

Monday December 14, 2009

Closing prices of December 11, 2009

Last Sunday we said with sellers on the sidelines and seasonality positive the path of least resistance could still be higher, and we would continue to follow the primary trend of the market, which remains up. Nothing changed last week as early weakness led to a bounce off support on Wednesday and the S&P 500 closing the week with a 0.37% gain. The Dow Jones Industrials made a new post-March weekly closing high.

We also said this market reminds us of the TV show Sanford & Son. Whenever something went the wrong way for Fred Sanford (Redd Foxx) he would clutch his chest and say "I'm coming to join you Elizabeth, this is the big one!" Bearish market participants have continually been looking for the event that will cause "the big one" and send equities plummeting. Two weeks ago it was Dubai. Last week it was the continued strength in the U.S. Dollar. So far the bears have been disappointed.

There is no doubt that investors have become more selective, which we have been pointing out for many weeks. We have also discussed the low volume environment which created a condition where news can cause sharp moves in either direction. Obviously we would be happier if buyers were more enthusiastic. Still, sellers are not aggressive, seasonality is positive, and sentiment on the part of options buyers has turned negative. Therefore, we continue to follow the primary trend of the market, which remains up, and we are hopeful that shortly stocks will begin an end of the year rally.

The recent strength in the Dollar has not hurt equities overall, but it highlighted sector rotation taking place. Investors need to be cognizant of sector rotation at this time. Dollar strength has hurt the ADR Index, which was the worst performing major index last week. We are happy to see the rebound in small and mid-caps, with both now the best performing major indexes for December. We said two weeks ago we were hoping to see the January Effect and a Santa Claus Rally, and strength in small-caps says investors are showing more willingness to take risk, which is something a healthy market needs.

Therefore, with volume low and news able to create sharp moves in either direction, this remains a bifurcated short-term trader's market. We repeat our advice of the last few weeks that positions investors don't have a good reason to hold onto should be considered as a source of funds. 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.

S&P 1500 Data:

Percent over 10-sma: 66.07%. Percent over 50-sma: 59.93%

13-Week Closing Highs: 165. 13-Week Closing Lows: 25. 52-week closing highs: 127.

Kaufman Options Indicator: 0.95 Put/Call Ratio: 0.897. New High Reversals: 12. New Low Reversals: 3

Volume: +13% versus yesterday. 83% of the 10-day average. 84% of the 30-day average.

Up Stocks: 74.34%. Up Volume: 68.20%. Up Points: 80.88%. Up Dollars: 89.90%, 125% of 10-sma. Down Dollars 23% of 10-sma.

IMPORTANT DISCLOSURES

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	Daily	WTD	MTD	QTD	YTD
S&P Smallcap 600	0.95%	-0.10%	3.46%	-0.07%	18.04%
S&P Midcap 400	0.77%	0.54%	3.09%	2.16%	31.15%
Dow Jones Industrials	0.63%	0.80%	1.22%	7.82%	19.31%
S&P 1500	0.42%	0.08%	1.24%	4.29%	22.98%
S&P 500	0.37%	0.04%	0.98%	4.67%	22.49%
NYSE Composite	0.29%	-0.80%	0.46%	3.10%	23.76%
Bank of New York Mellon ADR	0.09%	-2.33%	-0.24%	2.18%	31.26%
Nasdaq Composite	-0.03%	-0.18%	2.13%	3.20%	38.89%
Nasdaq 100	-0.41%	0.01%	1.39%	4.25%	47.90%

	Daily	WTD	MTD	QTD	YTD
Utilities	1.66%	3.56%	6.69%	7.57%	8.30%
Consumer Discretionary	1.02%	1.90%	3.56%	7.78%	37.73%
Industrials	0.98%	-0.07%	2.03%	5.72%	18.32%
Financials	0.69%	-1.62%	-1.97%	-4.00%	14.43%
Telecom Services	0.62%	2.14%	5.05%	6.34%	3.10%
Consumer Staples	0.36%	-0.22%	0.78%	5.72%	12.81%
Materials	0.14%	-0.50%	-0.67%	4.71%	42.25%
Energy	0.09%	-0.96%	-2.51%	3.43%	9.58%
Health Care	-0.06%	0.79%	1.86%	8.47%	17.01%
Information Technology	-0.32%	-0.23%	1.71%	6.39%	54.05%

	Daily	WTD	MTD	QTD	YTD
Utilities	1.66%	3.56%	6.69%	7.57%	8.30%
Real Estate	1.37%	-1.50%	3.05%	6.74%	17.35%
Retailing	1.29%	1.23%	2.57%	9.28%	47.72%
Capital Goods	1.21%	-0.02%	1.76%	4.45%	18.55%
Consumer Durables & Apparel	1.07%	-0.80%	1.03%	1.21%	29.79%
Consumer Services	0.87%	0.60%	-0.36%	2.61%	16.64%
Media	0.84%	4.70%	8.66%	10.10%	35.42%
Food & Staples Retailing	0.78%	0.95%	0.34%	4.45%	7.56%
Automobiles & Components	0.76%	0.54%	0.88%	15.13%	105.93%
Diversified Financials	0.73%	-1.48%	-1.81%	-5.37%	29.41%
Telecom Services	0.62%	2.14%	5.05%	6.34%	3.10%
Insurance	0.58%	-0.13%	-0.41%	-3.91%	10.22%
Household & Personal Products	0.46%	-0.84%	-0.11%	8.09%	8.23%
Transportation	0.39%	-0.33%	2.41%	10.66%	20.19%
Banks	0.39%	-3.37%	-5.73%	-4.42%	-10.25%
Commercial & Professional Services	0.31%	0.22%	3.83%	5.10%	11.09%
Materials	0.14%	-0.50%	-0.67%	4.71%	42.25%
Health Care Equip & Services	0.12%	2.79%	3.49%	11.44%	30.97%
Food, Beverage & Tobacco	0.11%	-0.46%	1.41%	5.22%	18.23%
Energy	0.09%	-0.96%	-2.51%	3.43%	9.58%
Software & Services	0.03%	-0.27%	1.24%	10.38%	50.35%
Pharmaceuticals, Biotech & Life Sciences	-0.15%	-0.17%	1.07%	7.02%	11.22%
Technology Hardware & Equipment	-0.39%	0.17%	1.15%	4.19%	58.78%
Semiconductors & Equipment	-1.07%	-1.50%	5.18%	3.19%	48.27%

INTERNATIONAL ETFs

	Daily	WTD	MTD	QTD	YTD
Taiwan EWT	1.05%	1.27%	2.78%	2.03%	65.61%
Japan EWJ	0.61%	-0.40%	4.08%	0.10%	3.86%
Netherlands EWN	0.59%	-1.92%	0.84%	1.60%	36.46%
Mexico EWW	0.59%	-1.83%	3.82%	13.87%	54.14%
Brazil EWZ	0.55%	-0.60%	1.27%	14.49%	121.32%
Latin America ILF	0.54%	-0.23%	1.61%	13.35%	90.97%
South Korea EWY	0.51%	0.70%	6.78%	0.02%	69.43%
MSCI Emerging Markets EEM	0.36%	-1.19%	2.05%	6.27%	65.60%
Germany EWG	0.32%	-2.16%	-1.16%	0.23%	15.71%
Hong Kong EWH	0.31%	-1.18%	1.95%	4.19%	55.93%
United Kingdom EWU	0.12%	-2.65%	-0.43%	4.45%	32.24%
BRIC EEB	0.12%	-1.28%	0.82%	10.58%	86.44%
China 25 FXI	0.11%	-4.02%	-0.27%	6.50%	49.81%
Sweden EWD	0.08%	-3.13%	-1.20%	3.32%	53.86%
Singapore EWS	0.00%	-0.61%	1.58%	7.35%	63.69%
France EWQ	0.00%	-2.59%	0.00%	-0.42%	23.55%
Spain EWP	-0.02%	-4.42%	-3.50%	-1.34%	30.48%
Belgium EWK	-0.08%	-3.21%	-0.68%	0.85%	50.06%
Italy EWI	-0.10%	-3.17%	-1.01%	-4.26%	19.22%
Switzerland EWL	-0.27%	-2.32%	-0.63%	1.06%	18.39%
Malaysia EWM	-0.37%	-1.58%	-0.92%	6.11%	47.60%
Australia EWA	-0.48%	-2.44%	-1.59%	1.59%	63.88%
Austria EWO	-0.63%	-4.85%	-2.97%	-6.06%	58.29%
Canada EWC	-1.04%	-1.17%	-1.16%	0.51%	46.93%
Vietnam VNM	-2.59%	-7.29%	-8.05%		

S&P 500 Cash (1,102.09, 1,102.35, 1,102.09, 1,102.35, +0.05)



The intraday chart of the S&P 500 shows the support at the 1085 area and the failed breakout on 12/4.

Intraday momentum indicators are mixed.

S&P 500 Cash (1,103.96, 1,108.50, 1,101.34, 1,106.41, +4.06)



After testing support on Wednesday the S&P 500 moved back above its 20-sma. It is no surprise the index has run into resistance as it got near the 1121 area, which is the 50% retracement of the entire bear market.

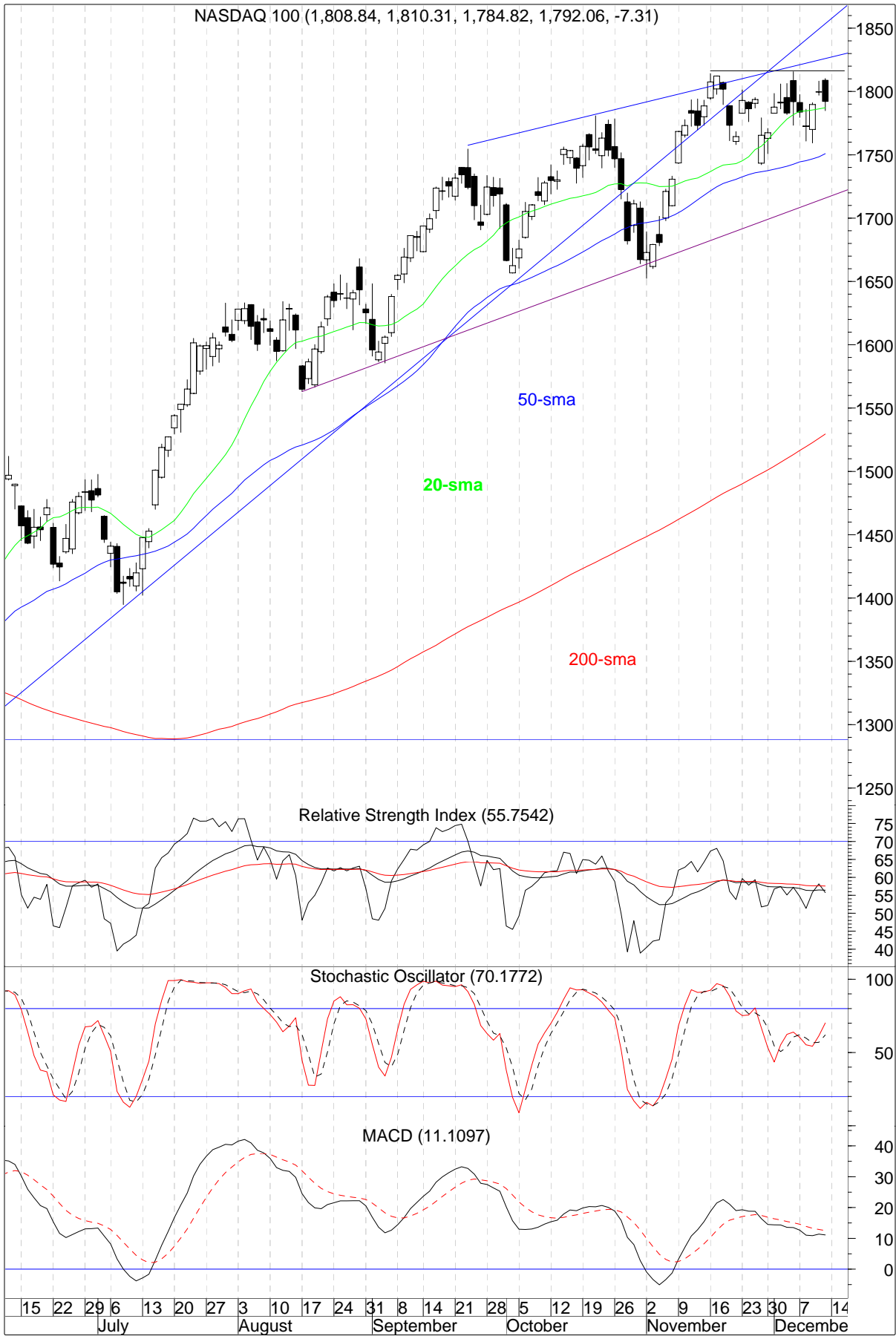
Momentum indicators are no longer overbought and the stochastic shows a positive crossover from a low level.



The weekly chart of the S&P 500 shows a doji candle. Doji are candles of indecision frequently seen at tops. Again, no surprise there is a pause near the 1121 area.

momentum indicators are neutral.

NASDAQ 100 (1,808.84, 1,810.31, 1,784.82, 1,792.06, -7.31)



The Nasdaq 100 keeps running into resistance in the 1800 to 1815 area and has not been able to surpass its closing high of 1812.21 made on 11/17. However, it has moved back above its 20-sma (green).

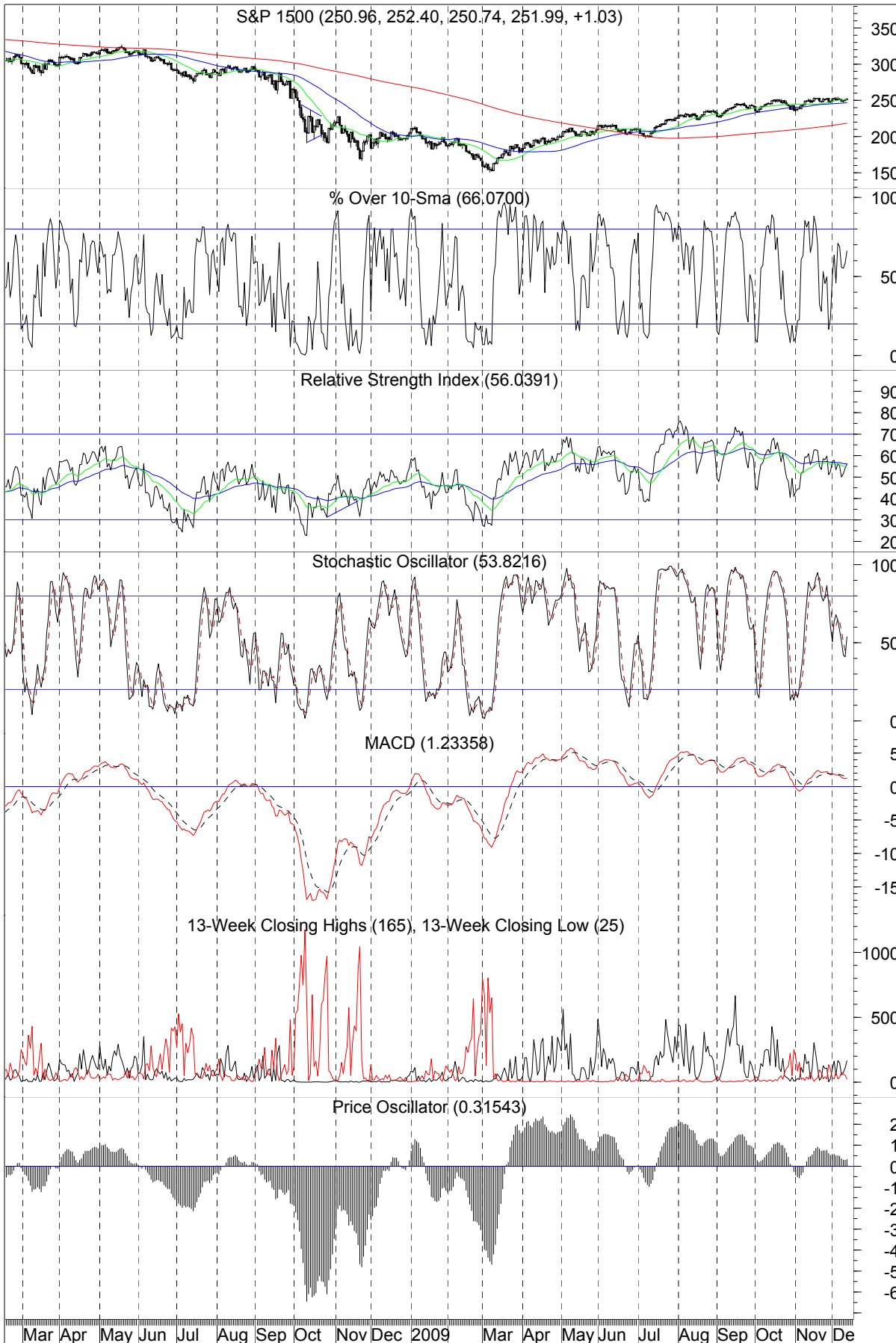
Momentum indicators are neutral.

NASDAQ 100 (1,791.35, 1,810.31, 1,759.34, 1,792.06, +0.15)



The weekly chart of the Nasdaq 100 printed a doji candle last week. Doji are candles of indecision frequently seen at tops. This one may not be important since the index is sideways for five weeks.

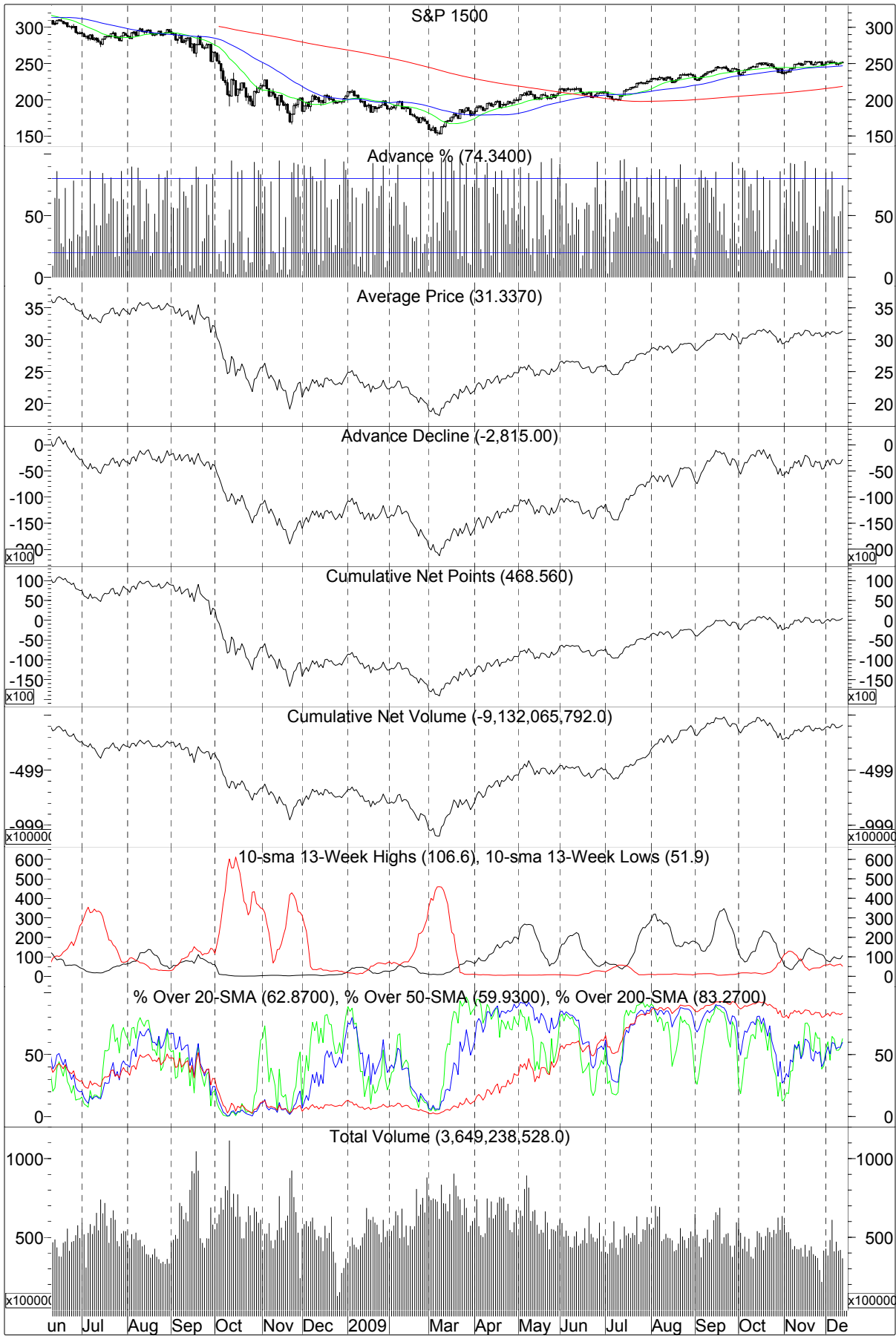
Momentum indicators are neutral.



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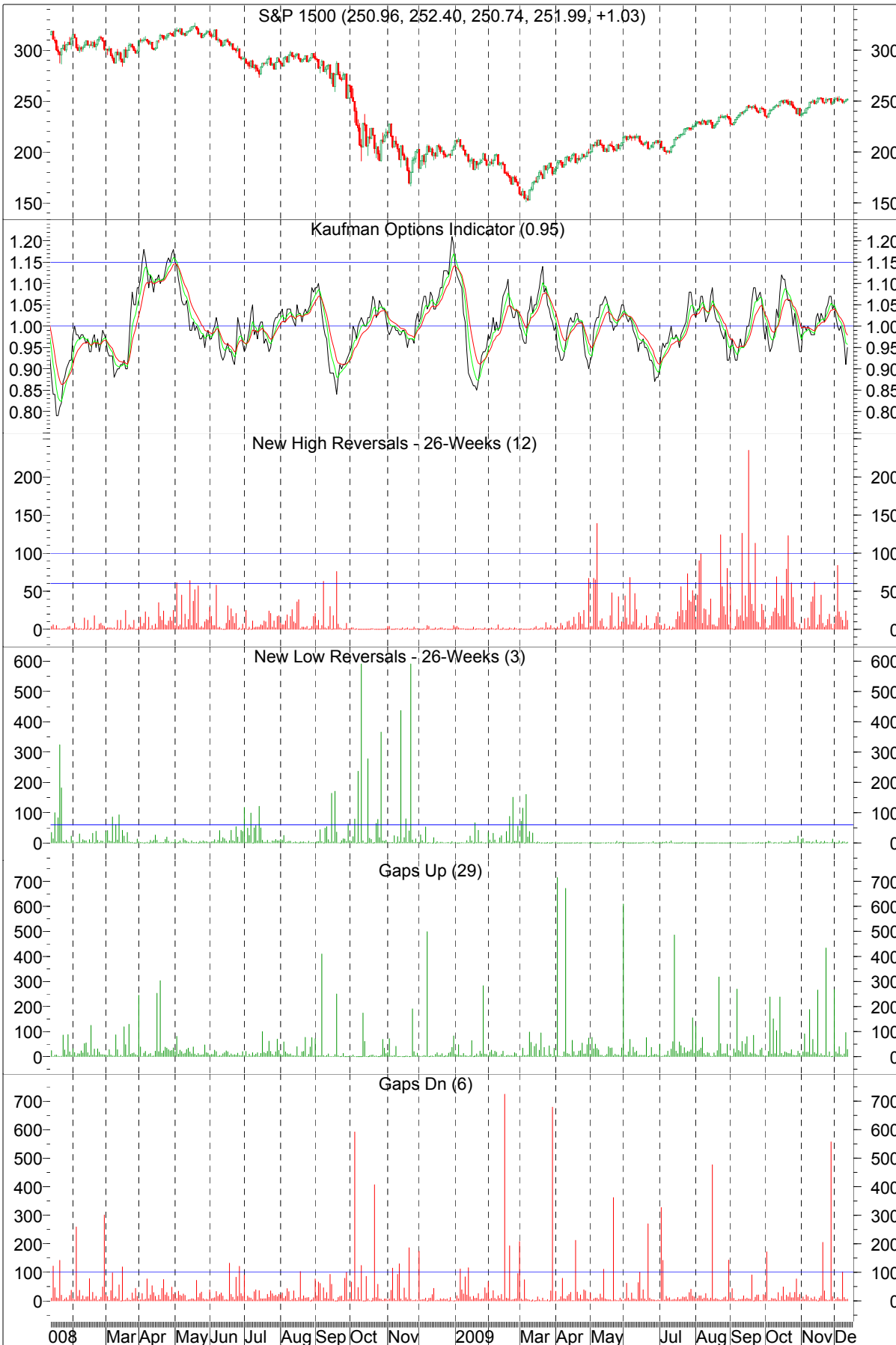
New highs have been muted since November but are near breaking out of their recent range.

Our price oscillator, a good indicator of trends, remains in positive territory.



Statistics of market breadth are neutral but look like they may be starting to turn up.

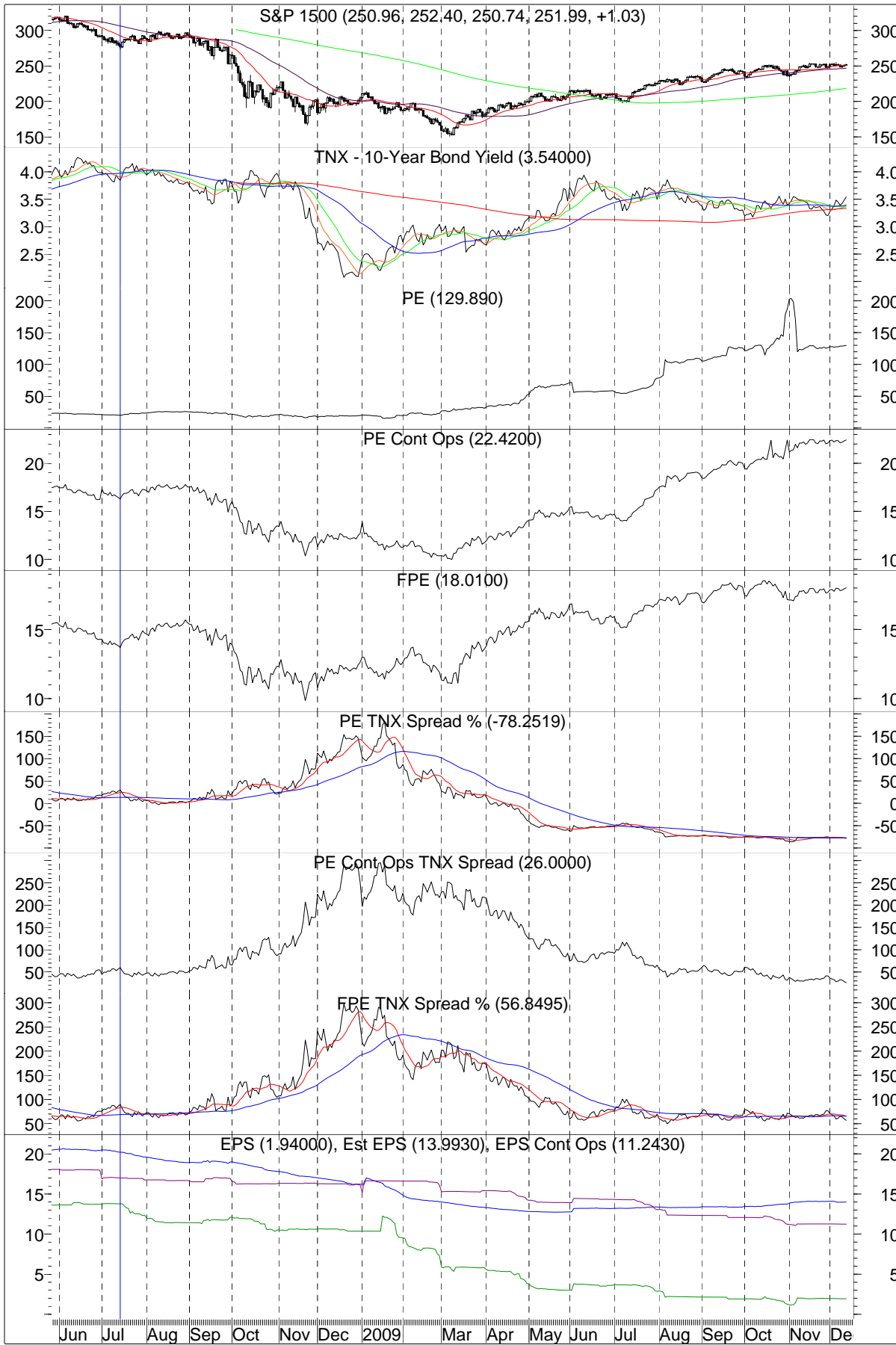
The percent of stocks over their own 200-sma is 83.27%, still above the 75% that defines a bull market.



Our proprietary options indicator is in negative territory at 0.95 and bouncing from 0.91, the lowest level since 0.90 on 7/1. At this level of pessimism weakness should not be severe and the potential for a rally out of the recent range exists.



Our statistics of supply (red) versus demand (green) shows that while both buyers and sellers have been reticent, the lack of sellers should prevent stocks from dropping much in the near-term. On the other hand, a lack of selling may embolden buyers, and any increase in buying pressure could create a good finish to the year.

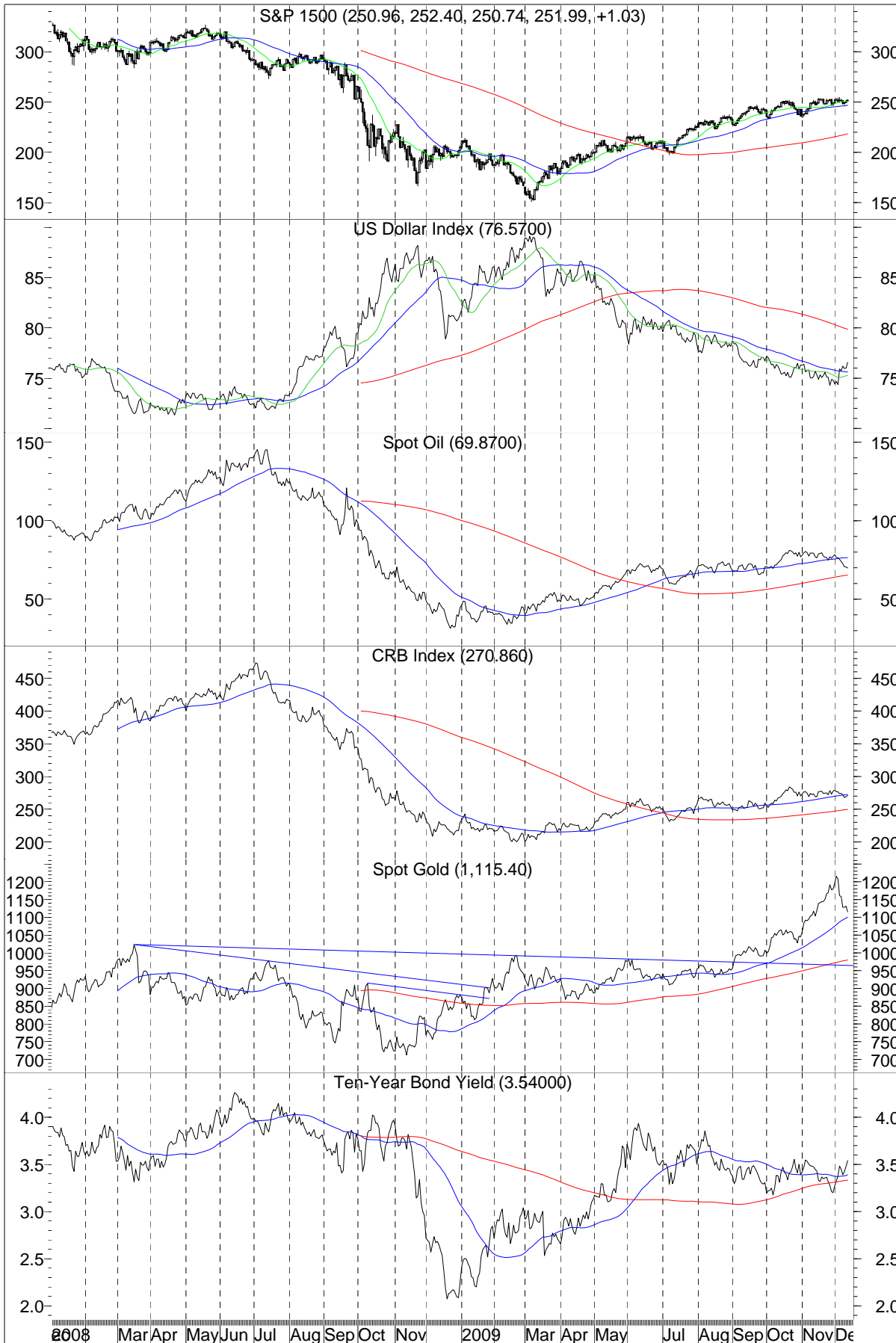


Bond yields are moving higher. Is this because investors are moving into riskier assets?

Not much movement recently on the P/E front.

Spreads between bond and equity yields have been flat lining for months.

EPS metrics won't move much until Q4 earnings season begins in January.



Two weeks ago we said the U.S. Dollar seemed to be trying to bottom. Last week we said it had room to rise further. It did, and it is still not overbought and still has room to go higher. It has multiple resistance areas ahead, but we think the 77 - 78 area could be important.

Crude oil has weakened with Dollar strength, and is nearing short-term oversold levels. The 200-sma is down at 65.34. The 65 area should be strong support.

Gold has also weakened as the Dollar strengthened. It is just above its 50-sma but it is not yet oversold. Further weakness or at least consolidation would seem to be in the cards for gold.