

-----  
**From The Trading Turret**  
-----

**From: Robert A. Christy**  
**Editor, *From the Trading Turret***  
**President/CEO, Christy Investment Group**  
<http://www.christyinvestments.com>

.....  
**Date: March 20, 2006**

Current Field Position:

BP NYSE: Xs @ 66.22

BP OTC: Xs @ 55.55

BP Option: Os @ 65.21

Sector Bell Curve: 59.96%

Favored Sectors: computer, internet, biomedics, healthcare, protection, software and telephone

**This week's comment ...**

It seems like an eternity, but the move is now behind us. I'm afraid that if I turn around, it will be gaining on me – but I'm glad it's over.

I feel like I can now get something accomplished. My first goal is to get back on a regular publishing basis. The market's gone no place in particular which is good. Interest rates have done the same. I think as we wind down the first quarter, I'll venture out on a limb and say that the next quarter is going to be a doozy.

Over the past week, the market rallied quite nicely. We were awfully close to putting the defense on the field. Even though all three bullish percent indicators are pricey, only one is in a column of Os which isn't good.

The rally started when Goldman Sachs (GS) reported stronger than expected earnings. Couple that with a weak retail sales number and you have the makings of an end to the Fed's interest rate increases – or do we?

This current rally has both good and bad points. On the positive side, the new highs by the Dow Jones Industrial Average and the S&P 500 may fuel further buy side interest. But, the most positive thing that a market can do is advance (don't laugh – they said it on CNBC). So over the very short term, it's likely that we'll have higher prices.

On the other side of the coin, the market is looking a little long in the tooth. When the bullish percent numbers cross over 70%, the yellow light starts to flash. With the Option Universe already changing columns (X to O), it's only a matter of time until we put the defense back onto the field.

If you break the market down into subsets, the small and madcap indices are trading below their recent highs. This tells me that some of the starch is out of the sails.

It also tells me that the broad market isn't participating in this advance. Looking further, the new high indicator is showing fewer names making new highs and the number of names making new lows is rising.

New highs peaked at 458 on January 27th. Last Tuesday's new closing high on the S&P 500 was accompanied by only 118 stocks hitting new 52-week highs, a clear signal of waning momentum. New high/new low statistics are historically leading edge indicators. I'm not saying it's going to rain red numbers, but take an umbrella – the numbers portend trouble ahead.

This week marked a couple of three year anniversaries: (1) the 3-year anniversary of the final retest of the 2002 bear market lows and (2) the commencement of the Iraq War in March 2003. The bull market that resulted from these 2 events is a tad long in the tooth. According to Ned Davis Research (NDR), the current cyclical bull is the sixth longest of the 34 cyclical bulls since 1900. Historically, dating back to 1928, the S&P 500 has endured on average three 5% or more corrections per year, one 10% or more correction per year, one 15% or more correction every 2-years, and a 20% or more correction every 3-years. The last time the market suffered a decline of 10% or more was in 2002.

While the market may continue to move higher over the short-term, the predominant fact staring back at me is that we could have a meaningful correction later this year. We're positioned accordingly with a few shorts and index funds in the mix.

That's about it. Have a great week!!

RA Christy

*Robert Christy is a professional stock trader, money manager and author. Mr. Christy is also the President CEO of Christy Investment Group, Ltd., a registered investment advisory firm. He is also the Managing Partner and Portfolio Manager of Plato Advisors, LLC. At the time of publication, Mr. Christy may from time to time write about stocks in which he, Christy Investment Group Ltd or Plato Advisors LLC has a position. In such cases, appropriate disclosure is made. Under no circumstances does the information in this column represent a specific recommendation to buy or sell stocks. Mr. Christy appreciates your feedback and invites you to send it to [rac@christyinvestments.com](mailto:rac@christyinvestments.com).*