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## Weekend Report for Monday, January 8

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## **Bottom Line:**

Time-wise we should be near a short-term low, and it's possible Friday's low was it. However, I do not think the stock indices are in the same dip and rip mode that began at last October's lows.

I have been expecting to see a more rotational market with volatility both up and down, and it looks like that has begun. I would be surprised if all four indices rip back up from here to new highs in a straight line. It is more likely to have a rally beginning from somewhere in this vicinity and then have another decline that makes lower lows.

Internals support this idea. The 10-day and 5-day MAs of NYSE moving averages have been drifting lower, but they are not at downside extremes. Breadth has not come close to anything capitulation-like. VIX has remained rather tame.

# SPX

Upper KRAs: 4744; 4800-4825

Lower KRAs: 4682; 4625-4593



# SPX Profile Quarterly Auctions



# NDX

Upper KRA: 16543; 16969

Lower KRA: 16199-16049

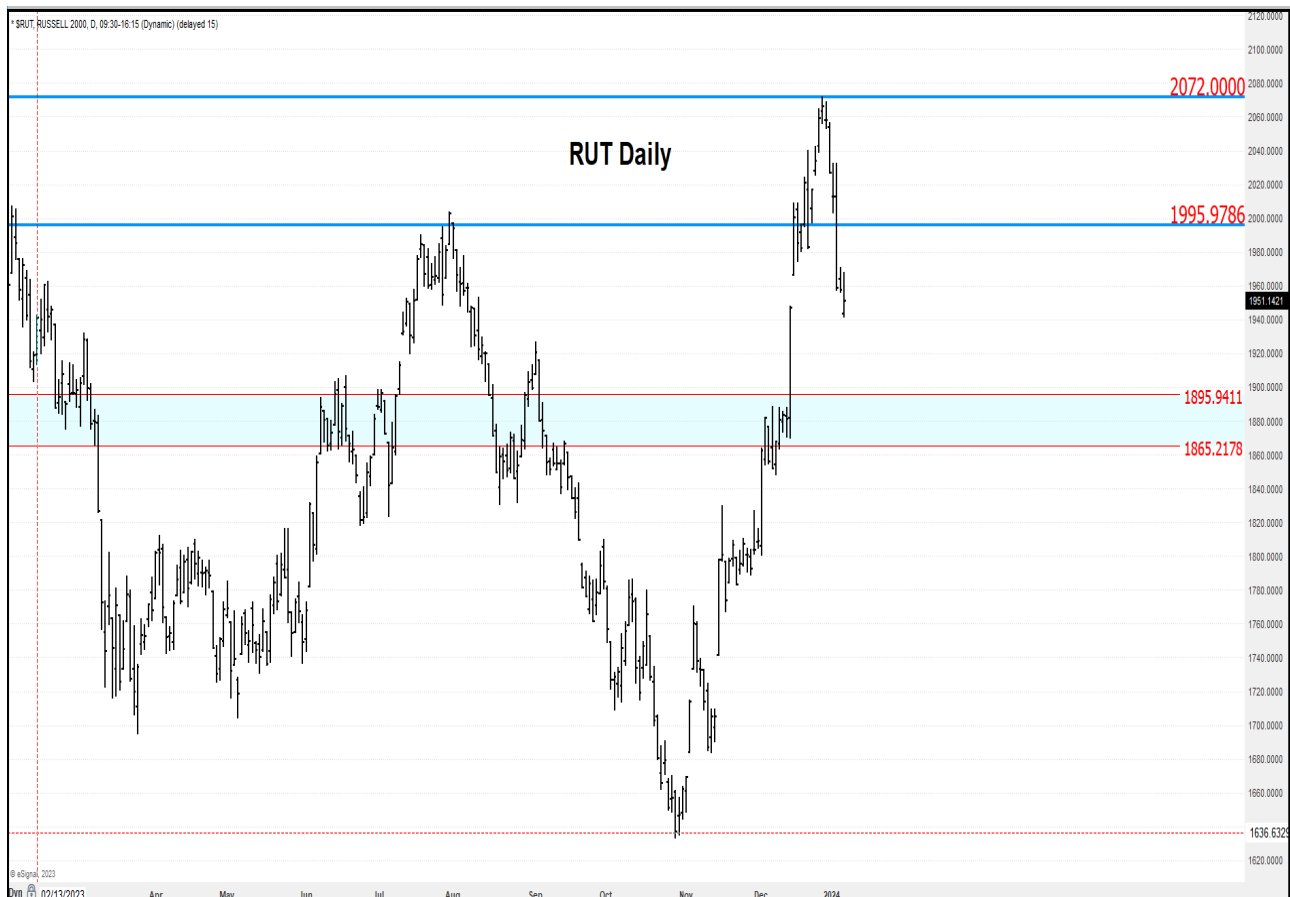


# RUT

Note the RUT had a down weekly close and is potentially leaving a selling tail on the weekly chart. This is important because the RUT was the leading index off the October lows.

Upper KRA: 1995; 2072

Lower KRA: 1895-1865

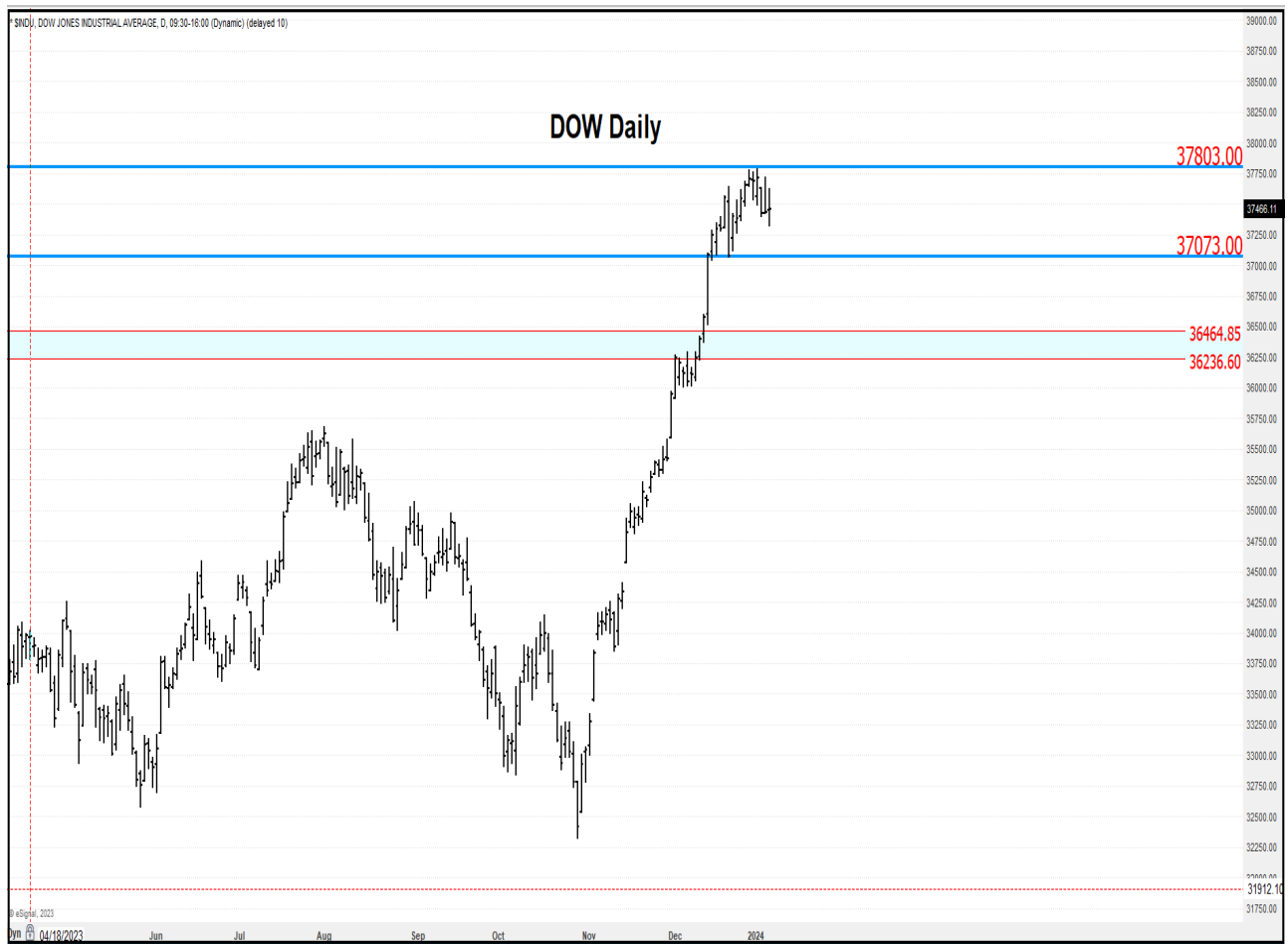


# DOW

If one of the indices is a candidate for new highs prior to another decline, it would be the DOW.

Upper KRA: 37803

Lower KRAs: 37073; 36464-36236



# Internals

Nothing bell-ringing or extreme yet.

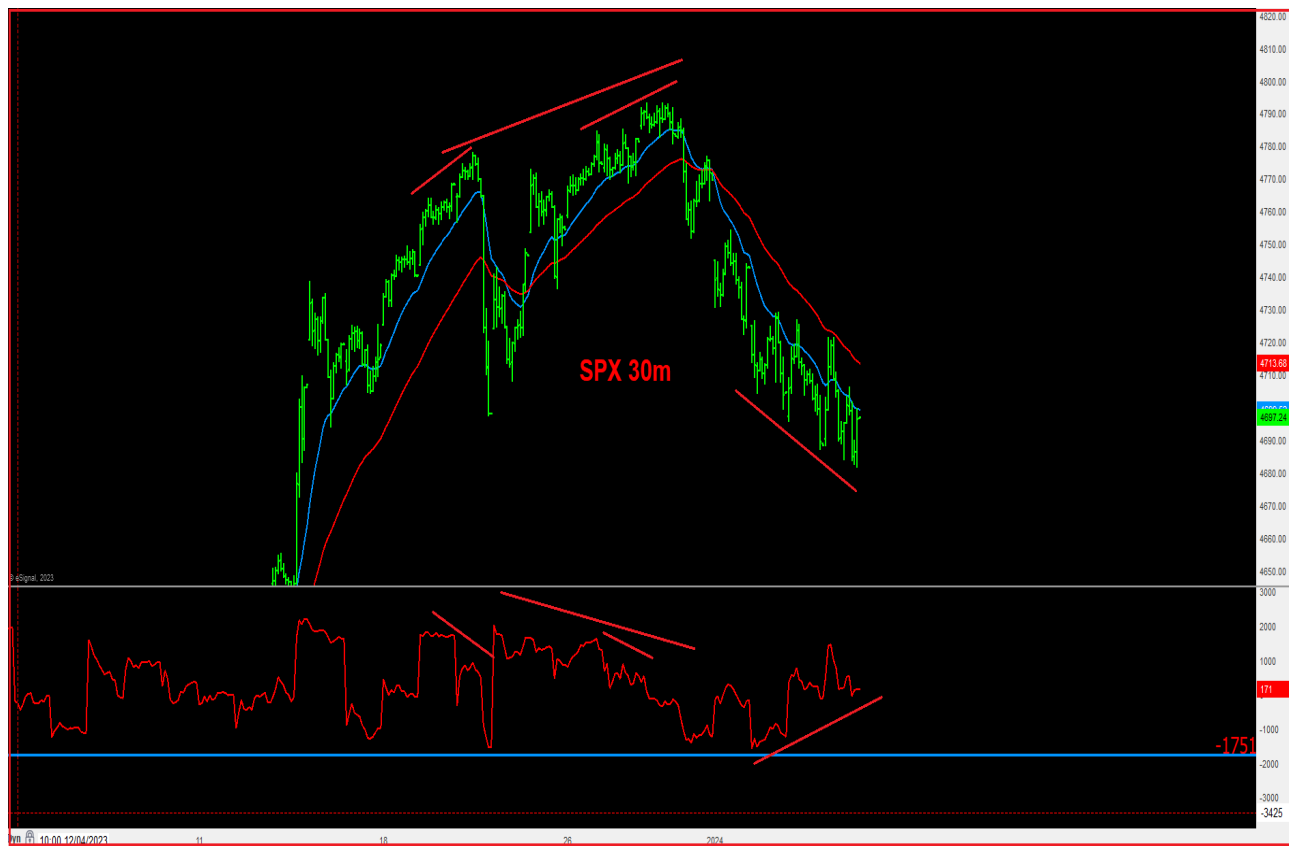




## SPX 30m / Breadth

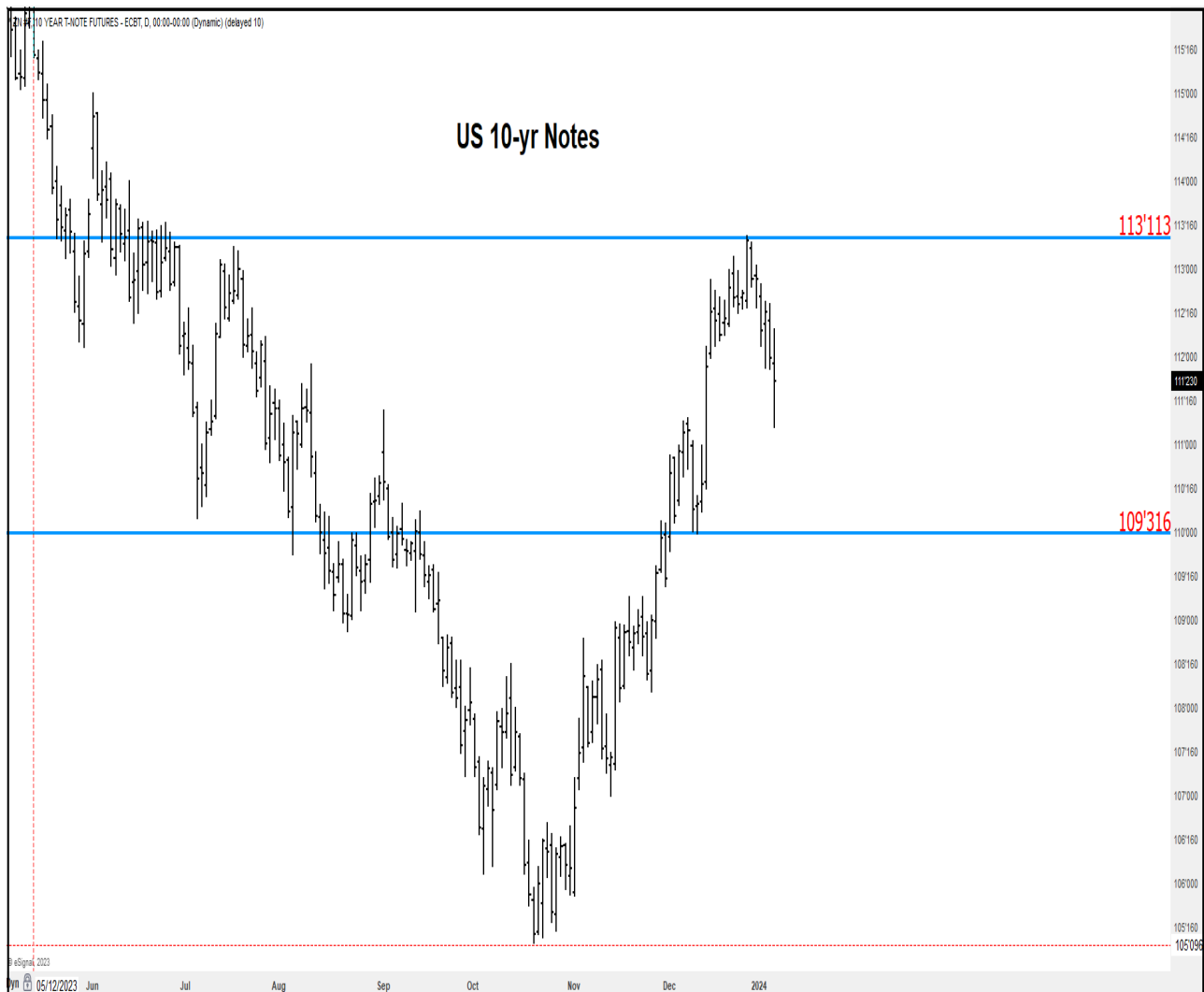
If I am correct about a more two-sided market in effect now, this perspective will be much more usable than it has been since the end of October.

Note the current divergence with price making lower lows and Breadth making higher lows. This suggests; 1) Friday's low will likely hold prior to a rally attempt or, 2) we finally get the "dramatic" downside washout and THAT is the momentum low prior to a sharp rally.



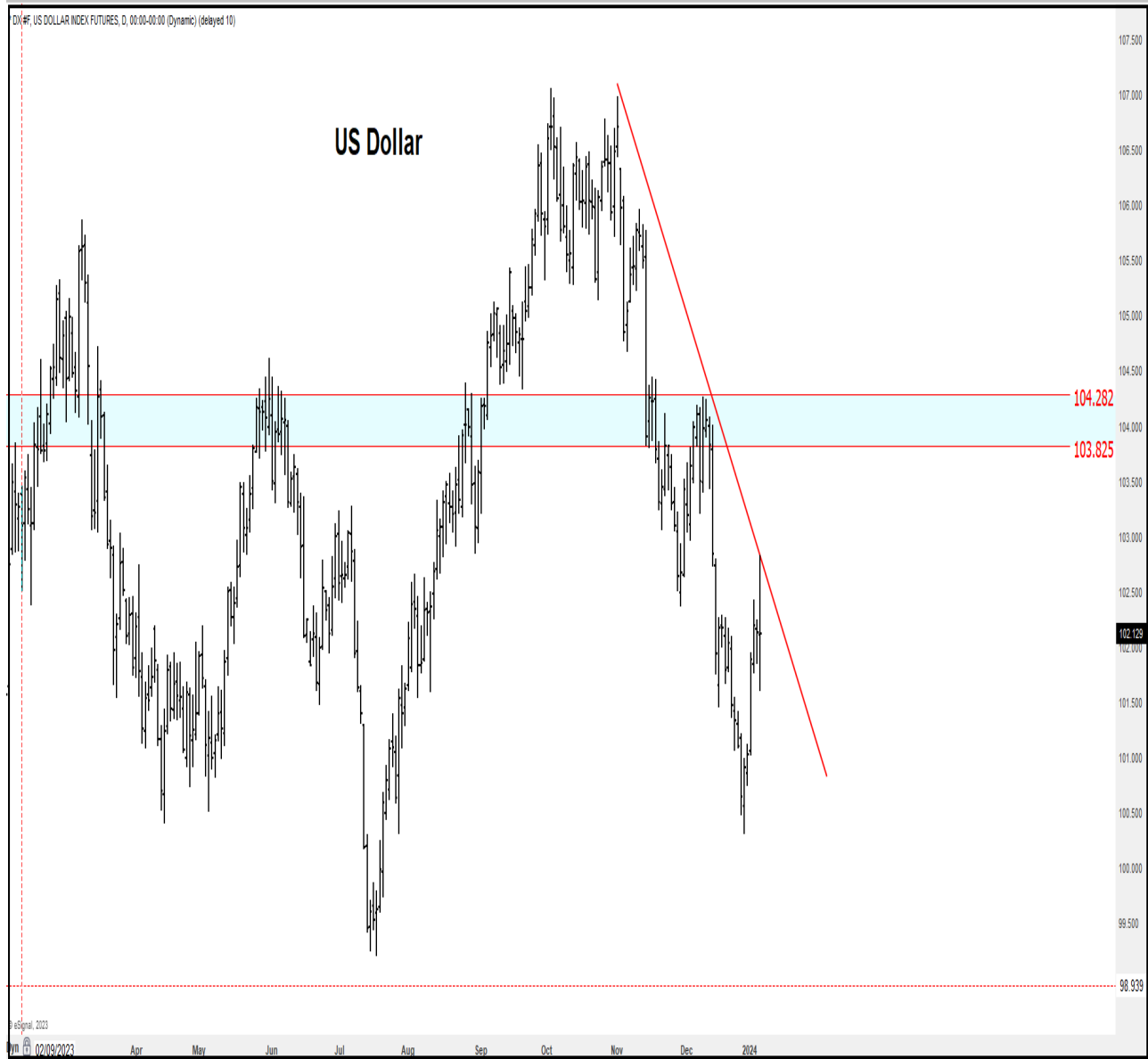
# US 10-yr Notes

Higher highs and lows; the trend is up. However, I think Notes/Bonds are more susceptible to a deeper retirement and more two-sided trade - similar to stocks - that we've seen since the October lows.



# US Dollar

Trend is down. Favor shorts.



# Gold

The 2098 level was rejected, which was the base of the giant selling tail. Gold must close above that level to restore a bullish case.



# Crude

Lower lows and highs. Favor shorts as long as that pattern holds. A trade above 76.16 breaks the downtrend and could be a catalyst for at least short-term upside acceleration.

