

The FRED Report –

Mid Week Update

Update of Market View

Special points of interest:

- The stock market continues to advance towards the 137 area on SPY, the next resistance.
- The broader indexes such as NYA, IWM are lagging a bit, and so are the Transports – a concern.

The stock market continues to advance towards the 137 area on SPY, the next resistance. Key numbers on SPY are a close above 136.43 (the previous high close for SPY), and then the high at 137.18. **The broader indexes such as NYA, IWM are lagging a bit, and so are the Transports – a concern.** We think this is because European money is coming into the U.S. stock market. One interesting thing we note is that the Dow Industrials have made new recovery highs, and Small-cap is making new all-time highs. We think this is because two key events are happening now: **The first is the U.S. economy is improving, and the second is that European money buys US Dow Industrials-type names.** We show charts of the Dow Industrials and Transports below – we like the market but would feel much better if the transports were leading the industrials.

The European fears have been pernicious but we are seeing some rallies in these markets, such that the markets are suggesting these concerns are overblown. The FXE and FXF still look like a potential Head and Shoulders bottoming formations. If this is the case, a strong rally, both in the currencies and in the European market indexes, should result.



THE FRED REPORT

4514 Chamblee-
Dunwoody Road

Suite 112

Dunwoody, GA 30338

Phone:

(404) 875-FRED

Website:

www.theFREDreport.com

E-Mail:

fred@thefredreport.com

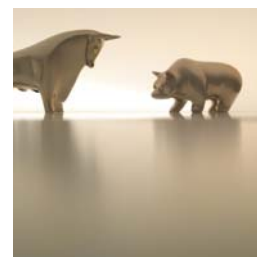
Other Points of Interest

We continue to have questions about Emerging Markets, so we show weekly charts below, both relative to the SPY. A quick look at these charts shows that IJR performed better on the decline into the October low, as well as during the ensuing rally. We are not saying that emerging markets won't rally – **but we ARE saying that U.S. small cap has been outperforming, and should continue to outperform, although EEM may be “cheaper”**. Indeed – sometimes cheap is for the birds!



About Our Organization

The FRED Report was started to provide Financial Advisors across firms and platforms access to unbiased market research. The President of The Fred Report, Fred Meissner, CMT has been practicing Technical Market Analysis since 1983 and has worked in the research departments of Merrill Lynch and Robinson – Humphrey /Smith Barney. In addition he has served the public as a portfolio manager and financial advisor. We know the problems advisors face and have devoted our career to helping advisors find the best possible investments in all environments. We want to help you help your clients and grow your business.



Disclaimers:

Research used in this report does not purport to be comprehensive or to contain all the information which a prospective investor may need in order to make an investment decision. The information is based on publicly available information and sources, which the publisher believes to be reliable, but does not represent to be accurate or complete, and it should not be relied on as such. The publisher may update any research report as it determines appropriate, in its sole discretion. Each reader of this report must make its own investigation and assessment of the information presented herein. No representation, warranty or undertaking, express or implied, is or will be made or given and no responsibility or liability is or will be accepted by Fredco Holdings, Inc. or by any of its directors, officers, employees, agents or advisers, in relation to the accuracy or completeness of this presentation or any written or oral information made available in connection with the information presented herein. Any responsibility or liability for any such information is expressly disclaimed. Any person or entity who does rely on this report does so at his/her own risk and by doing so assumes all liability for any such loss, harm or other detriment.

The information contained herein was prepared by Fredco Holdings, which is solely responsible for the contents of this report.

All prices provided within this research report are a snapshot taken as soon as practicable prior to the release of the report. No representation is made as to the current prices of securities.