

Monday June 14, 2010

Closing prices of June 11, 2010

Last week's action in stocks seemed relatively calm, with only one 90% day for the week. This compares to three 90% days in the prior week. Fortunately the week's sole 90% day was an up day on Thursday, which left everyone hoping for a positive follow through day Friday. Hopes for this seemed to be dashed by a disappointing retail sales report which sent futures plummeting and caused a gap down for stocks at the open. However, stocks never went below Thursday's low and then battled back to close the day higher. For the week the S&P 500 was up 2.51%.

The bad news is Friday's positive day came on very light volume. **The good news is the S&P 500 closed above its 20-day moving average for the first time since May 3rd. In addition, the weekly chart is showing a candle that just misses being a bullish engulfing candle but which is accompanied by a positive crossover on the weekly stochastic. This is an almost identical setup to March 2009, July 2009, and February 2010, which preceded very nice rallies.** Still, we are not out of the woods yet. Stocks are nearing overbought levels as they approach a resistance zone. We need to see the S&P 500 move above its 200-day moving average. That would confirm a double bottom at the 1041 area and put the index back in a long-term uptrend.

We have been stressing since May 17th that this is a low visibility environment where short-term traders should buy oversold conditions and sell overbought, and we have said that the amount of time equities have remained at oversold levels is disconcerting. As we have stressed many times in the past, markets that do not respond to oversold conditions are dangerous.

However, we may be starting to see clarity in some of the issues that have investors concerned. The sovereign debt issue in Europe and the freezing up of the financial system is still front and center, and credit spreads continue to highlight the stresses in the financial system. **Still, Spain had a successful bond offering resulting in the Spain ETF being the leading foreign ETF last week, up 11.03%. Italy, another of the PIIGS, was up 8.03%.** Worry about a possible slowdown in China as the government reigns in the economy was pushed aside by news of booming Chinese exports, and the China ETF was up 4.7% last week. The issues we have highlighted the past few weeks remain (currency, oil spill, European austerity, etc.) but soon we will be leaving the recent vacuum of information as we get into second quarter earnings season.

Since May 3rd we have been advising caution and we repeat that at this time. Until proven otherwise, this remains a short-term traders market, with aggressive traders able to play long or short based on overbought or oversold conditions. As we cautioned many times during 2008 – 2009, a market that does not respond to oversold conditions is dangerous.

Based on the S&P 500 the short-term trend is up, while the intermediate-term and long-term trends are down. Investors need to be careful since a freezing up of the financial system can be very damaging, as we all saw in 2008 – 2009.

Longer-term we are looking for entry points to buy stocks which we believe are being liquidated for reasons which have nothing to do with their valuations or prospects for the future. Equity valuations are very attractive at current levels.

IMPORTANT DISCLOSURES

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

P/E: 16.45 FP/E: 13.84 Percent over 10-sma: 72.6%. Percent over 50-sma: 19.27%

13-Week Closing Highs: 34. 13-Week Closing Lows: 6 (738 on 6/7 most since 803 on 3/5/09). 52-week closing highs: 6. 52-week closing lows: 1.

Kaufman Options Indicator: 1.01. Put/Call Ratio: 1.077, 4th consecutive session above 1.00.

New High Reversals: 0. New Low Reversals: 2.

Volume: -21% versus yesterday. 75% of the 10-day average. 65% of the 30-day average.

Up Stocks: 80.66%. Up Volume: 65.76%. Up Points: 88.99%. Up Dollars: 93.4%, 83% of 10-sma. Dn Dollars 5% of 10-sma.

Earnings: 494 of the S&P 500 have reported so far this earnings season. 77.6% have had positive surprises, 8.3% have been in line, and 14.0% have had negative surprises.

Federal Funds Futures project an 84.0% probability of no change to the current 0.25% target rate and a 16.0% probability of a decrease to 0.00% when the FOMC meets on 6/23. For the meeting of 8/10 the probabilities are 80.2% for no change, 4.7% for an increase to 0.50, and 15.1% for a decrease to 0.00%.

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Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
S&P Smallcap 600	346.87	1.34%	2.16%	2.16%	-1.82%	-3.73%	4.28%	396.63	2010-04-26	252.11	2009-07-08
Nasdaq Composite	2243.60	1.12%	1.10%	1.10%	-0.60%	-6.44%	-1.13%	2535.28	2010-04-26	1727.05	2009-07-08
S&P Midcap 400	758.57	1.06%	3.03%	3.03%	-0.55%	-3.97%	4.39%	852.90	2010-04-26	539.04	2009-07-08
Nasdaq 100	1847.15	0.93%	0.82%	0.82%	-0.28%	-5.68%	-0.71%	2059.42	2010-04-26	1394.87	2009-07-08
S&P 1500	251.31	0.52%	2.54%	2.54%	0.06%	-6.33%	-1.37%	281.21	2010-04-26	197.66	2009-07-08
Bank of New York Mellon ADR	117.16	0.50%	3.78%	3.78%	0.70%	-13.64%	-14.07%	142.19	2010-01-11	104.08	2009-07-08
NYSE Composite	6814.73	0.46%	3.25%	3.25%	0.34%	-8.50%	-5.15%	7743.74	2010-04-15	5552.82	2009-07-08
S&P 500	1091.60	0.44%	2.51%	2.51%	0.20%	-6.66%	-2.11%	1219.80	2010-04-26	869.32	2009-07-08
Dow Jones Industrials	10211.07	0.38%	2.81%	2.81%	0.73%	-5.95%	-2.08%	11258.01	2010-04-26	8087.19	2009-07-08

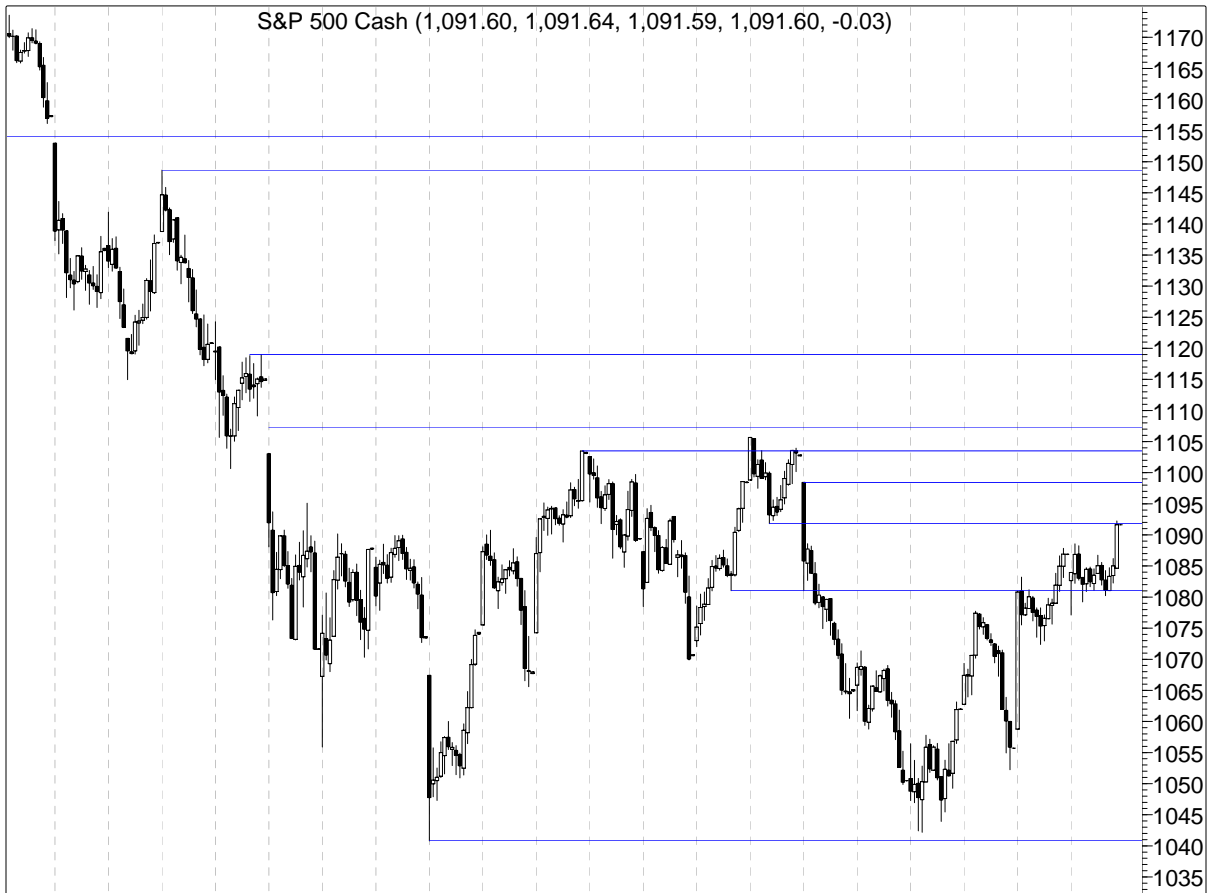
	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Materials	185.20	1.18%	5.25%	5.25%	-0.24%	-9.49%	-7.31%	213.87	2010-04-26	142.89	2009-07-08
Information Technology	351.89	1.11%	0.89%	0.89%	0.03%	-6.63%	-5.08%	397.46	2010-04-26	271.20	2009-07-08
Health Care	336.70	0.81%	2.40%	2.40%	1.09%	-9.65%	-7.05%	384.95	2010-01-20	287.62	2009-06-15
Industrials	252.44	0.50%	2.27%	2.27%	-1.57%	-7.61%	3.89%	292.21	2010-04-30	176.94	2009-07-08
Energy	406.05	0.44%	5.14%	5.14%	2.46%	-5.64%	-5.56%	464.76	2010-04-26	342.19	2009-07-13
Financials	195.34	0.36%	2.65%	2.65%	-1.05%	-9.04%	0.81%	230.45	2010-04-15	145.74	2009-07-08
Telecom Services	105.97	0.24%	4.34%	4.34%	3.44%	-2.02%	-7.56%	117.00	2010-01-05	96.72	2009-07-10
Consumer Discretionary	253.61	0.16%	2.30%	2.30%	-0.42%	-1.96%	7.89%	284.57	2010-04-26	170.94	2009-07-08
Utilities	147.19	-0.02%	3.85%	3.85%	1.57%	-2.33%	-6.84%	161.50	2009-12-14	135.64	2009-07-10
Consumer Staples	271.20	-0.76%	1.38%	1.38%	0.36%	-5.88%	-1.13%	290.45	2010-03-23	233.43	2009-06-16

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Materials	185.20	1.18%	5.25%	5.25%	-0.24%	-9.49%	-7.31%	213.87	2010-04-26	142.89	2009-07-08
Software & Services	449.34	1.15%	1.33%	1.33%	1.25%	-8.64%	-9.52%	512.69	2010-04-15	363.54	2009-07-08
Technology Hardware & Equipment	384.44	1.13%	0.79%	0.79%	-0.55%	-4.89%	-1.31%	431.10	2010-04-26	284.30	2009-07-08
Pharmaceuticals, Biotech & Life Scier	311.43	0.96%	2.89%	2.89%	1.28%	-9.81%	-8.33%	359.71	2010-01-20	277.03	2009-06-15
Semiconductors & Equipment	299.18	0.89%	-0.32%	-0.32%	-2.42%	-6.40%	-4.21%	348.04	2010-04-15	229.17	2009-07-08
Transportation	273.77	0.80%	3.15%	3.15%	-0.85%	-3.11%	7.40%	304.63	2010-05-03	184.76	2009-07-08
Real Estate	105.08	0.78%	7.48%	7.48%	1.35%	1.97%	11.57%	114.48	2010-05-03	57.87	2009-07-10
Automobiles & Components	83.71	0.63%	-0.55%	-0.55%	-3.76%	-10.90%	7.68%	107.25	2010-04-26	46.62	2009-07-08
Insurance	169.15	0.59%	4.77%	4.77%	1.74%	-8.06%	2.64%	189.97	2010-04-26	117.98	2009-07-08
Diversified Financials	306.69	0.57%	1.16%	1.16%	-2.29%	-11.98%	-4.62%	382.07	2010-04-15	248.57	2009-07-08
Health Care Equip & Services	331.74	0.52%	1.49%	1.49%	0.72%	-9.36%	-4.46%	371.77	2010-01-20	260.11	2009-06-16
Capital Goods	270.84	0.45%	1.90%	1.90%	-1.91%	-8.84%	3.70%	318.38	2010-04-30	188.39	2009-07-08
Energy	406.05	0.44%	5.14%	5.14%	2.46%	-5.64%	-5.56%	464.76	2010-04-26	342.19	2009-07-13
Consumer Durables & Apparel	144.55	0.36%	2.80%	2.80%	-1.41%	-1.33%	10.26%	164.51	2010-04-26	90.81	2009-07-08
Media	175.93	0.36%	2.77%	2.77%	1.16%	-0.68%	7.54%	192.83	2010-05-03	113.55	2009-07-13
Consumer Services	414.43	0.31%	3.53%	3.53%	2.18%	2.20%	11.86%	446.11	2010-04-26	300.73	2009-07-08
Telecom Services	105.97	0.24%	4.34%	4.34%	3.44%	-2.02%	-7.56%	117.00	2010-01-05	96.72	2009-07-10
Commercial & Professional Services	130.37	0.23%	4.27%	4.27%	0.50%	-5.55%	-2.57%	144.95	2010-04-26	107.96	2009-07-08
Utilities	147.19	-0.02%	3.85%	3.85%	1.57%	-2.33%	-6.84%	161.50	2009-12-14	135.64	2009-07-10
Retailing	434.03	-0.23%	1.66%	1.66%	-2.13%	-3.50%	5.57%	499.94	2010-04-26	303.74	2009-07-07
Food & Staples Retailing	175.85	-0.31%	-0.36%	-0.36%	-2.33%	-9.53%	-3.94%	196.37	2010-03-30	159.75	2009-07-13
Banks	138.00	-0.56%	1.80%	1.80%	-2.27%	-7.20%	10.09%	165.92	2010-04-21	97.99	2009-07-08
Food, Beverage & Tobacco	305.41	-0.81%	2.13%	2.13%	1.45%	-4.77%	-0.35%	324.19	2010-03-23	259.42	2009-06-16
Household & Personal Products	360.15	-1.07%	1.44%	1.44%	0.64%	-4.65%	-0.17%	383.05	2010-03-23	296.00	2009-06-16

INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Spain EWP	34.01	3.75%	11.03%	1.28%	-19.48%	-29.20%	52.67	2009-11-25	29.85	2010-06-08
Italy EWI	14.44	1.50%	8.03%	1.15%	-20.81%	-25.97%	21.77	2009-10-19	13.21	2010-06-07
Indonesia IDX	69.22	1.35%	4.33%	3.65%	-0.87%	11.34%	75.55	2010-05-03	39.10	2009-06-23
Austria EWO	16.28	1.12%	6.61%	-2.05%	-17.57%	-16.77%	23.59	2009-10-15	14.91	2010-06-08
Mexico EWW	50.75	1.08%	6.06%	3.80%	-4.91%	3.85%	61.60	2010-05-06	34.04	2009-07-10
France EWQ	20.84	0.97%	6.11%	1.36%	-16.84%	-19.38%	27.32	2010-01-11	19.21	2009-07-08
Chile ECH	56.77	0.96%	4.13%	2.45%	3.33%	3.61%	60.94	2010-01-19	27.27	2010-05-06
Brazil EWZ	65.65	0.84%	6.00%	3.35%	-10.85%	-12.01%	80.93	2009-12-03	48.03	2009-07-08
Taiwan EWT	11.37	0.80%	2.52%	0.09%	-9.40%	-12.34%	13.46	2010-01-06	9.51	2009-06-18
South Korea EWY	45.11	0.74%	1.76%	2.52%	-9.78%	-5.31%	53.15	2010-04-26	31.67	2009-06-23
Turkey TUR	55.10	0.69%	6.06%	2.04%	-3.86%	2.23%	63.27	2010-04-14	33.41	2009-06-23
Hong Kong EWH	15.09	0.67%	4.07%	2.10%	-7.37%	-3.64%	16.89	2010-04-14	12.92	2009-06-23
Latin America ILF	44.55	0.63%	5.72%	4.06%	-7.71%	-6.78%	50.25	2009-12-04	31.74	2009-07-10
China 25 FXI	40.27	0.57%	4.97%	2.26%	-4.35%	-4.71%	46.66	2009-11-16	35.33	2009-06-23
Australia EWA	20.63	0.54%	8.12%	2.59%	-14.08%	-9.68%	25.14	2010-01-11	15.32	2009-07-08
Singapore EWS	11.26	0.54%	3.49%	2.27%	-2.09%	-2.00%	12.36	2010-04-14	8.54	2009-06-23
Emerging Markets EEM	38.76	0.52%	4.19%	1.73%	-7.98%	-6.60%	46.66	2010-04-09	30.11	2009-06-23
BRIC EEB	39.34	0.46%	5.33%	3.23%	-7.87%	-7.35%	44.90	2009-12-04	23.23	2010-05-06
India IFN	29.62	0.30%	3.31%	3.42%	-6.09%	-3.52%	33.08	2010-04-14	25.17	2009-08-19
Belgium EWK	11.46	0.26%	4.66%	1.78%	-11.98%	-10.19%	13.95	2009-10-19	8.93	2010-05-06
Israel EIS	49.18	0.18%	2.18%	-2.52%	-16.45%	-9.60%	60.68	2010-03-26	39.40	2009-07-08
Russia RSX	29.33	0.03%	2.34%	-1.01%	-14.61%	-5.96%	36.91	2010-04-14	17.65	2009-07-13
Canada EWC	26.59	0.00%	3.46%	1.60%	-4.73%	0.99%	29.00	2010-04-15	19.55	2009-07-08
Malaysia EWM	11.35	-0.09%	2.53%	2.34%	-2.83%	6.87%	12.17	2010-04-30	8.44	2009-07-10
Netherlands EWN	18.00	-0.11%	4.90%	1.98%	-11.76%	-12.03%	21.51	2009-10-15	14.50	2009-07-08
Germany EWG	19.34	-0.15%	4.48%	0.99%	-11.57%	-13.81%	23.40	2009-10-21	16.75	2009-07-08
Sweden EWD	23.88	-0.17%	6.23%	4.60%	-5.95%	1.62%	27.42	2010-04-26	16.88	2009-06-23
United Kingdom EWU	14.28	-0.21%	3.10%	0.78%	-12.23%	-11.85%	17.20	2009-11-16	12.34	2009-07-08
Japan EWJ	9.42	-0.21%	0.96%	-0.95%	-9.77%	-3.29%	10.71	2010-04-15	9.10	2009-07-13
Switzerland EWL	20.19	-0.25%	4.07%	3.12%	-12.60%	-9.30%	23.63	2010-04-15	17.00	2009-07-08
South Africa EZA	54.79	-0.54%	4.06%	-2.66%	-9.33%	-2.11%	62.76	2010-04-05	23.00	2010-05-06
Thailand THD	46.66	-0.93%	3.76%	5.95%	-2.63%	9.81%	49.98	2010-04-06	30.69	2009-06-23
Vietnam VNM	24.59	-1.52%	3.32%	1.19%	-2.27%	-3.53%	32.15	2009-10-22	22.55	2010-05-21

S&P 500 Cash (1,091.60, 1,091.64, 1,091.59, 1,091.60, -0.03)



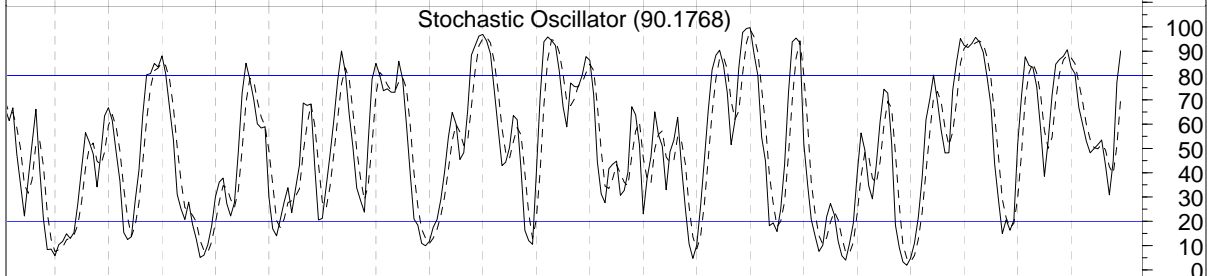
At the start of the resistance zone and almost overbought. The percent over 10-sma is 72.6%.

Relative Strength Index (65.6633)

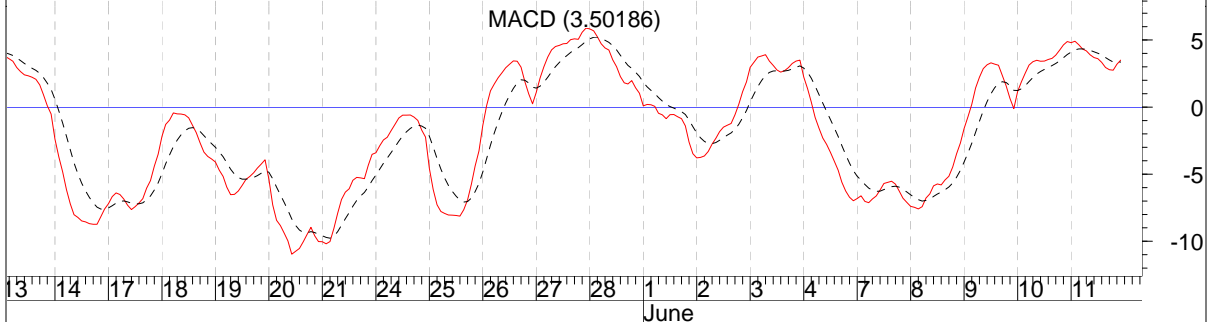


30-minute momentum indicators are at high levels.

Stochastic Oscillator (90.1768)



MACD (3.50186)





The S&P 500 is over 20-sma on the daily chart for the first time since 5/3. It is not yet overbought on the daily chart. A move above the 200-sma will put the index back in a long-term up trend and confirm a double bottom at the 1041ish area.

Daily momentum indicators look pretty positive.



The weekly candle is hammer-like and not quite a bullish engulfing candle but very close. It is accompanied by a positive crossover by the stochastic from a low level. The last three times this occurred (although the candles were bullish engulfing) it preceded very nice rallies. This was in March 2009, July 2009, and February 2010.

The MACD is the only weekly momentum indicator not looking good.

NASDAQ 100 (1,814.25, 1,848.62, 1,811.99, 1,847.15, +17.06)



The daily chart of the Nasdaq 100 shows it is back above the 200-sma and the 20-sma.

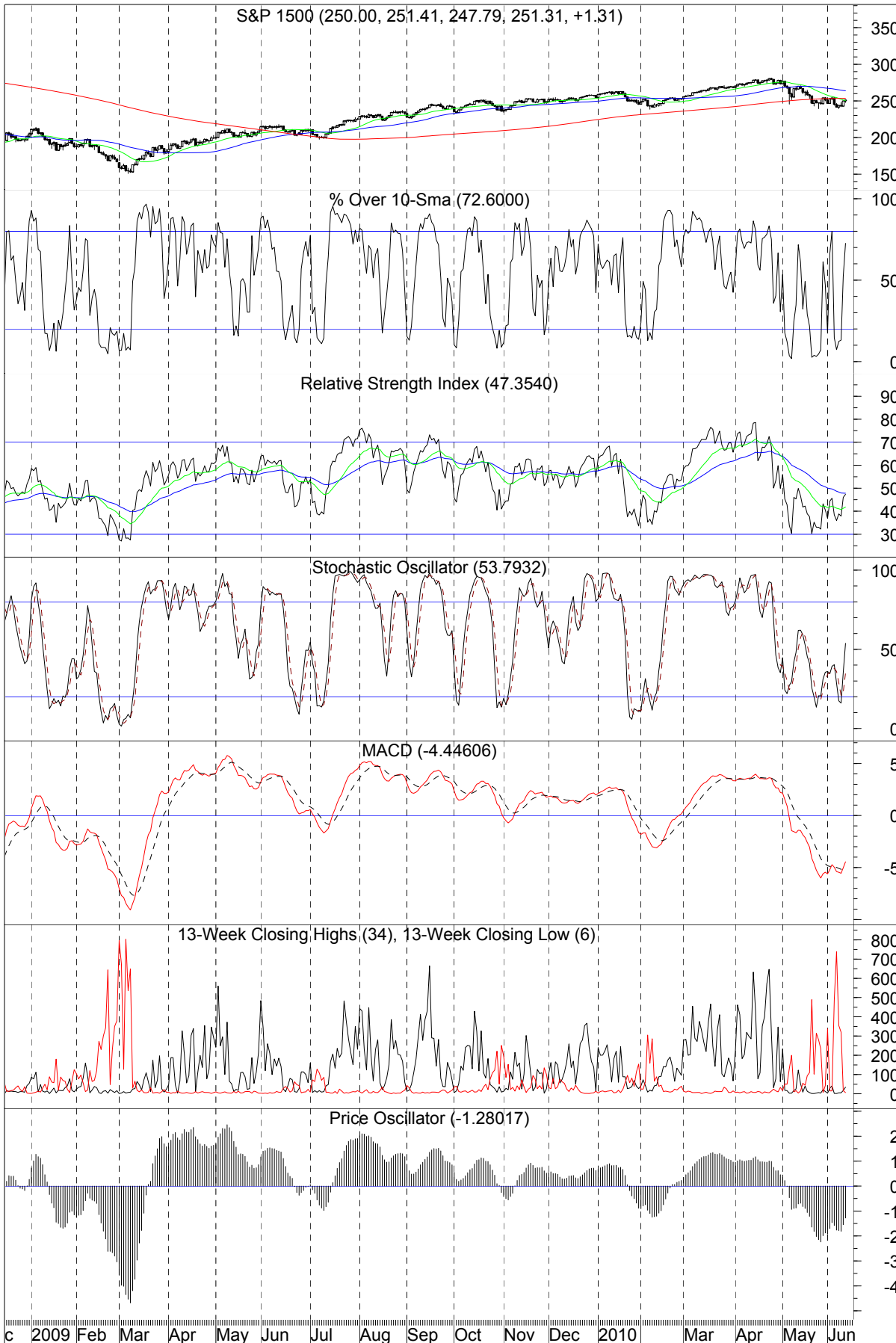
Momentum indicators are turning up from low levels.

NASDAQ 100 (1,839.77, 1,848.62, 1,770.46, 1,847.15, +15.11)



The weekly chart of the Nasdaq 100 shows another hammer candle printed last week. Hammers are bottoming candles.

Weekly momentum indicators have not yet turned up, but the stochastic is close to a positive crossover.

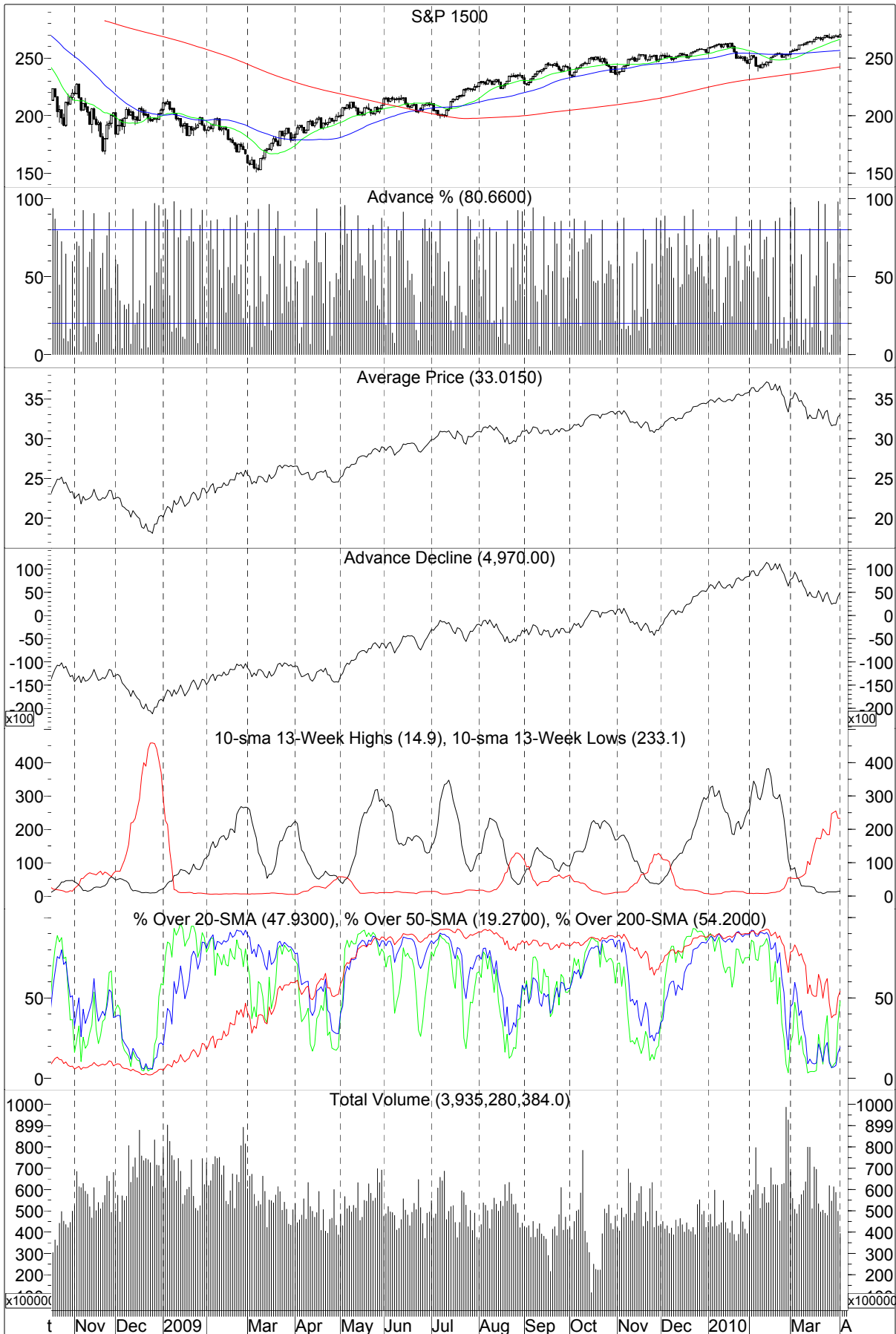


72.6% of the S&P 1500 are over their own 10-sma.

Momentum indicators have turned up from low levels, particularly the MACD.

The 738 13-week closing lows on June 7th was the most since 803 on 3/5/09.

Our price oscillator, a good indicator of trends, is still in negative territory but improving from a deeply oversold level.



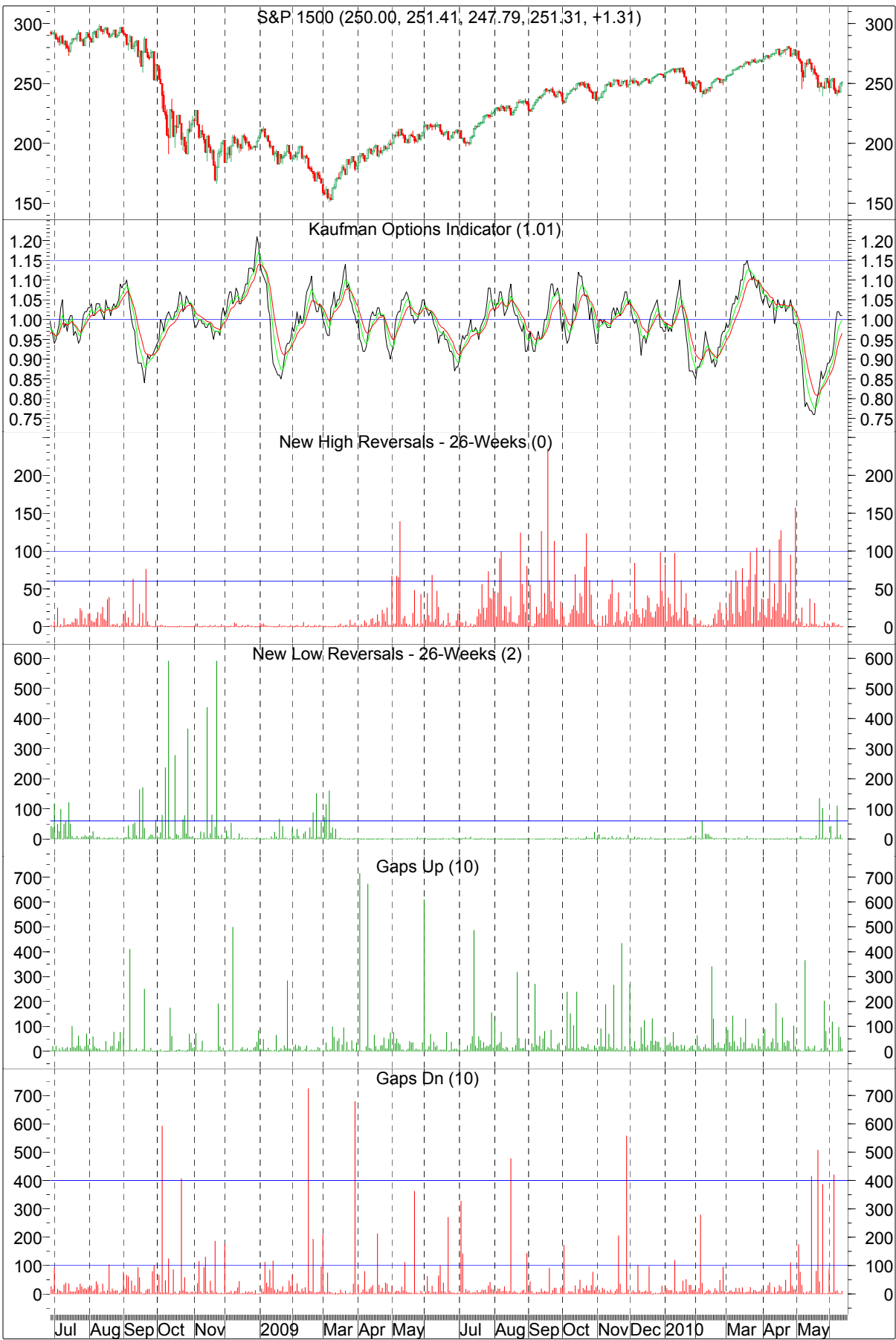
80% of stocks traded higher Friday.

Obviously 13-week lows have been overpowering 13-week highs.

After coming very close to bear market levels these statistics are bouncing back.

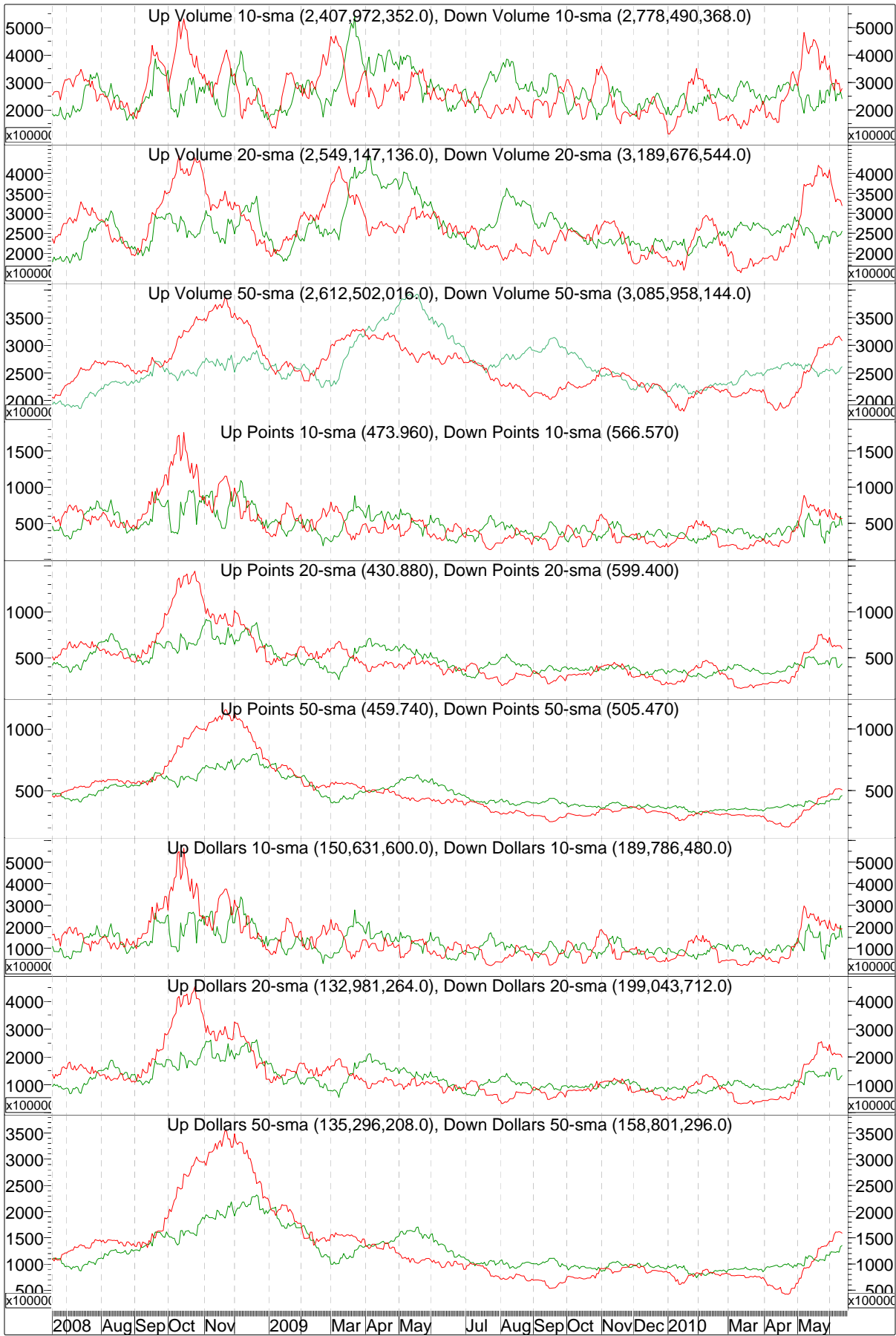
Volume was very light Friday.

The Kaufman Report - Wayne S. Kaufman, CMT

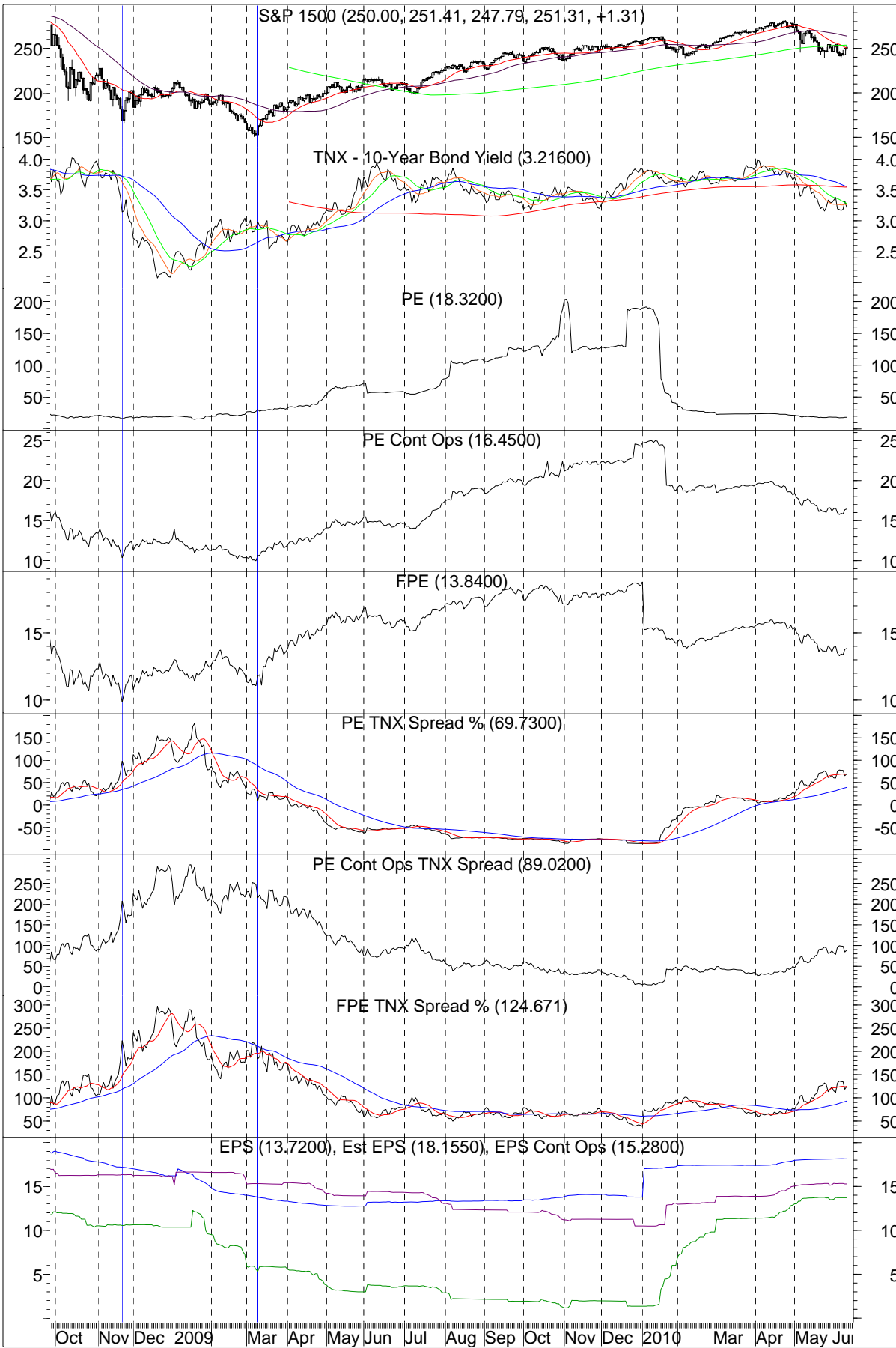


Our proprietary options indicator is about neutral.

The Kaufman Report - Wayne S. Kaufman, CMT



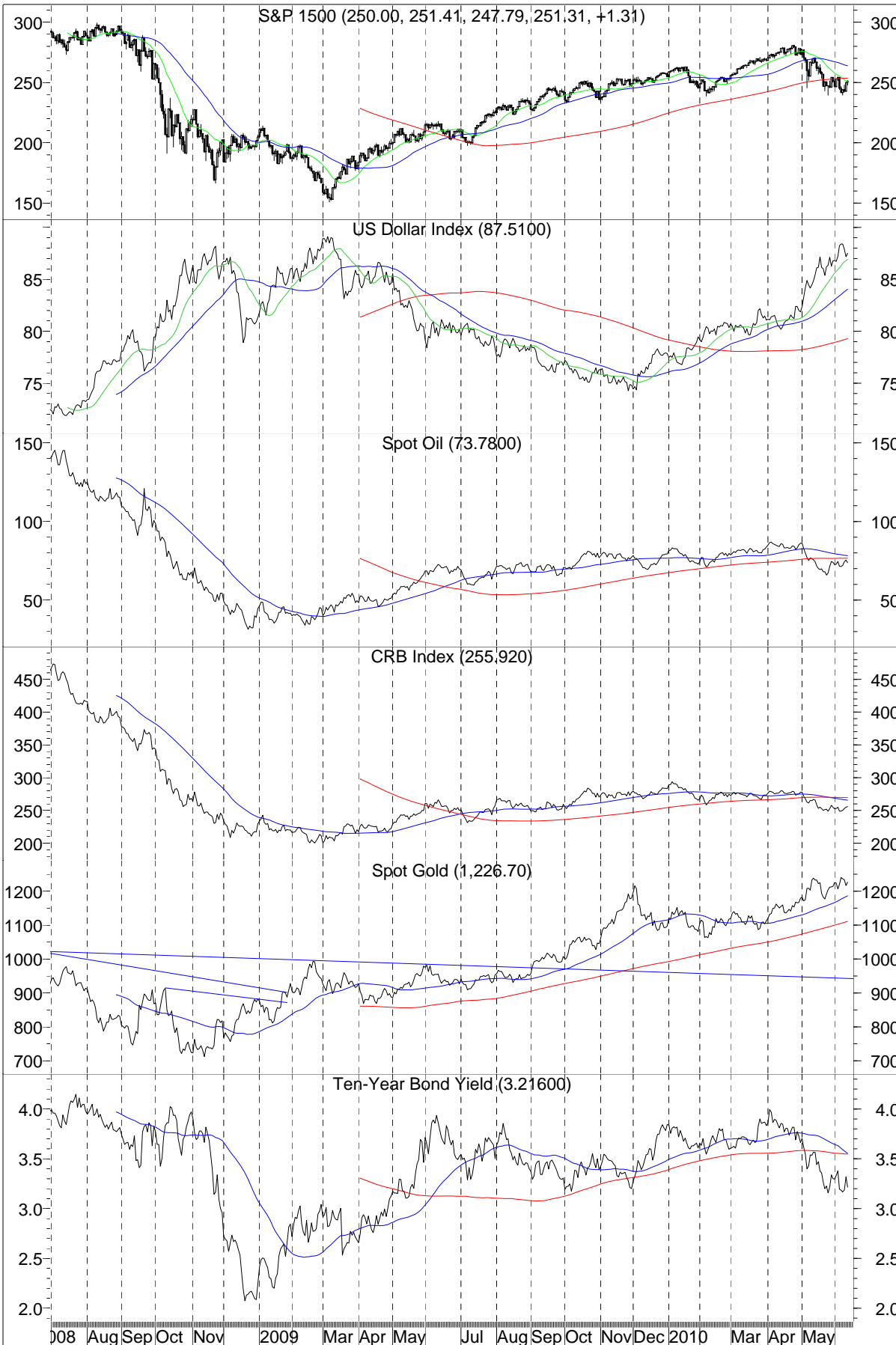
Our statistics of supply (red) versus demand (green) show buying has been pretty steady and selling is starting to lighten up.



P/E ratios remain steady and at low levels versus their recent ranges.

Spreads between equity and bond yields remain at levels where stocks should be attractive.

Earnings metrics are flat lining while we wait for Q2 earnings season in July.



The U.S. Dollar Index is just above its 20-sma. It pulled back after nearing the highs of March 2009. It is not overbought on the daily chart but remains so on the weekly.

Crude oil remains just under resistance levels. It has bounced back dramatically after our call for a rally on May 24th.

Sentiment on gold had been very bearish but last week changed rapidly to bullish. This could prevent a sharp move higher in the near-term.