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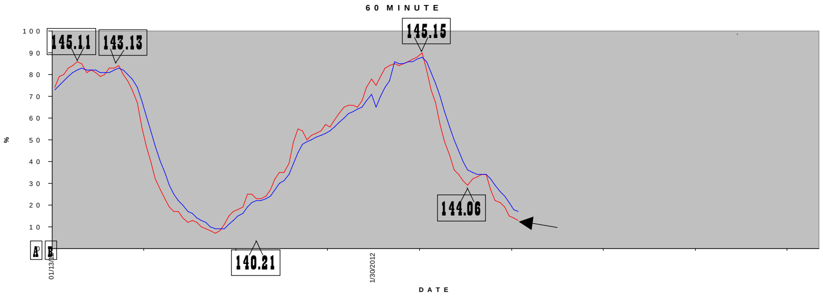


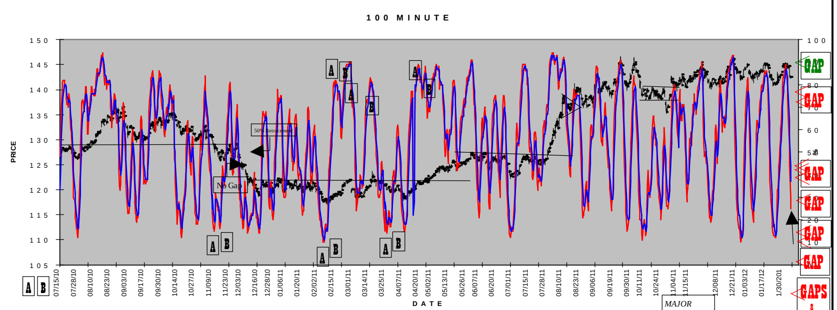


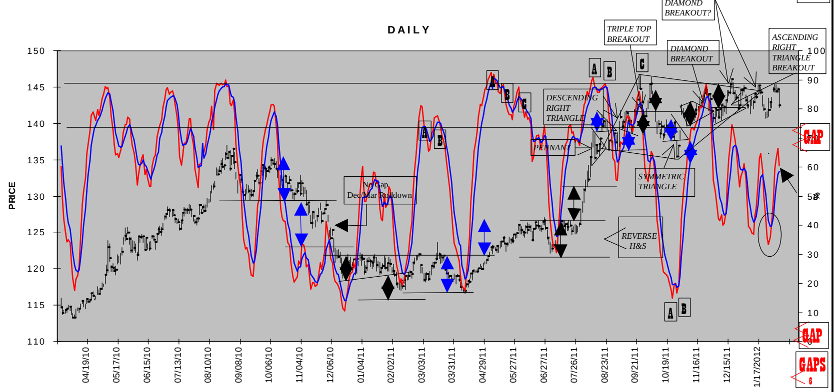


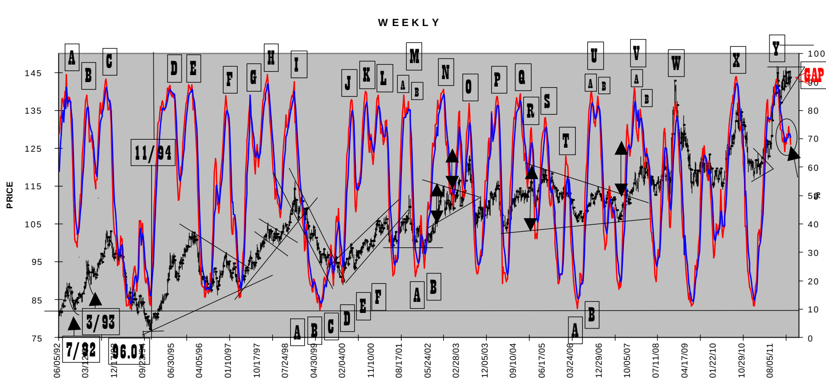


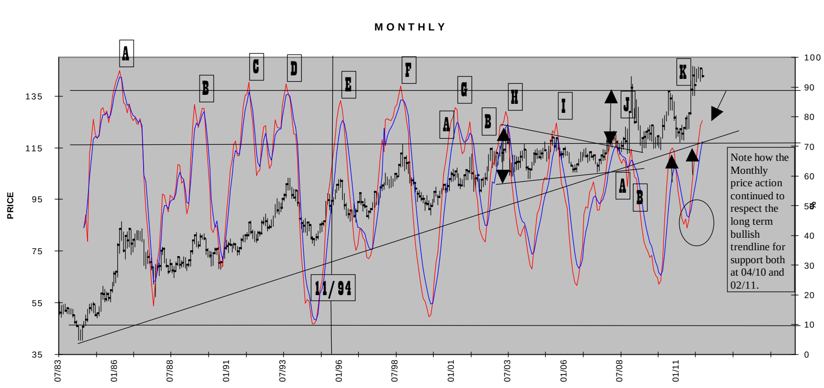


# MAR BONDS H: 144.27 L: 142.06 C: 142.13 -2.06 FEB 03, 2012

*For daily trading strategy, updates and execution, call Jeff Rosenberg at Rosenberg Capital (901) 299-5168*

## *UPDATE*

**60 MINUTE** The Sixty was crushed on friendly non-farm payroll numbers, skidding precipitously to solidly oversold strata, to close at 13/17 K/D, with bonds ending at 142^13 *(basis Mar)*, off -.70 tics on the day. *(see Daily, Weekly and Monthly narratives below for remarkable techs).* Note the Hondo's seventeen **bearish gaps** below. These bearish lacunas are now opposed by one **bullish gap.**

**100 MINUTE** The Hondo louted lower into its already established downcycle, to close at 25/37 K/D. **The Hondo opened a +.03 tic bullish gap between 145^24-145^21 on 12/20/11. The Hondo filled the remaining +.20 tics of the +.26 tic bearish gap between 143^18-144^12 opened 01/30/12 on 02/03/12. The Hondo filled another +.03 tics (+.36 tics so far) of the +.69 tic bearish gap between 138^26-140^31 opened 11/01/11 on 12/02/11. The Hondo opened a +.27 tic bearish gap between 133^23-137^18 on 10/31/11. The Hondo opened a +.04 tic bearish gap between 124^25-124^29 on 07/29/11. The Hondo opened a +.04 tic bearish gap between 124^07-124^11 on 07/28/11. The Hondo filled +.09 tics of the +.11 tic bearish gap between 121^08-121^19 opened 07/05/11 on 07/07/11. The Hondo filled +.02 tics of the +.06 tic bearish gap between 117^15-117^21 opened 04/12/11 on 04/13/11. The Hondo opened a +.13 tic bearish gap between 111^01-111^14 on 05/04/10.** ***(Click www.stomaster.com/stogaps.pdf to see additional 100 Minute gaps with detail).***

**DAILY** THE DAILY UPCROSSED ON 01/27/12 AT 39.75/39.75 K/D, DOWNCROSSED ON 01/20/12 AT 57/57 K/D, UPCROSSED ON 01/11/12 AT 41.50/41.50 K/D, DOWCROSSED ON 01/03/12 AT 59/59 K/D, UPCROSSED ON 12/30/11 AT 59/59 K/D, DOWNCROSSED ON 12/22/11 AT 67.00/67.00 K/D AND UPCROSSED ON 12/13/11 AT 43.75/43.75 K/D. **The Daily narrowed its positive spread to +1.92 K/D from the prior session' s +8.90 K/D, to close at 60.43/58.51 K/D. ALERT 01/27/12: THE DAILY UPCROSSED AGAIN. ALERT 01/20/12: THE DAILY DOWNCROSSED AGAIN. ALERT 01/11/12: THE DAILY UPCROSSED AGAIN. ALERT 01/03/12: THE DAILY DOWNCROSSED AGAIN. ALERT 12/30/11: THE DAILY UPCROSSED AS EXPECTED. ALERT 12/22/11: THE DAILY DOWNCROSSED PREMATURELY. ALERT 12/16/11: THE DAILY IS ON THE VERGE OF BREAKING TO THE UPSIDE OF A MAJOR *DIAMOND* PATTERN IN THE PROCESS OF FORMATION SINCE EARLY LAST NOVEMBER. SHOULD IT SUCCEED, ITS MEASURED MOVE WOULD TAKE THE BOND 5-10 POINTS HIGHER, OR NORTH OF 150^00. THAT PRICE WOULD TRANSLATE TO A YIELD OF 1.47% ON THE 10 YEAR TREASURY NOTE. ALERT 12/08/11: THE DAILY BROKE TO THE UPSIDE OF ITS *ASCENDING RIGHT TRIANGLE* WITH A MEASURED MOVE OF 2^06 POINTS TO 144^04. As of 12/07/11, the Daily has forged an *ascending right triangle*, a bullish pattern *(see Daily chart)*. ALERT 11/28/11: THE DAILY MARGINALLY DOWNCROSSED INTO A BENIGN CORRECTIVE DOWNCYCLE. ALERT 11/17/11: THE DAILY BROKE TO THE UPSIDE OF A *CONTINUATION DIAMOND* WITH A COUNT TO 146^00. ALERT 11/10/11: THE DAILY ABORTED 11/09' S BREAKOUT, RETREATING BACK INTO ITS CONGESTION PATTERN. ALERT 11/09/11: THE DAILY BROKE TO THE UPSIDE OF A MINI *REVERSE HEAD & SHOULDERS* FORMATION WITH A 3 POINT MEASURED MOVE TO 145^20 *(SEE DAILY CHART)*. ALERT 10/28/11: THE DAILY WHIPSAWED BACK TO AN UPCROSS ON THE CONSTRUCTION OF A BULLISH DIVERGENCE AT "AB" WITH A MEASURED MOVE TO 145^20 *(SEE DAILY CHART)*. ALERT 10/27/11: THE DAILY WHIPSAWED TO A DOWNSIDE BREAK OF ITS *SYMMETRIC TRIANGLE* ON A MASTODONIC GAP. ALERT 10/25/11: THE DAILY BROKE TO THE UPSIDE OF ITS *SYMMETRIC TRIANGLE*. NOTE THE *SYMMETRIC TRIANGLE* THAT HAS FORMED IN THE LAST 7 TRADING DAYS, PREFATORY TO A BREAKOUT. WHICH WAY? GIVEN THE DAILY STO' S OVERSOLD POSITIONING, PROBABILITIES SUGGEST AN UPSIDE BREAKOUT, BUT THE FUSE IS LIT. THE OUTCOME IMMINENT!!** The Daily upcrossed on 01/27/12, downcrossed on 01/20/12, upcrossed on 01/11/12, downcrossed on 01/03/12, upcrossed on 12/30/11 and downcrossed on 12/22/11 after only 8 days into it upcycle, having upcrossed on 12/13/11 *(ave.=15-20 days)*. **The Daily filled the remaining +20 tics of the +.26 tic bearish gap between 143^18-144^12 opened 01/30/12 on 02/03/12. The Daily filled another +.03 tics (+.36 tics so far) of the a +.69 tic bearish gap between 139^26-141^01 opened 11/01/11 on 12/01/11. The Daily opened a +.25 tic bearish gap between 136^25-137^18 on 10/31/11. The Daily filled +.02 tics of the +.05 tic bearish gap between 117^16-117^21 opened 04/12/11 on 04/13/11. The Daily opened a +.13 tic bearish gap between 110^28-110^09 on 05/04/10.** ***(Click www.stomaster.com/stogaps.pdf to see additional Daily gaps with detail).***

**WEEKLY** THE WEEKLY DOWNCROSSED ON 02/03/12 AT 71/71 K/D, UPCROSSED ON 01/27/12 AT 71.50/71.50 K/D, DOWNCROSSED ON 01/20/12 AT 72/72 K/D, UPCROSSED ON 01/06/12 AT 70/70 K/D, DOWNCROSSED ON 01/05/12 AT 70/70 K/D, UPCROSSED ON 12/28/11 AT 69/69 K/D, DOWNCROSSED ON 12/23/11 AT 69.50/69.50 K/D, UPCROSSED ON 12/16/11 AT 69/69 K/D,DOWNCROSSED ON 12/15/11 AT 69/69 K/D, UPCROSSED ON 12/14/11 AT 69/69 K/D AND DOWNCROSSED ON 10/05/11 AT 89/89 K/D. **The Weekly narrowed its positive spread to -2.44 K/D from the prior session' s +.93 K/D, to close at 67.96/70.40 K/D.** Yet another downcross on 02/03/12 once again proving that fibrillation about the crossline on turns is common for the Weekly Sto. **But note that the Weekly has traced an *Ascending Triangle* formation over the past 20 weeks, the breakout from which occurs at 146^06 with a measured move of 11^16 points. The Weekly filled the remaining +.20 tics of the +.26 tic bearish gap between 143^18-144^12 opened 01/30/12 on 02/03/12. The Weekly upcross on 12/14/11 occurred after roughly 9 weeks of downcycle (sufficient) and at a relatively high level K/D, a very bullish indicant.** *StoMaster10*/05/11: "It remains to be seen whether this downcross (the previous one occurring on 09/27/11) signal will hold, given that the Weekly's fibrillation about the crossline is quite common and especially so now when observing that the remarkable bull market in bonds through August and September has occurred despite considerable vacillation in the Weekly throughout the entire month of July." This latest upcross (07/29/11) shows promise to have ended the Weekly's fibrillation about the crossline. Note that on 07/29/11 BOTH the Daily and Weekly Sto's upcrossed from ostensible downcycles. In light of significant changes in economic dynamics, this turnaround may well have significant staying power, fueling a rally in the bonds totally unexpected by the street. (For a riveting analysis, see *StoMaster's* thought provoking new piece at **www.stomaster.com/TheEndofQEII.pdf** )

**MONTHLY** THE MONTHLY UPCROSSED ON 08/01/11 AT 46.50/46.50 K/D, DOWNCROSSED ON 12/10/10 AT 62.75/62.75 K/D, UPCROSSED ON 12/09/10 AT 62.75/62.75 K/D, DOWNCROSSED ON 12/08/10 AT 62.75/62.75 K/D, UPCROSSED ON 05/03/10 AT 26.75/26.75 K/D AND DOWNCROSSED ON 01/29/09 AT 65.50/65.50 K/D. **The Monthly narrowed its positive spread to +7.10 K/D from the prior sessions +8.08 K/D, to close at 78.67/71.57 K/D. BULL ALERT 08/31/11: THE MONTHLY MEMORIALIZED ITS UPCROSS. VERY BULLISH PROSPECTS AHEAD. HEADS UP 08/01/11: THE MONTHLY HAS EXCEEDED THE CRITICAL 6 POINT SPREAD POSITIVE TO SOUND THE ALERT FOR A SECULAR CHANGE IN MARKET DIRECTION FROM BEARISH TO BULLISH. TO VALIDATE, IT MUST CLOSE IN THE UPCROSSED POSITION AT MONTH END. NOTE THAT THE MONTHLY HAS MEMORIALIZED ITS DOWNCROSS ON 12/31/10 *(i.e. closing the month out in the downcrossed position)* HAVING ALREADY COMPLETED 4 MONTHS OF BEARISH ACTION!! BUT PAYING HEED TO THE MEMORIALIZATION RULE, THE BEAR MARKET OF 2011 HAS OFFICIALLY BEGUN!** The Monthly upcross on 08/01/11continues a pattern of hugging the crossline at midlevel trading since the start of 2011. **However, given the surprising upcrosses in the Daily and Weekly Sto' s on 07/29/11, this recross could have strong bullish legs.** It had downcrossed on 12/10/10 after approximately 15 months, with only 4 of those engaged in upward progress *(ave.=12-15 months)*. This marginal downcross sounds the tocsin to the termination of the Monthly's past, and rather equivocative, secular upcycle. But consolidation work lies ahead before a concerted secular turn engages in earnest, with no lack of vacillation about the crossline. ***StoMaster*** **12/07: NOTE THAT AS OF 11/09, THE MONTHLY TURNED NEUTRAL AND THAT ON 12/08, IT DOWNCROSSED FOLLOWED BY AN UPCROSS ON 12/09 AND DOWNCROSS ON 12/10. MORE OF THAT AHEAD. WORDS TO LIVE BY: NEVER FADE THE MONTHLY STO!!**

## *~FYI~*

**MORE HEADS UP!!: THE MONTHLY MEMORIALIZED ITS UPCROSS ON 08/31/11 MAJOR BULLISH IMPLICATIONS. HEADS UP!! THE MONTHLY UPCROSSED ON 08/01/11!! ATTENTION: ON 01/03/11, THE MONTHLY MEMORIALIZED ITS DOWNCROSS, OFFICIALLY SOUNDING THE TOCSIN TO THE BEAR MARKET OF 2011. *OF HISTORICAL NOTE: "FINALLY, ON 06/01/10, THE MONTHLY COMMITED TO A DEFINITIVE UPCYCLE, LIFTING HIGHER WITH CONVICTION AFTER SKITTISHLY FIDDLE-FOOTING AROUND SINCE IT MEMORIALIZED 05/03/10 UPCROSS. AFTER OVER A YEAR AND A HALF STRETCH OF UNPRECEDENTED VOLATILITY AND PANIC DRIVEN, CONVOLUTED MARKETS, THE MONTHLY STO HAS RETURNED TO ITS DEPENDABLE PERIODICITY."* FOR 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 got clobbered with ebullient non-farm payroll nummies, swanking all notions of "refresher" downcycles, with the former quickly plummeting to oversold mid-teens K/D, while the latter snogged the marge of oversold metrics. The breakout of the Weekly Sto's *Ascending Triangle* has been thwarted for the time being. (see Weekly Sto commentary.) **NOTE: The Monthly Sto upcrossed on 08/01/11.** Volatility, of course, is still in evidence, for we are now at the mercy of **ONE** Hondo bullish gap above, with **SEVENTEEN** opposing bearish gaps below.

***MEDIUM TERM** The Daily upcrossed on 01/27/12, downcrossed on 01/20/12, upcrossed on 01/11/12, downcrossed on 01/03/12, upcrossed on 12/30/11, downcrossed on 12/22/11 and upcrossed on12/13/11.* **ALERT 01/27/12: THE DAILY RECROSSED TO THE UPSIDE. ALERT 01/20/12: THE DAILY DOWNCROSSED AGAIN. ALERT 01/11/12: THE DAILY RECROSSED TO THE UPSIDE YET AGAIN. ALERT 01/03/12: THE DAILY DOWNCROSSED AGAIN. ALERT 12/30/11: THE DAILY RECROSSED TO THE UPSIDE. ALERT 12/22/11: THE DAILY DOWNCROSSED BOGUSLY. ALERT 12/16/11: THE DAILY IS ON THE VERGE OF BREAKING TO THE UPSIDE OF A MAJOR *DIAMOND* PATTERN IN THE PROCESS OF FORMATION SINCE EARLY LAST NOVEMBER *(SEE DAILY UPDATE ABOVE FOR RAMIFICATIONS)*. ALERT 12/08/11: THE DAILY BROKE OUT OF ITS *ASCENDING RIGHT TRIANGLE* WITH A COUNT OF 2^06 POINTS TO 144^04. An *ascending triangle formation* has formed as of 11/07/11, a breakout from which would be quite bullish *(See Daily chart)*. ALERT 11/28/11: THE DAILY DOWNCROSSED A SKOSH. ALERT 11/17/11: THE DAILY BROKE TO THE UPSIDE OF A *CONTINUATION DIAMOND* WITH A COUNT TO 146^00. ALERT 11/10/11: THE DAILY PUNKED OUT ON 11/09' S BREAKOUT, SINKING INSTEAD BACK INTO ITS MINI *REVERSE H&S* FORMATION. ALERT 11/09/11: THE DAILY BROKE OUT OF ITS MINI *REVERSE H&S* FORMATION WITH A COUNT OF 3 POINTS TO 145^20. ALERT 10/28/11: THE DAILY WHIPSAWED BACK TO AN UPCROSS ON THE CONSTRUCTION OF BULLISH DIVERGENCE AT "AB". IN COMBINATION WITH ITS SEVERELY OVERSOLD PROFILE AND THE FOUR OVERHEAD BULLISH GAPS DRAWING BONDS BACK TO THE 140' S HANDLE, BETTER BIDS LIE AHEAD. ALERT 10/27/11: IN A SHOCKING HEADFAKE, THE DAILY HAS BROKEN TO THE DOWNSIDE OF ITS *SYMMETRIC TRIANGLE* ON A DAUNTING GAP!! ALERT 10/25/11: THE DAILY HAS BROKEN TO THE UPSIDE OF ITS *SYMMETRIC TRIANGLE*. ALERT 10/20/11: THE DAILY HAS FORMED A *SYMMETRIC TRIANGLE*. OVERSOLD WITH THREE BULLISH GAPS OVERHEAD, THE LIKELIHOOD IS FOR AN UPSIDE BREAKOUT *(SEE DAILY CHART)*.** The Daily upcrossed on 01/27/12, downcrossed on 01/20/12, upcrossed on 01/11/12, downcrossed on 01/03/12, upcrossed on 12/30/11, downcrossed on 12/22/11 and upcrossed on 12/13/11, only 8 days into an upcycle *(ave.=15-20 days)* Vacillation continues in anticipation of a breakout to the upside of the *Major Diamond* formation. ***The Weekly downcrossed on 02/03/12, upcrossed on 01/27/12, downcrossed on 01/20/12, upcrossed on 01/06/12, downcrossed on 01/05/12, upcrossed on 12/28/11, downcrossed on 12/23/11, upcrossed on 12/16/11, downcrossed on 12/15/11, upcrossed on 12/14/11 and downcrossed on 10/05/11.*** As noted above (in bold), the Weekly has a tendency to fibrillation about the crossline. **However, 12/14/11' s upcross, proceeding from a time complete downcycle *(9 weeks with the average being 8-12 weeks)* and from a position above midlevel, is symptomatic of a bullish market that spoils for higher. *StoMaster 10*/03/11: The Weekly downcross on 09/27/11 gives pause to consider a full retrenching downcycle, however, given the extremely bullish Monthly Sto and the one considerable bullish gap overhead, it is more likely that this downcross will be reversed in short order. Recall the Weekly' s vacillation about the crossline all during the month of July, ultimately thwarting a downward correction. *StoMaster* 07/29/11: The Weekly burst to an upcross, ending its equivocation about its crossline in all likelihood. Given that the variability in daily domestic and international headline news plus uncertainty in monetary and fiscal policy variables, interest rate direction has been equivocative. However, fundamental and technical factors are converging together quickly to support a strong and to date, counterintuitive bullish move in the bond of significant magnitude.** (see **www.stomaster.com/TheEndofQEII.pdf**)

***LONG TERM** The Monthly upcrossed on 08/01/11 downcrossed on 12/10/10, upcrossed on 12/09/10, downcrossed on 12/08/10, upcrossed on 05/03/10 and downcrossed on 01/29/09.* **ALERT 08/31/11: THE MONTHLY MEMORIALIZED ITS UPCROSS!! THE MONTHLY UPCROSSED ON 08/01/11 WHILE OSTENSIBLY ONLY MIDWAY THROUGH A SECULAR BEAR MARKET DOWNCYCLE. MAJOR BULLISH IMPLICATIONS AHEAD SHOULD THIS UPCROSS STICK WITH WIDENING K/D (SEE COMMENTARY ABOVE). ALERT: THE MONTHLY MEMORIALIZED ITS DOWNCROSS (01/03/11), VALIDATING A SECULAR TURN TO THE BEAR SIDE IN BONDS.** The Monthly downcrossed on 12/10/10 and upcrossed on 12/09/11. The Monthly's downcross on 12/08 marks the early warning to the end of the Monthly's secular bullish trend after 15 months of erratic action, only 4 of which were committed upward progress. The other initial 7 months were in vacillation about the cross line, with the last 4 actually declining. The Monthly will now vacillate about the crossline (i.e. upcrossing and downcrossing) until greater clarity is in evidence vis a vis the shorter term Sto's. Tough trading cycle, to say the least. Never forget and always remember: **"Those who would covet, Great wealth to be made, Dare not on their life, The Sto Monthly to fade."**

For bull and bear market analyses and past economic position papers (www.stomaster.com/botline2.htm).
But fresh off the press is *StoMaster's* new insightful analysis entitled
*"The End of QE II – What to Expect – A Different View* at
**www.stomaster.com/TheEndofQEII.pdf**

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