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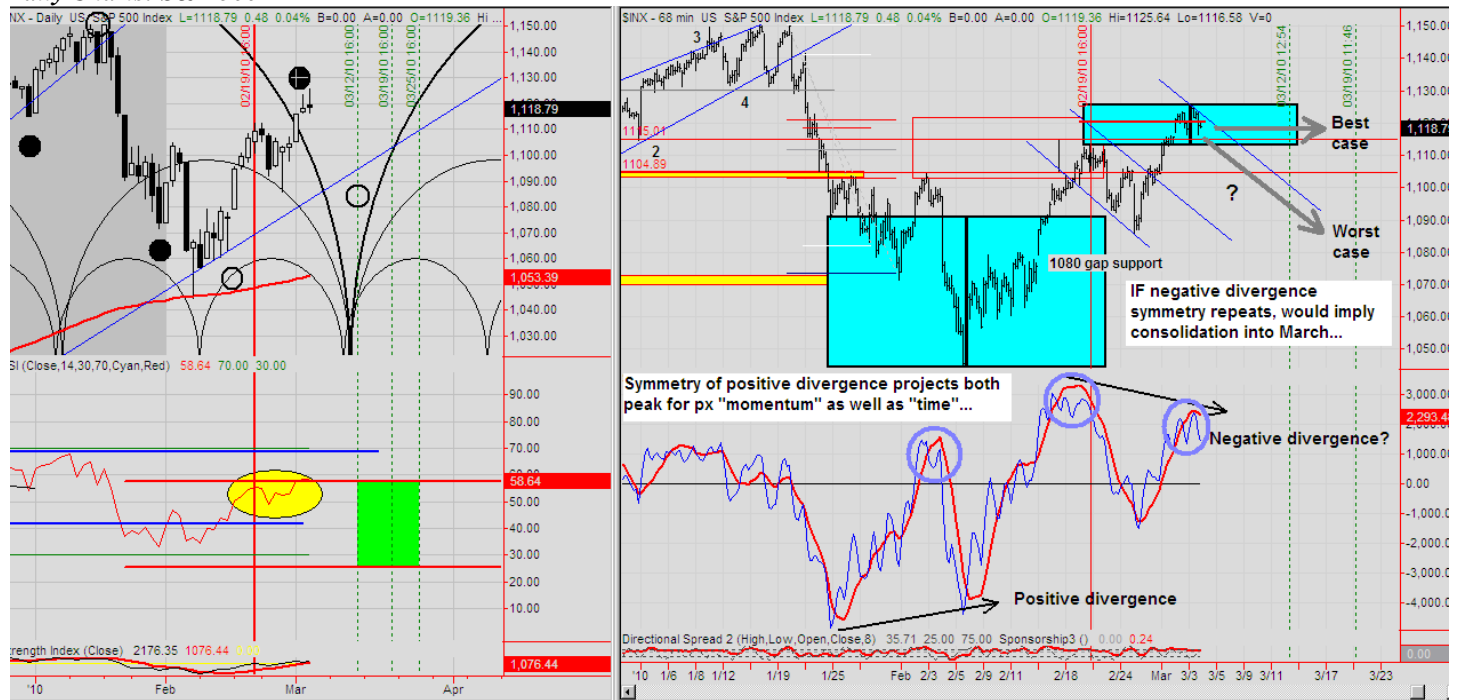
Technical Take: Sideways Into March May Be Best Case Scenario

There appears to be a significant amount of evidence that suggests we may have a hard time getting through 1130 in the near term, but almost all of our tools keep us cautiously optimistic that if a correction were to develop in the weeks ahead, it shouldn't be all that deep. In fact, we would reiterate our belief that once we get through March, another rally could potentially emerge that takes us into early summer (but again, we'll need to take that week by week).

Zooming in to an approximate hourly bar chart, it's possible to see the positive divergence in momentum that led to a reversal higher in price. It is possible that we are witnessing a mild *negative* divergence emerge, which would likely imply a consolidation in the days/weeks ahead. We highlighted (with blue boxes) a really fascinating concept that has to do with the symmetry around momentum divergences and price. Specifically, with positive divergences at the intraday level, we've noticed that a box placed on price corresponds with the two lows in momentum (that marks the positive divergence). Often times, building a parallel box to the right yields both an upside projection in price "momentum" as well as the "time" it should take to complete the immediate rally. If we reversed the technique now that we're potentially in the midst of a *negative* divergence (assuming we're at a near-term high), and create a box over the two highs in price (that correspond to the lower highs in momentum), then we could expect a mild consolidation into March 12 (which ironically matches the next 30-day cycle pivot discussed above). In addition, the chart on the second page takes a longer-term perspective and shows how the current rally may be struggling under a trend line that connects all the major highs from October 2007.

In the daily chart below, we've drawn the 30-day calendar cycle (with circles) which have done a remarkable job of calling multi-week inflection points in price. If consistent, the next pivot is March 12 (potentially a low as it coincides with larger cycle lows). From a candlestick perspective, it's also possible we're seeing what technicians refer to as a "shooting star" (tall wicks with narrow bodies at the low) which suggests a potential struggle to get through 1130 resistance.

Daily Charts: S&P 500



Source: TradeStation, Market Methodology Inc.; Current valuations and historical analysis do not guarantee future results.

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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

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.

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