



THE CHAPMAN REPORT

Charts and commentary by David Chapman

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INDICES

S&P 500	Intermediate Trend: Up	Short-term Trend: Up	Week: Up
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S&P 500 Strategy: Long

(for definitions of terms, see end of report)

- The S&P 500 rose 3% this past week.
- The S&P 500 is now very close to the recent highs at 1227 (close 1224.70). It is expected that level could fall this coming week. Targets remain at 1250 to 1300.
- It is possible that an acceleration could take place once the market breaks above 1227. If the market fails to break out then another swift decline to the recent trading range could take place. The key area on the downside remains at 1180. This zone has been penetrated in recent down moves but the market has failed to hold below the level. This demonstrates strength at the support zone but repeated testing of the level could also see the market give way swiftly on another test.
- Oddly what impacts the bond market negatively actually is positive for the stock market. The stock market may be concerned about the weak jobs numbers but when other numbers look robust it doesn't concern itself too much that main street is jobless. As long as the upper echelons are robust and making money and spending it (as witnessed by increased sales at high end stores) it is felt it is this class also plays the stock market. As well QE overwhelms weak job numbers. QE pushes bond prices lower but stocks higher and gold stocks (and gold and silver) even higher.
- Continued debt woes in Europe also help the US stock market.
- Cycles continue to be favourable as well but are certainly topping. The last major low was in 2008 and if the four year cycle is correct then the next major low is due in 2012. Merriman Cycles (www.mmacycles.msn.com) is pointing to a potential top for the US stock market by March 2011. This would be the top of the current four year cycle. Merriman also notes the potential for a speculative bubble. Could new highs cause an acceleration in stock prices that not only run the market to the 1250/1300 targets but even higher towards the highs of 2007. That is possible given the impact of QE.
- The recent pullback may have been the trough expected from the mid-term elections. This would occur in October/November. This is another reason that a low may have been hit.

- The 70 year cycle which has been quite dominate over the past decade notes a high in early November 1940. This could coincide with the high seen on Nov 5, 2010. IN 1940 a pullback followed the early Nov high with a trough seen initially in late Nov/early Dec followed by a rally that failed then another trough in late Dec. A secondary high was seen in mid January 1941. Could early/mid January be the target for a high? Direction is more important than absolutes with cycles so this time it could be a higher high. Following that high in mid January 1941 the market declined into May 1941.
- The 60 year cycle (1950) saw a trough in early December then an acceleration rally into February 1951. While this cycle could be playing a role it is noted that 1950/1951 was the beginning of a bull market that didn't make its final top until 1966. Unlike 1950/1951 this current rally has been a bear market rally not the start of a new bull market. Volume and other indicators continue to point to non confirmation.
- Thirty years ago (1980) the market also made a trough in early Dec and the market rallied irregularly until a high in April 1981. Ten years ago (2000) also saw some fitful rallies out of lows in late October topping into the first week of January before a sharp fall.
- So there are cycles that could suggest that the market makes another attempt to the upside. And that rally may be a speculative rally that carries it much higher than expected. Exciting but dangerous.
- Resistance is here than up at 1250. Support is solid down to 1180 but below that level a fall to 1140 is probable. Given the power of QE odds would seem to favour a continuance of the current rally.



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

NASDAQ	Intermediate Trend: Up	Short-term Trend: Up	Week: Up (new highs)
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NASDAQ STRATEGY: Long
 (for definitions of terms, see end of report)



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

- The NASDAQ continued its winning ways gaining 2.2% this past week. The NASDAQ made slight new highs this past week taking out by about a point the November 2010 high.
- The NASDAQ was weak earlier in the week but reversed even as the employment numbers were reported. QE takes precedence over weak employment numbers.
- The double bottom target was at 2570. With that target taken out the next target zone is 2735. This area coincides with the lower reaches of the highs of October 2007. A test of those highs remains possible.
- The VXN volatility indicator after appearing to break out earlier in the week reverted back into its bear channel and now appears to be headed lower. Despite the new price highs the VXN indicator did not make new lows a potential negative divergence.
- Support is seen at 2550, 2535 and 2515. Below 2515 a fall to 2475 is probable. Below 2475 a fall all the way down to major support near 2350 is probable.
- The bull continues but as ultimate targets are now in the sights and cycles (discussed under S&P 500) are peaking.

BONDS

US TREASURY BONDS	Intermediate Trend: Neutral (Caution)	Short-term Trend: Down	Week: Down
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US BOND STRATEGY: Trend System – Long (barely), Bond Model – Stand aside
(for definitions of terms, see end of report)



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

- US Treasury bonds as represented by the 30 bond futures fell a sharp 1.5% this past week. The bonds failed a downtrend from the recent highs. Bonds also closed under the 40 week MA another negative sign. Finally while the bond model system has moved to stand aside mode the trend following system remains long but barely. The intermediate trend is neutral but another down week could swiftly change that stand aside as well.
- Bonds had been held up by the conflict in the Koreas and the debt woes in Europe. But as those crisis eased the focus shifted back to the US market. The weak economic numbers seen this week prompted more talk of QE. Ben Bernanke in an interview with 60 Minutes hinted that QE3 could follow QE2 and that the current QE may be even higher than \$600 billion. This caused the US\$ to sell off, gold to rise and bonds to fall.
- The big economic number this past week was the nonfarm payroll for Nov on Friday. A weaker than expected rise of 39,000 spooked the market. This followed the upward revised Oct number of 172,000.

- These numbers are pitifully weak in the face of an economy that needs at least 250,000 jobs monthly just to stand still. The unemployment rate jumped to 9.8% from 9.7%.
- Still the optimism that all of this is temporary continued.
 - Despite the brave face of many economists the jobs number are pointing to a weakening economy not a strengthening one. The market had expected Nov job growth to be around 150,000.
 - The current job recovery is one of the weakest on record following a recession. While the trend in jobs is up from the trough purportedly Dec 2009 the recovery is very weak historically. Currently it is about on par with the recovery seen following the recession caused by the bursting of the Internet/High Tech bubble in 2000-2002.
 - Other numbers this past week were mixed. The Case Shiller price index for Sep was 0.59% well below the expected 1%. The Chicago PMI for Nov was stronger than expected at 62.5 vs. the expected 58. Construction spending for Oct was up 0.7% which was excellent considering the expectation was for a decline of 0.8%. But a clue on the job numbers came in with the initial unemployment claims of 436 thousand above the expected 415 thousand and above the previous week's 410 thousand. Pending home sales for Oct were up a strong 10.4% when they expected flat and factory orders for Oct were off 0.9% but that was better than the expected decline of 2%. The ISM index for Nov disappointed at 56.6 below the expected 57.2 but the ISM services number was 55 above the expected 53. Manufacturing weak and services stronger is the interpretation of the ISM numbers.
 - Key numbers out this coming week include the trade data for Oct looking for a deficit of \$43.8 billion barely an improvement on the \$44 billion deficit for Sep. Also watch consumer credit for Oct. The market is looking for another decline this time \$2 billion.
 - Ten year Treasury notes rose to 3.03% from 2.87% the previous week. The two year Treasury note fell though to 0.49% from 0.51%. Long rates up and short rates down. Long rates are up on fears of more QE while short rates are down are down because of the weak job numbers.
 - Money supply is increasing again. M1 is reported up 14.7% in the latest three months while M2 is up 7.6% in the latest three months.
 - In the face of weak economic numbers it seems odd that long rates would rise. But the fears of QE overwhelm any thoughts of a weak economy.
 - A firm break under the 40 week MA should turn the intermediate trend down. There is support at 123 and again at 120. The 4 year MA is down at 118^24.

CANADIAN BONDS	Intermediate Trend: Neutral	Short-term Trend: Down	Week: Down
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CANADIAN BONDS STRATEGY: Trend System – Long (barely), Bond Model - Stand aside
for definitions of terms, see end of report)



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

- Canadian bonds as represented by the 10 year Canadian Government Bond futures (CGB's) fell almost 0.6% this past week. After a pause the previous week this continues the recent downtrend. The drop in bond prices was fuelled by Bernanke hints that QE2 may be followed by QE3 or that QE2 may be even higher than advertised.
- The fact that bonds fell despite weak or luke warm economic numbers this past week highlights the current weakness in the market.
- Canada's current account deficit widened to \$17.5 billion Q3 the highest level since 1946. Q3 GDP numbers were a very tepid 1% below the BofC's forecast. While 15 thousand jobs were added in November and they were somewhat better than the past few months job growth remains tepid at best and certainly below levels seen earlier in the year. Call it a slow motion recovery. The good news was that the unemployment rate fell to 7.6% from 7.9% but it was primarily because many dropped out of job searching because they can't find a job.
- Note that after a fall in October the prime creator of jobs was part time ones. Job creation this past year is also uneven. Strong in the west but weak in the industrial heartland of Ontario and Quebec.

- Key economic numbers to watch this coming include the BofC decision on Tuesday. The expectation is that the BofC will leave rates unchanged at 1%. Watch carefully any statements. Housing starts for November are out on Wednesday. The expectation is for 180 thousand which if realized would be higher than the 167.9 thousand reported in October. Finally on Friday the trade numbers for October are reported. A deficit of \$2 billion is expected and if realized is better than the \$2.5 billion deficit recorded in September.
- Bonds are once again at the 40 week MA support zone. A firm break below and close below could then bring the focus on the four year MA below near 119. The 40 week MA is currently at 122.50. Bonds failed at a downtrend line from the recent highs.
- The bond model is on the sidelines while the trend following system is still barely clinging to being long. Another down week and break below the 40 week MA should shift the intermediate trend down. Investors should seek safety in treasury bills or short maturities between one and three years. A falling government bond market in price (rising yields) also signals that investors should be cautious with corporate bonds where spreads might widen.

PRECIOUS METALS AND CURRENCIES

	Intermediate term trend	Short-term trend	week trend	intermediate strategy
Gold	up	up	up	long
Gold Bugs Index (HUI)	up	up	up	long
Silver	up	up	up	long (new highs)
TSX Gold Index	up	up	up	long
US\$ Index	down	up	down	Stand aside
CDN\$	up	up	up	long

(for definitions of terms, see end of report)

Gold & Silver



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

- Gold prices rose 3.2% this past week while silver jumped a strong 9.5%.

- Platinum was up 4.5% while palladium leaped 13.7%. Both palladium and silver made new highs for the current move. Both platinum and palladium are used for industrial purposes although platinum is also used in jewellery and there are coins for investment purposes as well.
- Copper was also strong gaining 6.3%.
- The prime reason for the strong move in the metals was the weakening US\$.
- The weakening US\$ was prompted by the unemployment numbers where jobs created were lower than expected and the unemployment rate rose. This prompted the thought that more QE may be needed as noted previously.
- There was also speculation that China will step up gold purchases both for official purposes and its people buying gold. China's imports of gold have jumped 5 fold this year. Many are noting that if China wants to make the Yuan an international currency it requires more gold reserves.
- Gold is now only \$8 short of the highs made on November 9, 2010. Odds favour that high will fall probably this week. After the close of futures on Friday gold soared even higher by the end of the day suggesting that Monday should see gold gap up.
- The target for gold is now \$1535. This is based on gold exceeding the targets set from the huge head and shoulders formed between March 2008 and September 2009. As well based on the ascending triangle formed between December 2009 and September 2010 the target is \$1465.
- Silver leaped to new highs on Friday. The next target for silver is at \$35.
- New highs for gold could begin an acceleration of the current move.
- Support for gold below is at \$1375 and \$1360. A break below \$1360 could target a move back to \$1300. This scenario is less likely now. Resistance would be seen at \$1425 then again at \$1450/\$1465 and \$1500.
- Silver has support at \$28 and \$27. Below \$27 a fall to \$25 is probable. There is not a lot of resistance between here and \$35 although \$30 could see a hesitation.
- Gold is up 28% thus far in 2010 while silver has gained almost 74%. Silver has had its best yearly gain since 1979.
- The CFTC reported the commercial COT for gold is at 29% off slightly from the previous week's 30%. A fall of 8,000 contracts for long open interest caused the small drop.
- The silver commercial COT fell to 27% from 31% as long open interest fell 8,000 contracts offsetting a 5,000 contract drop in short open interest.
- The commercial COT reports are not as yet super bearish but the fall is a possible warning even if the market were to suddenly soar.
- A breakout to new highs could begin an acceleration in the price. An acceleration is quite exciting but also potentially dangerous as it can turn suddenly. Investors should be aware of this going forward. Irrespective the long term prospects for gold and silver remain firmly bullish irrespective of any sudden sharp corrections.

Gold Bugs Index (HUI) and TSX Gold Index



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

- The Gold Bugs Index rose 7.7% this past week while the TSX Gold Index jumped 3%.
- Both indices fell short of their highs seen three weeks ago.
- Given that they are close to new highs odds favour seeing those new highs this coming week.
- Based on the ascending triangle that formed between December 2009 and September 2010 the targets are up to 645. For the TSX Gold Index the targets are 494. The earlier highs for the HUI were at 588 and for the TSX Gold Index 436. The close on Friday was HUI 581 and TSX Gold Index 432.
- Support for the HUI is now at 535 and 490. Below 490 a trend change would take place as it was the last weekly low. Long term major support is at 470.
- For the TSX Gold Index there is support at 405 and down to 385. Below 385 major long term support is seen at 335.
- If a major move was made this coming these targets could be hit. If that were the case profit taking is suggested.
- Major weekly indicators are pointed up and there are no significant negative divergences. With new highs imminent negative divergences could develop on the daily charts.
- There are some further possible targets for the gold indices based on the huge head and shoulder pattern that formed from March 2008 and September 2009. For the HUI targets are 750 and for the TSX Gold Index 570. These levels are not expected soon but the ascending triangle targets noted above are now within reach on a surge.

Canadian Dollar



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

- The Cdn\$ jumped 1.5% this past week on the back of stronger commodity prices and the weak US\$. However, on Friday following the US employment numbers the Cdn\$ weakened slightly.
- This has put the Cdn\$ back at resistance at par. Above further resistance is seen up to 101.
- The Cdn\$ was up on the week despite the weak trade report and the weak GDP report (discussed under Cdn bonds).
- The better than expected jobs numbers in Canada and the weak numbers in the US helped buoy the Cdn\$.
- The Cdn\$ has support at 98 but under 98 a fall to 96 is probable. Under 96 targets would be 95. Only under 95 could the Cdn\$ become weaker with a fall to 93.
- The commercial COT for the Cdn\$ is at 29% unchanged from the previous week but up from 22% two weeks ago. This is slightly positive.
- The Cdn\$ is once again back near the top of the rising channel that has been forming since the lows in May 2010. A break above 101 could target up to the top of a wider channel near 104.

US Dollar Index



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

- While Euro zone debt woes are still in the news the tensions between the Koreans has eased considerably. With the weaker than expected employment numbers this past the US\$ has been weak as it fell 1.3%.
- Thus far the US\$ has made a successful test of the possible neckline of the huge head and shoulders pattern seen on the charts. The key zone remains the shoulders highs with the left shoulder high near 82.50 and the right shoulder high near 83.60. Above those levels the US\$ would be firmly back in a bull rise.
- There is support now at 79 and below that at 78. A break and close under 78 would bring back into focus the potential head and shoulders target near 71.50. There is interim support at 76 and 74.
- Above there is now established resistance at 80 and up to 81.
- But the key this past week for the US\$ was the weak employment numbers on Friday as the US\$ fell 1.2% on Friday giving the market the loss for the week. The weak employment numbers also brings back into the focus QE2. The Japanese Yen was up 1.3% on the week, the Euro gained 1.1% and the British Pound was up 0.9%.
- The CFTC reported that the Euro commercial COT rose to 51% from 50% and 45% two weeks ago. Long open interest rose 6,000 contracts even as short open interest was up 3,000 contracts. The British Pound commercial COT had a big jump to 55% from 42%. Long open interest rose 7,000 contracts and short open interest fell 12,000 contracts. The Japanese Yen commercial COT was

steady at 41% unchanged from the previous week. Generally the commercial COT's for the currencies are mildly bullish.

- Generally with the improvement in the Euro this past week some of the focus appears to be coming off of the Euro zone debt crisis.
- Key levels remain at 78 and 76 to the downside and 80, 81 and 82 to the upside. Breaks above or below these levels would key on the next level of either support or resistance.

- **ENERGY**

	Intermediate term trend	Short-term trend	week trend	intermediate strategy
Oil	up	up	up	Long (new highs)
Natural Gas	neutral	up	down	Stand aside
XOI Index	up	up	up	Long hold (new highs)
TSX Energy Index	up	up	down	Long hold

(For definitions of terms, see end of report)

Oil & Gas



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

- With the US\$ once again experiencing weakness oil prices jumped 6.5% this past week making new highs for this move up in the process. Natural Gas (NG) prices, however, continued to flounder losing 1.1%.
- Oddly oil prices did not react to the poor employment numbers instead focusing on the falling US\$. Oil prices are priced in US\$ so a falling dollar pushes oil prices higher in US\$ to compensate for the lower US\$ value.

- The result of moving higher on a falling US\$ could be considered somewhat negative as it was not based on any change in fundamentals.
- The jump to new highs puts earlier targets of \$100/\$101 back in focus.
- The next major zone of resistance is at \$94. That area coincides with a rising channel based on connecting the highs of October 2009 with the highs of January 2010 and April 2010. If this zone proves to be a failure zone it would emphasize the channel. An argument could then be made that what may be forming is a rising or ascending wedge triangle. However, the apex of this potential triangle could still find the market targeting up near \$100/\$101.
- Support is now at \$85 and while a break of that zone would put the rally in question only a break below \$82 could change the current bullish trend. The final support is at \$80 and under that level oil would assume a more bearish stance.
- There is some resistance at \$90 but the major resistance would be seen near \$94.
- This past week the EIA reported that oil supplies rose 1.1 million barrels leaving them 19.8 million barrels above last year's levels; gasoline supplies rose 0.6 million barrels but are 3.9 million barrels below last year; and, distillates fell 0.2 million barrels and are 7.6 million barrels below last year. The positive report on oil supplies did not have an impact on oil prices.
- The CFTC reported that the commercial was steady at 44% for oil. There was, however, a 7,000 contract rise in long open interest and a 14,000 contract jump in short open interest. This is somewhat negative.
- NG prices continue to flounder although the recent rise has maintained the slightly bullish stance. NG prices for the second time failed at the downtrend line from the January 2010 highs. This downtrend line connects up with highs in June and August 2010.
- Repeated failure is a negative. Support below is at \$4.20, \$4.10 and \$4. Below \$4 there is support at \$3.85. Under \$3.85 a fall to the recent lows near \$3.25 is possible.
- The problem with NG remains the high supplies available. The weather is also co-operating. The EIA reported that NG supplies are at 3,814 Bcf even as supplies fell 23 Bcf this past week. Stocks are also 23 Bcf below last year's levels but are 347 Bcf above the 5 year average.
- The commercial COT for NG remains bullish at 62% up from the previous week's 61%. Short open interest fell 7,000 contracts but long open interest was also down 3,000 contracts.
- The key right now is that a gap formed above \$3.75 remains in place. This could still be viewed as a breakaway gap for NG. Better still would be a breakout over \$4.40. This could help target to the next zone of resistance seen near \$5 and up to \$5.25.

Amex Oil & Gas Index (XOI) and TSX Energy Index



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

- The AMEX Oil & Gas Index (XOI) jumped to new highs this past week gaining 4.2%. The TSX Energy Index gained 3.6% but remains just shy of making new highs.
- The previous week the energy stocks fell even as oil and gas were up on the week. This was a concern because of the potential negative divergences. With oil prices jumping this past week to new highs even as NG continues to flounder the gains this past week for the stocks is quite encouraging.
- The breakout to new highs (and the TSX energy stocks close to new highs) brings back into focus the potential for higher prices.
- The XOI has potential targets up to 1255. A more optimistic target is up near 1425. Previous comments had noted the rarity of triple tops. Now that the market is through those points with new highs the upper potential target may be realized. At a minimum the near target should be realized.
- While there is the potential for considerable resistance at the 1160 level (4 year MA) a break above that point should bring the near term target of 1255 into better focus.
- Support for the XOI is now at 1100. A break under that level would once again bring the rally into question and an initial decline to 1025 is probable.
- The TSX Energy Index is on the cusp as well of breaking to new highs. Minimum targets appear to be near 340 once the new highs are made. A more optimistic target is near 360.
- Support for the TSX Energy Index is at 290. A break under 290 suggests a move down to 275 and even down to the August lows near 260.
- This past week's break out is encouraging for the sector. The TSX Energy Index is demonstrating a nice stair step bull pattern with higher highs and higher lows. The XOI has broken above a

consolidation pattern. The stocks are in sync with oil prices although NG remains weak. Focus should remain on the oil based stocks rather than NG stocks. A small negative is that there is some negative divergences with the price and the indicators for the energy indices. There are some on the dailies as well but indicators on the dailies are turning up from oversold levels.

TSX Indices

- The S&P TSX Composite made new highs for the current move to the upside gaining 2.2%.
- The TSX 60 was up 1.9% and the TSX Venture Exchange gained 2.6%. Both indices also made new highs for the current move to the upside.
- Eleven of fourteen sub indices were up on the week. Leading the way to the upside was Metals & Mining with a gain of 8.3%, Health Care jumping 6.9%, and, Materials up 5.4%.
- The losers on the week were Financials, Consumer Staples and Telecommunications. All were down a small 0.3%.
- Once again the Financials were a weak link. Without the participation of the Financials this market overall should remain weak even as it moves higher.
- A number of sub indices made new highs for the current move to the upside. They were Consumer Discretionary, Health Care, Metals & Mining, Materials and Utilities.
- There were no intermediate trend changes this past week.
- There were only a small handful of short term trend changes as follows: Consumer Staples up to neutral; Health Care neutral to up; Industrials neutral to up; and Materials down to up.
- The S&P TSX Composite has moved higher in its channel formed by connecting the highs of September 2009 with the highs of January 2010. The top of the channel is currently near 13,350. That area should act as resistance.
- Support for the S&P TSX Composite is at 12,740.
- It is possible that the S&P TSX Composite is forming a bearish rising wedge triangle. As noted its support is currently at 12,740. A break below that level would send the composite to its next support at 12,275. A break below 12,000 could set up a decline to the rising wedge's target near 11,150.
- A firm breakout above 13,350 could suggest that the index could move to the top of a much broader channel currently near 14,850.
- The current up move has few negative divergences in the weekly charts. Indicators continue to be pointed to the upside.
- The market remains bullish with the strongest sectors in gold, metals & mining, materials, consumer discretionary and health care. To a lesser extent utilities also remain positive. Financials, consumer staples and telecommunications the three losers on the week are weak. Real estate is also weak. Information technology continues to improve.

TSX INDICES

	close on Dec 3	52-week high	52-week low	trend			strategy
				inter- mediate trend	short- term trend	Week trend	
TSX Composite	13,178.95	13,196.52	10,990.01	up	up	up	Long hold (new highs)
TSX 60	752.21	753.41	642.75	up	up	up	Long hold (new highs)
TSX Venture	2,109.95	2,109.96	1,342.87	up	up	up	Long hold (new highs)
Energy	307.24	308.93	260.46	up	up	up	Long hold
Financials	180.84	192.26	161.31	up	up	down	Long hold
Information Technology	30.45	31.96	26.33	up	up	up	Long hold
Consumer Discretionary	98.18	99.02	76.80	up	up	up	long hold (new highs)
Consumer Staples	191.42	197.06	160.93	up	neutral	down	Long hold
Healthcare	51.66	51.83	33.84	up	up	up	long hold (new highs)
Industrials	107.50	109.19	89.14	up	up	down	Long hold
Materials	441.87	444.53	293.99	up	up	up	Long hold (new highs)
Telecommunications	91.02	95.56	74.09	up	neutral	down	long hold
Utilities	218.61	220.12	168.74	up	up	up	Long hold (new highs)
Gold	431.98	435.93	294.33	up	up	up	long hold
Metals & Mining	1,387.58	1,390.86	772.22	up	up	up	Long hold (new highs)
Real Estate	193.75	203.11	146.48	up	down	up	Long hold
Income Trusts	142.79	145.45	115.95	up	up	up (barely)	Long hold

(for definitions of terms, see end of report)

EXCHANGE TRADED FUNDS

- Once again a quiet week unfolded although a number of ETF's made new highs. New highs were seen for XIU, XIC, XMD, and EWJ.
- There were very few changes on the week.
- Intermediate trend changes were as follows: XSB neutral to down.
- Short term trend changes were as follows: EEM down to up; and, GLD neutral to up.

ETF	intermediate trend	short-term trend	intermediate strategy
XGD/T Gold	up	up	long hold
XMA/T Materials	up	up	Long hold
XIT/T Technology	up	up	Long hold
XFN/T Financials	up (barely)	up	Long hold
XEG/T Energy	up	up	Long hold
XRE/T REIT	up	down	long hold (caution)
XIU/T TSX 60	up	up	Long hold (new highs)
XSP/T S&P 500	up	up	Long hold
XBB/T Bonds	neutral	down	Long hold (caution)
XSB/T Short Bonds	down	down	Stand aside
XRBT Real Return Bonds	up	neutral	long hold
XIC/T Composite	up	up	Long hold (new highs)
XMD/T Mid-Cap	up	up	Long hold (new highs)
QQQQ NASDAQ	up	up	Long hold
SPY/NY S&P 500	up	neutral	Long hold
EWJ/NY Japan	up	up	Long hold (new highs)
FXI/NY China 25	up	down (barely)	Long hold
EEM/NY Emerging Markets	up	up (barely)	Long hold
GLD/NY Gold	up	up	long hold
SLV/NY Silver	up	up	long hold
IEV/NY Europe	up	down	Long hold (caution)
IFN/NY India	up	down	Long hold (caution)
TLT/NY 20-year bond	neutral	down	Stand aside

for definitions of terms, see end of report

Horizon Beta Pro Single ETF's

- The HBP Comex Gold, Comex Silver and Winter NYMEX Oil and Winter NYMEX Natural Gas are currency hedged.
- The HBP Inverse ETF's can be used as portfolio hedges or as positional trades.
- There was one intermediate trend change: HIE neutral to up.
- Short term changes were as follows: HUG neutral to up; HUC neutral to up; and HUN up to neutral.
- The HIX and the HIE made new lows.

ETF	Intermediate trend	short-term trend	intermediate strategy
HBP Comex Gold HUG/T	up	up	Long
HBP Comex Silver HUZ/T	up	up	Long
HBP Winter NYMEX Crude Oil HUC/T	up	up	Long
HBP Winter NYMEX Natural Gas HUN/T	down	neutral	Stand aside
HBP S&P TSX 60 Inverse HIX/T	down	down	Stand aside – bottoming? (new lows)
HBP S&P Financials Inverse HIF/T	down	down	Stand aside – bottoming?
HBP S&P Energy Inverse HIE/T	down	down	Stand aside (new lows)
HBP S&P Gold Inverse HIG/T	down	down	Stand aside

for definitions of terms, see end of report

Please note: Horizon BetaPro products are securities of related issuers to MGI Securities.

DEFINITIONS OF TERMS

Intermediate-term trend (weekly trend): Of interest to conservative long term investors. As long as the intermediate trend is up, conservative long term investors can continue to hold. But watch the short-term trend for possible trend changes coming.

Short-term trend (daily trend): Of interest to more aggressive investors and traders. When the short term trend turns up more aggressive investors and traders may wish to go long. Note though that all strategy signals are based on the intermediate trend only.

Strategy:

Buy: All buy signals relate solely to the intermediate trend. A buy signal is issued when the intermediate trend turns up.

Sell: All sell signals relate solely to the intermediate trend. A sell signal is issued when the intermediate trend turns down.

Stand aside: intermediate strategy is in stand aside mode following a sell signal.

Long or long hold: intermediate trend is up following a buy signal and investors can continue to remain long.

Long or long hold – topping or caution: short term indicators are diverging negatively and there are other indicators indicating to us that the market may be topping out. Confirmation will only come when the intermediate trend turns down and issues a sell signal.

Stand aside - bottoming: short term indicators are diverging positively and there are other indicators indicating to us that the market may be about to change from stand aside to buy. Confirmation will only come when the intermediate trend turns up and issues a buy signal.

Stand aside – accumulate: similar to stand aside – bottoming above except investors may wish to consider accumulating. Confirmation will only come when the intermediate trend turns up and issues a buy.

(New highs, new lows): market or index is making new highs or new lows.

Trend Signals:

Up – Trend is up.

Down – Trend is down.

Neutral – Trend has entered a transition phase before either resuming the current trend or changing trend. This is a caution zone and signals that a trend change may be in the offing.

Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

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