Today's Overview

The major indices ticked higher after Tuesday's closing bell and peaked in Wednesday's pre-market, triggering U.S.-session gaps that attracted little buying interest. The S&P 500 held firm throughout a morning consolidation while the Nasdaq 100 bounced after filling its gap in the first hour. Good vibes intensified through the lunch hour, with index prices tagging new intraday highs and then stalling out. Those levels marked the daily highs ahead of an afternoon chop-fest that may continue overnight.

It was a stronger session than I expected, with follow-through after Tuesday's rally. The S&P 500 cleared 78.6% retracement resistance, setting up a test at the February high. The Nasdaq 100 closed right at that level and needs another up day to accomplish the same task. As noted with the transports and small-caps in tonight's Random Notes, bearish divergences will signal loudly if index prices return to the highs on this upswing. The divergences will then resolve and we'll get even higher prices, or the markets will reverse and confirm new trading ranges. I favor the second scenario for obvious reasons.

This morning’s ADP employment numbers hit modest expectations, effectively lowering anxiety levels ahead of Friday’s labor report. However, ADP has tracked the government’s report poorly for several months now, so we really don’t know what kind of numbers to expect. The first day of the new month and quarter continues the bullish bias, so anything that supports the growth curve should continue to attract buyers.

Copper futures sold off hard this morning and closed below the 50-day EMA after trading above that support level for the last five sessions. This reversal triggers a bearish divergence with other industrial measurements that could come into play early next month. Contract action since February now looks like a bull flag pattern, with two selloff waves and the likelihood of a third lower low that could reach the 200-day EMA, currently at $3.92 per pound.

I took one more shot at Green Mountain Coffee Roasters (GMCR) in the first hour of today’s session and stopped out quickly. I sold Mosaic (MOS) into a pre-market pop above $80 and stopped out of Aon (AON) in the final hour when it hit my breakeven stop. That was a disappointment, but the midday pullback was natural given resistance at the top of the triangle pattern.

(Continued on the next page)
I built a **Focus Media** (FMCN) position in pieces during the first 90-minutes of the session. The market depth screen actually provided useful information for a change because it showed excellent demand at $30.10 compared to the intraday volume. Of course, these are often phantom numbers painted by algorithms, but the bid stayed at $30.11 and above, indicating that machines were trying to keep real buyers from getting filled. I'm holding the stock this evening.

These kinds of small-scale observations are the basis of effective tape reading. Ironically, the most reliable tape messages don’t come from what the market does, but from what it doesn’t do. Those are ripples in the pond that create all sorts of convergence and divergence relationships that add depth to the price patterns we’re trying to decipher and give us the conviction to take risk before trends actually kick into gear.
Random Notes: Bullet Points on the Market

• The CBOE Volatility Index (VIX) is testing the four-day low.

• More recovery signals are emanating from the banks, so I would avoid new short positions here.

• Amazon (AMZN) has gone ballistic in the last two sessions, gaining more than 10 points.

• Salesforce.com (CRM) closed back above the 50-day EMA for the first time since Feb. 25.

• Thursday’s USDA planting report numbers will move the agricultural stocks.

• The SPDR S&P Retail ETF (XRT) hit a new high.

• Sears Holdings (SHLD) caught a strong bid, lifting price back above broken support.

• Chip stocks hung heavy all day, underperforming the broad averages.

• The Dow Jones Transportation Average (DJT) and Russell 2000 are testing their February highs. The funds that track these indices show major volume (OBV) divergences.

• Natural gas bounced ahead of President Obama’s energy speech.

• Credit card processors rallied on a report that the Federal Reserve will delay new debit card rules.
Daily Spotlight

**F5 Networks** (FFIV) posted a double top below $150 in December and January, and then sold off, breaking support near $130 and dropping into the 200-day EMA near $100. It bounced into February and reversed right at new resistance, rolling over and breaking the selloff low about two weeks ago. The stock stabilized near $91 and turned higher on Wednesday, pushing back toward the broken 200-day EMA.

This looks like a classic pullback into resistance, but seasonality could lift price a bit higher before sellers return in force. Remember that the 200-day EMA marks a zone, not a narrow line in the sand. In addition, short sellers have been aggressive with this issue and are likely to get cleaned out before the downtrend resumes. For now, I believe the $108-to-$110 area marks a final barrier that should not be crossed prior to another reversal.

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(Spotlight presents updated index analysis, quick takes on reader favorites and fresh views of active picks. The section belongs to our subscribers, so let Alan know what charts you would like to see by sending him your requests. Please note that Alan can’t answer all of your requests due to time and space restrictions. Spotlight stocks are not recommendations to buy or sell, and will not be placed on the Watch List.)
Watch List

- **Unit Corp.** (UNT) broke out to a new high and closed in a spinning top. *(long - 3/29/11)*
- **BJ’s Restaurants** (BJRI) rallied into resistance and stalled out. *(long - 3/29/11)*
- **American Express** (AXP) ticked higher, toward resistance at $47. *(long - 3/28/11)*
- **Green Mountain Coffee Roasters** (GMCR) tested channel resistance and pulled back. *(long - 3/23/11)*
- **Guggenheim Solar ETF** (TAN) ticked higher and is testing the February high. *(long - 3/23/11)*
- **Ascena Retail Group** (ASNA) rallied to a new high, confirming the breakout. *(long - 3/21/11)*
- **Bronco Drilling** (BRNC) rallied to a new high. *(long - 3/18/11)*
- **Aon** (AON) broke triangle resistance and reversed at February-high resistance. *(long - 3/17/11)*
- **Starbucks** (SBUX) bounced along three-day support near $36.50. *(long - 3/15/11)*
- **Blue Dolphin Energy** (BDCO) is trying to establish a higher low in the pattern near the 20-day SMA. *(long - 3/14/2011)*
- **La-Z-Boy** (LZB) is consolidating at the 50-day EMA. *(long – 3/10/11)*
- **SPDR KBW Bank ETF** (KBE) is testing 50-day EMA resistance. Avoid new short sales. *(short – 3/01/11)*
- **Crosstex Energy** (XTXI) chopped along the 20-day SMA. *(long – 2/28/11)*
- **Goldman Sachs** (GS) is trying to post a higher low. *(short – 2/22/11)*
- **Focus Media Holding** (FMCN) rallied to a new high on strong volume. *(long – 2/14/11)*
- **Pharmasset** (VRUS) is testing the rally high. *(long – 2/03/11)*
- **Polycom** (PLCM) broke out on average volume. *(long – 2/01/11)*
- **Northern Dynasty Minerals** (NAK) is stalled near $15 and could test the low soon. *(short –1/24/11)*
- **Sunrise Senior Living** (SRZ) closed at a new rally high. *(long – 1/07/11)*
Watch List Ticker

Average volume in UNT's breakout leaves the stock open to whipsaws. I believe it could drop into a rising channel ... SRZ may need further consolidation near the high ... I don't like PLCM volume at all ... BJRI has completed the pattern but is overbought after five rally days ... I'll bet something comes along to break GMCR's pattern, one way or the other ... TAN is nearing the unfilled gap from Feb 22 ... There's still no rush on AXP ... LZB could gather momentum, but there's plenty of resistance at $9.60 and $10 ... XTXI's relative strength will turn higher if it holds the current level for another session or two.
**MasTec (MTZ)**

*Today’s Close: $20.85 up $0.49*

**MasTec** (MTZ) broke out above 10-year resistance on heavy volume in February of this year and lifted to $21.16 earlier this month. The rally then stalled and gave way to a broad, symmetrical triangle pattern that’s still in place. A buying spike through $21 should reinstate the uptrend and support a move into the upper $20s. Buy the breakout or within narrow range at resistance.

Analysts note that the company may benefit from the proposed merger of **AT&T** (T) and T-Mobile. Price action has been solid during this corrective phase, with bullish accumulation. The setup shows excellent reward potential because there are few resistance levels above the February high all the way into the mid $30s. The stock has hit triangle support twice, but three hits is the norm, so a selloff to $19.50 is still possible.

(See second chart on the next page)
Sensata Technologies (ST) is a Netherlands-based American depositary receipt (ADR) that began trading on the U.S. exchanges in March 2010. It rallied to an all-time high in October and entered a strong uptrend that stalled on Feb. 18, when the company issued a secondary offering of 20 million shares. It found support at the 50-day EMA a few weeks later and returned to the high last week. It’s been moving sideways for the last four sessions and should break out soon.

Buy the breakout or within narrow range at resistance. The company is benefiting from a China industrial connection. The next buying spike will consume the last piece of overhead supply from the offering and place all those positions into a profit. This could trigger a momentum rally that lifts price quickly into the rising highs trendline, currently above $37. The company reports earnings on April 20.

(Sensata Technologies (ST) Today's Close: $34.12 up $0.62)
Guidelines and Frequently Asked Questions

For guidelines about the best way to use *The Daily Swing Trade* and for answers to the questions readers ask most often, a guide, "Your Questions Answered About Swing Trading," has been created.


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Alan Farley is a freelance writer and a contributor to RealMoney. TheStreet is a publisher and has registered as an investment adviser with the U.S. Securities and Exchange Commission.

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