

R.F. Lafferty Morning Technical Note

11.4.20

Guy S. Ortmann, CMT, Director of Research / Senior Technical Analyst gortmann@rflafferty.com 212-293-9017**Charts See Some Resistance Levels Violated****McClellan 1-Day OB/OS Oscillators Neutral**

All the major equity indexes closed higher Tuesday with positive internals on the NYSE and NASDAQ as trading volumes rose on the NYSE but were flat on the NASDAQ. The charts saw some technical improvements although no formal changes in trend were registered while cumulative breadth improved as well. The data finds the 1-day McClellan OB/OS staying neutral despite the strength in yesterday's session while the Rydex/Open Insider dynamic continues to move in an encouraging direction. So, despite the SPX appearing to be overvalued on a forward earnings basis, the improvement on the charts, breadth and psychology combined with neutral OB/OS levels suggest we move our near-term outlook to "neutral/positive" from "neutral".

On the charts, all the indexes closed higher yesterday with positive internals and mixed volumes on the NYSE and NASDAQ as all closed at or near their intraday highs. While no changes in trend were registered, other positive technical action was achieved. Both the SPX (page 2) and DJT (page 4) closed above resistance while the DJT and VALUA closed back above their 50 DMAs. As well, bullish stochastic crossover signals were generated on the SPX, DJI (page 2), and DJT. The COMPQX (page 3) and NDX (Page 3) are the only two indexes that have yet to generate such a signal. Market breadth improved with the cumulative advance/decline lines for the All Exchange, NYSE and NASDAQ turning positive and back above their 50 DMAs. Regarding near-term trend, The MID, RTY and VALUA remain neutral with the rest negative.

The data remains generally neutral. The 1-day McClellan OB/OS Oscillators are neutral despite yesterday's strength (All Exchange: +8.59 NYSE: +12.28 NASDAQ: +4.97). The Open Insider Buy/Sell Ratio (page 9) rose yet again to 67.5. While still neutral, insiders continue to increase their buying versus selling activity as has been the case over the past several sessions. The Rydex Ratio, (contrarian indicator) dipped a bit to a neutral 0.59 as the leveraged ETF traders continued to lighten up on their leveraged long exposure. We view this dynamic between the insiders and ETF traders as a positive. This week's Investors Intelligence Bear/Bull Ratio (contrary indicator page 9) remains little changed and bearish at 20.2/60.6. The valuation gap has slipped back to overvalued levels with the SPX forward multiple rising to 21.2 with consensus forward 12-month earnings estimates from Bloomberg lifting to \$157.51 while the "rule of 20" finds fair value at 19.1. We would note said forward estimates have been moving north over the past few months rather consistently. The SPX forward earnings yield is 4.68% with the 10-year Treasury yield rising to 0.88%.

In conclusion, for the reasons stated above, we are changing our near-term outlook for the equity markets from "neutral" to "neutral/positive".

SPX: 3,304/3,421	DJI: 26,290/27,500	COMPQX: HVS10,759/11,346
NDX: 10,981/11,495	DJT: 11,080/11,624	MID: 1,910/HVR1,971
RTY: 1580/1,650	VALUA: 6,372/6,594	



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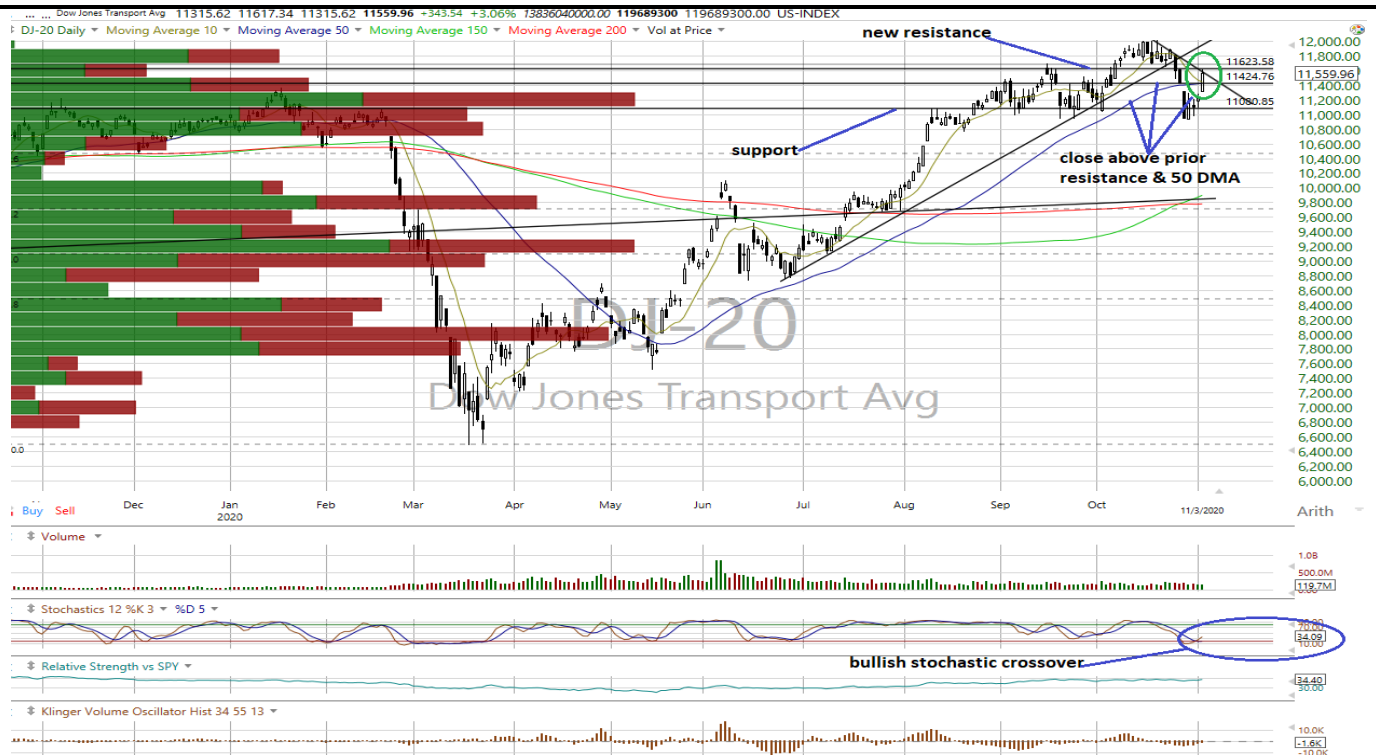
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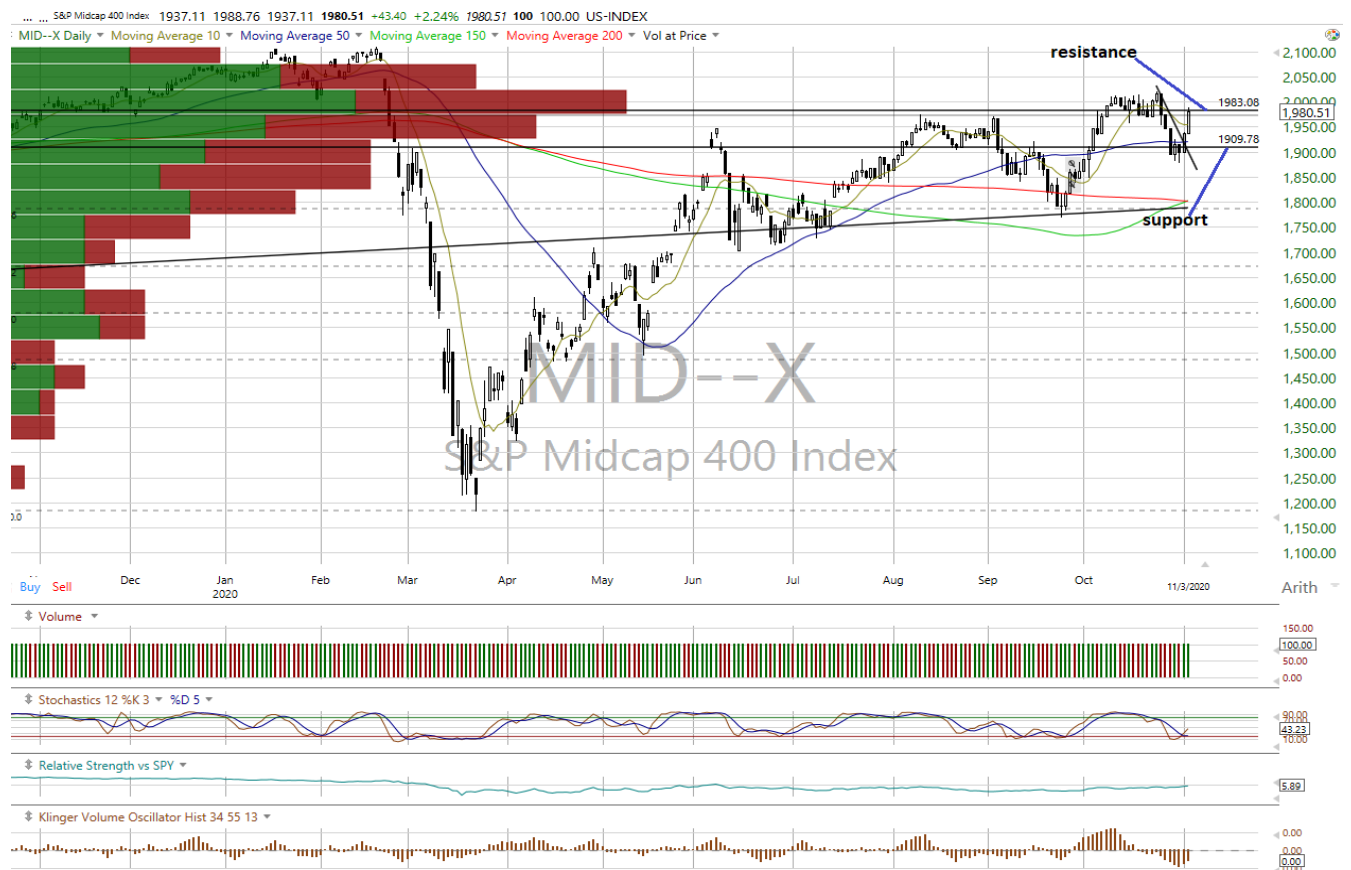
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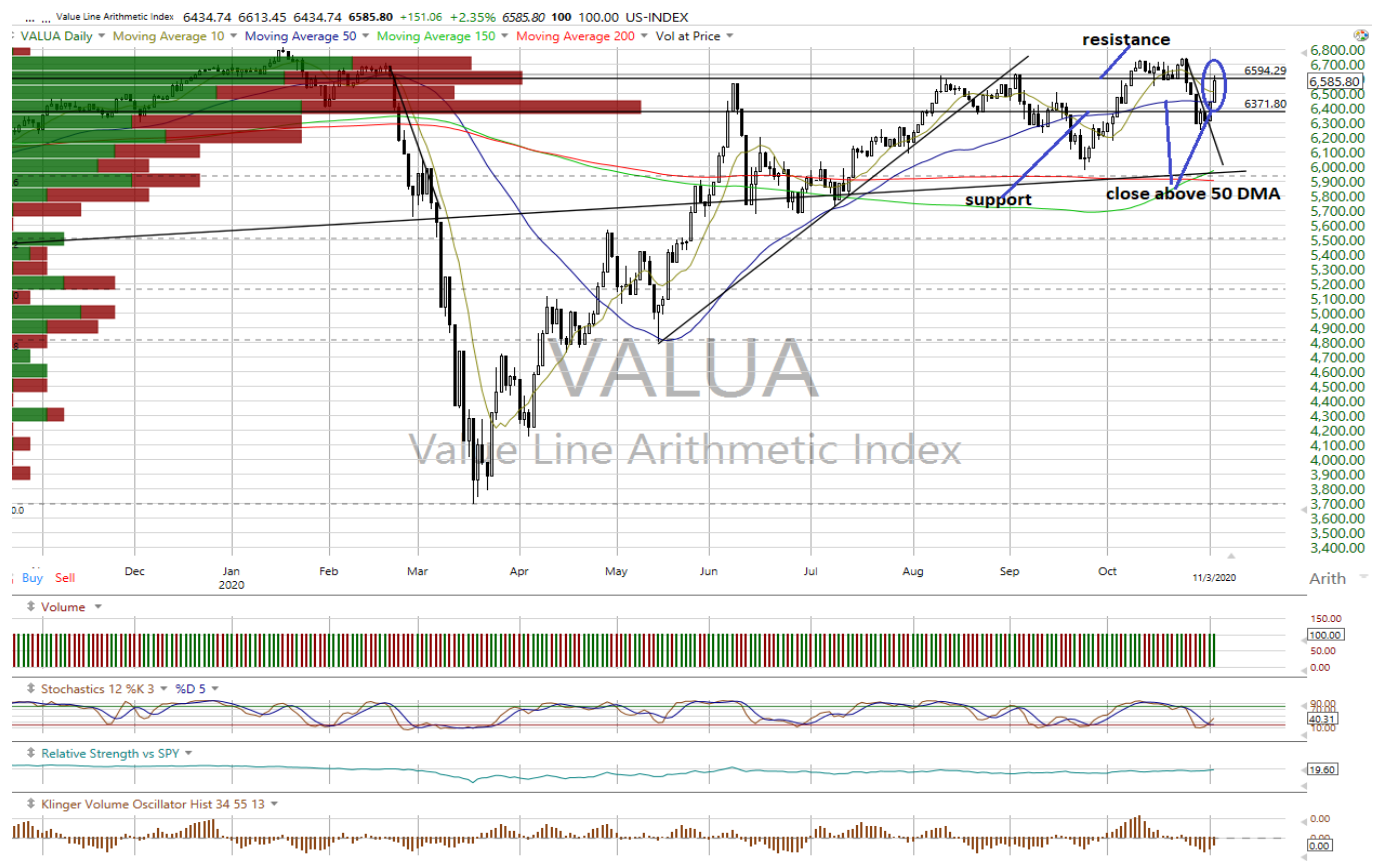
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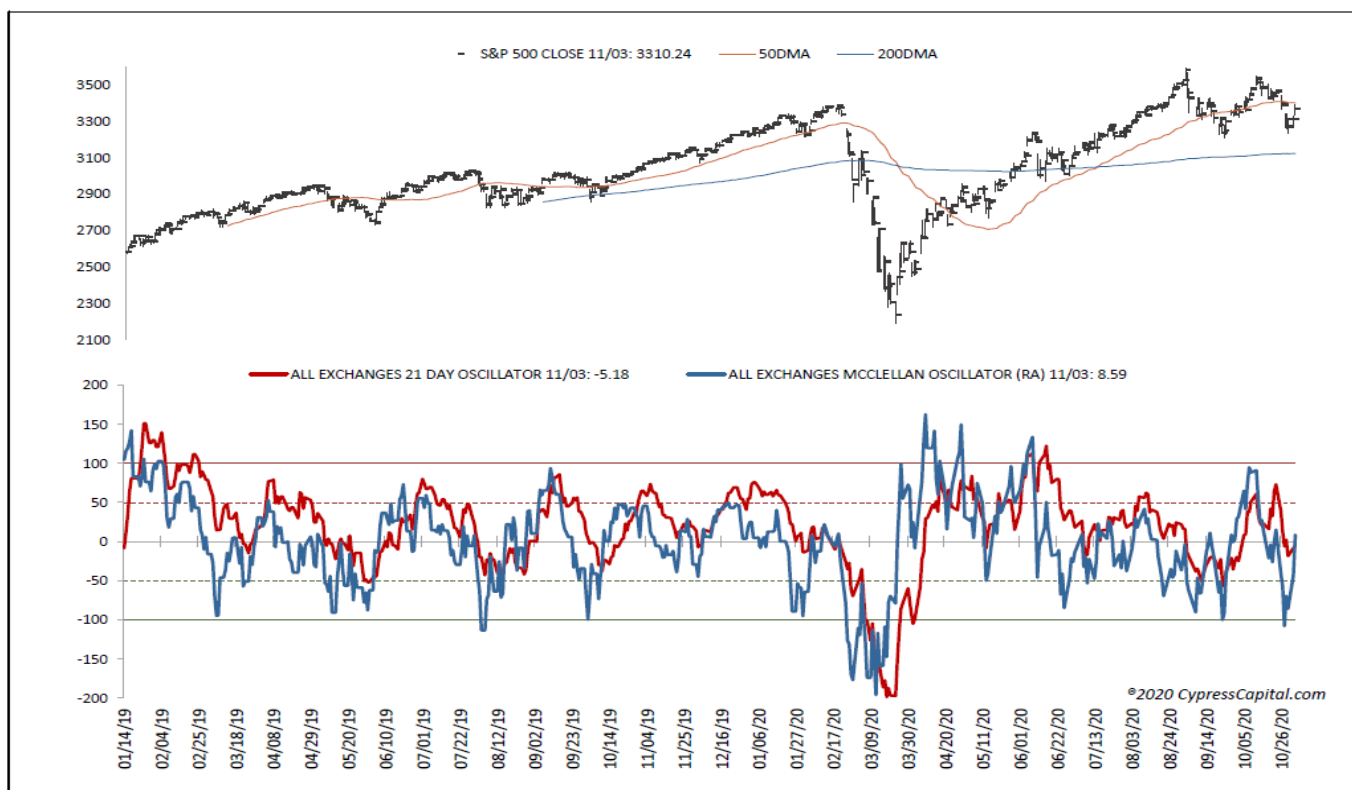


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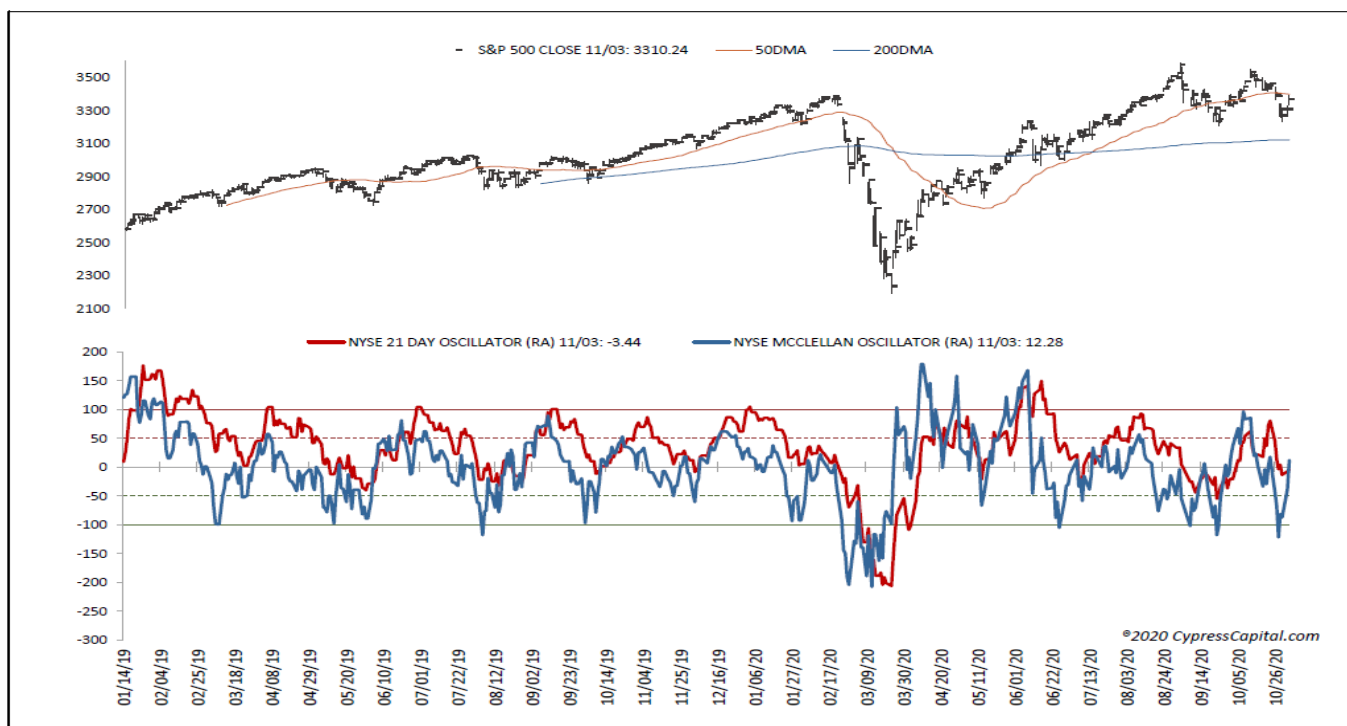


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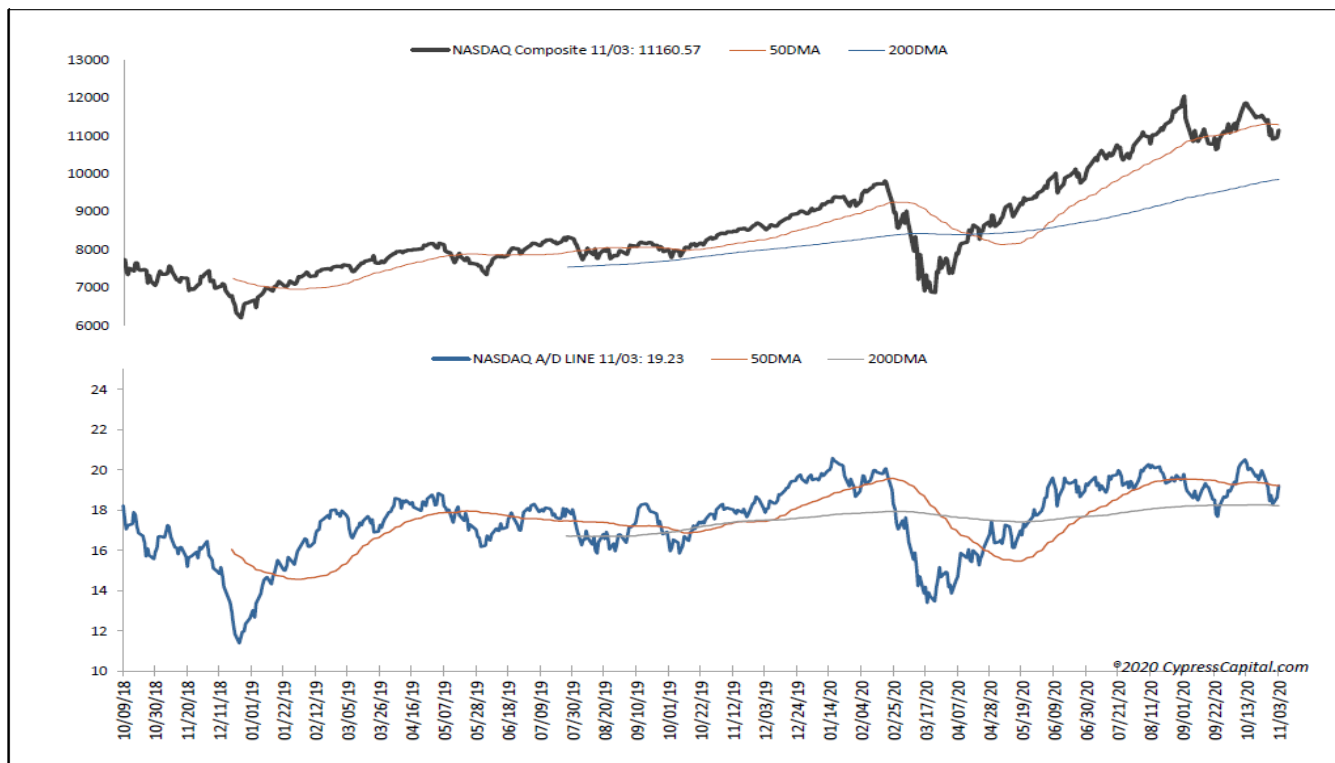
The All Exchange McClellan ratio adjusted 1-day OB/OS Oscillator is +8.59 (neutral) and 21 day -5.18 (neutral).



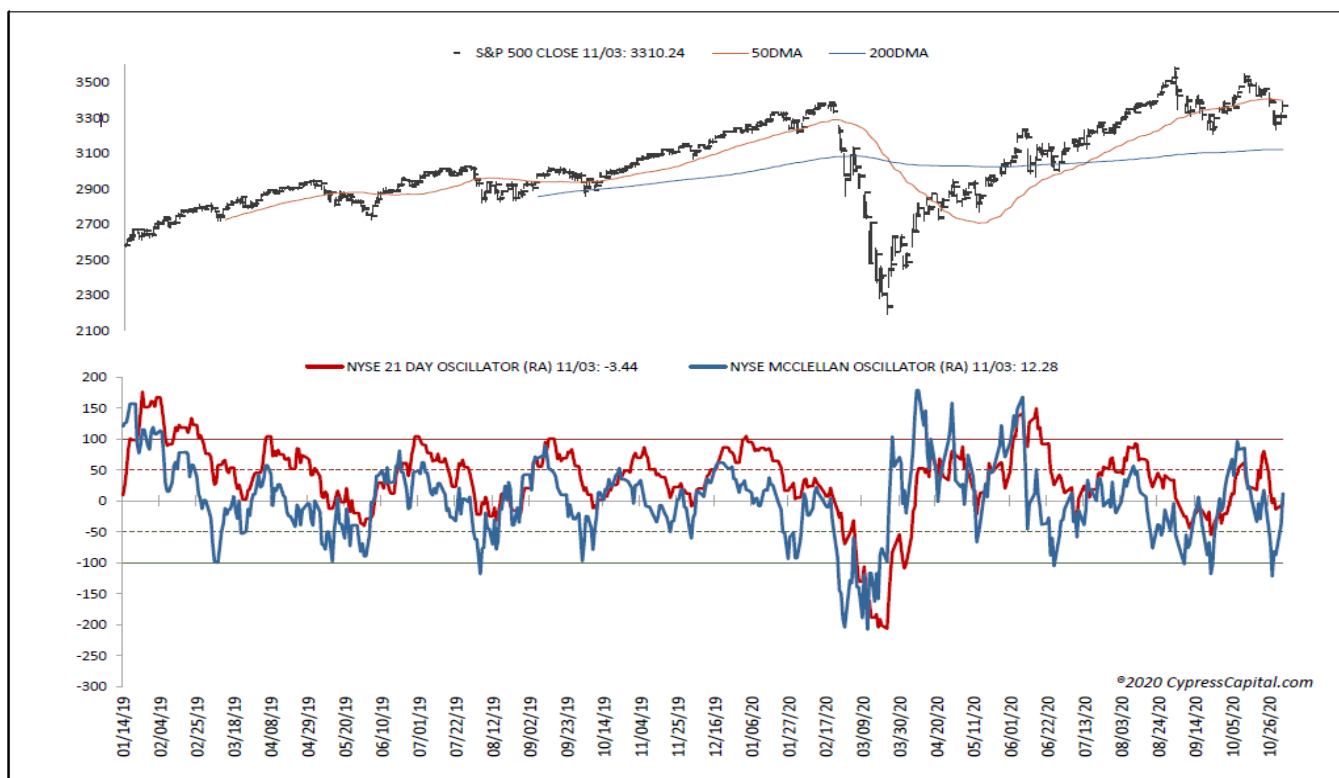
The NYSE ratio adjusted 1-day McClellan OB/OS is +12.28 (neutral) and -3.44 (neutral) on the 21 day.



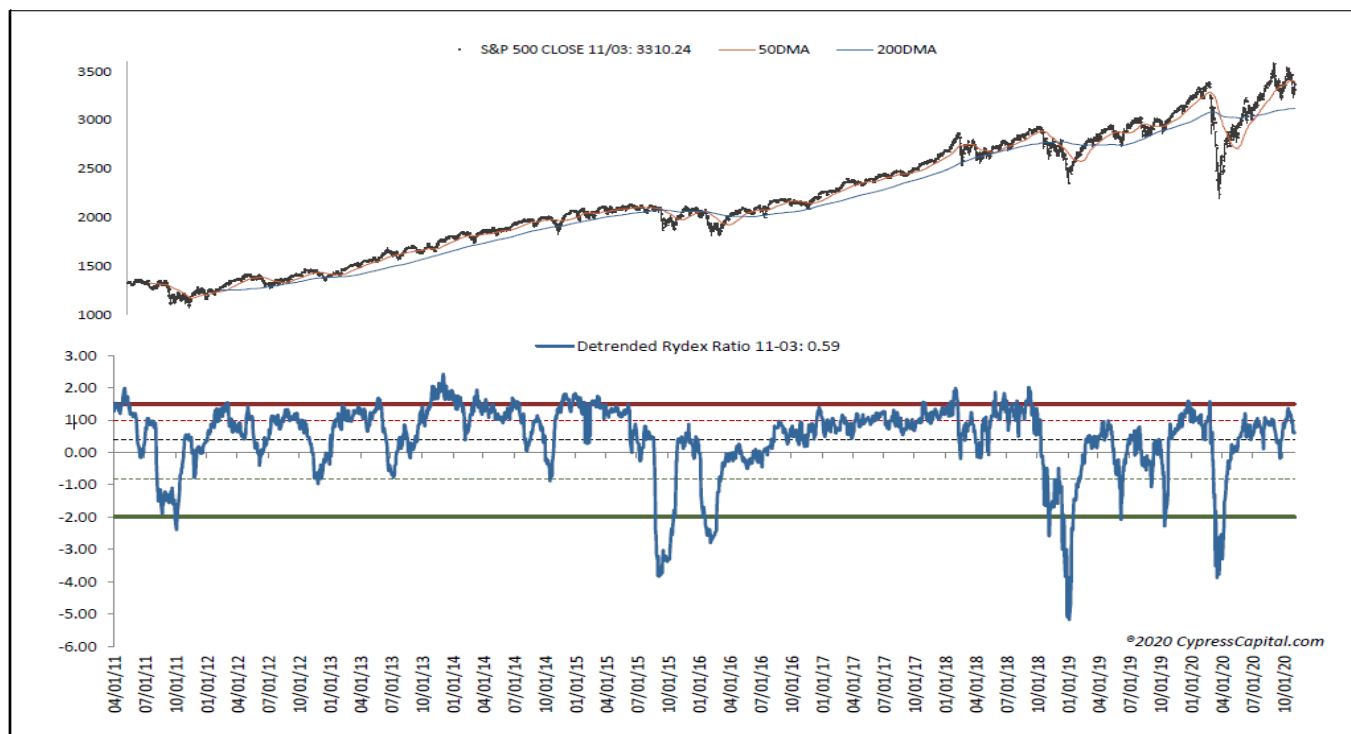
The NASDAQ cumulative advance/decline line is positive and above its 50 & 200 DMAs.



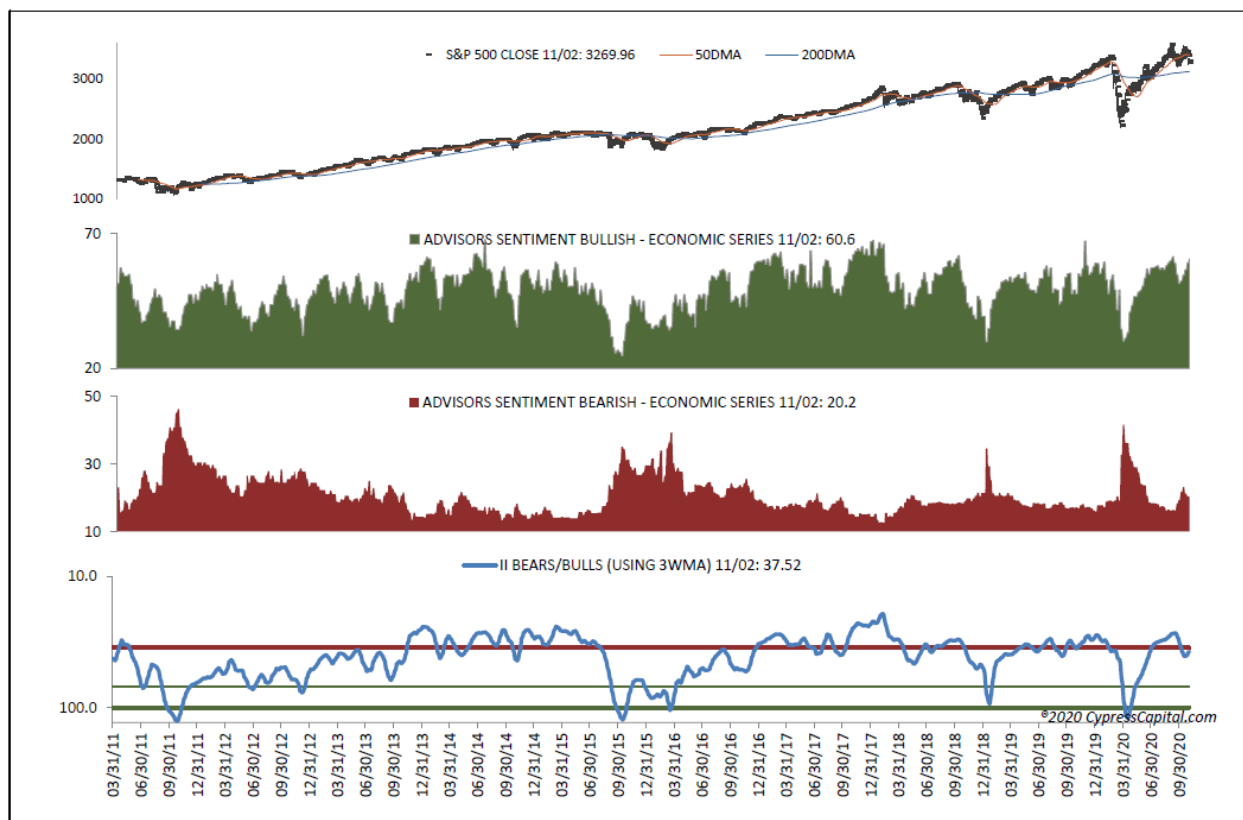
The NASDAQ ratio adjusted 1-day McClellan OB/OS Oscillator is +4.97 (neutral) and -5.68 (neutral) on the 21-day.



The detrended Rydex Ratio is +0.59 (neutral)

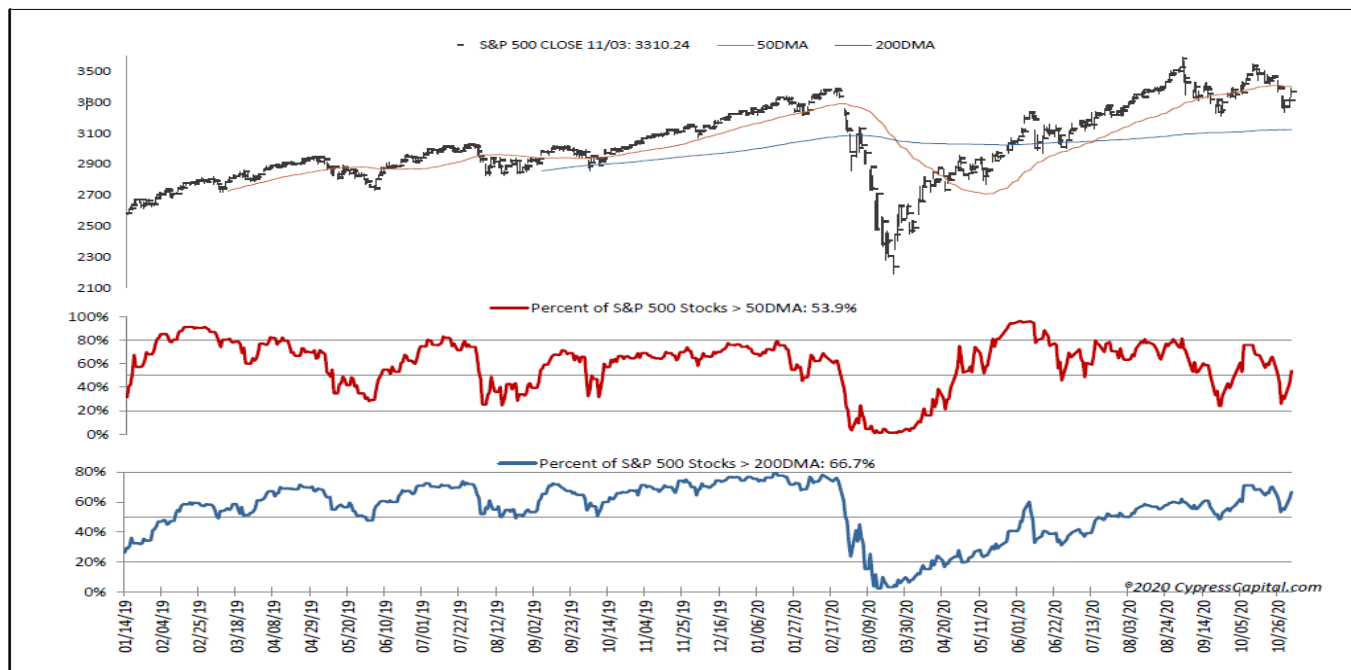


The Investors Intelligence Bear/Bull Ratio is 20.2/60.6 (bearish) as of 11.2.20

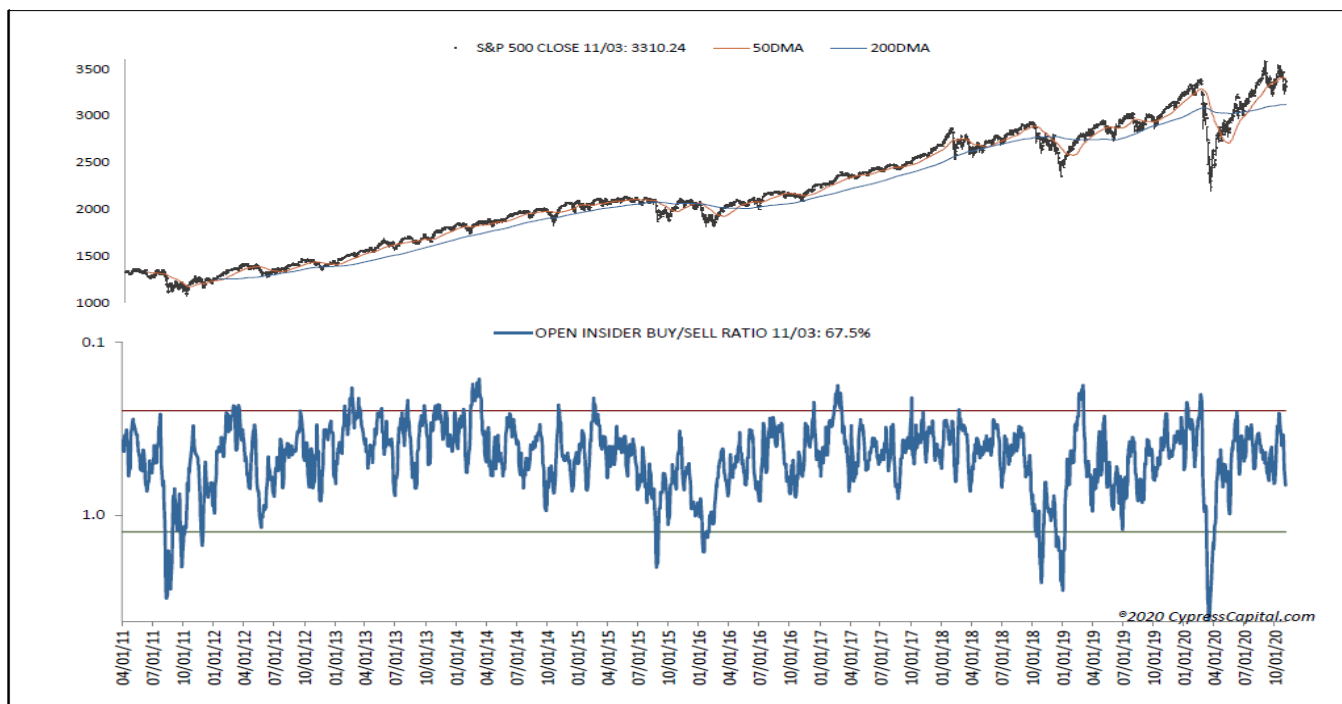


The Total and Equity put/call ratios are 1.03 (neutral) and 0.45 (bearish) on the 1day. The 15 DMAs are 0.89 (neutral) and 0.53 (bearish) respectfully. The OEX put/call Ratio is 1-day is 0.7 (bullish) and 1.41 (bearish) on the 15 DMA.

% of SPX Stccks Above Their 50 DMAs 53.9 (neutral)



The Open Insider buy/sell ratio is 67.5 (neutral).



Data:

- The All Exchange McClellan OB/OS ratio adjusted is +8.59 (neutral) 3-week average is -5.18 (neutral).
- The All Exchange A/D line is positive and above its 50 DMA.
- NYSE McClellan OB/OS ratio adjusted is +12.28 (neutral) 3-week average is -3.44 (neutral).
- The NYSE A/D line closed above its 50 DMA and is short term positive.
- NASDAQ McClellan OB/OS ratio adjusted is +4.97 (neutral) 3-week average is -5.68 (neutral).
- The NASDAQ A/D line is short term positive and above its 50 DMA.
- % of SPX stocks > 50 DMA is 53.9 (neutral).
- AAI bear/bull ratio is 34.64/35.27 (neutral) as of 11/2.
- Investors Intelligence Bear/Bull Ratio 20.2/60.6 (bearish) as of 11/2.
- The detrended Rydex Ratio is 0.59 (neutral).
- Open Insider Buy/Sell Ratio is 67.5 (neutral).
- Total and Equity put/call ratio 1-day readings are 1.03 (neutral) and 0.45 (bearish) respectively. The 15-day averages for the total and equity p/c are 0.89 (neutral) and .53 (bearish) respectively.
- OEX put/call one day is 0.7 (bullish) the 15 DMA 1.41 (bearish).
- ISEE call/put Sentiment Index is 135 (bearish).
- The SPX, DJI, NDX, RTY and COMPQX closed below their 50 DMAs.
- The DJT, VALUA and MID closed above their 50 DMAs.
- The DAX, NIKKEI, Hang Seng closed above their 50 DMAs.
- The FTSE closed below its 50 DMA.
- The U.S. dollar as measured by the UUP ETF closed lower at 25.26 Support is 24.90. Resistance is 25.45.

Commodities in up trends:

CRB Spot Raw Industrials (closed above its 50 DMA)

Stainless Steel (closed above its 50 DMA)

Aluminum (closed above its 50 DMA)

Commodities in down trends:

Oil (closed below its 50 DMA)

Baltic Dry Bulk Rate (closed above its 50 DMA)

Commodities trading sideways:

Copper (closed above its 50 DMA)

Gold (closed below its 50 DMA)

Silver (closed below its 50 DMA)

Market Internals:

The major equity indexes closed higher Tuesday.

Internals were positive on the NYSE and NASDAQ.

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

NYSE: A/D:2482/587 U/D Volume:3.64B/649MM Total Volume:4.31B

NASDAQ: A/D:28225/694 U/D Volume:2.61B/683M Total Volume:3.32B

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