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**\*Market remains short term overbought, beware the ides of February ...**

**\*Overbought/ oversold show stocks at overbought levels.**

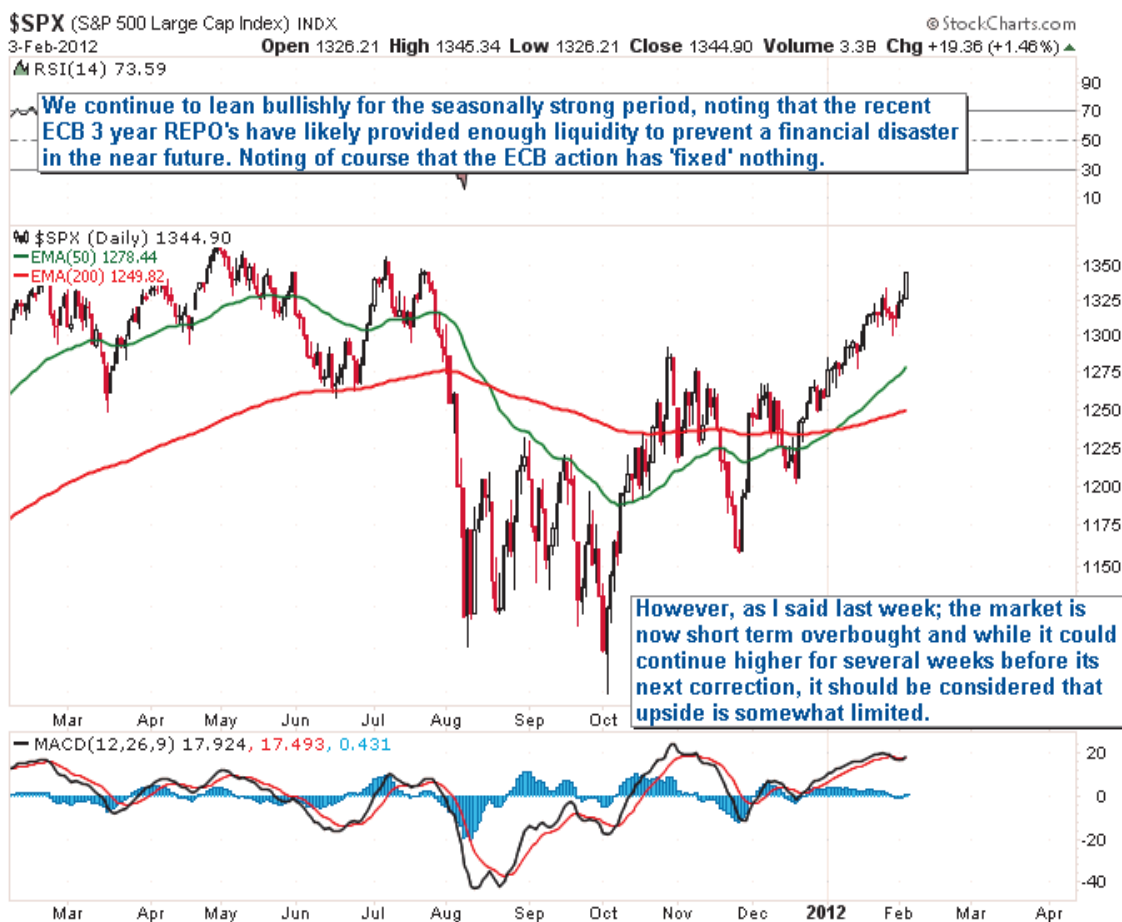
**\*Our money flow indicator is positive.**

**\*Support/ Resistance :** support should be found at the 1235 area (seasonal). Near term resistance is broken.

Jim Blake  
Director of Technical Analysis

[www.qgws.com](http://www.qgws.com)

### A look at the market



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## An Attempt at Plain English

***Market remains short term overbought, beware the ides of February...***

**When last we spoke I said.... Bottom line:** “The intermediate term outlook for the market has improved with the market making a new intermediate term high and the advance/ decline line making a new high. As is often the case however, as the market finally breaks meaningful resistance it is overbought. That is the case now, the market is now overbought. While it is not unusual for the market to forge higher when overbought, patience should be exercised and purchases should be made only on pull backs. Somewhere down the road we will still have Europe to deal with. However the market seems unconcerned with Europe at this particular time”.

### **Current Market Conditions**

**Overbought/ oversold oscillators** show stocks at overbought levels.

Our **money flow indicator** is positive.

**Support/ Resistance:** support should be found at the 1235 area (seasonal). Near term resistance is broken.

**This week:** The S&P rose 28.57 points or 2.47%. The CRB fell 3.59 points or 1.13%. Gold fell \$3.10 or 0.18% and is nearing the point where it should begin outperforming stocks again. The ten year treasury finished the week at 1.94% versus 1.89% last week; rates still look poised to move higher. The dollar ended the week at 78.92, up slightly from last week's close at 78.90.

**Bottom line:** Our recent comments still make sense. The market is positive but short term overbought. Further, the market has a tendency to host corrections in the late January to mid February time frame so we would recommend waiting for pull backs to make purchases. Further still, we still will have to deal with the fallout of the Greek default (to be). Bottom line, the market is positive but overbought; don't chase it here.

**Seasonal Investors:** Seasonal investors should be in their full strong-season allocations.

If you need help with your 401(k) allocation I invite you to go to my website or send me an email. The website is; [www.quantgroupatwsi.com](http://www.quantgroupatwsi.com). You can email me at [jblake@wundernet.com](mailto:jblake@wundernet.com).

# Commodity Report

## CRB

We've noted lately the CRB is noticeably underperforming stocks. For that reason we've pointed out that when the CRB turns up we would not recommend it as it likely would lag the stock market.

Last week we pointed out that our model is in the process of turning positive but for the above-mentioned reason we still do not recommend going long the CRB.

For those that 'must'; we recommend stops at 306.



**GOLD**

We recommended Gold several weeks ago on the first sign of strength following its sharp decline. Our model had not turned positive at that time, we did so because we saw a very attractive risk/ reward opportunity.

Our model is now positive.

We continue to recommend stops at 1520 to protect these positions.



## XAU

We recommended the XAU when we recommended Gold several weeks ago. While our models had not turned positive at that time we did so because of an attractive risk/ reward opportunity in Gold.

As with Gold, our model is now positive.

We continue to expect higher prices and we continue to recommend stops at 170.

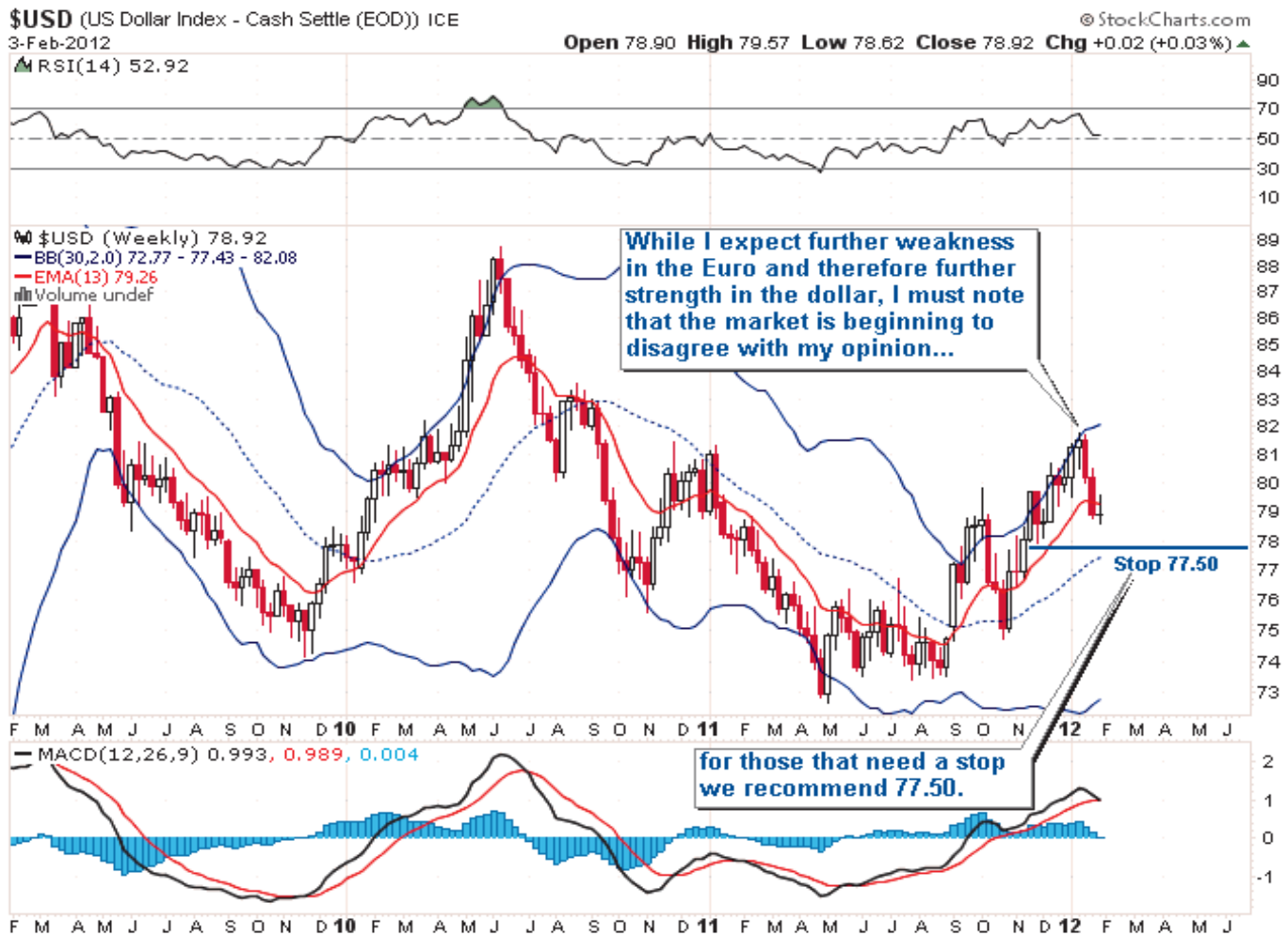


## U S Dollar

We have now recommended purchasing the dollar twice (most recently on a breakout at 76.50).

The Euro has strengthened since the ECB announced its LTRO. My belief is that at some point the market will realize that this is not going to solve all of Europe's problems in the long run and begin to worry about the Euro again. However considering the market's tendency to rally on each new 'solution' it seems logical that the Euro would find further strength on the pending announcement of the private markets 'voluntary' haircut on Greek debt. We must be prepared for the dollar rally to come to an end.

I'm not ready to exit the dollar at this point but for those that feel they need a stop we would recommend placing stops at 77.50 on the Dollar Index.



## Interest Rates

Our thoughts on interest rates are unchanged. We believe that (barring any surprise financial developments) rates have likely seen their lows and are likely to rise over the next six to nine months.

Should we see rates on the ten year treasury trade above 2.10% we may well see the rally in rates that we've been expecting.



## 401k Management

### Recommend allocations

**Long Term Investors:** (those that prefer to be fully invested all of the time)

Domestic holdings should be focused on Large Cap Growth and Mid Cap Growth with the focus on Growth over Value and Mid Cap/ Small Cap over Large Cap. Fixed Income should be invested in general bond funds (such as Pimco Total Return Fund).

*Recommended Allocation (based on a 60%Equity/ 40% Fixed Income target)*

40% General Bond Fund (such as Pimco Total Return)  
35% Large Cap Value  
25% Mid-Cap Value

**Seasonal Investors:** (those that prefer to reduce equity holdings in the 'seasonally weak period' of May to October). *Recommended Allocation (based on a 60%Equity/ 40% Fixed Income target)*

40% General Bond Fund (such as Pimco Total Return)  
30% Cash or Stable Value  
15% Large Cap Value  
15% Mid-Cap Value

**Jim's current Recommendation:** *Our models now favor Value over Growth. Accordingly we recommend switching from Growth to Value in all allocations.*

*Recommended Allocation (based on a 60%Equity/ 40% Fixed Income target)*

40% General Bond Fund (such as Pimco Total Return)  
25% Large Cap Value  
35% Cash or Stable Value

Well, that's it for this week. Call me if you need help with your investing.

*Best wishes and good investing,*



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