

Wednesday March 18, 2009

Closing prices of March 17, 2009

Stocks rallied broadly Tuesday recording another panic-buying 90% up day, the third one since March 10th. All ten S&P sectors traded higher led by Financials +6.57% and Consumer Discretionary +4.48%. So far buyers keep buying the dips in spite of an overbought condition, and sellers are nowhere to be found. Stocks remain extremely overbought, and options buyers are too optimistic, so we repeat our comment that long-term investors should be careful with entry points long, and aggressive short-term traders can look for shorting opportunities.

I owe unions. When their leaders call I do my best to call them back right away. I don't consider this corrupting in any way; I don't mind feeling obligated toward (them)... I got into politics to fight for these folks. – Barack Obama 2006, quote from IBD 3/4/09

The short-term trend is now up, while the intermediate-term and long-term trends remain down. This continues to be an opportunistic trader's market, with adept traders able to take advantage long or short.

The S&P 1500 (176.08) was up 3.273% Tuesday. Average price per share was up 3.82%. Volume was 85% of its 10-day average and 92% of its 30-day average. 93.56% of the S&P 1500 stocks were up, with up volume at 94.15% and up points at 97.09%. Up Dollars was 99.9% of total dollars, and was 198% of its 10-day moving average. Down Dollars was 6/10 of 1% of its 10-day moving average. The index is up 5.60% in March, down 14.08% quarter-to-date and year-to-date, and down 50.59% from the peak of 356.38 on 10/11/07. Average price per share is \$20.89, down 51.68% from the peak of \$43.23 on 6/4/07.

Percent over 10-sma: 94.80. 13-Week Closing Highs: 72. 13-Week Closing Lows: 6.

Put/Call Ratio: 0.775. Kaufman Options Indicator: 1.07.

The spread between the reported earnings yield and 10-year bond yield is 11%, and 157% based on projected earnings.

Reported aggregate earnings for the S&P 1500 peaked in August 2007 at \$19.18 and are now at \$5.88, a drop of 69.34%. Estimated aggregate earnings peaked at \$21.95 in February 2008 and are now \$13.59, a drop of 38.09%. The spread between reported and projected earnings is 131%, near the widest the level in years. If investors believed the estimates stocks would be much higher.

493 of the S&P 500 have reported 4th quarter earnings. According to Bloomberg, 60.1 % had positive surprises, 8.1% were line, and 31.8% have been negative, a high number. The year-over-year change has been -61.4% on a share-weighted basis, -22.0% market cap-weighted and -30.8% non-weighted. Ex-financial stocks these numbers are -18.7%, -6.1%, and -12.1 %, respectively.

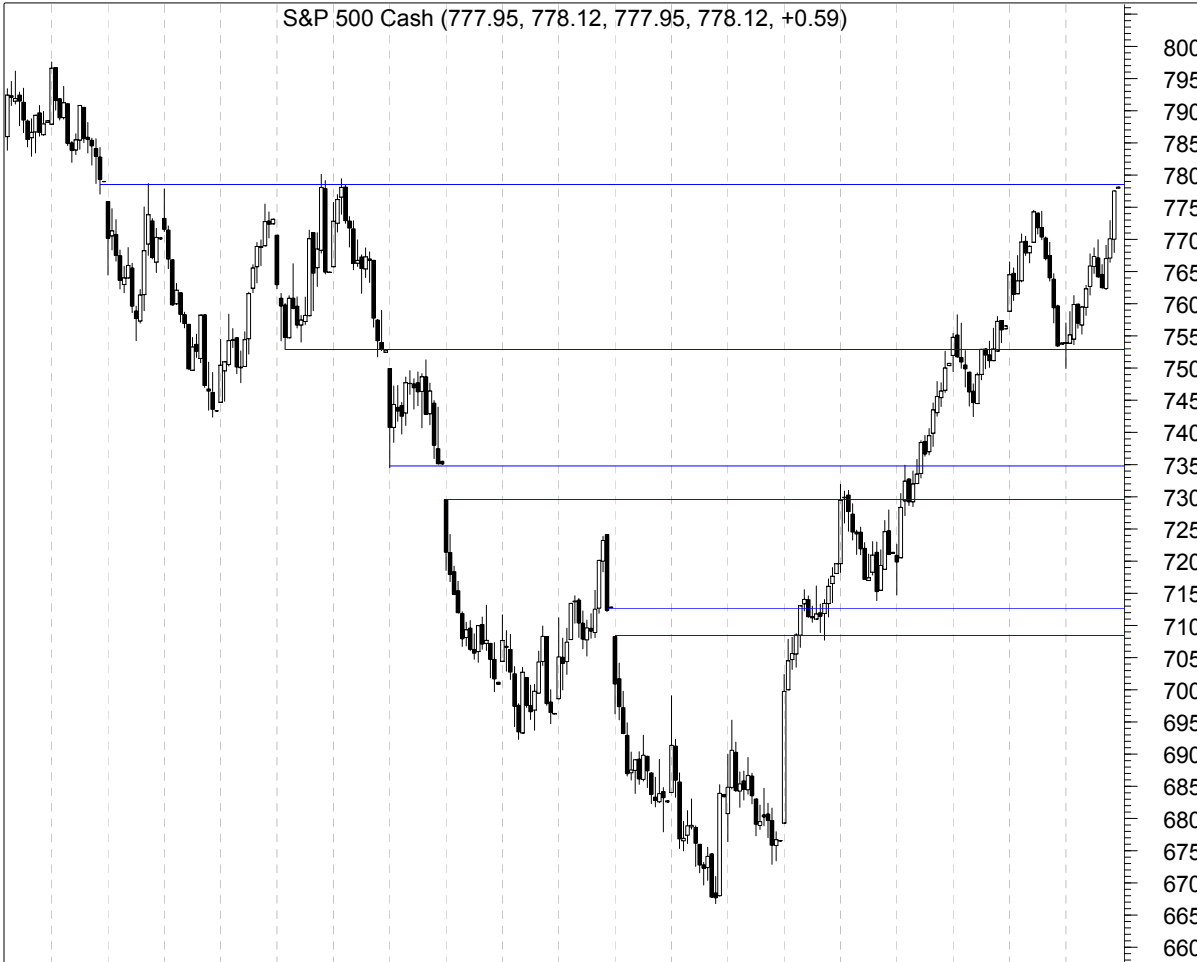
Federal Funds futures are pricing in a probability of 92.0% that the Fed will leave rates unchanged, and a probability of 8.0% of cutting 25 basis points to 0.0% when they meet on March 18th. They are pricing in a probability of 87.0% that the Fed will leave rates unchanged on April 29th and a probability of 7.5% of cutting 25 basis points.

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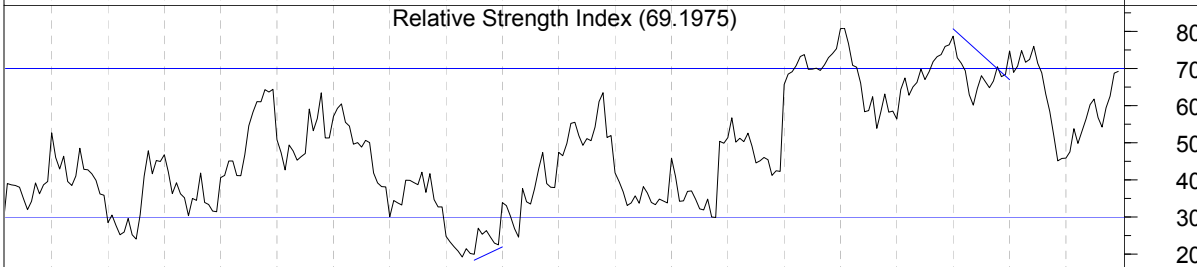
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S&P 500 Cash (777.95, 778.12, 777.95, 778.12, +0.59)



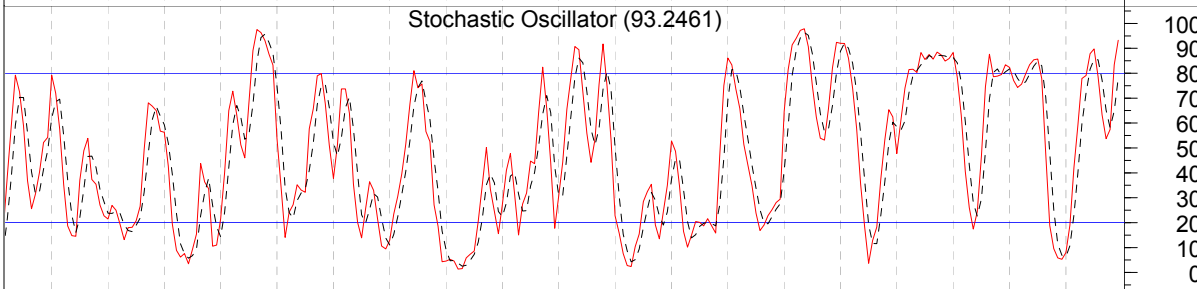
We said last night that with the intra-day stochastic at oversold levels a bounce was due at anytime. The bounce came and the S&P 500 rallied up to the resistance at the 780 area.

Relative Strength Index (69.1975)

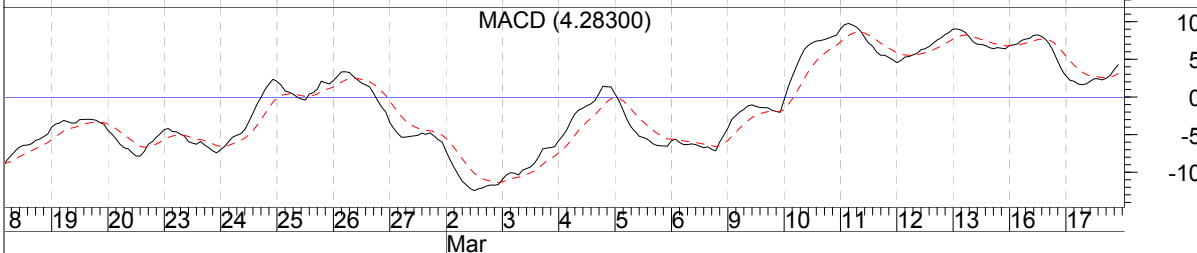


The RSI is just under the overbought zone, and the stochastic is already there.

Stochastic Oscillator (93.2461)



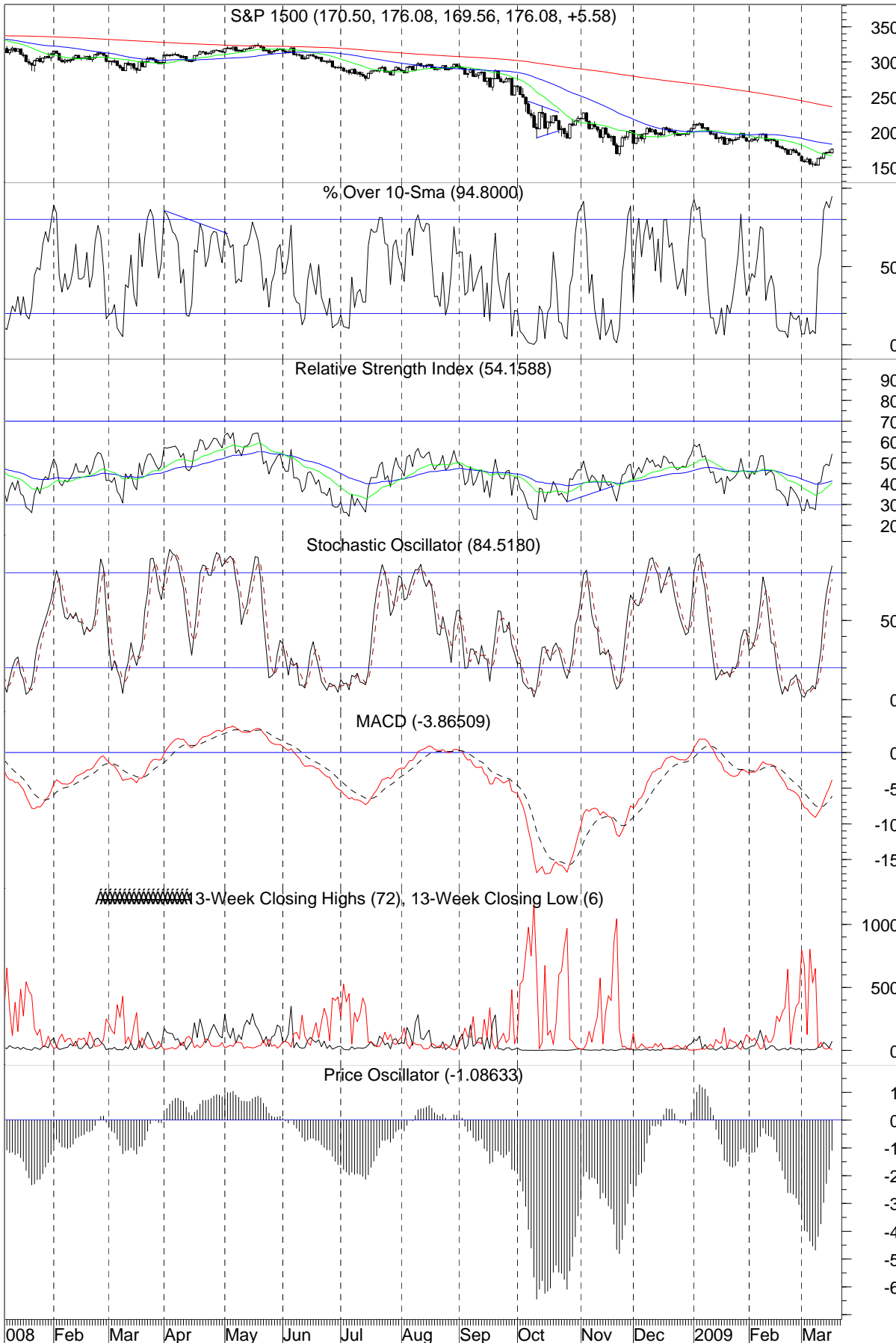
MACD (4.28300)



S&P 500 Cash (753.88, 778.12, 749.93, 778.12, +24.23)

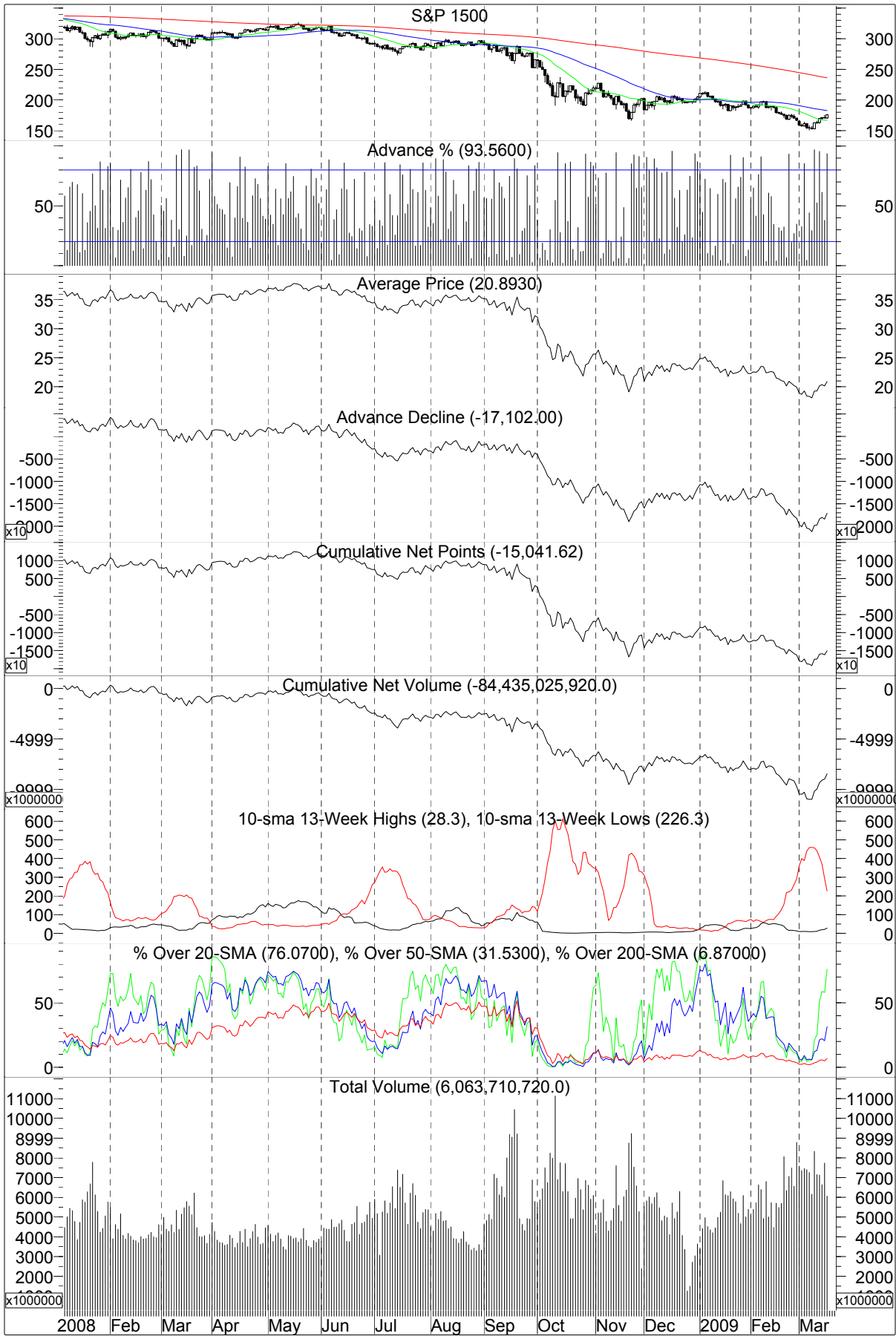


The S&P 500 completely engulfed yesterday's shooting star candle, which is bullish. The next resistance on the daily chart is the 800 area, with the 50-sma (blue) at 806 and moving down.



The percent over 10-sma is 94.8%, a huge number.

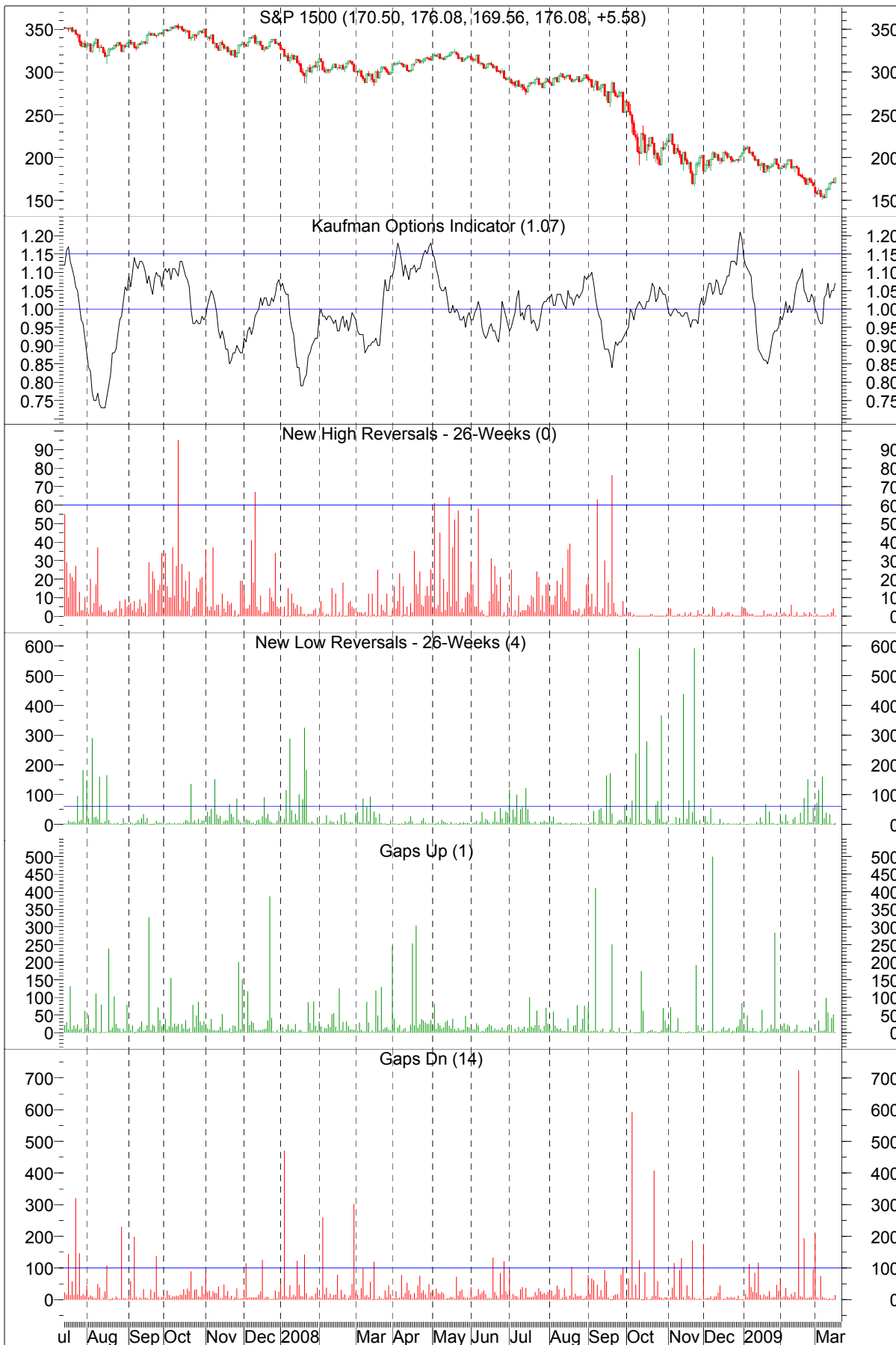
The RSI is nearing the levels where it has topped recently, and the stochastic is entering the overbought zone.



93.56% of stocks traded higher Tuesday, the third 90% day since March 10th.

Volume dropped during Tuesday's session.

The Kaufman Report - Wayne S. Kaufman, CMT



Our options indicator shows bullishness, but not the extreme levels we have seen before. Still, rallies can end at this level.