

Tuesday August 18, 2009

Closing prices of August 17, 2009

Stocks plunged Monday in a broad based panic-selling 90% down day. All ten S&P sectors were down on the day with Financials down 4.26% leading the way, followed by Materials -3.73%, Consumer Discretionary - 3.16%, and Energy -3.10%.

Sunday night we discussed negative divergences in some indicators, and warned that too much optimism among options buyers left stocks vulnerable to a plunge. Monday morning an enormous 477 stocks in the S&P 1500 gapped down, the most since 679 on March 30th. This is an options expiration week, so extreme volatility is not unusual. Unfortunately, one day of selling is not enough to remove the bullishness we have seen from options buyers.

We have said for a while that we didn't expect a pullback to be deep, and that stocks would proceed higher thereafter. While the percentage of stocks over their own 10-day moving averages is entering the oversold zone and a bounce may occur, with our options indicator still at high levels and momentum indicators not yet oversold, more downside can be expected. We would find it reasonable for the S&P 500 to retrace 38.2% of the rally off the July low, while a 50% retracement would really test the fortitude of the bulls. Any move down greater than that would carry very bearish implications.

Caution is still advised regarding entry points and we repeat our advice that investors use stop losses to make sure losses remain manageable. Very aggressive traders can remain and enter short keeping in mind they may need to cover quickly.

Based on the S&P 500 the *short-term trend is down*, while the intermediate-term and long-term trends are up. Traders should not hesitate to rotate out of lagging sectors and stocks and into leaders.

The S&P 1500 (223.53) was down 2.465% Monday. Average price per share was down 2.56%. Volume was 87% of its 10-day average and 90% of its 30-day average. 7.33% of the S&P 1500 stocks were up, with up volume at 5.66% and up points at 2.94%. Up Dollars was 2.4% of total dollars, and was 1% of its 10-day moving average. Down Dollars was 326% of its 10-day moving average.

Percent over 10-sma: 17.53%. 13-Week Closing Highs: 21. 13-Week Closing Lows: 35.

Put/Call Ratio: 0994.. Kaufman Options Indicator: 1.09.

P/E Ratios: **101.65 (before charges)**, 18.10 (continuing operations), 16.78 (analyst estimates).

P/E Yield 10-year Bond Yield Spreads: **-72% (earnings bef. charges)**, 58% (earnings continuing ops), and 71% (projected earnings).

465 of the S&P 500 have reported 2nd quarter earnings. According to Bloomberg, 72.2% had positive surprises, 8.4% were in line, and 19.4% have been negative. The year-over-year change has been -29.2% on a share-weighted basis, -21.8% market cap-weighted and -24.9% non-weighted. Ex-financial stocks these numbers are -28.9%, -23.6%, and -27.7 %, respectively.

IMPORTANT DISCLOSURES

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	Daily	WTD	5-Days	MTD	QTD	YTD
Dow Jones Industrials	-2.00%	-2.00%	-2.17%	-0.40%	8.15%	4.09%
S&P 500	-2.43%	-2.43%	-2.72%	-0.78%	6.57%	8.47%
S&P 1500	-2.47%	-2.47%	-2.83%	-0.75%	6.80%	9.08%
S&P Smallcap 600	-2.66%	-2.66%	-4.20%	-1.53%	8.53%	8.37%
Nasdaq Composite	-2.75%	-2.75%	-3.08%	-2.41%	5.22%	22.44%
S&P Midcap 400	-2.81%	-2.81%	-3.52%	-0.04%	8.59%	16.63%
NYSE Composite	-2.84%	-2.84%	-3.02%	-1.12%	7.57%	10.34%
Nasdaq 100	-2.90%	-2.90%	-2.83%	-2.40%	5.93%	29.15%
Bank of New York Mellon ADR	-3.48%	-3.48%	-3.16%	-2.03%	8.05%	16.36%

	Daily	WTD	5-Days	MTD	QTD	YTD
Health Care	-0.03%	-0.03%	-0.20%	-0.37%	5.37%	4.37%
Consumer Staples	-0.89%	-0.89%	-0.92%	-1.77%	4.28%	0.69%
Utilities	-1.34%	-1.34%	-1.27%	-1.45%	2.18%	-1.98%
Telecom Services	-1.99%	-1.99%	-2.22%	-5.15%	-1.74%	-8.35%
Information Technology	-2.65%	-2.65%	-2.06%	-1.93%	7.03%	32.81%
Industrials	-2.88%	-2.88%	-3.76%	-0.01%	9.23%	0.84%
Energy	-3.10%	-3.10%	-4.14%	-3.75%	0.39%	-2.86%
Consumer Discretionary	-3.16%	-3.16%	-4.55%	-1.09%	8.17%	16.31%
Materials	-3.73%	-3.73%	-3.80%	-1.57%	11.54%	25.23%
Financials	-4.26%	-4.26%	-4.41%	4.88%	14.10%	8.67%

	Daily	WTD	5-Days	MTD	QTD	YTD
Health Care Equip & Services	0.58%	0.58%	1.17%	1.84%	7.62%	15.09%
Pharmaceuticals, Biotech & Life Sciences	-0.30%	-0.30%	-0.80%	-1.33%	4.40%	0.01%
Household & Personal Products	-0.61%	-0.61%	-0.10%	-4.55%	3.87%	-7.99%
Food, Beverage & Tobacco	-0.84%	-0.84%	-2.07%	-2.02%	3.88%	6.03%
Food & Staples Retailing	-1.24%	-1.24%	0.63%	1.45%	5.46%	-0.37%
Utilities	-1.34%	-1.34%	-1.27%	-1.45%	2.18%	-1.98%
Commercial & Professional Services	-1.65%	-1.65%	-0.36%	2.38%	4.54%	-1.01%
Telecom Services	-1.99%	-1.99%	-2.22%	-5.15%	-1.74%	-8.35%
Semiconductors & Equipment	-2.34%	-2.34%	-2.13%	-4.00%	11.08%	33.53%
Consumer Services	-2.36%	-2.36%	-3.68%	0.18%	3.17%	4.22%
Software & Services	-2.65%	-2.65%	-1.62%	-0.68%	3.03%	25.52%
Consumer Durables & Apparel	-2.69%	-2.69%	-3.55%	-0.16%	15.26%	13.94%
Technology Hardware & Equipment	-2.74%	-2.74%	-2.38%	-2.27%	9.15%	38.75%
Media	-2.87%	-2.87%	-5.21%	-0.30%	6.68%	8.69%
Capital Goods	-2.94%	-2.94%	-4.49%	-0.29%	9.20%	0.21%
Transportation	-3.06%	-3.06%	-2.28%	0.19%	10.99%	3.81%
Energy	-3.10%	-3.10%	-4.14%	-3.75%	0.39%	-2.86%
Insurance	-3.64%	-3.64%	-2.49%	5.06%	17.02%	2.73%
Retailing	-3.66%	-3.66%	-4.61%	-1.74%	8.03%	24.78%
Materials	-3.73%	-3.73%	-3.80%	-1.57%	11.54%	25.23%
Diversified Financials	-3.87%	-3.87%	-3.60%	4.33%	13.77%	25.27%
Automobiles & Components	-4.91%	-4.91%	-5.62%	-6.19%	21.68%	77.04%
Banks	-5.13%	-5.13%	-6.43%	6.95%	12.64%	-12.38%
Real Estate	-6.10%	-6.10%	-9.01%	2.88%	13.69%	-5.10%

S&P 500 Cash (998.18, 998.18, 978.51, 979.73, -24.36)



The S&P 500 gapped down through the 992 support level on Monday, simultaneously breaking through the 20-sma and the 23.6% Fibonacci retracement level which was at 983. There is some price support at the 968 area, and the 38.2% retracement level is at 961. With momentum indicators not yet oversold there is still downside possible.

NASDAQ 100 (1,583.29, 1,583.29, 1,563.14, 1,564.89, -46.69)

200-sma

20-sma

50-sma

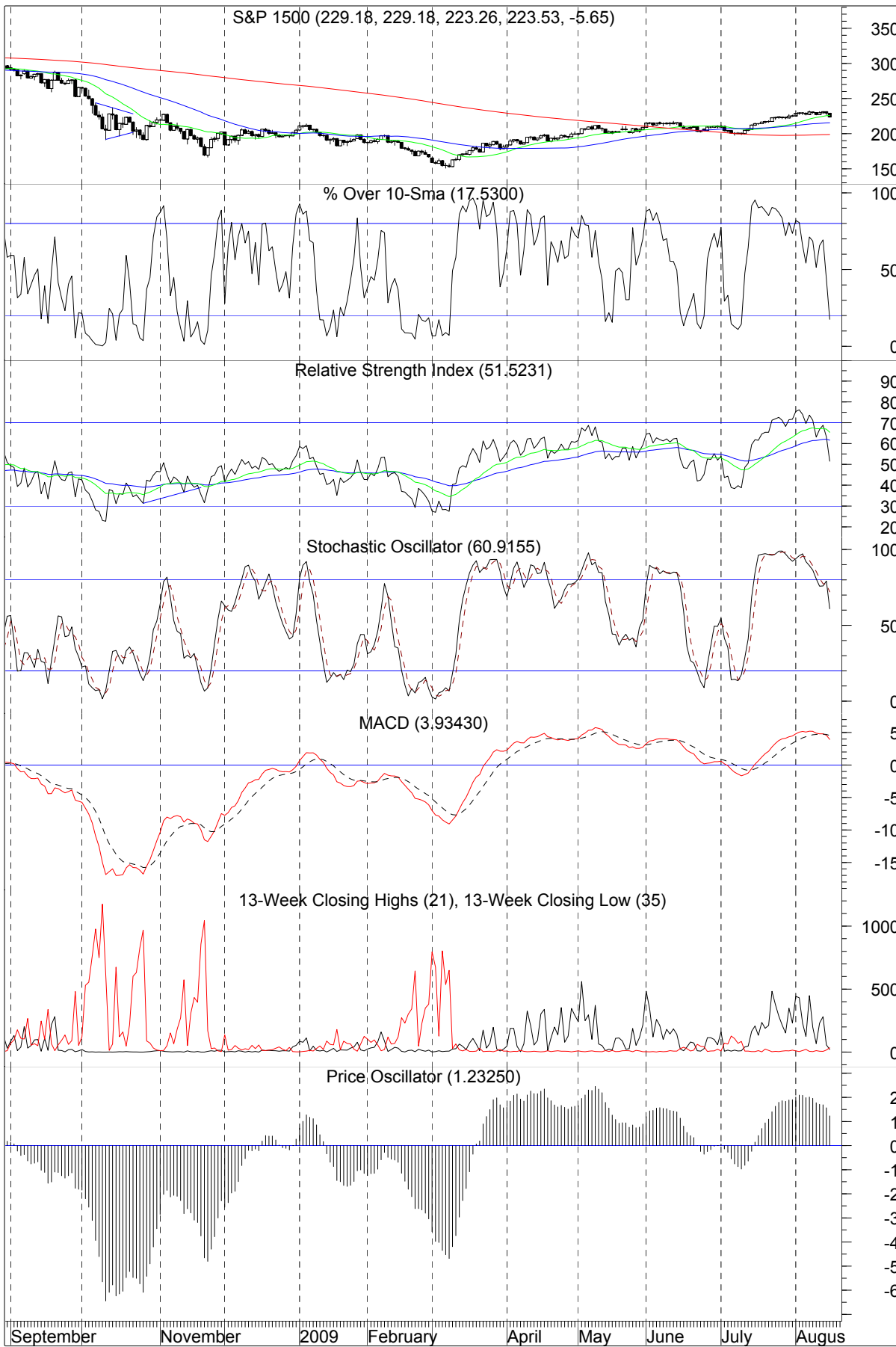
Relative Strength Index (48.1002)

Stochastic Oscillator (44.5705)

MACD (24.4719)

The Nasdaq 100 had an enormous gap down at the open Monday and never looked back. Here too, with momentum indicators not yet oversold there is plenty of room for more downside.

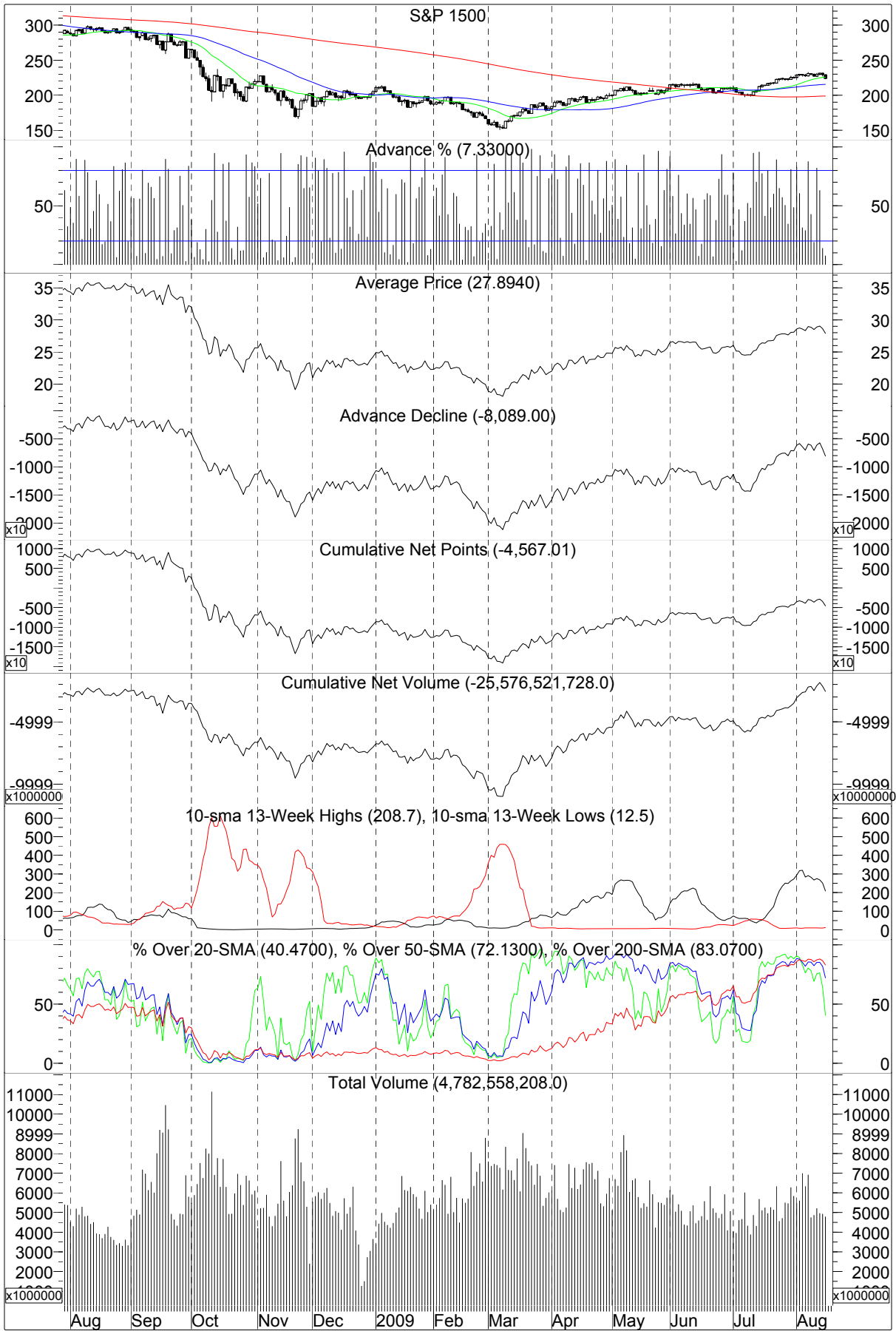


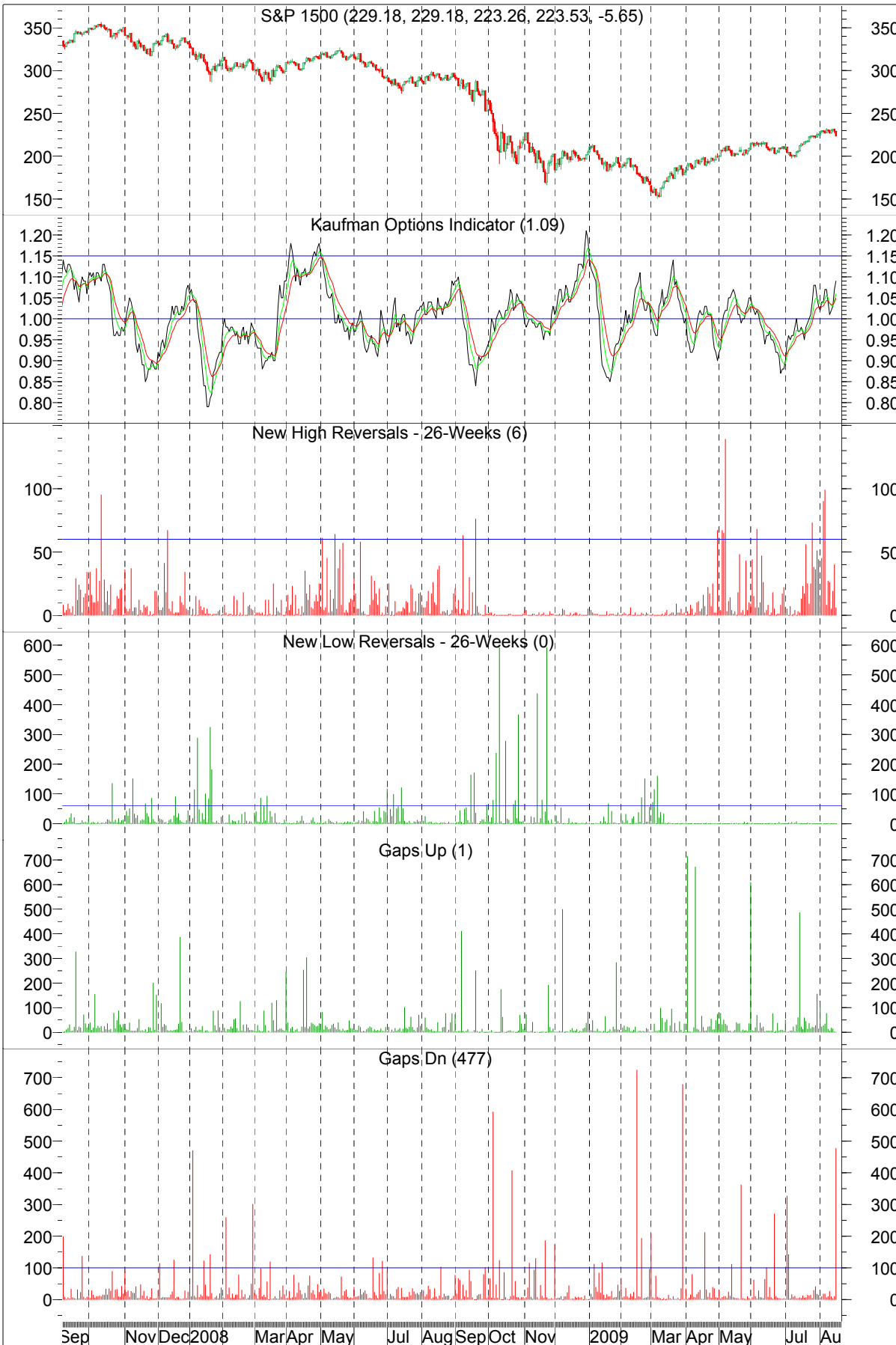


The percent over 10-sma is entering the oversold zone, but other momentum indicators have a way to go.

The MACD just crossed over negatively.

This was the most 13-week closing lows since 85 on 7/10.





Sunday night we said our options indicator had jumped up, showing too much optimism on the part of options buyers and leaving stocks vulnerable to a sharp drop. With the indicator still at a high level, it will take some time or a continued sharp drop to work off this over bullishness.

477 gaps down Monday is the most since 679 on March 30th. A high number has frequently preceded a sustained move lower for stocks.