John Thomas Financial
14 Wall Street, 5th 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

Monday June 15, 2009 **Closing prices of June 12, 2009**

Last week we said "With the tight range stocks have been trading in a sharp move would seem to be coming. Next week June options expire, and the recent history of June expiration weeks would argue for the breakout to be to the upside." That breakout was attempted Thursday as the S&P 500 made new rally intra-day and closing highs. Another closing high was made Friday. It is possible this move higher continues during the coming week, which is a quadruple-witching options expiration. However, there are many short-term negative divergences which have developed that signal investors to use extreme caution at this time. For example, on Friday only 142 stocks in the S&P 1500 made new closing highs, compared with 484 on the breakout of June 1st. Only 49.6% of stocks are above their 10-day moving average versus 88% on June 1st.

Our expectations have been for this terrific rally to end in June or July, so a pullback at this time would fit our road map. However, we don't think a pullback here will be too deep due to weekly and monthly charts showing more upside is possible, along with our proprietary options indicator, which shows options buyers have become more pessimistic. **Also, the bottom of the market is firming up as evidenced by the percentage of stocks over their own 200-day moving averages, which on Friday hit 61.07%, the best since 7/19/2007**.

We also hope that a pullback would be seen as an opportunity to enter positions ahead of the end of the quarter by money managers who have underperformed recently. **Therefore, we continue our strategy of playing the long side of the market while relying on basic trading strategies to protect us when the market does make a turn that could be painful. In other words, we remain long with an eye on the exit. Extremely aggressive traders can enter short, keeping in mind they may need to cover quickly.**

The balance of the month promises to keep investors on their toes. June 19th is a quadruple witching options expiration, then the FOMC meets on June 24th followed shortly thereafter by the end of the second quarter. The end of this quarter promises to be particularly interesting as it combines earnings warning season with window dressing and some nail biting by money managers who are under-performing the market. What will these poor souls do if stocks don't sell off soon, or if there is another round of better than expected economic news? The recent raising of forecasts by Home Depot and Texas Instruments can't have made the underinvested happy.

We said recently our perfect scenario would be another period of sideways drift to work off the early June short-term overbought condition followed by a nice rally to end the quarter, which would make client statements look beautiful. The overbought condition is now gone. We also said we would fade an end of quarter rally. We accept the possibility that huge global government intervention along with a possibly healing economy and companies that have become very lean and mean could create a scenario where profits will start to surprise to the upside and the deteriorating earnings trend will start to change. If so, we will be more than happy to delay our expected bearishness.

This is a bifurcated, opportunistic trader's market, with adept traders able to enter long or short. Based on the S&P 500 the short-term, intermediate-term, and long-term trends are up. Traders should not hesitate to rotate out of lagging sectors and stocks and into leaders.

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, 5th 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

Monday June 15, 2009 **Closing prices of June 12, 2009**

The S&P 1500 (215.49) was up 0.101% Friday. Average price per share was down 0.07%. Volume was 87% of its 10-day average and 76% of its 30-day average. 46.68% of the S&P 1500 stocks were up, with up volume at 53.31% and up points at 46.97%. Up Dollars was 48.89% of total dollars, and was 50% of its 10-day moving average. Down Dollars was 87% of its 10-day moving average.

Seven of the ten S&P sectors were up on the day led by Utilities +1.4%, Telecom +0.88%, and Financials +0.69%. Materials led the downside at -1.25%, followed by Energy -0.97%

For the week the S&P 1500 was up 0.545% on decreasing and well below average weekly volume.

For the week six of the ten sectors were up, led by Utilities +3.80%, Energy +2.37%, Telecom 1.97%, and Financials +1.64%. Consumer Staples were down 0.93% followed by Industrials -0.78%.

The S&P 1500 is up 3.06% in June, up 19.06% quarter-to-date, up 5.15% year-to-date, and down 39.53% from the peak of 356.38 on 10/11/07. Average price per share is $26.53, down 38.63% from the peak of $43.23 on 6/4/07.

Percent over 10-sma: 49.6%. 13-Week Closing Highs: 142. 13-Week Closing Lows: 8.

Put/Call Ratio: 0.862. Kaufman Options Indicator: 0.94.

P/E Ratios: 57.74 (before charges), 14.94 (continuing operations), 16.32 (analyst estimates).
P/E Yield 10-year Bond Yield Spreads: ***-54% (earnings bef. charges),*** *77% (earnings continuing ops), and 62% (projected earnings)*.

Aggregate earnings before charges for the S&P 1500 peaked in August 2007 at $19.18 and are now at $3.73, a drop of 80.55%. Aggregate earnings from continuing operations peaked at $19.95 in September 2007 and are now $14.22, down 28.72%. Estimated aggregate earnings peaked at $21.95 in February 2008 and are now $13.20, a drop of 39.86%.

496 of the S&P 500 have reported 1st quarter earnings. According to Bloomberg, 67.3% had positive surprises, 8.1% were in line, and 24.6 % have been negative. The year-over-year change has been -33.5% on a share-weighted basis, -23.2% market cap-weighted and -34.7% non-weighted. Ex-financial stocks these numbers are -33.0%, -22.6%, and -31.1 %, respectively.

Federal Funds futures are pricing in a probability of 82.0% that the Fed will *leave rates unchanged*, and a probability of 18.0% of cutting *25 basis points to 0.0%* when they meet on June 24th. They are pricing in a probability of 74.0% that the Fed will *leave rates unchanged* on August 12th, a probability of 15.8% of cutting 25 basis points to 0.50%, and a probability of 10.2% of *raising 25 basis points*.

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.

Since June 1st the S&P 500 has been in an amazing tight sideways pattern. The ten day Bollinger Bands (not shown)are pinched very tightly and should have a sharp move shortly. In a positive development the 20-sma is now above the 200-sma for the first time since November 2007. Thursday the index made a new rally intra-day high, followed by a new closing high Friday.

Our momentum indicators are showing negative divergences.

The Kaufman Report - Wayne S. Kaufman, CMT

The S&P 500 made a rally high on the weekly chart but on the lightest weekly volume since January 2nd.

The Nasdaq 100 gapped down Friday after making a new rally intra-day high Thursday. This is typically a bearish pattern, although a similar one was negated in mid-April.

A negative divergence showed up on the RSI, and the stochastic has a negative crossover in the overbought zone. The MACD is near to a negative crossover also.

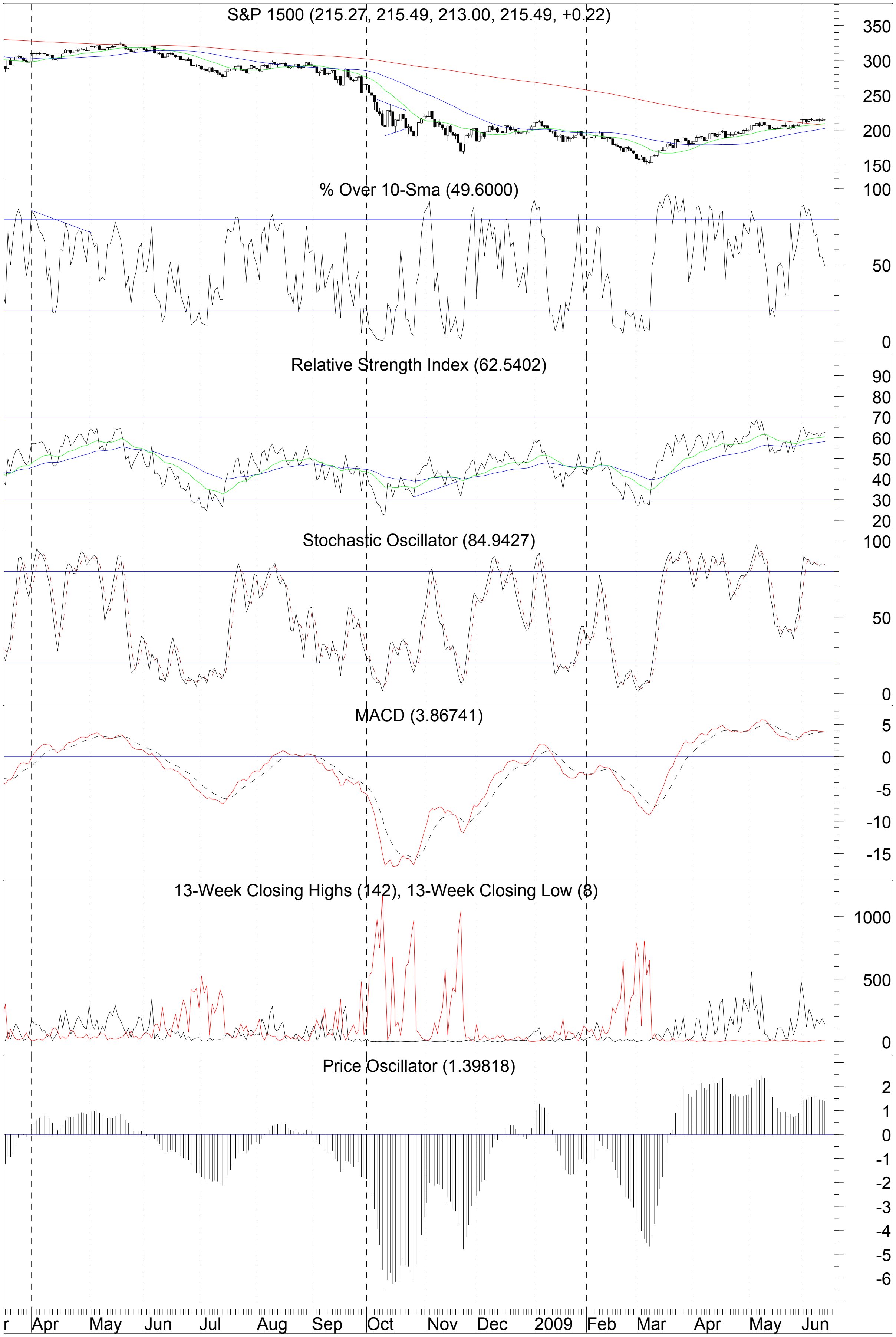
The Kaufman Report - Wayne S. Kaufman, CMT

The Nasdaq 100 made a new rally high on the weekly chart. It was on decreasing weekly volume. It printed a spinning top candle, a sign of indecision.

The RSI didn't make a new high on the weekly chart, but overall the oscillators have not yet turned down from high levels.

The ADR Index has its 50-sma crossing over its 200-sma, the "golden cross." The only negative here is the 200-sma is still sloping down.

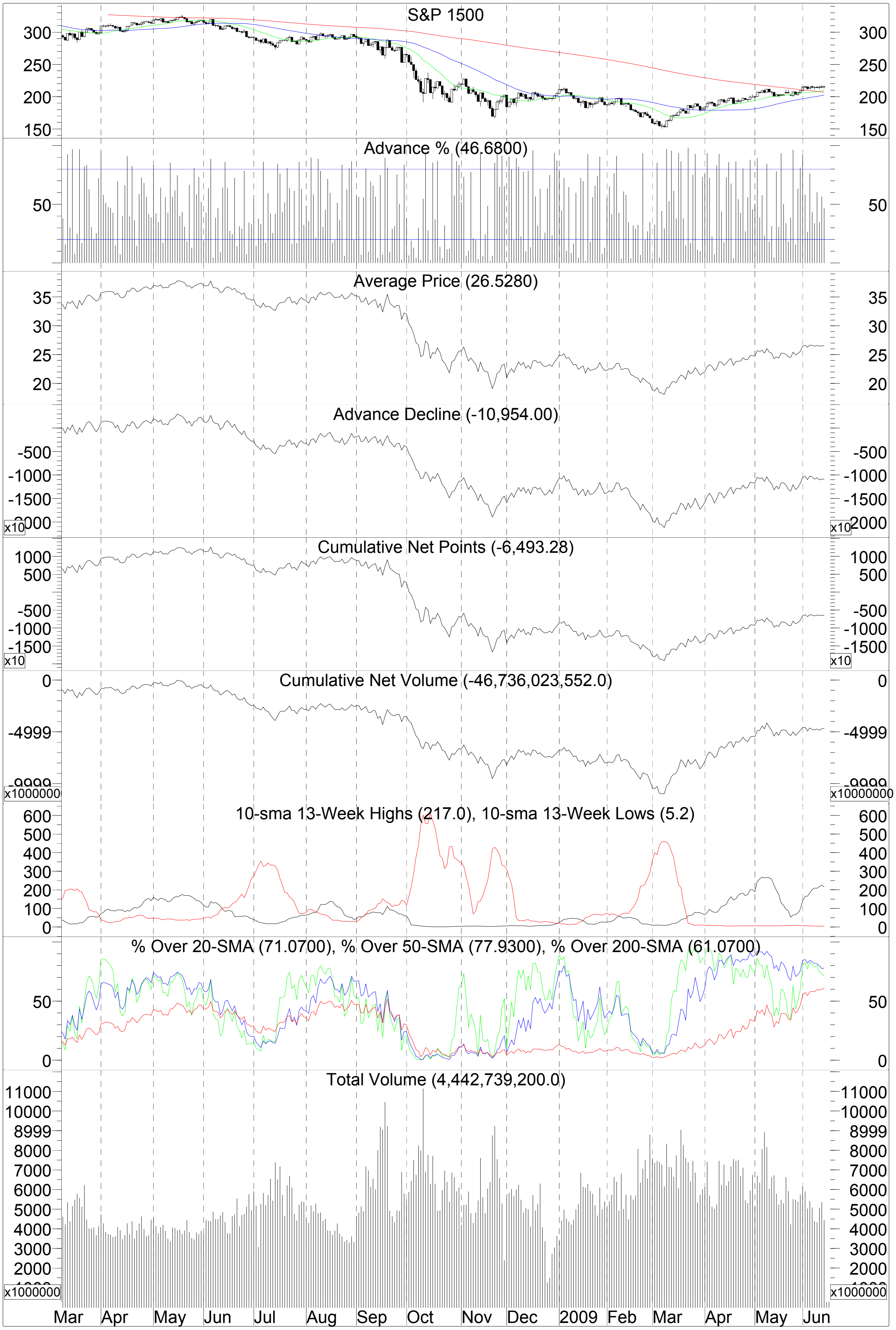
The Kaufman Report - Wayne S. Kaufman, CMT



Only 49.60% of stocks are over their own 10-sma in spite of a new closing high Friday. This shows deteriorating leadership.

The RSI has a negative divergence.

Our price oscillator, a good indicator of trends, remains solidly in positive territory.



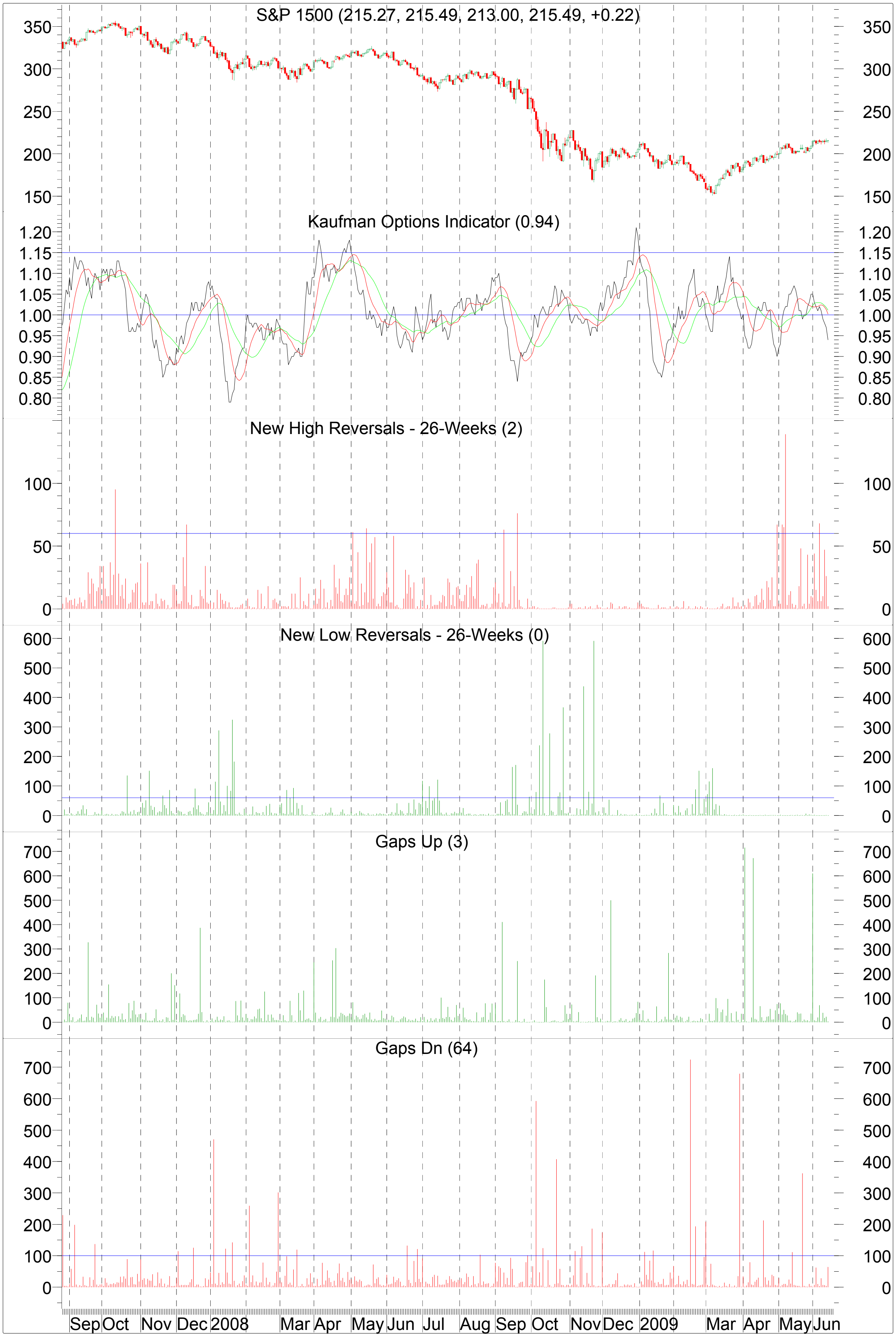
Only 46.68% of stocks advanced during Friday's new rally closing high.

The Advance Decline line has a negative divergence.

Even though the top of the market is weakening, the bottom continues to firm up as the percent over 200-sma is now 61.07%, the best since 7/19/07.

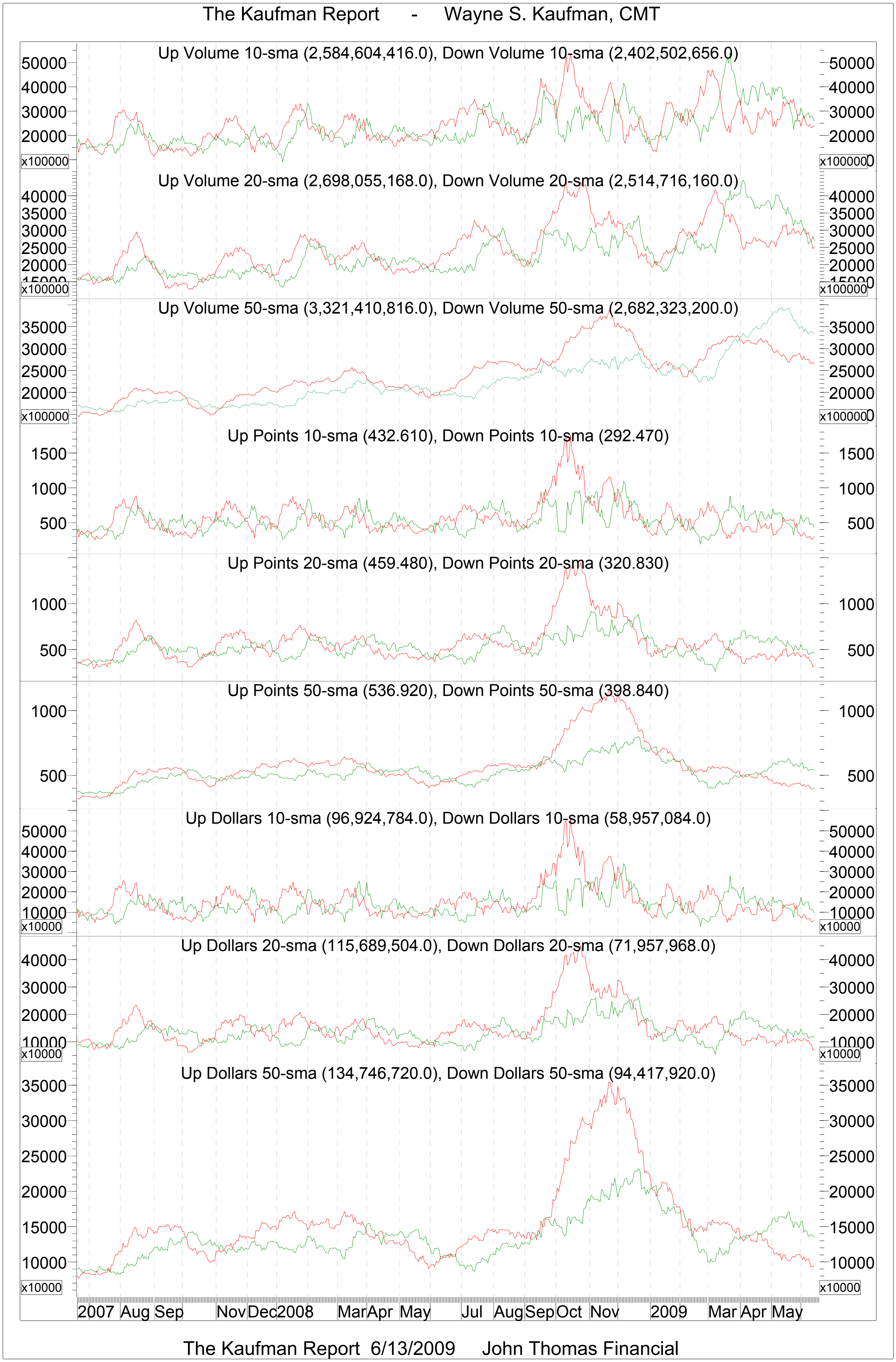
Volume has been anemic, not a sign of investor enthusiasm.

The Kaufman Report - Wayne S. Kaufman, CMT

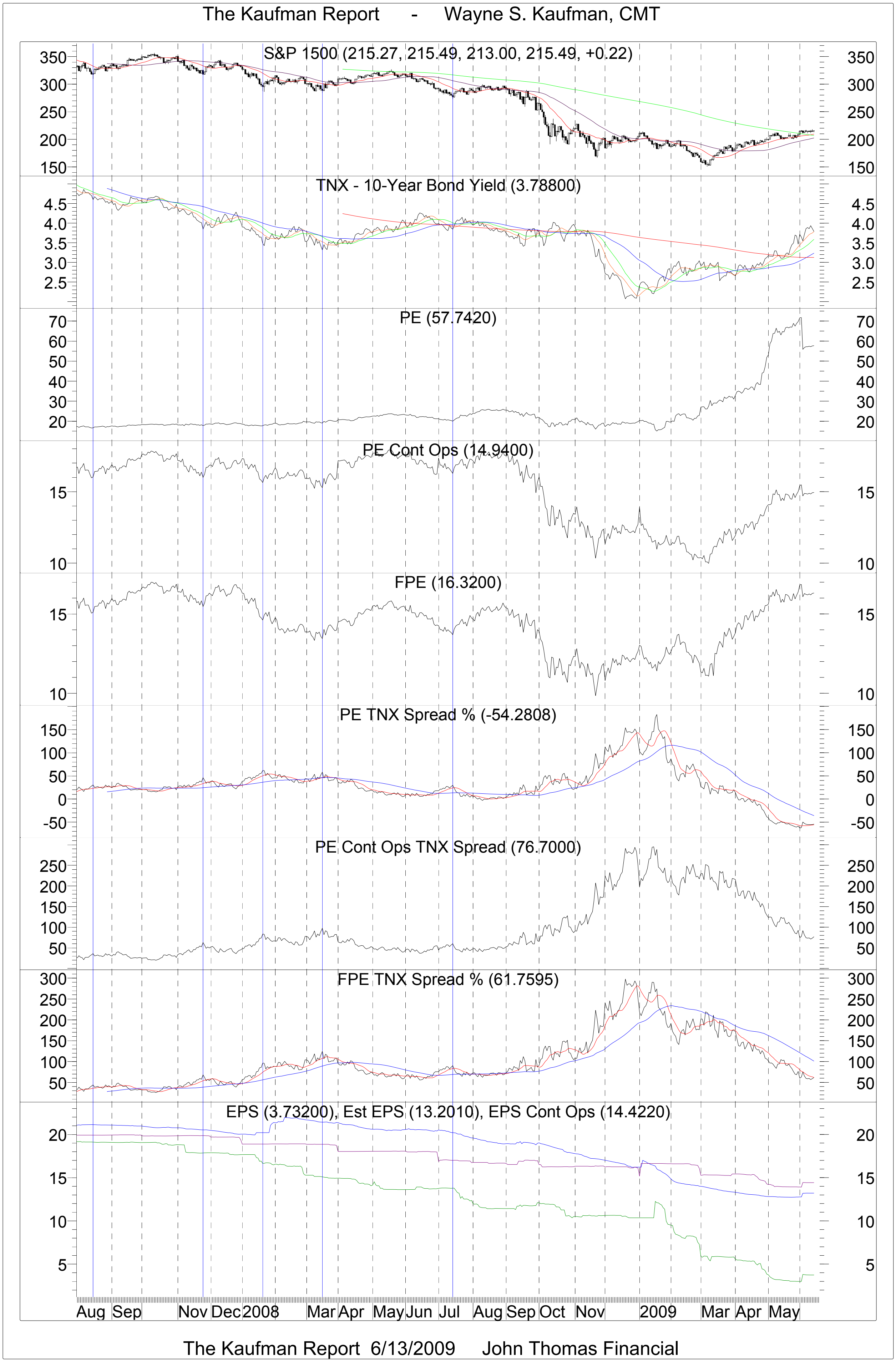


The Kaufman Report 6/13/2009 John Thomas Financial

Our proprietary options indicator is showing pessimism on the part of options buyers.

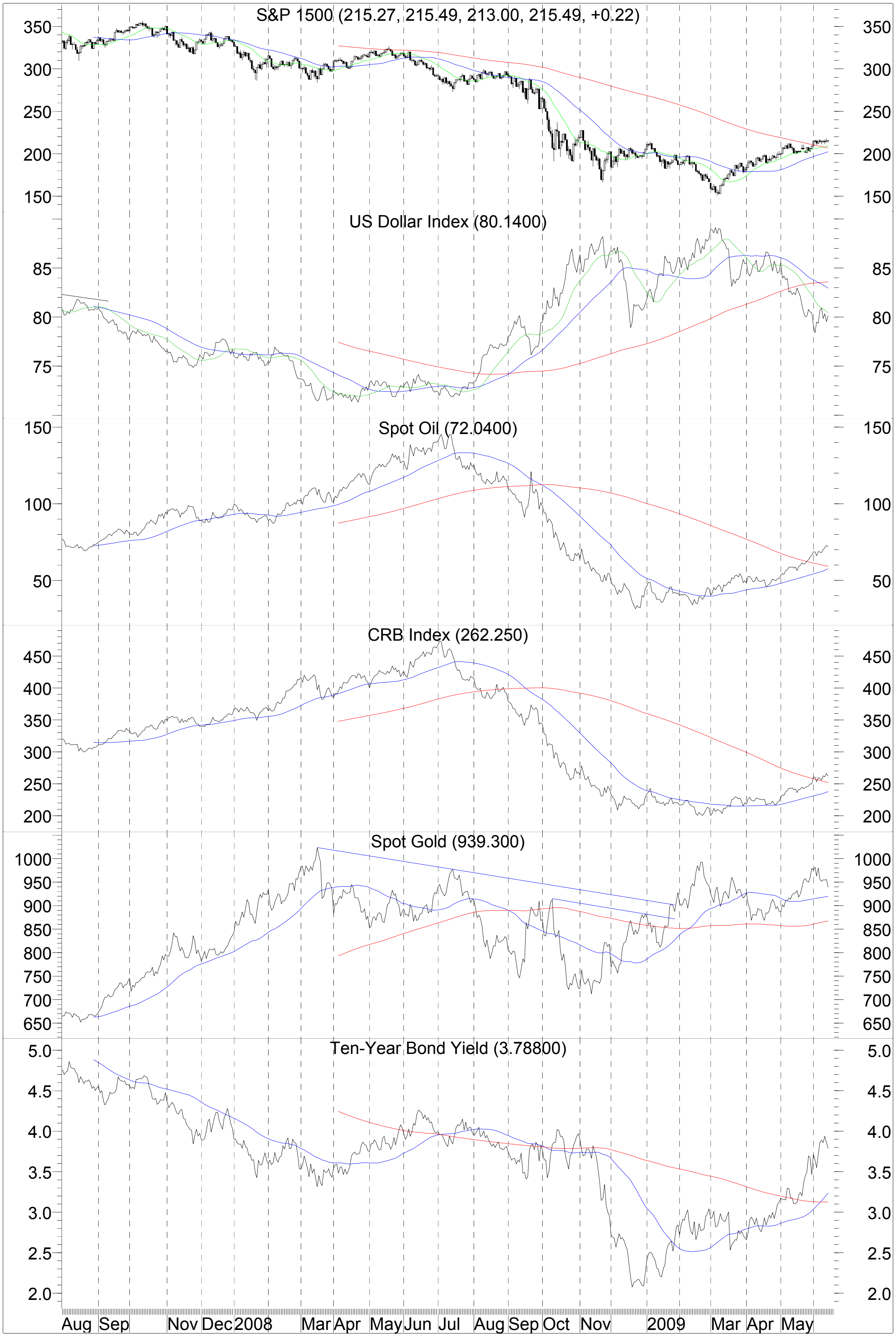


Our indicators of supply (red) versus demand (green) show that buyers have not been very enthusiastic, but sellers have been even more reticent. An increase in buying or selling can cause a sharp move under these circumstances.



The forward P/E has been at its highest levels since 11/2007.

Spreads between equity and bond yields have narrowed dramatically. Valuations based on continuing operations and forecasts make stocks look attractive. Based on earnings before charges they are expensive. Earnings metrics are flat lining in this lull before Q2 earnings season in July. As the quarter ends will others follow HD and TXN and raise forecasts?



Two weeks ago we said the US Dollar was oversold. It is just under its 20-sma, so the bounce could end here, but it still looks to go a little higher on the daily charts.

Crude oil is getting short-term overbought.

The commodities index has moved over its 200-sma.

Two weeks ago we said gold was short-term overbought. It has pulled back, but may have a little more to go. This would be in line with a little more Dollar strength. Still, we expect this to shortly be a good entry point for gold.