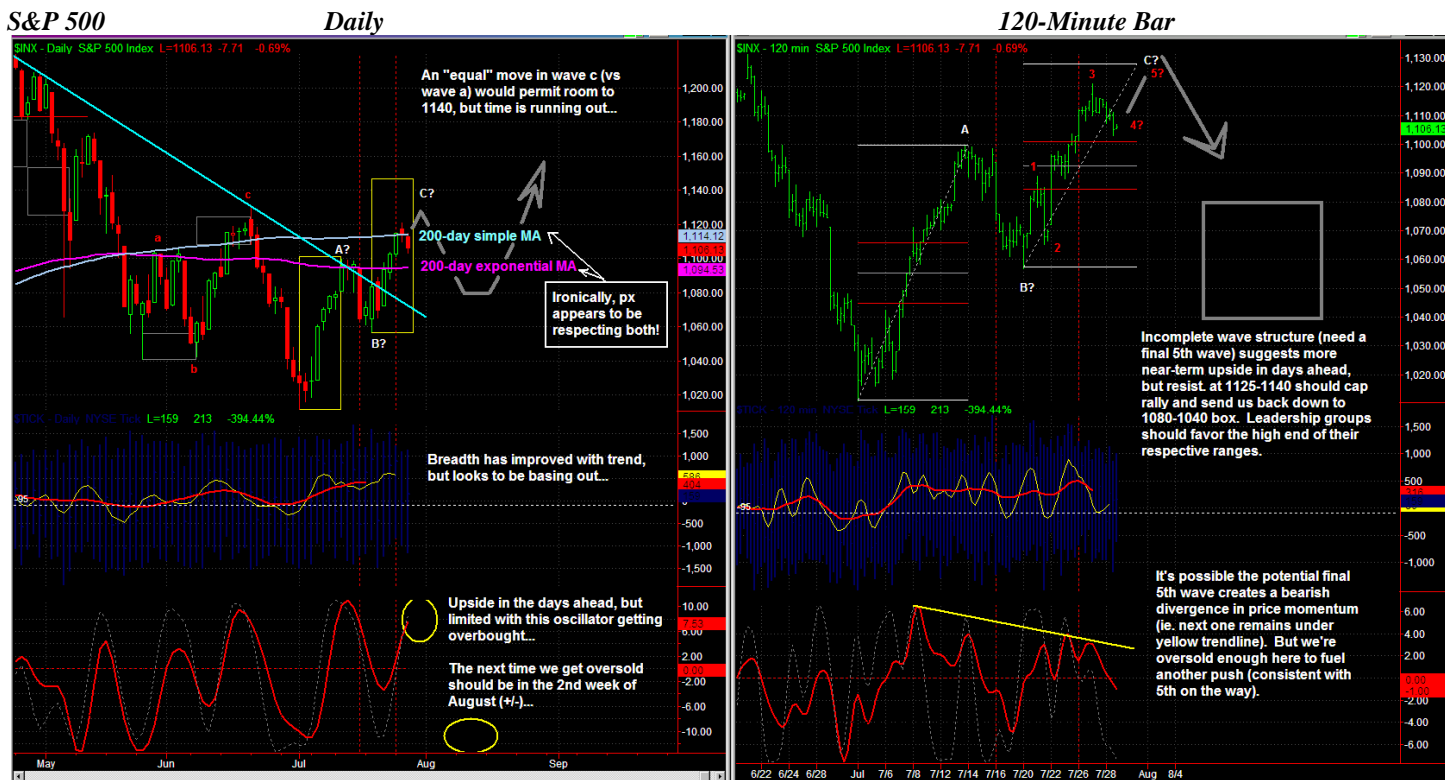


Sam Turner, CMT

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## Near-term rally almost complete, but downside risk only moderate into first half of August

Our title last week was “Downside risk next week could set the stage for broader relief rally into August.” In hindsight, we should have saved that for this week. The recent advance off the minor 1060 low still appears incomplete (see detailed labels on intraday chart). In fact, near-term upside in the days ahead could reach the 1120-1140 resistance zone. Therefore, a “month-end mark up” may be in store for us ahead of a normal 1-2 week consolidation into the second week of August or so (the next time our daily oscillator should be oversold). We continue to believe that the potential emerging alpha trends in the Basic Material, Energy, Tech and Transport (BETT) sectors, combined with the potential for the rally in bond prices to take a break (we saw the start of this pullback in bond prices this past week) could imply emerging markets will continue to be viewed as the strongest components of global economic growth (and perhaps that Europe has so far escaped investors worst fears). Conversely, the recent deterioration in relative momentum in the Consumer Discretionary sector perhaps reflects a tiring domestic consumer. As portfolio managers, we suspect the first half of August will represent another opportunity to add “alpha candidates” (from the BETT groups) and (re)deploy any uncomfortable cash on hand to play the remainder of this multi-month advance (with a late August/early September maturity window).



Source: TradeStation, Market Methodology Inc.

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Alpha refers to the performance differential between a specific investment and its benchmark.

For further information about Elliot Wave theory or Point and Figure charting, visit <http://stockcharts.com/>

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