

Market Observations: 2/26/2012

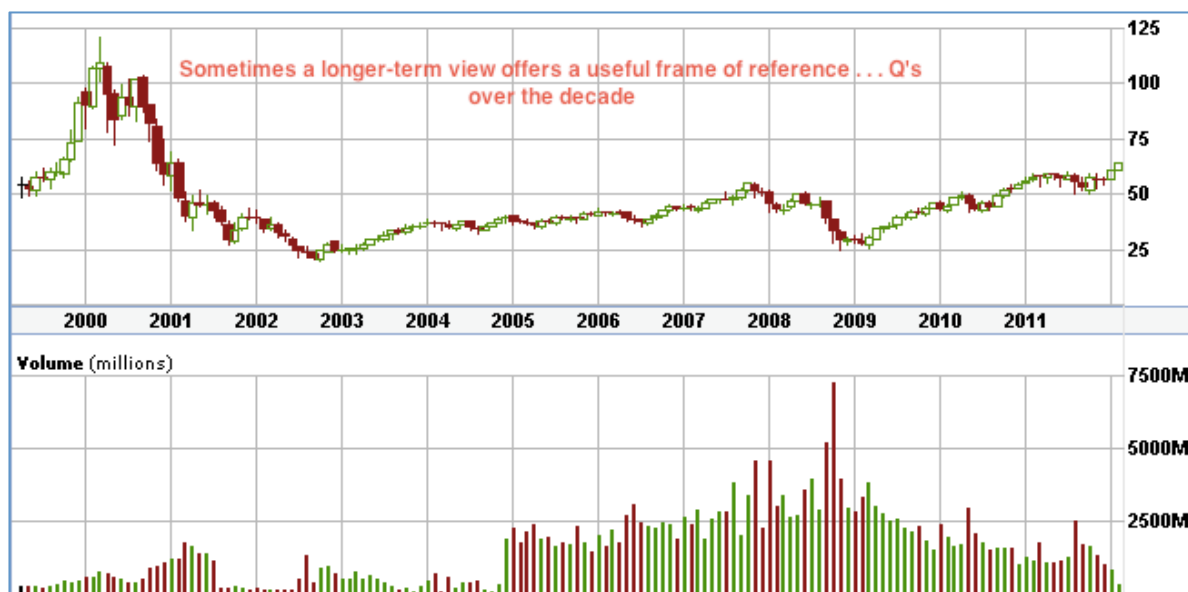
By Eric Coleman

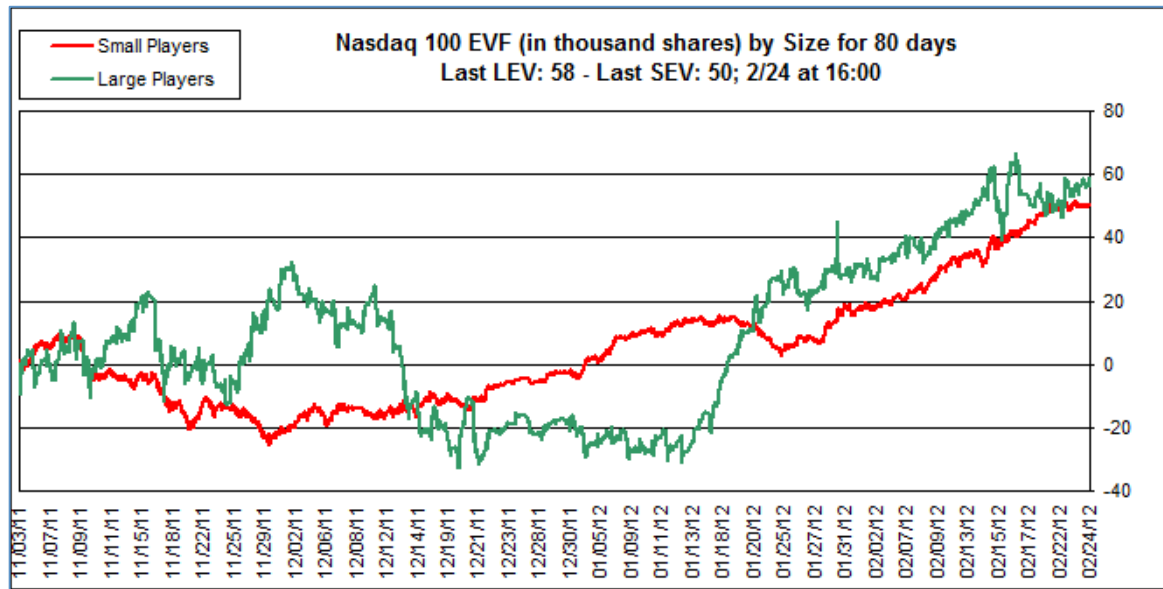
The market remains well bid. The Q's maintain a relentless ascent, and I do not recall an instance where a stock/index remained in a daily strong mark-up for 30 straight days. Such strength eventually gets digested through time, price, or a vacuum of buyers; nonetheless, a persistent strong daily mark-up coincides with the Q's recent multi-year breakout and is very respectable. Short-lived intra-day pullbacks and range-days permit DIA IWM and SPY daily progress, too.

DIA	Current Stage is 2-1 (Strong Mark-Up) Current stage for 6 day(s)
IWM	Current Stage is 2-1 (Strong Mark-Up) Current stage for 2 day(s)
QQQ	Current Stage is 2-1 (Strong Mark-Up) Current stage for 30 day(s)
SPY	Current Stage is 2-1 (Strong Mark-Up) Current stage for 6 day(s)

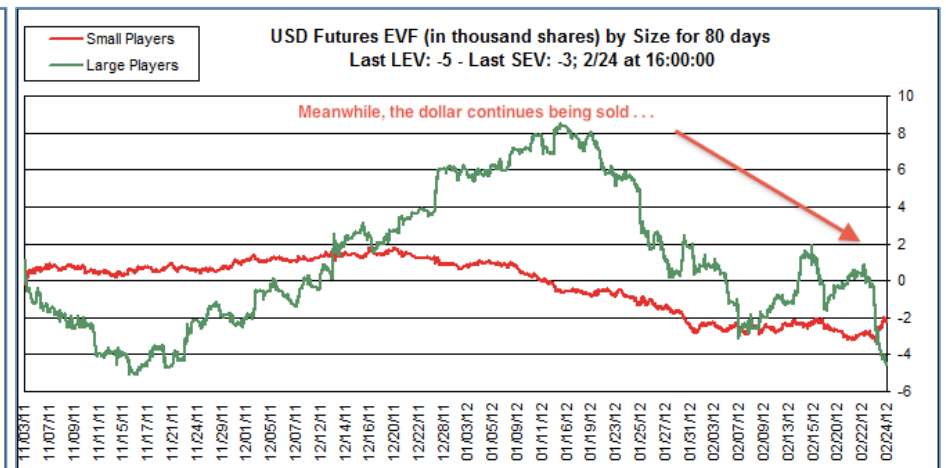
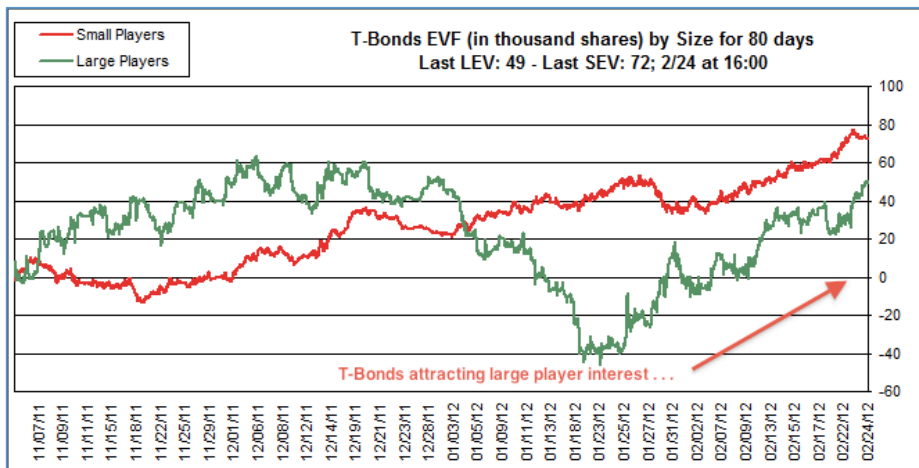
One waits for IWM to join the simultaneous weekly mark-ups that underlie current market structure for DIA SPY and QQQ. Weekly strong mark-ups on nearly all major ETF's illustrate the longer-term trend, a perspective worth visiting from time to time.

DIA	Current Weekly Stage is 2-1 (Strong Mark-Up) Has been in the current weekly stage for 3 week(s)
IWM	Current Weekly Stage is 1-3 (Late Accumulation) Has been in the current weekly stage for 1 week(s)
QQQ	Current Weekly Stage is 2-1 (Strong Mark-Up) Current weekly stage for 6 week(s)
SPY	Current Weekly Stage is 2-1 (Strong Mark-Up) Has been in the current weekly stage for 2 week(s)





One interesting observation involves the diverging LEV patterns for the dollar and T-Bonds. Increasing appetite for equities and commodity related assets recently coincides with declining LEV for “safe” places. That trend diverged recently, with T-Bonds attracting large players’ support while the dollar continues lower. I cannot offer reasons; just that such action is of interest.

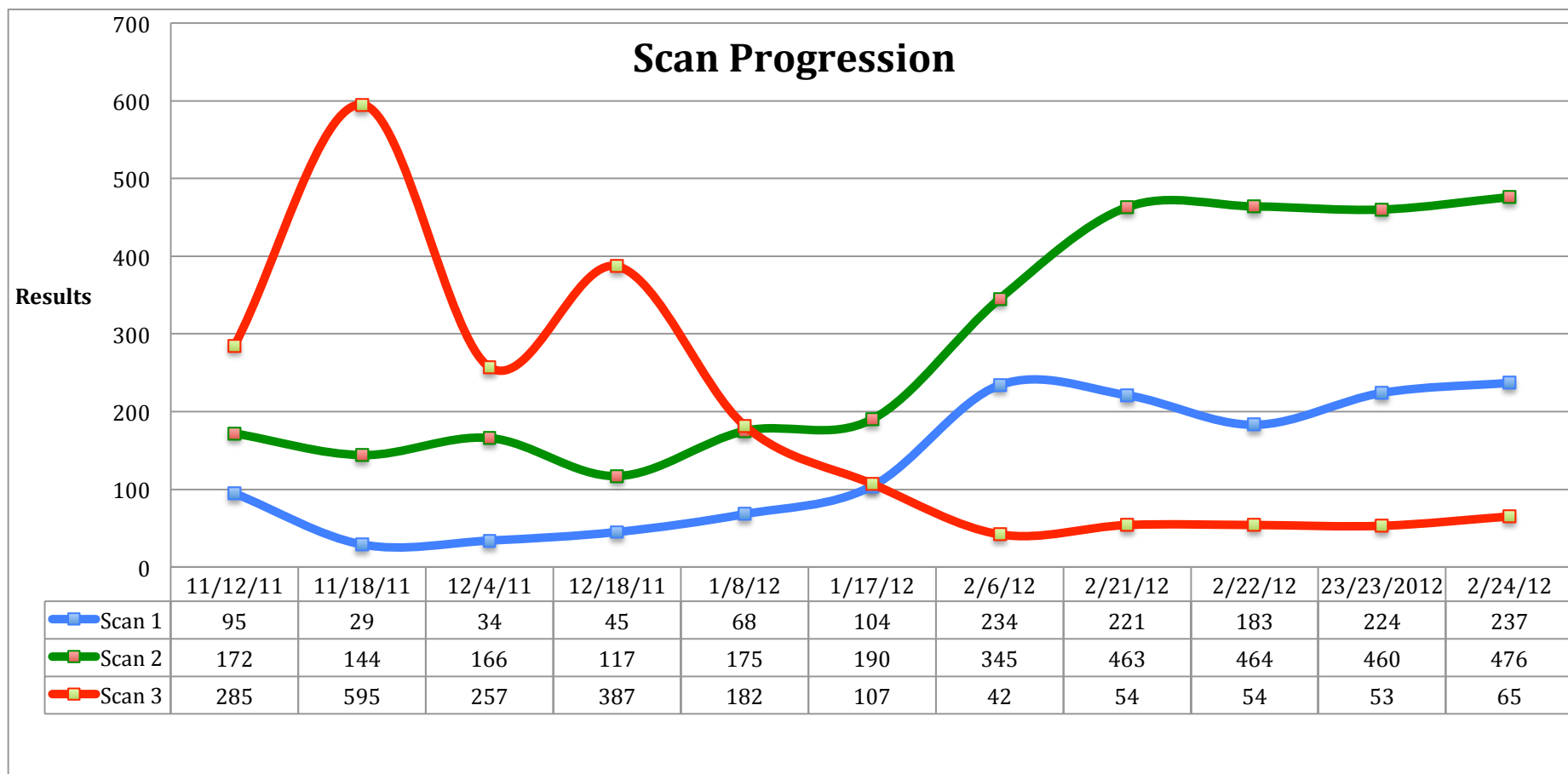


The following chart highlights results from three scans tracked since October. Going forward, I am updating the results on a daily basis and hope some insight may be gleaned from a more visual presentation.

Scan 1: Weekly Strong Mark-up + Daily Late Accumulation – Daily Strong Mark-up

Scan 2: Weekly Strong Mark-up

Scan 3: Weekly Strong Decline

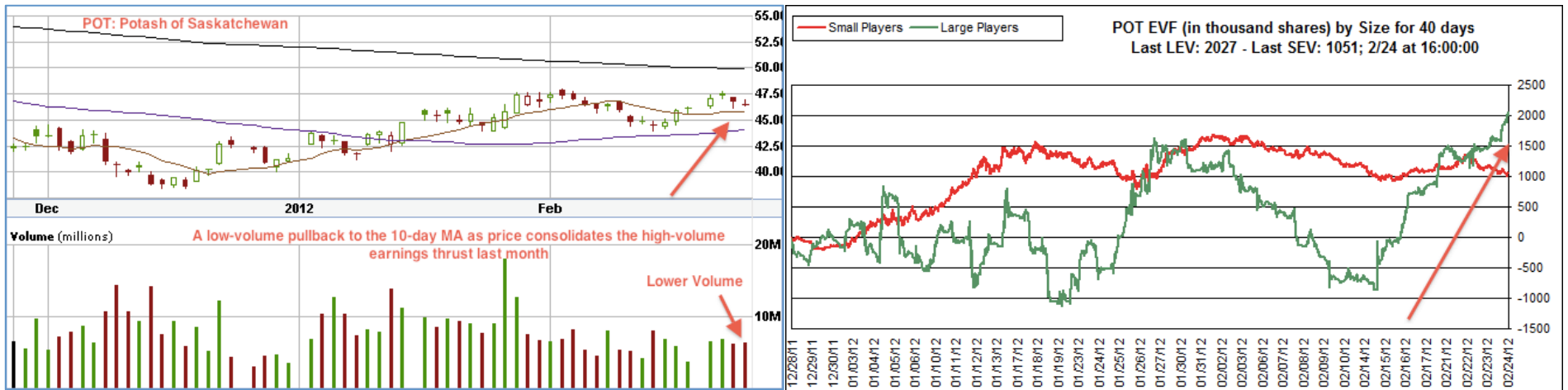


Last week, results from Scan 1 moved from 221 to 237. Meanwhile, Scan 2 shows that stocks in weekly strong mark-ups remain steadfast with a slight move upward. A minor increase in weekly strong declines, highlighted in Scan 3, seems to suggest little selling pressure at this juncture. Overall, the results confirm the constructive price action. This participant interprets such action as supportive of continued upward revaluation in the market indices and leading stocks. Battered sectors may benefit from sector rotation, thereby containing results for Scan 3. The above trends will be monitored for subtle and/or noteworthy changes.

Some prominent technicians noted concern about copper recently, and LEV moves higher within the short trading range that develops between the 50 and 200 day moving averages.



Coal stocks appeared in numbers within the "From Sectors that Issue a Buy Signal" filter. Also, POT shows an interesting accumulation pattern, and an assault at the 200-day MA appears imminent.



Conclusion:

I have little else to add other than what is mostly known. Some suggest an imminent pullback or rocky times over the ensuing month, which is most certainly a possibility. At the same time, the lockout nature of this rally bodes well for leading stocks and is supportive of issues coming out of rather long-term bottoms and weekly strong-decline phases. A pullback or correction would not be unexpected, and Aly offers some very useful sentiment analysis for further review. Deteriorating price action or noteworthy changes appearing in the Stages Scans will likely offer clues to underlying shifts in the broad market. As always, exogenous shocks remain an ever-present risk.

Disclaimer: You are responsible for all investment decisions. The above simply reflect observations of one participant. Please do your own due diligence