

Tuesday September 14, 2010

Closing prices of September 13, 2010

Stocks continued their rally Monday with another impressive breadth day, with 90.76% of stocks in the S&P 1500 advancing. This was the fourth session in the last eleven with advancers over 90%. This impressive run has caused the percentage of stocks over their own 10-day moving averages to remain over the 80% level for eight straight sessions. On September 3rd that percentage was 96.2%, the highest level since it hit 96.67% on March 18, 2009. Sellers seem to be confined to the sidelines.

Monday's action also caused the S&P 500 to close above its 200-sma for the first time since August 10th. **This powerful rally has caused a breadth thrust move to be recorded, which is a signal that a major move higher has begun. Based on this we think there is a strong chance the recent trading range will be broken to the upside.**

Interestingly, in spite of the strong rally options buyers have not gotten overly bullish, which would usually be the case. Sentiment based on our proprietary options indicator recently went full circle from overbullish on August 10th to pessimistic towards the end of the August. Currently it is at 0.99, just under the neutral line and not near a level where rallies are in danger.

Valuations based on spreads between bond and equity yields remain at levels where stocks should be attractive. The story here is very simple. Forecast earnings have made little headway since the beginning of the year. As we get further into September, especially as we get to pre-announcement season at the end of the month, investors should begin to get information regarding third-quarter earnings.

In the upcoming earnings season if forecasts are met or even exceeded as they have been in recent earnings seasons stocks will continue to look cheap. If guidance is positive during earnings season, investors should feel more confident putting money into equities, especially since we will be just ahead of the seasonally strongest three month period of the year, the November – January period.

In the short-term, stocks are overbought so investors need to be careful with entry points. We have entered a period of negative seasonality which lasts through the end of the month. We still have a quadruple witching options expiration to deal with, so investors need to stay on their toes.

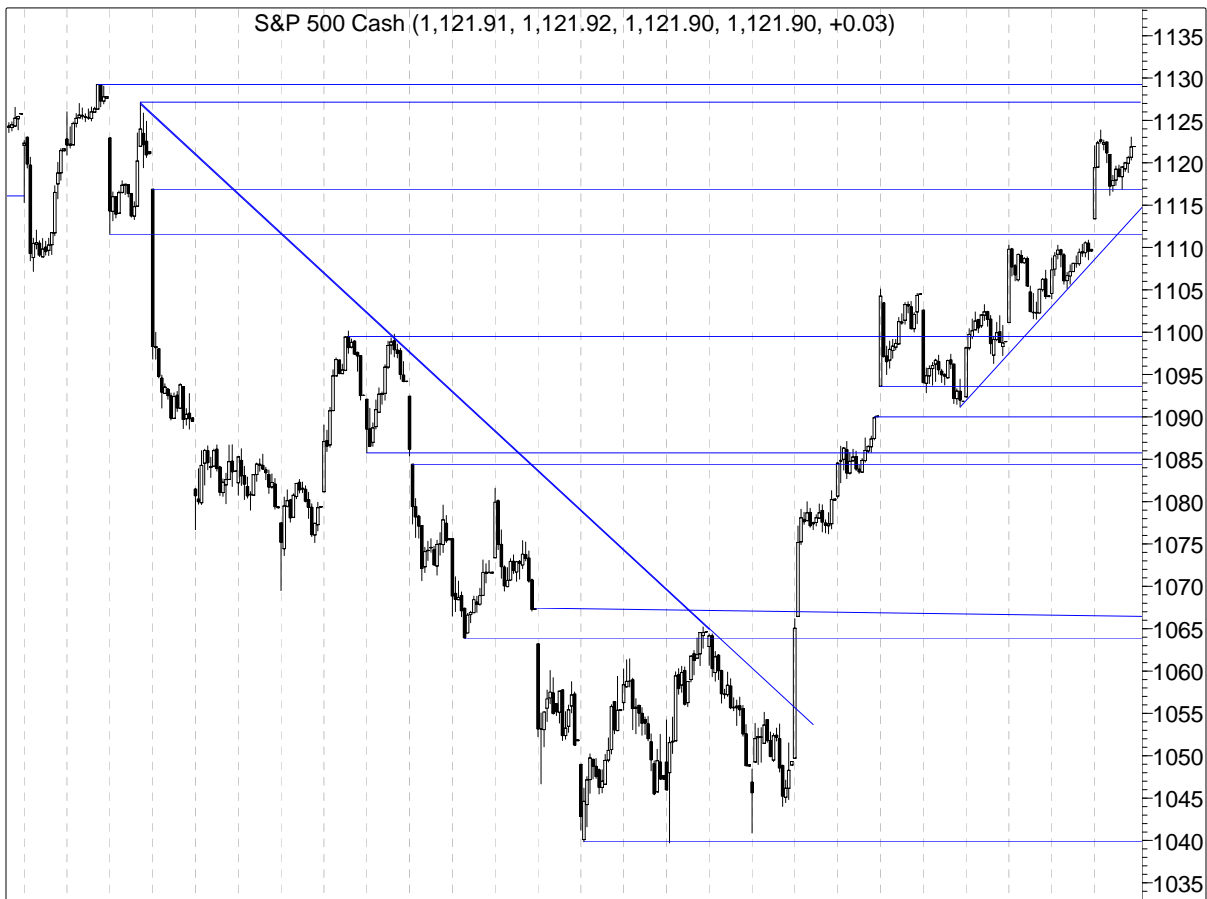
Based on the S&P 500 the short, intermediate, and long-term trends are up. Stocks are overbought just under resistance so they can pull back at any time. However, the tone of the market may have changed, and stocks may be breaking out of the recent trading range shortly.

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.

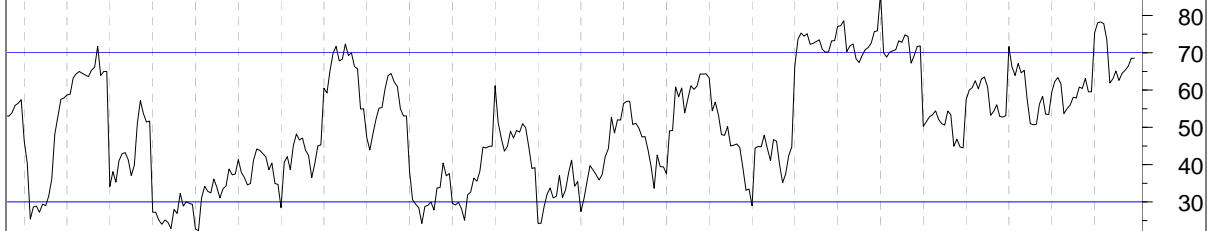
THE INFORMATION PROVIDED IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY. INVESTORS SHOULD CONSIDER THIS REPORT AS ONLY A SINGLE FACTOR IN MAKING THEIR INVESTMENT DECISION. THIS INFORMATIONAL REPORT IS NOT AN OFFER TO SELL OR A SOLICITATION TO BUY ANY SECURITY IN ANY JURISDICTION WHERE SUCH AN 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.

S&P 500 Cash (1,121.91, 1,121.92, 1,121.90, 1,121.90, +0.03)

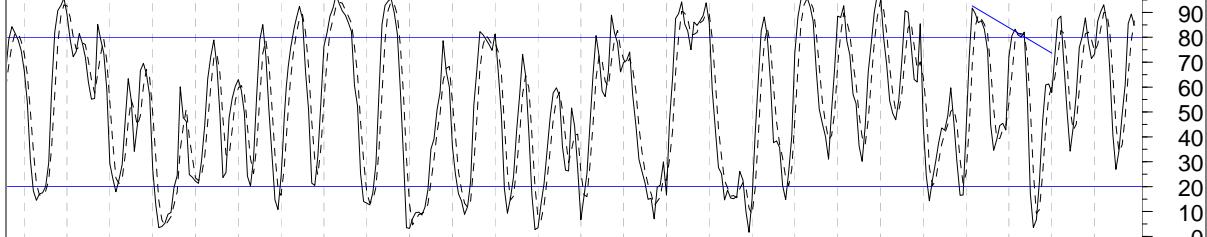


The 30-minute chart of the S&P 500 shows that since the August bottom it has broken multiple levels of resistance with barely a pause.

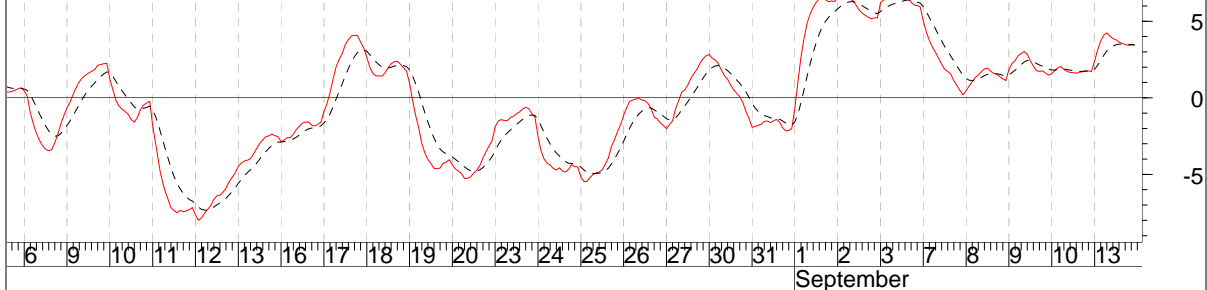
Relative Strength Index (68.5705)



Stochastic Oscillator (84.8050)



MACD (3.42889)





S&P 500 Cash (1,113.38, 1,123.87, 1,113.38, 1,121.90, +12.35)

The S&P 500 has moved back over its 200-sma. It is close to resistance at the 1131 area.

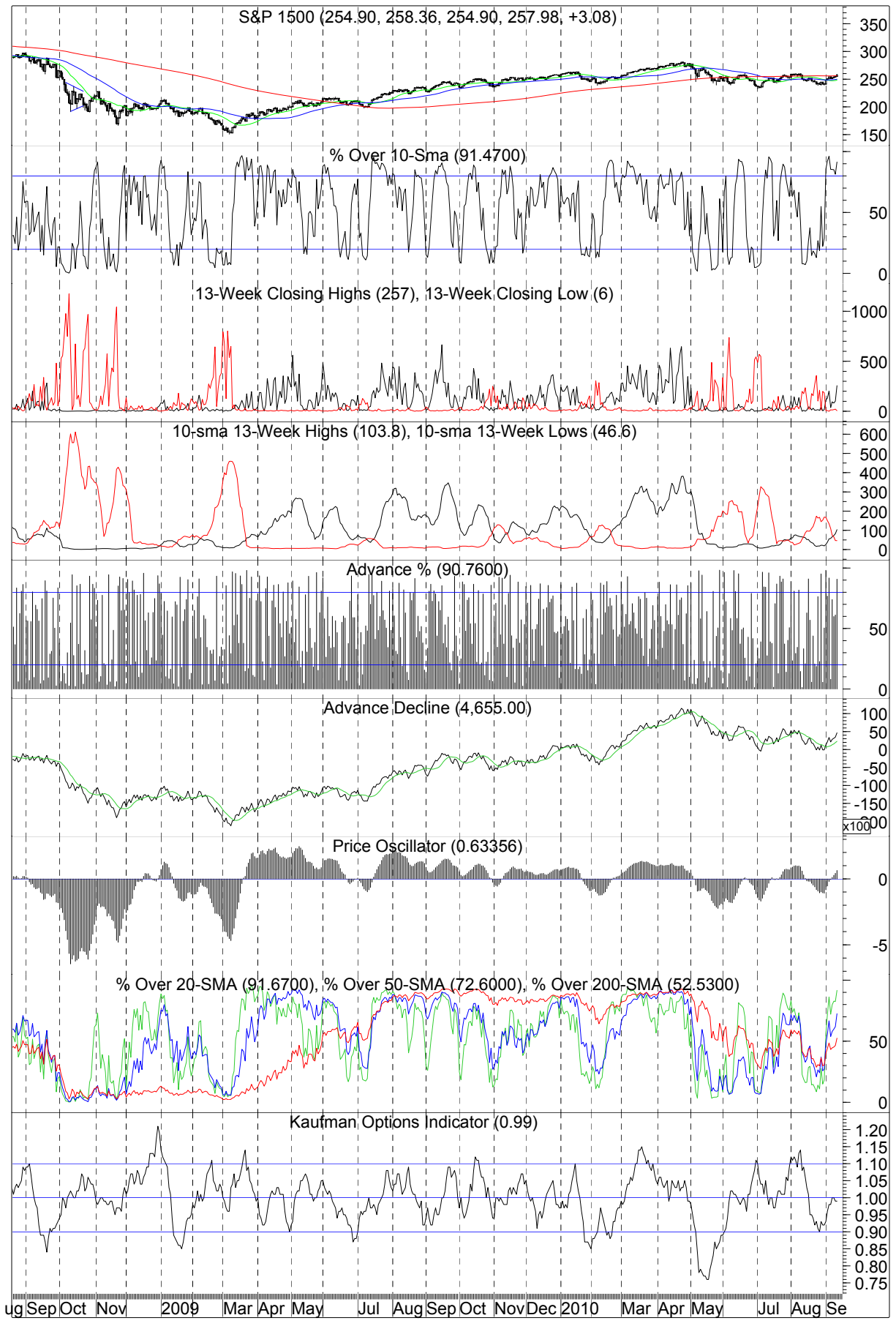
Relative Strength Index (62.5337)

The RSI is at a prior level of resistance but not yet overbought while the stochastic is in the overbought zone.

Stochastic Oscillator (88.5948)

The MACD still has room to move higher.

MACD (4.84882)



91.47% of stocks are over their own 10-sma, the 8th session in a row over 80%. This has caused a breadth thrust move to be registered.

Monday had 257 13-week closing highs, the most since 347 on 4/29.

The 10-sma of 13-week closing highs is back above the number of closing lows.

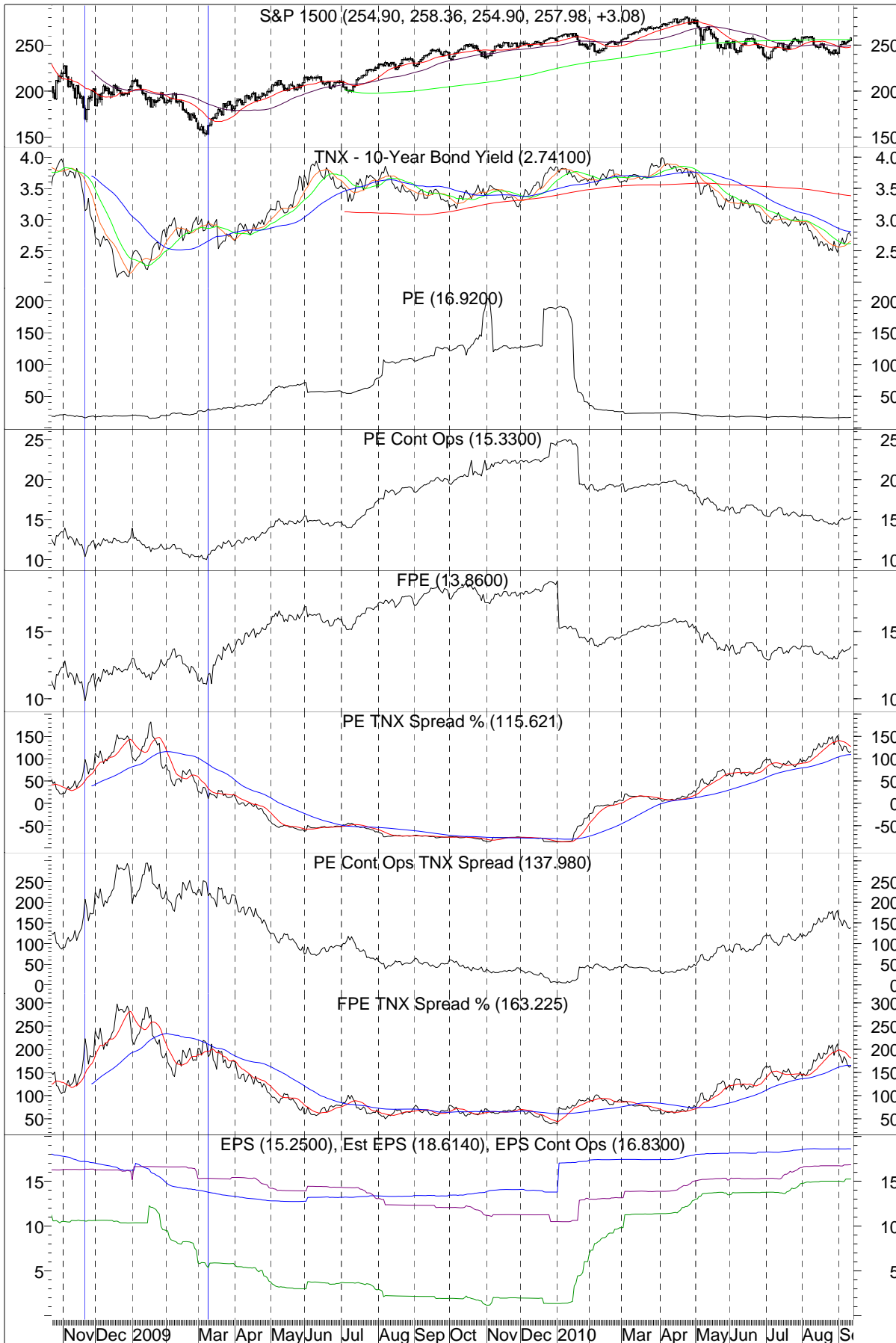
Monday was another day of over 90% of stocks advancing.

The AD line remains above its 10-sma and is above levels of 20-days ago.

Our price oscillator, a good indicator of trends, is back in positive territory.

These numbers have improved dramatically.

Our proprietary options indicator is just under the neutral line at 0.99, showing options buyers have not become over bullish in spite of the recent rally.



Bond yields have bounced from oversold levels to the 50-sma. They are not overbought but a bearish engulfing candle (not shown) was printed on the daily chart.

P/E ratios are moving up with the rally but are still within their recent ranges.

Spreads between bond and equity yields have narrowed but are still at levels where stocks are attractive versus bonds.

Earnings metrics continue to flat line due to few announcements. This will change next month. If estimates finally begin to move higher stocks will look very undervalued.

Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
S&P Smallcap 600	347.45	2.36%	2.36%	1.06%	7.83%	5.94%	4.46%	396.63	4/26/2010	294.26	11/2/2009
Nasdaq Composite	2285.71	1.93%	1.93%	2.33%	8.12%	8.37%	0.73%	2535.28	4/26/2010	2024.27	11/2/2009
S&P Midcap 400	777.13	1.75%	1.75%	1.38%	7.69%	9.19%	6.94%	852.90	4/26/2010	651.79	11/2/2009
Bank of New York Mellon ADR	129.64	1.74%	1.74%	1.95%	7.04%	14.72%	-4.92%	142.19	1/11/2010	109.79	5/25/2010
Nasdaq 100	1921.67	1.55%	1.55%	2.75%	8.73%	10.50%	3.30%	2059.42	4/26/2010	1652.44	11/2/2009
NYSE Composite	7156.18	1.25%	1.25%	1.43%	6.74%	10.61%	-0.40%	7743.74	4/15/2010	6355.83	7/1/2010
S&P 1500	257.98	1.21%	1.21%	1.54%	7.01%	8.77%	1.25%	281.21	4/26/2010	232.54	7/1/2010
S&P 500	1121.90	1.11%	1.11%	1.57%	6.92%	8.85%	0.61%	1219.80	4/26/2010	1010.91	7/1/2010
Dow Jones Industrials	10544.13	0.78%	0.78%	0.92%	5.29%	7.88%	1.11%	11258.01	4/26/2010	9430.08	10/2/2009

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Financials	199.52	2.27%	2.27%	2.22%	9.47%	7.48%	2.96%	230.45	4/15/2010	178.83	8/25/2010
Information Technology	351.86	2.06%	2.06%	1.79%	7.23%	6.65%	-5.08%	397.46	4/26/2010	323.47	7/1/2010
Materials	201.47	1.55%	1.55%	1.76%	7.13%	16.82%	0.83%	213.87	4/26/2010	168.44	7/1/2010
Consumer Discretionary	256.56	1.14%	1.14%	1.16%	8.06%	11.69%	9.14%	284.57	4/26/2010	208.45	10/2/2009
Industrials	265.25	1.05%	1.05%	2.03%	8.91%	11.32%	9.16%	292.21	4/30/2010	220.05	11/2/2009
Energy	409.45	0.56%	0.56%	0.99%	6.59%	9.67%	-4.77%	464.76	4/26/2010	365.74	7/1/2010
Utilities	158.91	0.39%	0.39%	-0.35%	2.30%	10.79%	0.58%	161.50	12/14/2009	138.57	5/25/2010
Telecom Services	117.24	0.37%	0.37%	1.95%	4.11%	14.89%	2.27%	117.58	9/13/2010	98.67	5/6/2010
Health Care	344.30	0.06%	0.06%	2.06%	5.91%	5.33%	-4.95%	384.95	1/20/2010	318.89	7/1/2010
Consumer Staples	283.73	-0.06%	-0.06%	0.83%	3.72%	8.03%	3.44%	290.45	3/23/2010	257.35	9/15/2009

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Semiconductors & Equipment	280.49	3.10%	3.10%	0.42%	6.15%	-1.29%	-10.19%	348.04	4/15/2010	262.69	8/31/2010
Banks	131.77	3.07%	3.07%	3.07%	11.80%	2.93%	5.12%	165.92	4/21/2010	115.69	8/31/2010
Diversified Financials	312.25	2.63%	2.63%	2.96%	10.57%	7.94%	-2.90%	382.07	4/15/2010	278.07	8/31/2010
Technology Hardware & Equipment	383.21	2.10%	2.10%	1.42%	7.85%	5.24%	-1.62%	431.10	4/26/2010	349.27	10/2/2009
Automobiles & Components	87.40	2.08%	2.08%	-0.21%	8.10%	15.69%	12.43%	107.25	4/26/2010	60.18	10/2/2009
Software & Services	458.67	1.75%	1.75%	2.46%	7.03%	10.24%	-7.64%	512.69	4/15/2010	410.27	7/1/2010
Materials	201.47	1.55%	1.55%	1.76%	7.13%	16.82%	0.83%	213.87	4/26/2010	168.44	7/1/2010
Consumer Durables & Apparel	143.42	1.44%	1.44%	0.94%	8.43%	9.29%	9.40%	164.51	4/26/2010	111.87	9/28/2009
Insurance	179.29	1.40%	1.40%	1.31%	7.20%	7.09%	8.79%	189.97	4/26/2010	156.74	11/3/2009
Retailing	431.26	1.31%	1.31%	1.26%	8.70%	11.78%	4.90%	499.94	4/26/2010	365.61	10/2/2009
Capital Goods	283.71	1.24%	1.24%	2.39%	9.46%	10.64%	8.63%	318.38	4/30/2010	238.52	11/2/2009
Real Estate	114.02	1.20%	1.20%	-0.66%	5.71%	15.98%	21.07%	114.94	9/3/2010	79.91	10/2/2009
Commercial & Professional Services	131.09	0.90%	0.90%	0.70%	5.50%	4.82%	-2.03%	144.95	4/26/2010	122.63	6/8/2010
Media	179.64	0.90%	0.90%	1.37%	7.71%	10.87%	9.81%	192.83	5/3/2010	140.73	11/3/2009
Consumer Services	427.03	0.71%	0.71%	1.24%	7.22%	12.93%	15.26%	446.11	4/26/2010	335.30	11/2/2009
Energy	409.45	0.56%	0.56%	0.99%	6.59%	9.67%	-4.77%	464.76	4/26/2010	365.74	7/1/2010
Food & Staples Retailing	174.40	0.50%	0.50%	1.23%	5.76%	6.07%	-4.74%	196.37	3/30/2010	162.45	7/1/2010
Utilities	158.91	0.39%	0.39%	-0.35%	2.30%	10.79%	0.58%	161.50	12/14/2009	138.57	5/25/2010
Telecom Services	117.24	0.37%	0.37%	1.95%	4.11%	14.89%	2.27%	117.58	9/13/2010	98.67	5/6/2010
Transportation	294.91	0.35%	0.35%	1.02%	7.80%	16.15%	15.70%	304.63	5/3/2010	221.60	11/2/2009
Health Care Equip & Services	316.75	0.27%	0.27%	1.71%	6.70%	0.57%	-8.78%	371.77	1/20/2010	296.30	8/31/2010
Household & Personal Products	359.67	0.09%	0.09%	0.27%	1.85%	1.77%	-0.30%	383.05	3/23/2010	325.71	9/16/2009
Pharmaceuticals, Biotech & Life Scier	329.40	-0.03%	-0.03%	2.22%	5.55%	7.72%	-3.04%	359.71	1/20/2010	299.26	7/1/2010
Food, Beverage & Tobacco	333.23	-0.34%	-0.34%	0.91%	3.72%	11.69%	8.73%	334.83	9/10/2010	285.26	9/11/2009