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The Kaufman Report

Trade what you see, not what you think.

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Monday August 2, 2010

Closing prices of July 30, 2010

Stocks cooled off last week after hitting overbought levels but July still ended with a gain of 6.88% for the S&P 500. Friday's weak GDP report caused equities to gap down but investors used that as an opportunity to buy the dip. The new up trend we identified last week remains intact, and there have been more positive developments technically.

Monday's 161 13-week closing highs in the S&P 1500 was the most since 233 on May 3rd. In The Kaufman Report dated July 19th we discussed the 90% down day of July 16th and said that if it was an isolated occurrence it would be the first time that happened since this concentrated period of clusters of 90% days began on April 27th. Not only was it not followed within a week by more 90% down days, which had become the market's habit, but within six sessions there was one 90% up day and one session that just missed.

At this point stocks sit at an interesting juncture as the S&P 500 sits between converging 20, 50, and 200-day moving averages. This is a condition that will not last too much longer. The candle sticks on the weekly charts of the indexes highlight the current tug-of-war between the bulls and bears. The big question is can the S&P 500 move above the high of June 21st which was 1131.23. In doing so it would take out important resistance and move decisively over its 200-sma, currently at 1110.77.

We are two-thirds into second quarter earnings season and so far the numbers have been good. Unfortunately there remains a lack of visibility which is evidenced by projected earnings numbers remaining flat even as reported numbers continue to rise. Valuations argue for higher prices, but it is possible equities will remain range bound until forecasts start to move again, which should be by mid-August or certainly by September.

Our strategy is as follows: **the new uptrend and the recent strong market breadth give us reasons for optimism, but until proven otherwise, this remains a short-term trader's market with aggressive traders able to play long or short based on overbought or oversold conditions.**

Based on the S&P 500 the short-term and intermediate-term trends are up, while the long-term trend is down.

THE NEXT WEEKLY ISSUE OF THE KAUFMAN REPORT WILL BE SEPTEMBER 6TH. ALL STATISTICS WILL STILL BE AVAILABLE AT JOHN THOMAS FINANCIAL ON A DAILY BASIS.

IMPORTANT DISCLOSURES

I, Wayne S. Kaufman, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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

P/E: 15.35 FP/E: 13.70

Percent over 10-sma: 63.20%. Percent over 50-sma: 75.47%. Percent over 200-sma: 52.47%.

13-Week Closing Highs: 33. 13-Week Closing Lows: 36. 52-week closing highs: 22. 52-week closing lows: 14.

Kaufman Options Indicator: 1.09. Put/Call Ratio: 0.80.

New High Reversals: 1. New Low Reversals: 13.

Volume: -12% versus yesterday. 94% of the 10-day average. 91% of the 30-day average.

Up Stocks: 50.74%. Up Volume: 43.46%. Up Points: 53.40%. Up Dollars: 48.01%, 32% of 10-sma. Dn Dollars 72% of 10-sma.

Earnings: 336 of the S&P 500 have reported so far this earnings season. 75.6% have had positive surprises, 9.5% have been in line, and 14.9% have had negative surprises.

Federal Funds Futures project a 66.2% probability of no change to the current 0.25% target rate and a 33.8% probability of a decrease to 0.00% when the FOMC meets on 8/10. For the meeting of 9/21 the probabilities are 63.0% for no change, 30.5% for a decrease to 0.00%, and 6.5% for an increase to 0.50

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Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Bank of New York Mellon ADR	126.19	0.01%	1.17%	1.17%	11.66%	11.66%	-7.45%	142.19	1/11/2010	109.79	5/25/2010
NYSE Composite	6998.99	0.06%	0.49%	0.49%	8.18%	8.18%	-2.59%	7743.74	4/15/2010	6280.57	7/30/2009
Dow Jones Industrials	10465.94	-0.01%	0.40%	0.40%	7.08%	7.08%	0.36%	11258.01	4/26/2010	9072.61	7/30/2009
S&P 500	1101.60	0.01%	-0.10%	-0.10%	6.88%	6.88%	-1.21%	1219.80	4/26/2010	976.01	7/30/2009
S&P 1500	253.43	0.03%	-0.13%	-0.13%	6.85%	6.85%	-0.53%	281.21	4/26/2010	222.32	7/30/2009
S&P Smallcap 600	348.50	-0.13%	-0.21%	-0.21%	6.26%	6.26%	4.77%	396.63	4/26/2010	290.52	8/17/2009
S&P Midcap 400	760.27	0.28%	-0.42%	-0.42%	6.82%	6.82%	4.62%	852.90	4/26/2010	619.10	7/30/2009
Nasdaq 100	1864.00	0.20%	-0.61%	-0.61%	7.18%	7.18%	0.20%	2059.42	4/26/2010	1563.14	8/17/2009
Nasdaq Composite	2254.70	0.13%	-0.65%	-0.65%	6.90%	6.90%	-0.64%	2535.28	4/26/2010	1929.64	8/17/2009

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Telecom Services	110.13	-0.08%	1.65%	1.65%	7.93%	7.93%	-3.93%	117.00	1/5/2010	98.67	5/6/2010
Financials	197.92	-0.03%	1.01%	1.01%	6.61%	6.61%	2.13%	230.45	4/15/2010	168.88	7/30/2009
Industrials	262.83	0.18%	0.73%	0.73%	10.30%	10.30%	8.16%	292.21	4/30/2010	203.42	7/30/2009
Health Care	331.00	0.27%	0.32%	0.32%	1.26%	1.26%	-8.62%	384.95	1/20/2010	317.62	8/6/2009
Energy	403.14	-0.25%	0.21%	0.21%	7.98%	7.98%	-6.24%	464.76	4/26/2010	365.74	7/1/2010
Materials	193.56	0.49%	-0.14%	-0.14%	12.23%	12.23%	-3.13%	213.87	4/26/2010	168.34	7/30/2009
Consumer Discretionary	247.48	0.65%	-0.39%	-0.39%	7.73%	7.73%	5.28%	284.57	4/26/2010	195.66	7/30/2009
Utilities	153.97	-0.63%	-0.54%	-0.54%	7.35%	7.35%	-2.54%	161.50	12/14/2009	138.57	5/25/2010
Consumer Staples	277.97	0.17%	-0.63%	-0.63%	5.84%	5.84%	1.34%	290.45	3/23/2010	247.40	8/18/2009
Information Technology	353.57	-0.46%	-1.62%	-1.62%	7.17%	7.17%	-4.62%	397.46	4/26/2010	307.61	8/17/2009

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Transportation	283.82	0.69%	2.02%	2.02%	11.78%	11.78%	11.34%	304.63	5/3/2010	217.43	7/30/2009
Telecom Services	110.13	-0.08%	1.65%	1.65%	7.93%	7.93%	-3.93%	117.00	1/5/2010	98.67	5/6/2010
Real Estate	108.91	0.67%	1.50%	1.50%	10.78%	10.78%	15.64%	114.48	5/3/2010	69.13	7/30/2009
Diversified Financials	311.10	-0.28%	1.24%	1.24%	7.54%	7.54%	-3.25%	382.07	4/15/2010	279.30	7/1/2010
Banks	136.12	-0.11%	0.90%	0.90%	6.33%	6.33%	8.59%	165.92	4/21/2010	109.73	7/30/2009
Pharmaceuticals, Biotech & Life Scier	312.39	-0.01%	0.77%	0.77%	2.16%	2.16%	-8.05%	359.71	1/20/2010	299.26	7/1/2010
Capital Goods	282.64	0.11%	0.52%	0.52%	10.22%	10.22%	8.22%	318.38	4/30/2010	215.51	7/30/2009
Insurance	173.36	0.28%	0.48%	0.48%	3.55%	3.55%	5.20%	189.97	4/26/2010	140.15	7/30/2009
Energy	403.14	-0.25%	0.21%	0.21%	7.98%	7.98%	-6.24%	464.76	4/26/2010	365.74	7/1/2010
Media	176.64	0.90%	0.01%	0.01%	9.02%	9.02%	7.98%	192.83	5/3/2010	130.58	7/31/2009
Materials	193.56	0.49%	-0.14%	-0.14%	12.23%	12.23%	-3.13%	213.87	4/26/2010	168.34	7/30/2009
Consumer Durables & Apparel	139.42	0.38%	-0.16%	-0.16%	6.24%	6.24%	6.34%	164.51	4/26/2010	108.41	7/30/2009
Food, Beverage & Tobacco	319.34	0.33%	-0.26%	-0.26%	7.04%	7.04%	4.20%	324.19	3/23/2010	275.44	8/18/2009
Consumer Services	406.11	0.28%	-0.31%	-0.31%	7.40%	7.40%	9.62%	446.11	4/26/2010	321.45	7/30/2009
Utilities	153.97	-0.63%	-0.54%	-0.54%	7.35%	7.35%	-2.54%	161.50	12/14/2009	138.57	5/25/2010
Health Care Equip & Services	313.31	0.83%	-0.59%	-0.59%	-0.52%	-0.52%	-9.77%	371.77	1/20/2010	291.76	8/6/2009
Commercial & Professional Services	133.57	-0.62%	-0.73%	-0.73%	6.81%	6.81%	-0.18%	144.95	4/26/2010	116.49	8/6/2009
Retailing	405.06	1.03%	-0.76%	-0.76%	4.99%	4.99%	-1.47%	499.94	4/26/2010	346.78	8/17/2009
Food & Staples Retailing	174.28	0.19%	-0.81%	-0.81%	6.00%	6.00%	-4.80%	196.37	3/30/2010	162.45	7/1/2010
Automobiles & Components	90.42	-0.89%	-0.93%	-0.93%	19.69%	19.69%	16.31%	107.25	4/26/2010	60.18	10/2/2009
Software & Services	448.87	0.03%	-1.00%	-1.00%	7.89%	7.89%	-9.61%	512.69	4/15/2010	398.38	8/19/2009
Technology Hardware & Equipment	389.77	-0.59%	-1.12%	-1.12%	7.04%	7.04%	0.06%	431.10	4/26/2010	327.75	8/17/2009
Household & Personal Products	364.29	-0.23%	-1.30%	-1.30%	3.08%	3.08%	0.98%	383.05	3/23/2010	310.55	8/6/2009
Semiconductors & Equipment	298.70	-1.72%	-5.04%	-5.04%	5.12%	5.12%	-4.36%	348.04	4/15/2010	264.50	11/3/2009

INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Austria EWO	18.19	-0.71%	3.94%	19.12%	19.12%	-7.00%	23.59	10/15/2009	14.91	6/8/2010
Italy EWI	16.31	-0.43%	2.58%	18.19%	18.19%	-16.40%	21.77	10/19/2009	13.21	6/7/2010
Malaysia EWM	12.27	1.32%	1.91%	7.26%	7.26%	15.54%	12.34	7/30/2010	9.47	8/19/2009
Singapore EWS	12.31	0.82%	1.82%	9.52%	9.52%	7.14%	12.36	4/14/2010	9.66	8/17/2009
Turkey TUR	61.79	0.05%	1.68%	16.74%	16.74%	14.64%	63.27	4/14/2010	41.11	8/17/2009
Thailand THD	50.30	1.00%	1.58%	9.18%	9.18%	18.38%	50.53	7/27/2010	33.75	8/17/2009
Spain EWP	39.47	-1.47%	1.36%	24.00%	24.00%	-17.84%	52.67	11/25/2009	29.85	6/8/2010
Brazil EWZ	70.38	0.79%	1.31%	13.83%	13.83%	-5.67%	80.93	12/3/2009	56.50	9/2/2009
France EWQ	22.40	-0.27%	1.13%	14.52%	14.52%	-13.35%	27.32	1/11/2010	19.24	5/25/2010
Australia EWA	21.55	-0.05%	1.13%	13.54%	13.54%	-5.65%	25.14	1/11/2010	18.26	5/25/2010
Canada EWC	26.66	0.53%	1.02%	7.20%	7.20%	1.25%	29.00	4/15/2010	22.56	8/17/2009
Indonesia IDX	77.75	0.58%	0.95%	8.39%	8.39%	25.06%	78.29	7/29/2010	50.54	9/2/2009
Taiwan EWT	12.41	0.08%	0.81%	10.80%	10.80%	-4.32%	13.46	1/6/2010	10.60	8/27/2009
South Africa EZA	60.65	0.48%	0.78%	15.19%	15.19%	8.36%	62.76	4/5/2010	23.00	5/6/2010
Latin America ILF	46.61	0.76%	0.73%	12.53%	12.53%	-2.47%	50.25	12/4/2009	37.07	9/2/2009
United Kingdom EWU	15.39	0.07%	0.72%	14.51%	14.51%	-5.00%	17.20	11/16/2009	13.25	5/25/2010
Hong Kong EWH	15.94	0.44%	0.69%	7.92%	7.92%	1.79%	16.89	4/14/2010	14.08	5/21/2010
Emerging Markets EEM	41.40	0.49%	0.61%	10.93%	10.93%	-0.24%	46.66	4/9/2010	34.12	8/17/2009
BRIC EEB	41.26	0.90%	0.56%	9.30%	9.30%	-2.83%	44.90	12/4/2009	23.23	5/6/2010
Japan EWJ	9.63	-0.82%	0.52%	4.67%	4.67%	-1.13%	10.71	4/15/2010	9.15	6/7/2010
Germany EWG	20.74	0.19%	0.44%	10.85%	10.85%	-7.58%	23.40	10/21/2009	17.97	5/25/2010
South Korea EWY	49.05	0.10%	0.41%	9.71%	9.71%	2.96%	53.15	4/26/2010	39.15	8/17/2009
Belgium EWK	12.22	-0.41%	0.33%	12.69%	12.69%	-4.23%	13.95	10/19/2009	8.93	5/6/2010
Switzerland EWL	21.22	-0.24%	0.28%	6.15%	6.15%	-4.67%	23.63	4/15/2010	18.70	5/25/2010
Russia RSX	31.56	-0.82%	0.16%	12.51%	12.51%	1.19%	36.91	4/14/2010	21.66	8/19/2009
India IFN	31.69	0.25%	-0.31%	4.76%	4.76%	3.22%	33.08	4/14/2010	25.17	8/19/2009
Israel EIS	48.41	0.10%	-0.35%	6.23%	6.23%	-11.01%	60.68	3/26/2010	45.00	5/6/2010
China 25 FXI	41.24	0.37%	-0.53%	5.39%	5.39%	-2.41%	46.66	11/16/2009	36.24	5/6/2010
Sweden EWD	26.08	0.56%	-0.57%	14.24%	14.24%	10.98%	27.42	4/26/2010	19.00	5/6/2010
Netherlands EWN	19.38	-0.26%	-0.62%	13.27%	13.27%	-5.28%	21.51	10/15/2009	16.64	5/25/2010
Mexico EWW	50.96	0.08%	-0.70%	6.41%	6.41%	4.28%	61.60	5/6/2010	40.11	7/30/2009
Chile ECH	62.65	0.14%	-0.71%	10.51%	10.51%	14.35%	64.41	7/27/2010	27.27	5/6/2010
Vietnam VNM	25.09	0.84%	-1.30%	0.60%	0.60%	-1.57%	32.15	10/22/2009	22.55	5/21/2010

S&P 500 Cash (1,101.54, 1,101.60, 1,101.54, 1,101.60, -0.16)

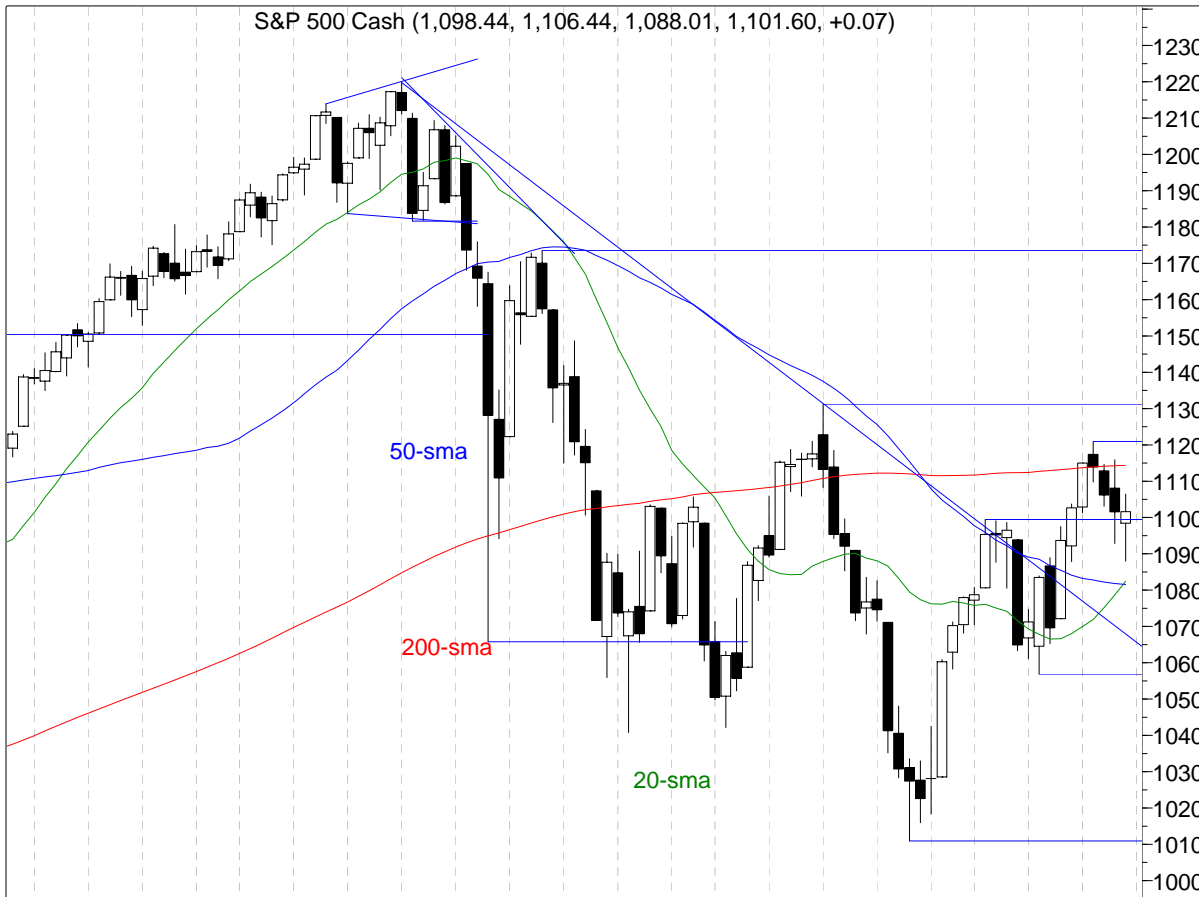


After gapping lower due to Friday's GDP report stocks rebounded smartly and reclaimed the 1100 area. There is still plenty of resistance overhead.

30-minute momentum indicators don't look too bad with a slight positive divergence on the RSI.

The MACD looks positive.

S&P 500 Cash (1,098.44, 1,106.44, 1,088.01, 1,101.60, +0.07)



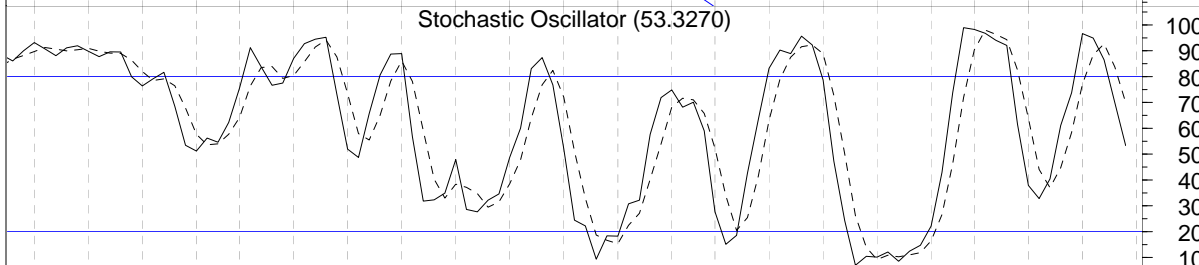
The daily chart shows a failure to hold the 200-sma on Wednesday, then a high wave spinning top on Thursday which is indicative of a tug-of-war between bulls and bears. Friday's candle is hammer-like, giving hope for a short-term bottom. The 20-day moving average is crossing over the 50-day for the first time since mid-May.

Relative Strength Index (54.9230)

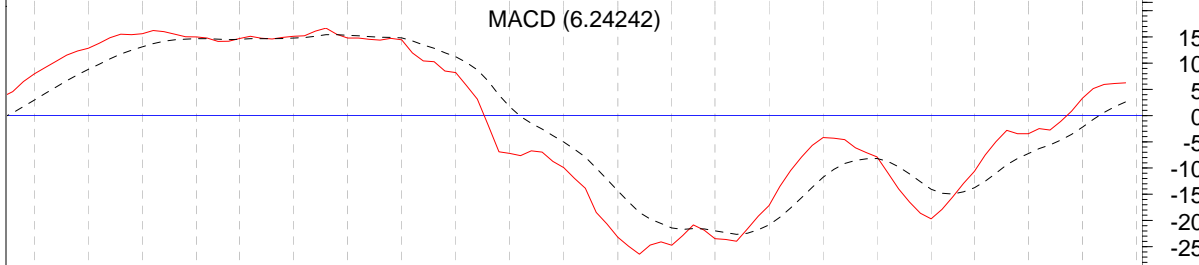


Daily momentum indicators are mixed.

Stochastic Oscillator (53.3270)



MACD (6.24242)



8 15 22 29 5 12 19 26 3 10 17 24 1 7 14 21 28 6 12 19 26
 arch April May June July

S&P 500 Cash (1,102.89, 1,120.95, 1,088.01, 1,101.60, -1.06)



The weekly chart of the S&P 500 shows it ran into resistance at the 20-sma and printed a doji candle stick. Doji are signs of indecision. The 20 and 40-sma are the closest they have been since July 2009, and all three of the moving averages on this chart continue to move closer together, pinching the index in the middle. This won't last too much longer.

Weekly momentum indicators don't look bad, and a positive crossover by the MACD would be very welcome.

S&P 500 Cash (1,031.10, 1,120.95, 1,010.91, 1,101.60, +70.89)



The monthly chart of the S&P 500 shows a candle for July that missed by a fraction being a bullish engulfing candle. The index bounced at the 38.2% Fibonacci retracement level, so after two bad months it gives us hope that a bottom is in.

Monthly momentum indicators are mixed.

NASDAQ 100 (1,842.33, 1,874.64, 1,833.90, 1,864.00, +3.70)



The daily chart of the Nasdaq 100 shows it bounced at the area just between its 50-sma and 20-sma. The 20-sma is about to cross over the 50 for the first time since mid-May. All three MAs are very close to each other, a condition which won't last much longer.

Momentum indicators are mixed to slightly positive.

NASDAQ 100 (1,875.77, 1,900.15, 1,833.90, 1,864.00, -11.38)



The weekly chart of the Nasdaq 100 printed a high wave spinning top candle, a sign of the tug-of-war between the bulls and bears.

Weekly momentum indicators are mixed.

NASDAQ 100 (1,741.93, 1,900.15, 1,700.04, 1,864.00, +124.86)



The monthly chart of the Nasdaq 100 shows it too missed by just a fraction printing a bullish engulfing candle.

Momentum indicators are mostly neutral.

S&P 1500 (253.36, 254.53, 250.19, 253.43, +0.07)

% Over 10-Sma (63.2000)

Relative Strength Index (54.8656)

Stochastic Oscillator (70.8626)

MACD (1.45017)

13-Week Closing Highs (33), 13-Week Closing Low (36)

Price Oscillator (0.69016)

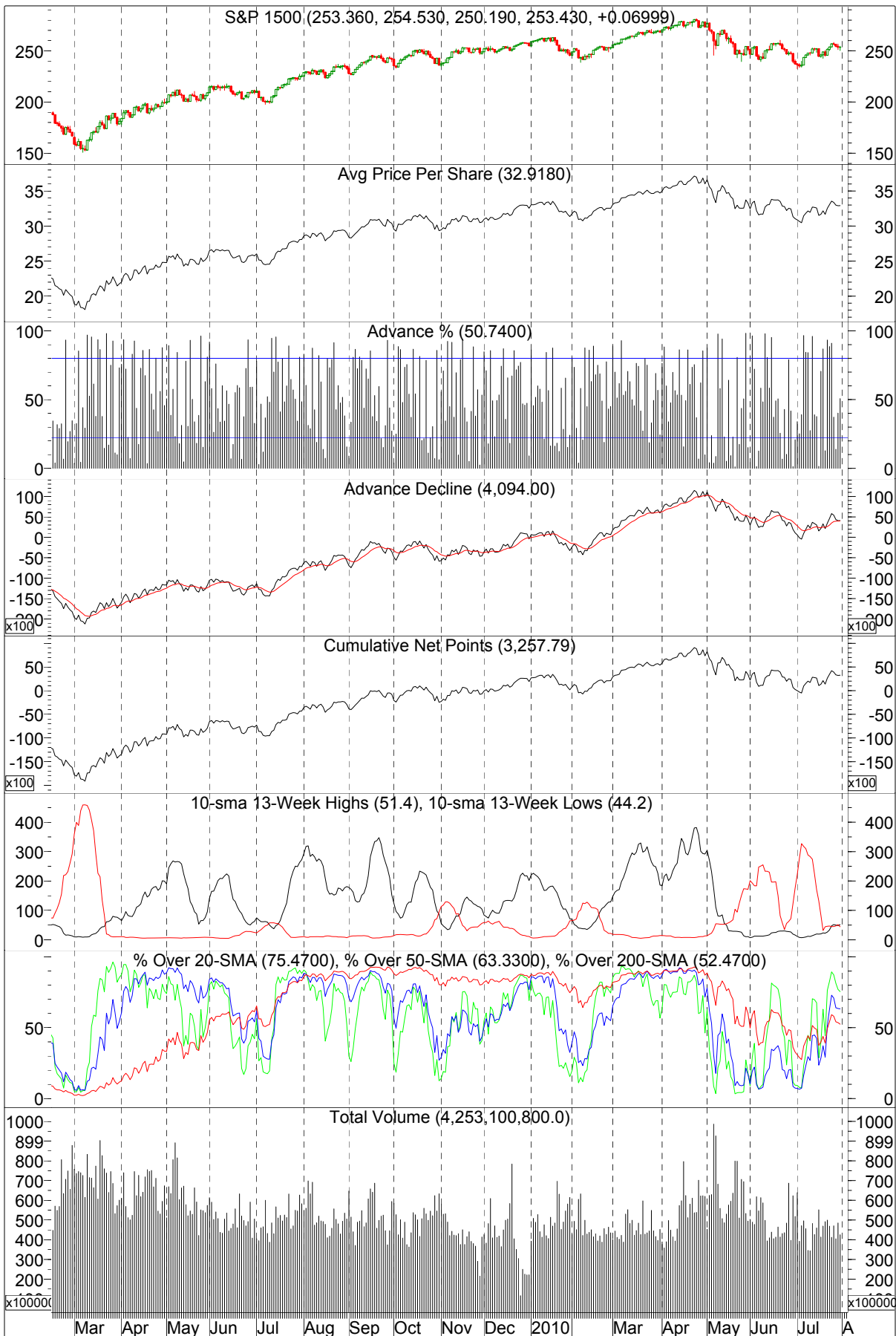
After hitting overbought levels the percent over 10-sma is down to 63.2%.

Monday's 161 13-week closing highs was the most since 233 on May 3rd.

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

9 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2010 Mar Apr May Jun Jul A

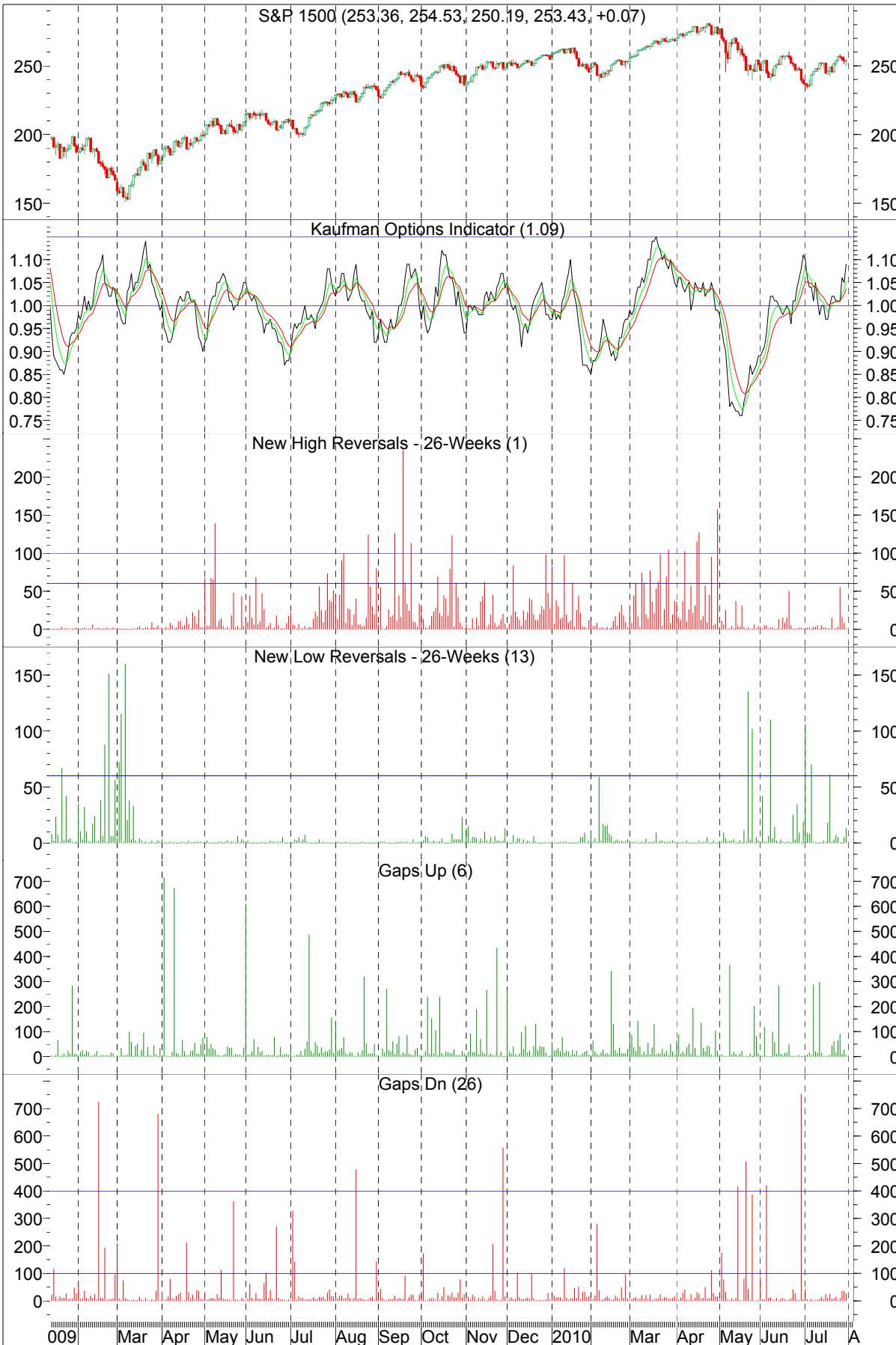
The Kaufman Report - Wayne S. Kaufman, CMT



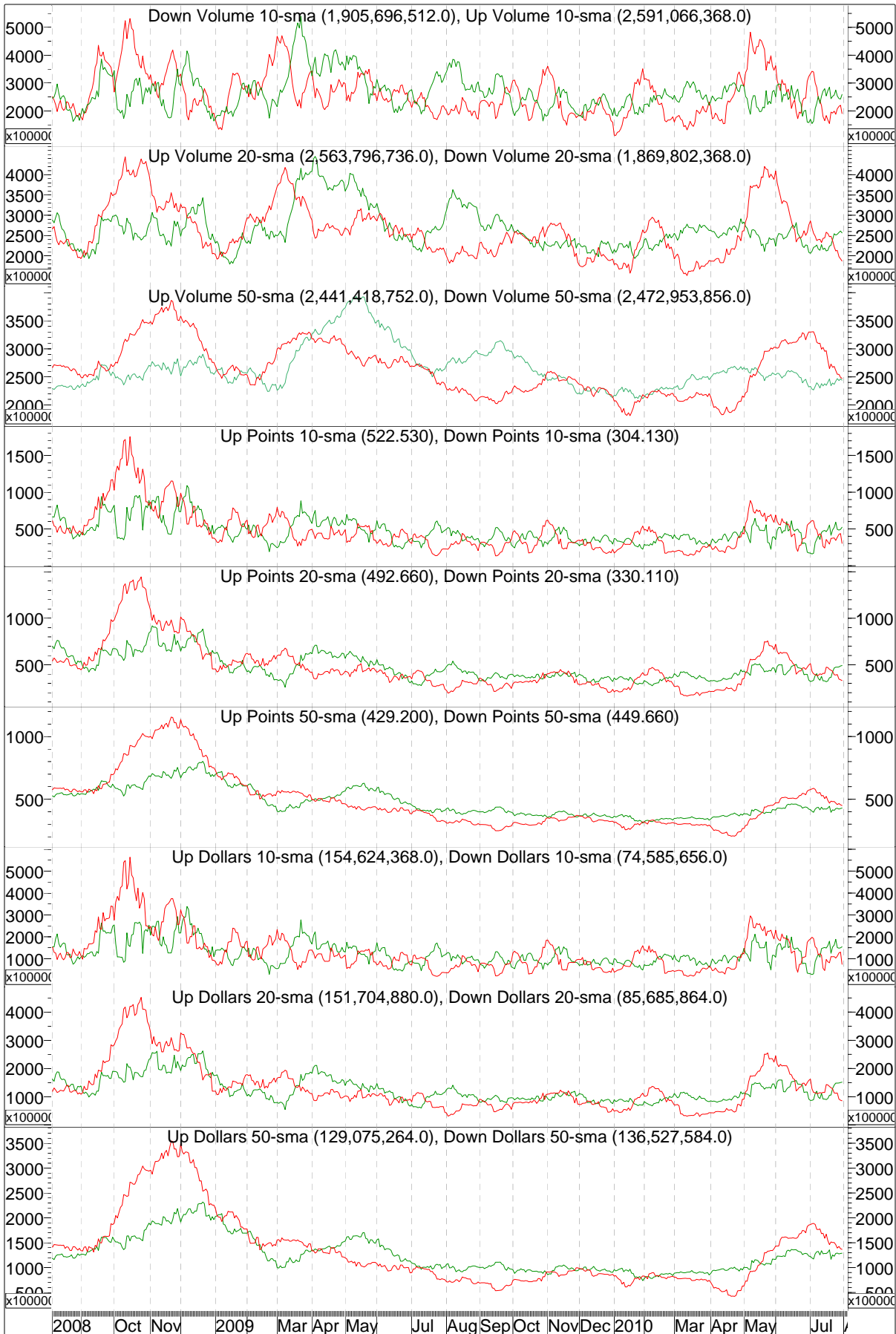
After a period of very strong breadth numbers the last four sessions were weak.

The 10-sma of 13-week closing highs is slightly above 13-week lows.

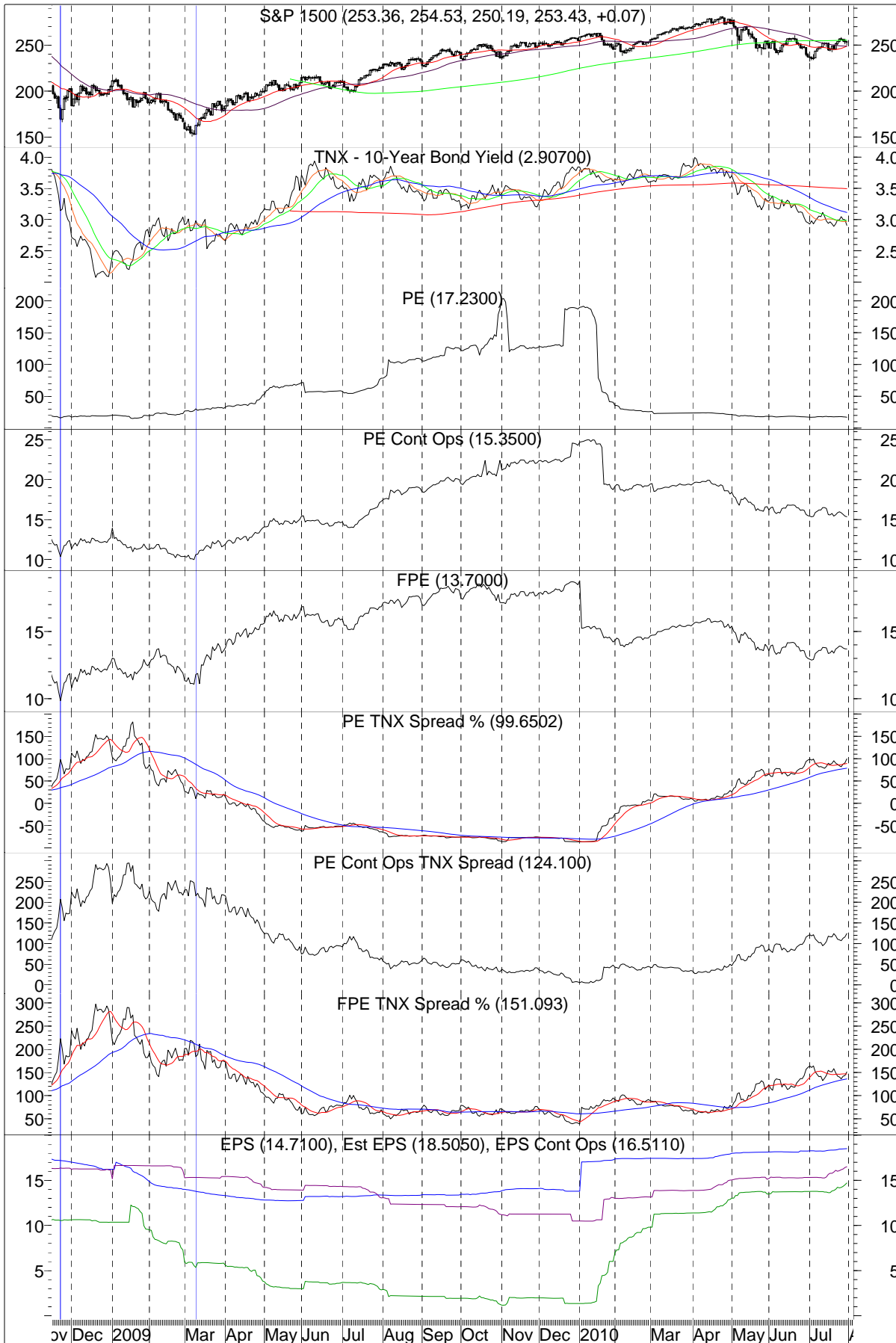
These numbers are really bouncing around and are neither bear nor bull market numbers.



Options buyers have become optimistic again. We prefer to see pessimism. Too much optimism leaves stocks vulnerable to pull backs.



Our statistics of supply (red) versus demand (green) show that buying statistics remain steady while sellers have become much less aggressive.

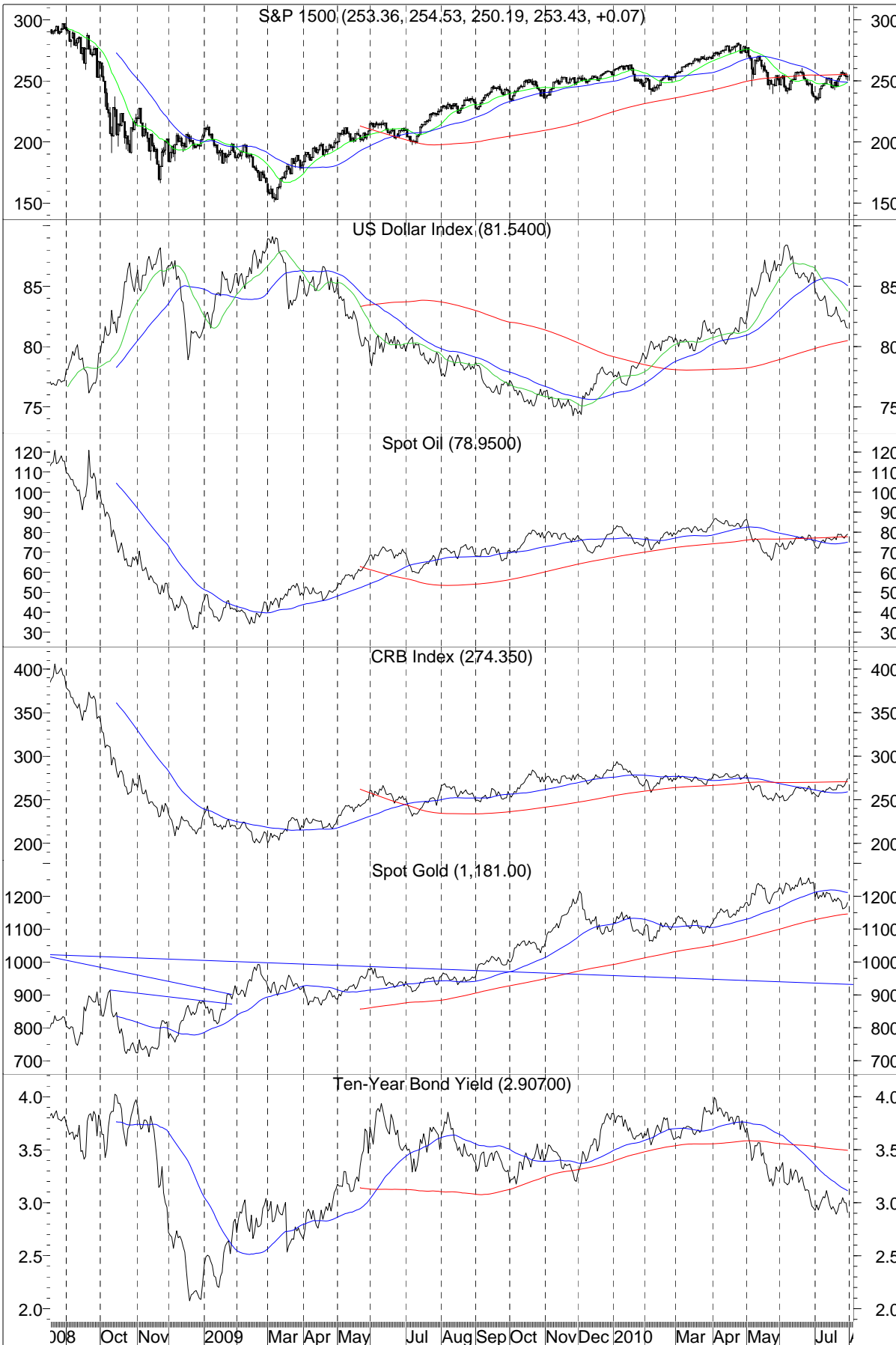


10-year bond yields remain in a down trend. They are not oversold on the daily chart but nearing oversold on the weekly.

P/E ratios remain at or near the lows of their recent range.

Spreads between equity and bond yields are at levels where stocks should be very attractive versus bonds.

With earnings season two-thirds over earnings metrics are moving higher EXCEPT projected earnings, which have barely moved. If they start to move up we should expect to see stocks break out of their recent range.



The U.S. Dollar Index is oversold on a daily but not a weekly basis.

Crude oil remains in an up trend and is close to an important breakout which will be confirmed at \$80. There is support down to 75. Crude is not overbought on a daily or weekly basis.

Gold bounced as it got near its 200-sma. Sentiment for gold is still negative, but not at levels where we have seen strong rallies begin.