

Tuesday March 31, 2009

Closing prices of March 30, 2009

Stocks sold off again Monday recording a panic-selling 90% down day. The statistics were eerily similar to Friday's selloff and look like program selling. Over the past few months when we have seen a pattern like this it foreshadowed more selling to come. In addition, 679 of the S&P 1500 gapped down at the open, a very large number. Whenever we have seen a large amount of stocks gapping down lower prices followed. The Dow Jones Industrials and the S&P 500 closed below their 50-day moving averages. We had hoped to see end of the quarter window dressing push stocks higher before pulling back as investors move to the sidelines ahead of first quarter earnings. It would appear that pull back is underway and caution is advised.

**The short-term trend is up, while the intermediate 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. Traders should not hesitate to rotate out of lagging sectors and stocks and into leaders.**

The S&P 1500 (178.59) was down 3.465% Monday. Average price per share was down 3.18%. Volume was 82% of its 10-day average and 81% of its 30-day average. 9.91% of the S&P 1500 stocks were up, with up volume at 5.34% and up points at 4.34%. Up Dollars was 3/10 of 1% of total dollars, and was less than 1% of its 10-day moving average. Down Dollars was 277% of its 10-day moving average. The index is up 7.1% in March, down 12.853% quarter-to-date and year-to-date, and down 49.89% from the peak of 356.38 on 10/11/07. Average price per share is \$21.46, down 50.36% from the peak of \$43.23 on 6/4/07.

Percent over 10-sma: 38.73%. 13-Week Closing Highs: 9. 13-Week Closing Lows: 22.

Put/Call Ratio: 1.136. Kaufman Options Indicator: 1.01.

The spread between the reported earnings yield and 10-year bond yield is 14%, and 175% based on projected earnings.

Reported aggregate earnings for the S&P 1500 peaked in August 2007 at \$19.18 and are now at \$5.81, a drop of 69.71%. Estimated aggregate earnings peaked at \$21.95 in February 2008 and are now \$13.33, a drop of 39.27%. The spread between reported and projected earnings is 129%, near the widest level in years. If investors believed the estimates stocks would be much higher.

496 of the S&P 500 have reported 4<sup>th</sup> quarter earnings. According to Bloomberg, 60.1 % had positive surprises, 8.3% were line, and 31.6% have been negative, a high number. The year-over-year change has been -61.3% on a share-weighted basis, -22.0% market cap-weighted and -30.6% 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 92.0% that the Fed will leave rates unchanged, and a probability of 8.0% of cutting 25 basis points to 0.0% when they meet on April 29<sup>th</sup>. They are pricing in a probability of 78.6% that the Fed will leave rates unchanged on June 24<sup>th</sup> and a probability of 14.7% of raising 25 basis points.

## IMPORTANT DISCLOSURES

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S&P 500 Cash (788.04, 788.04, 787.53, 787.53, -0.63)



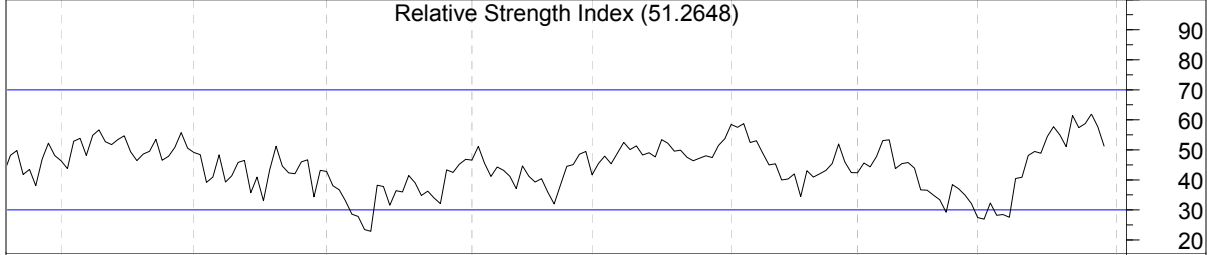
Another bearish gap down for the S&P 500 on the intra-day chart. The broken support levels are now resistance. The next support on this chart is 765. Fibonacci retracement levels of the recent rally are 769 - 770 (38.2%), 750 (50%), and 730 (61.8%). The 20-sma on the daily chart is at 758.

S&P 500 Cash (809.07, 809.07, 779.81, 787.53, -28.41)



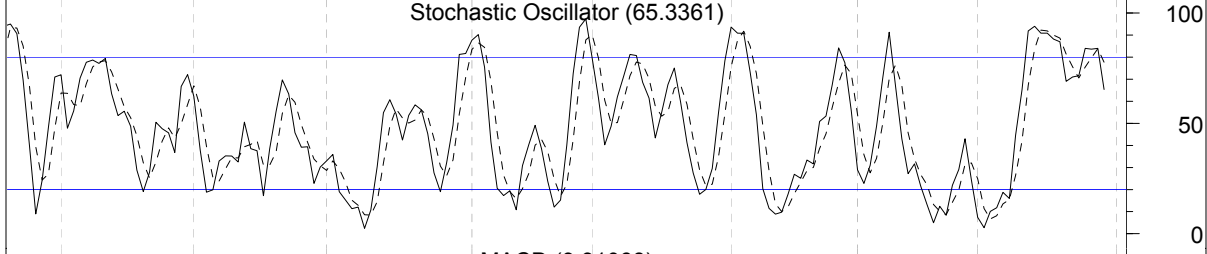
The gap down on the daily chart is bearish and becomes resistance. The 20-sma is below (green) at 757.

Relative Strength Index (51.2648)

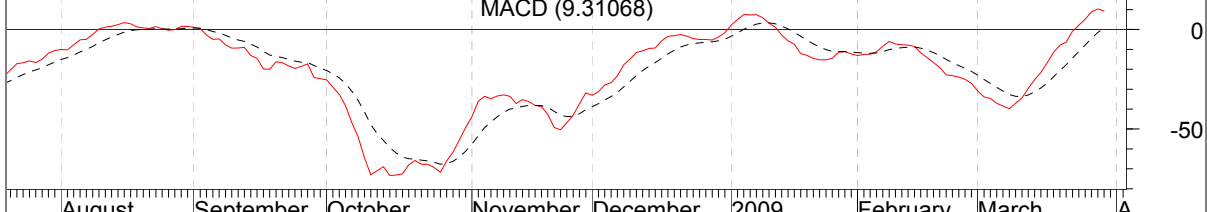


Momentum indicators are still at high levels.

Stochastic Oscillator (65.3361)



MACD (9.31068)

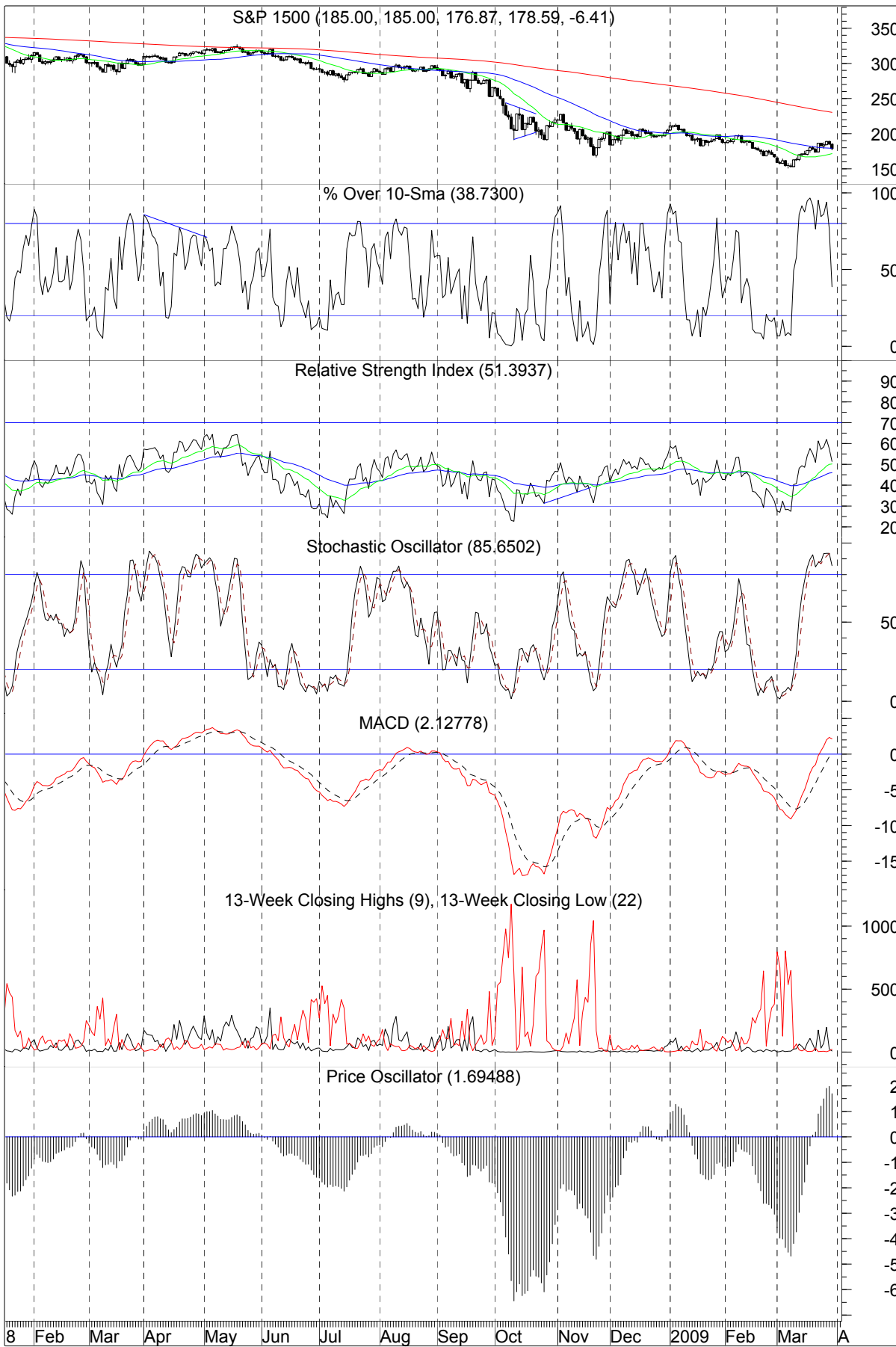


August September October November December 2009 February March A

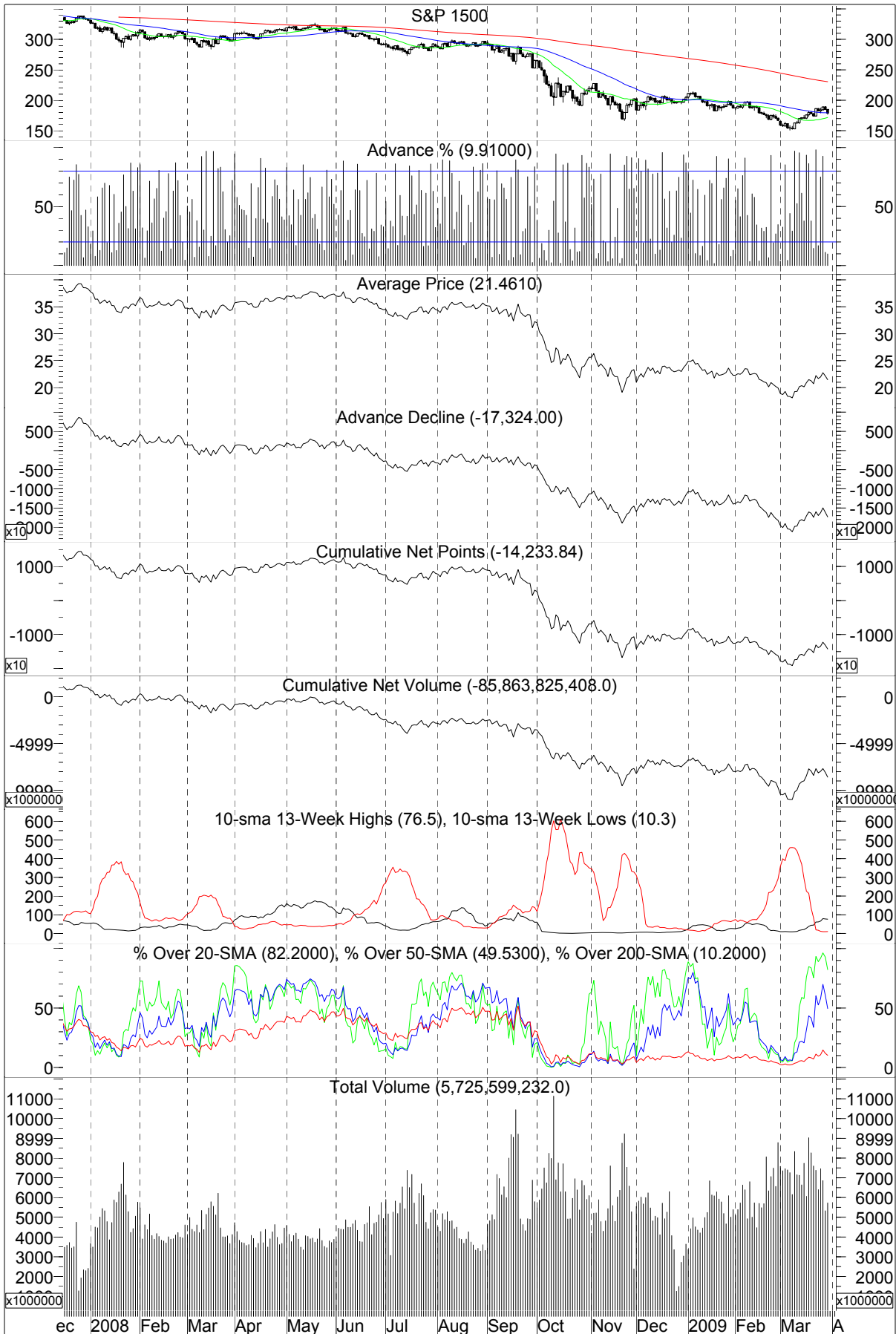
NASDAQ 100 (1,230.89, 1,231.48, 1,204.96, 1,220.81, -30.66)



The Nasdaq 100 also gapped lower and momentum indicators are still at high levels.



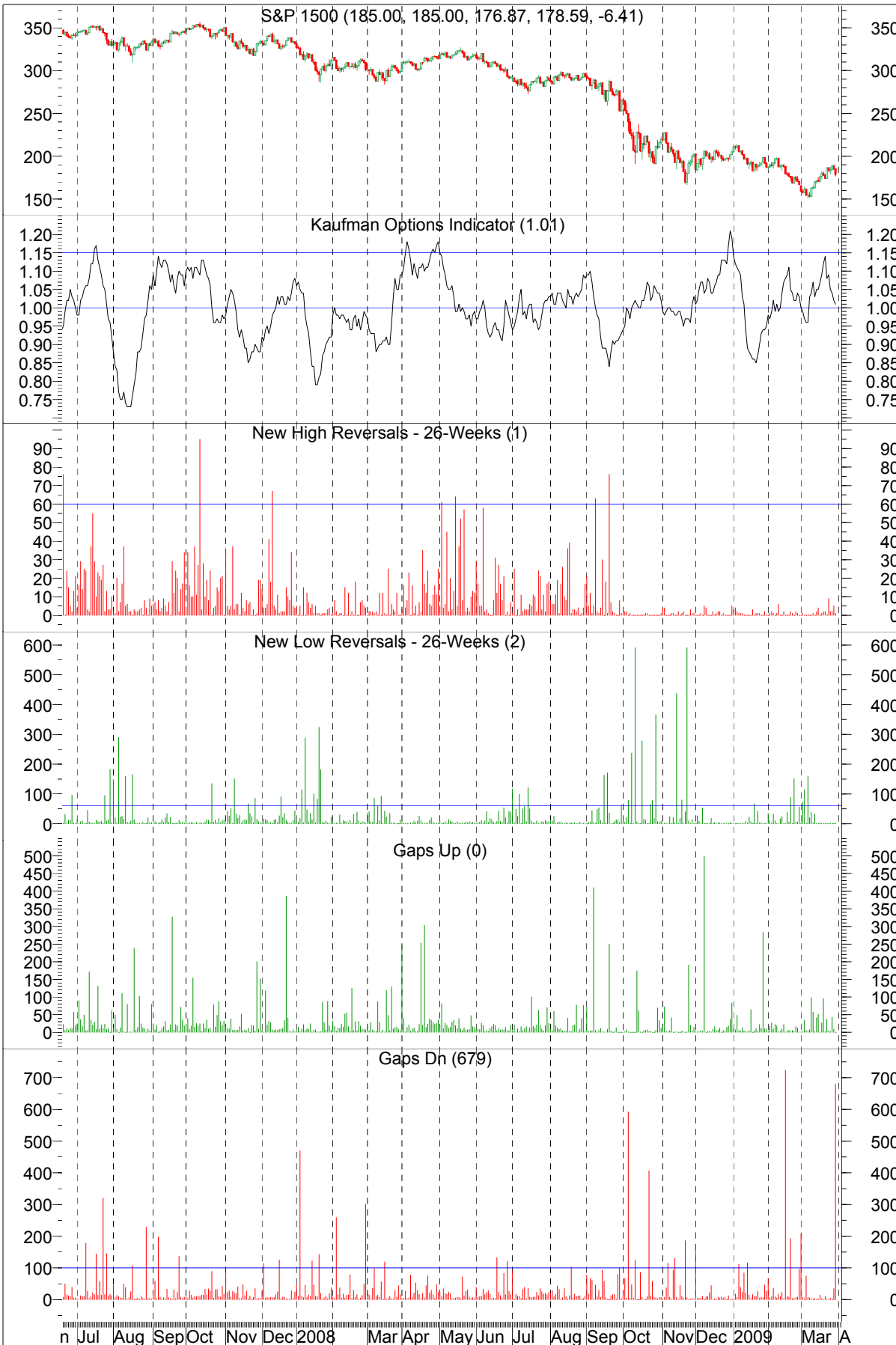
The percent over 10-sma is crashing, but other momentum indicators are still at high levels.



Monday was the second day in a row less than 10% of stocks advanced.

The percent over 20-sma is still very high.

The Kaufman Report - Wayne S. Kaufman, CMT



Our proprietary options indicator is just above neutral, not at the bearish levels where bottoms are made.

679 stocks gapping down is obviously bearish.