



Weekly Market Update April 21, 2010

The position tracker can be found at the end of this report and summarizes all of our positions

Equities:

We remain focused on properly playing the sector rotation over the next few months. We continue to argue that it's time to pay attention to energy stocks that have been laggards.

On April 7th, we initiated new longs in XLE (Energy) and OIH (Oil Services) and we started betting on outperformance by these sectors over the next few months (Charts 1-5). Both sectors attempted to break out yesterday, and were the best performing sectors in the S&P.

Crude also bounced off the 50 day moving average and reversed – we expect prices to reach \$95-\$100 a barrel over the next few months (Charts 6 & 7).

The ratio between oil and oil stocks is near its peak, and historically this has been bullish for oil stocks (Charts 8 & 9). Please see our report from April 14th for a more detailed explanation of why we are bullish on these sectors.

We remain market neutral for the time being, but we now argue that the most likely scenario is for additional upside over the next 3 to 5 months for an extension of what we still believe is a cyclical bull market (Chart 10).

We expect to see at least one significant correction, whether it occurs through price or through time, to shake off excessive overbought conditions (Chart 11). We need to see the next correction to evaluate the price action, so that we can sharpen our price targets and timing forecasts. Once the correction begins, we expect it to last at least 3 weeks.

While many are saying that last Thursday's intraday high was the beginning of a major correction, we are not convinced yet. Following Friday's selloff, we saw several positive reversals with RSI, where RSI had a greater decline than prices, which is usually a short-term bullish technical signal (Charts 12 & 13). If that's the case, we still have one more minor leg higher that will last for a few days and has a minimum upside target of ~1230 before seeing a larger correction unfold. A larger correction would be confirmed with a break of the 1175 pivot level.

Active Positions for 2010

Symbol	Status	Position	Open Date	Cost Basis	Current Price	Timeframe	Target	Stop	Gain/Loss	Performance
DXY	Active	Long	12/9/2009	76.22	81.04	Intermediate	86.00	79.80	+4.82	+6.32%
EUR	Active	Short	12/9/2009	1.47	1.34	Intermediate	1.30	1.375	+0.13	+8.59%
JPY	Active	Long	12/17/2009	89.96	93.25	Short	100.00	87.00	+3.29	+3.66%

Active ETF Positions for 2010

Symbol	Status	Position	Open Date	Cost Basis	Current Price	Timeframe	Target	Stop	Gain/Loss	Performance
UUP	Active	Long	12/9/2009	22.56	23.73	Intermediate	24.97	22.00	+1.17	+5.19%
FXE	Active	Short	12/9/2009	146.99	134.10	Intermediate	125.00	151.75	+12.89	+8.77%
FXI	Active	Short	12/17/2009	110.33	106.41	Short	100.00	113.00	+3.92	+3.55%
EEM	Active	Short	3/4/2010	40.15	42.79	Short	34.50	-	+1.48	-2.94% *
EWZ	Active	Short	3/4/2010	71.00	73.69	Short	60.00	-	+1.43	-0.28% *
FXI	Active	Short	3/4/2010	40.35	42.59	Short	33.50	-	+1.88	-1.96% *
GLD	Active	Long	3/7/2010	111.85	111.46	-	130.00	106.00	-0.39	-0.35%
TLT	Active	Short	3/7/2010	87.45	89.96	-	82.20	91.00	-2.51	-2.87%
IEF	Active	Short	3/7/2010	88.51	89.75	-	79.50	90.50	-1.24	-1.40%
OIH	Active	Long	3/7/2010	128.55	130.58	-	152-160	-	+2.03	+1.58%
XLE	Active	Long	3/7/2010	59.44	60.54	-	67-72	-	+1.10	+1.85%

*Hedged with SPY on 3/1/2010

Closed Positions for 2010

Symbol	Status	Position	Open Date	Cost Basis	Timeframe	Target	Close Date	Close Price	Gain/Loss	Performance
SOX	Stopped	Long	12/17/2009	344.61	Short	385.00	1/12/2009	360.00	+15.39	+4.47%
UTY	Stopped	Long	12/9/2009	412.74	Short	450.00	1/22/2010	402.00	-10.74	-2.60%
RUF	Stopped	Long	1/8/2010	10.40	Short	14.00	1/22/2010	9.54	-0.86	-8.27%
DXY	Closed	Long	12/9/2009	76.22	Short	81.00	2/1/2010	79.41	+3.19	+4.19%
EUR	Closed	Short	12/9/2009	1.47	Short	1.38	2/1/2010	1.39	+0.08	+5.65%
GOLDS	Stopped	Long	12/17/2009	1098.90	Short	1250.00	2/4/2010	1073.00	-25.90	-2.36%
BKX	Stopped	Long	1/6/2010	45.23	Short	57.00	2/4/2010	45.10	-0.13	-0.29%
SPX	Stopped	Short	1/26/2010	1,095.80	Short	860.00	3/1/2010	1,112.00	-16.20	-1.48%

Closed ETF Positions for 2010

Symbol	Status	Position	Open Date	Cost Basis	Timeframe	Target	Close Date	Close Price	Gain/Loss	Performance
XLB	Stopped	Long	2/1/2010	30.46	Short	33.20	2/4/2010	30.85	+0.39	+1.28%
SPY	Stopped	Short	1/26/2010	109.34	Short	86.00	3/1/2010	111.89	-2.55	-2.33%
FXI	Stopped	Short	2/5/2010	37.44	Short	33.50	3/1/2010	39.70	-2.26	-6.04%

Active Options Positions for 2010

Option Symbol	Status	Underlying	Position	Open Date	Cost Basis	Current Closing Exit Price	Gain/Loss	Performance
September 105-95-85 Put Fly	Active	SPY	Long	2/3/2010	1.32	0.41	-0.91	-68.94%

Closed Options Positions for 2010

Option Symbol	Status	Underlying	Position	Open Date	Cost Basis	Close Date	Closing Exit Price	Gain/Loss	Performance
March 143-138 Put Spread	Closed	FXE	Long	1/20/2010	1.80	2/1/2010	2.95	+1.15	+63.89%
March 23 Call	Closed	UUP	Long	1/20/2010	0.34	2/1/2010	0.58	+0.24	+70.59%
June 143-130 Put Spread	Closed	FXE	Long	1/20/2010	3.70	3/1/2010	6.90	+3.20	+86.49%
March 109-100 Put Spread	Closed	FXY	Long	1/20/2010	2.30	3/1/2010	0.20	-2.10	-91.30%
June 23 Call	Closed	UUP	Long	1/20/2010	0.65	3/1/2010	0.97	+0.32	+49.23%
March 37-34 1x2 Put Spread	Closed	FXI	Long	2/5/2010	0.30	3/1/2010	0.07	-0.23	-76.67%
March 110-100-90 Put Fly	Closed	SPY	Long	2/3/2010	0.42	3/22/2010	-0.00428	-0.42428	-101.02%

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Sector Updates

XLF (Financials) – Found support above previous resistance following a short drop. RSI fell from overbought but found support at 60. Relative strength has broken above a previous resistance level.

XLE (Energy) – Continues to test resistance of the ~53.80-60 consolidation range. RSI has broken above its downtrend and found support at that line. Relative strength has found support at a previous level.

OIH (Oil Services) – Testing resistance of the ~111-133 consolidation range. RSI has found support at the 40 level and is testing resistance of its own. Relative strength has also rebounded off support.

XLI (Industrials) – Found support at the uptrend line following a short drop. RSI continues to hover around overbought levels. Overall, has outperformed the market since March '09.

IYT (Transportation) – Remains near its highs following a short drop. RSI remains near overbought levels. Relative strength has broken above resistance and continues upward.

XLY (Consumer Discretionary) – Rebounded off its uptrend line and inched to a new 52 week high on a closing basis. RSI continues to move in overbought territory. Relative strength continues to climb higher.

XLP (Consumer Staples) – Remains near the 76.4% Fibonacci retracement level in the tight ~27.75-28.15 range. RSI has fallen back from resistance at the 70 level. Relative strength has stalled at, and has now fallen back from, previous resistance since breaking the March '09 downtrend; neutral since September '09.

XLB (Materials) – Continues to move in its tight upward channel, and is testing resistance at ~35.40. RSI remains above the 50 level. Relative strength has been neutral overall since August '09.

XME (Metals & Mining) – Failed at resistance at its previous high. RSI is finding support at the 50 level. Relative strength has stalled a bit, and has been wavering about its November '08 uptrend line.

PPH (Pharmaceuticals) – Has fallen back since breaking out of consolidation, and found support at the 200 d sma. RSI has slipped below the 50 level and found support at a key level. Relative strength has been in a period of underperformance since February '09, and is now testing support of its own.

IBB (Biotech) – Holding support at its previous pivot high level since pulling back from all time highs. RSI remains above 50. Overall, entered into a period of massive outperformance in summer of '08. More recently, relative strength has been neutral and is testing support.

IYR (Real Estate) – Has fallen back from its highs. RSI also slipped but found support near 50. Broadly speaking, has been underperforming since early '07. Relative strength has broken above a key resistance level and is finding support there.

XLK (Technology) – Continues to move in its tight rising channel and is finding support at broken resistance. RSI is testing the 70 level. Has outperformed overall since '07, and has found support since breaking the January '09 relative strength uptrend; neutral since February.

SMH (Semis) – Remains near its 52 week high. RSI is testing the 70 level. Relative strength has been neutral overall since September '09, but is testing resistance.

XLU (Utilities) – Continues to find resistance around the 100 d sma. RSI is wavering about the 50 level. Has been underperforming since March '09, and is now testing '07 support.

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XRT (Retail) – Found some resistance at the broken uptrend from the March '09 pivot low. RSI remains overbought above the 70 level. Overall, has outperformed since November '08, and relative strength is at an all time high.

XHB (Homebuilders) – Remains near its 52 week highs. RSI is testing the 70 level; has been in a gradual uptrend since November '08. Has been neutral overall since the start of '08 following a period of massive underperformance, but relative strength is breaking above long term resistance.

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Chart 1: XLE Daily



Chart 2: XLE Daily 2

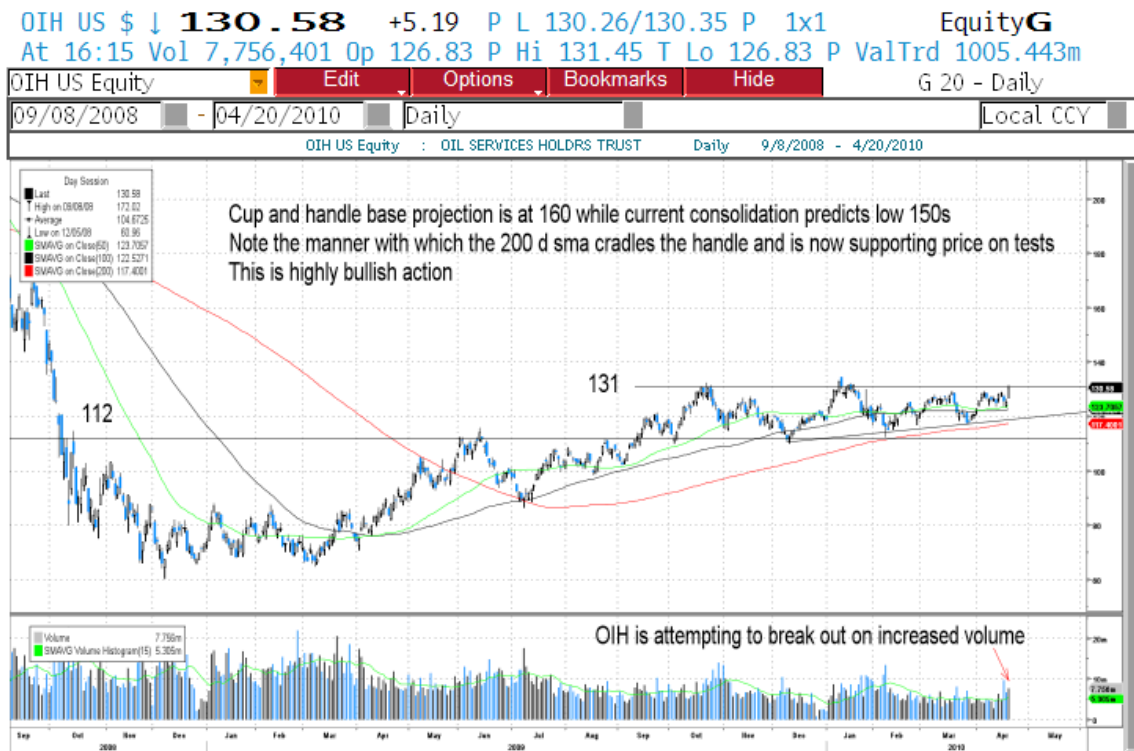


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Chart 3: XLE Weekly with RSI & MACD



Chart 4: OIH Daily



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Chart 5: OIH Weekly with RSI & MACD



Chart 6: Crude Daily with RSI & MACD



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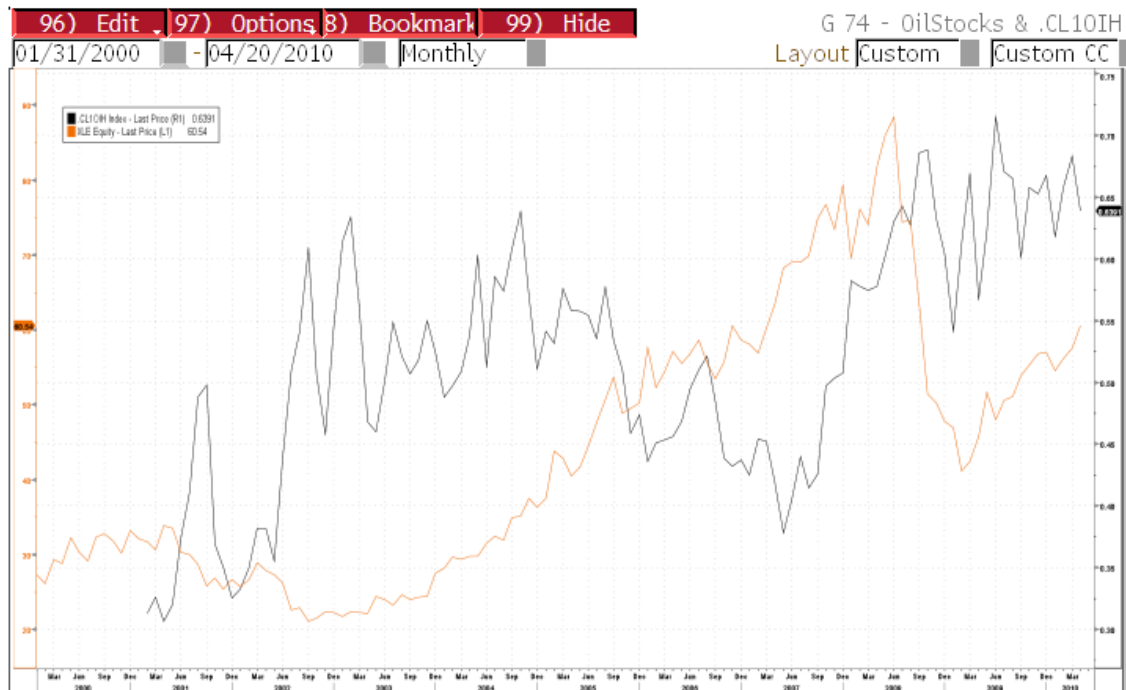
Chart 7: Crude Daily



Chart 8: XLE vs. Crude/OIH Ratio Monthly

<HELP> for explanation.

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Chart 9: OIH vs. Crude/OIH Ratio Monthly

<HELP> for explanation.

Index **G**

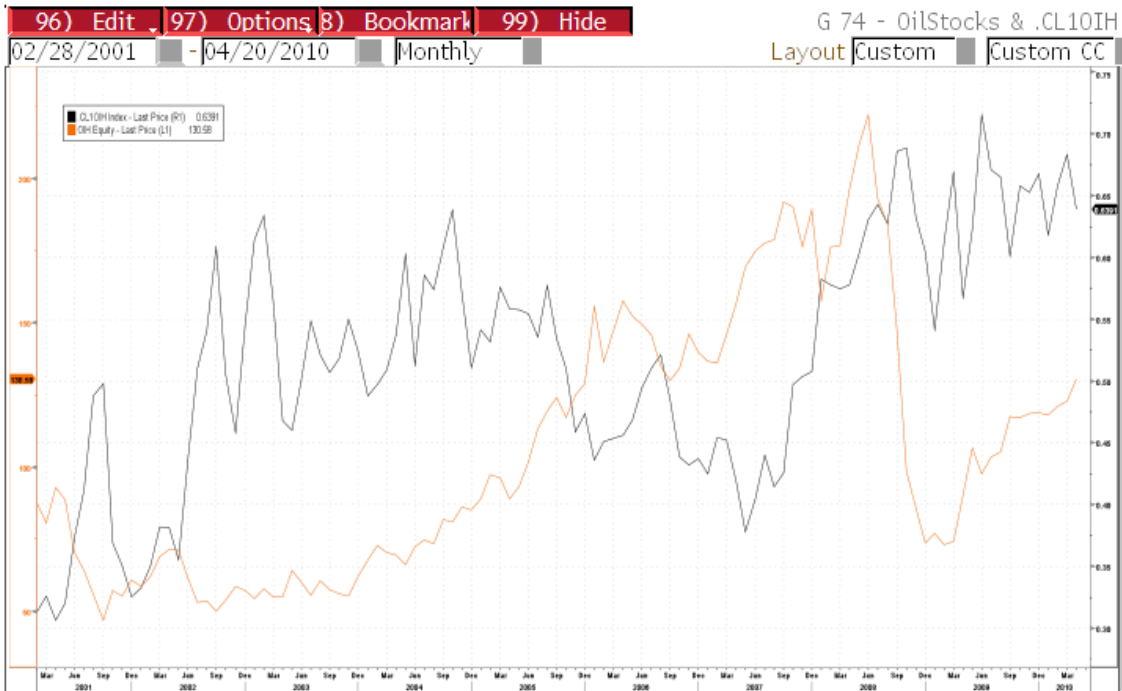


Chart 10: SPX Weekly with RSI & MACD

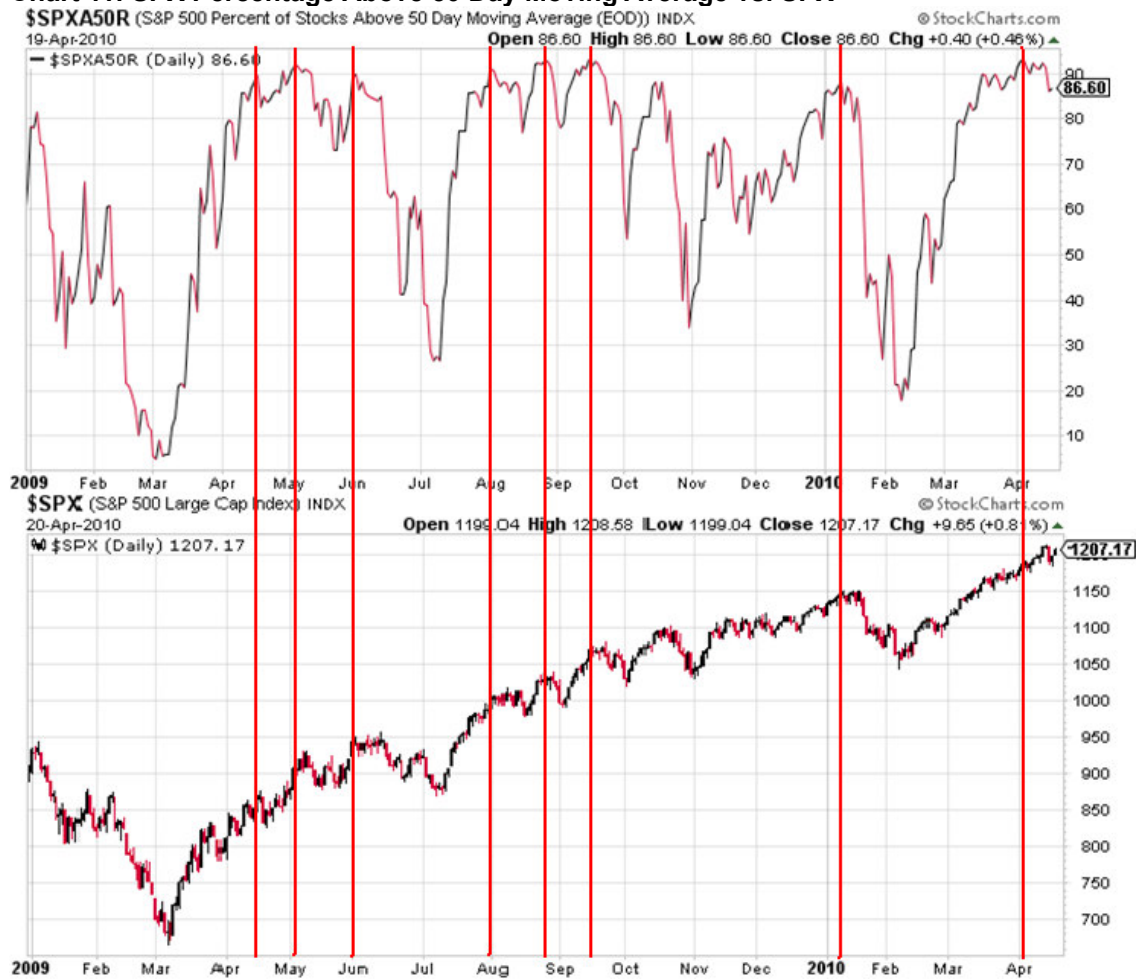
SPX ↑ 1207.17 +9.65

Index **G**



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Chart 11: SPX Percentage Above 50 Day Moving Average vs. SPX



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Chart 12: SPX Daily with RSI



Chart 13: SPX 240 Minute with RSI



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Chart 14: DXY Daily with RSI



Chart 15: EUR Daily with RSI



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Chart 16: JPY Daily with RSI



Chart 17: Gold Daily with RSI & MACD



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Chart 18: Gold Weekly with RSI & MACD

GOLDS 1140.70 - .05 FXDD 1140.50/1141.00 FX ComdtyG
 At 17:05 Op 1140.65 Hi 1140.70 Lo 1140.45



Chart 19: 10 Year Yields Daily with RSI & MACD

USGG10YR ↑ 3.7974 - .0019 Index G
 At 19:00 Vol 0 Op 3.7955 Hi 3.7974 Lo 3.7955 Prev 3.7993



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Chart 20: 10 Year Yields Weekly with RSI & MACD



Chart 21: 10 Year Yields Monthly with RSI & MACD



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Chart 22: EEM vs. SPY Relative Strength Daily



Chart 23: EWZ vs. SPY Relative Strength Daily

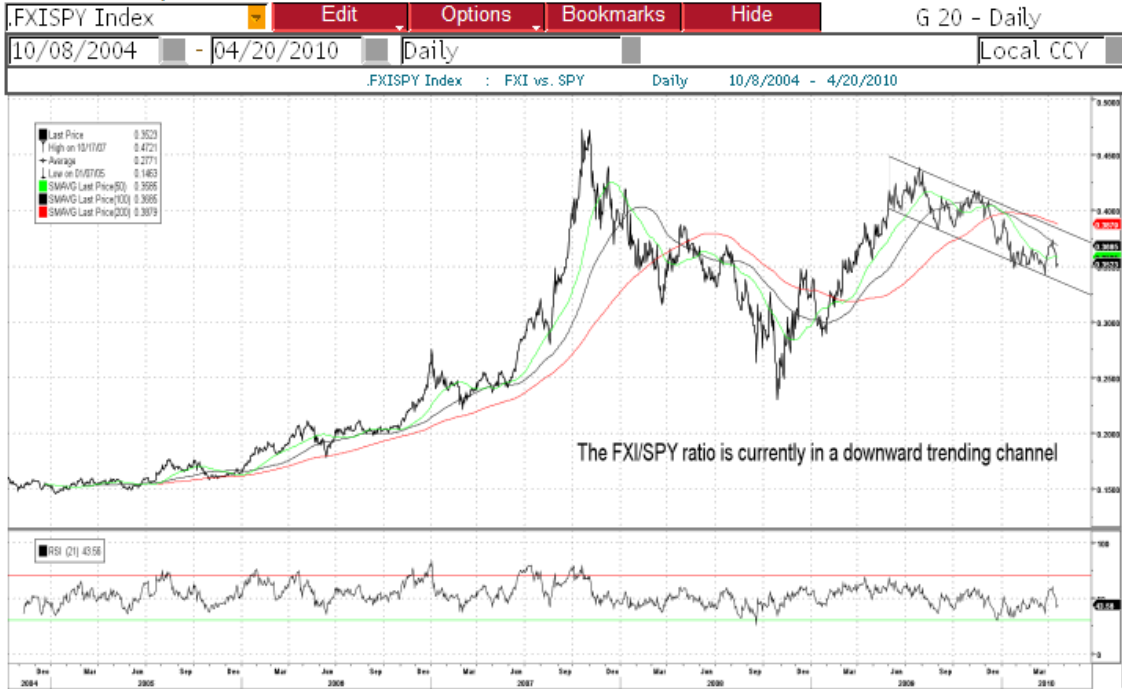


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Chart 24: FXI vs. SPY Relative Strength Daily

.FXISPY ↑.35 unch
 At 16:20 Op .35 Hi .35 Lo .35

Index **G**



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