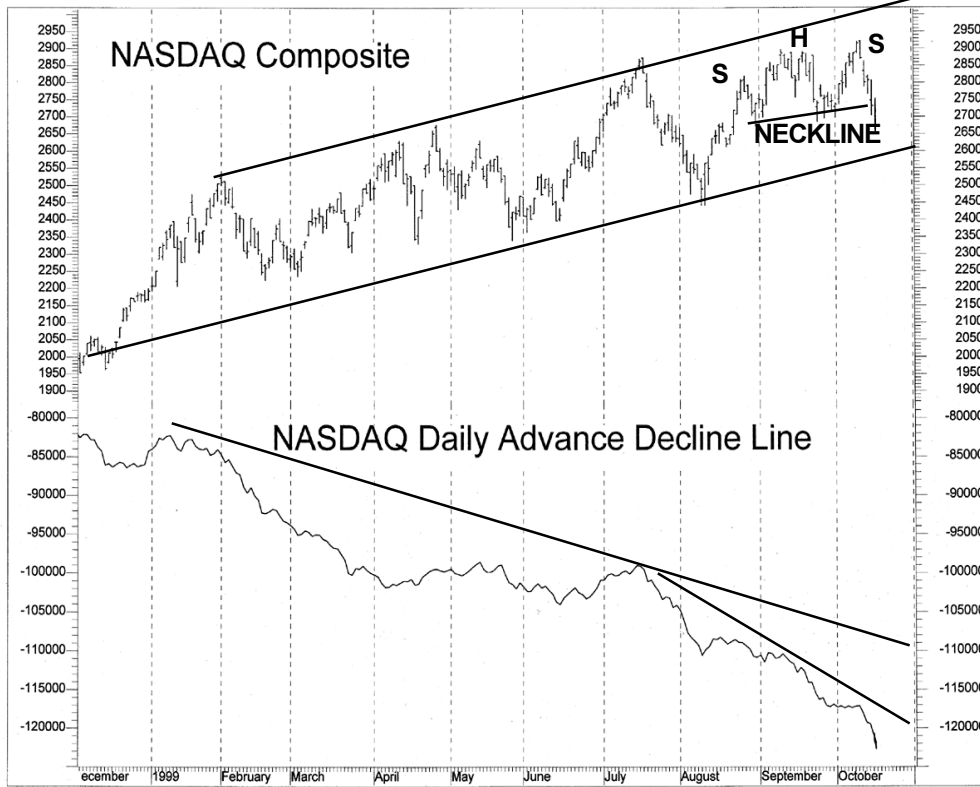


IS NASDAQ SERIOUSLY BREAKING DOWN? IT SEEMED ABOUT TO HAPPEN, BUT THE TECHS HAVE HELD:



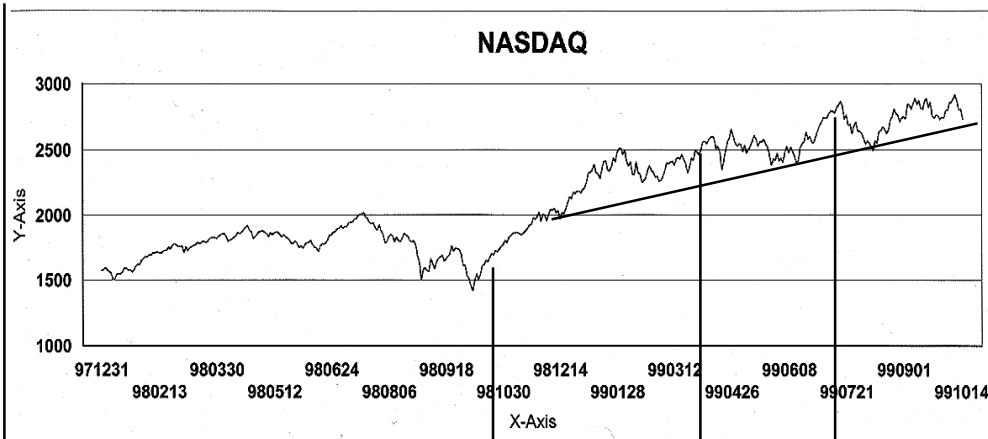
Is NASDAQ poised for further declines or have we essentially already seen the worst in the way of weakness in that sector?

Let's take a look at some indicators and chart patterns for some clues.

LONG TERM CHANNEL:

The NASDAQ Composite did decline to within striking distance of the lower boundary of its long term trading channel. The lower boundary then provided support -- there is actually a good deal of support in the area between 2450 - 2600 for NASDAQ.

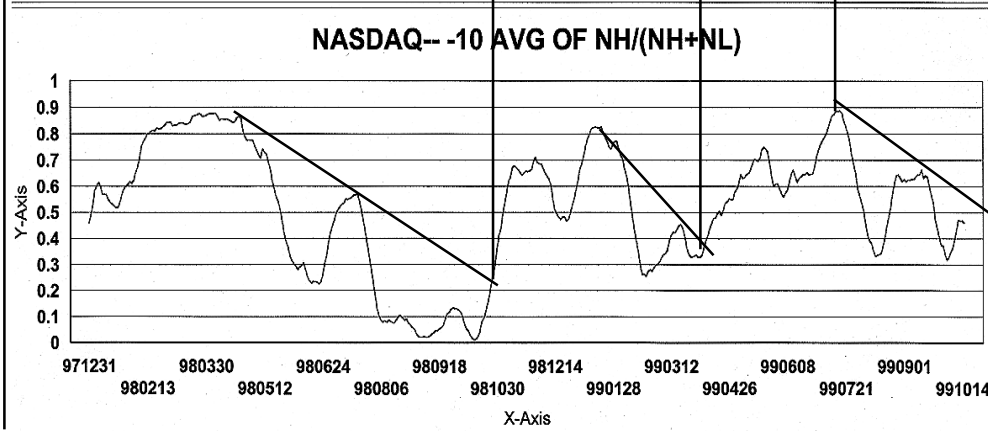
In any event, the apparent head and shoulder breakdown has not had any follow through, NASDAQ recovering, with even some improving breadth, while the primary market indices and NYSE advance-decline readings continue to lag.



The technologies have become extended in terms of relative strength -- see the chart on page 8 -- but this is still the area that carries the life of the market.

BREADTH INDICATORS:

As you know, we've been pointing out weakness in the NASDAQ advance-decline line for some time. This weakness is more apparent on this chart than on the charts we usually run, and, furthermore, until very recent sessions, has been accelerating.



New high - new low relationships for NASDAQ peaked in one sharp thrust at the beginning of July, have been deteriorating since then. Compare the ongoing strength at the beginning of 1998 to the very brief strength this year.

In regard to new high - new low relationships, one confirmation that declines are ending will take place when the current downtrend in this indicator is broken. We have been expecting a good shake-out in the internet and some other speculative corners of NASDAQ. So far, only temporary shakes. Support levels do seem to be holding.