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Top Stocks with Helene Meisler

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The Market

So, the market got a whack -- but it's still not oversold, so let's not get too excited.

I spend a lot of time in each issue discussing that particular day's the market action, so tonight I wanted to do something a bit different. I want to step back and tell you what is different about the market now vs. how it had been during the previous rallies.

The first thing you should do is step back and realize that everyone believes the market has been a straight rocket up when, in reality, it hasn't. In mid-September, the **S&P 500** made a high at 1072. Today it traded as low as 1088. I call that pocket change. This means that, in two months, the market has swung up and down several times but that, in essence, it is as flat as a pancake.

If we look at the Russell 2000 (RUT), we'll see that it's actually down 6% from the highs. Typically, the Russell -- even though it's small-cap tracker -- tends to represent what the average stock is doing. So, when folks tell you how great the market is because the S&P is above 1100, realize that these folks are looking at an index -- not at stocks.

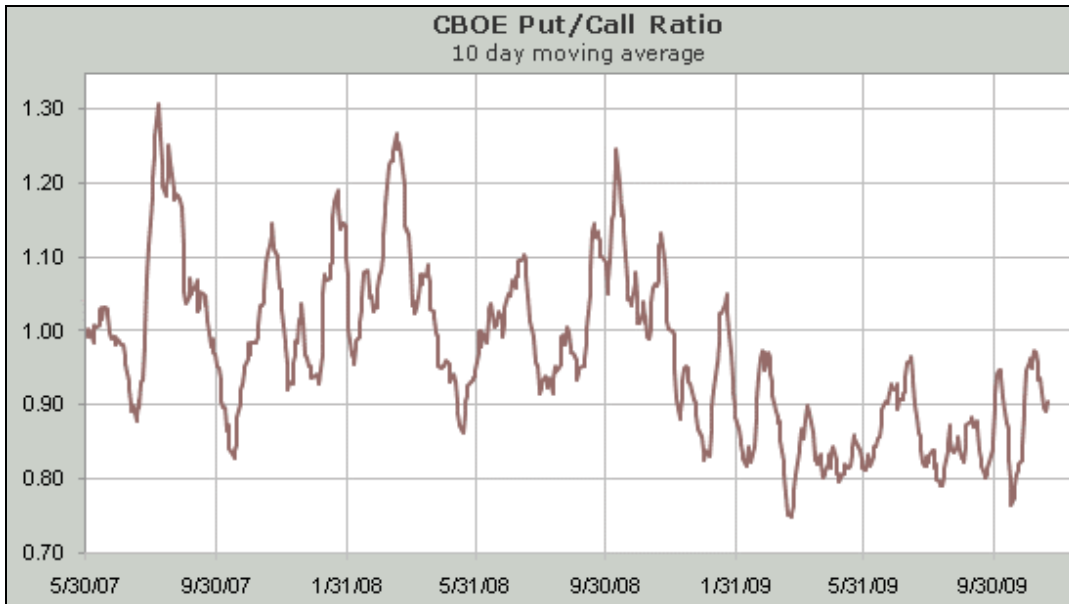
If we look at the Philadelphia Semiconductor Index (SOX), we'll see that it is trading at the same level as it had been in early August. If we look at the KBW Bank Index (BKX), we'll see it is trading at its early-August level, as well. You think commodities have done fabulously? Well, the **Oil Services HOLDRs** (OIH) is now trading where it had been in mid-September. Moreover, it is a mere 5 points higher than its June high. This means that, in six months, the OIH has basically gone nowhere.

There is another difference in the market's recent action: the put/call ratios. I'm not referring to the one-day readings here and there but, rather, the moving averages. In the Indicator section, I show the chart of the 30-day moving average of the equity put/call ratio. As I've discussed before, this pattern tells us the market is making some sort of a top. We have only seen it down there with this pattern a handful of times before, and those eventually led to "real" corrections in the market.

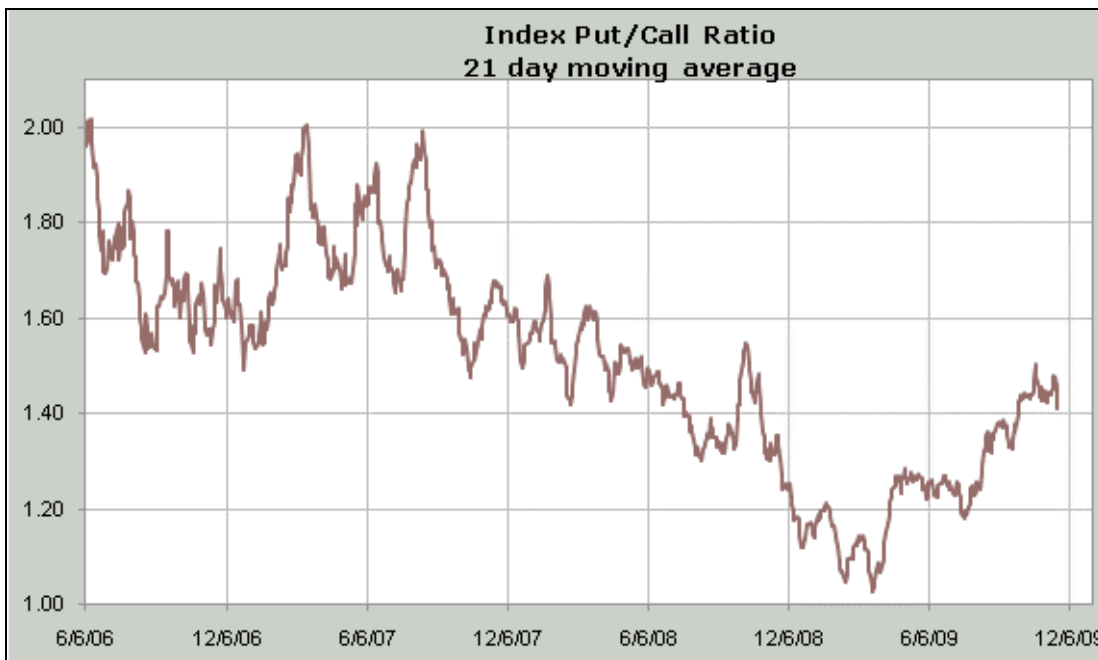
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Also of note is the 10-day moving average of the put/call ratio. When I looked at the chart today, it shocked me. On this recent rally, it has not been able to get down to the 80% area that it had reached so many times before. If it turns up from here, won't it begin to look like this is a giant base? I say that because it has not really moved above this 95% area since mid-January, and if it moves up from here, it appears as though it can move up further.

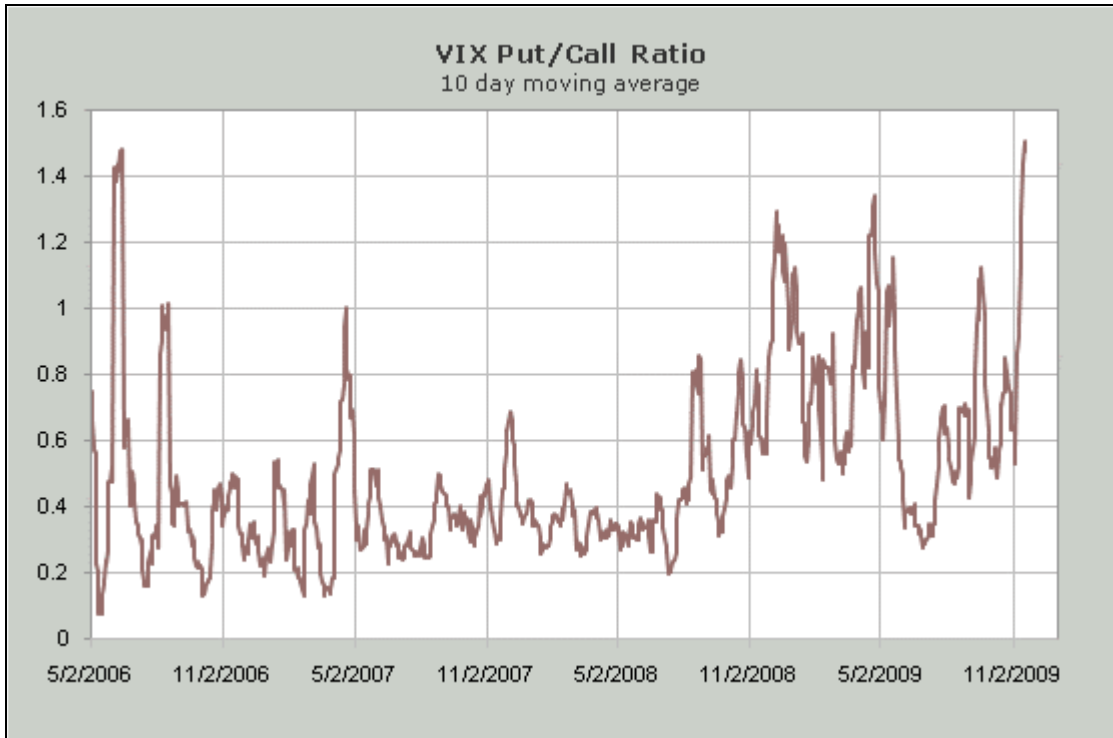


Now take a look at the index put/call ratio's moving average. I don't discuss this often, but it didn't make a higher high on this move up in the market -- another divergence of sorts.



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Also noteworthy is the put/call ratio on the Market Volatility Index (VIX). This 10-day moving average had not reached its current level since early June 2006. The Russell made its high in May of 2006, and then, in late May, it staged a rally into early June. It then fell about another 5% into mid-July.



Furthermore, the McClellan Summation Index really could not get going at all on the upside for this entire 80-point rally in the S&P. It has now turned back down.

This is not meant to get you scared, but it is meant to show you that this particular high in the market is different from the rest. Yes, I have harped about the divergences, but that's what we are seeing in the SOX, the BKB, the RUT, etc.

I think I'd sum this up by saying that each rally has gotten narrower and narrower. Also, while the major averages have held up, keep in mind that they are simply mathematical calculations; they don't always tell you what individual stocks are doing. Since September, fewer stocks have been rallying with each rally. Eventually the market will get oversold, and the rally that results that oversold reading will be very weak.

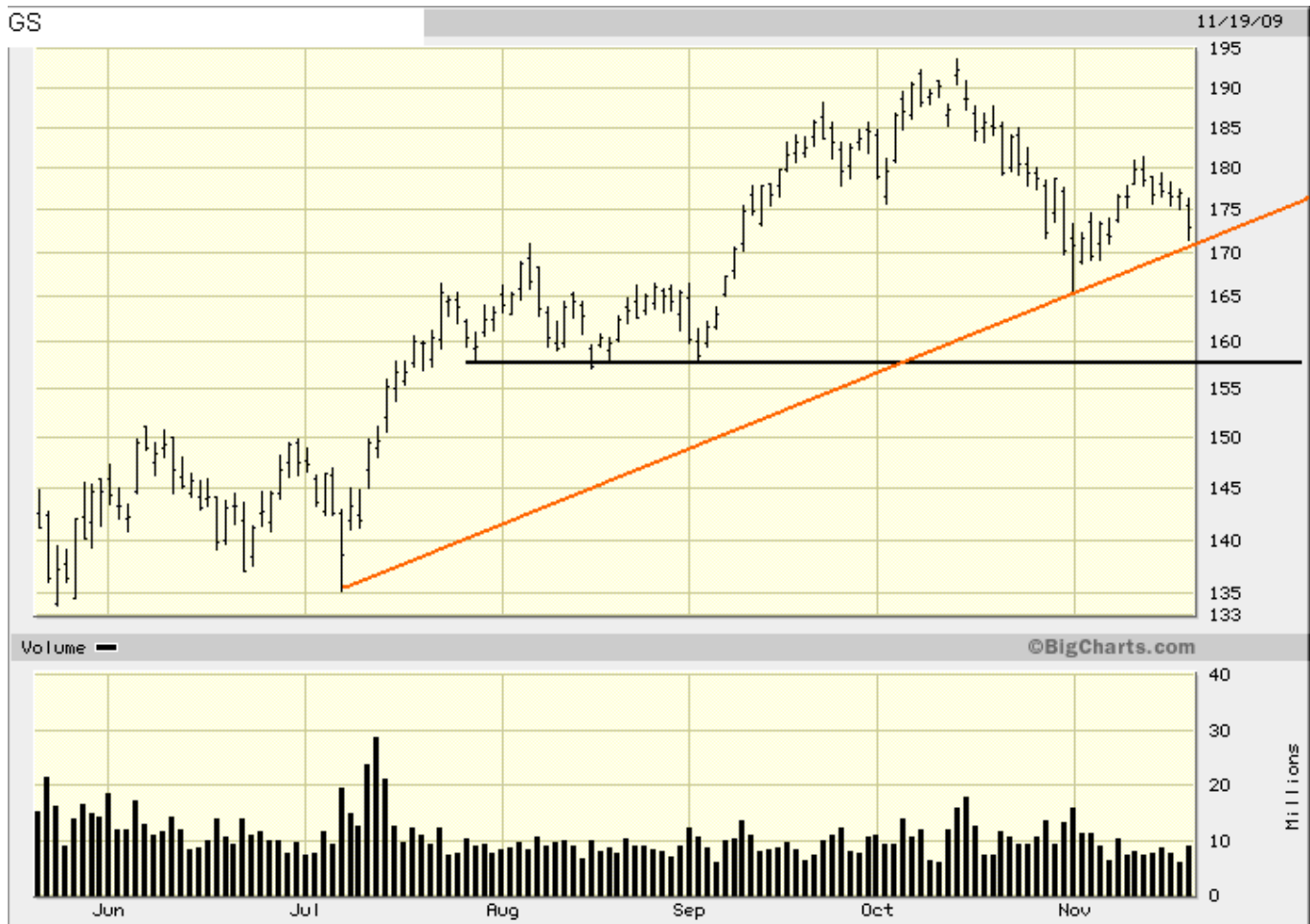
In the meantime, the market is not yet oversold; that will come sometime around Thanksgiving. I will try my best to pin it down better over the weekend. On one momentum indicator, I can see it becoming oversold Tuesday. Another says this won't be until Friday. Because the upside action hasn't been too great, this shift doesn't look to be as clear as the rest had been.

(For a look at the latest *RealMoney* column, [click here.](#))

New Ideas

I don't have any new ideas tonight, so since I was asked about the chart of **Goldman Sachs** (GS), I thought I would review that here.

If Goldman breaks that red line around \$169, it will probably bounce off that \$165 area where it had had that spike low, but the real support is down near \$160. If the market were closer to a really good oversold reading, I'd suggest gambling on buying Goldman around \$169. But since I don't see a good oversold reading yet, it's hard to make that call. Shares closed Thursday at \$172.83.



Updates

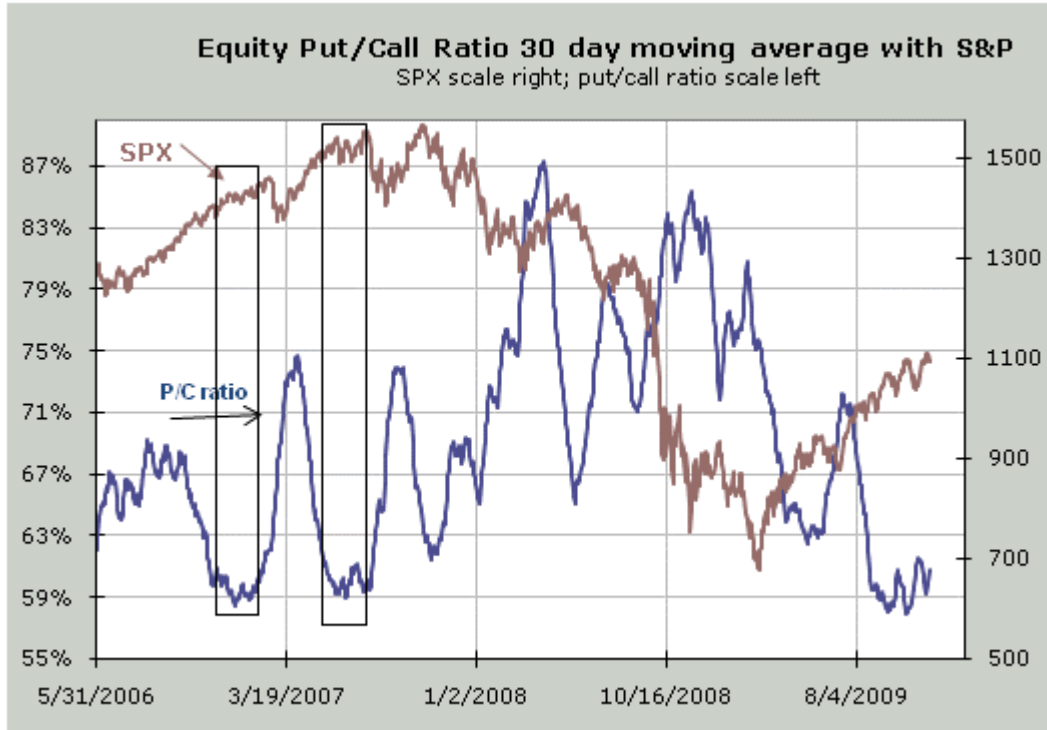
(Based on reader feedback, I'm going to try and keep a list of all the stocks mentioned in New Ideas, accompanied with stops and targets. As always, feel free to [email me](#) with any questions.)

The trade I had set up for **UltraShort Russell2000 ProShares** (TWM) never gave you the chance to buy it, but of course I heard from some readers who bought it anyway! So, I will keep it on the list for you. Tomorrow is options expiration, and we could very well see the S&P pinned at 1090 or 1100. But the first session after an expiration is often negative, and keep in mind that the earliest I see the market getting moderately oversold is Tuesday. So, if the market rallies tomorrow, I'd still look for some downside Monday.

Stock	Long / Short	Stop	Target	Latest Closing Price	Notes
Wal-Mart (WMT)	Long	\$52	\$55	\$54.54	Just in case I wasn't clear: I believe profits should be taken now. Close the trade.
iShares Barclays 20+ Year Treasury Bond (TLT)	Long	\$94	\$94-\$95	\$95.14	There is a lot of resistance at \$96.
Amgen (AMGN)	Long	\$55	\$57-\$58	\$56.06	* * *
State Street (STT)	Long	\$40	\$44	\$41.69	* * *
SPDR KBW Regional Banking (KRE)	Long	\$20	\$24	\$20.74	* * *
Clorox (CLX)	Long	\$59.50	\$62-\$64	\$59.85	There is no love fest for this staple stock, so give the stop some leeway.
Sohu.com (SOHU)	Long	\$56.50	\$59-\$60	\$55.20	A great trade turned into an awful one as you got stopped out.
UltraShort Russell2000 ProShares (TWM)	Long	\$28.25	* * *	\$29.22	You should sell half now and move the stop up to \$28.25.

Today's Indicator

The put/call ratio is discussed in full in the market summary above.



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(For an explanation of the methodology I use for *TheStreet.com Top Stocks* newsletter, please [click here](#).)

Reader Feedback and Questions

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Silver Standard Resources (SSRI) is in a triangle, and it has been in one for months now. My first thought on this chart was: How much lower does the U.S. dollar need to go before this stock can break out? One would have thought that the stock would have broken out by now -- but it hasn't. If it can clear that \$24 area, then I'd call it a breakout. Otherwise, it's a stock in trading range. Shares closed Thursday at \$21.83.



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Rehabcare (RHB) has been gapping up and has twice made a flag pole with a flag. I suppose its latest move can also be considered a flag. But here's my one problem: The pattern only measures to the \$27-to-\$29 level, and the stock is basically there now. So, if you own this, you do not want to see it break down back toward \$24, because that would change the bullish pattern. Shares closed Thursday at \$26.80.



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Well, I'd say that, as long as **Darden Restaurants (DRI)** can stay above \$28, it should be OK – but, gosh, here is a stock that has not participated at all in the rally since March. Now, I like down-and-out stocks, but this gapped up and died. Let's just say that I don't trust it much. Shares closed Thursday at \$31.70.



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Fluor's (FLR) top measures to the \$38 area, and it has support at \$42. So, I'd probably start looking for Fluor to finally bounce from somewhere in that wide \$38-to-\$42 range. In fact, it is more likely that it will bounce from \$42 and will have a failing rally, and will then come down at a later point to reach the \$38 target. So, shorter term, I suggest looking for a bounce soon. Longer term, however, it will probably head into the upper \$30s. Shares closed Thursday at \$43.96.



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