Monday, April 7, 2003

Market Commentary: Nobody Said It Was Easy

Come up to meet you. Tell you I'm sorry.
You don't know how lovely you are.
I had to find you. Tell you I need you. Tell you I set you apart.
Tell me you secrets. And ask me your questions.
Aww, let's go back to the start.
Runnin' in circles, chasin' our tails, heads on the science apart.

Nobody said it was easy.
It's such a shame for us to part.
Nobody said it was easy.
No one ever said it would be this hard
Aww, take me back to the start.

I was just guessin' at numbers and figures. Pullin' the puzzles apart.
Questions of science.
Science and progress, do not speak as loud as my heart.
Tell me you love me.
Come back to haunt me. Oh when I rush to the start.
Runnin' in circles, chasin' our tails, comin' back as we are.

Nobody said it was easy.
Aww, it's such a shame for us to part.
Nobody said it was easy.
No one ever said it would be so hard.
I'm goin' back to the start.

The Scientist -- Coldplay

In more than 20 years of trading, just as I thought that I had seen nearly everything, the market shows that it has plenty more tricks up its sleeve. What a magic show. On Monday, like David Copperfield, the market showed that it could make Claudia Schiffer disappear. On Monday, a beautiful rally just plain disappeared into thin air.

The anticipated explosion turned into a fizzler. The explosion in volatility remains. They say traders love this kind of a market, but I'm not so sure, I don't know who they are. This kind of volatility is doing a good job of keeping investor cash sidelined.

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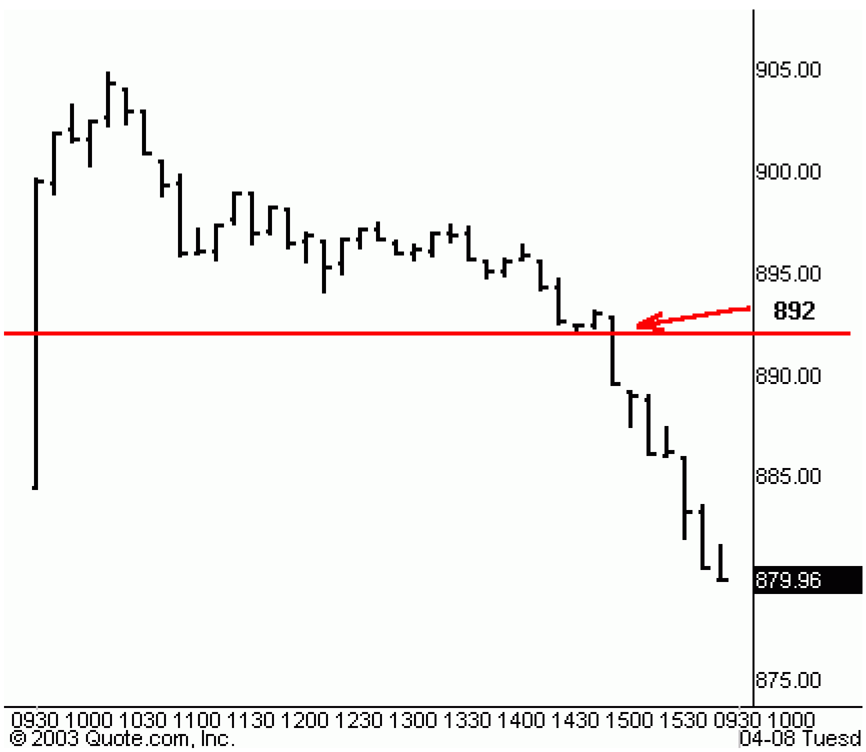
The bears will be out in force, saying that this was the top that they'd been looking for. Of course, they never caught the move up, and if they weren't chased out of their shorts on March 17, they're fostering some bad habits. As I like to say, the market usually (not always) gives a graceful exit. It provided that exit to the shorts on the pullback into March 31. If they didn't cover up then, the likelihood is that they covered up on Monday morning's torch job.

Pull Up a Seat to the Pullback

On the other side, the bulls have learned the hard way that it just doesn't pay to chase in this environment. So, while the bears' short-covering fuel was expended, the smart money players with the long-side bias likely kept their wallets on their hip, waiting to see the shape of the first intraday pullback.

At Monday morning's high, the **S&P** was up approximately 26 points. As the 10-minute chart below shows, the index pulled back to hold above 50% of that 26-point range, or 892, for three hours. However, when 892 was snapped, going into the last hour, the money managers had no reason to unfold their tents and do any additional buying. At the same time, the amateur hour (first-hour) traders coughed up their purchases.

S&P 500 -- 10-Minute



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They never said it was easy, did they. Although this is the last thing that I was expecting on a Second Mouse Move over the 200-day moving average, the buy setup is still valid. It has not been destroyed -- yet. The evidence hasn't changed. Although the S&P did reverse after tagging the intermediate sell signal from Jan. 16 to 17, and in doing so issued a Soup Nazi Sell Signal, one day does not a market make. What it does prove is:

- The significance of the resistance.
- The lack of participation as evidenced by low volume.
- The disposition of the market to be swung around by programmed trading, which is dominating today's market.

As you know, the market loves to keep everybody guessing. What looked like a clear-cut breakout likely will be quickly embraced by many technicians as a failure. I don't think that we should rush to judgment. I still think that the quarterly chart will turn up, and that the minimum measured move to 950 should play out. I still think that there is potential to 1050 S&P over the next three to six months. The question is how we get there. Remember that the fastest part of impulse moves -- if that's what we are in -- are typical of end-runs.

The other question we have to ponder is this: Is the cycle I was looking for into April 7-10 inverting, giving us a high? It is interesting that as you know April 7 is opposition or 180 degrees in time from the major Oct. 9-10 low. However, it is important to remember that it is not at all out of character for the market to "genuflect" and pay respect at these harmonics. This was one big genuflection, but remember that April 9-10 was one big turn. We shall see.

As my associate, Dave Reif, said after the close, "At the morning highs, I wasn't excited and celebrating. At the end of the day, I wasn't excited and upset. It's just what it is. It's just the kind of market we're in."

Conclusion: The buy signal on the weekly and monthly chart has been given. We have to give the dailies some room. Despite the probable shouts from the media about Monday's give up, the internals were firm.

THE DAYTRADING REPORT

Chart 1

Stryker
(SYK:NYSE)
Short

Entry: 64.25
Stop: 65.25
Pattern: Expansion Pivot/ LROD

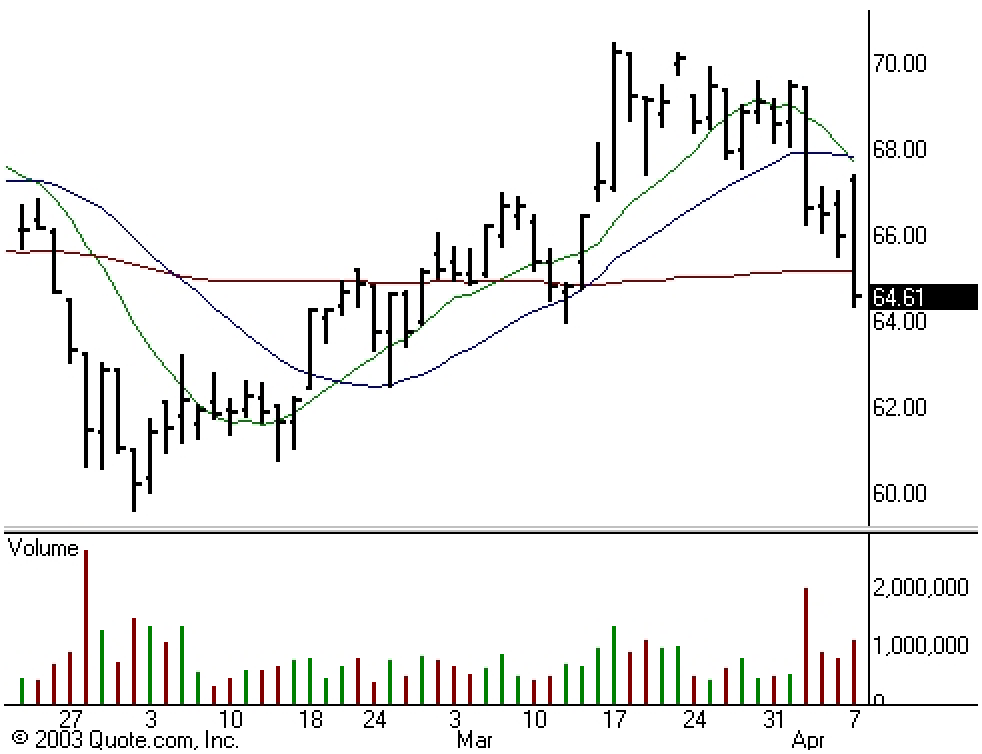


Chart 2

Apache
(APA:NYSE)
Short

Entry: 59.55
Stop: 60.55
Pattern: 180

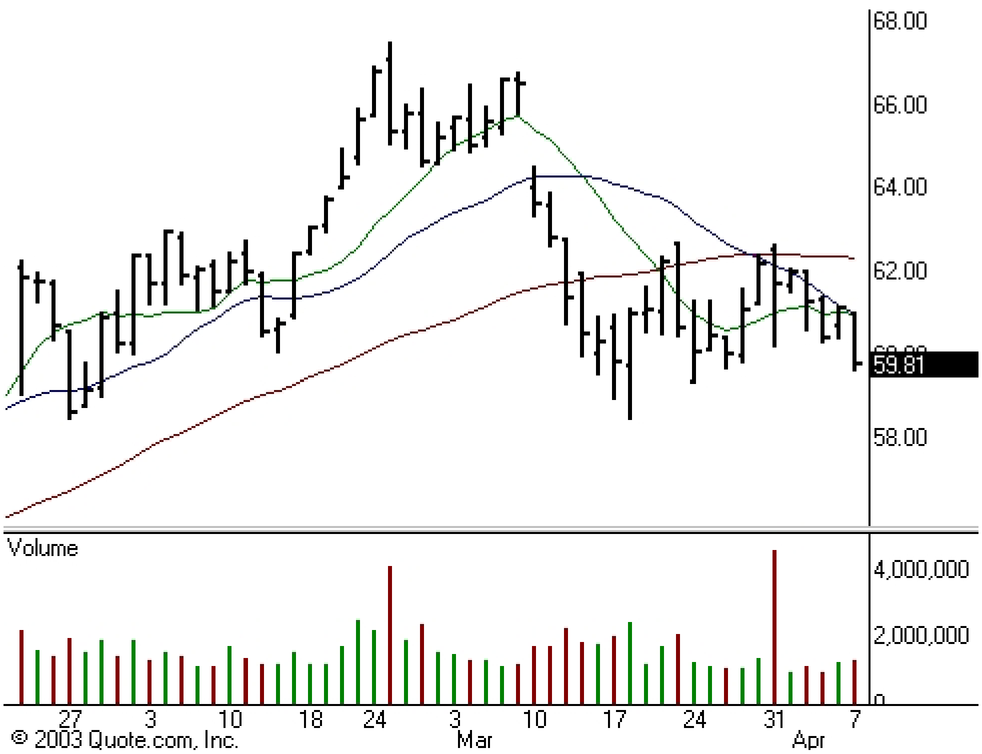


Chart 3

Old Dominion Freight Line ▲
(ODFL:Nasdaq)
Long

Entry: 34.75
Stop: 33.75
Pattern: 180

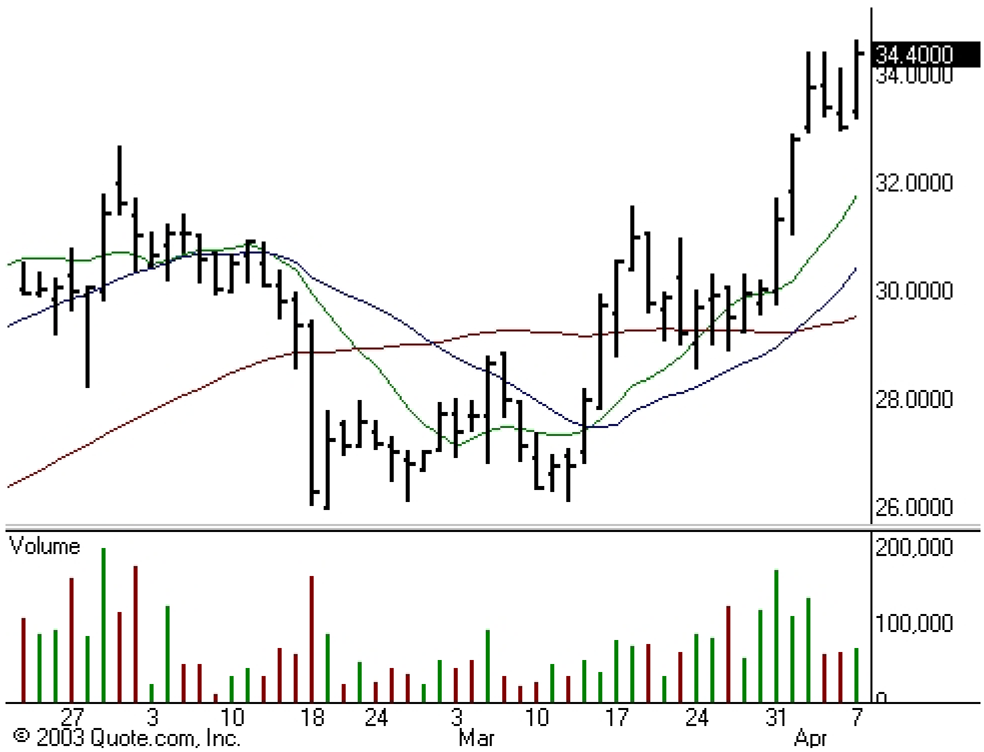
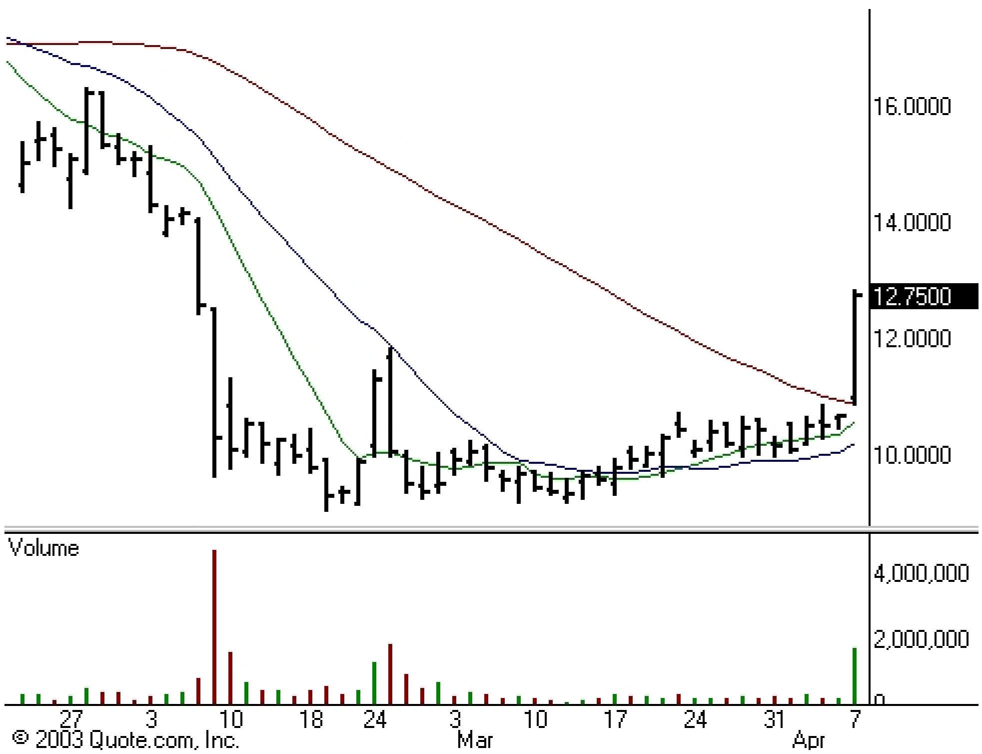


Chart 4

Blue Rhino
(RINO:Nasdaq)
Long

Entry: **12.95**
Stop: **12.45**
Pattern: **Expansion Pivot**

Comments: Cheapie du Jour



THE SWING REPORT

There are no Swing Report picks for Tuesday.

OBSERVATIONS AND TRAILING STOPS

-- Tuesday is day two in **Burlington Resources** (BR:NYSE) (long). We are long from 47.90. Maintain the stop at 46.85 and the initial target at 48.85.

-- Tuesday is day two in **Standard & Poor's Depositary Receipts** (SPY:Amex) (long). We are long from 90.20 on the gap open. Maintain the stop at 88.20 and the initial target at 91.75.

-- On Monday you should have sold your second piece of **Rambus** (RMBS:Nasdaq) (long) near 17.00 for a 2.35 gain. We made 95 cents on our first piece.

-- Tuesday is day five **AmerisourceBergen** (ABC:NYSE) (long). We are long from 53.00. Maintain the stop at 53.30. Use a target near 54.50 for your second piece.

-- Tuesday is day five in **Quiksilver** (ZQK:NYSE) (long). We are long from around 31.30. Maintain the stop at 32.30. Sell near the open as it is day five.

-- On Monday you should have sold your second piece of **Scotts Company** (SMG:NYSE) (long), locking in a 1.55 gain.

Notes and Guidelines

DayTrading Report:
Trades marked ▲ indicate stocks that are considered small-cap, trading 500K shares or less. As you know, thin stocks are generally more volatile and trade with a wider spread.

Trades marked * indicate patterns that don't conform to the original rules of the pattern but are defined as "in the spirit of" their namesakes.

The 1-Point Gap Rule: Any stock recommendation that opens 1 or more points above the listed entry price (for longs) or 1 or more points below the listed entry price (for shorts) should be ignored for the day. Please note that history suggests that entering a stock on a gap open increases your potential for a loss.

Reminders: A signal is not valid unless the stock trades at or above the listed entry price for longs and at or below the listed entry price for shorts. ***If a position moves 1 point in your favor in this choppy environment, it is a good idea to sell half the position and move your stop on the remaining position to break even.***

Charts: The green line is a simple 10-day moving average, the blue line is a simple 20-day moving average, and the red line is a simple 50-day moving average.

The Swing Report:
Trades marked ▲ indicate stocks that are considered small-cap, trading 500K shares or less. As you know, thin stocks are generally more volatile and trade with a wider spread.

Trades marked * indicate patterns that don't conform to the original rules of the pattern but are defined as "in the spirit of" their namesakes.

The 2-Point Gap Rule: Any stock recommendation that opens 2 or more points above the listed entry price (for longs) or 2 or more points below the listed entry price (for shorts) should be ignored for the day. Please note that history suggests that entering a stock on a gap open increases your potential for a loss.

Initial Target: Target price at which you should look to sell/cover half your position.

Reminders: A signal is not valid unless the stock trades at or above the listed entry price for longs and at or below the listed entry price for shorts. ***If a position moves 2 points or more in your favor in this choppy environment, it is a good idea to sell half the position and move your stop on the remaining position to break even.***

Charts: The green line is a simple 10-day moving average, the blue line is a simple 20-day moving average, and the red line is a simple 50-day moving average.

Money-Flow Timing Model:
If you are interested in information regarding the model, please visit:
http://www.mutualmoneyflow.com.

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