

THE McCLELLAN MARKET REPORT

DAILY EDITION

Prepared after the close of trading,
Wednesday, March 16, 2011

CURRENT OPINIONS

STOCKS: Bullish short, intermediate and long term. This is an oversold opportunity within an intact uptrend.

T-BONDS: Neutral short term, bullish intermediate term. Nuclear fears have taken T-Bonds to an overbought state.

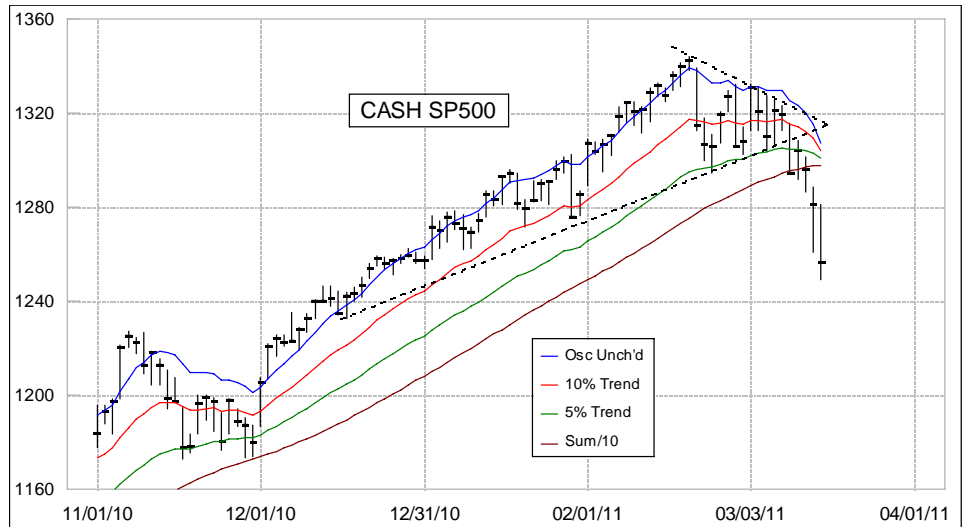
GDM & GOLD: Bullish now short and intermediate term. Wednesday's small range day after Tuesday's large-range drop is a sign that the dip is done. But change to short and intermediate term neutral if the April contract closes below \$1380.70/oz (Tuesday's intraday low).

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

The market was already oversold enough going into Wednesday to have merited a rebound. But stocks sold off sharply when Reuters released cryptic notes on its news wire concerning comments by the EU's Energy Commissioner Guenther Oettinger, who said that conditions at the nuclear energy site in Japan were "effectively out of control". It turned out that those comments were conveyed Tuesday evening, and were not news in and of themselves but rather his own analysis of media reports.

That did not matter to traders, as the feeling of helplessness about the nuclear radiation problem made traders sell stocks. More on that below.

This selloff is obviously more severe than I was expecting. Even though the situation on the ground in Japan seems unresolved, there is good reason to think that the damage is already done in the stock market, setting us up for a dramatic rebound. In the first chart, we see that the selloff has almost completed



| Segment | Rank | Score | Current Managed Account Program Positions | | |
|--------------|------|--------|--|--|--|
| Sm Cap Value | 4 | -3.85% | Stock Optimizer: 100% Rydex Nova | | |
| Sm Cap Grwth | 2 | -3.22% | RS 2000: 5% 2x InvSP, 8% 2x Russ2K, 16% SP Valu, 13% SP Grw, 58% Csh | | |
| Lg Cap Value | 3 | -3.47% | Rising Star: 18% Invested, 82% Cash | | |
| Lg Cap Grwth | 5 | -4.48% | Program funds managed by Global Investment Solutions, LLC | | |
| Cash | 1 | 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 | 03/16/11 | 704 | 2355 | -1651 | -370.532 | -100.956 | -269.576 | 2416.622 | -640 | 4751 |
| NASDAQ | 03/16/11 | 734 | 1894 | -1160 | -464.290 | -241.163 | -223.127 | 596.519 | -687 | 3775 |
| NDQ 100 | 03/16/11 | 8 | 92 | -84 | -20.591 | -8.309 | -12.282 | 27.447 | -33 | 213 |
| VOLUME | UP VOL | DN VOL | UV-DV | 10%T | 5%T | Volume OSC | SUMM INDEX | OSC UNCH'd | OSC TO ZERO | |
| NYSE | 03/16/11 | 130315 | 1325225 | -1194910 | -243307 | -110070 | -133237 | 98426 | -376544 | 2288189 |
| NASDAQ | 03/16/11 | 333870 | 2248845 | -1914975 | -496665 | -243688 | -252976 | -160093 | -749641 | 4309889 |
| NDQ 100 | 03/16/11 | 58157 | 1050302 | -992145 | -253888 | -133884 | -120004 | -258809 | -373891 | 2026180 |
| PRICES | HIGH | LOW | CLOSE | 10%T | 5%T | PRICE OSC | OSC Direction | OSC UNCH'd | Sum/10 Level | 1%T |
| DJIA | 11856.70 | 11555.48 | 11613.30 | 12041.40 | 12008.81 | 32.586 | DOWN | 12073.98 | 11979.48 | 11274.32 |
| NYComp | 8089.20 | 7873.30 | 7929.87 | 8260.13 | 8236.83 | 23.301 | DOWN | 8283.43 | 8215.86 | 7687.18 |
| SP500 | 1280.91 | 1249.05 | 1256.88 | 1303.91 | 1300.73 | 3.176 | DOWN | 1307.09 | 1297.87 | 1212.54 |
| SP400 | 947.63 | 928.82 | 932.40 | 953.03 | 946.45 | 6.581 | DOWN | 959.61 | 940.52 | 859.13 |
| NASDAQ | 2669.27 | 2603.50 | 2616.82 | 2729.59 | 2731.98 | -2.389 | DOWN | 2727.20 | 2734.13 | 2529.55 |
| NDX | 2252.13 | 2188.92 | 2202.97 | 2308.50 | 2309.28 | -0.781 | DOWN | 2307.72 | 2309.98 | 2123.38 |
| Russ2000 | 795.96 | 778.80 | 781.90 | 806.93 | 803.74 | 3.194 | DOWN | 810.13 | 800.86 | 733.02 |
| GDM | 1579.60 | 1517.68 | 1532.12 | 1609.23 | 1606.03 | 3.200 | DOWN | 1612.43 | 1603.14 | 1529.71 |
| TYX | 4.457 | 4.320 | 4.388 | 4.554 | 4.557 | -0.003 | DOWN | 4.551 | 4.560 | 4.329 |
| Jun Bonds | 123.688 | 121.031 | 122.500 | 119.795 | 119.441 | 0.354 | UP | 120.149 | 119.123 | 121.529 |
| DJI Osc Rising Index: | 0% | Oversold, Trend Dn | | | DJI Osc Pos & Rising: | 0% | Oversold, Falling | | | |
| NDX stocks >100MA: | 43 | Arms Index: | 3.04 | VIX: | 29.40 | Uppr Band: | 20.94 | Lwr Band: | 15.73 | |

a rainbow convergence. And we are now at the moment in time equivalent to the apex of the symmetrical triangle that prices broke down out of. It is quite normal for apices of triangles to have significance in either price or time, or sometimes both. I have seen lots of examples over the years where an apex like this marked the moment of the top or bottom of the move which broke out of the triangle.

People are understandably feeling frustrated and helpless about the situation at the nuke plants in Japan. Those plants survived the quake, but got damaged by the tsunami wave which was about 4 meters higher than the 10 meter sea wall designed to protect them. Workers have not been able to keep the cores cooled due to failures of the backup power systems controlling the water pumps.

This situation is reminiscent of a couple of other times in recent history. Just after the 9/11 attacks, there was a similar feeling of helplessness and frustration when the country's aviation industry was shut down, and when rumors of additional terrorist attacks were rampant. Once trading started up again, the decline continued all the way until Sep. 21.

But once it started to feel like things were under control again, stocks rebounded sharply, with the first up day seeing the SP500 climb 4% in one day.

A similar emotional state evolved last spring, when the Deepwater Horizon rig exploded and sank, and oil started gushing out into the Gulf of Mexico. Various stories were aired about how drilling engineers planned to cap the well, and then to plug the well. Then it was a relief well that was to be dug to relieve the pressure. Meanwhile oil continued spewing out on live TV, and tar balls started washing up on beaches.

No one seemed to be able to solve the problem, and that weighed on investor emotions. It was in that fragile emotional state that the Flash Crash unfolded.

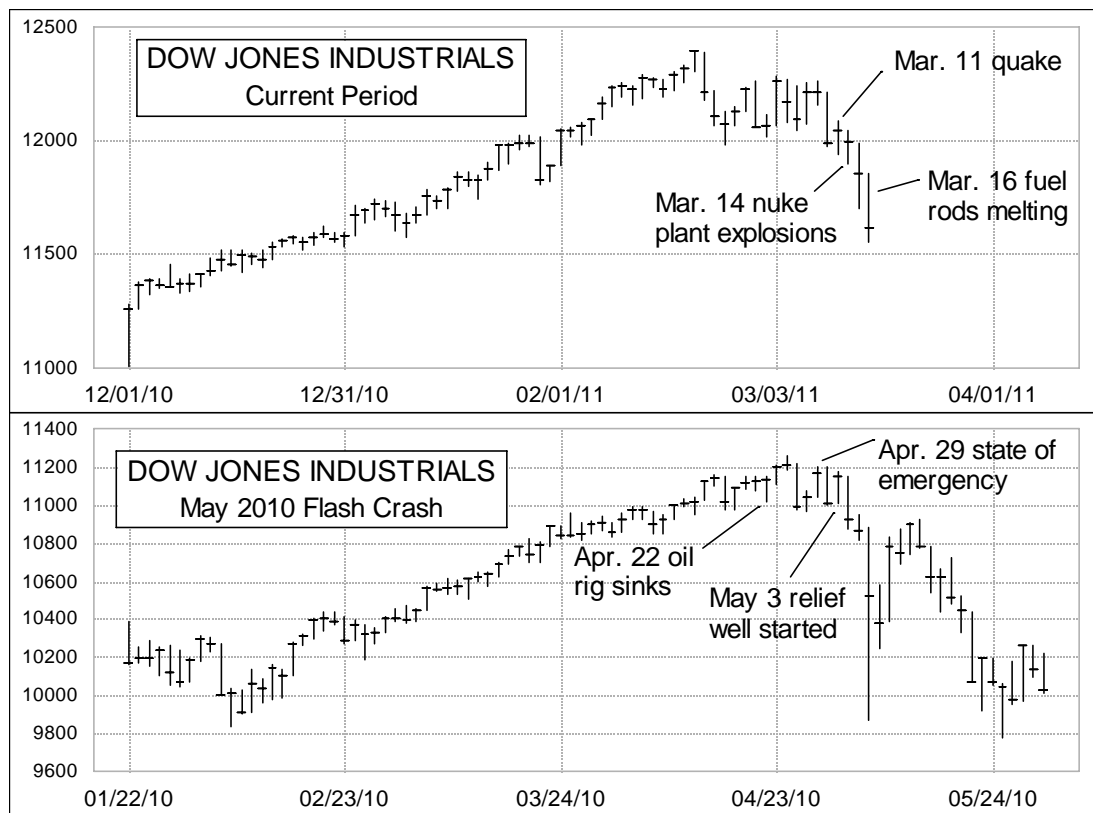
The two charts shown on this page compare the current market to that period with the Flash Crash. The magnitude of the current selloff does not match the worst of the selloff on May 6, 2010, but we have arguably seen an equivalent event already this week

Whether we see prices sink back down again after the presumptive bounce will likely depend on how well the Japanese nuclear officials can get the radiation leak capped. The BP oil spill continued for several weeks, and finally got capped in August 2010. Stocks generally started trending upward thereafter, assisted in part by the Fed restarting its efforts at "quantitative easing".

In the current time frame, the Fed has not let up on QE2, so banking system illiquidity is not a problem. But emotions about the feeling of helplessness are still a problem, so the question for stock investors is about whether those emotions can start to heal now or do we have to wait longer?

I still believe that the Fed's power and that of the period of seasonal strength are tough ones for emotions to defeat entirely. The truly oversold condition is going to matter, with the VIX now more than 4 standard deviations above its 50-day moving average, and with McClellan A-D and Volume Oscillators down to deeply oversold levels. With a strong likelihood of a rapid rebound (permanent or not), now is not the time to bet on the end of the world.

T-Bonds benefited from the panic over Oettinger's comments, shooting up by as much as 2 full points above Tuesday's close. As an interesting aside, before Mr. Oettinger started serving as EU energy honcho and espousing such useful opinions, he was a tax attorney. I understand they get a lot of nuclear engineering studies in German law schools. He is reminiscent of



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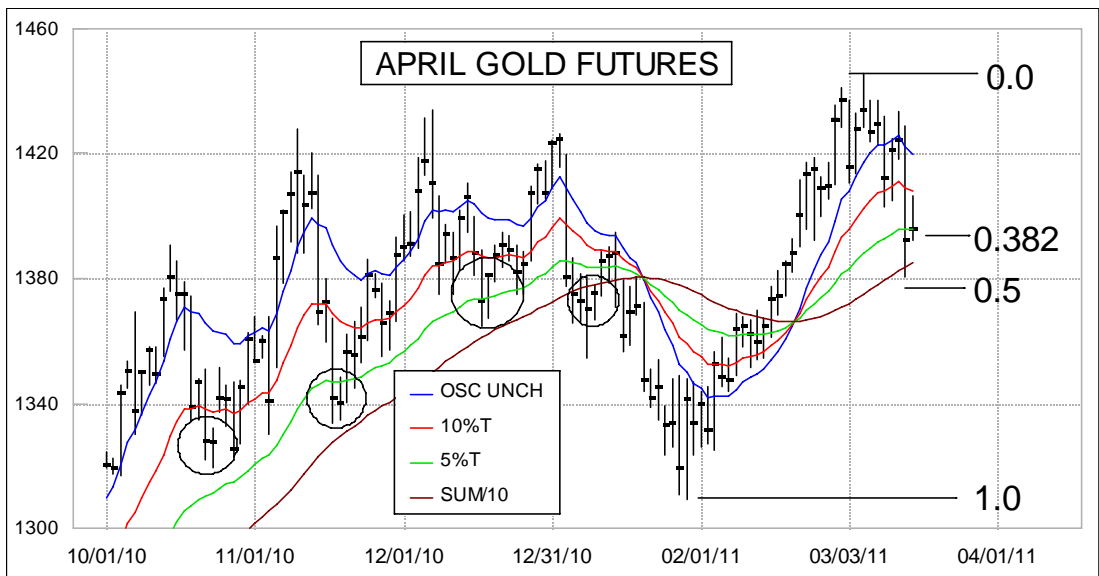
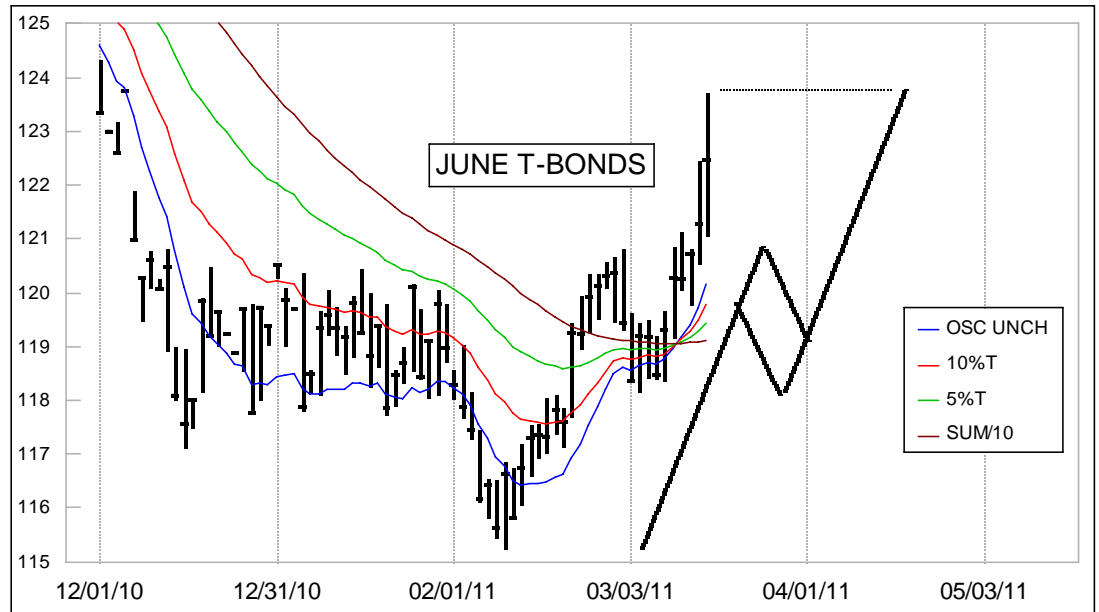
former FEMA chief Michael Brown, who President Bush once said was, “doing a heckuva job” responding to Hurricane Katrina. Brown had gained key emergency planning experience by serving as the Judges and Stewards Commissioner for the International Arabian Horse Association.

As stocks recovered somewhat from the intraday lows, T-Bond prices came off of their extreme highs. In the top chart on page 3, we see that the intraday high on Wednesday just about fulfilled the upside objective of the flag structure diagrammed to the side of the price action. I normally like to see flag structures that are a bit more well-formed, but the symmetry is the key. The basic idea is that a flag is a consolidation structure that represents a halfway point for the entire move, and that is how we can use it to generate measuring objectives.

With this upside objective met, and with bond prices getting overbought, it is time to step aside at least for short term trading styles. If stock prices rebound as I am expecting, then some of the risk premium has to come back out of T-Bonds even if they are still in an intermediate term uptrend.

Gold was amazingly quiet on Wednesday, in the face of the big moves going on in the stock and bond markets as well as the big events going on around the world. It was a much smaller range day on Wednesday, and small range days are the normal way that gold prices end a sharp selloff like this.

The circles in the final chart highlight this behavioral characteristic of gold’s price movements. It has sharp down movements which announce their conclusion with much quieter and often “inside” days. Then the rebound can get under way, which is what I expect.





Stocks Currently on a "Buy"

| Company Name | Symbol | Buy Date | Buy Price | Current Price | % Change |
|---------------------|--------|------------|-----------|---------------|----------|
| Flir Systems | FLIR | 12/21/2010 | \$28.82 | \$31.19 | 8.22% |
| Petrobras | PBR | 2/3/2011 | \$38.46 | \$38.64 | 0.47% |
| Polo Ralph Lauren | RL | 2/7/2011 | \$113.84 | \$121.18 | 6.45% |
| Bon-Ton Stores | BONT | 2/8/2011 | \$13.40 | \$15.03 | 12.16% |
| Century Aluminum | CENX | 2/16/2011 | \$17.38 | \$16.51 | -5.01% |
| Catalyst Health Sol | CHSI | 2/23/2011 | \$43.37 | \$52.65 | 21.40% |
| Priceline.com | PCLN | 2/24/2011 | \$462.34 | \$455.96 | -1.38% |
| Mesabi Trust | MSB | 2/25/2011 | \$36.00 | \$35.20 | -2.22% |
| Sina Corp | SINA | 3/11/2011 | \$94.93 | \$90.91 | -4.23% |

Recent Sales

| Company Name | Symbol | Buy Date | Sell Date | Buy Price | Sale Price | % Change |
|----------------------|--------|------------|-----------|-----------|------------|----------|
| FMC Technologies | FTI | 1/20/2011 | 3/15/2011 | \$85.53 | \$90.63 | 5.96% |
| Alcon | ACL | 1/24/2011 | 3/15/2011 | \$163.39 | \$164.73 | 0.82% |
| Lululemon Athletica | LULU | 1/28/2011 | 3/15/2011 | \$68.61 | \$79.13 | 15.33% |
| W.R. Grace | GRA | 2/1/2011 | 3/15/2011 | \$36.81 | \$36.14 | -1.82% |
| Cognizant Tech Sol | CTSH | 2/3/2011 | 3/15/2011 | \$74.88 | \$74.00 | -1.18% |
| Nordstrom | JWN | 2/4/2011 | 3/15/2011 | \$43.71 | \$42.86 | -1.94% |
| Deckers Outdoors | DECK | 2/7/2011 | 3/15/2011 | \$82.84 | \$81.21 | -1.97% |
| Brightpoint | CELL | 12/20/2010 | 3/14/2011 | \$9.02 | \$12.29 | 36.25% |
| Tenneco | TEN | 3/8/2011 | 3/14/2011 | \$40.85 | \$40.60 | -0.61% |
| Harbin Electric | HRBN | 3/11/2011 | 3/14/2011 | \$18.40 | \$17.70 | -3.80% |
| Hansen Natural | HANS | 12/21/2010 | 3/11/2011 | \$53.84 | \$55.38 | 2.86% |
| Resmed | RMD | 3/7/2011 | 3/11/2011 | \$31.79 | \$31.14 | -2.04% |
| Joy Global | JOYG | 2/7/2011 | 3/10/2011 | \$93.99 | \$88.40 | -5.95% |
| Terex | TEX | 11/5/2010 | 3/9/2011 | \$24.70 | \$34.73 | 40.61% |
| Apple | AAPL | 12/6/2010 | 3/9/2011 | \$320.15 | \$352.47 | 10.10% |
| General Dynamics | GD | 12/14/2010 | 3/9/2011 | \$69.98 | \$76.98 | 10.00% |
| Factset Research Sys | FDS | 1/18/2011 | 3/9/2011 | \$98.03 | \$104.00 | 6.09% |
| Urban Outfitters | URBN | 2/8/2011 | 3/8/2011 | \$37.06 | \$31.66 | -14.57% |
| Cree | CREE | 2/24/2011 | 3/4/2011 | \$52.37 | \$49.79 | -4.93% |
| Harbin Electric | HRBN | 12/30/2010 | 3/3/2011 | \$17.30 | \$19.13 | 10.58% |
| Mosaic | MOS | 2/9/2011 | 3/3/2011 | \$84.52 | \$86.10 | 1.87% |
| Google | GOOG | 3/1/2011 | 3/2/2011 | \$600.76 | \$600.79 | 0.00% |
| Intuitive Surgical | ISRG | 12/21/2010 | 3/1/2011 | \$270.55 | \$319.81 | 18.21% |
| Rockwell Collins | COL | 12/17/2010 | 2/28/2011 | \$58.33 | \$64.44 | 10.47% |

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.

