

Tuesday April 22, 2008

Closing prices of April 21, 2008

The S&P 1500 spent Monday consolidating after last week's strong rally. The index is now above all the important short-term moving averages, and sits just under price resistance. At the same time, the down trend line from the October high is bearing down on the index. Therefore, it won't be long before something's got to give!

We have discussed the improvements in the intermediate-term picture in stocks recently. The overall picture remains mixed, but last week's strong rally built on the recent strength as the Dow Jones Industrial Average broke out of its sideways channel and confirmed the prior breakout of the Dow Jones Transportation Index. In Dow Theory this was a bullish signal.

The obvious, important question to investors is whether or not this is just a bear market rally, or is this the start of a new long-term uptrend? Again, the overall picture remains mixed. The short and intermediate-term trends are bullish, with longer-term indicators bearish. Our strategy is simple. We have stressed that this is a split market. We believe that investors can profit by buying companies showing high relative strength while keeping in mind that a down trend can resume at any time.

In the long-term, the trend remains down, and this remains a bifurcated, risky, opportunistic traders market with adept traders able to enter long and short. Whipsaw risk is very high. Investors need to be alert for sector rotation and not be afraid to move out of lagging stocks and sectors and into leading ones.

Federal Funds futures are pricing in an 94% probability that the Fed will cut rates another 25 basis points to 2.00%, and a 6% probability of a 50 basis point cut to 1.75% when they meet again on April 30th.

So far 114 companies have reported first quarter earnings. According to Bloomberg 54.4% have had positive surprises, 11.4% have been in line, and 34.2% have been negative. The year-over-year average change has been -37.6% on a share-weighted basis, -18.4% market cap-weighted, and -25.5% non-weighted. Unfortunately, current and forecast earnings continue to march inexorably lower.

The S&P 1500 (314.11) was down 0.162% Monday. Average price per share was down 0.27%. Volume was 91% of its 10-day average and 81% of its 30-day average. 36.33% of the S&P 1500 stocks were up on the day. Up Dollars was 36% of its 10-day moving average and Down Dollars was 93% of its 10-day moving average.

Options expire May 16th. The FOMC meets April 30th.

IMPORTANT DISCLOSURES

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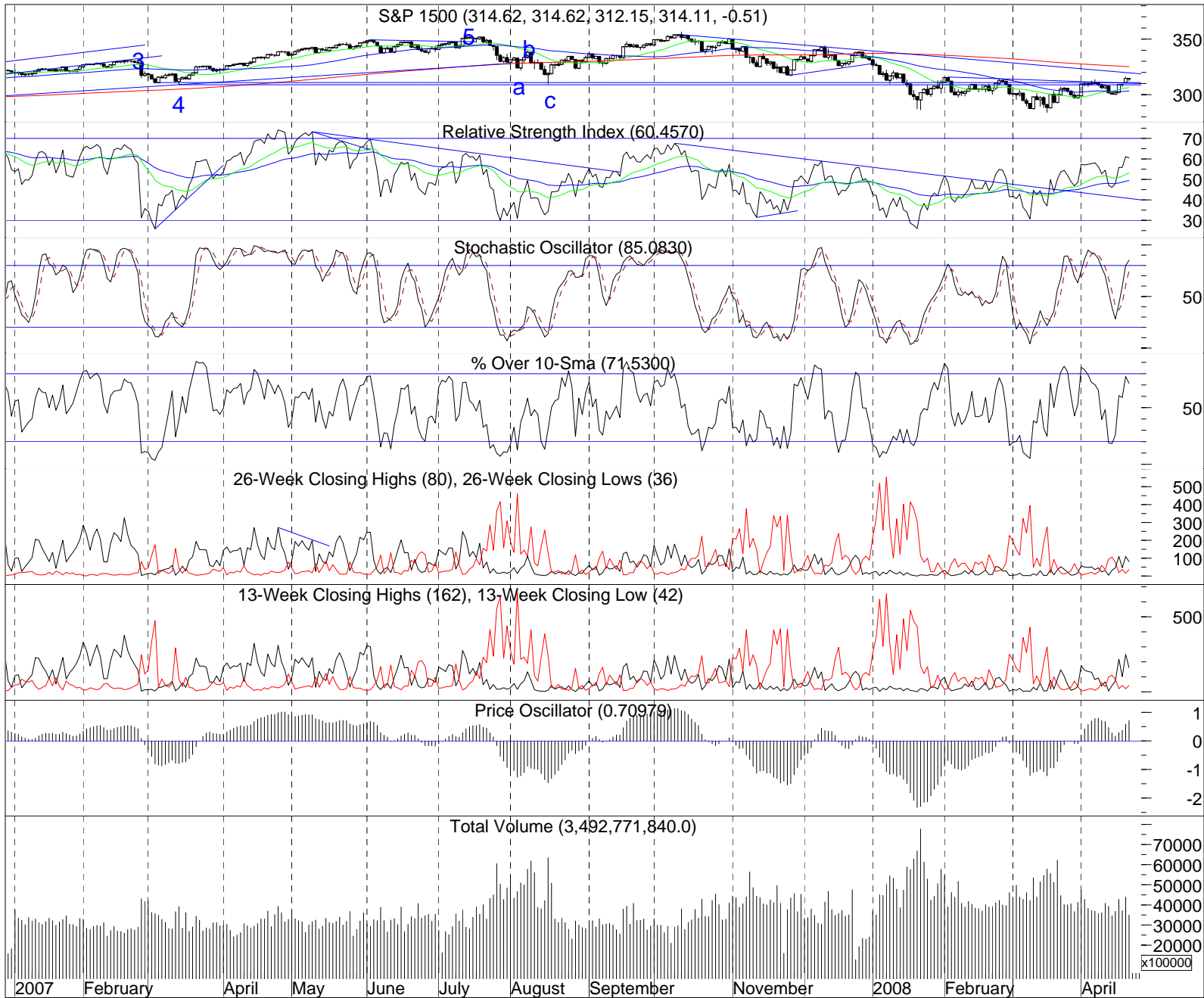
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S&P 1500 Analysis - Wayne S. Kaufman, CMT



The S&P 1500 hasn't been able to close above February's high yet. If it does, the down trend line from the October peak is just above. Therefore, it won't be long before something's got to give!

S&P 1500 Analysis - Wayne S. Kaufman, CMT



S&P 1500 (314.62, 314.62, 312.15, 314.11, -0.51)

Relative Strength Index (60.4570)

Stochastic Oscillator (85.0830)

% Over 10-Sma (71.5300)

26-Week Closing Highs (80), 26-Week Closing Lows (36)

13-Week Closing Highs (162), 13-Week Closing Low (42)

Price Oscillator (0.70979)

Total Volume (3,492,771,840.0)

The S&P 1500 consolidated Monday on decreasing volume.

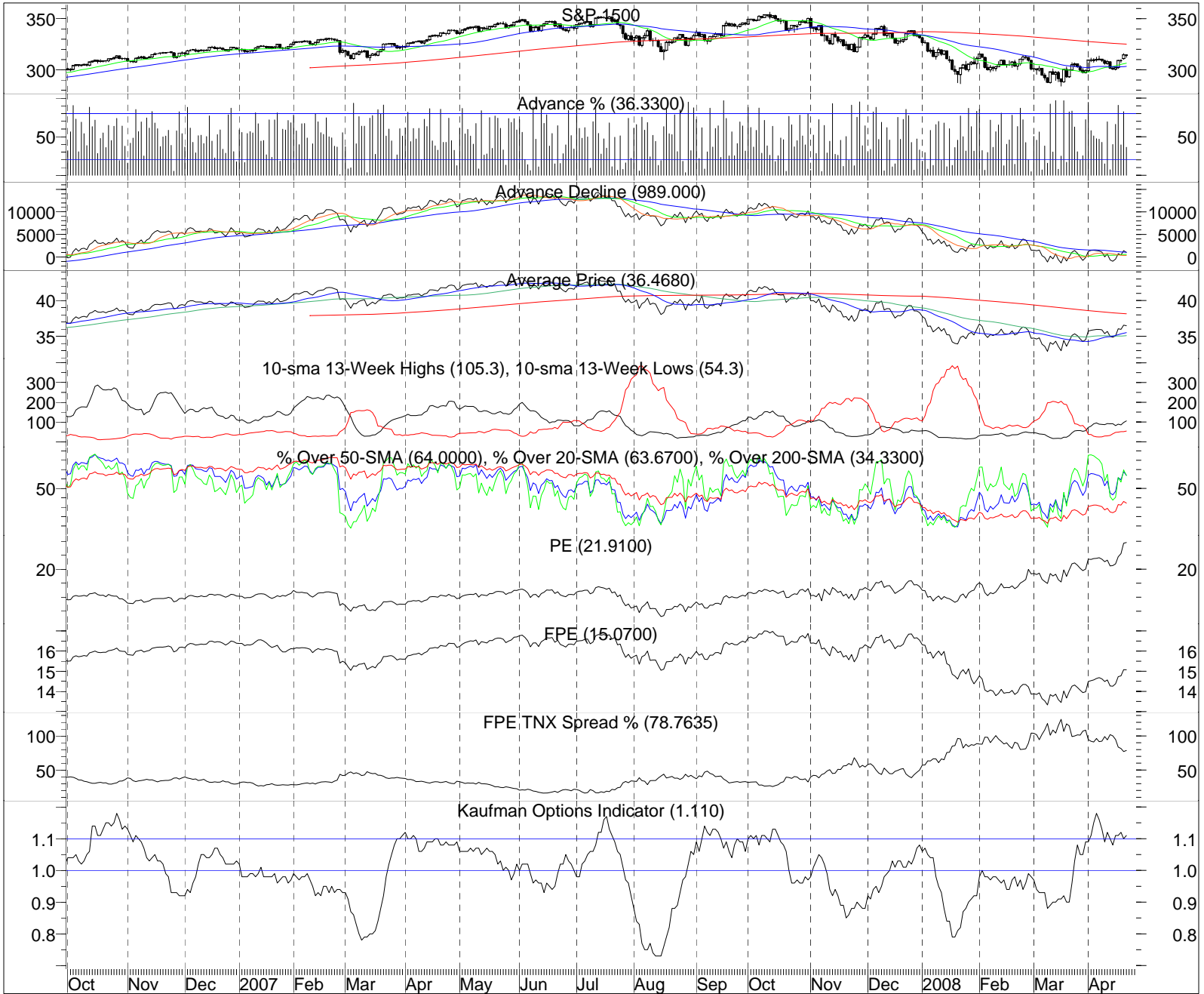
Our oscillators are not in the overbought zone, but they are at high levels.

New highs have been much greater than lows.

Our price oscillator is positive.

Volume receded during Monday's slight down day.

S&P 1500 Analysis - Wayne S. Kaufman, CMT



The 10-sma of 13-week closing highs is the highest since November 7th.