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Weekend Report for Tuesday, January 16

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Bottom Line:

The SPX, NDX and DOW remain stubbornly bid and pinned near the late December ramp highs. There are divergences near the highs, with the SPX and DOW printing higher highs on Friday and the NDX not doing so, with the RUT way below its late December high.

The RUT is relatively weak, trading near a Balance Area low formed near the low of the drop we saw in the first week of January that was almost completely retraced by the other three primary US trading indices.

Something has to give.

It boils down to two primary keys:

- 1) You don't want to be short if the SPX begins trading above 4800
- 2) The RUT has to immediately begin to trend higher *and* close above 1989 if any rally from here is going substantially higher.

SPX

Upper KRA: 4802

Lower KRAs: 4739; 4682

NDX

Upper KRA: 16969

Lower KRA: 16618

RUT

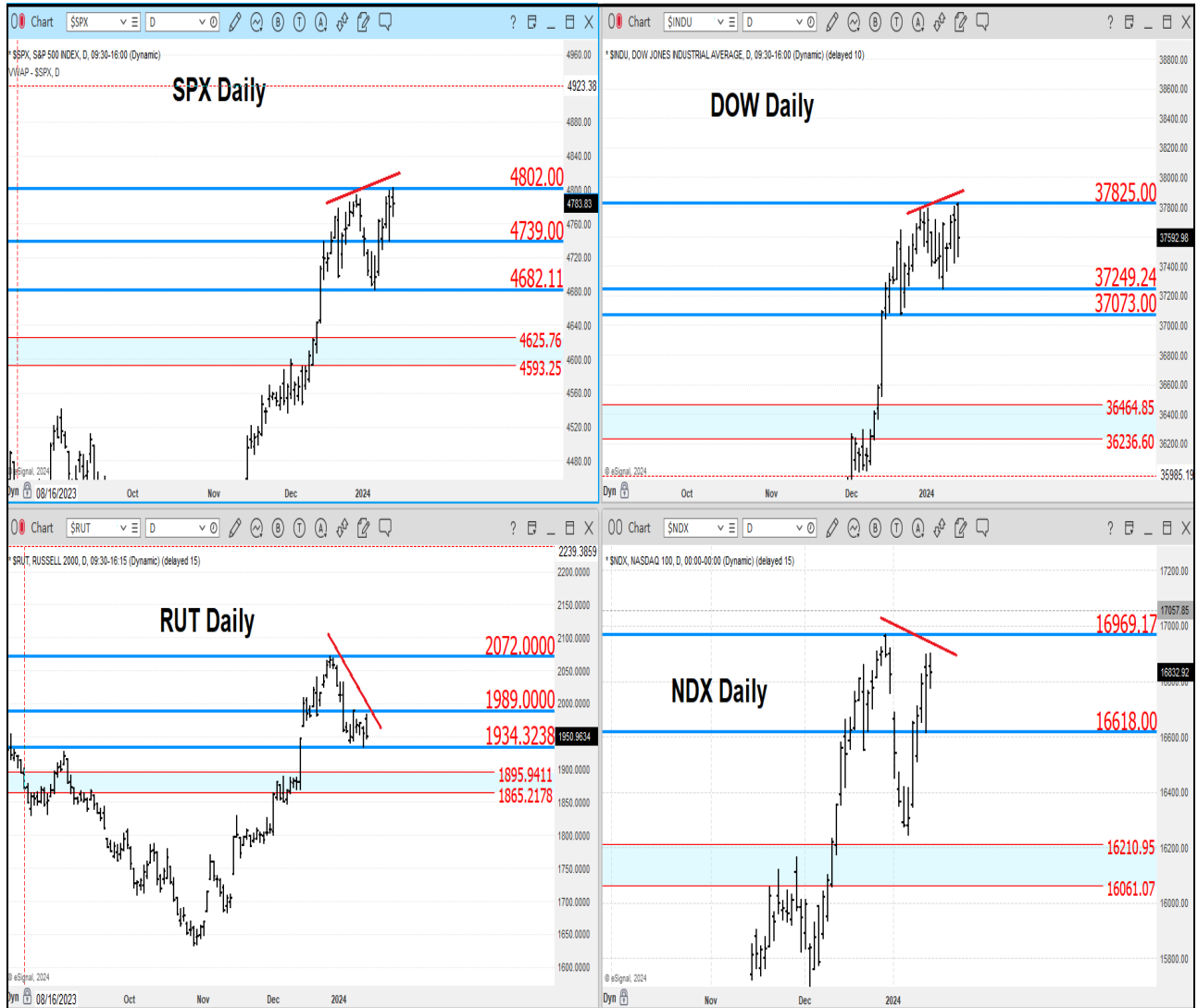
Upper KRA: 1989

Lower KRAs: 1934; 1895-1865

DOW

Upper KRA: 37825

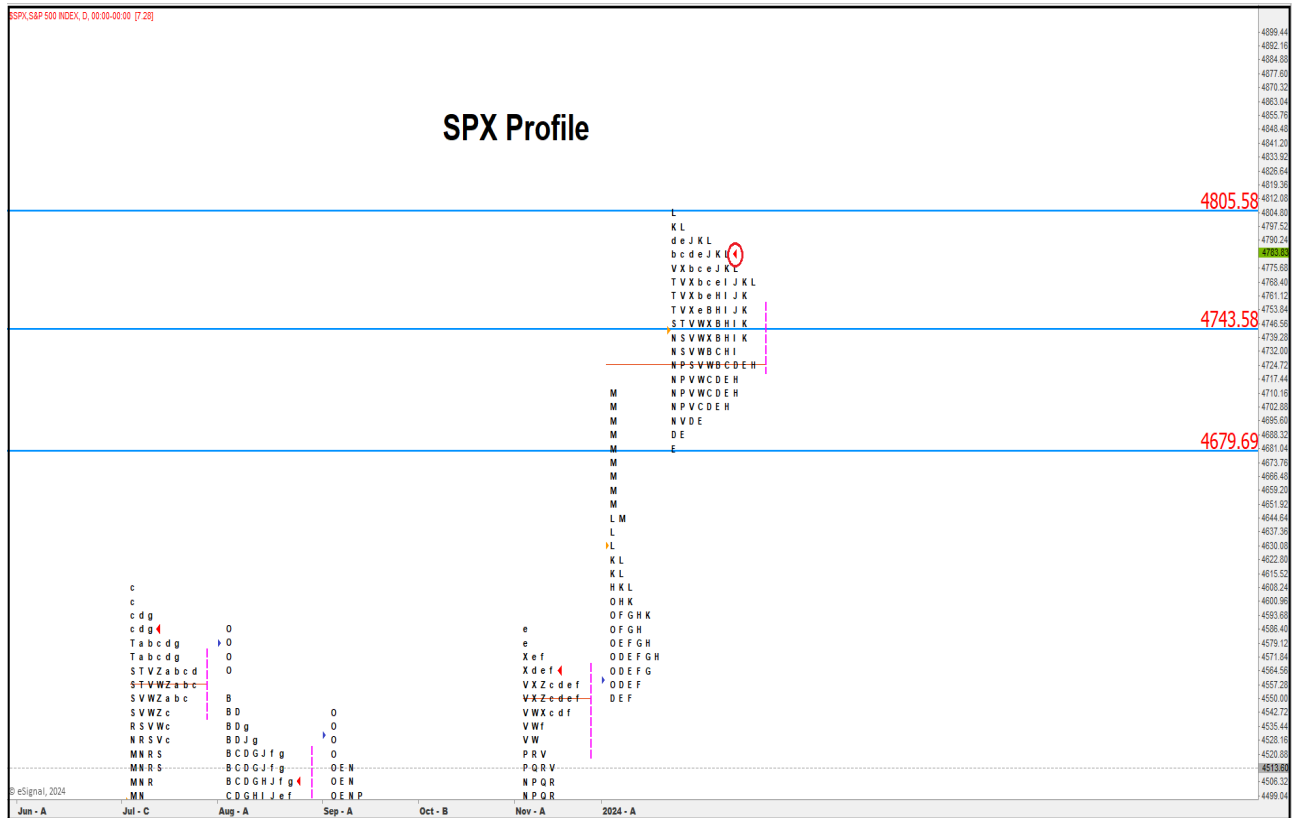
Lower KRAs: 37249; 37073



SPX Profile

The current relevant Auction in the SPX is quite compressed and mature. This suggests being alert for a breakout, probably sharp.

The midpoint of the structure is about 4743. That will be an important level to watch next week. Note the SPX is trading ABOVE that level as of Friday's close.



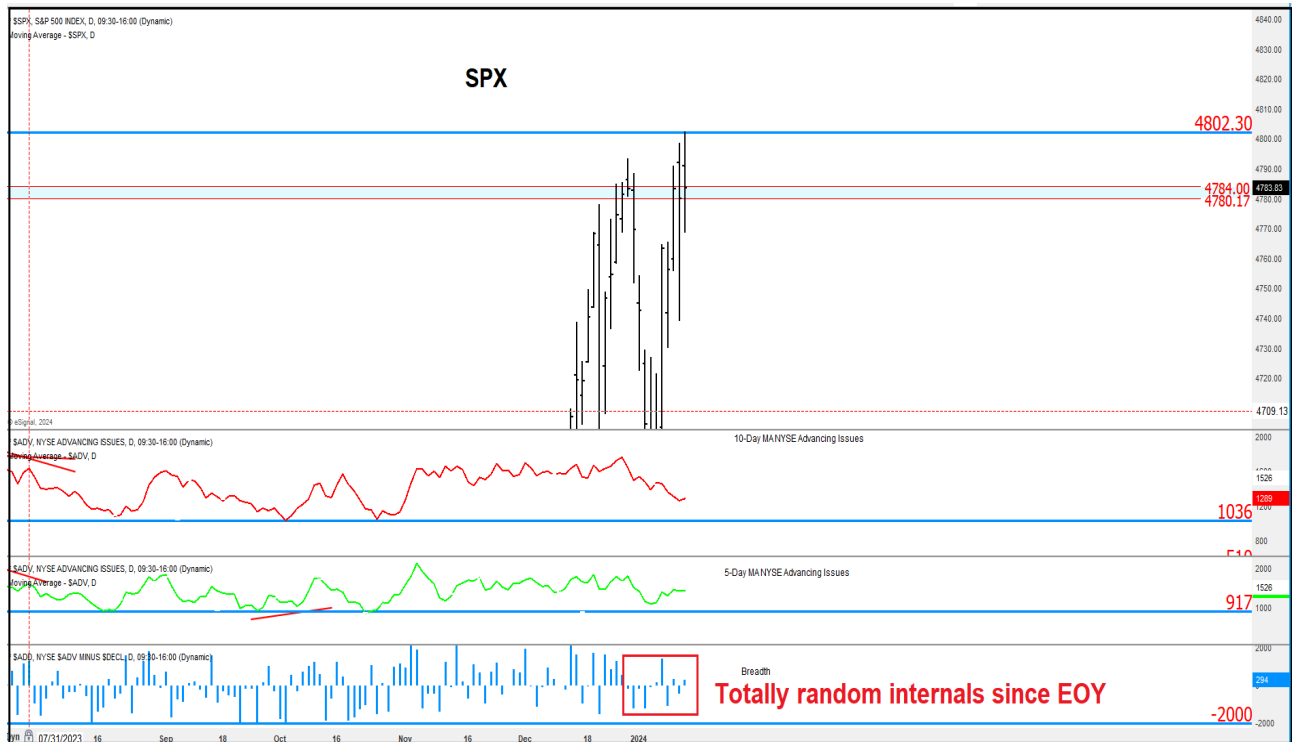
Internals

The area above 4784 has been rejected in seven recent trade days, including the last three of last week.

The SPX also had three consecutive closes to end last week between the extremely narrow band of 4780-4784.

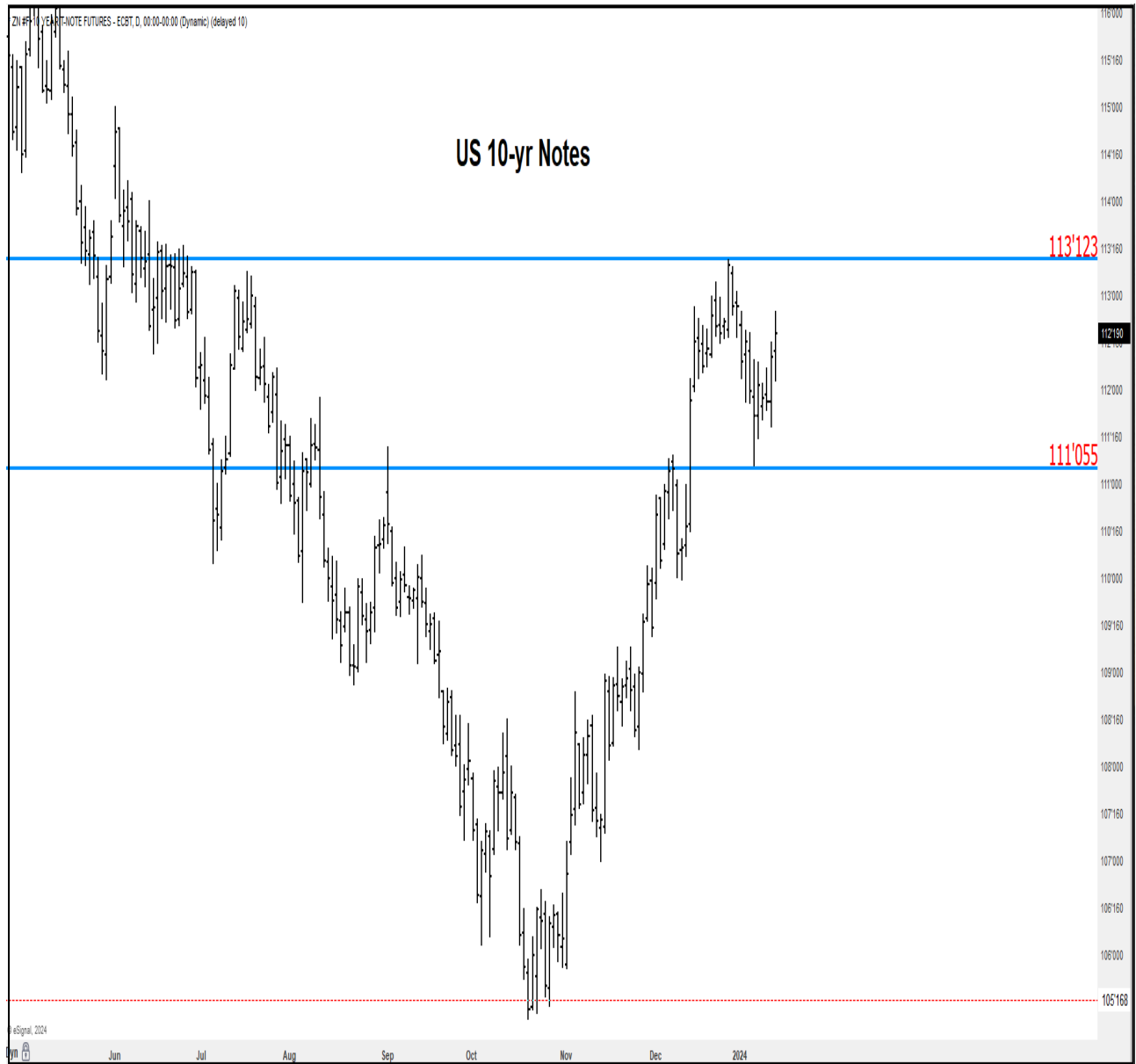
Closing NYSE breadth has shown no trend since late December.

All of this is additional evidence of the increasing probability of a sharp, multi-day move.



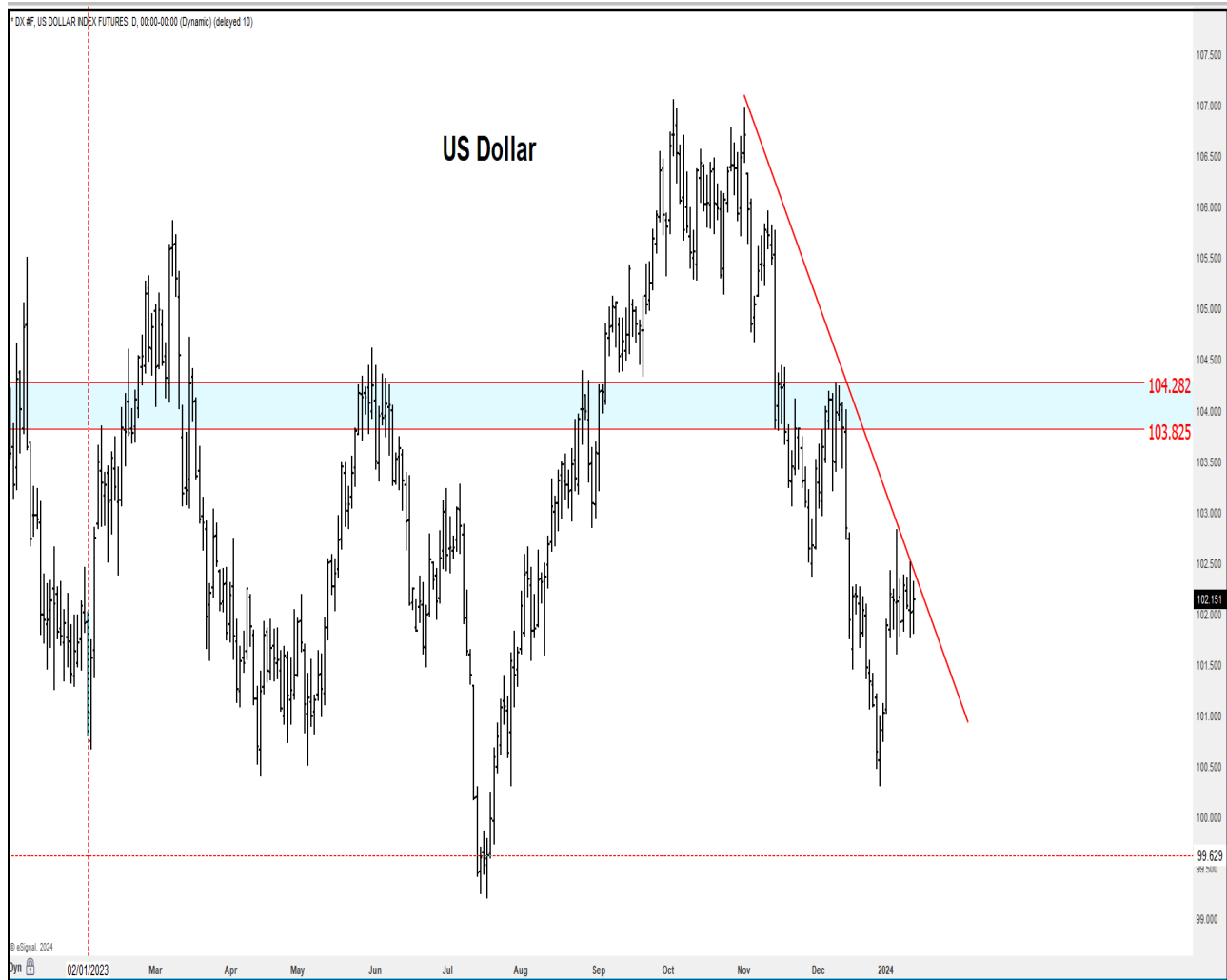
US 10-yr Notes

Higher highs and lows; the trend is up.



US Dollar

Trend is down. Favor shorts.



Crude

Lower lows and highs. Favor shorts as long as that pattern holds. A trade above 76.26 breaks the downtrend and could be a catalyst for at least short-term upside acceleration.

