

# marketPULSE

Issue 1: November 29, 2009

## marketSNAPSHOT

SUMMARY	DOW JONES	S&P 500	NASDAQ	RUSSELL 2000
Friday's Close	10309	1087	2138	577
<b>Key Price Levels</b>				
Short Term Support	10197	1087	2112	559
Short Term Resistance	10464	1110	2203	602
<b>Key Moving Averages</b>				
20 Day EMA	10243	1090	2151	589
50 Day SMA	9977	1073	2131	596
200 Day SMA	8795	942	1847	519

PERFORMANCE	DOW JONES	S&P 500	NASDAQ	RUSSELL 2000
% Change Last Week	-0.08%	-0.38%	-0.35%	-1.28%
% Change Month To Date	6.15%	4.93%	4.56%	2.57%
% Change Year To Date	17.47%	20.37%	35.60%	15.57%

# market**PULSE**

Issue 1: November 29, 2009

## market**REWIND**

Continuing the theme from the last several weeks, small cap stocks underperformed the larger cap stocks. This suggests a lack of confidence by investors and traders of our economy as we move forward. More specifically, traders are unwilling to take the additional risks associated with smaller stocks. The consistent underperformance of the NASDAQ also is an indication that the higher growth stocks are being ignored on a relative basis.

The good news is that the major indices, with the exception of the Russell 2000, is trading with its 20 day EMA above its 50 day SMA, and its 50 day SMA is above its 200 day SMA. As long as these moving averages remain in alignment in such fashion, we are in a confirmed uptrend. The problem with relying on the position of these moving averages to one another to make investment decisions is that they provide a lagging indication of the health of the market. By the time the shorter-term moving averages trail the longer-term moving averages, a lot of technical damage in the charts has already been done.

The economic news out last week was mixed and, as a result, so too were stock prices. The market enjoyed periods of upside movement in the major indices only to see it completely vanish later that day or the next day. Positive news of note included both Existing Home sales and New Home sales for October coming in better than expected. November's Consumer Confidence showed an increase over the prior month (49.5 vs. 48.7) and this number beat expectations of 47.5. The FOMC minutes showed some confidence in our economy by the Fed as they raised their expectations of GDP in the quarters ahead. Whether or not growth can be sustained is a different story altogether, but the market was relieved to see the Fed raising its forecast. Personal income and personal spending were both higher-than-expected for October and this coming on the heels of the Fed's raised GDP expectations helped to give the market a big lift. A final piece of solid economic news was the first Initial Claims number below 500,000 in several months. The bulls used all of this data to try to power forward into the Thanksgiving Day holiday.

There was a bit of negative news during the week as the Case Shiller 20 City Index fell 9.36%, more than the expected 9.10% drop. This coupled with declining Durable Goods orders for October helped the bears keep the bulls at bay.

The big story of the week though hit on a day that generally is very quiet for the U.S. equity markets -- Black Friday, or the Friday after Thanksgiving Day. Most market participants are on vacation, normally leading to a very light volume, light news day. Historically, Black Friday has mostly led to reasonable gains in the indices. This Black Friday was different, however, leading to the equivalent of market fireworks. Dubai debt concerns trampled European markets on Thursday while the U.S. market was closed and carried over to Asian markets early Friday morning. That set the stage for a very weak open here in the United States on Friday as the selling initially carried the major indices to 2-3% losses right from the start. As has been the case lately, however, the market's resilience once again shone through. At one point the Dow Jones had trimmed its losses to less than 1% and it gave the feel of a complete reversal and possibly a finish in the green by the close. That mid-day strength did not continue though, and sellers regained control into the close, setting up an interesting week ahead.

# marketPULSE

Issue 1: November 29, 2009

## marketREPORTS

KEY ECONOMIC REPORTS			
DATE	REPORT	ESTIMATE	TIME
Monday 11/30	November Chicago PMI	53.0	9:45 AM EST
Tuesday 12/1	October Construction Spending	-0.40%	10:00 AM EST
	November ISM Index	54.8	10:00 AM EST
	October Pending Home Sales	-0.50%	10:00 AM EST
Wednesday 12/2	November ADP Employment Report	(148,000)	8:15 AM EST
	Crude Inventories for 11/27	-	10:30 AM EST
	Fed Beige Book for November	-	2:00 PM EST
Thursday 12/3	Initial Claims	483,000	8:30 AM EST
	Q3 Productivity - Revised	8.50%	8:30 AM EST
	November ISM Services	51.5	10:00 AM EST
Friday 12/4	November Non Farm Payrolls	(114,000)	8:30 AM EST
	November Unemployment Rate	10.2%	8:30 AM EST
	November Hourly Earnings	0.2%	8:30 AM EST
	October Factory Orders	0.1%	10:00 AM EST

KEY EARNINGS REPORTS	
DATE	COMPANY
Monday 11/30	None
Tuesday 12/1	SPLS
Wednesday 12/2	ARO, SNDA, SNPS
Thursday 12/3	MRVL, SI, TOL, TD
Friday 12/4	BIG, RY

# market**PULSE**

Issue 1: November 29, 2009

## market**FORWARD**

We have an interesting week ahead. There will be few earnings reports out as nearly all companies have now reported their third quarter results. In fact, Tuesday marks the beginning of December. As December gets underway, all eyes will later turn to fourth quarter results, which begin to be announced on Monday, January 11, 2010 with Alcoa's (AA) report. We still have a lot to negotiate between now and then, however, including a mixed technical outlook.

Our stock market has recovered a considerable amount of the huge losses suffered in 2008, especially the fourth quarter of 2008. While few would argue that our economy is robust, most would agree that we've seen a lot of improvement. The pace of housing price declines has slowed considerably. While our unemployment rate has spiked to its highest level in three decades, we're seeing a continuing decline in initial jobless claims each week. This means that fewer folks are joining the ranks of the unemployed. What we don't quite know is how many are finding jobs elsewhere. The monthly employment report is perhaps the biggest economic report we see each month and in this double-digit unemployment environment, there's no doubt it's the most important.

On Wednesday of this week, we'll get a glimpse into our nation's jobless picture as the ADP Employment report will be released. This is simply a precursor to the more closely watched government jobs report which will be released on Friday. While we understand that the market looks forward, not backward, these employment reports provide us a sense of economic sustainability. Our GDP is driven by the consumer as most estimates peg consumer spending at about 70% of our GDP. In order for the consumer to spend, he/she needs a job. It stands to reason that consumers employed at a 90% rate are not as likely to spend as much as consumers employed at a 95% clip. That's Economics 101. In addition, when unemployment is on the rise, confidence is shaken. Even those consumers with jobs tend to save more, fearing that their jobs could be lost. All of this makes Wednesday's and Friday's employment reports very significant in terms of economic news that could significantly affect the market this week.

Technically, perhaps even more so than fundamentally, the stock market has issues. On the first weekend of every calendar month, we feature BIG PICTURE long-term charts on the four major indices: (1) Dow Jones, (2) S&P 500, (3) NASDAQ and (4) Russell 2000. This gives our members a monthly glance at the likelihood of an advance or a decline based on long-term trends. Technically, long-term trends are generally much more powerful than intermediate- or short-term trends. As an example, when a long-term uptrend meets a short-term downtrend, the odds are that a reversal of the short-term downtrend is likely to occur, keeping that longer-term trend intact. We have long-term trends currently at odds with short-term trends and that becomes crystal clear when reviewing the annotated long-term charts we're providing.

Historically, December may be the most interesting calendar month of the year. Why? Because it not only offers superior monthly returns to most other months during the year, but it contains one of the most bearish periods of the year. We can't provide a better example than the Russell 2000, which has produced annualized returns over 40% in December over the past 22 years. It is the best month historically for small cap stocks by a WIDE margin. Yet, if you were to short the Russell 2000 for a consecutive ten day period in the middle of the month, your annualized returns would grow to nearly 75%. Why does an otherwise bullish month contain such a bearish ten day period? We have no idea, we just simply report the facts. The middle of the month bearishness has been rather consistent, however, and as historians we'll respect the trend.

Bottom line, the signals currently are as mixed as ever. The Dubai news on Friday is likely to garner much attention this week in addition to our own economic news. With earnings completely out of the picture, traders will look to the charts to see if key technical support and resistance levels hold in the face of such critical news ahead.

While we're prepared to respect and act off of a full-blown, heavy volume breakout, we're not anticipating one. Instead, we continue to monitor the market and await a stronger signal to suggest the likelihood of an intermediate-term move in one direction or the other. That signal is likely to take the form of a price/volume breakout or breakdown.



Happy trading!
















# marketPULSE

Issue 1: November 29, 2009

## marketFORECAST

### 5 DAY HISTORICAL MARKET FORECAST FROM THE BOWLEY TREND

				
Very Bullish	Bullish	Neutral	Bearish	Very Bearish

	MONDAY 11/30	TUESDAY 12/1	WEDNESDAY 12/2	THURSDAY 12/3	FRIDAY 12/4
S&P 500					
NASDAQ					
RUSSELL 2000					

# marketPULSE

Issue 1: November 29, 2009

## marketKEYS

		TECHNICAL'S				
		VERY BULLISH	BULLISH	NEUTRAL	BEARISH	VERY BEARISH
<b>Price/Volume Trends</b>						
	Short-Term					
	Long-Term					
<b>MACD</b>						
	Short-Term					
	Long-Term					
<b>RSI</b>						
<b>Stochastics</b>						
<b>OVERALL RATING</b>						
		SENTIMENT				
		VERY BULLISH	BULLISH	NEUTRAL	BEARISH	VERY BEARISH
<b>Put/Call Ratio</b>						
	Overall	1.05				
<b>Equity Only Put/Call</b>						
	Friday's Close	0.61				
	5 Day Moving Average	0.61				
	60 Day Moving Average	0.60				
	Relative PC Ratio	-1.49%				
<b>Volatility Index</b>						
	24.85					
<b>OVERALL RATING</b>						