

Wednesday August 5, 2009

Closing prices of August 4, 2009

The S&P 500, the Dow Jones Industrials, and the Nasdaq 100 each made new rally highs Tuesday. Every market watcher is calling for a pullback or at the very least a pause. Markets that don't respond to extreme overbought or oversold conditions can keep trending longer than what seems reasonable. At times like this investors need basic trading strategies to keep them on the correct side of the trend, while making sure that stop losses are used to prevent sizeable losses when a reversal finally occurs. Trends frequently accelerate at the end as everyone piles in, and we're not sure we have reached that stage yet.

We continue to be baffled by the earnings picture. Earnings from continuing operations and earnings before charges continue to drop. Since July 1<sup>st</sup> earnings before charges have dropped 22.7% and earnings from continuing operations have fallen 8.9%. Forecast earnings have gone up 1.17% in that time, and they are up 5.07% since bottoming in May. Obviously this is creating hope in the minds of investors. Hopefully this will not turn out to be another example of overly optimistic analysts, who were very late in lowering numbers as the recession started and progressed.

**Based on the S&P 500 the short-term, intermediate-term and long-term trends are up. Traders should not hesitate to rotate out of lagging sectors and stocks and into leaders. Very aggressive (and possibly suicidal) traders can short overbought conditions keeping in mind shorting is counter-trend and they may need to cover quickly.**

The S&P 1500 (229.59) was up 0.354% Tuesday. Average price per share was up 0.56%. Volume was 102% of its 10-day average and 111% of its 30-day average. 60.45% of the S&P 1500 stocks were up, with up volume at 69.32% and up points at 67.50%. Up Dollars was 73.21% of total dollars, and was 72% of its 10-day moving average. Down Dollars was 96% of its 10-day moving average.

Percent over 10-sma: 80.67%. 13-Week Closing Highs: 431. 13-Week Closing Lows: 4.

Put/Call Ratio: 0.814. Kaufman Options Indicator: 1.04.

P/E Ratios: 80.31 (before charges), 17.61 (continuing operations), 17.18 (analyst estimates).

P/E Yield 10-year Bond Yield Spreads: -66% (earnings bef. charges), 54% (earnings continuing ops), and 58% (projected earnings).

400 of the S&P 500 have reported 2<sup>nd</sup> quarter earnings. According to Bloomberg, 72.5% had positive surprises, 8.0% were in line, and 19.5% have been negative. The year-over-year change has been -31.3% on a share-weighted basis, -24.5% market cap-weighted and -28.5% non-weighted. Ex-financial stocks these numbers are -29.7%, -24.3%, and -27.1%, respectively.

## IMPORTANT DISCLOSURES

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	Daily	WTD	MTD	QTD	YTD
Financials	2.07%	4.79%	4.79%	14.00%	8.57%
Industrials	0.51%	2.57%	2.57%	12.05%	3.45%
Consumer Staples	0.32%	0.38%	0.38%	6.57%	2.90%
Consumer Discretionary	0.26%	2.21%	2.21%	11.79%	20.19%
Health Care	-0.02%	0.52%	0.52%	6.31%	5.29%
Information Technology	-0.09%	1.36%	1.36%	10.62%	37.26%
Materials	-0.11%	3.36%	3.36%	17.12%	31.49%
Telecom Services	-0.17%	0.11%	0.11%	3.71%	-3.27%
Energy	-0.21%	2.06%	2.06%	6.45%	3.00%
Utilities	-1.18%	-0.44%	-0.44%	3.23%	-0.98%

	Daily	WTD	MTD	QTD	YTD
Real Estate	5.08%	7.01%	7.01%	18.25%	-1.30%
Banks	2.99%	6.91%	6.91%	12.60%	-12.40%
Insurance	1.99%	5.49%	5.49%	17.50%	3.15%
Consumer Services	1.35%	2.87%	2.87%	5.94%	7.02%
Diversified Financials	1.33%	3.49%	3.49%	12.85%	24.25%
Consumer Durables & Apparel	1.04%	2.37%	2.37%	18.18%	16.83%
Food, Beverage & Tobacco	0.80%	0.69%	0.69%	6.75%	8.97%
Media	0.75%	3.30%	3.30%	10.53%	12.62%
Capital Goods	0.69%	2.73%	2.73%	12.51%	3.25%
Commercial & Professional Services	0.60%	1.13%	1.13%	3.27%	-2.22%
Software & Services	0.12%	1.54%	1.54%	5.33%	28.33%
Semiconductors & Equipment	0.07%	1.30%	1.30%	17.21%	40.91%
Health Care Equip & Services	0.02%	0.60%	0.60%	6.31%	13.69%
Household & Personal Products	0.01%	-0.07%	-0.07%	8.75%	-3.66%
Pharmaceuticals, Biotech & Life Sciences	-0.03%	0.48%	0.48%	6.31%	1.84%
Materials	-0.11%	3.36%	3.36%	17.12%	31.49%
Automobiles & Components	-0.14%	3.80%	3.80%	34.63%	95.89%
Transportation	-0.15%	2.48%	2.48%	13.53%	6.18%
Telecom Services	-0.17%	0.11%	0.11%	3.71%	-3.27%
Energy	-0.21%	2.06%	2.06%	6.45%	3.00%
Technology Hardware & Equipment	-0.29%	1.23%	1.23%	13.07%	43.73%
Food & Staples Retailing	-0.34%	0.20%	0.20%	4.16%	-1.60%
Retailing	-0.86%	0.69%	0.69%	10.71%	27.87%
Utilities	-1.18%	-0.44%	-0.44%	3.23%	-0.98%

S&P 500 Cash (1,001.41, 1,007.12, 996.68, 1,005.65, +3.02)



The S&P 500 printed new rally highs Tuesday and is not far from 1014, the 38.2% Fibonacci retracement level of the entire bear market.

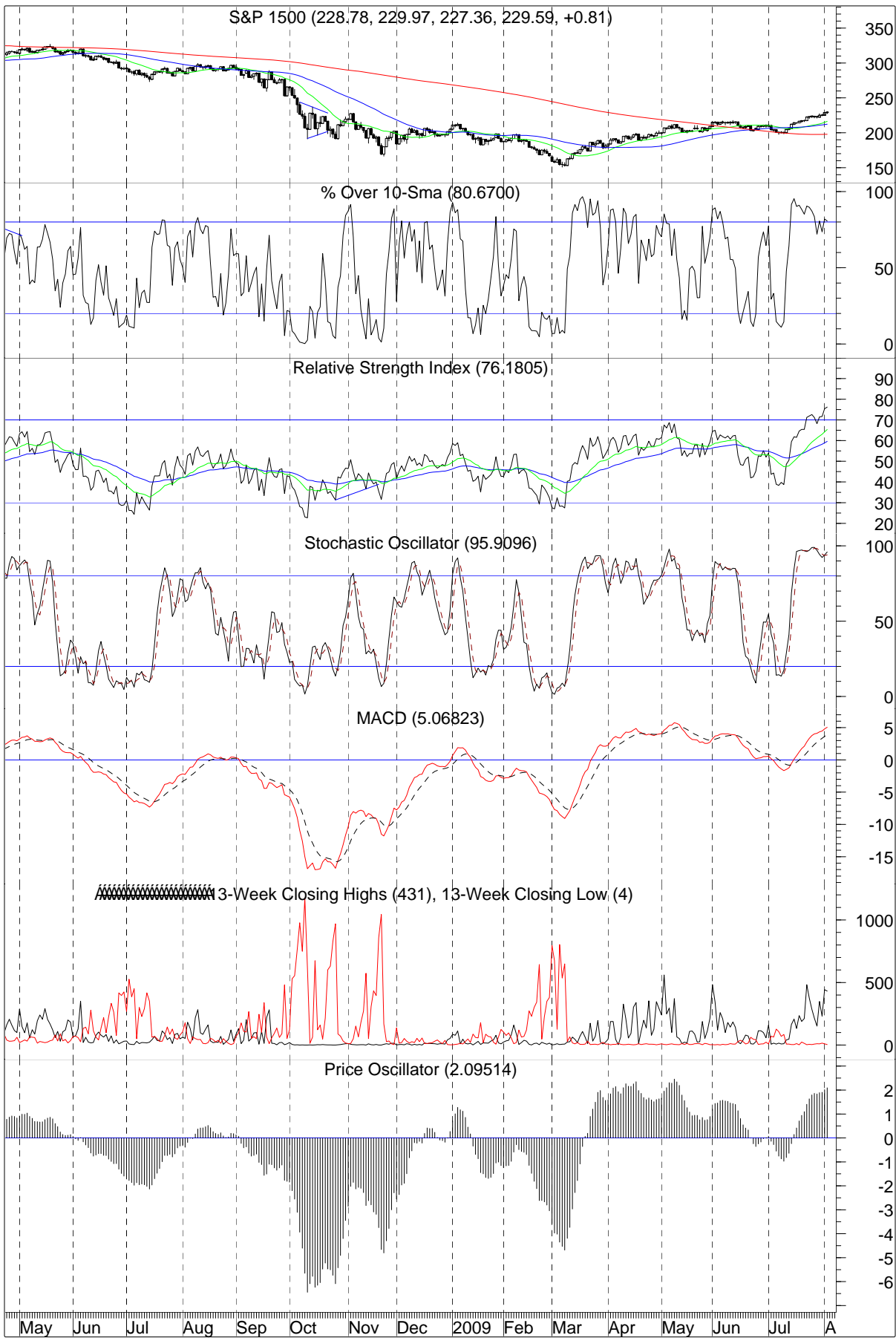
Momentum indicators remain at high levels.

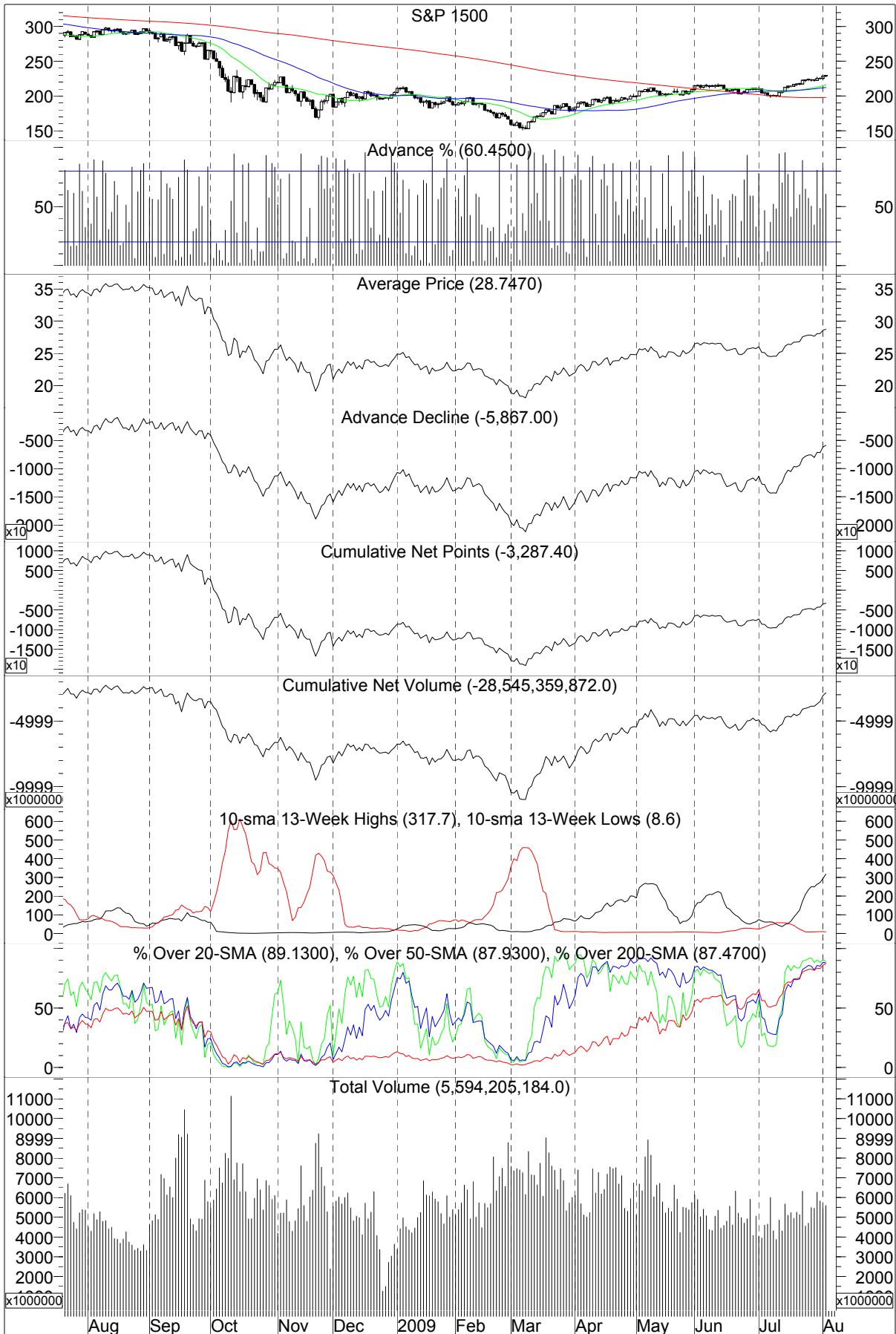
NASDAQ 100 (1,619.09, 1,633.16, 1,616.54, 1,628.49, +0.37)



New highs on the Nasdaq 100 also.

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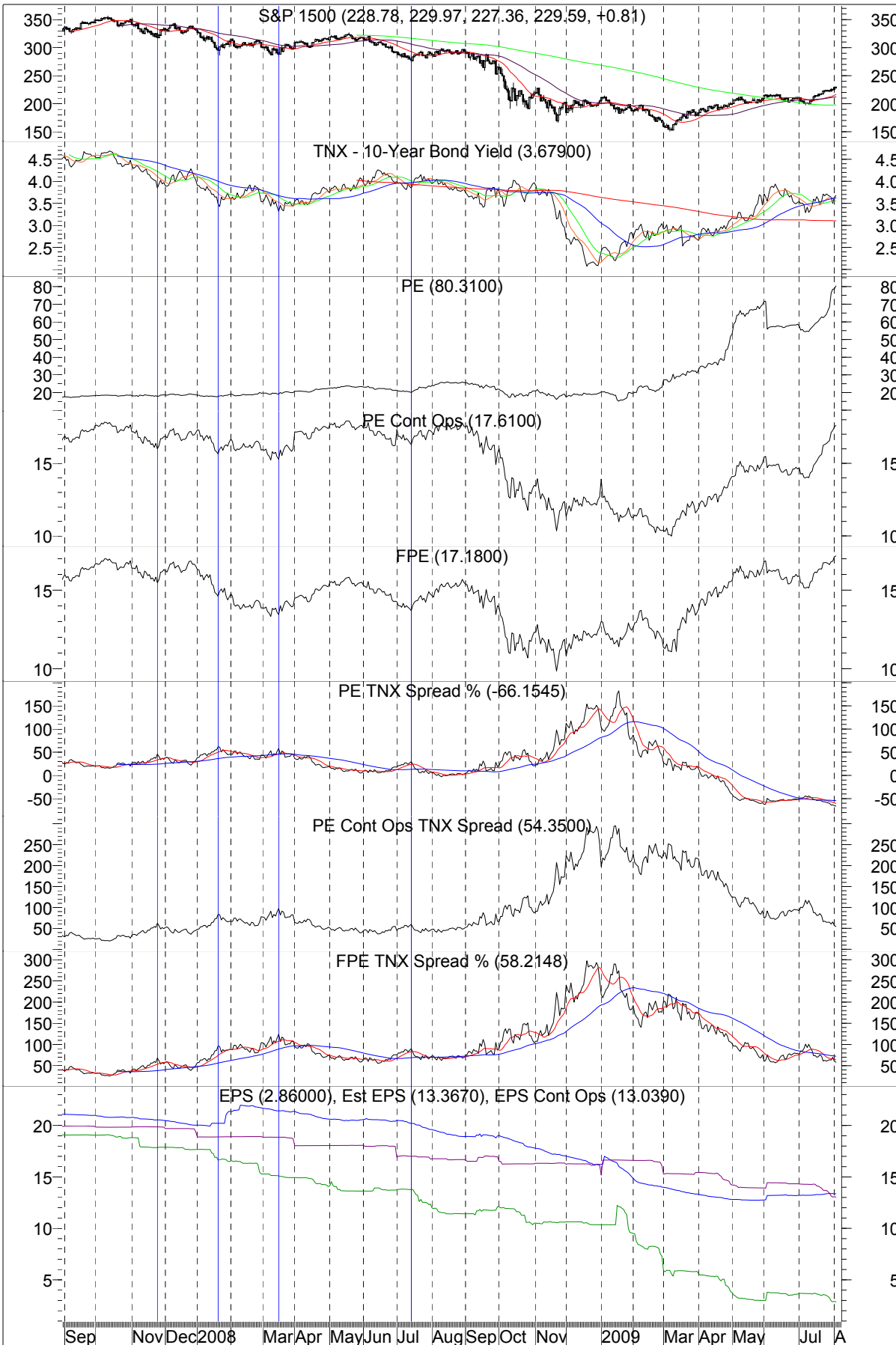


Our statistics of market internals are all at new highs confirming the new highs on the S&P 1500.

10-sma of 13-week closing highs at a new rally high.

Amazing numbers here.

The Kaufman Report - Wayne S. Kaufman, CMT



P/E ratios are skyrocketing.

Forecasts are flat while earnings before and after charges continue their inexorable move lower.