

April 9, 2006

## A FICKLE FLING

**Where we are:** ... we're not sure how significant Friday's slide was ... *we've had so many similar teasing one-day affairs.* It's just that we're afraid of that "one more rally" syndrome – that if we proclaim this isn't *it*, that there's "one more rally" coming, we'll have fallen into the trap of "Ha, Ha, there isn't going to be one." There *should* be one, and maybe, possibly, probably, two. As an unreliable reference, the last time we had such an enormous spread of declines over advances (.20 ratio for the "Common Stocks only without the Reits and foreigners") was on February 28th, and it was followed, on March 1<sup>st</sup>, by an equally enormous (3 to 1) positive spread, while a similar one-day whopping negative breadth decline on January 21 was followed immediately by a two to one up day. Of course, individual stocks were in considerably better shape then, but even taking that into account, we are being warned not to make such a big deal about this past Friday's widespread dreariness. Damage has been done, and individual stocks creep closer to their respective precipices, and realistically speaking, that's enough to know without trying to be perfect ... although old grumps are still stuck with the reality that, even as deterioration continues, there've been few literal breakdowns.

As an overview, everything is chugging along the way a late stage market is supposed to behave: the oscillators went from oversold to overbought and half way back, bounced inadequately, and then got battered on Friday ... narrowing, even as the indices continued to make new highs. (The Nasdaq 10-day oscillator, which hadn't previously crossed down through its 30-day before, did so on Friday's weakness.) A view of any one of the four short-term oscillators we track shows a varying jumble of different "take-away" numbers. Without a string of several (preferably 8 or 9) plus or minus days, no cohesive and hence forecast-able move can be expected, and whether prices continue to slip, and we get modestly or mildly oversold again, or whether they spend a few days rebounding again, would be very short-term stuff, on the path to something eventually more significant. In addition to asking the oscillators to get set up for a useful timing message, more swinging is likely so as to get the cumulative breadth numbers in a position to diverge from the various new highs in various indices. We haven't had those non-confirmations yet in any of the ways we keep these statistics (although we'll view the "Common Only" pair as far more important than the all-inclusive numbers), nor are they as yet close enough for us to even guesstimate when that might happen, and so we cling to the old-fashioned notion that what hasn't happened yet needs to happen to set the bells to ringing – likely, almost by surprise.

And besides, time, more time, is needed to get the sentiment numbers back up to "too" bullish. (Ugly declines such as Friday's didn't seem to bother anyone else but us chart keepers.) Earlier in the weak, oops, week (this darn computer is taking on human characteristics), we read about "Wall Street's upbeat mood ..." and throughout Friday's crummy-ness, it was clear that the consensus (that is, those people yapping on TV) didn't believe in the down, indeed, shrugged it off, or if it needed explaining, well, it was explained away, like a Duke father saying, "Boys will be boys." The interesting thing to us is the human nature sequence in the bond market: first, there's no need to worry about rising rates; second, if rates get to 5% then I'll worry, but I don't think that's going to happen; third, 5% is as high as they're going to get; fourth, 5% is okay, I can live with that; fifth, looks like they're going to 5¼% next ... so maybe I better sell some stocks." It is fascinating to us – *every time* – that so many people actually need to see something before they'll believe it can happen. And it is equally

fascinating – see the DJU peaking back in early October – how a relative handful of investors are capable of believing in, and acting upon, what they can anticipate, thereby causing the deterioration we’ve been pointing out so insistently.

Interestingly – and often the way the market works – the confident contingent got what they had hoped for on Friday morning – “the best of all possible worlds.” We heard reporters use that phrase two or three times; good cheer permeated both CNBC and Bloomberg before the market opened. *(As an important aside, we suspect that when the consensus finally – finally! – gets the desired Fed statement implying that they’re done hiking, a similar sequence of good cheer followed by serious selling will take place ... and if so, this adds to our projection that this rise will come a cropper sometime around the May Fed meeting.)*

Friday’s reported monthly figures (always subject to considerable revisions anyhow) seemed to signify that the employment figures meant the economy was strong; the wages figure meant that inflationary aspects were contained; the bond market’s reaction meant no one was worried ... and then, while they were smugly watching, someone(s) seemed to sell some bonds, and then, probably someone(s) else, some stocks, supposedly because of the shift to long rates going up, although no one needed to worry because – look! – it was all quietly done, no pounding at the bids, no severity of slides, no increase in volume, no hasty dumping. The early weak – darn, the computer keyboard did it again – week enthusiasm, which was noticeable enough for us to write about it in Wednesday’s “Stream of Consciousness,” remains a widespread underpinning. We’re so used to the late lamented bubble days that we expect such enthusiasm to grow like Jack’s beanstalk almost instantaneously into exuberance. But it’s different this time. There’s no exuberance to the new highs in the indices – whether the DJT’s “all-time” or one of the sound bite indices “highest in five years.” They talk a good game, like rooting for the Kansas City Royals in April. It’s tough to do more than one-handed applauding when the new high is the DJIA up 36 points, without a new high among the 30 components (except perhaps BA), or when the Nasdaq has been up in eager fashion to a new recovery high in the morning and closes in the red. They’ve been able to cheer the return of the mining stocks, and the price of crude, even though it’s not all mining stocks (and PD only by 88 cents, anyhow and not even CAT which was crowned the group leader, with its raised scoop shovel as the magic wand), and crude is still stuck under \$70 (the chart clearly shows resistance from 68 to 70), and we are being reminded that secondary returns on lesser volume to prior exciting highs typically fizzle. And of course there was evidence yet again last week for our weekly whining about fewer new highs versus the eked-out new highs in the indices.

So what are we to say? “more of the same.” That’s precarious: AA has risen enough – on faith and hope and some revived enthusiasm – to erase its potential “right shoulder.” (Other aluminums also were beneficiaries -- IAL; NVL; AL). And there’s a moral in that: this market continues to be “hard to be short” even when an apparent top of some potential consequence seems to have developed, and thus it remains better to be short already weak stocks – as in weak, not week – such as DOW, on the cusp of breaking – or already broken – such as WWY, although DNA looks so so tempting. That said, what had seemed an okay stock – AXP -- has turned down and has the potential now to break 51 – a lower low – and ditto AIG – which is right on the edge of our 64 “stop.” Because AA rose when we didn’t think it could or would, we’re wary about complaining about CAT, even though it is struggling under resistance, and has made a lower high. IBM seems to have failed overhead, but who can be “sure,” when MMM made enough of an announcement to re-ignite the stock sufficiently to turn it neutral although not enough to change its stripes to positive. The eagerness to leap onto a stock based on an earnings announcement – even if only a one-day fling – can surprise and startle. We don’t know why, or who ... wouldn’t you think the “need” to buy Manitowoc or Dover Downs is not so urgent that an “investor” would need to fling a buy order in? and thus wouldn’t you conclude that such flings are day-trader, hedge fund, dentist, driven? In the old days of delayed openings, of the

specialist matching orders and of taking the place of absent buyers, such leaps would have been limited, but now it seems to be a free-for-all, every-person for his or her self...

**Stocks, some negatives:** we're returning this week to our customary "symbols lists," as we review Mansfield's NYSE weekly charts, starting at the beginning with advertising and aerospace. (Reminder: our use of !!! is solely to identify over-extended spectacular/extreme movers, most up, but with some collapsing, too.) But herewith we want to comment on various daily charts we post. One of the most conspicuous failing groups has become the biotechs: AMGN has had a serious breakdown stop at 70 for quite a while, and has held thus far ... but is threatening again. (See, too, the aforementioned DNA.) Meanwhile BIIB has rapidly developed a toppy look, with a 43 stop, and we've already been fretting about GENZ, which is currently in the process of breaking down through 65. Now we should add five others: ABI, especially breaking 26, HGSI; two we had previously deemed positive, MLNM and PDLI, and an already weak CRA.

Perhaps the most vulnerable of the big caps we chart is DOW, on the very edge of the 40 precipice. In the past, UNH has bounced back from periods of correcting, but this time the weakness has lasted longer and been more extensive, and shows lower lows. (Health care generally, and HMOs and Hospital Management in particular, have an increasing number of crummy charts.) BUD has encouraged many bulls by recovering somewhat, but if it breaks 40 it'll be a long-term goodbye message. Some have voiced concerns about FNM, and we'd like to, but can't, not yet at least, but FRE is quite negative already. GCI is representative of the very weak newspaper stocks, as well as being one of our pile's leading weak charts. JWN has begun to deteriorate – requires a 37½ stop, TIF's at 35, and WAG's stop should be 42. Rather than trying to sort out the few that remain okay, it is safer to say: *Don't trust any consumer stock*. TWX is simply a long-term negative – the entertainment equivalent of GM.

Many of the stocks currently showing up on the new high list have made a new high and have then come right back down the next day, or that very afternoon – example: WY. IP has had its upside spurt and has begun to re-fade – there are "stops" at 33½ and major at 32. The Dow Utility Average, as noted above, peaked last autumn. Among the contributors to that weakness, PEG and EXC peaked in January on their merger news; NI peaked last June; CNP, SO, and D peaked in September, while AES, ED, and EIX peaked in October. TXU, the leader, peaked in September but having spent considerable teasing time since, has finally caved in, with 44 the next breakdown level of significance.

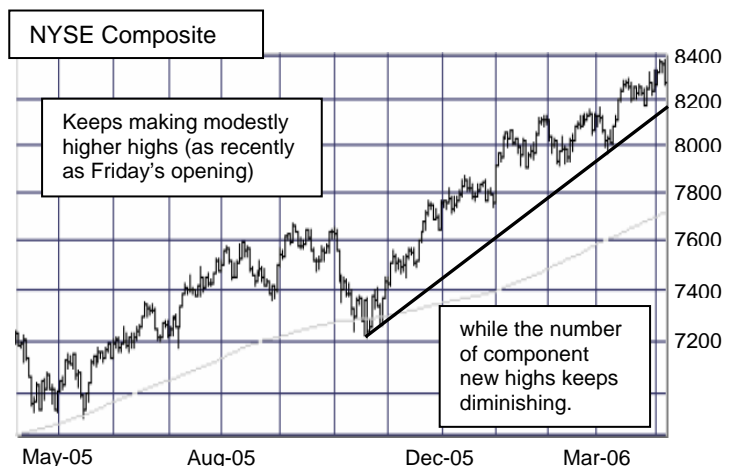
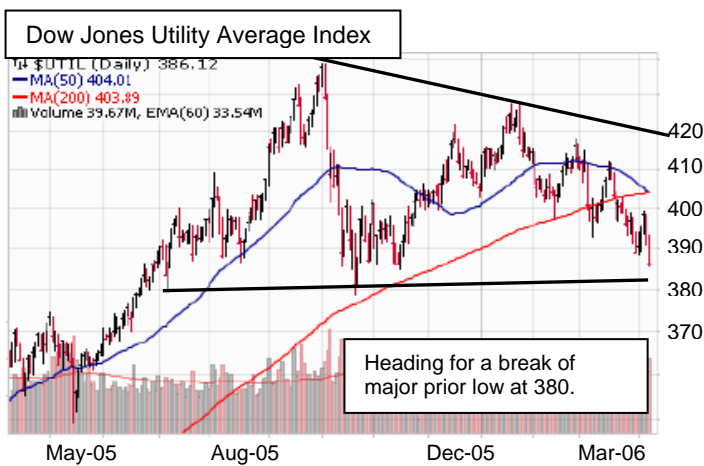
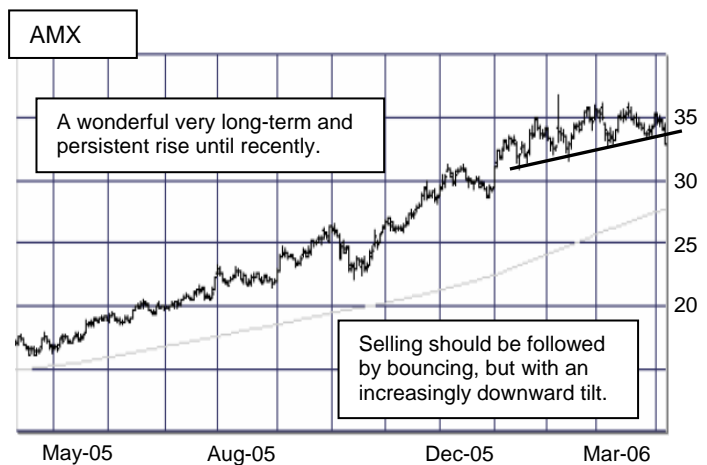
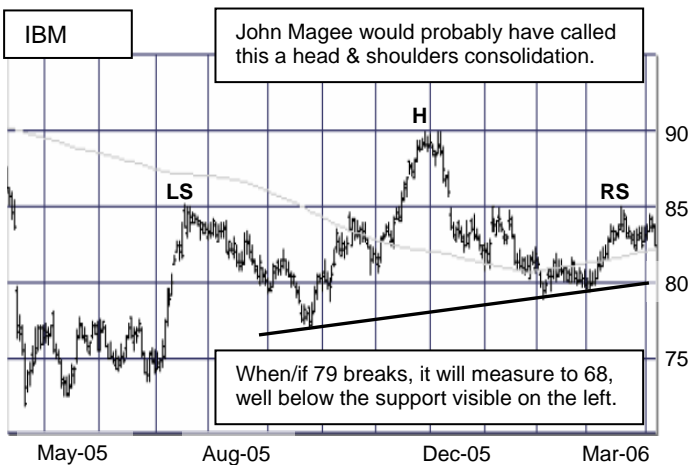
And we should add here, in this negative litany, some technology stocks. CMVT has been persistently weak, as has LLTC. There are still suspicions about EBAY, AMZN, and YHOO. EMC surprised us by not breaking down, and then actually rising somewhat, but it has faltered seriously again, renewing its important 13 stop level. Arguably most important: on our daily chart, AMX appears to be ending a remarkable rise, although it can't be seen to any such degree on its weekly, while MBT has broken down badly, VIP is struggling to hold, and NIHD is beginning to feel uncomfortable. What's more, ADM may be nearing an ethanol-enthusiasm peak; virtually every broker is vastly over-extended; and crossing 26 would meaningfully break AMR's uptrend line.

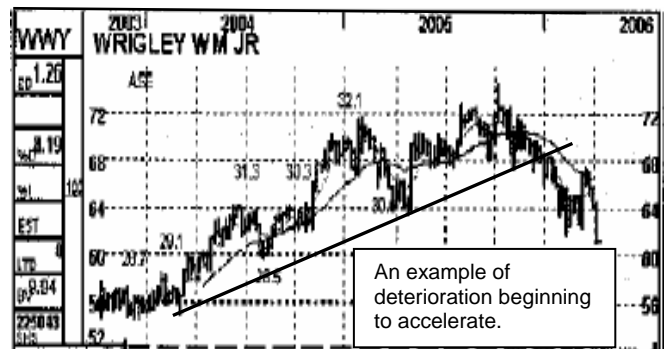
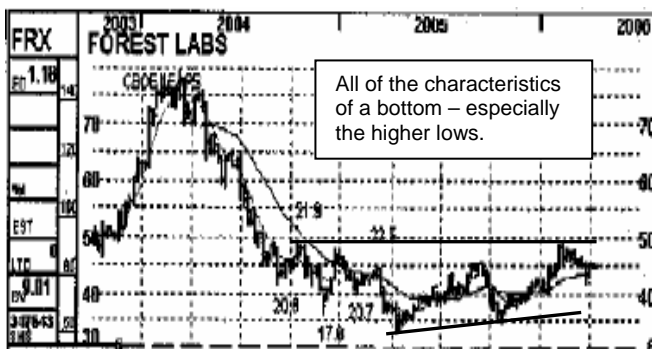
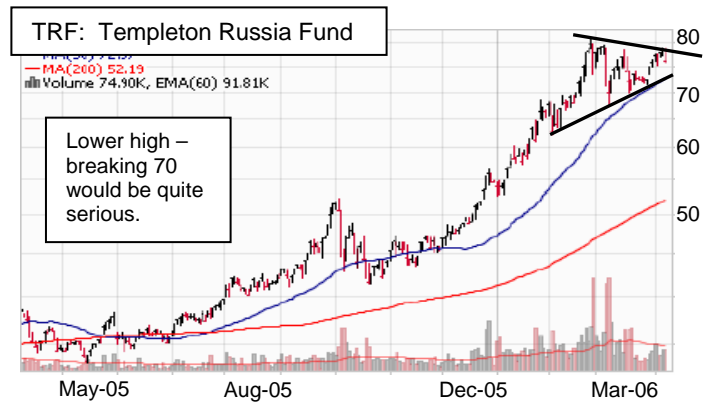
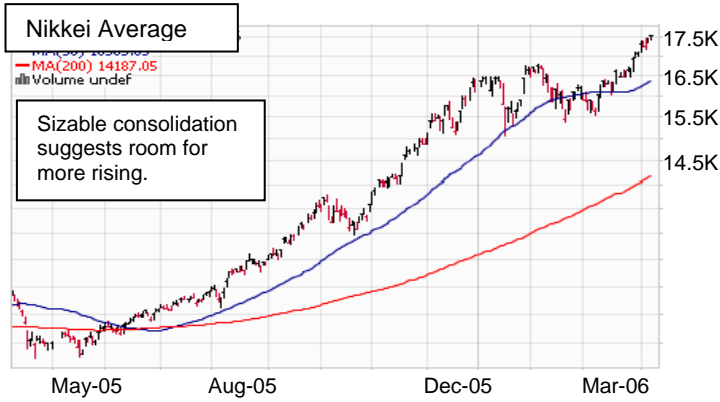
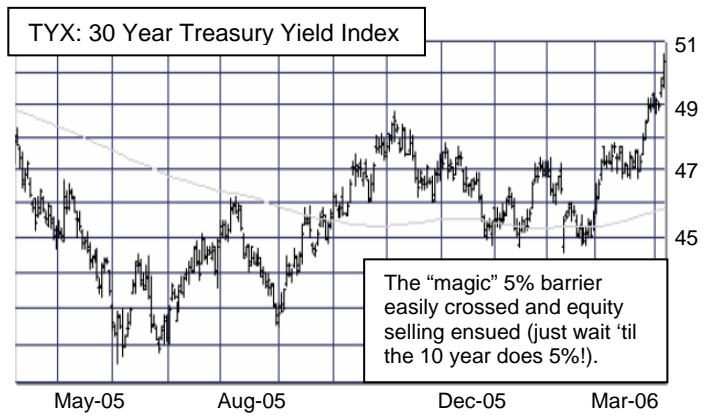
**Stocks, some positives:** LLY sagged almost as soon as we singled it out, but it still looks like a long-term base with support at 52, so we'll "boldly" try again, and similarly with CMCSA which has actually been improving – crossing 28½ would break it out across an overhead "neckline" as well as making a higher high. And dare we try again with FRX which holds, which has higher lows? The problem is very clear: the strong stocks are already way up; while the previously popular stocks that sold off are likely – highly likely – to fail at overhead resistance ... AAPL being an important example, and AMD, too. Maybe we're getting timid-er and timid-er, because we can make a list of "still okay"

daily charts without being turned on. The accompanying “positive” symbols list is on the other hand chock full of such okay stocks, almost all of them secondary, however, and easier to jot down because we aren’t peering at their day-by-day nuances. Two strong groups are cements and waste management.

**Asian stocks:** Indian stocks have started some serious correcting – CTSH; SAY broke its uptrend line, while WIT did so previously and is continuing rather fuzzily, and REDF, having plummeted, has turned precarious. On the other hand, HDB remains strong, and ATFL.NS has been terrific, as has been VSL. Some of the Chinese stocks that had lagged have come to the fore: CYD was rapidly strong again last week – needs to cross 10, SOHU will be okay at 24; NTES needs to cross 22; HNP has a stop at 28½; and as long as the coals continue to act well, YZC needs to be considered. Even though we’ve learned enough over the years not to trust Canadian promoters, we are long-term fans of (Mongolian) IVN. On a snide basis, there is certainly much too much popular recommending of global stocks, often phrased as “emerging market” stocks. Regardless, you will see MTU; KYO; HIT; MC, and CAJ on the accompanying “positive” symbols list.

P.S. For those who crave an answer to the “unanswerable” question: the DJIA’s first leg down should hold – and bounce back up from – the 10,930-950 area. A second slide should find support around 10,660, while the 10,350 area will matter the most ... they’ll believe in “buy the dip” as long as that level holds. The S & P’s “need to hold” area should be somewhere in the 1230-1250 range.





Sales and marketing ..... Noah Financial

Trading ..... Reynders, Gray & Co.

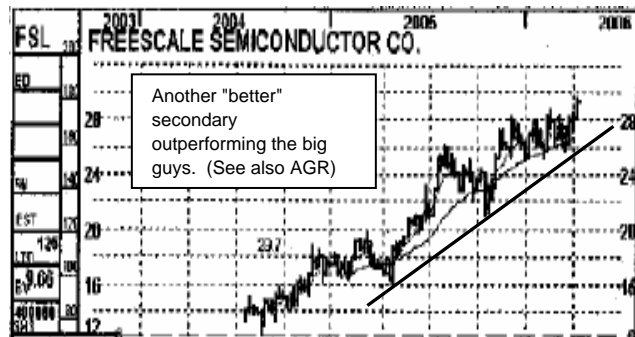
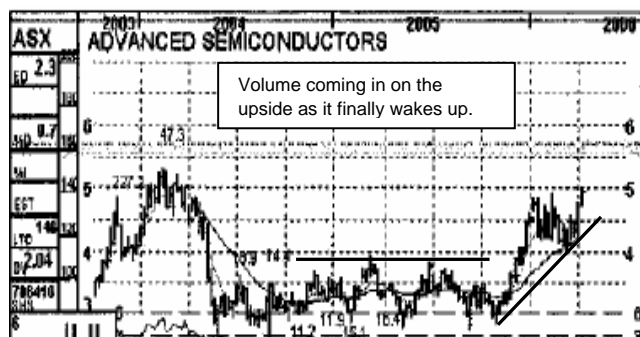
• Rosanne Auslander

• Bobby Gray, Fred Horan

# NYSE WEEKLIES POSITIVES MANSFIELD 4/9/06

## Aerospace through Fertilizer

DJIA	DTG !	AF	GRA	BEZ !!!
Strong	GPI !!!	BBX (b-f)	ODC !	DBD @ 40
AA	TFX	WAL	OMG	HIT
Still Okay	TEN	Beverages	Comms Eqpmt	MC *
BA	TM *	KOF	ALA	TNB !!!
CAT ?	CYD (sc)	ABV	CTV	CAJ ! *
DD 44	FIA !!!	PBG *	BGC !	PKE
HON	HMC *	Bldg Matls	Q *	SI
JPM	AOS !!!	AMN	---	WCC !
VZ	CMI ! *	IAL (sc)	UIS (b-f)	JBL
---	ETN *	LR	NCR	UIC !!!
GD	JCI	NCS	SFE ?	AME
LMT	OSK !!!	USG !	IO *	AVX
NOC	SAH *	EXP !!!	IOM (b-f)	TEK
CW	Fgn Banks	MLM !!!	HYC !!!	ASX *
ESL * (sc)	BCS *	VMC	SAP **	AGR *
PCP *	DB	CX	RTN !!!	FSL *
COL *	HDB *	DHR	ROK !!!	ISX
TGI (sc)	MTU ! *	SWK	WCN *	KYO *
FDX !!!	NAB	Chemicals	---	WFR !!!
UPS *	---	ICI	RL	---
CAL	BK	SHI @ 51 - 52	VMI	EME !!!
LUV	CBH !	APD	AVP (b-f)	FLR
---	WB	ALB	---	GVA
AL !	WFC	ACO	Elec Eqpmt	JEC
NVL *	UB	CYT !!!	APH	TKP



# NYSE WEEKLIES **NEGATIVES** MANSFIELD 4/9/06

## Advertising through Fertilizer

DJIA	VC	ONB	LYO	ACL **
MO *	SUP *	GDW 67 *	BRC	Consumer
AXP	AXL *	TCB *	CBT	APN (b-f)
AIG	WNC	---	CBM	EMS *
KO	Fgn Banks	STZ *	GGC	KMB * 56 *
INTC	BLX	CRR	NL	OI
JNJ	SAN *	SCX	NCX	RGS
PFE	SBP *	SHW @ 52 *	---	TYC
PG	UBB *	---	AV 10	GB *
---	Dmstc Banks	BLO	GPN *	LDR 44
IPG	ASO	CCU	IN *	TER
ERJ	BNK *	ETM	GTW	VSH
MFW	BBT 38 *	HTV	EMC 13	AMD
Auto	CPF	TVL !!!	ELX *	MU
ARM	CBU	MEG ! *	FIC	---
CAO	CFR 52	VIAB **	IT 13	SMG
LEA **	IFC **	WON !!!	MFE *	SQM
SMP	MEL 34	Chemicals	TWX **	TNH
F	SNV	DOW * 40 **		

