Volume by Composite</b>	470.37	-2.35	Falling	Bearish	Lower
<b>Nasdaq on Balance Volume by Breadth</b>	38.05	-2.36	Falling	Neutral	Lower
<b>NYSE Cumulative Advance/Decline</b>	373,975	-1493.00	Falling	Caution	Reversal Down
<b>NYSE Money Flow Index</b>	42,614	(weekly)	Rising	Bullish	None

- While not as weak as the prior day markets were all lower at Monday's close. The extended the indicator chart downturns and also produced some short term oversold readings. While the overall tone is deteriorating that should allow a rally attempt.
- The daily **short term composite** chart moved into oversold territory, equaling its December low at O 24%. That was a buying chance for the rally back to new index highs this month. However this time the medium term charts are much weaker so we wouldn't expect the same strength and rather only a rebound before the lows yesterday are tested again.
- New stock lows outnumber new highs on both exchanges. That weaker data reversed down the medium term daily **NASDAQ high- low** chart just one day after the NYSE showed the same move. Downturns from prior top levels of X 90% signal caution with bearish formations occurring when they fall below 70%.
- The final daily **on-balance-volume** chart reversed down and the other three moved lower.
- The medium term daily NYSE **cumulative advance decline line** chart also turned down. That reversal after 11-boxes straight up signals caution. A high pole retreat would shift its status bearish. The reading is also below levels from 10-days ago to confirm a shift in momentum.

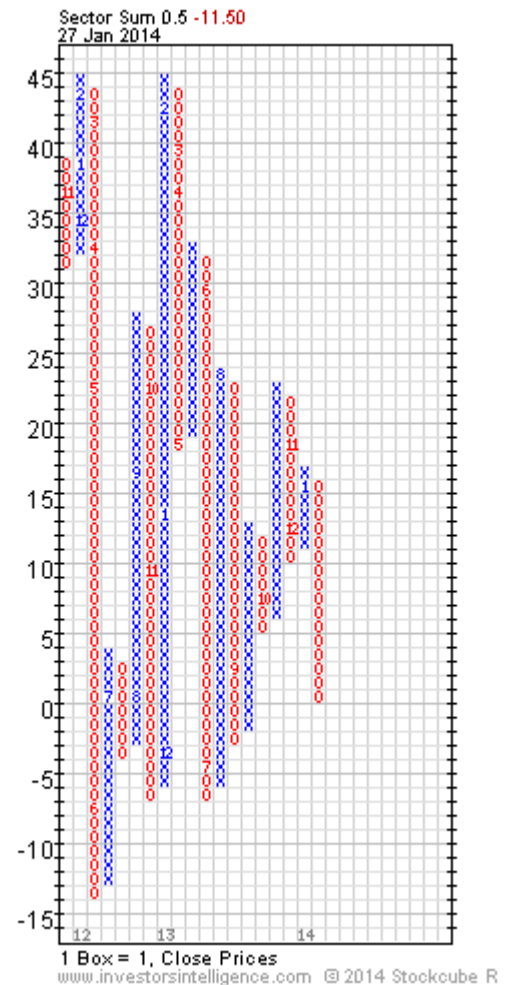


## Industry Bullish %s and Sector Sum

**Daily Industry Groups Bullish %s:** Yesterday's market decline was more modest than on Friday but there was a small increase in the number of stocks shifting to sell signals. That number was 100, after 93 sells on Friday. The two day action reversed down the NYSE bullish %, with action similar to its late June 2013 bottom at O 60%. The further weakness doubled the number of declines amongst the 46 industry sectors to 24 and not a single chart advanced. There were seven reversals down and 10 significant negative status shifts. The poor action caused another large decline for the **sector sum** value and now a **long term bearish status shift** one day after that **short term signal**.

The **sector sum** value was **+0.5**, down from +12.0 and +16.5 last Thursday. It reversed down at +14.0 and the groups cumulative advance decline line also turned south. **Yesterday's drop ended the P&F buy signal from 17-Oct.** The buy stop is now +18.0. The **Bell Curve** did weaken considerably. If that trend continues to show the classic pattern a new buying chance might be at hand.

The **sector sum short term status** is determined by its chart direction, along with the direction of the groups' cumulative advance decline line and the last three day's direction on the NYSE bullish %. *Both charts turned down 24-January. With the NYSE bullish % momentum already negative that completed the bearish shift.* On 17-Oct the **long term sector sum status** shifted bearish with a new P&F chart sell signal. That ended the buy from 17-Oct-13.



### Sector Bullish% P&F Charts Lower:

Sector	Bullish %	Comment
Asia Pacific	52%	Holds bull correction.
<b>Autos &amp; Parts</b>	<b>68%</b>	<b>Shifts to bear confirmed. Left overbought.</b>
Chemicals	56%	Holds bear alert
China	48%	Holds bear confirmed.
<b>Drugs</b>	<b>80%</b>	<b>Reversed to bull top.</b>
Energy- Other	56%	Reversed to bull correction.
Finance	64%	Holds bear alert.
Foods/Beverages	62%	Holds bear confirmed.
<b>Gaming</b>	<b>63%</b>	<b>Reversed to bear confirmed. Left overbought.</b>
Internet	52%	Holds bull correction,
Insurance	70%	Holds bull top.
Latin America	22%	Holds bear confirmed.
<b>Leisure</b>	<b>64%</b>	<b>Shifts to bear confirmed.</b>
<b>Machinery/Tools</b>	<b>68%</b>	<b>Shift to bear confirmed. Left overbought.</b>
<b>Media</b>	<b>76%</b>	<b>Reversed to bull top.</b>
Oil Service	50%	Holds bear confirmed.
Pollution Control	78%	Holds bull top.
Restaurants	48%	Holds bear confirmed.
Retailing	52%	Holds bear confirmed.
Pollution Control	86%	Reversed to bull top.
Restaurants	54%	Holds bear confirmed.
<b>Software</b>	<b>70%</b>	<b>Reversed to bull top.</b>
Textiles-Apparel	56%	Holds bear confirmed.
<b>Transport- Non Air</b>	<b>72%</b>	<b>Reversed to bull top.</b>
Utilities- Electric	42%	Holds bear confirmed.
<b>Wall Street</b>	<b>74%</b>	<b>Reversed to bull top.</b>



## Sector Sum Indicator:

Short term P&F chart status	<b>Bearish</b>
<b>Value</b>	+ 0.5
<b>Change yesterday</b>	-11.5
Last reversal	24-Jan down to +14.0
Short term stop	+4.0
Long Term P&F chart status	<b>Bearish</b>
Last long term signal	P&F chart Sell + 10.0 on 27-Jan
Long term P&F stop loss	<b>Potential bullish at +18.0.</b>
Last major resistance (& date)	+45.0 (Feb 12 highs)
Last major support (& date)	-46.5 (Sep 11 lows)

## Sector P&F chart direction:

Total number of sectors	46
Last signal <b>Down</b> # of rising groups	<b>13</b>
Trigger for <b>bullish</b> status	<b>16</b>
Sector charts overbought	17
Sectors charts oversold	2

## Stock Action

The NYSE bullish % value fell 2.33% yesterday, its second large drop in a row. It reversed down to O 64%, its first change since 22-Oct when it turned up to X 70%. Its decline late June 2013 ended with the capitulation tumble to O 60%. The NYSE bullish % closed at 62.79%. The NASDAQ Comp chart hasn't moved since July when it hit X 68%. It closed at 64.81% and would retreat at O 62.0%.

The daily P&F chart activity held at just above average levels with 816 stocks moving on their P&F charts. There were 895 moves the prior day. Volume was down 14.1% on the NYSE and 4.4% for the NASDAQ. Large traders stepped back to ponder the latest developments.

## Sector Action

The **Wall Street Bullish %** fell 3.12% yesterday, causing the chart to reverse down from overbought, activating a new status of "bull top". The chart is turning down from its most overbought level in almost ten years. Further weakness expected, down to at least support across 62%.

Sell signals yesterday were **Evercore Partners (EVR)**, **Greenhill (GHL)** and **T.Rowe Price Group (TROW)**. Of those the weaker is GHL which has just reversed short of its February 2013 peak. Shorts entered now could place a stop just above that peak of 61%. New down trend likely to extend down to the \$45 level.



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