

THE McCLELLAN MARKET REPORT

DAILY EDITION

Prepared after the close of trading,
Tuesday, July 17, 2007

CURRENT OPINIONS

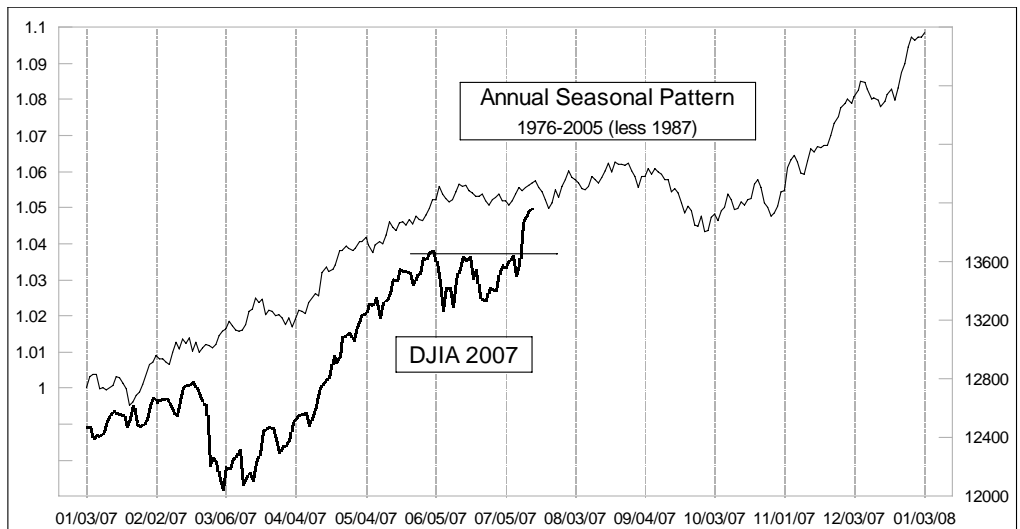
STOCKS: Bullish short, intermediate and long term. Change to short and intermediate term neutral on Wednesday unless the NYSE sees more than 732 net advances at the close, or unless stock prices see a huge one-day decline unfold all at once. We look for a brief soft spot in the uptrend.

T-BONDS: Bearish short and intermediate term. We expect bond prices to trend lower into early August.

GDM & GOLD: Neutral short term, still bullish intermediate term. Change back to short term bullish again on Wednesday unless August gold futures close below \$659.10/oz.

It was another up close for the DJIA on Tuesday, the 5th one in a row, and another record all time high for that index. The Nasdaq indices joined the party as well, in anticipation of some big earnings announcements from Intel and Yahoo! that were to be released after the closing bell, but the SP500 and NYSE Comp did not join in the fun. We are starting to be troubled by the slim participation in this rally, and by the persistently negative breadth numbers.

The earnings numbers were apparently not to Wall Street's liking, especially the forecasts for future numbers that were contained in those reports. In the after hours trading, September SP500 futures are down to where the spot SP500 Index closed on Tuesday, whereas they should be at a premium of around 9.80 to be at fair value. If this condition persists, that could lead to some big selling at the open on Wednesday, but then again that is several



Segment	Rank	Score	Current Managed Account Program Positions		
Sm Cap Value	5	-0.31%	Stock Optimizer: 100% Rydex Nova		
Sm Cap Grwth	2	2.08%	Equity Allocation: 50% IWB (R-1000), 50% IWM (R-2000)		
Lg Cap Value	3	0.62%	RS 2000: 35% Russ2000 Adv, 35% Real Est, 30% Cash		
Lg Cap Grwth	1	2.41%	Program funds managed by Global Investment Solutions, LLC		
Cash	4	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	07/17/07	1369	1898	-529	0.695	39.184	-38.489	1738.24	-38	732				
NASDAQ	07/17/07	1551	1488	63	-37.346	-30.079	-7.266	764.61	-45	101				
NDQ 100	07/17/07	60	38	22	9.902	6.585	3.317	36.00	13	-53				
VOLUME	UP VOL	DN VOL	UV-DV	10%T	5%T	Volume OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO					
NYSE	07/17/07	583057	830117	-247060	60466	59931	535	594500	61001	50305				
NASDAQ	07/17/07	1369775	758082	611693	215298	158479	56818	1073427	272116	-864251				
NDQ 100	07/17/07	668595	303031	365564	135235	93462	41772	558671	177007	-658440				
PRICES	HIGH	LOW	CLOSE	10%T	5%T	Price OSC	OSC Direction	OSC UNCH'd	Sum/10 Level	1%T				
DJIA	14021.95	13942.85	13971.55	13657.03	13525.54	131.493	UP	13788.53	13407.20	12716.91				
NYComp	10216.08	10166.27	10170.36	10036.95	9946.14	90.807	UP	10127.76	9864.42	9352.82				
SP500	1555.32	1547.74	1549.37	1528.18	1518.31	9.872	UP	1538.05	1509.43	1443.58				
SP400	926.60	920.21	921.96	911.19	904.56	6.633	UP	917.82	898.59	851.30				
NASDAQ	2719.94	2701.56	2712.29	2652.00	2618.74	33.259	UP	2685.26	2588.81	2474.54				
NDX	2045.97	2030.57	2041.78	1978.65	1946.67	31.979	UP	2010.63	1917.89	1822.27				
Russ2000	854.67	849.79	849.89	844.94	839.85	5.089	UP	850.03	835.27	801.59				
GDM	1118.80	1105.77	1108.07	1082.11	1072.37	9.738	UP	1091.85	1063.61	1057.32				
TYX	5.183	5.123	5.161	5.182	5.137	0.044	DOWN	5.226	5.097	4.937				
Sep Bonds	107.688	107.094	107.281	107.158	107.708	-0.551	UP	106.607	108.204	109.986				
DJI Osc Rising Index:		83%	Overbought, Trend Up			DJI Osc Pos & Rising:		60%	Overbought, Rising					
NDX stocks >100MA:		75	Arms Index:		1.03	VIX:		15.63	Uppr Band:		15.93	Lwr Band:		13.10

hours away and maybe the Senators and their filibuster cots will cook up some good news for the market as they debate into the wee hours.

One additional reason for worry right now is that the Annual Seasonal Pattern shown in our first chart calls for a bit of a dip over the next few days. It is not a huge dip, and it should not derail the uptrend, but we notice in this chart that the correlation of the current DJIA chart pattern to this Seasonal Pattern has been quite good recently. If the DJIA were not behaving itself with such good precision, we might be less worried about the little July dip in the Seasonal Pattern. The recent strong correlation makes it more likely, in our view, that such a short term dip might appear.

Accordingly, we are going to change to short term neutral on Wednesday unless the NYSE can muster enough positive breadth to take the McClellan A-D Oscillator back above zero. That requires at least 732 net advancing issues at the close on Wednesday, so it is a pretty tough standard for the market to meet.

There is one slightly scary scenario, which is that the market might catch a whiff of an impending drop, and go ahead and get all of the work done before we can move to the sidelines. If that happens, then the likely extent of the downside risk would be a drop by the DJIA back down to test the support of the recent highs seen prior to this most recent

upsurge. That could constitute a drop to the level of the June 4 closing high at 13676. If we were to see all of that happen, as undesirable as it would be, then we would not want to exit along with the rest of the crowd. We would instead want to hang on for the rebound.

T-Bond prices moved back downward again on the eve of Bernanke's appearance before the House Financial Services Committee. The decline came despite a PPI report that was pretty tame. Our top chart on page 2 shows that September T-Bond futures prices have been contained within a contracting triangle formation since the June 13 bottom. Such formations convey a message of indecision, and they usually resolve themselves with a resumption of the preceding trend direction. Bond prices cannot remain bound within this structure forever, and we continue to expect that the breakout move will be to the downside.

A late report on the Wall Street Journal's web site stated that Bear Stearns has informed investors in its two troubled hedge funds that the holdings are now effectively worthless. Look on Wednesday for that news item to trump the poor earnings expectations from tech stocks. Look also for congressmen to query Mr. Bernanke to ridiculous lengths about this.

Gold prices seem to have gone quiet like my kids used to do when they were little right before their bedtime, hoping that Mom and Dad would not notice that the kids were still awake. When a market tries to avoid attention, it usually means that something attention-worthy is brewing. We have been expecting gold prices (and gold stocks) to see a rest break after their big upside breakout move in early July, and that rest seems to have taken place. Now we look for the next up leg to unfold in the days ahead. Gold stocks may get caught in the middle between an upsurge in gold prices, but a down move by the rest of the stock market.

