

THE McCLELLAN MARKET REPORT

DAILY EDITION

Prepared after the close of trading,
Friday, March 07, 2014

CURRENT OPINIONS

STOCKS: Neutral for short, intermediate, and long term trading styles. Change to bearish for all trading styles if the NYSE sees more than 272 net declining issues at the close on Monday.

T-BONDS: Neutral short term, bullish intermediate term. Change to short term bullish again if June T-Bonds close back above 131-30/32 (10% Trend).

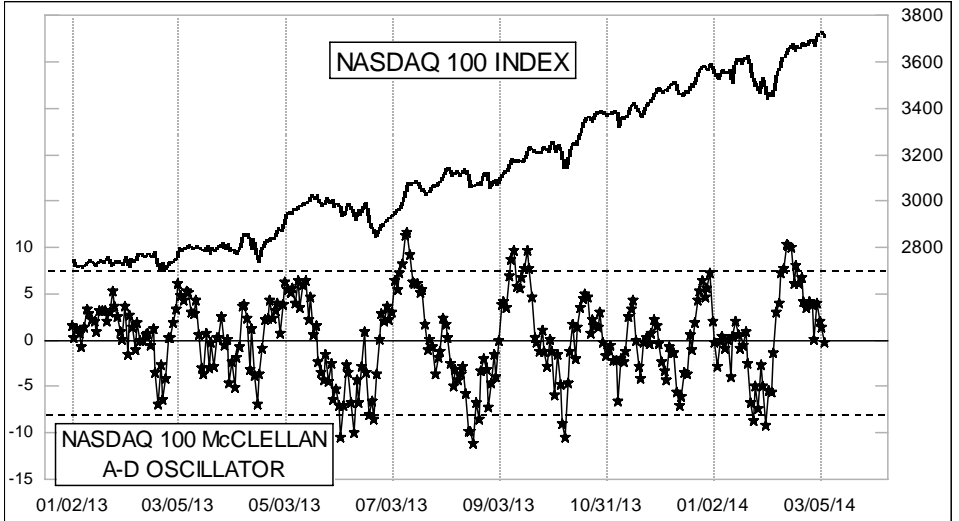
GDM & GOLD: Bullish short and intermediate term, but now less cautious. Change to short and intermediate term neutral if April gold closes below \$1321.10 (10% Trend).

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

There still is no great downturn, although some chinks in the armor are now starting to show. The DJIA made a higher close on Friday, which keeps everyone bullish, but the NYSE actually saw more declining issues than advancing ones. The NYSE did not see enough net declines on Friday to get the NYSE's McClellan A-D Oscillator down through the zero line.

But we did see that happen for the stocks which make up the Nasdaq 100 Index, as seen in the first chart. The NDX has been leading the way upward during the past year, and even during the rebound off of the Feb. 3 low that turned into a breakout move.

But now the message is that the market leading stocks which make up the Nasdaq's varsity index are saying that there is a problem. I wrote in my Chart In Focus series this week about how a declining number of these component stocks are above their 100-day moving averages. And now both the A-D and Volume Oscillators have fallen down through zero, although admittedly not by very



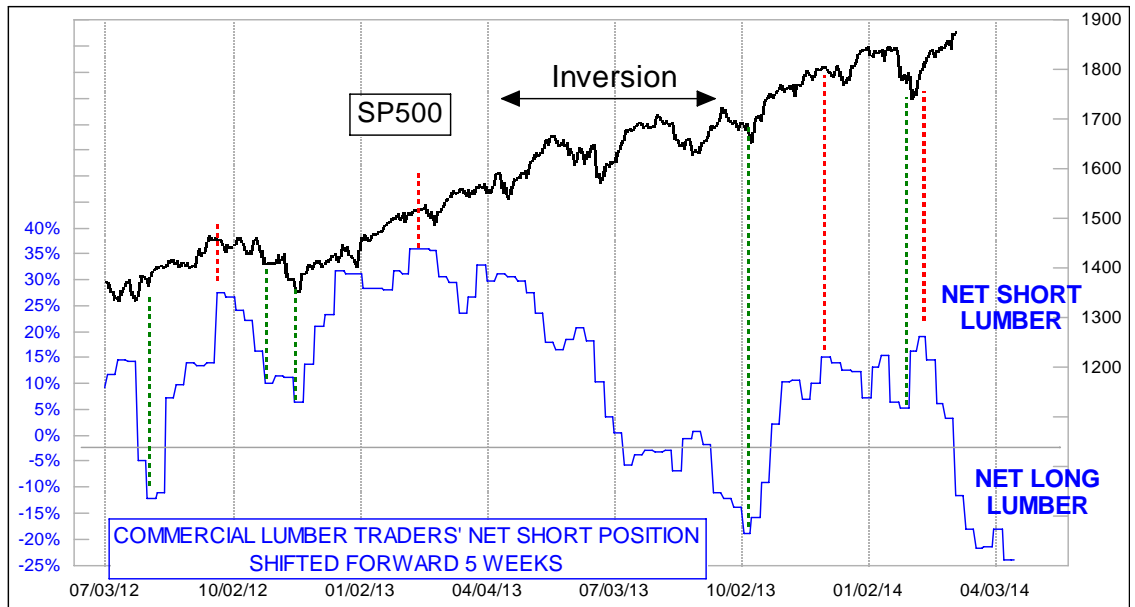
Segment	Rank	Score	Current Managed Account Program Positions		
Sm Cap Value	2	3.96%	Stock Optimizer: 100% Cash		
Sm Cap Grwth	1	4.23%	RS2000: 18% 2x Inv Russ2000, 30% Biotech, 52% Cash		
Lg Cap Value	4	2.58%	Rising Star: 80% Invested, 20% Cash		
Lg Cap Grwth	3	2.67%	Program funds managed by Global Investment 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	03/07/14	1331	1796	-465	390.743	355.856	34.887	4244.573	426	-272
NASDAQ	03/07/14	1277	1325	-48	215.669	165.327	50.342	2200.196	266	-741
NDQ 100	03/07/14	40	59	-19	10.087	10.291	-0.203	104.734	10	14
VOLUME	UP VOL	DN VOL	UV-DV	10%T	5%T	Volume OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO	
NYSE	03/07/14	1525148	2009128	-483980	434349	320473	113876	2179839	548225	-1729303
NASDAQ	03/07/14	982683	1144211	-161528	222662	202347	20315	1840631	242977	-163327
NDQ 100	03/07/14	158803	381126	-222322	5898	18129	-12231	291369	-6333	238288
PRICES	HIGH	LOW	CLOSE	10%T	5%T	PRICE OSC	OSC Direction	OSC UNCH'd	Sum/10 Level	1%T
DJIA	16505.70	16398.86	16452.72	16207.14	16129.94	77.200	UP	16284.34	16060.46	15554.13
NYComp	10550.24	10475.85	10511.91	10348.59	10267.85	80.738	UP	10429.33	10195.19	9826.49
SP500	1883.57	1870.56	1878.04	1847.02	1831.14	15.883	UP	1862.91	1816.85	1734.70
SP400	1391.72	1383.19	1388.95	1361.99	1345.71	16.281	UP	1378.27	1331.06	1265.37
NASDAQ	4371.39	4319.15	4336.22	4275.64	4216.41	59.236	UP	4334.88	4163.10	3873.05
NDX	3737.36	3686.94	3703.40	3666.99	3619.42	47.569	DOWN	3714.56	3576.61	3330.01
Russ2000	1210.58	1199.06	1203.32	1175.47	1160.34	15.133	UP	1190.61	1146.72	1082.64
GDM	742.45	722.85	727.90	716.13	690.50	25.637	DOWN	741.77	667.42	734.61
Apr Gold	1353.20	1326.60	1338.20	1321.05	1297.90	23.147	DOWN	1344.19	1277.07	1331.60
Mar Bonds	132.09	130.63	131.16	131.93	131.03	0.895	DOWN	132.82	130.23	114.23
DJI Osc Rising Index:		87%	Overbought, Trend Up		DJI Osc Pos & Rising:		43%	Neutral, Rising		
NDX stocks >100MA:		76	Arms Index: 0.98		VIX: 14.11		Uppr Band: 16.71		Lwr Band: 12.48	

much. I see it as a potentially faulty early warning sign, but a sign nonetheless.

So far the stock market has not started downward as the leading indication in the top chart on page 2 says should happen. It sometimes has happened that stock prices hang around up at a high level longer than they should, and then fall extra hard in order to make up for lost time.

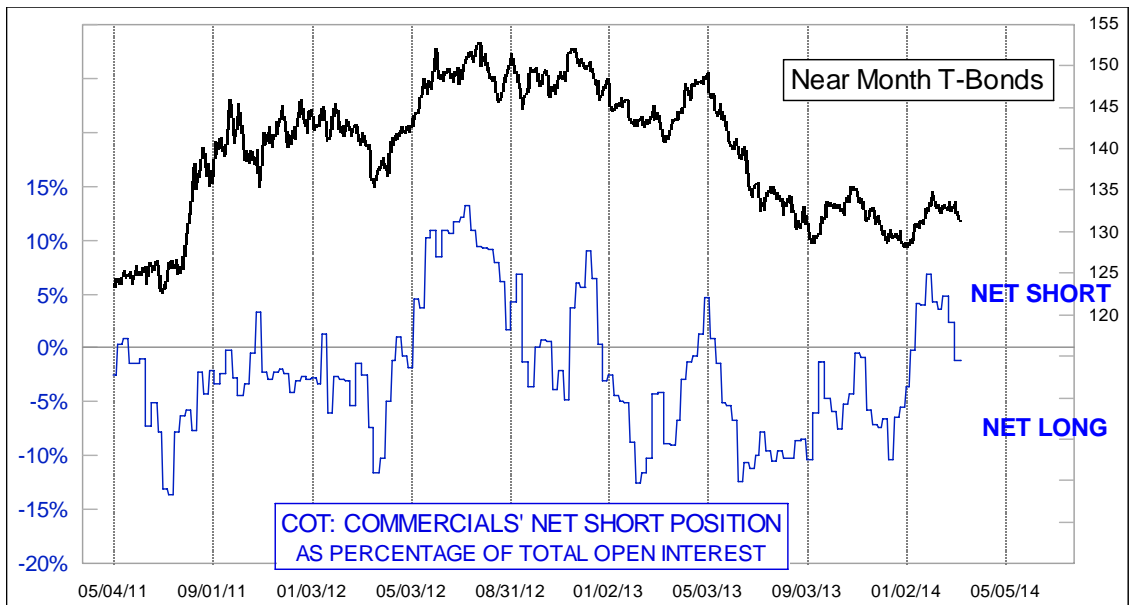
But it has also happened that the market can invert from this forecasted pattern, as we learned quite clearly last summer. Which way it is going to turn out this time is still in doubt, of course, and we'll know the answer in a few months. But unfortunately we don't get to trade in retrospect.



I have not been able to construct a reasonable argument for chasing this rebound, but neither can I tolerate going bearish while Price Oscillators are still rising and breadth oscillators are still positive. There are times when that set of conditions have appeared at a time that was a good time to turn bearish. But on the whole, betting with the bears during that condition has not been a profitable strategy. It is better to wait for that condition to change.

T-Bonds had a negative reaction to the monthly jobs report, a report which had something for everyone to love or hate, but which still tipped the bond market in the bears' favor. Total nonfarm payrolls grew by 175,000, but the number of employed persons only grew by 42,000. Only a statistician could explain how that math works. Unemployment jumped up from 6.6% to 6.7%.

But bond traders still managed to find that as bad news, and futures prices fell by more than half a point. This was also in spite of a big drop in copper prices, which I will discuss below.



The lower chart on page 2 shows that commercial traders of T-Bond futures have flipped over to the net long side, but just barely. They are still pretty close to neutral, meaning that the price is free to tip easily in either direction without the elastic effect constraining such movement. Interestingly, the picture looks different for the non-reportable (small speculator) traders of T-Bond futures, as well as for both categories of traders of 10-year T-Note futures. But the T-Bond commercials' picture is making more sense relative to the price data, and so I am figuring that it is more worthy of listening to.

It is peculiar to see bond prices declining on the same day as a big drop in **copper** prices. Copper is supposed to be the most economically-sensitive of the commodities, and so to see spot copper prices drop by 12 cents in a single day could be interpreted by some people as a sign that the economy is headed down the drain. The top chart on page 3 shows that this drop

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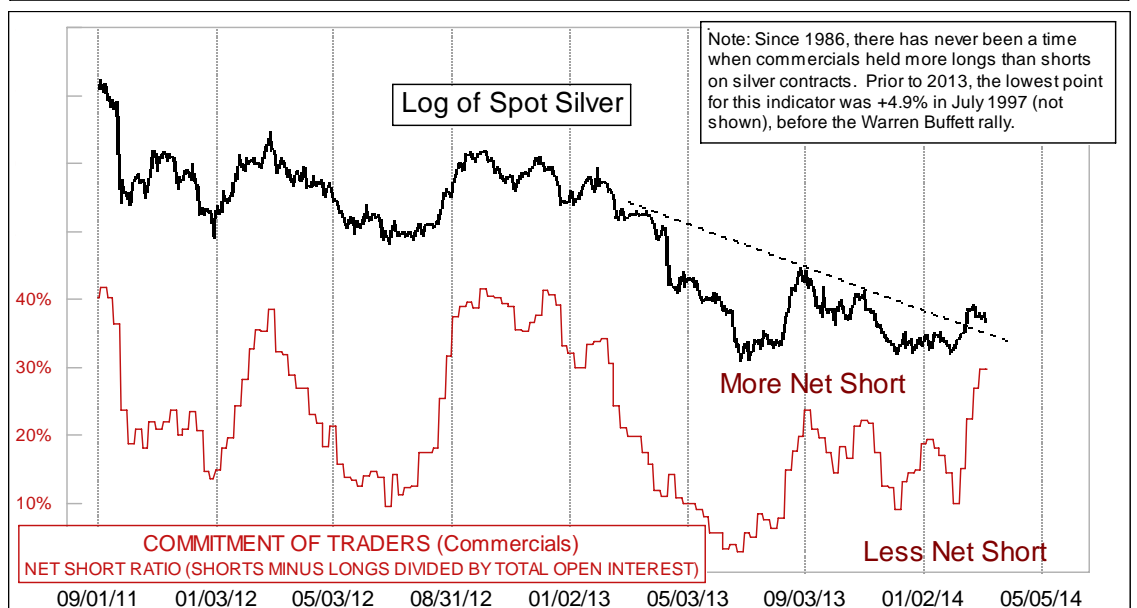
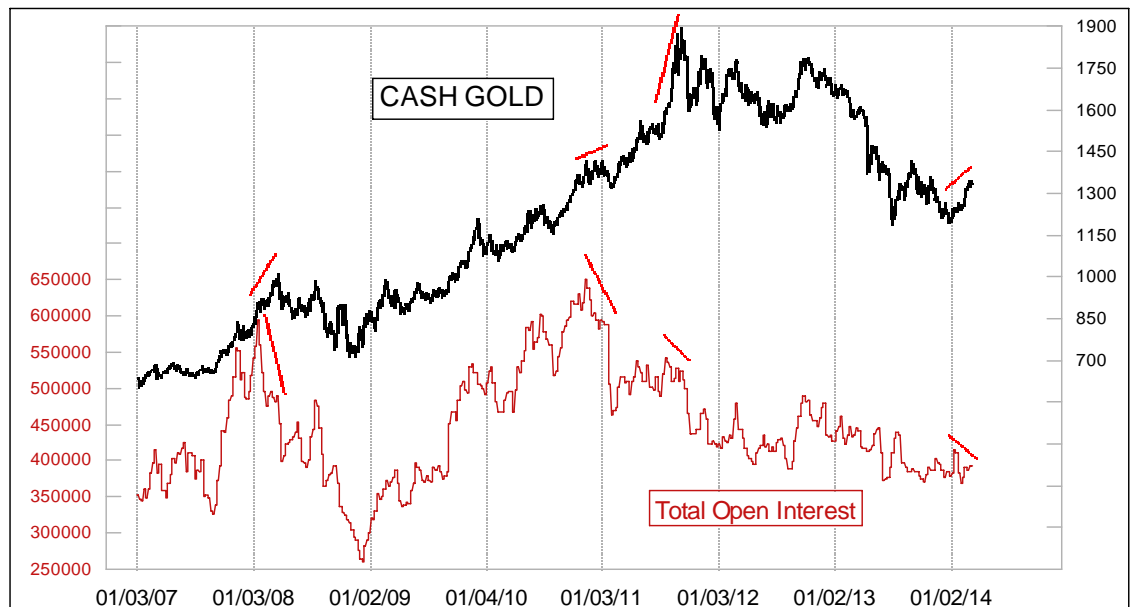
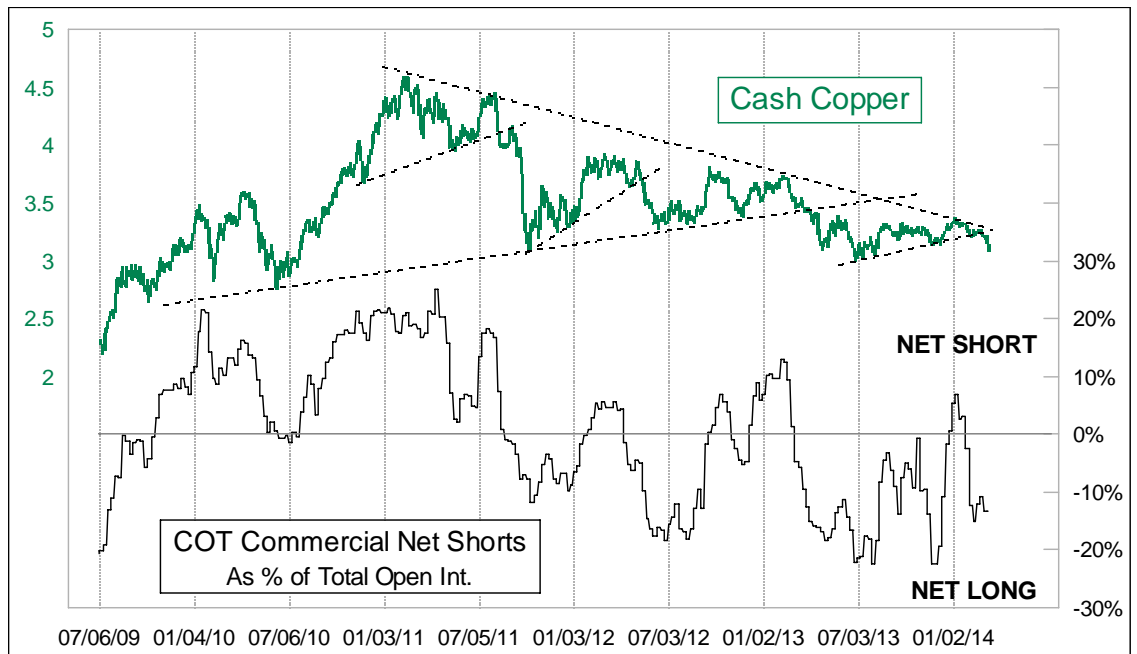
in copper prices takes the price plot down through the 8-month rising bottoms line. Such trendline breaks in the past have led to meaningful drops for copper prices, and so it would be hard to rule that out now unless copper suddenly reverses higher.

The chart also shows that commercial copper futures traders are net long, and got a tiny bit more so this week. But they are not at such a lopsided net long position that it would mandate an immediate upturn. In other words, there is room for the rubber band to get more stretched as copper fulfills the bearish message of the uptrend line break by moving more to the downside.

Gold and silver fell in sympathy with copper prices. This is starting to look troubling. The middle chart shows that total open interest in gold futures is not (yet) confirming the up move off of the Dec. 2013 bottom. Normally such a confirmation would take the form of open interest advancing right along with gold prices, but instead we are seeing open interest making a lower high, like several non-confirmations in the past that led to meaningful declines.

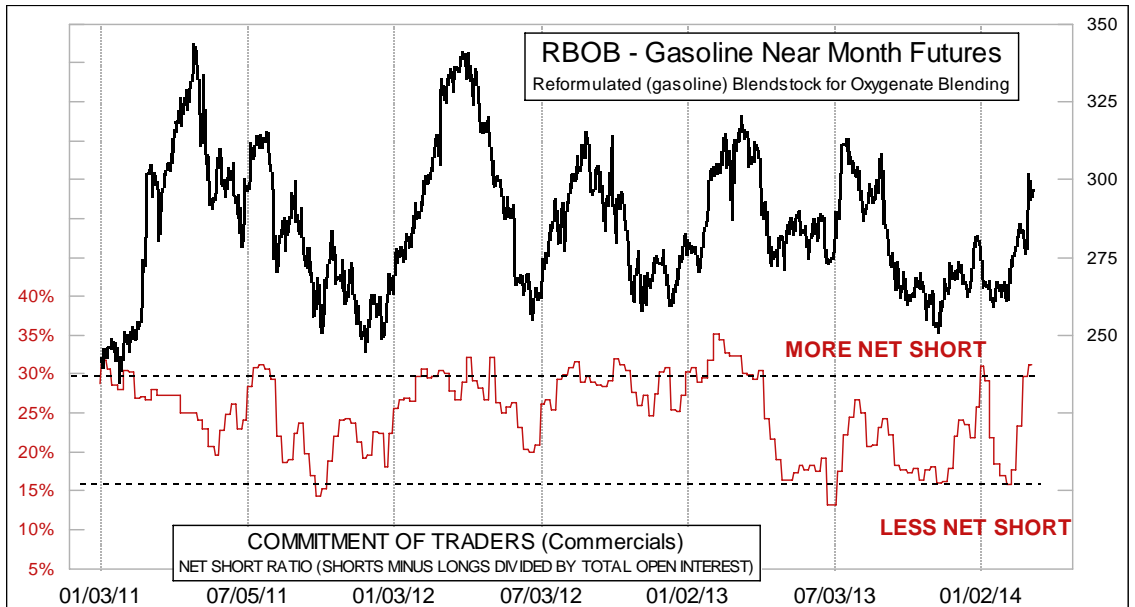
Gold could still turn this around, and possibly get up above the \$1420 that marked the top last year which gold needs to exceed in order to avoid a condition of “left translation” for the 13-1/2 month cycle (as discussed in our twice monthly *McClellan Market Report* newsletter).

But the situation does not look favorable for such an outcome according to the COT data for silver futures. The commercials jumped up this week to an even higher net short position, the highest in a year. Silver has not prosecuted the breakout above the declining tops line, and instead it is giving all appearances of stalling out and heading back down. Silver has not yet fallen back down below that declining tops line, but it



is not looking good for a continuation of the breakout above that line with the commercial traders now betting so emphatically against it happening, and with gold's open interest seeming to show an underwhelming degree of confirmation.

The final chart shows the COT situation for **RBOB gasoline** futures, which have seen a pretty substantial price rise over the past month. But there has been an equally impressive rise in the commercial traders' net short position, back up to the sort of high reading that typically marks tops for gasoline prices. So whether it is worries about Russia and oil, or about the Keystone pipeline, or some other excuse, gasoline prices appear to have outrun their ability be supported in that run.



Final Thought: Friday was declared to be the “National Day of Unplugging”, so declared by the very important folks at the “Reboot network”. The whole idea is that we are supposed to unplug from our electronic devices, email, Twitter, Facebook, etc. Not surprisingly, the effort to get everyone to participate (by not participating) was highly promoted... on email, Twitter, Facebook....

If it ever came up, I would be a big supporter of a National “No National Day of Anything” Day. But like the mythical meeting of the Procrastinators’ Club which was postponed, there probably is not a critical mass of people anxious to support such a disorganization.

Stocks Currently on a "Buy"

Company Name	Symbol	Buy Date	Buy Price	Current	% Change
Express Scripts	ESRX	11/7/2013	\$64.08	\$78.30	22.19%
Wynn Resorts	WYNN	12/5/2013	\$171.41	\$246.65	43.89%
Netflix	NFLX	1/23/2014	\$388.72	\$448.37	15.35%
Google	GOOG	1/31/2014	\$1,180.97	\$1,214.79	2.86%
Monster Beverage	MNST	2/10/2014	\$70.69	\$73.39	3.82%
Gulfport Energy	GPOR	2/10/2014	\$58.68	\$64.02	9.10%
Priceline	PCLN	2/11/2014	\$1,213.93	\$1,358.04	11.87%
Terex	TEX	2/12/2014	\$43.88	\$44.25	0.84%
Tenneco	TEN	2/12/2014	\$57.23	\$62.18	8.65%
Ctrip.com	CTRP	2/13/2014	\$45.99	\$52.59	14.35%
Trw Automotive	TRW	2/14/2014	\$79.81	\$82.62	3.52%
W. R. Grace	GRA	2/14/2014	\$98.70	\$103.01	4.37%
Tata Motors	TTM	2/14/2014	\$32.27	\$34.01	5.39%
Rockwell Collins	COL	2/19/2014	\$78.80	\$82.18	4.29%
Lululemon	LULU	2/19/2014	\$51.21	\$49.61	-3.12%
Dana Holding	DAN	2/20/2014	\$21.32	\$22.15	3.89%
Avis Budget Group	CAR	2/20/2014	\$43.61	\$48.34	10.85%
Baidu	BIDU	2/20/2014	\$173.90	\$182.04	4.68%
Cognizant Tech	CTSH	2/21/2014	\$102.73	\$107.22	4.37%
Impax Labs	IPXL	2/21/2014	\$25.77	\$27.45	6.52%
Las Vegas Sands	LVS	2/24/2014	\$84.41	\$87.03	3.10%
Sina Corp	SINA	2/25/2014	\$68.98	\$72.41	4.97%
Mosaic	MOS	2/26/2014	\$48.13	\$49.73	3.32%
Nordstrom	JWN	2/26/2014	\$60.92	\$62.41	2.45%
Western Digital	WDC	2/27/2014	\$88.42	\$84.25	-4.72%
Bon-Ton Stores	BONT	2/27/2014	\$10.53	\$11.25	6.84%
FMC Technologies	FTI	2/27/2014	\$49.99	\$53.27	6.56%
Mercadolibre	MELI	2/28/2014	\$104.18	\$101.18	-2.88%
Flir Systems	FLIR	2/28/2014	\$34.14	\$35.18	3.05%
Air Methods	AIRM	2/28/2014	\$54.02	\$53.87	-0.28%
MasterCard	MA	2/28/2014	\$77.72	\$77.94	0.28%
Freeport McMoran	FCX	3/3/2014	\$32.83	\$32.19	-1.95%
Precision Castparts	PCP	3/3/2014	\$256.04	\$262.96	2.70%
Cree	CREE	3/3/2014	\$59.47	\$59.54	0.12%
Petrobras	PBR	3/4/2014	\$11.09	\$10.90	-1.71%
Wyndham Worldwide	WYN	3/4/2014	\$74.65	\$75.70	1.41%
Century Aluminum	CENX	3/4/2014	\$12.19	\$12.51	2.63%
Verifone	PAY	3/4/2014	\$30.08	\$29.50	-1.93%

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@Globalinvestsolutions.com.

Stocks Currently on a "Buy"

Company Name	Symbol	Buy Date	Buy Price	Current	% Change
Corrections Corp	CXW	3/5/2014	\$33.88	\$33.32	-1.65%
Apple	AAPL	3/5/2014	\$532.36	\$530.44	-0.36%

Recent Sales

Company Name	Symbol	Buy Date	Sell Date	Buy Price	Sale Price	% Change
Deckers Outdoor	DECK	2/20/2014	2/28/2014	\$85.56	\$74.35	-13.10%
Pier 1 Imports	PIR	2/19/2014	2/28/2014	\$18.78	\$18.92	0.75%
Catamaran	CTRX	12/24/2013	2/27/2014	\$48.23	\$46.17	-4.27%
Medifast	MED	1/21/2014	2/26/2014	\$27.03	\$26.85	-0.67%
Century Aluminum	CENX	12/16/2013	2/25/2014	\$9.29	\$11.36	22.28%
Verifone	PAY	12/30/2013	2/19/2014	\$25.92	\$28.56	10.19%
Flir Systems	FLIR	12/31/2013	2/13/2014	\$30.10	\$30.95	2.82%
Rockwell Collins	COL	12/26/2013	2/11/2014	\$74.04	\$77.02	4.02%
Rackspace Hosting	RAX	2/7/2014	2/11/2014	\$39.51	\$32.65	-17.36%
Corrections Corp	CXW	1/21/2014	2/10/2014	\$34.19	\$31.67	-7.37%
Emeritus	ESC	1/10/2014	2/6/2014	\$22.26	\$21.89	-1.66%
Western Digital	WDC	10/11/2013	2/5/2014	\$66.73	\$82.74	23.99%

