

John Thomas Financial  
14 Wall Street, 5<sup>th</sup> Floor  
New York, New York 10005  
[wskaufman@johnthomasbd.com](mailto:wskaufman@johnthomasbd.com)  
[www.kaufmanreport.com](http://www.kaufmanreport.com)

# The Kaufman Report

Trade what you see, not what you think.

Wayne S. Kaufman, CMT  
Chief Market Analyst  
(800) 257-1537 Toll Free  
(212) 299-7838 Direct

Tuesday July 29, 2008

Closing prices of July 28, 2008

The S&P 1500 fell again Monday and has retraced 61.8% of the rally off of the July 15<sup>th</sup> low. Monday's sell off was on decreasing volume, and we would expect to see sellers get less aggressive as the index approaches the prior low. However, we have said for quite a while that a market that does not respond to oversold conditions is dangerous, and the small short covering bounce we just had is not very reassuring.

The short-term, intermediate and long-term trends are down, and we reiterate that this continues to be a bifurcated, opportunistic trader's market, with adept traders able to take advantage long or short. Investors need to be alert to sector rotation and should not hesitate to move out of lagging sectors and stocks and into leaders.

So far 269 companies in the S&P 500 have reported second quarter earnings. According to Bloomberg, 70.9% have had positive surprises, 5.6% have been in line, and 23.5% have been negative. The year-over-year change has been -23.2% on a share-weighted basis, -24.2% market cap-weighted, and -11.6% non-weighted. Ex-financial stocks these numbers are 11.9%, 15.4%, and 13.0%, respectively.

Federal Funds futures are pricing in a 93.7% probability that the Fed will leave rates at 2.00%, and a 6.3% probability of raising 25 basis points to 2.25 when they meet on August 5<sup>th</sup>.

The S&P 1500 (281.44) was down 1.8% Monday. Average price per share was down 1.57%. Volume was 74% of its 10-day average and 83% of its 30-day average. 16.82% of the S&P 1500 stocks were up on the day. Up Dollars was 3% of its 10-day moving average and Down Dollars was 232% of its 10-day moving average.

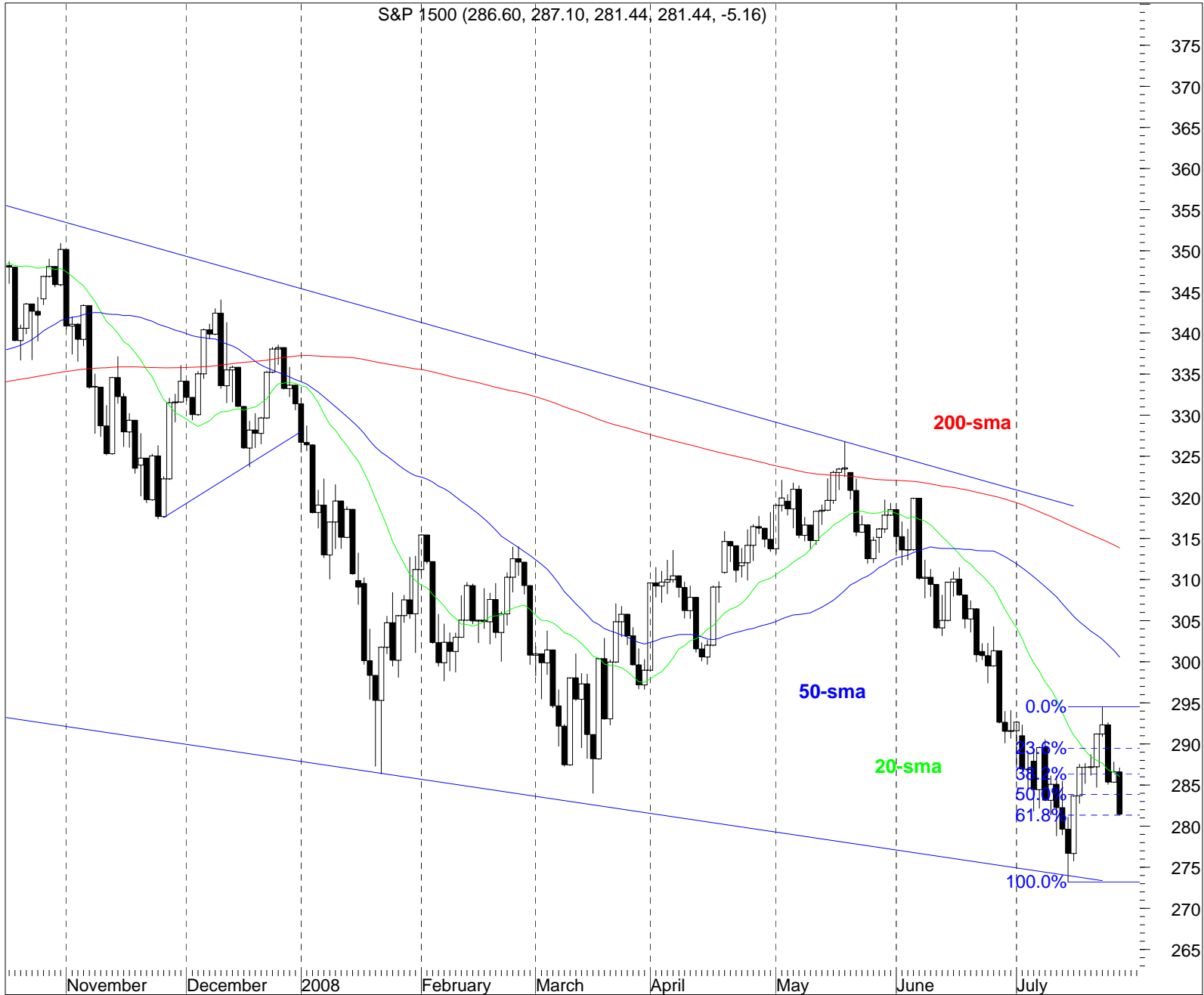
Options expire August 15<sup>th</sup>.

## IMPORTANT DISCLOSURES

I, Wayne S. Kaufman, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

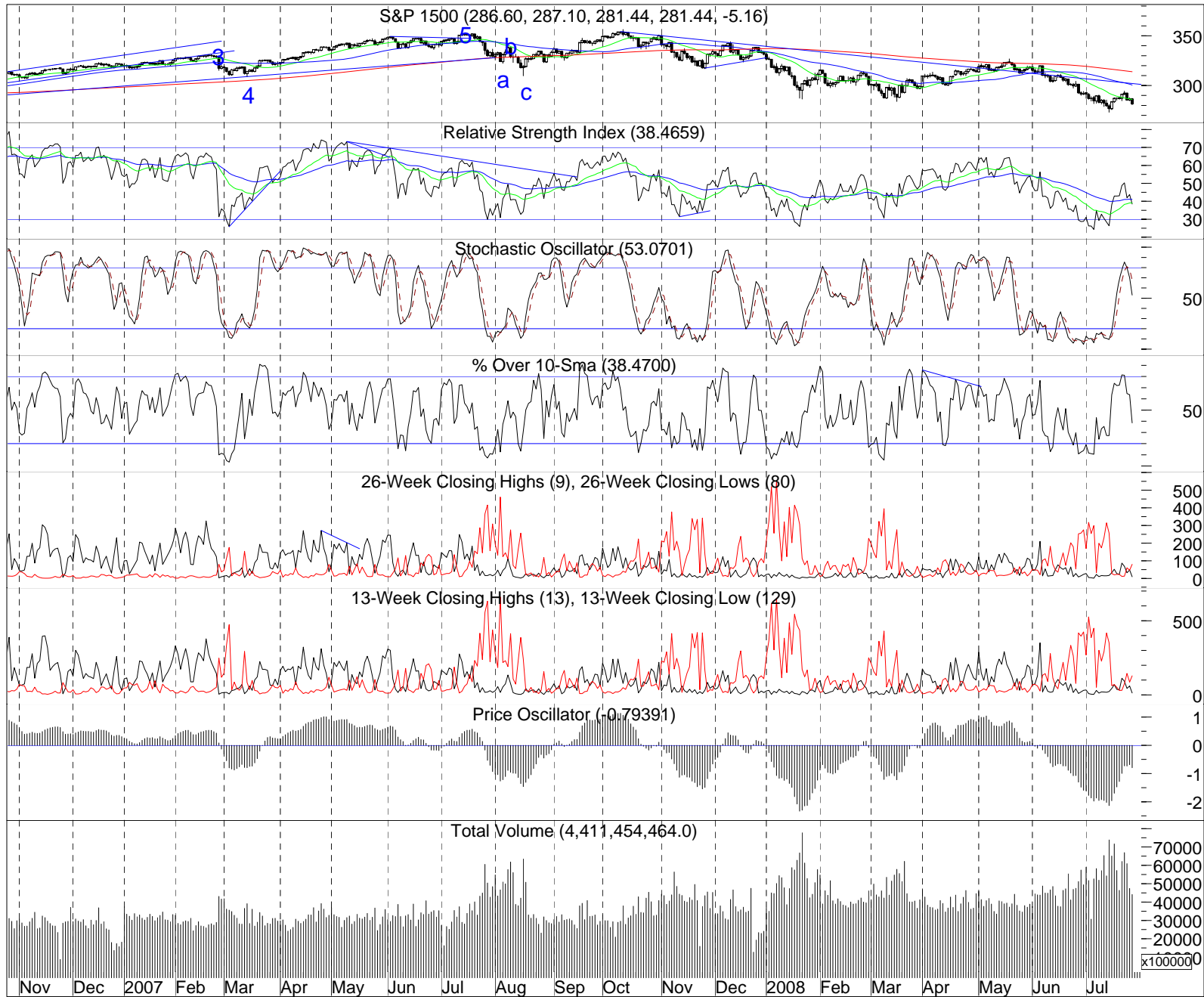
**THE INFORMATION PROVIDED IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY. INVESTORS SHOULD CONSIDER THIS REPORT AS ONLY A SINGLE FACTOR IN MAKING THEIR INVESTMENT DECISION. THIS INFORMATIONAL REPORT IS NOT AN OFFER TO SELL OR A SOLICITATION TO BUY ANY SECURITY IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE ILLEGAL. THIS REPORT HAS BEEN PREPARED AS A MATTER OF GENERAL INFORMATION. IT IS NOT INTENDED TO BE A COMPLETE DESCRIPTION OF ANY SECURITY OR COMPANY MENTIONED, AND IS NOT AN OFFER TO BUY OR SELL ANY SECURITY. ALL FACTS AND STATISTICS ARE FROM SOURCES BELIEVED TO BE RELIABLE, BUT ARE NOT GUARANTEED AS TO ACCURACY. ADDITIONAL INFORMATION ON THESE SECURITIES AND COMPANIES IS AVAILABLE UPON REQUEST. SECURITIES, FINANCIAL INSTRUMENTS OR STRATEGIES MENTIONED HEREIN MAY NOT BE SUITABLE FOR ALL INVESTORS. THIS MATERIAL DOES NOT TAKE INTO ACCOUNT YOUR PARTICULAR INVESTMENT OBJECTIVES, FINANCIAL SITUATIONS OR STRATEGIES. BEFORE ACTING ON THE MATERIALS HEREIN, YOU SHOULD CONSIDER WHETHER IT IS SUITABLE FOR YOUR PARTICULAR CIRCUMSTANCES AND, IF NECESSARY SEEK PROFESSIONAL ADVICE. INVESTMENTS INVOLVE RISK AND AN INVESTOR MAY INCUR EITHER PROFITS OR LOSSES. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE. TRADING AND INVESTMENT DECISIONS ARE THE SOLE RESPONSIBILITY OF THE READER.**

S&P 1500 (286.60, 287.10, 281.44, 281.44, -5.16)



After running into resistance at the 38.2% retracement level of the May to July plunge the S&P 1500 has retraced 61.8% of the rally off the July lows. On intra-day charts it is now oversold. We have stressed for quite a while that a market that does not respond to oversold conditions is dangerous, and the small short-covering bounce we just had is not very reassuring.

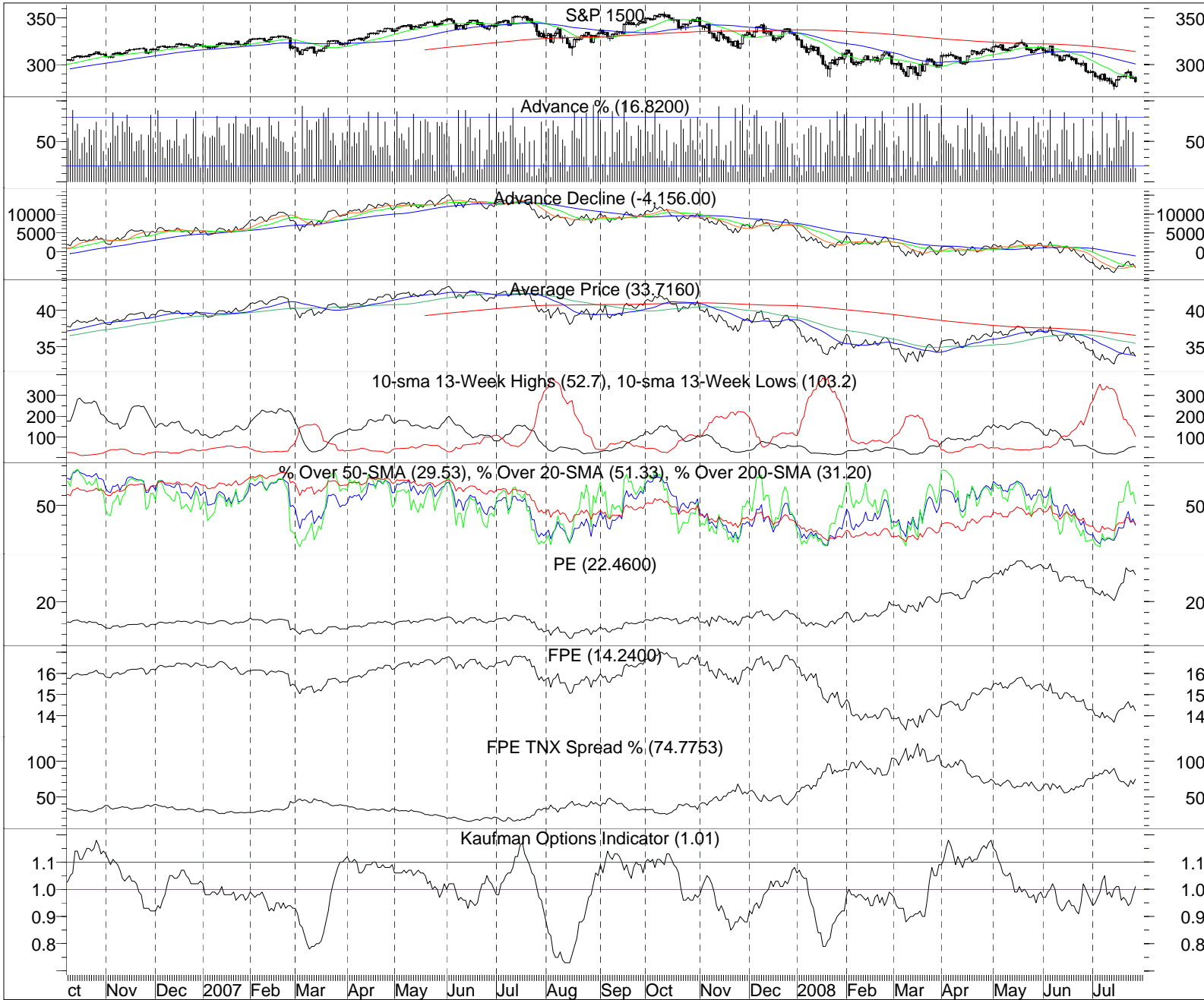
The Kaufman Report - Wayne S. Kaufman, CMT



Our oscillators are not yet oversold.

Our price oscillator remains in negative territory.

Volume decreased during Monday's sell off.



16.82% of the S&P 1500 traded higher Monday.

Our options indicator has moved back over the neutral level. It never reached the level of bearishness seen at prior bottoms.