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Ranked #1 in the U.S.
by Timer Digest for
2000 to 2009

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Ranked #2 in the U.S.
by Timer Digest for
2nd half - 2010

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SHORT TERM OUTLOOK

S.&P. 500: UP 0.4% TO 1313 OR MORE AT FEB. 11th CLOSE

S.&P. 500: UP 0.7% TO 1317 OR MORE AT FEB. 18th CLOSE

Thank you "Timer Digest" for ranking this newsletter #1 in the U.S. for the past 10 years, #3 for the past 8 years, #1 for the past 5 years, and #2 for the past 3 years. Yesterday the Institute of Supply Management reported that U.S. manufacturing unexpectedly accelerated in January to the fastest pace in more than six years. The stock market added substantially to Monday's gains. The S.&P. 500 rose 21.4 points to close at 1307.5 while the Dow advanced 148 points to 12,040 and the Nasdaq Comp. jumped 51 points to 2751. Traders set up a long position ten minutes into yesterday's session when the S.&P. 500 stood at 1297 and are ahead by 10.5 S.&P. 500 points. An intraday stop has been placed 1292 or less. The stop does not pertain to the first ten minutes of a session. Traders have cashed in net profits of 511 S.&P. 500 points from the 42 prior positions since Jul. 8, 2009; 493 S.&P. 500 points from 34 long positions and 18 S.&P. 500 points from 7 shorts.

The sell-off last Friday has produced two bullish results. (1) The Rydex ratio, the ratio of the net inflow into the Rydex bull fund divided by the net inflow into the Rydex bear fund, sank the most oversold level since mid-November on Friday. (2) Friday's session also ended with a downtick reading of -713, the largest closing downtick reading of the past month. About half the closing downtick readings of only -300 or more set up an interim bottom either the day of the reading or within the next two sessions. Impressively, a total of eight very large closing downtick readings of -300 or higher were recorded from mid-December into late January. A great many very large closing downticks during a bull market rally, usually indicate strong underlying support for the stock market. Of course the upward momentum of the stock market has been excellent, too. One or more of the three major stock market averages, i.e. the S.&P. 500, the Dow, or the Nasdaq Comp., has advanced in 36 out of the last 43 sessions. Interim and greater tops rarely appear after such excellent upward momentum. Somewhat bullishly as well, the 5-day total for the closing Arms index was slightly oversold at 6.00 or more for five out of the six sessions through Monday. The 5-day total was 6.30 on Monday before it returned to a neutral level below 6.00 at 5.12 yesterday.

Bullishly, too, no indicators have become overbought early this week. On Monday Yahoo's relative strength indexes for the major stock market averages had plunged to very neutral levels not far from 50. The S.&P. 500 RSI had a value of 53; the Dow RSI, a value of 62 and the Nasdaq Comp. RSI, a value of 48. Monday's speculation index was well below 2.00 again. The Nasdaq volume divided by the NYSE volume on Monday was 1.63. The reading for the CBOE equity put-call ratio held above a low level of less than .60 at .61 Monday, before returning to a low level at .50 yesterday. At least eight consecutive days of low readings are overbought. Moreover the Trendline Oscillator has stayed well below an overbought level of +8.0 or higher with readings of +2.9 on Monday and +4.3 yesterday. The intraday VIX index of NYSE volatility has been significantly above the possibly overbought area of 15.50 or less for a bull market with lows of 17.10 on Monday and 17.40 yesterday. Again this week no overbought intraday uptick readings of +1550 or higher or closing uptick readings of +1020 or more have been registered.

