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Market Commentary: Pressure Increases

A lack of follow-through Wednesday and a weak close on our Holy Grail Sell Signal led to more pressure Thursday.

Despite the early lackluster rally Thursday morning that again tested the 20-day moving average of the **S&P**, stocks weakened on an Opening Range Breakdown (ORB).

The close near the low of the month virtually guarantees a turn down of the monthly chart in early July. That will occur on trade below the June low, which is only 3 points away at 1188.30. That will likely also give us a test of the important 50-day moving average at 1185.50.

The behavior on such a turn down in early July of the monthly chart, if it occurs, could set up one of the most important turns of the year -- a turn that could at least be as important as the low made shortly after the quarterly chart turned down in April. A failure to find a low and gain traction shortly after the monthly chart turns down (if it does) would be a bearish signal.

However, because many traders/investors/technicians may be looking at the current pattern for the year as a probable Head and Shoulders topping pattern with the head being positioned in March, and because the theory of perversity in the market usually holds sway, it would not surprise me to see traders magnetized to the short side with bearish sentiment picking up and running for the roses if 1210 is converted -- in other words, if 1210 can be recaptured in short order going into early July.

(Continued on the next page)

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I would not be surprised to see a two- to three-week run that would be a harmonic of both the 1990 and 1998 cycle if the market can gain traction from this level.

Remember also that 1191 is important, as it is where the monthly chart last turned up. Consequently, any break of 1191 that holds with 1191 not being able to be regained in short order would be bearish behavior. Let's keep in mind also that bullish sentiment is strong with 55% bulls and only 19% bears. This would suggest that we cannot be complacent about price action that refuses to hold the 50-day moving average.

THE DAYTRADING REPORT

Chart 1

**Global Payments
(GPN:NYSE)
Long**

Entry: 68.40 or an Opening Range Breakout (ORB)
Stop: 67.40
Pattern: *Expansion Pivot

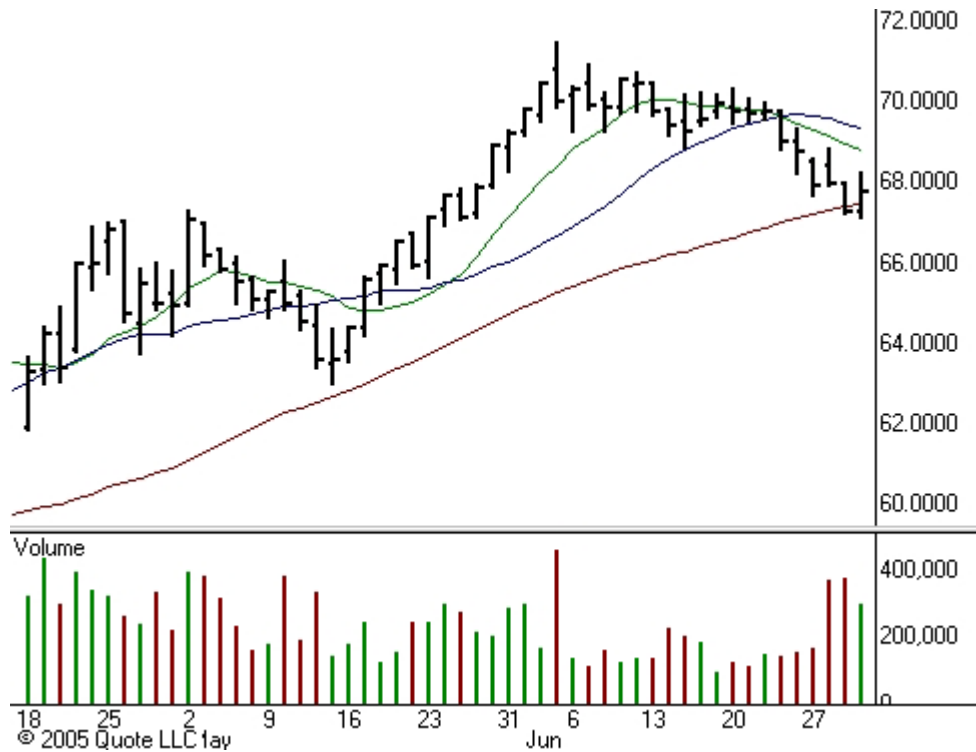


Chart 2

**Micros Systems ▲
(MCRS:Nasdaq)
Short**

**Entry: 44.40
Stop: 45.40
Pattern: Holy Grail**

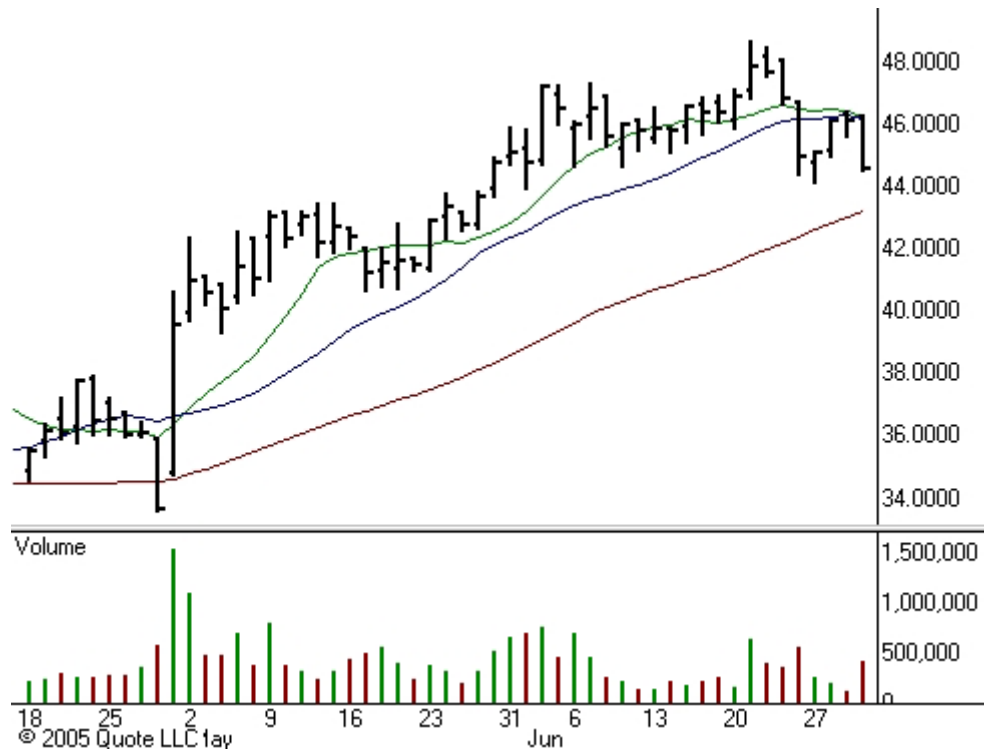


Chart 3

**NCR
(NCR:NYSE)
Short**

**Entry: 34.70
Stop: 35.70
Pattern: Expansion Pivot**

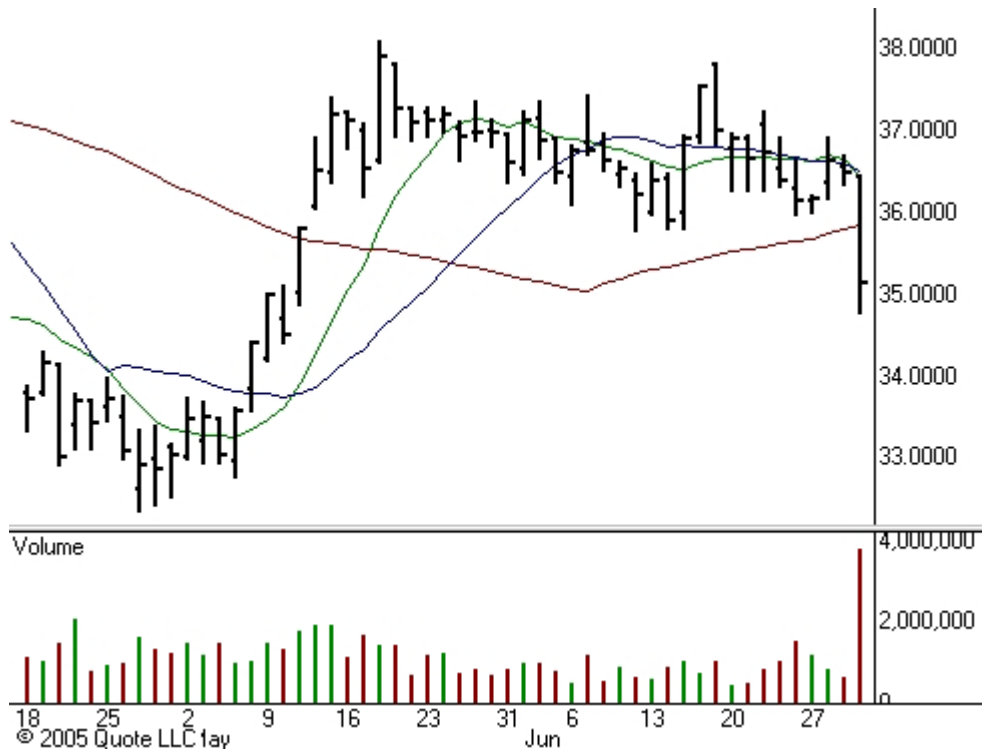
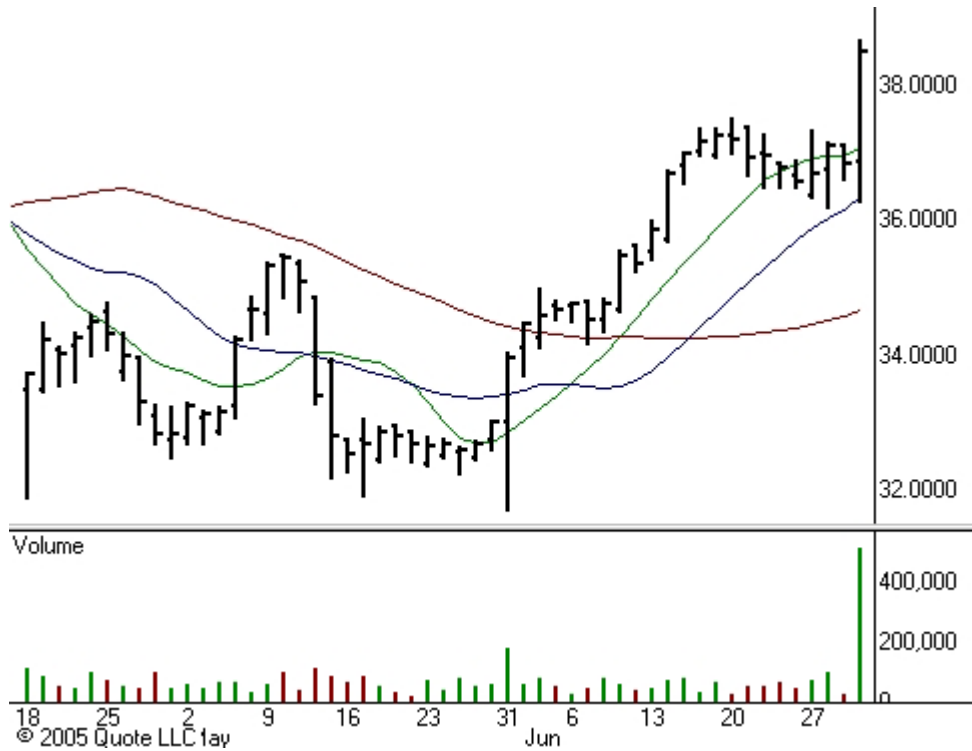


Chart 4

**Resource America ▲
(REXI:Nasdaq)
Long**

Entry: 38.80 (see comments)
Stop: 37.80
**Pattern: Expansion Breakout / Volume
Expansion Breakout**

Comments: This one is extremely thin. This is *not* an official setup, but it needs to be observed.



THE SWING REPORT

Chart 1

Avid Technology
(AVID:Nasdaq)
Short

Entry: 53.05
Stop: 55.05
Initial Target: 51.05 (trade toward)

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

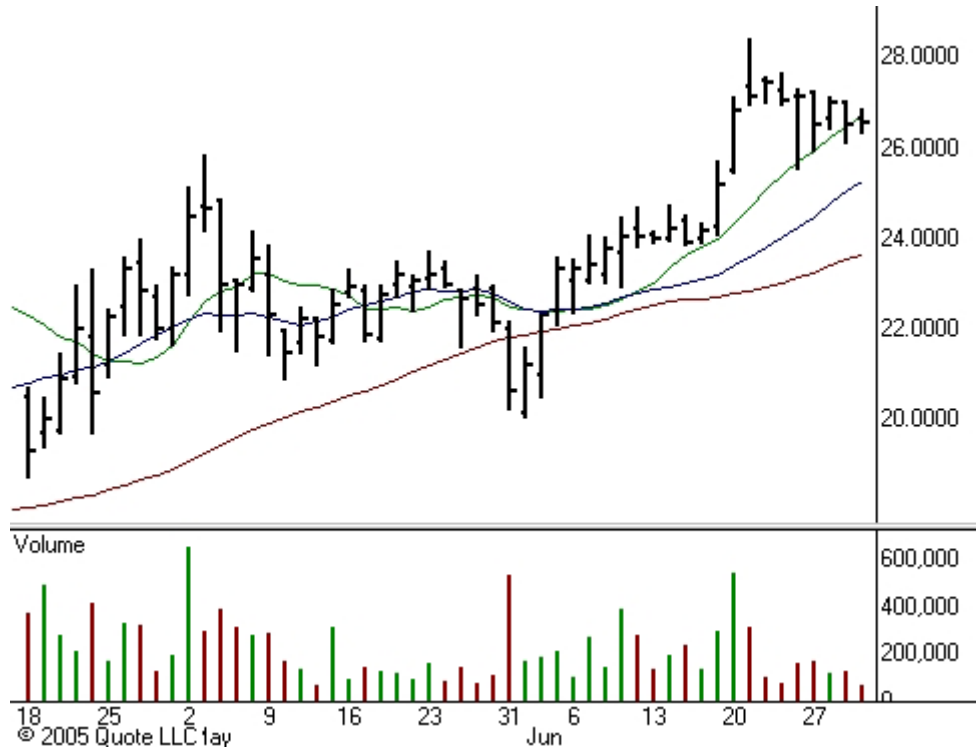


Chart 2

**Radiation Therapy Services
(RTSX:Nasdaq)
Long**

Entry: 27.00
Stop: 25.50
Initial Target: 28.50 (trade toward)

Pattern: NR7 Pullback



OBSERVATIONS AND TRAILING STOPS

-- Friday is day two in **USG** (USG:NYSE) (short). We are short from around 42.80. Maintain the stop at 44.90 and the initial target on trade toward 40.90. As of Thursday's close, we are up 30 cents.

-- In **Cleveland-Cliffs** (CLF:NYSE) (long), we were stopped out at 57.50 for a loss of 2.00.

-- Friday is day three in **bebe stores** (BEBE:Nasdaq) (long). We are long from 27.55. Maintain the stop at 25.55 and the initial target on trade toward 29.55. As of Thursday's close, we are down 1.08.

-- Friday is day four in **Coach** (COH:NYSE) (long). We are long from 32.30. We sold our first piece on trade toward 34.10, locking in a gain of 1.80. Raise the stop to 33.20 on the second piece. As of Thursday's close, we are up 1.27 on the second piece.

-- Friday is day four in **Navteq** (NVT:NYSE) (long). We are long from 37.80 on a gap open. Maintain the stop at 35.75 and the initial target on trade toward 39.75. As of Thursday's close, we are down 62 cents.

-- Friday is day four in **Peabody Energy** (BTU:NYSE) (long). We are long from 52.90. Maintain the adjusted stop at 51.50 and maintain the initial target on trade toward 54.90. As of Thursday's close, we are down 86 cents.

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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