

Tuesday December 2, 2008

Closing prices of December 1, 2008

Stocks plunged Monday in another 90% panic-selling down day. It was an intense day of selling that makes us wonder if the lows of November 21st will hold. All ten S&P sectors were down at least 5.53%, with Financials down an incredible 17%, and Energy down 10.27%.

The S&P 1500 (183.90) was down 9.149% Monday. Average price per share was down 10.11%. Volume was 89% of its 10-day average and 94% of its 30-day average. 1.34% of the S&P 1500 stocks were up on the day, with up volume at 0.001% and up points at 0.005%. Up Dollars was 0.0% of total dollars, and was 1/100 of 1% of its 10-day moving average while Down Dollars was 399% of its 10-day moving average. The index is down 9.15% month-to-date, down 30.86% quarter-to-date, down 44.50% year-to-date, and down 48.40% from the peak of 356.38 on 10/11/07. Average price per share is \$20.97, down 51.49% from the peak of \$43.23 on 6/4/2007.

The Put/Call Ratio was 0.997. The Kaufman Options Indicator was 1.01.

The spread between the reported earnings yield and 10-year bond yield is 112% and 241% based on projected earnings. These are unheard of levels.

Reported aggregate earnings for the S&P 1500 peaked in August 2007 at \$19.18 and are now at \$10.62, a drop of 44.63%, and have been moving sideways since 10/27. Estimated aggregate earnings peaked at \$21.95 in February 2008, are still moving lower, and are now \$17.02, a drop of only 22.46%. Analysts have obviously been very late in lowering estimates. If investors had any confidence in current earnings estimates stocks would be much higher than they currently are.

486 companies in the S&P 500 have reported third quarter earnings. According to Bloomberg, 58.5% have had positive surprises, 9.3% have been in line, and 32.2% have been negative. The year-over-year change has been -18.3% on a share-weighted basis, +5.4% market cap-weighted, and -2.3% non-weighted. Ex-financial stocks these numbers are 10.2%, 23.8%, and 16.5%, respectively.

Federal Funds futures are pricing in an 74.0% probability that the Fed will cut rates 50 basis points to 0.50%, and a 26.0% probability of cutting 75 basis points to 0.25% when they meet on December 16th. They are pricing in a 63.7% probability that the Fed will cut rates 50 basis points to 0.50% on January 28th, and a 32.7% probability of cutting 75 basis points to 0.25%.

The short-term, intermediate and long-term trends remain down. We reiterate that this continues to be an opportunistic trader's market, with adept traders able to take advantage long or short, but the primary downtrend must still be respected. Investors should not hesitate to move out of laggard sectors and stocks and into leaders.

IMPORTANT DISCLOSURES

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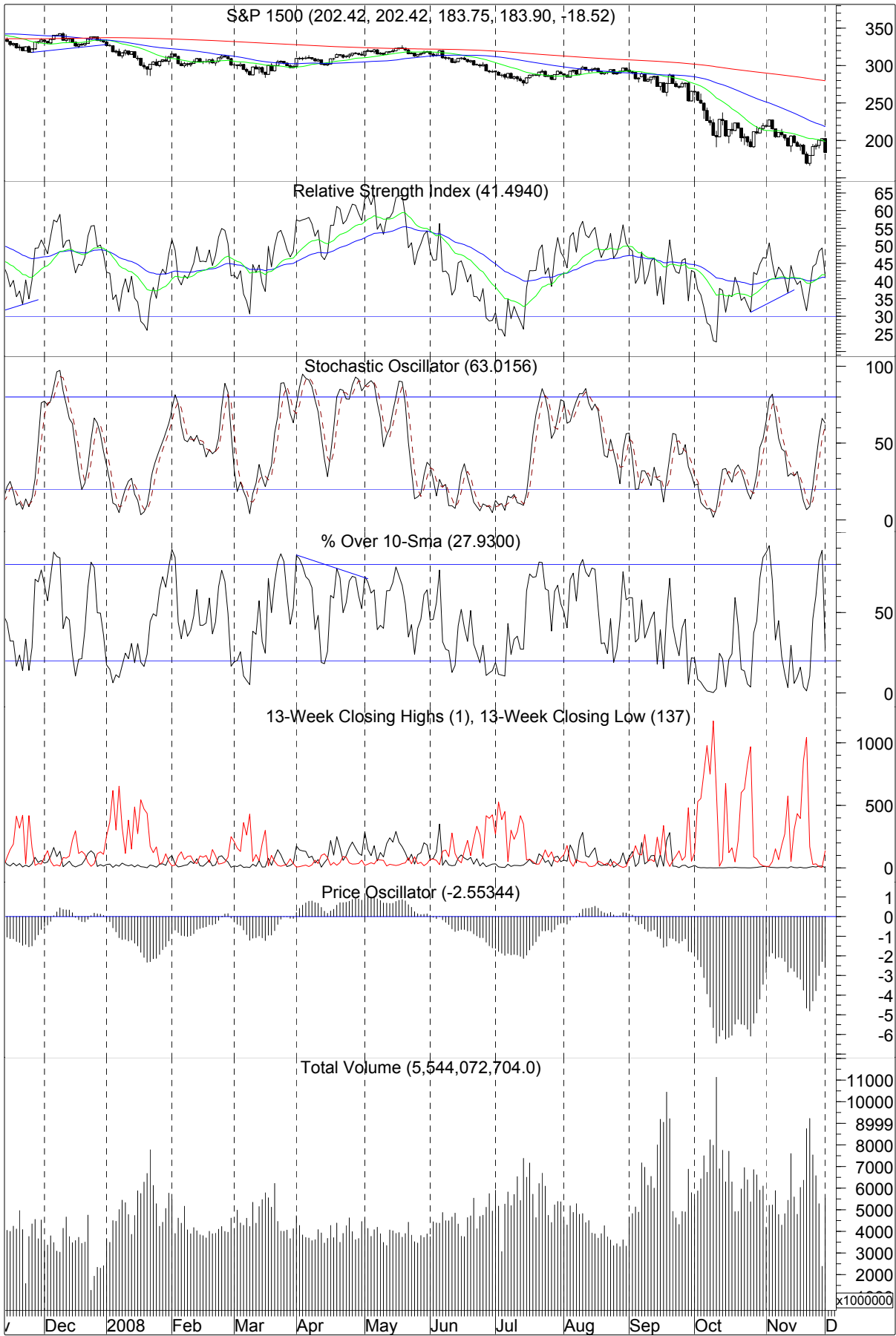
S&P 1500 Analysis - Wayne S. Kaufman, CMT

S&P 1500 (202.42, 202.42, 183.75, 183.90, -18.52)



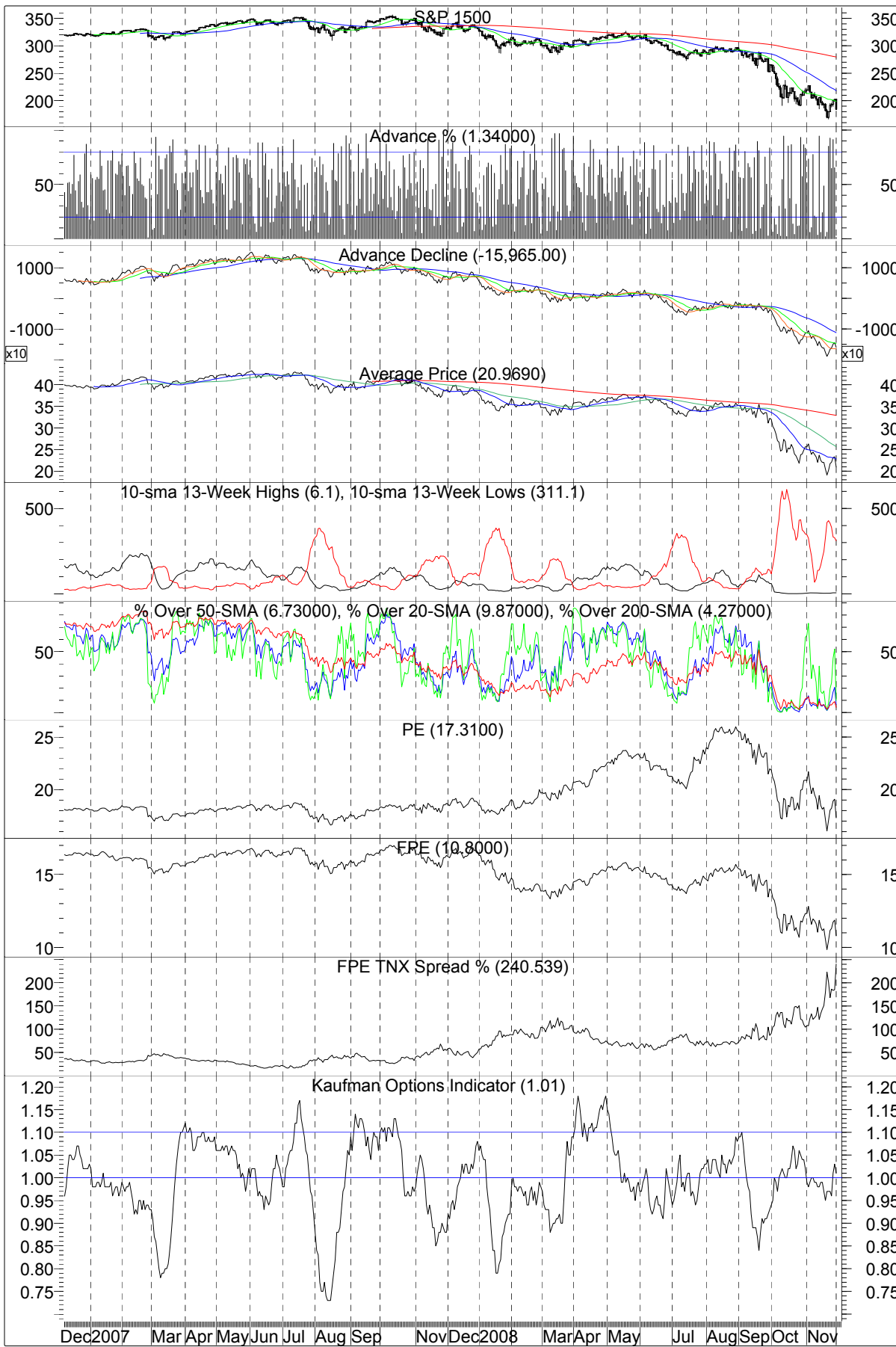
The S&P 1500 plunged again Monday and is back below all important moving averages.

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Our momentum indicators are not yet oversold.

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Spreads between equity and bond yields have reached insane levels.

Our proprietary options indicator is showing slight bullishness on the part of options buyers, not the pessimism which has marked important bottoms in the past.