

## Treasuries and the Coming Correction

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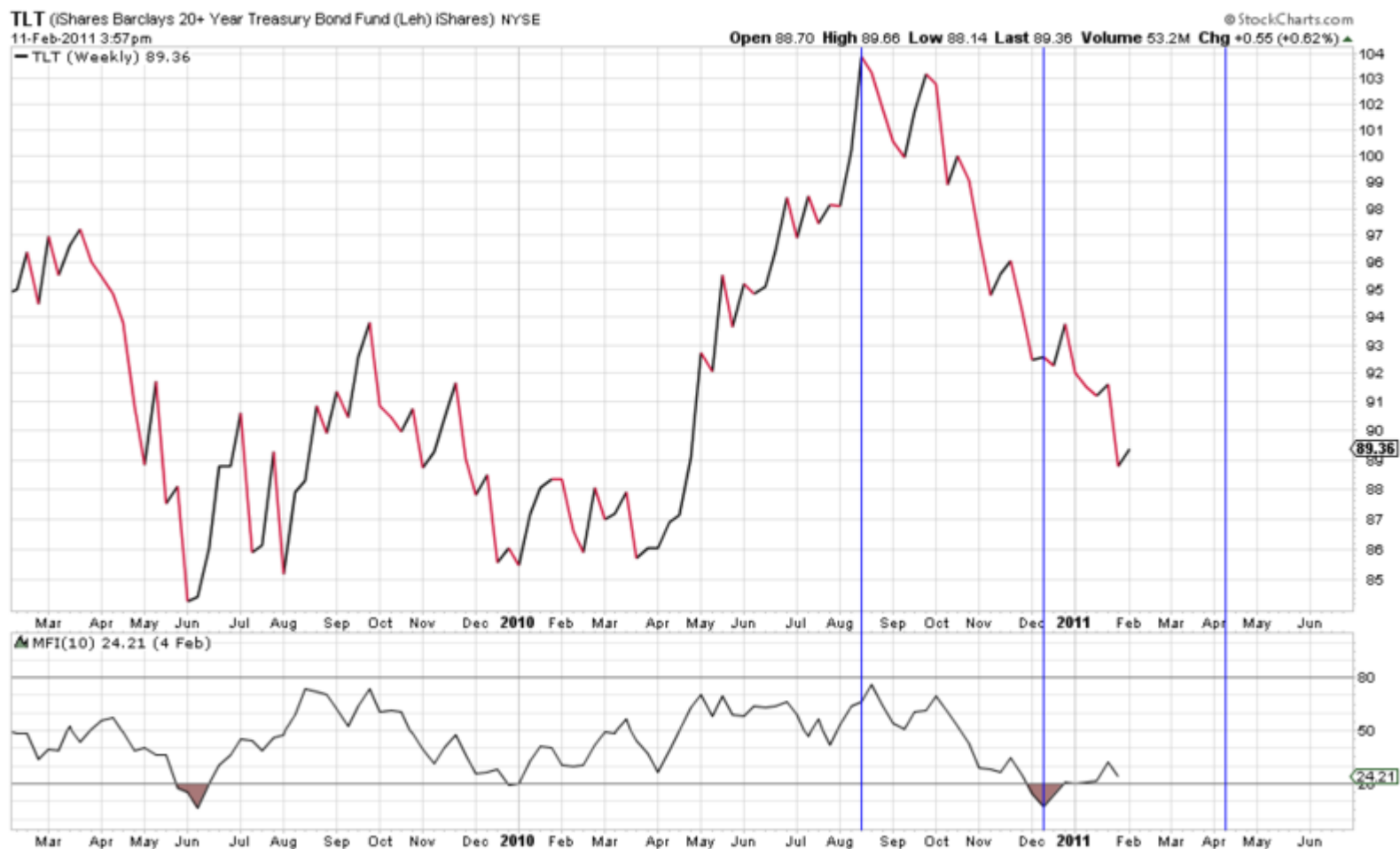
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As we have discussed in recent weeks, we expect a topping pattern soon in the S&P 500, culminating perhaps as early as this coming Tuesday. For timing clues, watch for bearish divergence between price and your favorite indicators.

Two of the charts I like to watch are \$NYUD and \$SPX:\$VIX. The first is New York Advance Decline Volume. It showed bearish divergence compared to the S&P 500 at the January 2010, April 2010 and August 2010 tops.

\$SPX:\$VIX is the S&P 500 divided by the Volatility Index (i.e. fear). If the S&P 500 makes a higher high but the S&P divided by fear makes a lower high, this is a divergence worth watching. While the \$NYUD chart is only updated at the end of each trading day, the \$SPX:\$VIX chart is available on intraday time frames.

Are government bonds an appropriate investment choice during the coming correction phase? The weekly Money Flow T<sup>TM</sup> on TLT suggests not.



As you can see, the Money Flow T™ expires in early to mid-April. I would not expect TLT to show any sustained strength until after that date.

You may have noticed that I used a 10-period Money Flow Index on this chart. When working with weekly and monthly charts, I find that settings shorter than the standard 14 periods often work better. On any chart, I routinely examine the Money Flow Index from 10 to 15 periods to see where the clearest picture emerges.

Until next week, please use caution in your investments and manage your risk wisely.