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Market Commentary: Cycle Turning Point Has Come and Gone

Market participants sent stocks broadly lower Wednesday. The excuse for the profit-taking came from a disappointing/lackluster outlook from **Cisco Systems** (CSCO:Nasdaq).

"Cisco joins the long line of technology companies reporting good but rather uninspiring earnings. And earnings are not enough to get people really excited," said the equity strategist Peter Boockvar at Miller Tabak.

With the **S&P 500** at resistance after a good rally, you are bound to get some hesitation, which is what we saw on Monday and Tuesday. Mix in the Cisco news and you have the catalyst for a selloff.

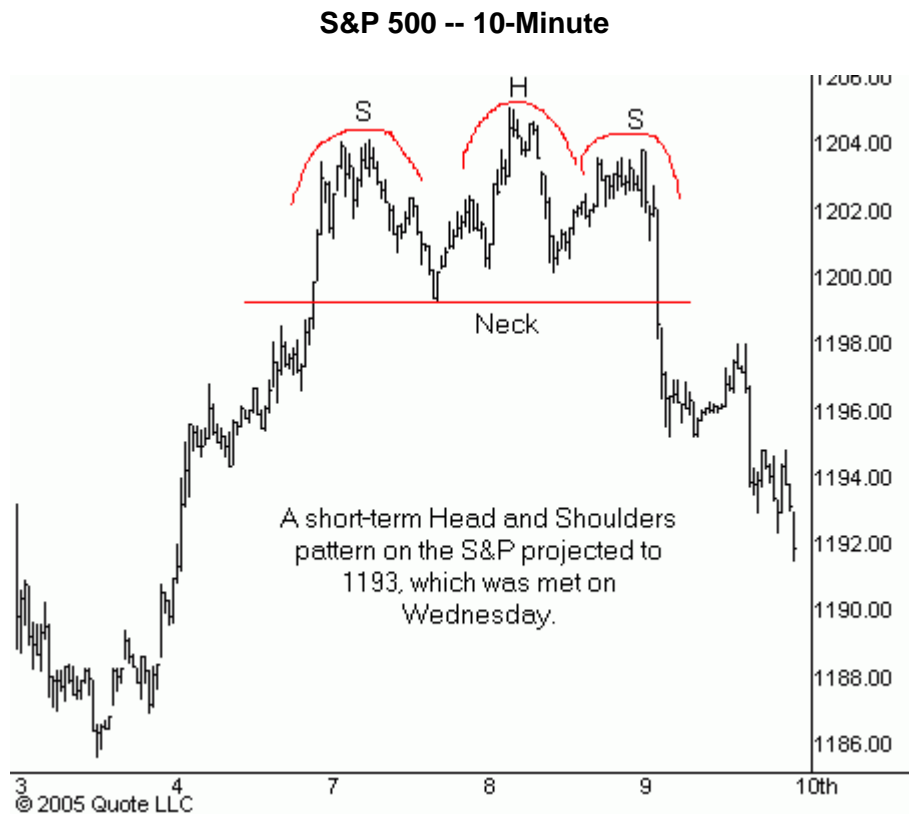
Yesterday, I mentioned the deluge of initial public offerings due this week. Most of them rolled out on Wednesday. Perhaps this supply was just too much for the market to bear. Consequently, when the neckline at 1200 on the S&P (see the chart below) snapped, trailing stops sent the S&P immediately down to first support at 1193. Also of concern was the price action on Wednesday in leaders such as **Google** (GOOG:Nasdaq), which looks like it may have put in a double top. A second close on Google below its 50-day moving average at Wednesday's low at \$189 would be a red flag. Likewise, **Apple Computer** (AAPL:Nasdaq) reversed, with an outside day down from a square (\$81 or 9 squared) that is also troublesome.

Additionally, **Phelps Dodge** (PD:NYSE) has given an Angular Rule of Four Sell Signal and looks poised to test its 200-day moving average near 88. Phelps Dodge closed just above \$90 on Wednesday.

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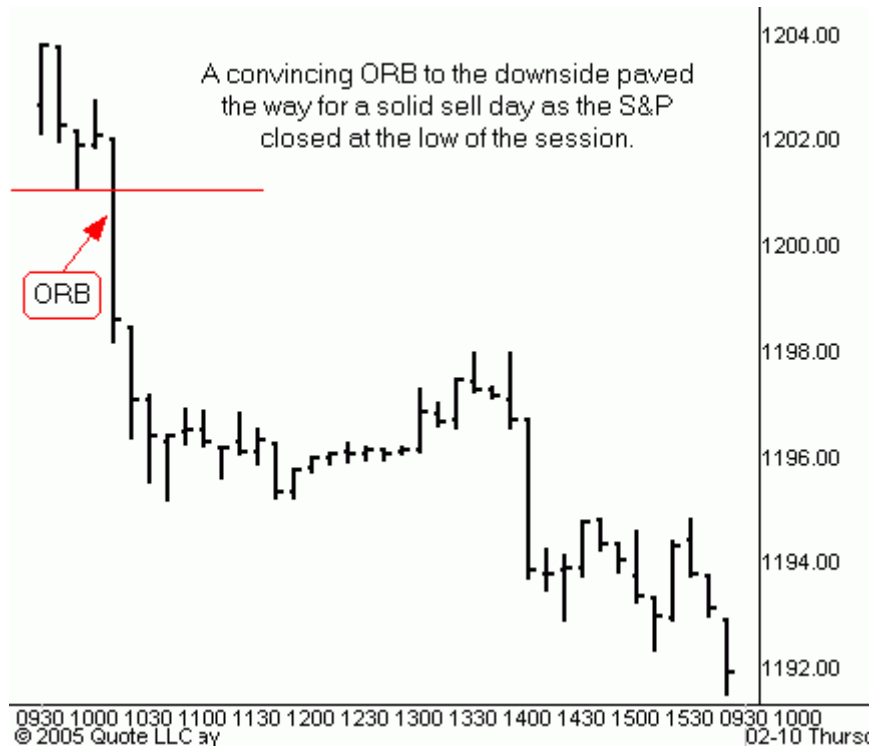
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Conclusion: Our cycle turning point of Feb. 9 has come and gone and stocks reacted meaningfully. Back up through 1200 S&P and holding indicates 1225 to 1250. Possibly 1225 will be reached as early as options expiration next week. A move below 1183 that holds indicates a decline into March. A first-hour low on Thursday will be critical to avert a bad day and a poor weekly close.



Pivot Points

S&P 500 -- 10-Minute



THE DAYTRADING REPORT

Chart 1

**Apollo Group
(APOL:Nasdaq)
Short**

**Entry: 75.65
Stop: 76.65
Pattern: Expansion Pivot**

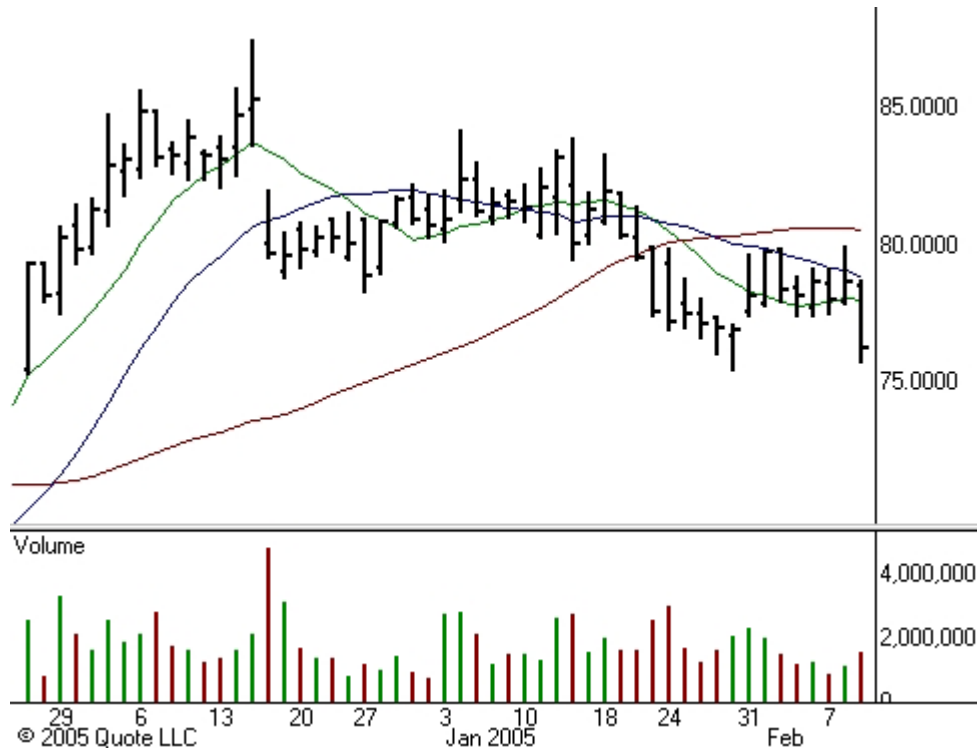


Chart 2

**American Pharmaceutical Partners
(APPX:Nasdaq)
Short**

Entry: 45.85
Stop: 46.85
Pattern: Hook, Line, & Sinker



THE SWING REPORT

Chart 1

Air T
(AIRT:Nasdaq)
Long

Entry: 20.60
Stop: 19.60
Initial Target: 22.60 (trade toward)

Pattern: NR7



Chart 2

**Parker-Hannifin
(PH:NYSE)
Short**

**Entry: 65.60
Stop: 67.60
Initial Target: 63.60 (trade toward)**

Pattern: 180 / Pullback Pivot



Chart 3

**Teekay Shipping
(TK:NYSE)
Long**

Entry: 46.70
Stop: 44.70
Initial Target: 48.70 (trade toward)

Pattern: Cooper 1-2-3 Pullback +1



OBSERVATIONS AND TRAILING STOPS

-- Thursday is day two in **Valero Energy** (VLO:NYSE) (long). We are long from 59.60. Maintain the stop at 57.60 and the initial target on trade toward 61.60. As of Wednesday's close, we are down 86 cents.

-- **Air T** (AIRT:Nasdaq) (long) did not trigger and we are using it again.

-- Thursday is day four in **Timberland** (TBL:NYSE) (long). We are long from 66.80. On Wednesday, we sold our first piece at around 69.35 on a gap open, locking in a gain of 2.55. Raise the stop to 71.00 on the second piece. As of Wednesday's close, we are up 5.52 on the second piece.

-- Thursday is day six in **Affiliated Computer Services** (ACS:NYSE) (short). We are short from 53.35. On Wednesday, we covered our first piece at 52.50, locking in a gain of 85 cents. Lower the stop to 53.35 to break even on the second piece, and look to cover the second piece on trade toward 50.00. As of Wednesday's close, we are up 73 cents.

-- Thursday is day seven in **Grupo Televisa** (TV:NYSE) (long). We are long from 61.66 on a gap open. On Tuesday, we sold our first piece at around 63.00, locking in an approximate gain of 1.34. Maintain the adjusted stop at 61.66 for the second piece. As of Wednesday's close, we are up 94 cents on the second piece.

-- Thursday is day 11 in **NCR** (NCR:NYSE) (long). We are long from a gap open at around 34.45. A week ago Wednesday, we sold our first piece, locking in a gain of approximately 1.25. Maintain the adjusted stop at 36.25 for the second piece and continue to hold. As of Wednesday's close, we are up 2.25 on the second piece.

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.

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