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The market has become a sloppy mess. I can't even say rallies are getting sold and dips are getting bought because no move up can be considered a rally and no drop can be considered a full-blow dip. Unlike previous consolidation patterns, the ups and downs are compressed and not lasting long. Instead of several up days followed by a pause and then a few more up days, we're getting an up day followed by a gap up...or a down day followed by weakness the next morning. And that's it.

Day traders can continue to do their thing. There's enough intraday movement to keep them happy. Swing traders, those that need some semblance of a directional move, have been frustrated if they play the overall market, but there are obvious pockets of strength and weakness that have been playable.

The is typically the case. The market spends more time doing nothing than doing something, but beneath the surface there are trending groups. This is where the adage: "there's a bull market somewhere" comes from. Money needs to find a home. Money rotates around the market on an on-going basis. Groups come into favor and fall out of favor. If you only follow the indexes, you miss what's going on beneath the surface. Over time, the S&P may move 10%, but zooming in would reveal several groups rallying 30% and 40% and 50% while others matched the S&P's movement or under-performed by a wide margin. A 10% move for the indexes isn't anything to get excited about - especially if it takes place over several months - but if you focus on identifying where the bull market is, you'll find there's a lot to get excited about.

Right now the bull market is in oil and gold & silver. When the S&P rallied 17% off its low, many stocks in these groups doubled and tripled. And during the six weeks of consolidation, stocks from these groups have built on their gains. There's a bull market somewhere.

There are several keys to trading. One of them is lessening the difficulty by focusing attention on "what's working now," as opposed to trying to find the proverbial needle in a haystack. I laugh when I hear traders say they look at a 1000 charts every week. Why? Why would you do that? My first question is:

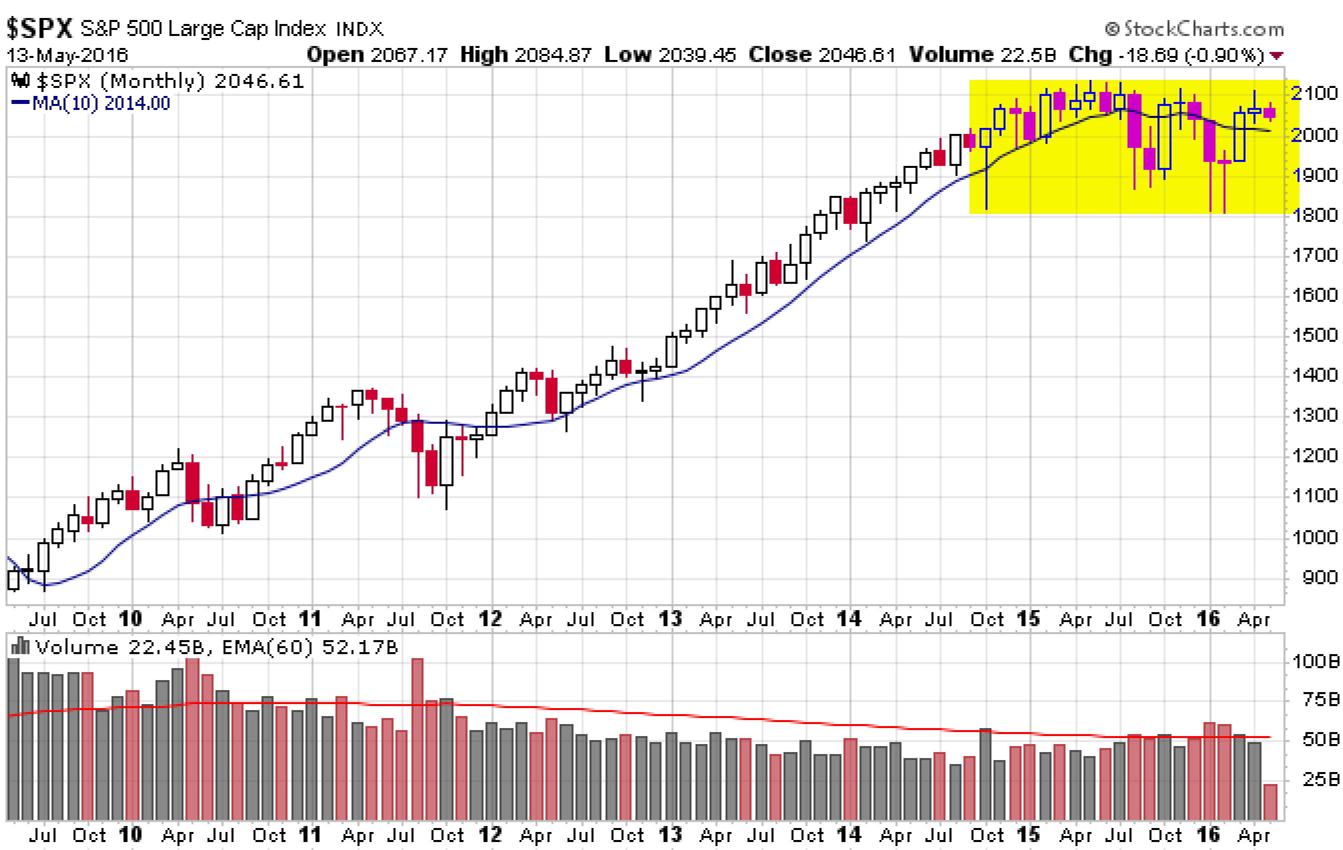
What's the trend? My second question is: What is the staying power of the trend (is a move just beginning or is it mature)? The next question is: What groups are doing the best/worst? This is the best way to narrow the universe of stocks to a workable number. Identify the groups that are "in play." And you don't need to know the major themes that are producing the moves.

The market can trade range-bound for the next five years, but beneath the surface, groups will come into favor and fall out of favor and money will rotate around. It's easier to find a great stock in a great group than a great stock by itself.

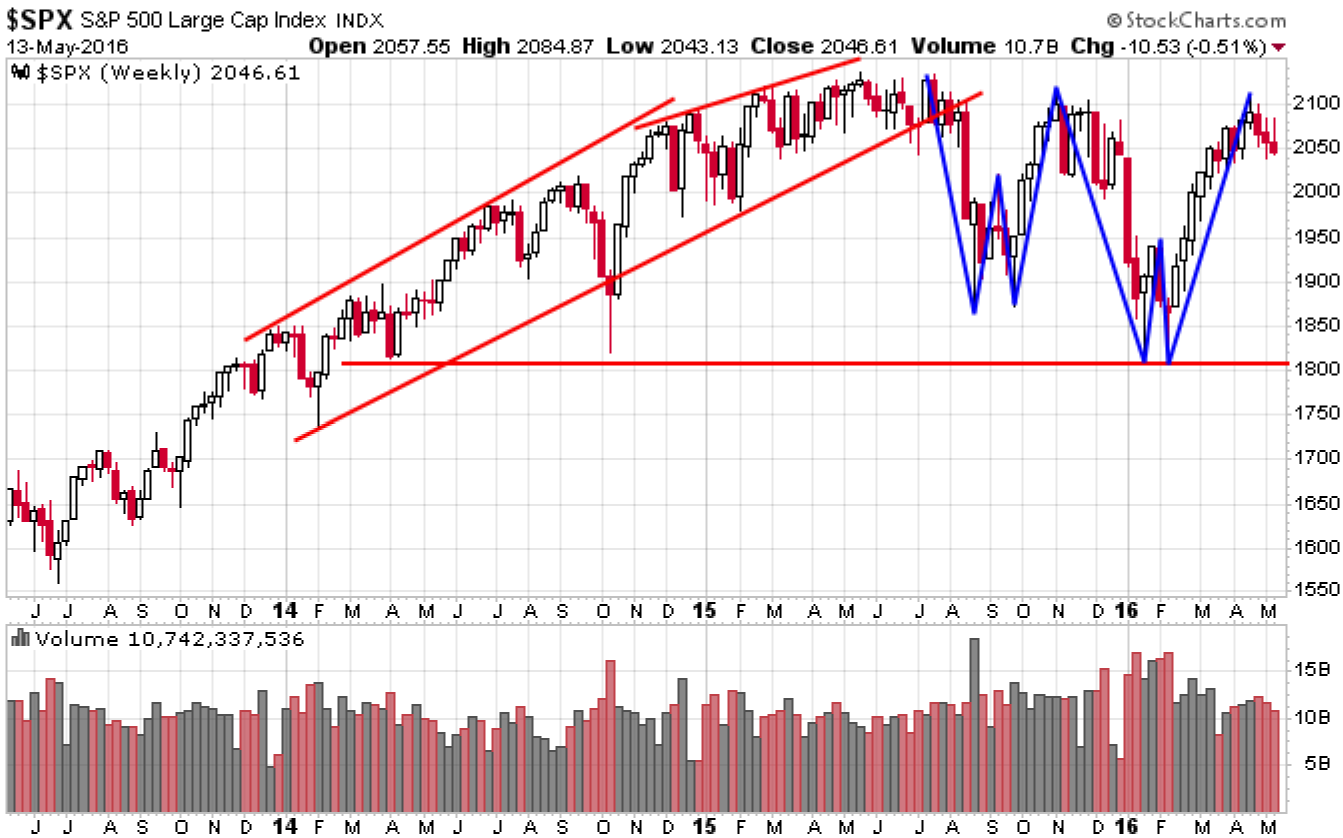
Let's get to the charts and see what they say. Since the indexes have been stuck in a range, I'll particularly be looking for subtle hints of under-the-hood strength or weakness.

Indexes

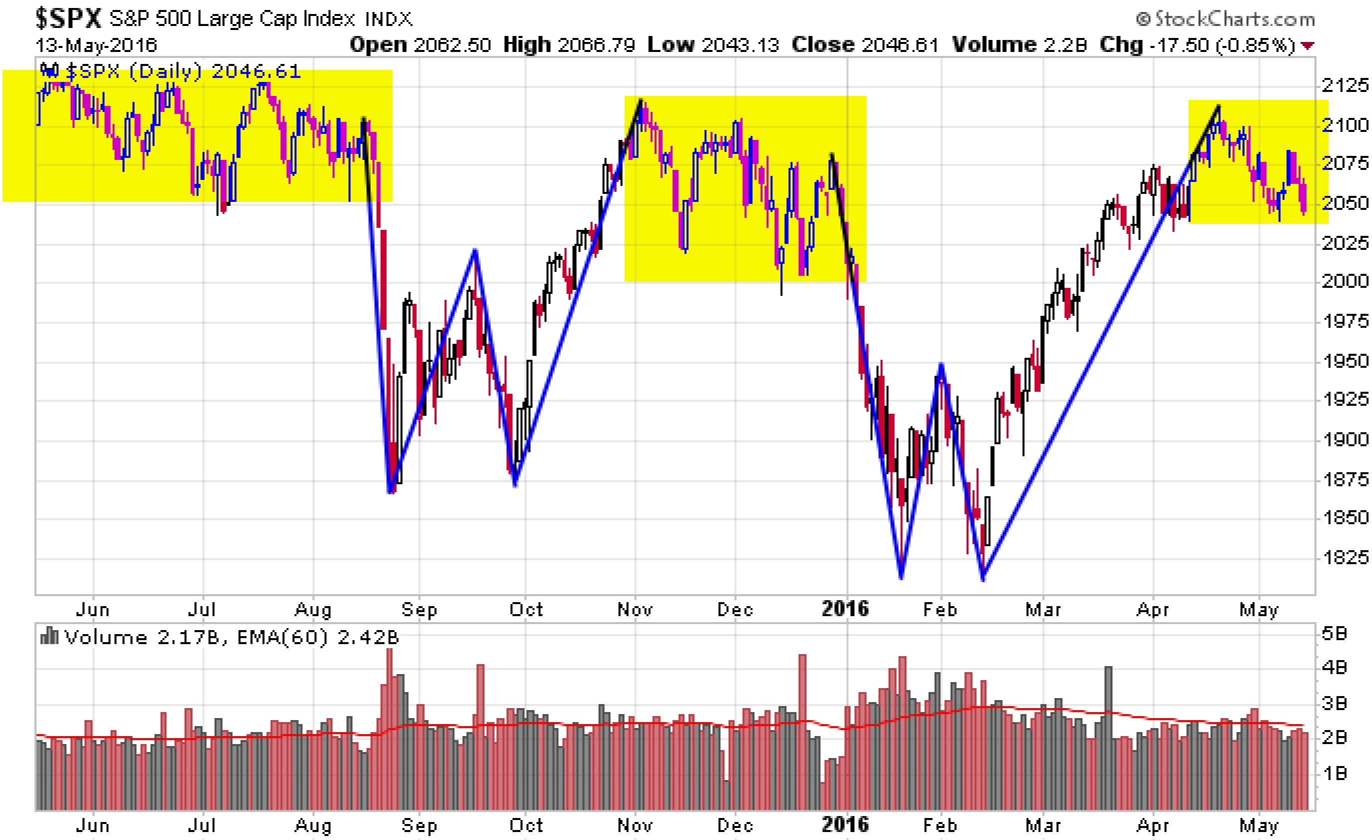
The S&P 500 Monthly: We're halfway through May, and we have a small candle on below-average volume. If the market deteriorates, there seems to be a lot of air below, but if the internals hold up relatively well - they don't have to be in fantastic shape, just hold up - there's no reason to expect anything major to happen. Who knows? Maybe we have a repeat of last summer when we had several small-range monthly candles in a row.



The S&P 500 Weekly: For the first time since January we have three consecutive down weeks, and you have to go back to October of 2014 to find four. The points lost over the last three weeks have not been extreme. There have been no big down weeks, so the action has felt more like a gentle drift off the high. The bulls deserve the benefit of the doubt, but they don't have much wiggle room. You have to wonder how much further the S&P can drop before long run for the exits. Is there an air-pocket close.

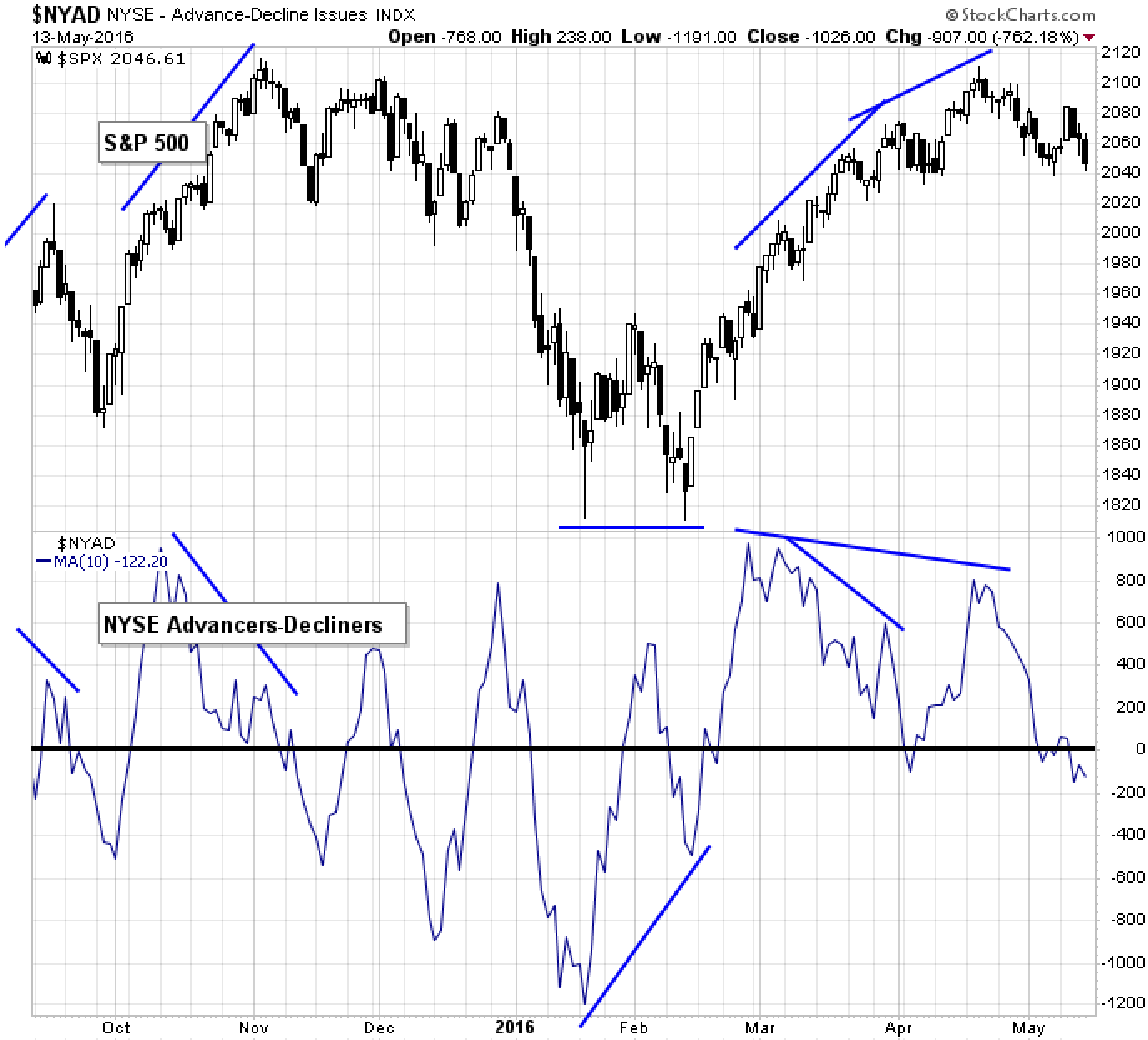


The S&P 500 Daily: Tops take time to form. It's the reason I've been somewhat redundant with many of my comments the last few weeks. We all want something to happen right now, but the market does its thing on its own time. Get used to it. You can use the internals to anticipate what may happen next, but you can't assume anything will happen. The market spends more time doing nothing than doing something.

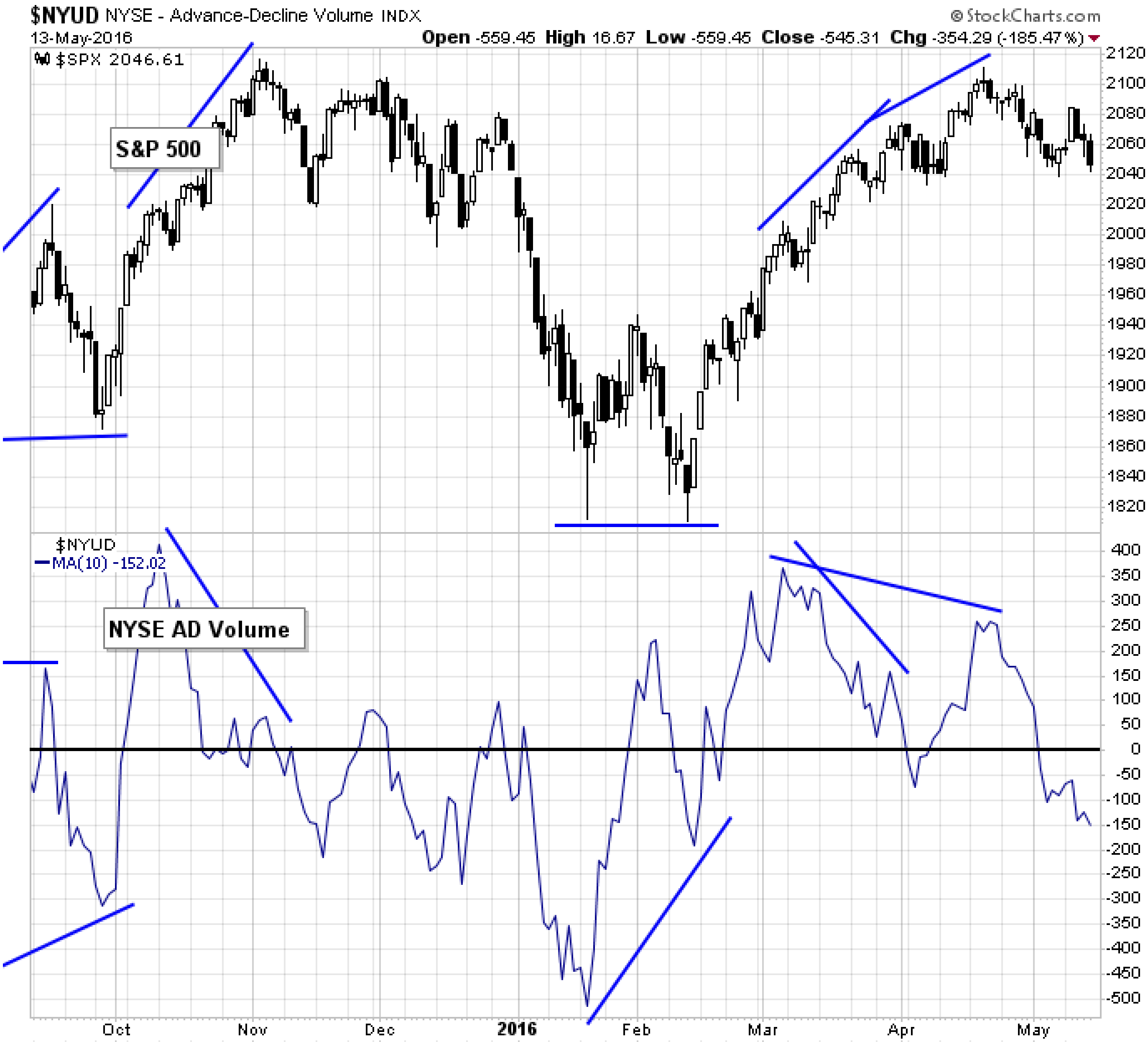


Indicators

S&P 500 vs. 10-day MA of NYSE AD Line: The AD line at the NYSE dropped last week, but there's no suggestion investors are running for the exits. Decliners are beating advancers, but the victories are not by wide margins. I'm going to call this neutral. There is no strong signal.



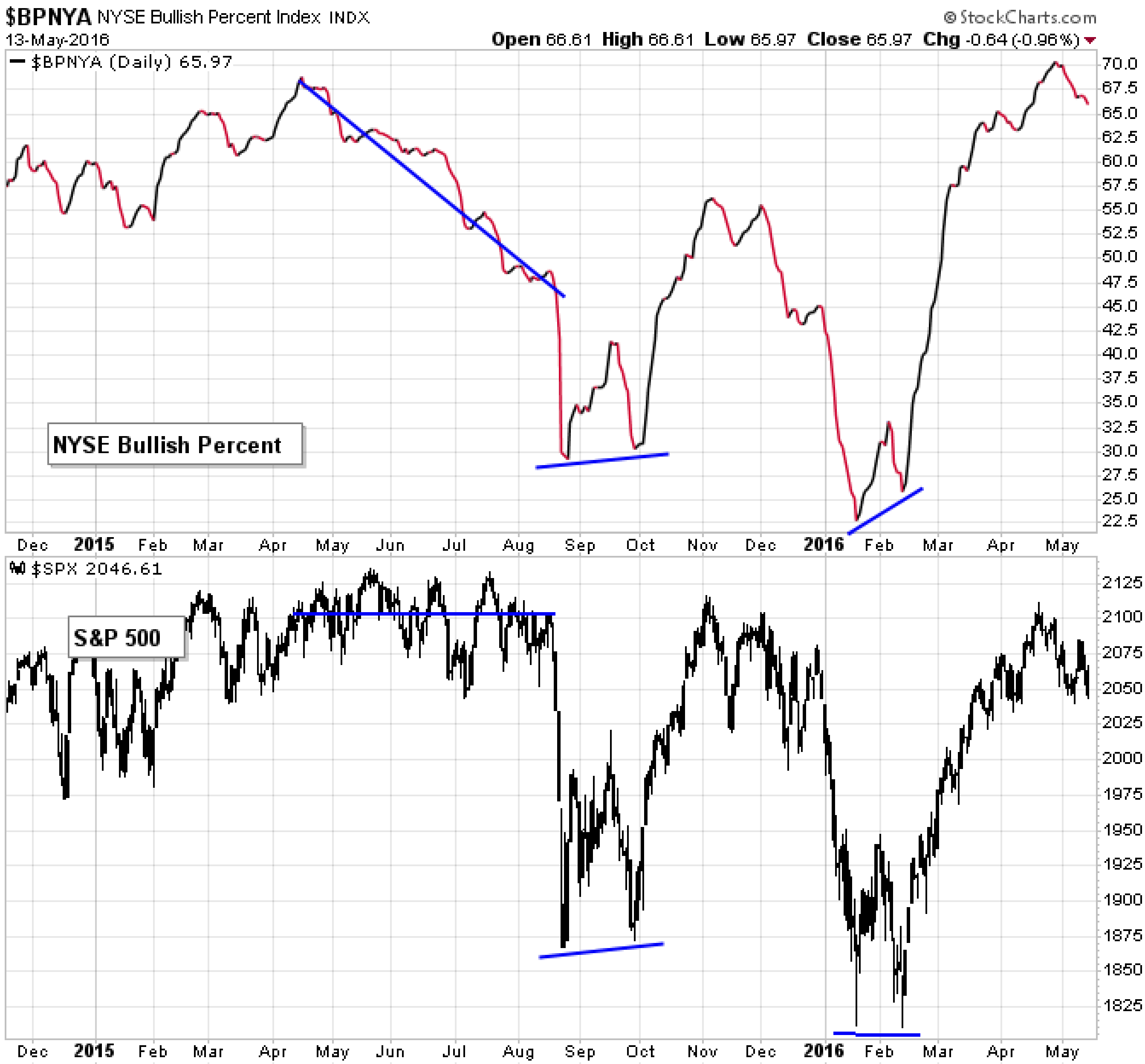
S&P 500 vs. 10-day MA of NYSE AD Volume Line: The AD volume line, which lets the high-volume stocks have more influence, has been a little weaker than the AD line, but not by much. This certainly leans bearish, but considering the declining volume is only beating the advancing volume by a small margin, a snap-back would not be a surprise.



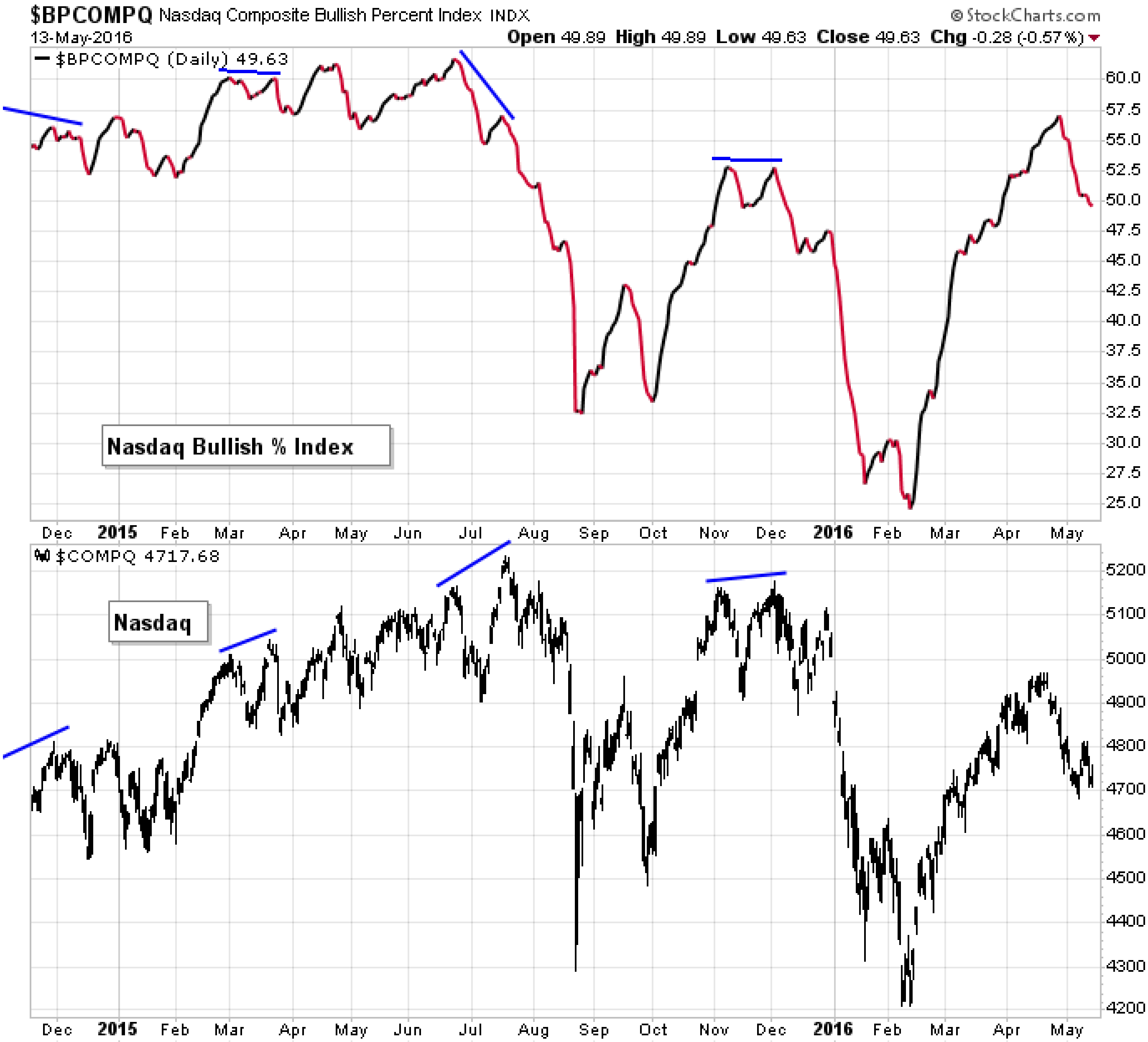
S&P 500 vs. NYSE New Highs: Despite the market being flat the last two months, new highs at the NYSE continue to do well.

NASDAQ vs. NASDAQ New Highs But new highs at the Nas have been nowhere to be found and are trending down.

S&P 500 vs. NYSE Bullish Percent: The bullish percent at the NYSE reached such a high level, I wouldn't consider any up and down movement to be alarming. It would have to take out its early-April low and begin trending down to get my attention.

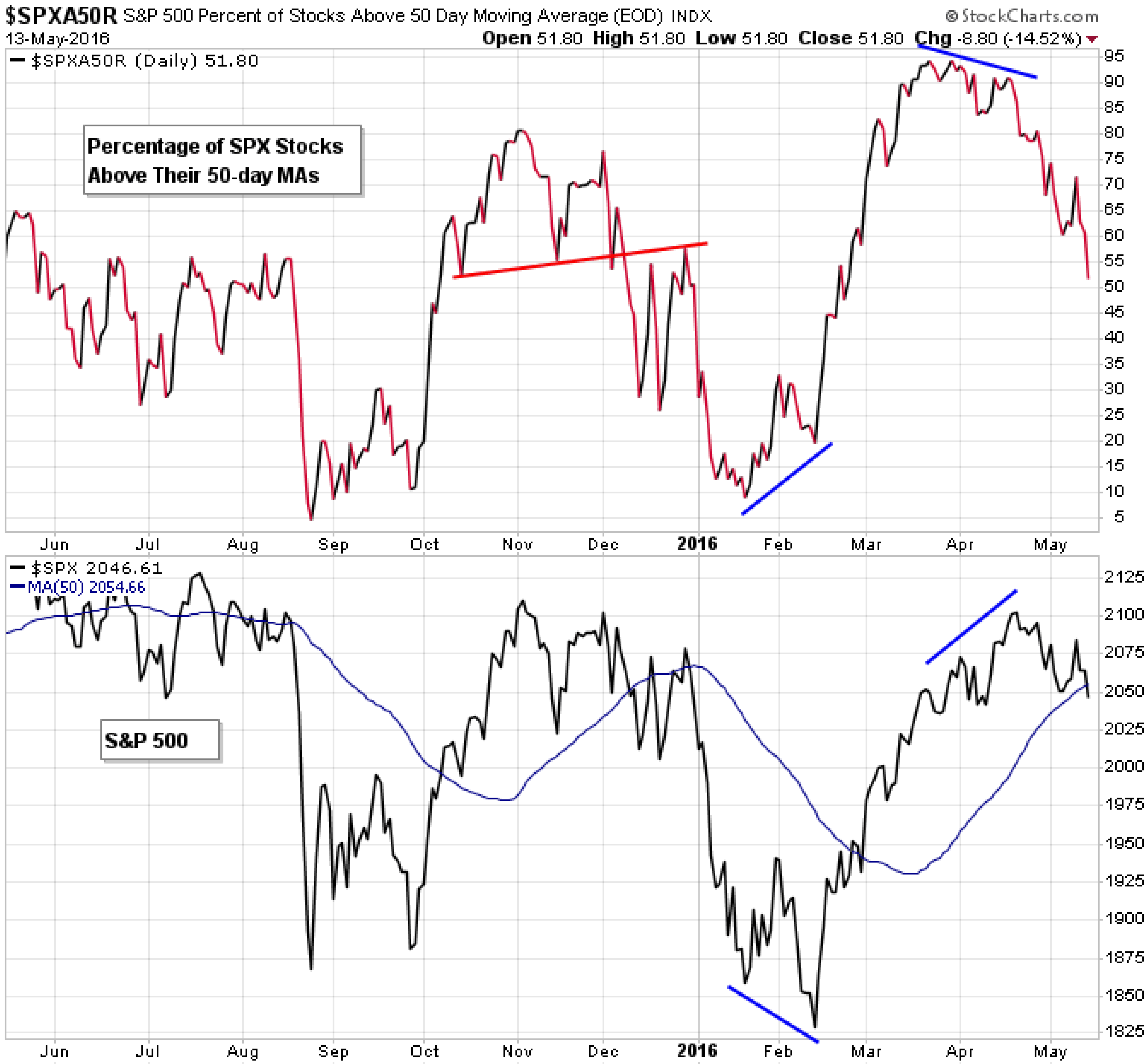


NASDAQ vs. NASDAQ Bullish Percent: The Nas bullish percent has been pulling back for a couple weeks. I would consider this to be fairly normal and not alarming. But if the market rallies soon, and the bullish percent puts in a lower high, then the odds of a bigger drop increase.



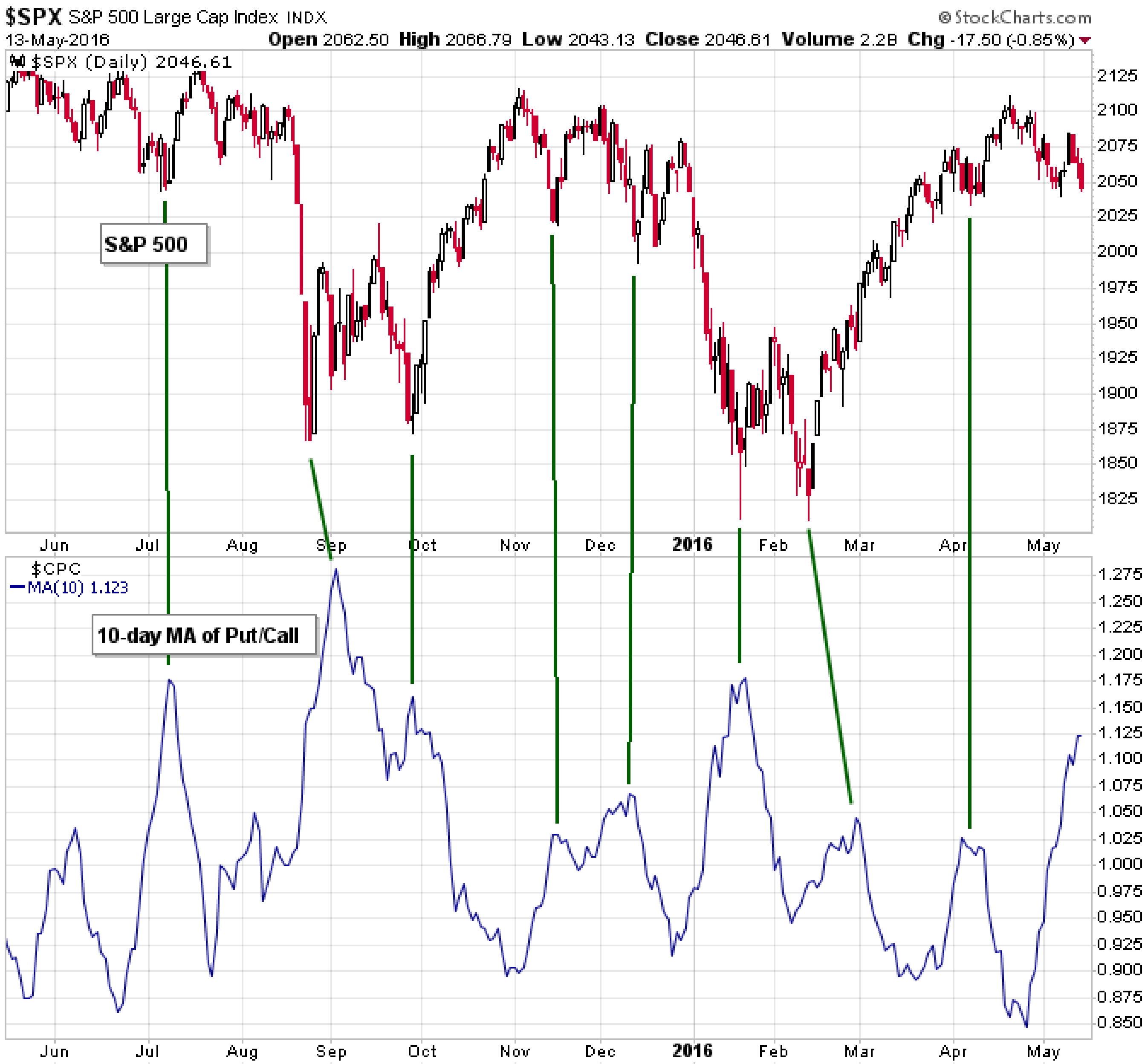
S&P 500 vs. Percentage of SPX Stocks Above 200-day MA: The percentage of SPX stocks above their 200-day moving averages fully supported the market's recent rally. Now I'd call it neutral. It's not bullish or bearish. It's just hanging out at an appropriate level and isn't hinting at underlying strength or weakness.

S&P 500 vs. Percentage of SPX Stocks Above 50-day MA: The percentage of SPX stocks above their 50-day moving averages, on the other hand, is falling fast. The S&P itself is just under its 50, so the reading of this indicator isn't alarming by itself. But the pace with which it's falling is alarming. When it recovers - assuming it recovers soon - we'll want to see significant improvement. Otherwise a major warning will be flashed.



S&P 500 vs. Percentage of SPX Stocks Above 20-day MA: The percentage of SPX stocks above their 20-day moving averages helped us identify a top last month, and so far isn't suggesting stocks are recovering. This tells us things are deteriorating beneath the surface.

S&P 500 vs. 10-day MA of Put/Call Ratio: Tops in the put/call ratio correlate with bottoms in the market. It's not a perfect indicator, but it's pretty good. If the market tries to bounce, but the PC fails to roll over, the bounce won't go far.



S&P 500 vs. 14-day Average True Range: Expanding volatility, as measured by the 14-day ATR, tends to be associated with market declines. In a slight way, the ATR has put in a higher low and higher high. If this continues, the path of least resistance will be down.

The Bottom Line

We entered last week with the market at an important level, but after two up days and three down days and a small loss for the week, not much changed. The market is still at an important juncture, and there are many cross currents.

Some indicators are pointing down and have room to drop before being considered over-sold. Others have cycled down and could bounce at any time. The picture isn't clear.

A strong case can be made the market's next move will be up or down. Again the picture isn't clear.

Overall the market has traded in to a 2-month range. It's been an equal battle with the bulls and bears taking turns being in control. And despite the longest weekly losing streak in five months, the selling pressure hasn't been very intense.

This is not a time to bet the farm. Gold and silver look great. Some oil stocks continue to do very well. There are a few other random groups worth our time. But most groups aren't very exciting. They're just bouncing around and not offering much.

Important time here again. The market has drifted off its high for three straight weeks. The bulls need to regain control, or a little downside air-pocket could be hit, causing a swift round of selling.

Have a great week.

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