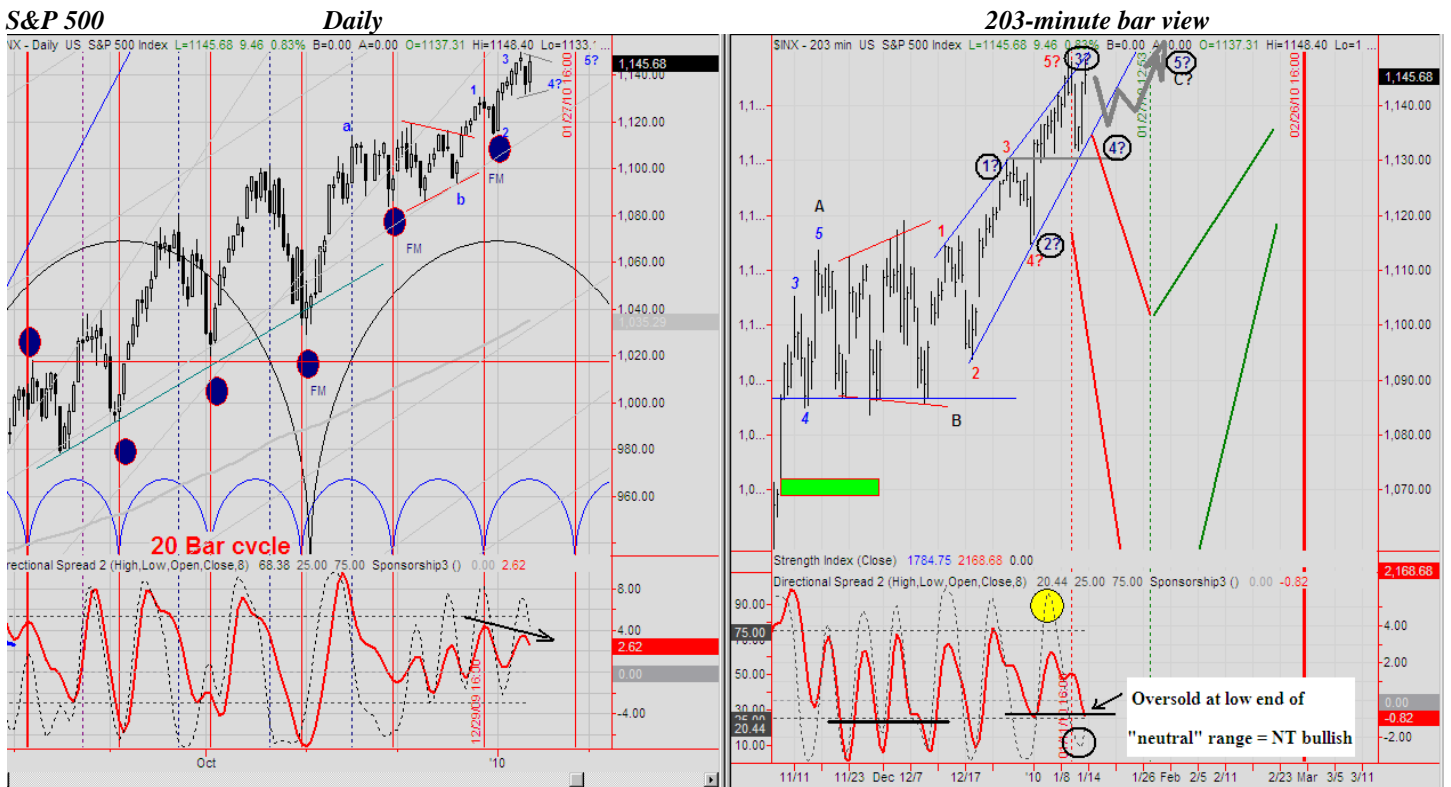


Sam Turner, CMT

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## Technical Take: Expect base consolidation ahead of selective rally into February

Our last *Traders' Notes* discussed the possibility of “more upside potential over the next week ahead of what could be a *multi*-week consolidation into the end of January.” Our January 11 “turn date” for the S&P 500 marked a minor high, but we do not think it will prove to be THE high of the multi-month advance. While the aggregate S&P has been choppy, a more comprehensive review of individual stocks, such as Alcoa (AA-N-\$15.98) and Apple (AAPL-NasdaqGS-\$210.65), implies to us that there is more upside to the recent rally, and we would view the 11<sup>th</sup> high as simply a “kick-off” to a high base consolidation (perhaps 1-2 weeks in duration, but no longer) in front of at least one more selective rally attempt into February. Some industry groups will likely make new range highs (Basic Materials and Technology), others will likely not, in our opinion; however, we do think our relative strength tools tell us it’s too early for “defensive” leadership (Utilities, Staples, Healthcare), but we may not be too far off. In the event we’re wrong and 1130 breaks on a closing basis, near-term support lies at 1100 and then 1085.



Source: TradeStation, Market Methodology Inc.

To get a little further into the technical weeds, let’s review what we’ve drawn in the charts above:

**Daily:** Note how the last 20-period cycle low missed the minor low; however, the next lunar event, drawn with a blue dot, eventually marked the pivot like the other multi-week lows. While the 20-period cycle turns lower into late January, we see more likelihood of range-bound trading inside of what we believe is a larger cycle at work (drawn with the black arc) that may warn of the maturity of the larger degree advance. We think this larger cycle could act as an anchor to much upside in the weeks ahead (outside of marginal new range highs). Importantly, it does appear there is an emerging negative divergence in momentum evident in the bottom panel, and this condition represents additional evidence of maturity.

**203-minute Bar:** Our highest probability Elliott wave count is highlighted with the circled numbers. While most Elliott wave technicians (source: [www.stockcharts.com](http://www.stockcharts.com)) think we’ve seen the high (and have all congregated to the red count, implying we’ve seen the high already), we believe the review of our large cap portfolio holdings suggests we should expect more of a “minor 4<sup>th</sup> wave” consolidation in front of another push higher to complete the rally off 1090. Outside of the wave count, we would note the near-term bullish implications of the price momentum indicator in the bottom panel getting oversold (and turning higher) at a level that would be consistent with the “low end of neutral,” a condition that often leads to new range highs.

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For further information about Elliott Wave theory, visit:

[http://stockcharts.com/school/doku.php?id=chart\\_school:market\\_analysis:elliott\\_wave\\_theory](http://stockcharts.com/school/doku.php?id=chart_school:market_analysis:elliott_wave_theory)

Standard & Poor's (S&P) 500 Index measures the performance of 500 large cap stocks, which together represent about 75% of the total US equities market.

Technology and Internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

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