

Wednesday November 12, 2008

Closing prices of November 11, 2008

The S&P 1500 (203.06) was down 2.21% Tuesday. Average price per share was down 2.35%. Volume was 91% of its 10-day average and 77% of its 30-day average. 19.6% of the S&P 1500 stocks were up on the day, with up volume at 12.7% and up points at 9.99%. Up Dollars was 1.6% of total dollars, and was 2.9% of its 10-day moving average while Down Dollars was 141% of its 10-day moving average. The index is down 7.5% month-to-date, down 38.72% year-to-date, and down 43.02% from the peak of 356.38 on 10/11/07. Average price per share is down 46.06% from the peak of \$43.23 on 6/4/2007.

The Put/Call Ratio was 1.164. The Kaufman Options Indicator was 0.99.

The spread between the reported earnings yield and 10-year bond yield is 39.14% and 129.18% based on projected earnings.

Reported aggregate earnings for the S&P 1500 peaked in August 2007 at \$19.18 and are now at \$10.61, a drop of 44.68%. Estimated aggregate earnings peaked at \$21.95 in February 2008 and are now \$17.47, a drop of only 20.4%. Analysts have obviously been very late in lowering estimates, and have also been way too optimistic. *If investors had any confidence in current earnings estimates stocks would be much higher than they currently are.*

458 companies in the S&P 500 have reported third quarter earnings. According to Bloomberg, 57.2% have had positive surprises, 9.9% have been in line, and 32.9% have been negative. The year-over-year change has been -18.9% on a share-weighted basis, +5.5% market cap-weighted, and -1.4% non-weighted. *Ex-financial stocks these numbers are 11.7%, 24.9%, and 18.6%, respectively.*

Federal Funds futures are pricing in an 94.0% probability that the Fed will *cut rates 50 basis points to 0.50%*, and a 6.0% probability of *cutting 25 basis points to 0.75%* when they meet on December 16th. They are pricing in a 67.7% probability that the Fed will *cut rates 50 basis points to 0.50%* on January 28th, and a 30.6% probability of *cutting 25 basis points to 0.75%*.

In the very short-term stocks are due for a bounce as the percent over 10-sma is 11.8%, spreads between equity and bond yields have widened to very extreme levels again, and intra-day the put/call ratio hit 1.44.

The short, intermediate and long-term trends are down. We reiterate that this continues to be a bifurcated, opportunistic trader's market, with adept traders able to take advantage long or short, but the primary downtrend must be respected. Investors need to be alert to sector rotation and should not hesitate to move out of lagging sectors and stocks and into leaders.

Options expire November 21st. December options expire the 19th.

IMPORTANT DISCLOSURES

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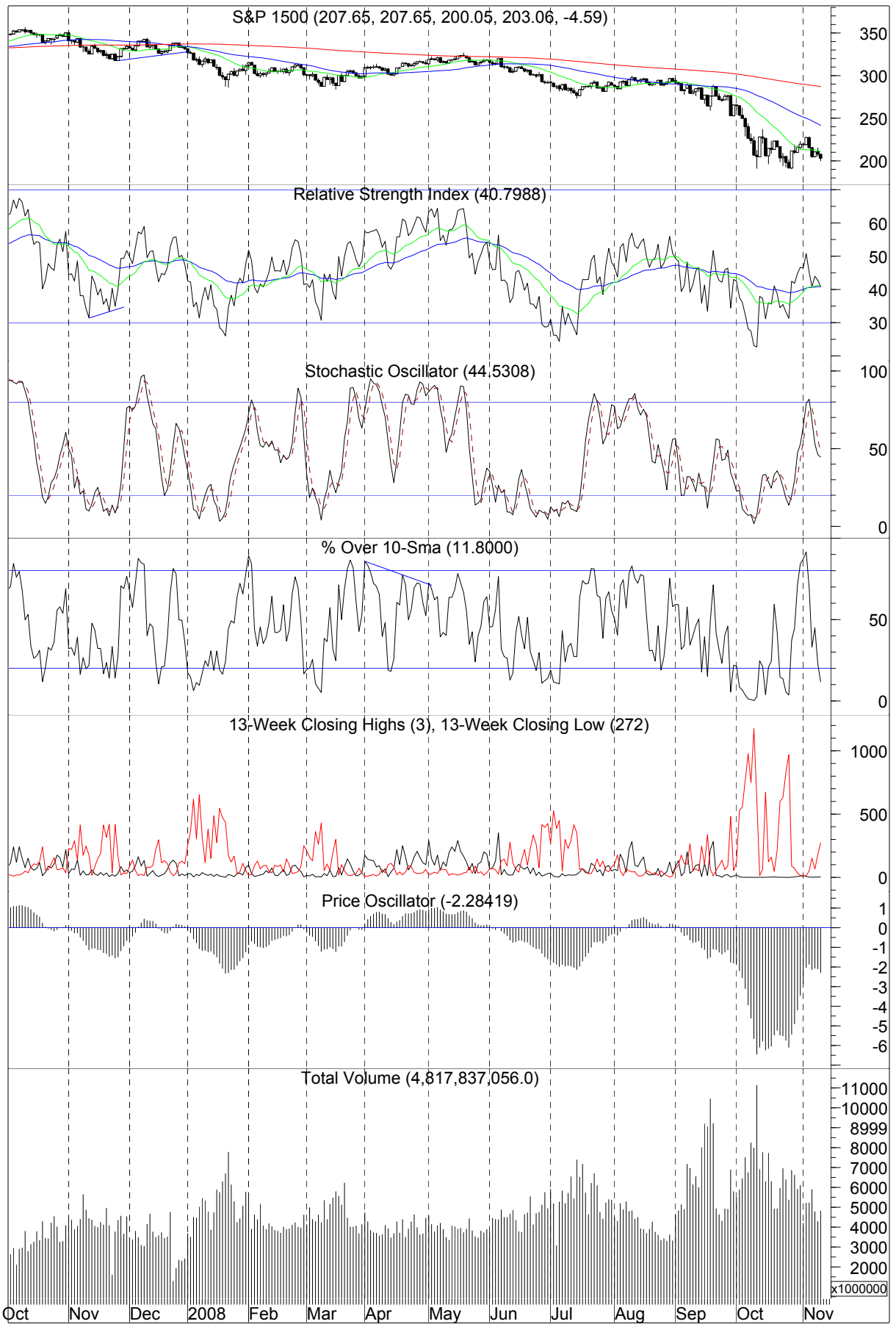
S&P 1500 Analysis - Wayne S. Kaufman, CMT

S&P 1500 (207.65, 207.65, 200.05, 203.06, -4.59)



The S&P 1500 remains locked in a trading range. The odds favor a retest of the bottom of the channel.

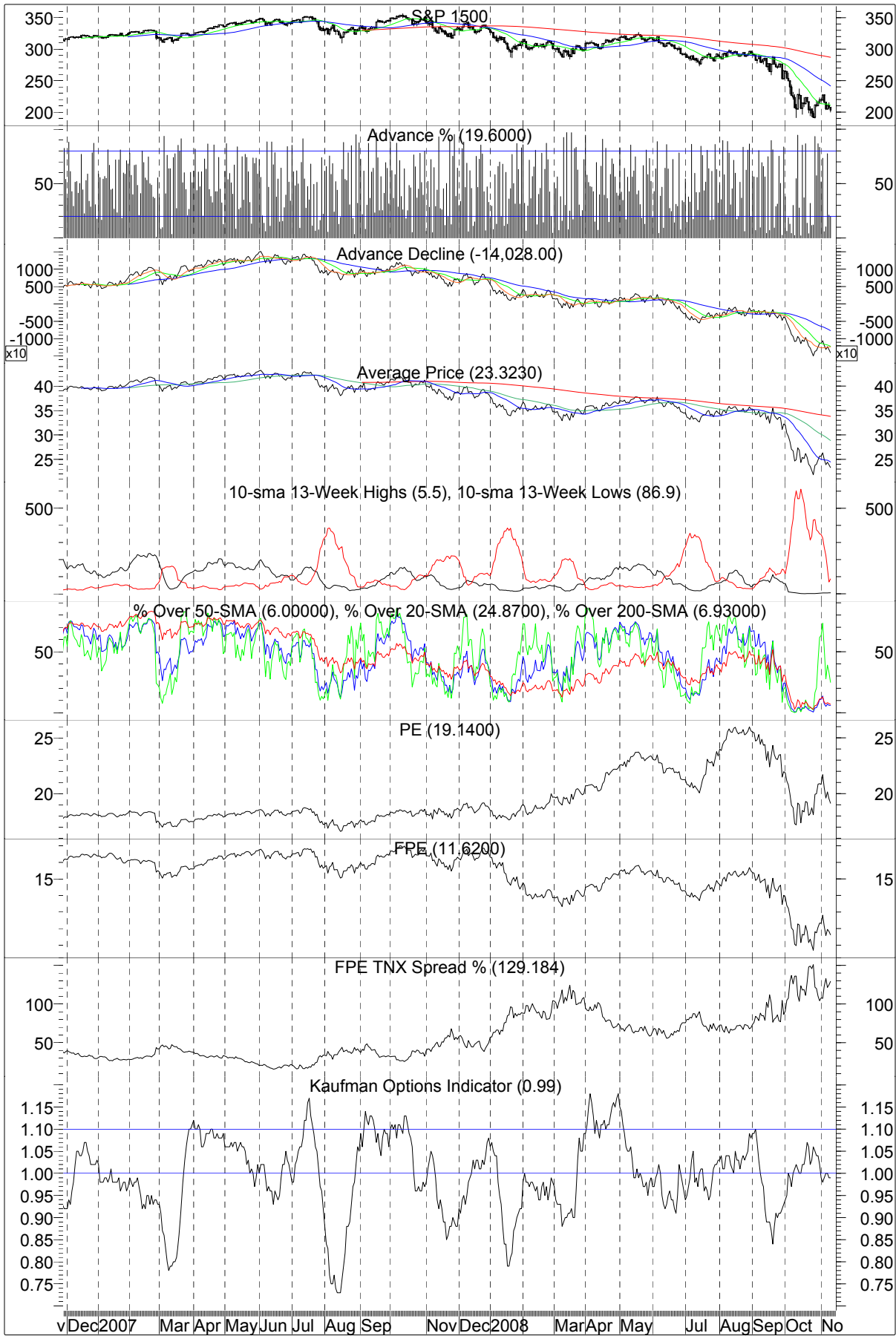
S&P 1500 Analysis - Wayne S. Kaufman, CMT



The percent over 10-sma is in the oversold zone again.

Volume increased during Tuesday's sell off, although it was less than average.

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



Spreads between equity and bond yields are rising again.

Our options indicator is just under neutral.