P. Arthur Huprich, CMT, (727) 567-2494, Art.Huprich@RaymondJames.com and **The Technical Strategy Team**

January 25, 2013

Technical Analysis Weekly - Thou Shalt Not Trade Against the Trend but Continue to Manage Risk

Friday Morning 01/25

→"*I want to put a ding in the universe.*" Steve Jobs

NASDAQ Lags yet **Breadth Back In Line** and **"Higher Troughs** and **Higher Peaks" Continue—**non-trading trend bullish: While the broad market was able to contain the news surrounding AAPL and its 12.3% one-day decline, economic data (U.S. jobless claims, LEI and manufacturing figures from China) helped the stock market advance yesterday. A concern on the part of money managers to once again "not get behind the eight ball" (underperform) so early in the year also played a role in yesterday's gain, in my opinion. In light of this, one has to ask "*is there a slow yet **marginal shift** out of fixed income and into equities taking place?*"

In terms of the stock market, "are we overbought?" Yes. "Are various sentiment indicators reaching extreme levels?" Yes, but from a timing perspective you need confirmation from other indicators, namely "price." "Can there be some hesitation in and around current levels?" Yes. As a matter of fact I would prefer a bout of profit-taking before heading higher—as long as the internals remain healthy, which so far they have. If you want to be "*anticipatory*" in the management of risk, you start implementing some defensive action. If you want to be "*reactionary*" in terms of managing risk and wait for a trend change, you wait before implementing some defensive action. This mindset is consistent with the following statement by Charles Dow: "*Neither the length nor the duration of a trend can be forecast. The best we can do is identify trend changes and act accordingly.*" ***This is an individual decision based upon one's tolerance for risk and emotional attachment to a position***, similar to if you hedged AAPL going into the earnings report.
In both cases (anticipate a top or react after the trend has changed) rebalancing over-weighted positions and/or tightening stops is prudent and something I would recommend.

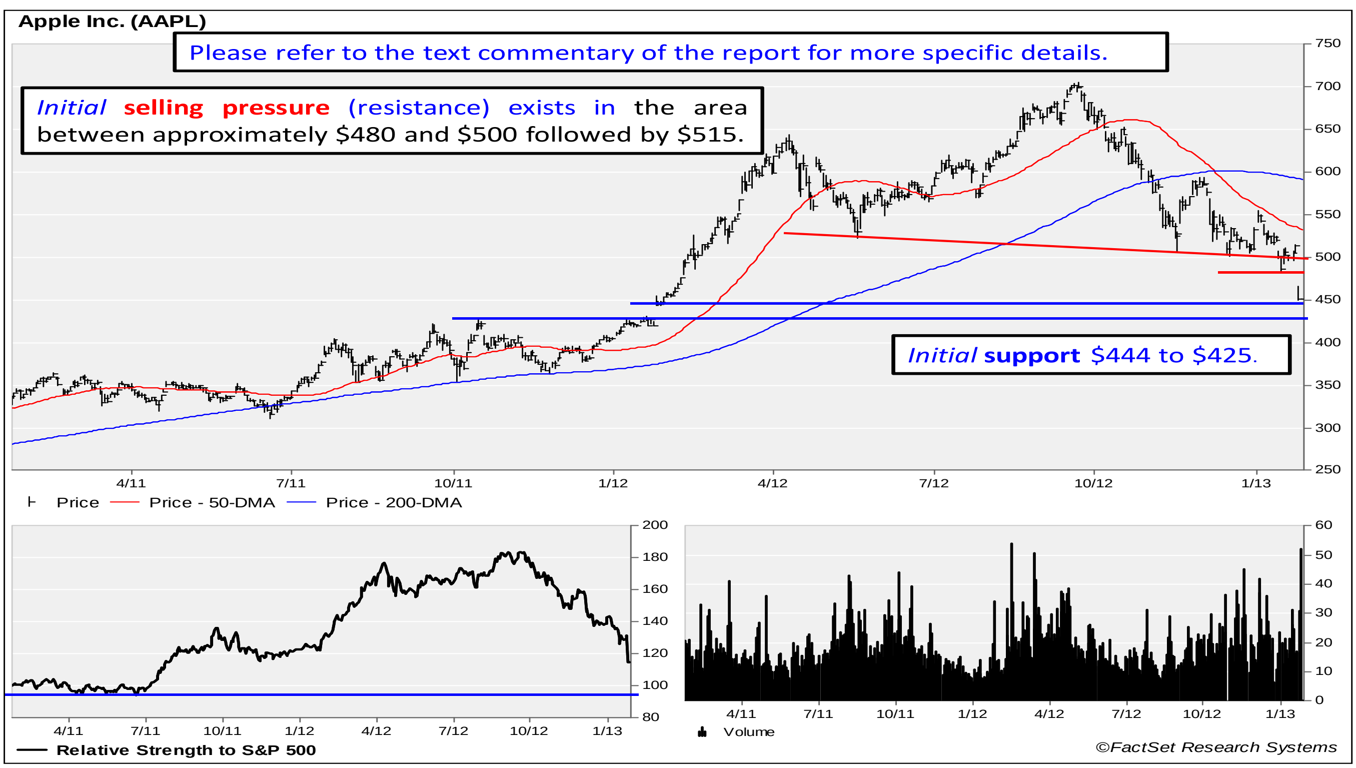
In terms of "marginal shifts," as alluded to in paragraph one, **Crude Oil** ($95.95) recently moved above both a down-trend line drawn off its March 2012 peak and resistance at $94 (not shown). All of this to say "*as long as Crude Oil holds above initial support at*

Please read domestic and foreign disclosure/risk information beginning on page 7 and Analyst Certification on page 7.

$94.00, a move towards resistance between $100 to $101 and possibly a $104 price target, is possible." This would be consistent with an *approaching* favorable period for Crude Oil starting in early to mid-February, as shown below.

In terms of Mr. Jobs' quote about making a "ding in the universe," **AAPL** "dinged" Wall Street yesterday. While I wouldn't be surprised by some type of snap-back move up towards what is now neckline resistance in the area between $480 and $500, *until the stock goes through a base-building period*, I can't dismiss the possibility of filling "gap support" in the area between $444 and $425. Hopefully the stock doesn't go that low but instead, carves out a wide trading range pattern as Wall Street attempts to get its hands around what I deem a "new AAPL."

At this point I don't know which scenario will play out and until I do, besides removing the "hedge" from the position, I prefer to be patient and let the stock tell me when it is best to buy.



Thursday Morning 01/24

"…let us be hard-boiled cynics, believing nothing but what the action of the market tells us..." … Humphrey B. Neill.

NASDAQ's Languishing Tape Action is a Concern

Other than politicians apparently delaying the prospect of default by delaying the debt ceiling, the main backdrop that Wall Street participants were dealing with yesterday surrounded the fact that 33 components of the S&P 500 reported earnings. Speaking of the S&P 500 (1494.81), at the close yesterday the SPX is fractionally below resistance at approximately 1502, defined by the upper end of a trading channel. A second channel line exists at approximately 1517.

The results of yesterday's earnings reports were such that the DJIA and the NASDAQ were major beneficiaries, predominately due to earnings from GOOG and IBM, up 5.5% and 4.4%, respectively. Since GOOG carries a 4% weighting in the NASDAQ (3153.67), the index gained 10.50 points. Due to the DJIA divisor being 0.13, IBM alone accounted for just over 66 points in the overall gain of 67 points by the DJIA.

Speaking to earnings and within the context of my belief that reaction to news is more telling than the news itself, shot-term, Thomson Reuters data through Wednesday showed that of the 100 or so S&P 500 companies that have reported earnings so far, 67.7% have topped expectations, above the 65% average beat over the past four quarters. Overall, S&P 500 fourth-quarter earnings rose 2.8%, according to Thomson Reuters data and above the 1.9% forecast at the start of earnings season.

In peeling back the layers of yesterday's tape, breadth was actually negative on the NYSE. Said another way, declining issues and declining volume edged their counterparts, meaning there were more declining issues than advancing issues and declining volume edged advancing volume – the stock market narrowed yesterday, a trend we don't want to see continue. One guidepost is the NASDAQ. The DJIA violated its September 2012 high; NASDAQ has failed to get above its September 2012 peak of 3197 (resistance), a negative non-confirmation. This non-confirmation needs to be resolved. Until it is, traders should ramp up their stop-loss points and rebalance winning positions that have become over-weighted.

**Note, the above commentary appeared in "Morning Tack."*

Wednesday Morning 01/23

Relative to yesterday's tape action, "stocks" opened lower (again) yet, due in part *to not being able to afford to miss the market again this year*, money managers were forced to put dollars to work. Consequently, stock market proxies closed at new all-time highs and/or multi-year highs. Can there be some hesitation in and around current levels? Yes. As a matter of fact I would prefer to see a bout of profit-taking before heading higher—as long as the internals remain healthy, which so far they have.

Speaking of such, here are the *newsletter advisory* **sentiment** figures and comments, *paraphrased by me*, from *Investors Intelligence*:

> With BULLS already at a lofty level and the spread between the BULLS and BEARS near negative territory, there was no change in the number of **BULLS** (53.2% - 55% is considered "dangerous") or **BEARS** (22.3%) this week. Consistent with these figures, the **SPREAD** is 30.9% - concerning but *the real danger is closer to 40%*--please refer to chart below.
>
> While there could be still more bulls if the quarterly results continue to beat forecasts, **sentiment**, as shown here suggests increasing odds of a pullback. *This writer* considers "sentiment" to be secondary; "**price**" is primary and *it remains* **bullish**.

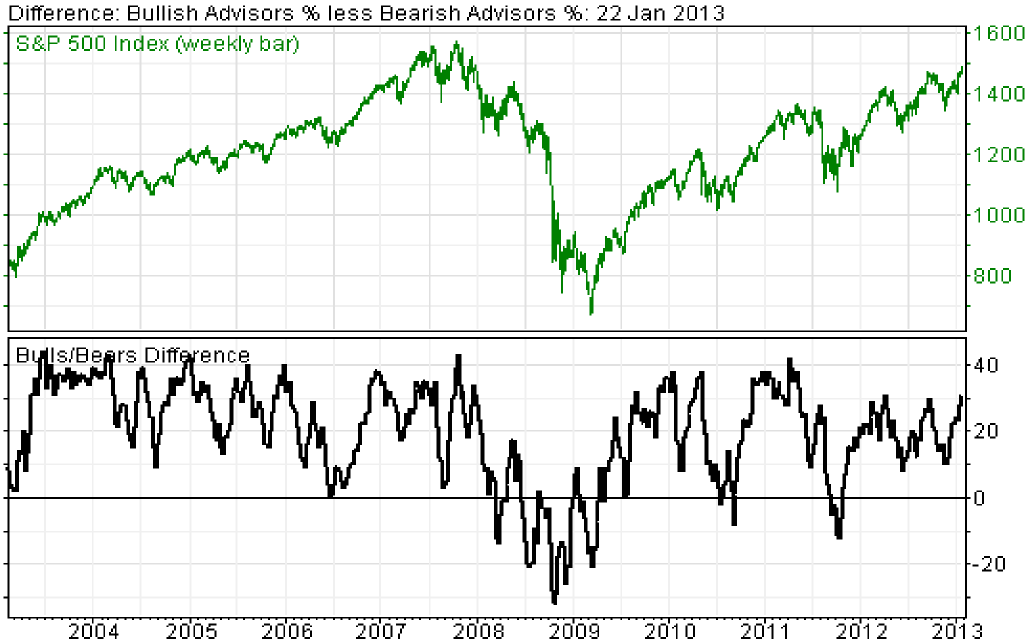
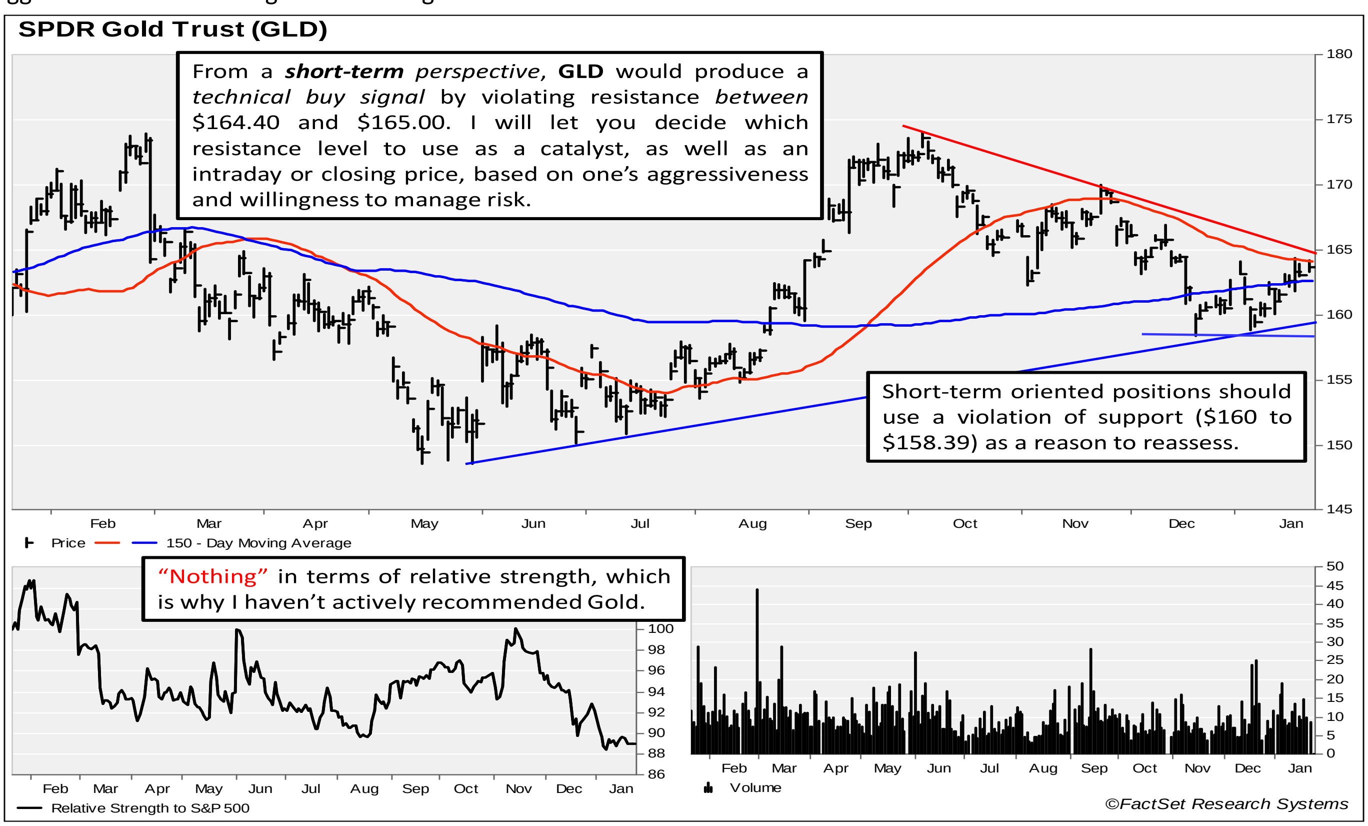


Chart courtesy of Chartcraft Inc., wholly owned by Stockcube plc, a U.K. company registered in England

As a note of interest, Gold, as defined here by the **SPDR Gold Trust** (GLD/$163.67) recaptured its rising 150-DMA support line. Going forward, it is going to be important to see if this moving average starts rolling over or if it continues to rise, as is the current case. If this long-term moving average starts to roll over, it will be a further bearish omen and suggest that ***long-term oriented accounts*** reduce positions, as would a *long-term* breakdown at $148.

From a ***short-term*** *perspective*, **GLD** would produce a *technical buy signal* by violating resistance *between* $164.40 and $165.00. A move above this range would effectively overcome a "previous peak," 50-DMA and a down-trend line – please refer to the chart below. I will let you decide which resistance level to use as a catalyst, as well as an intraday or closing price, based on one's aggressiveness and willingness to manage risk.



Tuesday Morning 01/22

The DJIA, S&P 500, and the NASDAQ posted their third consecutive weekly gains, as the DJIA and SPX gained a little over 1% while the NASDAQ rallied just under 0.3%. Relative to last Friday, the NASDAQ lagged and actually closed marginally lower, predominately due to poor action by INTC and AAPL. **AAPL** reports earnings tomorrow and with *initial* support in the area of $485 to $483 and a long-term uptrend line at approximately $470, *hedge the position going into earnings*. Initial resistance = $520 (gap resistance), $527 (downtrend line), and $537 (declining 50-DMA). The DJIA and the S&P 500 ended Friday with gains of 54 points and 5 points respectively. The D.J. Transportation Average ($TRAN) closed at *another* all-time high as the **S&P Industrial** sector closed at a nine-month relative high. The **DJIA** targets approximately 13940, based on the Flag pattern that was completed just over a week ago, preferably in a "staircase" fashion.

From a macro sector *relative strength* perspective, out to the end of 1Q13, I'd be *overweight*, **Materials, Industrials, Consumer Discretionary, Health Care**, **Financials** and, as discussed Friday, *increasing* **Energy** exposure. Speaking of such, *Outperform*-rated **Ensco plc.** (ESV/2.4% yield - fundamental target = $70.00) and **Kinder Morgan** (KMI/3.9% yield – fundamental target = $40.00) are exhibiting bullish/improving technical characteristics, scale buy now.

Shown below is a multi-year chart of the **S&P 500**. While a multi-week channel line (not shown below), offers resistance at *approximately* 1493, the longer-term channel line that is shown offers resistance in the area of *approximately* 1515. Within this context, here is a statement David Hydrick recently made, which I think is pertinent: "*Momentum is clearly pulling the market higher. We continue to suggest sticking with stocks that are trading well, but with awareness that a pullback at some point seems likely.*"

Company Citations

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
Apple Inc.	AAPL	NASDAQ	$	450.50	2	RJ & Associates
Ensco plc	ESV	NYSE	$	61.57	2	RJ & Associates
Google Inc.	GOOG	NASDAQ	$	753.83	2	RJ & Associates
Intel Corporation	INTC	NASDAQ	$	20.95	4	RJ & Associates
Kinder Morgan, Inc.	KMI	NYSE	$	37.23	2	RJ & Associates

Notes: Prices are as of the most recent close on the indicated exchange and may not be in US$. See Disclosure section for rating definitions. Stocks that do not trade on a U.S. national exchange may not be registered for sale in all U.S. states. NC=not covered.

The opinions offered in this piece should be considered a part of your overall decision-making process. These comments are published individually on a daily basis. This report contains a compilation of several days' worth of comments and is updated weekly. Unless otherwise noted, prices included are as of the previous day's close. For more information about these reports - to discuss how this outlook may affect your personal situation, to learn how this insight may be incorporated into your investment strategy, and/or to receive individual daily reports - please contact your Raymond James financial advisor or use the office locator at www.raymondjames.com to find our offices(s) nearest you today.

Important Investor Disclosures

Raymond James & Associates (RJA) is a FINRA member firm and is responsible for the preparation and distribution of research created in the United States. Raymond James & Associates is located at The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, FL 33716, (727) 567-1000. Non-U.S. affiliates, which are not FINRA member firms, include the following entities which are responsible for the creation and distribution of research in their respective areas; In Canada, Raymond James Ltd. (RJL), Suite 2100, 925 West Georgia Street, Vancouver, BC V6C 3L2, (604) 659-8200; In Latin America, Raymond James Latin America (RJLatAm), Ruta 8, km 17, 500, 91600 Montevideo, Uruguay, 00598 2 518 2033; In Europe, Raymond James Euro Equities, SAS (RJEE), 40, rue La Boetie, 75008, Paris, France, +33 1 45 61 64 90.

This document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. The securities discussed in this document may not be eligible for sale in some jurisdictions. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. **Investors should consider this report as only a single factor in making their investment decision.**

For clients in the United States: Any foreign securities discussed in this report are generally not eligible for sale in the U.S. unless they are listed on a U.S. exchange. This report is being provided to you for informational purposes only and does not represent a solicitation for the purchase or sale of a security in any state where such a solicitation would be illegal. Investing in securities of issuers organized outside of the U.S., including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. There may be limited information available on such securities. Investors who have received this report may be prohibited in certain states or other jurisdictions from purchasing the securities mentioned in this report. Please ask your Financial Advisor for additional details and to determine if a particular security is eligible for solicitation in your state.

The information provided is as of the date above and subject to change, and it should not be deemed a recommendation to buy or sell any security. Certain information has been obtained from third-party sources we consider reliable, but we do not guarantee that such information is accurate or complete. Persons within the Raymond James family of companies may have information that is not available to the contributors of the information contained in this publication. Raymond James, including affiliates and employees, may execute transactions in the securities listed in this publication that may not be consistent with the ratings appearing in this publication.

Additional information is available on request.

Analyst Information

Registration of Non-U.S. Analysts: The analysts listed on the front of this report who are not employees of Raymond James & Associates, Inc., are not registered/qualified as research analysts under FINRA rules, are not associated persons of Raymond James & Associates, Inc., and are not subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public companies, and trading securities held by a research analyst account.

Analyst Holdings and Compensation: Equity analysts and their staffs at Raymond James are compensated based on a salary and bonus system. Several factors enter into the bonus determination including quality and performance of research product, the analyst's success in rating stocks versus an industry index, and support effectiveness to trading and the retail and institutional sales forces. Other factors may include but are not limited to: overall ratings from internal (other than investment banking) or external parties and the general productivity and revenue generated in covered stocks.

The views expressed in this report accurately reflect the personal views of the analyst(s) covering the subject securities. No part of said person's compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report. In addition, said analyst has not received compensation from any subject company in the last 12 months.

Ratings and Definitions

Raymond James & Associates (U.S.) definitions

Strong Buy (SB1) Expected to appreciate, produce a total return of at least 15%, and outperform the S&P 500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months.
Outperform (MO2) Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months.
Market Perform (MP3) Expected to perform generally in line with the S&P 500 over the next 12 months.
Underperform (MU4) Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.

Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

Raymond James Ltd. (Canada) definitions

Strong Buy (SB1) The stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months.
Outperform (MO2) The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months.
Market Perform (MP3) The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities.
Underperform (MU4) The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

Raymond James Latin American rating definitions

Strong Buy (SB1) Expected to appreciate and produce a total return of at least 25.0% over the next twelve months.
Outperform (MO2) Expected to appreciate and produce a total return of between 15.0% and 25.0% over the next twelve months.
Market Perform (MP3) Expected to perform in line with the underlying country index.
Underperform (MU4) Expected to underperform the underlying country index.
Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

Raymond James Euro Equities, SAS rating definitions

Strong Buy (1) Expected to appreciate, produce a total return of at least 15%, and outperform the Stoxx 600 over the next 6 to 12 months.
Outperform (2) Expected to appreciate and outperform the Stoxx 600 over the next 12 months.
Market Perform (3) Expected to perform generally in line with the Stoxx 600 over the next 12 months.
Underperform (4) Expected to underperform the Stoxx 600 or its sector over the next 6 to 12 months.
Suspended (S) The rating and target price have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and target price are no longer in effect for this security and should not be relied upon.

In transacting in any security, investors should be aware that other securities in the Raymond James research coverage universe might carry a higher or lower rating. Investors should feel free to contact their Financial Advisor to discuss the merits of other available investments.

Rating Distributions

	Coverage Universe Rating Distribution				Investment Banking Distribution			
	RJA	RJL	RJ LatAm	RJEE	RJA	RJL	RJ LatAm	RJEE
Strong Buy and Outperform (Buy)	50%	62%	30%	48%	21%	34%	0%	0%
Market Perform (Hold)	43%	36%	64%	36%	9%	23%	0%	0%
Underperform (Sell)	7%	2%	6%	15%	1%	25%	0%	0%

Suitability Categories (SR)

For stocks rated by Raymond James & Associates only, the following Suitability Categories provide an assessment of potential risk factors for investors. Suitability ratings are not assigned to stocks rated Underperform (Sell). Projected 12-month price targets are assigned only to stocks rated Strong Buy or Outperform.

Total Return (TR) Lower risk equities possessing dividend yields above that of the S&P 500 and greater stability of principal.

Growth (G) Low to average risk equities with sound financials, more consistent earnings growth, at least a small dividend, and the potential for long-term price appreciation.

Aggressive Growth (AG) Medium or higher risk equities of companies in fast growing and competitive industries, with less predictable earnings and acceptable, but possibly more leveraged balance sheets.

High Risk (HR) Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

Venture Risk (VR) Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

Raymond James Relationship Disclosures

Raymond James expects to receive or intends to seek compensation for investment banking services from the subject companies in the next three months.

Company Name	Disclosure
Apple Inc.	Raymond James & Associates makes a market in shares of AAPL.
Google Inc.	Raymond James & Associates makes a market in shares of GOOG.
Intel Corporation	Raymond James & Associates makes a market in shares of INTC.

Risk Factors

Additional Risk and Disclosure information, as well as more information on the Raymond James rating system and suitability categories, is available at rjcapitalmarkets.com/Disclosures/index. Copies of research or Raymond James' summary policies relating to research analyst independence can be obtained by contacting any Raymond James & Associates or Raymond James Financial Services office (please see raymondjames.com for office locations) or by calling 727-567-1000, toll free 800-237-5643 or sending a written request to the Equity Research Library, Raymond James & Associates, Inc., Tower 3, 6th Floor, 880 Carillon Parkway, St. Petersburg, FL 33716.

International securities involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets.

Small-cap stocks generally involve greater risks. Dividends are not guaranteed and will fluctuate. Past performance may not be indicative of future results.

Investors should consider the investment objectives, risks, and charges and expenses of mutual funds carefully before investing. The prospectus contains this and other information about mutual funds. The prospectus is available from your financial advisor and should be read carefully before investing.

For clients in the United Kingdom:

For clients of Raymond James & Associates (London Branch) and Raymond James Financial International Limited (RJFI): This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FSA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (High net worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals or those who would be classified as Retail Clients.

For clients of Raymond James Investment Services, Ltd.: This report is for the use of professional investment advisers and managers and is not intended for use by clients.

For purposes of the Financial Services Authority requirements, this research report is classified as independent with respect to conflict of interest management. RJA, RJFI, and Raymond James Investment Services, Ltd. are authorised and regulated by the Financial Services Authority in the United Kingdom.

For clients in France:

This document and any investment to which this document relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monétaire et Financier" and Règlement Général de l'Autorité des Marchés Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals or those who would be classified as Retail Clients.

For institutional clients in the European Economic Area (EEA) outside of the United Kingdom:

This document (and any attachments or exhibits hereto) is intended only for EEA institutional clients or others to whom it may lawfully be submitted.

Raymond James International and Raymond James Euro Equities are authorized by the Autorité de Contrôle Prudentiel in France and regulated by the Autorité de Contrôle Prudentiel and the Autorité des Marchés Financiers.

For Canadian clients:

This report is not prepared subject to Canadian disclosure requirements, unless a Canadian analyst has contributed to the content of the report. In the case where there is Canadian analyst contribution, the report meets all applicable IIROC disclosure requirements.