

We spend most of our research and analysis on the fundamentals (financial statements, intrinsic values, qualitative considerations, industry and economic analysis). We also do technical analysis (price movement analysis) of the companies we recommend and follow.

Over the next few weeks, we will issue Special Reports on the technicals of some of the companies we follow, and have recommended.

### **Bullish Stocks**

Stocks basically have three directions: up (bullish), down (bearish), and sideways (neutral).

Today we are going to focus on the long-term bullish, and two bearish stocks. We want to look at these stocks from their high, support and resistance levels.

The bullish stocks are the companies that investors like the most. They are the strongest of the companies we follow.

We must remember that the favorites of investors can change overtime because of operational performance, management, an acquisition or merger, restructuring, trend change....

Below is a stock, Conagra (CAG) we have recommended that has gone from neutral, to bullish:

Let's review the chart:

- The stock was basically moving sideways for more than a year.
- Earnings beat earnings expectations, and several analysts upgraded the stock.
- The stock will now probably have a new higher trading range.



Here is a spreadsheet that lists the most bullish dividend stocks that we follow:

SYMBOL	INST%	HIGH	CRNT	SPRT	RSTNC	PATTERN	COMMENTS
ADP	75.9	59.50	57.39	57	59	BULLISH	MAKING NEW HIGHS
MMP	49.4	85.53	85.17	82.5	88	BULLISH	PARABOLIC CONSOLIDATING
PAYX	65.5	47.14	33.72	32.75	34.125	BULLISH	CONSOLIDATING
SDY	NA	66	58.31	56.5	58.25	BULLISH	NEW HIGHS
T	92	42.97	38.03	23.5 - 24	26.5 - 27	BULLISH	CONSOLIDATING
WY	79.8	86.9	26.94	24.5	?	BULLISH	NEW HIGHS
DJIA	NA	14,198.10	13,328.12	12,750.00	13,250.00	BULLISH	CONSOLIDATING

Let's first review the columns of the above spreadsheet:

- The third column, HIGH, is the high of the stock since the market bottom of 2009.
- The column, CRNT, is the current price of the stock
- The next two columns are SPRT and RSTNC.
- SPRT, support is where buyers tend to show up – most of the time.
- Resistance, resistance is where sellers tend to show up – most of the time.

Several years back we did a study to determine which technical tools provided the best predictive value, and support and resistance levels (according to our study) was one of the best tools to use.

Our conjecture for this is that SPRT & RSTNC are simple to learn and use. Because it is easy to use many market participants use them and they become a self-fulfilling prophecy.

Also, one of the tenets of technical analysis is that the market reflects all relevant information. Interest rates, inflation and earnings are the key variables that move markets. Interest rates and inflation don't change that often and, also tend to move in ranges.

Stock prices tend to anticipate earnings, and so prices tend to move just before earnings and adjust and then consolidate after earnings announcements.

- The seventh column, PATTERN, tells us the pattern of the stock. Most of the stocks made new highs for the year.
- The eighth column, COMMENTS, provides comments on the technicals of the stock.

Now let's look at an example of a bullish stock, Magellan Midstream (MMP), from this group:



Let's review the chart:

- I recommended the stock June 2010.
- The stock has been in rally mode since the great recession.
- There have been several consolidations: 1. When we first recommended 2. Most of last year 3. Early this year.
- The stock is now parabolic, and the trend is not sustainable. A retracement to the \$80 to \$77 level would be normal.

## Bearish Stocks

Fortunately, we only have two bearish stocks that are in the Baby Boomer Portfolio, BBP. Both stocks have heavy exposure to natural gas. Natural gas prices have plummeted the last few years. These two stocks reflect the weakness in natural gas prices.

The two stocks are bearish but basing, normally the last phase of a bearish trend.

Here are the technicals for the two stocks.

SYMBOL	INST%	HIGH	CRNT	SPRT	RSTNC	PATTERN	COMMENTS
PGH	NA	23.5	7.13	6	7.25	BEARISH	BASING
PWE	1.6	35.49	15.63	13.5	15.5	BEARISH	BASING

Let's review PWE:



- Prices are down over 50% since last year's high. The stock was about \$43 in 2006.
- The bearish trend, black trendline, dominates.
- Prices have found a bottom at about \$12.50. It has tested this area several times.
- Prices are now going sideways at the bottom; this is called basing.

Most BBP stocks are in trading ranges. We will review them next week.