Market Commentary: Refuting Newton

First, let me say that my quote of an email yesterday from a bearish money manager was not meant as an attempt at an end-zone dance. Listen, we all have opinions. We've all been on the wrong side of the market. The point I was and am trying to make, in reflecting his message to me, was simply to say that this guy had it right. He made sense.

However, the market has its own agenda.

There are a lot of people who have got all the facts right. We all know the fundamental reasons why this thing shouldn't be going up. But it is.

Simply put, when it comes to relying on indicators, the market likes to press the bears' shorts as well as the bulls' shorts. Now all the bears have all the VIXES up their snouts. And the question is, given the "complacency" reflected by the VIXES, at what level, and who will squeal first? My guess is that the bears will squeal first.

If you're bearish and you see a setup developing, and the market wants to go higher, talks bullish and talks like it wants to go higher, there are only two things that you can do. You can stay out and discretion can be the better part of valor, or you can remain short and let it go up in your face.

Mind the Curve
In mid-March, I shed my bearish stance regarding an imminent break of 800 S&P. Remember, it's OK to guess wrong; the sin is in staying wrong too long. Does that mean the break of 800 can't happen in the future? Heck, I don't know.

You want to know what the secret to the market is? I'm going to tell you. It's something that one of the most astute technicians I've ever met told me years ago. The secret: Don't get ahead of the curve. Don't fixate on the next move; trade the move we're in now. (That technician is Dave Reif. I am proud to currently be associated with him.)

(Continued on the next page)
Of course, once the likelihood of a move is identified -- and that, in and of itself, is no piece of cake -- the hard part is to:

1. Stay with the move.

2. Figure out a likely projection or target.

3. Figure out where to put a trailing stop.

4. Figure out when the market is doing something seriously wrong, necessitating bailing out of the situation immediately.

**Conclusion:** I think the tip-off to the breakout was last Friday's action, when the S&P opened up, went red, but came on to close at the high of the session -- in the process giving the highest close since the key March 21 spike. Importantly, Tuesday's Lightening Rod (LROD) or Large Range Outside Day to the upside generated follow-through on Wednesday, further enhancing the odds that the quarterly chart will turn up.

The magnetism of the quarterly mark at 935 is strong. Once the Wheel starts turning, the magnetism of the next higher order of Time becomes too irresistible. If there is one thing I've learned in more than 20 years of trading, it is that the magnetism of the Wheel of Price and Time can violate the law of gravity -- for a while.
THE DAYTRADING REPORT

Chart 1

Mercury Interactive
(MERQ:Nasdaq)
Long

Entry: 36.50  
Stop: 35.50  
Pattern: *Jack-in-the-Box
Chart 2

Biogen
(BGEN:Nasdaq)
Long

Entry: 38.15
Stop: 37.15
Pattern: Expansion Breakout

© 2003 Quote.com, Inc. All rights reserved.
Chart 3

Sepracor
(SEPR:Nasdaq)
Long

Entry:  19.30
Stop:   18.55
Pattern: Expansion Breakout

Comments: Cheapie du Jour
Chart 4

Epiq Systems
(EPIQ:Nasdaq)
Long

Entry: Only on trade below 22.10 if the stock then turns green on trade above 22.30.
Stop: 1 point from entry
Pattern: Jack-in-the-Box
OBSERVATIONS

-- Firstwave Technologies (FSTW:Nasdaq) never triggered.

-- CheckFree (CKFR:Nasdaq) worked out nicely.

-- Always remember to look at the observations for plus-1 trades. In that vein, Radian Group (RDN:NYSE) still looks interesting, as does Lockheed Martin (LMT:NYSE).
THE SWING REPORT

Chart 1

Action Performance
(ATN:NYSE)

Long

Entry: 24.40  
Stop: 22.90  
Initial Target: 25.90

Pattern: Expansion Breakout

Comments: Wednesday's Expansion Breakout on increasing volume out of a large Cup & Handle pattern looks interesting.
Chart 2

Golden West Financial
(GDW:NYSE)
Long

Entry: 77.00  
Stop: 75.50  
Initial Target: 78.50

Pattern: Jack-in-the-Box
Chart 3

Overture Services
(OVER:Nasdaq)
Long

Entry: 16.80
Stop: 15.80
Initial Target: 18.40

Pattern: Continuation from yesterday's Low-Level Jack-in-the-Box

© 1996-2003 TheStreet.com, Inc. All rights reserved.
Verizon (VZ:NYSE)

Long

Entry: 36.35
Stop: 34.90
Initial Target: 37.80

Pattern: Expansion Pivot

Comments: Wednesday’s Expansion Pivot out of an Inverted Head-and-Shoulders bottom on increasing volume looks interesting.
## OBSERVATIONS AND TRAILING STOPS

-- On Wednesday you should have sold your second piece of **Open Text** (OTEX:Nasdaq) near 34.75, locking in a 2.75 gain.

-- Thursday is day four in **Allergan** (AGN:NYSE) (long). We are long from 72.70. We are out of the first piece. Raise the stop on the second piece to 73.00, and look to sell on any move toward 74.40.

-- Thursday is day seven in **Fair Isaac** (FIC:NYSE) (long). We are long from 50.75. We sold one-half our position at 52.20, locking in a 1.45 gain. Raise the stop to 51.00, and look to sell the second piece on any trade toward 53.40.

-- On Wednesday we sold the entire position of **NCR** (NCR:NYSE) near 21.60, locking in a 1.20 gain.

-- Thursday is day three in **Quiksilver** (ZQK:NYSE) (long). We are long from 30.90. Maintain the stop at 29.90 and the initial target at 32.90.

-- **Overture Services** (OVER:Nasdaq) did not trigger.

-- **Golden West Financial** (GDW:NYSE) did not trigger.

-- Thursday is day two in **GTech Holdings** (GTK:NYSE) (long). We are long from 33.90. Maintain the stop at 32.90 and the initial target at 35.90.
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.
Jeff Cooper, writer of The Trading Reports, is a financial markets author and trader, and a regular contributor to RealMoney, the premium subscription site of TheStreet.com.

At the time of publication, Mr. Cooper will not, directly or indirectly, have a position in any security that he discusses in The Trading Reports. HOWEVER, MR. COOPER MAY ENTER ORDERS TO PURCHASE OR SELL SECURITIES MENTIONED IN The Trading Reports AFTER 10:30 a.m. ET. ON THE TRADING DAY FOLLOWING THE DATE ON WHICH THE SECURITY IS MENTIONED IN The Trading Reports. IF YOU ENTER ORDERS TO BUY OR SELL SECURITIES AFTER 10:30 a.m. ET., IT IS POSSIBLE THAT MR. COOPER MAY HAVE PURCHASED OR SOLD THE SECURITY AT A PRICE MORE ADVANTAGEOUS THAN THE PRICE YOU WILL OBTAIN.

Mr. Cooper is not registered as a securities broker-dealer or an investment adviser either with the U.S. Securities and Exchange Commission or with any state securities regulatory authority. The Trading Reports contains Mr. Cooper's own opinions and is provided for informational purposes only. You should not rely solely upon The Trading Reports for purposes of transacting securities or other investments, and you are encouraged to conduct your own research and due diligence, and to seek the advice of a qualified securities professional, before you make any investment. None of the information contained herein constitutes, or is intended to constitute a recommendation by Jeff Cooper or TheStreet.com, Inc. of any particular security or trading strategy or a determination by Jeff Cooper or TheStreet.com, Inc. that any security or trading strategy is suitable for any specific person. To the extent any of the information contained herein may be deemed to be investment advice, such information is impersonal and not tailored to the investment needs of any specific person.