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The Kaufman Report

Trade what you see, not what you think.

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Closing prices of May 8, 2008

The S&P 1500 was up slightly Thursday following Wednesday's broad sell off. In spite of stocks trading higher it still was a day with a lower high and a lower low. We have been concerned about too much bullishness on the part of options buyers, and with options expiration next week we are expecting a pickup in volatility.

Federal Funds futures are pricing in an 82% probability that the Fed will leave rates at 2.00%, and a 18% probability of cutting another 25 basis points to 1.75 when they meet again on June 25th.

So far 446 companies have reported first quarter earnings. According to Bloomberg 61.2 % have had positive surprises, 10.5% have been in line, and 28.3% have been negative. The year-over-year average change has been -16.8% on a share-weighted basis, -0.9% market cap-weighted, and -11.6% non-weighted.

The S&P 1500 (316.62) was up 0.396% Thursday. Average price per share was up 0.38%. Volume was 96% of its 10-day average and 98% of its 30-day average. 56.0% of the S&P 1500 stocks were up on the day. Up Dollars was 105% of its 10-day moving average and Down Dollars was 47% of its 10-day moving average.

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

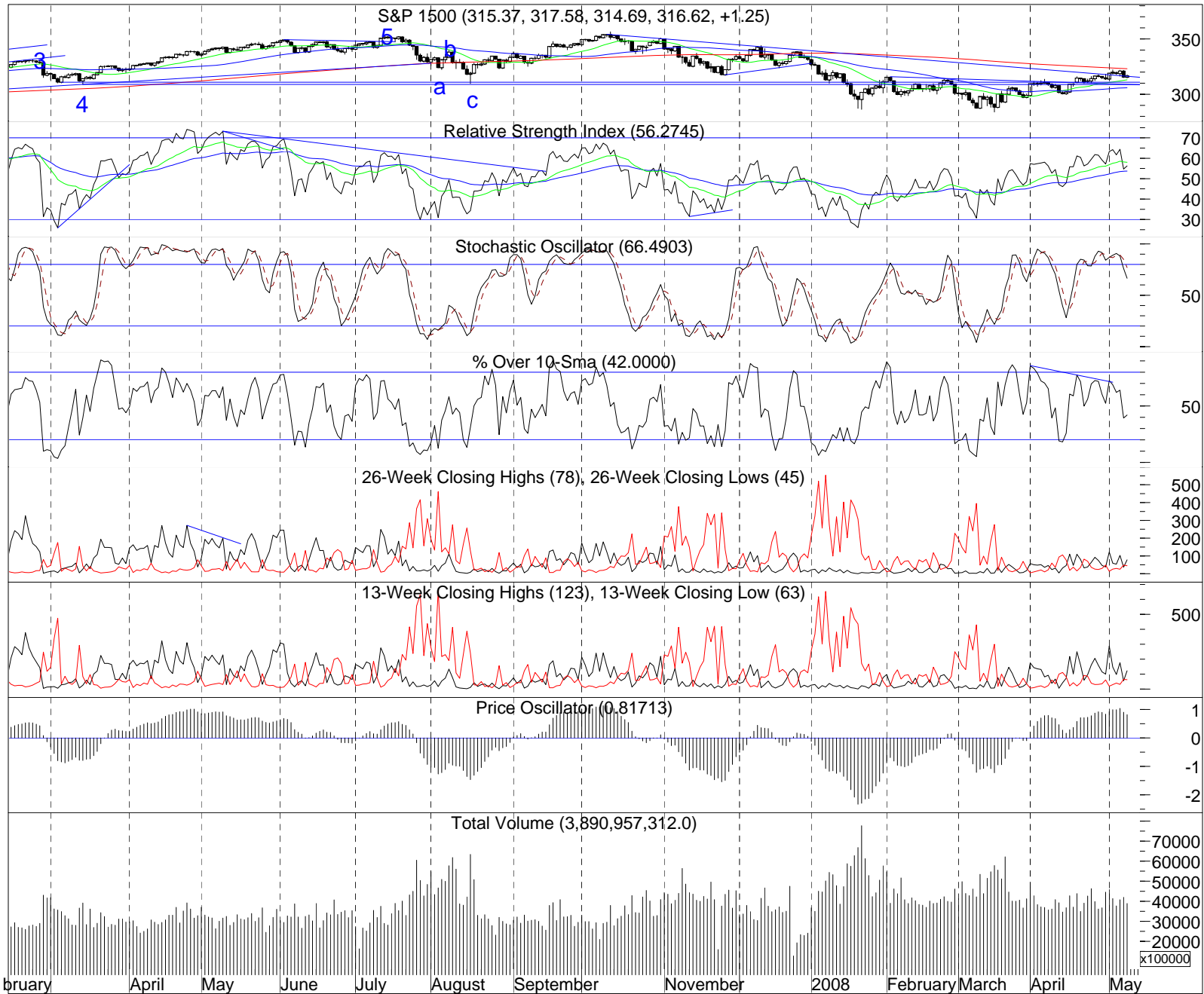
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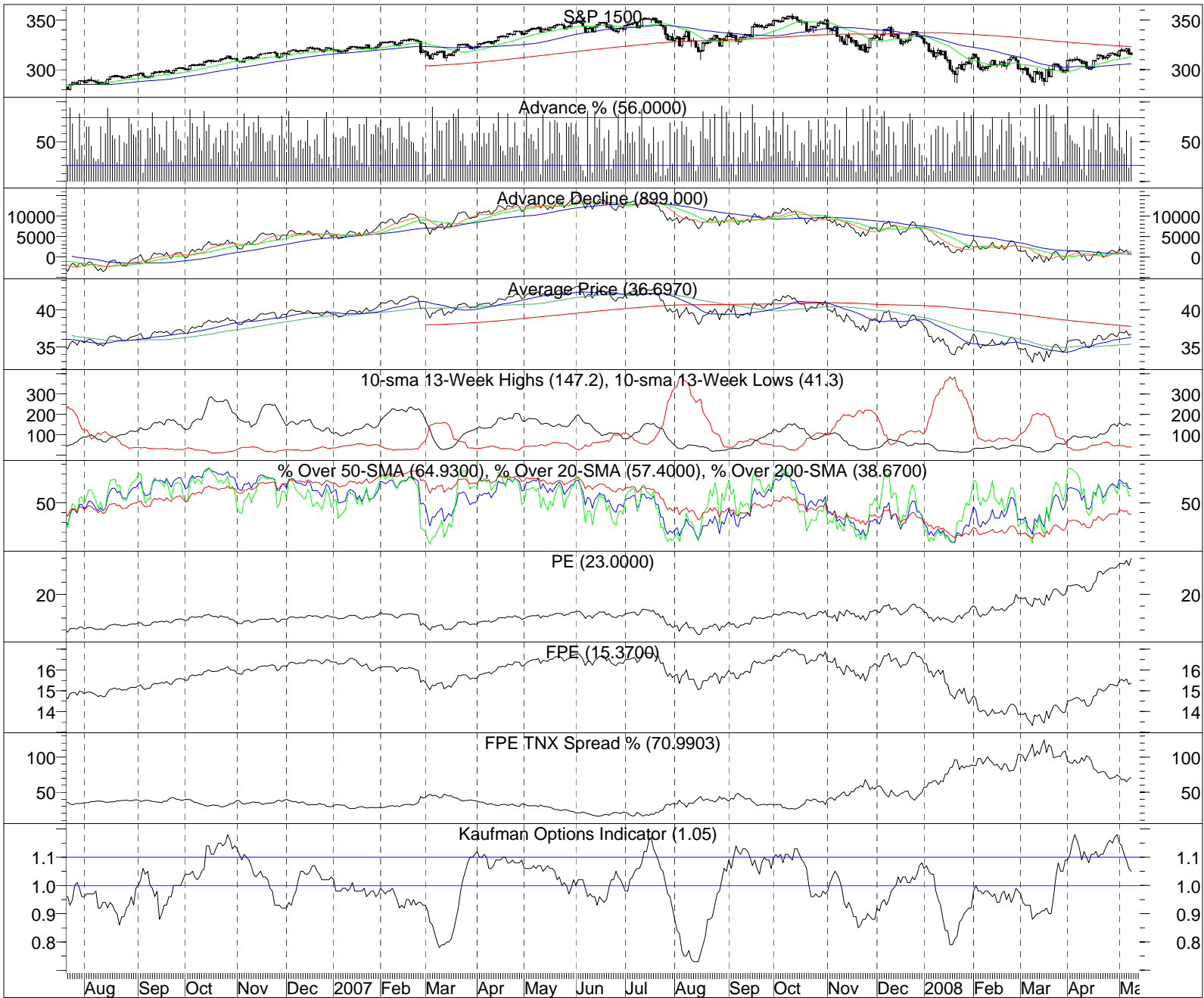
S&P 1500 Analysis - Wayne S. Kaufman, CMT



The S&P 1500 has pulled back since getting near the 200-sma (red). It is above the 20-sma (green). In spite of stocks trading higher the day still was a lower high and lower low.

Volume was receding and below average Thursday.

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



The P/E is the highest since March 2004.

Our proprietary options indicator has been dropping since reaching extreme bullish levels.