

Gap-n-dribble. That's what happened today. The market gapped up and then traded in a range all day. There were no attempts to move prices up or down much intraday.

The indexes posted across-the-board small-to-moderate gains. The S&P 600 led with a 1% gain. The Russell 2000 (up 0.9%), Wilshire 5000 (up 0.7%) and S&P 400, Dow Composite, Nasdaq and Dow (up 0.5%) followed.

Among the groups, nonferrous metals did better than 4%, marine transports and industrial metals 3%, aluminum, recreational services, steel and basic resources 2%, and footwear, investment services, banks, asset managers, home improvement and financial services did better than 1.3%. On the flip side, distillers & vintners fell more than 2%, and brewers, renewable energy equipment and platinum & precious metals dropped more than 1%.

The Dow missed 20,000 by 12+ points.

With the market essentially in resting mode, let's dig beneath the surface and see where our next round of trades may come from.

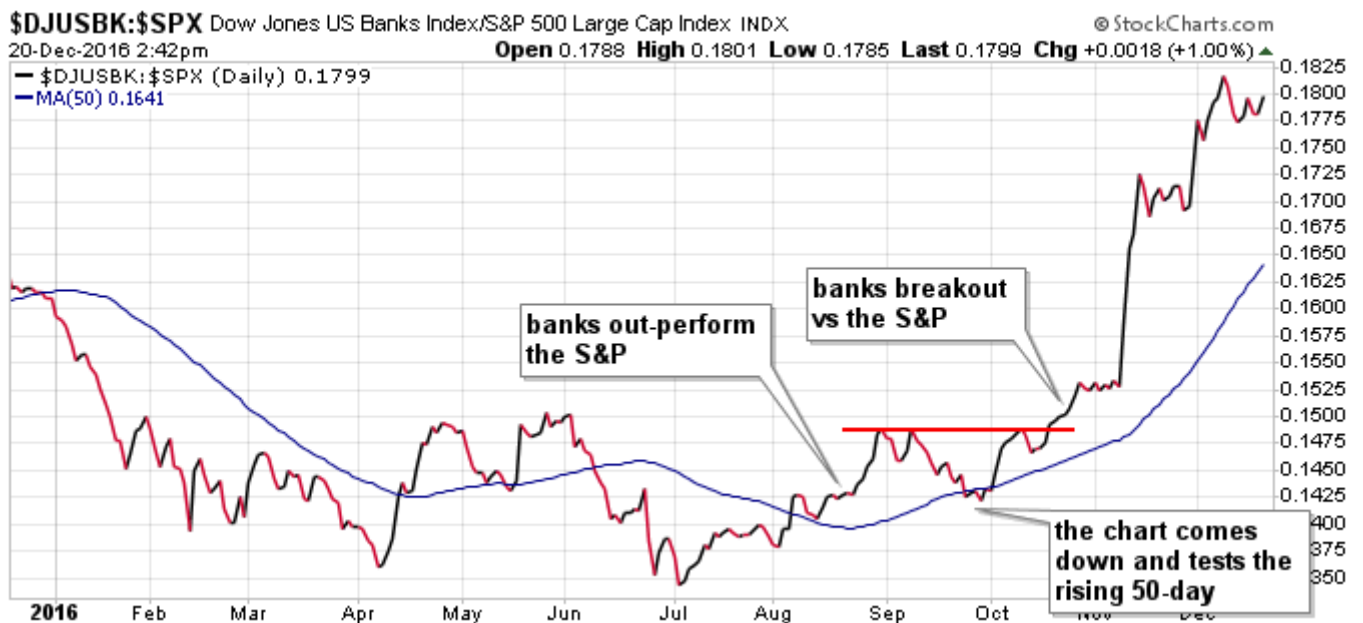
The groups that have been leading include: financials, semiconductors, airlines, oil, steel & iron and industrial metals & minerals.

The object is to find the bull markets.

Here's an example. This is the relative strength chart of the **banking** index vs. the S&P 500. In August, banks out-performed but couldn't out-perform enough to take out the summer highs. After a one-month drop to test the then-rising 50-day MA, the index then out-performed by a strong-enough margin to breakout to a new high. This happened before the election, so even if the election results were different, odds favored banks being a leader into the end of the year.



Since then banks have not just led, they've led by a wide margin. Here's an update of the chart.



This is how we operate.

The two questions I ask myself are: 1) What is the trend? and 2) Where are the bull markets?

If the trend is up, I don't just want to be long, I want to be long groups that are out-performing.

Airlines have been out-performing. It's why several have appeared on the trading list the last two months.



Semiconductors have out-performed. It's also why there have been many on the trading list.



Steel stocks have been big winners the last six weeks.



Some of these groups will continue to be playable; others are likely done with their runs.

So the next logical question is: what new bull markets will emerge going forward?

Basic resources have given us some decent plays recently, and I expect more to come if the 50 holds here.



Industrial metals have been good to us, and after a further rest, I expect them to give us another round of trades.



We played a handful of **integrated oil & gas** stocks recently. If the group can get comfortable here above resistance, we should be able to get another round of trades.



Consumer services might be a group turning the corner. It under-performed for many months, and in just the last month got above resistance and is now testing the 50-day. Perhaps we get a round of trades from this group.



This is how we operate. Call it sector rotation or beta rotation or whatever you want. The trend is up, so we look beneath the surface and find groups that are not only moving up, but moving up at a faster rate than the market.

Have a great night.

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