

# THE McCLELLAN MARKET REPORT

## DAILY EDITION

Prepared after the close of trading,  
Monday, September 21, 2009

### CURRENT OPINIONS

**STOCKS:** Bearish short, intermediate, and long term.

**T-BONDS:** Neutral short and intermediate term. Change to short and intermediate term bearish if the December T-Bond futures contract closes below 118-11/32 (.382 retracement), or to bullish on a close above 119-29/32 (Price Osc. Unch'd).

**GDM & GOLD:** Bearish short and intermediate term. Commercial traders are betting big on a drop for gold and silver, and a rebound for the dollar.

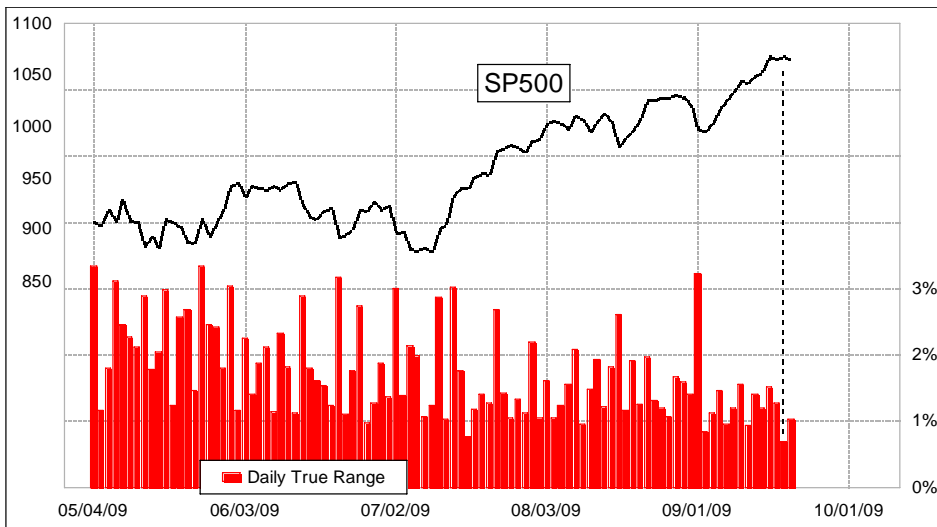
I can almost hear Johnny Carson describing the recent action of the stock market: "The stock market has been pretty quiet."

To that, sidekick Ed McMahon and the audience pipe up saying, "How quiet is it?!!"

"It's so quiet," Johnny replies, "that the NYSE has decided to let Taylor Swift ring the closing bell, just to see if Kanye West will jump in and try to steal the gavel." [Rimshot]

Actually, the true range on Friday was the smallest daily range for the SP500 since June 2008, just before the market curled over and collapsed. Not even the Christmas holidays saw such a small range day. For anyone who remembers what "triple witching" was like in the 1980s and 1990s, it would come as a big surprise to have such a quiet day come on a quarterly expiration day.

The rules have changed a lot versus 20 years ago about how those expirations and settlements transpire, and that has taken away a lot of the old excitement. Still, getting the market to quiet down as precisely as that, and to stay quiet on the following Monday, is a



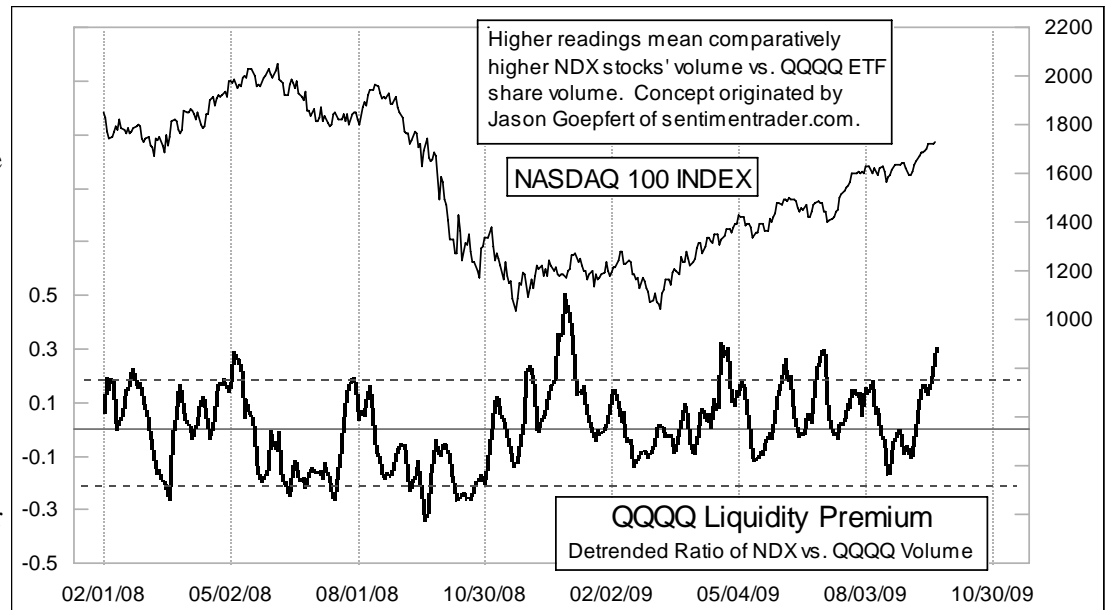
Segment	Rank	Score	Current Managed Account Program Positions		
Sm Cap Value	1	6.88%	Stock Optimizer: 100\$ 1x Inverse SP500		
Sm Cap Grwth	2	6.47%	Equity Allocation: 100% Cash		
Lg Cap Value	3	5.15%	RS 2000: 37% 2x Inverse SP500, 63% Cash		
Lg Cap Grwth	4	3.93%	Program funds managed by Global Investment Solutions, LLC		
Cash	5	0.00%	For more information, call (866) 547-3123		

ADV-DECL	ADV	DECL	A-D	10%T	5%T	A-D OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO	
NYSE	09/21/09	1016	2013	-997	512.881	481.472	31.409	5532.040	544	-84
NASDAQ	09/21/09	1228	1426	-198	244.264	194.798	49.466	2502.789	294	-696
NDQ 100	09/21/09	56	44	12	17.721	14.822	2.898	122.140	21	-37
VOLUME	UP VOL	DN VOL	UV-DV	10%T	5%T	Volume OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO	
NYSE	09/21/09	457701	718041	-260340	183368	188951	-5583	1939752	177785	289442
NASDAQ	09/21/09	1379401	999004	380397	483293	412537	70756	3488572	554049	-861066
NDQ 100	09/21/09	299137	364385	-65248	109375	106610	2765	1041218	112139	56845
PRICES	HIGH	LOW	CLOSE	10%T	5%T	PRICE OSC	OSC Direction	OSC UNCH'd	Sum/10 Level	1%T
DJIA	9818.69	9725.88	9778.86	9586.35	9391.72	194.626	UP	9780.98	9216.56	8988.84
NYComp	7016.92	6916.18	6968.59	6798.35	6621.70	176.654	UP	6975.00	6462.71	6222.29
SP500	1067.28	1057.46	1064.66	1038.62	1015.00	23.619	UP	1062.24	993.74	964.02
SP400	701.61	692.39	699.66	675.89	655.35	20.545	UP	696.43	636.85	603.76
NASDAQ	2142.41	2118.48	2138.04	2067.37	2016.65	50.716	UP	2118.08	1971.00	1852.91
NDX	1735.32	1714.10	1731.58	1673.84	1632.80	41.041	UP	1714.88	1595.86	1489.36
Russ2000	617.83	611.17	615.97	592.36	574.88	17.478	UP	609.83	559.15	532.92
GDM	1264.68	1206.63	1244.53	1214.02	1162.65	51.371	DOWN	1265.39	1116.41	1045.29
TYX	4.265	4.188	4.245	4.248	4.291	-0.043	UP	4.206	4.330	4.149
Dec Bonds	119.969	118.781	119.031	119.189	118.486	0.703	DOWN	119.892	117.854	119.345
DJI Osc Rising Index:		57%	Neutral, Trend Up		DJI Osc Pos & Rising:		53%	Neutral, Falling		
NDX stocks >100MA:		93	Arms Index: 0.79		VIX: 24.06		Uppr Band: 26.35		Lw r Band: 23.82	

unique behavior. Generally speaking, the market gets quietest at tops, when everyone is complacent, and it gets the most violent near price bottoms when everyone is panicking.

Another sign of topping complacency is the indicator shown in the top chart on page 2. Modeled after a similar indicator developed by Jason Goepfert, it compares the daily volume in the QQQQ to the volume in all of the 100 stocks which make up the Nasdaq 100 Index, then smoothes that data and measures how far it is away from trend.

High readings like this mean that the volume in the individual stocks is comparatively higher than the volume in the QQQQ. Generally that means traders are feeling complacent, and are more willing to accept the poorer liquidity of the individual stocks versus the ETF.

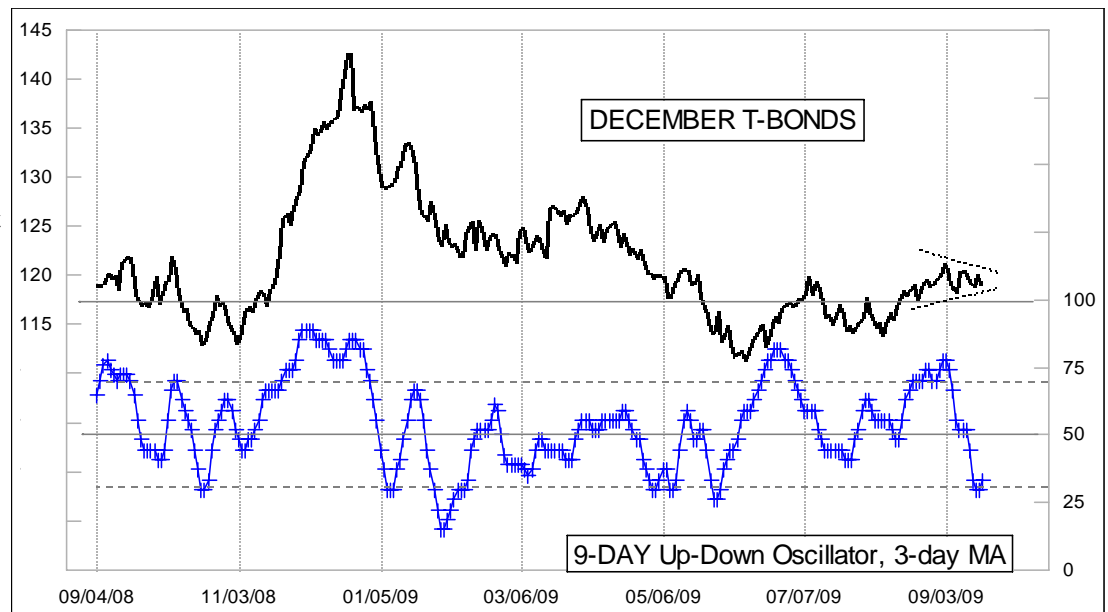


**T-Bonds** are in a strange situation, having become arguably oversold without having actually declined much in order to accomplish that. The chart below shows the 9-day Up-Down Oscillator for December T-Bonds, and it is down to a low level. This is because even though T-Bonds have spent all of September chopping sideways within a 3-point range, but there have been more down days than up days over that time. This indicator looks at the past 9 days to measure the percentage of up days, and then smoothes that data with a 3-day simple moving average.

Usually, it takes an actual decline over time to produce such a low reading as this. So it is unusual to see a pattern of higher lows still intact, and at the same time see an oversold indication. At the same time, we also have a pattern of lower highs, creating a triangle indecision pattern. A majority of the time, sideways triangles resolve their indecision by resuming the prior trend. In this case, that would be an up move, and so if we see an upturn in the Price Oscillator here combined with the Up-Down Oscillator's low reading, that would be a good argument in favor of another up leg.

But the COT data discussed on Friday still are making a big argument in favor of T-Bond prices heading downward. Right now, the 0.382 retracement level of the recent advance is still continuing to hold as support, but we have a falling Price Oscillator. In other words, it is a great time to sit on the sidelines and watch T-Bonds flail around. Eventually, prices will decide upon a real trend direction.

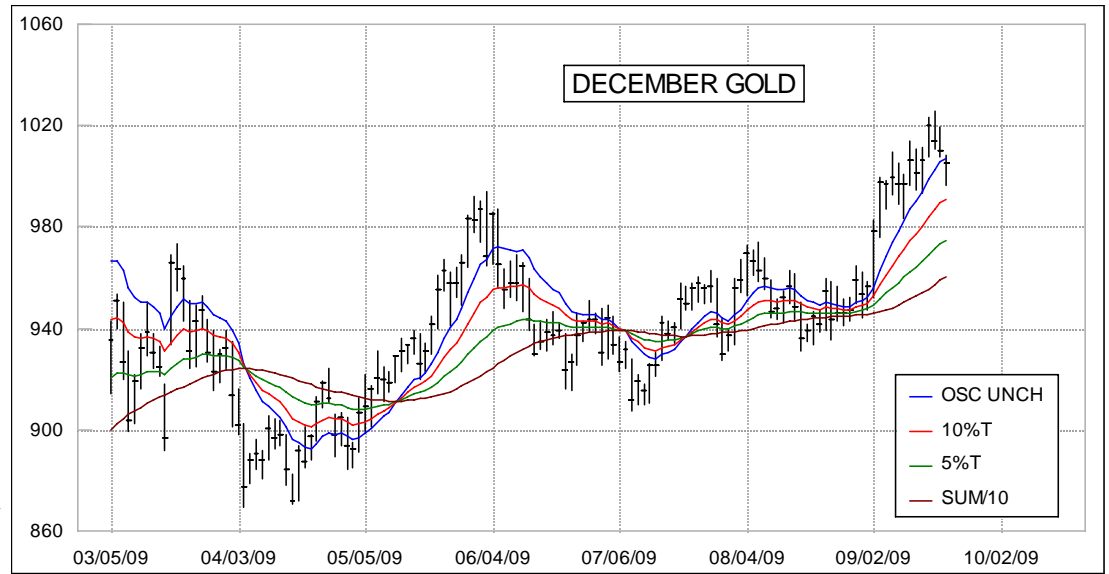
**Gold** traders woke up to a little bit of dollar strength overnight, and responded by gapping gold down Monday morning. They clawed back some of the early losses later in the day, retaking the \$1000 level, but it was still a down day and by enough to turn down the Price Oscillator.



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The chart here on page 3 shows that the closing price tick mark is below the Price Oscillator Unchanged line, which marks the price where the Price Oscillator's value would be exactly the same as the day before. A close above that line moves the Price Oscillator up, while a close below it moves the Price Oscillator down. Earlier this month, gold made two tests of that line and kept moving higher. Now, after a long-tailed reversal last Thursday, we are finally seeing gold prices move down decisively enough to break below the Price Oscillator Unchanged line. It may take a few days to develop, but I won't be surprised if we see a rapid drop down from around \$990 to \$950, to match the rapid rise up through that range at the beginning of September.



**Final Note:** We have started a new free service called our weekly Chart In Focus, which looks at a specific chart and has an article describing its significance and interpretation. It is part of our educational efforts, trying to elevate the level of public discussion of various technical topics. It covers subjects which are not necessarily time sensitive about the current market, and which thus are outside the scope of what we present to our paying subscribers.

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