

Monday June 28, 2010

Closing prices of June 25, 2010

Last week we noted that we had a two-week period of relative calm with no 90% down days. That ended Tuesday as the S&P 1500 recorded its first panic-selling 90% down day since 6/4 courtesy of a much worse than expected new home sales report. Wednesday's FOMC meeting provided little help for equities, which had an almost 90% down day Thursday (missed by three stocks out of 1500).

In our report dated 6/14/2010 we discussed the S&P 500 moving over its 20-day moving average and the positive setup of the weekly chart showing a bullish engulfing candle along with a positive stochastic crossover from a low level. We said we wanted to see a break out of the sideways channel equities were in along with a move over the 200-day moving average. That occurred on 6/15, and was followed by higher prices until Monday June 21<sup>st</sup>, when stocks gapped up on news of China's willingness to revalue its currency. Unfortunately, stocks immediately sold off and trended continuously lower until Friday, when they had an oversold bounce.

**The week's action caused technical damage for equities.** Due to the depth of the pullback we have to consider the recent breakout a failure. Bearish engulfing candles were printed on the weekly charts, and the S&P 500 is back below its 20, 50, and 200-day moving averages. Breadth statistics remain weak, with only 20.07% of stocks over their own 50-day moving averages.

**Equities appear to be at an important inflection point.** On most major indexes the 50-day moving average is nearing a cross under the 200-day moving average. On some major indexes this has already taken place, like the FTSE 100, the Nikkei-225, the CAC (France), and the Australia All Ordinaries. Technicians are watching the development of head and shoulders patterns on major indexes.

**It has been quite a while since fundamental and technical indicators have been so conflicted.** In spite of many problems, including sovereign debt in Europe and the nauseating spill in the Gulf, earnings estimates have not yet come down. In fact, aggregate S&P earnings for 2011 are up to the \$96 area. **Even a 2011 P/E of only 14 gives an S&P target of 1344, almost 25% higher than current levels.** Spreads between bond and equities yields have widened to extreme levels where stocks should be very attractive.

We are starting to come out of a long period of a lack of visibility. We are entering earnings pre-announcement season, and we are just weeks ahead of second quarter earnings season. That will give investors much needed clarity regarding the effects of currency movements, financial regulation, sovereign debt issues, oil spills, and shifts in the global economy on corporate profits.

**In the short-term equities are oversold. Until proven otherwise, this remains a short-term trader's market with aggressive traders able to play long or short based on overbought or oversold conditions. Investors need to remain on their toes since a freezing up of the financial system can be very damaging, as we all saw in 2008 – 2009, and should the upcoming earnings season start to disappoint another leg down for equities could begin. On the other hand, should earnings and forecasts create confidence that companies will continue to do well, investors may acknowledge that stocks are cheap and will drive them higher.**

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

## IMPORTANT DISCLOSURES

I, Wayne S. Kaufman, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

**THE INFORMATION PROVIDED IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY. INVESTORS SHOULD CONSIDER THIS REPORT AS ONLY A SINGLE FACTOR IN MAKING THEIR INVESTMENT DECISION. THIS INFORMATIONAL REPORT IS NOT AN OFFER TO SELL OR A SOLICITATION TO BUY ANY SECURITY IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE ILLEGAL. THIS REPORT HAS BEEN PREPARED AS A MATTER OF GENERAL INFORMATION. IT IS NOT INTENDED TO BE A COMPLETE DESCRIPTION OF ANY SECURITY OR COMPANY MENTIONED, AND IS NOT AN OFFER TO BUY OR SELL ANY SECURITY. ALL FACTS AND STATISTICS ARE FROM SOURCES BELIEVED TO BE RELIABLE, BUT ARE NOT GUARANTEED AS TO ACCURACY. ADDITIONAL INFORMATION ON THESE SECURITIES AND COMPANIES IS AVAILABLE UPON REQUEST. SECURITIES, FINANCIAL INSTRUMENTS OR STRATEGIES MENTIONED HEREIN MAY NOT BE SUITABLE FOR ALL INVESTORS. THIS MATERIAL DOES NOT TAKE INTO ACCOUNT YOUR PARTICULAR INVESTMENT OBJECTIVES, FINANCIAL SITUATIONS OR STRATEGIES. BEFORE ACTING ON THE MATERIALS HEREIN, YOU SHOULD CONSIDER WHETHER IT IS SUITABLE FOR YOUR PARTICULAR CIRCUMSTANCES AND, IF NECESSARY SEEK PROFESSIONAL ADVICE. INVESTMENTS INVOLVE RISK AND AN INVESTOR MAY INCUR EITHER PROFITS OR LOSSES. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE. TRADING AND INVESTMENT DECISIONS ARE THE SOLE RESPONSIBILITY OF THE READER.**

John Thomas Financial  
14 Wall Street, 23<sup>rd</sup> Floor  
New York, New York 10005  
[wskaufman@johnthomasbd.com](mailto:wskaufman@johnthomasbd.com)  
[www.kaufmanreport.com](http://www.kaufmanreport.com)

# The Kaufman Report

Trade what you see, not what you think.

Wayne S. Kaufman, CMT  
Chief Market Analyst  
(800) 257-1537 Toll Free  
(212) 299-7838 Direct

Monday June 28, 2010

Closing prices of June 25, 2010

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

P/E: 16.22 FP/E: 13.59 Percent over 10-sma: 21.6%, hit 8.93% on 6/24. Percent over 50-sma: 20.07%. Percent over 200-sma: 48.6%.

13-Week Closing Highs: 23. 13-Week Closing Lows: 77. 52-week closing highs: 14. 52-week closing lows: 17.

Kaufman Options Indicator: 1.04. Put/Call Ratio: 0.893.

New High Reversals: 0. New Low Reversals: 34

Volume: +41.8% versus yesterday. 150% of the 10-day average. 127% of the 30-day average.

Up Stocks: 79.10%. Up Volume: 64.8%. Up Points: 84.84%. Up Dollars: 90.08%, 191% of 10-sma. Dn Dollars 16% of 10-sma.

Earnings: 499 of the S&P 500 have reported so far this earnings season. 77.7% have had positive surprises, 8.2% have been in line, and 14.1% have had negative surprises.

Federal Funds Futures project an 74.6% probability of no change to the current 0.25% target rate and a 25.4% probability of a decrease to 0.00% when the FOMC meets on 8/10. For the meeting of 9/21 the probabilities are 68.0% for no change, 10.0% for an increase to 0.50, and 22.0% for a decrease to 0.00%.

## IMPORTANT DISCLOSURES

I, Wayne S. Kaufman, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

**THE INFORMATION PROVIDED IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY. INVESTORS SHOULD CONSIDER THIS REPORT AS ONLY A SINGLE FACTOR IN MAKING THEIR INVESTMENT DECISION. THIS INFORMATIONAL REPORT IS NOT AN OFFER TO SELL OR A SOLICITATION TO BUY ANY SECURITY IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE ILLEGAL. THIS REPORT HAS BEEN PREPARED AS A MATTER OF GENERAL INFORMATION. IT IS NOT INTENDED TO BE A COMPLETE DESCRIPTION OF ANY SECURITY OR COMPANY MENTIONED, AND IS NOT AN OFFER TO BUY OR SELL ANY SECURITY. ALL FACTS AND STATISTICS ARE FROM SOURCES BELIEVED TO BE RELIABLE, BUT ARE NOT GUARANTEED AS TO ACCURACY. ADDITIONAL INFORMATION ON THESE SECURITIES AND COMPANIES IS AVAILABLE UPON REQUEST. SECURITIES, FINANCIAL INSTRUMENTS OR STRATEGIES MENTIONED HEREIN MAY NOT BE SUITABLE FOR ALL INVESTORS. THIS MATERIAL DOES NOT TAKE INTO ACCOUNT YOUR PARTICULAR INVESTMENT OBJECTIVES, FINANCIAL SITUATIONS OR STRATEGIES. BEFORE ACTING ON THE MATERIALS HEREIN, YOU SHOULD CONSIDER WHETHER IT IS SUITABLE FOR YOUR PARTICULAR CIRCUMSTANCES AND, IF NECESSARY SEEK PROFESSIONAL ADVICE. INVESTMENTS INVOLVE RISK AND AN INVESTOR MAY INCUR EITHER PROFITS OR LOSSES. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE. TRADING AND INVESTMENT DECISIONS ARE THE SOLE RESPONSIBILITY OF THE READER.**

## Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
S&P Smallcap 600	344.18	1.73%	-3.07%	-3.07%	-2.58%	-4.47%	3.47%	396.63	2010-04-26	252.11	2009-07-08
S&P Midcap 400	745.27	1.08%	-3.75%	-3.75%	-2.29%	-5.65%	2.56%	852.90	2010-04-26	539.04	2009-07-08
NYSE Composite	6763.62	0.50%	-3.21%	-3.21%	-0.41%	-9.19%	-5.86%	7743.74	2010-04-15	5552.82	2009-07-08
S&P 1500	247.87	0.41%	-3.63%	-3.63%	-1.31%	-7.61%	-2.72%	281.21	2010-04-26	197.66	2009-07-08
Nasdaq Composite	2223.48	0.27%	-3.74%	-3.74%	-1.49%	-7.28%	-2.01%	2535.28	2010-04-26	1727.05	2009-07-08
Bank of New York Mellon ADR	118.18	0.27%	-2.10%	-2.10%	1.57%	-12.89%	-13.33%	142.19	2010-01-11	104.08	2009-07-08
S&P 500	1076.76	0.29%	-3.65%	-3.65%	-1.16%	-7.92%	-3.44%	1219.80	2010-04-26	869.32	2009-07-08
Dow Jones Industrials	10143.81	-0.09%	-2.94%	-2.94%	0.07%	-6.57%	-2.73%	11258.01	2010-04-26	8087.19	2009-07-08
Nasdaq 100	1838.52	-0.33%	-3.92%	-3.92%	-0.75%	-6.12%	-1.17%	2059.42	2010-04-26	1394.87	2009-07-08

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Financials	197.03	2.81%	-1.41%	-1.41%	-0.20%	-8.25%	1.68%	230.45	2010-04-15	145.74	2009-07-08
Materials	183.16	1.40%	-2.74%	-2.74%	-1.34%	-10.49%	-8.33%	213.87	2010-04-26	142.89	2009-07-08
Industrials	250.77	0.57%	-3.76%	-3.76%	-2.23%	-8.23%	3.20%	292.21	2010-04-30	176.94	2009-07-08
Utilities	146.47	0.31%	-4.26%	-4.26%	1.07%	-2.81%	-7.29%	161.50	2009-12-14	135.64	2009-07-10
Health Care	335.77	0.17%	-2.17%	-2.17%	0.81%	-9.90%	-7.30%	384.95	2010-01-20	297.11	2009-07-13
Consumer Discretionary	242.48	0.13%	-5.33%	-5.33%	-4.79%	-6.27%	3.15%	284.57	2010-04-26	170.94	2009-07-08
Energy	392.50	-0.05%	-5.90%	-5.90%	-0.96%	-8.79%	-8.71%	464.76	2010-04-26	342.19	2009-07-13
Information Technology	347.62	-0.55%	-4.46%	-4.46%	-1.19%	-7.77%	-6.23%	397.46	2010-04-26	271.20	2009-07-08
Telecom Services	104.00	-1.17%	-2.70%	-2.70%	1.52%	-3.84%	-9.28%	117.00	2010-01-05	96.72	2009-07-10
Consumer Staples	265.64	-1.54%	-3.49%	-3.49%	-1.69%	-7.81%	-3.16%	290.45	2010-03-23	234.06	2009-06-25

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Diversified Financials	308.75	3.12%	-1.18%	-1.18%	-1.63%	-11.39%	-3.98%	382.07	2010-04-15	248.57	2009-07-08
Real Estate	104.76	3.07%	-2.72%	-2.72%	1.04%	1.66%	11.23%	114.48	2010-05-03	57.87	2009-07-10
Insurance	175.29	2.79%	-0.31%	-0.31%	5.43%	-4.73%	6.37%	189.97	2010-04-26	117.98	2009-07-08
Banks	136.08	1.97%	-2.70%	-2.70%	-3.63%	-8.49%	8.56%	165.92	2010-04-21	97.99	2009-07-08
Materials	183.16	1.40%	-2.74%	-2.74%	-1.34%	-10.49%	-8.33%	213.87	2010-04-26	142.89	2009-07-08
Commercial & Professional Services	129.84	0.81%	-2.75%	-2.75%	0.09%	-5.94%	-2.97%	144.95	2010-04-26	107.96	2009-07-08
Retailing	407.72	0.58%	-5.58%	-5.58%	-8.06%	-9.35%	-0.83%	499.94	2010-04-26	303.74	2009-07-07
Transportation	268.74	0.56%	-4.08%	-4.08%	-2.67%	-4.89%	5.43%	304.63	2010-05-03	184.76	2009-07-08
Capital Goods	269.78	0.55%	-3.76%	-3.76%	-2.30%	-9.20%	3.30%	318.38	2010-04-30	188.39	2009-07-08
Health Care Equip & Services	325.12	0.45%	-3.84%	-3.84%	-1.29%	-11.16%	-6.36%	371.77	2010-01-20	271.51	2009-07-13
Utilities	146.47	0.31%	-4.26%	-4.26%	1.07%	-2.81%	-7.29%	161.50	2009-12-14	135.64	2009-07-10
Consumer Durables & Apparel	138.83	0.26%	-5.47%	-5.47%	-5.31%	-5.23%	5.90%	164.51	2010-04-26	90.81	2009-07-08
Automobiles & Components	80.29	0.11%	-5.69%	-5.69%	-7.69%	-14.54%	3.28%	107.25	2010-04-26	46.62	2009-07-08
Consumer Services	398.15	0.10%	-4.69%	-4.69%	-1.83%	-1.81%	7.47%	446.11	2010-04-26	300.73	2009-07-08
Pharmaceuticals, Biotech & Life Scier	313.33	0.03%	-1.31%	-1.31%	1.89%	-9.26%	-7.77%	359.71	2010-01-20	284.37	2009-06-25
Energy	392.50	-0.05%	-5.90%	-5.90%	-0.96%	-8.79%	-8.71%	464.76	2010-04-26	342.19	2009-07-13
Media	170.72	-0.37%	-5.31%	-5.31%	-1.83%	-3.62%	4.36%	192.83	2010-05-03	113.55	2009-07-13
Software & Services	438.72	-0.41%	-4.42%	-4.42%	-1.14%	-10.80%	-11.66%	512.69	2010-04-15	363.54	2009-07-08
Technology Hardware & Equipment	384.60	-0.65%	-4.16%	-4.16%	-0.51%	-4.86%	-1.27%	431.10	2010-04-26	284.30	2009-07-08
Semiconductors & Equipment	296.40	-0.77%	-5.46%	-5.46%	-3.33%	-7.27%	-5.10%	348.04	2010-04-15	229.17	2009-07-08
Telecom Services	104.00	-1.17%	-2.70%	-2.70%	1.52%	-3.84%	-9.28%	117.00	2010-01-05	96.72	2009-07-10
Food & Staples Retailing	168.55	-1.43%	-5.37%	-5.37%	-6.38%	-13.28%	-7.93%	196.37	2010-03-30	159.75	2009-07-13
Household & Personal Products	354.22	-1.50%	-2.54%	-2.54%	-1.02%	-6.22%	-1.81%	383.05	2010-03-23	297.84	2009-06-25
Food, Beverage & Tobacco	301.34	-1.60%	-3.12%	-3.12%	0.10%	-6.04%	-1.68%	324.19	2010-03-23	259.50	2009-06-25

### INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Indonesia IDX	74.42	3.12%	0.80%	11.44%	6.57%	19.70%	75.55	2010-05-03	43.00	2009-07-13
Brazil EWZ	66.91	2.09%	-0.43%	5.34%	-9.14%	-10.32%	80.93	2009-12-03	48.03	2009-07-08
Turkey TUR	55.20	1.79%	-4.08%	2.22%	-3.68%	2.41%	63.27	2010-04-14	36.44	2009-07-08
Mexico EWW	51.24	1.77%	-1.99%	4.81%	-3.99%	4.85%	61.60	2010-05-06	34.04	2009-07-10
Russia RSX	29.86	1.70%	-1.52%	0.78%	-13.07%	-4.26%	36.91	2010-04-14	17.65	2009-07-13
BRIC EEB	40.04	1.55%	-0.40%	5.06%	-6.23%	-5.70%	44.90	2009-12-04	23.23	2010-05-06
South Africa EZA	56.24	1.53%	-2.53%	-0.09%	-6.93%	0.48%	62.76	2010-04-05	23.00	2010-05-06
Latin America ILF	44.15	1.45%	-2.75%	3.13%	-8.54%	-7.62%	50.25	2009-12-04	31.74	2009-07-10
Singapore EWS	11.48	1.41%	-1.03%	4.27%	-0.17%	-0.09%	12.36	2010-04-14	8.56	2009-07-08
Italy EWI	14.73	1.38%	-5.39%	3.15%	-19.24%	-24.50%	21.77	2009-10-19	13.21	2010-06-07
Thailand THD	46.57	1.26%	-2.10%	5.74%	-2.82%	9.60%	49.98	2010-04-06	31.12	2009-07-13
India IFN	30.73	1.22%	0.85%	7.30%	-2.57%	0.10%	33.08	2010-04-14	25.17	2009-08-19
Emerging Markets EEM	39.43	1.18%	-1.23%	3.49%	-6.39%	-4.99%	46.66	2010-04-09	30.24	2009-07-08
Chile ECH	58.10	1.11%	-2.01%	4.85%	5.75%	6.04%	60.94	2010-01-19	27.27	2010-05-06
Spain EWP	33.96	1.01%	-6.50%	1.13%	-19.60%	-29.31%	52.67	2009-11-25	29.85	2010-06-08
China 25 FXI	41.18	1.01%	1.28%	4.57%	-2.19%	-2.56%	46.66	2009-11-16	35.72	2009-07-13
Austria EWO	16.44	0.92%	-2.89%	-1.08%	-16.76%	-15.95%	23.59	2009-10-15	14.91	2010-06-08
Vietnam VNM	25.23	0.88%	-1.56%	3.83%	0.28%	-1.02%	32.15	2009-10-22	22.55	2010-05-21
Canada EWC	26.43	0.88%	-4.31%	0.99%	-5.30%	0.38%	29.00	2010-04-15	19.55	2009-07-08
Israel EIS	47.75	0.84%	-4.42%	-5.35%	-18.88%	-12.22%	60.68	2010-03-26	39.40	2009-07-08
Belgium EWK	11.42	0.79%	-3.63%	1.42%	-12.29%	-10.50%	13.95	2009-10-19	8.93	2010-05-06
Hong Kong EWH	15.42	0.72%	0.13%	4.33%	-5.34%	-1.53%	16.89	2010-04-14	12.95	2009-07-08
Malaysia EWM	11.66	0.60%	0.17%	5.14%	-0.17%	9.79%	12.17	2010-04-30	8.44	2009-07-10
Australia EWA	20.44	0.59%	-3.72%	1.64%	-14.87%	-10.51%	25.14	2010-01-11	15.32	2009-07-08
Switzerland EWL	20.48	0.59%	-2.20%	4.60%	-11.34%	-8.00%	23.63	2010-04-15	17.00	2009-07-08
Sweden EWD	23.83	0.51%	-5.47%	4.38%	-6.14%	1.40%	27.42	2010-04-26	17.20	2009-07-08
Japan EWJ	9.54	0.42%	-1.55%	0.32%	-8.62%	-2.05%	10.71	2010-04-15	9.10	2009-07-13
Netherlands EWN	18.15	0.17%	-4.02%	2.83%	-11.03%	-11.29%	21.51	2009-10-15	14.50	2009-07-08
France EWQ	20.65	0.05%	-5.97%	0.44%	-17.60%	-20.12%	27.32	2010-01-11	19.21	2009-07-08
South Korea EWY	47.40	0.02%	-1.09%	7.73%	-5.20%	-0.50%	53.15	2010-04-26	33.90	2009-06-25
Germany EWG	19.57	-0.15%	-3.21%	2.19%	-10.52%	-12.79%	23.40	2009-10-21	16.75	2009-07-08
Taiwan EWT	11.65	-0.26%	-0.51%	2.55%	-7.17%	-10.18%	13.46	2010-01-06	9.91	2009-06-25
United Kingdom EWU	14.15	-0.28%	-4.07%	-0.14%	-13.03%	-12.65%	17.20	2009-11-16	12.34	2009-07-08

S&P 500 Cash (1,077.90, 1,077.90, 1,076.59, 1,076.76, -1.58)



The 30-minute chart of the S&P 500 shows a steady progression lower after Monday's China Yuan induced gap higher.

Stocks bounced Friday as the RSI showed a positive divergence. Momentum indicators are currently mixed but don't seem very positive.

S&P 500 Cash (1,075.10, 1,083.56, 1,067.89, 1,076.76, +3.07)



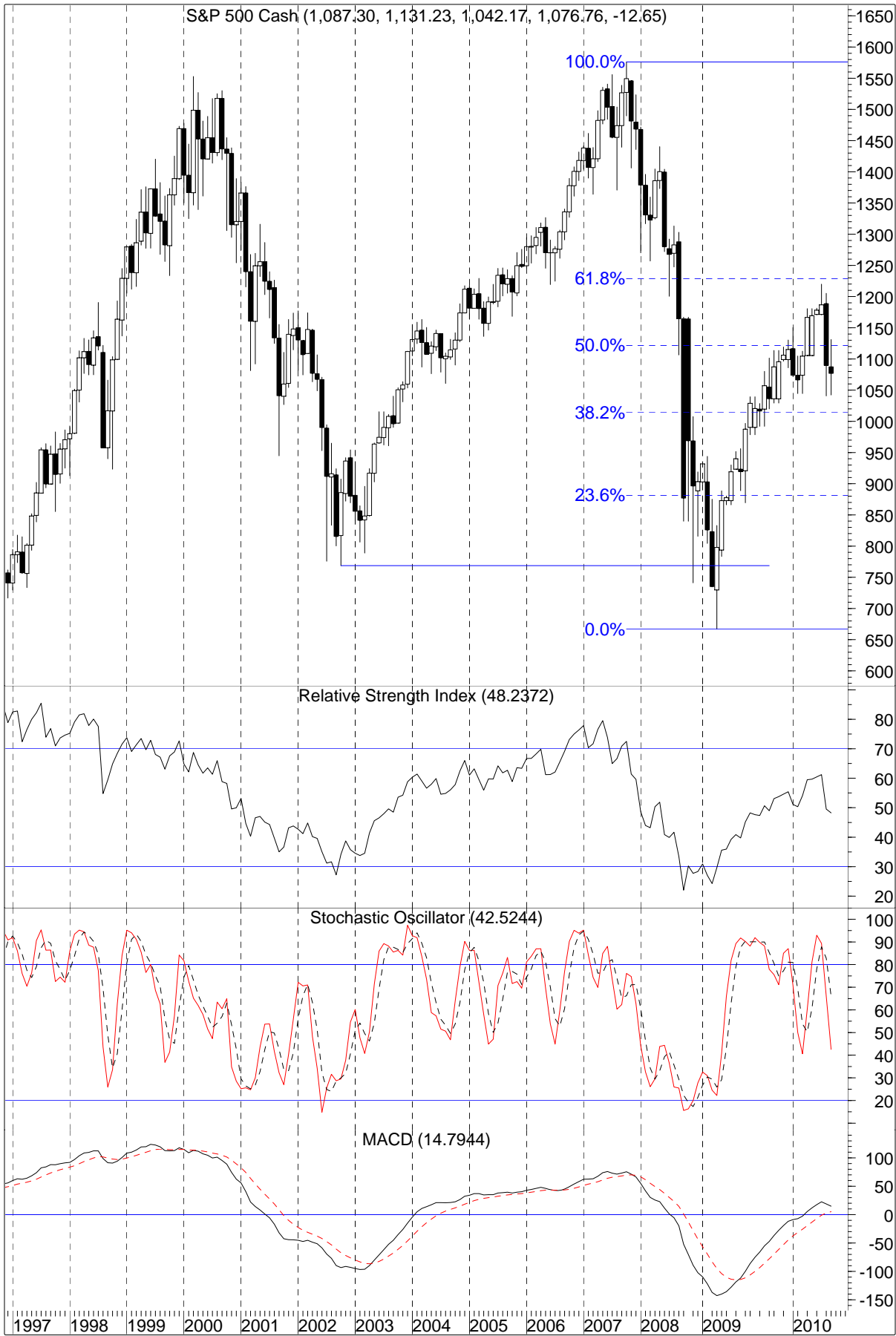
The daily chart of the S&P 500 shows a bearish engulfing candle and a move back below the 200-sma and the 20-sma. Monday was a key reversal day and we have to call the recent move over resistance and the 200-sma a failed breakout. The 50-sma is dive-bombing lower and may cross under the 200-sma soon. If so that will add a major negative to the technical picture.

Daily momentum indicators remain at low levels.



The weekly chart of the S&P 500 shows the index got within a point of the 20-week moving average before reversing. In doing so it printed a bearish engulfing candle, countering the bullish engulfing candle of two weeks ago. This is a potential head and shoulders pattern forming on both the daily and weekly charts.

Weekly momentum indicators are mixed.



June isn't over yet but so far the month is printing a high wave spinning top, a sign of indecision. April's candle was a bearish shooting star which foreshadowed the weakness of May and June.

Monthly momentum indicators do not look very reassuring.



NASDAQ 100 (1,848.82, 1,857.31, 1,829.30, 1,838.52, -6.07)



The Nasdaq 100 opened Monday at the top of the gap from mid-May and immediately reversed down printing a bearish engulfing candle on the daily chart. It closed Friday just above its 200-sma and below its 20-sma.

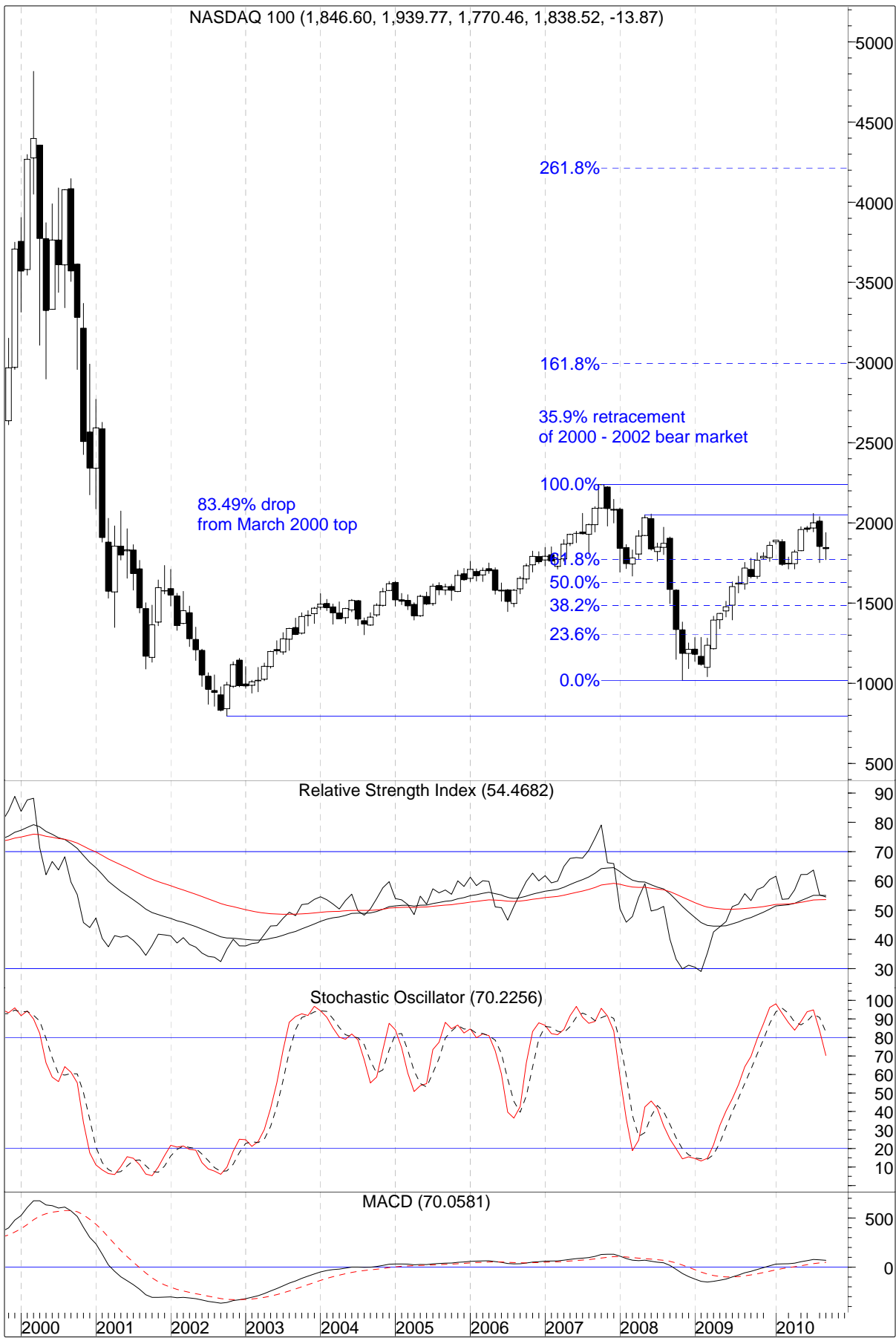
Daily momentum indicators are neutral.

NASDAQ 100 (1,939.77, 1,939.77, 1,829.30, 1,838.52, -74.96)



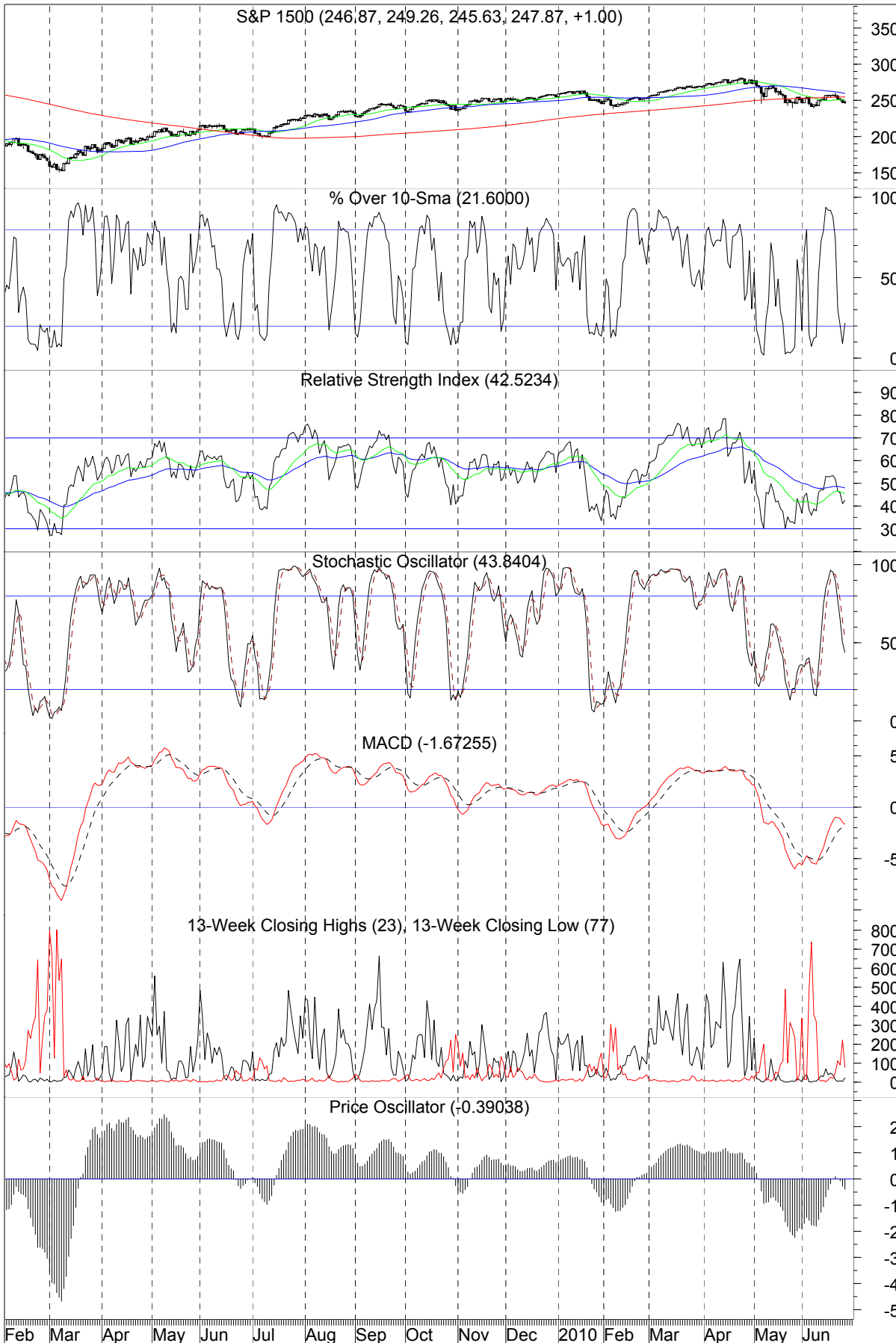
The weekly chart of the Nasdaq 100 also printed a bearish engulfing candle.

NASDAQ 100 (1,846.60, 1,939.77, 1,770.46, 1,838.52, -13.87)



The monthly chart of the Nasdaq 100 shows a long-legged doji candle, a sign of indecision.

Momentum indicators show the stochastic turning down from the overbought zone.

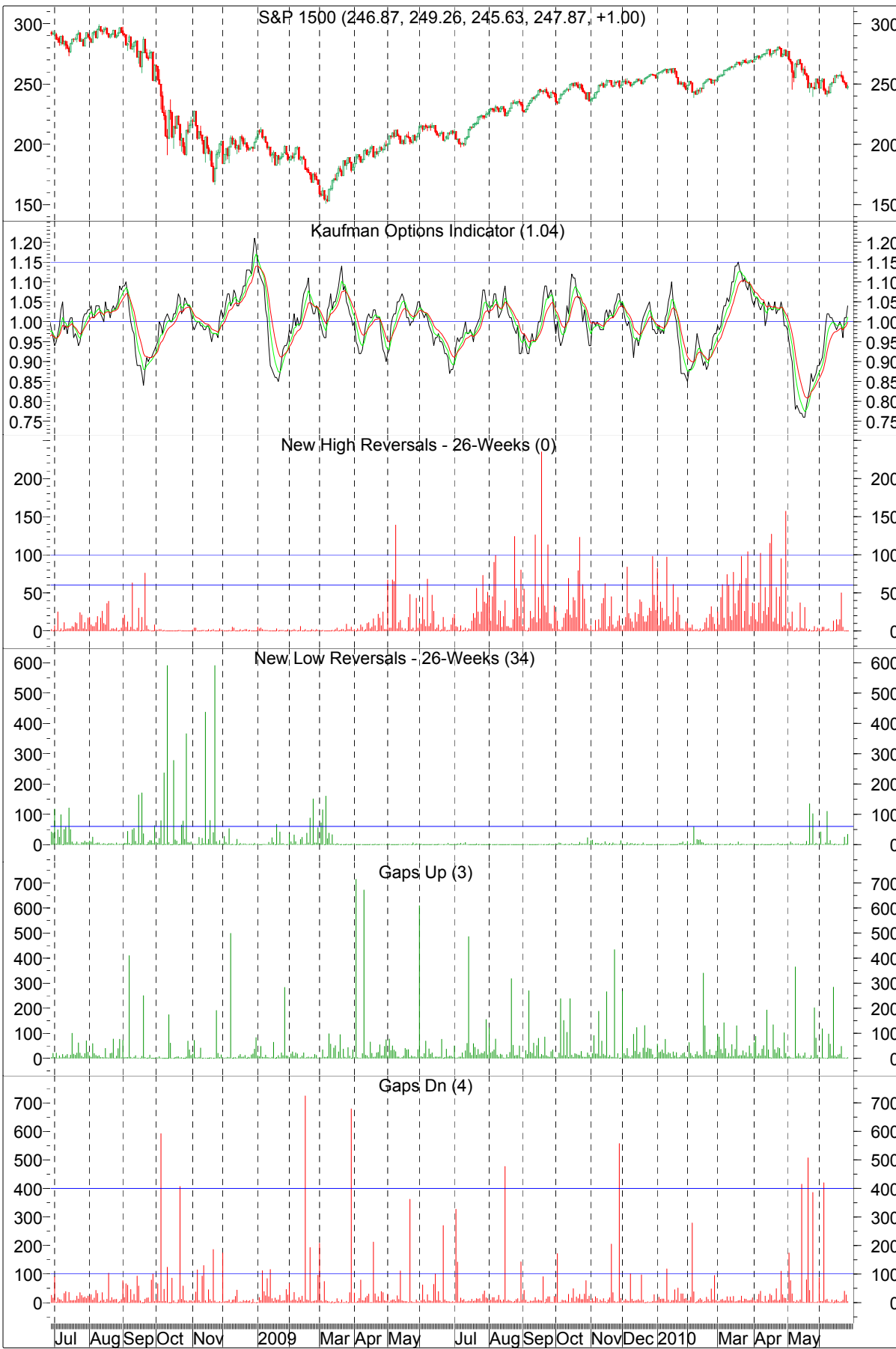


After hitting 8.93% Thursday, the percent over 10-sma is still low at 21.6%.

13-week lows continue to swamp 13-week highs.

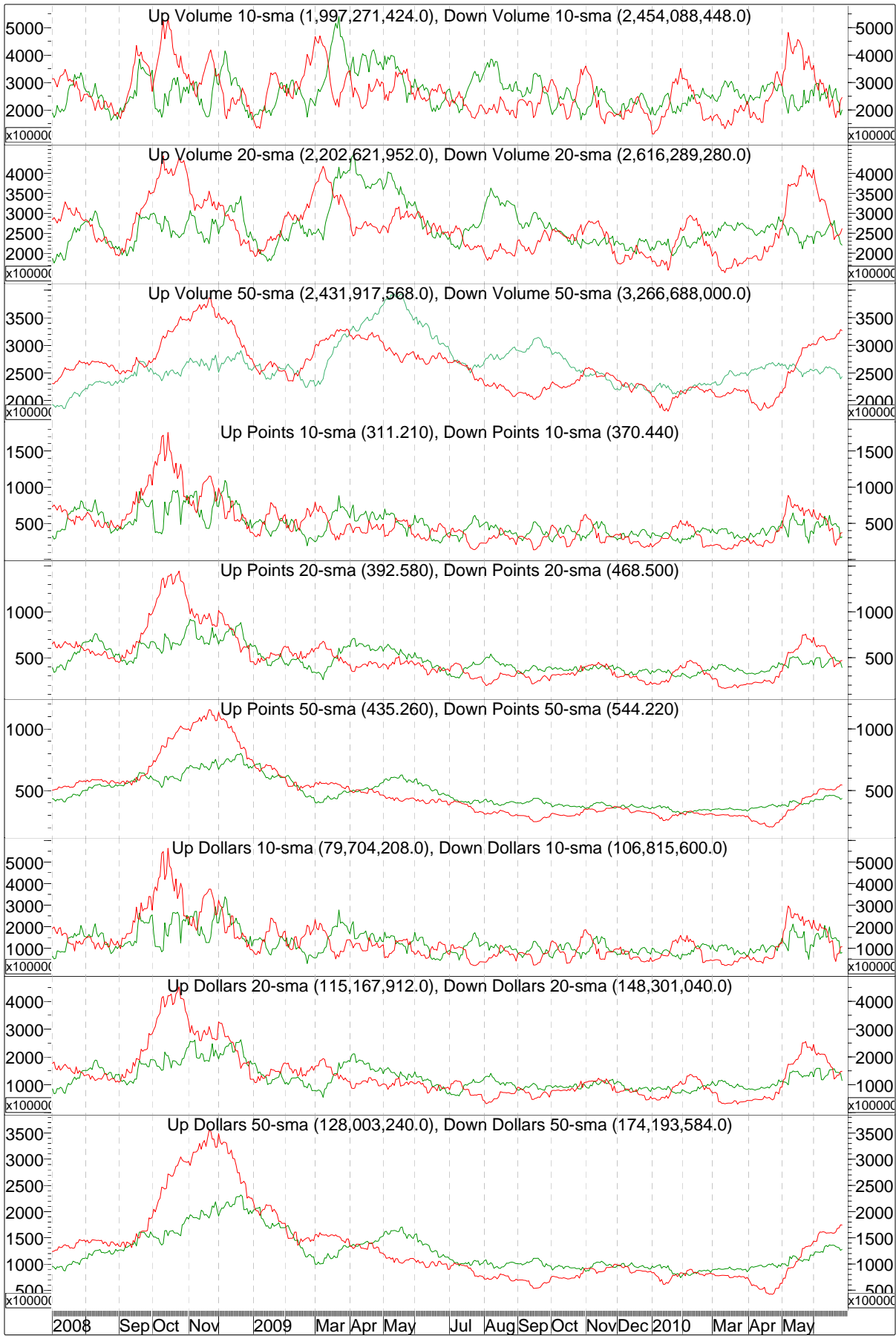
Our price oscillator, a good indicator of trends, has fallen back into negative territory.

The Kaufman Report - Wayne S. Kaufman, CMT

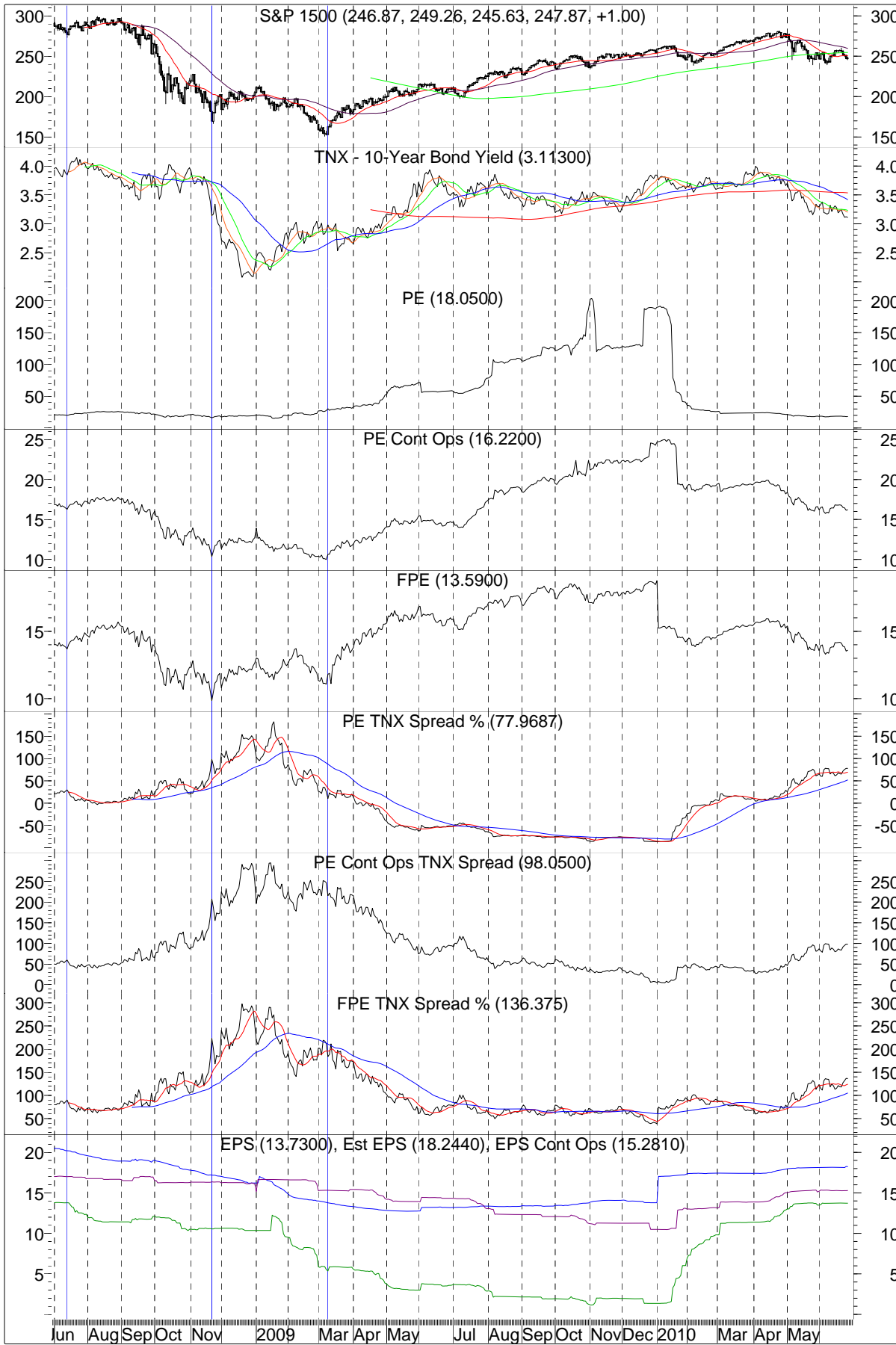


Options buyers are growing optimistic as our proprietary options indicator is up to 1.04. We prefer to see pessimism.

The Kaufman Report - Wayne S. Kaufman, CMT



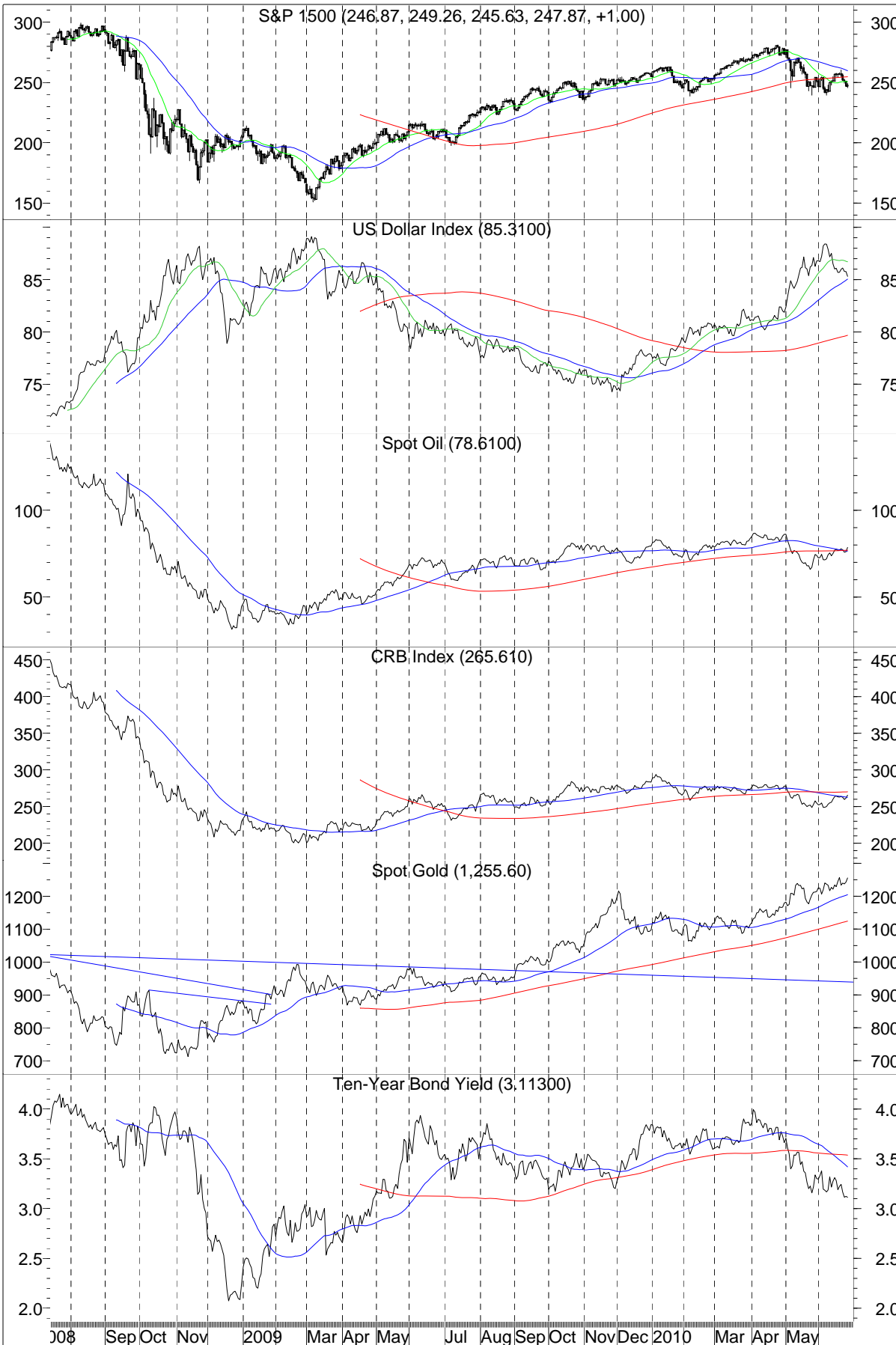
Our statistics of supply (red) versus demand (green) show a negative picture at this time. The low volume levels allow exaggerated moves depending on whether buyers or sellers become motivated. Hopefully the coming earnings season will motivate buyers. If not the bears will remain in control.



P/E ratios remain at low levels compared to their recent ranges.

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

In spite of recent problems in Europe and the Gulf of Mexico estimated earnings (blue) have not moved lower.



The U.S. Dollar Index is at its 50-sma. Momentum is neutral on daily and weekly charts.

Crude oil has broken above both the 50 and 200-sma. There is price resistance at the 81 area.

We said last week that the breakout to new highs was accompanied by too much bullish sentiment for gold and we were skeptical of a big follow through. Gold pulled back Monday through Wednesday, but the long-term up trend is intact. There is still a lot of bullish sentiment.

10-year bond yields are at the lowest level since May 2009.