Bullish Beginnings – How to Identify Any Market, ETF, or Sector Just Starting a New Bull Market with One Simple Indicator

There is an opportunity developing in the financial markets right now. No one is talking about it. You see there is a sector, market, or exchange traded fund, that has been falling for years that hit a major bottom several months ago. It has been basing and preparing to break out and start a new bull market. If it is a sector then the stocks that make it up will become the market leaders over the next sixteen months. But hardly anyone is paying attention, because very few people know how to identify the start of a new bull market even though that is the most profitable time to invest.

In fact odds are the analysts who do cover the sector are negative on it too. The news on it has been bad. Earnings probably have been in decline for years. The stocks are money losers. But they have bottomed. Insiders are buying because they know the news won't get any worse. A year from now the stocks in the sector will be four times the price they are now and investors who take the opportunity to buy in now will end up rich.

You can't learn how to spot opportunities like this in school. I started investing in 1997 when I was in graduate school getting a Masters Degree in history. Over the years I had taken a few courses in economics. Nothing I ever learned in school though has applied to successful investing.

I had always been interested in economics and the stock market. I was going to college with the idea of eventually becoming a professor in history. I still read a lot of history and am in the process of writing a history book of my own. What had always interested me though was what happened behind the scenes that were the real causes of historical events. Who were the real players behind the Presidents and politicians? How does power actually work and who really has it?

A book I am writing on the side tries to answer those questions when it comes to the state of Virginia and the South after the Civil War until the 1950’s. But the answers to those questions no matter the time or place usually involve economics. The boom and bust business cycle has a habit of not only changing who is at the top but has an influence over the entire culture. Capitalism has been called "creative destruction" for a reason.

But the point is - my interest in history and economics trickled into an interest in the financial markets themselves. It isn’t a big step to go from studying the Federal Reserve, the stock market crash of 1929, and the Great Depression to wondering how you can make money in the market yourself.

And at the time I was in school we were living through a wild period in the global markets. We saw market crises in Asia, Russia, and the near blow up of Long-Term Capital Management hedge fund. Emergency Federal Reserve bailout programs to stop these crises were followed by the greatest stock market bubble in world history in the Nasdaq. One needed to learn how the financial markets work in order to understand what is going on today.

Inheriting $15,000 became a further reason to begin to learn how to invest. I decided that instead of giving that money over to a broker I wanted to learn how to invest it myself. Over the course of several months I read at least three-dozen books about the stock market and investing.

The books all had a myriad of investment strategies, from people claiming to be Warren Buffett value investors - to the Investor’s Business Daily CANSLIM growth investing - to charting - to Peter Lynch platitudes about buying stocks of companies where you shop. I also read some classic books on trading such as the Livermore book on stock speculation, Nicholas Darvas’s How I Made a Million in the Stock Market, and authors such as Wyckoff, Gann, and Edwards and Magee.

But out of all of these books there is one book that changed everything. And every year I read it once again. It is Stan Weinstein’s Secrets for Profiting in Bull and Bear Markets.

The book was written in 1988 and has a funny cover on it. Funny because the author has the type of hairstyle that people used to wear in the 80’s and makes the book look outdated. I can’t remember if I saw the book in a bookstore or if I bought it because it was mentioned in another book. I remember, however, that many of the people interviewed in Jack Schwager’s Market Wizards books talked about it.

I don’t know if you’d be sitting reading this now though if I hadn’t read this book. If you haven’t read it then you should definitely pick it up.

With the use of the techniques in the book I turned the $15,000 into over $200,000 in the space of a few years during one of the worst bear markets in history and went on to come in second place in the 2003 Robbins Trading Championship. I multiplied those assets several times and co-managed a hedge fund for several years. In 2005 it posted a gain, which put it in the top 5 percentile of all hedge funds.

When I read the introduction in the Weinstein book I knew I was reading what was a revelation for me at the time. He used a simple phrase "The Tape Tells All" which immediately made sense to me and summed up what I was trying to discover.

Weinstein’s philosophy all came down to that simple slogan. What he meant is that all of a company’s prospects, including its earnings, management, outlook, the possibility of a buyout - all of the fundamentals are currently known and factored into the stock price. And there is no way you can know all of this information. You can’t know when a company is about to be bought out or when some hot news item is going to come out. You can’t know when bad news is coming either. You aren’t an insider. You can’t predict the future.

But people try. They chase rumors. They act on tips on the hopes that the tipster has some inside dope. But almost all stocks bought on tips drop. Not many people have special knowledge about a company’s prospects that isn’t already out in the public domain. It’s impossible to trade by trying to know the news ahead of time. Only the insiders can do that. When an analyst says buy this stock, because its earnings are going to go rise ask yourself why that isn’t already factored in to the stock price? What edge is the analyst giving you?

In my reading I came to see the stock market as a great competition. When you buy a stock someone else is selling. There are winners and there are losers and you need to have some sort of edge to be a winner. But how do you get that edge? There are insiders who have an edge that you never will have. How do you go up against them? How do you effectively challenge the intelligence of the Wall Street mutual fund managers and analysts? How do you compete with professionals and hedge fund managers?

Most people simply buy because they read a magazine, hear some good news, or see some hype on CNBC. But the market discounts the future and the public consistently buys behind the curve. The insiders distribute ahead of bad times and buy when the news is bad and the future is bright. How can you outsmart those people? It seems like you need to know more than they do - know everything you can about the economy, their competition, and perhaps be able to predict the future.

But that is virtually impossible. Stock analysts merely pretend to do that. In reality, they are sales people whose job it is to get you to buy stocks their firm is pushing. And the mutual fund managers on TV simply give rosy forecasts about the economy and the stock market to hook you into buying into their fund. They are selling to you too.

You never hear a mutual fund manager say sell, because if everyone sold out of their mutual funds they would be out of a job. That is why CNBC acts as an infomercial for Wall Street and why its viewers almost always get left holding the bag. Mutual fund managers - by a large percentage – don't perform better than the averages. They have no special abilities.

No. The people with the special knowledge are the insiders. A recent study revealed that US Congressmen, on average, outperform the market by 10% year after year. It isn't because they are value investors or were trained on Wall Street, but because they have a line to the inside dope. It is a line you'll never have.

What Weinstein revealed to me is a philosophy that aligns your investment position with the smart money. The tape tells all. Weinstein's insight is that the action of a stock can tip you off. "You don't have to be Sherlock Holmes to know that something is up in stock XYZ if it has traded an average of 20,000 to 30,000 shares each week over the past several months while quietly moving back and forth in an 8 to 10 trading range, and then, suddenly, it breakouts out above its ceiling, or what we technicians call resistance on huge volume(say, 250,000 to 300,000 shares for the week)," he wrote.

What you need to do is be able to read a chart for signs of insider accumulation and then buy along with them. Now I can't just look at any chart and say here are the insiders buying and here they are selling to the greater fools. But there are consistent patterns to stocks and insider buying influences some of those patterns.

The philosophy of technical analysis, or charting, holds that a stock is influenced by the market forces of supply and demand. When demand increases and purchases eat up the supply of stock, then a stock rises in value. When sellers hit a stock they increase the number of shares available and and if there is no subsequent increase in demand then that stock will fall in value.

What is interesting is that when you plot a stock chart out you will notice that it has areas of 'support' and 'resistance'.

Support is an area where a stock seems to always bounce off of. Resistance is an area where rallies in the stock don't have the strength to continue higher. These are areas in which demand keeps a stock from falling (support) or sellers hit and prevent a stock from going up (resistance).

When a stock is in a trading range it is in a neutral zone in which an ongoing battle between buyers and sellers takes place. It isn't so much that the two forces are fighting each other, but that they are roughly equal. The more equal they are the lower the volatility in the stock you are following will become.

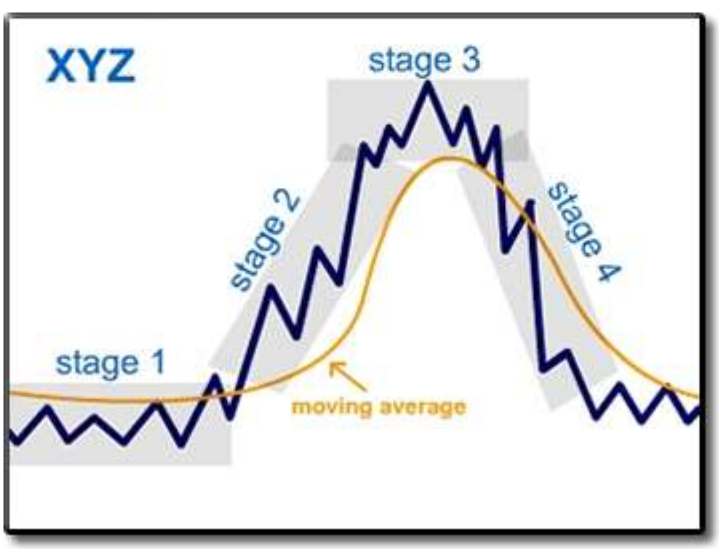
For instance, if a stock trades between 8 and 10 for several months it has support at 8 and resistance 10. As long as the stock continues to trade in this range the buying and selling pressure will be roughly equal. That is the real reason why the stock remains stuck in its range.

However, eventually one force will simply run out of energy. Once that happens, the stock will either break resistance or break support and an explosion in volatility and price action will occur. This is what causes a spike in volume and a rapid jump in stock price after a breakout. It isn't so much that a whole bunch of buyers come in that makes a stock go up, but simply that the sellers have run out of shares to sell. With the sellers gone, the buyers are able to take over and run the price up.

Now this doesn’t necessarily mean that insiders are buying and beating the sellers. This simple technical pattern can be short-term and last just a few hours or a few days. However, there is a time in which it comes after a period of insider buying, in which shares are exchanged from the weak hands to the strong. This is the buy point that is the most profitable because it happens at the start of a long-term bullish trend. You want to get in not when rumors are floating around and analysts are pressuring people to buy. No. You want to get in right at the start of a real long-lasting trend or even at the start of a new bull market. That’s the secret to making the big money in the markets.

Everyone talks about trends. The thing about trends in the stock market though is that you need to really know how to spot them in order to take advantage of them. Getting in when a trend is near an end isn’t how you take advantage of trends. But few people really get in a stock at the beginning of a trend. So how do you know when a sector or a stock is about to go into a new bull market?

That’s where charting comes in. You see a sector, a stock, a market, and just about any financial asset that you can plot on a chart, has a distinctive pattern depending upon where it is in its trend. Stocks tend to act one way when they are in a bear market, bull market, or are in a state of transition. If you can understand the way they are acting then you’ll be able to see what type of trend they are in, and more importantly when that trend may be changing.



To understand all of this you have to get a grasp on the life cycle of a stock - what Stan Weinstein calls stage analysis.

Weinstein breaks a stock's life cycle up into 4 stages:

Arch Coal – A Real Life Example

Stage One - Share Accumulation / Basing
Stage Two - Mark Up / Rising Prices (Bull Market)
Stage Three - Ã Share Distribution / Topping
Stage Four - Share Liquidation / Declining Prices (Bear Market)

Each of these four stages is characterized by a distinct pattern caused by the market forces of supply and demand. In some stages, buyers have the upper hand and in other stages, sellers do.

As an investor, you do not want to own a stock that is in liquidation. Nor do you want to buy a stock that is topping out. By understanding a few simple stock patterns you will be able to know when it is best to buy a stock and when you should sell it.

Stage One - Accumulation / Basing

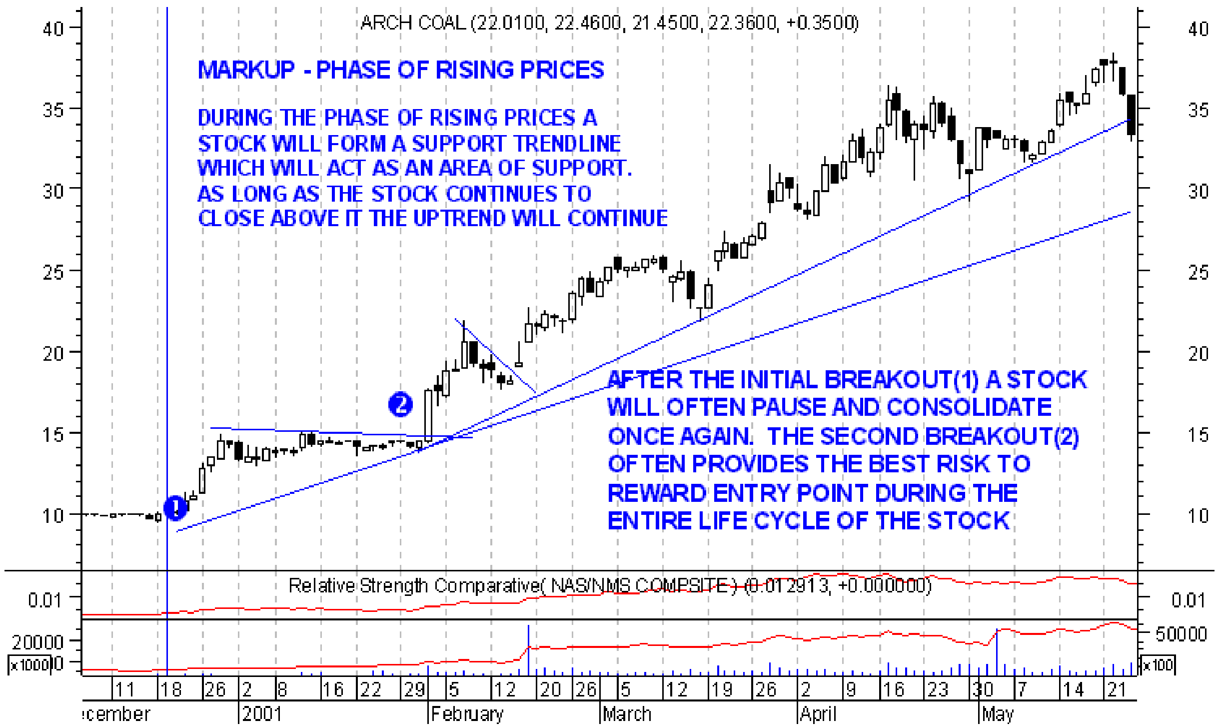
During the accumulation or basing stage, shares of a stock are transferred from weak hands to strong hands. This stage usually happens after a long decline or a lengthy advance in a stock. The stock trades in a very narrow range and appears to be dead money to the untrained eye or typical investor who has been holding it for a long time wondering why it won't go up.

They are correct to a certain degree, because - during this stage - the forces of supply and demand are roughly equal. Although there is no big buying excitement, there are no waves of sellers either. During this time, the average investor often sells out of fear that the stock will drop further or from simple impatience.

The stock market discounts the future. The market does not move based on today's news, but on perceptions on what the future of the economy and business prospects will be. This is true with individual stocks also. The smart money, insiders and institutions, are the first to realize that a company's prospects are brightening. Towards the end of the basing stage they begin to heavily accumulate the company's stock. Often, although not always, the stock's trading volume will pick up towards the end of this stage and large 'big block' purchases will take place.

A trading range defines the price action in a base. Stocks that are basing bounce between a specific high and low price zone. Sellers often wait for the stock to go to the top of its range before they sell. By doing this they create an area of resistance, a price level the stock cannot trade through. When it reaches resistance it repeatedly falls back down. The more often it does this, the stronger the resistance is. The basing stage lasts as long as resistance holds and the stock remains stuck in its trading range. As a general rule the longer this stage lasts the longer the second stage will last too.

Stage Two Mark Up / Rising Prices (Bull Market)



If the smart money continues to accumulate shares they will eventually run out of sellers to buy from. At this point, resistance gets taken out and the stock price clears its base. Bulls get the upper hand with the stock, not because there are suddenly more buyers interested in the stock, but because the sellers have disappeared.

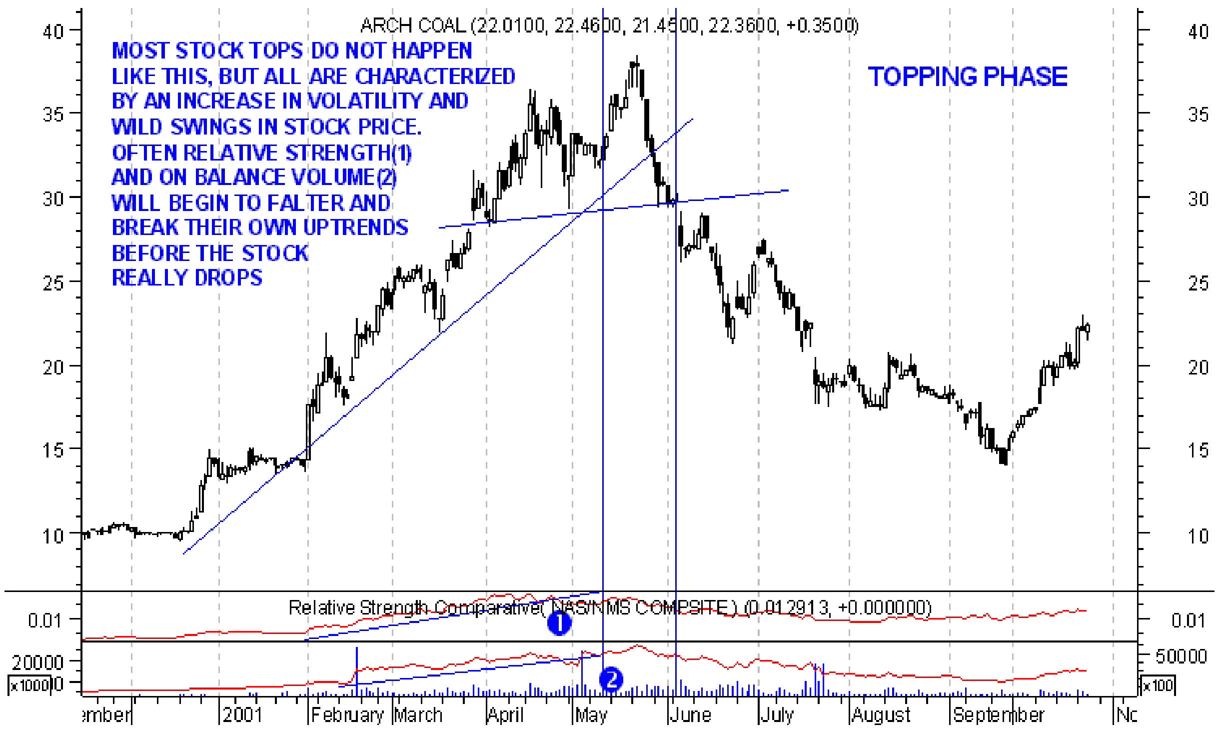
Often - at the moment the stock breaks out of its basing stage - the fundamentals of a company are poor. However, even though this is the best time to buy a stock most analysts will be down on the stock and consequently your stockbroker will probably try to talk you out of buying it.

But remember, the smart money buyers and stock prices themselves, are anticipating a positive future. You are always better off following their lead than the opinions of Wall Street analysts and most stockbrokers who focus on the news.

As demand outpaces supply, institutions and insiders will compete with one another to buy the stock. Their psychology begins to change. During the basing stage they bought on dips, now they do not mind buying as the stock price advances.

As the advance continues, eventually word gets out that the fundamentals of the company are improving or some positive development concerning the company becomes common knowledge. As this happens, the average investor and the general public become interested in the stock and begin to buy too. Analysts begin to put the stock on their recommendation lists.

Stage Three - Share Distribution / Topping



Eventually the stock gets ahead of itself and stops advancing. Perhaps the growth prospects for the company are no longer so grand. Or the stock has simply reached a high valuation. Whatever the case may be, at this point insiders and institutions decide that it is time to sell and take profits.

They find plenty of willing buyers. In fact the news is often so good about the company that people are willing to pay any price for the stock. They saw it climb during its stage of rising prices and believe that it will keep going up. Analysts say it will and so do their brokers. Almost everyone is positive about the company.

Everyone that is, but the smart money sellers who know better. Although they carefully sell into rallies so as not to cause the stock price to collapse, the stock begins to flatten out and move sideways as it bounces off of new resistance and support levels. It trades in a range, just like it did during the basing stage, but with greater volatility and price swings. In this stage, though, the smart money is distributing their shares instead of accumulating them from other people.

This stage lasts as long as the selling and buying pressure remain equal. Once the buyers become exhausted the stock will break below its trading range and begin its liquidation stage, which is characterized by sharply falling prices.

Stage Four - Liquidation / Falling Prices (Bear Market)

While a stock is being distributed and is topping out after a lengthy price advance, big players sell into rallies while the remaining true believers try to buy dips. After the demand for the stock becomes exhausted, sellers overtake buyers and no longer wait to unload their shares on rallies.

Despite the falling prices at the beginning of this stage the average investor remains bullish about the stock and believes the pullback is nothing but a temporary correction. The good news and business fundamentals have likely just reached their peak and the stock is still considered a hot issue by most analysts and stockbrokers. Buyers mistakenly believe that the stock is now cheap because it has dropped and become obsessed with trying to guess the bottom, thinking that the stock will return to its lofty price highs.

In fact, the longer and greater the price advance in stage two the more popular the stock will remain during the beginning of the stage four decline. However, buyers in stage four become bagholders for the smart money sellers.

Stage four begins with the average investor full of hope, then holding in disbelief, and finally selling near the bottom in outright panic as stage four ends and the basing stage begins.

Most people think that stocks bottom when prices get so cheap that institutions and big money start to buy and that tops happen when all of a sudden people start to sell. Things don't exactly work like that.

You see stock market stage four declines end, not when big money buyers come in to support the stock, but when every last bagholder has sold in a panic. Basically, since there are no more sellers left, the stock begins to hold its ground - and thus the cycle repeats itself starting over with Stage One - Accumulation / Basing.

This is why you get a final wave of panic selling at the end of stage four declines and bear markets. All the average investors who bought on hope throw in the towel in a final burst of panic. And since there is no one left to sell, and likely not many buyers interested - you get the sideways basing action that is characteristic of stage one.

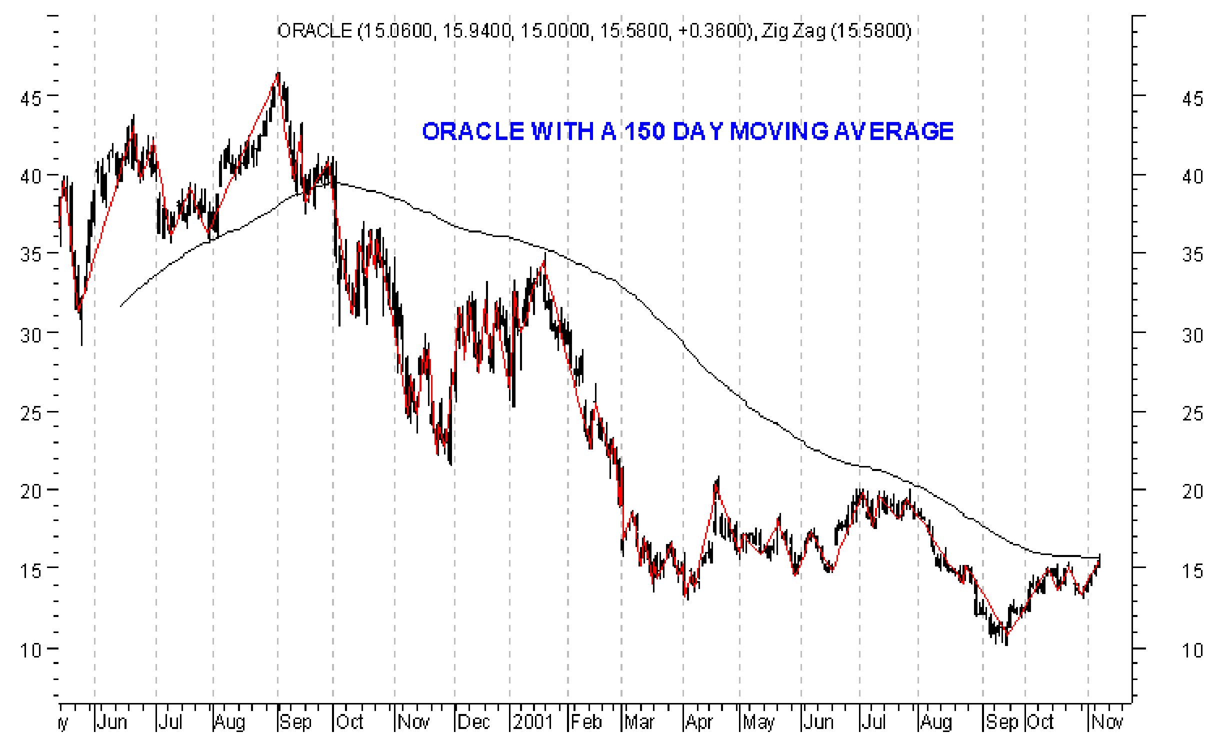
The most profitable time to buy into a stock is at the end of stage one, which just happens to be the time of the heaviest insider interest. This is the most profitable buy point I know of. It allows you to actually buy in low with the insiders and eventually sell high when the general public, who knows very little, will willingly buy your shares and play the role of the greater fool.

This is how you get in at the beginning of a bull market. Think of stage two as the bull market stage. If you get in right at the start of a bull market you can hold for years and generate massive returns. The trick is to be able to identify a market, sector, or stock in a long-term basing stage that is about to begin a new bull market. Luckily there is one simple pattern and indicator that you can use to do this.

Using Moving Averages to Identify Emerging Bull Markets

Chartists deal with two variables to identify a stock's trend or a change in trend. They are price and volume. These two variables can be used to create mathematical formulas, called technical indicators, which can be plotted on a chart to give us an interpretation of the action in a stock.

The simplest technical indicator is a moving average(MA). It also happens to be one of the most useful. A moving average is simply the average price in a given time frame. For example you would calculate a 10-day moving average by adding up all of the prices in 10 days and then dividing by 10. The indicator is called a moving average, because when it is plotted out on a chart it appears to be a moving line that mirrors the price movement in a stock.



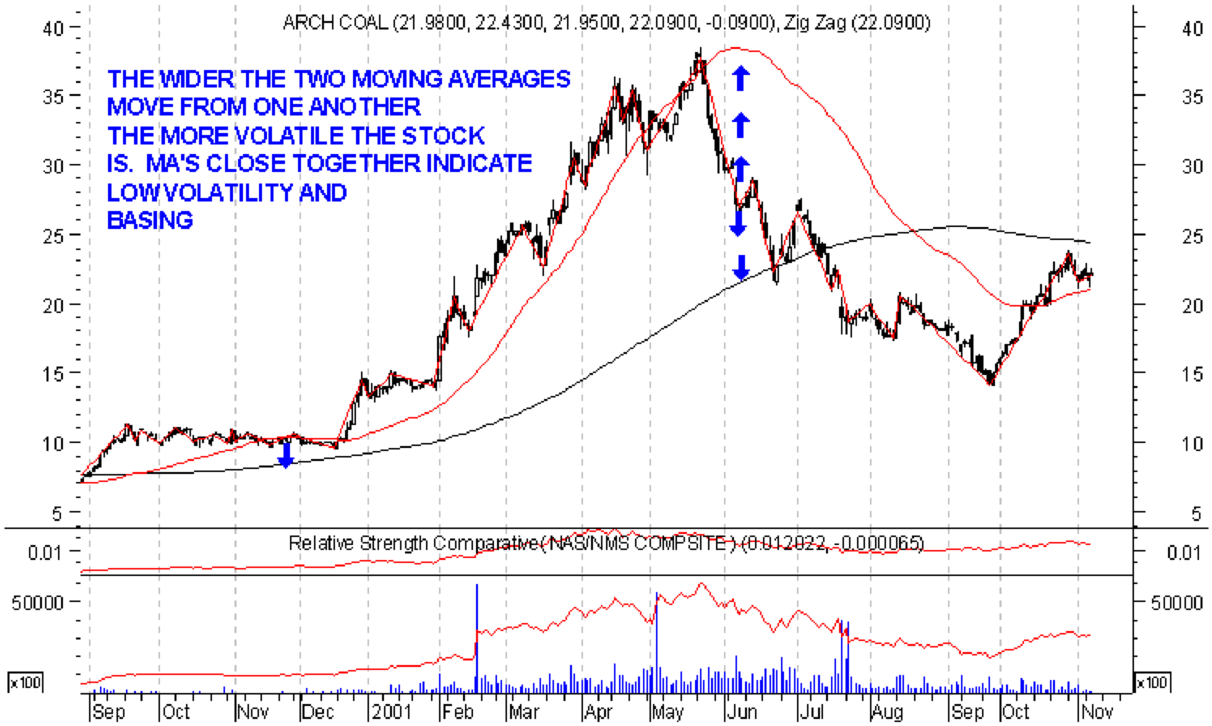
Stock prices tend to be volatile. A moving average is useful because it smoothes out these fluctuations and gives you a way to determine the overall trend in a stock. The longer the time frame used to create the moving average, the more smooth and less volatile the average will be. Most people use 10 day, 30 day, 50 day, 100 day, 150 day, or 200 day moving averages. Shorter moving averages are used in short time frames and vice versa. Someone interested in buying and holding for a few days, or hours, will use a smaller moving average than someone who is interested in long term trading or considers himself an investor. I find 150 day moving average to be the most useful in determining the overall trend in a stock.

Moving averages can be used to confirm what phase a stock is in. If a moving average is moving upwards then it is most likely in an accumulation phase. If it is moving down then it is in liquidation. A flat moving average can tell us if a stock is basing or is topping out.

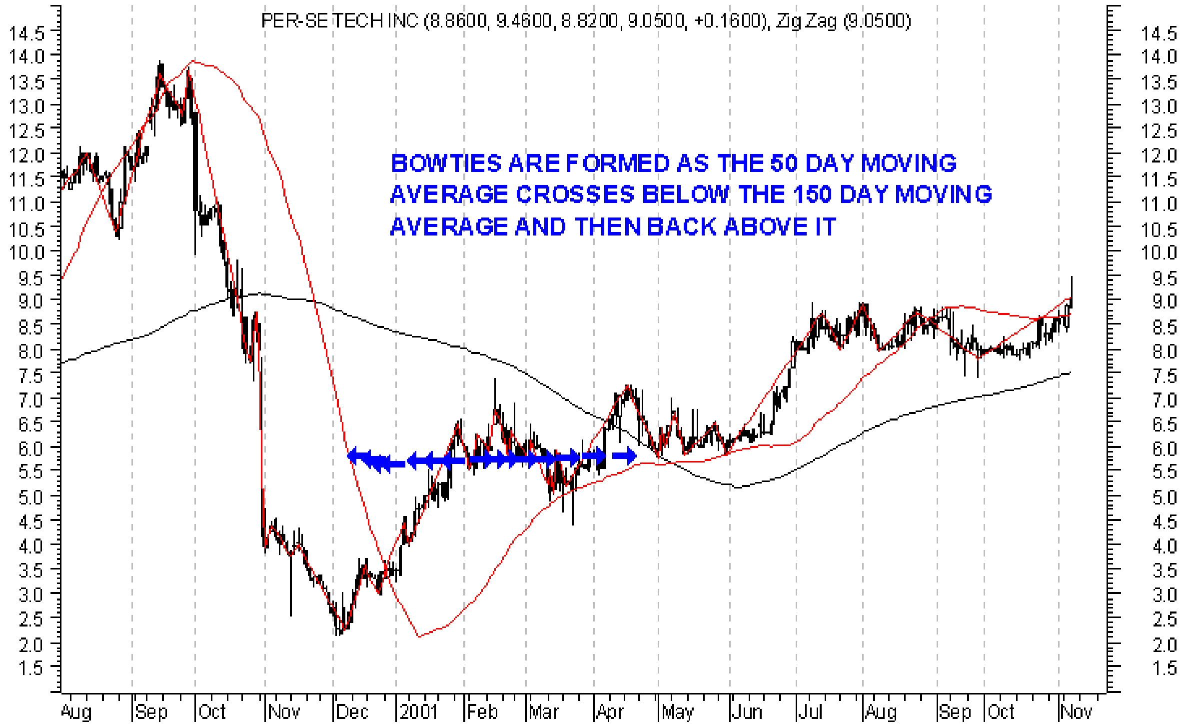
As a general rule if the price of a stock is above its 150-day moving average then it is in an uptrend and if it is below its 150-day moving average then it is in a downtrend. You never want to buy stocks that are below the 150-day moving average. These stocks are often in sharp downtrends that send them lower. Don't try to catch falling knives.

Some people use a price crossover of the moving average as a signal that a change in trend has taken place. If the price crosses from below to above the moving average they take that as a buy signal and vice versa. However, there is one problem with this. The trend changes before the moving average gives a signal, because moving averages follow stock prices. They do not lead them. It is best to use moving averages as confirmation of analysis derived from chart patterns or other technical indicators.

A more reliable method than a simple price crossover of a moving average is to combine two moving averages. A crossover of a short term moving average over a long term moving average can be used to warn of a trend in stock price before the stock price crosses over the long term moving average.



Other useful signals can be generated with two or three moving averages. If several moving averages converge on one another then the stock's volatility is shrinking. What happens is that as the price fluctuations grow smaller the moving averages move closer together. Small trade fluctuations mean that a balance is growing between buyers and sellers. As I'll explain later this usually signals that a big move or a change in trend is about to happen.



Some people use what is called the bowtie strategy to find stocks that are in a phase one consolidation. A bowtie is formed when a short term moving average crosses below the long term moving average and then crosses back above it. During the time in between the two crossovers the stock usually trades narrowly in a consolidation phase.

I want you to remember these points about moving averages:

1) Moving averages are most useful in determining what stage a stock is in. Never buy a stock whose price is below the 150-day moving average or whose moving average is sloping down.

2) Stock prices do not follow moving averages. Movements in stock prices lead moving averages.

3) A short term moving average crossover of a long term moving average can be used to give a warning that a trend is about to change or to give confirmation of analysis you have made with the use of chart patterns or other technical indicators

3) Moving averages work best in a stock that is in an uptrend or a downtrend. In stocks that are trading flat or are in a consolidation phase moving averages can produce many false signals and whipsaws. If several moving averages converge while

the stock is trading in a narrow range then a large move usually follows.

Of course I incorporate stage analysis in my articles and work for WSW Power Investor. Doing so led me to get bearish on the US stock market in March of 2000 and bullish on gold and commodities right as they began their bull market in early 2002. To find out what we are getting excited about now I suggest you take a 30-day risk free trial to WSW Power Investor and discover how we put these concepts into action.

To do so simply click here:

http://www.wallstreetwindow.com/wswpowerinvestorservice.htm

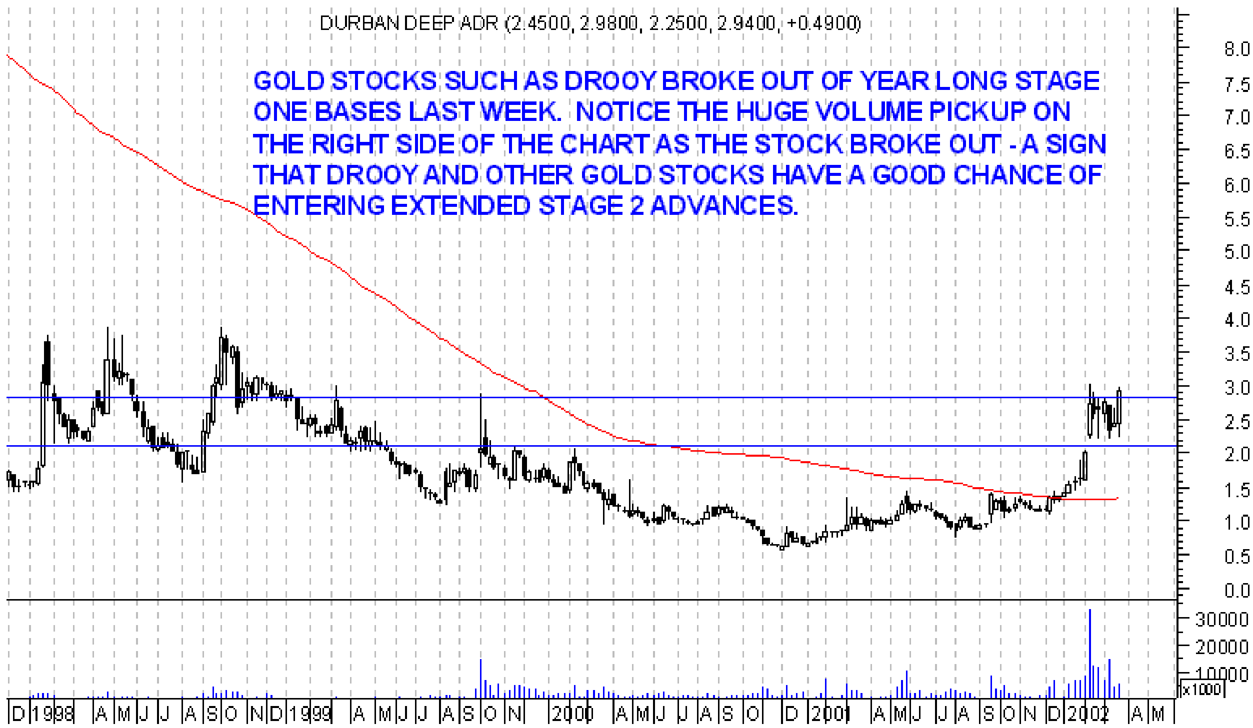
Here are some more thoughts on bull markets and examples for you to learn from. I wrote this on April 1, 2002:

When a bull market first begins no one believes it. The first initial rally is met with skepticism. People call it a technical rally and give reasons to doubt its sustainability. Even after that rally goes through and the market rallies a second time people still doubt it. We saw this last year with the Russian stock market. We noted that it was entering a new secular bull market that would provide investors with fantastic money making opportunities, but everywhere I looked people dismissed Russia in the press. They said that investing in Russia was "risky" even though the Russian stock market had an overall P/E of less than 7!.

Since the September 2001 low, though, everyone thinks the Nasdaq is in a new bull market. People talk about buying now in anticipation of a second half market rally and economic boom. If we were really in a new tech bull market people wouldn't already be so invested in tech stocks. Nor would they be so excited about them. Instead we would have a lot of tech doubters. No, not just doubters - people should either hate tech stocks or no longer care about them, instead of predicting their bottom. People eventually stop caring because they sell the stocks and then see them go nowhere for what seems like forever.

Disbelief and not caring are the two important attitudes that form the consensus when new bull markets begin. We saw the not caring when oil stocks first rallied in 1999 and when tobacco and health care stocks rallied the following year. And last year we saw that with auto parts stocks. And now we are seeing the same thing happen to gold mining stocks.

Last week the price of gold bust through the important 300 resistance price while gold mining stocks broke out on huge volume. If you just look at the charts of gold mining stocks you'll see charts that appear to be coming out of classic Weinstein stage 1 bases.



Despite the great chart action we saw in gold mining stocks, most commentators don't believe that the stocks are going to go anywhere. I found the following comments in news stories about gold last week:

Reuters 3/27/02: "Shares in gold miners also surged during the last rally, only to give up most of these gains two weeks later as gold prices fell. Some analysts think the same outcome may happen again.”

``Anxiety rallies or political tensions rallies are inherently unsustainable,'' said Prudential Securities analyst John Tumazos, who said many of the miners may give up today's gains in the next few weeks."

Smartmoney.Com 3/28/02: "But despite its perception as a safe haven, you shouldn't view gold as a financial Rock of Gibraltar.

Precious-metals funds are one of the most volatile categories around in terms of risk, says Morningstar's Davis. ``They tend to go up two out of 10 years and are down the rest of the time,'' says Cassidy. After peaking at $850 an ounce in 1980, gold prices these days are around $300. Moreover, parking your money in gold means missing out on the greater gains in the stock market. ``Long-term investors haven't been rewarded for all the volatility [in gold],'' says Davis."

"Fact is, with inflation holding steady and an economic recovery underway, it's hard to make a case that there will be a further rise in gold prices. But if you're still hell-bent on investing in this sector, you should proceed carefully"

Dan Colarusso from TheStreet.Com 3/28/02: "Please, God, don't make it a run on the gold stocks. Make it heavy industry or utilities or maybe retailers. Please, anything but gold."

Gold has been in a bear market for so long that it is hard for people to imagine that it can go up. And most people have simply lost interest in it, or believe that better opportunities remain elsewhere.

What is important for you though is to know how to spot sectors when they enter new bull phases. You can't just simply look for negative comments and expect to do the opposite. That is where the charts come in handy.

I like to invest in stocks that are in the top performing sectors in the market. During bear markets this is a necessity. You can get away with buying breakouts in any sector during bull markets, but during bear markets you'll find most breakouts become false ones unless you stick with only the top performing sectors. I do this by ranking the sectors during market downtrends. For instance I ranked the sectors by relative strength from the summer peak to the September low to find breakout candidates through the January peak. And most recently I found CMLS and TCNO by ranking the sectors by relative strength through the January and February decline.

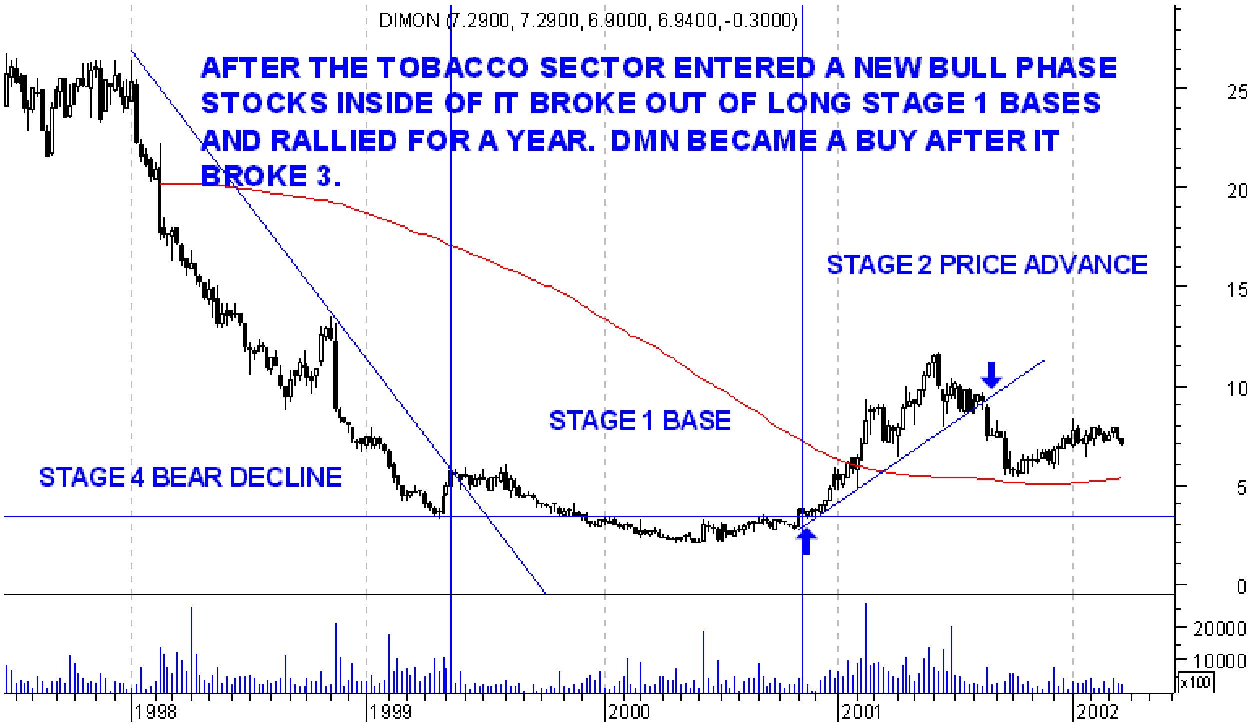
However, the best stocks - the ones that can become long term investments - are in sectors that are coming out of lengthy stage 1 bases after long declines. For instance the defensive tobacco, utility, and health care sectors declined for years before they became the top sectors of 2000 and 2001. The same is true of gold.

On the charts the best sectors are ones that break out of downtrend lines that are at least a year long. They then make a sharp rally that puts them above their 150 day moving averages. The next thing you know they become the top sectors after 3-6 months. What is interesting is that they don't attract much attention during this time. People have seen them decline for so long that they find it hard to believe that they are about to go up. Often there is a lot of negative news about the sector that also keeps people away(for example tobacco lawsuits, health costs, or gold being sold by banks).

The best time to get in them is after they consolidate and breakout above their 150 day moving averages. The first rally that takes the sector above the 150 day moving average breaks their downtrend and gives us the signal to keep an eye on them. What is more they now enter the top sector rankings. What happens next is that the sector - and the stocks in it - will pause and consolidate for a period of time. Often the overall market will correct while they consolidate further. The next breakout is the best time to buy and usually marks the beginning of an extensive stage 2 advance that often lasts for at least a year. Stocks throughout the sector should now make new 52 week highs on huge volume. This is what we just saw in gold.

Let me give you some chart examples:

The tobacco sector followed the pattern I outlined above. In 2000 the sector formed a double bottom and then rallied sharply in the summer to shoot above its 150 day moving average. It then consolidated for a few weeks. The next breakout, which in September, was the buy point.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AFTER THE TOBACCO SECTOR ENTERED A NEW BULL PHASE STOCKS INSIDE OF IT BROKE OUT OF LONG STAGE 1 BASES AND RALLIED FOR A YEAR. DMN BECAME A BUY AFTER IT BROKE 3.
STAGE 2 PRICE ADVANCE
STAGE 1 BASE
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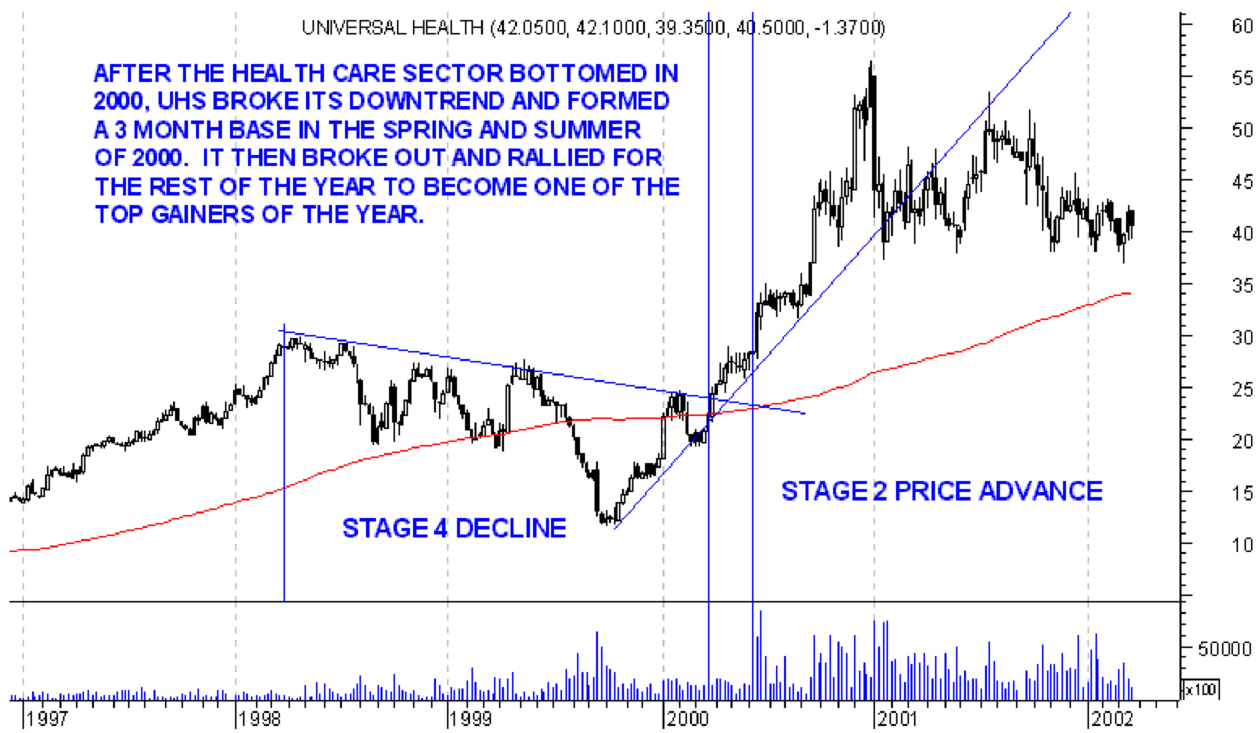
2002


TeleChart 2000 ... Updated through 03/28/2002 Market Close
File WatchList Indicator Tab Reports Tools Databank Help
Weekly
1 2 3 4 5 6 7 8 9 10 11 12
MG525 - Hospitals
HEALTH SERVICES - Hospitals
09/08/99 607.26 621.25 592.28 614.96 9943 +6.12
Weekly Zoom=3
1557
1412
1280
1160
1052
954
865
784
711
644
584
ND 98 AMJ JAS OND 99 AMJ JAS OND 00 AMJ JAS OND 01 AMJ JAS OND 02
10.3%
Middle (Volume)
Bottom (Stochastics)

The hospital sector also bottomed in 2000 and became one of the top sectors of the year. After it traded above its 150 day moving average in the second quarter of 2000 it became one of the top sectors based on relative strength in the market. While the rest of the market tanked it consolidated and broke out in September. The key here is that after the sectors bottom and get above their moving averages they often make the top sector list. It is then time to look for stocks in the sector to buy once the sector breaks out again. The next move is the often the stage 2 extended rally in which most of the money is made.



The auto parts sector tells the same tale. It broke its downtrend line in the first quarter of 2001. It then rallied above its 150 day moving average and consolidated during April and May. During those two months it became one of the top ranked sectors in the market. The next move up marked great entry points for stocks such as Discount Auto Parts, Peb Boys, and Autozone - all of which went on to be among the top gaining stocks of the year.

You don't make money by guessing the bottoms of what are the popular stocks and were the hot sectors 3 year ago. You do it by watching the market as a whole. Don't just look at the averages, but break the whole market down into sectors. Then you'll see markets within the market. That is how you can find stocks that will trend up all year. Then you can apply the saying - there is always a bull market somewhere.