

THE McCLELLAN MARKET REPORT

DAILY EDITION

Prepared after the close of trading,
Monday, December 11, 2006

CURRENT OPINIONS

STOCKS: Bullish short, intermediate, and long term. Change to short term neutral if the SP500 closes below 1400.

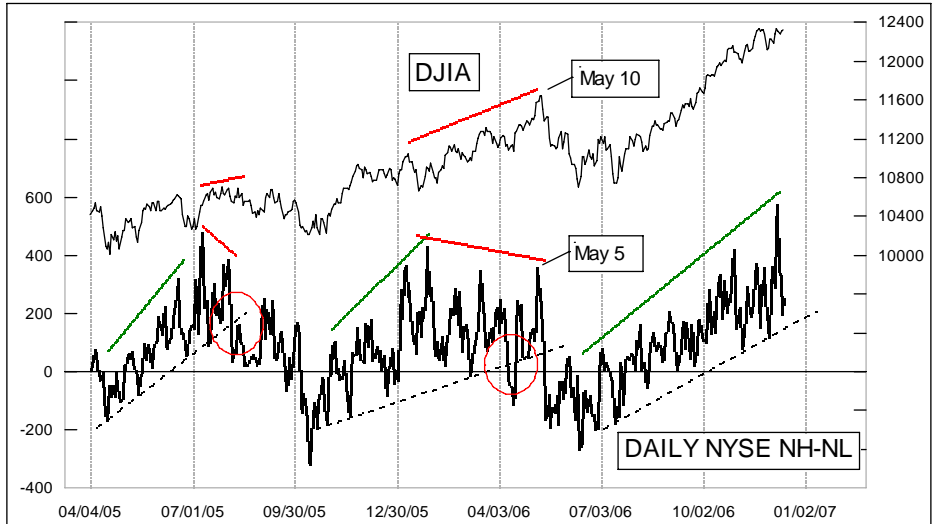
T-BONDS: Bullish short and intermediate term. Change to short and intermediate term neutral if the March T-Bond contract closes below 113-08/32.

GDM & GOLD: Neutral short and intermediate term. Change back to short and intermediate term bullish if February gold closes above \$643.20/oz. Change to short and intermediate term bearish if the GDM Index closes below 1080.

The market action on Monday did not really give us all that much to talk about. There were some moderately green numbers on the quote screen, and 634 more advancing issues than declining ones on the NYSE.

There is an issue which we have not discussed for a while, which Monday's quiet action gives us the chance to revisit. The NYSE has been seeing a generally rising trend in the daily difference between the numbers of issues making new highs (NH) and new lows (NL). It should be understood that for statistical purposes when analysts speak of new highs or new lows, they are most often speaking of a 52-week lookback period, as opposed to all-time records for prices.

On Dec. 5, according to the *Wall Street Journal's* numbers, there were 585 issues making new 52-week highs versus only 8 making new lows, a difference of 577. That is a pretty big number, and the most immediate importance of it is that it says the uptrend is not done. Important highs for the major averages usually arrive with a divergent condition in

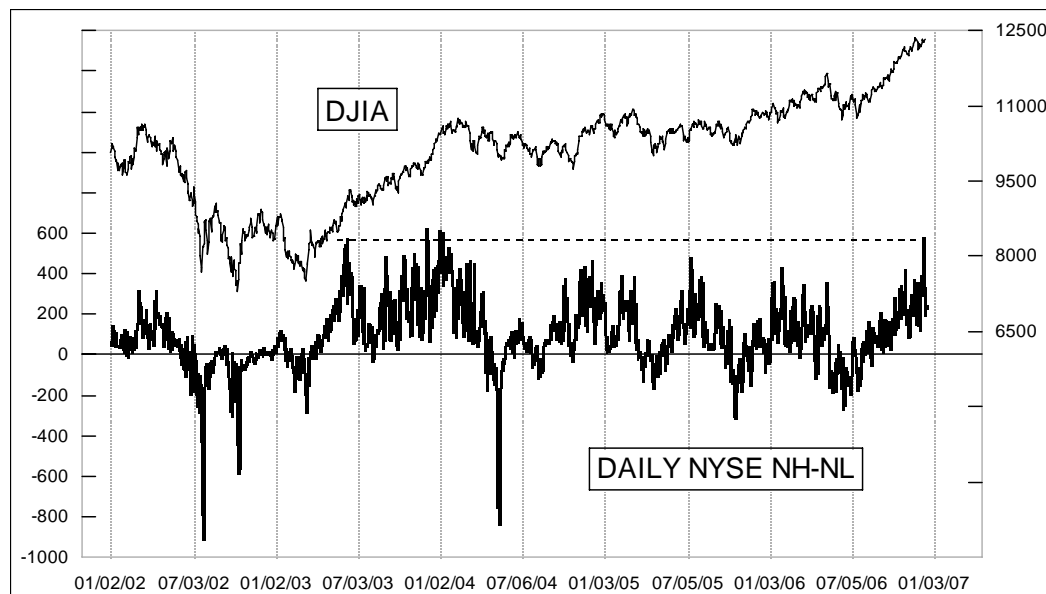


Segment	Rank	Score	Current Managed Account Program Positions		
Sm Cap Value	3	1.78%	Stock Optimizer: 35% SP500 Adv, 65% R-2000 Adv		
Sm Cap Grwth	2	2.01%	Equity Allocation: 100% IWM (Russell 2000 ETF)		
Lg Cap Value	1	2.22%	RS 2000: 35% Russ2000 Advntg, 35% Invrs SP500, 30% Cash		
Lg Cap Grwth	4	1.57%	Program funds managed by Global Investment Solutions, LLC		
Cash	5	0.00%	For more information, call (800) 440-7283		

ADV-DECL	ADV	DECL	A-D	10%T	5%T	A-D OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO					
NYSE	12/11/06	1975	1341	634	361.953	367.477	-5.523	4724.48	356	467				
NASDAQ	12/11/06	1574	1500	74	-0.279	34.330	-34.609	1654.79	-35	657				
NDQ 100	12/11/06	56	42	14	0.691	2.482	-1.791	40.94	-1	35				
VOLUME	UP VOL	DN VOL	UV-DV	10%T	5%T	Volume OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO					
NYSE	12/11/06	712784	575506	137278	128543	133287	-4744	1375571	123799	218683				
NASDAQ	12/11/06	1019851	678192	341659	113131	145116	-31986	1739037	81145	720862				
NDQ 100	12/11/06	504361	158466	345895	37948	56917	-18970	739901	18978	398373				
PRICES	HIGH	LOW	CLOSE	10%T	5%T	Price OSC	OSC Direction	OSC UNCH'd	Sum/10 Level	1%T				
DJIA	12354.59	12297.63	12328.48	12245.69	12138.90	106.786	DOWN	12352.48	12042.80	11519.25				
NYComp	9070.63	9032.97	9064.69	8955.43	8850.87	104.561	UP	9059.99	8756.76	8385.04				
SP500	1415.60	1408.56	1413.04	1400.52	1386.50	14.018	DOWN	1414.53	1373.88	1318.34				
SP400	817.01	812.86	814.99	808.42	797.72	10.694	DOWN	819.11	788.10	765.44				
NASDAQ	2453.22	2429.97	2442.86	2427.58	2394.29	33.290	DOWN	2460.87	2364.33	2263.48				
NDX	1803.38	1779.65	1791.74	1783.91	1757.40	26.515	DOWN	1810.43	1733.54	1656.90				
Russ2000	795.16	790.12	793.07	786.21	775.22	10.988	DOWN	797.20	765.33	732.77				
GDM	1114.61	1097.46	1108.46	1089.58	1061.25	28.329	DOWN	1117.91	1035.75	1005.20				
TYX	4.657	4.612	4.628	4.636	4.695	-0.059	UP	4.576	4.748	4.846				
Mar Bonds	113.875	113.281	113.719	113.573	112.914	0.658	DOWN	114.231	112.322	110.992				
DJI Osc Rising Index:		37%	Low Neutral, Trend Up			DJI Osc Pos & Rising:		27%	Neutral, Falling					
NDX stocks >100MA:		75	Arms Index:		1.19	VIX:		10.71	Uppr Band:		11.78	Lwr Band:		10.50

the daily NH-NL difference. That divergence signals that the last part of the uptrend is being accomplished with a lower participation rate.

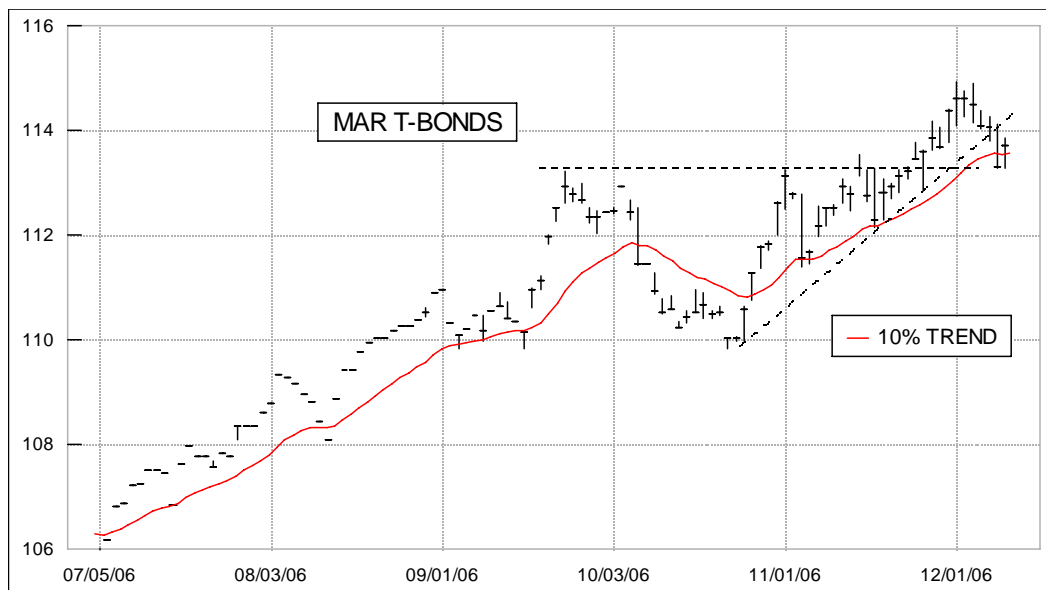
To put that big NH-NL difference into better perspective, the top chart on page 2 shows a longer term view than we show on page 1. We should emphasize that this chart shows the raw difference between NH and NL, and no adjustment has been made for the changing numbers of issues traded. The point that we want to make is that this NH-NL difference is just now getting up to the levels we saw in the early part of the 2003 rally, and there was still a lot of that rally left to come. We hold the same interpretation for this instance, and for the very high NYSE A-D Summation Index. They are saying that liquidity is so plentiful that even the least deserving among NYSE issues is finding enough sustenance to be able to advance.



On Friday, we were worried to see March **T-Bond** prices fall below both the short term rising bottoms line and the 10% Trend. Had bond prices been able to hold support at the 10% Trend, we would have been more optimistic about the near term future for T-Bond prices. As it is, we believe that T-Bonds are nearing the end of this uptrend for prices, so we are just talking about trying to play for the last few bits of price gain.

T-Bonds did do one thing that was fairly bullish on Monday: prices jumped quickly back above the 10% Trend, leaving behind what appears to be a successful test of the static support and resistance level of 113-8/32 that marked the high on Nov. 1. That price level makes a logical place to expect bond prices to find support, perhaps a bit too logical. Now we have to see whether the bulls have it within themselves to do more than a one-day bounce.

If the March T-Bond futures contract can close above 114-8/32, that would turn the Price Oscillator up while it is still above zero. Such an act would promise us a higher closing high on the ensuing move. How much higher is not something revealed by this act, and we should emphasize that it will bring the *promise* and not the guarantee of a higher high.



Gold prices have been moving in a fairly nice correlation to T-Bond prices over the last few weeks. Gold actually broke its own uptrend line a few days ahead of bonds, as seen in the chart on page 3. Just a quick glance at that chart of gold conveys the message that gold's price pattern looks a whole lot less like an uptrend at this point than the T-Bond price pattern does. Eventually, we expect their correlation to break.

We have mentioned that we expect gold to have trouble here in part because of a rebound in the dollar that we view as likely. Some of the reasons for this expectation are technical, including looking at COT sentiment data and the leading indication for the Dollar Index provided by T-Bonds. But another part of our expectation for a rebound in the dollar is psychologi-

cal, with public sentiment toward the dollar so negative at this point that it is hard to see how sentiment can get any worse. That usually means it can only get better.

Add to this picture some comments from former Fed chairman Alan Greenspan, who was quoted over the weekend as saying that the dollar's decline could continue for a "few years". That comment predictably caused the dollar to decline just slightly on Monday, and to help gold, but Greenspan is not well known for his great timing. Remember that he raised the specter of "irrational exuberance" during the technology bubble, but those who got out in 1996 when he first said those words missed a lot. Greenspan was also the guy who set in motion the crash of 1987 right after taking office, although he strangely got more credit in the press for saving the world from the aftermath of that crash than he did for causing it.

In other words, for however much it might make fundamental sense, Greenspan's comments on the dollar may end up being like those of economist Irving Fisher, who just before the crash 1929 stated that, "Stock prices have reached what looks like a permanently high plateau."

