MARKET HARMONICS

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Ford Motor Company
(F: NYSE)
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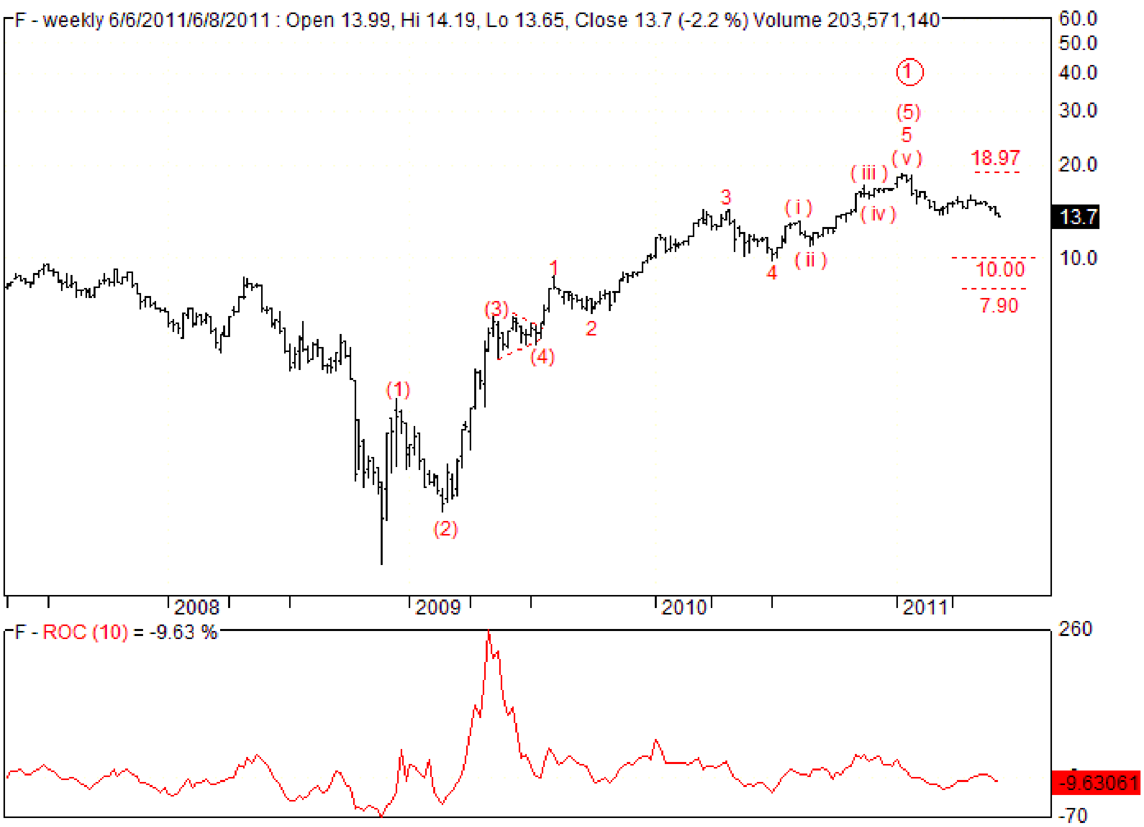
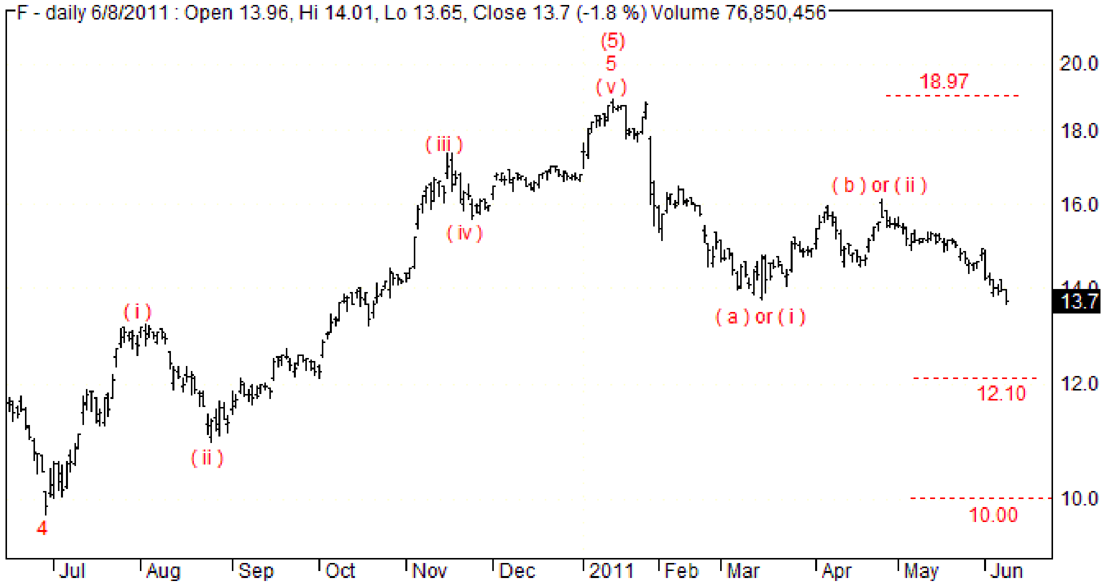
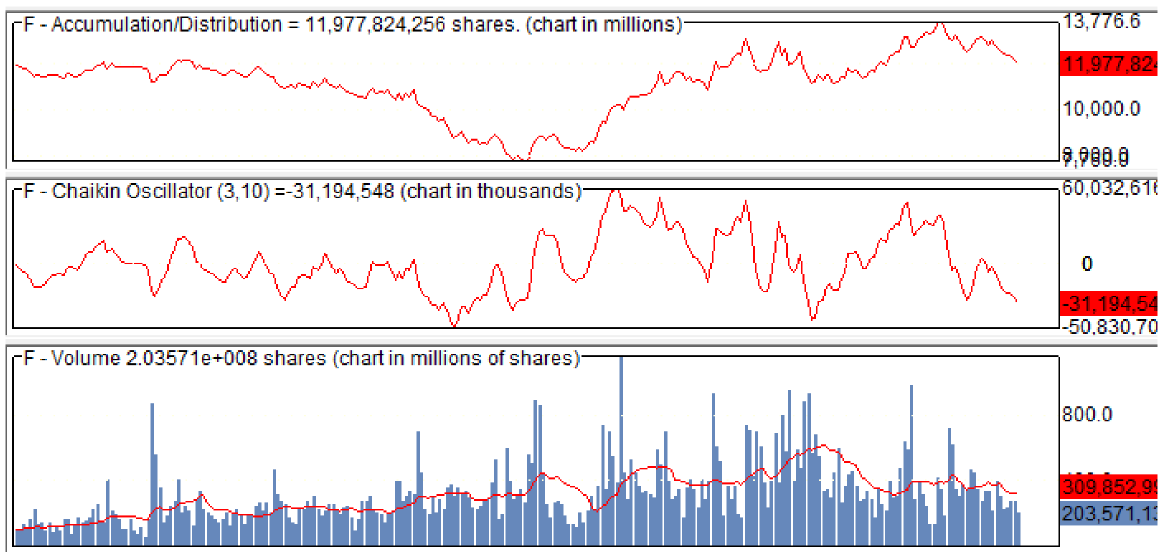
In regard to your question on whether “now was a good time to re-accumulate Ford’s stock,” I would recommend holding off for the moment. Please note below the present Elliott Wave, technical and sentiment analysis that support this view.



As I noted to you previously, most of the momentum power in the stock’s advance occurred earlier, during its “Wave (3)” advance (weekly chart). The subsequent advances to new highs occurred on weaker momentum, which is characteristic of fifth waves, and in the case of Ford, there were two extended fifth wave patterns. Some froth evidently built up as value/growth managers started accumulating it, and later momentum players. As the weekly chart suggests, the stock has completed a full bull market run, and has entered a corrective phase that I think should have more left to it.



Although Ford's valuation remains attractive on PE basis, there is still further downside risk, and it would be prudent to keep your powder dry for the moment. Despite the stock being down some 27% from its $18.97 high of January 13th, it has yet to achieve a full 38.2% retracement, which would occur at around the $12.10 area. Further, as the volume charts below suggest, it's unlikely the stock has completed it's distribution phase.



These vols are taken at weekly scale, and the Chaikin Oscillator, which acts as a momentum indicator for the rate of accumulation/distribution, doesn't appear to have bottomed. While there may be a bounce at the $12.10 area on a full test of Fibonacci support, the two extended fifth wave patterns argue for eventual tests of lower support towards $10 or perhaps $7.90, based on calculated Fibonacci retracement levels at 50% and 62%, respectively. As to the depth of retracement itself, it depends on whether the stock pursues a more impulsive (i.e., sharp) decline pattern, or produces a more corrective-style series of ABC declines. Studying how the stock reacts on a test of 38.2% support should better inform the analysis.

There is at this point no strong indication that the type of bearish sentiment you like for contrarian plays has set in. Wall Street analysts still appear to be in love with the stock, as nearly 62% of those covering it rate it either a Buy or Strong Buy. The balance rate it a Hold, and none a Sell. Short interest in the stock, while up a bit is still moderate, with the current short interest ratio showing 2.8 days to cover. The average Put/Call reading for the stock per ISE Buy-to-Open data is 0.49, and so there are no evident signs of deep bearishness in options trading.

In sum, I believe the risks outweigh the rewards in re-accumulating Ford at this time.