

# MARKET STRATEGIES AND INSIGHTS

*...for Sophisticated Institutional Investors*

November 19, 2012

## 90% UPSIDE DAY

Last Wednesday, I wrote that that day's second downside day in a week meant "...it will now take nothing less than a 90% upside day to sound a possible 'all-clear'".

Well, today was nothing less than a 90% upside day (93%, to be precise) – which means that we now have a "possible all-clear".

Friday was a semi-climactic low, however, which occurred after seven straight down days. It is therefore likely to be tested in some way, shape or form over the short-term, and the intensity (or lack of intensity) of the selling during any such short-term test will tell us if Friday's low has more than just short-term significance or not.

At this point, though, about all we can say is that today's 90% upside day means that the probabilities of the market being in the early stages of a decline into a Four-Year Cycle low have decreased and the probabilities of it being in a long-term topping process have gone back up. (Yes, I read Nate Silver's book recently.)

Fidelity Sector Funds. I forgot to attach the Fidelity Sector Fund statistical table to last week's update. You'll find it on the next page – in case you'd like to see what funds are currently the strongest (Construction & Housing, Multimedia and Insurance) and which ones are the weakest (Electronics, Computers and Energy Services).

If you're bullish, the strongest funds represent upside leadership and the weakest represent rebound candidates. If you're bearish, meanwhile, the strongest funds represent potential profit-taking candidates and the weakest represent downside leadership.

*-- Walter Deemer*

| FIDELITY<br>SECTOR FUND | PRICES in cents) |        |        |        | R/C  | DTR STRENGTH |       |        | RATINGS |        |
|-------------------------|------------------|--------|--------|--------|------|--------------|-------|--------|---------|--------|
|                         | Nov 14           | Nov 7  | Oct 31 | Oct 24 |      | Nov 14       | Nov 7 | Oct 31 | Oct 24  | Oct 17 |
| Constr/Hous'g           | 4545             | 4761   | 4708   | 4688   | -56  | 35           | 91    | 101    | 89      | 126    |
| Multimedia              | 5336             | 5530   | 5604   | 5633   | -40  | 10           | 51    | 83     | 84      | 122    |
| Insurance               | 5009             | 5118   | 5240   | 5286   | -19  | 4            | 24    | 65     | 74      | 111    |
| Healthcare              | 13879            | 14113  | 14279  | 14430  | -18  | 3            | 21    | 48     | 60      | 119    |
| Consumer Finance        | 1385             | 1436   | 1466   | 1460   | -35  | 0            | 36    | 82     | 76      | 124    |
| * * T Bills             | 1985             | 1985   | 1985   | 1985   | 0    | 0            | 0     | 0      | 0       | 0      |
| Airlines                | 3780             | 3853   | 3817   | 3797   | -6   | 0            | 6     | 20     | 11      | 24     |
| Telecommun              | 4930             | 5005   | 5126   | 5120   | -9   | -3           | 6     | 40     | 46      | 91     |
| Wireless                | 785              | 804    | 811    | 810    | -27  | -4           | 23    | 50     | 38      | 109    |
| Consumer Stpls          | 7939             | 8055   | 8102   | 8089   | -20  | -5           | 15    | 21     | 25      | 71     |
| Broker/Invest           | 4675             | 4824   | 4917   | 4862   | -26  | -8           | 18    | 65     | 50      | 105    |
| Consumer Discr          | 2679             | 2753   | 2738   | 2716   | -25  | -14          | 12    | 24     | 13      | 62     |
| Retailing               | 6117             | 6258   | 6217   | 6166   | -24  | -18          | 6     | 14     | 8       | 57     |
| ** Emerging Mkts        | 4015             | 4144   | 4115   | 4108   | -36  | -18          | 18    | 35     | 14      | 50     |
| Financial               | 5795             | 5987   | 6055   | 6046   | -27  | -18          | 9     | 41     | 38      | 81     |
| Materials               | 6783             | 7033   | 7026   | 6981   | -41  | -18          | 23    | 46     | 29      | 82     |
| Pharmaceutical          | 1475             | 1503   | 1527   | 1546   | -15  | -19          | -4    | 29     | 45      | 100    |
| Defense/Aero            | 8147             | 8333   | 8369   | 8307   | -20  | -20          | 0     | 22     | -3      | 30     |
| Environmental           | 1563             | 1605   | 1599   | 1572   | -21  | -21          | 0     | 18     | -12     | 41     |
| IT Services             | 2388             | 2471   | 2461   | 2427   | -27  | -22          | 6     | 30     | 7       | 80     |
| Chemicals               | 11071            | 11487  | 11390  | 11332  | -42  | -23          | 19    | 30     | 18      | 66     |
| Utilities               | 5435             | 5584   | 5798   | 5738   | -25  | -25          | 0     | 45     | 29      | 57     |
| Industrials             | 2385             | 2428   | 2457   | 2460   | -17  | -26          | -9    | 27     | 10      | 49     |
| Biotech                 | 10491            | 10479  | 10761  | 11087  | -9   | -29          | -20   | 29     | 62      | 159    |
| Indust Equip            | 3456             | 3575   | 3549   | 3512   | -37  | -29          | 8     | 25     | -6      | 51     |
| Medical Equip           | 2749             | 2796   | 2801   | 2786   | -18  | -31          | -12   | 7      | -1      | 62     |
| Transport'n             | 4981             | 5134   | 5128   | 5091   | -14  | -33          | -19   | -2     | -13     | 6      |
| Gold                    | 3831             | 4090   | 4188   | 4017   | -102 | -34          | 67    | 108    | 44      | 100    |
| Automotive              | 3337             | 3458   | 3412   | 3352   | -19  | -35          | -15   | 0      | -34     | 6      |
| Energy                  | 4914             | 5099   | 5154   | 5108   | -29  | -43          | -14   | 25     | 2       | 68     |
| Nat Resource            | 3090             | 3229   | 3260   | 3217   | -41  | -44          | -3    | 37     | 7       | 72     |
| * * S&P 500             | 135549           | 139453 | 141216 | 140875 | -34  | -47          | -13   | 18     | 8       | 61     |
| Banking                 | 1839             | 1909   | 1946   | 1937   | -31  | -51          | -20   | 22     | 16      | 69     |
| Comm Equip              | 2114             | 2111   | 2067   | 2073   | 0    | -56          | -56   | -52    | -75     | -12    |
| Medical Del             | 5738             | 6010   | 6101   | 6115   | -44  | -56          | -12   | 7      | 7       | 38     |
| Leisure                 | 9823             | 10253  | 10051  | 10019  | -31  | -66          | -36   | -27    | -33     | 30     |
| Natural Gas             | 2929             | 3032   | 3089   | 3065   | -28  | -66          | -39   | 4      | -19     | 48     |
| Software                | 8045             | 8347   | 8464   | 8447   | -35  | -78          | -43   | -8     | -23     | 41     |
| Technology              | 9466             | 9727   | 9883   | 9911   | -28  | -83          | -55   | -23    | -35     | 25     |
| Energy Serv             | 6176             | 6417   | 6467   | 6528   | -34  | -88          | -55   | -19    | -22     | 52     |
| Computers               | 5716             | 5872   | 5930   | 5996   | -25  | -118         | -94   | -69    | -74     | -14    |
| Electronics             | 4149             | 4279   | 4246   | 4163   | -23  | -139         | -115  | -104   | -144    | -76    |