



Page 1	Market Commentary: Reversal of Fortune
Page 4	The DayTrading Report: ISRG and FD
Page 6	The Swing Report: DCAI, APD, NC, Observations and Trailing Stops
Page 10	The Trading Reports Hit List
Page 11	Notes and Guidelines

Market Commentary: Reversal of Fortune

After breaking out a week ago Friday, momentum has picked up to the downside.

This Friday's close shows a significant reversal of fortune as the **S&P 500** finished at 1200.10 -- down 22 points from last Friday's close.

As discussed in Friday morning's piece, the bounce back up to our 1210 S&P pivot proved to be just that -- a bounce back. Although the index started up initially Friday morning, as anticipated, the 1210 level broke after the first hour and an Opening Range Breakdown set the tone for a trend day down.

Although the weekly chart did not turn down, as the S&P traded down precisely to last week's low of 1198.15, an outside day down was carved out along with a convincing close below a week-ago Friday's Real Accumulation Day.

I do not have any volume data yet, but there is a solid possibility that another Real Distribution Day was scored. That would give two Real Distribution Days in the last three days for a powerful Piggyback Sell Signal. Additionally, the weekly bar on the S&P wiped out last week's bar completely. This is not a good sign on the heels of a breakout.

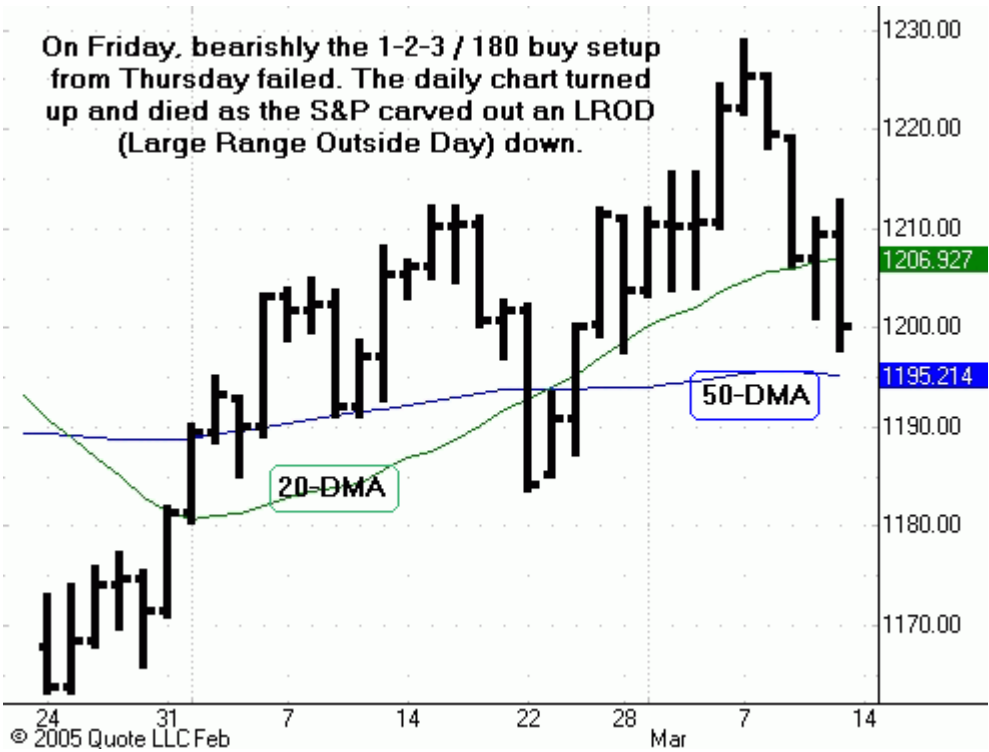
Furthermore, the breakdown in parabolic arcs by leaders such as **Apple** (AAPL:Nasdaq) and the housing stocks, as well as the stab down in the energy sector on Thursday, makes me wonder where the point count for higher prices in the S&P will come from. I'm also wondering whether this week's rout was mere profit-taking or whether it defined a high.

Conclusion: A break of the 50-day moving average on the S&P, now at 1195, and the 1198 *square*, that shows a pickup in momentum, suggests a sharp decline toward the cyclicity at the end of March.

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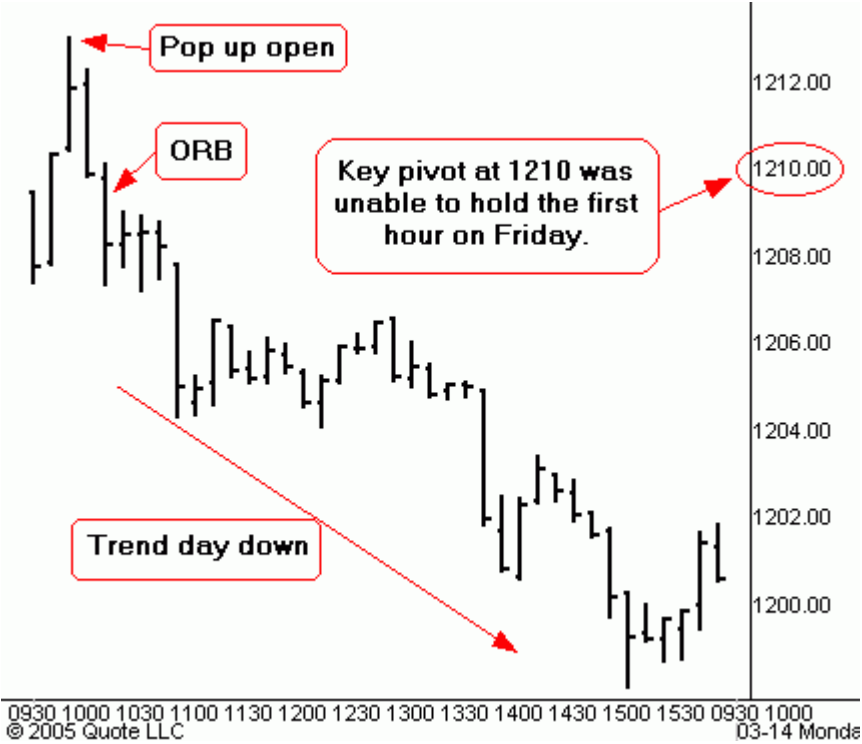
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S&P 500 -- Daily



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S&P -- 10-Minute



THE DAYTRADING REPORT

Chart 1

**Intuitive Surgical
(ISRG:Nasdaq)
Long**

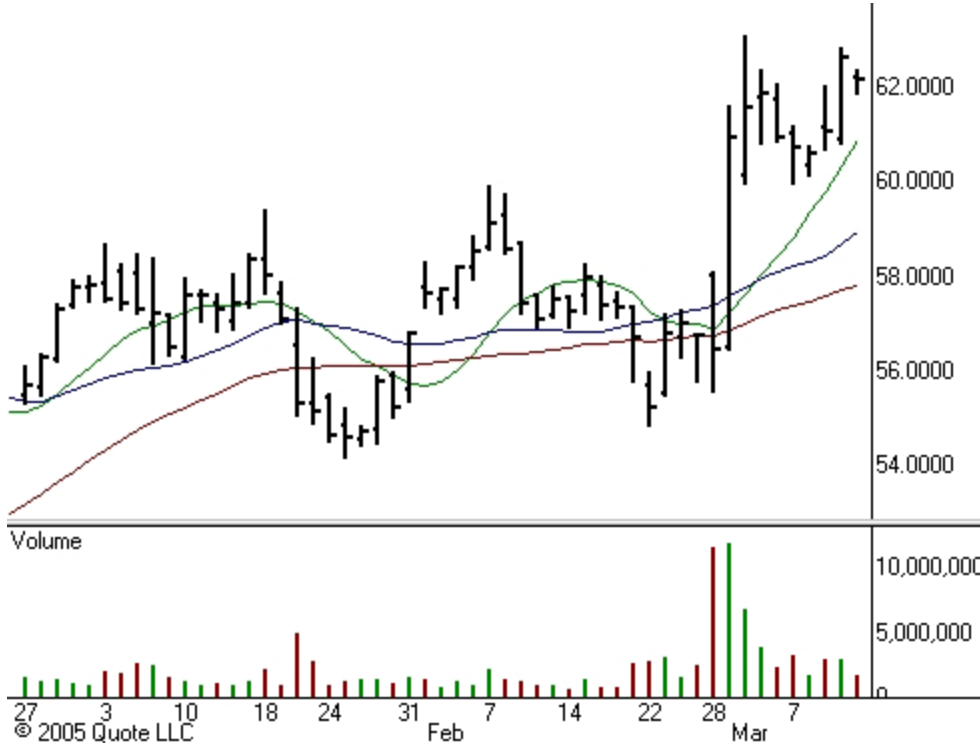
**Entry: 46.00
Stop: 45.00
Pattern: Expansion Pivot / 180**



Chart 2

**Federated Department Stores
(FD:NYSE)
Long**

**Entry: 62.90
Stop: 61.90
Pattern: NR7**



THE SWING REPORT

Chart 1

Dialysis Corporation of America ▲
(DCAI:Nasdaq)
Long

Entry: 27.00 officially, or an
Opening Range Breakout
(an opening above the first
half-hour's range)

Stop: 25.00
Initial Target: 29.00 (trade toward)

Pattern: V Thrust

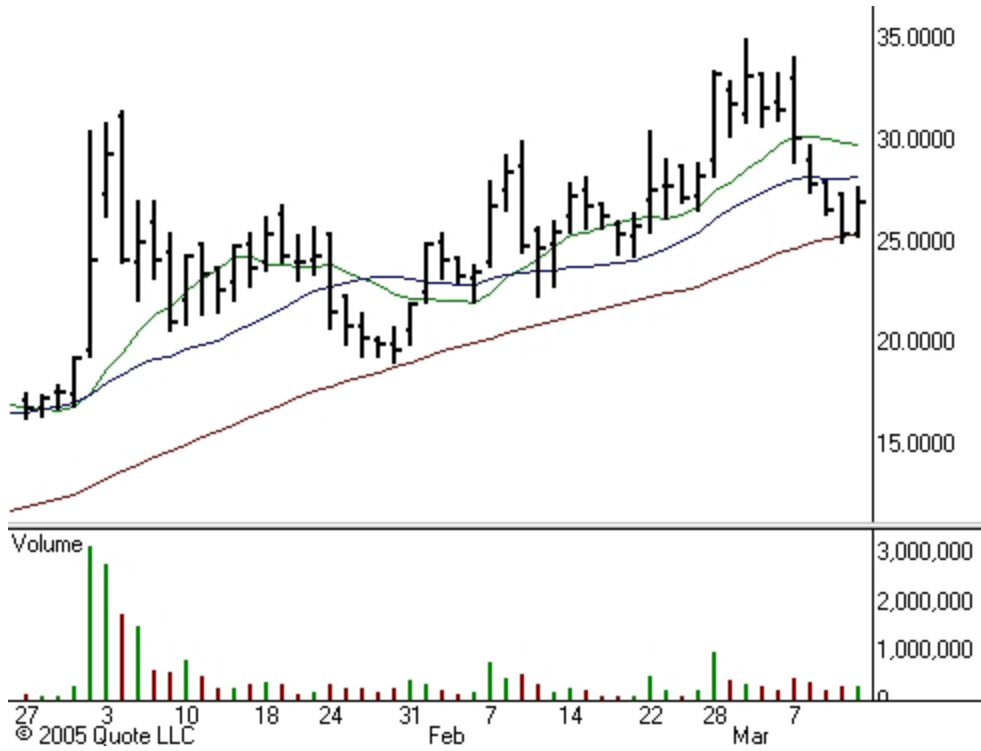


Chart 2

**Air Products and Chemicals
(APD:NYSE)
Long**

Entry: 64.30
Stop: 63.30
Initial Target: 65.70 (trade toward)

Pattern: * Cooper 1-2-3 Pullback / 180

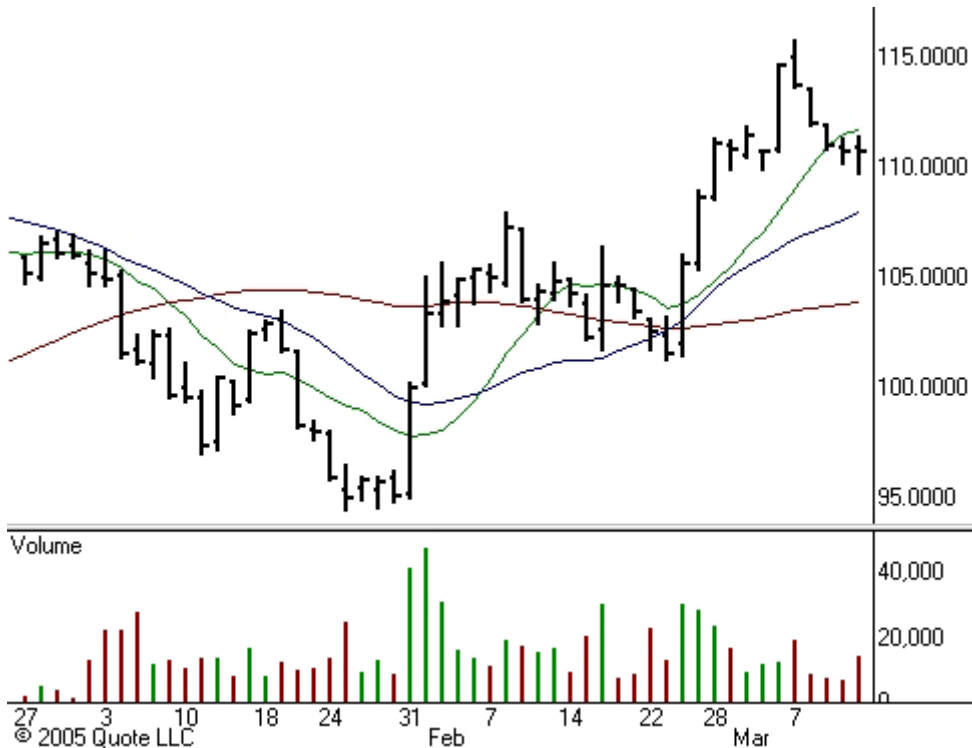


Chart 3

**NACCO Industries
(NC:NYSE)
Long**

Entry: 111.60
Stop: 109.60
Initial Target: 113.60 (trade toward)

Pattern: Cooper 1-2-3 Pullback +1



OBSERVATIONS AND TRAILING STOPS

-- Monday is day two in **Express Scripts** (ESRX:Nasdaq) (long). We are long from 86.40. Maintain the stop at 84.60 and the initial target on trade toward 88.20. As of Friday's close, we are down 55 cents.

-- Monday is day two in **Abercrombie & Fitch** (ANF:NYSE) (long). We are long from 57.00 on a gap open. Maintain the stop at 55.50 and the initial target on trade toward 58.40. As of Friday's close, we are up 50 cents.

-- Monday is day four in **Newmont Mining** (NEM:NYSE) (long). We are long from 46.45. Maintain the stop at 44.45 and the initial target on trade toward 48.45. As of Friday's close, we are down 77 cents.

-- Monday is day four in **bebe stores** (BEBE:NYSE) (long). We are long from 32.55. Raise the stop to 32.00 and lower the initial target on trade toward 33.60. As of Friday's close, we are up 42 cents.

-- Monday is day eight in **FactSet Research** (FDS:NYSE) (short). We are short from 32.75. Lower the adjusted stop to 32.00. Since Monday is day eight, cover your first piece on any early trade below 31.50. As of Friday's close, we are up 1.25.

-- Last Monday in **Navteq** (NVT:NYSE) (long), we sold our first piece on trade toward 45.00 for a gain of 1.60. On Friday, we were stopped out of our second piece at 47.50, locking in a gain of 4.10.

THE TRADING REPORTS HIT LIST

For the week beginning March 14, 2005

The following is a list of those strongly trending stocks (up and down) that my work shows to be the most interesting for the current week. Not all strongly trending stocks are created equal. The following stocks are culled from screens that meet my proprietary criteria based on patterns, time and price.

Uptrending

Sepracor (SEPR:Nasdaq)
Apple Computer (AAPL:Nasdaq)
Tessera Technologies (TSRA:Nasdaq)
Hydril (HYDL:Nasdaq)
Intuitive Surgical (ISRG:Nasdaq)
Cleveland Cliffs (CLF:NYSE)
Peabody Energy (BTU:NYSE)
Valero Energy (VLO:NYSE)
NCR (NCR:NYSE)
Abercrombie & Fitch (ANF:NYSE)
Alcon (ACL:NYSE)
Cognizant Technology (CTSH:Nasdaq)
Sunoco (SUN:NYSE)
Global Sources (GSOL:Nasdaq)
JLG Industries (JLG:NYSE)
Express Scripts (ESRX:Nasdaq)
Bausch & Lomb (BOL:NYSE)
Urban Outfitters (URBN:Nasdaq)

Downtrending

eBay (EBAY:Nasdaq)
Affiliated Computer Services (ACS:NYSE)
Black Box (BBOX:Nasdaq)
Manpower (MAN:NYSE)
CDW (CDWC:Nasdaq)
Digital River (DRIV:Nasdaq)
FactSet Research (FDS:NYSE)
Zimmer (ZMH:NYSE)
Tech Data (TECD:Nasdaq)
Allergan (AGN:NYSE)
Zoll Medical (ZOLL:Nasdaq)
Apollo Group (APOL:Nasdaq)

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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