

Monday October 18, 2010

Closing prices of October 15, 2010

The stock market rallied again last week as stocks continued to shake off potential negatives like a halfback shedding tackles. The fears last week were the potential for disappointing earnings from Intel and worries about Fed minutes and comments from Bernanke. It was an interesting week as the Nasdaq 100 became the first major index to exceed its April high, while banks got demolished by fears of foreclosure problems and were the big losers on the week, down 5.63% as a group.

The rally has almost erased all the technical damage that took place after the plunge from the April highs, including the well publicized "death cross", which took place when the 50-day moving average crossed under the 200-day. Interestingly, that "death cross" occurred simultaneously with the July bottom for stocks. **Now the S&P 500 is close to a "golden cross" where it's 50-day moving average moves back over the 200-day moving average. That "golden cross" has already taken place on the Dow Jones Industrials, the Dow Transports, the Nasdaq 100, and the Bank of NY Mellon ADR Index.** In addition, of the thirty-three international ETFs we follow, twenty of them have recorded 52-week highs in October.

**A pullback is possible at any time. Ninety percent of stocks in the S&P 1500 are above their own 50-day moving averages, a number where stocks have topped in the past. Also, there is too much unanimity of opinion regarding the U.S. Dollar and bond yields, as well as gold. Investors need to be on guard for reversals in these which can spark profit taking and sector rotation, as well as the possibility of disappointing earnings.**

While we have continually stressed that valuations for equities were very attractive (and still are), a lot of credit for the rally is probably due to the hope for major changes in Washington in November as well as to historical stock market patterns. 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.**

Valuations based on spreads between bond and equity yields remain at levels where stocks should be attractive. The story here is very simple. Forecast earnings have made little headway since the beginning of the year. However, the big picture will become clearer during this earnings season. If aggregate forecasts are met or even exceeded as they have been in recent earnings seasons, stocks will continue to look cheap. If guidance is positive during earnings season, investors should feel more confident putting money into equities, especially since we will be just ahead of the seasonally strongest three month period of the year, November through January.

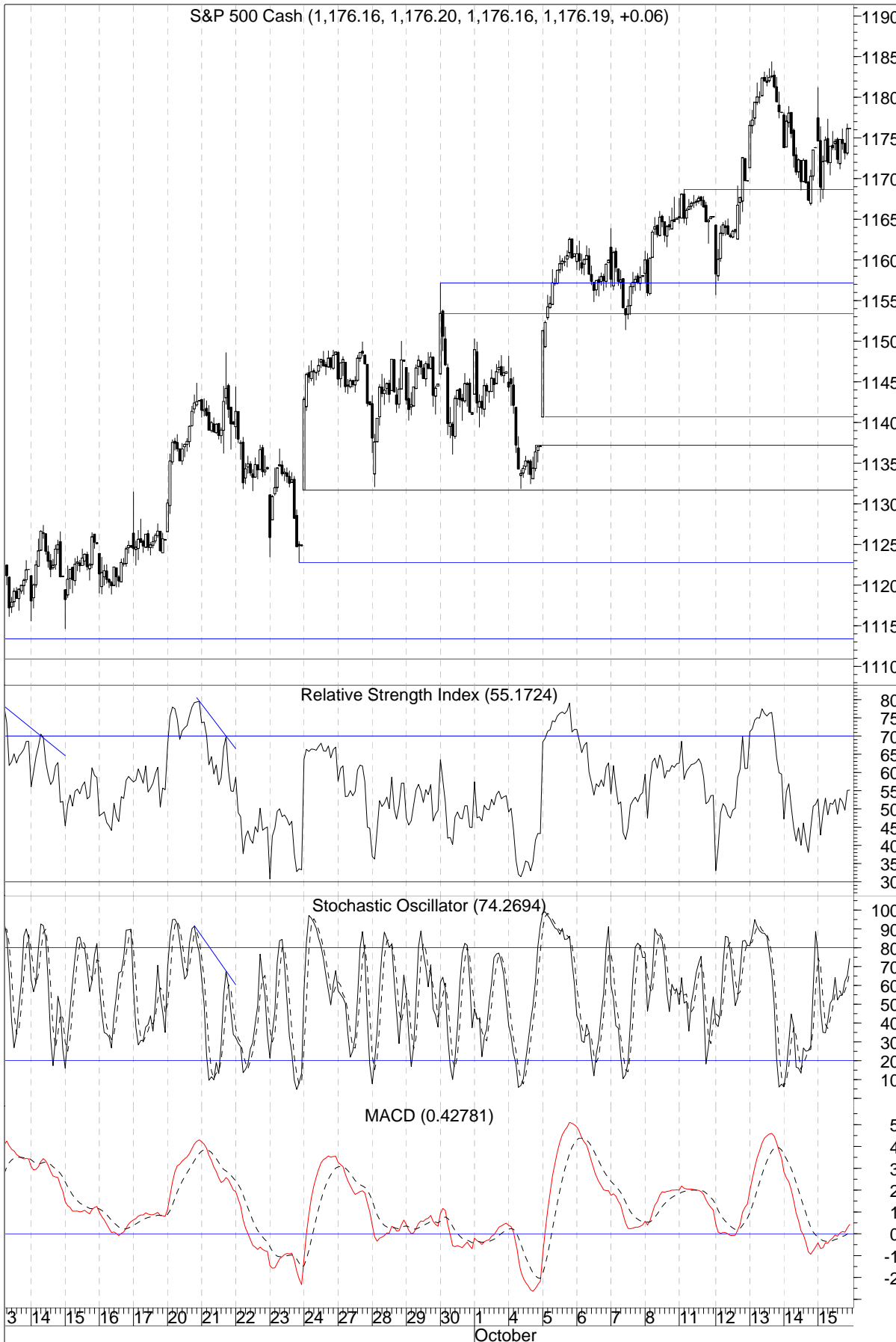
**In the short-term, stocks are overbought so investors need to be careful with entry points. Based on the S&P 500 the short, intermediate, and long-term trends are up. The percentage of stocks over their own 50-day moving averages is 90%, so stocks can pull back at any time. However, the tone of the market has changed, so pullbacks that are without intensity should be viewed as entry points for investors.**

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S&P 500 Cash (1,176.16, 1,176.20, 1,176.16, 1,176.19, +0.06)



The S&P 500 made a new rally high Wednesday and consolidated Thursday and Friday.

30-minute momentum indicators seem poised to move higher.

S&P 500 Cash (1,177.47, 1,181.20, 1,167.12, 1,176.19, +2.38)



After breaking a resistance level on Wednesday the S&P was able to close above that level Thursday and Friday.

Daily momentum indicators remain at high levels.



The S&P 500 weekly chart shows this nice rally occurred after the bullish engulfing candle of seven weeks ago.

The weekly RSI and MACD are pointing higher while the stochastic is in the overbought zone and has a negative crossover. The stochastic, a twitchier indicator, has done this in the past without killing rallies.

S&P 500 Cash (1,143.49, 1,184.38, 1,131.87, 1,176.19, +34.99)



The monthly chart of the S&P 500 shows that so far October has pierced the down trend line and has remained above it. The monthly close of April was 1186.69.

Monthly momentum indicators are pointing up and still have plenty of room to move higher.

NASDAQ 100 (2,078.63, 2,097.73, 2,062.84, 2,097.73, +43.22)



Friday was another big up day for the Nasdaq 100 which made broke out to new 52-week highs Wednesday.

Daily momentum indicators are at overbought levels but still are pointing higher.

NASDAQ 100 (2,028.53, 2,097.73, 2,007.13, 2,097.73, +70.70)



The weekly chart of the Nasdaq 100 shows it broke resistance to trade at the highest level since January 2008.

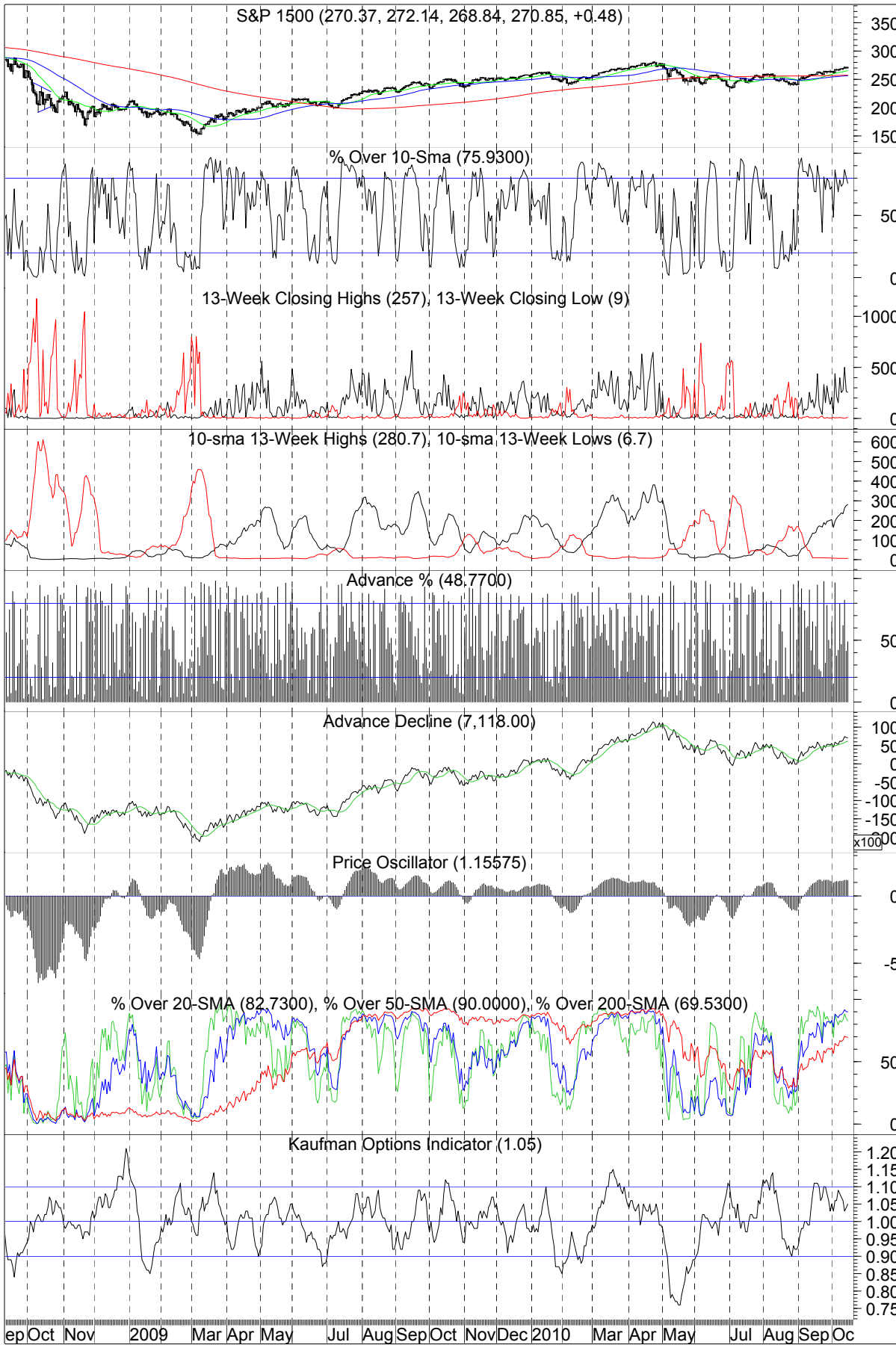
The stochastic is overbought, but the RSI and MACD still have room to move higher.

NASDAQ 100 (2,014.47, 2,097.73, 1,963.68, 2,097.73, +99.69)



Monthly momentum indicators seem poised to move higher, although there are negative divergences on the RSI and stochastic.





75.93% of the S&P 1500 are above their own 10-sma.

Wednesday's 500 13-week closing highs was the most since 647 on 4/23.

The 10-sma of 13-week closing highs is the highest since early May, while the 10-sma of lows is the lowest since March.

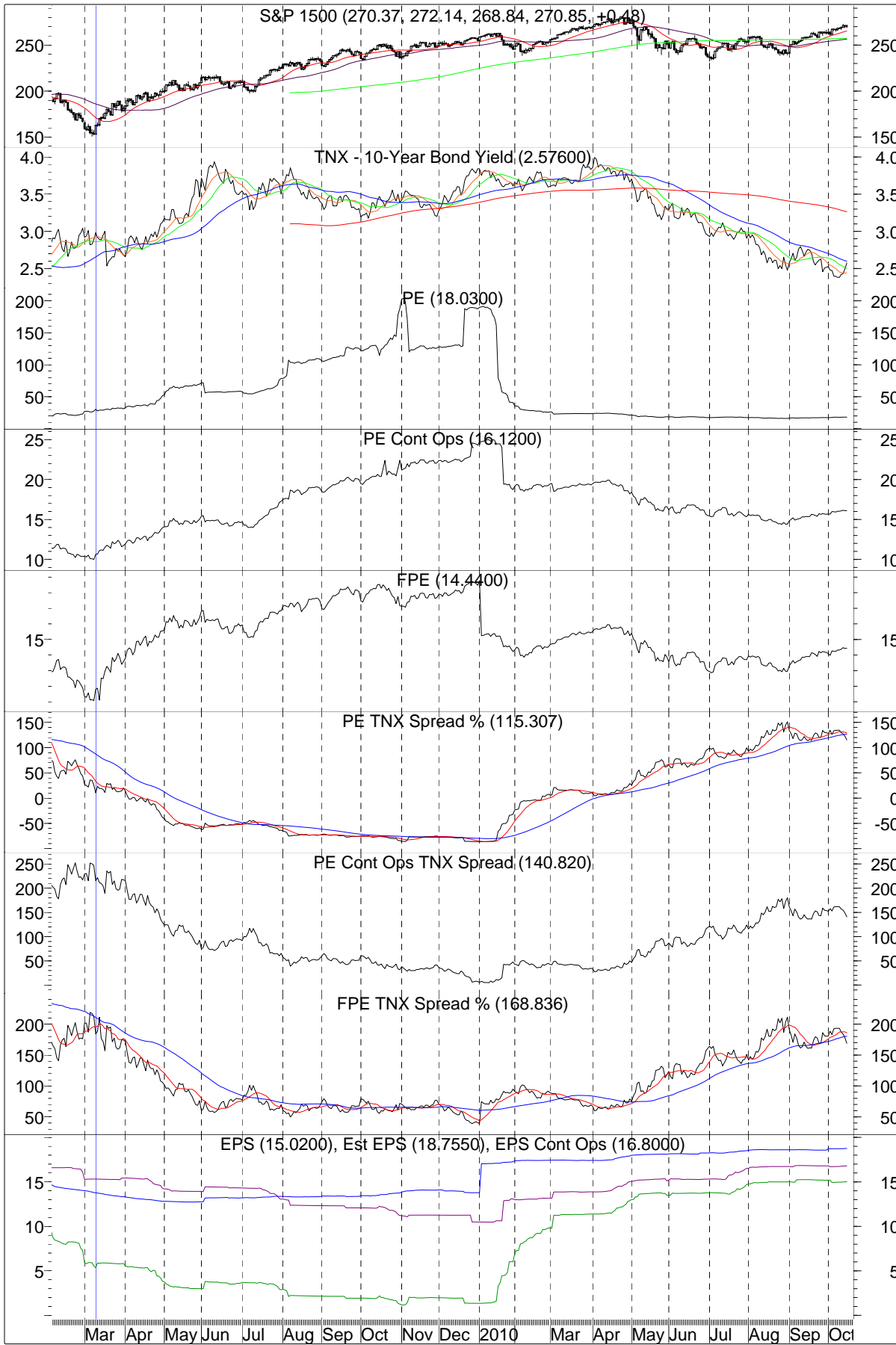
48.77% of stocks advanced Friday. Breadth in October is not as strong as in September.

The AD line has been making new rally highs.

Our price oscillator, a good indicator of trends, remains in positive territory.

These percentages of stocks over important moving averages remain at strong levels. 90% over the 50-sma is a number seen at tops.

Our proprietary options indicator is in positive territory but not showing overbullishness.



Last week we said 10-year bond yields seemed ready to bounce and there was a "13" on the TD Sequential. It did bounce and is now just under the 50-sma.

P/E ratios have been rising as stocks have rallied.

Spreads between equity and bond yields have narrowed as stock prices and bond yields rose in tandem. They are still at levels where stocks are attractive versus bonds.

We have entered Q3 earnings season and our earnings metrics, which have been flat lining, won't be doing that much longer. The key will be guidance.

## INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Israel EIS	58.04	0.42%	5.01%	5.70%	5.70%	6.69%	60.68	3/26/2010	45.00	5/6/2010
China 25 FXI	46.20	0.70%	4.05%	7.89%	7.89%	9.32%	46.66	11/16/2009	36.24	5/6/2010
Germany EWG	23.50	-0.17%	3.57%	6.82%	6.82%	4.72%	23.70	10/15/2010	17.97	5/25/2010
Turkey TUR	77.04	1.24%	3.48%	10.01%	10.01%	42.93%	77.64	10/15/2010	44.15	11/27/2009
Thailand THD	64.37	0.34%	2.86%	3.72%	3.72%	51.49%	64.93	10/13/2010	37.65	2/5/2010
Singapore EWS	13.86	0.43%	2.36%	4.84%	4.84%	20.63%	13.99	10/15/2010	10.37	2/5/2010
Belgium EWK	14.04	-0.57%	2.18%	5.72%	5.72%	10.03%	FALSE	10/14/2010	8.93	5/6/2010
Chile ECH	74.26	-0.84%	1.95%	0.32%	0.32%	35.54%	76.05	10/11/2010	27.27	5/6/2010
Netherlands EWN	21.27	-0.37%	1.92%	4.68%	4.68%	3.96%	21.51	10/15/2009	16.64	5/25/2010
Austria EWO	21.29	-0.58%	1.87%	8.04%	8.04%	8.84%	23.59	10/15/2009	14.91	6/8/2010
Switzerland EWL	24.00	-0.21%	1.82%	5.17%	5.17%	7.82%	24.17	10/15/2010	18.70	5/25/2010
France EWQ	25.39	-0.51%	1.80%	5.84%	5.84%	-1.78%	27.32	1/11/2010	19.24	5/25/2010
Spain EWP	43.26	-0.07%	1.79%	6.42%	6.42%	-9.95%	52.67	11/25/2009	29.85	6/8/2010
BRIC EEB	46.61	-0.30%	1.77%	4.23%	4.23%	9.77%	47.06	10/15/2010	23.23	5/6/2010
Brazil EWZ	80.40	-0.16%	1.73%	4.49%	4.49%	7.76%	81.30	10/13/2010	57.18	5/25/2010
Sweden EWD	29.70	-1.00%	1.61%	2.52%	2.52%	26.38%	30.13	10/14/2010	19.00	5/6/2010
Italy EWI	17.69	-0.84%	1.55%	5.30%	5.30%	-9.33%	21.77	10/19/2009	13.21	6/7/2010
Latin America ILF	52.39	-0.30%	1.41%	3.66%	3.66%	9.63%	53.03	10/15/2010	39.21	5/25/2010
Hong Kong EWH	19.07	-0.05%	1.33%	5.13%	5.13%	21.78%	19.22	10/13/2010	14.08	5/21/2010
United Kingdom EWU	17.15	-0.12%	1.06%	4.83%	4.83%	5.86%	17.25	10/14/2010	13.25	5/25/2010
Emerging Markets EEM	46.72	-0.12%	1.06%	4.36%	4.36%	12.58%	47.03	10/15/2010	35.21	5/25/2010
South Africa EZA	69.54	-0.87%	0.96%	3.45%	3.45%	24.25%	70.80	10/13/2010	23.00	5/6/2010
Mexico EWW	55.91	-0.29%	0.90%	5.51%	5.51%	14.41%	61.60	5/6/2010	42.90	11/3/2009
Malaysia EWM	14.02	-0.14%	0.86%	2.04%	2.04%	32.02%	14.19	10/13/2010	10.18	2/5/2010
Canada EWC	29.08	-0.65%	0.59%	3.75%	3.75%	10.44%	29.58	10/13/2010	22.75	5/6/2010
India IFN	38.63	-0.87%	0.52%	6.21%	6.21%	25.83%	39.55	10/13/2010	26.61	5/25/2010
Russia RSX	34.16	-0.23%	0.29%	5.01%	5.01%	9.52%	36.91	4/14/2010	26.06	5/25/2010
Vietnam VNM	25.00	0.32%	0.16%	2.25%	2.25%	-1.92%	32.15	10/22/2009	21.81	8/25/2010
Indonesia IDX	88.11	-0.65%	0.06%	1.73%	1.73%	41.72%	89.67	10/5/2010	54.47	10/28/2009
South Korea EWY	55.64	0.42%	-0.07%	4.02%	4.02%	16.79%	56.04	10/6/2010	40.65	5/25/2010
Australia EWA	24.84	-0.22%	-0.10%	4.61%	4.61%	8.73%	25.14	1/11/2010	18.26	5/25/2010
Taiwan EWT	13.59	0.00%	-0.84%	0.30%	0.30%	4.78%	13.78	10/7/2010	10.81	6/8/2010
Japan EWJ	10.14	-0.78%	-0.88%	2.58%	2.58%	4.11%	10.71	4/15/2010	9.15	6/7/2010

## Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Nasdaq 100	2097.73	2.10%	3.49%	3.49%	4.99%	4.99%	12.76%	2097.73	10/15/2010	1652.44	11/2/2009
Nasdaq Composite	2468.77	1.37%	2.78%	2.78%	4.23%	4.23%	8.80%	2535.28	4/26/2010	2024.27	11/2/2009
S&P Smallcap 600	373.82	-0.22%	1.68%	1.68%	4.26%	4.26%	12.38%	396.63	4/26/2010	294.26	11/2/2009
S&P Midcap 400	819.76	0.13%	1.03%	1.03%	2.20%	2.20%	12.81%	852.90	4/26/2010	651.79	11/2/2009
Bank of New York Mellon ADR	138.55	-0.42%	1.03%	1.03%	4.46%	4.46%	1.61%	142.19	1/11/2010	109.79	5/25/2010
S&P 1500	270.85	0.18%	0.98%	0.98%	3.04%	3.04%	6.30%	281.21	4/26/2010	232.54	7/1/2010
S&P 500	1176.19	0.20%	0.95%	0.95%	3.07%	3.07%	5.48%	1219.80	4/26/2010	1010.91	7/1/2010
NYSE Composite	7520.60	-0.34%	0.56%	0.56%	3.29%	3.29%	4.67%	7743.74	4/15/2010	6355.83	7/1/2010
Dow Jones Industrials	11062.78	-0.29%	0.51%	0.51%	2.55%	2.55%	6.09%	11258.01	4/26/2010	9614.32	7/2/2010

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Information Technology	387.59	2.03%	3.91%	3.91%	5.36%	5.36%	4.55%	397.46	4/26/2010	323.47	7/1/2010
Consumer Staples	295.45	0.23%	1.42%	1.42%	2.49%	2.49%	7.71%	296.27	10/15/2010	260.65	7/1/2010
Energy	442.47	0.27%	1.34%	1.34%	5.53%	5.53%	2.91%	464.76	4/26/2010	365.74	7/1/2010
Materials	213.89	0.34%	1.24%	1.24%	5.78%	5.78%	7.05%	215.86	10/13/2010	168.44	7/1/2010
Health Care	361.20	0.38%	1.19%	1.19%	2.11%	2.11%	-0.28%	384.95	1/20/2010	318.89	7/1/2010
Consumer Discretionary	273.39	0.67%	1.00%	1.00%	3.74%	3.74%	16.30%	284.57	4/26/2010	209.69	11/2/2009
Utilities	161.88	0.34%	0.20%	0.20%	1.58%	1.58%	2.46%	162.37	10/15/2010	138.57	5/25/2010
Telecom Services	120.94	-0.47%	0.07%	0.07%	-0.49%	-0.49%	5.50%	124.78	10/5/2010	98.67	5/6/2010
Industrials	278.62	-0.87%	-0.13%	-0.13%	2.88%	2.88%	14.66%	292.21	4/30/2010	220.05	11/2/2009
Financials	192.92	-1.71%	-2.38%	-2.38%	-0.13%	-0.13%	-0.44%	230.45	4/15/2010	178.83	8/25/2010

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Software & Services	500.61	2.37%	4.46%	4.46%	5.86%	5.86%	0.81%	512.69	4/15/2010	410.27	7/1/2010
Technology Hardware & Equipment	429.51	2.07%	4.37%	4.37%	5.96%	5.96%	10.26%	431.10	4/26/2010	350.49	8/27/2010
Media	187.03	0.73%	2.07%	2.07%	4.90%	4.90%	14.33%	192.83	5/3/2010	140.73	11/3/2009
Food, Beverage & Tobacco	345.39	0.32%	1.96%	1.96%	2.79%	2.79%	12.70%	346.32	10/15/2010	293.65	11/3/2009
Transportation	311.78	-0.26%	1.82%	1.82%	4.30%	4.30%	22.31%	314.63	10/15/2010	221.60	11/2/2009
Automobiles & Components	100.06	-0.18%	1.73%	1.73%	11.24%	11.24%	28.71%	107.25	4/26/2010	60.62	10/30/2009
Real Estate	116.57	-0.14%	1.53%	1.53%	4.50%	4.50%	23.77%	118.23	10/13/2010	80.03	10/28/2009
Household & Personal Products	373.20	-0.04%	1.48%	1.48%	3.70%	3.70%	3.45%	383.05	3/23/2010	339.42	5/6/2010
Energy	442.47	0.27%	1.34%	1.34%	5.53%	5.53%	2.91%	464.76	4/26/2010	365.74	7/1/2010
Health Care Equip & Services	335.75	0.47%	1.32%	1.32%	1.25%	1.25%	-3.30%	371.77	1/20/2010	296.30	8/31/2010
Materials	213.89	0.34%	1.24%	1.24%	5.78%	5.78%	7.05%	215.86	10/13/2010	168.44	7/1/2010
Pharmaceuticals, Biotech & Life Scier	343.90	0.34%	1.13%	1.13%	2.52%	2.52%	1.23%	359.71	1/20/2010	299.26	7/1/2010
Retailing	466.90	1.47%	0.74%	0.74%	1.97%	1.97%	13.57%	499.94	4/26/2010	376.96	11/3/2009
Commercial & Professional Services	138.10	-0.20%	0.57%	0.57%	2.03%	2.03%	3.21%	144.95	4/26/2010	122.63	6/8/2010
Semiconductors & Equipment	302.96	0.61%	0.51%	0.51%	1.74%	1.74%	-3.00%	348.04	4/15/2010	262.69	8/31/2010
Insurance	181.68	-0.42%	0.35%	0.35%	1.79%	1.79%	10.24%	189.97	4/26/2010	156.74	11/3/2009
Consumer Services	442.85	0.13%	0.31%	0.31%	3.15%	3.15%	19.53%	446.71	10/13/2010	335.30	11/2/2009
Utilities	161.88	0.34%	0.20%	0.20%	1.58%	1.58%	2.46%	162.37	10/15/2010	138.57	5/25/2010
Telecom Services	120.94	-0.47%	0.07%	0.07%	-0.49%	-0.49%	5.50%	124.78	10/5/2010	98.67	5/6/2010
Food & Staples Retailing	184.50	0.31%	0.03%	0.03%	0.51%	0.51%	0.78%	196.37	3/30/2010	162.45	7/1/2010
Consumer Durables & Apparel	155.08	-0.57%	-0.37%	-0.37%	2.71%	2.71%	18.29%	164.51	4/26/2010	119.47	10/28/2009
Capital Goods	297.47	-1.08%	-0.66%	-0.66%	2.59%	2.59%	13.90%	318.38	4/30/2010	238.52	11/2/2009
Diversified Financials	296.21	-2.39%	-3.44%	-3.44%	-0.96%	-0.96%	-7.88%	382.07	4/15/2010	278.07	8/31/2010
Banks	121.40	-2.71%	-5.63%	-5.63%	-3.23%	-3.23%	-3.15%	165.92	4/21/2010	115.69	8/31/2010

