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The Kaufman Report

Trade what you see, not what you think.

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Monday November 16, 2009

Closing prices of November 13, 2009

Last Sunday we said stocks were at an inflection point. They proceeded to rally last Monday on news that the G20 finance ministers pledged to continue measures to stimulate the global economy. The rally was a broad based panic-buying 90% up day.

In spite of the 90% up day Monday and the new highs made in some indexes during the week we still have concerns in the near-term. Divergences continue to point to increasing selectivity, and the lack of volume continues to be worrisome, especially the low volume during rallies. Of the seven weeks we have had so far during the fourth quarter, four have been up and three down. The three down weeks were the top three in weekly volume. Last week was the lowest of all seven. **Therefore, with volume low and news able to create sharp moves in either direction, this is a bifurcated short-term trader's market.**

Investors need to be cautious regarding entry points, and positions they don't have a good reason to hold onto should be considered as a source of funds. 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.

We will remain on guard for any signs of a change in long-term trend. We have been saying there is the potential for a deep correction at some point. **However, we have also been saying since June 1st 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 or even cancel our expected bearishness. At this time the lean and mean thesis and upside surprise scenario has proven to be correct. We hope that the earnings trend will be the next to improve.

S&P 1500 Data: Percent over 10-sma: 70.6%.

13-Week Closing Highs: 102. **13-Week Closing Lows:** 36. **52-week closing highs:** 79.

Kaufman Options Indicator: 1.02 **Put/Call Ratio:** 1.008. **New High Reversals:** 2.

Volume: -13% versus yesterday. 81% of the 10-day average. 77% of the 30-day average.

Up Stocks: 79.12%. **Up Volume:** 68.52%. **Up Points:** 84.77%. **Up Dollars:** 92.18%.

IMPORTANT DISCLOSURES

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S&P 500 Cash (1,087.59, 1,097.79, 1,085.33, 1,093.48, +6.24)



The S&P 500 broke above the October highs Wednesday and made a new 52-week high. In doing so it printed a bearish shooting star candle, and the index declined the following two sessions.

The lower tops of the RSI shows a weakening rally.

The stochastic made a negative crossover from the overbought zone.



The weekly chart of the S&P 500 shows it remains well above its 80-week moving average. The 20-week average is about to cross over the 80-week for the first time since the week of 2/22/2008.

The RSI is showing a negative divergence.

NASDAQ 100 (1,780.04, 1,793.17, 1,773.29, 1,788.61, +15.47)

The Nasdaq 100 also printed new highs last week.



NASDAQ 100 (1,743.55, 1,794.12, 1,742.97, 1,788.61, +57.85)



After spending eight weeks in a resistance zone the Nasdaq 100 has broken above the zone.

The RSI is showing a negative divergence.

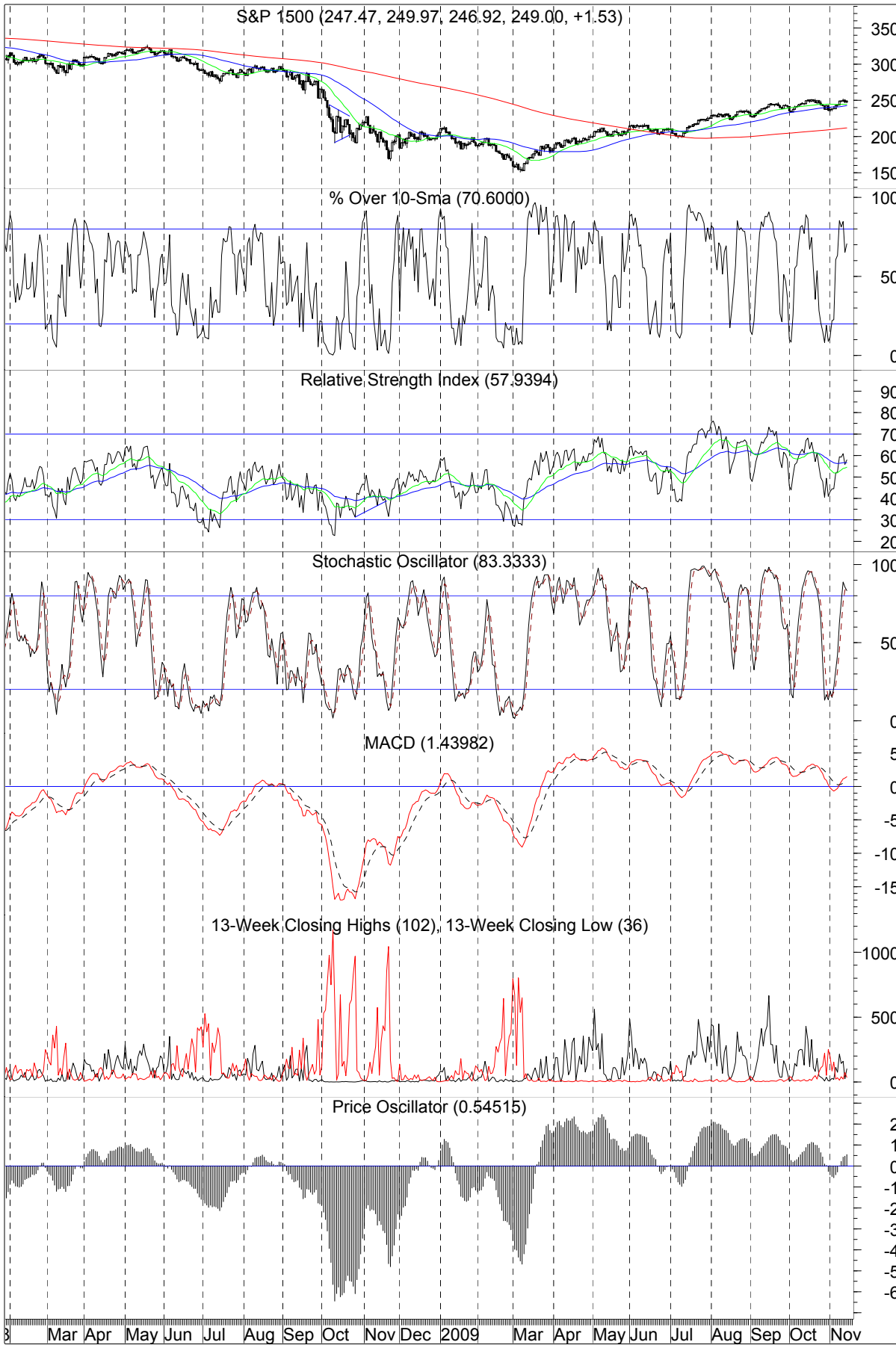
	Daily	WTD	MTD	QTD	YTD
Bank of New York Mellon ADR	1.30%	2.55%	5.88%	4.13%	33.75%
S&P Midcap 400	0.99%	2.48%	5.93%	1.05%	29.72%
S&P Smallcap 600	0.90%	1.10%	3.81%	-2.20%	15.53%
Nasdaq Composite	0.88%	2.62%	6.00%	2.14%	37.47%
Nasdaq 100	0.87%	3.34%	7.29%	4.05%	47.62%
NYSE Composite	0.80%	2.32%	5.64%	3.02%	23.67%
Dow Jones Industrials	0.72%	2.46%	5.74%	5.75%	17.02%
S&P 1500	0.62%	2.24%	5.50%	3.04%	21.50%
S&P 500	0.57%	2.26%	5.53%	3.44%	21.06%

	Daily	WTD	MTD	QTD	YTD
Consumer Discretionary	1.55%	3.29%	8.14%	5.46%	34.76%
Information Technology	0.89%	3.24%	6.44%	6.03%	53.53%
Utilities	0.80%	1.24%	2.88%	-0.42%	0.25%
Consumer Staples	0.68%	1.93%	3.72%	4.81%	11.83%
Energy	0.68%	0.24%	3.10%	6.35%	12.67%
Industrials	0.65%	2.32%	8.53%	3.47%	15.81%
Materials	0.55%	4.24%	9.44%	3.61%	40.75%
Health Care	0.16%	2.00%	5.86%	3.42%	11.56%
Telecom Services	0.03%	1.67%	2.70%	-2.28%	-5.26%
Financials	-0.28%	2.39%	4.24%	-2.05%	16.74%

	Daily	WTD	MTD	QTD	YTD
Automobiles & Components	2.58%	6.42%	15.86%	10.44%	97.54%
Media	2.17%	4.39%	8.76%	4.31%	28.29%
Consumer Services	1.48%	2.90%	9.00%	3.59%	17.75%
Real Estate	1.46%	6.80%	6.27%	2.41%	12.59%
Retailing	1.21%	2.55%	6.58%	7.39%	45.17%
Technology Hardware & Equipment	1.05%	2.85%	6.47%	4.90%	59.86%
Software & Services	0.81%	3.15%	6.54%	9.74%	49.49%
Utilities	0.80%	1.24%	2.88%	-0.42%	0.25%
Food, Beverage & Tobacco	0.75%	2.25%	3.92%	4.63%	17.57%
Commercial & Professional Services	0.69%	1.28%	5.47%	2.54%	8.38%
Household & Personal Products	0.69%	1.25%	5.76%	6.65%	6.79%
Energy	0.68%	0.24%	3.10%	6.35%	12.67%
Capital Goods	0.67%	2.34%	7.90%	2.38%	16.19%
Consumer Durables & Apparel	0.62%	1.85%	6.28%	2.74%	31.75%
Semiconductors & Equipment	0.56%	4.99%	6.04%	-0.15%	43.47%
Transportation	0.56%	2.59%	11.89%	7.85%	17.14%
Materials	0.55%	4.24%	9.44%	3.61%	40.75%
Food & Staples Retailing	0.53%	1.92%	1.34%	3.35%	6.43%
Health Care Equip & Services	0.33%	2.09%	8.16%	5.70%	24.22%
Insurance	0.27%	2.64%	3.88%	-2.50%	11.84%
Pharmaceuticals, Biotech & Life Sciences	0.08%	1.96%	4.79%	2.30%	6.32%
Telecom Services	0.03%	1.67%	2.70%	-2.28%	-5.26%
Diversified Financials	-0.29%	2.19%	4.92%	-2.59%	33.22%
Banks	-1.41%	1.04%	1.92%	-1.87%	-7.86%

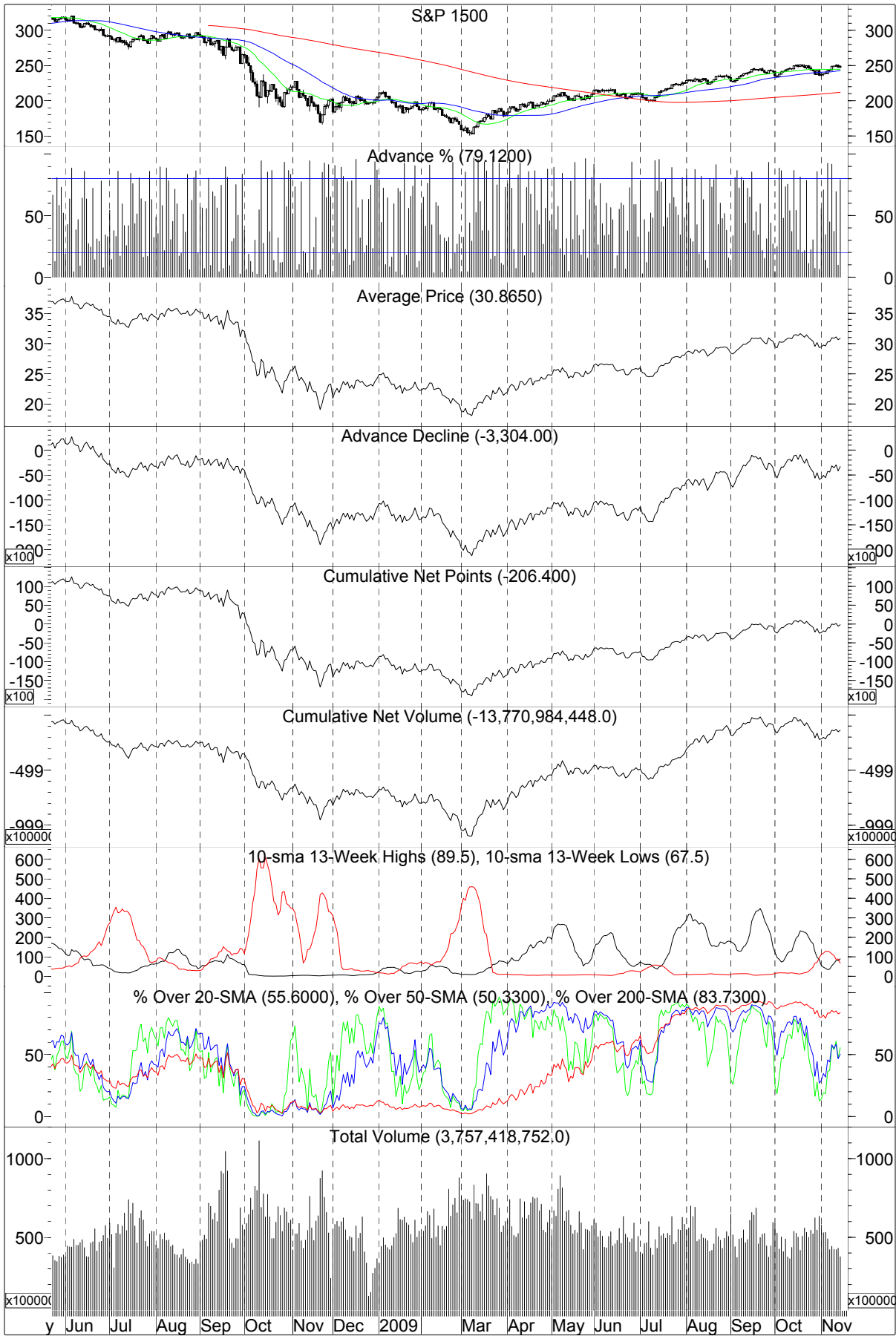
INTERNATIONAL ETFs

	Daily	WTD	MTD	QTD	YTD
Belgium EWK	2.29%	2.91%	6.69%	3.16%	53.49%
Australia EWA	1.95%	4.89%	9.94%	6.68%	72.09%
Mexico EWW	1.94%	5.53%	9.52%	9.32%	47.97%
Brazil EWZ	1.93%	0.76%	8.91%	10.82%	114.23%
BRIC EEB	1.72%	2.65%	9.98%	9.58%	84.76%
MSCI Emerging Markets EEM	1.71%	3.39%	9.24%	5.47%	64.36%
Latin America ILF	1.70%	2.33%	9.68%	10.09%	85.47%
China 25 FXI	1.68%	2.67%	8.82%	10.90%	56.00%
Austria EWO	1.56%	2.70%	8.08%	1.19%	70.51%
Vietnam VNM	1.47%	-1.41%	-0.88%		
France EWQ	1.46%	2.91%	8.00%	1.89%	26.42%
Italy EWI	1.43%	2.96%	7.40%	0.98%	25.75%
Switzerland EWL	1.36%	1.97%	4.21%	2.58%	20.17%
United Kingdom EWU	1.34%	3.18%	7.75%	7.61%	36.24%
Malaysia EWM	1.20%	1.91%	4.86%	8.48%	50.89%
Sweden EWD	1.19%	4.93%	8.82%	10.27%	64.20%
Canada EWC	1.13%	3.75%	8.47%	1.53%	48.42%
Germany EWG	1.08%	3.25%	7.10%	1.35%	17.01%
Spain EWP	1.08%	2.89%	6.44%	3.14%	36.40%
Netherlands EWN	1.07%	3.17%	7.16%	3.79%	39.41%
South Korea EWY	0.96%	1.33%	5.18%	-4.81%	61.24%
Japan EWJ	0.95%	-0.42%	0.31%	-3.62%	0.00%
Taiwan EWT	0.89%	3.28%	7.67%	1.46%	64.69%
Hong Kong EWH	0.63%	1.68%	3.54%	3.61%	55.06%
Singapore EWS	0.54%	3.29%	7.35%	4.65%	59.57%



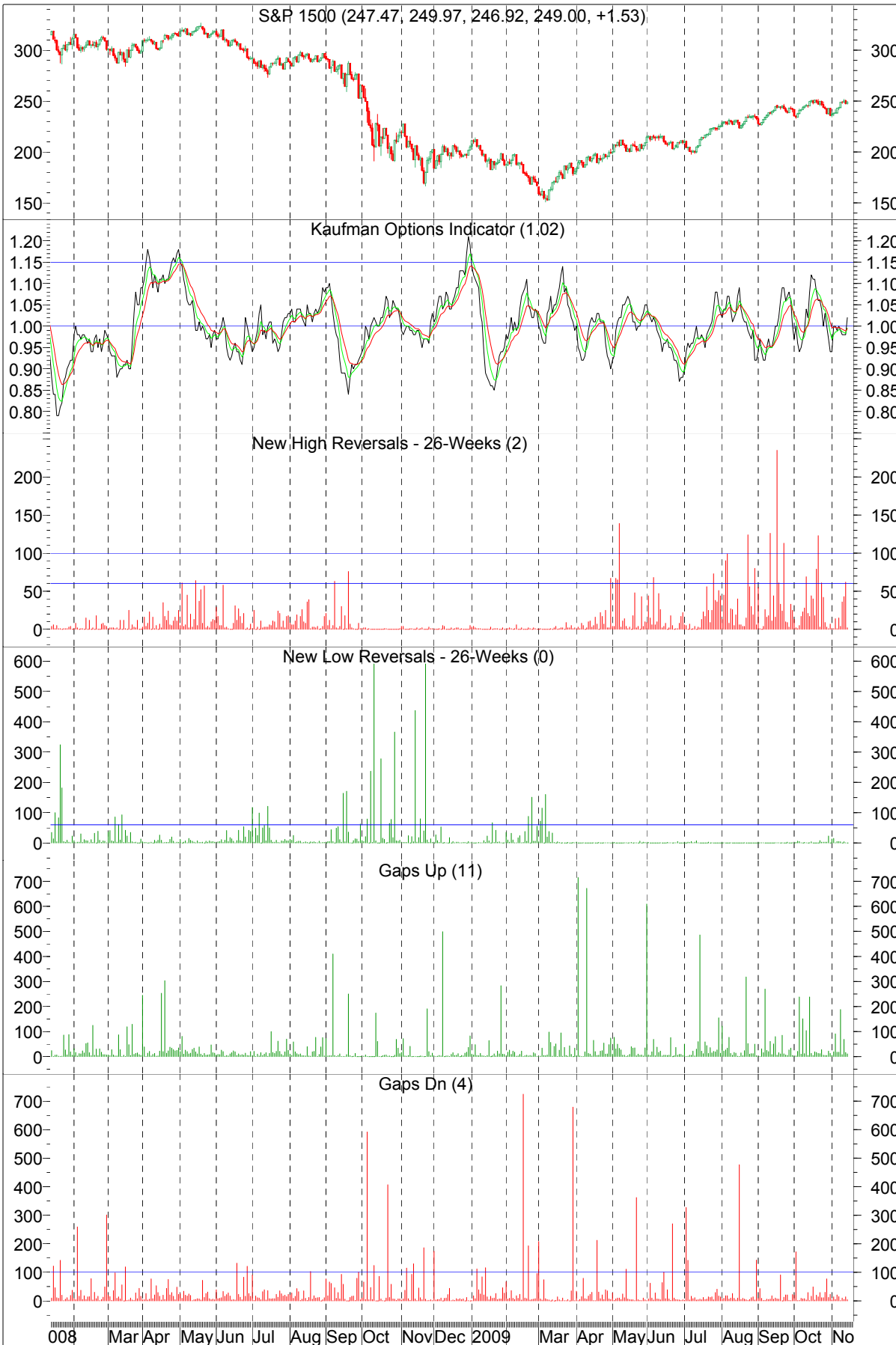
In spite of the S&P 1500 making a new intra-day high last week it didn't make a new closing high. Still, with other major indexes making new closing highs the lower amount of individual stocks making new closing highs is a sign of greater selectivity.

Our price oscillator, a good indicator of trends, is back in positive territory after a brief dip below the neutral line.



The 10-sma of 13-week closing highs versus the 10-sma of 13-week closing lows is positive again but also shows the increasing selectivity of the equities market.

Decreasing volume during rallies is not a sign of a sustainable rally.

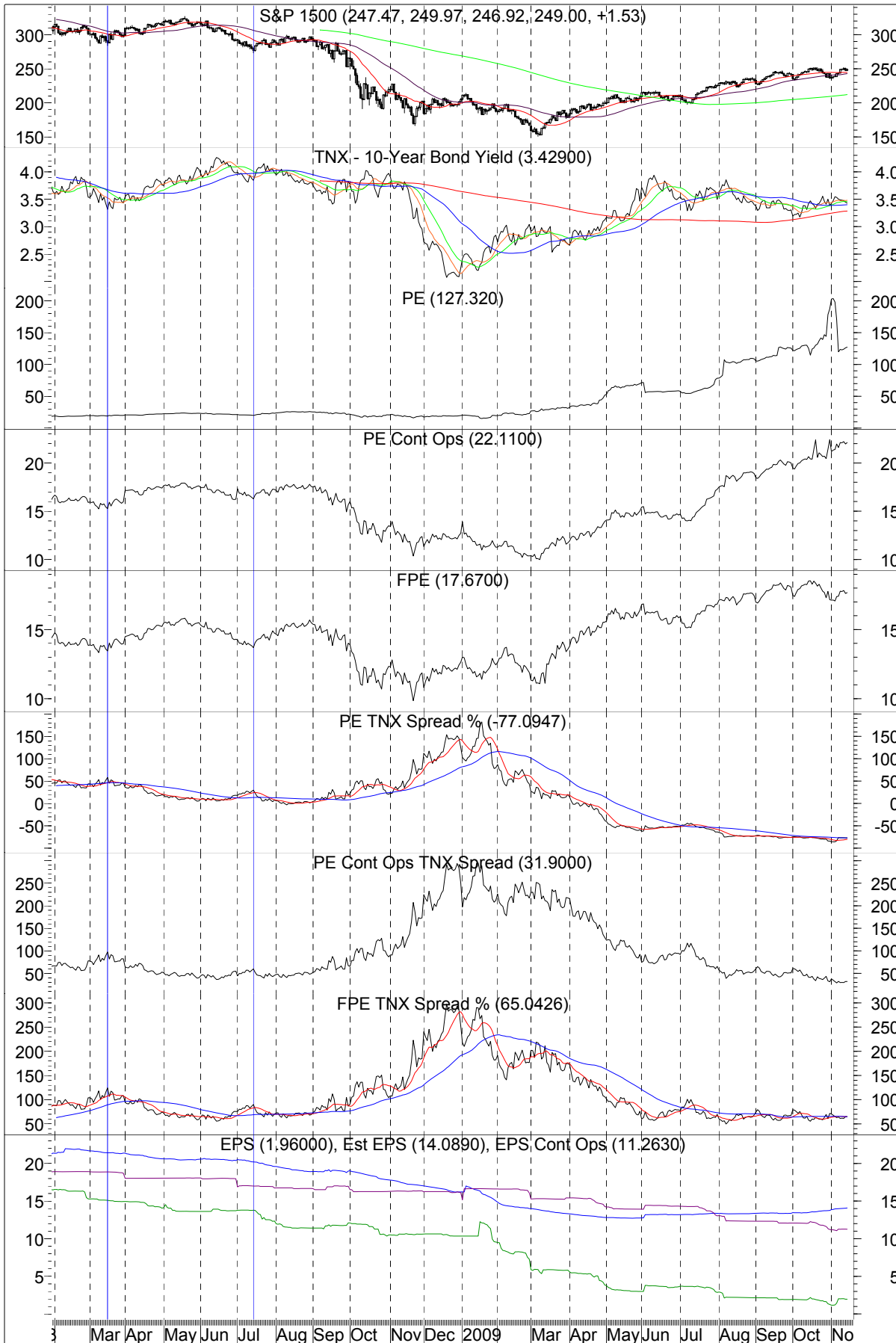


Our proprietary options indicator shows a little bit of optimism on the part of options buyers. We prefer to see pessimism.

The increase in new high reversals last week is a sign of investors increasing desire to take profits.



Our indicators of supply (red) versus demand (green) show that a good part of last week's rally was due to a lack of supply. In other words, sellers have stepped to the sidelines again. This is good news, but unfortunately buyers are also not showing much conviction. In an environment like this news can cause sharp moves in either direction.



Spreads between equity and bond yields have been flat lining for months and continue to do so.

Earnings and forecast earnings are still diverging, but the good news is forecasts are rising. Let's hope the analysts are getting it right.



The amazing negative correlation between the S&P 1500 and the U.S. Dollar Index continues. With the 20-sma and 50-sma bearing down on the index either more new lows or a short-term trend change will be taking place shortly.

Crude oil has weakened and could test its 50-sma.

Gold is overbought on its daily and weekly charts.