


 CASH	 SUBSCRIBER PICKS	 BREAKOUT PLAYS	MARKET HEALTH
SUGGESTED CAPITAL ALLOTMENT PER 100 UNITS TO EACH CATEGORY	40	40 6% risk	20 9% risk	
Market trading upwards or sideways. Internals overbought. Caution advised. <i>Sell.</i>			CASH: 80	
Market trending upwards. Internals overbought. Rally has 1-3 months left to run			CASH: 60	
Market trending down. Internals oversold. Decline has 1-3 months left to run			CASH: 40	
Market trending down or sideways. Internals oversold. Rally imminent. <i>Buy</i>			CASH: 20	

Awaiting new signal	USE 8% STOP			
	SHORT	QQQQ	SPY	DIA
LISTED PRICE	54.00	151.03	135.85	12.61
JAN 09/ DEC 09/ JAN 09 (PUTS)	5.49 (\$55.00)	15.80 (\$150.00)	11.25 (\$136.00)	n/a

Trade rules: Buy on a 5-day EMA crossover of all three secondary tech indicators; NASDAQ Summation index, percentage NASDAQ stocks over 50-day MA, and NASDAQ Composite Bullish percent index; but following conditions also needed: number of NASDAQ stocks over their 50-day MA is below 30% the Bullish Percent index is below 45, and the NASDAQ Summation index is below -600. Sell on the reverse; a cross below the 5-day EMA of all three secondary indicators; also when the number of NASDAQ stocks over their 50-day MA is above 50%; the Bullish percent index is above 50; and the NASDAQ Summation index is above 0. Use 8% stop loss. Buy Ask. Sell Bid.

Short term commentary from Fallondpicks.com

Annotated charts available via [Stockcharts.com](http://stockcharts.com) Public List Page: "FALLONDPICKS.COM"

<http://stockcharts.com/def/servlet/Favorites.CServlet?obj=ID446477> (Please Vote! for my list)

There is still time for the prior weeks's gaps to close as there were modest losses for the indices. The NASDAQ nestled on its 20-day MA as technicals held firm. The Dow finished right on its 200-day MA and rising channel support, although the doji still implies indecision between bulls and bears and a bounce is no way guaranteed (although favored). The NASDAQ 100 was similar to the NASDAQ in that it closed at its 20-day MA and is still technically bullish. The Russell 2000 is close to filling the breakout gap and finished a point above its 20-day MA - this is the index to watch as a lead for the other indices. Technicals are net bullish, although the CCI indicator triggered a 'sell' (but maintains a bullish divergence). A similar bullish divergence for the CCI of the semiconductor index is under threat but the index has been reluctant to break 400 support. The S&P didn't complete a test of its rising channel and sits a little in a 'no-mans' land, although it is picking up in terms of relative strength to the Russell 2000 (not a good sign for bulls) {Tech > Large caps > Small caps}.

Nasdaq market internals [\$NASI, \$NAA50R and \$BPCOMPQ] maintain a bullish picture even as the Nasdaq Percent of Stocks above the 50-day MA (\$NAA50R) undercut support which defined the double bottom (although the violation of support was not sufficient to confirm it as a loss of support). Interestingly, supporting technicals of all three Nasdaq market internals [\$NASI, \$NAA50R and \$BPCOMPQ] are bullish.

For the purpose of the Ticker Sense Blogger Sentiment Poll (30-day S&P outlook) I remain bullish until proven otherwise.

Recent stop and target price hits

JOBS was a stop hit to close the December 19th Subscriber pick for a 5% loss. FFBC drifted into its December 24th Subscriber pick for a 9% loss.

Long term commentary – members only: December 29th

The weekly charts for the Nasdaq, Nasdaq 100, and S&P are holding to earlier ‘Sell’ triggers. Only the Russell 2000 is on a ‘Buy’ signal – but this is in a large part to a finely missed ‘Sell’ when the index peaked and reversed from 852 on the week of October 8th. The contrasting ‘Buy’ signal between internals (Stocks above 50-day MAs, Bullish Percents and Summation Index) and ‘Sell’ of parent indices (Nasdaq and S&P) is in part due to the leading nature of the internals – a sign that conditions are turning bullish, even if this is not apparent in the behavior of the indices yet.

Technical derivatives are of price and are therefore lagging factors. It is this lag which is responsible for the ‘Sell’ signal in the Nasdaq, Nasdaq 100 and S&P. In my short term commentary I noted the bullish aspects in these indices. Only the Russell 2000 is in a position to suggest a new cyclical bear market is about to begin. I prefer to use the aforementioned internals as a guide to the future action of the indices, and also as a good aggressive trade signal. I use the technical signal generated by the indices as a confirmation of the internals signal, and a better long term entry point.

Because of the conflicts between internals and the indices one should keep a cautious outlook. The conflict between internals and the indices suggests a market in transition. Internals suggest future bullishness which should eventually filter through to the indices. Value buyers may find reward in recession friendly sectors such as utilities and consumer staples. High yielding financials should also be attractive with much of the sub-prime mess priced in and falling interest rates making high yielding stocks more attractive.

TECHNICAL SUMMARY				
Individual charts with comments follow				
NASDAQ	NASDAQ 100	NASDAQ		
		<i>Stocks above 50-day MA</i>	<i>Bullish Percents</i>	<i>Summation Index</i>
Sell	Sell	Buy	Buy	Buy
S&P	RUSSELL 2000	S&P		
		<i>Stocks above 50-day MA</i>	<i>Bullish Percents</i>	<i>Summation Index</i>
Sell	Buy	Sell	Buy	Buy
ACTIONARY SUMMARY				
TRENDLESS; BUT TURNING BULLISH				

YEARLY CHARTS

NASDAQ

Sell

- **December 23rd:** Continued trading at rising black channel support is an aggressive buy – but not confirmed because of the lack of technical support (in the form of oversold stochastics and MACD trigger 'buy')
- **December 29th** Sell signal holds from November – but internals bullish. Aggressive buy for short term traders, but investors need to be more cautious.



S&P

Sell

- **December 6th:** No indication of a 'Buy' signal. Potential for a double top is a concern. Return to former resistance – now support line was not a 'buy'.
- **December 15th :** Stuck in neutral.
- **December 23rd** Finding its footing at former channel resistance; aggressive buy on this backtest – but signal not confirmed technically.
- **December 29th:** Mixed internals keep the test of support a weak 'buy' signal. Technicals do not support a 'buy'.



NASDAQ 100

Sell

- **December 6th:** Interesting to see no change since the July 'Sell' trigger. Although rising channel has nicely defined the rally from mid-2006.
- **December 14th:** The concern on these longer term charts is the neutral positioning of technicals. It could be months before we see the next respectable bottom.
- **December 23rd:** Once again on support of the rising black channel. No technical signal to confirm 'buy' so consider this an aggressive signal.



RUSSELL 2000

Buy

- **November 2nd:** Stochastics never reached overbought levels- so exit the August long on a break of channel support.
- **December 6th:** Tricky proposition with the index fell just shy of a 'Sell' trigger in November. Four year rising channel has been breached - a significant change of pace.
- **December 14th:** Interesting mix of bullish (stochastics and MACD bullish divergence), and bearish (channel break for price) action. Favored outlook is a sideways trading pattern between 735 and 856.



**NASDAQ STOCKS
ABOVE 50-DAY MA**

Buy

- **November 2nd:** Back inside neutral territory having triggered a 'Sell' last weekend.
- **December 6th:** Awaiting new 'Strong Buy' trigger.
- **December 14th:** 'Strong Buy' signal in play with stochastics [39,1] undercutting, then climbing above the 20-trigger line. Interesting long term signal.
- **December 29th:** Still holds to the December 14th 'Buy' signal – although the indicator has risen into neutral territory.

\$NAA50R (Nasdaq Bear bottoms at 10, tops at 60 | Bull bottoms at 20, tops at 70) © StockCharts.com
28-Dec-2007 Open 39.05 High 42.25 Low 33.04 Close 33.04 Chg -3.51 (-9.60%)

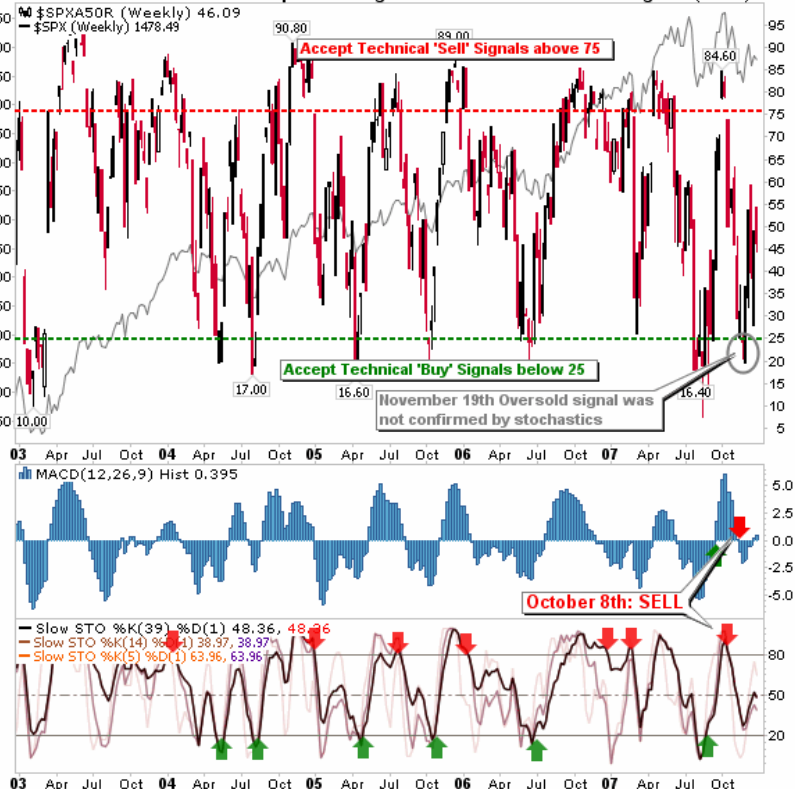


**S&P STOCKS
ABOVE 50-DAY MA**

Sell

- **December 29th:** Bullish percents dropped into oversold territory, but stochastics did not confirm the signal. The October 8th 'Sell' trigger remains in play.

\$SPXA50R (S&P 500 Percent of Stocks Above 50 Day Moving Average) INDX © StockCharts.com
28-Dec-2007 Open 54.31 High 54.31 Low 44.49 Close 46.09 Chg -3.01 (-5.12%)



NASDAQ COMPOSITE BULLISH PERCENT INDEX

Buy

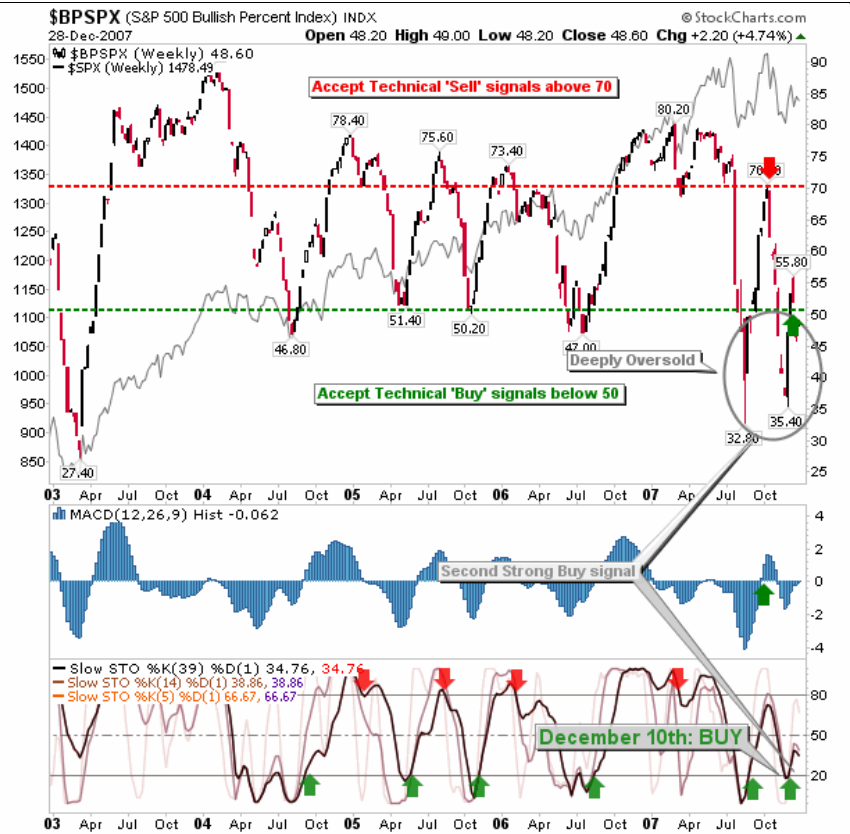
- **December 14th** : Cyclical bull market looks done with a bottom at 30. But bullish percents are deeply oversold which have indicated strong bottoms for the Nasdaq in the past
- **December 29th**: Struggling to generate a second 'Strong Buy' trigger – although original signal from October 5th stands. Due to the lack of confirmation from the Nasdaq index treat this as an aggressive 'buy' trigger.



S&P BULLISH PERCENT INDEX

Buy

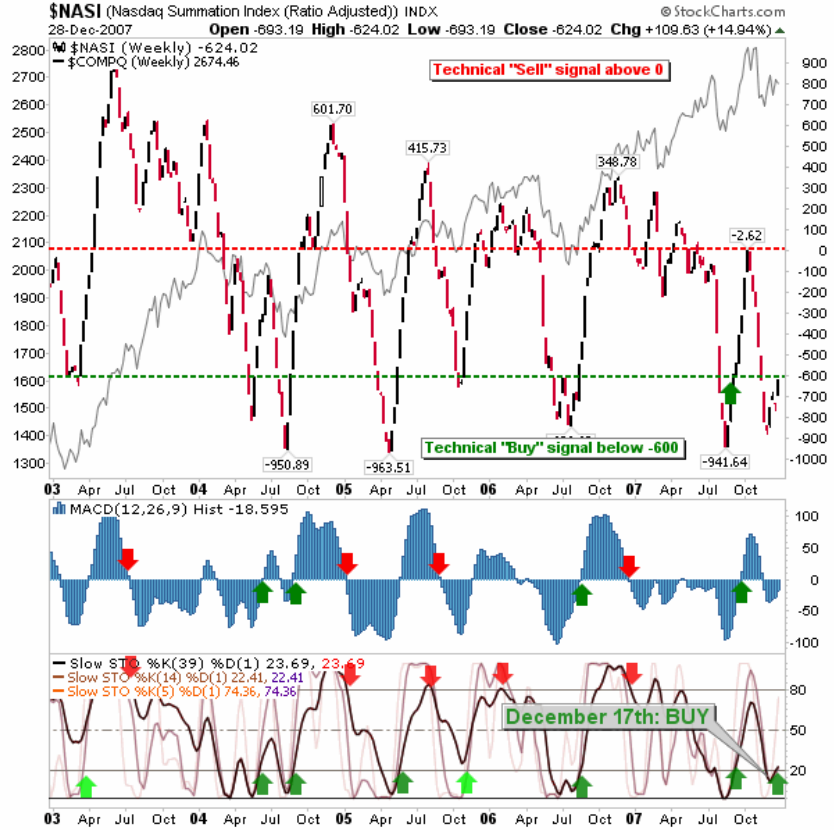
- **December 29th**: The bullish percents have confirmed a December 10th Buy signal. However, the S&P has struggled to turn bullish and there was no confirmation from other internals. Therefore, treat this as a short term traders signal.



NASDAQ SUMMATION INDEX

Buy

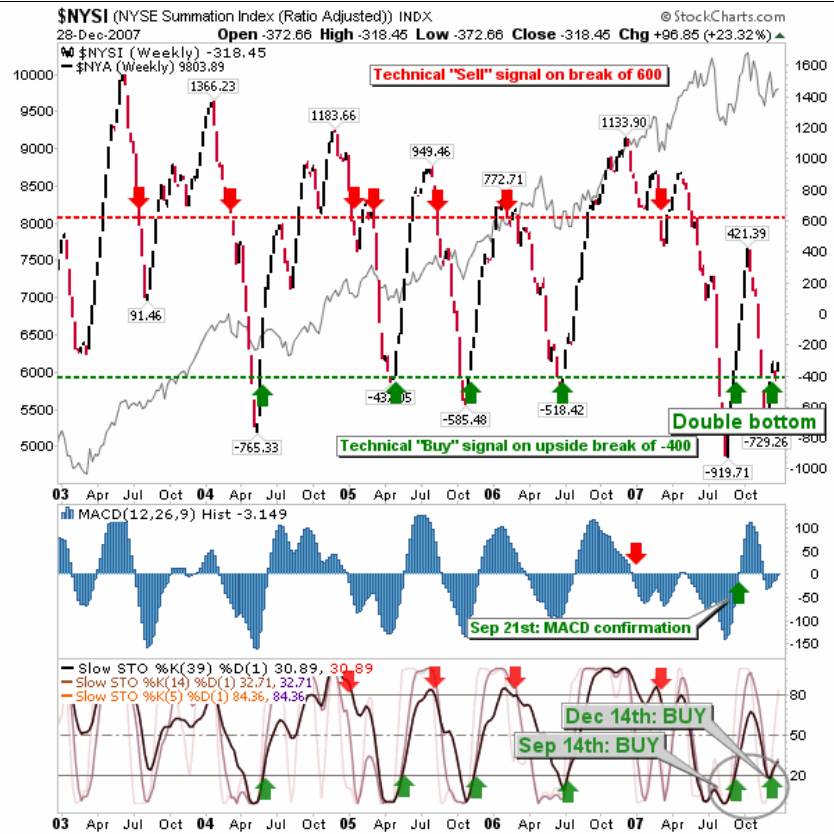
- **December 6th:** Potential double bottom with respect to the indicator and supporting technicals – a second 'Strong Buy' due.
- **December 14th:** Index looks ready to generate a second 'Strong Buy' trigger to follow that from August. Looks very similar to the 2004 picture.
- **December 29th:** Second 'buy' trigger on Dec 17th – but awaiting MACD confirmation.



NYSE SUMMATION INDEX

Buy

- **December 6th:** As with Nasdaq Summation Index, this looks set to generate a double bottom 'Strong Buy'
- **December 14th:** Although yet to be confirmed by the MACD, there was a second 'Strong Buy' from the NYSE Summation Index





Stocks for December 31st: Over the last couple of months my scans have yet to record a single stock winner. November was always going to be a bust and my enforced downtime was no big loss, but I was looking for better from December's picks. The following three stocks all pay a modest dividend and the last pick is perhaps the best for those looking for a long term pick – but the ghosts of my earlier failures remain. The first pick, PZE, pushed hard on Friday to break \$13.42 resistance. Given its relatively low volatile advance there is a good chance for a backtest of this new support level and an opportunity to use GTC buy orders. The move was accompanied by an upswing in the MACD (above the bullish zero line) and a supporting breakout in on-balance-volume. Bullish trend strength also sharply improved [+DI; ADX > 20 and rising sharply]. There was no company specific news to account for Friday's action. The point-n-figure chart holds to a December 12th double top breakout with a target of \$21.50. It is this target I have chosen to use.

BUY	STOP	TARGET	SUPPORT	RESISTANCE	RISK:REWARD	YIELD
14.75	12.59	21.49	13.42	18.50	3.1	1.3





The second pick, SMHG, got a CNBC mention Friday which saw a modest jump on light volume. The break of \$10.12 resistance was enough to signal a fresh MACD trigger 'buy' (above the bullish zero line) and saw a bullish cross in on-balance-volume. Slow stochastics remained overbought in line with strong bullish momentum. This is a stock which has suffered a protracted decline and trades some 50 cents below its 200-day MA. Friday's action wasn't enough to reverse the point-n-figure chart which while neutral for a price pattern, has a downward target of \$5.00. I am looking for a test of 2007 highs as a price target.

BUY	STOP	TARGET	SUPPORT	RESISTANCE	RISK:REWARD	YIELD
10.24	9.47	13.89	10.12	10.69	4.7	1.8







The third pick, WWY, has suffered heavily in recent weeks coming off a couple of downgrades and disappointing earnings in October. The stock has drifted back to its 200-day MA - the first such test for the stock since the bullish crossover in late 2006.

The stock is also trading close to August reaction lows, and alternative support level. The technical picture is grim and the point-n-figure chart shows a double bottom breakdown triggered Friday with a price target of \$52.00. Given that, one shouldn't get too attached if it pushes through its 200-day MA.

BUY	STOP	TARGET	SUPPORT	RESISTANCE	RISK:REWARD	YIELD
58.80	56.88	68.11	57.00	65.50	4.8	2.0



	RISK  RETURN				RISK  RETURN											
	9%				21%				6%				20%			
	BREAKOUT PLAYS				GOLD MEMBER PLAYS											
Month	Profit	Losing	% win	Net % return/trade	Profit	Losing	% win	Net % return/trade								
Jun-04	12	47	20	(2.46)								
Jul-04	19	34	36	1.57								
Aug-04	24	26	48	9.13	11	52	17	1.55								
Sep-04	28	32	47	9.04	20	42	32	4.65								
Oct-04	22	40	35	1.10	19	43	31	2.90								
Nov-04	17	39	30	4.08	14	43	25	0.99								
Dec-04	6	53	10	(8.20)	13	50	21	(0.20)								
Jan-05	19	35	35	3.57	13	41	24	3.48								
Feb-05	10	49	17	(2.72)	14	40	26	3.24								
Mar-05	13	43	23	(1.04)	10	47	18	(1.49)								
Apr-05	17	30	36	2.64	11	49	18	(0.48)								
May-05	19	10	66	16.63	16	14	53	4.71								
Jun-05	29	31	48	3.96	16	41	28	1.29								
Jul-05	20	30	40	0.71	16	35	31	1.32								
Aug-05	21	39	35	0.46	17	46	27	0.06								
Sep-05	12	42	22	(1.51)	12	47	20	(0.62)								
Oct-05	17	22	44	1.81	15	33	31	2.25								
Nov-05	26	26	50	11.86	31	20	61	9.90								
Dec-05	25	29	46	5.29	26	25	51	6.24								
Jan-06	23	24	49	6.34	16	29	36	2.15								
Feb-06	20	32	38	(1.64)	22	32	41	1.25								
Mar-06	17	31	35	(0.78)	20	36	36	0.10								
Apr-06	12	38	24	(1.64)	7	44	14	(2.24)								
May-06	8	29	22	(2.81)	8	54	13	(3.54)								
Jun-06	7	19	27	(4.39)	8	37	18	(3.46)								
Jul-06	16	26	38	1.76	17	32	35	1.27								
Aug-06	21	19	53	5.59	16	26	38	2.91								
Sep-06	25	22	53	4.45	21	33	39	1.20								
Oct-06	25	27	48	3.32	25	27	48	4.28								
Nov-06	11	17	39	2.23	17	22	44	3.47								
Dec-06	3	19	14	(3.76)	16	29	33	(0.53)								
Jan-07	14	15	48	3.82	21	34	38	4.26								
Feb-07	6	18	25	0.10	20	24	45	3.47								
Mar-07	9	8	53	4.14	20	29	41	4.44								
Apr-07	14	20	41	0.32	13	20	39	6.83								
May-07	7	17	29	(2.23)	14	27	34	5.39								
Jun-07	12	25	32	2.20	12	25	32	(0.24)								
Jul-07	4	19	17	(5.12)	5	26	16	(0.98)								
Aug-07	7	6	54	8.51	10	16	38	14.72								
Sep 07	3	3	50	15.87	13	16	45	3.23								
Oct 07	4	17	19	(2.07)	6	35	15	(3.12)								
Nov 07	0	2	0	(9.61)	0	3	0	(13.20)								
Dec 07	0	1	0	(8.64)	0	12	0	(7.15)								

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