TrendMacrolytics

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MARKET CALLS

Rebalancing Act

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With tomorrow's expiration of equity index futures and options contracts, the major index providers are taking the opportunity to rebalance the structure of their indices. As the approximately $1 trillion invested in US index funds robotically follows, expect big moves up in the stocks with increasing weights, and moves down in stocks with decreasing weights.

The effect should be greater than normal for two reasons. First, the normal quarterly rebalance of the S&P indices -- including the all-important S&P 500 -- didn't occur last quarter because of market disruptions in the wake of the September 11 terrorist attacks. So the rebalancing this time around will be twice the usual magnitude. And second, tomorrow marks the annual reconstitution of the NASDAQ 100 index.

Following are tables of the largest buy and sell orders expected as a result of these rebalancings.

Largest to buy

By dollar volume			***By percent of average volume***		
C	10,751,585	87%	**KRI**	1,030,736	285%
JNJ	4,670,856	51%	**CDWC**	1,905,480	217%
T	7,971,709	82%	**BBT**	1,380,258	214%
TYC	2,115,540	24%	**CYTC**	2,626,441	170%
PCS	4,882,538	76%	**CHTR**	6,435,335	155%
CDWC	1,905,480	217%	**SEPR**	1,704,033	125%
GE	2,445,687	11%	**DRYR**	175,331	125%
IMCL	1,564,159	78%	**ICOS**	1,151,952	121%
CHTR	6,435,335	155%	**HPT**	177,116	111%
SYMC	1,347,957	62%	**CF**	715,917	110%
SEPR	1,704,033	125%	**ESRX**	1,516,128	102%
TXN	3,116,972	30%	**USB**	4,173,401	99%
USB	4,173,401	99%	**HIG**	759,276	94%
HD	1,643,635	20%	**CNB**	129,888	89%
WCOM	4,920,128	25%	**C**	10,751,585	87%
ESRX	1,516,128	102%	**AOC**	682,084	84%
CYTC	2,626,441	170%	**T**	7,971,709	82%
ICOS	1,151,952	121%	**KBH**	570,046	82%
CEPH	981,623	42%	**PZB**	72,272	79%
KRI	1,030,736	285%	**IMCL**	1,564,159	78%

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Largest to sell

By dollar volume			*By percent of average volume*		
SBC	6,630,201	97%	**PMTC**	8,044,464	240%
XOM	6,262,857	54%	**NOVL**	9,366,441	236%
BAC	2,980,835	60%	**RNWK**	3,353,739	170%
FBF	3,747,331	117%	**CNET**	3,343,631	156%
WB	4,080,556	142%	**MFNX**	16,845,729	151%
BA	3,383,024	98%	**HCA**	3,093,263	147%
HCA	3,093,263	147%	**WB**	4,080,556	142%
MO	2,493,370	37%	**CMGI**	8,316,426	131%
IBM	888,215	13%	**WEN**	876,896	128%
DIS	5,068,054	63%	**DLX**	389,875	127%
RD	2,129,360	83%	**FBF**	3,747,331	117%
WFC	2,172,338	59%	**ASO**	601,024	113%
MWD	1,647,107	36%	**LVLT**	5,867,968	111%
DD	1,789,674	65%	**DNY**	288,994	103%
AIG	953,583	22%	**BVSN**	6,694,097	103%
MET	2,442,546	88%	**LTR**	564,277	102%
ORCL	4,692,087	10%	**SUN**	514,589	101%
UTX	1,056,045	47%	**BA**	3,383,024	98%
FDC	861,550	54%	**SBC**	6,630,201	97%
MRK	1,051,383	12%	**BR**	1,035,436	96%

Source: Morgan Stanley

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