

R.F. Lafferty Morning Technical Note

8.26.20

Guy S. Ortmann,, CMT, Director of Research / Senior Technical Analyst gortmann@rflafferty.com 212-293-9017**The Song Remains The Same****Cumulative Breadth Sees Modest Improvement**

The major equity indexes closed mixed Tuesday with mixed internals on the NYSE while the NASDAQ's were positive. Trading volumes declined on both exchanges from the prior session with three of the popular indexes making more new closing highs as cumulative breadth saw some minor improvements. So, while the index short term trends remain mixed, the bulk are positive and should be respected, in our opinion. However, we view the positive impact of trend on the scales as being counterbalanced by overvaluation and excessive bullish sentiment on the part of investment advisors. And while cumulative breadth saw some improvement, it remains questionable in our view. As such, we are maintaining our near-term "neutral" outlook for the equity markets at this time.

On the charts, the indexes closed mixed yesterday with the NYSE having slightly negative breadth and the NASDAQ having positive internals as trading volumes declined on both exchanges. The DJI (page 2), DJT (page 4), and MID (page 4) declined as the rest posted advances with the SPX (page 2), COMPQX (page 3) and NDX (page 3) posting new closing highs yet again. The near-term trends remain neutral on the MID, RTY and VALUA with the rest bullish as cumulative breadth improved slightly with the All Exchange, NYSE and NASDAQ A/Ds now neutral and the NASDAQ's back above its 50 DMA. Yet, while most of the trends remain bullish and should still be respected, we would note the heightened selectivity of market participants.

The data remains mixed. The 1-day McClellan OB/OS Oscillators remain neutral (All Exchange (-35.09) NYSE (-40.05) NASDAQ (-26.76) as is the Open Insider Buy/Sell Ratio (page 9) at 43.1. The detrended Rydex Ratio (contrary indicator page 8) is a mildly bearish 0.86 with the leveraged ETF traders slightly reducing their leveraged long exposure. This week's Investors Intelligence Bear/Bull Ratio (contrary indicator page 9) at 16.5/59.2 increased its cautionary message as investment advisors increased their already overly bullish outlooks. We reflect on their extremely bearish outlook at the March lows. The counterintuitive % of SPX issues trading above their 50 DMAs (page 9) slipped to 74.8%. The valuation gap continues to appear extended with the SPX forward multiple at 23.6 via consensus forward 12-month earnings estimates from Bloomberg at \$145.69 while the "rule of 20" finds fair value at 19.3. The valuation gap is at its widest point within the rally from the March lows. The SPX forward earnings yield is 4.25% with the 10 ten-year Treasury yield at 0.68%. We are watching the 10 Year closely for a possible technical upside breakout in yield.

In conclusion, our "neutral" outlook for the equity markets is unchanged. Breadth, psychology and valuation remain concerns despite the popular index gains.

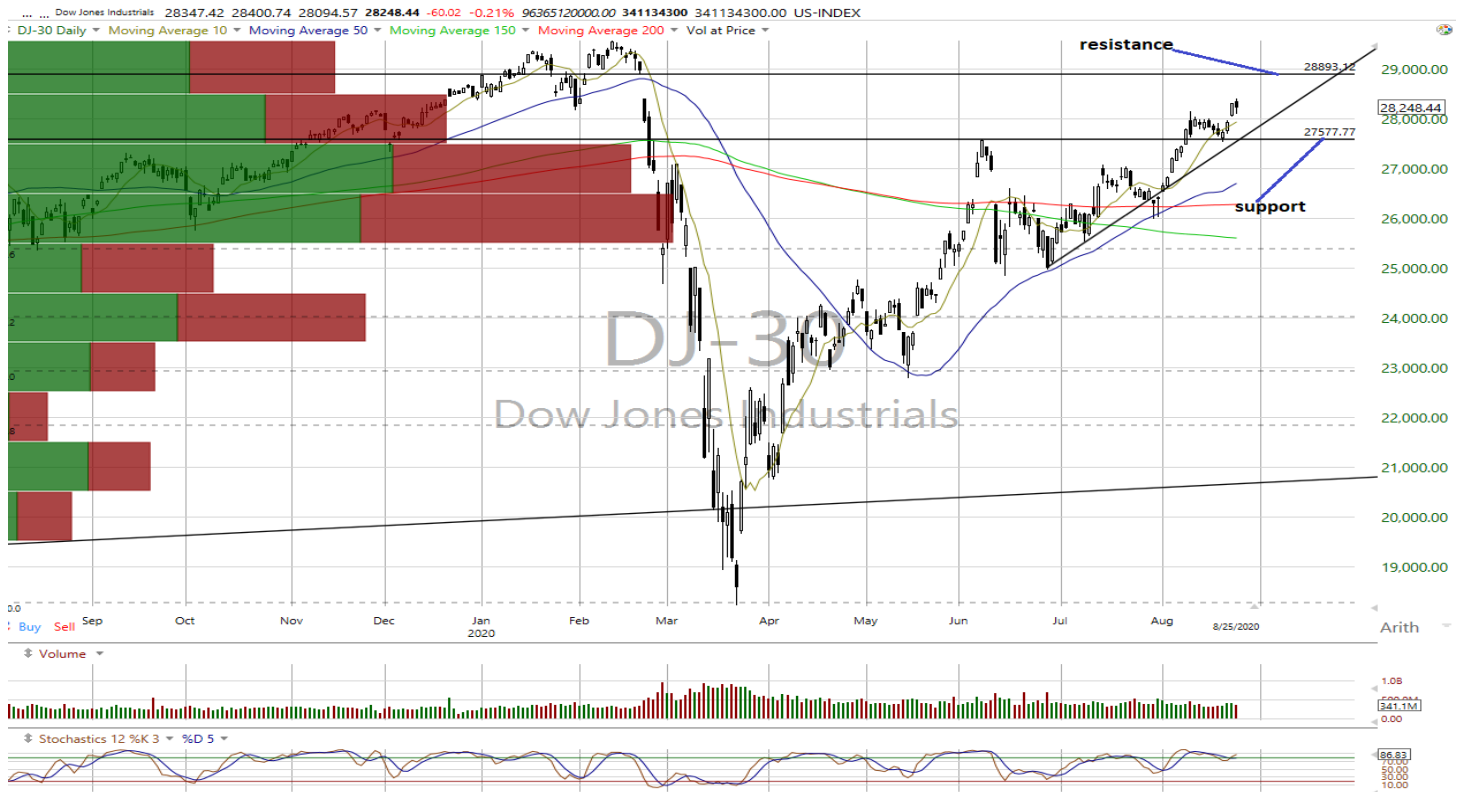
SPX: 3,380/NA	DJI: 27,578/28,893	COMPQX: 11,092/NA
NDX: 11,277/NA	DJT: 10,560/11,363	MID: 1,885/1,974
RTY: 1,550/1,595	VALUA: 6,198/6,568	

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

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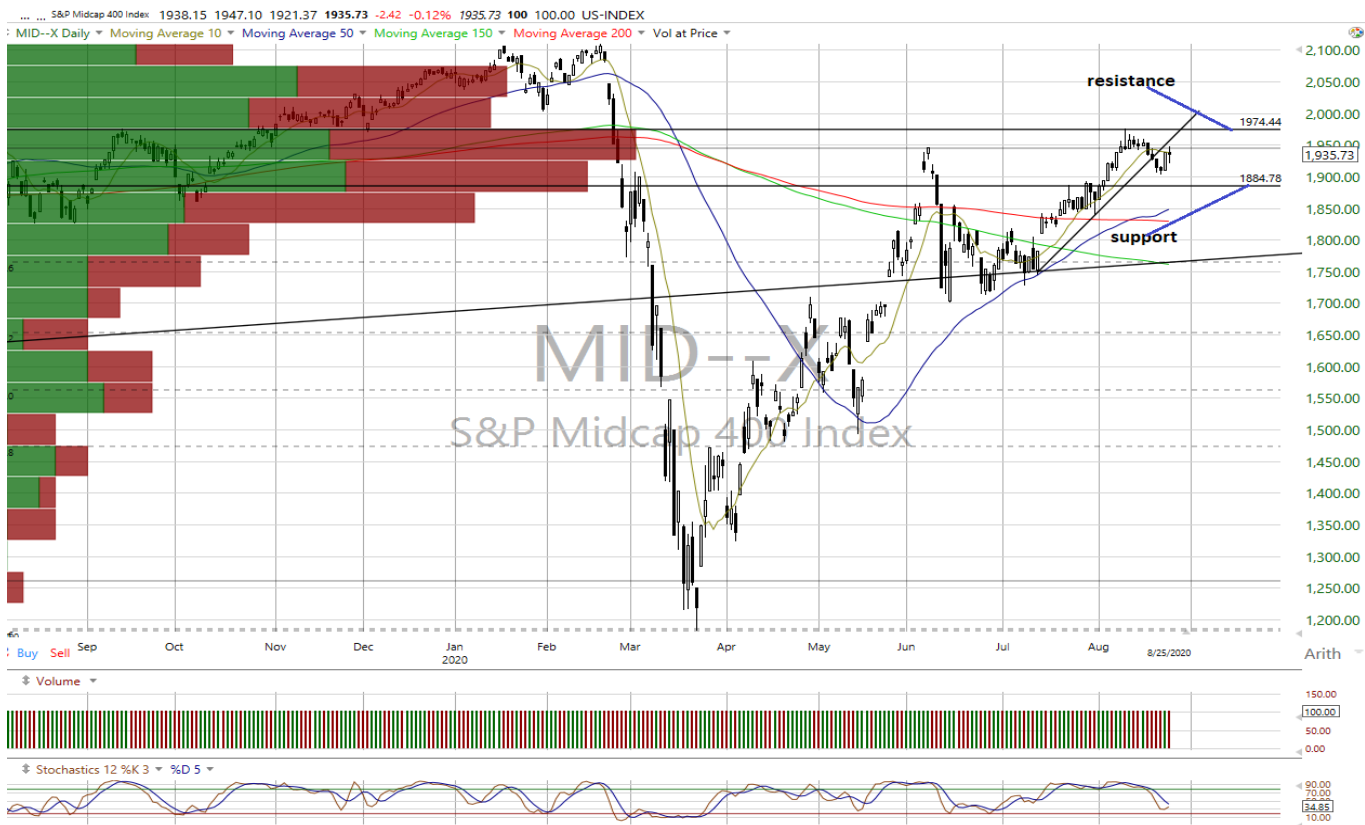
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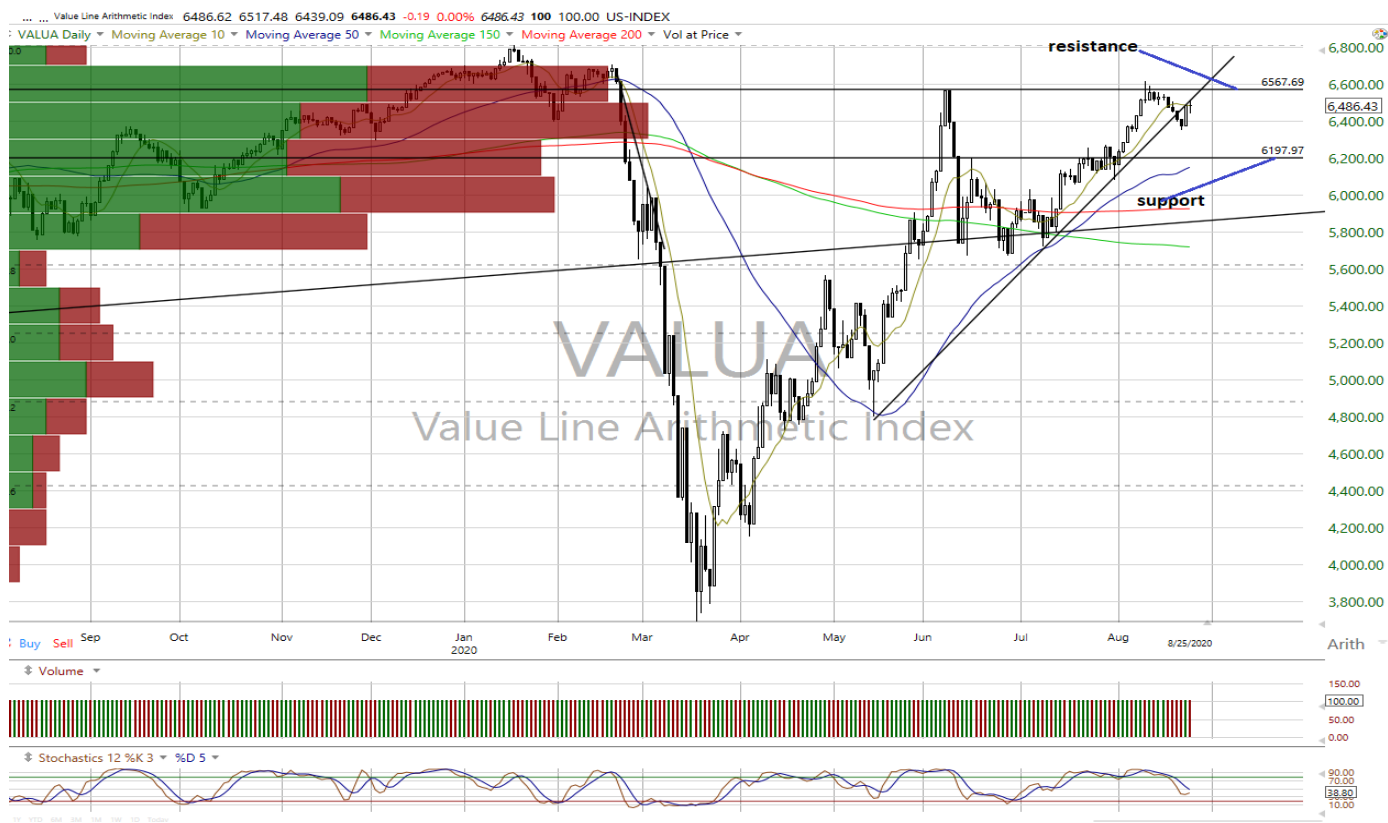
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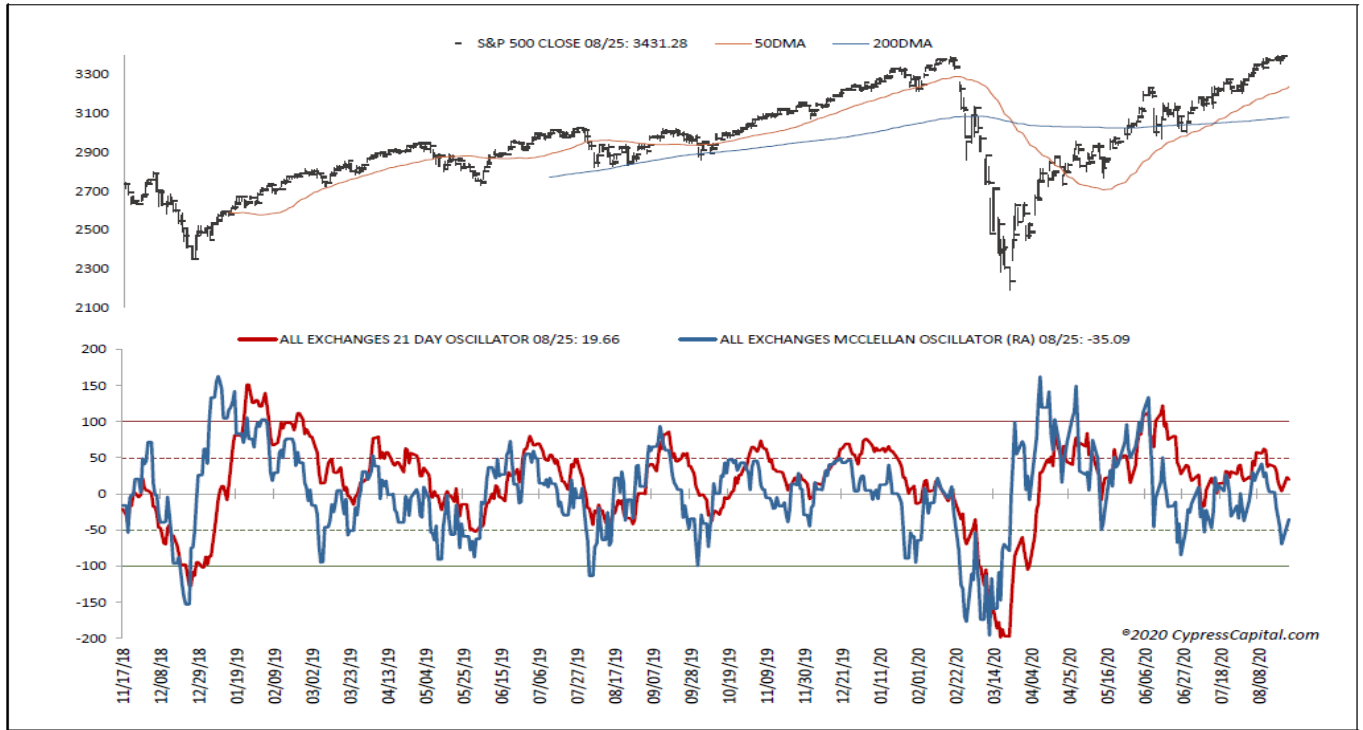


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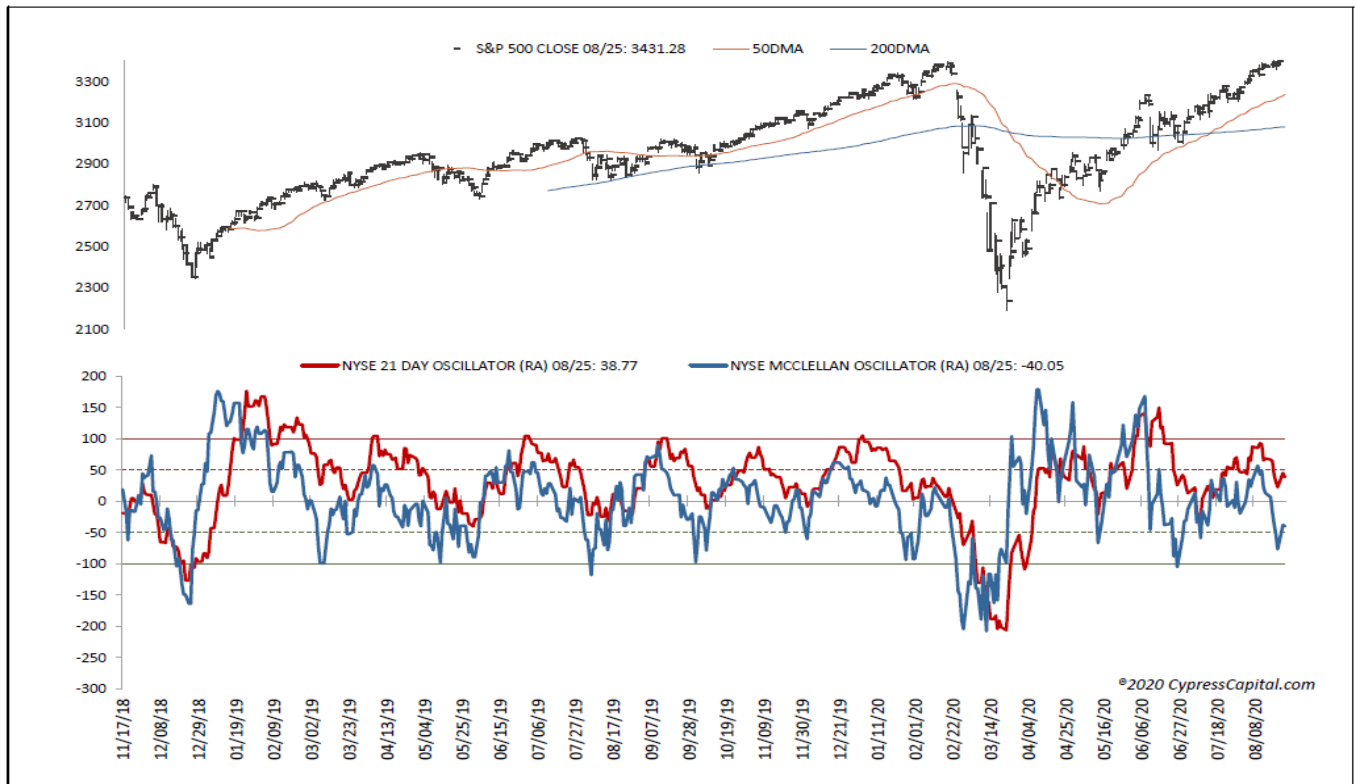


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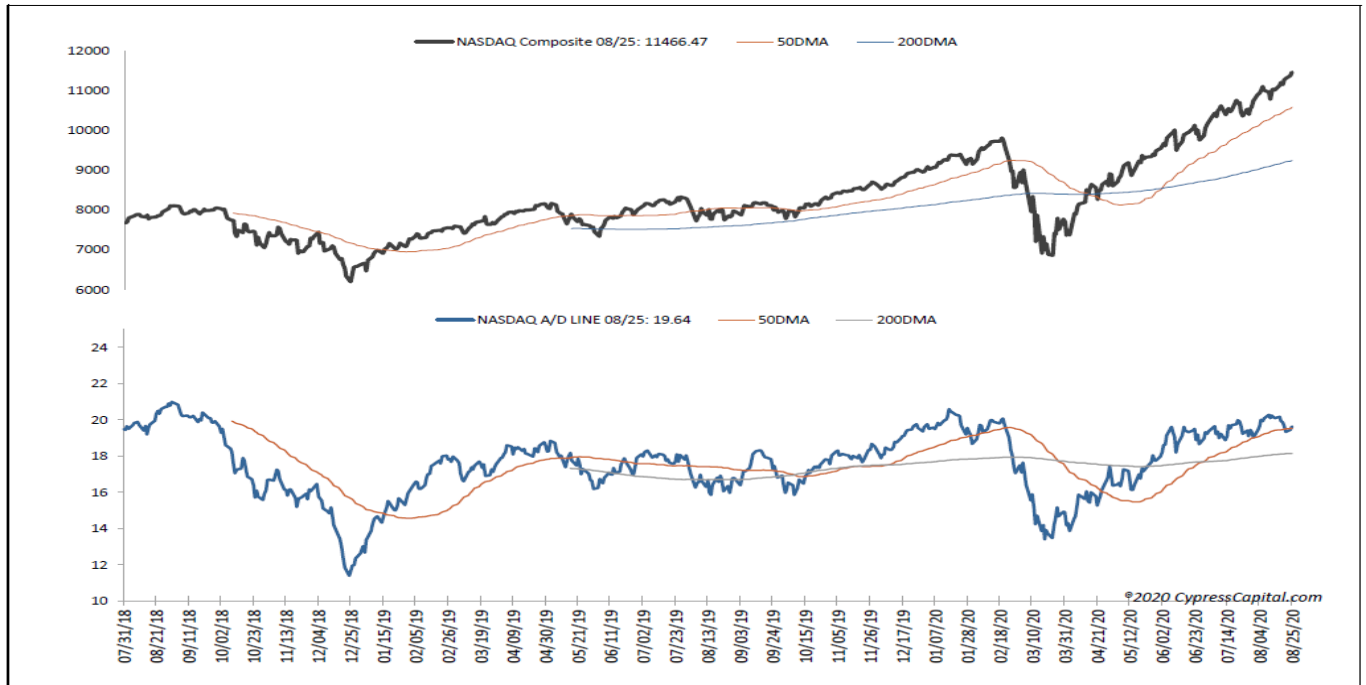
The All Exchange McClellan ratio adjusted 1-day OB/OS Oscillator is -35.09 (neutral) and 21 day +19.66 (neutral).



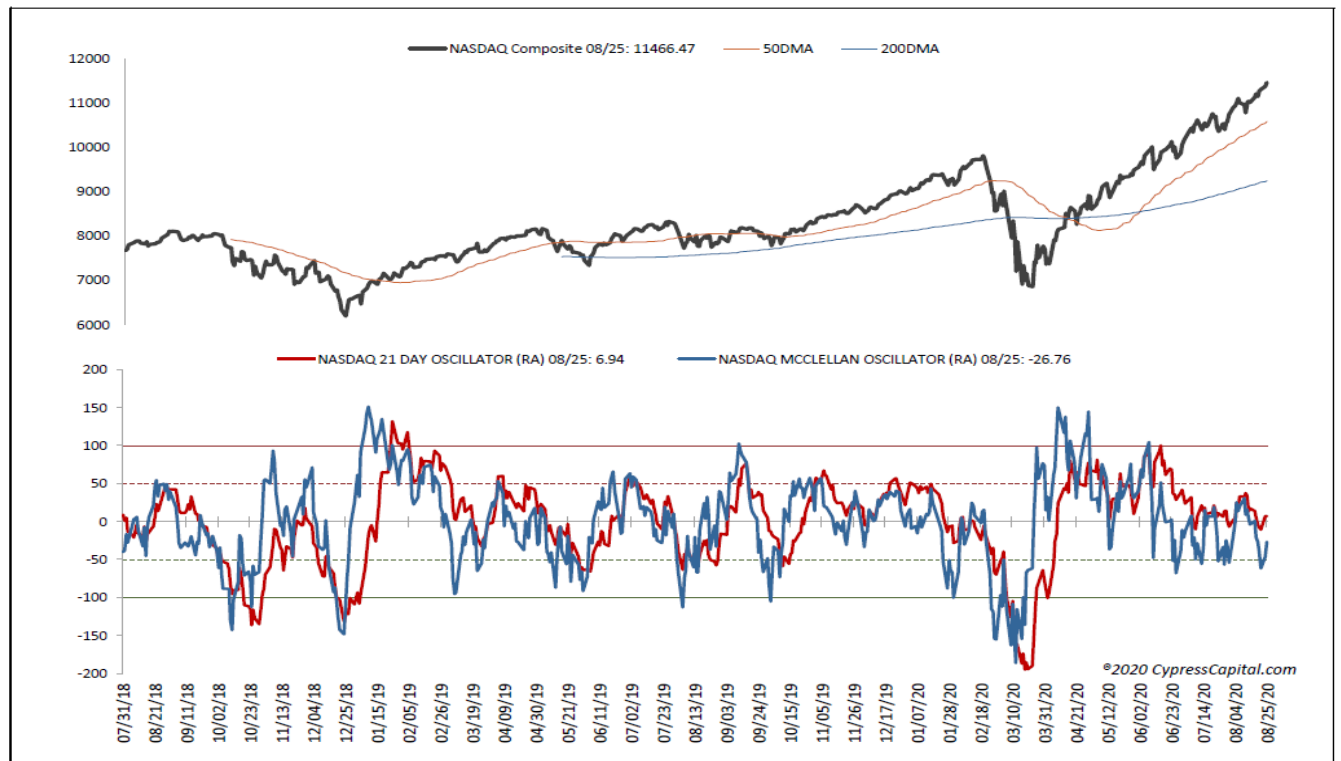
The NYSE ratio adjusted 1-day McClellan OB/OS is -40.05 (neutral) and +38.17 (neutral) on the 21 day.



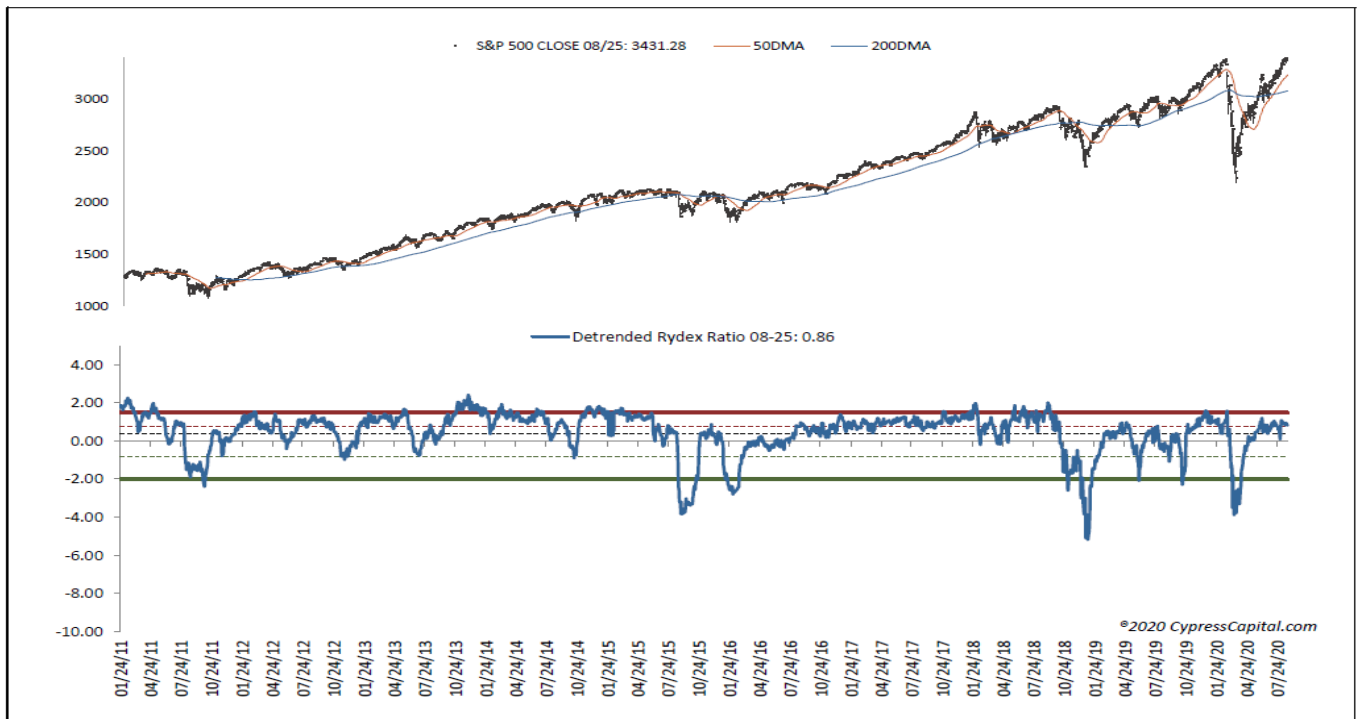
The NASDAQ cumulative advance/decline line is neutral and above its 50 DMA



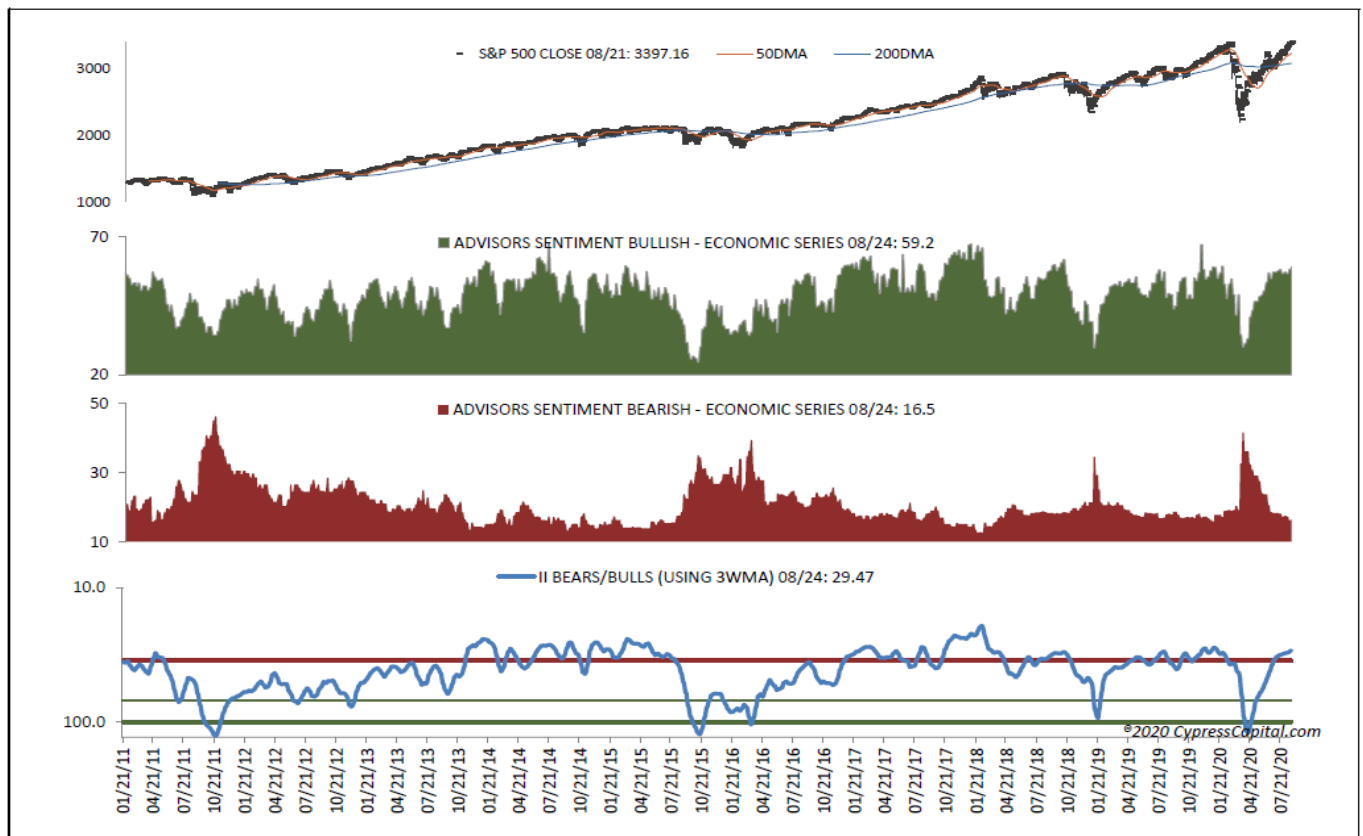
The NASDAQ ratio adjusted 1-day McClellan OB/OS Oscillator is -26.76 (neutral) and +6.94 (neutral) on the 21-day.



The detrended Rydex Ratio is 0.86 (mildly bearish)

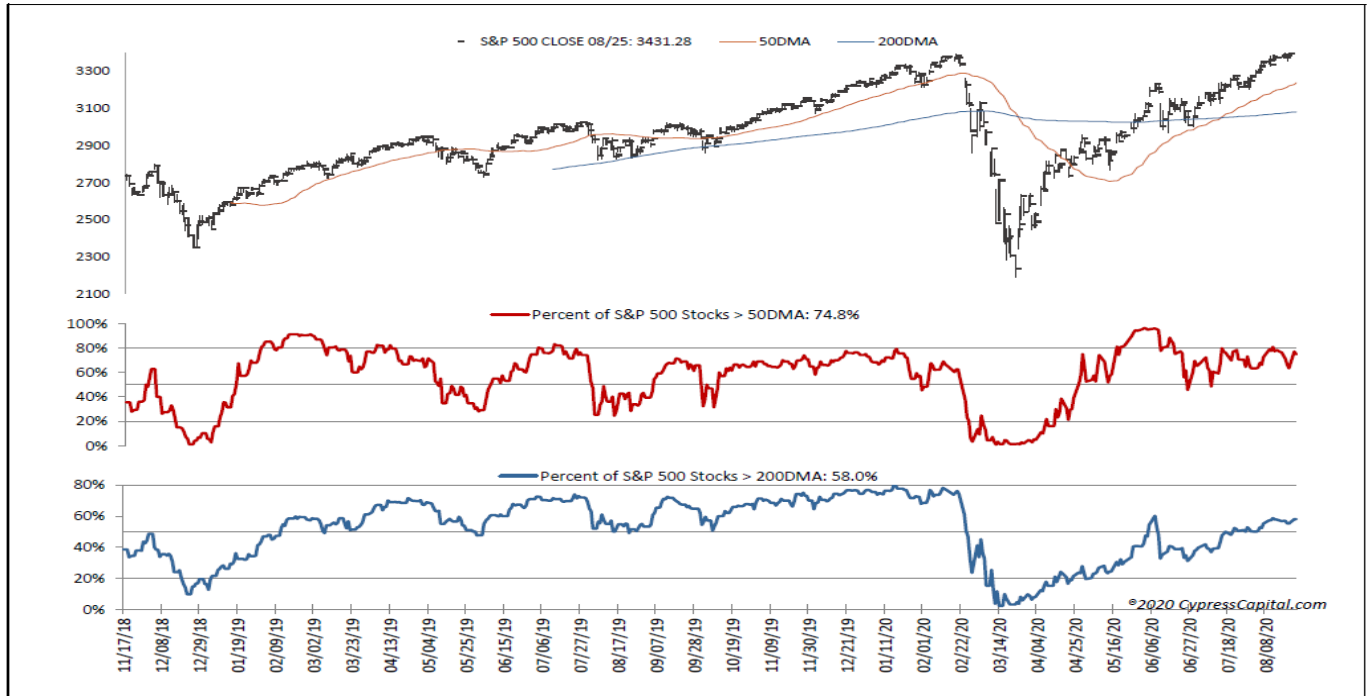


The Investors Intelligence Bear/Bull Ratio is 16.5/59.2 (bearish) as of 8.24.20

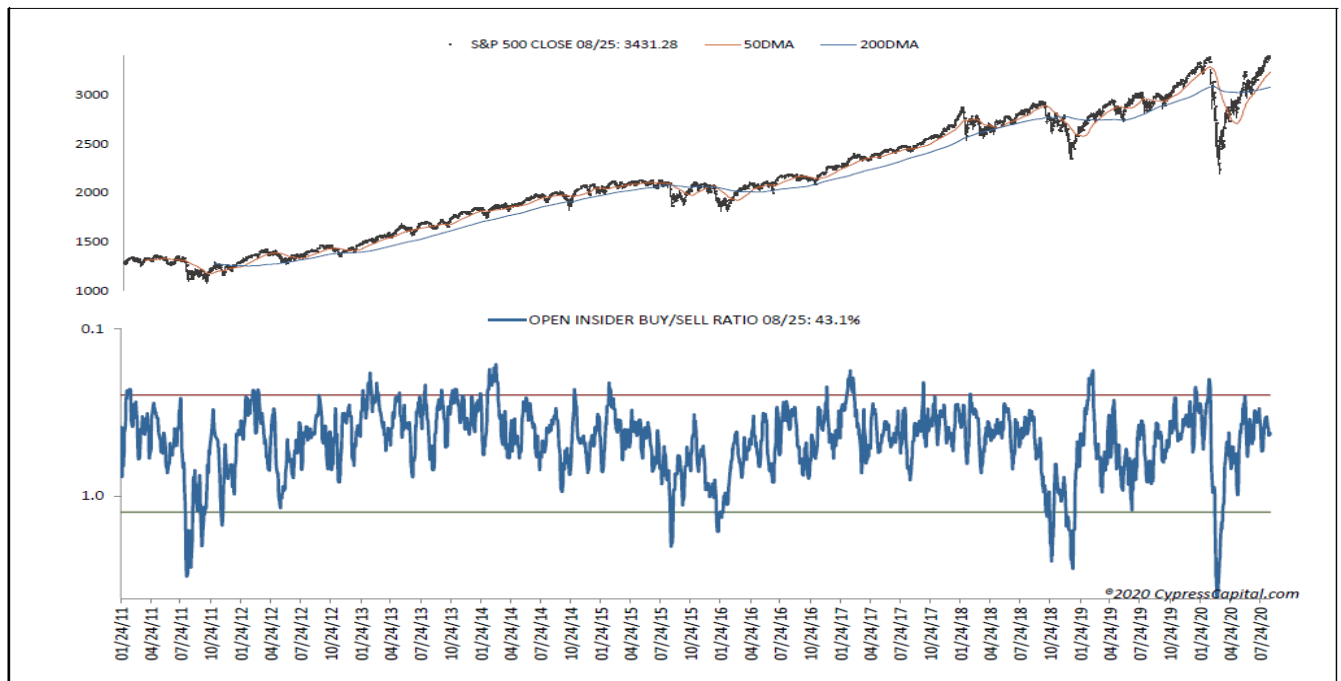


The Total and Equity put/call ratios are 0.62 (bearish) and 0.42 (bearish) on the 1day. The 15 DMAs are 0.71 (bearish) and 0.45 (bearish) respectively. The OEX put/call Ratio is 1-day is 0.56 (very bullish) and 1.96(very bearish) on the 15 DMA.

Percent of SPX stocks above their 50 DMAs is 74.8% (neutral)



The Open Insider buy/sell ratio is 43.1 (neutral).



Data:

- The All Exchange McClellan OB/OS ratio adjusted is -35.09 (neutral) 3-week average is +19.66 (neutral).
- The All Exchange A/D line is neutral and above its 50 DMA.
- NYSE McClellan OB/OS ratio adjusted is -40.05 (neutral) 3-week average is +38.17 (neutral).
- The NYSE A/D line closed above its 50 DMA and is short term neutral.
- NASDAQ McClellan OB/OS ratio adjusted is -26.76 (neutral) 3-week average is +6.94 (neutral).
- The NASDAQ A/D line is short term neutral and above its 50 DMA.
- % of SPX stocks > 50 DMA is 74.8% (neutral).
- AAIH bear/bull ratio is 46.06/24.52 (bullish) as of 8/17.
- Investors Intelligence Bear/Bull Ratio 16.2/58.1 (bearish) as of 8/18.
- The detrended Rydex Ratio is +0.86 (mildly bearish).
- Open Insider Buy/Sell Ratio is 43.1 (neutral).
- Total and Equity put/call ratio 1-day readings are 0.62 (bearish) and 0.42 (bearish) respectively. The 15-day averages for the total and equity p/c are 0.71 (bearish) and .45 (bearish) respectively.
- OEX put/call one day is 0.56 (very bullish) the 15 DMA 1.96 (very bearish).
- ISEE call/put Sentiment Index is 99 (neutral).
- The SPX, COMPQX DJI, DJT, MID, RTY, VALUA and NDX closed above their 50 DMAs.
- The Hang Seng, DAX and Nikkei 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 25.13. Support is 24.90. Resistance is 25.88.

Commodities in up trends:

Gold (closed below its 50 DMA)

Oil (closed above its 50 DMA)

Silver (closed above its 50 DMA)

CRB Spot Raw Industrials (closed above its 50 DMA)

Copper (closed above its 50 DMA)

Commodities in down trends:

Stainless Steel (closed below its 50 DMA)

Commodities trading sideways:

Baltic Dry Bulk Rate (closed above its 50 DMA)

Aluminum (closed above its 50 DMA)

Market Internals:

The major equity indexes closed mixed Tuesday.

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

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

NYSE: A/D:1460/1523 U/D Volume:1.87B/1.84B Total Volume:3.76B

NASDAQ: A/D:1998/1343 U/D Volume:2.42B/1.12B Total Volume:3.59B

Disclosures

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