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# The Kaufman Report

Trade what you see, not what you think.

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Wednesday April 30, 2008

Closing prices of April 29, 2008

The S&P 1500 traded lower Tuesday as the index ran into resistance at the long-term down trend line from the October high. It was a pull back on light volume ahead of the FOMC meeting.

There are negative divergences on some breadth indicators and our proprietary options indicator is showing too much bullishness. Therefore, while the upward momentum is still intact and seasonality is still positive, we are prepared for a pull back at any time.

Federal Funds futures are pricing in an 80% probability that the Fed will cut rates another 25 basis points to 2.00%, and a 20% probability of no change when they meet again on April 30<sup>th</sup>.

So far 301 companies have reported first quarter earnings. According to Bloomberg 62.5 % have had positive surprises, 11.3% have been in line, and 26.2% have been negative. The year-over-year average change has been -18.6% on a share-weighted basis, -3.9 % market cap-weighted, and -11.6% non-weighted.

The S&P 1500 (314.89) was down 0.427% Tuesday. Average price per share was down 0.69%. Volume was 92% of its 10-day average and 89% of its 30-day average. 41.35% of the S&P 1500 stocks were up on the day. Up Dollars was 32% of its 10-day moving average and Down Dollars was 164% of its 10-day moving average.

Options expire May 16<sup>th</sup>. The FOMC meets April 30<sup>th</sup> (that's today!).

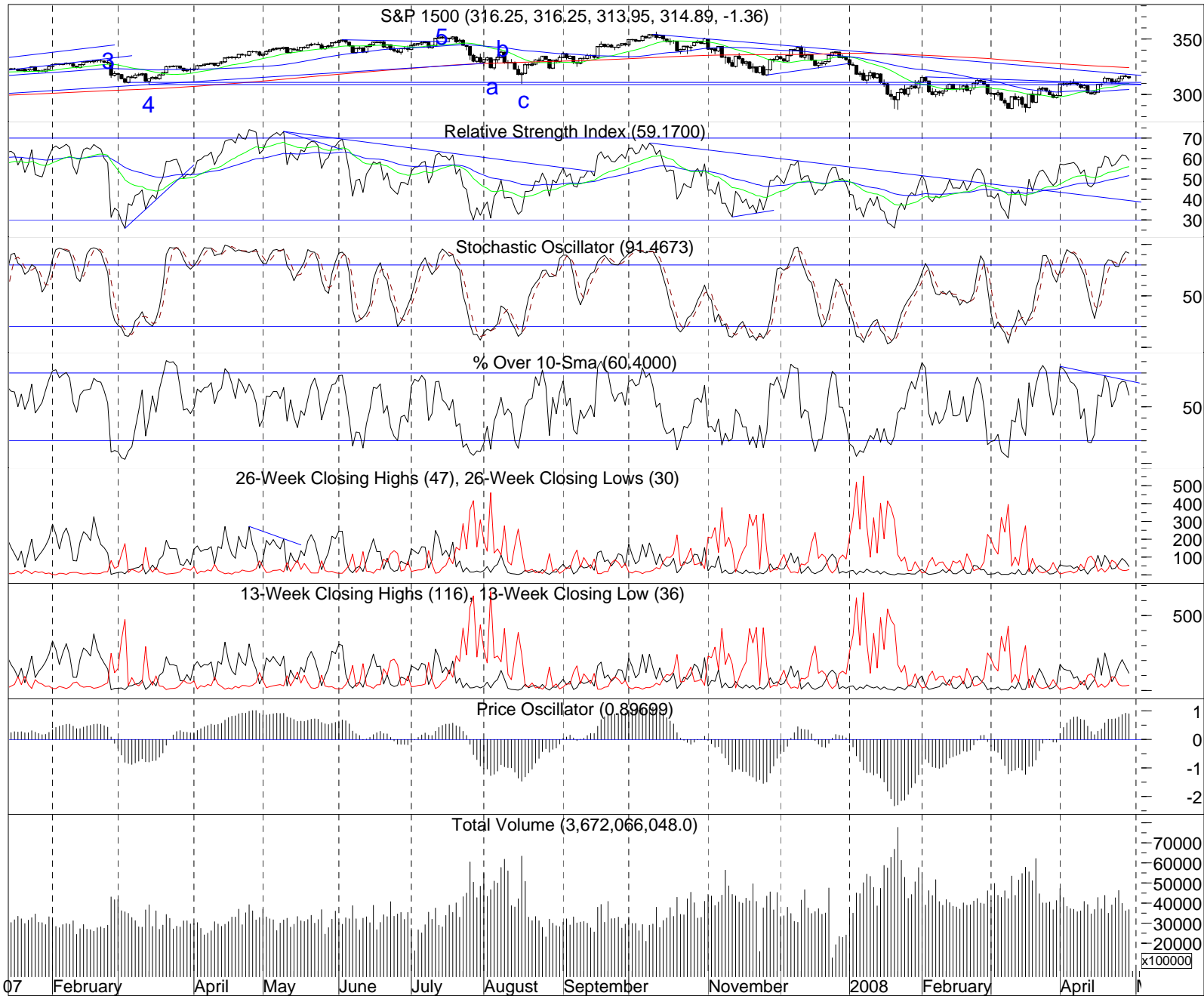
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S&P 1500 Analysis - Wayne S. Kaufman, CMT



The S&P 1500 has run into resistance at the long-term down trend line.

There is a negative divergence in the percent over 10-sma.

Fewer stocks made new highs as the index advanced.

Volume has been light on Monday and Tuesday's down days.

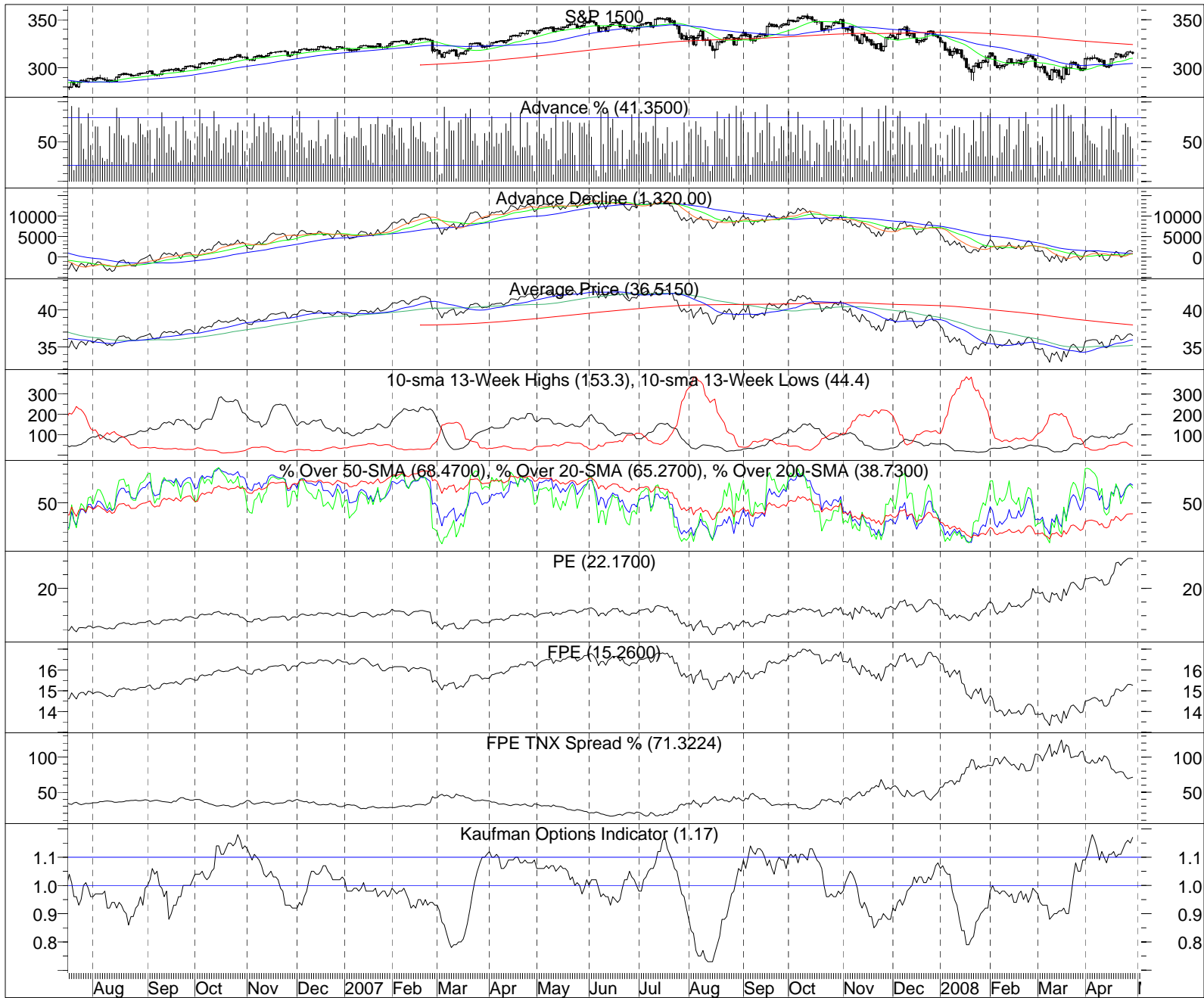
S&P 1500 Analysis - Wayne S. Kaufman, CMT

S&P 1500 (316.25, 316.25, 313.95, 314.89, -1.36)



The long-term down trend line is resistance. After that the 200-sma (red) is bearing down on the index.

S&P 1500 Analysis - Wayne S. Kaufman, CMT



The AD line did not confirm the recent breakout in the index.

P/E is the highest since 2004. Unfortunately current and forecast earnings continue to decline.

Our proprietary options indicator is at levels where there is too much bullishness and stocks are vulnerable to pull backs.