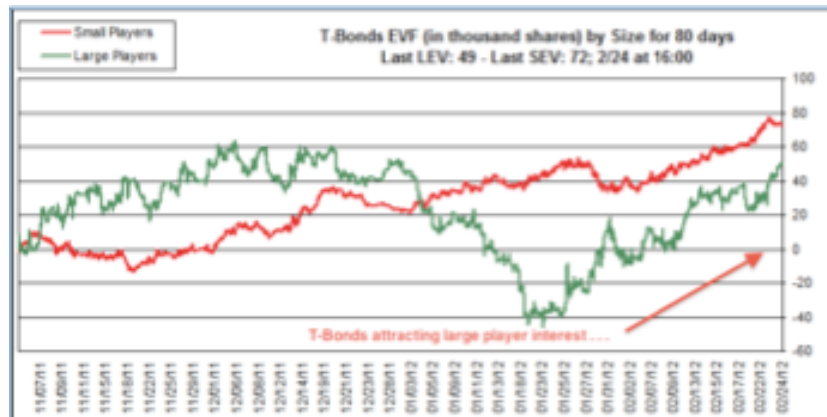


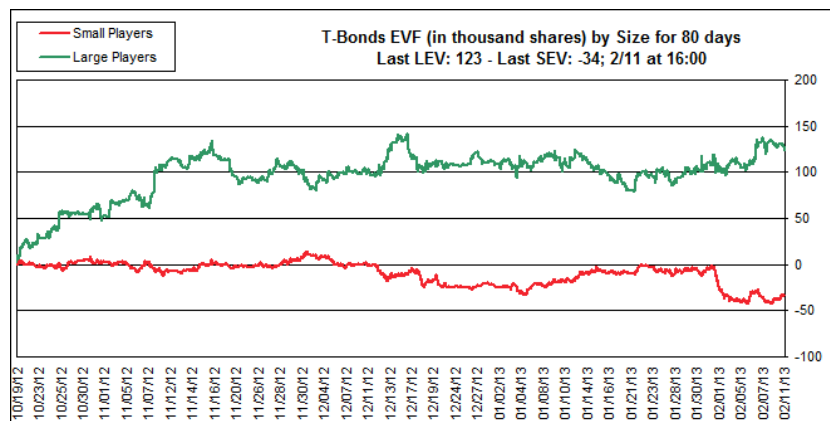
**Market Observations:** 2/12/13

**Summary:** Major market ETF's trade in a mostly similar manner, simultaneous strong uptrends of varying duration. I reviewed some notes from last year and found that on 2-26-2012, the Q's had maintained a daily strong uptrend for a period of 30 days, so DIA's climb is certainly not without precedent. Additionally, the Q's weekly strong uptrend lasted for 9 weeks before prices really started correcting in early April of 2012. So in other words, the possibility for the current advance to persist is certainly plausible, despite the difficulty in predicting the extent of a continued move.

One observation of note was that the LEV pattern on T-Bonds started trending higher well over a month before the correction really emerged during April/May 2012. The EV chart for T-Bonds during that time period is below.



Today, the pattern appears more neutral. Monitoring for divergences such as the one that appeared last year may provide important clues regarding short to intermediate term market direction and/or a reversal of trend.



**Market Stages:** Weekly 2/11/2013

SPY	Current Weekly Stage is 2-1 (Strong Mark-up); Current weekly stage for 3 week(s)	Strong Uptrend
DIA	Current Weekly Stage is 2-1 (Strong Mark-up); Current weekly stage for 3 week(s)	Strong Uptrend
QQQ	Current Weekly Stage is 3-2 (Mid-Distribution); Current weekly stage for 1 week(s)	Neutral
IWM	Current Weekly Stage is 2-1 (Strong Mark-up); Current weekly stage for 4 week(s)	Strong Uptrend

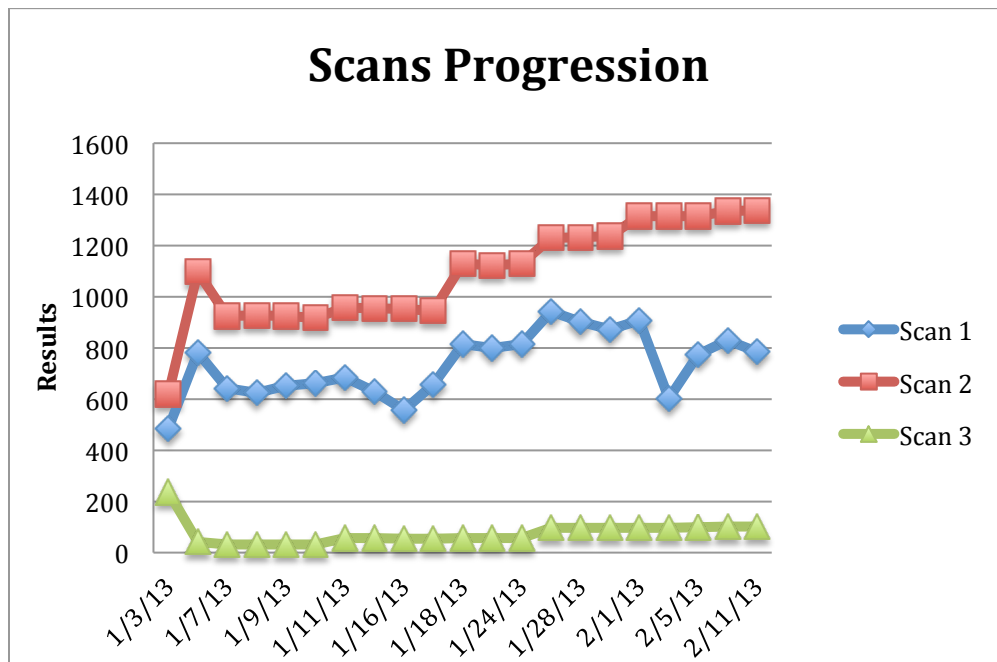
**Market Stages:** Daily 2/11/2013

SPY	Current Stage is 2-1 (Strong Mark-up) Has been in current stage for 5 day(s)	Strong Uptrend
DIA	Current Stage is 2-1 (Strong Mark-up) Has been in current stage for 22 day(s)	Strong Uptrend
QQQ	Current Stage is 2-1 (Strong Mark-up) Has been in current stage for 2 day(s)	Strong Uptrend
IWM	Current Stage is 2-1 (Strong Mark-up) Has been in current stage for 5 day(s)	Strong Uptrend

**Stage Scans: 2/11/13**

The main observation here is the declining numbers of stocks appearing in Scan 1, which may be indicative of short-term exhaustion in some sectors and industries, such as the refiners. Scan 1 stocks often lead the market higher in an advance or attract money during a rotation into an emerging sector. With this number waning, further range-bound trade seems likely in the near-term, if not a longer pause or pullback. Stocks in weekly strong mark-ups remain relatively firm and an upward spike of issues in strong decline phases has not yet occurred.

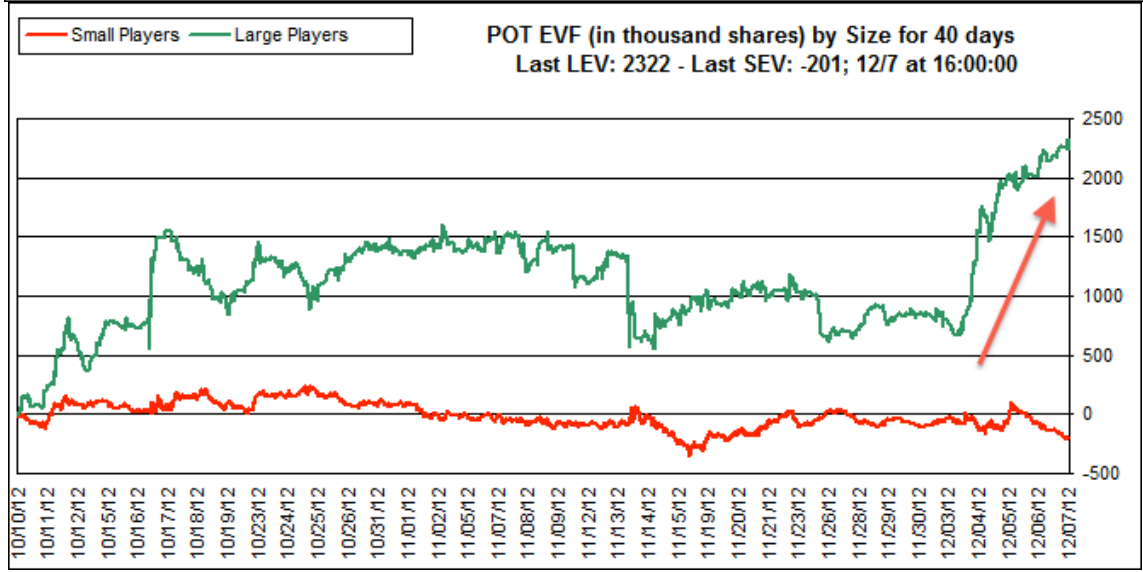
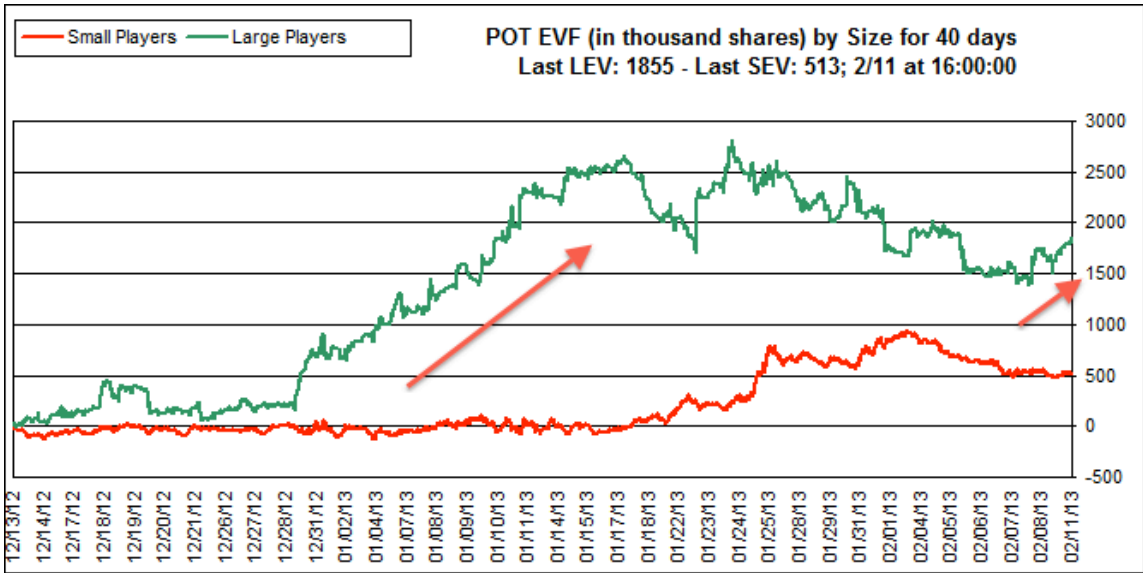
Weekly Strong Mark-up + Daily Late Accumulation-Strong Mark-up	784 Results
Weekly Strong Mark-up	1336 Results
Weekly Strong Decline	103 Results



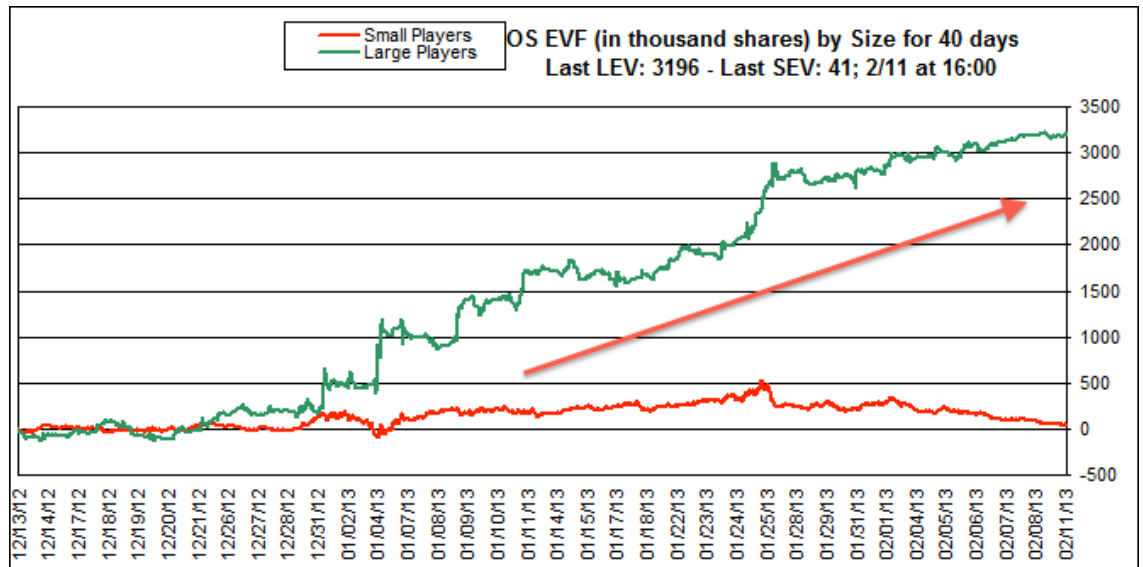
**Resource Sectors follow-up: POT & MOS**

POT was discussed in the prior report as being the beneficiary of substantial large players support. After a notable advance from several issues in the group, some are now consolidating quietly.





MOS also attracts large player support here, after backing off of new 52-week highs:

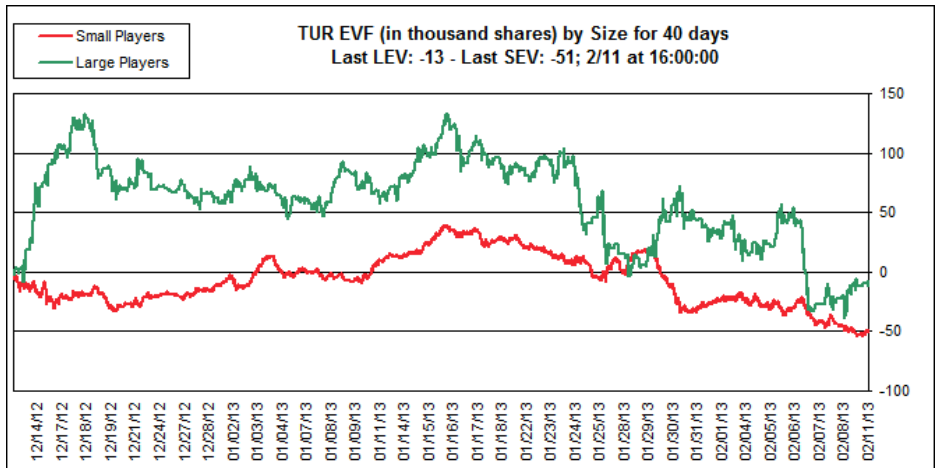




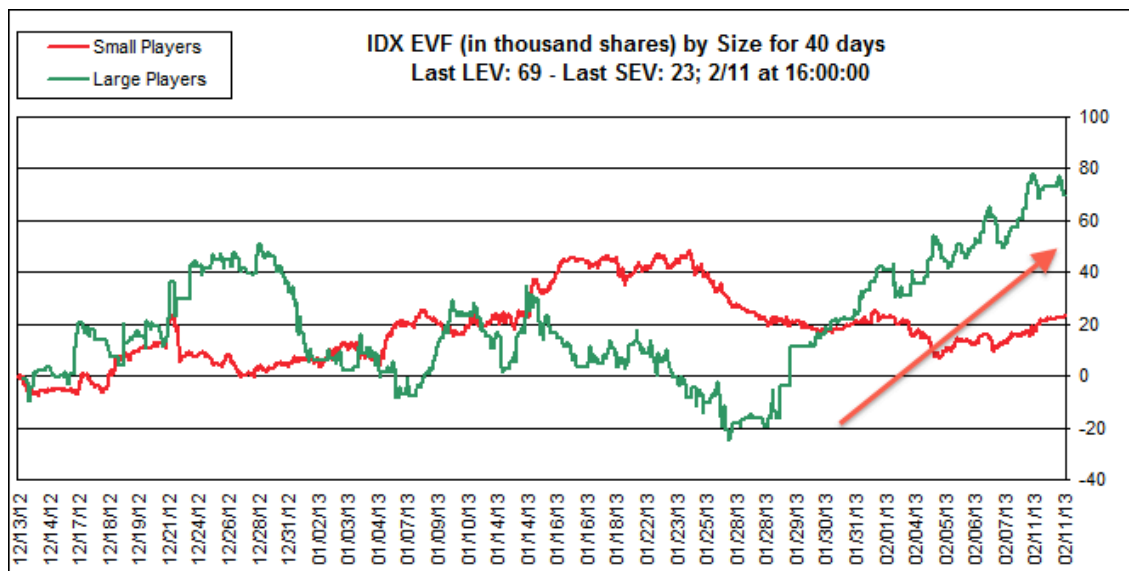
As the market dynamic shifts, it will be interesting to monitor the evolution of this particular group of stocks. POT was a buyout candidate a few years ago near similar price levels, and so there likely exists some fundamental value around current price levels. AGU and CF, the group leaders, recently surpassed their 2008 highs.

**Some International Markets:**

Turkey was previously discussed in November/December as an area of emerging leadership. That role persisted for a couple more months, but one now observes that a correction is certainly underway. LEV shows no divergence for now.

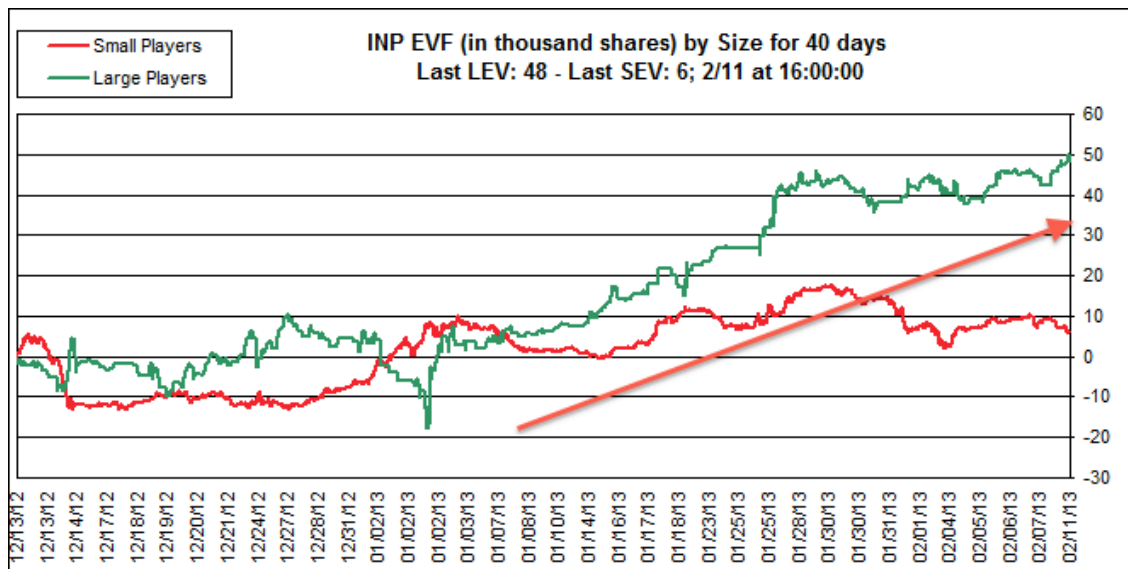


Meanwhile, Indonesia equities, as measured by the respective ETF, show some constructive action:



Other markets discussed included India (INP) and Peru (EPU). INP is pulling back while attracting money and EPU has also undergone a retracement. INP chart and graph shown below:





**Conclusion:**

Daily and weekly stages display mostly simultaneous uptrends. The recent scan progression displays an expansion of stocks into longer-term uptrends. On the other hand, stocks on the cusp of fresh breakouts, found within the first scan, have been declining. Though the current advance continues to mature, previous instances demonstrate that the market can remain in an elevated state for many weeks.

Emerging markets such as Turkey are undergoing corrections after quite persistent and clean uptrends. Indonesia, meanwhile, is displaying recent strength. POT and MOS are showing interesting divergences at the current moment. While the market appears vulnerable to profit taking, there are also important transitions that bear watching. Last year's uptrend persisted even after a divergence in the LEV for T-Bonds emerged almost a month ahead of the intermediate-top, so such a divergence seems important to monitor going forward.

*Disclosure:*

This is not a recommendation to buy or sell any securities. This paper represents general observations of various markets with the goal of better understanding overall market conditions and prospective opportunities. Please do your own due diligence.