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Market Commentary: Wait for More Evidence

It was a choppy, indecisive day. Even early strength in some of the commodity stocks waned -- except for the oils, which held their own as the new oil ETF, **United States Oil Fund** (USO:Amex) was introduced. Was oil's move on Monday up to \$69 a byproduct of Venezuelan and Nigerian geopolitics, or was it more related to the introduction of the oil ETF? Weakness in the ETF on Tuesday may suggest the oils have some work in store.

But I wouldn't get in front of the oil locomotive just \$2 off its old-time high, betting on a double top without any evidence.

Although there was no downside follow-through on Monday, today's action may simply prove to be a narrow-range pause day. Although the key 1295 breakout level on the **S&P 500** held on a closing basis, Monday may simply be a turning pause day prior to the plug being pulled once again -- so heads-up.

A look at some of the stocks I've been following, such as **Starwood Hotels & Resorts** (HOT:NYSE), **F5 Networks** (FFIV:Nasdaq) and **Psychiatric Solutions** (PSYS:Nasdaq), show just how quickly a stock can go from a new swing high to its 50-day moving average or substantially below that moving average. Is that what's in store for the S&P?

Tuesday should be the key for the week as this will be basically a quiet holiday, light-volume trading week.

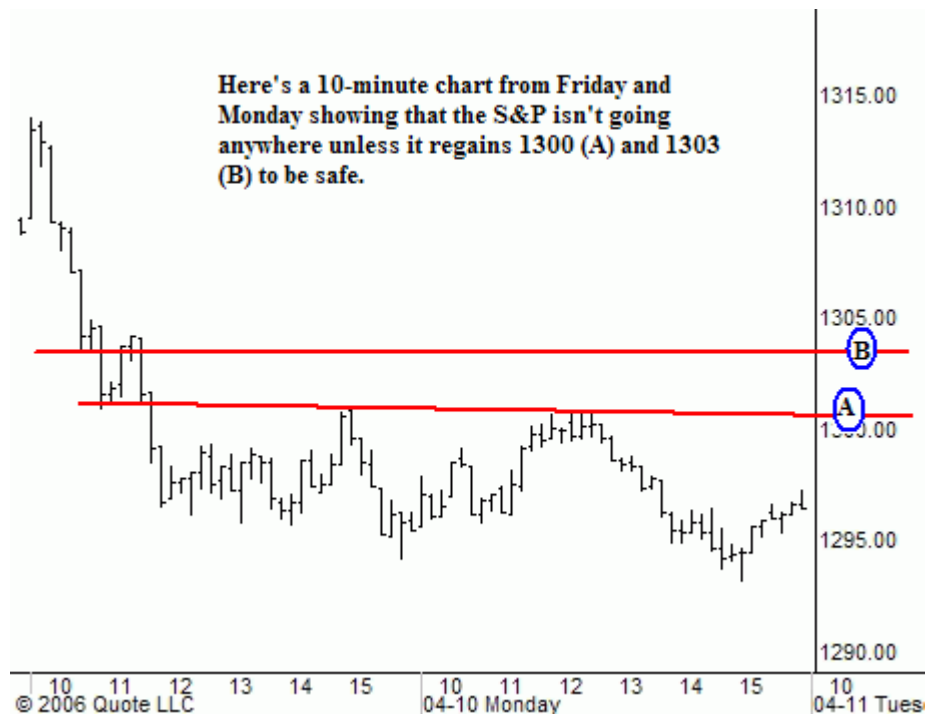
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A week ago I stated that if the market were going to advance in a new leg higher above 1309/1310 S&P, then we should still get a setback first that serves to pull the rubber band back, shake the tree, and loosen stocks from the weak hands, replenishing inventory for the strong hands. At this point, it's hard to tell whether our April 9-13 turning point window was a high (Friday) or whether this week will be a low, 180 degrees from last October's low. But I believe that this week will tell the tale.

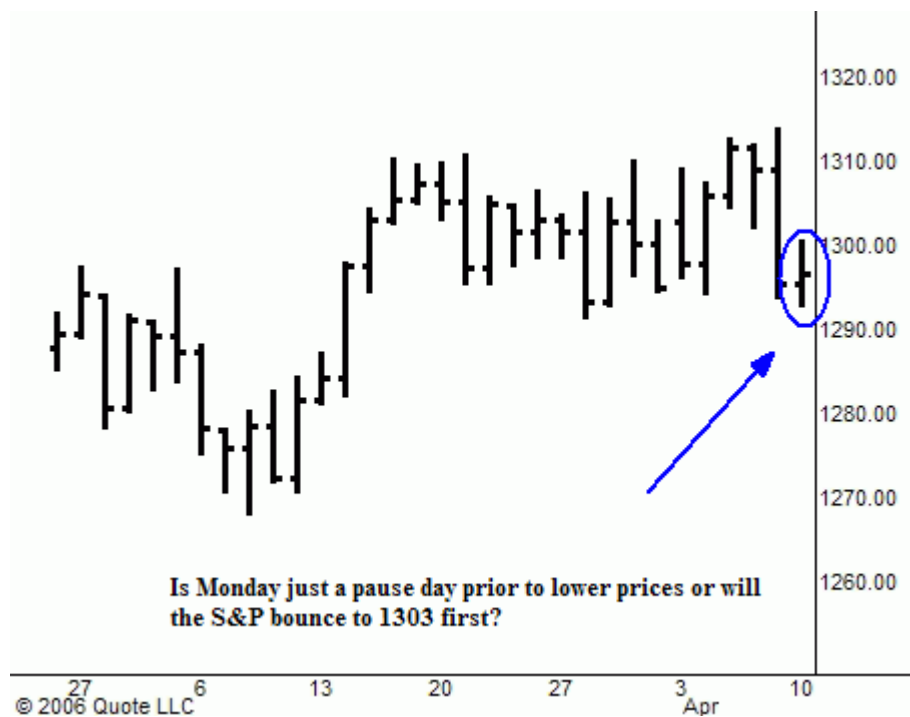
Conclusion: Consequently, I would trade 'em and be patient and wait for the market to deliver its verdict rather than aggressively buy 'em as they come in, until more evidence is in.

S&P 500 -- 10-Minute



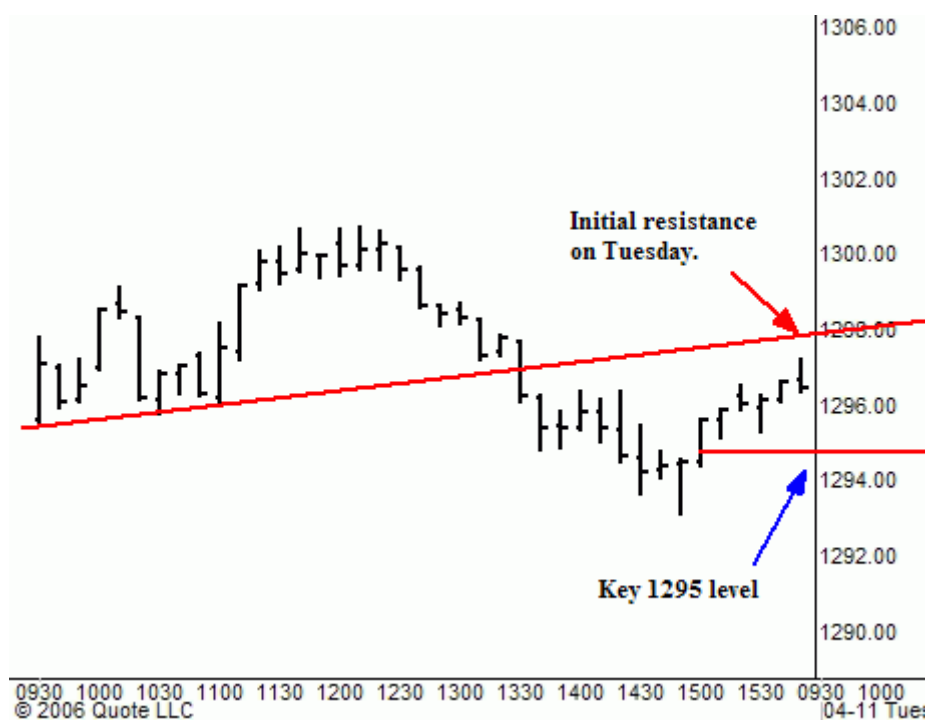
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S&P 500 -- Daily



Pivot Points

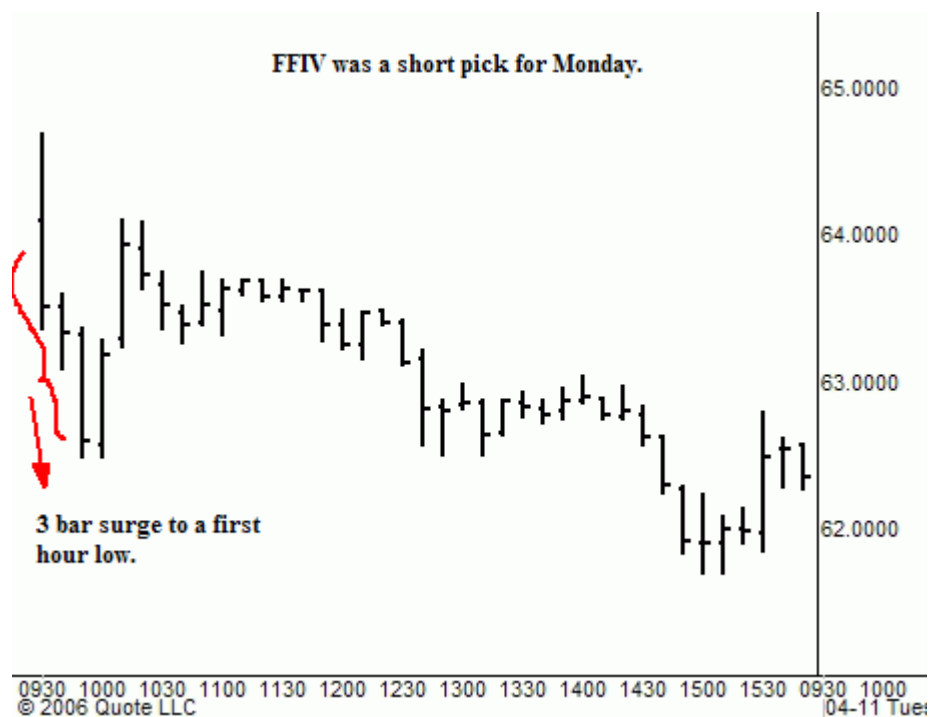
S&P 500 -- 10-Minute



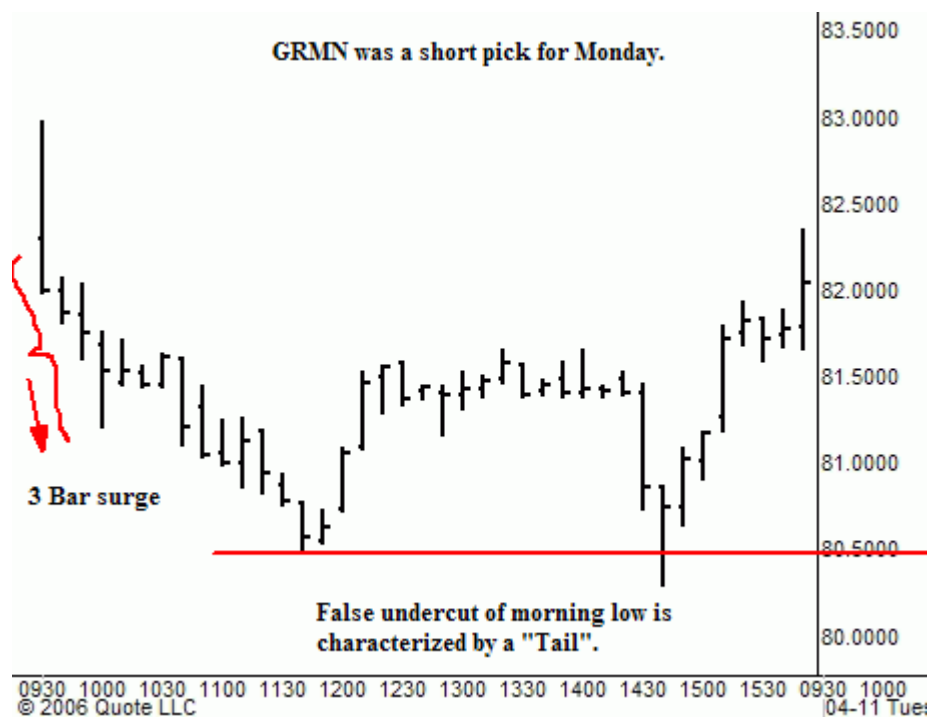
S&P 500 -- 60-Minute



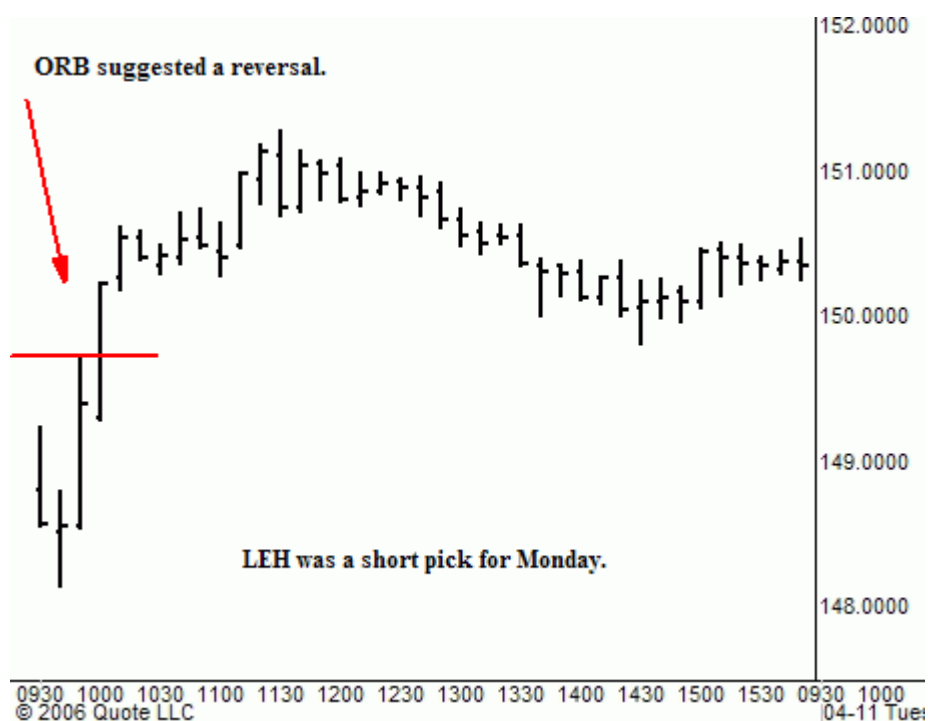
F5 Networks (FFIV:Nasdaq) -- 10-Minute



Garmin (GRMN:Nasdaq) -- 10-Minute



Lehman Brothers (LEH:NYSE) -- 10-Minute



THE DAYTRADING REPORT

Chart 1

Marvell Technology
(MRVL:Nasdaq)
Short

Entry: 58.10
Stop: 59.10
Pattern: *Expansion Pivot / LROD

Comments: There should be support at around 56.60.



Chart 2

**Weatherford
(WFT:NYSE)
Long**

Entry: 47.25
Stop: 46.25
Pattern: *Cooper 1-2-3 Pullback / NR7

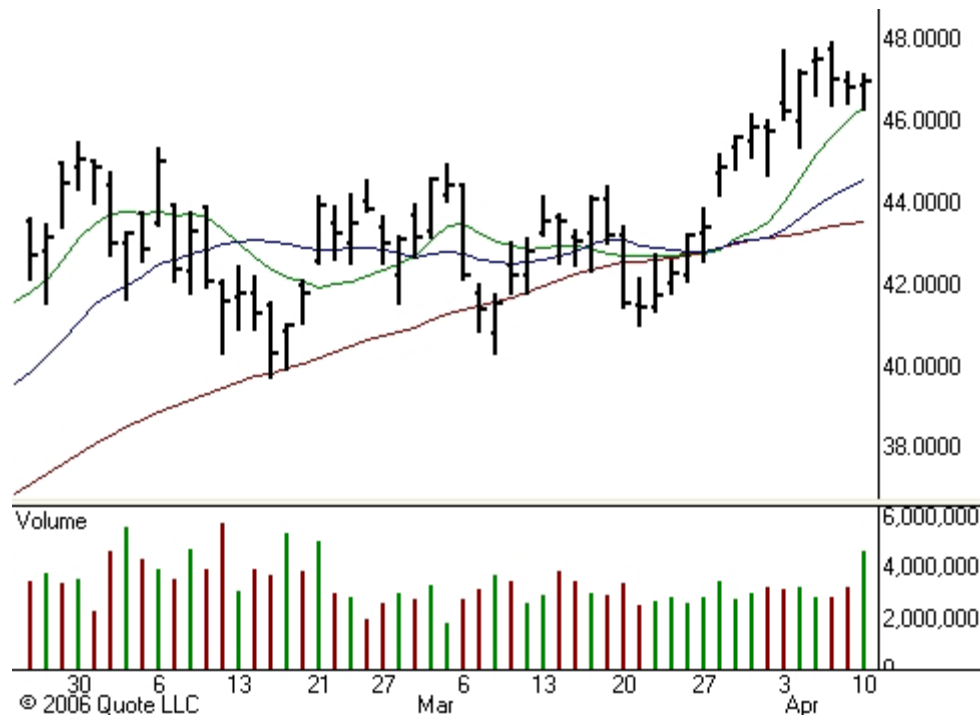
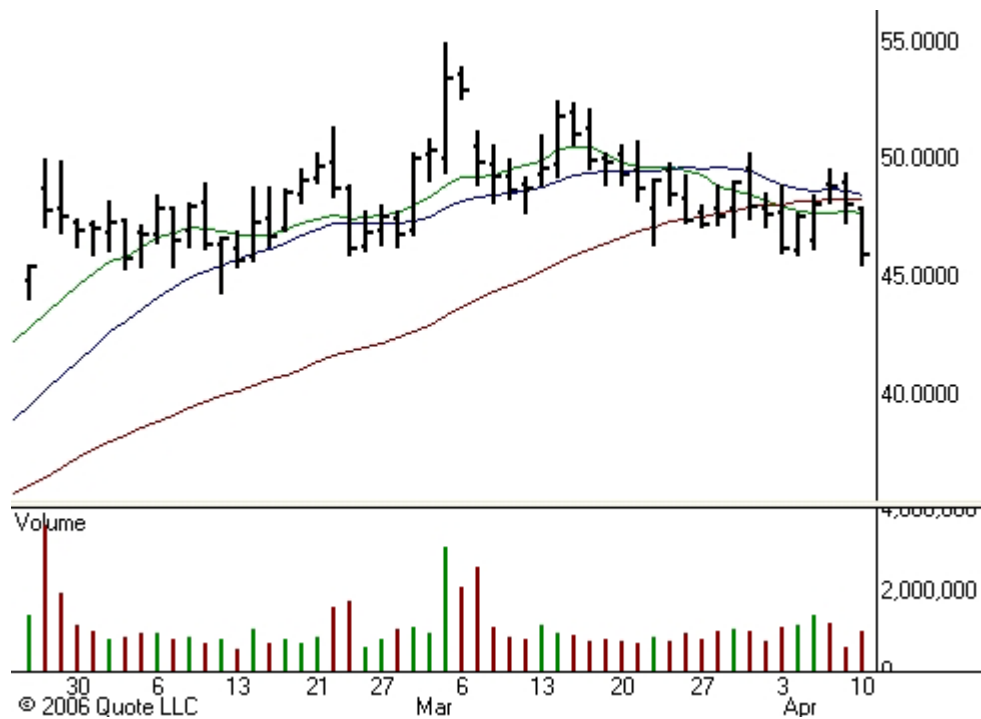


Chart 3

**Komag
(KOMG:Nasdaq)
Short**

**Entry: 45.50
Stop: 46.50
Pattern: Expansion Pivot**



THE SWING REPORT

Chart 1

**Diamond Offshore
(DO:NYSE)
Long**

Entry: 94.45
Stop: 92.45
Initial Target: 96.45 (trade toward)

Pattern: 180 Runaway

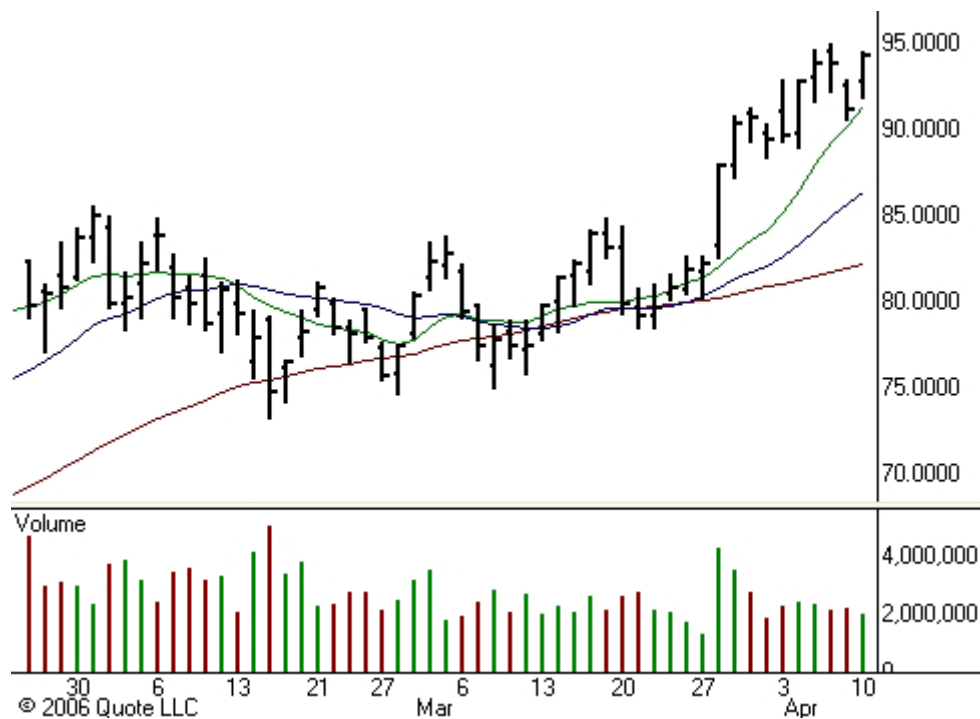


Chart 2

**Optelecom
(OPTC:Nasdaq)
Long**

Entry: Only on an ORB (Opening Range Breakout)
Stop: 1 point from entry
Initial Target: 2 points from entry

Pattern: *Cooper 1-2-3 Pullback / Holy Grail

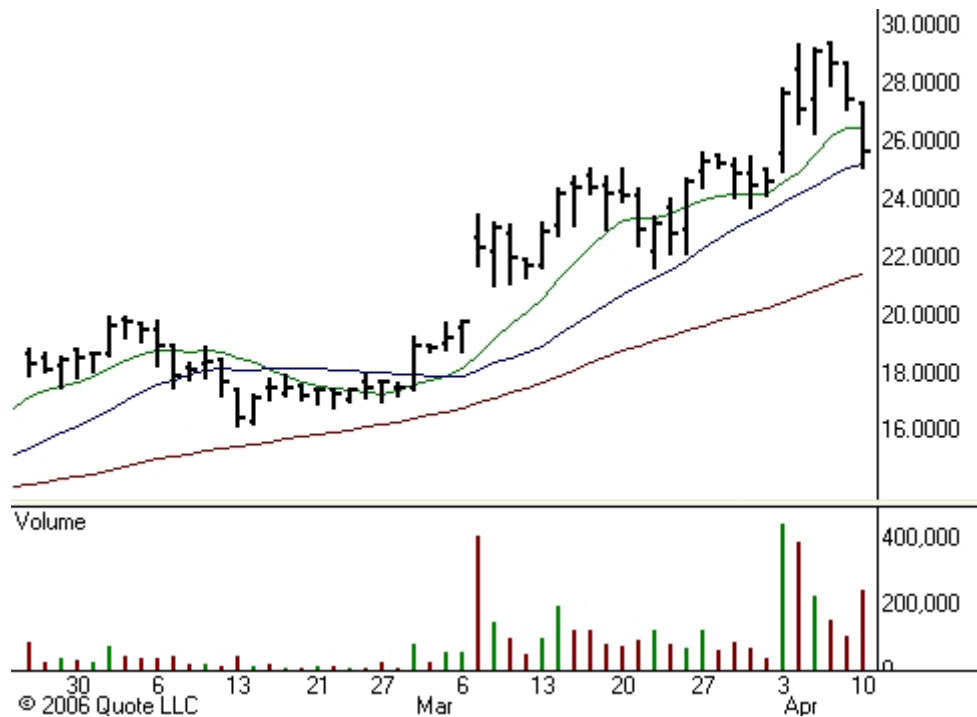


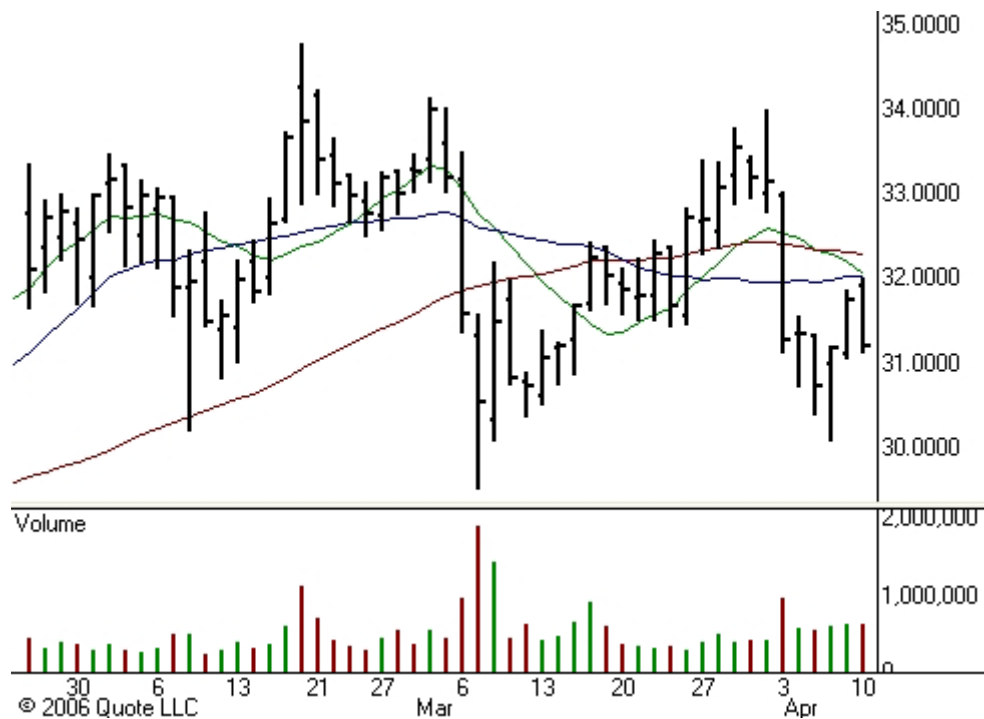
Chart 3

**Psychiatric Solutions
(PSYS:Nasdaq)
Short**

Entry: 31.00
Stop: 33.00
Initial Target: 29.00 (trade toward)

Pattern: Minus-One, Plus-Two Pattern / 180

Comments: PSYS looks interesting as it has traced out a Head and Shoulders Top with a neckline at 30.00. Note that if 30.00 breaks, a Rule of 4 Sell Signal will also be triggered, which projects to approximately 26.00.



OBSERVATIONS AND TRAILING STOPS

-- Tuesday is day two in **Franklin Resources** (BEN:NYSE) (short). You are short from around 95.50 on a bounce. Maintain the stop at 97.50 and the initial target on trade toward 93.50. As of Monday's close, you are down 25 cents.

-- Tuesday is day four in **Meridian Gold** (MDG:NYSE) (long). You are long from 30.45. Maintain the stop at 28.45 and the initial target on trade toward 32.45. As of Monday's close, you are up 17 cents.

-- Tuesday is day five in **Navteq** (NVT:NYSE) (long). You are long from 50.85. Maintain the stop at 49.00 and the initial target on trade toward 52.85. As of Monday's close, you are up 65 cents.

-- Tuesday is day six in **Omnicare** (OCR:NYSE) (short). You are short from 55.05. On Friday you covered your first piece on trade toward 54.25, locking in a gain of 80 cents. Lower the stop to 53.50 on the second piece and look to cover on trade toward 51.00. As of Monday's close, you are up 2.55 on the second piece.

-- Tuesday is day eight in **Rockwell Collins** (COL:NYSE) (long). You are long from 56.35 on a gap open. Raise the stop to 55.25 and maintain the initial target on trade toward 58.25. As of Monday's close, you are up 8 cents.

-- On Monday, you were stopped out of **AngloGold Ashanti** (AU:NYSE ADR) (long) for a loss of 2.00.

-- Tuesday is day nine in **Salesforce.com** (CRM:NYSE) (short). You are short from 36.65. On Thursday, you covered your first piece for an 86-cent profit. Maintain the adjusted stop on the second piece at 35.65 and look to cover your second piece on trade toward 30.00. As of Monday's close, you are up 1.84 on the second piece.

-- Tuesday is day 12 in **Greenhill** (GHL:NYSE) (long). You are long from 66.35. Some of you may have sold your first piece two weeks ago at around 68.05, locking in a gain of 1.70. You were then stopped out of your second piece for a scratch. If you did not sell your first piece then, then you did so last Monday for a gain of 1.15 as per instructions. Raise the stop to 71.00 on the second piece. As of this Monday's close, you are up 5.49 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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