

Monday December 6, 2010

Closing prices of December 3, 2010

Friday's disappointing Payrolls Report and higher than expected Unemployment Rate couldn't prevent stocks from posting strong gains last week. **The S&P 500 was up 2.97% as the last three days of the week showed the best three-day breadth since early September.** Equities were helped by a weaker U.S. Dollar as investors seemed less worried about European sovereign defaults and uncertainty in Korea.

Stocks bounced after the S&P 500 held the 1173 support level again then surged higher Wednesday on a 90% up day. Friday's action caused the Nasdaq 100 to print a new rally closing high. It is just under its 52-week intra-day high and not far from challenging its 2007 high.

We are in a period of strong seasonality. December has started out like it wants to prove its reputation as one of the best months of the year. Soon we should start to get hints about first quarter 2011 earnings. Along with more improving economic news that could provide a catalyst for stocks to end the year on an up note. **Sellers have once again retreated to the sidelines, so unless major negative news appears the path of least resistance for stocks should be higher.**

Unfortunately, along with the sovereign debt problems in Europe, the Korean situation, and attempts by the Chinese government to rein in inflation, we are concerned about the tax hike debate and the global call for austerity. While we would like to see lower deficits, extremely sharp spending cuts in a short time frame could be damaging to fragile economies. If big spending cuts are combined with a large tax increase, that could be very troublesome for financial markets.

We have continually stressed that valuations for equities were very attractive. They still are, but the recent move higher of interest rates has the potential to change this picture should it continue much longer. Spreads between bond and equity yields have narrowed but remain at levels where stocks are attractive versus bonds. Interestingly, in spite of aggregate current earnings moving higher as companies reported third quarter numbers, aggregate estimates have barely budged. With Q3 earnings season over we need to see projections for 2011 move higher at some point. We are hoping to see a replay of January 2010 when reported and projected earnings leaped higher. Currently S&P 500 projected earnings for 2011 are in the \$96 - \$97 range. **A 14 P/E using \$96.50 puts the S&P 500 at 1351.**

We are now in a period of positive seasonality for equities. **November through January is historically the best three-month period of the year. As far as the presidential cycle, we will soon be leaving year two and entering year three. 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 this year's S&P 500 low of 1010 that would equate to a move to 1500 sometime in 2011. We are not forecasting that, just highlighting that it is difficult to be very bearish in the face of such strong historical patterns.**

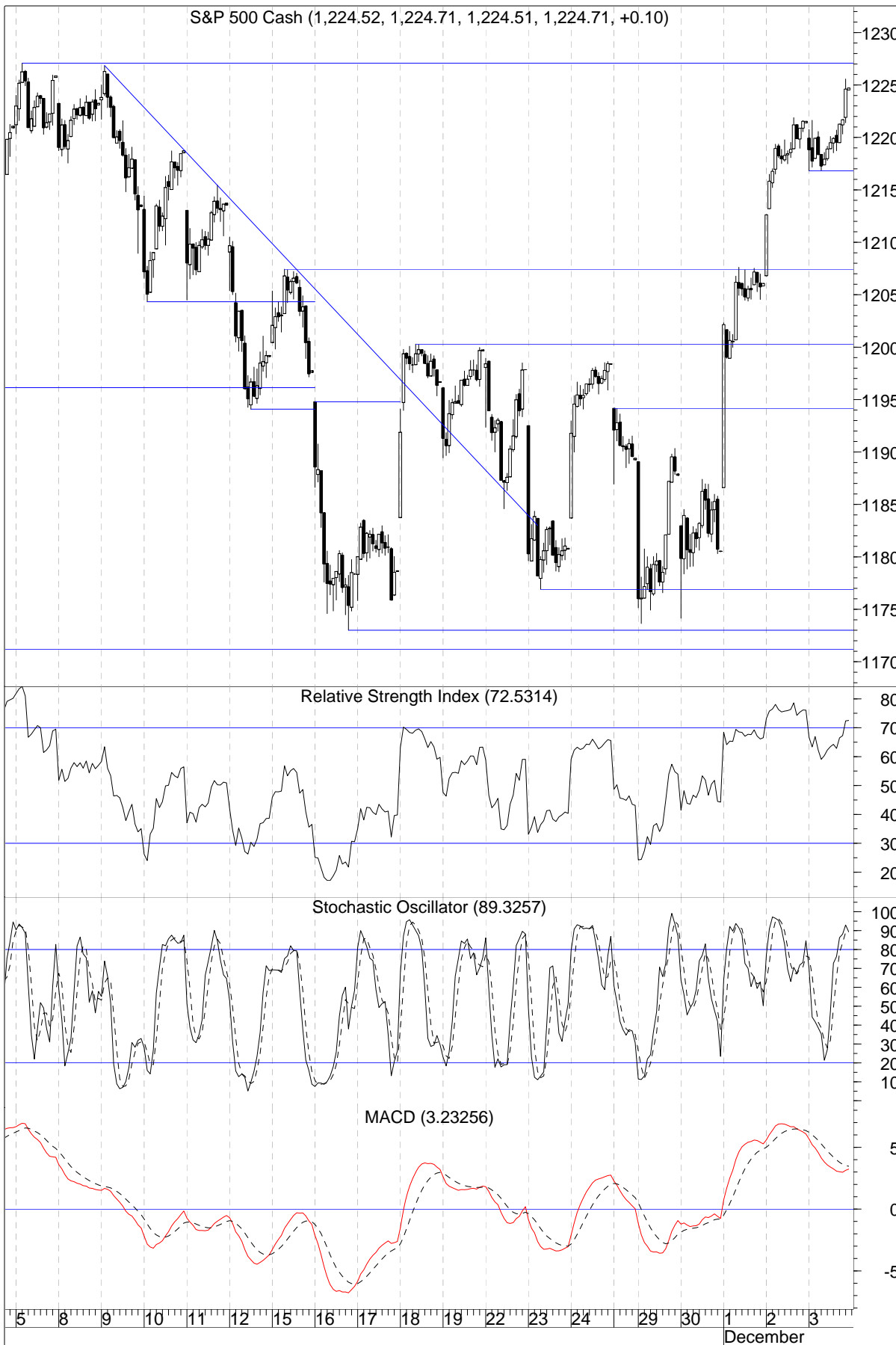
Based on the S&P 500 the short-term, intermediate-term, and long-term trends are up. Pullbacks that are without intensity should be viewed as entry points for investors.

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S&P 500 Cash (1,224.52, 1,224.71, 1,224.51, 1,224.71, +0.10)



The S&P 500 is nearing its recent highs.

There is a slight negative divergence on the RSI, the stochastic is in overbought territory, and the MACD is about to have a positive crossover although it is from a high level. So, a short-term consolidation will be no surprise.

S&P 500 Cash (1,219.93, 1,225.57, 1,216.82, 1,224.71, +3.18)



After holding support at the 1173 area the S&P 500 is challenging its recent highs.

Daily momentum indicators still look good.

S&P 500 Cash (1,189.08, 1,225.57, 1,173.64, 1,224.71, +35.31)



The S&P 500 is just shy of weekly closing and intra-week highs.



The monthly chart of the S&P 500 shows it is just under the 61.8% Fibonacci retracement level of the entire bear market from 2007. The next retracement level is 76.4%, which is at 1361.50. December's strong start may negate the bearish shooting star candle of November.

Monthly momentum indicators still look positive.

NASDAQ 100 (2,177.11, 2,192.89, 2,176.28, 2,191.17, +5.87)

The Nasdaq 100 printed a new rally closing high Friday.



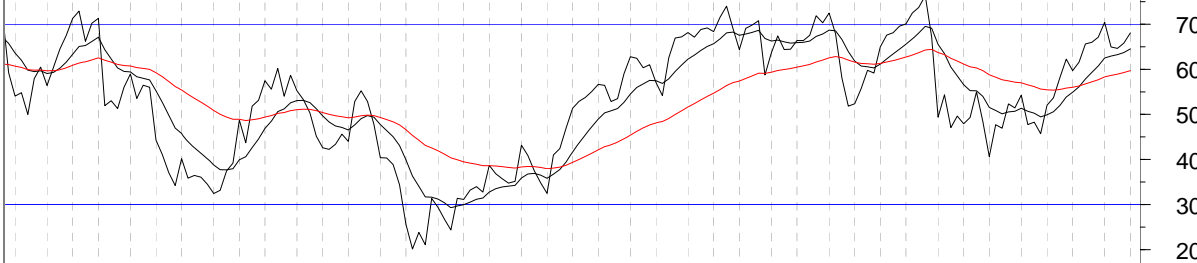
Daily momentum indicators look positive.

NASDAQ 100 (2,144.04, 2,192.89, 2,110.24, 2,191.17, +37.26)



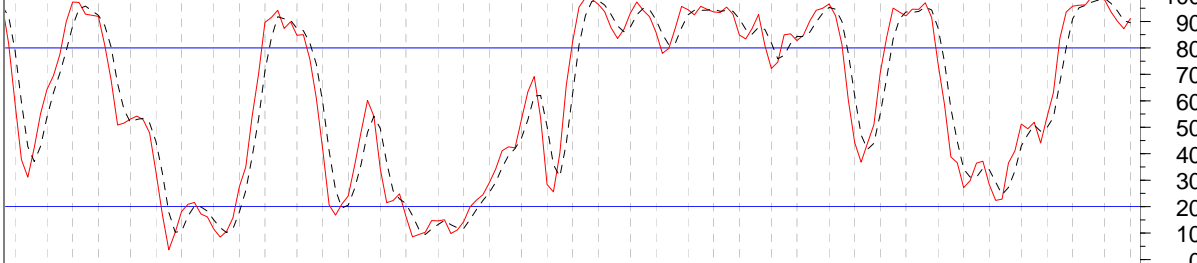
The Nasdaq 100 made a new weekly closing high and is just under its 52-week intra-day high. It is also not far from the high of October 2007 of 2239.23. Surpassing that would be the highest level since February 2001.

Relative Strength Index (68.0882)

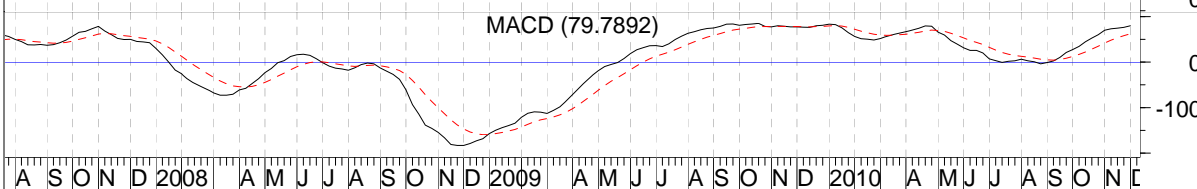


Weekly momentum indicators are at high levels but have not turned down.

Stochastic Oscillator (91.1045)



MACD (79.7892)

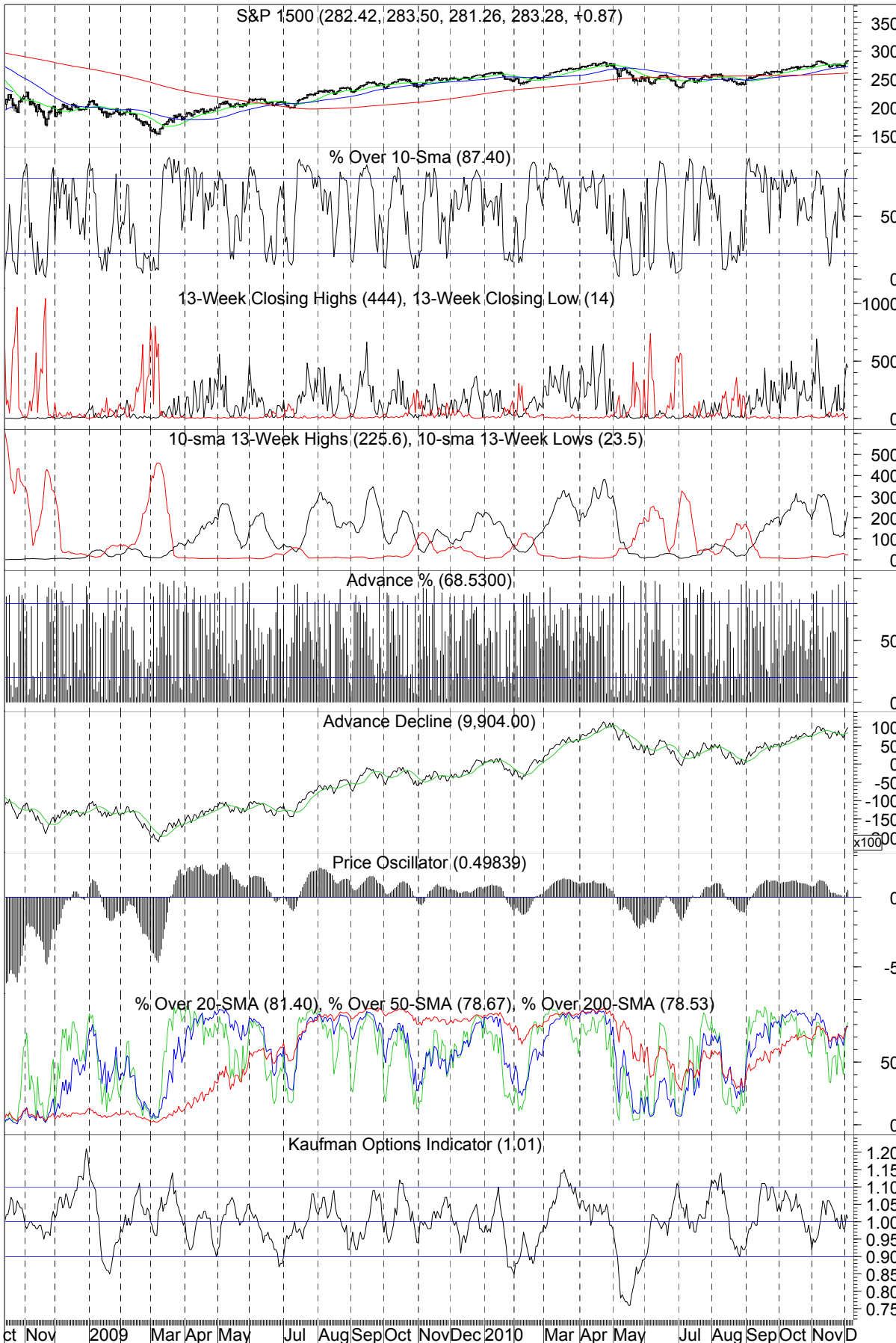


NASDAQ 100 (2,150.64, 2,192.89, 2,150.64, 2,191.17, +73.84)



The monthly chart of the Nasdaq 100 shows it is not far from challenging the 2007 highs.

Monthly momentum indicators still look positive.



The percent over 10-sma is overbought at 87.4%. In a strong market stocks can remain overbought for long periods.

13-week closing highs have been expanding again.

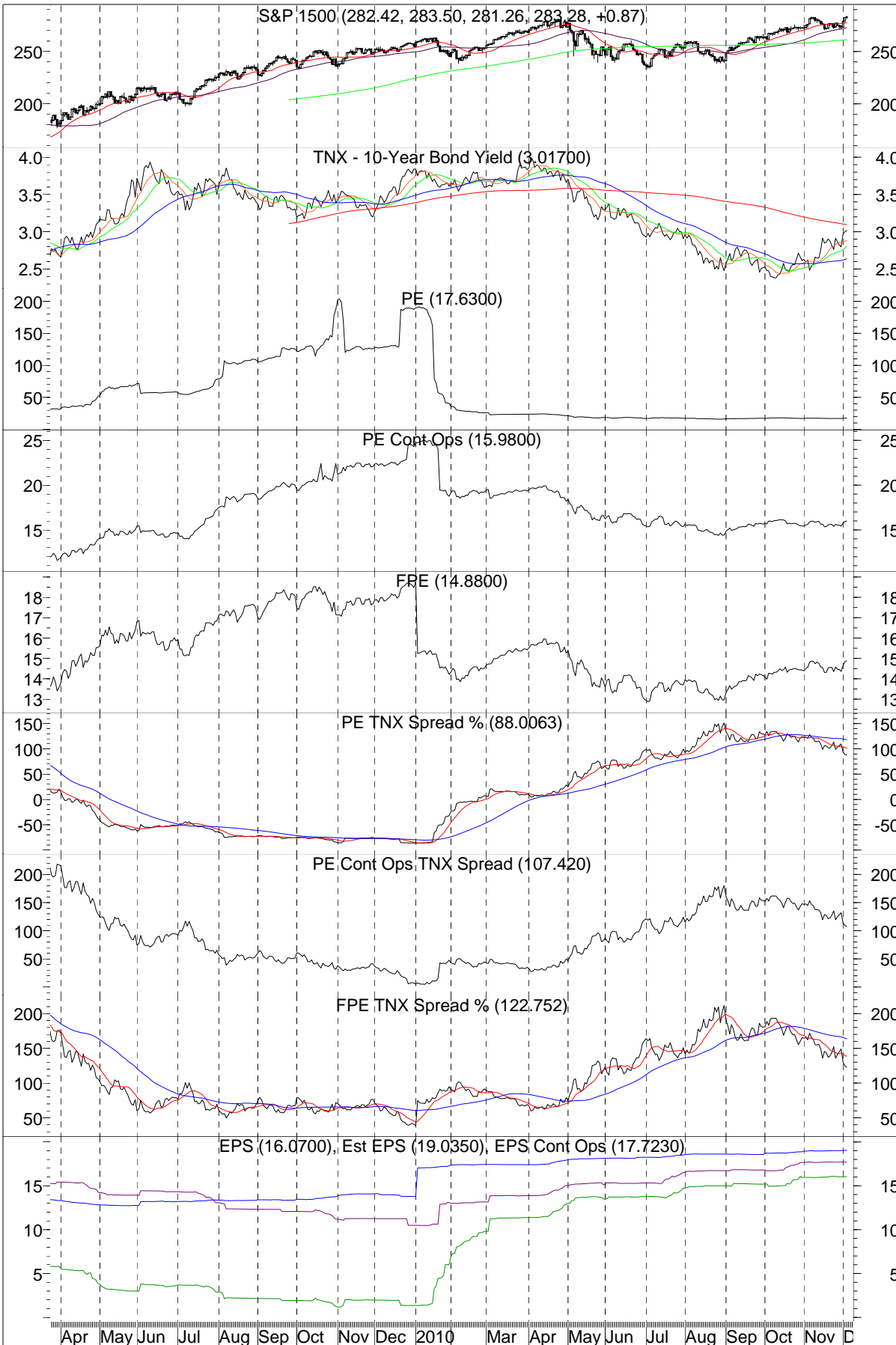
Strong breadth numbers were the best 3-day period since early September.

The AD line is back over its 10-sma and just 313 net advances shy of its high of 11/5.

Our price oscillator, a good indicator of trends, remains in positive territory after bouncing off the neutral line.

These numbers remain very positive.

Our proprietary options indicator is just above the neutral line. This is good because in spite of last week's strong numbers call buyers haven't piled on yet, which is usually a head wind for a rally.



The 10-year bond yield is just under the 200-sma but is not overbought on the daily or weekly chart.

P/E ratios have been rising slightly.

Spreads between bond and equity yields have been narrowing but are still at levels where stocks should be attractive.

Aggregate earnings have been steady with a slight upside bias. We are hoping for a replay of January 2010 when they made a sharp move higher. If so, stocks will look extremely undervalued.

Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Bank of New York Mellon ADR	136.75	0.92%	3.33%	3.33%	5.39%	3.11%	0.29%	142.74	11/4/2010	109.79	5/25/2010
NYSE Composite	7751.58	0.51%	3.35%	3.35%	4.31%	6.46%	7.89%	7817.25	11/5/2010	6355.83	7/1/2010
S&P Midcap 400	886.74	0.61%	3.18%	3.18%	4.01%	10.55%	22.03%	888.04	12/3/2010	681.91	2/5/2010
S&P 500	1224.71	0.26%	2.97%	2.97%	3.74%	7.32%	9.83%	1227.08	11/5/2010	1010.91	7/1/2010
S&P 1500	283.28	0.31%	2.99%	2.99%	3.77%	7.76%	11.18%	283.49	12/3/2010	232.54	7/1/2010
Nasdaq Composite	2591.46	0.47%	2.24%	2.24%	3.73%	9.41%	14.20%	2593.68	12/3/2010	2061.14	7/1/2010
Nasdaq 100	2191.17	0.27%	1.73%	1.73%	3.49%	9.67%	17.79%	2200.16	11/9/2010	1700.04	7/1/2010
S&P Smallcap 600	401.74	0.69%	3.06%	3.06%	3.93%	12.05%	20.78%	402.47	12/3/2010	309.16	2/5/2010
Dow Jones Industrials	11382.09	0.17%	2.62%	2.62%	3.42%	5.51%	9.15%	11451.53	11/5/2010	9614.32	7/2/2010

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Financials	203.97	0.30%	4.92%	4.92%	5.07%	5.59%	5.26%	230.45	4/15/2010	178.83	8/25/2010
Industrials	292.39	0.29%	4.06%	4.06%	4.45%	7.96%	20.33%	292.64	12/3/2010	232.54	7/6/2010
Materials	228.84	0.86%	5.70%	5.70%	5.21%	13.17%	14.53%	229.21	12/3/2010	168.44	7/1/2010
Consumer Discretionary	294.46	0.20%	2.73%	2.73%	3.62%	11.74%	25.26%	294.70	12/3/2010	222.51	2/5/2010
Energy	487.24	0.45%	4.96%	4.96%	4.74%	16.21%	13.32%	487.73	12/3/2010	365.74	7/1/2010
Information Technology	399.12	0.28%	1.76%	1.76%	3.82%	8.50%	7.66%	407.81	11/9/2010	323.47	7/1/2010
Telecom Services	122.75	0.07%	1.72%	1.72%	2.58%	1.00%	7.07%	125.37	11/4/2010	98.67	5/6/2010
Health Care	358.94	0.09%	1.49%	1.49%	2.67%	1.47%	-0.91%	384.95	1/20/2010	318.89	7/1/2010
Utilities	157.73	0.29%	1.28%	1.28%	1.71%	-1.03%	-0.16%	164.42	10/20/2010	138.57	5/25/2010
Consumer Staples	297.36	0.02%	0.93%	0.93%	1.70%	3.15%	8.41%	301.80	11/4/2010	260.65	7/1/2010

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Banks	137.84	0.85%	7.70%	7.70%	6.87%	9.87%	9.96%	165.92	4/21/2010	115.69	8/31/2010
Diversified Financials	317.39	0.41%	5.27%	5.27%	5.66%	6.12%	-1.30%	382.07	4/15/2010	278.07	8/31/2010
Automobiles & Components	118.04	0.31%	4.63%	4.63%	6.02%	31.23%	51.84%	118.47	11/15/2010	72.55	12/9/2009
Commercial & Professional Service	139.18	-0.46%	2.54%	2.54%	3.69%	2.83%	4.01%	144.95	4/26/2010	122.63	6/8/2010
Real Estate	118.30	0.30%	2.67%	2.67%	3.03%	6.06%	25.61%	123.44	11/5/2010	84.72	2/10/2010
Retailing	507.72	-0.04%	2.54%	2.54%	3.52%	10.89%	23.50%	508.80	12/2/2010	379.61	7/1/2010
Insurance	181.19	-0.32%	3.14%	3.14%	3.46%	1.51%	9.95%	189.97	4/26/2010	156.79	5/25/2010
Software & Services	517.92	0.50%	2.24%	2.24%	4.61%	9.52%	4.29%	526.00	11/9/2010	410.27	7/1/2010
Consumer Durables & Apparel	167.70	0.20%	3.18%	3.18%	3.31%	11.07%	27.92%	167.89	12/3/2010	123.91	12/9/2009
Capital Goods	312.23	0.34%	4.10%	4.10%	4.66%	7.68%	19.55%	318.38	4/30/2010	250.06	7/6/2010
Materials	228.84	0.86%	5.70%	5.70%	5.21%	13.17%	14.53%	229.21	12/3/2010	168.44	7/1/2010
Semiconductors & Equipment	342.71	0.30%	2.87%	2.87%	4.25%	15.09%	9.73%	348.04	4/15/2010	262.69	8/31/2010
Energy	487.24	0.45%	4.96%	4.96%	4.74%	16.21%	13.32%	487.73	12/3/2010	365.74	7/1/2010
Transportation	330.78	0.28%	4.36%	4.36%	3.79%	10.65%	29.77%	331.11	12/2/2010	239.94	2/5/2010
Telecom Services	122.75	0.07%	1.72%	1.72%	2.58%	1.00%	7.07%	125.37	11/4/2010	98.67	5/6/2010
Consumer Services	473.42	0.37%	2.35%	2.35%	3.22%	10.28%	27.78%	473.65	12/3/2010	352.84	12/8/2009
Health Care Equip & Services	351.99	0.13%	2.78%	2.78%	3.38%	6.15%	1.37%	371.77	1/20/2010	296.30	8/31/2010
Technology Hardware & Equipmen	426.05	-0.02%	0.77%	0.77%	2.68%	5.11%	9.37%	446.70	11/9/2010	350.49	8/27/2010
Media	195.17	0.38%	2.50%	2.50%	3.45%	9.47%	19.30%	197.48	11/4/2010	150.49	2/5/2010
Pharmaceuticals, Biotech & Life Sci	332.83	0.07%	0.86%	0.86%	2.32%	-0.78%	-2.03%	359.71	1/20/2010	299.26	7/1/2010
Utilities	157.73	0.29%	1.28%	1.28%	1.71%	-1.03%	-0.16%	164.42	10/20/2010	138.57	5/25/2010
Household & Personal Products	367.77	0.03%	0.54%	0.54%	1.89%	2.19%	1.94%	383.05	3/23/2010	339.42	5/6/2010
Food, Beverage & Tobacco	347.02	0.00%	0.55%	0.55%	1.77%	3.27%	13.23%	351.97	11/4/2010	293.85	2/5/2010
Food & Staples Retailing	190.60	0.07%	2.27%	2.27%	1.34%	3.84%	4.11%	196.37	3/30/2010	162.45	7/1/2010

INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Vietnam VNM	27.01	0.97%	11.59%	7.70%	10.47%	5.96%	27.74	1/5/2010	21.81	8/25/2010
Sweden EWD	30.51	1.90%	6.69%	7.54%	5.32%	29.83%	30.78	11/4/2010	19.00	5/6/2010
South Korea EWY	57.31	1.33%	6.63%	6.19%	7.14%	20.30%	57.88	11/4/2010	40.65	5/25/2010
India IFN	37.85	0.32%	6.45%	6.38%	4.07%	23.29%	40.94	11/8/2010	26.61	5/25/2010
Russia RSX	36.71	1.16%	6.32%	6.90%	12.85%	17.70%	36.91	4/14/2010	26.06	5/25/2010
Thailand THD	66.19	-0.29%	6.19%	5.28%	6.65%	55.78%	68.70	11/9/2010	37.65	2/5/2010
Spain EWP	38.50	1.66%	5.95%	11.37%	-5.29%	-19.86%	52.03	12/7/2009	29.85	6/8/2010
South Africa EZA	71.87	1.44%	5.68%	7.72%	6.92%	28.41%	72.99	11/9/2010	23.00	5/6/2010
Taiwan EWT	14.78	0.41%	5.62%	4.90%	9.08%	13.96%	14.79	12/3/2010	10.81	6/8/2010
Australia EWA	25.05	1.25%	5.59%	6.51%	5.52%	9.68%	26.36	1/11/2010	18.26	5/25/2010
Emerging Markets EEM	47.14	0.36%	4.96%	5.27%	5.29%	13.59%	48.62	11/9/2010	35.21	5/25/2010
Austria EWO	21.03	1.84%	4.71%	9.70%	6.72%	7.52%	21.90	11/4/2010	14.91	6/8/2010
Brazil EWZ	78.15	0.93%	4.27%	4.41%	1.56%	4.74%	81.77	11/4/2010	57.18	5/25/2010
Hong Kong EWH	19.39	-0.67%	3.87%	2.65%	6.89%	23.82%	20.24	11/8/2010	14.08	5/21/2010
Canada EWC	30.50	0.20%	3.67%	3.99%	8.81%	15.84%	30.55	12/2/2010	22.75	5/6/2010
Turkey TUR	70.66	0.44%	3.64%	5.56%	0.90%	31.09%	79.00	11/9/2010	44.40	5/6/2010
Latin America ILF	53.17	0.66%	3.46%	4.03%	5.20%	11.26%	54.87	11/5/2010	39.21	5/25/2010
Japan EWJ	10.64	0.54%	3.45%	3.58%	7.61%	9.21%	10.71	4/15/2010	9.15	6/7/2010
BRIC EEB	46.18	0.39%	3.36%	4.41%	3.26%	8.76%	48.27	11/9/2010	23.23	5/6/2010
Germany EWG	24.24	1.55%	3.26%	7.59%	10.18%	8.02%	24.92	11/4/2010	17.97	5/25/2010
Mexico EWW	60.68	0.02%	3.16%	2.67%	14.51%	24.17%	61.60	5/6/2010	44.71	2/5/2010
Singapore EWS	13.73	-1.08%	2.99%	2.77%	3.86%	19.50%	14.56	11/9/2010	10.37	2/5/2010
Netherlands EWN	20.39	1.80%	2.94%	8.00%	0.34%	-0.34%	21.75	11/4/2010	16.64	5/25/2010
Switzerland EWL	23.95	1.40%	2.92%	5.46%	4.95%	7.59%	24.75	11/5/2010	18.70	5/25/2010
Italy EWI	16.43	1.55%	2.92%	8.74%	-2.20%	-15.79%	20.54	1/11/2010	13.21	6/7/2010
United Kingdom EWU	17.08	1.12%	2.87%	5.69%	4.40%	5.43%	17.95	11/4/2010	13.25	5/25/2010
Belgium EWK	13.30	1.29%	2.78%	7.49%	0.15%	4.23%	14.52	11/4/2010	8.93	5/6/2010
China 25 FXI	44.42	-1.42%	2.75%	2.49%	3.74%	5.11%	47.99	11/8/2010	36.24	5/6/2010
France EWQ	24.22	1.72%	2.60%	7.69%	0.96%	-6.31%	27.32	1/11/2010	19.24	5/25/2010
Indonesia IDX	89.81	-0.56%	2.23%	6.69%	3.69%	44.46%	93.14	11/9/2010	59.19	5/25/2010
Malaysia EWM	13.96	-0.36%	1.86%	2.50%	1.60%	31.45%	14.41	11/5/2010	10.18	2/5/2010
Chile ECH	78.39	1.05%	1.62%	2.30%	5.90%	43.07%	79.82	11/9/2010	27.27	5/6/2010
Israel EIS	57.03	0.19%	1.57%	2.59%	3.86%	4.83%	60.68	3/26/2010	45.00	5/6/2010

Commodities

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Cotton	132.34	4.75%	15.55%	12.78%	31.73%	70.63%	151.95	11/10/2010	71.81	2/5/2010
Wheat	822.00	2.53%	10.37%	10.26%	13.81%	35.98%	843.50	8/6/2010	503.00	6/11/2010
Silver	29.27	2.45%	8.54%	3.75%	33.83%	72.34%	29.49	12/3/2010	14.88	2/5/2010
Brent Crude	91.42	0.80%	6.39%	6.40%	10.18%	8.86%	93.14	5/4/2010	72.26	5/25/2010
Heating Oil	248.74	1.34%	6.21%	7.01%	8.06%	8.72%	252.35	5/3/2010	199.76	5/25/2010
Crude Oil	89.19	1.35%	6.09%	6.04%	9.02%	5.63%	93.29	5/3/2010	72.06	5/25/2010
Copper	399.90	0.50%	5.91%	4.54%	9.22%	18.14%	408.75	11/11/2010	279.00	6/7/2010
Zinc	2210.00	-1.96%	5.11%	4.85%	0.86%	-15.42%	2699.00	1/7/2010	1656.00	6/8/2010
Commodit. Index	316.16	1.30%	4.99%	4.89%	10.21%	11.57%	320.38	11/9/2010	247.25	5/25/2010
Cocoa	2935.00	2.34%	4.80%	4.56%	3.31%	-10.52%	3477.00	12/16/2009	2626.00	9/13/2010
Soybeans	1300.25	1.60%	4.75%	4.61%	16.54%	27.26%	1348.50	11/12/2010	897.25	6/9/2010
Sugar	29.50	3.69%	4.24%	7.08%	25.64%	40.14%	33.39	11/11/2010	14.56	5/7/2010
Nickel	23494.00	-0.66%	3.96%	1.87%	0.44%	25.80%	24401.00	10/13/2010	20723.00	8/31/2010
Corn	573.50	3.24%	3.57%	5.42%	12.84%	27.52%	617.50	11/9/2010	356.75	6/29/2010
Orange Juice	157.70	0.83%	3.39%	4.85%	-1.47%	10.28%	168.25	9/22/2010	135.70	4/8/2010
Gold	1406.20	1.22%	2.98%	1.45%	7.23%	27.05%	1426.10	11/9/2010	1061.80	2/5/2010
Lead	2319.00	-1.50%	2.38%	4.70%	1.89%	-5.99%	2631.00	11/11/2010	1693.00	6/3/2010
Aluminum	2322.25	-1.24%	2.03%	1.90%	-1.91%	-0.25%	2533.00	4/14/2010	1934.00	6/7/2010
Coffee	204.80	0.54%	1.03%	1.79%	10.97%	42.52%	221.45	11/10/2010	134.45	5/20/2010
Live Cattle	106.38	-0.09%	0.14%	0.00%	4.55%	17.67%	106.95	12/1/2010	88.75	12/3/2009
Lean Hogs	76.58	0.76%	-0.75%	1.06%	-1.64%	10.82%	81.38	9/21/2010	66.00	1/27/2010
Natural Gas	4.35	0.14%	-1.15%	4.04%	1.28%	-35.74%	7.14	12/17/2009	3.85	11/15/2010
U.S. Dollar Index	79.38	-1.11%	-1.23%	-2.24%	0.83%	1.95%	88.71	6/7/2010	74.33	12/3/2009