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The Wall Street Sun and Storm Report™

Your daily warning system whether markets turn UP or DOWN!

Market Update as of 01-21-10: Failed the Test Even More

The dollar continues to do its jig. The yen is dancing too. The rest, well...not so good. The dollar index now needs to make a new high above 78.45.

The China sell-off (see FXI) is true change of behavior that we pointed out a while back as a harbinger. The teeth of the sell-off have been shown. There may be a bounce back up to resistance at about 41.18, but this is not over! We said China would lead this market down. It is. If there is no reversal in China's fortunes, don't look for the US markets to prosper either. The Chinese market will go down faster and first and bottom first.

The regional banks (KRE) are doing well because President Obama is going after the big banks, which helps the small ones competitively. He wants the big banks to divide their trading operations from their banking operations, so the U.S. taxpayer is not exposed to the risks of aberrant trading. Now who would ever do that? The regionals WILL come down if this correction does become more severe.

If you have not rebalanced your portfolio lately, now would be a good time! Sells in the table are only going to work if you are willing to recommit funds that you withdraw. You can use wider stops if you like to see if this is going to be one of the light corrections we've had through this whole rally. China is saying it's not the same old thing going on.

Bounces can occur at any time in these corrections, and if you choose to short, attempt to catch those bounces. Watch your stops and have and execute a plan! Decide to get back in if the market changes its direction. On the downside, decide how much you are willing to lose or the market will decide that for you. If you sell, scale out and you may even want to keep a core portfolio that you do not touch. That's where your individual plan comes into play. To each, his/her own!

See the Market Trend Table (MTT) below for further details.

All the best!

David

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We wish you the best with all of your investments! We ask that all readers register to receive the newsletter by providing their email address and full name. Thank you.

Eight Stage Market Ranking System		4 Stages each BULL-BEAR	B/S/H	COMMENTS
MAJOR INDICES				R = Resistance S= Support
Dow Jones Industrials		Bear 2 from Bull 3	SELL	BUT buy recovery to new high if it occurs. Downside target is possibly 9709. Pulled back from marginal new high. SAID: Could still fail. More selling is possible due to high volume pullback.
SP-500		Bull 3	HOLD	Back on support. Failed retest again. Buy new high only (use intraday values). Sell reversal of the breakout on close below 1119.13 or 1114.
NASDAQ 100	NDX	Bull 3	HOLD	Buy new high only. May test 1823. Sell close below 1822 or sell failure of this breakout on close below 1815.60.
NASDAQ		Bull 3	HOLD	Buy new high only. May test 2225 . SAID: Sell close below 2269 or below 2114. Rebuy new high if you sell.
SP Midcap 400		Bull 3	SELL	Sell and rebuy new high only. OR if you prefer: Sell close below 717.75 or 676.73 depending on which stop you prefer. Could pull back to 718 .
Russell 2000		Bull 3	HOLD	SAID: Sell new positions on close below 625.31. Old positions could be sold on close below 588.
Russell 2000 Growth	IWO	Bull 3	HOLD	Sell close below 67.89 for new buys or sell close back below Oct. or Nov. low for a wide stop.

Russell 2000 Value	IWN	Bull 3	SELL	SAID: Sell close below 59.30 for new buys or below close back below Oct. or Nov. low if you prefer a wide stop.
BONDS				
10 year Treas. Note		Bear 3	HOLD	Could rally back to 3.561% yield and still be in Bear market status. Must now close over 3.886% yield. Slipped in yield after failing to top August high in yield.
30 year Treas. Bond		Bear 3	HOLD	Could rally back to 4.476% yield and still be in Bear market status.
Corporate Bonds	LQD	Bull 3 from Bear 2	HOLD	Day 1. Could be waffle. Sell close below 103.58. Could pull back to there.
Junk Bonds	HYG	Bull 3 from Bull 4	HOLD	Sell close below 88.80 for new buys, below 84.65 for wider stop if you like.
Check premium/discount of ETFs before buying				
SECTORS				
Amex Biotech	BTK	Bull 3 from Bull 4	HOLD	Wait to buy. SAID: If market sells off hard, biotech will follow. Sell reversal of breakout or close below 894 on new buys. For longer term positions could sell close below Nov. high, or either Nov. or even Oct. low depending on what stop you would like to use.
Amex Pharma	DRG	Bull 3 from Bull 4	HOLD	Retreating with market. SAID: Held up better than market post-Scott Brown win in MASS. If market pulls back much more, DRG will also retreat however. SAID: Wait for more definite move below the breakout to sell. If you buy hoping for a bounce, sell if it fails to do so. Sell reversal OR sell close below 305.26.
Amex Gold Bugs	HUI	Bear 3 from Bear 2	SELL	Went slightly through support. We will rebuy a recovery from this point. Be warned that doing this could cause trading whiplash. FELL TO 403.68 on close today. SAID: Landed on a bit of support but could fall to 405. Lower high formed. Sell close below 416 or NOW (written when below 451.96) if you prefer.
Amex Oil	XOI	Bear 2 from Bull 3	HOLD	Back down testing some support. SAID: Landed at bit of support but could fall to 1042 or about 1021 if next move is down. Bounce is always possible at support. SAID: Sell reversal (1-12-19) for new purchases. Sell close below 1030 for longer term purchases if you want a wider stop. Bounce could happen as low as 1021.
Natural Gas	XNG	Bull 3	HOLD	Failed breakout after retesting recent high. Buy new high only.
Oil Service	OIH	Bull 3	HOLD	Next stop 122. SAID: Sell reversal of signal. Sell older positions using your stop. Suggestions: Sell close below 127.30 or 118.81. May fall to 121.83 or so. Next stop

				after that is at about 114.
DJ Transports	DJT	Bull 3	HOLD	Back at same support without the bounce. Tested support today and pulled up off of it. Buy new high only. SAID: Sell a reversal promptly. Pulling back from retest of the last high. May fail. Sell close below 3933 and rebuy if needed.
Utility Index (Philly)	UTY	Bear 2 from Bull 3	HOLD	Very close! SAID: Sell close below 410. Rebuy if needed.
BANKING/REAL ESTATE				
BKX (KBW Banking)	BKX	Bull 3	HOLD	Failed retest of recent high.
MSCI US REIT		Bull 3	HOLD	Fell 3% to support. Caution: Waffling back and forth ABOVE AND BELOW 615. You could wait for a close below the late Nov. low if you prefer or sell on a meaningful move below 615. One point won't do it. Next best thing is to sell close below 596. Buy new high only.
US Housing	ITB	Bull 3	HOLD	Buy new high only. Sell upon close below 11.92 or Dec. or Nov. low.

FOREIGN MARKETS				
Australia	AORD	Bull 3	SELL	Could sell here OR SAID: Sell close below 4776 or below either Nov. low depending on how tight a stop you wish to use.
Canada	TSX	Bear 2 from Bull 3	SELL	SAID: Sell close below 11581 . Rebuy if needed.
China	FXI	Bear 3	SELL	Waffling. SAID: Sell close below 41.04 which would likely result in great damage if there is no bounce from this level. If no follow through on bounce will drop to Oct low for starters.
Europe	VGK	Bear 2 from Bull 3	HOLD	Wait to buy above 50.92. (Have to adjust all signals for dividend of 2.356; this stop includes that adjustment). Watch the dollar. Sell close below 46.12.
Hang Seng	HSI	Bear 3 from Bear 2	SELL	SAID: May drop to about 20932. Sell close below there.
India	PIN	Bear 2 from Bull 3	HOLD	Sell now below 22.42 and rebuy new high OR wait for close below 20.68 which is the late Nov. low.
Nikkei 225	Nikkei	Bull 3	HOLD	Overnight looks bad already, so we won't change the status to Bull 4. Could sell reversal or use wider stop on close below
Emerging Markets	VWO	Bear 2 from Bull 3	SELL	SOLD. Back below prior breakout point. SAID: Sell

				close below breakout at 42.17 for new buys. Could use wider stop for older positions such as 39.76.
US DOLLAR		Bull 2	HOLD	R (resistance) @ 78.45. SAID: The dollar is NOT in the clear for a resumption of the rally, but it did rise to close above the 77.09 breakdown point. Waffle has been going on around this signal.
COMMODITIES				
Except GLD based on near month futures prices				
CRB Index		Bear 2 from Bull 3	HOLD	SAID: Sell reversal of the breakout promptly OR could sell close below 277 or (new comment) even 267.35 or 264 for a wider stop. The last major breakout survived a retest. SAID: Initial risk is to 277. We are there.
Gold	GLD	Bear 2	HOLD	SAID: Sell here (108.54) or on close below 105.31. You may want to maintain a long term gold position that you do not trade. Because gold trades in the foreign markets, you may want to sell intraday rather than on a close. Selling the close is arbitrary in such a market. If you bought close over 111.91, sell reversal. GLD could move as low as 101. We are getting closer to the price at which India bought gold, which was supposedly just above the breakout area. We may retest that area or go a bit lower in this move. The GLD breakout was 100.44.
Light Sweet Crude Oil		Bear 2 from Bull 3	SELL	Rebuy recovery. Could fall to 72.75. SAID: if the dollar keeps moving up, oil should suffer.

NOTE: The above ETFs are used to follow a given index and are not the vehicles that you should necessarily use to trade or invest in the given market. They are used to track a given market's behavior, so pick the best ETF, mutual fund, or stock yourself as your chosen vehicle or consult an advisor. It's important to always check the premium/discount of a fund from net asset value prior to buying. Some funds may be priced as much as 60% above their value. It would greatly increase your risk to buy at such a premium as the fund could return to the value of its assets over a period of weeks to months. Remember that just because a market is listed as a BUY, SELL, or HOLD does not mean that you should take that action. Your plan may be to buy on the way down for example despite of the trend. Please make your own decisions. Also realize that signals may reverse 1 or 2 days following their occurrence. Breakouts and apparent breakdowns may reverse course even after 3 days above/below the break point, so remain alert! Consider scaling in and out of markets rather than selling or buying an entire position on one day. This is of course your choice. Please see the disclaimer at the bottom of the newsletter text above for further details.

Waffle: Price moving back and forth between two signals at least once.

Low or high: refer to intraday low or intraday high, respectively, unless otherwise specified.

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