



STRATEGAS

Technical Strategy & Analysis

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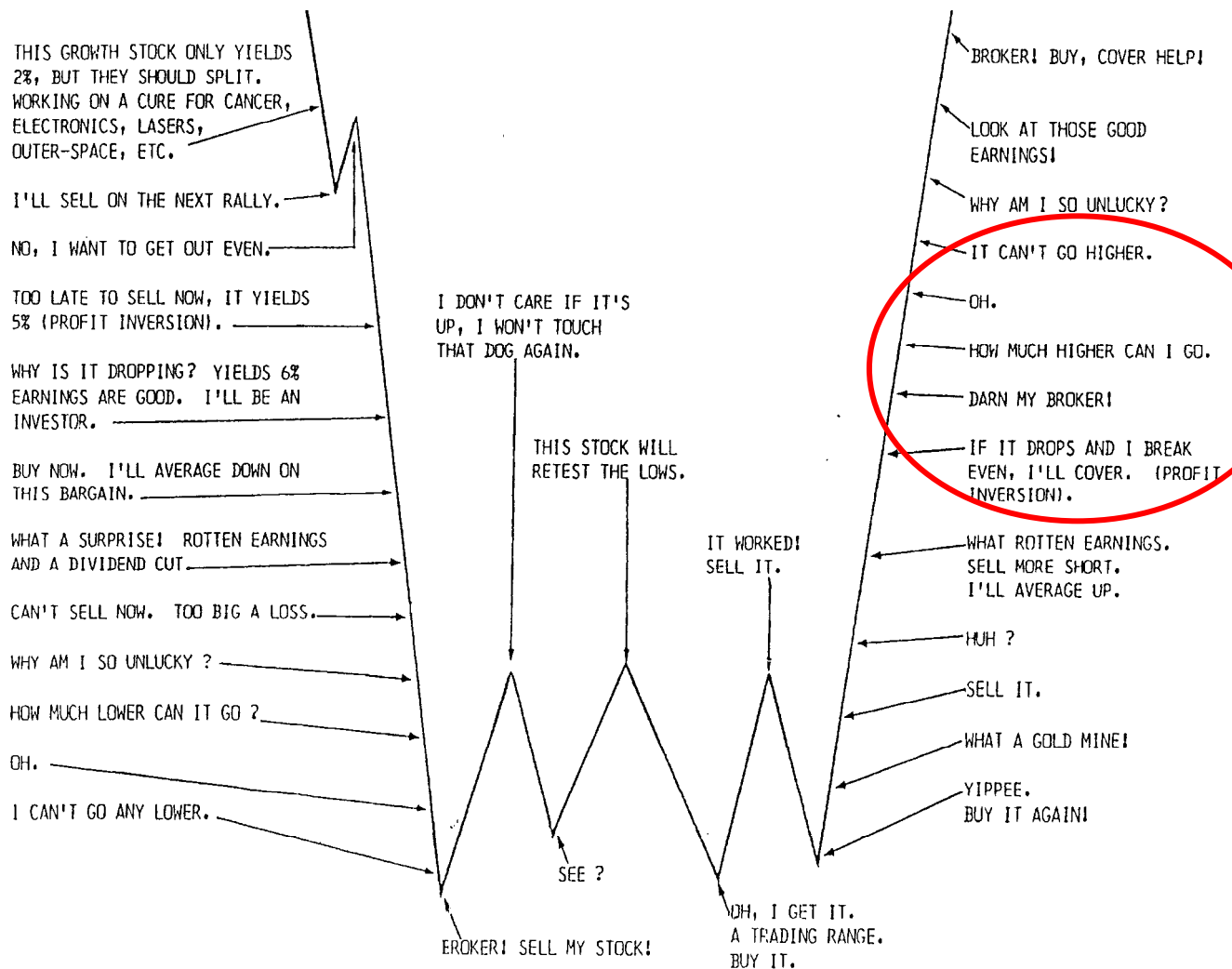
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IT'S ALL ABOUT SENTIMENT

ARE WE SOMEWHERE HERE?

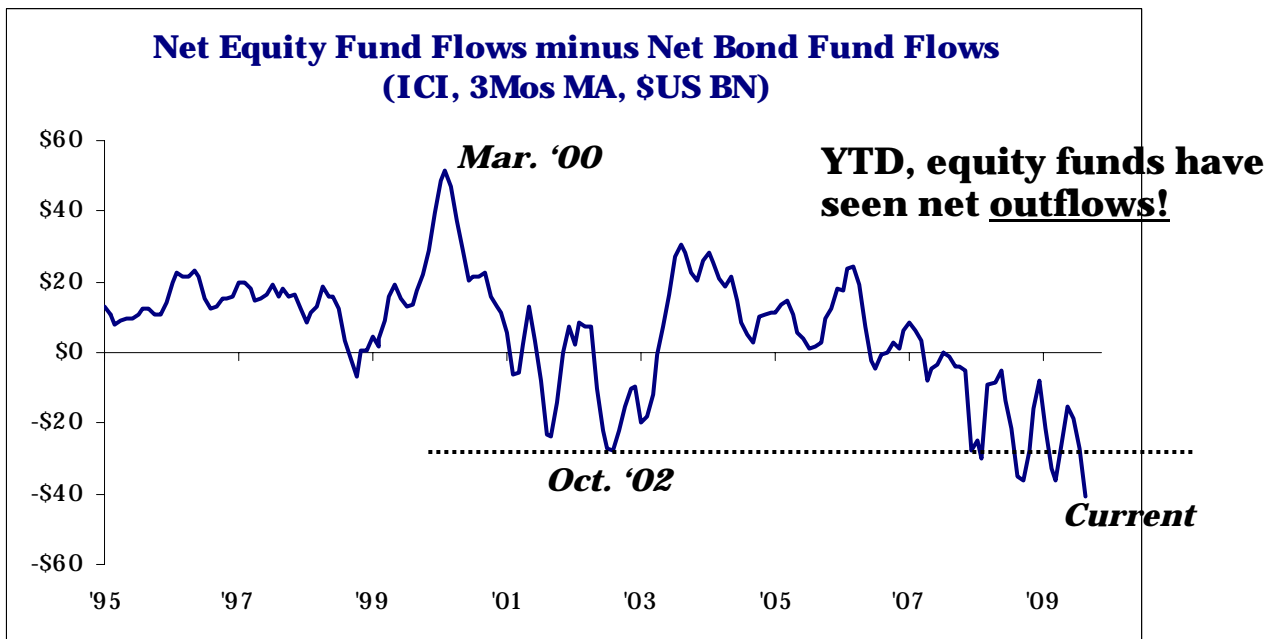
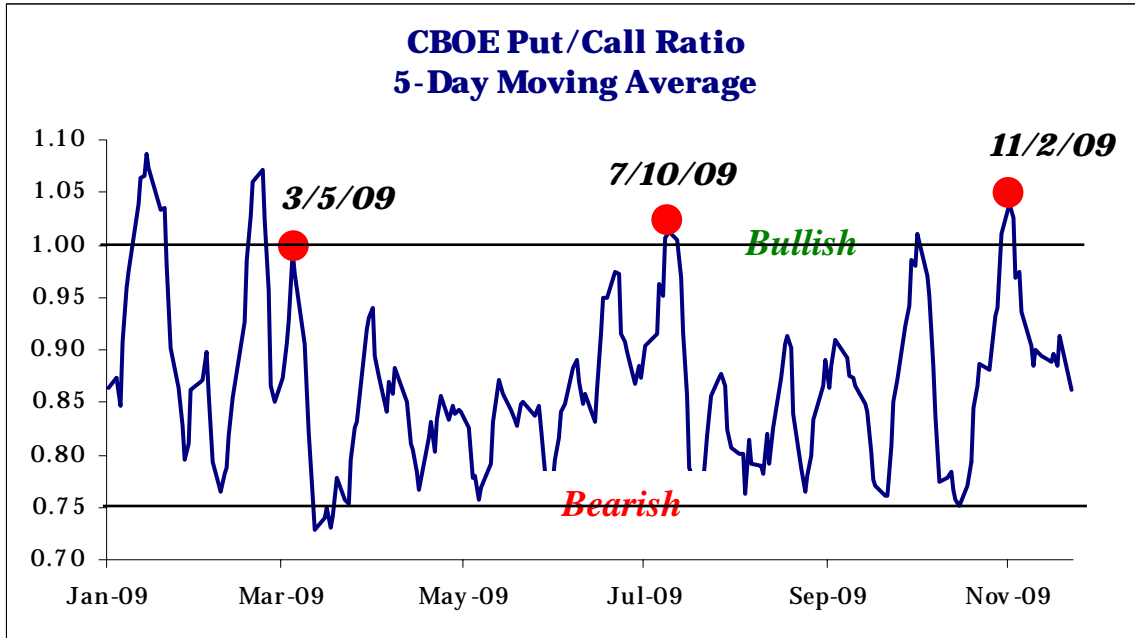
A good friend and valued client passed this tongue-in-cheek anatomy of market cycles to us, and frankly, it's about as good an exposition as you might find. We think we're somewhere near the HOW MUCH HIGHER CAN IT GO? stage.

GREED/FEAR CHART

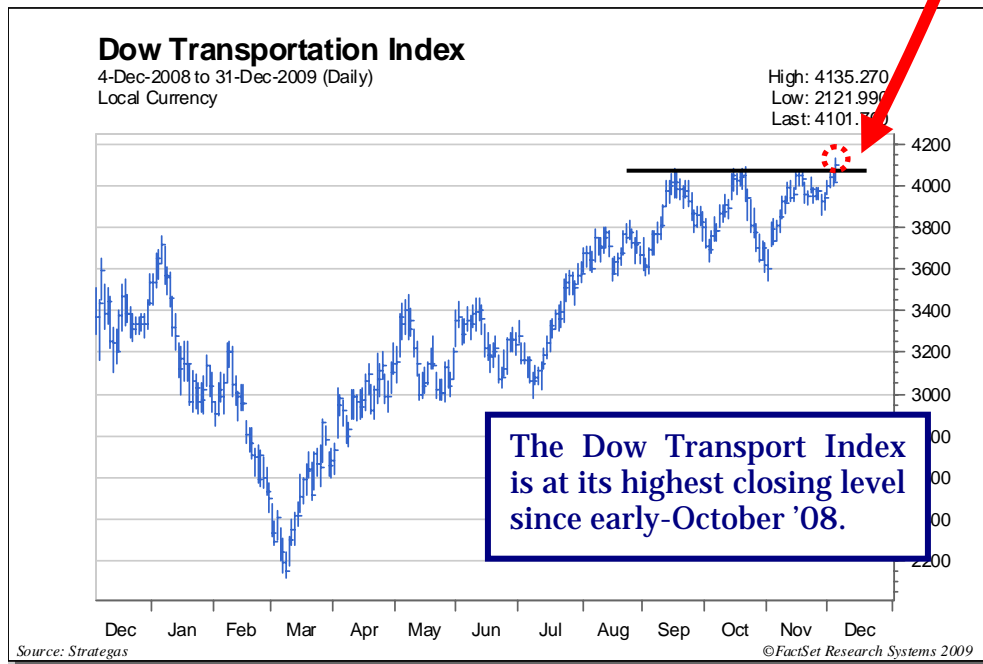
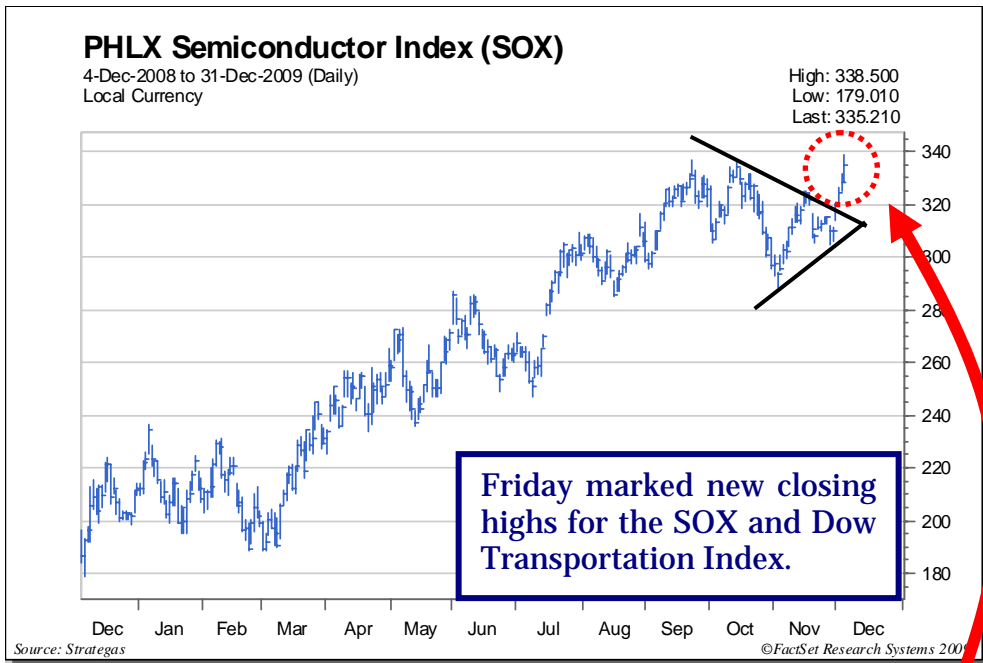


SENTIMENT READINGS NOT CONSISTENT WITH A MAJOR MARKET TOP

One of the unique aspects of the equity market's move off the March low is that investors have actually appeared to get more bearish even as stocks have pushed higher. For instance, the put-call ratio was higher in July & November, than it was at the March low (top chart). This is a trend that has also developed with the fund flow data - fixed income flows continue to outpace equity flows by a very wide margin (bottom chart) – these just are not the type of readings consistent with major market tops in our view.



NEGATIVE DIVERGENCES SUBSIDE – NEW HIGHS FOR SEMIS & TRANSPORTS ARE KEY PLANKS IN THE BULL CASE



While the market has been flirting with 1,100 for nearly 2 months, Friday marked the S&P 500's first **weekly** close above this level since October 2008 (particularly noteworthy given that the Dollar *strengthened* throughout much of the day). Additionally, new closing highs last week for the Dow Transports, PHLX Semiconductor Index, and the NYSE cumulative advance / decline line should help to ease concerns among nervous Dow Theory bulls.

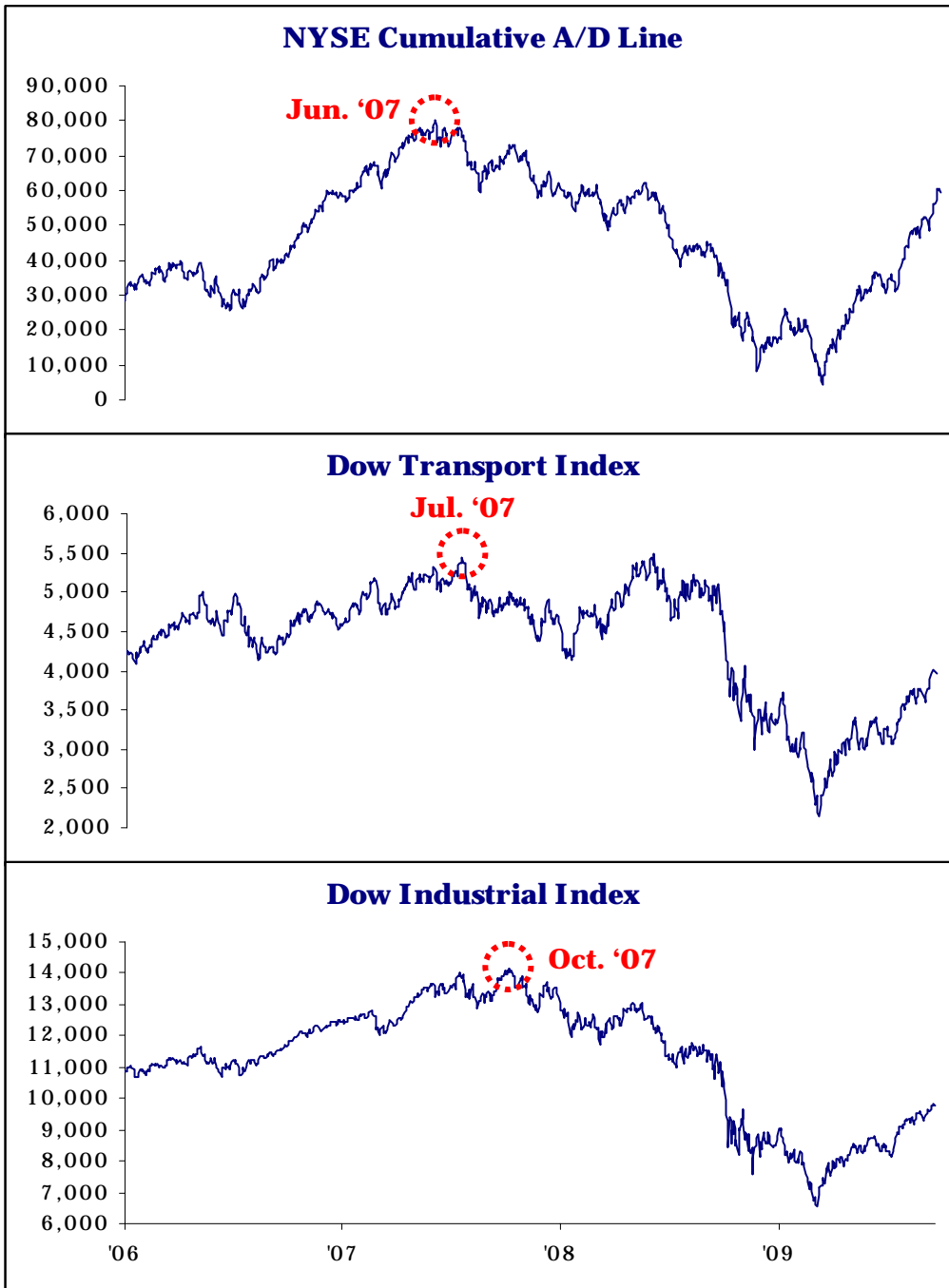
As internal divergences subside, resistance for the SPX at the 1,121 level – marking the 50% mid-point from the October '07 all-time high to the March '09 bear-market low – remains our immediate focus (see next page).

The 1,087 level continues to act as key support for the market's latest advance. Additional S&P 500 support is at 1,067.

THE IMPORTANCE OF FULLY CONFIRMED HIGHS

Another compelling characteristic of the S&P 500's first weekly close above 1,100 since October '08 is **that the new high has been fully confirmed** – strength among the broader indices has been confirmed with new highs across the board (Transports, Semis, Cumulative Advance/Decline Line, etc.). The 2007 example below, illustrates the importance of “fully confirmed” highs.

THE 2007 EXAMPLE:



Sequence of Events:

June '07:

NYSE Cumulative A/D Line peaks.

July '07:

Dow Transportation Index peaks

October '07:

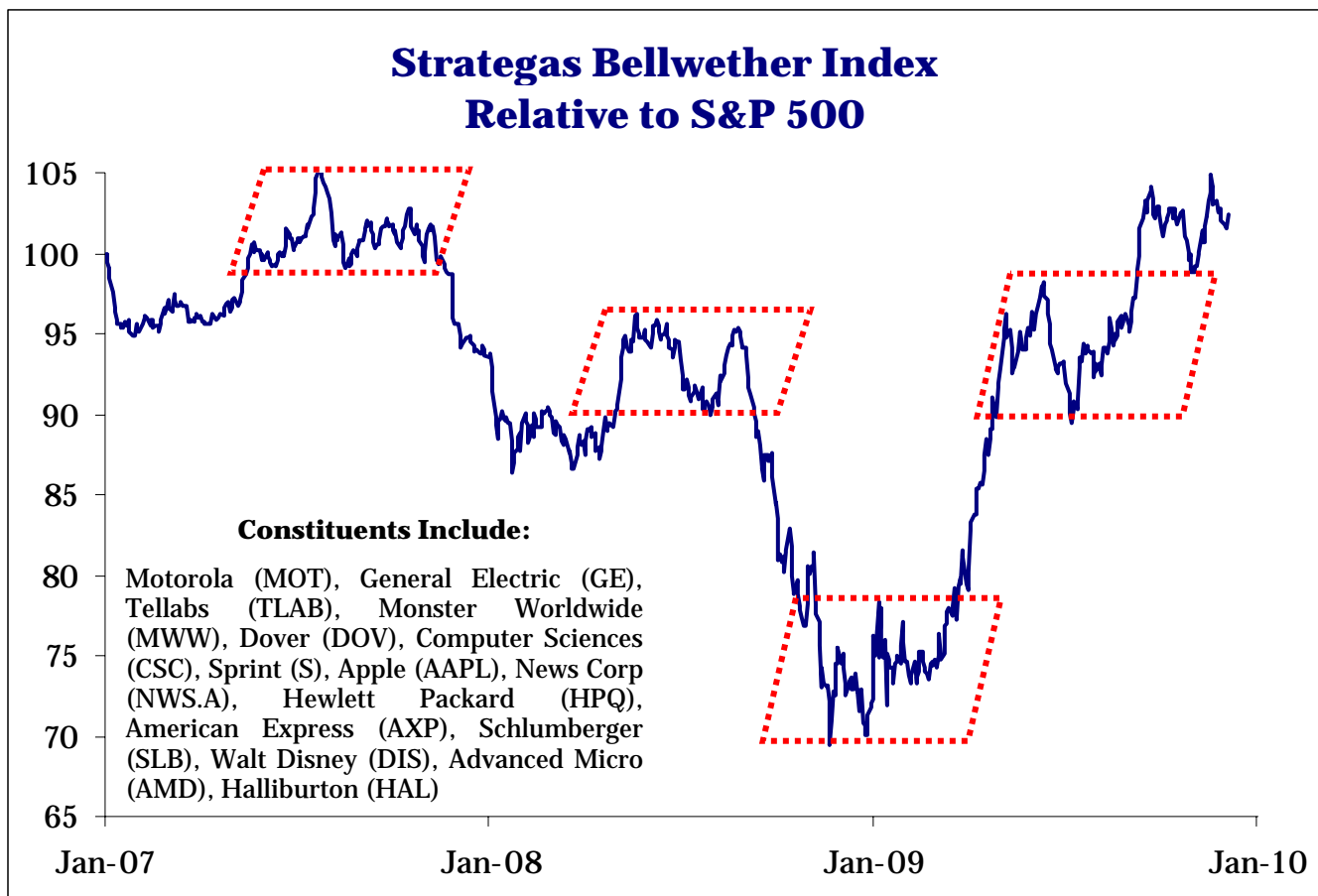
Dow Industrials reaches all-time high without confirmation from the A/D Line or Transports.

June '08:

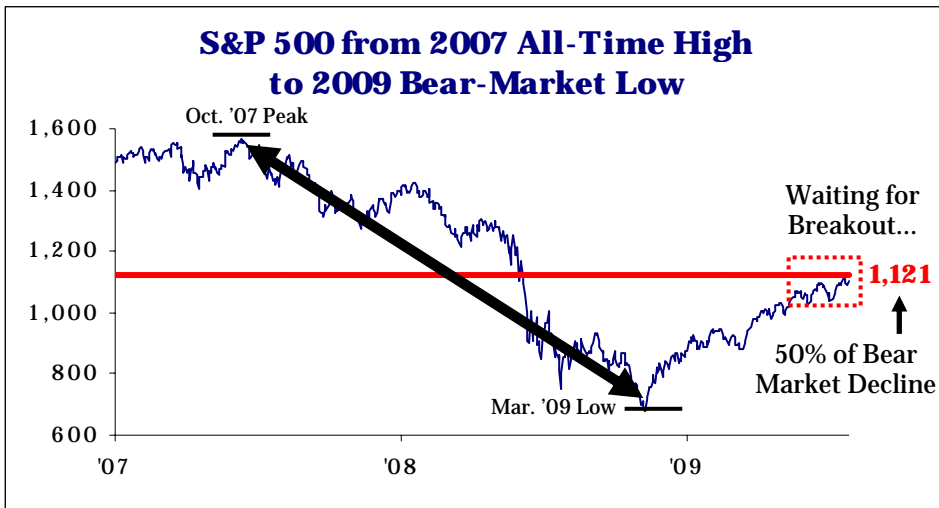
Transports again rally to a new high, but this time without broader market or A/D Line confirmation.

BELLWETHER INDEX REMAINS STRONG; THE CASE FOR FURTHER MARKET UPSIDE GETS EASIER

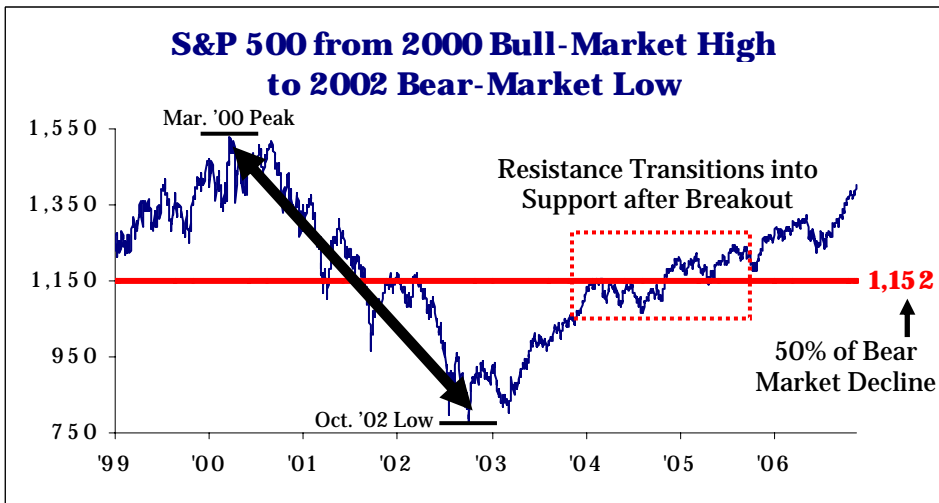
Our proprietary Strategas Bellwether Index – an equally-weighted portfolio of the 15 S&P 500 stocks with the highest correlation to nominal GDP growth over the last 10 years (82% overall) – **remains near 3-year relative highs.** In our view, this outperformance helps to confirm the broader market's strength and speaks to the underlying strength of the cyclical rally. Generally speaking, **it is not too difficult to make the case for additional market upside in the near-term,** particularly given several key technical developments that have played out over the last week (new closing highs for the Semis, Transports, and the NYSE Cumulative Advance / Decline Line).



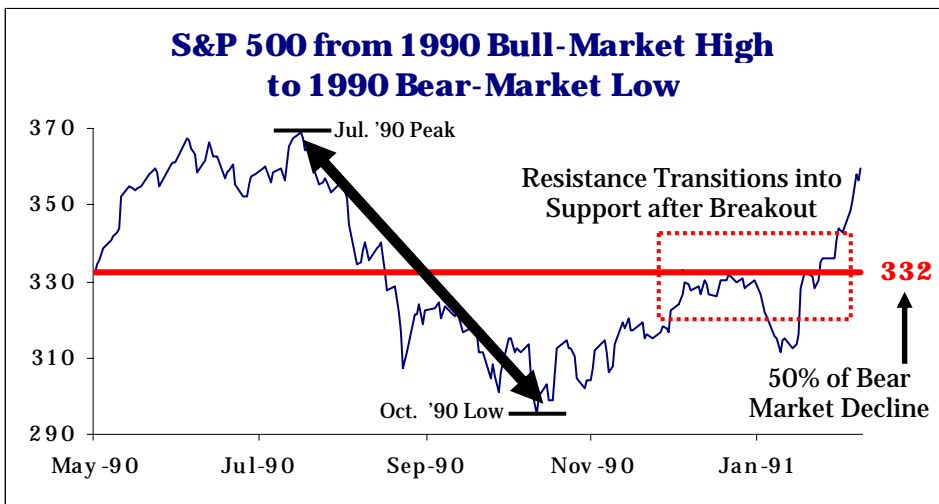
BATTLE LINE DRAWN AT 1,121: MID-POINT BETWEEN OCT. '07 HIGH & MAR. '09 LOW REMAINS KEY RESISTANCE



If the last two bear-market recoveries are any guide, the S&P 500's interaction with the 1,121 level – marking the midpoint between the October '07 all-time high (1576), and the March '09 cycle low (666) – will likely offer valuable clues for the market's trajectory in 2010.



In both the 2002 & 1990 recovery examples, the market initially struggled to break out above the key 50% retracement level – similar to the difficulty the S&P 500 is currently having as it approaches the 1,121 level. However, once the market managed to surpass this threshold in late-'04 and early-'91, the catalyst for further gains was set in place as what was key resistance transitioned into new support.



We expect a similar road-map to play out as internal divergences continue to subside and market momentum gathers steam.

82% OF STOCKS ABOVE 200-DAY MOVING AVERAGE: A “GOOD” OVERBOUGHT?



2 CRITICISMS OF THIS RALLY (POOR VOLUME & SPEED OF ASCENT) DESERVE A CLOSER LOOK

The primary criticism of the recent rally in stocks has been the lackluster level of volume that accompanied share prices higher. While this is typically a material cause for concern, a closer look at the market’s internal volume profile paints a more supportive picture. Aggregate volume levels on 90% down-days have been significantly lighter than 90% up-days. We don’t get the sense that there is much conviction to push this market lower.

Volume Profile Since Mar. 9th Low	
90% Up Days	90% Down Days
13 Days	12 Days
1.66BN Share Avg.	1.39BN Share Avg.

NYSE volume has been nearly 20% stronger on 90% up-days than 90% down-days. 90% up-days have outnumbered 90% down-days 13 to 12.

MARKET'S LONG-TERM TREND & MOVING AVERAGE PROFILE ARE VERY SUPPORTIVE

- Weekly RSI & MACD charts began to showcase positive divergences by late-'08, an important indication that base-building has been underway for over a year now. Said another way, technical repair did not *begin* with the March '09 rally.
- The 50-day moving average has broken up through the 200-day average (*see table below*).
- S&P 500 consolidated to a “higher-lows” during the June to July and October correction phases, as the 200-day moving average continues to transition higher.
- Monthly MACD has broken up through signal line (*see next page*).

S&P 500 Performance Following 50-Day Moving Average Breaking Up Through a *Declining* 200-Day Moving Average

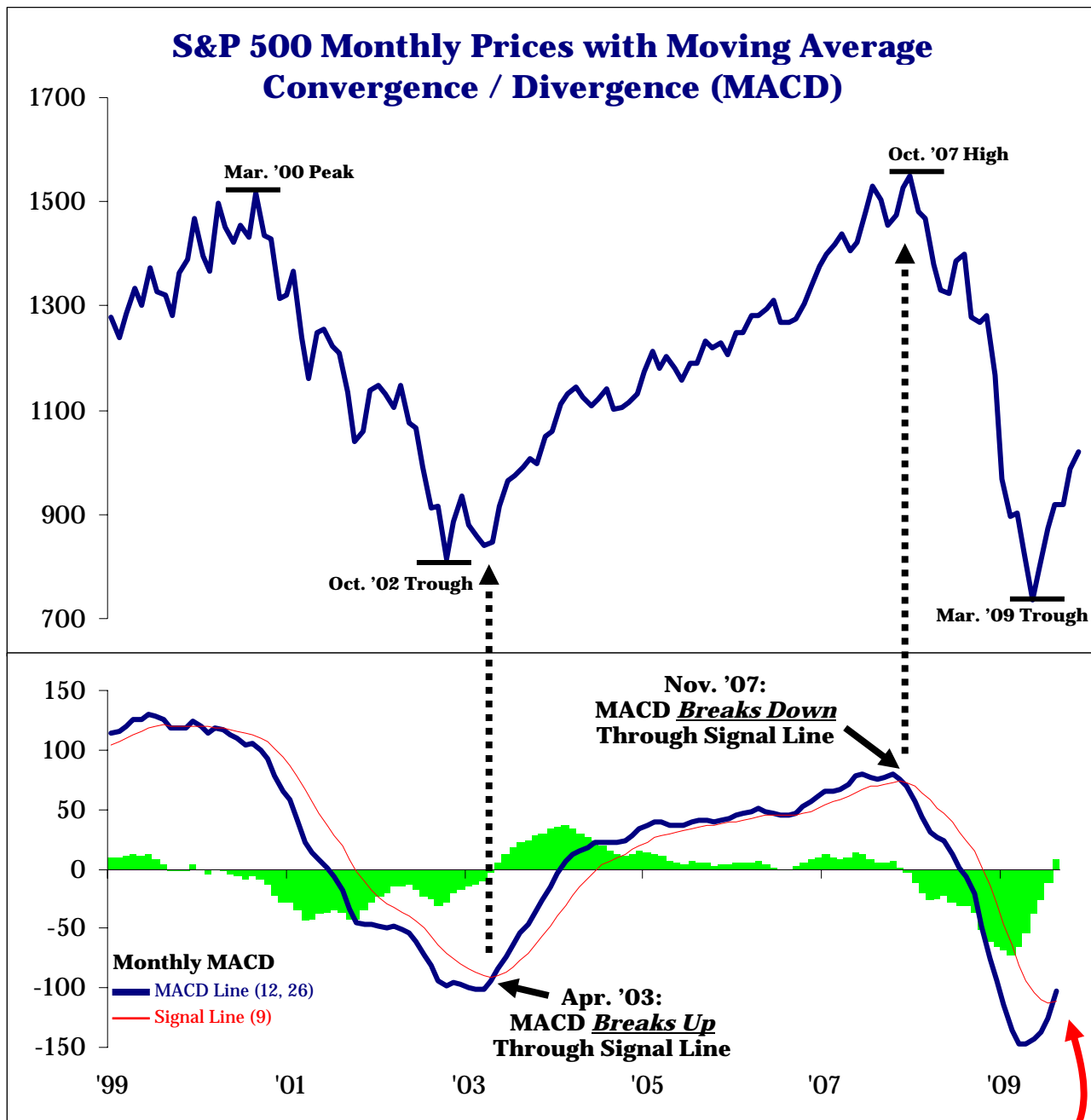
Date of Cross	S&P Level	+1 Month	+3 Months	+6 Months	+12 Months
Sep. 19th, 1932	7.34	0.8%	-5.0%	-9.7%	50.4%
Aug. 18th, 1941	10.13	2.6%	-8.6%	-16.3%	-13.8%
Aug. 14th, 1942	8.58	-0.3%	11.5%	24.4%	38.0%
Dec. 18th, 1953	24.99	1.8%	7.0%	16.2%	40.1%
Jun. 3rd, 1957	47.37	2.3%	-4.1%	-12.7%	-6.1%
May 8th, 1958	43.99	1.5%	9.2%	18.8%	30.3%
Jan. 3rd, 1963	63.72	4.1%	5.7%	9.8%	18.5%
Feb. 3rd, 1967	87.36	1.1%	7.5%	9.5%	5.6%
Oct. 21st, 1970	83.66	0.1%	12.6%	23.5%	14.3%
Mar. 7th, 1975	84.30	-4.7%	9.7%	1.6%	17.6%
May 22nd, 1978	99.09	-2.9%	5.3%	-3.6%	1.4%
Sep. 28th, 1982	123.24	8.4%	14.2%	23.2%	36.3%
Sep. 12, 1984	164.68	-0.3%	-1.2%	9.1%	11.5%
Jun. 28th, 1988	272.31	-2.3%	-1.2%	1.8%	19.6%

Average Percentage Gain 0.9% 4.5% 6.8% 18.8%



Since 1929, we've counted 14 instances where a rising 50-day moving average has broken up through a declining 200-day moving average. Over the following 12-months, stocks tend to do very well – up, on average, 18.8%.

MARKET'S LONG-TERM TREND & MOVING AVERAGE PROFILE ARE VERY SUPPORTIVE



The monthly MACD has broken up through the signal line – this is a very healthy technical indication that trend continues to improve, even as stocks correct. This indicator has generated 19 “buy” signals over the last 50 years, with only two false positives (see next page).

S&P 500 Performance Following MACD Buy Signal

MACD Buy Signal		+3 Months	+6 Months	+12 Months
Date	S&P Level			
2/28/1961	63.44	4.9%	7.3%	10.3%
3/29/1963	66.57	4.2%	7.7%	18.6%
12/31/1965	92.43	-3.5%	-8.3%	-13.1%
4/28/1967	94.01	0.8%	-0.1%	3.8%
4/30/1968	97.59	0.2%	6.0%	6.3%
12/31/1970	92.15	8.9%	8.2%	10.8%
4/30/1975	87.30	1.7%	2.0%	16.4%
7/31/1978	100.68	-7.5%	-0.7%	3.1%
10/29/1982	133.71	8.7%	23.0%	22.3%
1/31/1985	179.63	0.1%	6.3%	17.9%
2/28/1989	288.86	11.0%	21.7%	14.9%
6/29/1990	358.02	-14.5%	-7.8%	3.7%
3/29/1991	375.22	-1.1%	3.4%	7.6%
1/29/1993	438.78	0.3%	2.1%	9.8%
3/31/1995	500.71	8.8%	16.7%	28.9%
12/31/1998	1229.23	4.6%	11.7%	19.5%
12/31/1999	1469.25	2.0%	-1.0%	-10.1%
5/30/2003	963.59	4.6%	9.8%	16.3%
9/29/2006	1335.85	6.2%	6.4%	14.3%
Average		+2.1%	+6.0%	+10.6%

While near-term performance can be choppy immediately following the monthly MACD “buy” signal, market performance over the following 12-month period is compelling – stocks, on average, have advanced close to +11%, with only two false positives. Of note, both false positive signals (12/31/65 and 12/31/99) occurred in aged bull markets – clearly not the case today.

PLENTY OF SUPPORT IN 900 TO 1,000 RANGE, PUSH TO 1,200 MORE LIKELY THAN RETEST OF 900

Number of Trading Days it took the S&P 500 to go DOWN from...

1500 to 1400	41 Days
1400 to 1300	41 Days
1300 to 1200	132 Days
1200 to 1100	14 Days
1100 to 1000	5 Days
1000 to 900	8 Days
900 to 800	21 Days
800 to 700	68 Days

Number of Trading Days it took the S&P 500 to go UP from...

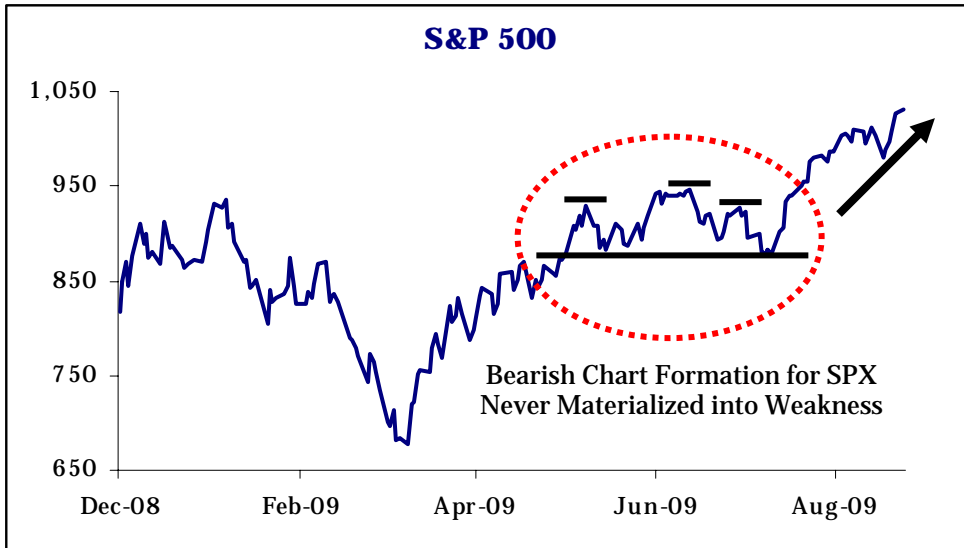
700 to 800	14 Days
800 to 900	29 Days
900 to 1000	63 Days
1000 to 1100	75 Days

Given the speed of last year's decline, there doesn't look to be too much new resistance to contend with in the 900 to 1,200 range as the market currently pushes higher. As a general rule of thumb, it's easier for the market to retrace ground it has already covered than chart new territory.

Since the market's reversal in March, there has been a not inconsiderable period of time, 138 days, for the base building process to mature and support to firm in the important 900 to 1,100 range.

KEY PLANK IN THE BULL CASE:

Bearish Chart Patterns Have Not Materialized into Weakness among Many Indices



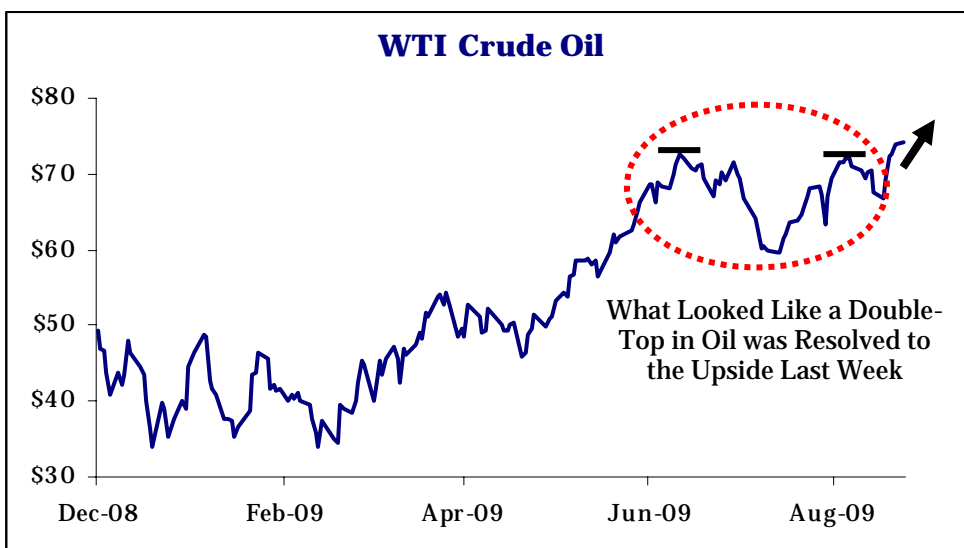
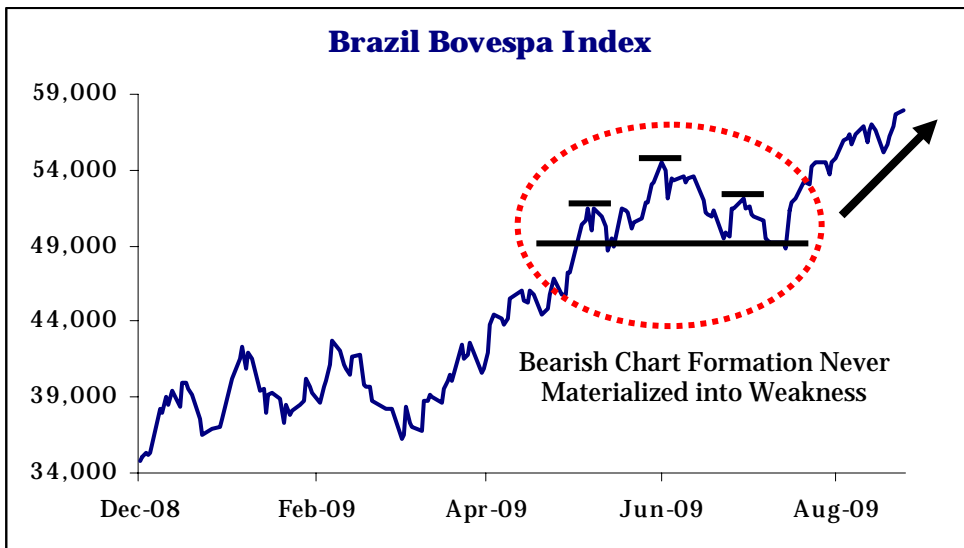
We first ran this page in mid-August, but we feel the lessons still hold relevance roughly 4-months later.

Technical Update, 8/25/09

Additionally, we've noticed that what are typically bearish chart formations are ultimately moving in favor of the bulls. This, in our view, is illustrative of three important developments:

- 1) Trend is transitioning to the upside.
- 2) Market support levels are maturing.
- 3) There appears to be little downside conviction.

Stay tuned...



PLENTY OF SUPPORT IN 900 TO 1,000 RANGE, PUSH TO 1,200 MORE LIKELY THAN RETEST OF 800?

Number of Trading Days it took the S&P 500 to go DOWN from...

1500 to 1400	41 Days
1400 to 1300	41 Days
1300 to 1200	132 Days
1200 to 1100	14 Days
1100 to 1000	5 Days
1000 to 900	8 Days
900 to 800	21 Days
800 to 700	68 Days

Number of Trading Days it took the S&P 500 to go UP from...

700 to 800	14 Days
800 to 900	29 Days
900 to 1000	63 Days

Given the speed of last year's decline, there doesn't look to be too much new resistance to contend with in the 900 to 1,200 range as the market currently pushes higher. As a general rule of thumb, it's easier for the market to retrace ground it has already covered than chart new territory.

Since the market's reversal in March, there has been a not inconsiderable period of time, 63 days, for the base building process to mature, providing support in the important 900 to 1,000 range.

MAPPING THE *TRADITIONAL* PLAYBOOK AS THE ECONOMY BEGINS TO CHART RECOVERY

Sector Allocation: Early-Cyclical Rotation

- The defensive trade and late-cycle performers begin to underperform as traditional early-cyclical industries leveraged to economic recovery pace market gains.
- Typically a good time to own early-leadership: Discretionary Retail, Industrials, and Financials.

Factor Analysis: Rotation Away from Quality

- With the economy beginning to turn, typically a rotation to the “worst of the worst” stocks allows investors to capture leveraged returns.
- Companies with high beta & short interest, high debt, and low return on equity will outperform in the early stages of a new bull cycle.

Size & Style: Small-Cap Value Outperforms

- The outperformance of small-cap value stocks is common as investors exit the flight to quality trade in favor of greater risk exposure.

Where We Differ: As the market and economy emerged out of the 2000 to 2002 bear-market, the *traditional* playbook – long small-cap value, early cyclical sectors, and lower-quality stocks – proved to be the winning strategy. However, we believe the key difference this time around is the continued impairment in the credit markets – the *access to* and *cost of* debt financing is likely generationally impaired. Coupled with unprecedented amounts of global stimulus spending and a nominal growth environment that is likely to remain below trend for sometime, we believe exposure to the market’s more traditional “late-cyclicals” (i.e., Energy, Basic Materials, and Consumer Staples) will ultimately be the most appropriate strategy to generate longer-term secular outperformance.

CONTRARIANS NOTE: U.S. LARGE-CAP GROWTH THE DECADE'S WORST

By Asset Class,

	1970s	1980s	1990s	2000s
Long-Term Government	5.5	12.6	8.8	10.5
Long-Term Corporate	6.2	13.0	8.4	8.2
Intermediate-Term Government	7.0	11.9	7.2	7.2
Small-Cap Stocks	11.5%	15.8%	15.1%	4.1
Treasury Bills	6.3	8.9	4.9	3.1
Inflation	7.4	5.1	2.9	2.5
Large-Cap Stocks	5.9	17.5	18.2	-3.6

Style,

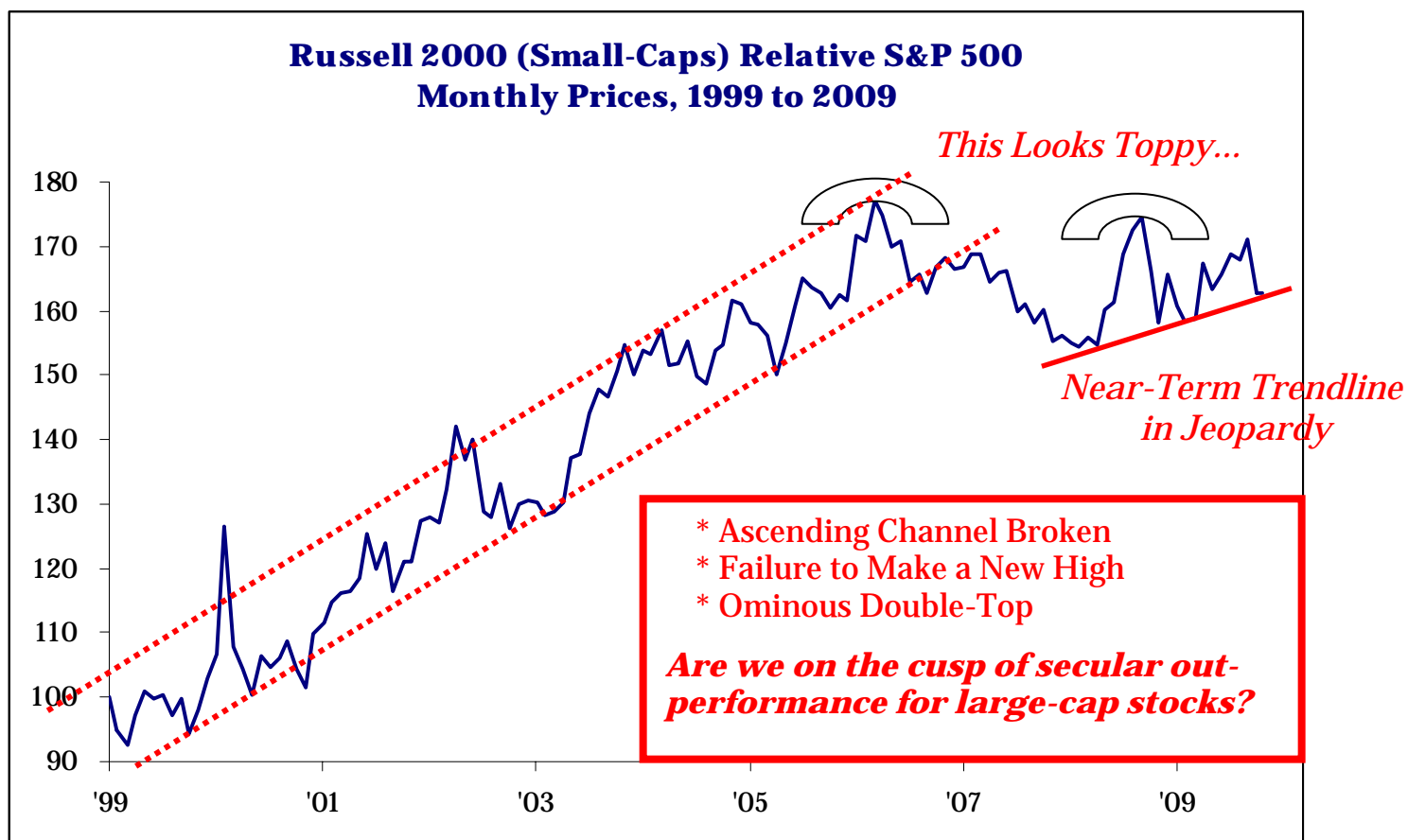
	1970s	1980s	1990s	2000s
Small-Cap Value	14.9%	20.3%	14.5%	8.0%
Mid-Cap Value	12.5	19.0	14.2	5.2
All Value	8.8	18.4	15.6	-0.3
Large-Cap Value	7.7	18.1	15.8	-1.7
Mid-Cap Growth	5.7	15.4	16.7	-2.7
Small-Cap Growth	8.6	14.4	13.1	-2.8
All Growth	3.3	15.4	20.0	-6.0
Large-Cap Growth	2.4	15.6	21.4	-6.8

And Region

	1970s	1980s	1990s	2000s
Canada	11.0%	11.6%	9.9%	4.8%
Europe	8.6	18.5	14.5	-0.8
EAFE (Europe, Australia, Far East)	10.1	22.8	7.3	-1.4
World	7.0	19.9	12.0	-2.7
Pacific	14.8	26.4	0.5	-2.7
United States	5.9	17.5	18.2	-3.6

WILL THE “TEENS” FINALLY BE THE DECADE FOR LARGE-CAP STOCKS?

After outperforming for much of the last decade, the small-cap trade is starting to showcase classic technical signposts of exhaustion. The multi-year up-trend has been broken, and the Russell 2000 has failed to make a new high relative the S&P 500 on the monthly price chart. With “lower-highs” being set, we’re keeping a close eye on the near-term trend line. It looks like we could be on the verge of a sustained period of outperformance for large-cap stocks.



AUGUST '82 THIS AIN'T

Then & Now: August 1982 vs. June 2009

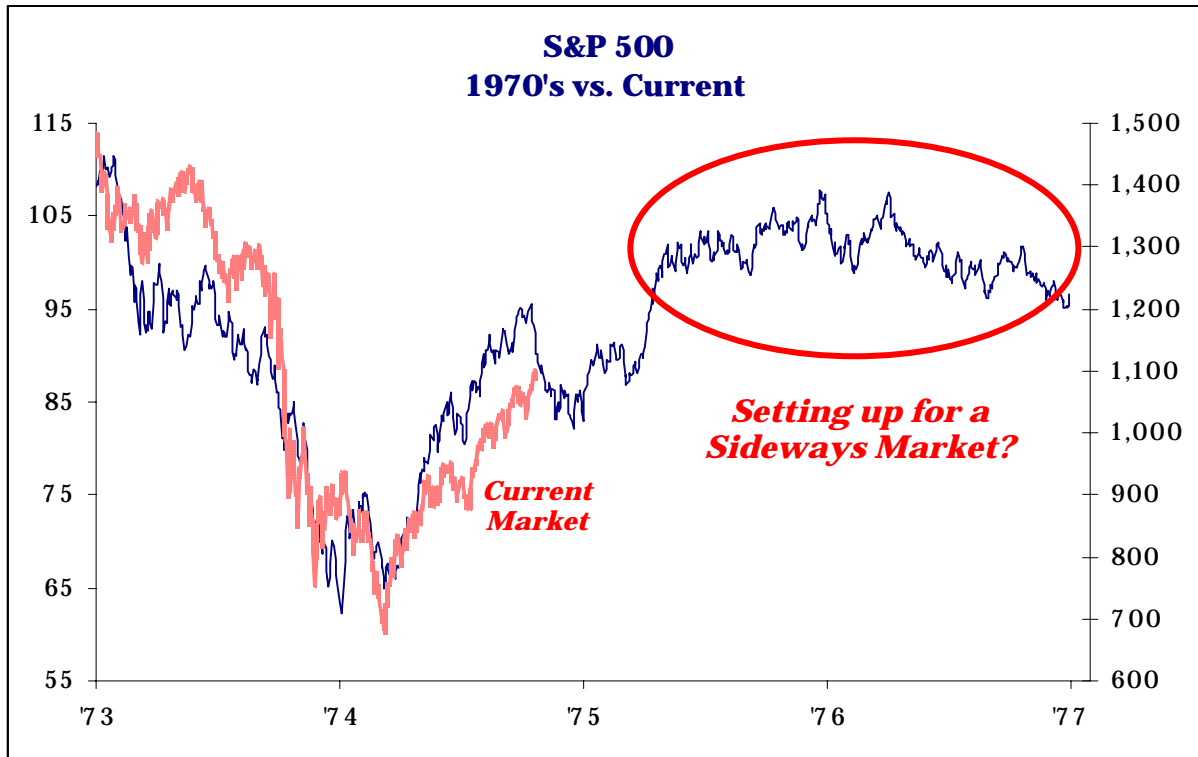
	August '82	Current
Fed Funds Rate	10.25%	0.13%
Prime Rate	14.39%	3.25%
10-Year UST Yield	13.6%	3.5%
Trailing S&P 500 P/E	8.8x	26.8x
Price to Book	1.0x	2.2x
Dividend Yield	6.6%	2.1%
Top Marginal Tax Rate	50%	35%
Capital Gains Tax Rate	20%	15.0%
% of Workforce in Union	20.1%	12.4%

Real Returns Across Asset Class (1982 to 1989)

	Large-Cap Stocks	Long-Term Corp. Bonds	Long-Term Govt. Bonds	T-Bills	Home Prices	Gold
12/31/1982	\$1	\$1	\$1	\$1	\$1	\$1
12/31/1983	\$1.19	\$1.03	\$0.97	\$1.06	\$1.00	\$0.81
12/31/1984	\$1.22	\$1.16	\$1.08	\$1.11	\$0.99	\$0.62
12/31/1985	\$1.56	\$1.47	\$1.38	\$1.16	\$1.00	\$0.63
12/31/1986	\$1.82	\$1.73	\$1.69	\$1.21	\$1.04	\$0.74
12/31/1987	\$1.85	\$1.66	\$1.59	\$1.23	\$1.08	\$0.89
12/31/1988	\$2.09	\$1.77	\$1.67	\$1.25	\$1.08	\$0.72
12/31/1989	\$2.65	\$1.98	\$1.90	\$1.31	\$1.09	\$0.67
% Return	165%	98%	90%	31%	9%	-33%

1970's REDUX?

Many of our clients and friends that have seen multiple cycles believe that over the next several years, the market will be reminiscent of the period following the '73-'74 bear market. After an initial rally off the bottom, the major market indices marked time for several years. Increasingly we believe the investment landscape over the next several years will likely be bullish for real assets, neutral for stocks, and bearish for bonds.



Real Returns Across Asset Class (1975 to 1980)

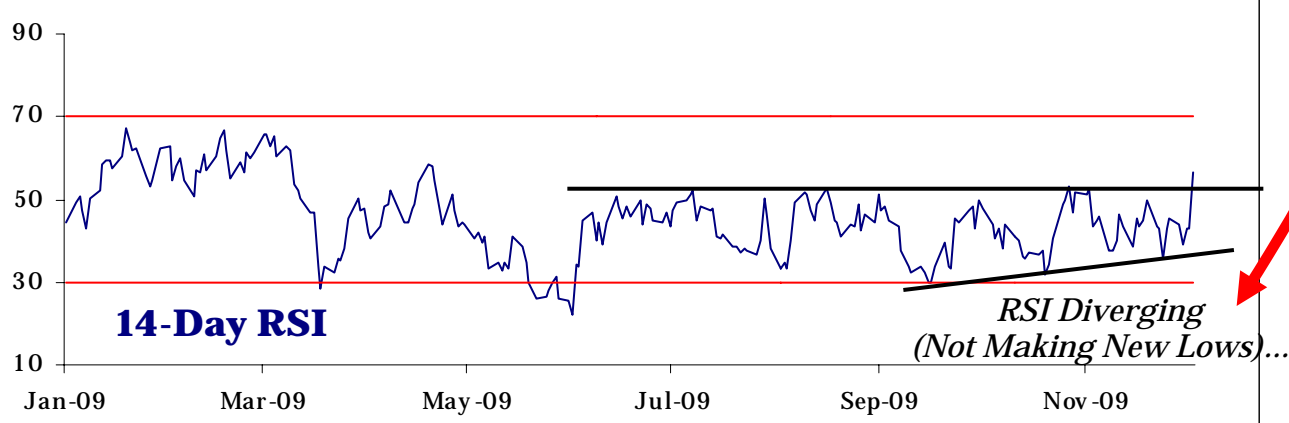
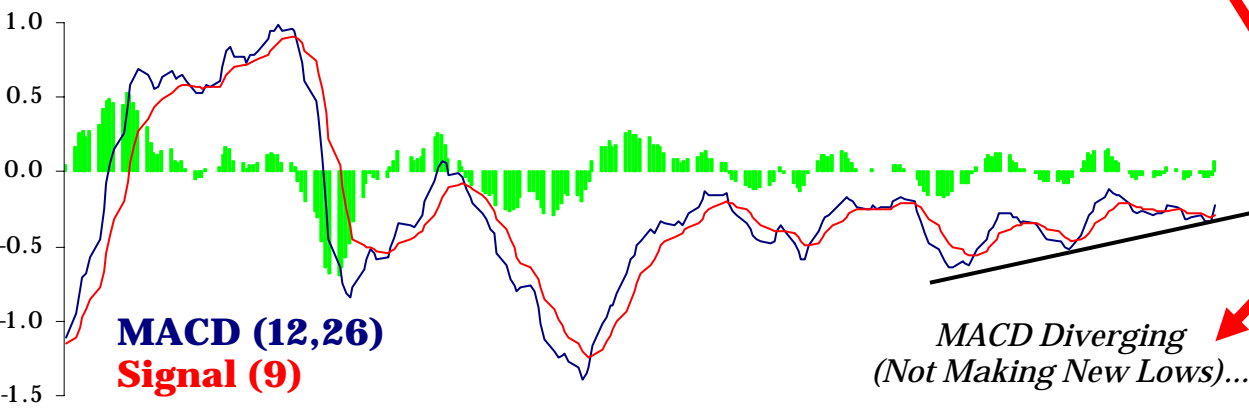
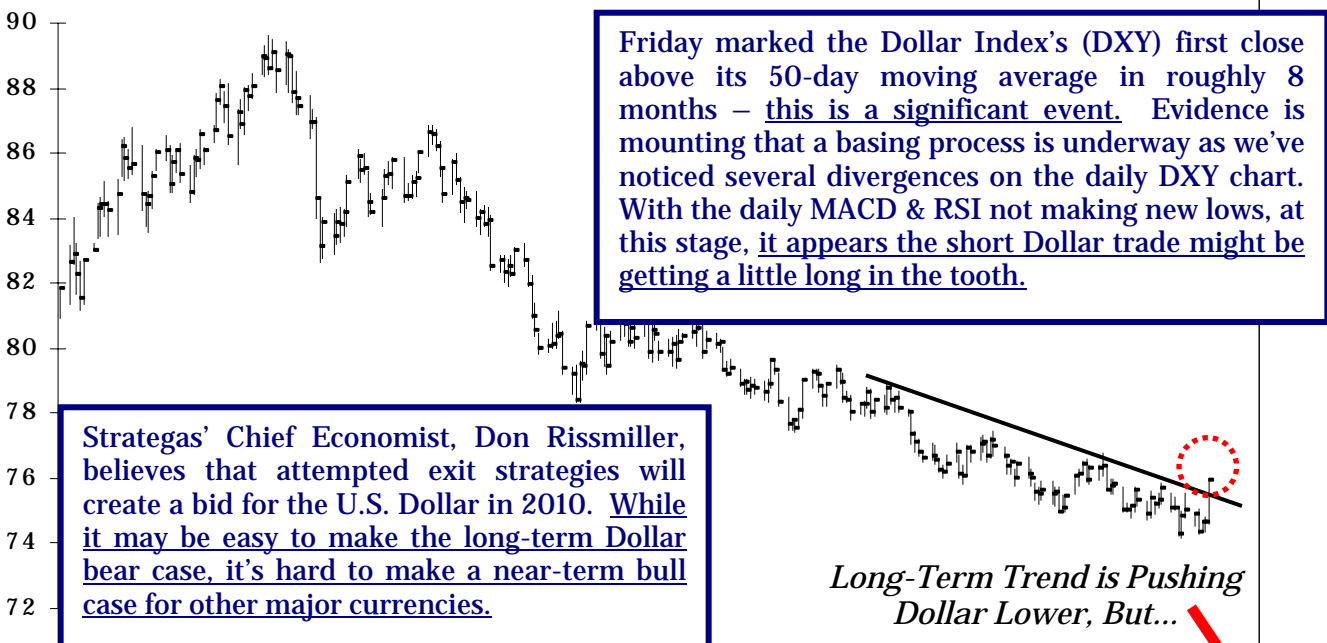
	Gold	Large-Cap Stocks	Home Prices	T-Bills	Long-Term Corp. Bonds	Long-Term Govt. Bonds
12/31/1974	\$1	\$1	\$1	\$1	\$1	\$1
12/31/1975	\$0.67	\$1.28	\$1.01	\$0.97	\$1.06	\$1.00
12/31/1976	\$0.61	\$1.51	\$1.03	\$0.96	\$1.19	\$1.11
12/31/1977	\$0.70	\$1.31	\$1.09	\$0.95	\$1.13	\$1.03
12/31/1978	\$0.91	\$1.29	\$1.16	\$0.94	\$1.05	\$0.94
12/31/1979	\$1.96	\$1.38	\$1.19	\$0.93	\$0.89	\$0.82
% Return	96%	38%	19%	-7%	-11%	-18%

**Commodity Exposure
Outperformed**

**Fixed Income Underperformed
by a Wide Margin**

DOLLAR INDEX CLOSES ABOVE 50-DAY MOVING AVERAGE: DIVERGENCES STARTING TO GATHER MOMENTUM

**U.S. Dollar Index Daily Bar Chart (TOP),
14-Period RSI (Middle), and MACD(Bottom)**



RISE IN GOLD PRICES BEARISH FOR TREASURY MARKET

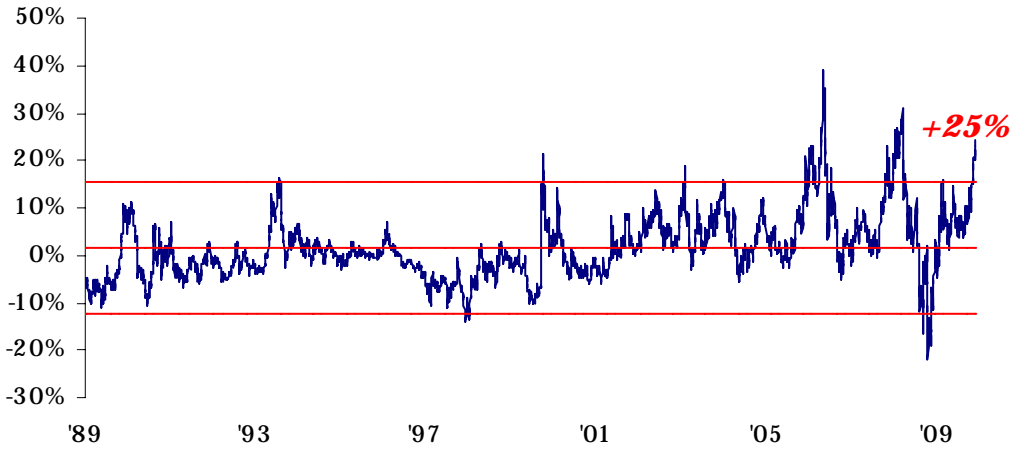
While the indicator below has, admittedly, not been the most reliable signal for bond yields over the last decade, the longer historical series is more compelling. Over the last 40 years, bond yields have followed the previous year's change in gold price 30 times, for a success rate of 75%. With gold prices up roughly +40% YTD, the stage could be set for yields to move materially higher in 2010.

	Annual Change in Gold Prices	Change in 10Yr Yields the Following Year	
1969	-14.4%	-17.5%	CHECK
1970	6.5%	-9.4%	X
1971	16.1%	8.8%	CHECK
1972	47.0%	7.6%	CHECK
1973	67.0%	7.2%	CHECK
1974	72.3%	4.9%	CHECK
1975	-23.7%	-12.2%	CHECK
1976	-4.1%	14.2%	X
1977	22.6%	17.6%	CHECK
1978	37.0%	12.9%	CHECK
1979	126.5%	20.3%	CHECK
1980	15.2%	12.5%	CHECK
1981	-32.6%	-25.7%	CHECK
1982	14.9%	13.6%	CHECK
1983	-16.3%	-2.4%	CHECK
1984	-19.2%	-22.0%	CHECK
1985	5.8%	-19.6%	X
1986	19.0%	22.6%	CHECK
1987	24.5%	3.1%	CHECK
1988	-15.3%	-13.2%	CHECK
1989	-2.2%	1.7%	X
1990	-4.6%	-17.0%	CHECK
1991	-7.7%	-0.2%	CHECK
1992	-5.7%	-13.3%	CHECK
1993	17.4%	35.0%	CHECK
1994	-1.9%	-28.8%	CHECK
1995	1.0%	15.2%	CHECK
1996	-4.5%	-10.5%	CHECK
1997	-21.7%	-19.1%	CHECK
1998	-0.6%	38.6%	X
1999	0.8%	-20.6%	X
2000	-5.9%	-1.2%	CHECK
2001	1.5%	-24.5%	X
2002	23.9%	11.3%	CHECK
2003	21.7%	-0.6%	X
2004	5.0%	4.1%	CHECK
2005	17.2%	7.1%	CHECK
2006	23.8%	-14.4%	X
2007	31.7%	-45.0%	X
2008	3.5%	42.8%	CHECK
2009	40.0%	?	

75% Success Rate

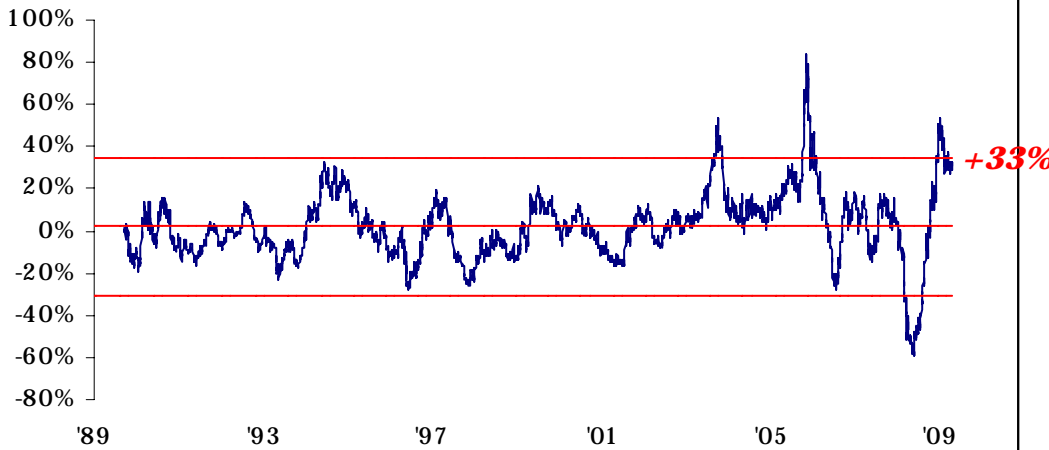
SECULAR BULL STORY INTACT, BUT GOLD & COPPER STARTING TO LOOK TOPPY IN NEAR-TERM

**Gold Divergence Between 200-Day Moving Average
+2 / -2 Standard Deviation Bars**



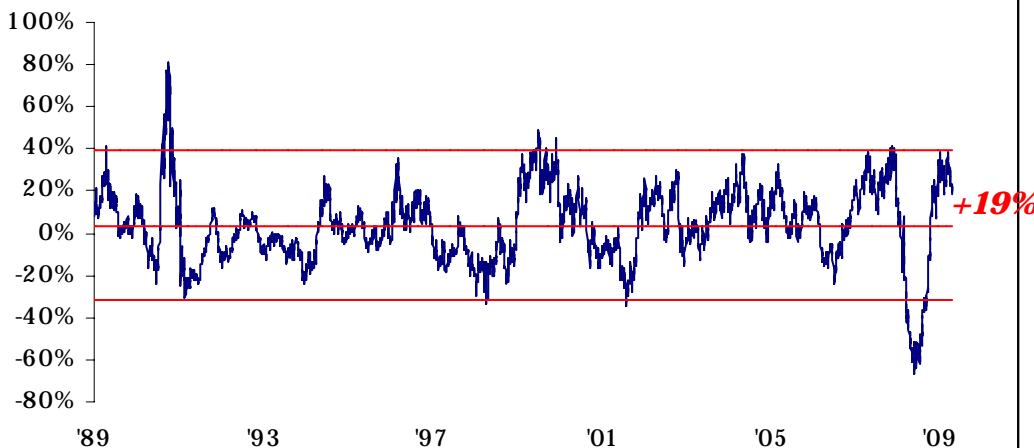
We've consistently found the percent divergence from the 200-day moving average to be a reliable indicator of near-term overbought and oversold conditions. Currently, gold is trading well above the +2 standard deviation threshold, suggesting the trade might be getting a little long in the tooth.

**Copper Divergence Between 200-Day Moving Average
+2 / -2 Standard Deviation Bars**



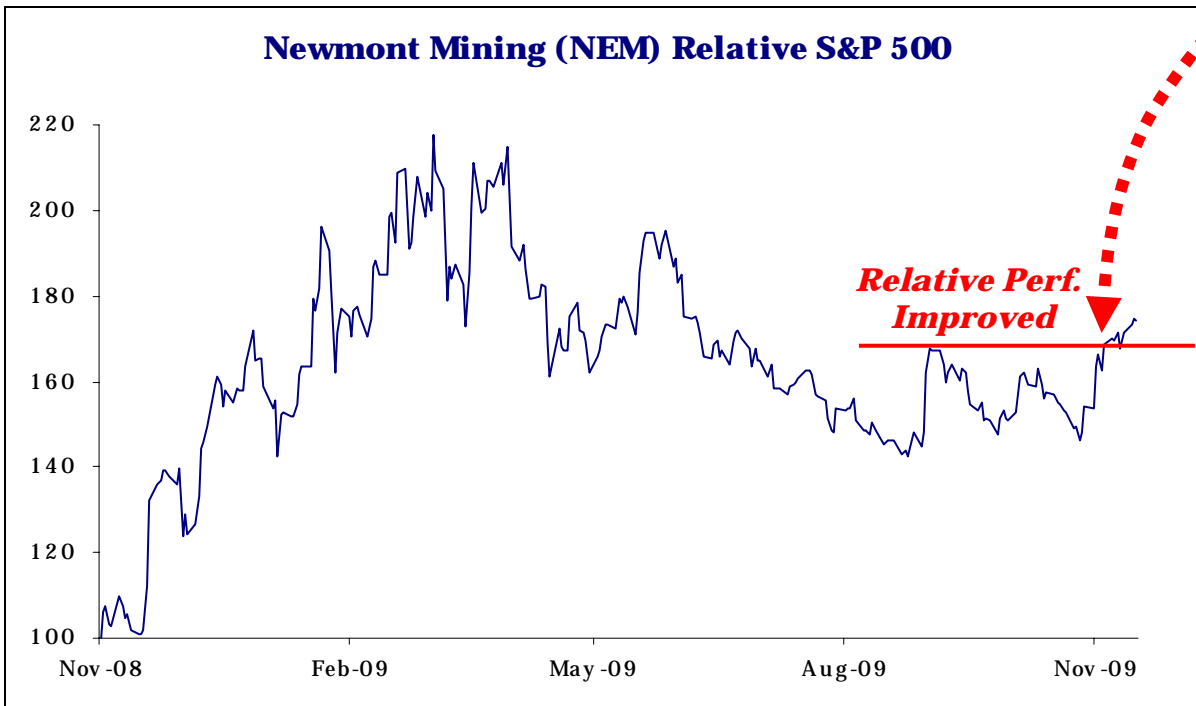
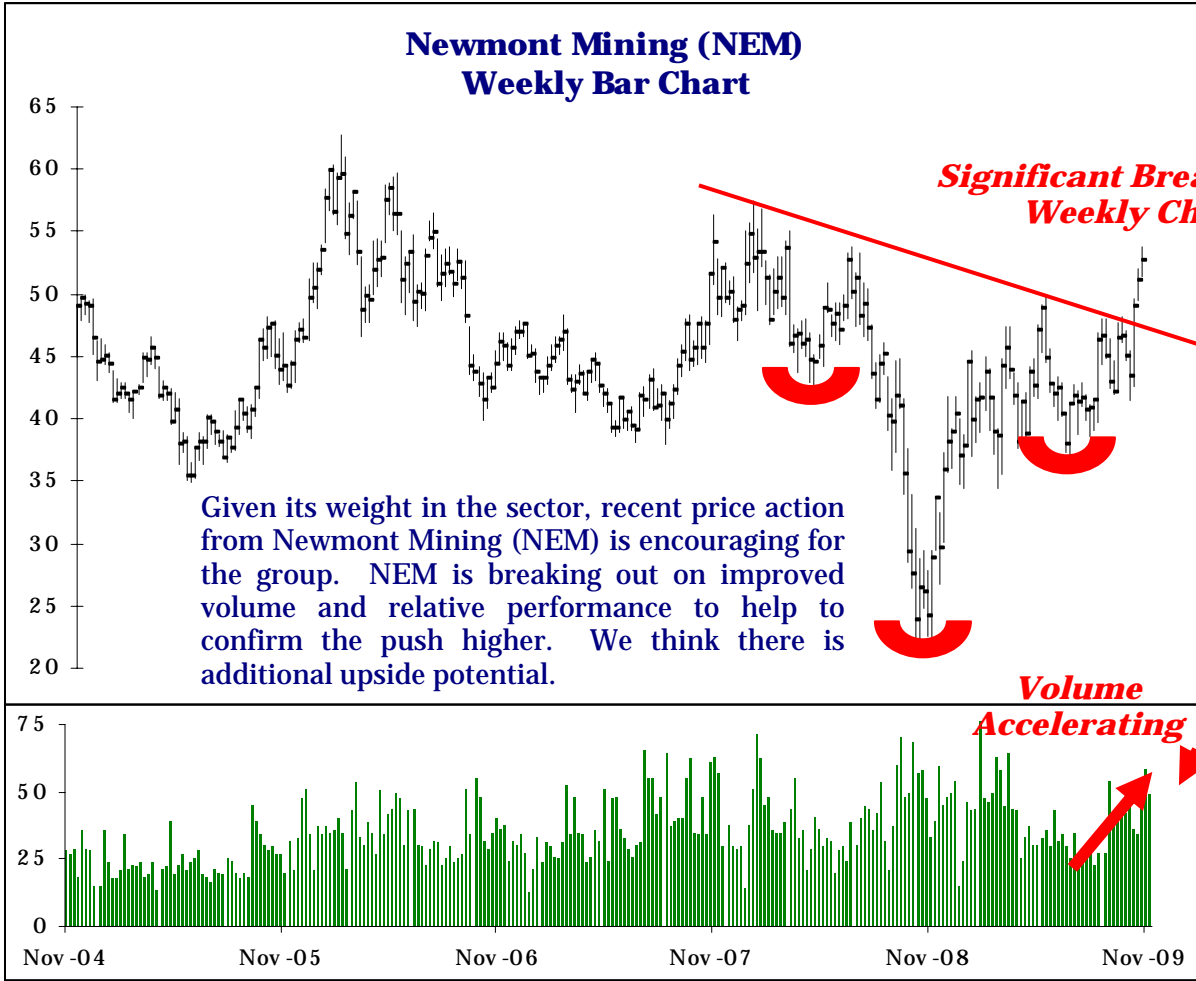
Copper is just shy of near-term overbought territory as well.

**Oil Divergence Between 200-Day Moving Average
+2 / -2 Standard Deviation Bars**



On a relative basis, oil might be the better value play at *only* +19% above its 200-day MA.

SIGNIFICANT BREAKOUT FOR NEWMONT MINING (NEM) IMPORTANT CATALYST FOR METALS & MINING GROUP



HAT-TRICK FOR HEALTHCARE STOCKS

SECTOR'S FUNDAMENTAL PROFILE & POLICY LANDSCAPE REMAIN SUPPORTIVE, TECHNICALS CONFIRMING STRENGTH

Strategas' Sector Strategy team continues to recommend an Overweight allocation to the Healthcare space given the group's attractive valuation, and our Washington Policy group is making the case that legislative uncertainty for the industry is abating. The third piece of the puzzle, the sector's Technical outlook, is also significantly improved. Together, we think the fundamental, legislative, and technical catalysts are in place for Healthcare stocks to continue their recent push higher, particularly as the broader market struggles to break from its tight trading range.

Strength Across the Board for Healthcare Stocks

Fundamental Profile

Relative valuation remains the group's strongest characteristic – by almost any measure, the sector continues to look attractive, particularly at 11.7x 2010 earnings (roughly a 25% discount to the S&P 500).

Bias – Positive ✓

Policy Landscape

The parameters for healthcare reform have now been set with a House passed version and the Senate considering its own legislation. Investors now have a level of certainty the final product will fall somewhere between the House and Senate versions with the more moderate Senate version being the favored model.

Bias – Positive ✓

Technical View

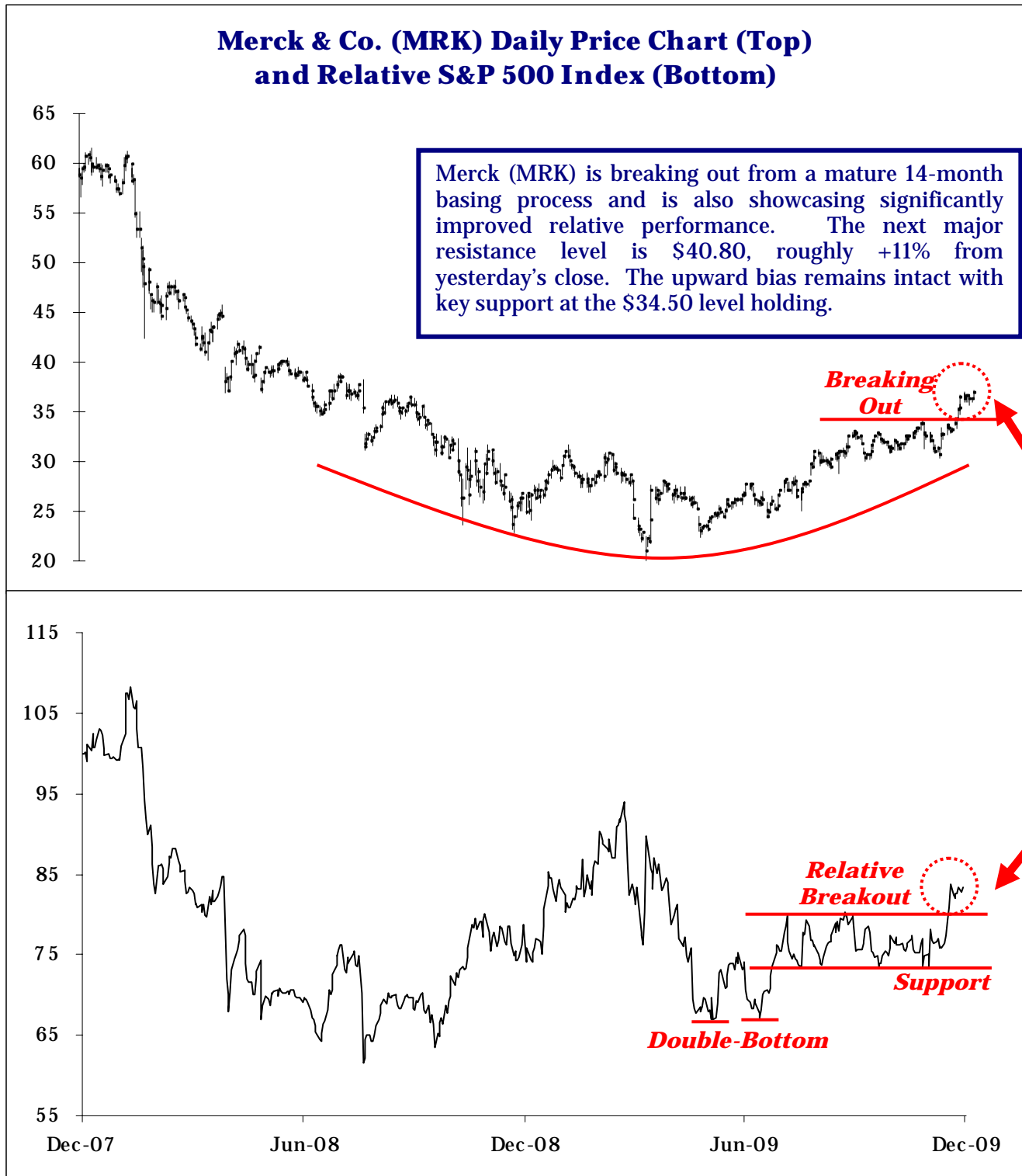
With the broader market stuck in a sideways price pattern, the Healthcare sector has emerged as a pocket of strength over recent weeks. Fresh absolute highs for the group and significantly improved relative performance highlight the rotation into large-cap and best-of-breed stocks that has recently taken hold. The Healthcare sector ETF (XLV) is one of only 5 sectors to recover more than 50% of its bear-market loss – an important psychological hurdle given the S&P 500's difficulty in breaking above its 50% threshold at 1,121. Within the sector, the Pharmaceuticals group looks particularly strong on a technical basis – King Pharmaceutical (KG) and Merck (MRK), for instance, are both currently breaking out in absolute and relative terms.

Bias – Positive ✓

HEALTHCARE ETF (XLV) POISED TO PUSH HIGHER AS RELATIVE STRENGTH TURNS SUPPORTIVE



PHARMACEUTICAL GROUP LOOKS PARTICULARLY STRONG, MERCK (MRK) & KING (KG) BREAKING HIGHER

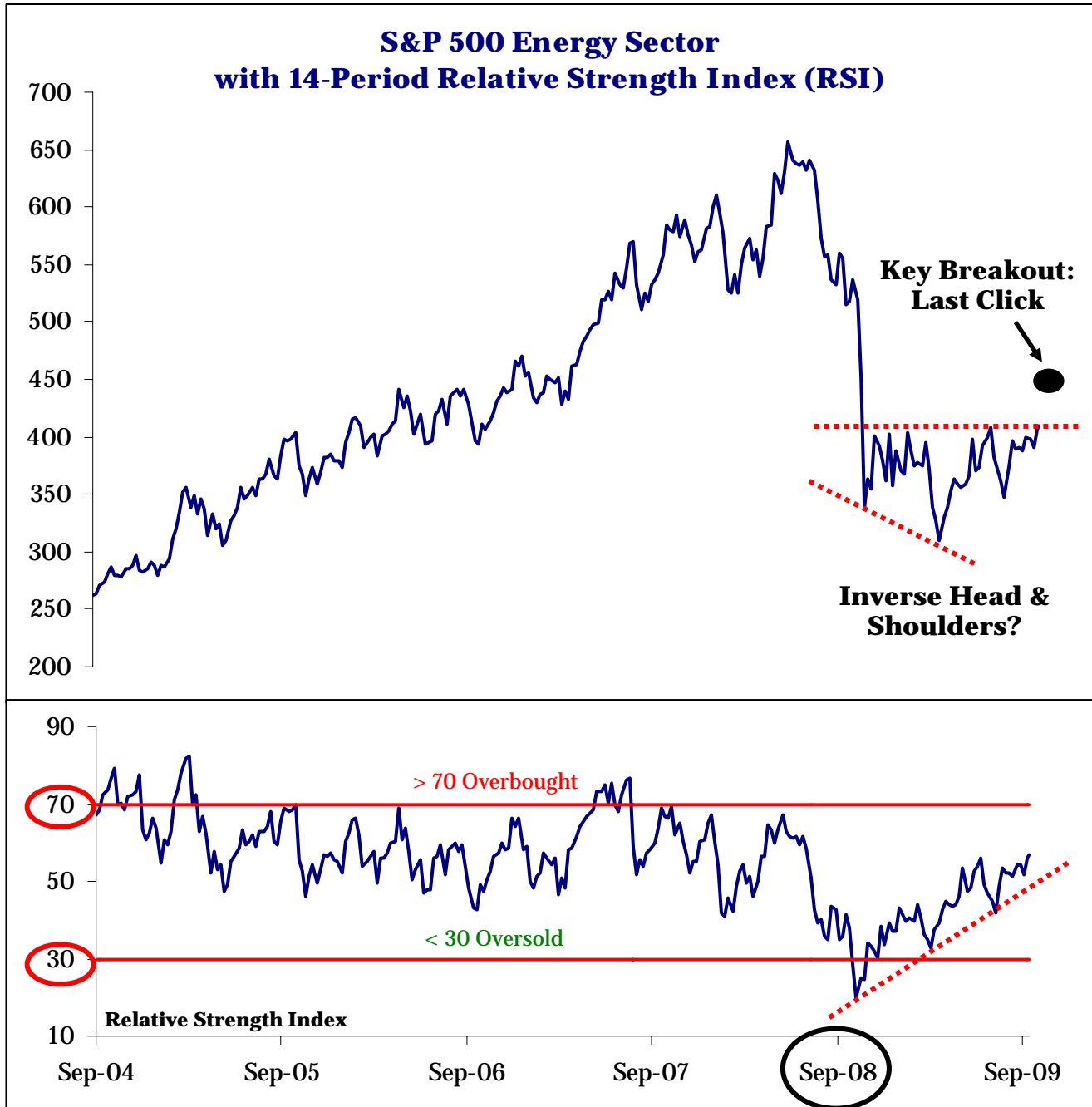


PHARMACEUTICAL GROUP LOOKS PARTICULARLY STRONG, MERCK (MRK) & KING (KG) BREAKING HIGHER



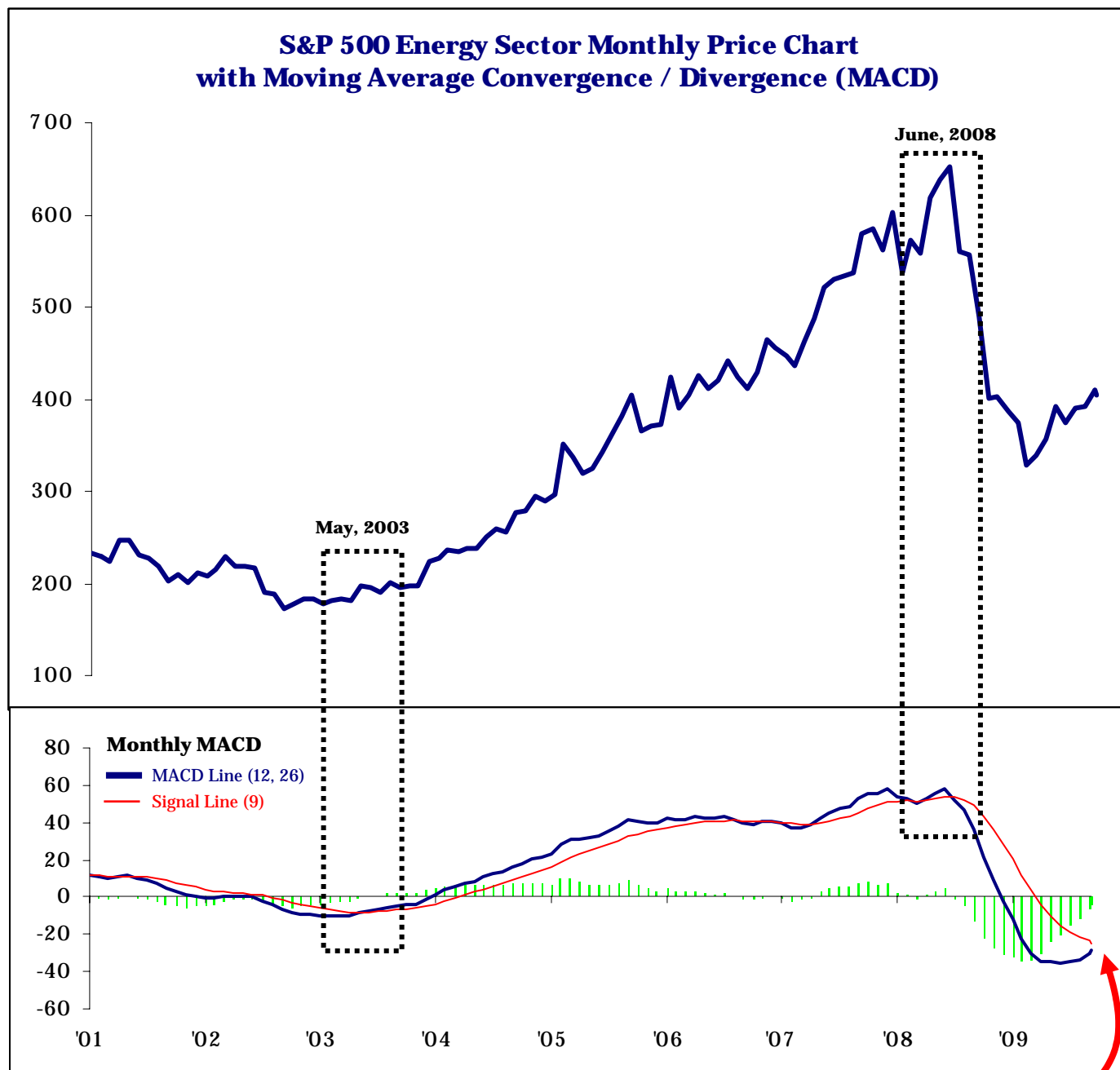
ENERGY SECTOR WELL POSITIONED TO RESUME LONG-TERM SECTOR LEADERSHIP

After nearly 12-months of range-bound price action, the Energy sector has broken out above key resistance. While the sector has certainly lagged the broader market's recovery, it's arguably one of the more healthy long-term charts we can find – the secular uptrend was never broken, underlying technicals began to chart improvement by October '08, and it looks like an inverse head and shoulders pattern has formed on the weekly price chart.



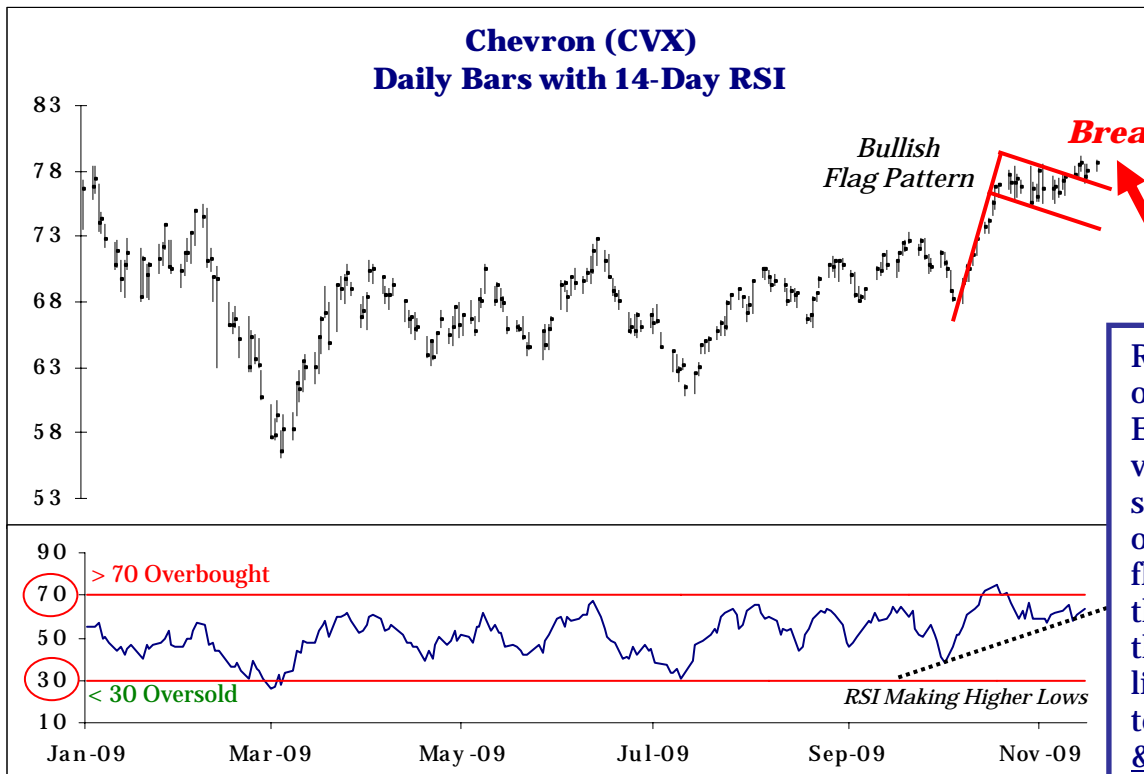
By early-October '08, technicals were firming and the base-building process was underway.

MONTHLY MACD SENDING “BUY SIGNAL” GOOD FOR LONG-TERM ENERGY SECTOR PERFORMANCE

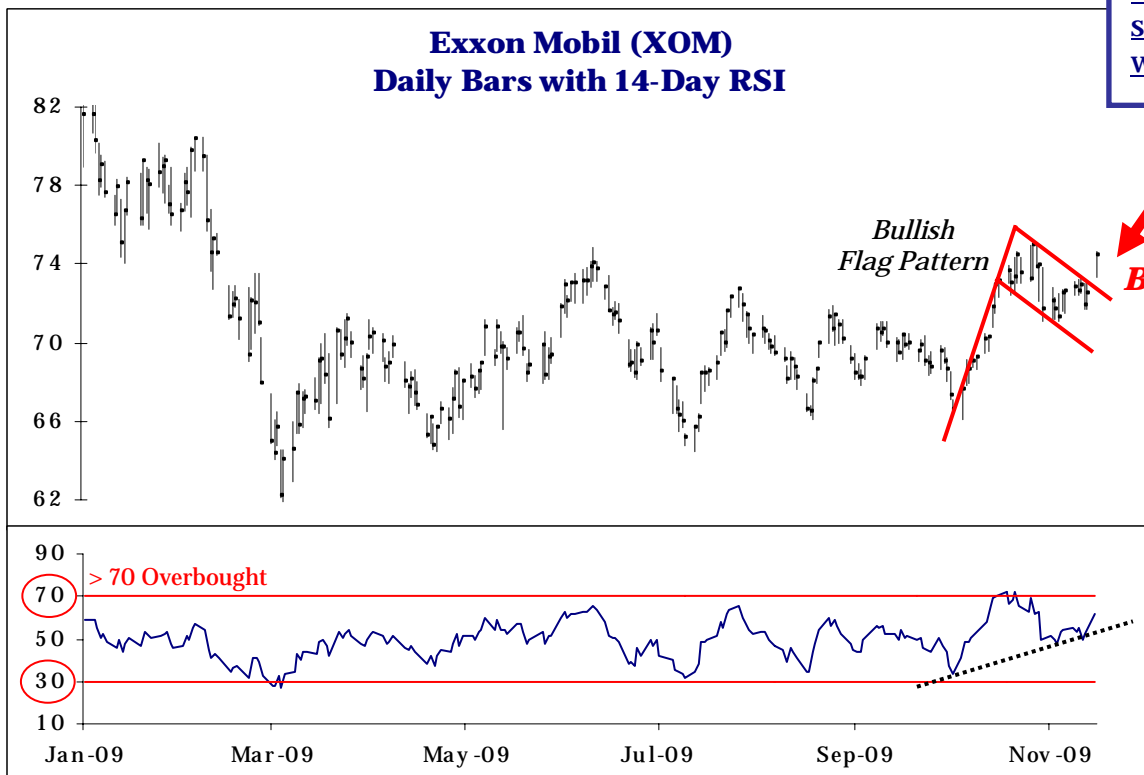


The monthly MACD has broken up through the signal line – a very healthy longer-term development for Energy shares.

KEY BREAKOUTS FOR CHEVRON (CVX) & EXXON MOBIL (XOM) SUGGESTS ENERGY SECTOR HAS ROOM TO RUN



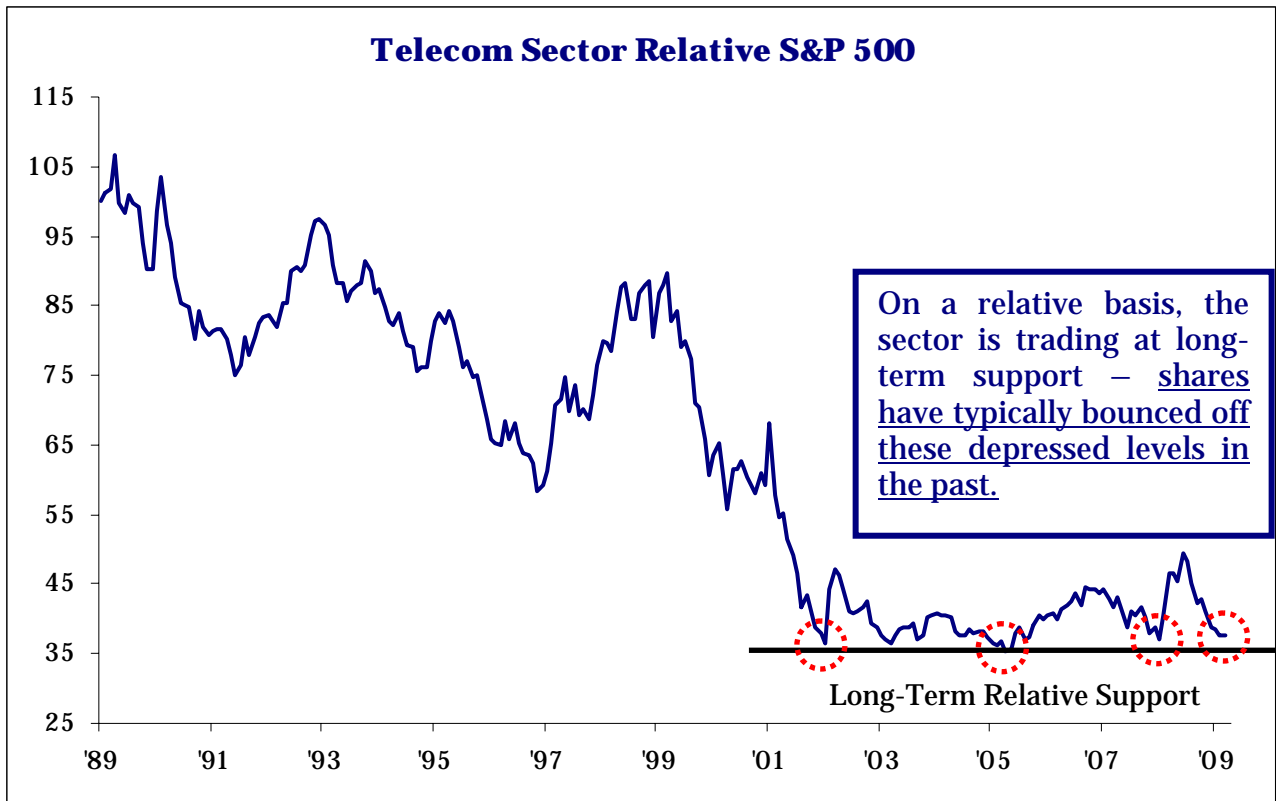
Recent price action out of Chevron (CVX) and Exxon Mobil (XOM) is very encouraging. Both stocks have broken out of near-term bullish flag patterns – a signal that trend is firmly to the upside and there is likely additional room to run. Together, CVX & XOM represent 43% of the S&P 500 Energy sector's total market weight.



< 30 Oversold

RSI Making Higher Lows

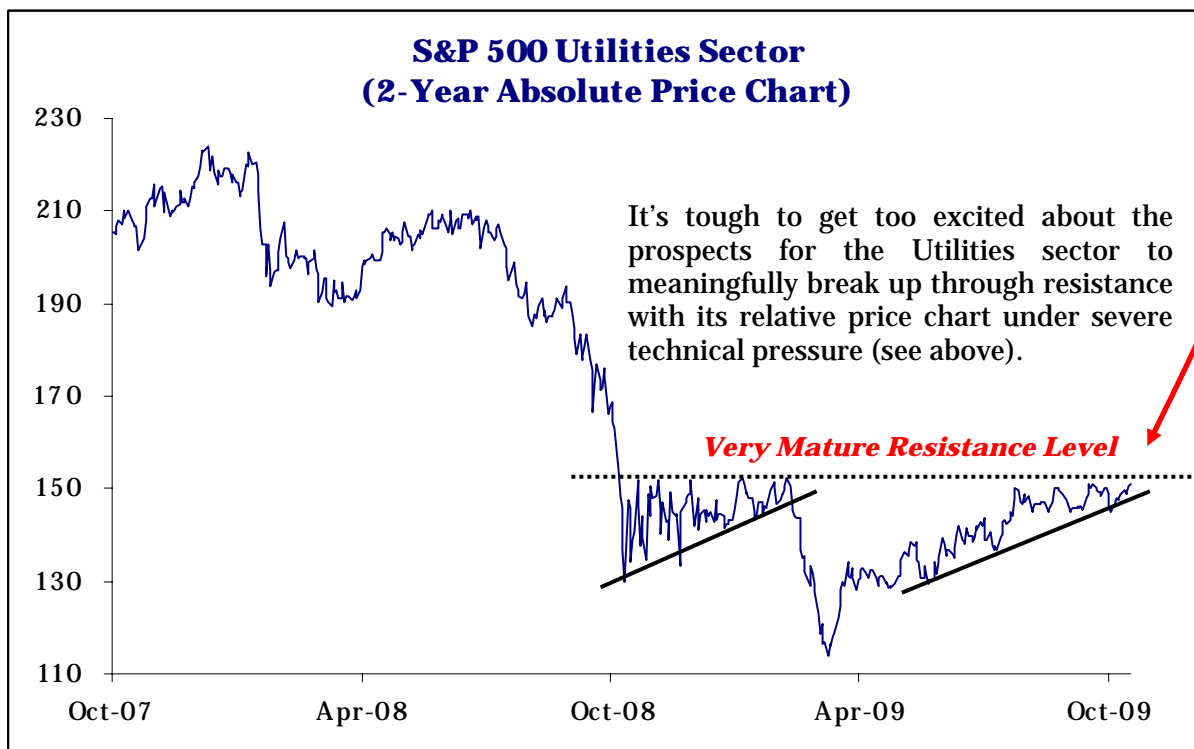
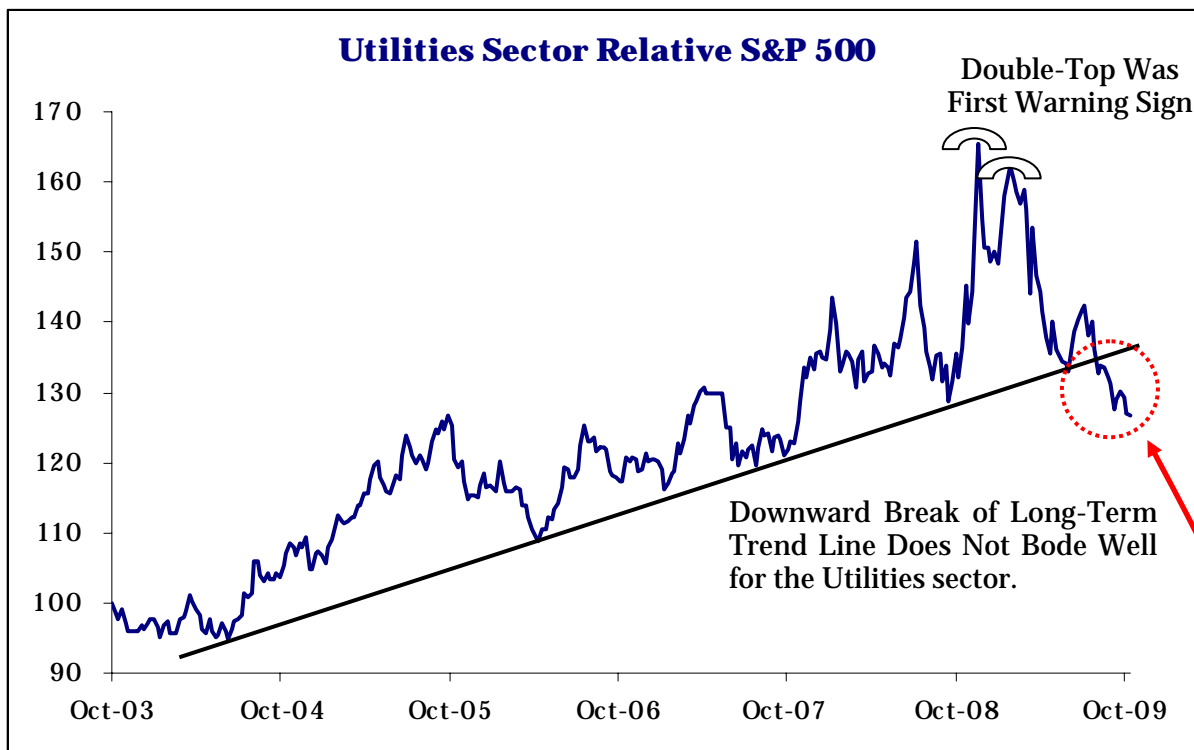
TELECOM ETF BREAKING TO NEW ABSOLUTE HIGHS AS SHARES BOUNCE OFF LONG-TERM RELATIVE SUPPORT



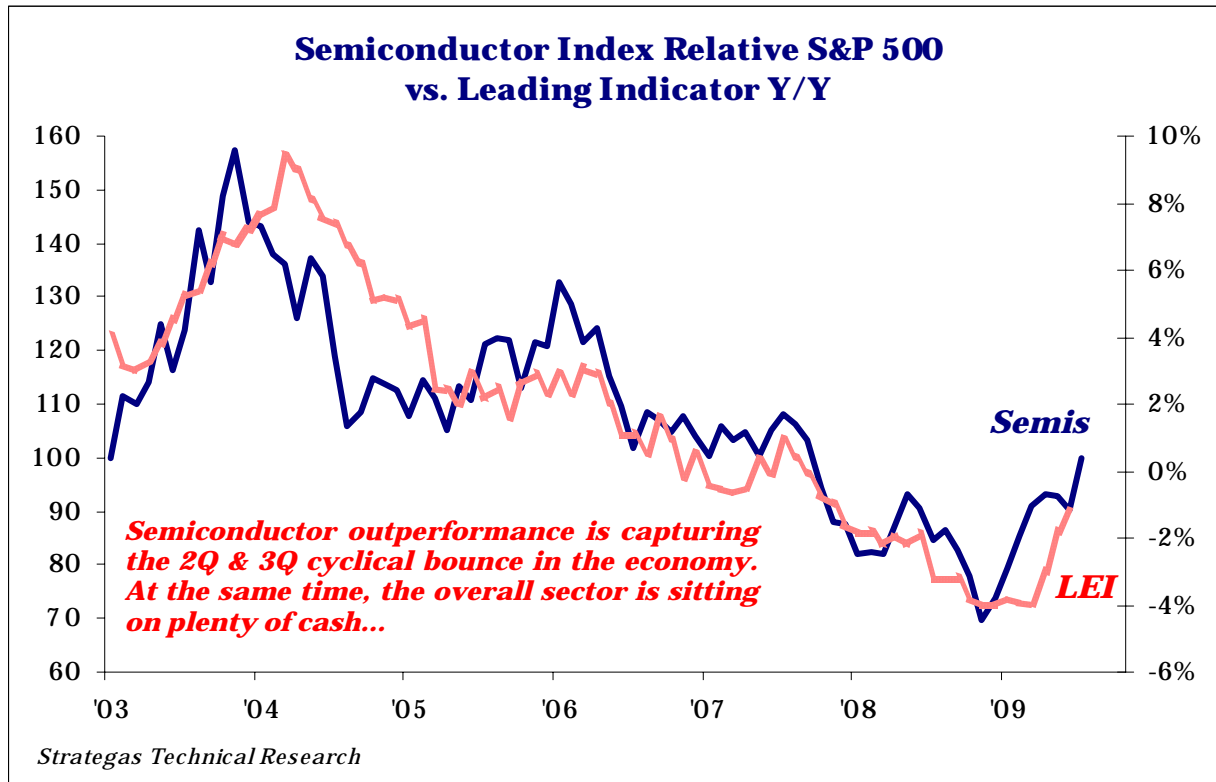
AMONG TELECOM GROUP, TECHNICAL BACKDROP FOR VERIZON (VZ) LOOKS PARTICULARLY STRONG



RELATIVE PRICE CHART BREAKING DOWN FOR UTILITIES SECTOR, LEAVES LITTLE ROOM FOR UPSIDE POTENTIAL



CONSTRUCTIVE ON TECHNOLOGY – CAPTURING THE “BETA” & “DEFENSIVE” TRADE

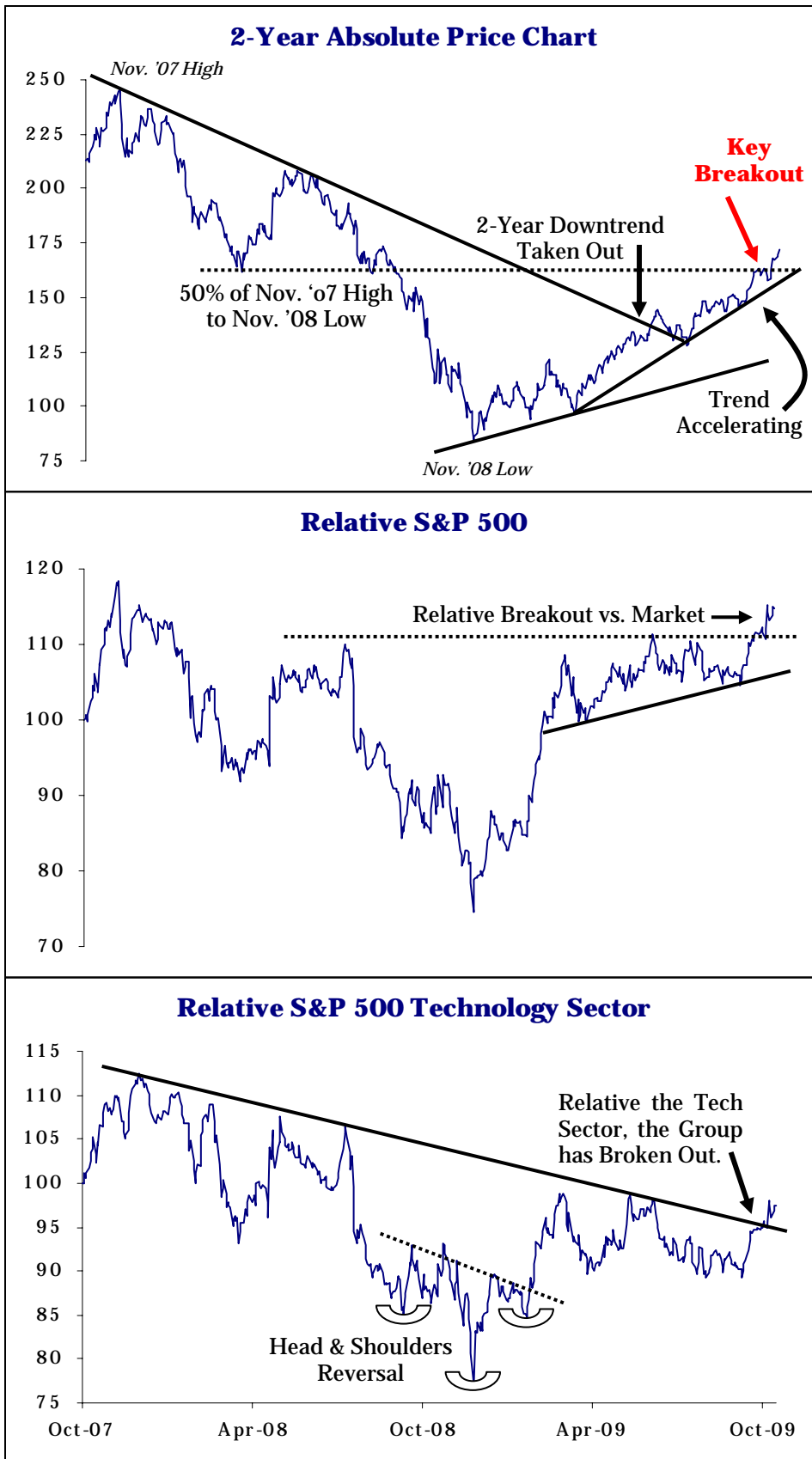


Technology Sector - Cash as % of Assets - Top 25

1	PAYX	Paychex	77.9%
2	CIEN	Ciena	70.6%
3	ALTR	Altera	63.5%
4	LLTC	Linear Technology	61.1%
5	MCHP	Microchip Technology	57.4%
6	GOOG	Google	55.0%
7	TLAB	Tellabs	54.9%
8	ERTS	Electronic Arts	53.9%
9	CSCO	Cisco Systems	51.9%
10	AAPL	Apple	50.3%
11	XLNX	Xilinx	50.1%
12	NOVL	Novell	49.1%
13	NTAP	NetApp	47.6%
14	BRCM	Broadcom	45.4%
15	ADI	Analog Devices	44.7%
16	ADBE	Adobe Systems	43.9%
17	QLGC	QLogic	43.2%
18	ADSK	Autodesk	42.3%
19	NVDA	NVIDIA	42.1%
20	JDSU	JDS Uniphase	40.0%
21	TDC	Teradata	39.1%
22	VRSN	VeriSign	38.7%
23	DELL	Dell	38.7%
24	QCOM	QUALCOMM	38.4%
25	MSFT	Microsoft	36.8%

RISKS & OPPORTUNITIES WITHIN THE TECHNOLOGY SECTOR

Upside Potential: Internet Software & Services:



Trader Takeaway:

The Internet Software and Services group has broken out above key resistance on the absolute price chart (chart 1) and we believe the potential remains for further upside. The group has now retraced more than 50% of its bear-market decline and looks to be in the early stages of relative market & sector leadership. Said another way, upward momentum is being confirmed with significant breakouts against both the broader market (chart 2), and relative the Technology sector (chart 3).

Constituents Include:

Akamai Technologies (AKAM), eBay (EBAY), Google (GOOG), VeriSign (VRSN), Yahoo! (YHOO)