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It's been nothing but a steady flow of bad news from the home builder group, but many of the stocks have successfully tested recent lows and are ripe for a nice short squeeze if indeed all the bad news has been factored in.

In today's report, we cover the builders.

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KBH has neutralized a downtrend that trimmed 33% off the stock's value. The size of the rectangle puts the target at 55 should resistance be taken out.

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HOV (Hovnanian Enterprises, Inc.) NYSE

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25-Aug-2006

Open 25.93 High 26.37 Low 25.60 Close 26.29 Volume 649.8K Chg +0.19 (+0.73%) ▲



HOV held its low and could easily rally to 34 if all the negative news is priced in.

LEN (Lennar Corp.) NYSE

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25-Aug-2006

Open 44.86 High 44.96 Low 44.15 Close 44.76 Volume 1.3M Chg -0.10 (-0.22%) ▼



LEN has put in a higher low – now it needs to make a higher high.

MTH (Meritage Homes Corp.) NYSE

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25-Aug-2006

Open 40.00 High 40.44 Low 39.40 Close 39.98 Volume 421.6K Chg -0.22 (-0.55%) ▼

MTH (Daily) 39.98



MTH popped off its bottom and is being compressed by converging trendlines that could squeeze the stock up to 50 should the pattern resolve up.

MHO (Schottenstein Homes, Inc.) NYSE

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25-Aug-2006

Open 31.56 High 31.85 Low 31.22 Close 31.51 Volume 75.6K Chg -0.15 (-0.47%) ▼

MHO (Daily) 31.51



The size of this rectangle pattern puts the target at 42 if resistance is taken out.

PHM (Pulte Homes Inc.) NYSE

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25-Aug-2006

Open 28.85 High 29.33 Low 28.50 Close 28.84 Volume 1.9M Chg -0.41 (-1.40%) ▼



Support at 32 has become resistance. A higher low is in place, and the size of the pattern suggests a move to 38.

RYL (Ryland Group, Inc.) NYSE

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25-Aug-2006

Open 42.35 High 44.09 Low 42.01 Close 43.84 Volume 2.6M Chg +1.42 (+3.35%) ▲



Nice head & shoulder bottom for RYL. Target 55.

SPF (Standard Pacific Corp.) NYSE

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25-Aug-2006

Open 22.80 High 23.17 Low 22.54 Close 23.02 Volume 580.5K Chg +0.03 (+0.13%) ▲



The size of this rectangle pattern suggests a move to 28 if the pattern resolves up – not quite up to the gap.

TOL (Toll Brothers, Inc.) NYSE

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25-Aug-2006

Open 25.30 High 26.03 Low 25.04 Close 25.98 Volume 4.3M Chg +0.56 (+2.20%) ▲



News can't get worse for TOL, but the stock has put in a higher low. Sooner or later the sellers will run out of energy and the shorts will get squeezed.



CTX is getting squeezed by converging trendlines. The size of the pattern says the gap will get filled if the stock breaks upward.



Support has become resistance and a higher low is in place. Soon the converging trendlines will squeeze the stock in one direction or the other.

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