

## EQUITIES PERSPECTIVE

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DJIA: 12,270

A bear market ... that's when they sell MY stocks. And, they sold my stocks, they sold your stocks, they sold everybody's stocks. If breaking up is hard to do, apparently so too is "decoupling." It has been a global meltdown, as they like to say. But bad as it has been, that's good. If it's true "they get to everything," it seems they have. We noted recently that there were 1350 daily new lows on January 9, surpassing the 1275 of August. While that seemed a bit extreme at the time, there were over 2000 new lows on Tuesday. More than a fourth of all stocks trading on the NYSE that day made a new low. Things have gotten pretty stretched to the downside. NYSE stocks above their 200 day moving average, for example, reached 15% on Tuesday. With a historical range between 80% and 20%, there's precious little left standing. But down a lot isn't always down enough. You want to see that the sellers are out of the way, and that you only know if they can rally. Among other things, Wednesday's reversal looked impressive.

One of the most impressive aspects of Wednesday's reversal was the reversal in Financial stocks that preceded it on Tuesday. These stocks stopped going down, even the near bankrupt bond insurers. They were up in Tuesday's weakness and after a down opening on Wednesday, they were up sharply. Indeed, you might argue they dragged the rest of the market with them. That performance seems important. After all, it was these Financial stocks that got this whole mess started. For the overall market to have a chance, these stocks have to stop going down. For the market to have a chance, at some point the bad news has to get discounted. If you think about the last couple of days, the news affecting Financial stocks has only gotten worse. But, finally, the stocks stopped going down on the bad news. Indeed, they've gone up, and that seems a big positive.

Another big positive seems this idea of getting to everything. We've gone on and on about the need to get to Apple (140), Google (555) and Research in Motion (90). It's nothing personal, it's just the way markets work. Eventually the weak drag down the strong. And when it comes to the NASDAQ, there's plenty of the weak. Indeed, for the last year most of the strength in the NASDAQ has come from just these three, and maybe some help from Amazon (74) and Priceline (100). In the event, these have turned weak, particularly Apple and Google on Wednesday. Finally, they got to everything. Much like the overall market, however, it's hard to say when enough is enough. And then there's the question of where these stocks go if the market has made a turn. Unlike the Financials, their recoveries weren't all that impressive Wednesday. When it comes to Technology, nothing is forever, even Apple suddenly seems human. And, perhaps more to the point, after important corrections/bear markets, leadership often changes. What did ever happen to Sun Micro and Lucent?

In terms of a low, a couple of other things have fallen into place as well. There's been volume. You don't get important reversals, washouts on ho-hum volume. Tuesday's 6.42 billion shares in NYSE composite trading was the second highest ever. The record volume day was August 16, the bottom day of the one-month, 12% decline. And like then, the Volatility Index also spiked intraday reaching the same 37.5 reading. There was the panic/fear typical of important reversals. Of course, whether we've seen an important low only time will tell, to coin a phrase. But there's plenty of evidence to suggest the last couple of days have set the stage for at least a tradable rally, a low even if not "the" low. In terms of time, bear markets don't typically end so quickly. And, typically, there are plenty of bear market rallies. But whatever this may be, for now it doesn't look bad.

It may be a stretch to ask anyone to care about WalMart (50) but, you know, the stock has acted well in all this weakness. It certainly has acted well relative both to the market and a crummy Retail group. Sure it's still just a big trading range, but suddenly the stock is near the upper end of part of that range. And, of course, nobody's looking. It wasn't that long ago that nobody was looking at another big dumb stock, McDonald's (53). Between July and December that stock went from 32 to 62. Nothing is forever, though it often has seemed WalMart's trading range could be. The fact is, over the years WalMart has had a history of protracted trading ranges, interrupted by major uptrends. As we suggested earlier, coming out of corrections the leaders often change. WalMart has acted well during the weakness and that relative strength could be telling.

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# STOCK AVERAGE VS. AVERAGE STOCK

