

MARKET TRENDS

During the week and a half period between January 29 and February 9, the Wyckoff Wave declined approximately one hundred twenty points. For such a short amount of time, this is a significant retreat. It should not be surprising, therefore, that the prevailing opinion about the market has become quite negative. This opinion, however, is generally based mostly on emotion, which makes it suspect. A less emotional approach reveals a very interesting developing situation that is clearly positive in nature. It could result in giving the market its best chance to break out of the trading range on the upside since early December.

There are several reasons for believing that the market is not in as terrible condition as some of the daily declines would indicate. These can be found in the Wave-O.P. relationship and the Trend Barometer. The important point to notice in comparing the Wave and O.P. to each other is that since the beginning of December there has been more effort on the downside than there has been result. The effect of this condition during the period since the middle of January has been the development of an intermediate divergence. This suggests that the market should at least make another run at the top of the trading range. If this divergent condition can be maintained a little longer, there is now a good possibility that a major divergence could result, which should make the resistance level at the top of the trading range more vulnerable.

The potentially positive developments in the Wave-O.P. relationship are supported by what is happening to the Technometer and Force. The most obvious point here is the extremely oversold condition that has been created in recent days. This says the market should rally. How well it can rally depends on the pressure being applied on the downside. This has increased as the oversold condition has taken shape, but it does not appear to be so heavy as to eliminate the likelihood of a positive response to the divergence that currently exists.

Although not as obvious as the oversold condition of the Technometer, the Force also seems to be making a statement that should prove positive providing it does not change its mind. The Force Index reflects the underlying feeling in the market. This is the factor that when it becomes obvious to the general public and they react it is usually too late. The way it can be measured is by monitoring the progress made by the various rallies and reactions in the Force. Notice that the low at "3" was higher than at "1". This reflected a positive sentiment, which helps explain the success of the secondary test that was underway at the time. This was short lived, however, because the lower top at "4" marks a shift back to a negative sentiment. This feeling grew as the market progressed through point "5" and on to point "6", and helps explain why the potential breakout that many had been expecting at "6" was not likely to occur.

Investor sentiment remained negative through point "9", but on the move up to "10" things started to change. The peak at point "10" was higher than the one at "8". This indicates a shift in sentiment back to the positive side. If this is confirmed by a higher low at an as yet undefined point "11", the market should have a much better chance of success on future efforts to break the resistance level. Since both the short term indications and the long term possibilities are pointing up at the moment, those stocks that appear to hold long side opportunities should be given greatest consideration at this time.

STOCK TRENDS

In examining the eight Wave stocks from the standpoint of potential action on the long side, we find two stocks that are clearly worthy of consideration, a small group that may become worthy of consideration, and a group that should likely be left alone.

The two stocks that seem to be worthy of consideration for action on the long side are General Electric and I.B.M. with GE being the better of the two. There are several factors that make General Electric the best choice. One is its potential. If we look at the last move down to fifty-five as an important last point of support, we are justified in taking a fifteen point count for an objective of sixty-seven to seventy.

Another important factor about GE is the stock's position in its uptrend. Here there are several things worth noting. One is that the present reaction appears to be an effort to reconfirm the uptrend after the penetration of the support line that occurred on the previous reaction. We cannot just assume this test will hold, but a combination of decreased volume and resistance to downside price progress as the support line is approached would be a very positive clue.

A final point worth noting about this stock can be found in the action of its force index. The last rally in price brought a higher peak in the force. This indicates a shift in sentiment, which may be confirmed on the current reaction if a higher bottom is recorded. If this happens and the rest of the picture remains positive, General Electric should be the prime candidate among the Wave stocks for action on the long side.

What makes IBM a potential long candidate is its trend, which is clearly up. However, any opportunity that does develop here is not likely to be as immediate as in the case of General Electric. This is because there are two problems that need to be resolved first, which may require some additional time. One is the apparent exhaustion of upside potential. The other is a previously overbought condition, which is still in the process of being corrected.

The immediate problem with IBM's potential can be found in the objective of the count taken at the fifty-three level. The range on that objective is sixty-three to sixty-seven. Since the stock has already been to sixty-four, the objective can be seen as having been fulfilled. That being the case, how is the stock going to be able to reach

higher levels? One answer may come from the correction to the recently overbought condition. It is resulting in the build up of some new potential. If the stock still looks positive when the correction brings it in contact with the support line, there is a good likelihood that the new count will be for the upside. Whether to or what type of trade to make will depend on the extent of the count.

Another answer to IBM's apparent problem of no potential is that it really is not a problem at all, but rather a case of viewing the situation in the wrong perspective. Prior to moving down to its low in October there was a prolonged period of horizontal action around fifty-five. This was never used as potential on the downside. Therefore, there is a possibility that it was important long term preliminary support, which means that the small count marked at fifty-seven could be greatly expanded. As mentioned, however, this would be a long term proposition and should not be pursued until the current correction has been successfully completed and there is an immediate cause for the resumption of upside progress.

The next group of stocks consists of Merrill Lynch, General Motors, and Pittston. These are stocks that have a positive possibility, but that possibility is not as clear-cut as it is with GE and IBM.

Of the stocks in this second group, Merrill Lynch is probably the one of most immediate interest. This is based on two points. One is the substantial strength that has already been shown in this stock, which is something that General Motors, for example, has not shown. The second point is the new build up of potential that has occurred in the narrow trading range of the past two months. At this point, it indicates a move of about ten points, which is significant for a stock of this price.

The key to an up move in MER seems to lie in the support level of the current trading range. Several weeks ago there was a spring at this level to which there was a positive result after a rather messy testing process. The reaction now underway could be a better test of the spring, which would provide a good long side opportunity. The critical points to watch for are support at or above 31.6 and low volume.

In the case of General Motors, it is clear that it is no longer in the terrible shape that it was just a couple months ago. The question is whether or not it is ready to take advantage of its improved condition. There is a considerable amount of potential to draw upon and the stock has been stronger than the market. Currently it is oversold along with the market and can be expected to respond to this condition with the market. More uncertain is its ability to get through the thirty-nine to forty area. If the market breaks out, GM probably will go with it. However, if the Wyckoff Wave is unable to leave its trading range, it is very unlikely that GM will be successful in its effort.

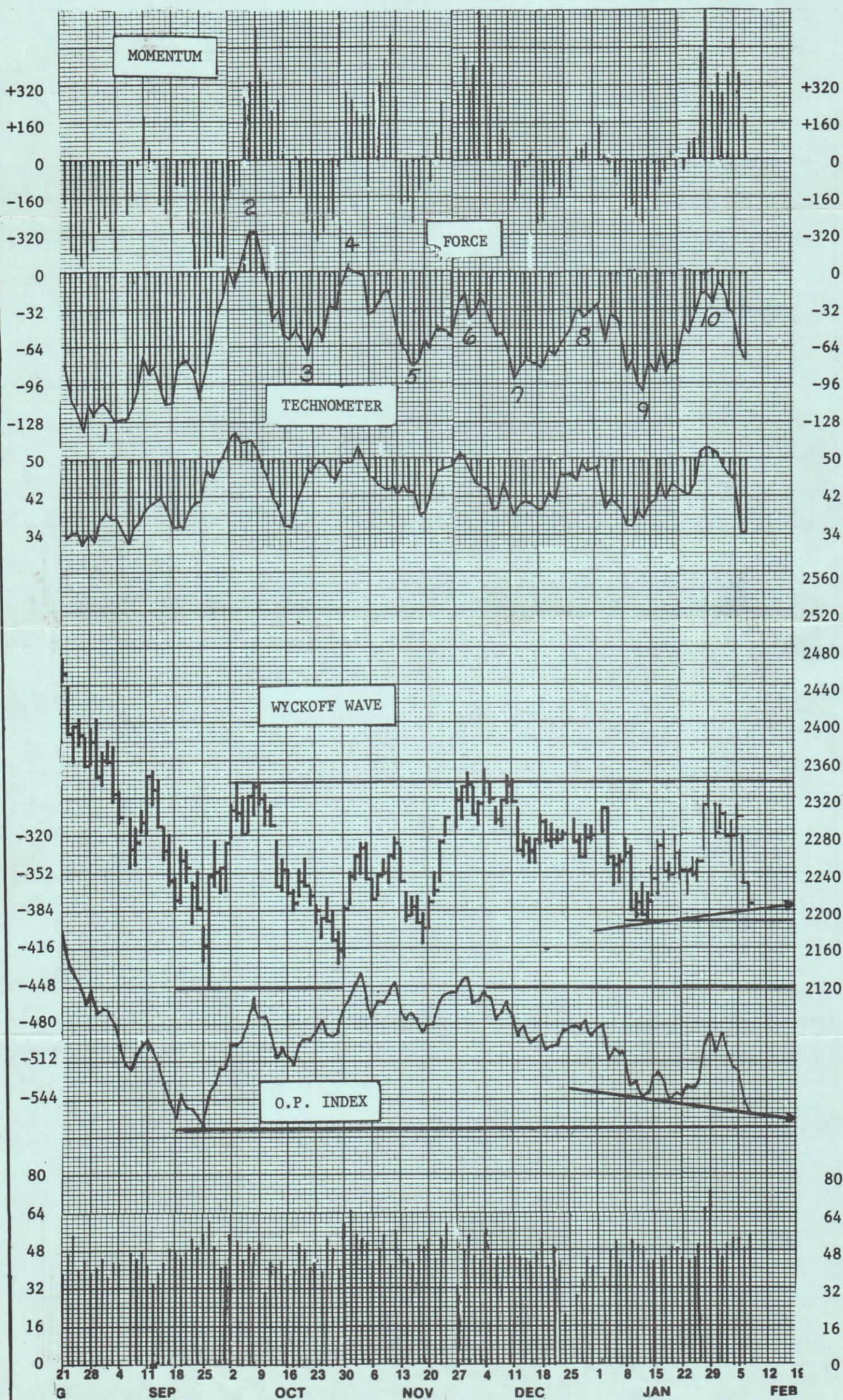
Pittston perhaps does not belong in this group because it does not have as many things going for it as do MER and GM, but its present position provides a positive possibility. It comes from the fact that the stock has entered a potential spring position. It should be considered a number two spring, so no immediate action is warranted. What will be important here is the test of the spring. Its success will determine whether a position can be justified.

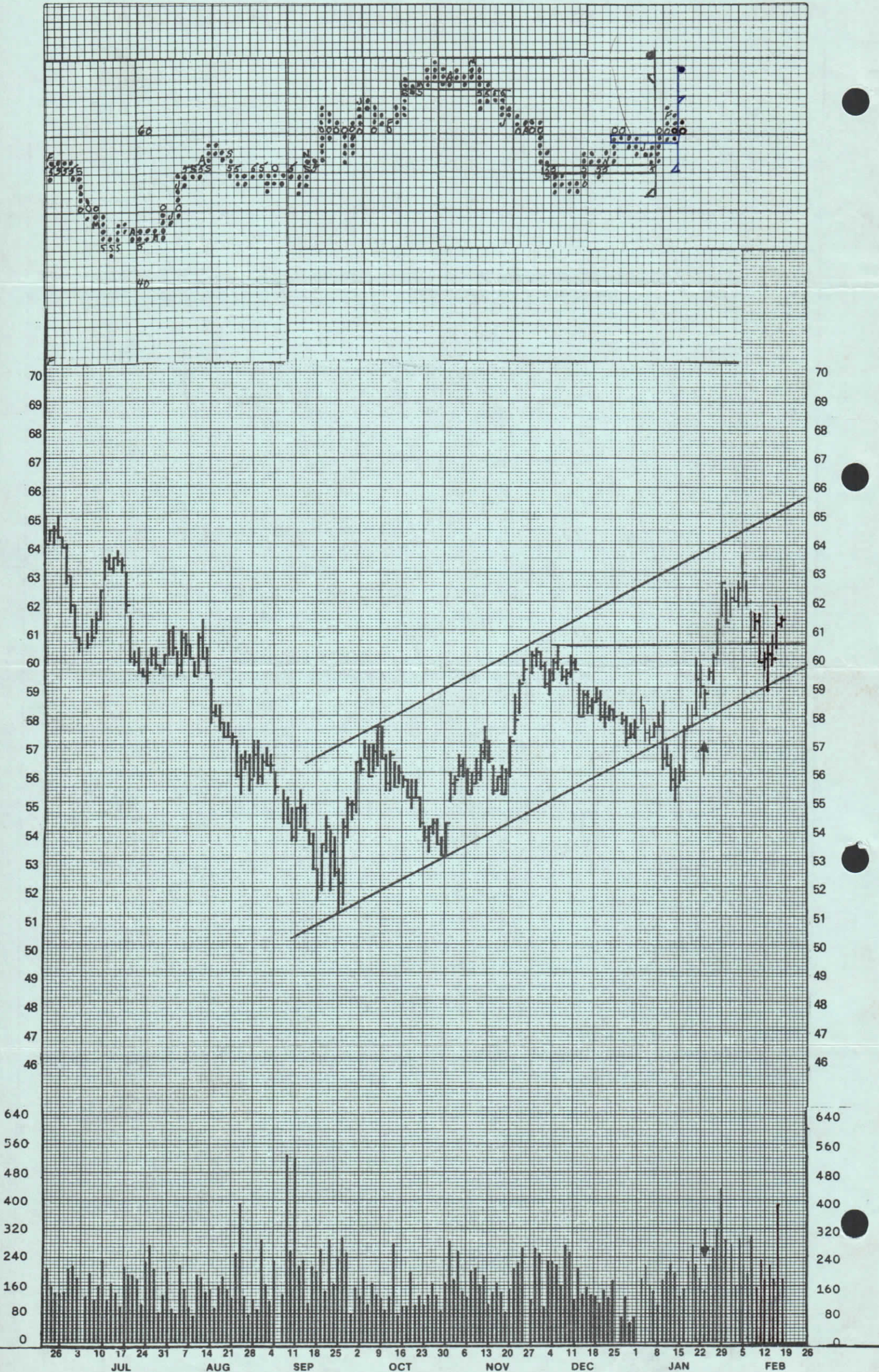
The remaining three stocks in the Wave, Exxon, Union Carbide, and UAL, should not be seriously considered for a long position at this time. These three have been and in some cases still are under extreme downward pressure. The effects of this will take a long time to overcome. If the market is preparing for a major advance, they probably will become candidates later. Since the top of the trading range still stands as a major obstacle however, these stocks are best left alone.



The Pulse of the Market

TUESDAY FEBRUARY 9, 1982

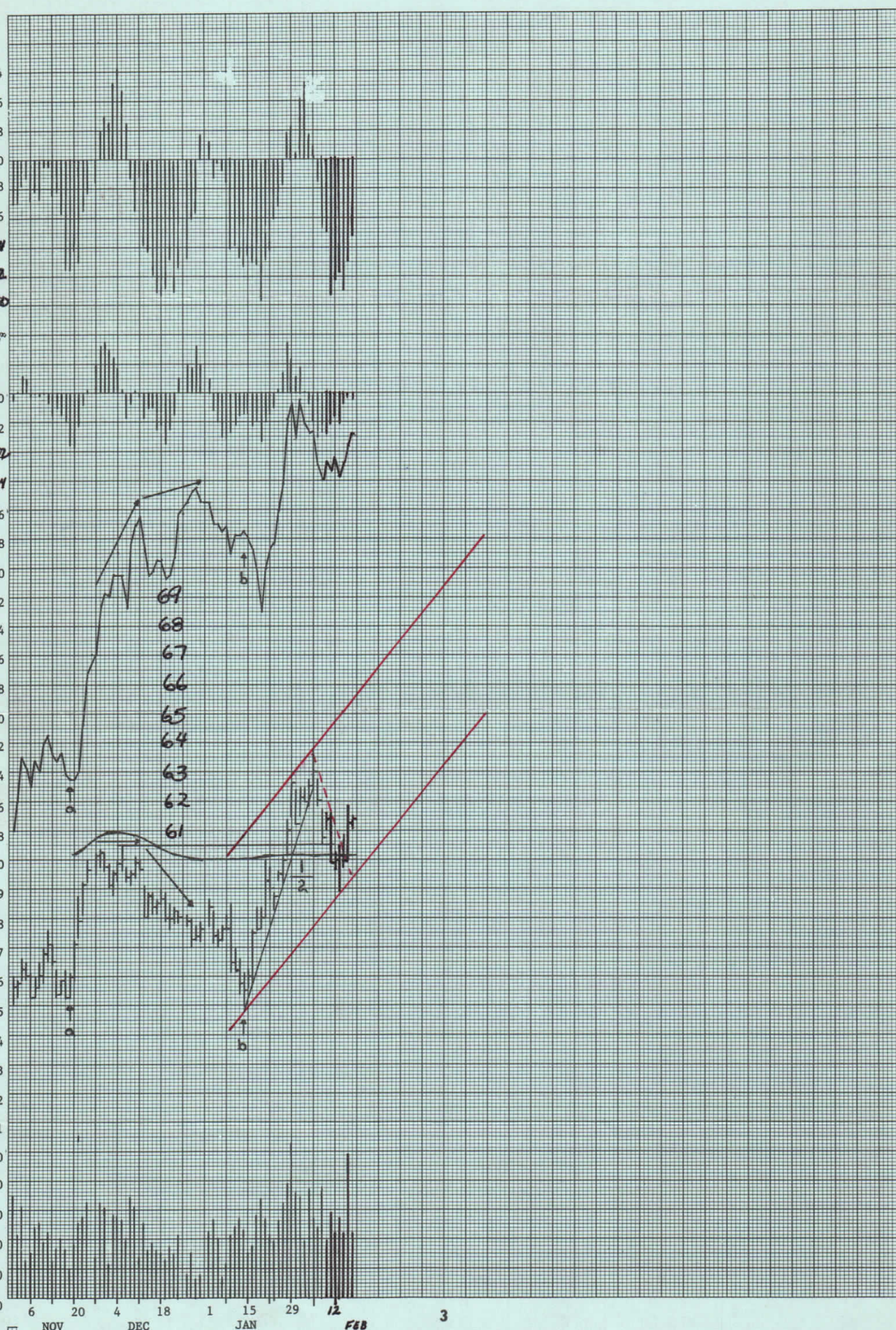


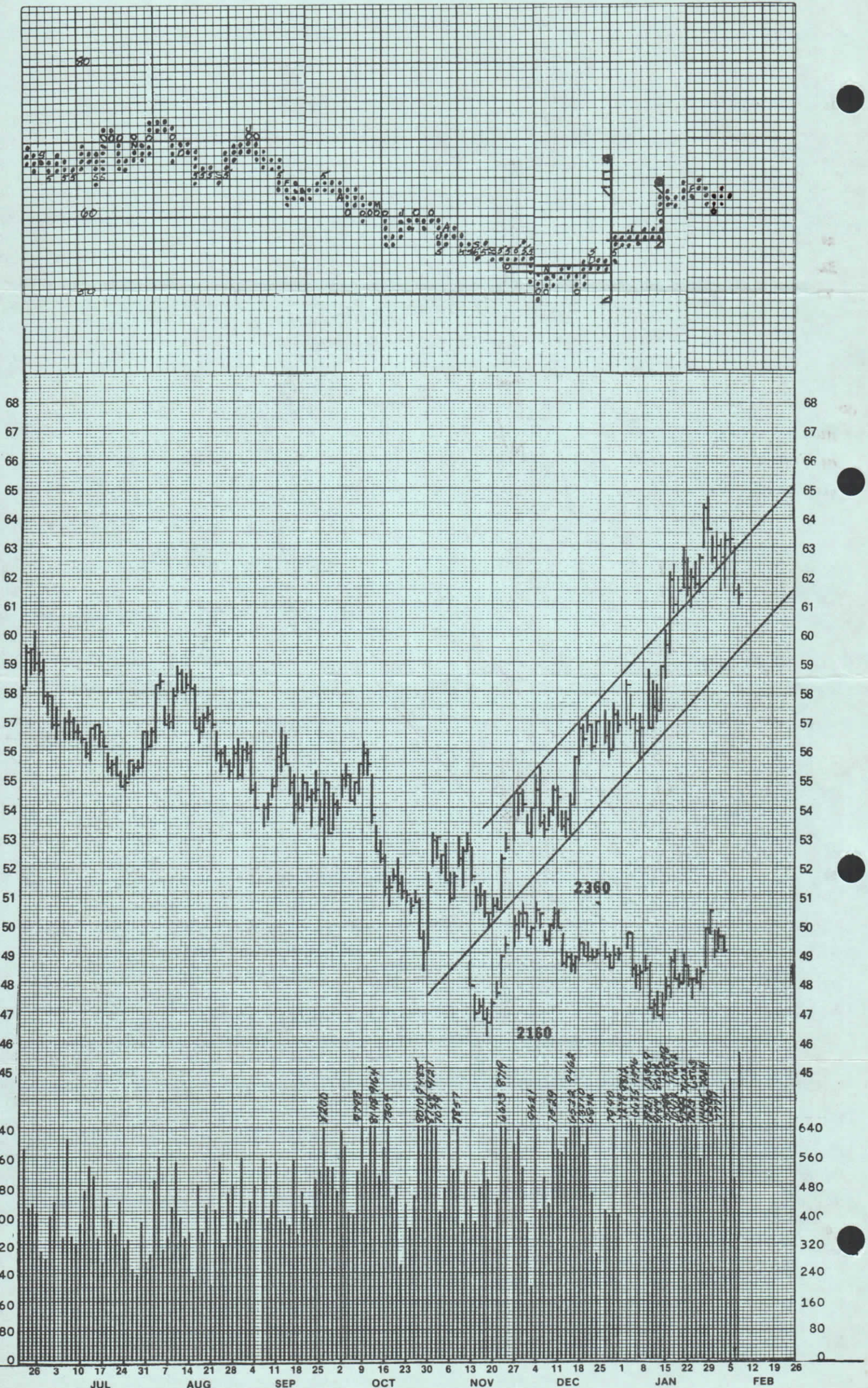


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I.B.M. (IBM)

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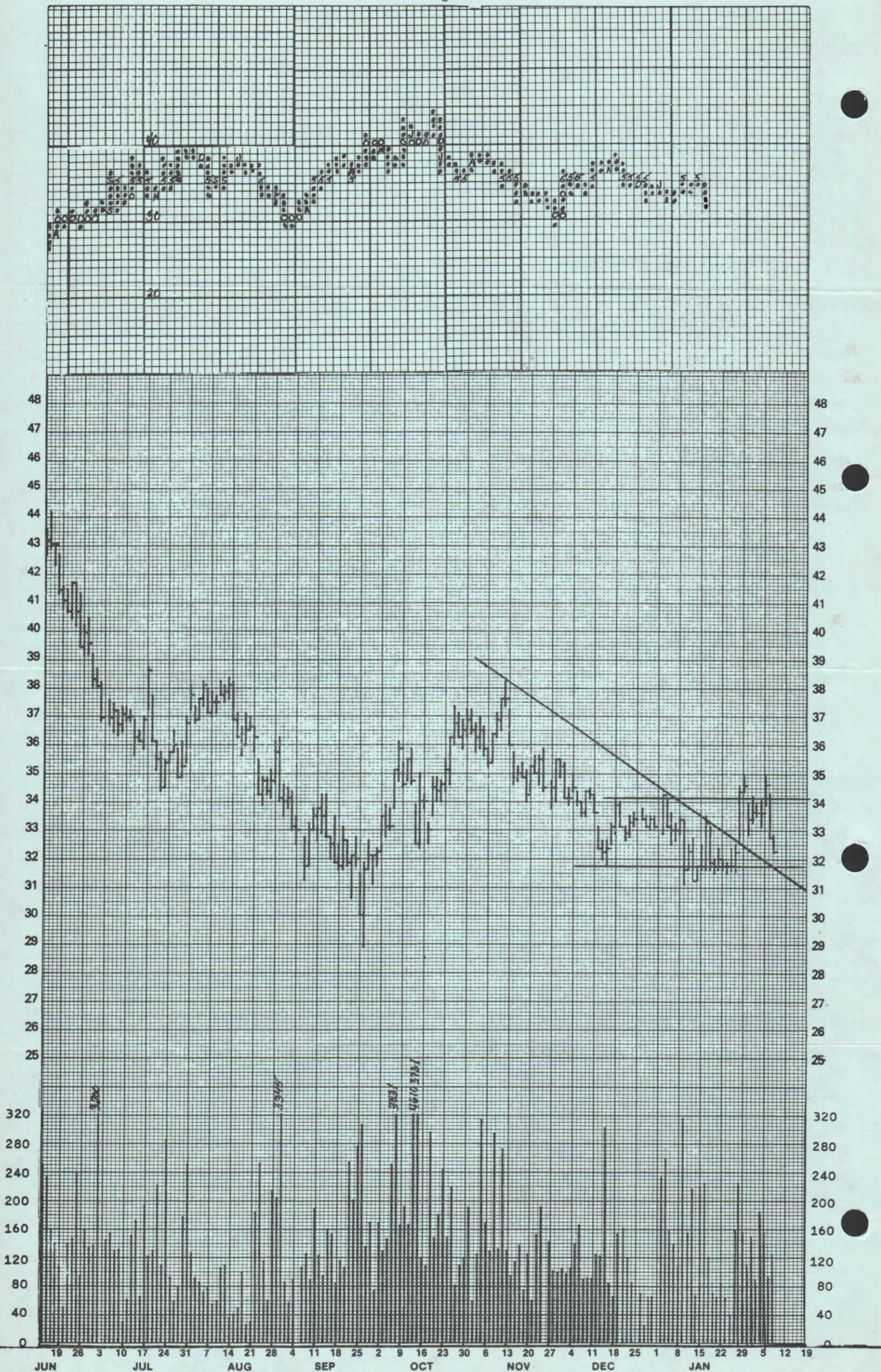
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MERRIL LYNCH (MER)

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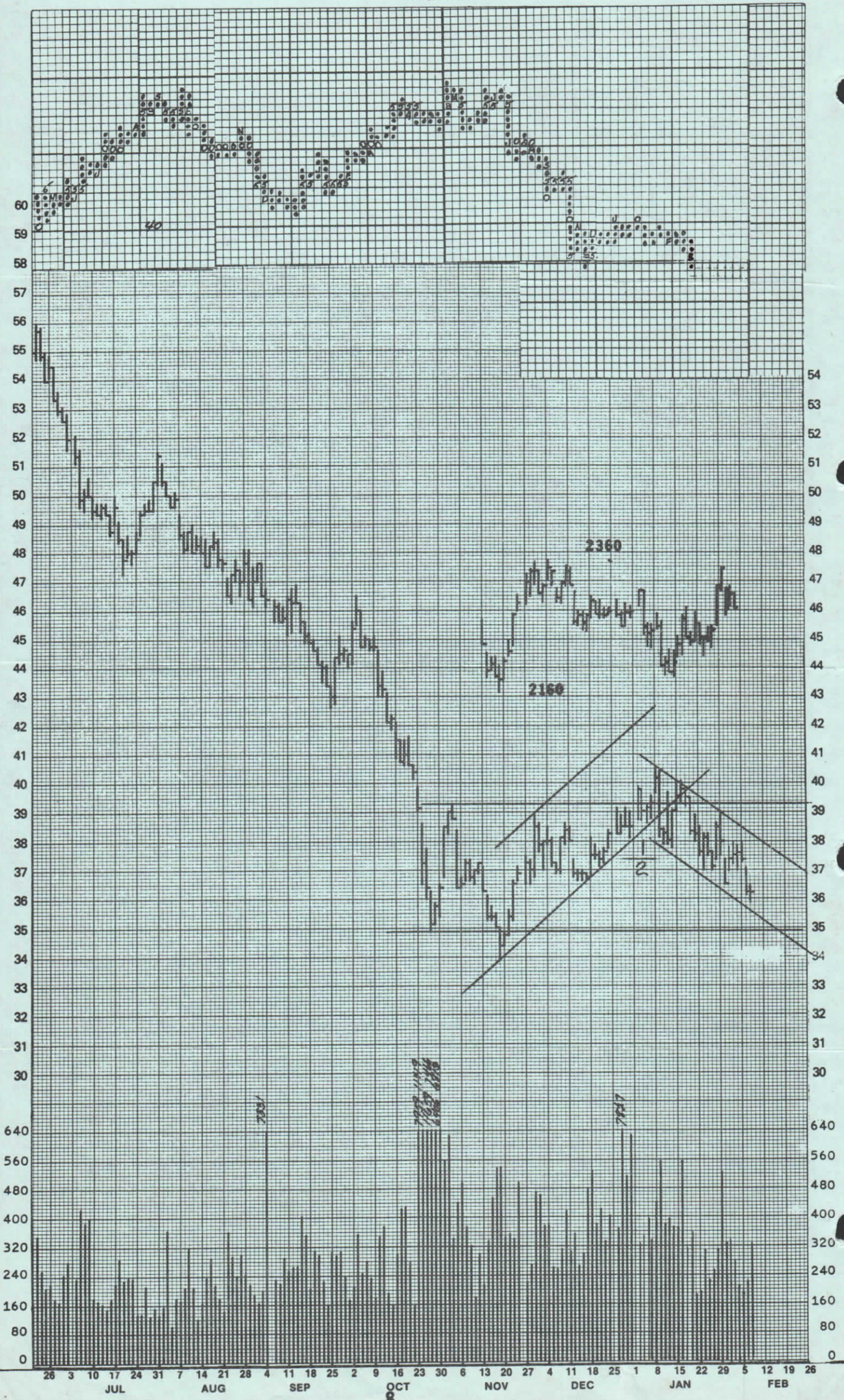
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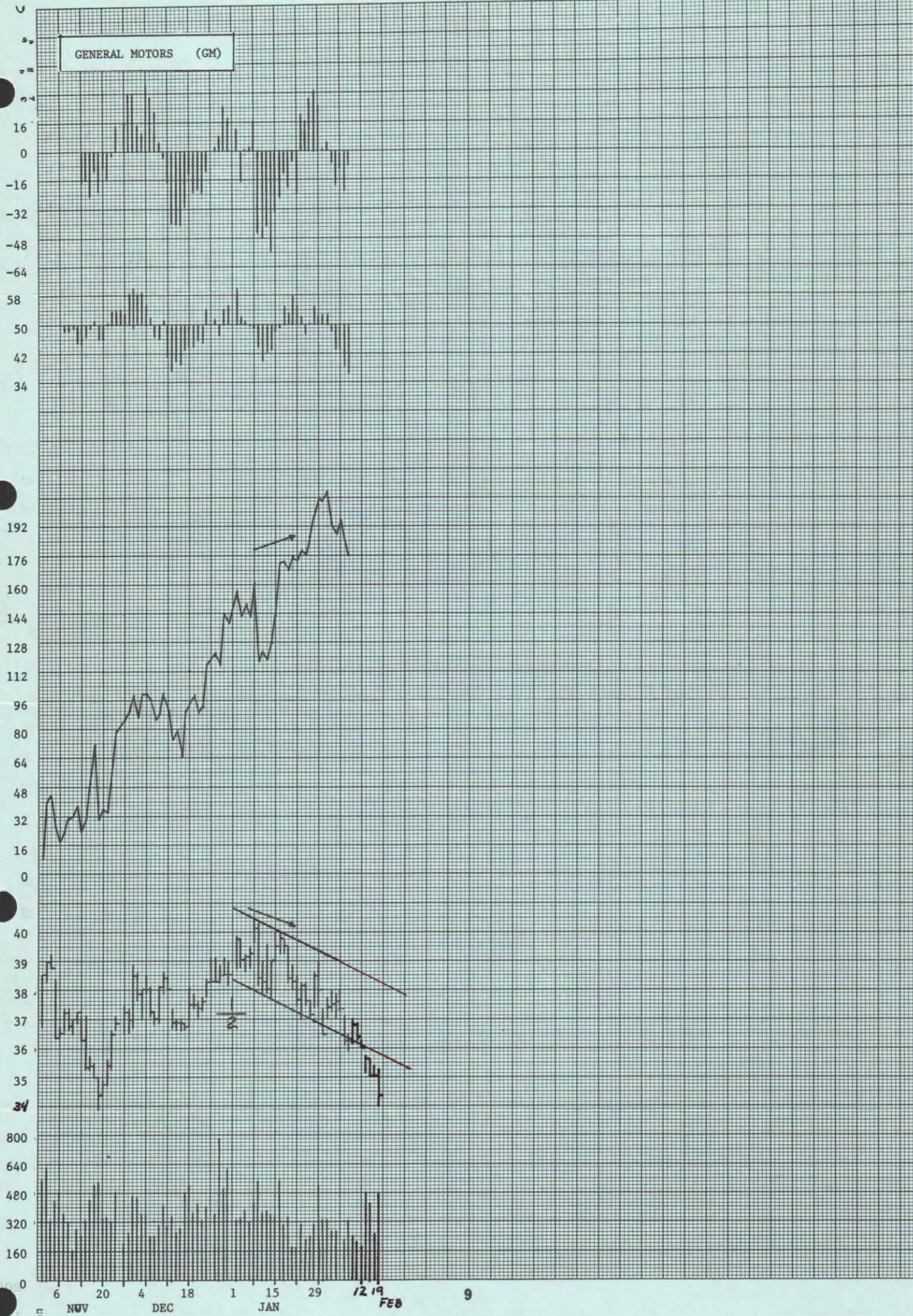
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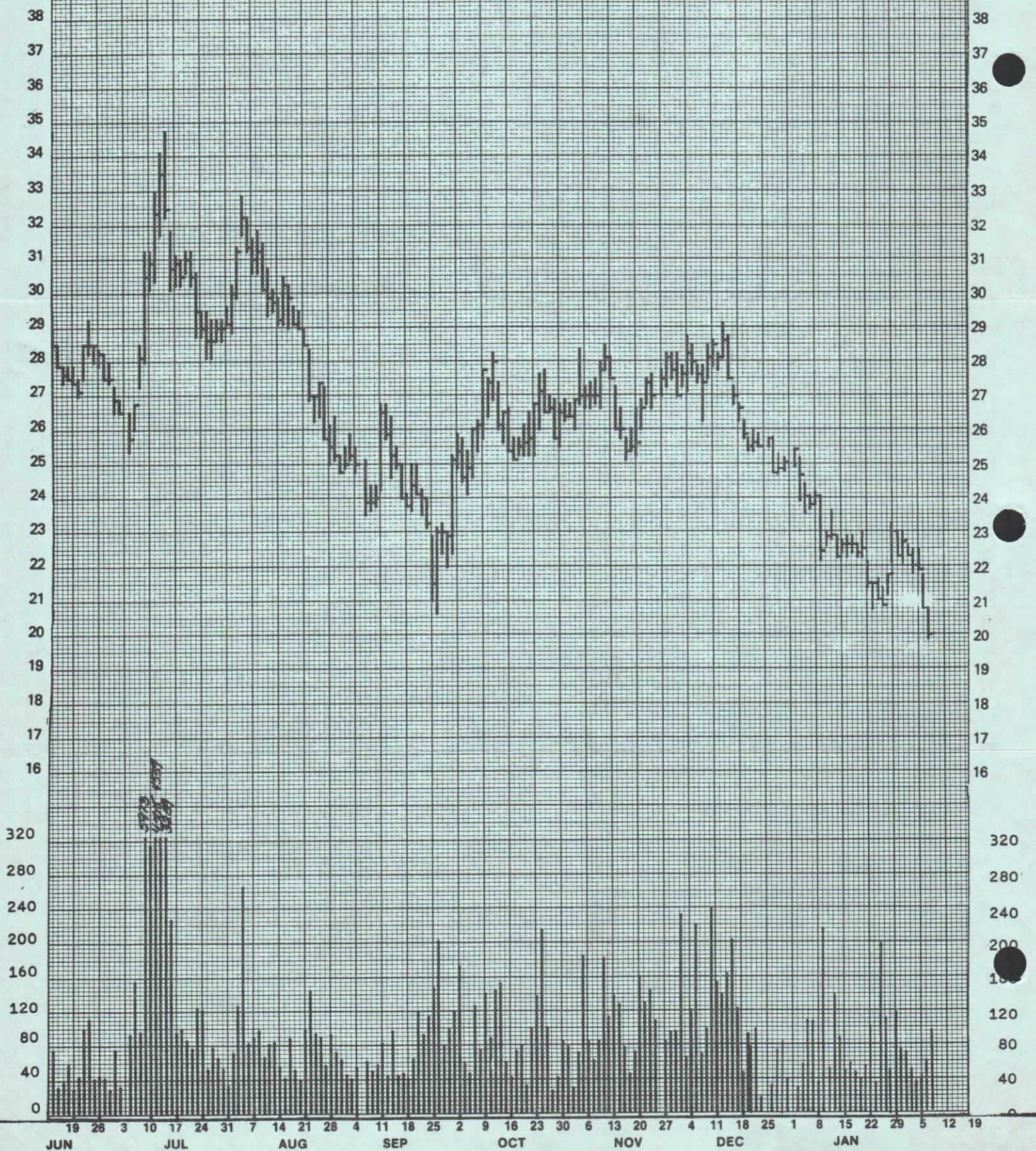
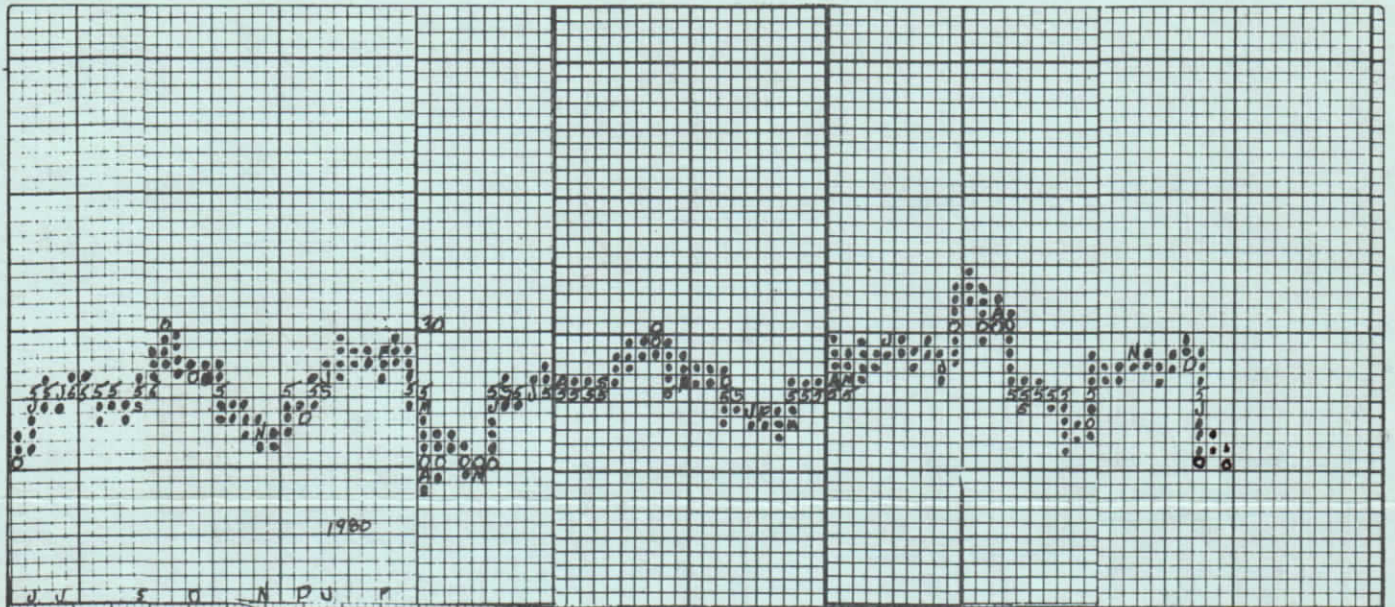
6 NOV 20 4 DEC 18 1 JAN 15 29 12 19 FEB

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GENERAL MOTORS (GM)





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PITTSTON (PCO)

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