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The Kaufman Report

Trade what you see, not what you think.

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Closing prices of June 25, 2008

The FOMC left rates unchanged Wednesday as expected, and stocks had their usual FOMC meeting up and down trading session. The S&P 1500 rallied up to the top of the bullish falling wedge pattern and pulled back. That pattern will be resolving shortly. It was a broad rally with 78.23% of the S&P 1500 trading higher. Sector rotation was prevalent as the only S&P sectors not up on the day were Energy and Industrials, with Information Technology and Consumer Discretionary leading the way.

We said for the last few days we were expecting a tradable bounce soon. We said Sunday a rally might not happen until after the FOMC meeting on Wednesday, but aggressive short-term traders should view weakness Monday or Tuesday as an entry point long. We got our bounce as hoped for, and with our short-term indicators still at low levels, there is still room for stocks to rally. An upside break out of the bullish falling wedge would be a welcome positive signal.

Federal Funds futures are pricing in a 94% probability that the Fed will leave rates at 2.00%, and a 6% probability of raising 25 basis points to 2.25 when they meet on August 5th.

The current short, 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.

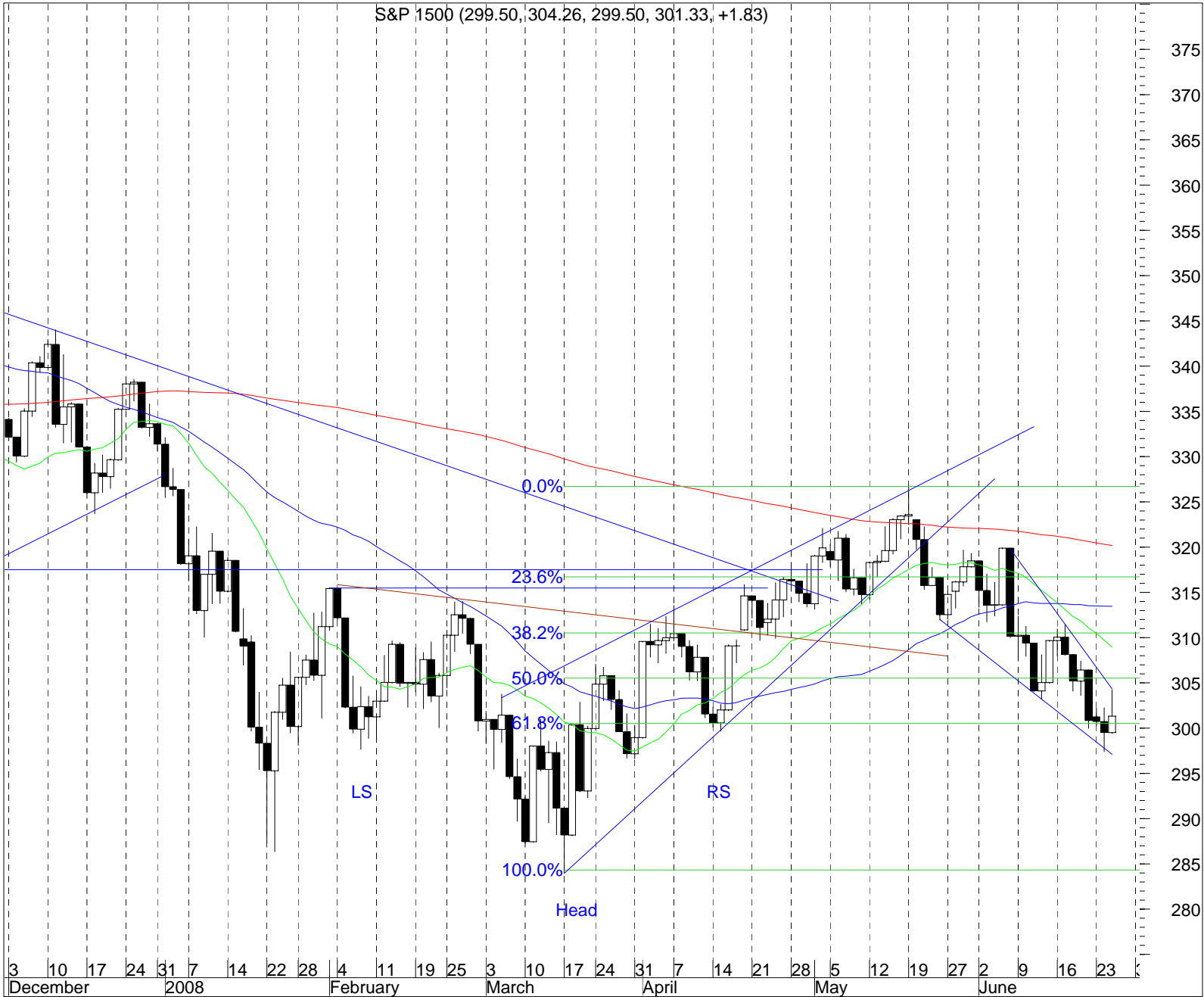
The S&P 1500 (301.33) was up 0.611% Wednesday. Average price per share was up 0.74%. Volume was 105% of its 10-day average and 112% of its 30-day average. 78.23% of the S&P 1500 stocks were up on the day. Up Dollars was 179% of its 10-day moving average and Down Dollars was 16% of its 10-day moving average.

Options expire July 18th.

IMPORTANT DISCLOSURES

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After bouncing off the lower boundary of the bullish falling wedge on Tuesday, on Wednesday the S&P 1500 bounced off the upper boundary. This is a much smaller wedge than the bearish rising wedge of March - May, and it will be resolving soon.

Our oscillators are still at low levels, so there is plenty of room for a rally.

New lows were still greater than new highs Wednesday.

Volume expanded slightly Wednesday.

78.23% of the S&P 1500
traded higher Wednesday.

Our proprietary options
indicator has jumped
above the neutral line
and shows some bullishness
among options buyers.