

The FRED Report –

Mid Week Update

Stocks

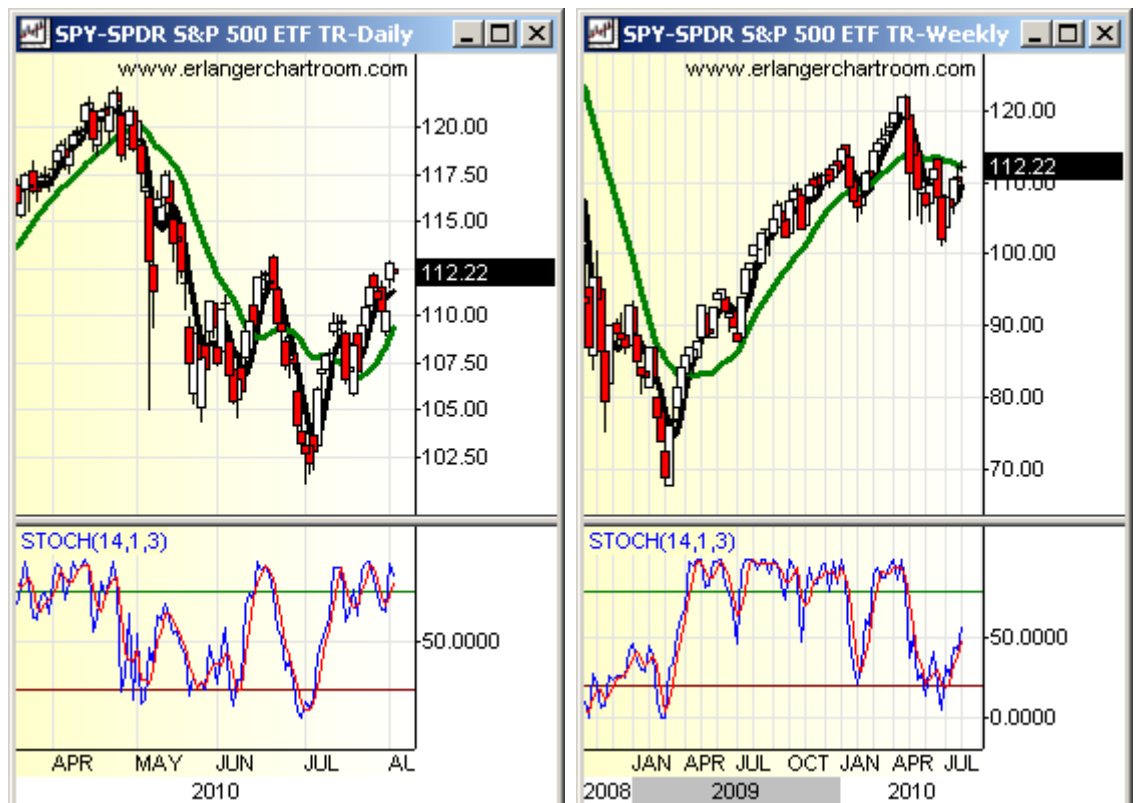
Special points of interest:

- The market is short-term overbought.
- Overall, indicators look positive and we should see more advancement.
- The Dollar (DXY) has broken below 82.00 and is on support at the 80 area. Should this break, a test of 76 or so cannot be ruled out.
- The XLI and XLB exceeded June 21 highs while the market has not. This suggests the economy remains in recovery mode, and the consensus is for economic weakness.

The market is fully testing the resistance at SPY 112.00 to 114.00. After a strong day on Monday, Tuesday was a consolidation day and the rest of the week may be the same as **the market is short-term overbought. Overall, indicators look positive and we should see more advancement.** Note that the 5/20 moving average system we use is positive and has hit new highs for the move. Weekly Stochastics have started to move up from oversold – and the Monthly FPO has moved up a bit, so things seem to be in gear for the upside.

The other indexes we look at are all in gear as well. We are watching the Transports (both the DJT and IYT) as they may go through their June highs. The Mid-caps also look positive and may start to lead again if we break out.

On the downside, there are gaps at 110 on the SPY from Friday's close to Monday's lows, and then the gap at 107. We note that there are other indexes with gaps, such as the QQQQ, and these should hold us on the downside. Much below SPY 107.00 and we would have concerns.



Dollar and Commodities

When we look at the currencies, the Euro has been stronger than expected. **The Dollar (DXY) has broken below 82.00 and is on support at the 80 area. Should this break, a test of 76 or so cannot be ruled out.**

We note that the Yen (FXY) has had the strongest accumulation model, and the FXY continues to make new highs. This is having a positive effect on commodities as well, as the DBC is at 23.40 on the way to 24.50 or so. At the same time, the USO has broken out and looks to test the 38 area forecast a few weeks ago.

Daily and weekly charts of the FXE are listed below. Note the **FXE is in resistance here in the 132 area, and should it go through a test of the 135 area cannot be ruled out.**



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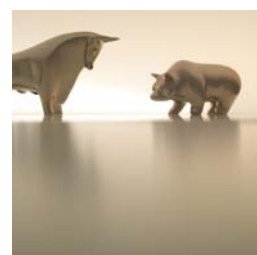
Other Charts of Interest

We show charts of two sectors below: XLI (Industrials) and XLB (Materials). Note how both of these have exceeded the June 21 high, while the S&P 500 has not. **The strength of XLI and XLB suggests the economy remains in recovery mode, and the consensus is for economic weakness.** So, we are set for some upside surprises.



About Our Organization

The FRED Report was started to provide Financial Advisors across firms and platforms access to unbiased market research. The President of The Fred Report, Fred Meissner, CMT has been practicing Technical Market Analysis since 1983 and has worked in the research departments of Merrill Lynch and Robinson – Humphrey /Smith Barney. In addition he has served the public as a portfolio manager and financial advisor. We know the problems advisors face and have devoted our career to helping advisors find the best possible investments in all environments. We want to help you help your clients and grow your business.



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