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Weekend Report for Monday, July 23

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Bottom Line:

From last week:

Identifying tops is more difficult than identifying bottoms. It is too early to have much of an idea of the immediate path of market structure. Closes by all four of the indices below the most immediate downside KRAs highlighted on the daily charts below is an initial signal a top of relative importance could be in place.

I hesitate to use the term “unprecedented” because a substantial number those who trade/analyze markets trot the term out when their narrative goes awry (it can't be that *my* analysis is bad - has to be the market(s)).

So, I will simply state I have been mightily confused by market behavior in the overall US stock market since late last fall. The primary source of that confusion has been the (Auction Market) structural disconnect among/between the four US primary trading indices.

In hindsight where I personally most greatly erred is assuming the typical structural correlations would show up much sooner than they have. Taken individually, the indices



have followed Auction Market Principles of Development in textbook fashion.

Presently, and even though the Russell 2000 is still significantly underperforming the other three primary US trading indices, the indices are generally more in synch from a structural perspective.

Next week is another Fed week, so let's just watch both upper and lower levels as highlighted below. Anyone that suggests they know what the indices are going to do from Friday's close heading into Wednesday is completely guessing.

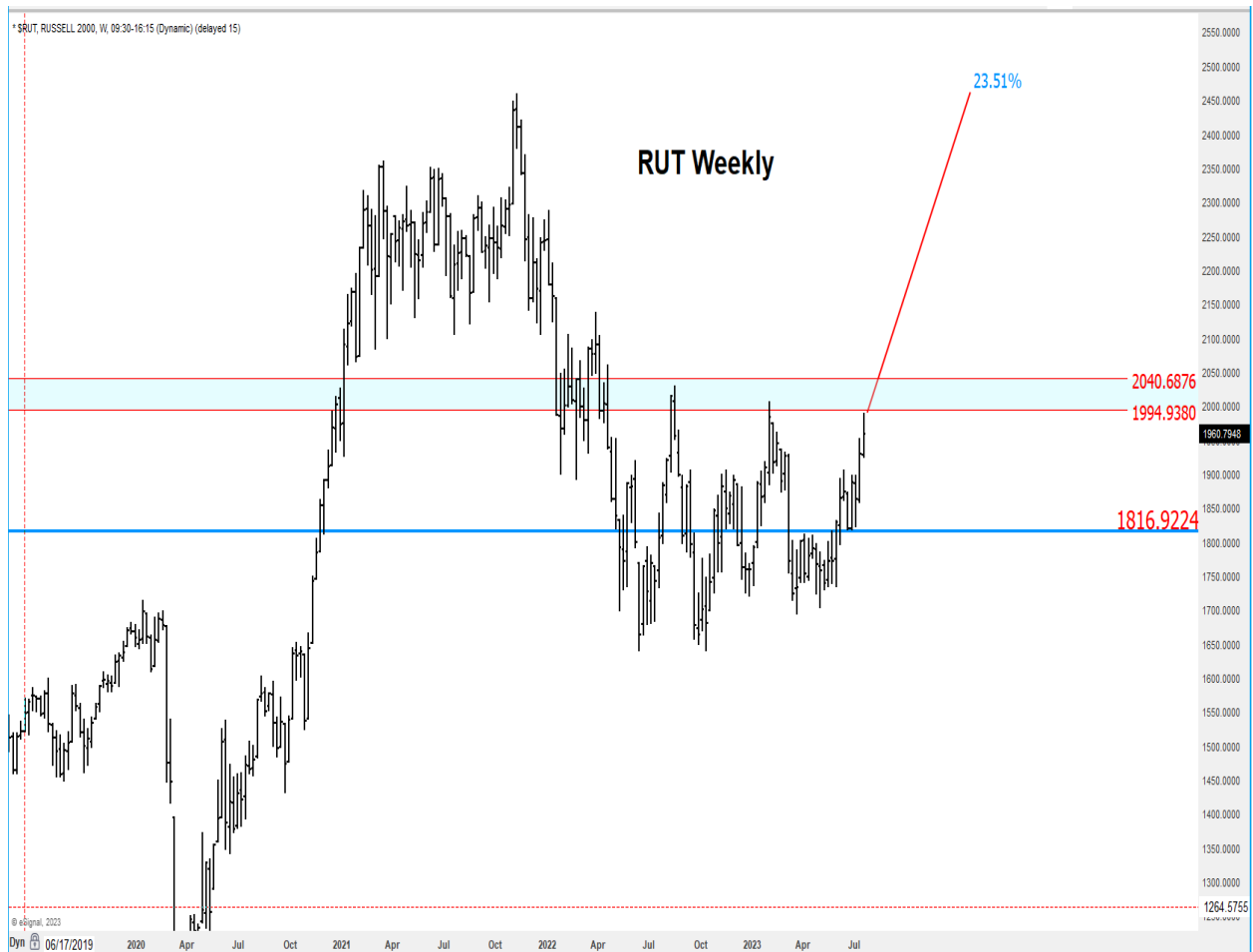
So, once again we have initial signs a top may be in place or could be forming. If a top has formed it is a relatively rare inverted V top. If a top hasn't been formed a test of the recent highs next week could offer quite a good reward/risk opportunity.



RUT

Weekly

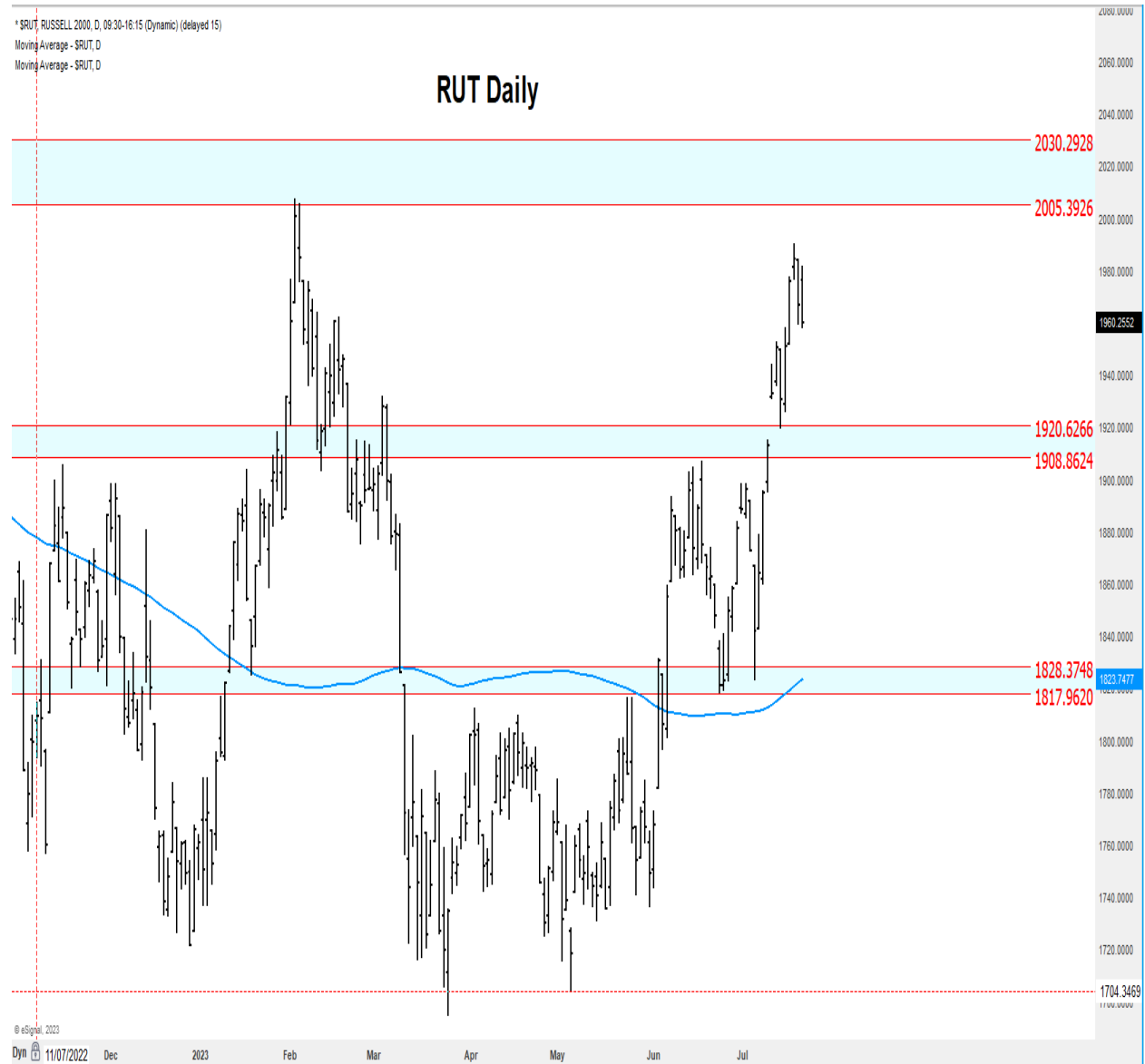
The Russell 200 has reached the low extreme of an important KRA.



Daily

Upper KRA: 2005-2030

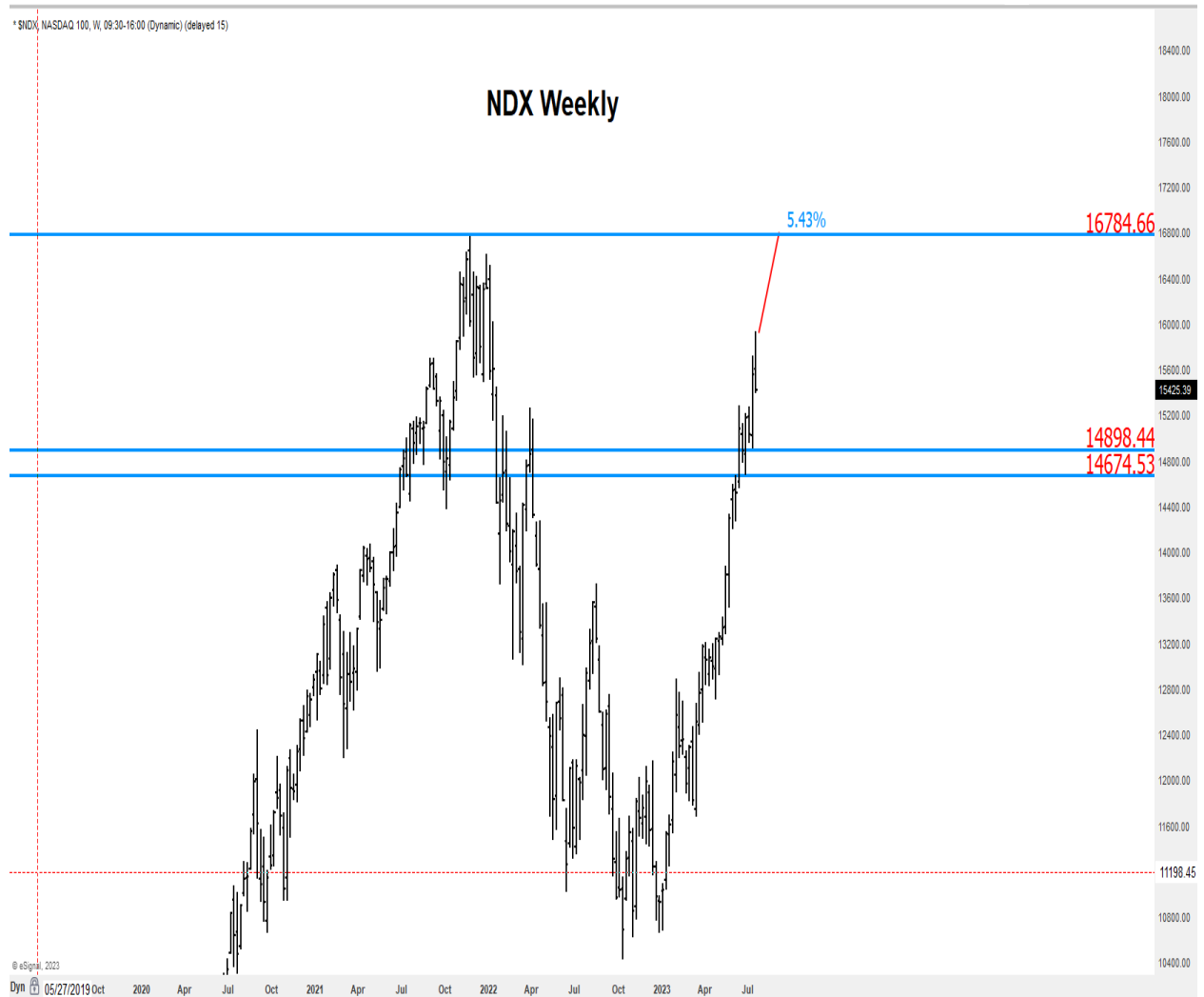
Lower KRA: 1920-1908



NDX

Weekly

The NDX made a reversal week, possibly leaving a selling tail on the chart.



Daily

Upper KRA: 15928

Lower KRAs: 15279-15113; 14830-14681



SPX

Weekly



Daily

Upper KRA: 4590-4640

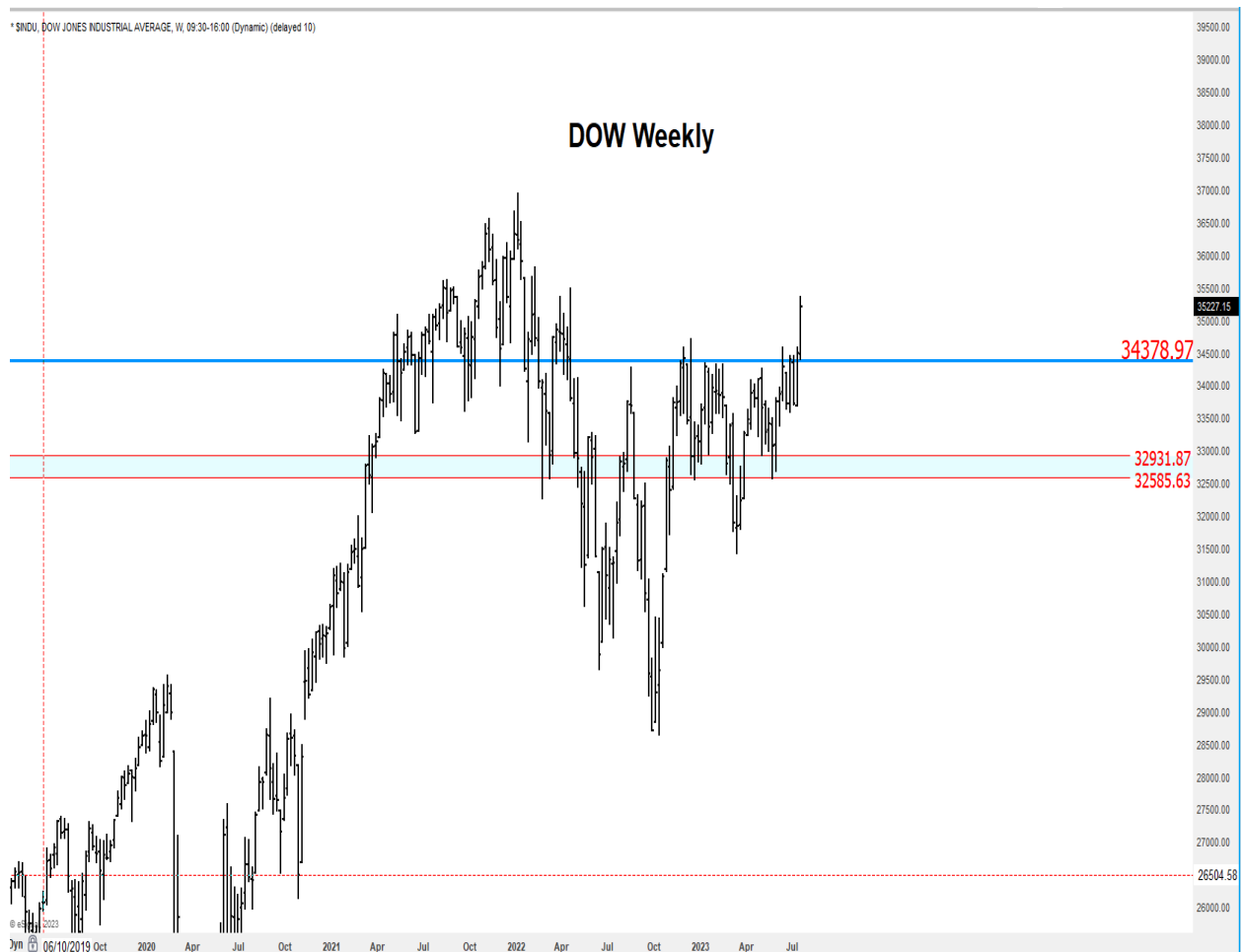
Lower KRAs: 4493-4473; 4406-4383



DOW

Weekly

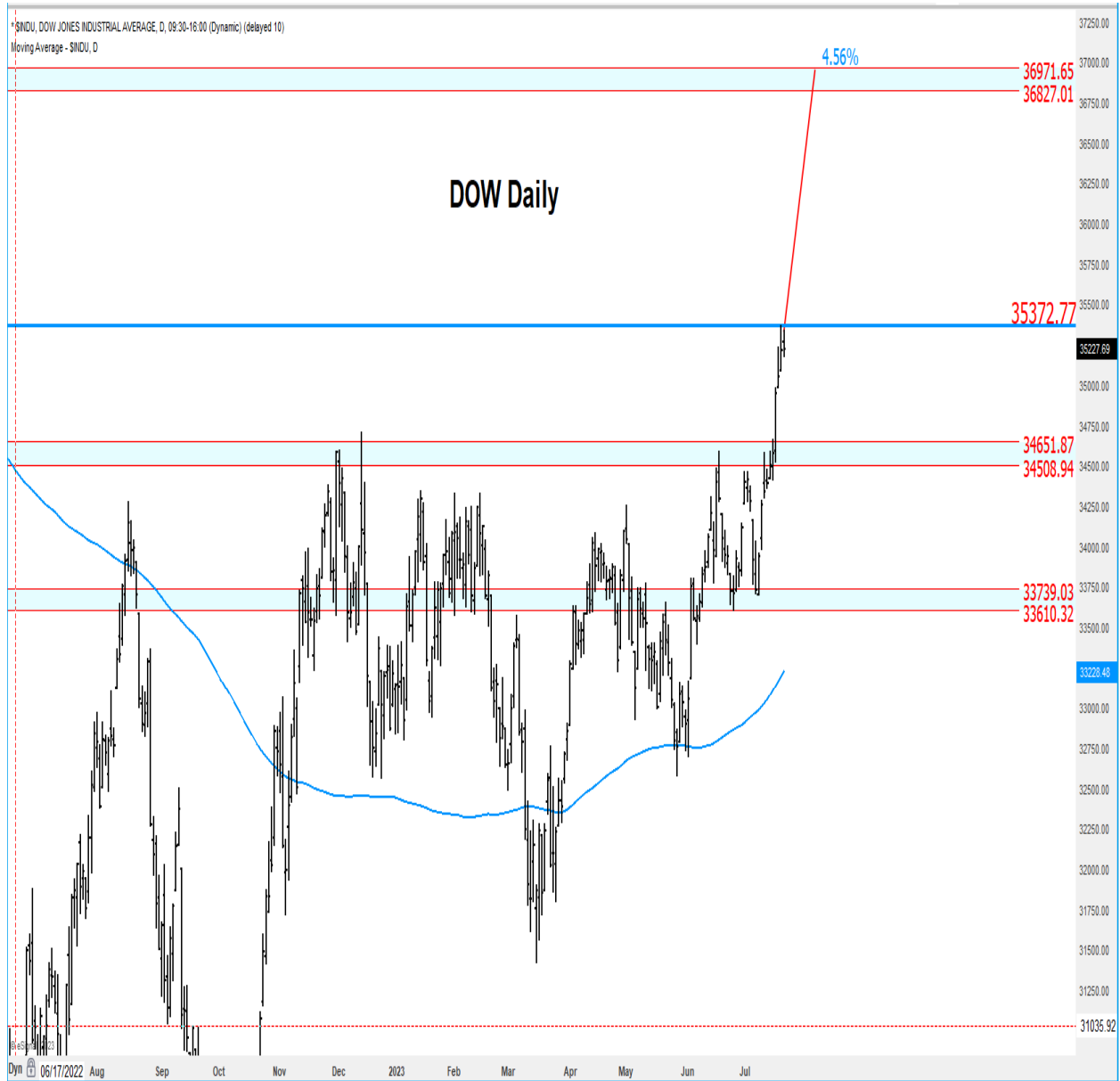
The DOW made a classic breakout from a mature Balance Area last week (see last Dow Weekly chart in last weekend's update).



Daily

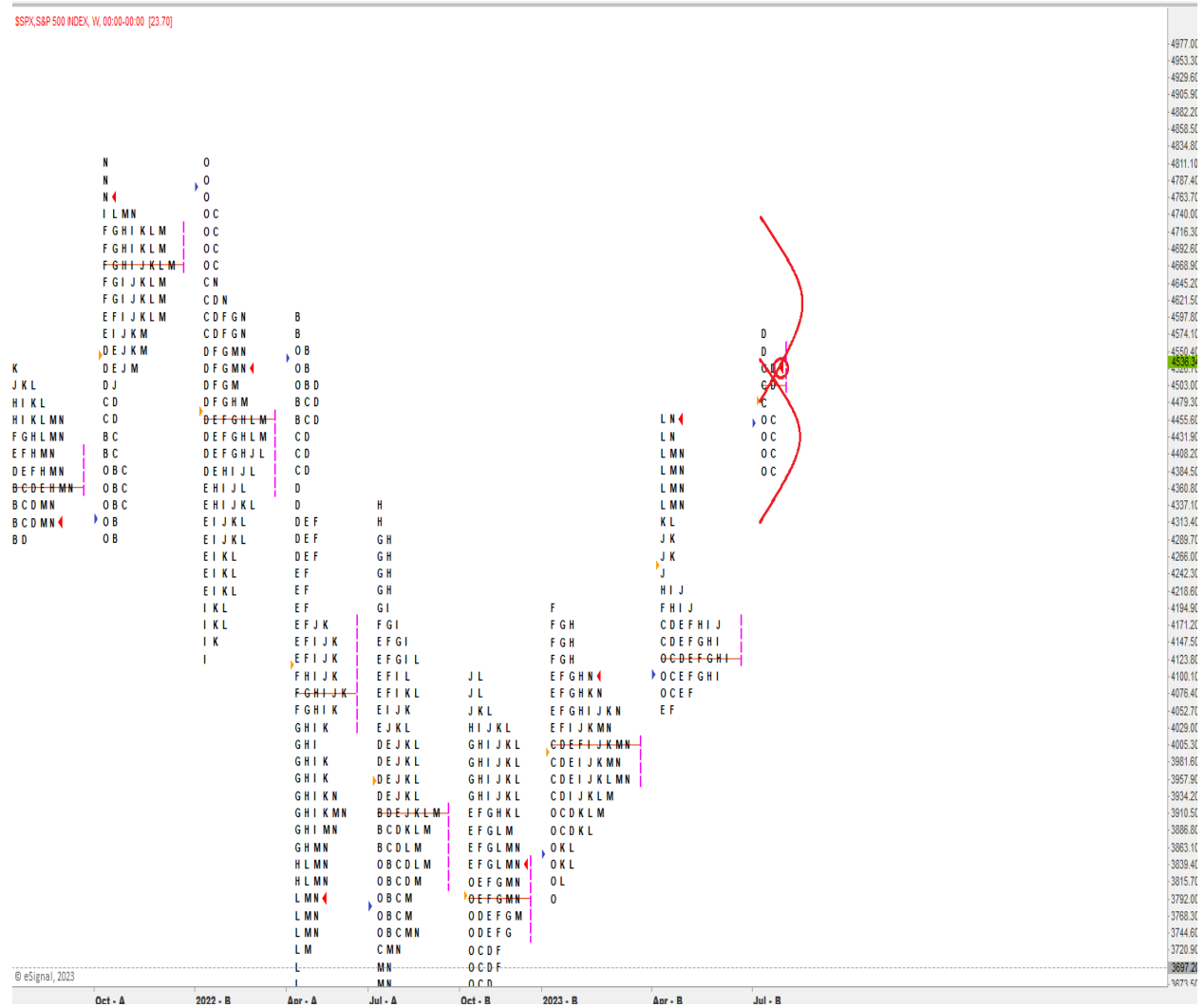
Upper KRA: 35372; 36827-36971

Lower KRAs: 34651-33610



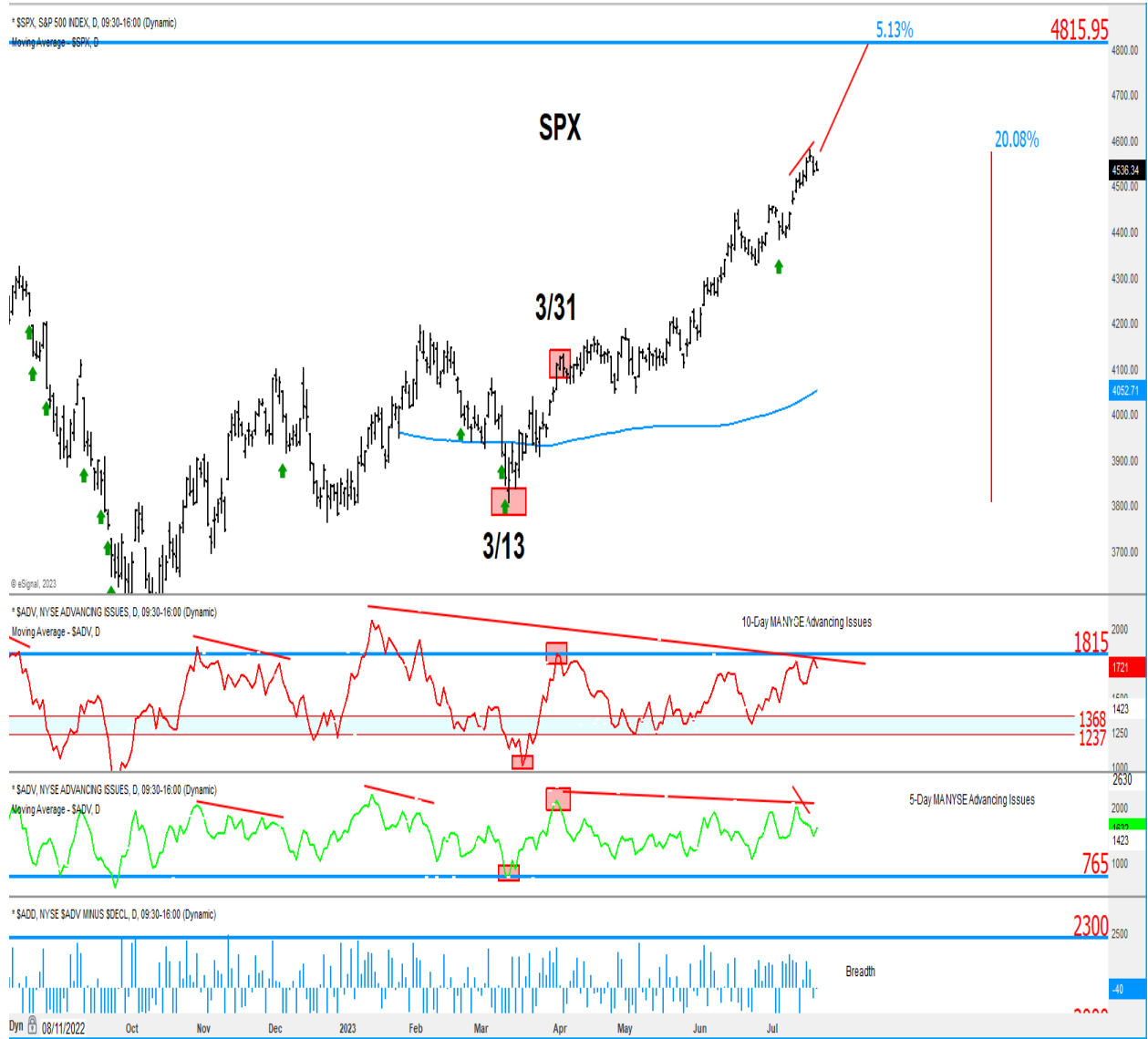
Potential Paths of Development (SPX)

A great on-going lesson in Auction Market Development is to follow this chart week-to-week.



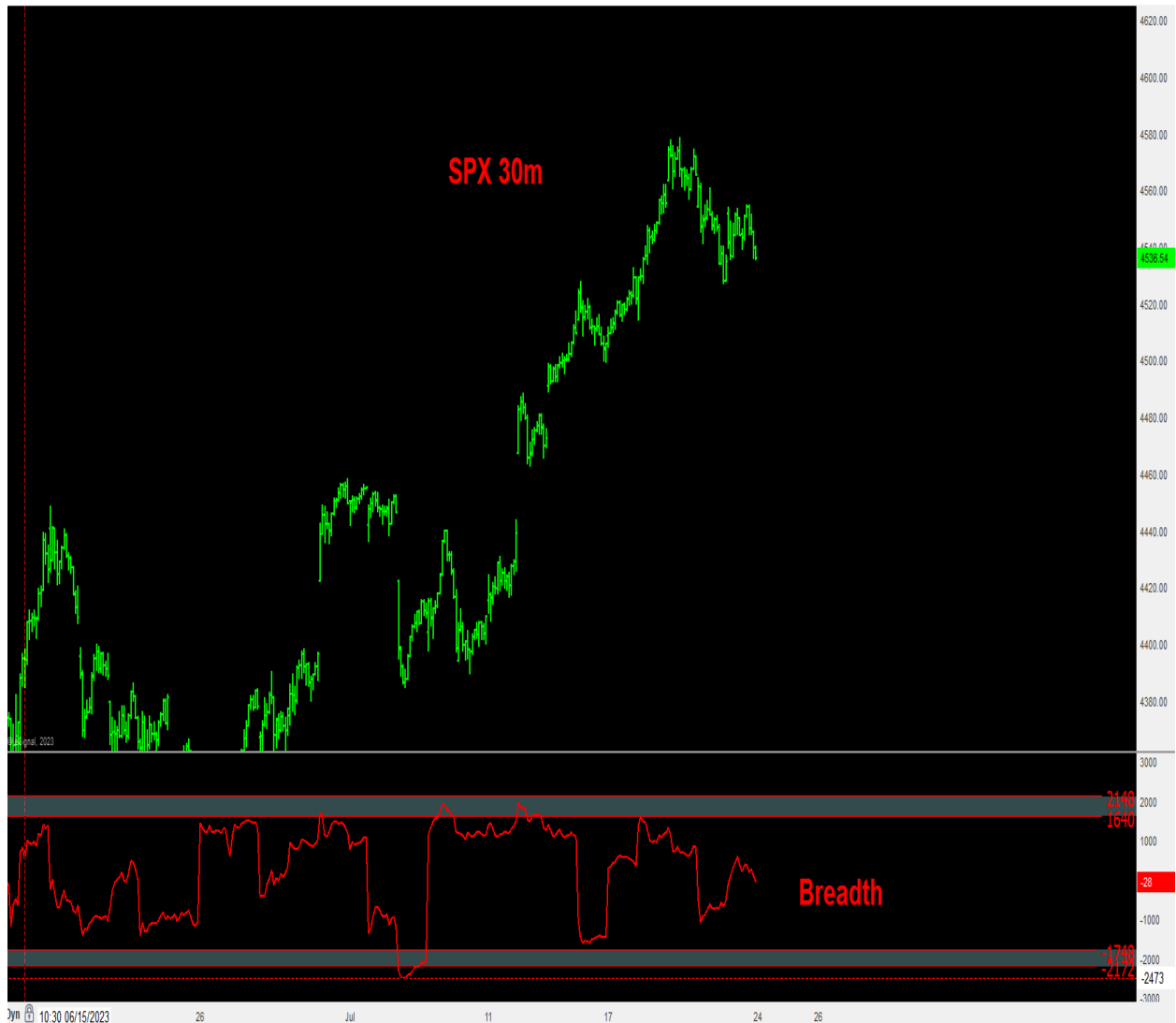
Internals

The divergence between price and breadth in several degrees of time is supportive of the idea a top is near.



SPX 30m / Breadth

Immediate selling next week will flip the price/breadth pattern from bullish to bearish.



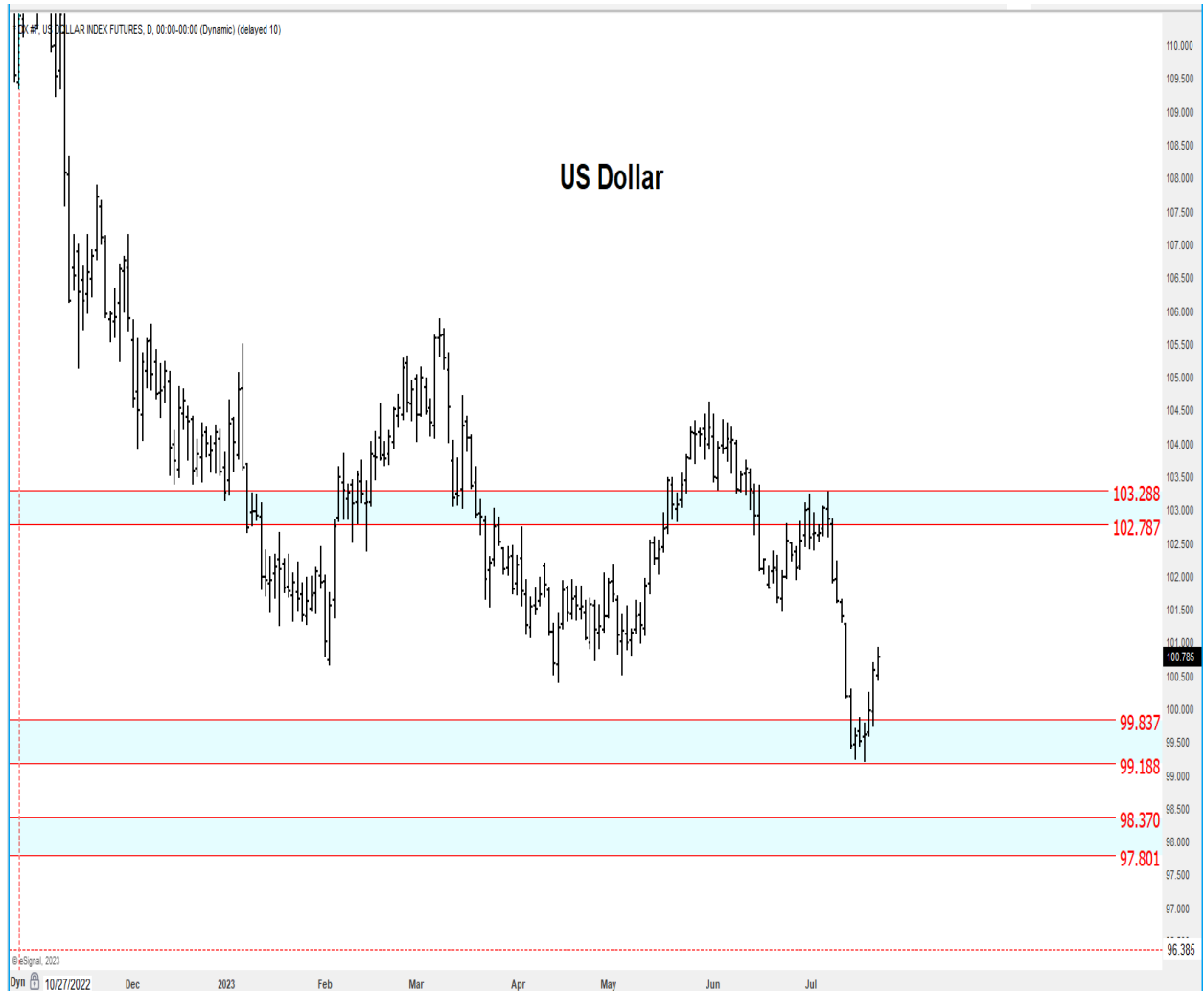
US 10-yr Notes

Between levels.



US Dollar

So far, just an expected bounce. The trend is down.



Gold

Recent highs need to be exceeded soon, or a test of 1899 may occur.



Crude

Favor longs against last week's low.

