



TECHNICAL OPINION

July 20, 2010

Market Breadth Charts

Using Short Term Market Breadth To Time The Market

One way to get a better understanding of when a market is about to change direction, is to track how many stocks within a group are performing well versus how many are performing poorly.

This type of analysis is part of a larger group of analysis commonly referred to as Market Breadth.

Within a given timeframe, we can look for imbalances in the market, or when too many stocks are performing well versus too many stocks are performing poorly.

Common techniques for using this type of analysis include locating overbought/oversold levels and finding positive or negative divergences between them and the underlying group's composite index.

This type of group or crowd analysis can seem counter intuitive for many, as it is right when everyone has come to the same decision that the market will actually turn in the exact opposite direction.

Anytime we see 60% or more of the stocks in our database trading above their 10-day moving average, we should consider the market overbought, and we should expect a short term pullback.

And anytime we see that less than 40% of the stocks in our database are trading above their 10-day moving average, we should consider the market oversold short-term, and expect a reversal higher.

As you will see below, we may have to adjust the 40% / 60% rule, based on the sector we are analyzing.

For Short Term Analysis, we might look to see how many stocks are trading above or below the Right Side Channel. Or for people who do not have access to those charts, we might look at the percentage of stocks trading above or below their 10-day moving average.

The following Long-Term View and Short-Term View charts are as of: Monday, July 19, 2010

On the following page, we provide a summary of the status of the key indexes.

SUMMARY OF SALIENT INDEXES

Key:

- 7 Significantly Overbought
- 6 Moderately Overbought
- 5 Slightly Overbought
- 4 Neutral
- 3 Slightly Oversold
- 2 Moderately Oversold
- 1 Significantly Oversold

Index	Short - View		Long - View	
	This	Last	This	Last
TSX 60	5	6	4	4
S&P100	4	7	1	2
Nasdaq	5	6	2	2
Financial	2	7	2	2
Energy	3	6	2	2
Gold	2	3	2	4

COMMENT:

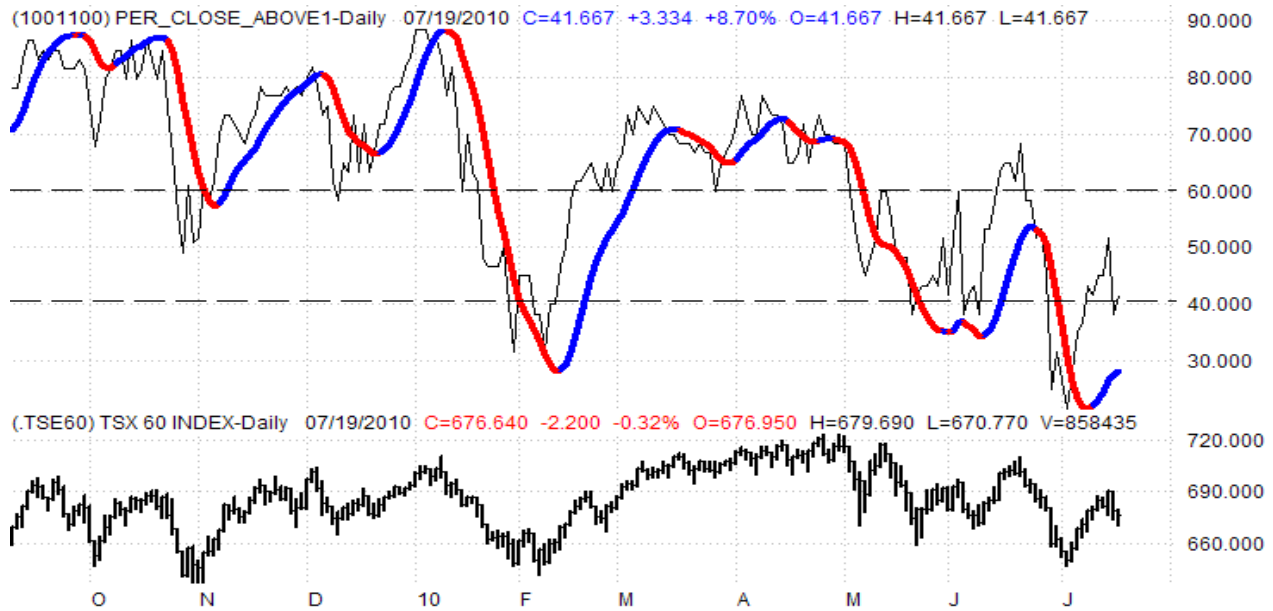
From a short-term perspective: The major changes occurred in Financials and Energy, both of which moved from Overbought to Oversold. Gold remains Oversold and shows no sign of making a recovery (although action on July 20th was more encouraging).

From a long-term perspective: There were hardly any changes in the Indexes. In concert with the short-term indicators, Gold looks weaker.

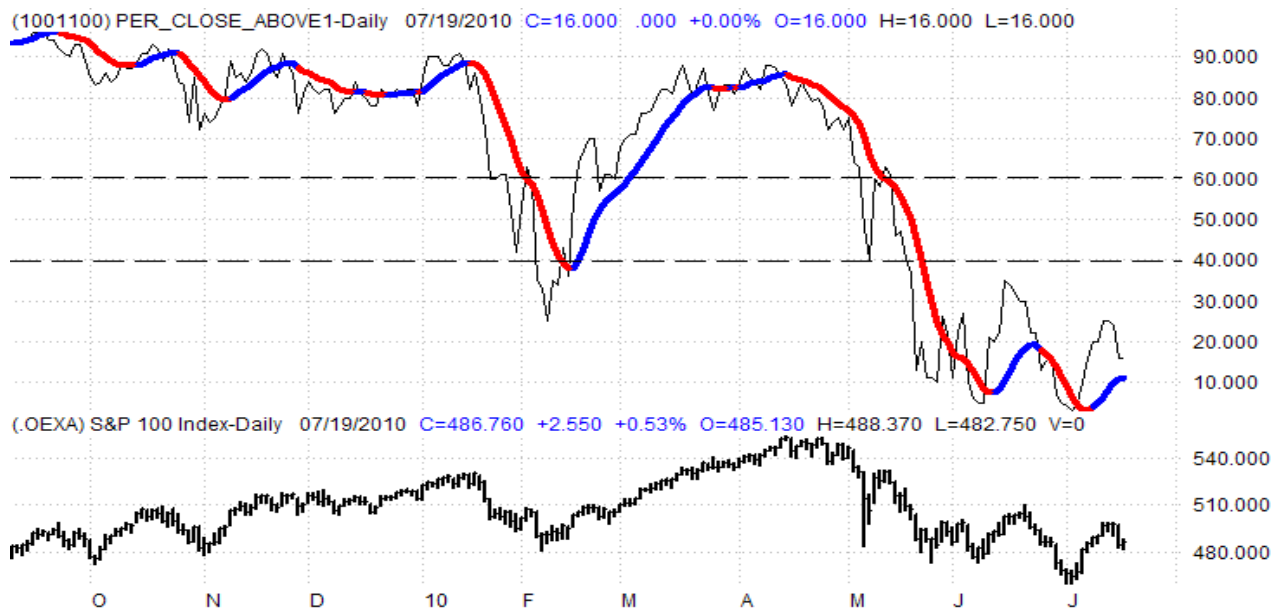
A. Long Term View

% of stocks trading above their 100-day moving average

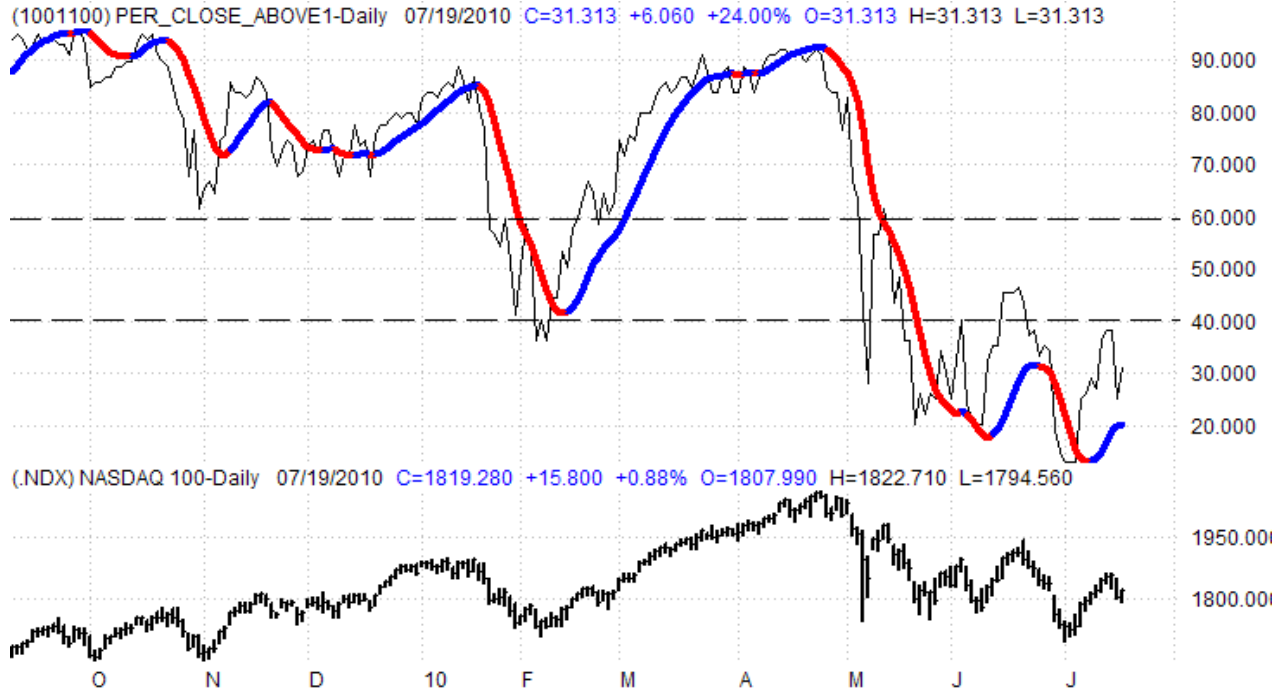
TSX 60



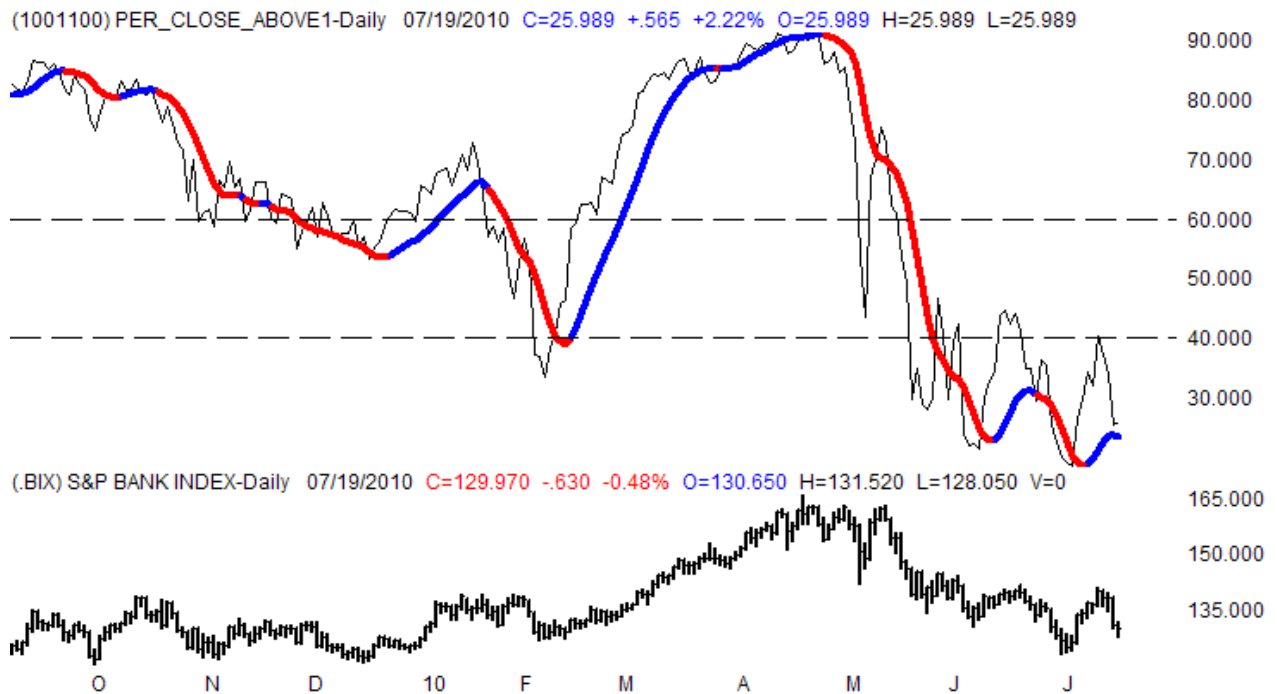
S&P 100



NASDAQ 100

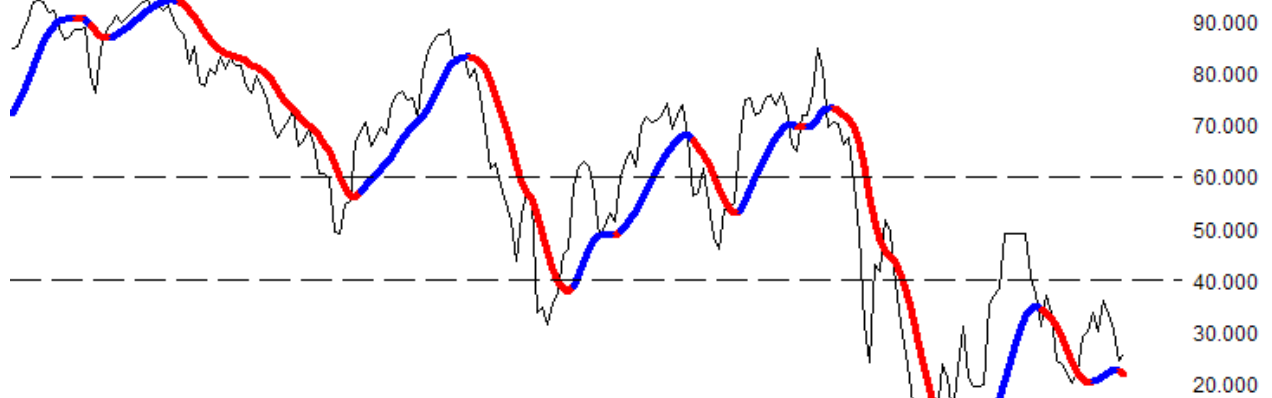


Banking

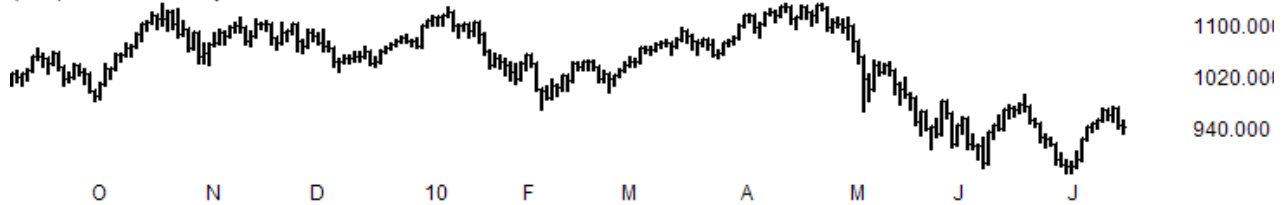


Energy Sector

(1001100) PER_CLOSE_ABOVE1-Daily 07/19/2010 C=25.943 +1.415 +5.77% O=25.943 H=25.943 L=25.943

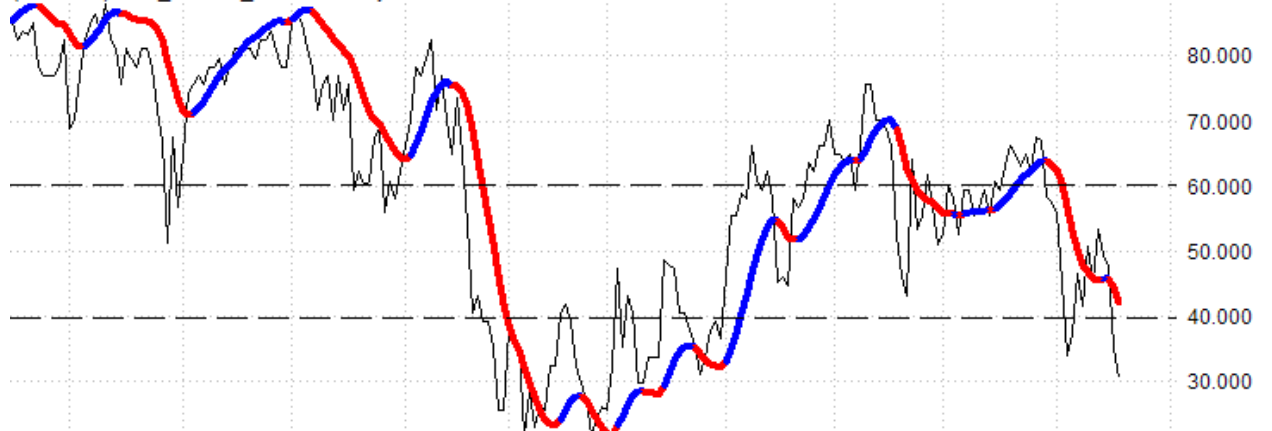


(XOI) OIL INDEX-Daily 07/19/2010 C=942.820 -2.540 -0.27% O=945.360 H=951.520 L=934.670 V=0

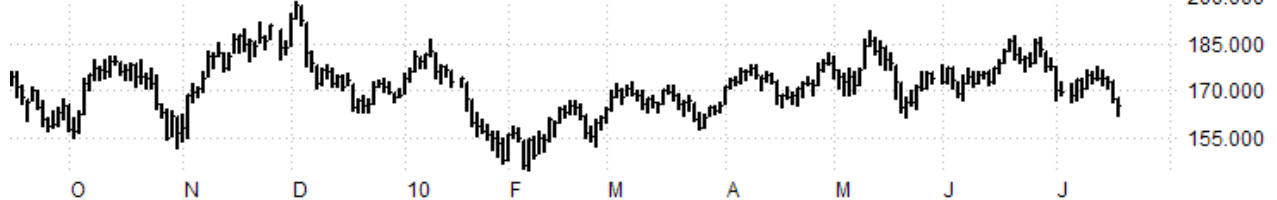


Gold Sector

(1001100) PER_CLOSE_ABOVE1-Daily 07/19/2010 C=30.556 -4.655 -13.22% O=30.556 H=30.556 L=30.556



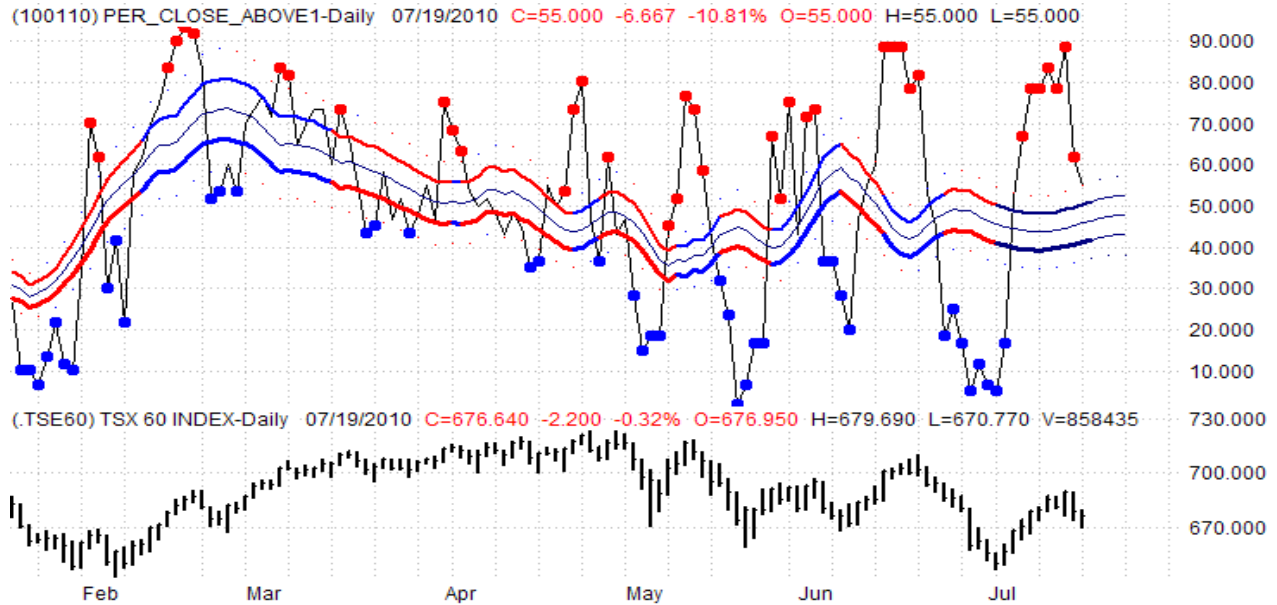
(XAU) PHLX GOLD/SILVER-Daily 07/19/2010 C=165.250 -2.140 -1.28% O=167.100 H=167.210 L=162.700 V=0



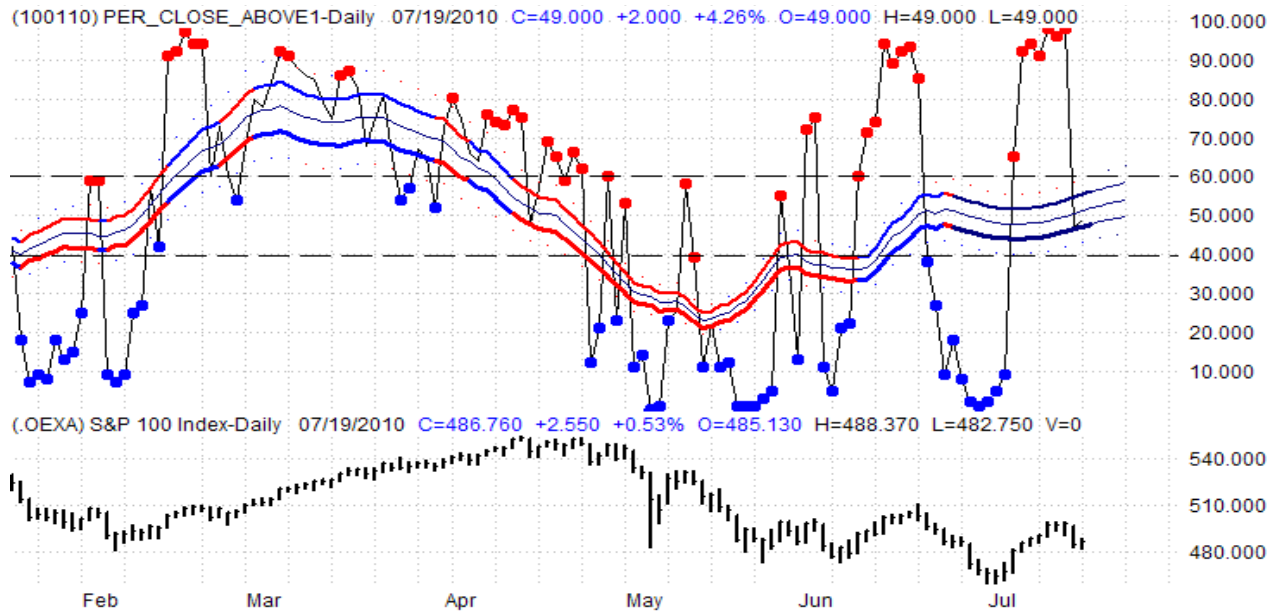
B. Short Term View

% of stocks trading above their 10-day moving average

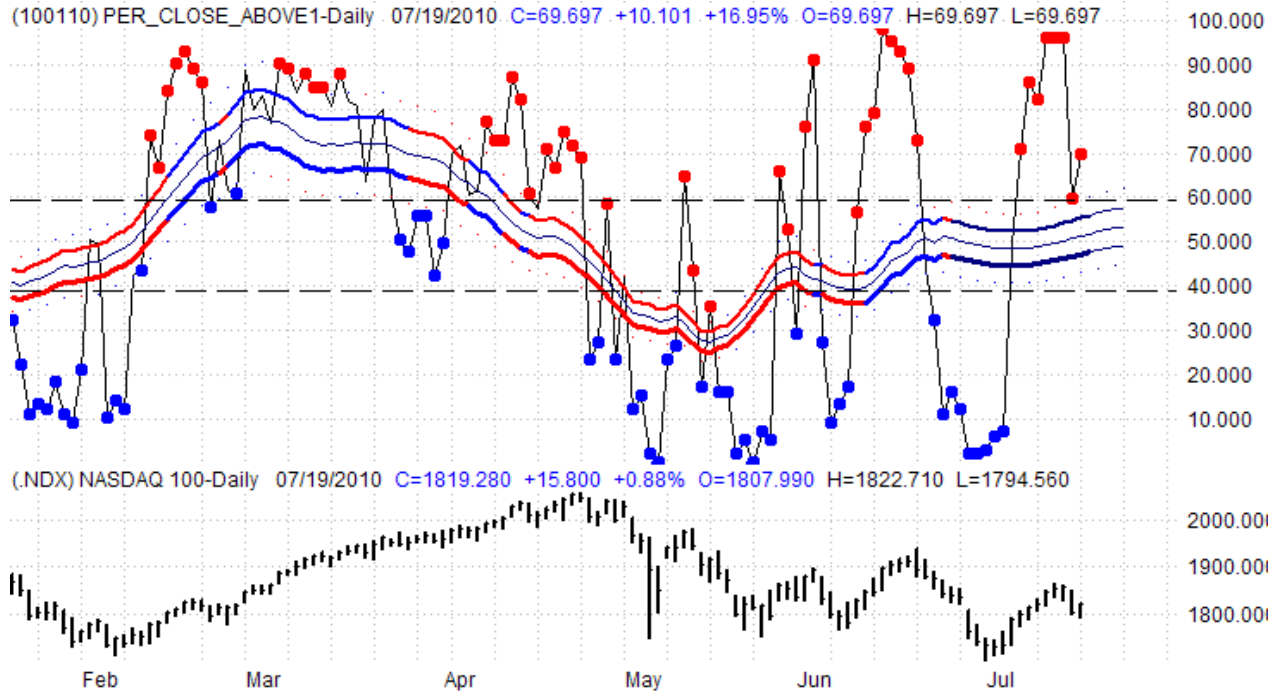
TSX 60 - 10 Day



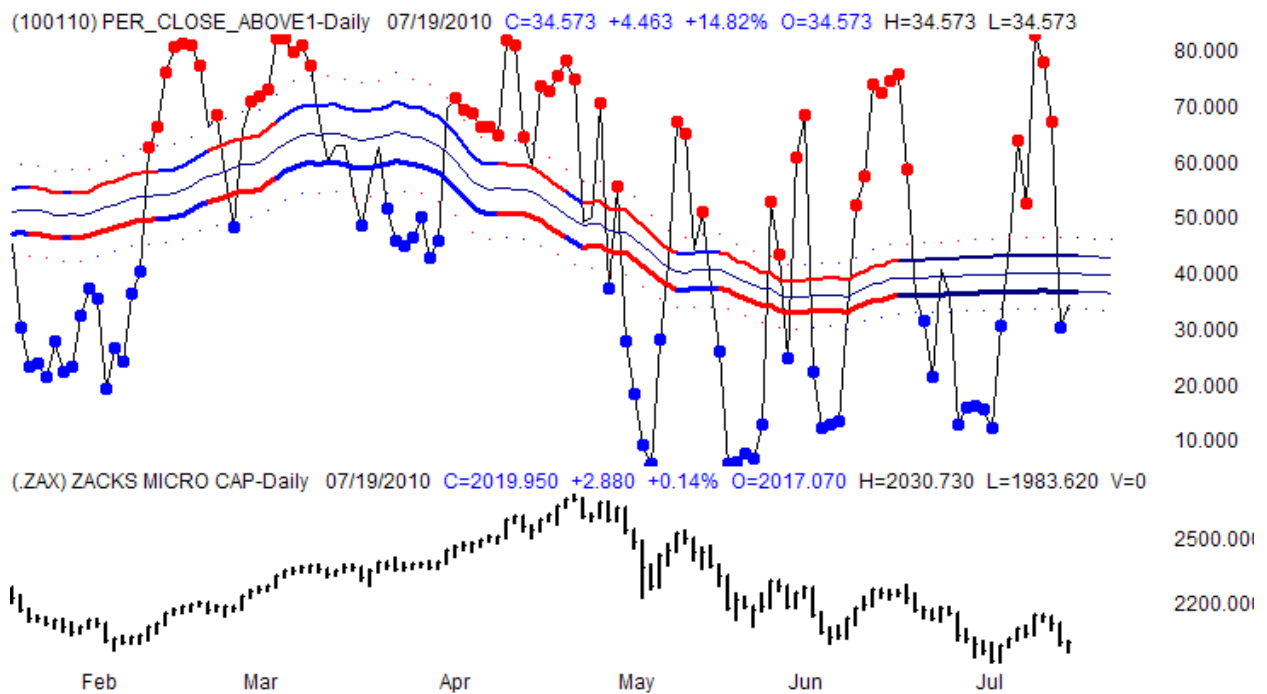
S&P 100 - 10 Day



NASDAQ 100 - 10 Day

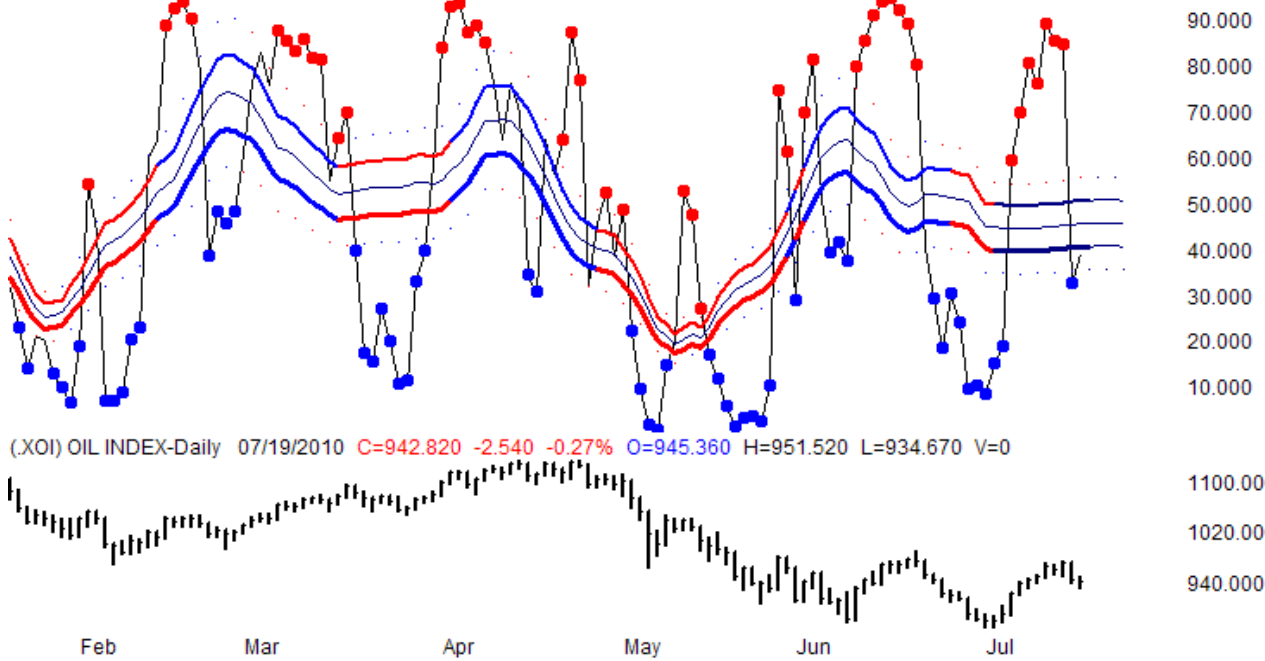


Micro Cap Stocks - 10 Day



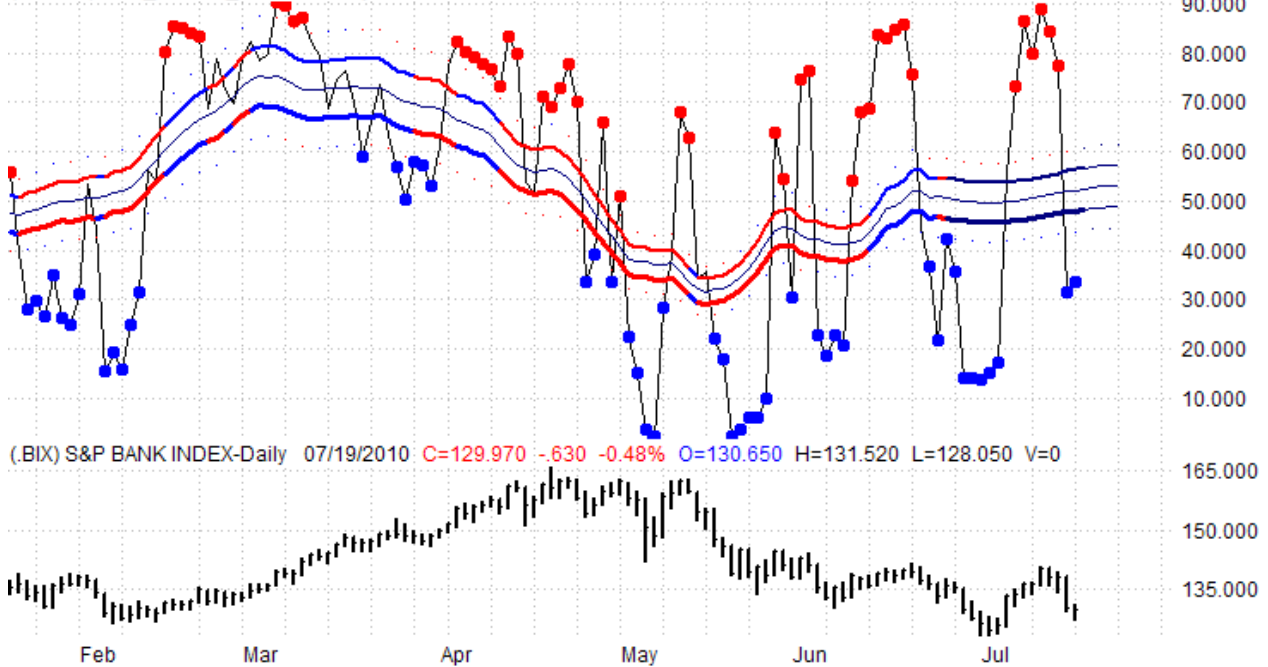
Energy Stocks - 10 Day

(100110) PER_CLOSE_ABOVE1-Daily 07/19/2010 C=39.151 +6.604 +20.29% O=39.151 H=39.151 L=39.151

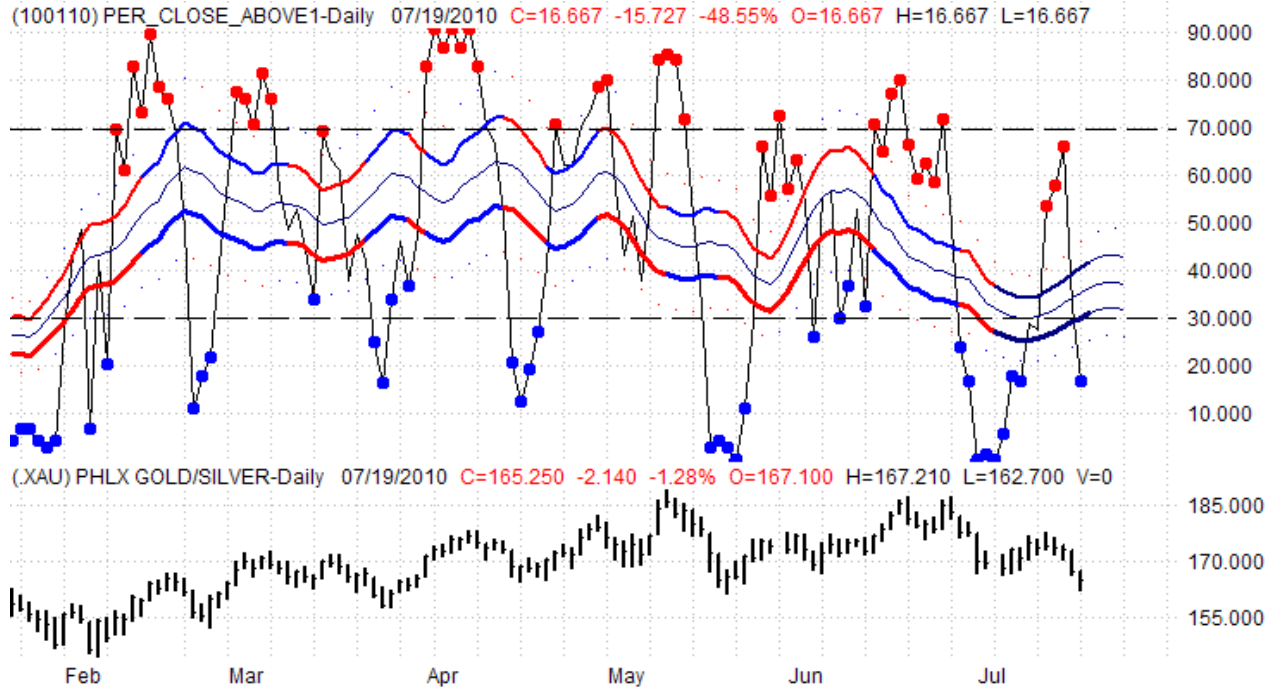


Financial Stocks - 10 Day

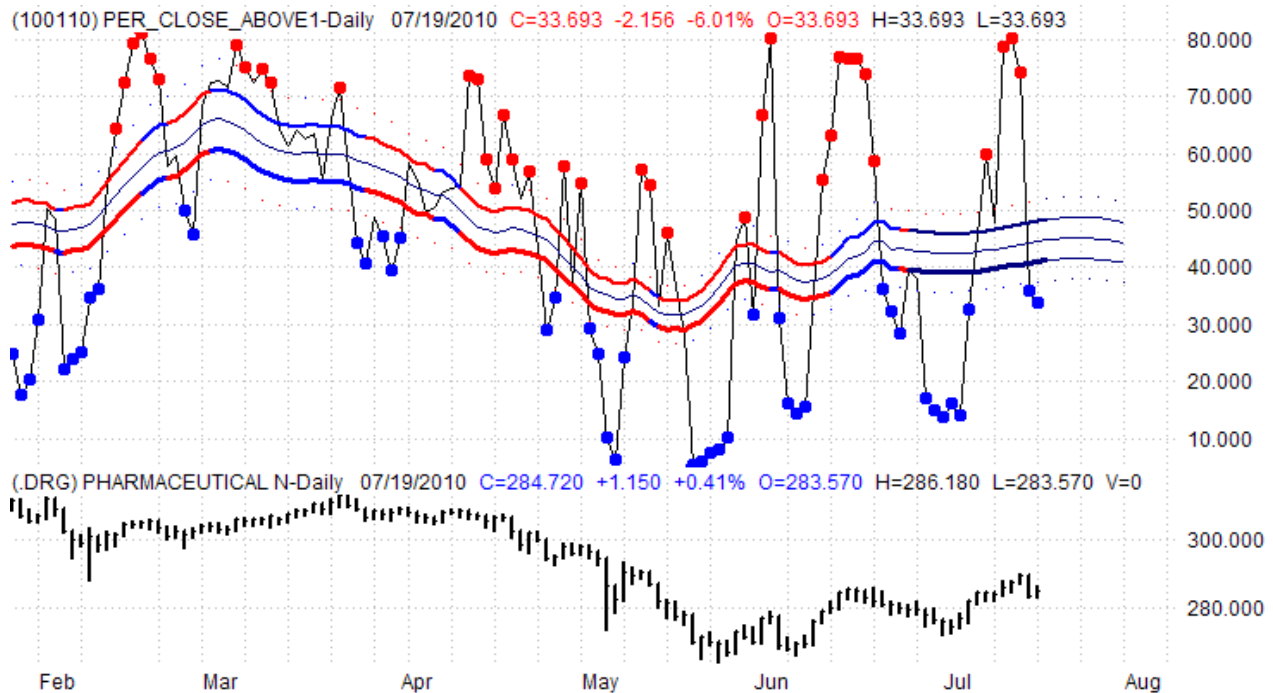
(100110) PER_CLOSE_ABOVE1-Daily 07/19/2010 C=33.333 +2.118 +6.79% O=33.333 H=33.333 L=33.333



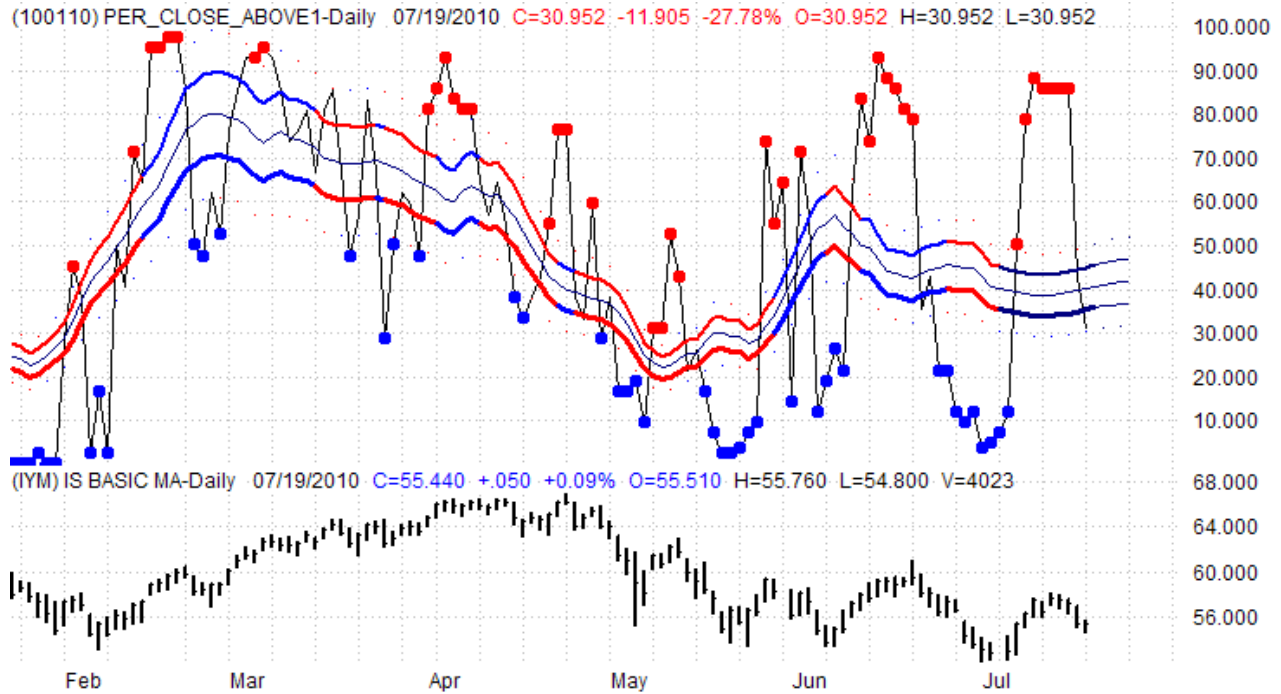
Gold Stocks - 10 Day



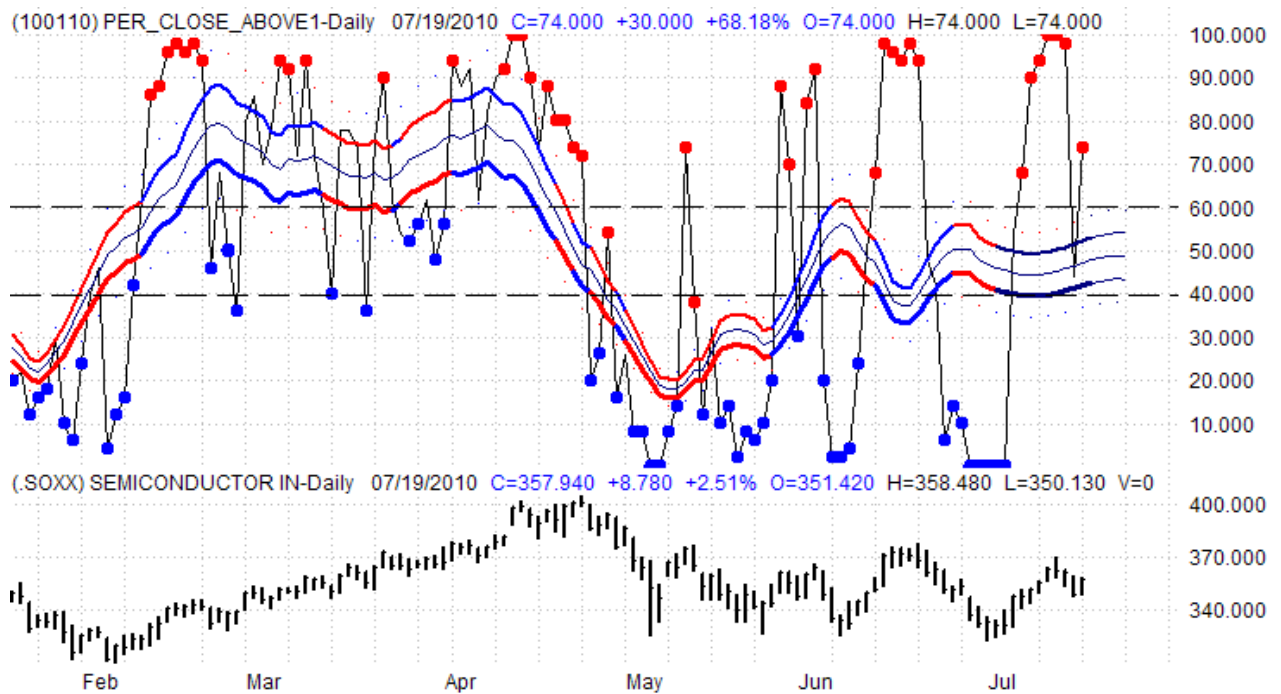
Health Care Stocks - 10 Day



Materials - 10 Day

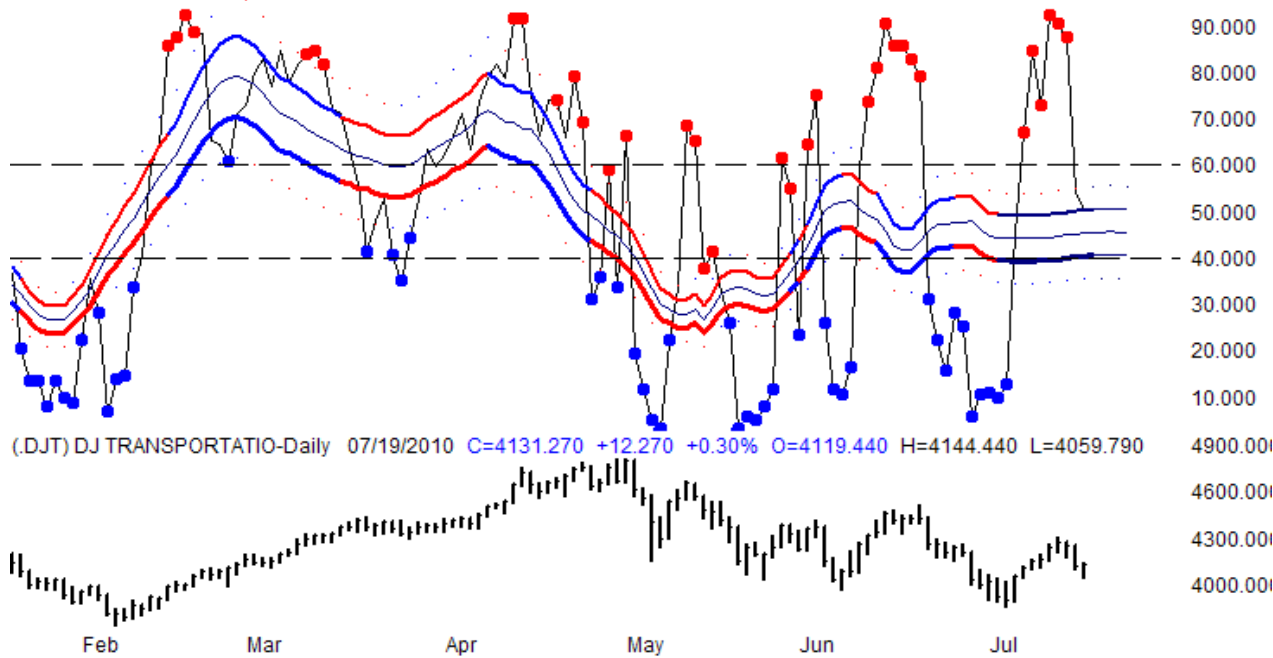


Semiconductor Stocks - 10 Day



Transportation Stocks - 10 Day

(100110) PER_CLOSE_ABOVE1-Daily 07/19/2010 C=50.485 -3.884 -7.14% O=50.485 H=50.485 L=50.485 V=905200



Stephen Whiteside

<http://www.theuptrend.com>
stephen@whiteside.com

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