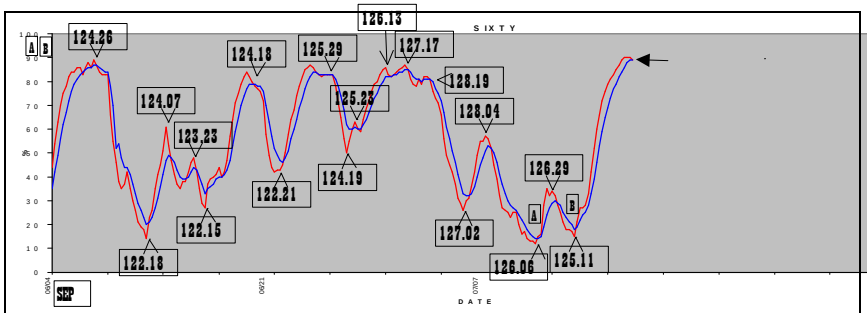

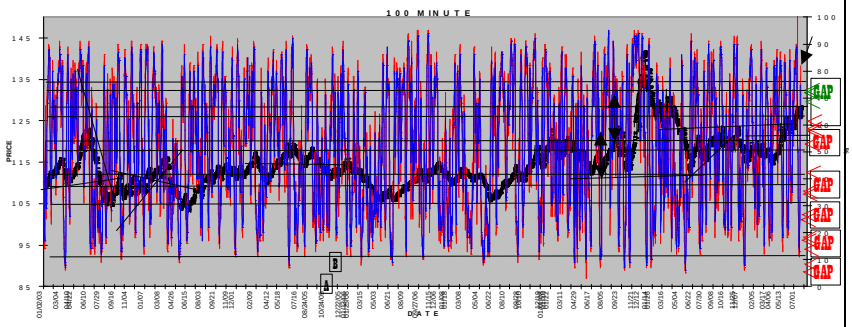

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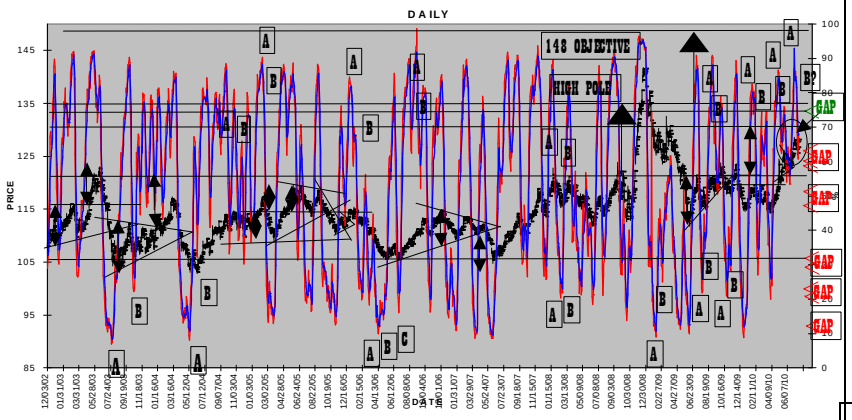

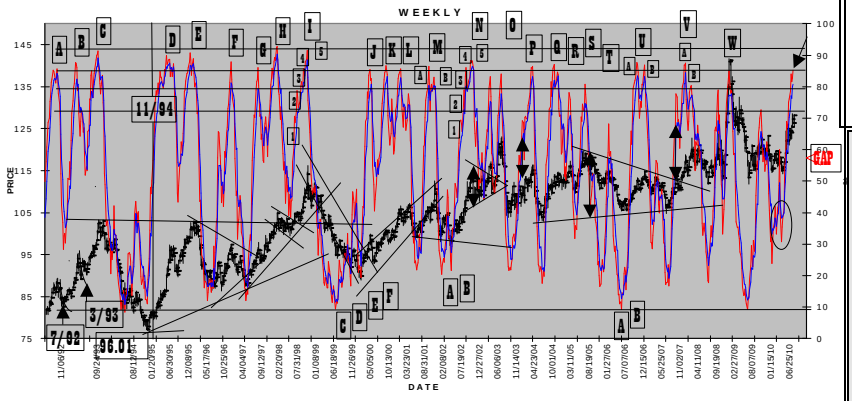

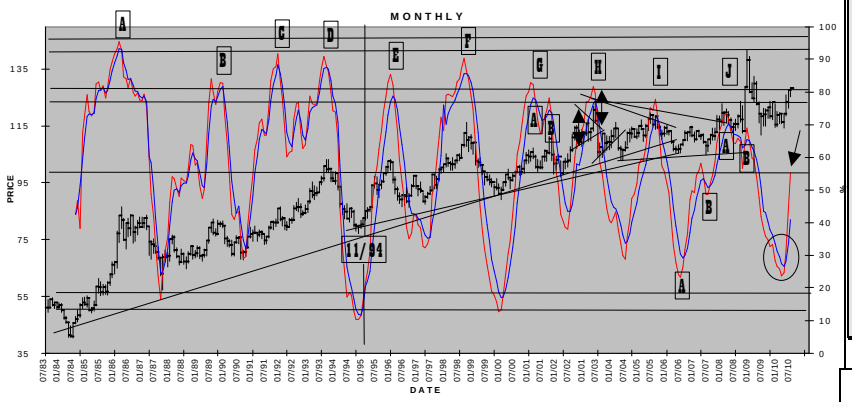

SEP BONDS H: 128.15 L: 127.08 C: 128.03 +.14 JULY 16, 2010

UPDATE

60 MINUTE The Sixty cockled well overbought loci on a hinge just shy of 90 %K, finishing up the workout of the powerful bullish divergence at "AB" planished on 07/14, to close at 89/89 K/D with bonds ending at 128^03 *(basis Sep)*, off +.14 tics on the day. Clearly not even a market for old or young men. Note the Hondo's fourteen **bearish gaps** below. These bearish lacuna are now opposed by three **bullish gaps.**

100 MINUTE The Hondo also made incursions into overbought zonals, to close at 82/75 K/D. **The Hondo filled the +.06 tic bearish gap between 126^10-126^04 on 07/14/10. The Hondo filled all but +.04 tics of the +.27 tic bullish gap between 129^03-128^08 on 03/18/09. The Hondo opened a +.32 tic bullish gap between 130^03-129^03 on 01/20/09. The Hondo opened a +.22 tic bullish gap between 132^10-131^20 on 01/16/09. The Hondo opened a +.12 tic bearish gap between 126^10-126^22 on 06/29/10. The Hondo opened a +.04 tic bearish gap between 122^09-122^13 on 06/04/10. The Hondo opened a +.21 tic bearish gap between 119^29-120^18 on 05/14/10. The Hondo opened a +.13 tic bearish gap between 118^08-118^21 on 05/04/10. The Hondo opened an +.08 tic bearish gap between 116^13-116^21 on 04/27/10. The Hondo filled +.15 tics of the +.23 tic bearish gap between 113^05-113^28 on 04/09/10. The Hondo opened a +.09 tic bearish gap between 104^26-106^03 on 06/25/08. The Hondo opened an +.08 tic bearish gap between 103^12-103^20 on 11/01/07. The Hondo opened a +.03 tic bearish gap between 103^05-103^08 on 10/19/07. The Hondo opened a +.03 tic bearish gap between 97^24-97^27 on 07/20/07. The Hondo opened a +.05 tic bearish gap between 97^08-97^13 on 06/25/07. The+.03 tic bearish gap between 92^05-92^08 remains open. The +.02 bearish gap between 90^27-90^29 remains open. The +.11 tic bearish gap between 82^23-83^02 remains open.**

DAILY THE DAILY UPCROSSED ON 07/16 AT 67.60/67.60 K/D, DOWNCROSSED ON 07/08 AT 80/80 K/D, UPCROSSED ON 06/17 AT 56/56 K/D, DOWNCROSSED ON 06/10 AT 61/61 K/D, UPCROSSED ON 06/08 AT 61/61 K/D, DOWNCROSSED ON 05/27 AT 73/73 K/D, UPCROSSED ON 05/19 AT 66/66 K/D, DOWNCROSSED ON 05/07 AT 84/84, UPCROSSED ON 04/09 AT 26/26 AND DOWNCROSSED ON 03/25 AT 70/70 K/D. **The Daily narrowed its negative spread to +.37 K/D from the prior session's -3.48 K/D, to close at 68.07/67.70 K/D.** ALERT!! THE DAILY HAS FORGED THE 1ST LEG OF A BEARISH DIVERGENCE AT "AB". SHOULD IT SUCCEED, BONDS WILL TAKE OUT THE 128^19 HIGH BEFORE TURNING NEGATIVE. The Daily upcross on 07/16 reverses its downcross on 07/08 and sets up the possibility of a bearish divergence. **The Daily opened a +.01 tic bullish gap between 131^21-131^20 on 01/16/09. The Daily opened a +.02 tic bearish gap between 121^22-121^24 on 06/04/10. The Daily opened a +.10 tic bearish gap between 122^26-123^04 on 05/20/10. The Daily opened a +.13 tic bearish gap between 118^08-118^21 on 05/03/10. The Daily filled +.06 of the +.14 tic bearish gap between 113^14-113^28 on 01/12/10. The Daily opened an +.08 tic bearish gap between 102^11-102^19 on 11/01/07. The Daily opened a +.02 tic bearish gap between 103^06-103^08 on 10/19/07. The Daily opened a +.03 tic bearish gap between 97^24-97^27 on 07/20/07. The +.04 tic bearish gap between 96^12-96^16 on 06/25/07 remains open. The +.03 tic bearish gap between 91^27-91^30 remains open.**

WEEKLY THE WEEKLY UPCROSSED ON 04/21 AT 40/40 K/D, DOWNCROSSED ON 03/29 AT 44/44 K/D, UPCROSSED ON 03/26 AT 44.25/44.25 K/D, DOWNCROSSED ON 03/25 AT 45/45 K/D, UPCROSSED ON 02/25 AT 37/37 K/D, DOWNCROSSED ON 02/17 AT 37/37 K/D, UPCROSSED ON 01/25 AT 34.25/34.25 K/D, DOWNCROSSED ON 12/04 AT 59/59 K/D, UPCROSSED ON 11/25 AT 58/58 K/D, DOWNCROSSED ON 10/22 AT 64/64 K/D, UPCROSSED ON 10/16 AT 64/64 K/D AND DOWNCROSSED ON 10/15 AT 64/64 K/D. The Weekly widened its positive spread to +4.48 K/D from the prior session's +4.03 K/D, to close at 84.35/80.87 K/D. The Weekly upcrossed on 04/21, downcrossed on 03/29, upcrossed on 03/26, downcrossed on 03/25, upcrossed on 02/25, downcrossed on 02/17 and upcrossed on 01/25 after a 14 week downcycle *(ave.=8-12 weeks)*. This upcross continues an ongoing pattern of equivocation about the crossline that has prevailed since the beginning of the year. **The Weekly opened a +.13 tic bearish gap between 118^08-118^21 on 05/03/10.**

MONTHLY THE MONTHLY UPCROSSED ON 05/03/10 AT 26.75/26.75 K/D, DOWNCROSSED ON 01/29/09 AT 65.50/65.50 K/D, UPCROSSED AT 63/63 K/D ON 11/25/08, DOWNCROSSED AT 63/63 K/D ON 11/24/08, UPCROSSED AT 63/63 K/D ON 11/19/08, DOWNCROSSED AT 66/66 K/D ON 10/08/08, UPCROSSED AT 66/66 K/D ON 10/01/08, DOWNCROSSED AT 66/66 K/D ON 09/30/08, UPCROSSED AT 66.25/66.25 K/D ON 09/29/08, DOWNCROSSED ON 09/22/08 AT 66/66 K/D, UPCROSSED ON 09/02/08 AT 66.75/66.75 K/D, DOWNCROSSED ON 05/27/08 AT 70/70 K/D, UPCROSSED ON 05/23/08 AT 70/70 K/D, DOWNCROSSED ON 05/22/08 AT 70/70 K/D, UPCROSSED ON 05/15/08 AT 70/70 K/D, DOWNCROSSED ON 05/13/08 AT 70/70 K/D, UPCROSSED ON 05/08/08 AT 70/70 K/D AND DOWNCROSSED ON 05/02/08 AT 70/70 K/D. **The Monthly widened its positive spread to +14.38 K/D from the prior session's +14.01 K/D, to close at 55.30/40.92 K/D**. After months of vacillation about the crossline, the Monthly finally embraced its upcycle on 06/01/10, moving authoritatively higher to commence a 12-15 month upcycle and secular bull market. **WORDS TO LIVE BY: NEVER FADE THE MONTHLY STO!!**

~FYI~

COMMON EQUIVOCATION ALERTS!! THE MONTHLY UPROSSED A DRAM ON 05/03/10, DOWNCROSSED A PISSANT ON 01/29/09, UPROSSED A DIDDLY ON 11/25/08, DOWNCROSSED A SHARD ON 11/24/08, UPROSSED A HAET ON 11/19/08, DOWNCROSSED A BAGATELLE ON 10/08/08, UPROSSED A NANISM ON 10/30/08, DOWNCROSSED AN IOTA ON 09/29/08, DOWNCROSSED A SUNKIT ON 09/29/08, DOWNCROSSED A MODIQUE ON 09/22/08, UPCROSSED A SMITHER ON 09/02/08, DOWNCROSSED A SCRIMPIT ON 05/27/08, UPCROSSED A DITE ON 05/23/08, DOWNCROSSED A FIG ON 05/22/08, UPCROSSED A MOTE ON 05/15/08 AND DOWNCROSSED A SOU ON 05/13/08!! THE MONTHLY UPCROSSED SCINTILLA ON 05/08/08!! BIG TIME ALERT!! THE MONTHLY DOWNCROSSED A FLINDER ON 05/02/08!! ONE IRONCLAD STO RULE IS ABSOLUTELY CLEAR; NEVER FADE THE MONTHLY STO!! **WHY? "' CAUSE THE STO DON' T LIE!!"**

ANALYSIS

SHORT TERM Both the Sixty and Hondo pierced well overbought ranges into their upcycles, with the former nigh completing the workout of its withy bullish divergence at "AB" cobbled on 07/14 and ending in a high hinge position, while the latter decelerated but with some room to spare on the upside for a Monday upthrust, especially given the Daily's swaging the 1st leg of bearish divergence at "AB" on 07/16. Volatility, of course, is still in evidence, for we are now at the mercy of **THREE** Hondo bullish gaps above, with **FOURTEEN** opposing bearish gaps below.

MEDIUM TERM ***The Daily upcrossed on 07/16, downcrossed on 07/08, upcrossed on 06/17, downcrossed on 06/10, upcrossed on 06/08, downcrossed on 05/27, upcrossed on 05/19, downcrossed on 05/07, upcrossed on 04/09 and downcrossed on 03/24.*** The Daily's upcross on 07/16 stithies the 1st leg of the construction of a possible bearish divergence at "AB". Should it succeed, bonds will take out the prior 128^19 high before entering into a meaningful Daily downcycle for 15-20 days. ***The Weekly downcrossed on 05/07, upcrossed on 04/21, downcrossed on 03/29, upcrossed on 03/26, downcrossed on 03/25, upcrossed on 02/25, downcrossed on 02/17, upcrossed on 01/25, downcrossed on 12/04, upcrossed on 11/25, downcrossed on 10/22, having upcrossed on 10/16 and downcrossed on 10/15.*** The Weekly downcrossed on 05/07, having upcrossed on 04/21, downcrossed on 03/29, upcrossed on 03/26, downcrossed on 03/25, upcrossed on 02/25, downcrossed on 02/17 and upcrossed on 01/25 after a 14 week downcycle. Since the beginning of the year, the action has been marked by very truncated, flip-floppy reversing fits and starts *(ave.=8-12 weeks)*.

LONG TERM ***The Monthly upcrossed on 05/03/10, downcrossed on 01/29/09, upcrossed on 11/25/08, downcrossed on 11/24/08, upcrossed on 11/19/08, downcrossed on 10/08, upcrossed on 10/01, downcrossed on 09/30, upcrossed on 09/29, downcrossed on 09/22, upcrossed on 09/02/08, downcrossed on 05/27/08, upcrossed on 05/23/08, downcrossed on 05/22/08, upcrossed on 05/15/08, downcrossed on 05/13/08, upcrossed on 05/08/08, downcrossed on 05/02/08, upcrossed on 08/27/07, downcrossed on 06/01/07 and upcrossed on 09/19/06.*** The Monthly's upcross on 05/03/10 reverses its downcross on 01/29/09 which reversed its upcross on 11/25/08 which stithied a bearish divergence at "AB", which reversed its upcross on 11/25/09, which reversed its downcross on 11/24/08, which reversed its upcross on 11/19/08, which reversed its downcross on 10/08, which reversed its upcross on 10/01, which reversed its downcross on 09/30 which reversed its upcross on 09/29, which reversed its downcross on 09/22 reverses its upcross on 09/02, which reversed its downcross on 05/27/08, which reversed its upcross on 05/23/08, which reversed its downcross on 05/22/08, which reversed its upcross on 05/15/08, which reversed its downcross on 05/13/08 succeeding its upcross on 05/08/08 and incontrovertibly demonstrates equivocation about the crossline, a common dynamic at turning points. The downcross on 05/02/08, however, sounded the early warning tocsin for the exodoi of the secular bull market begun September 2006. Fibrillation about this crossline is highly likely until memorialization *(a close in the downcrossed position)* is ascertained at month's end, but quite often continues well after memorialization. **NOTE THE BEARISH DIVERGENCE AT "AB" FORGED ON THE 01/29/09 DOWNCROSS. INVIGILATE! THE MONTHLY MEMORIALIZED ITS DOWNCROSS ON 05/30/08. SO TERMINATES THE SECULAR BULL MARKET OF 2006-2008. ALERT *(11/08/08)*: THE MONTHLY STO UPCROSSED!! ALERT *(10/08/08)*: THE MONTHLY STO DOWNCROSSED!! ALERT *(10/01/08)*: THE MONTHLY STO UPCROSSED!! ALERT *(09/30/08)*: THE MONTHLY STO DOWNCROSSED!! ALERT *(09/29/08)*: THE MONTHLY STO UPCROSSED!! ALERT *(09/22/08)*: THE MONTHLY STO DOWNCROSSED!! ALERT *(09/02/08)*: THE MONTHLY STO UPCROSSED!! ALERT *(05/27/08)*: THE MONTHLY STO DOWNCROSSED!! ALERT *(05/23/08)*: THE MONTHLY STO UPCROSSED!! ALERT *(05/22/08)*: THE MONTHLY STO DOWNCROSSED!! ALERT *(05/15/08)*: THE MONTHLY STO UPCROSSED!! ALERT *(05/13/08)*: THE MONTHLY STO DOWNCROSSED!! ALERT *(05/08/08)*: THE MONTHLY STO UPCROSSED!! ALERT *(05/02/08)*: THE MONTHLY STO DOWNCROSSED!!** Never forget and always remember: **"Those who would covet, Great wealth to be made, Dare not on their life, The Sto Monthly to fade."**

Be sure to read *"Act Like a Goose – Fly South,"* and *"Be On the Northbound Train,"* Baedekers for archetypal and seminal bear and bull secular market calls of the past (www.stomaster.com/botline2.htm).

For daily telephonic updates, call Jeff Rosenberg at (901) 347-1701

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