

Monday August 20, 2012

Closing prices of August 17, 2012

**Stocks made it six winning weeks in a row last week as the S&P 500 gained 0.87% in an unusually quiet options expiration week.** The tiring rally was helped by continued improving economic news and a better than expected earnings report from Cisco Systems. Major indexes were led on the week by a rebound in the recently underperforming Transportation Index, which was up 2.58% on the week and will have Dow Theorists breathing a sigh of relief, and the Nasdaq 100 and S&P Smallcap 600, each up 2.11% for the week. Month to date the leaders are the Nasdaq 100, up 5.21%, the Nasdaq Composite, up 4.66%, S&P Smallcaps, up 4.4%, the Bank of New York Mellon ADR Index, up 4.07%, and S&P Midcaps, up 3.96%. We like to see small and midcaps leading since it shows ample liquidity and the willingness of investors to assume risk. **The S&P 500, Nasdaq 100, and Dow Jones Industrials each made a new post-2008 weekly closing high.**

**S&P industry groups were mostly higher on the week with seventeen of the twenty-four showing gains.** Leading groups were led by Technology Hardware & Equipment, up 3.56%, Consumer Durables & Apparel, up 3.38%, and Retailing, up 3.31%. The losers were led by Utilities, down 1.48%, Pharmaceuticals, Biotech, & Life Sciences, down 1.19%. The leaders for the quarter are Technology, Hardware, & Equipment, up 9.89%, Consumer Durables & Apparel, up 9.57%, and Energy, up 7.56%.

**In the short-term stocks are nearing overbought levels and valuations are near levels where stocks topped out in May.** Therefore, we can see a pullback occur at any time. Still, this low volume rally has been characterized by a lack of sellers, and until that changes the slow grind higher can continue. The period of 8/30 – 9/7 is seasonally positive, and we expect to see the market move higher as we get near the end of the month. We also think there is a very good chance of major indexes making fresh 52-week highs. One reason for optimism is the improving picture in European indexes, with international ETFs being led last week by Spain, up 7.7%, Greece, up 5.48%, and Italy, up 3.38%. Those high profile problem countries are also leading for the month with gains of 13.57%, 11.49%, and 10.15% respectively.

**Valuations based on spreads between equity and bond yields have narrowed dramatically as stocks and bond yields rose in tandem. They are still well above their 52-week lows seen in October 2011 and March 2012, although they are near the levels seen when stocks topped in May.** They are still well above historical levels and remain at levels where stocks should be attractive versus bonds.

**So far 474 of the S&P 500 have reported second quarter earnings. Of those 68.1% beat estimates, 10.3% were in line, and 21.5% have missed.** First quarter earnings season ended with 67.3% of stocks beating estimates, 9.6% were in line, and 23.1% disappointed. Fourth quarter earnings season ended with 62.2% of stocks beating estimates, 9.8% were in line, and 27.9% disappointed. Third quarter earnings season ended with 69.0% exceeding expectations, 9.5% were in line, and 21.5% disappointed. **Projected aggregate earnings are flat lining as forecasts have not increased in spite of the good number of companies exceeding current estimates. With earnings season 94.8% over stocks will need to rely on multiple expansion to show significant gains from here.**

Current S&P 500 projected aggregate earnings for 2012 are over \$107, and the 2013 number is just over \$115. They currently project 2013 earnings growth of 7.36% over 2012. **A 13 P/E based on the 2012 number equates to an S&P 500 of 1397, while a 14 P/E equates to 1504. The same P/Es applied to 2013 equate to 1499 and 1615, respectively.**

**In summary, the current rally remains intact but the market is growing increasingly selective. Earnings season has gone well making stocks very attractive based on current earnings, but earnings forecasts are not moving higher. News from Europe and the Middle East still has the potential to roil markets. This remains a short-term trader's market.**

**Based on the S&P 500 the short-term, intermediate-term, and long-term trends are up.**

## IMPORTANT DISCLOSURES

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A steady grind higher on the 30-minute chart.

Negative divergences on 30-minute momentum.

The Kaufman Report - Wayne S. Kaufman, CMT



The S&P 500 took out the May high last week and was less than a point away from a new 52-week closing high and about four points from the intraday high of 4/2.

Daily momentum remains positive.

The Kaufman Report - Wayne S. Kaufman, CMT

S&P 500 Cash (1,405.87, 1,418.71, 1,397.32, 1,418.16, +12.29)



The S&P 500 made the highest weekly post 2008 close. It is just under the intra-week high.

Weekly momentum remains positive although the stochastic is at a very high level.

S&P 500 Cash (1,379.32, 1,418.71, 1,354.65, 1,418.16, +38.84)

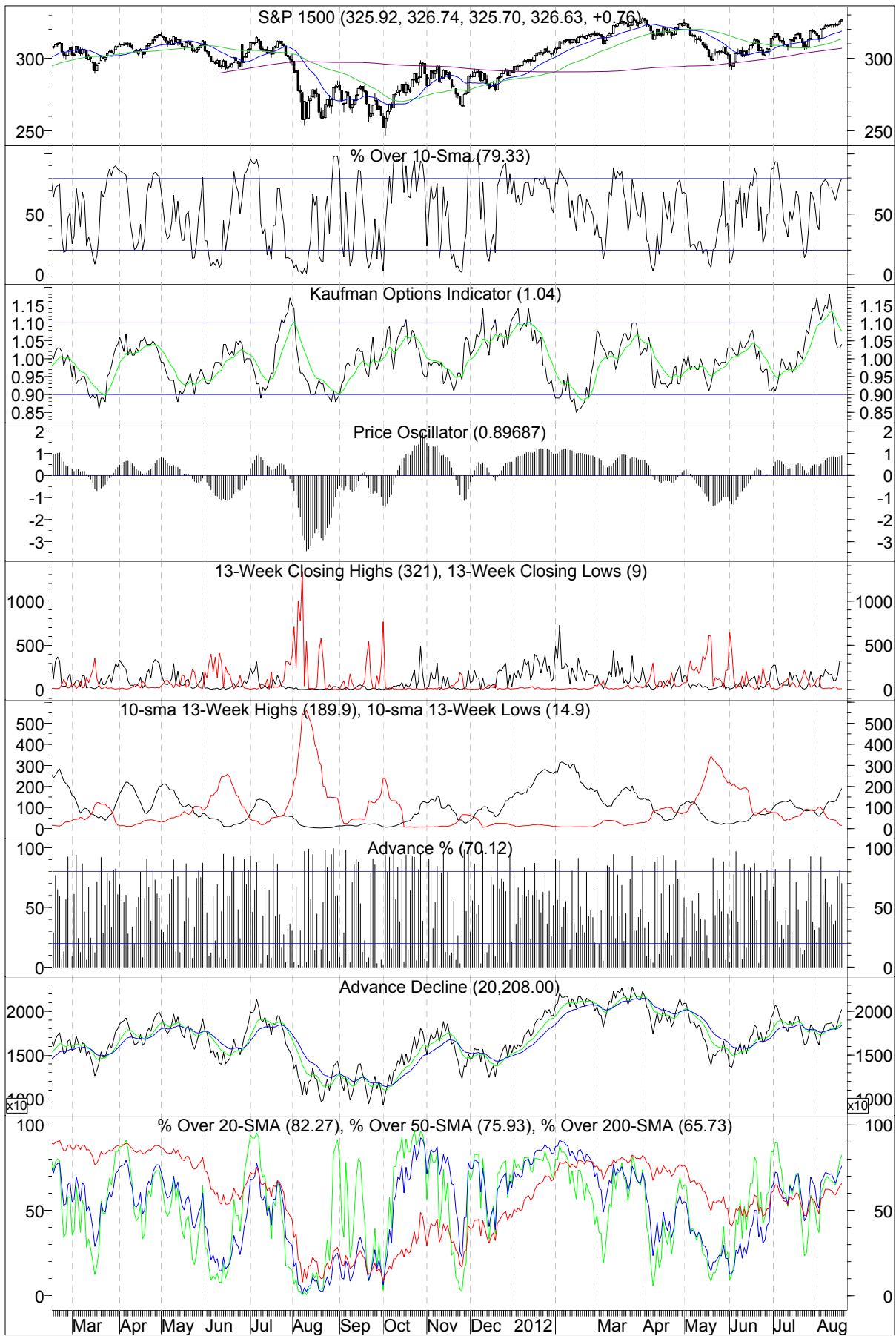
### S&P 500 Monthly



So far August is turning into the third strong month in a row.

Monthly momentum is positive.

The Kaufman Report - Wayne S. Kaufman, CMT



At 79.33 the percent over 10-sma is just under the overbought zone.

After reaching the highest levels since July 2011 the KOI dropped down sharply, allowing stocks to break out of their range.

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

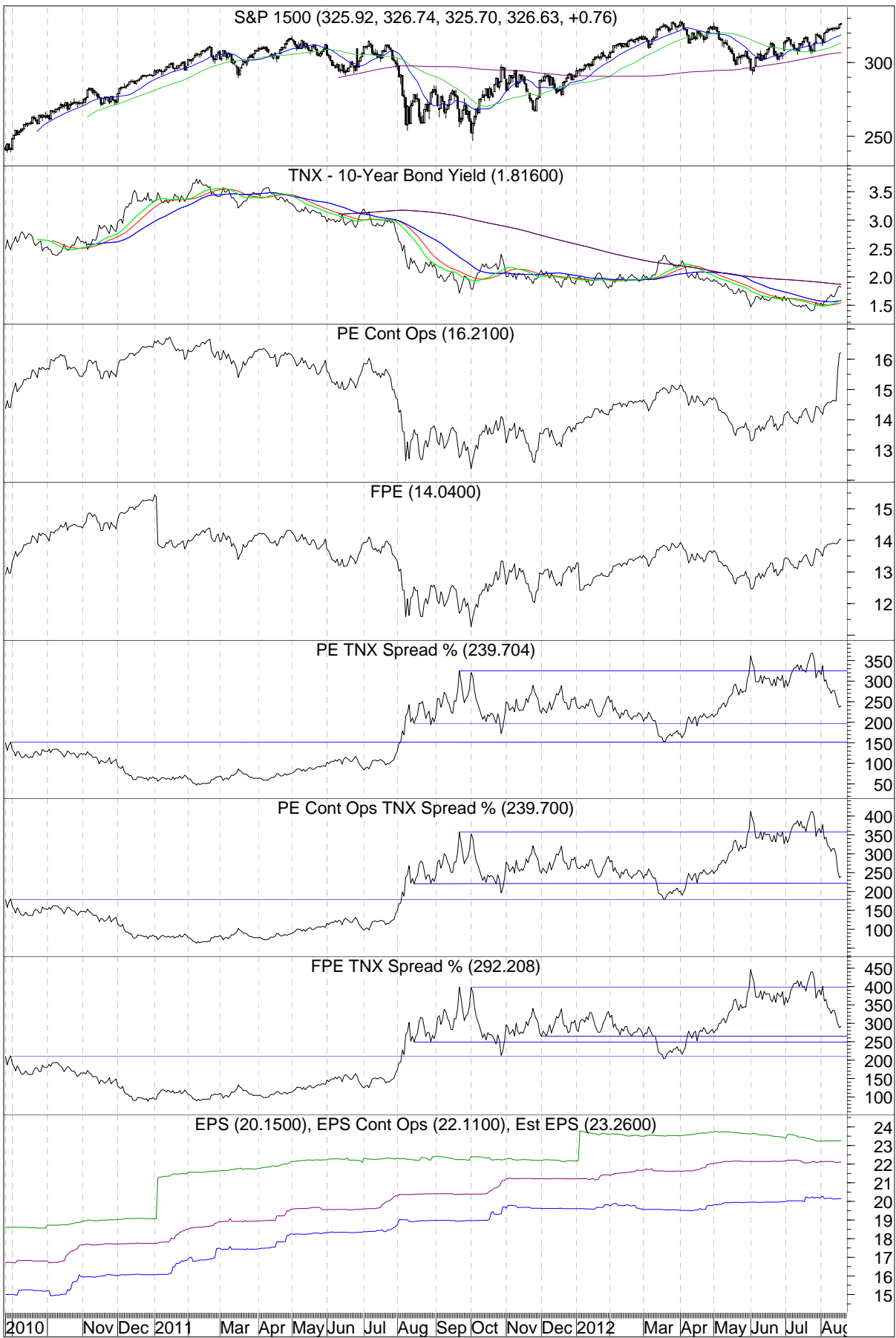
13-week closing highs broke out to the highest level since March.

The 10-day average of 13-week closing highs is the highest since March.

The AD line is above its 10 and 20-day averages. It is still below the July high, a negative divergence.

These numbers have improved greatly and are at bull market levels.

The Kaufman Report - Wayne S. Kaufman, CMT



10-year bond yields have spiked up to their 200-day moving average.

P/E ratios have jumped up as stocks traded higher but earnings haven't.

Spreads between equity and bond yields have narrowed dramatically as stocks and bond yields rose in tandem. They are still well above historical levels and at levels where stocks should be attractive versus bonds.

474 of the S&P 500 have reported Q2 earnings. 68.1% beat estimates, 10.3% were in line, and 21.5% missed. These are very good numbers. Unfortunately all of the aggregate earnings metrics are flat lining, and unless this changes stocks will need to rely on multiple expansion to show any further gains.

## Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Dow Jones Transportation	5194.21	0.52%	2.58%	2.58%	2.08%	-0.29%	3.48%	5390.11	3/19/2012	3950.66	10/4/2011
Nasdaq 100	2780.30	0.44%	2.11%	2.11%	5.21%	6.29%	22.06%	2795.35	4/3/2012	2035.30	8/19/2011
S&P Smallcap 600	461.16	0.79%	2.11%	2.11%	4.40%	3.53%	11.10%	472.34	3/27/2012	334.10	10/4/2011
Nasdaq Composite	3076.59	0.46%	1.84%	1.84%	4.66%	4.82%	18.10%	3134.17	3/27/2012	2298.89	10/4/2011
S&P Midcap 400	977.68	0.47%	1.63%	1.63%	3.96%	3.83%	11.21%	1008.68	3/19/2012	731.62	10/4/2011
S&P 1500	326.59	0.22%	0.97%	0.97%	2.95%	4.06%	12.57%	328.06	4/2/2012	247.50	10/4/2011
S&P 500	1418.16	0.19%	0.87%	0.87%	2.82%	4.11%	12.77%	1422.38	4/2/2012	1074.77	10/4/2011
NYSE Composite	8095.41	0.07%	0.63%	0.63%	2.94%	3.76%	8.27%	8327.67	3/19/2012	6414.89	10/4/2011
Dow Jones Industrials	13275.20	0.19%	0.51%	0.51%	2.05%	3.07%	8.66%	13338.66	5/1/2012	10404.49	10/4/2011
Bank of New York Mellon ADR	124.25	0.03%	0.10%	0.10%	4.07%	4.02%	3.88%	134.15	2/29/2012	106.98	10/4/2011

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Information Technology	493.22	0.66%	2.34%	2.34%	5.75%	6.75%	20.32%	504.34	4/3/2012	357.37	8/19/2011
Consumer Discretionary	359.28	0.46%	1.80%	1.80%	4.25%	3.90%	16.43%	365.71	5/1/2012	261.24	10/4/2011
Financials	203.42	0.29%	1.22%	1.22%	3.03%	3.06%	16.09%	215.80	3/27/2012	147.48	10/4/2011
Industrials	321.93	0.49%	1.16%	1.16%	3.47%	3.83%	10.13%	329.29	3/19/2012	238.89	10/4/2011
Consumer Staples	370.26	0.11%	0.69%	0.69%	0.53%	3.16%	10.35%	371.34	8/6/2012	296.34	10/4/2011
Materials	228.17	-0.12%	0.28%	0.28%	3.73%	2.35%	7.77%	240.22	2/3/2012	174.61	10/4/2011
Energy	541.31	-0.22%	-0.15%	-0.15%	3.36%	7.56%	3.94%	567.28	2/24/2012	412.52	10/4/2011
Health Care	445.03	-0.54%	-0.65%	-0.65%	0.04%	0.97%	10.73%	450.55	7/27/2012	349.12	10/4/2011
Telecom Services	153.85	-0.09%	-0.66%	-0.66%	-0.87%	4.56%	18.51%	156.85	8/1/2012	116.63	10/4/2011
Utilities	187.46	-0.14%	-1.48%	-1.48%	-2.62%	-0.18%	2.45%	195.48	8/1/2012	162.12	8/18/2011

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Technology Hardware & Equipment	567.64	1.38%	3.56%	3.56%	7.18%	9.89%	30.04%	588.58	4/3/2012	380.20	10/4/2011
Consumer Durables & Apparel	200.89	1.42%	3.38%	3.38%	7.41%	9.57%	12.61%	219.96	5/3/2012	146.82	8/19/2011
Retailing	644.43	0.73%	3.31%	3.31%	4.19%	4.91%	23.17%	656.61	5/2/2012	465.46	8/19/2011
Automobiles & Components	81.12	0.58%	2.99%	2.99%	5.17%	-0.21%	-7.16%	102.58	3/15/2012	71.16	10/4/2011
Software & Services	628.33	0.37%	2.06%	2.06%	4.75%	5.25%	16.01%	628.63	8/17/2012	469.23	8/19/2011
Transportation	351.30	0.31%	1.65%	1.65%	1.75%	0.90%	6.60%	356.78	7/19/2012	266.62	10/4/2011
Diversified Financials	270.27	0.34%	1.38%	1.38%	4.26%	2.69%	16.67%	317.52	3/27/2012	198.18	10/4/2011
Insurance	190.52	0.51%	1.33%	1.33%	4.74%	4.73%	11.96%	191.22	5/1/2012	143.99	9/22/2011
Commercial & Professional Service	145.88	0.05%	1.20%	1.20%	2.27%	4.98%	7.26%	146.82	4/25/2012	121.56	10/4/2011
Real Estate	149.20	0.10%	1.12%	1.12%	-0.81%	1.72%	14.64%	152.46	8/1/2012	105.72	10/4/2011
Capital Goods	348.02	0.56%	1.04%	1.04%	3.95%	4.46%	11.18%	358.61	3/16/2012	254.65	10/4/2011
Food, Beverage & Tobacco	445.63	0.07%	1.04%	1.04%	0.44%	2.24%	11.38%	448.27	8/6/2012	348.53	10/4/2011
Consumer Services	526.50	-0.06%	0.96%	0.96%	1.57%	-3.58%	-3.22%	595.85	5/1/2012	446.24	10/4/2011
Household & Personal Products	417.90	0.16%	0.93%	0.93%	2.50%	6.59%	4.49%	418.85	8/17/2012	362.03	8/18/2011
Banks	158.60	0.06%	0.87%	0.87%	1.62%	2.77%	21.51%	160.43	5/1/2012	104.66	8/23/2011
Health Care Equip & Services	418.29	-0.13%	0.54%	0.54%	3.05%	-1.28%	9.85%	436.83	4/4/2012	332.83	10/4/2011
Materials	228.17	-0.12%	0.28%	0.28%	3.73%	2.35%	7.77%	240.22	2/3/2012	174.61	10/4/2011
Media	274.04	0.13%	-0.09%	-0.09%	4.73%	6.26%	29.04%	275.46	8/14/2012	173.60	10/4/2011
Energy	541.31	-0.22%	-0.15%	-0.15%	3.36%	7.56%	3.94%	567.28	2/24/2012	412.52	10/4/2011
Food & Staples Retailing	240.16	0.17%	-0.46%	-0.46%	-1.07%	2.45%	13.68%	243.88	7/31/2012	184.04	8/18/2011
Telecom Services	153.85	-0.09%	-0.66%	-0.66%	-0.87%	4.56%	18.51%	156.85	8/1/2012	116.63	10/4/2011
Semiconductors & Equipment	357.04	-0.73%	-0.85%	-0.85%	4.77%	2.03%	7.31%	390.82	3/27/2012	285.81	8/19/2011
Pharmaceuticals, Biotech & Life Sci	422.44	-0.74%	-1.19%	-1.19%	-1.32%	2.06%	11.04%	433.32	7/27/2012	329.40	10/4/2011
Utilities	187.46	-0.14%	-1.48%	-1.48%	-2.62%	-0.18%	2.45%	195.48	8/1/2012	162.12	8/18/2011



## INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Spain EWP	26.02	1.36%	7.70%	13.57%	4.92%	-14.04%	38.25	10/27/2011	19.73	7/24/2012
Greece GREK	12.13	1.66%	5.48%	11.49%	0.25%	-13.49%	19.93	2/13/2012	8.78	6/5/2012
Italy EWI	11.61	0.96%	3.38%	10.15%	2.65%	-3.17%	15.02	10/27/2011	9.21	7/24/2012
Austria EWO	14.80	1.02%	2.49%	5.26%	2.85%	4.08%	18.83	8/31/2011	12.94	7/24/2012
Canada EWC	27.75	0.36%	2.06%	5.55%	7.39%	4.32%	30.12	9/1/2011	23.48	10/4/2011
Chile ECH	61.33	1.25%	1.67%	0.15%	-0.26%	6.27%	69.60	4/2/2012	48.22	10/4/2011
Germany EWG	21.15	0.56%	1.48%	4.64%	6.81%	10.03%	23.83	3/19/2012	16.96	10/4/2011
France EWQ	20.73	-0.14%	1.42%	6.31%	5.87%	5.87%	23.37	10/27/2011	17.83	7/24/2012
Belgium EWK	11.88	0.08%	1.19%	3.85%	3.13%	12.18%	12.72	8/17/2011	10.23	11/25/2011
Japan EWJ	9.33	0.59%	1.03%	3.73%	-0.90%	2.36%	10.21	4/2/2012	8.64	6/1/2012
Switzerland EWL	23.87	0.00%	0.97%	2.53%	4.19%	5.53%	25.41	4/2/2012	20.67	9/23/2011
United States SPY	142.11	0.08%	0.90%	3.20%	4.41%	13.24%	142.25	5/1/2012	107.43	10/4/2011
Netherlands EWN	18.06	0.28%	0.84%	3.26%	5.76%	4.82%	19.85	10/27/2011	15.30	9/23/2011
Vietnam VNM	18.13	-0.38%	0.55%	2.72%	-1.31%	24.60%	21.28	5/9/2012	14.15	1/6/2012
Hong Kong EWH	17.19	0.47%	0.41%	2.63%	4.82%	11.12%	18.36	3/1/2012	13.30	10/4/2011
United Kingdom EWU	17.25	-0.17%	0.29%	4.99%	5.89%	6.75%	17.81	3/1/2012	14.04	10/4/2011
Sweden EWD	28.43	1.50%	0.18%	4.37%	10.41%	13.09%	29.94	2/29/2012	21.41	10/4/2011
Malaysia EWM	14.60	-0.41%	0.00%	1.39%	2.31%	8.96%	14.87	4/2/2012	11.88	9/26/2011
Mexico EWW	63.00	0.00%	-0.10%	1.38%	2.52%	17.19%	63.85	7/18/2012	46.65	10/4/2011
Indonesia IDX	28.79	-0.31%	-0.10%	0.35%	4.88%	1.12%	32.76	8/17/2011	23.16	10/4/2011
Taiwan EWT	12.71	-0.74%	-0.12%	4.40%	3.88%	8.50%	13.95	3/14/2012	11.19	12/20/2011
Thailand THD	70.93	-1.16%	-0.15%	2.72%	2.71%	18.00%	76.21	5/1/2012	49.43	10/4/2011
Russia RSX	27.85	-0.61%	-0.21%	5.29%	6.46%	4.50%	33.79	9/1/2011	23.12	6/1/2012
Brazil EWZ	55.37	-0.23%	-0.22%	5.57%	7.11%	-3.52%	70.74	3/2/2012	48.27	6/28/2012
Latin America ILF	43.32	-0.14%	-0.39%	3.09%	4.51%	1.76%	49.54	3/1/2012	36.73	10/4/2011
Australia EWA	23.67	-0.32%	-0.40%	2.09%	8.31%	10.38%	25.32	10/27/2011	18.91	7/24/2012
Singapore EWS	13.20	-0.83%	-0.45%	0.46%	7.14%	21.88%	13.43	8/14/2012	10.28	10/4/2011
Turkey TUR	55.30	0.11%	-0.50%	2.48%	5.66%	34.42%	56.17	8/6/2012	39.82	12/19/2011
Emerging Markets EEM	40.45	-0.55%	-0.70%	3.39%	3.35%	6.60%	44.91	2/29/2012	33.42	10/4/2011
South Korea EWY	57.75	-0.94%	-0.99%	3.89%	5.36%	10.51%	61.57	4/3/2012	44.67	10/4/2011
India IFN	20.99	-0.29%	-1.08%	2.14%	2.99%	10.24%	26.02	8/17/2011	18.43	5/23/2012
BRIC EEB	35.37	-0.31%	-1.26%	3.85%	3.79%	0.97%	42.02	3/2/2012	32.00	6/4/2012
China 25 FXI	34.50	-0.35%	-2.07%	0.85%	2.48%	-1.06%	40.74	2/29/2012	28.61	10/4/2011
Israel EIS	36.96	-0.40%	-2.58%	-0.22%	0.44%	-6.57%	47.30	10/27/2011	35.11	7/24/2012
South Africa EZA	65.58	-2.76%	-3.67%	1.72%	2.63%	7.38%	71.54	2/29/2012	54.64	10/4/2011

## Commodities

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Cocoa NIB	33.22	0.85%	-0.45%	2.31%	5.34%	15.55%	44.08	8/17/2011	27.23	10/4/2011
Livestock COW	28.00	0.35%	0.25%	-1.23%	-2.78%	-5.91%	31.81	3/19/2012	26.70	10/4/2011
Gold GLD	156.72	0.10%	-0.29%	0.15%	0.99%	3.11%	185.85	8/6/2012	148.27	12/19/2011
Timber CUT	17.52	0.17%	0.98%	3.98%	4.22%	5.93%	19.27	7/18/2012	15.02	10/4/2011
Silver SLV	27.23	-0.51%	-0.11%	0.41%	2.18%	1.08%	42.78	4/2/2012	25.34	9/23/2011
Palladium PALL	59.92	4.23%	4.61%	3.36%	4.52%	-7.19%	78.32	4/3/2012	52.90	10/4/2011
Corn CORN	50.78	-0.08%	-1.13%	-0.31%	20.62%	20.96%	52.14	10/27/2011	35.23	7/24/2012
Aluminum JJU	22.05	1.05%	-3.37%	-2.87%	-2.82%	-12.85%	31.70	8/31/2011	21.69	7/24/2012
Platinum PPLT	145.28	2.21%	5.29%	4.17%	1.84%	5.41%	189.20	5/1/2012	133.00	10/4/2011
Copper JJC	43.39	1.05%	0.35%	0.00%	-2.52%	-1.48%	54.94	10/27/2011	38.99	9/23/2011
Coal KOL	24.23	-0.25%	-3.93%	3.90%	-1.22%	-24.87%	42.55	2/29/2012	21.92	10/4/2011
Heating Oil UHN	34.56	-0.46%	2.25%	9.37%	14.55%	5.14%	37.48	3/1/2012	28.16	10/4/2011
OIL USO	35.95	1.10%	3.16%	10.01%	12.94%	-5.67%	42.30	4/2/2012	29.02	10/4/2011
Natural Gas UNG	18.71	0.70%	-1.58%	-15.11%	-3.01%	-27.59%	41.60	10/27/2011	14.25	7/24/2012
Cotton BAL	48.65	1.42%	0.95%	3.44%	4.96%	-13.83%	71.69	8/14/2012	41.24	10/4/2011
Grains GRU	8.30	0.97%	-0.48%	-0.36%	18.88%	32.80%	8.60	2/29/2012	5.63	10/4/2011
Grains JIG	62.10	0.86%	-0.35%	-0.51%	19.47%	37.91%	64.83	3/1/2012	40.32	10/4/2011
Tin JJT	41.80	2.10%	2.33%	1.53%	-3.08%	-4.37%	60.95	4/2/2012	39.14	6/1/2012
Sugar SGG	75.57	-0.03%	-3.62%	-11.49%	-4.88%	-7.62%	107.06	4/2/2012	70.00	6/1/2012
Coffee JO	38.04	0.65%	-4.27%	-8.88%	-6.82%	-32.69%	74.23	8/17/2011	35.88	11/25/2011