

Monday December 5, 2011

Closing prices of December 2, 2011

Strong seasonality finally had its say last week as stocks rebounded from extreme oversold conditions to record the best week for the S&P 500 since March of 2009. Last week we discussed the lack of liquidity and this problem was obviously evident to central bankers around the globe as they acted in concert last week to alleviate problems at European banks. The result was a blastoff for equities led by the stocks that are always most affected by liquidity issues, smallcaps. The S&P Smallcap Index vaulted 10.08% for the week, while the home of the large-caps, the S&P 500, jumped 7.39%.

Our count of lopsided 90% trading days (90% or more advancers or 90% or more decliners during a session) continues to ratchet higher with two 90% up days recorded last week. That brings our S&P 1500 total to sixty-eight so far in 2011. That compares to forty-seven for all of 2010, thirty-nine in 2008, and a mere fourteen back in 2006. 2010's forty-seven has been surpassed this year by the fifty we have had just since June 28th! Investors need to get used to this type of monolithic market as recent structural changes are not going away and this type of all or none trading has probably become the norm.

In the short-term stocks have gotten overbought not far from resistance. The S&P 500 printed a bearish shooting star candle on its daily chart Friday as it got near an important resistance area just under its down sloping 200-day moving average, the downtrend line from the July top, and a Fibonacci retracement level. The index has been closely following Fibonacci retracement ratios as the recent down leg stopped just above the 61.8% retracement of the terrific rally off the October low, and Friday's top was less than a point away from the 76.4% retracement of the move down from the October high. Amazingly, the percentage of stocks trading over their own 10-day moving averages moved from an extremely oversold 1.47% on November 25th to an extremely overbought 94.2% a mere three sessions later. It is currently a still overbought 93.67%.

Our road map for equities at this time calls for a pullback/consolidation due to the overbought condition with the rally continuing thereafter to finish the year decently. We expect the usual mid-December tax loss selling and later a Santa Claus rally. Hopefully this will not be trumped by more European drama, and if not we will be able to start thinking about fourth quarter earnings season once we get into January. At that point we will see if the lowering of estimates for 2012 will continue, or if earnings will once again act as a catalyst for stocks to move higher as they have for the past few earnings seasons. If they do rally on earnings news we will of course be concerned yet again about the recent pattern of investors being willing to buy stocks during earnings season but not willing to hold them as earning season wanes. Also, in spite of last week's fireworks, we are still concerned about the recent lack of liquidity and investor demand.

Valuations based on spreads between equity and bond yields remain at levels where stocks should be very attractive versus bonds, but they still reflect stress in the financial system. Third quarter earnings season is essentially over as 98.4% of stocks have reported, so earnings as a catalyst are out of the way. Of the 492 of the S&P 500 that have reported 69.3% exceeded expectations, 9.6% were in line, and 21.1% disappointed. These are good numbers and are just slightly worse than Q3 2010. Current S&P 500 projected earnings for 2011 are just over \$99, and the 2012 number is now under \$109. They currently project 2012 earnings growth of 9.94% over 2011, down from 10.15% last week. **A 13 P/E based on these numbers equates to an S&P 500 of 1288 and 1416 respectively.** Reported earnings have been rising, but projected earnings have not followed suit and have been dropping. Should that change and estimates start to go up, that could be a catalyst for stocks to move higher. For now the difference between projected and reported earnings has been narrowing and is the smallest we have seen in quite a while.

In summary, stocks are short-term overbought. In spite of last week's fireworks investors still need to be cautious due to European sovereign debt issues and the recent lack of liquidity and investor demand. Recent economic news has shown improvements, but we continue monitoring for any signs of a global economic slowdown. This remains a short-term trader's market. Based on the S&P 500 the short-term and intermediate-term trends are up, while the long-term trend remains down.

IMPORTANT DISCLOSURES

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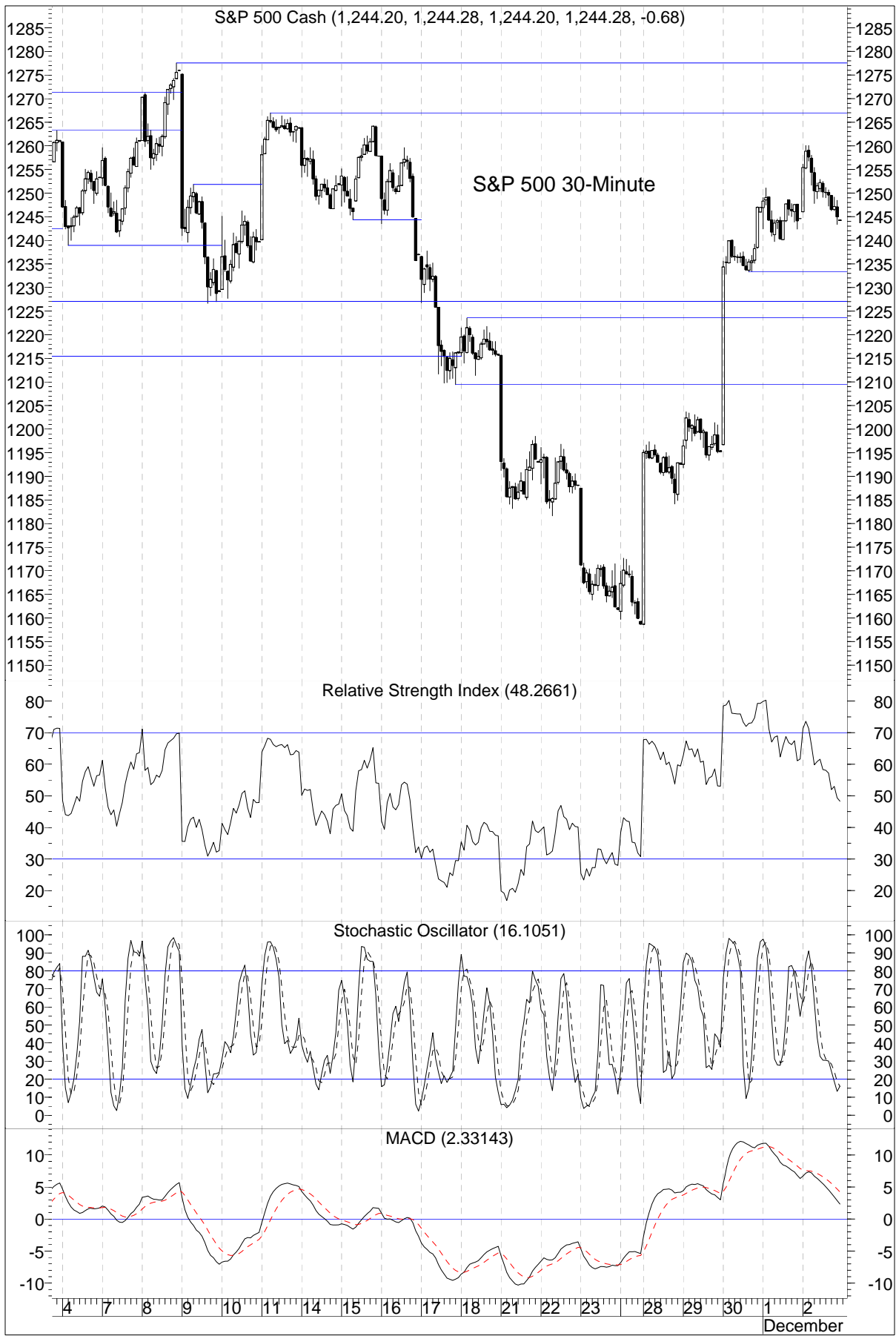
Indexes, Sectors, and Industry Groups

	Price	Daily	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
S&P Smallcap 600	408.73	0.41%	10.08%	-0.43%	15.01%	-1.68%	462.42	7/7/2011	334.10	10/4/2011
Dow Jones Transportation	4946.67	0.77%	9.12%	0.01%	18.08%	-3.13%	5627.85	7/7/2011	3950.66	10/4/2011
Bank of New York Mellon ADR	121.34	0.14%	8.95%	-0.41%	7.76%	-13.41%	151.73	5/2/2011	106.98	10/4/2011
S&P Midcap 400	881.10	0.29%	8.45%	-0.30%	12.78%	-2.88%	1018.65	5/2/2011	731.62	10/4/2011
NYSE Composite	7453.55	0.04%	8.05%	-0.41%	9.75%	-6.41%	8718.25	5/2/2011	6414.89	10/4/2011
Nasdaq Composite	2626.93	0.03%	7.59%	0.25%	8.76%	-0.98%	2887.75	5/2/2011	2298.89	10/4/2011
S&P 1500	287.30	0.02%	7.57%	-0.23%	10.38%	-1.24%	317.94	5/2/2011	247.50	10/4/2011
S&P 500	1244.28	-0.02%	7.39%	-0.21%	9.98%	-1.06%	1370.58	5/2/2011	1074.77	10/4/2011
Nasdaq 100	2302.04	-0.31%	7.03%	0.30%	7.61%	3.80%	2438.44	7/26/2011	2034.92	8/9/2011
Dow Jones Industrials	12019.42	-0.01%	7.01%	-0.22%	10.13%	3.82%	12876.00	5/2/2011	10404.49	10/4/2011

	Price	Daily	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Energy	522.32	-0.08%	10.08%	-0.78%	17.96%	3.07%	599.69	5/2/2011	412.52	10/4/2011
Financials	173.14	1.36%	9.49%	0.39%	8.86%	-19.38%	231.18	2/16/2011	147.48	10/4/2011
Materials	213.91	-0.74%	8.48%	-1.35%	15.91%	-10.73%	256.93	4/6/2011	174.61	10/4/2011
Industrials	288.69	-0.09%	8.14%	-0.32%	14.28%	-4.13%	336.90	5/2/2011	238.89	10/4/2011
Information Technology	415.47	-0.15%	7.39%	0.43%	9.86%	2.70%	439.61	2/18/2011	357.37	8/19/2011
Consumer Discretionary	307.80	0.77%	7.35%	0.79%	11.71%	4.15%	330.13	7/7/2011	261.24	10/4/2011
Health Care	386.59	-1.25%	5.76%	-1.16%	5.13%	5.98%	421.69	5/19/2011	342.59	8/9/2011
Telecom Services	124.60	-0.03%	5.76%	-0.43%	2.12%	-3.21%	136.43	5/31/2011	113.74	8/9/2011
Consumer Staples	325.91	-0.22%	4.43%	-0.52%	6.26%	7.36%	333.90	5/20/2011	290.40	8/9/2011
Utilities	175.34	-1.04%	3.93%	-1.27%	2.68%	10.04%	180.02	10/27/2011	149.11	8/9/2011

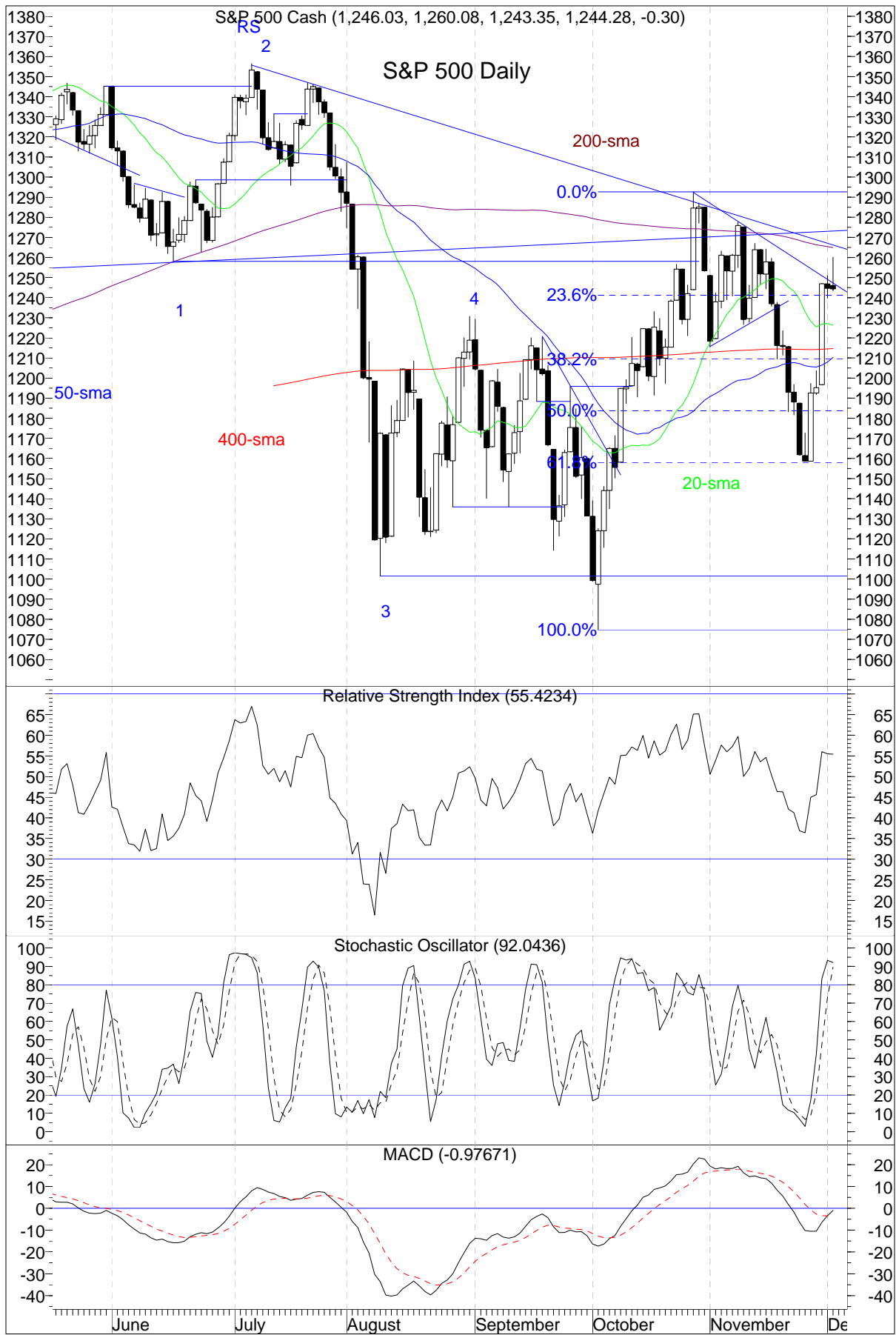
	Price	Daily	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Automobiles & Components	88.34	2.46%	12.59%	2.15%	15.51%	-25.23%	130.31	1/13/2011	71.16	10/4/2011
Diversified Financials	235.12	2.79%	11.68%	1.86%	7.06%	-29.90%	364.93	2/16/2011	198.18	10/4/2011
Energy	522.32	-0.08%	10.08%	-0.78%	17.96%	3.07%	599.69	5/2/2011	412.52	10/4/2011
Banks	124.08	1.27%	10.00%	0.43%	9.65%	-16.61%	160.90	2/15/2011	104.66	8/23/2011
Materials	213.91	-0.74%	8.48%	-1.35%	15.91%	-10.73%	256.93	4/6/2011	174.61	10/4/2011
Capital Goods	309.66	-0.11%	8.45%	-0.17%	14.65%	-4.31%	365.91	5/2/2011	254.65	10/4/2011
Semiconductors & Equipment	337.91	-0.83%	8.38%	-0.57%	12.55%	0.07%	380.50	2/18/2011	285.81	8/19/2011
Media	209.11	1.17%	8.22%	0.89%	13.80%	5.46%	236.86	5/2/2011	173.60	10/4/2011
Insurance	169.61	0.02%	7.79%	-0.97%	10.95%	-9.88%	202.29	2/18/2011	143.99	9/22/2011
Software & Services	553.99	-0.12%	7.55%	0.48%	9.65%	5.24%	573.36	7/26/2011	469.23	8/19/2011
Transportation	325.23	-0.05%	7.45%	-0.88%	16.55%	-1.63%	362.77	7/7/2011	266.62	10/4/2011
Consumer Durables & Apparel	181.56	0.33%	7.04%	-0.03%	16.05%	7.72%	187.42	7/7/2011	144.47	8/9/2011
Technology Hardware & Equipment	436.81	0.04%	6.87%	0.71%	9.27%	0.48%	483.22	2/9/2011	380.20	10/4/2011
Consumer Services	527.59	0.44%	6.48%	0.44%	12.48%	12.80%	532.49	10/27/2011	446.24	10/4/2011
Health Care Equip & Services	376.54	-1.84%	6.43%	-1.39%	5.57%	4.86%	437.91	5/19/2011	332.83	10/4/2011
Retailing	532.10	0.44%	6.34%	0.89%	7.95%	4.67%	559.79	7/7/2011	458.07	8/9/2011
Commercial & Professional Service	131.30	-0.05%	6.09%	-0.51%	1.91%	-9.78%	158.79	5/19/2011	118.22	8/9/2011
Real Estate	123.58	-0.05%	5.81%	-1.26%	9.13%	2.49%	140.11	7/22/2011	105.72	10/4/2011
Telecom Services	124.60	-0.03%	5.76%	-0.43%	2.12%	-3.21%	136.43	5/31/2011	113.74	8/9/2011
Pharmaceuticals, Biotech & Life Sci	360.74	-0.93%	5.42%	-1.04%	4.89%	6.85%	380.22	5/19/2011	315.10	8/9/2011
Household & Personal Products	388.89	0.53%	5.28%	-0.36%	2.38%	2.83%	403.63	5/17/2011	345.75	8/9/2011
Food, Beverage & Tobacco	387.41	-0.35%	4.27%	-0.56%	6.54%	9.92%	393.57	5/20/2011	340.16	1/31/2011
Food & Staples Retailing	206.72	-0.60%	4.00%	-0.55%	9.70%	5.63%	214.48	5/16/2011	178.65	8/9/2011
Utilities	175.34	-1.04%	3.93%	-1.27%	2.68%	10.04%	180.02	10/27/2011	149.11	8/9/2011

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The S&P 500 broke through multiple levels of resistance on the 30-minute chart last week.

30-minute momentum is negative but the stochastic is oversold.



The daily chart of the S&P 500 printed a bearish shooting star candle Friday. It got near an important resistance area under the down sloping 200-sma and a downtrend line. The index has been closely following Fibonacci numbers as the recent down leg stopped just above the 61.8% retracement of the terrific rally off the October low, and Friday's top was less than a point away from the 76.4% retracement of the move down from the October high.

Daily momentum is mostly positive but the stochastic is overbought.

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S&P 500 Cash (1,158.67, 1,260.08, 1,158.67, 1,244.28, +85.61)



Literally .01 of a point from a bullish engulfing candle on the weekly chart of the S&P 500 but good enough for us to accept the same interpretation.

Weekly momentum is mixed.

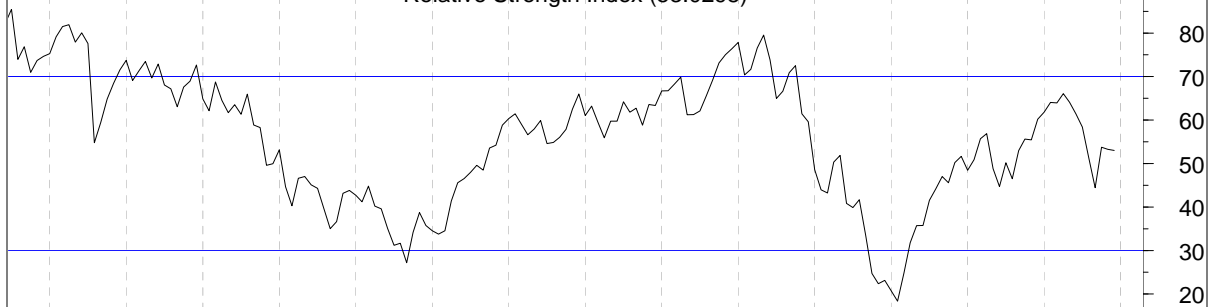
S&P 500 Cash (1,246.91, 1,260.08, 1,239.73, 1,244.28, -2.68)

S&P 500 Monthly

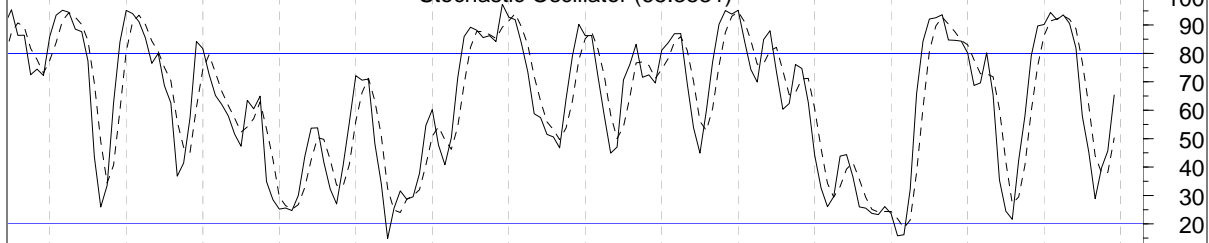


After a scary start November rebounded to print a long-legged doji-like candle on the monthly chart.

Relative Strength Index (53.0298)

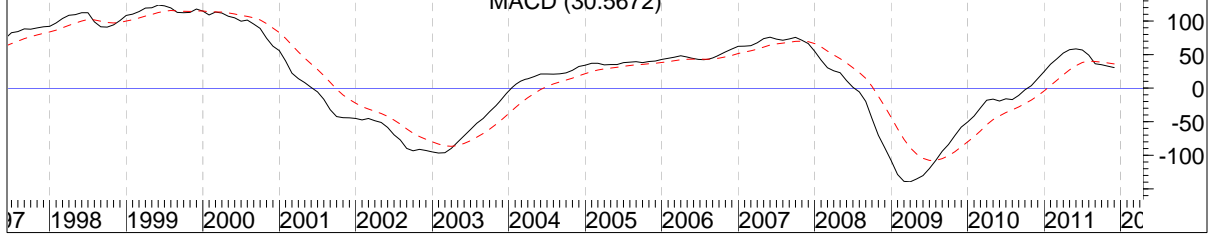


Stochastic Oscillator (65.3531)



Monthly momentum is mixed.

MACD (30.5672)



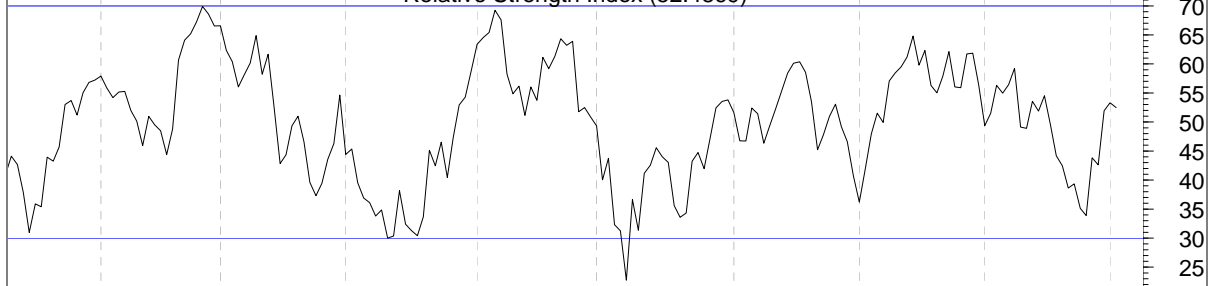
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NASDAQ 100 (2,327.87, 2,331.12, 2,301.25, 2,302.04, -7.16)



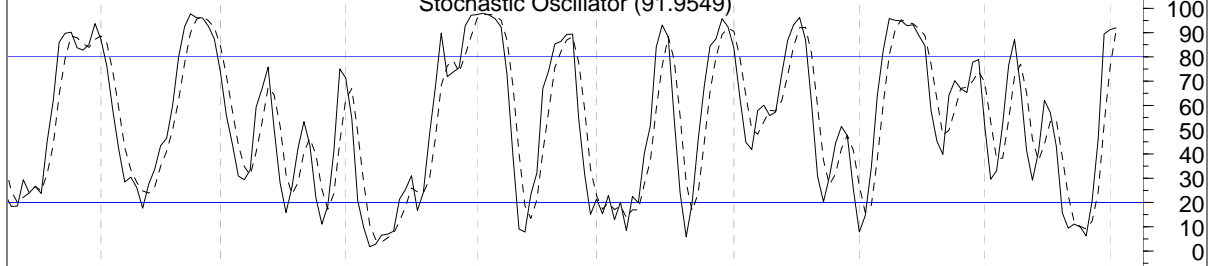
A bearish dark cloud cover on the Nasdaq 100 daily chart. It close above the 20, 50, and 200-sma, all of which are clustered together.

Relative Strength Index (52.4869)

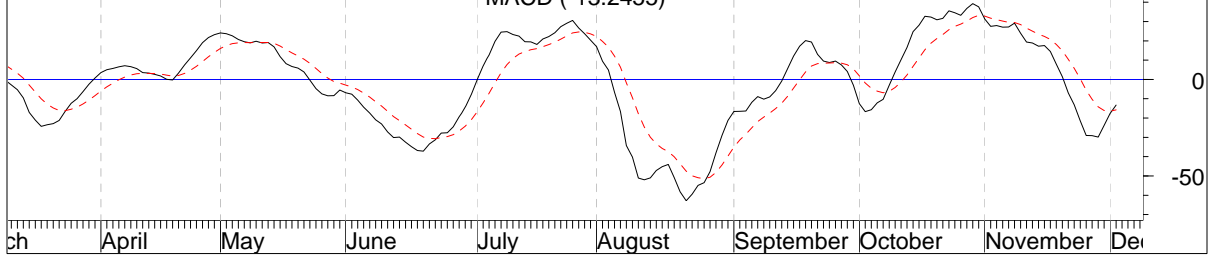


Daily momentum is mixed with the stochastic at an overbought level.

Stochastic Oscillator (91.9549)



MACD (-13.2455)



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NASDAQ 100 (2,207.68, 2,331.12, 2,205.77, 2,302.04, +151.16)

Nasdaq 100 Weekly

20-sma

40-sma

80-sma

The Nasdaq 100 filled the gap on the weekly chart and closed above its 20, 40, and 80-week moving averages.

Relative Strength Index (51.6773)

Weekly momentum is mixed.

Stochastic Oscillator (22.8839)

MACD (4.45575)

A S O N D 2009 A M J J A S O N D 2010 A M J J A S O N D 2011 A M J J A S O N D

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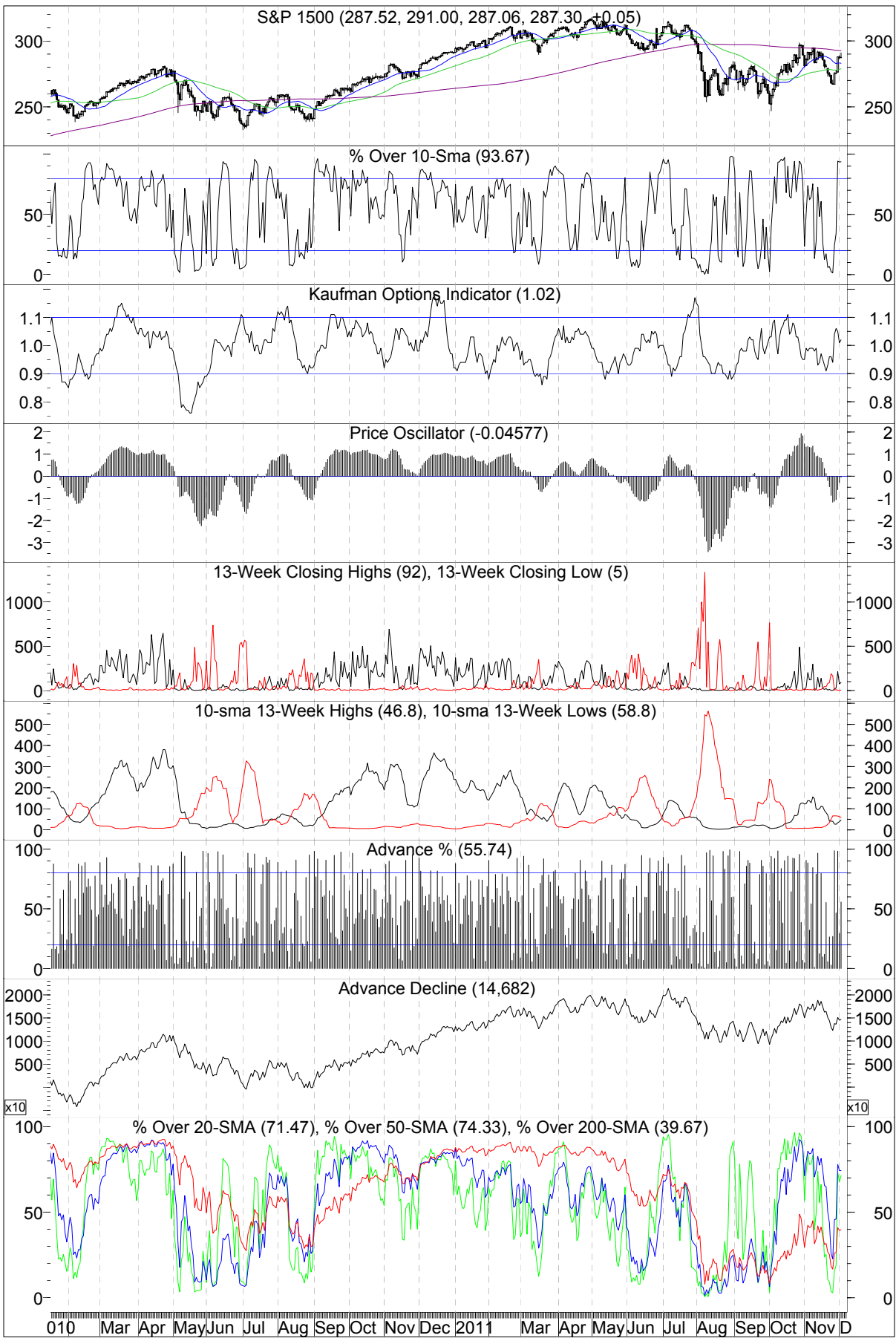
NASDAQ 100 (2,294.27, 2,331.12, 2,292.26, 2,302.04, +6.84)



The Nasdaq 100 printed a long-legged doji on the monthly chart. This is a sign of indecision.

Monthly momentum is mostly positive.

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The percent over 10-sma is overbought at 93.67%.

Our options indicator is just above neutral at 1.02.

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

13-week closing highs have been greater than 13-week lows for the last week.

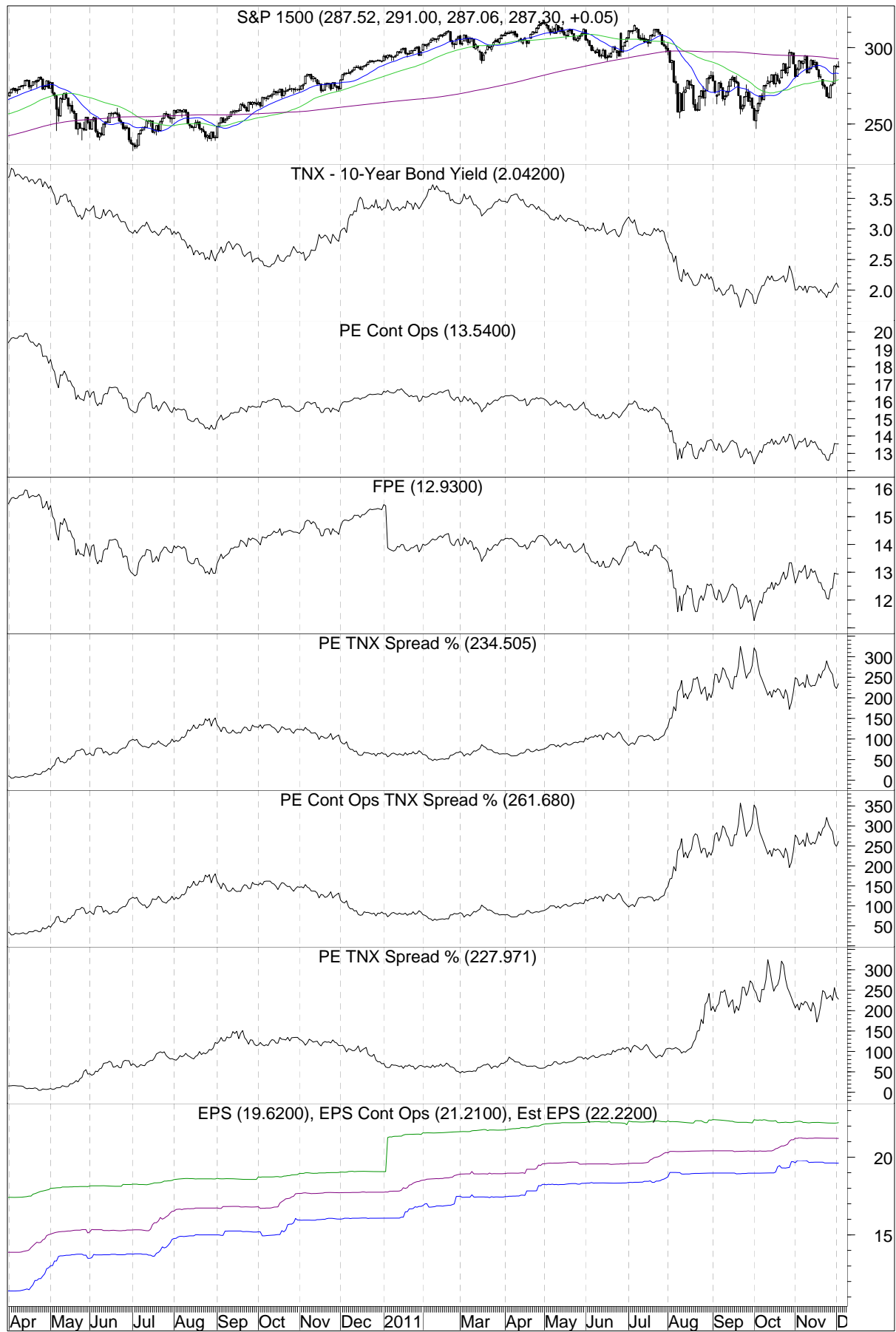
The 10-sma of 13-week lows is still greater than the 10-sma of 13-week highs.

Two more 90% breadth days last week, fortunately on the positive side.

The AD line is still below its 10 and 20-day EMA.

A rapid recovery in the shorter-term numbers last week while the longer-term percent over 200-sma bounced back into its recent range.

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10-year bond yields have been in a tight range for a while.

The P/E from continuing operations has been in a very tight range.

The forward P/E has stated to move higher but is still under its pre-August range.

Spreads between equity and bond yields narrowed last week as stocks and bond yields rose in tandem. They are still in the range they have been in since August, and they are still at levels where stocks are very attractive versus bonds.

All of our EPS numbers are flatlining. This probably won't change much until we get into January and Q4 earnings season.

US Dollar Index Cash (78.30, 78.77, 77.97, 78.63, +0.32)

U.S. Dollar Index Daily

20-sma

200-sma

50-sma

A bullish engulfing candle on the daily chart of the US Dollar Index as it held support at the 20-sma.

Relative Strength Index (55.4366)

Daily momentum is mixed.

Stochastic Oscillator (29.5386)

MACD (0.42416)

h April May June July August September October November Dec

US Dollar Index Cash (79.60, 79.61, 77.92, 78.63, -1.06)

U.S. Dollar Index Weekly



A pullback in the Dollar last week after four strong weeks.

Weekly momentum is mostly positive.

US Dollar Index Cash (78.36, 78.77, 77.97, 78.63, +0.24)

U.S. Dollar Index Monthly

12-sma

3-sma

The Dollar Index remains above its 3 and 12-month moving averages.

Relative Strength Index (51.3127)

Monthly momentum is positive.

Stochastic Oscillator (68.7253)

MACD (-0.81584)

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011

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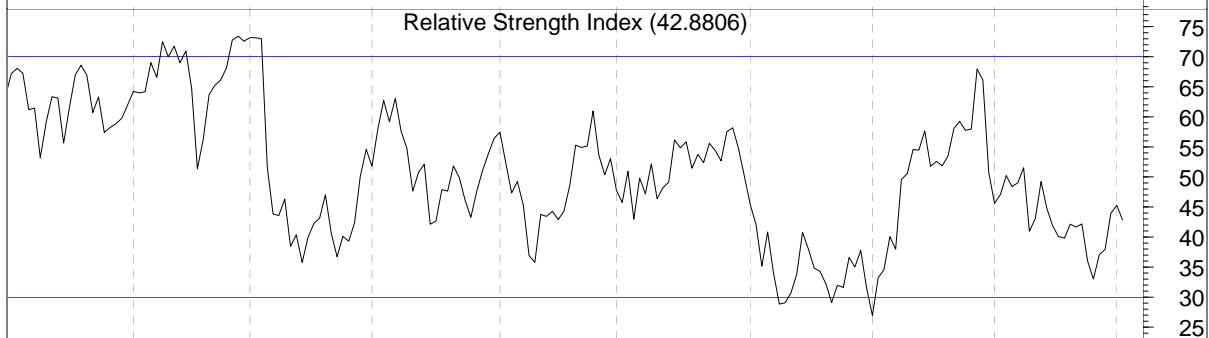
CURRENCYSHARES EURO ETF (134.4700, 134.4700, 133.1200, 133.5500, -0.5600)

Euro ETF Daily



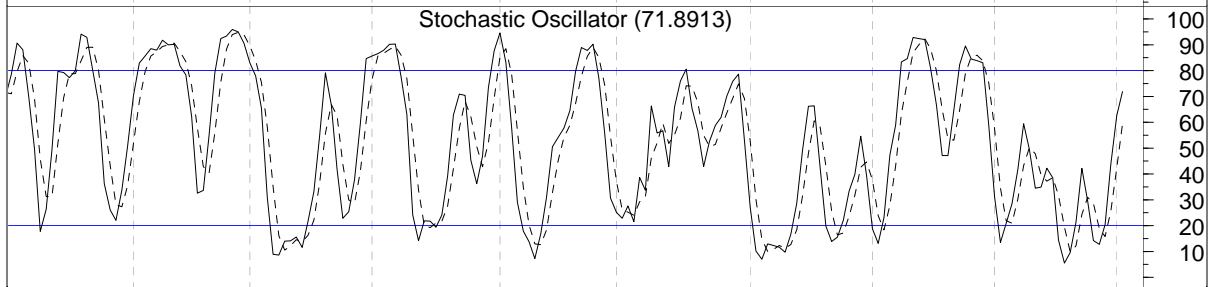
The Euro bounced last week after printing an inverted hammer which marked the low on 11/25.

Relative Strength Index (42.8806)

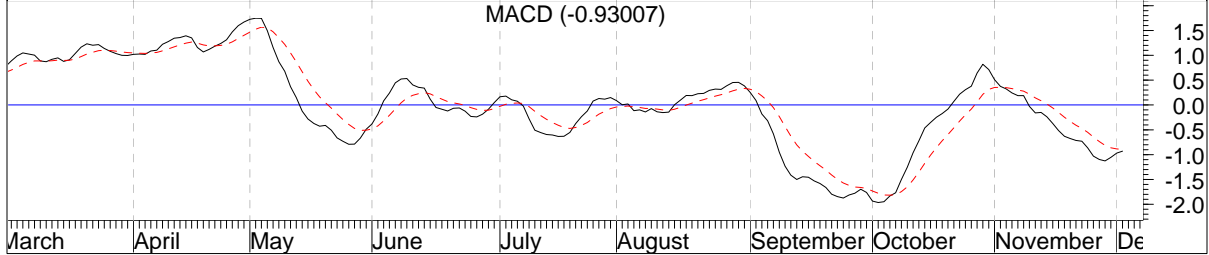


Daily momentum is mixed.

Stochastic Oscillator (71.8913)



MACD (-0.93007)



March April May June July August September October November De

CURRENCYSHARES EURO ETF (133.3900, 134.6150, 132.4400, 133.5500, +1.6500)

Euro ETF Weekly



A high wave spinning top on the weekly chart of the Euro shows indecision.

Weekly momentum is mixed but the RSI is turning up from a level near prior support stochastic is oversold.

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10 Year T-Note Interest Rate (CBOE)* (2.13, 2.16, 2.04, 2.04, -0.08)

10-Year Bond Yield Daily

200-sma

50-sma

20-sma

Relative Strength Index (50.4595)

Stochastic Oscillator (73.3334)

MACD (-0.01322)

10-year bond yields remain in a tight range.

Daily momentum is mostly positive. The stochastic is at high levels.

March April May June July August September October November December

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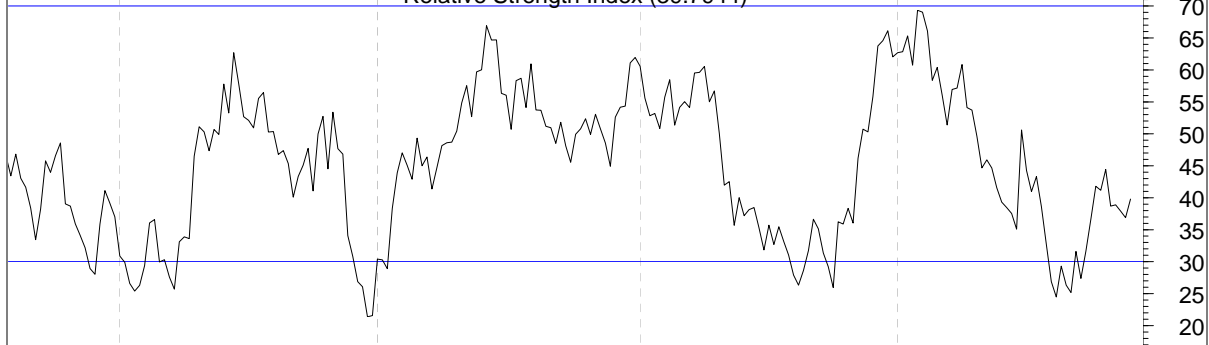
10 Year T-Note Interest Rate (CBOE)* (2.06, 2.16, 1.95, 2.04, +0.08)

10-Year Bond Yield Weekly



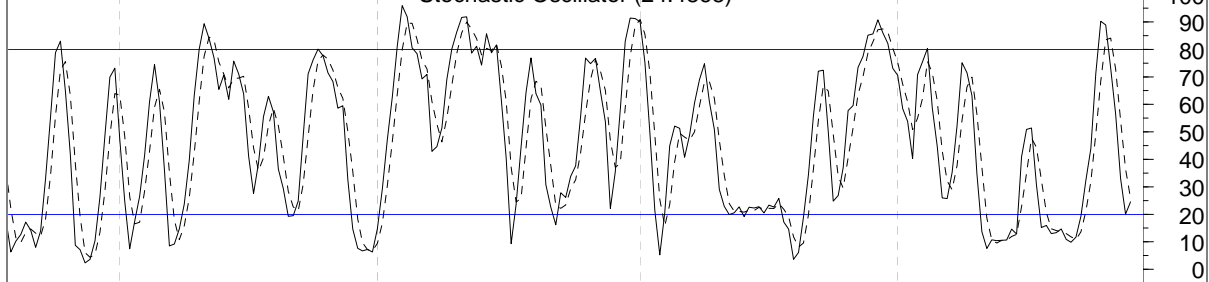
The 10-year bond yield rebounded last week after printing a hammer candle the week before. It ran into resistance at the 20-week moving average and printed a high wave spinning top, a sign of indecision.

Relative Strength Index (39.7944)

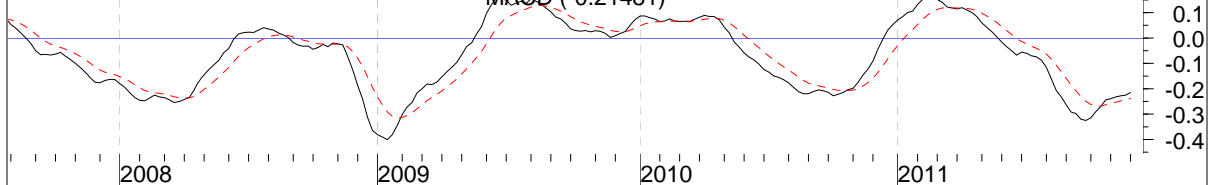


Weekly momentum is mostly positive at low levels with the stochastic near a positive crossover..

Stochastic Oscillator (24.4868)



MACD (-0.21481)



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UNITED STATES OIL ETF (38.8800, 39.0900, 38.5300, 39.0300, +0.4200)

U.S. Oil ETF Daily

20-sma

200-sma

50-sma

Oil remains in an uptrend and printed its best daily close since 11/16.

Relative Strength Index (64.3120)

Stochastic Oscillator (79.3638)

MACD (0.82899)

Daily momentum is mixed.

March April May June July August September October November De

UNITED STATES OIL ETF (38.3100, 39.2500, 37.5200, 39.0300, +1.8700)

USO - United States Oil Fund ETF Weekly



The oil ETF printed its best weekly close since 6/3/11 and is just under resistance.

Weekly momentum is mostly positive but the stochastic has turned down from an overbought level.

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STREETTRACKS GOLD TRST ETF (170.6500, 170.8000, 169.3600, 169.8200, +0.1900)

GLD Daily

GLD is fighting resistance but is still above its 20-sma.

20-sma

200-sma

50-sma

Relative Strength Index (54.0823)

Daily momentum is positive.

Stochastic Oscillator (65.3706)

MACD (0.18103)

June July August September October November Dec

STREETTRACKS GOLD TRST ETF (166.9300, 170.8000, 165.9800, 169.8200, +6.4200)

GLD Weekly

10-week

40-week

GLD moved back over its 10-week moving average last week.

Relative Strength Index (56.5014)

Weekly momentum is mostly negative.

Stochastic Oscillator (40.2927)

MACD (4.13762)

A M J J A S O N D 2010 M A M J J A S O N D 2011 M A M J J A S O N C

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STREETTRACKS GOLD TRST ETF (169.8499, 170.8000, 168.5900, 169.8200, -0.3100)



GLD remains above its upward sloping 3-month moving average.