

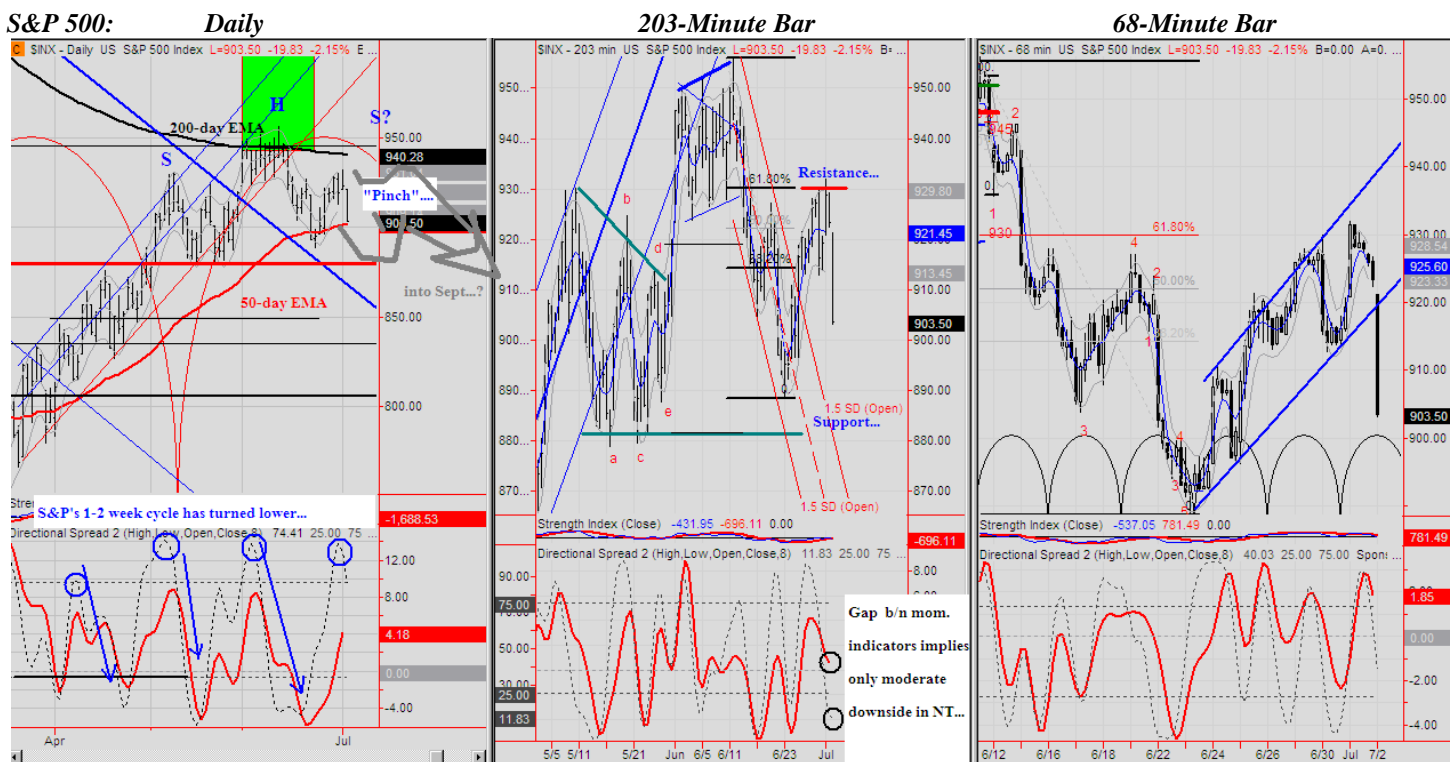
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Technical Take: Sector dispersion suggests mixed trading before notable S&P consolidation

We discussed last week that we thought we were likely to see downside towards 880 support "in the days ahead" with a corrective rally carrying towards 930. Instead, we saw 890 hold, then chop higher in a corrective channel to our highlighted level of 930. The breakdown this morning brings us into first support at 905, then 880 below that. A summary of our near-term technical opinion of the aggregate S&P 500 would be "expect volatile range in the week(s) ahead until leadership names complete their multi-month upside objective." However, let us clarify -- we believe certain names in Technology, Healthcare and Staples may have more "absolute" upside, while we fear many Energy, Materials and Financials have seen their multi-month highs. Our belief continues to be that the most optimal entry point (for higher beta¹ stocks) will come again in the September timeframe (this refers back to the 40-week cycle we've discussed on several occasions). It's possible we'll find "a" low early next week, and that from there it could be a trader's game of "risk managing" the downside leadership names into strength in preparation for September.

For many investors, this could simply mean pulling back overweight exposure to varying degrees. More aggressive traders may choose to implement hedging strategies after we potentially find a minor low next week and the aggregate S&P makes another attempt to rally towards 930-950, but fails instead (possibly tracing out a heading and shoulders top-like pattern). As a reminder, our larger degree "map" continues to suggest that we could stage another attack in July on resistance overhead, but not see a true reacceleration in trend until the 40-week cycle bottoms in September.



Source: TradeStation, Market Methodology Inc.

Daily: The 1-2 week down-cycle has likely begun, and we could be tracing out a head and shoulders multi-month top.

203-min bar: The main issue to highlight at this fractal view is the failure at key resistance (930) but note how (1) the momentum indicator actually made a new range high and (2) the oscillator (dotted line) and the indicator (red line) are building a gap between them. These should be slightly bullish in that they might suggest another rally attempt once we get oversold on the daily oscillator (perhaps next week).

68-min bar: This view shows the breakdown from the corrective channel.

¹ Beta measures a portfolio's volatility relative to a benchmark. A result greater than 1.0 implies that the portfolio is more volatile than the benchmark; a result less than 1.0 suggests that the portfolio is less volatile than the benchmark. Betas may change over time.

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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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