

Friday, January 08, 2010

Market Recap (1/8/2010)

Index	Close	Week Chg	Week % Chg	YTD Chg	YTD % Chg
DJIA	10618.19	190.14	1.82	190.14	1.82
DJ TRAN	4222.26	122.63	2.99	122.63	2.99
DJ UTIL	396.31	-1.70	-0.43	-1.70	-0.43
NASDAQ	2317.17	48.02	2.12	48.02	2.12
NYSE	7425.35	240.39	3.35	240.39	3.35
AMEX	1872.50	47.55	2.61	47.55	2.61
S&P 100	527.76	13.67	2.66	13.67	2.66
S&P 500	1144.98	29.88	2.68	29.88	2.68
RUS 2000	644.56	19.17	3.07	19.17	3.07
10 YR BOND	3.81	-0.03	-0.78	-0.03	-0.78

New Year Brings New Gains

Led by a renewed interest in financial shares, the major averages enjoyed a positive week to begin 2010.

The new year started off on a decidedly bullish note on Monday. Snapping back from a triple digit decline to end 2009, the Dow Jones Industrial Average (DJIA) jumped 155 points (1.5%) on the first trading day of 2010. Equities were higher all session and the rally was broad-based with the S&P 500 adding 1.6% and the NASDAQ rising by 1.7%. Crude oil continued its recent rally with a close at \$81 per barrel. If there was a negative, it was that volume ran very much to the light side.

Stocks churned on Tuesday. The major averages criss-crossed the break-even line before finishing in mixed fashion. The DJIA slipped 12 points, the NASDAQ ended flat and the S&P 500 posted a three point gain. Despite the relatively weak showing, the latter two indexes achieved new 52 week highs. The jumbled close masked a second strong performance by the financials which were up 1.7%. Of note, pending home sales tumbled 16%, a hugely disappointing number but one that surprisingly did not cause the market to fall.

Wednesday's action followed a similar track. The DJIA and S&P 500 advanced by one point while the NASDAQ suffered a modest decline. Although traders had economic reports to digest, including the release of the most recent FOMC minutes in which the Fed stated this recovery is likely to be "slow relative to past recoveries," their focus appeared to be on the Friday employment numbers.

Stocks managed a third straight mixed close on Thursday, albeit with improved totals. The DJIA booked a 33 point advance, the S&P 500 edged higher by four points and the NASDAQ dropped one point. Again, the mixed close masked another session of solid gains by the financial sector. Oil's ten day winning streak came to an end with a close at \$82.66, about 12% better than at the start of the run.

The employment figures were a bit of a disappointment on Friday morning. The unemployment rate held steady at 10% although 85,000 jobs were lost in the month of December. The market reaction was mild, however, with the DJIA falling by only 52 points at the open. By midday, those losses had been timed to 25 points and the NASDAQ had reversed into the green. A rally try by the bulls in the final thirty minutes of trading succeeded in pushing the DJIA and S&P 500 higher as well. The DJIA tacked on 11 points as the three major averages achieved fresh 52-week highs.

For the week, the Dow Jones Industrial Average rose by 190.15 points (+1.8%) and closed at 10,618.20. The NASDAQ gained 48.02 points (+2.1%) to settle at 2,317.17 while the S&P 500 added 29.88 points (+2.7%) to finish at 1144.98.

Friday's employment data was bit of a setback for the bullish case. On the plus side, revisions to the November report jumped that number from a loss of 11,000 to a gain of 4,000, the first month of jobs creation since December 2007. On the minus side, the economy lost 85,000 jobs in December and a dismaying 929,000 individuals have given up looking for work. Only because people that have left the workforce are not counted in the unemployment rate was that figure able to remain at 10.0% for a second month in a row.

The stock market essentially shrugged off the data. The DJIA fell about 50 points and quickly cut the loss to 25 points within a few minutes. As Friday morning wore on, the NASDAQ moved several points into positive territory. This seemingly contradictory response to disappointing data was based on the preliminary analysis of the jobs numbers for October, November and December by economists. As reported by cable channel CNBC and other news outlets, the jobs data for the all three months implies that Gross Domestic Product for Q4 2009 may come in at 3.5% - 4.0%, a robust rate of growth.

The market's reaction on Friday to the December employment numbers appears to fall into the category that any one month's data should not unduly sway stocks positively or negatively. Without doubt, there have been many instances where one month's set of economic data has proven to be a fluke or aberration within the overall trend.

As for the employment figures, the forecast remains for a return to jobs creation. The expectations call for something better than the jobless recovery at the start of the previous decade but something less than what we have seen in most economic upturns. However, the key to take away from the December employment numbers and today's market action is that the free pass usually provided to one disappointing important report was just used up.

by Mark Huard

Comments, feedback and e-mail requests for topics of future Weekly Commentary articles are welcome at mhuard@marketedge.com.

Next Week

An update on the national trade balance is scheduled for Tuesday. On Wednesday, the weekly totals for oil and gas inventories will be released in the morning while the Federal Reserve's "Beige Book" and the budget deficit will be published in the afternoon. The weekly jobless claims numbers and reports on business inventories, import and export prices, and retail sales come to market on Thursday. The latest figures for the Consumer Price Index (CPI), capacity utilization, industrial production, the University of Michigan's consumer sentiment survey, and the NY Empire State manufacturing index will conclude the weekly data flow on Friday.

Significant Numbers To Watch

DJIA

10235 - Support, the 12/09/09 low

10314 - 50-day simple moving average
9234 - 200-day moving average

S&P 500

1085 - Support, the 12/09/09 low
1098 - 50-day simple moving average
991 - 200-day moving average

NASDAQ

2155 - Support, the 12/09/09 low
2185 - 50-day simple moving average
1957 - 200-day moving average

What To Watch For Next Week

Market At-A-Glance Charts (1/8/2010)

DJ Industrials

Close: 10618.19
Change: 11.33
% Change: 0.11
Open: 10606.4
High: 10619.4
Low: 10554.33



NASDAQ Composite

Close: 2317.17
Change: 17.12
% Change: 0.74
Open: 2292.24
High: 2317.6
Low: 2290.61



S&P 500

Close: 1144.98
Change: 3.29
% Change: 0.29
Open: 1140.52
High: 1145.39
Low: 1136.22





Russell 2000

Close: **644.56**
 Change: **2.59**
 % Change: **0.40**
 Open: **640.34**
 High: **644.69**
 Low: **639.56**



DJ Transport

Close: **4222.26**
 Change: **86.51**
 % Change: **2.09**
 Open: **4136.01**
 High: **4228.06**
 Low: **4135.55**



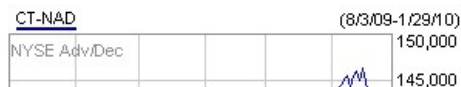
DJ Utilities

Close: **396.31**
 Change: **-0.3**
 % Change: **-0.08**
 Open: **396.61**
 High: **396.61**
 Low: **393.89**



NYSE Adv/Dec

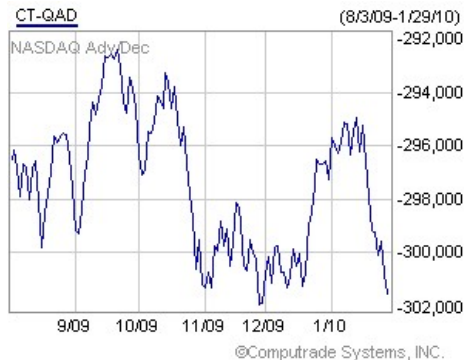
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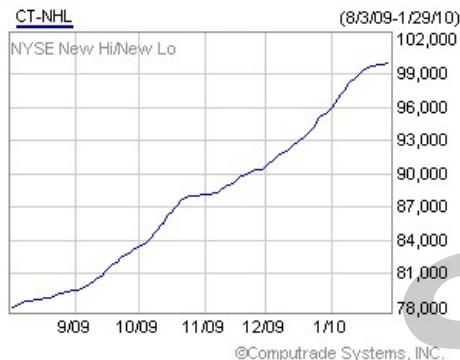
NASDAQ Adv/Dec

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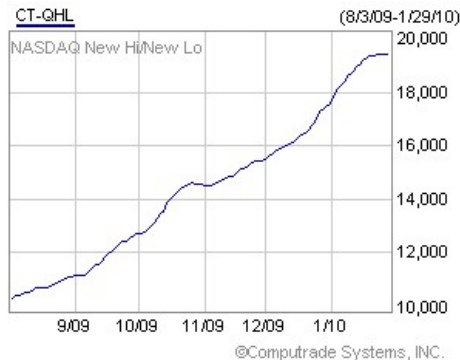
NYSE New Hi/New Lo

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NASDAQ New Hi/New Lo

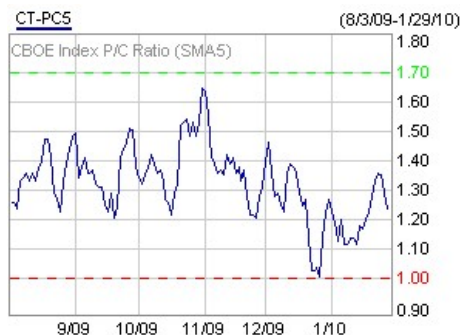
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CBOE Index P/C Ratio (SMA5)

(> 1.70 Bullish, < 1.00 Bearish)

Close: **1.16**



CBOE Mkt Volatility

(> 30 Bullish)

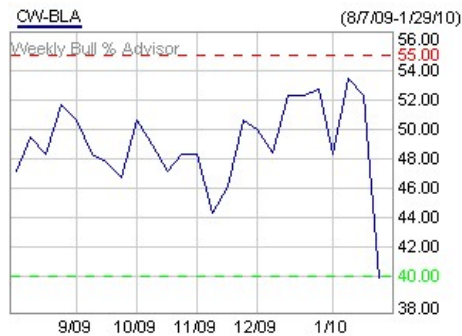
Close: **18.13**
 Change: **-0.93**
 % Change: **-4.88**
 Open: **19.27**
 High: **19.27**
 Low: **18.11**



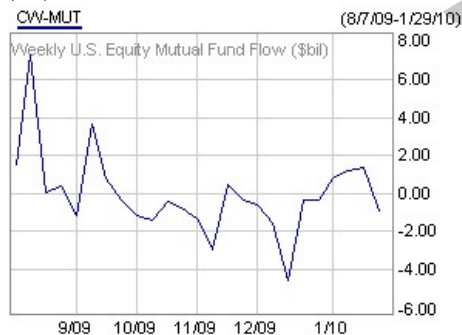
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Weekly Bull % Advisor

(< 40 Bullish, > 55 Bearish)

Current % Bullish: **48.3**

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Weekly U.S. Equity Mutual Fund**Flow (\$bil)**Previous Week's Inflow (\$bil): **0.8**

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