

**Thank God It's Friday!**

**December 18, 2009**



Friday was a "quadruple witching" day on Wall Street. This occurs 4 times a year when all 4 sets of contracts expire simultaneously. This includes: stock index futures, stock index options, single stock futures, and single stock options. It brings substantial volume flows because stocks are bought and sold at a feverish pace, and many contracts get rolled out to future expiration dates. It is a very technical trading day, which can often skew Market behavior. You have to take it with a grain of salt...or a shot of holiday spirits.

In addition to this quad witch, the S&P will do its quarterly rebalancing of all its indexes after the close Friday. This also creates higher trading and increases volatility as mutual funds and index funds have to buy and sell to re-align with their benchmarks, such as the S&P 500, which is the most commonly used benchmark for stocks. It's been quite a day. Whew!

Volume began rising Thursday in anticipation of the expirations and S&P rebalancing, with Thursday's trading reaching the highest level since the first week of August. Volume has been one of the keys that we have been watching, and the last 3 months have been very tepid, which suggests that conviction is lacking. The good thing is that big sellers have been noticeably absent, and stocks have largely held onto their monster gains. In fact, this momentous year is winding down in a methodical and somewhat passive way. It is completely opposite from how we started 2009, when the first 5 trading days in January all saw 200 point intra-day swings on the DOW on huge volume. And 3 of those 5 days actually saw 300 point swings. I'm sure you remember those days, I know I won't forget them.

We expect the final 2 weeks to be fairly tame on Wall Street, as investors ease into the Holidays. So as we reach the end of 2009, we won't complain about the comfortable, boring Market behavior. We believe it will be short-lived as 2010 promises to be full of astonishing events and startling surprises. And we'll be ready so stay tuned-in.

By: Mike Frazier