D A I L Y   U P D A T E

Wednesday, January 15

ANOTHER CHANCE TO ACCELERATE (ALBEIT A TOUGH ONE). The S&P and NASDAQ both edged up yesterday, with both managing to hit their best closing levels since early December. The market thus has another golden opportunity to accelerate on the upside here, but it's going to be a tough proposition with the oscillators still overbought (they didn't have enough time to work off their recent overbought conditions before the market started back up again). Thus, although we'd really love to see the market start to generate some upside momentum on increased volume here, if it fails to do so during the next day or so the short-term rally will have stalled to enough of an extent that the short-term support levels we cited yesterday (922 in the S&P and 1435-38 in the NASDAQ) are very probably going to be breached and a short-term correction to enable that overbought condition to be worked off will very probably follow. As long as the market doesn't start to generate increased volume and momentum on the downside, though, any correction that does take place here shouldn't have any longer-term implications. Even so, the market is going to have to start to generate some better volume and momentum on the upside at some point, either now or after a short-term correction, in order to confirm our cyclical bull market thesis – a thesis that we still consider very much intact at the present time.

Factoid Of The Week. From Dick McCabe (Merrill Lynch): Since 1950, the S&P has risen 2% or more during the first five trading days of the year (as was the case this year) 12 times. It was up for the full year in every case, scoring an average gain of 18.2%.

Yesterday's Sector Average Price Changes (in basis points)

S&P Composite	+ 58	Russell 2000	+ 57
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NYSE Financial	+ 76	Leveraged Cyclical	- 35
Growth	+ 15	NASDAQ Industrials	+ 34
Basic Industrial	+ 118	Energy	- 10

Fidelity's sector fund cash/total asset ratio (previous day): 6.3% vs. 6.3%

Rydex Sentiment Composite (100 = Most Bullish; 0 = Most.Bearish): 60 vs. 61