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Rallies Are to be Sold

Posted by David Gaffen

Investors looking for positive developments as the morning goes on **are hard-pressed to find them, as equities of late were bouncing around near the lows of the session.** Traders say the investing community has been quick to sell shares on rallies, taking advantage of brief surges to get out of positions with profits (or losses, of course).



As crude has rallied this week, the S&P 500 has done the inverse.

The Standard & Poor's 500-stock index opened higher on the day, quickly sold off, and repeated the trick twice in the first three hours of the session. "I wouldn't be surprised to see aggressive selling on the bounces today," says **Joseph Saluzzi**, co-head of trading at **Themis Trading**. "People aren't going to believe in any rally. **We had a rally this morning, and it sold off quickly, and then just had another mini-one and it sold pretty quickly.**"

The drumbeat of ugly news certainly doesn't help — more lackluster earnings, a poor reading on consumer confidence, and most recently, oil broke through \$141 a barrel.

“We’re basically trading in a mirror image to crude right now,” says Todd Clark, head of trading at Nollenberger Capital Markets. **“Oil just spiked up another two bucks — that’s been the biggest bogey the market is afraid of now.”**

The brief upticks only embolden short-sellers, particularly those who are thriving on the shares that can’t get out of their own way (read: Washington Mutual Inc.). According to Bespoke Investment Group, since May 19, the [stocks in the top decile in terms of short interest](#) in the S&P 1500 have declined by about 14.5%, showing that **“shorts have been piling on and winning as the market struggles.”**