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## TECHNICAL OPINION

December 15, 2010

# Market Breadth Charts

## Using Short Term Market Breadth To Time The Market

One way to get a better understanding of when a market is about to change direction, is to track how many stocks within a group are performing well versus how many are performing poorly.

This type of analysis is part of a larger group of analysis commonly referred to as Market Breadth.

Within a given timeframe, we can look for imbalances in the market, or when too many stocks are performing well versus too many stocks are performing poorly.

Common techniques for using this type of analysis include locating overbought/oversold levels and finding positive or negative divergences between them and the underlying group's composite index.

This type of group or crowd analysis can seem counter intuitive for many, as it is right when everyone has come to the same decision that the market will actually turn in the exact opposite direction.

*Anytime we see 60% or more of the stocks in our database trading above their 10-day moving average, we should consider the market overbought, and we should expect a short term pullback.*

*And anytime we see that less than 40% of the stocks in our database are trading above their 10-day moving average, we should consider the market oversold short-term, and expect a reversal higher.*

*As you will see below, we may have to adjust the 40% / 60% rule, based on the sector we are analyzing.*

For Short Term Analysis, we might look to see how many stocks are trading above or below the Right Side Channel. Or for people who do not have access to those charts, we might look at the percentage of stocks trading above or below their 10-day moving average.

**The following Long-Term View and Short-Term View charts are as of: Tuesday, December 14, 2010**

On the following page, we provide a summary of the status of the key indexes.

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## SUMMARY OF SALIENT INDEXES

### Key:

- 7 Significantly Overbought
- 6 Moderately Overbought
- 5 Slightly Overbought
- 4 Neutral
- 3 Slightly Oversold
- 2 Moderately Oversold
- 1 Significantly Oversold

**Short-View:** Indicates the percentage of stocks trading above their respective 10-day moving averages.

**Long-View:** Indicates the percentage of stocks trading above their respective 100-day moving averages.

<u>Index</u>	<u>Short - View</u>		<u>Long - View</u>	
	<u>This</u>	<u>Last</u>	<u>This</u>	<u>Last</u>
TSX 60	4	5	5	5
S&P100	6	6	6	5
Nasdaq	4	6	6	6
Financial	4	5	5	5
Energy	4	6	7	7
Gold	4	6	6	6

### COMMENT:

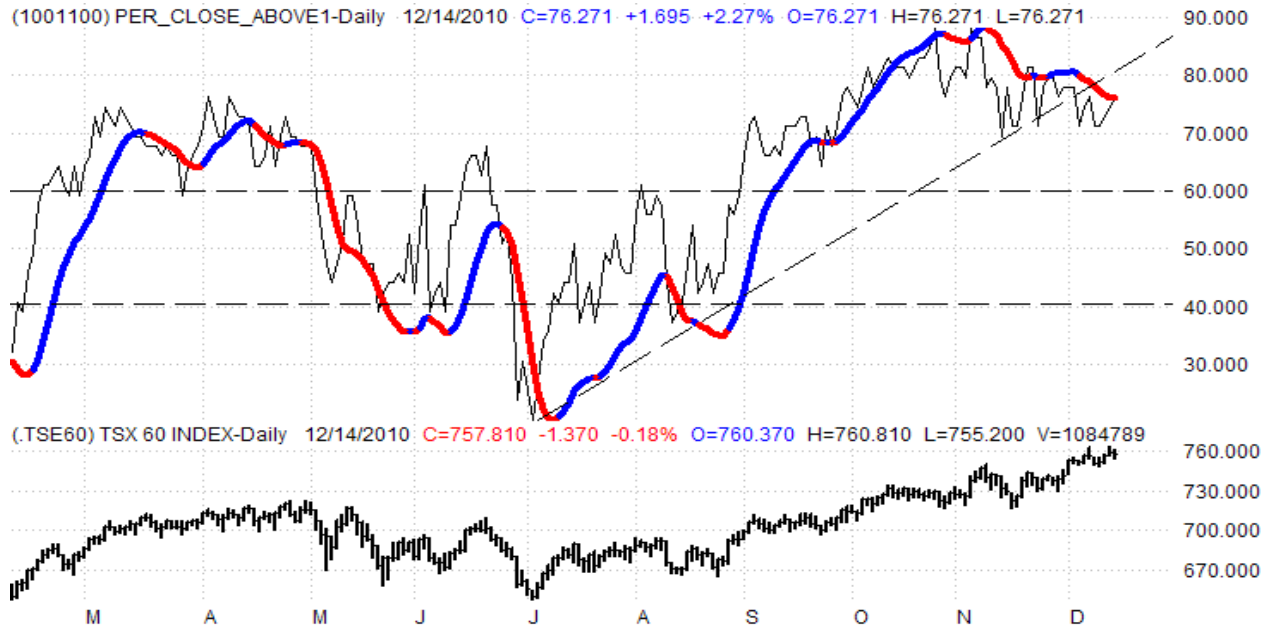
From a **short-term** perspective: A little deterioration in the “Short” indexes, with all but the S&P100 down to Neutral.

From a **long-term** perspective: Only one change in the “Long” indexes, that of the S&P100 upwards to Moderately Overbought and in line with its short-term view.

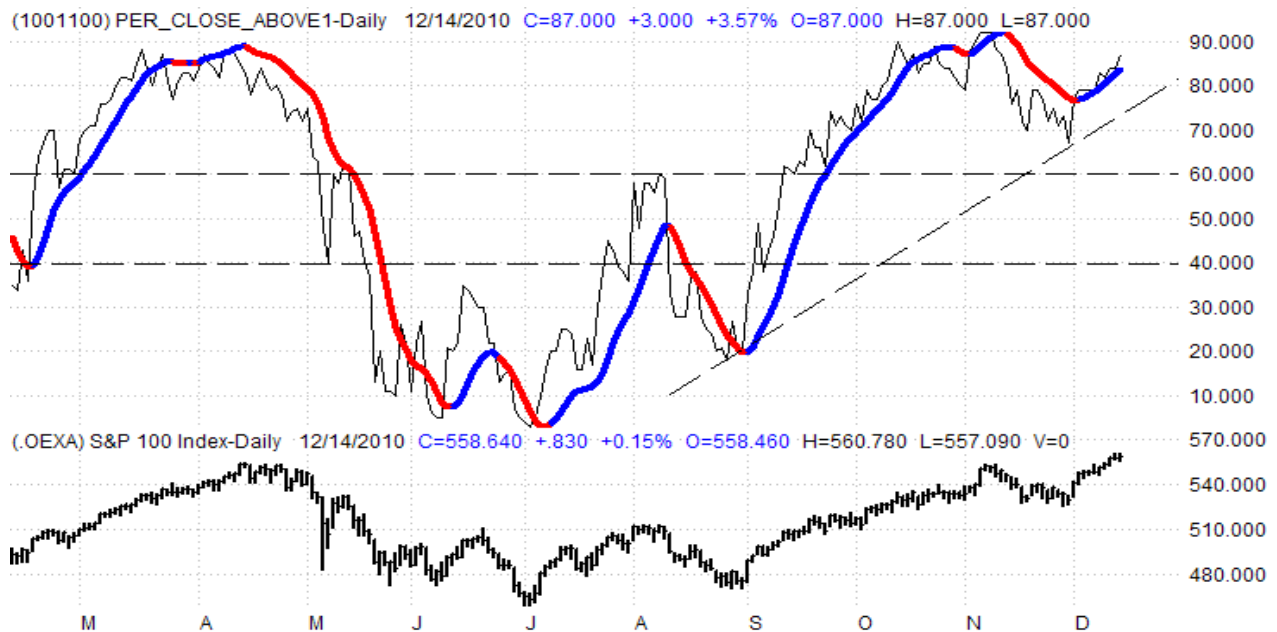
## A. Long Term View

% of stocks trading above their 100-day moving average

### TSX 60

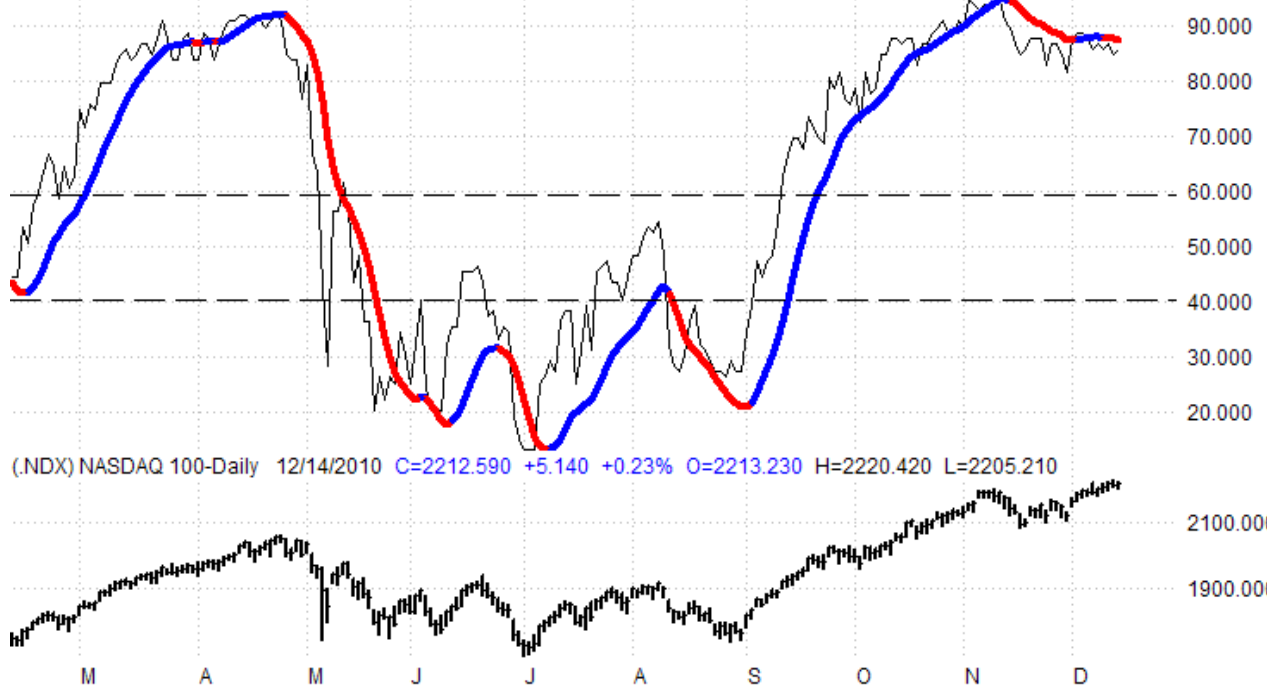


### S&P 100



## NASDAQ 100

(1001100) PER\_CLOSE\_ABOVE1-Daily 12/14/2010 C=85.859 +1.011 +1.19% O=85.859 H=85.859 L=85.859



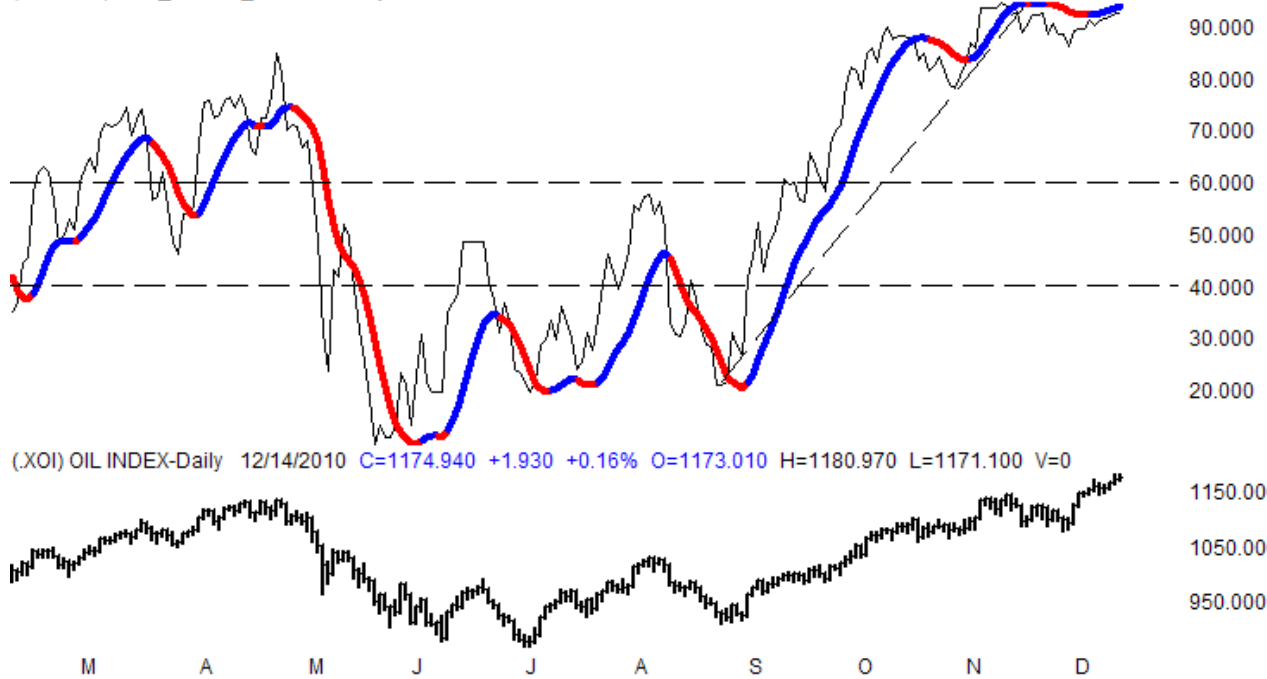
## Banking

(1001100) PER\_CLOSE\_ABOVE1-Daily 12/14/2010 C=70.845 -1.272 -1.76% O=70.845 H=70.845 L=70.845



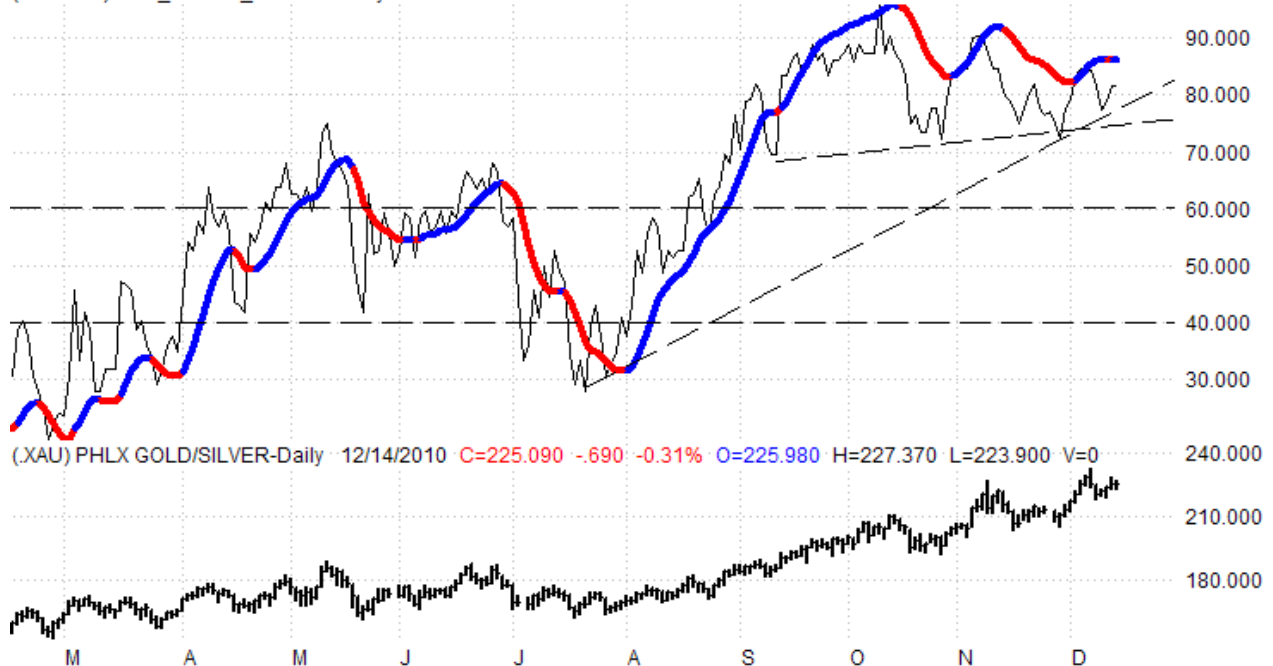
## Energy Sector

(1001100) PER\_CLOSE\_ABOVE1-Daily 12/14/2010 C=92.647 .000 +0.00% O=92.647 H=92.647 L=92.647



## Gold Sector

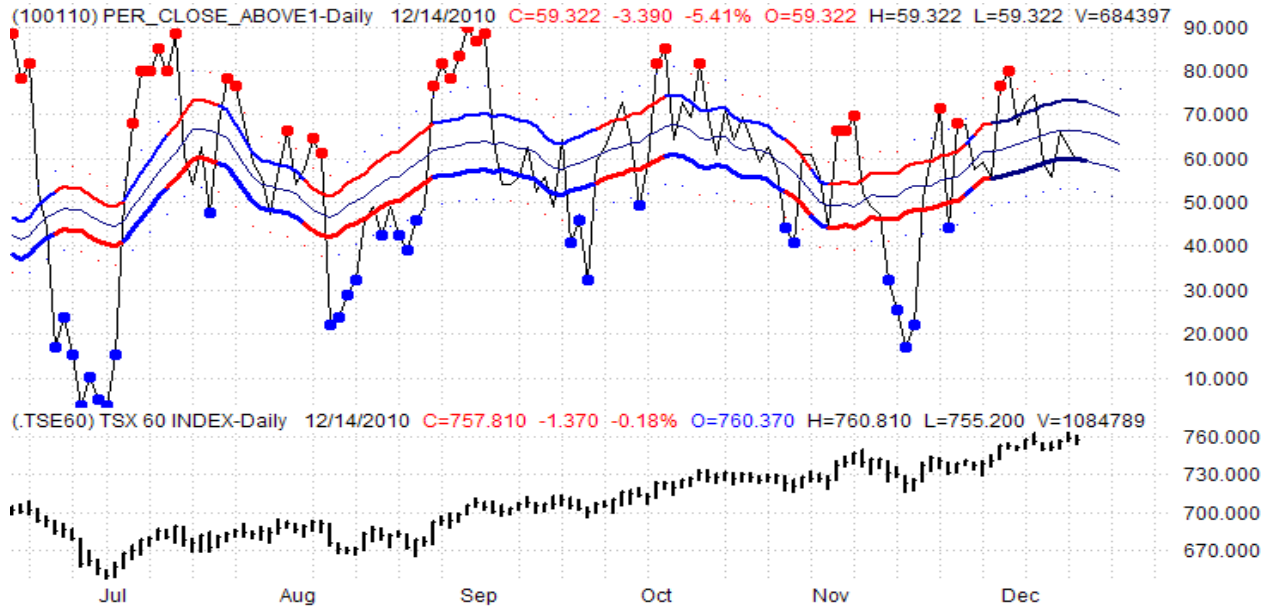
(1001100) PER\_CLOSE\_ABOVE1-Daily 12/14/2010 C=81.690 .000 +0.00% O=81.690 H=81.690 L=81.690



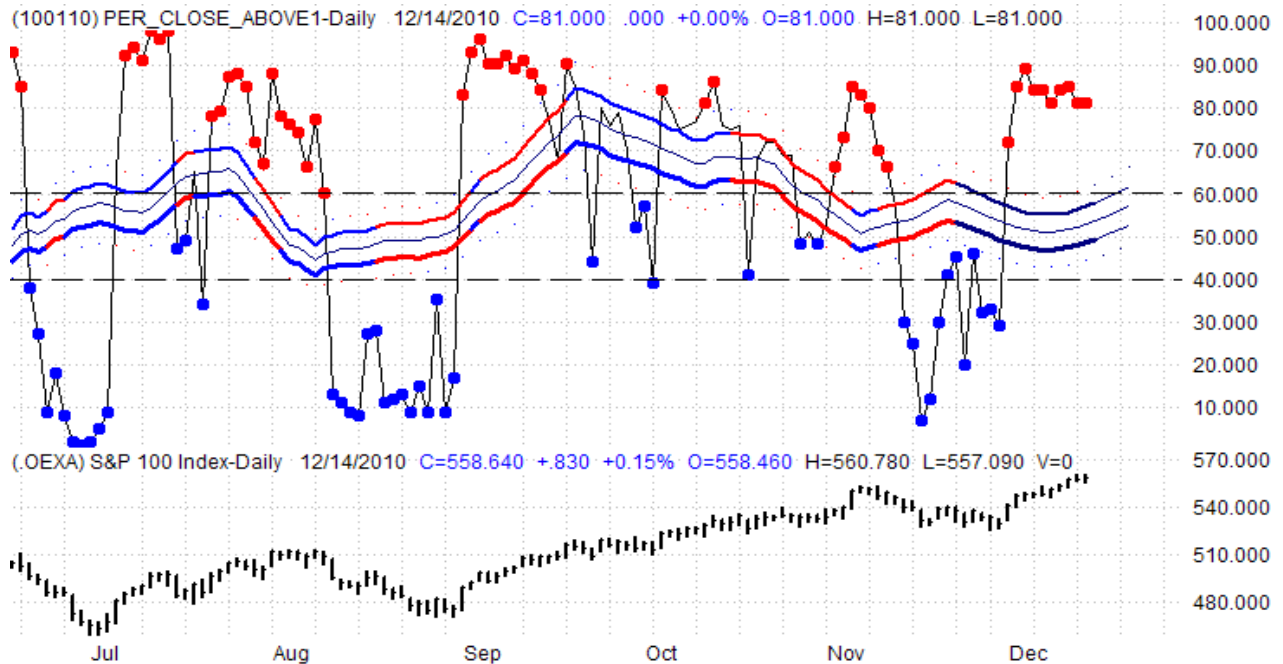
## B. Short Term View

% of stocks trading above their 10-day moving average

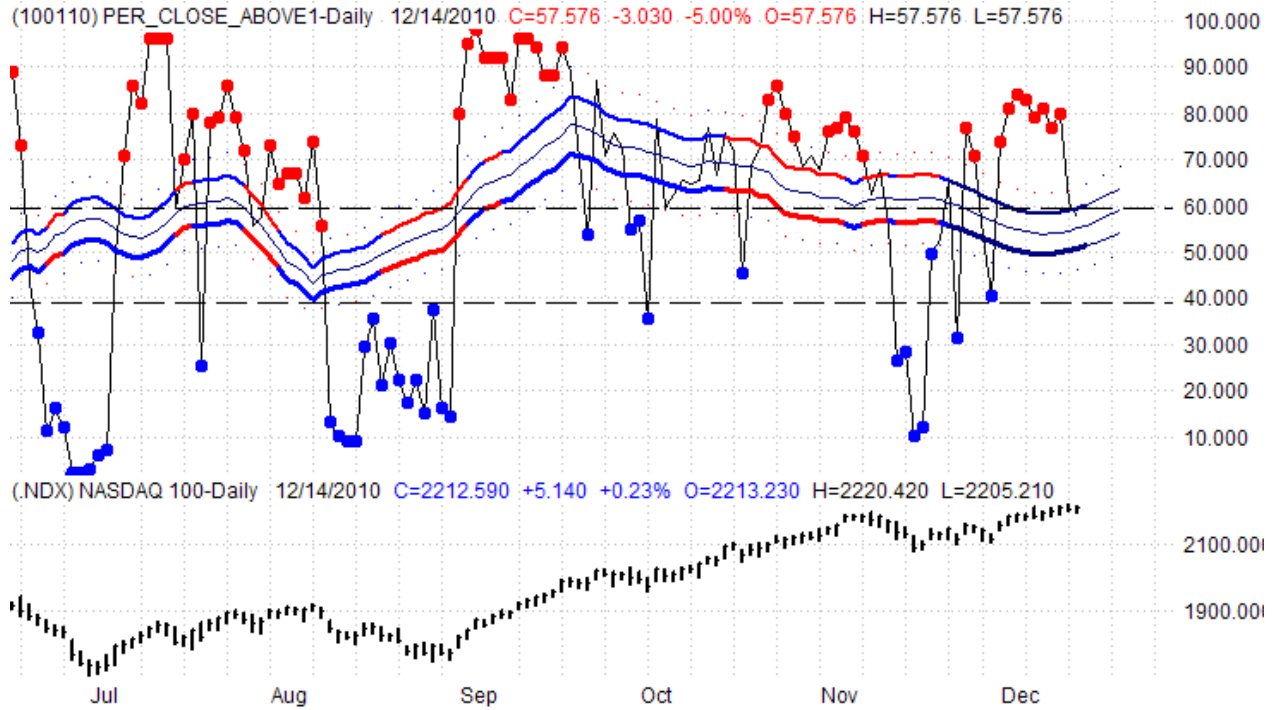
### TSX 60 - 10 Day



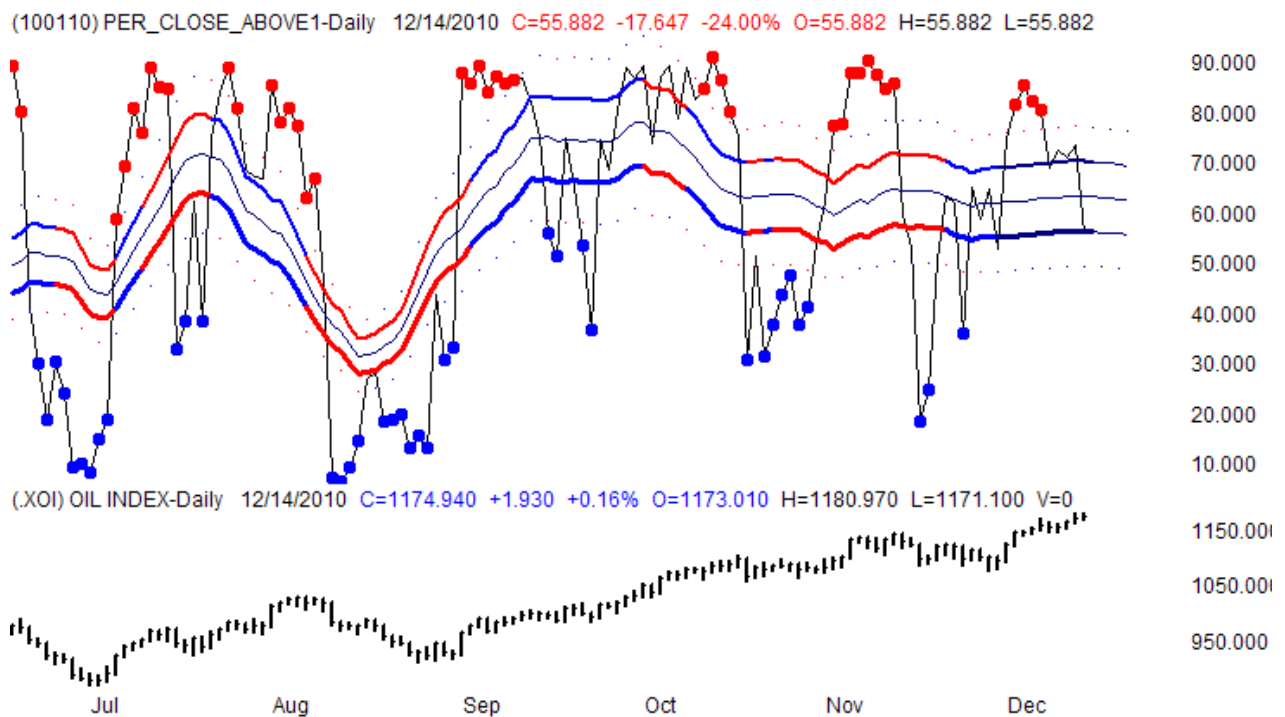
### S&P 100 - 10 Day



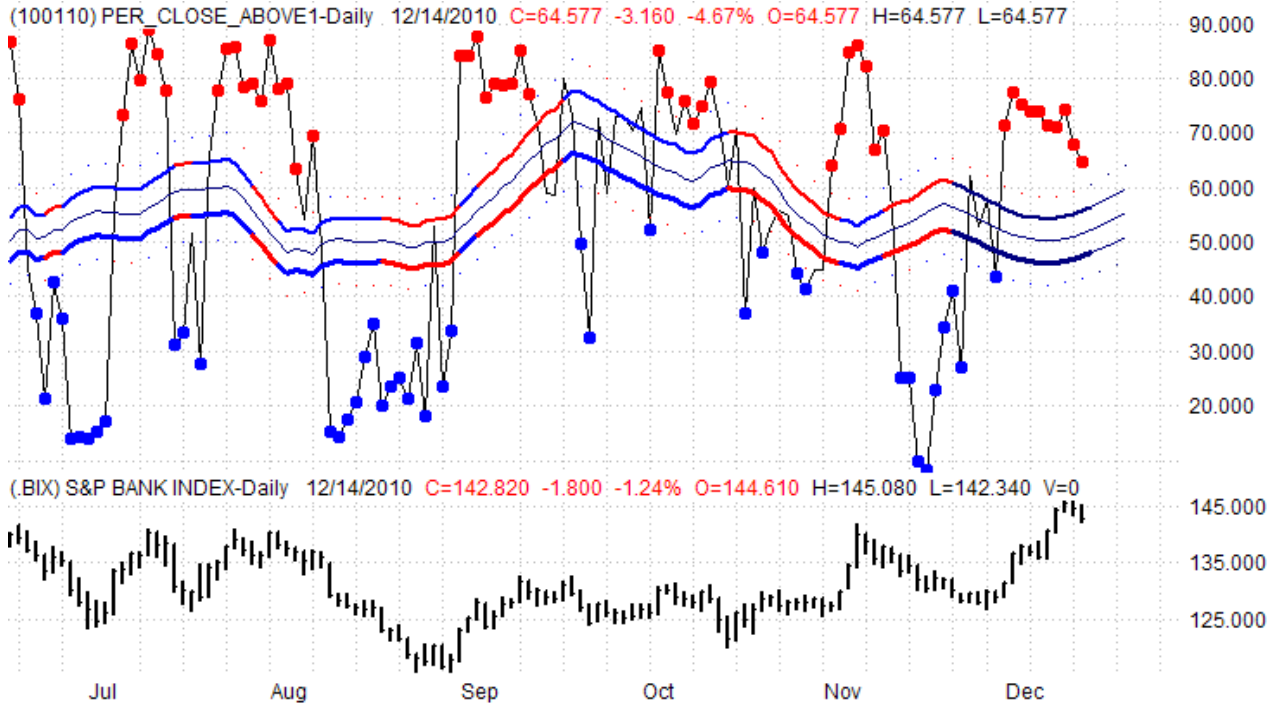
### NASDAQ 100 - 10 Day



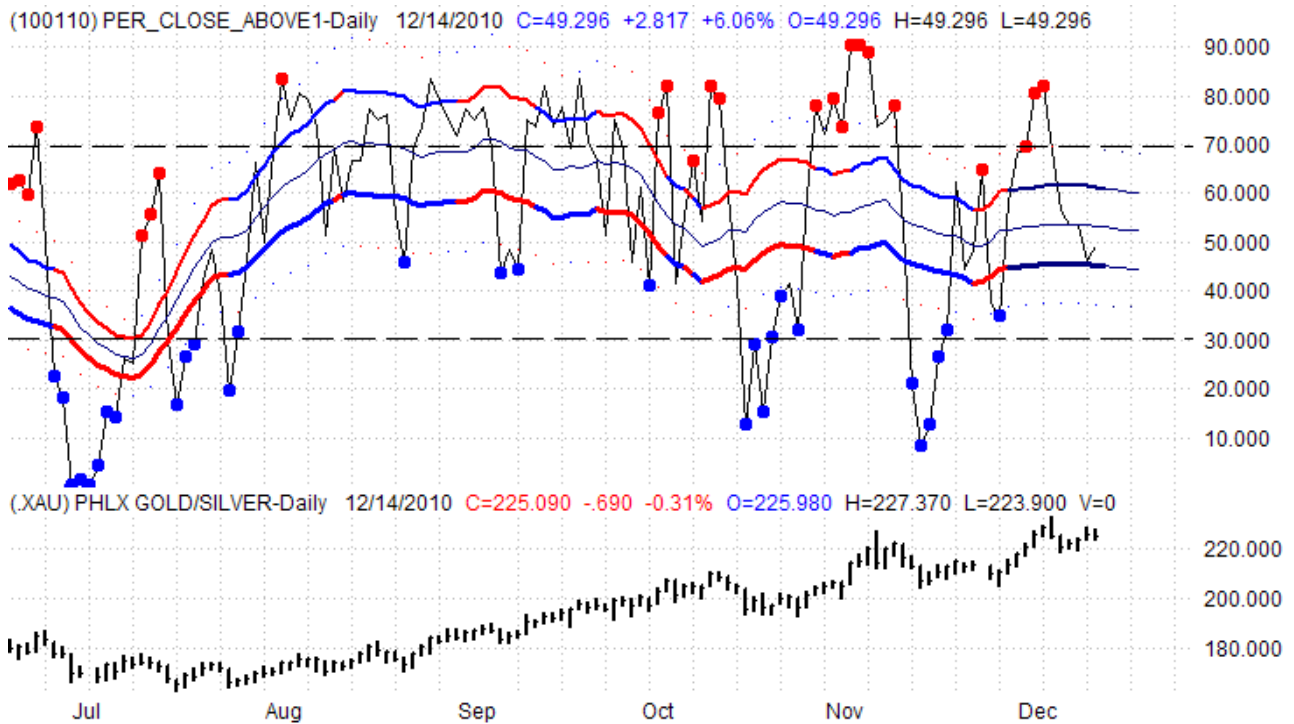
### Energy Stocks - 10 Day



### Financial Stocks - 10 Day



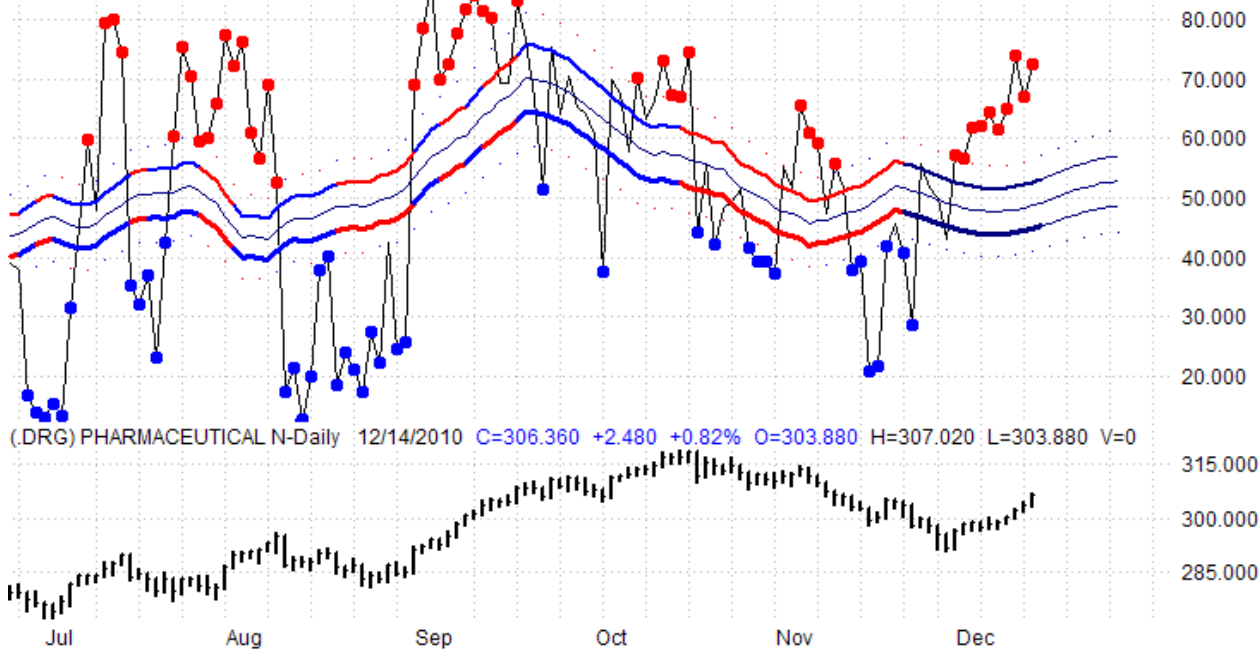
### Gold Stocks - 10 Day





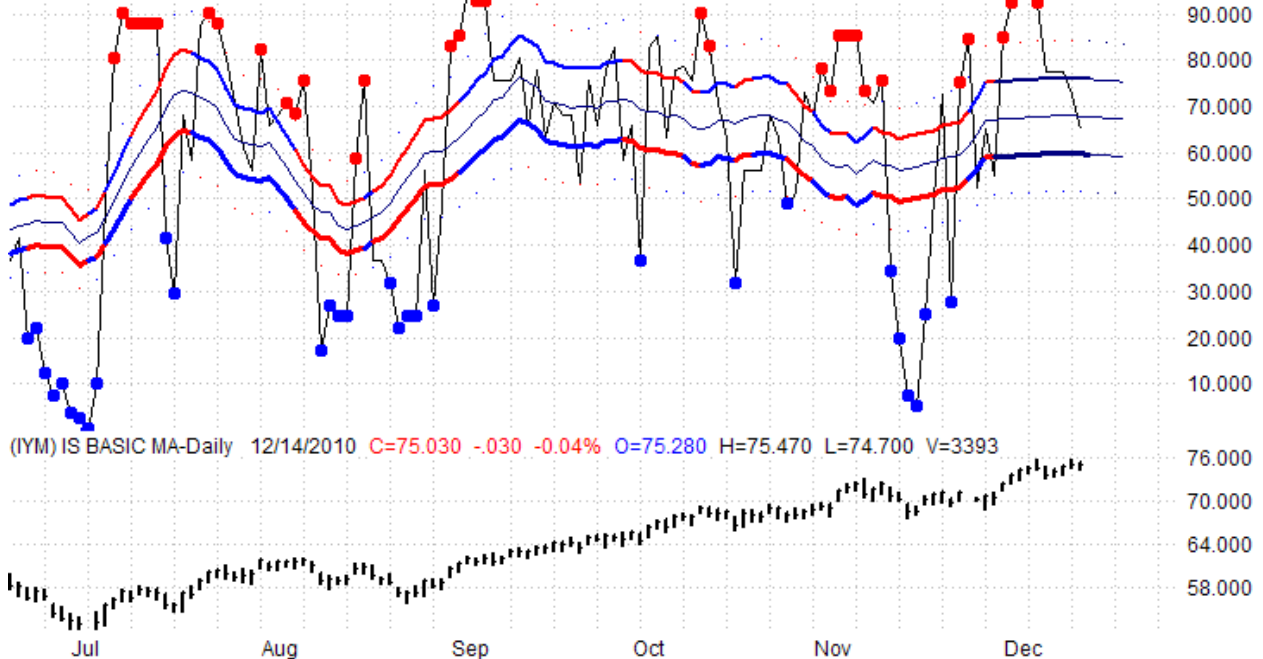
### Health Care Stocks - 10 Day

(100110) PER\_CLOSE\_ABOVE1-Daily 12/14/2010 C=72.334 +5.475 +8.19% O=72.334 H=72.334 L=72.334

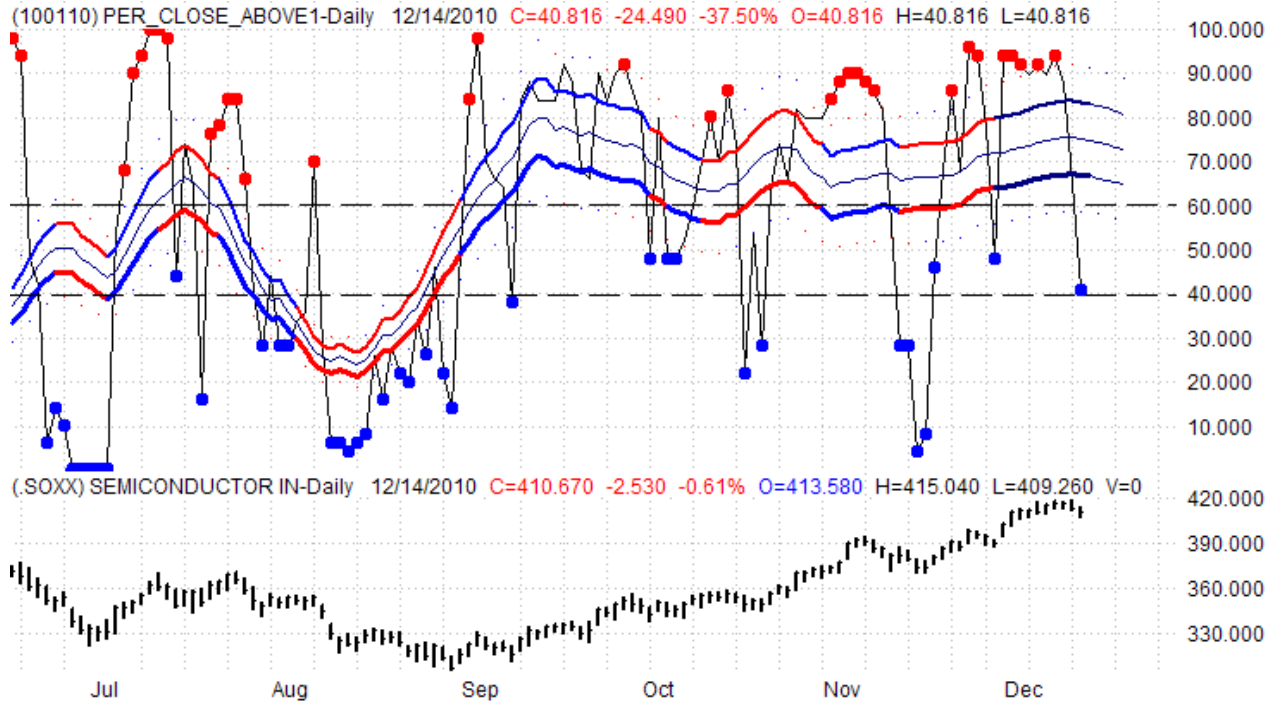


### Materials - 10 Day

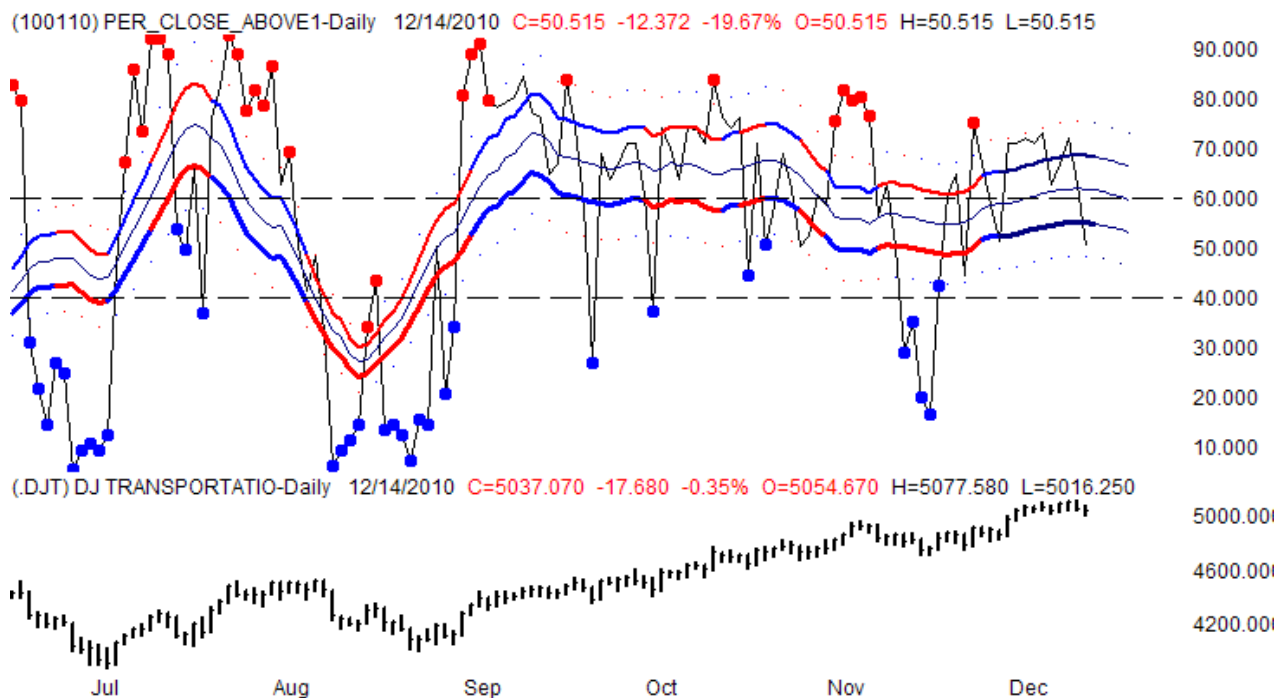
(100110) PER\_CLOSE\_ABOVE1-Daily 12/14/2010 C=65.000 -7.500 -10.34% O=65.000 H=65.000 L=65.000



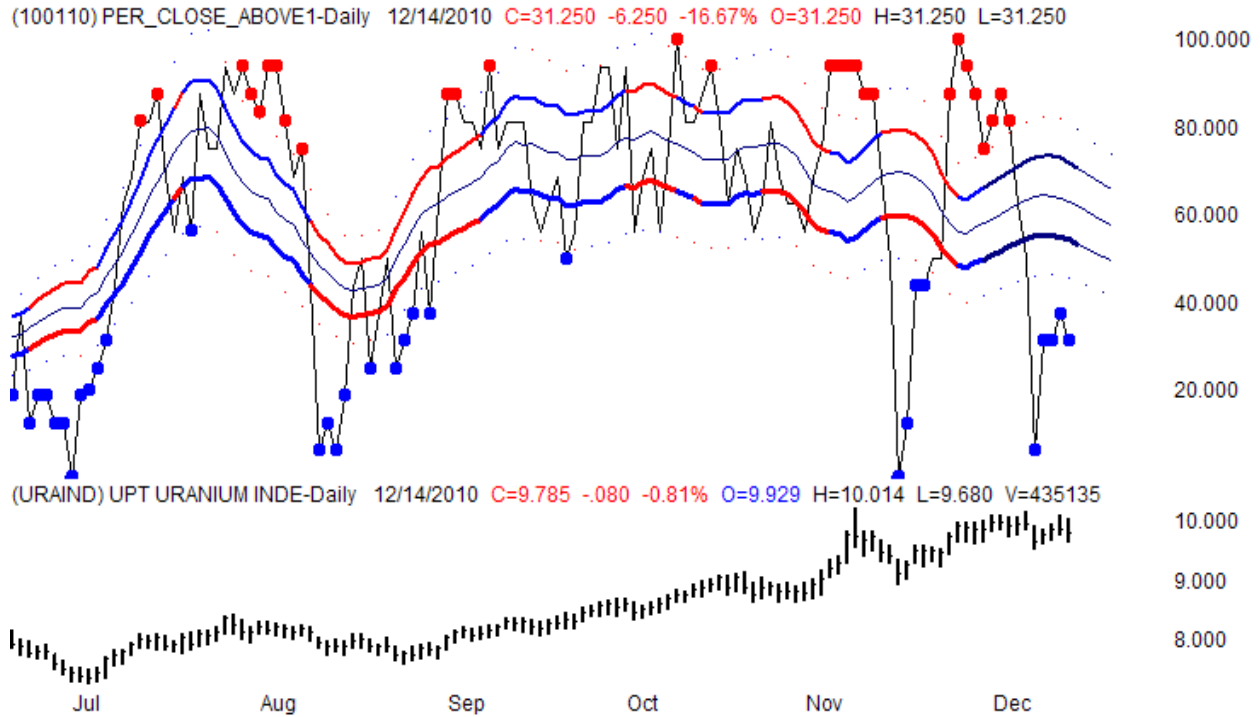
### Semiconductor Stocks - 10 Day



### Transportation Stocks - 10 Day



## Uranium Stocks - 10 Day



Stephen Whiteside

<http://www.theuptrend.com>  
[stephen@whiteside.com](mailto:stephen@whiteside.com)

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