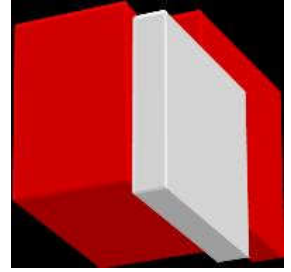


April 26th, 2010

# Market Update

For daily commentary see  
[SeattleTechnicalAdvisors.com](http://SeattleTechnicalAdvisors.com)



## Better Git' While the Gittin's Good

We are expecting a sell trigger from the S&P 500 any day now as BWI moved into its sell mode last Friday. This, to us, represents the end of the so-called 'risk-trade' and should encompass not just equities, but commodities as well. And at some point in the future, treasury bonds too – but not yet. Important dates to watch: April 26<sup>th</sup>, 29<sup>th</sup>, May 2<sup>nd</sup>, 6<sup>th</sup>. These dates are explained inside this report. We believe this to be the end of the post-March'09 advance. Our targets are 1220 SPX and 11,250 Dow.

## Geomagnetic Storm

A new coronal hole may be forming on the Earth-facing side of the sun. See STA Library for more information on Geomagnetic Storms and stock market returns.



The FDIC ate seven more banks last Friday.

First time buyers are juicing the housing market once again, accounting for 44 percent of all sales in March. While the percentage is high, the actual volume is not nearly what it was last fall, when the tax credit for them was originally set to expire.

The yield on 10-year Greek bonds is 8.97%; 2-year bonds over 10%  
The inverted yield curve suggests that markets are betting on default and rescheduling

## Sentiment

The 30-day moving average of Market Vane's Bullish Consensus is the highest it has been since December, 2007.

Investors Intelligence survey is now up to 53.3% for the bulls (versus 51.1% the previous week) while the bear camp has dwindled further, to 17.4% (versus 18.9% a week ago). Bullish sentiment rose for the third consecutive week and bearish sentiment has not been this low since January 12.

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Better Git'

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## US Equities

Unlike the S&P, the Telecom, Health Care, Utilities, and Materials sectors have all failed, so far, to break above their January highs. Right on time, the Bandwidth Indicator for the S&P 500 switched to a sell mode on Friday. We await a sell-trigger. Today that trigger would be a move by 14-day RSI below 69.71. We are targeting 1,220/SPX, 11,250 Dow Industrials.

### S&P 500

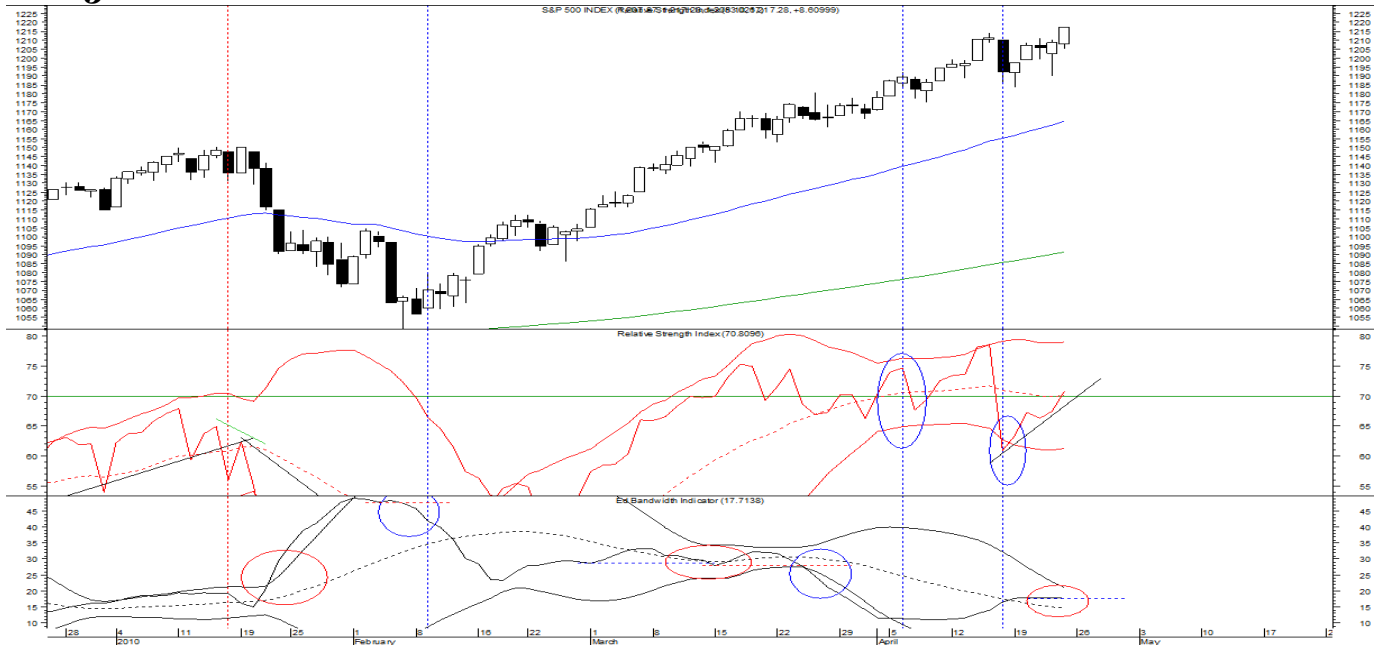


Figure 1: S&P 500

## NYSE Bullish Percent Index

The Bullish Percent index measures the number of stocks that are on Point and Figure buy signals. We can see a negative divergence (green line) in this indicator despite new highs in price.

**NYSE Bullish Percent Index (EOD) (\$BPNYA) INDX**  
 23-Apr-2010, 16:00 ET, daily, O: 81.338, H: 81.338, L: 81.338, C: 81.338, Chg: +0.697 (0.86%)  
**Status** Bull Confirmed on 09-Apr-2010  
 User-Defined, 2.0 pts/box 3 box reversal chart

© StockCharts.com



Figure 2; NYSE Bullish Percent Index

The Bandwidth Indicator for **VIX** is on the verge of switching to a buy mode which is bearish for equities. Full Moon this Thursday, **April 29<sup>th</sup>**. Geomagnetic storm (solar) is brewing. The **Euro-Yen Cross** is in a sell-mode as is the stock-bond ratio. An 11-day interval-cycle will hit Monday, **April 26<sup>th</sup>** and a 21-day interval-cycle on **May 6<sup>th</sup>**

**Ratio Charts**

After breaking their ascending trendline, the ratio of Financials to the S&P 500 (top chart) has been unable to regain the uptrend and shows a negative divergence between the current level and the high of last October. The ratio of technology to the S&P 500 also shows a negative divergence between the current level and the 12/30/09 high.

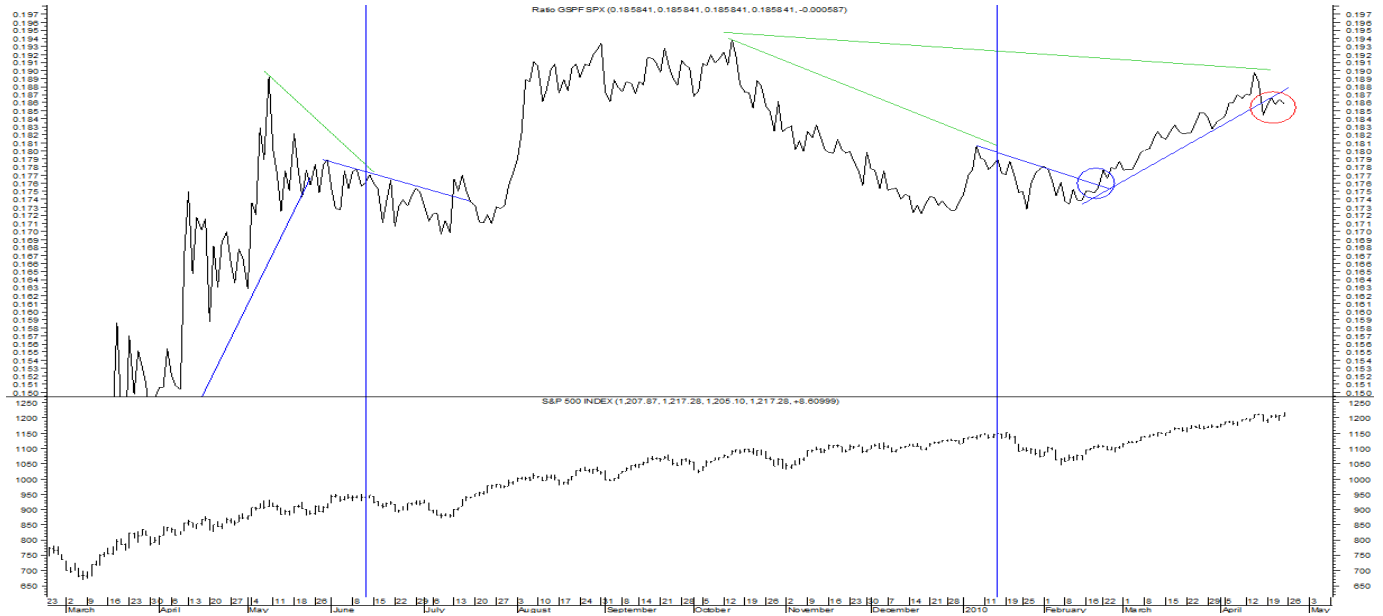


Figure 3; S&P Financials Index/ S&P 500, S&P 500

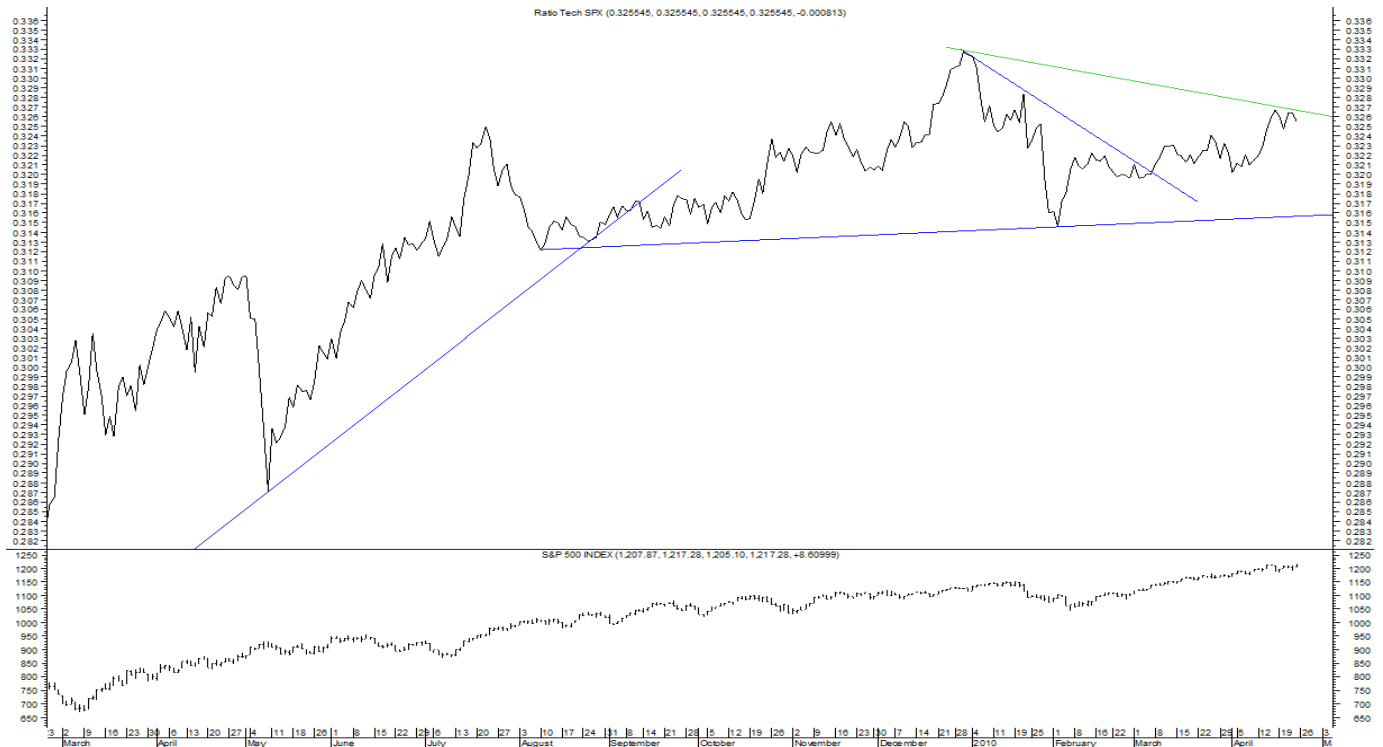


Figure 4; S&P Technology Index/ S&P 500, S&P 500

## 107-day Cycle

We see **107-day cycle** tops due this Thursday, **April 29<sup>th</sup>** (same date as the next **full moon**) and **Sunday May 2<sup>nd</sup>**. This means we are now solidly within the  $\pm 5$ -day window for these tops.

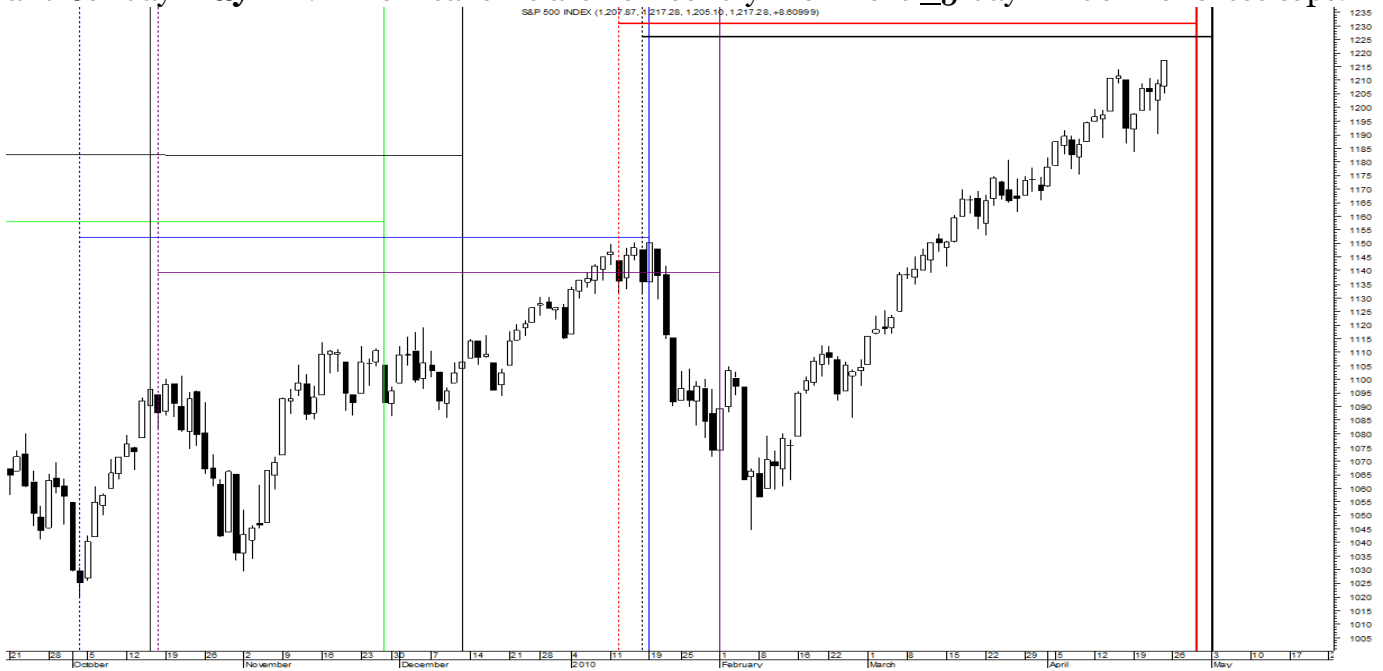


Figure 5: 107-day cycle, S&P 500

## Is this the Final Top?

### NYSE New 52-week Highs

Friday saw 658 New Highs on the NYSE. That is 2 standard deviations over its 20-day moving average. While values over 470 have been excellent indicators of short-term tops, we now no longer have a negative divergence in New Highs as the previous 'highest high' was 627 on March 17<sup>th</sup>. This is one strike against the next top being the end of the post-March'09 advance as we 'normally' would expect a divergence in New Highs at market tops. Could this mean we will see one more short correction prior to the final top? Nothing we deal in is written in stone.

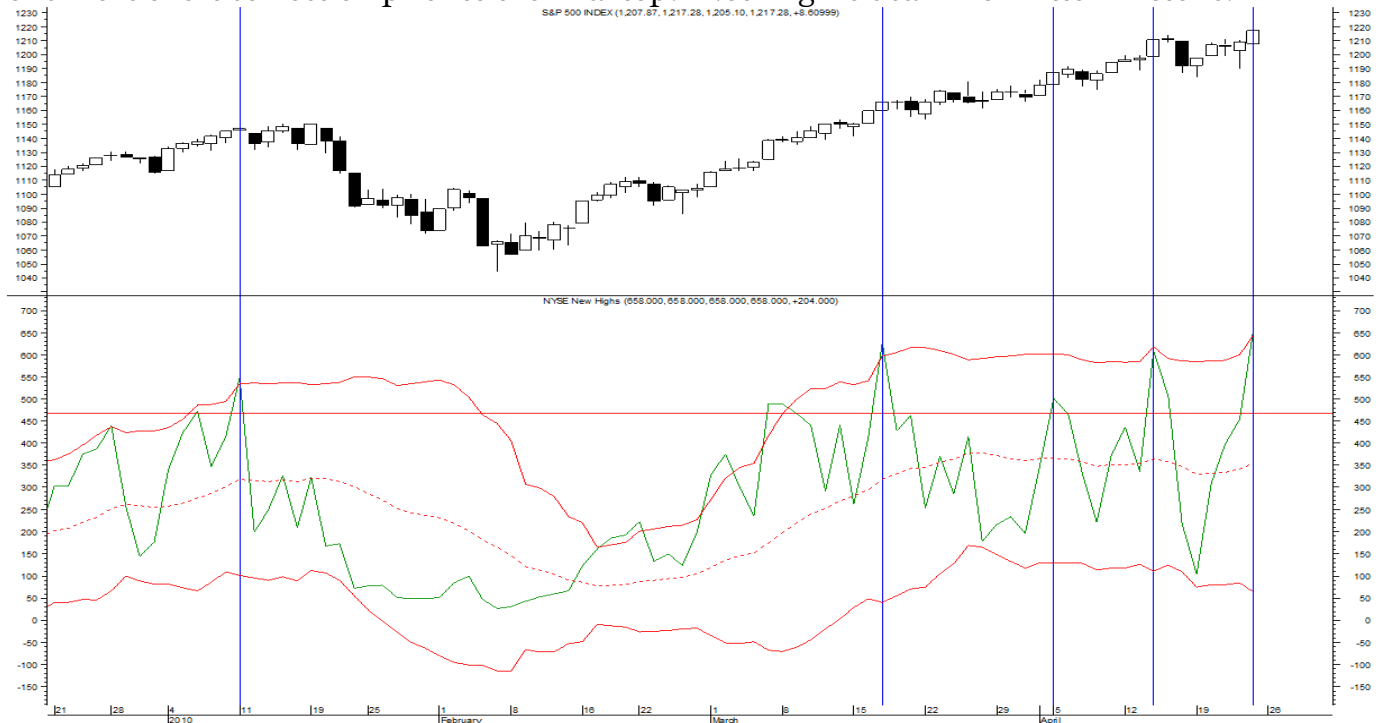


Figure 6; NYSE New 52-week Highs

### Cumulative Advance-Decline Line

Wall Street technicians love to depend on divergences in this indicator to warn of pending turns in the market's long-term trend. But no indicator is perfect and the Cumulative A-D line failed to call the March '09 bottom. Some are still saying 'no divergence, no top'. Maybe...

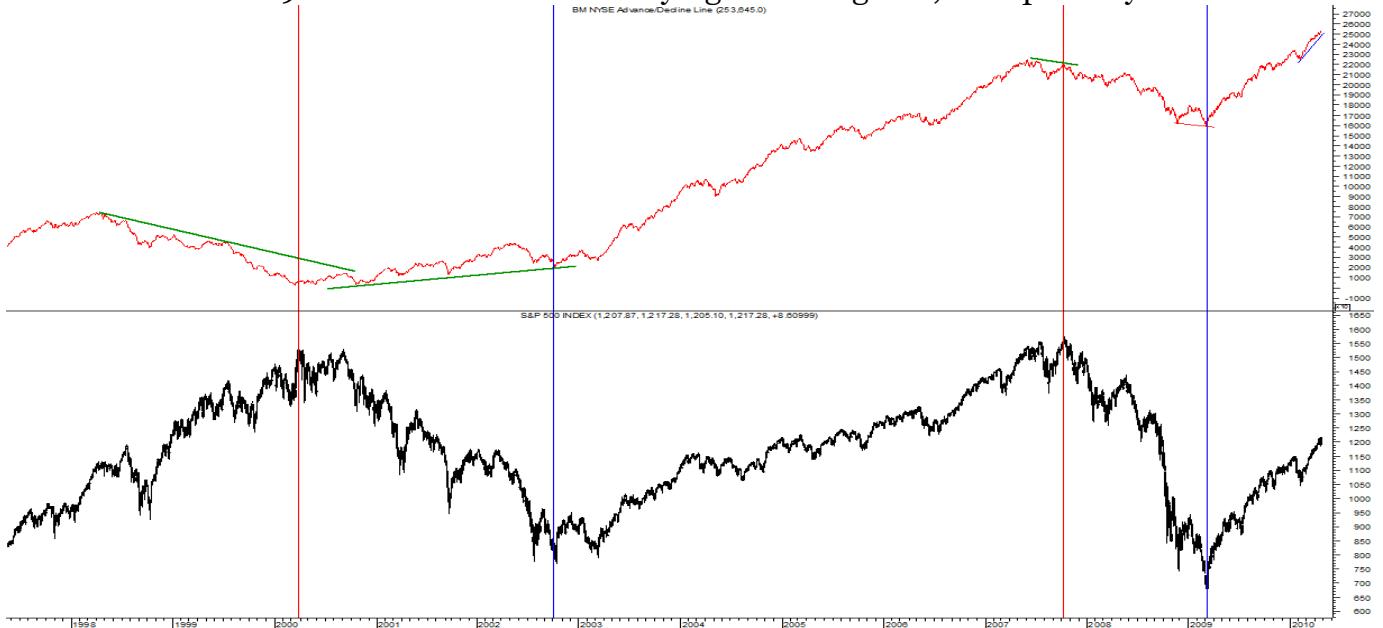


Figure 7; Cumulative Advance Decline Line, S&P 500

### Bottom Line

Regardless of whether these levels are “the” top, that is, the end of the post-March '09 advance, or just another stop in the liquidity driven bull-market, we see such heavy Fibonacci resistance at these levels (not shown) that we are confident in saying that this will be a “correction” everyone will wish they had sat out. **1,225** is the 61.8% retracement of the entire Oct'07 – Mar'09 bear market. This would be a natural stopping point for the advance. Assuming 1,225 is the top, looking at standard Fibonacci projections to determine price targets it would seem the risk of being long the market far outweighs the advantages. A minimum move to the 38.2% projection of the post Oct'07 decline targets sub-900 on the S&P... and it just gets worse from there.



Figure 8; S&P 500

## Foreign Equities

### Nikkei

Last week saw BWI confirm the sell-mode and RSI dip under 20, but so far, the index hasn't dropped under last Monday's low. Positive divergences exist in both 3-day and 14-day RSI. We expect a final target closer to 11,700 but stiff Fib resistance exists at 11,300. A Fib support zone exists at 10,850. A 107-day cycle top is due **April 30<sup>th</sup>**

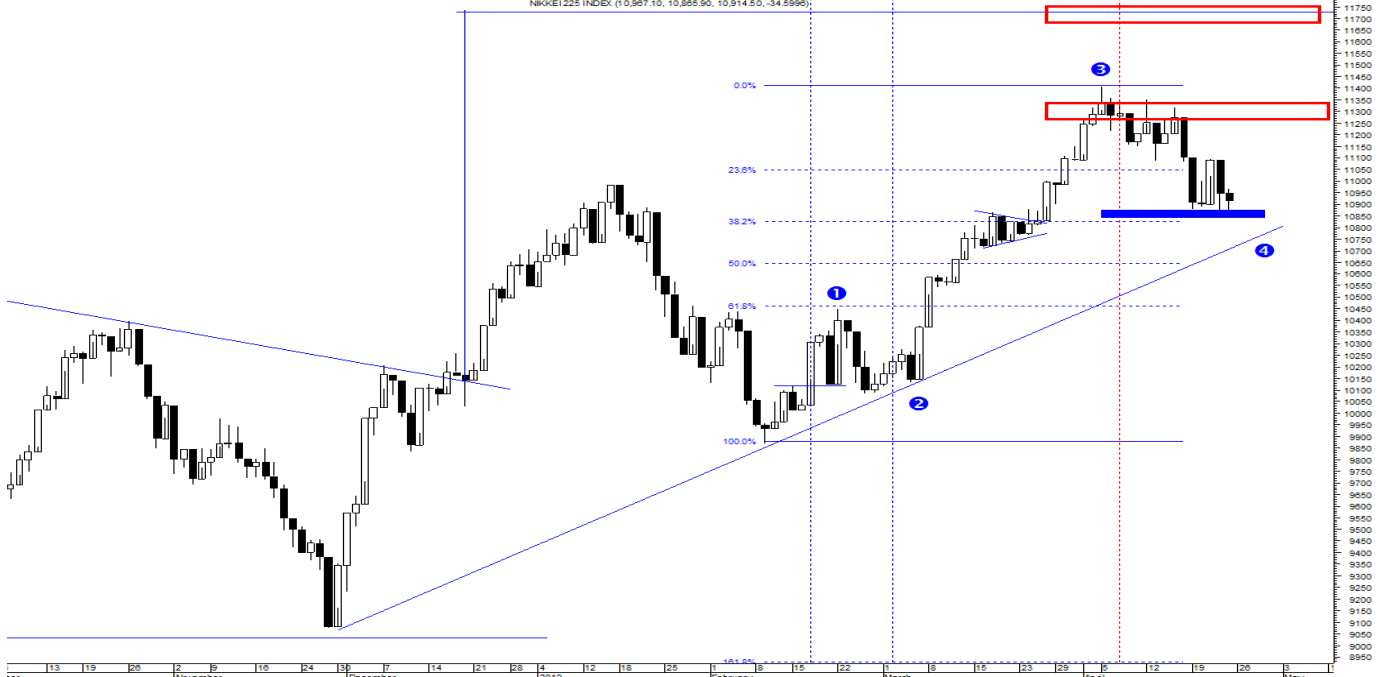


Figure 9: Nikkei

### MSCI Emerging Markets, EEM

EEM is still in a buy mode and, after further review; we're going to call Thursday's price action a **buy-trigger**. We don't think there is much left in this asset as our price target remains 44.50.

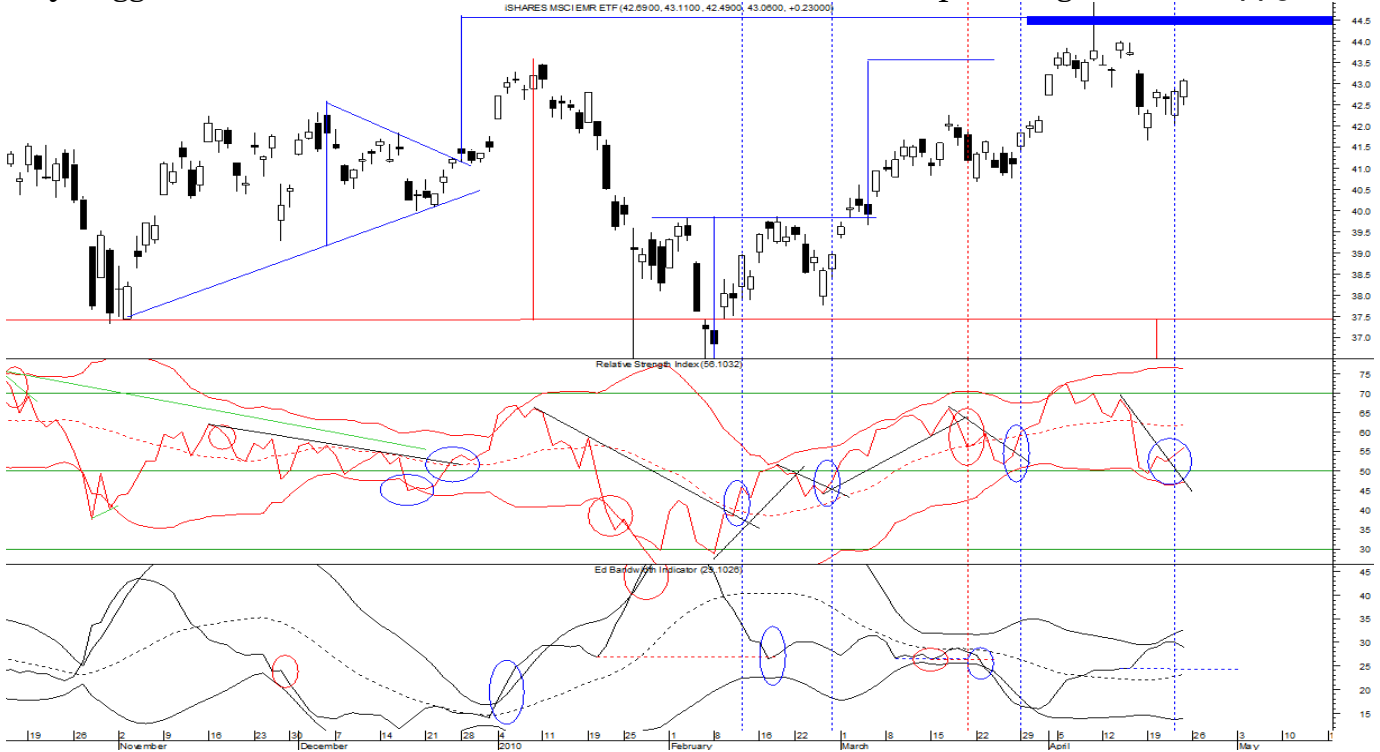


Figure 10: MSCI Emerging Markets, EEM

## U.S. Treasuries

### 30-Year Treasury

Treasuries have had a nice move so far this month. We suspect they will tread water from here until the equity advance is finished. Any pullback should be considered a buying opportunity. We haven't forgotten about that head-and-shoulders top but the breaking of the declining trendline on the right shoulder, in addition to the 40-week time cycle discussed previously, makes us think we should see a sizeable bump prior to any sustained downtrend.



Figure 11: iShares +20-year Treasury Index, TLT

## Commodities

### Continuous Commodity Index, CCI

CCI slipped into a sell-mode last week. A buy trigger would come today if 14-day RSI can close under 56.70 but that would require quite a drop. CCI is back into the Fib zone surrounding 485 so everything is sizing up for a top here.

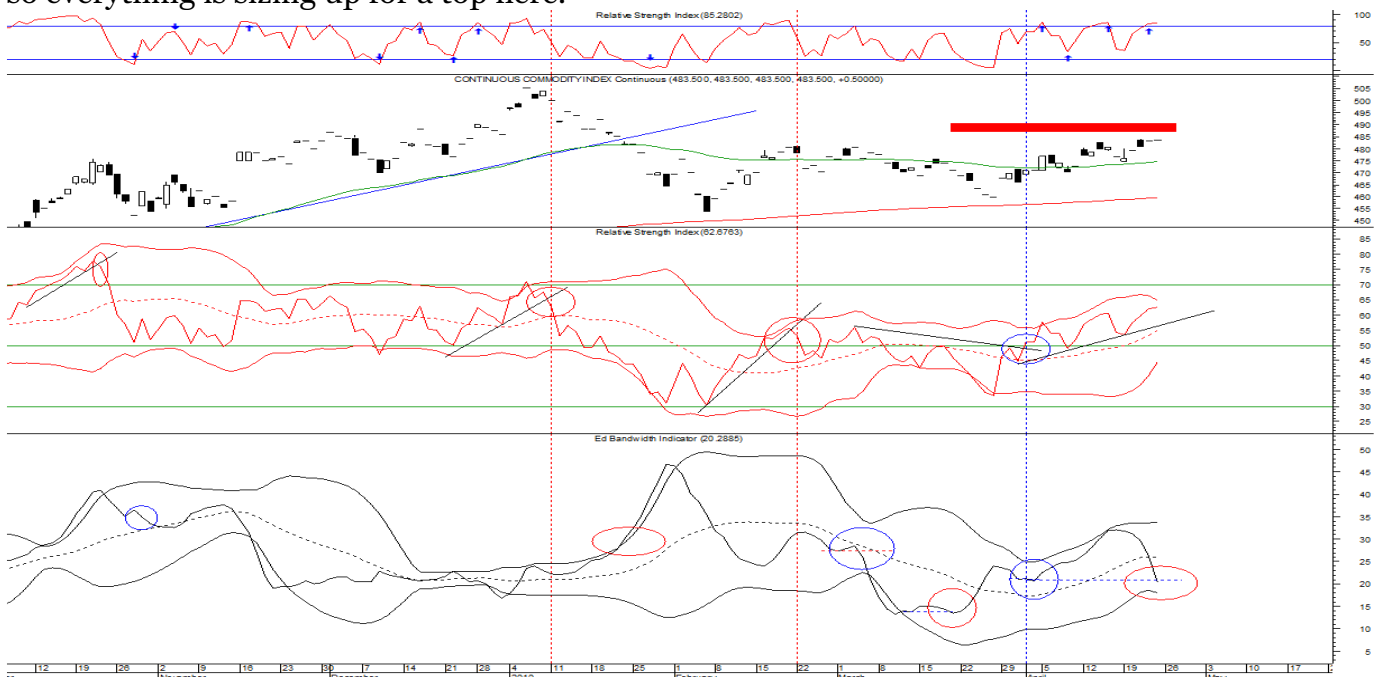


Figure 12: CCI, Continuous Commodity Index

## Crude Oil

If Crude can close at 87 on Tuesday, we'll call it a day and take our 'oil-chips' off the table as that price/date looks like a possible top on our Fibonacci trendline model as well as thick Fib resistance. Friday did trigger a buy signal but we just can't imagine too much more ahead. Stochastics and MACD have already rolled over.

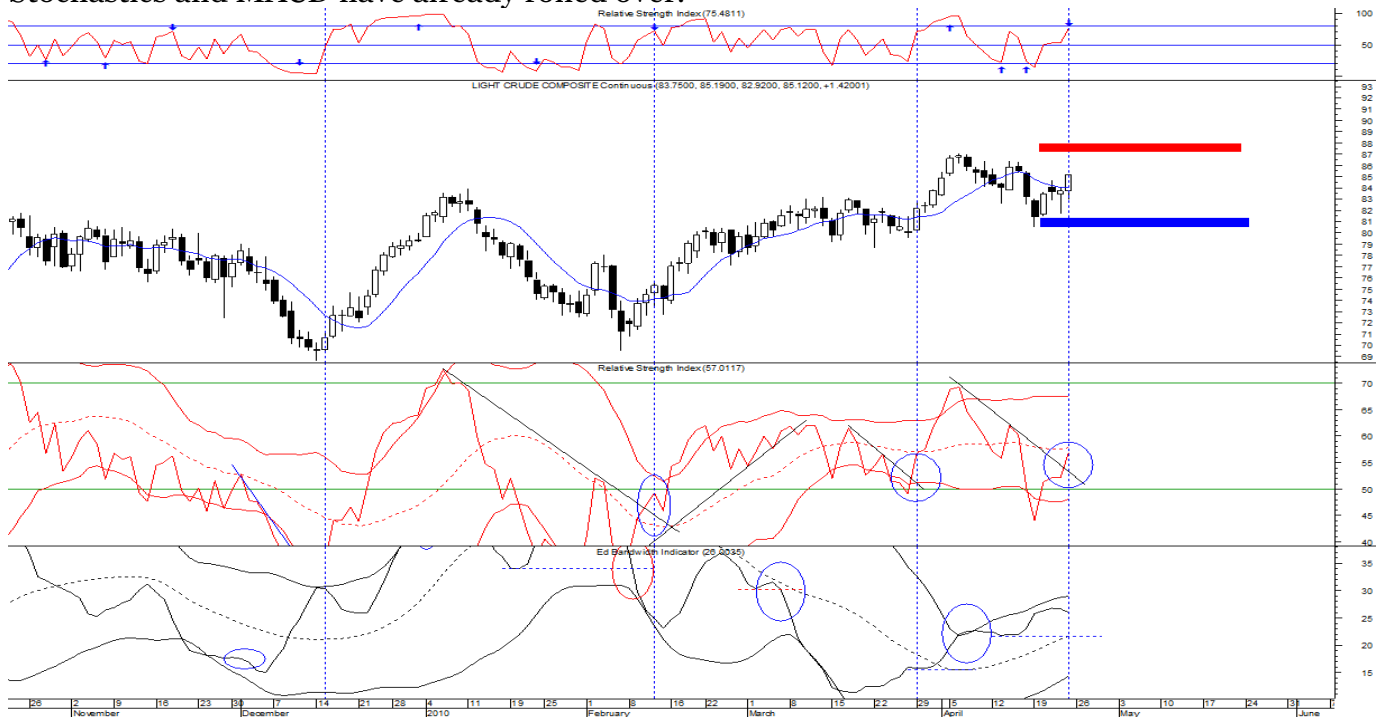


Figure 13: Crude Oil

## Gold

Gold is so close to triggering a buy-signal; almost any move up today would do it. BWI is curling down so it's a race to see whether the trigger comes before BWI can breach its previous low changing the mode to 'sell'. We see a 107-day cycle top and a full moon are both due April 29th. A bullish head-and-shoulders points to 1,230 but we see heavy Fib resistance at **1,185**. While it doesn't seem likely, our Fib trendline model points to a closing high of **1,196** if we insist on an April 29th high.

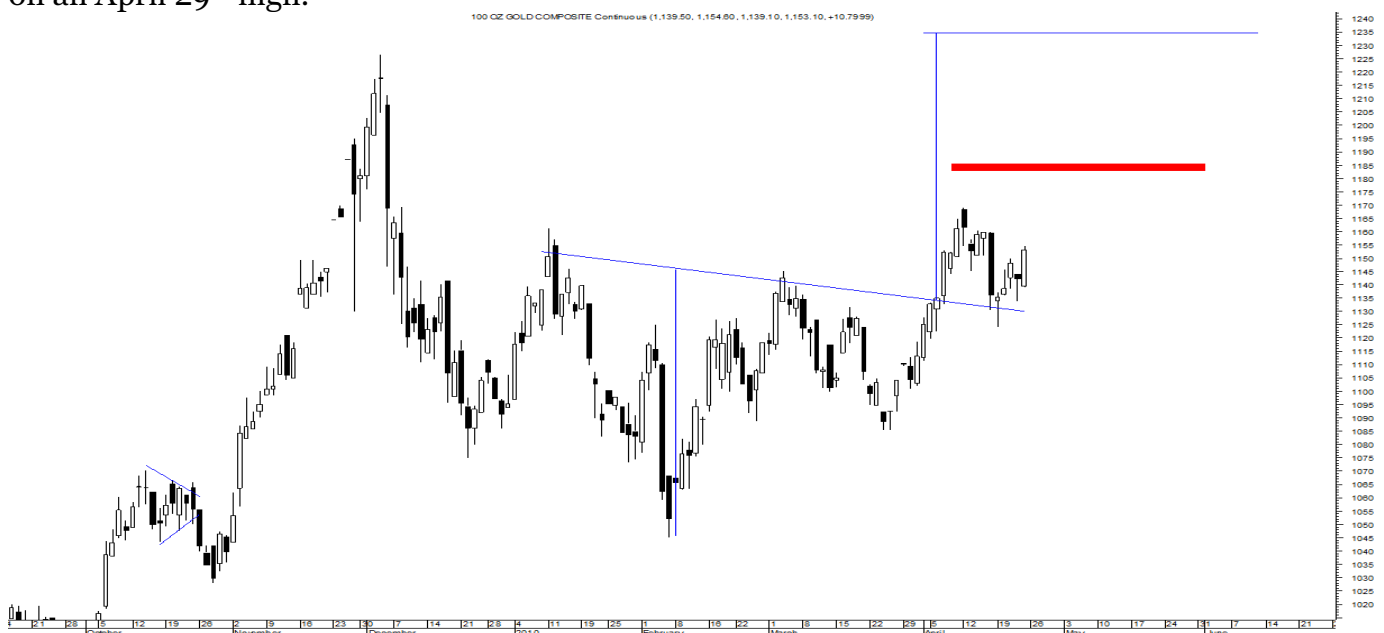


Figure 14: Gold

## Currencies

### US Dollar

The Dollar's BWI has moved back to the buy mode and 3-day RSI has broken above 80 – very bullish. MACD and stochastics are struggling to turn upwards. The Dollar has had a good run since April 14<sup>th</sup> and is probably due for a breather. We could see that breather as equities and commodities spend a few more days reaching for their price targets. Longer term, we believe the advance since Nov'08 was the first move of a larger advance which should extend well past the 83 target derived from the cup-and-handle formation. Fib zones (resistance) exist at **83, 84,** and a significant zone is between **85 and 86.**

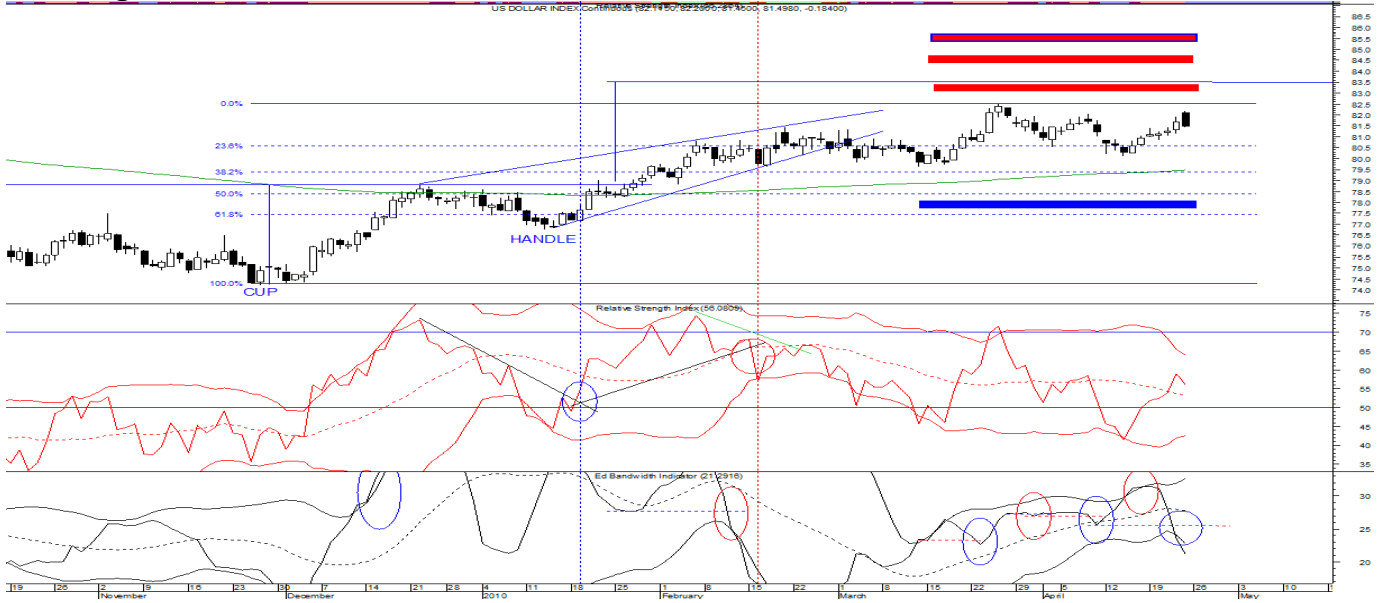


Figure 15: US Dollar

### Japanese Yen

The Yen is headed down and 3-day RSI has breached 20 but BWI is still in a buy-mode. A close above 37.51 today by 14-day RSI will trigger a buy-signal. Fib resistance zone at 114-115. Support at 105.50.



Figure 16: Japanese Yen