John Thomas Financial
14 Wall Street, 5th Floor
New York, New York 10005
wskaufman@johnthomasbd.com
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

Thursday May 22, 2008 **Closing prices of May 21, 2008**

Spiking oil prices and the minutes of the last Fed meeting were the culprits behind a broad sell off on expanding volume Wednesday that had all ten of the S&P sectors in the red.

We have been advising caution due to resistance in the form of the 200-day moving averages on major indexes and the bearish rising wedge pattern which had formed on the S&P 1500.

On Wednesday the wedge pattern finally was resolved with a downside break, which accelerated in the afternoon and caused the index to close below its 20-day moving average for the first time since April 14th.

On intra-day charts the index is oversold at possible price support. On the daily chart it is not yet oversold. Therefore, a bounce is possible, but further downside is probable. That downside could find a stopping point at the 310 – 311 area (1370 area S&P 500) which is the 38.2% Fibonacci retracement of the rally from the March low to the May 19th high, and will be in the area of the 50-day moving average. The 50% retracement is the 306 area (1348 area S&P 500).

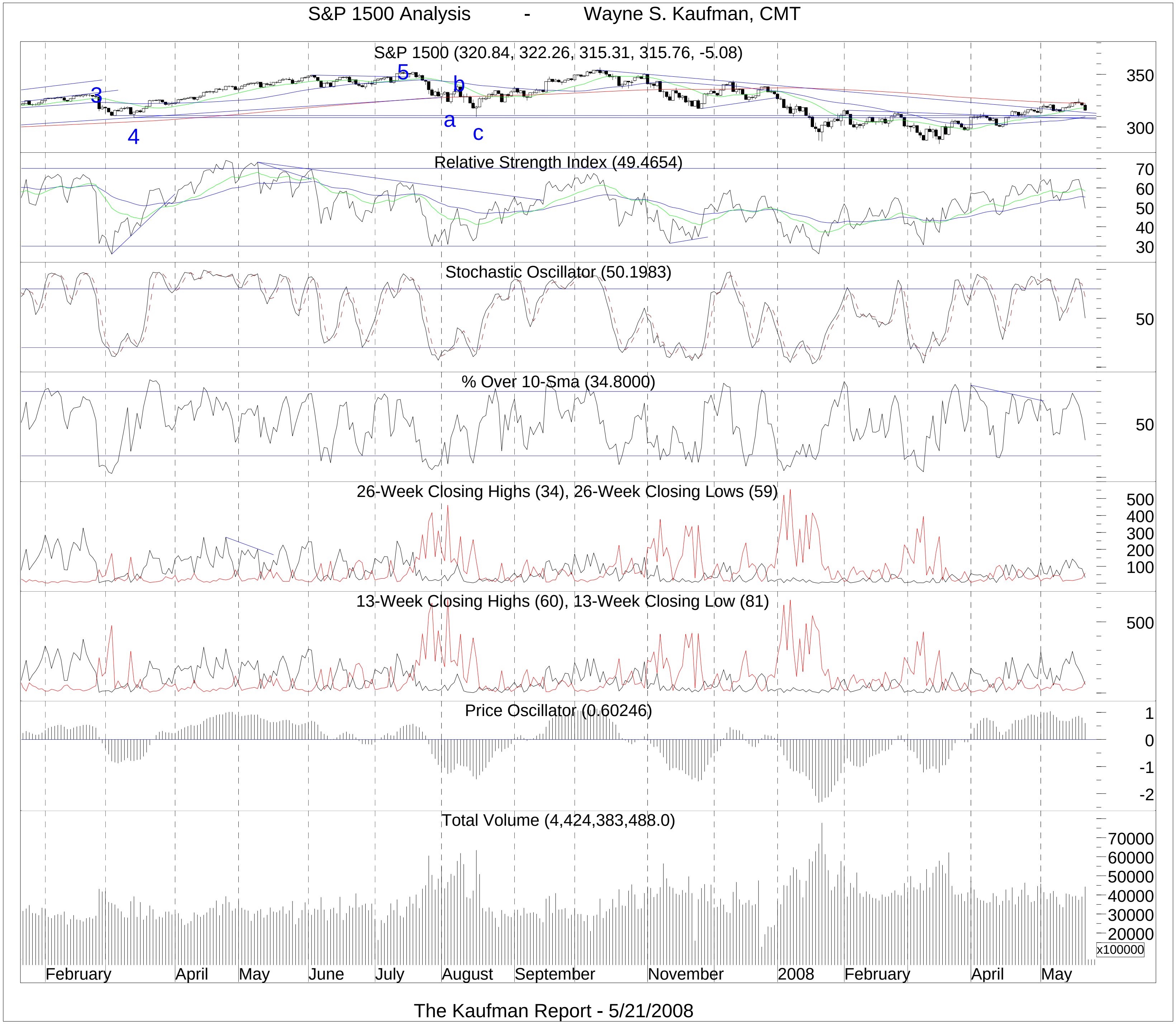
Until it is proven that the market can resume its recent short and intermediate-term uptrend with broad participation, we are back to calling this a bifurcated, opportunistic trader's market, with adept traders able to take advantage long or short.

Federal Funds futures are pricing in an 88% probability that the Fed will *leave rates at 2.00%,* and a 12% probability of *cutting another 25 basis points to 1.75* when they meet again on June 25th.

The S&P 1500 (315.76) was down 1.58% Wednesday. Average price per share was down 1.58%. Volume was 114% of its 10-day average and 112% of its 30-day average. 18.36% of the S&P 1500 stocks were up on the day. Up Dollars was 4% of its 10-day moving average and Down Dollars was 373% of its 10-day moving average.

Options expire June 20th. The FOMC meets June 25th.

IMPORTANT DISCLOSURES



The S&P 1500 broke down out of the bearish rising wedge and fell below the 20-sma (green) for the first time since April 14th.

Our oscillators are not yet oversold.

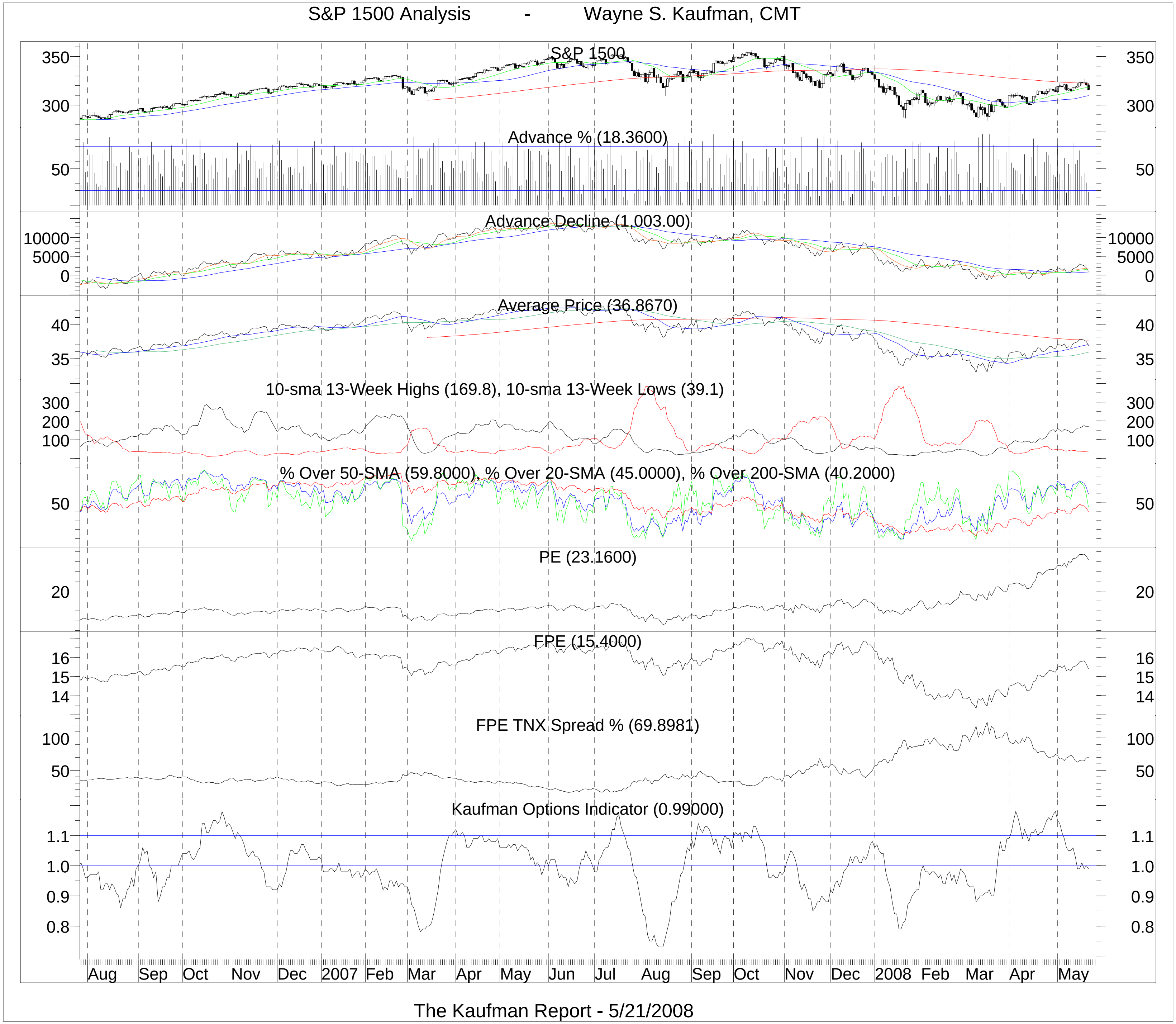
Our price oscillator is still positive.

Volume expanded during Wednesday's sell off.

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

The Kaufman Report - 5/21/2008

After hitting resistance at the top line of the rising bearish wedge the S&P 1500 broke through the support line of the wedge. Their is possible price support at Wednesday's low, and intra-day charts are oversold. Daily charts are not yet oversold, so a possible support level is the 38.2% Fibonacci retracement level a the 310-311 area, which is also near the 50-sma. The 50% level is at 306.



18.36% of the S&P 1500 traded lower Wednesday.

Our options indicator is neutral.