

R.F. Lafferty Morning Technical Note

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Guy S. Ortmann,, CMT, Director of Research / Senior Technical Analyst gortmann@rflafferty.com 212-293-9017**Near-Term Index Chart Trends Unchanged****Forward 1-year SPX Valuation Back At Peak Levels**

The major equity indexes closed higher Tuesday with positive internals on the NYSE and NASDAQ as trading volumes declined on both exchanges from the prior session. The end result was the same as has been seen over the past several sessions with the same three indexes making new closing highs leaving all the near-term trends unchanged with a mix of neutral and bullish slopes. The data remains a mix of neutral and cautionary signals with psychology waving yellow flags. As well, forward valuation for the SPX is back at peak levels and well above the “rule of 20” fair value metric while market breadth remains questionable. So, despite the index gains, we remain “neutral” in our near-term outlook for the overall equity markets.

On the charts, all the major equity indexes closed higher yesterday with positive internals on the NYSE and NASDAQ as trading volumes declined. The charts saw the SPX (page 2), COMPQX (page 3) and NDX (page 3) make new closing highs but near-term chart trends were unchanged with the MID (page 4), RTY (page 5) and VALUA (page 5) remaining in near-term neutral trends with the rest positive. The day’s trading had little impact on cumulative market breadth with the All Exchange, NYSE and NASDAQ cumulative advance/decline lines neutral and the NASDAQ’s below its 50 DMA. Stock participation remains very selective, in our view. Yet, we have yet to see any technical evidence suggesting a shift from the current trends. The VIX (page 9) closed at 26.12 after violating its downtrend line Monday that implies expectations of rising volatility on the part of the pros.

The data remains mixed. The 1-day McClellan OB/OS Oscillators are neutral (All Exchange (-22.02) NYSE (-26.1) NASDAQ (-17.29) as is the Open Insider Buy/Sell Ratio (page 9) lifting to 50.1. The detrended Rydex Ratio (contrary indicator page 8) rose to a bearish reading of 1.0 with the leveraged ETF traders remaining leveraged long. This week’s Investors Intelligence Bear/Bull Ratio (contrary indicator page 9) at 16.2/60.0 again increased its cautionary message as investment advisors increased their already overly bullish outlooks. While not a near-term timing indicator, such levels have presaged market corrections historically. The counterintuitive % of SPX issues trading above their 50 DMAs returned to neutral at 73.5%. The valuation gap extended further with the SPX forward multiple of 24.2, and back at peak levels within the rally from the March lows, via consensus forward 12-month earnings estimates from Bloomberg at \$145.70 while the “rule of 20” finds fair value stuck at 19.3. The SPX forward earnings yield is 4.13% with the 10-year Treasury yield at 0.67%.

In conclusion, our “neutral” outlook for the equity markets persists as the popular equity indexes continue to march north while valuation, advisor sentiment, market breadth and the VIX remain cautionary.

SPX: 3,398/NA	DJI: 27,578/28,893	COMPQX: 11,250/NA
NDX: 11,277/NA	DJT: 10,991/11,363	MID: 1,885/1,974
RTY: 1,550/1,595	VALUA: 6,198/6,568	



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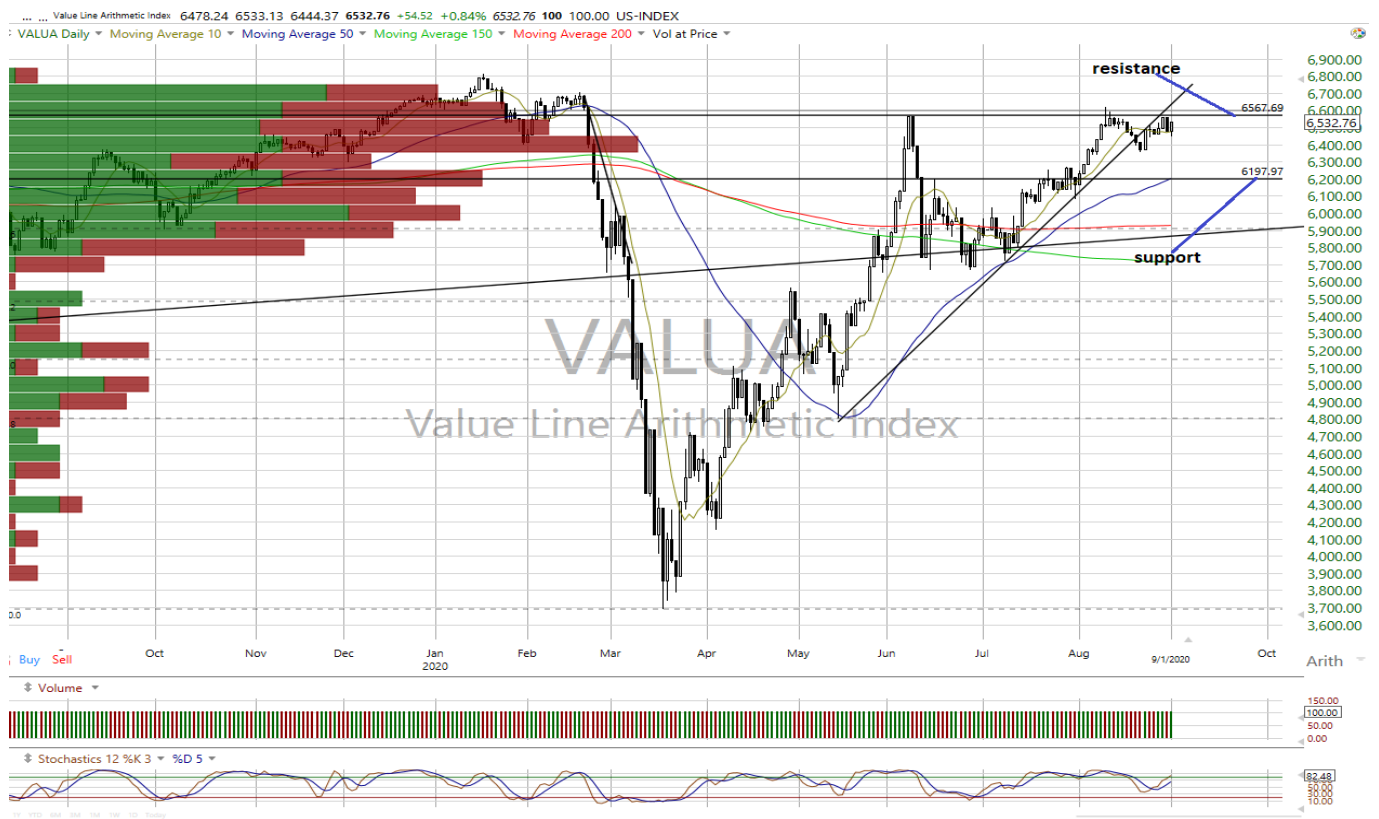
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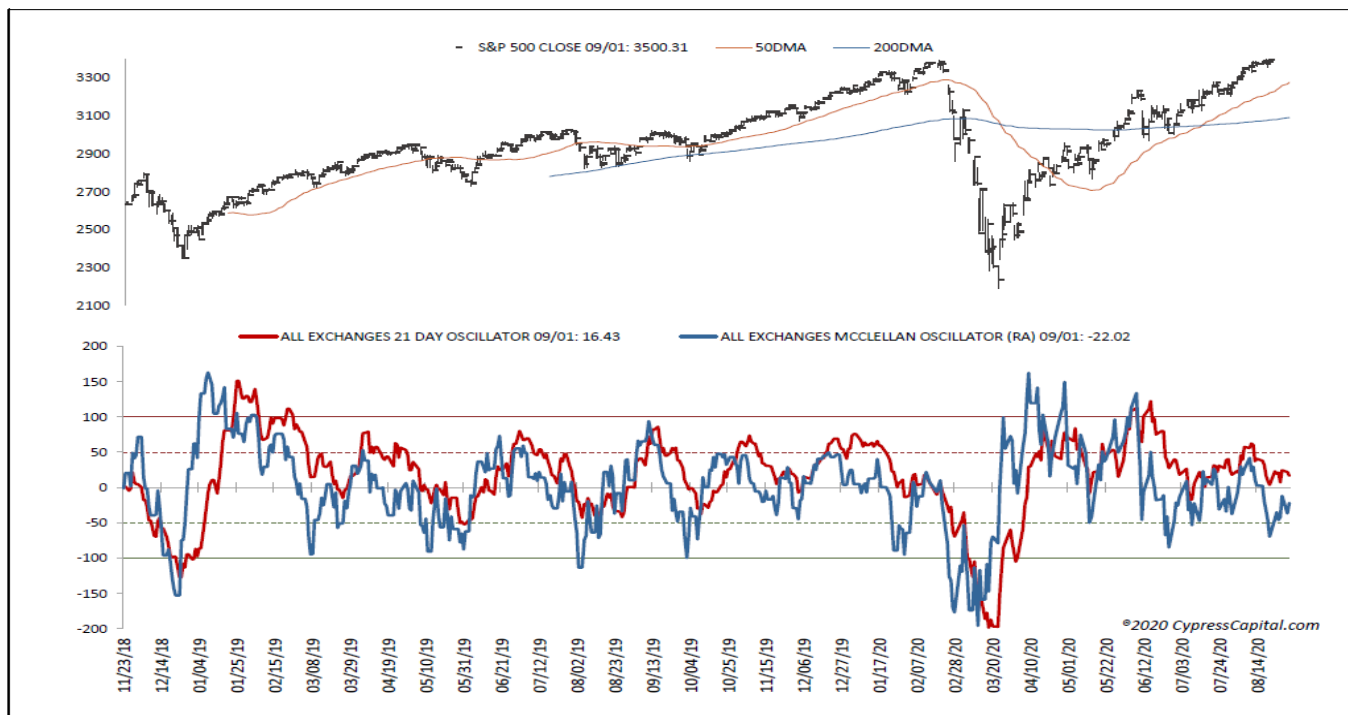


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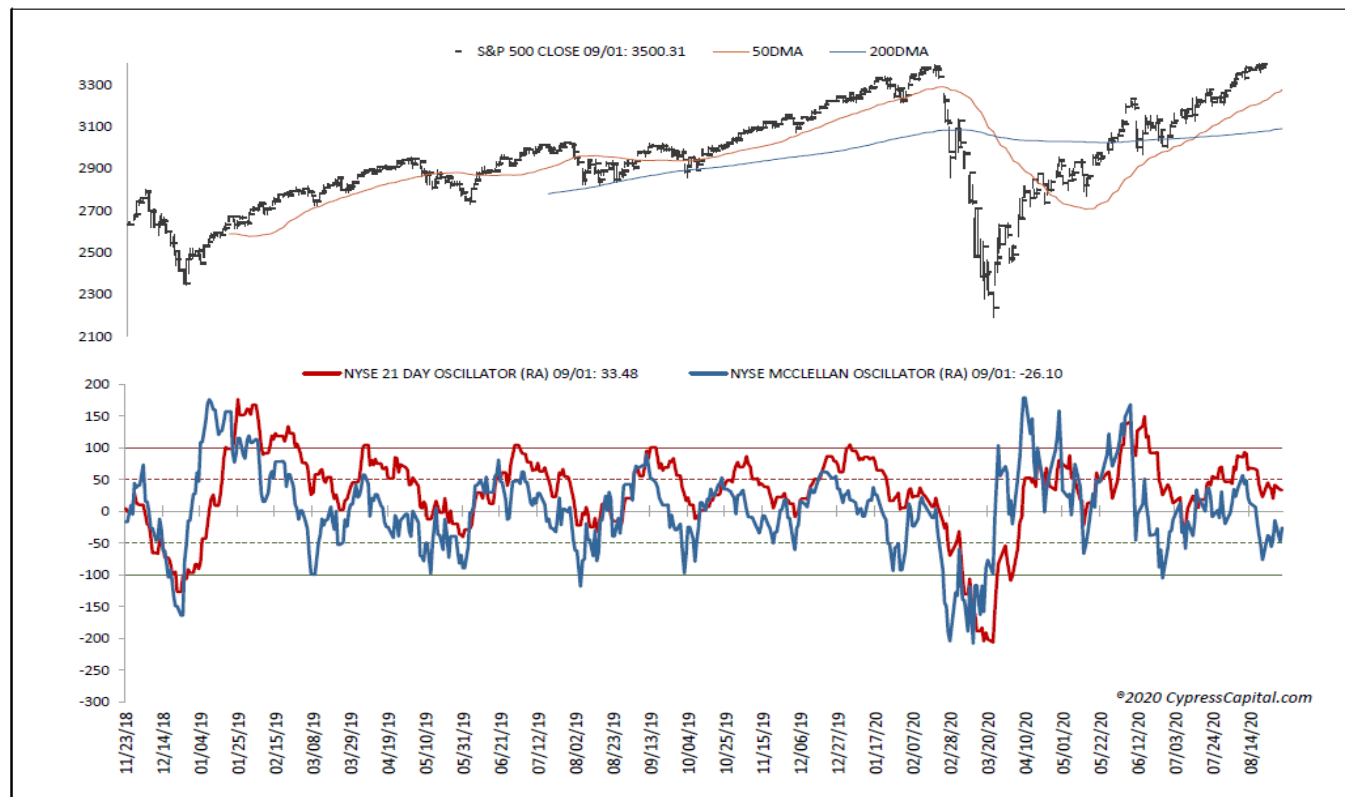


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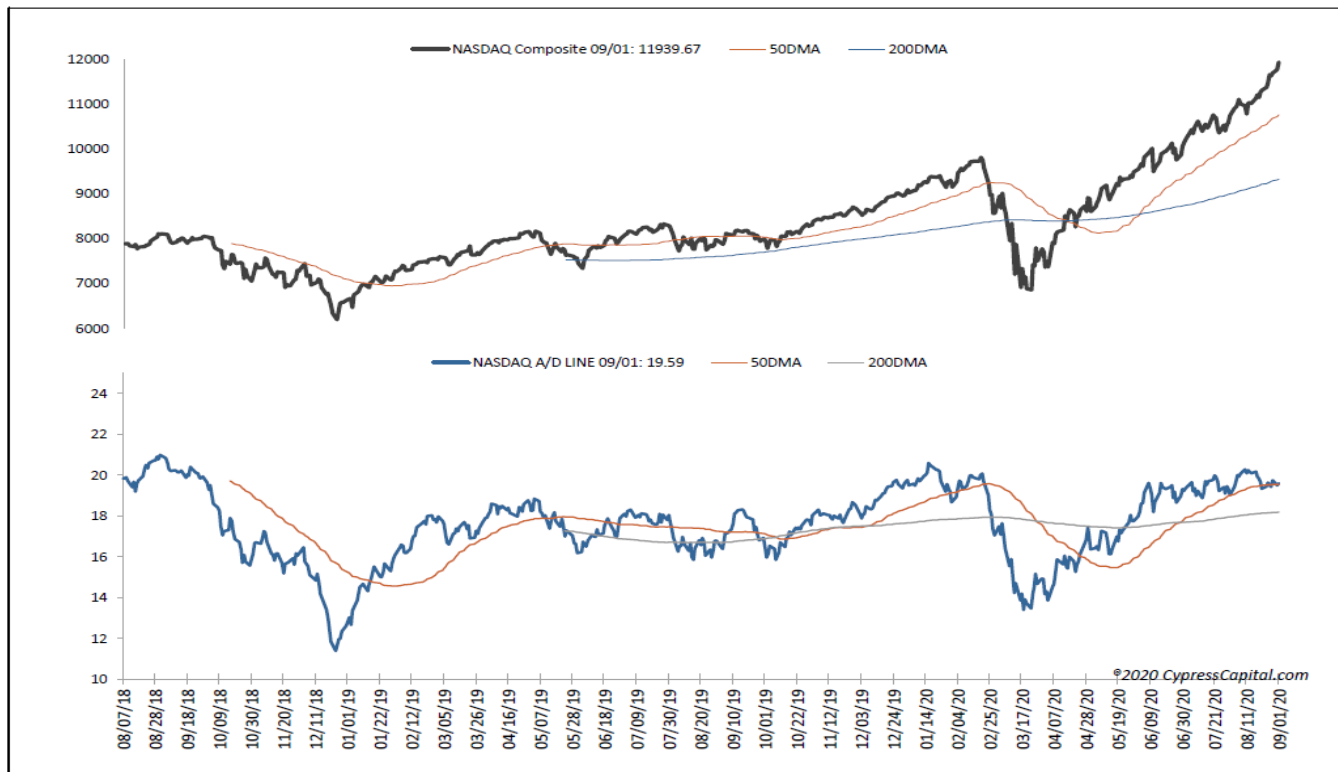
The All Exchange McClellan ratio adjusted 1-day OB/OS Oscillator is -22.02 (neutral) and 21 day +16.43 (neutral).



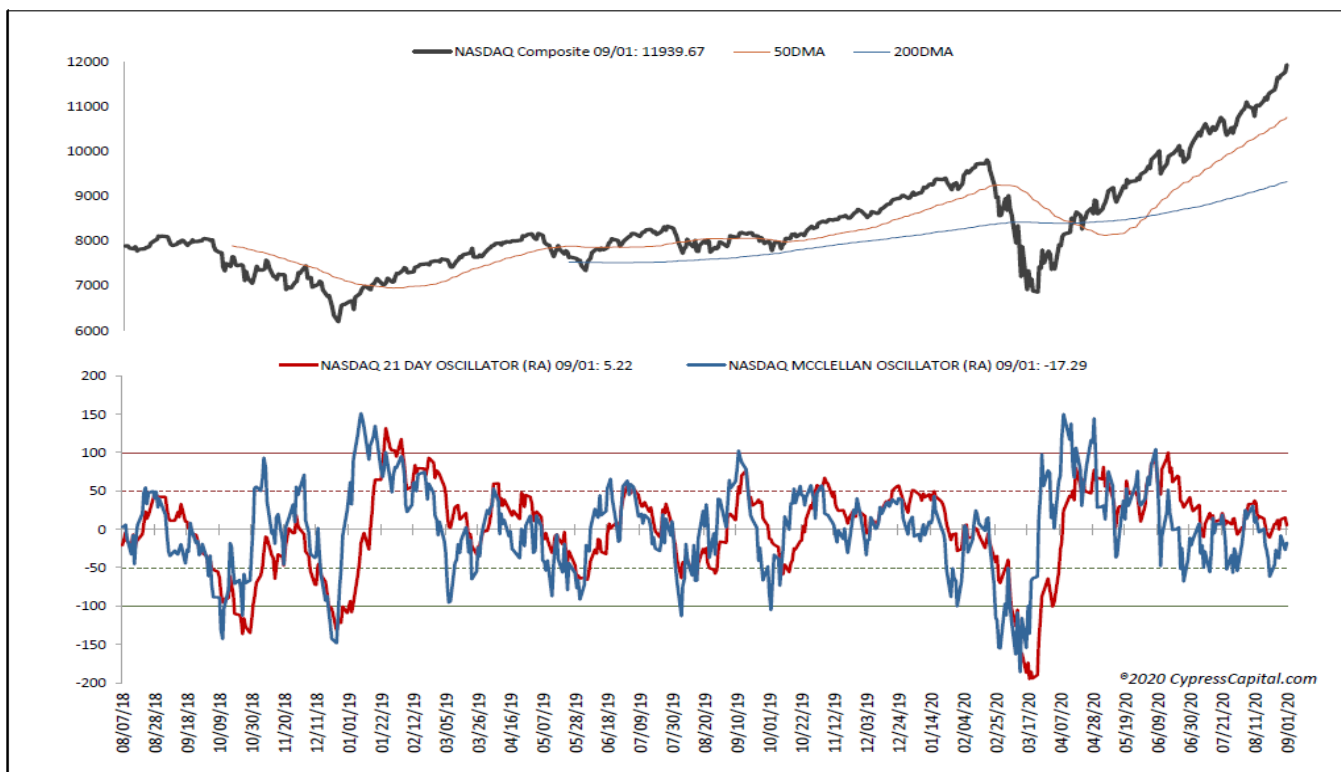
The NYSE ratio adjusted 1-day McClellan OB/OS is -26.1 (neutral) and +33.48 (neutral) on the 21 day.



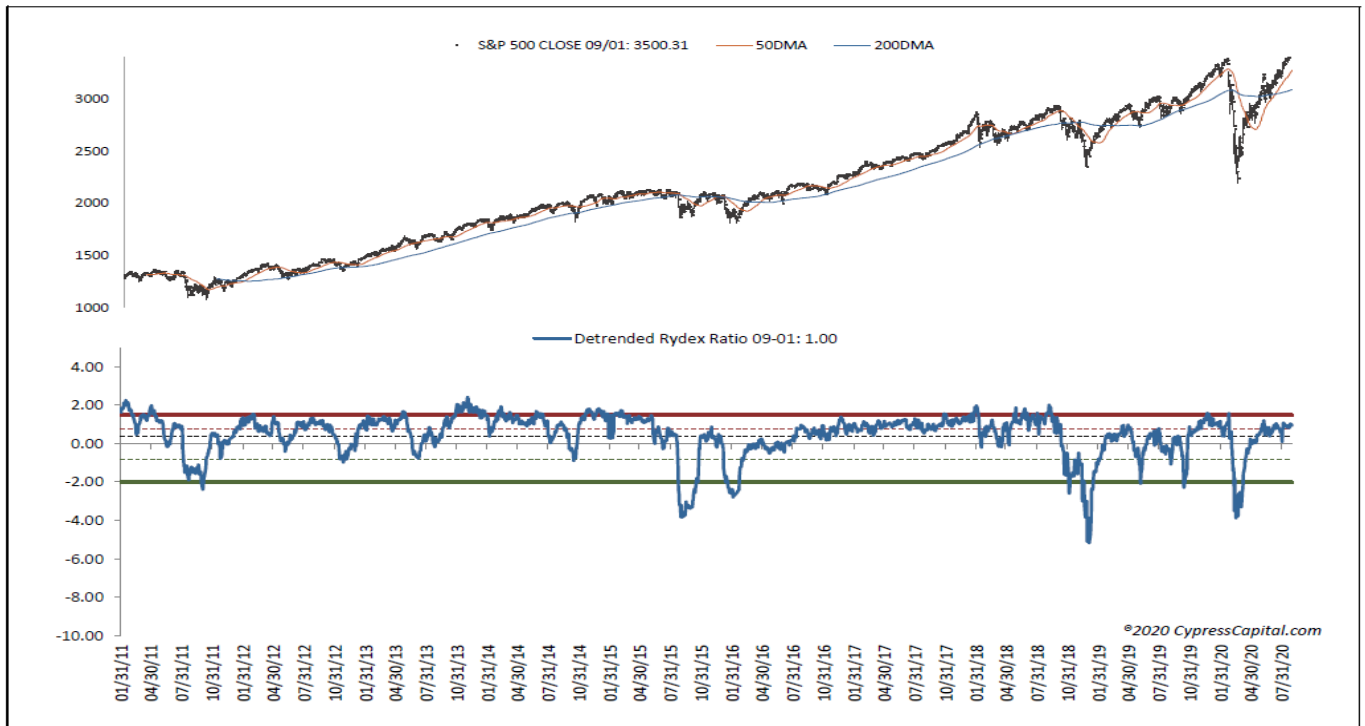
The NASDAQ cumulative advance/decline line is neutral and below its 50 DMA



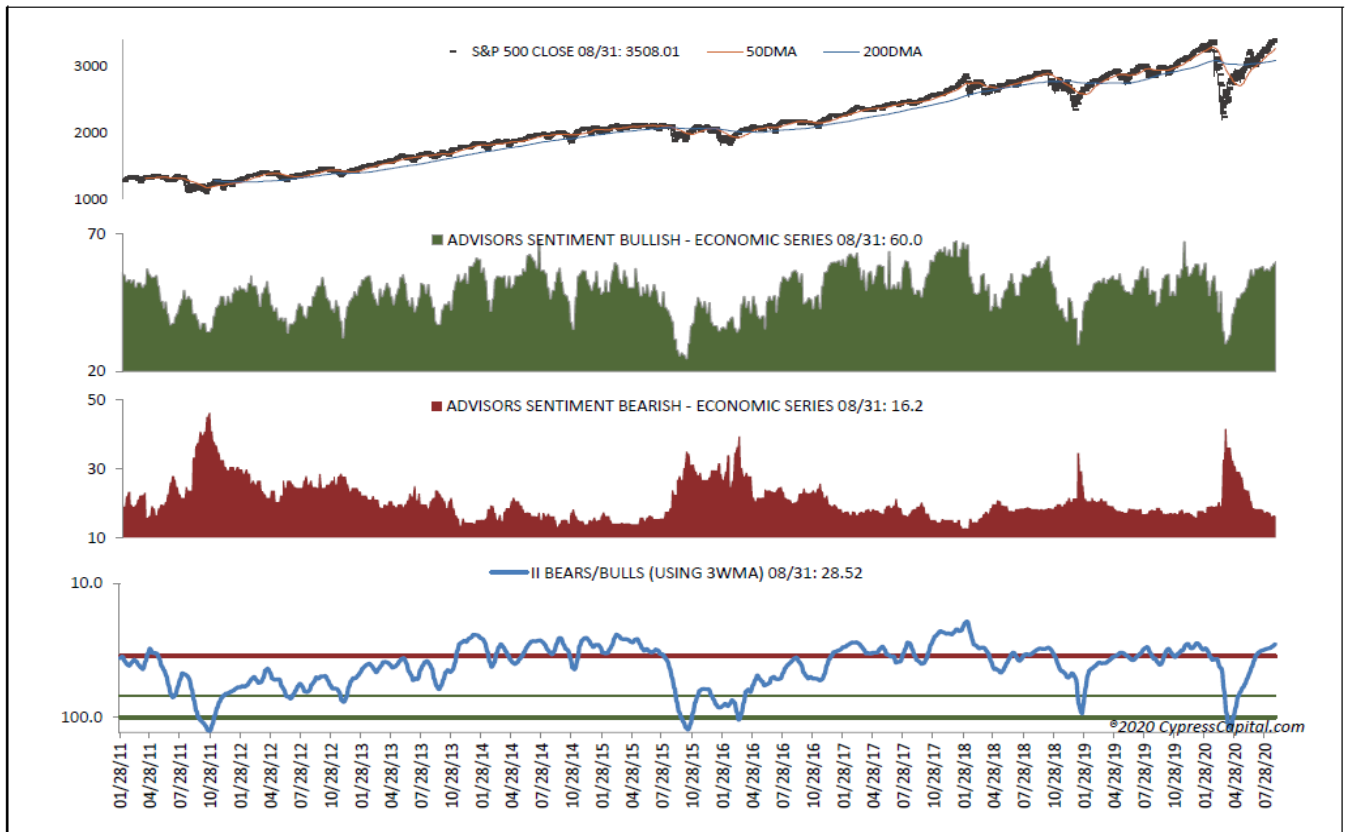
The NASDAQ ratio adjusted 1-day McClellan OB/OS Oscillator is -26.64 (neutral) and +15.22 (neutral) on the 21-day.



The detrended Rydex Ratio is 1.0 (bearish)



The Investors Intelligence Bear/Bull Ratio is 16.2/60.0 (bearish) as of 8.31.20

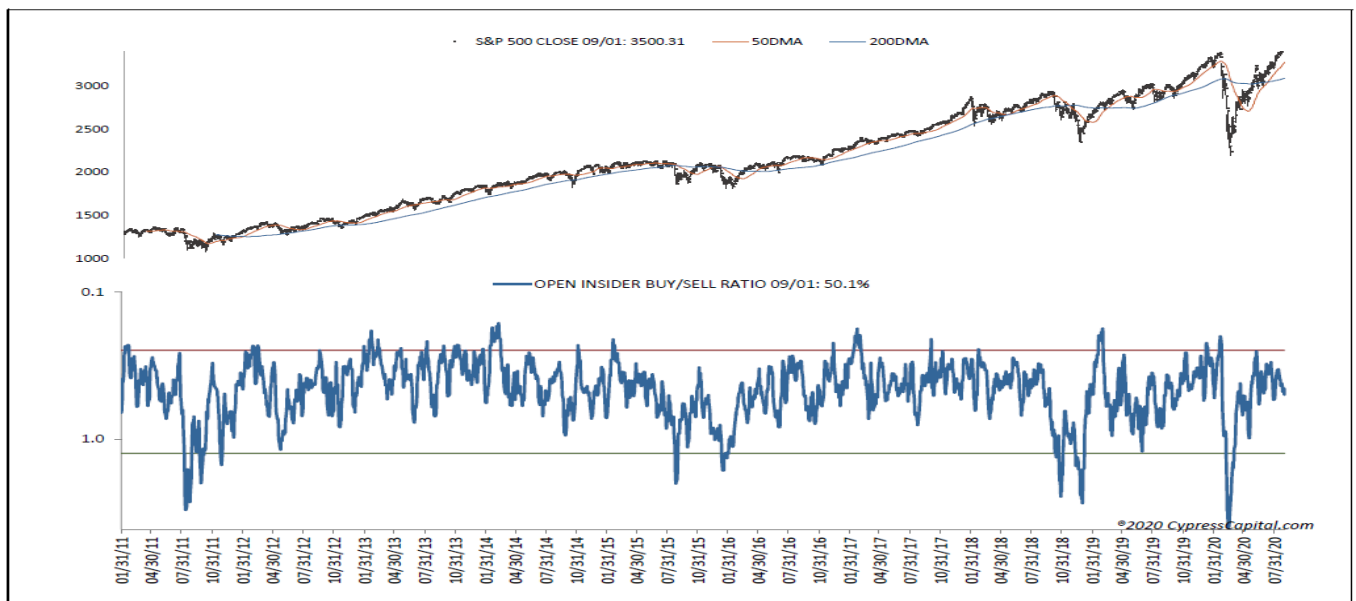


The Total and Equity put/call ratios are 0.62 (bearish) and 0.4 (bearish) on the 1day. The 15 DMAs are 0.71 (bearish) and 0.44 (bearish) respectively. The OEX put/call Ratio is 1-day is 3.26 (very bearish) and 2.41(very bearish) on the 15 DMA.

CBOE Market Volatility Index (VIX)



The Open Insider buy/sell ratio is 50.1 (neutral).



Data:

- The All Exchange McClellan OB/OS ratio adjusted is -22.02 (neutral) 3-week average is +16.43 (neutral).
- The All Exchange A/D line is neutral and above its 50 DMA.
- NYSE McClellan OB/OS ratio adjusted is -26.1 (neutral) 3-week average is +33.48 (neutral).
- The NYSE A/D line closed above its 50 DMA and is short term neutral.
- NASDAQ McClellan OB/OS ratio adjusted is -17.29 (neutral) 3-week average is +5.22 (neutral).
- The NASDAQ A/D line is short term neutral and below its 50 DMA.
- % of SPX stocks > 50 DMA is 73.5% (bearish).
- AAI bear/bull ratio is 41.38/30.84 (bullish) as of 8/31.
- Investors Intelligence Bear/Bull Ratio 16.2/60.0 (bearish) as of 8/31.
- The detrended Rydex Ratio is +1.0 (bearish).
- Open Insider Buy/Sell Ratio is 50.1 (neutral).
- Total and Equity put/call ratio 1-day readings are 0.62 (bearish) and 0.4 (bearish) respectively. The 15-day averages for the total and equity p/c are 0.71 (bearish) and .44 (bearish) respectively.
- OEX put/call one day is 3.26 (very bearish) the 15 DMA 2.41 (very bearish).
- ISEE call/put Sentiment Index is 119 (neutral).
- The SPX, COMPQX DJI, DJT, MID, RTY, VALUA and NDX closed above their 50 DMAs.
- The DAX and Nikkei closed above their 50 DMAs.
- The Hang Seng and FTSE closed below their 50 DMAs
- The U.S. dollar as measured by the UUP ETF closed higher at 24.95. 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)

Stainless Steel (closed above its 50 DMA)

Commodities in down trends:

None

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 higher Tuesday.

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

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

NYSE: A/D:1878/1120 U/D Volume:2.43B/1.73B Total Volume:4.18B

NASDAQ: A/D:1854/1542 U/D Volume:2.04B/1.54B Total Volume:3.6B

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