



Stealth Stocks Daily Alert

By Dennis Slothower

Friday, November 4, 2005

Market Commentary:

Late in the day, the stock market shrugged off a weaker-than-expected jobs report, even though many stocks still closed slightly down. This was a very strong week for the market, with investors encouraged by bullish optimism over the prospects of an end-of-year rally. However, this spike move has caused the stock market to become strongly overbought and due for a short-term adjustment. I am not looking for a collapse, just a short-term pullback for a few days next week.

The news wasn't good on the jobs front, but that was expected for this month, with the recent hurricanes. Employment growth slowed in October, according to today's employment release. Payrolls increased by 56,000, about half of what the consensus expectation was.

September payrolls were revised up (to a loss of 8,000 from a loss of 35,000) and August payrolls were revised down by 63,000 (to a gain of 148,000 from 211,000). With the revisions, today's jobs report represents a mere 20,000 jobs.

However, this jobs report isn't too big of a surprise, considering the hurricanes and their effects being more accurately reflected now. Clearly, the market factored that in today. Most economists feel the weakness in the jobs report is temporary but it did give reason for the market to pause a bit to question fourth quarter prospects.

I have to say I am still pretty neutral on the stock market. Though the bulls have managed to stage a spike rebound in the market, will they have the power to sustain an intermediate rally? I think it is still up for debate.

The Dow is back above 10,500, but the pattern all year has been to oscillate a couple of hundred points above and below this level, whipping investors who grow too optimistic or too pessimistic about the future trend. This rally did not produce a break out or a break down, so I am cautious about getting sucked into this optimism given the history of the market this year.

I still think the wild card between now and the end of the year continues to be crude oil prices, which appear to have made an intermediate bottom.

I question whether the bulls will be able to sustain a rally in November, especially in the growth-oriented sectors, if crude oil prices head higher in the next few weeks – and the indicators are pointing that way. Sector rotation could change quickly if oil prices move higher, so you need to keep your powder dry and wait for a bit to see what comes out of the herd before you fire.

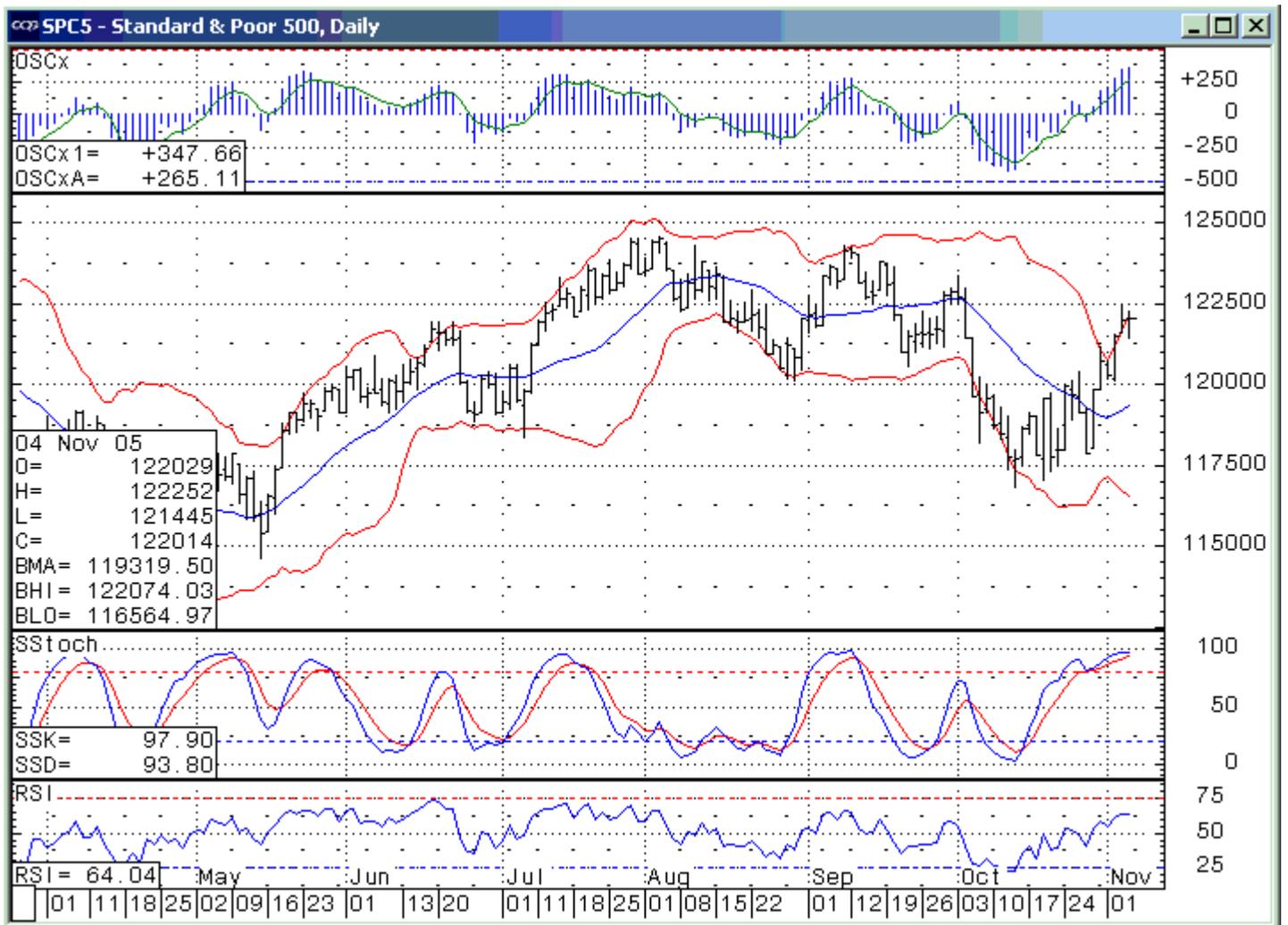
The encouraging side of this rally has been the ability of the indexes to get back above the 200-day moving averages. Still, it is hard for me to get too enthusiastic given the market's incessant whipsaws.

The prospects for a short-term pullback next week are pretty good. I recommend you wait before making a new commitment to the market. Let's see how the market handles this next pullback. If we see an inside move, i.e., no new lows for the major indices, then get ready to pull the trigger.

DAILY TRADING PORTFOLIO: 11/05/05

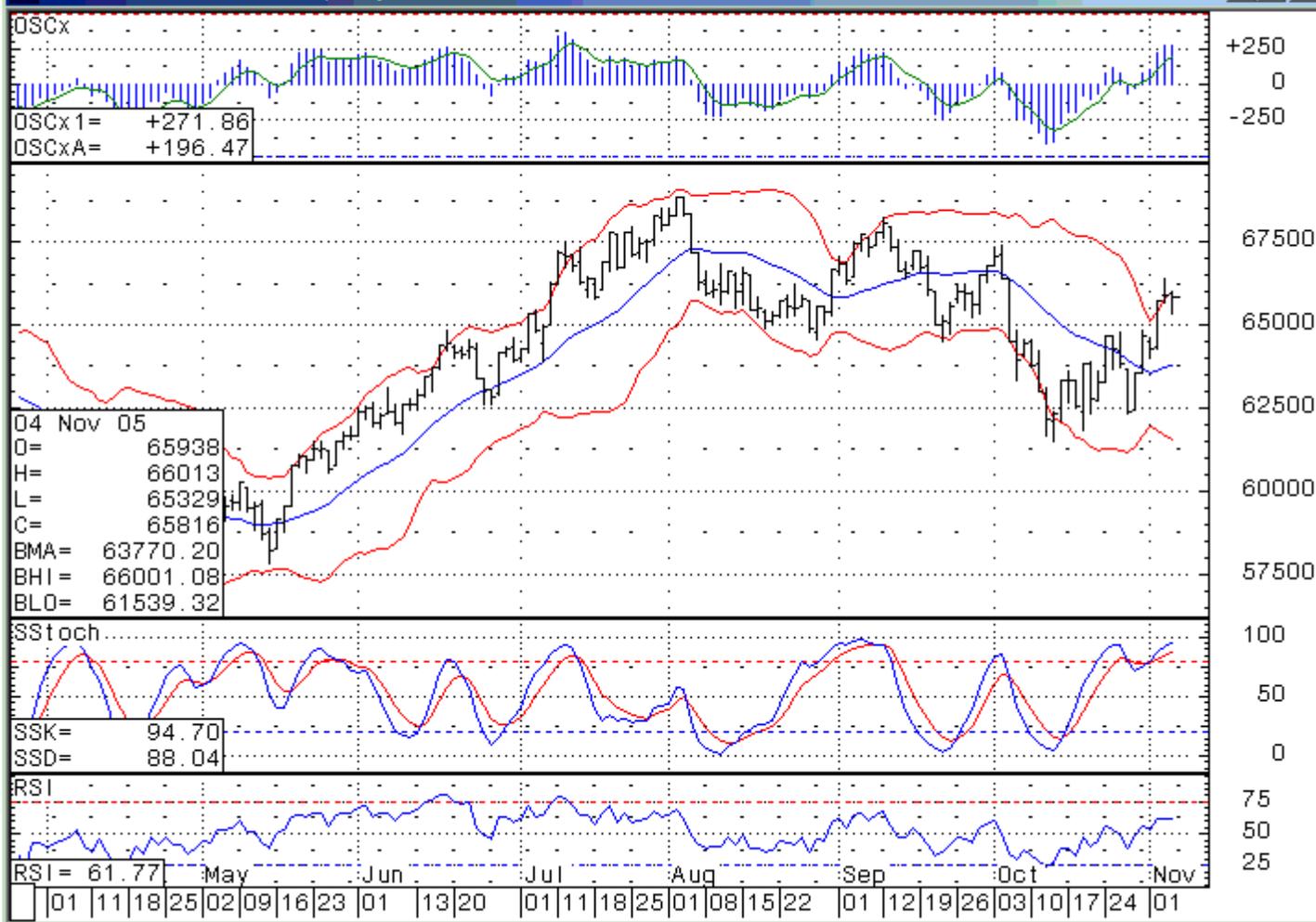
STOCK	SYMBOL	ACTION	PCT	ENTRY PRICE	11/05/05 PRICE	Sell/Cover	INDUSTRY
Accredited Home Lenders	LEND	SHORT	10%	\$34.85	\$38.78	\$39.00	Financial (Mortgages)
<i>Money Market</i>			90%				

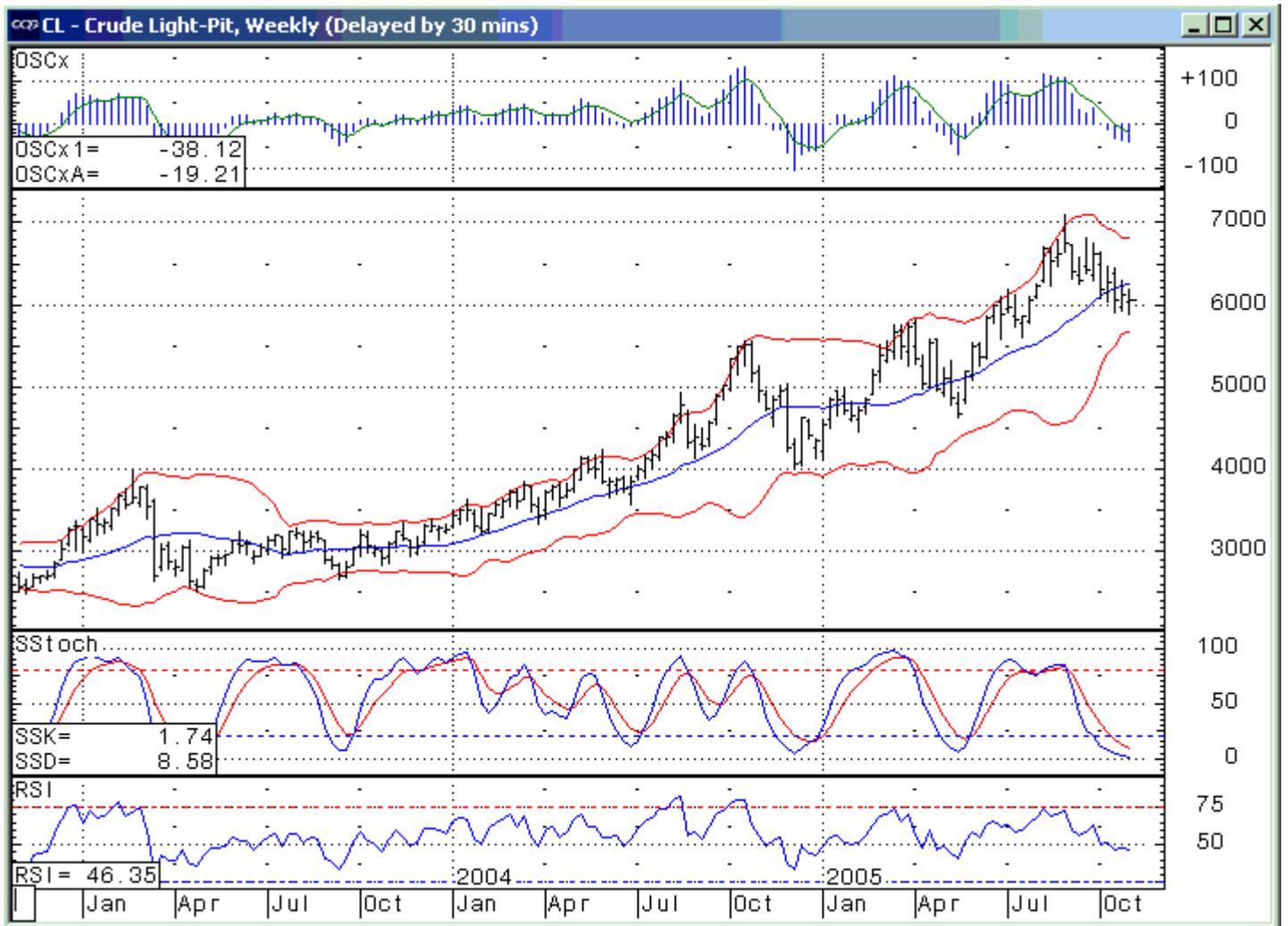
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