

Wednesday November 5, 2008

Closing prices of November 4, 2008

The S&P 1500 (227.44) was up 3.83% Tuesday. Average price per share was up 2.71%. Volume was 87% of its 10-day average and 82% of its 30-day average. 73.36% of the S&P 1500 stocks were up on the day, with up volume at 88.5% and up points at 85.7%. Up Dollars was 98% of total dollars, and was 164% of its 10-day moving average while Down Dollars was 4% of its 10-day moving average. The index is up 3.6% month-to-date, down 31.37% year-to-date, and 36.2% from the peak of 356.38 on 10/11/07. Average price per share is down 39.12% from the peak of \$43.23 on 6/4/2007.

The Put/Call Ratio was 0.99. The Kaufman Options Indicator was 0.98.

The spread between the reported earnings yield and 10-year bond yield is 22.40% and 107.34% based on projected earnings.

Reported aggregate earnings for the S&P 1500 peaked in August 2007 at \$19.18 and are now at \$10.48, a drop of 45.36%. Estimated aggregate earnings peaked at \$21.95 in February 2008 and are now \$17.75, a drop of only 19.13%. Analysts have obviously been very late in lowering estimates, and have also been way too optimistic. *If investors had any confidence in current earnings estimates stocks would be much higher than they currently are.*

392 companies in the S&P 500 have reported third quarter earnings. According to Bloomberg, 60.1 % have had positive surprises, 10.5% have been in line, and 29.4% have been negative. The year-over-year change has been -10.4% on a share-weighted basis, +6.5% market cap-weighted, and +2.4% non-weighted. *Ex-financial stocks these numbers are 16.5%, 26.8%, and 22.4%, respectively.*

Federal Funds futures are pricing in an 80.5% probability that the Fed will *cut rates 50 basis points to 0.50%*, and a 19.5% probability of *cutting 25 basis points to 0.75%* when they meet on December 16th. They are pricing in a 61.3% probability that the Fed will *cut rates 25 basis points to 0.75%* on January 28th, and a 25.4% probability of *cutting 50 basis points to 0.50%*.

The short-term trend is up, while the intermediate and long-term trends are down. We reiterate that this continues to be a bifurcated, opportunistic trader's market, with adept traders able to take advantage long or short, but the longer-term downtrends must be respected. Investors need to be alert to sector rotation and should not hesitate to move out of lagging sectors and stocks and into leaders.

Options expire November 21st. December options expire the 19th.

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 1500 (219.04, 227.79, 219.04, 227.44, +8.40)



The S&P 1500 closed Tuesday at its highest level since October 13th.

2008

February

March

April

May

June

July

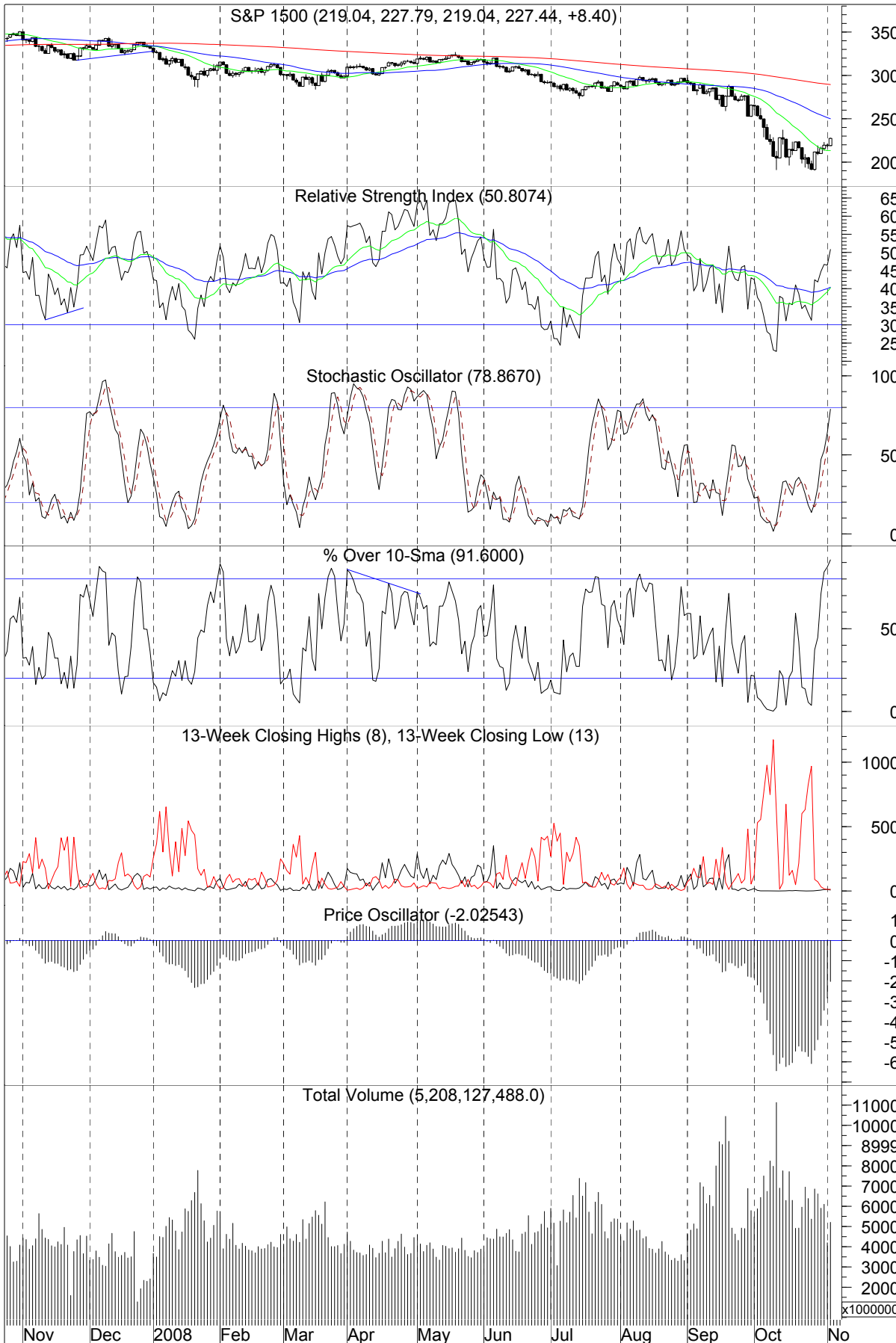
August

September

October

November

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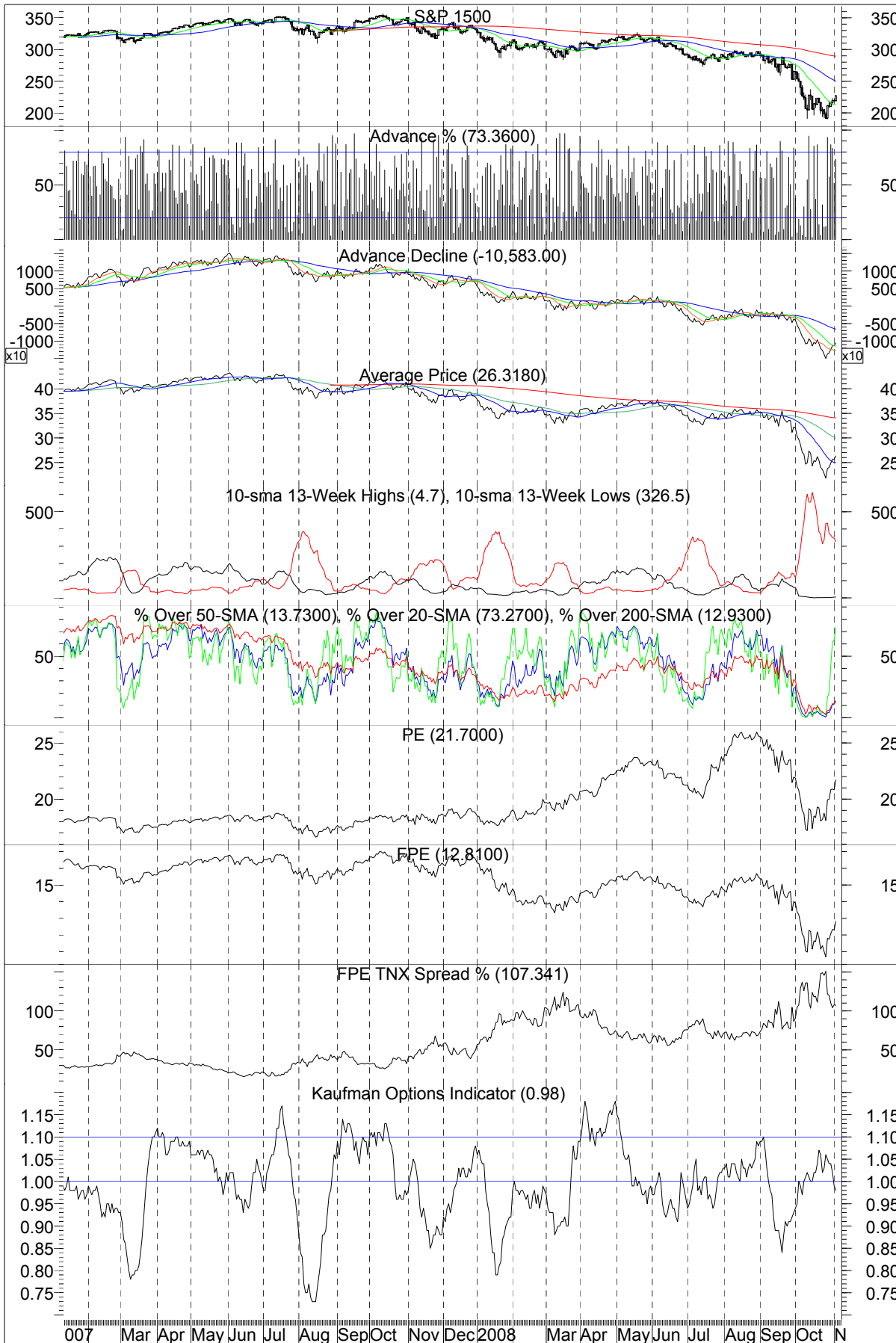
The stochastic is getting near the overbought zone.

The percent over 10-sma is very high at 91.60. A pullback is due any time, but we view this as a positive after warning for so long about a market that does not respond to oversold conditions.

Our price oscillator has improved dramatically but is still negative.

Volume increased Tuesday, but was still well below average.

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



73.36% of stocks traded higher Tuesday.

P/E ratios continue to move higher.

Our options indicator dipped into negative territory.