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The Kaufman Report

Trade what you see, not what you think.

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Wednesday June 11, 2008

Closing prices of June 10, 2008

In two very similar sessions since Friday's 90% down day the bears have not been able to muster much follow through. With our options indicator in bearish territory near-term downside is probably limited, and with short-term indicators at or near oversold levels a bounce can occur at any time.

We remain concerned about spreads between earnings yields and bond yields. On May 29th the spread between the earnings yield based on the current P/E narrowed to the smallest level since July 13, 2007, which was an important top just ahead of a sharp drop in equities. The spread based on the forward P/E was the smallest since January 3, 2008. However, we have seen some improvement in forecast earnings, but since fundamental information will be limited until second quarter earnings season begins in July, upside for stocks as a whole will probably also be limited.

The current trend is 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.

Federal Funds futures are pricing in an 82% probability that the Fed will leave rates at 2.00%, and a 18% probability of raising 25 basis points to 2.25 when they meet again on June 25th.

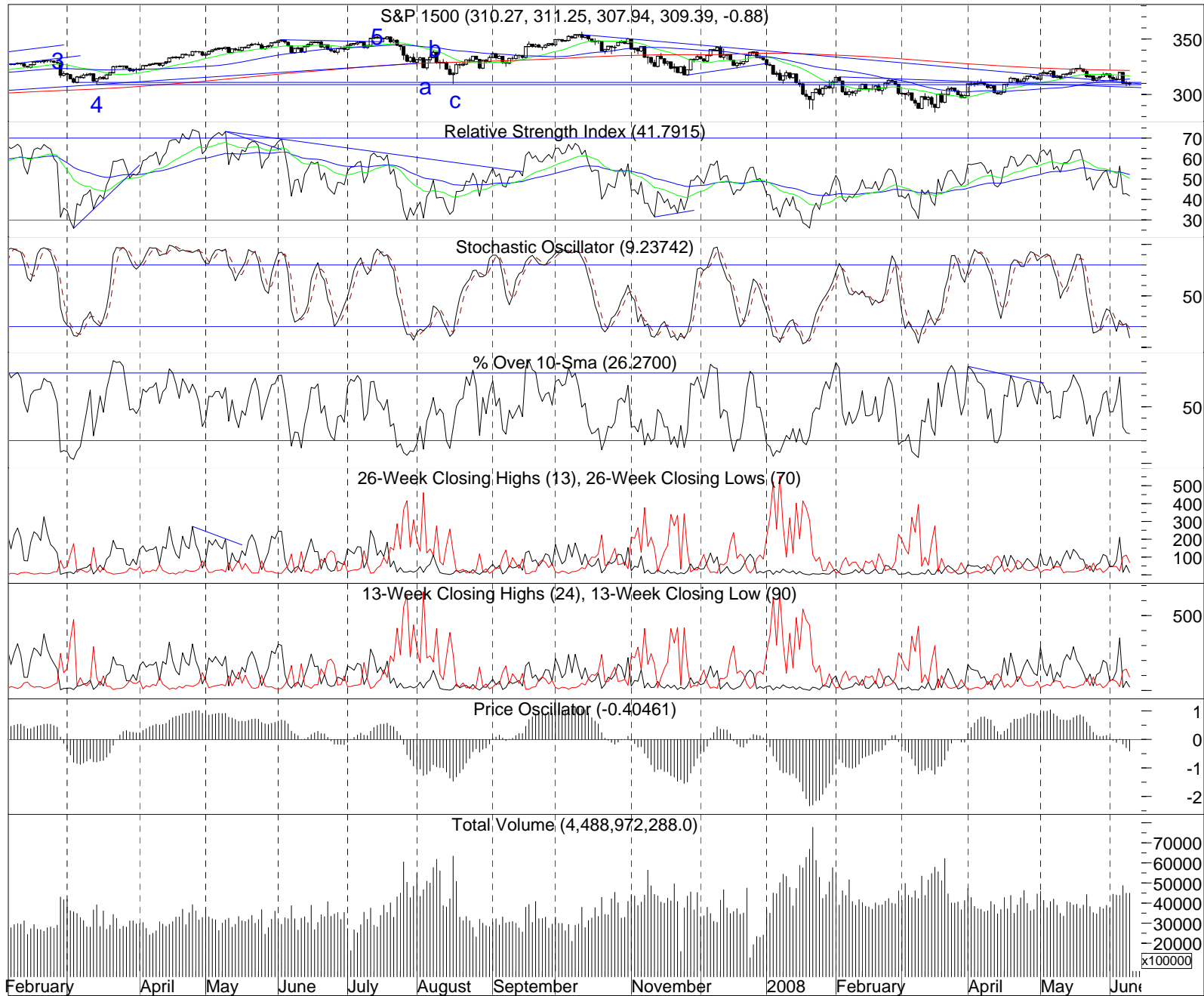
The S&P 1500 (310.14) was down 0.284% Tuesday. Average price per share was down 0.43%. Volume was 106% of its 10-day average and 112% of its 30-day average. 46.75% of the S&P 1500 stocks were up on the day. Up Dollars was 42% of its 10-day moving average and Down Dollars was 76% of its 10-day moving average.

Options expire June 20th. The FOMC meets June 25th.

IMPORTANT DISCLOSURES

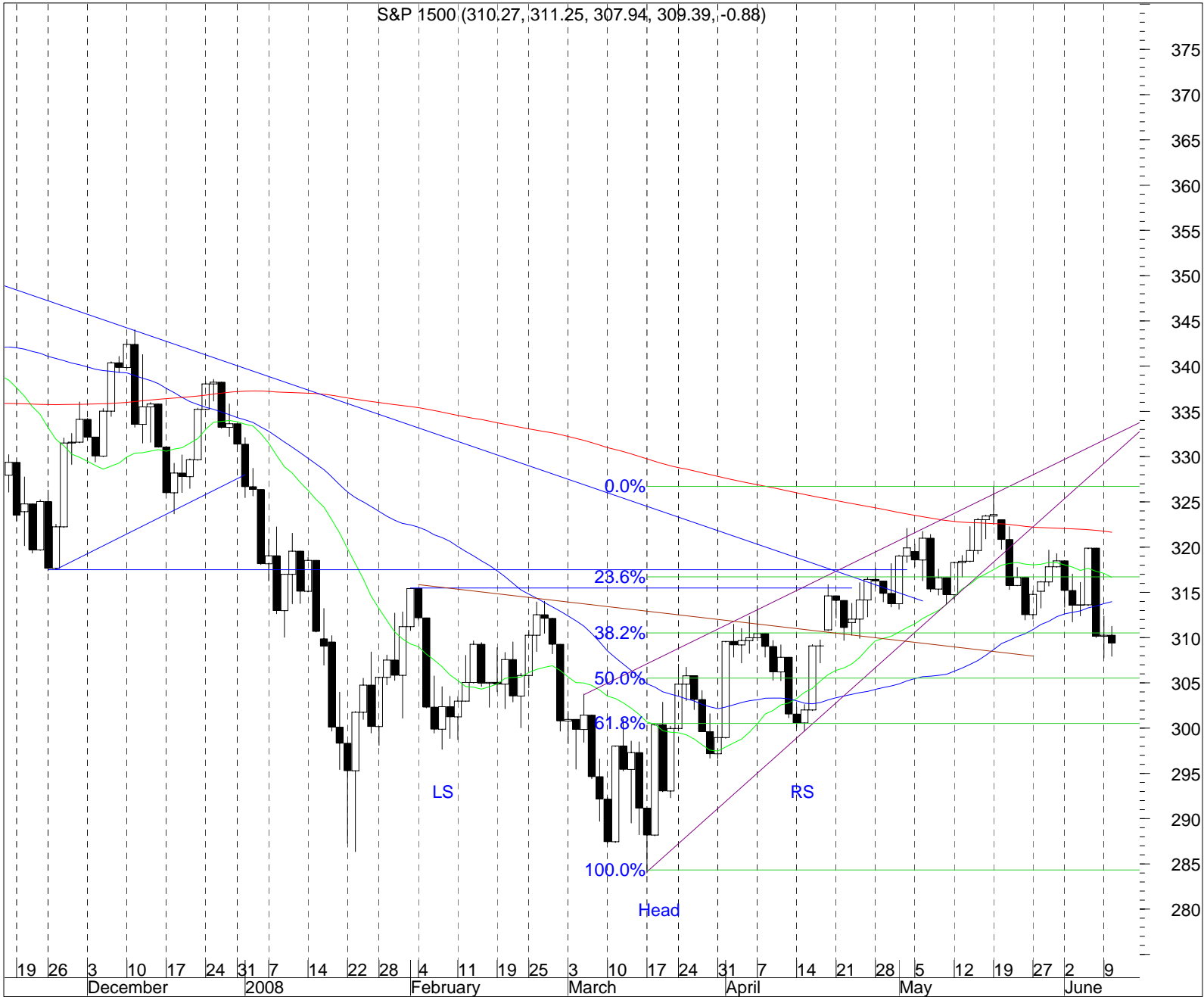
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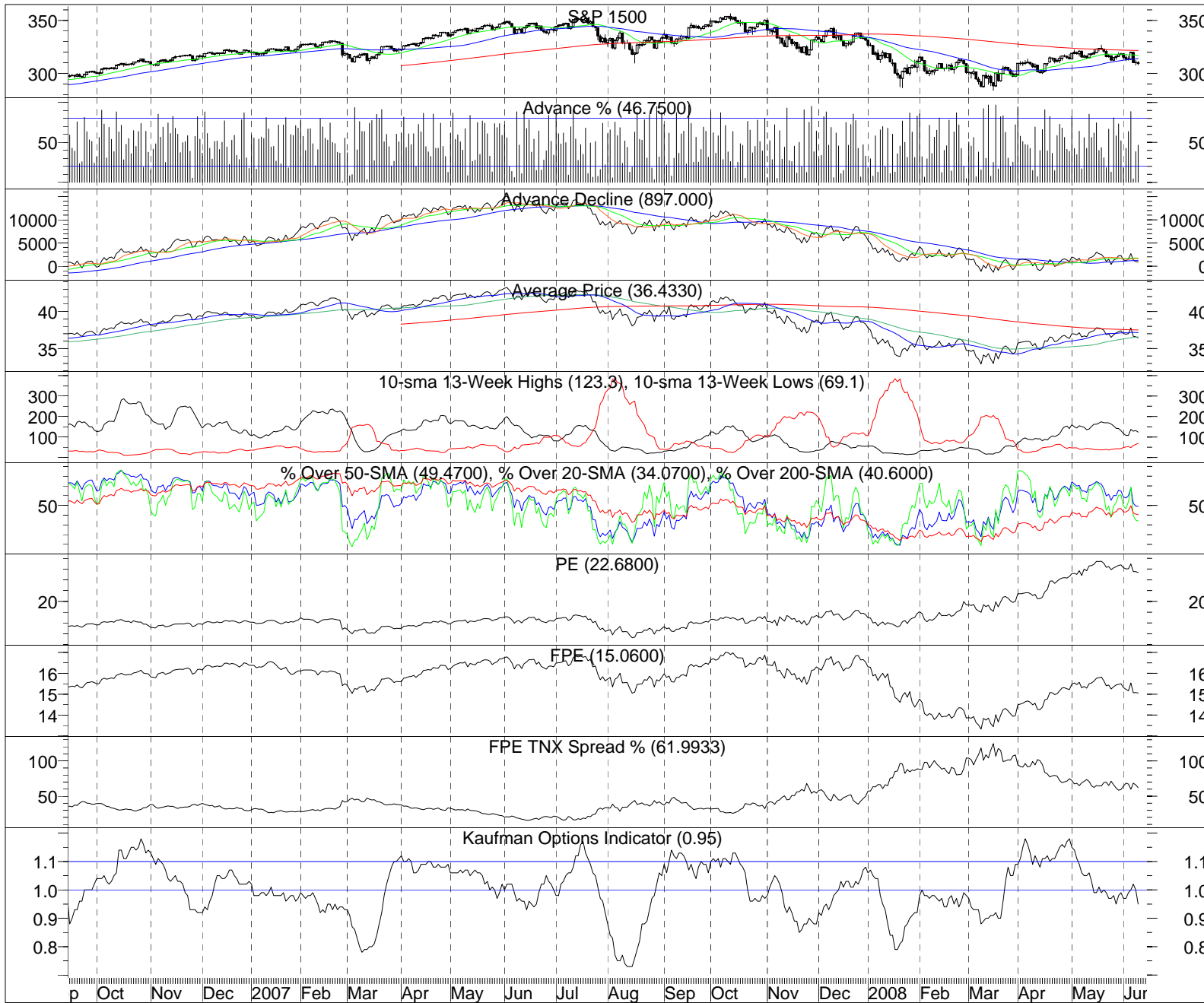
Our oscillators are not extremely oversold, but they are low enough that a rally could start at any time.

Our price oscillator is in negative territory.



Tuesday's spinning top candle following Monday's high wave spinning top shows indecision on the part of investors at these levels.

The Kaufman Report - Wayne S. Kaufman, CMT



Only 46.75% of the S&P 1500 traded higher Tuesday.

Our proprietary options indicator is in negative territory, so any further pull backs from current levels should not be deep.