

# The FRED Report –

## Mid Week Update

### Update of Market View

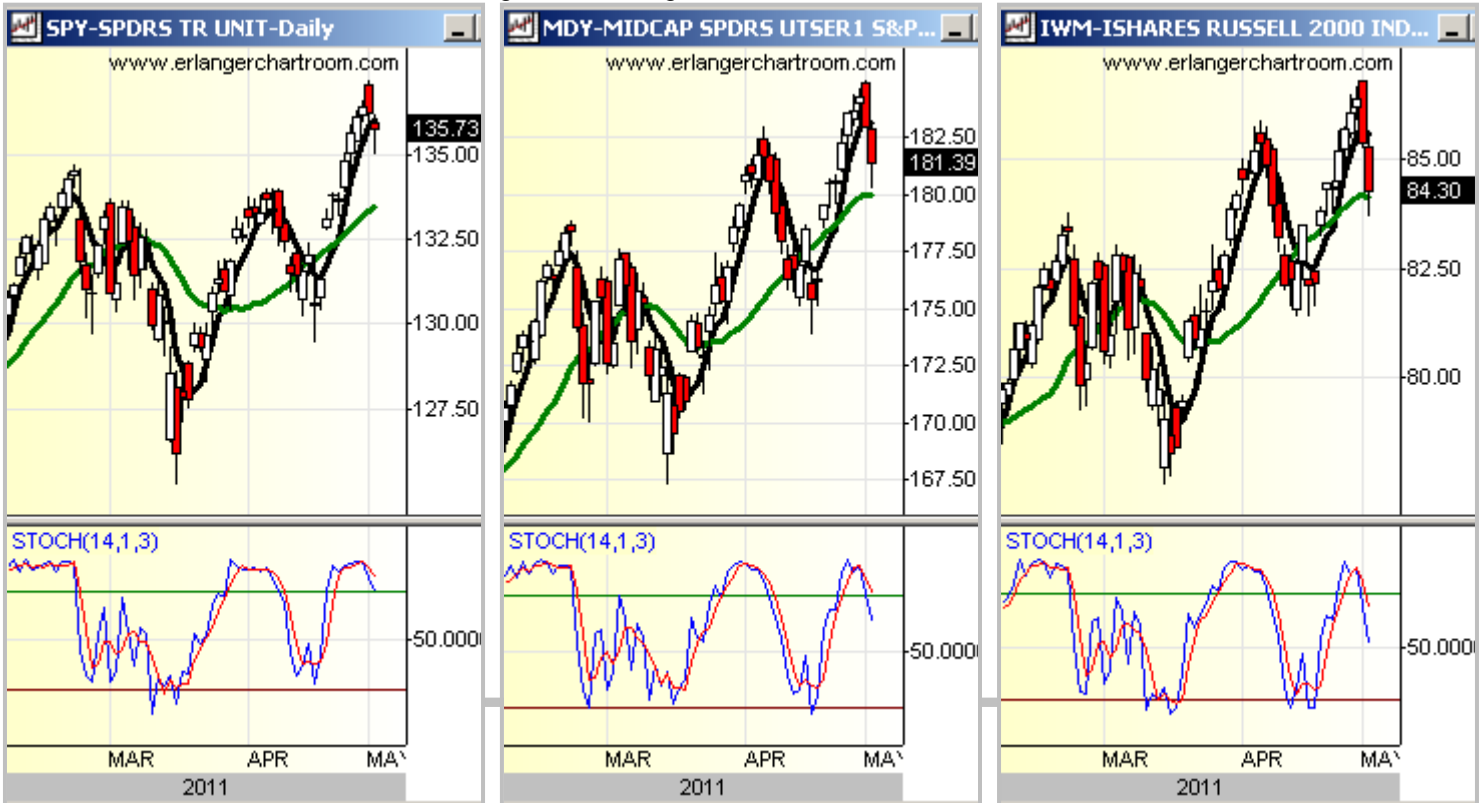
#### Special points of interest:

- We continue to think there is a bit more downside as weekly and monthly indicators need to correct as well.
- We remain intermediate-term bullish on commodities, a sharp drop into May is certainly possible.

So far things are going as planned this week. The overbought readings on the daily FPO have lead to an immediate decline. The question for us now is – can this continue for a decent decline into the end of May or is this just about it? The daily FPO on SPY has come from +11 to +1, which may be enough theoretically to make a short-term bottom. Also in favor of this interpretation is that the SPY tested close to the move above 135, intraday low was \$135.04 yesterday, and has held.

We think this last is less significant, as IWM and MDY are below their support, and these indexes have been the market leaders. However, **we continue to think there is a bit more downside as weekly and monthly indicators need to correct as well.** The technical formation is quite clear, and gives us an excellent benchmark. It is a type of key reversal known as a “Cambridge Hook”. What this essentially means is that **if we close above the highs of Monday May 2, we are very likely wrong about a significant correction, at least immediately.** Should that occur, we would start to add the cash we have been sitting on to the strongest sectors. In this vein we note that XLP was positive Tuesday, while IYW was negative. Yet, people continue to advocate the Tech sector.

Obviously, we are almost alone in looking for an immediate decline. This makes us both comfortable and uncomfortable. It is certainly possible we will be wrong here, although obviously we don't think we are. Also, remember that a key part of our forecast is that a strong second half to 2011 is part of our forecast, and we want to keep our eyes on the ball in this regard – do not get wedded to the short side here.



**THE FRED REPORT**

4514 Chamblee-  
Dunwoody Road

Suite 112

Dunwoody, GA 30338

Phone:

(404) 875-FRED

Website:

[www.theFREDreport.com](http://www.theFREDreport.com)

E-Mail:

[fred@thefredreport.com](mailto:fred@thefredreport.com)

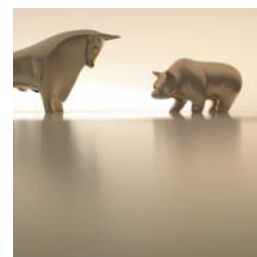
## Other Points of Interest

We show weekly charts of the DBC, and SLV, and note that the stochastics on both are still quite overbought, in spite of recent corrective action. While **we remain intermediate-term bullish on commodities**, a sharp drop into May is certainly **possible**, based on the weekly indicators.



## 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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