Stage Analysis Comments: 3/18/2012
Notes by: Eric Coleman

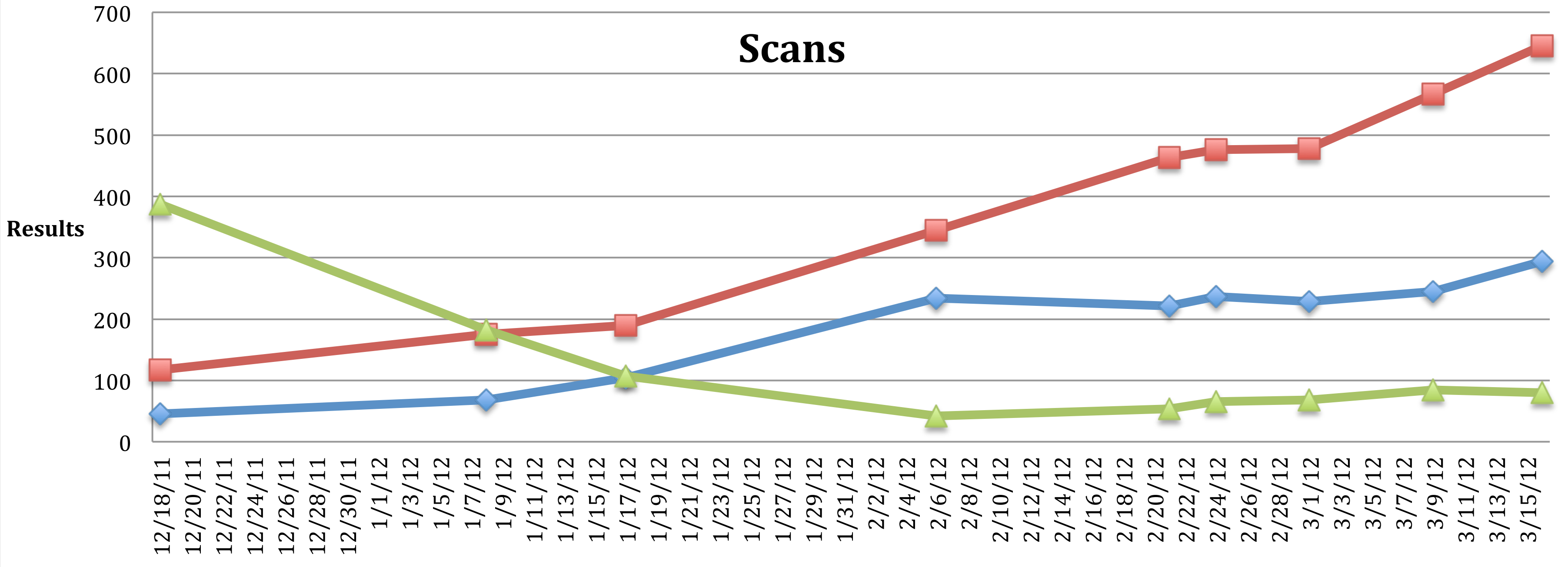
Little changed regarding the stage structures of the major market ETF's. IWM still lags on the daily timeframe but trades amidst the backdrop of a strong weekly mark-up. Strong daily and weekly mark-ups characterize the remaining ETF's, as they build upon their simultaneous gains within the context of the current uptrend.

| | |
|---|---|
| DIA | Current Stage is 2-1 (Strong Mark-Up) Current stage for 6 day(s) |
| IWM | Current Stage is 3-1 (Early Distribution) Current stage for 11 day(s) |
| QQQ | Current Stage is 2-1 (Strong Mark-Up) Current stage for 7 day(s) |
| SPY | Current Stage is 2-1 (Strong Mark-Up) Current stage for 7 day(s) |

| | |
|---|---|
| DIA | Current Weekly Stage is 2-1 (Strong Mark-Up) Current weekly stage for 6 week(s) |
| IWM | Current Weekly Stage is 2-1 (Strong Mark-Up) Current weekly stage for 4 week(s) |
| QQQ | Current Weekly Stage is 2-1 (Strong Mark-Up) Current weekly stage for 9 week(s) |
| SPY | Current Weekly Stage is 2-1 (Strong Mark-Up) Current weekly stage for 5 week(s) |

I recall the 2010 – early 2011 uptrend, when strong weekly mark-ups persisted into double digit territory before entering distribution phases. In other words, while the weekly uptrend may be maturing, additional room for expansion remains. I believe Aly's BSI lends additional support to this view from a sentiment perspective. And while the stage configuration remains constructive from a long perspective, the scans offer additional insight. Please note that the scans are not entirely comprehensive; the purpose is to better understand the market landscape, underlying conditions, and appropriate strategies. The scans are listed below.

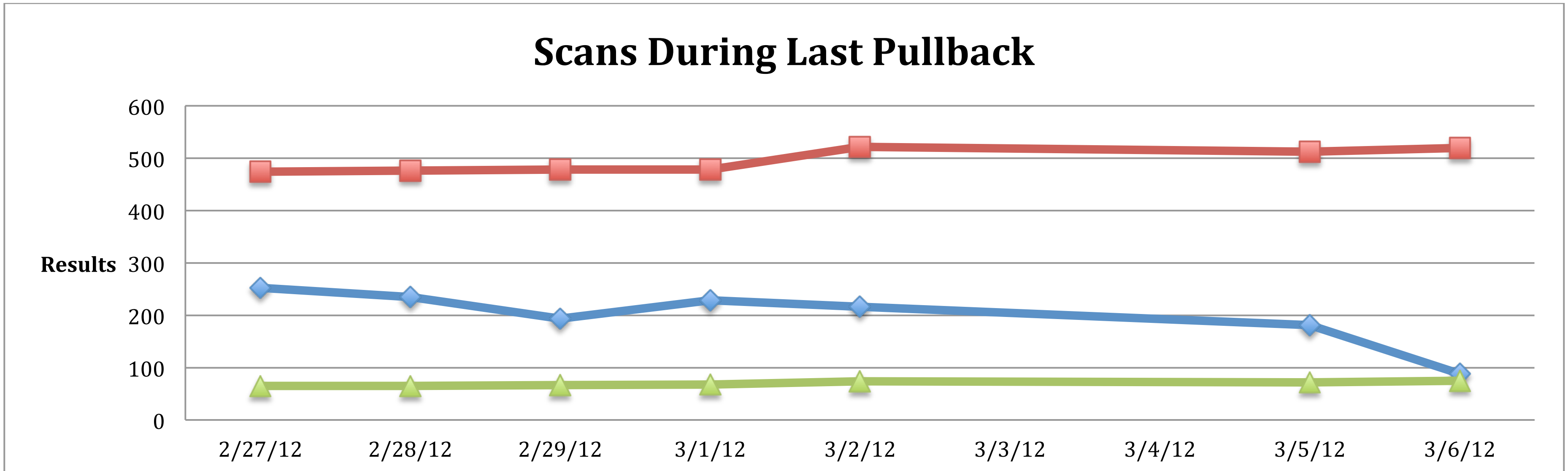
- Scan 1: Weekly Strong Mark-up + Daily Late Accumulation – Daily Strong Mark-up
- Scan 2: Weekly Strong Mark-up
- Scan 3: Weekly Strong Decline




| | 12/18/11 | 1/8/12 | 1/17/12 | 2/6/12 | 2/21/12 | 2/24/12 | 3/1/12 | 3/9/12 | 3/16/12 |
|---|---|---|---|---|---|---|---|---|---|
| Scan 1 | 45 | 68 | 104 | 234 | 221 | 237 | 229 | 245 | 294 |
| Scan 2 | 117 | 175 | 190 | 345 | 463 | 476 | 478 | 567 | 646 |
| Scan 3 | 387 | 182 | 107 | 42 | 54 | 65 | 68 | 84 | 80 |

The week ended with the largest reading of stocks in Scan 1, which simply reflects the persistent advance. A dramatic expansion in weekly strong mark-ups demonstrates underlying support amongst a variety of issues reflecting numerous sectors and industries. One could not ask for a wider gamut of representation – biotech (ALXN PCYC), retail (ARO DDS), insurance (ALL WCG), financials (RF WFC), large-cap tech (ADBE INTC), and transports (JBHT UNP) to name a few. Weekly strong declines took a minor step backward, largely populated by coal and gold stocks. Broken old leaders and punished equities are scattered here, too.

A benefit of the scans may be in determining the “character” of a sell-off. For example, as the market pulled back during the first week of March, issues in weekly strong mark-ups actually expanded. That suggested a shakeout of weak hands within the daily timeframe against the backdrop of a strengthening series of weekly markups. Please see the chart from the days preceding the nominal low.

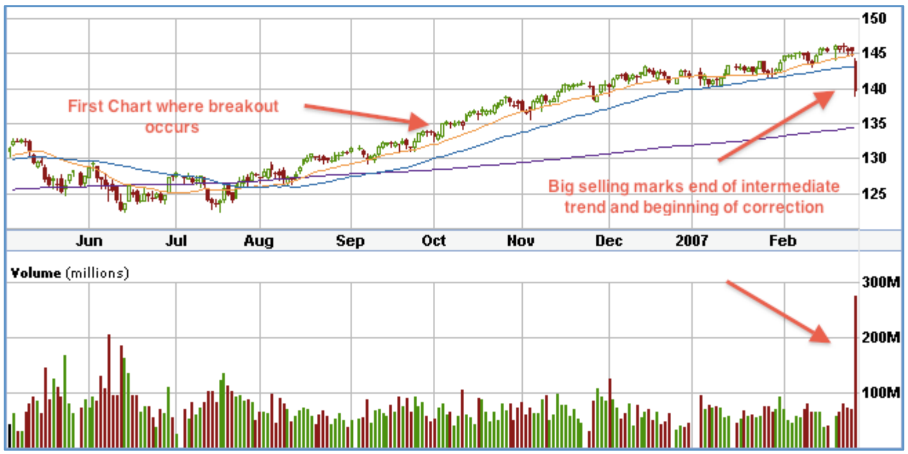



| | 2/27/12 | 2/28/12 | 2/29/12 | 3/1/12 | 3/2/12 | 3/5/12 | 3/6/12 |
|---|---|---|---|---|---|---|---|
| Scan 1 | 252 | 235 | 193 | 229 | 216 | 181 | 88 |
| Scan 2 | 474 | 476 | 478 | 478 | 522 | 512 | 520 |
| Scan 3 | 65 | 65 | 67 | 68 | 74 | 72 | 75 |

The declining results in Scan 1 did coincide with some short-term daily exhaustion, but attention paid to the longer-term Scan 2 suggested little weekly deterioration at that time. Indeed, the 3/6 pullback even witnessed a small increase in Scan 2. I do hope to glean more examples of this type of behavior, which may improve discretionary market observations and analysis.

As the market challenges highs not seen in years, I reviewed some previous chart history from last decade. One rally that stood out was from late 2006. The simple lesson was that uptrends may remain persistent and prove difficult to enter. I provide two charts below that highlight this period, if only for context and interest. I do note that the near bear market of last year appears much more destructive than the mild correction stocks encountered in 06.

I revisited a prior trend from 2006, which is illustrative.


Summary:

The current stage structure remains very constructive under multiple timeframes. The weekly scans indicate an expansion of stocks in weekly technical strong-mark-ups. The market is challenging highs and may encounter a period of choppy trade, but as of now the bid remains consistent. History indicates that such trends may advance further than consensus expectation. As always, exogenous shocks/risks remain ever-present.

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