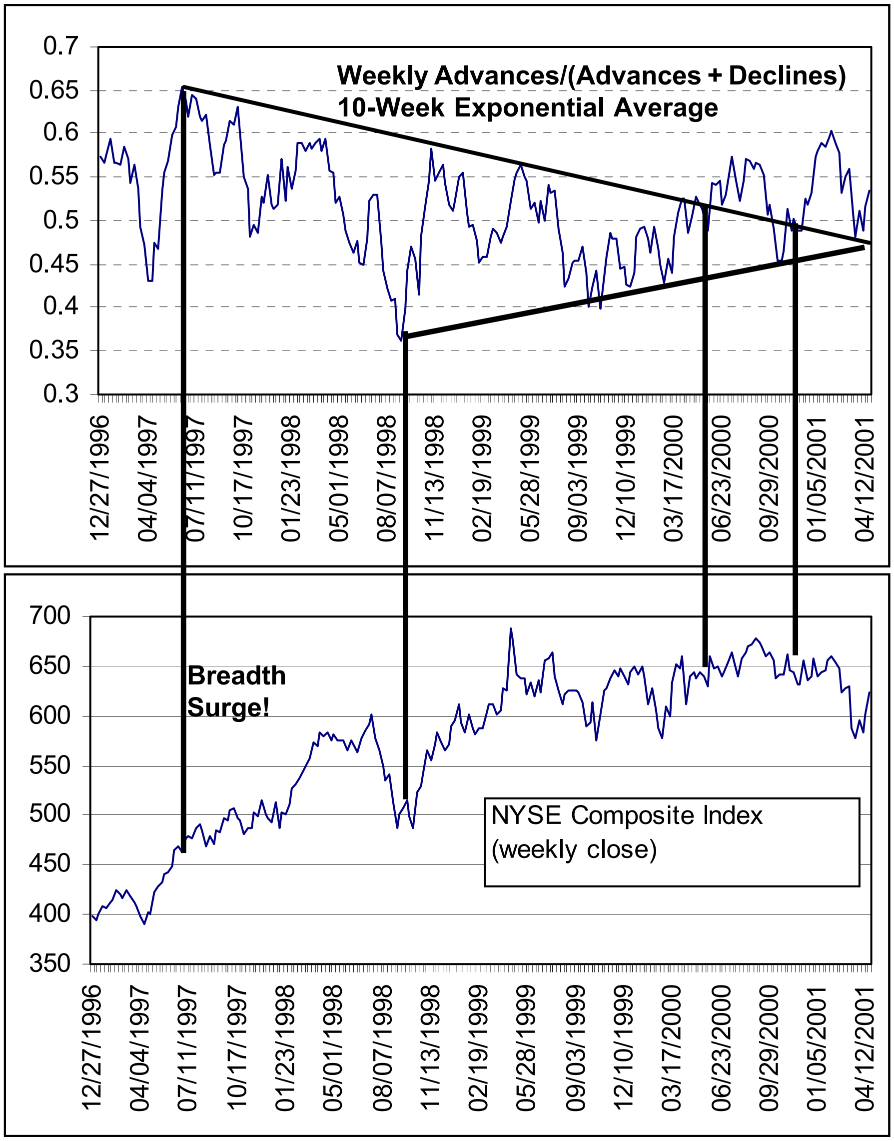
WEEKLY ADVANCES AND DECLINES ON THE NYSE....SOME OBSERVATIONS:



On the left is a chart of the ratio of advances to (advances + declines) on the NYSE. A 10-week exponential average of this data is shown.

This is NOT an advance-decline line. The chart makes breadth readings look worse than they actually are. Data points above .5 actually reflect positive breadth; breadth is losing ground on an absolute basis only when readings are below .5.

In general, weekly advance-decline data tends to be more reliable than daily based data which has a downside bias.

OBSERVATIONS:

There was a strong breadth surge in mid-1997 when 10-week readings of this indicator soared tof 65%, correctly indicating the market strength that followed.

The market low area in 1998 was indicated as price levels fell to a level double bottom while A-D readings made a rising double bottom.

A downtrend in the indicator was actually broken early last year, but this did not hold. A subsequent break through the declining trendline took place at the end of last year, which has held. At this time, an uptrend is in effect (rising lows, rising peaks), the most recent dip retracing the indicator back to a juncture of its most recent rising trendline and to the upside of its longer term downtrendline. This is a pretty classic technical formation which usually has bullish implications.

Market declines earlier this year have not been confirmed by various measures of market breadth. This is not the only indicator that pointed to an increase in subsurface market support while primary market indices remained in decline. New highs - new lows relationships on both Nasdaq and the NYSE told have been telling the same story.

Another breadth surge to the 65% level would be very bullish, or at the least a continuing uptrend in relationships between advancing and declining issues. Last week showed very strong readings in weekly breadth, particularly on the NYSE though Nasdaq showed a positive plurality as well while the Nasdaq Composite declined by 4%.

High market volatility, and an increase in day trading, has led among many traders to very short term orientations in market assessments. Weekly indicators provide a longer term view, this particular indicator now more favorable along with our long term timing model which has recently provided a fresh re-entry signal into the stock market as well. For as long as trends remain favorable, the best strategy would appear to be the buying of dips. Caution will be more indicated when the indicator peaks and shows patterns of declining high points.