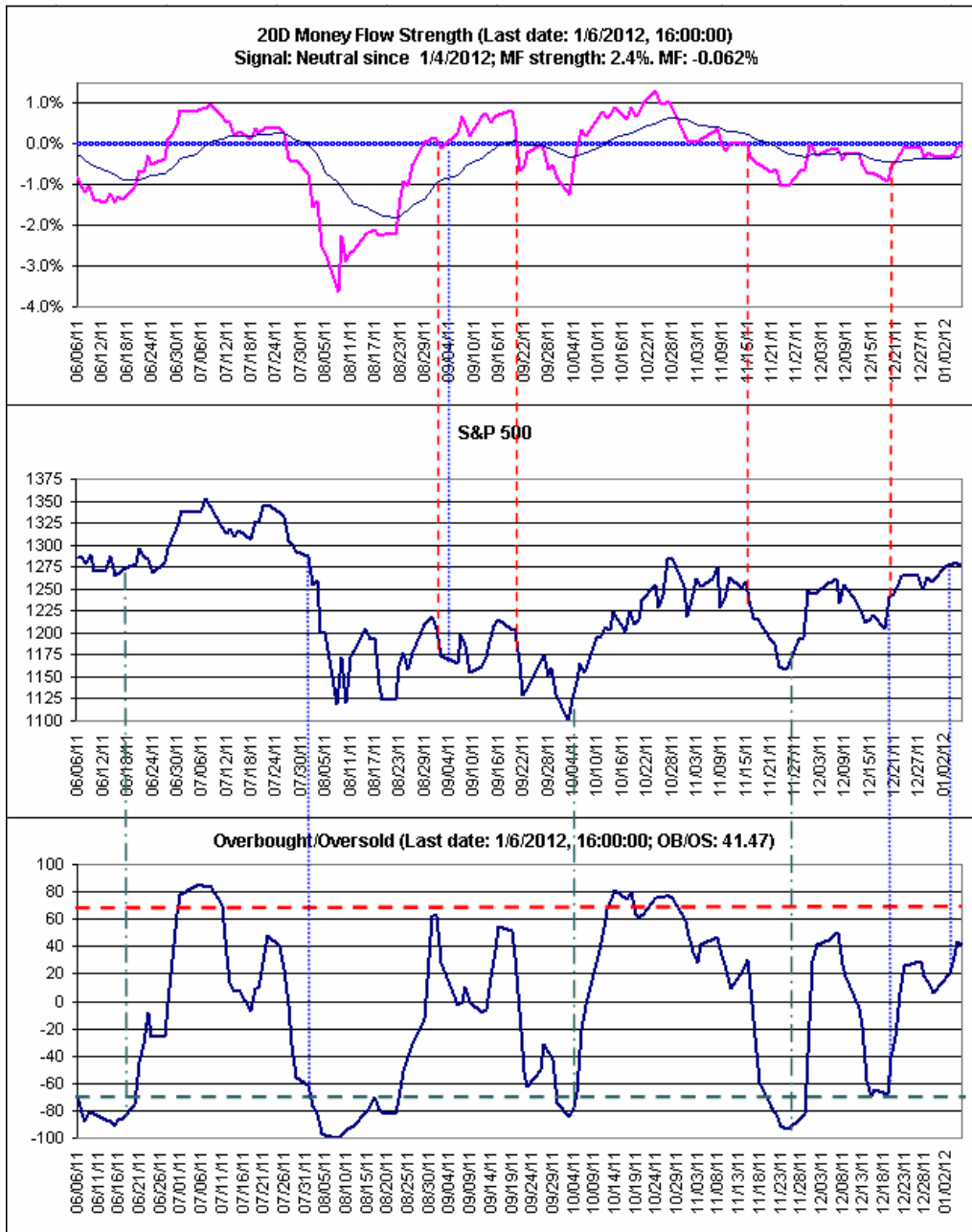
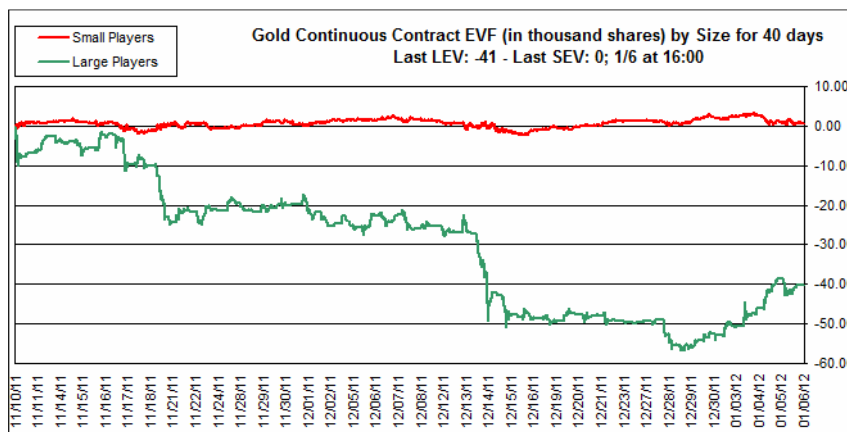
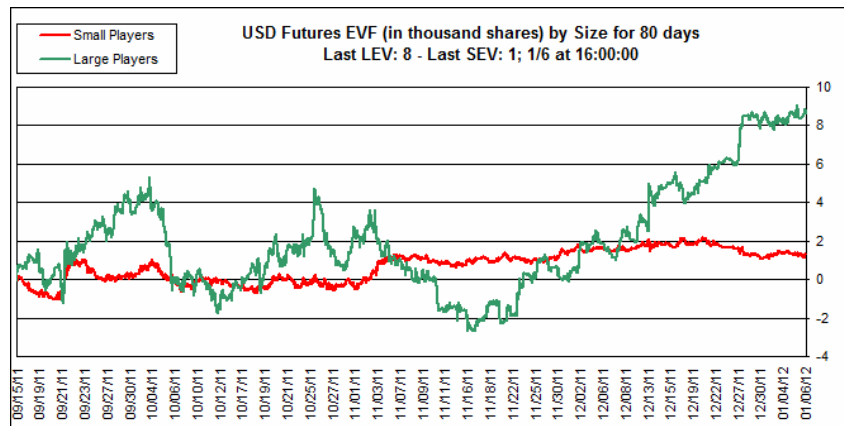


Summary:

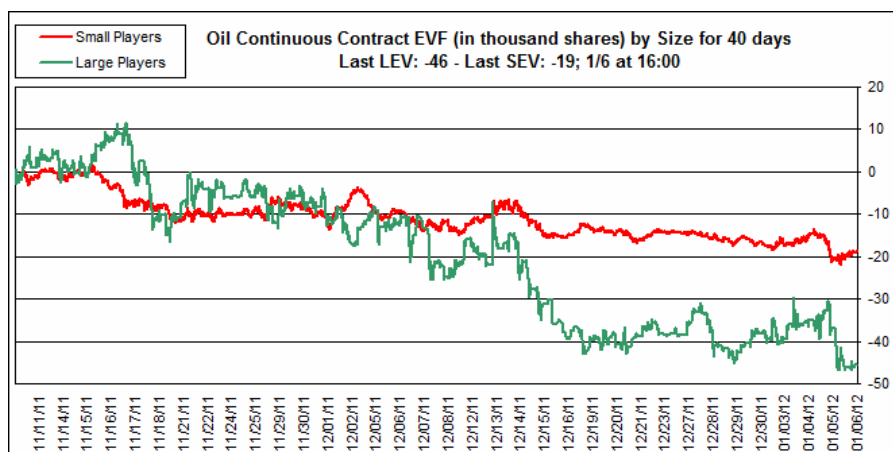
The market is not currently offering a significant directional edge. Neither overbought nor oversold on the OB/OS oscillator, but not breaking down either, this week will offer clues regarding conviction of long and short players.

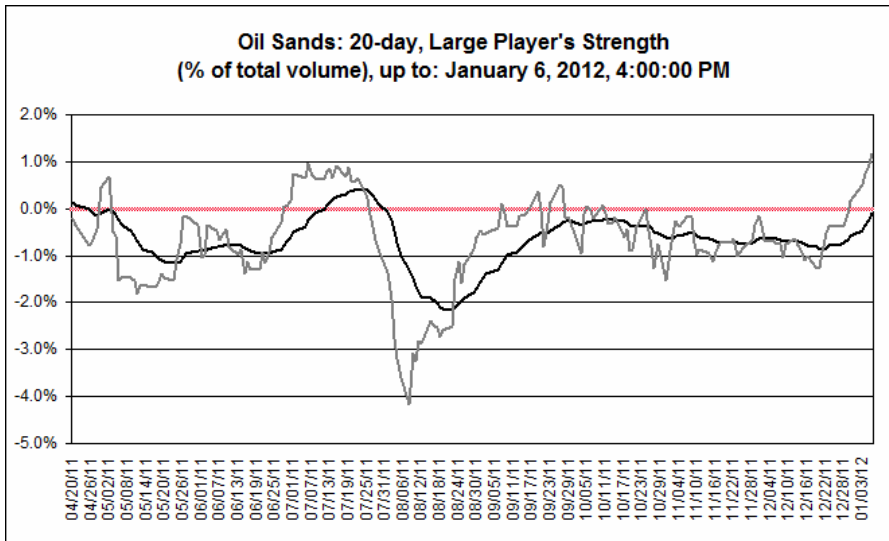


Last week's advance coincided with dollar strength. Meanwhile, some short covering and nascent buying interest is showing up in the gold market.

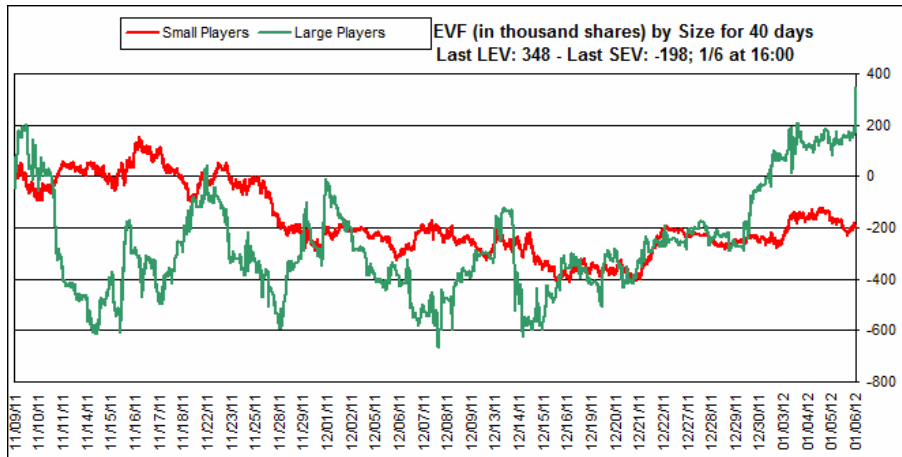


Something I find interesting is the divergence between Crude Oil and the Oil Sands sector, which generally requires high oil prices to maintain profitability.

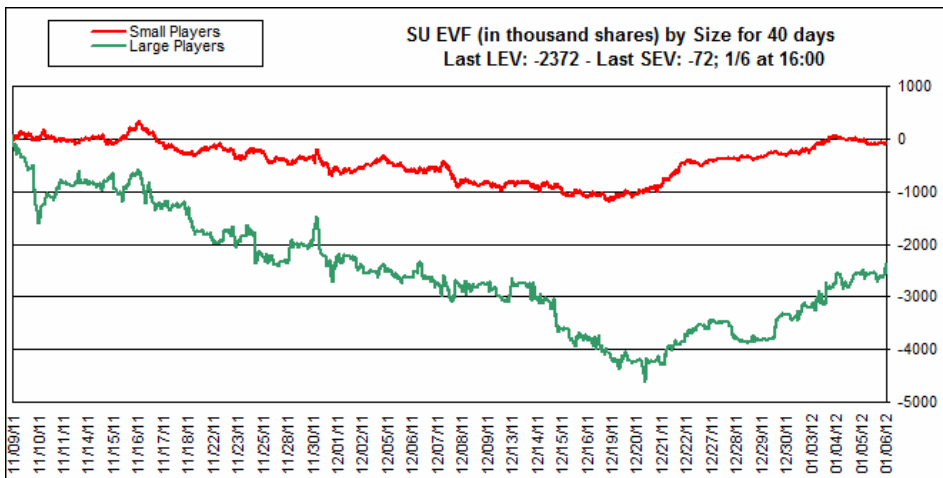




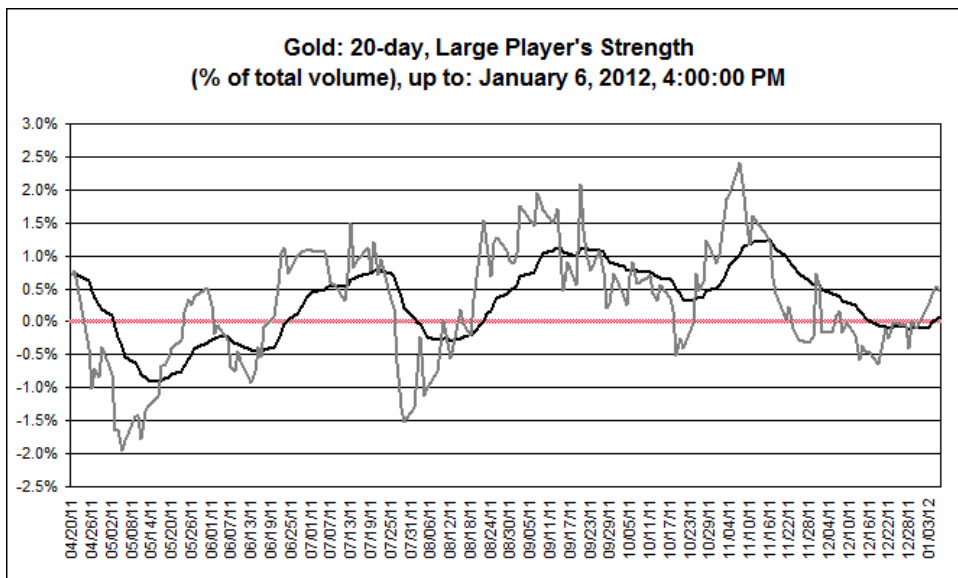
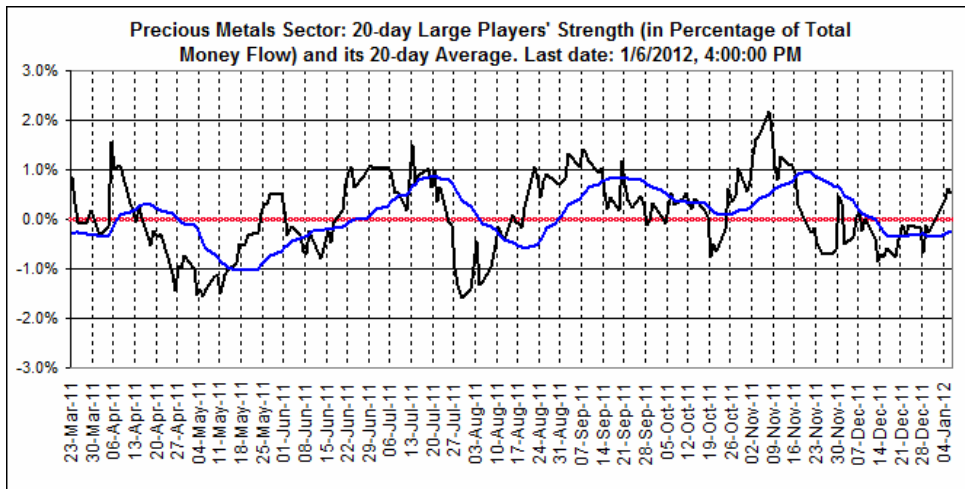
Canadian Natural Resources (CNQ) gets bought on the pullback



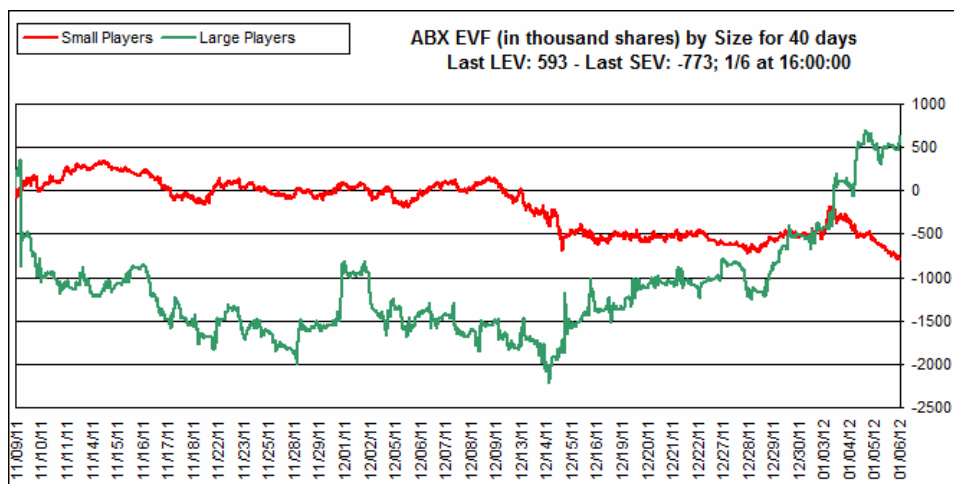
And Suncor (SU) moves higher throughout the week...



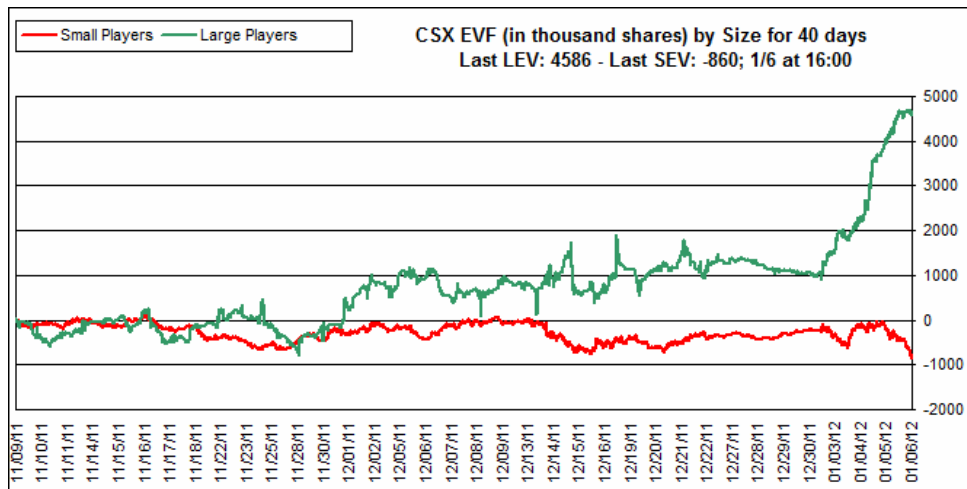
Weakness in Precious Metals stocks *could* offer attractive entries early next week . . .



ABX and GOLD are in the *Stocks with Best Ratings* Filter, too. The pullback in Barrick is bought:

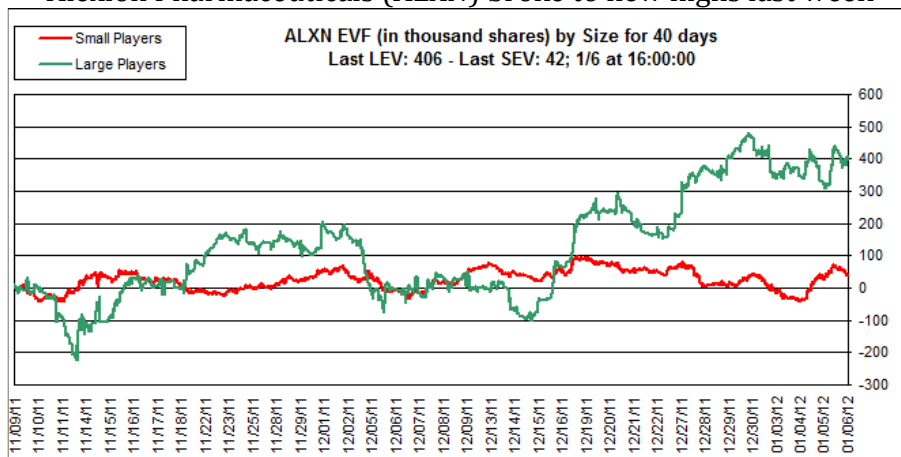


Some interesting action from railroad operator CSX, which bumps against the 200 day MA from below, but LEV shows aggressive buying from large players, too.

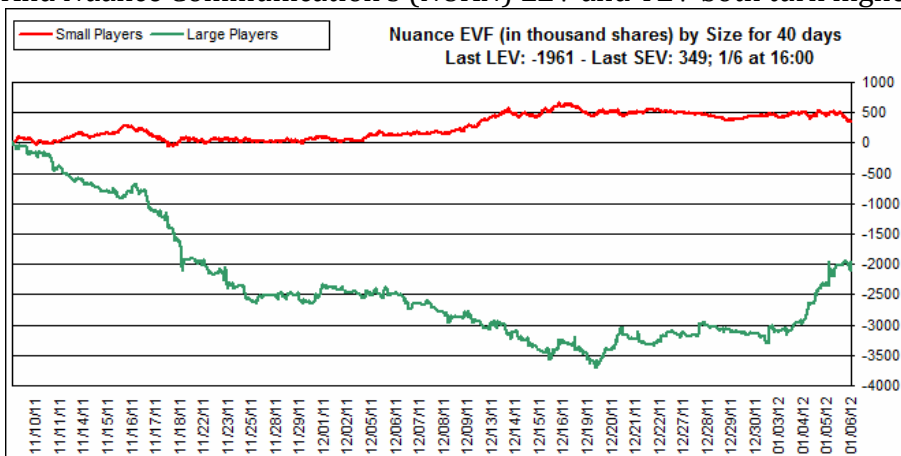


A few leaders are also moving out of bases with support form large players . . .

Alexion Pharmaceuticals (ALXN) broke to new highs last week



And Nuance Communication's (NUAN) LEV and TEV both turn higher



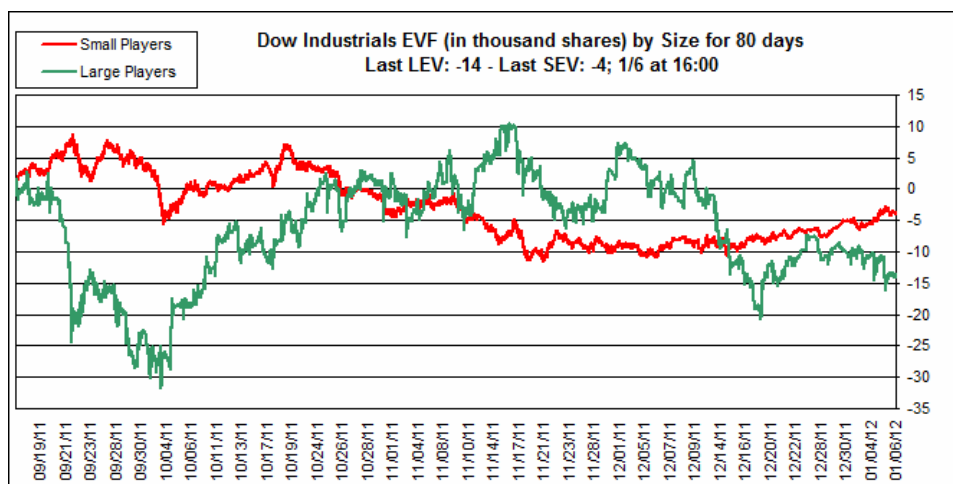
Stage Analysis Comments:

Daily stage structures of the four index ETF's remains neutral to bullish. DIA trades comfortably above both 200 and 50 day moving averages, though EV for Dow Jones Futures (YM) indicates some selling within the most recent price consolidation. IWM continues bumping toward the 200 day MA from below, and the neutral 3-2 setting does give *some* pause to near-term bullish expectations for small-caps.

The Q's transition to the neutral 1-2 mid-accumulation stage, barely below multi-year highs, may portend some days of consolidation. An assault at higher prices would benefit from a shakeout of weak longs and an emboldening of shorts; nonetheless, TEV surged higher last week for MSFT and LEV for AAPL trends higher, too – an upcoming dip may be short-lived given these two's heavy weighting. Meanwhile, shorts are beginning to cover in AMZN, indicated by LEV and TEV trends.

Daily Stage Scan 1/8/2012

SPY	Current Stage is 2-1 (Strong Mark-Up) Has been in current stage for 2 day(s)
QQQ	Current Stage is 1-2 (Mid Accumulation) Has been in current stage for 1 day(s)
DIA	Current Stage is 2-1 (Strong Mark-Up) Has been in current stage for 4 day(s)
IWM	Current Stage is 3-2 (Mid Distribution) Has been in current stage for 6 day(s)



DIA and the Q's remain in the neutral 1-2 weekly stage setting. This stage may offer ease of entry into a prematurely bullish mindset; however, that ease likely comes from complacency, and the neutral weekly backdrop will probably offer some back and forth action to test convictions in this market. Ultimately, weekly progress continues, but simultaneous weekly strong mark-ups have yet to arrive, so cautious expectation is required.

SPY	Current Weekly Stage is 1-1 (Early Accumulation) Current weekly stage for 6 week(s)
QQQ	Current Weekly Stage is 1-2 (Mid Accumulation) Current weekly stage for 5 week(s)
DIA	Current Weekly Stage is 1-2 (Mid Accumulation) Current weekly stage for 3 week(s)
IWM	Current Weekly Stage is 1-1 (Early Accumulation) Current weekly stage for 5 week(s)

I believe more insight is gleaned from the scans. . . The day following my 12/17 report marked a short-term swing low for the S&P, which has since rallied close to 6%. Since that time, the first and second bullish scans expanded results by about 33%; however, weekly strong-decline stocks contracted by 53%. Expansion of stocks in bullish daily and weekly stages is certainly encouraging, but some of the recent strength is due to a reduction of issues mired in strong downtrends and short covering, which has relieved some of the dramatic and swift selling pressure that characterized the previous few months. Consequently, leadership still remains select, and low RS stocks experiencing LEV thrusts demonstrate dramatic gains. For example, see NFLX below.

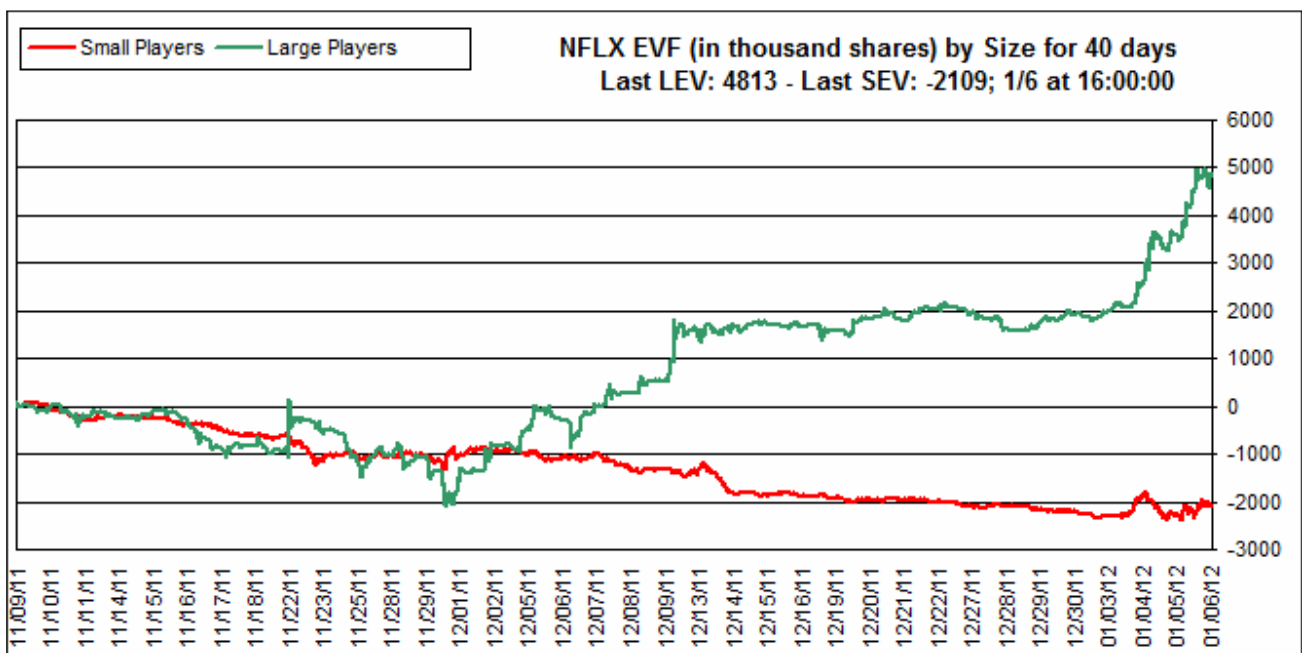
1/08/2011 Scans

Weekly Strong Mark-up + (Daily Late Accumulation-Strong Mark-up)	68 Results
Weekly Strong Mark-up	175 Results
Weekly Strong Decline	182 Results

12/17/2011 Scans

Weekly Strong Mark-up + (Daily Late Accumulation-Strong Mark-up)	45 Results
Weekly Strong Mark-up	117 Results
Weekly Strong Decline	387 Results

Broken leaders may finally get a relief rally of more than a few days. A sustainable uptrend will need support from an increasing swath of new leadership, though. NFLX regains the 50-day moving average for the first time in over 5 months. While extreme breakouts in leading stocks are exciting, the short-covering stage usually precedes the emergence of broad new leadership, so this action is probably positive for equities.



Conclusion:

The market starts the New Year rather well. The 20 Day MF shows a market that is not breaking, which is also neither particularly overbought nor oversold. Stage analysis presents a rather neutral view on the weekly timeframe and a neutral to bullish view on the daily timeframe, at least for the SPY and DIA. Consequently, a dip or consolidation in prices would not be unexpected.. Should such a pullback materialize in the coming days, stocks attracting money on weakness will likely offer long opportunities. Enough beaten up sectors and stocks exist to catch bids from short-sellers unwilling to press further. In the meantime, slow but steady expansion of leadership will be a key tell on the durability of the current trend.

Best,
Eric