

Monday June 7, 2010

Closing prices of June 4, 2010

We have been saying that the recent lack of visibility for investors would probably continue until we got indications of second quarter earnings. Still, we hoped that the June 4th Payrolls Report would begin to create some clarity. Unfortunately, Friday morning's disappointing report piled bad news on to a market where futures were already gapping down from fears of further deterioration in the European sovereign debt situation. The net result was the second 90% panic-selling down day of the week, with Tuesday's 90% up day sandwiched between the Monday and Friday selloffs.

We have now seen four 90% days in the last six sessions, two up and two down. In the 28 sessions since April 27th, there have been an incredible thirteen 90% days, with one near-miss. Ten of these have been panic-selling down days, three have been up days, and the near-miss was also an up day. This schizophrenic action can't be reassuring to longer-term investors. On the other hand, it does create short-term trading opportunities for the not faint of heart.

We have been stressing that this is a low visibility environment where short-term traders should buy oversold conditions and sell overbought. However, the amount of time equities have remained at oversold levels is disconcerting, and along with breadth deterioration calls into question any bull market thesis. Many foreign indexes have already entered or are flirting with bear market territory. As we have stressed many times in the past, markets that do not respond to oversold conditions are dangerous.

Unfortunately the lack of visibility is going to continue until we get indications of how second quarter earnings and forecasts will come in. The issues concerning investors remain the same. The sovereign debt issue in Europe and the freezing up of the financial system is still front and center. A slowdown in Europe as austerity measures are implemented can't help the global economy. The oil well leak in the Gulf of Mexico is becoming a disaster of biblical proportions. A possible slowdown in China as the government reigns in the economy is a source of concern. How earnings will be affected by the suddenly overwhelmingly popular U.S. Dollar is an important question.

We have been saying investors need to be defensive as this plays out and we are back to our strategy of the last months of the prior bear market, which means a short-term trading focus.

Since May 3rd we have been advising caution and we repeat that at this time. Until proven otherwise, this is once again 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, 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.

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The Kaufman Report

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

P/E: 15.98 FP/E: 13.50 Percent over 10-sma: 14.67%. Percent over 50-sma: 9.73%

13-Week Closing Highs: 2. 13-Week Closing Lows: 488 (489 on 5/20, most since 649 on 3/9/09). 52-week closing highs: 1. 52-week closing lows: 36.

Kaufman Options Indicator: 0.94 (highest since 0.95 on 5/5). Put/Call Ratio: 0.967.

New High Reversals: 5. New Low Reversals: 1.

Volume: +29.5% versus yesterday. 106% of the 10-day average. 101% of the 30-day average.

Up Stocks: 1.27%. Up Volume: 0.88%. Up Points: 0.55%. Up Dollars: 0.0%, 0% of 10-sma. Dn Dollars 437 % 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 a 90.0% probability of no change to the current 0.25% target rate and a 10.0% probability of a decrease to 0.00% when the FOMC meets on 6/23. For the meeting of 8/10 the probabilities are 85.5% for no change, 5.1% for an increase to 0.50, and 9.4% 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
Dow Jones Industrials	9931.22	-3.16%	-2.03%	-3.19%	-2.03%	-8.52%	-4.76%	11258.01	2010-04-26	8087.19	2009-07-08
Nasdaq 100	1832.04	-3.36%	-1.10%	-1.65%	-1.10%	-6.45%	-1.52%	2059.42	2010-04-26	1394.87	2009-07-08
S&P 500	1064.88	-3.44%	-2.25%	-3.46%	-2.25%	-8.94%	-4.50%	1219.80	2010-04-26	869.32	2009-07-08
S&P 1500	245.09	-3.55%	-2.41%	-3.62%	-2.41%	-8.65%	-3.81%	281.21	2010-04-26	197.66	2009-07-08
Nasdaq Composite	2219.17	-3.64%	-1.68%	-2.57%	-1.68%	-7.46%	-2.20%	2535.28	2010-04-26	1727.05	2009-07-08
NYSE Composite	6600.28	-3.79%	-2.82%	-4.25%	-2.82%	-11.38%	-8.14%	7743.74	2010-04-15	5552.82	2009-07-08
S&P Midcap 400	736.28	-4.10%	-3.47%	-4.56%	-3.47%	-6.79%	1.32%	852.90	2010-04-26	539.04	2009-07-08
Bank of New York Mellon ADR	112.89	-4.09%	-2.97%	-4.71%	-2.97%	-16.79%	-17.21%	142.19	2010-01-11	104.08	2009-07-08
S&P Smallcap 600	339.53	-4.81%	-3.90%	-5.19%	-3.90%	-5.76%	2.07%	396.63	2010-04-26	252.11	2009-07-08

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Telecom Services	101.56	-2.25%	-0.86%	-1.77%	-0.86%	-6.09%	-11.41%	117.00	2010-01-05	96.72	2009-07-10
Consumer Staples	267.51	-2.57%	-1.00%	-1.42%	-1.00%	-7.16%	-2.48%	290.45	2010-03-23	233.43	2009-06-16
Utilities	141.74	-2.96%	-2.19%	-2.22%	-2.19%	-5.95%	-10.29%	161.50	2009-12-14	134.14	2009-06-08
Health Care	328.79	-2.98%	-1.29%	-1.91%	-1.29%	-11.78%	-9.23%	384.95	2010-01-20	287.62	2009-06-15
Information Technology	348.78	-3.16%	-0.86%	-1.70%	-0.86%	-7.46%	-5.92%	397.46	2010-04-26	271.20	2009-07-08
Energy	386.22	-3.45%	-2.55%	-4.49%	-2.55%	-10.25%	-10.17%	464.76	2010-04-26	342.19	2009-07-13
Consumer Discretionary	247.90	-3.78%	-2.66%	-3.98%	-2.66%	-4.17%	5.46%	284.57	2010-04-26	170.94	2009-07-08
Materials	175.96	-3.93%	-5.21%	-6.82%	-5.21%	-14.01%	-11.94%	213.87	2010-04-26	142.89	2009-07-08
Financials	190.30	-3.96%	-3.60%	-5.67%	-3.60%	-11.39%	-1.80%	230.45	2010-04-15	145.74	2009-07-08
Industrials	246.83	-4.58%	-3.76%	-5.19%	-3.76%	-9.67%	1.58%	292.21	2010-04-30	176.94	2009-07-08

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Household & Personal Products	355.03	-1.86%	-0.79%	-0.97%	-0.79%	-6.01%	-1.59%	383.05	2010-03-23	296.00	2009-06-16
Telecom Services	101.56	-2.25%	-0.86%	-1.77%	-0.86%	-6.09%	-11.41%	117.00	2010-01-05	96.72	2009-07-10
Food, Beverage & Tobacco	299.05	-2.63%	-0.66%	-1.27%	-0.66%	-6.75%	-2.42%	324.19	2010-03-23	259.42	2009-06-16
Software & Services	443.43	-2.81%	-0.08%	-1.01%	-0.08%	-9.84%	-10.71%	512.69	2010-04-15	363.54	2009-07-08
Health Care Equip & Services	326.88	-2.86%	-0.75%	-1.34%	-0.75%	-10.68%	-5.86%	371.77	2010-01-20	260.11	2009-06-16
Utilities	141.74	-2.96%	-2.19%	-2.22%	-2.19%	-5.95%	-10.29%	161.50	2009-12-14	134.14	2009-06-08
Pharmaceuticals, Biotech & Life Scier	302.68	-3.04%	-1.57%	-2.21%	-1.57%	-12.34%	-10.91%	359.71	2010-01-20	277.03	2009-06-15
Consumer Services	400.29	-3.05%	-1.31%	-2.23%	-1.31%	-1.28%	8.04%	446.11	2010-04-26	300.73	2009-07-08
Food & Staples Retailing	176.49	-3.14%	-1.97%	-2.23%	-1.97%	-9.20%	-3.59%	196.37	2010-03-30	159.75	2009-07-13
Technology Hardware & Equipment	381.42	-3.24%	-1.33%	-1.86%	-1.33%	-5.64%	-2.08%	431.10	2010-04-26	284.30	2009-07-08
Energy	386.22	-3.45%	-2.55%	-4.49%	-2.55%	-10.25%	-10.17%	464.76	2010-04-26	342.19	2009-07-13
Diversified Financials	303.16	-3.50%	-3.41%	-5.32%	-3.41%	-12.99%	-5.72%	382.07	2010-04-15	248.57	2009-07-08
Media	171.19	-3.58%	-1.56%	-3.14%	-1.56%	-3.36%	4.65%	192.83	2010-05-03	113.55	2009-07-13
Materials	175.96	-3.93%	-5.21%	-6.82%	-5.21%	-14.01%	-11.94%	213.87	2010-04-26	142.89	2009-07-08
Retailing	426.94	-3.96%	-3.72%	-4.83%	-3.72%	-5.08%	3.85%	499.94	2010-04-26	303.74	2009-07-07
Banks	135.56	-4.01%	-4.00%	-6.27%	-4.00%	-8.84%	8.15%	165.92	2010-04-21	97.99	2009-07-08
Semiconductors & Equipment	300.15	-4.14%	-2.11%	-3.62%	-2.11%	-6.10%	-3.90%	348.04	2010-04-15	229.17	2009-07-08
Insurance	161.45	-4.23%	-2.89%	-5.25%	-2.89%	-12.25%	-2.03%	189.97	2010-04-26	117.98	2009-07-08
Commercial & Professional Services	125.04	-4.24%	-3.61%	-4.21%	-3.61%	-9.41%	-6.55%	144.95	2010-04-26	107.96	2009-07-08
Consumer Durables & Apparel	140.62	-4.46%	-4.09%	-5.45%	-4.09%	-4.01%	7.26%	164.51	2010-04-26	90.81	2009-07-08
Capital Goods	265.78	-4.54%	-3.75%	-5.39%	-3.75%	-10.54%	1.77%	318.38	2010-04-30	188.39	2009-07-08
Automobiles & Components	84.17	-4.63%	-3.23%	-5.52%	-3.23%	-10.41%	8.27%	107.25	2010-04-26	46.62	2009-07-08
Transportation	265.42	-4.84%	-3.87%	-4.68%	-3.87%	-6.06%	4.13%	304.63	2010-05-03	184.76	2009-07-08
Real Estate	97.77	-5.72%	-5.70%	-7.40%	-5.70%	-5.12%	3.81%	114.48	2010-05-03	57.87	2009-07-10

INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Malaysia EWM	11.07	-1.86%	-1.17%	-0.18%	-5.22%	4.24%	12.17	2010-04-30	8.44	2009-07-10
Japan EWJ	9.33	-1.87%	-3.58%	-1.89%	-10.63%	-4.21%	10.71	2010-04-15	9.10	2009-07-13
Chile ECH	54.52	-1.91%	-0.92%	-1.61%	-0.76%	-0.49%	60.94	2010-01-19	27.27	2010-05-06
Thailand THD	44.97	-2.26%	0.23%	2.11%	-6.16%	5.84%	49.98	2010-04-06	30.69	2009-06-23
India IFN	28.67	-2.28%	0.52%	0.10%	-9.10%	-6.61%	33.08	2010-04-14	25.17	2009-08-19
China 25 FXI	38.37	-2.40%	-3.47%	-2.58%	-8.87%	-9.22%	46.66	2009-11-16	35.33	2009-06-23
Hong Kong EWH	14.50	-2.49%	-2.98%	-1.89%	-10.99%	-7.41%	16.89	2010-04-14	12.92	2009-06-23
Singapore EWS	10.88	-2.51%	-2.45%	-1.18%	-5.39%	-5.31%	12.36	2010-04-14	8.54	2009-06-23
South Korea EWY	44.33	-2.53%	-1.09%	0.75%	-11.34%	-6.95%	53.15	2010-04-26	31.67	2009-06-23
Mexico EWW	47.85	-2.68%	-4.66%	-2.13%	-10.34%	-2.09%	61.60	2010-05-06	34.04	2009-07-10
Taiwan EWT	11.09	-2.72%	-3.79%	-2.38%	-11.63%	-14.49%	13.46	2010-01-06	9.51	2009-06-18
Israel EIS	48.13	-3.02%	-5.44%	-4.60%	-18.23%	-11.53%	60.68	2010-03-26	39.40	2009-07-08
Latin America ILF	42.14	-3.28%	-3.27%	-1.57%	-12.70%	-11.82%	50.25	2009-12-04	31.74	2009-07-10
BRIC EEB	37.35	-3.34%	-3.20%	-1.99%	-12.53%	-12.03%	44.90	2009-12-04	23.23	2010-05-06
Indonesia IDX	66.35	-3.36%	-2.08%	-0.64%	-4.98%	6.72%	75.55	2010-05-03	39.10	2009-06-23
Vietnam VNM	23.80	-3.41%	-2.47%	-2.06%	-5.41%	-6.63%	32.15	2009-10-22	22.55	2010-05-21
Switzerland EWL	19.40	-3.43%	-2.25%	-0.92%	-16.02%	-12.85%	23.63	2010-04-15	17.00	2009-07-08
Brazil EWZ	61.94	-3.44%	-2.90%	-2.50%	-15.89%	-16.99%	80.93	2009-12-03	48.03	2009-07-08
Emerging Markets EEM	37.20	-3.55%	-4.04%	-2.36%	-11.69%	-10.36%	46.66	2010-04-09	30.11	2009-06-23
Canada EWC	25.70	-3.64%	-2.64%	-1.80%	-7.92%	-2.39%	29.00	2010-04-15	19.55	2009-07-08
United Kingdom EWU	13.85	-3.89%	-4.16%	-2.26%	-14.87%	-14.51%	17.20	2009-11-16	12.34	2009-07-08
Germany EWG	18.51	-4.54%	-4.54%	-3.34%	-15.36%	-17.51%	23.40	2009-10-21	16.75	2009-07-08
Netherlands EWN	17.16	-4.83%	-4.99%	-2.78%	-15.88%	-16.13%	21.51	2009-10-15	14.50	2009-07-08
Turkey TUR	51.95	-4.94%	-5.67%	-3.80%	-9.35%	-3.62%	63.27	2010-04-14	33.41	2009-06-23
Belgium EWK	10.95	-4.95%	-5.15%	-2.75%	-15.90%	-14.18%	13.95	2009-10-19	8.93	2010-05-06
Sweden EWD	22.48	-5.08%	-3.11%	-1.53%	-11.46%	-4.34%	27.42	2010-04-26	16.88	2009-06-23
South Africa EZA	52.65	-5.14%	-8.62%	-6.47%	-12.87%	-5.93%	62.76	2010-04-05	23.00	2010-05-06
Australia EWA	19.08	-5.17%	-5.77%	-5.12%	-20.53%	-16.46%	25.14	2010-01-11	15.32	2009-07-08
Russia RSX	28.66	-5.38%	-4.45%	-3.27%	-16.56%	-8.11%	36.91	2010-04-14	17.65	2009-07-13
France EWQ	19.64	-5.94%	-6.66%	-4.47%	-21.63%	-24.02%	27.32	2010-01-11	19.21	2009-07-08
Italy EWI	13.37	-6.70%	-9.59%	-6.37%	-26.70%	-31.47%	21.77	2009-10-19	13.29	2010-06-04
Spain EWP	30.63	-6.83%	-9.56%	-8.78%	-27.49%	-36.24%	52.67	2009-11-25	30.45	2010-06-04
Austria EWO	15.27	-7.45%	-9.63%	-8.12%	-22.68%	-21.93%	23.59	2009-10-15	15.07	2009-06-23



The 30-minute chart of the S&P 500 shows it gapped down at the open and never looked back. It took out support at multiple levels with the next major support at the 1041 area, which is the low of 5/25.

Momentum indicators are at low or oversold levels, but the MACD has not turned up yet.

S&P 500 Cash (1,098.43, 1,098.43, 1,060.50, 1,064.88, -37.95)



The daily chart of the S&P 500 shows it made the lowest close of the current correction. There is huge resistance at the 1105-1106 area.

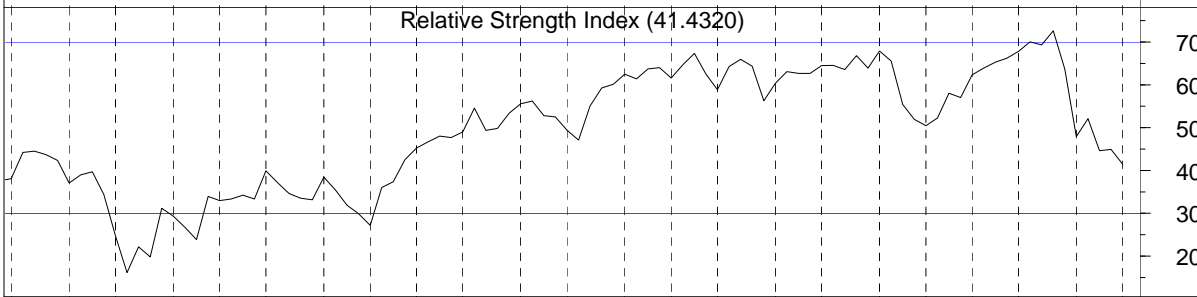
Daily momentum indicators don't look good, but there is a positive divergence on the RSI.

S&P 500 Cash (1,087.30, 1,105.67, 1,060.50, 1,064.88, -24.53)



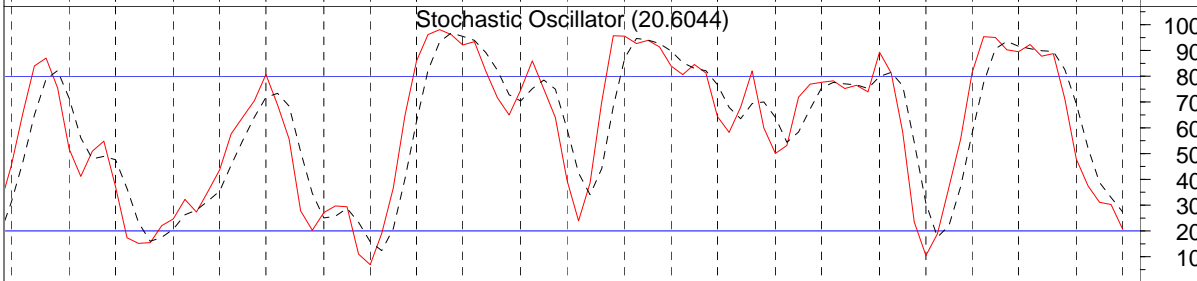
Another ugly candle on the S&P 500 weekly chart. This was the lowest weekly close since 10/30/09.

Relative Strength Index (41.4320)

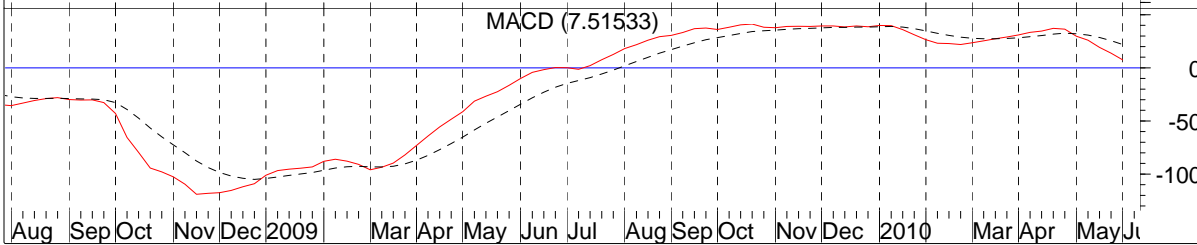


Weekly momentum indicators do not inspire much confidence at this time.

Stochastic Oscillator (20.6044)



MACD (7.51533)



NASDAQ 100 (1,846.60, 1,898.93, 1,824.71, 1,832.04, -20.35)



The weekly chart of the Nasdaq 100 shows a rally attempt was reversed. It is still above its May support levels on an intra-week and closing basis.

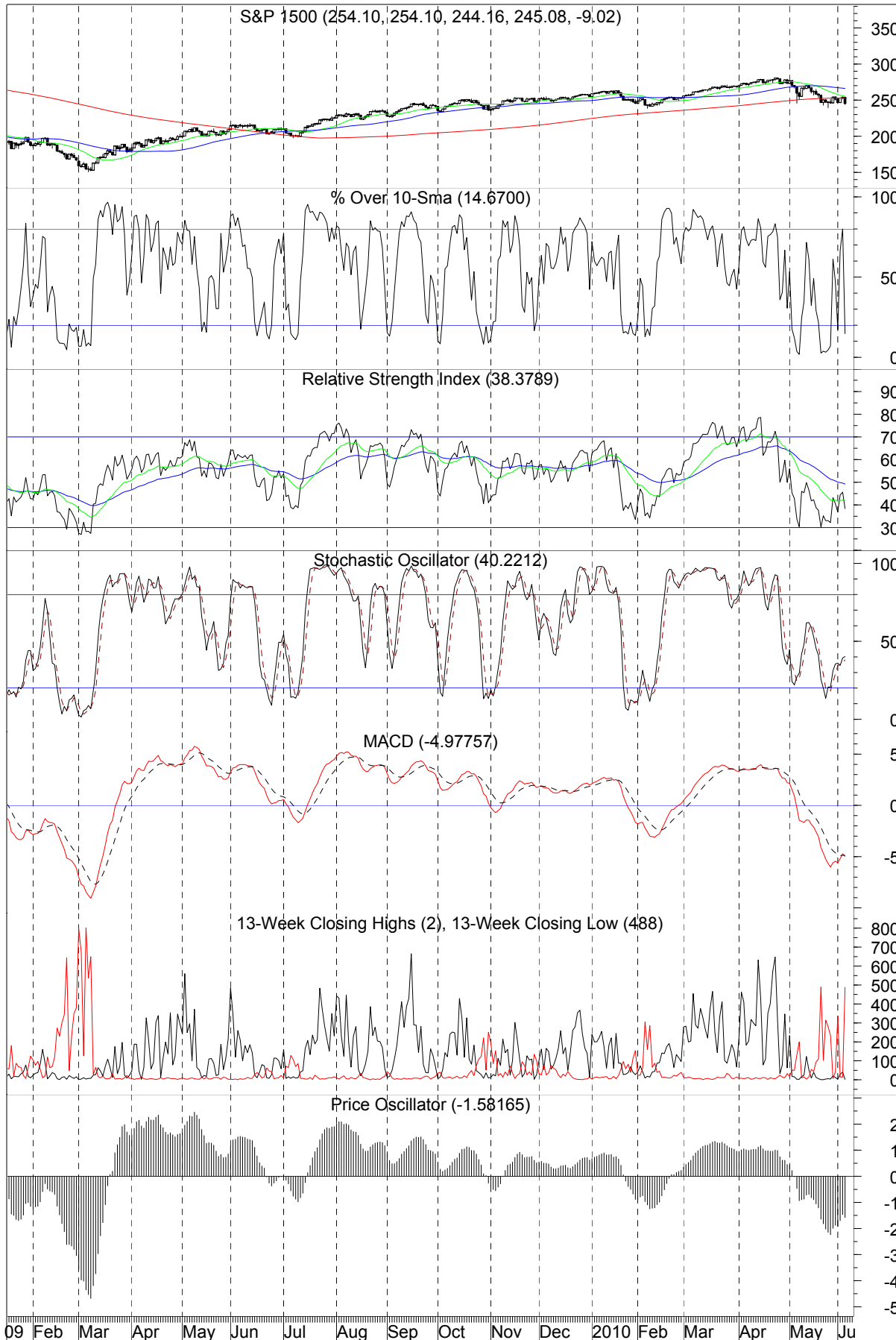
Weekly momentum indicators seem to be headed lower, although they are certainly not at high levels.

NASDAQ 100 (1,857.83, 1,879.31, 1,824.71, 1,832.04, -63.62)



The Nasdaq 100, which unlike the S&P 500 has been trading over its 200-sma, is again testing that support level.

Daily momentum indicators are neutral.

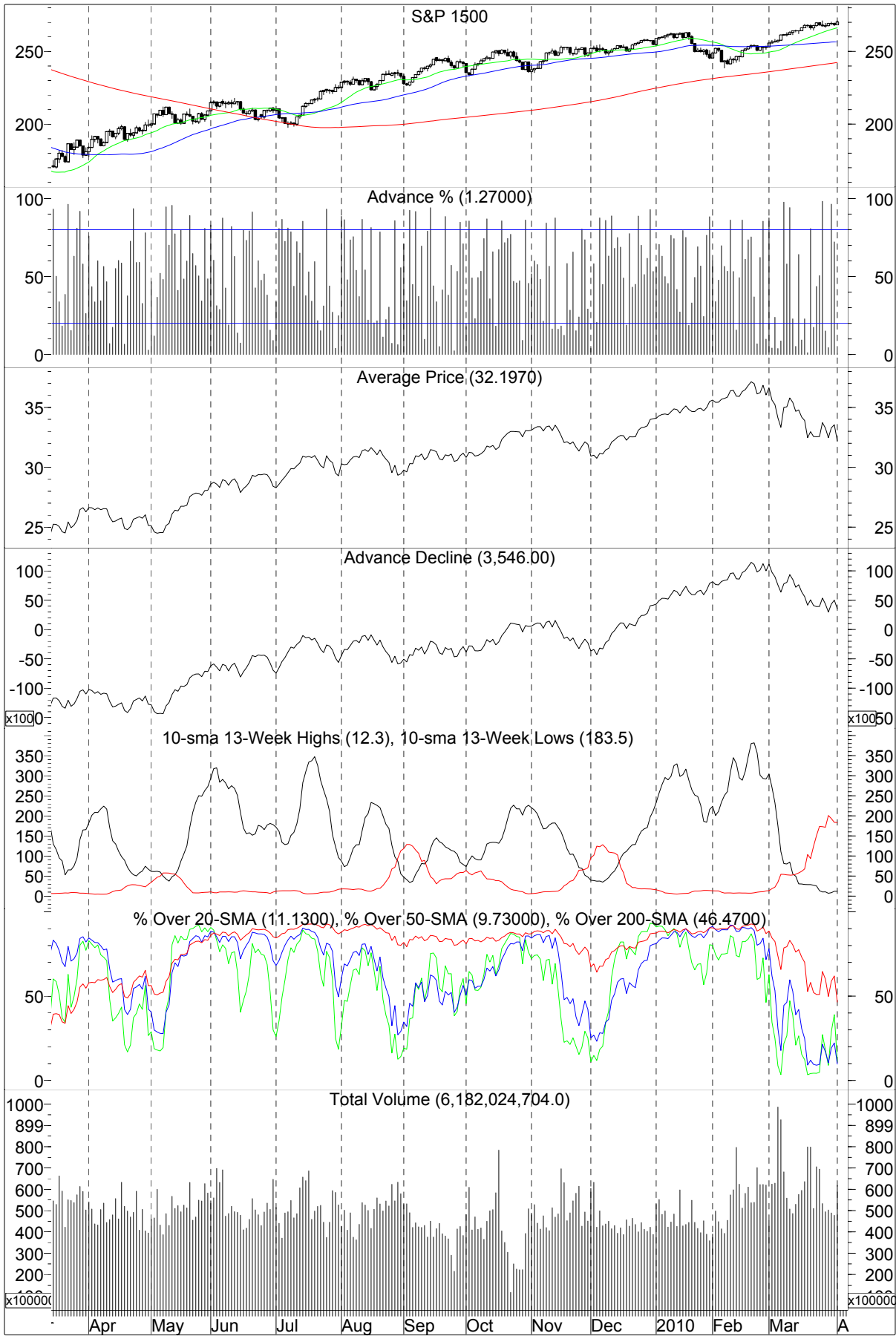


It only took one session for the percent over 10-sma of the S&P 1500 to go from Thursday's 80% overbought level to Friday's 14.67% oversold level.

The RSI is showing a positive divergence.

488 13-week closing lows on Friday is the most since 489 on 5/20.

Our price oscillator, a good indicator of trends, remains in negative territory.

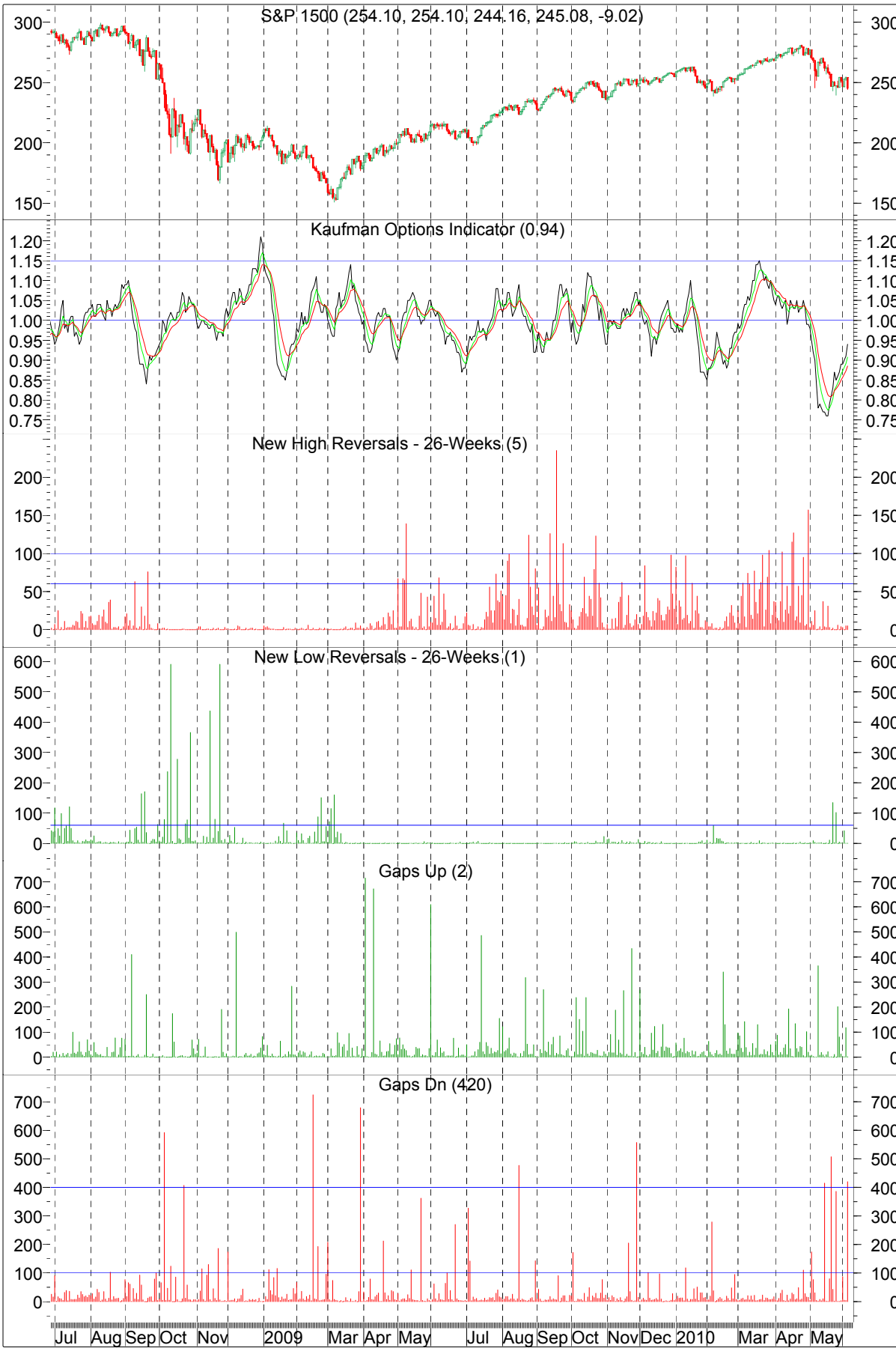


1.27% of stocks traded higher Friday.

The 10-sma of 13-week closing lows is the highest since March 2009.

These numbers are all at bear market levels except the percent over 200-sma. Even that one is now under 50%. At 25% there will be no doubting a new bear market.

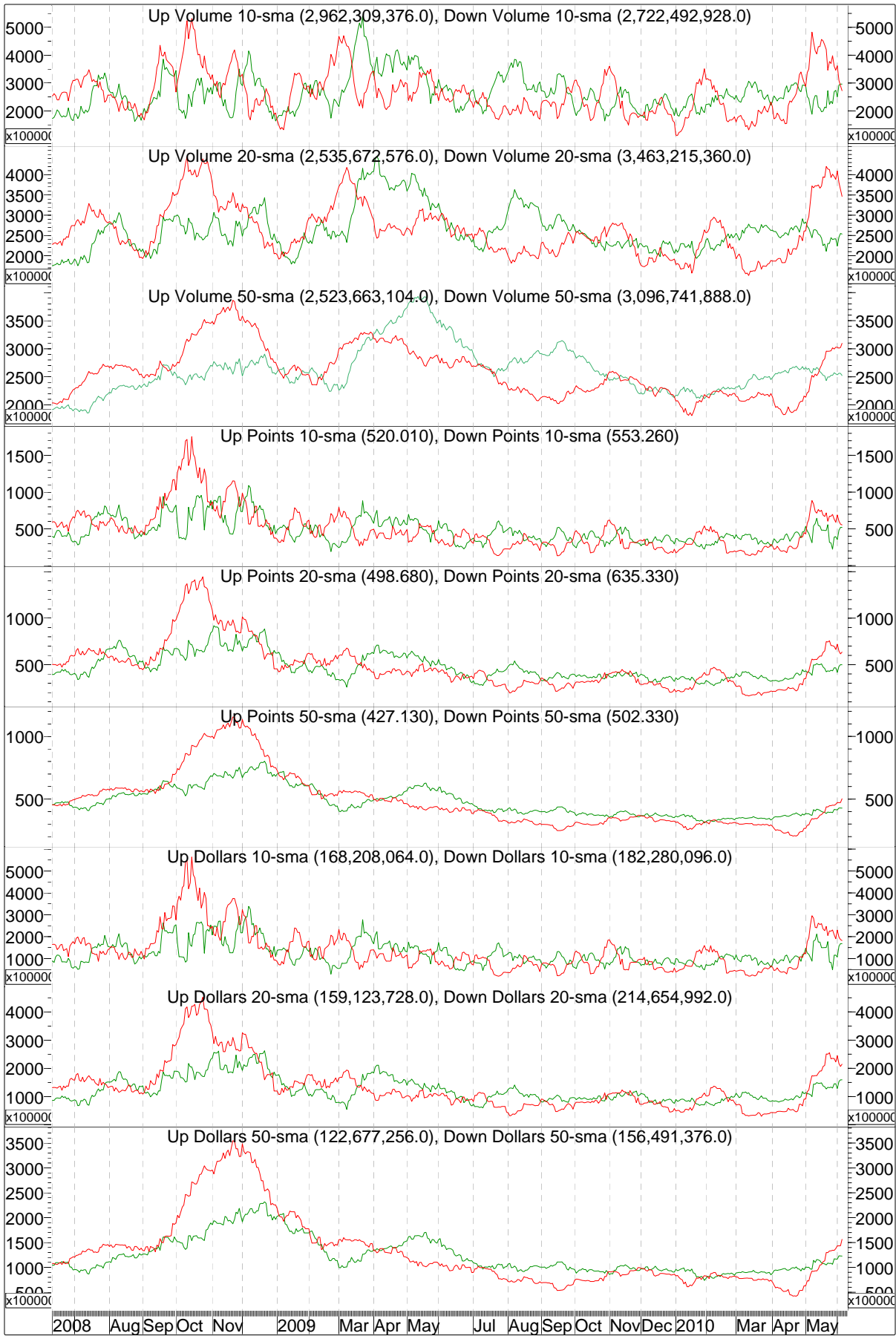
The Kaufman Report - Wayne S. Kaufman, CMT



Our proprietary options indicator has bounced from multi-year lows. It is still in negative territory showing pessimism.

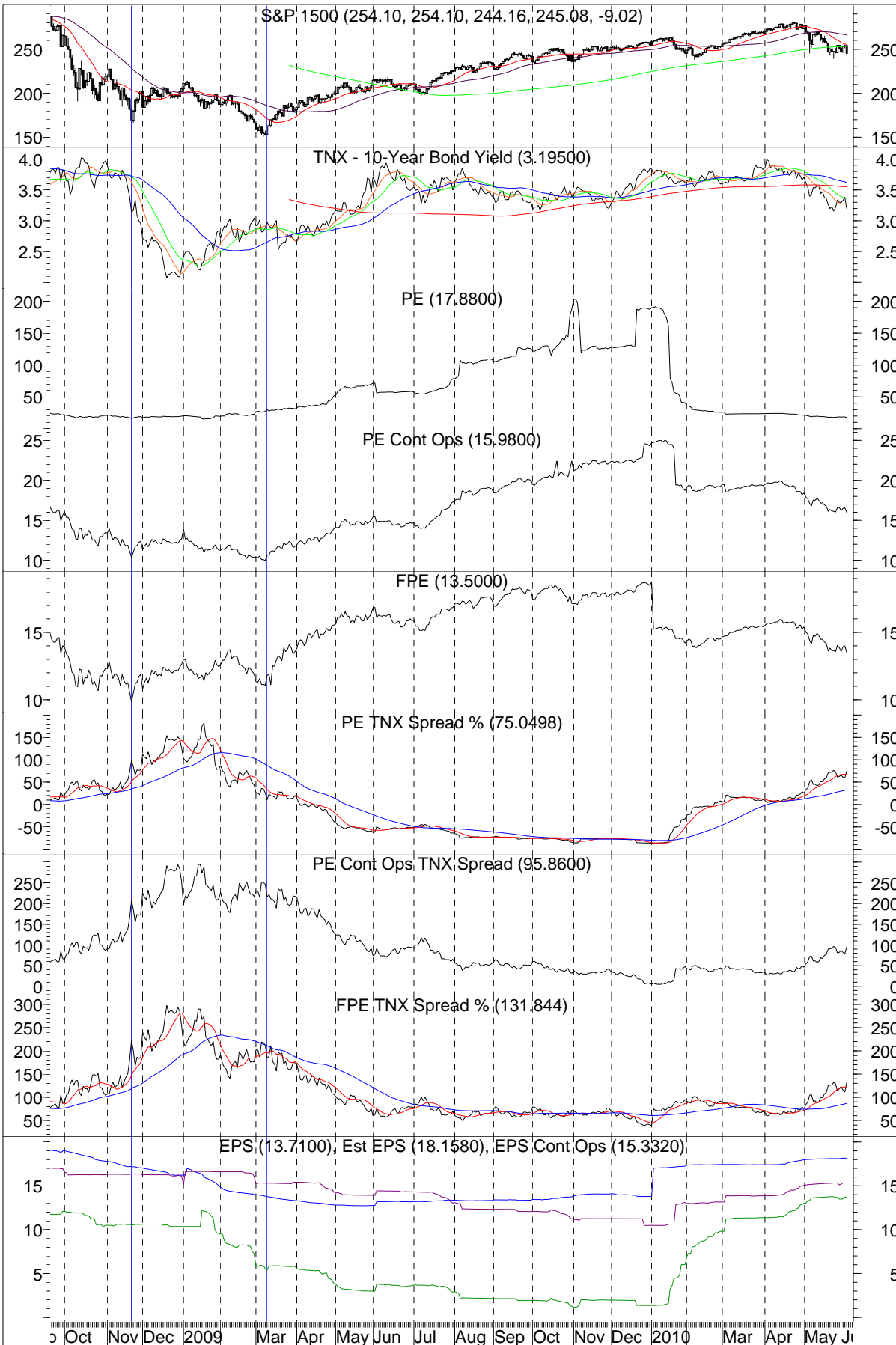
The cluster of days with huge amounts of stocks gapping down highlights the recent panic-selling mentality of investors.

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Our statistics of supply (red) versus demand (green) shows supply continues to overpower demand. Interestingly, demand statistics (green) show that buyers continue to be active.

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P/E ratios continue to move lower.

Spreads between bond yields and equity yields have widened dramatically and are at levels where stocks should be extremely attractive.

All of our earnings metrics continue their ascent, although no major changes will come until we enter Q2 earnings season in July.



The U.S. Dollar Index broke out to new highs Friday and is at the highest levels since March 2009. It is overbought on daily and weekly charts but seems to have enough momentum to still go higher.

Crude oil traded lower on the week and is below all important moving averages. There is resistance from 75 on up.

Last week we said gold sentiment had turned bearish and a continued rally was likely. In spite of strength in the U.S. Dollar gold closed up slightly on the week. Sentiment remains bearish, gold is not overbought on daily or weekly charts, and a continued rally still seems likely.