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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 04-27-10: China and Europe Imply Sell Signal for S&P 500

Unless we see a reversal tomorrow that is very convincing, the rally that began in February is over.

There is an expression that says "go away in May." We'll May starts next week. Maybe they're going away a week early!

The VIX failure to make a new high was telling us something over the past several trading weeks. The VIX exploded upward today as investors bought protection.

Commodities that looked about ready to move up decided to bust a few signals to the downside, but are not a sell until a close below 272.68 or 266.74 if you prefer a wider stop.

So what does Greece have to do with it? Greece tells you that people around the world are going to start demanding more for risk and for the use of their money.

That means higher interest rates. That means lower stock valuations because stocks are valued relative to returns on bonds.

If we break 1183 on a close of the SP-500, we can lose the entire rally since February, because we will have broken a bearish wedge that comes up from the Feb. low (base of wedge) and the early Feb. high (top of wedge). The pullback could stop around 1118 though if a serious correction develops.

It's interesting that we discussed the dollar gold relationship last night and put it on the website and today that very trend was in full force. We saw chatter on the internet asking "How can this be?" The dollar is now at some resistance near the recent high, so, as usual, tomorrow is very important. If the dollar breaks out to new highs, look for stocks to correct more seriously. Gold itself was up and met our target for scaling in a bit. The only hitch is that gold futures did not match the progress of GLD. We need the near month gold futures (which you can find on many sites) to continue upward and close over the last high of 1170.70. Closing over the high for today of 1173.40 would be even better confirmation of this uptrend.

The weakest markets are again showing us the way - and it is DOWN. China and Europe were down very big today with the FXI down 3.83% and the VGK down 4.97%. The greater decline in VGK centered on the Euro weakness. The February up trends in both markets are now broken. So did they move with the markets when we bounced in

February? YES! VGK had a slight delay and then came along for the ride, while FXI bounced simultaneously with the SP-500. **What does this say? It implies that support will not hold for the SP-500 because it did not hold for the FXI or VGK. It says this bounce is done bouncing.** We need a strong reversal of today's action to convince us otherwise. Otherwise, the rally ended today and the SP-500 has its sights on 1118 or so.

All the best!

David

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

MARKET TREND TABLE

Eight Stage Market Ranking System		4 Stages each BULL-BEAR	B/S/H	COMMENTS
MAJOR INDICES				R = Resistance S= Support
Dow Jones Industrials		Bull 3 from Bull 4	HOLD	Failed after Day 2 of new high. Trading SELL on close below 10973. SAID: Buy new high only.
S&P 500		Bull 3 from Bull 4	HOLD	Sell close below 1183.68. We are a hair above it at 1183.71. We need a strong reversal of today's action to convince us otherwise. Otherwise, the rally ended today and the SP-500 has its sights on 1118 or so. SAID: Back below prior high. SAID: Buy new high only. SAID: Stretching. SAID: Likely going up for full retest
NASDAQ 100	NDX	Bull 3 from Bull 4	HOLD	Sell close below 1988 or use wide stop and sell close below 1934 (the latter # will change and we will update it). SAID: Day 3. SAID: Barely though (at new high). SAID: Buy new high only. SAID: Stretching. SAID: Sell reversal on close below 1942 or 1896 depending on which stop you prefer. If we get a pullback now, bounce could occur at 1852 or 1793
NASDAQ		Bull 3 from Bull 4	HOLD	Sell close below 2451 or use wide stop and sell close below 2382 (the latter # will change and we will update it). SAID: Buy new high only. SAID: Stretching. SAID: Selling late is harder, because recovery could occur at 2279 or 2205 though.
S&P Midcap 400		Bull 3 from Bull 4	HOLD	Sell close below 808. SAID: Day 3. New high. Sell close below 831 and rebuy if needed. SAID: The rally in small and mid caps has been incredible! SAID: Buy new high only. SAID: Stretching. SAID: Buy next close over 727.50.

Russell 2000		Bull 3 from Bull 4	HOLD	Sell close below 702. Be willing to buy new high. SAID: Day 3. Sell close below 721 and buy new high. We are too far from support to bother with other stops! The rally in small and mid caps has been incredible! SAID: Buy new high only. SAID: Stretching.
Russell 2000 Growth	IWO	Bull 4	HOLD	Sell close below 75.37. SAID: Buy new high only. SAID: Stretching. SAID: Sell close below 72.09. NOTE: This is an aggressive stop, so feel free to use a wider stop if you like. YOU COULD: as we SAID: Sell close below 70.68 if you prefer that stop.
Russell 2000 Value	IWN	Bull 4	HOLD	Sell close below 66.34. SAID: If you bought, be prepared to sell if there is a quick reversal. SAID: Buy new high only. SAID: Stretching. SAID: Buy new high only. Sell close below 62.81 or 60.72 depending on which stop you prefer.
BONDS				
10 year Treas. Note		Bull 2 from Bear 3	HOLD	Back rallying with stock market sell-off. Buy close in yield BELOW 3.537%. SAID: The 10 year looks like it's leading the 30 yr here. SAID: Fakeout so far (false breakdown). SAID: Could get hung up at 4.014% yield. Re-buy if reverses this breakout. Failed to make new high in yield. Could simply fall within prior range. A new high would be a significant signal for the stock market and bond market.
30 year Treas. Bond		Bull 2 from Bear 3	HOLD	Buy close below 44.85. SAID: Barely a Bear 3 but it is following the 10 yr. SAID: Has not broken the up trend in yield, even though it pulled back from the breakout. SAID: R @ 5.066% yield. SAID: Range bound since Dec. Sell only if makes it above the last high at 4.774% yield. BUY close in yield BELOW 4.522% or 4.486%.
Corporate Bonds	LQD	Bear 1	HOLD	In trading range. SAID: Don't stay in if it breaks down. SAID: Sell close below 104.22.
Junk Bonds	HYG	Bull 3	HOLD	Buy new high only. SAID: Close over 86.05 (this number is adj for dividend) is a BUY at least a trade to last high.
Check premium/discount of ETFs before buying				
SECTORS				
Amex Biotech	BTK	Bear 2 from Bull 3	SELL	Changed from SELL-C to SELL. SAID: Has reached a bit of support, but could still fall to around 1038 from here (1184). SAID: First support 1172. Sell if you are using a tight stop and are willing to rebuy. Otherwise, consider a wider stop. SAID: Sell close below 1212. Use a wider stop if you like at close below 1172 for example. SAID: Very stretched. Can fall and maintain an up trend.
Amex Pharma	DRG	Bear 2	SELL	Sell if you are willing to rebuy a move back through this breakdown area. A bit of support at 288.50, but not much. The hesitation today did not help the bull

				argument, but it's still possible unless DRG closes below 296.50. Then there would be more damage. SAID: This could be an inflection point UP for drug stocks. It is either that or a retest of the break to be followed by more downside. Buy close over 310.07. SAID: If you have not sold, sell close below 298.41. Buy close over 310.
Amex Gold Bugs	HUI	Bull 2	HOLD	SAID: Back over 434. Sell close below 408. SAID: Wait for close over 434 to buy. SAID: There is an up trend line coming up from the two Feb. lows that forms a triangle with the down trend line. Sell close below the up trend line. SAID: Breaking through the top or base of that triangle will be the tipping point. (Top of triangle was formed by the down trend line formed by the Dec. 2009 and late March 2010 highs.)
Amex Oil	XOI	Bear 1 from Bull 3	SELL	Sell if you will buy a new high. Otherwise consider a wider stop perhaps. This high volatility move is likely going to be followed by more downside. SAID: Buy new high above 1133.85 (and not 0.01 above there! It has been playing around with that high. We need to see it clear it.) Changed to Bull 3 because XO1 is not selling off now, while it could. That is tilt towards a breakout rather than another breakdown. SAID: Retesting last high. Failed to make new high. Will go to Bull 4 if it does. Triple top or temporary resistance? SAID: Retest of last high is next stop. Oil has to make new high probably for this rally to hold up. SAID: Buy close over 1099.
Natural Gas	XNG	Bull 3 from Bull 4	HOLD	Failed breakout. Sell here and rebuy as needed or sell close below 520 for wider stop. SAID: Day 3. Sell failure of breakout or pick a wider stop such as 529 or 520. SAID: Despite horrid natural gas performance, new high today in the stocks. SAID: Back retesting top. Buy new high over 569 if you did not buy the bounce area. SAID: It bounced from the support area mentioned previously. SAID: Could stop soon though at around 519 in a decline.
Oil Service (Philly)	OSX	Bull 3 from Bull 4	HOLD	Fell and it's retesting last breakout. May fail. SELL close below 216.61 or 200.75 if you prefer a wider stop. SAID: Above shoulder and may rechallenge high.
DJ Transports	DJT	Bull 3 from Bull 4	HOLD	Buy new high only. Trading sell close below 4574. SAID: Longer term sell on close below 4311 if you prefer a wider stop.
Utility Index (Philly)	UTY	Bear 2 from Bull 2	HOLD	Sell close below 394. R @ 4-6-10 high. SAID: Buy close over 410.
BANKING/REAL ESTATE				
BKX (KBW Banking)	BKX	Bull 3	HOLD	Correcting. Our official sell signal will be on a close

				below 49.28 and it may bounce there, so follow your own plan and have a “get back in point” if you get out. SAID: Failed at double top on daily chart. Could pull back to 53.28 or 51.92ish . SAID: Buy new high only. SAID: Retesting high on lousy volume. SAID: Took a hit Friday and may pull back to around 50 or the October highs. Sell close below 49.28 at the latest. Or sell now and buy new high close. SAID: Buy new high only over 49.28.
MSCI US REIT		Bull 3 from Bull 4	HOLD	Sell close below 665. SAID: Day 2 new high. SAID: Back re-challenging highs. SAID: Strong reversal suggests several days of selling. Occasionally there is just one more down day but little progress is made for days. Poor buying point. SAID: If you are willing to get back in, SELL close below 666. Support is at 644 and 623, then at about 594. Amazing considering economic backdrop. SAID: Next buy is close over 644.01.
US Housing (Philly)	HSX	Bull 4	HOLD	Sell close below 116.81. SAID: Took off like rocket. A bit stretched. Typically pulls back a bit after these strong up moves.

FOREIGN MARKETS				
Australia	AORD	Bull 3	SELL-C	Trading sell so far. May only pull back to around 4844 or 4770. SAID: Sell close under 4981. SAID: Retesting top. SAID: Buy new high only. SAID: Buy close over 4747 but could stop at Jan or Oct high.
Canada	TSX	Bull 3 from Bull 4	HOLD	One day wonder. Sell close below 11991. SAID: Day 1. SAID: Buy new high only.
China	FXI	Bear 3	SELL	No waffle down there. Could be a waffle. SAID: Sell close below 39.99. Hard sell-off to first support. SAID: Note SELL number change. SAID: Now is a buy. Trade only. SELL again on close below 41.41. SAID: First strength would be close over 40.16. SAID: Headed to 50% correction of rally - but probably not before a bounce.
Europe	VGK	Bear 3 from Bull 2	SELL	Outright breakdown of Euro and less so of European stocks. Great Britain is weak. Germany stronger. SAID: Still a bit weak, due to problems in Europe, but back above 48.17, which was the pullback closing low in the prior dip. If you sold already, buy close over 52.90. If you want an earlier buy point, but close of 50.17, but watch that R @ 52.90. SAID: Looks exactly like it did in Sept to Oct. 2008.
Hang Seng	HSI	Bear 2 from Bull 2	HOLD	Close below 21146 would be weak. SAID: If you buy

				here, sell close below 21140. A wide stop would be a close below 20659. Otherwise next buy would be close over 22389. SAID: Sell close below 20965. SAID: Buy new high only. Formed lower high than Jan. high which is a negative.
India	PIN	Bull 3	HOLD	Sell close below 22. 24. Possible support at 21.69. SAID: Must make new high soon, but if it does, there is more rally to go. SAID: On it's way to 23.35. SAID: Trading buy possibly only to 22.42 or 23.35. Sell close below 22.42 or 20.98 if you prefer a wider stop.
Nikkei 225	Nikkei	Bull 3	HOLD	Will likely fail in overnight market. Check overnight action. Buy new high only. Snapped back in one day above 10982. Still correcting. SAID: Rebuy close above 10982 though. So if you don't want to move out and then back in, consider a wider stop. Buy new high only. Sell close below 10982 or below 10626 or 10315. SAID: Buy new high only. SAID: Buy close over 10450.
Emerging Markets	VWO	Bull 3	HOLD	At a bit of support right here. Sell close below 40.50. What a difference a day makes. Down 3.55% today. SAID: Barely above prior breakout. Risk is to 41.38 or 40.79. SAID: Could sell now and rebuy new high or sell with wider stop as below.
US DOLLAR INDEX		Bull 3	HOLD	Moved to hold because @ R. Watch action at last top. SAID: The dollar tested the downside and won for now. Sell close below 80.08 (A close below the low of today of 80.03 would be more definitive.). SAID: Downgraded to Bull 3 due to inability to make new high. It's starting to round out and point down.
COMMODITIES				
Except GLD based on near month futures prices				
CRB Index		Bull 3	HOLD	Commodities that looked about ready to move up, decided to bust a few signals to the downside, but are not a sell until a close below 272.68 or 266.64 if you prefer a wider stop. SAID: The tone is up. SAID: Waffling, but up looks more probable than down. Follow the numbers over the signals as follows: SAID: Barely a Bear 2. Follow the numbers: Buy breakout above 280.83 which is the new breakout spot. SAID: Signals are not as important as numerical exit/entry points.
Gold	GLD	Bull 3	BUY	SAID: Buy close or move through 114.13. Looks like it could make it but there is some resistance at the nearby high. SAID: Gold is holding up so far within its upward channel. SAID: If you bought a breakout that failed, you may want to get out. Otherwise sell below the points where the trend should be supported (as below). We

				got a higher volatility move that signals more downside. SAID: Overhead resistance at Jan and Dec tops. Could make it back to 113.59 OR Dec all time high.
Light Sweet Crude Oil		Bull 3	HOLD	Failed to make new high. Sell close below 80.53, but there is support between 76 and 77. SAID: A bit above prior breakout over 83.95. SAID: Yes it could flip to a Bull 4 by making a new high. There is a broad head and shoulders from Oct 2009 to today. SAID: Headed to full retest, but that is only at 82.43 or 83.95. 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.

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