

Tuesday, February 2, 2010; 7:52 AM

Technical Assessment

Short-Term: Bullish
Long-Term: Bullish

Greece, the cradle of civilization – and the cratering euro. Shaping civilization as we know it is a big responsibility for a tiny country; so too is humbling Europe’s currency, which saw its 10-month surge against the dollar interrupted on the rising risk that this island nation would default on its sovereign debt.

Last year, the decline in the dollar – in lockstep with the rise in gold and in oil – was a remarkably consistent phenomenon. Traders have naturally concluded that the stock market cannot stomach a rising dollar, and up until 2/1/10 they have been correct this year.

But with the new month came a new attitude. On February 1, as the dollar seesawed against the euro but remained below the psychologically important \$1.40 level, the stock market roared ahead for its best session of the (sort-of) new year. The proximate causes were very good manufacturing (ISM) data, along with reassuring earnings from some giants (XOM).

Must Greece come to some kind of settlement with its bondholders for the euro to reverse its swoon? Not our problem, if the stock market can continue to rally on good EPS news and good domestic economic data.

Strengthening Sectors:

Energy, Healthcare

Weakening Sectors:

Materials, Technology, Financial

Recent Picks:

TSCO, MM, CMG, BBY, F, BA, APC, CBRL, CAL, MCD, STX, WDC, HAL, JNJ, ADTN, PLCM, IBM, EMR, MRK, BAX, MO, HP, ELX, IBM, CAT, QCOM, INTC, WWW, BBY, X, BA, DVN, NBL, CSCO, EMC, LLL, RL, AAPL, AMZN, FCX, F, AMD, CCE, NILE, WLP

INDEX	PRICE	SUPP	RESIS
NASD	2171	2105	2525
NYSE	7008	6700	8000
S&P 500	1089	1066	1285

Company	Ticker	Price	Support	Resistance
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Cavium	CAVM	22.53	21	25
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For the market to reverse its January selling, the economy must continue to deliver strong data (such as the nonfarm payrolls report coming this Friday), and growth companies such as Cavium must continue to grow at knock-out rates.

CAVM followed up an outstanding quarter with guidance that its sale would double year over year in 1Q10. But January was not kind to the stock, sending the shares down from \$25 at mid-month to the \$21 level. The stock has since worked back to \$22.50, but it below its trendlines.

With 20-day and 50-day support gone, first support may be the higher low at \$21 from mid-December; stop-loss there. Take profits in the low to mid-\$20s; \$25 was the cycle high, set in mid-January.

Sanmina-SCI	SANM	13.89	12	16
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SANM is everyone’s favorite momentum play currently, so jump aboard at your own risk; momentum investors will drop a formerly hot name in unison once the momentum peters out. Still, it’s hard to argue with success. After rising 300% last year, SANM is up mro than 25% year to date – making it a rare Tech-sector winner.

SANM is even above its 20- and 50-day trendlines by a comfortable margin. The shares did briefly touch \$14.20 before pulling back under the \$14 level. But this stock simply did not follow the sector into a major late January swoon, and that alone makes it distinct.

Stop-loss at the 20-day at \$12 and then the 50-day at \$10; but if this one starts falling and momentum investors are jumping off, best stop is the first one. Take profits in the mid-\$20s if SANM falters.

Investing in stocks involves risks that may be exacerbated by market and/or price volatility. The stocks included in this report have exhibited recent volatility and may continue to do so in the near-term, and thus may be riskier relative to the market as a whole. Please see disclaimer on page 2.



MARKET MOVERS

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