

# The Squeeze Play™

A Weekly Update from *Phil Erlanger Research Co., Inc.*

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## Inside The Numbers

*The S&P 500 remains below the head & shoulders neckline “mega” resistance level. Short selling continues to diminish as investor sentiment is building to frothy levels.*

By popular demand we will review sentiment and price performance for all sectors on a monthly basis. Short selling is how we gauge sentiment, and our Tech Rank, which measures relative strength, is how we track sector price action.

**Technology** has regained the top spot in our sector work, but it has been at a cost. Intensity of short selling in most sectors has diminished, but in technology short selling is sharply lower (see chart.)

Our “Technical” Rank measures the relative strength of a particular issue. We average all tech ranks in each sector. The higher the number (scaled from 0 to 100), the stronger the relative strength is. For **electronic technology** and **technology services**, the average Tech Ranks are in the high 50s and rising. However, they are well off of their above 70 readings of just a month ago.

Last month we said that **technology** is the only game in town. We covered our shorts in this sector. Looking at the charts in the following pages, all other sectors have failed to achieve improved average technical ranks, and short selling is mostly lower. Our conclusion is that this is a weakening of the overall health for the market. The immediate future of stock prices appears to be at the mercy of technology’s progress from here.

*Continued on next page...*



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# Inside The Numbers

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This page shows how non-technology sector average tech ranks have continued to fall. On a relative basis, these sectors are contributing little to no aid to the market's attempts to achieve higher ground:



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# Inside The Numbers

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**Finance** issues remain mediocre. Short selling intensity is light at 39.67, and the average Tech Rank is moderate and weakening.

**Utility** issues have declining technical ranks - a surprise in a market that is becoming interested in dividend paying issues.



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# Inside The Numbers

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**Health technology** remains slightly above average in our sector ranks. But its average technical rank is plummeting – a clear sign that relative strength in the current advance is absent. **Health services** suffer from both diminished short intensity and mediocre Tech Rank readings.



# Inside The Numbers

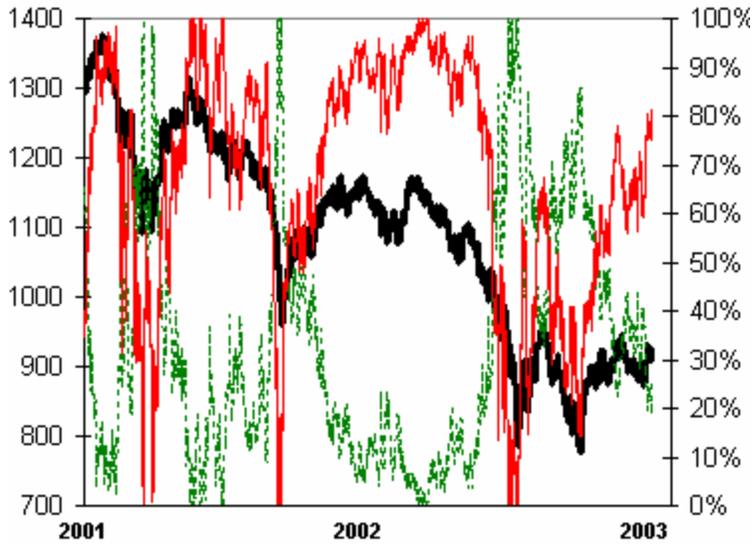
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Short selling intensity remains relatively heavy for **consumer durables**. Average technical ranks are in decline for all of the sectors below, however.



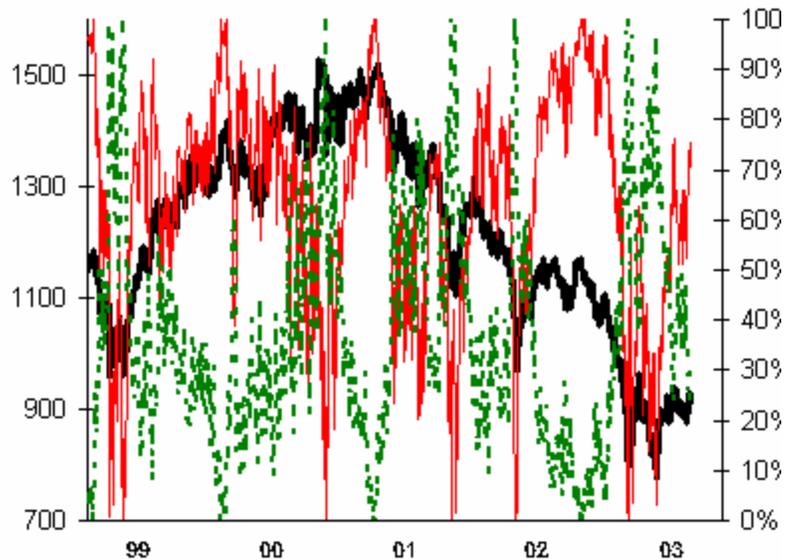
# ERLANGER S&P 500 CONFIDENCE INDICES

### Hourly S&P 500 Buy/Sell Confidence



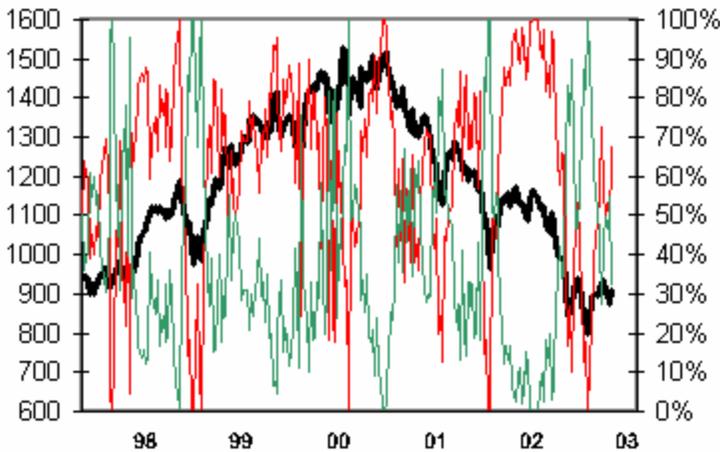
— S&P 500      - - - - Buy Confidence Index  
 — Sell Confidence Index

### Daily S&P 500 Buy/Sell Confidence



— S&P 500    — Sell Confidence    - - - - Buy Confidence

### Weekly S&P 500 Buy/Sell Confidence



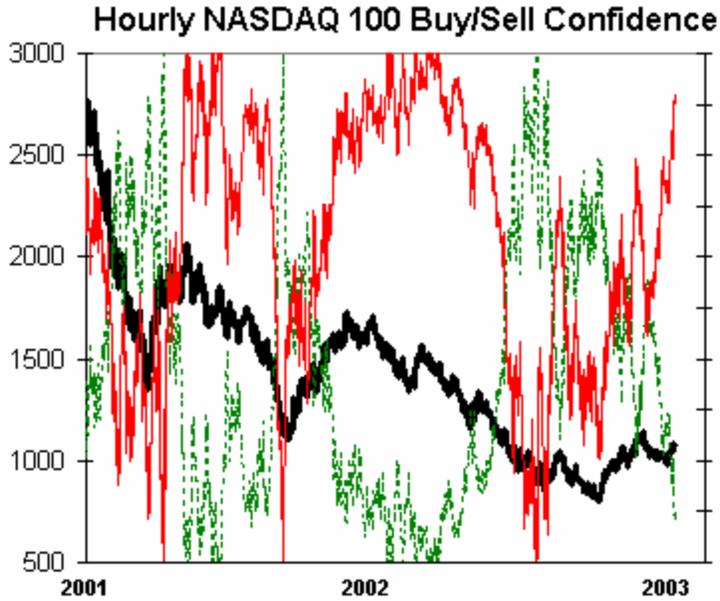
— S&P 500      — Sell Confidence  
 - - - - Buy Confidence

### S&P 500 SQUEEZEMETER 01/09/03

*Closing Data*

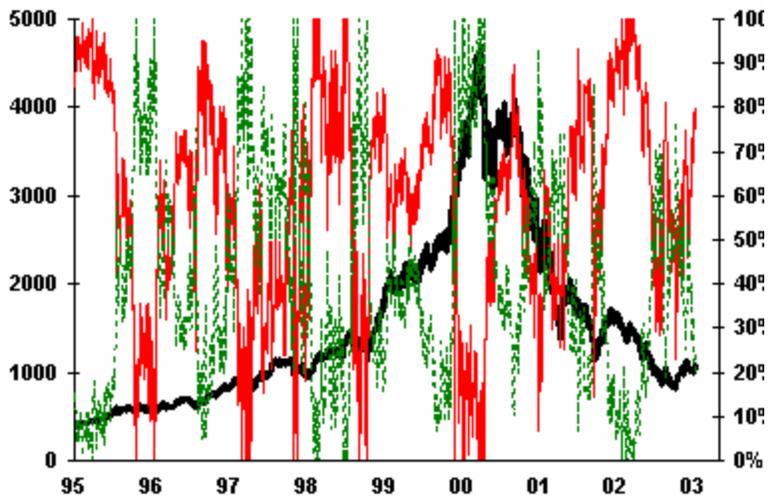
	MEGA	LT	INT	ST	
Turning Up					Speculative Buy
Early Uptrend					Buy
Uptrend					Hold
Mature Uptrend					Set tight stops/sell
Neutral					Positive Bias
Neutral			76		Negative Bias
Turning Down					Speculative short or cash
Early Downtrend					Short or cash
Downtrend	90				Hold shorts or cash
Mature Downtrend		68		80	Set tight stops/cover or cash
	MONTHLY	WEEKLY	DAILY	HOURLY	

# ERLANGER NASDAQ 100 CONFIDENCE INDICES



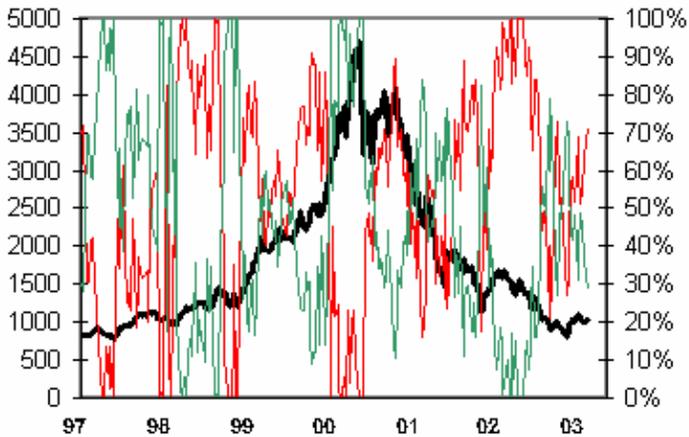
— NASDAQ 100      - - - - Buy Confidence  
 — Sell Confidence

### Daily NASDAQ 100 Buy/Sell Confidence



— NASDAQ 100      - - - - Buy Confidence  
 — Sell Confidence

### Weekly NASDAQ 100 Buy/Sell Confidence



— NASDAQ 100      — Sell Confidence  
 — Buy Confidence

## NASDAQ 100 SQUEEZEOMETER 01/09/03

*Closing Data*

	MEGA	LT	INT	ST	
Turning Up					Speculative Buy
Early Uptrend					Buy
Uptrend					Hold
Mature Uptrend					Set tight stops/sell
Neutral					Positive Bias
Neutral		71	80	90	Negative Bias
Turning Down					Speculative short or cash
Early Downtrend					Short or cash
Downtrend					Hold shorts or cash
Mature Downtrend	93				Set tight stops/cover or cash
	MONTHLY	WEEKLY	DAILY	HOURLY	

## ERLANGER SECTOR RANKING

*1=BEST 18=WORST*

Sector Name	Power Rank	Tech Rank	Short Rank	Rank <i>01/09/03</i>	Rank <i>01/02/03</i>	Rank <i>12/26/02</i>	Rank <i>12/19/02</i>	Rank <i>12/12/02</i>	Rank <i>12/05/02</i>
TECHNOLOGY SERVICES	54.25	58.37	46.01	<b>1</b>	5	4	5	3	2
ELECTRONIC TECHNOLOGY	54.19	58.66	45.30	<b>2</b>	4	9	9	4	1
NON-ENERGY MINERALS	47.64	50.21	42.56	<b>3</b>	2	2	2	6	9
UTILITIES	47.98	53.66	36.61	<b>4</b>	7	6	4	9	13
TRANSPORTATION	48.70	53.71	38.84	<b>5</b>	3	8	6	5	8
ENERGY MINERALS	46.01	45.93	46.12	<b>6</b>	1	1	1	1	5
HEALTH TECHNOLOGY	45.83	44.64	48.16	<b>7</b>	8	5	7	7	3
HEALTH SERVICES	42.63	43.71	40.50	<b>8</b>	16	15	15	16	17
COMMERCIAL SERVICES	42.41	42.57	42.02	<b>9</b>	9	7	8	8	6
PROCESS INDUSTRIES	42.10	43.53	39.21	<b>10</b>	11	11	12	15	16
PRODUCER MANUFACTURING	41.86	42.87	39.82	<b>11</b>	10	12	11	10	14
FINANCE	41.48	42.02	40.43	<b>12</b>	13	10	10	14	11
CONSUMER DURABLES	41.52	40.41	43.60	<b>13</b>	12	13	14	12	12
CONSUMER NON-DURABLES	40.12	40.68	39.03	<b>14</b>	15	14	13	11	10
INDUSTRIAL SERVICES	39.89	36.91	45.90	<b>15</b>	6	3	3	2	4
RETAIL TRADE	39.02	36.62	43.88	<b>16</b>	17	17	17	13	7
CONSUMER SERVICES	38.74	38.35	39.54	<b>17</b>	14	16	16	17	15
MISCELLANEOUS	32.90	33.78	31.12	<b>18</b>	18	18	18	18	18

### Sector Changes From Prior Week

<i>New Buys Ranked 1-6</i>	<i>New Holds Ranked 7-12</i>	<i>New Sells Ranked 13-18</i>
Utilities 4 +3	Health Services 8 +8	Consumer Durables 13 -1
	Finance 12 +1	Industrial Services 15 -9

Technology continues to dominate the long side of our work. Sectors in the buy category include Energy Minerals, Non-Energy Minerals, Transportation, Electronic Technology, Technology Services and Utilities.

Sectors that sport a neutral rank saw Health Services and Finance move from avoid to neutral. Continue to closely watch Consumer Durables and Industrial Services as they have started to break down.

Weak sectors include Consumer Durables, Consumer Non-Durables, Industrial Services, Retail Trade, Consumer Services and Miscellaneous.

**Group Review ranked 1 (best) to 139 (worst)**

The purpose of this review is to analyze Groups improving into the top 25% of our group analysis from the prior week and catching those Groups deteriorating into the bottom 35% of our group analysis from the prior week. These groups are sorted by their weekly change from the prior week. **Groups are ranked from 1 to 139. 1 is the strongest rank and 139 is the weakest rank. Updated through January 9, 2003.**

<b>Groups Improving Into Top 25% (or Group Rank &lt;= 35) +7</b>	<b>Groups Deteriorating Into Bottom 35% (or Group Rank &gt;= 90) +12</b>
+70 Semiconductors 17	-94 Contract Drillers 114
+64 Investment Banker/Services 22	-83 Oilfield Equipment 132
+58 Cellular Telephone 13	-77 Aerospace 98
+41 E.D.P. Peripherals 14	-72 Casinos/Gambling 117
+28 Health Industry Services 32	-64 Wholesale Distributors 100
+27 Printing/Forms 31	-63 Aluminum 109
+20 Finance Companies 19	-53 Fluid Controls 122
	-44 Other Consumer Services 127
	-34 Oil Gas/Transmission 93
	-32Paints/Coatings 113
	-29 Textiles 102
	-24 Industrial/Machinery94

<b><i>Buy Ideas</i></b>	<b><i>Sell Ideas</i></b>
<b>WDC, FRDY, AVID, NTAP, ATMI, MRVL, EXAR, VIP, WWCA, IMPH, CERN, IDXC, SRCL, RHD, COF, SWS, RJF and MER</b>	<b>OIL, VRC, CAM, SLB, CECO, GGG, RIG, NE, PDS, AA, LMT, TPP.</b>

## TOP TEN GROUPS IN TERMS OF SHORT/LONG SQUEEZE POTENTIAL

Potential Short Squeeze	Group Rank	Avg Tech Rank	Avg Short Rank	Avg Power Rank	Total Short Squeeze	Total Long Squeeze	Type 1 %	Type 2 %	Type 3 %	Type 4 %
Drug Store Chains	116	16.7	77.8	37.0	83.3%	0.0%	0.0%	0.0%	83.3%	0.0%
Contract Drilling	114	31.8	47.8	37.1	41.2%	17.7%	5.9%	0.0%	35.3%	17.7%
Other Pharmaceuticals	20	49.1	59.0	52.4	40.0%	15.6%	17.8%	8.9%	22.2%	6.7%
Computer/Video Chains	104	28.5	58.0	38.3	38.5%	15.4%	0.0%	7.7%	38.5%	7.7%
Building Materials	30	47.5	52.0	48.9	37.5%	25.0%	6.3%	12.5%	31.3%	12.5%
Diversified Elec. Prod	26	45.0	58.9	49.8	33.3%	8.3%	25.0%	0.0%	8.3%	8.3%
Hospital Management	128	33.3	37.7	34.6	33.3%	33.3%	0.0%	13.3%	33.3%	20.0%
Wholesale Distributors	100	35.0	46.3	38.8	31.8%	18.2%	0.0%	9.1%	31.8%	9.1%
Books/Magazines	70	43.1	40.7	42.2	30.8%	30.8%	7.7%	7.7%	23.1%	23.1%
Cellular Telephone	13	61.0	43.2	55.1	30.0%	20.0%	20.0%	20.0%	10.0%	0.0%

Potential Long Squeeze	Group Rank	Avg Tech Rank	Avg Short Rank	Avg Power Rank	Total Short Squeeze	Total Long Squeeze	Type 1 %	Type 2 %	Type 3 %	Type 4 %
Specialty Steels	107	38.8	36.1	37.9	25.0%	62.5%	0.0%	25.0%	25.0%	37.5%
Managed Health Care	129	39.2	25.0	34.5	15.4%	61.5%	0.0%	30.8%	15.4%	30.8%
Aluminum	109	40.0	31.8	37.5	25.0%	50.0%	0.0%	25.0%	25.0%	25.0%
Newspapers	112	46.7	18.5	37.3	0.0%	50.0%	0.0%	16.7%	0.0%	33.3%
Major U.S. Telecom.	15	66.7	27.7	53.8	0.0%	50.0%	0.0%	33.3%	0.0%	16.7%
Building Materials Chains	139	31.4	27.3	30.0	0.0%	42.9%	0.0%	0.0%	0.0%	42.9%
Specialty Foods/Candy	92	39.3	41.4	40.1	26.8%	41.5%	4.9%	12.2%	22.0%	29.3%
Mutual Funds	135	32.9	31.0	32.2	11.5%	39.6%	2.9%	4.1%	8.6%	35.5%
Office Equip./Supplies	51	49.2	34.5	44.4	15.4%	38.5%	3.9%	19.2%	11.5%	19.2%
Automotive Aftermarket	73	41.9	42.6	42.1	23.8%	38.1%	4.8%	19.1%	19.1%	19.1%

As of 01/09/03 Close Data

## LONG IDEAS

- I. Top Ten Changes-** Each week we highlight the groups that move into the Top Ten that were ranked greater than 20 from the prior week. Groups that broke out into the Top Ten include Internet and Computer Software. New names include : **SPRT, WGRD, JNPR, IMAN, TDSC, HOOV, AETH, ELNI, MKTW, MANU, NWK, LGTO, OINA, HYSL, CFW, PKTR, EPAY, GSOF, IDN, CTXS, VRTY, COGN, BORL, MNS, ANSS, QSFT, CA, BOBJ, BTEC.**
- II. Breakouts-** We look for stocks that have both price break outs from the preceding week and tech rank improvement. Most interesting issues include those potentially being squeezed that are Type 1s, or that have a short ratio greater than 3 and have a strong Erlanger Trading Rank. Names include: **VRSN, VRTS, SEBL, ADPT, NANO, FDRY, JNPR, MEDW, EMC, MCDT, ELMG, TONS, TBE.**

## SELL IDEAS

- III. Former Type 2s -** We look for stocks with weak Erlanger Technical scores, a low Erlanger Short Intensity Ratio, and a low Erlanger Trading Rank - whose stock price is also below the DMA. Names include: **CACH, DCO, LXBK, SCX, SRCE, VOL, BPO, FMSB, PFDC, TTI, CTR, TRF, INHO, CPV, RBPAA, MBP, CBCL, ATRI, KWR, SXI, STLY, MGRC, NEB, CFFI, CAPX, CAPX, OXM, RVFD, PNNW, GGG, FED, GENZ, EGN, AIP, FOBB, HU, SSD, WSFS, VCO, ITLA, COCO, BMS, GWW, EXC, SWMAY.**
- IV. Best Short Ideas –** These are issues with high institutional ownership with weak Erlanger technical scores, low Erlanger Short Intensity Ratio, and a low Erlanger Trading Rank- whose stock price is below the DMA. Names include: **ASD, MDP, SPW, GILD, CSS, PDS, HOT, ZNT, LNN, R, MCRS, AGL, DCOM, SR, ROCK, MODI, FLO, LFUS, FFBC, IHI and CVG.**

**MAJOR INDEX REVIEW- Data as of January 8, 2003 close. +/- indicates the change since December 18, 2002.**

Index	Strong Erlanger Tech Rank	Weak Erlanger Tech Rank	Neutral Tech Rank	High Erlanger Options Trading Rank(puts high)	Low Erlanger Options Trading Rank(calls high)
<b>Dow 30</b>	7 +1	13 -3	10 +2	2	5
<b>NDX 100</b>	45 +3	43 -10	12 +7	9	21
<b>S&amp;P 100</b>	31 -2	46 +15	23 -13	9	15
<b>S&amp;P 500</b>	164 -27	238 +15	98 +12	73	72
<b>S&amp;P 400</b>	98 -35	238 +52	64 -17	80	98

### Model Portfolio OPEN TRADES

Stock Symbol	Short or Long	Company Name	Date of Opening Trade	Basis	Price as of 01/09/2003	Delta	Days in Trade	Status	P&L%
	Long	Cash Position	10/10/2001			--	457		--
	Long	Cash Position	10/10/2001			--	457		--
	Long	Cash Position	10/10/2001			--	457		--
RYTPX	Long	Rydex Tempest 500 Fund	11/12/2002	\$95.08	\$86.77	-8.31	59	Open	8.74%
DIA	Short	Diamonds Trust	12/04/2002	\$87.44	\$87.78	0.34	37	Open	0.39%
SPY	Short	S&P Depository Receipts	12/04/2002	\$92.24	\$92.81	0.57	37	Open	0.62%
GE	Short	General Electric	12/13/2002	\$25.76	\$25.90	0.14	28	Open	0.54%
MCD	Short	McDonalds	12/13/2002	\$17.38	\$16.87	-0.51	28	Open	2.93%
	Long	Cash Position	12/30/2002			--	11		--
	Long	Cash Position	01/02/2003			--	8		--

### Model Portfolio RECENT CLOSED TRADES

Stock Symbol	Short or Long	Company Name	Date of Opening Trade	Basis	Closing Price	Delta	Days in Trade	Date of Closing Trade	P&L%
RYTPX	Long	Rydex Tempest 500 Fund	08/28/2002	\$93.93	\$108.23	14.30	45	10/11/2002	15.22%
MATR	Long	Matria Healthcare	10/15/2002	\$8.51	\$12.69	4.18	8	10/22/2002	49.12%
YELL	Long	Yellow Corp	10/15/2002	\$29.72	\$29.17	-0.55	11	10/25/2002	-1.85%
SPY	Long	S&P Depository Receipts	10/15/2002	\$87.04	\$88.65	1.61	17	10/31/2002	1.85%
DIA	Long	Diamonds Trust	10/29/2002	\$82.71	\$83.50	0.79	4	11/01/2002	0.96%
QQQ	Long	NASDAQ 100 Tracking Stock	10/15/2002	\$23.32	\$25.09	1.77	18	11/01/2002	7.59%
CSCO	Short	Cisco	11/07/2002	\$12.38	\$13.09	0.71	43	12/19/2002	-5.74%
QQQ	Short	NASDAQ 100 Tracking Stock	11/12/2002	\$25.27	\$25.27	0.00	38	12/19/2002	0.00%
KSS	Short	Kohls Inc.	12/13/2002	\$62.06	\$54.47	-7.59	18	12/30/2002	12.23%
FRED	Short	Fred's Inc.	12/13/2002	\$25.22	\$25.48	0.26	21	01/02/2003	-1.03%

## Type 1 Short Squeeze Type 4 Long Squeeze Update

Over all, since our first screens on March 8, the hedge between the short squeeze and long squeeze screens has cumulatively gained 46.57%, while the S&P slipped -19.87%. We hedged the market and outperformed the S&P 500 by 66.44% - in 301 calendar days.

CUMULATIVE RETURNS: as of 01/03/03					
	Short Squeeze Screen	Long Squeeze Screen	Hedge	S&P	Hedge over S&P
3/8/02	-2.26%	-1.89%	-0.37%	-0.88%	0.51%
3/14/02	-3.12%	-4.43%	1.31%	-0.63%	2.14%
3/21/02	-2.47%	-7.63%	5.16%	-1.32%	6.48%
3/28/02	-4.49%	-10.92%	6.43%	-3.15%	9.58%
4/4/02	-4.23%	-17.00%	12.77%	-5.15%	17.92%
4/11/02	-2.43%	-11.28%	8.85%	-3.27%	12.12%
4/18/02	-5.10%	-19.98%	14.88%	-4.38%	19.26%
4/25/02	-4.42%	-25.24%	20.82%	-5.01%	25.83%
5/2/02	-6.65%	-26.03%	19.38%	-6.07%	25.45%
5/9/02	-4.35%	-20.85%	16.50%	-3.72%	20.22%
5/16/02	-7.16%	-23.94%	16.78%	-5.03%	21.81%
5/24/02	-8.96%	-26.83%	17.87%	-6.75%	24.62%
5/30/02	-10.58%	-37.05%	26.47%	-10.29%	36.76%
6/7/02	-12.11%	-39.76%	27.65%	-12.42%	40.07%
6/14/02	-11.18%	-47.10%	35.92%	-14.22%	50.14%
6/21/02	-12.89%	-47.91%	35.02%	-14.37%	49.39%
6/27/02	-15.89%	-48.52%	32.63%	-14.53%	47.16%
7/5/02	-22.49%	-55.93%	33.44%	-21.37%	54.81%
7/12/02	-25.49%	-63.72%	38.23%	-29.36%	67.59%
7/19/02	-30.59%	-64.53%	33.94%	-28.76%	62.70%
7/26/02	-30.22%	-68.99%	38.77%	-27.42%	66.19%
8/2/02	-24.42%	-63.21%	38.79%	-22.28%	61.07%
8/9/02	-23.38%	-57.44%	34.06%	-20.06%	54.12%
8/16/02	-22.66%	-56.24%	33.58%	-18.76%	52.34%
8/23/02	-25.71%	-61.43%	35.72%	-21.39%	57.11%
8/30/02	-26.33%	-66.70%	40.37%	-23.81%	64.18%
9/6/02	-24.56%	-69.61%	45.05%	-24.27%	69.32%
9/13/02	-27.27%	-75.38%	48.11%	-29.26%	77.37%
9/20/02	-26.30%	-77.49%	51.19%	-31.39%	82.58%
9/27/02	-27.72%	-84.54%	56.82%	-34.63%	91.45%
10/4/02	-25.59%	-77.16%	51.57%	-30.29%	81.86%
10/11/02	-19.13%	-69.70%	50.57%	-24.42%	74.99%
10/18/02	-18.11%	-65.60%	47.49%	-23.37%	70.86%
10/25/02	-16.27%	-63.43%	47.16%	-23.00%	70.16%
11/1/02	-12.17%	-62.00%	49.83%	-21.62%	71.45%
11/8/02	-11.02%	-59.52%	48.50%	-19.93%	68.43%
11/15/02	-1.46%	-53.76%	52.30%	-17.65%	69.95%
11/22/02	1.28%	-54.66%	55.94%	-17.04%	72.98%
11/29/02	-5.50%	-53.97%	48.47%	-19.61%	68.08%
12/6/02	-7.58%	-54.34%	46.76%	-22.10%	68.86%
12/13/02	-8.46%	-53.08%	44.62%	-21.39%	66.01%
12/20/02	-10.84%	-56.27%	45.43%	-23.66%	69.09%
12/27/02	-6.27%	-52.84%	46.57%	-19.87%	66.44%

