The Wall Street Examiner

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Professional Edition Daily Market Update- Wednesday, August 01, 2012 1:06:08 AM
Schedule Note: I'll be taking a short vacation from Wednesday afternoon through Saturday afternoon. Publication of Professional Edition Reports will resume on Saturday or Sunday.

The market's pullback continues the recent indecisive, inconclusive pattern, but the 6 month cycle generated its first upside projection, pointing to a high of 1442 due within 6 weeks or so at most. Whether it gets there depends on how the market responds this week to the Fed, and Friday's jobs news. I'm leaning toward a bullish resolution based on the both the technical and liquidity factors, as well as stronger than generally understood economic data, which I have covered on the free side of the Wall Street Examiner. If the jobs number beats consensus expectations, the market should take off.

7/31/2012 Stock Screen Statistics	New Buys	New Sells	Net	Change Since Last	5 Day Change
Intermediate Term New Signals					
10-13 week cycle	97	14	83	-46	220
6 Month Cycle	115	55	60	-17	74
Both Concurrent	46	4	42	-21	99
Short Term New Signals					
4 Week Cycle	186	37	149	-29	204
6-7 Week Cycle	158	44	114	-165	184
Both Concurrent	136	20	116	-46	177
All Stocks in Sample	**Buy Side**	**Sell Side**	**Net**	**Change Since Last**	**5 Day Change**
6 Month Cycle	460	93	367	-8	132
10-13 Week Cycle	338	215	123	-42	268
6-7 Week Cycle	368	184	184	-102	438
Total	1904	666	1238	-476	1796

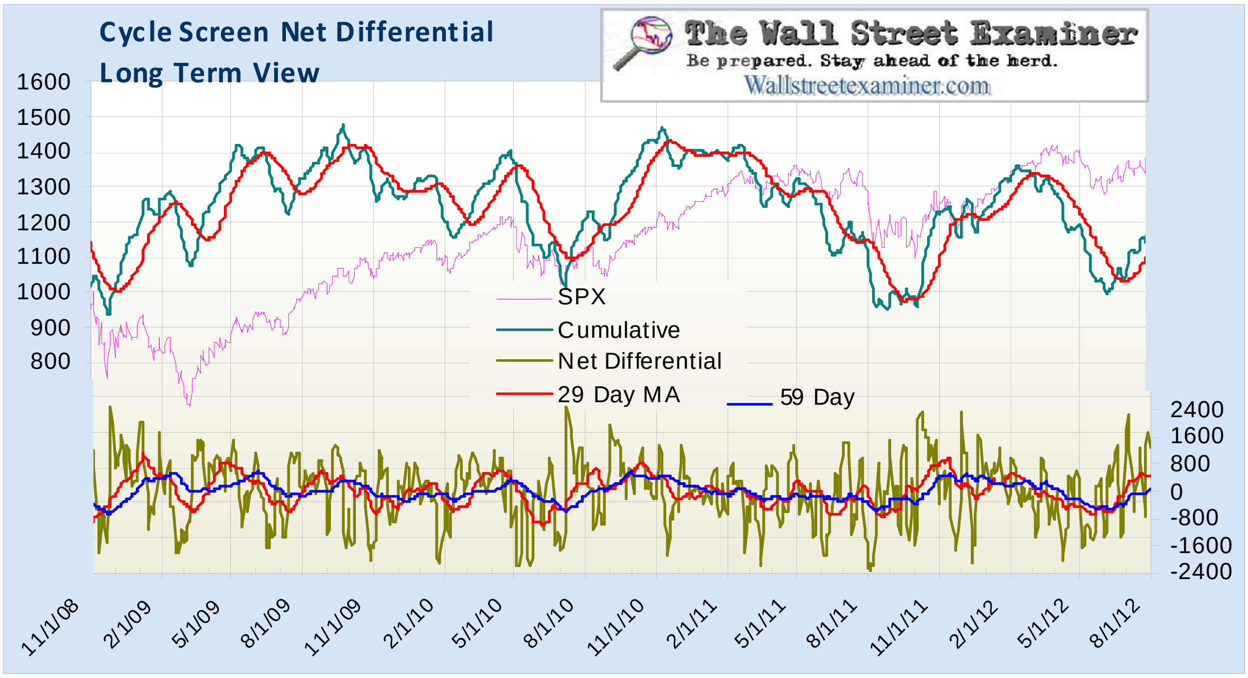
Cycle based stock screening data New buy signals decreased in all 6 new signal measures while dell signals increased in 5 of the 6. All 6 remain on the buy side however. New 13 week cycle signals may hold the key in response to the Fed and the jobs news. If they weaken and turn negative that should signal a 13 week cycle down phase. Otherwise, the choppy uptrend can continue. Material strengthening of the 6 month cycle new signals would suggest that the up phase is strengthening and that the market will break out.

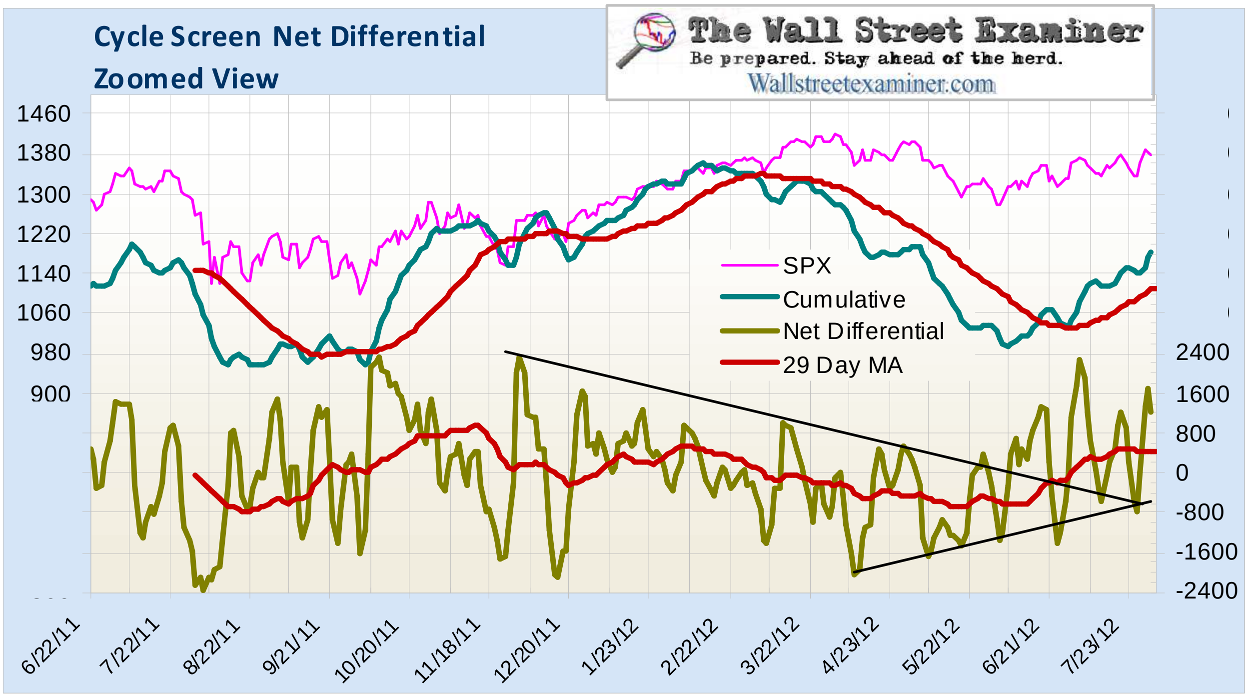
Current status indications weakened on all 3 cycles but they all remain on the buy side. The last two days are the first time in a while that all 9 measures have been strongly on the buy side. 7/30/12 However, given the multiple whipsaws recently, it's hard to be confident that the cycles are now, in fact, in gear. The market has been very thin, with little evidence of cyclical motion, other than in the 6 month cycle which has been steadily strengthening. On the surface, the numbers certainly look bullish. I suppose the fact that the market's recent patterns has engendered strong doubts that this strengthening is sustainable represents the "wall of worry" that bull moves climb.

Indicator Review (Discussion and table on page 6) **Support and Resistance** See charts on pages 4-9.
Centered moving average projections and time counts **(Discussion on page 6)**

	Phase/PTT	SPX Target	Ch	QQQQ Target	Ch
10-12 Month	Bottom/1-49	1297 Done	0	?	NA
6 Month	Up/<=45	1442	New	?	NA
13 Week	Top-SWD/14-24	1392 Done	+	65.50	0
6-7 Week	SWU/<=15	1387 Done	-	66.50	0
4 Week	Up/?	1386 Done	-	65 Done	0
SWD: Sideways Down Phase		SWU: Sideways Up Phase			
PTT- Periods till turn, normally in days		Ch- Change since prior day			

Cycle Screen Aggregate Differential Indicator The indicator fell from +1714 to +1238 on Tuesday as it continues to make large swings. 7/30/12 This high was higher than the July 19 high of +1247 but lower than the extreme high of +2258 on July 3. This type of pattern with an extremely high number followed by a slightly lower peak a few weeks later often occurs in the early stages of a bull upleg.





The net aggregate differential between buy and sell side indications is generated by the 9 screens of the stocks in the S&P 500, along with 65 leading industry ETFs. Peaks have typically been at a reading of +1,200 to +1,400, with a new high of +1,855 being reached in September 2007 when the Fed surprised the market with a ½ point rate cut. Intermediate lows had coincided with readings of -1,400 to -1,700 until March 1, 2007 when a new low was established at -2059. That level was almost reached again in January 2008. A record low of -2316 was set on October 7, 2008 and broken on 8/4/11 at -2368. A record high of +2440 was reached in November 2008. That was breached in July 2010 with a new high of +2508.

The 29 day MA theoretically represents the 13 week cycle. The direction of the 29 day MA only signals cycle phase. It does not indicate how strong the up or down phase will be. Prior to 2007, there was little correlation between the phase of this indicator and the price trend because the market was uptrending most of the time. The same process occurred in 2009 and early 2010. The correlation was strong during the bear market.

7/29/12 The 29 day MA is edging lower, but remains in positive territory. 7/22/12 The 29 day MA has reached a level where it often peaks, however these indicator highs often do not coincide with market price highs. The indicator usually needs to drop below the zero line for market downturns to be confirmed.

In contrast to the 29 day MA, the 59 day MA, representing the 6 month cycle edged to a new high, but remains below the zero line.

The cumulative line is making new highs in an intermediate uptrend. A big market decline is unlikely as long as this indicator remains above the mid July low and the 29 day MA.

7/3/12 The cumulative line has broken its last short term peak, confirming the intermediate uptrend. 7/1/12 The cumulative line pulled back to its 29 day MA, held and upticked. That's typically an intermediate term bullish signal.

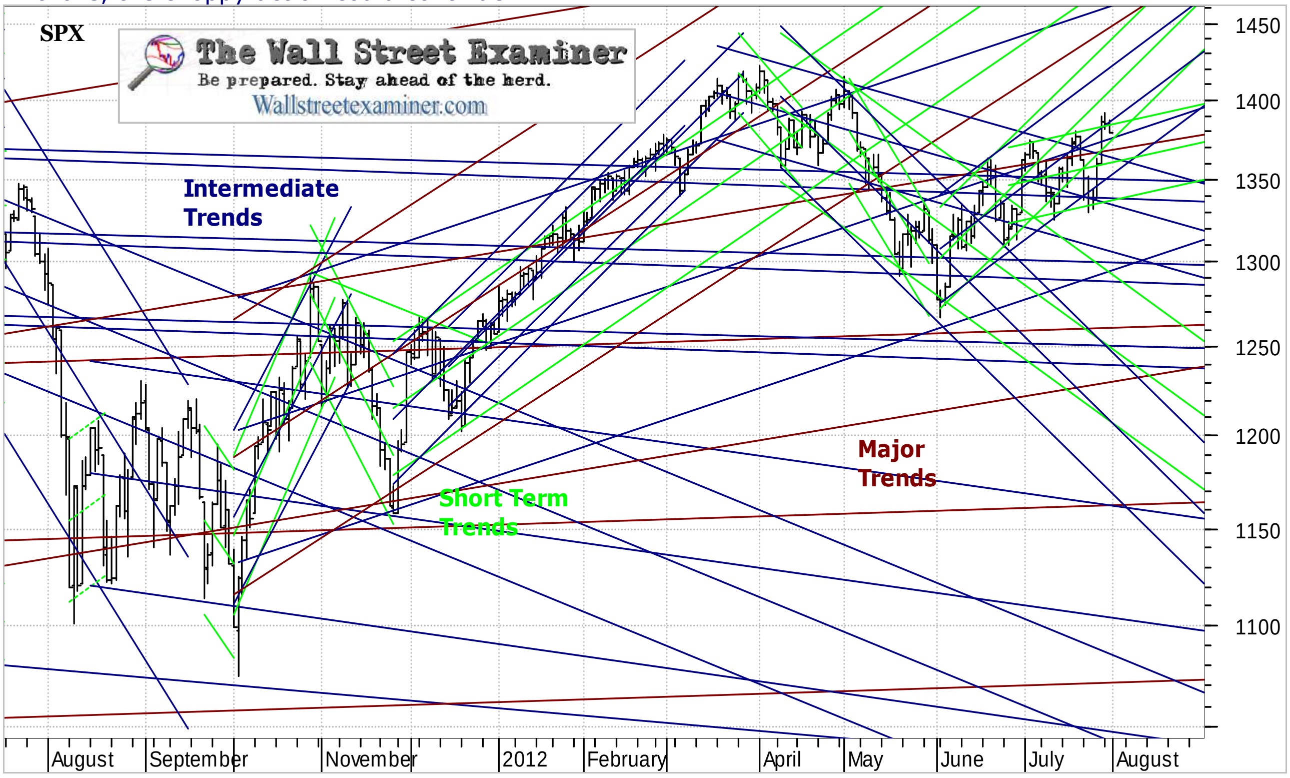
6/25/12 The cumulative line had broken the 29 day MA, suggesting an intermediate up phase with some staying power. Was this another fakeout? A drop below the 29 day MA would suggest that it was—a mirror of what happened in reverse in October of last year. It would also continue the string of lower highs and lower lows that began in March.

6/13/12The cumulative line has risen from the recent new low signaling a short term rally, but it needs to clear its 29 day MA to signal an intermediate rally.

5/9/12 The cumulative line has now broken the low of last November, which is another sign of distribution and the likely precursor to a major decline, but not necessarily immediately. The downtrends in this indicator have in the past lasted for up to a year or more before the market averages broke down from distribution phases for extended declines.

Continued on next page

Third Rail –7/29/12 Support at 1335 held and the SPX blasted off, breaking out of the trading range in the process and possibly opening the way for a move to test the March-April highs. However, the market hasn't quite cleared the top of the slightly upsloping short term channel. It needs another up day to do that. If it fails, the choppy action could continue.



The Third Rail Chart uses linear regression analysis to illustrate trends. A linear regression channel is drawn normally 2 standard errors around the centerline between two cyclically related points. That means the regression is drawn either between the dates of two highs or two lows of the same cycle. They may or may not be consecutive highs or lows. The regression channel is then extrapolated forward. This defines a particular trend. As long as the index stays within the projection, the trend is in force. Once broken, it is usually an indication that the trend has changed direction. In other words, a particular cycle has gone from an up to a down phase, or vice versa.

Dow Jones Industrials 7/30/12 The Dow also broke out but still faces resistance at 13,100 before it's in the clear for a possible run to 13,500. Cycle oscillators are still mixed, with short term indicators and the 6 month cycle oscillator on the buy side, and the 13 week cycle oscillator extended but not on a sell signal.

Cycle Analysis

	Phase/PTT	SPX Target	Ch	QQQQ Target	Ch
10-12 Month	Bottom/1-49	1297 Done	0	?	NA
6 Month	Up/<=45	1442	New	?	NA
13 Week	Top-SWD/14-24	1392 Done	+	65.50	0
6-7 Week	SWU/<=15	1387 Done	-	66.50	0
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SWD: Sideways Down Phase		SWU: Sideways Up Phase			
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The Cycle Conditions tables include cycle phase and a guess as to number of periods to the next turn (PTT), in days for the shortest cycles, weeks (W) or months (M) for the longer ones. This is a fluid exercise, in other words, the projections are likely to be wrong at times, but they force us to be vigilant for key turning points, and frequently work well enough to prevent costly misreadings. The Cycle Conditions chart and Cycle Map discussion are updated daily, and take precedence over the weekly long-term chart discussions. Centered moving average projections are used to project targets.

Indicator Review

	Last Signals	Status	Comment
4 Week Cycle	Mixed	Uncertain	
6-7 Week Cycle	Buy	Mid Up Phase	
17 Day Rate of Change	Buy		
10-13 Week Cycle	Buy	Top Phase	
29 Day Rate of Change	Sell		Negative divergence
6 Month Cycle	Buy	Late Up Phase	
10-12 Month Cycle	Sell	Bottom Phase	

A new 6 month cycle projection is tentatively pointed toward a high of 1442, due within 6 weeks. As long as the market doesn't retreat sharply after the FOMC on Wednesday or the jobs data on Friday, I think there's a very good chance that the market could get there. A sharp break this week however, would suggest that the 13 week cycle had turned down, with lower prices likely through August. I'm currently leaning toward the upside option even if the Fed does nothing, as I suspect, because I suspect the jobs numbers will beat the consensus, perhaps substantially.
http://wallstreetexaminer.com/2012/07/27/strong-july-withholding-taxes-suggest-huge-job-gains/

7/29/12 The 13 week cycle indicators edged back to the buy side but the cycle phase is unclear. I'll call it a top heading into a sideways down phase for now. The 6 month cycle remains in an up phase. The question here is whether it is about to strengthen or remain relatively flat and choppy. We're still looking for that 10-12 month cycle bottom confirmation. If that cycle has turned up, everything could resynch and strengthen with it. Short term cycle indicators have turned back up, but the time counts are a mess. 7/26/12 Cycles have gone dormant. The market is thin and particularly susceptible to reacting violently to any minor news.

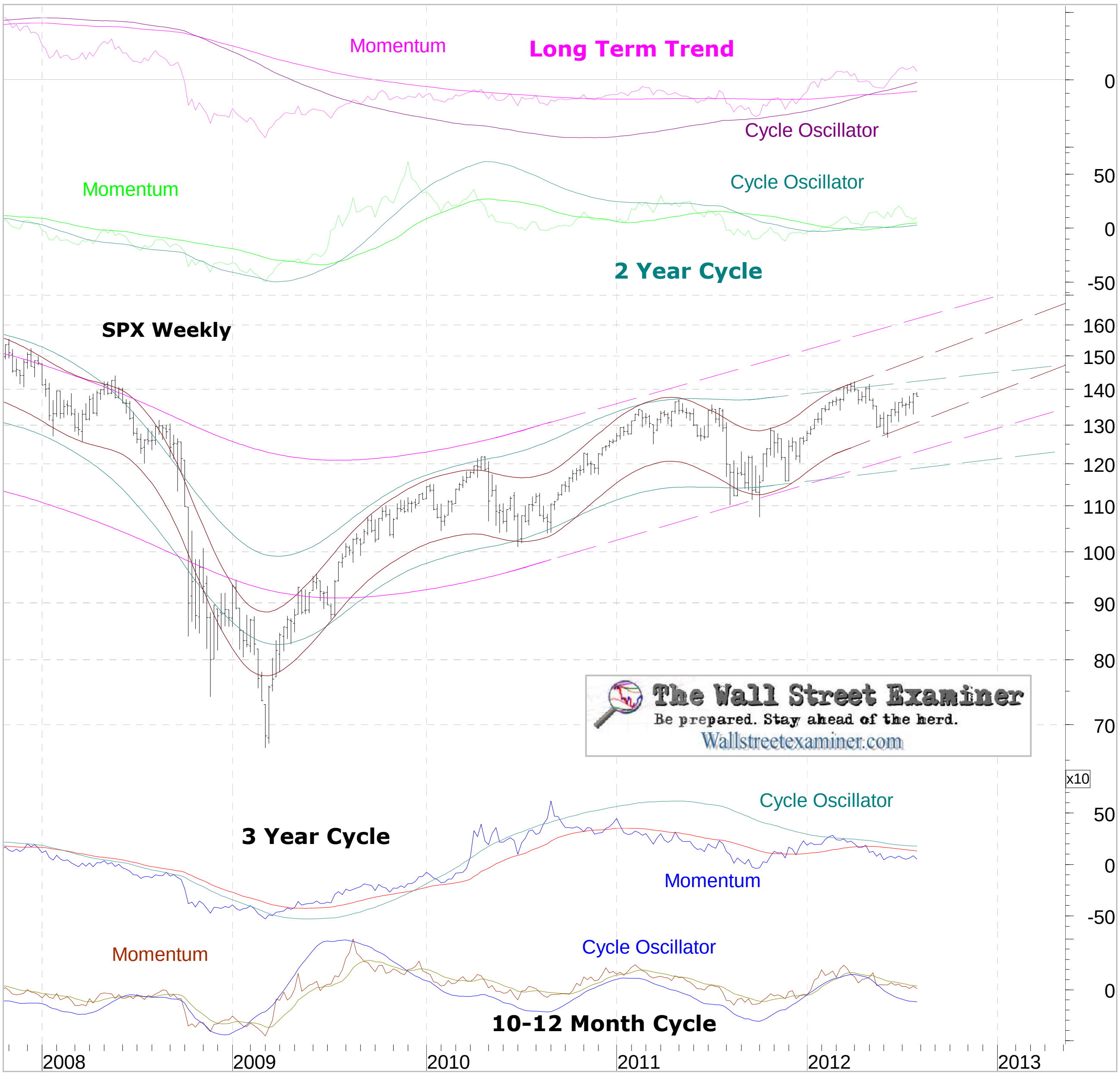
7/22/12 The 6 month, 10-12 month, and 18 month cycles are all wild cards. The 10-12 month cycle is due to turn up. The 6 month cycle should strengthen along with that, but the 18 month cycle could be entering a top window. If those cycles are opposed, rangebound trading could last for the rest of the year or longer. Right now, the 10-12 month cycle is still down and the 18 month cycle is still up, hence we're stuck.

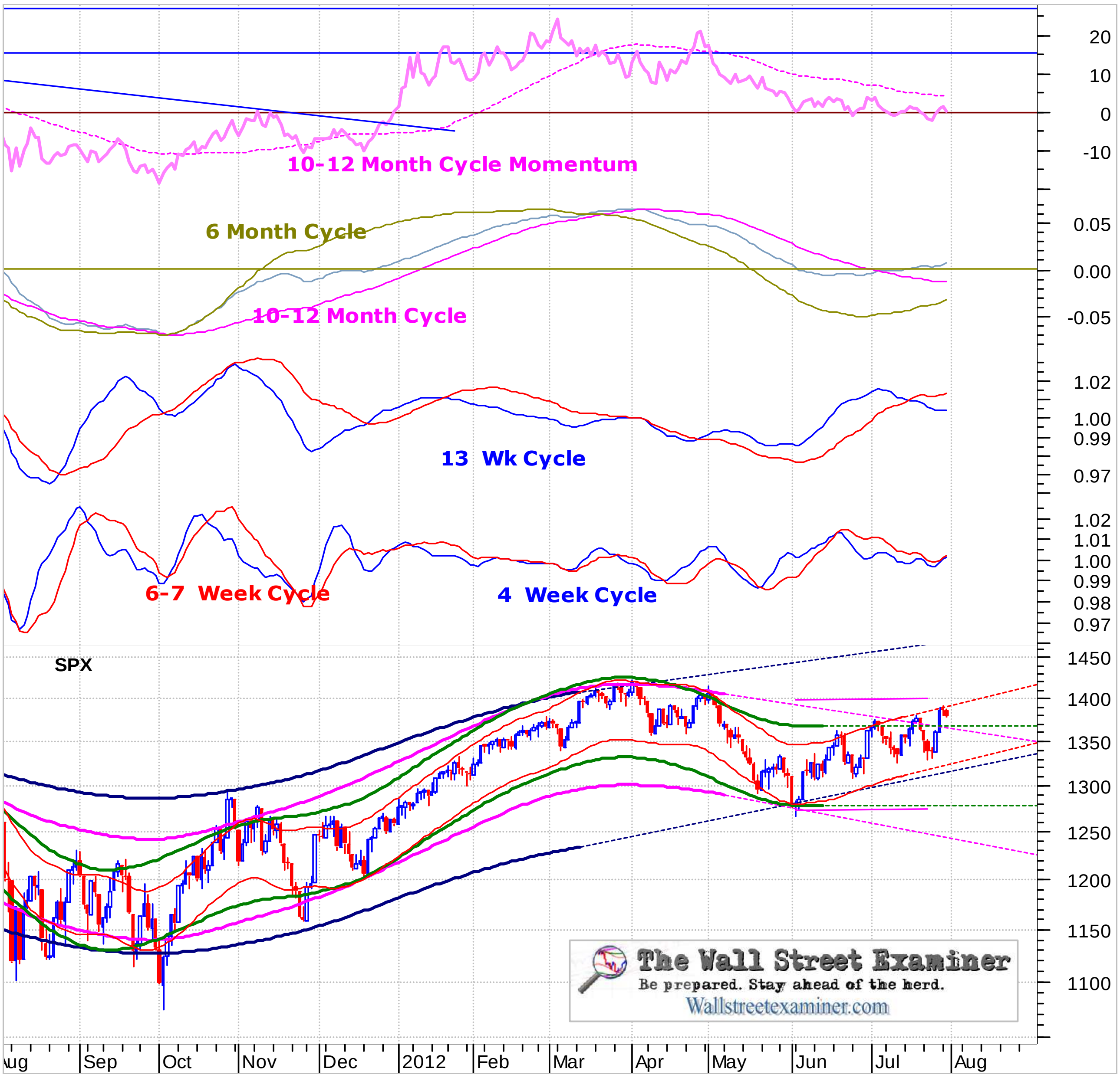
5/14/12 SPX has dropped back within the 3 year cycle channel projection, creating a big whipsaw from what looked like a breakout. False breakouts often occur at major turning points. If the 3 year cycle oscillator turns back down here, that would suggest the return of the 4 year cycle, with a down phase possibly lasting into 2013 and carrying at least to the low 1100 range.

5/28/12 The 3 year cycle oscillator has started to edge down again. The 3 year cycle momentum indicator had gone back to the sell side in mid April. The cycle oscillator now joining momentum in going back to the sell side suggests that the 4 year cycle is probably back in force and headed down until late this year or into the first half of next year.

7/3/12 The long term trend momentum indicator had an upside breakout in February, then pulled back to its signal line in May before surging to a new high in positive territory in June. This is not good news for bears. With the cycle oscillator also near crossing above the zero line, it suggests that the market context has been that of a secular bull market since 2009. However, at over 3 years in length, and having had 3 uplegs, this should be the last rally for the next several years at least. If it takes out the March high, it could have a long way to run.

7/22/12 Notably the 3-4 year cycle down phase has manifest itself by going sideways suggesting that the long term uptrend from the March 2009 low is intact. That's also confirmed by the long term trend indicators. But unless the SPX breakouts out through 1420, it would be vulnerable to an intermediate decline to 1250 or 1200.





The dark blue channel is the idealized 18 month-2 year cycles. Magenta is the 10-12 month cycle. Green is the 6-month cycle. The red channel is the 10-13 week cycle.

7/29/12 Friday's breakthrough means that the 6 month cycle wave is headed up in absolute terms, and the 10-12 month cycle wave has at least turned flat.

7/22/12 The SPX reached the convergence of the projections of the upper lines of the 10-12 month and 13 week cycles at 1380 and stopped dead there on Friday. The 13 week cycle is due for a down phase, but the 10-12 month cycle is due to be bottoming. If the pullback holds at 1335 or above, then the next 13 week cycle up phase should result in higher highs. If it drops below that, then the market could stay rangebound for the rest of this year as a pending downturn in the 18 month cycle opposes an up phase in the 10-12 month cycle.

Equal Vertical Width Channel Chart 7/30/12 SPX has broken out of the range channel but faces resistance from another channel at 1392-98. Should it break out, the next resistance level would be around 1420. Uptrending support lines are at 1362 and 1350. 7/25/12 SPX has now set up a narrow flat channel with support at 1326 and resistance at 1376.

Inverted Scale VIX Chart- 4/25/12 I have narrowed the short term channel to reflect the more recent behavior of this indicator, but shifting parameters and the fact that sell signals have worked not virtually not at all for 6 months, have reduced this indicator to little more than a curiosity. I will continue to post it for your entertainment value.

The 17-day rate of change is a proxy for the 6-7 week cycle. The 29-day rate of change is a proxy for the 10-13 week cycle. The VIX is a measure of implied options volatility reflecting relative fear or complacency. It is plotted on an inverse scale to better show the relationship to the price chart. Regression projections from 6 month and 10-12 month cycle wave bands are used to estimate extremes where signals are generated.

QQQ – 7/30/12 Cycle projections have narrowed to the 65-66.50 range. Resistance is also suggested in that area, so it would appear that there's little upside here. The pattern of cycle juxtaposition and cross currents is fraught with ambiguity, however. It's not clear yet whether the Q's will go back to the bottom of the range or worse, or break out to head for a test of the highs.

The 17-day rate of change is a proxy for the 6-7 week cycle. The 29-day rate of change is a proxy for the 10-13 week cycle. The navy channel is the idealized 18-month cycle. The magenta channel is the idealized 10-12 month cycle. The dark green channel is the idealized 5-6 month cycle. The red channel is the 10-13 week cycle, and the blue channel is the 6-7 week cycle.

Stock Screens

The following list of stocks have generated buy or sell signals on the date of this report. The screens use proprietary cycle indicators applied to all stocks in the S&P 500, as well as the SPX itself, and the QQQQ. In order to be listed as either a buy or a sell, the stock must have triggered the corresponding signal on its 6-month cycle indicator within the past 2 weeks, *and* on its 13-week cycle indicator within the past day, or on the 13 week cycle within the past week and the 6 month cycle within the past day.

These are not buy or sell recommendations, but rather a suggested list of stocks for you to look at to see if they meet your own trading criteria. This assumes you have a certain level of proficiency at chart reading. Stocks in trading ranges are likely to generate frequent whipsaws. Look for patterns where buy signals appear to be in a trough, and sell signals appear to be in a top pattern. Using the link to our chart pages on either the top or side menus of the Wall Street Examiner will preload charts with indicator periodicities that I like for helping to make trading decisions.

These are intermediate signals. The expected holding period would be from 3 to 8 weeks. In the short run, stocks will frequently run counter to intermediate signals for up to two weeks. However, depending on the typical volatility of an issue, if it breaks support or resistance in a move counter to the signal, then the signal is probably wrong. Stocks may appear on the lists for more than one or two days when the signals whipsaw back and forth across the signal lines. With intermediate signals, time must be allowed for the change in direction to occur. Normally this will be within two to three weeks at most. These periods are commonly known as periods of "accumulation", associated with buy signals, or "distribution", associated with sell signals. In some cases moves will start immediately. The goal of this signal system is to identify possible trending moves before they begin, or at least, very early in the trend. If the move has not begun within three weeks, the signal is probably wrong.

From time to time, some charts will be selected for publication as Chart Picks in the following section of the report. These charts exhibit the characteristics of holding promise of a significant move in the ensuing swing. As always, there is substantial risk of loss. Use of these tools is subject to the Wall Street Examiner's Terms of Use. http://wallstreetexaminer.com/?page_id=126

7/30/2012

Buys							**Sells**
ABT	CNP	DPS	GG	LOW	PLL	TE	CA
ADBE	CMS	DRI	HD	MA	PNC	TLAB	CRM
A	CL	DTE	HNZ	PXQ	RHT	XLU	EFX
ALL	COV	EXPE	HOT	IGN	ROP	VPU	IPG
AMZN	CPWR	FE	IFF	PCG	SCG	VOX	LM
AEE	CVH	PBJ	IR	PCLN	PSI	VNO	MCK
AXP	D	NEE	JDSU	PDCO	SMH	VRSN	
BBH	DD	GILD	KMB	PEG	SO	XRAY	
BRCM	DIS	GIS	KO	PEP	IGV	YHOO	
CBS	DOV	GM	LLY	PKI	T		

Selected Charts, if any, shown below, are restricted to major sector ETFs and broad index ETFs. The raw screen data will continue to be posted for those of you looking for individual stock pick ideas. The raw data requires further analysis to choose the best setups.

Tracking Report The table below tracks the current open selection, including the current status, and target when available.

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Open Date	Signal	Symbol	Open Price	Stops & Tactics	As Of Date	Current Price	Gain or Loss	% G/L	Target	Duration
6/1/2012	Long	GLD	157.00	Stop 148		156.49	-0.51	-0.3%		62

Stop prices are effective in PM trading only. See discussion.
Target prices are currently treated as price triggers for the purpose of tracking a closing price.

Performance Metrics on Open Selections

Longs	1	Total Gains	-	
Shorts	0	Total Losses	(0.51)	
Total Points Paid	157.00	Total Points Gain or (Loss)	$ (0.51)	
Total Selections	1	Average gain (loss) per selection	$ (0.51)	-0.32%
Average Price	157.00	Avg. holding period	62 days	
Number of Gainers	0	Number of Losers	1	
% Winners	0%			
% Losers	100%			

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Past performance may not be indicative of future results.

About Opening, Stops and Targets: The starting price will usually be the open for tracking purposes, unless otherwise noted. When considering stop orders, I base them on support levels on the charts for sell stops, and resistance for buy stops. I'd wait until it was clear that the closing price would be through the pertinent level rather than leave stop orders on the market makers' books. That means waiting until later in the session to allow for the possibility of a reversal following a stop clearing run. Normally it will be clear around 3:00 PM ET whether the stop level will be cleared as of the end of day. However, that rule is not carved in stone. Common sense should apply. If a stock has gone through a stop level earlier in the day, reacted, then resumed heading in the wrong direction, I would pull the plug right away. When a selection hits a target the selection will be closed, regardless of the time.

Selected Charts

Chart Key The indicators at the top of the charts are designed to filter out moves that are consistent with nominal cycle lengths of 4-5 weeks (light green), 6-7 weeks (red), 10-13 weeks (blue), 5-6 months (brown).

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