

# An Abridged Weekend Review 8/14/2011

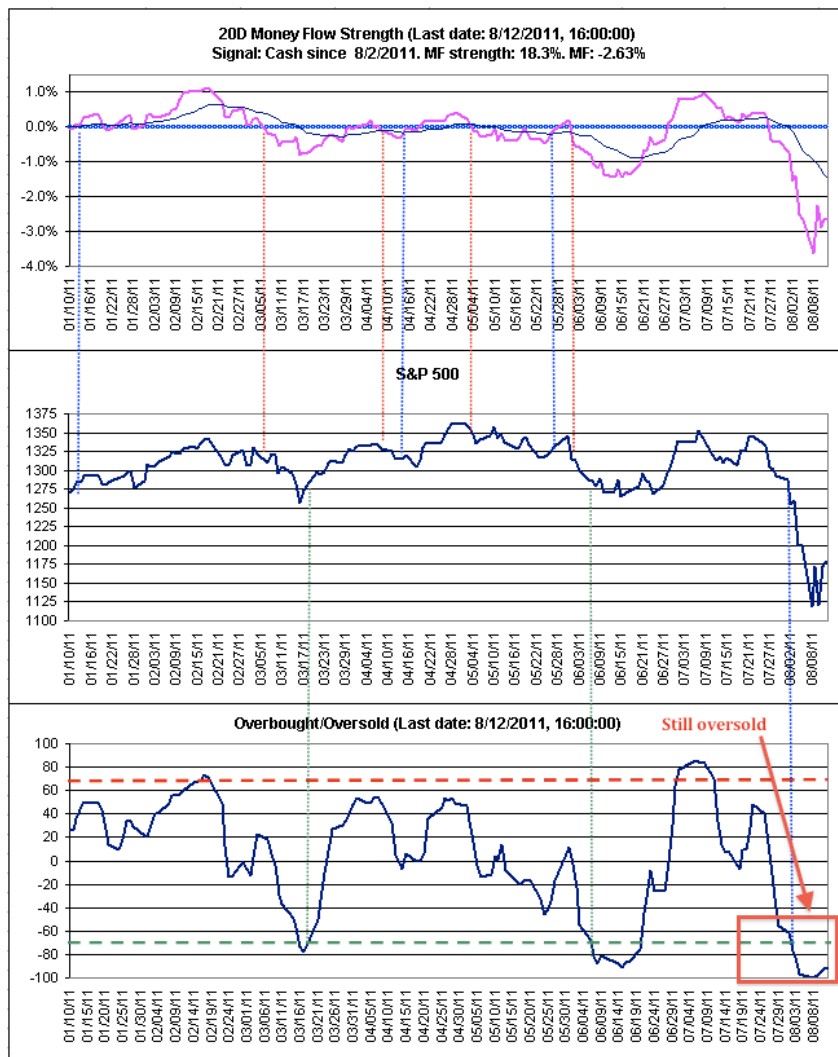
By Eric Coleman

Because of time constraints, this review will be brief . . .

The 20-Day MF thus far shows a lack “thrust.” A bounce from here may continue; however, a period of stabilization may occur before the bounce has enough buying power to push prices meaningfully higher. Having seen previous bounces pierce above the oversold level only to fail due to lack of conviction means a favorable long scenario might be a few days away.

Studies I’ve reviewed this week suggest that the type of selling witnessed early this month takes at least a few weeks to be absorbed by participants. Consequently, I anticipate any further progress to be met with either some selling or consolidation. The possibility of a V-shaped rally into resistance is possible, but after reviewing other similar selling episodes, I will be surprised by such an outcome.

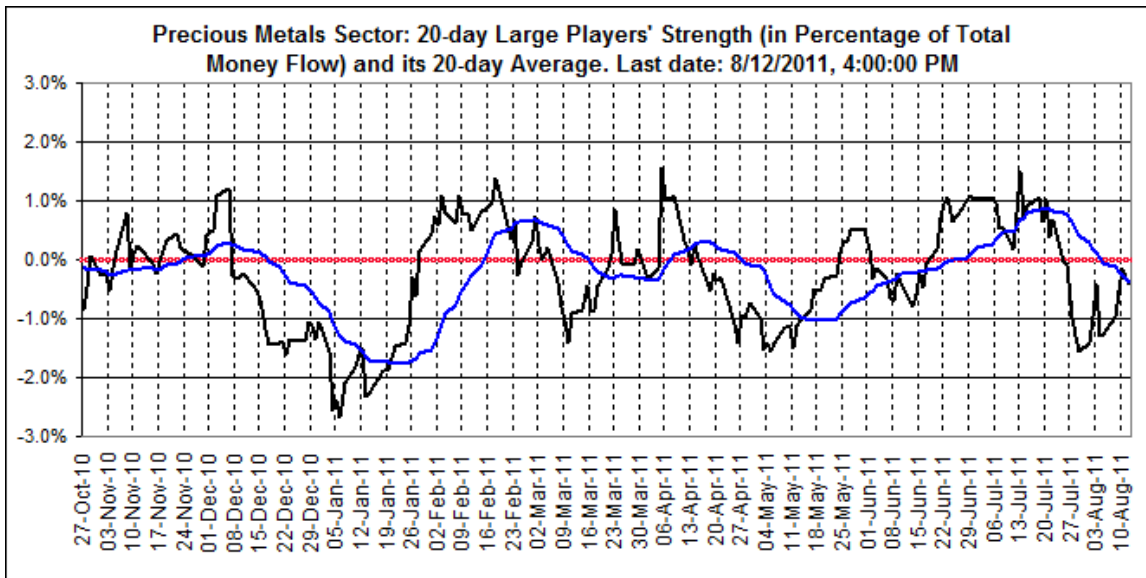
Aly Khan has outlined some other noteworthy scenarios in his weekly CSI. Kevin Marder’s most recent report, which is available on Marketwatch, provides some pertinent historical comparisons.



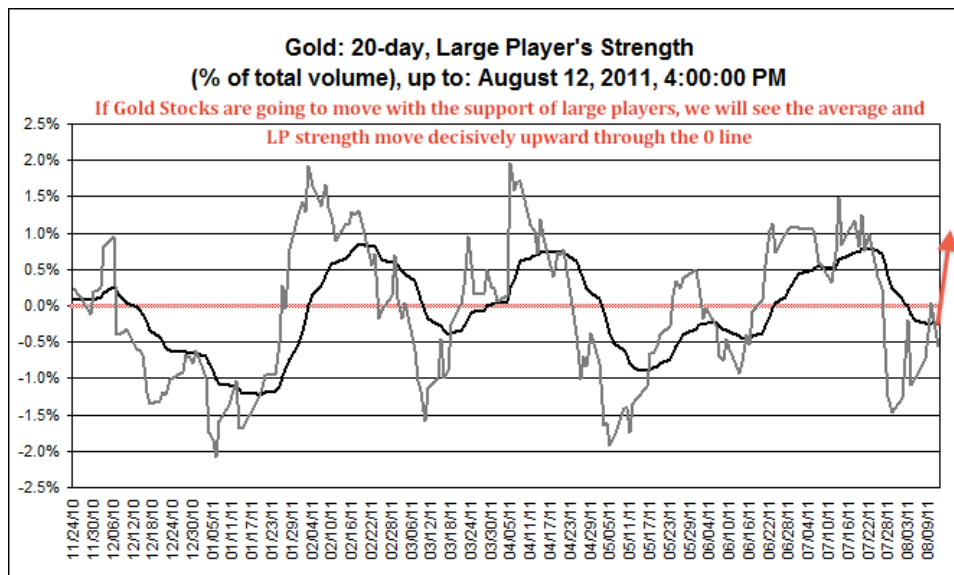
Monitoring sector buy signals is an important task for the week. The sectors that I will pay particular attention to include:

- Precious Metals: Gold Stock
- Precious Metals: Silver Stocks
- Energy/Materials: Fertilizers
- Technology: Semiconductors

So much attention being paid to gold causes hesitancy. The precious metals stocks, though, have not performed in line with their commodity counterparts. The average is pointing down, which leads me to suspect a possible pullback or shakeout before money more aggressively moves into the sector; however, a buying surge could push the sector into a pronounced buy signal. At this juncture, the sector warrants close attention.



Gold near record highs and energy prices down considerably might provide the underlying conditions for a continued rally.

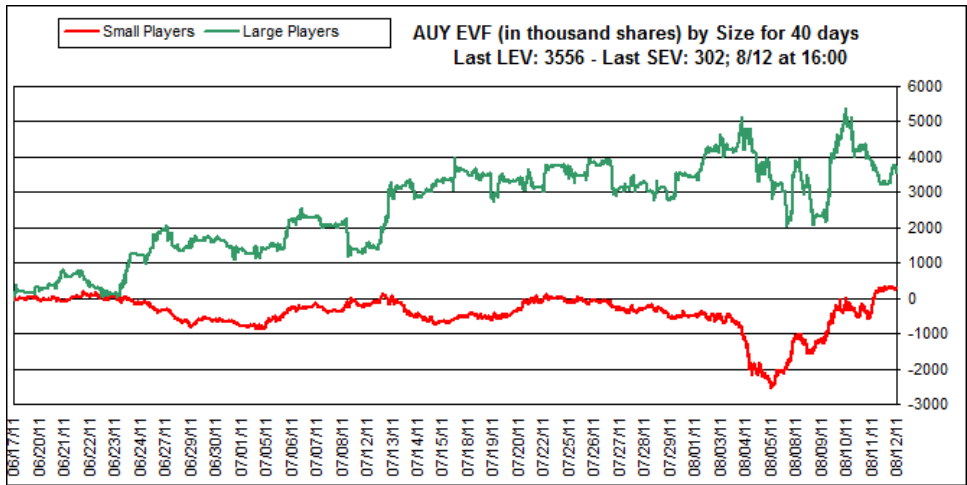


While awaiting further sector developments, a closer look at some individual gold stocks is more revealing. EGO has been discussed and is a favorite. EGO could be buyable on an intraday pullback to the 10-day MA or decisive high-volume break of the recent high of 19.82. All-time highs are not far off. I won't be surprised if there are a few additional days of sideways low-volume trade, though.

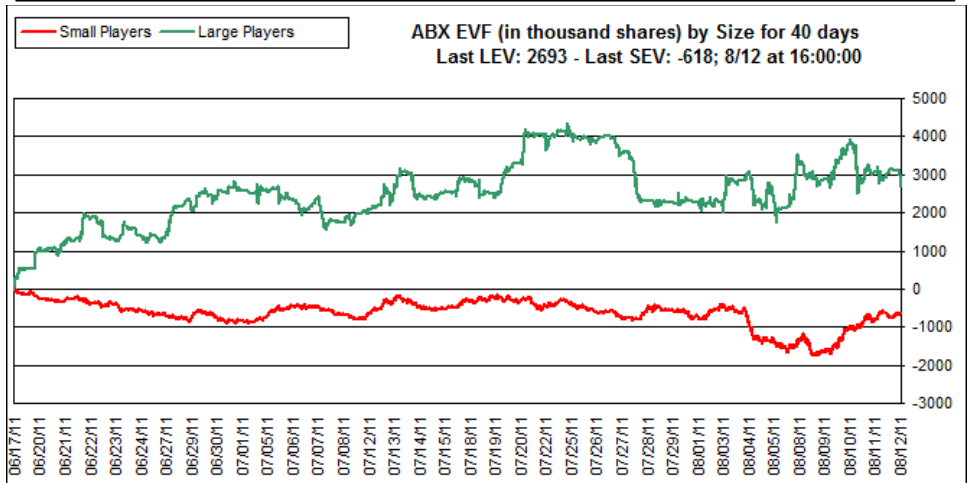
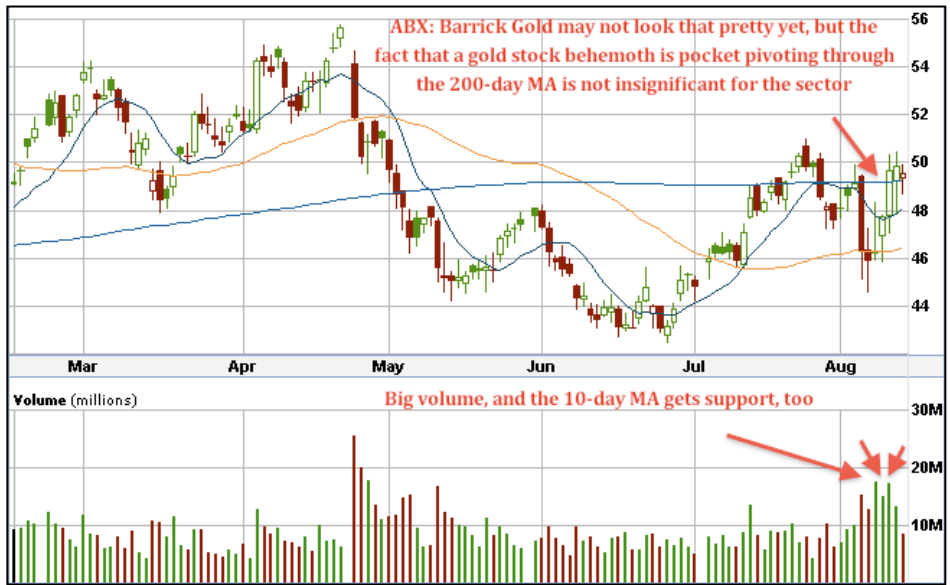


**AUY: Yamana Gold – Strong (2-1) Markup on both daily and weekly timeframes**

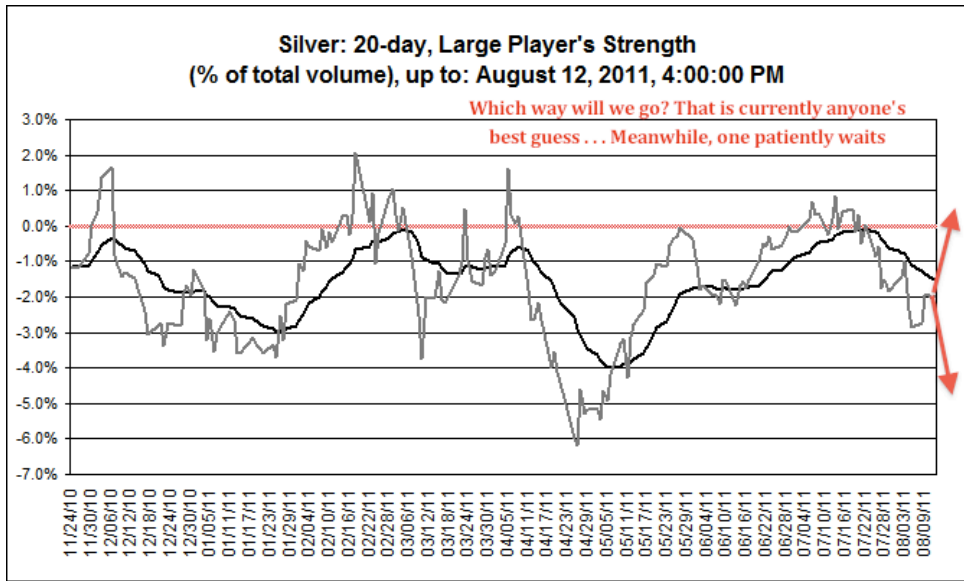




**ABX: Barrick Gold**



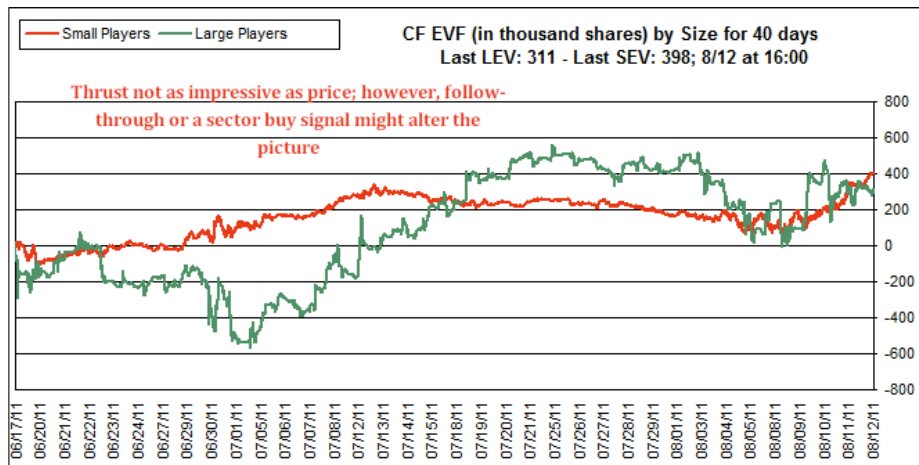
Ultimately, some gold stocks display very notable patterns and might be buyable depending on one's method and risk tolerance. EGO and AUJ both possess constructive patterns over multiple timeframes. And while gold has been getting much attention, silver stocks are also on my watch list.



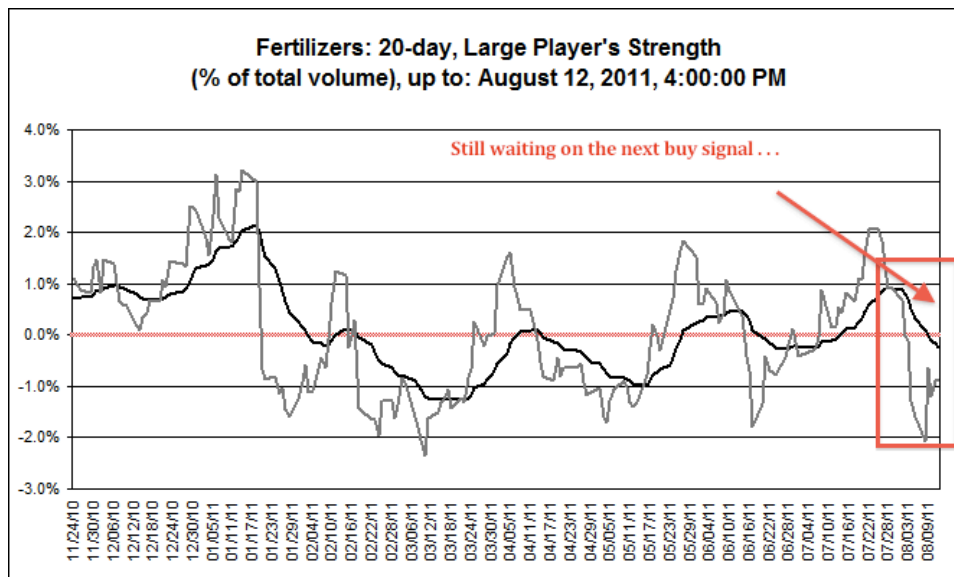
The fact that many silver stocks don't reflect the intense selling that most other sectors witnessed over the previous two weeks indicates a possible exhaustion of selling pressure. Additionally, not many are paying attention to silver or silver miners. Consequently, I think they are worthy of mention.

A noteworthy event took place in the Agriculture-Fertilizers sector-group. While the market sharply reversed lower Thursday afternoon, CF Industries (CF) made a new 52-week high. In a battered market, I interpret such action to be supportive of the fertilizers as a whole. Indeed, CF is not a small, thin issue.

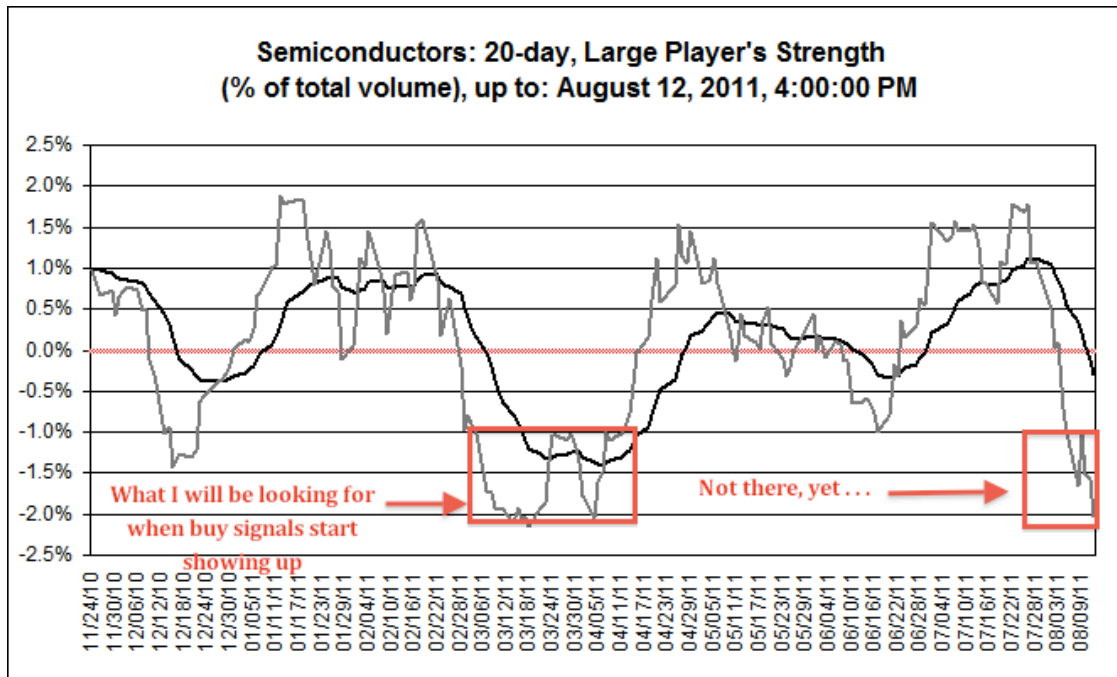
### CF: CF Industries



In the meantime, one can wait for a confirmed buy signal:



Brian Shannon has talked of the semiconductors as a leading indicator of the market. As a group, the semis are near a level where some price stability might be expected prior to any future buy signal. A buy signal could offer both a mean-reversion trade and an important tell on market sentiment and direction.



**Conclusion:**

The market may have put in a short-term low last week; however, anything is possible and a renewed selling wave could put such an assumption into question. Given the precedence of the recent selling, I personally expect some stabilization, even if such trade is volatile.

The gold stocks sector-group has some constructive patterns. Given that the sector has outperformed the market and may have the underlying conditions to support continued outperformance, select longs might be presenting buyable setups. I expect a few more days of quiet trade in some of the leaders, but a quick push on convincing volume may signal the group is ready to run.

Silver stocks don't garner much attention, but also did not sell off in a violent fashion during the past couple weeks. Consequently, some have garnered my interest while awaiting a clearer signal and additional technical improvement. Agriculture stocks fell victim to the selling, but POT is still holding the longer-term range and CF even made new highs last week. When the market shows some improvement, I believe the fertilizers will be a sector to watch.

Finally, the semiconductor stocks, as measured by SMH, topped in May and never recouped momentum during the final June-July rally. They have now reached a level where price *might* stabilize, eventually leading to an EV buy signal. Paying attention to the sector may have important implications on short and long-term market direction.

With the exception of the miners that are dancing to the beat of their own drum, there are still few encouraging signs of constructive technical action. I prefer to see additional consolidation and stability for any type of rally, even if it is a bear market rally, to be sustained.

Best to everyone,  
Eric Coleman