

Monday June 21, 2010

Closing prices of June 18, 2010

The equities markets seem to have calmed down lately, with ten sessions having gone by since the last panic-selling 90% down day. That's the longest streak since the recent cluster of 90% down days began on 4/27. The volatility index (VIX) is at its lowest level since 5/21, and credit spreads seem to be settling down. Sellers of equities have been moving to the sidelines.

**In last week's report we noted that the S&P 500 closed above its 20-day moving average for the first time since May 3<sup>rd</sup>, and that the weekly chart was showing a candle that just missed being a bullish engulfing candle but which was accompanied by a positive crossover on the weekly stochastic. That was an almost identical setup to March 2009, July 2009, and February 2010, each of which preceded very nice rallies.**

During the past week stocks rallied with the S&P 500 advancing 2.38%, its second consecutive weekly gain. In doing so equities recorded a 90% panic-buying up day on June 15<sup>th</sup>, which pushed indexes through important price resistance and the S&P 500 back above its 200-day moving average. This action confirmed a double bottom at the 1041 area and put the index back in a long-term uptrend. The only negative has been a continuing lack of volume.

We are starting to come out of a long period of a lack of visibility. We are entering earnings pre-announcement season, and we are just weeks ahead of second quarter earnings season. That will give investors much needed clarity regarding the effects of currency movements, financial regulation, sovereign debt issues, oil spills, and shifts in the global economy on corporate profits.

In the short-term equities are in an uptrend and working off an overbought condition. The positive technical setup outlined above still in effect. We think investors should be positioning themselves in stocks of companies which have had good earnings reports recently. As we said above, sellers have stepped to the sidelines, but we will remain vigilant for signs that liquidation is entering the market once again. Investors need to be ready to take defensive action quickly should that occur.

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

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# The Kaufman Report

Trade what you see, not what you think.

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

P/E: 16.82 FP/E: 14.19 Percent over 10-sma: 87.73% (93.73% on 6/15 highest since 93.87% on 3/26/09). Percent over 50-sma: 37.27% (highest since 5/17). Percent over 200-sma: 60.33%.

13-Week Closing Highs: 38. 13-Week Closing Lows: 21. 52-week closing highs: 28. 52-week closing lows: 4.

Kaufman Options Indicator: 1.00. Put/Call Ratio: 0.879.

New High Reversals: 15. New Low Reversals: 1.

Volume: +12.5% versus yesterday. 97% of the 10-day average. 82% of the 30-day average.

Up Stocks: 50.54%. Up Volume: 59.35%. Up Points: 53.10%. Up Dollars: 59.70%, 32% of 10-sma. Dn Dollars 55% of 10-sma.

Earnings: 494 of the S&P 500 have reported so far this earnings season. 77.5% have had positive surprises, 8.3% have been in line, and 14.2% have had negative surprises.

Federal Funds Futures project an 84.0% probability of no change to the current 0.25% target rate and a 16.0% probability of a decrease to 0.00% when the FOMC meets on 6/23. For the meeting of 8/10 the probabilities are 80.2% for no change, 4.7% for an increase to 0.50, and 15.1% for a decrease to 0.00%.

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## Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Dow Jones Industrials	10450.64	0.16%	2.35%	2.35%	3.10%	-3.74%	0.22%	11258.01	4/26/2010	8087.19	7/8/2009
Nasdaq 100	1913.48	0.15%	3.59%	3.59%	3.30%	-2.29%	2.86%	2059.42	4/26/2010	1394.87	7/8/2009
S&P 500	1117.51	0.13%	2.37%	2.37%	2.58%	-4.44%	0.22%	1219.80	4/26/2010	869.32	7/8/2009
Nasdaq Composite	2309.80	0.11%	2.95%	2.95%	2.34%	-3.68%	1.79%	2535.28	4/26/2010	1727.05	7/8/2009
S&P 1500	257.21	0.11%	2.35%	2.35%	2.41%	-4.13%	0.95%	281.21	4/26/2010	197.66	7/8/2009
S&P Smallcap 600	355.07	0.09%	2.36%	2.36%	0.50%	-1.45%	6.75%	396.63	4/26/2010	252.11	7/8/2009
NYSE Composite	6988.24	0.09%	2.55%	2.55%	2.90%	-6.17%	-2.74%	7743.74	4/15/2010	5552.82	7/8/2009
S&P Midcap 400	774.27	-0.08%	2.07%	2.07%	1.51%	-1.98%	6.55%	852.90	4/26/2010	539.04	7/8/2009
Bank of New York Mellon ADR	120.72	-0.17%	3.03%	3.03%	3.76%	-11.02%	-11.46%	142.19	1/11/2010	104.08	7/8/2009

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Energy	417.09	0.62%	2.72%	2.72%	5.25%	-3.07%	-2.99%	464.76	4/26/2010	342.19	7/13/2009
Financials	199.84	0.54%	2.31%	2.31%	1.23%	-6.94%	3.13%	230.45	4/15/2010	145.74	7/8/2009
Materials	188.31	0.50%	1.68%	1.68%	1.44%	-7.97%	-5.75%	213.87	4/26/2010	142.89	7/8/2009
Industrials	260.57	0.35%	3.22%	3.22%	1.59%	-4.64%	7.23%	292.21	4/30/2010	176.94	7/8/2009
Utilities	152.99	0.13%	3.94%	3.94%	5.57%	1.52%	-3.16%	161.50	12/14/2009	135.64	7/10/2009
Information Technology	363.85	0.07%	3.40%	3.40%	3.43%	-3.46%	-1.85%	397.46	4/26/2010	271.20	7/8/2009
Consumer Staples	275.25	-0.17%	1.49%	1.49%	1.86%	-4.47%	0.35%	290.45	3/23/2010	234.00	6/24/2009
Consumer Discretionary	256.14	-0.25%	1.00%	1.00%	0.57%	-0.99%	8.96%	284.57	4/26/2010	170.94	7/8/2009
Telecom Services	106.89	-0.32%	0.87%	0.87%	4.34%	-1.17%	-6.76%	117.00	1/5/2010	96.72	7/10/2009
Health Care	343.23	-0.33%	1.94%	1.94%	3.05%	-7.90%	-5.24%	384.95	1/20/2010	295.09	6/18/2009

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Banks	139.85	0.77%	1.35%	1.35%	-0.96%	-5.95%	11.57%	165.92	4/21/2010	97.99	7/8/2009
Diversified Financials	312.43	0.65%	1.87%	1.87%	-0.46%	-10.33%	-2.84%	382.07	4/15/2010	248.57	7/8/2009
Energy	417.09	0.62%	2.72%	2.72%	5.25%	-3.07%	-2.99%	464.76	4/26/2010	342.19	7/13/2009
Materials	188.31	0.50%	1.68%	1.68%	1.44%	-7.97%	-5.75%	213.87	4/26/2010	142.89	7/8/2009
Insurance	175.83	0.50%	3.95%	3.95%	5.76%	-4.43%	6.69%	189.97	4/26/2010	117.98	7/8/2009
Capital Goods	280.33	0.41%	3.51%	3.51%	1.52%	-5.64%	7.34%	318.38	4/30/2010	188.39	7/8/2009
Technology Hardware & Equipment	401.31	0.37%	4.39%	4.39%	3.81%	-0.72%	3.02%	431.10	4/26/2010	284.30	7/8/2009
Food & Staples Retailing	178.11	0.37%	1.29%	1.29%	-1.07%	-8.36%	-2.71%	196.37	3/30/2010	159.75	7/13/2009
Transportation	280.16	0.28%	2.33%	2.33%	1.46%	-0.85%	9.91%	304.63	5/3/2010	184.76	7/8/2009
Utilities	152.99	0.13%	3.94%	3.94%	5.57%	1.52%	-3.16%	161.50	12/14/2009	135.64	7/10/2009
Consumer Durables & Apparel	146.86	0.00%	1.60%	1.60%	0.17%	0.25%	12.02%	164.51	4/26/2010	90.81	7/8/2009
Commercial & Professional Services	133.51	-0.06%	2.41%	2.41%	2.92%	-3.28%	-0.22%	144.95	4/26/2010	107.96	7/8/2009
Software & Services	459.03	-0.09%	2.16%	2.16%	3.44%	-6.67%	-7.57%	512.69	4/15/2010	363.54	7/8/2009
Food, Beverage & Tobacco	311.04	-0.19%	1.84%	1.84%	3.32%	-3.01%	1.49%	324.19	3/23/2010	259.50	6/25/2009
Retailing	431.79	-0.22%	-0.52%	-0.52%	-2.63%	-4.00%	5.03%	499.94	4/26/2010	303.74	7/7/2009
Pharmaceuticals, Biotech & Life Scier	317.50	-0.24%	1.95%	1.95%	3.25%	-8.05%	-6.54%	359.71	1/20/2010	283.71	6/18/2009
Automobiles & Components	85.13	-0.26%	1.70%	1.70%	-2.12%	-9.39%	9.51%	107.25	4/26/2010	46.62	7/8/2009
Semiconductors & Equipment	313.51	-0.29%	4.79%	4.79%	2.25%	-1.92%	0.38%	348.04	4/15/2010	229.17	7/8/2009
Consumer Services	417.74	-0.30%	0.80%	0.80%	3.00%	3.02%	12.75%	446.11	4/26/2010	300.73	7/8/2009
Telecom Services	106.89	-0.32%	0.87%	0.87%	4.34%	-1.17%	-6.76%	117.00	1/5/2010	96.72	7/10/2009
Media	180.29	-0.35%	2.48%	2.48%	3.67%	1.78%	10.21%	192.83	5/3/2010	113.55	7/13/2009
Real Estate	107.69	-0.51%	2.48%	2.48%	3.87%	4.50%	14.34%	114.48	5/3/2010	57.87	7/10/2009
Health Care Equip & Services	338.11	-0.52%	1.92%	1.92%	2.66%	-7.62%	-2.62%	371.77	1/20/2010	268.36	6/18/2009
Household & Personal Products	363.43	-0.61%	0.91%	0.91%	1.56%	-3.78%	0.74%	383.05	3/23/2010	296.93	6/18/2009

## INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Indonesia IDX	73.83	2.83%	6.66%	10.56%	5.73%	18.76%	75.55	5/3/2010	39.10	6/23/2009
Spain EWP	36.32	2.02%	6.79%	8.16%	-14.02%	-24.40%	52.67	11/25/2009	29.85	6/8/2010
South Korea EWY	47.92	1.94%	6.23%	8.91%	-4.16%	0.59%	53.15	4/26/2010	31.67	6/23/2009
Vietnam VNM	25.63	0.99%	4.23%	5.47%	1.87%	0.55%	32.15	10/22/2009	22.55	5/21/2010
Malaysia EWM	11.64	0.95%	2.56%	4.96%	-0.34%	9.60%	12.17	4/30/2010	8.44	7/10/2009
Australia EWA	21.23	0.90%	2.91%	5.57%	-11.58%	-7.05%	25.14	1/11/2010	15.32	7/8/2009
Singapore EWS	11.60	0.69%	3.02%	5.36%	0.87%	0.96%	12.36	4/14/2010	8.54	6/23/2009
Canada EWC	27.62	0.69%	3.87%	5.54%	-1.04%	4.90%	29.00	4/15/2010	19.55	7/8/2009
Italy EWI	15.57	0.65%	7.80%	9.03%	-14.64%	-20.19%	21.77	10/19/2009	13.21	6/7/2010
Brazil EWZ	67.20	0.57%	2.36%	5.79%	-8.75%	-9.93%	80.93	12/3/2009	48.03	7/8/2009
Russia RSX	30.32	0.50%	3.38%	2.33%	-11.73%	-2.79%	36.91	4/14/2010	17.65	7/13/2009
Emerging Markets EEM	39.92	0.45%	2.99%	4.78%	-5.23%	-3.81%	46.66	4/9/2010	30.11	6/23/2009
Mexico EWW	52.28	0.42%	3.01%	6.93%	-2.04%	6.98%	61.60	5/6/2010	34.04	7/10/2009
India IFN	30.47	0.40%	2.87%	6.39%	-3.39%	-0.75%	33.08	4/14/2010	25.17	8/19/2009
Austria EWO	16.93	0.36%	3.99%	1.87%	-14.28%	-13.45%	23.59	10/15/2009	14.91	6/8/2010
BRIC EEB	40.20	0.32%	2.19%	5.48%	-5.85%	-5.32%	44.90	12/4/2009	23.23	5/6/2010
Sweden EWD	25.21	0.28%	5.57%	10.42%	-0.71%	7.28%	27.42	4/26/2010	16.88	6/23/2009
Japan EWJ	9.69	0.21%	2.87%	1.89%	-7.18%	-0.51%	10.71	4/15/2010	9.10	7/13/2009
Hong Kong EWH	15.40	0.20%	2.05%	4.19%	-5.46%	-1.66%	16.89	4/14/2010	12.92	6/23/2009
Latin America ILF	45.40	0.18%	1.91%	6.05%	-5.95%	-5.00%	50.25	12/4/2009	31.74	7/10/2009
Taiwan EWT	11.71	0.17%	2.99%	3.08%	-6.69%	-9.71%	13.46	1/6/2010	9.51	6/18/2009
Chile ECH	59.29	0.10%	4.44%	7.00%	7.92%	8.21%	60.94	1/19/2010	27.27	5/6/2010
China 25 FXI	40.66	0.10%	0.97%	3.25%	-3.42%	-3.79%	46.66	11/16/2009	35.33	6/23/2009
South Africa EZA	57.70	0.02%	5.31%	2.50%	-4.52%	3.09%	62.76	4/5/2010	23.00	5/6/2010
Thailand THD	47.57	0.00%	1.95%	8.02%	-0.73%	11.96%	49.98	4/6/2010	30.69	6/23/2009
Germany EWG	20.22	-0.05%	4.55%	5.59%	-7.54%	-9.89%	23.40	10/21/2009	16.75	7/8/2009
United Kingdom EWU	14.75	-0.07%	3.29%	4.09%	-9.34%	-8.95%	17.20	11/16/2009	12.34	7/8/2009
Israel EIS	49.96	-0.08%	1.59%	-0.97%	-15.12%	-8.16%	60.68	3/26/2010	39.40	7/8/2009
Turkey TUR	57.55	-0.16%	4.45%	6.57%	0.42%	6.77%	63.27	4/14/2010	33.41	6/23/2009
Netherlands EWN	18.91	-0.16%	5.06%	7.14%	-7.30%	-7.58%	21.51	10/15/2009	14.50	7/8/2009
France EWQ	21.96	-0.23%	5.37%	6.81%	-12.37%	-15.05%	27.32	1/11/2010	19.21	7/8/2009
Switzerland EWL	20.94	-0.38%	3.71%	6.95%	-9.35%	-5.93%	23.63	4/15/2010	17.00	7/8/2009
Belgium EWK	11.85	-0.67%	3.40%	5.24%	-8.99%	-7.13%	13.95	10/19/2009	8.93	5/6/2010

S&P 500 Cash (1,117.35, 1,117.52, 1,117.35, 1,117.51, +0.12)



The 30-minute chart of the S&P 500 shows support at the 1106 - 1107 area.

30-minute momentum indicators are neutral.

S&P 500 Cash (1,116.16, 1,121.01, 1,113.93, 1,117.51, +1.47)



The daily chart of the S&P 500 shows it broke out of the recent range, confirming a double bottom at the 1041 area and moving back into a long-term up trend by climbing above the 200-sma. We would like to see the top of the range (1105 - 1106) hold as support but it would not be unusual to see the index fall back into the sideways channel. We'll be happy as long as the 20-sma holds as support. 1130 is the 50% retracement of the recent correction.

Momentum indicators are neutral except for the stochastic, which is overbought. It can stay overbought during extended up trends.

S&P 500 Cash (1,095.00, 1,121.01, 1,089.03, 1,117.51, +25.91)



Last week we discussed the hammer-like weekly candle which was almost a perfect bullish engulfing candle along with the positive stochastic crossover from a low level. This is an almost identical setup to March 2009, July 2009, and February 2010, each of which preceded very nice rallies.

NASDAQ 100 (1,911.06, 1,925.20, 1,906.85, 1,913.48, +2.83)



The Nasdaq 100 broke the June 3rd resistance last week but ran into more resistance in the form of the 50-sma. On Friday it printed a shooting star candle, which can indicate a short-term top.

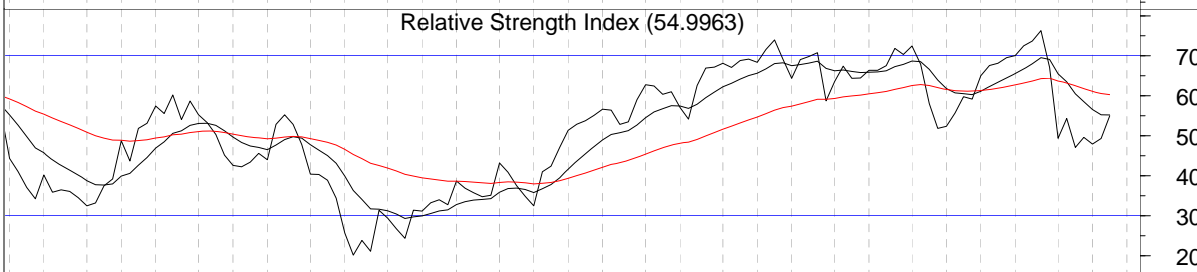


NASDAQ 100 (1,862.70, 1,925.20, 1,844.16, 1,913.48, +66.33)



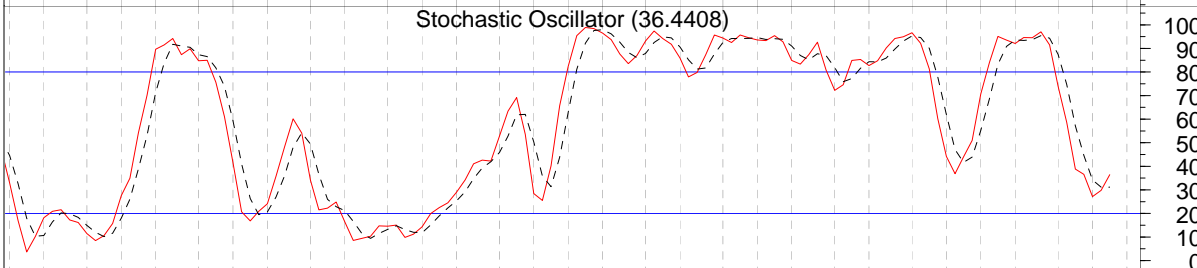
Last week we discussed the hammer candle on the weekly chart of the Nasdaq 100. Hammers are bottoming candles, and this week we had a nice move higher.

Relative Strength Index (54.9963)

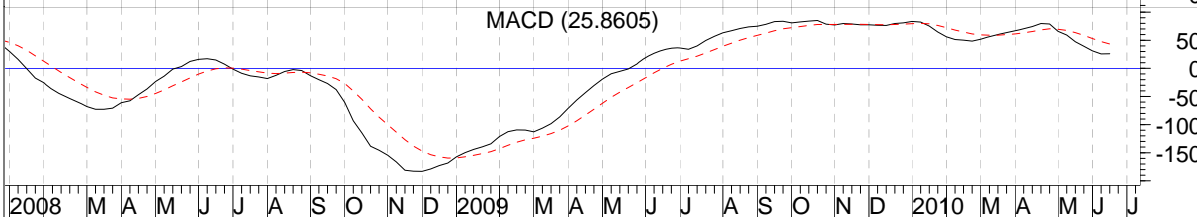


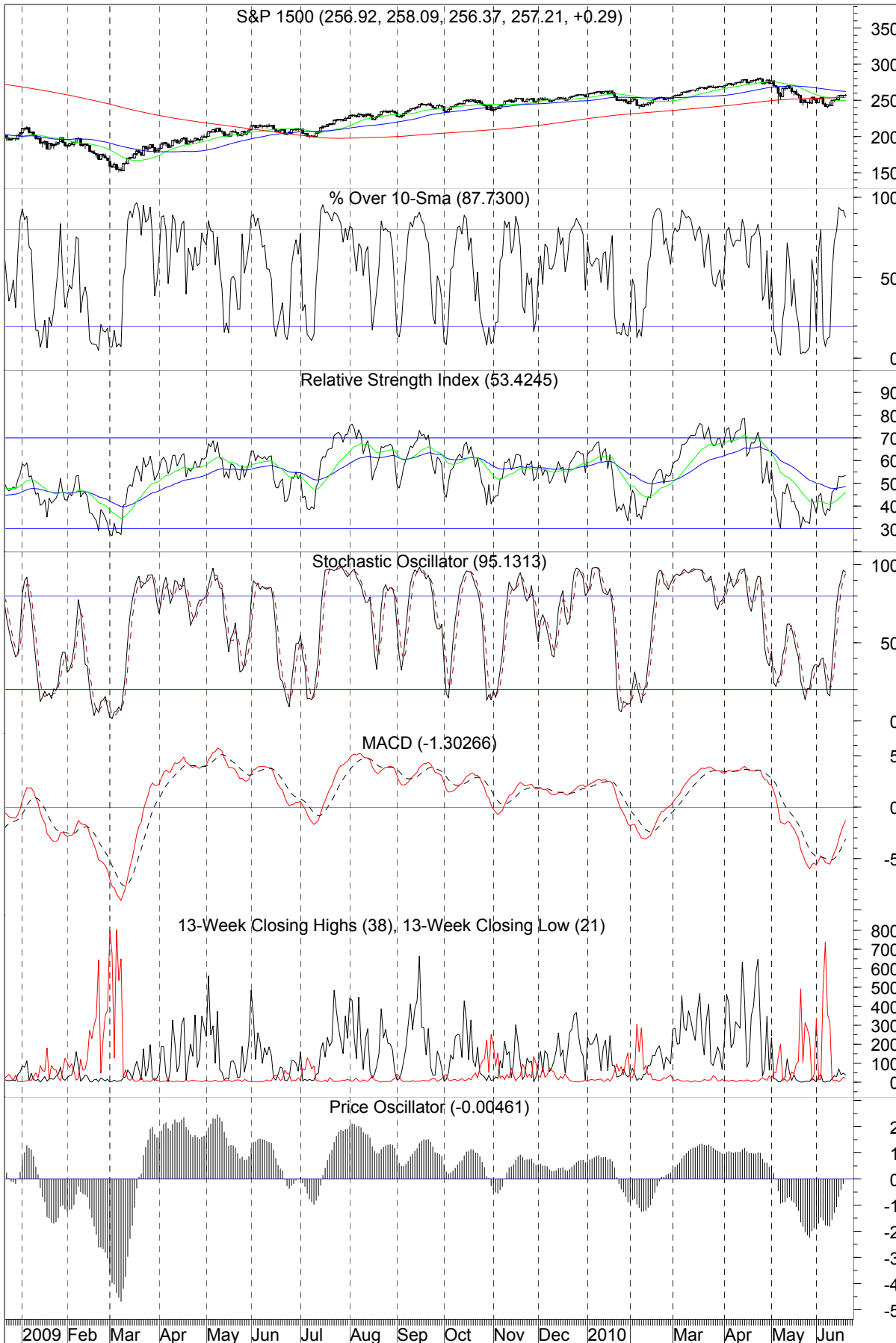
Weekly momentum indicators are still at neutral or low levels with the stochastic showing a positive crossover.

Stochastic Oscillator (36.4408)



MACD (25.8605)



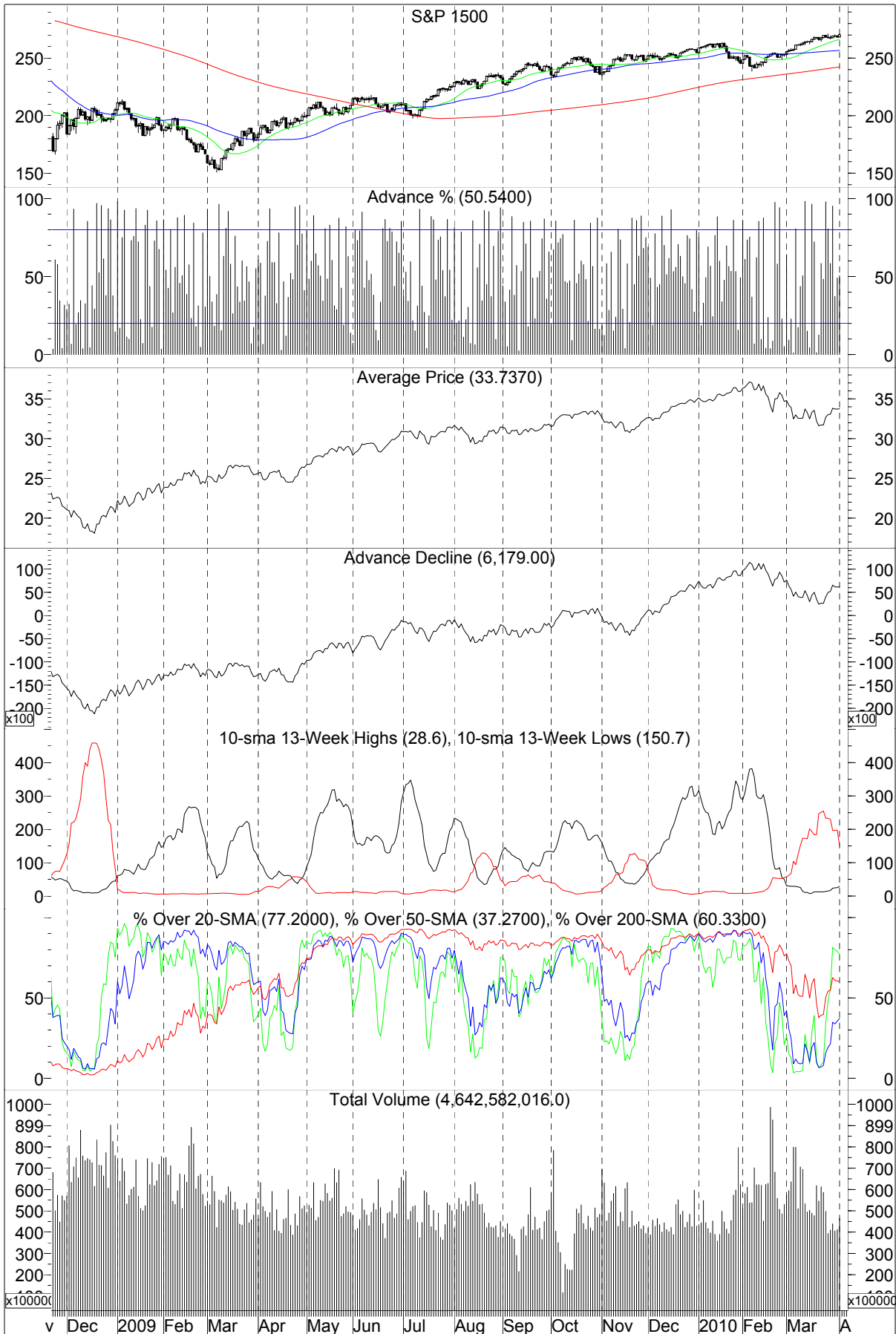


The percent of stocks over their own 10-sma remains overbought at 87.73% after hitting 93.73% on 6/15. This was the highest since 93.87 on 3/26/09.

Momentum indicators are mixed with the stochastic overbought and the MACD turning up from a low level. The stochastic can remain overbought for long periods.

A range bound market has given us few highs and lows recently.

Our price oscillator, a good indicator of trends, has steadily been improving from deeply oversold but remains slightly negative.

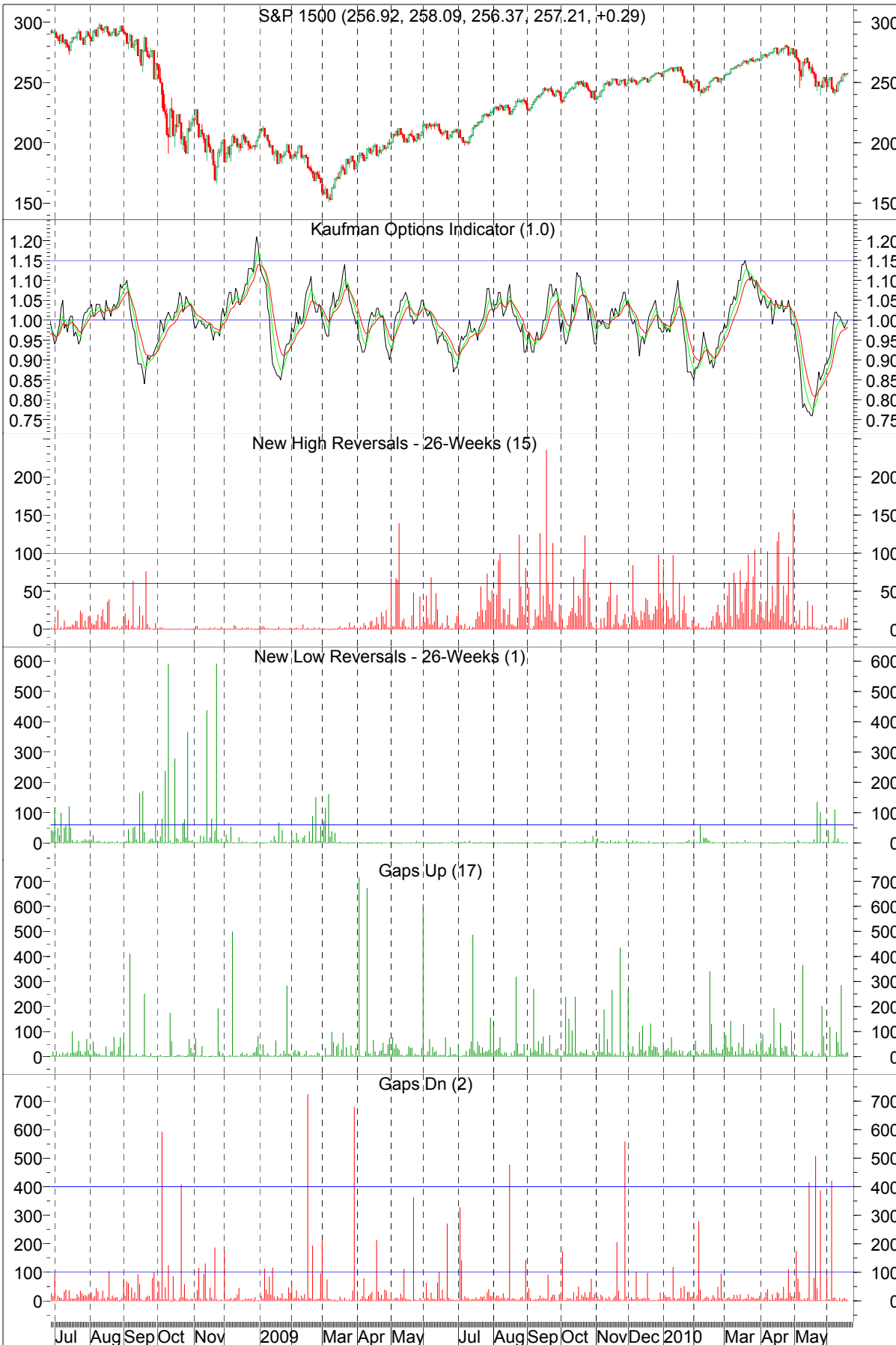


50.4% of stocks traded higher Friday.

The AD line is above levels of 20 days ago.

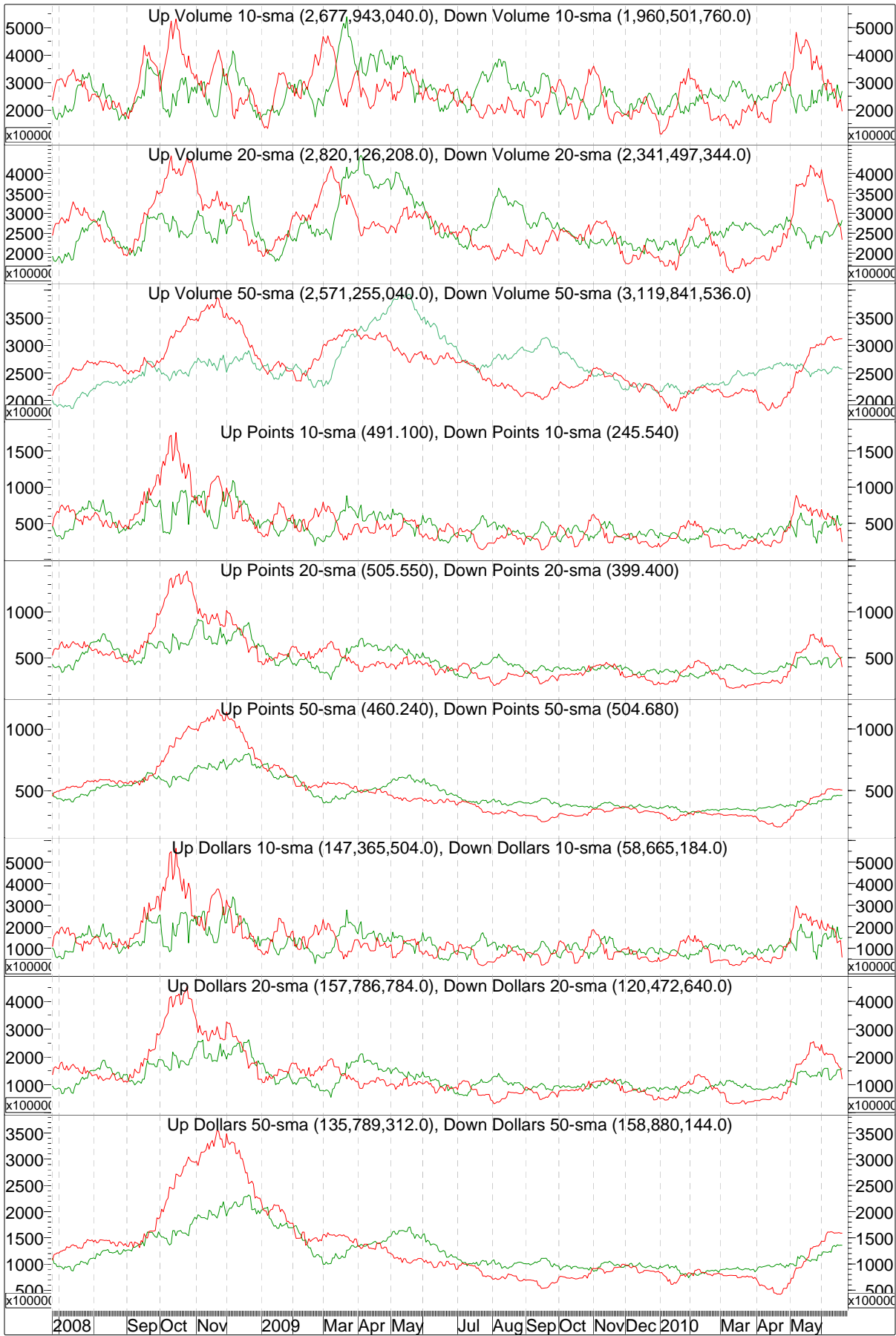
After flirting with bear market levels these numbers are bouncing back. Not yet back at bull market levels though.

Volume has been very light recently.

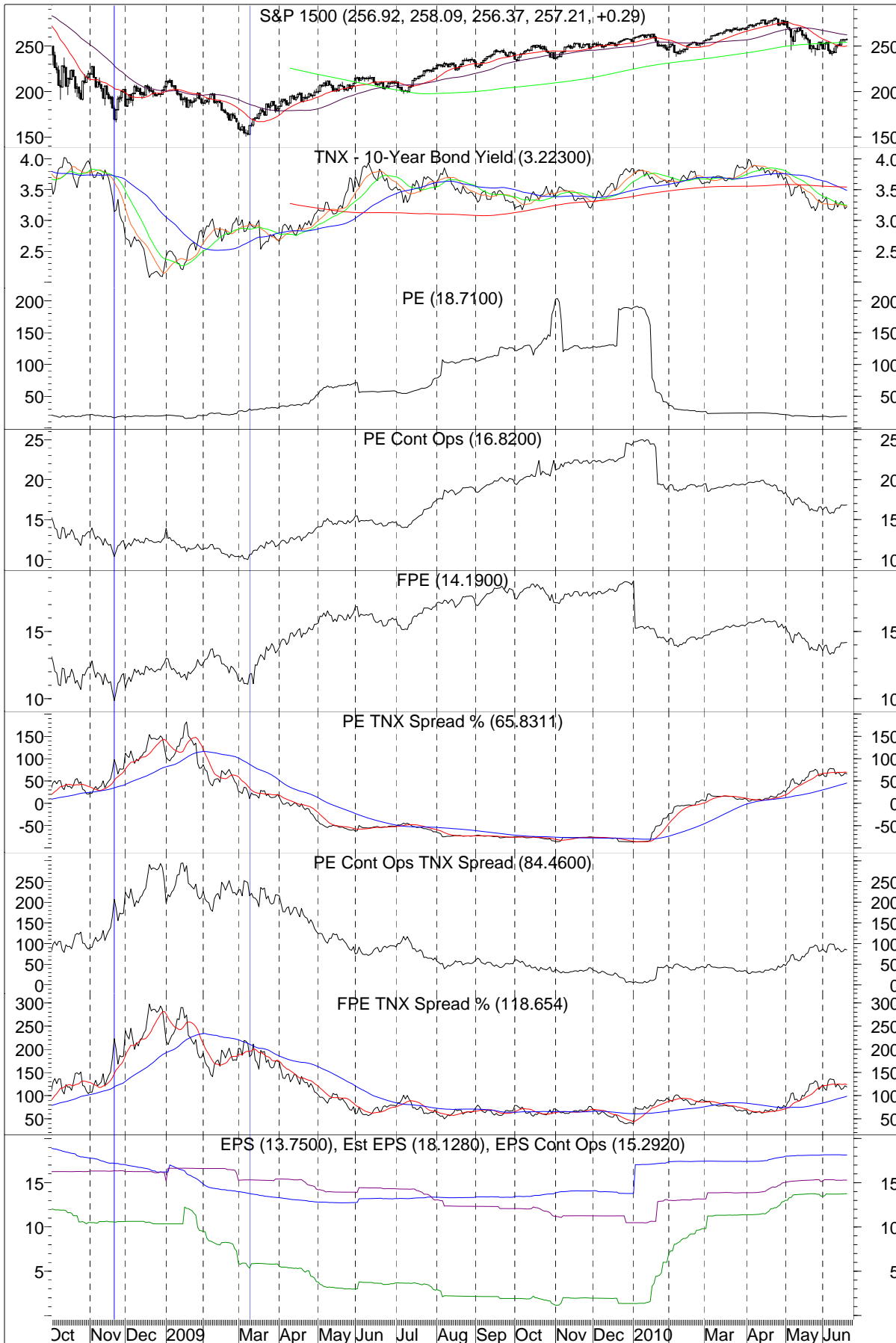


Our proprietary options indicator is neutral at 1.00.

The Kaufman Report - Wayne S. Kaufman, CMT



Last week we said our statistics of supply (red) versus demand (green) showed that buying had been fairly steady while selling was starting to lighten up. This past week saw buying again remaining steady while sellers ran to the sidelines. Hopefully there will not be any catalysts to bring sellers back before we get into earnings season. If not stocks will be able to trend higher.

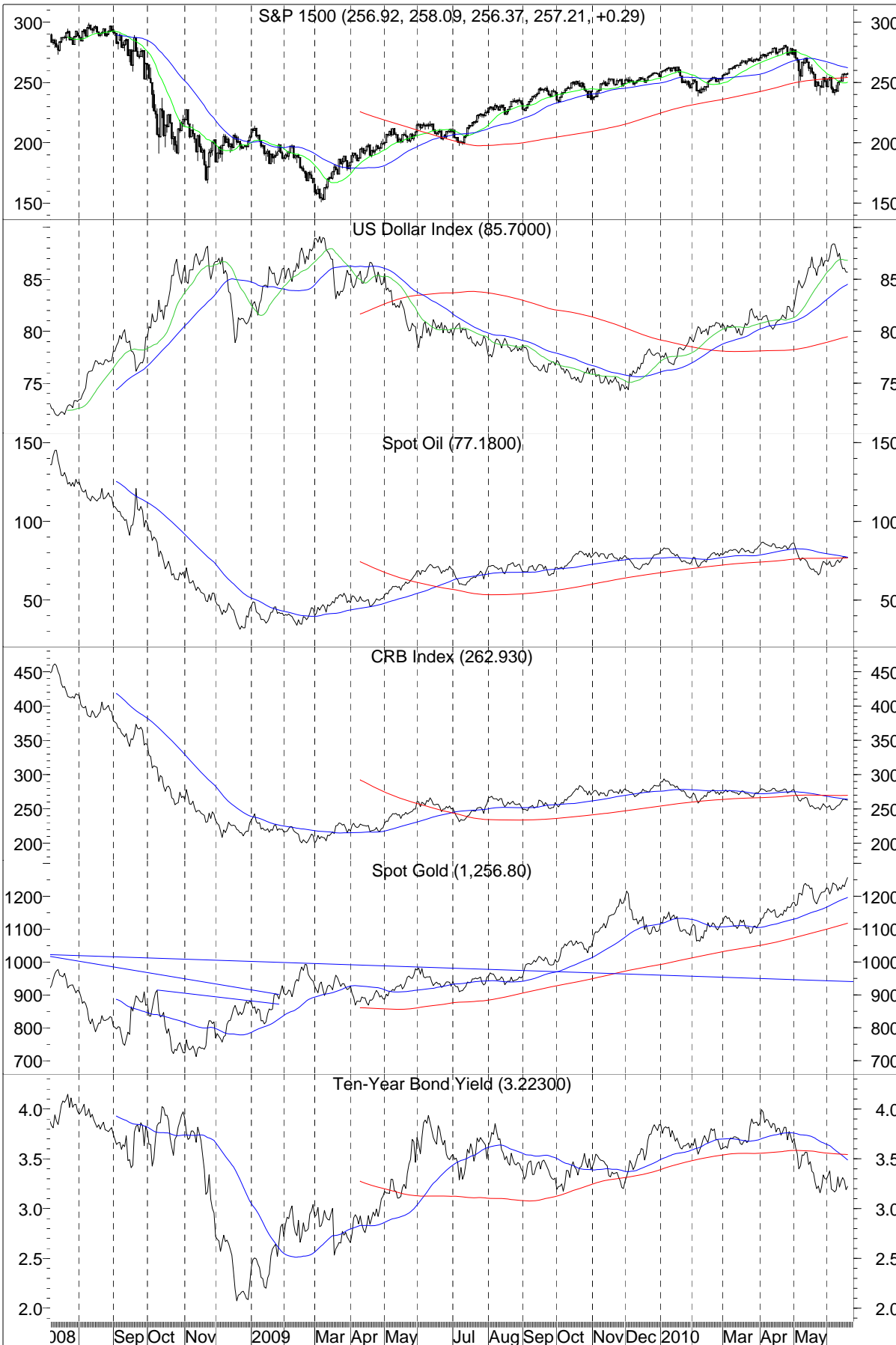


10-year bond yields remain in a down trend. They are not oversold on daily or weekly charts.

P/E ratios have moved higher as stocks rallied but they are still at low levels compared to their recent ranges.

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

Our metrics of earnings are flat lining as we wait for Q2 earnings season to begin.



Last week we said the U.S. Dollar Index was still overbought on the weekly chart. During the week it fell below its 20-sma and is not far above its 50-sma (blue).

Crude oil has continued its rise since our call for a rally on May 24th. It sits at the intersection of the 50 and 200-sma and just below resistance.

Last week we said sentiment for gold had turned from bearish to bullish, and could prevent a sharp move higher. In spite of the bullishness gold moved up 2.45% on the week to new all-time highs. Sentiment remains very bullish, so we are not sure how far this breakout will go. Also, there is a negative divergence on the weekly RSI. Still, gold is in a strong up trend and is not overbought on the daily or weekly charts.