

Thursday July 23, 2009

Closing prices of July 22, 2009

Stocks rallied early but ran into selling in the afternoon as the S&P 500 made a new intra-day rally high but closed slightly lower on the day. The Nasdaq 100 made new closing and intra-day highs as it recorded its 11<sup>th</sup> consecutive up day in a row. In spite of the afternoon weakness breadth was positive as advancing stocks, points, and volume totaled about 60%. Good earnings news is helping stocks overcome an overbought condition, but stocks may need a breather before they can continue to push higher. Therefore, we repeat our recommendation that investors use caution regarding entry points, and short-term traders should keep stops tight.

The good news is market breadth, measured by the percentages of stocks trading above important moving averages, remains very strong. **For example, the percentage of stocks over their own 200-day moving average is 75.33%, the highest since 6/4/2007.** Statistically, three-quarters of stocks follow the primary trend of the market, so with that many now over the moving average generally accepted as defining the long-term market trend this is interesting fodder in the bull market bear market debate.

The S&P 1500 (217.30) was up 0.005% Wednesday. Average price per share was up 0.34%. Volume was 105% of its 10-day average and 104% of its 30-day average. 59.97% of the S&P 1500 stocks were up, with up volume at 61.05% and up points at 61.29%. Up Dollars was 65.53% of total dollars, and was 51% of its 10-day moving average. Down Dollars was 154% of its 10-day moving average.

Percent over 10-sma: 85.20%. 13-Week Closing Highs: 212. 13-Week Closing Lows: 14.

Put/Call Ratio: 0.989. Kaufman Options Indicator: 0.99.

P/E Ratios: 62.82 (before charges), 15.62 (continuing operations), 16.34 (analyst estimates).

P/E Yield 10-year Bond Yield Spreads: -55% (earnings bef. charges), 80% (earnings continuing ops), and 72% (projected earnings).

136 of the S&P 500 have reported 2<sup>nd</sup> quarter earnings. According to Bloomberg, 76.5% had positive surprises, 8.1% were in line, and 15.4% have been negative. The year-over-year change has been -22.7% on a share-weighted basis, -6.8% market cap-weighted and -22.3% non-weighted. Ex-financial stocks these numbers are -17.7%, -2.0%, and -18.2 %, respectively.

**This is a bifurcated, opportunistic trader's market, with adept traders able to enter long or short, although short positions are counter-trend. 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.**

## IMPORTANT DISCLOSURES

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S&P 500 Cash (953.40, 959.83, 947.75, 954.07, -0.51)



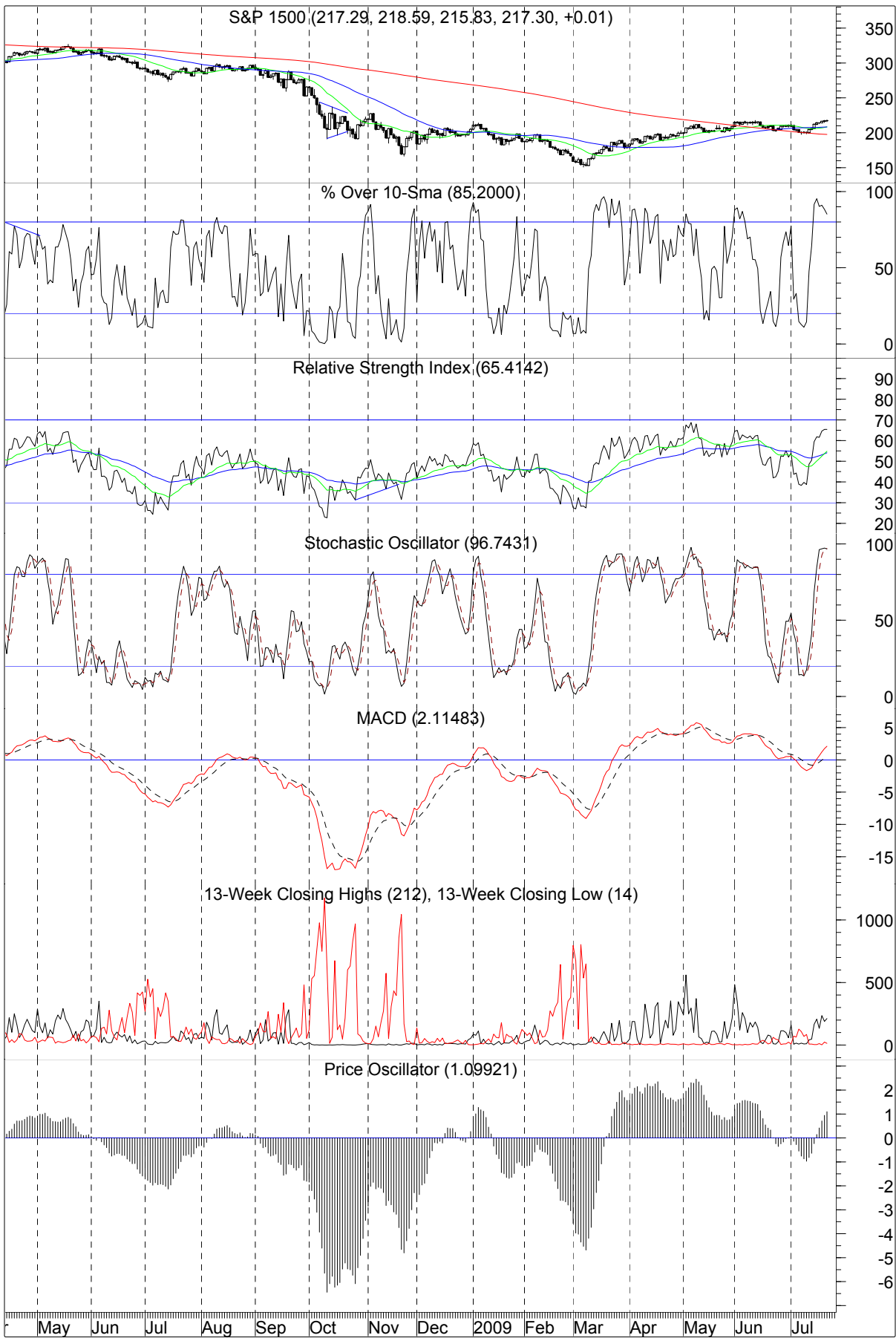
The S&P 500 printed a doji-like candle, a sign of indecision, as the bulls and bears fought to a near draw. The index made a rally intra-day high, but not a closing high as it finished slightly lower. With indicators at overbought levels the index may need a breather before it is able to push higher. The 20-sma is about to cross over the 50-sma.

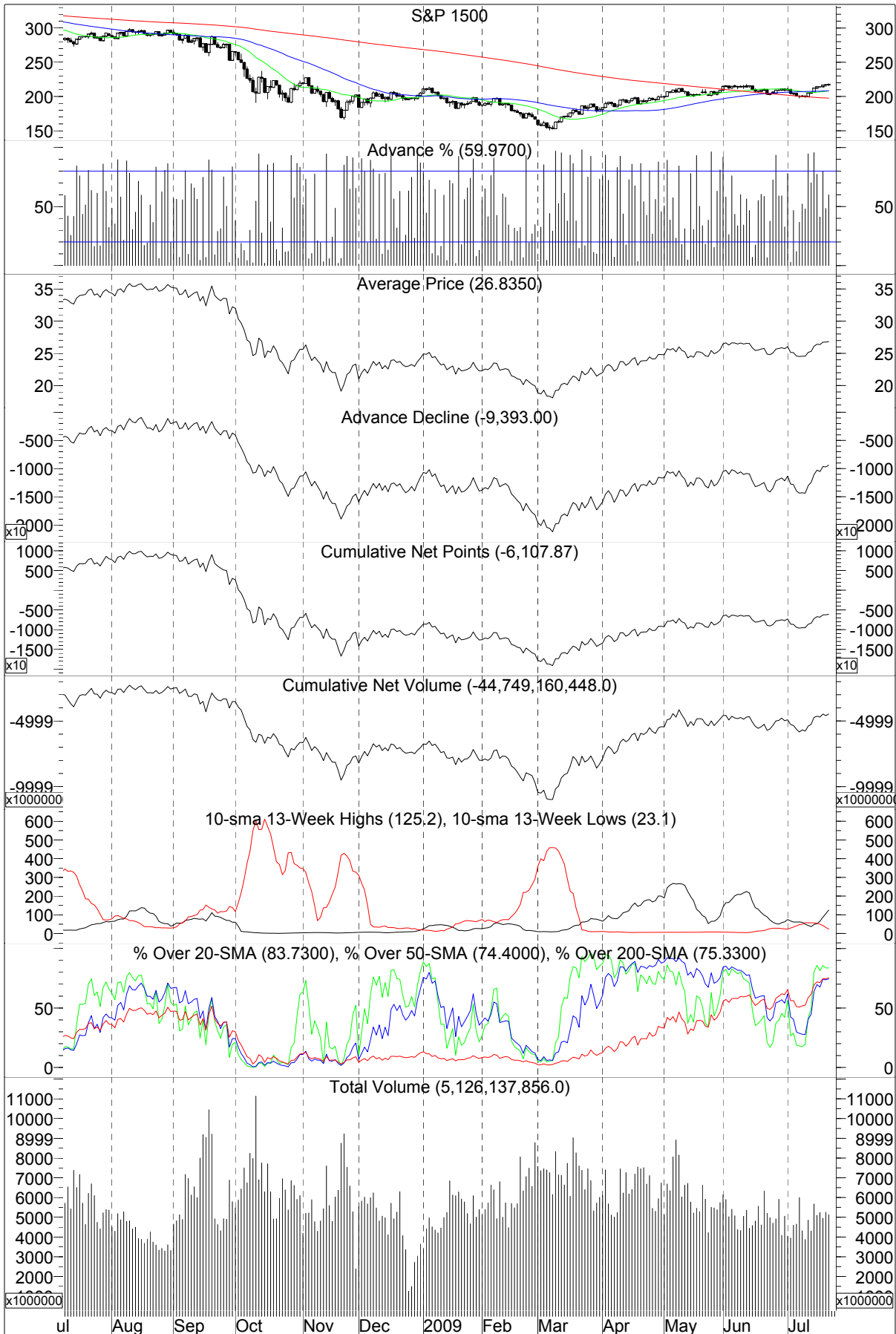
Momentum indicators remain at high levels.



The Nasdaq 100 is now up eleven sessions in a row. It is just under the 400-sma (not shown) which is at 1573.92. The 200-sma is actually up the last two sessions.

Our momentum indicators remain at overbought levels and have not turned down yet.





Average price, Advance Decline, and Cumulative Net Points all made new rally highs Wednesday.