

THE McCLELLAN MARKET REPORT

DAILY EDITION

Prepared after the close of trading,
Monday, February 03, 2014

CURRENT OPINIONS

STOCKS: Neutral for short, intermediate, and long term trading styles. The trend has changed, but the market is too oversold.

T-BONDS: Neutral short and intermediate term. Change to short and intermediate term bearish if March T-Bonds close below 132-27/32.

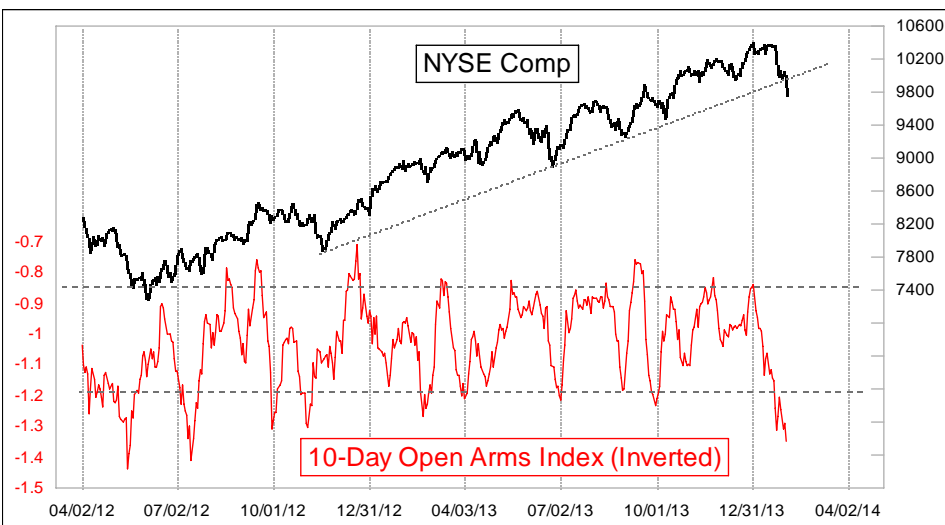
GDM & GOLD: Back to bullish short and intermediate term. I'd feel better once gold breaks its downtrend line.

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

Investors on Monday seemed to take counsel more from the news of currency problems overseas, and less from the supposedly bullish implications of the NFC's team the Seahawks winning the Superbowl. Sorry, Broncos fans, I had to mention that.

The commentary among CNBC guests on Monday seemed to uniformly be that this big breakdown was the start of something even bigger, and we heard several repeats of the old and silly refrain about how a "correction is 10%". That is among the most useless bits of market "wisdom" out there, since it does not say anything about the conditions that actually matter, nor about what is going to happen going forward.

In the first chart, we see that the NYSE Composite has now broken its uptrend line pretty decisively. But at the same time, we have a seriously oversold short term condition which makes me leery about piling onto the bearish bandwagon just yet. I do plan to get aboard, but only after I start hearing the "all-clear" signal among the crowd. That first chart also



Segment	Rank	Score	Current Managed Account Program Positions
Sm Cap Value	5	-4.84%	Stock Optimizer: 100% Cash (from 50% Inv SP500 as of Friday)
Sm Cap Grwth	4	-4.08%	RS2000: 15% 2x Dow, 10% 2x SP500, 20% Trans., 55% Cash
Lg Cap Value	3	-4.03%	Rising Star: 26% Invested, 74% Cash
Lg Cap Grwth	2	-3.45%	Program funds managed by Global Investment Solutions, LLC
Cash	1	0.00%	

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ADV-DECL		ADV	DECL	A-D	10%T	5%T	A-D OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO
NYSE	02/03/14	478	2674	-2196	-266.123	-65.512	-200.611	2150.374	-467	3545
NASDAQ	02/03/14	377	2301	-1924	-364.745	-160.634	-204.111	1230.660	-569	3513
NDQ 100	02/03/14	2	98	-96	-15.944	-6.810	-9.134	14.102	-25	158
VOLUME		UP VOL	DN VOL	UV-DV	10%T	5%T	Volume OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO
NYSE	02/03/14	271295	4395986	-4124691	-776457	-366800	-409657	18905	-1186114	7007019
NASDAQ	02/03/14	241590	2329161	-2087571	-261092	-75848	-185244	908712	-446335	3258538
NDQ 100	02/03/14	15612	839648	-824036	-123461	-57076	-66385	26703	-189846	1137854
PRICES	HIGH	LOW	CLOSE	10%T	5%T	PRICE OSC	OSC Direction	OSC UNCH'd	Sum/10 Level	1%T
DJIA	15708.54	15356.17	15372.80	16026.80	16076.37	-49.573	DOWN	15977.22	16120.99	15415.24
NYComp	9970.29	9732.47	9741.58	10124.21	10152.20	-27.995	DOWN	10096.21	10177.40	9710.74
SP500	1784.83	1739.66	1741.89	1804.18	1806.26	-2.085	DOWN	1802.09	1808.14	1708.90
SP400	1312.63	1264.87	1265.61	1320.53	1319.50	1.029	DOWN	1321.56	1318.57	1243.55
NASDAQ	4113.55	3989.95	3996.96	4122.95	4103.47	19.478	DOWN	4142.42	4085.94	3776.64
NDX	3533.48	3433.64	3440.50	3535.09	3520.46	14.638	DOWN	3549.73	3507.28	3247.54
Russ2000	1130.75	1091.17	1094.58	1142.96	1141.10	1.855	DOWN	1144.81	1139.43	1062.49
GDM	665.71	647.63	648.51	636.72	627.52	9.197	UP	645.91	619.24	740.30
Apr Gold	1266.10	1240.40	1259.90	1246.53	1246.11	0.419	UP	1246.95	1245.73	1336.25
Mar Bonds	135.09	133.44	134.91	132.00	131.17	0.831	UP	132.83	130.42	133.77
DJI Osc Rising Index:		7%	Oversold,Trend Dn			DJI Osc Pos & Rising:		3%	Oversold,Falling	
NDX stocks >100MA:		44	Arms Index:	2.90	VIX: 21.44		Uppr Band:	16.11	Lwr Band: 12.26	

shows that the 10-day Open Arms Index is at a level showing a seriously oversold market condition.

The Open Arms is Peter Eliades' modification to Richard Arms' original index, which compares the A/D ratio to the Up/Down Volume ratio. Peter's version sums all of the numbers for each data series over the last 10 trading days, and then calculates that ratio. It is a different way of smoothing than just using a 10-day moving average. Monday's extreme reading was helped quite a bit by the raw daily reading of 2.90, which occurred thanks to a much bigger UV/DV ratio (in the denominator) than the A/D ratio. Daily readings above 2.0 are usually associated with short term bottom indications.

We also have an extreme condition in the VIX now. Anyone who lived through the late 1990s might not think that the VIX at 21 is extreme, but it is when compared to recent action. It was down in the 12s less than 2 weeks ago.

The indicator in the top chart on page 2 is one way of showing this. The indicator measures the VIX's distance from its own 50-day moving average, but expressed in units of standard deviations. It is also inverted for display here, so that oversold conditions can be reflected as a low chart reading. Monday's reading is -3.8, meaning that this is a nearly 4-sigma event.

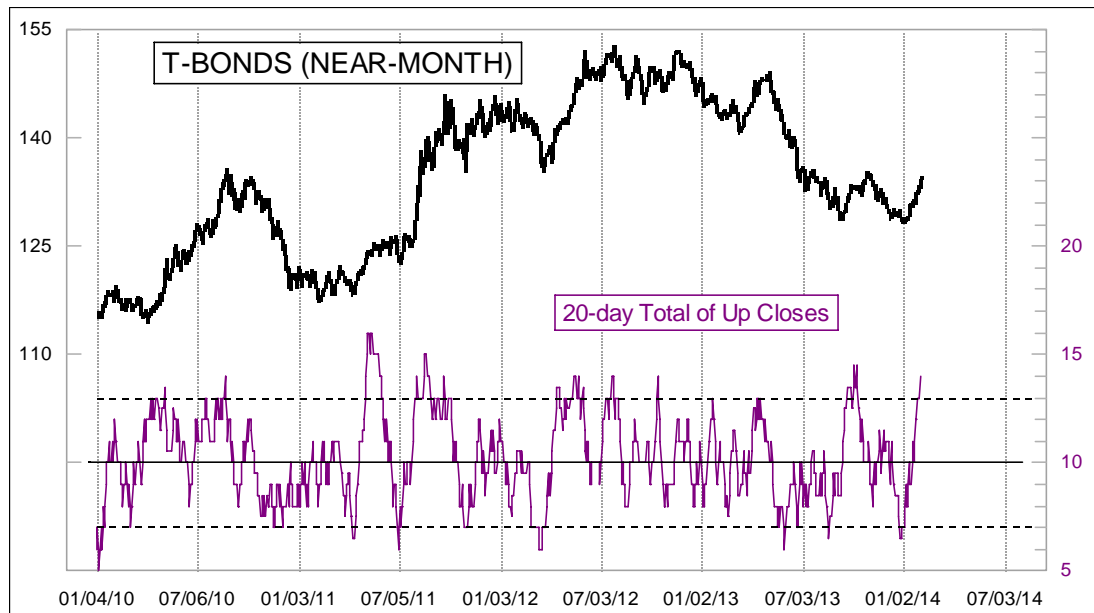
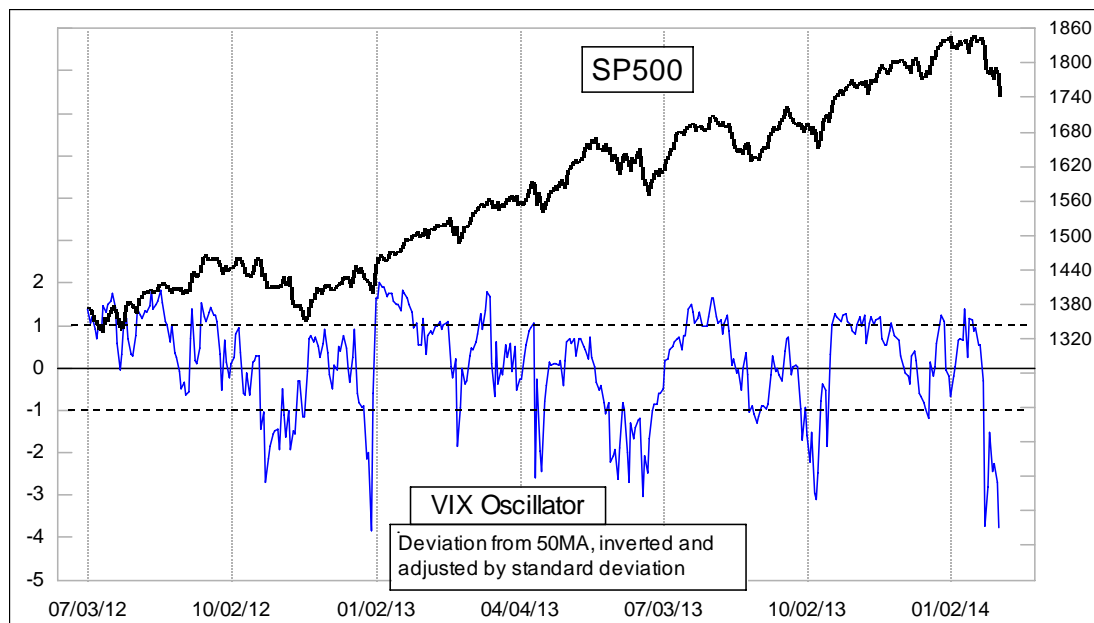
In the standard understanding of statistics, a 4-sigma event should be exceedingly rare. But that assumes a constant standard deviation over the entire population. In stock market data, volatility waxes and wanes, even in the volatility of the VIX. So getting to a 4-sigma event is not as hard if you have a nice quiet topping period first to pull down that standard deviation number.

The 1929 topping scenario still appears to be working, and still appears useful as an explanation of what still lies ahead. In other words, there is more ugliness ahead. First, however, I believe that we will see a rebound from this very oversold condition.

T-Bonds rose again, and are overbought now by just about any measure. The lower chart on page 2 shows a very simple indicator that just measures how many times over the last 20 trading days that bond prices have closed higher. Readings below 7 or above 13 mark extremes for this indicator. The current reading is 14, which is pretty rare.

Sometimes these high readings can appear at the initiation of a strong new uptrend. At other times, they mark an overbought reaction within an continuing downtrend. This rally in bonds has been a big surprise to many, who thought that the "taper" would take away demand from the bond market. But that

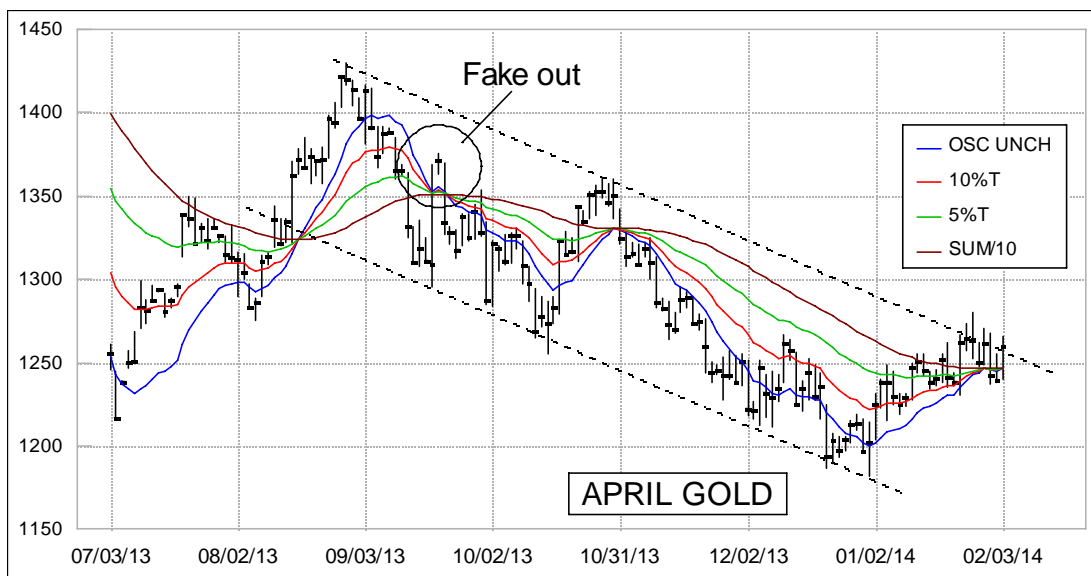
lost Fed purchasing power has been replaced, for the moment, by demand arising from economic fear. That type of demand



can go away quickly, but it is still here now. At the point when we get a downturn sufficient to turn the Price Oscillator downward, I'll want to bet with the bears.

Gold rebounded on Monday after what now appears to have been a fake out dip last week. Having that dip occur right around the time of the rainbow convergence which I was watching for caused a great deal of confusion. It is reminiscent of a similar fake out which is highlighted in the chart. That also occurred right around the time of a rainbow convergence, albeit one forming in the opposite direction for prices.

Gold is still hovering right around its declining tops line, seemingly unwilling to make the commitment. Silver looks worse, and is not confirming the strength that we have been seeing in gold. But that just may be a sign that the speculators (who get more excited about silver) are not the ones driving this recent rally. That can be a positive sign, because there can be a lot more excitement once the speculators finally do start arriving.



Stocks Currently on a "Buy"

Company Name	Symbol	Buy Date	Buy Price	Current	% Change
Western Digital	WDC	10/11/2013	\$66.73	\$83.50	25.13%
Express Scripts	ESRX	11/7/2013	\$64.08	\$74.15	15.71%
Wynn Resorts	WYNN	12/5/2013	\$171.41	\$209.47	22.20%
Century Aluminum	CENX	12/16/2013	\$9.29	\$11.50	23.79%
Catamaran	CTRX	12/24/2013	\$48.23	\$47.50	-1.51%
Rockwell Collins	COL	12/26/2013	\$74.04	\$74.57	0.72%
Verifone	PAY	12/30/2013	\$25.92	\$27.77	7.14%
Flir Systems	FLIR	12/31/2013	\$30.10	\$30.75	2.16%
Emeritus	ESC	1/10/2014	\$22.26	\$21.27	-4.45%
Medifast	MED	1/21/2014	\$27.03	\$26.69	-1.26%
Corrections Corp	CXW	1/21/2014	\$34.19	\$32.64	-4.53%
Netflix	NFLX	1/23/2014	\$388.72	\$404.38	4.03%
Google	GOOG	1/31/2014	\$1,180.97	\$1,133.43	-4.03%

Recent Sales

Company Name	Symbol	Buy Date	Sell Date	Buy Price	Sale Price	% Change
Dana Holding	DAN	1/9/2014	2/3/2014	\$19.90	\$18.22	-8.44%
Priceline	PCLN	1/21/2014	2/3/2014	\$1,205.95	\$1,113.49	-7.67%
Monster Beverage	MNST	11/26/2013	1/31/2014	\$58.80	\$67.90	15.48%
Ford Motor	F	1/27/2014	1/31/2014	\$15.71	\$14.95	-4.84%
Cree	CREE	12/13/2013	1/30/2014	\$56.07	\$62.58	11.61%
Google	GOOG	10/18/2013	1/29/2014	\$1,011.65	\$1,106.92	9.42%
Mosaic	MOS	1/14/2014	1/29/2014	\$48.04	\$44.68	-6.99%
Cognizant Tech	CTSH	9/4/2013	1/28/2014	\$75.70	\$96.75	27.81%
Avis Budget Group	CAR	10/31/2013	1/28/2014	\$31.33	\$38.35	22.41%
Wyndham Worldwide	WYN	10/18/2014	1/28/2014	\$64.20	\$72.77	13.35%
Impax Labs	IPXL	11/1/2013	1/27/2014	\$20.89	\$23.16	10.87%
Rackspace Hosting	RAX	1/9/2014	1/27/2014	\$36.16	\$35.84	-0.88%
W. R. Grace	GRA	1/10/2014	1/27/2014	\$97.39	\$92.89	-4.62%
Mercadolibre	MELI	1/21/2014	1/27/2014	\$105.06	\$95.27	-9.32%
Trw Automotive	TRW	1/21/2014	1/27/2014	\$75.67	\$73.12	-3.37%
Terex	TEX	9/16/2013	1/24/2014	\$33.07	\$37.92	14.67%
Las Vegas Sands	LVS	11/27/2013	1/24/2014	\$71.55	\$73.91	3.30%
Precision Castparts	PCP	12/2/2013	1/24/2014	\$257.78	\$255.46	-0.90%
Tenneco	TEN	1/21/2014	1/24/2014	\$57.31	\$53.78	-6.16%
Tata Motors	TTM	1/23/2014	1/24/2014	\$30.47	\$28.84	-5.35%
Baidu	BIDU	12/3/2013	1/23/2014	\$167.05	\$163.58	-2.08%
Freeport McMoran	FCX	12/26/2013	1/23/2014	\$36.96	\$33.68	-8.87%
Fmc Technologies	FTI	12/9/2013	1/22/2014	\$50.98	\$51.59	1.20%
Tata Motors	TTM	1/17/2014	1/22/2014	\$30.29	\$31.33	3.43%

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, see http://www.mcoscillator.com/market_reports/rising_star_stocks.html or contact Roger Kliminski at 949-660-7960 or Roger@Globalinvestmentsolutions.com.

