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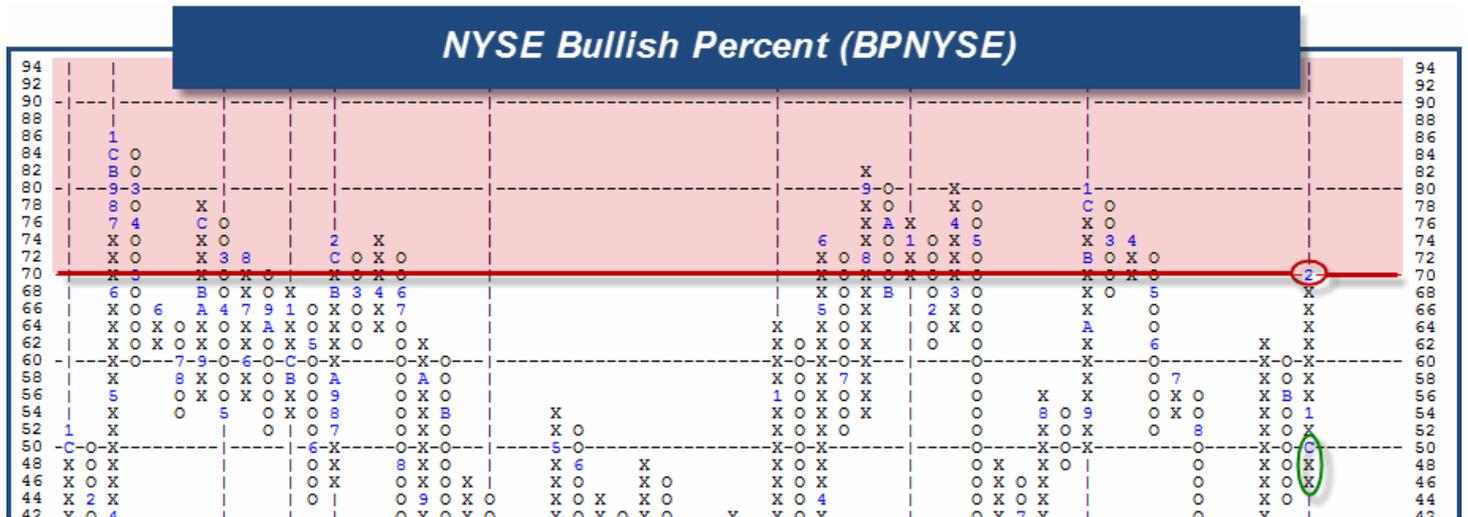
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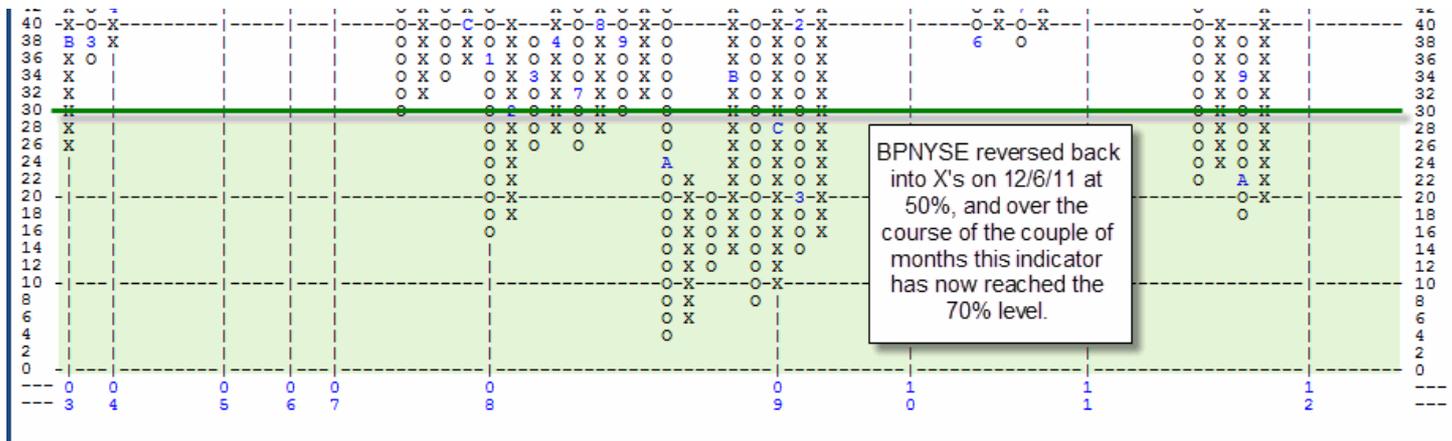
## BPNYSE at 70%, Now What?



Currently, we find the NYSE Bullish Percent [BPNYSE] is in X's now, and has been since early December. As a matter of fact, the BPNYSE reversed up on December 6th at 50%. Since that time the S&P 500 [SPX] has enjoyed a gain of 5.21%, the NASDAQ Composite [NASDAQ] is up 7.50%, and the S&P 600 Small Cap Index [SML] has seen a return of more than 9%. The strength that the market has seen has also led to a number of stocks returning to buy signals. To be more specific, 20% of the NYSE stocks have returned to a buy signal since the BPNYSE reversed up, which means this indicator is now at 70%. What this tells us is that the height of the proverbial balance beam is much greater than it was back in early December. We are no more or less likely to fall off our walk across this balance beam, but a fall from here has the potential to do more material damage. And so, we should be attempting this walk with more caution. Maybe we take it at a little slower pace. Or maybe the answer is to invest a little money and hire a "spotter", strap a parachute to your back, or perhaps call and make sure your insurance policies are up-to-date. Those actions aren't predictions, they are simply rational reactions to the acknowledgment of heightened risk.

For today, the equities market has not lost its balance, as overall trends remain resoundingly bullish, too. You will all manage this circumstance a little differently, what is important is that you have a plan for whatever the next change happens to be. We have tools to evaluate risk and tools to evaluate leadership, while those tools are not one in the same, they do compliment each other nicely.





### Lofty Levels for the NYSE Bullish Percent Can Persist

In the table to the right you'll notice that, on average, once the BPNYSE goes above the 70% level it stays above that level in X's for over 96 days. The most recent trip to and stay above 70% for the BPNYSE lasted for 143 day (from October 18th, 2010 to March 10th, 2011). This was clearly well beyond the average, yet still only half the longest period seen of 286 days in June 2003-March 2004. The point here is that although the BPNYSE crossed into overbought territory just this week, it does not mean that the market cannot

continue to move higher. The fact of the matter is that on average, the BPNYSE stays in X's after moving above 70% for an average of about three months.

Furthermore, as shown in the second table below, since 1997, when we started keeping daily data on the BPNYSE indicator, you can see that the returns of some of the major indices (while the BPNYSE is above the 70% level and in X's shows that "waiting on the sidelines" can carry an opportunity cost. On average, the S&P Small Cap 600 Index [SML] and the S&P Mid Cap 400 Index [MID] add another 3.43% and 3.58%, respectively, to their returns once the BPNYSE hits 70%, until reversing into O's. (We look at these two indices because the NYSE Bullish Percent is predominately populated by small and mid cap names). The S&P 500 Index (SPX) rallies an average of 1.33% while the BPNYSE is above the 70% level and in X's. A look at the Powershares DWA Technical Leaders Index [PDP] shows it has rallied an average of 5.23% while the NYSE Bullish Percent was in X's above the 70% level. If we look at the top five performing DWA Sectors they show an average gain of 17.85% when in offense and in the red zone. Now we must say, every time the BPNYSE hits the 70% level until it eventually reverses down does not necessarily lead to a positive trade but the vast majority of the time shows a net gain for the major indices. In fact, in 10 out of the 15 periods tested, MID showed a positive result if buying when the BPNYSE hit 70% and holding until the reversal down into O's.

### Previous Moves Above 70% for BPNYSE

BPNYSE Hits 70%	Reversal to O's	Time Above 70%
June 1958	November 1958	183 days
February 1961	April 1961	90 days
February 1962	March 1963	60 days
March 1965	June 1965	122 days
December 1966	February 1966	90 days
February 1967	June 1967	150 days
June 1968	July 1968	61 days
November 1968	January 1969	91 days
October 1970	November 1970	61 days
January 1971	May 1971	151 days
March 1972	April 1972	61 days
March 1975	July 1975	153 days
February 1976	April 1976	90 days
June 1978	July 1978	60 days
September 1979	October 1978	61 days
September 1980	October 1980	61 days
November 1982	December 1980	61 days
February 1985	April 1985	90 days
January 1986	May 1986	150 days
February 1987	April 1987	89 days
March 9, 1988	May 18, 1988	70 days
July 31, 1989	October 18, 1989	79 days
March 6, 1991	May 22, 1991	77 days
June 13, 1997	October 28, 1997	137 days
March 4, 1998	May 7, 1998	64 days
June 4, 2003	March 16, 2004	286 days
November 10, 2004	March 23, 2005	133 days
July 22, 2005	September 22, 2005	62 days
November 16, 2006	March 1, 2007	105 days
April 16, 2007	June 27, 2007	72 days
May 6, 2009	June 17, 2009	42 days
July 30, 2009	October 28, 2009	90 days

January 5, 2010	January 28, 2010	23 days
March 10, 2010	May 6, 2010	57 days
October 18, 2010	March 10, 2011	143 days
February 1, 2012	???	???
<b>Average:</b>		<b>96 days</b>
<b>Median:</b>		<b>89 days</b>

### ***Performance of Various Indices While BPNYSE was above 70% and in X's***

Dates NYSE Bullish Percent was in X's and Above the 70% Level	SPX	SML	MID	NASD	DJIA	PDP	(Return)	Avg Rtn of Top 5 DWA Sectors (Top 5 DWA Sectors)
March 9, 1988 to May 18, 1988	-6.6%	N/A	-4.7%	-3.5%	-5.9%	N/A	N/A	
July 31, 1989 to October 18, 1989	-1.3%	-2.1%	1.6%	2.1%	-0.6%	N/A	N/A	
March 6, 1991 to May 22, 1991	0.0%	1.6%	0.5%	2.9%	-2.1%	N/A	N/A	
June 13, 1997 to October 28, 1997	3.1%	12.4%	9.9%	12.5%	-3.7%	7.0%	27.2%	OILS, WALL, BIOM, AERO, TRAN
March 4, 1998 to May 7, 1998	4.6%	2.6%	4.7%	4.3%	5.1%	8.1%	9.2%	REST, PREC, DRUG, WAST, TELE
June 4, 2003 to March 16, 2004	12.6%	25.7%	21.9%	18.9%	12.7%	32.1%	54.9%	STEE, GAME, PROT, PREC, META
November 10, 2004 to March 23, 2005	0.8%	3.2%	5.3%	-2.2%	0.7%	5.5%	17.2%	OIL, STEE, OILS, META, BUIL
July 22, 2005 to September 22, 2005	-1.5%	-3.1%	-2.5%	-3.2%	-2.2%	0.4%	11.9%	PREC, OIL, OILS, DRUG, STEE
November 16, 2006 to March 1, 2007	0.2%	0.8%	3.7%	-1.8%	-0.6%	4.2%	16.0%	STEE, META, INET, GAME, PROT
April 16, 2007 to June 27, 2007	2.6%	1.7%	2.3%	3.5%	5.6%	1.3%	10.5%	WAST, OILS, MACH, ELEC, PROT
May 6, 2009 to June 17, 2009	-3.5%	-6.3%	-5.3%	-3.8%	-2.8%	-3.8%	8.7%	BIOM, DRUG, GUTI, SEMI, AUTO
July 30, 2009 to October 28, 2009	5.7%	2.0%	5.7%	3.8%	6.6%	5.9%	17.6%	LEIS, FINA, FORE, HOUS, OILS
January 5, 2010 to January 28, 2010	-4.6%	-4.2%	-3.7%	-5.6%	-4.3%	-5.8%	2.7%	SAVI, BANK, REST, DRUG, HEAL
March 10, 2010 to May 6, 2010	-1.5%	0.9%	-0.3%	-1.7%	-0.4%	-0.3%	15.7%	GAME, SAVI, PREC, HOUS, REAL
October 18, 2010 to March 10, 2011	9.32%	12.81%	14.78%	8.88%	7.55%	7.89%	22.58%	OILS, SEMI, BUIL, WAST, OIL
<b>Average:</b>	<b>1.33%</b>	<b>3.43%</b>	<b>3.58%</b>	<b>2.33%</b>	<b>1.04%</b>	<b>5.23%</b>	<b>17.85%</b>	

**Legend:**

SPX = S&P 500 Index

MID = S&P Midcap 400 Index

DJIA = Dow Jones Industrial Average

SML = S&P Small Cap 600 Index

NASD = NASDAQ Composite

PDP = PowerShares DWA Technical Leaders Index

So, just because the NYSE Bullish Percent [BPNYSE] is at the 70% level doesn't mean we need to swerve off the highway, but you do want to heighten your state of awareness. The market can, and has shown the ability to move higher while the BPNYSE is in X's above 70%. If you have clients or prospects who fell like they are, or have missed the boat on the past couple month rally in the market, this would be a great time to discuss your gameplan of knowing when the offensive team is on the field, and at what point we will bring the defensive team onto the field, and until then we will continue to run plays with the greatest probability to accumulate wealth in this market.

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