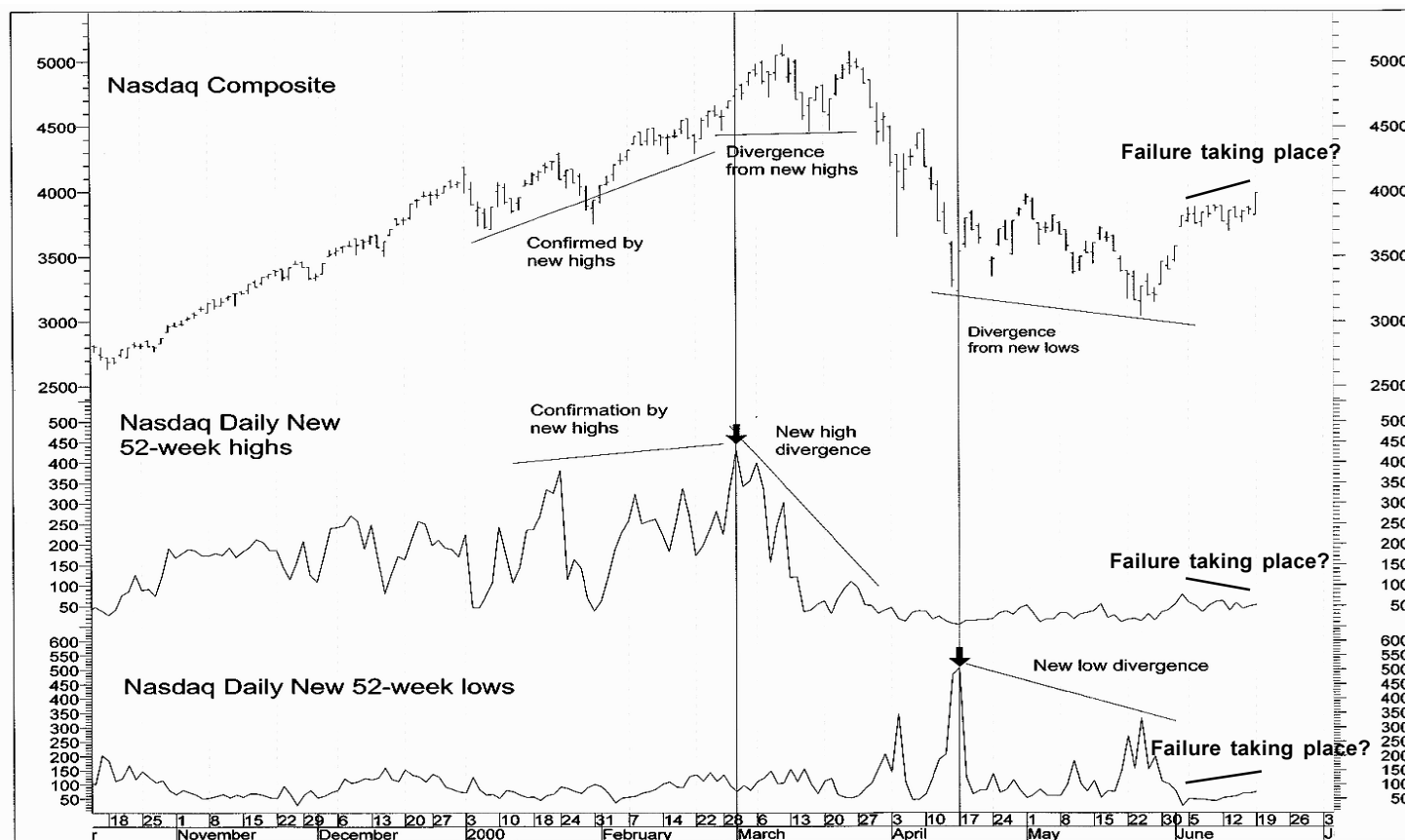


A LOOK AT THE NEW HIGHS - NEW LOWS BREADTH INDICATOR ON NASDAQ....



NEW HIGHS - NEW LOWS -- THE BEST OF THE BREADTH INDICATORS?

The chart above shows the NASDAQ Composite with what we believe to be the best of the market breadth indicators -- the numbers of stocks making new 52 week highs and new 52 week lows.

New highs indicate the numbers of stocks actually participating in moves of market indices to new peaks. Peaks in market indices that are accompanied by higher peaks in the number of new highs represent market advances with broad and increasing participation. As a general rule, the numbers of issues making new highs turn down in advance of the market averages, indicating that fewer and fewer issues are participating in the advance -- generally a forerunner of an end to the upswing.

Similarly, new lows in the market indices that are not accompanied by rising numbers of issues making new lows indicate that more and more stocks are finding support even as the market averages are declining -- usually a sign that a bottom is close at hand.

For example, the peak in the NASDAQ Composite during January was confirmed by a peak reading in the number of issues making new highs. However, new high readings peaked at the very start of March, providing a warning of the peak in prices that developed two weeks later. By the time that the Composite tested the highs of early March late in the month, the numbers of stocks that were reaching new highs failed by far to match levels seen earlier in the month - a serious breadth non-confirmation that pointed to the decline that followed.

New lows peaked in mid-April, confirming the lows reached by NASDAQ at the time. However, new lows did not confirm the lower lows made in the NASDAQ Composite Index in May, indicating that fewer and fewer issues were participating in the market decline -- a good confirming indicator, pointing to a buying opportunity.

THE CURRENT SITUATION:

Strange, at least so far. A little disturbing. New lows contracted rapidly at the turn at the end of May, but with NASDAQ moving upwards, have actually been inching upwards, while new highs languish. This implies that recent advances have been highly selective. Another failure peak might prove quite serious.