MARKET SUMMARY & FORECAST

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WEEKLY MARKET RECAP and TECHNICAL PERSPECTIVE

By: Larry Katz April 10, 2000

	DJIA	S&P 500
Support	9700-9730, 9350	1317-1320, 1230-1236
Resistance	11,750-11,850, 12,200-12,300	1550-1555, 1570, 1590
Short Term	Neutral	Neutral
Medium Term	Neutral	Neutral
Long Term	Bear	Bear

Summary and Capsule

The most important development last week from an Elliott perspective was to confirm the post February 25 rally as a three-wave pattern adding further strength to the idea that the post October 1998 rally is a diagonal triangle. Most short-term momentum measures are neutral. A number of sentiment measures remain at extreme levels. A trading range environment over the near-term is a distinct possibility. The bonds are in the latter stages of wave 3 of "C" from the January low. The XAU remains in the defensive and lower lows are likely before a bottom is in place.

Elliott wave and Fibonacci

Last week's decline confirmed the post February 25 advance as a seven-wave or corrective structure. This in turn adds further conformation to my long-standing view that the post October 1998 advance is, as far as the S&P is concerned a diagonal triangle. First off I do need to point out that at the March 24 peak the minimum requirements for the completion of the diagonal triangle were met. This is the case both from a structural perspective as well as price analysis as my 1550 target level was hit almost perfectly. As I have discussed the last couple of weeks, in spite of this it is my view that this rally did not complete the entire structure. So where does that leave us as far as the Elliott picture is concerned. There are any number of possibilities regarding the rally from February 25. It may be counted as a second three from the October 1999 lows completing wave "c" of the diagonal. The two rallies were less than 1% from perfect equality and equally importantly the rally from October 1999 stopped within a few points of a perfect .618 multiple of the rally from October 1998 to May-July of 1999. It is certainly the possibility that a double three can evolve into a triple three. Also last weeks low stopped right at a .618 retracement of the rally from February 25. Both of these developments allow for the possibility of a move to modest new highs to complete a more complex "c" wave. However, the Fibonacci relationships discussed above tend to favor the idea that wave "d" of the diagonal triangle began on March 24. Interestingly, Tuesday's low stopped right near a .383 retracement of the rally from October. Since "d" waves tend to retrace no more than between 38 to 50% of the "c" wave it is indeed possible that Tuesday marked the beginning of wave "c". However, at this point I am going with the idea that Tuesday only marked the completion of the "a" wave of "E". Third waves, such as the rally from early 1995 are all encompassing and most all averages tend to rally together. Fifth waves are technically flawed and the rallies are fragmented. This is clearly the case now and in fact has been since the right after the October 1998 low. This has made it extremely difficult in analyzing the market from an Elliott perspective as no two averages are showing the same wave count. For example, the DJIA is in a totally different position than the S&P. The weekly chart from March 8 shows a three-wave pattern into the April 4 peak. Just how to count the rally from April 3 to April 4 is a mystery at this point. We can approach it as a "b" wave of an irregular from March 24 with the decline into Tuesday's low a "c" wave. Short-term, however, the rally from Tuesday is so far clearly corrective on the hourly chart making it difficult to view the rally from Tuesday as the beginning of a new impulse wave to the upside. Thus even in the more bullish view it is likely, at least as far as the DJIA is concerned that Tuesday was part of but not all of the post March 24 correction. The DJIA on the hourly chart is starting to take on a very triangular look. There are both bullish and bearish short-term possibilities so we will have to see which way it breaks. How, it resolves will be important as the movements out of triangles are always a completion move. The hourly chart of the S&P is also corrective looking. There are a number of possible counts but in any case it does not look complete. The S&P has support at 1479-1480 and 1454-1456. The DJIA has support at 10,920-10,935 and 10,550-10,600 The S&P has resistance at 1525-1527 and 1535-1537. The DJIA has resistance at 11,140-11,150 and 11,250-11,275. The decline from March 24 on the NASDAQ 100 looks corrective on the hourly chart. So to does the rally from Tuesday's low suggesting the rally is directly related to the post March 24 decline and is not a new wave to the upside. The NDX is either in wave "c" of a second three or wave 3 of "c" from Tuesday The NDX has support at 4116-4121 and 3996-4010. There is resistance at 4330-4340 and 4440-4450. There are trend changes this week on Tuesday and Friday that could spill over to the following Monday. Both are important but Friday's is extremely so.

<u>Bonds</u>

The bonds, basis the nearby futures contract (June) gained 1 21/32 with the yield on the cash market falling by nearly 14 basis points to 5.71%. It is my long-term view that the rally from mid January is correcting a large degree five- wave decline from the October 1998 peak. This has not changed. The best count at this time is that the bonds, basis the daily and weekly chart are close to completing wave 3 of "c" from January. This does require a minor move above the April 4 peak near 99 23/32. The daily range oscillators are overbought. Some have confirmed but some are diverging. The daily trend oscillators are positive but also diverging. Short-term rates of change are overbought. Weekly range oscillators are closing in on the low end of overbought but are still positive. Weekly rates of change are overbought but in gear. The weekly trend oscillators are positive. Market Vane moved from 58% to 62% bulls and Consensus Inc. from 60% to 53%. Sentiment is negative. There is support at 97 09/32 +/-6/32 and 95 31/32 +/-11/32. There is resistance at 98 21/32 +/- 16/32 and 99 25/32 to 100 3/32. The wave structure calls for a bit more rally to complete the third wave from the February 10 low. Short-term momentum is overbought and the rally is close to complete. I am neutral on the short-term. Medium-term I remain bullish.

XAU

Last Tuesday's rally looks like another one day wonder and has been nearly completely retraced. Short-term support remains near the 55 level with resistance at 61-60 and 63.50-64.00. Short-term momentum is improving and did in fact go positive following Tuesday's rally. However, medium-term momentum remains under pressure. The short-term switch to positive was obviously pre mature and I am moving back to neutral. The medium-term is neutral. Long-term I am bullish.

Indicator Review

Indicator	Current Position
Ten Day A/D's	+67, neutral but weakening
Ten Day net Volume	+45.3, neutral, diverging
McClellan Oscillator	+92, slightly overbought
Ten day A/D ratio	1.11, neutral
McClellan Summation Index	Rising positive
Three Day oscillator	+155, neutral, near a sell signal
Open Ten Day Arms	.95, neutral
Ten Day Arms	.93, neutral
High/Low indicators	Turning down, slightly negative
Daily Range Oscillators	Neutral
Daily Trend Oscillators	Negative
Weekly Range Oscillators	Neutral
Weekly Trend Oscillators	positive
Technical Barometer	-2, -4, unchanged slightly negative
Sentiment Composite	+5, negative
Investors Intelligence	Bulls 54.9%, Bears 29.2%, negative
Market Vane	42% Bulls, neutral, four week m.a., 41%, low neutral
Consensus Inc.	52% Bulls, negative, four week m.a. 44% neutral
AAII	Net Bulls at +25, negative
Sentiment Combo	+47.94, neutral
CBOE P/C ratio	10 day m.a. .46, extremely negative
OEX P/C ratio	10 day m.a. 1.27 neutral
Member Buy/Sell	Members were net buyers, the indicator is negative
Insider Buy/Sell	8 week m.a. .85, very bullish
Will-Go	Negative beginning to flatten

The DJIA, NYSE Composite and the S&P ended the week on the positive side. The S&P lagged a bit as overall weakness in technology did put some pressure on this index. It gained about 1.2% versus 1.8% for the DJIA and the NYSE Composite. The DJIA was far stronger early in the week when technology was under pressure but lagged badly Thursday and Friday as the tech stocks took over. Thus the pattern remains in play. The NYSE Composite did well and moved into the area of its July peak. It is close to finally confirming. Market internals were mediocre. Price/volume relationships were negative. Tuesday did see record volume both on the NYSE and the NASDAQ. However, as the rally progressed volume slowed which is a very negative indication. The daily A/D line lost about 100 units on the week. The weekly A/D line was positive but barely so and both lagged the averages. The new highs on a daily basis were mediocre. The new lows eased late in the week but the high/low indicators have turned down and are on a sell signal. The weekly new highs contracted and fairly sharply from the previous week. The weekly new lows did likewise. The Russell 2000 ended the week with a modest 4 point gain. The short-term is negative but still a bit oversold so some further rally is expected here. The medium-term is on a fresh sell signal so caution is advised. The Value-line gained about 4 points but lagged the listed stocks badly. It did, however, record a new high. The short-term is neutral. The medium-term is positive. The Market Summary and Forecast un-weighted price average was barely changed on the week and continues to lag. It remains close to 4% below its July 1999 peak. The NASDAQ Composite lost 126 points or 2.75%. The NASDAQ 100 lost 106 points or 2.45%. The short-term is negative but could rally a bit more. The medium-term is on a fresh sell signal and is negative. The DJTA gained 64 points or 2.33%. The DJTA has rallied over 550 points or 23.7% from its March 8 low but is still nearly 1000 points below its May 1999 peak. The short-term is positive but stretched and overbought. It is due for a correction. The medium-term is positive. The long-term is negative. The DJUA and UTY closed the week with modest gains but also well off their best levels of the week and closer to the lows. The short-term is positive but easing. The medium-term is positive but only barely so. The long-term is negative.

The breadth and volume oscillators did little last week. They are neutral but the volume oscillator is closer to overbought levels. The 3-day oscillator is neutral but weak and is on a sell alert status. The McClellan oscillator is showing some good resiliency as it remains in positive territory and near the +100 level. This is keeping the summation index positive but it is also a bit overbought and starting to show some divergences. The 10-day and open 10-day Arms are neutral. The 5-day Arms is marginally overbought. The 21-day Arms is overbought and on a sell signal. The daily range oscillators are neutral and beginning to weaken. The daily trend oscillators are negative. Weekly breadth measures are mixed but on balance weak. The weekly range oscillators are neutral. The weekly trend oscillators are modestly positive. The technical barometer is on the negative side of neutral.

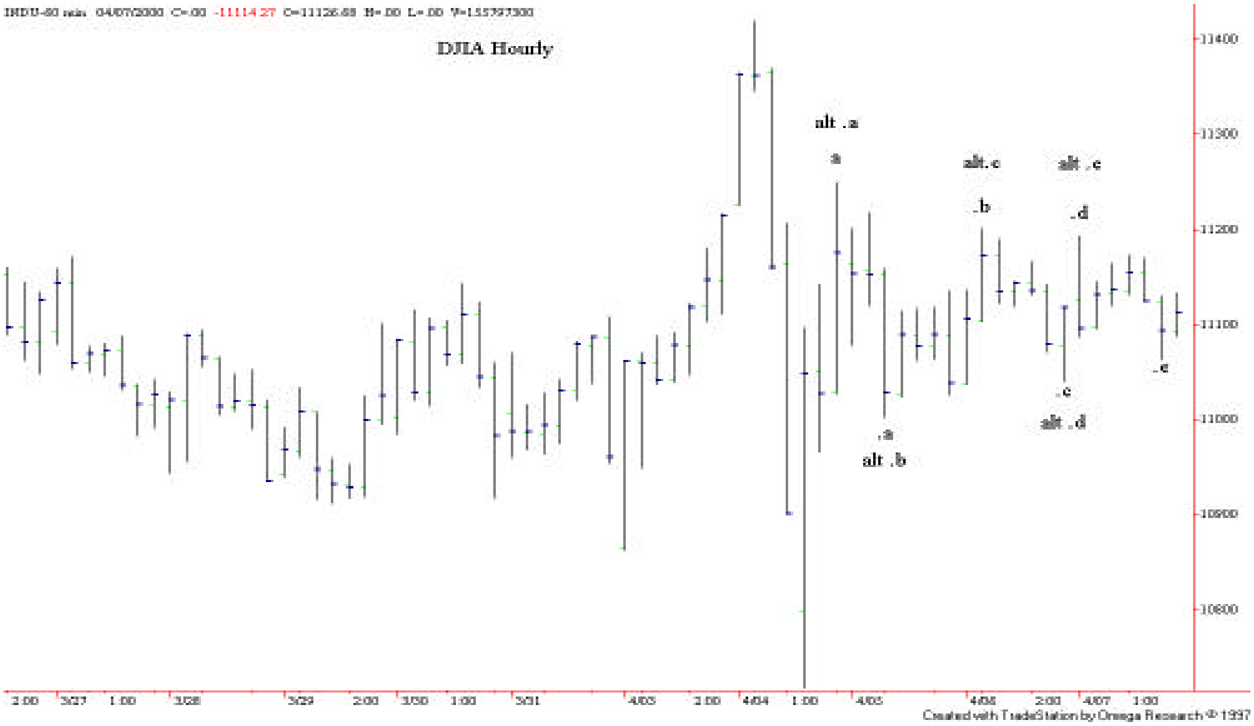
The sentiment composite slipped one point to a more negative +5. Investors Intelligence was near unchanged and remains negative. Consensus Inc. moved slightly lower but at 52% bulls is modestly negative. Market Vane eased to a neutral 42% bulls. The American Association of Individual Investors (AAII) reported net bulls at +25. This key measure of public sentiment is negative. NYSE members were net buyers for the latest reporting period but the indicator remains negative. The insider sell/buy ratio is bullish. The CBOE put to call ratio remains at very excessive levels. The 5,10 and 30 day moving averages are near their lowest levels in 13 years. The OEX ratio dropped off sharply towards weeks end with the 5 and 10- day averages at neutral readings. The Rydex Nova to Ursa ratio is very close to its July 1999 peak and is slightly negative. The Nova + OTC to Ursa ratio is negative and is just shy of its March 31 peak. The level of assets in Ursa, a bearish bet on the S&P moved below its July 1999 low and is close to its July 1998 low.

Summary and Conclusion

At one point last week the NASDAQ Composite was down nearly 30% from its early March peak. While not nearly as severe, the DJIA and the S&P did show substantial losses but they were not nearly as extreme as the NASDAQ. Under normal circumstances we would expect that a decline of that magnitude would produce at least a minor amount of fea,r but even at its low point on Tuesday the short-term sentiment indicators such as the CBOE put to call ratio showed none whatsoever. The subsequent rally has moved some of these measures to even more extreme readings than what was seen prior to the early March peak. Friday for example, the CBOE put to call ratio reached its lowest single day reading in over 2 years. The 30-day moving average, a longer term measure of this key sentiment indicator is holding near 13 year lows. Even the OEX ratio, which has been consistently high eased significantly late in the week recording back to back readings well under 1.00. The Rydex ratio is showing a similar picture. The percentage of assets in Ursa is very close to its level seen at the July 1998 peak. In addition, the overall ratio is back to levels seen at March 31 just prior to this past weeks sharp plunge in price. Granted, other measures of sentiment such as Market Vane are not painting the same picture and are in a more or less normal position. However, in my view what people are actually doing with their money rather than what they are saying is more important. And while Market Vane and Consensus Inc. are more or less neutral the Investors Intelligence survey of newsletter writers has reported 50% or more bulls for 21 straight weeks. Moreover, the American Association of Individual Investors (AAII) has reported more bulls than bears for 34 straight weeks. So, what does this all mean for the market. In my estimation it is further support that my long-term wave count and overall market view that we are closer to the completion of an important top is the correct one. Sentiment, however, can be and often times is early. And just how extreme is extreme is not an easy question to answer. A look at the Rydex ratio will support that view to a tee as it has gone from one extreme to another over the past few months. While sentiment is clearly not a perfect timing tool it nonetheless gives us a clear understanding of investor psychology. Keep in mind that markets bottom during times of extreme pessimism and top in times of extreme optimism. Most of the shorter-term momentum indicators are neutral and beginning to ease off. This includes the breadth and volume oscillators as well as the Arms indexes. In their current position it is easy to make a bullish or bearish case. However, one thing favoring the bears is the fact that the daily trend oscillators are moving lower. The wave structure does allow for a bit more rally off of last weeks low but the overall structure suggests that the current advance is directly related to the decline from late March. Momentum, as discussed can go either way but the sentiment picture will most likely put a cap on the upside. On a short-term basis the possibility of a trading range evolving is quite real. I see very little to turn me bullish, and a whole lot to keep me cautious. I remain neutral. Medium-term I am neutral. Long-term I am bearish as the technical evidence continues to support and strongly I might add, the idea that we are approaching a top of importance.

Stock index futures traders are flat. Stand aside for the morning. Rydex switchers are holding a 20% Ursa position. Make sure to call the Noon pacific hotline for any changes. NEM (22 ¾)- from 23 13/16, stop 19 7/8. My trip this weekend was moved to next weekend. The regular weekly letter will not be done. I will do a short letter and the nightly hot line will be on at its regular time. Thank you.

Daily Technical Market Comment (con't)



The hourly chart shows the strong possibility of a triangle that is close to complete. The triangle may either be a "b" wave from last Tuesday's low which would allow for a quick move above the high of what is labeled a to complete the rally from Tuesday or as the alternate count shows it may be a "b" wave from the eaily April peak.

The S&P shows a corrective pattern and a near complete diagonal triangle in the "c" wave position

Daily Technical Market Comment (con't)

The percentage of assets in Ursa (bottom chart) is close to the July 1998 level. The overall ratio (top chart) is right at previous peaks. Note also that in spite of the sharp drop in the NASDAQ the ratio did not even move below levels seen at the January and February tops.

The bonds are most likely close to finishing off wave iii of c from January as shown on the chart