

# deGraaf's Daily

Wednesday was the first positive sign of accumulation this market has seen since Q4 2011. Volumes expanded, but most importantly, breadth registered an impressive +7:1 (A/D stat). The week started with only 13% of the S&P above their own 50-day moving average, and over 50% of S&P names making 65-day lows. Each of these is consistent with an oversold condition in equities, and with trend neutral, some positive response was certainly warranted, though not our base case. What's most intriguing about Wednesday was the historical picture of simultaneous internal and external accumulation days (breadth skew and volume increases) that take place in similar oversold conditions (page 4) One notable deficiency on Wednesday was the unusually high TRIN reading. Regular readers will note that we find TRIN readings under .50 as representative of powerful volume skews, and Wednesday's reading missed that mark. Such "High TRIN" accumulation days over the last 20-years proved to be temporary lows, while the threshold low TRIN readings appeared to be major bottoms. We believe Wednesday opens the door for a more tactical move than we were anticipating, but still within a defensive backdrop. The 50-day moving average stands a shade above 1360, and is declining, but represents the likely cap to this rally in our opinion.

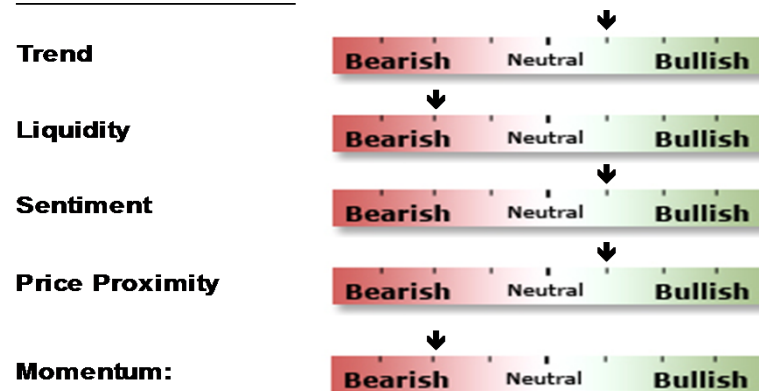
Euro, gold, 10-yr all show mean reverting tendencies from stretched positions. That supports an equity bounce, but not a resumption of trend. Gold broke from the other horses on Friday last week, and will be key to watch it for signs of persistence. We don't like it from a trend perspective, but believe the momentum is trying to turn. 1523 represents support.

### Industry Group Technical Rankings

<u>Strongest</u>	<u>Weakest</u>
Water Utilities	Metals & Mining
Distributors	Oil Gas & Consumable Fuels
Multi-Utilities	Wireless Telecom Services
Real Estate Investment Trusts (REITs)	Energy Equipment & Services
Beverages	Independent Power Producers & Energy Traders

### Intermediate Term Barometer

#### Conditional Elements

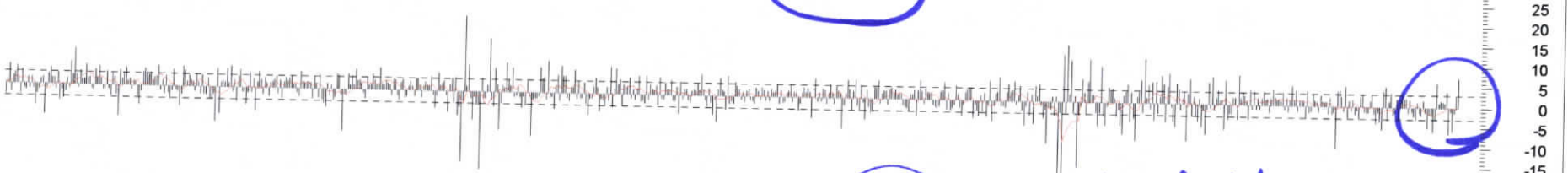


S&P 500 Index

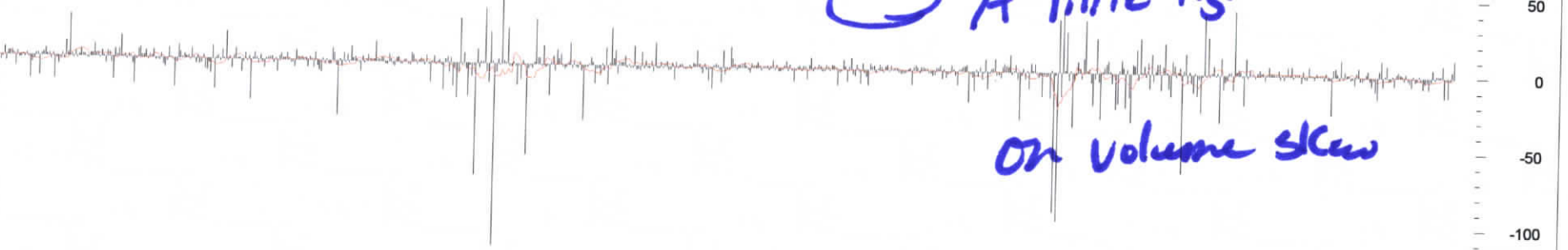


+ 7:1 Breadth was strong enough for intramed accumulation.

NYSE Advance Decline Ratio (7.12467)



NYSE Up Volume to Down Volume Ratio (11.4016)



A little light on volume skew

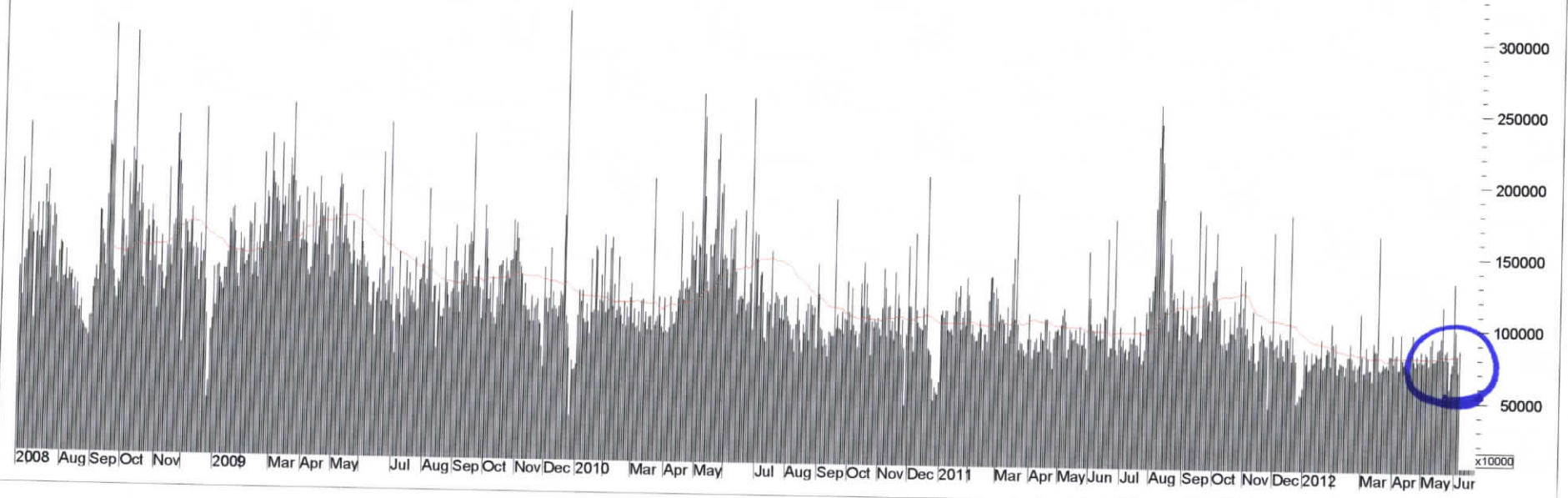
Jun Jul Aug Sep Oct Nov Dec 2010 Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2011 Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2012 Mar Apr May Jun

S&P 500 Index



*Marginally higher volume  
on a statistically significant  
price move equals external  
accumulation*

Volume (864,200,000)



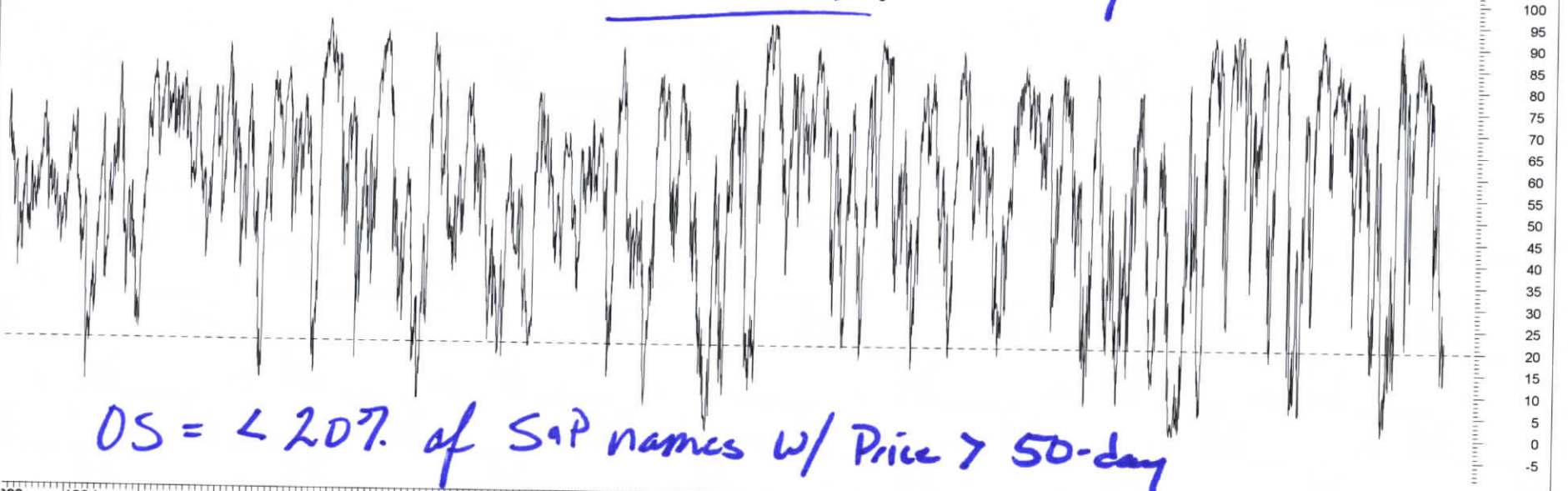
# Internal & External Accumulation in OS Condition

S&P 500 Index



\* Green circled arrows denote times of TRIN < .50

Percent of Issues Above 50-Day Moving Average



OS = < 20% of S&P names w/ Price > 50-day

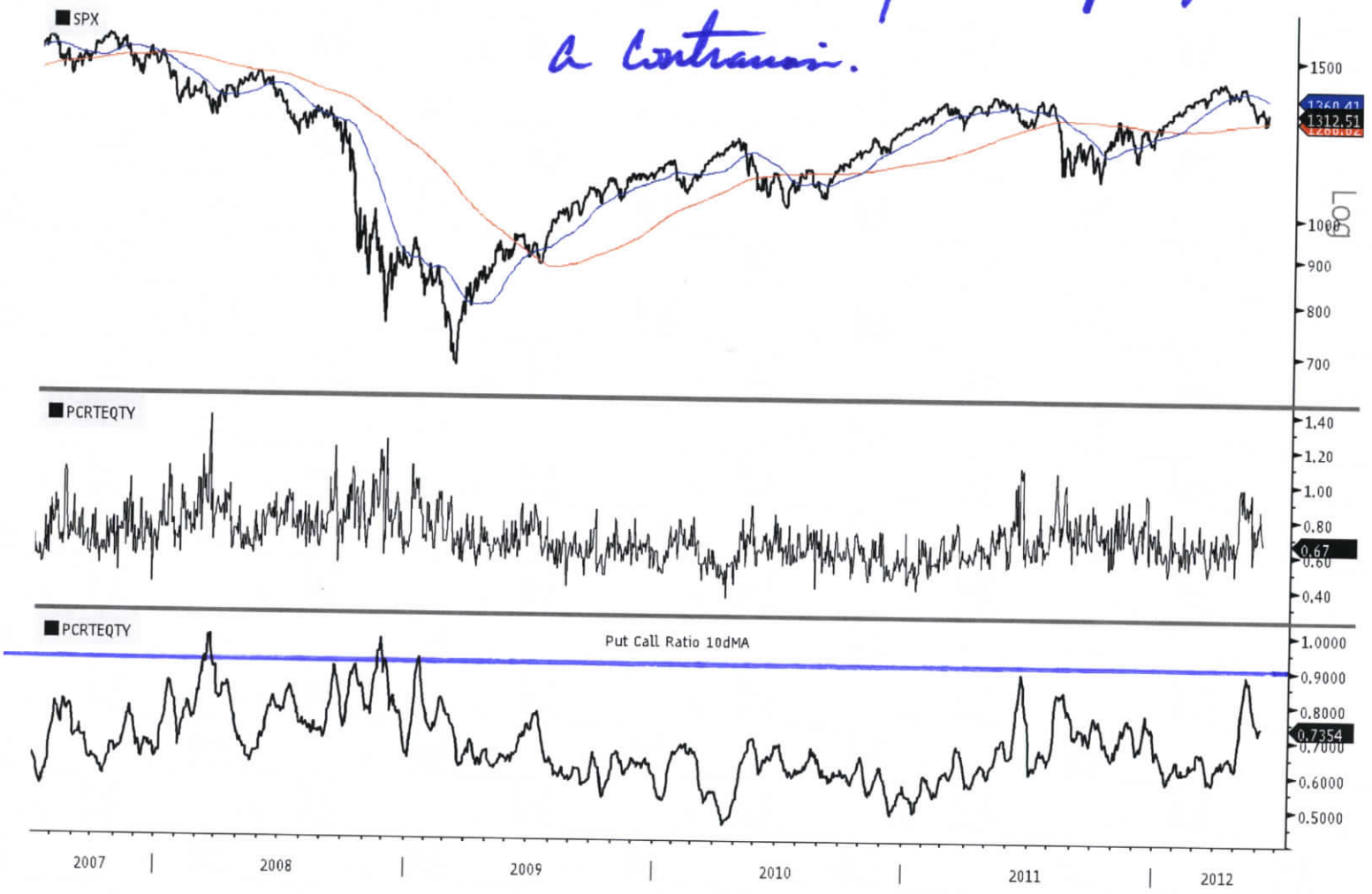
1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012



Bloomberg

SPX Index (S&P 500 Index)  
PCRTEQTY Index (CBOE US Equity Put Call ...  
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Sentiment is O.K. but not  
at levels we find compelling to be  
a contrarian.



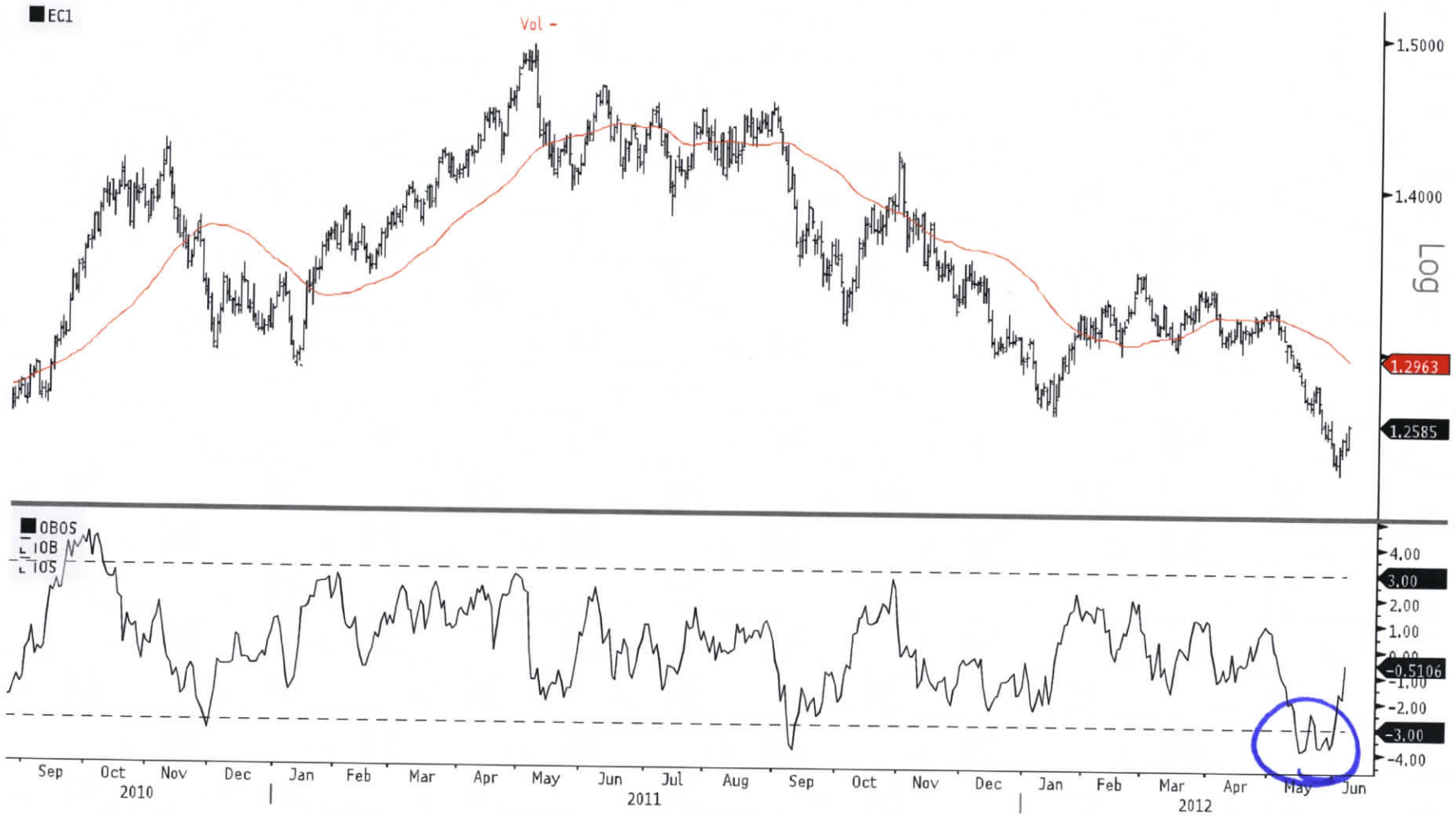
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Gold led this mean reverting rally,  
its worth a long play based on  
momentum and proximity to  
Support.



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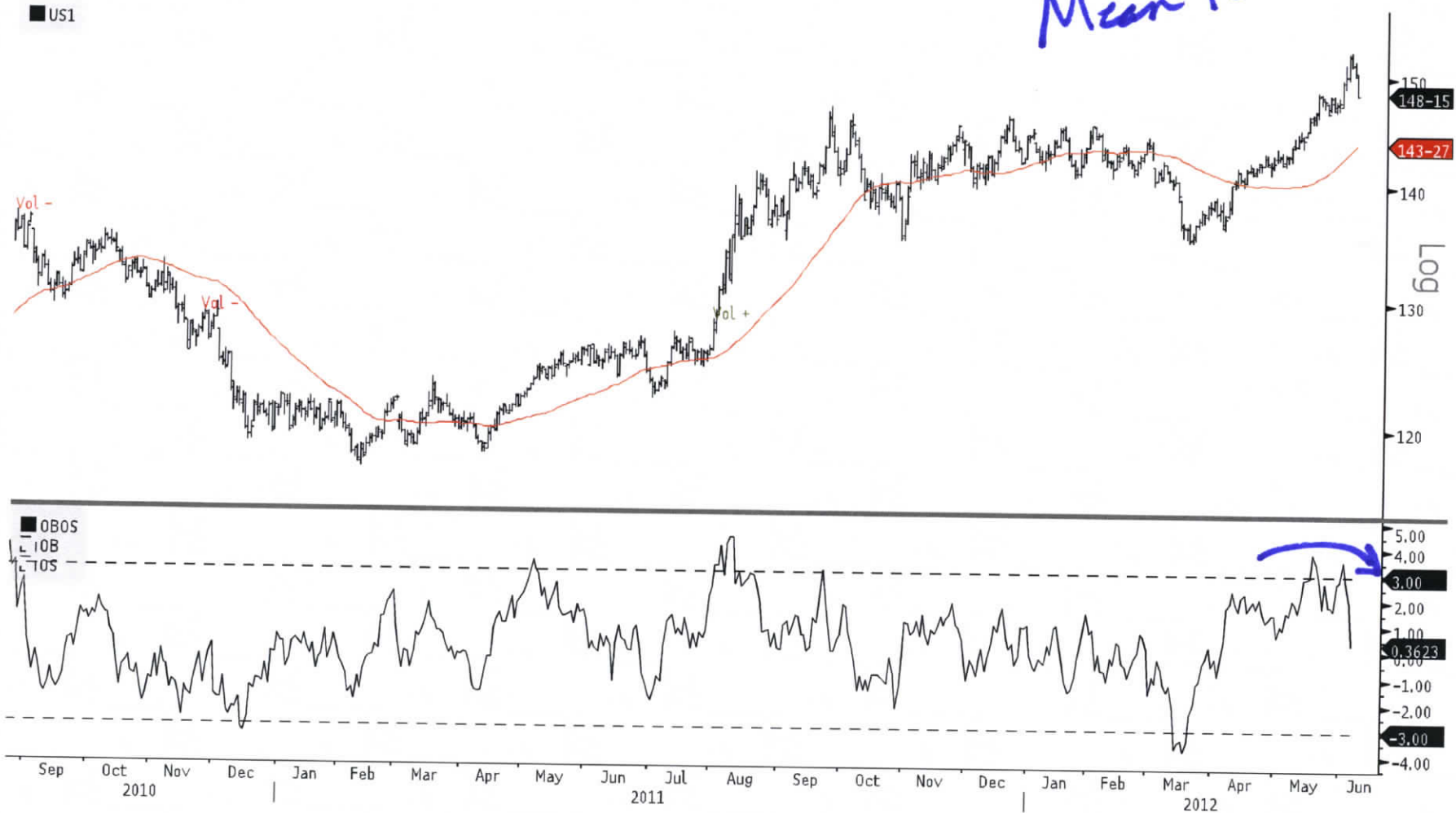
Mean Reversion



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U.S. 10 yr

Mean reversion?



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# Fresh Breakout

Vail Resorts Inc. (MTN-US)

Technical Ranking: @NA

Last Price: \$47.00

@NA

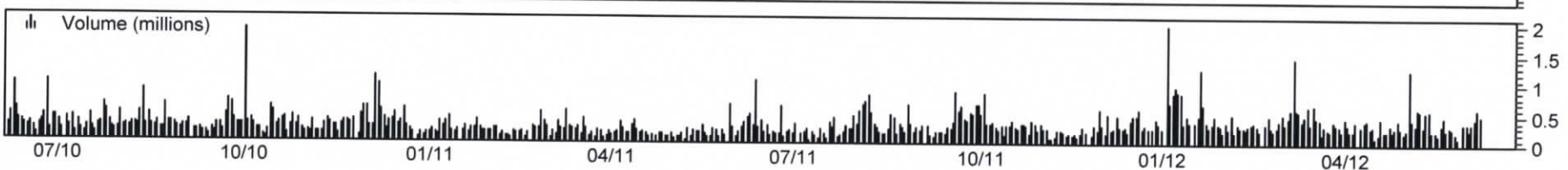
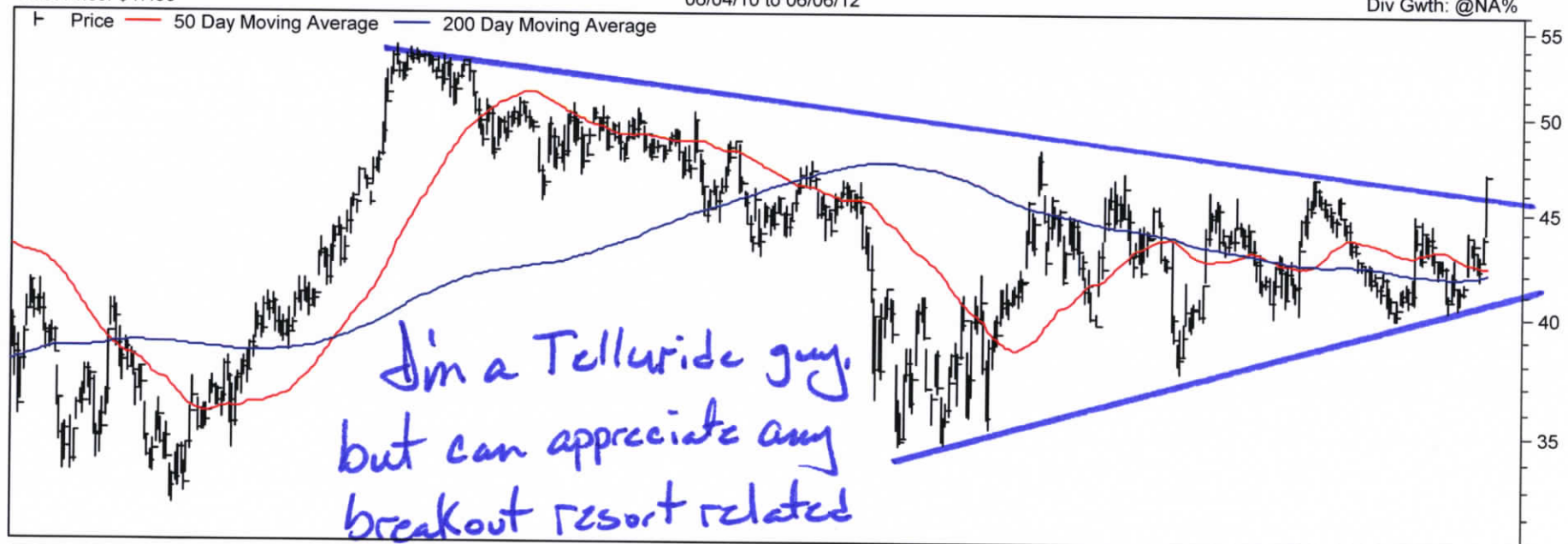
UNITED STATES

06/04/10 to 06/06/12

1575.57

Div Yld: 1.71 %

Div Gwth: @NA%



P/E: 118.24x

P/B: @NA

P/S: 1.38x

ROE: 4.26%

Debt/Equity: 59.27

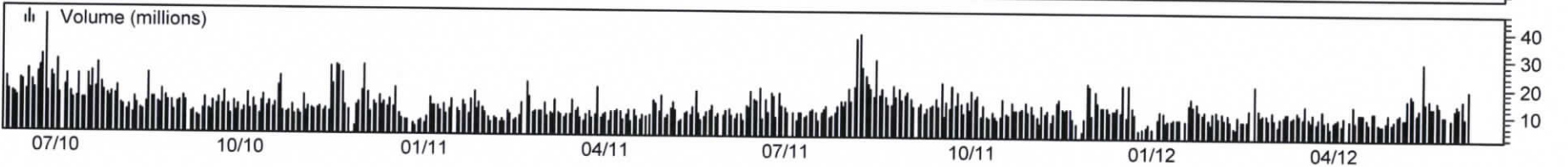
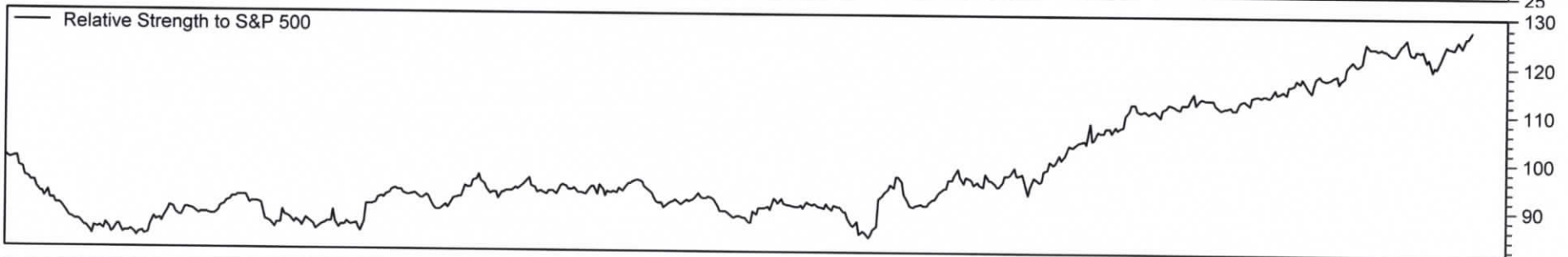
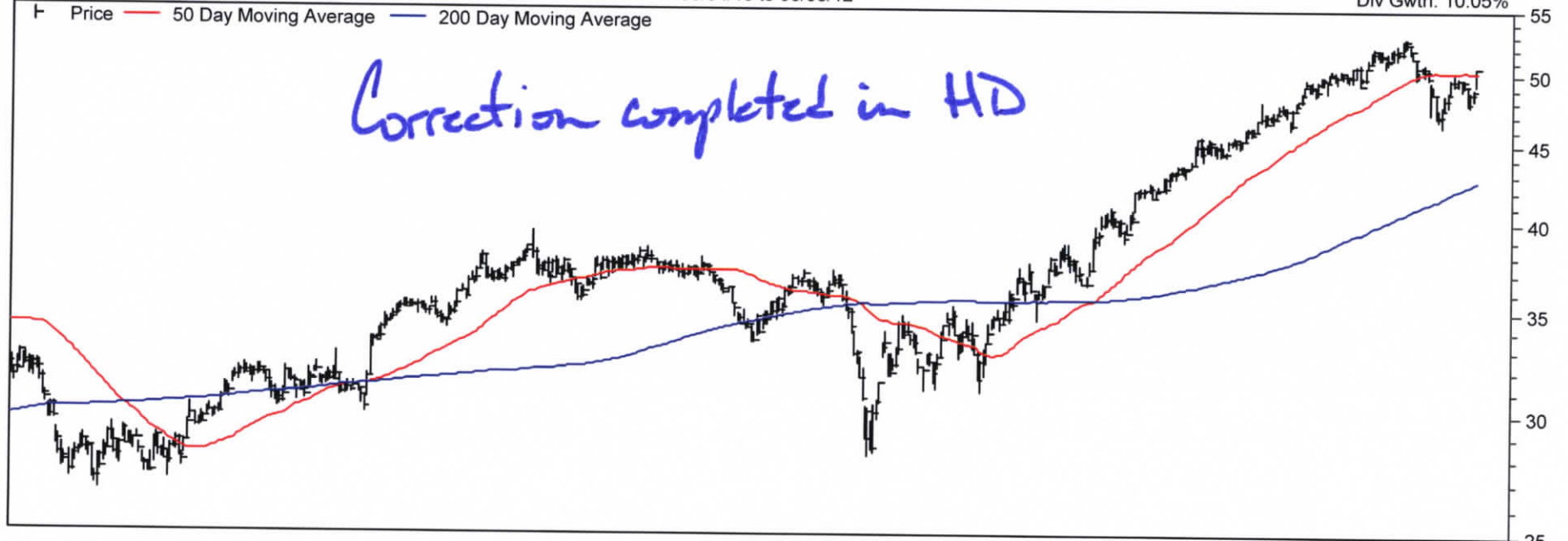
Int Cov: 2.59x

+ volatility alert in uptrend

Home Depot Inc. (HD-US)  
Technical Ranking: 1  
Last Price: \$50.60

Home Improvement Retail  
UNITED STATES  
06/04/10 to 06/06/12

74879.98  
Div Yld: 2.37 %  
Div Gwth: 10.05%



P/E: 18.53x  
P/B: 4.08  
P/S: 1.09x

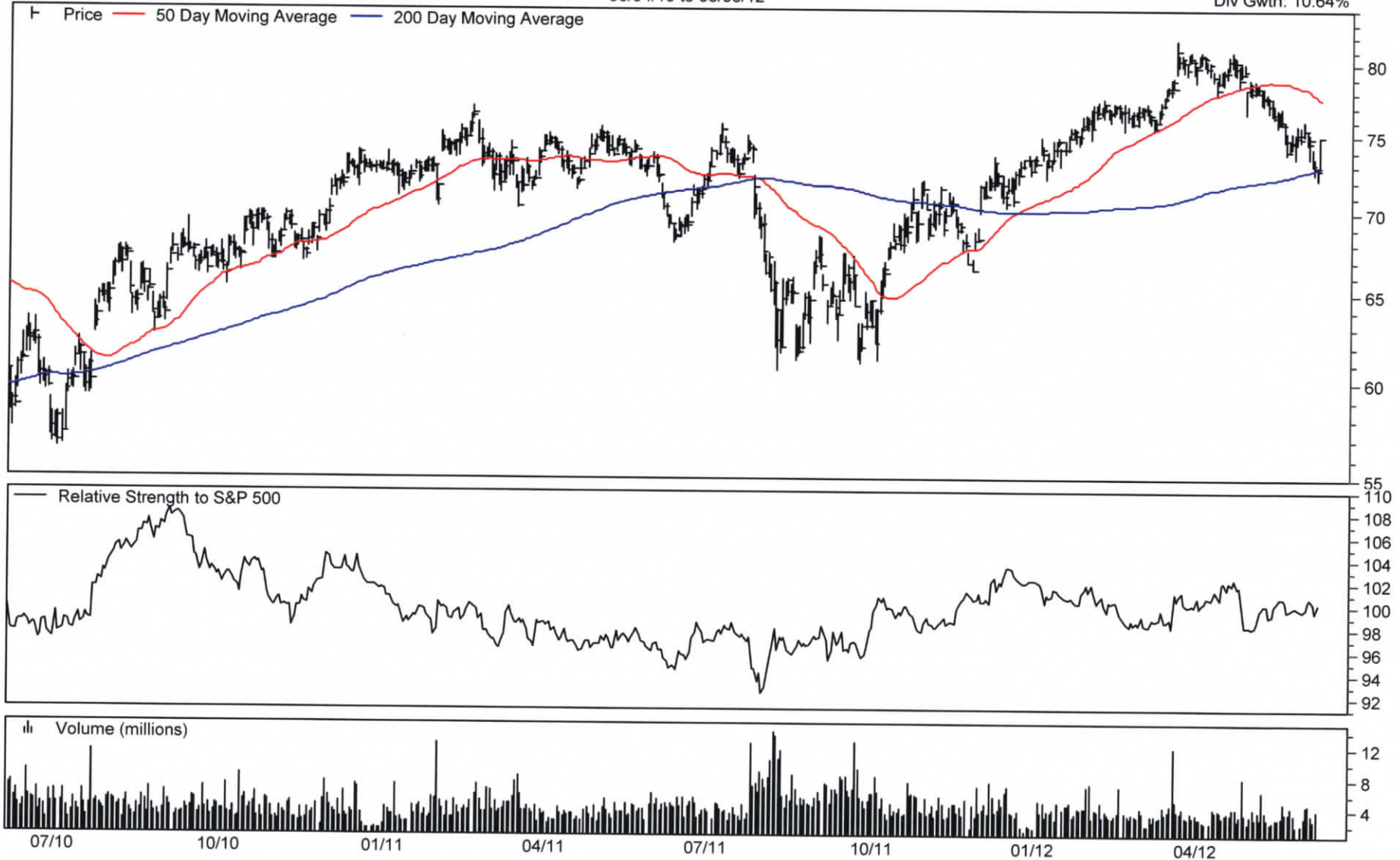
ROE: 21.11%  
Debt/Equity: 60.27  
Int Cov: 10.96x

+ vol alert at 200-day

United Parcel Service Inc. Cl B (UPS-US)  
Technical Ranking: 2  
Last Price: \$74.98

Air Freight & Logistics  
UNITED STATES  
06/04/10 to 06/06/12

52833.36  
Div Yld: 3.13 %  
Div Gwth: 10.64%



P/E: 18.34x  
P/B: 9.42  
P/S: 1.36x

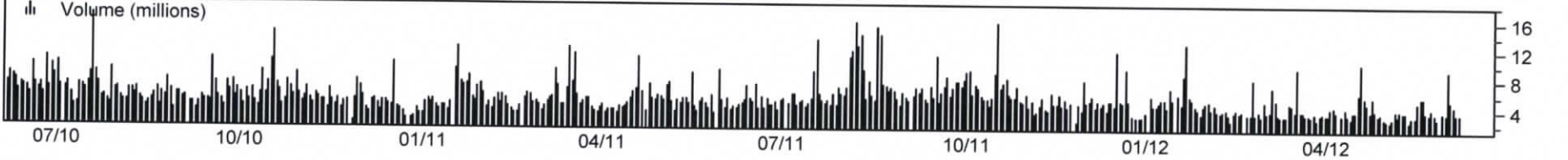
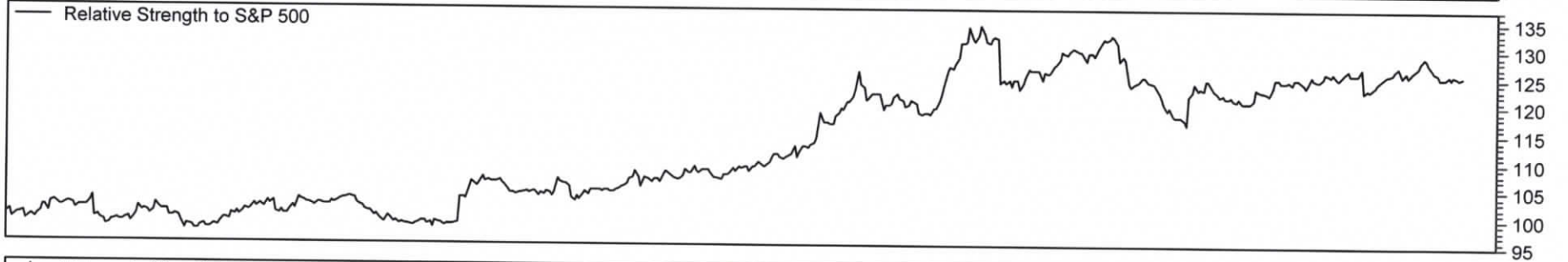
ROE: 50.67%  
Debt/Equity: 158.18  
Int Cov: 187.32x

+ vol alert at 200-day

International Business Machines Corp. (IBM-US)  
Technical Ranking: 2  
Last Price: \$193.99

IT Consulting & Other Services  
UNITED STATES  
06/04/10 to 06/06/12

219218.84  
Div Yld: 1.80 %  
Div Gwth: 16.00%



P/E: 14.21x  
P/B: 9.91  
P/S: 2.15x

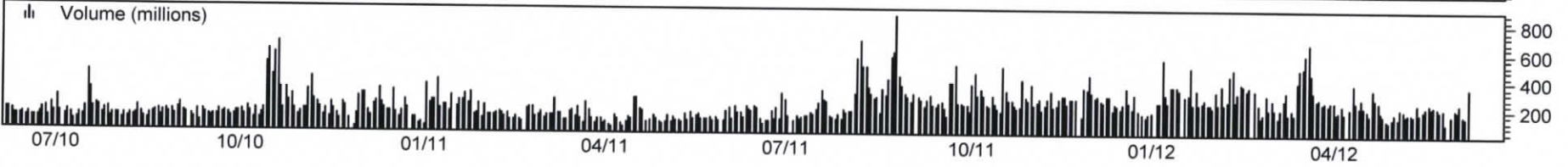
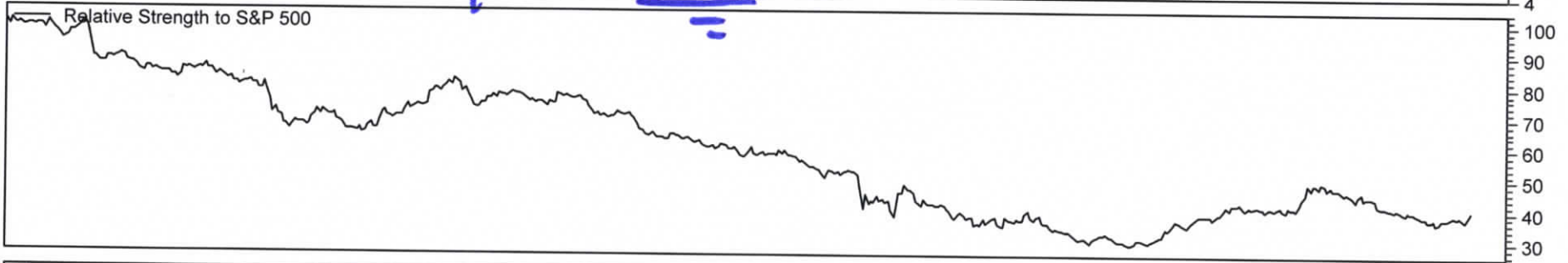
ROE: 73.43%  
Debt/Equity: 155.53  
Int Cov: 40.78x



Bank of America Corp. (BAC-US)  
Technical Ranking: 3  
Last Price: \$7.64

Other Diversified Financial Services  
UNITED STATES  
06/04/10 to 06/06/12

76478.25  
Div Yld: 0.56 %  
Div Gwth: 0.00%



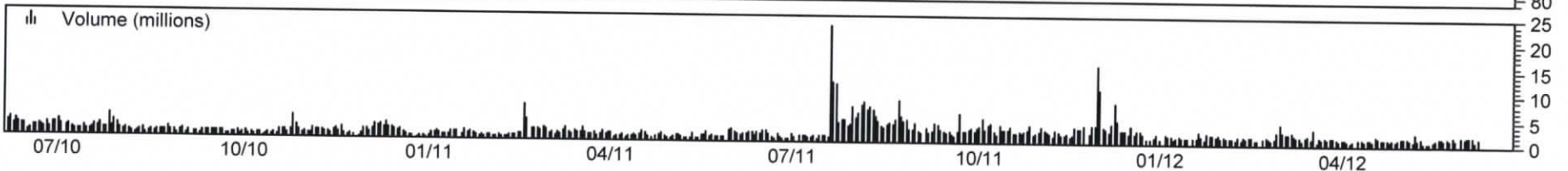
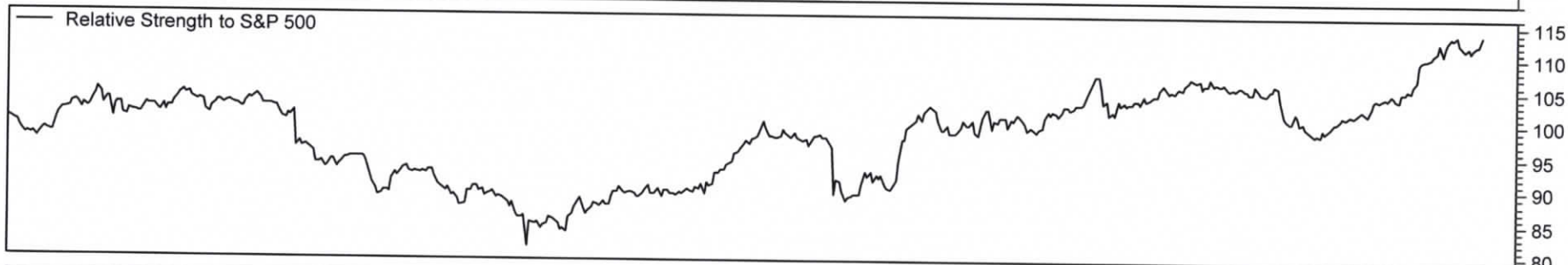
P/E: @NAX  
P/B: 0.36  
P/S: 0.67x

ROE: 0.63%  
Debt/Equity: 270.68  
Int Cov: 0.98x

Ecolab Inc. (ECL-US)  
Technical Ranking: 2  
Last Price: \$64.91

Specialty Chemicals  
UNITED STATES  
06/04/10 to 06/06/12

18299.61  
Div Yld: 1.28 %  
Div Gwth: 13.28%



P/E: 36.84x  
P/B: 3.23  
P/S: 2.22x

ROE: 11.87%  
Debt/Equity: 134.76  
Int Cov: 10.13x

Skechers USA Inc. Cl A (SKX-US)  
Technical Ranking: 2  
Last Price: \$18.19

Footwear  
UNITED STATES  
06/04/10 to 06/06/12

654.76  
Div Yld: 0.00 %  
Div Gwth: @NA%



P/E: @NAx  
P/B: 0.98  
P/S: 0.51x

ROE: -7.67%  
Debt/Equity: 24.49  
Int Cov: -15.69x

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