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## Weekend Report for Monday, December 11

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## **Bottom Line:**

The trend remains up. There has yet to be any meaningful retracement in the DOW or SPX. There is potentially very bullish price activity in the SPX (details).

Internals are at odds with the bullish price action in the SPX, and there are also numerous “bothersome” divergences in the relationships among the indices.

The above conflicting information is very likely to be resolved very sharply next week.



## SPX

*From last weekend's Report: 4607 is a level we've been watching for a couple of weeks, and it remains an important upside level. Typically, trading will get whippy around previous intermediate term highs or lows, particularly one as watched as is this one.*

The SPX is attempting an Initiative break from an extremely mature Auction structure. Immediate acceleration should occur if, indeed, this is a "real" breakout.

If Friday's cash session low is taken out it is immediately bearish and portends a retracement of larger degree than any that has occurred since the October low.

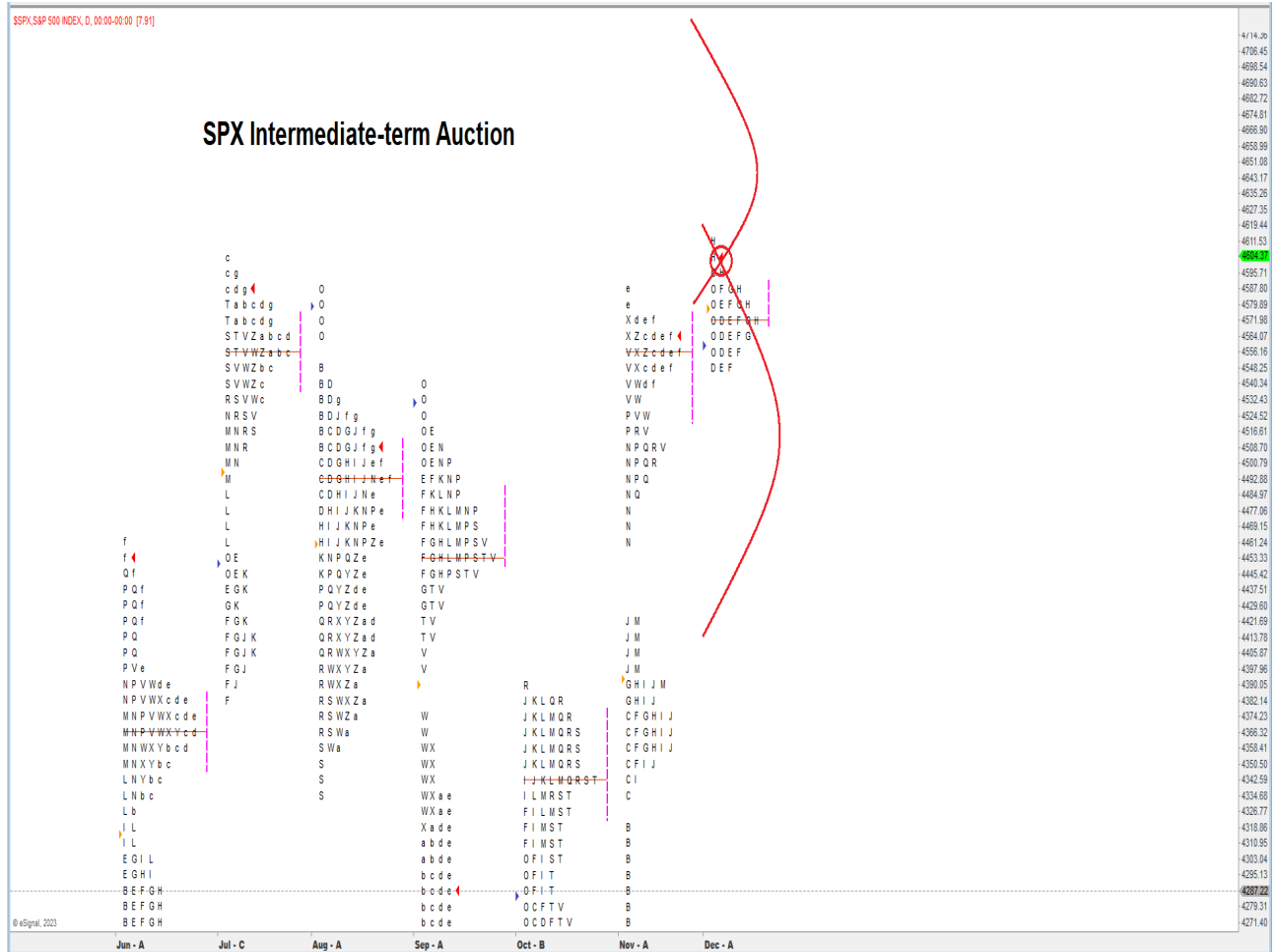


Upper KRA: 4607  
Lower KRAs: 4573; 4536



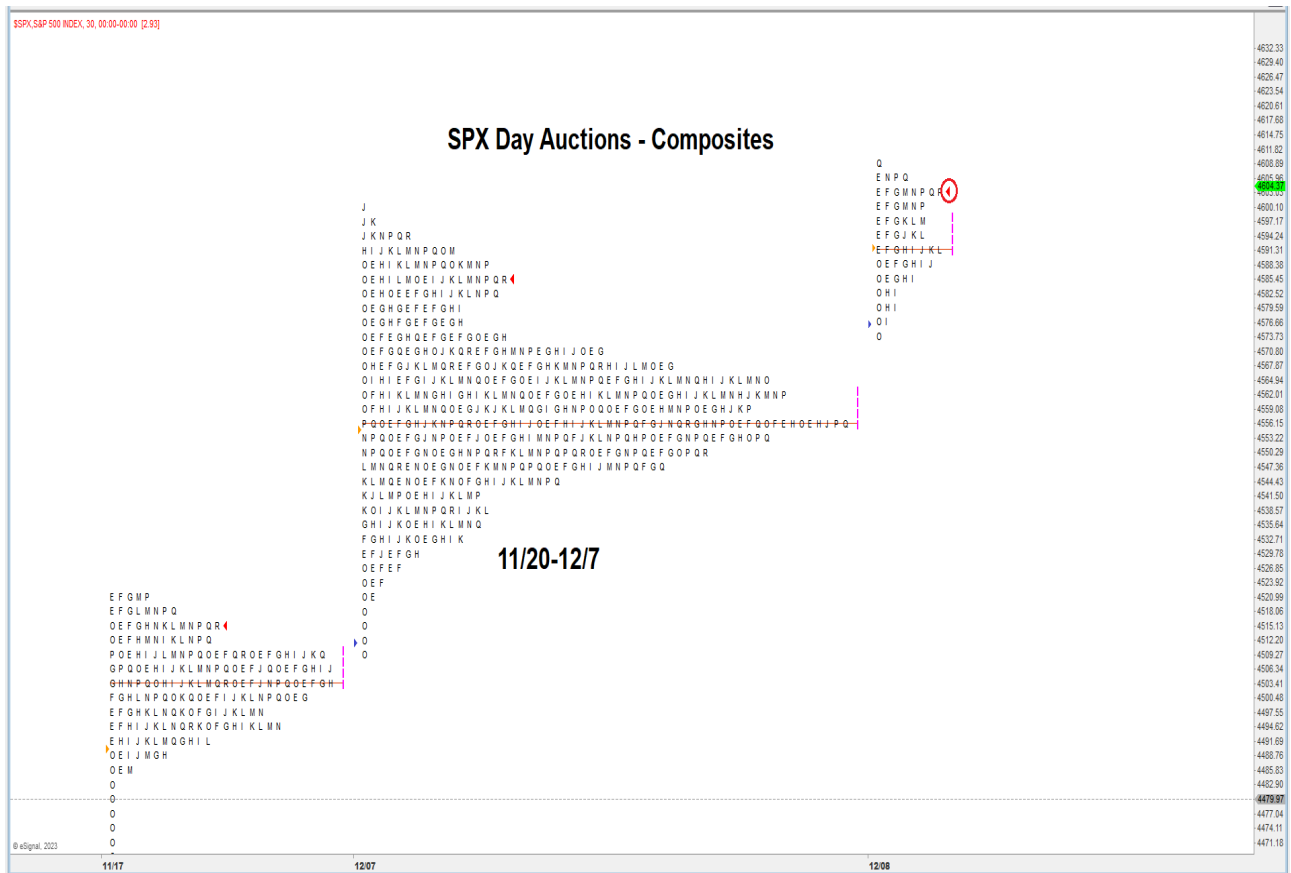
# SPX - Intermediate-term Auction

Not much change in potential paths from last week.

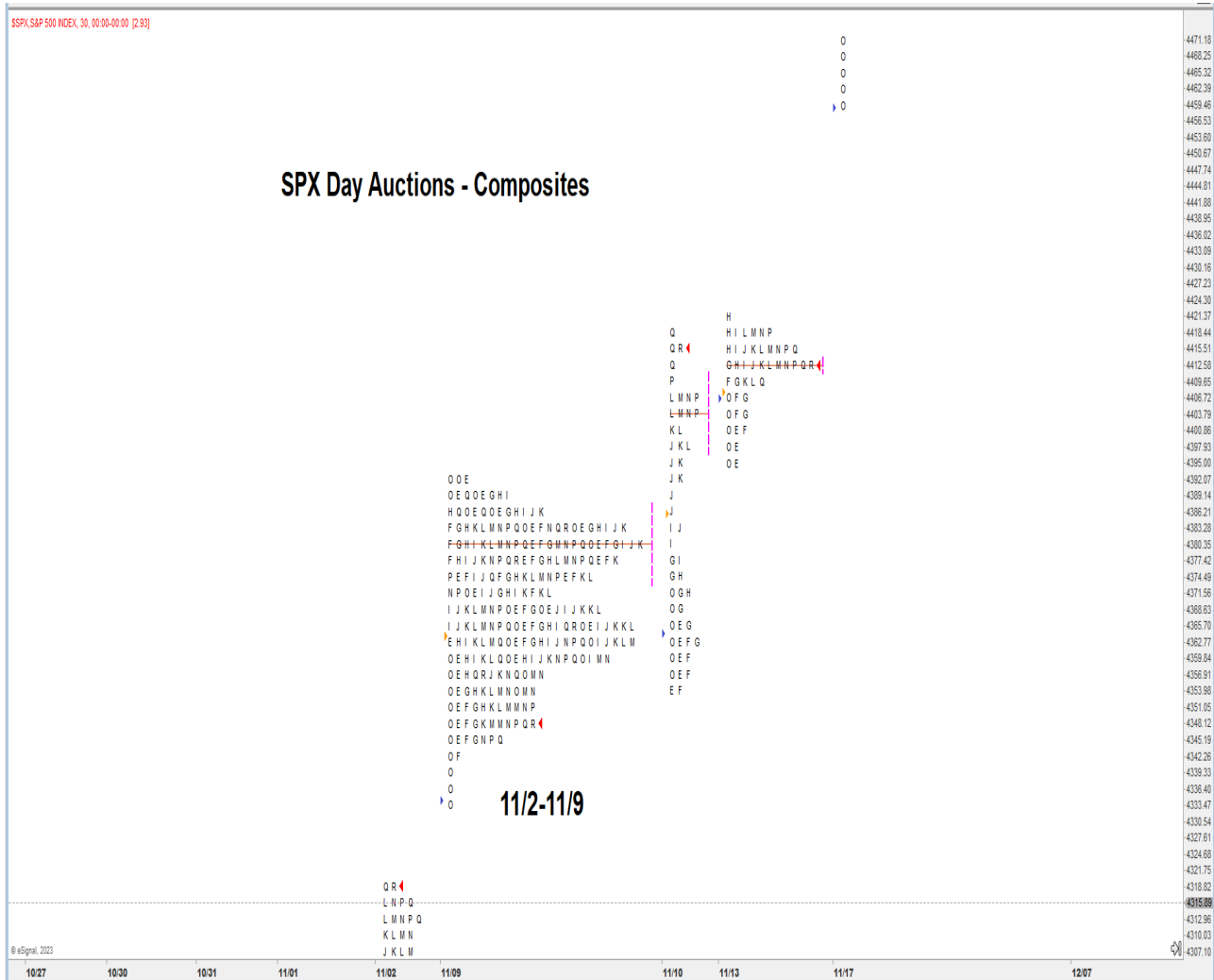


# SPX 30m Composite Auctions

This is a great perspective on the Balance Area structure that developed from 11/20 to 12/7. On Friday the SPX closed above the HVN and upper extreme of the BA. This is potentially very bullish.

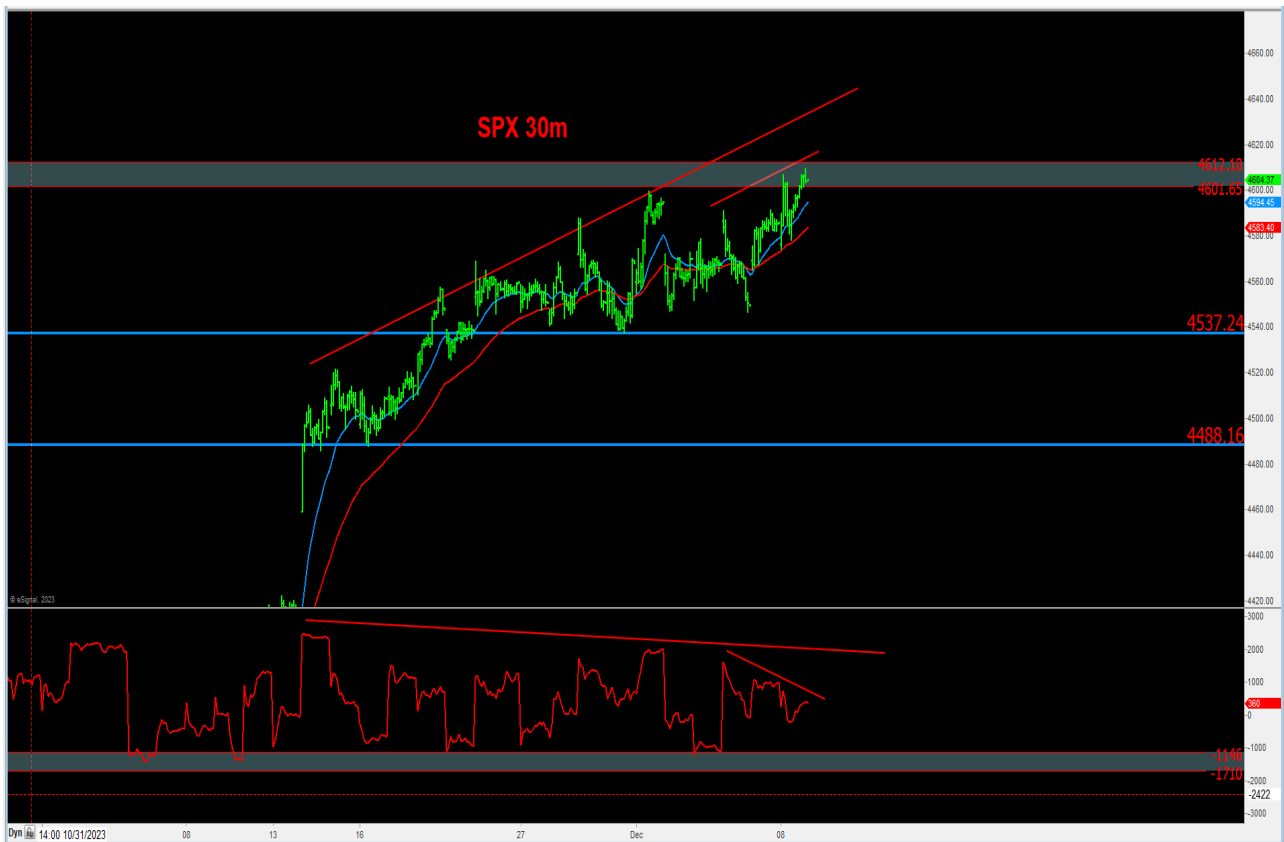


Below is the 11/2-11/9 Balance Area that formed and produced the last Initiative trade higher. The rally off the October low has provided a textbook study in Auction Market Development - 1)Trend 2) Stop 3) Balance.



# SPX 30m

Friday's close in the SPX was accompanied by a significant divergence in breadth - the latest in a growing number. Divergences like this almost always occur at tops. The degree of the top varies, widely. We will probably know in Globex if this one is real or a false signal and we get another attempt at breadth expansion in the cash market on Monday.

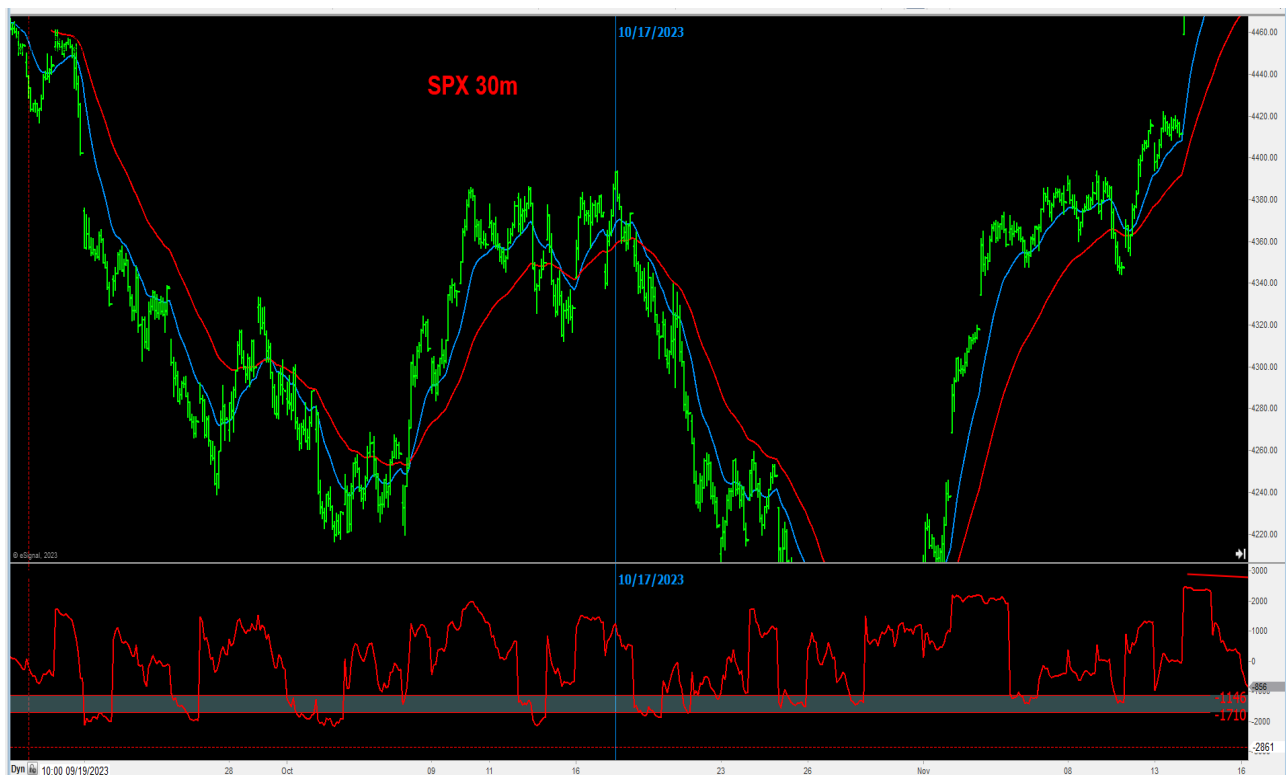




## SPX 30m

Last year, in mid-October, the SPX had a strong rally that ended with a Balance Area similar (not quite as protracted) to the one we appear to be testing now. There was a short-lived attempt at an upside breakout that failed and then a sharp decline ensued.

The current divergence(s) are more significant. We will know early in the week the result of the current price/breadth divergences.



# NDX

Upper KRA: 16574

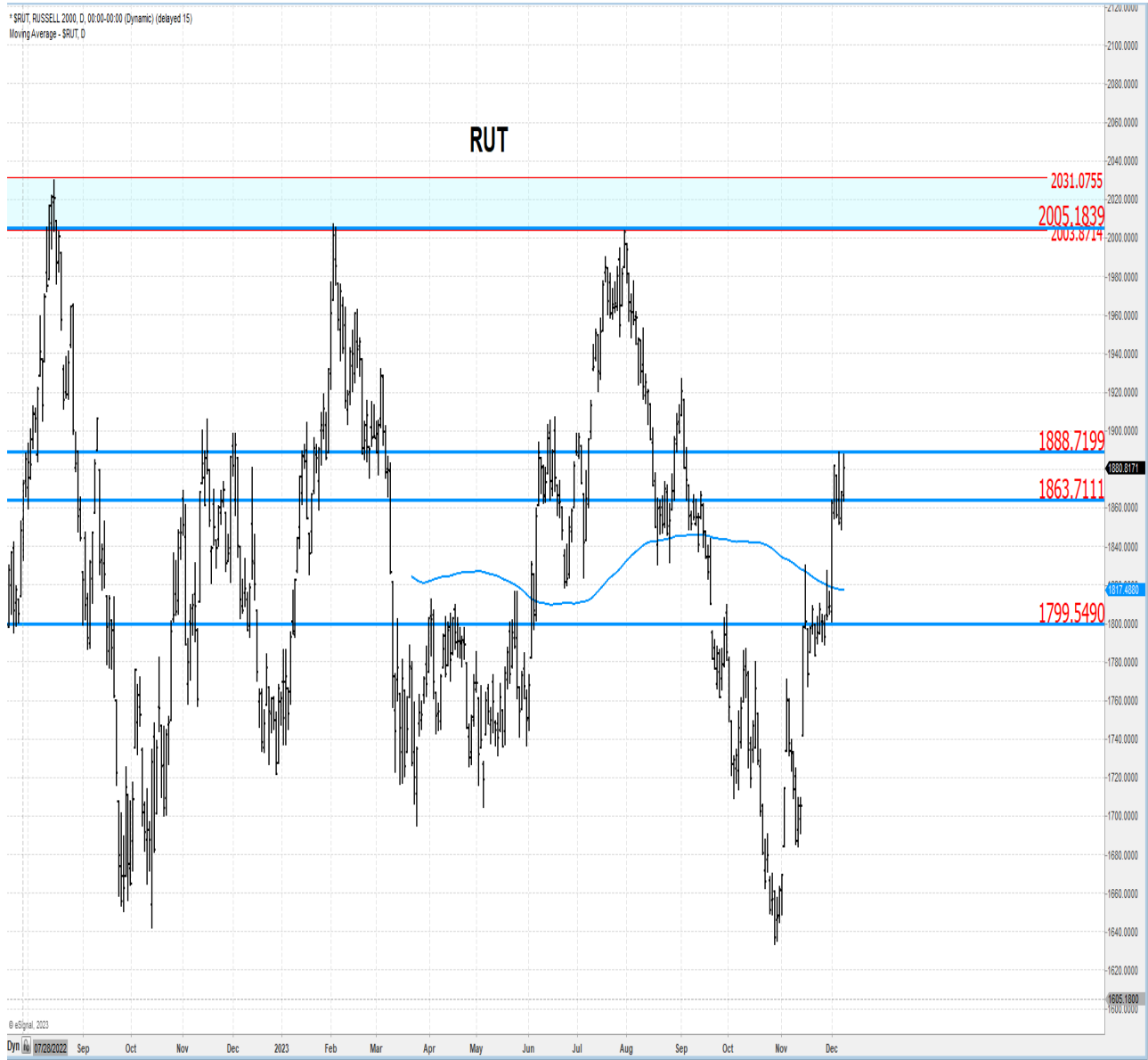
Lower KRA: 15941



# RUT

Upper KRA: 1888

Lower KRA: 1683



# DOW

The DOW is only 1.5% from a new all-time high.

Upper KRA: 36813

Lower KRA: 36067



# Internals

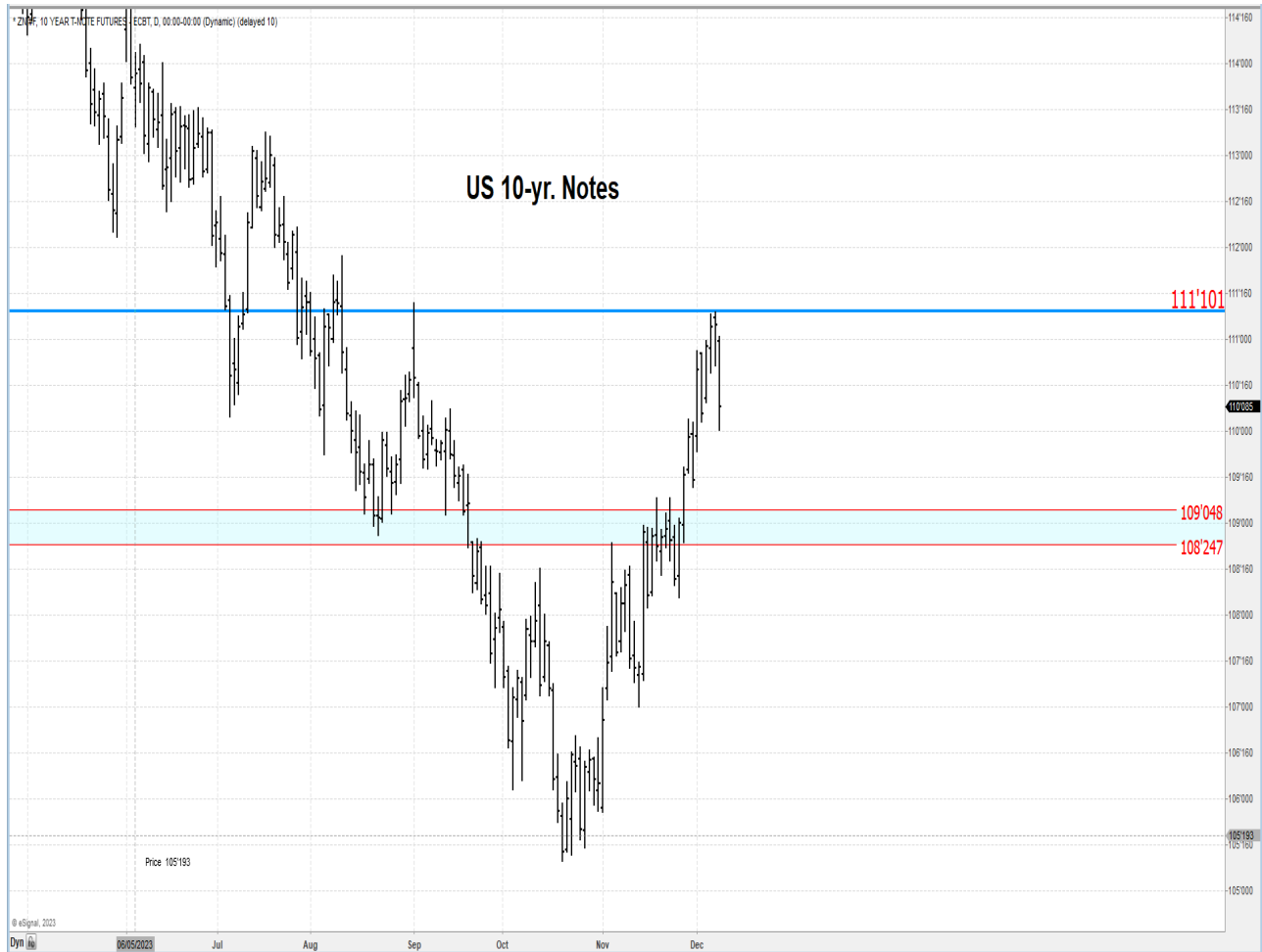
If the rally is going to continue much higher breadth measures **MUST** improve.

Price/breadth is at a significant inflection point.



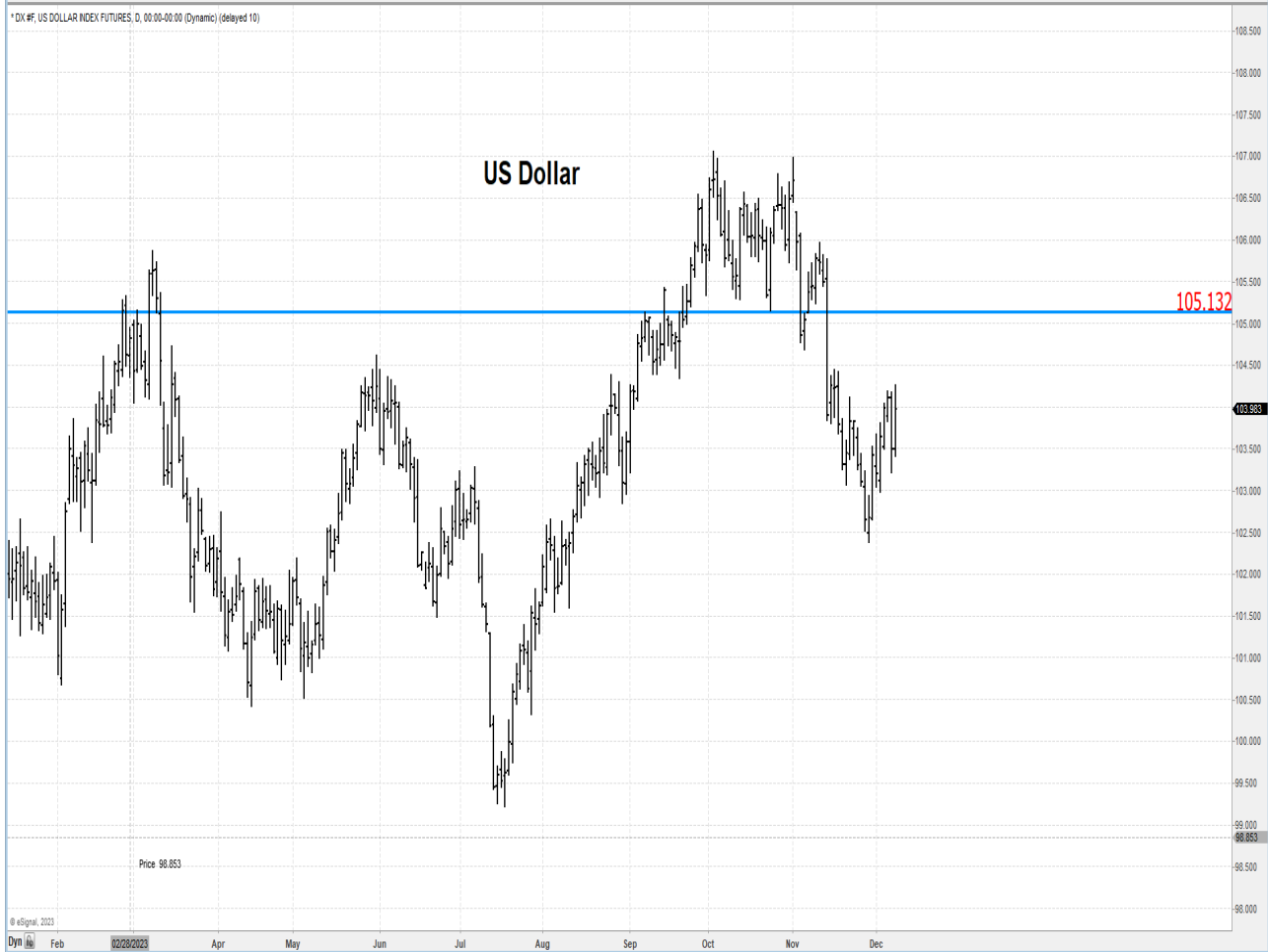
# US 10-yr Notes

At least a short-term top may have formed at 111'01.



# US Dollar

Favor shorts.



# Gold

From last weekend's Report: *Continue to favor longs, but be aware Gold could pull back sharply at any time just as part of normal rotation.*

Well, that qualifies as “sharply”, but not exactly “normal rotation”. The drop on Monday left as large a selling tail as you are going to see. I'll let the dust settle on this one before drawing conclusions.





# Crude

Crude has reached a major downside KRA. I would favor shorts, but CL could get whippy around this area.

