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The Kaufman Report

Trade what you see, not what you think.

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Wednesday July 23, 2008

Closing prices of July 22, 2008

On Sunday we said we believed the bottom of the recent plunge in stocks was in for the near-term. Tuesday's rally confirmed this as various statistics of market breadth hit their best levels in a while. The percent of stocks in the S&P 1500 above their own 10-day moving average hit 81.4%, the highest since April 2nd. 13-week and 26-week new highs were the most since June 5th. The Advance Decline line is higher than levels of 10-days ago for the first time since early June, and the index closed above its 20-day moving average for the first time since June 5th.

The S&P 1500 is currently at 291.20. Fibonacci retracement levels of the move from the May 19th top to last week's bottom are the 294 area (38.2%) and the 300 area (50%). We are still of the opinion that until proven otherwise the probabilities are that this is a bear market rally.

So far 147 companies in the S&P 500 have reported second quarter earnings. According to Bloomberg, 72.1% have had positive surprises, 4.1% have been in line, and 23.8% have been negative. The year-over-year change has been -38.6% on a share-weighted basis, -42.1% market cap-weighted, and -24.4% non-weighted.

The intermediate and long-term trends are down, and we reiterate that this continues to be a bifurcated, opportunistic trader's market, with adept traders able to take advantage long or short. Investors need to be alert to sector rotation and should not hesitate to move out of lagging sectors and stocks and into leaders.

Federal Funds futures are pricing in a 92.8% probability that the Fed will leave rates at 2.00%, and a 7.2% probability of raising 25 basis points to 2.25 when they meet on August 5th.

The S&P 1500 (291.20) was up 1.386% Tuesday. Average price per share was up 1.96%. Volume was 103% of its 10-day average and 120% of its 30-day average. 80.66% of the S&P 1500 stocks were up on the day. Up Dollars was 239% of its 10-day moving average and Down Dollars was 26% of its 10-day moving average.

Options expire August 15th.

IMPORTANT DISCLOSURES

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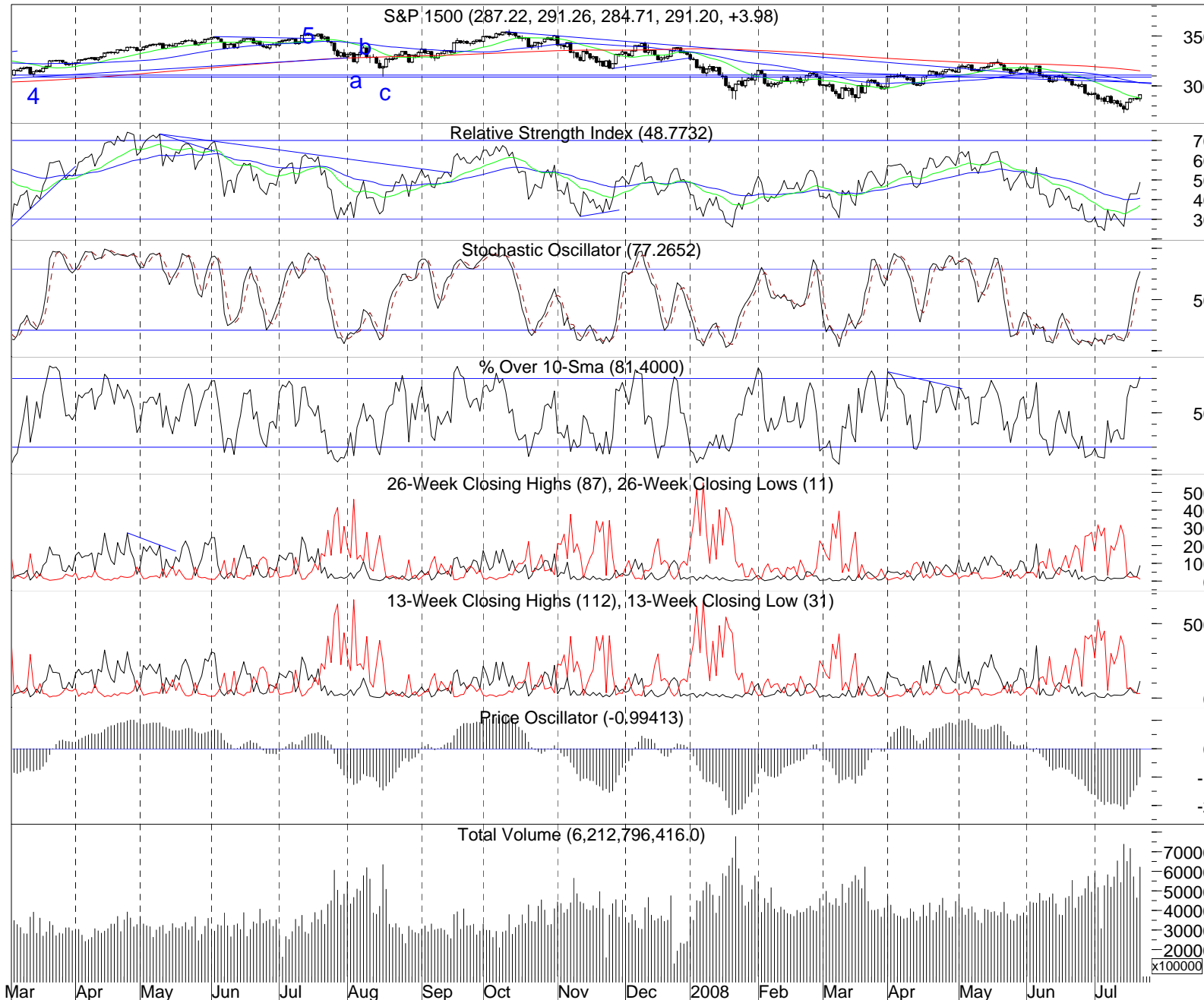
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S&P 1500 (287.22, 291.26, 284.71, 291.20, +3.98)



The S&P 1500 closed above its 20-sma (green) for the first time since June 5th.

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The S&P 1500 moved above the 20-sma (green).

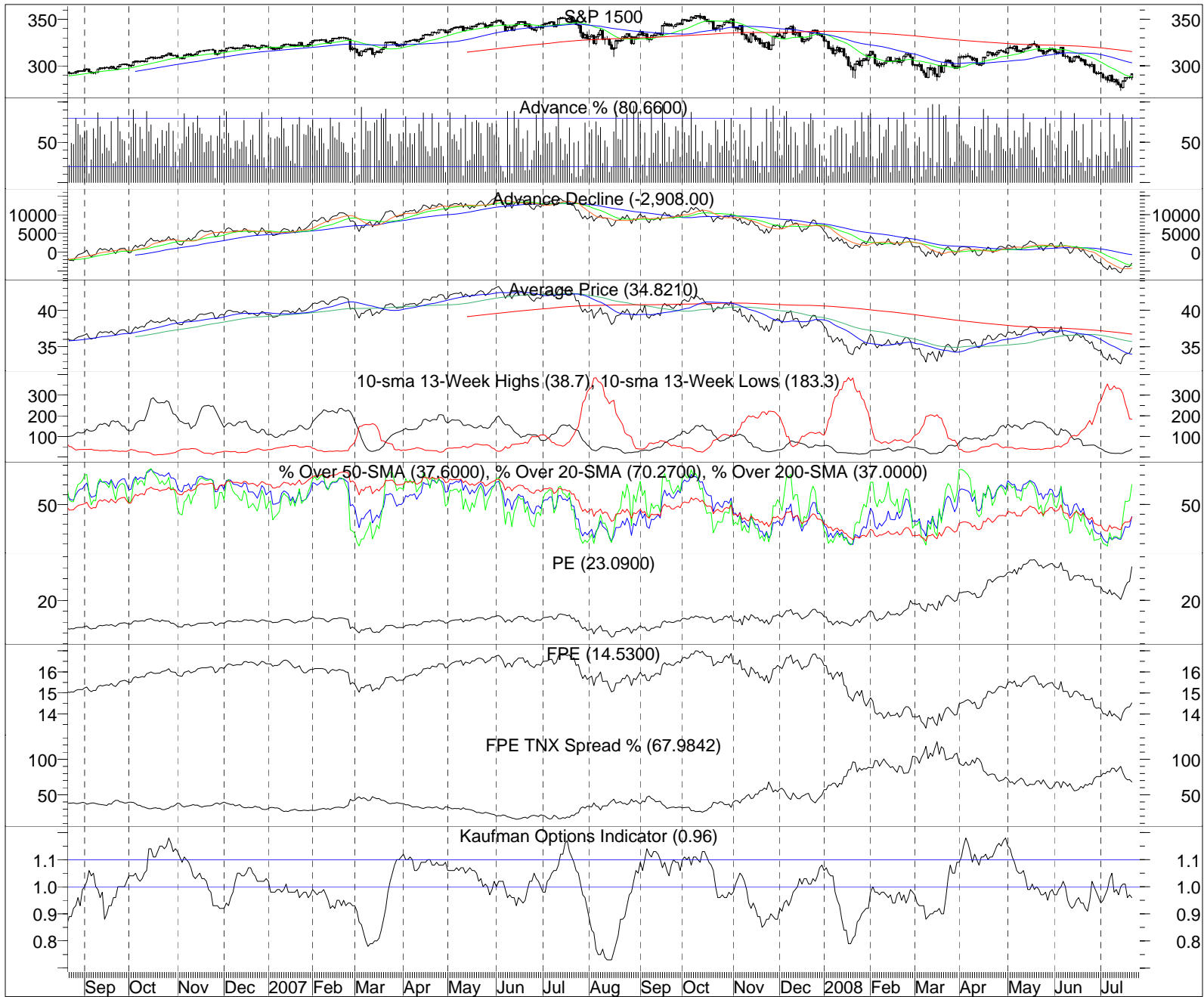
Two of our oscillators are nearing overbought levels.

The percent over 10-sma is over 80% for the first time since April 2nd.

Tuesday's new highs were the most since June 5th.

Volume expanded during Tuesday's rally.

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80.66% of the S&P 1500 traded higher Tuesday.