

Monday March 14, 2011

Closing prices of March 11, 2011

The next issue of The Kaufman Report will be March 25th.

Stocks traded lower last week as global drama dominated the front pages with continued unrest in Libya and the Middle East and a horrific earthquake and tsunami causing devastation in Japan. A disappointing Jobless Claims report Thursday morning certainly didn't help stocks. For the week the S&P 500 was down 1.28%, the Nasdaq 100 was 2.57% lower, and the Bank of New York Mellon ADR Index led major indexes down with a loss of 3.43%.

For the last couple of weeks we have stressed that equities markets have reverted once again to being short-term trader's markets. Unfortunately sellers have come off the sidelines while buyers have become reticent. Indexes have been breaking support levels and developing a pattern of lower highs and lower lows for the first time since the summer. Market breadth has been weak. Thirteen week closing highs have been greater than closing lows on multiple sessions recently. Volatility has picked up with over 90% of stocks advancing during two sessions and over 90% declining on three sessions since 2/22. Our price oscillator, a good indicator of trends, has turned negative for the first time since early September.

The good news is our proprietary options indicator is at 0.90, which is a level of pessimism where equities have found support multiple times recently. In addition, bond yields have dropped in tandem with equity prices, widening the spreads between equity and bond yields to levels seen in mid-January. Therefore, while stocks are not extremely oversold, unless there are further extreme geo-political shocks further downside should be limited. We reiterate once again that this is a short-term trader's market and our strategy is to buy oversold conditions and sell overbought conditions.

Earnings season is essentially over with 496 of the S&P 500 having reported so far. Of those, 67.8% have exceeded expectations, 7.7% have been in line, and 24.5% have disappointed. This is a worse performance than last quarter, when 19% of the S&P 500 had lower than expected earnings, the highest percentage since 19.1% in Q2 2009. 70.7% beat estimates last quarter, a respectable number, but still the lowest since Q1 2009. Therefore, in spite of our opinion that this bull market still has a ways to go, we are watchful for deteriorating trends that could change the current positive long-term outlook.

In spite of the recent worries about oil and possible inflation, aggregate earnings estimates continue to rise. Currently S&P 500 projected earnings for 2011 are above \$96 and nearing \$97. The current S&P 500 P/E is 15.30. A 15 P/E on \$96 would put the index at 1440. Should projections follow the recent trend those numbers will move higher. Estimates for 2012 are above \$109 and nearing \$110, projecting earnings growth of 13.5% over 2011. A 15 P/E on \$109 equates to 1635 on the S&P 500, 25.4% higher than current levels.

We left the best three-month period for stocks when January ended, but we are still in the best 6-month period. February is historically the weakest of the six, but it still recorded a gain of 3.2%. As far as the presidential cycle, we are now in year three. Since 1939 the Dow Jones Industrial Average has not had a single down year three, with the average gain being 16.6%. In addition, based on the S&P 500 since 1914, from the low of year two to the high of year three the average move has been 49.2%. Through the last seven presidential cycles since 1982, the average low-to-high move has been 50.06%. From this year's S&P 500 low of 1010 that would equate to a move to 1500 sometime in 2011. We are not forecasting that, just highlighting that it is difficult to be bearish in the face of such strong historical patterns.

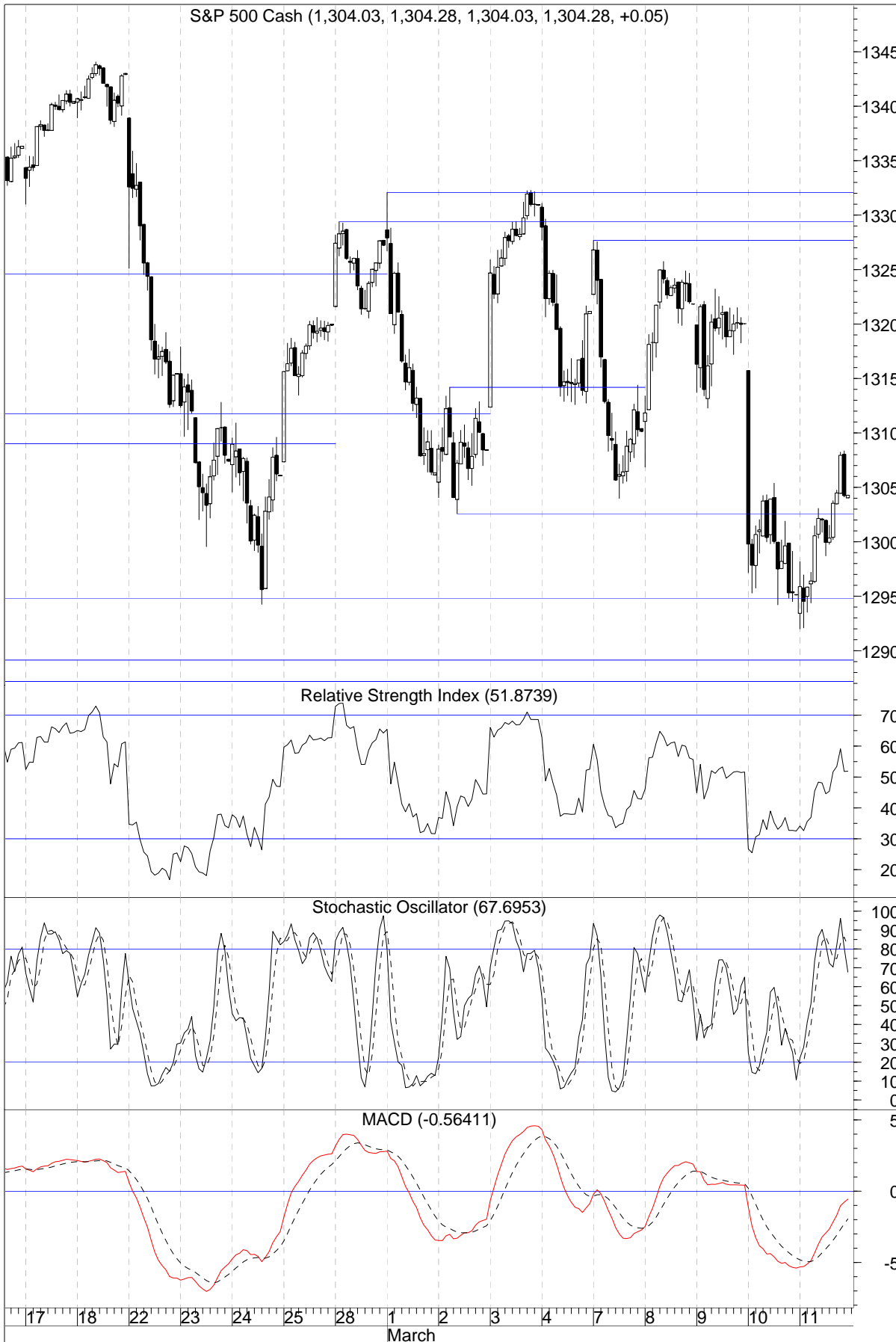
Based on the S&P 500 the short-term trend is down while the intermediate-term and long-term trends remain up. Pullbacks that are without intensity should be viewed as entry points for investors. This is back to being a short-term trader's market, and investors need to be alert for sector rotation.

IMPORTANT DISCLOSURES

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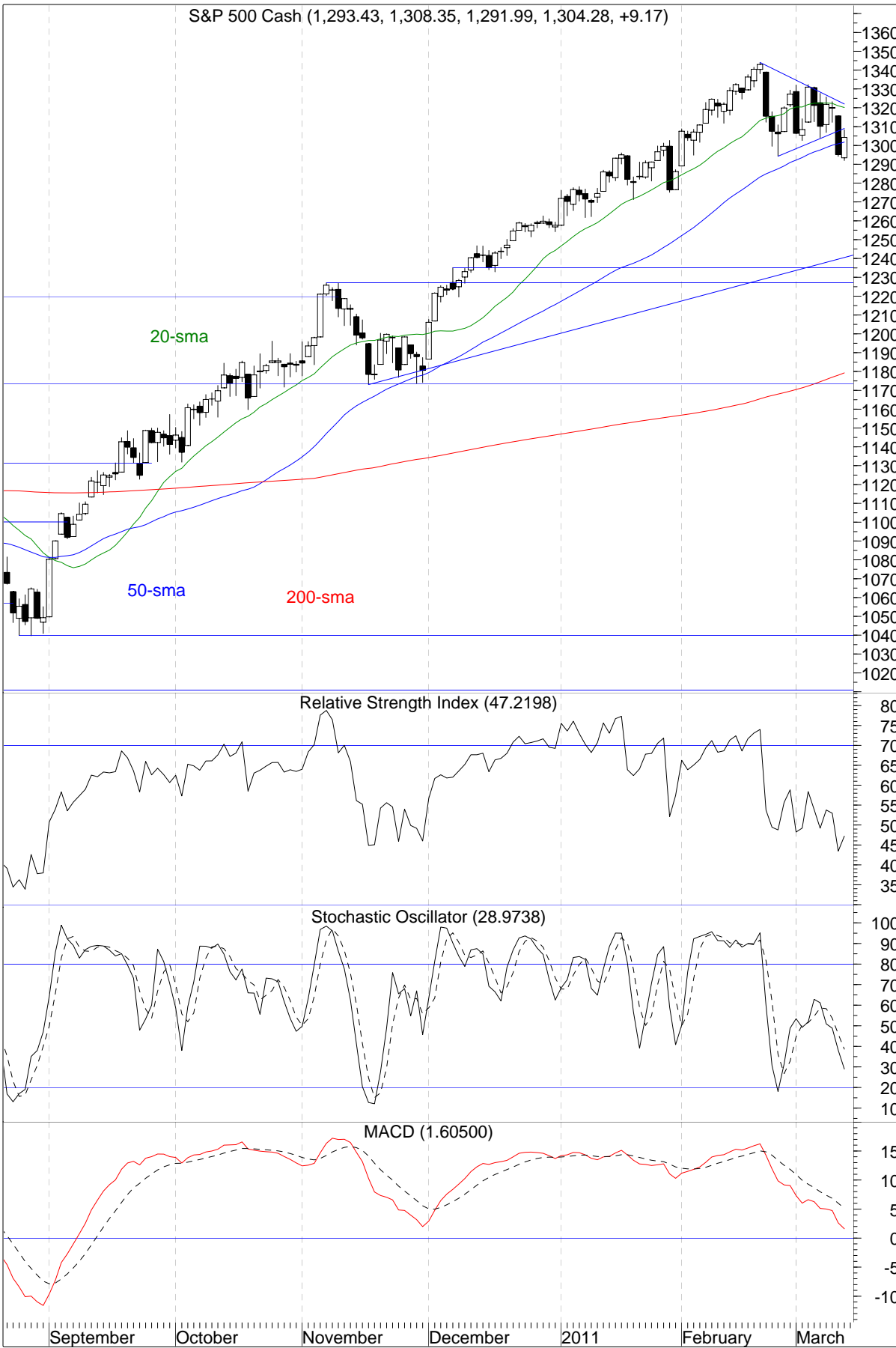
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S&P 500 Cash (1,304.03, 1,304.28, 1,304.03, 1,304.28, +0.05)



The 30-minute S&P 500 chart shows a series of lower tops and lower lows. Friday's action took out the low of 2/24 before stocks rebounded.

30-minute momentum indicators are neutral except the stochastic is overbought and poised to move lower.



The daily chart of the S&P 500 shows it breaking the lower trend line of a symmetrical triangle. On Thursday it closed below its 50-sma for the first time since September 1st. It closed back above it Friday. There is now a lot of resistance overhead.

Daily momentum indicators are at low levels but look negative.

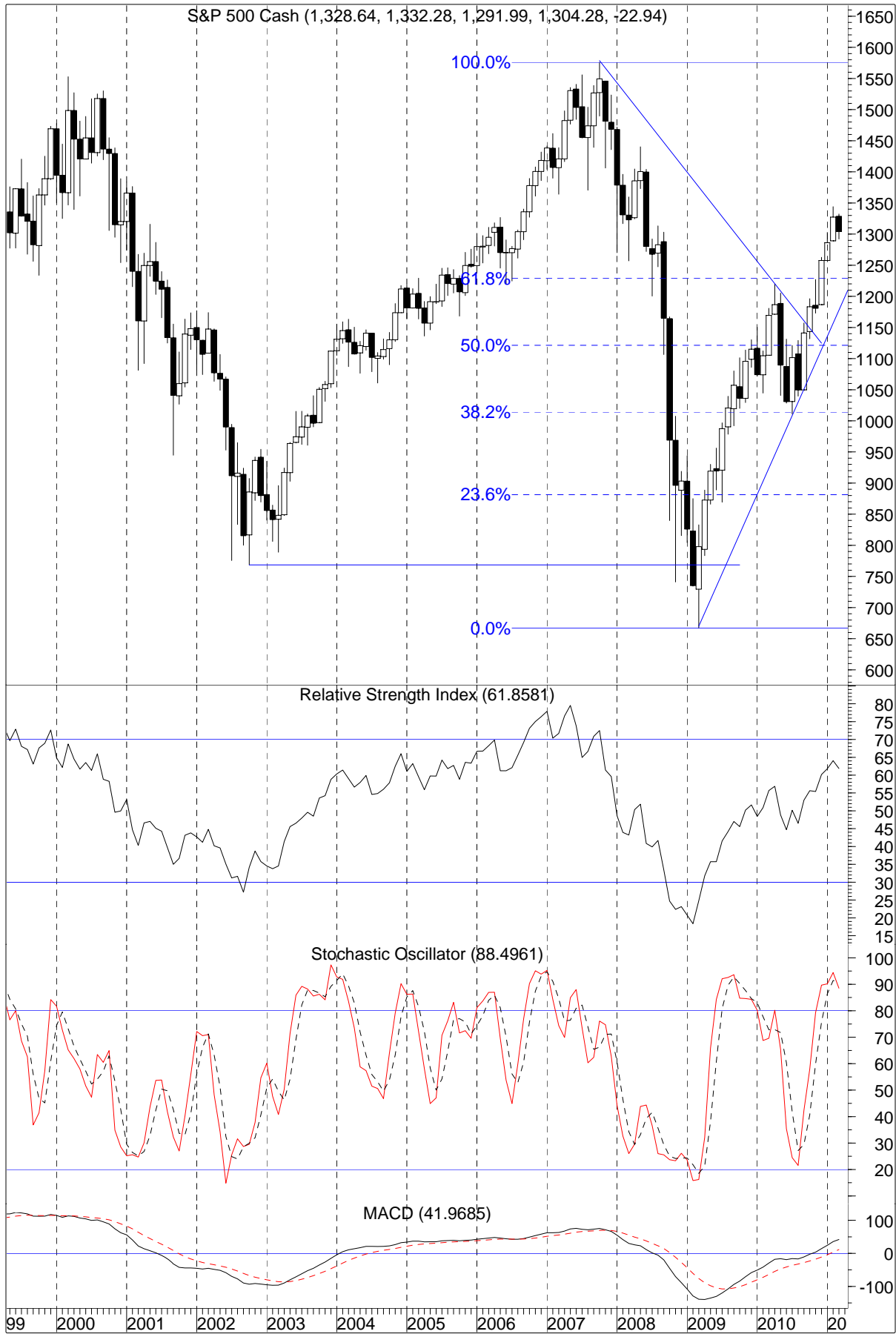
S&P 500 Cash (1,322.72, 1,327.68, 1,291.99, 1,304.28, -16.87)



The weekly chart of the S&P 500 shows a third week of softness after the February high.

Weekly momentum indicators look negative.

S&P 500 Cash (1,328.64, 1,332.28, 1,291.99, 1,304.28, -22.94)



So far March is threatening to end a string of good months.

Monthly momentum indicators are mixed with the stochastic in the overbought zone and turning down, the RSI high but not overbought, and the MACD still pointing higher.

NASDAQ 100 (2,275.29, 2,305.97, 2,275.07, 2,299.26, +14.97)



The daily chart of the Nasdaq 100 shows an ugly gap down below the 50-sma Thursday. Friday looked better with a bullish engulfing candle. The gap is now resistance, as is the 50-sma.

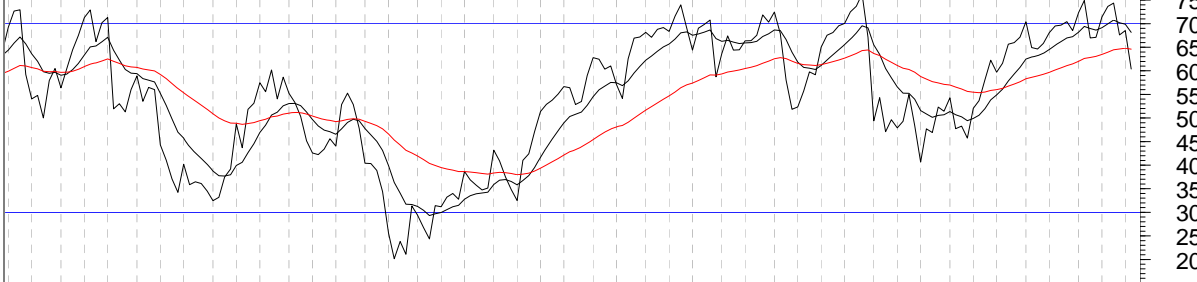
Daily momentum indicators look negative, but are getting to low levels.

NASDAQ 100 (2,367.92, 2,370.91, 2,275.07, 2,299.26, -60.70)



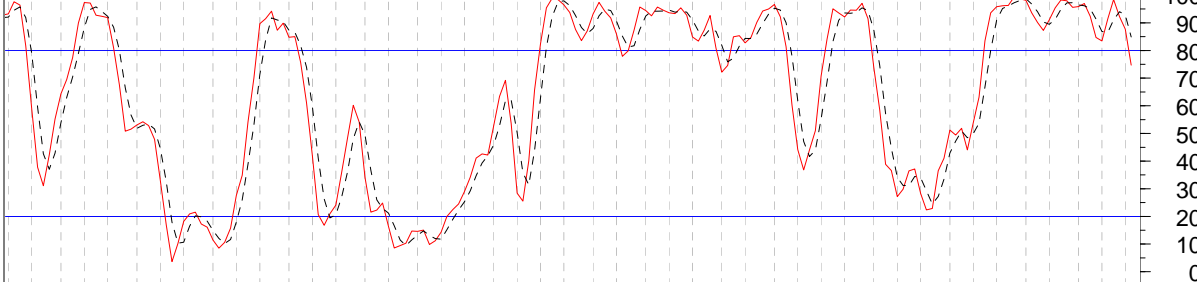
This was the worst week for the Nasdaq 100 since 8/13/10.

Relative Strength Index (60.3905)

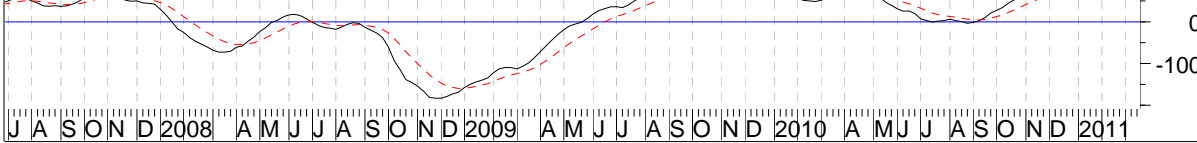


Weekly momentum indicators are negative with the RSI and stochastic rolling over from overbought levels.

Stochastic Oscillator (74.7388)



MACD (88.9131)



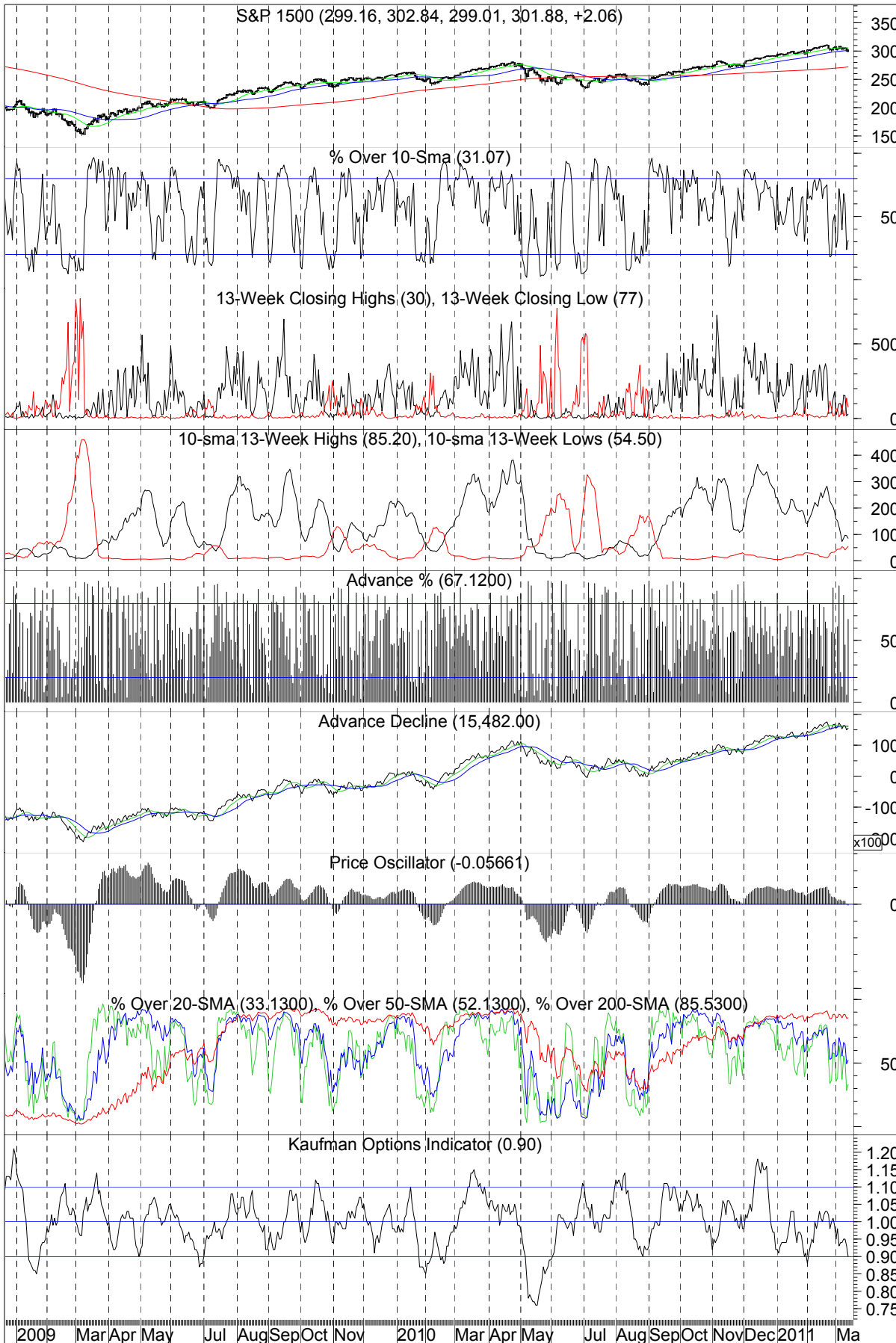
J A S O N D 2008 A M J J A S O N D 2009 A M J J A S O N D 2010 A M J J A S O N D 2011

NASDAQ 100 (2,359.78, 2,375.67, 2,275.07, 2,299.26, -51.73)



The monthly cahrt of the Nasdaq 100 shows it running into trouble at the 38.2% Fibonacci retracement level.

Monthly momentum indicators are at high levels with the RSI and the stochastic threatening to roll over.



Breadth has been weak with an inability to get to overbought levels recently. Friday's 31.07% is low but not in the oversold zone.

Friday had 77 13-week closing lows versus 30 highs. We are starting to see multiple days of lows dominating highs.

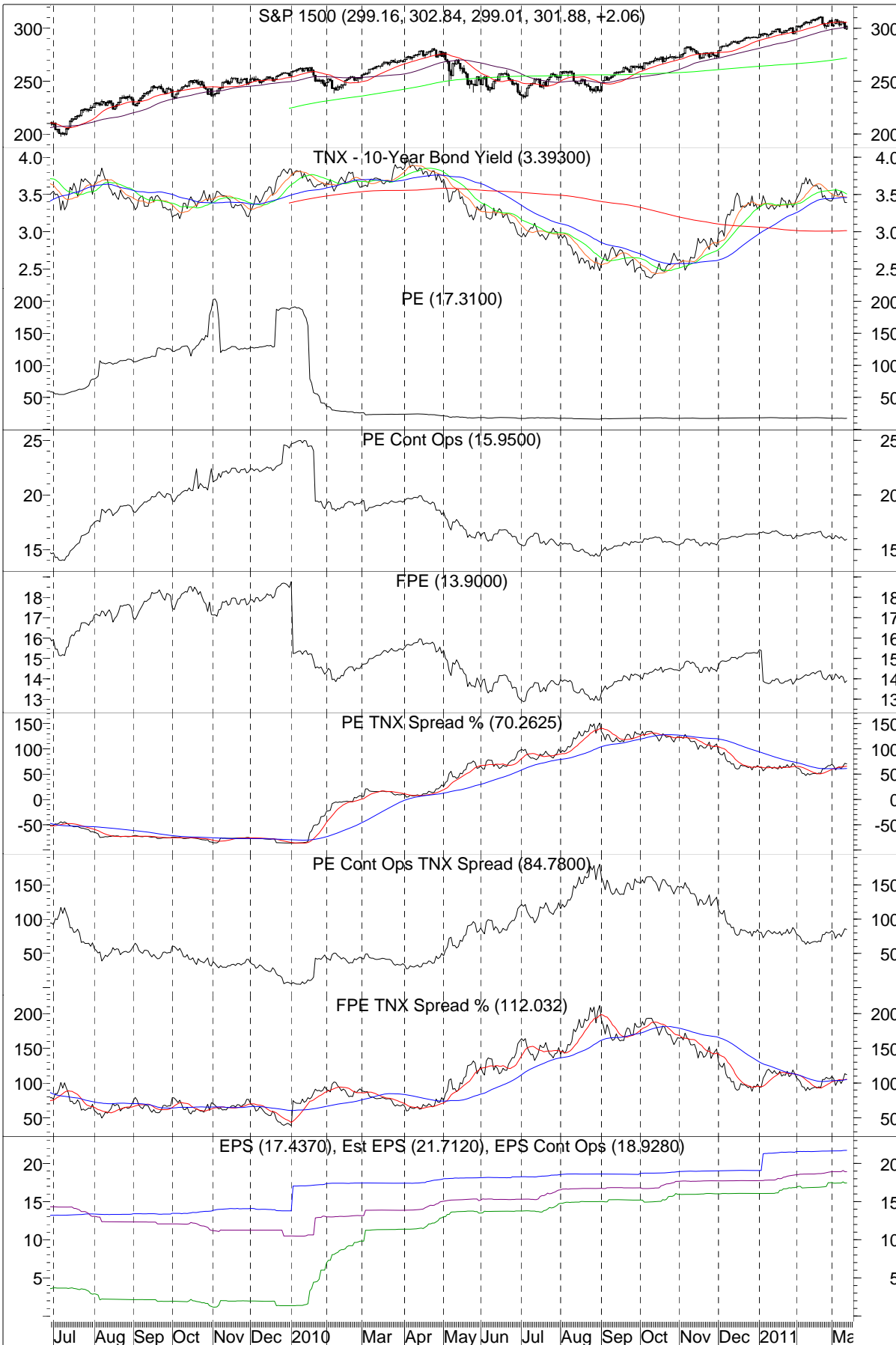
The 10-sma of closing highs is still above the 10-sma of lows, but is the lowest since 9/10.

Since 2/22 we have had five days of advancers over 90% (2) or under 10% (3).

Our price oscillator, a good indicator of trends, is negative for the first time since early September.

Short-term numbers have weakened dramatically while the longer-term percent over 200-sma is still bullish.

Our proprietary options indicator is at a level of pessimism where stocks have rallied recently.



The 10-year bond yield has fallen under its 20 and 50-sma. It is not oversold.

P/E ratios have moved down as stocks have pulled back.

Spreads between equity and bond yields have widened as stocks and bond yields have dropped in tandem. They are at levels where stocks should be attractive versus bonds.

Earnings season is essential over with 494 of the S&P 500 having reported. 67.8% exceeded estimates, 7.7% were in line, and 24.5% disappointed.

Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Dow Jones Industrials	12044.40	0.50%	-1.03%	-1.03%	-1.49%	4.03%	4.03%	12391.29	2/18/2011	9614.32	7/2/2010
S&P 500	1304.28	0.71%	-1.28%	-1.28%	-1.73%	3.71%	3.71%	1344.07	2/18/2011	1010.91	7/1/2010
S&P 1500	301.88	0.69%	-1.34%	-1.34%	-1.70%	3.78%	3.78%	311.19	2/18/2011	232.54	7/1/2010
S&P Midcap 400	952.94	0.69%	-1.61%	-1.61%	-1.41%	5.04%	5.04%	983.84	2/18/2011	692.75	7/1/2010
NYSE Composite	8248.53	0.59%	-1.96%	-1.96%	-2.25%	3.57%	3.57%	8520.27	2/18/2011	6355.83	7/1/2010
S&P Smallcap 600	426.21	0.17%	-2.30%	-2.30%	-1.83%	2.52%	2.52%	442.54	2/18/2011	315.22	8/24/2010
Nasdaq Composite	2715.61	0.54%	-2.48%	-2.48%	-2.40%	2.36%	2.36%	2840.51	2/18/2011	2061.14	7/1/2010
Nasdaq 100	2299.26	0.66%	-2.57%	-2.57%	-2.20%	3.67%	3.67%	2403.52	2/16/2011	1700.04	7/1/2010
Bank of New York Mellon ADR	142.27	0.20%	-3.43%	-3.43%	-3.38%	1.53%	1.53%	148.80	2/18/2011	109.79	5/25/2010

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Utilities	163.98	0.30%	1.50%	1.50%	1.06%	2.91%	2.91%	165.74	3/9/2011	138.57	5/25/2010
Telecom Services	125.72	-0.58%	1.07%	1.07%	-0.76%	-2.34%	-2.34%	132.76	1/5/2011	98.67	5/6/2010
Consumer Staples	305.77	-0.05%	0.33%	0.33%	0.12%	0.72%	0.72%	308.25	3/9/2011	260.65	7/1/2010
Financials	222.56	0.82%	0.19%	0.19%	-1.86%	3.63%	3.63%	231.18	2/16/2011	178.83	8/25/2010
Industrials	317.02	1.18%	-0.42%	-0.42%	-1.02%	5.28%	5.28%	329.63	2/18/2011	232.54	7/6/2010
Consumer Discretionary	307.12	0.52%	-0.63%	-0.63%	-1.05%	3.92%	3.92%	315.79	2/18/2011	225.71	7/1/2010
Health Care	376.98	0.28%	-1.38%	-1.38%	0.11%	3.34%	3.34%	383.18	3/4/2011	318.89	7/1/2010
Information Technology	416.20	0.64%	-2.76%	-2.76%	-2.99%	2.88%	2.88%	439.61	2/18/2011	323.47	7/1/2010
Materials	235.57	1.36%	-3.10%	-3.10%	-3.94%	-1.69%	-1.69%	253.05	2/17/2011	168.44	7/1/2010
Energy	556.57	1.63%	-4.00%	-4.00%	-4.15%	9.83%	9.83%	586.53	3/7/2011	365.74	7/1/2010

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Utilities	163.98	0.30%	1.50%	1.50%	1.06%	2.91%	2.91%	165.74	3/9/2011	138.57	5/25/2010
Consumer Services	476.43	-0.62%	1.46%	1.46%	1.11%	1.86%	1.86%	483.97	2/18/2011	371.65	7/1/2010
Transportation	336.36	1.05%	1.30%	1.30%	0.63%	1.73%	1.73%	347.39	2/18/2011	247.54	7/6/2010
Real Estate	129.84	1.82%	1.23%	1.23%	-2.24%	7.68%	7.68%	132.99	3/1/2011	93.55	7/6/2010
Banks	151.67	0.92%	1.17%	1.17%	-0.77%	1.93%	1.93%	165.92	4/21/2010	115.69	8/31/2010
Telecom Services	125.72	-0.58%	1.07%	1.07%	-0.76%	-2.34%	-2.34%	132.76	1/5/2011	98.67	5/6/2010
Food & Staples Retailing	195.85	-0.11%	0.97%	0.97%	0.40%	0.08%	0.08%	203.40	1/26/2011	162.45	7/1/2010
Commercial & Professional Service	148.63	0.80%	0.53%	0.53%	0.62%	2.13%	2.13%	151.59	2/18/2011	122.63	6/8/2010
Food, Beverage & Tobacco	360.41	-0.06%	0.34%	0.34%	0.78%	2.26%	2.26%	363.79	3/9/2011	294.78	5/25/2010
Diversified Financials	346.06	0.67%	0.05%	0.05%	-1.78%	3.18%	3.18%	382.07	4/15/2010	278.07	8/31/2010
Consumer Durables & Apparel	174.69	-0.02%	0.00%	0.00%	0.13%	3.64%	3.64%	177.47	2/18/2011	127.38	7/6/2010
Automobiles & Components	112.06	1.24%	0.00%	0.00%	-2.46%	-5.15%	-5.15%	130.31	1/13/2011	74.25	6/29/2010
Household & Personal Products	369.08	0.02%	-0.30%	-0.30%	-1.82%	-2.41%	-2.41%	390.72	1/25/2011	339.42	5/6/2010
Retailing	508.66	0.78%	-0.60%	-0.60%	-0.81%	0.06%	0.06%	529.38	2/16/2011	379.61	7/1/2010
Insurance	196.24	0.62%	-0.69%	-0.69%	-2.70%	4.26%	4.26%	202.29	2/18/2011	156.79	5/25/2010
Capital Goods	344.22	1.24%	-0.87%	-0.87%	-1.50%	6.37%	6.37%	358.95	2/18/2011	250.06	7/6/2010
Pharmaceuticals, Biotech & Life Sci	339.56	0.43%	-0.92%	-0.92%	0.46%	0.58%	0.58%	352.33	3/23/2010	299.26	7/1/2010
Software & Services	535.66	0.43%	-1.51%	-1.51%	-2.27%	1.76%	1.76%	562.10	2/18/2011	410.27	7/1/2010
Media	222.79	0.86%	-2.09%	-2.09%	-2.45%	12.36%	12.36%	230.21	3/3/2011	158.64	7/1/2010
Health Care Equip & Services	391.48	-0.01%	-2.19%	-2.19%	-0.52%	9.02%	9.02%	402.70	3/3/2011	296.30	8/31/2010
Materials	235.57	1.36%	-3.10%	-3.10%	-3.94%	-1.69%	-1.69%	253.05	2/17/2011	168.44	7/1/2010
Technology Hardware & Equipmen	451.93	0.85%	-3.20%	-3.20%	-3.27%	3.96%	3.96%	483.22	2/9/2011	350.49	8/27/2010
Energy	556.57	1.63%	-4.00%	-4.00%	-4.15%	9.83%	9.83%	586.53	3/7/2011	365.74	7/1/2010
Semiconductors & Equipment	350.33	0.76%	-5.66%	-5.66%	-4.63%	3.75%	3.75%	380.50	2/18/2011	262.69	8/31/2010

INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Turkey TUR	61.48	2.42%	5.56%	4.63%	-7.14%	-7.14%	79.00	11/9/2010	44.40	5/6/2010
Vietnam VNM	24.32	1.33%	2.83%	0.29%	-7.10%	-7.10%	30.34	12/13/2010	21.81	8/25/2010
Thailand THD	63.90	0.52%	2.72%	3.50%	-1.10%	-1.10%	68.70	11/9/2010	41.82	5/21/2010
Indonesia IDX	28.39	0.46%	1.61%	3.80%	-2.45%	-2.45%	31.05	11/9/2010	19.73	5/25/2010
China 25 FXI	43.53	-0.25%	0.21%	2.55%	1.02%	1.02%	47.99	11/8/2010	36.24	5/6/2010
Singapore EWS	13.24	0.30%	0.00%	1.46%	-4.40%	-4.40%	14.56	11/9/2010	10.47	5/25/2010
Hong Kong EWH	18.70	-0.16%	-0.27%	0.16%	-1.16%	-1.16%	20.24	11/8/2010	14.08	5/21/2010
Israel EIS	55.82	0.36%	-0.32%	-1.59%	-7.77%	-7.77%	61.79	1/19/2011	45.00	5/6/2010
Malaysia EWM	14.26	-0.05%	-0.44%	1.35%	-0.83%	-0.83%	14.98	1/13/2011	10.60	5/25/2010
Spain EWP	40.72	1.17%	-0.73%	-3.16%	10.83%	10.83%	45.29	4/14/2010	29.85	6/8/2010
India IFN	30.21	0.37%	-0.76%	1.75%	-13.96%	-13.96%	36.88	11/8/2010	23.97	5/25/2010
Sweden EWD	31.31	-0.08%	-0.82%	-2.06%	0.26%	0.26%	32.94	1/27/2011	19.00	5/6/2010
South Africa EZA	69.03	2.01%	-1.13%	-0.49%	-7.57%	-7.57%	75.27	1/3/2011	23.00	5/6/2010
Italy EWI	18.22	0.66%	-1.19%	-1.57%	11.23%	11.23%	19.04	4/14/2010	13.21	6/7/2010
Belgium EWK	13.83	0.51%	-1.36%	0.55%	5.33%	5.33%	14.52	11/4/2010	8.93	5/6/2010
Mexico EWW	60.38	1.09%	-1.66%	-1.21%	-2.49%	-2.49%	63.46	1/18/2011	45.11	5/25/2010
Austria EWO	22.13	0.91%	-1.73%	-2.55%	-0.90%	-0.90%	23.21	2/9/2011	14.91	6/8/2010
Emerging Markets EEM	46.03	1.03%	-1.84%	0.52%	-3.38%	-3.38%	48.59	11/9/2010	35.19	5/25/2010
France EWQ	25.99	0.43%	-2.33%	-3.20%	6.30%	6.30%	27.03	2/28/2011	19.24	5/25/2010
Netherlands EWN	22.15	0.41%	-2.38%	-1.34%	5.03%	5.03%	22.87	3/7/2011	16.64	5/25/2010
BRIC EEB	45.15	0.60%	-2.46%	-0.68%	-2.15%	-2.15%	48.27	11/9/2010	23.23	5/6/2010
Switzerland EWL	24.87	-0.24%	-2.89%	-3.23%	-0.84%	-0.84%	25.84	3/1/2011	18.70	5/25/2010
Germany EWG	25.17	0.36%	-3.01%	-3.19%	5.14%	5.14%	26.30	2/18/2011	17.97	5/25/2010
Taiwan EWT	14.64	0.41%	-3.30%	-0.68%	-6.27%	-6.27%	16.08	2/7/2011	10.81	6/8/2010
South Korea EWY	58.10	0.29%	-3.36%	0.07%	-5.05%	-5.05%	63.73	2/2/2011	40.65	5/25/2010
Brazil EWZ	73.14	0.83%	-3.39%	-1.52%	-5.50%	-5.50%	81.55	11/4/2010	57.03	5/25/2010
United Kingdom EWU	17.68	0.27%	-3.49%	-3.70%	1.78%	1.78%	18.55	2/18/2011	13.25	5/25/2010
Latin America ILF	51.20	1.03%	-3.65%	-1.95%	-4.94%	-4.94%	54.83	11/5/2010	39.18	5/25/2010
Australia EWA	24.97	1.18%	-3.78%	-4.37%	-1.85%	-1.85%	26.36	2/28/2011	18.26	5/25/2010
Canada EWC	32.59	0.74%	-4.09%	-3.21%	5.13%	5.13%	34.21	3/7/2011	22.75	5/6/2010
Russia RSX	39.72	0.03%	-4.61%	-2.89%	4.77%	4.77%	42.17	3/7/2011	26.06	5/25/2010
Chile ECH	67.31	0.12%	-5.28%	-3.68%	-15.44%	-15.44%	80.35	12/20/2010	27.26	5/6/2010
Japan EWJ	10.81	-1.66%	-5.51%	-6.24%	-0.92%	-0.92%	11.63	2/18/2011	9.15	6/7/2010