

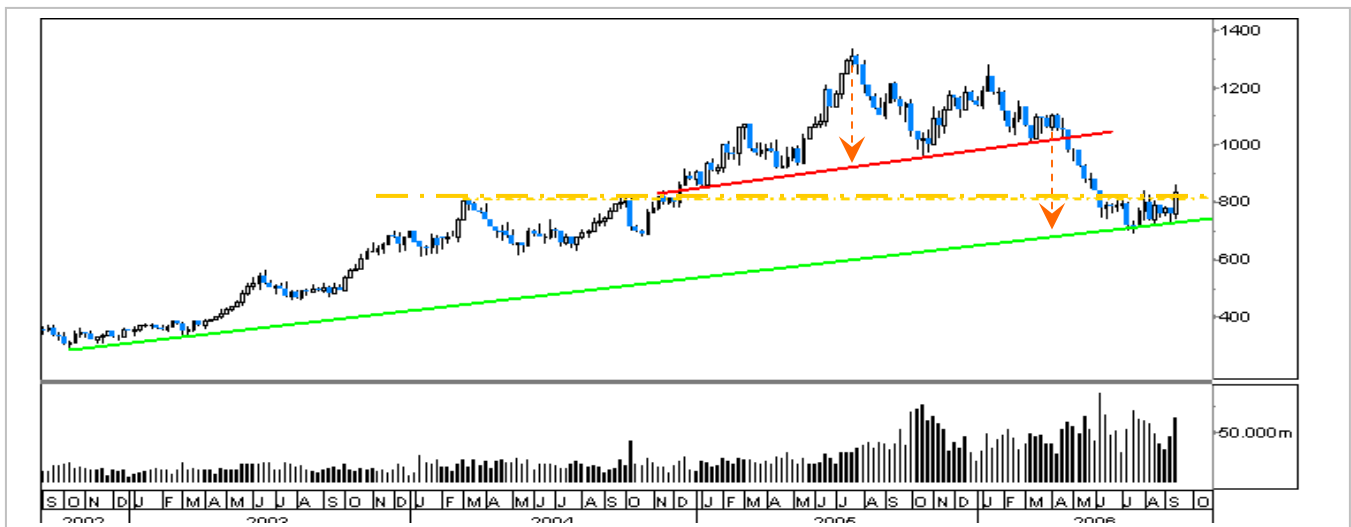
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S&P 500 Homebuilders Index (S5HOME) – Daily Chart w/14-Day RSI



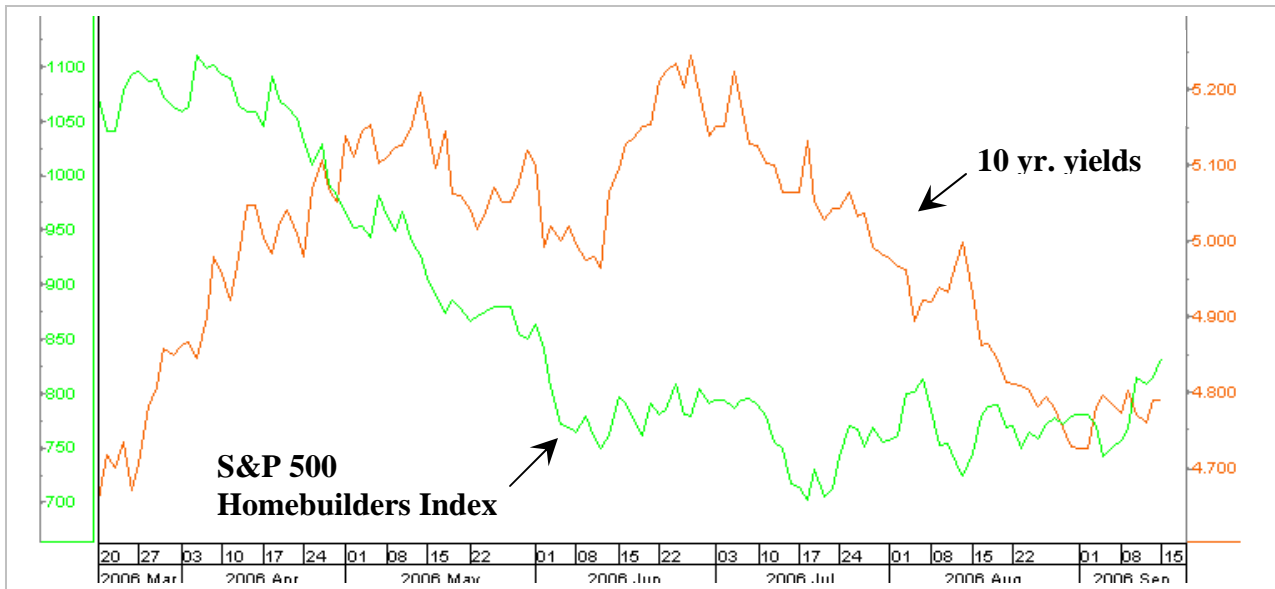
The S&P 500 Homebuilders Index (S5HOME) over the past two years broke a series varying up trend lines (green lines) and has clearly reversed its aggressive secular bull trend. However after a roughly 40% correction from its peak, the index has found some support near the 685 to 700 level (purple lines). Additionally there has been a positive divergence between price and momentum as downside momentum noticeably abated even though price fell to lower lows and re-tested support (lower red line and arrows)

S&P 500 Homebuilders Index (S5HOME) - Weekly Chart w/Trend Lines



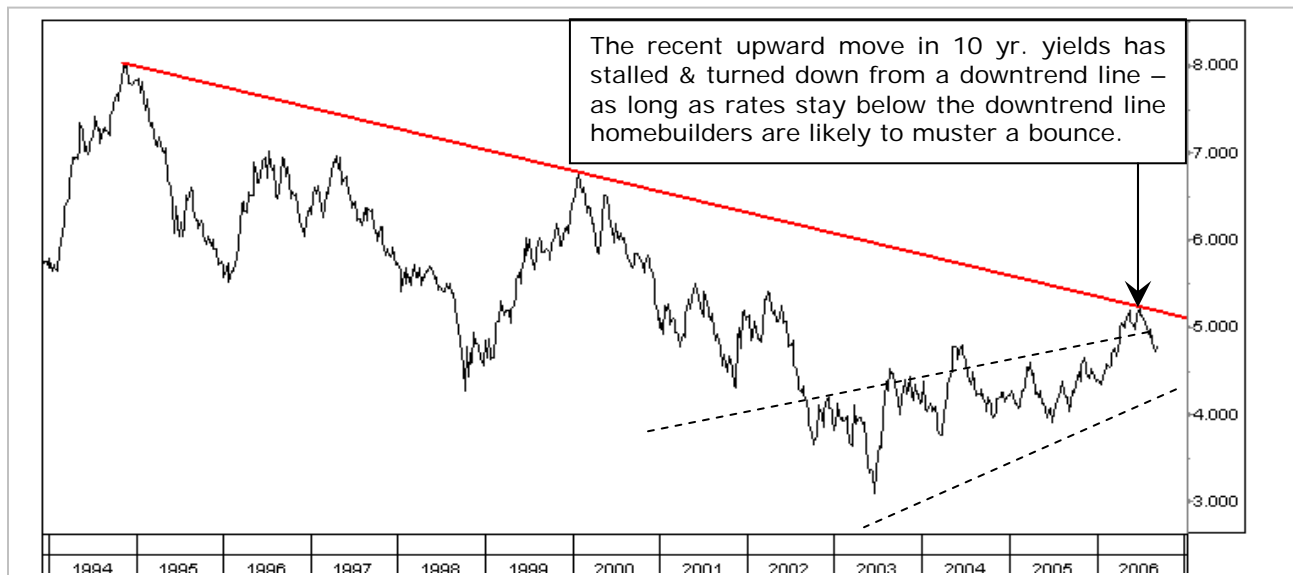
As seen on this weekly chart the S&P 500 Homebuilders Index (S5HOME) reached its' measured downside objective (dotted orange arrows) shown above by projecting the high point in volatility downward after the break of the head and shoulders pattern neckline (red line). Shares have subsequently held @ a less aggressively slope up trend line (green line) and have worked back above broken support/resistance near 800 (gold line). While the secular bull market maybe over a solid oversold rally may take place and offer an opportunity to capture some positive intermediate term returns.

S&P 500 Homebuilders Index (S5HOME) and 10 Year Yields - Comparison Chart

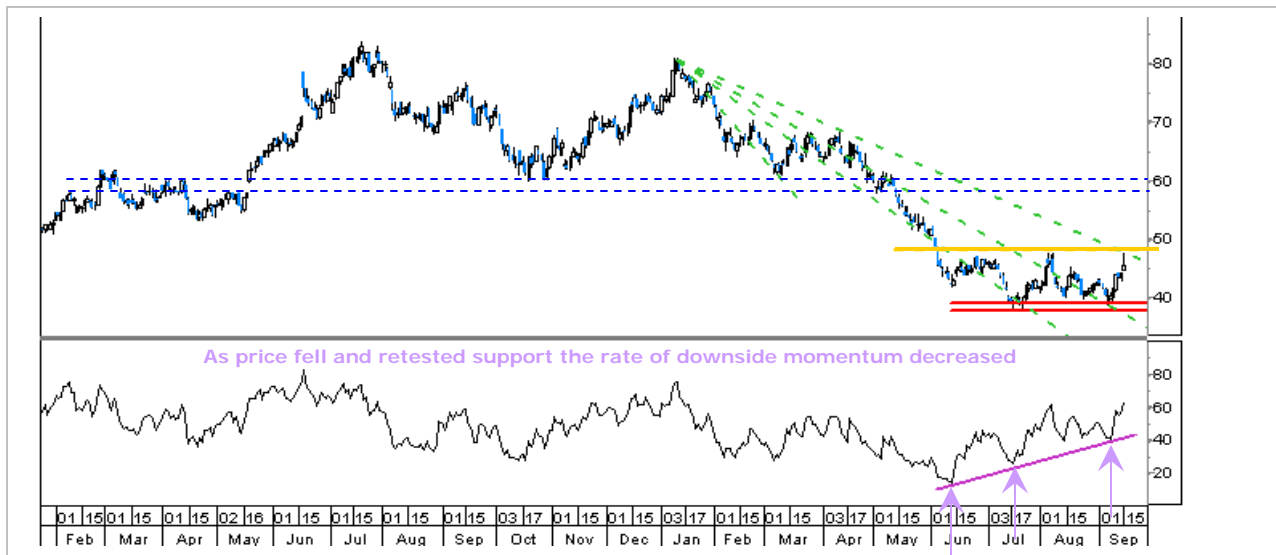


As seen on this comparison chart the S&P 500 Homebuilders Index (green line) has been inversely correlated to the direction of interest rates (using the 10 year as a proxy – orange line) with the index falling when rates rose from March to July and subsequently basing then rising as rates have fallen from June to September.

10 Year Treasury Yields



KB Home (KBH) - Daily Chart



KBH has good support in the 40.00 – 39.00 area (red lines) and resistance near \$ 48.00 (gold line). A strong move above \$ 48.00 w/expanding volume could move back to 57.00 – 60.00 resistance area (dotted blue lines)

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