

Technical Analysis

Topics to be Discussed

Dow Theory
Barron's Confidence Index
Breadth of the Market
Odd-Lot Index
Charting

Dow Theory

Oldest of the technical theories
Created by Charles H. Dow

- ☛ "There is no way of telling when the top of an advance or the bottom of a decline has been reached until some time after such top or bottom has been made."
 - Major (Primary) uptrend (bull market)
 - Major (Primary) downtrend (bear market)
 - Secondary upward or downward trends
- ☛ Change in direction should be confirmed in some way

Barron's Confidence Index

Based on belief that differential between the returns on quality bonds and bonds of lesser quality will forecast future price movements

- ☛ Calculation

$$\frac{\text{Yield on High Grade}}{\text{Yield on Lesser Grade}}$$

- ☛ Theory
 - during periods of high confidence, investors invest more in lower quality bonds for the added yield
 - increased demand will decrease yield

Breadth of the Market

The more stocks participating in market trend, the greater the indication that decision makers agree on future market prospects

NYSE Highs & Lows

December 31, 2004 4 p.m. ET

New 52-Week Highs — 265

AES Cp	13.71	CanPacRlwy	34.50	FstFnlFd	22.17	JardenCp	44.21	PenneyJC	41.82	SunLfFnl	33.83
AES Tr pfc	49.55	Canon ADS	54.39	FstTrFidAsstFD n	20.55	KSeaTrnsp n	35.21	PA Reit	43.70	SunocoLgst	43.35
AMB Prop	41.35	CantelMed	38.19	FL RockInd s	59.85	KingswayFin	15.95	Perdigao ADS	44.55	SnriseSrlvg	46.49
AXA ADS	24.94	CapOne un	56.50	FloorCp	55.19	KoorInd	10.67	PinsAmPipe	37.99	SymtryMed n	21.42
Acuity Br	32.24	Cemex ADS	36.56	FredMac	74.20	KoreaEqty	6.15	PolarisInd s	69.41	Syngnta ADS	21.49
AffilCmpt A	61.23	Centex Cp s	59.98	FrshDlMnte	29.63	LatAmEq	21.65	PoloRlphLin	42.83	Synnex	24.21
AffilMangr s	67.92	CntlEurRus Fd	28.22	FrontrOil	26.93	LeggMason s	73.70	PrtglTlcom ADS	12.46	TataMtrsADS n	12.18
AlaskaAir	33.67	ChiMerc	229.80	GMHCmntsTr n	14.15	LhmnHld pFM n	24.90	PPlus LMG-3 n	25.59	Technip	46.73
AlbanyInt	35.46	ChnaNtcADS n	26.90	GabelliMiti	10.78	Lennar A s	57.20	PrideInt	20.58	TelSaoPlo ADS	19.53
AllncCapMgt	42.30	Chubb	77.46	GenCorp	18.75	LxgtnPrp pfc n	51.00	ProLogis	43.33	Templnland	69.18
AldrBk ADS	41.66	ChunghwaTel	21.34	GenGrthProp	36.90	LizClaib	42.47	RAITInvTrpFB n	25.30	TrmprPdclnt	21.50
Allstate	51.99	Church&Dwt s	33.65	Gmt7.37544 n	25.20	LloydsGp ADS	37.03	RMKStrIncFd n	17.49	TerexCp	48.23
Ameren	50.36	CityMtl	70.99	Genesco	31.39	LongvwFibr	18.44	RPM	19.95	TexPacTr	138.50
AmHMtg pfcAn	27.18	ChnStrAdvInco	22.33	GenuinePart	44.32	M&T Bnk	108.75	RmcoGrshpfc n	34.75	Thmsn ADS	26.66
AmeriCredit	24.98	ChnStrPrtnco	21.99	GeoGrp	26.85	MDC Hldgs s	87.24	Reebok	44.37	TitanInt	15.77
ApartmentInv	39.25	ChnStrQuInco	20.72	GlobSantaFe	33.20	MEMC Elec	13.28	RegencyCtrs	55.40	Toll Bros	68.96
AquaAmer	24.64	ChnStrTR	20.15	Grainger	66.99	MI Homes	55.41	ReliantEngy	13.94	TorntoDmn	41.69
Aquila Quibs	25.02	ConAgraFoods	29.65	Griffon	27.22	MacGray	8.10	RepsYYPF ADS	26.26	ToysRUs un	53.00
ArcherDan	22.55	Cooper	68.44	GpoCaba ADS	14.99	McqfsTrGbl n	22.64	RinkerGp ADS	83.18	TPG ADS	27.45
ArcstneSmt	38.50	Corbanca n	28.75	GpoMaseca ADS	7.90	MarketCp	365.00	RogerComm B	26.43	TransCan	24.91
AsscEste pFB n	25.98	CpOfficProp	29.37	HDFC Bnk	45.88	MrtmMarMat	53.91	RogrsWriss B	46.16	Trizec	19.05
AssrdGry n	19.80	Credicorp	16.18	HRPT Prop	12.99	MatsuElec	16.17	StJoe	64.75	Turkcell ADS s	18.25
Aus&NZ Bk	81.00	Crompton	11.80	HarrhEntn	67.25	McDermint	18.50	SIBrVarRte n	20.10	URS Cp	32.34
AutoNation	19.33	DmndOffshr	40.47	HrtfrdFol	69.57	McGrawH	92.11	SIBrosFd	13.10	USShpPtn un n	27.31
AutoZone	92.35	DNP Sellnc	11.95	HatterasSec	14.69	MedcoHlthSol	41.90	Sanpaolo ADS	29.05	UnBanCal	64.86
AvainBay	75.93	DirThrfty	30.31	HelmPayne	34.25	MillsCp	63.76	Sasol	22.00	UtdDomRty	24.80
BASF ADS	72.46	DoralFnl	49.35	CanHldrs	80.88	MS GblOpp	10.40	SCANA	39.71	UtdHlthGp	88.76
BOC Gp ADS	38.80	DoverDwns	13.10	HondaMtr ADS	26.10	MS Asia	12.98	ScotReGrp un	30.91	UnumProvident	18.25
GeoLatin	20.00	EagleMat B n	84.30	HostMar Reit	17.40	MuniMtgEq	27.40	ScottsCo	74.00	UnumProv un	36.50
Bknorth	36.71	EastGroup	38.65	HovnanEnt s	50.24	NRG Engy n	36.18	SensientTch	24.25	VF Cp	55.61
Barclays ADS	45.99	EmanChm	58.17	HubbellA	48.50	NtrlResPtnrs	57.98	ShinhanFnlGp	45.95	VIRioDce s	29.25
BedfdPrpty	29.00	Eaton s	72.64	HubbellB	52.90	NeubergerInc	21.85	ShrgdrStor	44.98	VIRioDce pFA s	24.38
Benetton	26.76	EatonVance	52.39	HutigBld	10.52	NeubrgBrmRlty	19.09	SmnPrp pFJ n	57.10	Vectren	27.09
Berkley	47.40	EtnVncTxAdv n	20.40	ImpcMtg pfc n	25.45	NY Mtgr n	11.34	SmnProp pfl n	59.50	VeoliaEnvr ADS	36.45
BkrkStrBd Tr	17.21	EIPasoElec	19.12	IngramMicro A	20.97	NIsource	22.82	Smedvig A ADS	16.57	Vornado pff n	25.50
BluelinxHldgs n	14.70	EnbridgeEngy	49.39	IndRIEst n	15.95	NSTAR	54.45	SnapOn	34.67	Vornado	76.99
BordersGrp	25.52	Enbridge	49.99	Intrawest	23.02	NuveenInv	39.50	SonocoPdt	29.73	VotorCel ADS s	16.55
BorgWarner s	54.68	Enel ADS	49.69	InvTchGp	20.23	NuvEqtyPrm n	20.50	SourceCap	71.54	WalterInd	34.13
BouldrTotR	18.75	EnergyTransf	59.50	Ipsco	49.52	NuvNC Prm	17.62	SpeedwryMotr	39.30	WattsWater A	32.59
BuckTech	13.30	EnerplusRes	36.44	iShrMngMdCr n	67.34	Oriz ADS	68.60	StanleyWks	49.33	WellChoice	53.55
CB RichESvc n	34.09	EntPdtsPtnr	25.99	iShrMngMdGr n	67.87	PPG Ind	68.79	Starrett A	21.10	WestarEngy	22.92
CdburySchADS	38.00	EquitRes	61.18	iShrMgMdVI n	68.24	PanPacProp	62.72	Statoil ADS	16.00	WstAssetFd	16.44
CalWtrSvc	37.90	EqResdntl	36.75	iShrMngSmCr n	68.88	PtnrRe pFD n	25.45	SterIBcp s	28.45	WinstonHtl	11.96
CamdnProp	51.00	FairmntHtlRt	34.72	iShrMngSmGr n	64.44	PatinaOil s	37.56	SUEZ ADS	26.84	Yum!Brands	47.47
CamecoCp	105.65										

New 52-Week Lows — 3

MBIA Pines	26.07	NewYorkCo n	16.20	SvnHEIPwntG n	24.80
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Breadth of the Market (continued)

Major Stock Indexes

Dow Jones Averages	DAILY					52-WEEK			YTD
	HIGH	LOW	CLOSE	NET CHG	% CHG	HIGH	LOW	% CHG	% CHG
30 Industrials	10832.52	10781.01	10783.01	-17.29	-0.16	10854.54	9749.99	+ 3.58	+ 3.15
20 Transportations	3813.54	3797.16	3798.05	-10.55	-0.28	3811.62	2750.80	+26.26	+26.30
15 Utilities	337.02	334.95	334.95	- 1.91	-0.57	336.86	261.89	+25.71	+25.50
65 Composite	3411.70	3395.69	3395.82	- 9.26	-0.27	3412.44	2852.12	+13.45	+13.17
Dow Jones Indexes									
Wilshire 5000	12027.54	11967.98	11971.14	-16.68	-0.14	11987.82	10293.52	+11.07	+10.85
US Total Market	290.71	289.29	289.38	- 0.36	-0.12	289.74	250.37	+10.40	+10.16
US Large-Cap	260.85	259.65	259.72	- 0.39	-0.15	260.21	229.69	+ 7.86	+ 7.59
US Mid-Cap	372.48	370.48	370.66	- 0.05	-0.01	370.71	301.79	+18.88	+18.45
US Small-Cap	416.85	414.04	414.34	- 0.51	-0.12	415.01	335.75	+15.31	+15.84
US Growth	1095.86	1090.57	1090.73	- 1.76	-0.16	1092.49	944.85	+ 7.06	+ 6.77
US Value	1528.42	1520.94	1521.64	- 1.75	-0.11	1523.39	1308.11	+12.90	+12.75
Global Titans 50	195.60	194.84	195.01	- 0.26	-0.13	195.41	176.36	+ 5.21	+ 5.53
Asian Titans 50	120.36	119.44	120.26	+ 0.71	+0.59	120.26	98.30	+13.13	+13.89
DJ STOXX 50	2781.86	2774.47	2774.77	Closed	...	2804.06	2541.84	+ 4.30	+ 4.30
Nasdaq Stock Market									
Nasdaq Comp	2185.56	2174.63	2175.44	- 2.90	-0.13	2178.34	1752.49	+ 8.41	+ 8.59
Nasdaq 100	1628.91	1620.31	1621.12	- 2.64	-0.16	1627.46	1304.43	+10.76	+10.44
Biotech	773.08	768.52	768.52	- 3.36	-0.44	845.11	622.19	+ 5.09	+ 6.13
Computer	969.87	964.34	965.29	- 0.20	-0.02	1012.13	768.60	+ 2.97	+ 3.25
Standard & Poor's Indexes									
500 Index	1217.33	1211.65	1211.65	- 1.63	-0.13	1213.55	1063.23	+ 9.33	+ 8.99
MidCap 400	666.99	662.62	662.62	- 1.19	-0.18	664.50	549.51	+15.18	+15.16
SmallCap 600	331.02	328.48	328.80	- 0.21	-0.06	329.58	263.47	+21.30	+21.59
SuperComp 1500	273.21	271.87	271.95	- 0.37	-0.14	272.32	236.65	+10.25	+ 9.96
New York Stock Exchange and Others									
NYSE Comp	7273.26	7248.68	7250.06	- 3.50	-0.05	7253.56	6217.06	+12.38	+12.57
NYSE Financial	7519.49	7492.82	7493.92	+ 1.01	+0.01	7493.92	6322.00	+12.29	+12.24
Russell 2000	656.11	651.08	651.57	- 1.49	-0.23	654.57	517.10	+16.18	+17.00
Value Line	406.61	404.31	404.43	- 0.41	-0.10	404.84	332.98	+11.26	+11.51
Amex Comp	1435.04	1186.14	1434.34	+ 4.27	+0.30	1434.34	1160.18	+22.01	+22.22

Source: Reuters

Odd-Lot Index

- ☛ Trading on exchanges done only in standard quantities (round lots)
- ☛ Round lot usually 100 shares
 - other quantities are used sometimes
- ☛ Shares less than round lot referred to as odd lots
- ☛ Odd lot trading is considered to reflect investment decisions of small investors
 - analysts consider odd lot investors to be wrong in the market

ODD-LOT TRADING

NEW YORK - The New York Stock Exchange specialists reported the following odd-lot transactions (in shares):

	Customer Purchases	Short Sales	Other Sales	Total Sales
December 30, 2004	8,363,518	961,045	7,235,575	8,196,620

Charting

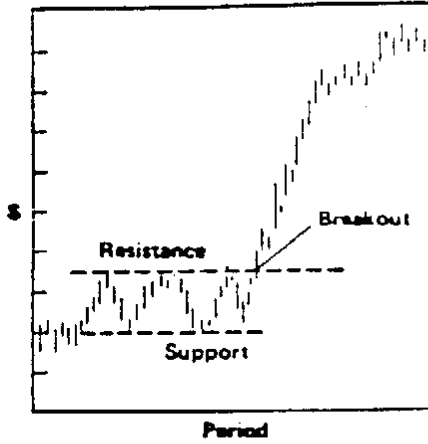
Observation of past performance of various factors to evaluate short-term trends

- ☛ prices
 - highs/lows/closes
 - volume
 - other information

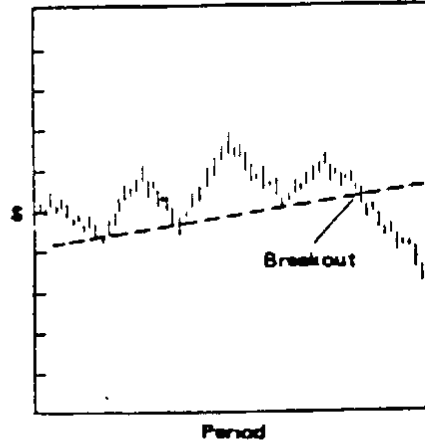


Charting (continued)

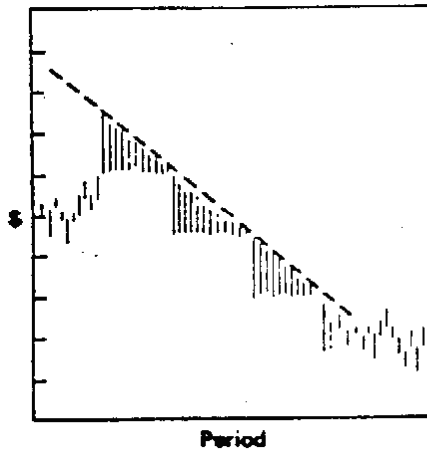
Panel A: Triple Top



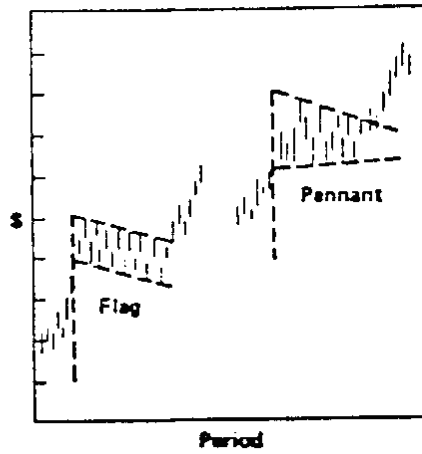
Panel B: Head and Shoulders



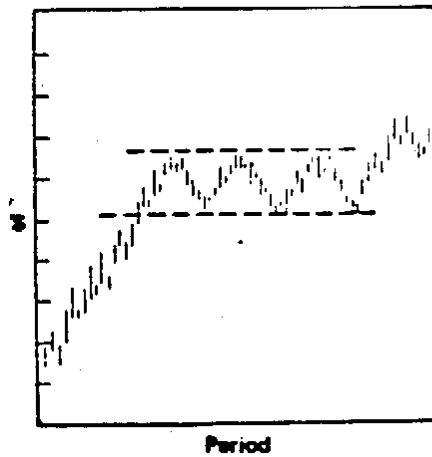
Panel C: Triangles



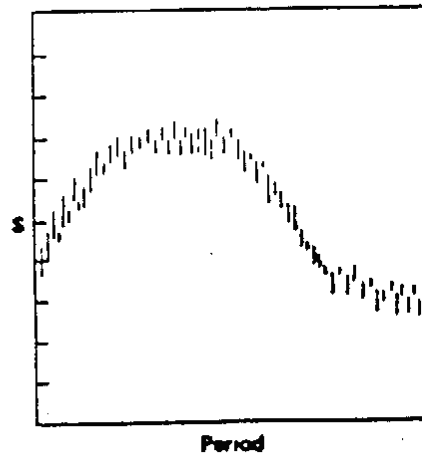
Panel D: Flag and Pennant



Panel E: Consolidation Triangles



Panel F: Inverted Saucer



Some Popular Chart Formations