

THE McCLELLAN MARKET REPORT

DAILY EDITION

Prepared after the close of trading,
Friday, February 18, 2011

CURRENT OPINIONS

STOCKS: Neutral short term, bullish intermediate and long term.

The rest break due this week failed to materialize, as optimism about the uptrend seems prolific. That worries me enough to wait until we see a dip next week before going short term bullish again.

T-BONDS: Neutral short and intermediate term. Change to short and intermediate term bullish if March T-Bond futures close above 118-24/32, or to bearish on a close below 118-8/32.

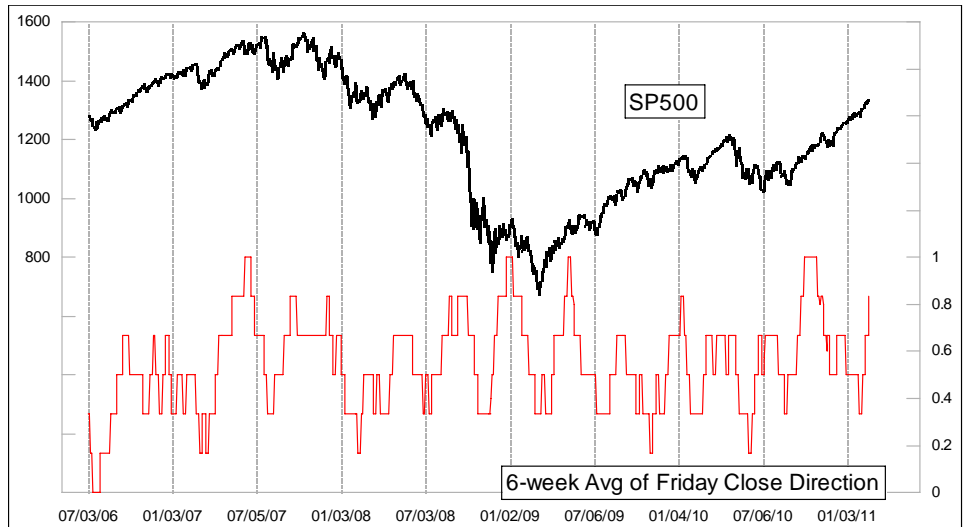
GDM & GOLD: Neutral short term, bullish intermediate term. A rainbow convergence top on a full moon merits a rest break.

Note: Time frames mentioned refer to trading styles, and not to the duration of a forecast.

I had been looking for a flat spot in the stock market's uptrend this week, and it is hard to find much evidence that any slow-down in the advance has occurred. The only place where prices seemed to have stopped the advance was in the Nasdaq 100, where Apple's 20% weighting and worries about Steve Jobs' health have held back that index.

Perhaps the most amazing thing is that investors can look at riots and killings in Bahrain and other middle eastern cities, plus Iranian ships sailing through the Suez Canal, all occurring on the Friday before a long weekend, and the collective reaction is to shrug and keep buying.

The chart on page 1 shows an indicator I developed several years ago to portray the changing willingness of investors to bid up the market on Fridays. If the SP500 is up on a Friday, it gets 1 point. A down Friday gets 0. Then I average together the last 6 Fridays to get this indicator. Both the DJIA and SP500 have closed up on 5 of the last 6 Fridays.

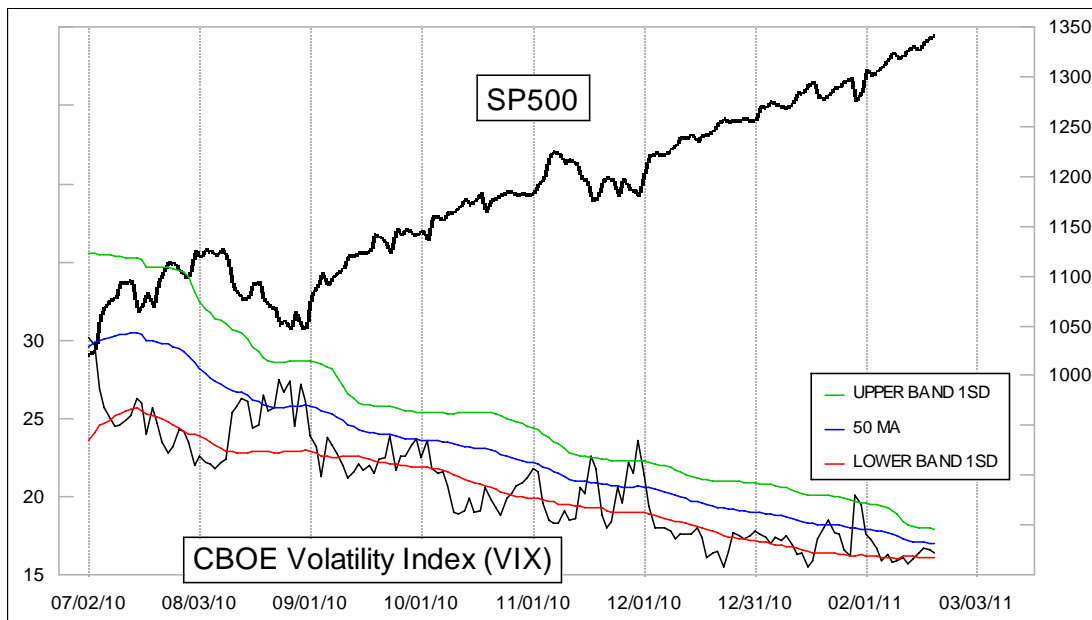


Segment	Rank	Score	Current Managed Account Program Positions		
Sm Cap Value	2	3.98%	Stock Optimizer: 33% Rydex Nova, 67% Cash		
Sm Cap Grwth	1	4.66%	RS 2000: 30% 2x Inv SP, 10% 2x Inv Russ2, 17% SP500 Valu, 43% Cash		
Lg Cap Value	4	3.41%	Rising Star: 64% Invested, 36% Cash		
Lg Cap Grwth	3	3.58%	Program 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	02/18/11	1752	1277	475	432.586	337.575	95.011	3520.655	528	-1373	
NASDAQ	02/18/11	1357	1286	71	186.640	138.535	48.105	1952.399	235	-727	
NDQ 100	02/18/11	50	48	2	16.614	12.662	3.952	91.060	21	-58	
VOLUME	UP VOL	DN VOL	UV-DV	10%T	5%T	Volume OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO		
NYSE	02/18/11	569555	567520	2035	125105	105628	19477	880989	144581	-244952	
NASDAQ	02/18/11	1112995	966864	146131	218167	194764	23403	1737015	241571	-226492	
NDQ 100	02/18/11	397581	354481	43100	73494	64950	8543	572613	82037	-88829	
PRICES	HIGH	LOW	CLOSE	10%T	5%T	PRICE OSC	OSC Direction	OSC UNCH'd	Sum/10 Level	1%T	
DJIA	12391.29	12303.23	12391.25	12145.49	11949.99	195.495	UP	12340.98	11774.05	11125.68	
NYComp	8520.27	8483.07	8507.90	8326.87	8185.93	140.945	UP	8467.82	8059.08	7574.61	
SP500	1344.07	1338.12	1343.01	1317.22	1295.17	22.047	UP	1339.27	1275.33	1194.92	
SP400	983.84	978.56	982.17	955.76	935.94	19.823	UP	975.59	918.10	841.28	
NASDAQ	2840.51	2823.65	2833.95	2782.42	2737.07	45.344	UP	2827.76	2696.26	2491.33	
NDX	2400.47	2382.39	2392.47	2353.11	2311.96	41.149	UP	2394.26	2274.93	2088.13	
Russ2000	838.00	832.01	834.82	812.00	797.70	14.302	UP	826.31	784.83	718.78	
GDM	1656.25	1629.70	1638.21	1575.88	1580.44	-4.557	UP	1571.33	1584.54	1511.00	
TYX	4.721	4.687	4.698	4.653	4.577	0.076	DOWN	4.729	4.509	4.288	
Mar Bonds	119.469	118.688	119.219	119.223	120.185	-0.961	UP	118.262	121.050	123.469	
DJI Osc Rising Index:		63%	Hi Neutral, Trend Up			DJI Osc Pos & Rising:		43%	Neutral, Falling		
NDX stocks >100MA:		79	Arms Index: 1.37		VIX: 16.43		Uppr Band: 17.93		Lwr Band: 16.06		

With the market closed every weekend, it takes more confidence about the future to be willing to buy up stocks on a Friday, and so when we see mostly up Fridays it is a sign of greater confidence. Not surprisingly, such instances tend to be associated with tops. Similarly, when investors push prices down every Friday, that tends to mark price bottoms.

It worries me that the market was in need of a flat spot and instead investors just partied on. It also worries me that the VIX has risen from the low of 15.69 that we saw a week ago despite no decline in the major averages. The VIX now stands poised to pop up through the 50-day MA, which would signal a decline for stock prices. It would not take much to throw it over that line. Because the stock market has apparently resisted the need for a pullback or at least a flat spot, I figure that this task remains on the to-do list, and traders on Tuesday could arrive with some trepidation after the long weekend.

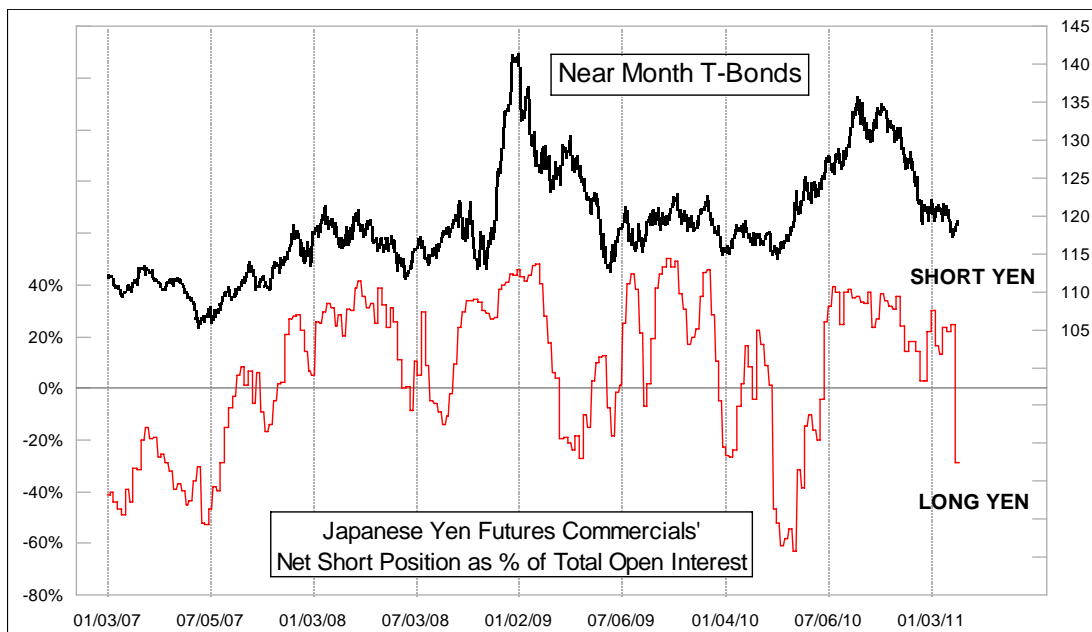


It might be quiet and boring in the stock market, but things are definitely happening in the currency markets. This week's Commitment of Traders (COT) Report showed quite a bit of turmoil in the numbers, and so I am going to devote more time than normal in this issue to looking at those data.

Perhaps the biggest shift was in the Japanese yen futures, where the commercials shifted wildly from the short side to being net long in a big way. That means these big money (AKA smart money) futures traders are suddenly shifting to the belief that the yen is headed higher versus the dollar. A week ago, commercial traders held 63,374 short positions and 34,434 long positions. In this week's COT Report, reflecting positions as of last Tuesday, they have flipped to 37,558 short positions and 71,070 longs. It is a huge shift, and the big swing in the net position can be seen in the lower chart.

I am showing that net position here compared to T-Bond prices because of the close correlation that exists between the yen-dollar exchange rate and T-Bond prices. So when the commercial traders of yen futures move to a big net long position, it is a sign that a rebound is coming for T-Bond prices.

This conflicts with what I have been thinking, which is that T-Bond prices should continue to trend downward a lot longer. It is a game changer to see this new evidence. But T-Bonds are going to have to be able to climb above 119-3/4 on a closing basis. That is where T-Bond futures prices bonked on Thursday, and it is also the 1.382 Fibonacci extension level that I have shown in several T-Bond price charts over the past couple of weeks. If bonds cannot rally



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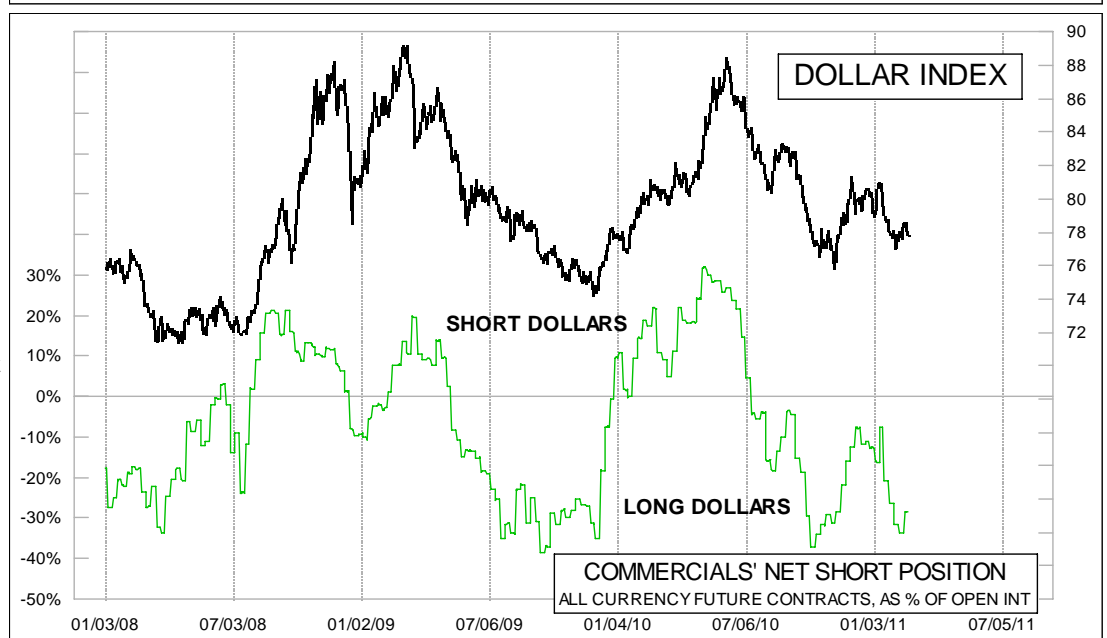
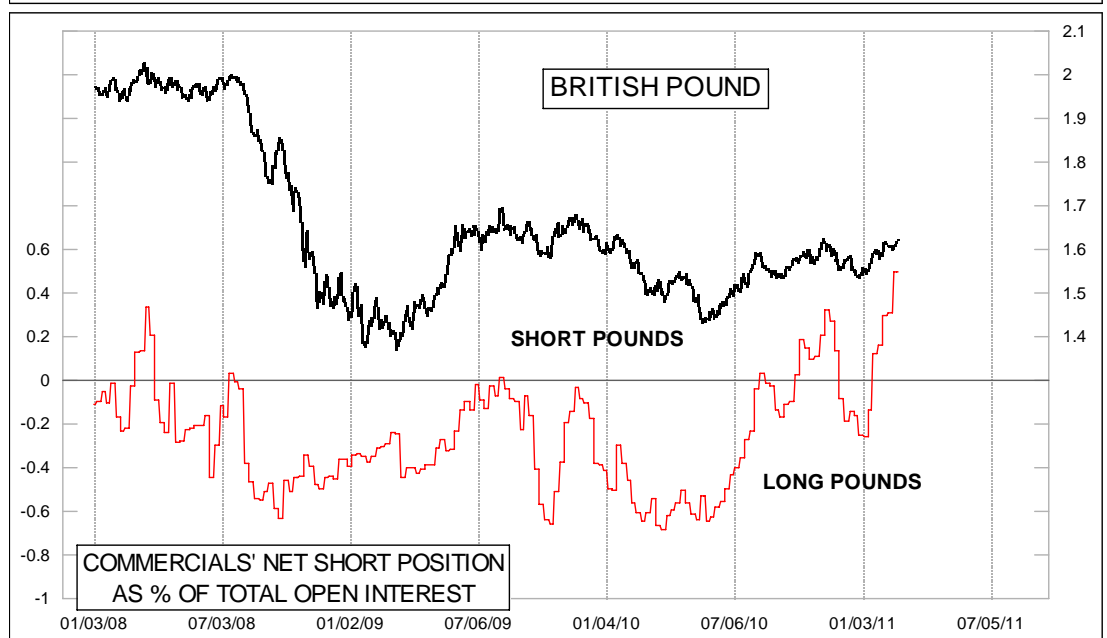
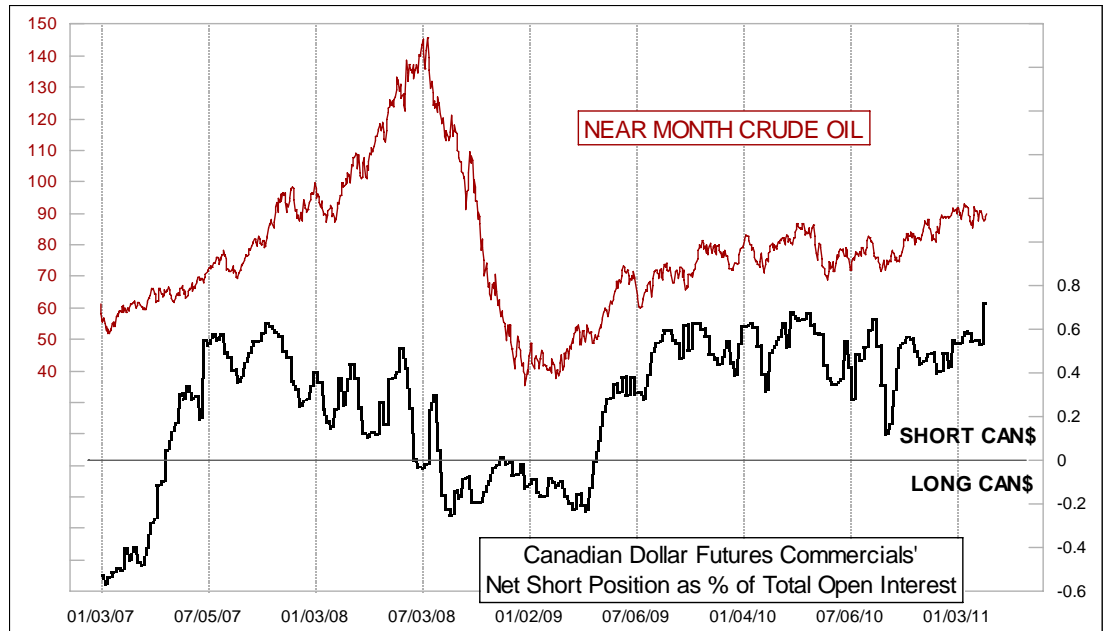
above that resistance, then it is not worth betting on an uptrend.

Another big change in the currency markets was a large spike up in the commercials net short position in the Canadian dollar futures. That is important because the Canadian dollar is very tightly correlated to crude oil prices. A sudden and big jump up in the commercials' net short position is a sign that the big money is looking for a price decline in crude oil, even in spite of the already big discount at which US crude oil prices are trading relative to Brent and other world prices. It seems counterintuitive, but that is what the data say.

The middle chart shows a big jump upward in the commercials' net short position in British pound futures. Unlike the other currencies I have talked about thus far, the pound does not have another market to which its price movements are correlated, like the yen with bonds, or Canadian dollar with oil. So there is no greater point here about any cross relationships. There is just the biggest net short position in the pound in several years. So to our readers in Great Britain, now might be the time to buy your dollars for that spring trip to visit the U.S.

As far as the dollar goes overall, the bottom chart shows my indicator that rolls up all of the different currency futures contained in the COT Report into one indicator, weighted according to the dollar value of each contract. It shows a big net long position in the dollar overall. It takes into account the net long position in the yen mentioned above, which is a net short position for the dollar. It combines that with all of the others, and on balance the commercials are net long the dollar in a pretty big way. That implies that the Dollar Index should head higher, although it is worth pointing out that this indicator can stay down here for a long time while the dollar gets itself ready to actually move higher.

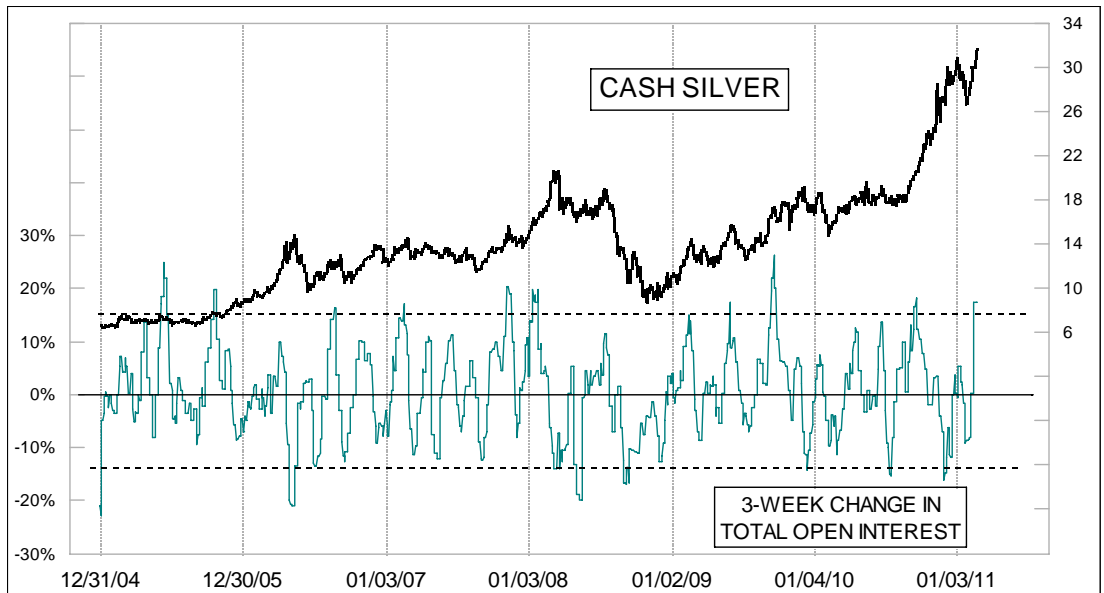
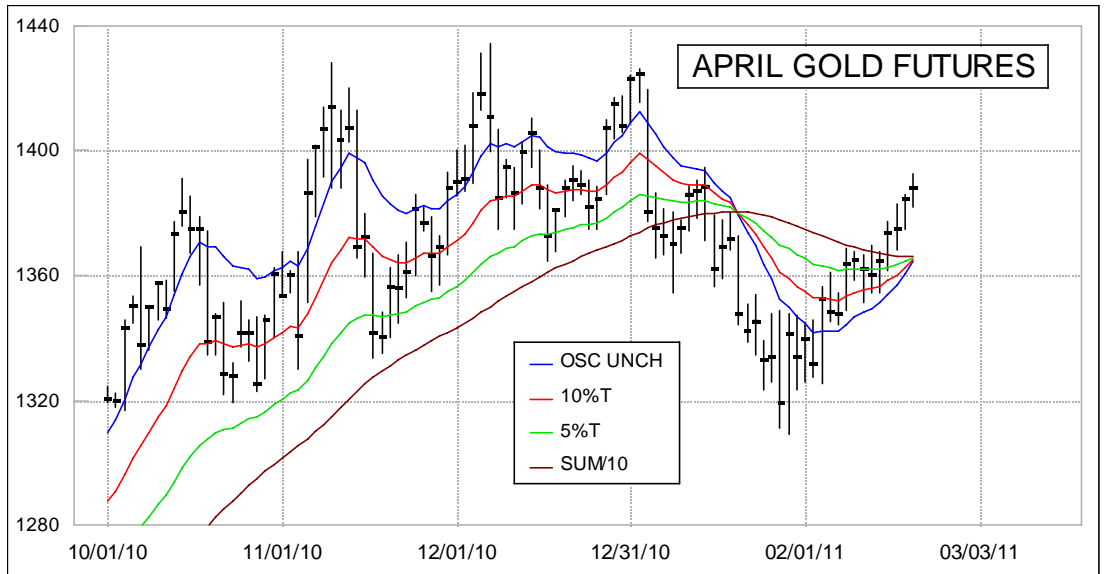
Gold prices continued their rally right into Friday's full moon, thereby completing the



rainbow convergence that I have been talking about. That should be good enough to merit a rest break for gold prices. The typical agenda item for a rest break following a rainbow convergence is a test of the Price Oscillator Unchanged line, which is currently \$24 below Friday's closing price for April futures. But it is also rising at a rate of \$4 per day, so the test of that line can be done vertically by pulling back, or horizontally by waiting for the Price Oscillator Unchanged line to catch up. Or it can be some combination of both price and time.

A successful test of the Price Oscillator Unchanged line should be all that is needed to prepare for the next up leg. Failing to hold support at that line during such a test would be a problematic development.

The final chart shows silver prices, which have jumped up this week even more than gold has. The lower indicator in this chart shows the change in total open interest from 3 weeks ago. It has just spiked up to a pretty high level, and this is important because these high spikes can mark important tops for silver. But they can also mark the initiation of strong new uptrends when they occur after a period of price consolidation. My sense is that this one will be a bit of both, as silver prices pause to rest along with gold, but not in a way that completely halts the uptrend.





Stocks Currently on a "Buy"

Company Name	Symbol	Buy Date	Buy Price	Current Price	% Change
Sina Corp	SINA	9/15/2010	\$45.91	\$85.52	86.28%
TRW Automotive Hld.	TRW	9/24/2010	\$39.02	\$59.53	52.56%
Terex	TEX	11/5/2010	\$24.70	\$38.17	54.53%
Apple	AAPL	12/6/2010	\$320.15	\$350.56	9.50%
Precision Castparts	PCP	12/14/2010	\$139.72	\$148.63	6.38%
General Dynamics	GD	12/14/2010	\$69.98	\$78.11	11.62%
Televest	TLVT	12/14/2010	\$25.81	\$29.92	15.92%
Priceline.com	PCLN	12/16/2010	\$400.28	\$448.86	12.14%
Rockwell Collins	COL	12/17/2010	\$58.33	\$66.86	14.62%
Brightpoint	CELL	12/20/2010	\$9.02	\$12.84	42.35%
Intuitive Surgical	ISRG	12/21/2010	\$270.55	\$340.92	26.01%
Flir Systems	FLIR	12/21/2010	\$28.82	\$32.29	12.04%
Hansen Natural	HANS	12/21/2010	\$53.84	\$57.27	6.37%
Harbin Electric	HRBN	12/30/2010	\$17.30	\$19.14	10.64%
Factset Research Sys	FDS	1/18/2011	\$98.03	\$107.81	9.98%
FMC Technologies	FTI	1/20/2011	\$85.53	\$93.02	8.76%
Alcon	ACL	1/24/2011	\$163.39	\$165.40	1.23%
Corrections Corp of Am	CXW	1/27/2011	\$25.00	\$24.95	-0.20%
Lululemon Athletica	LULU	1/28/2011	\$68.61	\$82.12	19.69%
W.R. Grace	GRA	2/1/2011	\$36.81	\$39.40	7.04%
Petrobras	PBR	2/3/2011	\$38.46	\$37.98	-1.25%
Cognizant Tech Sol	CTSH	2/3/2011	\$74.88	\$77.73	3.81%
Nordstrom	JWN	2/4/2011	\$43.71	\$46.92	7.34%
Joy Global	JOYG	2/7/2011	\$93.99	\$100.03	6.43%
Deckers Outdoors	DECK	2/7/2011	\$82.84	\$90.03	8.68%
Polo Ralph Lauren	RL	2/7/2011	\$113.84	\$127.97	12.41%
Bon-Ton Stores	BONT	2/8/2011	\$13.40	\$16.25	21.27%
Urban Outfitters	URBN	2/8/2011	\$37.06	\$37.78	1.94%
Mosaic	MOS	2/9/2011	\$84.52	\$83.03	-1.76%
Sykes Enterprises	SYKE	2/11/2011	\$20.75	\$20.44	-1.49%
Century Aluminum	CENX	2/16/2011	\$17.38	\$16.98	-2.30%
Medifast	MED	2/17/2011	\$27.41	\$27.15	-0.95%

Recent Sales

Company Name	Symbol	Buy Date	Sell Date	Buy Price	Sale Price	% Change
Valassis Comm	VCI	2/8/2011	2/17/2011	\$33.08	\$31.05	-6.14%
Venoco	VQ	11/16/2010	2/10/2011	\$16.77	\$18.25	8.83%
Express Scripts	ESRX	9/15/2010	2/9/2011	\$46.79	\$57.20	22.25%
Google	GOOG	12/21/2010	2/8/2011	\$603.07	\$618.38	2.54%
Ctrip.com International	CTRP	1/11/2011	2/8/2011	\$46.10	\$41.01	-11.04%
Mosaic	MOS	12/21/2010	2/4/2011	\$69.16	\$82.53	19.33%
Millicom Intl Cellular	MICC	12/15/2010	2/2/2011	\$93.15	\$93.32	0.18%
Petrobras	PBR	12/20/2010	2/2/2011	\$33.93	\$37.91	11.73%
Medco Health Solu	MHS	1/12/2011	1/31/2011	\$64.47	\$61.02	-5.35%
Tenneco	TEN	9/16/2010	1/28/2011	\$26.85	\$41.20	53.45%
Cognizant Tech Sol	CTSH	12/2/2010	1/28/2011	\$69.32	\$71.63	3.33%
Encore Capital	ECPG	12/9/2010	1/28/2011	\$20.89	\$21.97	5.17%
Emeritus	ESC	1/13/2011	1/28/2011	\$20.76	\$18.91	-8.91%
Joy Global	JOYG	11/4/2010	1/25/2011	\$74.24	\$85.09	14.61%
Infosys Tech	INFY	12/6/2010	1/21/2011	\$69.48	\$70.29	1.17%
Alcon	ACL	12/16/2010	1/21/2011	\$162.25	\$162.84	0.36%
WR Grace & Co	GRA	9/3/2010	1/20/2011	\$27.67	\$35.19	27.18%
Blue Coat Systems	BCSI	12/6/2010	1/20/2011	\$28.88	\$28.43	-1.56%
Wipro	WIT	12/16/2010	1/20/2011	\$15.20	\$15.02	-1.18%
F5 Networks	FFIV	1/11/2011	1/20/2011	\$142.65	\$109.15	-23.48%
Century Aluminum	CENX	9/13/2010	1/19/2011	\$11.52	\$15.01	30.30%
Lululemon Athletica	LULU	11/8/2010	1/19/2011	\$49.55	\$68.31	37.86%
Nii Holdings	NIHD	12/13/2010	1/19/2011	\$42.97	\$41.50	-3.42%
Catalyst Health Solu	CHSI	1/12/2011	1/18/2011	\$48.08	\$43.96	-8.57%

Buy and Sell signals are generated by technical indicators often referred to as "directional" indicators. In backtesting, best results were obtained when new positions were taken upon "New Buy" signals, and when stocks that generate a "Sell" were promptly removed from a portfolio. Since many of the stocks in this program carry above average risk, stocks should be bought only by investors financially able to purchase speculative stocks. Investors should be prepared to lose their entire investment and prudence should be displayed when entering a position. Trading based on these signals is available in a managed accounts program through Global Investment Solutions, LLC. For more information on this program, contact Roger Kliminski at 949-660-7960 or Roger@Globalinvestmentsolutions.com.

