

Friday June 6, 2008

Closing prices of June 5, 2008

Stocks rallied Thursday on good news in the form of better than expected jobless claims, good sales reports from Wal-Mart and Costco, and a rebound in the recently weak price of crude oil.

It was a broad rally with all ten of the S&P 500 sectors advancing, with only Health Care showing an increase of less than 1%. 88.62% of stocks traded higher on the day in the S&P 1500, which was up 1.996%.

Since the S&P 1500 broke down out of the bearish rising wedge pattern on May 21st we have been saying we were not expecting any pull backs to be deep. Thursday's close was the highest since May 20th.

Recent sector rotation showed up in the 351 new closing highs in the S&P 1500, which is the most since 2/20/2007. 210 26-week closing highs were the most since 7/12/2007, and 107 52-week closing highs were the most since 10/31/2007. 67.87% of the S&P 1500 are now over their 50-day moving averages. 49.67% are now above their 200-dma, the most since 10/15/07.

The average price per share of the S&P 1500 is back above its 200-day moving average even though the index itself, which is capitalization weighted, remains below its 200-dma. This is due to the outperformance of small and mid-caps. We have pointed out recently that this outperformance is good for stocks as a whole because it shows a greater willingness for investors to assume risk.

We remain concerned about spreads between earnings yields and bond yields. On May 29th the spread between the earnings yield based on the current P/E narrowed to the smallest level since July 13, 2007, which was an important top just ahead of a sharp drop in equities. The spread based on the forward P/E was the smallest since January 3, 2008. However, we have seen some improvement in forecast earnings, which after an extended decline have shown improvement and on June 4th were above their level of April 25th.

Stocks are nearing the point where the long-term trend will change to up, but until then we reiterate that this continues to be a bifurcated, opportunistic trader's market, with adept traders able to take advantage long or short.

Federal Funds futures are pricing in an 98% probability that the Fed will leave rates at 2.00%, and a 2% probability of cutting another 25 basis points to 1.75 when they meet again on June 25th.

The S&P 1500 (319.89) was up 1.996% Thursday. Average price per share was up 2.1%. Volume was 112% of its 10-day average and 110% of its 30-day average. 88.62% of the S&P 1500 stocks were up on the day. Up Dollars was 326% of its 10-day moving average and Down Dollars was 4% of its 10-day moving average.

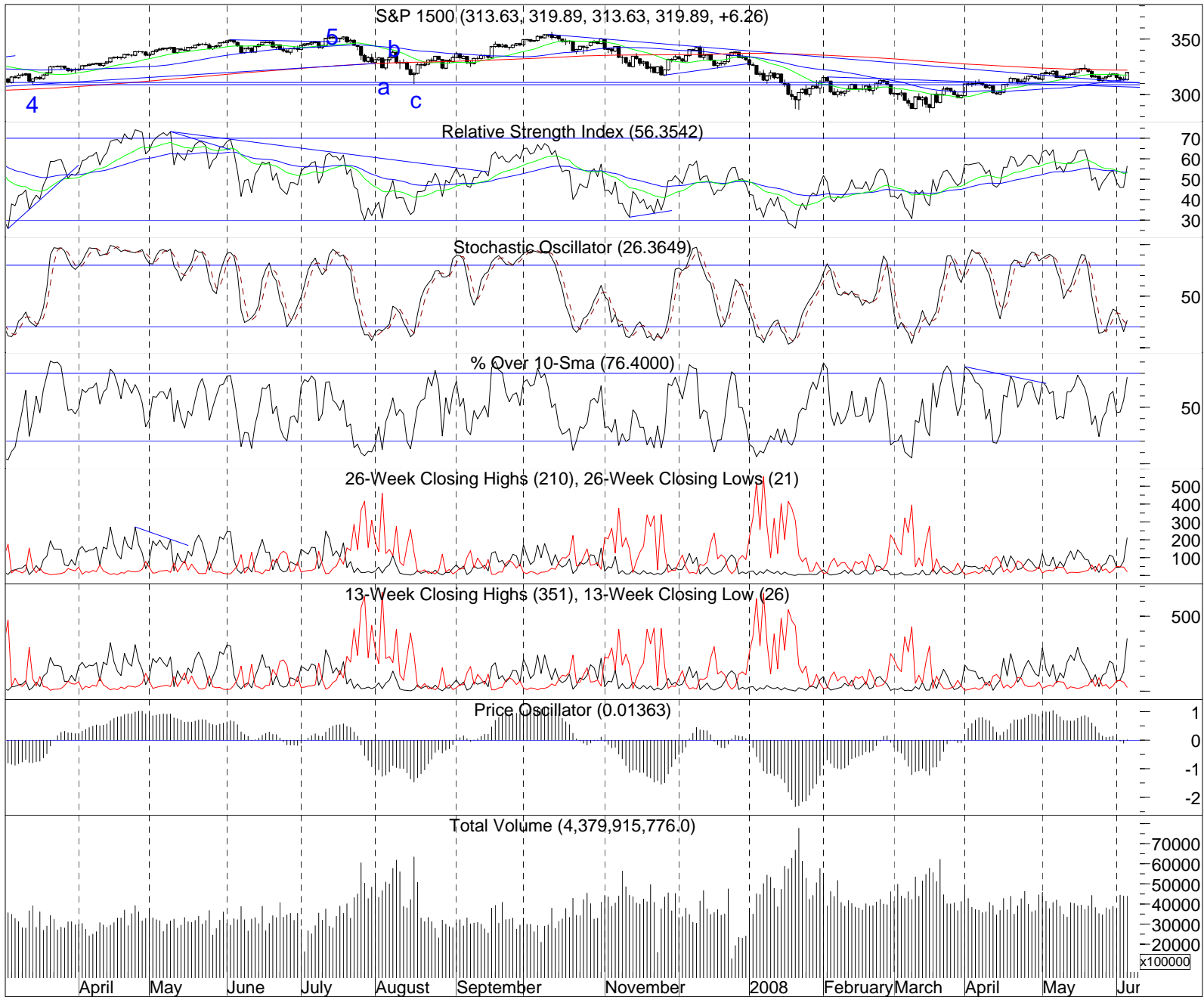
Options expire June 20th. The FOMC meets June 25th.

IMPORTANT DISCLOSURES

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S&P 1500 Analysis - Wayne S. Kaufman, CMT



The percent over 10-sma is 76.4%, nearing the 80% overbought level.

210 26-week closing highs is the most since 7/12/07 and 351 13-week closing highs is the most since 2/20/07.

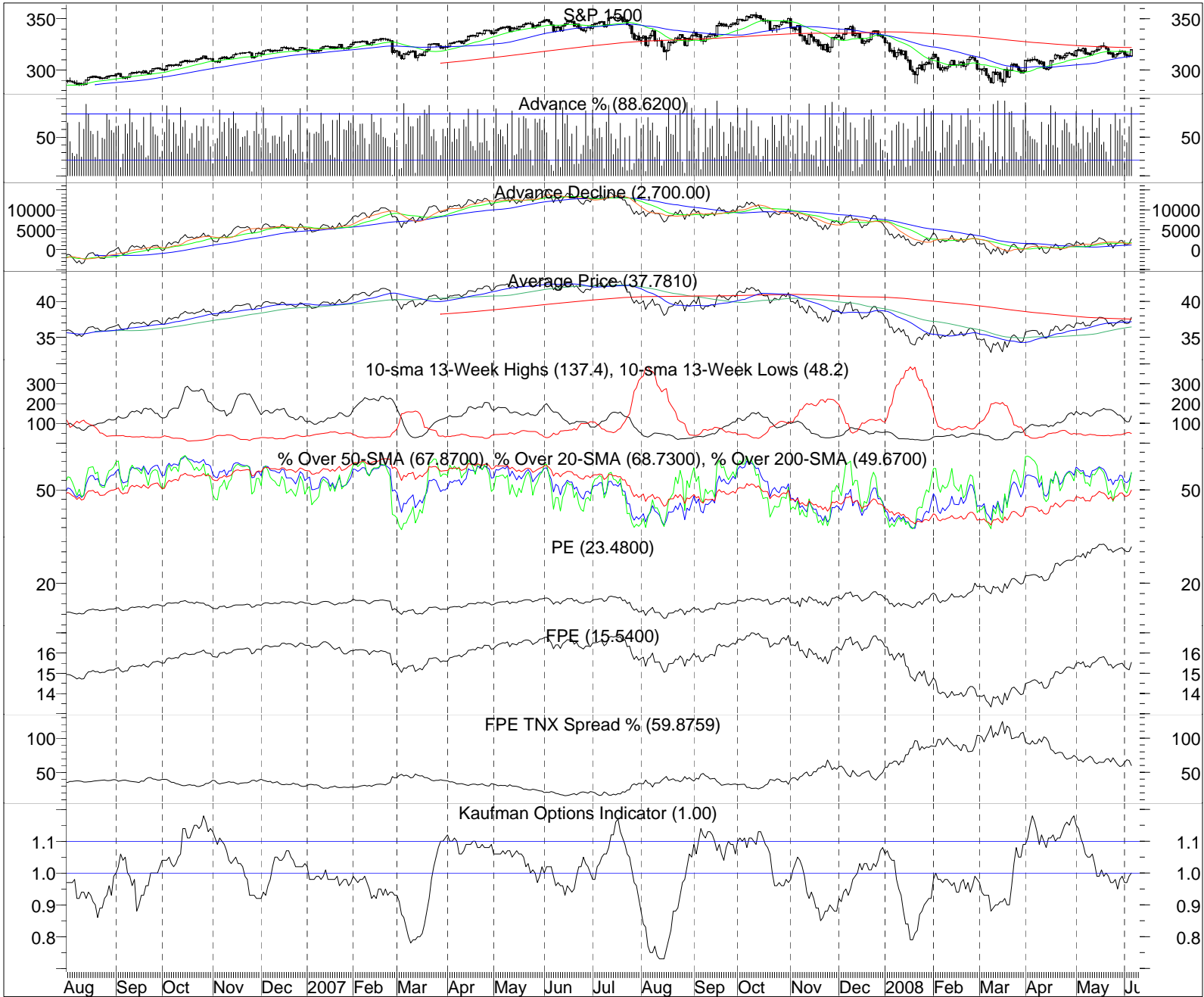
S&P 1500 Analysis - Wayne S. Kaufman, CMT

S&P 1500 (313.63, 319.89, 313.63, 319.89, +6.26)



The S&P 1500 found support at the 50-sma (blue), closed Thursday above the 20-sma, and is just under the 200-sma which is at 321.94.

S&P 1500 Analysis - Wayne S. Kaufman, CMT



88.62% of the S&P 1500 advanced Thursday.

Average price per share is above the 200-sma.

67.87% of stocks are over their 50-sma. 49.67% are above their 200-sma, the most since 10/15/07.

Our proprietary options indicator is neutral.