

Monday November 29, 2010

Closing prices of November 26, 2010

Stocks were mixed last week as investors dealt with fears of war in Korea and sovereign debt problems in Europe. The S&P 500 was down 0.86% for the week while U.S. Dollar strength helped the Bank of New York ADR Index take it on the chin with a 3.96% loss. The S&P Smallcap 600 led major indexes with a 1.48% gain, followed by the S&P Midcap 400, up 1.07%, and the Nasdaq 100, up 0.87%.

Two weeks ago we asked, "with the widely anticipated pullback having begun, the question is how far down can we go?" We identified one downside target as being 1181 on the S&P 500. We also said that we were entering options expiration week, which would be a logical time for a short-term bottom to be made. That turned out to be accurate. On the following Tuesday, November 16<sup>th</sup>, that 1181 objective was met and even surpassed. Last week we said "there are chart patterns and levels of retracement which argue that a short-term bottom is in. Unfortunately, other than seasonality there are no obvious catalysts to push stocks higher, so negative news such as sovereign debt problems can certainly cause a resumption of the recent selloff."

So far that short-term bottom remains intact, but the sovereign debt problems have been joined by an inflammatory situation in Korea. We are now watching important trend lines and price support levels to see if the recent weakness for equities will continue and drive prices lower. Hopefully the current bad news cycle will end and good economic news like last week's better than expected Jobless Claims report will continue.

As we get into December 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. 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 trend is down, while the intermediate and long-term trends are up. Pullbacks that are without intensity should be viewed as entry points for investors. The recent pullback has been due more to a lack of continued buying than a big pickup in selling. We will continue to monitor this for a possible change in the tone of the market.**

## IMPORTANT DISCLOSURES

I, Wayne S. Kaufman, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

**THE INFORMATION PROVIDED IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY. INVESTORS SHOULD CONSIDER THIS REPORT AS ONLY A SINGLE FACTOR IN MAKING THEIR INVESTMENT DECISION. THIS INFORMATIONAL REPORT IS NOT AN OFFER TO SELL OR A SOLICITATION TO BUY ANY SECURITY IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE ILLEGAL. THIS REPORT HAS BEEN PREPARED AS A MATTER OF GENERAL INFORMATION. IT IS NOT INTENDED TO BE A COMPLETE DESCRIPTION OF ANY SECURITY OR COMPANY MENTIONED, AND IS NOT AN OFFER TO BUY OR SELL ANY SECURITY. ALL FACTS AND STATISTICS ARE FROM SOURCES BELIEVED TO BE RELIABLE, BUT ARE NOT GUARANTEED AS TO ACCURACY. ADDITIONAL INFORMATION ON THESE SECURITIES AND COMPANIES IS AVAILABLE UPON REQUEST. SECURITIES, FINANCIAL INSTRUMENTS OR STRATEGIES MENTIONED HEREIN MAY NOT BE SUITABLE FOR ALL INVESTORS. THIS MATERIAL DOES NOT TAKE INTO ACCOUNT YOUR PARTICULAR INVESTMENT OBJECTIVES, FINANCIAL SITUATIONS OR STRATEGIES. BEFORE ACTING ON THE MATERIALS HEREIN, YOU SHOULD CONSIDER WHETHER IT IS SUITABLE FOR YOUR PARTICULAR CIRCUMSTANCES AND, IF NECESSARY SEEK PROFESSIONAL ADVICE. INVESTMENTS INVOLVE RISK AND AN INVESTOR MAY INCUR EITHER PROFITS OR LOSSES. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE. TRADING AND INVESTMENT DECISIONS ARE THE SOLE RESPONSIBILITY OF THE READER.**



The 30-minute chart of the S&P 500 shows it gapped down Friday and traded lower during the session. 1198 - 1200 remains important resistance.

30-minute momentum indicators are at low but not oversold levels and have not turned up yet.

S&P 500 Cash (1,194.16, 1,194.16, 1,186.93, 1,189.40, -8.95)



The daily chart of the S&P 500 shows resistance at 1200 and the 20-sma. The rising trendline shows higher bottoms. This is also a bearish pennant formation which projects a continuation lower if the trendline is broken. Price support is at 1178 and 1173. A break of 1173 would come after a break of the 50-sma and would be bearish.

Daily momentum indicators seem to be headed lower.



The weekly chart of the S&P 500 shows a small hammer candle printed last week. Hammers are bottoming candles.

Weekly momentum indicators seem to be headed lower after reaching high levels.



The monthly chart of the S&P 500 shows so far November is printing a bearish shooting star candle after the index hit resistance at the Fibonacci retracement level of 61.8% of the entire bear market.

Monthly momentum indicators still look positive.

NASDAQ 100 (2,146.38, 2,160.55, 2,142.69, 2,153.91, -6.61)



The monthly chart of the Nasdaq 100 shows it has been doing better than the S&P 500. After a weak open Friday it traded higher, the opposite of what happened on the S&P 500. It managed to close above its 20-sma.

Daily momentum indicators are mixed.

NASDAQ 100 (2,126.40, 2,165.15, 2,105.61, 2,153.91, +18.64)



The weekly chart of the Nasdaq 100 shows a bullish engulfing candle after last week's hammer. Hammers are bottoming candles and bullish engulfing are exactly that, bullish.

Weekly momentum indicators are at high or overbought levels.

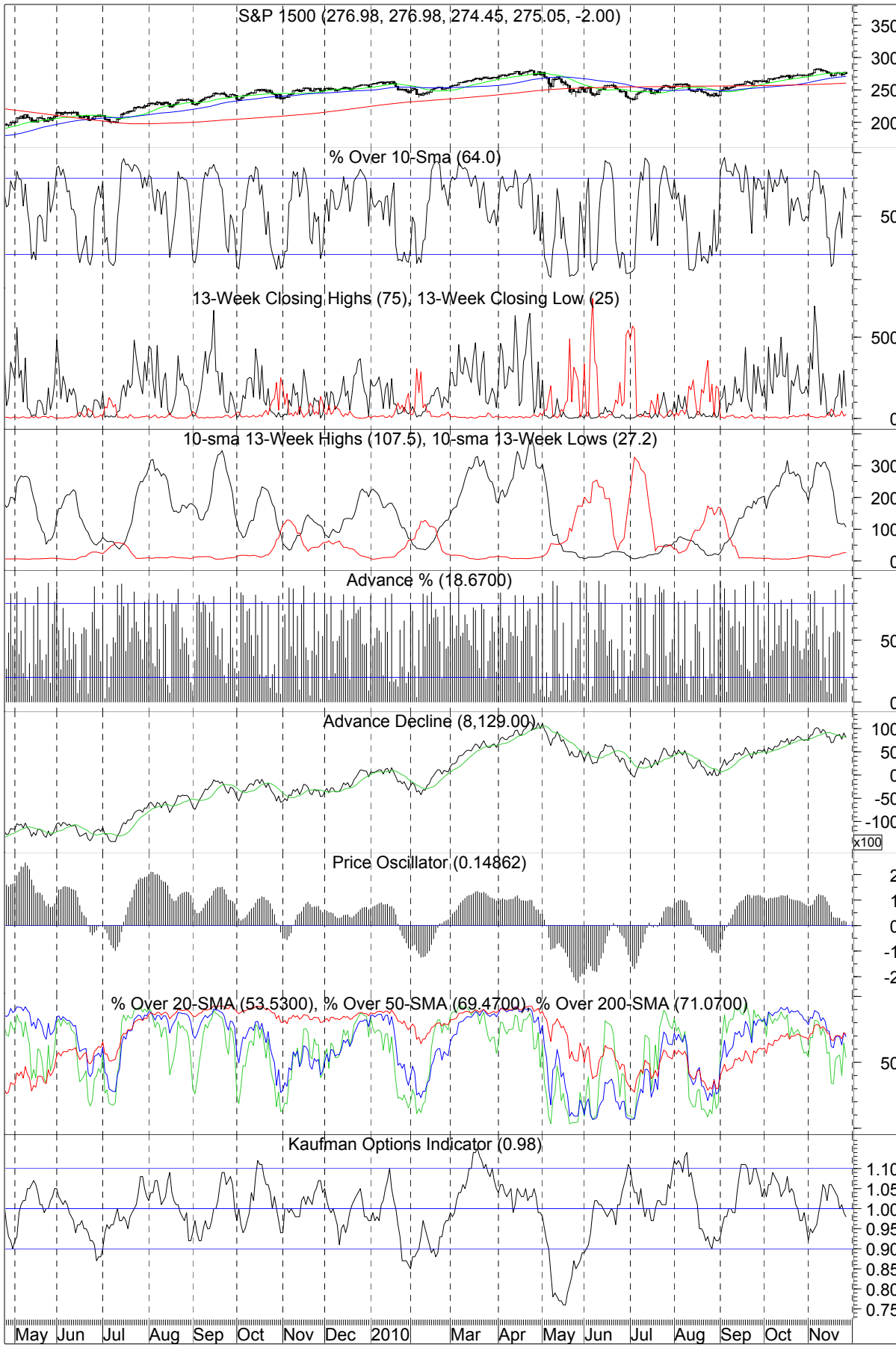
NASDAQ 100 (2,135.57, 2,200.16, 2,117.59, 2,137.95, -48.76)



The monthly chart of the Nasdaq 100 shows it is consolidating after nearing the 2007 highs.

Monthly momentum indicators are at high or overbought levels and may be starting to roll over.





After hitting oversold levels for the first time since August, the percent over 10-sma has bounced to 64%.

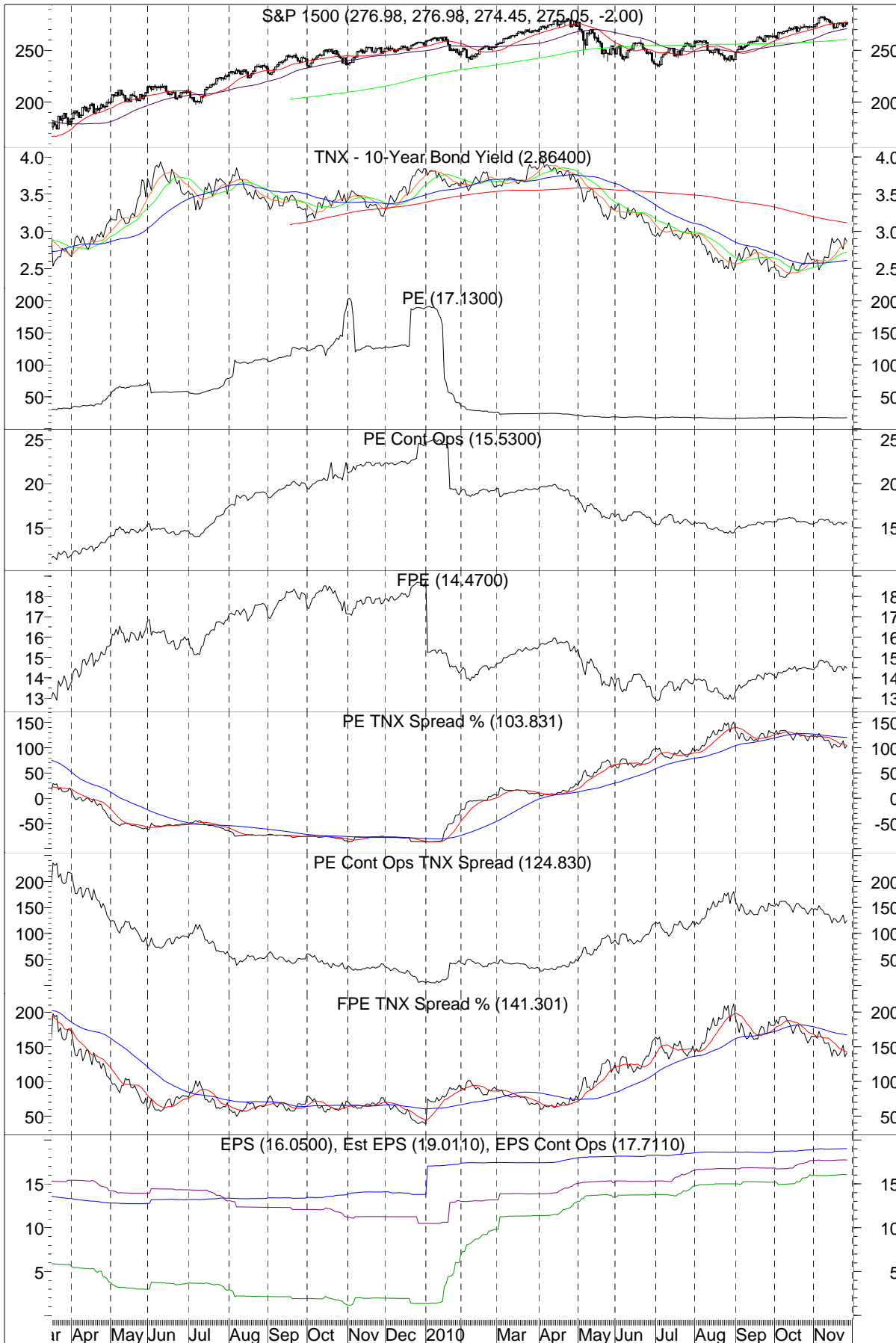
Closing highs have diminished during the recent pullback, but new lows have not expanded too much.

Only 18.67% of stocks traded higher Friday after 95.2% did on Thursday.

Our price oscillator, a good indicator of trends, remains just above the neutral line.

The percents of stocks over various moving averages has weakened, but the longer-term percent over 200-day moving average is still in bull market territory.

Our proprietary options indicator has dipped below the neutral line showing pessimism among options buyers. A good amount of pessimism could set up a December rally.



Last week we said the 10-year bond yield was overbought on the daily chart. It has been consolidating since peaking Thursday 11/18. It is still not overbought on a weekly basis. There is plenty of resistance just overhead.

P/E ratios remain range bound.

Spreads between bond and equity yields have narrowed as bond yields moved higher, but they are still at levels where stocks should be attractive.

Reported and projected aggregate earnings continue to flat line. With earnings season 98.6% over they may not move until we see some pre-announcements. We hope January 2011 will be a replay of January 2010 where forecasts jumped higher.

## Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
S&P Smallcap 600	389.80	-0.56%	1.48%	1.80%	4.35%	8.72%	17.19%	396.63	4/26/2010	300.43	11/30/2009
S&P Midcap 400	859.43	-0.53%	1.07%	1.44%	3.65%	7.15%	18.27%	864.02	11/24/2010	676.73	11/30/2009
Nasdaq 100	2153.91	-0.31%	0.87%	0.90%	1.39%	7.80%	15.78%	2200.16	11/9/2010	1700.04	7/1/2010
Nasdaq Composite	2534.56	-0.34%	0.65%	0.80%	1.08%	7.01%	11.70%	2592.94	11/9/2010	2061.14	7/1/2010
S&P 1500	275.05	-0.72%	-0.61%	-0.35%	0.92%	4.63%	7.95%	282.73	11/5/2010	232.54	7/1/2010
S&P 500	1189.40	-0.75%	-0.86%	-0.61%	0.52%	4.22%	6.66%	1227.08	11/5/2010	1010.91	7/1/2010
Dow Jones Industrials	11092.00	-0.85%	-1.00%	-0.80%	-0.24%	2.82%	6.37%	11451.53	11/5/2010	9614.32	7/2/2010
NYSE Composite	7500.54	-1.04%	-1.84%	-1.57%	-0.17%	3.01%	4.39%	7817.25	11/5/2010	6355.83	7/1/2010
Bank of New York Mellon ADR	132.34	-1.60%	-3.96%	-4.00%	-3.54%	-0.22%	-2.94%	142.74	11/4/2010	109.79	5/25/2010

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Consumer Discretionary	286.65	-0.46%	0.43%	0.99%	3.30%	8.77%	21.94%	288.30	11/11/2010	222.51	2/5/2010
Information Technology	392.21	-0.44%	0.40%	0.64%	0.16%	6.62%	5.80%	407.81	11/9/2010	323.47	7/1/2010
Industrials	280.98	-0.73%	-0.26%	0.22%	1.14%	3.75%	15.63%	292.21	4/30/2010	232.54	7/6/2010
Telecom Services	120.67	-0.35%	-0.97%	-0.97%	-0.60%	-0.71%	5.26%	125.37	11/4/2010	98.67	5/6/2010
Utilities	155.73	-0.56%	-0.99%	-1.25%	-3.18%	-2.28%	-1.43%	164.42	10/20/2010	138.57	5/25/2010
Materials	216.49	-1.23%	-1.02%	-0.33%	0.46%	7.06%	8.35%	227.45	11/9/2010	168.44	7/1/2010
Consumer Staples	294.63	-0.60%	-1.07%	-0.87%	-0.59%	2.20%	7.41%	301.80	11/4/2010	260.65	7/1/2010
Health Care	353.66	-0.77%	-1.29%	-1.19%	-2.03%	-0.03%	-2.36%	384.95	1/20/2010	318.89	7/1/2010
Energy	464.20	-1.15%	-1.71%	-1.08%	4.88%	10.72%	7.97%	476.28	11/11/2010	365.74	7/1/2010
Financials	194.41	-1.13%	-2.53%	-2.69%	-0.72%	0.64%	0.32%	230.45	4/15/2010	178.83	8/25/2010

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Retailing	495.13	-0.36%	2.43%	3.48%	6.15%	8.14%	20.43%	499.94	4/26/2010	379.61	7/1/2010
Semiconductors & Equipment	333.16	-0.56%	1.40%	2.47%	5.89%	11.88%	6.67%	348.04	4/15/2010	262.69	8/31/2010
Technology Hardware & Equipmen	422.78	-0.23%	1.10%	1.43%	0.51%	4.30%	8.53%	446.70	11/9/2010	350.49	8/27/2010
Real Estate	115.22	-0.75%	0.69%	1.32%	-0.80%	3.30%	22.34%	123.44	11/5/2010	84.72	2/10/2010
Consumer Durables & Apparel	162.53	-0.61%	0.49%	1.84%	4.93%	7.65%	23.98%	164.51	4/26/2010	123.91	12/9/2009
Commercial & Professional Service	135.74	-0.92%	-0.04%	0.24%	-0.67%	0.28%	1.44%	144.95	4/26/2010	122.63	6/8/2010
Capital Goods	299.95	-0.74%	-0.27%	0.17%	1.10%	3.44%	14.85%	318.38	4/30/2010	250.06	7/6/2010
Transportation	316.97	-0.61%	-0.28%	0.39%	1.84%	6.03%	24.35%	322.82	11/5/2010	239.94	2/5/2010
Consumer Services	462.55	-0.90%	-0.43%	0.12%	2.22%	7.74%	24.85%	471.70	11/5/2010	352.84	12/8/2009
Software & Services	506.58	-0.58%	-0.44%	-0.50%	-1.65%	7.12%	2.01%	526.00	11/9/2010	410.27	7/1/2010
Automobiles & Components	112.81	0.35%	-0.52%	-0.02%	10.10%	25.42%	45.12%	118.47	11/15/2010	70.92	11/27/2009
Food & Staples Retailing	186.38	-0.80%	-0.67%	-0.13%	1.24%	1.54%	1.81%	196.37	3/30/2010	162.45	7/1/2010
Food, Beverage & Tobacco	345.11	-0.53%	-0.73%	-0.59%	-0.73%	2.70%	12.60%	351.97	11/4/2010	293.85	2/5/2010
Telecom Services	120.67	-0.35%	-0.97%	-0.97%	-0.60%	-0.71%	5.26%	125.37	11/4/2010	98.67	5/6/2010
Utilities	155.73	-0.56%	-0.99%	-1.25%	-3.18%	-2.28%	-1.43%	164.42	10/20/2010	138.57	5/25/2010
Materials	216.49	-1.23%	-1.02%	-0.33%	0.46%	7.06%	8.35%	227.45	11/9/2010	168.44	7/1/2010
Health Care Equip & Services	342.48	-0.71%	-1.10%	-0.50%	1.64%	3.28%	-1.37%	371.77	1/20/2010	296.30	8/31/2010
Media	190.42	-0.47%	-1.16%	-1.41%	-1.47%	6.80%	16.40%	197.48	11/4/2010	149.13	11/30/2009
Pharmaceuticals, Biotech & Life Sci	330.00	-0.80%	-1.39%	-1.53%	-3.80%	-1.62%	-2.87%	359.71	1/20/2010	299.26	7/1/2010
Energy	464.20	-1.15%	-1.71%	-1.08%	4.88%	10.72%	7.97%	476.28	11/11/2010	365.74	7/1/2010
Insurance	175.68	-1.21%	-2.17%	-2.41%	-1.95%	-1.58%	6.60%	189.97	4/26/2010	156.79	5/25/2010
Household & Personal Products	365.80	-0.59%	-2.29%	-2.25%	-1.99%	1.65%	1.40%	383.05	3/23/2010	339.42	5/6/2010
Banks	127.98	-1.20%	-3.09%	-3.13%	-0.35%	2.01%	2.10%	165.92	4/21/2010	115.69	8/31/2010
Diversified Financials	301.49	-1.14%	-3.18%	-3.49%	-0.16%	0.80%	-6.24%	382.07	4/15/2010	278.07	8/31/2010

**INTERNATIONAL ETFs**

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Chile ECH	77.12	-1.36%	0.63%	1.69%	4.19%	40.76%	79.82	11/9/2010	27.27	5/6/2010
Canada EWC	29.38	-0.81%	0.47%	1.58%	4.82%	11.58%	30.50	11/9/2010	22.75	5/6/2010
Vietnam VNM	23.88	-1.20%	-0.04%	-3.55%	-2.33%	-6.32%	27.74	1/5/2010	21.81	8/25/2010
Mexico EWW	58.76	-1.84%	-0.34%	2.16%	10.89%	20.24%	61.60	5/6/2010	44.71	2/5/2010
Taiwan EWT	13.95	-0.71%	-0.71%	0.36%	2.95%	7.56%	14.46	11/5/2010	10.81	6/8/2010
Russia RSX	34.39	-0.92%	-0.89%	0.29%	5.72%	10.26%	36.91	4/14/2010	26.06	5/25/2010
Israel EIS	56.14	-0.74%	-1.28%	-1.46%	2.23%	3.19%	60.68	3/26/2010	45.00	5/6/2010
Sweden EWD	28.47	-0.35%	-1.34%	-2.50%	-1.73%	21.15%	30.78	11/4/2010	19.00	5/6/2010
Malaysia EWM	13.70	-1.51%	-1.86%	-2.63%	-0.29%	29.00%	14.41	11/5/2010	10.18	2/5/2010
Japan EWJ	10.27	-1.58%	-2.00%	2.50%	3.89%	5.44%	10.71	4/15/2010	9.15	6/7/2010
Latin America ILF	51.33	-1.87%	-2.26%	-1.52%	1.56%	7.41%	54.87	11/5/2010	39.21	5/25/2010
Switzerland EWL	23.25	-0.56%	-2.26%	-1.15%	1.88%	4.45%	24.75	11/5/2010	18.70	5/25/2010
BRIC EEB	44.63	-1.57%	-2.56%	-2.26%	-0.20%	5.11%	48.27	11/9/2010	23.23	5/6/2010
Germany EWG	23.45	-0.68%	-2.72%	-1.59%	6.59%	4.50%	24.92	11/4/2010	17.97	5/25/2010
Indonesia IDX	87.81	-2.98%	-2.79%	-1.25%	1.39%	41.24%	93.14	11/9/2010	56.80	11/27/2009
Brazil EWZ	74.81	-1.49%	-3.09%	-2.89%	-2.78%	0.27%	81.77	11/4/2010	57.18	5/25/2010
Thailand THD	62.09	-4.17%	-3.41%	-1.94%	0.05%	46.13%	68.70	11/9/2010	37.65	2/5/2010
Emerging Markets EEM	44.80	-2.47%	-3.61%	-2.86%	0.07%	7.95%	48.62	11/9/2010	35.21	5/25/2010
South Africa EZA	67.79	-1.61%	-3.72%	0.09%	0.85%	21.12%	72.99	11/9/2010	23.00	5/6/2010
China 25 FXI	43.20	-2.26%	-4.25%	-3.94%	0.89%	2.22%	47.99	11/8/2010	36.24	5/6/2010
Austria EWO	20.04	-0.79%	-4.30%	-4.89%	1.70%	2.45%	22.10	12/3/2009	14.91	6/8/2010
United Kingdom EWU	16.59	-1.07%	-4.40%	-2.70%	1.41%	2.41%	17.95	11/4/2010	13.25	5/25/2010
Singapore EWS	13.32	-1.33%	-4.48%	-2.35%	0.76%	15.93%	14.56	11/9/2010	10.37	2/5/2010
South Korea EWY	53.51	-3.43%	-4.55%	-1.62%	0.04%	12.32%	57.88	11/4/2010	40.65	5/25/2010
Hong Kong EWH	18.64	-1.48%	-4.73%	-0.48%	2.76%	19.03%	20.24	11/8/2010	14.08	5/21/2010
Australia EWA	23.65	-2.75%	-4.75%	-3.35%	-0.38%	3.55%	26.36	1/11/2010	18.26	5/25/2010
Netherlands EWN	19.79	-1.64%	-5.28%	-5.08%	-2.61%	-3.28%	21.75	11/4/2010	16.64	5/25/2010
Belgium EWK	12.93	-1.60%	-5.53%	-7.71%	-2.64%	1.33%	14.52	11/4/2010	8.93	5/6/2010
France EWQ	23.59	-1.42%	-5.60%	-6.83%	-1.67%	-8.74%	27.32	1/11/2010	19.24	5/25/2010
India IFN	35.41	-2.51%	-5.86%	-7.28%	-2.64%	15.34%	40.94	11/8/2010	26.61	5/25/2010
Italy EWI	15.95	-1.97%	-6.80%	-10.94%	-5.06%	-18.25%	20.54	1/11/2010	13.21	6/7/2010
Turkey TUR	68.09	-3.17%	-8.26%	-7.97%	-2.77%	26.33%	79.00	11/9/2010	44.15	11/27/2009
Spain EWP	36.21	-3.39%	-9.92%	-15.67%	-10.92%	-24.63%	52.47	12/3/2009	29.85	6/8/2010