

Friday January 9, 2009

Closing prices of January 8, 2009

Stocks shook off early weakness to finish higher Thursday. Energy and Telecom were the leading sectors, with Financials and Consumer Staples being the only sectors down on the day. The rally off the November lows is still intact, but we expect further consolidation or pull backs in the near-term as stocks are still overbought and investors wait to see earnings reports.

The S&P 1500 (206.38) was up 0.384% Thursday. Average price per share was up 3.19%. Volume was 129% of its 10-day average and 95% of its 30-day average. 64.53% of the S&P 1500 stocks were up on the day, with up volume at 62.48% and up points at 65.14%. Up Dollars was 78% of total dollars, and was 70% of its 10-day moving average while Down Dollars was 39% of its 10-day moving average. The index is up 0.708% month-to-date, up 0.708% quarter-to-date, up 0.708% year-to-date, and down 42.01% from the peak of 356.38 on 10/11/07. Average price per share is \$24.49, down 43.35% from the peak of \$43.23 on 6/4/2007.

*The Put/Call Ratio was 1.067. The Kaufman Options Indicator is 1.09 after hitting 1.21 on 12/30, indicating too much bullishness.*

The spread between the reported earnings yield and 10-year bond yield is 105% and 234% based on projected earnings, still very wide levels. The dividend yield on the S&P 500 recently moved higher than the 10-year bond yield for the first time since 1958.

Reported aggregate earnings for the S&P 1500 peaked in August 2007 at \$19.18 and are now at \$10.36, a drop of 45.98%. Estimated aggregate earnings peaked at \$21.95 in February 2008 and are now \$16.84, a drop of only 23.28%. If investors had confidence in earnings estimates stocks would be much higher than they currently are.

498 companies in the S&P 500 have reported third quarter earnings. According to Bloomberg, 58.1% have had positive surprises, 9.7% have been in line, and 32.3% have been negative. The year-over-year change has been -18.3% on a share-weighted basis, +5.3% market cap-weighted and -2.7% non-weighted. Ex-financial stocks these numbers are 10.1%, 23.7%, and 15.8%, respectively.

Federal Funds futures are pricing in a probability of 72% that the Fed will leave rates unchanged, and a probability of 28.0% of cutting 25 basis points to 0.00% when they meet on January 28<sup>th</sup>. They are pricing in a probability of 65.8% that the Fed will leave rates unchanged on March 17<sup>th</sup>, and a probability 24.1% of cutting 25 basis points to 0.00%.

The short-term and intermediate-term trends are now up, but the long-term trend remains down. This continues to be an opportunistic trader's market, prone to whipsaws, with adept traders able to take advantage long or short. The long-term downtrend must still be respected. Investors should not hesitate to take profits when they get them as market direction changes rapidly and short-term profits can quickly become losses.

## IMPORTANT DISCLOSURES

I, Wayne S. Kaufman, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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

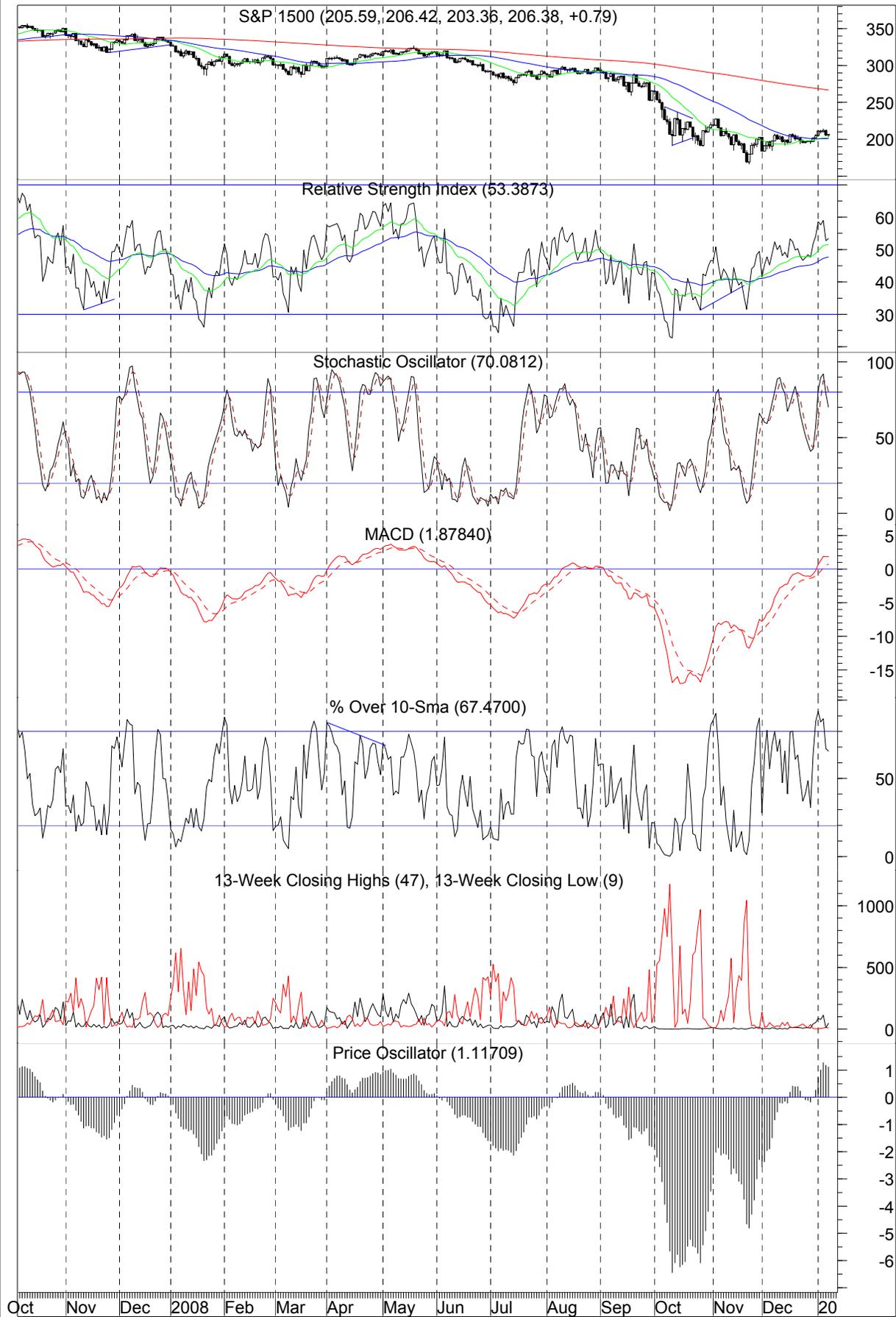
S&P 500 Cash (905.73, 910.00, 896.81, 909.73, +3.08)



We said yesterday we hoped the S&P 500 would find support at the 20 and 50-day moving averages. Thursday it moved down near the 20 and 50-sma before rebounding in the afternoon. Short-term indicators are still at high levels, so more pull back or consolidation is likely. Support after the moving averages is the 857 - 851 area.

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

S&P 1500 (205.59, 206.42, 203.36, 206.38, +0.79)

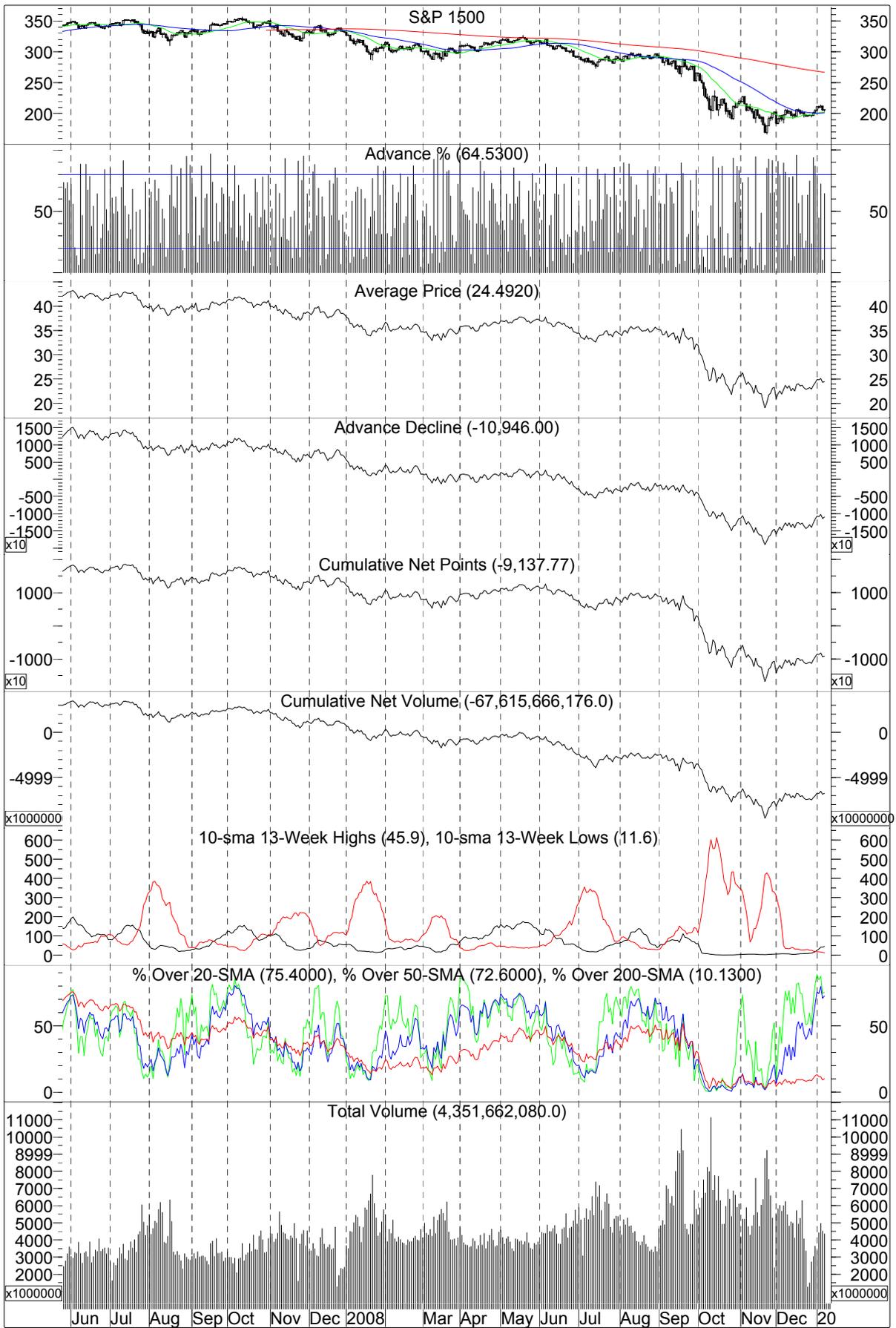


Our momentum indicators are still at high levels, leaving room for stocks to move lower.

New highs have been greater than lows recently and were again Thursday.

Our price oscillator, a good trend indicator, is in positive territory.

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



64.53% of stocks traded higher Thursday.