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Weekend Report for Monday, December 18

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Bottom Line:

Price action is bullish in all time frames in the US indices. The DOW continues to trade in new all-time highs. The NDX closed at a new all-time high on Friday. The SPX is about 1.5% below a new all-time high. The RUT traded 7.44% percent higher from Tuesday's low and has reached a critical upper KRA (Key Reference Area).

The "corrections" in the stock index rallies since the late October lows have been very shallow and short-lived.

My best guess is that the indices are likely to have another "rest" very soon. How much retracement that might include, once again, is a total guess. Details and guesses are in the complete report below.



SPX

The SPX finally blew through the 4607 level by the Initiative break out of the mature Balance Area that had been developing for over a week. More propellant was added on Wednesday as market participants found Fed policy comments pleasing, to put it mildly.

Now the SPX sits a bit more than 1.54% from an all-time closing high.

The 3-Step Auction Market Process of Development has been textbook off the October low, so far.

As of Friday's close there are three legs higher off the October 27 low. From low to "stopping price" the legs have rallied 6.46%, 4.84% and the current leg is up 3.76%. The legs don't add up exactly to the total gain of the rally because the "stopping price" is not the ultimate price high. The "Stopping Price" is the price at which the market begins to rotate in that timeframe.

The previous Initiative legs higher have lasted 5 days and 9 days. The current leg I count as "stopped" (so far) at Thursday's high, which is 6 trade days.



The current Initiative leg would be 9 trade days on this coming Wednesday. If it equals the largest gain of the legs so far, it will trade to 4846, which is 2.62% from Friday's close.

The first Balance Area included a 1.11% drop from price high to low of the Balance Area range. The second Balance Area included a 1.20% drop from price high to the low of the Balance Area range.

Takeaways:

While the move has been extraordinarily vertical, the most unusual part of the move up has been the lack of retracement in the minor Balance Areas that have formed.

The current leg up that began at the 12/6 low will equal the greatest duration of the legs on Wednesday, and equal the large % gain near 4846.

I don't think the market can continue as vertical as it has been for much longer.

The wise thing to do is to watch for signals that something is different. For starters, if Thursday's low is taken out there is



a good chance that at a minimum another minor Balance Area is forming.

Wednesday's low is a critical level. If it is being approached or is taken out we'll take a look and assess at that time.

Upper KRAs: 4738; 4846

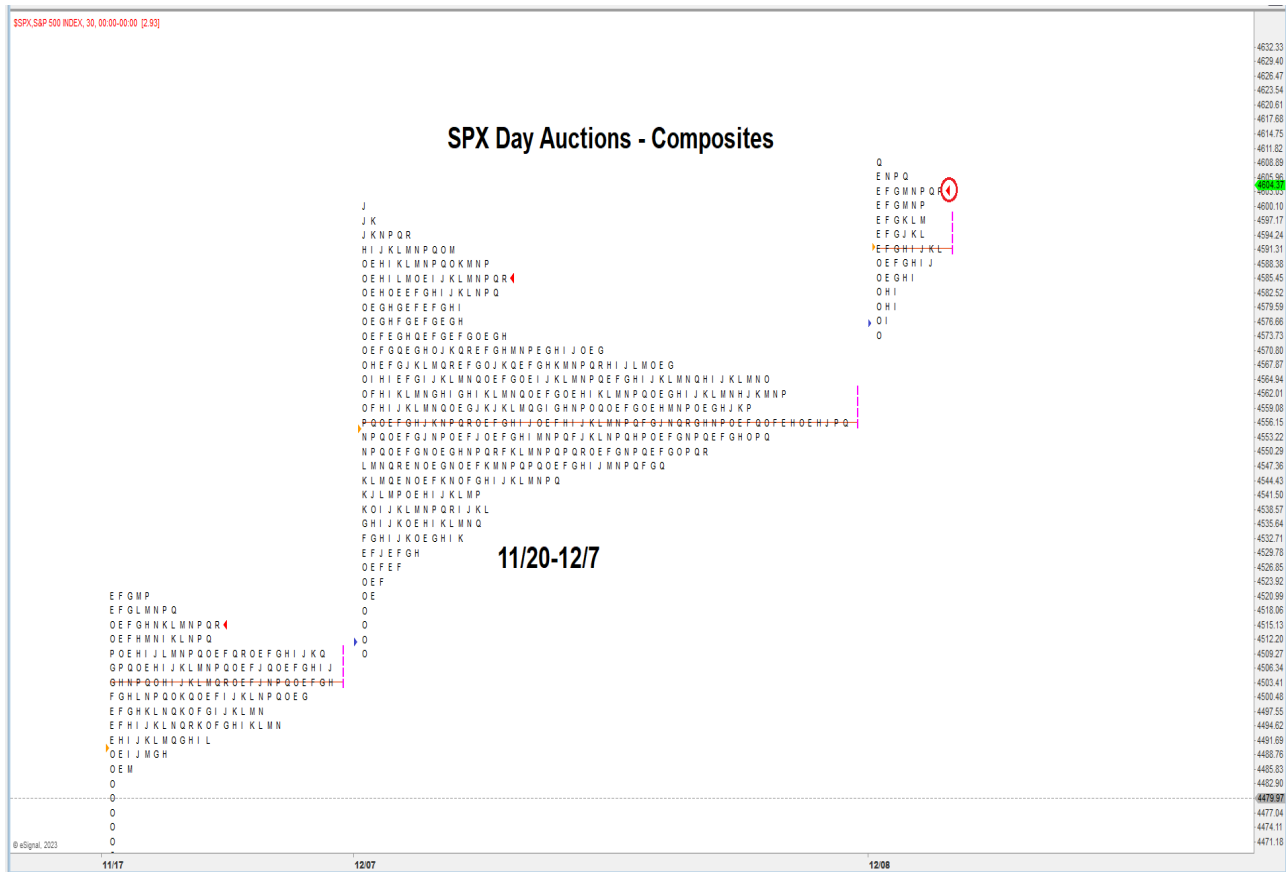
Lower KRAs: 4694 ; 4643



SPX 30m Composite Auctions

From last weekend's Report

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.



SPX 30m

Friday was a triple witching option expiration that might explain the funkiness as of the close between price and breadth. So far, since this bull leg began at the end of October the price/breadth relationship has acted in textbook fashion. Breadth contractions into the lower band on the 30m chart have ALL resulted in almost an immediate low and led to higher highs. Friday's options expiration, and the rebalancing that will continue into Monday, may throw a bit of a curve into the pattern. We'll know by noon on Monday.

Breadth momentum peaks in the rally are highlighted below. The pattern so far has been a momentum peak, then Balance that includes a marginally higher price high than that of the momentum peak, and that also includes about a 1% retracement from the price high of that cycle.

Also note that from cycle high to cycle high the gains have been 3.44%, 2.11% and 2.53% (current cycle). Reminder - there are higher price highs in each cycle, but only marginal ones.

There has been about a 1% retracement from the cycle highs into the next low in each instance - so far.

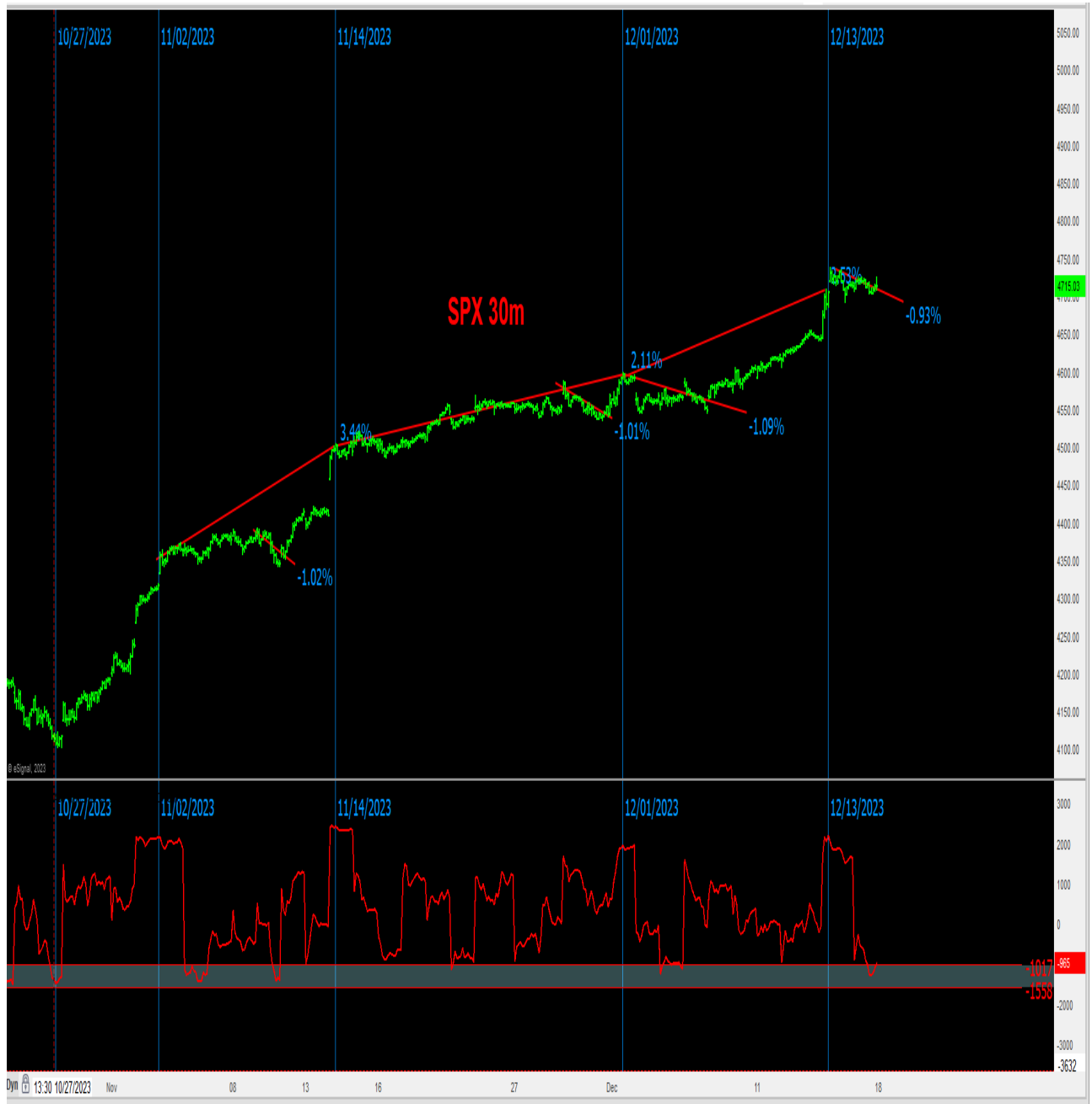


The current cycle had its momentum peak on Thursday. Friday was a higher high and there was a brief dip of .93% on Friday. The current cycle also should have more time before another 2+% ramp.

Again, option expiration no doubt had an effect on both breadth and price action on Friday, so this cycle pattern may play out differently this time.

I will be updating this pattern daily in Member Reports.





NDX

Upper KRA: 16670

Lower KRA: 16419



RUT

The RUT is testing the extremely well-defined upper extreme of an intermediate-term Balance Area. A break above this upper extreme could be very bullish for the broad market.

If 2024 is going to be a bullish year, this will almost certainly occur.

Upper KRA: 2033

Lower KRA: 1880

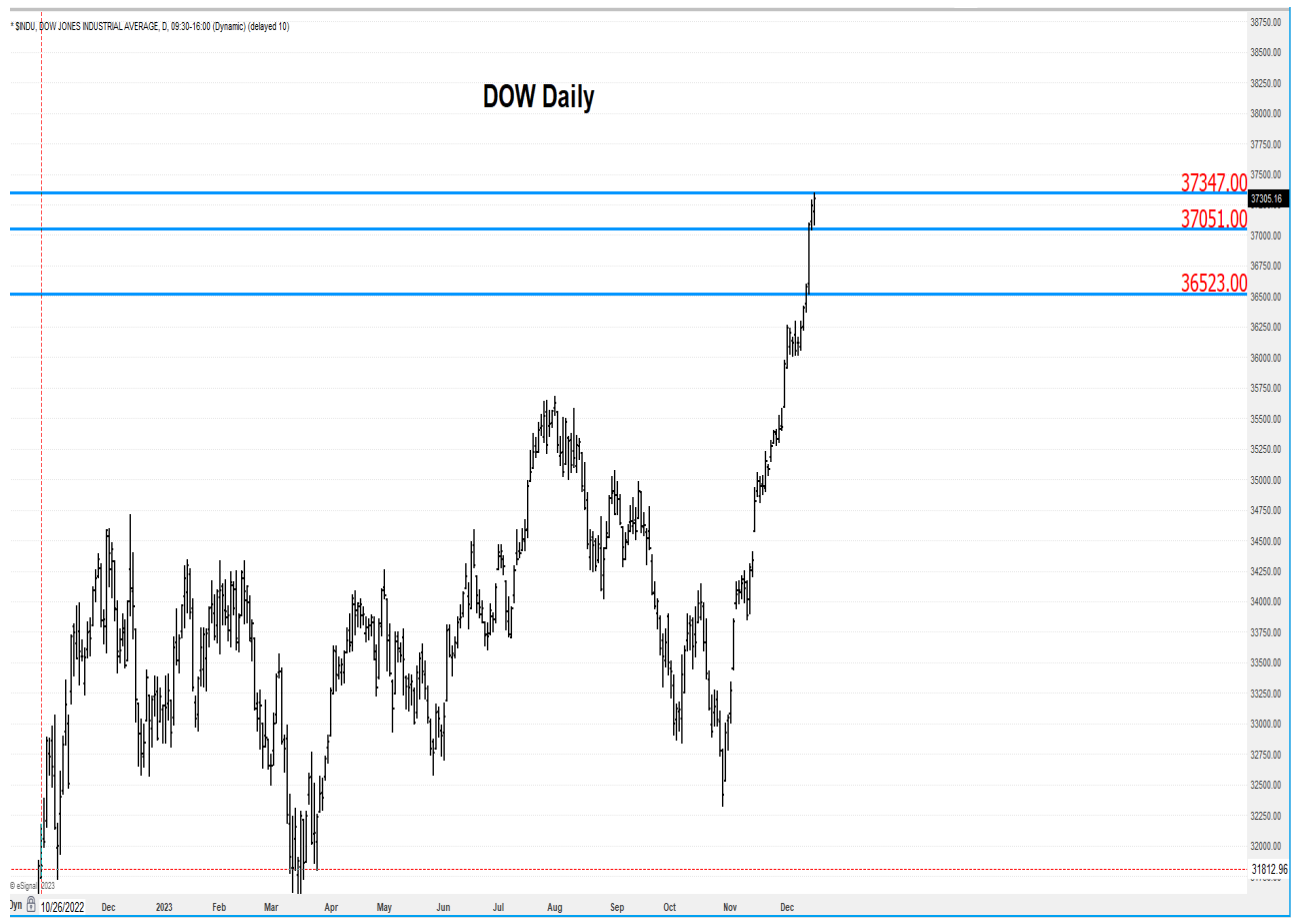


DOW

The DOW is currently as vertical as a market gets. It looks like a chart of soybeans in a July drought.

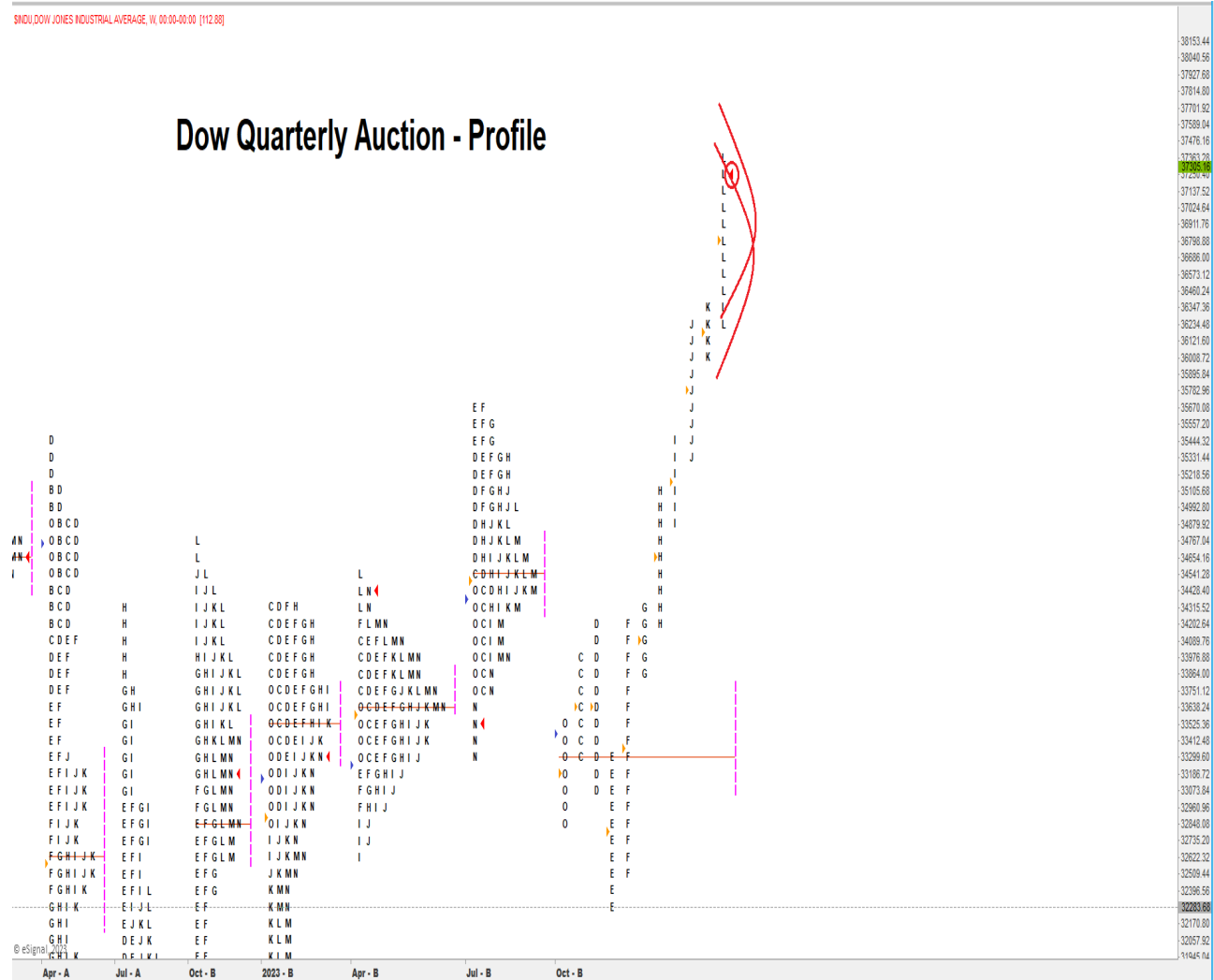
Upper KRA: 37347

Lower KRA: 37051; 36523



Dow Profile

This is a classic distribution (range) in progress. Next will be Step 2 (stopping price) and Step 3 (Balance).

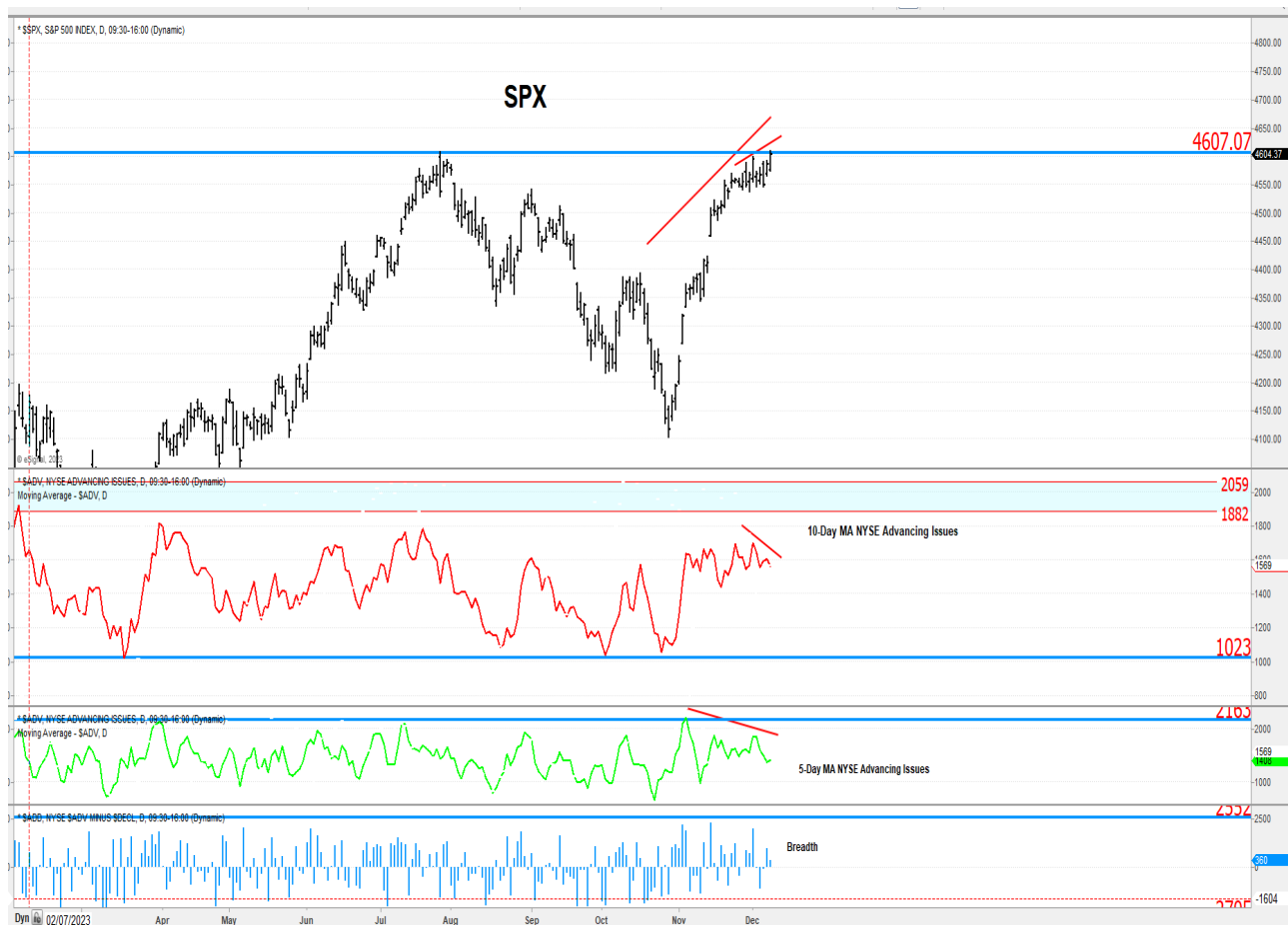


Internals

From last weekend's Report:

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

Price/breadth is at a significant inflection point.



Well, breadth exploded Wednesday and Thursday. I would not be surprised to see the 10-day and 5-day MAs of NYSE advancing issues turn back up, soon.



US 10-yr Notes

Higher highs and lows; the trend is up.



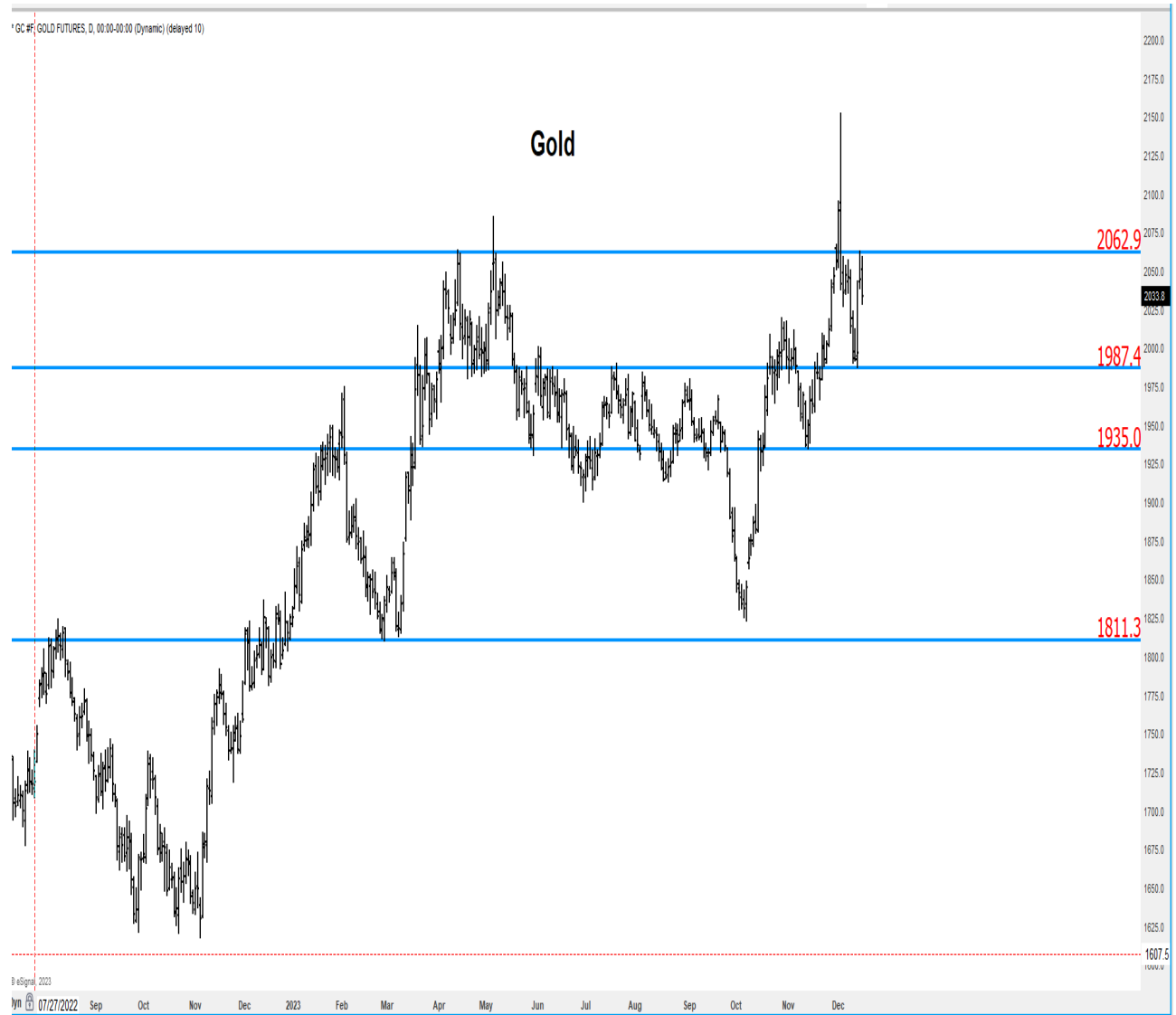
US Dollar

Favor shorts.



Gold

1987 needs to hold for the bullish case in Gold.



Crude

Lower lows and highs. Favor shorts as long as that pattern holds.

