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SHORT TERM OUTLOOK

S.&P. 500: UP 0.4% TO 1363 OR MORE AT FEB. 24th CLOSE

S.&P. 500: UP 0.5% TO 1365 OR MORE AT MAR. 2nd CLOSE

The gain for traders has increased to 34 S.&P. 500 points, a new high. A long position was created at the 1324-level for the S.&P. 500 on Feb. 1st. The intraday stop should be raised to 1339 or less. The stop does not apply to the first ten minutes of a session. The stock market rose sharply yesterday. The S.&P. 500 advanced 14.8 points to close at 1358.0 while the Dow moved up 123 points to 12,904 and the Nasdaq Comp. jumped 44 points to 2959.

Before yesterday's session the S.&P. 500 had been confined to an 20-point trading range from 1336 to 1356 for eight consecutive days during which six different indicators were improving. (1) For the first time since Christmas, the Rydex ratio, the ratio of the net inflow into the Rydex bull fund divided by the net inflow into the Rydex bear fund, was significantly negative on Wednesday. (2) For the week through Wednesday. AII reported 43% bulls among its membership, the lowest level since 2011. (3) AII also disclosed the highest bearish percentage since last year with 27% bears. (4) On Wednesday Yahoo's relative strength index for the Dow dropped to the lowest reading in more than five weeks at 55. (5) Yahoo's RSI for the Nasdaq Comp. fell to 76 on Wednesday, a three-week low. Generally after so many indicators improve as the S.&P. 500 remains in a trading range, the stock market breaks out of the range with a substantial move to the upside that lasts for many days to several weeks or longer.

Very bullishly the yield for the S.&P. 500 has been higher than the ten-year Treasury yield in back-to-back sessions Tuesday and Wednesday. The S.&P. 500 yield on Wednesday, 1.97%, was above the Treasury yield of 1.93% by .04%. As you know, the 14-day RSI reached 75 last Thursday. Twenty-seven out of the past 30 times that the S.&P. 500 has climbed to 75 or more, the S.&P. 500 has been higher 20 sessions later. Only once did the S.&P. 500 lose more than 1% after 20 sessions.

On Wednesday merely the speculation index, the Nasdaq volume divided by the non-consolidated NYSE volume, was overbought. The index was 2.40 or more Wednesday at 2.50. All other indicators have been neutral lately. Wednesday's RSI for the S.&P. 500 was below 80 at 70. The reading for the CBOE equity put-call ratio has been above a low level of less than .60 at .65 Wednesday and .63 yesterday. The Trendline Oscillator remained far under an overbought value of +8.0 or higher at +2.6 Wednesday and +3.5 yesterday. The 5-day total for the closing Arms index has stayed between 4.00 and 5.99 with readings of 5.25 Wednesday and 5.12 yesterday. There have been no very large, overbought intraday uptick readings of +1550 or higher or closing uptick readings of +1020 or more this week. Very large, oversold intraday downtick readings of -1700 or more or very large closing downtick readings of -300 or worse have not been seen during the week either.