

Wednesday April 1, 2009

Closing prices of March 31, 2009

Stocks rallied Tuesday after Monday's 90% panic-selling down day. We were hoping for some end of the quarter window dressing and we got it. Eight of the ten S&P sectors traded higher with Financials leading again +6.72%. Financials finished the month +17.66% in leading the S&P 500 to its best month since 1991. Energy and Consumer Staples were down on the day, although just slightly. We have said we expected stocks to pull back ahead of the upcoming earnings season. We said Monday's gap down day was the start of that pull back, and stocks rallied to the gap Tuesday before confirming it as resistance. It would appear that pull back is underway and caution is still advised. However, longer-term charts have some bullish potential so a continuation of the recent rally is certainly possible after a period of consolidation or pull back.

The short-term and intermediate-term trends are up, while the long-term trend remains down. This continues to be an opportunistic trader's market, with adept traders able to take advantage long or short. Traders should not hesitate to rotate out of lagging sectors and stocks and into leaders.

The S&P 1500 (180.99) was up 1.344% Tuesday. Average price per share was up 1.41%. Volume was 86% of its 10-day average and 85% of its 30-day average. 73.11% of the S&P 1500 stocks were up, with up volume at 77.19% and up points at 82.58%. Up Dollars was 92.85% of total dollars, and was 82% of its 10-day moving average. Down Dollars was 8% of its 10-day moving average. The index is up 8.54% in March, down 11.68% quarter-to-date and year-to-date, and down 49.21% from the peak of 356.38 on 10/11/07. Average price per share is \$21.76, down 49.66% from the peak of \$43.23 on 6/4/07.

Percent over 10-sma: 47.73%. 13-Week Closing Highs: 23. 13-Week Closing Lows: 8.
Put/Call Ratio: 0.813. Kaufman Options Indicator: 0.99.

The spread between the reported earnings yield and 10-year bond yield is 20%, and 174% based on projected earnings.

Reported aggregate earnings for the S&P 1500 peaked in August 2007 at \$19.18 and are now at \$5.83, a drop of 69.60%. Estimated aggregate earnings peaked at \$21.95 in February 2008 and are now \$13.33, a drop of 39.27%. The spread between reported and projected earnings is 129%, near the widest level in years. If investors believed the estimates stocks would be much higher.

496 of the S&P 500 have reported 4th quarter earnings. According to Bloomberg, 60.1 % had positive surprises, 8.3% were line, and 31.6% have been negative, a high number. The year-over-year change has been -61.3% on a share-weighted basis, -22.0% market cap-weighted and -30.6% non-weighted. Ex-financial stocks these numbers are -18.7%, -6.1%, and -12.1 %, respectively.

Federal Funds futures are pricing in a probability of 90.0% that the Fed will leave rates unchanged, and a probability of 10.0% of cutting 25 basis points to 0.0% when they meet on April 29th. They are pricing in a probability of 77.2% that the Fed will leave rates unchanged on June 24th and a probability of 14.4% of raising 25 basis points.

IMPORTANT DISCLOSURES

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S&P 500 Cash (797.09, 797.87, 797.09, 797.87, +0.74)



The S&P 500 hit gap resistance Tuesday on the intra-day chart before pulling back. Momentum indicators are neutral. There is a small gap at the 790 area which could become support.

S&P 500 Cash (790.88, 810.48, 790.88, 797.87, +10.34)



The S&P 500 hit resistance in the form of the gap at the 813 - 809 zone. It did close above the 50-sma. Momentum indicators are high to neutral so some consolidation or pull back is expected soon.

S&P 500 Cash (729.57, 832.98, 666.79, 797.87, +62.78)



March was a key reversal month on the S&P 500. That means a new low was made but the month finished higher. Momentum indicators are at low levels so a continued rally is very possible, although consolidation may be needed first.

NASDAQ 100 (1,232.59, 1,258.08, 1,231.52, 1,237.01, +16.20)

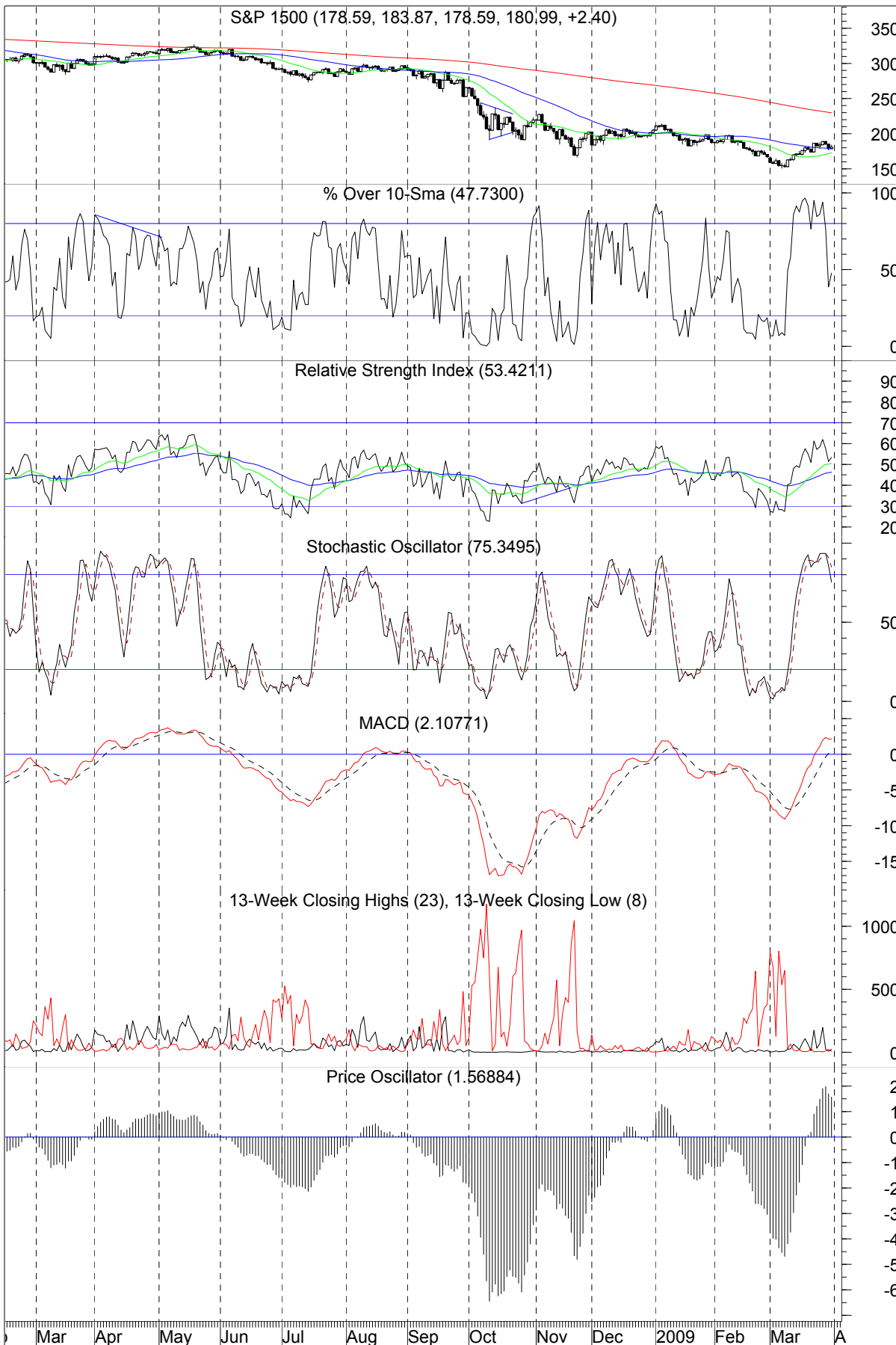


The daily chart of the Nasdaq 100 shows it still in its channel and above its 20 and 50-sma. Momentum indicators are at high levels, so a pull back or consolidation is likely before a further rally.

NASDAQ 100 (1,098.99, 1,281.30, 1,040.41, 1,237.01, +120.02)

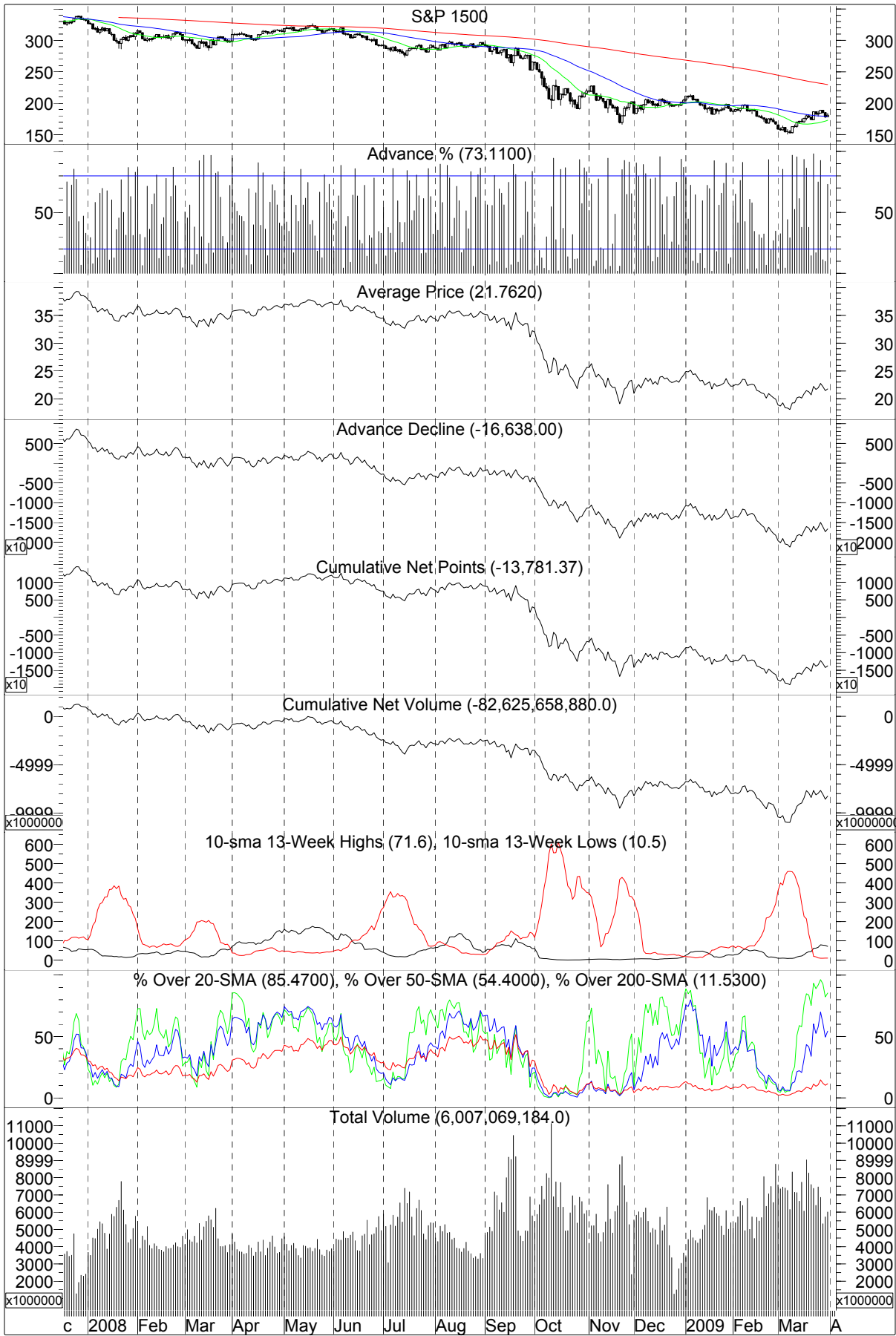


The monthly chart of the Nasdaq 100 printed a bullish engulfing candle. For those who haven't figured it out, that is bullish. The momentum indicators are at low levels, which is also a positive.



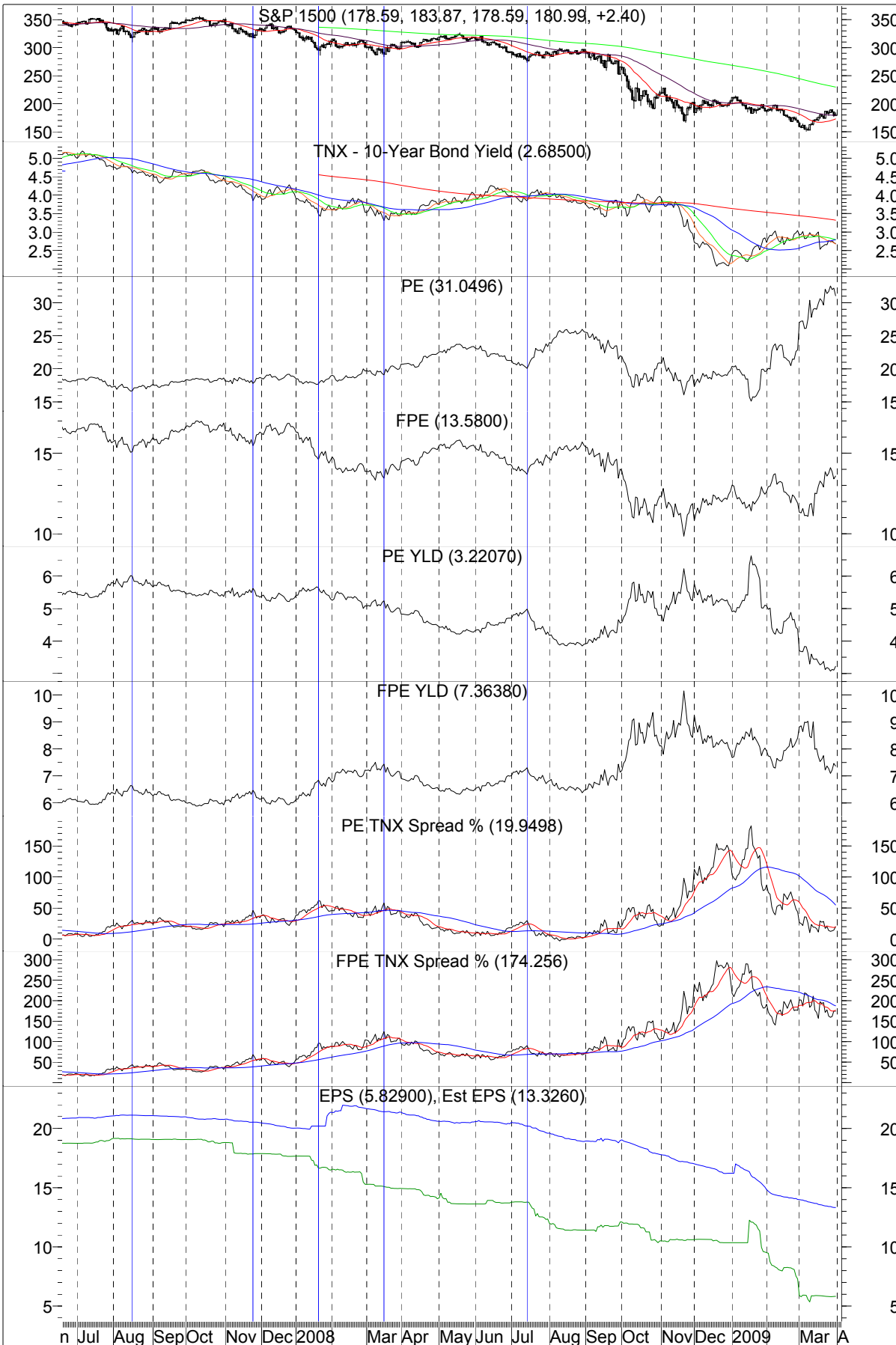
We expect our momentum indicators to reach lower levels over the next week or two.

Our price oscillator remains in positive territory.



73.11% of stocks traded higher Tuesday.

Volume increased Tuesday but was still below average.



P/E ratios remain high, showing investor optimism. We will find out soon if it is justified.

Projected earnings keep coming down as reported numbers flat line while waiting for earnings.