

Monday November 30, 2009

Closing prices of November 27, 2009

Markets around the world were roiled last week when Dubai requested a delay on payments of billions of dollars of debt. Is this another Lehman-like event that will send markets into a death spiral? We don't believe so, even though it did cause a panic-selling 90% down day, the second one in six trading days.

Fourteen months ago in our issue dated September 17, 2008 we said "markets appear to be in the clutches of a global margin call." The Dubai announcement last week highlights our belief that we are now seeing a global workout process following a period of individuals, companies, and governments taking on too much debt. This de-leveraging will take a while and will probably hamper what some have called a "synchronized global recovery."

Last week we warned that negative divergences still persisted, there was a red flag due to only 44.73% of stocks trading over their own 50-day moving averages, and that the low volume environment created a condition where news could cause sharp moves in either direction. That is exactly what happened Friday. In the short-term, investors still need to be cautious as 90% days can come in clusters, many indicators are not yet oversold, and our options indicator is showing too much optimism on the part of options buyers.

Optimism and complacency may be problems for investors at this point. Economic data points to a healing global economy, the recent earnings season gave bulls plenty of ammunition, and market setbacks since the March lows have been excellent buying opportunities in spite of constant warnings from bears. Still, a look at the Nikkei 225 index shows that it is down 15.65% since its high on August 31<sup>st</sup>. This is in spite of Japan's GDP growing at a 4.9% annualized rate and unemployment at a 6-month low of 5.1%. A rising yen has had a negative effect on the Japanese stock market. Again, investors need to guard against complacency.

Dubai's announcement caused a flight to safety with bond yields plunging and the U.S. Dollar jumping higher after it made new lows November 25<sup>th</sup>. With the amazing inverse correlation seen recently between the Dollar and equities, further Dollar strength could put more pressure on stocks. We hope last week's action in equities was just an exaggerated move for indexes which were already on their way to an oversold condition in December which will create good entry points for participation in the January effect and a Santa Claus rally.

**Therefore, with volume low and news able to create sharp moves in either direction, this remains a bifurcated short-term trader's market, and caution is advised. Investors need to be careful regarding entry points. We repeat our advice of the last few weeks that positions they don't have a good reason to hold onto should be considered as a source of funds. Based on the S&P 500 the short-term, intermediate-term and long-term trends are up. Traders should not hesitate to rotate out of lagging sectors and stocks and into leaders.**

**S&P 1500 Data:** Percent over 10-sma: 16.53%. Percent over 50-sma: 40.40%

13-Week Closing Highs: 33. 13-Week Closing Lows: 135, most since 153 on 11/4. 52-week closing highs: 2.

Kaufman Options Indicator: 1.07 Put/Call Ratio: 1.051. New High Reversals: 7. New Low Reversals: 30

Volume: -26% versus yesterday. 58% of the 10-day average. 47% of the 30-day average.

Up Stocks: 2.41%. Up Volume: 1.77%. Up Points: 0.52%. Up Dollars: 0.00%, 0.02% of 10-sma. Down Dollars 371% of 10-sma.

## IMPORTANT DISCLOSURES

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	Daily	WTD	MTD	QTD	YTD
Dow Jones Industrials	-1.48%	-0.22%	6.15%	6.15%	17.47%
Nasdaq 100	-1.57%	-0.44%	5.90%	2.70%	45.71%
S&P 500	-1.72%	-0.31%	5.34%	3.26%	20.84%
Nasdaq Composite	-1.73%	-0.85%	4.56%	0.75%	35.60%
S&P 1500	-1.77%	-0.41%	5.09%	2.64%	21.04%
S&P Midcap 400	-2.00%	-1.10%	3.74%	-1.05%	27.03%
NYSE Composite	-2.24%	-0.67%	4.91%	2.30%	22.81%
S&P Smallcap 600	-2.36%	-1.29%	2.11%	-3.80%	13.64%
Bank of New York Mellon ADR	-2.90%	-0.99%	4.08%	2.36%	31.48%

	Daily	WTD	MTD	QTD	YTD
Telecom Services	-0.75%	3.12%	6.88%	1.70%	-1.41%
Health Care	-1.04%	1.89%	9.31%	6.79%	15.19%
Consumer Staples	-1.06%	0.05%	4.34%	5.43%	12.49%
Consumer Discretionary	-1.49%	-0.37%	7.11%	4.45%	33.47%
Information Technology	-1.61%	-0.98%	4.71%	4.31%	51.03%
Industrials	-1.62%	-0.04%	8.52%	3.46%	15.80%
Utilities	-1.62%	1.22%	3.33%	0.01%	0.69%
Energy	-2.41%	-0.36%	2.75%	5.99%	12.29%
Materials	-2.45%	-0.48%	10.60%	4.71%	42.25%
Financials	-2.74%	-2.82%	1.44%	-4.68%	13.61%

	Daily	WTD	MTD	QTD	YTD
Telecom Services	-0.75%	3.12%	6.88%	1.70%	-1.41%
Household & Personal Products	-0.81%	0.36%	7.35%	8.26%	8.39%
Food & Staples Retailing	-0.87%	-0.07%	2.33%	4.36%	7.47%
Health Care Equip & Services	-0.96%	2.64%	10.73%	8.21%	27.17%
Pharmaceuticals, Biotech & Life Sciences	-1.07%	1.53%	8.65%	6.07%	10.23%
Transportation	-1.23%	-0.61%	11.66%	7.63%	16.90%
Food, Beverage & Tobacco	-1.27%	-0.04%	3.89%	4.61%	17.54%
Semiconductors & Equipment	-1.28%	-0.08%	3.71%	-2.35%	40.31%
Retailing	-1.32%	0.86%	6.28%	7.09%	44.76%
Automobiles & Components	-1.34%	-0.33%	18.24%	12.71%	101.60%
Consumer Services	-1.54%	-0.35%	8.21%	2.84%	16.90%
Technology Hardware & Equipment	-1.57%	-1.27%	4.52%	2.98%	56.94%
Consumer Durables & Apparel	-1.60%	-0.09%	4.01%	0.54%	28.93%
Utilities	-1.62%	1.22%	3.33%	0.01%	0.69%
Media	-1.64%	-1.95%	6.50%	2.14%	25.63%
Capital Goods	-1.69%	0.11%	8.04%	2.51%	16.34%
Software & Services	-1.77%	-0.91%	5.27%	8.43%	47.70%
Commercial & Professional Services	-1.87%	0.08%	4.52%	1.63%	7.41%
Energy	-2.41%	-0.36%	2.75%	5.99%	12.29%
Materials	-2.45%	-0.48%	10.60%	4.71%	42.25%
Banks	-2.57%	-2.30%	1.60%	-2.18%	-8.15%
Diversified Financials	-2.59%	-3.12%	1.30%	-5.96%	28.62%
Real Estate	-3.16%	-3.53%	2.89%	-0.84%	9.02%
Insurance	-3.23%	-2.13%	1.05%	-5.16%	8.79%

### INTERNATIONAL ETFs

	Daily	WTD	MTD	QTD	YTD
Latin America ILF	-0.12%	2.45%	12.89%	13.31%	90.89%
Japan EWJ	-0.85%	1.39%	-1.88%	-5.73%	-2.19%
Mexico EWW	-1.47%	2.03%	10.78%	10.58%	49.67%
Malaysia EWM	-1.54%	-0.46%	3.43%	7.00%	48.83%
United Kingdom EWU	-1.88%	-0.37%	7.55%	7.41%	36.00%
Hong Kong EWH	-2.36%	-1.40%	1.03%	1.10%	51.30%
Singapore EWS	-2.49%	0.53%	8.21%	5.49%	60.85%
Switzerland EWL	-2.54%	0.81%	3.98%	2.35%	19.90%
Brazil EWZ	-2.93%	-0.36%	9.81%	11.74%	116.00%
Canada EWC	-2.98%	-0.90%	7.71%	0.82%	47.39%
BRIC EEB	-3.01%	-0.35%	9.82%	9.43%	84.50%
Taiwan EWT	-3.11%	-1.64%	4.82%	-1.22%	60.34%
Spain EWP	-3.13%	-1.51%	5.20%	1.94%	34.81%
Germany EWG	-3.20%	-0.76%	6.76%	1.04%	16.65%
France EWQ	-3.51%	-1.66%	5.51%	-0.46%	23.51%
Belgium EWK	-3.58%	-1.59%	4.94%	1.46%	50.97%
Austria EWO	-3.59%	-2.88%	4.67%	-2.01%	65.13%
Netherlands EWN	-3.85%	-1.58%	4.28%	1.00%	35.66%
MSCI Emerging Markets EEM	-3.88%	-1.72%	6.81%	3.14%	60.71%
Italy EWI	-3.90%	-2.94%	2.76%	-3.38%	20.32%
Sweden EWD	-4.10%	-1.79%	4.56%	5.96%	57.78%
China 25 FXI	-4.54%	-3.62%	3.38%	5.35%	48.20%
Vietnam VNM	-4.70%	-13.63%	-13.38%		
Australia EWA	-4.87%	-3.06%	4.06%	0.98%	62.89%
South Korea EWY	-5.34%	-4.00%	2.61%	-7.13%	57.31%

S&P 500 Cash (1,105.47, 1,105.47, 1,083.74, 1,087.27, -23.36)



The S&P 500 found support at its 20-sma during Friday's panic-selling 90% down day.

Momentum indicators are not yet oversold.



Last Sunday we said the weekly chart of the S&P 500 had printed a bearish shooting star candle, which are frequently seen at tops. This week's candle is similar, along with a lower top and bottom.

Negative divergences persist on the weekly momentum indicators.

NASDAQ 100 (1,743.39, 1,779.26, 1,742.20, 1,765.46, -28.21)



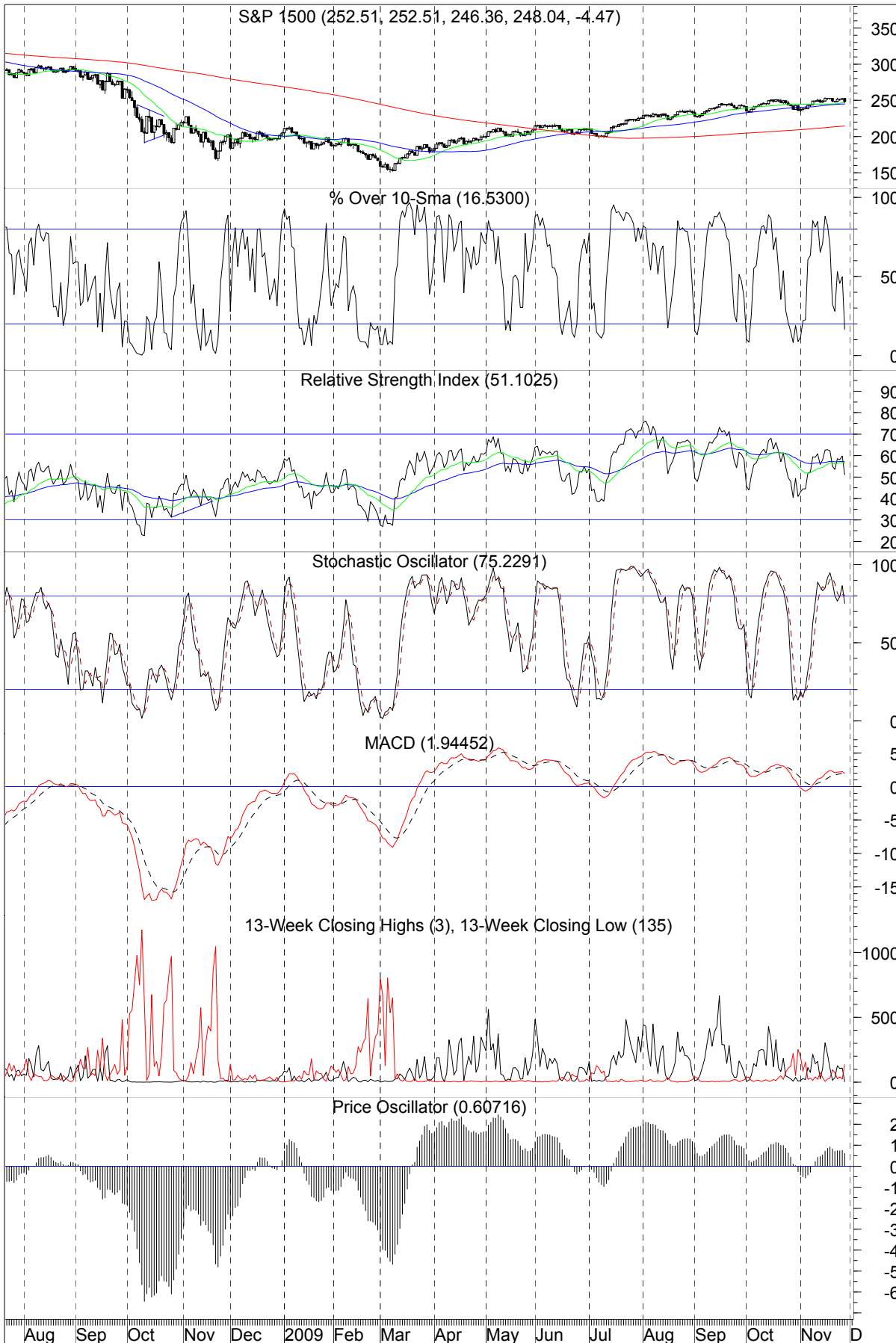
The Nasdaq 100 gapped down and fell through its 20-sma Friday, but stopped before getting down to its 50-sma. In doing so it printed its second island reversal top in the last two weeks. The first was 11/16 to 11/18, with the second island from 11/23 to 11/25.

Momentum indicators are headed lower but are not yet oversold.

NASDAQ 100 (1,782.92, 1,801.22, 1,742.20, 1,765.46, +1.07)



The weekly chart of the Nasdaq 100 shows it followed through lower after last week's key reversal. This week's candle is a high wave spinning top, a candle of indecision.

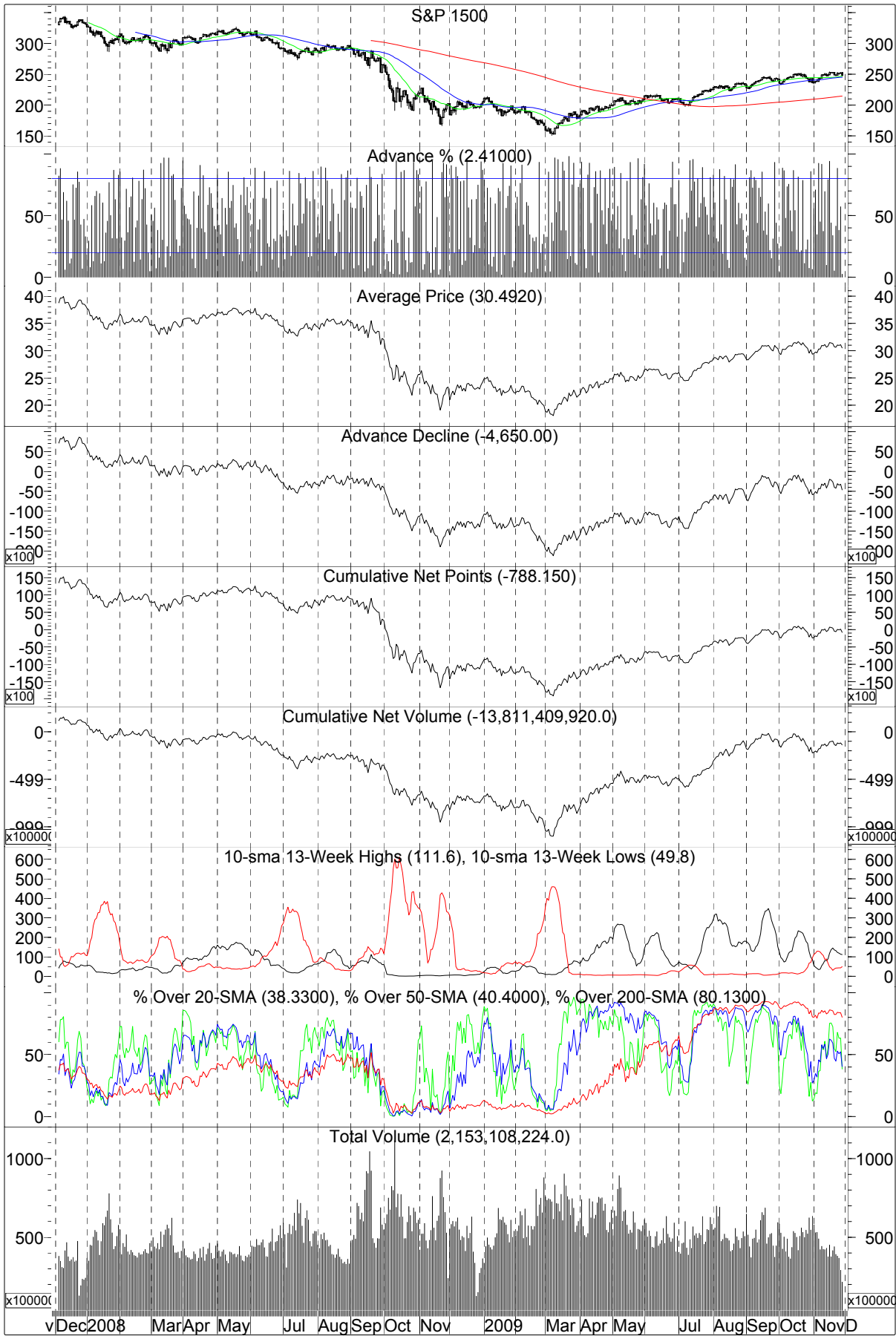


The percent over 10-sma is entering the oversold zone, so stocks could bounce at anytime.

Momentum indicators are moving down but are not yet oversold.

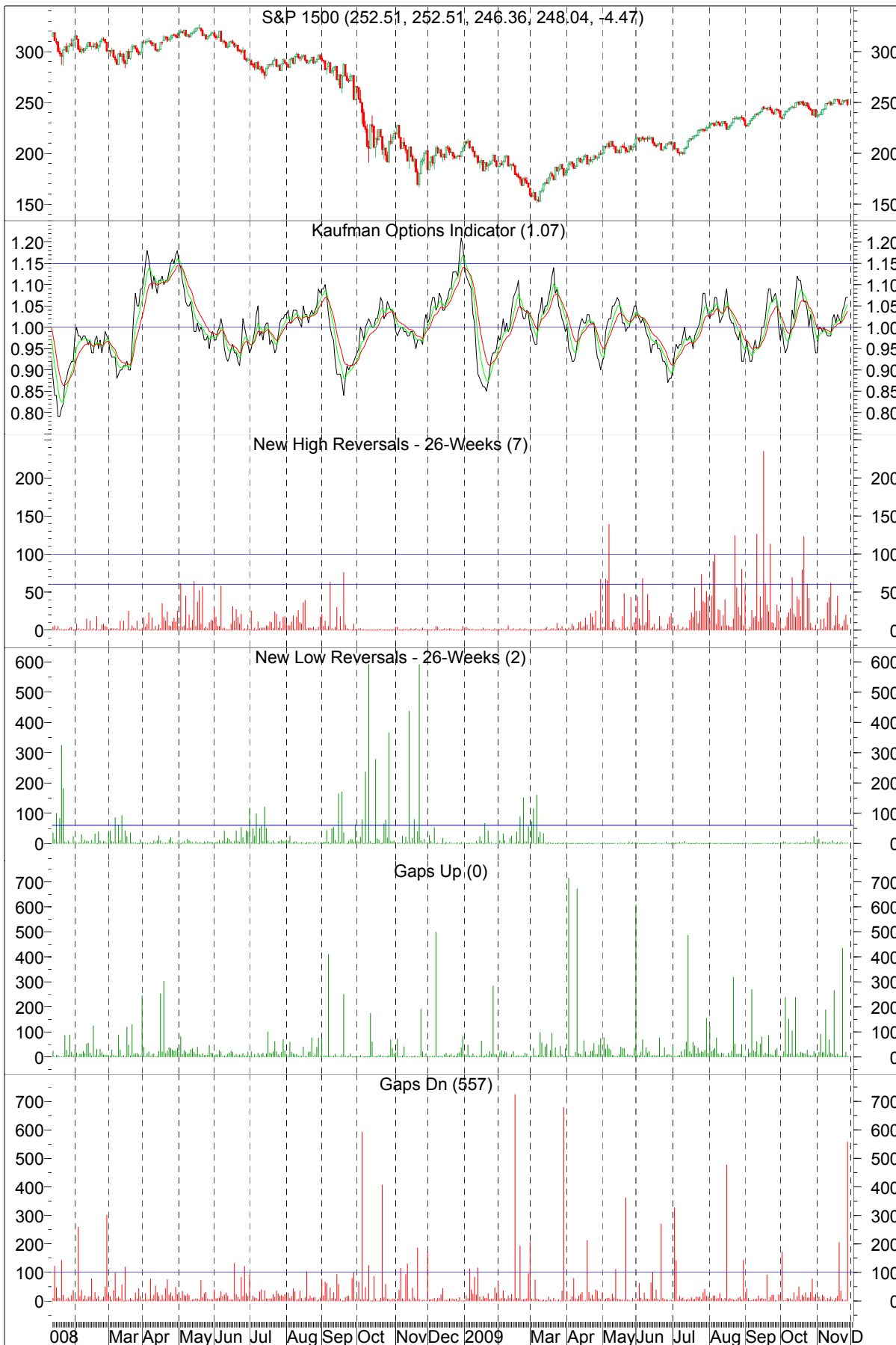
Friday's spike in 13-week closing lows was lower than what we saw at the end of October.

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



Only 2.41% of stocks traded higher Friday.

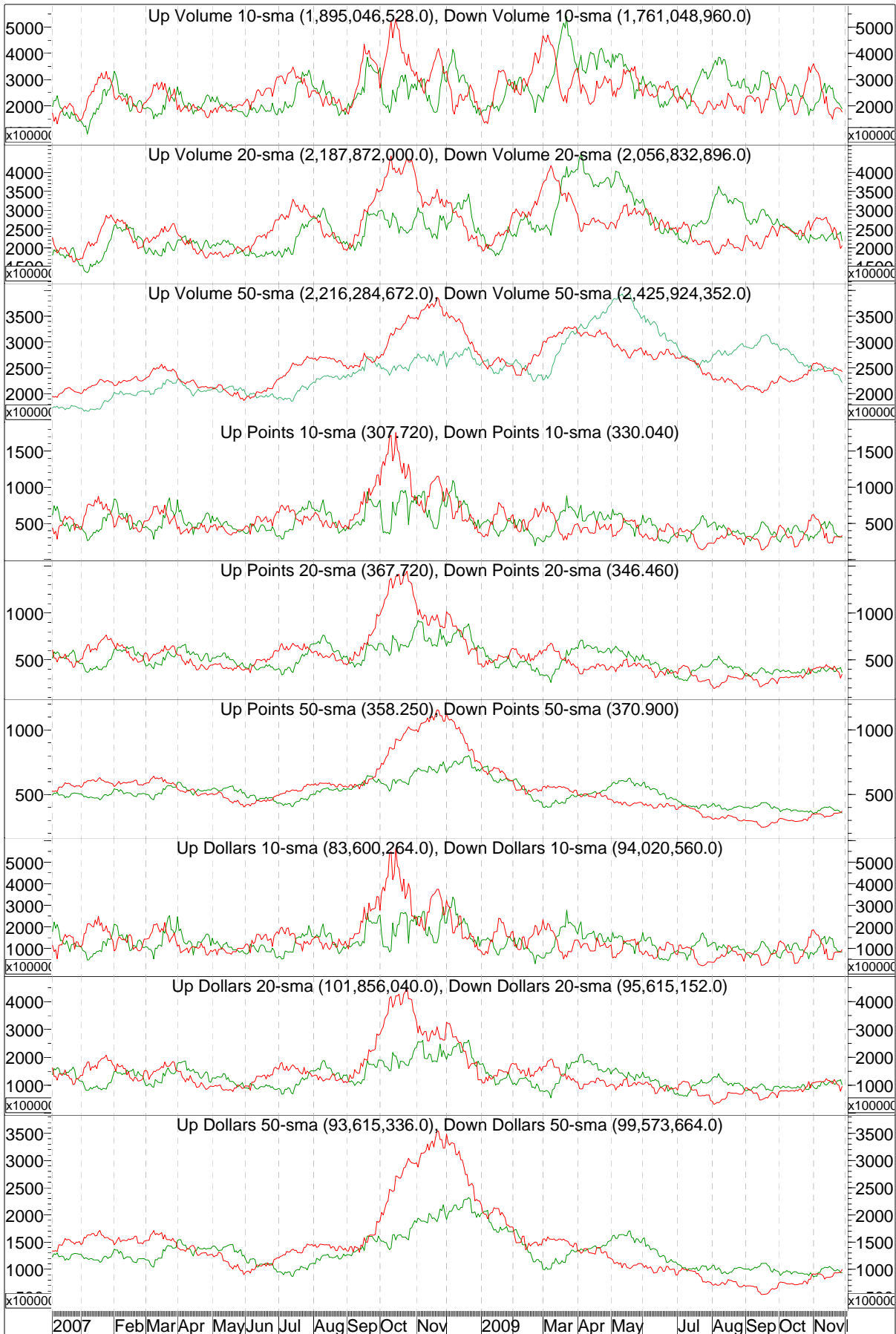
Non-confirmation of the S&P 500s new high of 11/16 by market internal statistics warned of weakness to come.



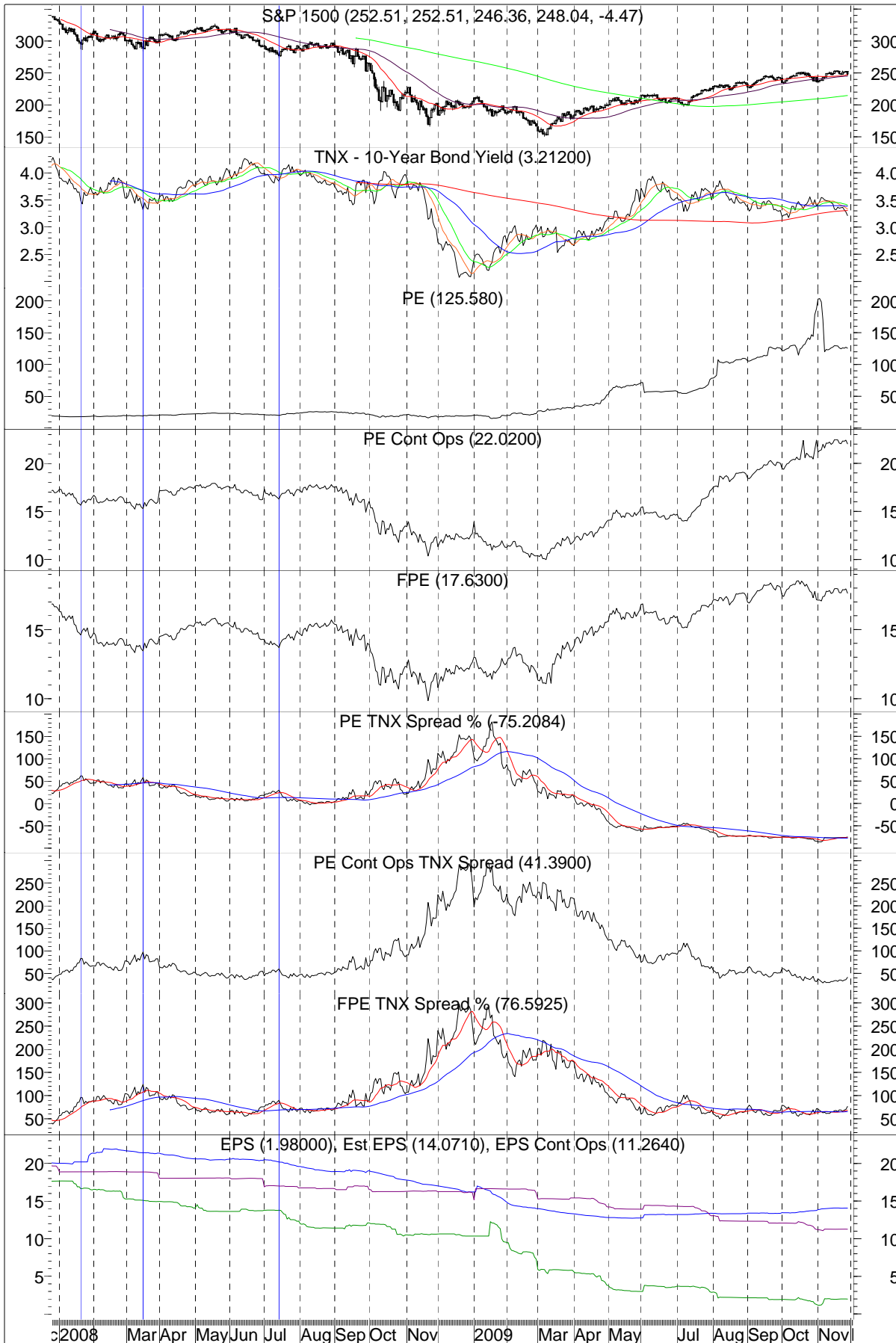
Our proprietary options indicator is showing bullishness on the part of options buyers. This leaves stocks vulnerable to a further drop.

557 gaps down Friday is a number frequently seen ahead of short-term weakness.

The Kaufman Report - Wayne S. Kaufman, CMT



Our statistics of supply (red) versus demand (green) shows the recent weakness has been mostly caused by a lack of buyers, as opposed to aggressive liquidation on the part of sellers.

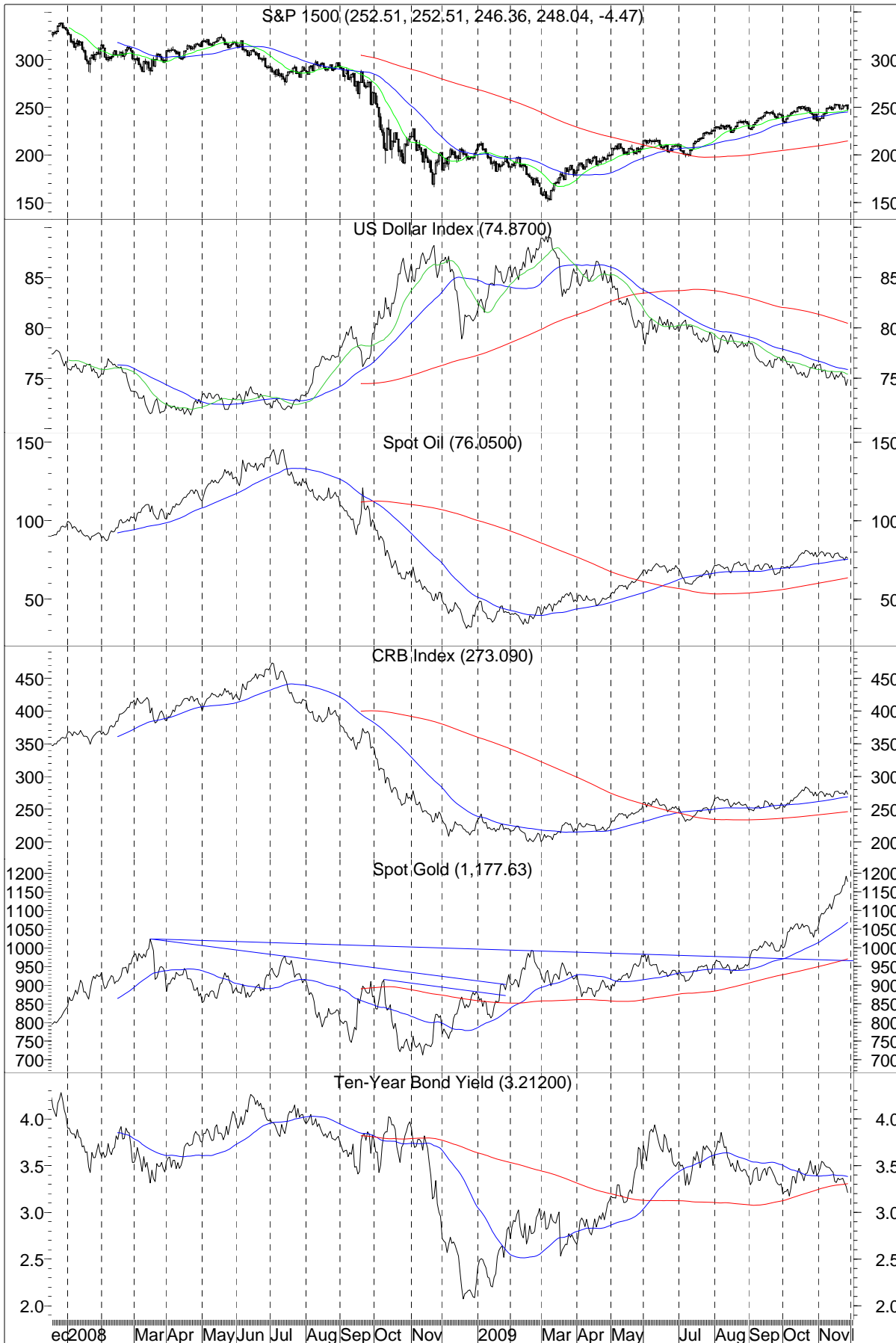


The 10-year bond yield fell through its 200-sma during Friday's flight to safety.

P/E ratios have been mostly moving sideways recently.

Spreads between bond and equity yields have been flat lining for months.

Aggregate earnings before charges and earnings from continuing operations continue moving lower or sideways at best, while estimates are moving higher. Let's hope the analysts get it right this time.



The amazing inverse relationship between the U.S. Dollar and equities continues. The Dollar seems to be trying to bottom as last week's bullish engulfing candle on the weekly chart (not shown) was followed this week by a hammer, which is a bottoming candle. The Dollar was helped at the end of the week by a flight to safety. Interestingly, in spite of all the publicity about how weak the Dollar has been it is still above levels seen in 2008.

Crude oil dipped below its 50-sma intraday but managed to close above it. It is not yet oversold, but there is some nearby price support.

Gold had a wild day Friday and remains overbought on its daily and weekly charts. It made another all-time high last week.