Leavitt Brothers

Daily

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It was a quiet day on Wall St...at least relative to the last couple weeks. The range was small, and volume was on the lighter side. There were two intraday trending moves - both down - otherwise the market spent the entire day grinding place. There were lots of overlapping candles on the intraday charts.

The day started with a moderate gap up, but those gains were immediately given back. After about 45 minutes of churning action, a 60-min drop played out. This put the indexes into negative territory, but the losses were small, and there didn't seem to be much fear or anxiety out there. The rest of the day was spent slowly moving up.

At the close, the large caps (Dow, SPX, OEX) were up a little or flat. The Russell 2000 dropped 0.4%, and the Nas and Nas 100 fell 0.3%. Very little overall movement, especially considering gains of the last two weeks.

Among the groups, publishing jumped more than 3%, railroads and gold more than 2%, and mining, platinum & precious metals, industrial transports and health care providers gained more than 1%. On the flip side, hotel & lodging REITs fell more than 2%, and tires, renewable energy equipment, oil & gas (several groups), coal, toys, biotech, leisure goods, gambling, home improvement and hotels fell more than 1%. On a typical day there are many more groups that are either up or down more than 1%, so this lends more evidence to today's slow action.

They're not making this easy.

Yesterday oil posted one of its biggest single-day gains of the year and gave hope to the bulls. Today it gave back a big chunk of the gains and cast a lot of doubt on oil's ability to move up.

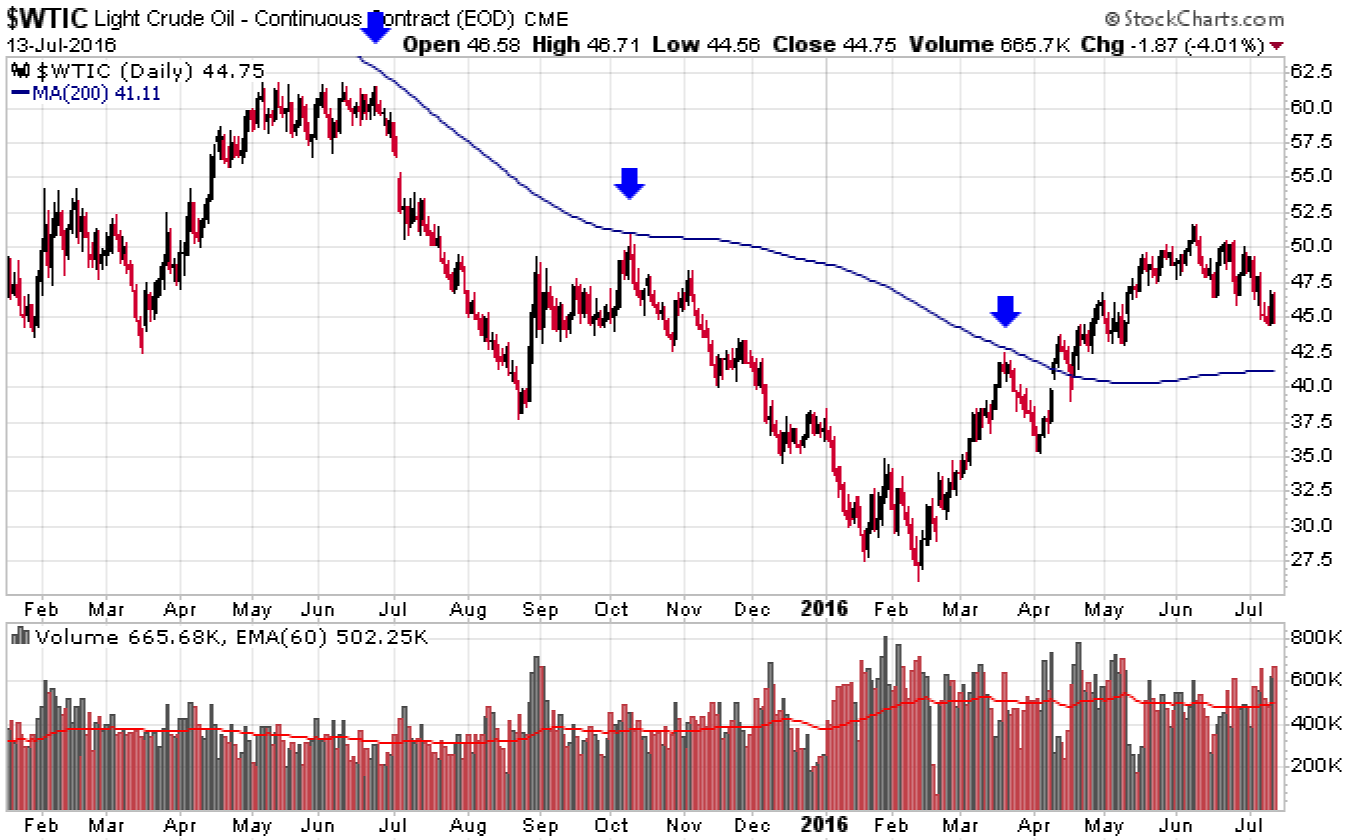
Yesterday gold and silver got hit hard. Today several stocks jumped to new highs...and I do mean jumped. If you weren't in as of yesterday's close, there's wasn't much to be made intraday.

Here's what I think about oil.

Here's the daily with the 50-day MA. When oil has trended, it has respected the 50 in both directions. But when it has chopped, it has obviously traded above and below the moving average and paid little attention to it.

Oil used the 50 as support in June but then sliced below it this month. Failure to get above the 50 would lean me towards thinking a downtrend is in the beginning stages. A move above it would be nice but wouldn't tell me much until it was tested as support again.

Backing up the daily oil chart with the 200-day MA, if I were to pick a first downside target it would be the moving average at 41. There's nothing magical there. Twice oil respected the moving average on the way down, so why not target that area? Sometimes moving averages are irrelevant; other times they're obviously very closely followed. In this case, the 200 is significant until proven otherwise.




The reason I've been spending so much time on oil lately is because there's so much to be made from the group. If railroads rally, big deal. There are only handful of stocks and at most they'll move 10%. But if oil drops to its 200-day and then bounces back to $50, dozens of oil stocks will rally 10-50%. There will be a lot of stocks to pick from, and the potential gains will be much more exciting than the mediocre gains offered by other groups.

Sometimes I sit back and instead of asking myself what the best trade is right now, I ask myself what the best trade is looking out six months. And sometimes I have to wait a month to get into that one great opportunity.

Some traders are so fixated on what's going on right now, they miss the truly good ones - the ones that offer great risk/reward and very little work. Said another way, sometimes it's easier to nail a 30% move than to hit six, 5% moves.

I'm being patient here. There market has been putting off false signals in both directions.

Have a great night.

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