

Monday September 9, 2014

Closing prices of September 5, 2014

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Monday September 8, 2014

Closing prices of September 5, 2014

In spite of an up and down holiday shortened week with the low coming Friday morning after the payrolls report, stocks still finished the week mostly higher with the S&P 500 printing new daily and weekly closing highs. Major indexes were led by the year-to-date leader Dow Jones Transports, up 2.3%, followed by the Bank of New York Mellon ADR Index, up 0.45%. The only major index losing ground last week was the Russell 2000 (small caps), with a drop of 0.38%. During the week the S&P 500, the Dow Jones Industrials, the Dow Jones Transports, The NYSE Composite, the Nasdaq Composite, and the Nasdaq 100 all recorded new highs. The Russell 2000, S&P Midcap 400, and the Bank of NY Mellon ADR Index have still not surpassed their highs of early July.

Eight of the ten S&P sectors traded higher last week. The leader was Consumer Staples, up 0.82%, Utilities, up 0.77%, followed by Consumer Discretionary up 0.63%. The losers were Energy, down 1.55%, and Information Technology, down 0.02%.

Eighteen of the twenty-four S&P industry groups traded higher last week. The gainers were led by Food & Staples Retailing, up 3.25%, Consumer Durables & Apparel, up 1.98%, and Transports, up 1.93%. The losers were led by Technology Hardware & Equipment, down 1.97%, Energy, down 1.55%, and Automobiles & Components, down 0.64%.

Last week we said in the short-term stocks were still becoming overbought, especially year-to-date leader Nasdaq 100, and sentiment was becoming overly bullish. We added that negative divergences were appearing again, but sellers had retreated to the sidelines. The overbought/overbullish condition weighed down stocks as the first three sessions of the four-day week saw new highs in the S&P 500 yet each day also closed down on the day. After printing the low of the week Friday morning stocks rallied, erasing the loss for the week and allowing the Nasdaq 100 to finish up 0.18% on the week while the S&P 500 gained 0.22%. This was the fifth consecutive weekly gain for each index but the smallest weekly gain for each during that streak.

In the short-term stocks are no longer overbought or overbullish. The percentage of stocks in the S&P 1500 trading over their own 10-day moving averages is a neutral 58.9%, while our proprietary options indicator, which hit an overbullish 1.08 on Friday August 29th, has dropped to a slightly above neutral 1.02. However, just like last week, negative divergences persist, such as the percentage of stocks over their 10-day average just mentioned, which should be much higher considering Friday's new closing high in the S&P 1500 index. Still, as we have highlighted for months, the absence of sellers is the key characteristic of this bull market, and that has allowed equities to overcome periods of negative divergences. Also, there are many charts that are still showing good entry points. Whether or not sellers want to stay on the sidelines could be tested this week, as we leave the period of strong positive seasonality we have discussed which ran from 8/28 through 9/5. September is known as a potentially difficult month, and if interest rates, which jumped up last week, break through important resistance levels that could be seen as a catalyst for some to lighten up on equities. We think the key for investors is to be selective, especially taking into account the lack of new highs in the midcap and small cap indexes mentioned above.

Longer-term we remain bullish. Two weeks ago we discussed the "breadth thrust" buy signal which was recorded on August 19th. We showed a chart of the last fourteen occurrences going back to January 2007, with the six-month average showing gains of 9.26%. The economy continues to improve, valuations are attractive, sellers remain reticent, and the buy the dip mentality is still in effect. We remain concerned about negative divergences in longer-term breadth statistics, but until something changes regarding trends in the economy and the desire on the part of investors to sell we continue to stress selectivity as opposed to defense.

Valuation, based on spreads between equity and bond yields, remains at levels where stocks are attractive versus bonds. The spreads remain in a very tight sideways range since mid-2013, which is also the range of pre-August 2011, showing a comfort level on the part of investors with the current valuations. This is the time of the year when 2015 estimates can start moving higher, which would be a catalyst for higher prices. We need to see this, or stocks will have to rely on multiple expansion for further price appreciation.

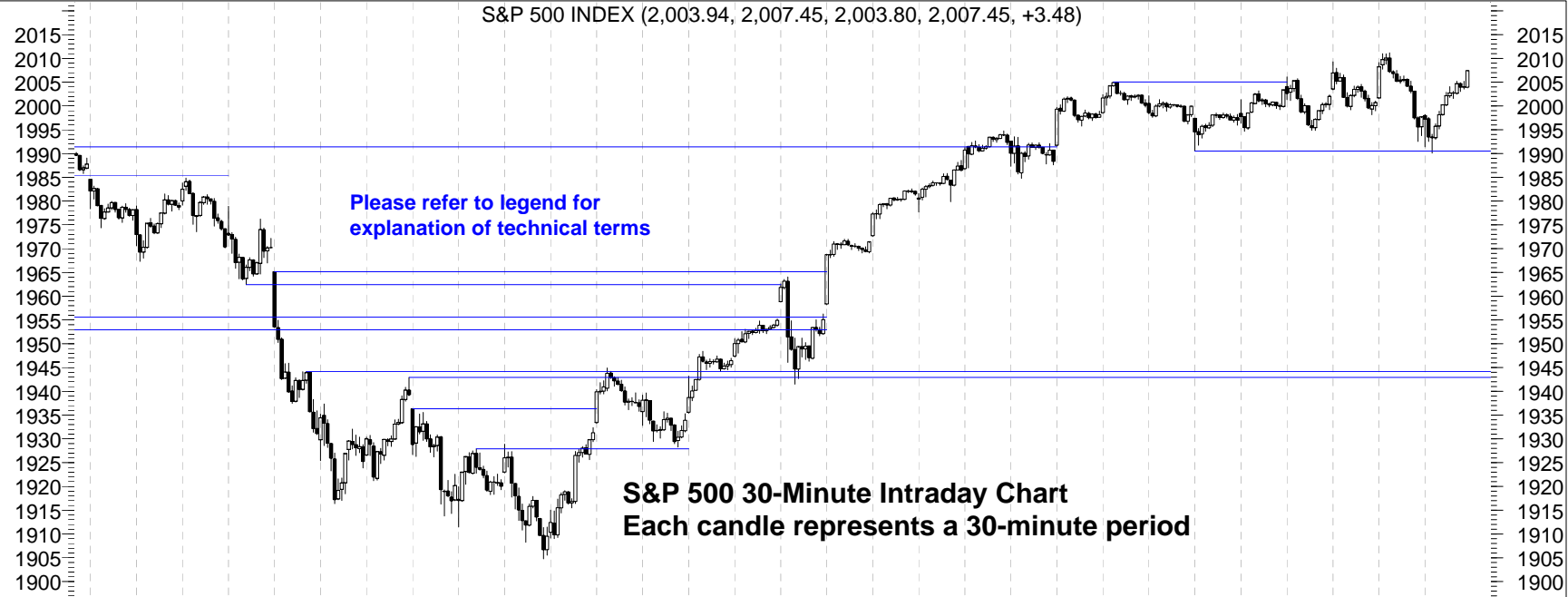
So far 497 of the S&P 500 have reported Q2 earnings. 67.3% beat estimates, 12.3% were in line, and 20.4% missed. In Q1 after 497 companies reported 70.3% beat, 9.1% were in line, while 20.6% missed. The final Q1 tally showed 70.4% beat estimates, 9.1% were in line, and 20.5% missed. The final tally for the fourth quarter was 67.2% beat, 12.9% were in line, and 19.9% missed.

In summary, stocks are no longer short-term overbought or overbullish. We are 98.8% through second quarter earnings season, so that catalyst is gone. Geopolitical events continue to concern investors, but good economic news has trumped those concerns. Valuations are attractive and remain in the tight range they have been in since mid-2013. Worries about the Fed and the taper are back in the spotlight, but bull markets have historically continued for quite a while after the beginning of a rate tightening cycle, and we have not even seen the first rate increase. Longer-term we remain bullish due to an improving economy and attractive valuations for equities. On August 19th we recorded an intermediate-term buy signal called a "breadth thrust" so we are optimistic regarding the next six months. However, we are concerned about negative divergences in longer-term market breadth indicators, which have improved but can be a definite red flag should they continue their recent deterioration.

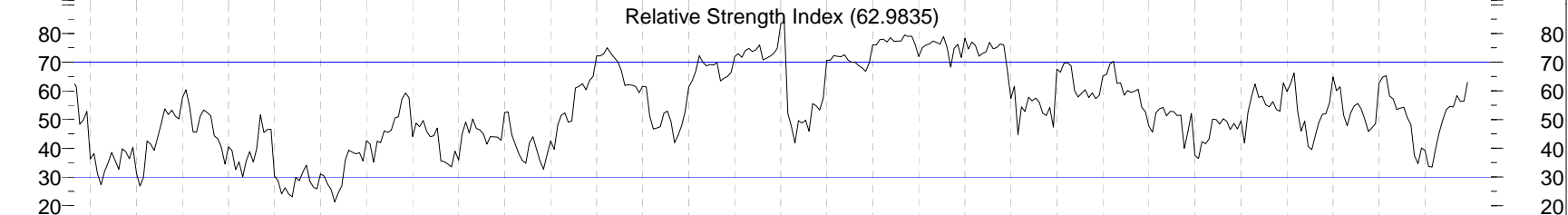
Based on the S&P 500 the short-term, intermediate-term, and long-term trends are up.

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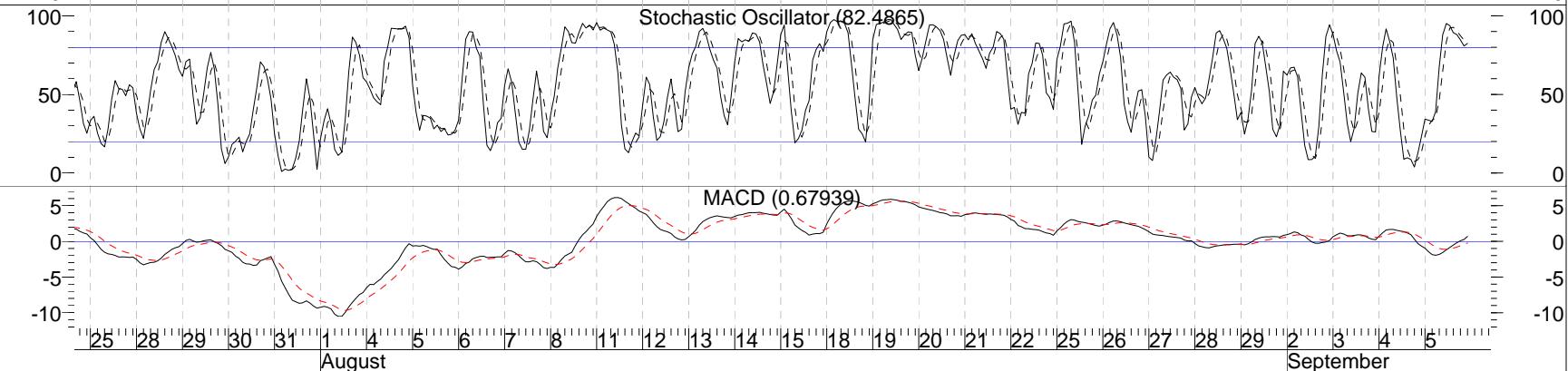
S&P 500 INDEX (2,003.94, 2,007.45, 2,003.80, 2,007.45, +3.48)



The S&P 500 made new highs Wednesday and early Thursday before selling off. It held support Friday and rallied into the close.



30-minute momentum is mostly positive.

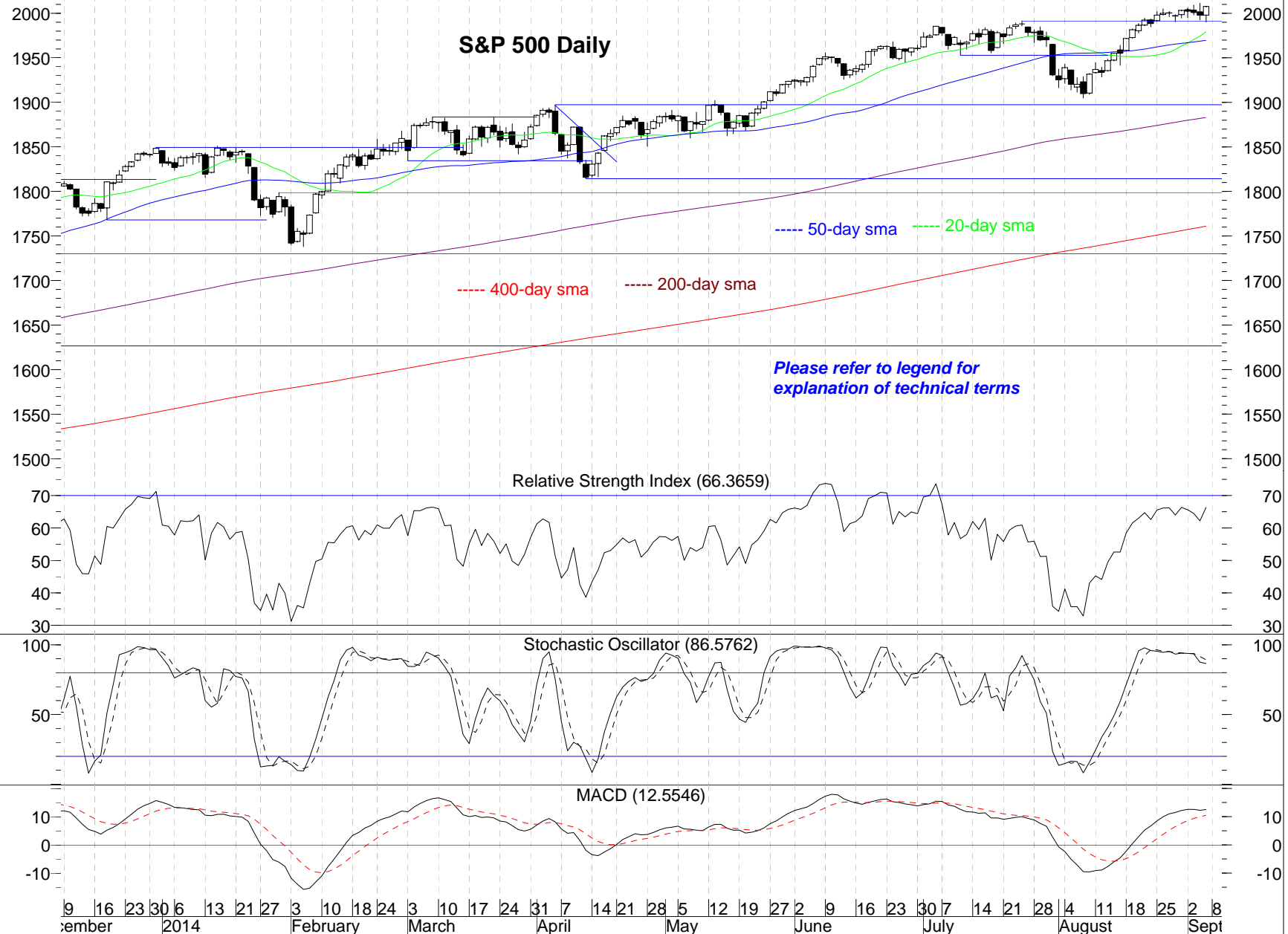


9/6/2014

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S&P 500 INDEX (1,998.00, 2,007.71, 1,990.10, 2,007.71, +10.06)

S&P 500 Daily



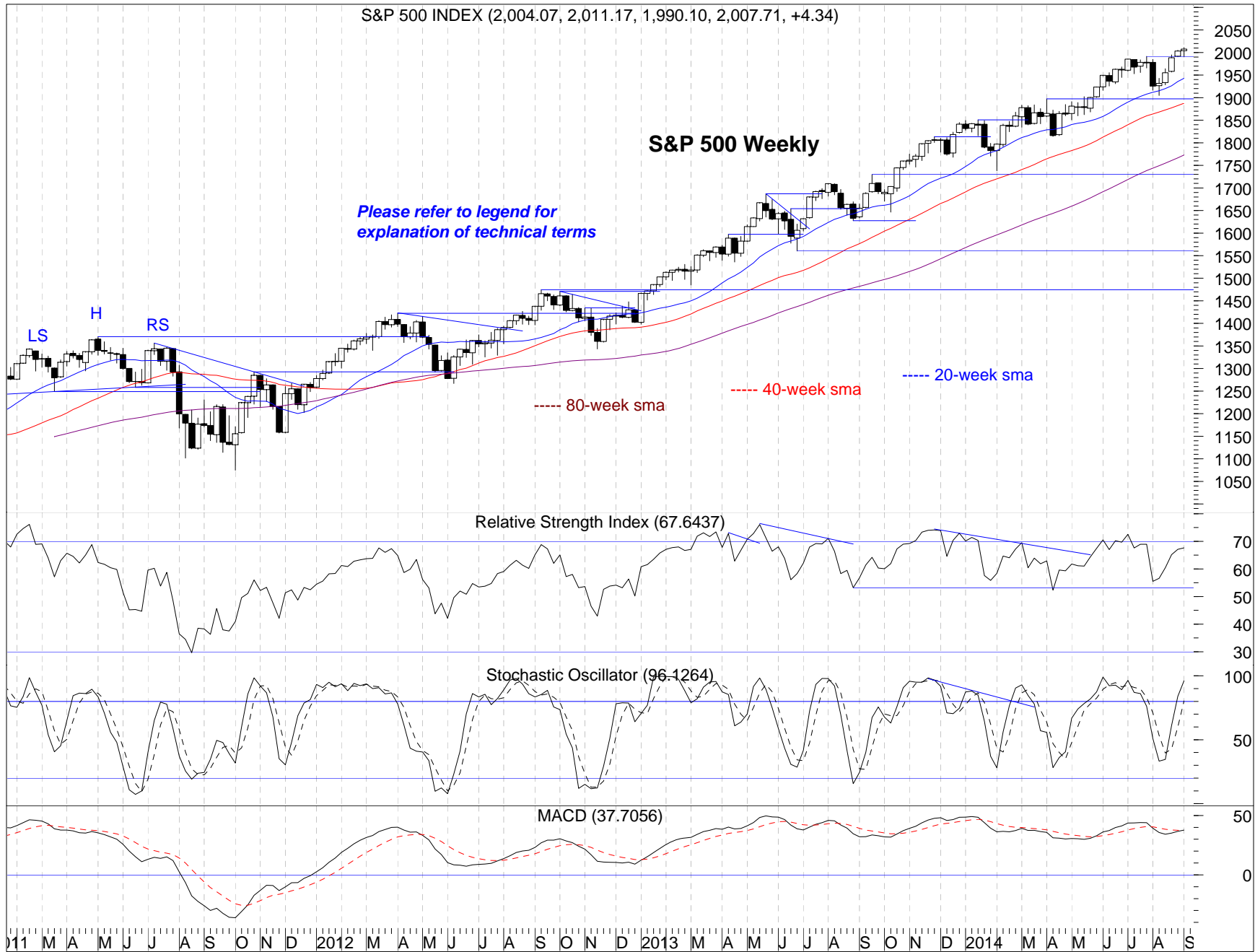
Please refer to legend for explanation of technical terms

The S&P 500 has held the level of its 8/25 breakout to a new high. Thursday was a new intraday high, and Friday was a new closing price high.

Daily momentum is mostly positive.

9/6/2014

S&P 500 INDEX (2,004.07, 2,011.17, 1,990.10, 2,007.71, +4.34)



Please refer to legend for explanation of technical terms

S&P 500 Weekly

A new weekly closing high for the S&P 500.

Weekly momentum remains positive although there is a negative divergence on the RSI.

9/6/2014

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S&P 500 INDEX (2,004.07, 2,011.17, 1,990.10, 2,007.71, +4.34)

Please refer to legend for explanation of technical terms

S&P 500 Monthly

----- 12-month sma

----- 3-month sma

Relative Strength Index (76.7751)

Stochastic Oscillator (87.3143)

MACD (140.551)

97 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

9/6/2014

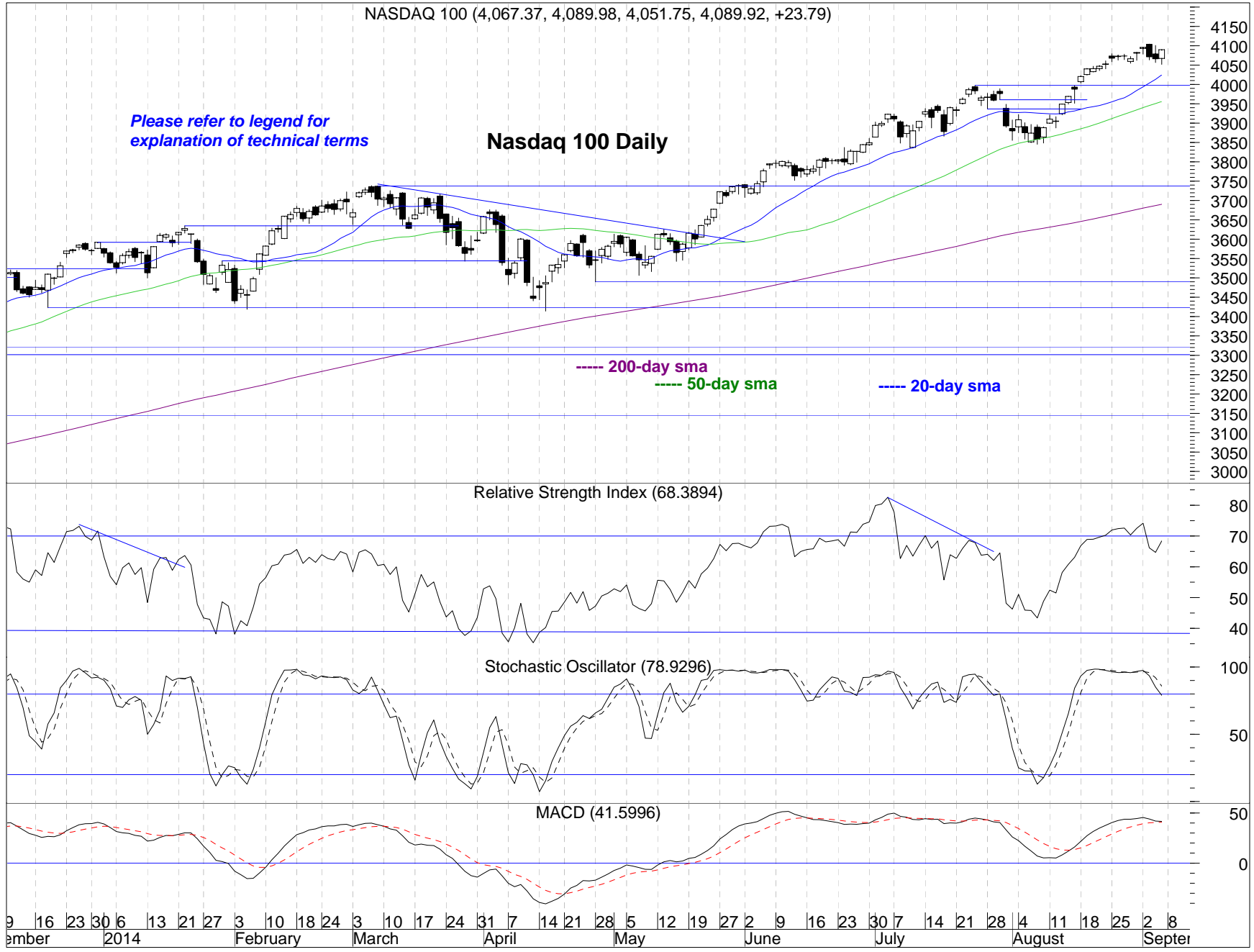
The S&P 500 continues to trade in the ascending channel it has been in since mid-2012.

Monthly momentum is mostly positive but at high or overbought levels.

NASDAQ 100 (4,067.37, 4,089.98, 4,051.75, 4,089.92, +23.79)

Please refer to legend for explanation of technical terms

Nasdaq 100 Daily



The Nasdaq 100 made a new closing high Tuesday and an intraday high Wednesday before selling off prior to Friday's rally.

Daily momentum is threatening to become all negative.

9/6/2014

NASDAQ 100 (4,093.12, 4,104.43, 4,051.75, 4,089.92, +7.36)



Please refer to legend for explanation of technical terms

Nasdaq 100 Weekly

----- 80-week sma ----- 40-week sma ----- 20-week sma

Another weekly closing high for the Nasdaq 100. The last two weeks gains have been minimal.

Weekly momentum remains positive at overbought levels.

9/6/2014

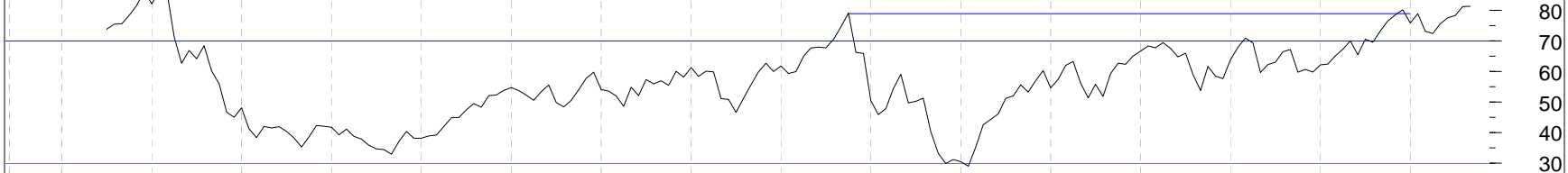
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NASDAQ 100 (4,093.12, 4,104.43, 4,051.75, 4,089.92, +7.36)



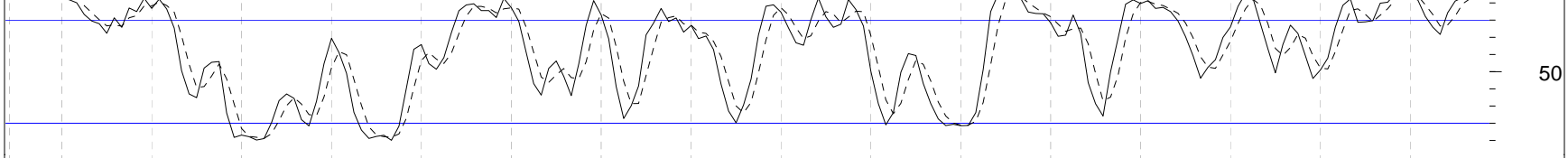
The Nasdaq 100 is just below the resistance of September 2000.

Relative Strength Index (81.3084)

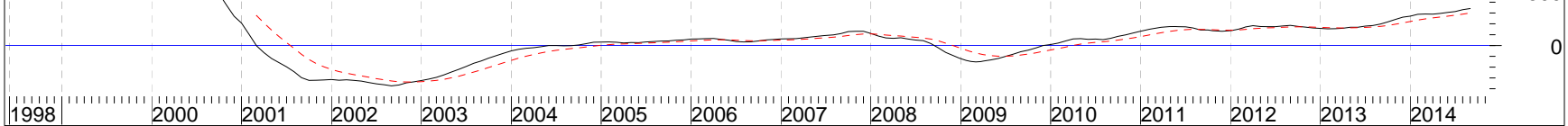


Monthly momentum is positive but overbought.

Stochastic Oscillator (93.5185)



MACD (341.277)



9/6/2014

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S&P COMP 1500 (462.220, 464.440, 460.450, 464.440, +2.23999)

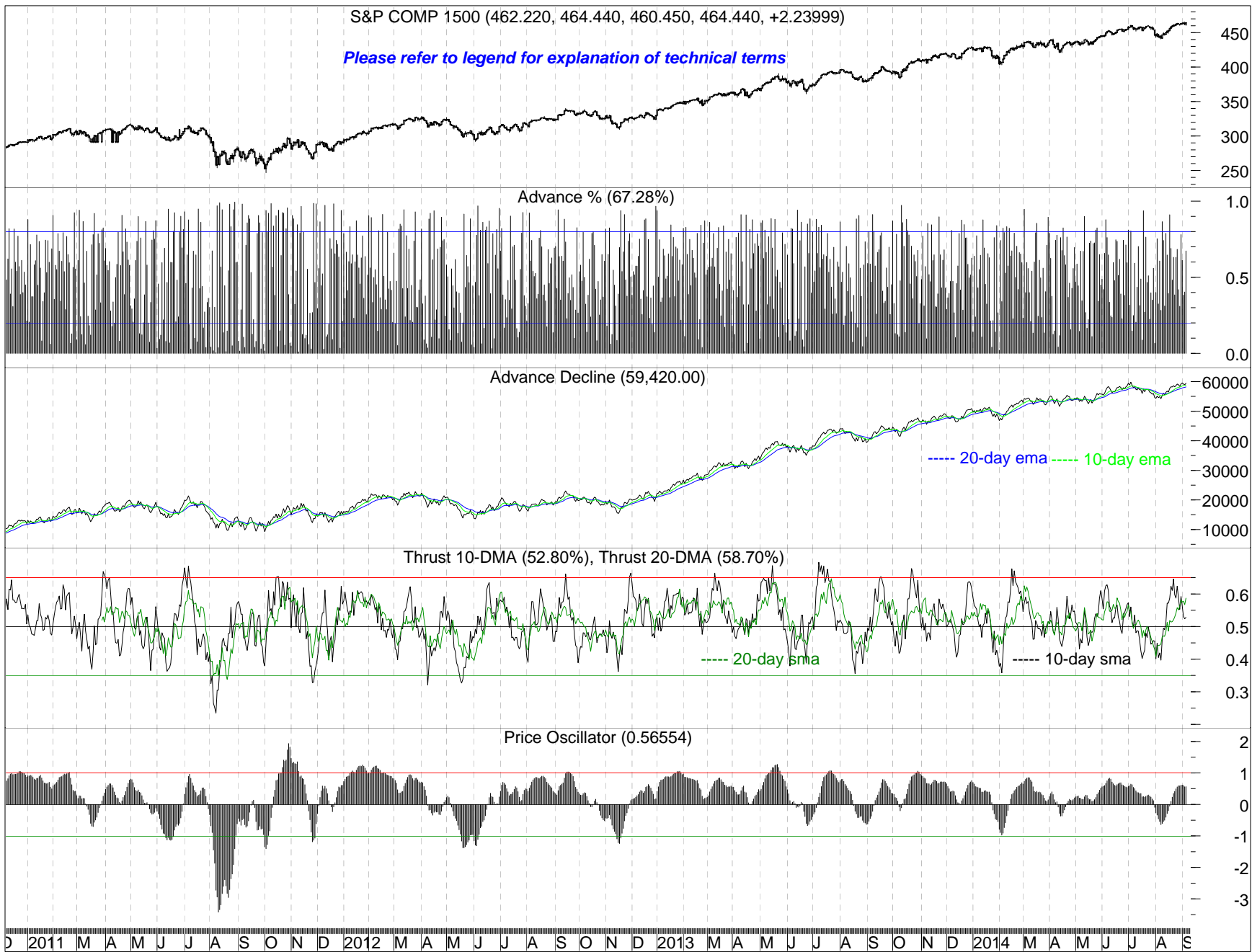
Please refer to legend for explanation of technical terms

Advance % (67.28%)

Advance Decline (59,420.00)

Thrust 10-DMA (52.80%), Thrust 20-DMA (58.70%)

Price Oscillator (0.56554)



67.28% of the S&P 1500 traded higher Friday. The 5-day average is 57.0%.

The S&P 1500 still has not confirmed the new highs in the index, but is only 375 net advancers from its high of 7/3.

The 10 and 20-day averages of advancers remain positive. We had a "breadth thrust" buy signal on 8/19.

Our price oscillator, a good indicator of trends, remains in positive territory.

9/6/2014

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S&P COMP 1500 (462.220, 464.440, 460.450, 464.440, +2.23999)

Please refer to legend for explanation of technical terms

% Over 10-Sma (58.90%)

Kaufman Options Indicator (1.02)

4-Week Closing Highs (376), 4-Week Closing Lows (66)

10-SMA 4-Week Closing Highs (296.90), 10-SMA 4-Week Closing Lows (42.60)

13-Week Closing Highs (175), 13-Week Closing Lows (28)

10-sma 13-Week Highs (132.90), 10-sma 13-Week Lows (22.40)

O N D 2010 A M J J A S O N D 2011 A M J J A S O N D 2012 A M J J A S O N D 2013 A M J J A S O N D 2014 A M J J A S

9/6/2014

In spite of new highs in the S&P 1500 index the percentage of stocks over their own 10-day moving average is only 58.9%, a negative divergence.

Our proprietary options indicator hit 1.08 Tuesday, the highest level of optimism since 5/5. Too much optimism can hurt a rally. It pulled back with stocks and closed the week slightly above neutral at 1.02.

Closing price highs continue to be much greater than closing price lows. Sellers have definitely not been aggressive.

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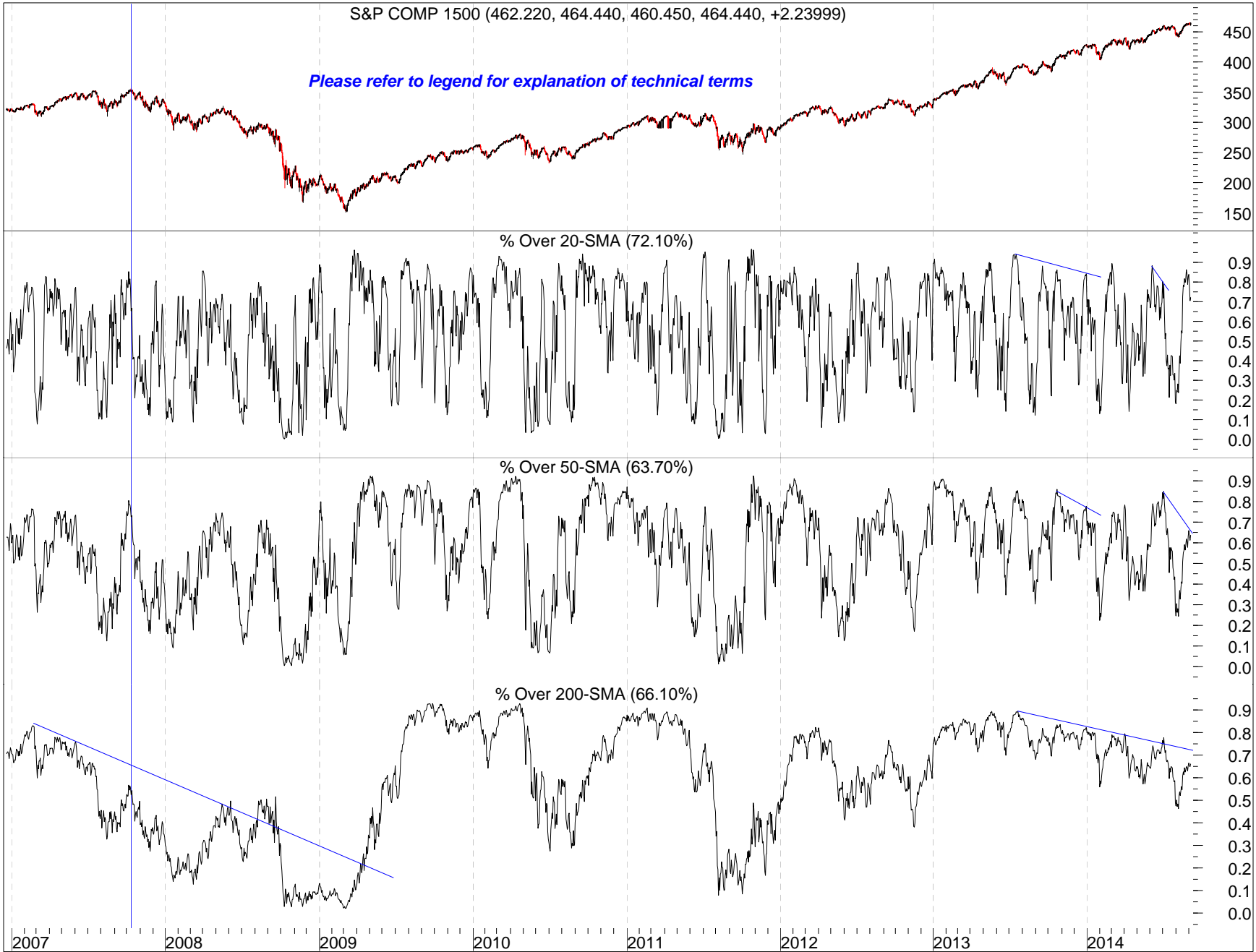
S&P COMP 1500 (462.220, 464.440, 460.450, 464.440, +2.23999)

Please refer to legend for explanation of technical terms

% Over 20-SMA (72.10%)

% Over 50-SMA (63.70%)

% Over 200-SMA (66.10%)



The percentages of stocks in the S&P 1500 over their own longer-term 50 and 200-day moving averages are still showing negative divergences in spite of new highs in the index. This is a red flag, and at the very least highlights the need for selectivity.

9/6/2014

The Kaufman Report - Wayne S. Kaufman, CMT

S&P COMP 1500 (462.220, 464.440, 460.450, 464.440, +2.23999)

Please refer to legend for explanation of technical terms

10 Y TSY YLD NDX (24.6800, 24.8700, 23.8900, 24.6100, +0.13000)

----- 200-day sma ----- 50-day sma ----- 20-day sma

PE Cont Ops (18.5800)

FPE (17.1100)

PE TNX Spread % (106.470)

FPE TNX Spread % (137.490)

EPS (23.6000), EPS Cont Ops (25.0000), Est EPS (27.1400)

A S O N D 2010 A M J J A S O N D 2011 A M J J A S O N D 2012 A M J J A S O N D 2013 A M J J A S O N D 2014 A M J J A S

9/6/2014

Bond yields have rebounded but are still at levels very advantageous for equity valuations.

P/E ratios remain near their highs.

Spreads between equity and bond yields remain in the very tight sideways range they have been in since mid-2013.

This is the time of the year when 2015 estimates can start moving higher, and they need to or equities will need multiple expansion to trade higher.

10 Y TSY YLD NDX (24.68, 24.87, 23.89, 24.61, +0.13)

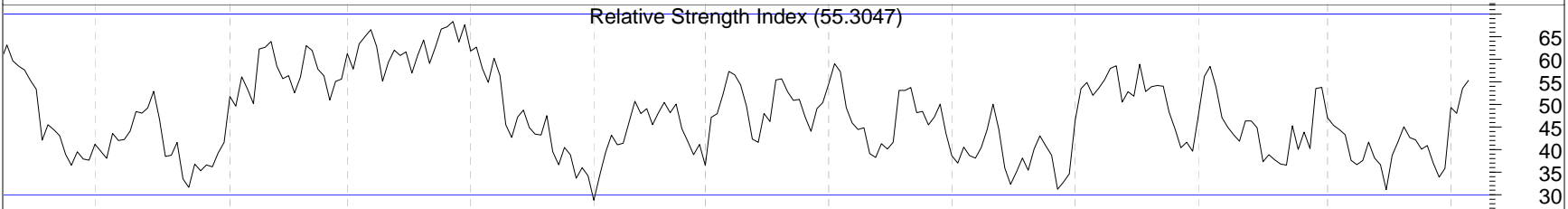
Please refer to legend for explanation of technical terms

10-Year Note Yield Daily



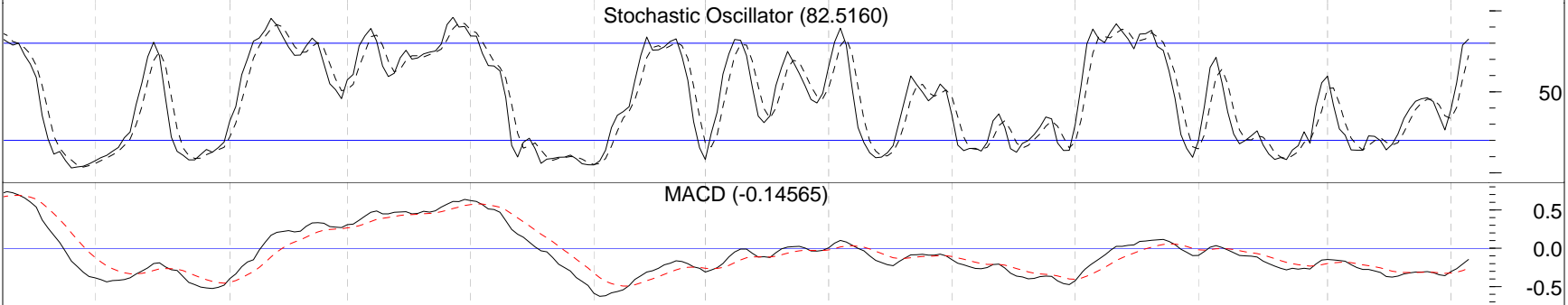
The 10-year note yield has rallied to its 50-day sma.

Relative Strength Index (55.3047)

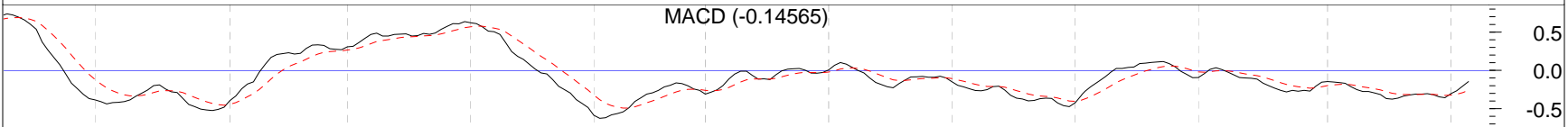


Daily momentum is positive.

Stochastic Oscillator (82.5160)



MACD (-0.14565)



September October November December 2014 February March April May June July August Sep

9/6/2014

10 Y TSY YLD NDX (23.93, 24.87, 23.82, 24.61, +1.18)

Please refer to legend for explanation of technical terms

10-Year Note Yield Weekly

80-week sma

40-week sma

20-week

The 10-year note yield is at multiple resistance levels on its weekly chart.

Relative Strength Index (45.9708)

Stochastic Oscillator (34.8449)

MACD (-0.65628)

Weekly momentum is almost all positive.

1 A M J J A S O N D 2011 A M J J A S O N D 2012 A M J J A S O N D 2013 A M J J A S O N D 2014 M A M J J A S

9/6/2014

10 Y TSY YLD NDX (23.93, 24.87, 23.82, 24.61, +1.18)

10-Year Note Yield Monthly

The 10-year note yield is just above its 3-month sma.

Please refer to legend for explanation of technical terms

-----12-Month sma

-----3-Month sma

Relative Strength Index (50.5286)

Stochastic Oscillator (26.4237)

MACD (0.62800)

Monthly momentum is slightly positive.

2004 2006 2007 2008 2009 2010 2011 2012 2013 2014

9/6/2014

US DOLLAR INDEX (83.8440, 83.9430, 83.5590, 83.7390, -0.08100)

U.S. Dollar Index Daily

Please refer to legend for explanation of technical terms

-----200-day ---- 50-day sma ----- 20-day sma

The U.S. Dollar Index decisively broke through resistance last week.

Relative Strength Index (80.6830)

Daily momentum is overbought.

Stochastic Oscillator (93.2188)

MACD (0.55882)

July August September November December 2014 February March April May June July August Sep

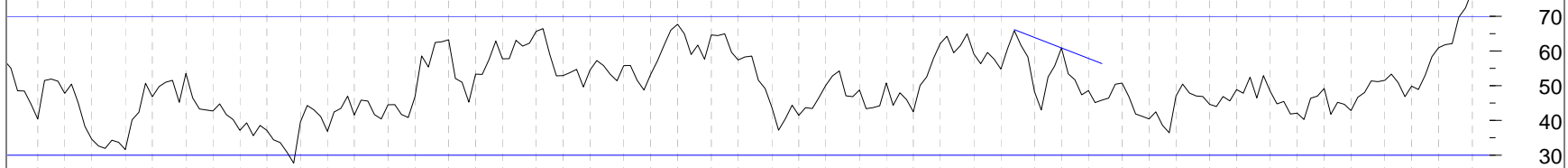
9/6/2014

US DOLLAR INDEX (82.7690, 83.9430, 82.6730, 83.7390, +0.99100)

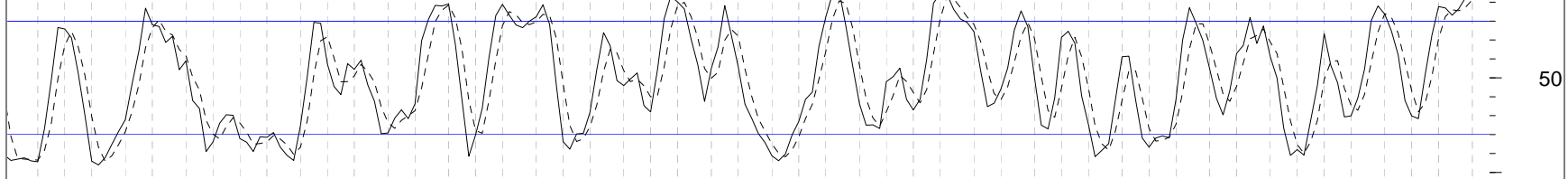


Another big week for the U.S. Dollar Index as it nears another important resistance zone.

Relative Strength Index (77.6167)

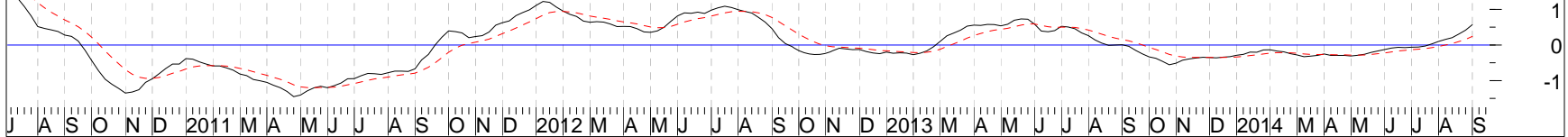


Stochastic Oscillator (95.0069)



Weekly momentum is positive but very overbought.

MACD (0.57118)



J A S O N D 2011 M A M J J A S O N D 2012 M A M J J A S O N D 2013 M A M J J A S O N D 2014 M A M J J A S

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US DOLLAR INDEX (82.7690, 83.9430, 82.6730, 83.7640, +1.01600)

Please refer to legend for explanation of technical terms

U.S. Dollar Index Monthly

--- 3-month sma

--- 12-month sma

Relative Strength Index (60.2221)

Stochastic Oscillator (97.4364)

MACD (0.43262)

The U.S. Dollar Index is challenging important resistance on its monthly chart.

Monthly momentum is positive with only the stochastic overbought.

1998 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

9/7/2014

INVESTMENT SPECIFIC DISCLOSURES

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 - Global gold supply and demand, which is influenced by such factors as forward selling by gold producers, purchases made by gold producers to unwind gold hedge positions, central bank purchases and sales, and production and cost levels in major gold-producing countries such as South Africa, the United States and Australia;
 - Global or regional political, economic or financial events and situations;
 - Investors' expectations with respect to the rate of inflation;
 - Currency exchange rates;
 - Interest rates; and
 - Investment and trading activities of hedge funds and commodity funds.

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 - Commodity prices may change unpredictably, affecting the value of the indices and the value of the ETN in unforeseeable ways.

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 - If certain correlations do not exist, then investors may not be able to use USO as a cost-effective way to invest indirectly in crude oil or as a hedge against the risk of loss in oil-related transactions.
 - USOF does not expect to make cash distributions.
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 - **SPECULATIVE RISK** – Short term traders can increase market volatility and may have a detrimental effect to your investment
 - **CORPORATE GOVERNANCE RISK** – Corporate fraud

Indexes, Sectors, and Industry Groups

Major Index	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Dow Jones Transportation	8601.80	0.61%	2.30%	2.34%	2.30%	4.87%	16.23%	8601.80	9/5/2014	6319.30	9/6/2013
Bank of New York Mellon ADR	157.78	0.21%	0.45%	0.84%	0.45%	0.62%	3.76%	159.35	7/3/2014	138.01	9/5/2013
Dow Jones Industrials	17137.36	0.40%	0.23%	0.34%	0.23%	1.85%	3.38%	17161.55	9/4/2014	14719.43	10/9/2013
S&P 500	2007.71	0.50%	0.22%	0.55%	0.22%	2.42%	8.62%	2011.17	9/4/2014	1640.62	9/6/2013
NYSE Composite	11069.10	0.35%	0.21%	0.54%	0.21%	0.82%	6.43%	11108.39	9/4/2014	9369.49	9/6/2013
S&P 1500	464.44	0.48%	0.20%	0.56%	0.20%	2.12%	8.24%	465.36	9/4/2014	380.55	9/6/2013
Nasdaq 100	4089.92	0.59%	0.18%	0.58%	0.18%	6.25%	13.86%	4104.43	9/3/2014	3098.02	9/6/2013
S&P Midcap 400	1439.37	0.35%	0.08%	0.64%	0.08%	0.45%	7.21%	1452.01	7/1/2014	1186.60	9/6/2013
Nasdaq Composite	4582.90	0.45%	0.06%	0.55%	0.06%	3.96%	9.73%	4610.14	9/3/2014	3618.77	9/6/2013
Russell 2000	1169.90	0.23%	-0.38%	0.34%	-0.38%	-1.93%	0.54%	1213.55	7/1/2014	1015.72	9/6/2013

S&P Sector	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Consumer Staples	467.61	0.56%	0.82%	0.94%	0.82%	1.80%	5.65%	468.07	7/14/2014	404.63	9/6/2013
Utilities	220.37	1.24%	0.77%	1.52%	0.77%	-2.03%	14.06%	225.35	6/30/2014	184.87	9/5/2013
Consumer Discretionary	548.24	0.38%	0.63%	0.63%	0.63%	3.55%	3.42%	548.47	9/4/2014	459.28	9/6/2013
Industrials	466.45	0.35%	0.53%	0.53%	0.53%	0.18%	3.09%	479.63	6/9/2014	382.91	9/6/2013
Health Care	741.23	0.57%	0.49%	0.90%	0.49%	5.21%	15.40%	743.92	9/4/2014	572.81	9/6/2013
Financials	315.37	0.18%	0.44%	0.96%	0.44%	2.86%	7.01%	316.77	9/4/2014	262.54	10/9/2013
Telecom Services	161.18	0.56%	0.38%	1.08%	0.38%	1.85%	3.64%	172.45	7/29/2014	143.28	2/3/2014
Materials	318.62	0.49%	0.17%	0.33%	0.17%	1.65%	9.25%	319.11	9/4/2014	257.24	9/6/2013
Information Technology	664.77	0.65%	-0.02%	0.43%	-0.02%	5.11%	13.54%	666.91	9/3/2014	506.46	10/9/2013
Energy	704.64	0.69%	-1.55%	-1.07%	-1.55%	-3.16%	8.13%	738.72	6/23/2014	593.82	10/9/2013

S&P Industry Group	Price	Daily	WTD	5-Days	MTD	QTD	YTD	52H	High Dt	52L	Low Dt
Food & Staples Retailing	335.91	1.42%	3.25%	3.11%	3.25%	2.58%	5.71%	336.85	6/6/2014	282.12	9/6/2013
Consumer Durables & Apparel	282.12	0.53%	1.98%	1.88%	1.98%	2.42%	-1.04%	285.53	1/3/2014	240.84	9/6/2013
Transports	552.35	0.55%	1.93%	2.00%	1.93%	3.94%	15.17%	553.64	9/4/2014	403.61	9/6/2013
Media	467.36	0.72%	1.07%	1.06%	1.07%	3.74%	8.63%	467.36	9/5/2014	360.52	9/6/2013
Software & Services	904.26	0.64%	1.06%	1.54%	1.06%	5.35%	8.50%	904.26	9/5/2014	705.26	9/6/2013
Real Estate	177.81	1.08%	1.03%	1.48%	1.03%	4.73%	19.37%	177.86	9/5/2014	144.06	9/5/2013
Health Care Equip & Services	659.89	0.84%	0.95%	1.51%	0.95%	4.48%	14.47%	660.71	9/4/2014	518.93	9/30/2013
Semiconductors & Equipment	532.13	0.68%	0.90%	1.77%	0.90%	6.78%	25.93%	532.33	9/4/2014	368.36	9/6/2013
Utilities	220.37	1.24%	0.77%	1.52%	0.77%	-2.03%	14.06%	225.35	6/30/2014	184.87	9/5/2013
Diversified Financials	485.49	0.17%	0.63%	1.24%	0.63%	4.58%	8.25%	487.32	9/4/2014	391.80	10/9/2013
Household & Personal Products	517.88	0.24%	0.49%	0.61%	0.49%	2.80%	1.63%	530.20	11/26/2013	469.34	10/3/2013
Retailing	960.06	0.19%	0.45%	0.44%	0.45%	8.03%	2.16%	962.10	9/4/2014	812.53	9/6/2013
Banks	223.86	-0.03%	0.45%	0.96%	0.45%	1.82%	7.01%	228.93	3/21/2014	185.00	10/9/2013
Telecom Services	161.18	0.56%	0.38%	1.08%	0.38%	1.85%	3.64%	172.45	7/29/2014	143.28	2/3/2014
Pharmaceuticals, Biotech & Life Sci	723.10	0.45%	0.28%	0.61%	0.28%	5.55%	15.84%	726.66	9/4/2014	552.43	9/6/2013
Capital Goods	494.00	0.27%	0.19%	0.14%	0.19%	-0.97%	-0.15%	518.39	6/9/2014	418.82	9/6/2013
Materials	318.62	0.49%	0.17%	0.33%	0.17%	1.65%	9.25%	319.11	9/4/2014	257.24	9/6/2013
Commercial & Professional Service	207.44	0.63%	0.12%	0.41%	0.12%	2.16%	7.53%	208.65	8/21/2014	165.69	9/6/2013
Consumer Services	696.22	0.43%	-0.05%	-0.06%	-0.05%	-2.10%	1.57%	720.69	7/3/2014	615.18	10/9/2013
Food, Beverage & Tobacco	544.45	0.30%	-0.08%	0.14%	-0.08%	1.08%	7.27%	549.34	6/20/2014	467.26	10/9/2013
Insurance	295.46	-0.08%	-0.43%	0.03%	-0.43%	0.54%	2.20%	299.15	7/3/2014	251.47	9/6/2013
Automobiles & Components	139.51	-0.24%	-0.64%	-0.38%	-0.64%	-2.75%	0.38%	146.81	7/14/2014	125.47	2/3/2014
Energy	704.64	0.69%	-1.55%	-1.07%	-1.55%	-3.16%	8.13%	738.72	6/23/2014	593.82	10/9/2013
Technology Hardware & Equipmen	689.70	0.64%	-1.97%	-1.71%	-1.97%	4.13%	17.87%	706.78	9/2/2014	511.96	9/16/2013

DATA QUOTED REPRESENTS PAST PERFORMANCE.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

Kaufman Report Legend

4-Week Closing Highs – The number of stocks in the S&P 1500 index that closed at the highest daily closing price of the last four weeks.

4-Week Closing Lows - The number of stocks in the S&P 1500 index that closed at the lowest daily closing price of the last four weeks.

10-Sma 4-Week Closing Highs - The 10-day simple moving average of 4-week closing price highs.

10-Sma 4-Week Closing Lows - The 10-day simple moving average of 4-week closing price lows.

10-Sma 13-Week Closing Highs – The 10-day simple moving average of 13-week closing price highs.

10-Sma 13-Week Closing Lows – The 10-day simple moving average of 13-week closing price lows.

13-Week Closing Highs - The number of stocks in the S&P 1500 index that closed at the highest daily closing price of the last thirteen weeks.

13-Week Closing Lows - The number of stocks in the S&P 1500 index that closed at the lowest daily closing price of the last thirteen weeks.

Advance Percentage - The percentage of stocks in the S&P 1500 that closed higher on the day.

Advance Decline Line – The cumulative total of daily net advances minus declines.

Bearish Engulfing Candle - a two candle pattern that occurs after an uptrend. The second candle is down and the close is lower than the open such that the real body of the second candle completely engulfs the real body of the first candle. Considered bearish because it shows a potential reversal of trend and they are frequently seen at tops.

Bullish Engulfing Candle - a two candle pattern that occurs after a downtrend. The second candle is up and the close is higher than the open such that the real body of the second candle completely engulfs the real body of the first candle. Considered bullish because it shows a potential reversal of trend and they are frequently seen at bottoms.

Candle – the name given to the pattern created during a single time increment in Japanese candlestick charting. Candles can apply to any time frame such as minutes, hours, days, weeks, months, etc. Candles are made up of an opening price, a closing price, a high and a low. The candle also has a real body, which is the fat area between the open and the close, and shadows or wicks, which are the thin lines above or below the real body that show the high or low for the candle. When price closes higher than the open the candle is white, or not filled in. When price closes below the open, the candle is dark, or filled in.

Channel lines - parallel trend lines that form the borders of a trading range. Channels can be ascending, descending, or sideways. The top trend line is considered to be price resistance, while the bottom trend line is considered to be support.

Close - the last price of trading during the session. On a daily chart where each candle represents one day the close is the last price of the day. On a weekly chart it is the last price of the week, etc.

Confirmation – when an indicator gives the same or similar interpretation to price or to another indicator. For example, in Dow Theory if the Industrials make a new high but the Transports do not that is considered non-confirmation.

Doji - a candle where the opening price and the closing price are the same or very nearly the same. Doji are considered to show indecision on the part of investors and are frequently seen at turning points.

Dow Theory - a theory about stock movement based on the writings of the first editor of the Wall Street Journal, Charles Dow. Perhaps the most widely used aspect of Dow Theory is the belief that the Industrial and Transportation Averages had to confirm each other. If one made a new high the other needed to confirm it by also making a new high. If not, there is what technicians call “non-confirmation.” This is a simple and appealing theory because if companies manufacture products they also need to ship them. Dow Theory is considered to be an intermediate-term system, not a short-term trading system.

Earnings yield - the theoretical yield of a stock based on the inverse of its P/E ratio. For example, a \$20 stock that earns \$1 per share has a P/E ratio of 20. If you take the \$1 and divide it by 20 that equals 5%, which is the earnings yield. A \$20 stock earning \$2 would have a P/E of 10, and an earnings yield of 10%. Also known as equity yield.

Equity Yield - same as earnings yield.

EPS - Earnings Per Share.

EPS Cont Ops – Earnings per share from continuing operations

Est EPS – Estimated earnings per share

EMA - Exponential Moving Average – A moving average that gives more weight to recent prices in an attempt to reduce the lag inherent in simple moving averages.

Fibonacci - a numerical sequence named after Leonardo Fibonacci. The sequence begins with “0” and “1”, then takes a number and adds it to the number just before it in the sequence to arrive at the number that will come after. The sequence goes 0,1,1,2,3,5,8,13,21,34,55,89,144,233,377, etc. The ratios created by dividing one of the numbers with its preceding or following number are used for measuring retracements or for making projections. Interestingly, the ratios created beginning with the number eight are all about 0.618 or 1.618. This is what is known as the “golden ratio.”

Gap – a price zone on a chart where no trades were executed, resulting in an open space, or “gap” from one price to the next.

H – an abbreviation for “Head” on a head & shoulders pattern.

Hammer - the name given to a single candle that looks like a hammer and has significance due to it appearing at the end of a downtrend. An easy mnemonic is to think the market is “hammering out a bottom.” The exact same candle appearing during an uptrend is NOT called a hammer. In that case it would either be insignificant or it would possibly be a “hanging man” candle.

Hanging Man - a potentially bearish candle appearing in an uptrend. It has the shape of a hammer but is not a hammer because a hammer is a bottoming candle and needs to come during a downtrend. The hanging man requires confirmation from the next candle to confirm the bearish interpretation.

Head and Shoulders – possibly the most famous pattern in technical analysis. It is a bearish topping pattern comprised of at least one left shoulder, which is a short-term peak in price, the head, which is also a peak but

which is higher than the left shoulder, and the right shoulder, which is a third short-term peak in price and which is also lower than the head. A trend line called the “neckline” can be drawn across the areas where support was found during the formation of the peaks. A break of the neckline of a regular head and shoulders pattern has bearish implications. There is also an inverted, or inverse head and shoulders pattern, which is a bullish bottoming pattern. In this case the left shoulder is support during a move lower, the head is support that is even lower than the left shoulder, and the right shoulder is support that is higher than the head. The neckline in this case is drawn across the resistance levels that were created during the formation of the support levels. A break of the neckline has bullish implications.

High – the highest price where trading took place during the session.

High Wave Candle - a candle with very long upper and lower shadows.

Horizontal lines - lines drawn on charts to show support or resistance levels. On momentum indicators they are used to define overbought or oversold zones.

Island Reversal – a chart pattern where there is a gap up or down, a period of trading, then another gap in the opposite direction of the first gap. The two gaps create the boundaries of the “island.” The island can be one or more candles. Island reversals come after an up or downtrend and are considered to be reversal signals.

Kaufman Options Indicator – a proprietary indicator consisting of multiple moving averages of call and put option buying. It is a sentiment indicator so it has a contrarian interpretation. Extreme optimism is bearish, and extreme pessimism is bullish.

Low - the lowest price traded during the defined session.

LS – an abbreviation for “left shoulder” on a head & shoulders pattern.

MACD - Moving Average Convergence Divergence – A momentum indicator created by Gerald Appel. It is comprised of three moving average signal lines, only two of which are seen. These can be user defined. Unlike the stochastic oscillator and the RSI the MACD does not have boundaries. Its most basic use is as an indicator of trends as opposed to readings of overbought or oversold like the stochastic and RSI.

Measured Move - a price move on a chart that has three sections, or “legs”, and in which the first and third legs, which move in the same direction, are of approximately the same size.

Moving Average – The average price of something over a given period of time. For example a 10-day simple moving average is the sum of the last ten days closing price divided by ten.

Neckline - a line drawn the top or bottom of a head & shoulders pattern connecting support levels. On an inverted head and shoulders pattern the line connects resistance levels. The line can be ascending, descending, or horizontal. Drawing a vertical line from the head to the neckline and adding that same length to the other side of the neckline where a breakout or breakdown occurs creates the technical target price.

Negative divergence - when an indicator fails to confirm price or another indicator, that is considered a negative divergence. For example, when an index makes a new high but the number of stocks in the index also making a new high is much fewer than at previous highs for the index, that is a negative divergence.

OHLC – Numbers at the top of price charts reflecting the opening price, high price, low price, closing price, and price change, in that order.

Open - the first price trading occurred during a session.

PE Cont Ops – PE ratio from continuing operations

PE Ratio - possibly the most common way of valuing a stock. It is the price per share divided by the earnings per share. For example, a \$20 stock with earnings of \$1 per share would have a P/E ratio of 20.

FPE – Forward PE, or the PE derived from earnings projections.

PE TNX Spread Percentage – The difference between the equity yield derived from the PE ratio and the 10-year note yield expressed as a percentage.

FPE TNX Spread Percentage – The difference between the FPE (forward PE ratio) equity yield derived from the FPE ratio and the 10-year note yield expressed as a percentage.

Percentage Over 10-Sma – The percentage of stocks in the S&P 1500 that are currently above their own 10-day simple moving average.

Percentage Over 20-Sma – The percentage of stocks in the S&P 1500 that are currently above their own 20-day simple moving average

Percentage Over 50-Sma – The percentage of stocks in the S&P 1500 that are currently above their own 50-day simple moving average.

Percentage Over 200-Sma – The percentage of stocks in the S&P 1500 that are currently above their own 200-day simple moving average.

Price Channel - parallel trend lines that form the borders of a trading range. Channels can be ascending, descending, or sideways. The top trend line is considered to be price resistance, while the bottom trend line is considered to be support.

Price Oscillator – The difference between two moving averages.

Real Body - the fat part of a candle that is between the opening price and the closing price. It does not include the thin lines above and below the real body, which are known as shadows, or wicks.

Relative Strength Index – A momentum oscillator developed by J. Welles Wilder. It compares the strength of losses versus the strength of gains for a period of time defined by the user. The most common is fourteen periods. The RSI can only travel between zero and one-hundred, so there can be times when it flat lines against the boundary. Its most basic use is as an overbought or oversold indicator.

Resistance – an area on a chart where demand (buying) weakened, prices had trouble continuing to go higher, and supply (selling) strengthened, sending prices lower. Can be a particular price or a price zone. A stock moving up may have trouble when it reaches an area of resistance. Resistance points and resistance zones can be notated by trend lines. These trend lines can be sloping up, down, or they can be horizontal. Resistance can frequently be seen in the form of moving averages. In this case it may be theoretical if price has not stopped rising at that same level previously.

RS – the abbreviation for “right shoulder” on the chart of a head & shoulders pattern.

Shadow - shadows are lines that are part of a candle and are on the top or bottom of a real body. The upper shadow top is the high of the session, while the lower shadow bottom is the low of the session. Also called a wick.

SMA – Simple Moving Average - The average price of something over a given period of time. For example a 10-day simple moving average is the sum of the last ten days closing price divided by ten. A 50-day simple moving average (sma) is the sum of the last fifty days closing price divided by fifty.

Spinning Top – a candle with a small real body. Shows indecision, or the tug-of-war between buyers and sellers.

Stochastic Oscillator – Developed by George Lane and based on the observation that in up trends prices tend to close in the upper part of their range while in down trends they close in the lower part of the range. The range can be user defined. The stochastic can only travel between zero and one-hundred, so there can be times when it flat lines against the boundary. Its most basic use is as overbought or oversold indicator.

Support - an area on a chart where supply (selling) weakened, prices had trouble continuing to go lower, and demand strengthened, sending prices higher. Can be a particular price or a price zone. A stock moving down may have trouble going lower when it reaches an area of support. Support points and support zones can be notated by trend lines. These trend lines can be sloping up, down, or they can be horizontal. Support can frequently be seen in the form of moving averages. In this case it may be theoretical if price has not stopped dropping at that same level previously.

Thrust DMA – The 10-day simple moving average of the daily percentage of advancing stocks on the S&P 1500.

TNX – The 10-year note yield.

Trend Lines – lines drawn on charts to show support or resistance levels.

Triangle - a chart pattern that forms the shape of a triangle. Can be ascending, descending, or symmetrical.

Vertical lines – seen on charts to designate different time zones. Also used as a visual aid to line up important points on price charts with their corresponding point on technical indicators.

Wedge - a chart pattern that looks like a triangle but where the top and bottom borders each slope in the same direction. In a bearish wedge each border slopes up. In a bullish wedge each border slopes down.

Wick - see shadow.