

Monday September 17, 2012

Closing prices of September 14, 2012

Stocks rallied for the second week in a row last week as Ben Bernanke put his foot firmly up Mitt Romney's butt with the Fed's announcement of QE3. Major indexes were led on the week by the Bank of New York Mellon ADR index, up 3.83%, and the recently lagging Dow Transports, up 2.83%. As we near the end of the third quarter the major index leaders are the Bank of New York Mellon ADR index, benefitting from a declining U.S. Dollar and up 9.28% this quarter, the Nasdaq 100, up 9.16%, and the S&P Smallcap 600, up 9.03%. The Dow Transports remain the laggard with a gain of 0.13%.

S&P industry groups were mostly higher on the week with only three of the twenty-four showing losses. Leading groups were Diversified Financials, up 5.15%, Automobiles & Components, up 4.73%, and Energy, up 4.06%. The losers were Food, Beverage & Tobacco, down 0.83%, Semiconductors & Equipment, down 0.64%, and Utilities, down 0.32%. The leaders for the quarter are, Consumer Durables & Apparel, up 15.73%, Technology, Hardware, & Equipment, up 14.66%, and Diversified Financials, up 14.47%. Year-to-date the leading sectors are Technology Hardware & Equipment, up 35.68%, Media, up 34.9%, and Banks, up 30.07%.

Stocks have rallied sharply so far in September with the S&P 500 showing a gain of 4.21%. Most of those gains occurred on two days as the ECB announced specifics of their bond buying program and the S&P 500 jumped 2.04% on September 6th, and September 13th the FOMC announced QE3 and stocks rallied 1.63%. If it doesn't pay to fight the Fed, a tag-team of the Fed and the ECB has got to be daunting for those who are bearish. It certainly seems to have given investors increased confidence as P/E ratios are at their highest levels since July 2011. Whether or not these programs really help their respective economies is a different discussion.

In the short-term stocks are overbought with options buyers showing high levels of optimism. We expect some type of pullback or at least a period of consolidation to begin this week. Longer-term, the type of action we have just seen should be bullish for stocks. For example, the S&P 1500 Advance Decline line just made a new high, which points to higher prices in the future.

Stock valuations remain attractive based on spreads between equity and bond yields in spite of these spreads narrowing dramatically as stocks and bond yields rose in tandem. They are still well above historical levels and remain at levels where stocks should be attractive versus bonds, but overall they are locked in a range they have been in since August 2011.

So far 497 of the S&P 500 have reported second quarter earnings. Of those 66.6% beat estimates, 10.9% were in line, and 22.5% missed. First quarter earnings season ended with 67.3% of stocks beating estimates, 9.6% were in line, and 23.1% disappointed. Fourth quarter earnings season ended with 62.2% of stocks beating estimates, 9.8% were in line, and 27.9% disappointed. Third quarter earnings season ended with 69.0% exceeding expectations, 9.5% were in line, and 21.5% disappointed. **Projected aggregate earnings are flat lining as forecasts have not increased in spite of the good number of companies exceeding estimates.** Current S&P 500 projected aggregate earnings for 2012 are over \$108, and the 2013 number is over \$115. They currently project 2013 earnings growth of 7.23% over 2012. **A 13 P/E based on the 2012 number equates to an S&P 500 of 1401, while a 14 P/E equates to 1508. The same P/E's applied to 2013 equate to 1502 and 1618, respectively.**

In summary, announcements of government intervention have put a charge back into what had been a weakening market condition. The type of market action we have just seen should be positive for equities longer-term. Second quarter earnings season went well making stocks attractive based on current earnings, but earnings forecasts are not moving higher. News from Europe and the Middle East still has the potential to roil markets. Short-term stocks are overbought and we are in a period of weak seasonality. Investors need to be careful with entry points.

Based on the S&P 500 the short-term, intermediate-term, and long-term trends are up.

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The Kaufman Report - Wayne S. Kaufman, CMT



The S&P 500 followed through to new highs Friday but ran out of steam after an early morning pop.

30-minute momentum is mixed.

The Kaufman Report - Wayne S. Kaufman, CMT



A nice move since the beginning of August but most of the gains have taken place in just a few sessions.

Daily momentum is at high or overbought levels.

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S&P 500 Cash (1,437.92, 1,474.51, 1,428.98, 1,465.77, +27.85)



The S&P 500 is at its highest level since January 2008.

Weekly momentum is at high or overbought levels.

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S&P 500 Cash (1,406.54, 1,474.51, 1,396.56, 1,465.77, +59.19)

S&P 500 Monthly

100.0%

61.8%

50.0%

38.2%

23.6%

0.0%

Relative Strength Index (64.5696)

Stochastic Oscillator (86.2616)

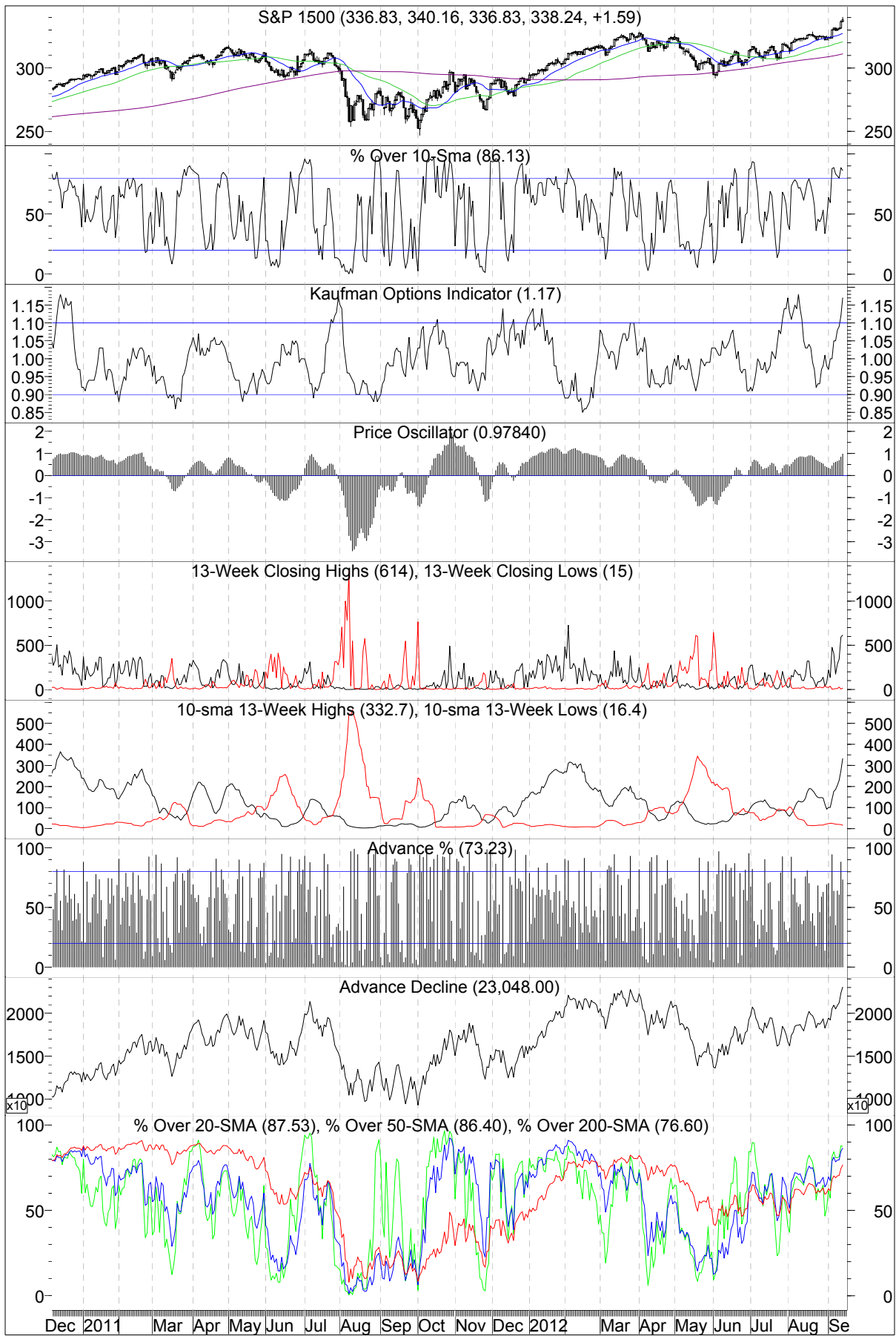
MACD (57.9851)

1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012

So far September is shaping up to be the fourth positive month in a row.

Monthly momentum is all positive.

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The percent over 10-sma remains an overbought 86.13%.

Our options indicator is showing a lot of optimism on the part of call buyers. This leaves stocks vulnerable to a pullback, or in need of consolidation.

Our price oscillator remains in positive territory.

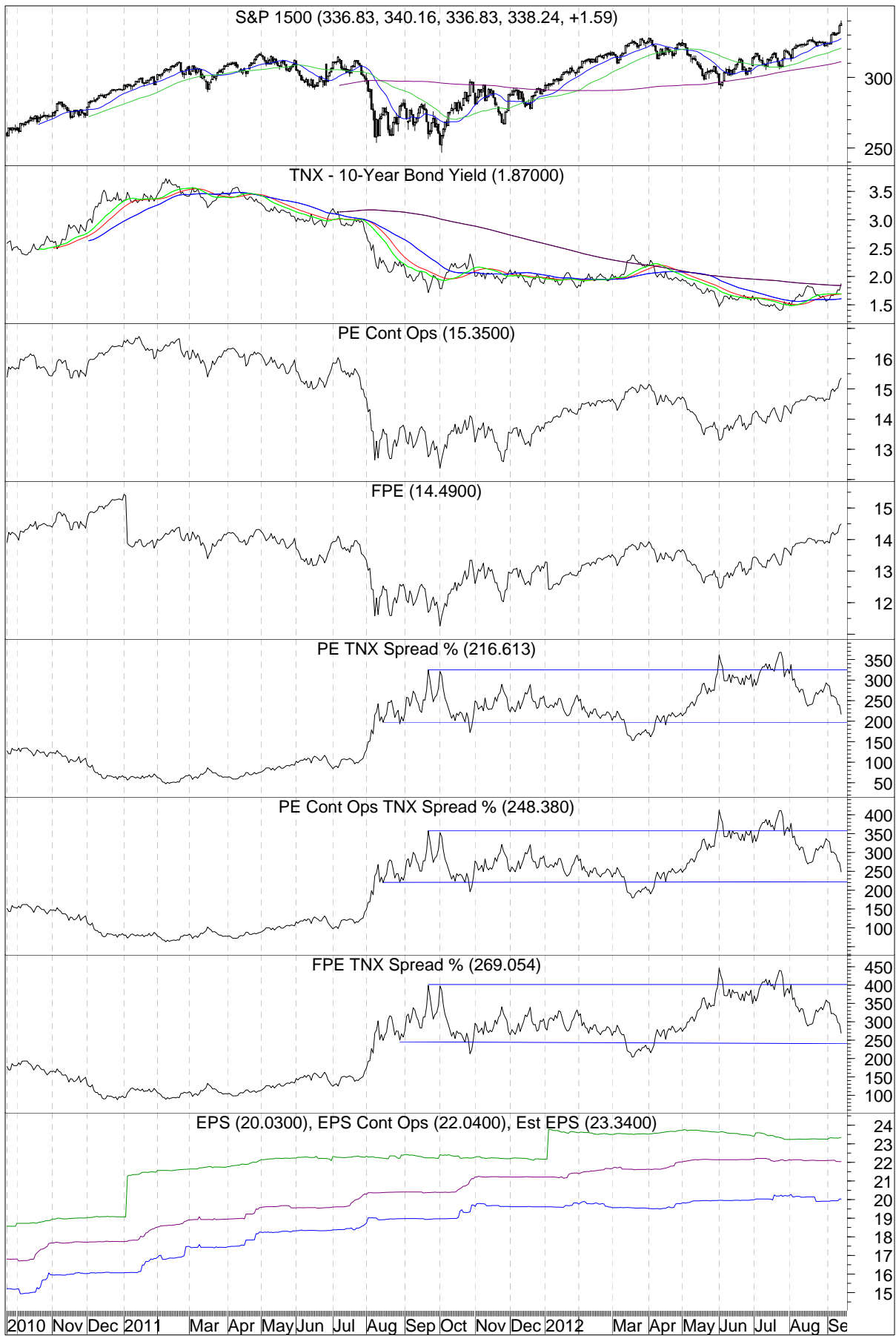
614 closing highs Friday in the S&P 1500 is the most since 729 on 2/3/12. Numbers in the 600s over the last eight years have frequently preceded short-term tops.

73.23% of stocks traded higher Friday.

The Advance Decline line is breaking out to new highs, pointing to higher prices in the future.

These are bull market numbers.

The Kaufman Report - Wayne S. Kaufman, CMT



10-year bond yields are above the 20, 50, and 200-day moving averages and at the highest level since mid-May.

P/E ratios are at their highest levels since July 2011.

Spreads between equity and bond yields have narrowed dramatically towards the lower level of the range they have been in since August 2011. A move below the range would show renewed confidence on the part of investors.

Aggregate earnings metrics continue to flat line and will probably do so until we get into third quarter earnings season in October.

Indexes, Sectors, and Industry Groups

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Bank of New York Mellon ADR	130.53	1.03%	3.83%	3.83%	6.89%	9.28%	9.13%	134.15	2/29/2012	106.98	10/4/2011
Dow Jones Transportation	5215.97	0.26%	2.83%	2.83%	4.16%	0.13%	3.91%	5390.11	3/19/2012	3950.66	10/4/2011
NYSE Composite	8445.81	0.46%	2.57%	2.57%	5.38%	8.25%	12.96%	8515.60	9/14/2012	6414.89	10/4/2011
S&P Smallcap 600	485.66	0.94%	2.47%	2.47%	6.06%	9.03%	17.01%	488.00	9/14/2012	334.10	10/4/2011
Dow Jones Industrials	13593.37	0.40%	2.15%	2.15%	3.84%	5.54%	11.26%	13653.24	9/14/2012	10404.49	10/4/2011
S&P Midcap 400	1025.76	1.03%	2.11%	2.11%	5.58%	8.93%	16.68%	1030.00	9/14/2012	731.62	10/4/2011
S&P 1500	338.24	0.47%	1.98%	1.98%	4.39%	7.77%	16.59%	339.99	9/14/2012	247.50	10/4/2011
S&P 500	1465.77	0.40%	1.94%	1.94%	4.21%	7.61%	16.55%	1474.51	9/14/2012	1074.77	10/4/2011
Nasdaq Composite	3183.95	0.89%	1.52%	1.52%	3.81%	8.48%	22.22%	3195.67	9/14/2012	2298.89	10/4/2011
Nasdaq 100	2855.23	0.84%	1.07%	1.07%	2.99%	9.16%	25.35%	2865.37	9/14/2012	2042.90	10/4/2011

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Energy	569.90	1.31%	4.06%	4.06%	6.81%	13.24%	9.43%	574.53	9/14/2012	412.52	10/4/2011
Financials	218.78	0.83%	3.82%	3.82%	7.56%	10.85%	24.85%	220.66	9/14/2012	147.48	10/4/2011
Materials	241.58	1.21%	3.77%	3.77%	7.42%	8.36%	14.11%	243.04	9/14/2012	174.61	10/4/2011
Industrials	327.03	0.66%	2.07%	2.07%	3.98%	5.47%	11.87%	329.60	9/14/2012	238.89	10/4/2011
Consumer Discretionary	376.47	0.43%	1.98%	1.98%	4.83%	8.87%	22.00%	378.60	9/14/2012	261.24	10/4/2011
Information Technology	507.12	0.86%	1.59%	1.59%	3.75%	9.76%	23.71%	508.87	9/14/2012	362.40	10/4/2011
Telecom Services	155.13	-2.00%	0.82%	0.82%	2.53%	5.43%	19.50%	158.45	9/13/2012	116.63	10/4/2011
Health Care	458.08	-0.38%	0.31%	0.31%	2.20%	3.93%	13.98%	460.46	9/13/2012	349.12	10/4/2011
Consumer Staples	367.67	-0.64%	-0.11%	-0.11%	0.48%	2.44%	9.58%	371.34	8/6/2012	296.34	10/4/2011
Utilities	183.88	-0.76%	-0.32%	-0.32%	0.33%	-2.09%	0.49%	195.48	8/1/2012	162.29	10/4/2011

	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Diversified Financials	301.29	0.84%	5.15%	5.15%	10.94%	14.47%	30.06%	317.52	3/27/2012	198.18	10/4/2011
Automobiles & Components	88.30	1.78%	4.73%	4.73%	11.10%	8.62%	1.05%	102.58	3/15/2012	71.16	10/4/2011
Energy	569.90	1.31%	4.06%	4.06%	6.81%	13.24%	9.43%	574.53	9/14/2012	412.52	10/4/2011
Materials	241.58	1.21%	3.77%	3.77%	7.42%	8.36%	14.11%	243.04	9/14/2012	174.61	10/4/2011
Banks	169.77	1.35%	3.68%	3.68%	6.85%	10.00%	30.07%	171.42	9/14/2012	105.92	10/4/2011
Insurance	199.11	0.74%	3.02%	3.02%	5.48%	9.45%	17.01%	200.17	9/14/2012	143.99	9/22/2011
Transportation	349.54	0.00%	3.01%	3.01%	2.77%	0.39%	6.07%	356.78	7/19/2012	266.62	10/4/2011
Consumer Durables & Apparel	212.19	1.16%	2.60%	2.60%	5.58%	15.73%	18.94%	219.96	5/3/2012	147.78	10/4/2011
Capital Goods	355.78	0.83%	1.95%	1.95%	4.37%	6.78%	13.66%	358.94	9/14/2012	254.65	10/4/2011
Media	286.49	0.14%	1.92%	1.92%	5.41%	11.08%	34.90%	288.09	9/14/2012	173.60	10/4/2011
Technology Hardware & Equipment	592.26	1.12%	1.87%	1.87%	4.33%	14.66%	35.68%	596.11	9/14/2012	380.20	10/4/2011
Real Estate	154.09	0.22%	1.85%	1.85%	3.32%	5.05%	18.40%	155.73	9/14/2012	105.72	10/4/2011
Software & Services	649.22	0.65%	1.84%	1.84%	4.39%	8.75%	19.86%	650.26	9/14/2012	485.01	10/4/2011
Retailing	669.26	0.59%	1.70%	1.70%	3.24%	8.95%	27.92%	673.49	9/14/2012	469.23	10/4/2011
Food & Staples Retailing	248.60	-0.69%	1.59%	1.59%	2.78%	6.05%	17.67%	250.45	9/13/2012	184.09	10/4/2011
Consumer Services	555.30	-0.21%	1.46%	1.46%	4.82%	1.69%	2.07%	595.85	5/1/2012	446.24	10/4/2011
Telecom Services	155.13	-2.00%	0.82%	0.82%	2.53%	5.43%	19.50%	158.45	9/13/2012	116.63	10/4/2011
Commercial & Professional Services	144.64	0.33%	0.76%	0.76%	2.35%	4.09%	6.35%	146.82	4/25/2012	121.56	10/4/2011
Health Care Equip & Services	431.07	0.68%	0.64%	0.64%	2.47%	1.74%	13.20%	436.83	4/4/2012	332.83	10/4/2011
Pharmaceuticals, Biotech & Life Sciences	434.59	-0.87%	0.15%	0.15%	2.07%	5.00%	14.23%	438.95	9/13/2012	329.40	10/4/2011
Household & Personal Products	423.64	0.02%	0.11%	0.11%	1.41%	8.06%	5.92%	424.64	9/7/2012	366.89	9/22/2011
Utilities	183.88	-0.76%	-0.32%	-0.32%	0.33%	-2.09%	0.49%	195.48	8/1/2012	162.29	10/4/2011
Semiconductors & Equipment	339.23	0.77%	-0.64%	-0.64%	-1.25%	-3.06%	1.96%	390.82	3/27/2012	286.92	10/4/2011
Food, Beverage & Tobacco	432.34	-0.87%	-0.83%	-0.83%	-0.73%	-0.81%	8.06%	448.27	8/6/2012	348.53	10/4/2011

INTERNATIONAL ETFs

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Greece GREK	15.22	-2.15%	10.61%	25.38%	25.79%	8.55%	19.93	2/13/2012	8.78	6/5/2012
Russia RSX	30.98	1.82%	7.05%	14.53%	18.43%	16.25%	33.74	3/2/2012	23.12	6/1/2012
Austria EWO	16.42	2.50%	6.14%	13.48%	14.11%	15.47%	17.58	10/27/2011	12.94	7/24/2012
Taiwan EWT	13.60	1.27%	5.92%	7.42%	11.20%	16.14%	13.95	3/14/2012	11.19	12/20/2011
Spain EWP	29.93	1.32%	5.50%	14.63%	20.69%	-1.12%	38.25	10/27/2011	19.73	7/24/2012
South Korea EWY	60.55	1.71%	4.96%	7.57%	10.47%	15.86%	61.57	4/3/2012	44.67	10/4/2011
BRIC EEB	36.78	1.80%	4.85%	8.85%	7.92%	5.00%	42.02	3/2/2012	32.00	6/4/2012
Sweden EWD	29.47	1.76%	4.80%	8.31%	14.45%	17.22%	29.94	2/29/2012	21.41	10/4/2011
Italy EWI	13.39	0.60%	4.77%	14.15%	18.39%	11.68%	15.02	10/27/2011	9.21	7/24/2012
Hong Kong EWH	18.22	1.50%	4.77%	7.24%	11.10%	17.78%	18.36	3/1/2012	13.30	10/4/2011
Germany EWG	23.53	1.20%	4.67%	10.89%	18.84%	22.42%	23.83	3/19/2012	16.96	10/4/2011
China 25 FXI	35.19	1.76%	4.55%	6.41%	4.53%	0.92%	40.74	2/29/2012	28.61	10/4/2011
India IFN	22.95	2.36%	4.37%	7.90%	12.61%	20.54%	25.70	10/27/2011	18.43	5/23/2012
Japan EWJ	9.46	1.07%	4.30%	4.42%	0.53%	3.84%	10.21	4/2/2012	8.64	6/1/2012
Emerging Markets EEM	42.37	1.18%	4.26%	7.87%	8.27%	11.68%	44.91	2/29/2012	33.42	10/4/2011
Thailand THD	76.01	1.18%	4.05%	7.59%	10.06%	26.45%	76.49	9/14/2012	49.43	10/4/2011
Malaysia EWM	15.03	1.69%	4.01%	3.44%	5.33%	12.16%	15.08	9/14/2012	11.88	9/26/2011
France EWQ	22.61	1.80%	3.86%	9.70%	15.47%	15.47%	23.37	10/27/2011	17.83	7/24/2012
Israel EIS	38.72	-0.13%	3.83%	4.71%	5.22%	-2.12%	47.30	10/27/2011	35.11	7/24/2012
Mexico EWW	65.74	0.98%	3.77%	7.10%	6.98%	22.28%	66.40	9/14/2012	46.65	10/4/2011
Indonesia IDX	29.37	1.42%	3.71%	7.39%	6.99%	3.16%	31.81	10/27/2011	23.16	10/4/2011
Singapore EWS	13.74	0.96%	3.62%	4.65%	11.53%	26.87%	13.82	9/14/2012	10.28	10/4/2011
Latin America ILF	44.53	0.91%	3.37%	7.09%	7.43%	4.60%	49.54	3/1/2012	36.73	10/4/2011
Brazil EWZ	57.06	1.05%	3.22%	8.23%	10.38%	-0.58%	70.74	3/2/2012	48.27	6/28/2012
Australia EWA	24.49	0.66%	3.20%	4.35%	12.08%	14.23%	25.32	10/27/2011	18.91	7/24/2012
Belgium EWK	12.96	0.39%	3.10%	8.27%	12.50%	22.38%	13.06	9/14/2012	10.23	11/25/2011
United Kingdom EWU	17.95	0.90%	3.04%	5.77%	10.19%	11.08%	18.06	9/14/2012	14.04	10/4/2011
Canada EWC	29.39	1.03%	2.98%	6.87%	13.74%	10.49%	29.63	9/14/2012	23.48	10/4/2011
Switzerland EWL	25.20	0.88%	2.36%	6.02%	10.00%	11.41%	25.41	4/2/2012	20.67	9/23/2011
Chile ECH	62.39	0.11%	2.08%	3.81%	1.46%	8.11%	69.60	4/2/2012	48.22	10/4/2011
United States SPY	147.24	0.44%	2.02%	4.31%	8.18%	17.32%	148.11	9/14/2012	107.43	10/4/2011
Netherlands EWN	19.41	0.41%	1.62%	6.65%	13.67%	12.65%	19.85	10/27/2011	15.30	9/23/2011
South Africa EZA	67.30	-1.32%	-0.44%	3.89%	5.32%	10.20%	71.54	2/29/2012	54.64	10/4/2011
Vietnam VNM	16.85	2.00%	-0.47%	-1.17%	-8.27%	15.81%	21.28	5/9/2012	14.15	1/6/2012
Turkey TUR	57.31	-0.57%	-0.68%	2.84%	9.50%	39.30%	57.98	9/14/2012	39.82	12/19/2011

Commodities

	Price	Daily	WTD	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Aluminum JJU	25.85	1.37%	11.84%	14.99%	13.93%	2.17%	30.64	10/27/2011	21.69	7/24/2012
Coffee JO	42.70	0.92%	11.05%	10.42%	4.58%	-24.45%	68.87	9/14/2012	35.88	11/25/2011
Natural Gas UNG	19.96	-1.87%	10.15%	6.06%	3.47%	-22.76%	41.12	10/27/2011	14.25	7/24/2012
Coal KOL	25.52	3.61%	8.92%	13.27%	4.04%	-20.87%	40.90	2/29/2012	21.49	10/4/2011
Tin JJT	49.34	6.48%	7.74%	9.87%	14.41%	12.89%	60.95	4/2/2012	39.14	6/1/2012
Platinum PPLT	167.99	1.40%	7.13%	10.87%	17.75%	21.89%	180.22	9/14/2012	133.00	10/4/2011
Palladium PALL	68.52	1.39%	6.38%	10.98%	19.52%	6.13%	72.86	4/3/2012	52.90	10/4/2011
Timber CUT	19.09	1.76%	5.64%	9.46%	13.56%	15.42%	19.29	9/14/2012	15.02	10/4/2011
Copper JJC	48.51	2.26%	4.93%	10.91%	8.99%	10.15%	51.86	10/27/2011	38.99	9/23/2011
Sugar SGG	75.18	1.79%	3.20%	1.12%	-5.37%	-8.09%	100.14	4/2/2012	70.00	6/1/2012
Silver SLV	33.60	-0.04%	2.94%	9.13%	26.08%	24.72%	39.84	4/2/2012	25.34	9/23/2011
OIL USO	36.84	0.90%	2.68%	2.65%	15.74%	-3.33%	42.30	4/2/2012	29.02	10/4/2011
Heating Oil UHN	36.12	0.96%	2.67%	1.90%	19.73%	9.89%	37.48	9/14/2012	28.16	10/4/2011
Gold GLD	171.80	0.29%	1.99%	4.62%	10.70%	13.03%	177.78	9/14/2012	148.27	12/19/2011
Livestock COW	27.90	0.00%	1.27%	0.18%	-3.13%	-6.25%	31.81	3/19/2012	26.70	10/4/2011
Grains GRU	8.46	1.63%	0.67%	0.91%	21.11%	35.30%	8.62	2/29/2012	5.63	10/4/2011
Grains JIG	63.52	1.07%	0.25%	0.13%	22.20%	41.06%	64.92	3/1/2012	40.32	10/4/2011
Corn CORN	50.50	1.06%	-0.96%	-0.86%	19.95%	20.30%	52.71	10/27/2011	35.23	7/24/2012
Cotton BAL	49.78	2.53%	-1.17%	-2.39%	7.40%	-11.83%	70.99	9/14/2012	41.24	10/4/2011
Cocoa NIB	36.24	0.92%	-1.28%	1.72%	14.91%	26.05%	40.13	10/27/2011	27.23	10/4/2011