STOCK MARKET INSTITUTE

Founded in 1931

715 EAST SIERRA VISTA DRIVE, PHOENIX, ARIZONA 85014
(602) 248-8244

TRENDS AND TRADING RANGES

Tuesday, March 15, 1983

After a jump across the creek, comes the back up and after that the market really starts to get interesting. This of course assumes that the back up is successful. Even if the back up fails, the market will still be interesting. The difference is that the interest is directed in the opposite direction. At present, we have a market that has backed up about as close as it can get to the edge of the creek without falling in. Therefore, we should be on the verge of a very interesting market. The question as always is in which direction our interest should be directed.

The weekly chart of the Wyckoff Wave reveals very little as to the likely success or failure of the back up. However, it very clearly shows the potential impact of either a success or a failure. If the Wave moves a little lower and finds support at the demand line of the currently defined long term uptrend, the back up will be successful and the uptrend will remain intact. This should leave the door open to the substantially higher objectives that are to be found on the twenty-five and fifty point figure charts. Since the volume is not especially low, the likelihood of the market holding at the demand line is uncertain, all that can be done is to judge the effort as it happens and hope that the market does not run away on the upside should the trend hold.

If the current back up fails, the impact on the longer term future will be at least mildly negative and could be devastating. If the back up fails, the demand line of the long term uptrend will be penetrated. It could be decisively broken if the market fails badly. The penetration is not especially desirable either, however. With the uptrend weakened, virtually anything becomes possible. The Wave could rally unimpressively and then decisively break the trend. It could regain its composure and begin to rally strongly as if nothing had happened. It could also move into a new trading range and disappoint both the long term bulls and the long term bears.

Since the weekly chart only indicates the potential consequences of a successful or failed back up, we need to turn to the daily chart for more information as to the likelihood of success or failure. The daily chart always supplies a considerable amount of valuable details and this time they are coming in heavy on the positive side.

One thing we can see at a glance is that the back up has resolved a problem that developed on the jump. When the Wave broke through the resistance around 3400, it almost immediately entered an overbought position on the uptrend and eventually developed an overbought condition on the Technometer. These two factors combined to keep the jump from making the type of progress that has come to be seen as typical over the past six months. Both of these barriers to upside progress have now been removed. They have been replaced by a Technometer that is on the verge of an oversold condition and a position in the trend that is at least neutral.

There are additional factors that can be seen rather easily. These concern the level of trading and the ability to hold prior gains. At this point, the market stands at the very edge of the creek. In this precarious position even moderately heavy volume would likely give the market that fatal push back into the creek. Fortunately, the volume is relatively speaking very low. This implies a low level of interest in the downside, which should help keep the Wave out of the creek.

The market's ability to hold its previous gain can also be seen as being positive. At this point, the Wyckoff Wave is still holding more than half the gain realized on the last rally. This in combination with the relatively low volume indicates a constructive correction from which further upside progress can develop.

Although many important indicators are now pointing to a rally, it is not a totally positive picture. There are a couple of potential problems that should not be completely overlooked. One has to do with shorter term downside objectives. Both the five and ten point figure charts indicate that one downside objective range has been reached. However, they both also indicate a second downside objective that is somewhat lower. Figure chart objectives are never more than indications only and when one is fulfilled, the end of the move may be at hand even though other objectives remain. Therefore, the developing oversold condition and fulfilled objective may be telling us of the end of the reaction. However, until the next rally actually begins, we should not totally forget about the possibility of one more downward push.

The other potential problem facing the market could be more serious. It is the present position in the uptrend, which is still relatively near the overbought line. This is a problem because it could bring an early end to efforts at renewing upside progress. This might happen as a new rally enters an overbought position just as it occurred during the jump across the creek. If this is going to be a problem, it does not have to mean an end to upside progress, but would slow it down.

GROUP ANALYSIS

At this point, there are very few groups that appear to be clearly negative. Some look quite positive. The rest are positive but are currently in positions that discourage immediate action. The aerospace group is in this last category. It is clearly in an uptrend, but is poorly positioned within the trend. Like the market, it runs the risk of becoming overbought rapidly on any resumption of upside progress. The group can be used as a short term vehicle on the long side, but other than that new positions appear to be unwise.

The airline group and the auto group are both in trading ranges and have been for some time. Consequently, they have both built large potentials. In addition, they are both moving into apexes, which means that some or all of the potential should be used up soon. The problem, of course is in determining the direction of the break. Both groups have previously established uptrends, which favors a break on the upside. This is in harmony with the likelihood of a rally in the general market. The problem lies in a failure on the part of the market to get a strong rally going. Both of these groups have stiff resistance levels to get through. Without a big push from the market they probably will not make it. The best course of action with these groups appears to be to let them break out of their apexes. If the break comes on the upside and develops into a jump across the creek, they can be bought on a back up. If it turns into an upthrust, they can be shorted at that time.

From a long term standpoint, the banking group is behaving very positively. The move down from the November high held at the halfway point and was followed by a new period of preparation that lead to the defining of a long term support line. The group has now consumed the latest build up of potential and is making an orderly correction of the most recent rally. Although the group remains relatively weaker than the market from a longer term standpoint, it can be considered for long term positions on the long side during constructive reactions as long as the major support line remains intact.

The building materials and chemical groups have nothing in common from a business standpoint, but their indexes do. They have both recently penetrated important resistance levels as has the market. Neither, however, can clearly be called a jump across the creek. In both cases, there was no real power shown as the resistance levels were penetrated. This should lead us to wonder if they can hold their gains and that is reason enough to hold off doing anything for now. If they can test the former reistance levels on low volume and hold, action on the long side can be justified. If the tests fail, consider short positions on the next rally.

The computer group and the diversified group are in major uptrends. However, both are currently positioned near the middle of their trend channels. Therefore, neither is a good candidate for a new position at this time. Previously established long positions may be held.

A very interesting possibility for the long side exists in the drug group. The recent rally above the resistance level at 4480 appears to be an upthrust. However, on the way to that potential upthrust it appears as though a creek was jumped. Of course, both of these cannot be true. Since the reaction currently underway is bringing with it much lower volume, the jump across the creek idea appears to be the most valid. Therefore, with a turn to the upside expected in the general market, this group should be considered as a good long candidate.

The electronic group shows what appears to be an upthrust followed by a test. If so, the current reaction should drag the index back into the middle of the trading range. There are two problems with this, however. One is that the test had more volume than the upthrust, which means it really did not prove anything. The other thing wrong is the declining volume on the move back into the trading range, which is more positive than negative. These problems suggest that another effort on the upside is going to be made.

The gold group has recently been in a spring position. That spring has been tested three times. Each test has come on lower volume. From this, we can conclude that the bottom is not going to drop out of this group. It also tells us to look for a rally. The rally may result in a lower top and create a longer term problem, but for the short term the long side appears to be the one to play.

As usual, there are similarities between the insurance group and the banking group. However, there is also one important difference. The similarity is that the insurance group made a positive correction from its November high and has resumed upside progress. The difference is that the insurance group has made a new high. This gives it an enormous edge and makes it the better long term long candidate. The only problem immediately is the position in the trend, which involves more risk than buying at the demand line. However, given signs of support at the 3700 level and a general market ready to turn up, the risk is probably not as great as it might otherwise be.

Insurance parallels banking and the medical group closely follows the drugs. That being the case, we are either looking at an upthrust or a jump across the creek in the medical group. The volume on the pull back into the trading range will reveal which actually has occurred. At this point, the volume appears to be drying up quickly. This is positive. If the pattern continues, another rally is very likely.

Normally, the gold group and the metals group also parallel each other. That is not true at present. The metals group is much stronger. It is currently in a low volume reaction within the uptrend channel and beginning to near the demand line. If the volume remains low, the line should hold and the group can be bought.

An intermediate uptrend in the office equipment group has just been broken. This puts the group in an intermediate neutral position. Its short term trend can also be seen as being neutral. The long term trend, however, is up. This is where the group's potential as a trading candidate lies. The index is approaching the long term demand line. The horizontal action in the process is building new potential. If the demand line holds, the group can be seen as a buy.

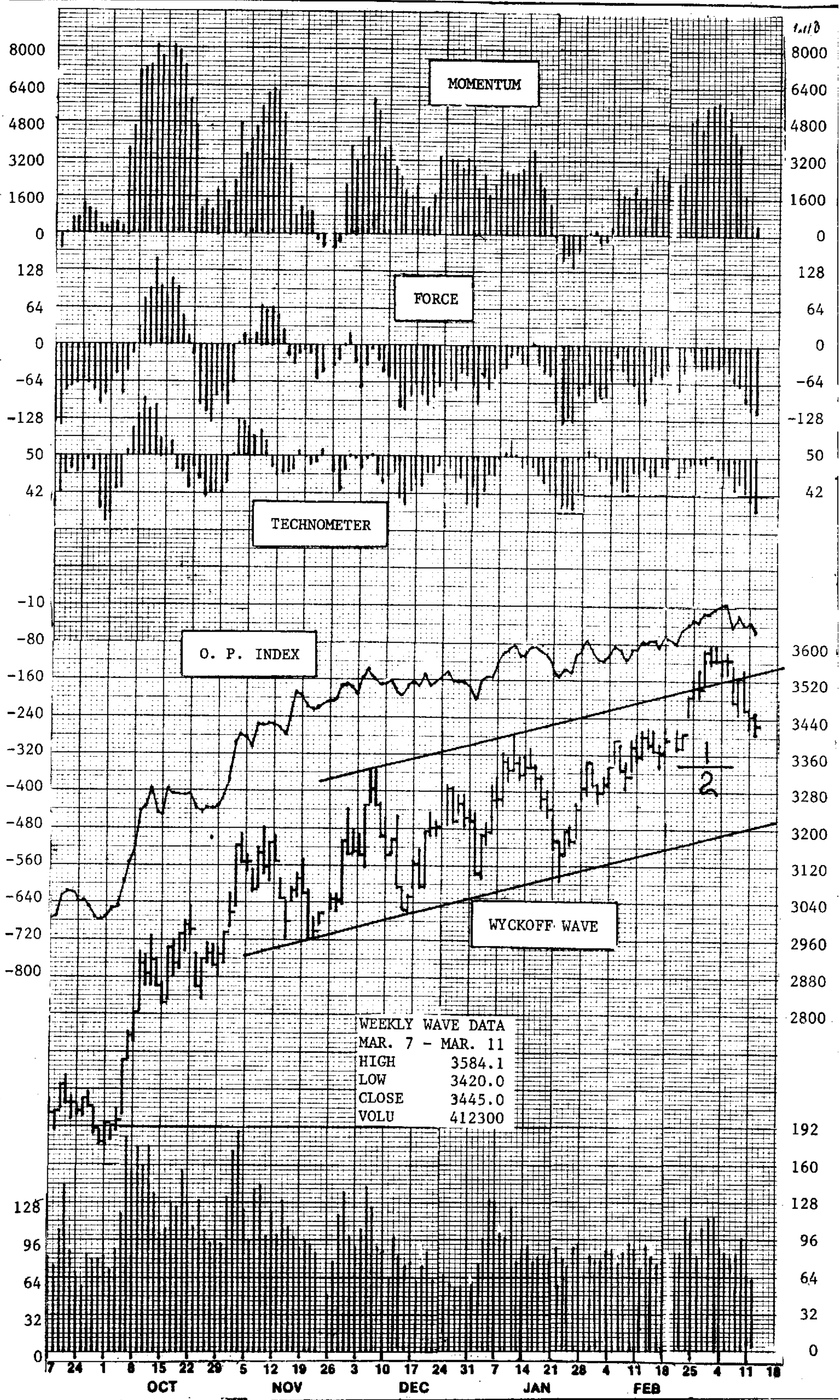
A common misconception among many people in the market is that low prices means a bargain. This is wrong, but if it were correct the oil exploration group would be a bargain hunters dream. The reasons it is not begin with the groups relative weakness. They continue with an inability to hold half the previous gain and end with a lack of immediate potential for an advance. Someday, these stocks will have another major move up, but that does not appear to be soon. For now, trade them for the short term or leave them alone.

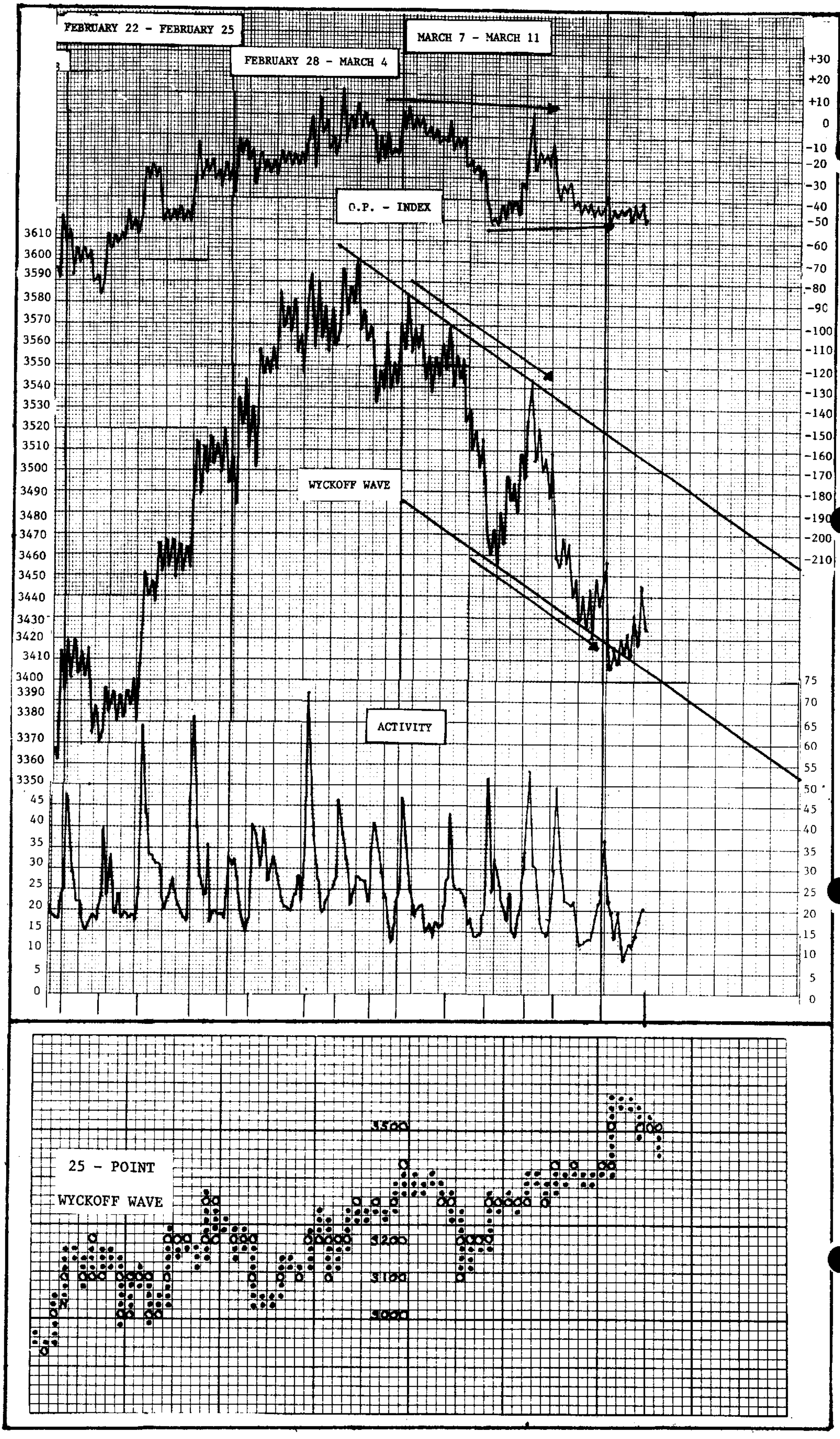
Although nothing appears to be going on in the exploration stocks, something interesting is happening in the oils. They are in a long drawn out apex. There is no reason to look for an immediate break from the apex, but it should not be too far off. The development of the apex has allowed a large potential to be put in place. It is so large that the group must be monitored on a continuing basis. The direction of the break is not clear at this point. Therefore, taking positions now is unwise. Since there is so much potential, taking positions after the break has occurred will leave plenty of time to make a profit.

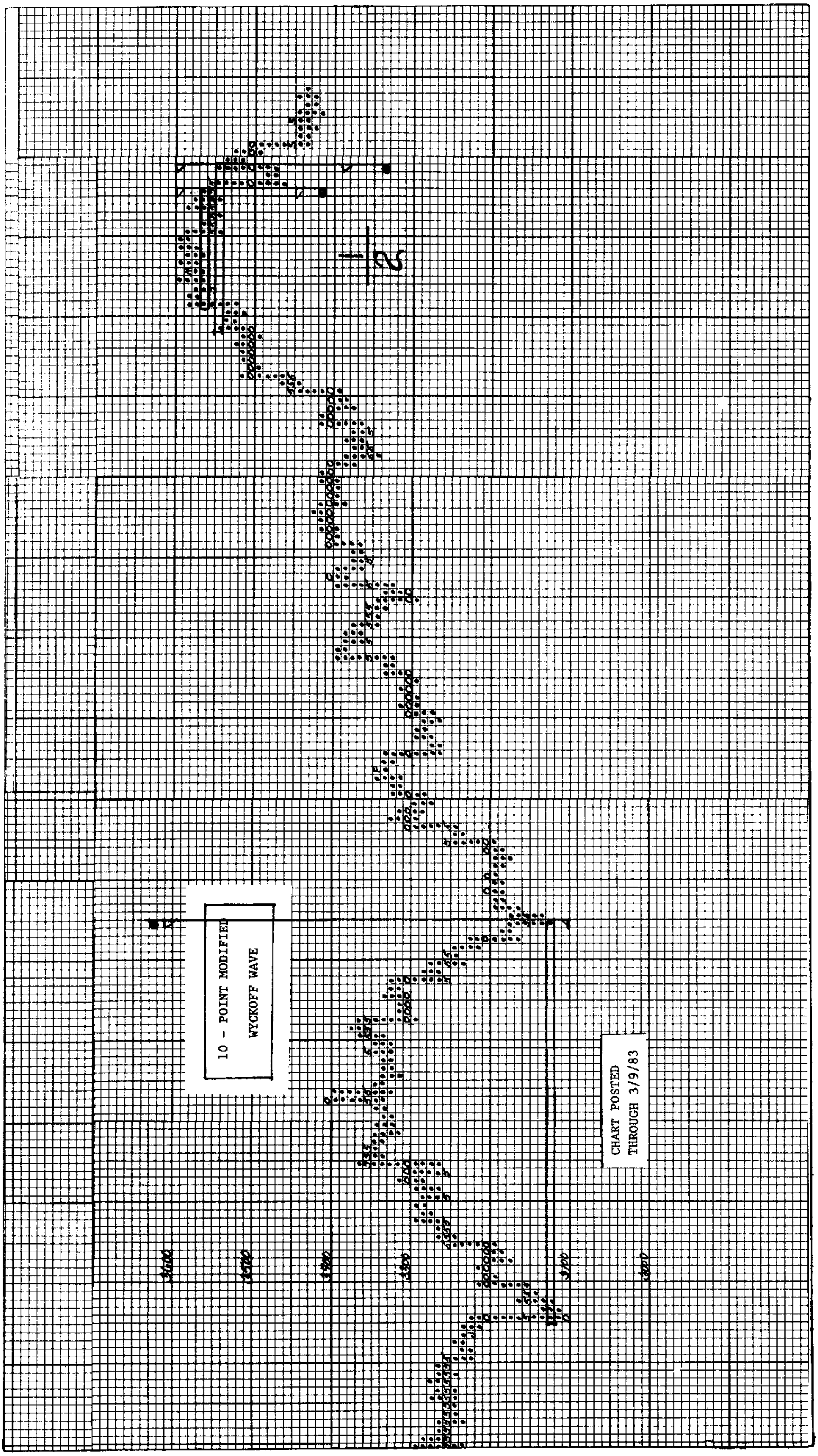
The semi-conductor group has just penetrated its demand line. From a longer term standpoint, this could turn into a problem if the next rally is unable to reenter the uptrend channel. From a shorter term standpoint, however, there is little reason for concern. The penetrating of the demand line has resulted in the establishing of a spring position. Therefore, the group should rally over the short term. Since it is a volatile group, it is a good short term candidate.

The Pulse of the Market

STOCK MARKET INSTITUTE FRIDAY MARCH 11, 1983

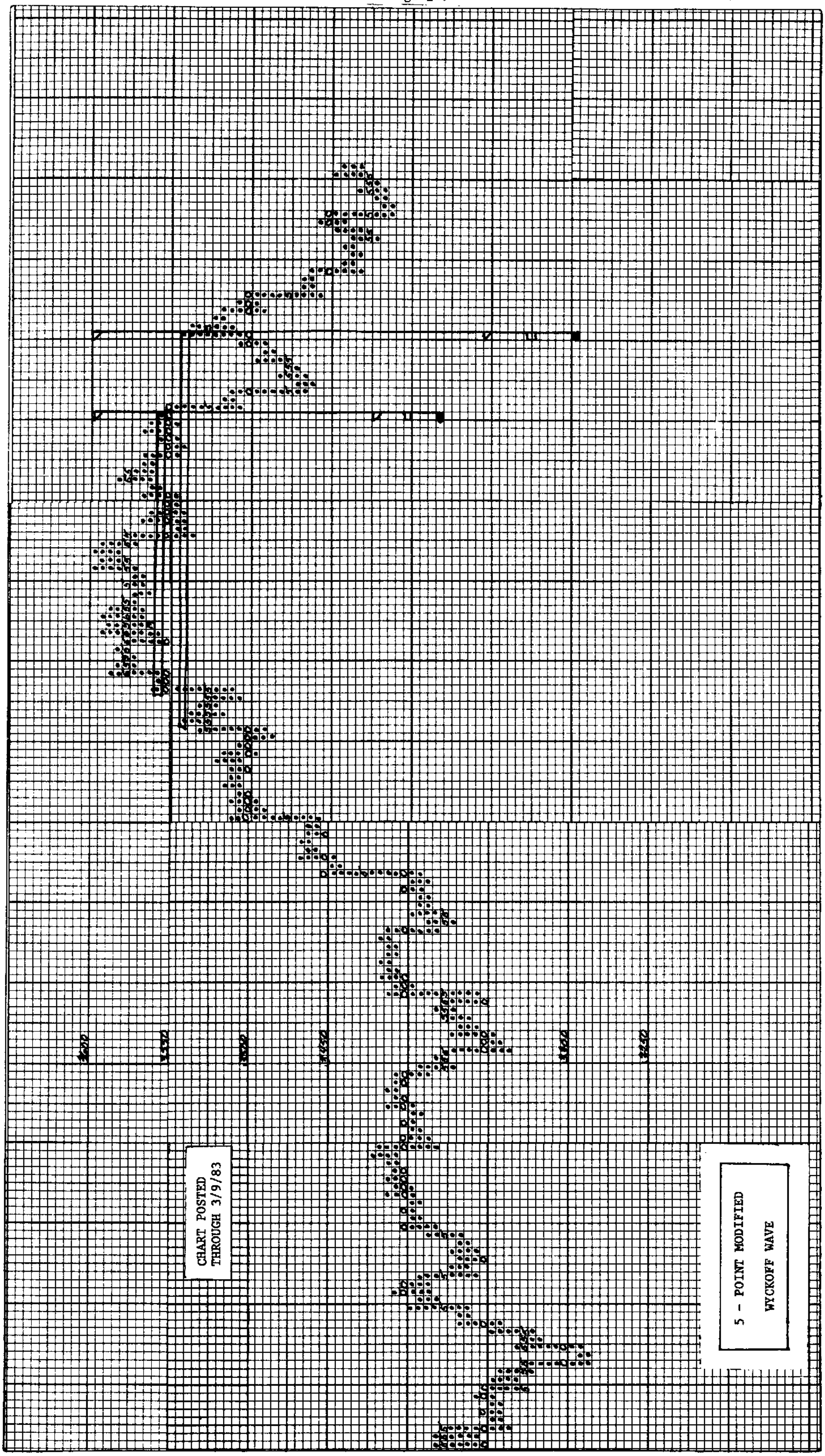



FEBRUARY 22 - FEBRUARY 25
FEBRUARY 28 - MARCH 4
MARCH 7 - MARCH 11
O.P. - INDEX
WYCKOFF WAVE
ACTIVITY
25 - POINT
WYCKOFF WAVE
3500
3200
3100
3000


10 - POINT MODIFIED
WYCKOFF WAVE
CHART POSTED
THROUGH 3/9/83

SMI **INDEX CHARTS**

Stock Market Institute, Inc.



INDEX CHARTS

STOCK MARKET INSTITUTE, INC.

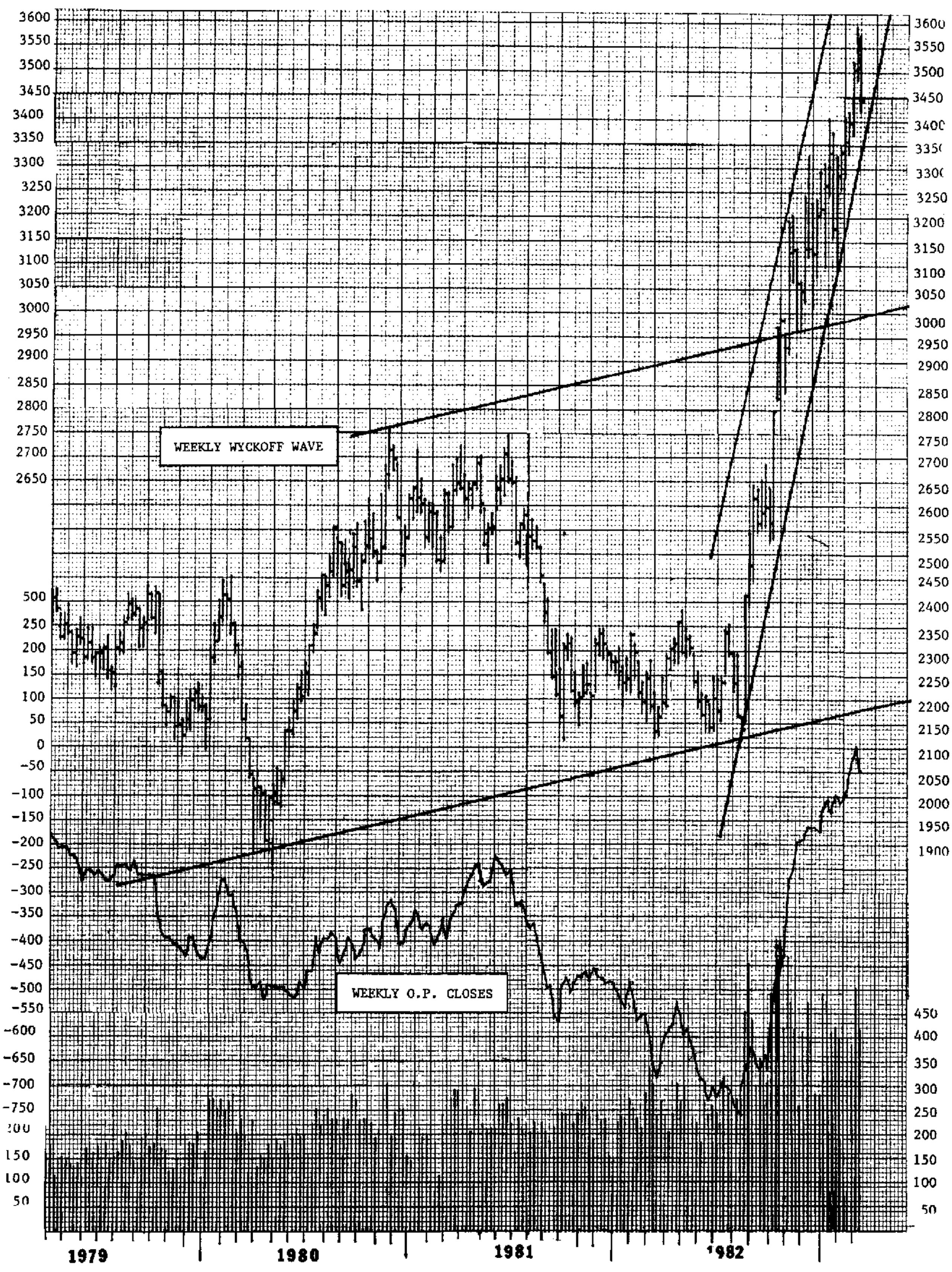
MARCH 3, 1983.

SMI/WYCKOFF INDEX CHARTS

This set of SMI Index Charts is published weekly and is available only to subscribers of SMI's DAILY STOCK REPORT / PULSE of the MARKET or SMI's CHARTING SERVICE. It contains the following charts:

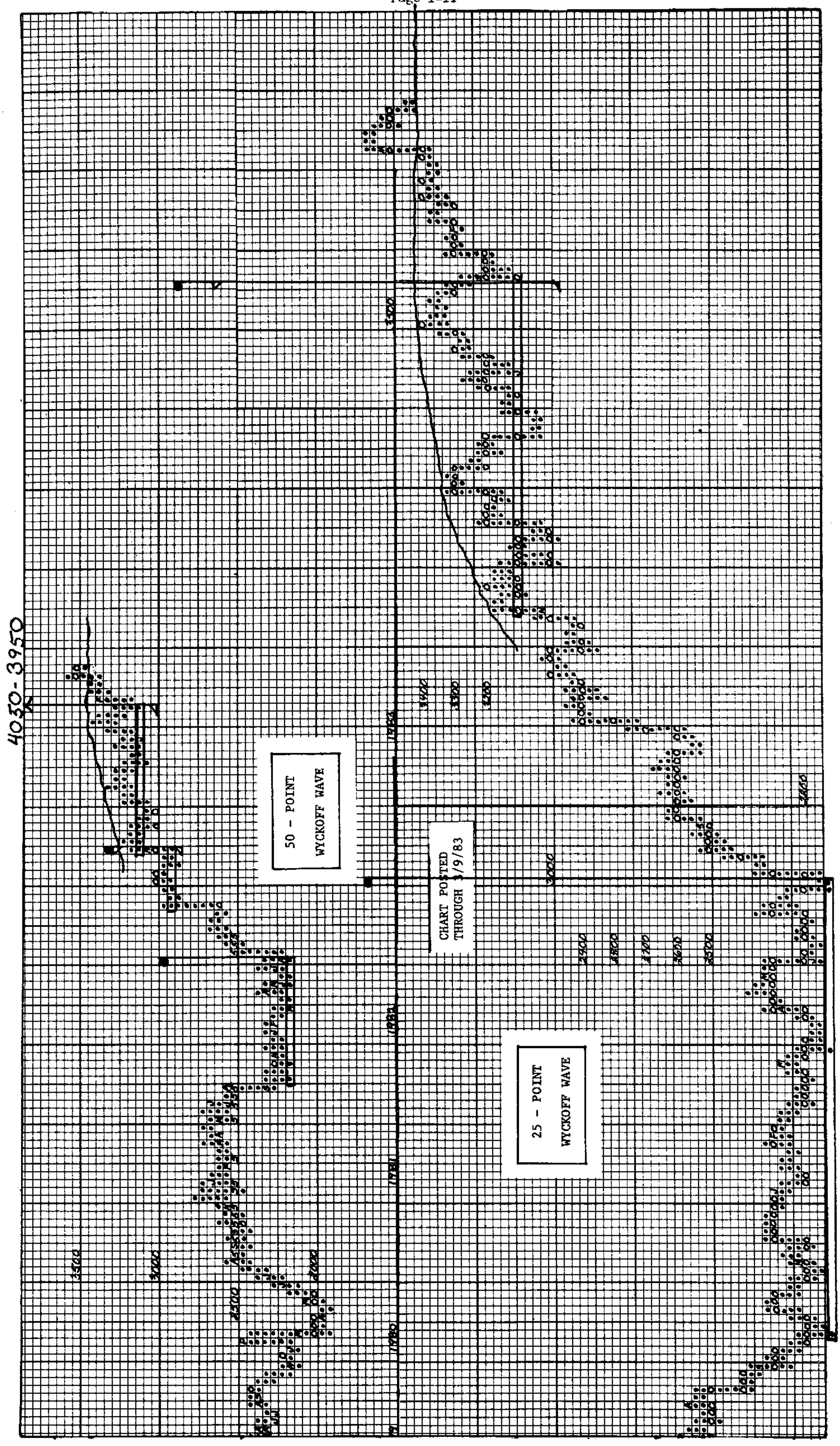
Weekly Wyckoff Wave	½-Point Time Index
50-Point Modified Wyckoff Wave	Trend Barometer/O-P
25-Point Modified Wyckoff Wave	Intra-Day Wave Chart
3-Point of the 10-Point Modified WW	5-Point Modified Wyckoff Wave
10-Point Modified Wyckoff Wave	Group Indexes
Two Point Modified O-P	

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.

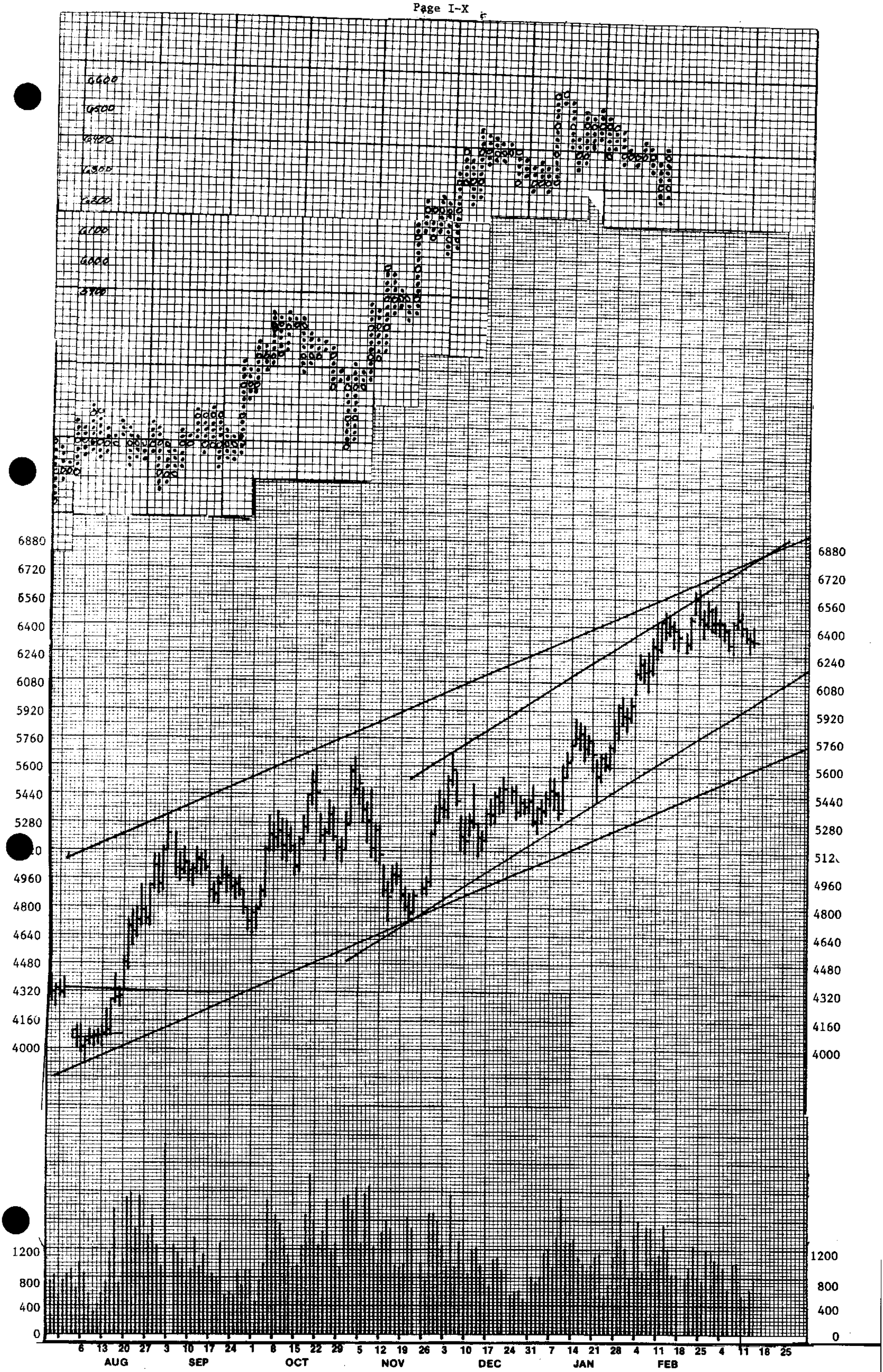


INDEX CHARTS

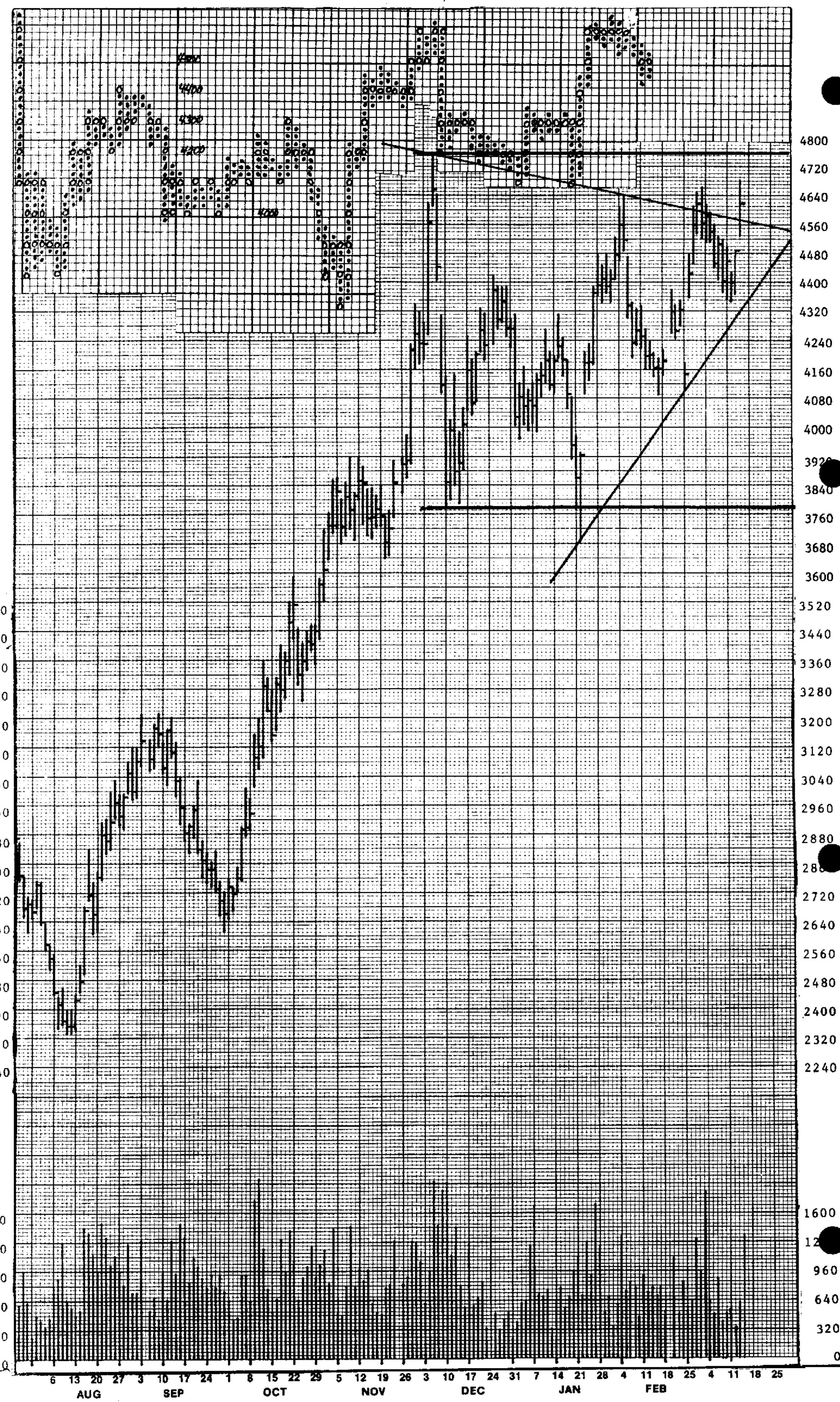
Stock Market Institute, Inc.



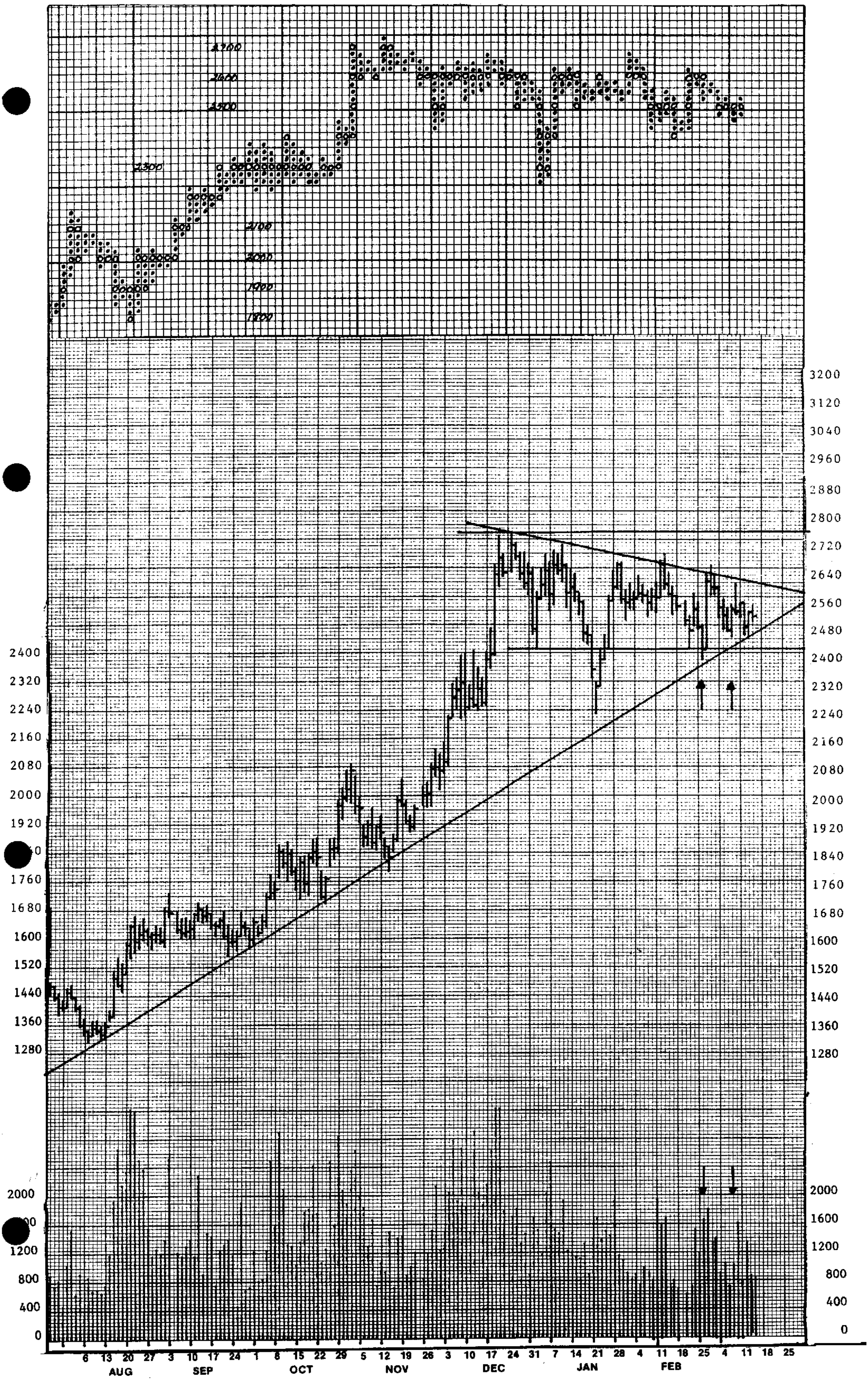
AEROSPACE GROUP
6(4.5BA+3MD+10GD+4RTN+2UTX)



AIRLINE GROUP
6(7TW+2PSA+4DAL+3NWA+4UAL)



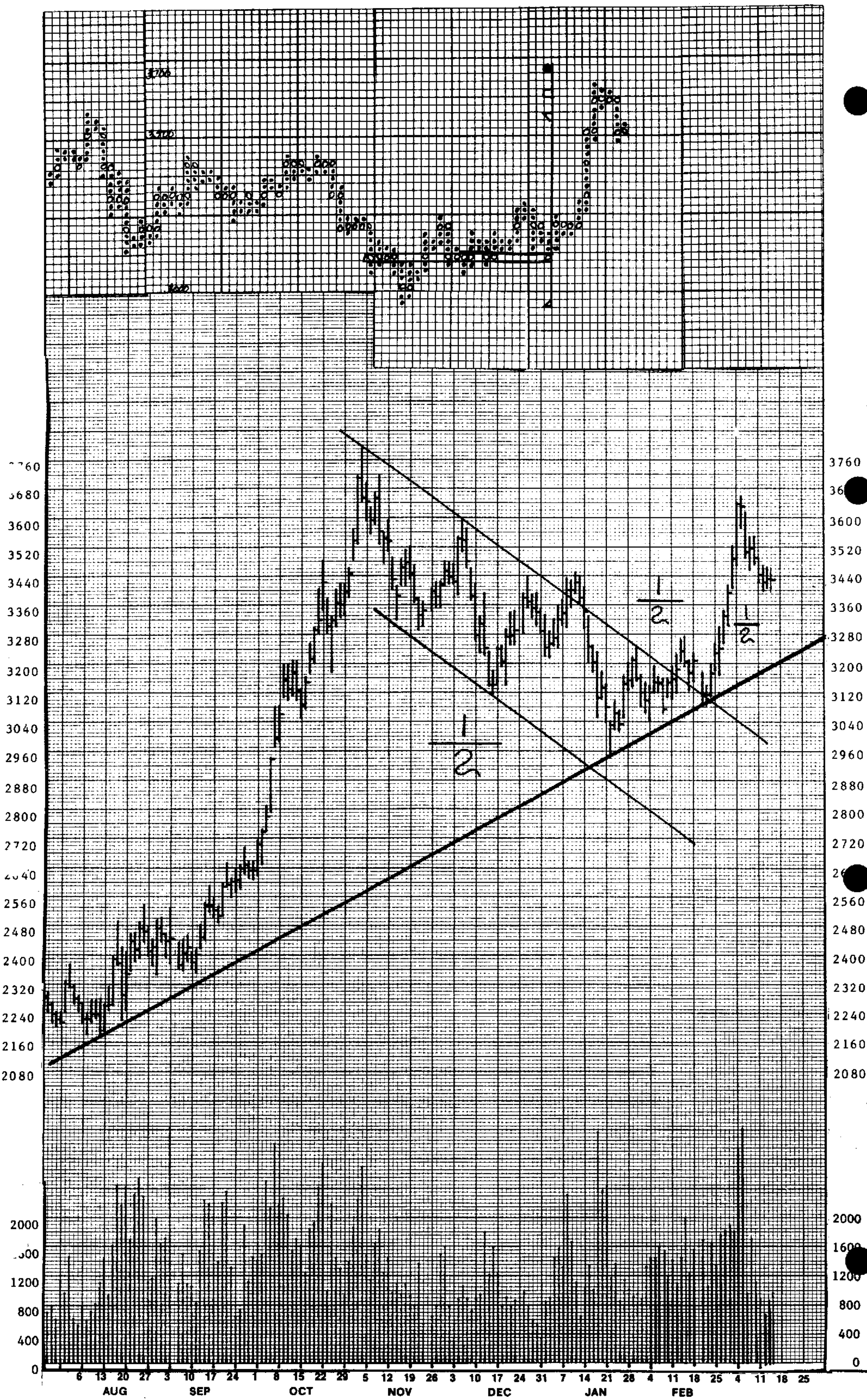
AUTO GROUP
6(11C+3F+2GM)



SMI **INDEX CHARTS**

Stock Market Institute, Inc.

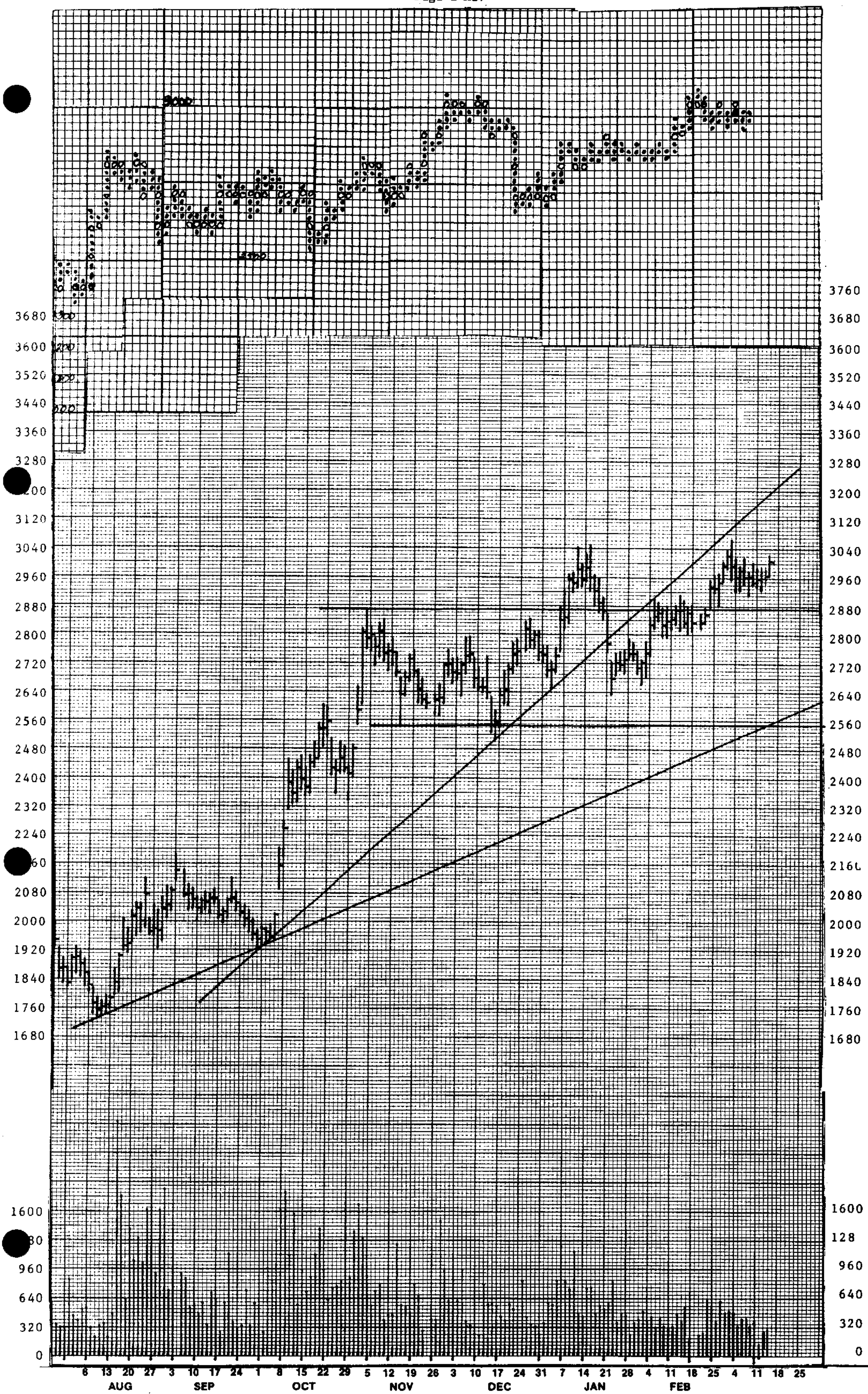
BANKING GROUP
5(4BAC+3CMB+4FNC+6GWF+2JPM)



INDEX CHARTS

Stock Market Institute, Inc.

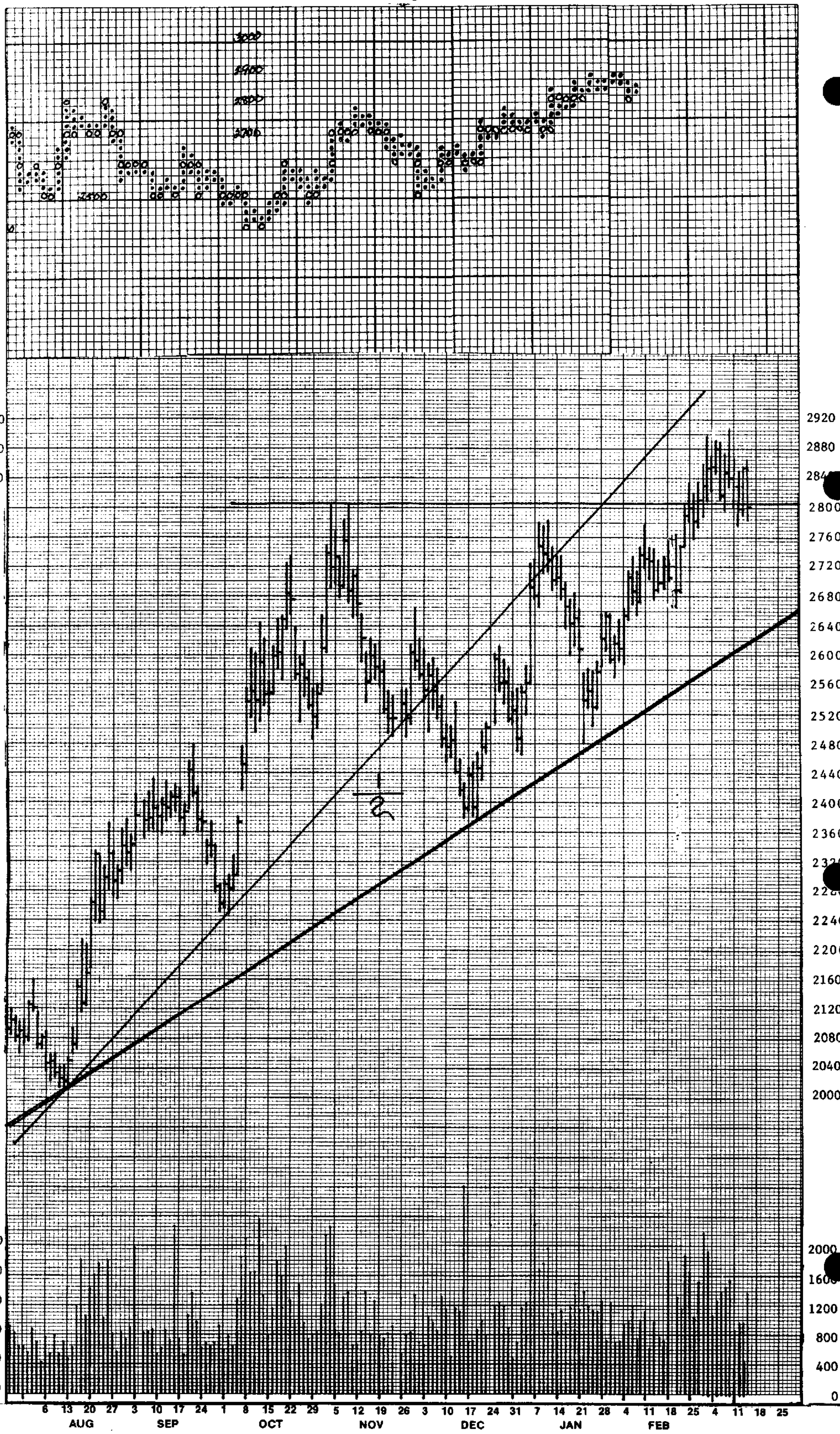
BUILDING MATERIALS GROUP
& 7(2GP+2BCC+2JWC+3.5PL+3WY)



SMI **INDEX CHARTS**

Stock Market Institute, Inc.

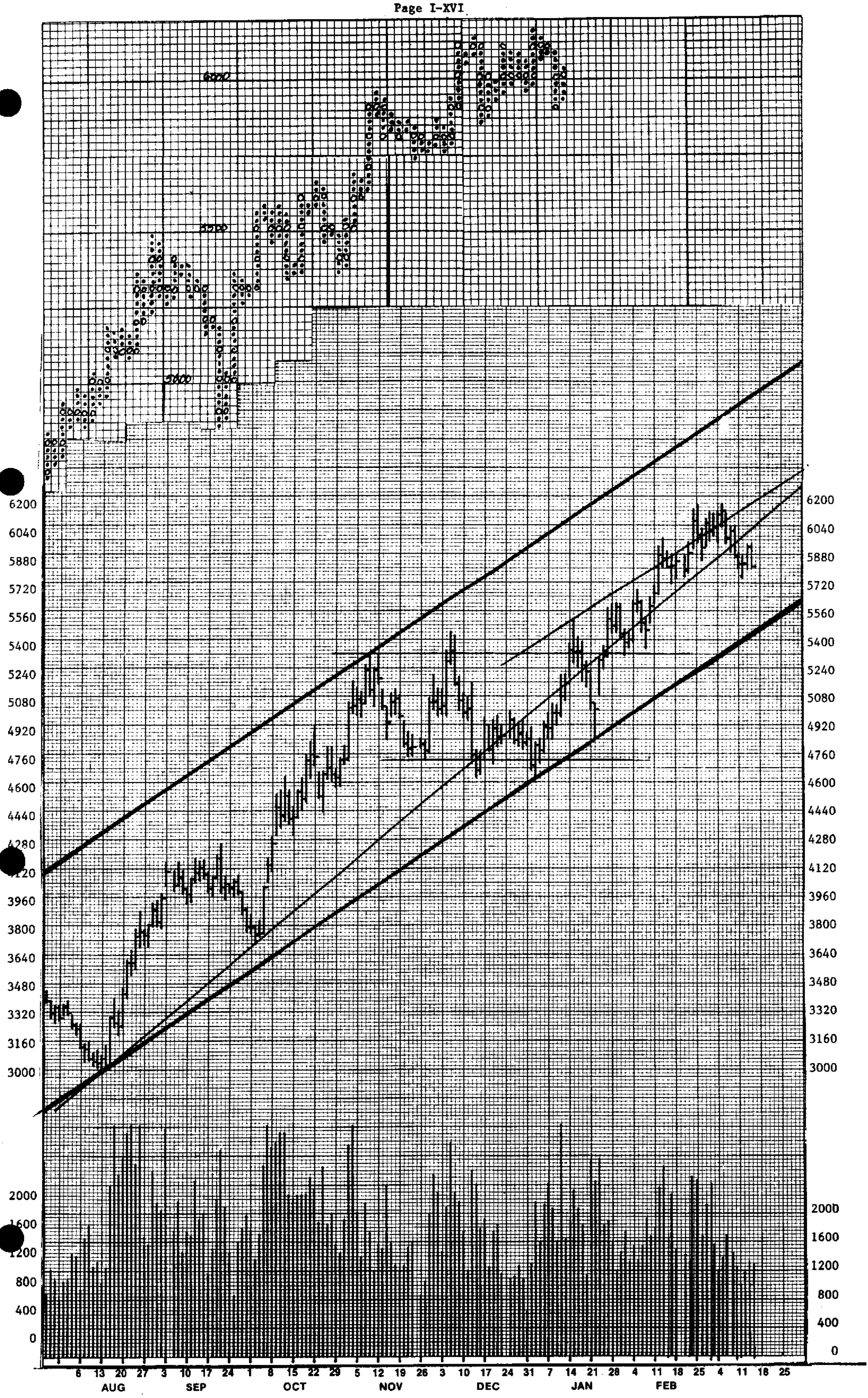
CHEMICAL GROUP
2(6ALD+9DOW+6DD+6PG+5UK)



INDEX CHARTS

Stock Market Institute, Inc.

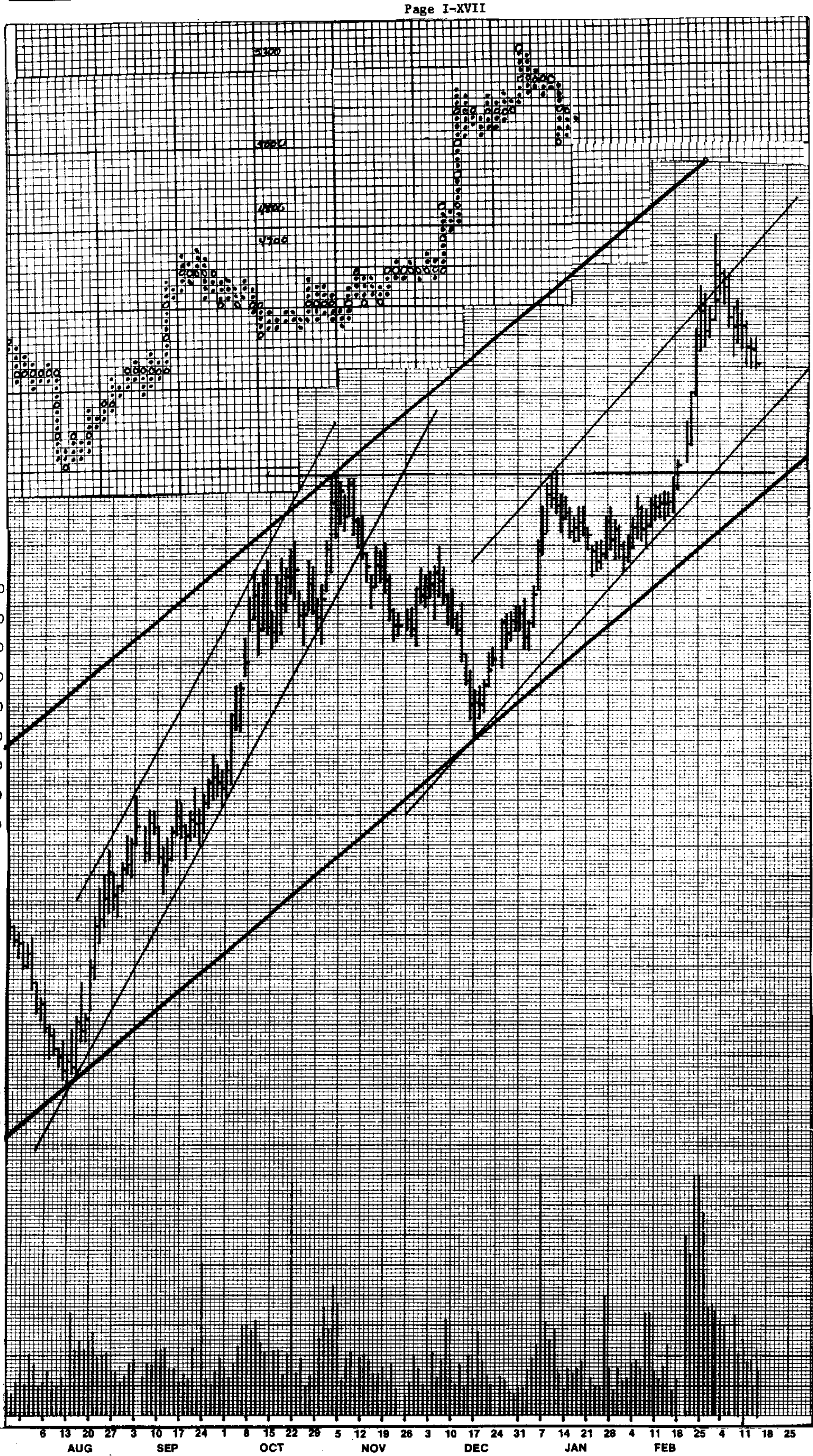
COMPUTER GROUP
1(40CDA+11DGN+12DEC+11HON+8IBM)



INDEX CHARTS

Stock Market Institute, Inc.

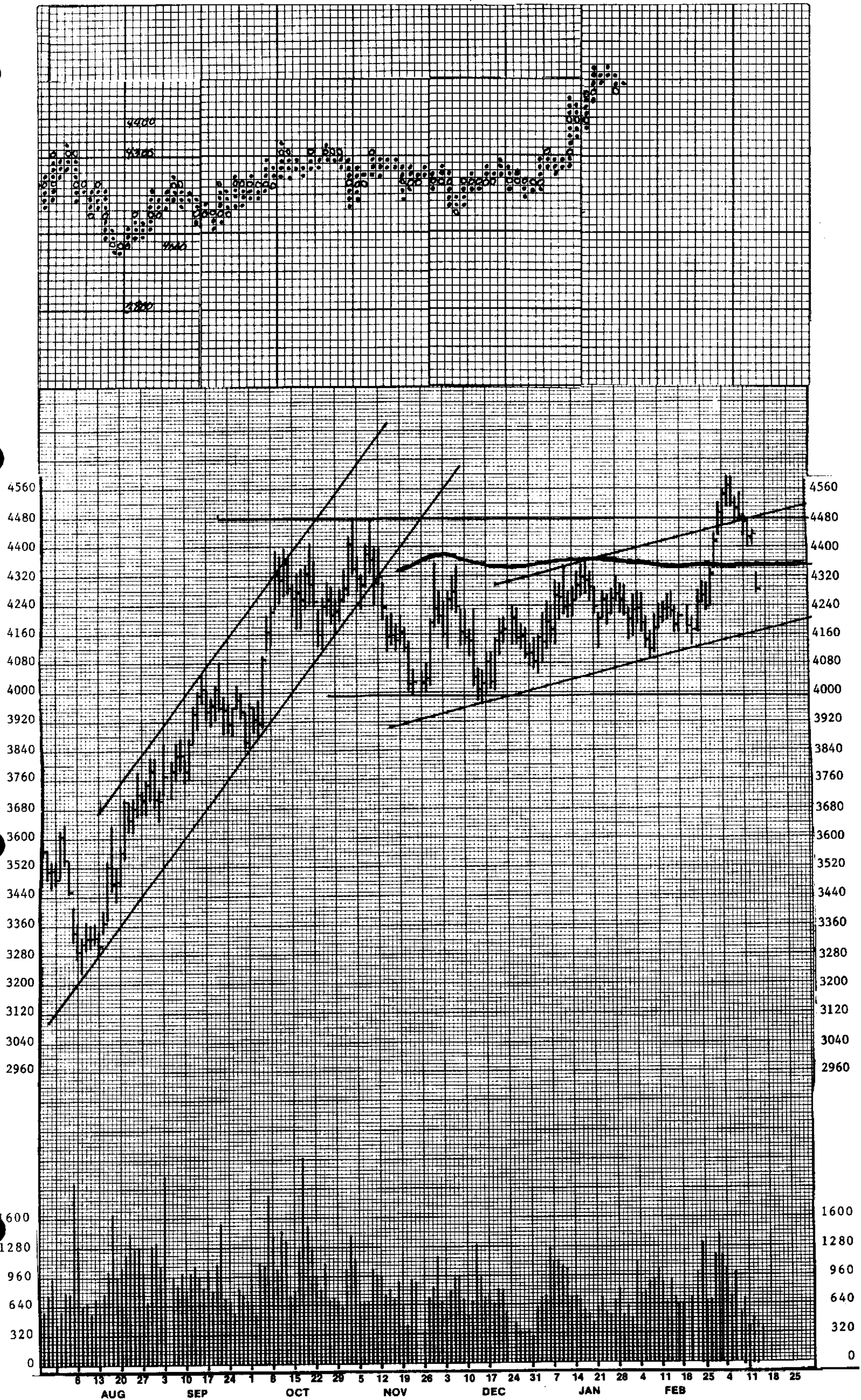
DIVERSIFIED GROUP
6(7GW+3NWT+2LTR+2DKI+4WMB)

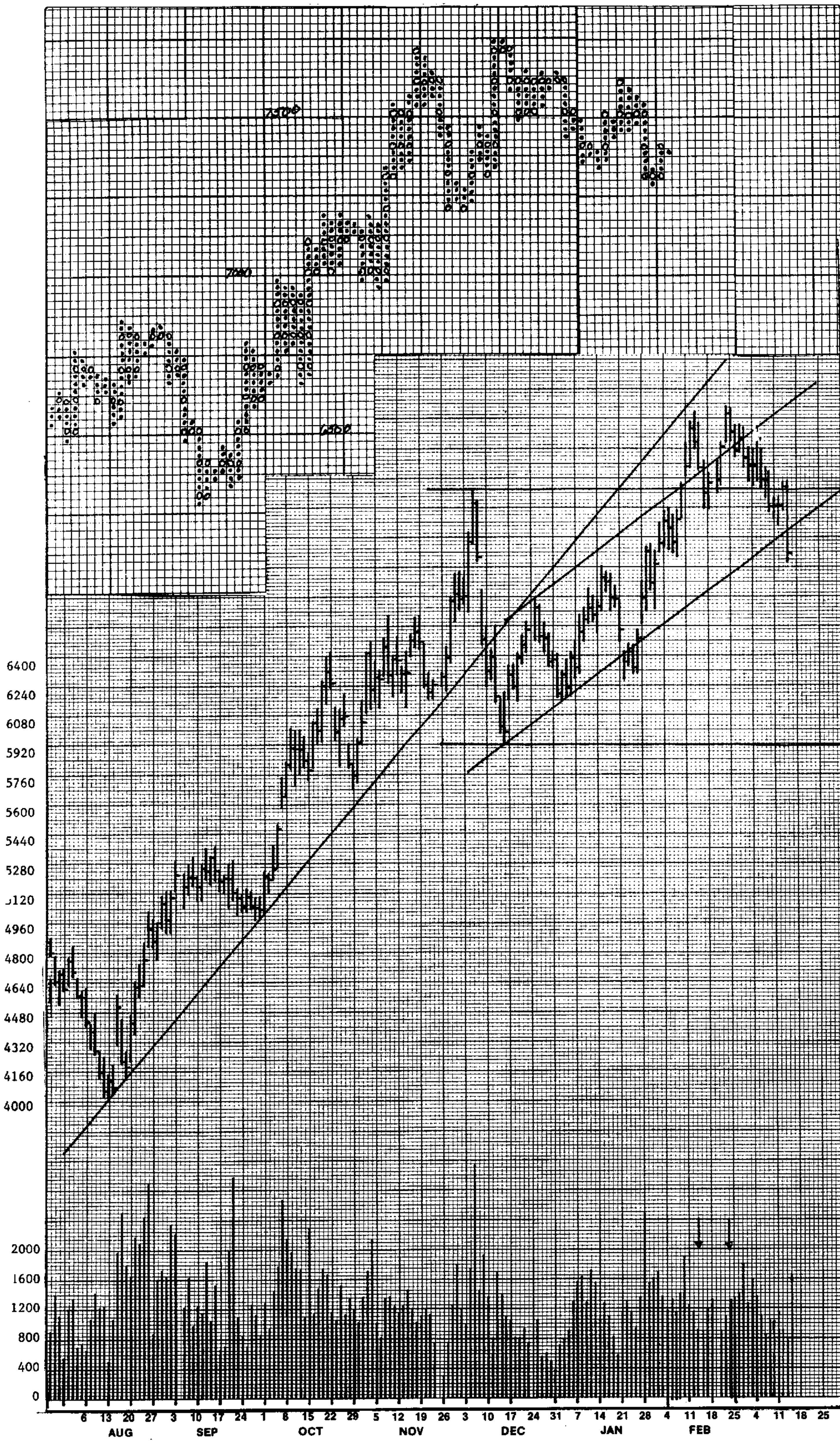


INDEX CHARTS

Stock Market Institute, Inc.

DRUG GROUP
4(4BMY+3LLY+2MRK+4PFE+3UPJ)

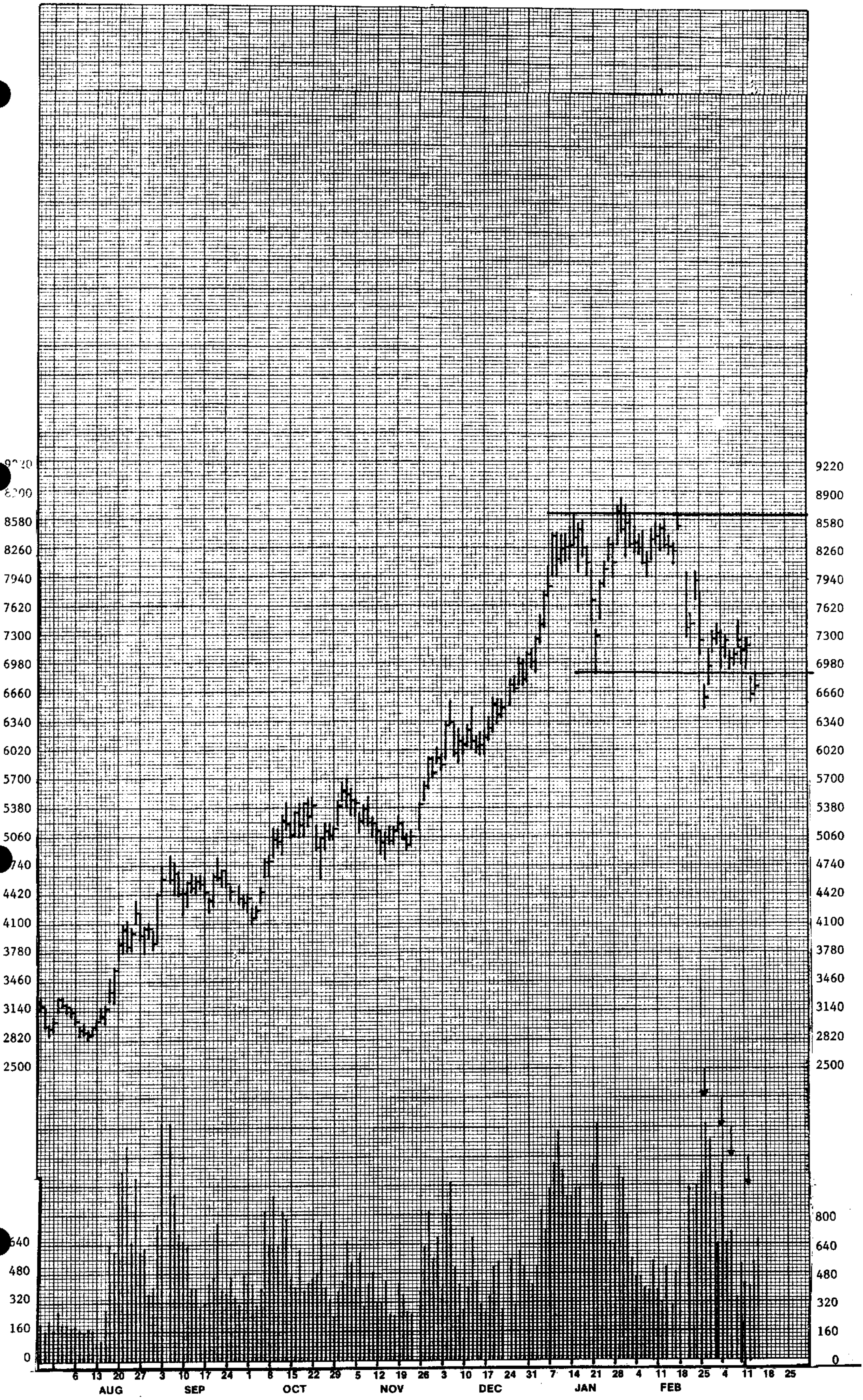


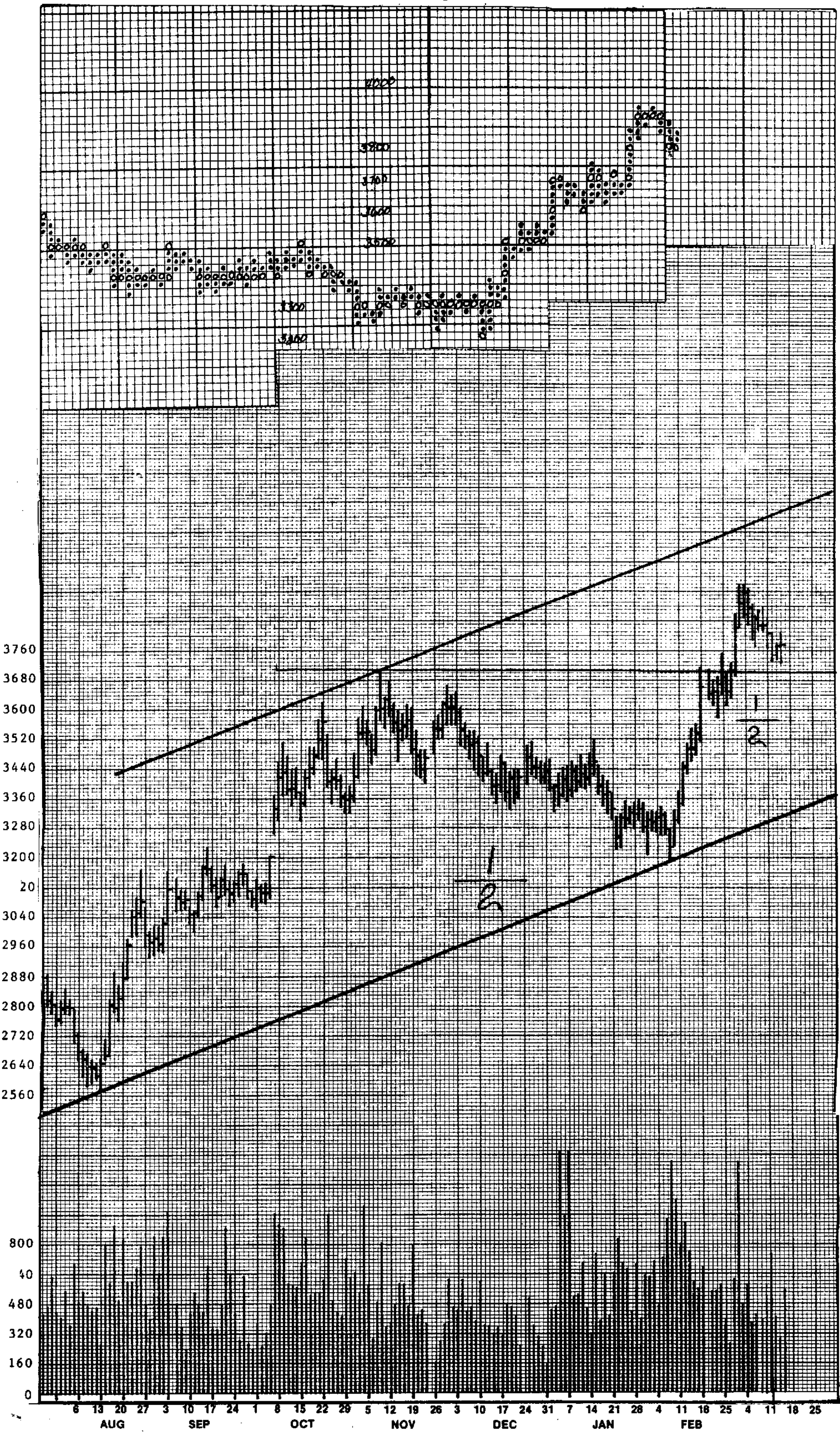

7520
7040
6560
6400
6240
6080
5920
5760
5600
5440
5280
5120
4960
4800
4640
4480
4320
4160
4000
7840
7680
7520
7360
7200
7040
6880
6720
6560
6400
6240
6080
5920
5760
5600
5440
5280
5120
4960
4800
4640
4480
4320
4160
4000
2000
1600
1200
800
400
0
6 13 20 27 3 10 17 24 1 8 15 22 29 5 12 19 26 3 10 17 24 31 7 14 21 28 4 11 18 25 4 11 18 25
AUG SEP OCT NOV DEC JAN FEB

SMI **INDEX CHARTS**

Stock Market Institute, Inc.

GOLD & SILVER
3(6ASA+24CRK+24DM+4HM+36HL)

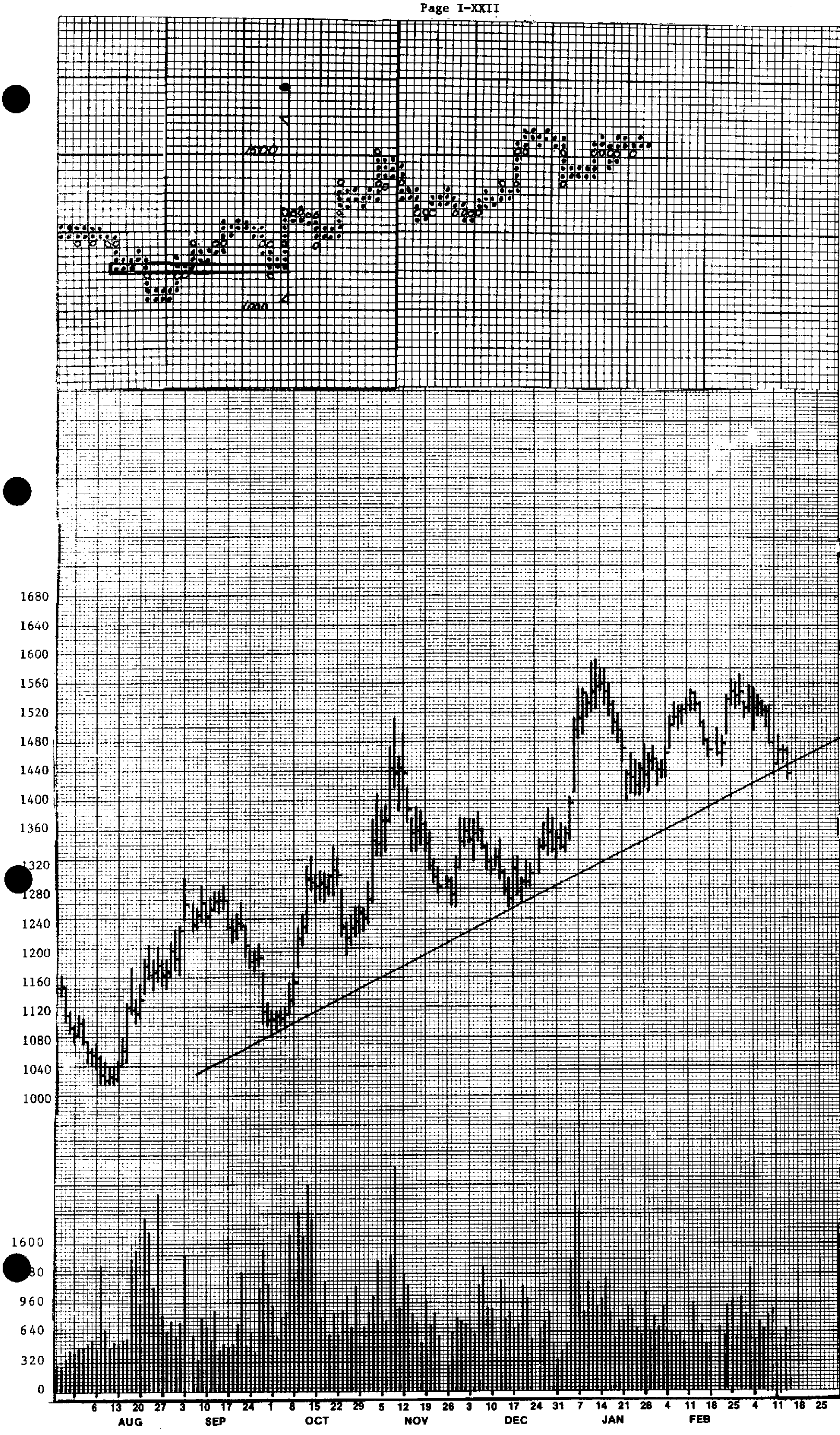



4000
3800
3700
3600
3500
3300
3400
3760
3680
3600
3520
3440
3360
3280
3200
20
3040
2960
2880
2800
2720
2640
2560
4000
3920
3840
3760
3680
3600
3520
3440
3360
3280
3200
3040
2960
2880
2800
2720
2640
2560
1/2
1/2
800
40
480
320
160
0
800
480
320
160
0
6 13 20 27 3 10 17 24 1 8 15 22 29 5 12 19 26 3 10 17 24 31 7 14 21 28 4 11 18 25 4 11 18 25
AUG SEP OCT NOV DEC JAN FEB

INDEX CHARTS

Stock Market Institute, Inc.

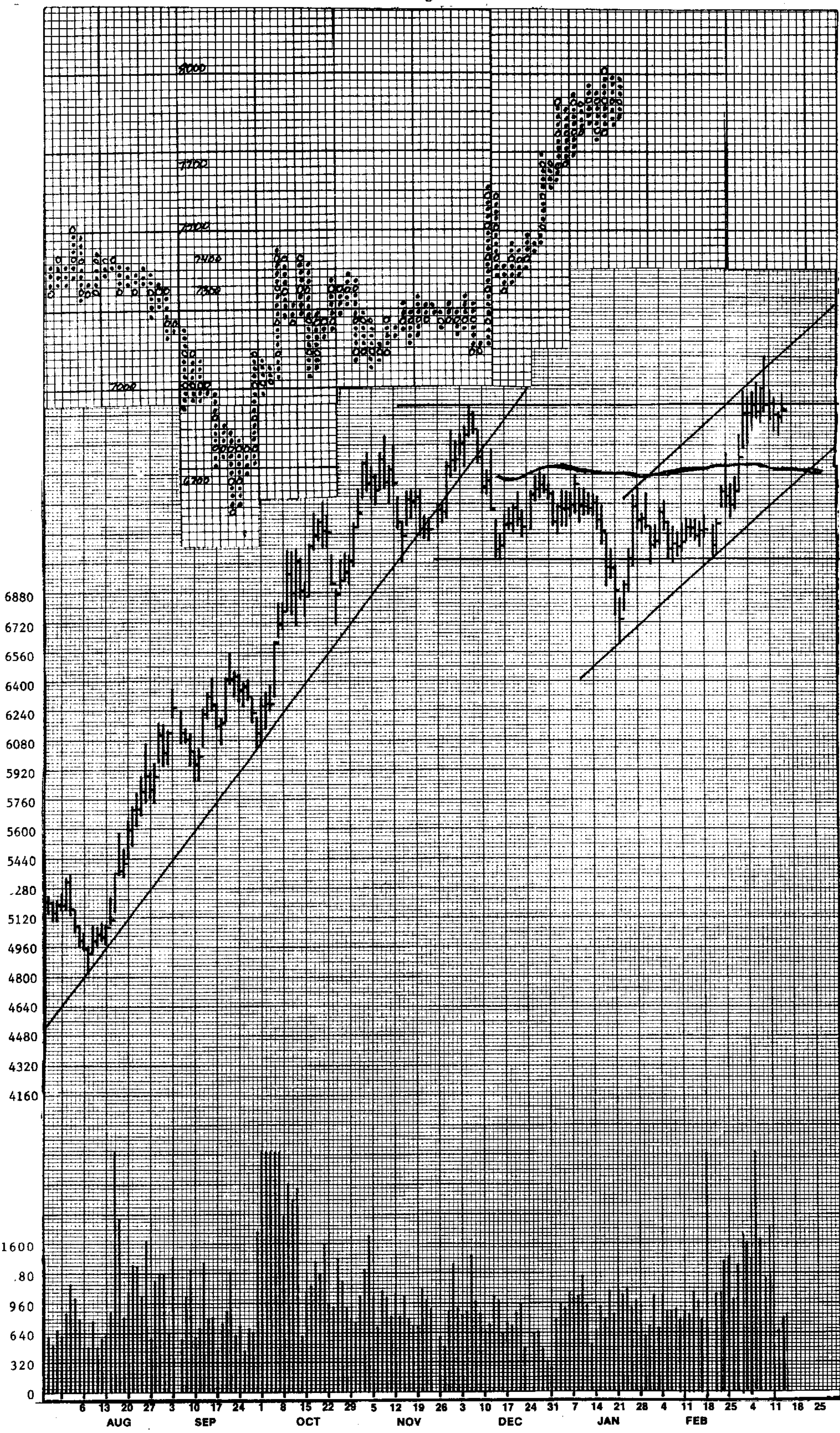
MACHINERY GROUP
4(1IR+2CAT+3CKL+4DE+1DI)



SMI **INDEX CHARTS**

Stock Market Institute, Inc.

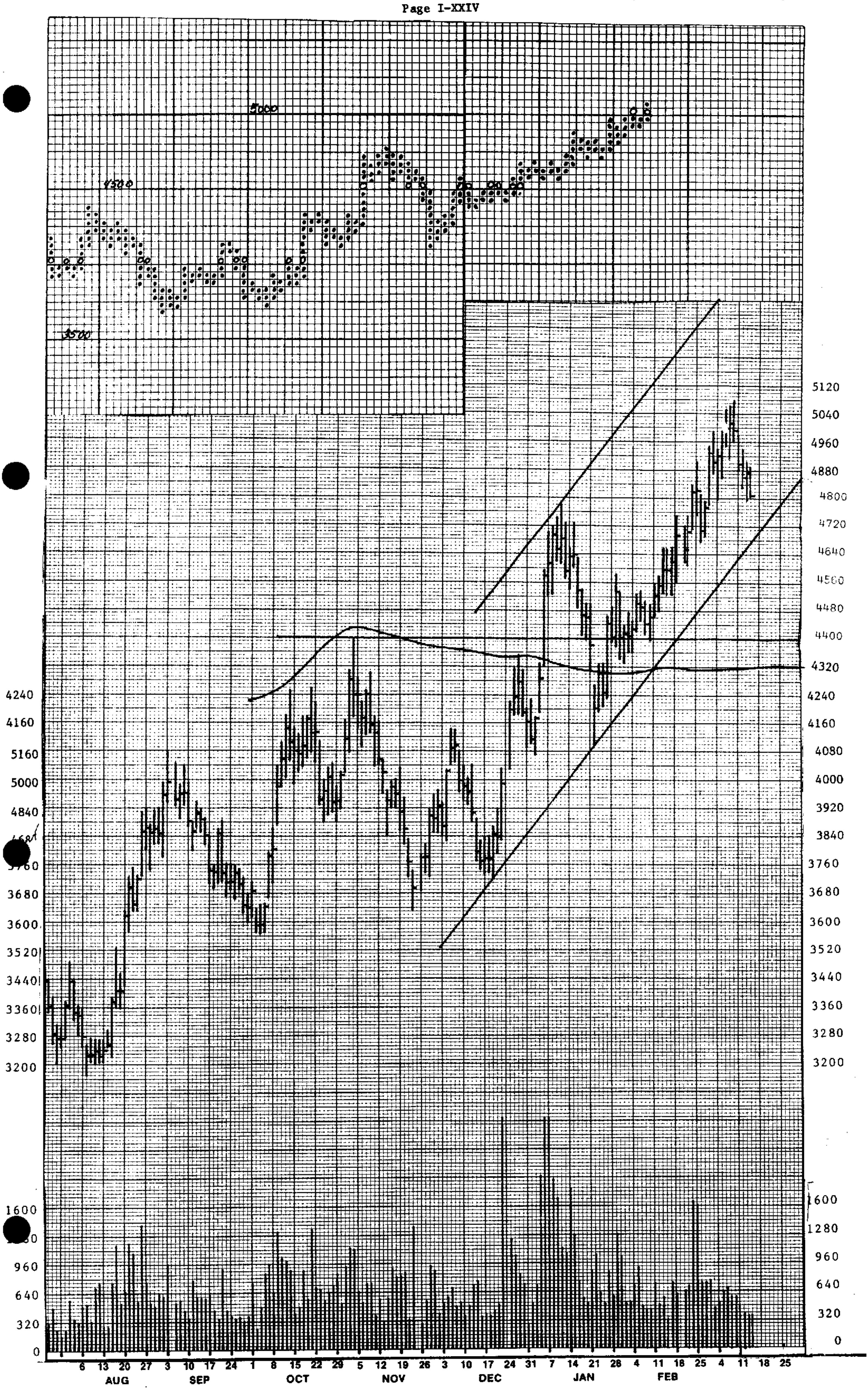
MEDICAL GROUP
3(9AHS+4BDX+8BAX+30.5HCA+6JNJ)



INDEX CHARTS

Stock Market Institute, Inc.

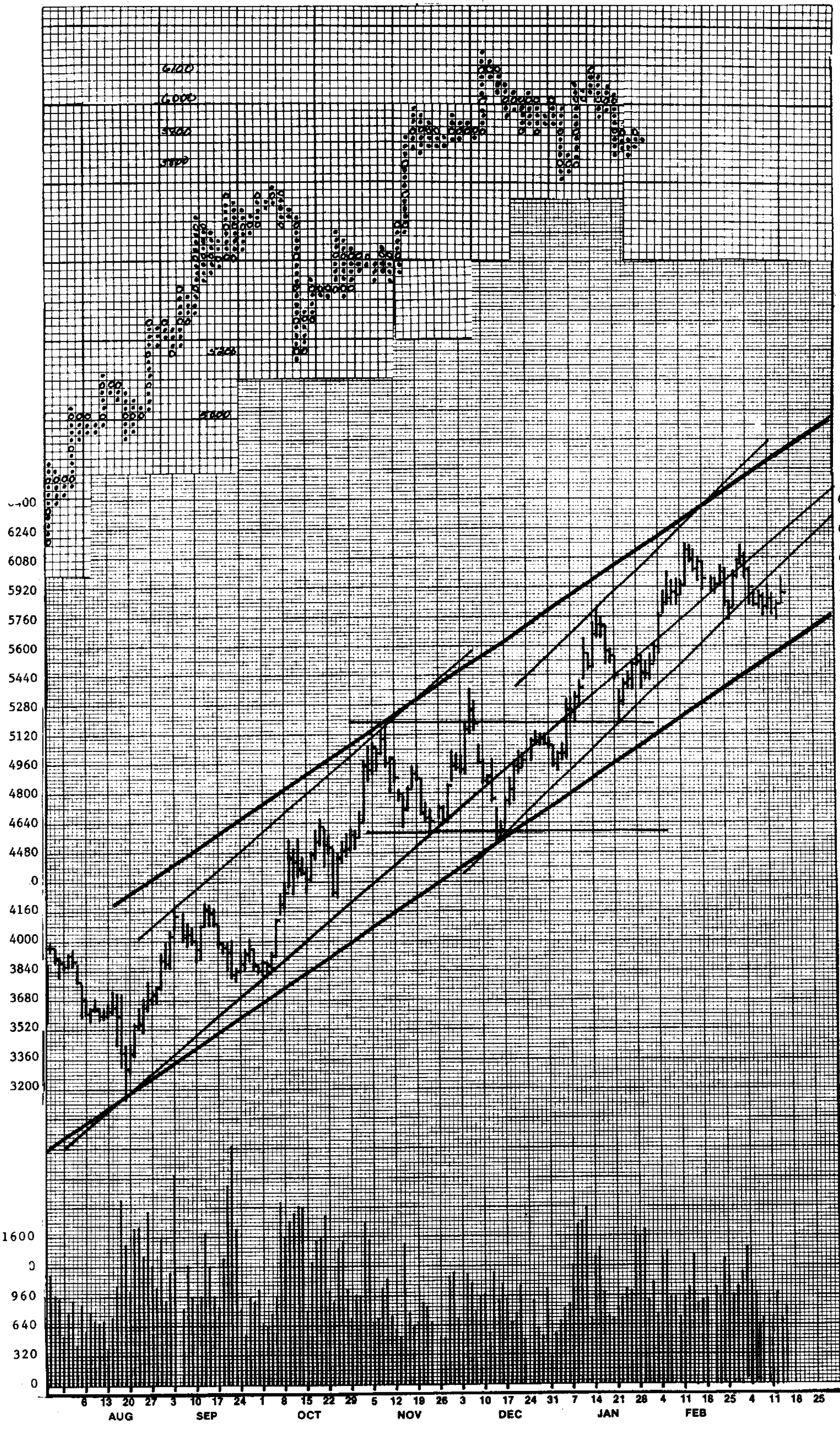
METALS GROUP
6(4AA+11RLM+4PD+4N+6AMX)



INDEX CHARTS

Stock Market Institute, Inc.

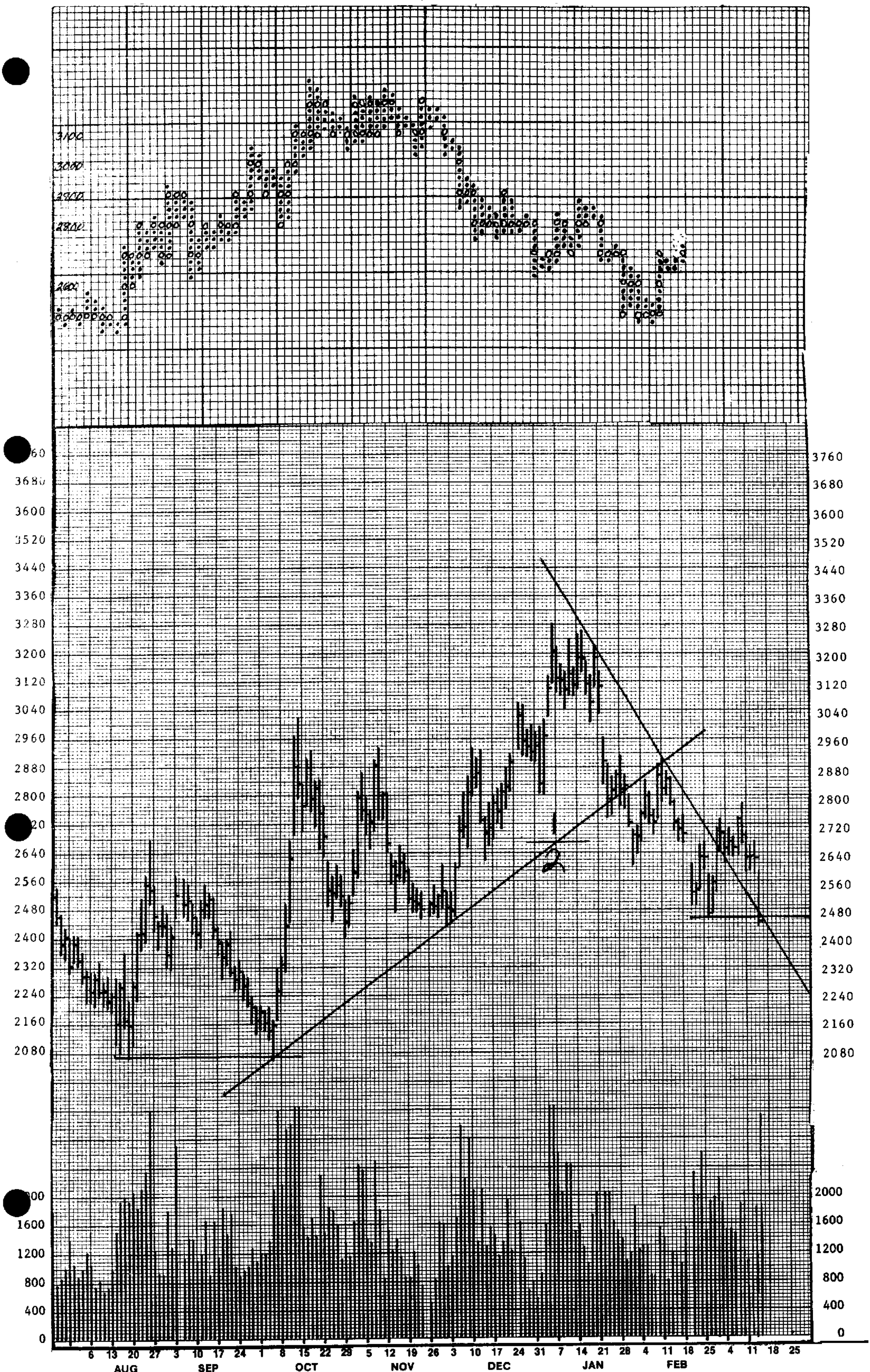
OFFICE EQUIPMENT GROUP
3(2BGH+13.5DBD+3MMM+3NCR+3XRX)



INDEX CHARTS

Stock Market Institute, Inc.

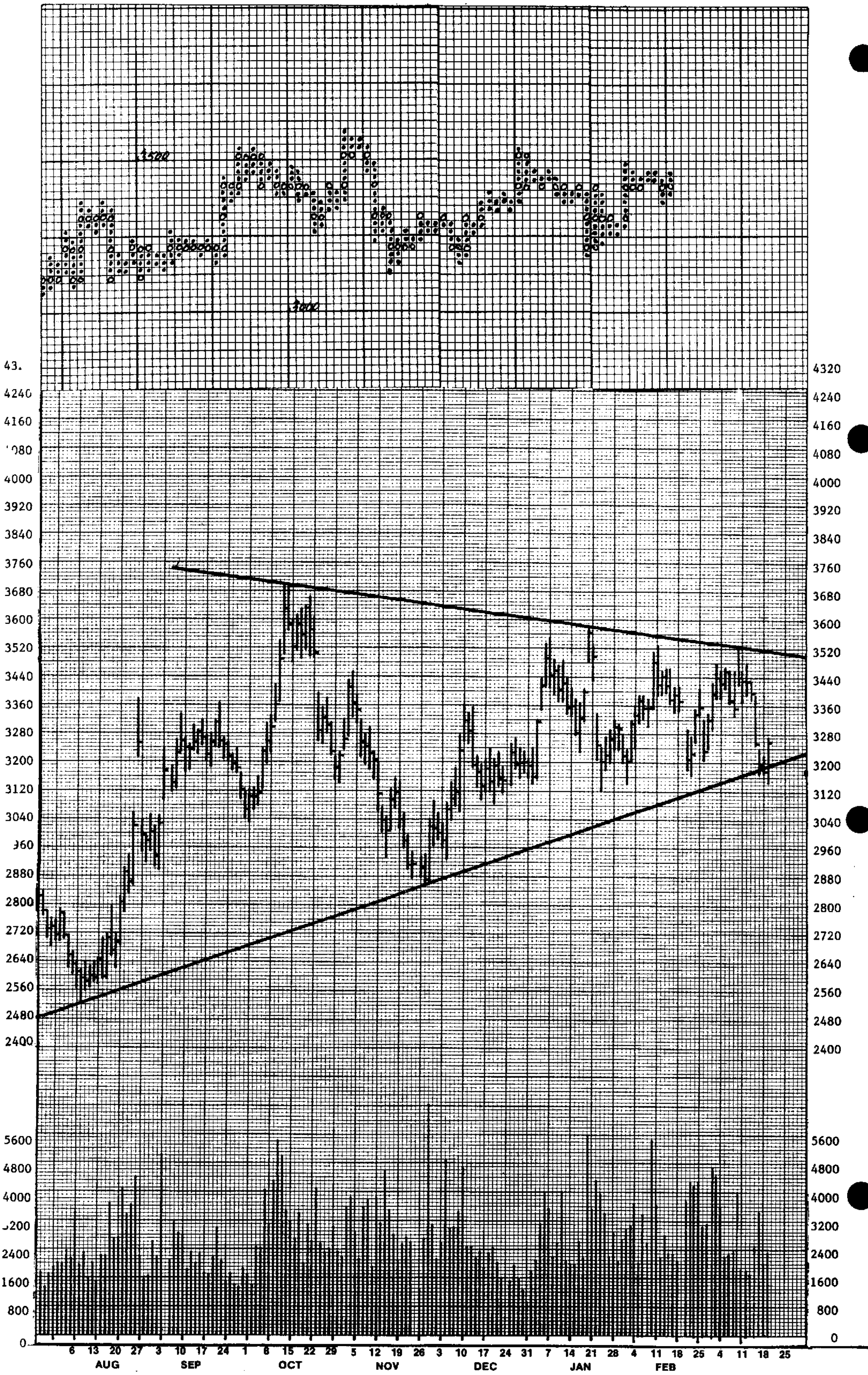
OIL EXPLORATION GROUP
3(6BKO+4HAL+12HT+10MSA+6.75SLB)



INDEX CHARTS

Stock Market Institute, Inc.

OIL GROUP
3(6ARC+6XON+8MOB+6SD+6SN)



SMI **INDEX CHARTS**

Stock Market Institute, Inc.

SEMI-CONDUCTOR GROUP
3(7AMD+4MOT+12NSM+2TXN+24UTR)