

# Gerald Appel's ***Systems and Forecasts***

## **Market Update**

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This is Marvin Appel with the Systems and Forecasts market update, Monday, March 31, 2003.

The market extended last week's sell off as the situation in Iraq appears as challenging as ever. Today the Dow Industrials lost 1.9%, the S&P 500 fell 1.8% and the Nasdaq Composite gave up 2.1%. Breadth was negative today at -591 on the NYSE and -600 on the Nasdaq. Volume was moderate at 1.4 billion shares traded on the NYSE.

The NYSE nh-nl indicator continued a bit higher, now at 56%, rated neutral to bullish.

**Weely** closed out its last trade with a whipsaw loss of 3.6% based on the Nasdaq Composite. A **Weely** re-entry is next possible this Friday, April 4. The buy signal will occur if the Nasdaq Composite finishes the week at or above 1414.03, that is 1414.03 or higher. We will post Weely buy recommendations on Thursday's hotline.

New monthly relative strength mutual fund rankings will be posted on a special Tuesday night hotline tomorrow night, April 1.

Bonds have risen on the week, including most high yield funds. The sell stop for Federated High Yield Trust, ticker FHYTX, is raised to \$5.45. The sell stop for Northeast Investors Trust, ticker NTHEX, remains \$6.90.

Our investment grade corporate bond model goes on a sell signal today. The next possible buy signal can be reported on Monday, April 28 for execution during trading on Tuesday, April 29.

Indicators of market breadth have been stronger than the behavior reflected in the prices of the large-cap dominated stock indexes. This could be long term bullish because it implies that an increasing number of stocks have found support. We will examine this in more detail in the upcoming issue of Systems and Forecasts.

The S&P 500 index found support today at its middle trading band, which is at 846. The question is whether the middle band will remain a source of support. MACD patterns suggest that the pullback is likely to continue for the next few days, perhaps to the lower band, now at 813. Until the situation on the battlefield changes in our favor, the market is likely to remain in the doldrums. Lackluster economic news is not helping either. The ISM purchasing manager report will be released tomorrow.

From the technical analysis point of view, however, we could be setting up for a very favorable buying opportunity in response to any good news that may develop. This could occur as early as next week. More specifically, the S&P 500 could potentially be setting up a rising double bottom confirmed by the macd's. (see chart below) This assumes that the S&P 500 does not make a new low for the year by falling beneath 800.

Next update, tomorrow evening, April 1. Thank you for calling.

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