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The Kaufman Report

Trade what you see, not what you think.

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Closing prices of October 1, 2009

Stocks got off to a rocky start for the fourth quarter as they posted a 90% panic-selling down day. Only 3.96% of the S&P 1500 traded higher on the day, with up volume at 3.59%, up points at 1.23%, and up dollars at less than 1/10 of 1%. Volume was slightly lower than on Wednesday, but was still 114% of both its 10-day moving average and 30-day.

The percent of stocks over their 10-day moving average is 10.27%, the lowest since 7.2% on March 9th. Other momentum indicators are not completely oversold, but are at levels where they have bottomed recently. Our options indicator has entered pessimistic territory, which is good, although it is not yet at an extreme. We said yesterday that we may be seeing some decent entry points shortly, and with Thursday's plunge aggressive traders should be looking for them.

We also said yesterday that it is October, and investors should definitely not press the snooze button as a sharp pullback can happen at any time. More conservative investors may want to see how stocks react to an oversold condition. As we repeated way too many times last year, a market that doesn't react to an extremely oversold condition is dangerous.

Based on the S&P 500 the short-term trend is now down, while the intermediate-term and long-term trends are up. Traders should not hesitate to rotate out of lagging sectors and stocks and into leaders. We have been saying for a few weeks that very aggressive traders could enter short keeping in mind shorting is counter-trend at this time and they may have to cover quickly. They can maintain short positions with that same caveat, but with stocks getting oversold they probably want to wait for a bounce to enter new positions.

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	Daily	WTD	MTD	QTD	YTD
Dow Jones Industrials	-2.09%	-2.04%	-2.09%	-2.09%	8.35%
S&P 500	-2.58%	-1.99%	-2.58%	-2.58%	14.02%
S&P 1500	-2.64%	-2.00%	-2.64%	-2.64%	14.81%
NYSE Composite	-2.79%	-2.10%	-2.79%	-2.79%	16.69%
Bank of New York Mellon ADR	-2.96%	-2.20%	-2.96%	-2.96%	24.65%
S&P Midcap 400	-3.06%	-1.84%	-3.06%	-3.06%	24.45%
Nasdaq 100	-3.06%	-2.54%	-3.06%	-3.06%	37.53%
Nasdaq Composite	-3.06%	-2.38%	-3.06%	-3.06%	30.47%
S&P Smallcap 600	-3.12%	-2.59%	-3.12%	-3.12%	14.44%

	Daily	WTD	MTD	QTD	YTD
Consumer Staples	-0.94%	-0.13%	-0.94%	-0.94%	5.70%
Telecom Services	-1.58%	-1.33%	-1.58%	-1.58%	-4.58%
Health Care	-1.65%	-0.92%	-1.65%	-1.65%	6.09%
Utilities	-1.78%	-1.92%	-1.78%	-1.78%	-1.12%
Consumer Discretionary	-2.30%	-1.16%	-2.30%	-2.30%	24.85%
Industrials	-2.58%	-3.10%	-2.58%	-2.58%	9.04%
Energy	-2.77%	-2.30%	-2.77%	-2.77%	3.01%
Information Technology	-2.87%	-2.37%	-2.87%	-2.87%	40.64%
Materials	-3.85%	-3.46%	-3.85%	-3.85%	30.63%
Financials	-4.37%	-3.20%	-4.37%	-4.37%	13.98%

	Daily	WTD	MTD	QTD	YTD
Food & Staples Retailing	0.02%	0.38%	0.02%	0.02%	3.01%
Food, Beverage & Tobacco	-0.90%	0.30%	-0.90%	-0.90%	11.35%
Telecom Services	-1.58%	-1.33%	-1.58%	-1.58%	-4.58%
Pharmaceuticals, Biotech & Life Sciences	-1.63%	-0.44%	-1.63%	-1.63%	2.23%
Health Care Equip & Services	-1.69%	-1.99%	-1.69%	-1.69%	15.54%
Transportation	-1.76%	-4.31%	-1.76%	-1.76%	6.70%
Utilities	-1.78%	-1.92%	-1.78%	-1.78%	-1.12%
Retailing	-1.88%	-1.98%	-1.88%	-1.88%	32.64%
Household & Personal Products	-2.02%	-1.56%	-2.02%	-2.02%	-1.89%
Consumer Services	-2.08%	0.14%	-2.08%	-2.08%	11.31%
Media	-2.20%	-0.80%	-2.20%	-2.20%	20.28%
Technology Hardware & Equipment	-2.56%	-1.88%	-2.56%	-2.56%	48.49%
Energy	-2.77%	-2.30%	-2.77%	-2.77%	3.01%
Capital Goods	-2.77%	-2.82%	-2.77%	-2.77%	10.35%
Software & Services	-2.80%	-2.60%	-2.80%	-2.80%	32.40%
Commercial & Professional Services	-2.89%	-2.45%	-2.89%	-2.89%	2.64%
Automobiles & Components	-3.49%	-4.03%	-3.49%	-3.49%	72.63%
Insurance	-3.56%	-0.81%	-3.56%	-3.56%	10.63%
Consumer Durables & Apparel	-3.67%	-0.21%	-3.67%	-3.67%	23.53%
Materials	-3.85%	-3.46%	-3.85%	-3.85%	30.63%
Semiconductors & Equipment	-4.17%	-3.47%	-4.17%	-4.17%	37.69%
Diversified Financials	-4.33%	-3.35%	-4.33%	-4.33%	30.84%
Real Estate	-4.78%	-3.23%	-4.78%	-4.78%	4.68%
Banks	-5.06%	-4.82%	-5.06%	-5.06%	-10.85%

INTERNATIONAL ETFs

	Daily	WTD	5-Days	MTD	QTD	YTD
Malaysia EWM	-0.30%	-0.88%	-0.88%	-0.30%	-0.30%	38.68%
Taiwan EWT	-1.30%	2.96%	2.96%	-1.30%	-1.30%	60.21%
United Kingdom EWU	-2.19%	-1.70%	-1.69%	-2.19%	-2.19%	23.84%
Brazil EWZ	-2.38%	2.08%	2.10%	-2.38%	-2.38%	88.71%
Singapore EWS	-2.42%	-0.66%	-0.66%	-2.42%	-2.42%	48.79%
Switzerland EWL	-2.44%	-1.92%	-1.90%	-2.44%	-2.44%	14.29%
Vietnam VNM	-2.47%	-1.41%	-1.42%	-2.47%		
Japan EWJ	-2.52%	-4.09%	-4.06%	-2.52%	-2.52%	1.15%
BRIC EEB	-2.59%	0.21%	0.21%	-2.59%	-2.59%	64.23%
Latin America ILF	-2.61%	1.67%	1.68%	-2.61%	-2.61%	64.08%
Hong Kong EWH	-2.71%	-0.46%	-0.46%	-2.71%	-2.71%	45.61%
MSCI Emerging Markets EEM	-2.72%	-0.21%	-0.21%	-2.72%	-2.72%	51.58%
Italy EWI	-2.84%	-0.65%	-0.65%	-2.84%	-2.84%	20.99%
Netherlands EWN	-2.89%	-1.19%	-1.19%	-2.89%	-2.89%	30.43%
Belgium EWK	-2.93%	-1.49%	-1.48%	-2.93%	-2.93%	44.44%
China 25 FXI	-3.10%	-3.75%	-3.76%	-3.10%	-3.10%	36.31%
Spain EWP	-3.14%	-2.53%	-2.51%	-3.14%	-3.14%	28.10%
Mexico EWW	-3.27%	-0.31%	-0.31%	-3.27%	-3.27%	30.93%
Austria EWO	-3.37%	-0.42%	-0.42%	-3.37%	-3.37%	62.83%
Germany EWG	-3.52%	-1.88%	-1.88%	-3.52%	-3.52%	11.39%
Australia EWA	-3.63%	-0.05%	-0.05%	-3.63%	-3.63%	55.46%
France EWQ	-3.70%	-2.35%	-2.34%	-3.70%	-3.70%	19.49%
Sweden EWD	-3.71%	-5.11%	-5.06%	-3.71%	-3.71%	43.38%
Canada EWC	-4.16%	-2.07%	-2.05%	-4.16%	-4.16%	40.10%
South Korea EWY	-4.20%	-2.03%	-2.05%	-4.20%	-4.20%	62.28%

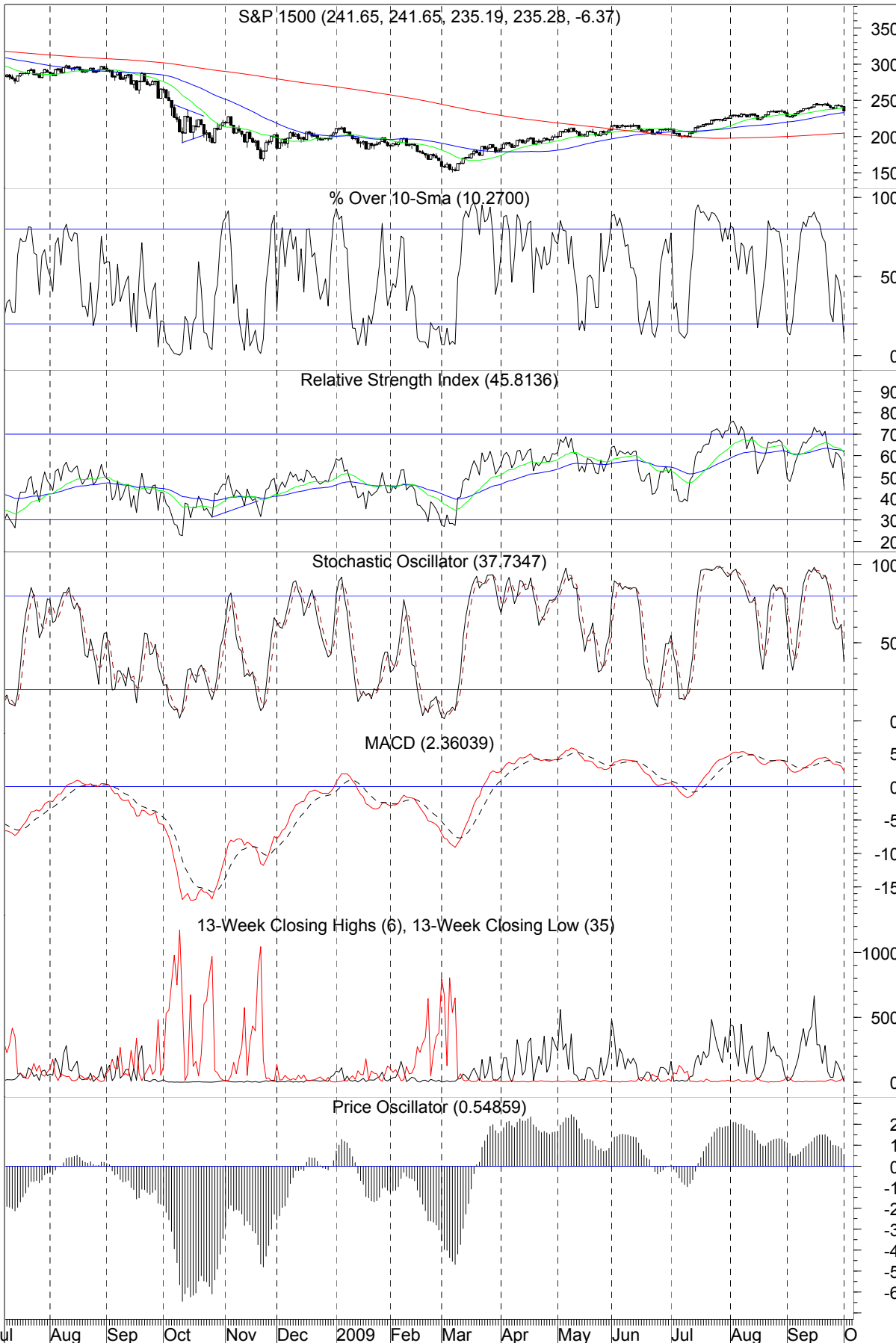


The S&P 500 fell through a support level and the 20-sma on Thursday. The 50-sma is at 1021. The current three-day decline is a measured move matching the three-day decline of from the 9/23 top to the 9/25 low. Unfortunately, even though the percent over 10-sma is very low, other momentum indicators can still move lower. The support line of the bearish rising wedge has not yet been broken.

NASDAQ 100 (1,710.50, 1,711.70, 1,666.41, 1,666.41, -52.58)

The Nasdaq 100 also broke through its 20-sma. The 50-sma is at 1646.

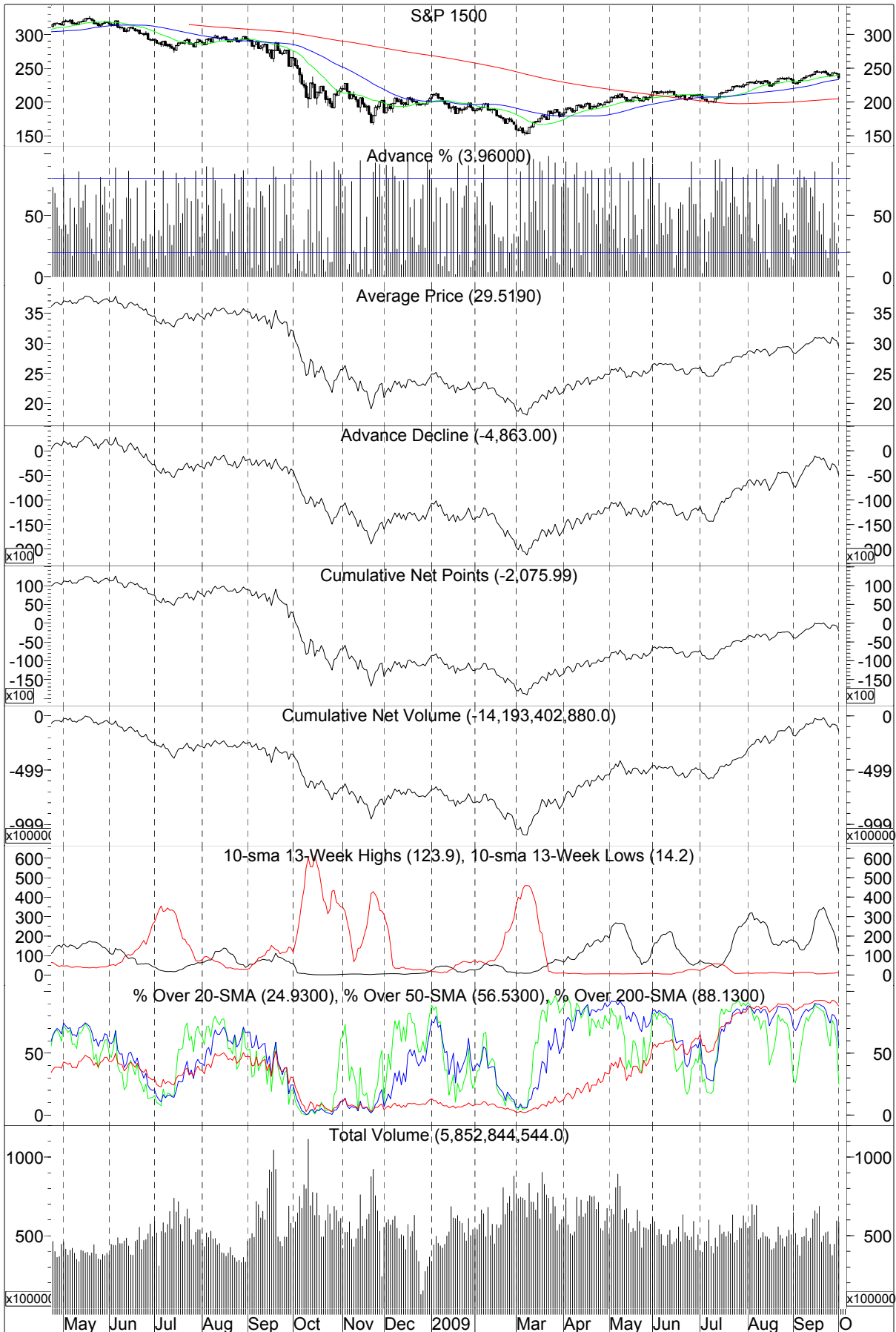


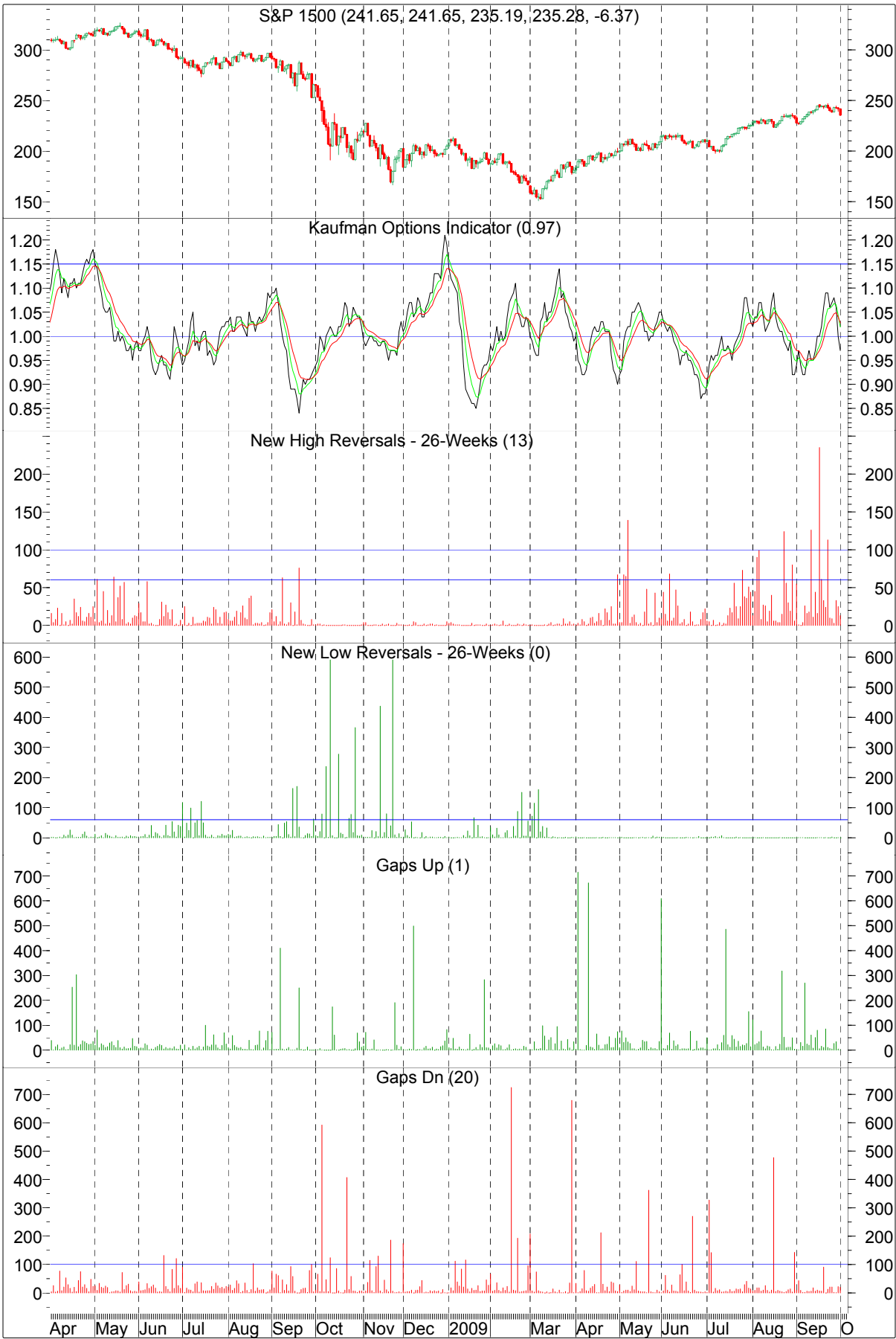


At 10.27% the percent over 10-sma is the lowest since 7.2% on 3/9.

Our other momentum indicators are not fully oversold but are at levels where they have bottomed recently.

13-week closing lows jumped up Thursday but are still at levels lower than in July.





Our options indicator is in negative territory which shows pessimism. This is helpful, but it can still go lower from here.

