

Tuesday September 7, 2010

Closing prices of September 3, 2010

Stocks rebounded sharply last week from an August selloff. There were three days out of the last six sessions where more than 90% of stocks advanced, with one day of more than 90% declines. The trend of lopsided trading days continues, and Friday's strong breadth day left the percent of stocks over their own 10-day moving average at an extremely overbought 96.2%, the highest we have recorded since 96.67% on 3/18/2009. September is off to a good start with a 5.39% gain.

The strong rally took the S&P 500 back over its 20 and 50-day moving averages, and up to resistance in the form of a down trend line which started on April 26th. With equities so overbought short-term it will be difficult for the index to penetrate this resistance. If it does, more resistance in the form of the 200-day moving average is at 1115.62, a mere 11 points higher.

Sentiment based on our proprietary options indicator went full circle from overbullish on August 10th to pessimistic towards the end of the month. It has bounced back to near neutral, a level from where anything can happen.

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. As we get further into September, especially as we get to pre-announcement season at the end of the month, investors should begin to get information regarding third-quarter earnings.

If earnings forecasts continue to be 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 to put money into equities, especially since we will be just ahead of the seasonally strongest three month period of the year, the November – January period.

In the short-term, stocks are overbought so investors need to be careful with entry points. We are also entering a period of negative seasonality which lasts through the end of the month. Along the way we will have a quadruple witching options expiration to deal with, so investors will need to stay on their toes.

Based on the S&P 500 the short and intermediate-term trends are up, while the long-term trend remains down. Until proven otherwise, this remains a short-term trader's market with aggressive traders able to play long or short based on overbought or oversold conditions.

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.

THE INFORMATION PROVIDED IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY. INVESTORS SHOULD CONSIDER THIS REPORT AS ONLY A SINGLE FACTOR IN MAKING THEIR INVESTMENT DECISION. THIS INFORMATIONAL REPORT IS NOT AN OFFER TO SELL OR A SOLICITATION TO BUY ANY SECURITY IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE ILLEGAL. THIS REPORT HAS BEEN PREPARED AS A MATTER OF GENERAL INFORMATION. IT IS NOT INTENDED TO BE A COMPLETE DESCRIPTION OF ANY SECURITY OR COMPANY MENTIONED, AND IS NOT AN OFFER TO BUY OR SELL ANY SECURITY. ALL FACTS AND STATISTICS ARE FROM SOURCES BELIEVED TO BE RELIABLE, BUT ARE NOT GUARANTEED AS TO ACCURACY. ADDITIONAL INFORMATION ON THESE SECURITIES AND COMPANIES IS AVAILABLE UPON REQUEST. SECURITIES, FINANCIAL INSTRUMENTS OR STRATEGIES MENTIONED HEREIN MAY NOT BE SUITABLE FOR ALL INVESTORS. THIS MATERIAL DOES NOT TAKE INTO ACCOUNT YOUR PARTICULAR INVESTMENT OBJECTIVES, FINANCIAL SITUATIONS OR STRATEGIES. BEFORE ACTING ON THE MATERIALS HEREIN, YOU SHOULD CONSIDER WHETHER IT IS SUITABLE FOR YOUR PARTICULAR CIRCUMSTANCES AND, IF NECESSARY SEEK PROFESSIONAL ADVICE. INVESTMENTS INVOLVE RISK AND AN INVESTOR MAY INCUR EITHER PROFITS OR LOSSES. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE. TRADING AND INVESTMENT DECISIONS ARE THE SOLE RESPONSIBILITY OF THE READER.

S&P 500 Cash (1,104.48, 1,104.51, 1,104.44, 1,104.51, +0.17)



After breaking the down trend line Wednesday the S&P 500 broke through multiple levels of resistance.

30-minute momentum indicators are at high or overbought levels. Slight negative divergences are developing.



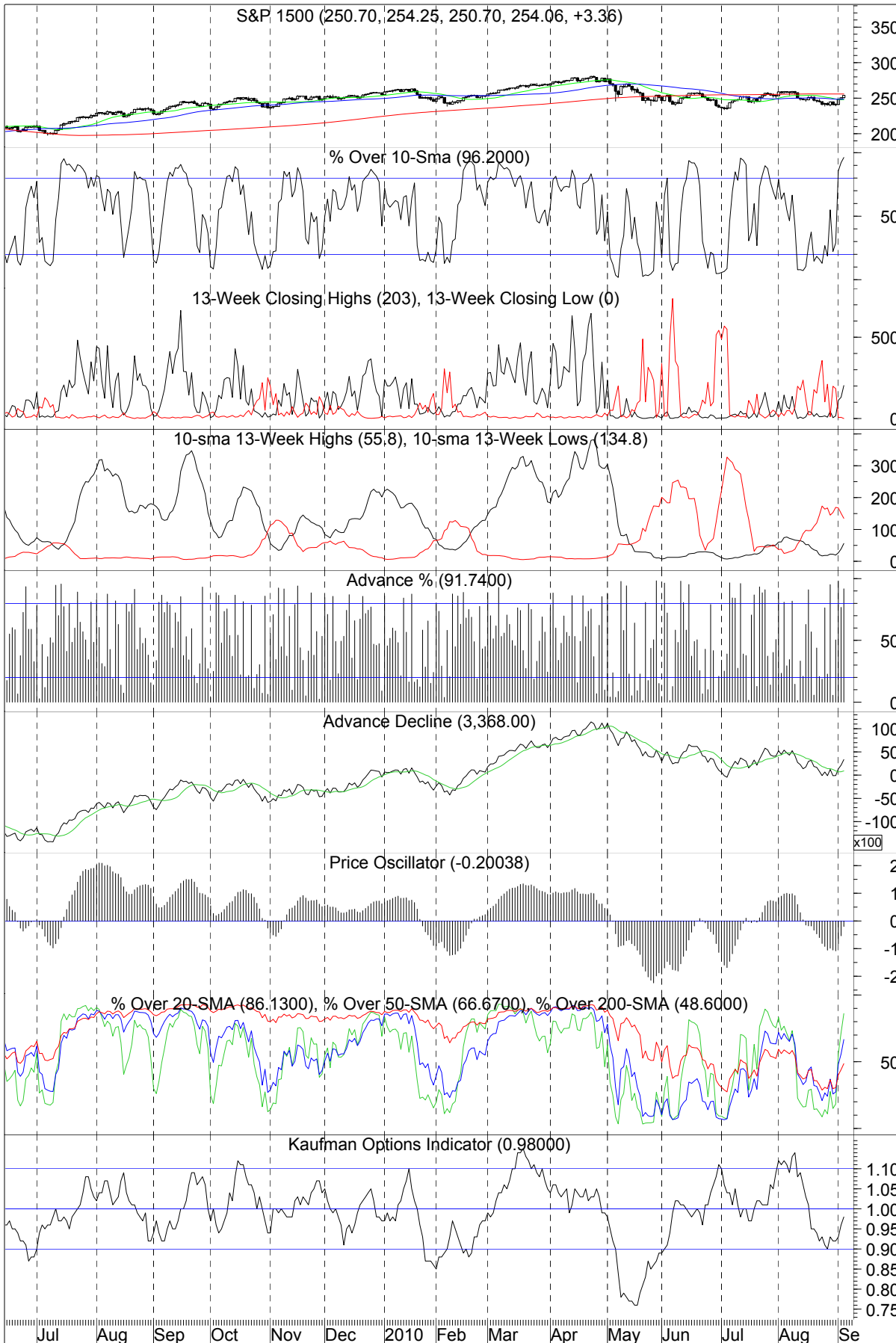
The daily chart of the S&P 500 shows it is back above the 20 and 50-sma and is at a down trend line that started on April 26th.

The stochastic has entered the overbought zone, but the other momentum indicators still have room to move higher. The MACD has just made a positive crossover from a low level.



The weekly chart of the S&P 500 shows it printed a bullish engulfing candle last week. The 20, 40, and 80-week moving averages are getting tightly pinched, a condition which will not last too much longer.

Weekly momentum indicators are neutral.



96.2% of stocks are over their own 10-sma, an extremely overbought number not seen since 96.67% on 3/18/2009.

203 13-week closing highs was the most since 233 on 5/3/2010.

The 10-day average of closing highs is still well under the average of closing lows.

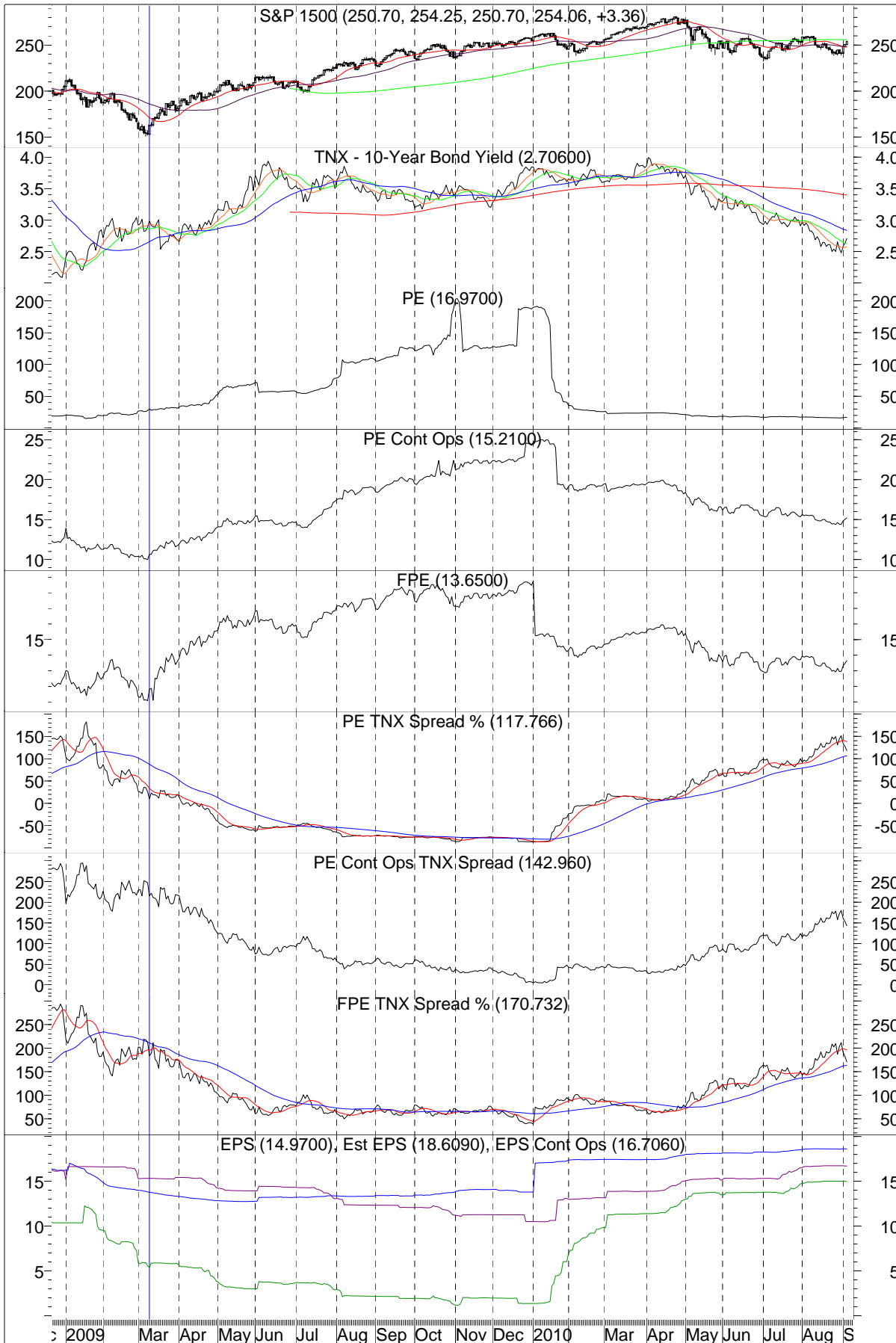
91.7% of stocks traded higher Friday, the 3rd session in six over 90%. 8/30 had 94.46% decliners, so lopsided trading still prevails.

The AD line is back over levels of 10-days ago.

Our price oscillator, a good indicator of trends, is just under neutral.

Still a low number of stocks over their own 200-sma.

After hitting overbullish levels on August 10th, our proprietary options indicator got to pessimistic levels in late August. It is now just under neutral.



Bond yields are bouncing but are still at very low levels. They are back over their 20-sma but are still oversold on a weekly basis.

P/E ratios remain at or near the low levels of their recent ranges.

Spreads between bond and equity yields are at levels where stocks should be very attractive versus bonds.

Earnings forecasts (blue) have mostly flat lined since early in the year. The balance of September will be important as we see mid-quarter updates and we get into pre-announcement season.

Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Nasdaq 100	1870.31	1.62%	4.39%	4.39%	5.82%	7.54%	0.54%	2059.42	4/26/2010	1585.56	9/3/2009
S&P Midcap 400	766.52	1.42%	4.39%	4.39%	6.22%	7.70%	5.48%	852.90	4/26/2010	633.41	9/3/2009
S&P Smallcap 600	343.82	1.70%	4.12%	4.12%	6.70%	4.83%	3.36%	396.63	4/26/2010	291.82	9/3/2009
NYSE Composite	7055.03	1.27%	3.83%	3.83%	5.23%	9.05%	-1.81%	7743.74	4/15/2010	6355.83	7/1/2010
S&P 1500	254.06	1.34%	3.81%	3.81%	5.39%	7.12%	-0.29%	281.21	4/26/2010	226.64	9/3/2009
Bank of New York Mellon ADR	127.16	1.18%	3.80%	3.80%	5.00%	12.52%	-6.74%	142.19	1/11/2010	109.79	5/25/2010
S&P 500	1104.51	1.32%	3.75%	3.75%	5.26%	7.16%	-0.95%	1219.80	4/26/2010	992.25	9/3/2009
Nasdaq Composite	2233.75	1.53%	3.72%	3.72%	5.66%	5.90%	-1.56%	2535.28	4/26/2010	1958.04	9/3/2009
Dow Jones Industrials	10447.93	1.24%	2.93%	2.93%	4.33%	6.89%	0.19%	11258.01	4/26/2010	9252.93	9/3/2009

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Financials	195.19	2.15%	5.67%	5.67%	7.09%	5.14%	0.73%	230.45	4/15/2010	178.83	8/25/2010
Consumer Discretionary	253.62	1.51%	5.03%	5.03%	6.82%	10.41%	7.89%	284.57	4/26/2010	200.19	9/3/2009
Industrials	259.97	1.44%	4.67%	4.67%	6.74%	9.10%	6.99%	292.21	4/30/2010	211.81	9/3/2009
Materials	197.99	1.24%	4.17%	4.17%	5.28%	14.80%	-0.91%	213.87	4/26/2010	168.44	7/1/2010
Energy	405.43	0.95%	3.68%	3.68%	5.54%	8.59%	-5.70%	464.76	4/26/2010	365.74	7/1/2010
Information Technology	345.69	1.70%	3.50%	3.50%	5.35%	4.78%	-6.75%	397.46	4/26/2010	313.17	9/3/2009
Health Care	337.36	0.91%	2.21%	2.21%	3.78%	3.21%	-6.86%	384.95	1/20/2010	318.89	7/1/2010
Consumer Staples	281.39	0.61%	2.20%	2.20%	2.86%	7.14%	2.59%	290.45	3/23/2010	251.80	9/3/2009
Telecom Services	114.99	0.26%	2.02%	2.02%	2.12%	12.69%	0.31%	117.00	1/5/2010	98.67	5/6/2010
Utilities	159.48	0.61%	1.63%	1.63%	2.66%	11.18%	0.94%	161.50	12/14/2009	138.57	5/25/2010

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Real Estate	114.78	1.40%	6.27%	6.27%	6.42%	16.76%	21.88%	114.94	9/3/2010	73.80	9/3/2009
Banks	127.85	2.23%	6.17%	6.17%	8.47%	-0.13%	2.00%	165.92	4/21/2010	115.69	8/31/2010
Diversified Financials	303.27	2.50%	5.75%	5.75%	7.39%	4.84%	-5.69%	382.07	4/15/2010	278.07	8/31/2010
Automobiles & Components	87.58	3.09%	5.59%	5.59%	8.33%	15.93%	12.66%	107.25	4/26/2010	60.18	10/2/2009
Media	177.22	1.56%	5.48%	5.48%	6.26%	9.38%	8.33%	192.83	5/3/2010	134.63	9/3/2009
Technology Hardware & Equipment	377.83	2.13%	5.43%	5.43%	6.33%	3.76%	-3.01%	431.10	4/26/2010	334.61	9/3/2009
Consumer Durables & Apparel	142.08	1.87%	5.34%	5.34%	7.42%	8.27%	8.37%	164.51	4/26/2010	111.87	9/28/2009
Transportation	291.94	1.25%	5.32%	5.32%	6.72%	14.98%	14.53%	304.63	5/3/2010	221.60	11/2/2009
Insurance	176.98	1.74%	4.96%	4.96%	5.82%	5.71%	7.39%	189.97	4/26/2010	156.74	11/3/2009
Retailing	425.89	1.26%	4.95%	4.95%	7.35%	10.38%	3.59%	499.94	4/26/2010	356.77	9/3/2009
Capital Goods	277.09	1.51%	4.65%	4.65%	6.90%	8.05%	6.09%	318.38	4/30/2010	227.12	9/3/2009
Materials	197.99	1.24%	4.17%	4.17%	5.28%	14.80%	-0.91%	213.87	4/26/2010	168.44	7/1/2010
Consumer Services	421.81	1.13%	4.07%	4.07%	5.91%	11.55%	13.85%	446.11	4/26/2010	325.29	9/3/2009
Energy	405.43	0.95%	3.68%	3.68%	5.54%	8.59%	-5.70%	464.76	4/26/2010	365.74	7/1/2010
Commercial & Professional Services	130.18	1.15%	2.86%	2.86%	4.76%	4.09%	-2.71%	144.95	4/26/2010	119.82	9/3/2009
Food & Staples Retailing	172.28	0.67%	2.75%	2.75%	4.48%	4.78%	-5.90%	196.37	3/30/2010	162.45	7/1/2010
Software & Services	447.65	1.45%	2.53%	2.53%	4.46%	7.59%	-9.86%	512.69	4/15/2010	402.41	9/3/2009
Food, Beverage & Tobacco	330.24	0.67%	2.42%	2.42%	2.79%	10.69%	7.75%	330.40	9/3/2010	279.18	9/3/2009
Pharmaceuticals, Biotech & Life Scier	322.26	0.68%	2.30%	2.30%	3.26%	5.39%	-5.14%	359.71	1/20/2010	299.26	7/1/2010
Telecom Services	114.99	0.26%	2.02%	2.02%	2.12%	12.69%	0.31%	117.00	1/5/2010	98.67	5/6/2010
Health Care Equip & Services	311.42	1.41%	2.00%	2.00%	4.91%	-1.12%	-10.31%	371.77	1/20/2010	296.30	8/31/2010
Utilities	159.48	0.61%	1.63%	1.63%	2.66%	11.18%	0.94%	161.50	12/14/2009	138.57	5/25/2010
Semiconductors & Equipment	279.32	1.31%	1.32%	1.32%	5.70%	-1.70%	-10.57%	348.04	4/15/2010	262.69	8/31/2010
Household & Personal Products	358.69	0.42%	1.21%	1.21%	1.58%	1.49%	-0.57%	383.05	3/23/2010	313.97	9/3/2009

INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Vietnam VNM	24.55	0.16%	6.23%	3.63%	-1.56%	-3.69%	32.15	10/22/2009	21.81	8/25/2010
Australia EWA	22.42	0.76%	5.90%	6.46%	18.12%	-1.84%	25.14	1/11/2010	18.26	5/25/2010
South Africa EZA	61.92	0.99%	5.88%	6.03%	17.61%	10.63%	62.76	4/5/2010	23.00	5/6/2010
France EWQ	22.45	1.35%	5.85%	7.67%	14.78%	-13.15%	27.32	1/11/2010	19.24	5/25/2010
Spain EWP	39.14	0.72%	5.30%	6.33%	22.97%	-18.53%	52.67	11/25/2009	29.85	6/8/2010
Italy EWI	15.88	1.18%	4.89%	6.86%	15.07%	-18.61%	21.77	10/19/2009	13.21	6/7/2010
Thailand THD	57.34	1.34%	4.88%	3.65%	24.46%	34.94%	57.40	9/3/2010	37.48	9/3/2009
Netherlands EWN	18.87	0.96%	4.60%	6.25%	10.29%	-7.77%	21.51	10/15/2009	16.64	5/25/2010
Sweden EWD	25.92	0.31%	4.47%	6.84%	13.53%	10.30%	27.42	4/26/2010	19.00	5/6/2010
Germany EWG	20.48	1.24%	4.38%	6.06%	9.46%	-8.73%	23.40	10/21/2009	17.97	5/25/2010
Chile ECH	70.31	0.63%	4.36%	3.93%	24.03%	28.33%	70.69	9/3/2010	27.27	5/6/2010
Latin America ILF	47.41	0.55%	4.36%	4.87%	14.46%	-0.80%	50.25	12/4/2009	37.65	9/3/2009
South Korea EWY	50.09	0.87%	4.35%	4.81%	12.03%	5.14%	53.15	4/26/2010	40.65	5/25/2010
Switzerland EWL	22.39	0.38%	4.33%	3.80%	12.01%	0.58%	23.63	4/15/2010	18.70	5/25/2010
United Kingdom EWU	15.75	1.42%	3.82%	5.28%	17.19%	-2.78%	17.20	11/16/2009	13.25	5/25/2010
Emerging Markets EEM	42.03	1.18%	3.80%	4.92%	12.62%	1.28%	46.66	4/9/2010	35.18	9/3/2009
Russia RSX	31.66	0.96%	3.80%	4.42%	12.87%	1.51%	36.91	4/14/2010	22.92	9/4/2009
Belgium EWK	12.34	0.57%	3.78%	5.56%	13.80%	-3.29%	13.95	10/19/2009	8.93	5/6/2010
BRIC EEB	41.92	0.65%	3.71%	4.64%	11.05%	-1.27%	44.90	12/4/2009	23.23	5/6/2010
Israel EIS	51.13	0.91%	3.52%	3.38%	12.20%	-6.01%	60.68	3/26/2010	45.00	5/6/2010
Mexico EWW	50.44	0.98%	3.51%	4.89%	5.32%	3.21%	61.60	5/6/2010	41.50	9/3/2009
Turkey TUR	63.11	0.90%	3.49%	4.38%	19.23%	17.09%	63.33	9/3/2010	44.15	11/27/2009
Canada EWC	27.23	1.38%	3.46%	4.33%	9.49%	3.42%	29.00	4/15/2010	22.75	5/6/2010
Austria EWO	18.06	0.67%	3.38%	5.31%	18.27%	-7.67%	23.59	10/15/2009	14.91	6/8/2010
Singapore EWS	12.59	0.48%	3.20%	3.54%	12.01%	9.57%	12.69	8/2/2010	10.25	9/3/2009
Malaysia EWM	13.35	-0.04%	2.97%	3.53%	16.65%	25.66%	13.42	9/3/2010	9.66	9/3/2009
Brazil EWZ	70.63	-0.27%	2.82%	4.25%	14.23%	-5.33%	80.93	12/3/2009	57.18	5/25/2010
China 25 FXI	40.95	0.59%	2.45%	4.22%	4.65%	-3.10%	46.66	11/16/2009	36.24	5/6/2010
India IFN	33.88	0.50%	2.02%	3.29%	12.00%	10.36%	33.99	9/3/2010	25.97	9/3/2009
Taiwan EWT	12.60	1.86%	1.94%	3.79%	12.50%	-2.85%	13.46	1/6/2010	10.81	6/8/2010
Hong Kong EWH	16.43	0.12%	1.80%	2.75%	11.24%	4.92%	16.89	4/14/2010	14.08	5/21/2010
Japan EWJ	9.68	0.73%	1.68%	3.20%	5.22%	-0.62%	10.71	4/15/2010	9.15	6/7/2010
Indonesia IDX	78.93	1.60%	1.54%	3.95%	10.04%	26.96%	79.08	9/3/2010	52.15	9/3/2009