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The market again traded quietly today. The range was small, and volume was on the lighter side.

The S&P has now fallen 4 of 6 days and has given back the post-State of the Union Address gains. The small caps have dropped 8 of 10 days and are now testing their 50-day moving average, despite only being one week removed from an all-time high. Paper cuts are starting to add up.

For the day, the Russell 2000 and S&P 600 fell 0.7%, followed by the S&P 400 (down 0.6%), Wilshire 5000, Dow composite and Russell 3000 (down 0.4%). The Dow (down 0.1%) held up the best.

Among the groups, home construction was the only group to post a 1% gain. Otherwise steel, aluminum and marine transports fell more than 3%, industrial metals, recreational products, mobile communications and basic resources dropped more than 2%, and coal, renewable energy equipment, nonferrous metals, electronic office equipment, airlines, railroads and containers & packaging fell 1.3% or more.

By now I sound like a broken record when I say I don't like this market, but that's my job. I call it as I see it.

Long term the market is in good shape, and I don't see evidence longer term trouble is brewing.

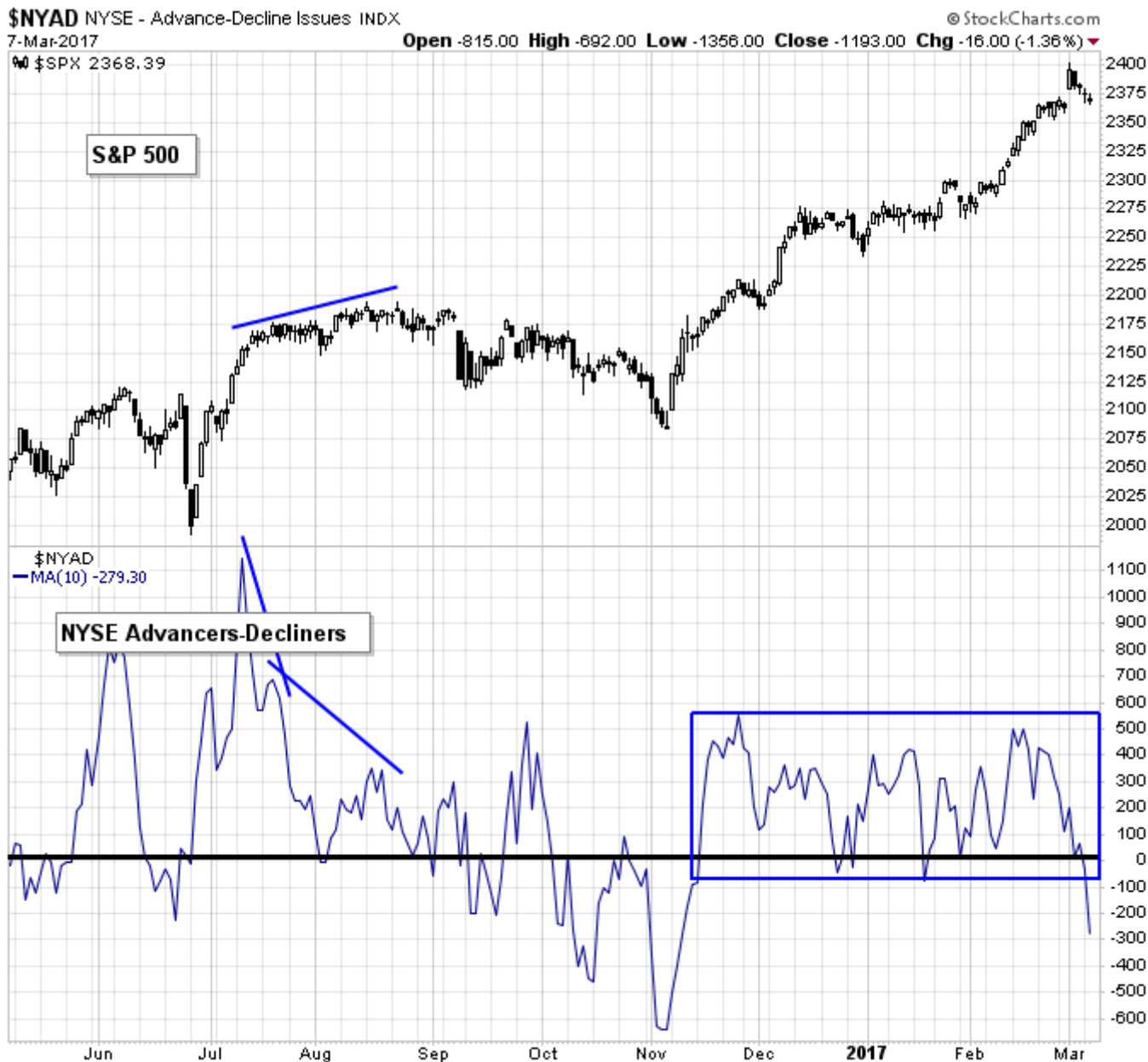
But shorter term, little by little, one by one, warnings are being flashed.

Lagging energy. Out-performing utilities. Lagging advance/decline numbers. Lagging small caps. None of this points toward THE top forming, but collectively they suggest A top may be forming.

Yesterday I noted the new lows had climbed to their highest level in a few months. Here's a chart of NYSE new lows and new highs. Despite the market being on an incredible run since the election and the indexes being very close to their all-time highs, there were more new lows than new highs yesterday at the NYSE. Not a comforting sign.



Despite the market being flat over the last 10 days, the 10-day of the AD line has dropped to its lowest level since November. Decliners are beating advancers on down days by a great margin than advancers are beating decliners are up days.



Perhaps I've sounded foolish a few times the last couple weeks because I haven't liked what I've seen, but now more evidence is backing up my claim that something doesn't quite seem right.

Be careful out there if you play in the short or intermediate terms.

Have a great night.

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