

Monday April 18, 2011

Closing prices of April 15, 2011

Stocks were soft again last week as major indexes all lost ground. The Bank of New York ADR Index led the way down with a loss of 1.4% while the S&P 500 gave back 0.64%. Volume picked up Friday due to April options expiration but overall it remains a low volume market with little conviction on the part of both bulls and bears. That may change this week as we get further into earnings season.

We have said for the last two weeks that we remained bullish about equities but we were concerned about the short-term. We continue to have short-term concerns. Volume remains low, showing a lack of conviction on the part of both buyers and sellers. Our options indicator, while not showing extreme bullishness, still shows optimism on the part of options buyers. We prefer to see pessimism.

We are also still concerned by the new highs being made by commodities in concert with the new lows being made by the U.S. Dollar. We are in the camp that believes stocks can do well even with rising interest rates and commodities prices as long as that occurs in a somewhat orderly manner. Should we see spikes in these, particularly in oil, that will most likely be unsettling to investors.

As we enter first quarter earnings season, we remain bullish about equities while watching for warning signs. One would be any indication of demand destruction from higher oil and commodity prices. Another would be continued lackluster demand for equities, especially as we enter the second half of April, which is seasonally a very strong period for stocks. The most obvious warning sign would be a large number of companies reporting worse than expected earnings and/or weak forecasts.

Due to the uncertainty over Japan, European sovereign debt, and other issues such as rising oil and commodities prices we reiterate once again that this is a short-term trader's market.

Q4 earnings season ended with 67.7% of the S&P 500 having exceeded expectations, 8.0% were in line, and 24.2% disappointed. This was a worse performance than Q3 when 19% of the S&P 500 had lower than expected earnings, the highest percentage since 19.1% in Q2 2009. 70.7% beat estimates in Q3, a strong number, but that was the lowest since Q1 2009. **Therefore, in spite of our opinion that this bull market still has a ways to go, we are watchful for deteriorating trends that could change our current positive long-term outlook.**

In spite of the recent turmoil in Japan and the Middle East along with worries about oil and possible inflation, aggregate earnings estimates continue to rise. Currently S&P 500 projected earnings for 2011 are now over \$97. The current S&P 500 P/E is 15.55. A 15 P/E on \$97 would put the index at 1455. Should projections follow the recent trend those numbers will move higher. Estimates for 2012 are almost \$111, projecting earnings growth of 13.55% over 2011. A 15 P/E on \$111 equates to 1665 on the S&P 500, 26.17% higher than current levels.

We are now in year three three of the Presidential Cycle. 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 last year's S&P 500 low of 1010 that would equate to a move to 1500 sometime in 2011.

Based on the S&P 500 the short-term, intermediate-term and long-term trends remain up. This remains a short-term trader's market, and investors need to be alert for sector rotation.

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S&P 500 Cash (1,319.71, 1,319.75, 1,319.68, 1,319.68, +0.03)



The S&P 500 found support Thursday around the Fibonacci 38.2% retracement level (1304.92) of the rally off the 3/16 low.

30-minute momentum indicators are mixed with the good news that the stochastic is at a low level.

S&P 500 Cash (1,314.54, 1,322.88, 1,313.68, 1,319.68, +5.16)



The S&P 500 daily chart shows it closed above its 20 and 50-sma. The 20-sma has crossed over the 50-sma. It has been under it since 3/22.

Daily momentum indicators are looking better with only the MACD needing some improvement.

S&P 500 Cash (1,329.01, 1,333.77, 1,302.42, 1,319.68, -8.49)



The weekly chart of the S&P 500 shows it is consolidating over 1300.

Weekly momentum indicators are mixed.

NASDAQ 100 (2,304.46, 2,316.82, 2,293.53, 2,307.58, -3.67)



The Nasdaq 100 daily chart shows that after a series of days where it closed below its open buyers have started to show up. It still looks vulnerable as it closed Friday below its 20 and 50-sma.

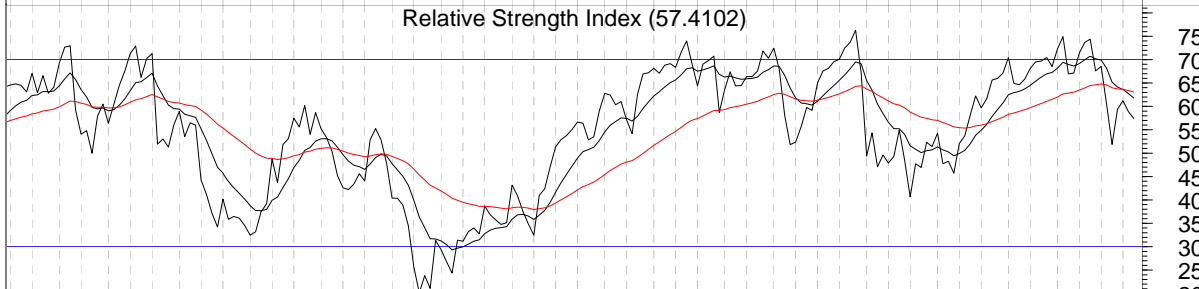
Daily momentum indicators still look negative.

NASDAQ 100 (2,330.26, 2,333.98, 2,288.68, 2,307.58, -13.60)



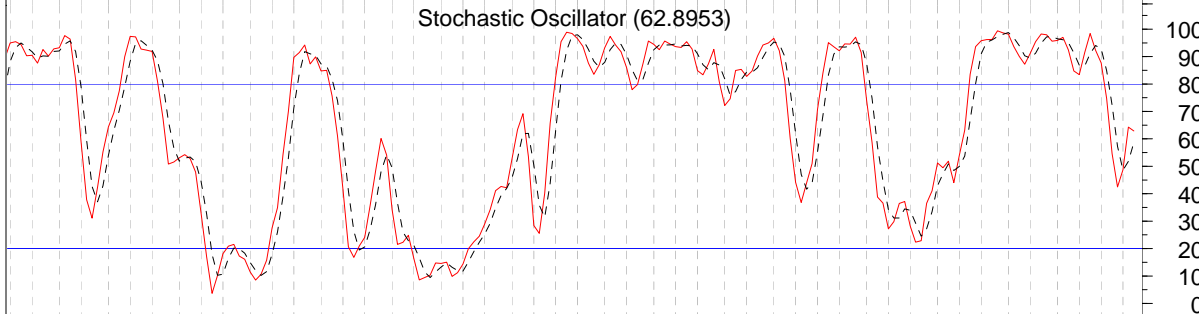
After gapping down from its 2/18 high the weekly chart of the Nasdaq 100 has a series of lower tops.

Relative Strength Index (57.4102)

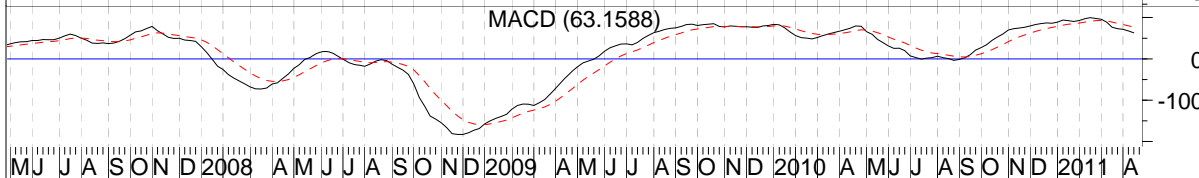


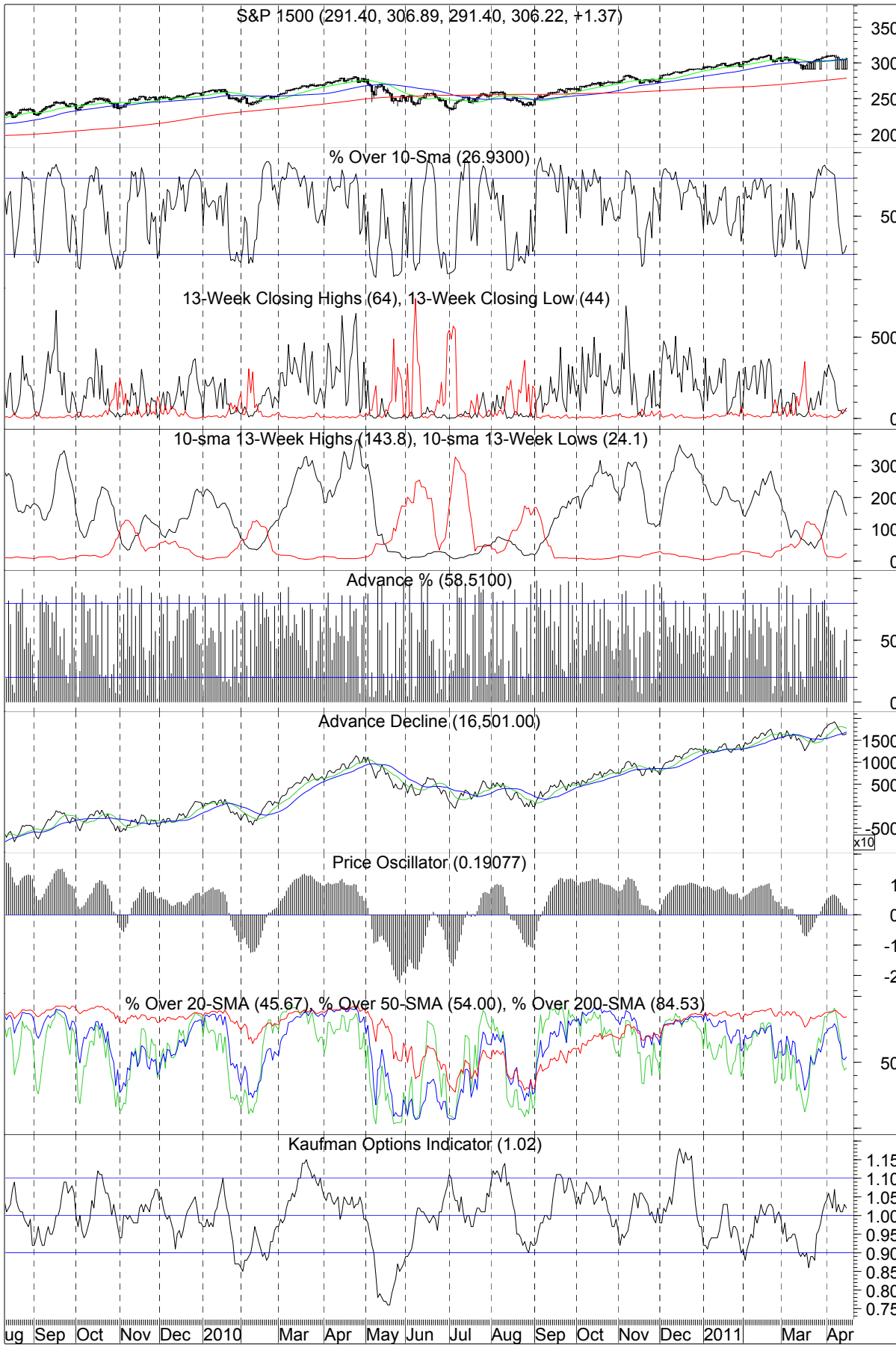
Weekly momentum indicators look negative although the stochastic is showing a positive crossover.

Stochastic Oscillator (62.8953)



MACD (63.1588)





The percent over 10-sma almost entered the oversold zone Wednesday.

13-week closing highs have shrunk dramatically but lows have not expanded much, showing a lack of sellers as well as buyers.

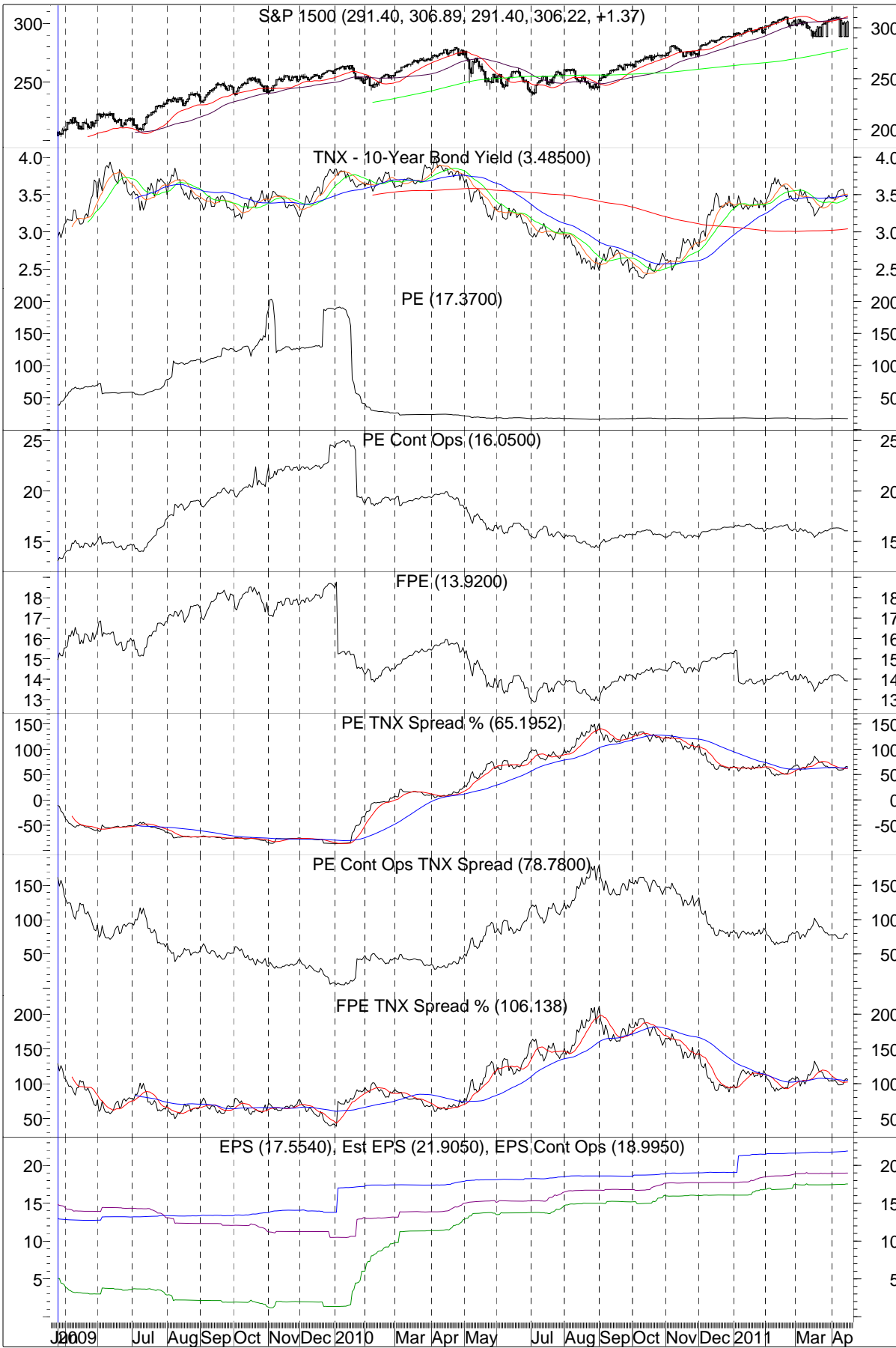
Market breadth has been weak in April.

The Advance Decline line made a new high recently, which is a positive.

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

Short-term numbers are weak here, while the longer-term percent over 200-sma is still bullish at 84.53%.

Our proprietary options indicator is just above the neutral line. It hit 1.07 on 4/6 showing options buyers were getting too optimistic. We prefer to see pessimism and readings below 1.00.



The 10-year bond yield fell below its 20 and 50-sma again last week and remains in its recent multi-month range.

P/E ratios are also range-bound.

Spreads between equity and bond yields are also range-bound but they expanded a little after nearing the bottom of those ranges. They are still at levels where stocks should be attractive versus bonds.

We are entering the heavy weeks of earnings season so we will see if these earnings metrics continue to flat line or if they jump higher.

Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Dow Jones Industrials	12341.83	0.46%	-0.31%	-0.31%	0.18%	0.18%	6.60%	12450.93	2011-04-06	9614.32	2010-07-02
S&P Smallcap 600	442.10	0.91%	-0.50%	-0.50%	-1.01%	-1.01%	6.34%	454.85	2011-04-06	315.22	2010-08-24
S&P Midcap 400	982.57	0.83%	-0.51%	-0.51%	-0.66%	-0.66%	8.30%	1007.30	2011-04-06	692.75	2010-07-01
Nasdaq Composite	2764.65	0.16%	-0.57%	-0.57%	-0.59%	-0.59%	4.21%	2840.51	2011-02-18	2061.14	2010-07-01
Nasdaq 100	2307.58	-0.16%	-0.59%	-0.59%	-1.34%	-1.34%	4.05%	2403.52	2011-02-16	1700.04	2010-07-01
S&P 1500	306.22	0.45%	-0.62%	-0.62%	-0.50%	-0.50%	5.27%	311.19	2011-02-18	232.54	2010-07-01
S&P 500	1319.68	0.39%	-0.64%	-0.64%	-0.46%	-0.46%	4.93%	1344.07	2011-02-18	1010.91	2010-07-01
NYSE Composite	8400.31	0.31%	-0.99%	-0.99%	-0.06%	-0.06%	5.48%	8545.78	2011-04-08	6355.83	2010-07-01
Bank of New York Mellon ADR	145.77	-0.19%	-1.40%	-1.40%	0.93%	0.93%	4.02%	148.80	2011-02-18	109.79	2010-05-25

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Consumer Staples	318.65	0.51%	2.05%	2.05%	3.17%	3.17%	4.96%	318.88	2011-04-15	260.65	2010-07-01
Health Care	392.28	0.93%	1.65%	1.65%	2.42%	2.42%	7.54%	393.23	2011-04-15	318.89	2010-07-01
Consumer Discretionary	310.19	0.60%	0.45%	0.45%	0.58%	0.58%	4.96%	315.79	2011-02-18	225.71	2010-07-01
Utilities	163.02	1.09%	0.34%	0.34%	0.68%	0.68%	2.31%	165.74	2011-03-09	138.57	2010-05-25
Telecom Services	132.27	0.65%	0.06%	0.06%	-0.74%	-0.74%	2.74%	134.14	2011-04-01	98.67	2010-05-06
Industrials	321.54	0.36%	-0.76%	-0.76%	-1.31%	-1.31%	6.78%	330.50	2011-04-01	232.54	2010-07-06
Information Technology	411.03	-0.41%	-1.09%	-1.09%	-1.58%	-1.58%	1.60%	439.61	2011-02-18	323.47	2010-07-01
Financials	217.27	0.06%	-2.00%	-2.00%	-1.56%	-1.56%	1.16%	231.18	2011-02-16	178.83	2010-08-25
Materials	245.01	0.64%	-2.26%	-2.26%	-1.74%	-1.74%	2.25%	256.93	2011-04-06	168.44	2010-07-01
Energy	573.06	0.91%	-3.06%	-3.06%	-2.76%	-2.76%	13.09%	597.88	2011-03-31	365.74	2010-07-01

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Household & Personal Products	383.28	1.00%	2.59%	2.59%	3.09%	3.09%	1.34%	390.72	2011-01-25	339.42	2010-05-06
Consumer Durables & Apparel	171.15	0.46%	2.56%	2.56%	2.40%	2.40%	1.54%	177.47	2011-02-18	127.38	2010-07-06
Real Estate	131.85	1.32%	2.28%	2.28%	0.47%	0.47%	9.35%	132.99	2011-03-01	93.55	2010-07-06
Food, Beverage & Tobacco	377.14	0.36%	2.06%	2.06%	3.02%	3.02%	7.01%	377.75	2011-04-15	294.78	2010-05-25
Pharmaceuticals, Biotech & Life Sci	355.47	1.02%	1.93%	1.93%	3.07%	3.07%	5.29%	356.19	2011-04-15	299.26	2010-07-01
Food & Staples Retailing	202.70	0.39%	1.49%	1.49%	3.65%	3.65%	3.58%	203.40	2011-01-26	162.45	2010-07-01
Consumer Services	474.49	0.79%	1.41%	1.41%	0.19%	0.19%	1.45%	483.97	2011-02-18	371.65	2010-07-01
Health Care Equip & Services	403.26	0.79%	1.16%	1.16%	1.32%	1.32%	12.30%	404.52	2011-04-15	296.30	2010-08-31
Transportation	340.23	0.68%	0.74%	0.74%	-1.34%	-1.34%	2.90%	348.84	2011-04-01	247.54	2010-07-06
Retailing	528.39	0.26%	0.44%	0.44%	2.45%	2.45%	3.94%	531.49	2011-04-06	379.61	2010-07-01
Commercial & Professional Service	154.75	0.45%	0.43%	0.43%	1.36%	1.36%	6.34%	156.64	2011-04-06	122.63	2010-06-08
Utilities	163.02	1.09%	0.34%	0.34%	0.68%	0.68%	2.31%	165.74	2011-03-09	138.57	2010-05-25
Media	222.52	1.11%	0.11%	0.11%	-0.95%	-0.95%	12.22%	230.21	2011-03-03	158.64	2010-07-01
Telecom Services	132.27	0.65%	0.06%	0.06%	-0.74%	-0.74%	2.74%	134.14	2011-04-01	98.67	2010-05-06
Software & Services	542.27	-0.75%	-0.93%	-0.93%	-0.08%	-0.08%	3.02%	562.10	2011-02-18	410.27	2010-07-01
Technology Hardware & Equipmen	433.08	-0.39%	-1.15%	-1.15%	-3.28%	-3.28%	-0.38%	483.22	2011-02-09	350.49	2010-08-27
Capital Goods	348.71	0.29%	-1.18%	-1.18%	-1.48%	-1.48%	7.76%	359.51	2011-04-01	250.06	2010-07-06
Insurance	191.70	0.31%	-1.22%	-1.22%	-1.67%	-1.67%	1.85%	202.29	2011-02-18	156.79	2010-05-25
Semiconductors & Equipment	345.77	0.73%	-1.45%	-1.45%	-1.94%	-1.94%	2.40%	380.50	2011-02-18	262.69	2010-08-31
Materials	245.01	0.64%	-2.26%	-2.26%	-1.74%	-1.74%	2.25%	256.93	2011-04-06	168.44	2010-07-01
Diversified Financials	338.35	-0.20%	-2.70%	-2.70%	-1.18%	-1.18%	0.88%	382.07	2010-04-15	278.07	2010-08-31
Automobiles & Components	112.28	-0.17%	-2.89%	-2.89%	-2.85%	-2.85%	-4.97%	130.31	2011-01-13	74.25	2010-06-29
Energy	573.06	0.91%	-3.06%	-3.06%	-2.76%	-2.76%	13.09%	597.88	2011-03-31	365.74	2010-07-01
Banks	144.22	-0.29%	-3.49%	-3.49%	-3.48%	-3.48%	-3.07%	165.92	2010-04-21	115.69	2010-08-31

INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Turkey TUR	69.74	1.10%	1.57%	9.24%	9.24%	5.33%	79.00	2010-11-09	44.40	2010-05-06
Switzerland EWL	26.21	0.58%	1.43%	3.64%	3.64%	4.51%	26.21	2011-04-15	18.70	2010-05-25
South Korea EWY	65.62	0.14%	1.00%	1.97%	1.97%	7.24%	65.94	2011-04-06	40.65	2010-05-25
Thailand THD	70.40	0.24%	0.93%	5.37%	5.37%	8.96%	70.63	2011-04-15	41.82	2010-05-21
Israel EIS	60.12	0.23%	0.91%	1.78%	1.78%	-0.66%	61.79	2011-01-19	45.00	2010-05-06
Singapore EWS	14.10	0.21%	0.79%	3.15%	3.15%	1.81%	14.56	2010-11-09	10.47	2010-05-25
Indonesia IDX	30.70	1.55%	0.72%	2.54%	2.54%	5.49%	31.05	2010-11-09	19.73	2010-05-25
Japan EWJ	10.03	-0.12%	0.50%	-2.76%	-2.76%	-8.07%	11.63	2011-02-18	9.15	2010-06-07
Belgium EWK	14.68	0.07%	0.14%	4.04%	4.04%	11.81%	14.73	2011-04-13	8.93	2010-05-06
Hong Kong EWH	19.56	0.41%	-0.15%	3.33%	3.33%	3.38%	20.24	2010-11-08	14.08	2010-05-21
China 25 FXI	45.79	0.53%	-0.50%	1.96%	1.96%	6.27%	47.99	2010-11-08	36.24	2010-05-06
Germany EWG	26.72	-0.41%	-0.56%	2.97%	2.97%	11.61%	26.96	2011-04-08	17.97	2010-05-25
Mexico EWW	63.39	0.40%	-0.75%	0.86%	0.86%	2.37%	64.50	2011-04-06	45.11	2010-05-25
Chile ECH	74.02	0.30%	-0.92%	3.03%	3.03%	-7.01%	80.35	2010-12-20	27.26	2010-05-06
United Kingdom EWU	18.36	0.05%	-0.97%	2.51%	2.51%	5.70%	18.70	2011-04-11	13.25	2010-05-25
Australia EWA	27.23	-0.48%	-1.20%	2.29%	2.29%	7.04%	27.96	2011-04-08	18.26	2010-05-25
Sweden EWD	33.30	-0.26%	-1.36%	1.56%	1.56%	6.63%	33.93	2011-04-08	19.00	2010-05-06
Austria EWO	23.37	-0.55%	-1.48%	-0.13%	-0.13%	4.66%	23.85	2011-04-08	14.91	2010-06-08
Netherlands EWN	23.11	-0.82%	-1.62%	0.26%	0.26%	9.58%	23.64	2011-04-08	16.64	2010-05-25
Malaysia EWM	14.67	-0.20%	-1.74%	-0.81%	-0.81%	2.02%	15.02	2011-04-07	10.60	2010-05-25
Emerging Markets EEM	49.14	0.13%	-1.81%	0.96%	0.96%	3.13%	50.30	2011-04-06	35.19	2010-05-25
France EWQ	27.17	-0.55%	-1.84%	0.89%	0.89%	11.12%	27.80	2011-04-08	19.24	2010-05-25
Italy EWI	18.88	-0.74%	-2.18%	1.61%	1.61%	15.26%	19.40	2011-04-11	13.21	2010-06-07
India IFN	32.23	-1.13%	-2.30%	-2.19%	-2.19%	-8.20%	36.88	2010-11-08	23.97	2010-05-25
Taiwan EWT	15.07	-0.86%	-2.40%	1.40%	1.40%	-3.52%	16.08	2011-02-07	10.81	2010-06-08
BRIC EEB	47.33	0.00%	-2.51%	-0.19%	-0.19%	2.58%	48.96	2011-04-06	23.23	2010-05-06
Latin America ILF	53.21	0.38%	-2.83%	-1.08%	-1.08%	-1.21%	55.38	2011-04-06	39.18	2010-05-25
Spain EWP	43.03	-1.01%	-2.98%	1.44%	1.44%	17.12%	45.02	2010-04-15	29.85	2010-06-08
Brazil EWZ	77.11	0.80%	-3.14%	-0.52%	-0.52%	-0.37%	81.55	2010-11-04	57.03	2010-05-25
Canada EWC	33.11	-0.24%	-3.44%	-1.49%	-1.49%	6.81%	34.57	2011-04-06	22.75	2010-05-06
Vietnam VNM	23.66	-1.95%	-3.74%	-0.29%	-0.29%	-9.63%	30.34	2010-12-13	21.81	2010-08-25
Russia RSX	40.82	0.47%	-4.56%	-1.95%	-1.95%	7.68%	43.16	2011-04-04	26.06	2010-05-25
South Africa EZA	71.95	-0.11%	-4.85%	-1.34%	-1.34%	-3.66%	75.99	2011-04-08	23.00	2010-05-06