

Tuesday June 1, 2010

Closing prices of May 28, 2010

Equities continued their volatile ways last week, as the S&P 500 exceeded its February low to hit its lowest level since November 2009 on Tuesday before reversing and finishing the week with a fractional gain of 0.16%. The S&P 500 finished an ugly month of May with an 8.2% loss. The Dow Jones Industrial Average was down 7.92% for its worst May since 1940. The highlights of the week were Tuesday's hammer candle reversal and Thursday's panic-buying 90% up day, which inspired hope that a short or even intermediate-term bottom was in.

We have been stressing that this is a low visibility environment where short-term traders should buy oversold conditions and sell overbought. We commented last week that stocks were oversold in the short-term, and we did get some kind of a bounce. However, the amount of time equities remained at oversold levels is disconcerting. As we have stressed many times in the past, markets that do not respond to oversold conditions are dangerous. Unfortunately the lack of visibility is going to continue until we get indications of how second quarter earnings and forecasts will come in.

The issues concerning investors remain the same. The sovereign debt issue in Europe and the freezing up of the financial system is still front and center. A slowdown in Europe as austerity measures are implemented can't help the global economy. The oil well leak in the Gulf of Mexico is becoming a disaster of biblical proportions. A possible slowdown in China as the government reigns in the economy is a source of concern. How earnings will be affected by the suddenly overwhelmingly popular U.S. Dollar is an important question.

Now that we have entered June we may begin to get some clarity. We get the May payrolls report on June 4th. Thereafter we will get some mid-quarter company updates along with multiple reports regarding the domestic and global economies. June 23rd we have another FOMC meeting. Towards the end of June we will get second quarter earnings pre-announcements.

We have been saying investors need to be defensive as this plays out and we are back to our strategy of the last months of the prior bear market, which means a short-term trading focus. Many foreign indexes have already entered or are flirting with bear market territory. **Since May 3rd we have been advising caution and we repeat that at this time. Until proven otherwise, this is once again a short-term traders market, with aggressive traders able to play long or short based on overbought or oversold conditions. As we cautioned many times during 2008 – 2009, a market that does not respond to oversold conditions is dangerous.**

In our report of April 5th we said the tone of the market was changing and the initial blastoff phase of the market was complete. On May 3rd we said that the two 90% down days recorded during the prior week was a warning, and we advised caution in the near-term. After that first 90% down day on April 27th, the S&P 500 recorded seven more 90% down days for an astonishing eight in nineteen sessions. This cluster of 90% down days far surpasses anything we saw in 2008, when it took 37 sessions from 8/25/08 until 10/15/08 to record eight 90% down days on the way to a total of nineteen by 3/2/09.

Based on the S&P 500 the short-term, intermediate-term, and long-term trends are down. Investors need to be careful since a freezing up of the financial system can be very damaging, as we all saw in 2008 – 2009. Longer-term we are looking for entry points to buy stocks which we believe are being liquidated for reasons which have nothing to do with their valuations or prospects for the future. Equity valuations are very attractive at current levels.

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.

John Thomas Financial
14 Wall Street, 23rd Floor
New York, New York 10005
wskaufman@johnthomasbd.com
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 June 1, 2010

Closing prices of May 28, 2010

S&P 1500 Data: (Data available daily at John Thomas Financial)

P/E: 16.61 FP/E: 13.87 Percent over 10-sma: 46.93%. Percent over 50-sma: 16.93%

13-Week Closing Highs: 12. 13-Week Closing Lows: 42 (489 on 5/20, most since 649 on 3/9/09). 52-week closing highs: 9. 52-week closing lows: 6.

Kaufman Options Indicator: 0.89. Put/Call Ratio: 1.214 (9 of last 10 sessions over 1.00).

New High Reversals: 4. New Low Reversals: 2.

Volume: -7.3% versus yesterday. 78% of the 10-day average. 79% of the 30-day average.

Up Stocks: 15.1%. Up Volume: 12.36%. Up Points: 10.3%. Up Dollars: 1.3%, 3% of 10-sma. Dn Dollars 128% of 10-sma.

Earnings: 493 of the S&P 500 have reported so far this earnings season. 77.6% have had positive surprises, 8.4% have been in line, and 14.1% have had negative surprises.

Federal Funds Futures project a 88.0% probability of no change to the current 0.25% target rate and a 12.0% probability of a decrease to 0.00% when the FOMC meets on 6/23. For the meeting of 8/10 the probabilities are 83.7% for no change, 5.0% for an increase to 0.50, and 11.3% for a decrease to 0.00%.

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.

Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Nasdaq 100	1852.39	-0.55%	0.00%	1.62%	-7.41%	-5.41%	-0.43%	2059.42	4/26/2010	1394.87	7/8/2009
Nasdaq Composite	2257.04	-0.91%	0.00%	1.26%	-8.29%	-5.88%	-0.53%	2535.28	4/26/2010	1727.05	7/8/2009
S&P Midcap 400	762.76	-1.12%	0.00%	1.71%	-7.33%	-3.44%	4.97%	852.90	4/26/2010	539.04	7/8/2009
Dow Jones Industrials	10136.63	-1.19%	0.00%	-0.56%	-7.92%	-6.63%	-2.79%	11258.01	4/26/2010	8087.19	7/8/2009
S&P 1500	251.15	-1.23%	0.00%	0.32%	-8.09%	-6.39%	-1.43%	281.21	4/26/2010	197.66	7/8/2009
S&P 500	1089.41	-1.24%	0.00%	0.16%	-8.20%	-6.84%	-2.30%	1219.80	4/26/2010	869.32	7/8/2009
S&P Smallcap 600	353.31	-1.34%	0.00%	1.08%	-7.29%	-1.94%	6.22%	396.63	4/26/2010	252.11	7/8/2009
NYSE Composite	6791.57	-1.48%	0.00%	0.24%	-9.14%	-8.81%	-5.48%	7743.74	4/15/2010	5552.82	7/8/2009
Bank of New York Mellon ADR	116.35	-1.79%	0.00%	0.15%	-11.60%	-14.24%	-14.67%	142.19	1/11/2010	104.08	7/8/2009

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Utilities	144.92	-0.03%	0.00%	0.25%	-6.12%	-3.84%	-8.27%	161.50	12/14/2009	132.99	5/29/2009
Consumer Staples	270.21	-0.42%	0.00%	-1.10%	-4.73%	-6.22%	-1.49%	290.45	3/23/2010	233.43	6/16/2009
Health Care	333.08	-0.63%	0.00%	-0.01%	-6.99%	-10.63%	-8.04%	384.95	1/20/2010	287.62	6/15/2009
Information Technology	351.80	-0.85%	0.00%	0.83%	-8.27%	-6.66%	-5.10%	397.46	4/26/2010	271.20	7/8/2009
Telecom Services	102.44	-0.92%	0.00%	-0.47%	-3.94%	-5.28%	-10.64%	117.00	1/5/2010	96.72	7/10/2009
Consumer Discretionary	254.68	-1.36%	0.00%	1.91%	-7.14%	-1.55%	8.34%	284.57	4/26/2010	170.94	7/8/2009
Industrials	256.48	-1.48%	0.00%	0.27%	-9.83%	-6.14%	5.55%	292.21	4/30/2010	176.94	7/8/2009
Materials	185.64	-1.70%	0.00%	1.22%	-9.65%	-9.28%	-7.09%	213.87	4/26/2010	142.89	7/8/2009
Energy	396.31	-2.00%	0.00%	-0.43%	-11.81%	-7.90%	-7.83%	464.76	4/26/2010	342.19	7/13/2009
Financials	197.42	-2.15%	0.00%	-0.54%	-9.25%	-8.07%	1.88%	230.45	4/15/2010	145.74	7/8/2009

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Utilities	144.92	-0.03%	0.00%	0.25%	-6.12%	-3.84%	-8.27%	161.50	12/14/2009	132.99	5/29/2009
Household & Personal Products	357.85	-0.19%	0.00%	-1.28%	-3.58%	-5.26%	-0.81%	383.05	3/23/2010	296.00	6/16/2009
Food & Staples Retailing	180.04	-0.26%	0.00%	-0.95%	-5.83%	-7.37%	-1.65%	196.37	3/30/2010	159.75	7/13/2009
Technology Hardware & Equipment	386.57	-0.53%	0.00%	2.14%	-7.31%	-4.37%	-0.76%	431.10	4/26/2010	284.30	7/8/2009
Health Care Equip & Services	329.36	-0.59%	0.00%	0.91%	-5.06%	-10.01%	-5.14%	371.77	1/20/2010	260.11	6/16/2009
Food, Beverage & Tobacco	301.05	-0.61%	0.00%	-1.09%	-4.75%	-6.13%	-1.77%	324.19	3/23/2010	259.17	5/29/2009
Commercial & Professional Services	129.72	-0.62%	0.00%	0.80%	-6.79%	-6.02%	-3.06%	144.95	4/26/2010	107.96	7/8/2009
Pharmaceuticals, Biotech & Life Scier	307.50	-0.65%	0.00%	-0.48%	-7.97%	-10.95%	-9.49%	359.71	1/20/2010	277.03	6/15/2009
Transportation	276.12	-0.84%	0.00%	1.49%	-6.96%	-2.28%	8.32%	304.63	5/3/2010	184.76	7/8/2009
Telecom Services	102.44	-0.92%	0.00%	-0.47%	-3.94%	-5.28%	-10.64%	117.00	1/5/2010	96.72	7/10/2009
Software & Services	443.77	-0.93%	0.00%	-0.58%	-9.71%	-9.77%	-10.64%	512.69	4/15/2010	362.92	5/29/2009
Consumer Services	405.59	-0.94%	0.00%	0.24%	-6.56%	0.02%	9.47%	446.11	4/26/2010	300.73	7/8/2009
Retailing	443.45	-1.15%	0.00%	1.62%	-6.67%	-1.41%	7.86%	499.94	4/26/2010	303.74	7/7/2009
Consumer Durables & Apparel	146.62	-1.42%	0.00%	2.37%	-6.39%	0.08%	11.83%	164.51	4/26/2010	90.81	7/8/2009
Semiconductors & Equipment	306.61	-1.54%	0.00%	1.88%	-6.11%	-4.08%	-1.83%	348.04	4/15/2010	229.17	7/8/2009
Media	173.91	-1.60%	0.00%	2.90%	-7.29%	-1.82%	6.31%	192.83	5/3/2010	113.55	7/13/2009
Materials	185.64	-1.70%	0.00%	1.22%	-9.65%	-9.28%	-7.09%	213.87	4/26/2010	142.89	7/8/2009
Capital Goods	276.13	-1.71%	0.00%	-0.07%	-10.74%	-7.06%	5.73%	318.38	4/30/2010	188.39	7/8/2009
Real Estate	103.68	-1.80%	0.00%	1.93%	-5.48%	0.61%	10.09%	114.48	5/3/2010	57.87	7/10/2009
Diversified Financials	313.88	-1.97%	0.00%	-0.30%	-9.46%	-9.92%	-2.39%	382.07	4/15/2010	248.57	7/8/2009
Energy	396.31	-2.00%	0.00%	-0.43%	-11.81%	-7.90%	-7.83%	464.76	4/26/2010	342.19	7/13/2009
Automobiles & Components	86.98	-2.36%	0.00%	2.69%	-11.55%	-7.42%	11.89%	107.25	4/26/2010	46.62	7/8/2009
Banks	141.21	-2.37%	0.00%	-2.64%	-11.41%	-5.04%	12.65%	165.92	4/21/2010	97.99	7/8/2009
Insurance	166.26	-2.43%	0.00%	-0.05%	-8.17%	-9.64%	0.88%	189.97	4/26/2010	117.98	7/8/2009

INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Chile ECH	55.41	0.69%	4.13%	-1.84%	0.86%	1.13%	60.94	1/19/2010	27.27	5/6/2010
India IFN	28.64	0.42%	0.66%	-10.56%	-9.19%	-6.71%	33.08	4/14/2010	25.17	8/19/2009
Brazil EWZ	63.52	-0.41%	3.75%	-12.09%	-13.74%	-14.86%	80.93	12/3/2009	48.03	7/8/2009
Vietnam VNM	24.30	-0.41%	5.19%	-8.68%	-3.42%	-4.67%	32.15	10/22/2009	22.55	5/21/2010
Australia EWA	20.11	-0.64%	4.08%	-14.21%	-16.24%	-11.95%	25.14	1/11/2010	15.32	7/8/2009
Spain EWP	33.58	-0.77%	-3.93%	-15.24%	-20.50%	-30.10%	52.67	11/25/2009	31.50	5/26/2010
Canada EWC	26.17	-0.83%	1.87%	-7.30%	-6.23%	-0.61%	29.00	4/15/2010	19.55	7/8/2009
Israel EIS	50.45	-0.84%	1.43%	-8.29%	-14.29%	-7.26%	60.68	3/26/2010	39.40	7/8/2009
China 25 FXI	39.38	-0.88%	2.97%	-3.57%	-6.46%	-6.81%	46.66	11/16/2009	35.33	6/23/2009
Malaysia EWM	11.09	-0.98%	-0.99%	-7.66%	-5.05%	4.43%	12.17	4/30/2010	8.44	7/10/2009
Hong Kong EWH	14.78	-1.07%	1.22%	-5.62%	-9.27%	-5.62%	16.89	4/14/2010	12.92	6/23/2009
Russia RSX	29.63	-1.17%	3.44%	-12.62%	-13.74%	-5.00%	36.91	4/14/2010	17.65	7/13/2009
Germany EWG	19.15	-1.19%	-0.47%	-10.47%	-12.44%	-14.66%	23.40	10/21/2009	16.75	7/8/2009
BRIC EEB	38.11	-1.19%	2.73%	-9.99%	-10.75%	-10.24%	44.90	12/4/2009	23.23	5/6/2010
Singapore EWS	11.01	-1.26%	0.54%	-8.33%	-4.26%	-4.18%	12.36	4/14/2010	8.54	6/23/2009
Switzerland EWL	19.58	-1.31%	0.20%	-10.68%	-15.24%	-12.04%	23.63	4/15/2010	17.00	7/8/2009
Taiwan EWT	11.36	-1.39%	-0.09%	-10.62%	-9.48%	-12.41%	13.46	1/6/2010	9.51	6/18/2009
Indonesia IDX	66.78	-1.42%	4.03%	-9.52%	-4.37%	7.42%	75.55	5/3/2010	39.10	6/23/2009
Austria EWO	16.62	-1.48%	-2.29%	-15.89%	-15.85%	-15.03%	23.59	10/15/2009	15.07	6/23/2009
Sweden EWD	22.83	-1.55%	0.53%	-13.95%	-10.08%	-2.85%	27.42	4/26/2010	16.88	6/23/2009
Emerging Markets EEM	38.10	-1.65%	1.99%	-9.39%	-9.55%	-8.19%	46.66	4/9/2010	30.11	6/23/2009
Japan EWJ	9.51	-1.65%	-2.55%	-8.47%	-8.91%	-2.36%	10.71	4/15/2010	9.10	7/13/2009
Latin America ILF	42.81	-1.68%	2.62%	-10.57%	-11.31%	-10.42%	50.25	12/4/2009	31.74	7/10/2009
South Korea EWY	44.00	-1.81%	-0.23%	-15.14%	-12.00%	-7.64%	53.15	4/26/2010	31.67	6/23/2009
Turkey TUR	54.00	-1.84%	0.11%	-12.02%	-5.78%	0.19%	63.27	4/14/2010	33.41	6/23/2009
Thailand THD	44.04	-1.85%	1.25%	-3.95%	-8.10%	3.65%	49.98	4/6/2010	30.69	6/23/2009
United Kingdom EWU	14.17	-1.87%	1.69%	-10.99%	-12.91%	-12.53%	17.20	11/16/2009	12.34	7/8/2009
South Africa EZA	56.29	-2.10%	6.36%	-5.79%	-6.85%	0.57%	62.76	4/5/2010	23.00	5/6/2010
France EWQ	20.56	-2.14%	-1.22%	-12.73%	-17.96%	-20.46%	27.32	1/11/2010	19.21	7/8/2009
Netherlands EWN	17.65	-2.16%	-1.70%	-12.32%	-13.48%	-13.74%	21.51	10/15/2009	14.50	7/8/2009
Belgium EWK	11.26	-2.34%	-1.33%	-9.12%	-13.52%	-11.76%	13.95	10/19/2009	8.93	5/6/2010
Mexico EWW	48.89	-2.47%	3.23%	-7.74%	-8.39%	0.04%	61.60	5/6/2010	34.04	7/10/2009
Italy EWI	14.28	-3.12%	-2.87%	-14.80%	-21.71%	-26.81%	21.77	10/19/2009	13.34	5/25/2010



The 30-minute chart of the S&P 500 shows that after breaking through the resistance at the 1090 level it ran into resistance just under the 200-day moving average (not shown) which is currently at 1104.88.

Momentum indicators are neutral.

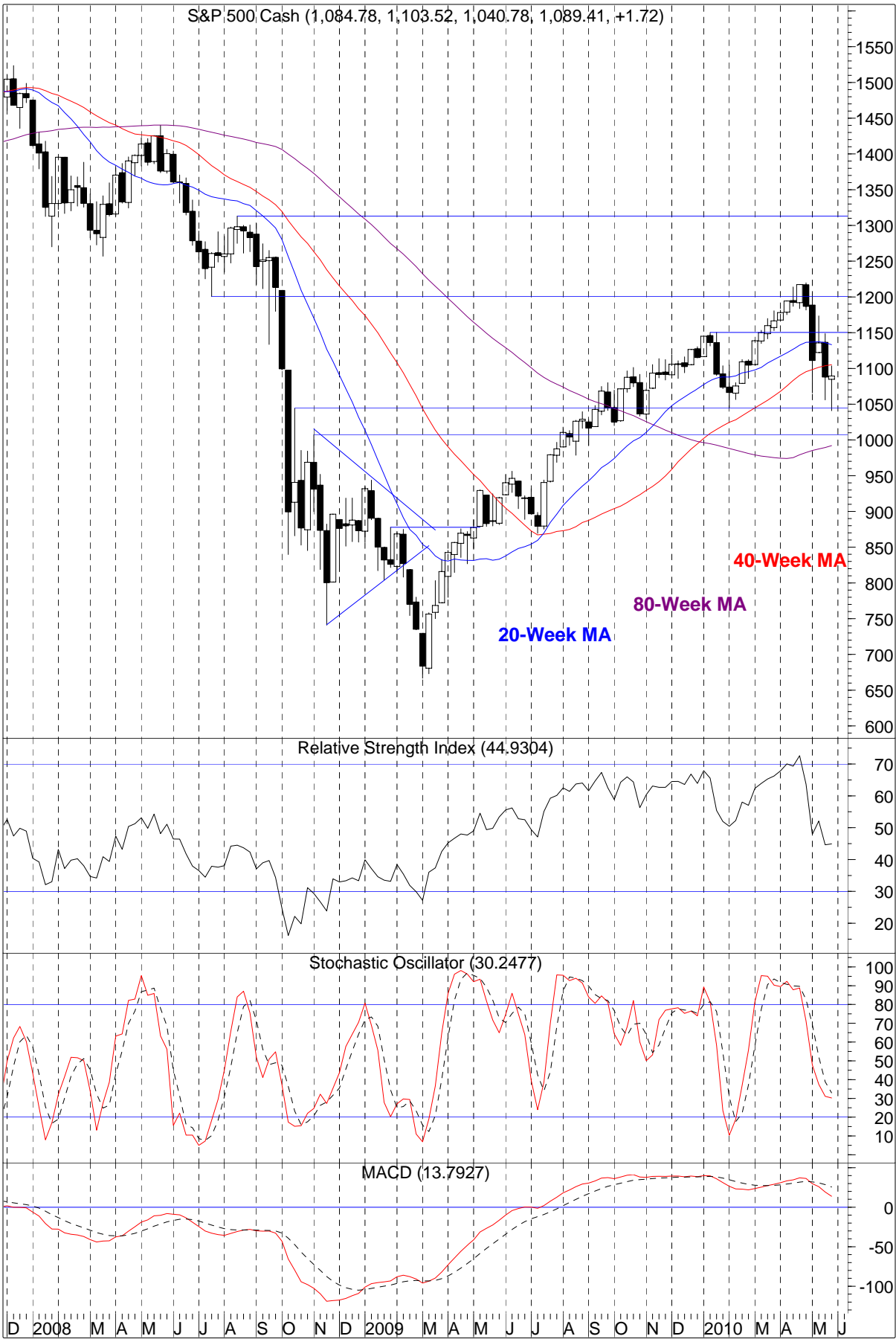
S&P 500 Cash (1,102.59, 1,102.59, 1,084.78, 1,089.41, -13.65)



The daily chart of the S&P 500 shows a hammer candle on Tuesday as the index tested the February lows. Hammers are bottoming candles. Thereafter the index rallied up to the 20-sma (red) where it met resistance and pulled back Friday.

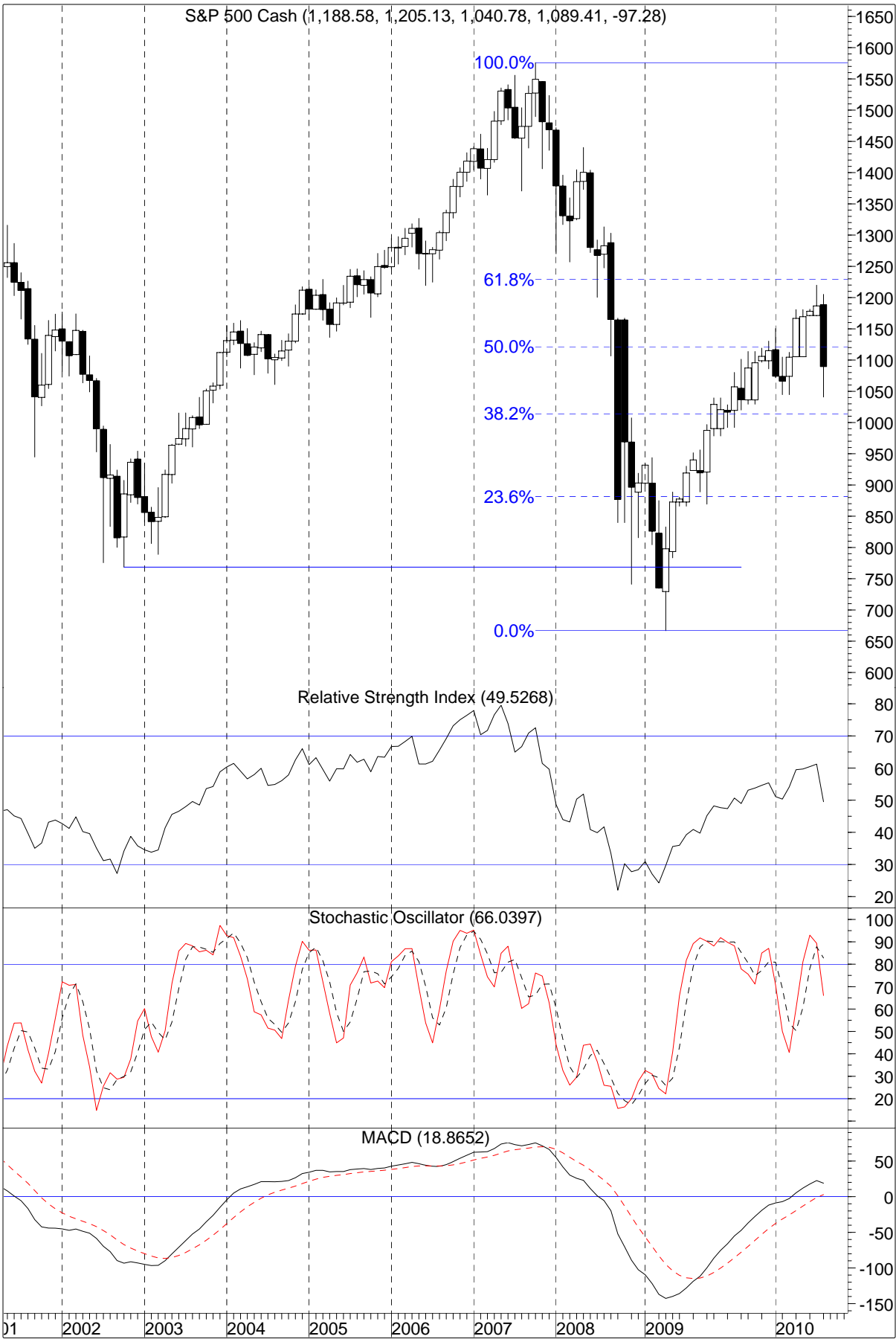
Last week we said the RSI was showing a positive divergence. Stocks bounced during the week, and now daily momentum indicators are at low or neutral levels.

S&P 500 Cash (1,084.78, 1,103.52, 1,040.78, 1,089.41, +1.72)



The weekly chart of the S&P 500 shows it printed a hammer candle. Hammers are bottoming candles. The index is still below its 40-week moving average.

Weekly momentum indicators are mostly neutral with the MACD turning down.



In our May 3rd report we pointed out the shooting star candle for April and said that it was bearish, and we commented that it ran into resistance just under the 61.8% Fibonacci retracement level. The candle for May is ugly, indicative of the 8.2% drop for the month. Unfortunately it is also a bearish engulfing candle.

Monthly momentum indicators are neutral except for the stochastic, which shows a negative crossover from the overbought zone.

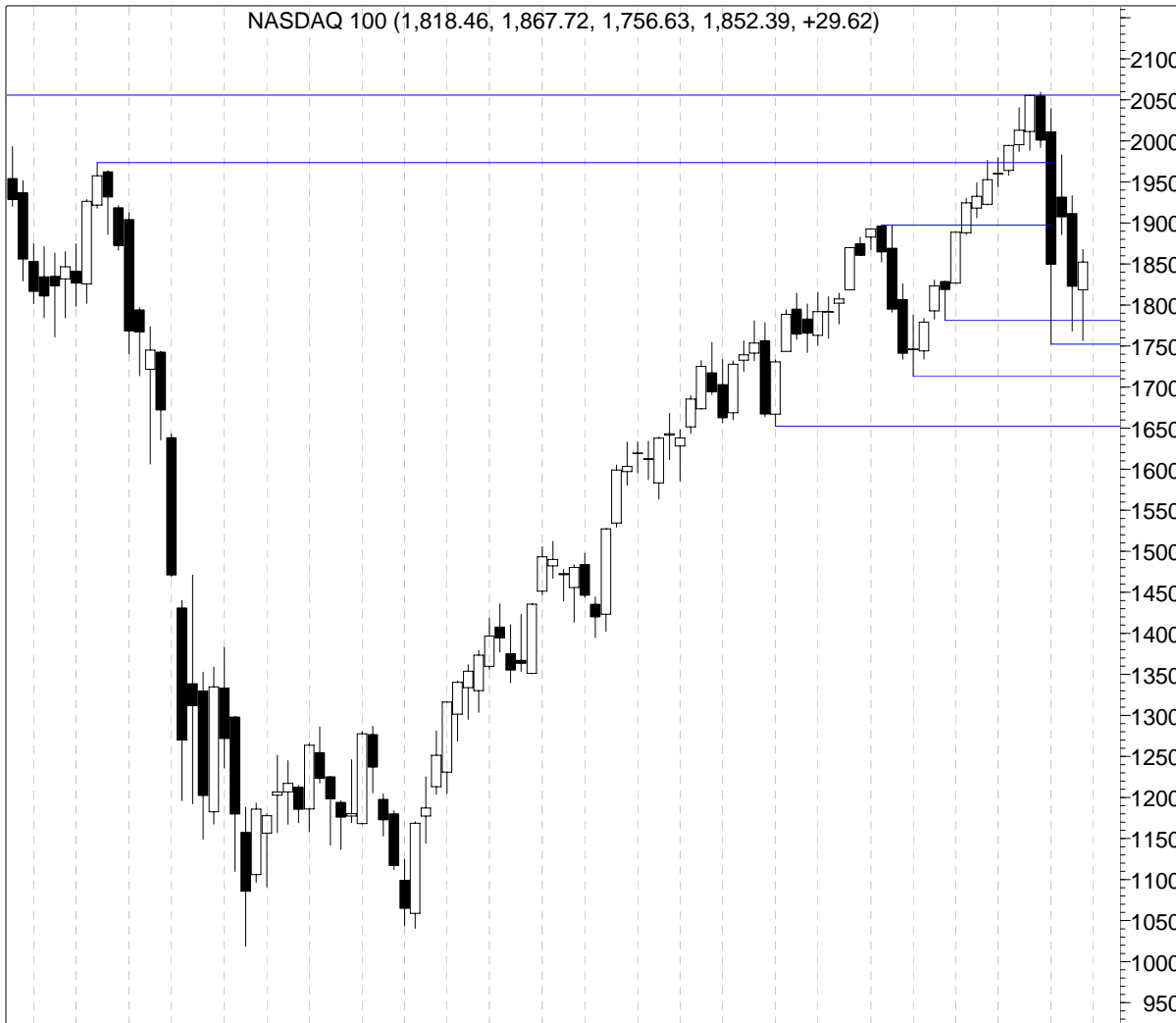
NASDAQ 100 (1,865.89, 1,867.72, 1,836.23, 1,852.39, -10.32)



The Nasdaq 100 index bounced after testing the May 6th lows, as opposed to the S&P 500 which fell below the March lows and tested February lows. The Nasdaq 100 is also back above its 200-sma versus the S&P 500, which remains below.

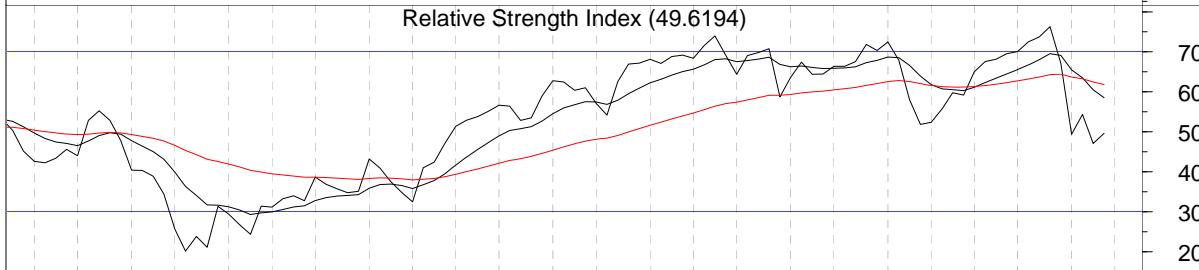
Daily momentum levels for the Nasdaq 100 are at low levels with the stochastic turning up and the MACD threatening to do so also.

NASDAQ 100 (1,818.46, 1,867.72, 1,756.63, 1,852.39, +29.62)



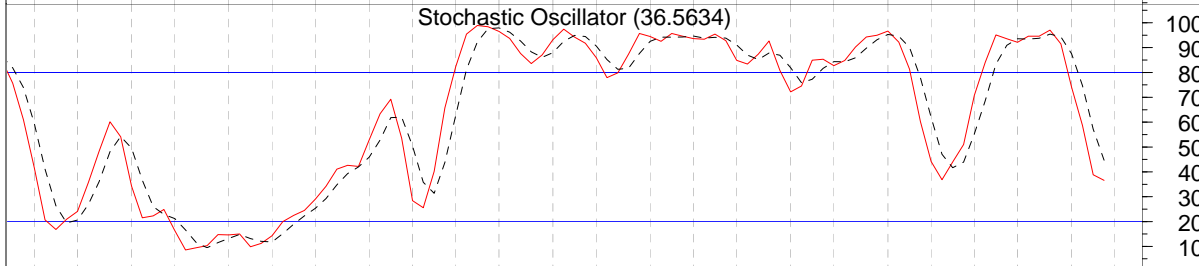
After four ugly weeks the weekly chart of the Nasdaq 100 printed a hammer candle. Hammers are bottoming candles.

Relative Strength Index (49.6194)

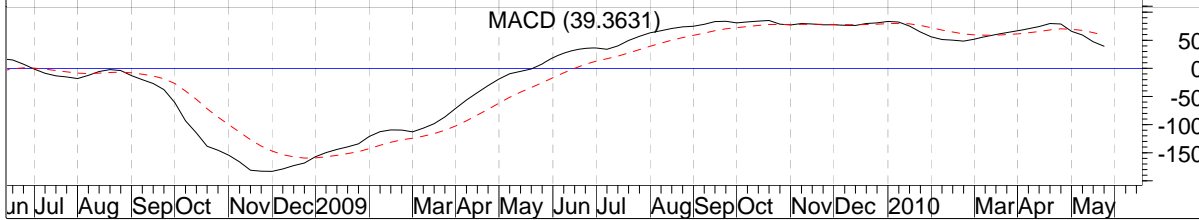


Weekly momentum indicators are at low or neutral levels. The MACD is still not looking the way we would like.

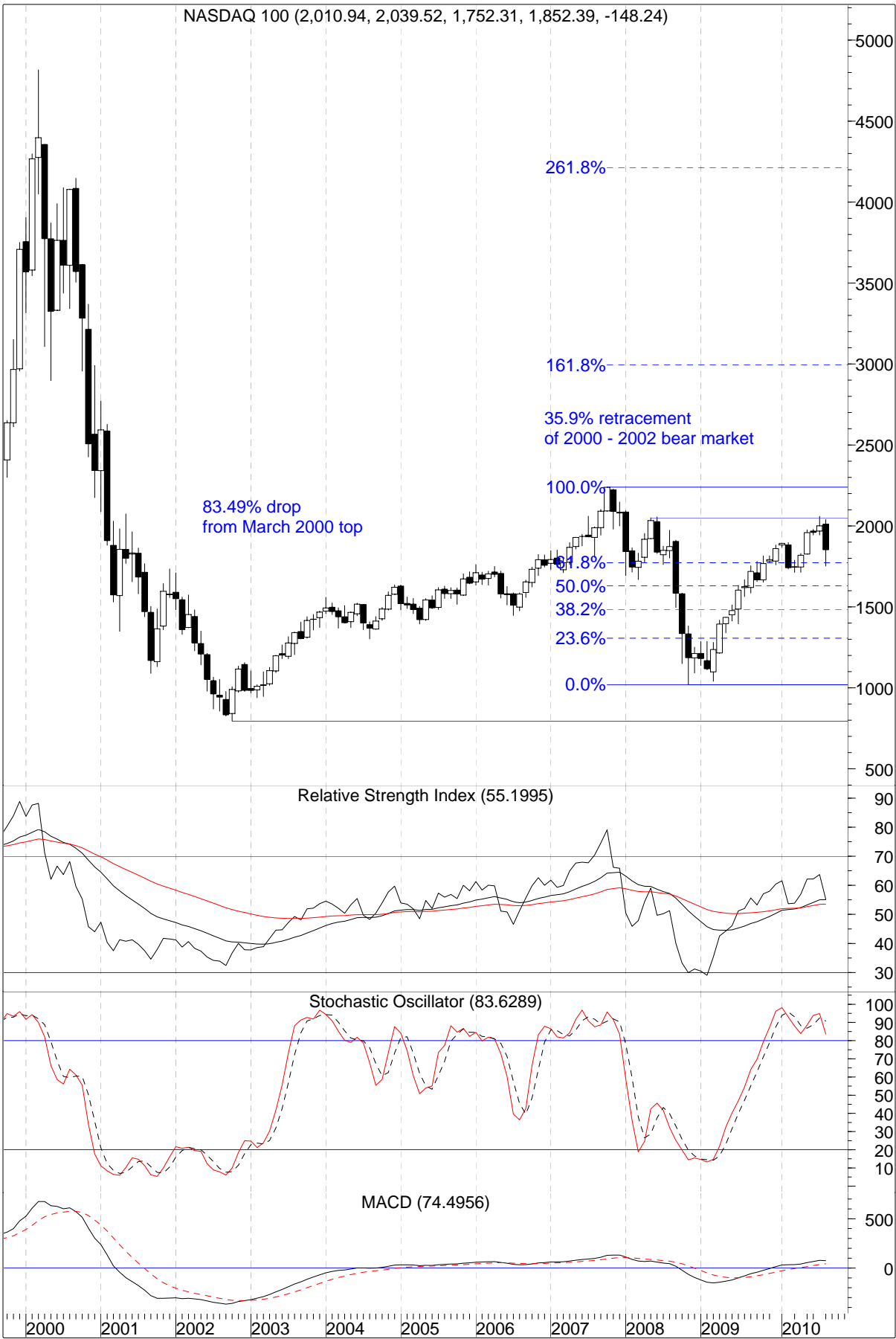
Stochastic Oscillator (36.5634)



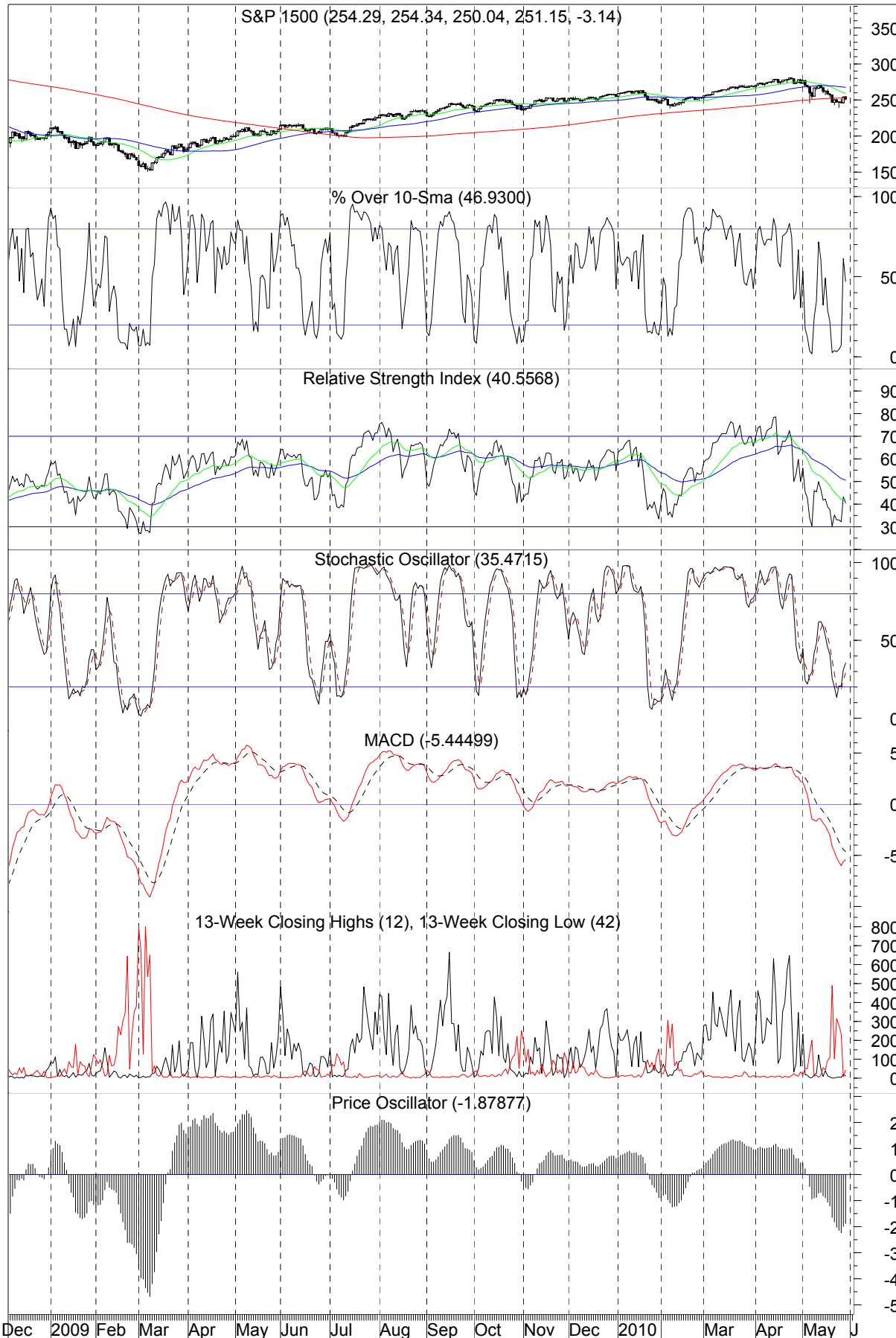
MACD (39.3631)



NASDAQ 100 (2,010.94, 2,039.52, 1,752.31, 1,852.39, -148.24)



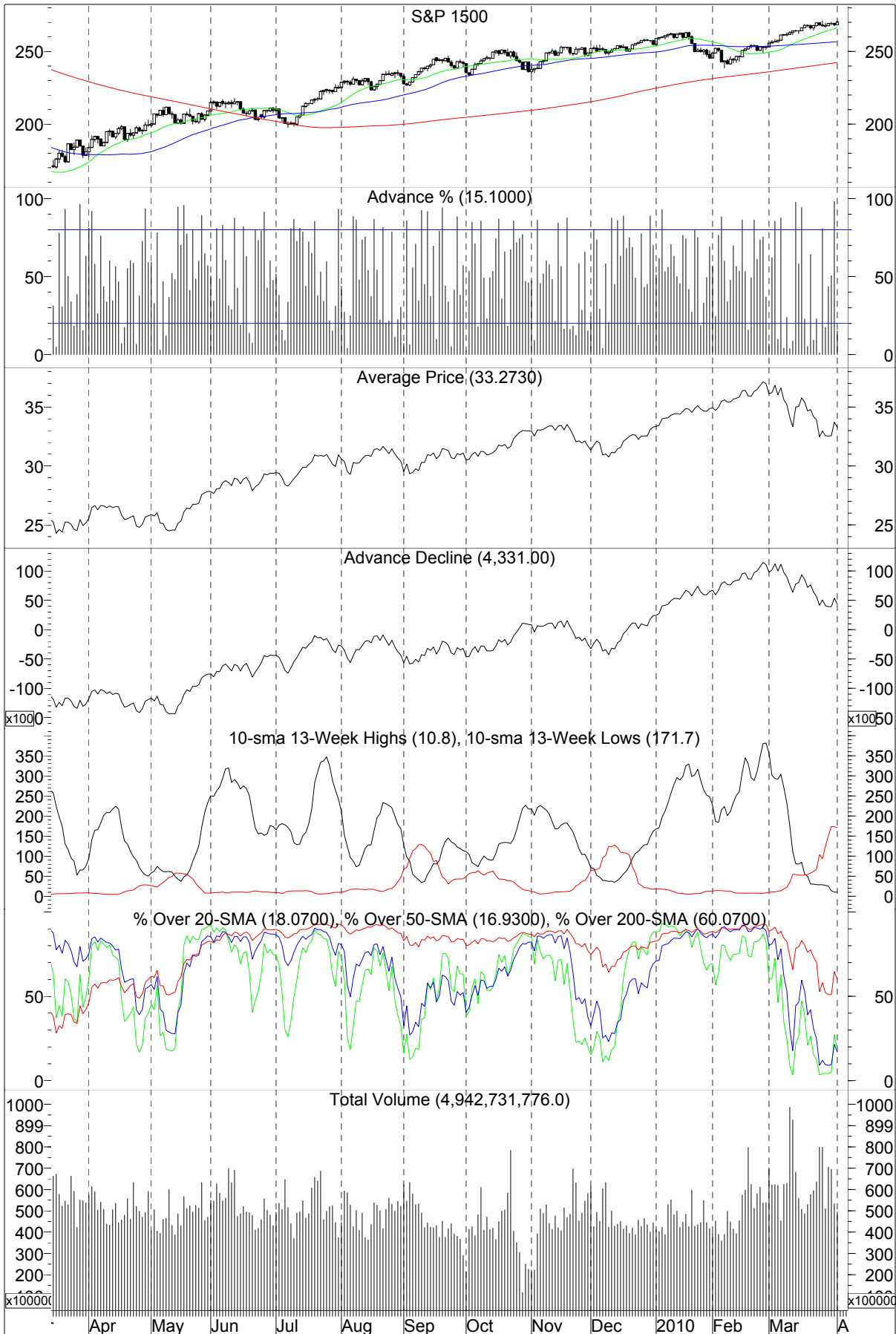
On May 3rd we commented that the monthly chart of the Nasdaq 100 had printed a shooting star candle, which was bearish. We also pointed out that it ran into resistance just after exceeding the high of May 2008. Unfortunately May's candle is a bearish engulfing candle.



After staying in low single digits for five sessions in a row the percent over 10-sma is up to 46.93%. Staying oversold for so long is a sign of a weak market.

Momentum indicators are trying to bounce from low or oversold levels.

Our price oscillator, a good indicator of trends, has stayed in negative territory since early May.



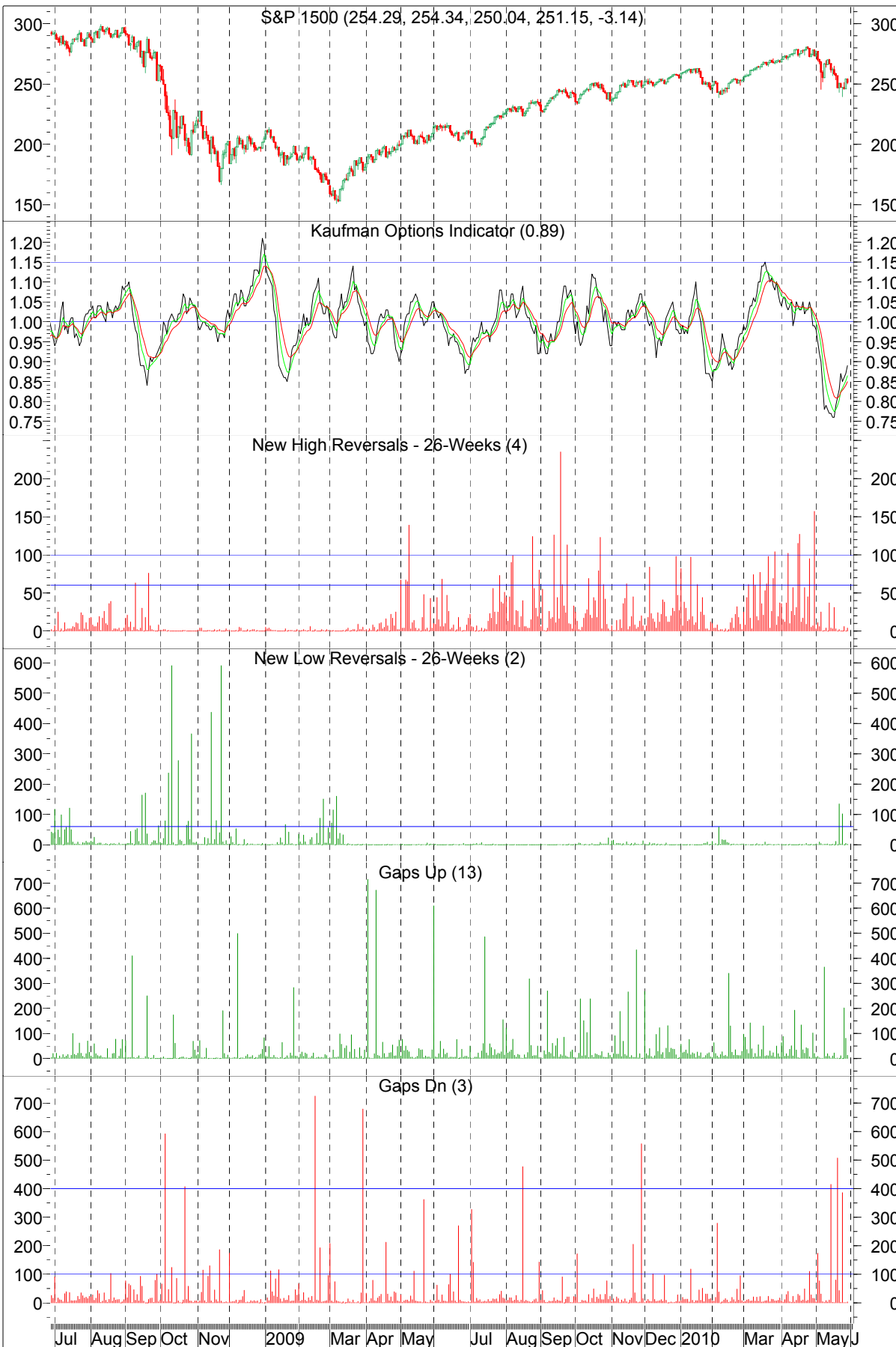
15.1% of the S&P 1500 traded higher Friday following Thursday's 90% up day.

Average price per share remains well above its February lows.

The 10-sma of 13-week closing highs is at the highest level since 3/18/2009.

The percentage of stocks over important moving averages continues to flirt with bear market levels. The percent over 200-sma at 60.07% remains the saving grace.

The Kaufman Report - Wayne S. Kaufman, CMT

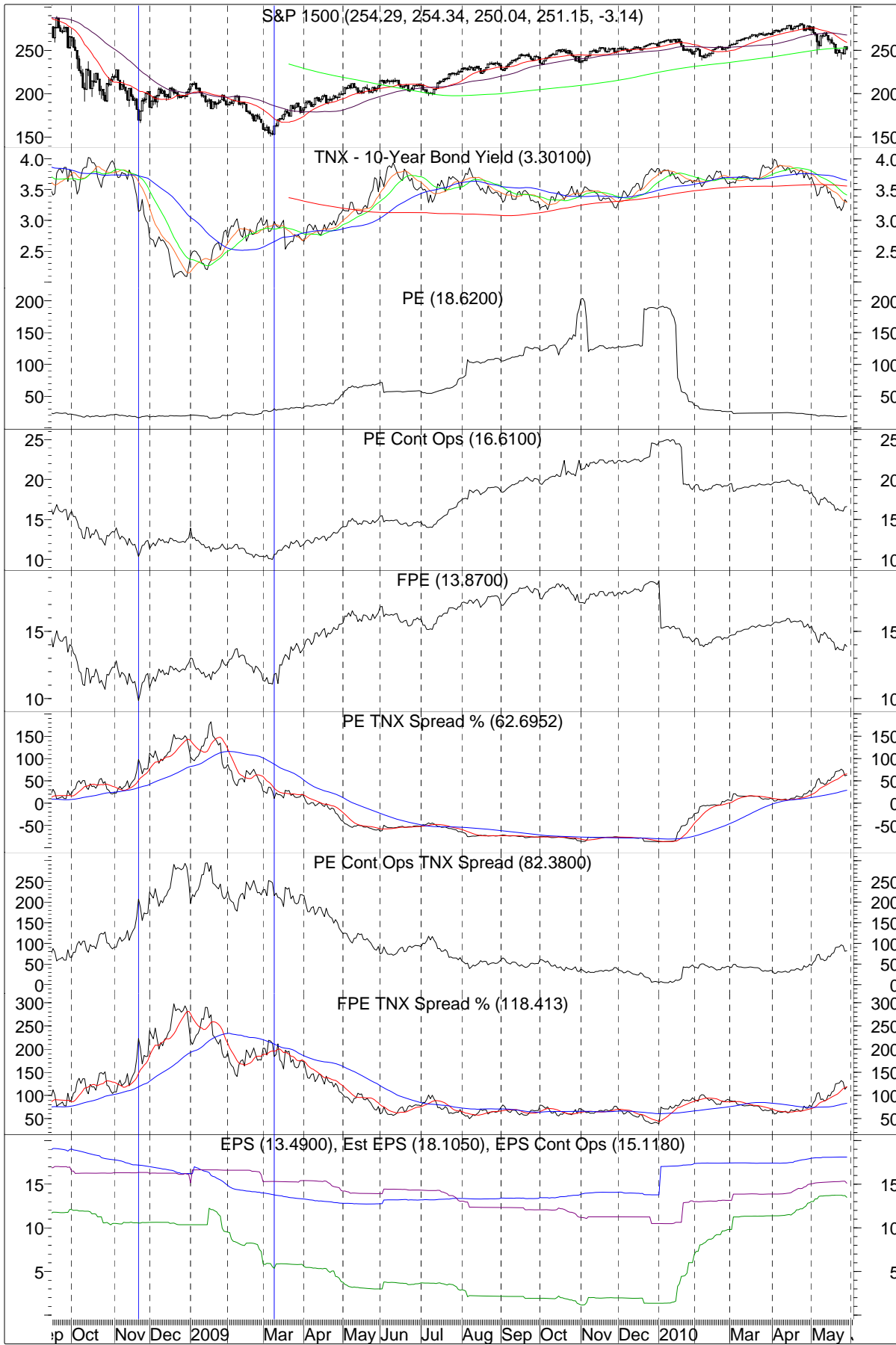


Our proprietary options indicator is bouncing back from the most pessimistic levels seen in years. Should it get back to neutral without much improvement in stock prices we will become concerned.

The Kaufman Report - Wayne S. Kaufman, CMT



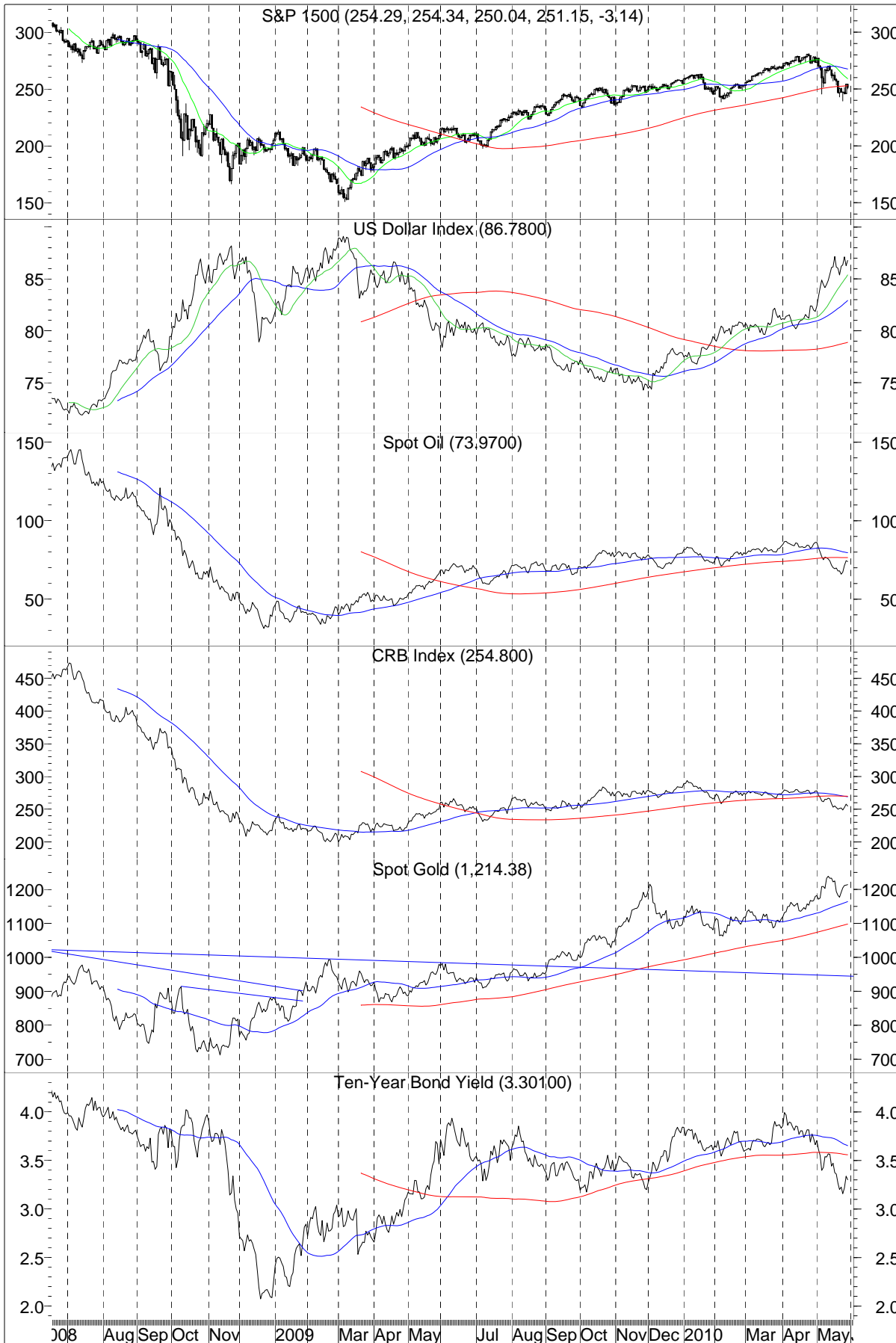
Our statistics of supply (red) versus demand (green) shows a simple picture of sellers overpowering buyers.



P/E ratios remain at the bottom of their recent ranges.

Spreads between equity and bond yields remain at levels where stocks should be attractive.

Earnings metrics will continue to flat line until Q2 numbers begin to come in.



Last week we said the U.S. Dollar Index was overbought on a weekly basis and it remains that way this week. It has a potential double top on the daily chart. It also printed a second consecutive bearish shooting star candle on the weekly chart.

Last week we said crude oil was oversold and the dollar/crude and gold/crude ratios remained at levels where crude rallied in the past. During the week it jumped after hitting the lowest level since July 2009. It is no longer oversold and is still below its 200-sma. That and other resistance lies just above.

The commodities index remains below its 200-sma.

Last week we said gold was no longer overbought, sentiment was no longer bullish and may be short-term bearish, and if so a rally would be possible. During the week gold rallied from 1177.10 to 1214.38. It is not overbought on daily or weekly charts and sentiment has turned bearish. Under these conditions a continued rally is likely, especially if the U.S. Dollar continues its short-term weakness.