

Monday April 19, 2010

Closing prices of April 16, 2010

After recording another round of fresh 52-week highs during the week major indexes sold off Friday on heavy volume. It was a broad-based selloff with Financials leading the way lower in response to the SEC charging Goldman Sachs with fraud. Wall Street usually subscribes to the “cockroach theory”, meaning that when you see one there are usually many others to be found. Therefore, we think it may take some time for the complete story to unfold and before investors regain confidence in financial stocks.

Before Friday’s plunge the broad market had become very overbought and complacent, and we have been advising investors to be cautious with entry points. Still, all of our statistics of market internals made new highs last week confirming the new highs in the indexes and pointing towards higher prices in the future.

First quarter earnings season has gotten off to a good start, and this week will bring a flood of new reports. If the good news continues, investors may focus on the bigger picture of company earnings and an improving global economy instead of the headline news of an SEC investigation. If so, this pullback may turn into a shallow affair.

In the short-term stocks remain overbought with room to move lower. Therefore, investors still need to be cautious with entry points. Longer-term we remain bullish. Market breadth has been very strong, showing broad-based participation. Until Friday, sellers have been very reluctant. The economy continues to improve and many companies have been revising their forecasts up.

Also, we have entered the second year of this bull market, and we are still well shy of the average length of prior bull markets. We are also well shy of the average percentage gain seen by prior bull markets. Therefore, we think this bull market still has a ways to go. However, we have been saying that the tone of the market is changing, with the initial blastoff phase of the bull market now complete. This means that selectivity will be more important, and the market will not bail investors out of their mistakes.

Also, there are still many issues of concern to investors in addition to the Goldman Sachs investigation. Obamacare is still dominating the news. The sovereign debt issue is still on the front pages. At the end of March the Fed ended its \$1.25 trillion program of purchasing mortgage backed securities backed by Fannie Mae, Freddie Mac, and Ginnie Mae. At the end of April the homebuyer’s tax credit is due to expire. Less widely discussed is an IMF report due in April on an international financial transaction tax. In addition, we now have to worry about the Bipartisan National Commission on Fiscal Responsibility and Reform, which may simply be a smokescreen with the purpose of helping the government raise taxes. There is increasing talk of the United States adopting a VAT tax, which would be as disastrous here as it has been in Europe. Most important of all, we are in earnings season for the first quarter.

**Based on the S&P 500 the short-term, intermediate-term, and the long-term trends are up. Investors need to be careful with entry points, aware of sector rotation, and should not hesitate to move out of lagging stocks and sectors and into leaders.**

## IMPORTANT DISCLOSURES

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

P/E: 19.55 FP/E: 15.67 Percent over 10-sma: 59.33%. Percent over 50-sma: 88.40%

13-Week Closing Highs: 78. 13-Week Closing Lows: 12. 52-week closing highs: 57.

Kaufman Options Indicator: 1.04. Put/Call Ratio: 0.855

New High Reversals: 127 (most since 235 on 9/17/09). New Low Reversals: 5.

Volume: +33% versus yesterday. 162% of the 10-day average. 169% of the 30-day average.

Up Stocks: 15.71%. Up Volume: 8.07%. Up Points: 7.30%. Up Dollars: 0.81%, 2% of 10-sma. Dn Dollars 483% of 10-sma.

Earnings: 47 of the S&P 500 have reported so far this earnings season. 80.9% have had positive surprises, 10.6% have been in line, and 8.5% have had negative surprises.

Federal Funds Futures project an 86.0% probability of no change to the current 0.25 % target rate and a 14.0% probability of a cut to 0.00% when the FOMC meets on 4/28. For the meeting of 6/23 the probabilities are 80.2% for no change, 6.9% for 0.50, and 12.9% for 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
S&P Smallcap 600	378.78	-1.07%	1.71%	1.71%	5.13%	5.13%	13.87%	383.44	2010-04-15	238.30	2009-04-21
Dow Jones Industrials	11018.66	-1.13%	0.19%	0.19%	1.49%	1.49%	5.66%	11154.55	2010-04-15	7791.95	2009-04-21
S&P Midcap 400	820.59	-1.21%	0.75%	0.75%	3.89%	3.89%	12.92%	833.93	2010-04-15	517.03	2009-04-21
Nasdaq 100	2012.84	-1.27%	0.92%	0.92%	2.78%	2.78%	8.20%	2040.49	2010-04-15	1303.73	2009-04-21
Nasdaq Composite	2481.26	-1.37%	1.11%	1.11%	3.47%	3.47%	9.35%	2517.82	2010-04-15	1598.93	2009-04-21
S&P 1500	274.26	-1.55%	-0.03%	-0.03%	2.23%	2.23%	7.64%	279.10	2010-04-15	188.44	2009-04-21
S&P 500	1192.14	-1.61%	-0.19%	-0.19%	1.94%	1.94%	6.91%	1213.92	2010-04-15	826.83	2009-04-21
NYSE Composite	7584.69	-1.75%	-0.58%	-0.58%	1.84%	1.84%	5.56%	7743.74	2010-04-15	5177.30	2009-04-21
Bank of New York Mellon ADR	137.70	-1.97%	-0.96%	-0.96%	1.50%	1.50%	0.99%	142.19	2010-01-11	92.53	2009-04-21

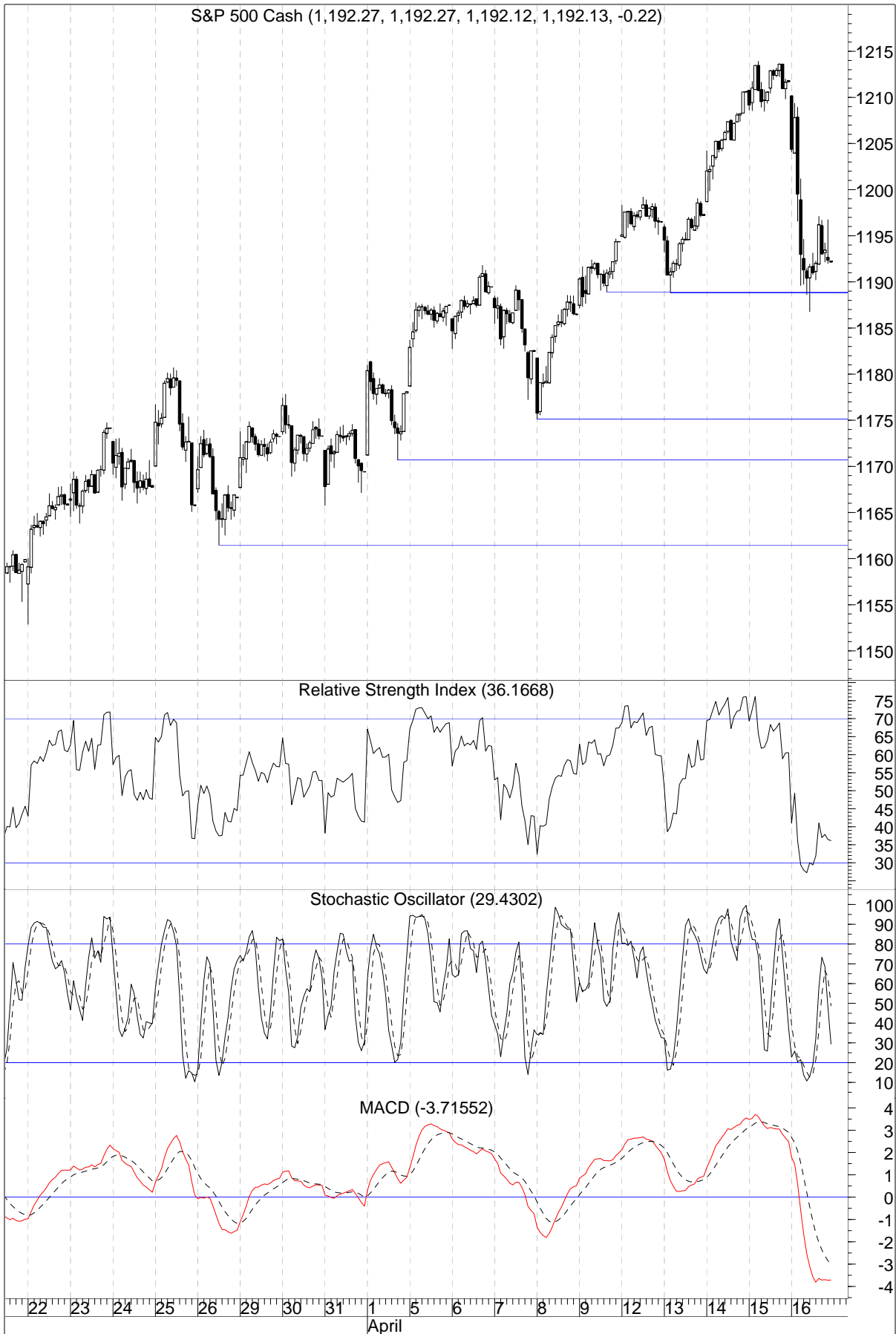
	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Consumer Staples	287.31	-0.30%	-0.46%	-0.46%	-0.29%	-0.29%	4.74%	290.45	2010-03-23	219.37	2009-04-23
Health Care	366.85	-0.57%	-1.43%	-1.43%	-1.56%	-1.56%	1.28%	384.95	2010-01-20	270.73	2009-04-23
Telecom Services	107.30	-0.81%	-1.50%	-1.50%	-0.79%	-0.79%	-6.40%	117.00	2010-01-05	96.72	2009-07-10
Utilities	151.47	-1.08%	-1.24%	-1.24%	0.51%	0.51%	-4.13%	161.50	2009-12-14	127.77	2009-04-23
Consumer Discretionary	270.50	-1.36%	1.04%	1.04%	4.56%	4.56%	15.07%	274.77	2010-04-15	169.28	2009-04-21
Information Technology	389.51	-1.39%	1.43%	1.43%	3.35%	3.35%	5.07%	395.34	2010-04-15	253.20	2009-04-21
Energy	444.25	-1.53%	-0.77%	-0.77%	3.24%	3.24%	3.33%	456.99	2009-10-21	337.27	2009-04-21
Industrials	280.72	-1.63%	1.10%	1.10%	2.74%	2.74%	15.53%	286.13	2010-04-15	174.90	2009-04-21
Materials	206.84	-1.77%	-1.95%	-1.95%	1.08%	1.08%	3.52%	213.44	2010-01-11	137.99	2009-04-21
Financials	219.93	-3.81%	-1.30%	-1.30%	2.41%	2.41%	13.49%	230.45	2010-04-15	126.76	2009-04-21

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Household & Personal Products	375.39	-0.03%	0.22%	0.22%	-0.62%	-0.62%	4.06%	383.05	2010-03-23	279.51	2009-04-16
Food & Staples Retailing	193.51	-0.37%	-1.09%	-1.09%	-0.44%	-0.44%	5.70%	196.37	2010-03-30	159.75	2009-07-13
Food, Beverage & Tobacco	320.52	-0.38%	-0.47%	-0.47%	-0.06%	-0.06%	4.58%	324.19	2010-03-23	236.03	2009-04-23
Pharmaceuticals, Biotech & Life Scier	340.30	-0.53%	-1.43%	-1.43%	-1.45%	-1.45%	0.17%	359.71	2010-01-20	260.29	2009-04-23
Consumer Services	423.25	-0.64%	0.62%	0.62%	4.38%	4.38%	14.24%	427.48	2010-04-15	286.49	2009-04-16
Health Care Equip & Services	359.40	-0.65%	-1.43%	-1.43%	-1.80%	-1.80%	3.51%	371.77	2010-01-20	246.29	2009-04-23
Technology Hardware & Equipment	418.55	-0.75%	1.51%	1.51%	3.54%	3.54%	7.45%	424.46	2010-04-16	266.87	2009-04-21
Telecom Services	107.30	-0.81%	-1.50%	-1.50%	-0.79%	-0.79%	-6.40%	117.00	2010-01-05	96.72	2009-07-10
Consumer Durables & Apparel	153.12	-1.00%	0.77%	0.77%	4.52%	4.52%	16.80%	155.31	2010-04-16	90.81	2009-07-08
Commercial & Professional Services	140.16	-1.08%	0.39%	0.39%	1.54%	1.54%	4.75%	141.99	2010-04-15	107.96	2009-07-08
Utilities	151.47	-1.08%	-1.24%	-1.24%	0.51%	0.51%	-4.13%	161.50	2009-12-14	127.77	2009-04-23
Transportation	295.73	-1.34%	3.34%	3.34%	4.66%	4.66%	16.02%	302.10	2010-04-15	184.06	2009-05-28
Semiconductors & Equipment	342.01	-1.37%	5.42%	5.42%	7.00%	7.00%	9.50%	348.04	2010-04-15	214.97	2009-05-13
Retailing	475.39	-1.42%	1.52%	1.52%	5.69%	5.69%	15.63%	483.08	2010-04-15	303.74	2009-07-07
Energy	444.25	-1.53%	-0.77%	-0.77%	3.24%	3.24%	3.33%	456.99	2009-10-21	337.27	2009-04-21
Media	182.57	-1.63%	0.08%	0.08%	3.07%	3.07%	11.60%	186.40	2010-04-16	107.26	2009-04-23
Capital Goods	304.15	-1.75%	0.63%	0.63%	2.37%	2.37%	16.46%	310.34	2010-04-15	183.92	2009-04-21
Materials	206.84	-1.77%	-1.95%	-1.95%	1.08%	1.08%	3.52%	213.44	2010-01-11	137.99	2009-04-21
Insurance	184.19	-1.97%	-0.78%	-0.78%	0.11%	0.11%	11.77%	189.09	2010-04-14	110.75	2009-04-21
Software & Services	501.10	-2.17%	-0.02%	-0.02%	1.88%	1.88%	0.91%	512.69	2010-04-15	334.55	2009-04-20
Automobiles & Components	99.32	-2.25%	4.16%	4.16%	5.71%	5.71%	27.76%	102.25	2010-04-15	37.21	2009-04-21
Real Estate	102.81	-2.51%	-3.80%	-3.80%	-0.23%	-0.23%	9.16%	109.20	2010-04-14	55.12	2009-04-21
Banks	156.21	-2.81%	-0.13%	-0.13%	5.05%	5.05%	24.62%	162.27	2010-04-15	83.17	2009-04-21
Diversified Financials	358.39	-5.24%	-1.62%	-1.62%	2.86%	2.86%	11.45%	382.07	2010-04-15	209.59	2009-04-21

## INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	52L
Chile ECH	55.31	-0.97%	-2.93%	0.67%	0.67%	0.95%	60.94	34.75
Belgium EWK	13.26	-1.04%	0.15%	1.84%	1.84%	3.92%	13.95	8.43
Sweden EWD	26.58	-1.26%	1.30%	4.69%	4.69%	13.11%	26.94	14.98
Israel EIS	57.72	-1.40%	-1.67%	-1.94%	-1.94%	6.10%	60.68	33.90
Malaysia EWM	11.89	-1.65%	-1.49%	1.80%	1.80%	11.96%	12.12	7.51
United Kingdom EWU	16.75	-1.76%	0.06%	2.95%	2.95%	3.40%	17.20	10.73
Singapore EWS	12.07	-1.79%	1.60%	4.96%	4.96%	5.05%	12.36	6.78
Austria EWO	20.83	-1.79%	0.58%	5.47%	5.47%	6.49%	23.59	12.76
Netherlands EWN	20.85	-1.79%	-0.77%	2.20%	2.20%	1.90%	21.51	12.79
Switzerland EWL	23.16	-1.82%	0.17%	0.26%	0.26%	4.04%	23.63	15.11
Japan EWJ	10.50	-1.87%	-1.32%	0.57%	0.57%	7.80%	10.71	8.31
South Korea EWY	51.66	-1.94%	-0.75%	3.32%	3.32%	8.44%	52.83	30.71
Taiwan EWT	12.87	-2.05%	-1.08%	2.55%	2.55%	-0.77%	13.46	8.62
Germany EWG	22.11	-2.08%	-0.27%	1.10%	1.10%	-1.47%	23.40	15.74
Brazil EWZ	73.36	-2.13%	-2.77%	-0.38%	-0.38%	-1.68%	80.93	40.17
Latin America ILF	48.38	-2.26%	-2.81%	0.23%	0.23%	1.23%	50.25	27.36
BRIC EEB	42.97	-2.27%	-2.83%	0.63%	0.63%	1.20%	44.90	25.30
Canada EWC	28.07	-2.33%	-1.92%	0.57%	0.57%	6.61%	29.00	17.30
Vietnam VNM	25.55	-2.33%	-2.14%	1.55%	1.55%	0.24%	32.15	23.17
Australia EWA	24.48	-2.35%	-1.25%	1.96%	1.96%	7.18%	25.14	13.55
Spain EWP	43.86	-2.39%	-0.23%	3.84%	3.84%	-8.70%	52.67	31.97
India IFN	31.78	-2.46%	-3.20%	0.76%	0.76%	3.52%	33.08	18.13
South Africa EZA	59.86	-2.57%	-3.75%	-0.94%	-0.94%	6.95%	62.76	36.02
France EWQ	25.18	-2.59%	-1.22%	0.48%	0.48%	-2.59%	27.32	17.35
Mexico EWW	53.98	-2.65%	-1.91%	1.14%	1.14%	10.46%	55.58	29.97

S&P 500 Cash (1,192.27, 1,192.27, 1,192.12, 1,192.13, -0.22)



The 30-minute chart of the S&P 500 shows a head and shoulders top being formed. It measures down to 1163, which would require breaking various support levels along the way.

Intra-day momentum indicators reached oversold levels Friday before bouncing a little.

S&P 500 Cash (1,210.17, 1,210.17, 1,186.77, 1,192.13, -19.54)



The S&P 500 is still above its 20-sma. The pattern of the last three candles is close to a textbook evening star reversal pattern.

Daily momentum indicators are turning down from overbought levels.

S&P 500 Cash (1,194.94, 1,213.92, 1,186.77, 1,192.13, -2.24)



The weekly chart of the S&P 500 shows it printed a doji. Doji are signs of indecision frequently seen at tops. This one is almost a gravestone doji, an ominously named candle which is identified by the open and close occurring at the lows of the candle. It is a reversal signal.

Weekly momentum indicators are at high or overbought levels.

NASDAQ 100 (2,030.34, 2,037.47, 2,000.77, 2,012.84, -25.80)



The Nasdaq 100 is still above its 20-sma.

Daily momentum indicators are turning down from overbought levels.

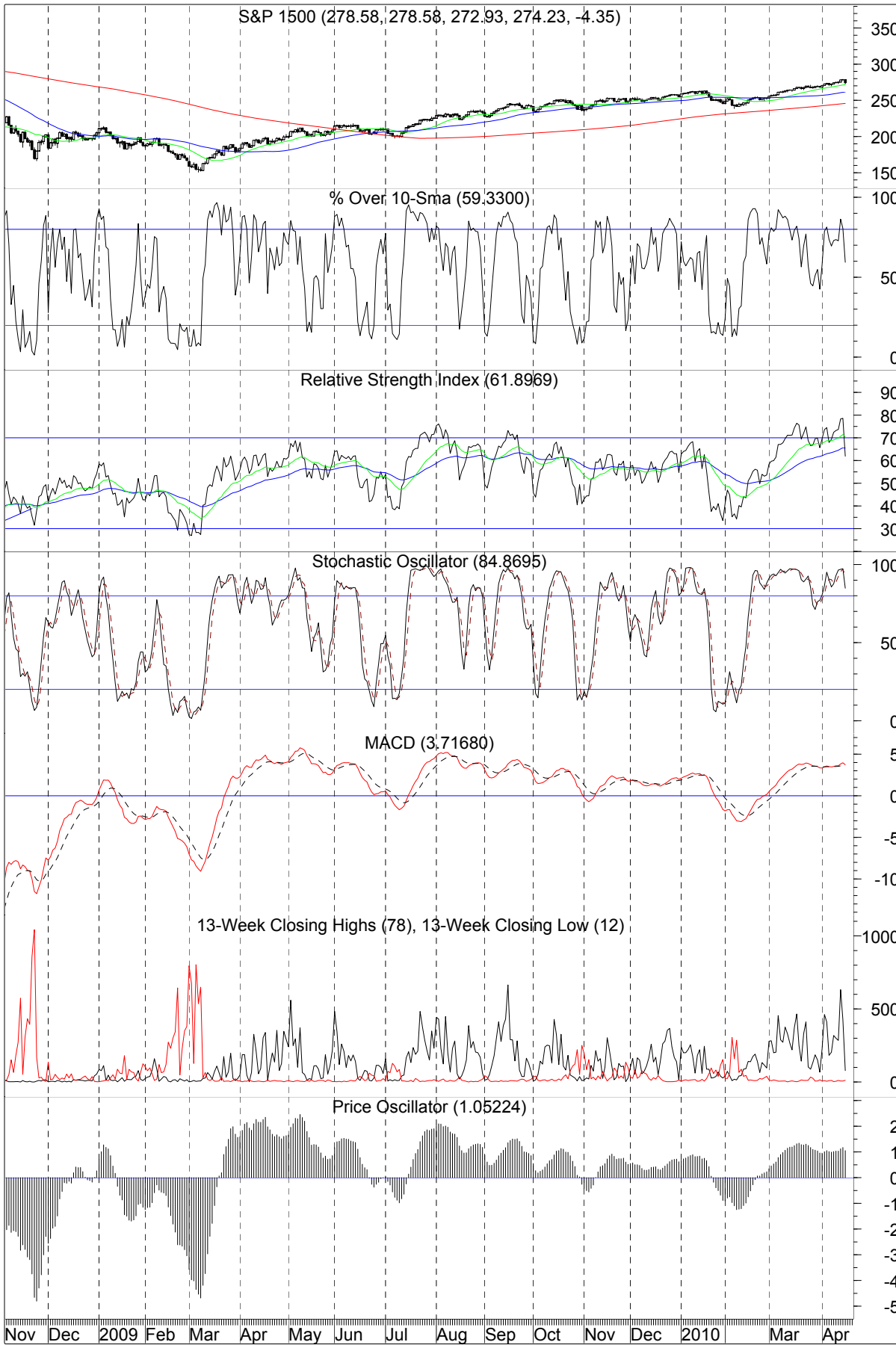


NASDAQ 100 (1,995.35, 2,040.49, 1,986.83, 2,012.84, +18.41)



The weekly chart of the Nasdaq 100 shows it traded at its highest level since June 6, 2008. It needs to rally 11.25% from Friday's close to retrace 100% of the recent bear market. It printed a shooting star candle, which are frequently signs of the end of an up trend.

Weekly momentum indicators are at overbought levels.

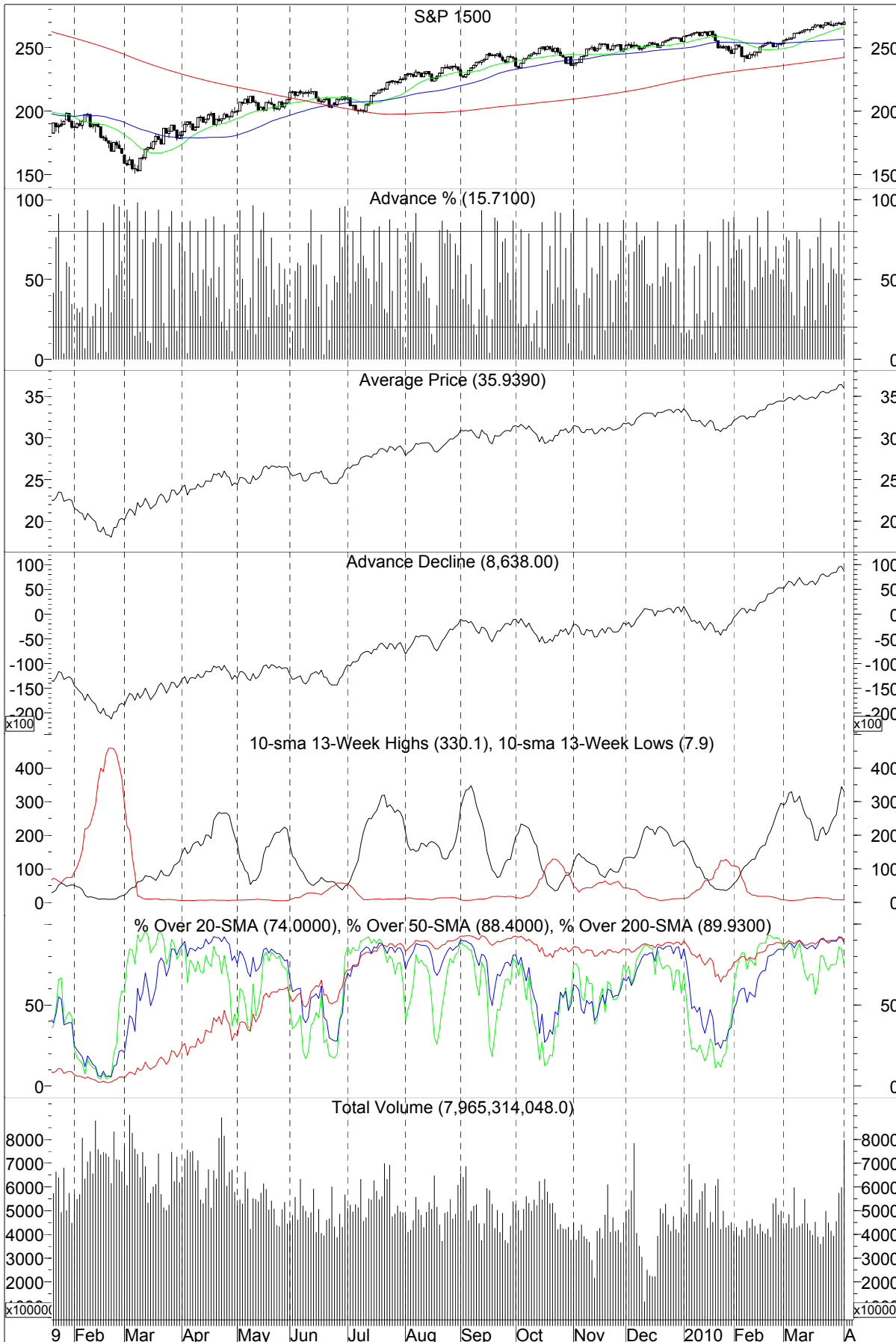


59.33% of the S&P 1500 are above their own 10-sma.

Momentum indicators are turning down from overbought levels.

632 13-week closing highs on April 14th were the most since 665 on 9/16/09.

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



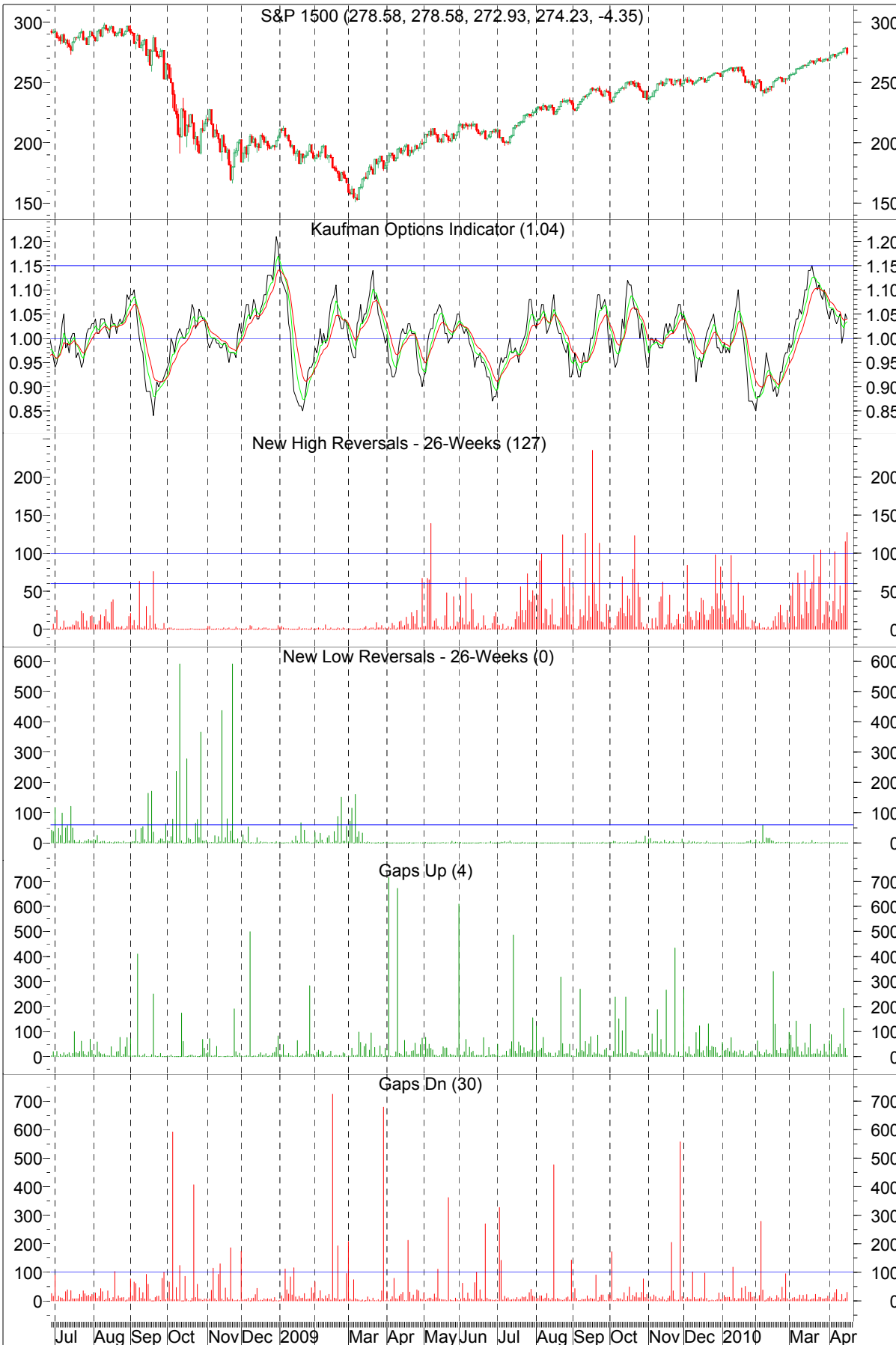
15.71% of stocks advanced Friday.

The average price of the stocks in the S&P 1500 made a new high last week, as did the AD line and our other indicators of market internals. These confirmed the new high in the index and points to higher prices in the future.

The average number of new highs has been huge, showing strong breadth.

These percentages of stocks over important moving averages remain at bull market levels.

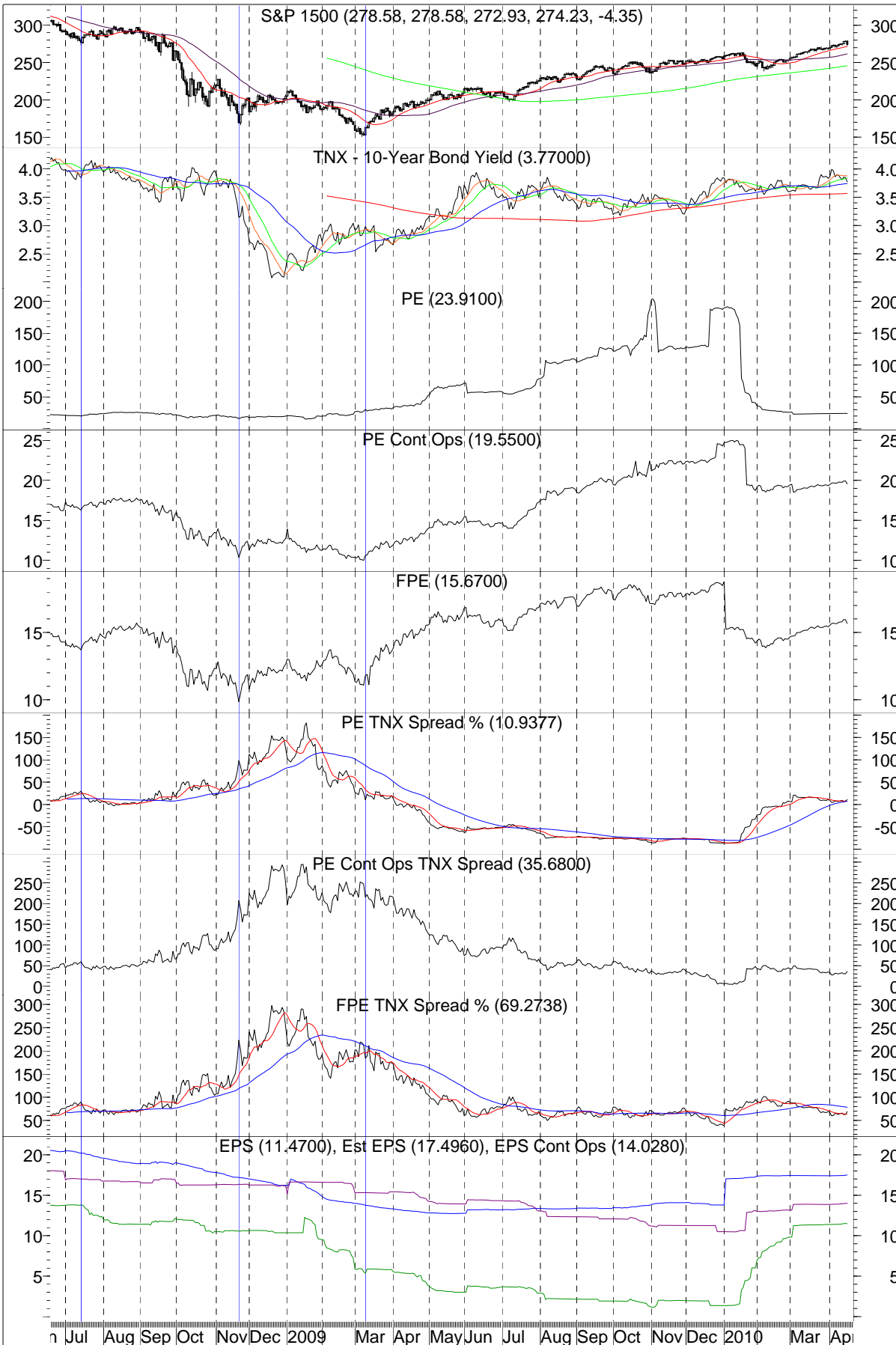
Volume Friday was well above average.



Our proprietary options indicator is still showing optimism on the part of options buyers, although not extreme levels. Still, it leaves equities vulnerable to further declines.



Our statistics of supply (red) versus demand (green) remain bullishly lined up for all statistics and all time frames. In spite of the frequently noted lackluster demand, sellers have been even more reticent than buyers. It remains to be seen if Friday's sell off will be a short-term knee-jerk reaction to the Goldman Sachs story or if it will be the start of more serious liquidation.

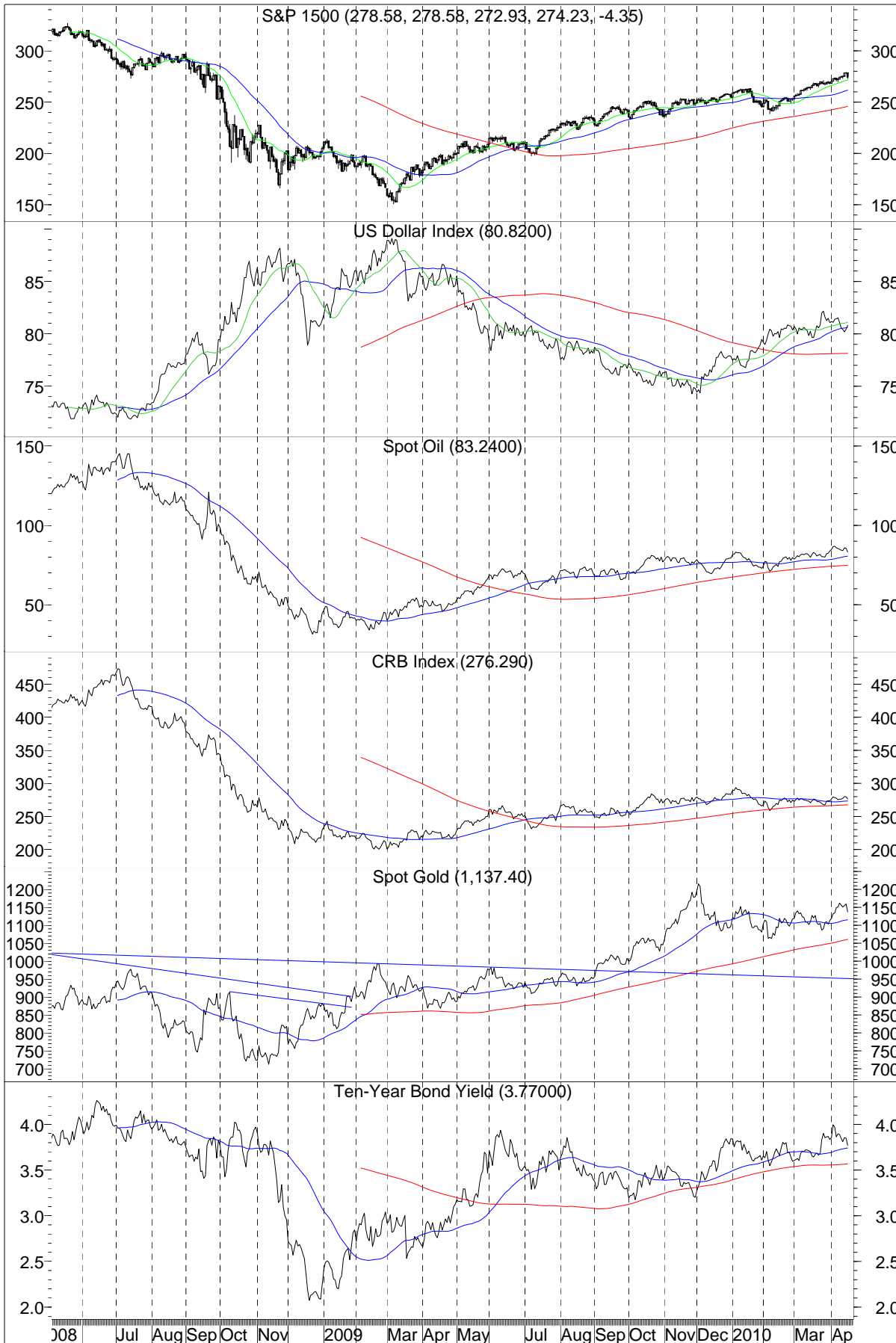


After breaking to the 4.013 level on 4/5, the 10-year bond yield has steadily pulled back from overbought levels and is now just above its 50-sma. It is fairly neutral on daily and weekly charts as far as being overbought or oversold.

P/E ratios remain steady in their recent ranges.

Spreads between equity and bond yields remain at levels which should be supportive for stocks.

Now that we are entering the heart of earnings season these numbers should begin to move.



After reaching overbought levels March 25th the U.S. Dollar Index pulled back. It is now just above its 50-sma but below some resistance with momentum indicators neutral.

Crude oil has also pulled back from overbought levels but remains in an up trend.

Last week we said gold was near short-term overbought levels and there was too much bullishness developing. During the week it pulled back, ending on Friday just above its 20-sma. There is still too much bullishness for a strong rally in the short-term, in our opinion. We do expect to see new highs at some point.