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Equity Trading Volume Continues to Remain Weak – Not a Healthy Sign for an Equity Rally

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Have you noticed how shallow the volume has been in the equity markets during this rally from the March 2009 lows? For example, look at Friday, November 6, 2009. Below is a table showing the total volume of shares traded on the New York Stock Exchange (NYSE) as well as the volume of the top four traded stocks.

Table 1 – Volume of Shares Traded on the NYSE November 6, 2009

Total Volume of all Companies Traded on the NYSE (shares) 1,084,488,722

<u>Issue</u>	<u>Volume (shares)</u>	<u>Price</u>
Citigroup	253,357,003	\$ 4.06
General Electric	164,999,553	\$ 15.33
Ford	159,908,919	\$ 7.75
Bank of America	152,224,030	\$ 15.05

Total Volume of these Companies Traded on the NYSE (shares) 730,489,505

The top four traded stocks on the NYSE on Friday, November 6, 2009 accounted for an amazingly high **67%** of total share volume. More research into this phenomenon shows that the top four or five traded stocks on the NYSE for the past 7 months has actually accounted for as much as **90%** of the total volume of shares traded on the NYSE on some days and the average for the past 7 months has been above 67%. Overall, volume has been uninspiring and declining only to pop a little on the occasional big down days.

Maybe just as important is that two of the most traded stocks are single-digit handles, which is Wall Street lingo to say that their price per share is below \$10 per share. The other two most traded stocks are only a couple bucks above \$10, trading with \$15 handles, and not too many months past both were single-digit handles. And here is a real beauty – the four most heavily traded stocks listed above each have needed some form of government intervention / support in the past year! Ouch!

No matter how you look at it, this rally from the March lows has been one of:

- ✓ The sellers have disappeared, for now, and;
- ✓ The buyers have consisted of a combination of short covering, professional and amateur traders and perhaps some long-term investors. Certainly the general public has not yet embraced equities as can be seen by the massive amounts of monthly flows into retail bond mutual funds versus equity mutual funds during this rally.

Yes, equities have been on an upward tear for over 7 months now. But our research has identified high yield corporate bonds to have a far greater risk reward potential and we have invested our client accounts accordingly. Keep your eye on the volume, it speaks a thousand words.

Thank you,



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