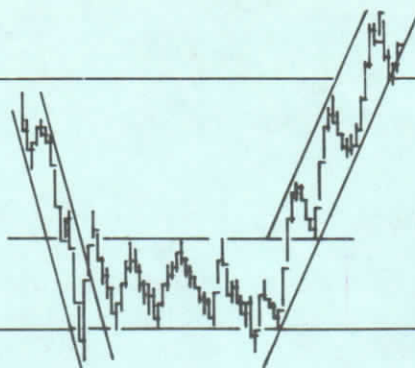




MARKET TRENDS

During the first week of the year, the general market made a net gain. This is suppose to mean that for the year as a whole, it will also make a net gain. Even if this tendency holds true for 1984, it tells us nothing about the action that may develop between now and December 31. There are an infinite variety of ways that the market can produce a net gain.

From a long term standpoint, the market is still in a trading range and has as yet provided no indication that it is about to leave the range. If this continues, the net progress the market makes during 1984 is likely to be small no matter in which direction it actually comes.

There are a few developments within the trading range that warrant special consideration. One is the uptrend channel within the trading range. This is actually an intermediate term development, but it may be able to tell us something about the health of the market within the trading range. What it is telling us is that the health of the market is not as good as it could be or should be. This conclusion is based on the inability to rally to the overbought line. A strong market has this ability. A weak one does not. This indication of weakness tells us to avoid long term long commitments for now.

The other interesting development occurred last week. In addition to the resistance at the top of the trading range at 4180, there has been since last October a very important secondary resistance level at 4000. This resistance was slightly penetrated last Tuesday putting the market in an upthrust position, which is potentially negative. If the penetration had been of the 4180 level, long term action on the short side would have been in order. Based on what actually happened no immediate action is suggested. It is better to let the upthrust confirm itself first. Watch for the Wyckoff Wave to drop back to or below the middle of the trading range on continued heavy volume. This is negative. Watch for the next rally to be on decreasing volume with narrowing price spread as the 4000 is approached. This is also negative. Together, these two developments may be used as justification for the long term investor to enter the market on the short side. If he does, it should be in anticipation that the market will break the uptrend and the support level of the trading range as soon as the test of the upthrust is completed.

On the daily chart of the Wave, the markets inability to rally to the overbought line is especially clear. Also obvious is the difficulty it has with the resistance at and just below the 4000 level. What we see here tends to confirm the longer term observations. It also tells us to be very protective of any long positions that may be in place based on the intermediate uptrend.

It should be noted that as of Friday, the market was approaching the demand line of the uptrend and becoming oversold. This tells us to anticipate that the uptrend will survive the current test and that another run at the 4000 level will be made. If this rally persists in the negative indications already noted, closing out long positions should be considered.

The best picture of the short term developments comes from the five point figure chart because it shows the entire advance. Since it is a figure chart it must be remembered that the trend lines are less accurate than with other types of chart. They do show, however, that the trend is up and that the current action is a reaction in an uptrend. Note that the downside objective of this reaction is 3860 to 3820, which may put the uptrend in doubt. If so, the short term trader should watch the next rally closely. A lower top and inability to rally to the overbought line may be used as reasons to close out long positions and go short if the market is overbought.

STOCK TRENDS

It is often said, that variety is the spice of life. If this is true, the stocks in the Wyckoff Wave are currently offering a very spicy diet.

Exxon is probably the most bland element of the diet simply because nothing is happening. Repeated attempts to spring or upthrust the trading range have failed to produce more than a move from one extreme of the trading range to the other. This has produced the potential for a thirteen point move, or a very worthwhile intermediate move. However, since there have been so many failed attempts to get a move going, it is best to wait until an effort succeeds before taking a new position. Buy on a back or short on a rally back, but for now do nothing.

General Electric is in a well defined uptrend. It has higher objectives. Unfortunately, it also has a problem. The stock is demonstrating a growing inability to rally to the overbought line. This is much more important than the higher objective. Also note the inability to make new progress on the last rally. This also is a negative development. Long positions are still justified, but in order to remain justified the problems noted must be removed as the price tries to move higher.

Everybody seems to get excited about a quick runup in price. Therefore, the action in General Motors should have produced a great deal of excitement during the past ten days. Was anything meaningful accomplished however? The stock did make a new high, but it was an upthrust not a jump across the creek. Also note that the amount of new progress made was the smallest thus far. This indicates a decreasing ability to rally. Other than as a short term trading vehicle, the position on General Motors should be a neutral one. For the short term, anticipate a rally to confirm the upthrust.

I.B.M. is in a down trend with an indicated objective perhaps as low as 111. The stocks present position in the trend channel argues against any new short position at the moment. One will be justified on a rally back to the supply line on decreased volume. This will be a short term opportunity.

A change of character in a stock is always important. Merrill Lynch has undergone a change of character. It is now in a trading range building the potential for its next important move. On Jan. 3, the stock went into a spring position with a potential upside objective of 38 to 40. It is now testing the spring on reduced volume. This may result in a new count being possible at the 33 level, which would indicate a maximum upside objective of at least 46. This is significant because it represents more than a halfway correction of the major decline. At the present time, Merrill Lynch represents the best long side potential in the Wave.

Sears is a new addition to the Wyckoff Wave. It is intended to serve as a better representative of consumer oriented stocks than did Pepsico. Like the Wave, Sears has been in a trading range for many months and is now well below the top of its range. There is no indication that the stock is about to leave its trading range. The development to watch for is a spring occurring in an oversold market. This will result in a buying opportunity.

UAL has reached its upside objective range and is in the process of breaking its uptrend. Therefore, short term and intermediate term traders are advised to move to a neutral position. Long term investors may hold positions in anticipation that the next trading range will develop into reaccumulation instead of distribution.

Union Carbide is in a well defined down trend. One downside objective has been fulfilled. Since then the stock has moved horizontally across the trend channel. It is now approaching the supply line. Lower objectives remain. Since the trend is down and since the stock has the potential to move lower, it can only be considered as a candidate for the short side.



JANUARY 11, 1984.

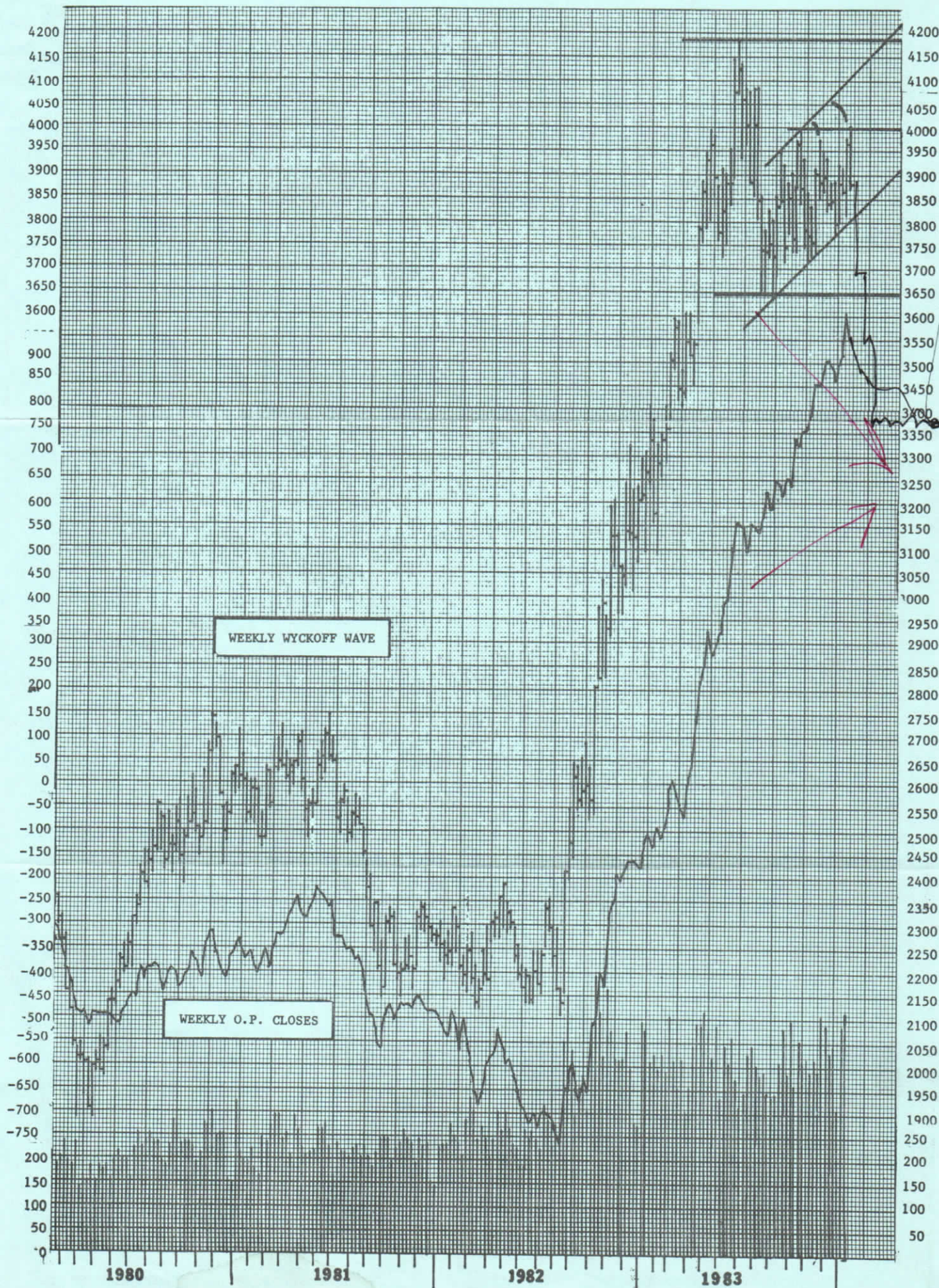
INDEX CHARTS

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Weekly Wyckoff Wave	Group Indexes:	Electronics
50-Point Modified Wyckoff Wave	Aerospace	Gold and Silver
25-Point Modified Wyckoff Wave	Airlines	Insurance
3-Point of the 10-Point Modified WW	Autos	Machinery
10-Point Modified Wyckoff Wave	Banking	Medical
Two Point Modified O-P	Building Materials	Metals
1/2-Point Time Index	Chemicals	Office Equipment
Trend Barometer/O-P	Computers	Oil Exploration
Intra-Day Wave Chart	Diversified	Oils
5-Point Modified Wyckoff Wave	Drugs	Semi-Conductor

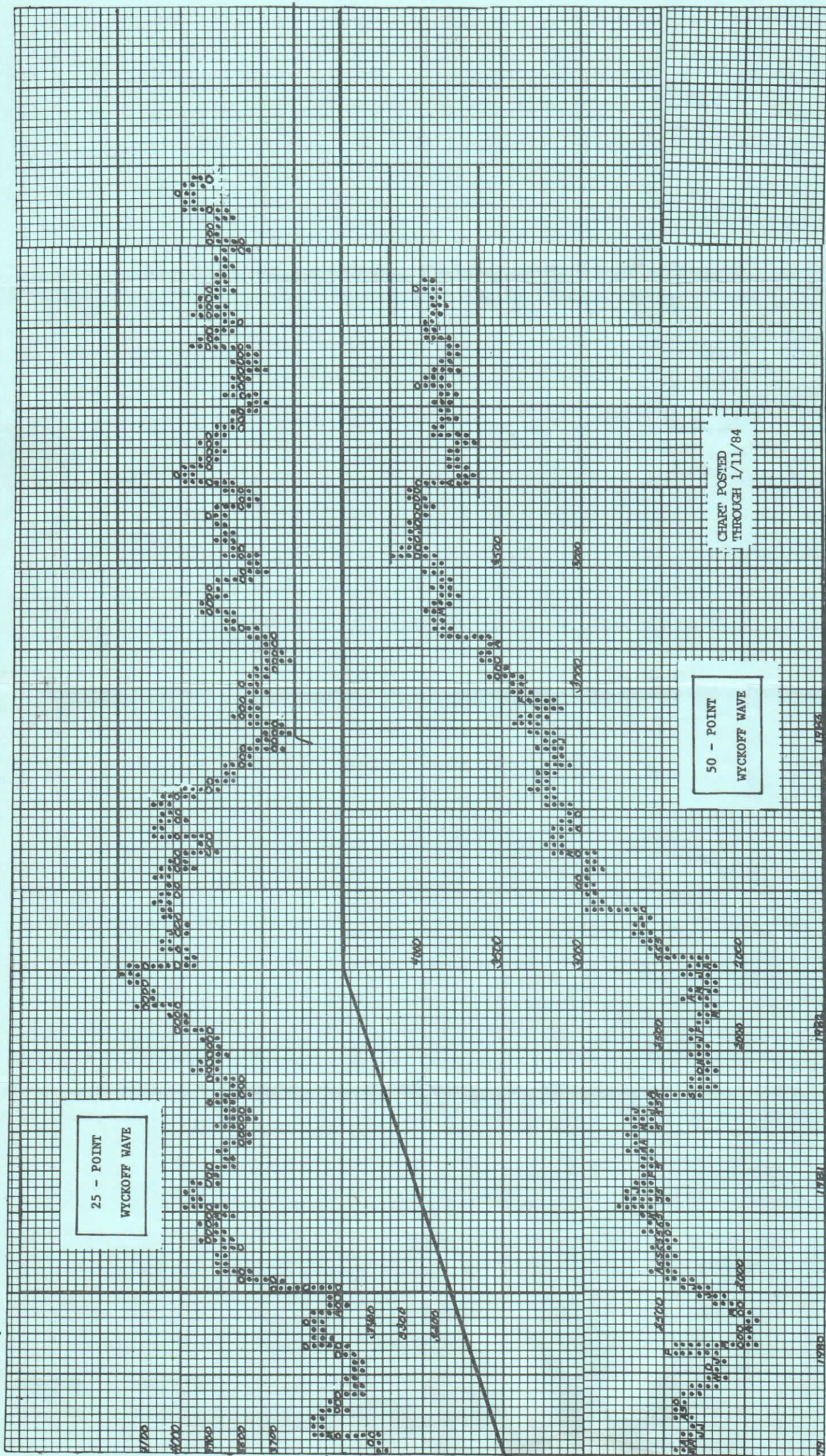
In our desire to insure the accuracy and reliability of these charts all statistical data is checked and cross-checked. However, even with this care, the completeness and accuracy cannot be guaranteed.

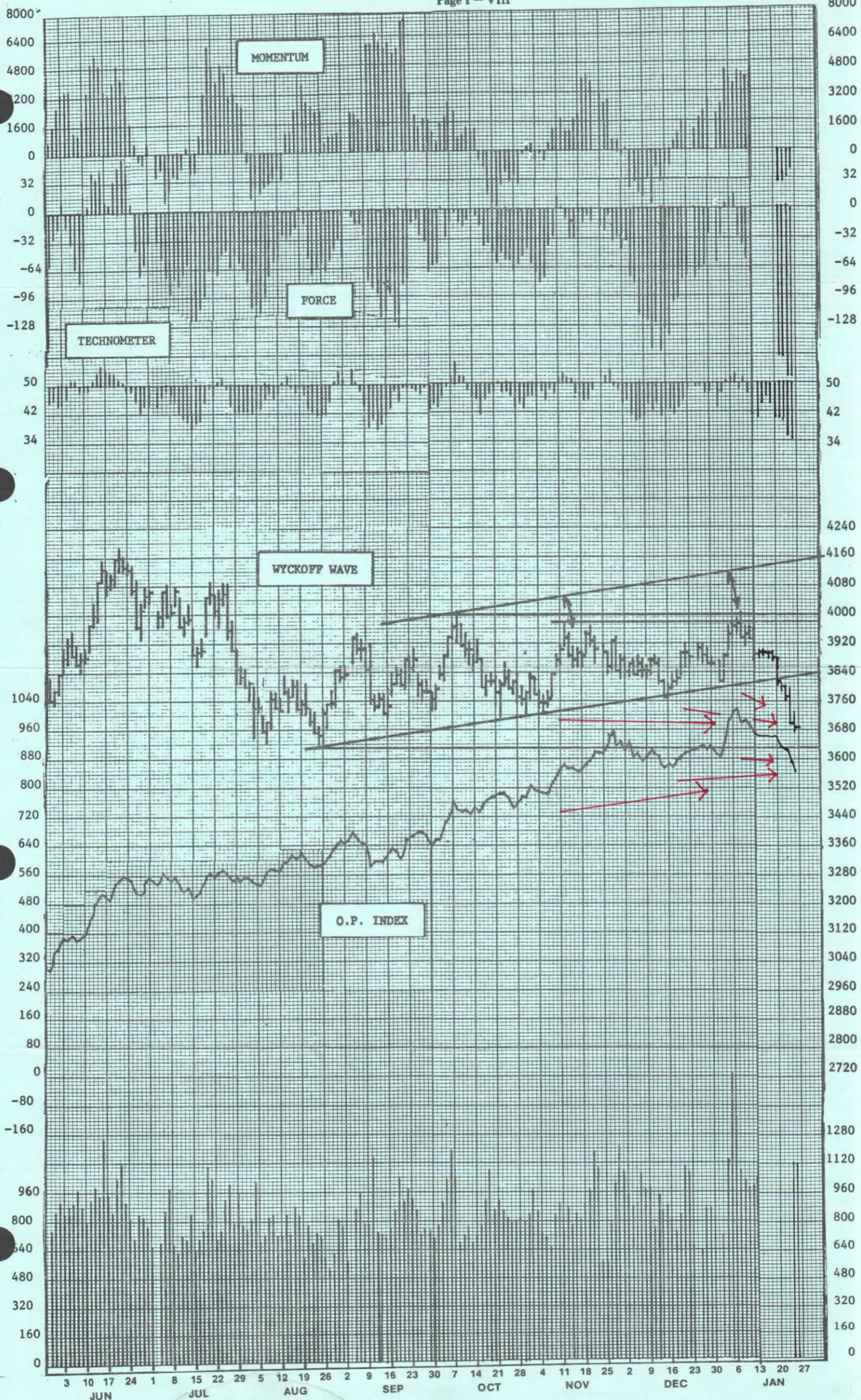


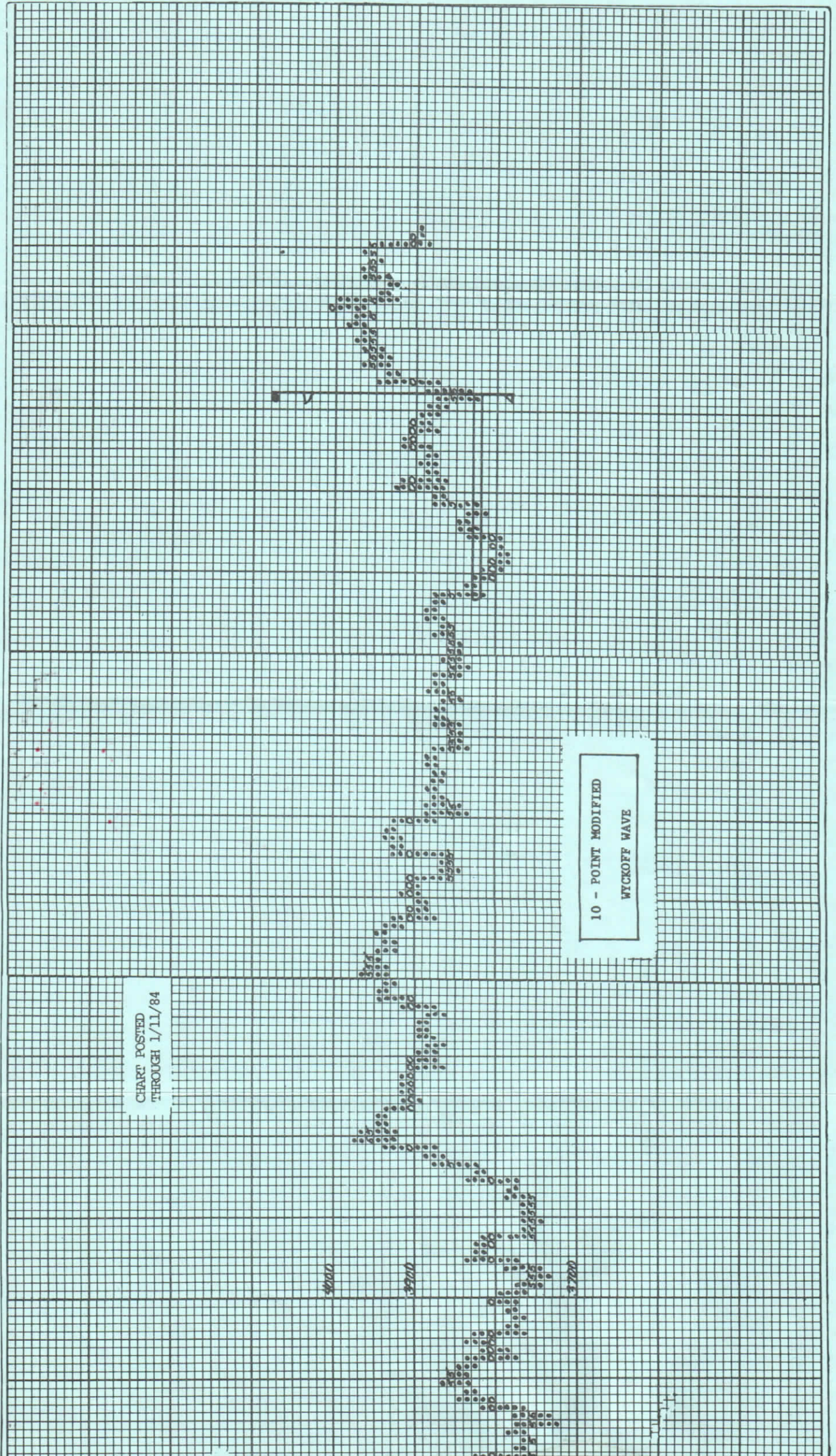


INDEX CHARTS

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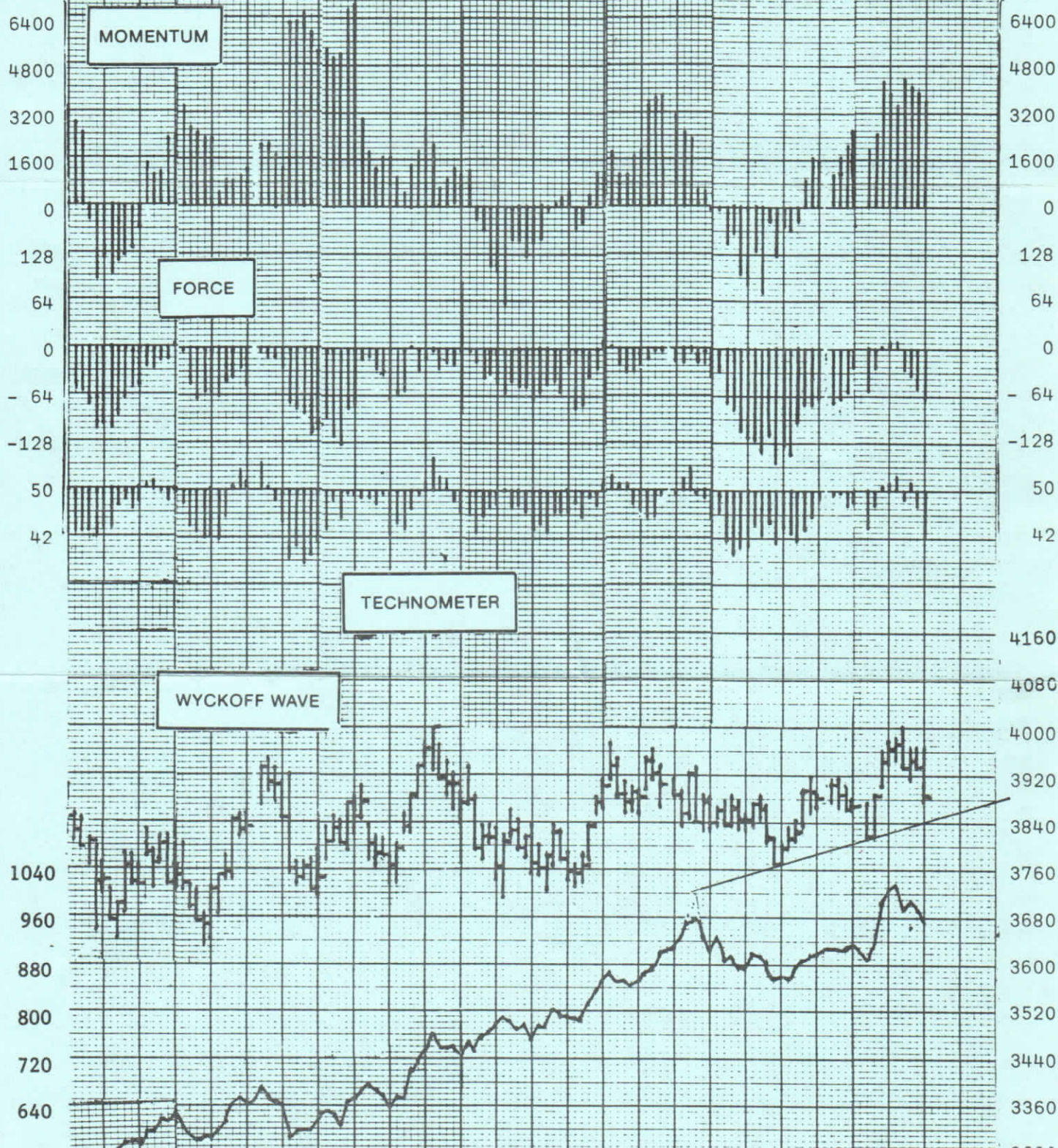


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FRIDAY, JANUARY 13, 1984.

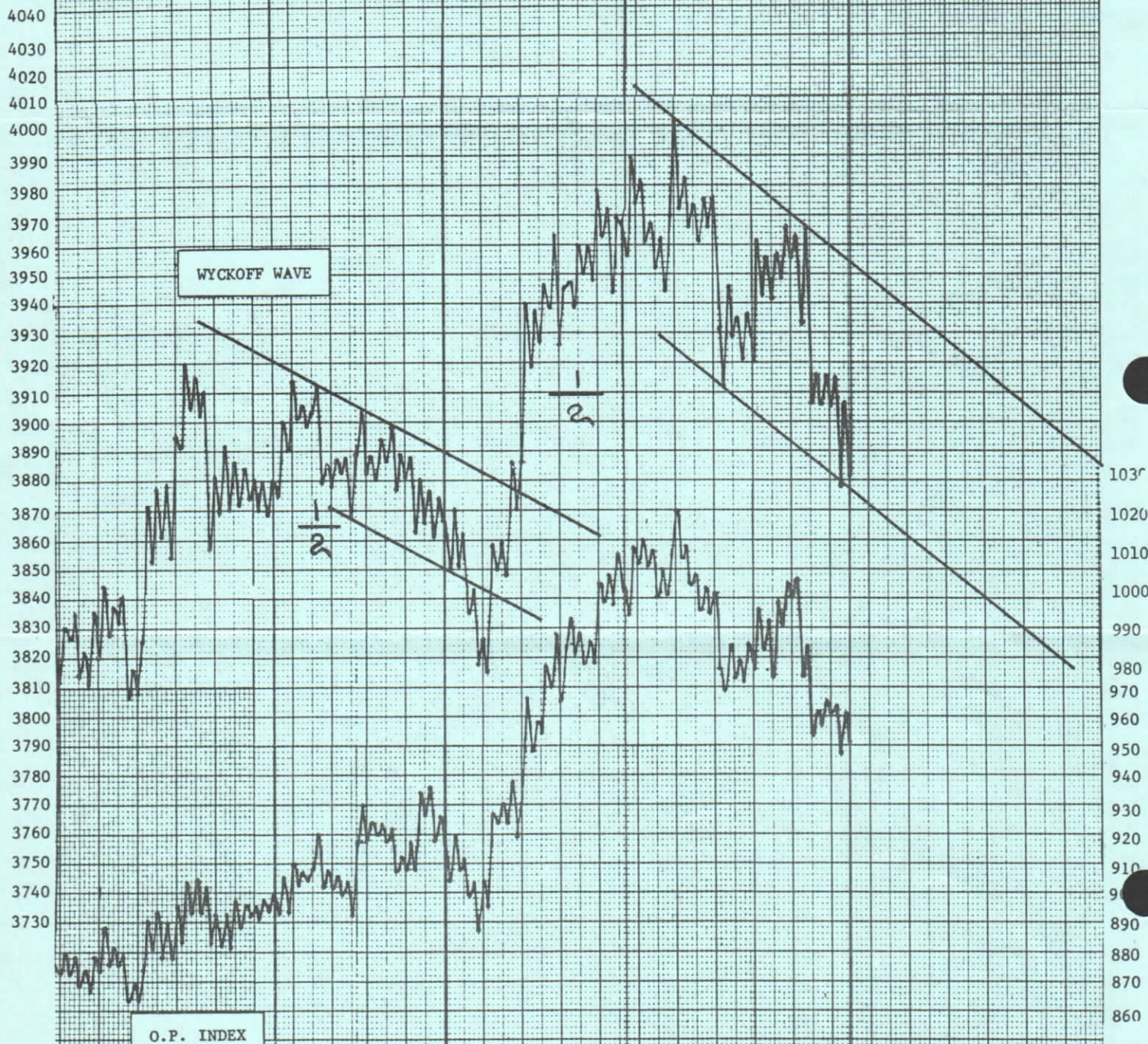


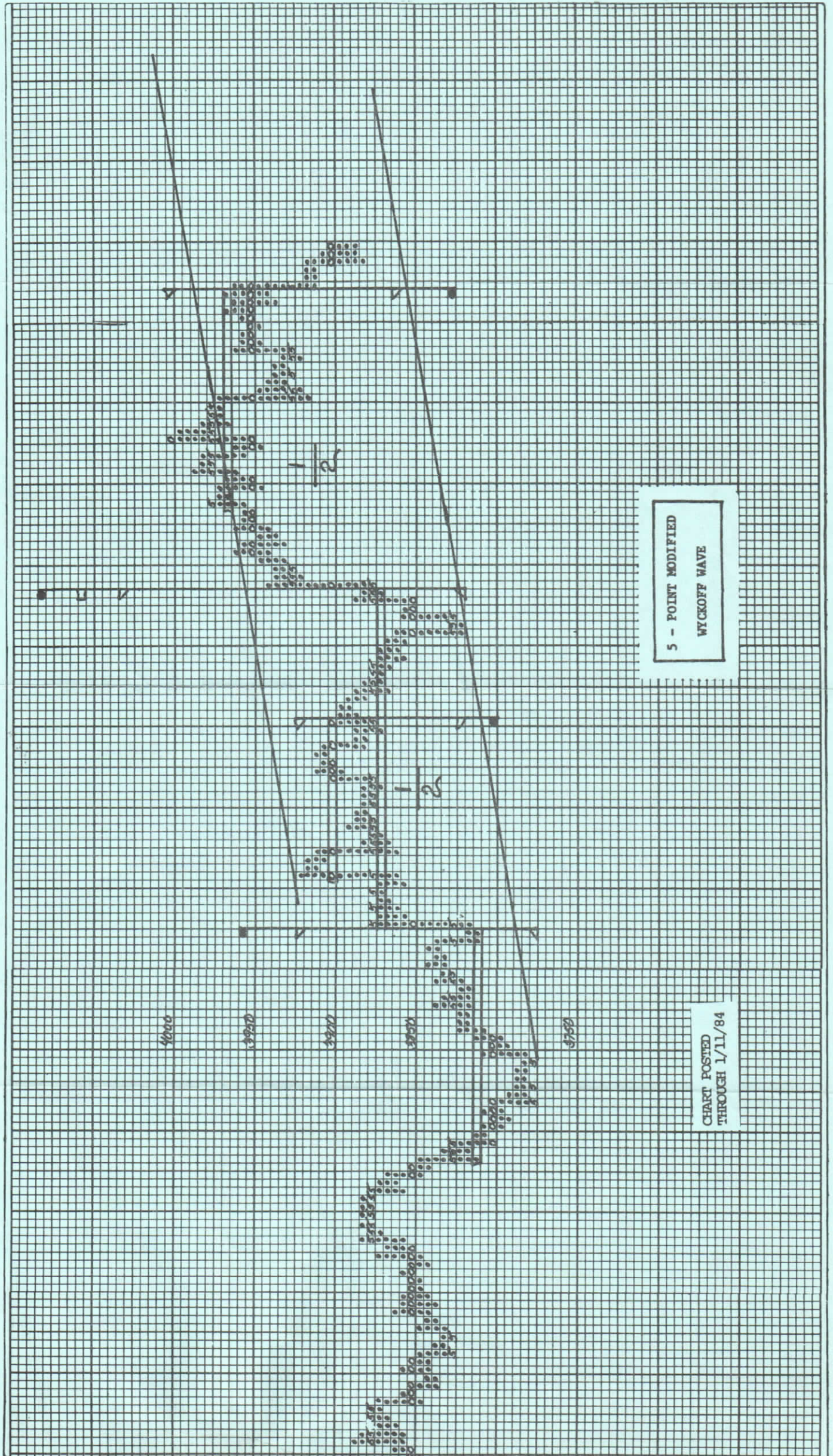
R 19 - DECEMBER 23

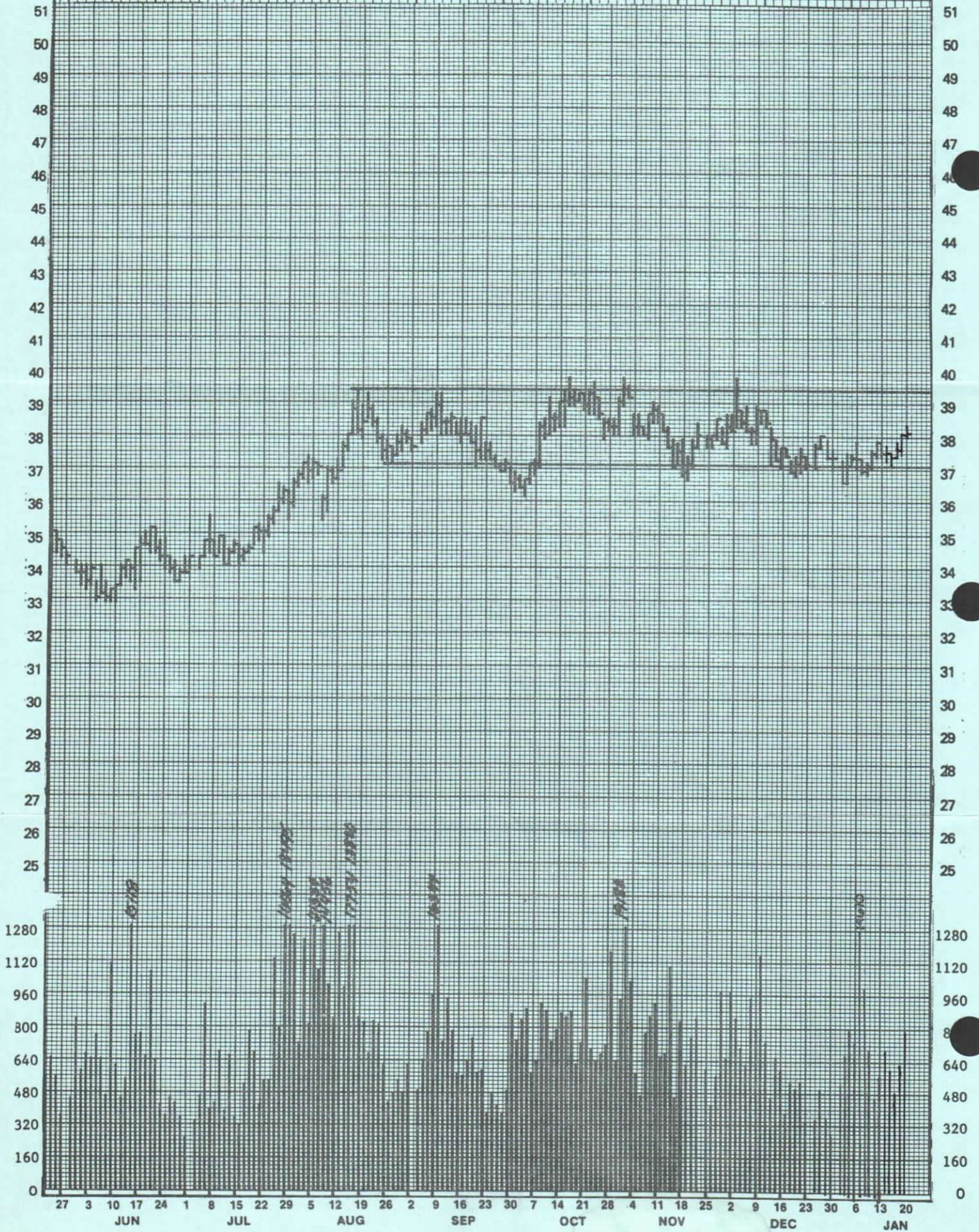
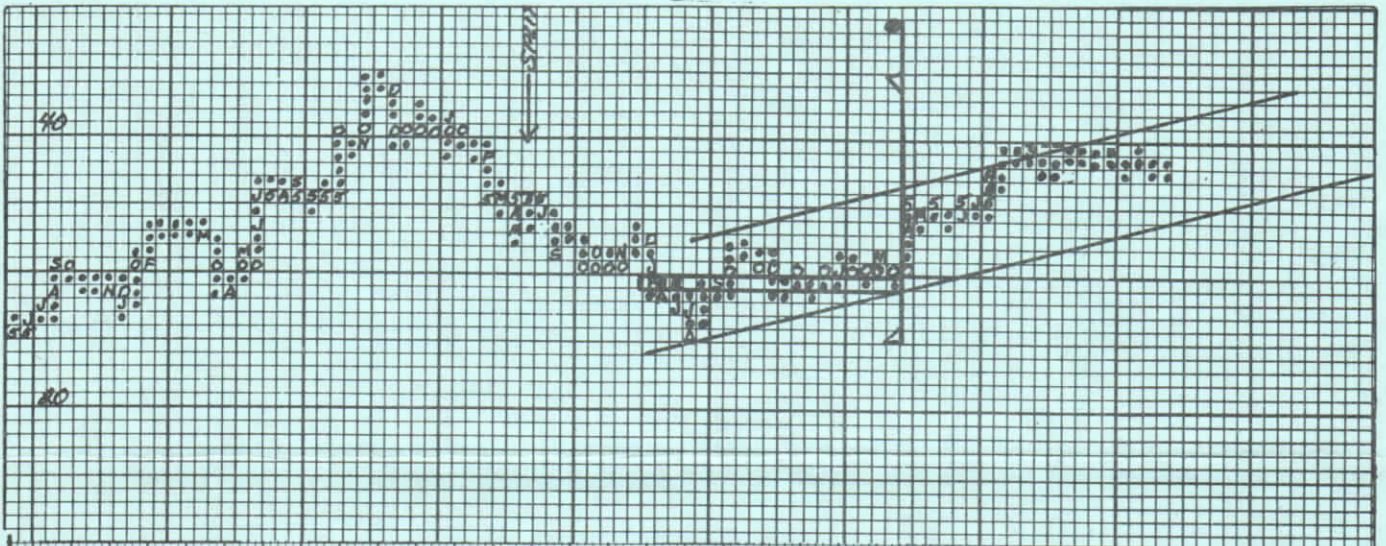
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DECEMBER 27 - DECEMBER 30

JANUARY 9 - JANUARY 13

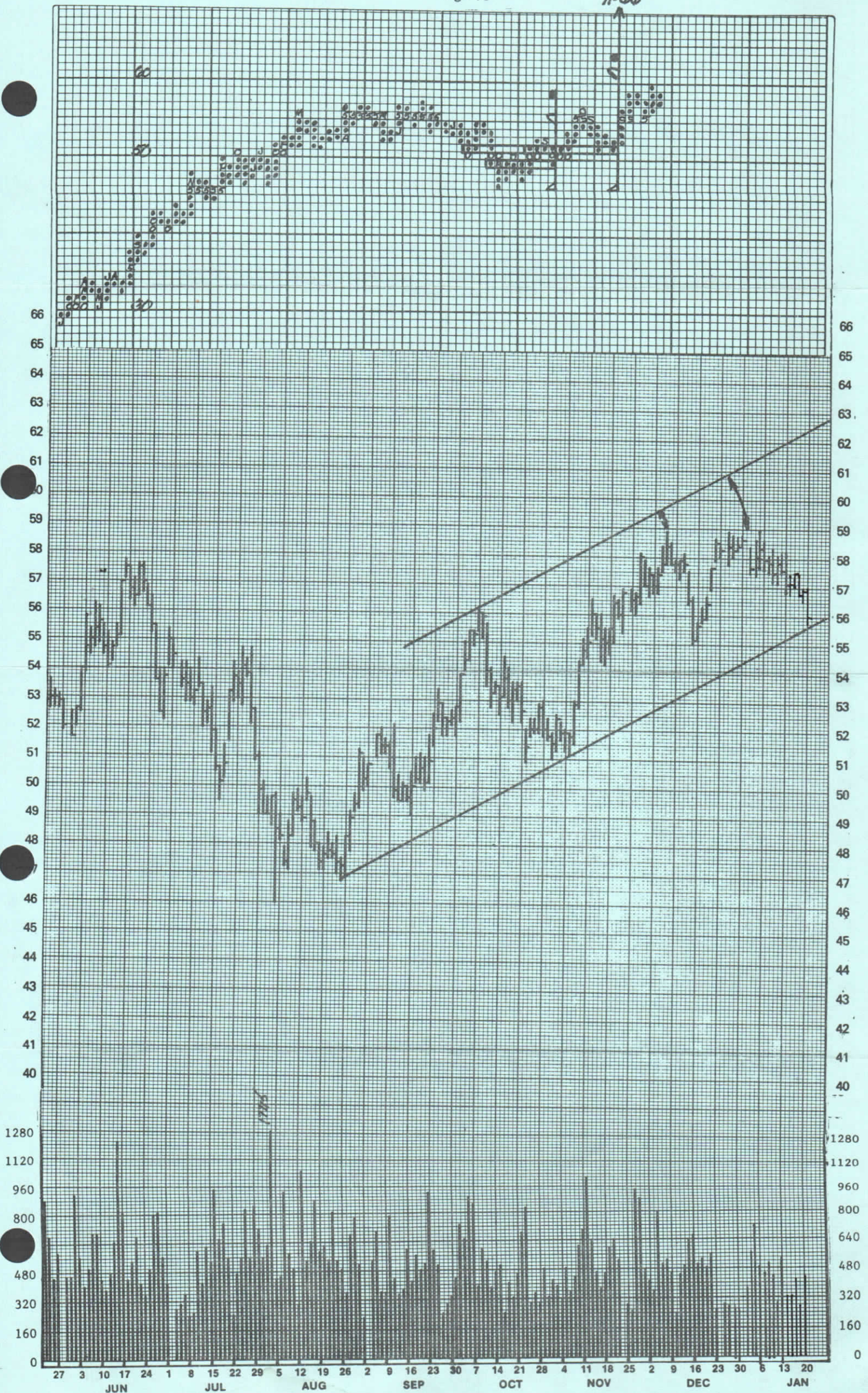


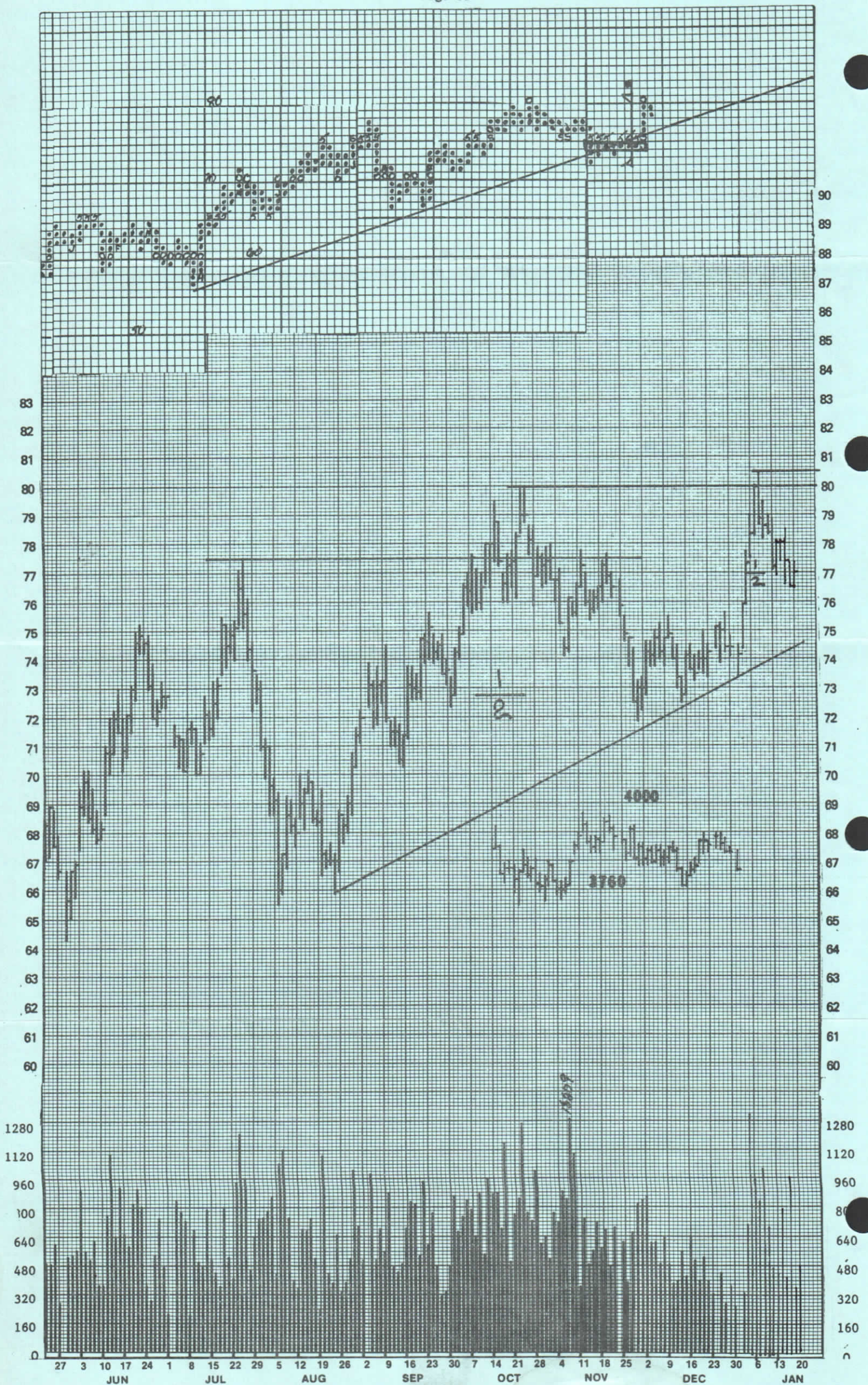


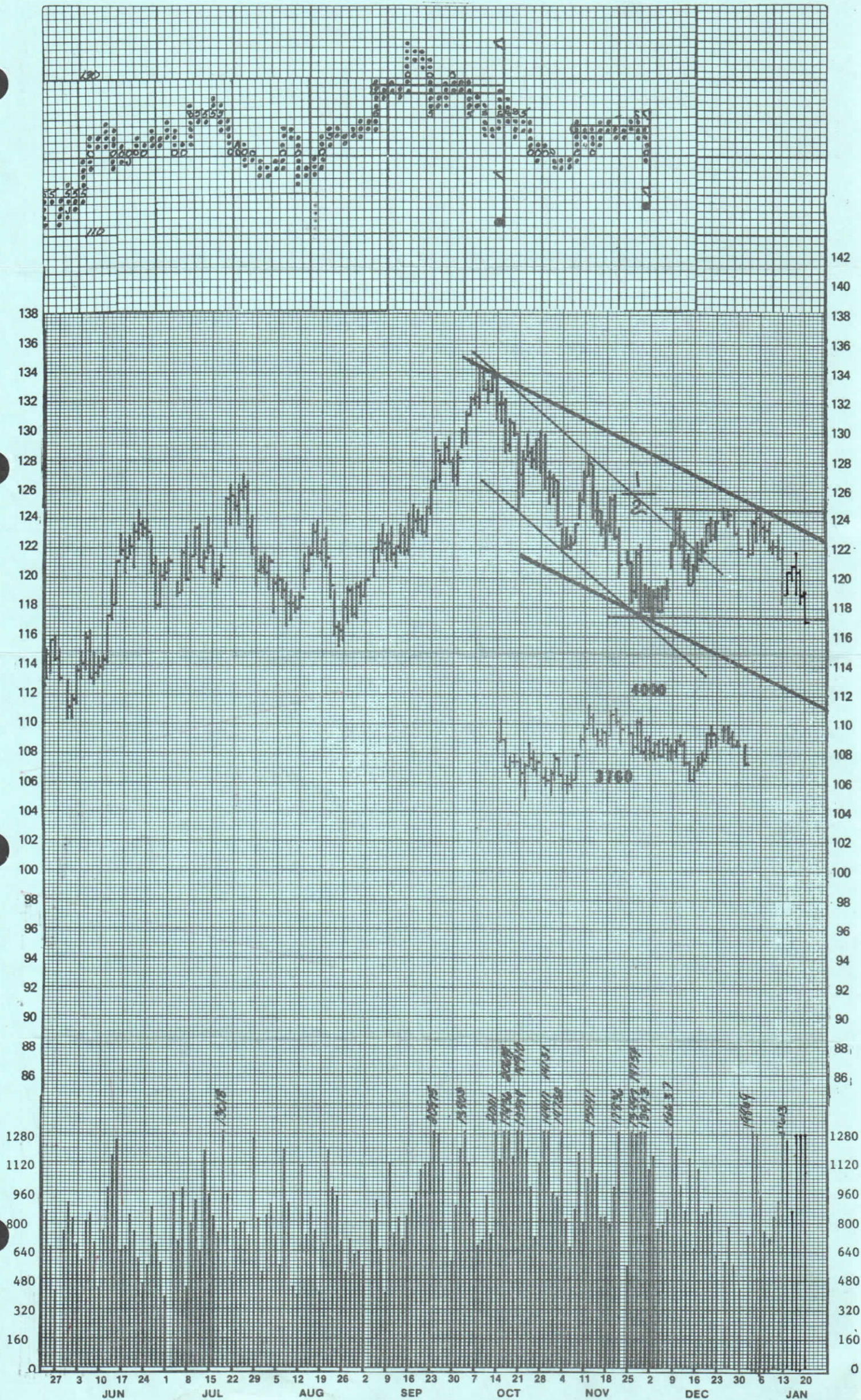


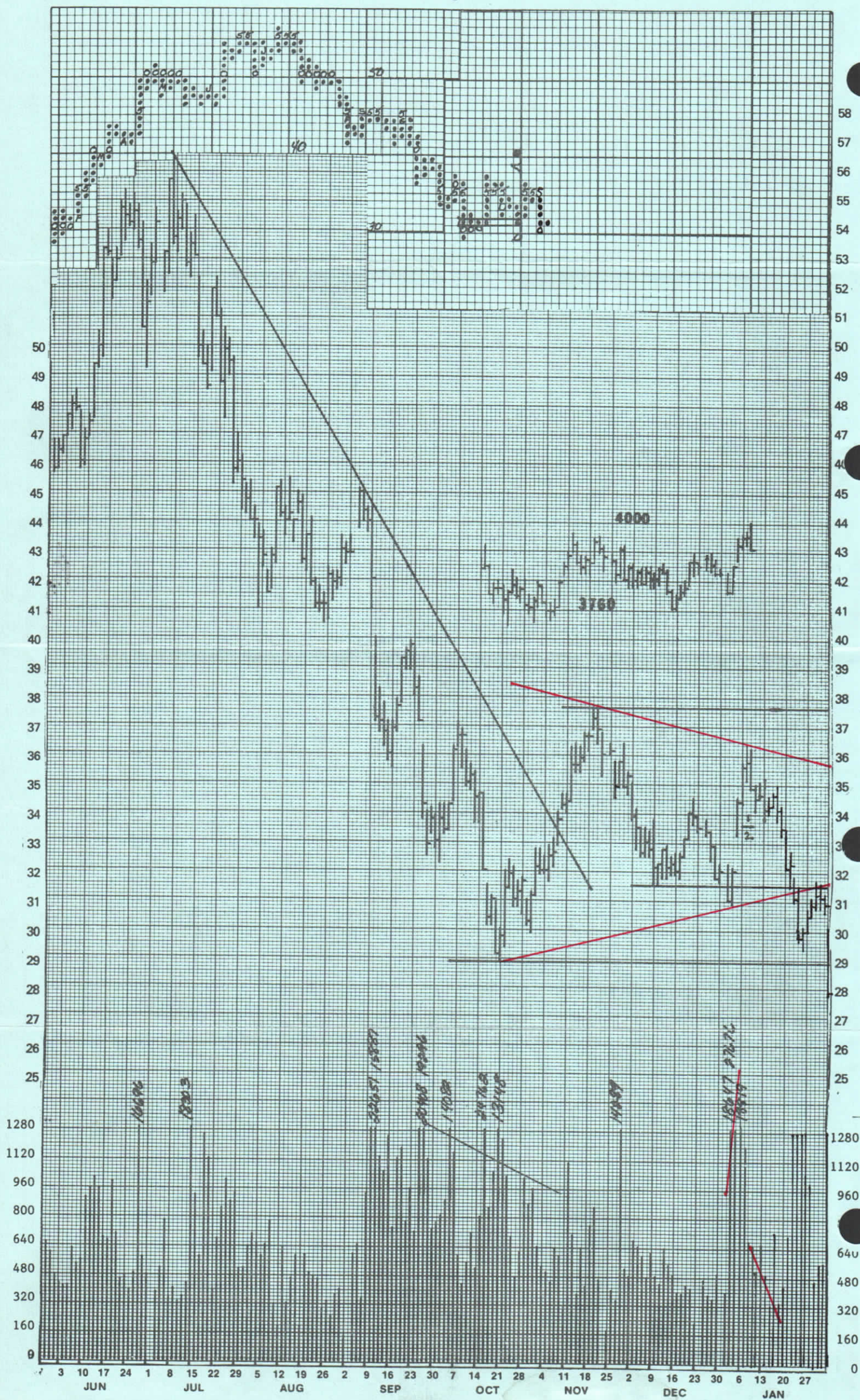


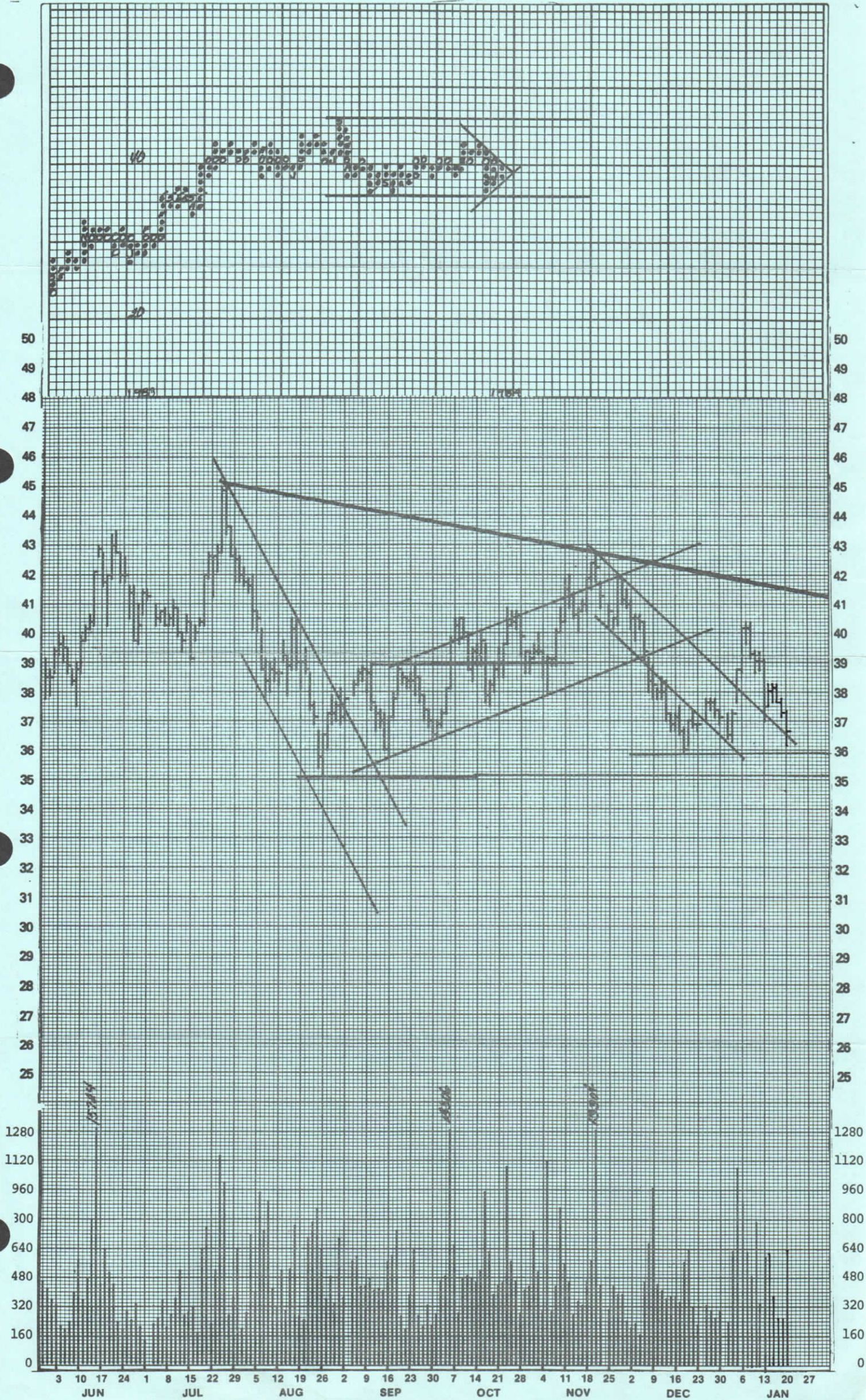
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C.B.O.E. (p&c)

AIR TRANSPORT

Page 85

