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# The Kaufman Report

Trade what you see, not what you think.

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Wednesday November 11, 2009

Closing prices of November 10, 2009

Neither the bulls nor the bears could get the upper hand Tuesday as they battled to a virtual draw on decreasing volume. In doing so the S&P 500 printed a doji candle on its daily chart. Doji are signs of indecision frequently seen at tops.

The good news for the bulls was the continued lack of selling after the big move up since the 11/2 low. The bears point out the lack of confirmation of the new high in the Dow Jones Industrials by other major indexes. The Transports need to make a new high soon or we have a non-confirmation of the Industrials according to Dow Theory.

With stocks starting to get overbought a pullback seems likely soon. However, our options indicator is showing slight pessimism so a pullback should not be too deep. With sellers stepping to the sidelines, earnings news out of the way, and seasonality in their favor, the path of least resistance for equities should be higher. Investors still need to be watchful as new highs on decreasing volume is not a prescription for a sustainable rally.

Small caps underperformed Tuesday as they have all quarter. Is this a move away from risk, or a rotation into the stocks where the fundamentals are stronger? As trend followers we go where the tape tells us to, but we prefer to see a healthy appetite for risk.

Percent over 10-sma: 81.2%.

13-Week Closing Highs: 143. 13-Week Closing Lows: 41. 52-week closing highs: 111.

Kaufman Options Indicator: 0.98 Put/Call Ratio: 0.837.

Volume: -4% versus Monday. 81% of the 10-day average. 84% of the 30-day average.

Up Stocks: 37.25%. Up Volume: 43.23%. Up Points: 38.97%. Up Dollars: 33.89%.

**Investors still need to be cautious regarding entry points, and positions they don't have a good reason to hold onto should be considered as a source of funds. Based on the S&P 500 the short-term, intermediate-term and long-term trends are up. Traders should not hesitate to rotate out of lagging sectors and stocks and into leaders.**

We will remain on guard for any signs of a change in long-term trend. We have been saying there is the potential for a deep correction at some point. **However, we have also been saying since June 1<sup>st</sup> we accept the possibility that huge global government intervention along with a possibly healing economy and companies that have become very lean and mean could create a scenario where profits will start to surprise to the upside and the deteriorating earnings trend will start to change.** If so, we will be more than happy to delay or even cancel our expected bearishness. At this time the lean and mean thesis and upside surprise scenario has proven to be correct. We hope that the earnings trend will be the next to improve.

## IMPORTANT DISCLOSURES

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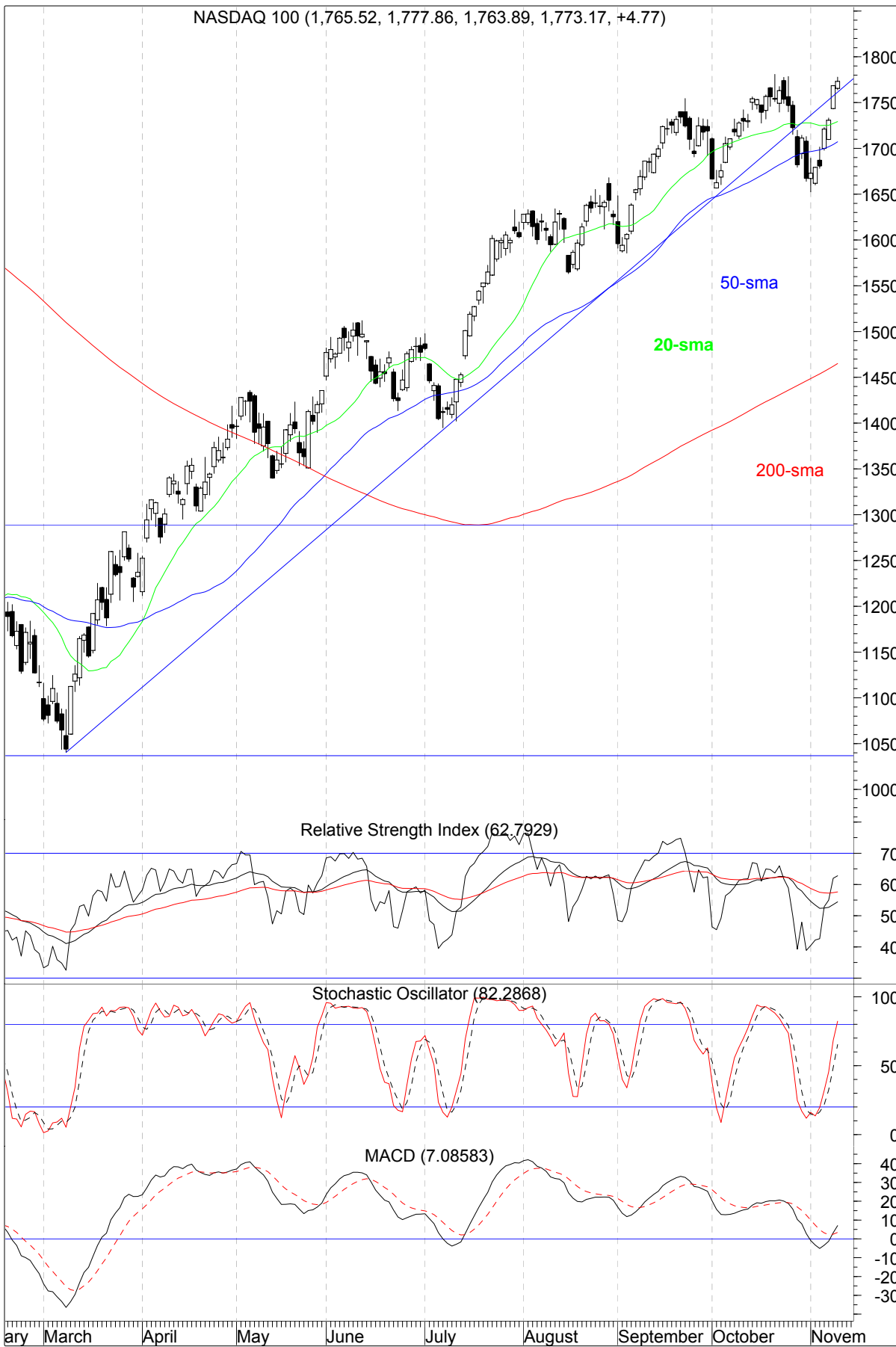
S&P 500 Cash (1,091.86, 1,096.42, 1,087.40, 1,093.01, -0.07)



The S&P 500 printed a doji candle on the daily chart. Doji are signs of indecision frequently seen at tops.

The stochastic is in the overbought zone.

NASDAQ 100 (1,765.52, 1,777.86, 1,763.89, 1,773.17, +4.77)



The Nasdaq 100 made another closing high but not on an intra-day basis.

Momentum indicators are high but not yet overbought. The MACD is showing a positive crossover from a low level.

	Daily	WTD	5-Days	MTD	QTD	YTD
Nasdaq 100	0.27%	2.45%	5.60%	6.36%	3.15%	46.34%
Dow Jones Industrials	0.20%	2.23%	4.86%	5.50%	5.51%	16.76%
S&P 500	-0.01%	2.22%	4.55%	5.48%	3.40%	21.01%
S&P 1500	-0.04%	2.19%	4.45%	5.45%	3.00%	21.45%
NYSE Composite	-0.12%	2.42%	4.60%	5.74%	3.12%	23.79%
Nasdaq Composite	-0.14%	1.83%	4.56%	5.18%	1.35%	36.40%
S&P Midcap 400	-0.15%	2.26%	3.99%	5.70%	0.83%	29.44%
Bank of New York Mellon ADR	-0.31%	2.49%	5.05%	5.81%	4.06%	33.67%
S&P Smallcap 600	-0.71%	1.45%	2.93%	4.17%	-1.86%	15.93%

	Daily	WTD	5-Days	MTD	QTD	YTD
Health Care	0.49%	2.22%	5.58%	6.09%	3.64%	11.80%
Utilities	0.32%	2.05%	4.22%	3.70%	0.38%	1.05%
Materials	0.15%	3.39%	6.13%	8.54%	2.76%	39.60%
Consumer Discretionary	0.06%	2.26%	5.82%	7.07%	4.41%	33.42%
Consumer Staples	0.05%	1.52%	2.91%	3.30%	4.38%	11.38%
Energy	0.04%	1.58%	2.86%	4.48%	7.77%	14.18%
Information Technology	-0.01%	2.17%	5.21%	5.34%	4.94%	51.94%
Telecom Services	-0.02%	2.23%	4.21%	3.26%	-1.75%	-4.74%
Industrials	-0.30%	2.16%	5.81%	8.36%	3.31%	15.63%
Financials	-0.45%	3.16%	3.71%	5.03%	-1.31%	17.63%

	Daily	WTD	5-Days	MTD	QTD	YTD
Health Care Equip & Services	0.64%	2.65%	6.56%	8.75%	6.27%	24.90%
Retailing	0.52%	2.49%	5.71%	6.51%	7.33%	45.09%
Pharmaceuticals, Biotech & Life Sciences	0.41%	2.01%	5.10%	4.84%	2.35%	6.37%
Semiconductors & Equipment	0.37%	3.43%	6.51%	4.46%	-1.64%	41.33%
Food, Beverage & Tobacco	0.37%	1.68%	3.20%	3.34%	4.05%	16.91%
Automobiles & Components	0.33%	4.36%	8.77%	13.61%	8.30%	93.71%
Utilities	0.32%	2.05%	4.22%	3.70%	0.38%	1.05%
Transportation	0.17%	2.01%	4.58%	11.25%	7.23%	16.47%
Materials	0.15%	3.39%	6.13%	8.54%	2.76%	39.60%
Software & Services	0.06%	1.93%	5.19%	5.29%	8.45%	47.72%
Household & Personal Products	0.04%	1.41%	5.25%	5.92%	6.82%	6.95%
Energy	0.04%	1.58%	2.86%	4.48%	7.77%	14.18%
Telecom Services	-0.02%	2.23%	4.21%	3.26%	-1.75%	-4.74%
Media	-0.07%	2.20%	5.72%	6.48%	2.12%	25.61%
Diversified Financials	-0.14%	3.22%	4.82%	5.98%	-1.61%	34.57%
Technology Hardware & Equipment	-0.17%	2.04%	4.89%	5.63%	4.07%	58.60%
Consumer Services	-0.32%	1.51%	6.25%	7.52%	2.18%	16.15%
Capital Goods	-0.40%	2.26%	6.28%	7.82%	2.30%	16.10%
Insurance	-0.47%	3.12%	3.16%	4.37%	-2.04%	12.36%
Commercial & Professional Services	-0.53%	1.62%	4.42%	5.82%	2.89%	8.74%
Real Estate	-0.58%	4.54%	1.96%	4.02%	0.24%	10.21%
Food & Staples Retailing	-0.61%	1.27%	0.05%	0.69%	2.68%	5.75%
Consumer Durables & Apparel	-0.70%	1.74%	4.11%	6.18%	2.63%	31.61%
Banks	-1.23%	2.50%	1.88%	3.40%	-0.45%	-6.52%

### INTERNATIONAL ETFs

	Daily	WTD	MTD	QTD	YTD
Sweden EWD	0.31%	8.97%	8.60%	10.06%	63.88%
Australia EWA	0.29%	8.29%	9.58%	6.33%	71.52%
Mexico EWW	0.13%	6.56%	7.52%	7.33%	45.27%
Latin America ILF	-0.04%	7.48%	10.89%	11.30%	87.51%
Canada EWC	-0.08%	5.78%	8.60%	1.65%	48.59%
Malaysia EWM	-0.09%	3.34%	5.15%	8.78%	51.30%
Italy EWI	-0.10%	6.60%	7.30%	0.88%	25.63%
Switzerland EWL	-0.18%	5.04%	4.86%	3.22%	20.93%
Taiwan EWT	-0.32%	5.13%	5.94%	-0.16%	62.06%
France EWQ	-0.38%	6.77%	7.88%	1.77%	26.28%
Spain EWP	-0.41%	6.43%	6.37%	3.08%	36.32%
Brazil EWZ	-0.45%	7.64%	11.42%	13.38%	119.18%
MSCI Emerging Markets EEM	-0.46%	6.89%	8.92%	5.17%	63.88%
United Kingdom EWU	-0.48%	5.26%	7.30%	7.16%	35.67%
Netherlands EWN	-0.59%	6.04%	6.68%	3.33%	38.79%
BRIC EEB	-0.60%	7.21%	10.72%	10.33%	86.01%
Austria EWO	-0.63%	6.99%	6.91%	0.09%	68.66%
Singapore EWS	-0.71%	4.41%	6.20%	3.53%	57.87%
Japan EWJ	-0.72%	0.31%	1.15%	-2.82%	0.84%
China 25 FXI	-0.77%	6.38%	8.80%	10.87%	55.96%
Hong Kong EWH	-0.92%	2.85%	3.54%	3.61%	55.06%
Belgium EWK	-1.12%	6.00%	5.57%	2.08%	51.89%
South Korea EWY	-1.15%	5.48%	5.78%	-4.26%	62.17%
Germany EWG	-1.24%	5.93%	6.43%	0.72%	16.29%
Vietnam VNM	-3.20%	-0.10%	-3.64%		