



THE RHODES REPORT

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MONDAY – MARCH 12, 2012

Consumer Discretionary/SPX Ratio (Monthly) "Consumer Grows to the Sky"



"FORECAST"

STOCKS: The European debt contagion remains in place, although it is on "hiatus" for the moment, China remains on a growth deceleration curve and there are concerns are of a hard landing — while other world economic data is starting to surprise to the downside. We find this rather troubling given the overwhelming bullish sentiment now extant. The US however, is better positioned than her brethren.

STRATEGY: Technically speaking, the S&P 500 remains above long-term support at the 160-week moving average at 1143; which is critical given it delineates bull/bear markets. However, prices are once again in the 1350-to-1370 resistance zone — and appears to underdoing distribution. Hence, we expect a correction of -4% to -8% to between the 1320-to-1265 zone; then a resumption of a rally...a weaker rally.

– not the official creditors. There isn't much of a carrot to buy high yielding Portuguese or Spanish debt is it.

Outside of this, the FOMC begins and concludes a one-day meeting tomorrow and there will be no new QE programs to speak of. We really view this meeting as a non-event. The employment situation report was rather good on Friday, which puts the 3-month gains at rather nice levels. But we saw the very same thing last year; and they faltered due to a myriad of reasons. Hence, the FOMC majority is unlikely to believe that it is time to give the "all clear" signal; but they will provide a sense that things are on the mend – but still not up to their standards.

CAPITAL MARKET COMMENTARY

► **WORLD MARKETS ARE LOWER OVERNIGHT** as we arrive on Monday to concerns regarding Greece and the ISDA decision that there will be a credit event in Greece given the current circumstances. This is giving cause to concern about Portugal, Spain and Italy – with 3-year and 5-year note yields rising in Portugal above 16%, while 10-year paper in Spain is back above 5.00% to 5.04%. Italy is on firmer footing, with 10-year yields at 4.88%. The question everyone is bandying about is whether the Greek situation has been "ring-fenced" or not; and whether private investors are willing to fund either Portugal or Spain going forward given private investors will be subordinated to the "official European" creditors – in essence meaning that if haircuts are required – then private investors will take them

OVERNIGHT PRICES

Quotes at: 7:41am EST

INDEX		LAST	CHG	% CHG	YTD	% YTD
Morning Futures						
S&P 500	down	1,364.75	-2.00			
Nasdaq 100	down	2,639.75	-4.00			
10-year Note Yield	up	2.01%	-1.6 bps			
Crude Oil	down	\$ 106.32	\$ (1.09)			
Euro €	up	1.3117	0.0001			
Yen ¥	up	1.2162	0.0047			
Gold	down	\$ 1,698.90	\$ (12.60)			
Foreign Indices						
FTSE 100 Index	down	5,877	-10.9	-0.19%	304	5.16%
German DAX	up	6,883	2.7	0.04%	985	14.24%
French CAC	down	3,481	-7.0	-0.20%	344	9.05%
Japan Nikkei 225	down	9,890	-39.9	-0.40%	1,435	14.02%
SSE China Composite	down	2,435	-4.6	-0.19%	235	8.38%
India Sensex	up	17,588	0.0	0.00%	2,133	10.40%
Brazil Bovespa	down	66,704	-204.4	-0.31%	9,950	14.36%
US Indices						
Dow Industrials	up	12,922	14.0	0.11%	704	6.08%
Nasdaq Composite	up	2,988	17.9	0.60%	383	14.44%
S&P 500 Large-Cap	up	1,371	5.0	0.36%	113	9.01%
S&P 400 Mid-Cap	up	985	9.0	0.93%	106	11.57%
S&P 600 Small-Cap	up	454	5.7	1.28%	39	9.19%

CAPITAL MARKET COMMENTARY

► **TRADING STRATEGY:** We sound like a broken record right now, for we've grown modestly more concerned in the past 2-weeks, and we view current price action as "top building" in lieu of a minimum broader market correction in the -4% to -8% range. In terms of the S&P, this would result in a test of the 1265-to-1330 zone. And if we had to err upon a more "targeted" target price, we would narrow it down to between 1280-to-1320, which is where the downward-sloping trendline and the 55-day exponential moving average crosses to form a support zone. However, we fear any correction will "hit" the NASDAQ 100 relatively worse, and we would expect a washout of the late longs down to 2400.

We continue to see long opportunities in gold and energy shares given bullish weekly and monthly charts; we are long the former – and hold it as partial insurance given the potential reemergence of the European debt crisis. Outside of this, we are rather aggressively short the NASDAQ 100 and Russell 2000; and as noted above we look for broader market weakness. As the S&P approaches the 1320-1330 zone, then we'll be inclined to pare them back to some degree, although we'll remain flexible given the developing market conditions at the time.

RHODES DISCRETIONARY MODEL PORTFOLIO

No.	Trade Date	Long/Short	Share No.	Name	Ticker	Port %	Invest	Entry Price	Current Price	Total	Unrealized P/L	Percent P/L	Stop Loss Point	TARGET	Earnings Release
1	2/17/2012	L	1,761	El Dorado Gold	EGO	10.5%	\$ 23,885	\$ 13.56	\$ 14.13	\$ 24,889	\$ 1,004	4.2%	\$ - HOLD	<	\$ - N/A
2	2/29/2012	L	2,138	Kinross Gold	KGC	9.8%	\$ 24,108	\$ 11.28	\$ 10.91	\$ 23,328	\$ (780)	-3.2%	\$ - HOLD	<	\$ - N/A
3	3/1/2012	L	1,562	Russell 2000 2x Short	TWM	20.8%	\$ 48,145	\$ 30.82	\$ 31.72	\$ 49,559	\$ 1,414	2.9%	\$ - HOLD	<	\$ - N/A
4	3/2/2012	L	2,185	NASDAQ 100 2x Short	QID	30.5%	\$ 72,460	\$ 33.17	\$ 33.21	\$ 72,547	\$ 87	0.1%	\$ - HOLD	<	\$ - N/A
5	3/7/2012	L	2,030	Arch Coal	ACI	10.1%	\$ 24,233	\$ 11.94	\$ 11.87	\$ 24,091	\$ (142)	-0.6%	\$ - HOLD	<	\$ - N/A
6				N/A		0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -		\$ - N/A
7				N/A		0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -		\$ - N/A
8				N/A		0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -		\$ - N/A
9				N/A		0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -		\$ - N/A
10				N/A		0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -		\$ - N/A
TOTAL						81.7%	\$192,831			\$ 194,414	\$ 1,583		" < " Denotes Change		

Model Portfolio Inception (\$100k): **January 1, 2005**

2005 Performance: +20.34%
 2006 Performance: +47.57%
 2007 Performance: +20.84%
 2008 Performance: -3.75%
 2009 Performance: +7.45%
 2010 Performance: +10.22%
 2011 Performance: -0.08%

2012 RECAP

Starting Balance	\$ 244,451
Closed Positions	\$ (8,134)
Open Positions	\$ 1,583
Dividends	\$ -
PORTFOLIO YTD (Gain/Loss)	\$ 237,900 \$ (6,551) -2.68%
S&P 500 YTD	9.01%
Over/(Under) Performance	-11.69%

TRADE PRICE NOTE: All entry and exit prices for stocks are the "average" of the high and low prices for the trading day as provided for by Yahoo!'s website at <http://www.finance.yahoo.com>.

DISCLAIMER: "The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so that investors' securities, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. The illustrations and charts in this report are educational only and do not take into consideration your personal circumstances or other factors that may be important in making investment decisions. This report is not a recommendation to buy or sell a particular security."

Trade Orders:

1. None.

Trade Executions:

1. None.

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MODEL PORTFOLIO POSITIONS I

El Dorado Gold EGO

Last: \$ 14.13 TGT: \$ -
Entry: \$ 13.56 STP: \$ -



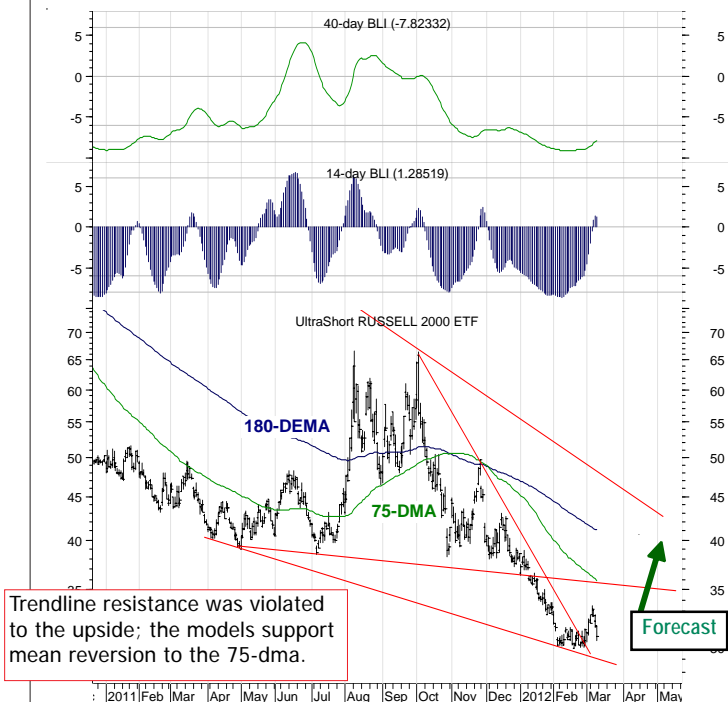
Kinross Gold KGC

Last: \$ 10.91 TGT: \$ -
Entry: \$ 11.28 STP: \$ -



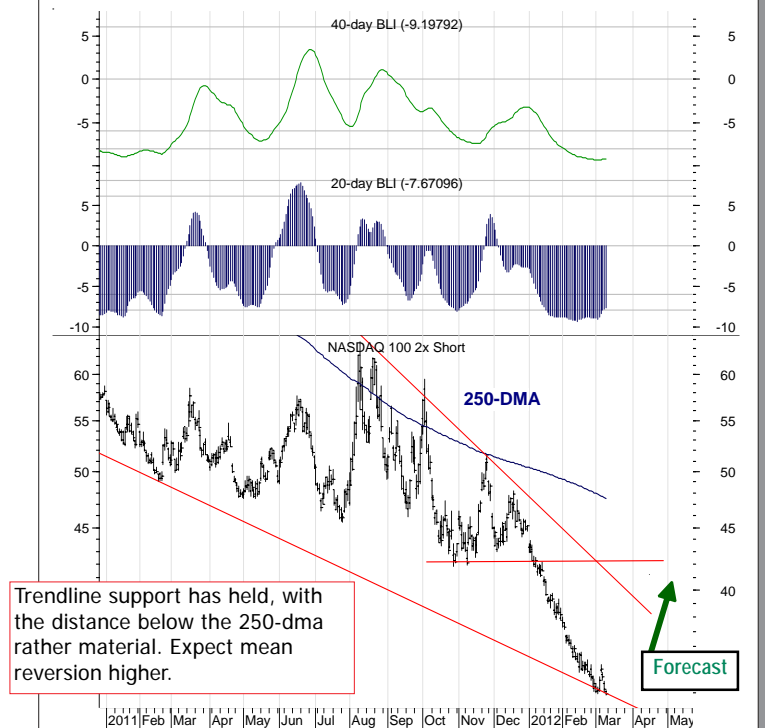
Russell 2000 2x Sho TWM

Last: \$ 31.72 TGT: \$ -
Entry: \$ 30.82 STP: \$ -



NASDAQ 100 2x Short QID

Last: \$ 33.21 TGT: \$ -
Entry: \$ 33.17 STP: \$ -



MODEL PORTFOLIO POSITIONS II

Arch Coal		ACI	
Last:	\$ 11.87	TGT:	\$ -
Entry:	\$ 11.94	STP:	\$ -



NA		0	
Last:	\$ -	TGT:	\$ -
Entry:	\$ -	STP:	\$ -

NA		0	
Last:	\$ -	TGT:	\$ -
Entry:	\$ -	STP:	\$ -

NA		0	
Last:	\$ -	TGT:	\$ -
Entry:	\$ -	STP:	\$ -

S&P 500 INDEX/ BROAD MKT INDICATORS



S&P 500 INDEX — TECHNICAL COMMENTS

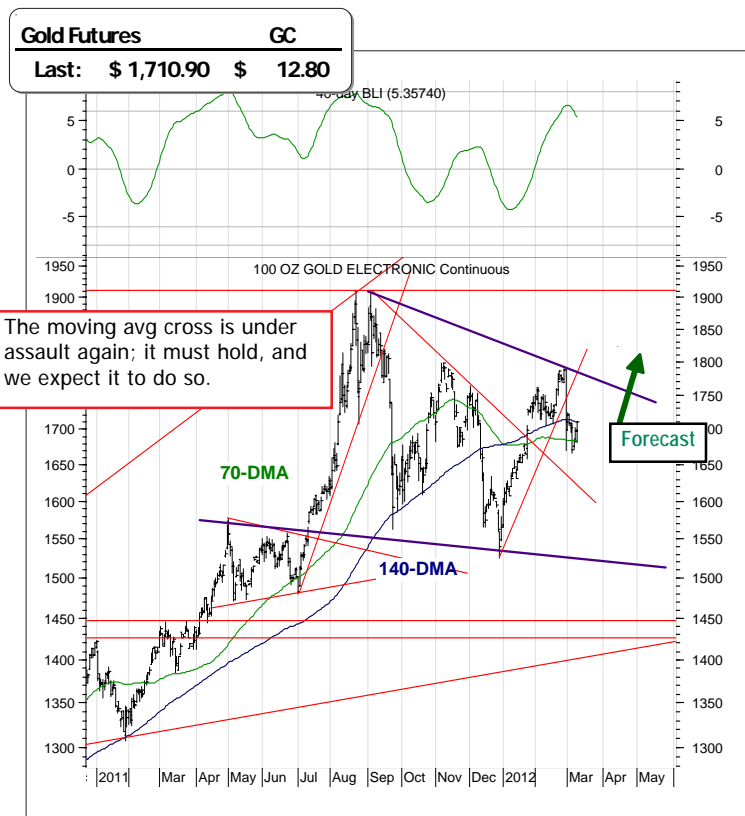
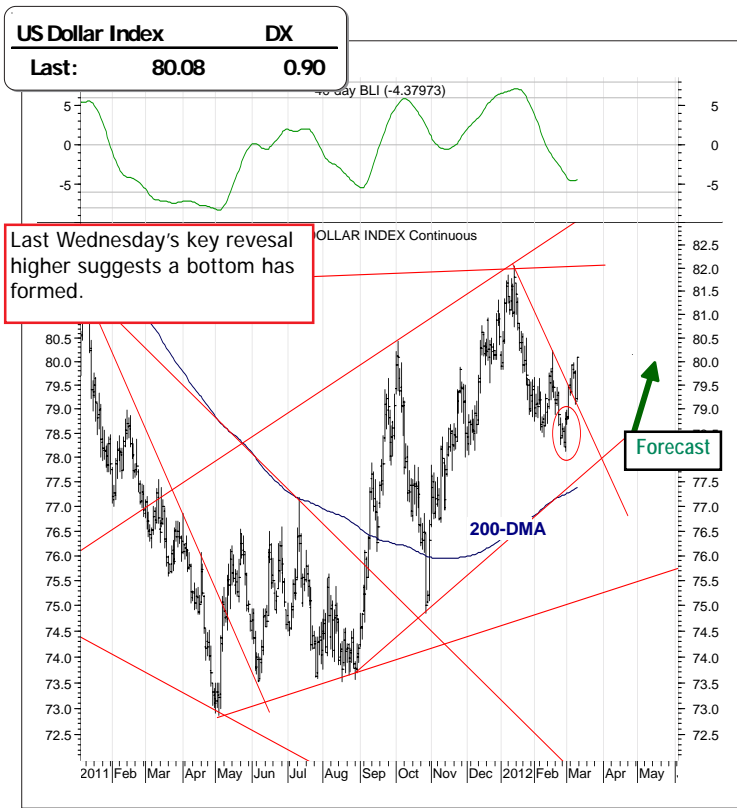
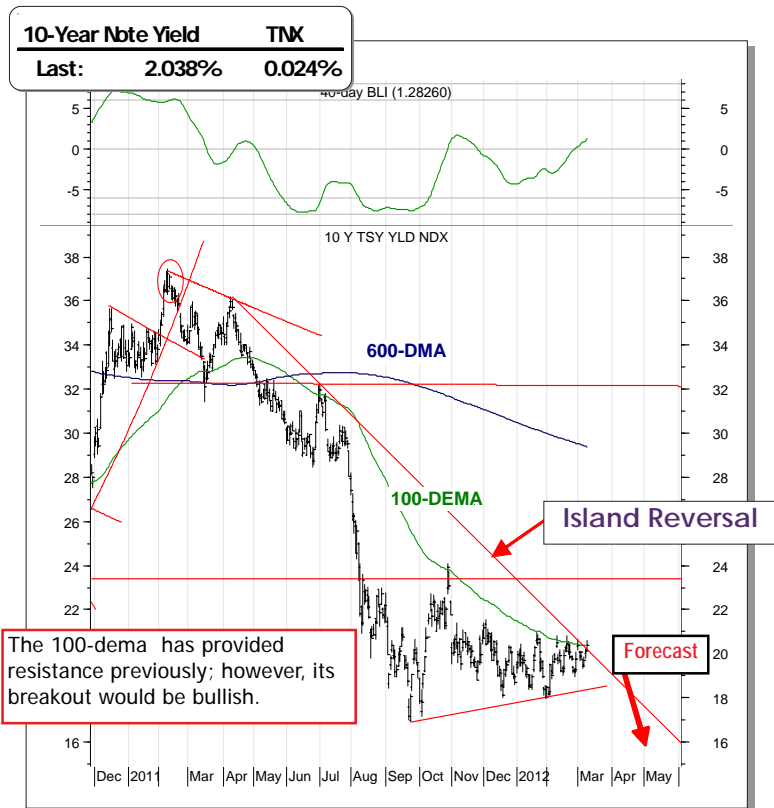
➔ **THE TECHNICAL PICTURE HAS MYRAID OF CHALLENGES** as a key reversal lower materialized from overhead trendline resistance, which has proven itself as a major hurdle to higher prices. This, in tandem with the anemic low volume rally amid the continuation of all the major indicators weakening — suggests the risk-reward remains skewed to the downside, with rallies to be sold rather than bought.

In terms of targeting a trough for this correction, we look for current weakness test the downward sloping trendline and 55-dema at roughly 1319-to-1290. As this develops, we'll expect to see the % of stocks above their 10-dma reach deep oversold levels; while the % above the 200-dma tests and retests its 50-dma at 65%. This of course, would be the perfect setup in the technical world.

TECHNICAL INDICATOR REVIEW:

- ➔ The 14-day and 40-day models have rolled over in tandem — a bearish sign.
- ➔ The % of stocks above their 10-day moving average forged a recent major negative divergence with prices at the highs — this selectiveness remains a major challenge to higher prices.
- ➔ The % of stocks above their 200-day moving average stands at 77%...up +2% from the prior close.
- ➔ The Intermediate-term Model is declining from overbought levels; and has now clearly broken the trigger 10-dma; another bearish sign.

MAJOR MARKET FUTURES

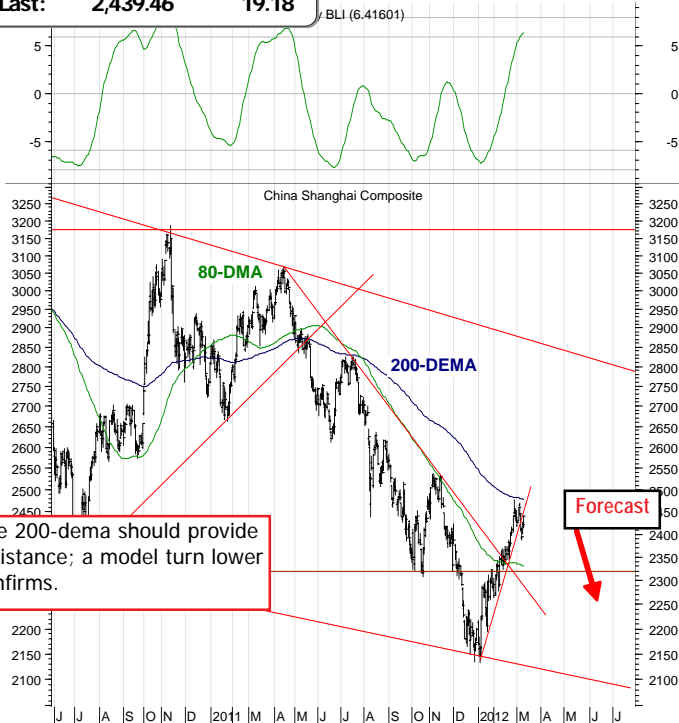


MAJOR WORLD RISK POINTS

China Shanghai

Last: 2,439.46 19.18

BLI (6.41601)



The 200-dema should provide resistance; a model turn lower confirms.

Forecast

Italy MIB Index

Last: 16,479.14 (184.98)

Day BLI (6.83113)



The sharply declining 200-dma was violated to the upside; but the model turn lower tells us that will be fleeting.

Forecast

Spain Madrid General

Last: 835.41 (3.07)

Day BLI (0.93030)



The 150-dema/200-dma cross is proving its merit as resistance.

Forecast

Crude Oil Futures

CL

Last: \$ 107.40 \$ 0.82

Day BLI (5.24109)



The trendline breakout is major; plus the model is rising. Look for new highs.

Forecast

TRADER'S CORNER

LONG TRADES — RECOMMENDED

No.	Trade Date	Long/Short	Name	SYM	Entry Price	Current Price	Gain (Loss)	% Return	Stop Loss	TARGET	Earnings Release
1					\$ -	\$ -	\$ -	#DIV/0!	\$ -	\$ -	N/A
2			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
3			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
4			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
5			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
6			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
7			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
8			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
TOTAL							#DIV/0!				

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SHORT TRADES — RECOMMENDED

No.	Trade Date	Long/Short	Name	SYM	Entry Price	Current Price	Gain (Loss)	% Return	Stop Loss	TARGET	Earnings Release
1	1/30/2012	S	YUM! Brands	YUM	\$ 62.93	\$ 66.99	\$ (4.06)	-6.45%	\$ 69.00 TR	\$ 56.00	N/A
2	2/7/2012	S	Buffalo Wild Wings	BWLD	\$ 69.50	\$ 89.12	\$ (19.63)	-28.24%	\$ - HLD	\$ 65.00	N/A
3	2/17/2012	S	Chipolte	CMG	\$ 375.25	\$ 398.18	\$ (22.93)	-6.11%	\$ - HLD	\$ 345.00	N/A
4			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
5			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
6			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
7			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
8			N/A		\$ -	\$ -	\$ -		\$ -	\$ -	N/A
TOTAL							-13.60%				

TRADE PRICE NOTE: All entry and exit prices for stocks are the "average" of the high and low prices for the trading day as provided for by Yahoo!'s website at <http://www.finance.yahoo.com>.

Trade Orders:

1. None.

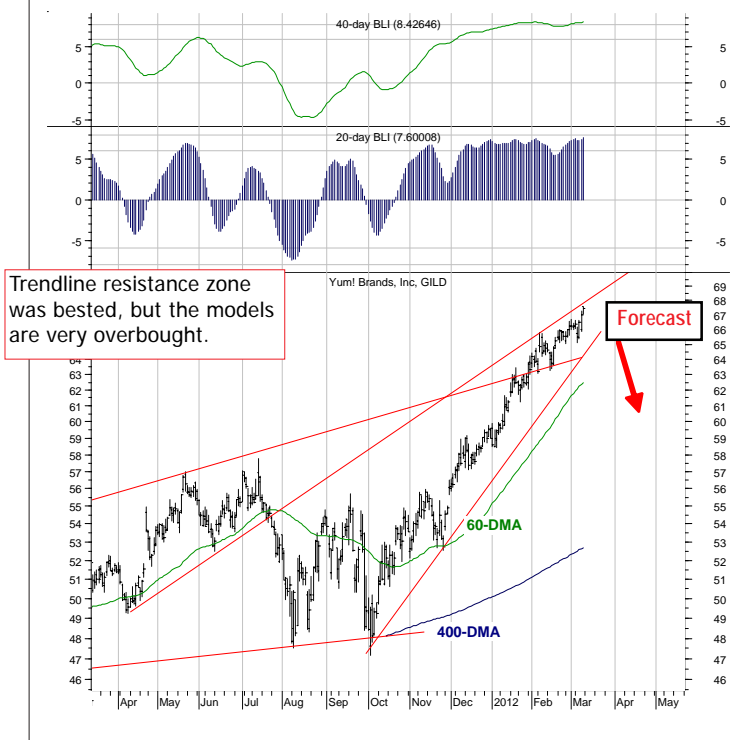
Trade Executions:

1. None.

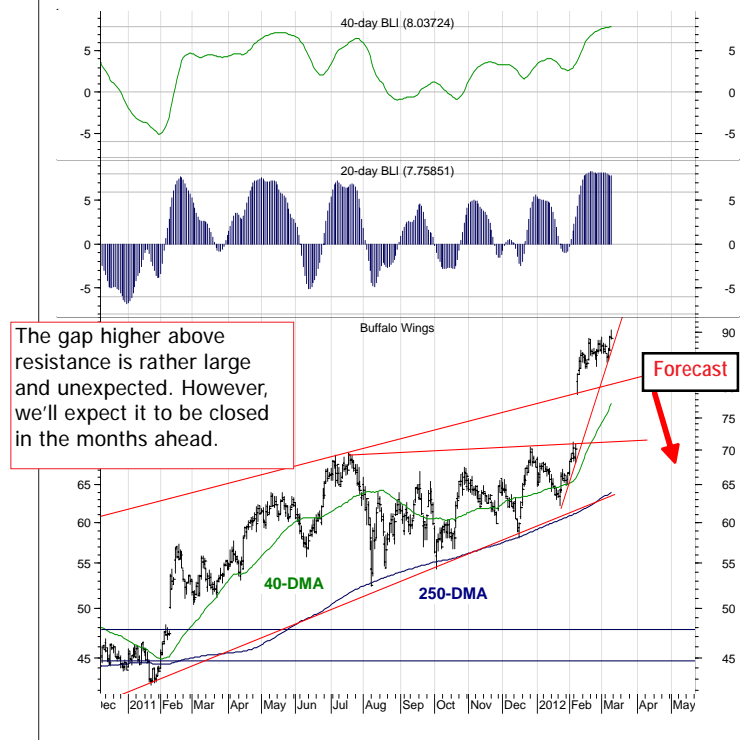
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SHORT POSITIONS I

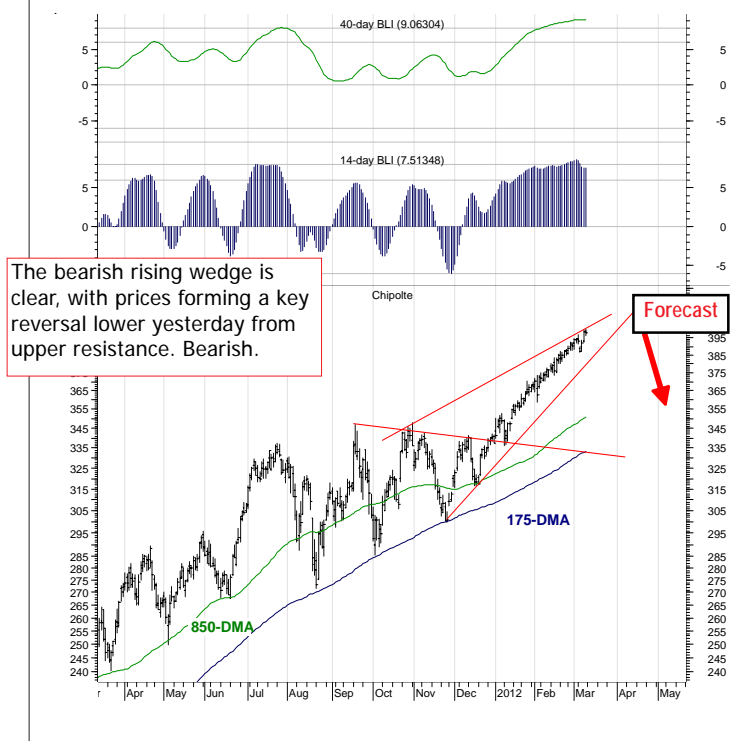
YUM! Brands **YUM**
 Last: \$ 66.99 TGT: \$ -
 Entry: \$ 62.93 STP: \$ 69.00



Buffalo Wild Wings **BWLD**
 Last: \$ 89.12 TGT: \$ -
 Entry: \$ 69.50 STP: \$ -



Chipotle **CMG**
 Last: \$ 398.18 TGT: \$ 345.00
 Entry: \$ 375.25 STP: \$ -



NA **0**
 Last: \$ - TGT: \$ -
 Entry: \$ - STP: \$ -

The “Blue-Line Indicator” or “BLI” Explained

The BLI is our simple momentum oscillator used for timing and trend decisions; we rarely if ever use other momentum indicators for we prefer to focus and understand one indicator really well rather than a basket of indicators that can at times be contradictory. Furthermore, we prefer to use the BLI in conjunction with basic chart patterns; it is our experience that this combination works rather well for type of trading style.

Basically, the BLI it is a full stochastic indicator derivative of our own undertaking; our changes have been several, but primarily relate to “smoothing” the indicator in order to provide for better signals once it does in fact change directions. We use varying time periods dependent upon whether we are working with weekly or daily charts. We have found that a 14-period BLI works well with the weekly charts, whereas both a 20-period and 40-period work well with daily charts. Obviously, the 40-period BLI catches longer and more tidal changes in direction. We normally don’t use these in our Daily Bulletin given its shorter-term time frame, but behind the scenes it plays a big part.

When using the BLI with price charts; we look upon the following 3-factors as “set-ups” upon which the probability is highest to trade:

1. **BLI Extremes: Oversold (-6 to -8)/Overbought (+6 to +8)**

- When the BLI trades into either extreme, our “reversal ears” go up as a change in trend becomes a higher probability. This puts the risk/reward dynamic in our favor generally, but we won’t take a position without well defined stop losses and perhaps prices are trading into support or resistance as the case may be. However, we must note that extreme conditions can and will become more extreme in a powerfully trending market; hence this is the “caveat” to trading with the BLI in isolation.

2. **BLI Divergences: Positive/Negative**

- A divergence is said to have occurred when the price and BLI do not make new lows/highs together. They in effect “diverge”, with the BLI not confirming the prevailing trend. If the BLI turns higher/lower from below a previous BLI low/high – then a divergence is said to have occurred, of which the probability is increased that the trend is changing in favor of the BLI direction.

3. **BLI Reversals from Positive/Negative Levels**

- Another very good BLI trading pattern which denotes a strongly stock is when the BLI turn higher from already positive levels – this suggests a strong upwards acceleration is underway. Conversely, a turn lower from already negative numbers suggests a strong downward acceleration is underway.