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THE WALL STREET JOURNAL
January 17, 2012 3:29 PM EST
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3:17p **BREAKING**
Natural gas plunges to lowest since 2002


3:15p Treasury taking steps to avoid debt ceiling

3:09p Oil back above \$100 after 2% rally

DOW	+57.40	NASDAQ	+13.52	S&P 500	+3.43
12,479.46	+0.46%	2,724.19	+0.50%	1,292.52	+0.27%

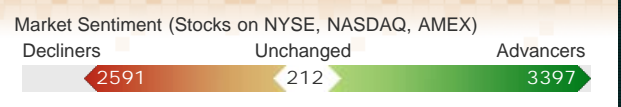
U.S. Week Ahead

Earnings in high gear
Quarterly earnings pick up, with results due from Google, Bank of America and Goldman Sachs, reports MarketWatch's Laura Mandaro.



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THE TRADING DECK
MARKETS TALK, IDEAS & OPINIONS



Jan. 17, 2012, 2:05 p.m. EST
Are we in a bull or bear market?

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About John Nyaradi
John Nyaradi is Publisher of [Wall Street Sector Selector](#), a financial media site focused on news, analysis and information about exchange traded funds and global financial and economic developments.
John's investment articles have appeared in many online publications including MarketWatch, Trading Markets, Money Show, Yahoo Finance, Investors Insight, Fidelity, ETF Daily News, iStock Analyst and his interviews have appeared on MarketWatch, Yahoo Finance's Breakout, National Business Talk Radio, Sound Investing, and The Index Investing Show. His book, "[Super Sectors: How to Outsmart the Market Using Sector Rotation and ETFs](#)", is included among the Years Top Investment Books in the 2011 Stock Trader's Almanac.

 By John Nyaradi
After a big run up that started December 20th and added 7% to the S&P 500 in 18 trading days, major U.S. indexes have now hit major resistance levels.

[See: Expect a colossal holiday rally](#)

With scary news still coming out of Europe, chronic high unemployment, sovereign credit downgrades everywhere, economic slowing in China, the likelihood of recession in Europe and escalating conflict over Iran, the bears can easily make the argument that this is a market top and lower prices lie ahead. Conversely, the bulls point to strong technical indicators, improving economic reports at home and seasonality on their side and so argue that the bull market is intact.

So who is right?
Let's take a quick look at several indicators and charts to get a feel for where markets might be going from here:

1. VIX: The VIX VIX +5.50%, the "fear" indicator has been in a downtrend since mid-November which would point to declining volatility and potentially higher stock prices ahead.

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2. The S&P 500 **SPX +0.27%** is above both its 50 and 200 day moving averages which is widely regarded as bullish, and the Dow Jones Industrials has formed the "golden cross" formation in which the 50 day crosses above the 200 day to generate a "buy" signal.



3. Major market breadth indicators like NYSE Summation Index and percent of stocks above 50 and 200 day moving averages point to broad based participation in the current uptrend and would also confirm a bullish outlook.

4. The NYSE Bullish Percent Index is in "bull confirmed" status and the S&P 500 completed a "triple top" breakout on January 3rd which is a strong "buy" signal in point and figure charting methodology.

So what can go wrong? Lots, of course.

On a fundamental level, any kind of misstep regarding Greece, banking problems in Europe or loss of confidence in the European leaders' ability to come up with a real plan by the conclusion of their summit meeting at the end of January could lead to a quick and nasty sell off. On a technical level, the failure of the major indexes to break through current resistance levels could spell a sharp retracement to major support levels some 7% below current prices.

So what is the most likely scenario?

If the S&P 500 can decisively break above 1300 and hold it, the bull will be clear to run. If this test of resistance fails, a retracement could be expected which would likely then be followed by more upside as we move farther into the first quarter.

Some ETFs for rapid gains could be the European Indexes which have been severely beaten down, as iShares MSCI Italy Index **EWI +2.06%** is some 20% off highs seen as recently as early November, and economic



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powerhouse, Germany, has seen its ETF, iShares MSCI Germany Index **EWG +3.01%** hammered down by approximately 15% in the same time frame.

So is it bull or bear? Bull unless markets fail at resistance or Europe implodes.

Wall Street Sector Selector actively trades a wide range of exchange traded funds and positions can change at any time. ■

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