

Squeezeometer Update January 2, 2004

We have decided to make some simplifying changes in the Squeezeometer.



There are the usual 4 columns to depict different time frames (hourly, daily, weekly and monthly.) The change comes in with the number of rows. Where there were 10 rows, there are now only 4 rows. The rows are now completely determined by price action of the underlying index (not the momentum of the volatility index.) The determination is a trend direction algorithm using our own parameters. We have done this so that changes in row better reflect the index price action. The numbers inside reflect the usual confidence indicators based upon the relevant volatility indices.

The first 2 rows are advance phase measures. If a cell is activated (activation is manifested by a number and a color inside a cell) in the first row, this means the price action is in an uptrend. If a cell is activated in the second row, this means the price action is moving somewhat contrary to the advance phase -- a

correction. While the second row is activated, price action could be either sideways or in a mild decline. Speculators can sell these in anticipation of momentum gaining power, so that a full blown decline phase ensues. If, however, there is a protracted period of sideways price action while the second row is activated, the advance is considered to have only paused for a breather, and a move back to an uptrend is expected. The third row depicts a clear downtrend direction in price action. The fourth row is the reverse of row 2 (corrective action for a decline phase would be sideways to slightly advancing price action.)

Rows 1 and 3 are clear depictions of trend direction. Going forward we will spend lots of time analyzing the corrective periods (rows 2 and 4) to determine trend changes of the various time frames.

The weakness of the NASDAQ market relative to the S&P 500 is most evident in the long-term column, which is in uptrend phase for the S&P 100 and the "Correction to Uptrend" phase. In all respects, the "buy" confidence indices remain low.