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Market Commentary: Early Breaks Should Hold

Hawkish **Fed** minutes and an earnings disappointment from **Alcoa** (AA) set the tone for a sell day on Wednesday.

The Fed minutes are an important linchpin to the uptrend here, as the rationale for this rally has been the bulls' fairy tale that the Fed was about to cut rates. If the perception grows teeth that the Fed, in fact, is nowhere close to cutting rates, then it should pull the magic carpet from underneath the bulls' premise.

The pivot for the week looks like Thursday morning, as the **S&P** finally broke very short-term support at 1350 on Wednesday and proceeded to test last Friday's low of 1344 before scratching its way back to precisely 1350 once again on the close. So the first half-hour to hour on Thursday should be pivotal.

Consequently, whichever way the S&P moves after an ORB -- an Opening Range Breakout or Opening Range Breakdown -- should lead to a trend day in whichever direction the ORB occurs. In my work, I use an Opening Range of the first half-hour's action. So, any break above or below whatever the bracket is of that first half-hour's range should be pivotal Thursday morning.

Wednesday's action, with the break and reflex rally back to 1350, suggests that the ORB will be to the downside. But I have been wrong before.

Moreover, Thursday is also interesting because it is the Thursday of the week before options expiration, which is oftentimes a misdirection day. Consequently, if we do get a solid break on Thursday, do not get too overloaded with shorts for more than a day or two as the typical pattern would see a break and then a reflex or retracement rally back to test the highs into options expiration.

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Conclusion: With the S&P bumping up against significant resistance:

- As shown yesterday, an inverted Head and Shoulders pattern counts to 1360.
- 1363 is 360 degrees up from this year's 1220 low on the Gann Square of Nine Calculator.
- The S&P is tagging the upper end of a parallel channel from 2003.
- And there is a possible bottom-to-bottom-to-top time count.

Any signal from this point takes on greater significance. The issue is that the bears are champing at the bit and are buying an abundance of puts on every misstep, making it hard to see how a severe setback could occur before options expiration.

However, most bears have been bullish for the past month, and any sharp break that rallies back may see the bears capitulate and give up the ghost. Be that as it may, an up-down-up sequence or topping process certainly could play out into expiration.



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S&P 500 -- 60-Minute



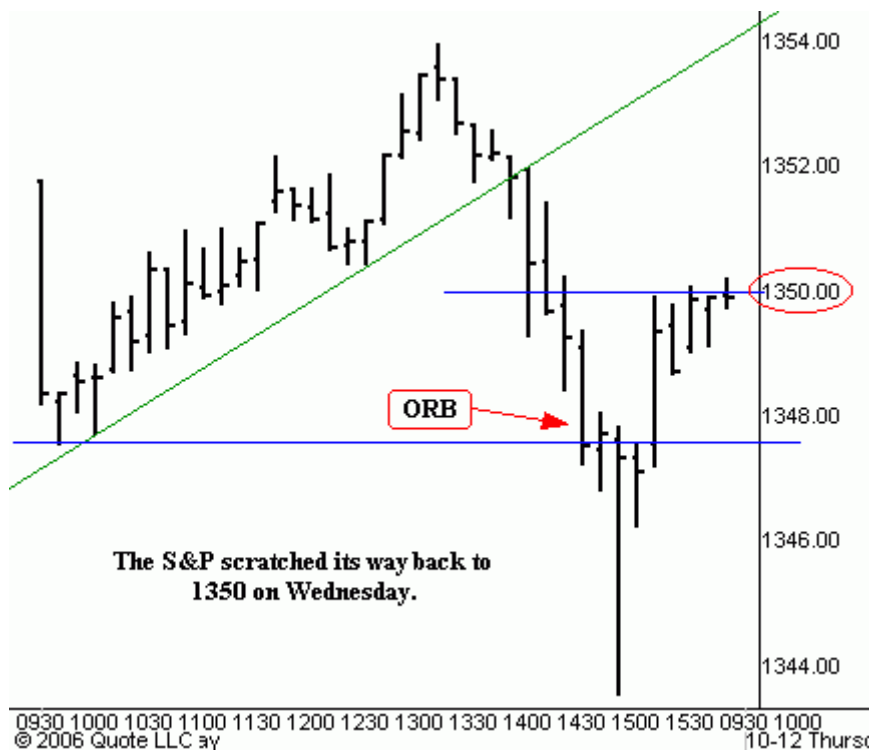
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S&P 500 -- Weekly



Pivot Points

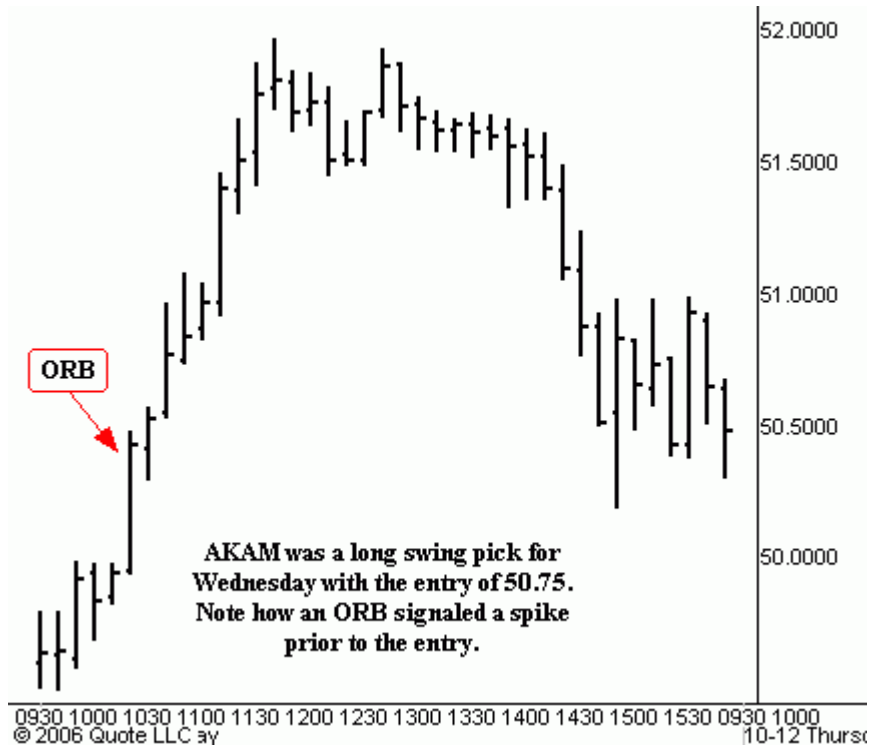
S&P 500 -- 10-Minute



S&P 500 -- Daily



Akamai Technologies (AKAM) -- 10-Minute



THE DAYTRADING REPORT

Chart 1

**Under Armour
(UARM:Nasdaq)
Long**

**Entry: 45.35 officially, but since it closed at 44.52,
only use an Opening Range Breakout (ORB)**

Stop: 1 point from entry

Pattern: Jack in the Box

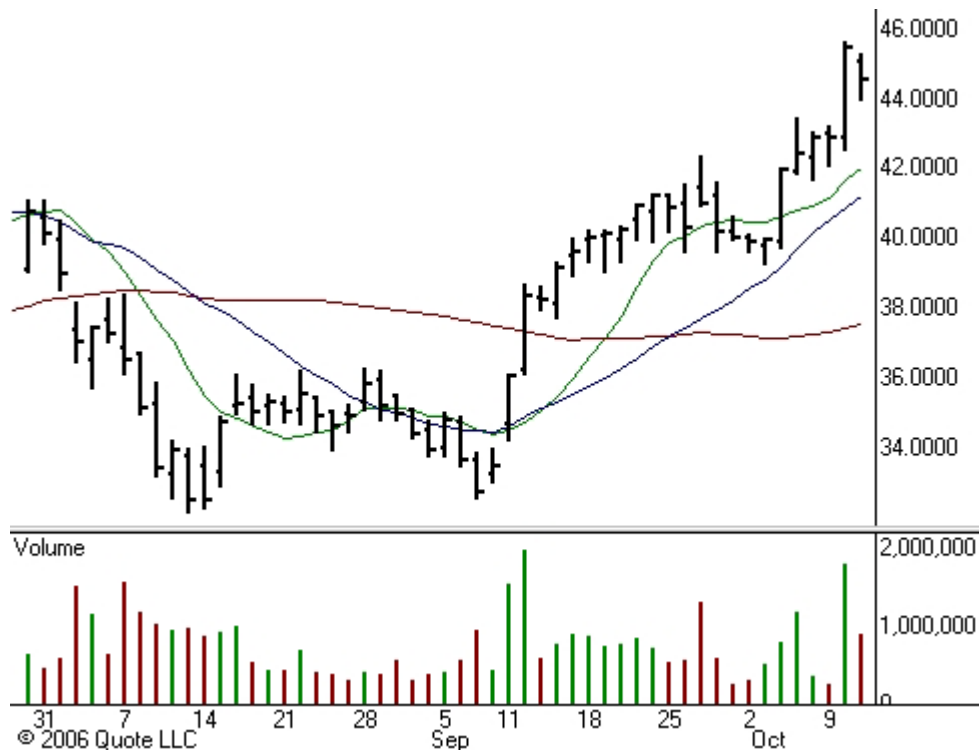


Chart 2

**Gymboree
(GYMB:Nasdaq)
Long**

Entry: 44.40
Stop: 43.40
Pattern: Expansion Breakout / Holy Grail

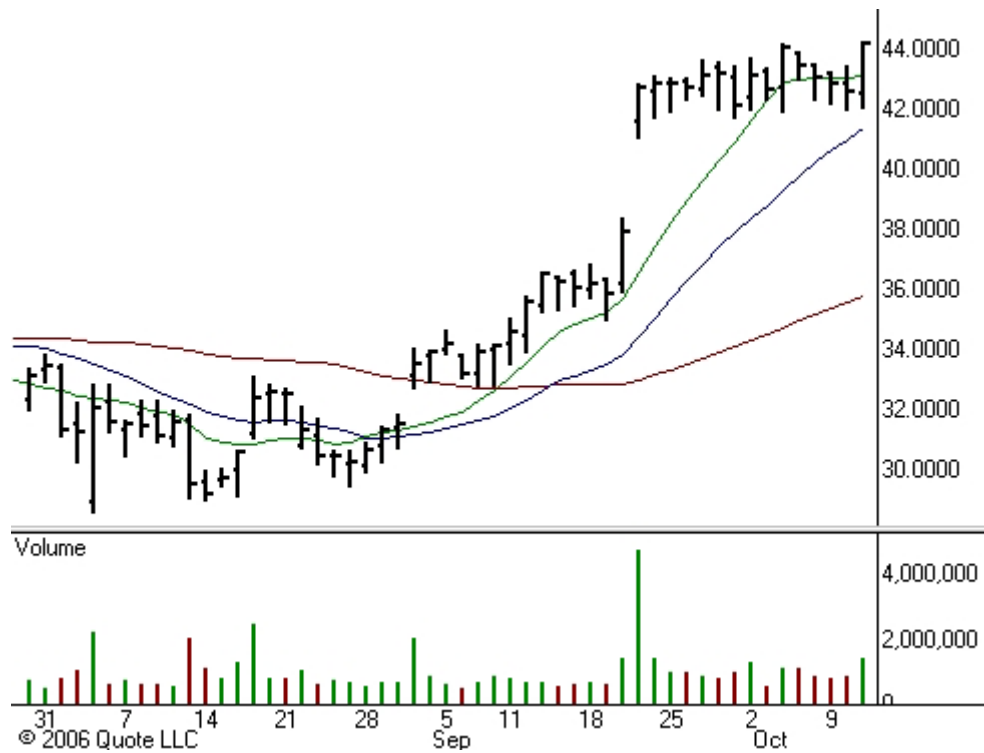
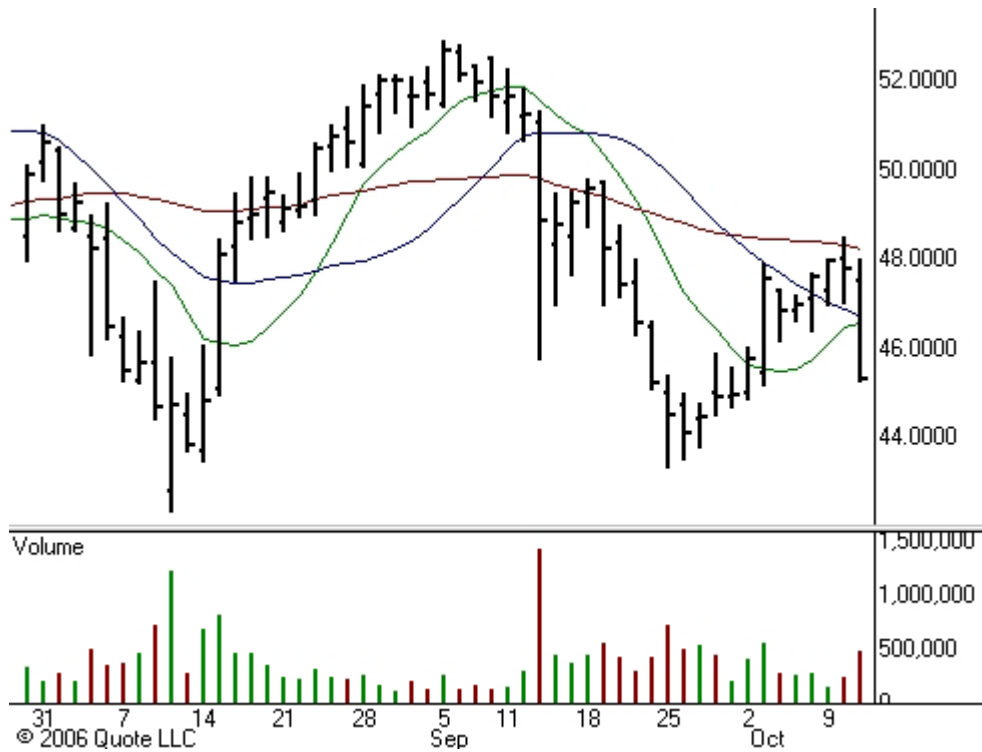


Chart 3

**Ctrip.com
(CTRP:Nasdaq)
Short**

**Entry: 45.15
Stop: 46.15
Pattern: Expansion Pivot / 180**



OBSERVATIONS

-- Keep **Holly** (HOC) on your radar to the long side.

THE SWING REPORT

Chart 1

**World Acceptance
(WRLD:Nasdaq)
Long**

Entry: 47.75 officially, but since it closed at 46.56,
only use an Opening Range Breakout (ORB)

Stop: 1 point from entry
Initial Target: 2 points from entry (trade toward)

Pattern: Extended Level Boomer / *Holy Grail

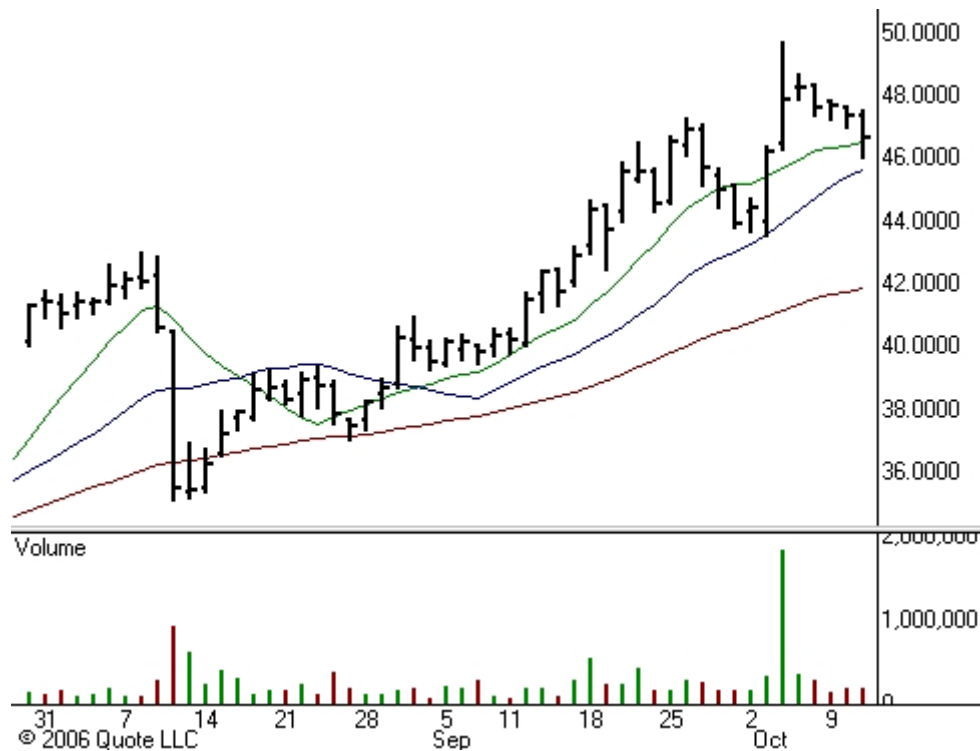


Chart 2

**MasterCard
(MA:NYSE)
Long**

Entry: 71.15
Stop: 69.15
Initial Target: 73.15 (trade toward)

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

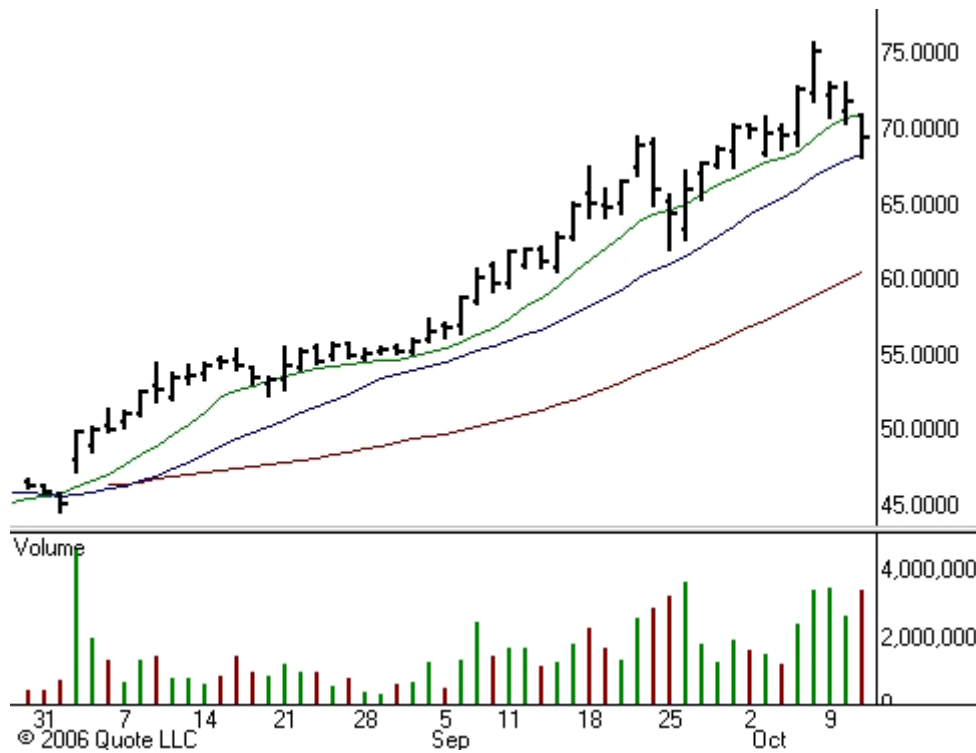


Chart 3

**Cooper Cos.
(COO:NYSE)
Long**

Entry: 54.25
Stop: 52.25
Initial Target: 56.25 (trade toward)

Pattern: 180 / V-Thrust



Chart 4

**Corrections Corp. of America
(CXW:NYSE)
Long**

**Entry: 46.75 officially, but only use an Opening
Range Breakout (ORB)**

**Stop: 2 points from entry
Initial Target: 2 points from entry (trade toward)**

Pattern: Cooper 1-2-3 Pullback +1

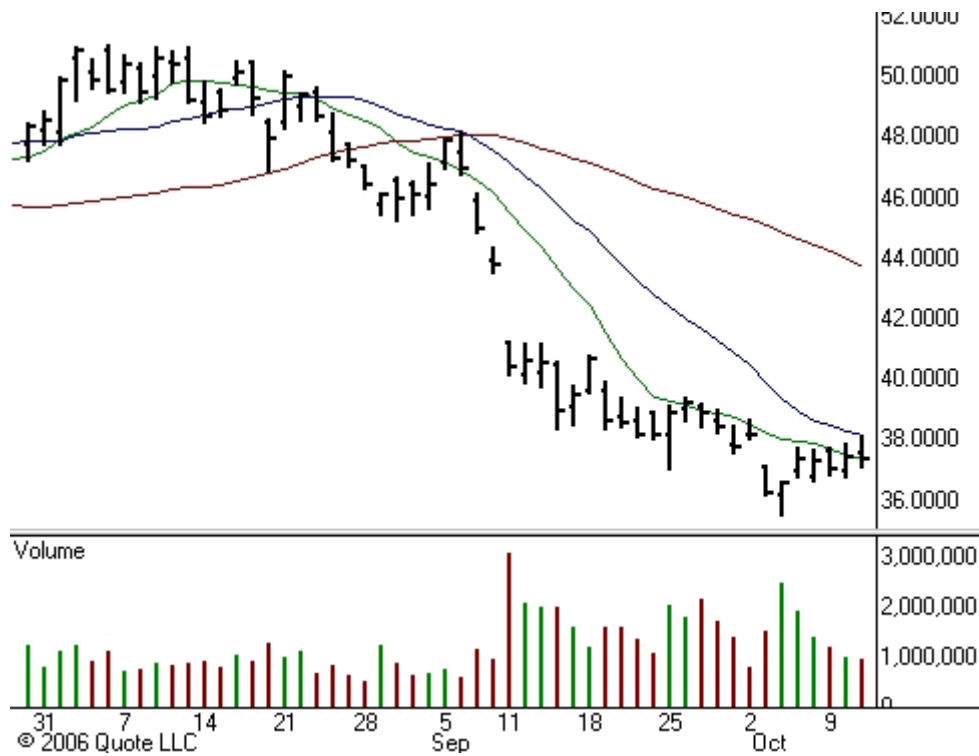


Chart 5

**AngloGold Ashanti
(AU:NYSE ADR)
Short**

**Entry: 37.10
Stop: 38.30
Initial Target: 35.40 (trade toward)**

Pattern: Cooper 1-2-3 Pullback / 180 / Holy Grail



OBSERVATIONS AND TRAILING STOPS

- **World Acceptance** (WRLD) (long) did not trigger but should be used again.
- **Corrections Corp. of America** (CXW) (long) never triggered but should also be used again.
- Thursday is day two in **Akamai Technologies** (AKAM) (long). You are long from 50.75. AKAM opened on its low and proceeded to run up 2.40 points. However, it missed our target and then backed off over a dollar. Look to sell your first piece on Thursday on trade toward 51.75, and maintain the stop at 48.75. As of Wednesday's close, you are down 27 cents.
- Thursday is day three in **RTI International Metals** (RTI) (long). You are long from 44.35 on an ORB. On Wednesday you sold your first piece on trade toward 46.35, locking in a gain of 2.00. Raise the stop on the second piece to 46.70 and look to sell the second piece on trade toward 49.50. As of Wednesday's close, you are up 3.36 on the second piece.
- On Wednesday in **Allegheny Technologies** (ATI) (long), instructions were to sell your second piece on trade toward 72.40. ATI traded up to 72.39. Consequently, using a price on your second piece of 72.30, you would have locked in a gain of 6.60. On Monday, you sold your first piece, locking in a gain of 2.00. As you can see, these targets are not picked indiscriminately.
- On Wednesday in **Harley-Davidson** (HOG) (long), you were stopped out at 62.70 for a loss of 90 cents.
- Thursday is day six in **DivX** (DIVX) (long). You are long from 21.45. Raise the stop to 21.45 to break even as you don't want to see a profit go to a loss. DIVX rallied and then backed off substantially. Maintain the initial target on trade toward 23.45. As of Wednesday's close, you are up 52 cents.
- Thursday is day six in **Vulcan Materials** (VMC) (long). You are long from 79.80. According to instructions, you were to sell your first piece on any open above 81.20. Since VMC opened at 81.29, you should have sold your first piece on Wednesday morning. Using a price of 81.20, you locked in a gain of 1.40. Raise the adjusted stop on the second piece to 80.80. As of Wednesday's close, you are up 1.54 on the second piece.
- On Wednesday in **FactSet Research** (FDS) (long) you were stopped out of your second piece at 50.40, locking in a gain of 1.00 after selling your first piece on Monday for a gain of 85 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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