

Monday August 4, 2014

Closing prices of August 1, 2014

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Monday August 4, 2014

Closing prices of August 1, 2014

**You could take your pick of reasons why stocks got clobbered last week, but the bottom line is every major index we track lost more than two-percent on the week.** The Nasdaq 100 had the smallest drop with a loss of 2.16%, followed by the Nasdaq Composite, down 2.18%, and the Bank of New York Mellon ADR Index, down 2.24%. The year-to-date leader Dow Jones Transports led the way lower with a drop of 3.65%, while the Dow Industrials went negative for 2014 with a loss on the week of 2.75%, and the S&P Midcap 400 had a loss of 2.74%. We've been saying that the negative breadth divergences we have been seeing from the small and midcaps could at some point bring down the large caps, and last week the S&P 500 was down 2.69% for its biggest weekly drop since June 1, 2012. Perhaps the most surprising thing about the drop was the reaction in the financial media, which seemed oblivious to the underlying deterioration that has been taking place the last few weeks.

**All ten S&P sectors dropped last week.** The least damage was in Telecom Services, down 1.17%, Health Care, down 1.61%, and Consumer Discretionary, down 1.78%. The biggest losers were Energy, down 4.11%, Industrials, 3.63%, and Financials, down 3.03%.

**All twenty-four S&P industry groups traded lower last week.** The smallest losses were in Retailing, down 1.01%, Telecom Services, down 1.17%, and Real Estate, down 1.26%. The biggest shellacking was in Automobiles & Components, down 4.76%, Energy, down 4.11%, and Transports, down 4.05%.

**Last week we said that in the short-term stocks had resistance overhead in spite of some indexes making new highs during the week, the market remained bifurcated, and daily and weekly momentum was threatening to turn negative.** We have been saying we were concerned about the end of the upcoming period of positive seasonality, which will end 8/6. Stocks rolled over a week earlier than that. Monday was a positive day, but it was downhill the rest of the week as selling turned momentum indicators decidedly negative. We also discussed last week negative breadth indicators and the greater number of 4-week lows versus highs. Those indicators worsened during the week, with the 20-day average of daily advancing stocks hitting 40.8%, the lowest level since 6/1/2012, and the number of 4-week closing lows expanded to the highest number since 2/3/2014. We again highlighted the small caps and said that the Russell 2000 breaking its lows of 7/17 and 7/18 would be bearish. On Thursday that index gapped down bearishly at the open and then broke through those support levels, which are now part of a difficult resistance zone not far above the current price.

**In the short-term stocks are oversold and some indicators are at a level where a bounce is certainly possible.** The calendar increases the odds of a bounce since we have just entered a period of positive seasonality which extends through 8/6. Unfortunately, there is resistance not far overhead and weekly momentum is decidedly negative and still at high levels with plenty of room to drop. In addition, the Nasdaq 100, which is the second best performing index year-to-date and the leader so far in the third quarter, just printed a bearish engulfing candle on its weekly chart. Weekly bullish or bearish engulfing candles tend to be significant. Our proprietary options indicator is showing some pessimism at 0.965, but not yet the level we like to see that precedes strong rallies. Therefore, we believe that the needed consolidation for equities we have been discussing since the highs of 7/3 still has a way to go. **Longer-term we remain bullish.** One indicator we will be watching is the 10-day average of advancing stocks. The extremely weak breadth has pushed this indicator almost under the 40% level. A very strong rebound that sends this average from under 40% to over 61.5% within ten days is known as a breadth thrust, and would be a strong buy signal.

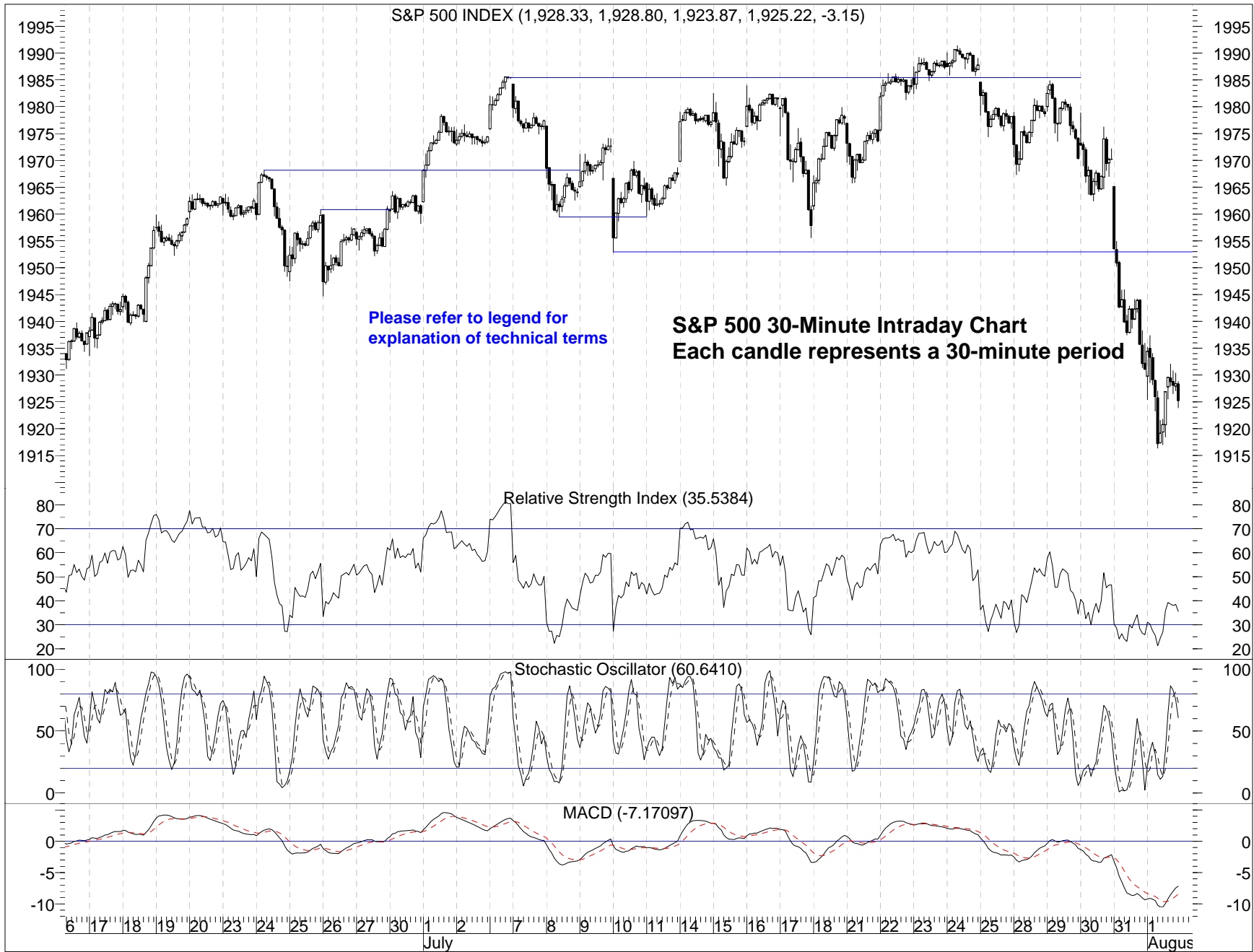
**Valuation, based on spreads between equity and bond yields, remains at levels where stocks are attractive versus bonds.** The spreads remain in the middle of the range they have been in since June 2013, which is also the range of pre-August 2011. On a historical basis these are levels where stocks should be attractive versus bonds. We need to see earnings and forecasts increase because with P/E ratios not far from multi-year highs equities can't rely on multiple expansion for price appreciation. **In 2013 the S&P 1500 gained 30.11%. The P/E ratio expanded 20.1%. Earnings only increased 8.1%. Without aggregate earnings growth it will be tough for equities to appreciate substantially even with low interest rates.**

**So far 380 of the S&P 500 have reported Q2 earnings. 68.7% beat estimates, 11.6% were in line, and 19.7% missed. In Q1 after 388 companies reported 71.5% beat, 9.3% were in line, while 19.1% missed. The final Q1 tally showed 70.4% beat estimates, 9.1% were in line, and 20.5% missed.** The final tally for the fourth quarter was 67.2% beat, 12.9% were in line, and 19.9% missed.

**In summary, we are 76% through second quarter earnings season, so that catalyst will be in the rear view mirror soon. Earnings have generally been positive, but some of the news has been mixed, and geopolitical events continue to concern investors. Daily and weekly momentum indicators have turned negative. We need to see continued good earnings and forecasts since P/E ratios are not far from multi-year highs. Worries about the Fed and the taper are back in the spotlight. Longer-term we remain bullish due to an improving economy, attractive valuations for equities, and strong recent market breadth. In addition, bull markets have historically continued for quite a while after the beginning of a rate tightening cycle, and we have not even seen the first rate increase.**

*Based on the S&P 500 the short-term and intermediate-term trends are down, while the long-term trend remains up.*

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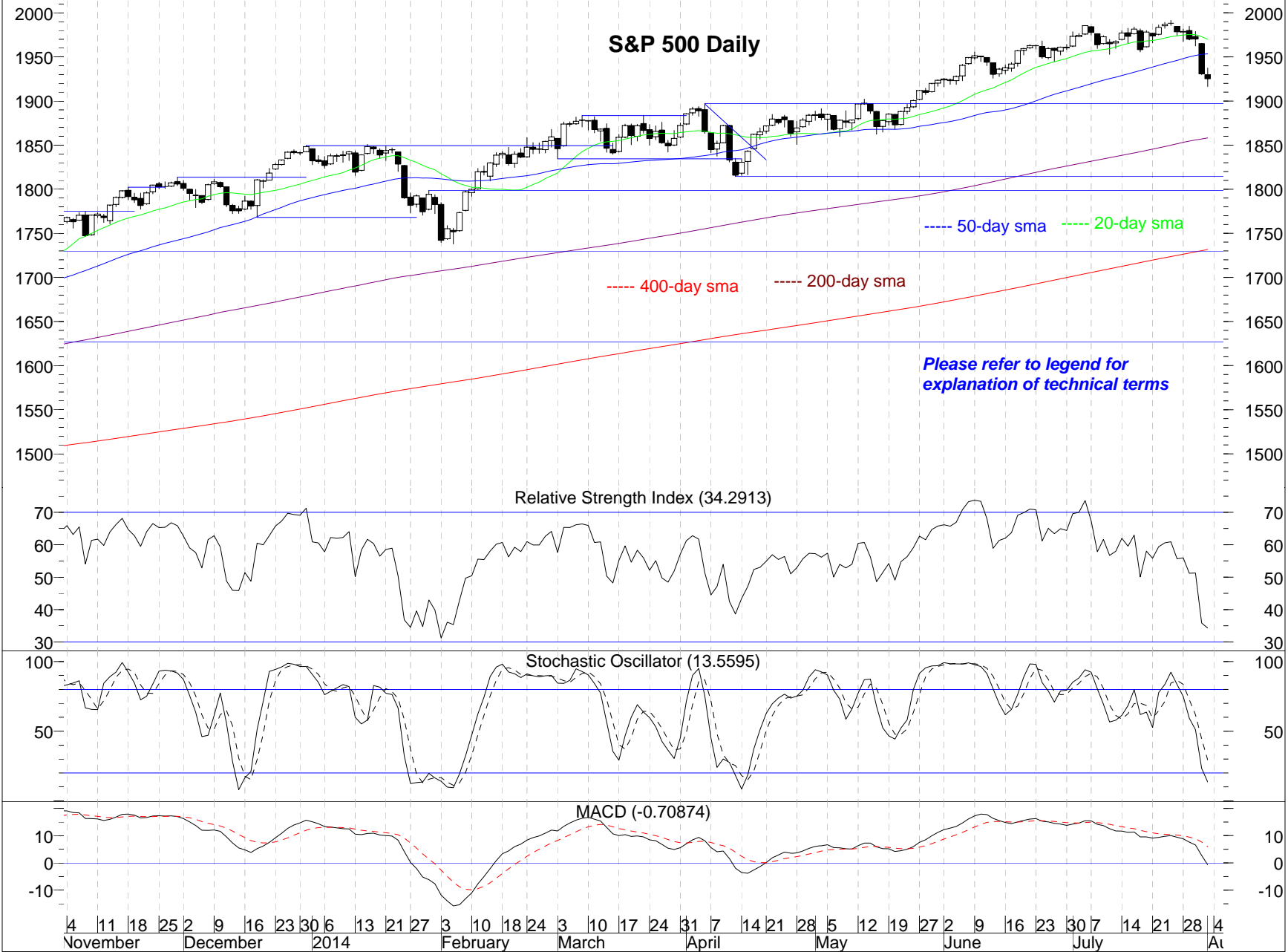


After the failed breakout of 7/23 and 7/24 the S&P 500 fell back into its sideways channel. It broke through the bottom of the channel on 7/31.

30-minute momentum is mixed but the stochastic is very oversold.

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S&P 500 INDEX (1,929.80, 1,937.35, 1,916.37, 1,925.15, -5.52)



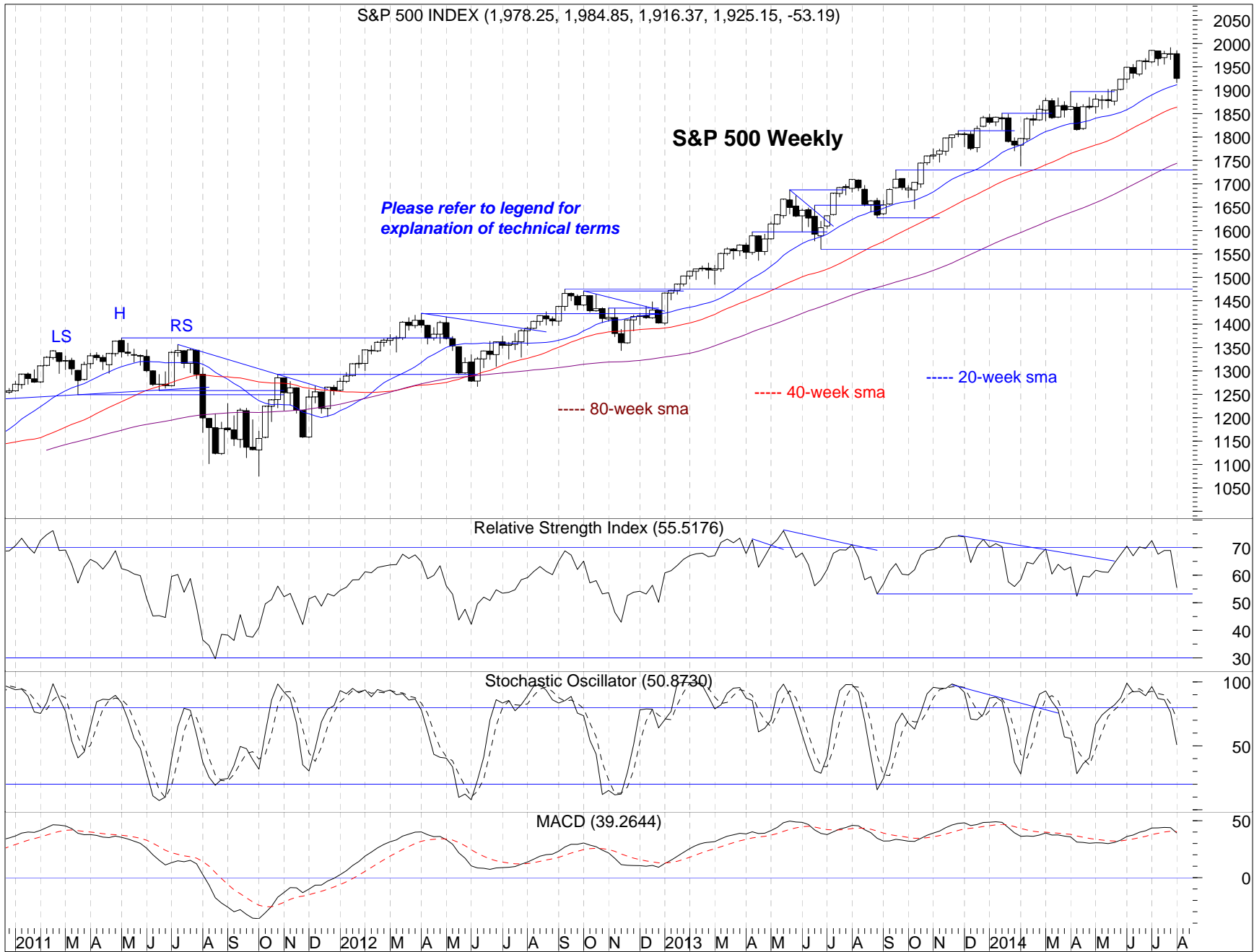
The S&P 500 plunged through its 20-day sma Thursday. It printed a spinning top candle Friday. Spinning tops are signs of indecision.

Daily momentum is negative and nearing oversold levels.

8/1/2014

The Kaufman Report - Wayne S. Kaufman, CMT

S&P 500 INDEX (1,978.25, 1,984.85, 1,916.37, 1,925.15, -53.19)



Please refer to legend for explanation of technical terms

S&P 500 Weekly

LS

H

RS

----- 80-week sma

----- 40-week sma

----- 20-week sma

Relative Strength Index (55.5176)

Stochastic Oscillator (50.8730)

MACD (39.2644)

The biggest weekly drop for the S&P 500 since 6/1/2012 brought it down to just above its 20-week moving average.

Weekly momentum is negative and not oversold although the RSI is near a level where it has previously bottomed.

8/1/2014

The Kaufman Report - Wayne S. Kaufman, CMT

S&P 500 INDEX (1,929.80, 1,937.35, 1,916.37, 1,925.15, -5.52)

Please refer to legend for explanation of technical terms

S&P 500 Monthly

---- 12-month sma

---- 3-month sma

Relative Strength Index (72.7019)

Stochastic Oscillator (76.9129)

MACD (133.436)

The S&P 500 continues to trade in the ascending price channel it has been in since mid-2012 but July was a key reversal month as it made a new high but closed down on the month. This was the first down month since January. It is difficult to see on the chart since there is only one session so far in August but the index is testing the bottom of the price channel.

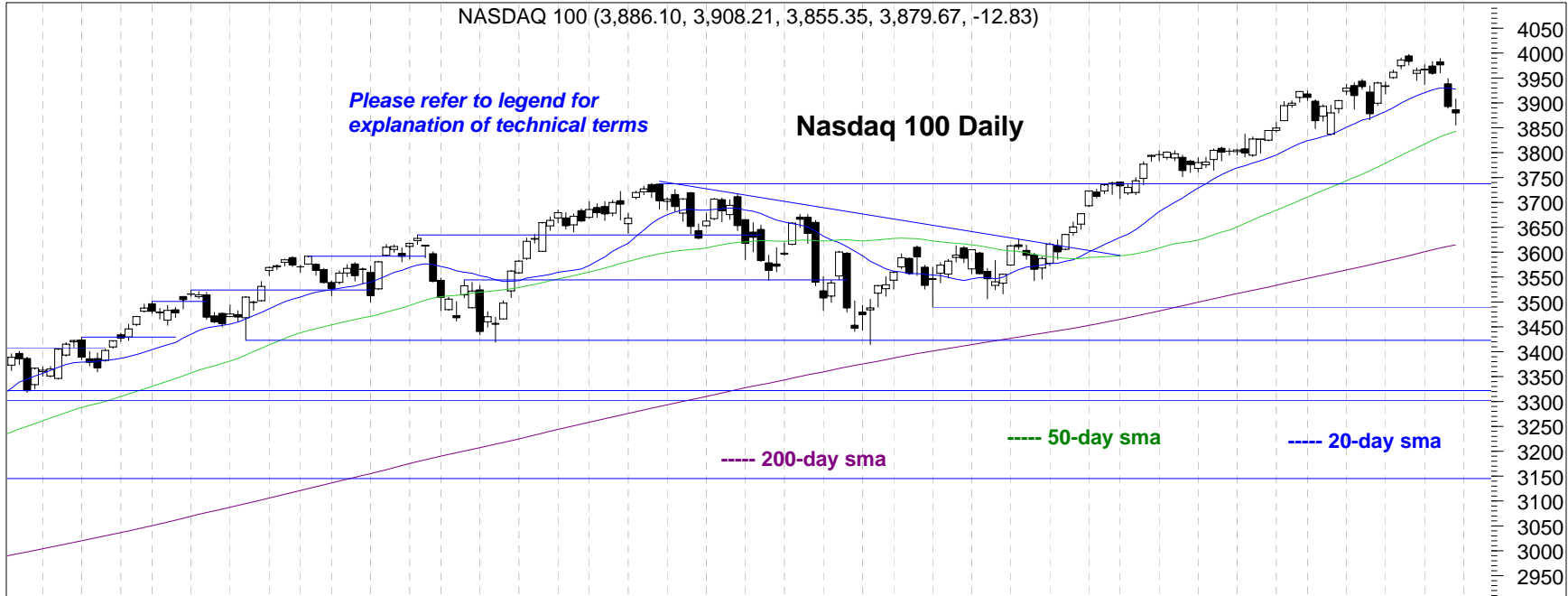
Monthly momentum is threatening to roll over from overbought levels.

8/1/2014

NASDAQ 100 (3,886.10, 3,908.21, 3,855.35, 3,879.67, -12.83)

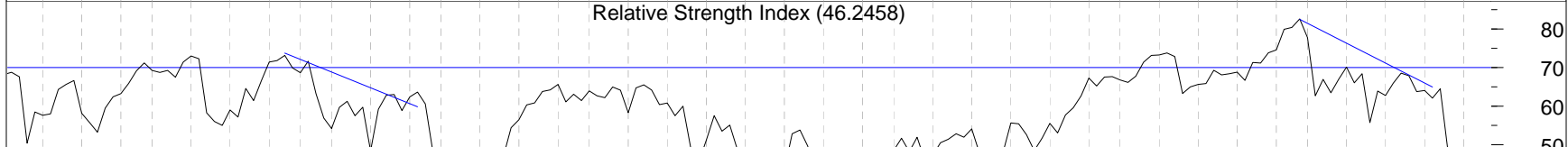
*Please refer to legend for explanation of technical terms*

### Nasdaq 100 Daily



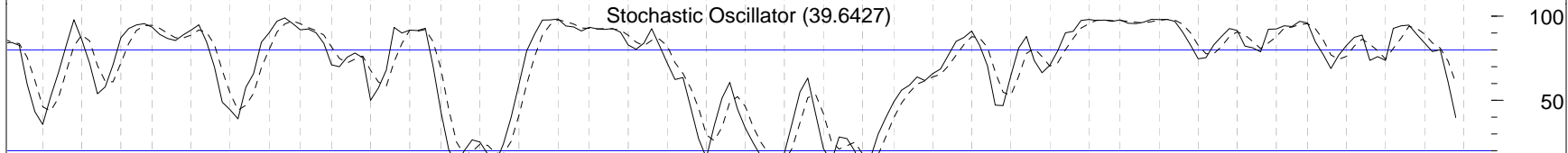
Thursday's gap down was the second one in six sessions for the Nasdaq 100. It bounced Friday just above its 50-day sma.

Relative Strength Index (46.2458)

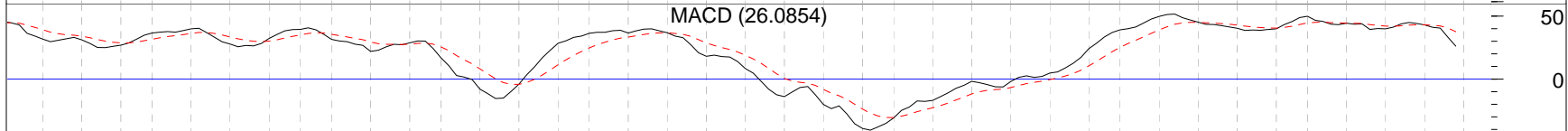


Daily momentum remains negative and not yet fully oversold.

Stochastic Oscillator (39.6427)



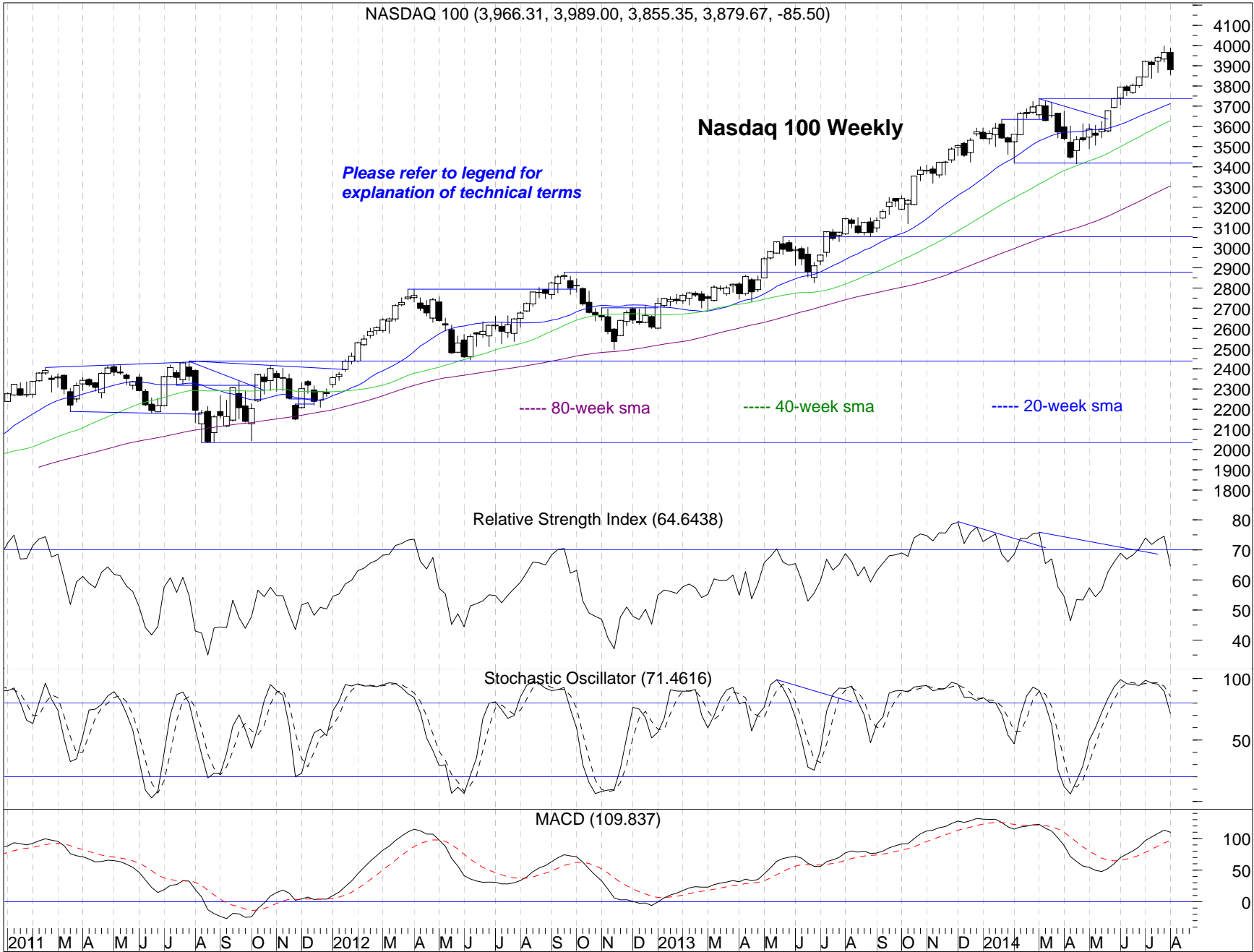
MACD (26.0854)



4 11 18 25 2 9 16 23 30 6 13 21 27 3 10 18 24 3 10 17 24 31 7 14 21 28 5 12 19 27 2 9 16 23 30 7 14 21 28 4  
 November December 2014 February March April May June July August

8/1/2014

NASDAQ 100 (3,966.31, 3,989.00, 3,855.35, 3,879.67, -85.50)



The Nasdaq 100 printed a bearish engulfing candle on its weekly chart.

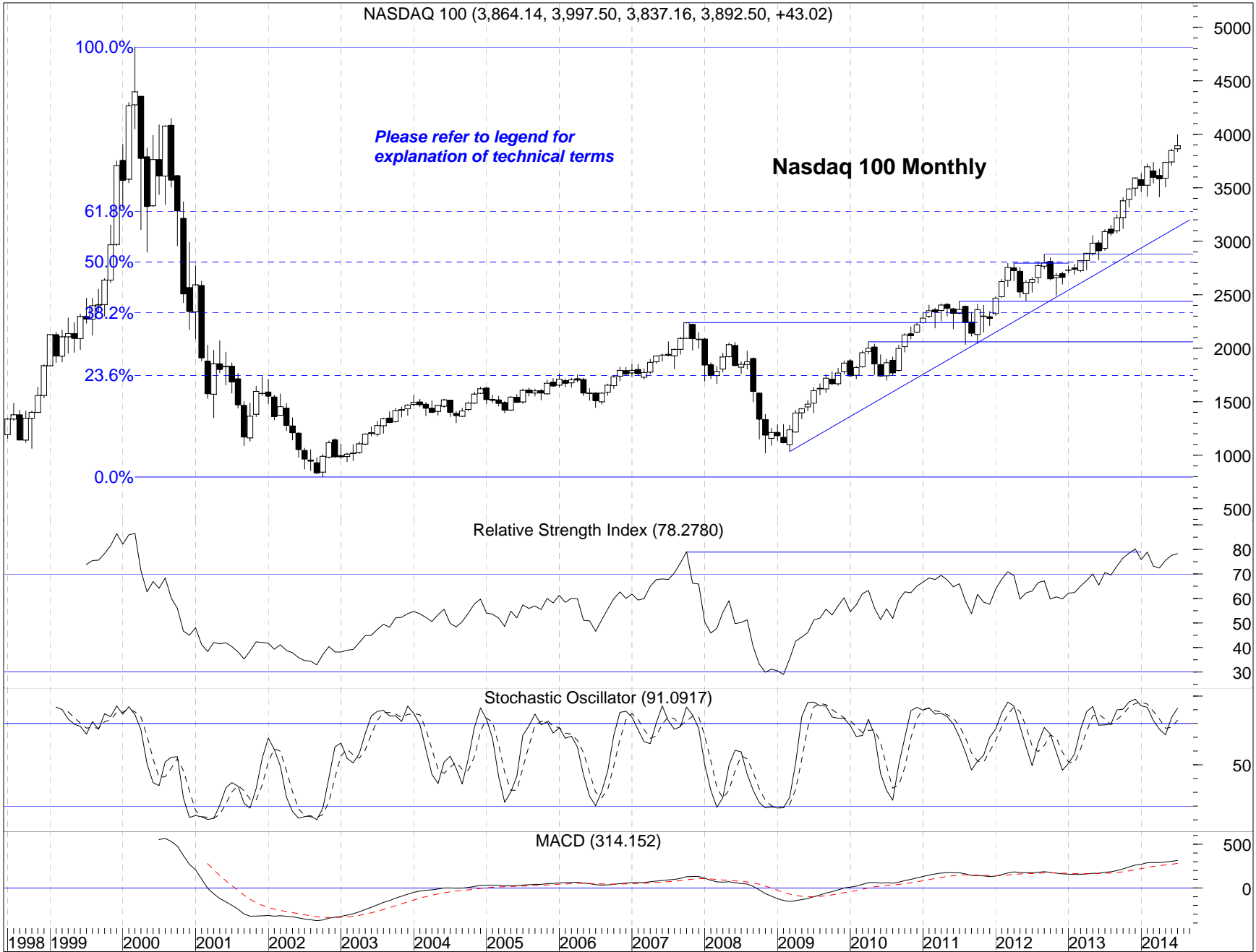
Weekly momentum has turned mostly negative but is still at high levels.

8/1/2014



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NASDAQ 100 (3,864.14, 3,997.50, 3,837.16, 3,892.50, +43.02)



*Please refer to legend for explanation of technical terms*

**Nasdaq 100 Monthly**

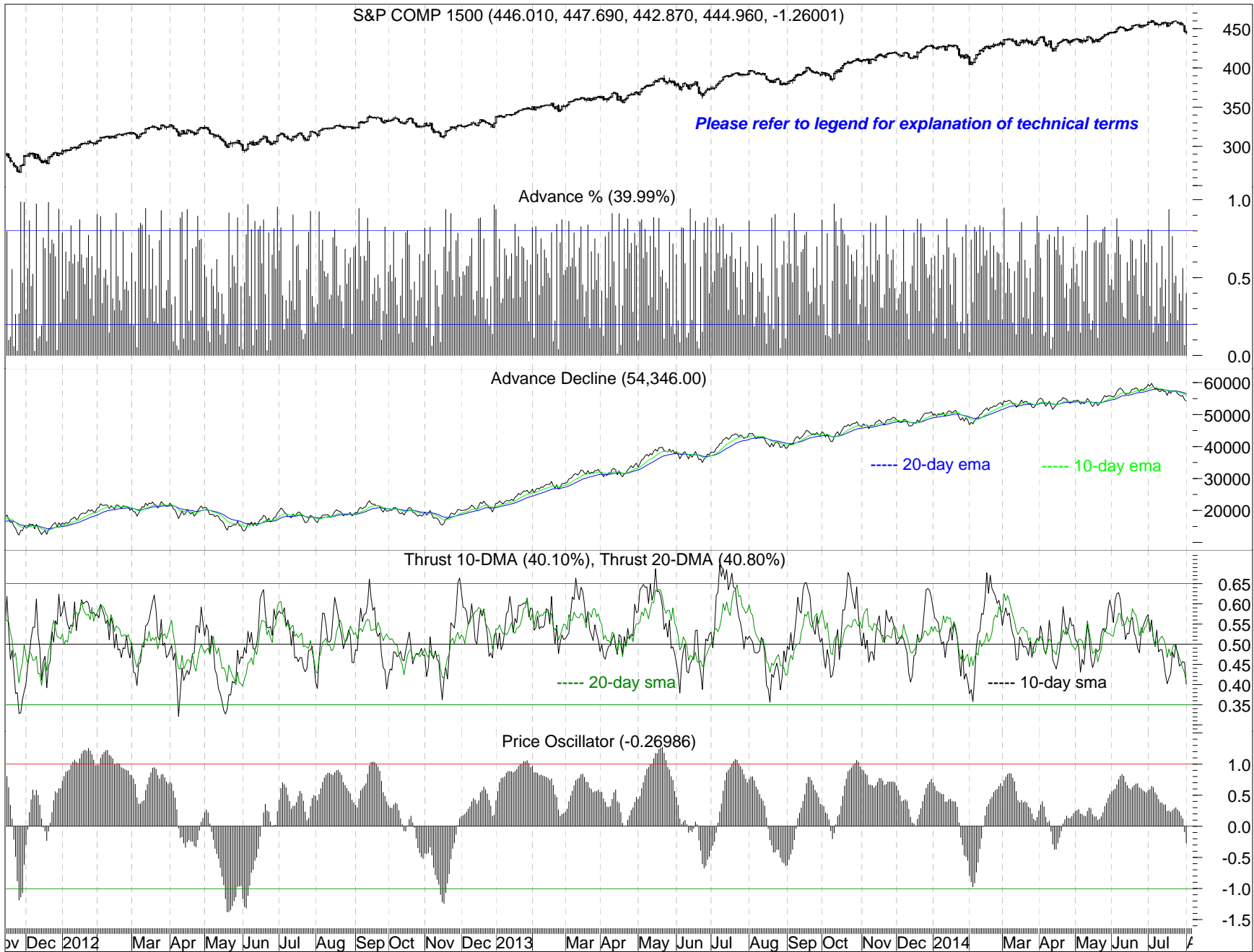
July printed a bearish shooting star candle on the monthly chart of the Nasdaq 100. (August not shown).

Monthly momentum remains positive but overbought.

8/2/2014

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S&P COMP 1500 (446.010, 447.690, 442.870, 444.960, -1.26001)



Please refer to legend for explanation of technical terms

Advance % (39.99%)

Advance Decline (54,346.00)

Thrust 10-DMA (40.10%), Thrust 20-DMA (40.80%)

Price Oscillator (-0.26986)

Only 39.99% of the S&P 1500 traded higher Friday. The 5-day average of advancers is 35.4%.

Last week we pointed out that the S&P 1500 AD line had not confirmed the indexes' new high on 7/24. Now it is the lowest since 5/24.

The 10 and 20-day averages of advancers are very negative at 40.1% and 40.8%, respectively. The 20-day number is the lowest since 6/1/2012.

Our price oscillator, a good indicator of trends, dipped into negative territory Thursday.

Nov Dec 2012 Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2013 Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2014 Mar Apr May Jun Jul

8/2/2014

The Kaufman Report - Wayne S. Kaufman, CMT

S&P COMP 1500 (446.010, 447.690, 442.870, 444.960, -1.26001)

Please refer to legend for explanation of technical terms

% Over 10-Sma (15.00%)

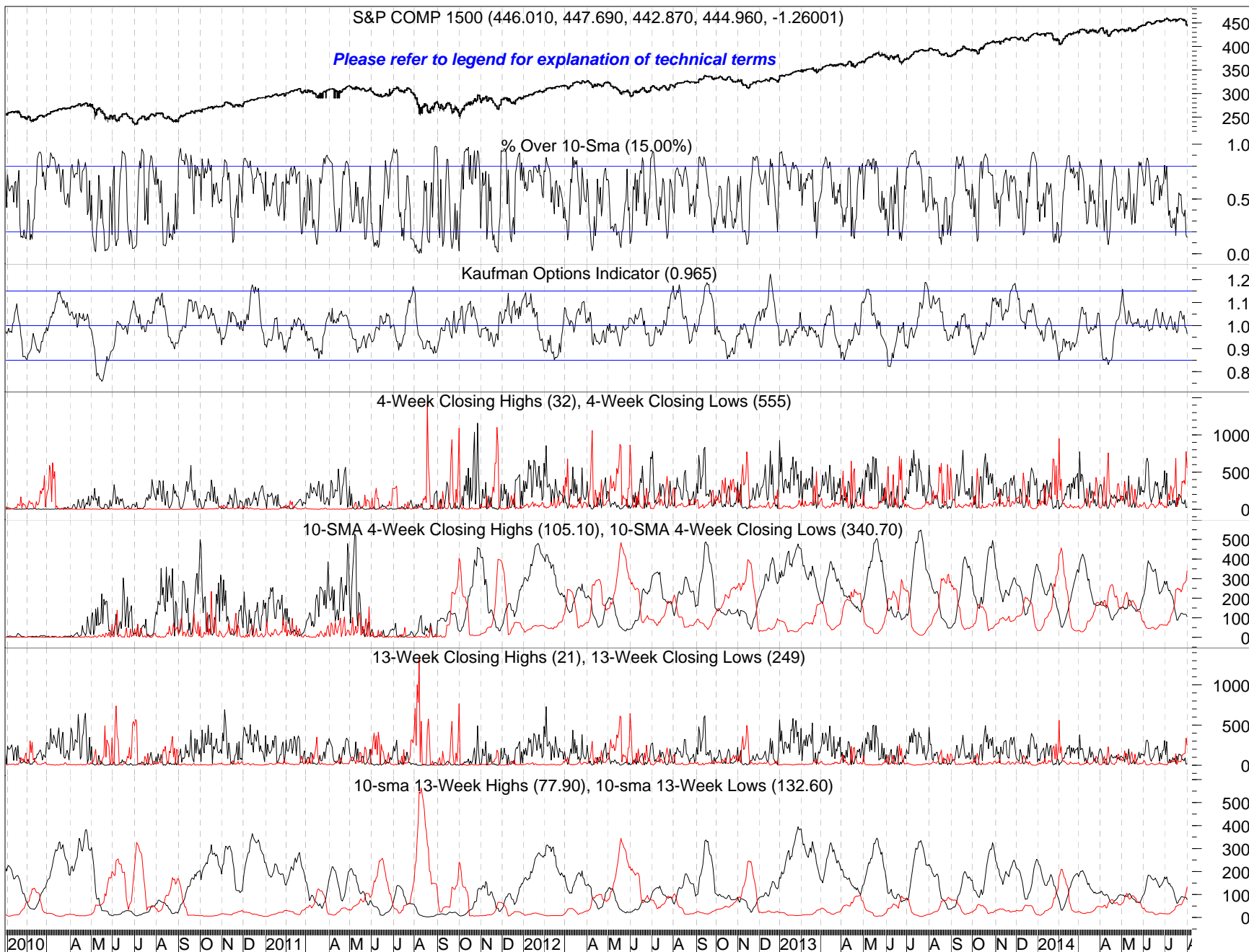
Kaufman Options Indicator (0.965)

4-Week Closing Highs (32), 4-Week Closing Lows (555)

10-SMA 4-Week Closing Highs (105.10), 10-SMA 4-Week Closing Lows (340.70)

13-Week Closing Highs (21), 13-Week Closing Lows (249)

10-sma 13-Week Highs (77.90), 10-sma 13-Week Lows (132.60)



At 15.0% the percentage of stocks in the S&P 1500 over their own 10-day moving averages is oversold, although it can go lower.

Our proprietary options indicator is showing pessimism, but not yet the extreme levels we like to see.

Thursday's 775 4-week closing lows was the most since 951 on 2/3. The 10-day average of lows is the most since 2/7/14 and is well above the average of highs.

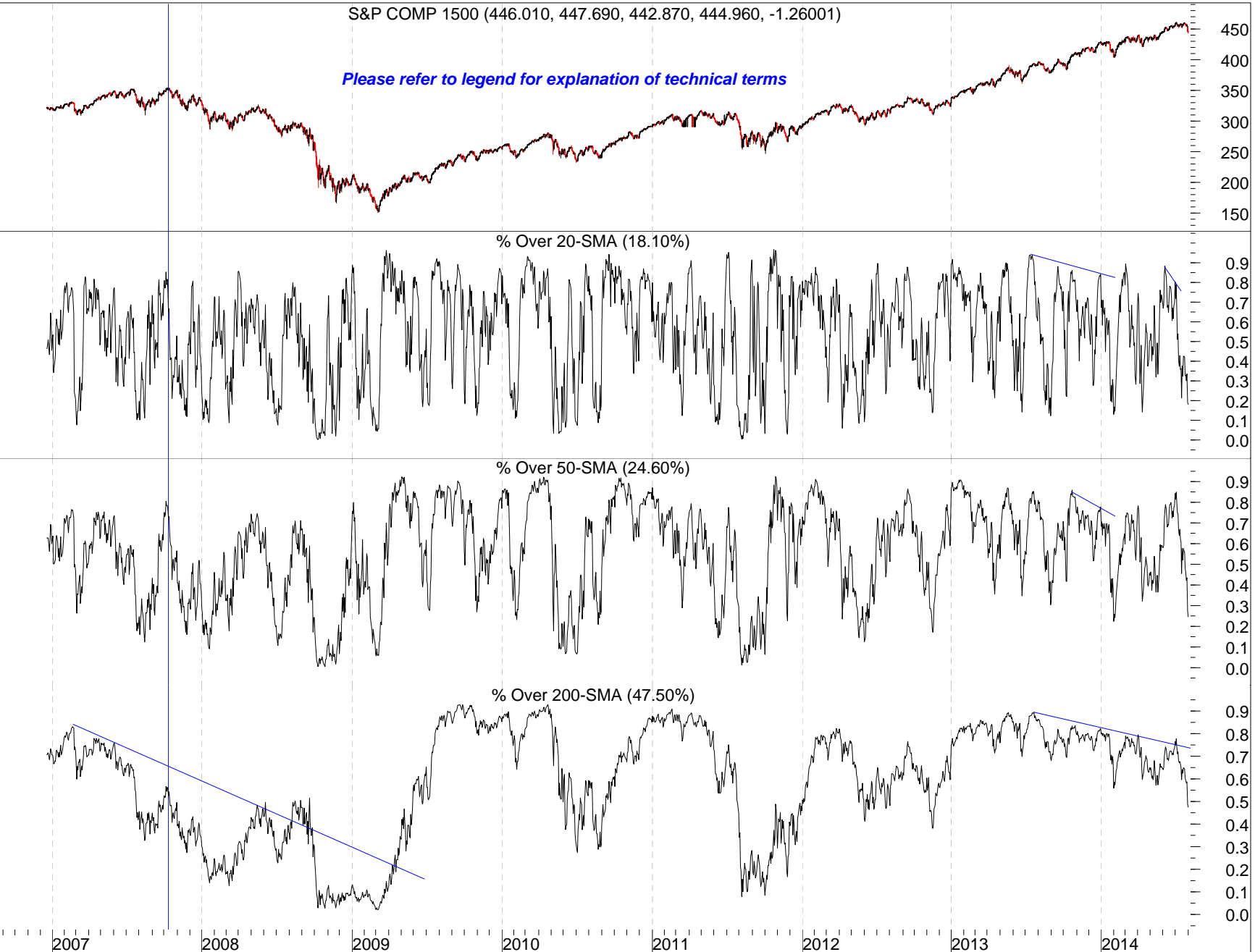
The picture of 13-week highs and lows is similar to that of its 4-week counterparts, but the 10-day averages just turned negative Wednesday.

8/2/2014

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S&P COMP 1500 (446.010, 447.690, 442.870, 444.960, -1.26001)

*Please refer to legend for explanation of technical terms*



We've been talking about the negative divergences and deterioration in these breadth numbers. As of last week they were still above the worst levels of 2014. Unfortunately the percentage of stocks in the S&P 1500 above their own 200-day moving averages is down to 47.5%, the worst level since 11/20/2012.

8/2/2014

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S&P COMP 1500 (446.010, 447.690, 442.870, 444.960, -1.26001)

Please refer to legend for explanation of technical terms

10 Y TSY YLD NDX (25.8200, 25.9100, 24.8200, 25.0500, -0.51000)

--- 200-day sma --- 50-day sma --- 20-day sma

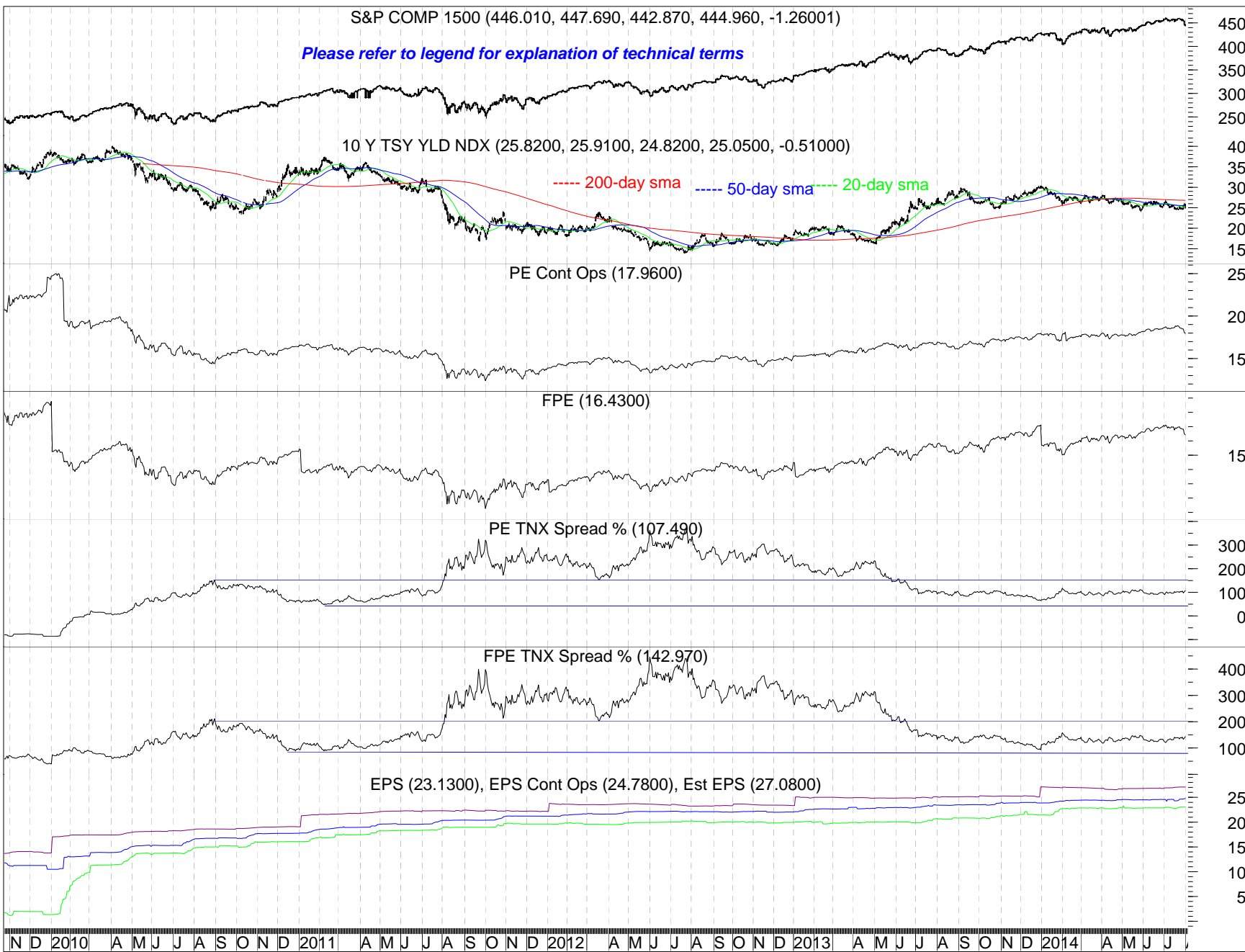
PE Cont Ops (17.9600)

FPE (16.4300)

PE TNX Spread % (107.490)

FPE TNX Spread % (142.970)

EPS (23.1300), EPS Cont Ops (24.7800), Est EPS (27.0800)



The 10-year note yield jumped Wednesday and Thursday but still closed below its important moving averages, helping equity valuations.

P/E ratios have dropped from their recent multi-year highs.

Spreads between equity and bond yields remain in the narrow sideways ranges they have been in since June 2013. These are the same ranges are the same they were in pre-July 2011. Historically, these are levels where stocks are attractive versus bonds..

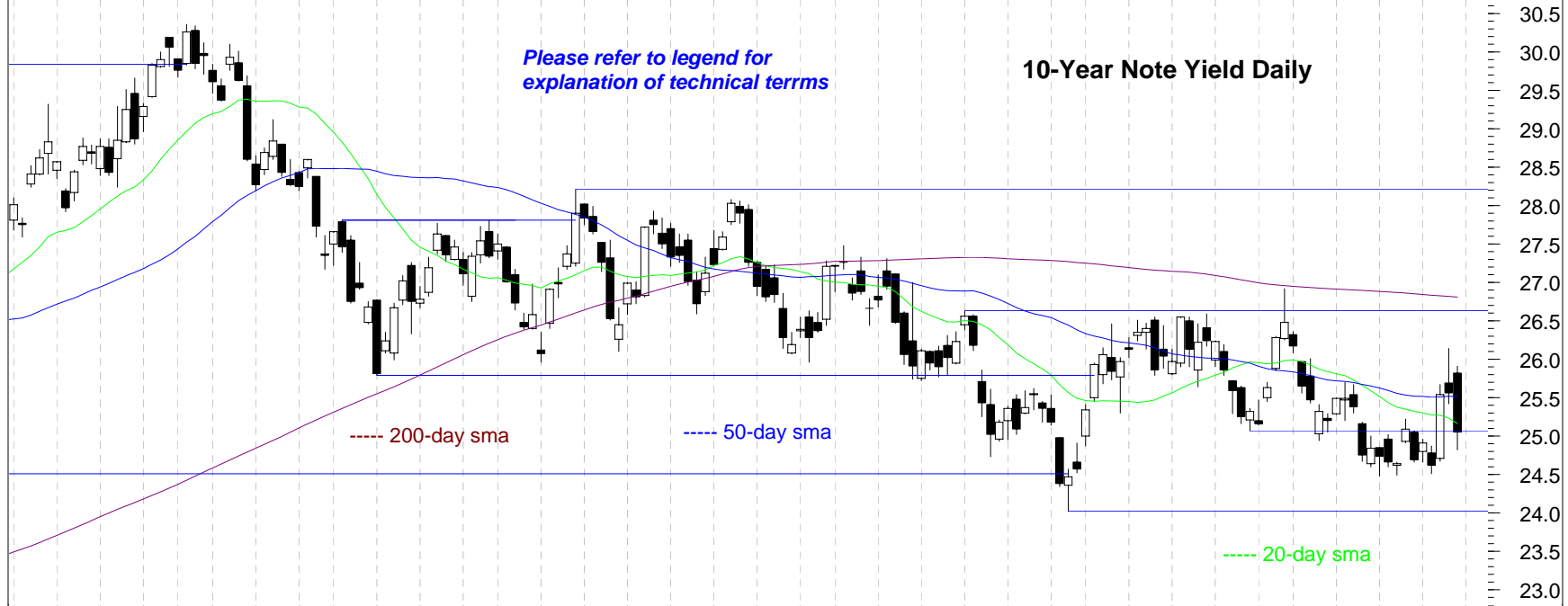
Aggregate reported and forecast earnings have been rising, and they need to continue to do so with P/E ratios not far from their recent multi-year highs. Otherwise, it will be difficult for equities to make significant progress.

8/2/2014

10 Y TSY YLD NDX (25.82, 25.91, 24.82, 25.05, -0.51)

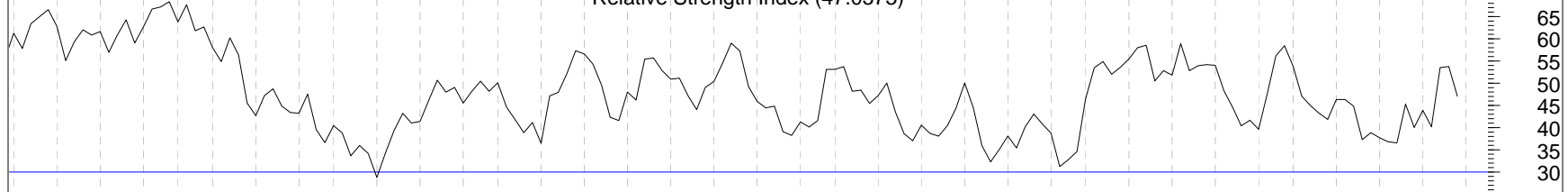
Please refer to legend for explanation of technical terms

### 10-Year Note Yield Daily



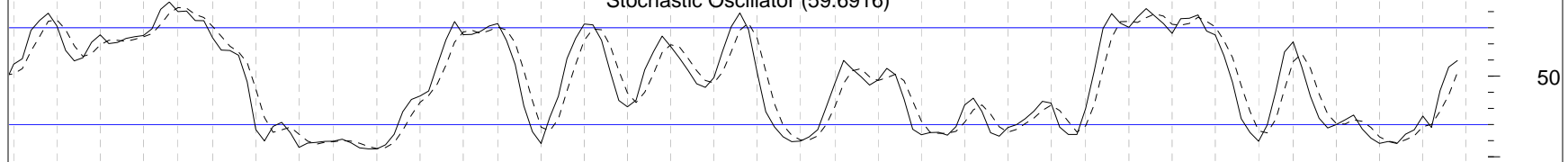
After rallying above the 20 and 50-day sma the 10-year note yield dropped back under the those moving averages.

Relative Strength Index (47.0573)

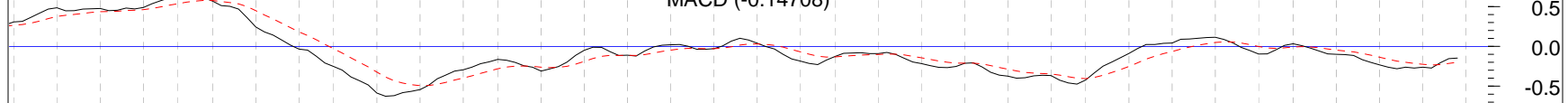


Daily momentum is mixed.

Stochastic Oscillator (59.6916)



MACD (-0.14708)



2 9 16 23 30 6 13 21 27 3 10 18 24 3 10 17 24 31 7 14 21 28 5 12 19 27 2 9 16 23 30 7 14 21 28 4  
December 2014 February March April May June July August

8/1/2014

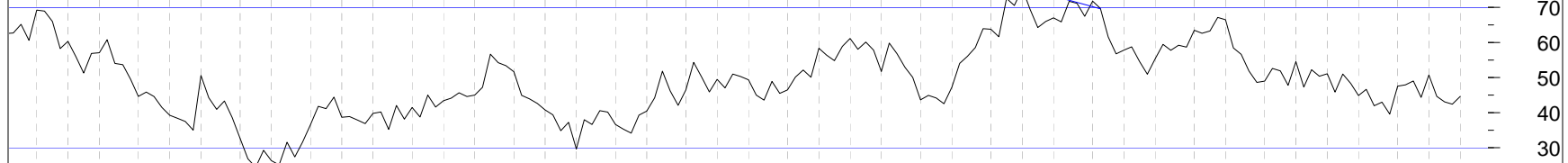
10 Y TSY YLD NDX (24.80, 26.14, 24.51, 25.05, +0.36)

Please refer to legend for explanation of technical terms

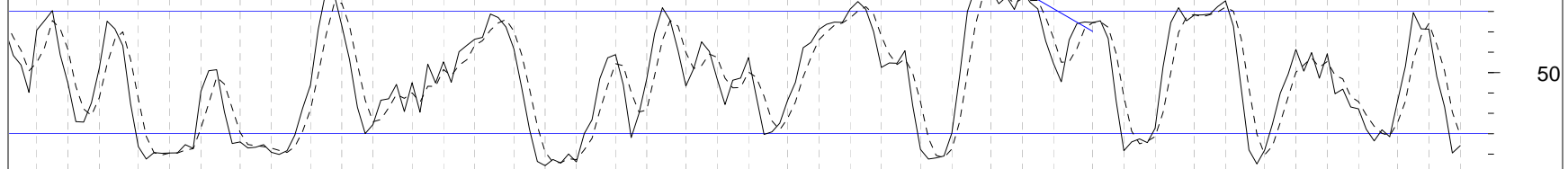
### 10-Year Note Yield Weekly



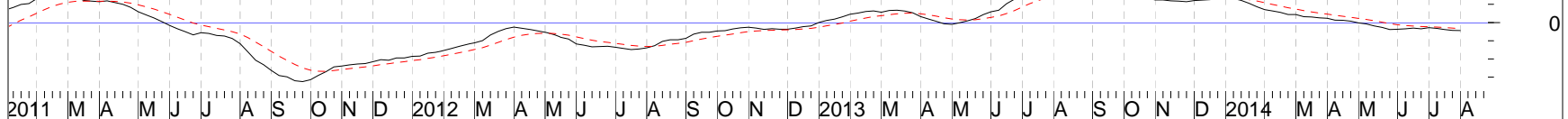
Relative Strength Index (44.6371)



Stochastic Oscillator (14.1667)



MACD (-0.44252)



Weekly momentum is negative but the stochastic is oversold. A small rally would turn weekly momentum positive.

2011 M A M J J A S O N D 2012 M A M J J A S O N D 2013 M A M J J A S O N D 2014 M A M J J A

8/1/2014

10 Y TSY YLD NDX (25.82, 25.91, 24.82, 25.05, -0.51)

### 10-Year Note Yield Monthly



*Please refer to legend for explanation of technical terms*

-----12-Month sma

-----3-Month sma

Relative Strength Index (51.4545)

Stochastic Oscillator (29.8231)

MACD (0.84058)

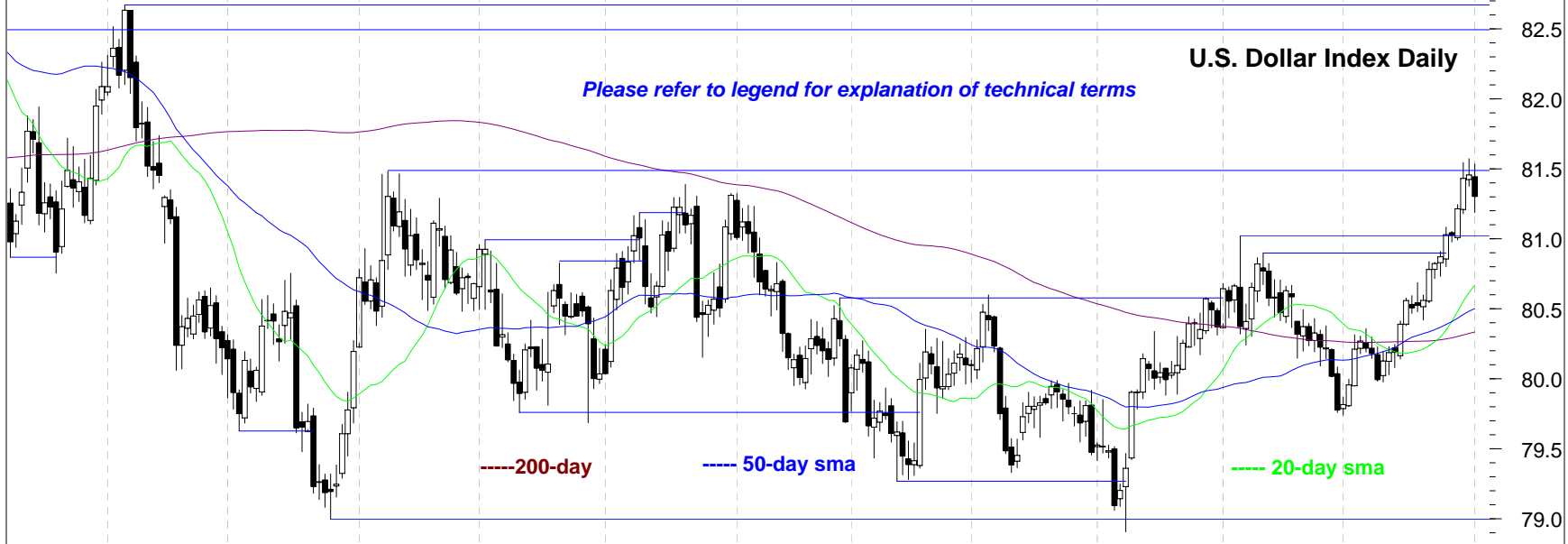
The 10-year note is moving sideways on the monthly chart.

Monthly momentum is mixed.

8/1/2014

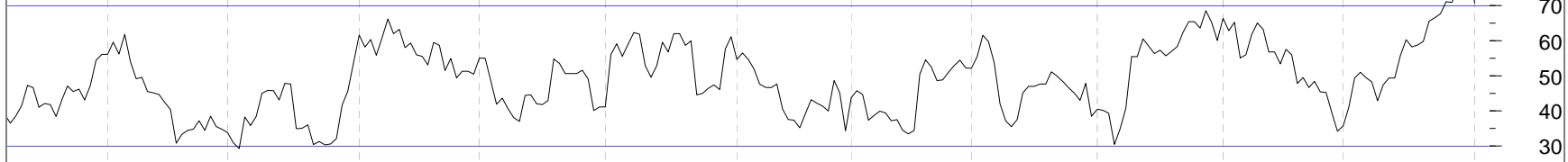


US DOLLAR INDEX (81.4440, 81.5350, 81.1880, 81.3020, -0.15400)



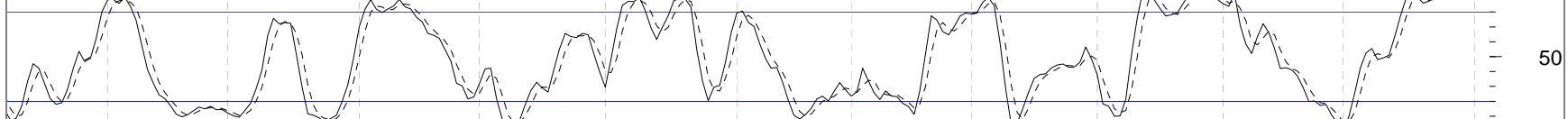
The U.S. Dollar Index has rallied strongly up to the November resistance.

Relative Strength Index (70.6406)

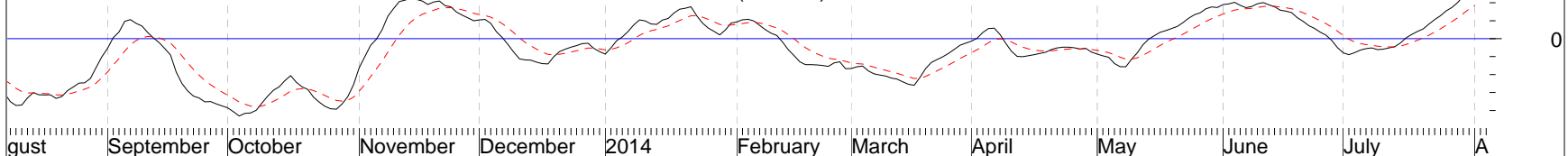


Daily momentum is rolling over from overbought levels.

Stochastic Oscillator (88.7240)



MACD (0.27084)

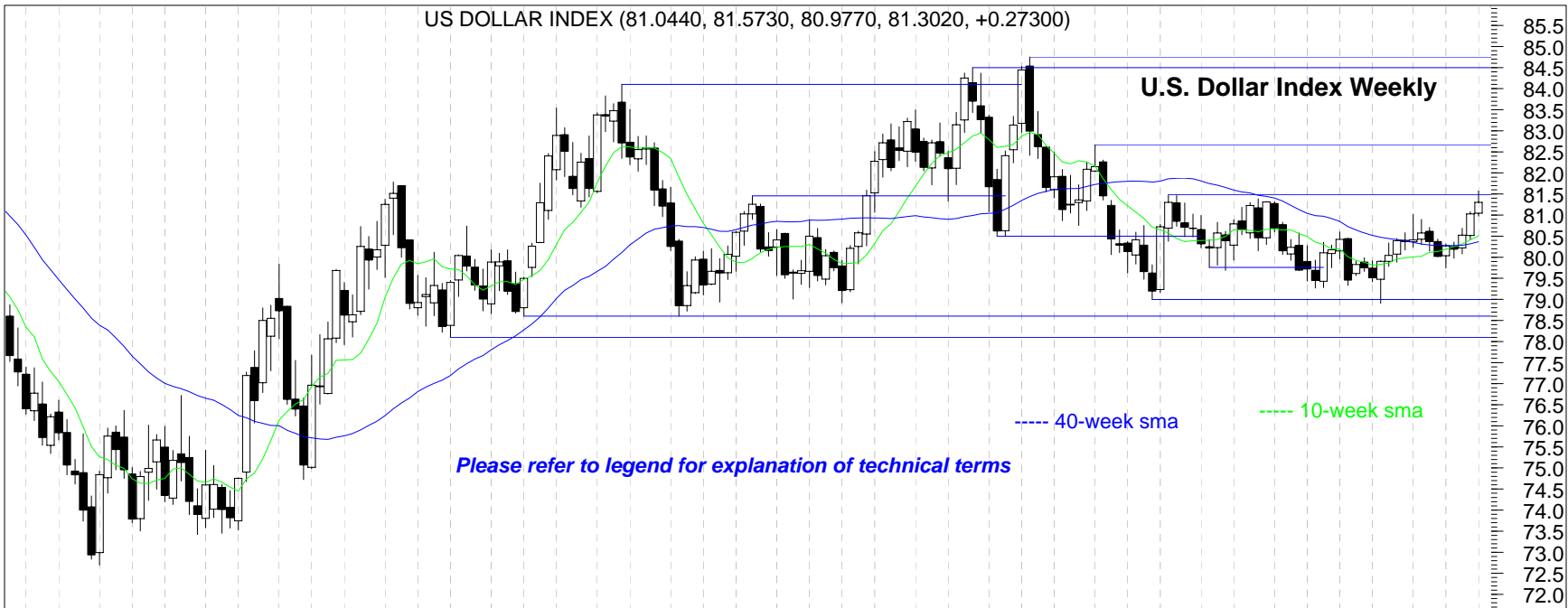


gust    September    October    November    December    2014    February    March    April    May    June    July    A

8/1/2014

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US DOLLAR INDEX (81.0440, 81.5730, 80.9770, 81.3020, +0.27300)



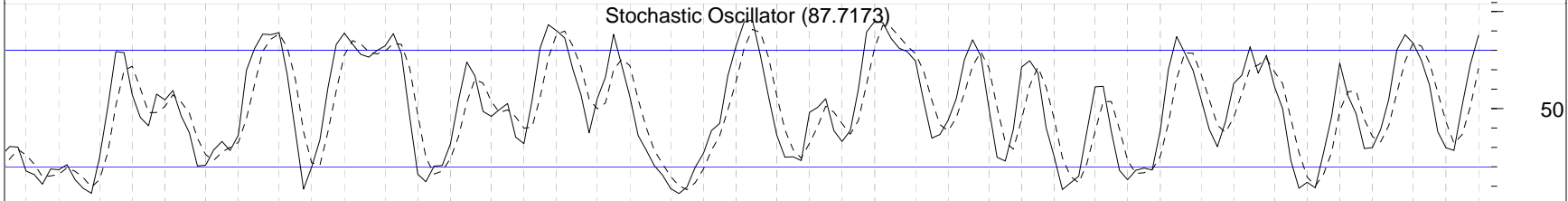
Three strong weeks in a row for the U.S. Dollar Index. It is just under the November resistance.

Relative Strength Index (60.9538)

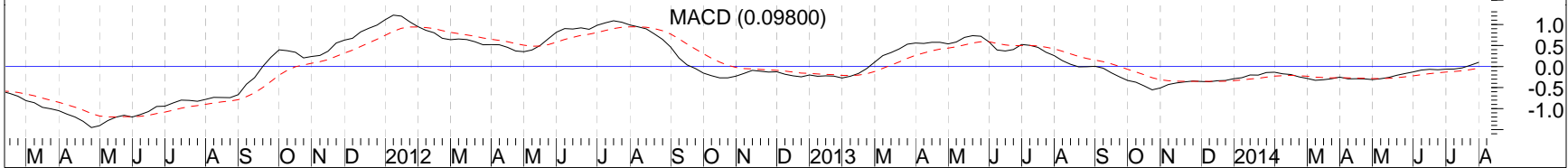


Weekly momentum is positive but the stochastic is almost overbought.

Stochastic Oscillator (87.7173)



MACD (0.09800)



8/1/2014

## INVESTMENT SPECIFIC DISCLOSURES

*You should consider carefully the risks described below before making an investment decision. You should also refer to the other information included or incorporated by reference in the appropriate prospectus, including the financial statements and the related notes. To view prospectuses, please go to:*

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  - Global or regional political, economic or financial events and situations;
  - Investors' expectations with respect to the rate of inflation;
  - Currency exchange rates;
  - Interest rates; and
  - Investment and trading activities of hedge funds and commodity funds.
  
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  - The ETNs are unsecured promises of Barclays Bank and are not secured debt.
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  - If certain correlations do not exist, then investors may not be able to use USO as a cost-effective way to invest indirectly in crude oil or as a hedge against the risk of loss in oil-related transactions.
  - USOF does not expect to make cash distributions.
  - USOF and its general partner may have conflicts of interest, which may permit them to favor their own interests to your detriment.
  
- 4) **RISKS ASSOCIATED WITH INTERNATIONAL / FOREIGN ETFs**
  - **TAXES** - Every country has different tax laws, so there may be particular foreign ETFs that are not a good fit for your ETF trading strategy as they may have a negative effect on your tax return.
  - **CURRENCY RATES** – Currency rates for different regions covered by a foreign ETF may be volatile /skewed, certain foreign ETFs may not be a good fit for a portfolio.
  - **LOW TRADING VOLUMES** – Low trading volumes (lack of liquidity) may cause wide “bid-ask spreads” and may diminish the advantage of purchasing an ETF over an Index or security.
  - **LONG INVESTMENT HORIZON** – The intraday trading aspect (short-term) of ETFs may not be suited for longer term investors.
  - **INACTIVITY**- Some foreign ETFs may not be as actively traded as others due to a sector related issues or a regional issue.
  - **NON-REGISTERED SECURITIES** - The securities of non U.S. issuers may not be registered with or subject to the reporting requirements of the U.S. Securities and Exchange Commission. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. securities. Foreign companies may be more volatile than the securities of comparable U.S. companies.
  
- 5) **RISKS ASSOCIATED WITH COMMODITIES**
  - **GEOPOLITICAL RISK** – International disagreements, licensing agreement issues, tax structures, environmental concerns and access to technology can cause risk to your investment.
  - **PRICE RISK** – Price risk may arise out of adverse movements in world prices, exchange rates and basis between local and world prices.
  - **SPECULATIVE RISK** – Short term traders can increase market volatility and may have a detrimental effect to your investment
  - **CORPORATE GOVERNANCE RISK** – Corporate fraud

# Indexes, Sectors, and Industry Groups

Major Index	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Nasdaq 100	3879.67	-0.33%	-2.16%	-2.16%	-0.33%	0.78%	8.01%	3997.50	7/24/2014	3053.26	8/27/2013
Nasdaq Composite	4352.64	-0.39%	-2.18%	-2.18%	-0.39%	-1.26%	4.22%	4485.93	7/3/2014	3573.57	8/27/2013
Bank of New York Mellon ADR	154.09	-0.36%	-2.24%	-2.24%	-0.36%	-1.73%	1.33%	159.35	7/3/2014	134.71	8/30/2013
Russell 2000	1114.86	-0.47%	-2.61%	-2.61%	-0.46%	-6.55%	-4.19%	1213.55	7/1/2014	1009.00	9/3/2013
NYSE Composite	10692.17	-0.32%	-2.67%	-2.67%	-0.32%	-2.62%	2.81%	11105.85	7/3/2014	9246.89	8/30/2013
S&P 1500	444.96	-0.28%	-2.69%	-2.69%	-0.28%	-2.16%	3.70%	460.50	7/24/2014	377.60	8/30/2013
S&P 500	1925.15	-0.29%	-2.69%	-2.69%	-0.29%	-1.79%	4.15%	1991.39	7/24/2014	1627.47	8/28/2013
S&P Midcap 400	1367.20	-0.26%	-2.74%	-2.74%	-0.26%	-4.59%	1.84%	1452.01	7/1/2014	1170.62	9/3/2013
Dow Jones Industrials	16493.37	-0.42%	-2.75%	-2.75%	-0.42%	-1.98%	-0.50%	17151.56	7/17/2014	14719.43	10/9/2013
Dow Jones Transportation	8120.86	-0.26%	-3.65%	-3.65%	-0.26%	-0.99%	9.73%	8515.04	7/23/2014	6237.14	8/30/2013

S&P Sector	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Telecom Services	160.80	-0.93%	-1.17%	-1.17%	-0.93%	1.61%	3.40%	172.45	7/29/2014	143.28	2/3/2014
Health Care	704.19	-0.03%	-1.61%	-1.61%	-0.03%	-0.05%	9.64%	722.36	7/30/2014	564.13	8/28/2013
Consumer Discretionary	520.33	-0.35%	-1.78%	-1.78%	-0.35%	-1.72%	-1.84%	540.21	7/3/2014	453.83	8/28/2013
Information Technology	638.72	-0.41%	-2.46%	-2.46%	-0.41%	0.99%	9.09%	658.50	7/23/2014	503.37	8/27/2013
Utilities	210.26	0.42%	-2.51%	-2.51%	0.42%	-6.52%	8.82%	225.35	6/30/2014	184.47	9/4/2013
Materials	307.35	0.05%	-2.83%	-2.83%	0.05%	-1.94%	5.39%	317.83	7/28/2014	253.08	8/29/2013
Consumer Staples	446.91	0.77%	-2.98%	-2.98%	0.77%	-2.70%	0.97%	468.07	7/14/2014	402.20	8/29/2013
Financials	299.21	-0.88%	-3.03%	-3.03%	-0.88%	-2.41%	1.53%	310.81	7/3/2014	260.33	8/28/2013
Industrials	446.06	-0.08%	-3.63%	-3.63%	-0.08%	-4.20%	-1.41%	479.63	6/9/2014	378.75	8/30/2013
Energy	697.87	-0.71%	-4.11%	-4.11%	-0.71%	-4.09%	7.09%	738.72	6/23/2014	583.15	8/21/2013

S&P Industry Group	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Retailing	878.20	-0.53%	-1.01%	-1.01%	-0.53%	-1.18%	-6.55%	944.66	12/27/2013	806.34	8/27/2013
Telecom Services	160.80	-0.93%	-1.17%	-1.17%	-0.93%	1.61%	3.40%	172.45	7/29/2014	143.28	2/3/2014
Real Estate	170.17	-0.17%	-1.26%	-1.26%	-0.17%	0.23%	14.25%	174.23	7/30/2014	142.12	8/19/2013
Semiconductors & Equipment	502.32	0.16%	-1.34%	-1.34%	0.16%	0.80%	18.88%	528.58	7/23/2014	356.76	8/30/2013
Household & Personal Products	497.77	2.24%	-1.36%	-1.36%	2.24%	-1.19%	-2.31%	530.20	11/26/2013	469.34	10/3/2013
Consumer Services	688.30	0.05%	-1.45%	-1.45%	0.05%	-3.21%	0.41%	720.69	7/3/2014	615.18	10/9/2013
Commercial & Professional Service	199.26	-0.32%	-1.53%	-1.53%	-0.32%	-1.87%	3.29%	204.91	7/1/2014	164.93	9/3/2013
Health Care Equip & Services	633.95	0.36%	-1.60%	-1.60%	0.36%	0.38%	9.97%	650.09	7/24/2014	514.86	8/29/2013
Pharmaceuticals, Biotech & Life Sci	683.39	-0.20%	-1.61%	-1.61%	-0.20%	-0.24%	9.48%	704.97	7/7/2014	542.85	8/28/2013
Media	452.56	-0.09%	-1.68%	-1.68%	-0.09%	0.46%	5.19%	466.99	7/16/2014	356.76	8/28/2013
Consumer Durables & Apparel	265.00	-0.45%	-2.21%	-2.21%	-0.45%	-3.79%	-7.04%	285.53	1/3/2014	237.31	8/28/2013
Technology Hardware & Equipmen	669.41	-0.08%	-2.23%	-2.23%	-0.08%	1.07%	14.40%	691.09	7/29/2014	511.96	9/16/2013
Utilities	210.26	0.42%	-2.51%	-2.51%	0.42%	-6.52%	8.82%	225.35	6/30/2014	184.47	9/4/2013
Food & Staples Retailing	323.78	0.48%	-2.58%	-2.58%	0.48%	-1.13%	1.90%	336.85	6/6/2014	277.52	8/29/2013
Diversified Financials	456.38	-0.62%	-2.81%	-2.81%	-0.62%	-1.69%	1.76%	473.30	7/24/2014	387.97	8/28/2013
Materials	307.35	0.05%	-2.83%	-2.83%	0.05%	-1.94%	5.39%	317.83	7/28/2014	253.08	8/29/2013
Software & Services	866.73	-0.75%	-2.87%	-2.87%	-0.75%	0.98%	3.99%	902.43	4/3/2014	701.61	9/4/2013
Banks	213.39	-1.56%	-3.55%	-3.55%	-1.56%	-2.94%	2.00%	228.93	3/21/2014	185.00	10/9/2013
Capital Goods	474.44	-0.02%	-3.70%	-3.70%	-0.02%	-4.90%	-4.11%	518.39	6/9/2014	414.28	8/30/2013
Insurance	280.21	-0.45%	-3.74%	-3.74%	-0.45%	-4.65%	-3.07%	299.15	7/3/2014	247.74	8/30/2013
Food, Beverage & Tobacco	517.25	0.32%	-3.78%	-3.78%	0.32%	-3.97%	1.91%	549.34	6/20/2014	466.32	8/29/2013
Transports	519.12	-0.21%	-4.05%	-4.05%	-0.21%	-2.32%	8.24%	546.11	7/23/2014	397.27	8/30/2013
Energy	697.87	-0.71%	-4.11%	-4.11%	-0.71%	-4.09%	7.09%	738.72	6/23/2014	583.15	8/21/2013
Automobiles & Components	135.29	-1.08%	-4.76%	-4.76%	-1.08%	-5.69%	-2.65%	146.81	7/14/2014	123.37	8/28/2013

**DATA QUOTED REPRESENTS PAST PERFORMANCE.  
PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.**

## **Kaufman Report Legend**

**4-Week Closing Highs** – The number of stocks in the S&P 1500 index that closed at the highest daily closing price of the last four weeks.

**4-Week Closing Lows** - The number of stocks in the S&P 1500 index that closed at the lowest daily closing price of the last four weeks.

**10-Sma 4-Week Closing Highs** - The 10-day simple moving average of 4-week closing price highs.

**10-Sma 4-Week Closing Lows** - The 10-day simple moving average of 4-week closing price lows.

**10-Sma 13-Week Closing Highs** – The 10-day simple moving average of 13-week closing price highs.

**10-Sma 13-Week Closing Lows** – The 10-day simple moving average of 13-week closing price lows.

**13-Week Closing Highs** - The number of stocks in the S&P 1500 index that closed at the highest daily closing price of the last thirteen weeks.

**13-Week Closing Lows** - The number of stocks in the S&P 1500 index that closed at the lowest daily closing price of the last thirteen weeks.

**Advance Percentage** - The percentage of stocks in the S&P 1500 that closed higher on the day.

**Advance Decline Line** – The cumulative total of daily net advances minus declines.

**Bearish Engulfing Candle** - a two candle pattern that occurs after an uptrend. The second candle is down and the close is lower than the open such that the real body of the second candle completely engulfs the real body of the first candle. Considered bearish because it shows a potential reversal of trend and they are frequently seen at tops.

**Bullish Engulfing Candle** - a two candle pattern that occurs after a downtrend. The second candle is up and the close is higher than the open such that the real body of the second candle completely engulfs the real body of the first candle. Considered bullish because it shows a potential reversal of trend and they are frequently seen at bottoms.

**Candle** – the name given to the pattern created during a single time increment in Japanese candlestick charting. Candles can apply to any time frame such as minutes, hours, days, weeks, months, etc. Candles are made up of an opening price, a closing price, a high and a low. The candle also has a real body, which is the fat area between the open and the close, and shadows or wicks, which are the thin lines above or below the real body that show the high or low for the candle. When price closes higher than the open the candle is white, or not filled in. When price closes below the open, the candle is dark, or filled in.

**Channel lines** - parallel trend lines that form the borders of a trading range. Channels can be ascending, descending, or sideways. The top trend line is considered to be price resistance, while the bottom trend line is considered to be support.

**Close** - the last price of trading during the session. On a daily chart where each candle represents one day the close is the last price of the day. On a weekly chart it is the last price of the week, etc.

**Confirmation** – when an indicator gives the same or similar interpretation to price or to another indicator. For example, in Dow Theory if the Industrials make a new high but the Transports do not that is considered non-confirmation.

**Doji** - a candle where the opening price and the closing price are the same or very nearly the same. Doji are considered to show indecision on the part of investors and are frequently seen at turning points.

**Dow Theory** - a theory about stock movement based on the writings of the first editor of the Wall Street Journal, Charles Dow. Perhaps the most widely used aspect of Dow Theory is the belief that the Industrial and Transportation Averages had to confirm each other. If one made a new high the other needed to confirm it by also making a new high. If not, there is what technicians call “non-confirmation.” This is a simple and appealing theory because if companies manufacture products they also need to ship them. Dow Theory is considered to be an intermediate-term system, not a short-term trading system.

**Earnings yield** - the theoretical yield of a stock based on the inverse of its P/E ratio. For example, a \$20 stock that earns \$1 per share has a P/E ratio of 20. If you take the \$1 and divide it by 20 that equals 5%, which is the earnings yield. A \$20 stock earning \$2 would have a P/E of 10, and an earnings yield of 10%. Also known as equity yield.

**Equity Yield** - same as earnings yield.

**EPS** - Earnings Per Share.

**EPS Cont Ops** – Earnings per share from continuing operations

**Est EPS** – Estimated earnings per share

**EMA - Exponential Moving Average** – A moving average that gives more weight to recent prices in an attempt to reduce the lag inherent in simple moving averages.

**Fibonacci** - a numerical sequence named after Leonardo Fibonacci. The sequence begins with “0” and “1”, then takes a number and adds it to the number just before it in the sequence to arrive at the number that will come after. The sequence goes 0,1,1,2,3,5,8,13,21,34,55,89,144,233,377, etc. The ratios created by dividing one of the numbers with its preceding or following number are used for measuring retracements or for making projections. Interestingly, the ratios created beginning with the number eight are all about 0.618 or 1.618. This is what is known as the “golden ratio.”

**Gap** – a price zone on a chart where no trades were executed, resulting in an open space, or “gap” from one price to the next.

**H** – an abbreviation for “Head” on a head & shoulders pattern.

**Hammer** - the name given to a single candle that looks like a hammer and has significance due to it appearing at the end of a downtrend. An easy mnemonic is to think the market is “hammering out a bottom.” The exact same candle appearing during an uptrend is NOT called a hammer. In that case it would either be insignificant or it would possibly be a “hanging man” candle.

**Hanging Man** - a potentially bearish candle appearing in an uptrend. It has the shape of a hammer but is not a hammer because a hammer is a bottoming candle and needs to come during a downtrend. The hanging man requires confirmation from the next candle to confirm the bearish interpretation.

**Head and Shoulders** – possibly the most famous pattern in technical analysis. It is a bearish topping pattern comprised of at least one left shoulder, which is a short-term peak in price, the head, which is also a peak but

which is higher than the left shoulder, and the right shoulder, which is a third short-term peak in price and which is also lower than the head. A trend line called the “neckline” can be drawn across the areas where support was found during the formation of the peaks. A break of the neckline of a regular head and shoulders pattern has bearish implications. There is also an inverted, or inverse head and shoulders pattern, which is a bullish bottoming pattern. In this case the left shoulder is support during a move lower, the head is support that is even lower than the left shoulder, and the right shoulder is support that is higher than the head. The neckline in this case is drawn across the resistance levels that were created during the formation of the support levels. A break of the neckline has bullish implications.

**High** – the highest price where trading took place during the session.

**High Wave Candle** - a candle with very long upper and lower shadows.

**Horizontal lines** - lines drawn on charts to show support or resistance levels. On momentum indicators they are used to define overbought or oversold zones.

**Island Reversal** – a chart pattern where there is a gap up or down, a period of trading, then another gap in the opposite direction of the first gap. The two gaps create the boundaries of the “island.” The island can be one or more candles. Island reversals come after an up or downtrend and are considered to be reversal signals.

**Kaufman Options Indicator** – a proprietary indicator consisting of multiple moving averages of call and put option buying. It is a sentiment indicator so it has a contrarian interpretation. Extreme optimism is bearish, and extreme pessimism is bullish.

**Low** - the lowest price traded during the defined session.

**LS** – an abbreviation for “left shoulder” on a head & shoulders pattern.

**MACD** - Moving Average Convergence Divergence – A momentum indicator created by Gerald Appel. It is comprised of three moving average signal lines, only two of which are seen. These can be user defined. Unlike the stochastic oscillator and the RSI the MACD does not have boundaries. Its most basic use is as an indicator of trends as opposed to readings of overbought or oversold like the stochastic and RSI.

**Measured Move** - a price move on a chart that has three sections, or “legs”, and in which the first and third legs, which move in the same direction, are of approximately the same size.

**Moving Average** – The average price of something over a given period of time. For example a 10-day simple moving average is the sum of the last ten days closing price divided by ten.

**Neckline** - a line drawn the top or bottom of a head & shoulders pattern connecting support levels. On an inverted head and shoulders pattern the line connects resistance levels. The line can be ascending, descending, or horizontal. Drawing a vertical line from the head to the neckline and adding that same length to the other side of the neckline where a breakout or breakdown occurs creates the technical target price.

**Negative divergence** - when an indicator fails to confirm price or another indicator, that is considered a negative divergence. For example, when an index makes a new high but the number of stocks in the index also making a new high is much fewer than at previous highs for the index, that is a negative divergence.

**OHLC** – Numbers at the top of price charts reflecting the opening price, high price, low price, closing price, and price change, in that order.

**Open** - the first price trading occurred during a session.

**PE Cont Ops** – PE ratio from continuing operations

**PE Ratio** - possibly the most common way of valuing a stock. It is the price per share divided by the earnings per share. For example, a \$20 stock with earnings of \$1 per share would have a P/E ratio of 20.

**FPE** – Forward PE, or the PE derived from earnings projections.

**PE TNX Spread Percentage** – The difference between the equity yield derived from the PE ratio and the 10-year note yield expressed as a percentage.

**FPE TNX Spread Percentage** – The difference between the FPE (forward PE ratio) equity yield derived from the FPE ratio and the 10-year note yield expressed as a percentage.

**Percentage Over 10-Sma** – The percentage of stocks in the S&P 1500 that are currently above their own 10-day simple moving average.

**Percentage Over 20-Sma** – The percentage of stocks in the S&P 1500 that are currently above their own 20-day simple moving average

**Percentage Over 50-Sma** – The percentage of stocks in the S&P 1500 that are currently above their own 50-day simple moving average.

**Percentage Over 200-Sma** – The percentage of stocks in the S&P 1500 that are currently above their own 200-day simple moving average.

**Price Channel** - parallel trend lines that form the borders of a trading range. Channels can be ascending, descending, or sideways. The top trend line is considered to be price resistance, while the bottom trend line is considered to be support.

**Price Oscillator** – The difference between two moving averages.

**Real Body** - the fat part of a candle that is between the opening price and the closing price. It does not include the thin lines above and below the real body, which are known as shadows, or wicks.

**Relative Strength Index** – A momentum oscillator developed by J. Welles Wilder. It compares the strength of losses versus the strength of gains for a period of time defined by the user. The most common is fourteen periods. The RSI can only travel between zero and one-hundred, so there can be times when it flat lines against the boundary. Its most basic use is as an overbought or oversold indicator.

**Resistance** – an area on a chart where demand (buying) weakened, prices had trouble continuing to go higher, and supply (selling) strengthened, sending prices lower. Can be a particular price or a price zone. A stock moving up may have trouble when it reaches an area of resistance. Resistance points and resistance zones can be notated by trend lines. These trend lines can be sloping up, down, or they can be horizontal. Resistance can frequently be seen in the form of moving averages. In this case it may be theoretical if price has not stopped rising at that same level previously.

**RS** – the abbreviation for “right shoulder” on the chart of a head & shoulders pattern.

**Shadow** - shadows are lines that are part of a candle and are on the top or bottom of a real body. The upper shadow top is the high of the session, while the lower shadow bottom is the low of the session. Also called a wick.



**SMA – Simple Moving Average** - The average price of something over a given period of time. For example a 10-day simple moving average is the sum of the last ten days closing price divided by ten. A 50-day simple moving average (sma) is the sum of the last fifty days closing price divided by fifty.

**Spinning Top** – a candle with a small real body. Shows indecision, or the tug-of-war between buyers and sellers.

**Stochastic Oscillator** – Developed by George Lane and based on the observation that in up trends prices tend to close in the upper part of their range while in down trends they close in the lower part of the range. The range can be user defined. The stochastic can only travel between zero and one-hundred, so there can be times when it flat lines against the boundary. Its most basic use is as overbought or oversold indicator.

**Support** - an area on a chart where supply (selling) weakened, prices had trouble continuing to go lower, and demand strengthened, sending prices higher. Can be a particular price or a price zone. A stock moving down may have trouble going lower when it reaches an area of support. Support points and support zones can be notated by trend lines. These trend lines can be sloping up, down, or they can be horizontal. Support can frequently be seen in the form of moving averages. In this case it may be theoretical if price has not stopped dropping at that same level previously.

**Thrust DMA** – The 10-day simple moving average of the daily percentage of advancing stocks on the S&P 1500.

**TNX** – The 10-year note yield.

**Trend Lines** – lines drawn on charts to show support or resistance levels.

**Triangle** - a chart pattern that forms the shape of a triangle. Can be ascending, descending, or symmetrical.

**Vertical lines** – seen on charts to designate different time zones. Also used as a visual aid to line up important points on price charts with their corresponding point on technical indicators.

**Wedge** - a chart pattern that looks like a triangle but where the top and bottom borders each slope in the same direction. In a bearish wedge each border slopes up. In a bullish wedge each border slopes down.

**Wick** - see shadow.