

Please do not redistribute without permission. Thank you.

The Wall Street Sun and Storm Report™

Your daily warning system whether markets turn UP or DOWN!

Market Update as of 02-16-10: Some Buys but for Trades Only. Volume is Missing.

Amazingly Biotech (BTK) has broken out to new highs and a Bull 4 signal. It's the first day, but it shows you that at a minimum this is a bounce that has some umph. How do we know with certainty that this bounce is not just the next leg up for the market? We don't. But there are signs in the market that the all clear has not yet been sounded. This is merely a tradable bounce until it is proven otherwise. Saying it was an investable bounce even as some support was forming a few days ago would have been premature. Note also that the biotech ETF, PBE is not at a new high, but has come back to test the last high. This is the third recent attempt at the September high in PBE.

The VIX is still declining as we suggested it could. The overall market will have completed a bounce to the February 2nd high we targeted a few days ago by tomorrow. So we are coming to a real decision point. If we go up and touch the Feb. 2nd highs and recoil tomorrow, we could be headed down again. If we continue on through those highs, it's possible that we will go all the way back to the January highs. The market upswing happened on decreased volume again today, so the strength of this rally to lead to a sustainable next leg up for the markets is still in question. Otherwise, we would have issued buys and not the bounce warnings and conditional buys.

In the MTT tonight we say: "Real dollar bull trends don't usually break down this early, even if there are severe pullbacks, so buying the dips is still likely to work for a while." This is bad news for the stock and commodity markets, because they have been strongly inversely correlated to the US dollar. The lack of volume makes all buys risky unless the volume finally kicks in.

We've been labeling some markets BUY-C for conditional buy with the details spelled out in the COMMENTS sections (see definition at base of MTT). These rally backs can be surprising to bulls and bears alike. We know we are in a bounce. We know that bounce is weak from some standpoints such as volume and that the world scene is still jittery. There is good reason to trade and not make buys of the buy and hold category here.

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

All the best!

David

MARKET TREND TABLE

Eight Stage Market Ranking System		4 Stages each	B/S/H	COMMENTS
MAJOR INDICES		BULL-BEAR		
				R = Resistance S= Support
Dow Jones Industrials		Bear 2	HOLD	Volume has been falling as Dow rallies so it would be a tricky trading buy that may work out. Did move up through the downtrend channel. Could rally at least back to 10314. SAID: Clearly still in downward channel. SAID: Bounced from initial support so it could bounce a bit more. Sell close again below 9835.
SP-500		Bear 2	HOLD	Buy close over 1116. Same situation as Dow. Up on decreasing volume – weak! Rally may end around 1817. Barely over top of down channel. Only by hair. Bounced from initial support so it could bounce a bit more. First target is 1055. SAID: Broke downward wedge on slightly increased volume. Still more likely headed to 1052ish. Then we see.
NASDAQ 100	NDX	Bear 2	BUY-C	BUY close over 1826. Same situation as Dow. Up on decreasing volume – weak! Rally may end around 1817. Bouncing off a bit of support, but NOT strongly. Close over 1788 would be first sign of strength in this bounce.
NASDAQ		Bear 2	BUY-C	BUY close over 2228. Same situation as Dow. Up on decreasing volume – weak! Could fail at 2224. Bouncing off a bit of support, but NOT strongly. Bounced from initial support so it could bounce a bit more. Close over 2195 would be first sign of real strength.
SP Midcap 400		Bull 3 from Bear 2	BUY-C	Buy next close over 727.50. Too close today. Wait for one more close above there. Already back to and just barely over Feb. 2nd high. SAID: Bouncing. Could also get back to Feb 2 nd high. Volume declining on upswing. SAID: Bounced from initial support so it could bounce a bit more.
Russell 2000		Bull 3 from Bear 2	HOLD	Bouncing. SAID: May get back to 616 or 625. Bounced from initial support so it could bounce a bit more.
Russell 2000 Growth	IWO	Bull 3 from Bear 2	BUY	Trading buy to Jan high only. Warning: STILL UP ON LOW VOLUME. Up again on decreasing volume. Same situation as Dow. Up on decreasing volume – weak! Rally may end around 67.17. SAID: Close below 62.99 will cause major damage.
Russell 2000 Value	IWN	Bull 3 from Bear 2	BUY	Trading buy to Jan high only. Warning: STILL UP ON LOW VOLUME. Same situation as Dow. Up on decreasing volume – weak! Rally may end around 57.8. Still in downtrend even with bounce. Below support. Close below 54.28 will cause major damage.

BONDS				
10 year Treas. Note		Bear 3	HOLD	Close back below 3.709% yield could be the beginning of next down move. SAID R is @ 3.918% yield. Could be a waffle. Stay away until the direction is clear. Buy close in yield BELOW 3.487. SAID: Playing the Bear side is still tricky due to fact that these bonds may rally if stocks sell off hard. They may move together (down with yields UP) if there is a fear of higher interest rates that drives a stock sell-off. SAID: Could sell off from here (yield increases). Depends on degree of stock market selling. SAID: BUT must now close over 3.886% yield to continue Bear market in earnest.
30 year Treas. Bond		Bear 3	SELL-C	Wait until 10 year resolves direction AND only if makes it above the test of the last high at 4.761% yield. Tested the 2-3-10 high and went through a bit. May make it through this time. Market participants are getting edgy about Fed action on interest rates whether legitimate or not. BUY close in yield BELOW 4.486%. SAID: Playing the Bear side is still tricky due to fact that these bonds may rally if stocks sell off hard. They may move together (down with yields UP) if there is a fear of higher interest rates that drives a stock sell-off. SAID: Could sell off from here (yield increases). Depends on degree of stock market selling.
Corporate Bonds	LQD	Bear 3	HOLD	Could be waffle retest of breakdown point, but is still back above 103.58 today. Volume was low today, so could fail. SAID: Sell close below 103.58. Could pull back to there.
Junk Bonds	HYG	Bear 3	SELL	Adjusted for dividend. SAID: 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	HOLD	Headed up for full retest OR may stop at shoulder = 1-19-10. Sell close below 940. Biotech is weakening finally. Buy new high only. SAID: Barely a Bull 4 now, testing the breakout area on a pullback. Would sell now or on close below 972. Will break if there is more downside to the US stock market. SAID: Bouncing (2-1-10). 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 prefer.
Amex Pharma	DRG	Bear 2	HOLD	May stop at 309. Has now escaped the consolidation of past few days.
Amex Gold Bugs	HUI	Bear 2 from Bear 3	HOLD	Trading buy only. Made the close over 403. Could stop at about 426 (at downtrend line from peaks). Closed just above 403 so could make more progress tomorrow. SAID: Must now move up above 403 if this rally is real. Would not

				sell short unless it closes below 363. Could use 392 as tighter stop.
Amex Oil	XOI	Bear 2 from Bear 3	BUY	Closed above downtrend line. Could stop at last top or 1058. SAID: Next sign of strength is close above downtrend line at 1022, but rally could stop at 1058.
Natural Gas	XNG	Bear 2	BUY-C	BUY close over 545. Could stop at last top. Close over 536 would be show of some strength. Bounced from initial support so it could bounce a bit more. May not hold.
Oil Service	OIH	Bull 3 from Bear 2	HOLD	Hold off buying until close over 124.71. SAID: At some support. May not matter. 110.46 becomes next support on downside. R @ Oct. and Jan. highs.
DJ Transports	DJT	Bear 2	HOLD	Volume down again with big up move. SAID: Want to have volume on upside to go to trading buy. Up on lower volume and down on bigger volume. Could rally but that is not very positive.
Utility Index (Philly)	UTY	Bear 3	BUY-C	Buy close over 392. Tested support today and succeeded thus far.
BANKING/REAL ESTATE				
BKX (KBW Banking)	BKX	Bull 3 from Bear 2	BUY-C	Buy only for trade to last high at best. May move up to last high, but it was up through consolidation area showing some strength, but with pathetic volume. SAID: Ignore signal changes between Bull 3 and Bear 3 for now. The key is for a close above 45.18 for a Bull 3 move and a close below 43.30 for a Bear 3 move. Sell close below 43.30. SAID: Must close above 45.18 to be Bull 3.
MSCI US REIT		Bear 2	BUY-C	Buy close over 503.07. REIT buying REIT today. Fueled rally from support. Hold at least until it breaks 554 on close, then SELL. Could bounce to near 2-2-10 high. Back retesting a bit of support. Has been weaker than market very recently.
US Housing	ITB	Bull 3	BUY-C	Buy but sell close below 13.05. SAID 2-13-10: Too close to breakout. Wait a day. Closed at 13.12. Overhead resistance at 13.81. Tested some support Friday. Closer to the March lows than many other indices. BUT buy new recent high only on daily chart. Needs to at least close above 13.11 to show strength. It will sell off if the rest of the market moves lower. Sell upon close below 11.87 or Dec. or Nov. low.

FOREIGN MARKETS				
Australia	AORD	Bear 2 from Bear 3	HOLD	Bouncing. Buy close over 4757 but could stop at

				Jan or Oct high. 4740 is first upside target. SAID: Must close and stay above 4516 to show any strength. Next sell is on close below 4508.
Canada	TSX	Bull 3 from Bear 2	BUY	Could stop at 11816. Bouncing. Sell close below 11469. SAID: Sell close below 11581. Rebuy if needed.
China	FXI	Bear 4	HOLD	Could attempt a trade back to 41.43. Bounce occurring just as we said yesterday. SAID: Headed to 50% correction of rally - but probably not before a bounce. Volume did contract on up move – sign of weakness of rally.
Europe	VGK	Bear 3	BUY-C	Could fail again at 48.25. SAID: Stay away until Greece settles down. Barely bouncing in a dive. Must close above 45.39 to make real progress. Looks exactly like it did in Sept to Oct. 2008.
Hang Seng	HSI	Bear 3	HOLD	Could bounce to 21135. That is the best it could do the way things appear now. SAID: Sell close back below 20533.
India	PIN	Bear 2	BUY-C	Buy but sell close below 20.48. May bounce to around 21.80 to 22.40 and fail.
Nikkei 225	Nikkei	Bear 2	HOLD	Check overnight. SAID: May fail again. Buy close over 10439.
Emerging Markets	VWO	Bear 2 from Bear 3	HOLD	Bouncing. Sell close below 38.50. SAID: May be a waffle. Still could bounce.
US DOLLAR		Bull 4	HOLD	Real dollar bull trends don't usually break down this early, even if there are severe pullbacks, so buying the dips is still likely to work for a while. Testing base of consolidation today. Could break down further and be in uptrend even at 78.45 or 78.30. Ideally will bounce to save itself and stay above 79.56. SAID: In sideways move for 4 days (consolidation). Trend still OK. Closing and staying above 80.68 would result in another leg up.
COMMODITIES				
Except GLD based on near month futures prices				
CRB Index		Bear 2	HOLD	Already at 275ish. Close over 281 is next sign of strength. SAID: Must hold recent low. May bounce to 276.
Gold	GLD	Bull 3 from Bear 2	BUY	Could make it back to 113.59 OR Dec all time high. SAID: Trade only or averaging point, but be willing to sell if reverses. GLD is about to hit a downtrend line. It has

				to move up through around 108 to show true strength. SAID: More likely to fail support at this point or at least retest 102.70. Also said: Must move above 105.96 and stay there to be a tradable buy. Did that. Reached our 1 st target at 102.28 on 2-5-10. The GLD breakout was 100.44.
Light Sweet Crude Oil		Bull 3 from Bear 2	BUY-C	Buy close over 78.04. SAID: Next strength proven by close over 76.05. Has a shot at 78/barrel. SAID: Could fall to 72.75 to start with, then to 68.63. If the dollar keeps moving up, oil should suffer.

Check premium/discount of ETFs before buying

R = Resistance S= Support

BUY-C = Conditional BUY. Check comments for correct set-up for BUY.

SELL-C = Conditional SELL. Check comments for correct set-up for SELL.

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

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

NOTE:

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.

Standard Disclaimer: It's your money and your decision as to how to invest it. The contents of the newsletter and the Market Trend Table are our opinion only and should not be taken as investment advice. Given your personal investment plan, it may be better for you to buy when others are selling or sell when others are buying. The newsletter should not be construed as telling you what to do or what to believe. You are invited to make up your own mind. The ETFs discussed in the newsletter text and noted in the MTT are just 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 simply to track a given market's behavior, so pick the best ETF or mutual fund yourself as your chosen vehicle or consult an advisor. We may buy or sell an index based on the previous recommendations in the Market Trend Table comments or newsletter text before the market closes, or we may act based on an intraday email prior to a close, the latter being far less common, in compliance with government rules. It gives us more confidence personally if a writer is taking his/her own advice rather than investing in something else. We do not recommend ETFs with low trading volume to avoid movement of the market from the recommendations of this newsletter, but we cannot guarantee this won't happen if a major investor reads this newsletter, so never chase an ETF as you may sustain rapid losses in share value on a pullback after the buying is exhausted. The data may not be accurate, although it is our intention to be accurate. We may have overlooked important issues in our analysis, although we would not plan on doing so, and you and/or your investment advisor should check all facts, numbers, symbols, and strategies prior to investing. This newsletter may help give you an independent view to test against your own opinions about how to invest, but cannot guarantee any particular results. We are not certified financial advisers, planners, or brokers, so you should consult one if you feel you need to prior to making any investments, and in any case take 100% responsibility for your investment decisions. By agreeing to receive this e-newsletter, you are in full acceptance of these statements. If you no longer wish to receive this newsletter, please notify us by email. Your receipt of this newsletter does not imply any right to receive it in the future. We reserve the right to cancel this newsletter without notice or cause with a refund of any remaining paid subscription value. If we miss updates due to technical or other matters beyond our control, we will update you as soon as possible and give you a prorated credit against your next billing period if two or more days are missed, for the second and successive days issues that are missed. This policy is based on what appears to be the industry standard. We wish you the best with all of your investments! Thank you.