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The Kaufman Report

Trade what you see, not what you think.

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Friday September 19, 2008

Closing prices of September 18, 2008

In Wednesday night's report we said "while there may be some more selling to go, we are looking for capitulation."

We appear to have gotten it Thursday. U.S. equities rallied broadly to their biggest gain since October 2002 as the S&P 1500 gained 4.45% on the day, with every S&P sector up at least 2%. The S&P Financial Index led the way with a staggering 11.728% increase.

It just missed being a panic-buying 90% up day, as 89.54% of the S&P 1500 traded higher on the day, and up volume was 89%. Average price per share was up 5.05%. Volume was a record and was 140% of its 10-day average and 200% of its 30-day average. Up Dollars was 410% of its 10-day average while Down Dollars was 1% of its 10-day average. The VIX, or Volatility Index, hit the highest level since August 2002.

The short, intermediate, and long-term trends are down. We reiterate that this continues to be a bifurcated, opportunistic trader's market, with adept traders able to take advantage long or short, but the primary downtrend must be respected. Investors need to be alert to sector rotation and should not hesitate to move out of lagging sectors and stocks and into leaders.

Federal Funds futures are pricing in an 82.0% probability that the Fed will *cut 25 basis points to 1.75%* when they meet on October 29th. They are pricing in a 18% probability that the Fed will *cut 50 basis points to 1.5%* at that meeting.

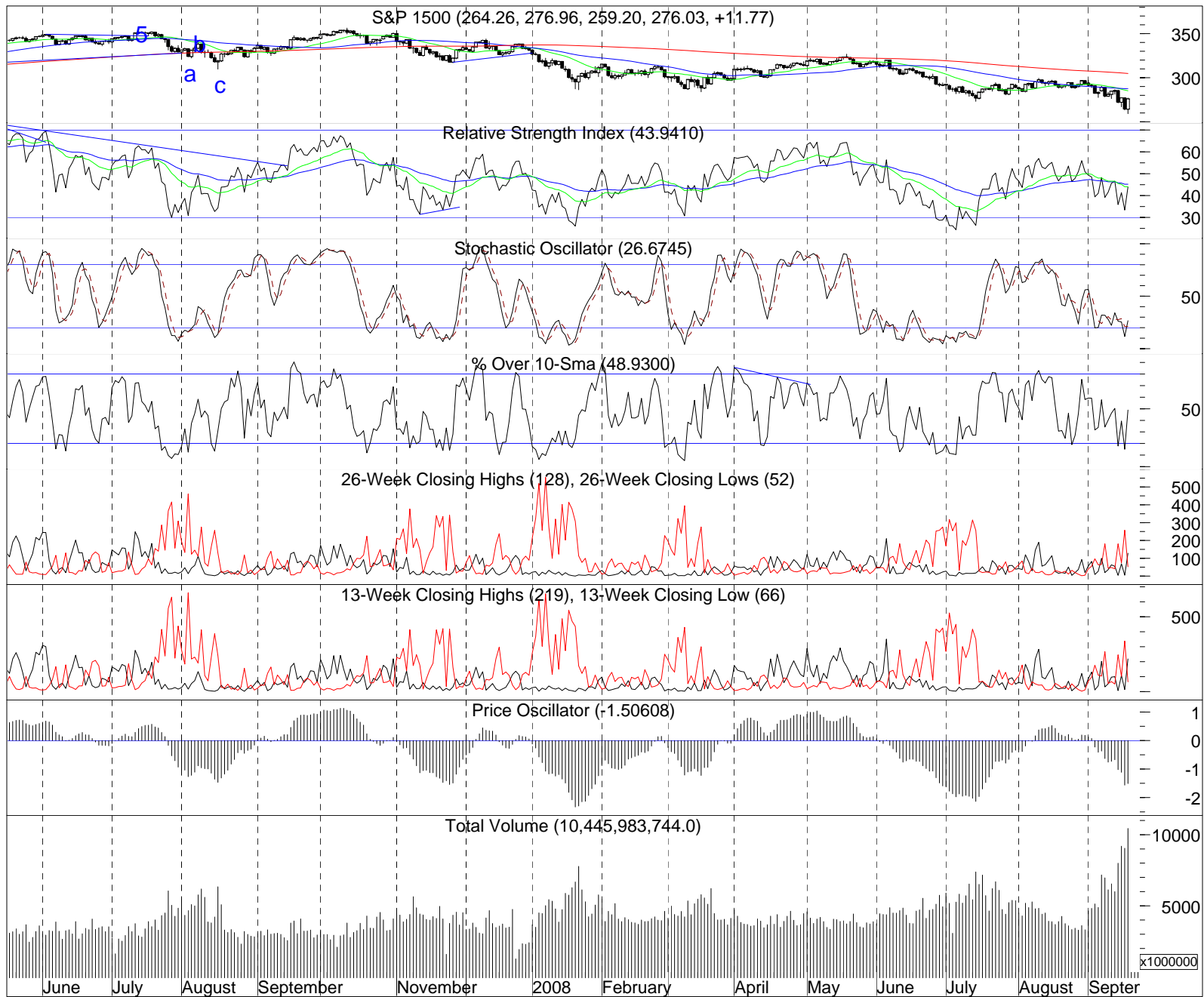
Options expire September 19th. October options expire October 17th.

IMPORTANT DISCLOSURES

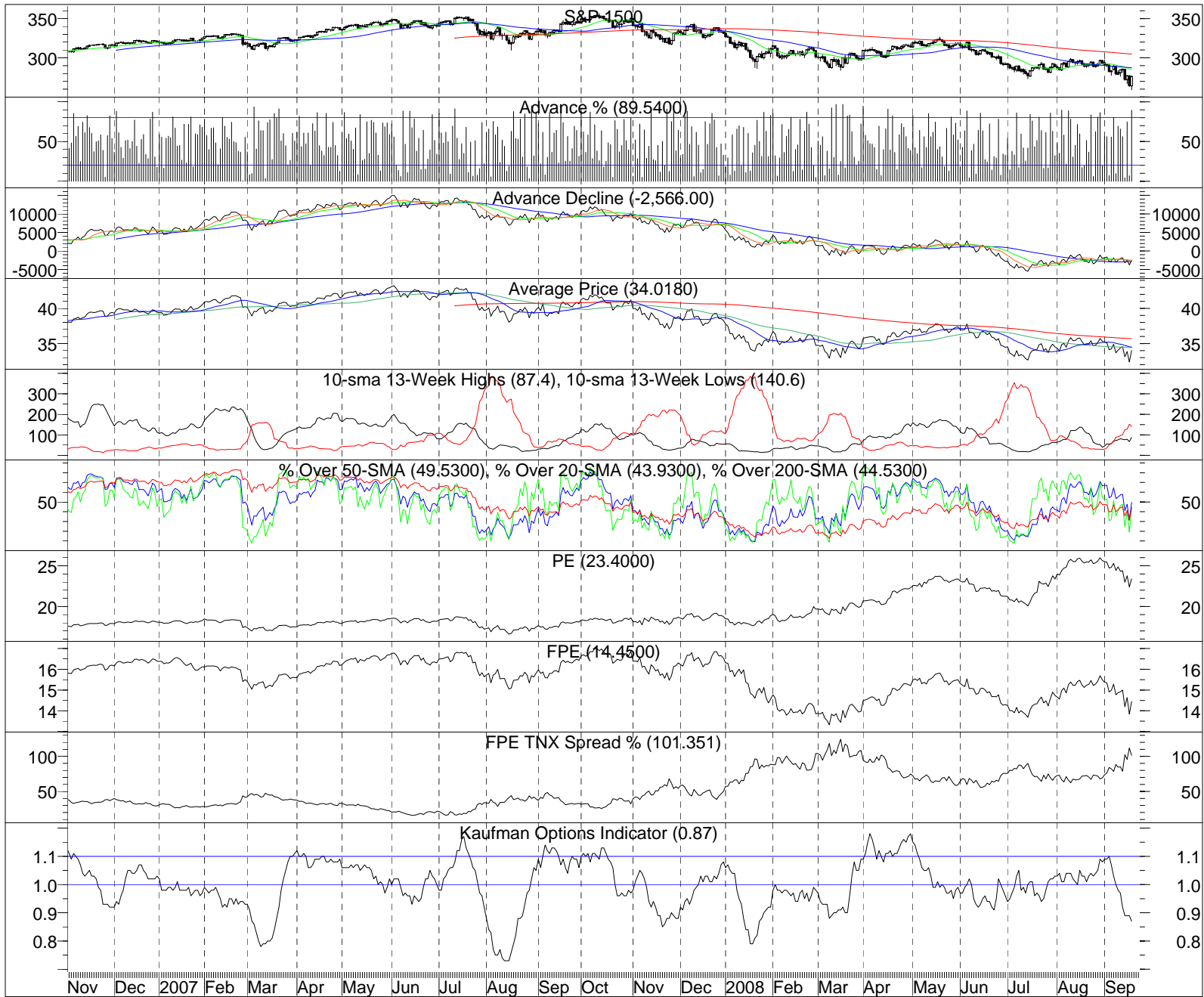
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The Kaufman Report - Wayne S. Kaufman, CMT



89.54% of the S&P 1500 traded higher Thursday.