

Crowded Market Report - Excerpt

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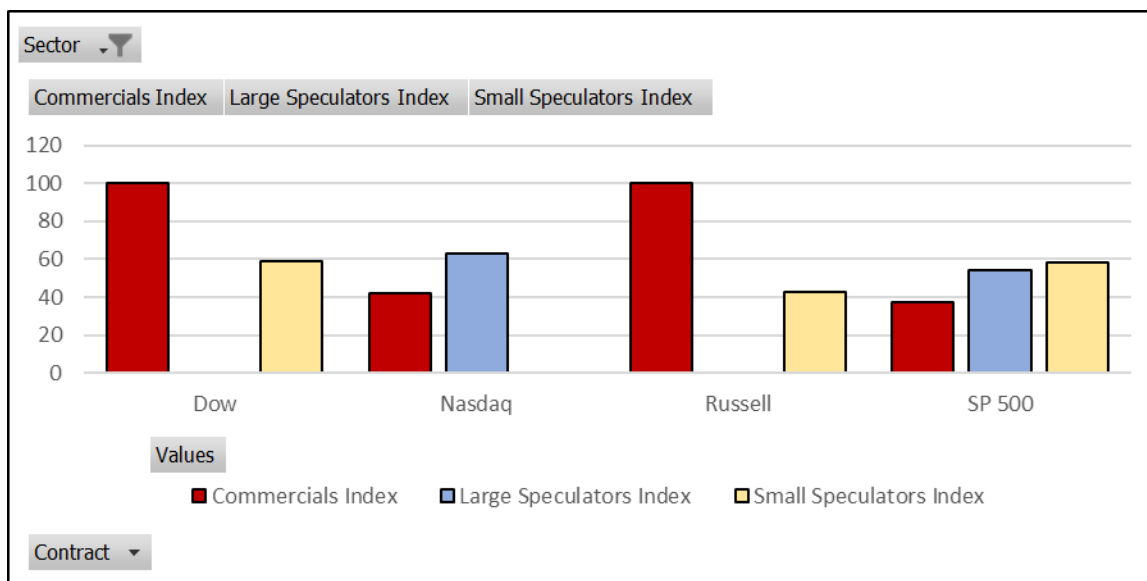
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Equities

For this week's free excerpt, we go back to equities where the Dow is positioned for strength based on COT data, Friday's action and Monday's follow through (new all-time high)

Equity Indices experienced strong selling last week and surprisingly, the heaviest selling was in the Dow Jones (See chart below). The thing is, the Dow actually finished the week positive, and is approaching all-time highs (**only about 450 points away**). As a result, we have a situation where the market keeps going up, Commercials are at a level that is higher than the last eight months, yet Speculators continue to short equities. I read this as very bullish based on the theory that these shorts have to cover and drive the markets higher. The Russell also saw more selling, although not as much as the Dow. The Nasdaq saw selling as well but shows Speculators nowhere near as short as they are in Dow and Russell, which is why I am focusing my equity longs on both Russell and Dow.

The chart below is based on a propriety COT Index that analyzes COT data against historical values. The Dow and Russell show max (100) Commercial positioning to the long side. The Dow also has Speculators positioned short which could fuel a move higher as they cover short positions.



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