

Indexes Close Mixed

Near Term Outlook Remains Neutral

The indexes closed mixed Tuesday with positive internals on the NYSE as the NASDAQ's were mixed. Trading volumes were flat versus the prior session on the NYSE and lower on the NASDAQ. No technical events of import were generated on the charts, leaving all in near term uptrends while the data remains largely neutral. Yet we are maintaining our near term "neutral" outlook for the major equity indexes given the current stochastic and VIX levels while forward 12 month earnings estimates for the SPX continue to recede.

On the charts, the indexes closed mixed yesterday with the SPX (page 2), DJI (page 2), COMPQX (page 3), NDX (page 3) and DJT (page 4) posting minor losses while the MID (page 4), RTY (page 5) and VALUA (page 5) saw minor gains. No technical events worthy of note were generated. So we continue to find all of the indexes in near term uptrends with positive cumulative advance/decline lines for the All Exchange, NYSE and NASDAQ. One would expect us to be more favorable in our outlook if it were not for the stochastic and VIX levels. As noted yesterday, all of the stochastic levels are overbought. They can remain that way for several sessions. However, these conditions were seen four times previously this year, each of which was followed by varying degrees of weakness in the markets. The VIX is sending a similar message as it is at low levels seen three times over the past year, all of which were followed by spikes in volatility coincident with market corrections. In our opinion, they imply a weakening of the market shock absorbers should negative news hit the tape.

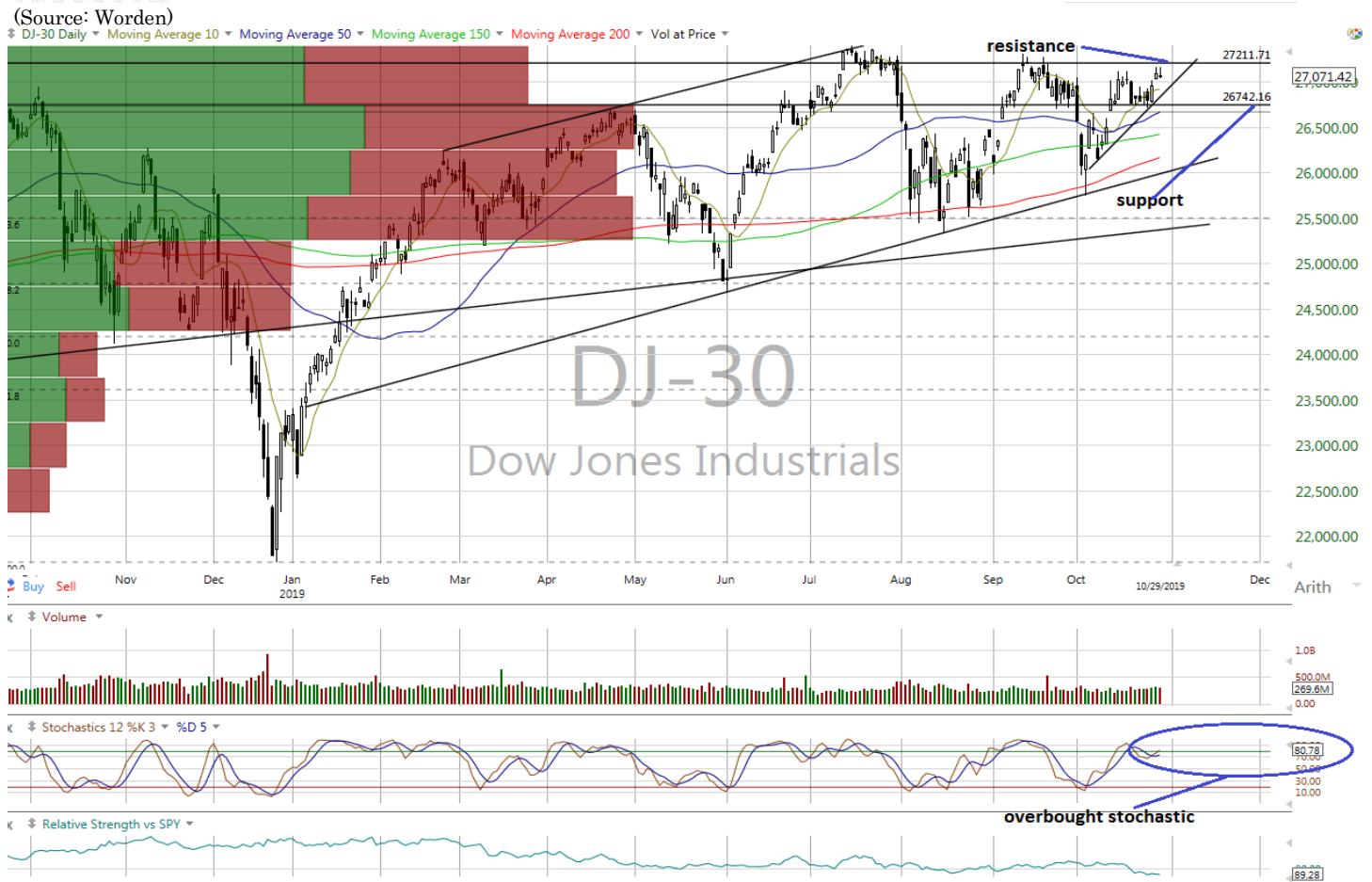
The data remains mostly neutral including all of the 1 day McClellan OB/OS Oscillators (All Exchange:+35.36 NYSE:+25.9 NASDAQ:+47.4). The detrended Rydex Ratio (contrary indicator) remains neutral at +0.48. This week's AAI Bear/Bull Ratio (contrary indicators) remained bullish at 34.33/29.33. However, the Investor's Intelligence Bear/Bull Ratio (contrary indicator) stayed bearish at 17.2/47.6 suggesting an excess of bullish sentiment on the part of investment advisors continues. The % of SPX stocks trading above their 50 DMAs is a neutral 65.9%. Insider buying remains neutral as well at a 40.9 Open Insider Buy/Sell Ratio. Valuation has compressed with forward 12 month earnings estimates for the SPX slipping down to \$172.40 via Bloomberg, leaving the forward p/e at a 17.6 multiple while the "rule of twenty" finds fair value at 18.2. Said SPX estimates have been shrinking literally every over the past several sessions. The 10 Year Treasury yield stands at 1.84%. The earnings yield is 5.68%.

In conclusion, while the charts are sending a positive message, the VIX, stochastic levels and the consistent slide in forward SPX estimates suggest we maintain our "neutral" outlook at the current time.

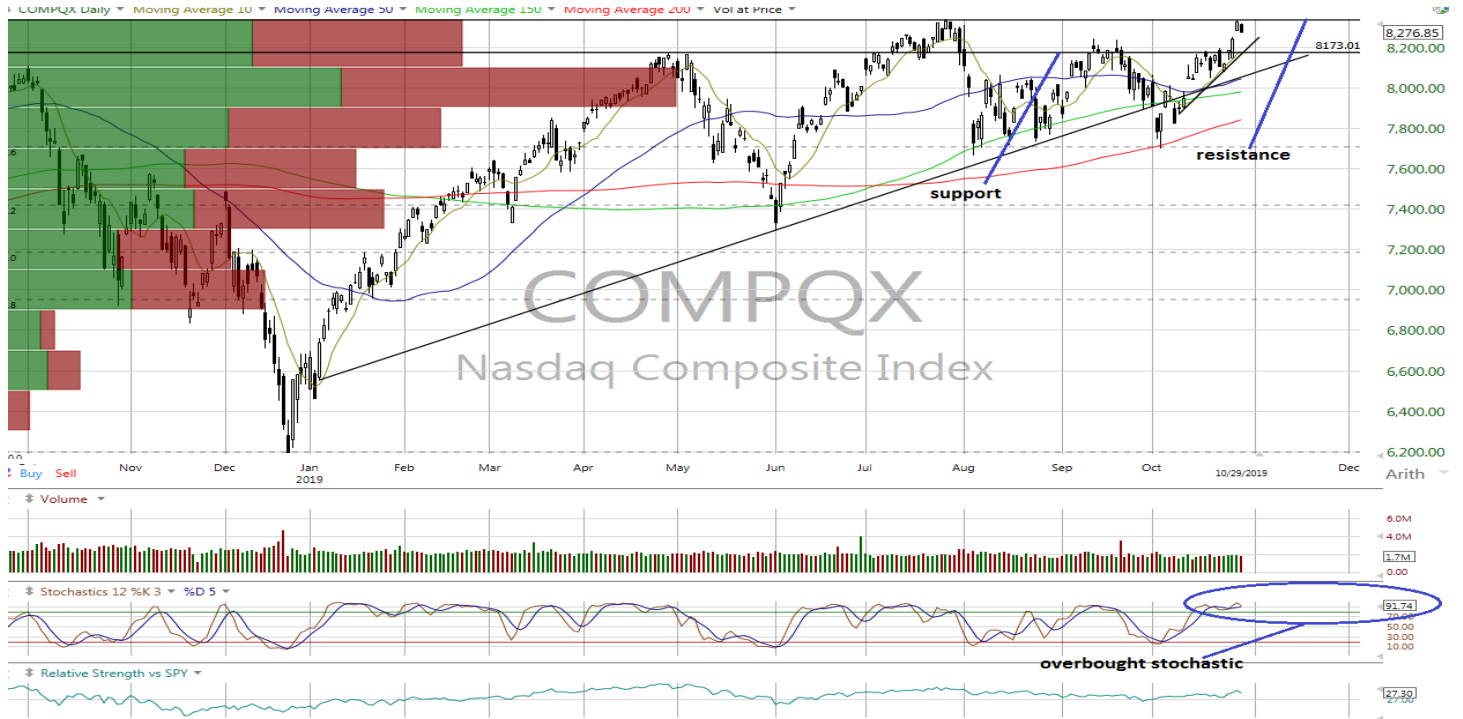
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|------------------|--------------------|---------------------|
| SPX: 2,994/NA | DJI: 26,742/27,212 | COMPQX: 8,173/8,330 |
| NDX: 7,911/NA | DJT: 10,657/10,858 | MID: 1,939/1,983 |
| RTY: 1,529/1,588 | VALUA: 6,190/6,318 | |

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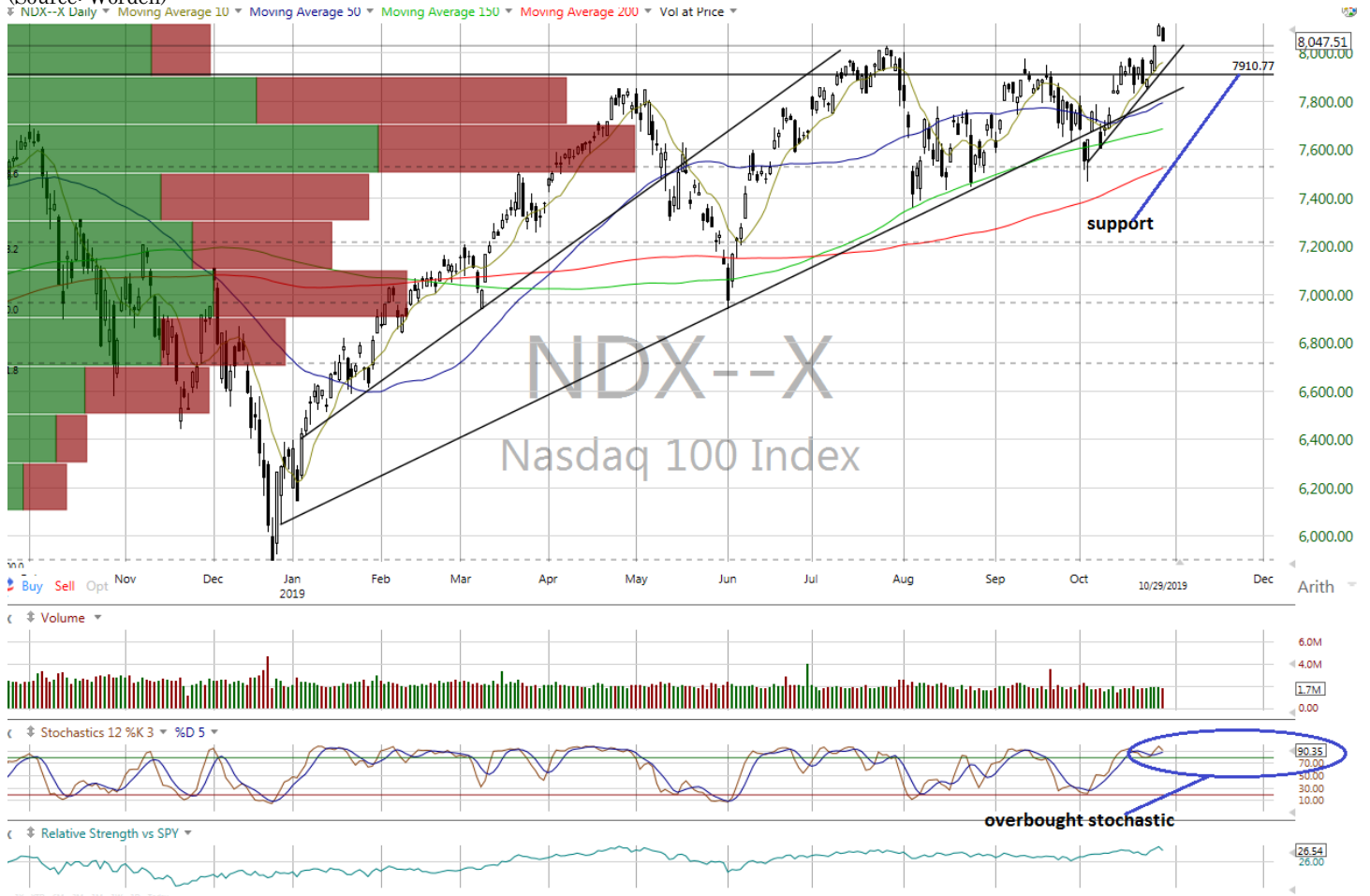
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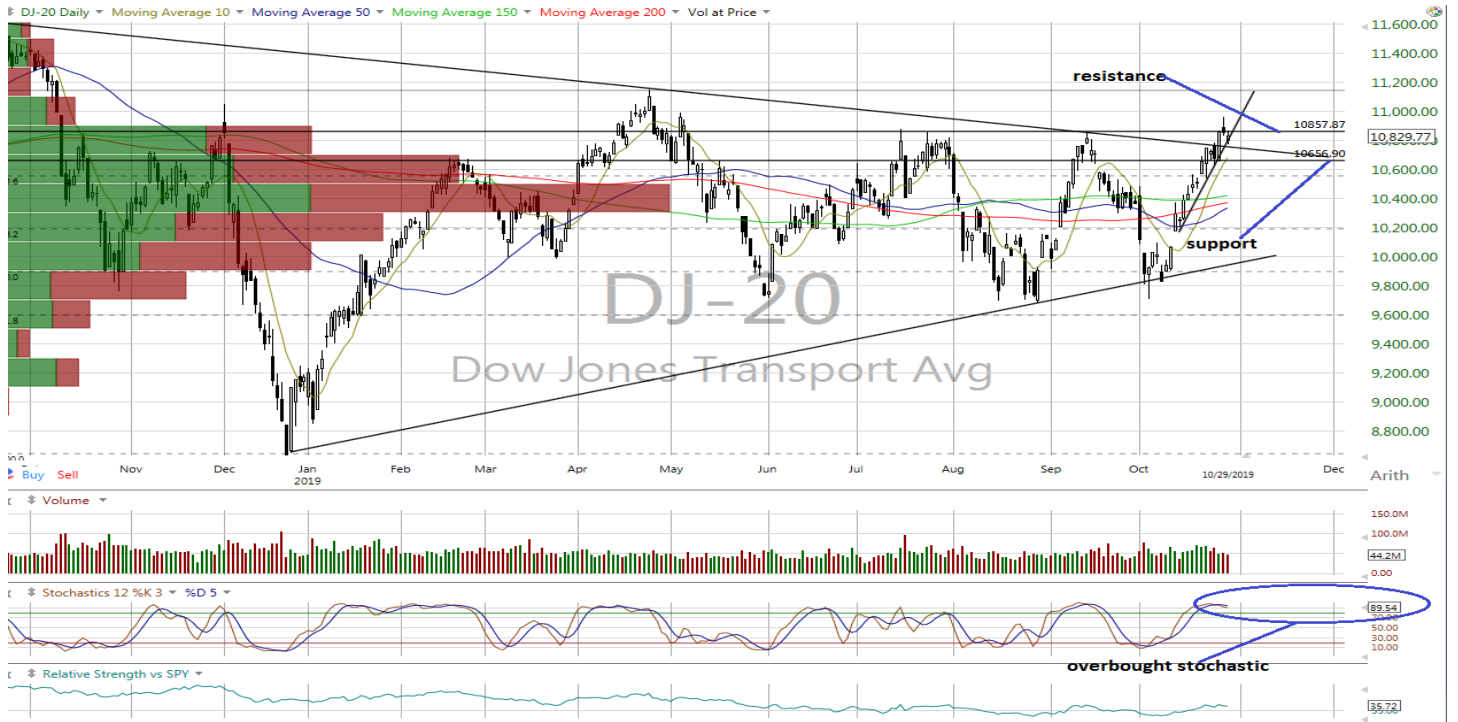
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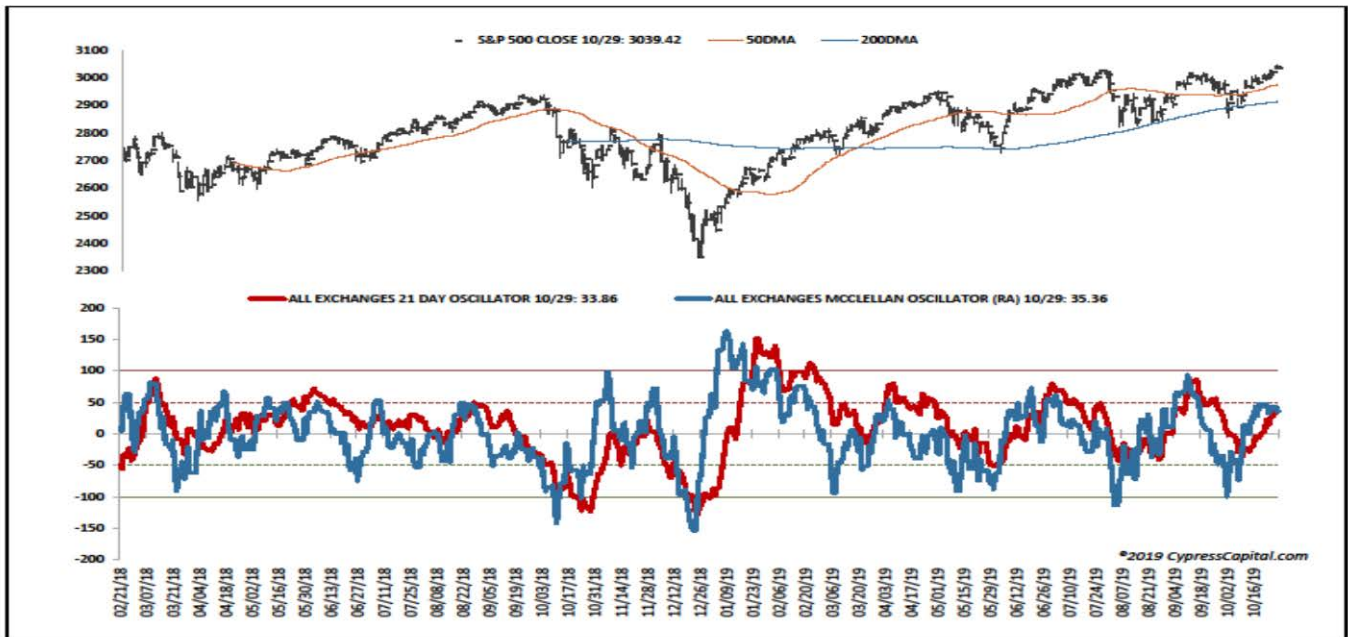


(Source: Bloomberg)

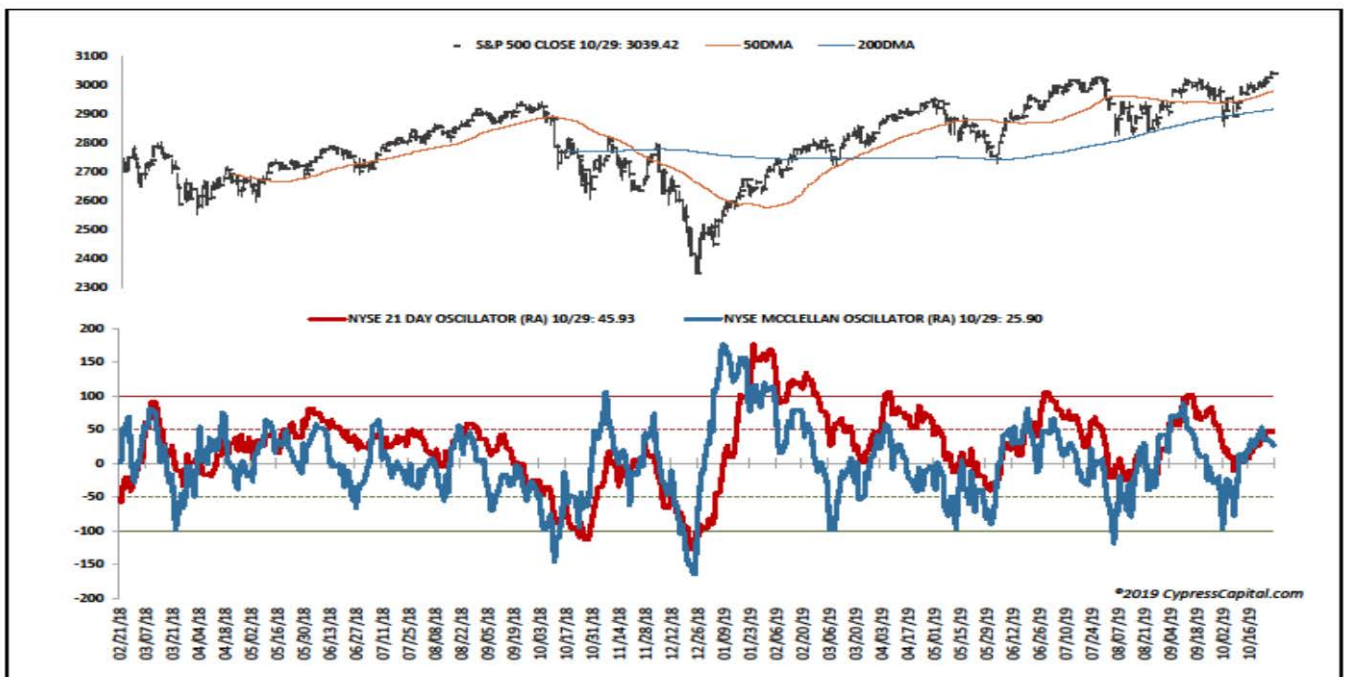


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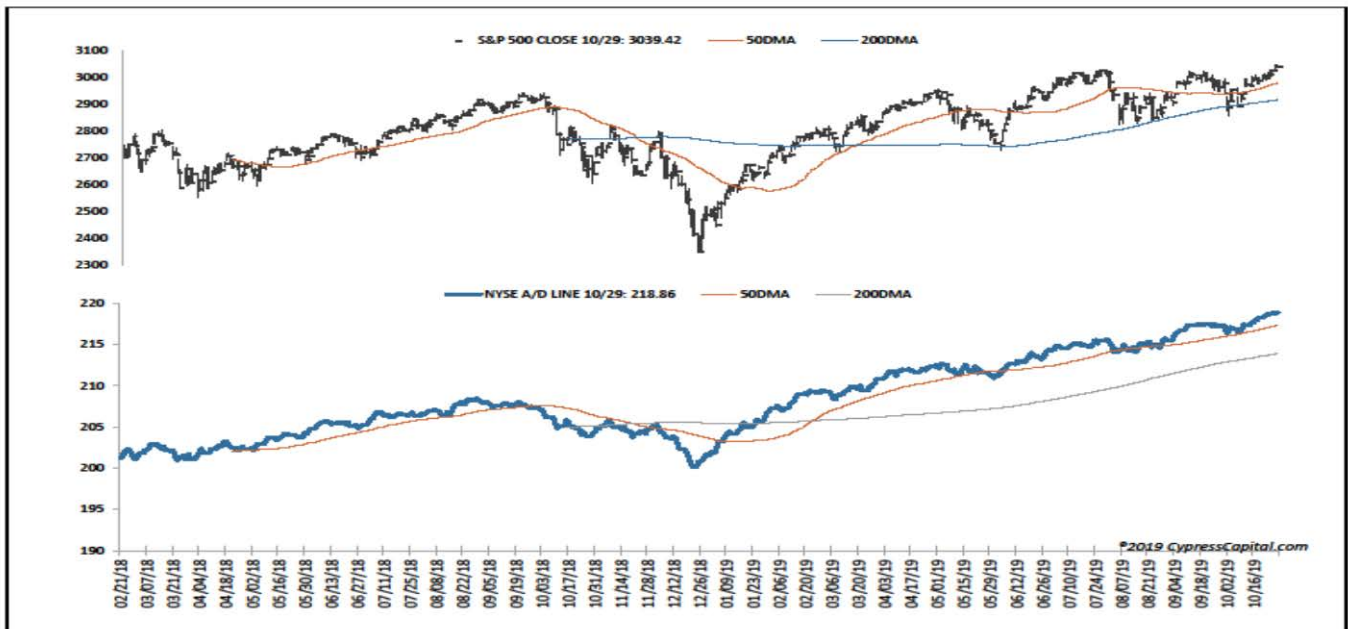
The All Exchange McClellan ratio adjusted 1 day OB/OS Oscillator is +35.36 (neutral) and 21 day +33.86 (neutral).



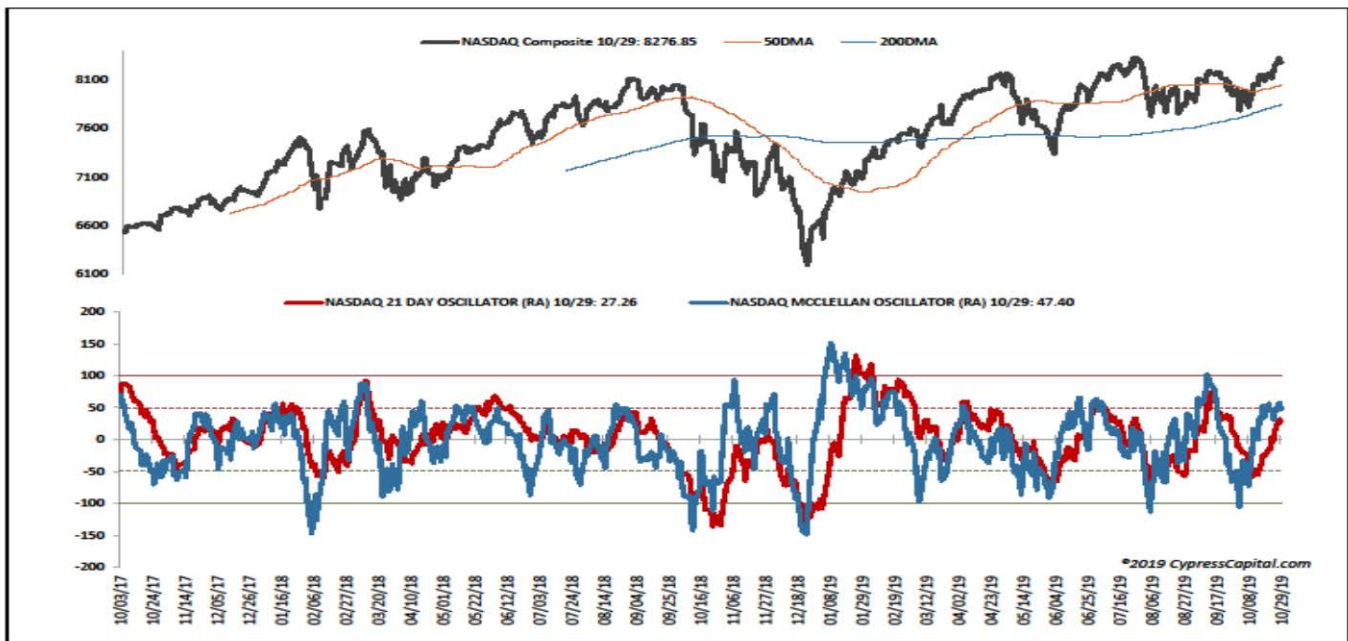
The NYSE ratio adjusted 1 day McClellan OB/OS is +25.9 (neutral) and +45.93 (neutral) on the 21 day.



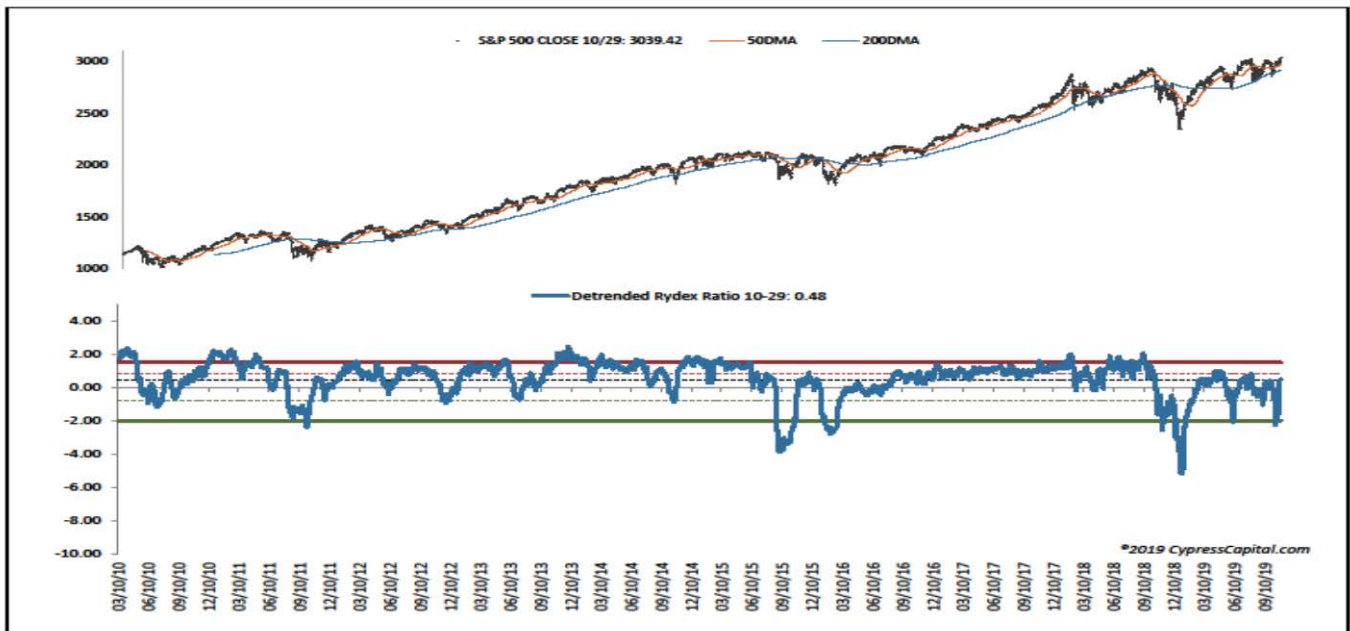
The NYSE Advance/Decline Line is short term positive and above its 50 DMA.



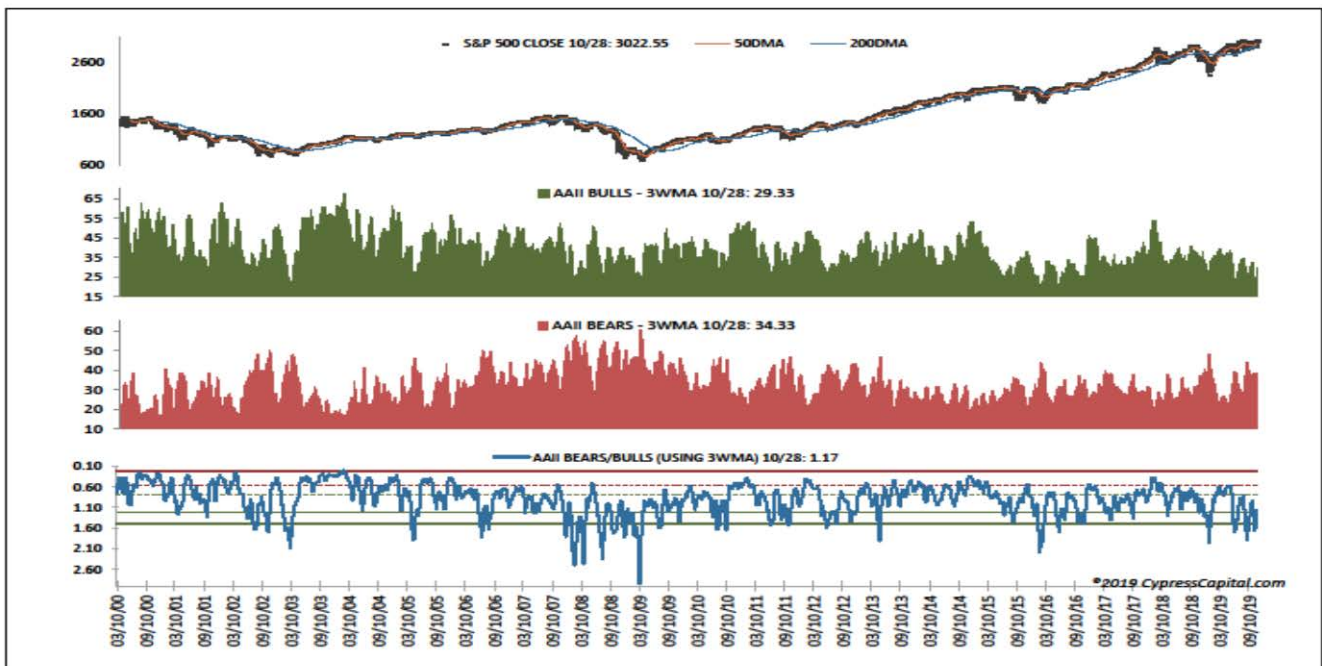
The NASDAQ ratio adjusted 1 day McClellan OB/OS is +47.4 (neutral) on the 1 day. The 21 day reading is +27.26 (neutral).



The detrended Rydex Ratio is +0.48 (neutral).

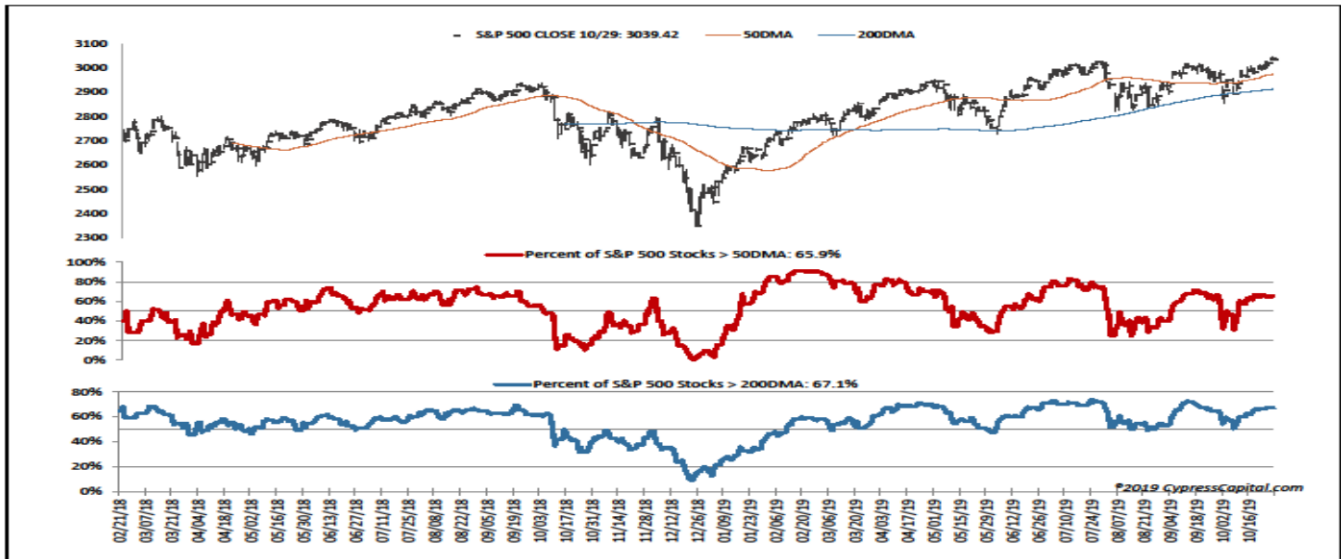


The AAI Poll weekly bear/bull reading 3 week average is 34.33/29.33 (bullish) as of 10/28.

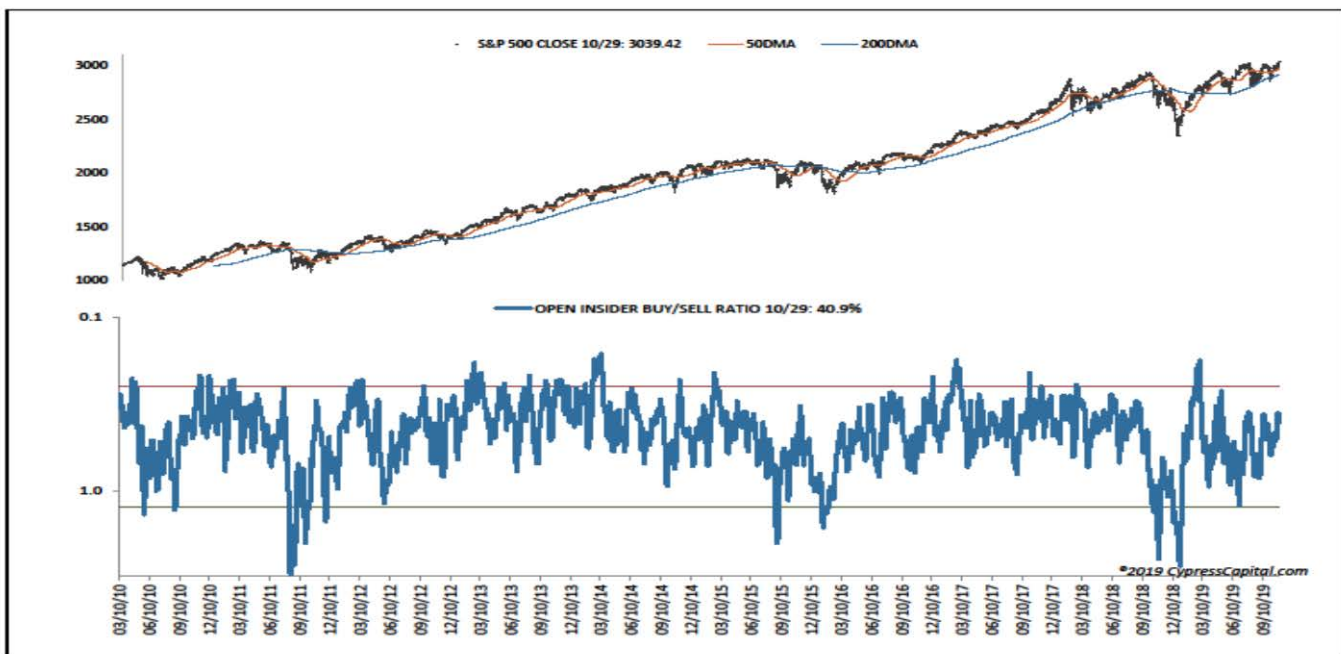


Total and Equity put/call ratios are 0.85 (neutral) and 0.55 (mildly bearish) on the 1 day. The 15 DMAs are 0.8 (bullish) and .66 (neutral) respectively. OEX put/call ratio 1 day 5.40 (very bearish) and 2.08 (very bearish) on the 15 DMA.

The % of SPX stocks > their 50 DMAs is 65.9% as (neutral).



The Open Insider Buy/Sell Ratio is 40.9% (neutral)



Data:

- All Exchange McClellan OB/OS Oscillator is +35.36 (neutral) and 21 day +33.86 (neutral).
- All Exchange A/D Line is short term positive and above its 50 DMA.
- NYSE McClellan OB/OS ratio adjusted is +25.9 (neutral) 3 week average +45.93 (neutral).
- The NYSE A/D line closed above its 50 DMA and is short term positive.
- NASDAQ McClellan OB/OS ratio adjusted is +47.4 (neutral) 3 week average +27.26 (neutral).
- The NASDAQ A/D line is short term positive and above its 50 DMA.
- % of SPX stocks > 50 DMA is 65.9% (neutral).
- AAI bear/bull ratio is 34.33/29.33 (bullish) as of 10/28.
- Investors Intelligence Bear/Bull Ratio 17.2/47.6 (bearish) as of 10/28.
- The detrended Rydex Ratio is +0.48 (neutral).
- Open Insider Buy/Sell Ratio is 40.9 (neutral).
- Total and Equity put/call ratio 1 day readings are 0.85 (neutral) and .55 (mildly bearish) respectively. The 15 day averages for the total and equity p/c are 0.8 (neutral) and .66 (neutral) respectively.
- OEX put/call one day is 5.09 (very bearish) the 15 DMA 2.08 (very bearish).
- ISEE call/put Sentiment Index is 83 (bullish).
- 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 lower at 26.70. Support is 26.50. Resistance is 26.78.

Commodities in up trends:

Copper (closed above its 50 DMA)

Aluminum (closed above its 50 DMA)

Silver (closed below its 50 DMA)

Commodities in down trends:

Stainless Steel (closed below its 50 DMA)

Commodities trading sideways:

Gold (closed above its 50 DMA)

Oil (closed below its 50 DMA)

CRB Spot Raw Industrials (closed below its 50 DMA)

Baltic Dry Bulk Rate (closed below its 50 DMA)

Market Internals:

The bulk of the major equity indexes closed mixed Tuesday.

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

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

NYSE: A/D:1558/1393 U/D Volume:1.67B/1.4B Total Volume:3.13B

NASDAQ: A/D:1606/1526 U/D Volume:647M/958M Total Volume:1.62B

Disclosure Appendix

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