



# The Coe Report

Intraday Bulletin

1.33pm EDT 1 September 2010

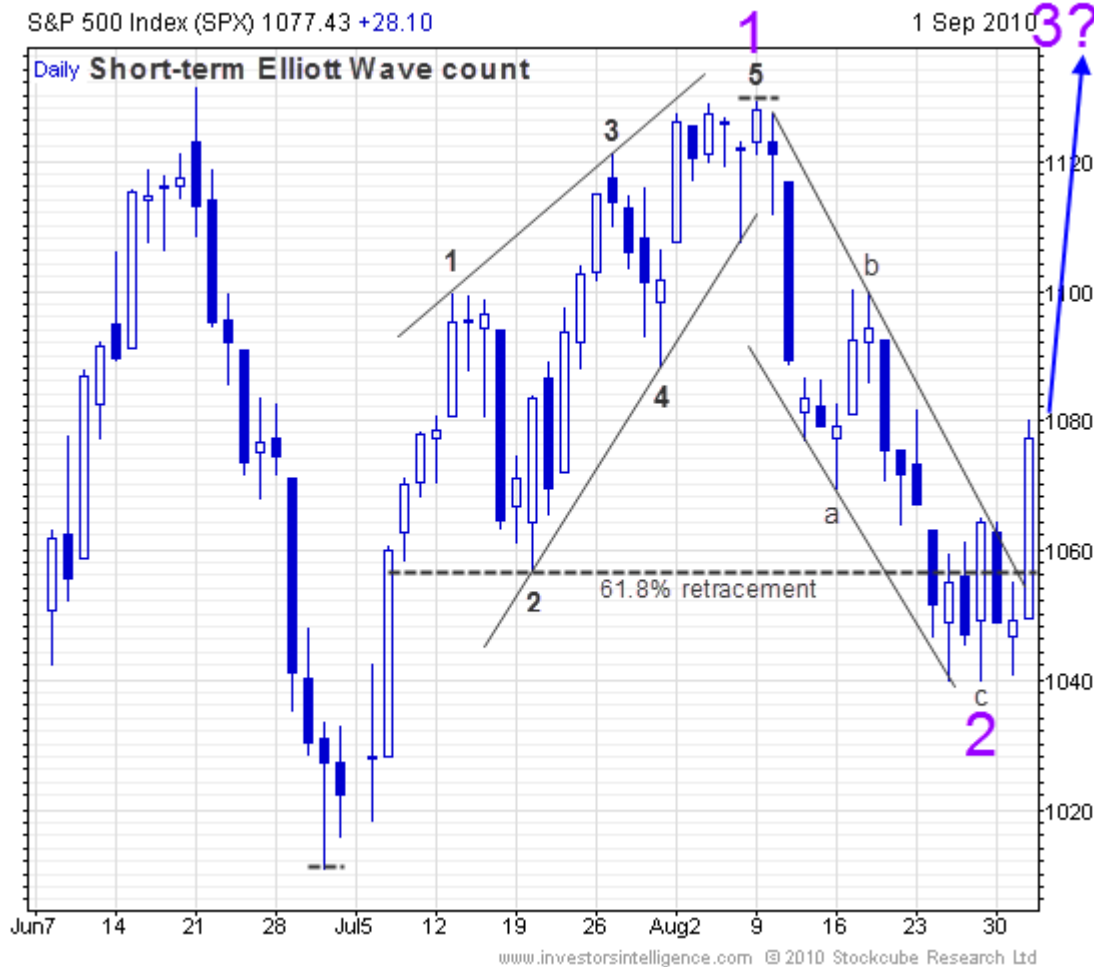
**Investors Intelligence**

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## Near-term Market View

We received some subscriber questions regarding the reasoning behind the recent call for a turnaround. We do not have the space and time to run through all the analytics behind a chart reading but yes, a lot more analysis goes into a report than what appears on these two pages. For instance, another reason for the adoption of the newly bullish view was the Elliott Wave picture. This subject is often met with skepticism but if used correctly, it can prove to be a very powerful tool.

Without getting too bogged down with the finer methodological details, the rally off the late June low by the **S&P 500** drew a clear impulse pattern (minor waves 1 through to 5), with overlap as permitted for a first wave. The subsequent decline off the August 9<sup>th</sup> high (wave 5) was a three wave corrective zigzag. That correction, labeled A, B and C, has classic harmony, in that waves A and C were equal (60 points a piece). A and C were impulsive (five smaller waves each), as was necessary under the rules and likewise B was corrective (three waves). The zigzag also terminated across the Fibonacci 61.8% retracement of the upward impulse wave (1), classic behavior. The termination of the zigzag marked the end of 2 and the deeply bearish sentiment (very important) fulfilled the characteristics of such. The next wave will be a 3 up and under the



system's rules, that wave is never the shortest and is often the longest. Third waves are very powerful and traders will get burned if trading in the opposite direction. Coupled to the potential inverse head-and-shoulders pattern, oversold conditions and so on, an aggressive turnaround appeared imminent. The next likely time to use Elliott Wave would be weeks away, when wave 3 nears maturity, as wave proportionality in conjunction with Fibonacci extensions could be used to deduce a termination point ahead of the wave 4 correction. With Elliott it is necessary to have a negation level and in this case, the count would be voided on a break of the recent low (1039.7).

## Buy

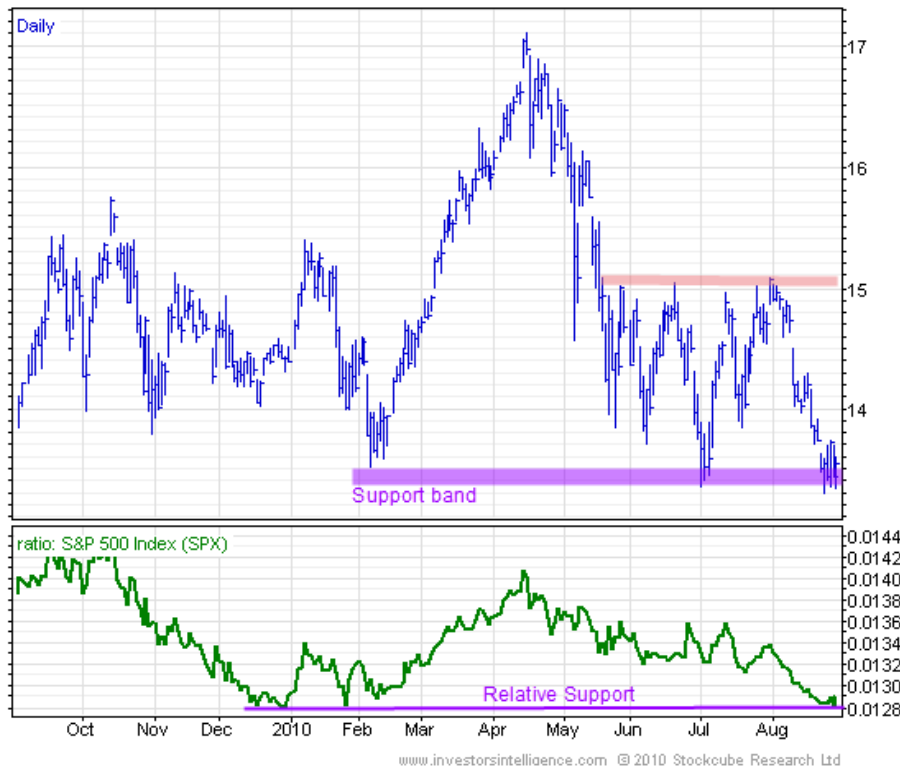
For the rally scenario outlined on Monday to have legs, participation from the Financials is imperative. The **SPDR Financial (XLF)** ETF chart has resisted recent breakdown attempts through the July low, so support there looks to have been established. The chart should rally from here, back up to the top of the four month range at \$15. The relative chart is also showing promise as it finds support against the S&P 500 from December 2009 and January of this year. This relative chart should turn up, trend higher, and in doing so provide the necessary leadership from the Financials.

At 2pm we are going to buy the absinthe of the Financial ETF world, the triple leveraged, **Direxion Financial Bull (FAS)** ETF. The stop level will be at \$17.50 and we would exit following an end-of-day close beneath there. The target is to \$24.50.

*Disclaimer - I have bought FAS for my personal account.*

SPDR Sector Trst Financial (XLF) 13.55 +0.11

31 Aug 2010



## Buy

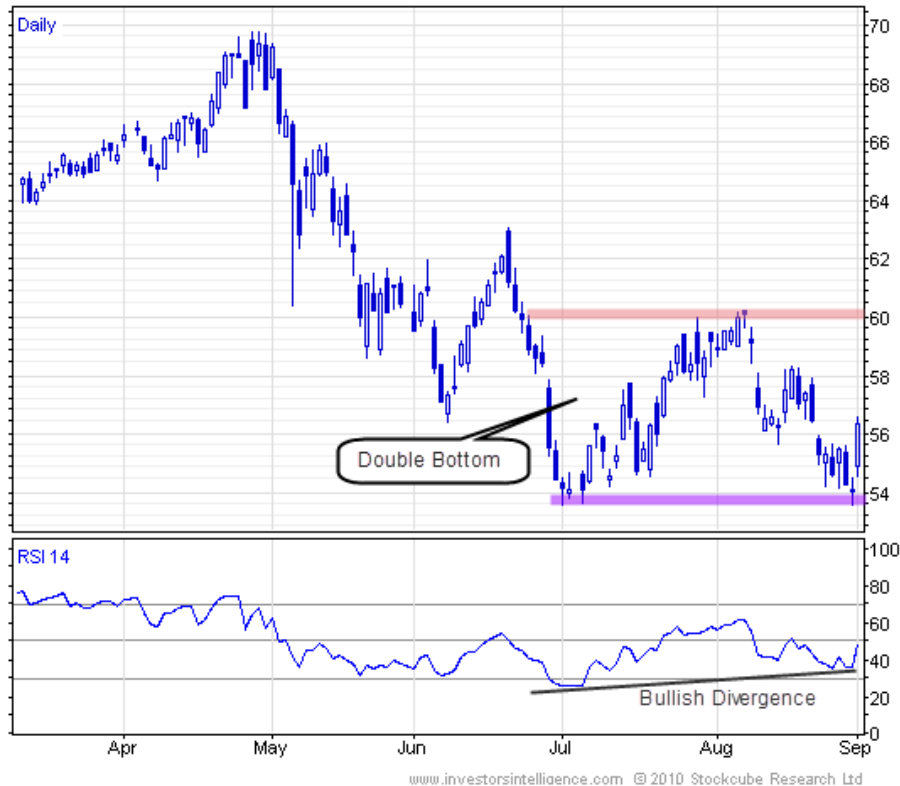
Many stocks and sectors look to be building double-bottoms. **Northrop Grumman (NOC)** is one such example as it rallies from support at \$54. Momentum, the 14-day RSI, exhibits bullish divergence and the indicator has a long way to go before even approaching overbought.

We shall buy the aerospace group at 2:30pm. The stop level will be at \$54 and we would exit following three consecutive end-of-day closes beneath there. The Initial target is to \$60 but a breakout there would activate the double-bottom, and that pattern has a target to \$66.

For longer-term investors, the stock has the added attraction of a 3.5% yield.

Northrop Grumman Corp (NOC) 56.35 +2.23

1 Sep 2010



## Stop Adjustments

The **H&R Block (HRB)** stop is lowered to \$12.85.

The **GATX (GMT)** stop is raised to \$27.10 and is now intraday.

The **iShares Transportation Average (IYT)** stop is raised to \$75.45 and is now intraday.

The **ProShares Ultra S&P 500 (SSO)** stop is raised to \$34.15 and is now intraday.

The **RIMM (RIMM)** short stop is lowered to \$45.75.

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## Portfolio

Date	Stock	Code	Type	Open Price	Current Price	% P&L	Target	Stop	Alloc %	Comment
4 Aug 2010	RESEARCH IN MOTION LTD	RIMM	Short	53.40	44.41	+16.84%	40	45.75	2.5	Stop type - ITD
27 Aug 2010	ProShares Ultra DJ-AIG Crude Oil	UCO	Long	9.16	9.05	-1.20%	10.70	8.25	5	Stop type - EOD
27 Aug 2010	Apple Computer Inc	AAPL	Long	241.40	251.02	+3.99%	270	235.56	7.5	Stop type - EOD
27 Aug 2010	ProShares Ultra Russell2000	UWM	Long	26.25	26.82	+2.17%	29	24.10	7.5	Stop type - EOD
28 Aug 2010	ProShares Ultra S&P500	SSO	Long	33.8199	35.16	+3.96%	46	34.15	10	Stop type - ITD
30 Aug 2010	iShares DJ Transportation Average	IYT	Long	74.90	77.19	+3.06%	85	75.45	10	Stop type - ITD
30 Aug 2010	GATX Corp	GMT	Long	26.89	28.13	+4.61%	34	27.10	5	Stop type - ITD
30 Aug 2010	H&R Block Inc	HRB	Long	13.44	12.98	-3.42%	16	12.85	2.5	Stop type - EOD3

(12:30pm prices)

### Key to Stops

**ITD** executed when the stop is touched intraday. Should the stock gap through an intraday level at the open then the trade will be closed out at the opening price.

**EOD** activated on an end of day close beneath the stop level. Trades should then be closed out on the following day. Our trade will be closed out at the day's mid-range (to reflect a fair/average exit price).

**EOD3** activated on three consecutive end of day closes beneath the stop level. Trades should then be closed out on the fourth day. Our trade is closed out at the day's mid-range.

Adjusted stops are effective from the time of publication.

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