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10/02/2009 After the Close



Are you building a list of shorts?

5:52 p.m. EDT 10/02/09

Issues	NYSE	Nasdaq	Amex
Advancing	1,009	941	217
Declining	2,006	1,688	281
Unchanged	133	181	75
Total	3,148	2,810	573

Issues at	NYSE	Nasdaq	Amex
New 52 Week High	85	29	19
New 52 Week Low	8	16	1

Share Volume	NYSE	Nasdaq	Amex
Total	1,403,667,028	2,448,110,299	21,755,288
Advancing	440,926,090	753,036,054	8,655,328
Declining	949,686,528	1,667,560,379	10,963,260
Unchanged	13,054,410	27,513,866	2,136,700

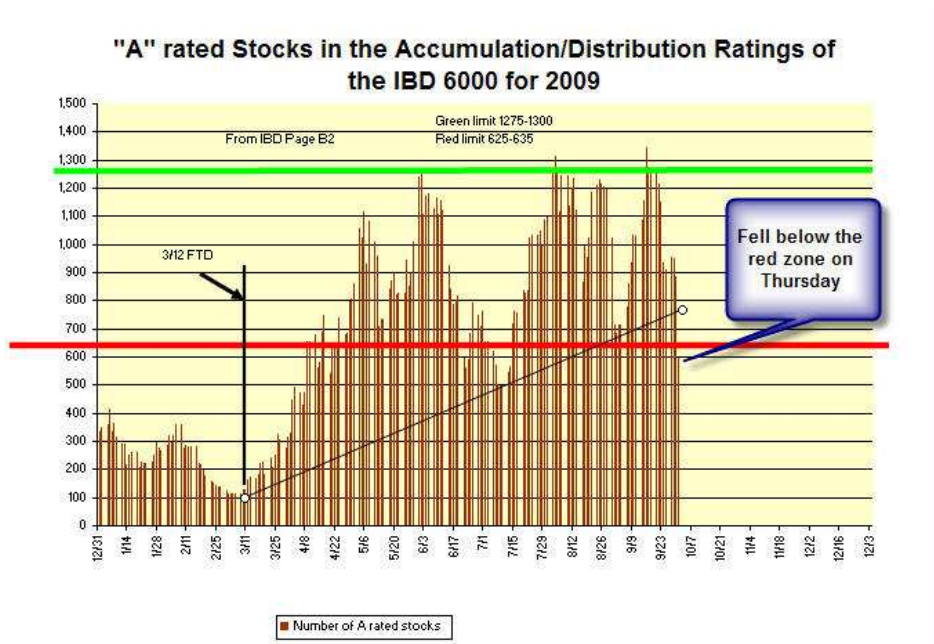
The market gapped down at the open today. Two times the indices tried to rally above yesterday's close but both failed and the markets ended in negative territory for the day. Volume declined across the board so at least more distribution days were not added. However, the spread between declining issues/volume and advancing issues/volume was almost 2:1.

After Friday's close, the STI indicators are at an inflection point. If Monday is a down day, the STI indicators will turn negative for both the S&P 500 and the NASDAQ. Prudent investors should be very careful in this environment.



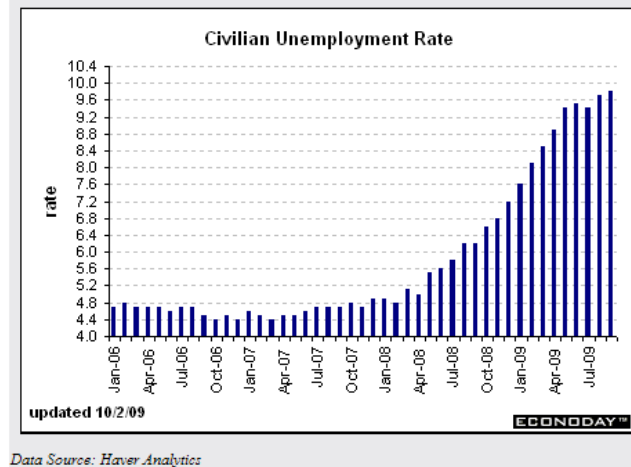
The STI indicator is just a simple 8x20 day moving average cross-over system and over the years, it has been pretty reliable at predicting major intermediate trends.

The STI indicators along with the IBD Accumulation/Distribution "A" rated stocks in the IBD 6000 database are the primary indicators used for asset allocations in the Strategic Investing portfolios. The "A" rated stocks have been deteriorating during the past week at a fast rate as shown in the following chart.



Although the unemployment rate increased on a seasonally adjusted basis to 9.8%, the market did not take

much notice of that fact.



Moreover, almost overlooked was the BLS announcement that its March 2009 employment level would be reduced by 824,000 as it was now matching its data against the payroll data on state unemployment tax records. The BLS or should I say, the Ministry of Truth, expects that current-period reporting could be revised lower by as much as 2 million jobs.

According to John Williams of Shadow Government Statistics,

"the preliminary March 2009 benchmark number largely confirms the underreporting of job losses in the last two years. ... It also serves as a broad confirmation that the assumptions underlying the birth-death model (the old monthly bias factor) are not valid in times of a severe economic downturn. The birth-death model currently adds a net gain of about 900,000 jobs per year to payroll employment reporting, on top of BLS assumptions that jobs lost from companies going out of business are offset equally by the number of jobs created by new businesses."

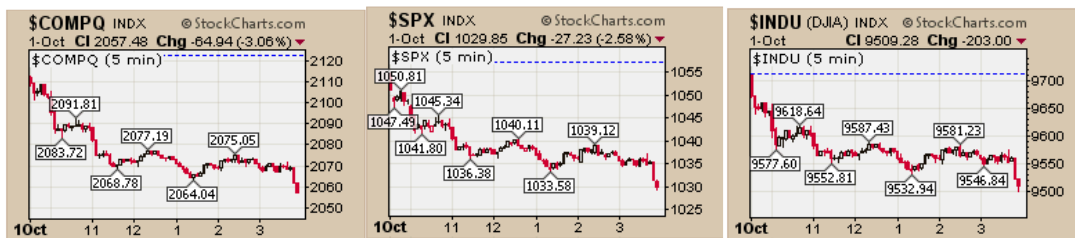
The recession that Chairman Bernanke recently declared over is facing some rocky patches ahead. Factory orders in August failed to continue the gains of recent months as defense spending showed a decrease.

Released on	Percent	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Released for	of Total	Apr-09	May-09	Jun-09	Jul-09	Aug-09
Factory Orders	100.0%	0.5%	1.1%	0.9%	1.4%	-0.8%
Durable Goods	46.6%	1.4%	1.3%	-1.1%	4.8%	-2.6%
Nondurable Goods	53.4%	-0.2%	0.9%	2.8%	-1.5%	0.8%
Topical Series:						
Construction Materials & Supplies	10.7%	2.9%	-1.1%	1.7%	0.8%	0.6%
Information Technology	7.0%	-4.0%	3.0%	0.9%	1.8%	-0.6%
Capital Goods	17.9%	1.3%	8.8%	-5.6%	8.2%	-6.3%
Nondefense	15.0%	-3.5%	9.1%	-0.2%	7.0%	-7.6%
Defense	2.9%	28.8%	7.1%	-29.5%	15.9%	1.0%
Consumer Goods	41.0%	0.0%	0.1%	3.4%	-1.6%	0.5%
Durables	6.3%	0.3%	-7.6%	-1.0%	4.6%	-2.8%
Nondurables	34.7%	0.0%	1.6%	4.2%	-2.6%	1.0%
Addendum:						
Shipments	NA	-0.5%	-0.8%	1.8%	0.3%	-0.3%
Unfilled Orders	NA	-1.1%	-0.3%	-0.8%	-0.1%	-0.4%
Inventories	NA	-1.2%	-0.8%	-1.1%	-0.9%	-0.8%

Data Source: Haver Analytics

We believe that prudent investors will continue to monitor their portfolios carefully in the next week as earnings season begins for the third quarter. We have not had a single new stock make the A+190 list since August 13th which to me is another caution signal. We made no changes in the portfolios today.

10/01/2009 After the Close



Not a good day!

Markets Diary 5:40 p.m. EDT 10/01/09

Issues	NYSE	Nasdaq	Amex
Advancing	499	445	136
Declining	2,561	2,199	364
Unchanged	87	164	70
Total	3,147	2,808	570

Issues at	NYSE	Nasdaq	Amex
New 52 Week High	124	37	26
New 52 Week Low	3	11	2

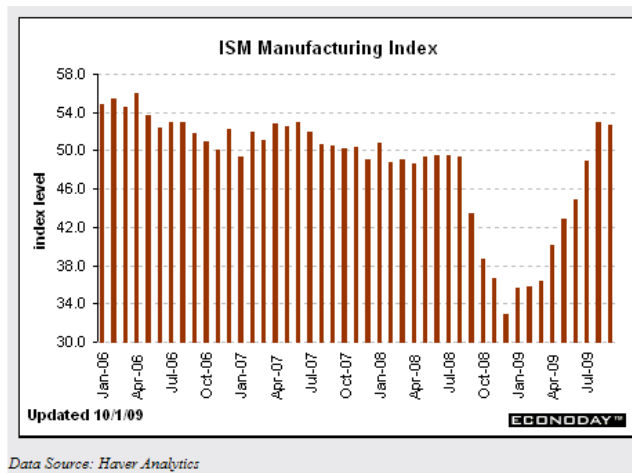
Share Volume	NYSE	Nasdaq	Amex
Total	1,602,673,102	2,708,170,867	23,452,391
Advancing	81,248,790	188,140,707	5,449,500
Declining	1,513,746,912	2,511,531,050	16,342,691
Unchanged	7,677,400	8,499,110	1,660,200

The market took a tumble today as worries about earnings season appeared to show up. The NASDAQ added a distribution day and the way the rest of the volume was tilted for my money, all the indices were under distribution.

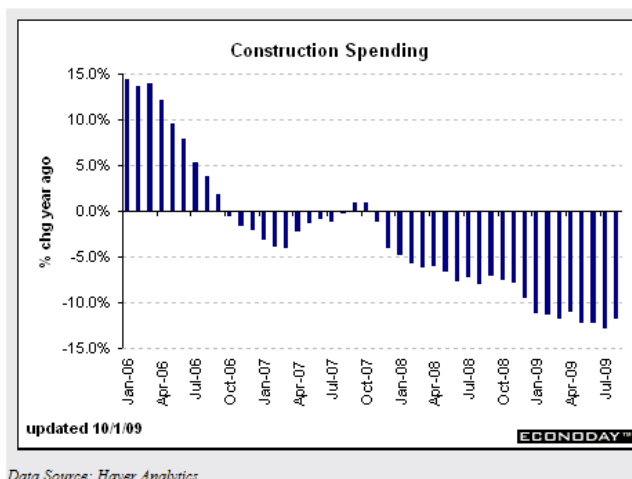
Monster's employment index dipped 2 points in September to 119 indicating that employers remain cautious in hiring. Coupled with yesterday's Chicago PMI reading, investors were somewhat perplexed about the market's rally. Challenger's count of layoff announcements fell to 66,404 in September, down from 76,456 in August for the lowest total since early in the recession of March last year.

New jobless claims rose 17,000 to 551,000 and the prior week was revised 4,000 higher to 534,000. Continuing claims fell 70,000 to 6.090 million although it was again due to expiring benefits rather than employment.

The ISM index was also in today's data dump and it dropped slightly from 52.0 to 52.6. It might be awhile before the recovery shows strength, if Bernanke is correct that the recession is over.



Construction spending is in a less bad mode. The good news is that housing is on an uptrend-but nonresidential and government construction outlays are headed in the opposite direction. Overall construction spending rebounded 0.8 percent in August after declining 1.1 percent in July.



Friday morning, the BLS will issue its unemployment report ... be careful.

Without the "Cash for Clunkers" program, it should not have been a surprise that the auto industry sales evaporated in September by 34%.

		Unit sales, level, SAAR in millions					
Released on	Percent	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Released for	Share	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
Domestic Vehicle Sales**	100%	6.7	7.2	7.1	8.2	10.0	6.6
Autos	46.8%	3.1	3.2	3.3	4.1	5.3	3.2
Light Trucks	53.2%	3.6	4.0	3.8	4.1	4.7	3.4

** Domestic Vehicle Sales totals may not add due to rounding.

Data Source: Haver Analytics

The new home buyers credit helped boost pending home sales in August by 6.4%. Pending sales don't always close, especially now with low appraisals and tight credit standards. The new home buyers credit expires at the end of November and since the deal must fund then, September is probably the last month that it will have an impact on home sales unless the program is extended.

Watching The early news programs in McAlester this morning, we decided to skip breakfast and drive to Dallas so that we could enter orders to sell most of our holdings in the Aggressive portfolio. We arrived home about 8:45 a.m. and were able to get a computer to contact our broker. We are now basically in cash in the Aggressive and Conservative portfolios.

We are also glad to be back home safe ... to all of those who inquired about the absence of the Musings we have also added a brief note about the market for the last three dates when we could not post to the website.

09/30/2009 After the Close



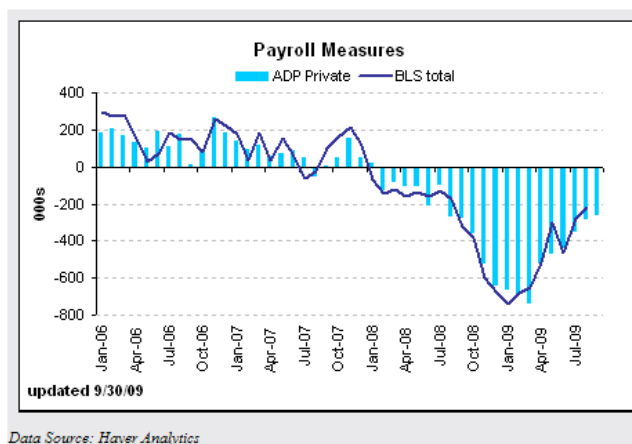
Ended the month on two down days.

Markets Diary			
6:12 p.m. EDT 09/30/09			
Issues	NYSE	Nasdaq	Amex
Advancing	1,296	992	258
Declining	1,757	1,687	227
Unchanged	102	154	80
Total	3,155	2,833	565
Issues at			
New 52 Week High	191	75	31
New 52 Week Low	1	12	2
Share Volume			
Total	1,774,770,568	2,640,667,589	23,738,452
Advancing	724,554,790	1,416,435,304	12,390,390
Declining	1,035,429,278	1,196,452,985	9,328,962
Unchanged	14,786,500	27,779,300	2,019,100

No doubt about today's market action ... it was distribution as September ended.

The MBA's purchase application index fell back 6.2 percent in the Sept. 25 week while the refinance application index slipped 0.8 percent. The dips come despite rock bottom loan rates including a 4.94 percent rate for 30-year mortgages, the lowest rate since mid-May.

ADP estimates September private payrolls will decline by a disappointing 254,000.



Corporate profits in the second quarter were revised down slightly to an annualized \$1.031 trillion from the original estimate of \$1.050 trillion and in comparison to the first quarter's \$0.976 trillion. However, a large portion of the increase can be attributed directly to FASB changes which affected positively bank earnings.

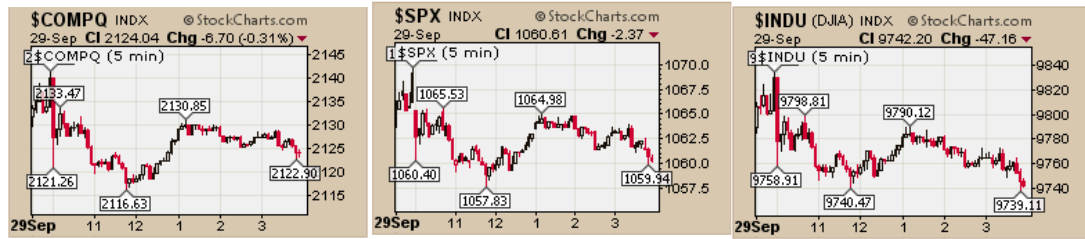
The Chicago PMI reported a surprising dip in business activity in September, news that raises questions whether tomorrow's ISM manufacturing report will dip back below 50. The Chicago business barometer fell nearly 4 points to 46.1 showing a more than 6 point fall in new orders to 46.3 and a nearly 6 point fall in production to 47.2.

Released on	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
Released for	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
ISM-Chicago	40.1	34.9	39.9	43.4	50.0	46.1

Data Source: Haver Analytics

We spent the morning driving throughout North Central Iowa where soybean harvest is in full swing. It looks like that area will have yields in the low to mid 50 bushels/acre. This may be somewhat below the USDA and PRO Farmer estimates. We headed to Texas in the afternoon and decided to stop for the night at McAlester, OK as we were getting tired. In three days, we had driven 2,598 miles. We made no changes in the portfolios today.

09/29/2009 After the Close



Was it really a distribution day?

Markets Diary 5:45 p.m. EDT 09/29/09

Issues	NYSE	Nasdaq	Amex
Advancing	1,454	1,092	260
Declining	1,573	1,541	232
Unchanged	136	206	74
Total	3,163	2,839	566

Issues at

New 52 Week High	184	91	29
New 52 Week Low	2	6	2

Share Volume

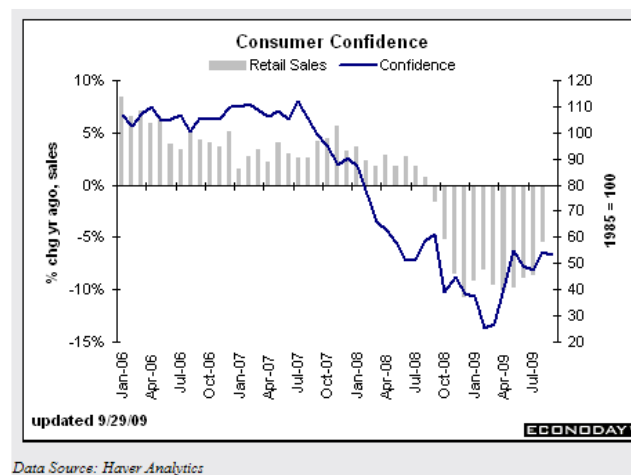
Total	1,182,515,506	2,062,979,015	18,191,894
Advancing	593,361,726	823,310,116	8,457,300
Declining	573,488,380	1,220,850,683	8,070,994
Unchanged	15,665,400	18,818,216	1,663,600

Market volume surged higher today and the averages were down slightly. Distribution days were added for the NYSE, DJIA, S&P 500 but not for the NASDAQ as its decline was too small. However, the DJIA has counted five distribution days which suggests concern for the market rally.

Case-Shiller reports a third month of gains for home sale prices. The composite-10 index rose 1.7 percent in July on top of a 1.4 percent gain in June and a 0.5 percent gain in May.

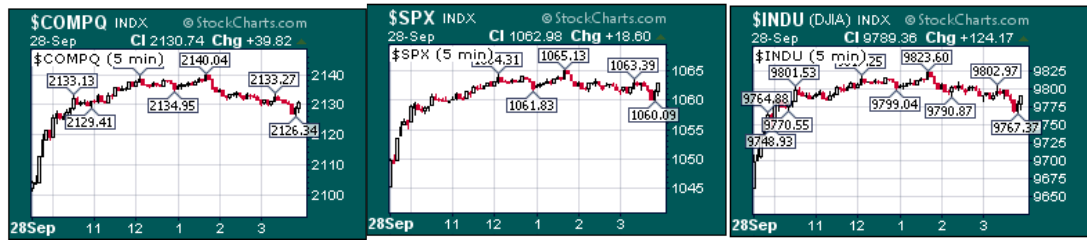
Retail sales show some improvement according to both the Redbook and ICSC-Goldman retail data published reports today.

However, consumer confidence did not improve in September according to the Conference Board's index that fell back to 53.1 from 54.5 (54.1 initially reported).



We drove to Harlan, IA today and the computer is still not able to post to the website. We made no changes in the portfolios today.

09/28/2009 After the Close



The market went up on low volume.

Markets Diary 5:53 p.m. EDT 09/28/09

Issues	NYSE	Nasdaq	Amex
Advancing	2,448	1,981	307
Declining	608	637	175
Unchanged	95	185	77
Total	3,151	2,803	559

Issues at

New 52 Week High	190	88	27
New 52 Week Low	4	6	1

Share Volume

Total	979,363,587	1,890,038,057	16,056,533
Advancing	848,468,296	1,455,686,924	10,376,533
Declining	125,254,380	407,790,476	3,260,100
Unchanged	5,640,911	26,560,657	2,419,900

The market opened the week on low volume as Yom Kippur was celebrated and many traders were gone. Advancing issues were dominant across the board could it also be just window dressing for the quarter?

We were traveling from Ontario, CA to Brighton, CO all day. Then the computer decided to go south and we were unable to post anything to the website or download data for the Musings. We made no changes in the portfolios today.

09/25/2009 After the Close



Three down days in a row!

Markets Diary 5:54 p.m. EDT 09/25/09

Issues	NYSE	Nasdaq	Amex
Advancing	1,370	1,126	234
Declining	1,648	1,497	252
Unchanged	129	171	83
Total	3,147	2,794	569

Issues at

New 52 Week High	180	30	17
New 52 Week Low	5	9	0

Share Volume

Total	1,202,954,241	2,363,934,878	15,874,821
Advancing	378,850,830	822,297,269	7,121,580
Declining	795,749,601	1,520,312,949	7,111,841
Unchanged	28,353,810	21,324,660	1,641,400

Is the market rally dead? At least, today was not another distribution day. However, declining volume was definitely in control most of the trading day. After Wednesday's reversal, and a failure to close higher during the following two sessions, it would appear that the technical data is suggesting that the market is due for a correction at the very least.

The disappointing drop in the industrial production series was the trigger to the bears to move back into the selling side of the market. A late afternoon rally helped move the averages off their lows for the day but in the end even that rally lost its upward momentum.

Of the recent leaders, only GMCR and ISRG showed any signs of bucking the downward trend today. On the watch list, we have seen a steady reduction of stocks being removed as they violated the criteria for inclusion on the list. Moreover, since August 13th, we have not had one new stock added to the watch list.

The STI indicators remain on positive signals so there is not an immediate need to panic although caution should be increased.



Yesterday durable good orders fell 2.4% in August and industrial production was disappointing today. Perhaps, the green shoots are withering before our eyes.

Released On:	Percent	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
Released For:	of Total	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
New Orders	100.0%	-2.2%	1.4%	1.3%	-1.1%	4.8%	-2.4%
less defense	92.6%	-2.4%	0.2%	0.9%	0.8%	4.2%	-2.4%
Industry Groups							
Primary metals	8.4%	-9.2%	0.2%	-0.2%	12.2%	3.2%	1.9%
Fabricated Metals	14.0%	-3.0%	3.4%	-2.6%	0.5%	3.5%	0.8%
Machinery	13.9%	-7.3%	0.2%	7.2%	4.6%	-7.9%	0.7%
Computers & electronic prod	14.6%	1.5%	-3.5%	2.4%	1.5%	1.7%	-0.7%
Electrical Equipment	5.0%	0.1%	-0.9%	-2.0%	1.7%	4.2%	-0.5%
Transportation	24.8%	-0.1%	6.3%	2.9%	-11.9%	17.7%	-9.3%
Unfilled Orders	NA	-1.7%	-1.1%	-0.3%	-0.8%	-0.1%	-0.4%

Data Source: Haver Analytics

Sales of new homes were also lower than expectations bringing into question what might happen when the \$8,500 new home buyer credit expires. It might be some time before the home building industry adjusts to a new level based upon population growth and realistic credit standards. The political class demanded that banks loan to less than credit-worthy applicants and as politicians all over the world refuse to take the blame for their malfeasance. The real problem is that the voters continue to elect them despite the evidence that their policies create major problems.

What is not a surprise to me is that the University of Michigan Consumer Sentiment data showed an increase in the latest report.

	Data displayed as monthly index level					
Released on	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
Released for	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
Consumer sentiment	65.1	68.7	70.8	66.0	65.7	73.5
Difference from a year ago	2.5	8.9	14.4	4.8	2.7	3.2

Data Source: Haver Analytics

Smoke and mirrors have a way of obscuring the real facts that the economy is at best still flat and in many areas unemployment is over 15% as the Ministry of Truth measures it. The fact that over 20% of the population is now receiving food stamps tells me that the situation is not getting any better.

We made no changes in the portfolios today. Have a great weekend.

- **Fred Richards**
Strategic Investing

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