

Monday April 4, 2011

Closing prices of April 1, 2011

Stocks ignored overbought conditions and rallied again last week as the first quarter of 2010 closed strongly. The Dow Jones Industrial Average was up 6.41% for the quarter, the S&P 500 was up 5.42%, and the Nasdaq 100 was up 5.46%. Major indexes were led by S&P Midcaps up 9.02% and Smallcaps up 7.43%. They also led for the week with Midcaps up 2.71% and Smallcaps up 2.68%. **We like to see small and midcaps leading because it shows an abundance of liquidity and the willingness of investors to take risk.**

As we enter first quarter earnings season which begins in a week, we remain bullish about equities for a number of reasons. Sellers have stepped back to the sidelines in spite of recent overbought conditions, and as we said last week markets that do not pull back from overbought conditions are very strong. Breadth numbers have been excellent, the advance decline line just made new highs, and valuations are at levels where stocks are attractive. Economic indicators continue to improve showing a healing economy. For Dow Theory enthusiasts, the Dow Jones Industrials made a new high Friday which was confirmed by a new high in the Transportation index. Seasonally, April has a history of being a very good month.

We are concerned about short-term overbullishness as our proprietary options indicator is at 1.06, showing increasing optimism among options buyers. Too much bullishness makes stocks vulnerable to a pullback. The recent light volume is another concern. Sellers may have stepped to the sidelines, but low volume also shows a lack of enthusiasm on the part of buyers. In addition, we will be watching for signs that the horrific events in Japan are having a greater or longer lasting negative impact on earnings than what has so far been indicated. Hopefully, investors will be looking further down the road and will give a pass to companies that report negative affects in the short-term because of Japan.

Due to the uncertainty over Japan and some other issues such as rising oil and commodities prices we reiterate once again that this is a short-term trader's market.

Q4 earnings season is over with all members of the S&P 500 having reported. Of those, 67.7% exceeded expectations, 8.0% were in line, and 24.2% disappointed. This was a worse performance than Q3 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 in Q3, a strong 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 our current positive long-term outlook.**

In spite of the recent turmoil in Japan and the Middle East along with worries about oil and possible inflation, aggregate earnings estimates continue to rise. Currently S&P 500 projected earnings for 2011 are just under \$97. The current S&P 500 P/E is 15.62. A 15 P/E on \$97 would put the index at 1455. Should projections follow the recent trend those numbers will move higher. Estimates for 2012 are above \$110, projecting earnings growth of 13.85% over 2011. A 15 P/E on \$110 equates to 1650 on the S&P 500, 23.8% higher than current levels.

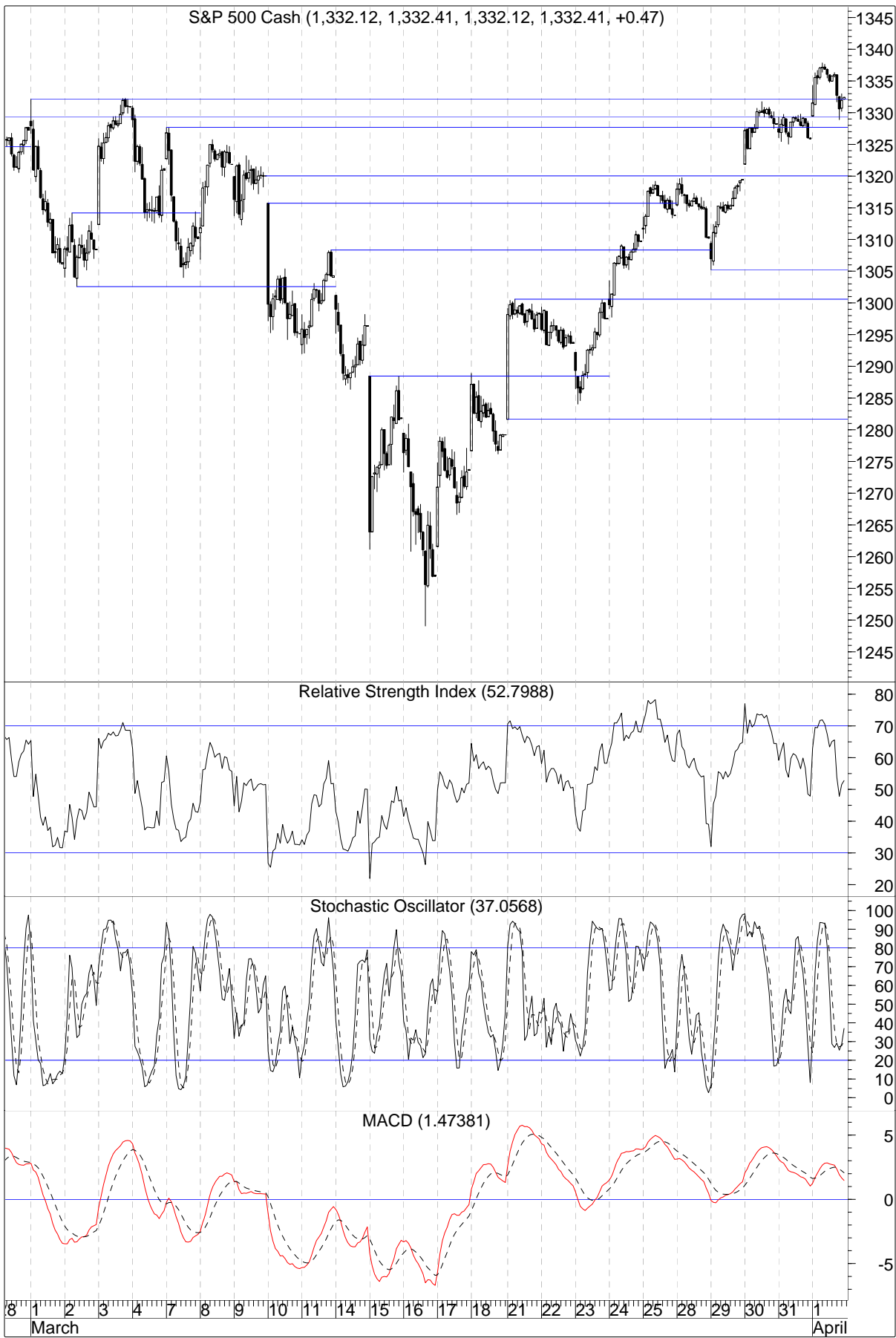
We left the best three-month period for stocks when January ended, but we are still in the best 6-month period. As far as the presidential cycle, we are now in year three. Since 1939 the Dow Jones Industrial Average has not had a single down year three, with the average gain being 16.6%. In addition, 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, intermediate-term and long-term trends remain up. This remains a short-term trader's market, and investors need to be alert for sector rotation.

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The S&P 500 was able to break the resistance at 1332 on Friday before falling back.

30-minute momentum indicators are mixed.

S&P 500 Cash (1,329.48, 1,337.85, 1,328.89, 1,332.41, +6.58)



The daily chart of the S&P 500 shows it breaking the resistance from early March on an intraday and closing basis but selling off and printing a bearish shooting star candle.

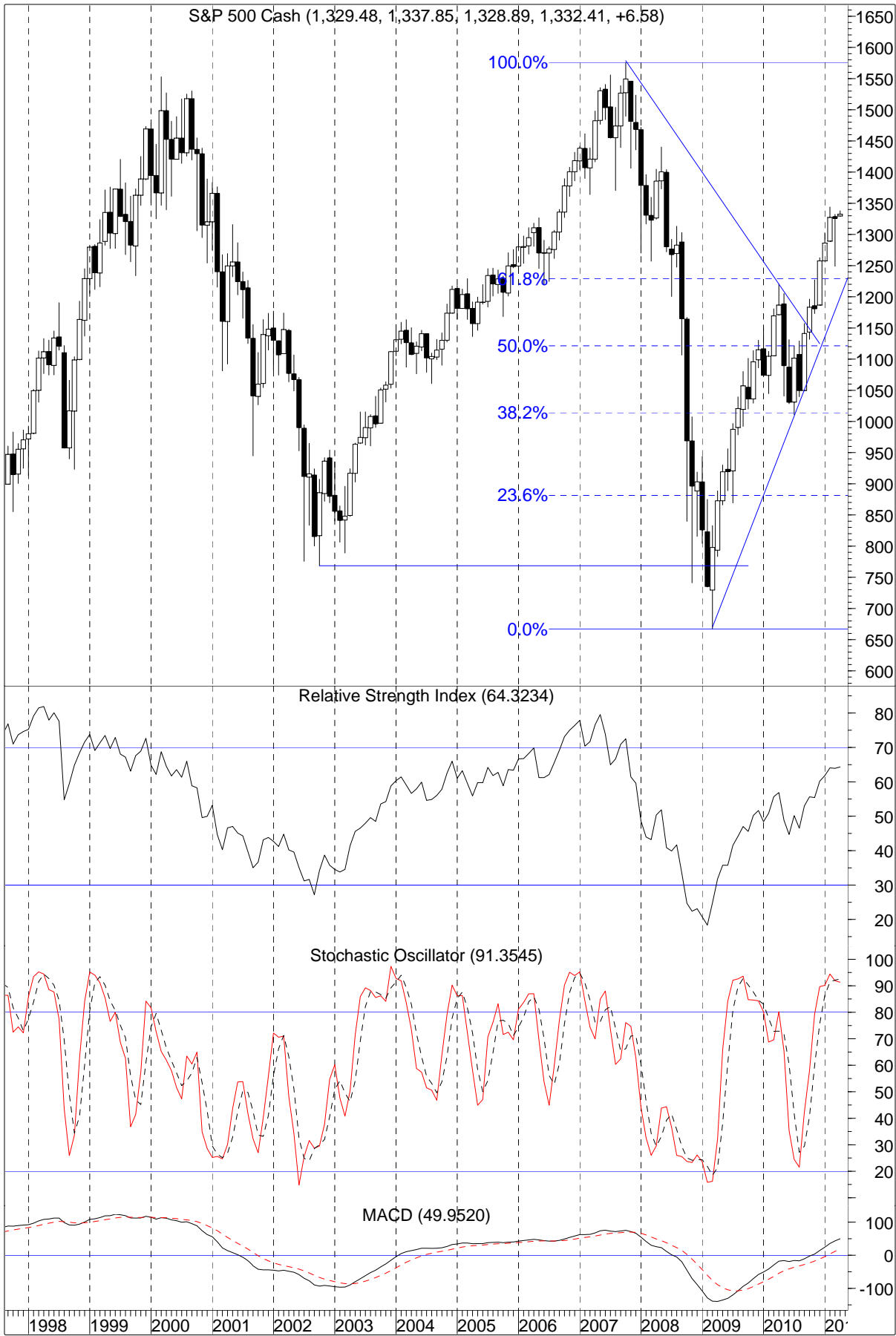
Daily momentum indicators look positive with only the stochastic in the overbought zone.



The S&P 500 has followed through to the upside after the hammer candle on the weekly chart three weeks ago. Hammers are bottoming candles.

Weekly momentum indicators look ok.

S&P 500 Cash (1,329.48, 1,337.85, 1,328.89, 1,332.41, +6.58)

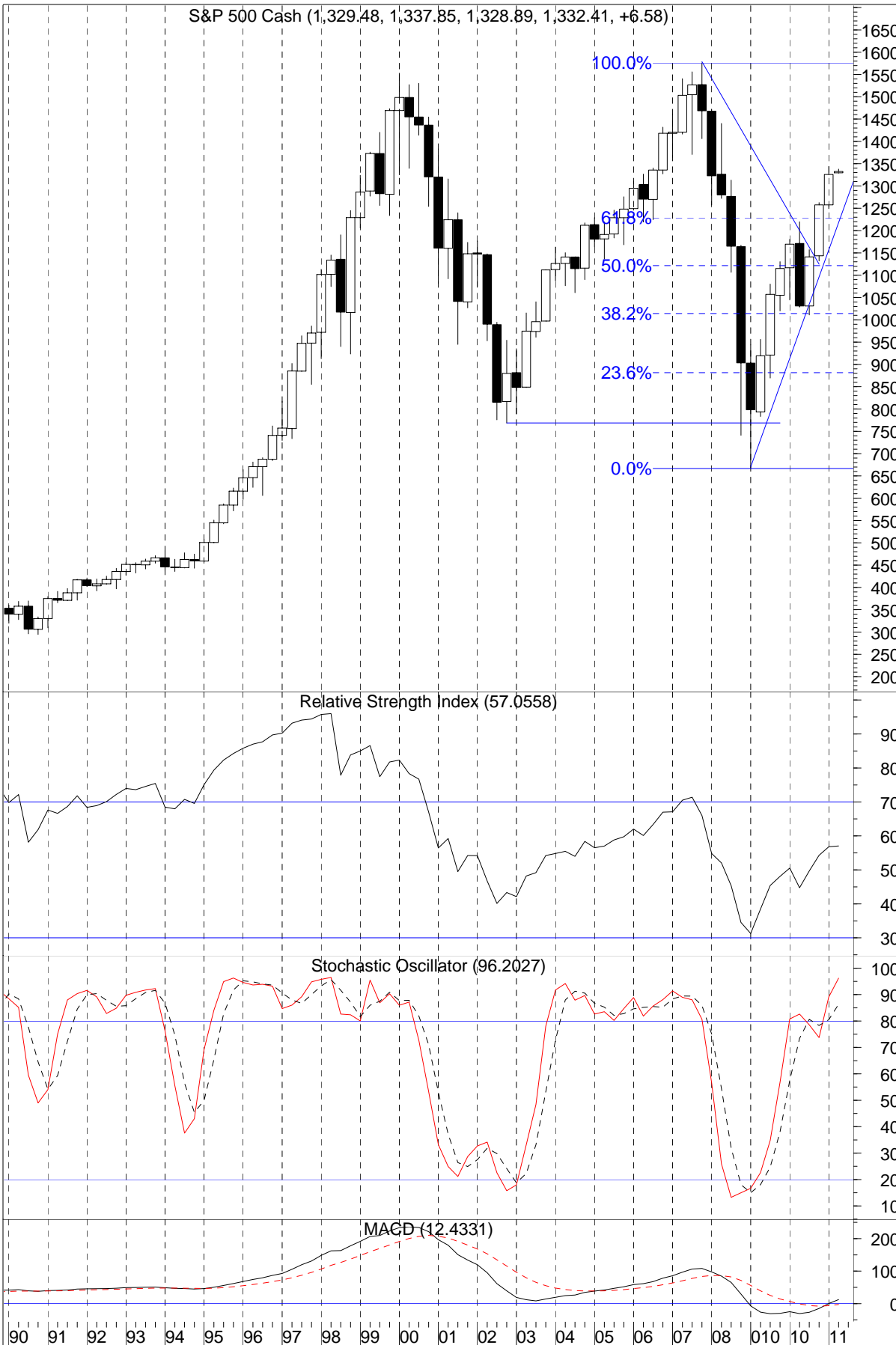


The monthly chart of the S&P 500 printed a bearish hanging man candle for March. It requires confirmation by the next candle to confirm a bearish interpretation.

Monthly momentum indicators look positive with only the stochastic in the overbought zone.

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S&P 500 Cash (1,329.48, 1,337.85, 1,328.89, 1,332.41, +6.58)



We just ended the third good quarter in a row for the S&P 500. The index is not far from the Fibonacci 76.4% retracement level of the recent bear market which is at 1361.50.

Quarterly momentum indicators look positive with only the stochastic in the overbought zone.

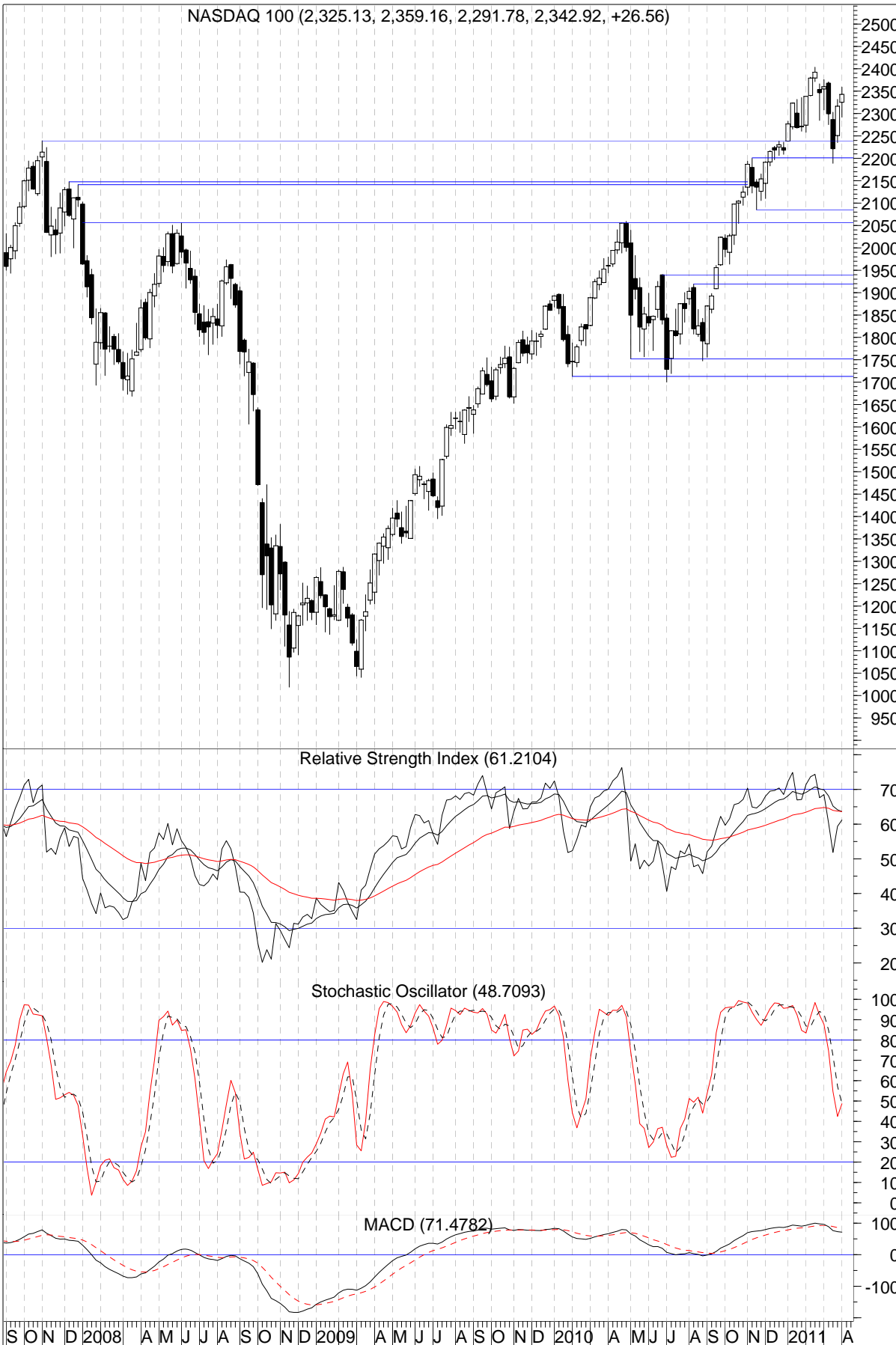
NASDAQ 100 (2,352.47, 2,359.16, 2,334.95, 2,342.92, +3.93)



The daily chart of the Nasdaq 100 shows it has not surpassed the early March high. It also had a reversal day Friday as it gapped higher but closed lower on the day.

Daily momentum indicators look positive with only the stochastic in the overbought zone.

NASDAQ 100 (2,325.13, 2,359.16, 2,291.78, 2,342.92, +26.56)



The weekly chart of the Nasdaq 100 shows it has held above the level of its 2008 resistance.

Weekly momentum indicators are mixed.

NASDAQ 100 (2,352.47, 2,359.16, 2,334.95, 2,342.92, +3.93)



The monthly chart of the Nasdaq 100 shows it is hovering in the area of the Fibonacci 38.2% retracement of the bear market of 2000 - 2002.

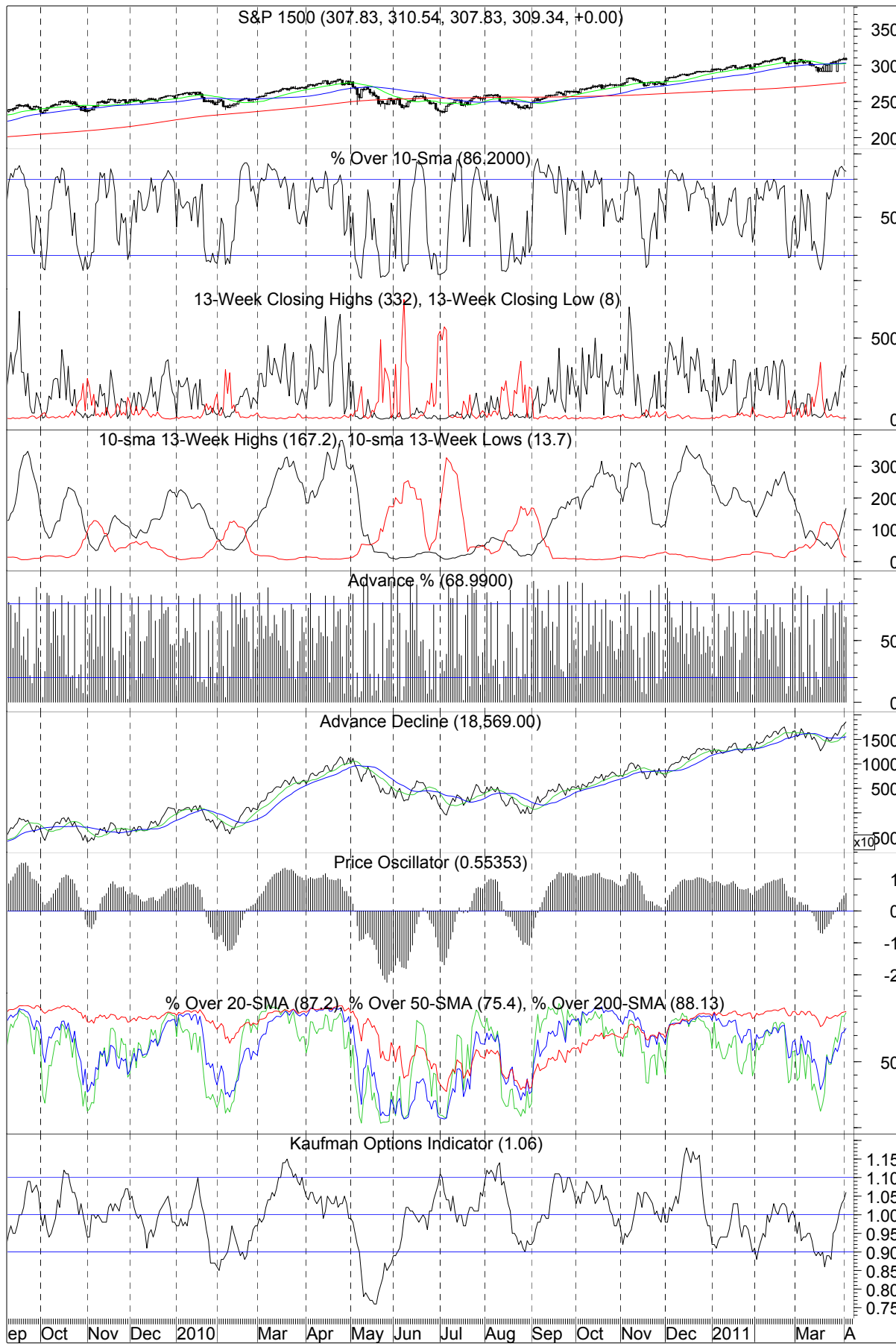
Monthly momentum indicators look positive although they are at high levels.

NASDAQ 100 (2,352.47, 2,359.16, 2,334.95, 2,342.92, +3.93)



The quarterly chart of the Nasdaq 100 shows it has had three good quarters in a row.

Quarterly momentum indicators look positive.



The percentage of stocks over their own 10-sma is in the overbought zone at 86.2%. It hit 90.13% Wednesday.

13-week closing highs have been expanding again while closing lows are miniscule after a short lived increase.

The 10-sma of closing highs has again moved well above the 10-sma of closing lows.

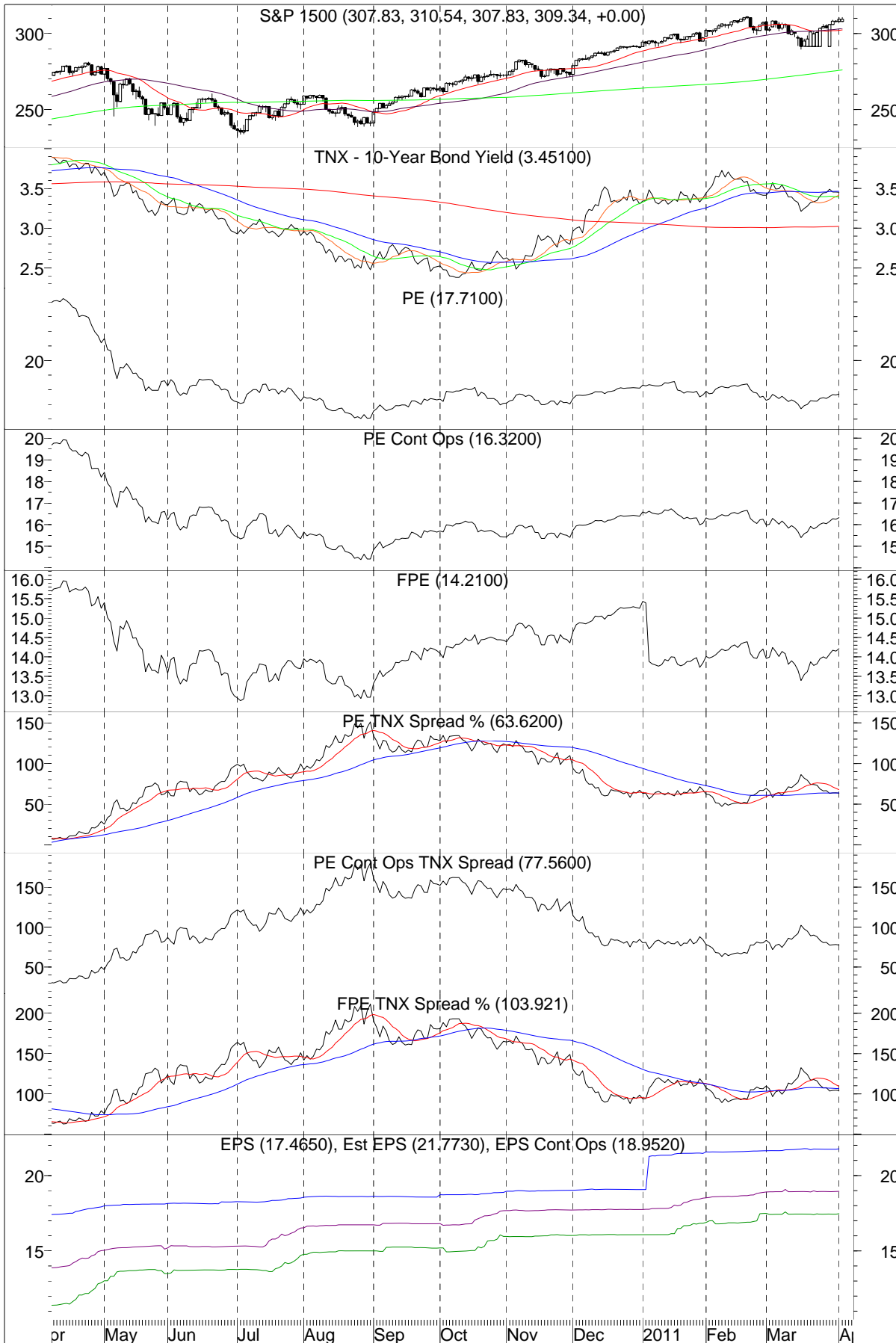
68.99% of stocks advanced Friday. Breadth numbers have been strong.

The Advance Decline line made new highs last week, which is very bullish.

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

All of these numbers of the percentage of stocks over various moving averages are back to bullish levels.

Our proprietary options indicator is at 1.06, showing options buyers have turned optimistic. While it is not yet at extreme levels and can go higher, too much bullishness leaves stocks vulnerable to pullbacks.



The 10-year bond yield has been locked in a range since mid-December.

P/E ratios have moved higher as equities have rallied but they are still in their recent ranges.

Spreads between equity and bond yields remain range-bound at levels where stocks should be attractive versus bonds.

Earnings metrics are flat lining as we wait for Q1 earnings season to get underway in about a week.

Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
S&P Smallcap 600	448.03	0.31%	2.71%	2.71%	0.31%	0.31%	7.77%	450.77	2011-04-01	315.22	2010-08-24
S&P Midcap 400	996.43	0.75%	2.68%	2.68%	0.75%	0.75%	9.83%	998.05	2011-04-01	692.75	2010-07-01
Bank of New York Mellon ADR	146.12	1.17%	2.15%	2.15%	1.17%	1.17%	4.27%	148.80	2011-02-18	109.79	2010-05-25
S&P 1500	310.01	0.73%	1.79%	1.79%	0.73%	0.73%	6.57%	311.19	2011-02-18	232.54	2010-07-01
NYSE Composite	8469.34	0.77%	1.77%	1.77%	0.77%	0.77%	6.35%	8520.27	2011-02-18	6355.83	2010-07-01
Nasdaq Composite	2789.60	0.31%	1.70%	1.70%	0.31%	0.31%	5.15%	2840.51	2011-02-18	2061.14	2010-07-01
S&P 500	1332.41	0.50%	1.42%	1.42%	0.50%	0.50%	5.95%	1344.07	2011-02-18	1010.91	2010-07-01
Dow Jones Industrials	12376.72	0.46%	1.28%	1.28%	0.46%	0.46%	6.90%	12419.71	2011-04-01	9614.32	2010-07-02
Nasdaq 100	2342.92	0.17%	1.15%	1.15%	0.17%	0.17%	5.64%	2403.52	2011-02-16	1700.04	2010-07-01

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Telecom Services	133.06	-0.14%	4.15%	4.15%	-0.14%	-0.14%	3.36%	134.14	2011-04-01	98.67	2010-05-06
Industrials	328.74	0.90%	2.42%	2.42%	0.90%	0.90%	9.17%	330.50	2011-04-01	232.54	2010-07-06
Materials	250.20	0.34%	2.28%	2.28%	0.34%	0.34%	4.42%	253.05	2011-02-17	168.44	2010-07-01
Utilities	163.08	0.72%	2.20%	2.20%	0.72%	0.72%	2.35%	165.74	2011-03-09	138.57	2010-05-25
Health Care	385.23	0.58%	1.87%	1.87%	0.58%	0.58%	5.61%	385.77	2011-04-01	318.89	2010-07-01
Energy	591.66	0.40%	1.76%	1.76%	0.40%	0.40%	16.76%	597.88	2011-03-31	365.74	2010-07-01
Consumer Staples	310.67	0.59%	1.38%	1.38%	0.59%	0.59%	2.34%	311.23	2011-04-01	260.65	2010-07-01
Consumer Discretionary	310.63	0.72%	1.26%	1.26%	0.72%	0.72%	5.11%	315.79	2011-02-18	225.71	2010-07-01
Financials	222.48	0.80%	1.10%	1.10%	0.80%	0.80%	3.59%	231.18	2011-02-16	178.83	2010-08-25
Information Technology	417.27	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	3.14%	439.61	2011-02-18	323.47	2010-07-01

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Telecom Services	133.06	-0.14%	4.15%	4.15%	-0.14%	-0.14%	3.36%	134.14	2011-04-01	98.67	2010-05-06
Health Care Equip & Services	401.94	0.99%	2.81%	2.81%	0.99%	0.99%	11.93%	403.31	2011-04-01	296.30	2010-08-31
Real Estate	131.65	0.32%	2.64%	2.64%	0.32%	0.32%	9.18%	132.99	2011-03-01	93.55	2010-07-06
Capital Goods	357.45	0.99%	2.44%	2.44%	0.99%	0.99%	10.46%	359.51	2011-04-01	250.06	2010-07-06
Transportation	346.59	0.50%	2.35%	2.35%	0.50%	0.50%	4.83%	348.84	2011-04-01	247.54	2010-07-06
Commercial & Professional Service	154.12	0.94%	2.31%	2.31%	0.94%	0.94%	5.90%	154.12	2011-04-01	122.63	2010-06-08
Materials	250.20	0.34%	2.28%	2.28%	0.34%	0.34%	4.42%	253.05	2011-02-17	168.44	2010-07-01
Utilities	163.08	0.72%	2.20%	2.20%	0.72%	0.72%	2.35%	165.74	2011-03-09	138.57	2010-05-25
Energy	591.66	0.40%	1.76%	1.76%	0.40%	0.40%	16.76%	597.88	2011-03-31	365.74	2010-07-01
Retailing	519.92	0.81%	1.63%	1.63%	0.81%	0.81%	2.27%	529.38	2011-02-16	379.61	2010-07-01
Software & Services	547.89	0.95%	1.62%	1.62%	0.95%	0.95%	4.08%	562.10	2011-02-18	410.27	2010-07-01
Food & Staples Retailing	197.21	0.84%	1.58%	1.58%	0.84%	0.84%	0.77%	203.40	2011-01-26	162.45	2010-07-01
Household & Personal Products	373.87	0.56%	1.50%	1.50%	0.56%	0.56%	-1.14%	390.72	2011-01-25	339.42	2010-05-06
Media	226.09	0.64%	1.46%	1.46%	0.64%	0.64%	14.02%	230.21	2011-03-03	158.64	2010-07-01
Pharmaceuticals, Biotech & Life Sci	346.08	0.35%	1.35%	1.35%	0.35%	0.35%	2.51%	348.03	2010-04-05	299.26	2010-07-01
Automobiles & Components	117.07	1.29%	1.27%	1.27%	1.29%	1.29%	-0.91%	130.31	2011-01-13	74.25	2010-06-29
Food, Beverage & Tobacco	367.94	0.51%	1.26%	1.26%	0.51%	0.51%	4.40%	368.99	2011-04-01	294.78	2010-05-25
Diversified Financials	345.40	0.88%	1.19%	1.19%	0.88%	0.88%	2.98%	382.07	2010-04-15	278.07	2010-08-31
Consumer Durables & Apparel	168.72	0.95%	0.84%	0.84%	0.95%	0.95%	0.10%	177.47	2011-02-18	127.38	2010-07-06
Banks	151.03	1.08%	0.76%	0.76%	1.08%	1.08%	1.50%	165.92	2010-04-21	115.69	2010-08-31
Insurance	196.21	0.64%	0.57%	0.57%	0.64%	0.64%	4.25%	202.29	2011-02-18	156.79	2010-05-25
Consumer Services	475.15	0.32%	0.36%	0.36%	0.32%	0.32%	1.59%	483.97	2011-02-18	371.65	2010-07-01
Technology Hardware & Equipmen	444.18	-0.80%	-1.47%	-1.47%	-0.80%	-0.80%	2.18%	483.22	2011-02-09	350.49	2010-08-27
Semiconductors & Equipment	346.79	-1.65%	-1.98%	-1.98%	-1.65%	-1.65%	2.70%	380.50	2011-02-18	262.69	2010-08-31

INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
South Korea EWY	65.74	2.16%	5.81%	2.16%	2.16%	7.44%	65.78	2011-04-01	40.65	2010-05-25
South Africa EZA	74.20	1.74%	5.71%	1.74%	1.74%	-0.64%	75.27	2011-01-03	23.00	2010-05-06
Brazil EWZ	79.22	2.21%	5.26%	2.21%	2.21%	2.35%	81.55	2010-11-04	57.03	2010-05-25
Turkey TUR	65.80	3.07%	4.83%	3.07%	3.07%	-0.62%	79.00	2010-11-09	44.40	2010-05-06
BRIC EEB	48.15	1.54%	4.51%	1.54%	1.54%	4.36%	48.31	2011-04-01	23.23	2010-05-06
Australia EWA	26.93	1.16%	4.50%	1.16%	1.16%	5.86%	27.02	2011-04-01	18.26	2010-05-25
Thailand THD	68.24	2.14%	4.49%	2.14%	2.14%	5.62%	68.70	2010-11-09	41.82	2010-05-21
Emerging Markets EEM	49.45	1.60%	4.46%	1.60%	1.60%	3.79%	49.56	2011-04-01	35.19	2010-05-25
Latin America ILF	54.61	1.52%	4.42%	1.52%	1.52%	1.39%	54.83	2010-11-05	39.18	2010-05-25
Israel EIS	59.69	1.05%	4.39%	1.05%	1.05%	-1.37%	61.79	2011-01-19	45.00	2010-05-06
India IFN	33.27	0.97%	4.26%	0.97%	0.97%	-5.24%	36.88	2010-11-08	23.97	2010-05-25
Mexico EWW	63.73	1.40%	4.25%	1.40%	1.40%	2.92%	63.93	2011-04-01	45.11	2010-05-25
China 25 FXI	45.49	1.29%	4.17%	1.29%	1.29%	5.57%	47.99	2010-11-08	36.24	2010-05-06
Germany EWG	26.38	1.66%	4.15%	1.66%	1.66%	10.19%	26.44	2011-04-01	17.97	2010-05-25
Indonesia IDX	30.39	1.50%	3.90%	1.50%	1.50%	4.42%	31.05	2010-11-09	19.73	2010-05-25
Sweden EWD	33.08	0.88%	3.50%	0.88%	0.88%	5.92%	33.20	2011-04-01	19.00	2010-05-06
Malaysia EWM	14.94	1.01%	3.18%	1.01%	1.01%	3.89%	15.02	2011-04-01	10.60	2010-05-25
Hong Kong EWH	19.08	0.79%	3.08%	0.79%	0.79%	0.85%	20.24	2010-11-08	14.08	2010-05-21
Chile ECH	73.61	2.46%	3.07%	2.46%	2.46%	-7.53%	80.35	2010-12-20	27.26	2010-05-06
France EWQ	27.25	1.19%	2.83%	1.19%	1.19%	11.45%	27.31	2011-04-01	19.24	2010-05-25
Taiwan EWT	15.10	1.60%	2.51%	1.60%	1.60%	-3.33%	16.08	2011-02-07	10.81	2010-06-08
Canada EWC	33.93	0.95%	2.41%	0.95%	0.95%	9.45%	34.21	2011-03-07	22.75	2010-05-06
Netherlands EWN	23.20	0.65%	2.38%	0.65%	0.65%	10.00%	23.27	2011-04-01	16.64	2010-05-25
Singapore EWS	13.74	0.51%	2.16%	0.51%	0.51%	-0.79%	14.56	2010-11-09	10.47	2010-05-25
Russia RSX	42.53	2.16%	2.14%	2.16%	2.16%	12.19%	42.59	2011-04-01	26.06	2010-05-25
Austria EWO	23.64	1.03%	2.07%	1.03%	1.03%	5.87%	23.66	2011-04-01	14.91	2010-06-08
Belgium EWK	14.28	1.20%	2.00%	1.20%	1.20%	8.76%	14.52	2010-11-04	8.93	2010-05-06
United Kingdom EWU	18.15	1.34%	1.97%	1.34%	1.34%	4.49%	18.55	2011-02-18	13.25	2010-05-25
Spain EWP	42.90	1.13%	1.30%	1.13%	1.13%	16.77%	45.29	2010-04-14	29.85	2010-06-08
Italy EWI	18.71	0.70%	1.19%	0.70%	0.70%	14.22%	19.04	2010-04-14	13.21	2010-06-07
Switzerland EWL	25.31	0.08%	0.84%	0.08%	0.08%	0.92%	25.84	2011-03-01	18.70	2010-05-25
Vietnam VNM	23.75	0.08%	0.51%	0.08%	0.08%	-9.28%	30.34	2010-12-13	21.81	2010-08-25
Japan EWJ	10.30	-0.15%	-0.29%	-0.15%	-0.15%	-5.59%	11.63	2011-02-18	9.15	2010-06-07