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The Sudbury Bull and Bear Report

by Jim Miekka

The Traffic Light Remains GREEN, so Stay Invested this Week

Table of 2009 Results Investment	Starting Price & Date	Current Price or Closing Price	Change in Price
Fidelity Spartan 500 Fund **FSMKX**	62.11 1/1/09	58.53	-5.76% (50% of investment)
Fidel. Spart. Tot. Mkt. Index **FSTMX**	25.07 1/1/09	23.72	-5.38% (50% of investment)
One emini S&P 500 futures contract	900.10 1/1/09	848.60	-$4,420
YTD S&P 500 Index	903.25 1/1/09	850.12	-5.88%
YTD Mutual Fund and Money Market Fund Results			-5.58%
YTD 2008 Futures (based on recommended holdings)			- $4,420

All of the major averages continued to slide last week. The DJIA fell 3.7%, NYSE was down 5.5%, S&P 500 declined 4.5%, and NASDAQ fell 2.7%. Our mutual fund holdings were down 4.4%, and our single long SPX mini futures contract lost another $1845 for the week, putting us $4420 in the hole for the new year.

The green light is still on, but flickering. The MCO dipped below the zero line, ending its buy spike signal on Wednesday. While this buy signal was active (since November 25), SPX fell 12 points, one of the few unprofitable signals of this type. In addition, the McClellan Summation Index (MCOSI) has fallen to 1850, and it will fall below 1800, ending its buy signal as early as Monday if the market fails to rally.

We also lost the breadth-thrust signal last Monday, when the 10-day EMA of NYSE advances divided by advances plus declines fell below 0.5. That signal was also unprofitable, with SPX falling 33 points while the signal was in effect. If those weren't bad enough, we also lost our NYSE-Value Line signal when the NYSE index fell below its 10-week moving average.

Are we headed for a late January retest of the November lows? Why aren't we getting out to the sidelines? Good questions! Well, we have yet another technical buy signal that was generated when SPX fell 20% below its 200-day moving average, and where it has remained for quite some time. The signal will remain active at least until SPX rises above its 200-day SMA. We will not criticize you if you get out of the market while we cling to these seemingly ineffective (but previously effective) technical buy signals.

While grasping at straws, we might as well mention that the super bowl indicator will give its prognostication in two more weeks. That signal says that if one of the original NFL teams wins, we will have a positive year in the market, but if one of the original AFL teams is victorious, the market will be down. Since the NY Giants (an original NFL team) won last year but couldn't help the market, that signal is now out the window as well.

The big event this week will be Obama's inauguration. That should give us a clean political slate, so perhaps market psychology will change just by putting 2008 and much maligned G.W. Bush behind us. We are hoping that investors will respond with a bit of euphoria rather than despair. History is not of much help to us for short term prognostication. Since WWII, the market has been up slightly on average during the first month after inauguration of a democrat following a republican administration. However, there are only three instances; *viz.*, the inaugurations of Kennedy, Carter, and Clinton. Of those, the market was down (1.6%) in the first month of the Carter administration.

We still think that the market will climb before any retest of the November low, so recommend that you maintain your long positions in SPX futures and mutual funds. .

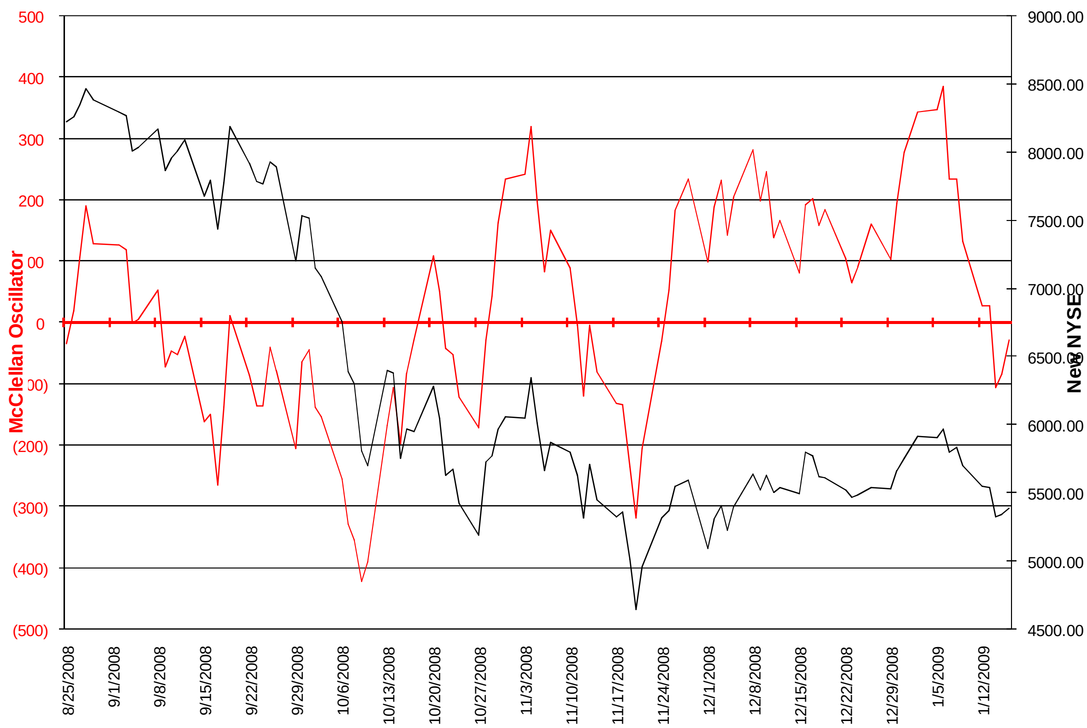
Until next week, happy trading.

Jim

The Sudbury Bull and Bear Report (6735 14th Street South, St. Petersburg, FL 33705 (727) 866-8682), is published weekly after the market close. It is available for the subscription price of $99 for 52 issues, and is distributed free to managed account customers. **When subscribing, Please make checks payable to James R. Miekka, SBB**. Past performance is no guarantee of future results. The Author frequently has positions in mutual funds and futures contracts as listed herein.

The McClellan Oscillator fell from 134 to –27 last week, ending its buy signal on Wednesday. The McClellan Summation Index managed to cling to its own by signal by staying a hair above 1800. It could go either way this week. The NYSE index fell another 42 points to 1529. The January effect is nowhere in sight, but maybe Obama's inauguration this week will change things.

The chart below shows the McClellan Oscillator (red) and NYSE index (black) for the last 100 trading days.



The table can be filled in to give the daily McClellan Oscillator (MCO) and Summation Index (MCOSI).

A	B	C	D	E	F	G	H	I
		NYSE	NYSE		10%	5%	McClellan	Summation
DAY	DATE	ADV	DECL	*A-D*	TREND	TREND	Oscillator	INDEX
		V	V					
Fri	01/09/09	943	2200	-1257	355	222	134	2011
Mon	01/12/09	732	2376	-1644	155	128	27	2038
Tue	01/13/09	1659	1462	197	160	132	28	2066
Wed	01/14/09	333	2808	-2475	-104	1	(105)	1961
Thu	01/15/09	1670	1440	230	-71	13	(83)	1878
Fri	01/16/09	2029	1065	964	33	60	(27)	1850
Tue	01/20/09							
Wed	01/21/09							
Thu	01/22/09							
Fri	01/23/09							
	10% TREND = $F_{YESTERDAY}$ *0,9 + (E_{TODAY}-$F_{YESTERDAY}$)*0.1							
	5% TREND = $G_{YESTERDAY}$ *0.95 + (E_{TODAY}-$G_{YESTERDAY}$)*0.05							
	OSCILLATOR = F_{TODAY}-G_{TODAY}							
	SUMMATION = $I_{YESTERDAY}$ + H $_{TODAY}$							
	WHERE: E,F,G, H AND I REFER TO COLUMNS AND * IS MULTIPLICATION SIGN							