

# LEHMAN BROTHERS TECHNICAL STRATEGY

## DEGRAAF'S DAILY

### Intermediate Term Barometer:

#### Conditional Elements:

Trend



Liquidity



Sentiment



Price Proximity



#### Momentum:



### Industry Group Technical Rankings

#### Strongest

Alternative Carriers  
Tires & Rubber  
Fertilizers & Agricultural Chemicals  
Casinos & Gaming  
Integrated Telecommunication Services

#### Weakest

Heavy Electrical Equipment  
Air Freight & Logistics  
Hypermarkets & Super Centers  
Coal & Consumable Fuels  
Computer & Electronics Retail

### Near Term Summary:

<b>NDX</b>		<b>S&amp;P 500</b>	
<b>Trend</b>	↓	<b>Trend</b>	↑
<b>Momentum</b>	↓	<b>Momentum</b>	↓
<b>OB/OS</b>	Neutral	<b>OB/OS</b>	Oversold

Jeffrey S. deGraaf, CMT, CFA

January 3, 2007

With every January comes the instinctive need to begin anew, with slate cleaned and in classic western fashion we do not atone for the sins of the past year, but instead fool ourselves into thinking that we shall somehow overcome those obstacles that have stood in our way of self-improvement in years past. The easiest resolution to keep in any new year is the resolution not to change, but where is the fun in that? Even attempted self-improvement that fails is a nobler endeavor than following the inertia of ones own dust cloud from the year past. For personal self-improvement we can provide little guidance, as that comes from within, but on an investment level here is a list of 7 resolutions (reminders) we will be following as '07 progresses.

- 1) The real money lies within the trend.
- 2) Mean-reverting moves within trend are the counter-balance between expectations and reality.
- 3) Spikes in volume and momentum often signify when the disparity between expectations and reality (sentiment) are near their apex.
- 4) Divergences are not timing indications, but conditional circumstances. Used in isolation, they will take your money faster than a round of 3-card-monte on 47<sup>th</sup> St.
- 5) Conviction and Stubbornness are identical twins distinguishable only by their outcomes.
- 6) The profitability of an idea is often inversely related to its conviction level.
- 7) Risk is in the balance sheet, not the income statement.

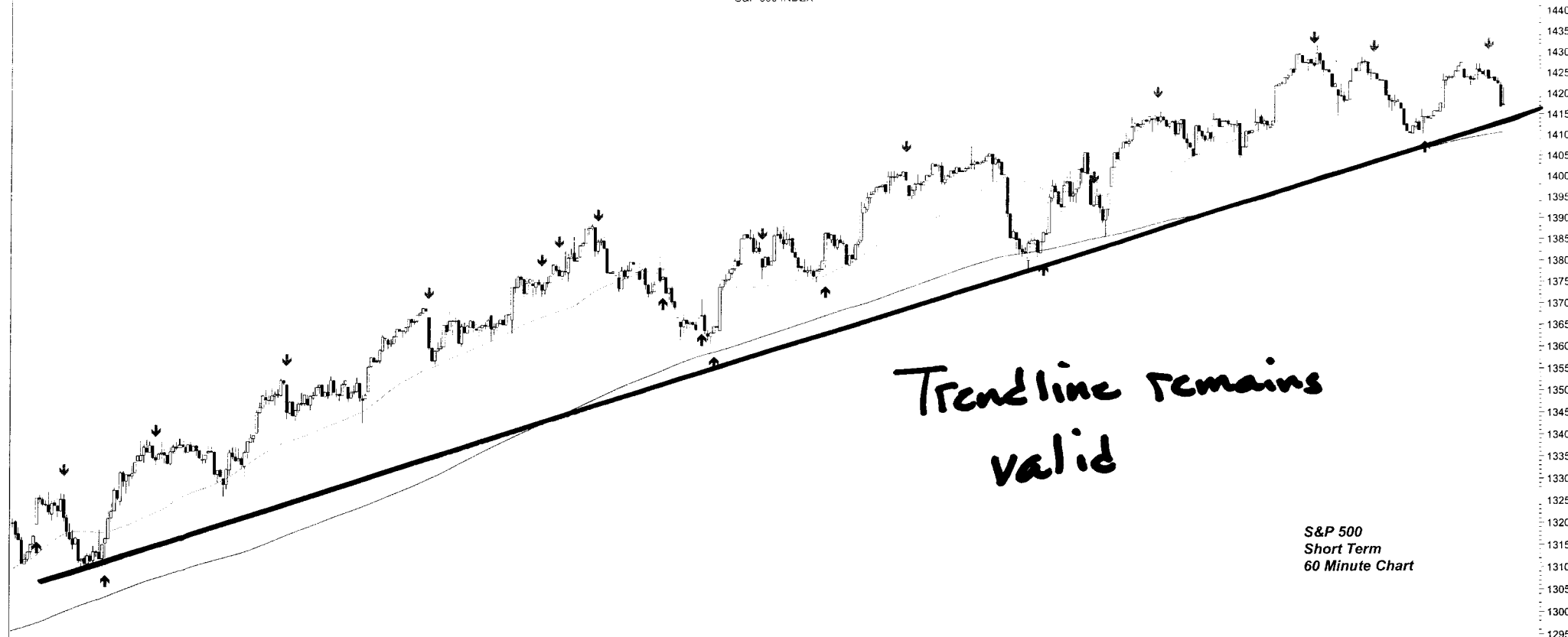
After the Holidays, I also resolve not to serve any more dinners on dishes that need to be hand-washed for 2007! Next week we will be publishing our favorite names for 2007 when the rest of the world has returned to their battle stations.

### Team Technical

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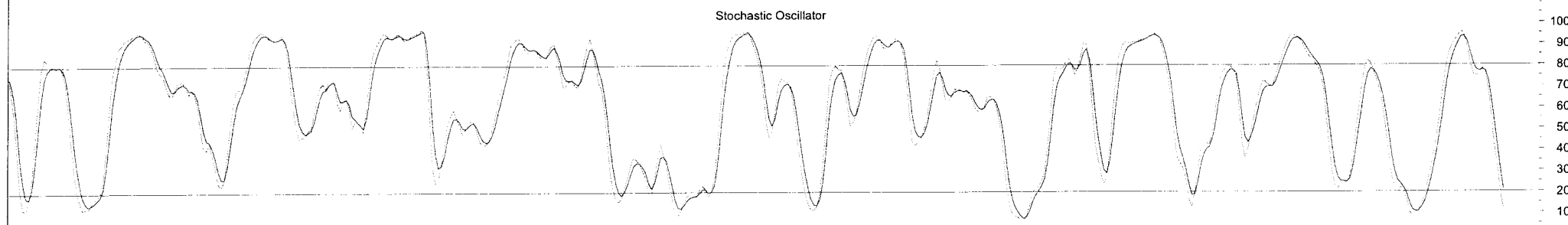
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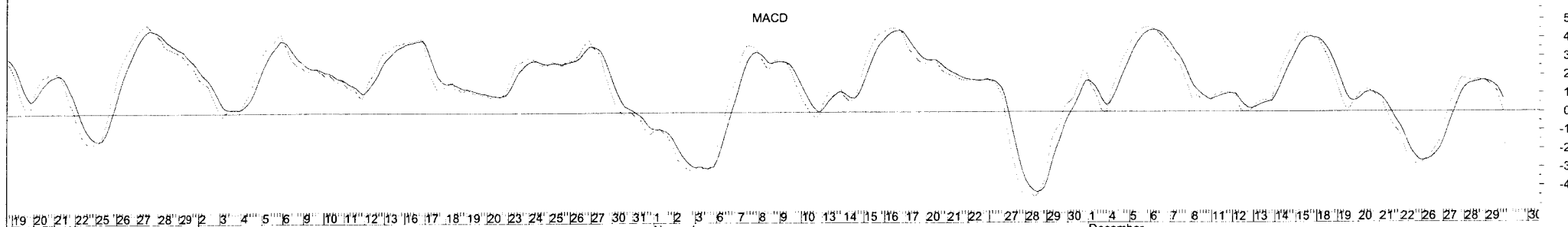


Trendline remains valid

S&P 500 Short Term 60 Minute Chart



Stochastic Oscillator



MACD

11/19 20 21 22 25 26 27 28 29 12/3 4 5 6 9 10 11 12 13 16 17 18 19 20 23 24 25 26 27 30 31 1 2 3 6 7 8 9 10 13 14 15 16 17 20 21 22 1 27 28 29 30 1 4 5 6 7 8 11 12 13 14 15 18 19 20 21 22 26 27 28 29 30

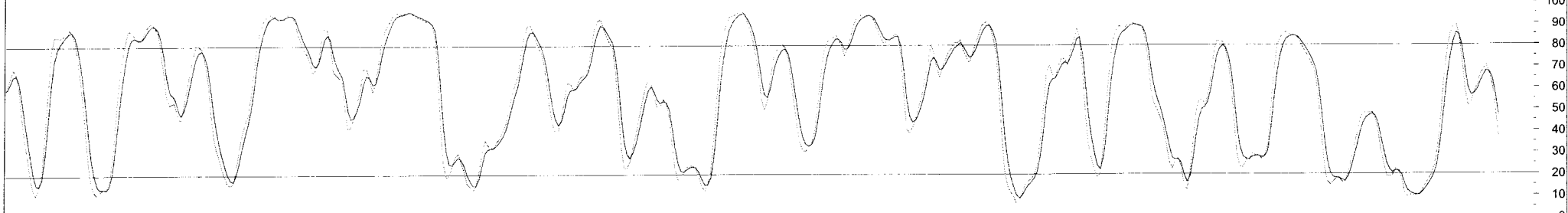
NASDAQ 100



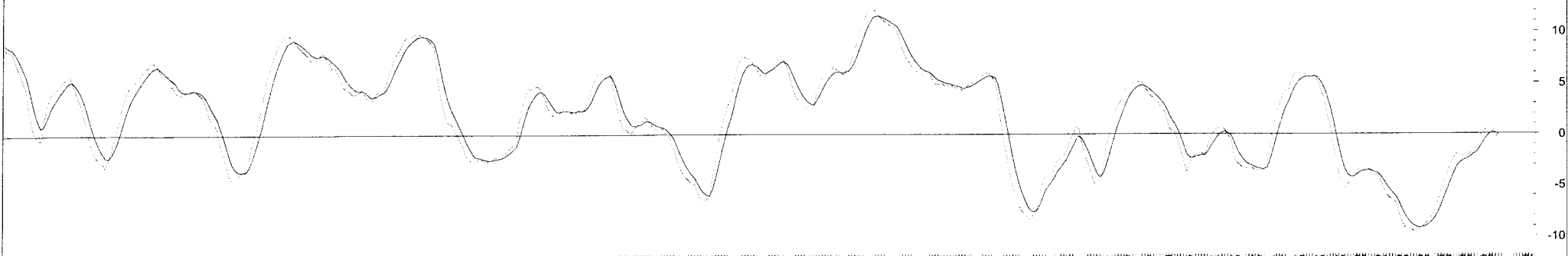
Small top. Seasonals  
Remain positive

Nasdaq 100  
Short Term  
60 Minute Chart

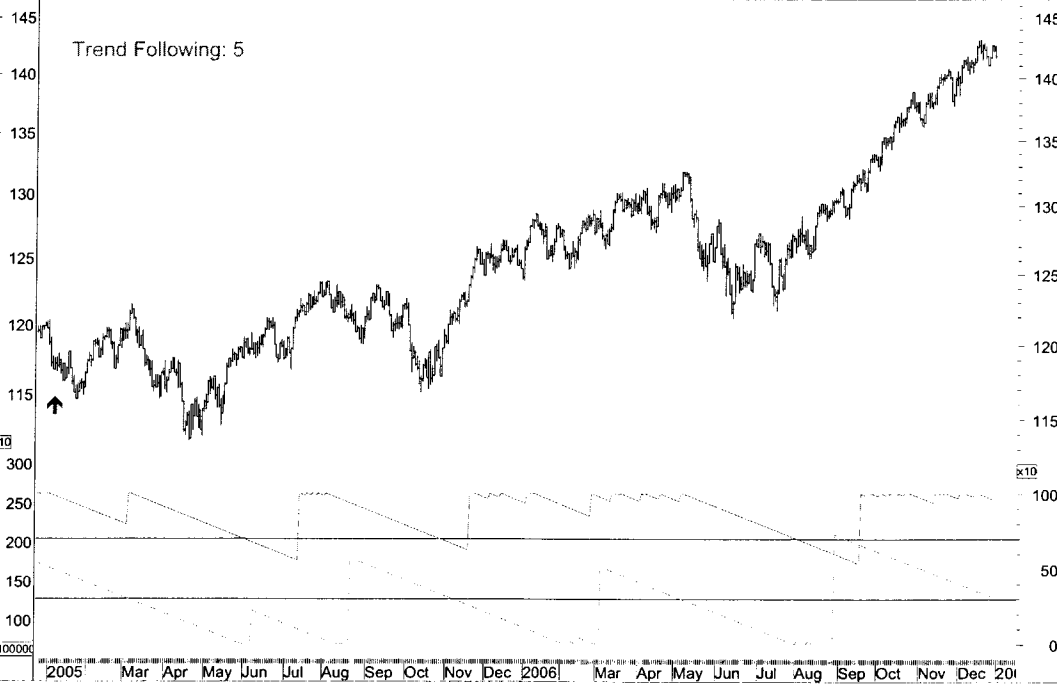
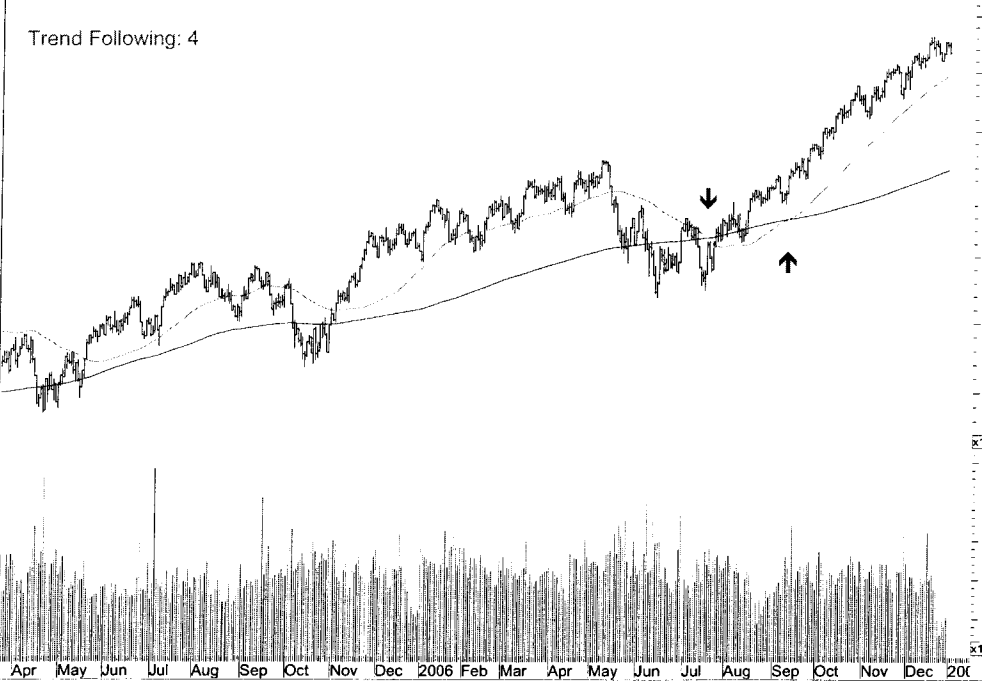
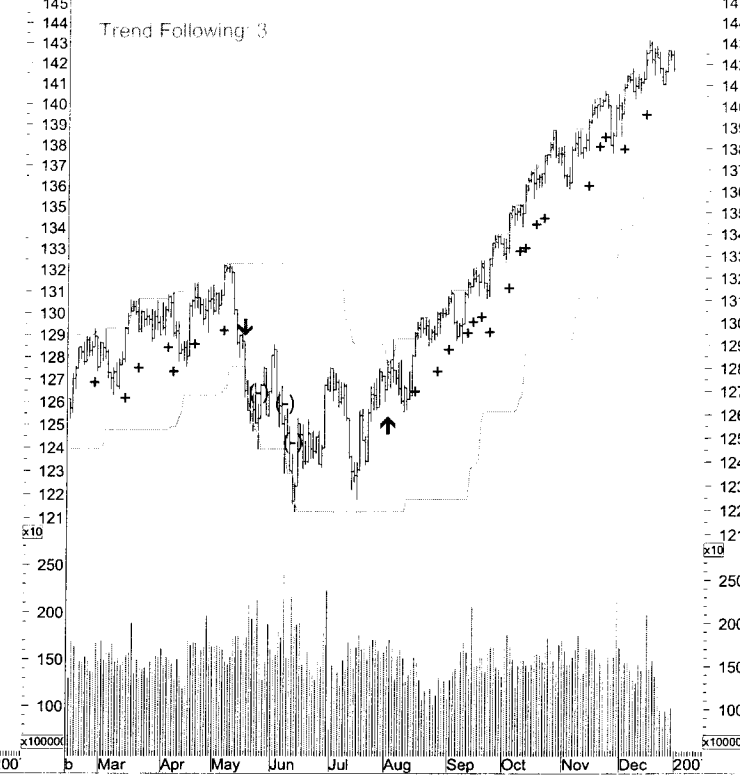
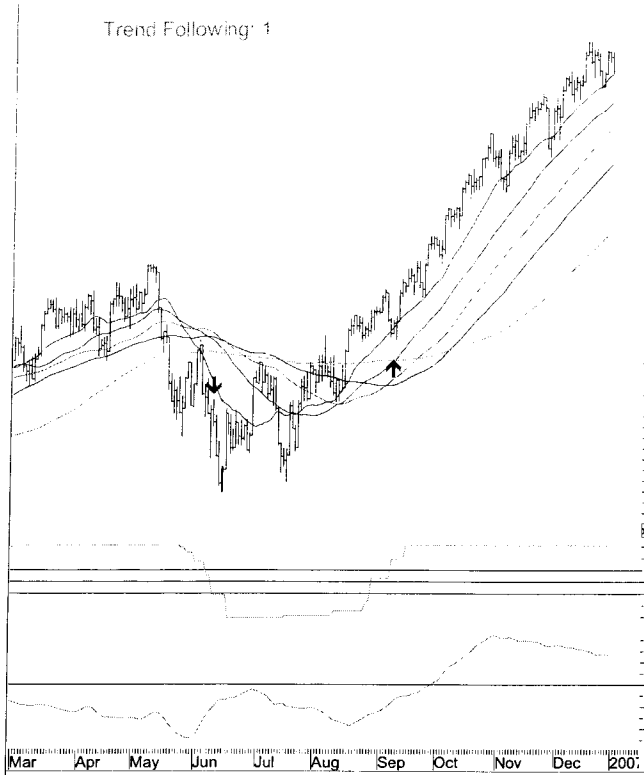
Stochastic Oscillator



MACD



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October November December



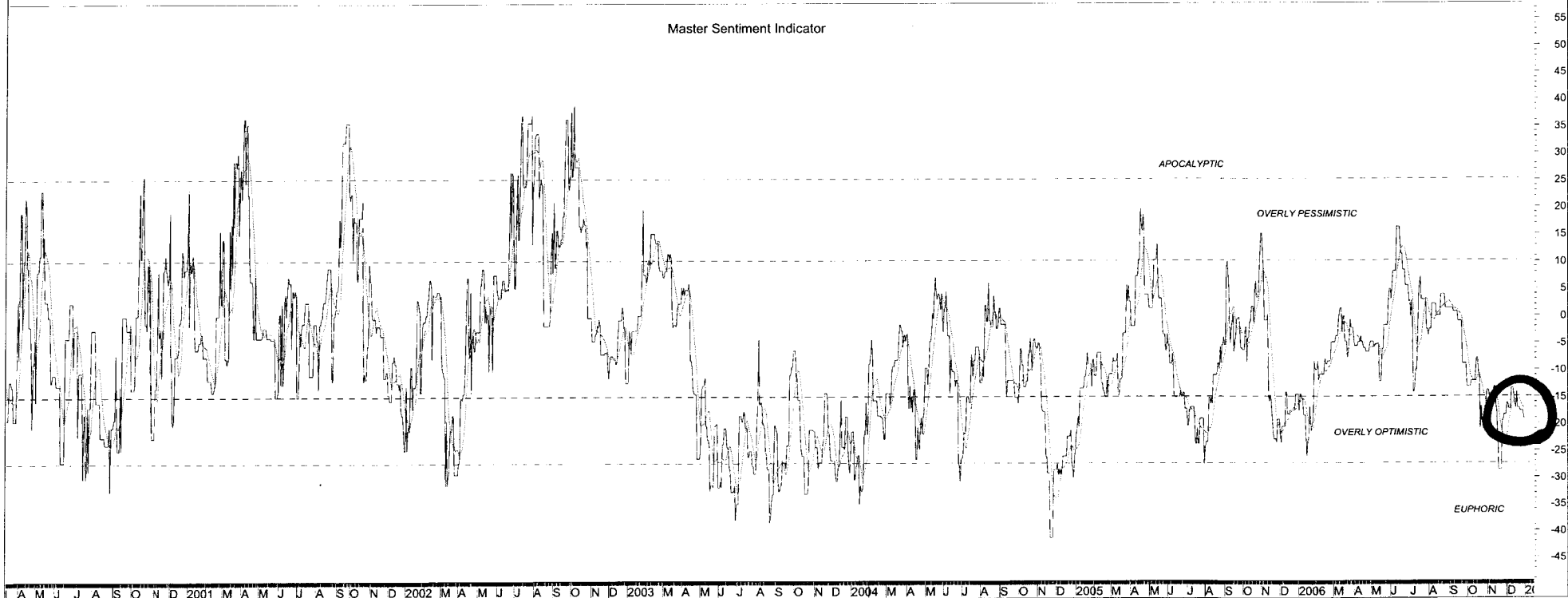
Price momentum is weak despite trends

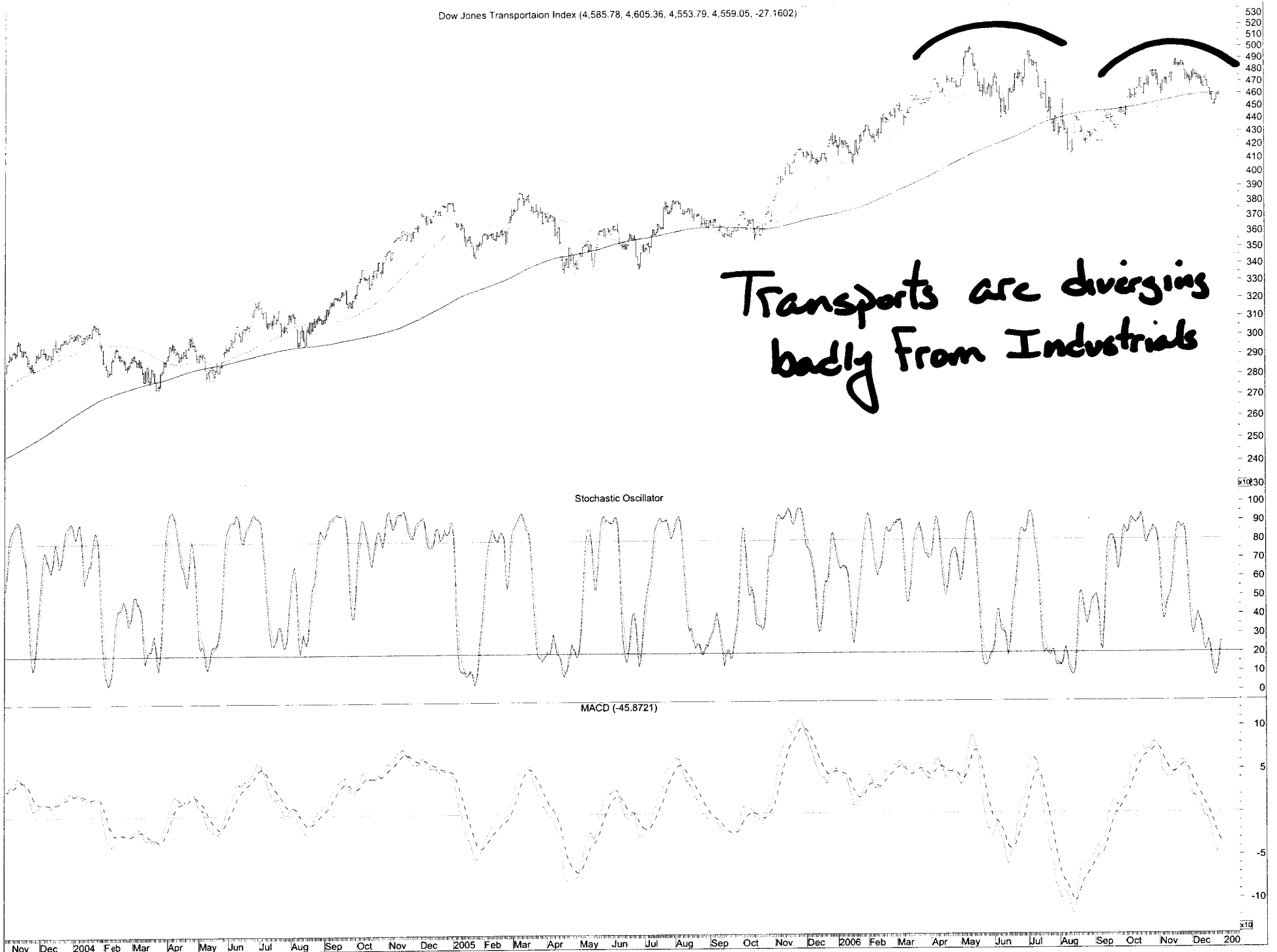


# Sentiment is a concern For 1st Q



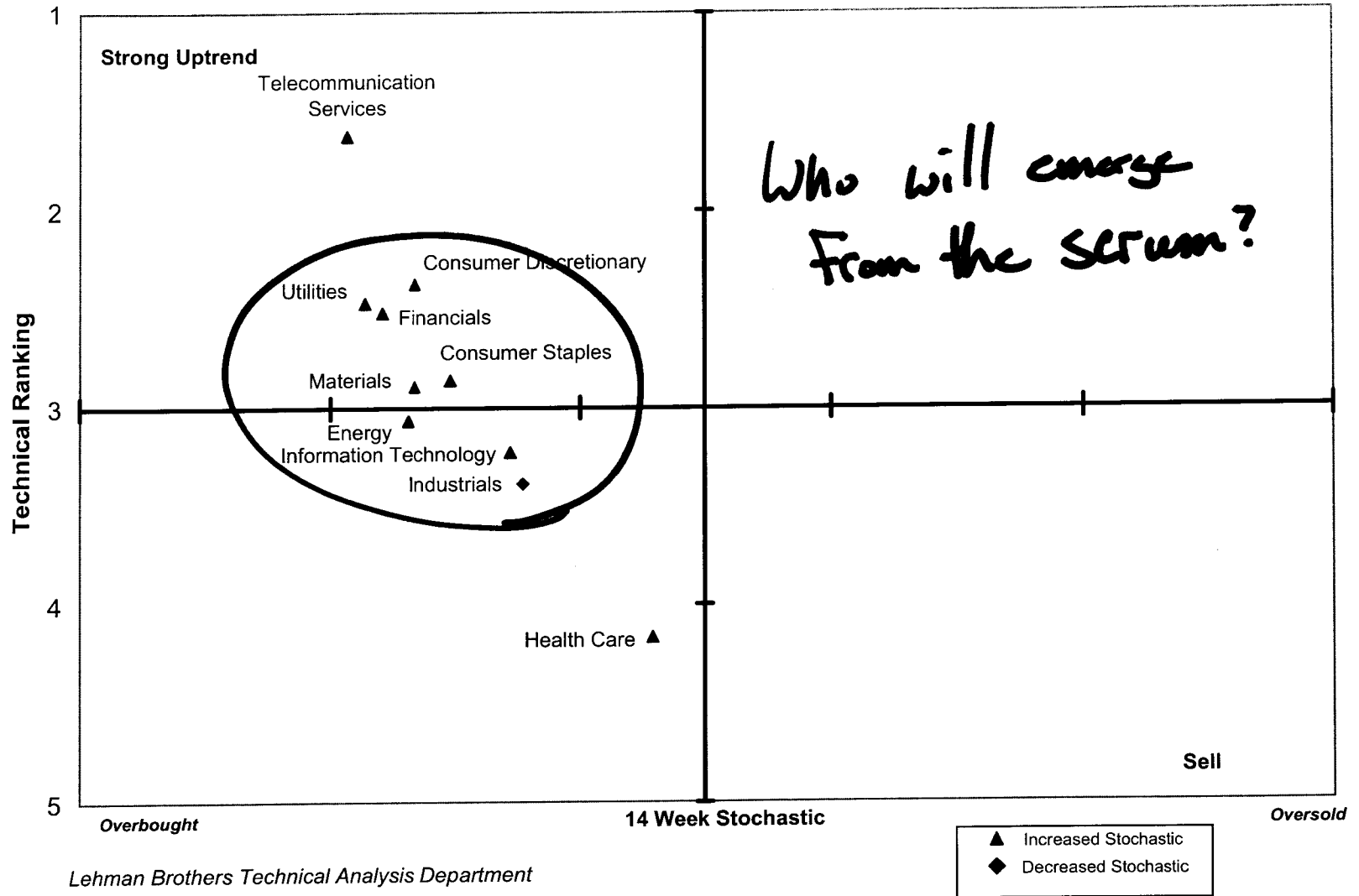
Master Sentiment Indicator





Transports are diverging badly from Industrials

TECHNICAL MATRIX  
S&P SUPERCOMPOSITE SECTORS



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