Guest Post by Michael Kahn, CMT. *Mike is a Chartered Market Technician (CMT), Columnist, Editor, Analyst, Instructor, Speaker and Author of three books on technical analysis.*

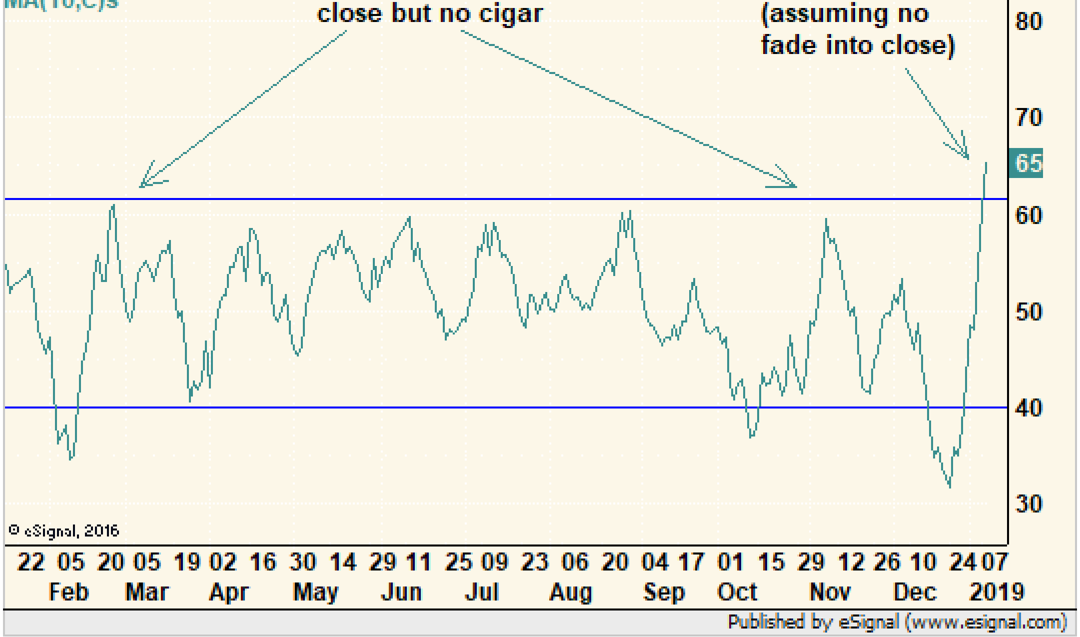
It is always difficult for we humans to separate our gut feelings from cold, hard data. After all, the latter is why we built computers so we don?t have to worry about those silly facts. I know I personally prefer to act on whims based on my extensive life experience as they masquerade for analysis. That is why in the midst of on-again, off-again trade wars, budget battles, political fracturing, the Fed and slowing global growth it is completely uncomfortable to look at the data and buy this market. Is it the blood in the streets that Rothschild espoused? Or is it fearful enough for Buffet?s ?buy when others are fearful?? Maybe. The VIX did reach a peak of 36 a short while ago but that?s still just run-of-the-mill fearful. But then along comes retired institutional market analyst and technician Walter Deemer to spoil the pity party (sorry, Puddles). He?s been tracking the Lowry?s 90% day signals throughout this current market turmoil and reported several of the bullish variety in the past few weeks. Just so you know, a 90% upside day occurs when 90% of the volume and 90% of the points happen to the upside. It?s a little hard to do on your own and most people cheat a little by using 90% of the stocks moving (advancers) as a proxy for points. But you get the idea. Paul Desmond, the late chief at Lowry?s, published the full set of rules for this signal but in a nutshell, market bottoms are likely when a few upside days follow the downside days. It tells us there was some panicky action to sell followed by enthused action to buy. The tide rolled out (go Clemson!) and then rolled back in. Of course, we see a lot of isolated upside days in bear markets so it is important to have a few upside signals in a cluster. Clustering is even more important when there are only 80% upside days, instead of 90%. Clustering of both kinds seems to be the case now. And then on January 4 (a Friday), Deemer tweeted this:

> *'Another 90% upside day followed by a **Whaley Breadth Thrust** to confirm an intermediate bottom and **Breakaway Momentum** to confirm a four-year cycle low.'*

I am not well versed in these two indicators so here is my look-see: Wayne Whaley published his findings in 2009 for his Advance Decline Thrust (ADT) indicator. It is simply the sum of advances for N periods (usually five) over the sum of advances plus declines over that same period. A reading above 70% is pretty good but above 75% is really good. And now for Breakaway Momentum (BAM), from Walter's own writings:

> *"Breakaway momentum (some people call it a "breadth thrust") occurs when ten-day total advances on the NYSE are greater than 1.97 times ten-day total NYSE declines. It is a relatively uncommon phenomenon."*

As you can see, they are similar. And so is the Zweig Breadth Thrust, which looks a 10-day average of advances over advances plus declines to move from a very bearish 40% to a very bullish 61.5% in a 10-day span. Here is what that indicator looks like today:



Winner, winner, chicken dinner. It makes no sense that the market is so happy but that?s a gut reaction, not a data reaction. It?s not what we expect but there it is. I?ll close with an excerpt from Whaley?s report which really gives us a good understanding of what all this breadth trusting is all about.

> *"Market rallies have been appropriately compared to the launch of a rocket. In order for a rocket to have enough momentum to exit the Earth?s atmosphere, the ship must be launched with enough initial force to defy the earth?s gravity and penetrate the Earth?s atmosphere. The theory is the market has an atmosphere of boundaries as well, made up of old trading ranges, resistance lines, and the tendencies of investors to pocket short-term profits. If the market is to have a chance of overcoming its own atmospheric constraints, the initial rally must be propelled with a thrust adequate in force to send the market through the levels of resistance that thwarted previous such launches."*

The fuel for that thrust is market breadth. Deemer says the market today is very close to a BAM signal (as of publication midday Jan. 8) but cautions that there have been near-misses before. He?s waiting for the full signal. I?m a bit more encouraged but then again, I?ve only been at this chart stuff for 31 years. Walter has 23 years more than that.