

Monday November 22, 2010

Closing prices of November 19, 2010

Stocks rebounded last week to close the week higher after an early week plunge which took some indicators to oversold levels. Various economic indicators were mixed during the week, with the big news being the GM IPO, the largest in U.S. history.

Last week we asked, "with the widely anticipated pullback having begun, the question is how far down can we go?" We identified one downside target as being 1181 on the S&P 500, which was achieved on Tuesday. We also said that we were entering options expiration week, which would be a logical time for a short-term bottom to be made. After Tuesday's plunge and ensuing rebound, there are chart patterns and levels of retracement which argue that a short-term bottom is in. Unfortunately, other than seasonality there are no obvious catalysts to push stocks higher, so negative news such as sovereign debt problems can certainly cause a resumption of the recent selloff.

Maybe more M&A activity like last week's takeover of Bucyrus by Caterpillar could push stocks higher, but with third quarter earnings season 96.6% over, upside surprises are no longer a potential catalyst for higher prices. It has been a good reporting season with 483 of the S&P 500 having reported so far. Of those, 70.5% beat analyst estimates, 9.3% came in as expected, and 20.1% missed their numbers according to Bloomberg. This last number is higher than we have seen in recent quarters and may be a sign of increasing cost inputs starting to deteriorate some margins.

**In the short-term seasonality is positive.** The days before the Thanksgiving holiday have a bullish history. As we said last week, we will measure the strength of the rebound to see if we need to become defensive or if we can maintain our bullish stance which projects a good finish to the year.

**We have continually stressed that valuations for equities were very attractive.** They still are, but the recent move higher of interest rates has the potential to change this picture should it continue much longer. Spreads between bond and equity yields have narrowed but remain at levels where stocks are attractive versus bonds. Interestingly, in spite of aggregate current earnings moving higher as companies reported third quarter numbers, aggregate estimates have barely budged. With Q3 earnings season coming to an end we need to see projections for 2011 move higher at some point. We are hoping to see a replay of January 2010 when reported and projected earnings leaped higher.

We are now in a period of positive seasonality for equities. **November through January is historically the best three-month period of the year. As far as the presidential cycle, we will soon be leaving year two and entering year three. Since 1939 the Dow Jones Industrial Average has not had a single down year three, with the average gain being 16.6%. In addition, based on the S&P 500 since 1914, from the low of year two to the high of year three the average move has been 49.2%. Through the last seven presidential cycles since 1982, the average low-to-high move has been 50.06%. From this year's S&P 500 low of 1010 that would equate to a move to 1500 sometime in 2011. We are not forecasting that, just highlighting that it is difficult to be very bearish in the face of such strong historical patterns.**

**Based on the S&P 500 the short, intermediate, and long-term trends are up. Pullbacks that are without intensity should be viewed as entry points for investors. The recent pullback has been due more to a lack of continued buying than a big pickup in selling. We will continue to monitor this for a possible change in the tone of the market.**

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Last week with the S&P 500 at 1199.21 we said the 30-minute chart had formed a descending triangle with a target of 1181. This was hit Tuesday as the index hit a low that day of 1173 before bouncing. On Thursday that bounce took out the down trend line that started November 9th. Taking out the resistance just above at the 1200 area would go a long way toward arguing a short-term bottom is in.

30-minute momentum indicators seem to be pointing higher.



The daily chart of the S&P 500 shows it bounced at a support level (prior resistance) and closed above its 20-sma. The bounce also occurred in the area of the 23.6% Fibonacci retracement of the rally off the July low, which was 1176.

Daily momentum indicators are positive except for the MACD.

S&P 500 Cash (1,200.44, 1,207.43, 1,173.00, 1,199.73, +0.52)



The weekly chart of the S&P 500 shows the 20-week moving average has crossed back above the 40-week. The index printed a hammer-like doji candle, which could mark a short-term bottom.

Weekly momentum indicators are mixed.



The monthly chart of the S&P 500 shows the recent November top came at the level of the 61.8% Fibonacci retracement of the entire bear market from the 2007 high. If this level is broken the next Fibonacci number is a 76.4% retracement which would be at 1361.50. So far November is printing a bearish shooting star candle, but the month is still not over.

Monthly momentum indicators still look positive.

NASDAQ 100 (2,129.61, 2,138.88, 2,121.11, 2,135.27, +0.50)



The daily chart of the Nasdaq 100 shows it gapped down on Tuesday but gapped up on Thursday, creating an island bottom reversal.

Daily momentum indicators are mixed, but the stochastic is showing a positive crossover from a low level.

NASDAQ 100 (2,147.06, 2,152.89, 2,085.27, 2,135.27, -2.68)



The weekly chart of the Nasdaq 100 shows it printed a hammer candle last week. Hammers are bottoming candles.

Weekly momentum indicators are mixed.

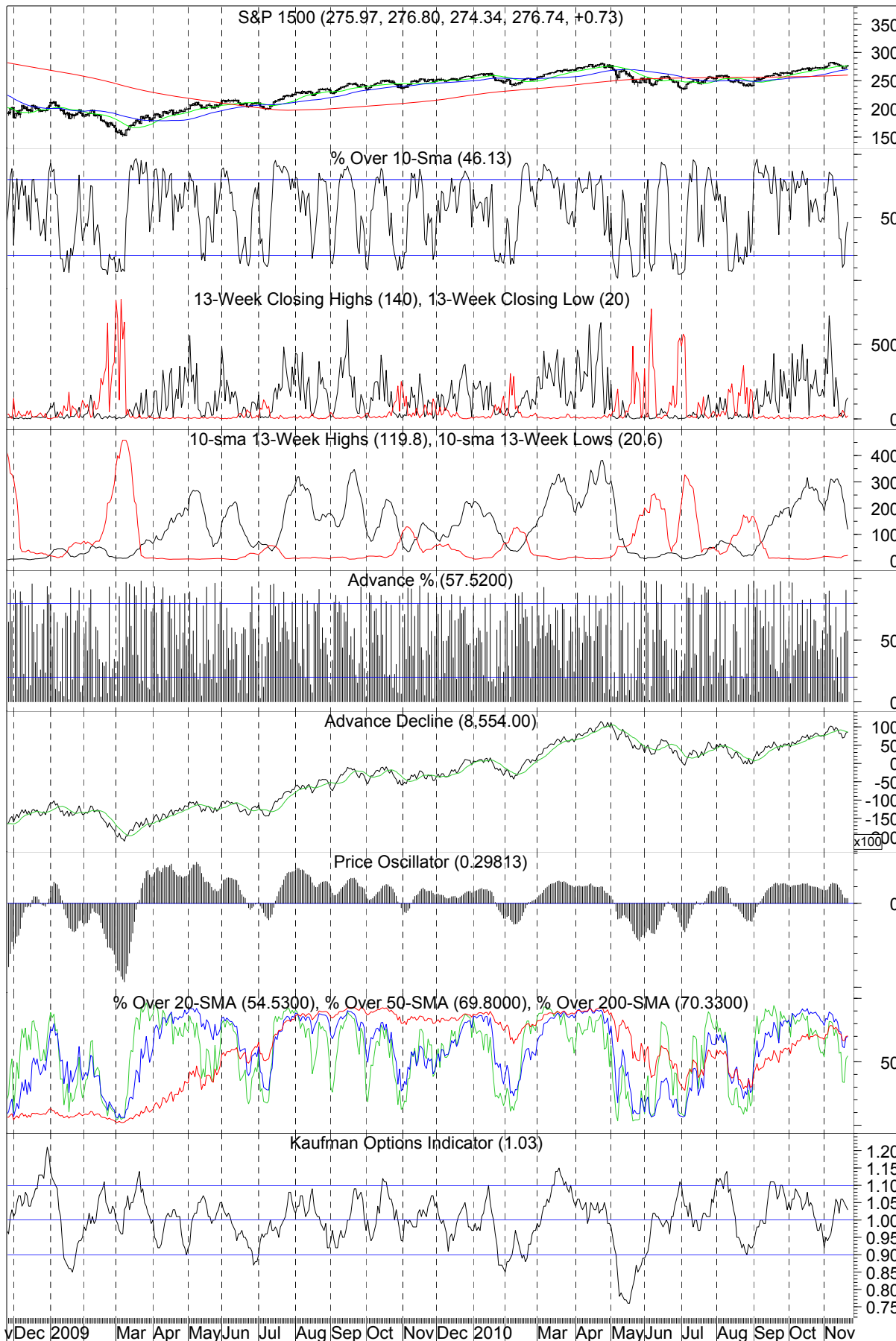
NASDAQ 100 (2,135.57, 2,200.16, 2,117.59, 2,137.95, -48.76)



The monthly chart of the Nasdaq 100 shows it is consolidating as it nears the 2007 highs.

Monthly momentum indicators are at high levels, but only the stochastic is overbought.





The percent over 10-sma hit an oversold 10.33% Tuesday before bouncing. This was the first time since August it got below 20%.

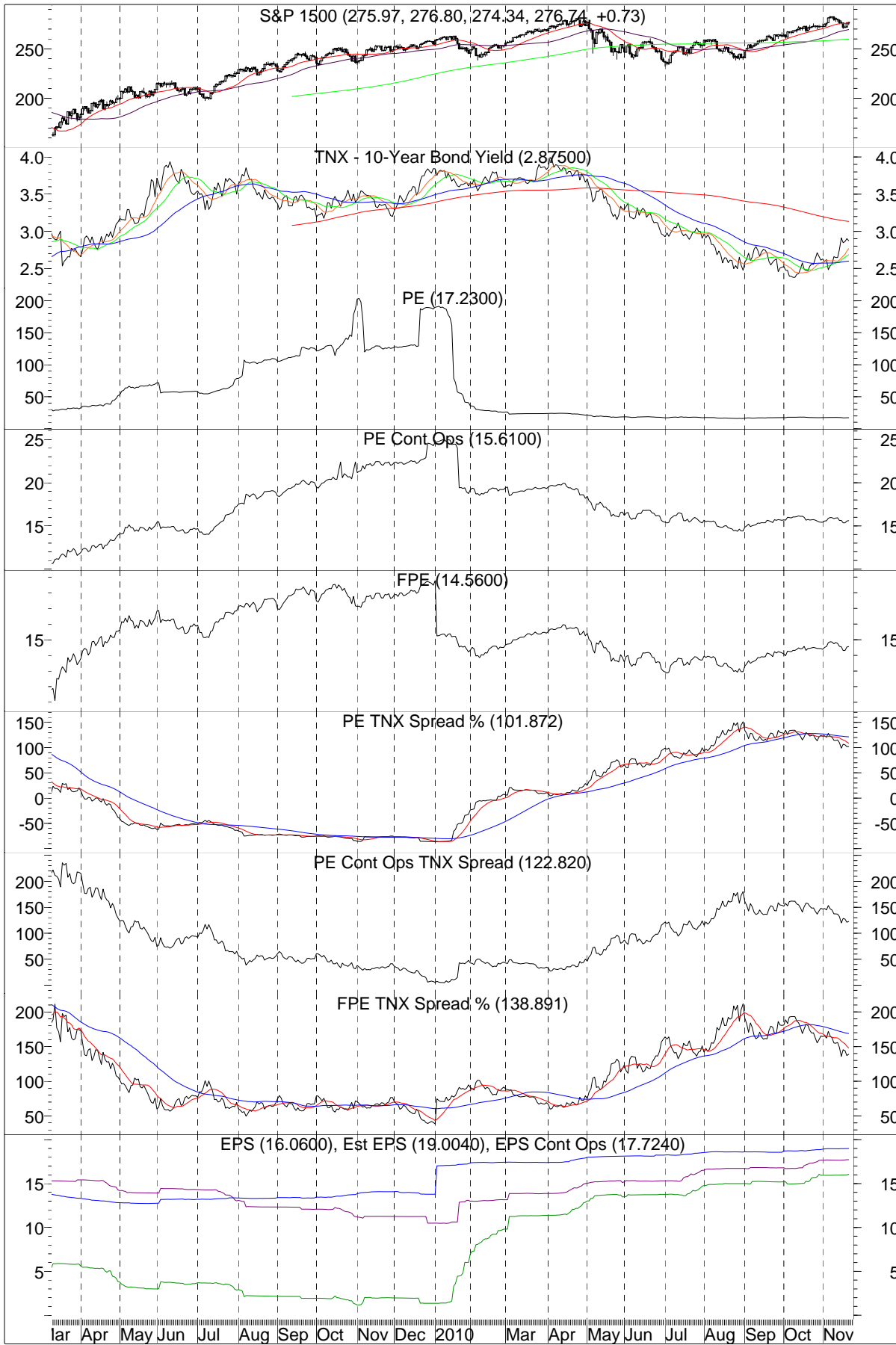
13-week closing highs have been reduced dramatically, but closing lows have not increased much.

Breath has been weak recently. Friday had 57.52% of the S&P 1500 advancing.

Our price oscillator is still in positive territory, although just barely.

These breadth numbers have weakened, but the longer-term percent over 200-sma remains a bullish 70.33%.

Our proprietary options indicator is showing bullishness by options buyers, but not an extreme amount. Still, we prefer to see pessimism.



10-year bond yields are overbought on the daily but not the weekly charts.

P/E ratios remain in their recent ranges.

Spreads between equity and bond yields have narrowed but are still at levels where stocks are attractive versus bonds.

Reported and forecast earnings continue to flat line. With earnings season 97% over this may not change for a while. We are hoping January 2011 will be a replay of January 2010 when all of these numbers took a big jump higher.

## Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
S&P Midcap 400	850.33	0.36%	0.77%	0.77%	2.56%	6.01%	17.02%	863.66	11/9/2010	676.73	11/30/2009
S&P Smallcap 600	384.10	0.31%	0.24%	0.24%	2.82%	7.13%	15.47%	396.63	4/26/2010	300.43	11/30/2009
NYSE Composite	7641.08	0.28%	0.23%	0.23%	1.70%	4.94%	6.35%	7817.25	11/5/2010	6355.83	7/1/2010
S&P 1500	276.74	0.26%	0.11%	0.11%	1.54%	5.28%	8.61%	282.73	11/5/2010	232.54	7/1/2010
Dow Jones Industrials	11203.55	0.20%	0.10%	0.10%	0.77%	3.85%	7.44%	11451.53	11/5/2010	9614.32	7/2/2010
S&P 500	1199.73	0.25%	0.04%	0.04%	1.39%	5.13%	7.59%	1227.08	11/5/2010	1010.91	7/1/2010
Bank of New York Mellon ADR	137.80	-0.04%	0.04%	0.04%	0.44%	3.90%	1.06%	142.74	11/4/2010	109.79	5/25/2010
Nasdaq Composite	2518.12	0.15%	0.00%	0.00%	0.43%	6.31%	10.97%	2592.94	11/9/2010	2061.14	7/1/2010
Nasdaq 100	2135.27	0.02%	-0.13%	-0.13%	0.51%	6.87%	14.78%	2200.16	11/9/2010	1700.04	7/1/2010

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Industrials	281.70	0.47%	0.82%	0.82%	1.40%	4.02%	15.93%	292.21	4/30/2010	232.54	7/6/2010
Energy	472.25	0.63%	0.57%	0.57%	6.70%	12.64%	9.84%	476.28	11/11/2010	365.74	7/1/2010
Consumer Discretionary	285.42	0.55%	0.56%	0.56%	2.85%	8.31%	21.42%	288.30	11/11/2010	222.51	2/5/2010
Consumer Staples	297.82	0.20%	0.39%	0.39%	0.49%	3.31%	8.57%	301.80	11/4/2010	260.65	7/1/2010
Health Care	358.30	0.11%	0.08%	0.08%	-0.75%	1.28%	-1.08%	384.95	1/20/2010	318.89	7/1/2010
Telecom Services	121.86	0.00%	-0.05%	-0.05%	0.38%	0.26%	6.30%	125.37	11/4/2010	98.67	5/6/2010
Information Technology	390.63	0.24%	-0.32%	-0.32%	-0.24%	6.19%	5.37%	407.81	11/9/2010	323.47	7/1/2010
Materials	218.72	0.70%	-0.51%	-0.51%	1.50%	8.17%	9.47%	227.45	11/9/2010	168.44	7/1/2010
Utilities	157.28	-0.27%	-0.68%	-0.68%	-2.22%	-1.31%	-0.45%	164.42	10/20/2010	138.57	5/25/2010
Financials	199.46	-0.16%	-0.75%	-0.75%	1.86%	3.25%	2.93%	230.45	4/15/2010	178.83	8/25/2010

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Consumer Durables & Apparel	161.74	1.34%	2.37%	2.37%	4.42%	7.12%	23.37%	164.51	4/26/2010	123.91	12/9/2009
Transportation	317.85	0.67%	1.27%	1.27%	2.12%	6.33%	24.70%	322.82	11/5/2010	239.94	2/5/2010
Retailing	483.36	1.02%	1.07%	1.07%	3.63%	5.57%	17.57%	499.94	4/26/2010	379.61	7/1/2010
Capital Goods	300.75	0.44%	0.77%	0.77%	1.37%	3.72%	15.15%	318.38	4/30/2010	250.06	7/6/2010
Food & Staples Retailing	187.63	0.53%	0.65%	0.65%	1.92%	2.22%	2.49%	196.37	3/30/2010	162.45	7/1/2010
Energy	472.25	0.63%	0.57%	0.57%	6.70%	12.64%	9.84%	476.28	11/11/2010	365.74	7/1/2010
Consumer Services	464.57	0.56%	0.51%	0.51%	2.67%	8.21%	25.39%	471.70	11/5/2010	352.84	12/8/2009
Food, Beverage & Tobacco	347.63	0.14%	0.41%	0.41%	0.00%	3.45%	13.43%	351.97	11/4/2010	293.85	2/5/2010
Automobiles & Components	113.41	0.51%	0.20%	0.20%	10.68%	26.08%	45.88%	118.47	11/15/2010	70.92	11/27/2009
Pharmaceuticals, Biotech & Life Sci	334.65	-0.14%	0.12%	0.12%	-2.44%	-0.24%	-1.50%	359.71	1/20/2010	299.26	7/1/2010
Household & Personal Products	374.39	0.05%	0.11%	0.11%	0.31%	4.03%	3.78%	383.05	3/23/2010	339.42	5/6/2010
Health Care Equip & Services	346.30	0.61%	0.00%	0.00%	2.78%	4.43%	-0.27%	371.77	1/20/2010	296.30	8/31/2010
Commercial & Professional Service	135.79	0.28%	-0.02%	-0.02%	-0.62%	0.32%	1.48%	144.95	4/26/2010	122.63	6/8/2010
Semiconductors & Equipment	328.55	1.05%	-0.02%	-0.02%	4.42%	10.34%	5.19%	348.04	4/15/2010	262.69	8/31/2010
Telecom Services	121.86	0.00%	-0.05%	-0.05%	0.38%	0.26%	6.30%	125.37	11/4/2010	98.67	5/6/2010
Insurance	179.58	-0.25%	-0.14%	-0.14%	0.23%	0.61%	8.97%	189.97	4/26/2010	156.79	5/25/2010
Technology Hardware & Equipmen	418.19	0.33%	-0.32%	-0.32%	-0.58%	3.17%	7.36%	446.70	11/9/2010	350.49	8/27/2010
Software & Services	508.81	-0.07%	-0.41%	-0.41%	-1.21%	7.59%	2.46%	526.00	11/9/2010	410.27	7/1/2010
Materials	218.72	0.70%	-0.51%	-0.51%	1.50%	8.17%	9.47%	227.45	11/9/2010	168.44	7/1/2010
Media	192.66	-0.25%	-0.53%	-0.53%	-0.31%	8.06%	17.77%	197.48	11/4/2010	149.13	11/30/2009
Utilities	157.28	-0.27%	-0.68%	-0.68%	-2.22%	-1.31%	-0.45%	164.42	10/20/2010	138.57	5/25/2010
Diversified Financials	311.39	-0.32%	-0.71%	-0.71%	3.11%	4.11%	-3.16%	382.07	4/15/2010	278.07	8/31/2010
Banks	132.06	-0.04%	-1.05%	-1.05%	2.83%	5.26%	5.35%	165.92	4/21/2010	115.69	8/31/2010
Real Estate	114.43	0.63%	-1.93%	-1.93%	-1.48%	2.59%	21.50%	123.44	11/5/2010	84.72	2/10/2010

**INTERNATIONAL ETFs**

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Israel EIS	57.22	0.62%	3.30%	0.44%	4.21%	5.18%	60.68	3/26/2010	45.00	5/6/2010
Indonesia IDX	91.70	1.47%	3.16%	3.13%	5.88%	47.50%	93.14	11/9/2010	56.80	11/27/2009
Austria EWO	21.14	0.91%	2.42%	0.33%	7.28%	8.08%	22.40	11/23/2009	14.91	6/8/2010
Japan EWJ	10.49	0.10%	2.34%	4.69%	6.12%	7.70%	10.71	4/15/2010	9.15	6/7/2010
Germany EWG	24.27	0.66%	2.11%	1.85%	10.32%	8.16%	24.92	11/4/2010	17.97	5/25/2010
Mexico EWW	59.55	1.00%	2.05%	3.53%	12.38%	21.85%	61.60	5/6/2010	44.71	2/5/2010
Sweden EWD	29.12	0.90%	1.93%	-0.27%	0.52%	23.91%	30.78	11/4/2010	19.00	5/6/2010
South Korea EWY	56.52	0.78%	1.91%	3.92%	5.66%	18.64%	57.88	11/4/2010	40.65	5/25/2010
Netherlands EWN	21.03	0.62%	1.79%	0.86%	3.49%	2.78%	21.75	11/4/2010	16.64	5/25/2010
Belgium EWK	13.75	0.44%	1.70%	-1.86%	3.54%	7.76%	14.52	11/4/2010	8.93	5/6/2010
France EWQ	25.19	0.76%	1.04%	-0.51%	5.00%	-2.55%	27.32	1/11/2010	19.24	5/25/2010
Latin America ILF	52.71	0.36%	0.96%	1.13%	4.29%	10.30%	54.87	11/5/2010	39.21	5/25/2010
Spain EWP	40.32	0.27%	0.83%	-6.10%	-0.81%	-16.07%	52.67	11/25/2009	29.85	6/8/2010
Brazil EWZ	77.26	0.08%	0.66%	0.29%	0.41%	3.55%	81.77	11/4/2010	57.18	5/25/2010
Malaysia EWM	14.01	0.36%	0.65%	-0.43%	1.97%	31.92%	14.41	11/5/2010	10.18	2/5/2010
Taiwan EWT	14.08	0.21%	0.64%	1.29%	3.91%	8.56%	14.46	11/5/2010	10.81	6/8/2010
Canada EWC	29.55	1.06%	0.54%	2.17%	5.42%	12.23%	30.50	11/9/2010	22.75	5/6/2010
Switzerland EWL	23.91	0.50%	0.50%	1.66%	4.78%	7.41%	24.75	11/5/2010	18.70	5/25/2010
Chile ECH	77.80	1.53%	0.48%	2.58%	5.11%	42.00%	79.82	11/9/2010	27.27	5/6/2010
Russia RSX	34.95	0.72%	0.43%	1.92%	7.44%	12.06%	36.91	4/14/2010	26.06	5/25/2010
Emerging Markets EEM	46.51	0.06%	0.22%	0.85%	3.89%	12.07%	48.62	11/9/2010	35.21	5/25/2010
Italy EWI	17.21	0.53%	0.17%	-3.91%	2.44%	-11.79%	20.55	11/23/2009	13.21	6/7/2010
South Africa EZA	70.63	0.30%	0.17%	4.28%	5.07%	26.19%	72.99	11/9/2010	23.00	5/6/2010
Thailand THD	64.44	0.23%	0.11%	1.77%	3.83%	51.66%	68.70	11/9/2010	37.65	2/5/2010
Turkey TUR	74.33	0.13%	-0.05%	0.46%	6.14%	37.90%	79.00	11/9/2010	44.15	11/27/2009
BRIC EEB	45.68	-0.27%	-0.45%	0.03%	2.14%	7.57%	48.27	11/9/2010	23.23	5/6/2010
Australia EWA	24.62	-0.81%	-0.69%	0.61%	3.71%	7.79%	26.36	1/11/2010	18.26	5/25/2010
Singapore EWS	13.83	-0.79%	-0.93%	1.39%	4.61%	20.37%	14.56	11/9/2010	10.37	2/5/2010
United Kingdom EWU	17.26	-0.52%	-1.20%	1.23%	5.50%	6.54%	17.95	11/4/2010	13.25	5/25/2010
Vietnam VNM	23.79	-0.42%	-1.73%	-3.92%	-2.70%	-6.67%	28.14	11/19/2009	21.81	8/25/2010
Hong Kong EWH	19.23	-1.66%	-2.46%	2.64%	5.98%	22.77%	20.24	11/8/2010	14.08	5/21/2010
China 25 FXI	44.66	-0.98%	-2.96%	-0.69%	4.30%	5.68%	47.99	11/8/2010	36.24	5/6/2010
India IFN	36.70	-2.29%	-4.95%	-3.90%	0.91%	19.54%	40.94	11/8/2010	26.61	5/25/2010