

Near Term Outlook Remains “Neutral” Some Data Turning More Cautionary

The bulk of the major equity indexes closed higher Tuesday with the one exception of the SPX posting a minor loss. Internals mixed on the NYSE and positive on the NASDAQ as overall trading volumes rose from those of the prior session. A few more new closing highs were achieved on the charts as all remain in near term uptrends. Yet we are maintaining our near term “neutral” outlook as more of the data is turning cautionary while the valuation gap has become more compressed. In short, we are of the opinion that more attractive buying opportunities may be in the offering.

On the charts, the bulk of the indexes closed higher Tuesday with the one exception of the SPX (page2). The NYSE saw mixed internals with positive up/down volume but negative breadth. Overall trading volumes were above those of the prior session on the NYSE and NASDAQ. New closing highs were achieved on the DJI (page 2), COMPQX (page 3) and NDX (page 3), although said gains were fractional. All of the indexes are in near term uptrends. The cumulative advance/decline lines for the All Exchange, NYSE and NASDAQ are positive as well. Yet there still are some concerns. All of the indexes are somewhat extended above their 50 DMAs, suggesting some degree of vulnerability while the VIX, at 13.06, is at levels seen three times over the past 12 months, all of which resulted in volatility and price corrections. As well, all of the stochastic levels remain overbought although they can stay in that condition for extended periods.

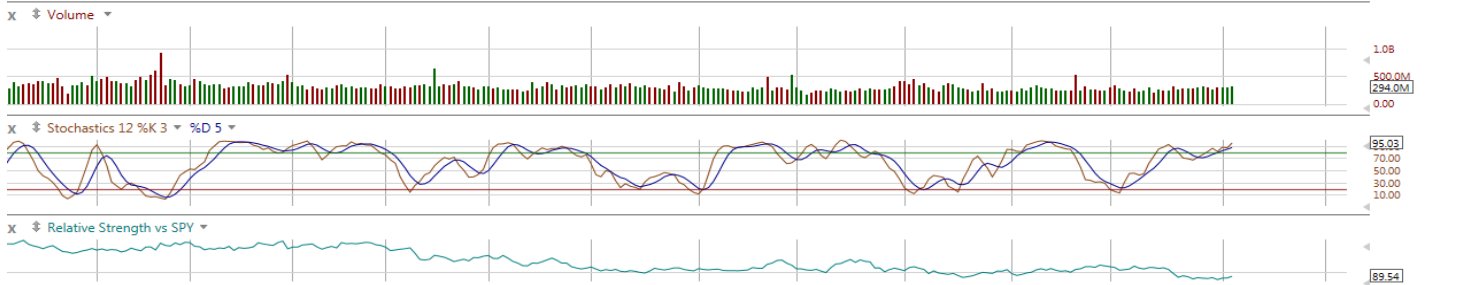
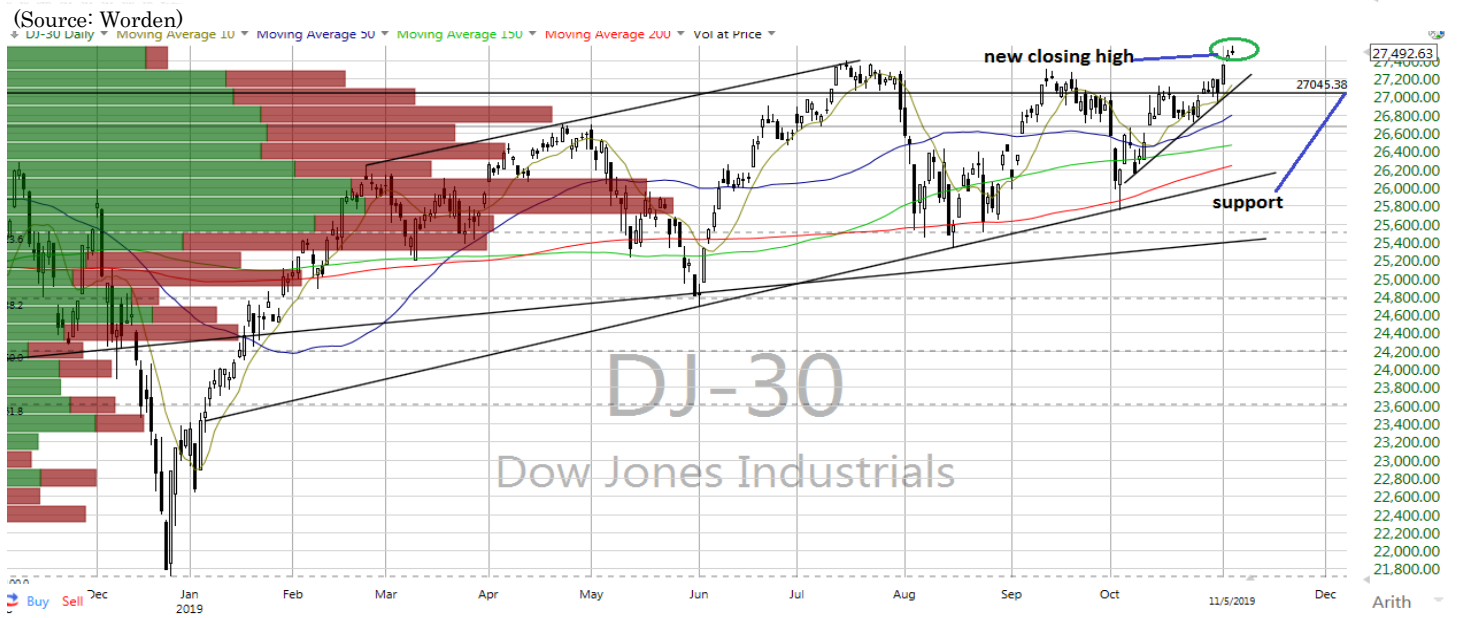
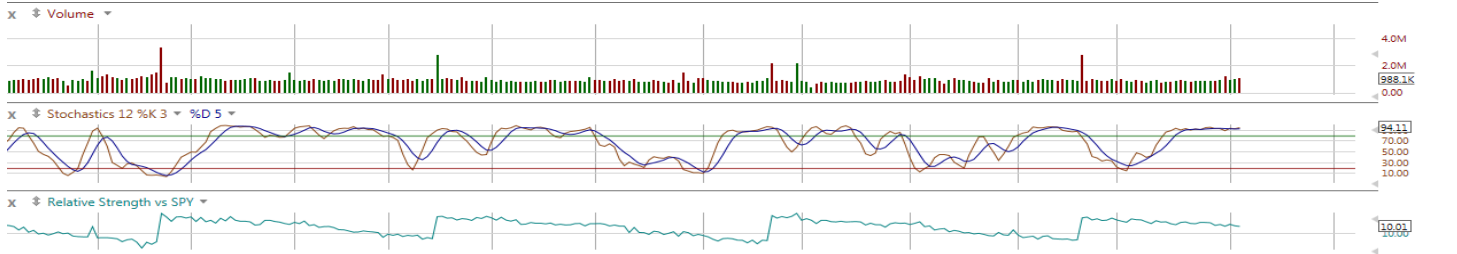
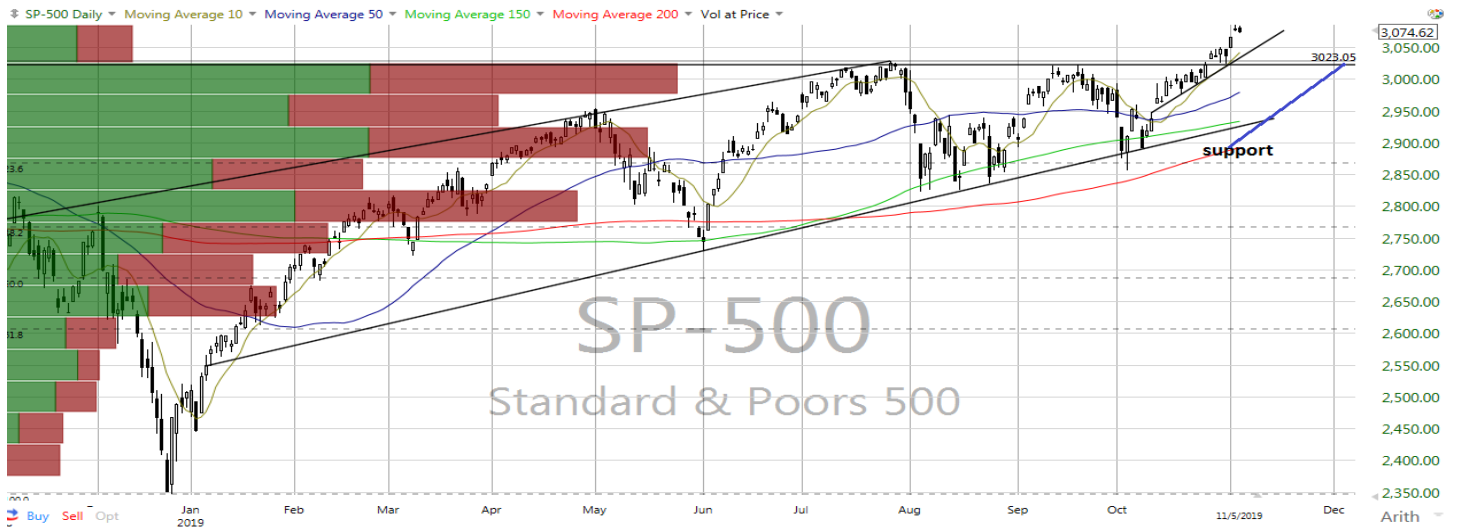
The data is turning more mixed in its message. While the 1 day McClellan OB/OS Oscillators are neutral on the All Exchange and NYSE, they are mildly overbought on the NASDAQ (All Exchange:+34.98 NYSE:+318.41 NASDAQ:+50.68) as well as all of the 21 day readings. The detrended Rydex Ratio (contrary indicator) is mildly bearish +0.60 while Tuesday’s AII Bear/Bull Ratio (contrary indicators) turned neutral at 29.0/34.0. Also, the Investor’s Intelligence Bear/Bull Ratio (contrary indicator) is notably bearish at 16.8/55.1 suggesting an excess of bullish sentiment/complacency on the part of investment advisors. The % of SPX stocks trading above their 50 DMAs is a neutral 69.1% as is insider buying dipping to a 36.4 Open Insider Buy/Sell Ratio. Valuation is closing in on fair value with forward 12 month earnings estimates for the SPX at \$172.40 via Bloomberg, leaving the forward p/e at a 17.8 multiple while the “rule of twenty” finds fair value at 18.1. The 10 Year Treasury yield stands at 1.87%. The earnings yield is 5.61%.

In conclusion, while we would normally be more constructive in our outlook, the VIX, stochastic levels, valuation and psychology data suggest some degree of caution may be appropriate, thus causing us to maintain our near term “neutral” outlook.

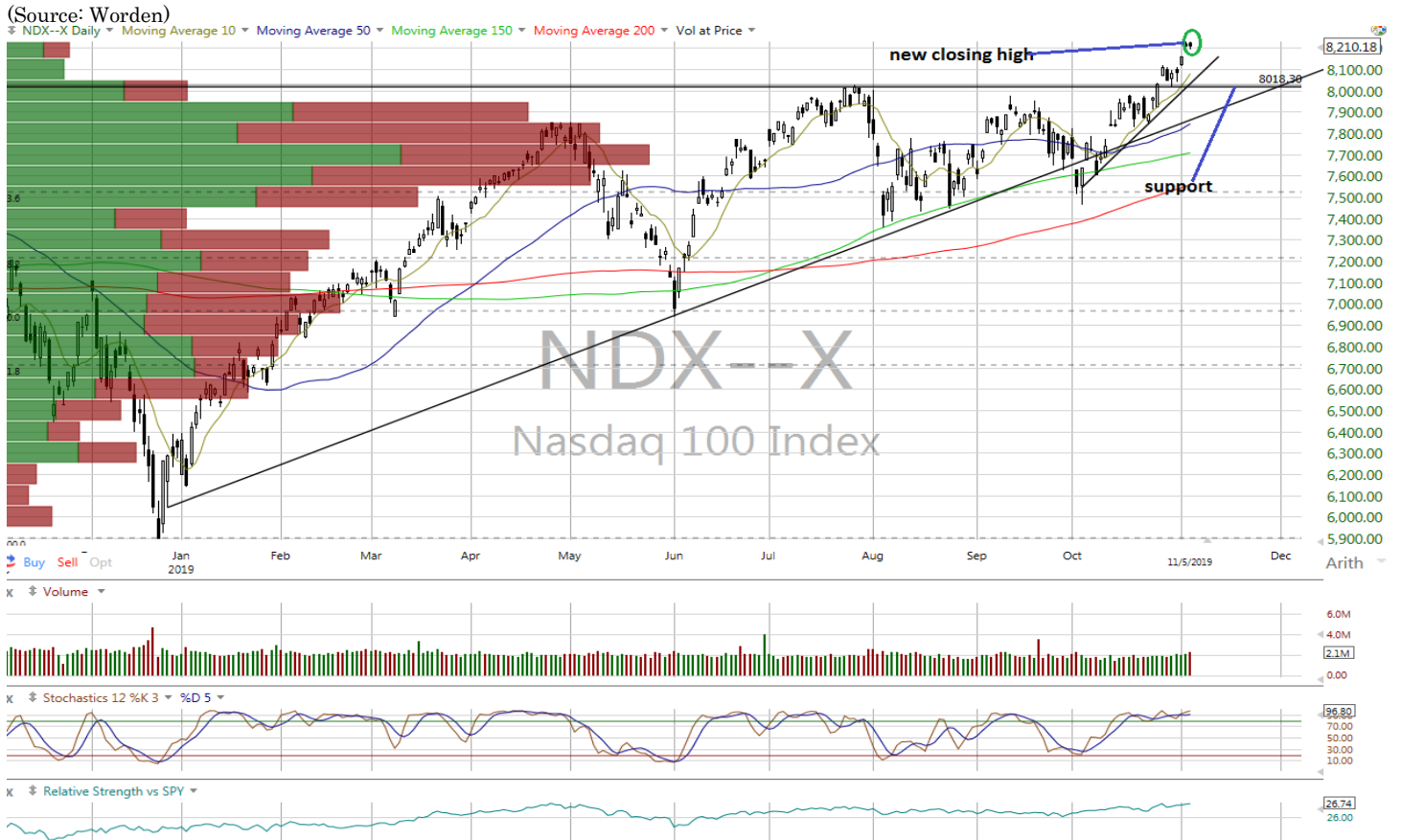
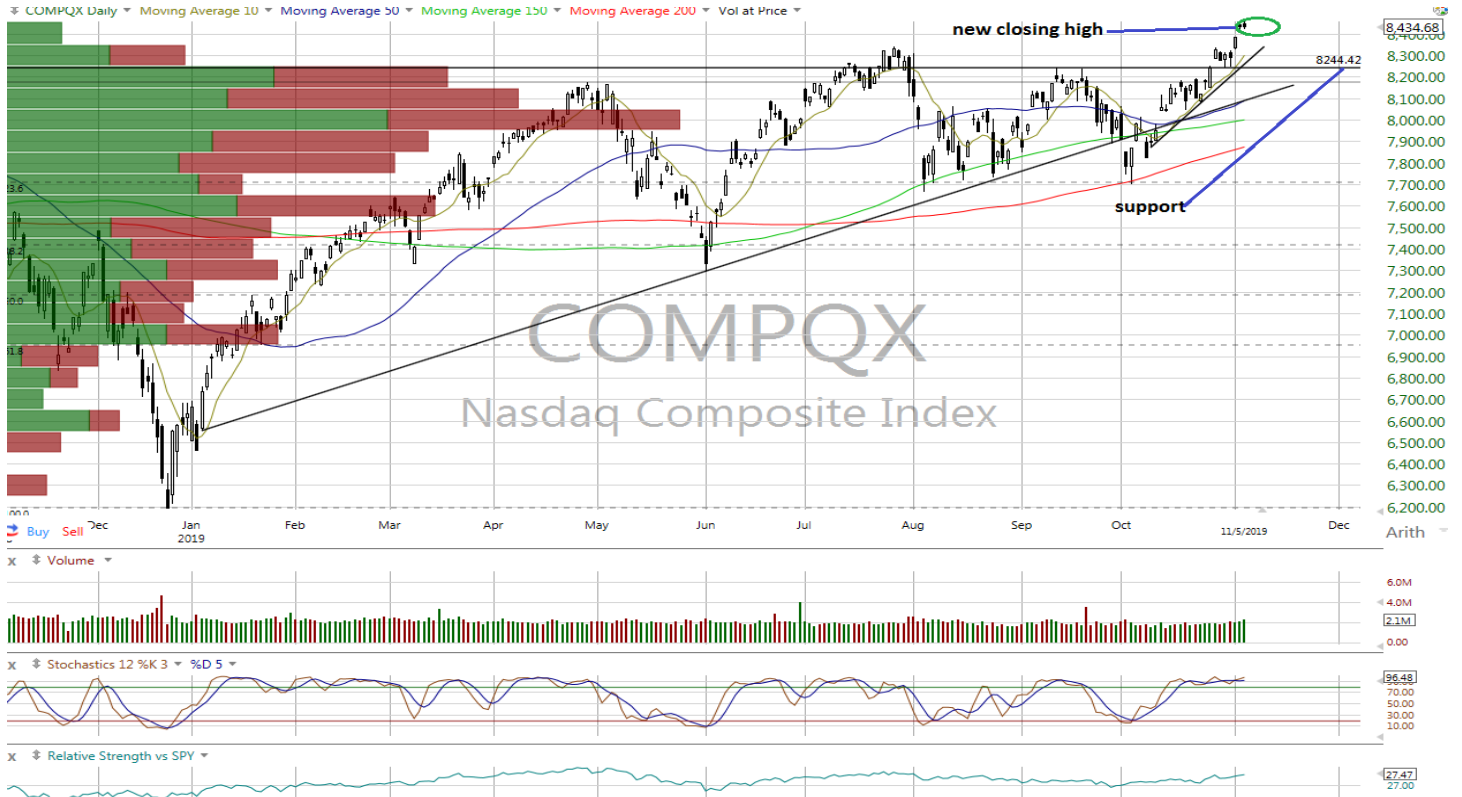
SPX: 3,023/NA	DJI: 27,009/NA	COMPQX: 8,244/NA
NDX: 8,018/NA	DJT: 10,745/11,042	MID: 1,983/2,014
RTY: 1,554/1,603	VALUA: 6,349/6,502	

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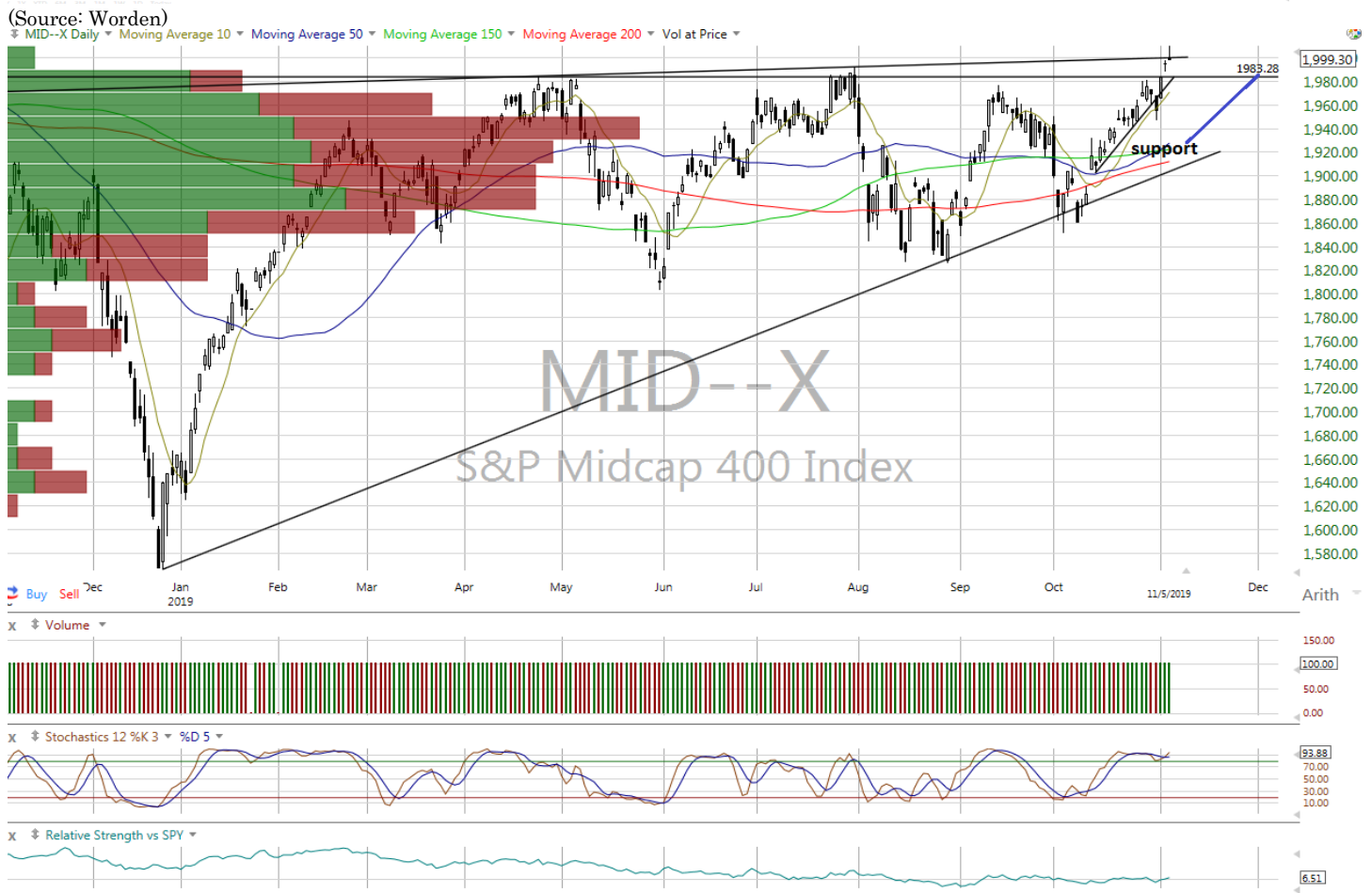
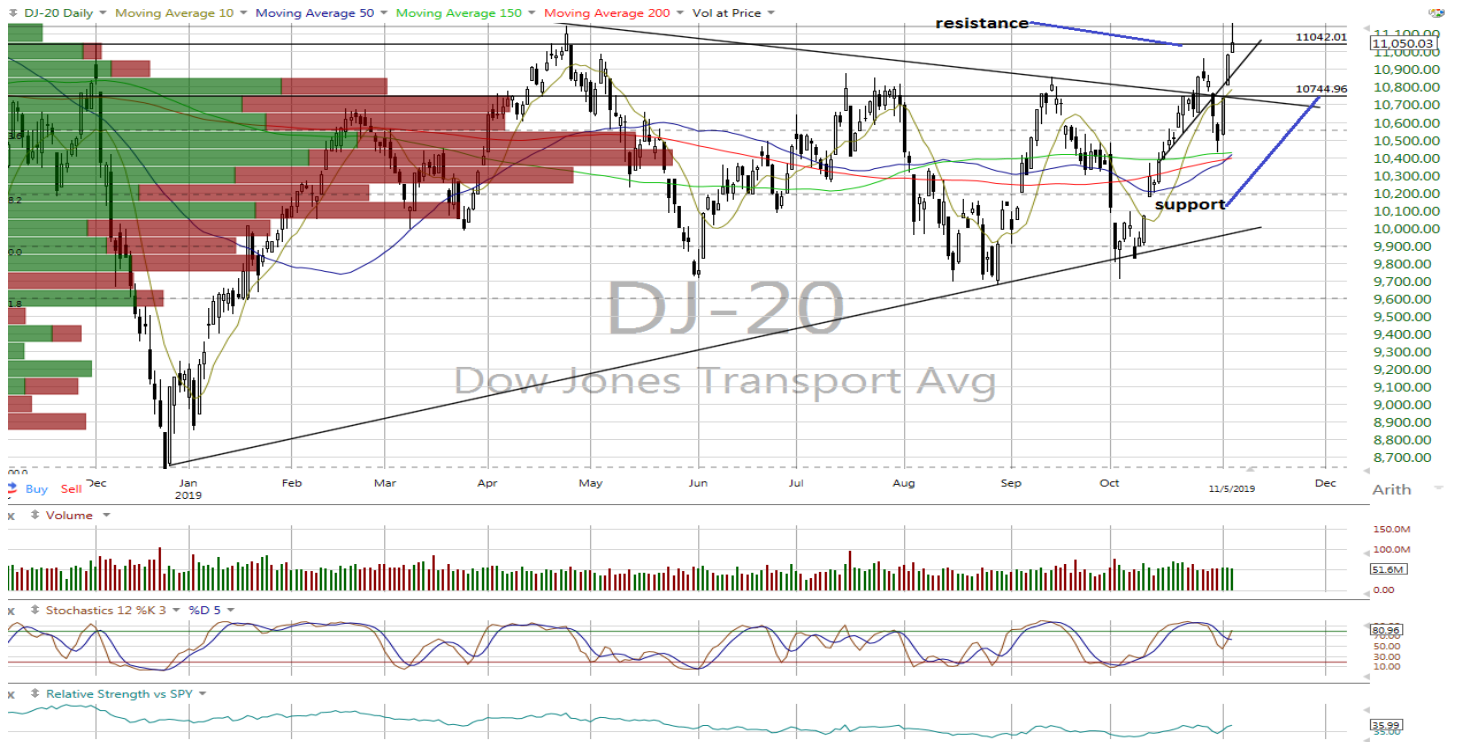
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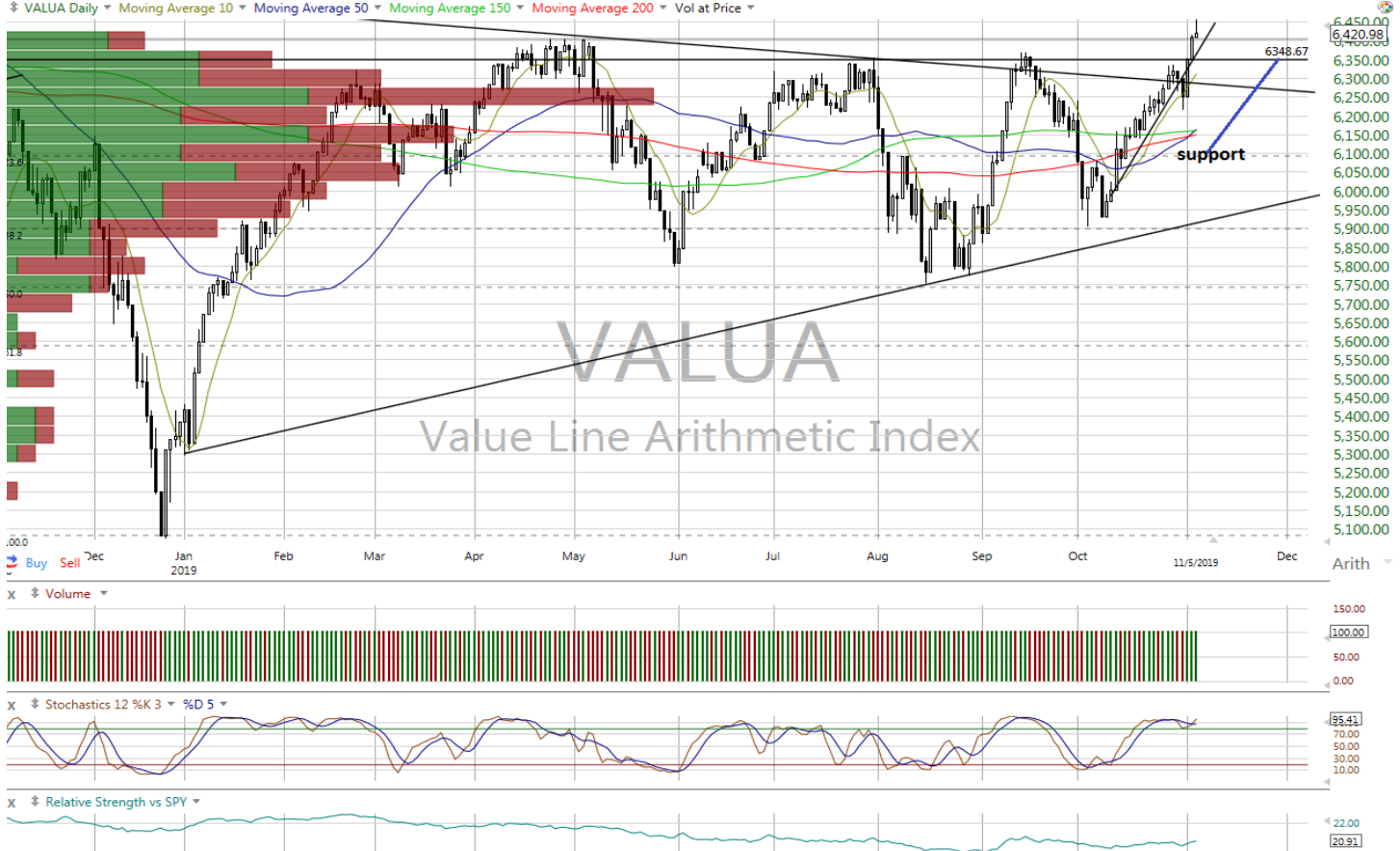
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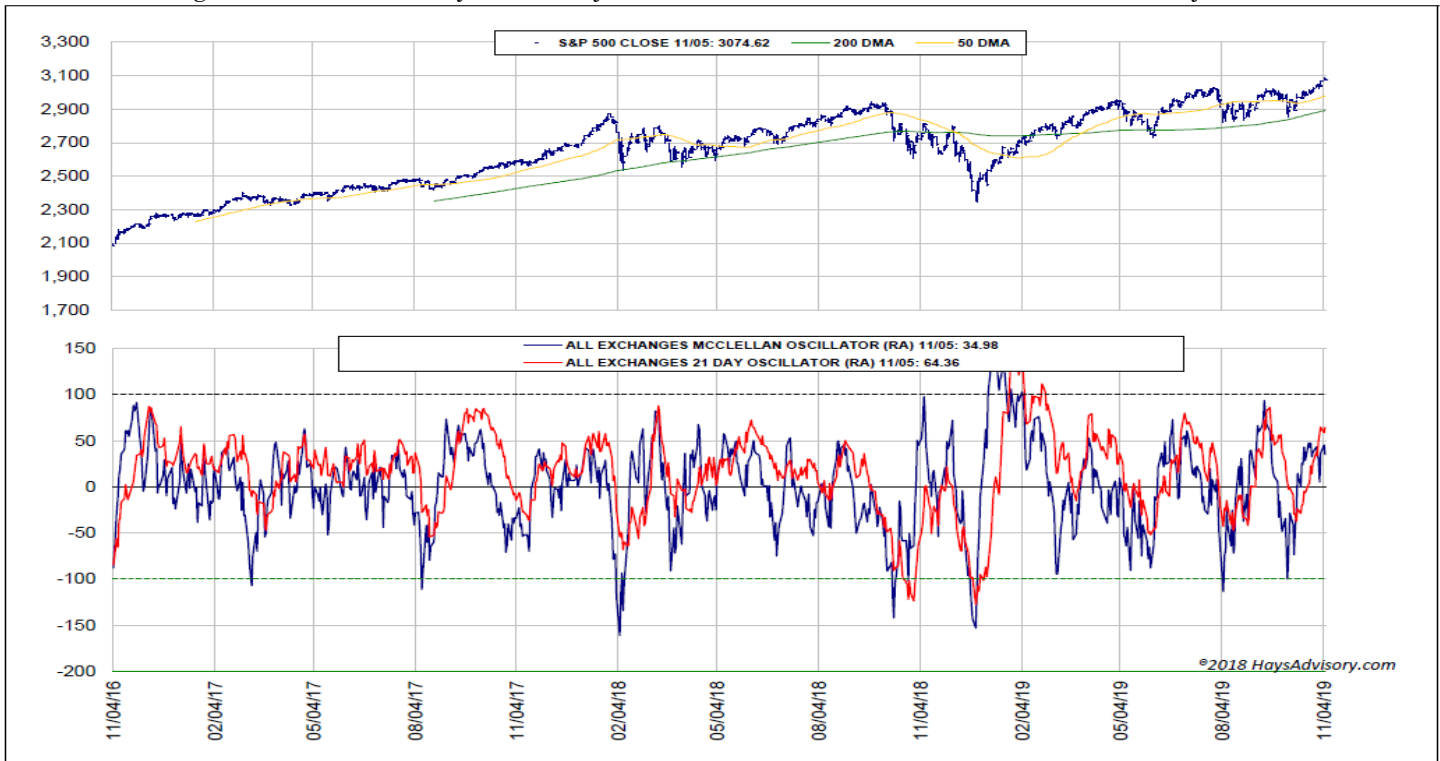


(Source: Bloomberg)

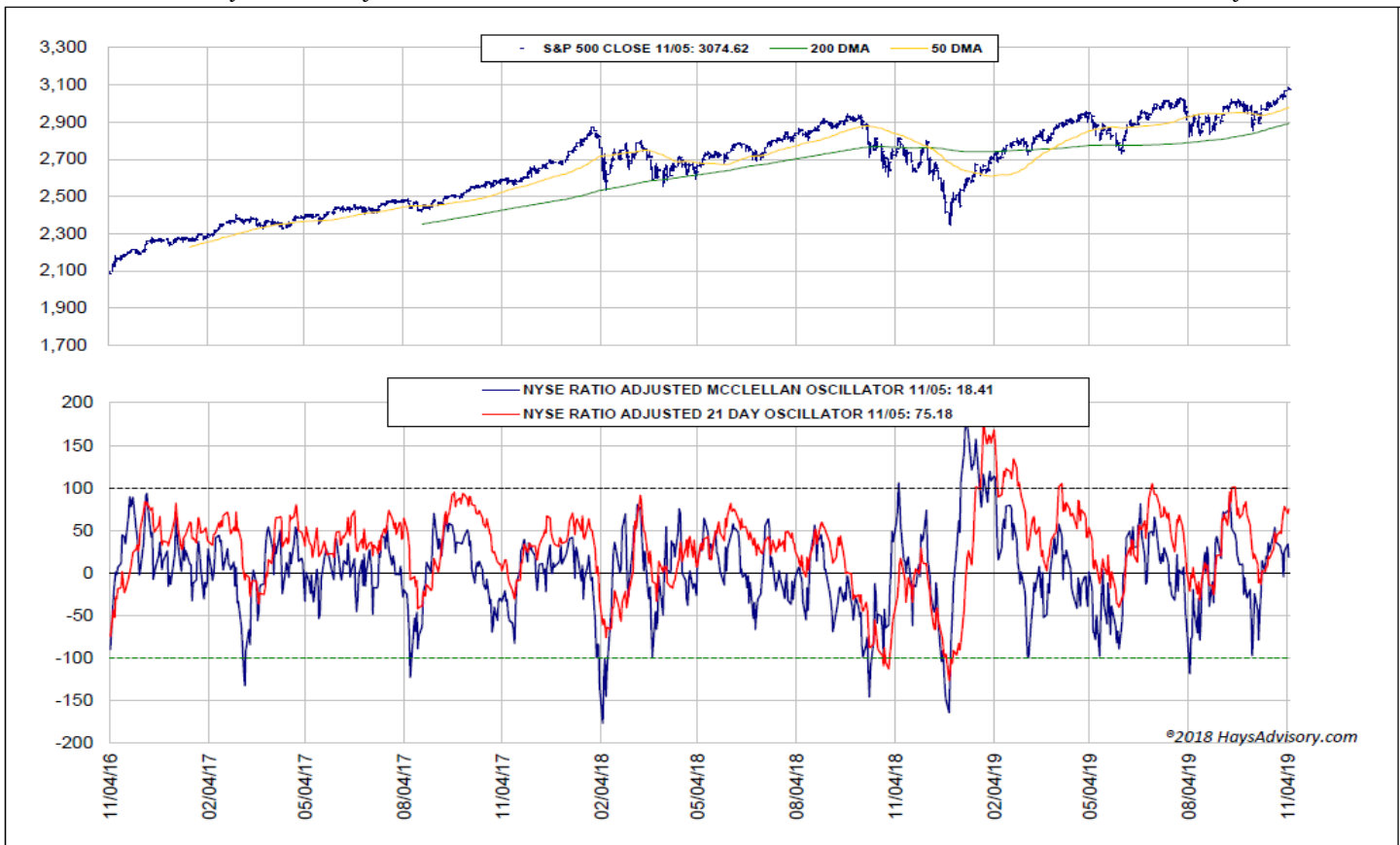


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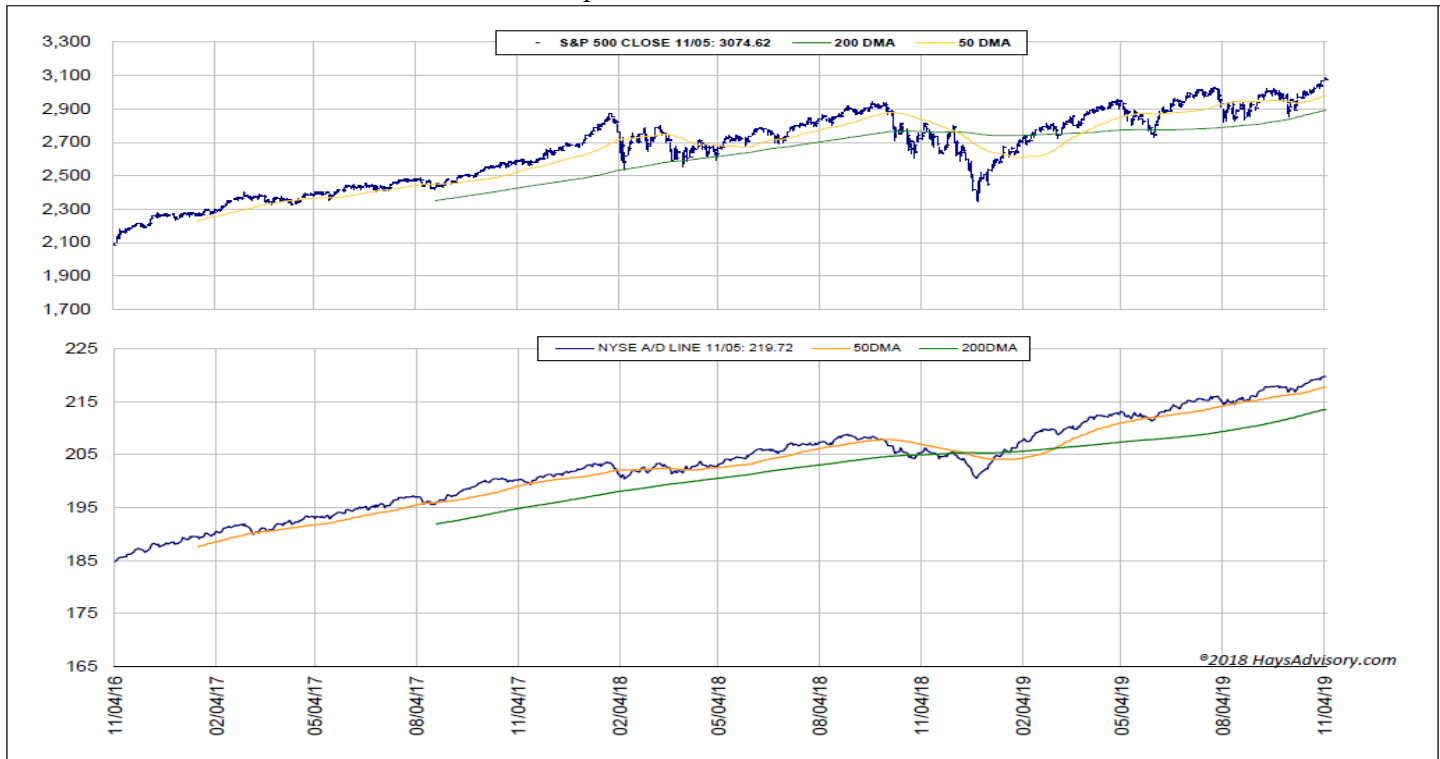
The All Exchange McClellan ratio adjusted 1 day OB/OS Oscillator is +34.98 (neutral) and 21 day +64.36 (bearish).



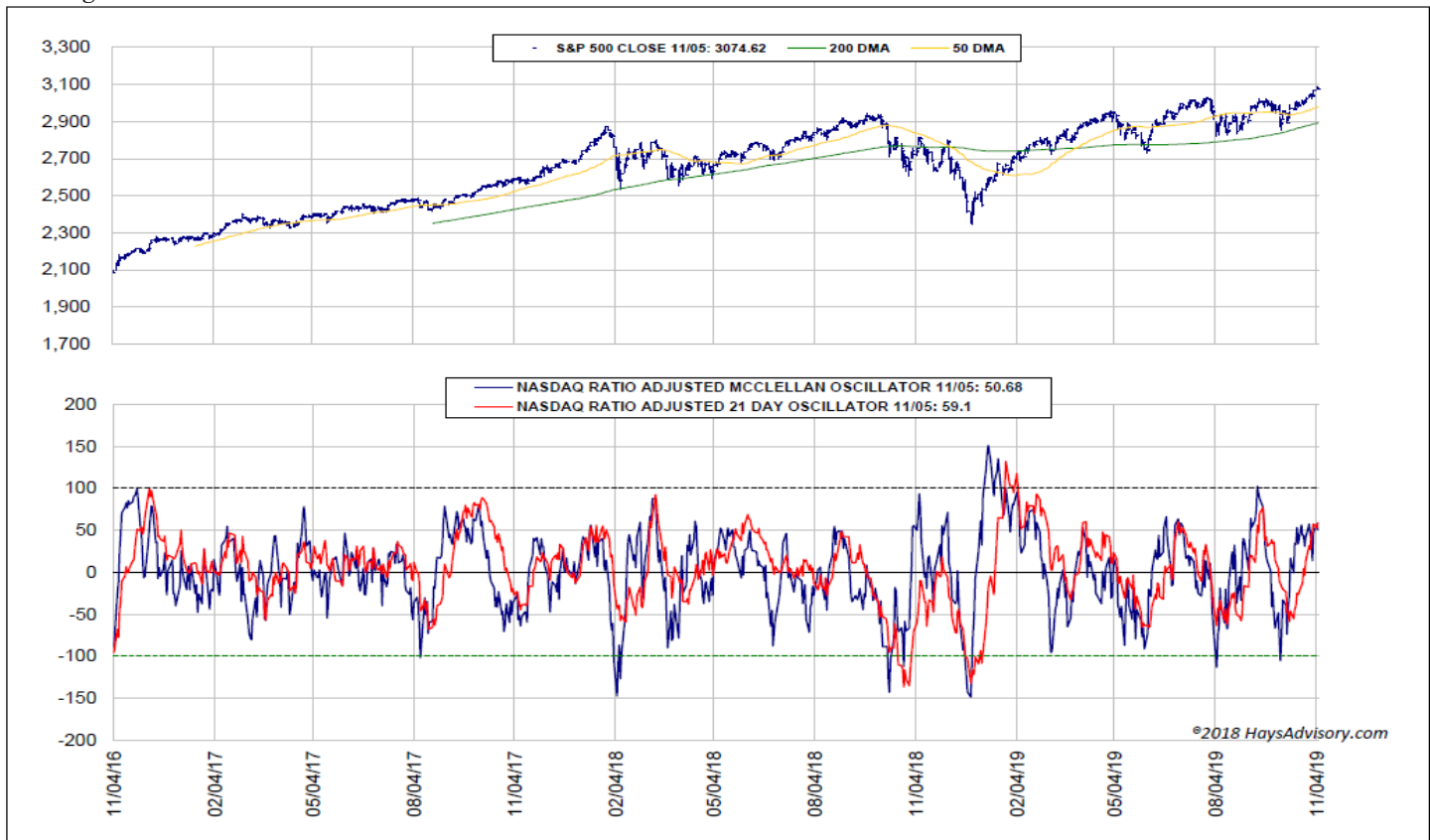
The NYSE ratio adjusted 1 day McClellan OB/OS is +18.41 (neutral) and +75.18 (bearish) on the 21 day.



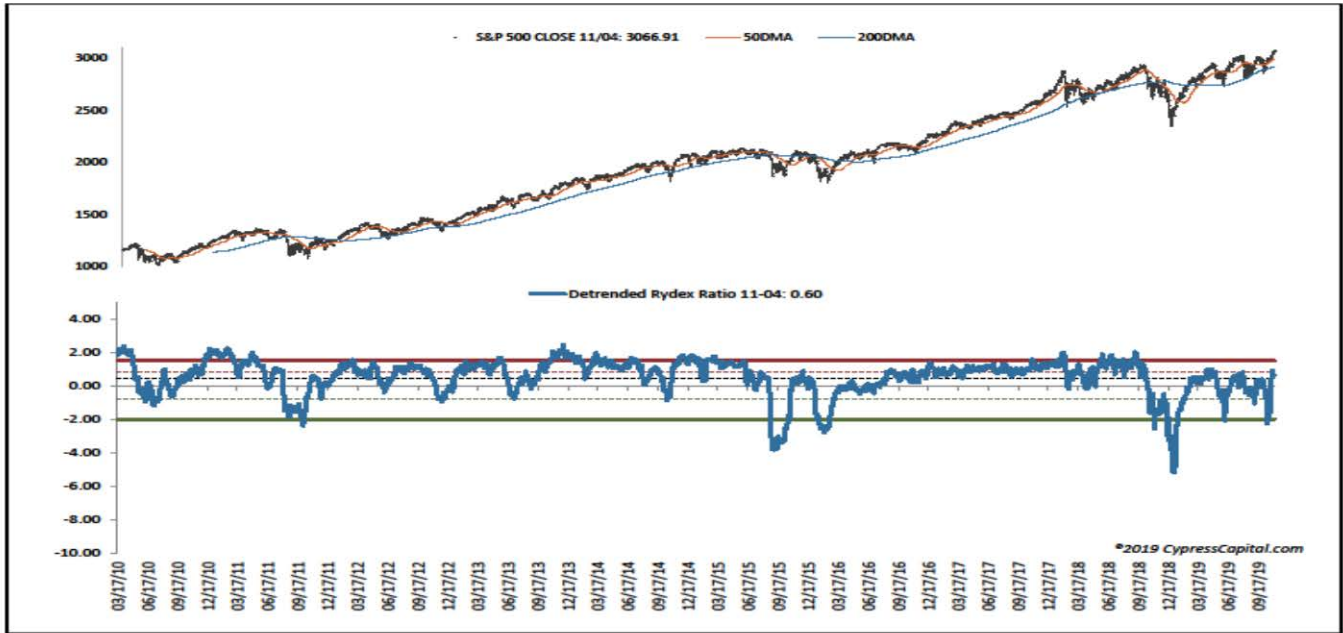
The NYSE Advance/Decline Line is short term positive and above its 50 DMA.



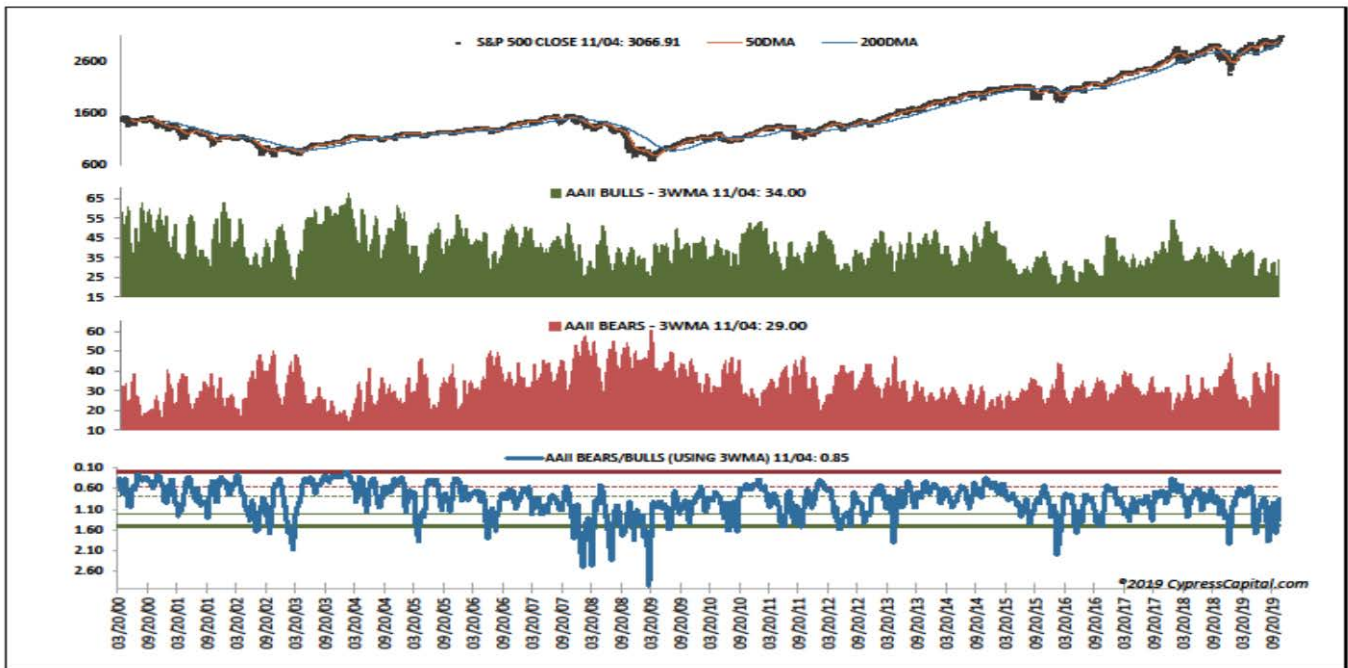
The NASDAQ ratio adjusted 1 day McClellan OB/OS is +50.68 (mildly bearish) on the 1 day. The 21 day reading is +59.1 (bearish).



The detrended Rydex Ratio is +0.6 (mildly bearish).

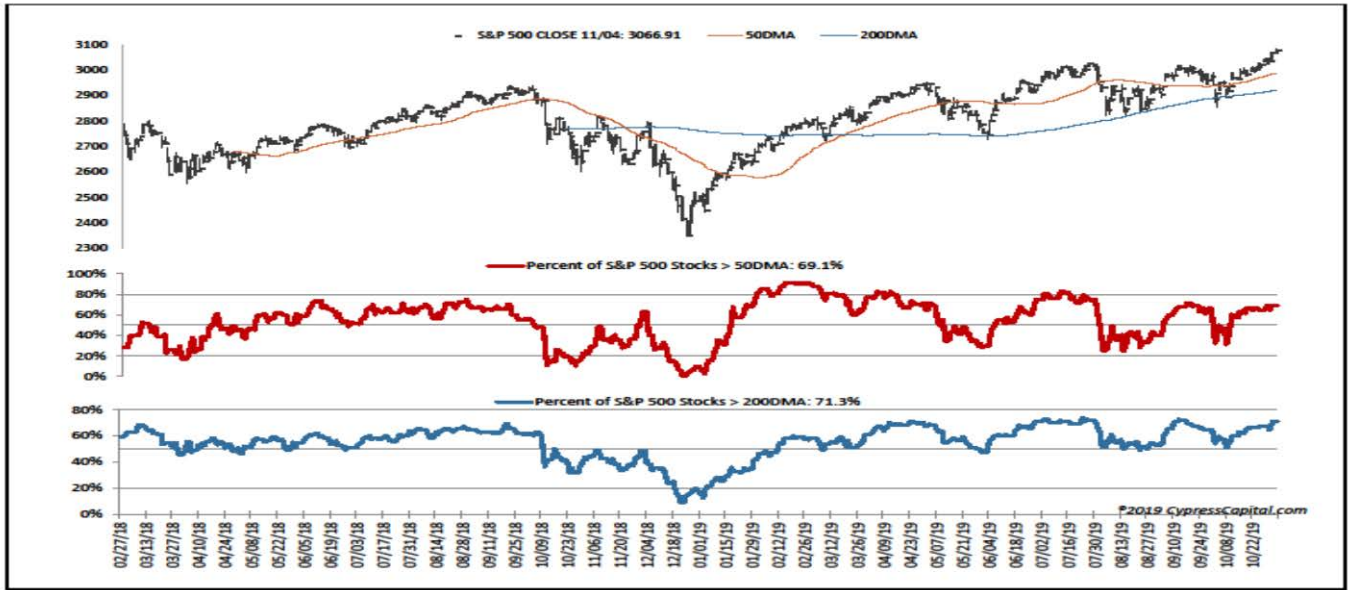


The AAI Poll weekly bear/bull reading 3 week average is 29.0/34.0 (neutral) as of 11/4.

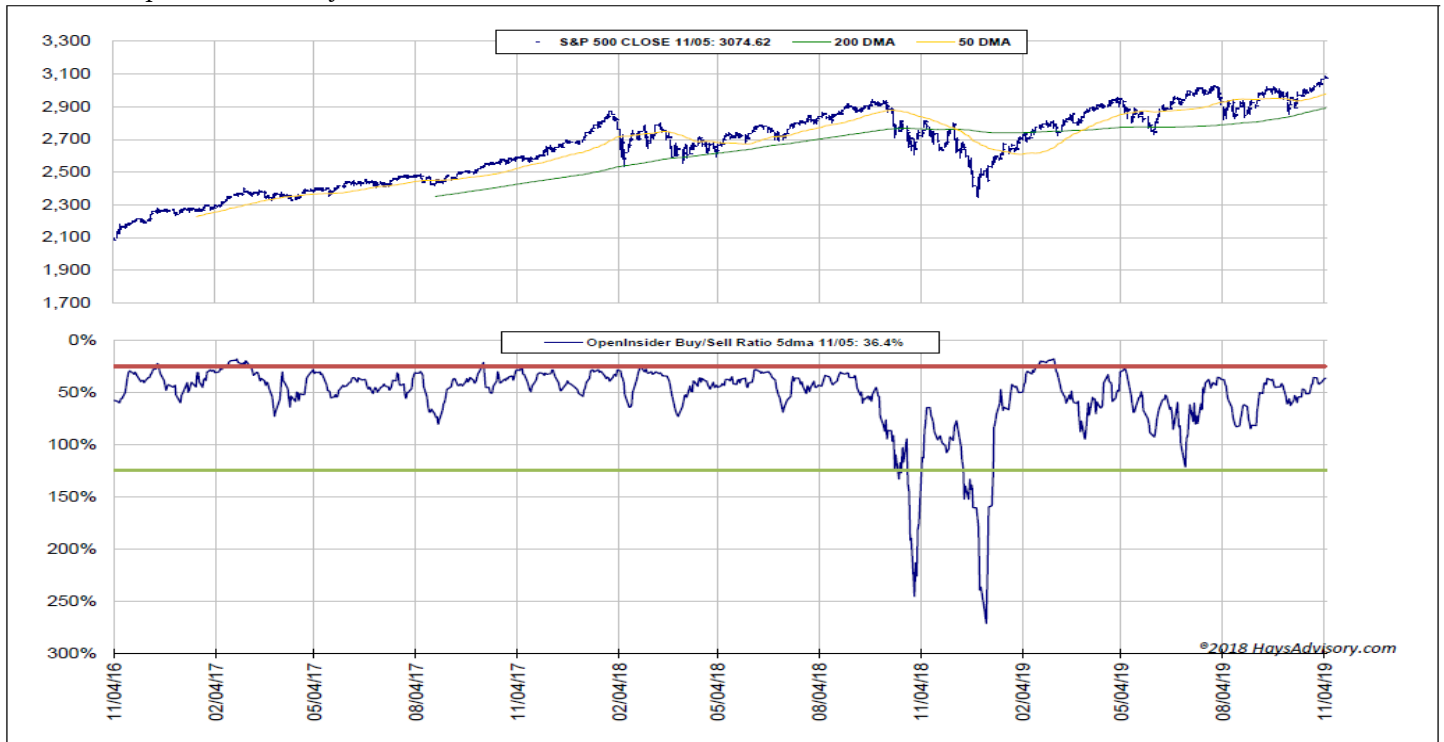


Total and Equity put/call ratios are 0.85 (mildly bullish) and 0.58 (neutral) on the 1 day. The 15 DMAs are 0.89 (mildly bullish) and .63 (neutral) respectively. OEX put/call ratio 1 day 1.29 (neutral) and 1.91 (very bearish) on the 15 DMA.

The % of SPX stocks > their 50 DMAs is 69.1% as (neutral).



The Open Insider Buy/Sell Ratio is 36.4% (neutral)



Data:

- All Exchange McClellan OB/OS Oscillator is +34.98 (neutral) and 21 day +64.36 (bearish).
- All Exchange A/D Line is short term positive and above its 50 DMA.
- NYSE McClellan OB/OS ratio adjusted is +18.41 (neutral) 3 week average +75.18 (bearish).
- The NYSE A/D line closed above its 50 DMA and is short term positive.
- NASDAQ McClellan OB/OS ratio adjusted is +50.68 (mildly bearish) 3 week average +59.1 (bearish).
- The NASDAQ A/D line is short term positive and above its 50 DMA.
- % of SPX stocks > 50 DMA is 69.1% (neutral).
- AAI bear/bull ratio is 29.0/34.0 (neutral) as of 11/4.
- Investors Intelligence Bear/Bull Ratio 16.8/55.1 (bearish) as of 11/4.
- The detrended Rydex Ratio is +0.6 (mildly bearish).
- Open Insider Buy/Sell Ratio is 36.4 (neutral).
- Total and Equity put/call ratio 1 day readings are 0.85 (mildly bullish) and .57 (neutral) respectively. The 15 day averages for the total and equity p/c are 0.89 (mildly bullish) and .63 (neutral) respectively.
- OEX put/call one day is 1.29 (neutral) the 15 DMA 1.91 (very bearish).
- ISEE call/put Sentiment Index is 238 (very bearish).
- The SPX, DJI, MID, DJT, VALUA, COMPQX, RTY and NDX closed above their 50 DMAs.
- The FTSE, Nikkei, DAX and Hang Seng closed above their 50 DMAs.
- The U.S. dollar as measured by the UUP ETF closed higher at 26.78. Support is 26.50. Resistance is 26.78.

Commodities in up trends:

Aluminum (closed above its 50 DMA)

Silver (closed below its 50 DMA)

Commodities in down trends:

Stainless Steel (closed below its 50 DMA)

CRB Spot Raw Industrials (closed below its 50 DMA)

Commodities trading sideways:

Gold (closed above its 50 DMA)

Oil (closed below its 50 DMA)

Baltic Dry Bulk Rate (closed below its 50 DMA)

Copper (closed above its 50 DMA)

Market Internals:

Most of the major equity indexes closed higher Tuesday.

Internals were mixed on the NYSE and positive on the NASDAQ.

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

NYSE: A/D:1362/1618 U/D Volume:1.95B/1.85B Total Volume:3.82B

NASDAQ: A/D:1638/1522 U/D Volume:1.07B/921M Total Volume:2.01B

Disclosure Appendix

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