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 March 16, 2009 **Closing prices of March 13, 2009**

The oversold rally that everyone was waiting for took place right on schedule last week as stocks recorded two panic-buying 90% up days. For the week the S&P 500 was up 10.71%. All ten S&P sectors advanced on the week led by Financials up a staggering 33.85% followed by Industrials up a mere 12.39%. Like children in the back seat on a long drive the question on everyone's mind is the obvious "are we there yet?" Market watchers are divided into three camps. One says the bottom is in, another says one more leg down and the bottom is in, and the third says there is still quite a way to go till we see the bottom. We have our opinion, which is looking for a short-term leg down before an intermediate-term bottom is made. However, our trading philosophy is the same no matter which scenario unfolds. We will continue to follow the strategy which has allowd us to navigate this brutal market, which is to always respect the primary trend, to be aware of important support and resistance levels, and to trade overbought and oversold conditions. Currently stocks have reached an extreme overbought condition with the percent of stocks over their 10-day moving averages at an extreme 91.47%, and the put/call ratio is showing too much optimism with its 5-day moving average at 0.726, the lowest since March 20, 2006. With next week being a quadruple witching expiration we expect a lot of volatility. Long-term investors should be careful with entry points long, and aggressive short-term traders can look for shorting opportunities.

The short-term trend is now up, while the intermediate-term and long-term trends remain down. This continues to be an opportunistic trader's market, with adept traders able to take advantage long or short.

The S&P 1500 (171.31) was up 0.753% Friday. Average price per share was up 0.94%. Volume was 92% of its 10-day average and 102% of its 30-day average. 61.37% of the S&P 1500 stocks were up, with up volume at 68.49% and up points at 66.04%. Up Dollars was 78.09% of total dollars, and was 57% of its 10-day moving average. Down Dollars was 18% of its 10-day moving average. The index is up 2.735% in March, down 16.41% quarter-to-date and year-to-date, and down 51.93% from the peak of 356.38 on 10/11/07. Average price per share is $20.35, down 52.93% from the peak of $43.23 on 6/4/07.

Percent over 10-sma: 91.47. 13-Week Closing Highs: 46. 13-Week Closing Lows: 10.
Put/Call Ratio: 0.713. The 5-day moving average of 0.726 is the lowest since March 20, 2006 . Kaufman Options Indicator: 1.05.
The spread between the reported earnings yield and 10-year bond yield is 19%, and 210% based on projected earnings.

Reported aggregate earnings for the S&P 1500 peaked in August 2007 at $19.18 and are now at $5.88, a drop of 69.34%. Estimated aggregate earnings peaked at $21.95 in February 2008 and are now $13.68, a drop of 37.68%. The spread between reported and projected earnings is 133%, near the widest the level in years. If investors believed the estimates stocks would be much higher.

493 of the S&P 500 have reported 4th quarter earnings. According to Bloomberg, 60.1 % had positive surprises, 8.1% were line, and 31.8% have been negative, a high number. The year-over-year change has been -61.4% on a share-weighted basis, -22.0% market cap-weighted and -30.8% non-weighted. Ex-financial stocks these numbers are -18.7%, -6.1%, and -12.1 %, respectively.

Federal Funds futures are pricing in a probability of 92.0% that the Fed will *leave rates unchanged*, and a probability of 8.0% of cutting *25 basis points to 0.0%* when they meet on March 18th. They are pricing in a probability of 85.3% that the Fed will *leave rates unchanged* on April 29th and a probability of 7.4% of *cutting 25 basis points*.

IMPORTANT DISCLOSURES

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

Economic News

3/13/2009 – The Trade Balance for January came in at -$36 billion versus the estimate of -$38 billion. The trade deficit narrowed in January to the lowest level in 6 years as imports fell faster than exports. The narrower gap was mainly due to the drop in petroleum prices. The Import Price Index for February fell -0.2% MoM versus the estimate of -0.7%. YoY it was -12.8% versus the -13.5% estimate. A concern for the U.S. economy is the slump in foreign demand for American made goods. Exports decreased 5.7% to $124.9 billion, the lowest since September 2006. The World Bank said the global economy is likely to shrink for the first time since WWII, and trade will decline by the most in 80 years.

3/12/09 – Initial Jobless Claims for w/e 3/7 were 654K versus the 644K estimate, up 9K from the prior week. The 4-week average rose to 650K, the most in over 26-years. Continuing Claims for w/e 2/28 were 5,317K versus the 5,140K estimate. Retail Sales fell 0.1%, less than the forecast -0.5%. Sales less autos climbed 0.7% versus the -0.1% estimate. Business Inventories in January fell faster than sales and were at a 1.43 month supply, the same as December. This shows progress matching inventory to sales, and combined with the increase in retail sales could indicate a stabilizing in the largest part of the economy.

3/11/09 – Mortgage Applications for w/e 3/6 were up 11.3% led by refinancing +13.1%. U.S. foreclosures hit a record 121,756 in February which was up 67% versus January.

3/10/09 – Wholesale Inventories for January were down 0.7% versus the -1.0% estimate. This was the 5th straight monthly decrease, the longest in almost 7 years. Sales dropped 2.9% and there was a 1.3 month supply of inventory, the most since January 2002. China's exports for February plunged 25.7% Y-o-Y, while car sales were up 24%. China's consumer prices in February fell 1.6% Y-o-Y, the first decline in over 6-years. British Industrial Output, which equals 18% of their economy, fell 2.6% in January and 11.4% Y-o-Y, the worst drop since 1981 and the lowest total since April 1993.

3/9/09 – Brazil's Industrial Production plunged a record 17.2% in January Y-o-Y. Japan posted a current account deficit for January of $1.76 billion. Exports to the U.S. were down 53%.

3/6/09 – The Unemployment Rate in February was 8.1%, the highest since 1983. The estimate was 7.9%. The change in Non-Farm Payrolls showed a loss of 651,000 jobs versus the estimate of 650,000. The January number of 598,000 was revised to a loss of 655,000 jobs. Consumer Credit in January rose by $1.76 billion versus the estimate of a decrease of $5 billion. This was the first rise in four months.

3/5/09 – Initial Jobless Claims for w/e 2/28 were 639,000 versus the 650,000 estimate. Continuing Claims for w/e 2/21 were 5,106,000 versus the 5,155,000 estimate. Non-Farm Productivity for Q4 was -0.4% versus the estimate of +1.0%. Unit Labor Costs were +5.7% versus the +3.8% estimate. Factory Orders for January were -1.9% versus the -3.5% estimate. Mortgage Delinquencies for Q4 were 7.88% versus the prior quarter at 6.99%. Productivity, defined as employee output per hour, fell as the economy shrank faster than companies cut jobs and hours.

3/4/09 – ADP Employer Services Report for February showed a loss of 697,000 joibs versus the estimate of -630,000. January's number was revised down to -614,000 from -522,000. This tracks private employment, not government. The ISM Non-Manufacturing Index came in at 41.6 versus the estimate of 41.

3/3/09 – Pending Home Sales (existing homes) for January fell 7.7% from December, versus the estimate of -3.5%. In December Pending Home Sales were +4.8%.

3/2/09 – The ISM Manufacturing Index for February showed U.S. manufacturing contracted at a slower pace as it rose from 35.6 to 35.8 breaking a string of six straight declines. Personal Income in January was up 0.4% versus an estimated drop of 0.2%. Income was higher due to pay increases to government employees and cost of living adjustments to Federal transfer payments. Salaries and Wages fell 0.2%, the third consecutive decrease. Disposable income was up 1.5%. Personal Spending for January was up 0.6% versus the 0.4% estimate. This was the first time in seven months consumer spending increased.

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

Economic News

2/27/09 – GDP for the fourth quarter shrank at a 6.2% annualized pace, the most since 1982 and worse than the estimate of -5.4%.

2/26/09 – Initial Jobless Claims for w/e 2/21 rose to 667,000, the highest since 1982. Durable Goods orders for January fell for a record 6th straight month, down 5.2% versus the estimate of -2.5%. Silver lining: inventories were down 0.8% from December. Singapore's economy shrank the most in 33 years last quarter, as GDP declined at an annualized 16.4% from the prior three months.

2/25/09 – Existing Home Sales for January fell 5.3% to 4.49 million annualized from 4.74 million in December. This was the lowest rate since 1997. Median price dropped 15% Y-o-Y. Distressed properties were 45% of sales.

2/24/09 – The Conference Board's reading of U.S. Consumer Confidence for February dropped to 25, the lowest ever and well below the estimate of 25. The S&P/Case-Shiller index of home prices in 20 U.S. cities plunged 18.5% in December YoY, the fastest drop on record. The MSCI World Index is off to its worst ever yearly start. German business confidence was reported at a 26-year low. Eurozone Industrial Orders fell 5.2% in December versus November and -23-3% YoY.

2/23/09 – Dallas Fed Manufacturing Activity came in at -57.3% versus the estimate of -50.0%.

2/20/09 – The Consumer Price Index for January rose for the first time in six months by +0.3%, hitting the estimate. It was unchanged on an annual basis for the first time since 1955. Energy expense rose 1.7%, led by a 6% rise in gasoline prices.

2/19/09 – Initial Jobless Claims for w/e 2/14 hit 627,000 versus the 620,000 estimate. The prior week was alsos 627,000. Continuing Claims were 4.99 million and set another record. The Producer Price Index for January was +0.8% versus a +0.3% estimate. Leading Indicators rose 0.4% versus the estimate of 0.1%. Some economists said this was a temporary jump.

2/18/09 – Housing Starts for January were the lowest on record at 466,000 annualized, missing the forecast of 529,000 and falling 17% from December. Building permits dropped 4.8% to 521,000 annualized.

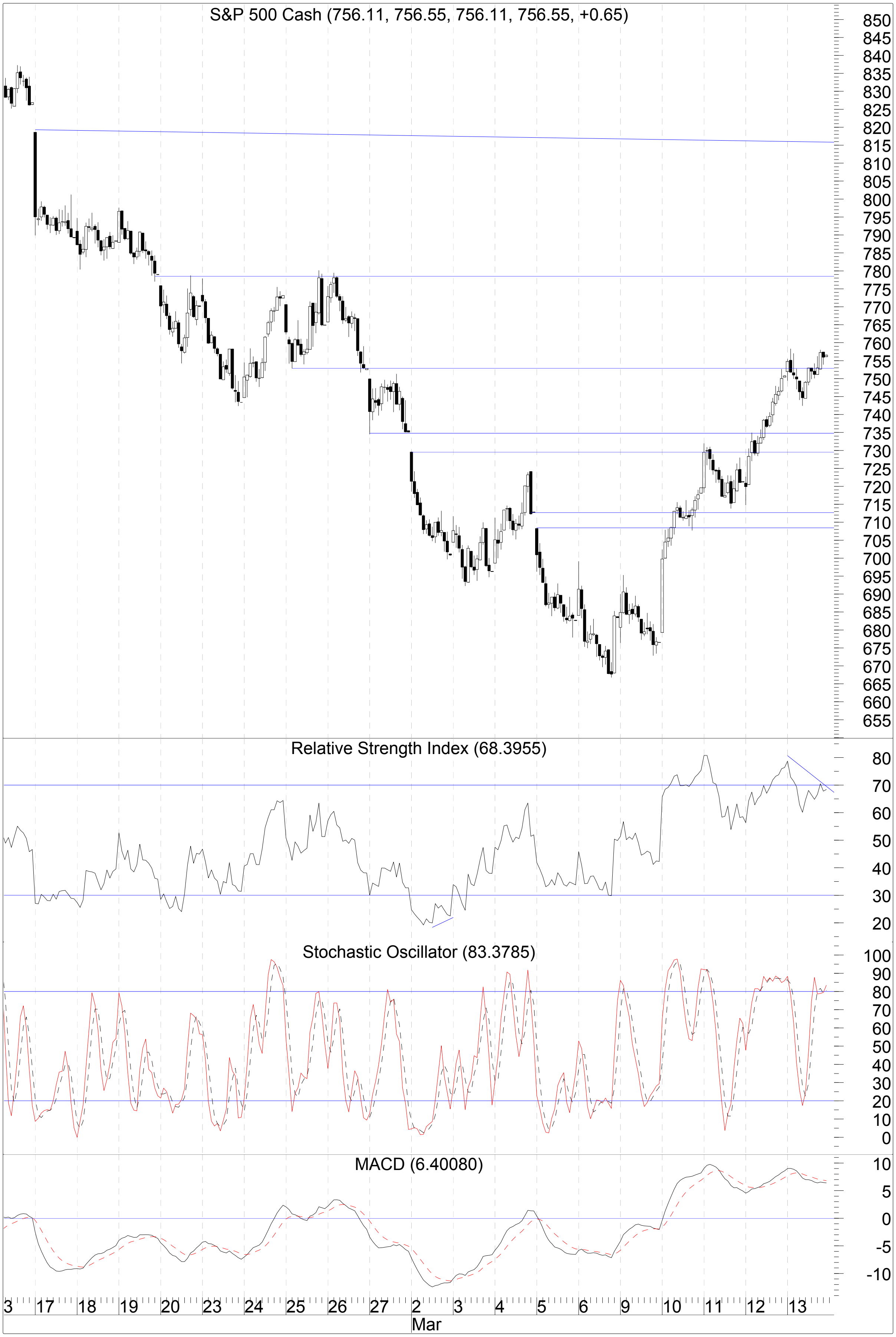
2/17/2009 – Empire Manufacturing Index, which shows NY manufacturing, was -34.65 in February versus the -23.75 estimate. It dropped from -22.2 in January for the fastest drop ever. Net long-term TIC inflows, which shows international demand for U.S. financial assets, was $34.8 billion in December, up from -$21.7 billion in November and above the $20 billion estimate.

2/16/09 – Japanese GDP dropped 3.3% from the prior quarter, or 12.7% annualized, the biggest drop since 1974. Exports dropped at an 45% annualized rate as the synchronized global contraction hurts countries where global trade is extremely important.

2/12/09 – Jobless claims for w/e 2/7 were 623k versus 610k estimated. The 4-week moving average of 607,500 is the most since November 1982. Continuing claims w/e 1/30 were 4,810k versus estimated 4,800k, and rose the 4th week in a row to another record. Business Inventories for December -1.3% versus -0.09% estimate, biggest drop since 2001. Sales -3.2% after -5.7% in November. 1.4 months of inventory highest since April 2001. January Retail Sales +1% versus -0.8% estimate rose for the first time since July. Gasoline sales +2.6%, sales at auto dealers and parts stores up 1.6% for the first gain since August.

2/11/09 – The U.S. December trade deficit was $39.9 billion, wider than the $35.7 billion estimate. It was the lowest in almost six years. Exports and imports each declined for the 5th straight month, highlighting the effects of the synchronized global contraction. This is causing rumblings of protectionism worldwide, which would not be a good thing for the global economy.

The Kaufman Report - Wayne S. Kaufman, CMT



The S&P 1500 broke through multiple levels of resistance last week. The next major resistance is at the 780 area.

Short-term momentum indicators are overbought, and there is a negative divergence on the RSI.

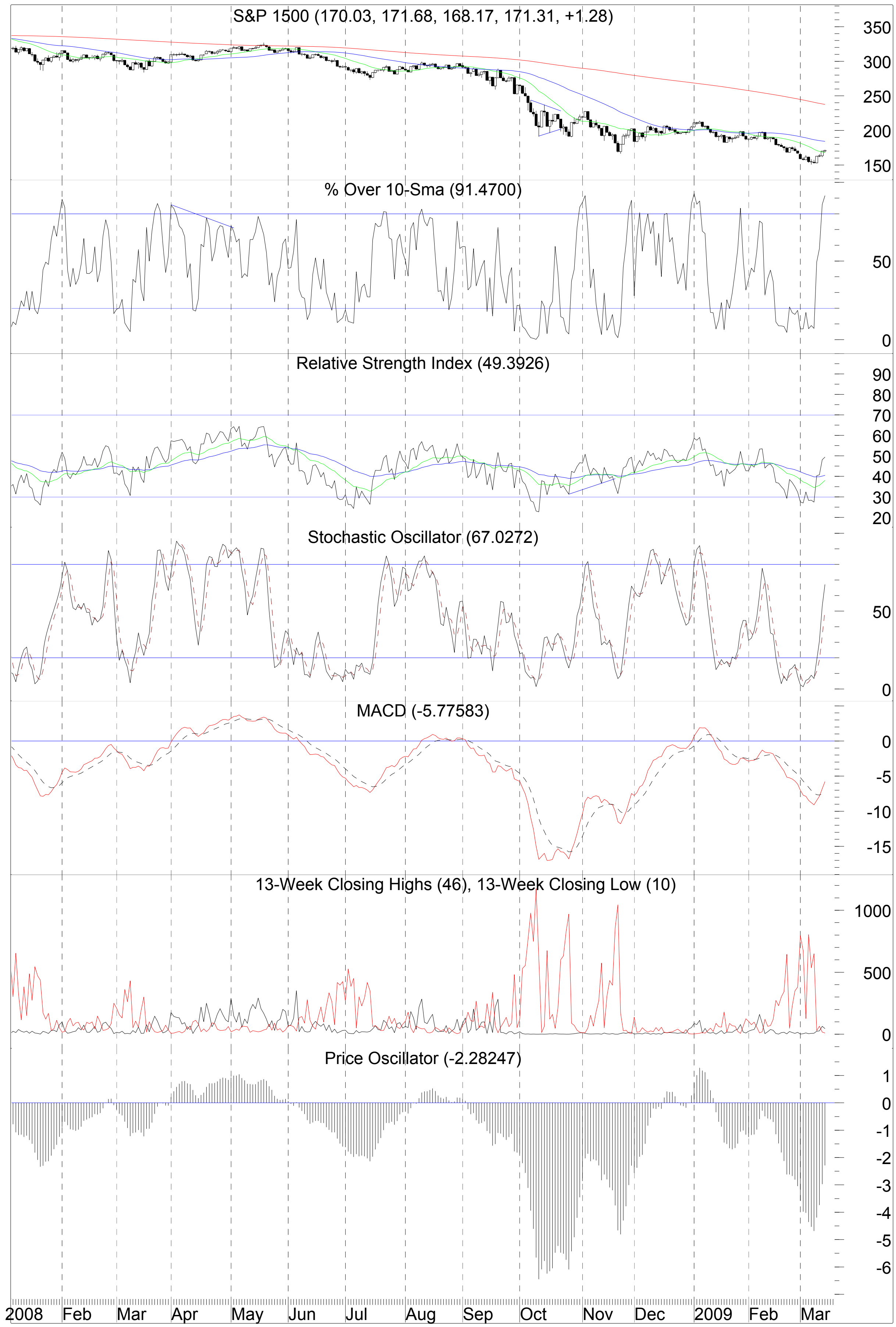
The Kaufman Report - Wayne S. Kaufman, CMT

The S&P 500 has moved over the 20-sma (green) for the first time since February 9th.

The Kaufman Report 3/14/2009 John Thomas Financial

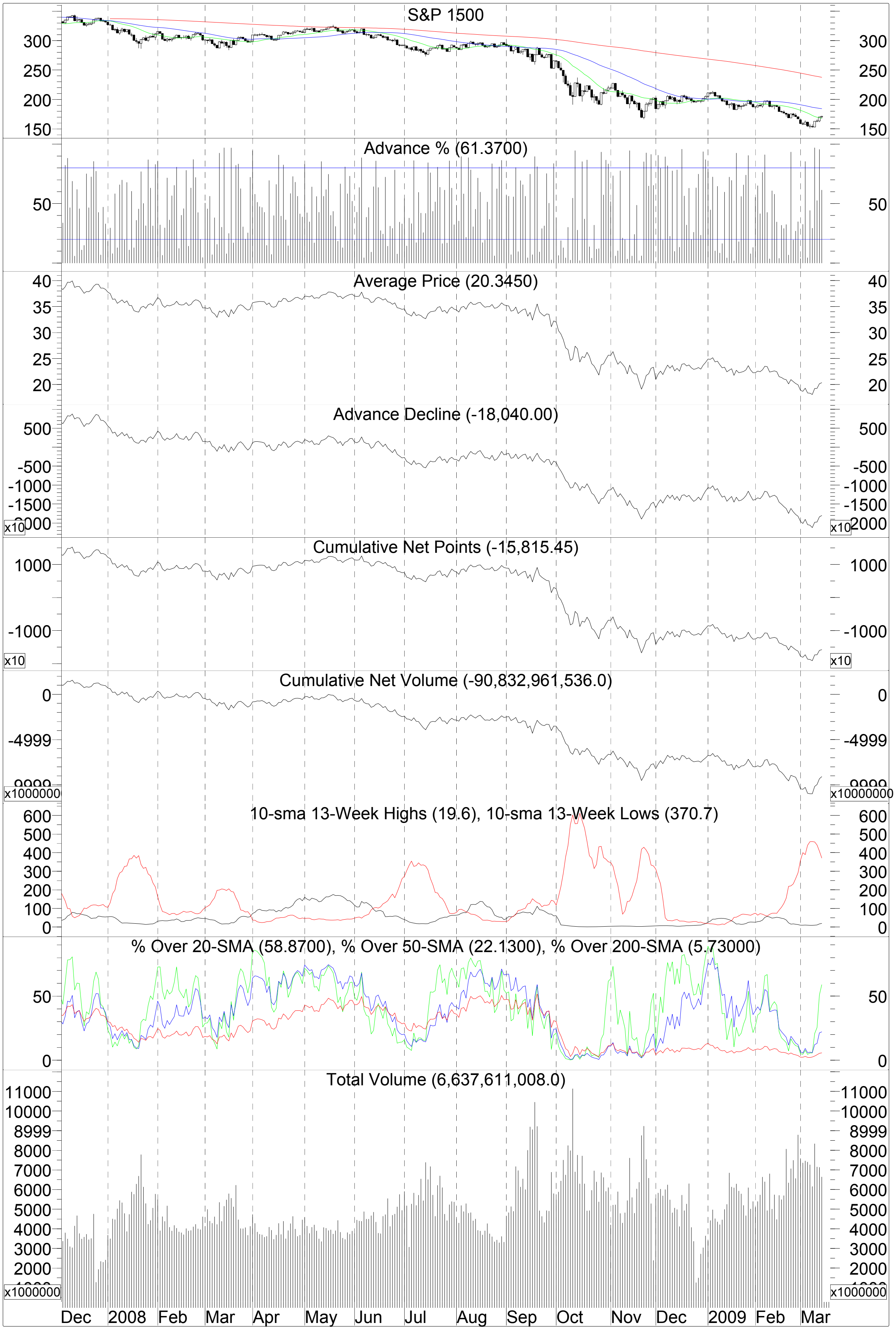
The weekly chart of the S&P 500 printed a bullish engulfing candle last week.

Weekly momentum indicators are at low levels.



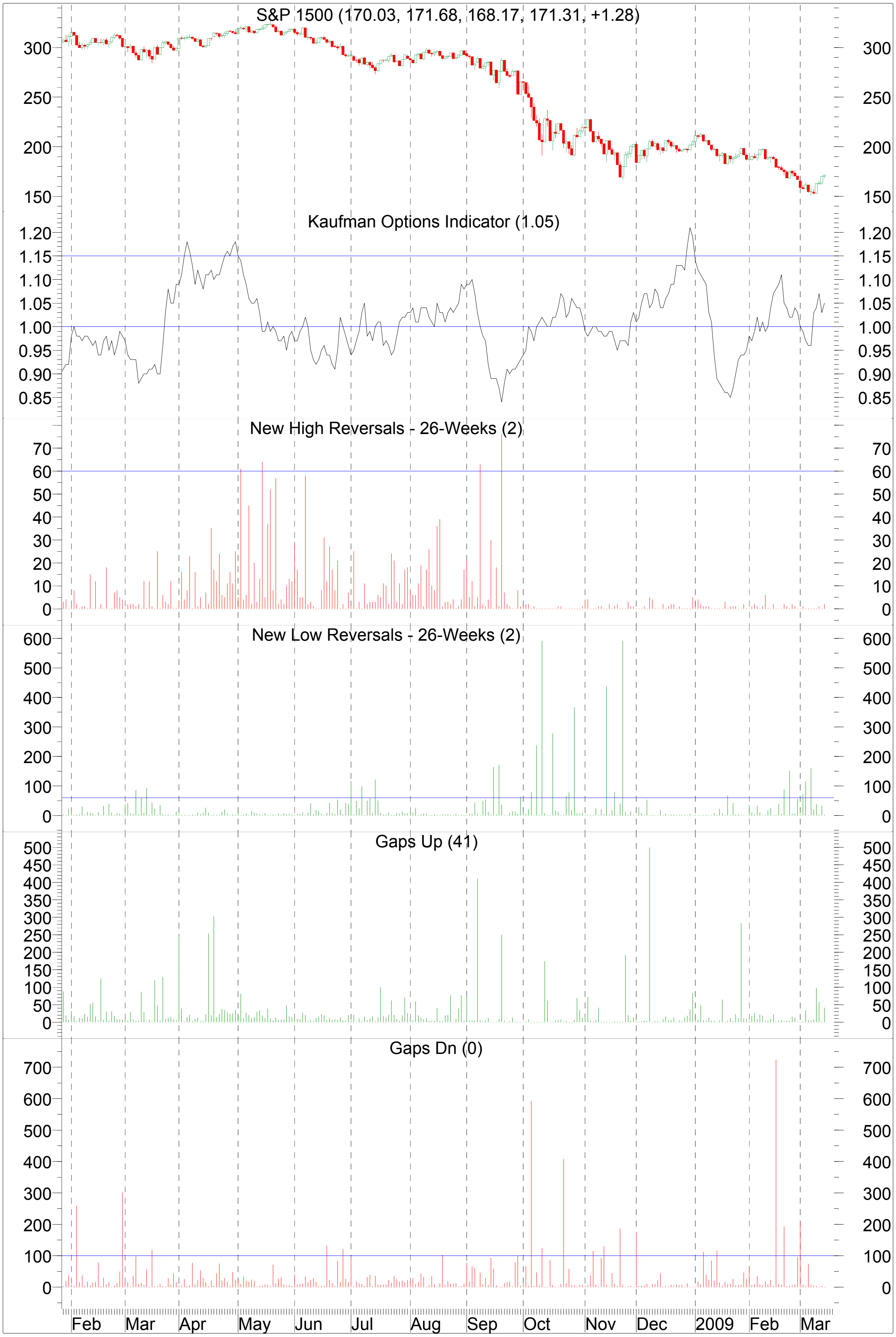
The percent over 10-sma is at an extreme overbought level of 91.47%.

The RSI and stochastic are not yet overbought.

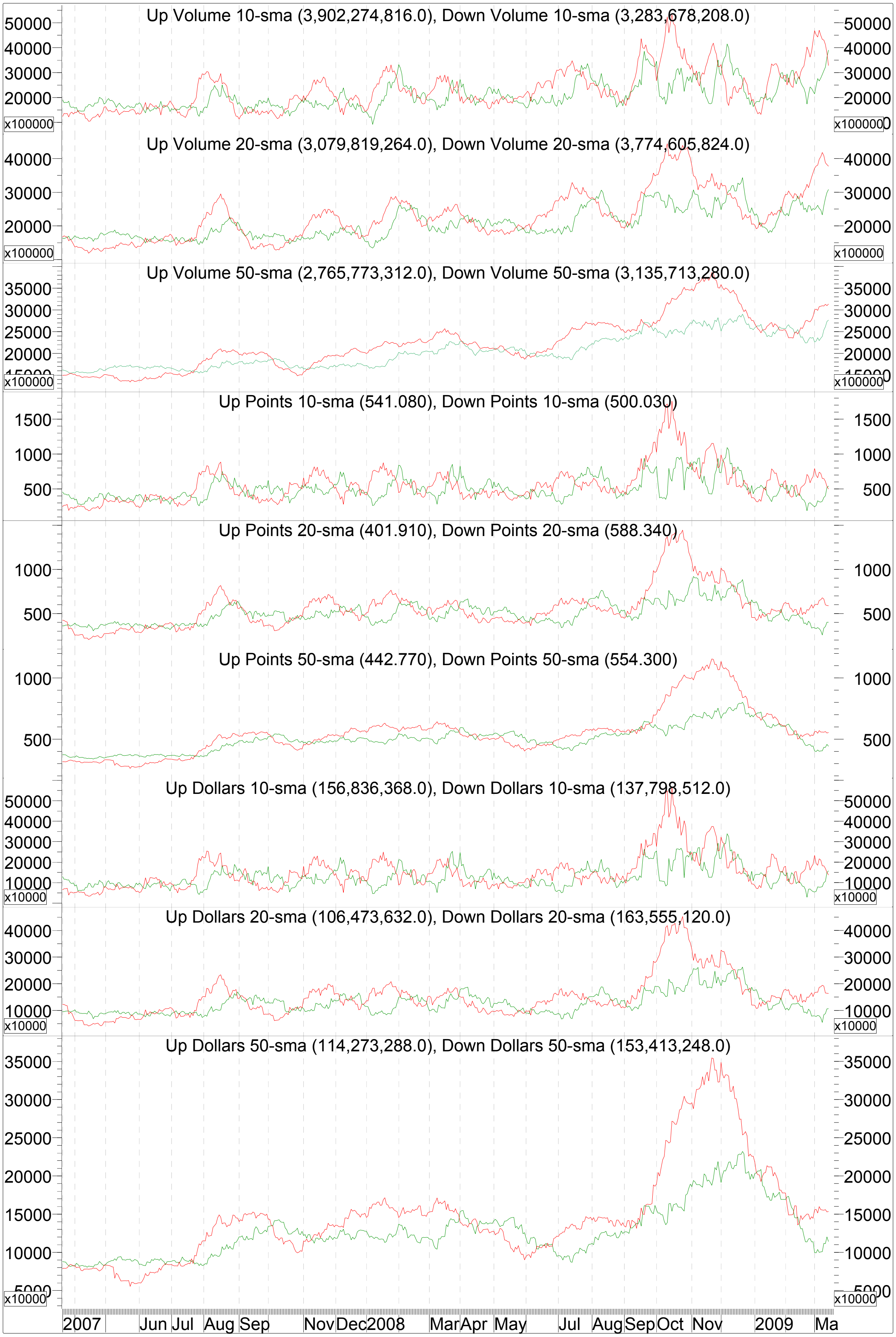


There were two 90% up days last week.

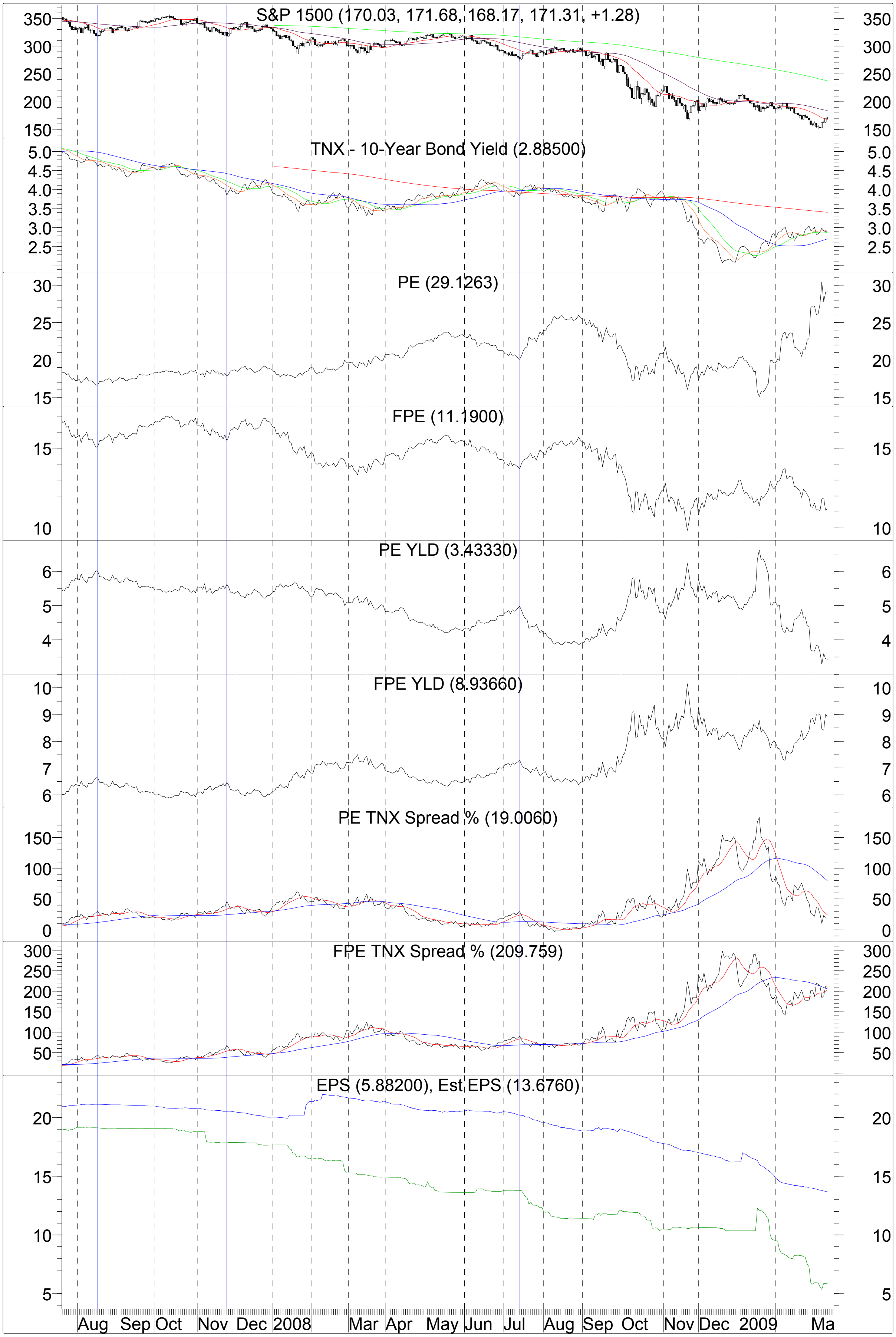
Total volume was lower each day during last week's rally.



Our proprietary options indictor is showing optimism on the part of options buyers. It is not yet at an extreme, but the 5-day moving average of the put/call ratio (not shown) is the lowest since March 2006. Too much bullishness is not good for a rally.



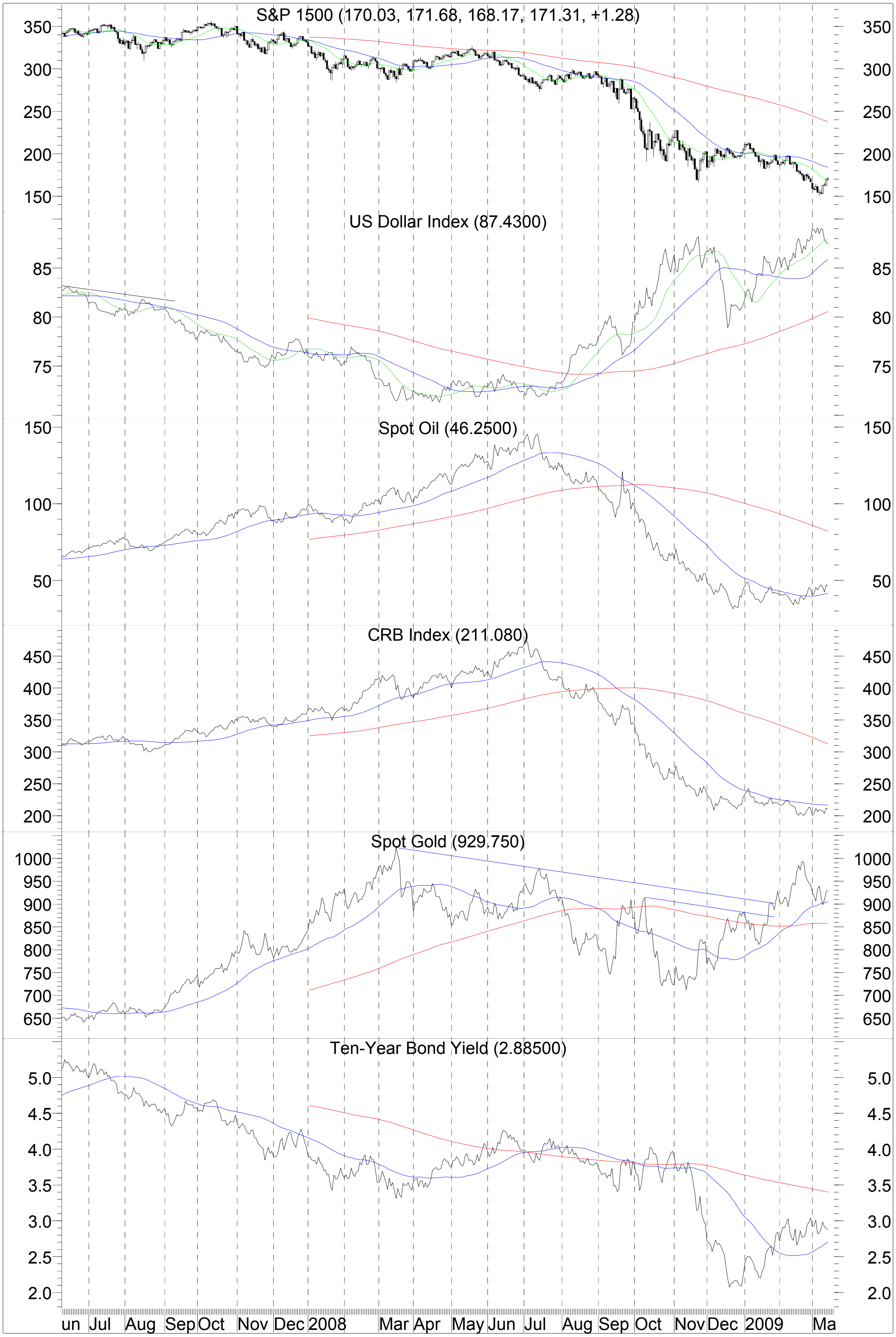
Our statistics of supply (red lines) and demand (green lines) are showing positive crossovers on the 10-day statistics. Still, there hasn't been a huge pickup in buyers, while sellers have become reticent. The overbought condition of stocks will create a good test to see how buyers step in as stocks pull back.



The P/E ratio remains at high levels, while the forward P/E seems reasonable. Do you believe the analyst estimates?

The spread between the current earnings yield and the 10-year bond yield is at low levels, while the spread based on projected earnings is at a level where stocks would normally be very attractive. Again, do you believe the estimates?

Reported and estimated earnings continue their inexorable march lower.



We said the U.S. Dollar index looked toppy, and it is pulling back. The 50-sma is below at 86 and rising.

Crude oil continues trying to put in a bottom and has stayed above the 50-sma which is at 41.35.

Gold bounced off its 50-sma. There is resistance at the 945 area.