



Market Charts

WEEKLY BREADTH ANALYSIS

January 26, 2007

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NYSE WEEKLY BREADTH NUMBERS

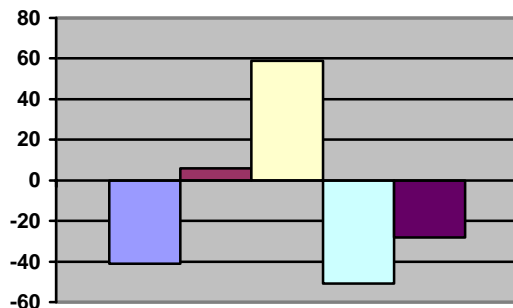
| NYSE NET (A-D) NUMBERS | DAILY 01/26 | WEEKLY 01/22-01/26 | 5-DAY CUM. 01/22-01/26 |
|------------------------|-------------|--------------------|------------------------|
| ADVANCES | 1,915 | 1,714 | 8,384 |
| DECLINES | 1,378 | 1,820 | 8,210 |
| NET (A-D) | +537 | -106 | +174 |

NASDAQ WEEKLY BREADTH NUMBERS

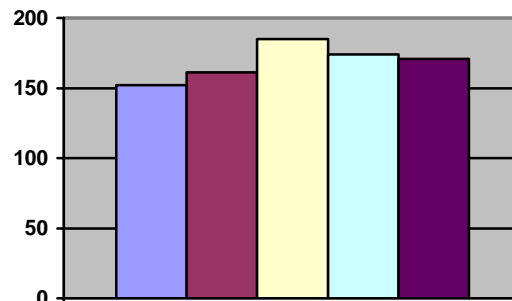
| NYSE NET (A-D) NUMBERS | DAILY 01/26 | WEEKLY 01/22-01/26 | 5-DAY CUM. 01/22-01/26 |
|------------------------|-------------|--------------------|------------------------|
| ADVANCES | 1,779 | 1,537 | 7,568 |
| DECLINES | 1,209 | 1,679 | 7,521 |
| NET (A-D) | +570 | -142 | +47 |

5-DAY NYSE MARKET BREADTH REVIEW

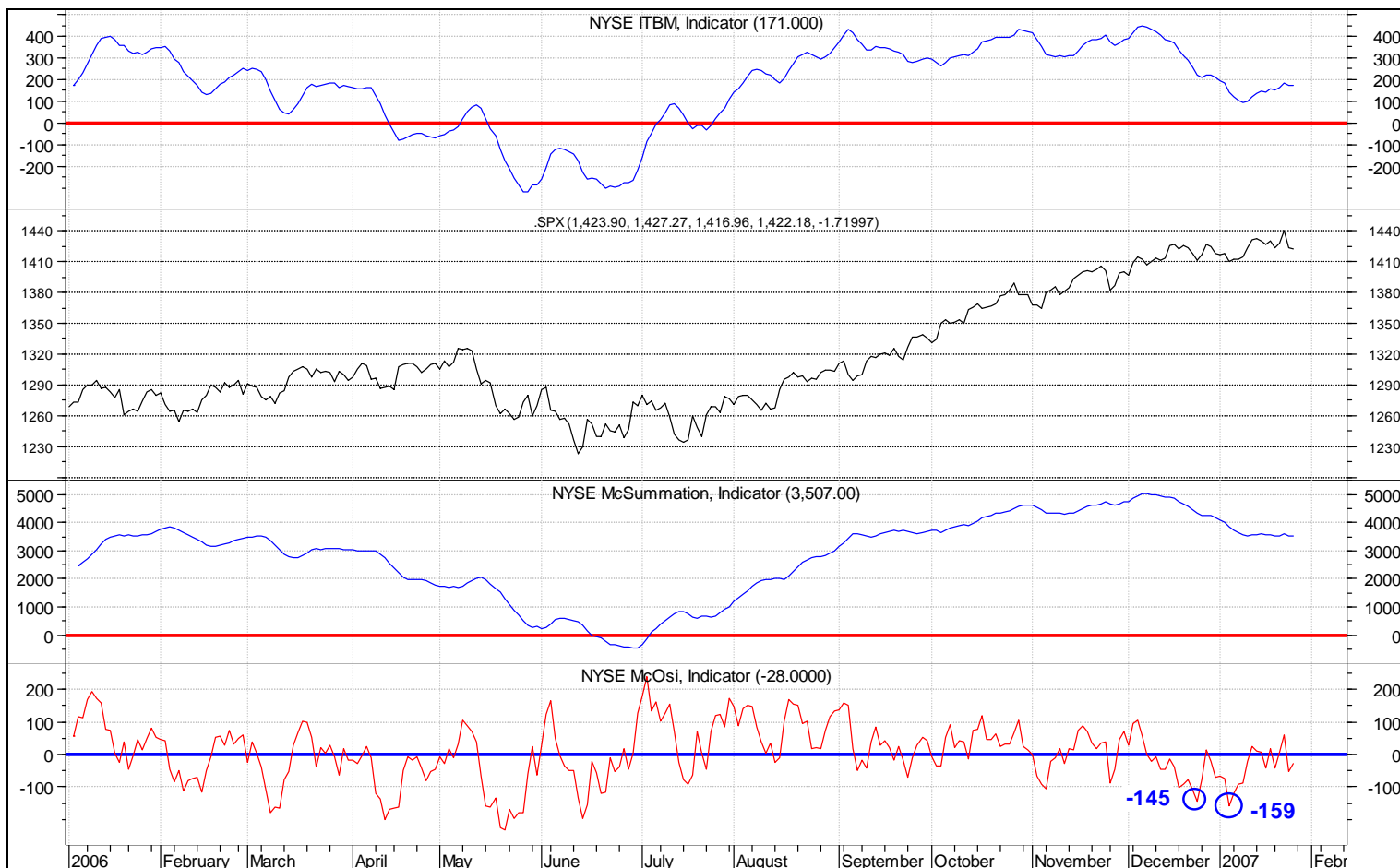
| DATE | NYSE McOsi | McOsi SIGNAL | NYSE ITBM | ITBM ROC | ITBM SIGNAL |
|-----------|------------|--------------|-----------|----------|-------------|
| 01/22-MON | -41 | SELL | +152 | -4 | SELL |
| 01/23-TUE | +6 | BUY | +161 | +9 | BUY |
| 01/24-WED | +59 | BUY | +185 | +24 | BUY |
| 01/25-THU | -51 | SELL | +174 | -11 | SELL |
| 01/26-FRI | -28 | SELL | +171 | -3 | SELL |



Daily NYSE McOsi (5-Day)



Daily NYSE ITBM (5-Day)



NYSE MARKET BREADTH COMMENTARY

NYSE market breadth was mixed during the week. NYSE weekly market breadth was negative with -106 net (A-D) but 5-day cumulative market breadth was positive with +174 net (A-D). NYSE daily market breadth was positive 3 of 5 days with Wednesday the best day of the week with +1,299 net (A-D) and Thursday the worst day with -1,787 net (A-D).

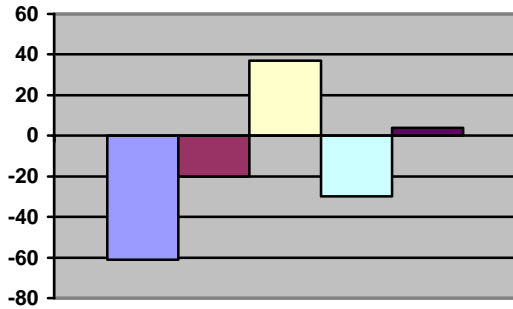
The NYSE McOsi began the week on a ST Buy Signal at +19. The McOsi was volatile last week making 3 signal changes in 5 days. The McOsi issued a new ST Sell Signal on Monday, a new ST Buy Signal on Tuesday, and another ST Sell Signal on Thursday to end the week on a Sell Signal. The multiple signal change pattern is seen many times at important tops or bottoms so if this pattern continues during the new week then we need to be alert for a potential top by the market. The McOsi bottomed on Thursday at -51 and advanced on Friday to stabilize the market after the very negative day on Thursday. If the McOsi continues to advance on Monday then it will issue a new ST Buy Signal with +715 or more net (A-D).

The NYSE ITBM began the week on a Buy Signal at +156. The ITBM was volatile last week and it followed a similar pattern as the NYSE McOsi. The ITBM issued a new Sell Signal on Monday, a new Buy Signal on Tuesday, and another ST Sell Signal on Thursday. The ITBM continued to decline on Friday but the negative daily ROC contracted from -11 to -3. The ITBM is in a position to issue another Buy Signal on Monday if NYSE market breadth maintains a positive bias with +385 or more net (A-D). If the ITBM issues a new Buy Signal on Monday then this will support higher prices during the new week. However, the ITBM has been volatile in the past week so any new Buy Signal might not be reliable for more than 1-2 days

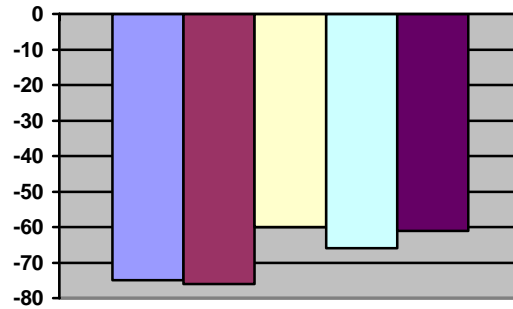
The NYSE McOsi Summation continues to fluctuate between 3,500 and 3,600 for the past 2-3 weeks. However, the McSum declined on Friday to the lowest level since September 11. If the McSum continues to decline during the new week then any potential ST upside for the market will be limited. IT market breadth momentum topped on December 6 and it continues to deteriorate while the SPX trades in a narrow range of about 2-3% for the past 7-8 weeks.

5-DAY NAZ MARKET BREADTH REVIEW

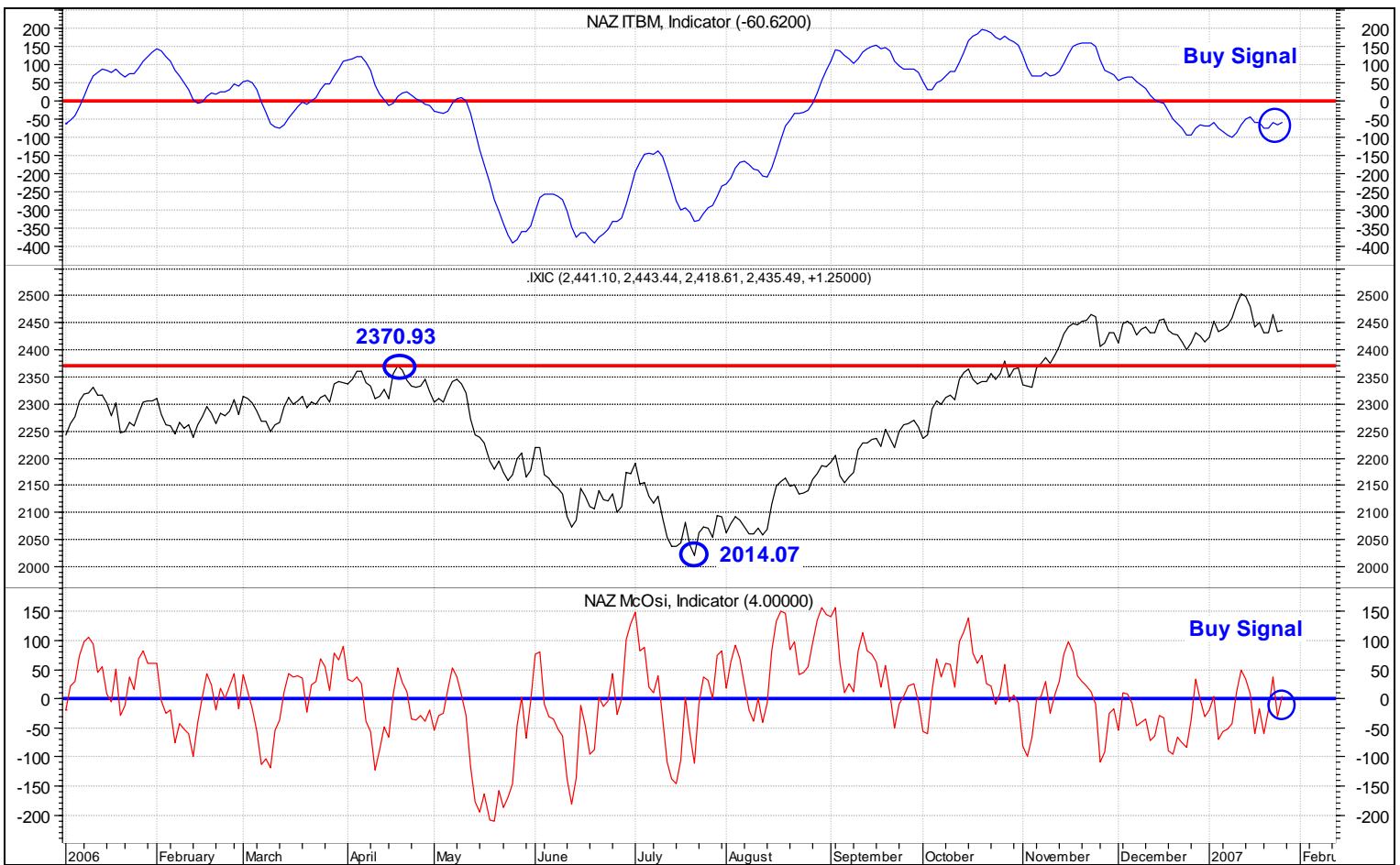
| DATE | NAZ McOsi | McOsi SIGNAL | NAZ ITBM | ITBM ROC | ITBM SIGNAL |
|-----------|-----------|--------------|----------|----------|-------------|
| 01/22-MON | -61 | SELL | -75 | -14 | SELL |
| 01/23-TUE | -20 | SELL | -76 | -1 | SELL |
| 01/24-WED | +37 | BUY | -60 | +16 | BUY |
| 01/25-THU | -30 | SELL | -66 | -6 | SELL |
| 01/26-FRI | +4 | BUY | -61 | +5 | BUY |



Daily NAZ McOsi (5-Day)



Daily NAZ ITBM (5-Day)



NASDAQ MARKET BREADTH COMMENTARY

NAZ weekly market breadth was mixed last week. Weekly market breadth was negative with -142 net (A-D) and 5-day cumulative market breadth was positive with +47 net (A-D). NAZ daily market breadth was positive 3 of 5 days with Wednesday the best day of the week with +1,051 net (A-D) and Thursday the worst day with -1,260 net (A-D).

The NAZ McOsi began the week on a ST Sell Signal at -18. The McOsi declined on Monday and made a ST bottom at -61. The McOsi advanced on Tuesday and continued to advance on Wednesday issuing a new ST Buy Signal but the signal was not reliable because the McOsi issued another ST Sell Signal on Thursday. The McOsi was volatile last week and it issued another ST Buy Signal on Friday. The McOsi made 3 signal changes in 3 days and it begins the new week on a ST Buy Signal. However, the McOsi only advanced to +4 on Friday so NAZ market breadth needs to maintain a positive bias on Monday or the McOsi will be in a position to issue another ST Sell Signal.

The NAZ ITBM began the week on a Sell Signal at -61. The ITBM declined on Monday and Tuesday but the negative daily ROC contracted from -14 to -1. The low daily ROC was signaling a potential strong move in the next 1-2 days but the direction of the move was unknown. The signal was reliable because the NAZ was very volatile on Wednesday and Thursday. The NAZ advanced about 35 points on Wednesday and this was followed by a decline of 32 points on Thursday. The ITBM was volatile making 3 signal changes in 3 days but it ended the week on a Buy Signal. Monday is important for the ITBM because there needs to be follow through or the new Buy Signal will not be reliable. The ITBM will issue a new Sell Signal on Monday with -395 or more net (A-D).

WEEKLY MARKET BREADTH COMMENTARY

From Daily Commentary for 01/26: "The market had a tough day on Thursday and market breadth was very negative. The ADIX indicator spiked higher on Thursday and it continues to increase after making a ST double bottom near 17.50. The ADIX (26.58) is near the prior ST high of 26.92 on December 4 (highlighted with a red circle on the chart below). The ADIX will either double top near this level or continue to increase towards 30-35."

The ADIX declined on Friday and it appears to be in the process of double topping with prior ST high of 26.92 on December 4 (see chart below). This potential ST double top pattern can obviously change during the new week so I will continue to review the ADIX in the next 2-3 days to see if it follows a close correlation to May 2006 when the market declined sharply.



From Weekly Commentary for 01/22/07: "The weekly ITBM was unchanged last week and issued a rare Neutral Signal. In the past 13+ years, the weekly ITBM has issued a Neutral Signal only 7 times and in the past 11+ years it has issued a Neutral Signal only 3 times. The last Neutral Signal was September 2, 2005 when the weekly ITBM was at +447. The Neutral Signal can support a strong move in the next 1-2 weeks but the direction of the move is unknown.

I reviewed the performance of the DJIA in the week after the Neutral Signals were issued in the past 13+ years. The results were mixed for the first 4 signals in 1994-1995. The DJIA was almost unchanged during the next week after 3 of the 4 Neutral Signals in 1994-1995. There was an advance of 1.2% in July 1994. However, the last 3 Neutral Signals in the past 11+ years have supported strong moves. The following is the weekly performance of the DJIA after the last 3 Neutral Signals. It will be interesting to see how this plays out in the next 1-2 weeks.

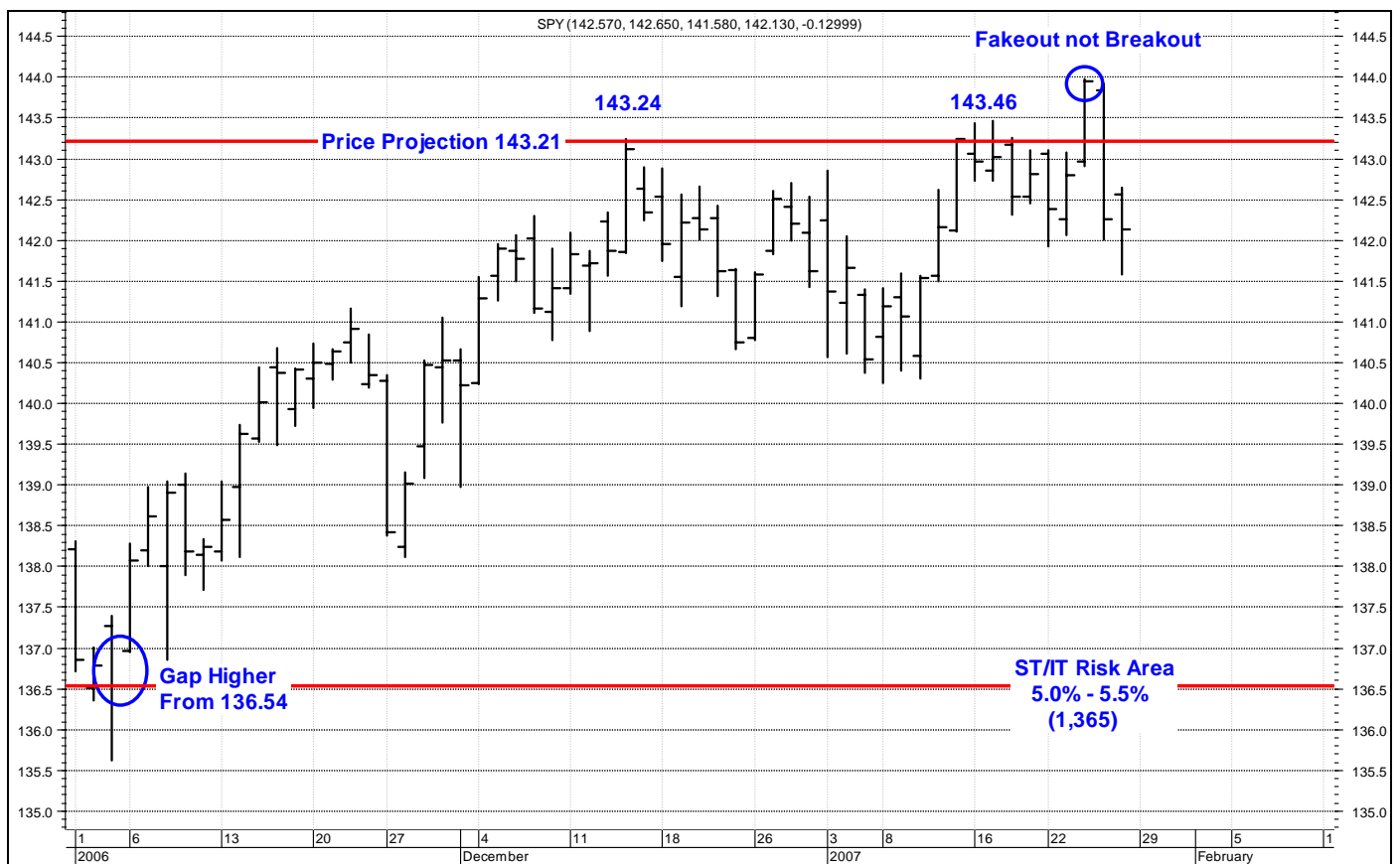
04/09/1999 – DJIA advanced 3.1% the next week

02/15/2002 – DJIA advanced .66% the next week, 3.9% the second week, and 1.9% the third week for a 3-week advance of 6.8%

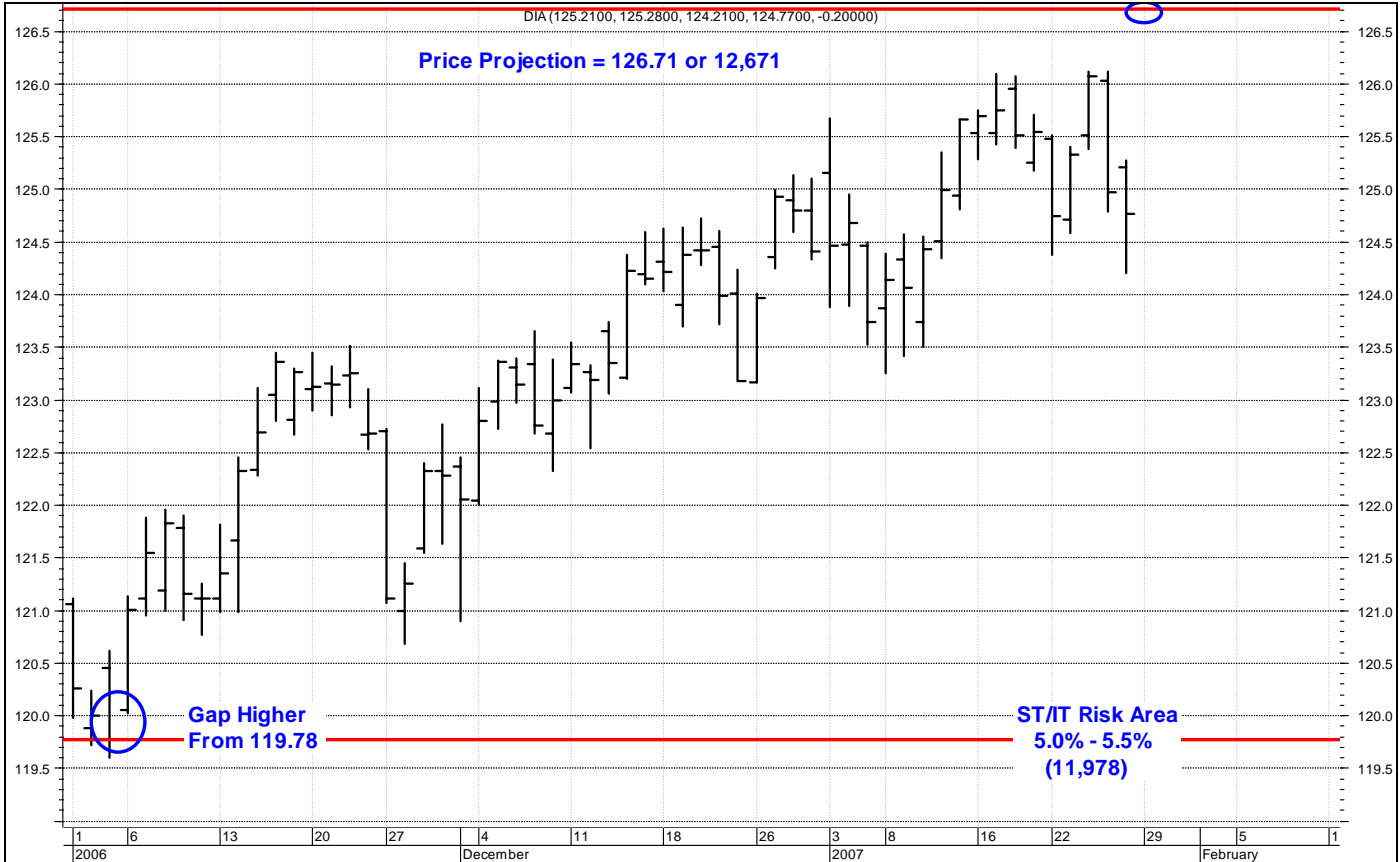
09/02/2005 – DJIA advanced 2.2% the next week "

The DJIA declined -.62% last week so the percent move was similar to 02/15/2002. The weekly ITBM issued a new Sell Signal last week so the new week is important to see if there is any follow through to the Sell Signal. In 2002, the DJIA had much larger percent moves in the second and third week after the ITBM issued a Neutral Signal.

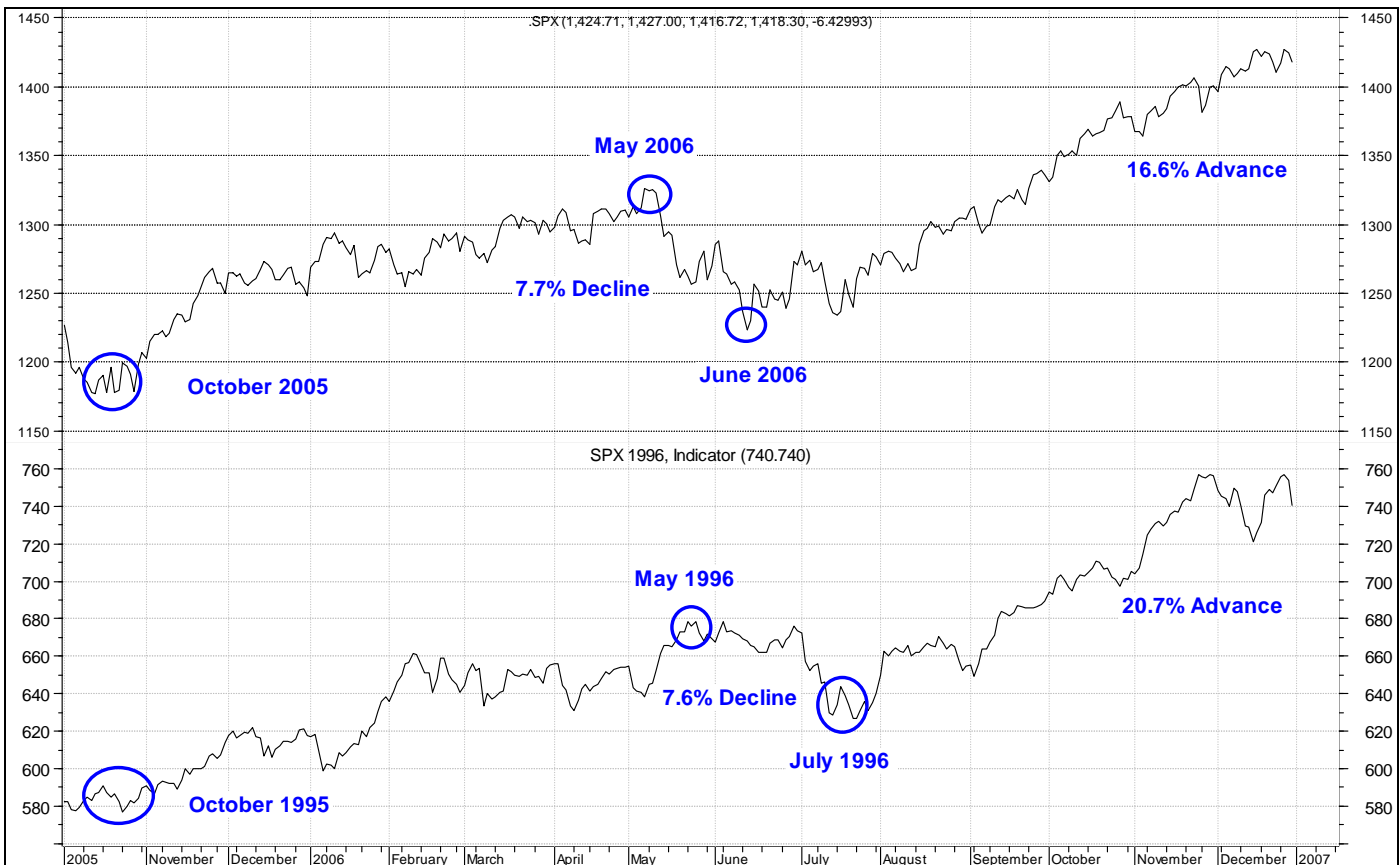
The market had a good day on Wednesday and the SPY advanced above the prior highs to a new 52-week high. However, the breakout appears to have been a fake out because the SPY declined sharply on Thursday as the market had a key reversal day. The prior price projection of \$143.21 continues to a key resistance area for the SPY in the past 6 weeks.



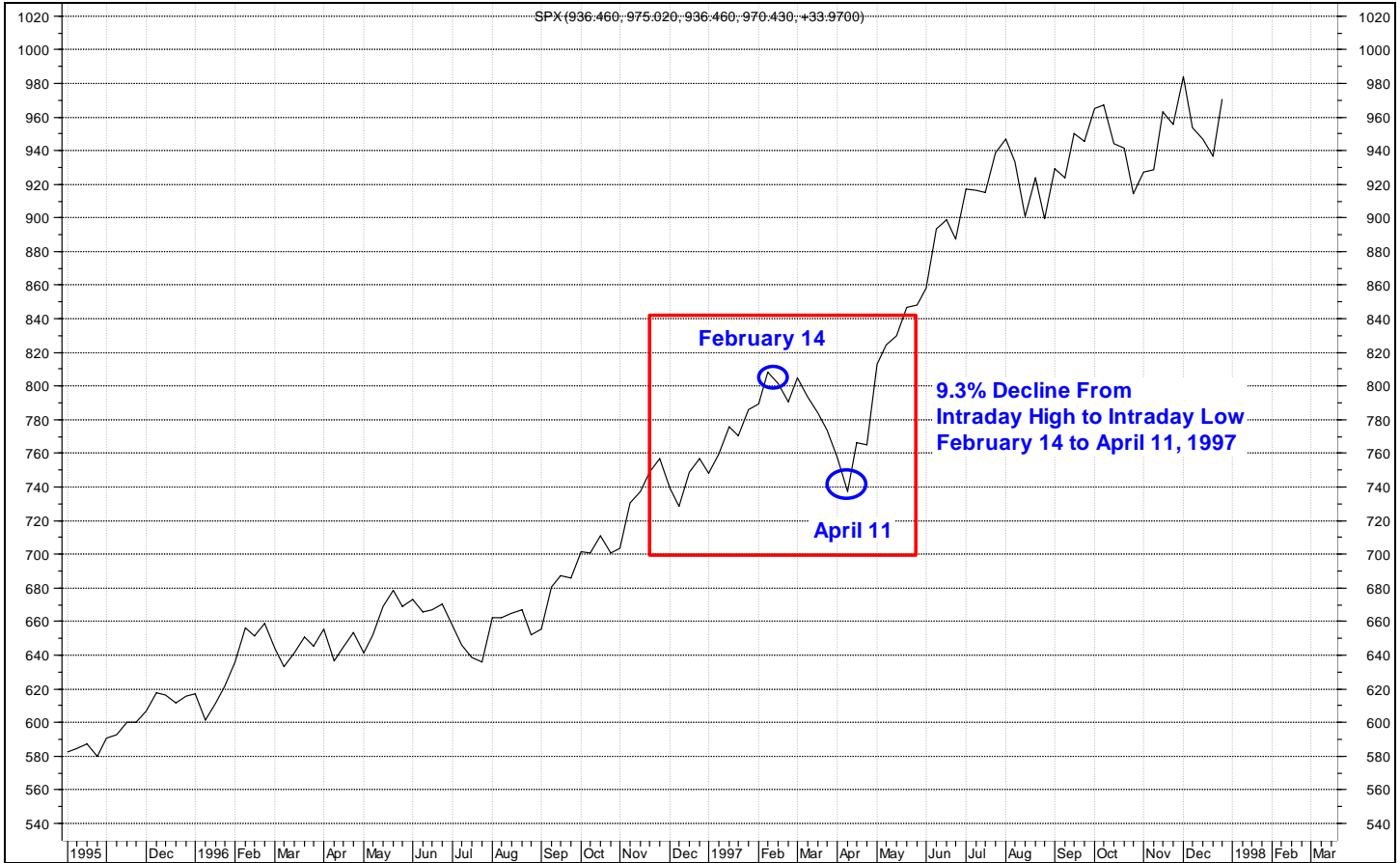
Although the market had a key reversal day on Thursday, the DIA still has an outstanding price projection of \$126.71. This higher level obviously does not have to be achieved before an important high is made but I expect the DIA will make another advance towards this level in the next 1-3 weeks. If this occurs then the SPY should advance and retest the highs from last week or make another new 52-week high. The following is an updated DIA chart since November 1 because it gives a closer view of the ST pattern and it can be compared to the SPY. Notice how both the SPY and DIA gapped higher at the beginning of November. If the market declines in the next 1-3 months then there is a possibility the gaps from November will get filled.



From Special Commentary for 2007: "I have included an additional daily chart of the SPX from October 1995 to December 1996 compared with October 2005 to December 2006 so the high correlation between the two periods is easier to see. Notice the October lows, the May highs, and the lows in June/July before a strong advance. The percent advances and declines are approximate based on closing numbers. The declines in both years from the May highs to the lows in June/July were almost the same. The SPX advance (20.7%) in 1996 from the July low to November high was actually stronger than the SPX advance (16.6%) in 2006 from the June low to the December high."



Update for 01/29/07: At the beginning of 2007, the weekly SPX was following a very high correlation to the pattern from 1996-1997. I have included the weekly SPX chart from 1997 because the current SPX weekly chart continues to follow a high correlation (92%) to 1997. Whether the pattern follows a similar path in the weeks ahead is difficult to determine but the next 1-2 weeks will be important IF the high correlation continues. The SPX made a very important high on February 14, 1997 and declined 9.3% from intraday high to an intraday low on April 11, 1997. The current market could be in the process of making a very important high before a decline in February or March. As noted in the Special Commentary for 2007, the DJIA made a yearly low in Year 3 of the Presidential Cycle 40.7% of the time in January and 59.3% of the time in the first quarter (January-March). If the market declines in the next few weeks/months, this is a typical pattern for Year 3 of the Presidential Cycle based on data from 1899-2003. Any time the market declines during the first quarter, this will be important to follow closely because any low during this period could be the yearly low for 2007 and it may create a good buying opportunity.



The market breadth indicators were volatile last week with multiple signal changes. The new week begins with the NYSE McOsi and ITBM on Sell Signals while the NAZ McOsi and ITBM are on Buy Signals. This type of divergence will not last for more than 2-3 days so the market breadth indicators should continue to be volatile in the ST and additional signal changes will be made. This multiple signal change pattern by the market breadth indicators is another warning signal the market could be making an important top. Unfortunately, when the market makes an important top it is a process not a one day event.

The FED is meeting on Tuesday for 2 days. The announcement is Wednesday, which is the last day of the month so it should remain more volatile this week. Thursday is the first day of the new month and the DJIA has been up 6 of the past 7 years.

MARKET BREADTH SUMMARY FOR MONDAY

| INDICATOR | CURRENT SIGNAL | DURATION SIGNAL Days/Date | NET (A-D) FOR NEW SIGNAL | NEW SIGNAL | COMMENTS |
|------------|----------------|---------------------------|--------------------------|------------|--|
| NYSE McOsi | SELL | 2 / 01-25 | +715 | BUY | McOsi top with +130 or less net (A-D) |
| NYSE ITBM | SELL | 2 / 01-25 | +385 | BUY | ITBM Daily ROC contracted from -11 to -3 |
| INDICATOR | CURRENT SIGNAL | DURATION SIGNAL Days/Date | NET (A-D) FOR NEW SIGNAL | NEW SIGNAL | COMMENTS |
| NAZ McOsi | BUY | 1 / 01-26 | -115 | SELL | McOsi top with -25 or more net (A-D) |
| NAZ ITBM | BUY | 1 / 01-26 | -395 | SELL | New ITBM BUY Signal on Friday |