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The Kaufman Report

Trade what you see, not what you think.

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Thursday May 1, 2008 **Closing prices of April 30, 2008**

The FOMC did as expected Wednesday, cutting the Fed Funds Rate another 25 basis points to 2.00%. Stocks rallied initially but the S&P 1500 closed lower for the third straight day as the index ran into resistance at the long-term down trend line from the October high. Volume was above average.

Stocks, based on the S&P 1500, broke a five-month losing streak and finished April up 4.947%. Unfortunately, May is the beginning of the worst six-month period of the year, and the negatives we outlined on Sunday have not gone away.

The Advance Decline line did not confirm the recent breakout in the indexes. Most major indexes are still below their downward sloping 200-day moving averages. There are negative divergences on some breadth indicators. Our proprietary options indicator is showing way too much bullishness on the part of options buyers. Volume has been low during the recent rally. Current and forecast earnings continue their relentless march downward. Therefore, while the upward momentum is still intact and seasonality (for a short time) is still positive, we are prepared for a pull back at any time.

Federal Funds futures are pricing in a 98% probability that the Fed will *leave rates at 2.00%,* and a 2% probability of *cutting another 25 basis points to 1.75* when they meet again on June 25th.

So far 340 companies have reported first quarter earnings. According to Bloomberg 61.2 % have had positive surprises, 11.2% have been in line, and 27.6% have been negative. The year-over-year average change has been -17.9% on a share-weighted basis, -3.2 % market cap-weighted, and -13.2% non-weighted.

The S&P 1500 (313.75) was down 0.362% Wednesday. Average price per share was down 0.43%. Volume was 111% of its 10-day average and 109% of its 30-day average. 38.78% of the S&P 1500 stocks were up on the day. Up Dollars was 38% of its 10-day moving average and Down Dollars was 148% of its 10-day moving average.

Options expire May 16th. The FOMC meets June 25th.

IMPORTANT DISCLOSURES

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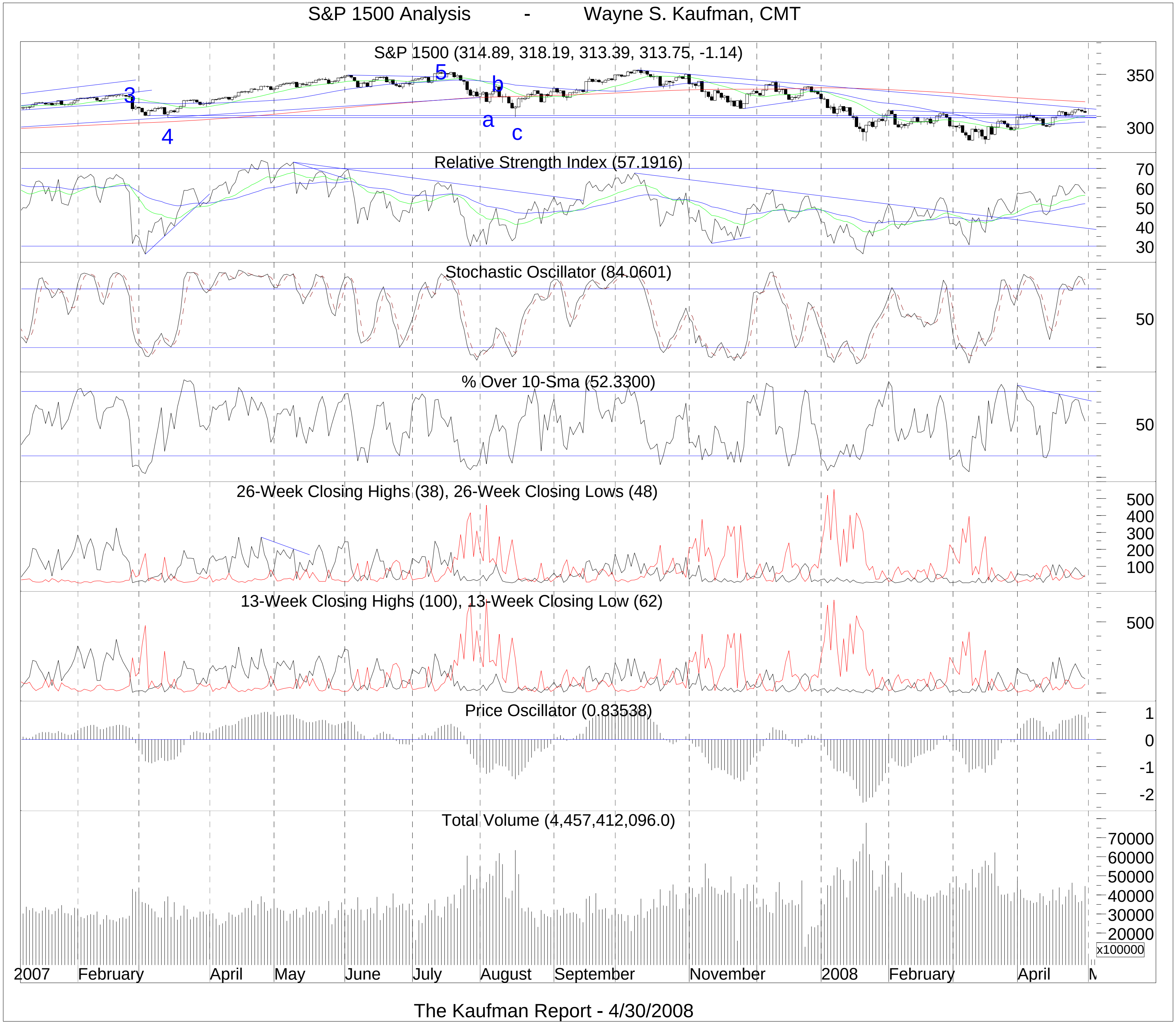


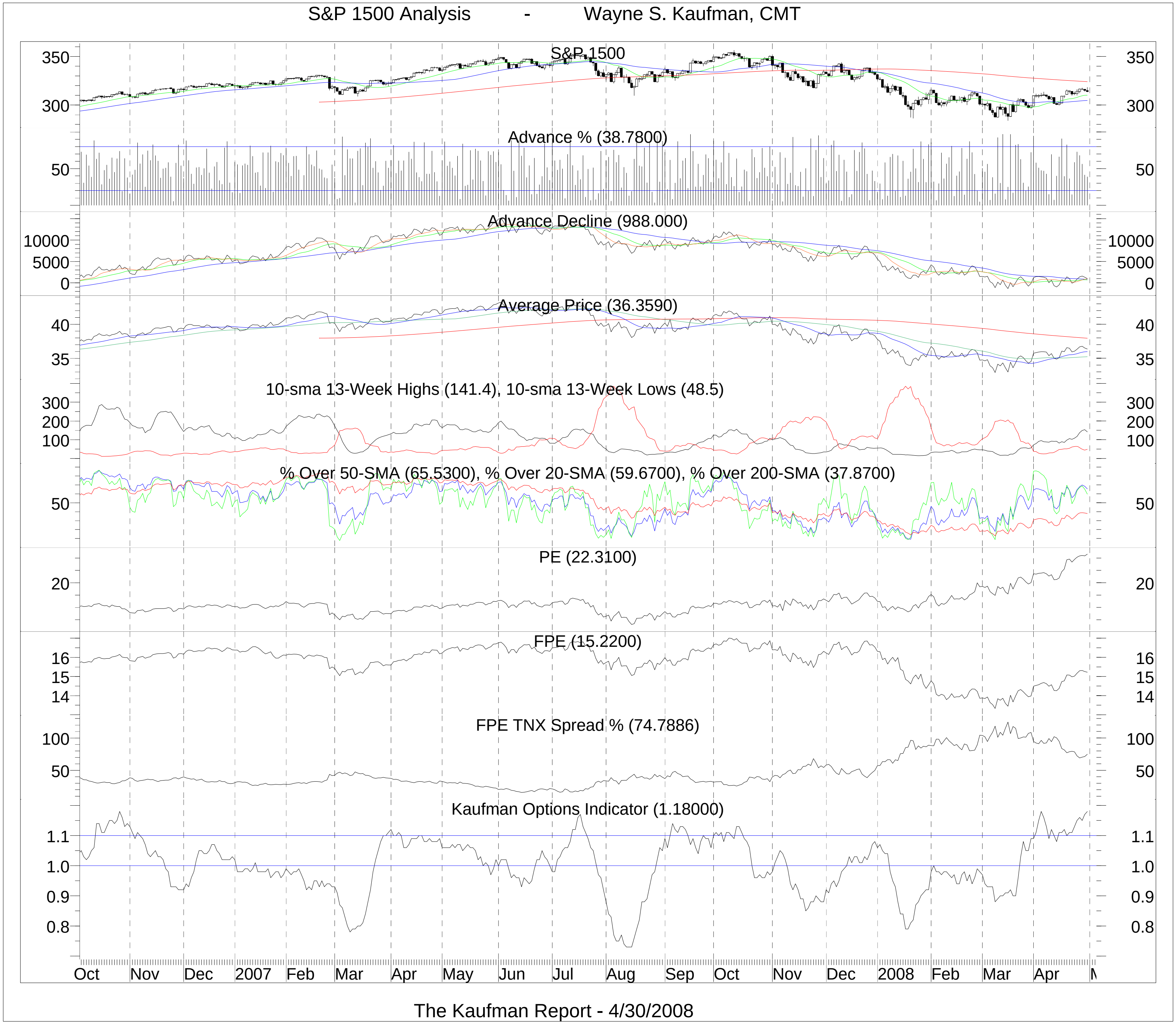
The S&P 1500 ran into resistance at the long-term down trend line.

There is a negative divergence on the percent over 10-sma.

Volume was increasing and above average on Wednesday's sell off.

S&P 1500 Analysis - Wayne S. Kaufman, CMT

The S&P 1500 was repelled by the long-term down trend line.



The P/E ratio continues moving higher.

Our proprietary options indicator is showing way too much bullishness. It is at an extreme level where it will be hard for stocks to make much progress in the near-term, and are vulnerable to a pull back.