Hi Everyone,

With the market sell-off last week I have been asked, "What do I see coming in the shorter and longer term for the stock market".

The S&P 500 had a huge decline on Thursday that found support around the 1060 – 1065 level. That is a very key longer term support which represents the low that we put in during the February sell off. We had a closing low for the week on Friday that held around the 1110 level. Then on Monday moved up to around the 1150 – 1160, reason stocks got very over sold.

There are two pieces of resistance in the very short term; one is a 50% retracement of the recent decline which comes in at around the 1165 level and two, a 61.8% retracement of the recent decline that comes in around the 1177 level. This meaning if the market reaches the 1177 level there may be a decline in the market and if the market reaches the 1165 level we think there will definitely be a decline.

Shari and I feel that this rally will be quick possibly topping out at around the 1180 level. Why? Because that's really the only piece of chart resistance there is from back when the market was peaking in April so without any resistance the market could easily run back up to that point. Once we get back to that point we will reach an area where we had prior buying off that 1180 level. So we think at best we could run up to the 1180 level very quickly then once that rally runs its course, then we think we could have some backing and filling and some retesting of the recent lows.

The question is whether we just come back to Friday's lows around the 1110 level or will we actually on an inter-day level go below 1100 or will we fully retest the Thursday's lows back around the 1065 level. Some where in this area over the next couple of weeks we think that the S&P 500 will decline and that it will occur on another increase in bear sentiment, whether it will be Grease or something entirely different but this time we think that the decline will be on lesser volume then we saw on extremely high levels of volume on Thursday and Friday.

It is interesting to note that between the 1060 – 1065 levels and up towards the 1180 level that there seems like there is a real *air pocket* where prices can move very quickly. We basically went straight up from the February lows within that area we didn't start having problems until we got above it or around the 1200 level. The reason why we are not surprised to see that we went straight up is because once we broke that 1180 area there were no layers of chart support built up so we just quickly went right through that area. So with Monday's pop there seems to be a real air pocket in there so we would expect a lot more volatility over the next couple of weeks as the market try's to trace out some type of bottom.

Many times after collapses like we saw on Thursday and Friday, the market will attempt to trace out what appears to be a double or a triple bottom so that is what we will be looking for. We will be expecting that the market will go straight up then back down to try to form a bottom and then up again and back down to secure that bottom and sometimes it will have to do it a third time before it is comfortable that the bottom is formed before the market will take off and move to new highs.

The big question on every ones mind is last week's weakness, *will that lead* to the start or *is it a start* of a new bear market? The answer is no, I really don't think so. I was expecting a 10-15 percent correction and I am going to stick with that at this point. As I said we tested the February lows and that is the key here. Since March we put in higher lows and higher highs three times. Last weeks action did not take out this key low from February so from a simple price perspective the series or the trend remains higher. I feel this was confirmed because we did hold on a closing basis, albeit marginally, the trend line off the July lows through the February lows. So for now since this trend line remains in tack we remain confident that things are fine for now.

In summary:

We think that there was some short to intermediate chart damage. There is a long-term confirming indicator we like to use that suggests when we are in a bear or bull market, that is the 43 week relative strength indicator, above the 50-line considers the market is in a bull market and below it suggests that we are in a bear market. We can see that back during the summer of 2009 we finally rolled above the 50 level and we have been above that level ever since. With the sharp decline last week we pulled back quite a bit but we remain on a longer term buy signal from a momentum stand point. So we think that there hasn't been any long term damage. From a short term perspective we think the market for the next month or two will probably try to trace out some sort of base or a reversal formation; we will be watching volume levels and also we will be watching what the sentiment indicators do.

The good news is that we feel that although this may take most of the summer to work its way through this process, once it does, and it may be mid July or first of August, we should see the markets head higher right into the first quarter 2011.

While we are waiting expect a lot of volatility.

Continued Success,

Valerie Holcomb, Shari Hooper & Brian Harris
Cascade Financial Group

607 Cascade West Parkway
Grand Rapids, MI 49546
(616) 575-2020
(616) 957-4142 Fax: