

Friday March 13, 2009

Closing prices of March 12, 2009

We said yesterday that we were hopeful that Tuesday's explosive 90% up day was the start of a tradable rally. After a lackluster Wednesday stocks followed through on Thursday with another broad based 90% up day with every S&P sector trading higher led by Financials +10.02%. There are signs that this could turn into a strong rally, but in the short-term stocks are getting overbought with the percent over 10-day moving average at 86%, and options buyers becoming very optimistic. With next week being a quadruple witching expiration we expect a lot of volatility, and investors should be careful with entry points.

The short-term trend is now up, while the intermediate-term and long-term trends remain down. This continues to be an opportunistic trader's market, with adept traders able to take advantage long or short.

The S&P 1500 (170.03) was up 4.179% Thursday. Average price per share was up 4.59%. Volume was 95% of its 10-day average and 110% of its 30-day average. 95.57% of the S&P 1500 stocks were up, with up volume at 94.71% and up points at 98.07%. Up Dollars was 99.88% of total dollars, and was 301% of its 10-day moving average. Down Dollars was 0.35% of its 10-day moving average. The index is up 1.967% in March, down 17.03% quarter-to-date and year-to-date, and down 52.29% from the peak of 356.38 on 10/11/07. Average price per share is \$20.16, down 53.37% from the peak of \$43.23 on 6/4/07.

Percent over 10-sma: 85.93. 13-Week Closing Highs: 64. 13-Week Closing Lows: 18.

Put/Call Ratio: 0.705. The 5-day moving average of 0.758 is the lowest since March 2006. Kaufman Options Indicator: 1.03.

The spread between the reported earnings yield and 10-year bond yield is 19%, and 211% based on projected earnings.

Reported aggregate earnings for the S&P 1500 peaked in August 2007 at \$19.18 and are now at \$5.86, a drop of 69.45%. Estimated aggregate earnings peaked at \$21.95 in February 2008 and are now \$13.71, a drop of 37.54%. The spread between reported and projected earnings is 134%, near the widest the level in years. If investors believed the estimates stocks would be much higher.

493 of the S&P 500 have reported 4th quarter earnings. According to Bloomberg, 60.1 % had positive surprises, 8.1% were line, and 31.8% have been negative, a high number. The year-over-year change has been -61.4% on a share-weighted basis, -22.0% market cap-weighted and -30.8% 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 96.0% that the Fed will leave rates unchanged, and a probability of 4.0% of cutting 25 basis points to 0.0% when they meet on March 18th. They are pricing in a probability of 86.8% that the Fed will leave rates unchanged on April 29th and a probability of 9.6% of raising 25 basis points.

IMPORTANT DISCLOSURES

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Economic News

3/6/09 – The Unemployment Rate in February was 8.1%, the highest since 1983. The estimate was 7.9%. The change in Non-Farm Payrolls showed a loss of 651,000 jobs versus the estimate of 650,000. The January number of 598,000 was revised to a loss of 655,000 jobs. Consumer Credit in January rose by \$1.76 billion versus the estimate of a decrease of \$5 billion. This was the first rise in four months.

3/5/09 – Initial Jobless Claims for w/e 2/28 were 639,000 versus the 650,000 estimate. Continuing Claims for w/e 2/21 were 5,106,000 versus the 5,155,000 estimate. Non-Farm Productivity for Q4 was -0.4% versus the estimate of +1.0%. Unit Labor Costs were +5.7% versus the +3.8% estimate. Factory Orders for January were -1.9% versus the -3.5% estimate. Mortgage Delinquencies for Q4 were 7.88% versus the prior quarter at 6.99%. Productivity, defined as employee output per hour, fell as the economy shrank faster than companies cut jobs and hours.

3/4/09 – ADP Employer Services Report for February showed a loss of 697,000 jobs versus the estimate of -630,000. January's number was revised down to -614,000 from -522,000. This tracks private employment, not government. The ISM Non-Manufacturing Index came in at 41.6 versus the estimate of 41.

3/3/09 – Pending Home Sales (existing homes) for January fell 7.7% from December, versus the estimate of -3.5%. In December Pending Home Sales were +4.8%.

3/2/09 – The ISM Manufacturing Index for February showed U.S. manufacturing contracted at a slower pace as it rose from 35.6 to 35.8 breaking a string of six straight declines. Personal Income in January was up 0.4% versus an estimated drop of 0.2%. Income was higher due to pay increases to government employees and cost of living adjustments to Federal transfer payments. Salaries and Wages fell 0.2%, the third consecutive decrease. Disposable income was up 1.5%. Personal Spending for January was up 0.6% versus the 0.4% estimate. This was the first time in seven months consumer spending increased.

2/27/09 – GDP for the fourth quarter shrank at a 6.2% annualized pace, the most since 1982 and worse than the estimate of -5.4%.

2/26/09 – Initial Jobless Claims for w/e 2/21 rose to 667,000, the highest since 1982. Durable Goods orders for January fell for a record 6th straight month, down 5.2% versus the estimate of -2.5%. Silver lining: inventories were down 0.8% from December. Singapore's economy shrank the most in 33 years last quarter, as GDP declined at an annualized 16.4% from the prior three months.

2/25/09 – Existing Home Sales for January fell 5.3% to 4.49 million annualized from 4.74 million in December. This was the lowest rate since 1997. Median price dropped 15% Y-o-Y. Distressed properties were 45% of sales.

2/24/09 – The Conference Board's reading of U.S. Consumer Confidence for February dropped to 25, the lowest ever and well below the estimate of 25. The S&P/Case-Shiller index of home prices in 20 U.S. cities plunged 18.5% in December Y-o-Y, the fastest drop on record. The MSCI World index is off to its worst ever yearly start. German business confidence was reported at a 26-year low. Eurozone Industrial Orders fell 5.2% in December versus November and -23.3% year-over-year.

2/23/09 – Dallas Fed Manufacturing Activity came in at -57.3% versus the estimate of -50.0%.

2/20/09 – The Consumer Price Index for January rose for the first time in six months by +0.3%, hitting the estimate. It was unchanged on an annual basis for the first time since 1955. Energy expense rose 1.7%, led by a 6% increase in gasoline prices.

2/19/09 – Initial Jobless Claims for the week ending 2/14 hit 627,000 versus the 620,000 estimate. The prior week was also 627,000. Continuing Claims were 4.99 million and set another record. The Producer Price Index for January was +0.8% versus a +0.3% estimate. Leading Indicators rose 0.4% versus the estimate of 0.1%. Some economists said this was a temporary jump.

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2/18/09 – Housing Starts for January were the lowest on record at 466,000 annualized, missing the forecast of 529,000 and falling 17% from December. Building permits dropped 4.8% to 521,000 annualized.

2/17/2009 – Empire Manufacturing Index, which shows NY manufacturing, was -34.65 in February versus the -23.75 estimate. It dropped from -22.2 in January for the fastest drop ever. Net long-term TIC inflows, which shows international demand for U.S. financial assets, was \$34.8 billion in December, up from -\$21.7 billion in November and above the \$20 billion estimate.

2/16/09 – Japanese GDP dropped 3.3% from the prior quarter, or 12.7% annualized, the biggest drop since 1974. Exports dropped at an 45% annualized rate as the synchronized global contraction hurts countries where global trade is extremely important.

2/12/09 – Jobless claims for w/e 2/7 were 623k versus 610k estimated. The 4-week moving average of 607,500 is the most since November 1982. Continuing claims w/e 1/30 were 4,810k versus estimated 4,800k, and rose the 4th week in a row to another record. Business Inventories for December -1.3% versus -0.09% estimate, biggest drop since 2001. Sales -3.2% after -5.7% in November. 1.4 months of inventory highest since April 2001. January Retail Sales +1% versus -0.8% estimate rose for the first time since July. Gasoline sales +2.6%, sales at auto dealers and parts stores up 1.6% for the first gain since August.

2/11/09 – China exports fell 17.5% year-over-year in January, the most in 13 years. Imports plunged by a record 43.1%. The \$39.1 billion trade surplus was China's 2nd biggest ever. Numbers may be skewed by the Chinese New Year.

2/6/09 – The Unemployment Rate in January hit 7.6%, slightly above the 7.5% estimate. This was up from 7.2% in December and the highest since 1992. Payrolls fell by 598,000 (estimate 540,000), the biggest decline since December 1974. This is the first time since the beginning of payroll records in 1939 that job losses exceeded 500,000 for three consecutive months. Average Hourly Earnings increased 3.9% year-over-year.

2/5/09 – Initial Jobless Claims increased by 35,000 for the week ending 1/31 to 626,000, the highest number since October 1982. Continuing Claims hit a record 4.788 million for the week ending 1/24. Silver lining: Productivity rose 3.2% in the fourth quarter versus a 1.6% forecast. U.S. December Factory Orders dropped 3.9% versus a -3.1% estimate. Excluding transportation equipment (cars and aircraft) orders fell 4.4%.

2/4/09 – ADP Employer Services report showed a loss of 522,000 jobs in January, less than the 535,000 forecast and much lower than the December loss of 659,000. The Institute of Supply management index of non-manufacturing businesses rose to 42.9 in January from 40.6 in December, and was above the estimate of 39.0.

2/3/09 – U.S. Pending Home Sales rose for the first time in four months. The December increase of 6.3% beat the estimate of 0.0%. November showed a drop of 4%. According to the U.S. Census Bureau a record 19 million U.S. houses were vacant at the end of 2008 for a 2.9% vacancy rate (vacant for sale), the highest ever. Purchases of new homes in December, reported last week, dropped 14.7% versus November.

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

S&P 500 Cash (720.89, 752.63, 714.76, 750.74, +29.38)



The S&P 500 closed above the 20-sma on the daily chart. On the weekly chart (not shown) unless there is a major reversal Friday a bullish engulfing candle will be printed.

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

S&P 500 Cash (750.38, 750.74, 750.38, 750.74, +0.72)



The intra-day chart of the S&P 500 shows the index breaking through multiple resistance zones during the three day rally. It has reached resistance at the 753 area with the RSI and stochastic in the overbought zones.