

Monday July 27, 2009

Closing prices of July 24, 2009

Stocks traded higher Monday pushing the S&P 500 to new rally highs, although it was on receding volume. The end of July is typically a seasonally strong period, so further gains over the next few days are possible. However, we are concerned about the optimism we are seeing among options buyers. Our proprietary options indicator hit 1.04 Monday, the highest since 1.05 on June 1st.

We have said we don't expect pullbacks to be deep due to a lack of sellers, and longer-term charts still show a lot of possible upside. However, there is too much bullishness developing short-term, and investors also need to be careful about sector rotation. The leading industry groups Monday were Automobiles & Components, Banks, Real Estate and Insurance, while recent leader Technology was a laggard. Therefore, caution is advised regarding entry points.

Market breadth continues to improve. **For example, the percentage of stocks over their own 200-day moving average is 82.47%, the highest since 2/26/2007.** Statistically, three-quarters of stocks follow the primary trend of the market, so with more than that 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. On June 23rd the Nasdaq 100 traded above its **400-day moving average** for the first time since August 2008.

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 traders can short overbought conditions keeping in mind shorting is counter-trend and they may need to cover quickly.

The S&P 1500 (223.94) was up 0.309% Friday. Average price per share was up 0.40%. Volume was 92% of its 10-day average and 95% of its 30-day average. 57.03% of the S&P 1500 stocks were up, with up volume at 58.08% and up points at 63.24%. Up Dollars was 72.48% of total dollars, and was 49% of its 10-day moving average. Down Dollars was 125% of its 10-day moving average.

Percent over 10-sma: 91.40%. 13-Week Closing Highs: 286. 13-Week Closing Lows: 4.

Put/Call Ratio: 0.792. Kaufman Options Indicator: 1.04.

P/E Ratios: 64.25 (before charges), 16.36 (continuing operations), 16.75 (analyst estimates).

P/E Yield 10-year Bond Yield Spreads: -58% (earnings bef. charges), 65% (earnings continuing ops), and 61% (projected earnings).

219 of the S&P 500 have reported 2nd quarter earnings. According to Bloomberg, 74.1% had positive surprises, 9.1% were in line, and 16.8% have been negative. The year-over-year change has been -22.8% on a share-weighted basis, -11.7% market cap-weighted and -23.9% non-weighted. Ex-financial stocks these numbers are -17.7%, -8.2%, and -19.4 %, respectively.

IMPORTANT DISCLOSURES

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	Daily	WTD	MTD	QTD	YTD
Financials	1.49%	1.49%	5.71%	5.71%	0.68%
Industrials	0.74%	0.74%	7.15%	7.15%	-1.09%
Materials	0.37%	0.37%	12.21%	12.21%	25.98%
Energy	0.32%	0.32%	6.32%	6.32%	2.87%
Consumer Discretionary	0.23%	0.23%	8.28%	8.28%	16.42%
Telecom Services	0.19%	0.19%	2.05%	2.05%	-4.82%
Health Care	0.03%	0.03%	5.74%	5.74%	4.73%
Consumer Staples	-0.02%	-0.02%	5.86%	5.86%	2.22%
Utilities	-0.18%	-0.18%	5.59%	5.59%	1.28%
Information Technology	-0.25%	-0.25%	8.87%	8.87%	35.08%

	Daily	WTD	MTD	QTD	YTD
Automobiles & Components	3.77%	3.77%	20.48%	20.48%	75.30%
Banks	3.20%	3.20%	2.71%	2.71%	-20.10%
Real Estate	1.95%	1.95%	8.59%	8.59%	-9.36%
Insurance	1.40%	1.40%	10.25%	10.25%	-3.21%
Media	1.28%	1.28%	9.50%	9.50%	11.57%
Commercial & Professional Services	0.85%	0.85%	6.67%	6.67%	1.00%
Diversified Financials	0.83%	0.83%	5.03%	5.03%	15.65%
Capital Goods	0.74%	0.74%	6.04%	6.04%	-2.69%
Transportation	0.75%	0.75%	11.17%	11.17%	3.98%
Consumer Durables & Apparel	0.62%	0.62%	11.57%	11.57%	10.29%
Semiconductors & Equipment	0.49%	0.49%	16.09%	16.09%	39.56%
Materials	0.37%	0.37%	12.21%	12.21%	25.98%
Energy	0.32%	0.32%	6.32%	6.32%	2.87%
Telecom Services	0.19%	0.19%	2.05%	2.05%	-4.82%
Food, Beverage & Tobacco	0.07%	0.07%	5.90%	5.90%	8.09%
Pharmaceuticals, Biotech & Life Sciences	0.05%	0.05%	6.57%	6.57%	2.09%
Household & Personal Products	-0.03%	-0.03%	9.08%	9.08%	-3.37%
Health Care Equip & Services	-0.01%	-0.01%	3.85%	3.85%	11.05%
Technology Hardware & Equipment	-0.09%	-0.09%	10.58%	10.58%	40.56%
Utilities	-0.18%	-0.18%	5.59%	5.59%	1.28%
Food & Staples Retailing	-0.18%	-0.18%	2.79%	2.79%	-2.90%
Consumer Services	-0.22%	-0.22%	2.29%	2.29%	3.34%
Software & Services	-0.74%	-0.74%	4.25%	4.25%	27.02%
Retailing	-1.07%	-1.07%	7.78%	7.78%	24.49%

S&P 500 Cash (978.63, 982.49, 972.29, 982.18, +2.92)



The S&P 500 made new rally highs Monday.

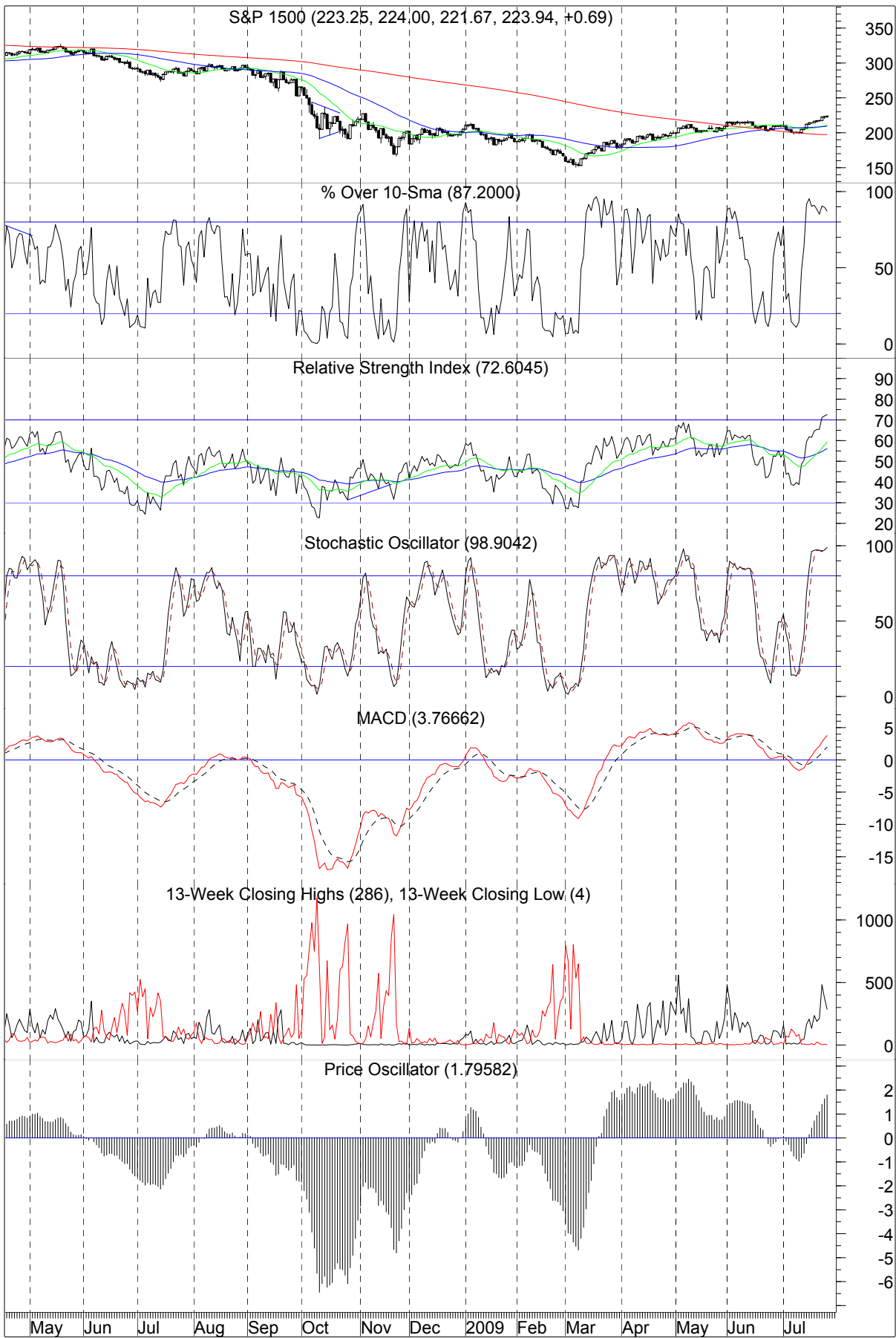
Momentum indicators remain at high levels.

NASDAQ 100 (1,597.02, 1,602.28, 1,580.52, 1,599.31, +0.25)

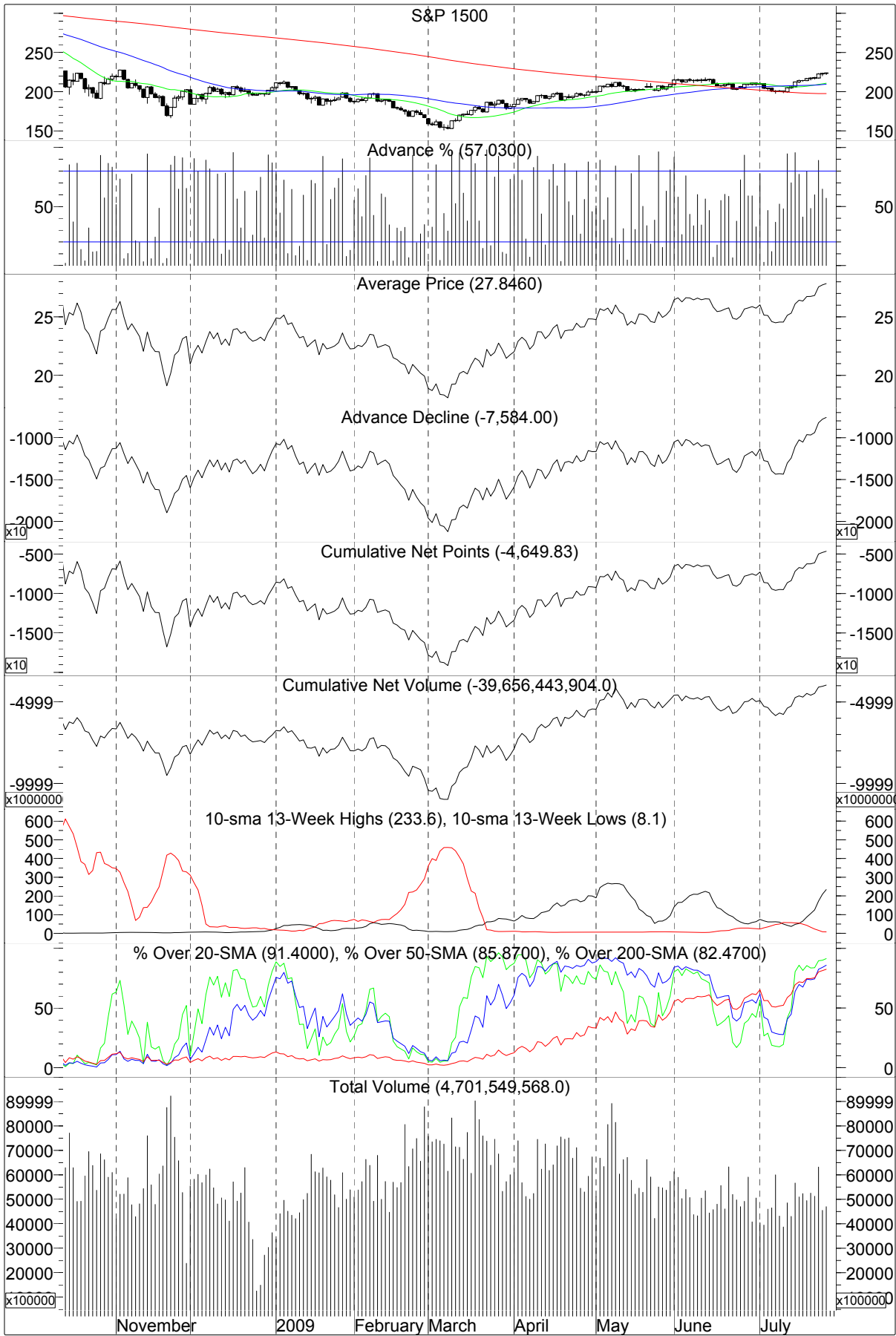


Another buy the dips day for the Nasdaq 100, but on decreasing and below average volume.

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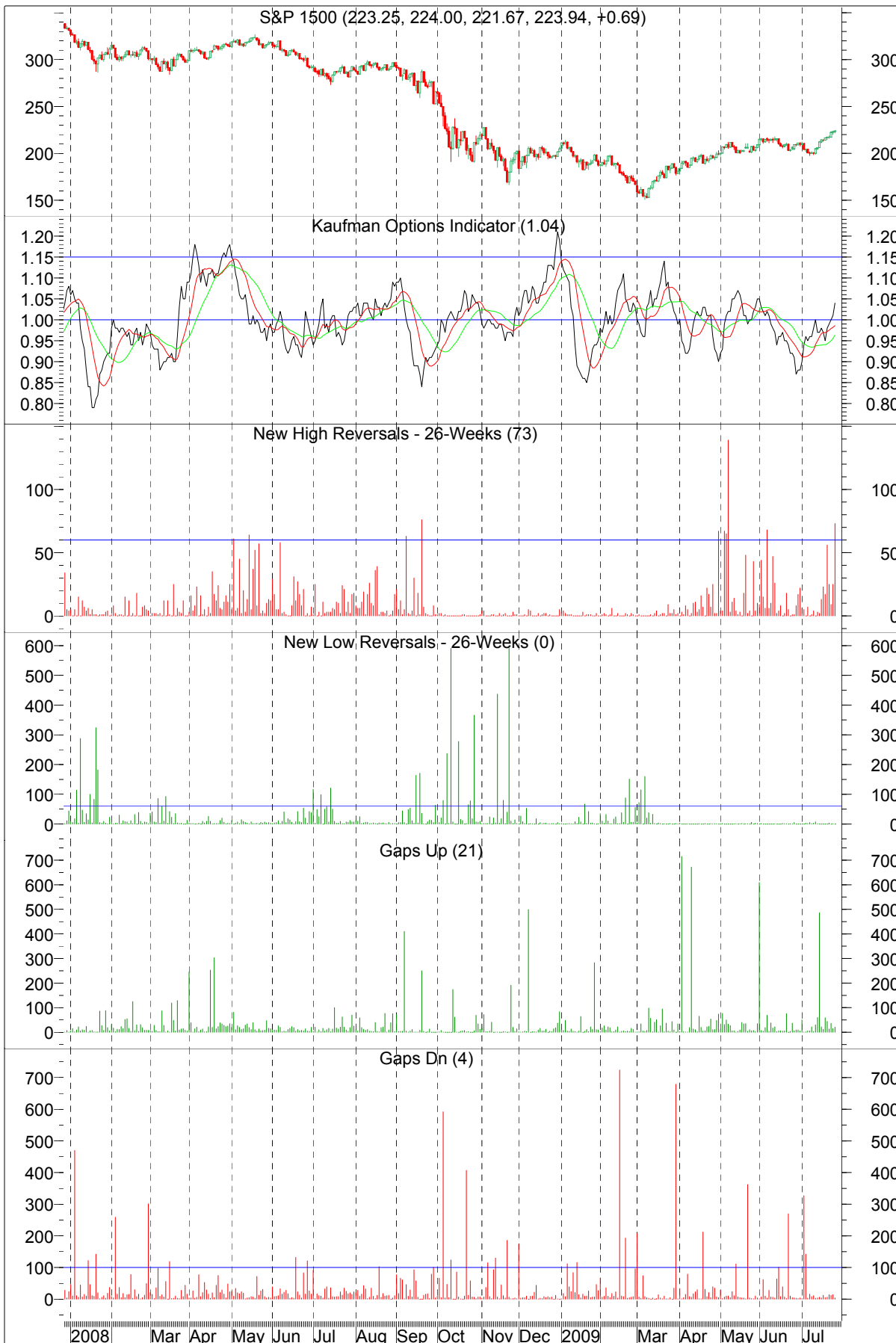


Only 57.03% of stocks advanced Monday as the S&P 1500 made new rally highs.

Statistics of market internals all made new highs Monday.

Extremely strong breadth numbers.

The Kaufman Report - Wayne S. Kaufman, CMT



Our proprietary options indicator is showing bullishness among options buyers. This is a red flag since this is a contrary indicator.

73 new high reversals shows an increasing desire to take profits.