

Thursday September 17, 2009

Closing prices of September 16, 2009

We said Tuesday night that the ability to rally in spite of overbought conditions is a sign of strength, and stocks again ignored their current overbought condition and vaulted higher Wednesday on continued optimism that the global economy is improving. This rally has now pushed breadth numbers to extraordinary levels. The percent of stocks in the S&P 1500 now over their own 200-day moving averages is 92.6%, the highest number seen during this rally and the highest in years. The S&P 500 pushed through its 400-day moving average and closed above it for the first time since 1/3/08. It is at its highest level since 10/7/08, with the Nasdaq 100 at its best level since 9/22/08. The number of new 13-week closing highs Wednesday in the S&P 1500 was 665, well above the 484 seen on June 1<sup>st</sup> and also the highest number in many years. There were 139 52-week closing highs, the most since 139 on 10/31/2007. **Unless the markets pull back dramatically soon, major indexes will shortly hit new 52-week highs and with that there will be an explosion in the number of individual stocks also making 52-week highs.**

In the short-term stocks remain overbought with the percent over their own 10-day moving averages at a very high 90.73%. The 400-day moving average mentioned above is still down sloping, and it has been an important long-term trend lines for years, so how stocks react to it is of major importance to investors. Also, we are in a quadruple witching options expiration week. Therefore, caution is still advised regarding entry points. **However, even with many stocks are getting extended, there are still many with charts giving investors good entry points.**

With September's well-known reputation as the weakest month of the year and October being famous for market crashes there are many market forecasters who have been predicting another plummet in equities during this time period. While we have been expecting a big increase in volatility, we have said repeatedly that unless the recent reluctance on the part of investors to part with their stocks changes, we do not expect pullbacks to be too deep. Our strategy is simple. We will continue to be on the side of the primary trend, which is up. **Until we see sellers becoming more aggressive we will be reluctant to call a top, and the path of least resistance will be up.**

**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.**

The S&P 1500 (244.61) was up 1.586% Wednesday. Average price per share was up 1.90%. Volume was 130% of its 10-day average and 127% of its 30-day average. 85.46% of the S&P 1500 stocks were up, with up volume at 85.10% and up points at 93.46%. Up Dollars was 98.56% of total dollars, and was 205% of its 10-day moving average. Down Dollars was 18% of its 10-day moving average.

Percent over 10-sma: 90.73%. 13-Week Closing Highs: **665**. 13-Week Closing Lows: 4.

*Put/Call Ratio: 0.665. Kaufman Options Indicator: 1.00.*

P/E Ratios: **114.27 (before charges)**, 19.86 (continuing operations), 18.24 (analyst estimates).

*P/E Yield 10-year Bond Yield Spreads: -75% (earnings bef. charges), 45% (earnings continuing ops), and 58% (projected earnings).*

499 of the S&P 500 have reported 2<sup>nd</sup> quarter earnings. According to Bloomberg, 72.3% had positive surprises, 8.6% were in line, and 19.1% have been negative. The year-over-year change has been -28.9% on a share-weighted basis, -21.3% market cap-weighted and -25.5% non-weighted. Ex-financial stocks these numbers are -27.9%, -23.0%, and -27.3 %, respectively.

## IMPORTANT DISCLOSURES

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|                             | Daily | WTD   | 5-Days | MTD   | QTD    | YTD    |
|-----------------------------|-------|-------|--------|-------|--------|--------|
| S&P Smallcap 600            | 2.02% | 3.75% | 5.00%  | 7.09% | 20.62% | 20.44% |
| S&P Midcap 400              | 1.99% | 3.96% | 5.27%  | 7.91% | 22.17% | 31.21% |
| Bank of New York Mellon ADR | 1.97% | 2.62% | 3.61%  | 7.16% | 21.69% | 31.04% |
| NYSE Composite              | 1.75% | 2.84% | 3.92%  | 5.94% | 19.19% | 22.25% |
| S&P 1500                    | 1.59% | 2.66% | 3.63%  | 5.05% | 16.87% | 19.36% |
| S&P 500                     | 1.53% | 2.50% | 3.42%  | 4.72% | 16.26% | 18.32% |
| Nasdaq Composite            | 1.45% | 2.51% | 3.53%  | 6.18% | 16.25% | 35.26% |
| Nasdaq 100                  | 1.42% | 2.27% | 3.26%  | 6.06% | 16.69% | 42.26% |
| Dow Jones Industrials       | 1.12% | 1.94% | 2.56%  | 3.11% | 15.92% | 11.57% |

|                        | Daily  | WTD    | 5-Days | MTD   | QTD    | YTD    |
|------------------------|--------|--------|--------|-------|--------|--------|
| Financials             | 3.39%  | 4.99%  | 5.08%  | 3.78% | 27.41% | 21.35% |
| Energy                 | 2.25%  | 3.54%  | 5.12%  | 7.77% | 12.81% | 9.15%  |
| Consumer Discretionary | 1.92%  | 2.79%  | 3.77%  | 6.21% | 20.03% | 29.06% |
| Industrials            | 1.58%  | 4.05%  | 5.45%  | 9.53% | 24.61% | 15.04% |
| Utilities              | 1.51%  | 3.86%  | 3.53%  | 2.59% | 6.55%  | 2.20%  |
| Materials              | 1.37%  | 5.29%  | 5.79%  | 8.89% | 25.80% | 41.24% |
| Information Technology | 0.98%  | 1.63%  | 2.85%  | 4.62% | 16.86% | 45.00% |
| Consumer Staples       | 0.65%  | 0.03%  | 0.94%  | 1.93% | 9.09%  | 5.34%  |
| Health Care            | 0.61%  | 0.37%  | 0.98%  | 1.37% | 9.42%  | 8.37%  |
| Telecom Services       | -0.77% | -0.67% | 1.73%  | 1.60% | 2.72%  | -4.20% |

|  | Daily  | WTD    | 5-Days | MTD    | QTD    | YTD    |
|--|--------|--------|--------|--------|--------|--------|
| Real Estate                              | 4.34%  | 9.51%  | 10.78% | 12.56% | 38.21% | 15.36% |
| Insurance                                | 3.69%  | 5.58%  | 6.59%  | 4.37%  | 34.64% | 18.20% |
| Banks                                    | 3.65%  | 8.10%  | 7.61%  | 5.69%  | 25.72% | -2.20% |
| Consumer Durables & Apparel              | 3.58%  | 4.85%  | 4.84%  | 7.14%  | 29.75% | 28.27% |
| Diversified Financials                   | 3.06%  | 3.06%  | 2.92%  | 1.74%  | 24.38% | 36.95% |
| Retailing                                | 2.33%  | 2.67%  | 2.41%  | 4.87%  | 18.53% | 36.90% |
| Capital Goods                            | 2.27%  | 5.35%  | 6.12%  | 10.42% | 26.29% | 15.90% |
| Energy                                   | 2.25%  | 3.54%  | 5.12%  | 7.77%  | 12.81% | 9.15%  |
| Technology Hardware & Equipment          | 1.63%  | 2.08%  | 3.88%  | 5.91%  | 20.26% | 52.87% |
| Utilities                                | 1.51%  | 3.86%  | 3.53%  | 2.59%  | 6.55%  | 2.20%  |
| Consumer Services                        | 1.47%  | 3.09%  | 3.25%  | 4.30%  | 10.94% | 12.08% |
| Media                                    | 1.42%  | 2.65%  | 6.08%  | 9.81%  | 23.35% | 25.68% |
| Materials                                | 1.37%  | 5.29%  | 5.79%  | 8.89%  | 25.80% | 41.24% |
| Health Care Equip & Services             | 1.05%  | 0.43%  | 1.71%  | 3.12%  | 13.69% | 21.58% |
| Commercial & Professional Services       | 1.00%  | 2.06%  | 3.47%  | 4.14%  | 12.32% | 6.36%  |
| Food & Staples Retailing                 | 0.85%  | -0.34% | -0.61% | 0.42%  | 9.85%  | 3.78%  |
| Household & Personal Products            | 0.67%  | -0.35% | 2.69%  | 1.53%  | 8.86%  | -3.57% |
| Software & Services                      | 0.57%  | 1.51%  | 2.93%  | 4.47%  | 11.44% | 35.78% |
| Food, Beverage & Tobacco                 | 0.54%  | 0.41%  | 0.92%  | 2.91%  | 8.81%  | 11.07% |
| Pharmaceuticals, Biotech & Life Sciences | 0.40%  | 0.35%  | 0.64%  | 0.59%  | 7.57%  | 3.05%  |
| Automobiles & Components                 | 0.15%  | -0.61% | 0.32%  | 1.15%  | 26.65% | 84.27% |
| Semiconductors & Equipment               | -0.18% | 0.43%  | -0.83% | 0.67%  | 20.50% | 44.86% |
| Transportation                           | -0.63% | 0.28%  | 3.77%  | 8.25%  | 23.04% | 15.08% |
| Telecom Services                         | -0.77% | -0.67% | 1.73%  | 1.60%  | 2.72%  | -4.20% |

**INTERNATIONAL ETFs**

|                           | <b>Daily</b> | <b>WTD</b> | <b>5-Days</b> | <b>MTD</b> | <b>QTD</b> | <b>YTD</b> |
|---------------------------|--------------|------------|---------------|------------|------------|------------|
| Australia EWA             | 4.69%        | 4.15%      | 5.33%         | 10.11%     | 32.86%     | 59.31%     |
| China 25 FXI              | 3.57%        | 3.32%      | 3.87%         | 11.42%     | 14.15%     | 50.57%     |
| South Korea EWY           | 2.85%        | 4.53%      | 6.94%         | 12.62%     | 34.64%     | 67.47%     |
| MSCI Emerging Markets EEM | 2.52%        | 3.35%      | 4.77%         | 10.82%     | 21.41%     | 56.71%     |
| BRIC EEB                  | 2.51%        | 4.03%      | 5.47%         | 12.19%     | 20.71%     | 67.86%     |
| Brazil EWZ                | 2.49%        | 4.86%      | 6.34%         | 12.59%     | 23.73%     | 87.31%     |
| Latin America ILF         | 2.41%        | 4.37%      | 6.43%         | 10.89%     | 22.48%     | 67.06%     |
| Mexico EWW                | 2.24%        | 2.67%      | 5.13%         | 7.75%      | 24.04%     | 41.68%     |
| Taiwan EWT                | 2.18%        | 2.01%      | 3.04%         | 12.64%     | 21.01%     | 60.87%     |
| Netherlands EWN           | 2.09%        | 2.88%      | 4.22%         | 8.05%      | 30.85%     | 34.12%     |
| Italy EWI                 | 2.08%        | 3.67%      | 4.88%         | 8.06%      | 27.09%     | 25.93%     |
| Malaysia EWM              | 1.98%        | 2.08%      | 2.28%         | 6.40%      | 15.73%     | 41.29%     |
| Spain EWP                 | 1.95%        | 4.33%      | 4.22%         | 5.93%      | 25.75%     | 33.73%     |
| France EWQ                | 1.95%        | 3.40%      | 4.35%         | 7.22%      | 27.60%     | 24.80%     |
| Austria EWO               | 1.91%        | 3.60%      | 4.34%         | 7.62%      | 35.48%     | 68.05%     |
| Hong Kong EWH             | 1.82%        | 1.36%      | 2.42%         | 8.60%      | 13.97%     | 51.01%     |
| Singapore EWS             | 1.78%        | 0.65%      | 1.02%         | 6.06%      | 20.29%     | 53.90%     |
| Germany EWG               | 1.77%        | 2.70%      | 4.23%         | 7.22%      | 24.69%     | 16.65%     |
| Belgium EWK               | 1.71%        | 2.74%      | 3.72%         | 8.88%      | 30.03%     | 50.29%     |
| United Kingdom EWU        | 1.59%        | 1.71%      | 2.43%         | 7.16%      | 21.27%     | 30.78%     |
| Sweden EWD                | 1.55%        | 2.36%      | 2.71%         | 5.71%      | 30.88%     | 55.78%     |
| Switzerland EWL           | 1.40%        | 2.16%      | 3.27%         | 4.91%      | 23.09%     | 17.58%     |
| Canada EWC                | 1.09%        | 4.16%      | 6.54%         | 9.55%      | 21.62%     | 49.45%     |
| Japan EWJ                 | 0.49%        | -0.68%     | 0.39%         | 0.00%      | 8.38%      | 6.68%      |



The S&P 500 rallied again Wednesday and recorded a new post-March high. In doing so it penetrated the rising resistance line and hit its highest level since 10/7/08. It also penetrated the 400-sma which is at 1062. The last time it closed above the 400-sma was 1/3/08. Unless a major reversal occurs the S&P 500 will make a new 52-week high shortly. When that happens there will be an explosion in the number of individual stocks making 52-week highs.

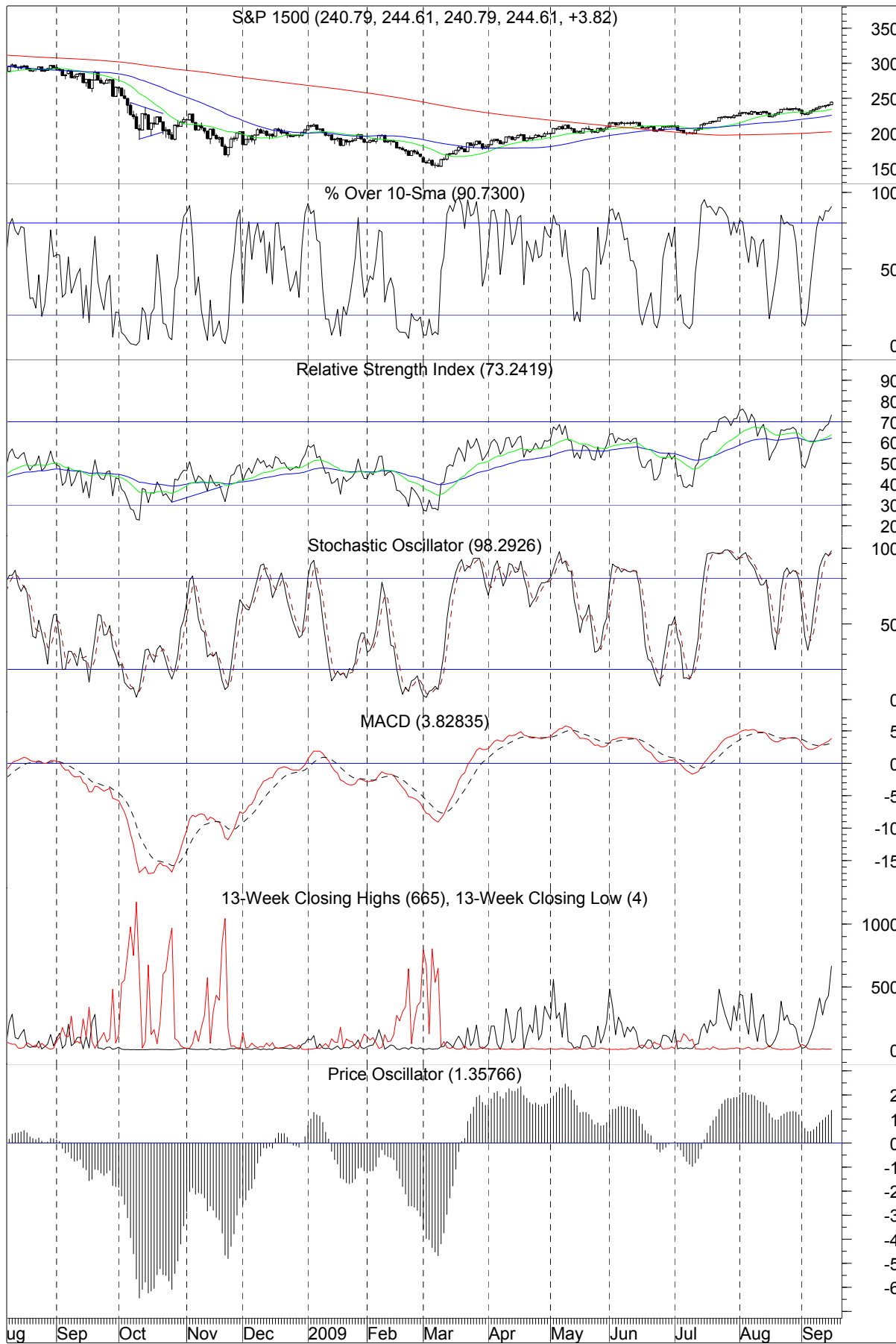
Momentum indicators are at high levels. The MACD recently had a positive crossover.

NASDAQ 100 (1,705.97, 1,724.67, 1,699.74, 1,723.73, +24.20)



The Nasdaq 100 also recorded a new post-March high. This was its highest level since 9/22/08. Here too a 52-week high is imminent.

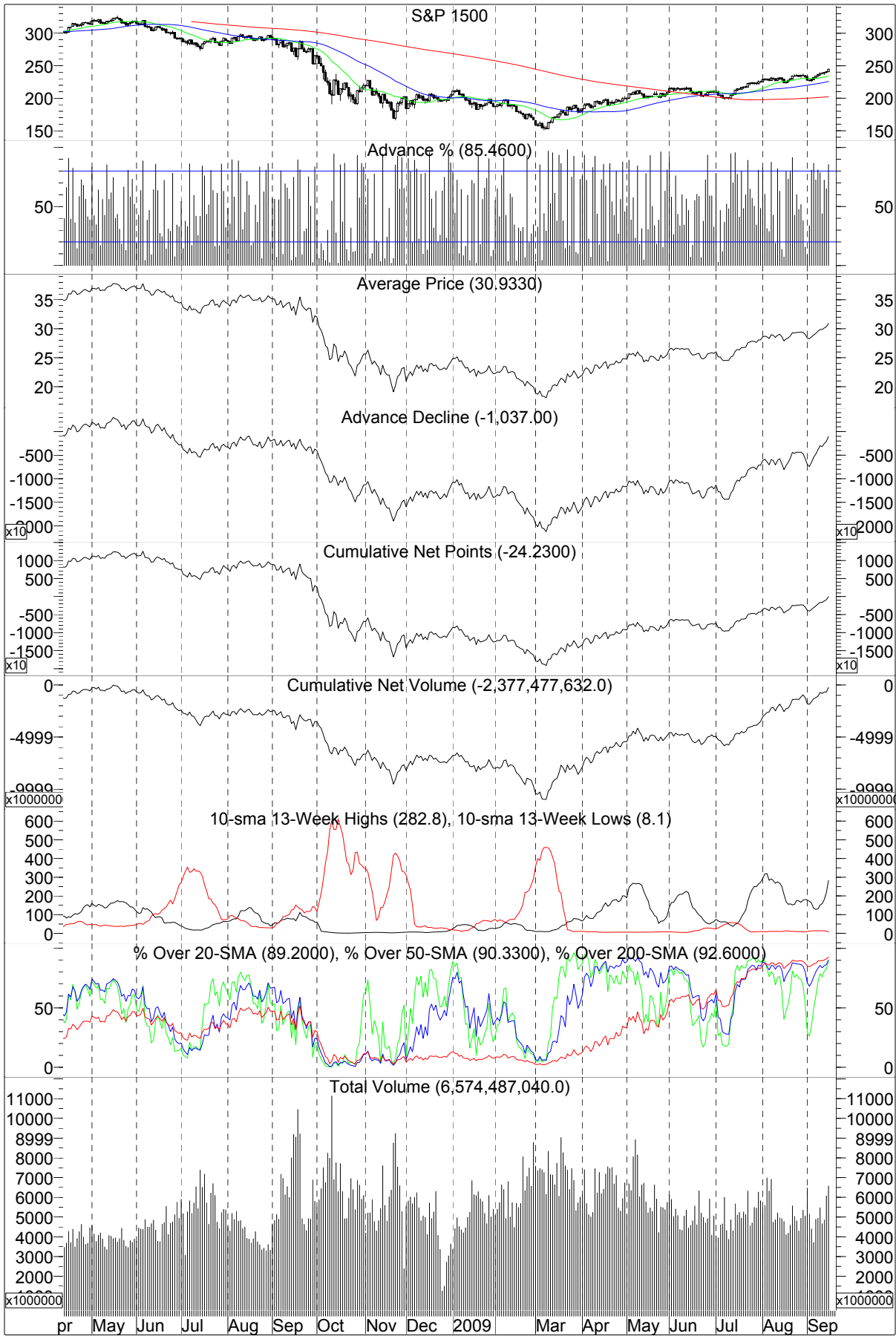
Momentum indicators are at high levels.



90.73% of stocks are over their 10-sma.

A big breakout in 13-week closing highs. Also a breakout in 26 and 52-week closing highs.

Our trusty price oscillator, a good indicator of trends, has stayed in positive territory.

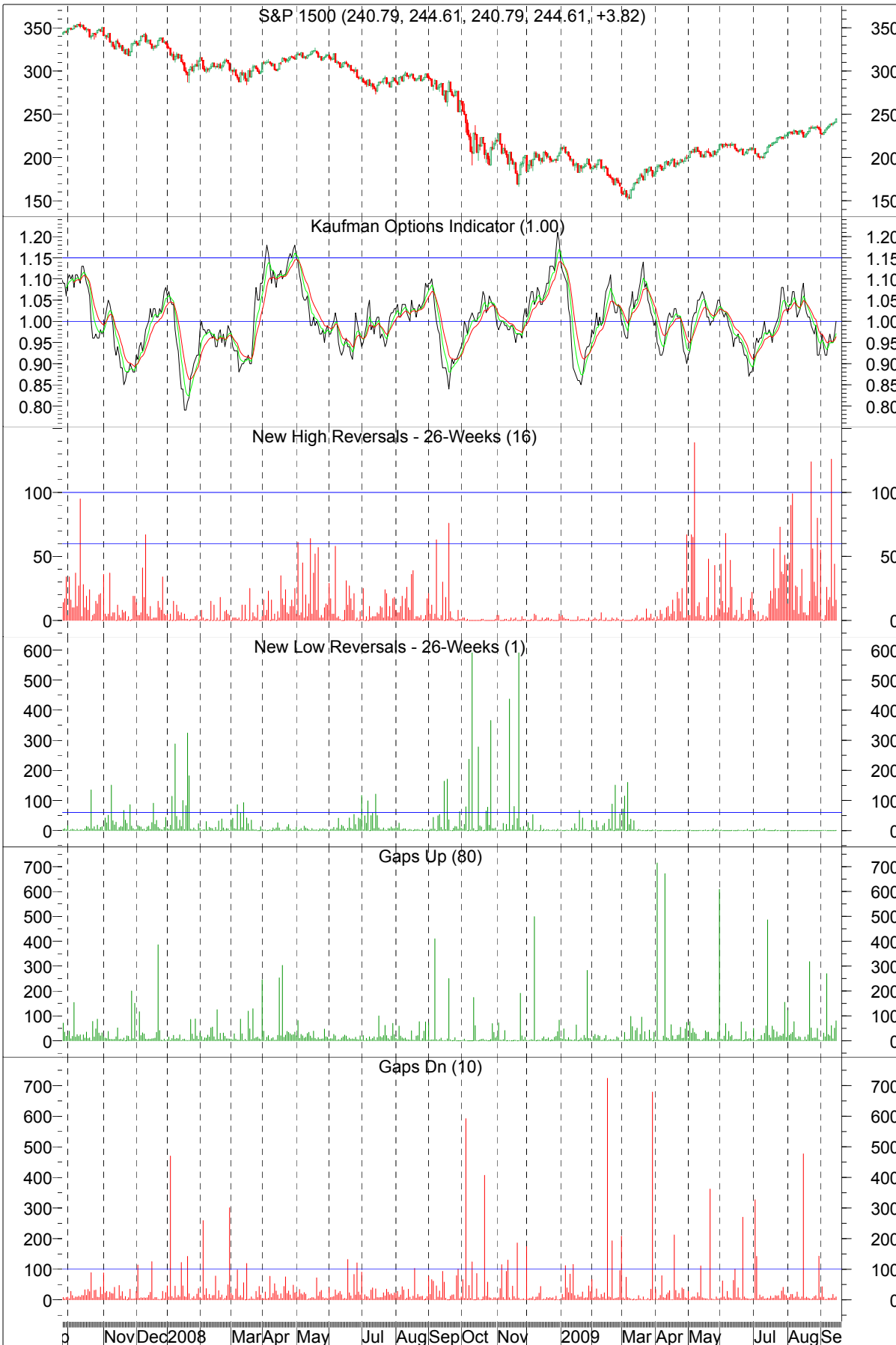


85.46% of stocks traded higher Wednesday.

Statistics of market breadth are making new highs confirming the new highs in the S&P 1500.

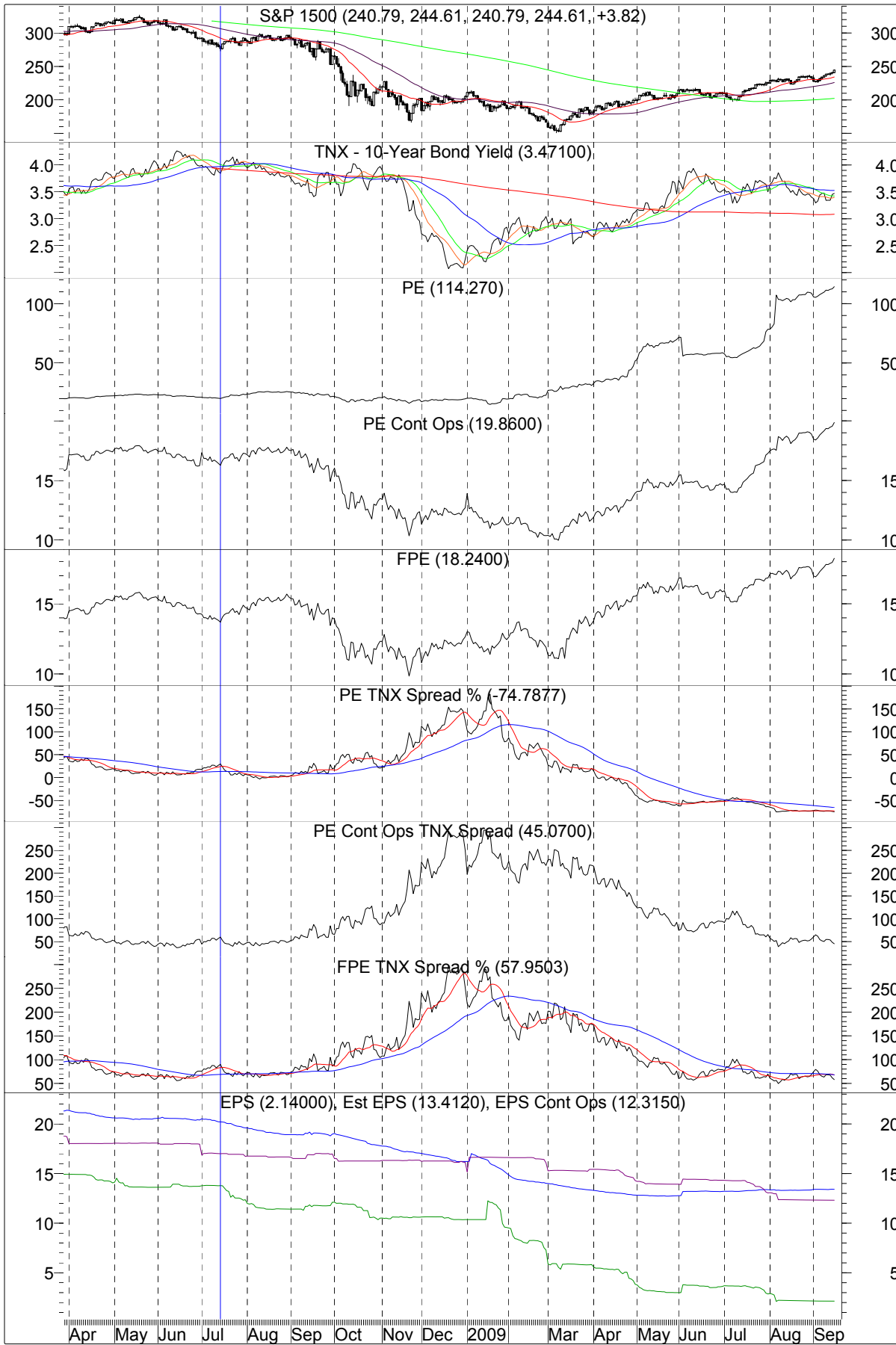
Big volume Wednesday.

The Kaufman Report - Wayne S. Kaufman, CMT



Our proprietary options indicator has jumped up to the neutral line reflecting the large amount of call buying the past few days. We prefer to see pessimism.





We are still concerned about valuations but we will not fight the tape.