

**R.F. Lafferty Morning Technical Note**

11.18.20

Guy S. Ortmann,, CMT, Director of Research / Senior Technical Analyst [gortmann@rflafferty.com](mailto:gortmann@rflafferty.com) 212-293-9017**Major Indexes Closed Mixed****Data & Valuation Still Waving Yellow Flags**

The major equity indexes closed mixed Tuesday with positive internals on the NSYE and NASDAQ as trading volumes declined from the previous session. Of those that rose on the session, all registered new all-time closing highs. All the charts remain in near-term uptrends and above their 50 DMAs. However, while the charts remain bullish, the data dashboard and valuation have intensified their cautionary signals that suggest the potential for some retracement of the current rally, that may yield better buying opportunities, has increased in its probability. As such, we are maintaining our near-term “neutral” outlook for the equity markets currently.

On the charts, the indexes closed mixed yesterday with positive internals on the NYSE and NASDAQ on lighter trading volumes. The DJT (page 4), MID (page 4), RTY (page 5) and VALUA (page 5) made new closing all-time highs as the rest declined. All the indexes remain in near-term uptrends and above their 50 DMAs. Breadth remains positive as well with the cumulative advance/decline lines for the All Exchange, NYSE and NASDAQ in uptrends and above their 50 DMAs. All but one of the stochastic levels are overbought but have yet to generate bearish crossover signals.

The data, however, has intensified its cautionary message to a point that suggest near-term market risk remains elevated. The 1-day McClellan OB/OS Oscillators remain in overbought territory (All Exchange: +77.78 NYSE: +92.79 NASDAQ: +66.48). The Open Insider Buy/Sell Ratio (page 9) is back at bearish levels at 24.0 as the number of insider selling transactions is well outweighing purchases. Meanwhile, the Rydex Ratio (contrarian indicator) bearish signal has increased to 1.44 as the leveraged ETF traders extended their leveraged long exposure. As stated previously, when we have found insiders stepping up to the sell window while the leveraged ETF traders continued to press their leveraged long exposure, insiders have typically been on the right side of the trade, in our experience. Also, this week’s Investors Intelligence Bear/Bull Ratio (contrary indicator page 9) saw a decline in bearish advisors as bullish sentiment increased and remains bearish at 196.4/59.2. The same dynamic was registered on the AII Bear/Bull Ratio at 28.69/43.02. The valuation gap remains extended with the SPX forward multiple rising to 22.8 with consensus forward 12-month earnings estimates from Bloomberg of \$158.34 while the “rule of 20” finds fair value at 19.1. The SPX forward earnings yield is 4.39% with the 10-year Treasury yield at 0.87%.

In conclusion, while the charts remain positive, the market’s overbought conditions combined with sentiment and valuation levels continue to suggest to us that near-term risk has become elevated. As such, we are maintaining our near-term outlook for the equity markets at “neutral”.

SPX: 3,522/NA	DJI: HVS28,440/NA	COMPQX: HVS11,477/11,958
NDX: HVS11,611/12,185	DJT: HVS11,603/NA	MID: HVS2,010/NA
RTY: 1,700/NA	VALUA: HVS6,683/NA	

Important Disclosures & Regulation AC Certification(s) are located on page 11 of this report



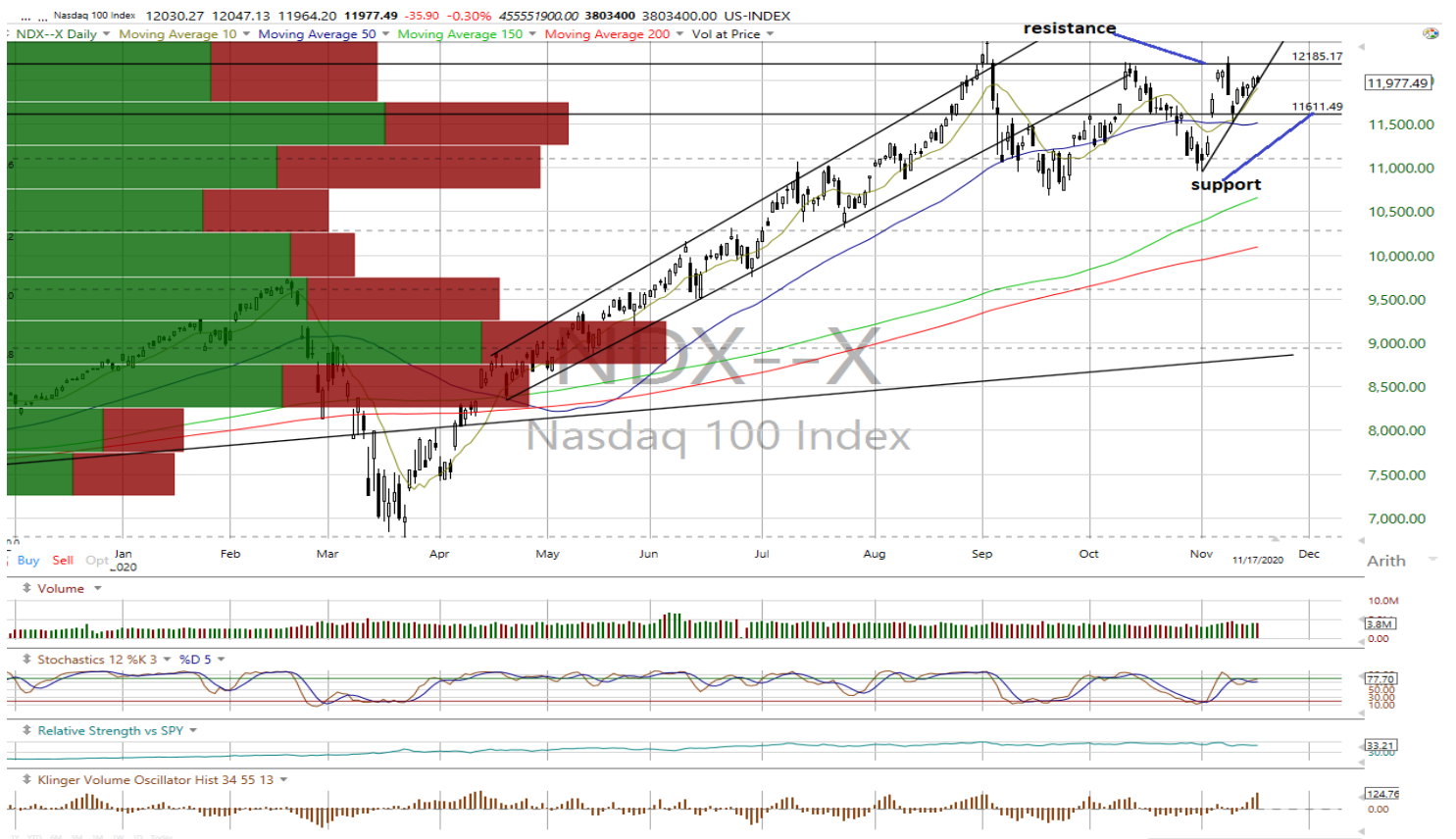
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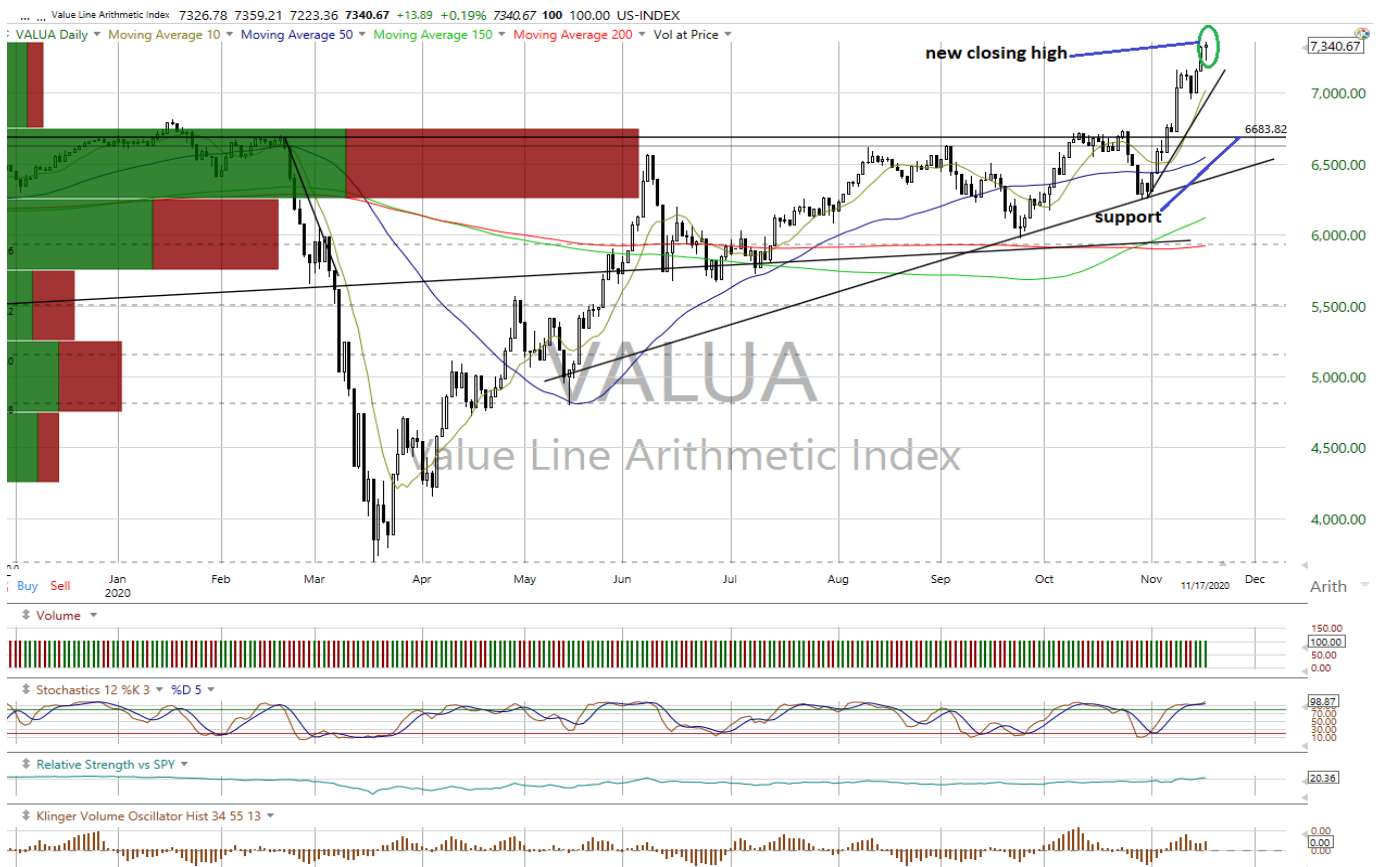
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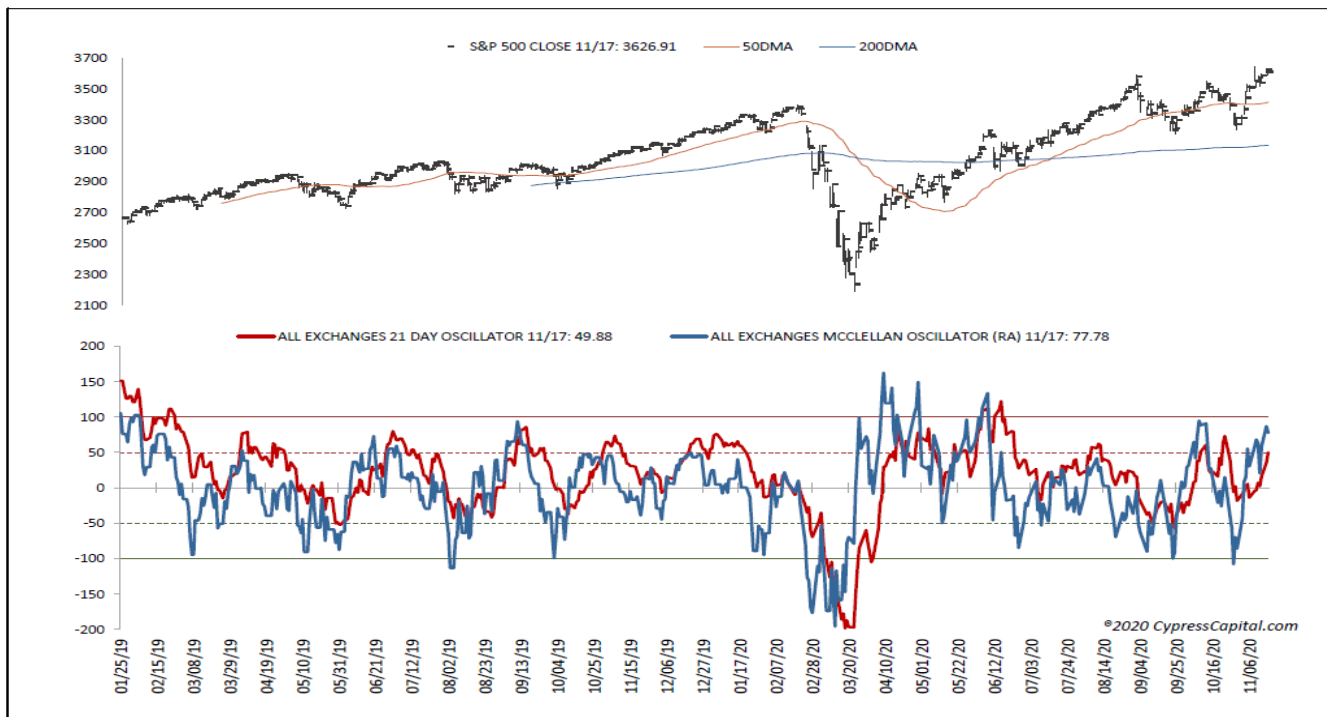


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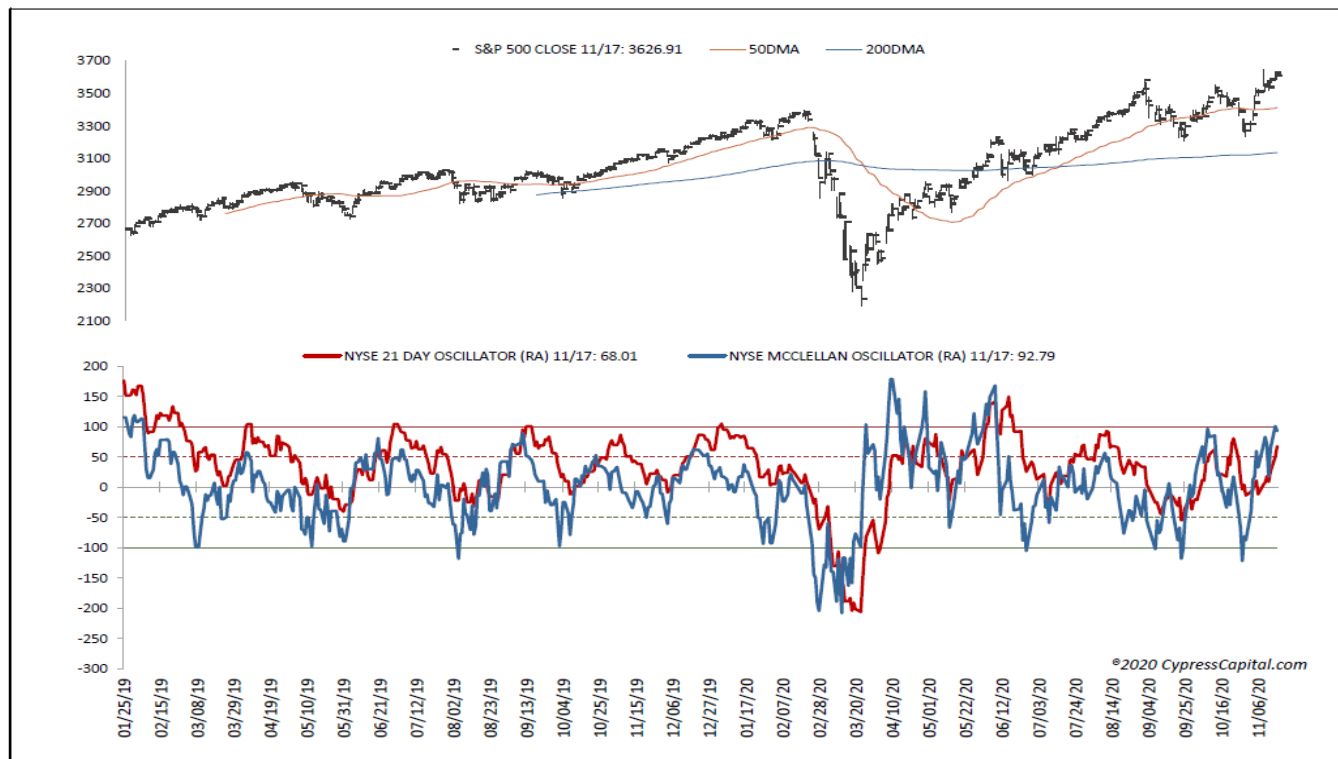


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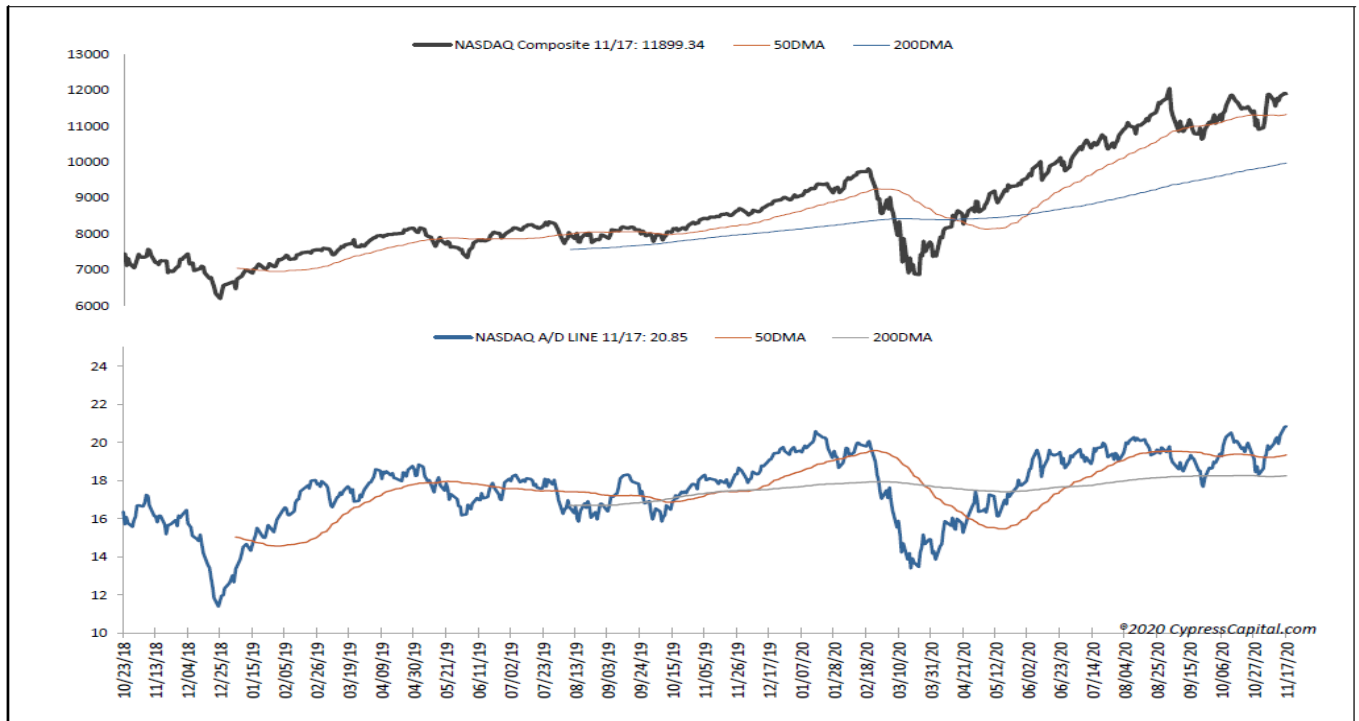
The All Exchange McClellan ratio adjusted 1-day OB/OS Oscillator is +77.78 (bearish) and 21 day +49.88 (neutral).



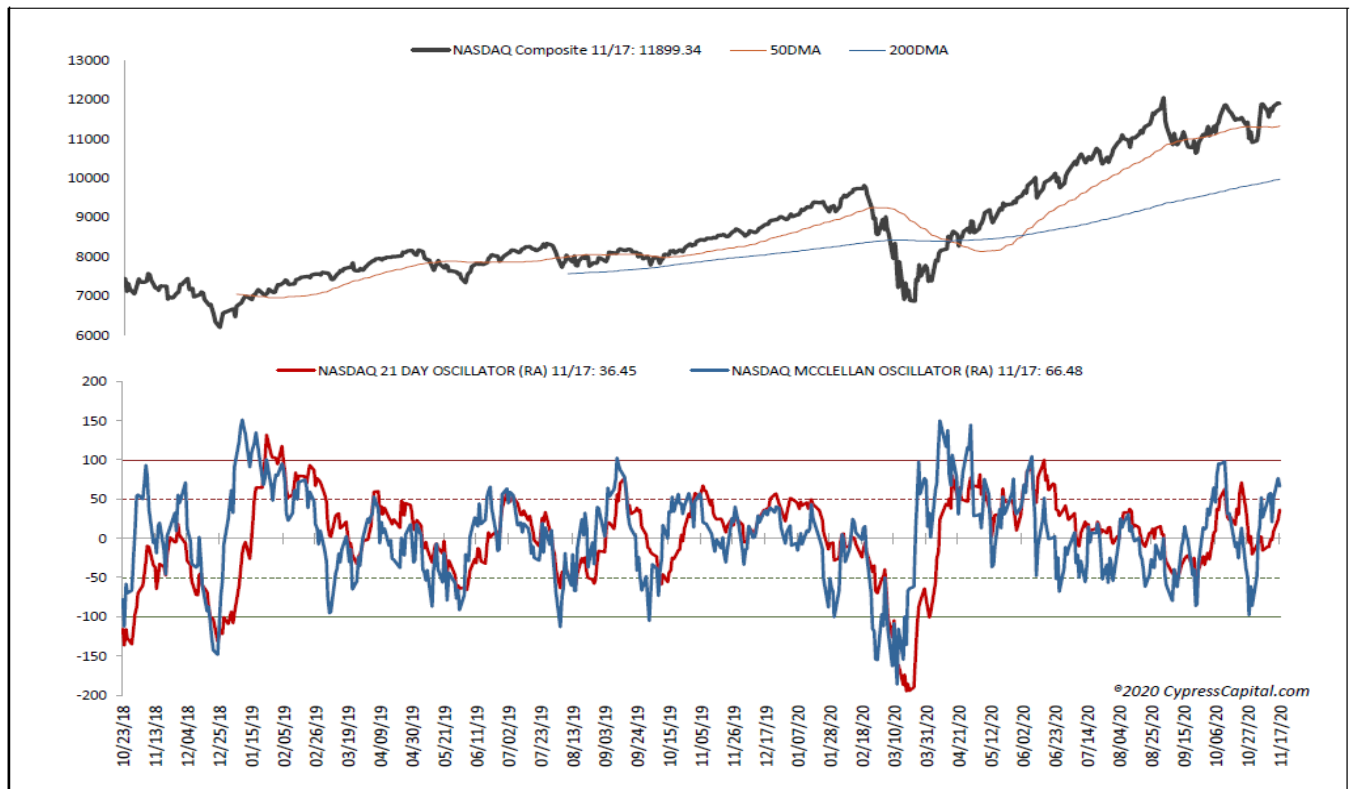
The NYSE ratio adjusted 1-day McClellan OB/OS is +92.79 (bearish) and +68.01 (bearish) on the 21 day.



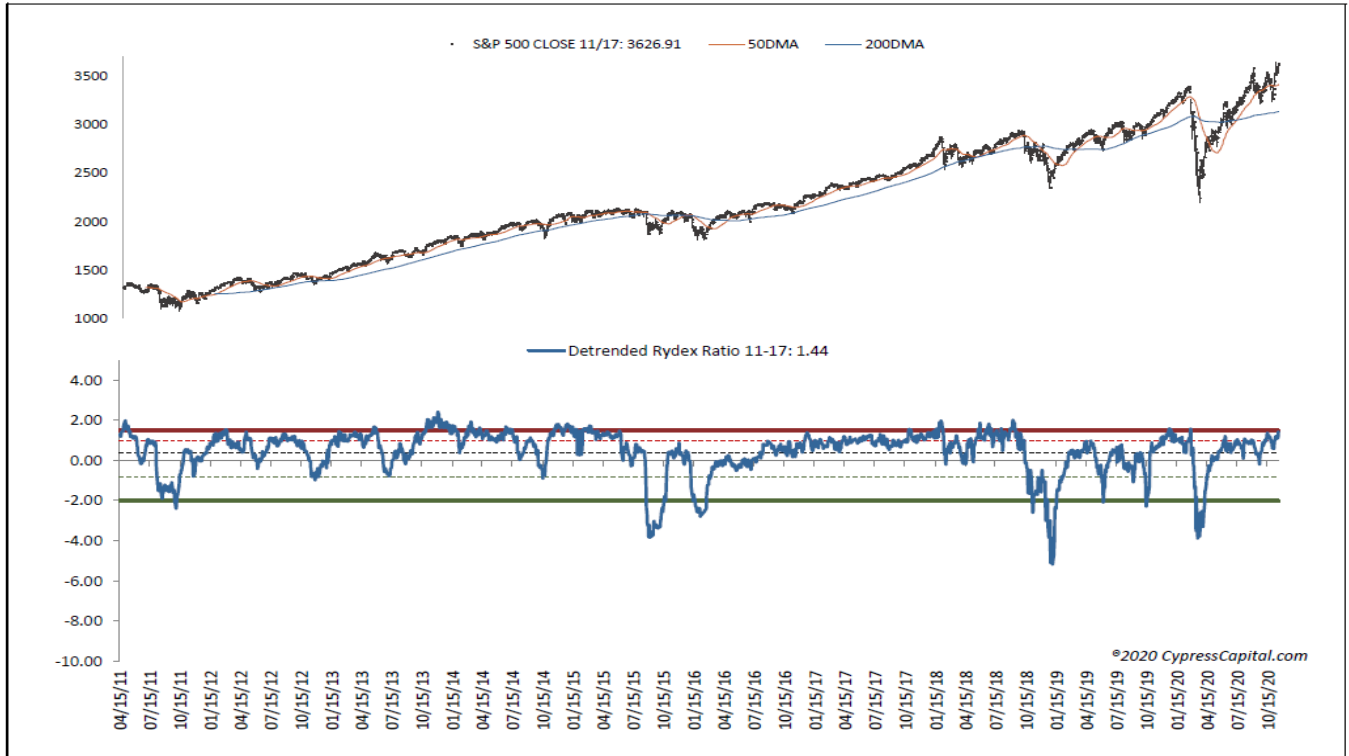
The NASDAQ cumulative advance/decline line is positive and above its 50 & 200 DMAs.



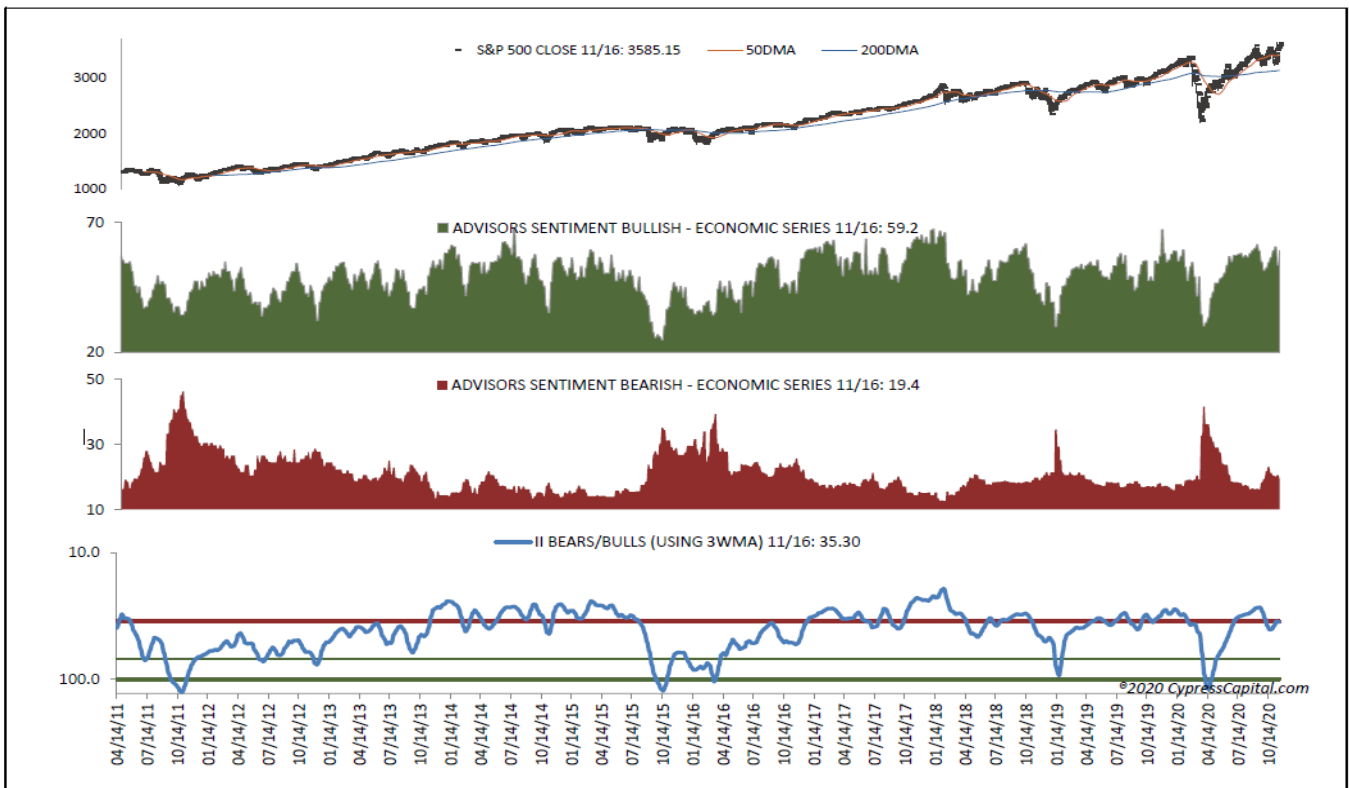
The NASDAQ ratio adjusted 1-day McClellan OB/OS Oscillator is +66.48 (bearish) and +36.45 (neutral) on the 21-day.



The detrended Rydex Ratio is +1.44 (bearish)



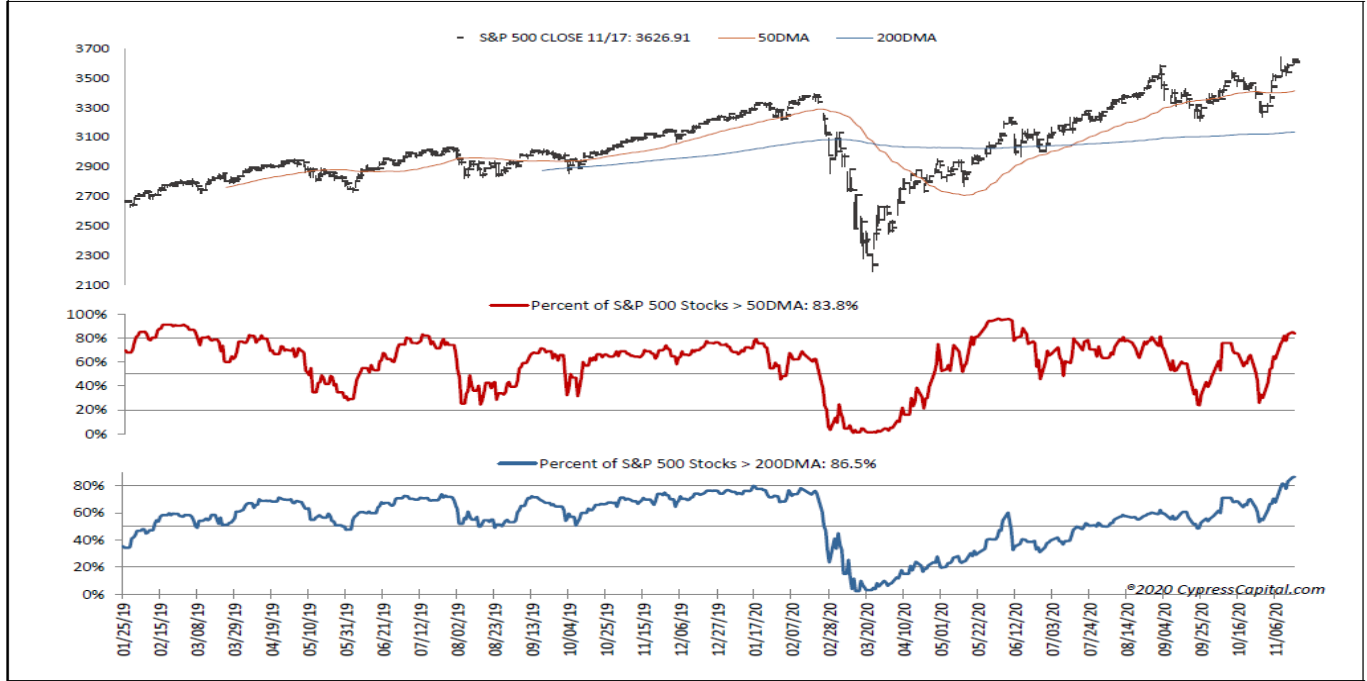
The Investors Intelligence Bear/Bull Ratio is 19.4/59.2 (bearish) as of 11.16.20



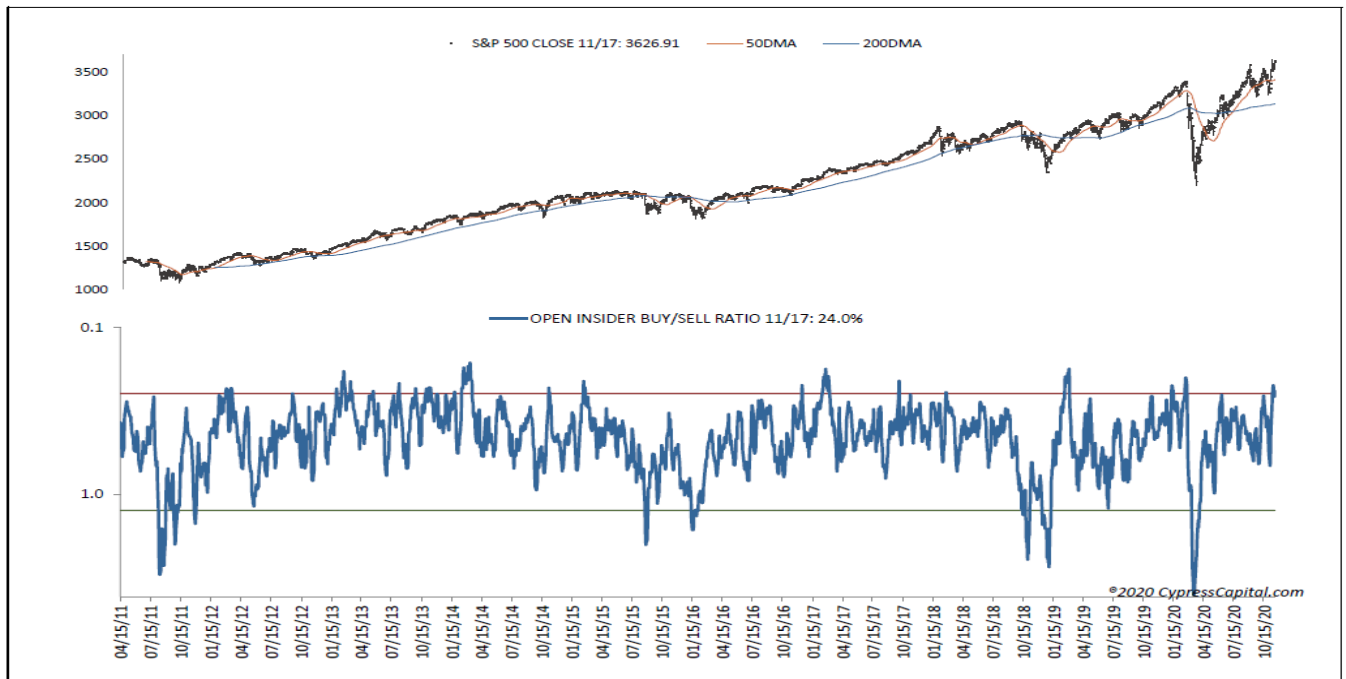


The Total and Equity put/call ratios are 0.87 (neutral) and 0.49 (bearish) on the 1day. The 15 DMAs are 0.91 (neutral) and 0.51 (bearish) respectfully. The OEX put/call Ratio is 1-day is 2.51 (very bearish) and 1.77 (bearish) on the 15 DMA.

% of SPX Stocks Above Their 50 DMAs 83.8% (bearish)



The Open Insider buy/sell ratio is 24.0 (bearish).



## Data:

- The All Exchange McClellan OB/OS ratio adjusted is +77.78 (bearish) 3-week average is +49.88 (neutral).
- The All Exchange A/D line is positive and above its 50 DMA.
- NYSE McClellan OB/OS ratio adjusted is +92.79 (bearish) 3-week average is +68.01 (bearish).
- The NYSE A/D line closed above its 50 DMA and is short term positive.
- NASDAQ McClellan OB/OS ratio adjusted is +66.48 (bearish) 3-week average is +36.45 (neutral).
- The NASDAQ A/D line is short term positive and above its 50 DMA.
- % of SPX stocks > 50 DMA is 83.8 (bearish).
- AAI bear/bull ratio is 28.69/43.02 (neutral) as of 11/16.
- Investors Intelligence Bear/Bull Ratio 19.4/59.2 (bearish) as of 11/16.
- The detrended Rydex Ratio is 1.44 (bearish).
- Open Insider Buy/Sell Ratio is 24.0 (bearish).
- Total and Equity put/call ratio 1-day readings are 0.87 (neutral) and 0.49 (bearish) respectively. The 15-day averages for the total and equity p/c are 0.91 (neutral) and .51 (bearish) respectively.
- OEX put/call one day is 2.51 (very bearish) the 15 DMA 1.77 (very bearish).
- ISEE call/put Sentiment Index is 114 (neutral).
- The SPX, DJI, DJT, VALUA NDX, RTY, COMPQX and MID closed above their 50 DMAs.
- The DAX, FTSE, NIKKEI, Hang Seng closed above their 50 DMAs.
- The U.S. dollar as measured by the UUP ETF closed lower at 24.93. Support is 24.89. Resistance is 25.25.

**Commodities in up trends:**

CRB Spot Raw Industrials (closed above its 50 DMA)

Stainless Steel (closed above its 50 DMA)

Copper (closed above its 50 DMA)

Aluminum (closed above its 50 DMA)

**Commodities in down trends:**

Baltic Dry Bulk Rate (closed above its 50 DMA)

**Commodities trading sideways:**

Gold (closed below its 50 DMA)

Silver (closed below its 50 DMA)

Oil (closed above its 50 DMA)

## Market Internals:

The major equity indexes closed mixed Tuesday.

Internals were positive on the NYSE and NASDAQ.

Volumes were below prior day's levels on the NYSE and NASDAQ.

NYSE: A/D:1726/1339 U/D Volume:3.22B/1.68B Total Volume:4.96B

NASDAQ: A/D: 1839/1719 U/D Volume:2.47B/1.69B Total Volume:4.2B

## Disclosures

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