

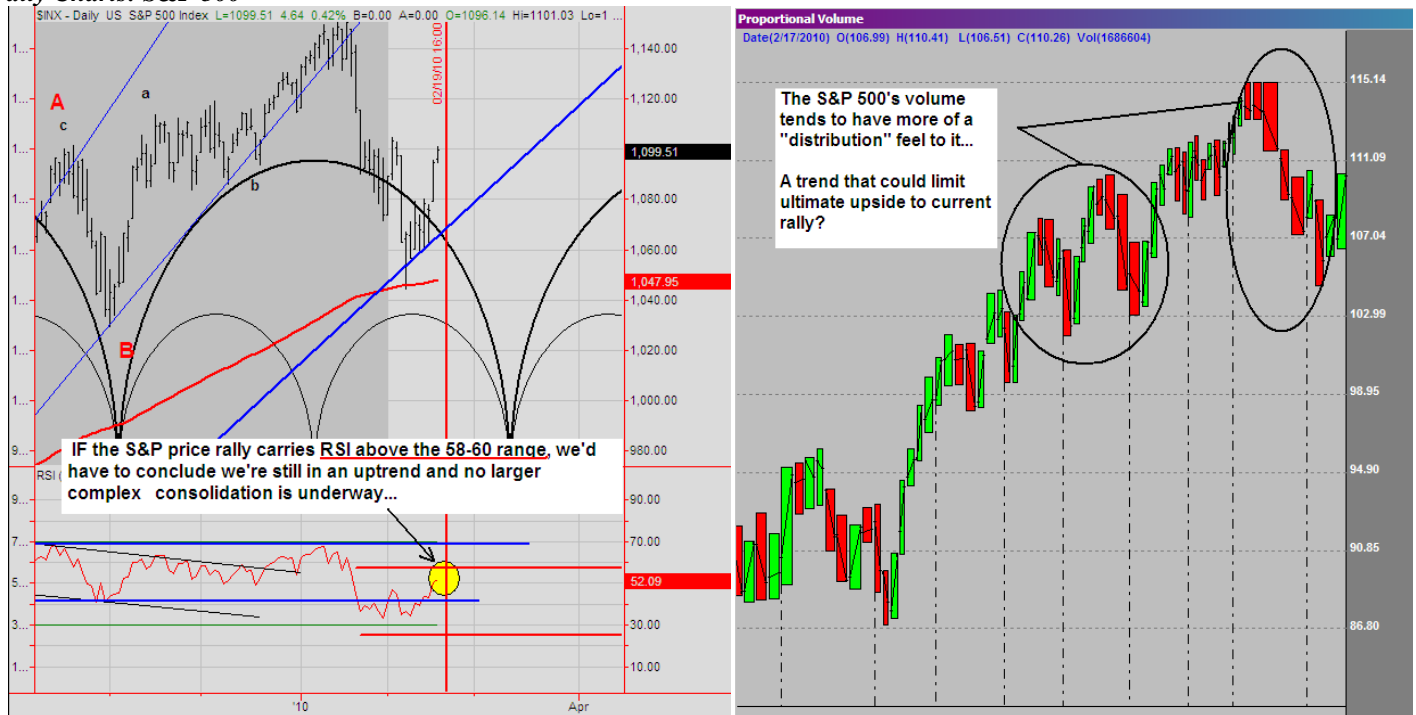
Sam Turner, CMT

February 18, 2010

## Technical Take: Near-term upside potential; holding 1105-1115 target zone key to longer term view

While the S&P corrected down to the 200-day exponential moving average (MA) and is rallying, other items complicate the story, such as volume (weaker than we'd like). The correction took price momentum (RSI) down far enough to be associated with previous consolidations lasting several months. In addition, Elliott wave counts, down from the highs, have a more "impulsive" feel to them (five waves down), suggesting we may not be out of the woods yet. While our near-term work (outlined below) suggests more upside to at least 1105-1115, we believe holding above that range in the *days* ahead will tell us what to expect in the *weeks* ahead. Specifically, if the S&P spends three to five days consolidating above 1105, we believe near-term bears should look to change sides. If, however, we rally into the 19<sup>th</sup> or early next week (without confirmations in price momentum and volume) and we begin to break down, we should expect additional downside risk into March.

### Daily Charts: S&P 500



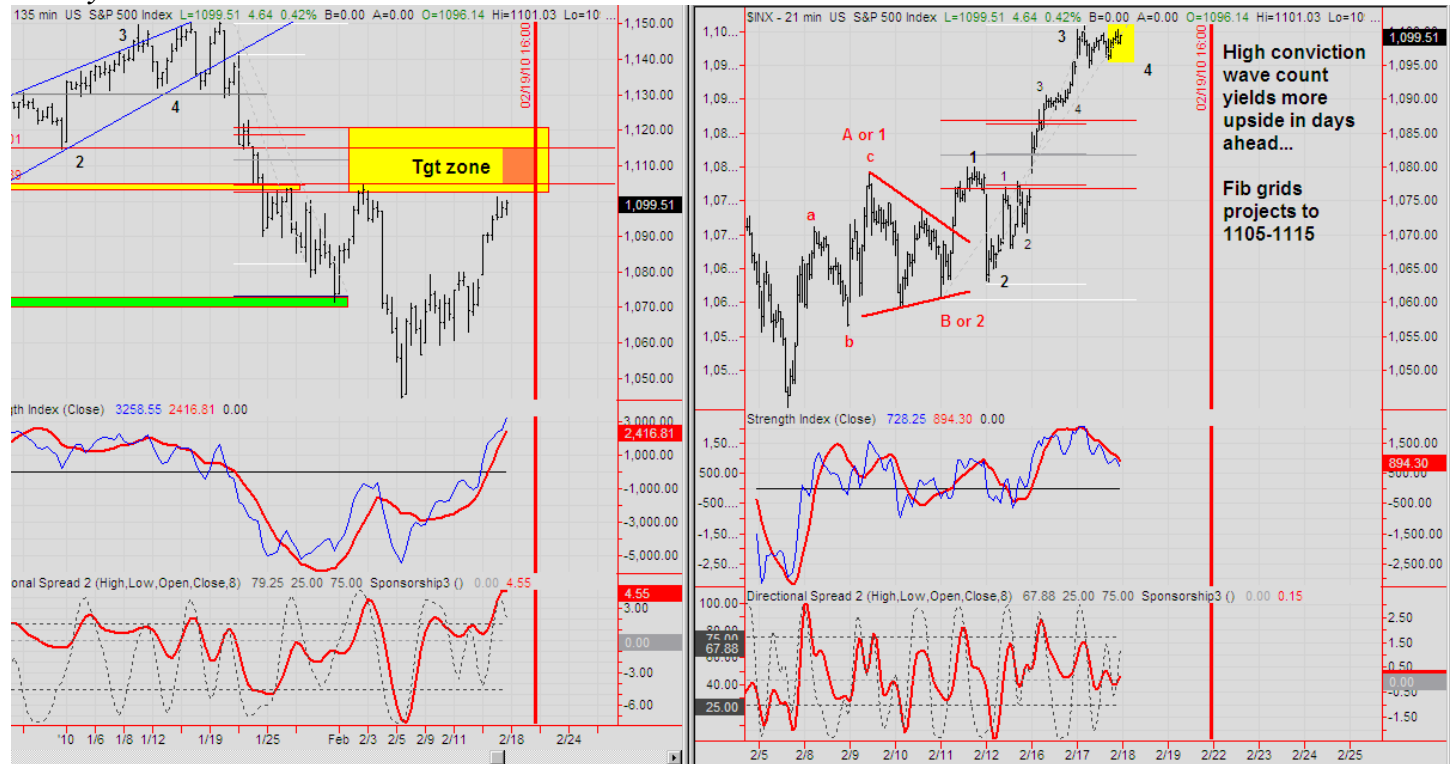
Source: TradeStation, Market Methodology Inc.

One of the most difficult things for technicians to admit is the inherent bias in the interpretation of a chart. It is especially challenging if we start with a firm opinion of the larger degree view (weekly chart, for example) and then force a technical opinion as we work our way down. We've found it's more successful to work "bottom up," starting with the intraday charts and looking for clues as to where the daily and weekly charts are headed. In our opinion, there are only two "maps" that could emerge in the days ahead:

1. **Where we haven't seen the low:** we rally up into a range of 1100-1120 (which could likely be tightened to 1105-1115) then roll back down again in the weeks ahead following what would've been a simple "ABC" bounce off initial support.
2. **Where we have seen the low:** we rally up to the 1100-1120 box, consolidate for three to four days (like we did 2/9-2/16) in a fourth wave and then rally once again towards 1130.

We believe the clue as to which one is playing out will come with price behavior once we get into that 1100-1120 box. The longer we sit up there, the more the odds favor the scenario that we've seen the low. At this point, we are still leaning towards the first scenario, in which we rally into Friday the 19<sup>th</sup> or so, then show signs of vulnerability.

**Intraday Charts: S&P 500**



Source: TradeStation, Market Methodology Inc.

Sam Turner, CMT, Portfolio Manager • 804-549-4808 • [sturner@riverfrontig.com](mailto:sturner@riverfrontig.com) • [www.riverfrontig.com](http://www.riverfrontig.com)  
Riverfront Investment Group, 9011 Arboretum Parkway, Suite 110, Richmond, VA 23236

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.

Riverfront Investment Group, LLC, is a registered investment adviser. The company manages several portfolios comprised of various equity and fixed-income securities. Riverfront owns shares of EWC in our portfolios. Opinions expressed are current as of the date shown and are subject to change. They are not intended to be investment recommendations. Technical analysis is based on the study of historical price movements and past trend patterns. There are also no assurances that movements or trends can or will be duplicated in the future. Past performance is no guarantee of future results.