

## More New Closing Highs Achieved McClellan OB/OS Oscillators Remain Neutral

All of the major equity indexes closed higher Friday with positive internals on the NYSE and NASDAQ as trading volumes rose on the NYSE and declined on the NASDAQ from their prior session. Multiple new closing highs were achieved on the charts while other indexes also saw some positive technical events. The data remains generally neutral while forward 12 month earnings estimates for the SPX saw an uptick. The net result is our “neutral” near term outlook has watched the indexes march higher. Yet low VIX levels and overbought stochastic readings suggest some potential for a reemergence of volatility and retracement should some negative news hit the tape. As such, our near term outlook remains “neutral” at this time.

On the charts, all of the indexes closed higher Friday with positive internals while overall trading volumes were mixed. Several achievements were made on the charts as a result. The SPX (page 2), COMPQX (page 3) and NDX (page 3) made new closing highs while the DJI (page 2), DJT (page 4) and VALUA (page 5) closed above resistance. The VALUA also closed back above its near term uptrend line as did the MID (page 4) and RTY (page 5). So now all of the indexes are in near term uptrends with the exception of the DJT staying neutral. The cumulative advance/decline lines for the All Exchange and NASDAQ remain neutral, however, while the NYSE A/D turned positive. Yet the VIX is near its lowest levels of the year that were followed by market corrections as the stochastic levels remain overbought as well. In our opinion, they suggest some tempering of enthusiasm due to the implication of potential for volatility returning to the markets.

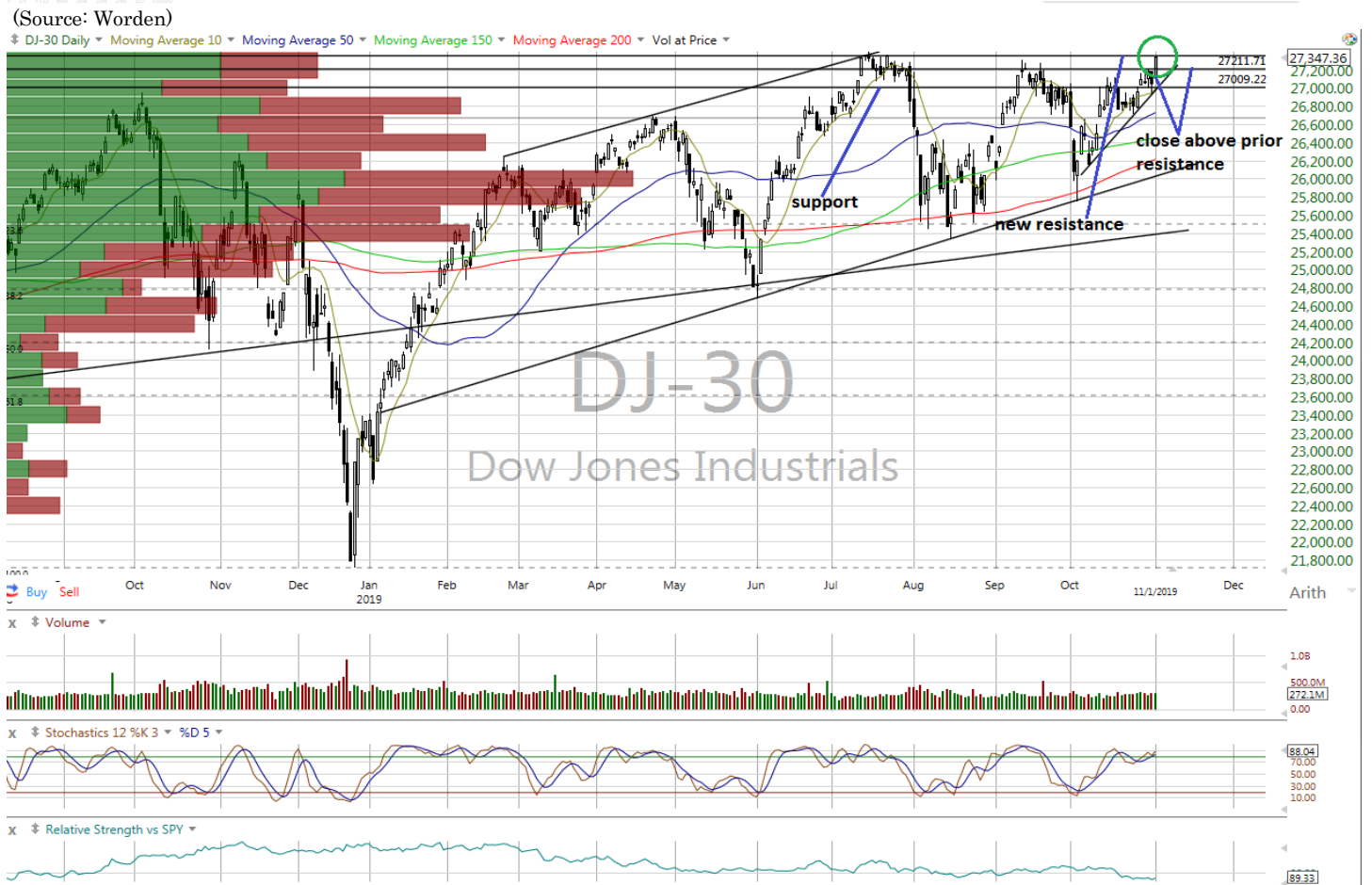
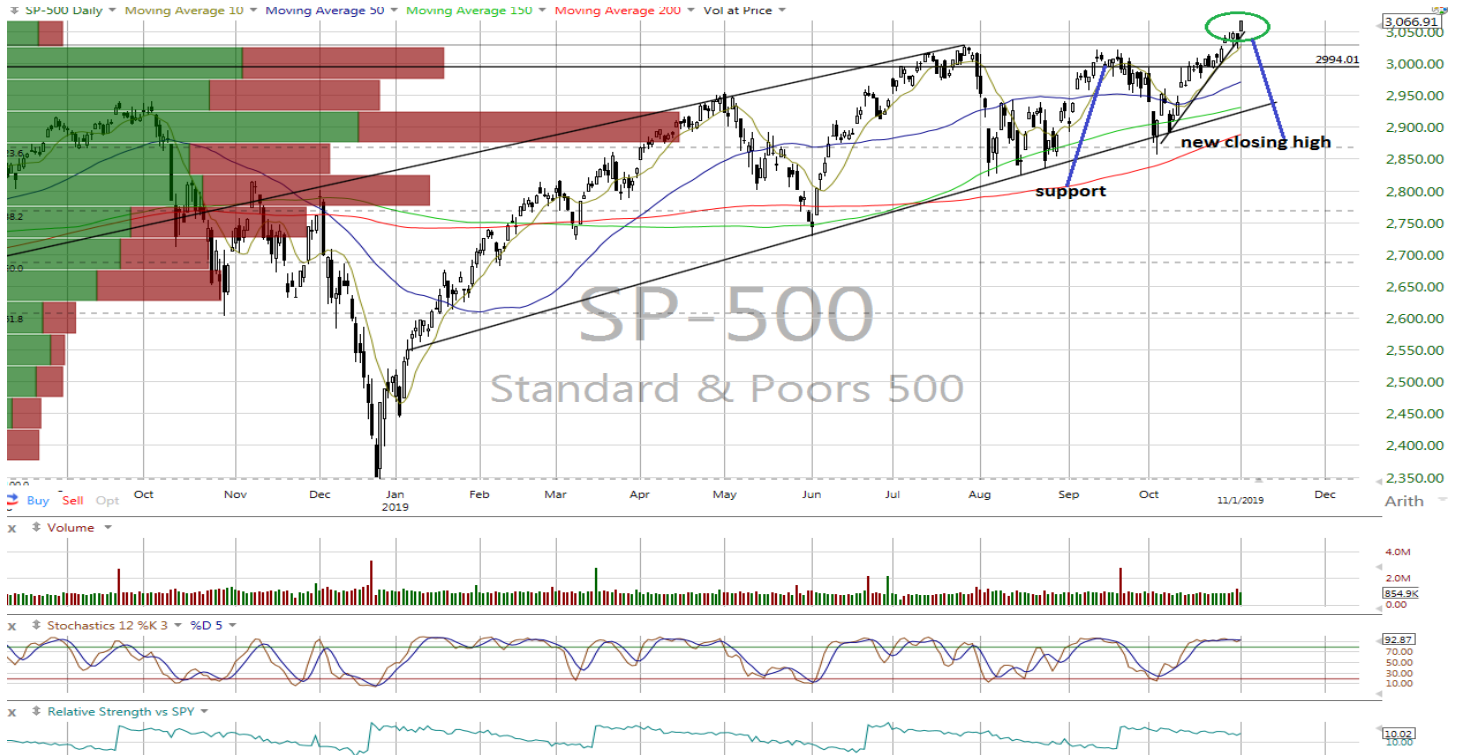
The data remains mostly neutral including all of the 1 day McClellan OB/OS Oscillators (All Exchange:+18.14 NYSE:+25.57 NASDAQ:-19.52). The detrended Rydex Ratio (contrary indicator) remains neutral at +0.48. Last week’s AAI Bear/Bull Ratio (contrary indicators) remained bullish at 34.33/29.33. However, 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% as is insider buying at a 40.6 Open Insider Buy/Sell Ratio. Valuation is nearing fair value with forward 12 month earnings estimates for the SPX ticking up to \$172.57 via Bloomberg, leaving the forward p/e at a 17.8 multiple while the “rule of twenty” finds fair value at 18.3. The 10 Year Treasury yield stands at 1.73%. The earnings yield is 5.63%.

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

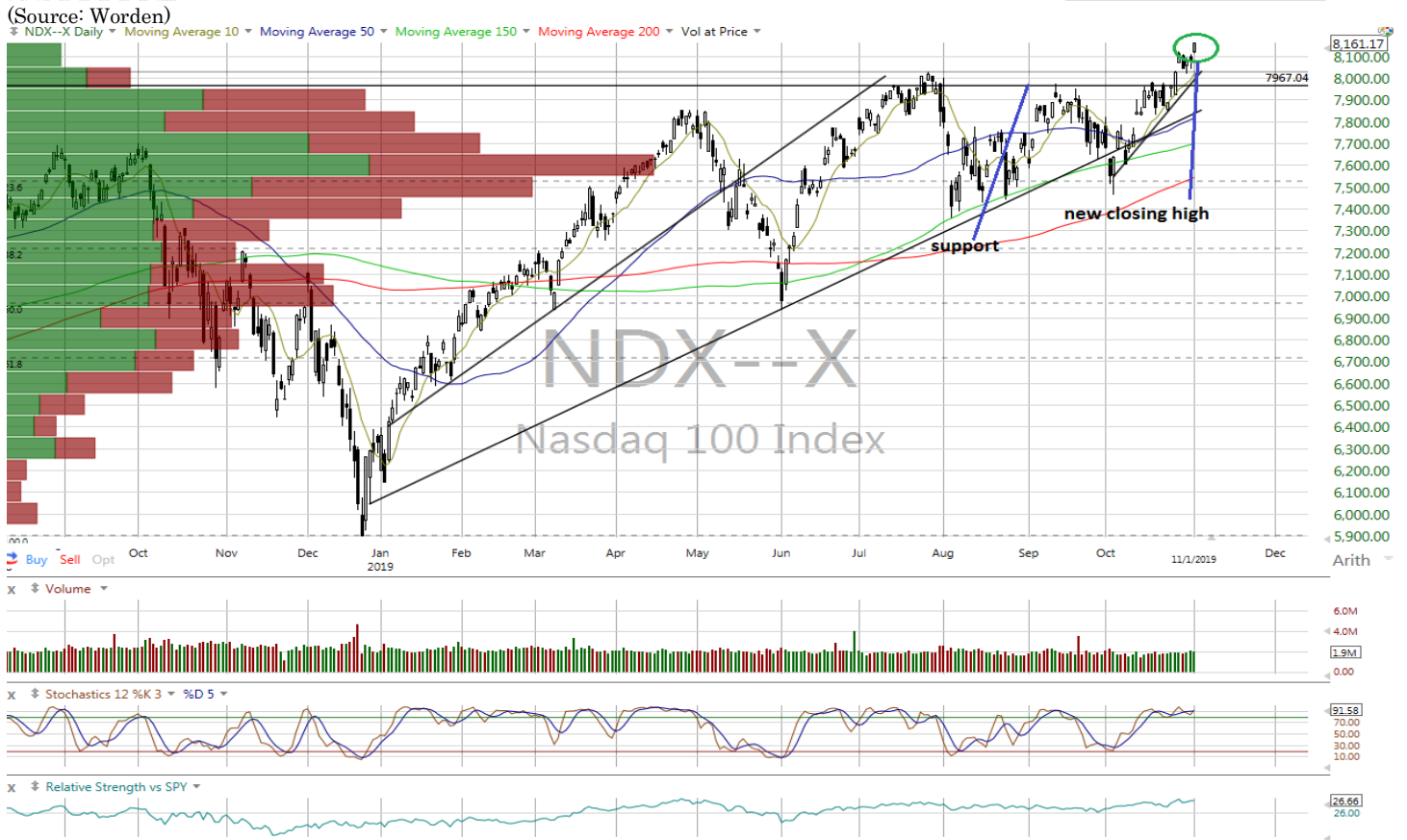
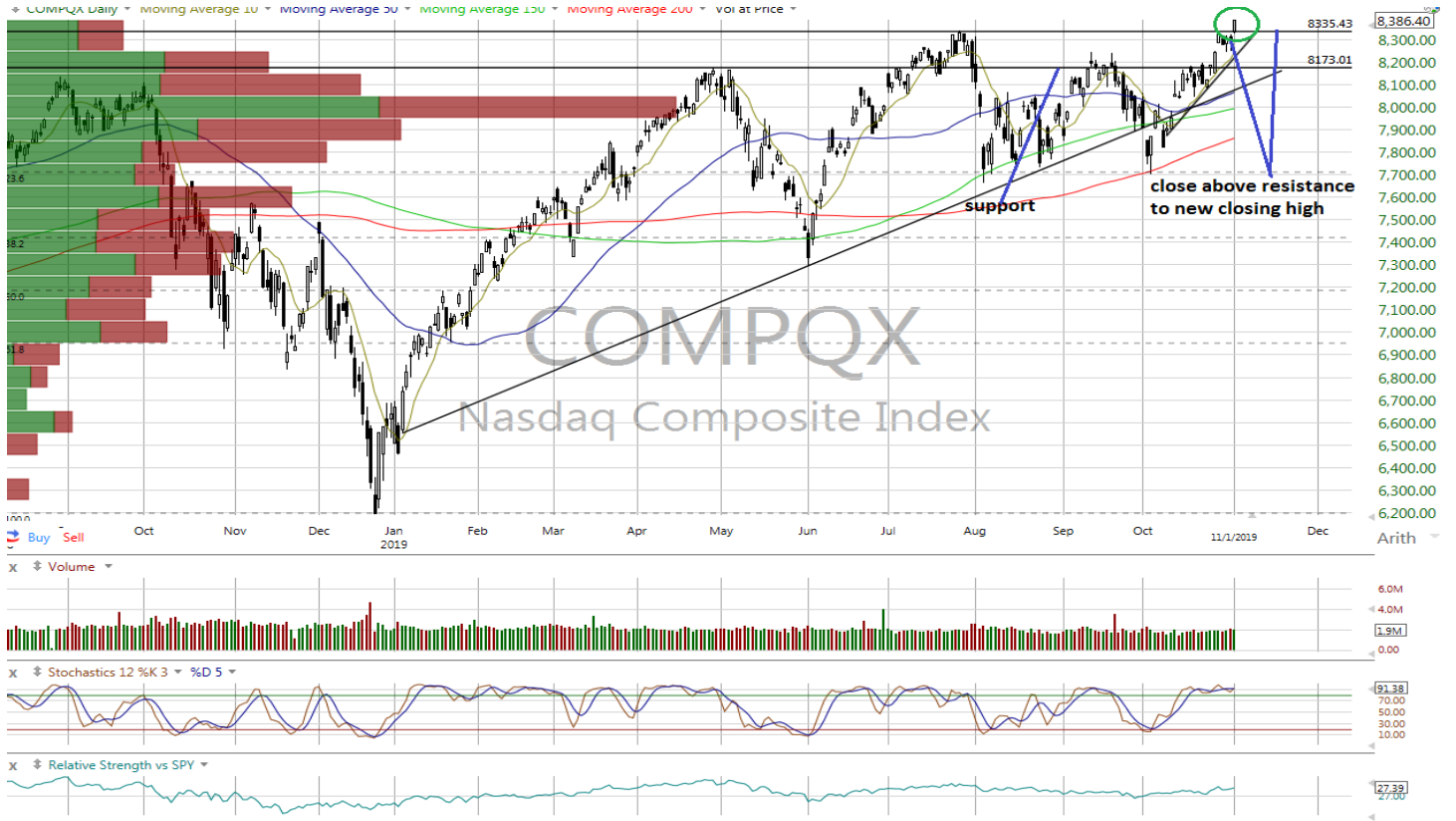
SPX: 2,994/NA	DJI: 27,009/27,365	COMPQX: 8,173/8,330
NDX: 7,967/NA	DJT: 10,421/10,763	MID: 1,939/1,983
RTY: 1,548/1,589	VALUA: 6,215/6,365	

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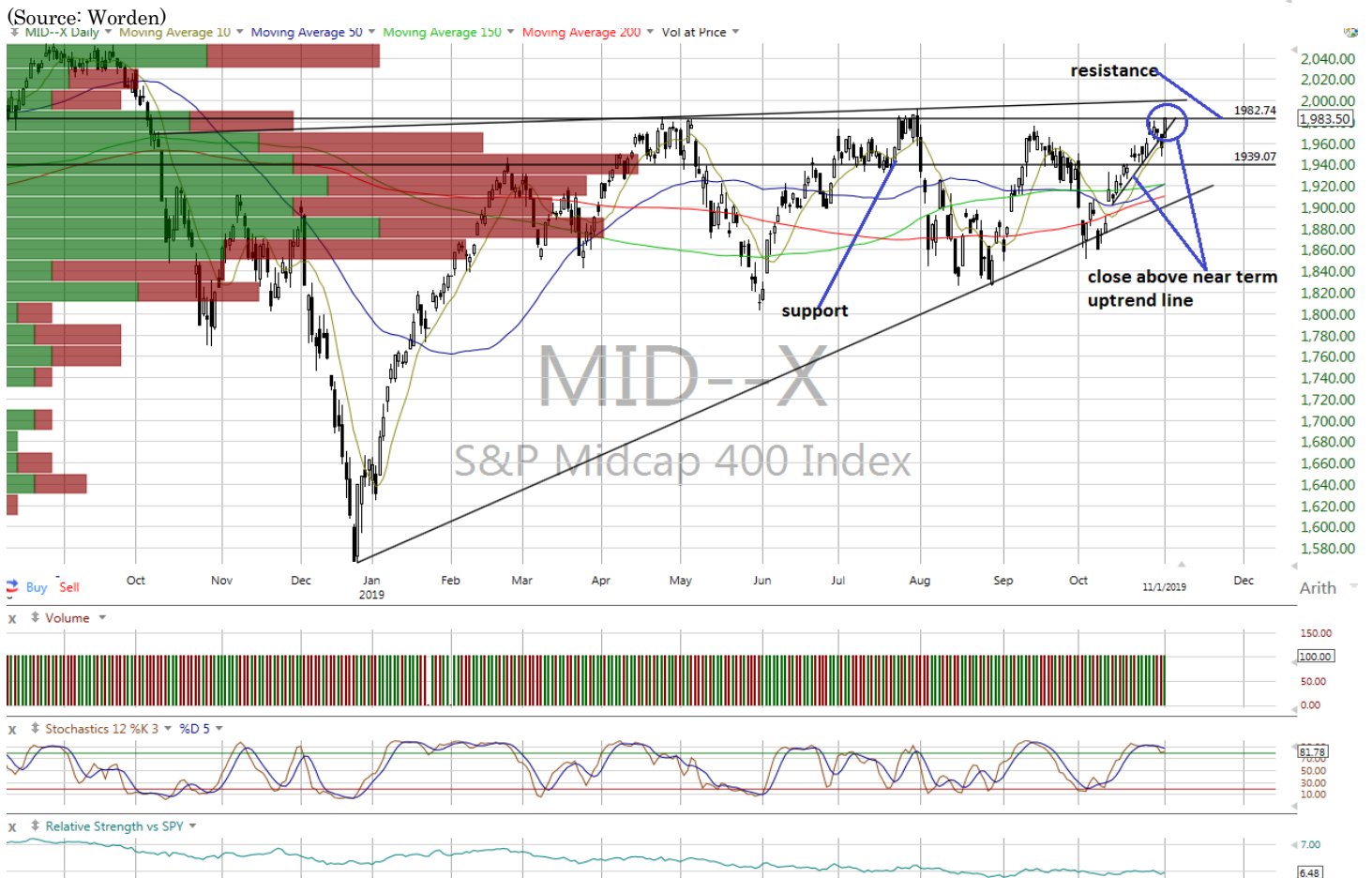
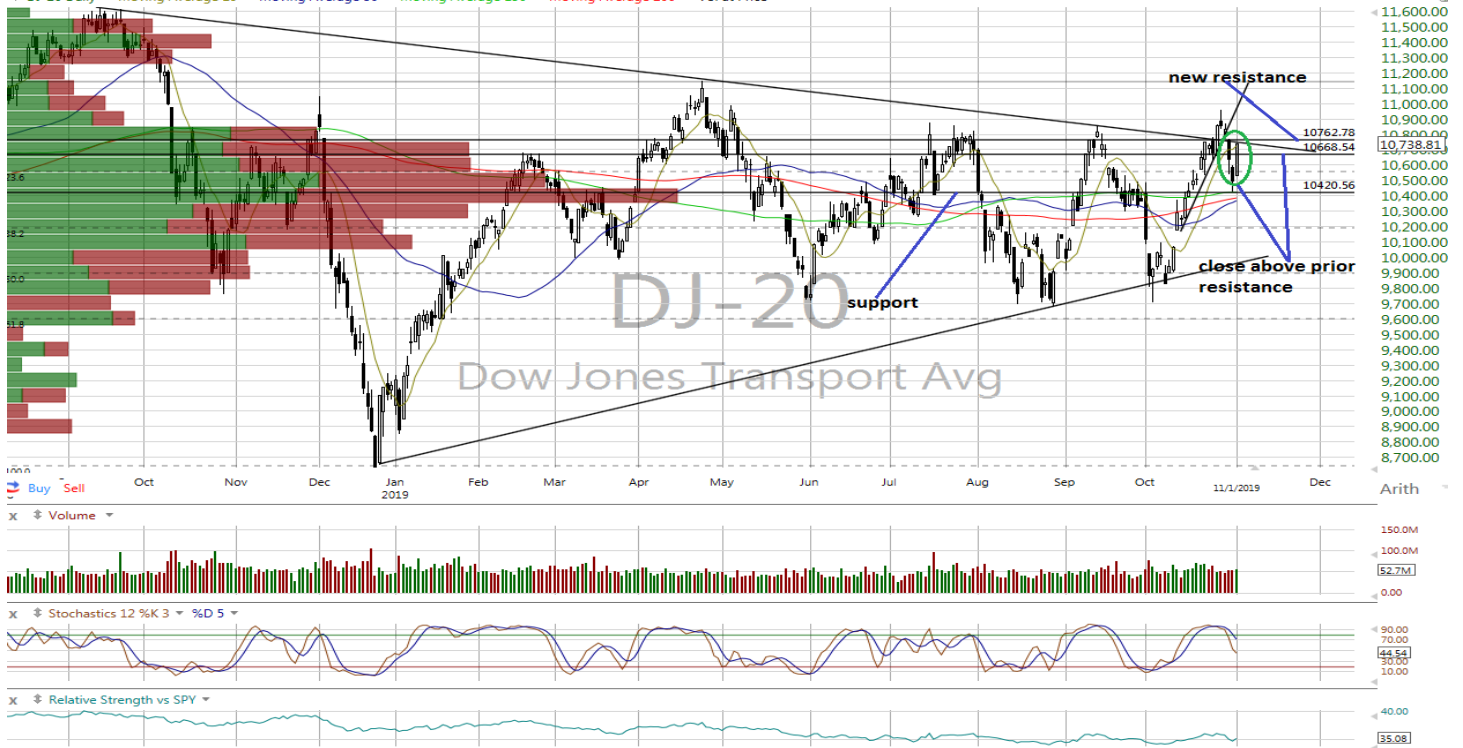
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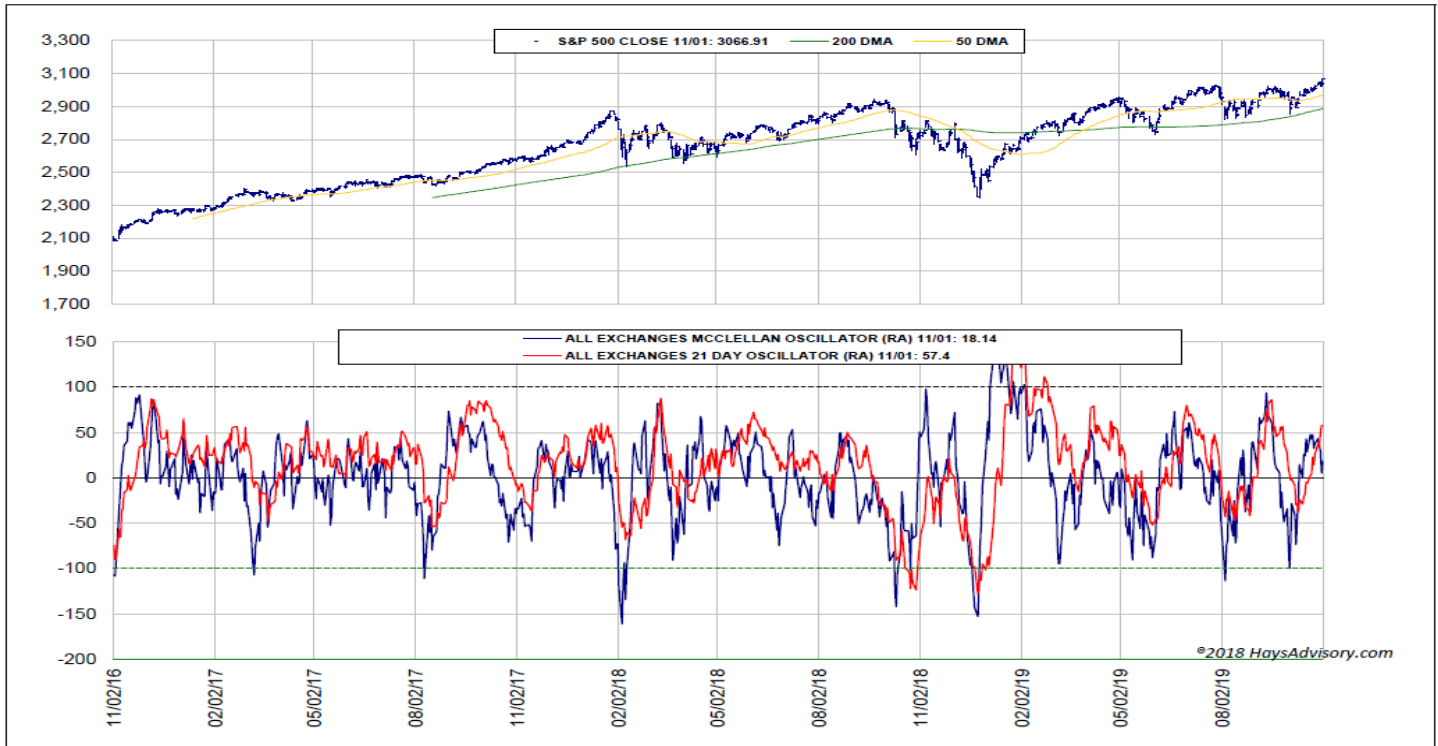


(Source: Bloomberg)

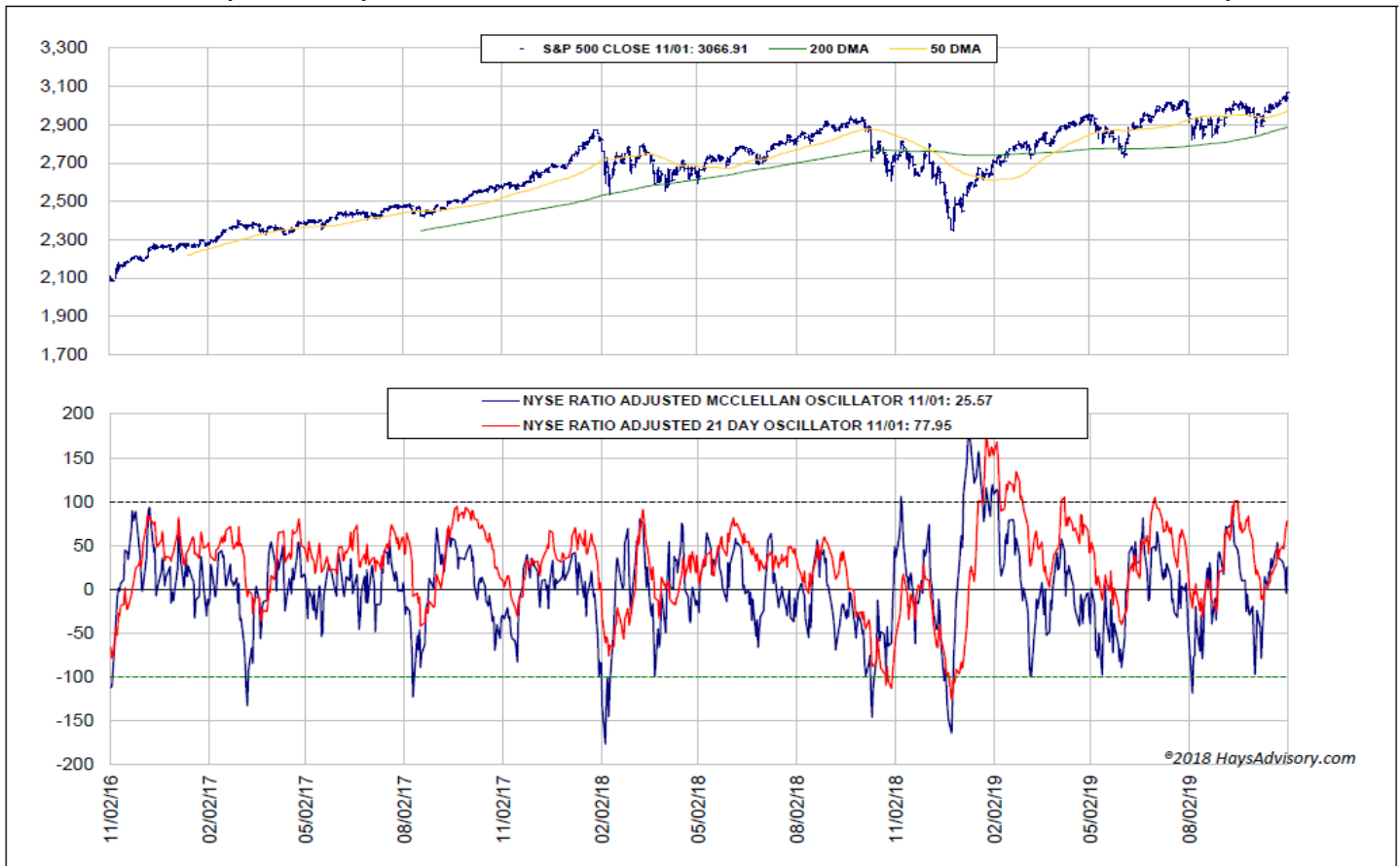


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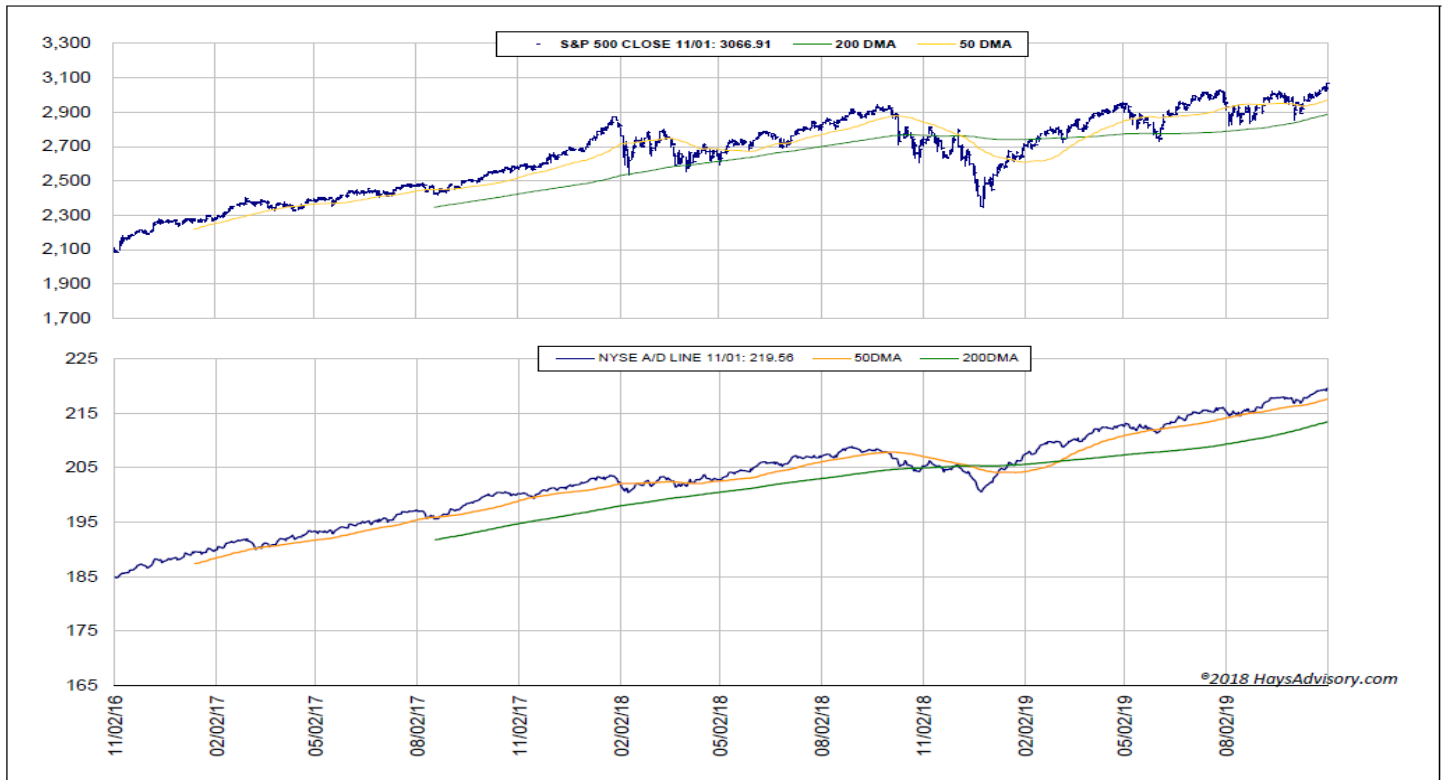
The All Exchange McClellan ratio adjusted 1 day OB/OS Oscillator is +18.14 (neutral) and 21 day +57.4 (bearish).



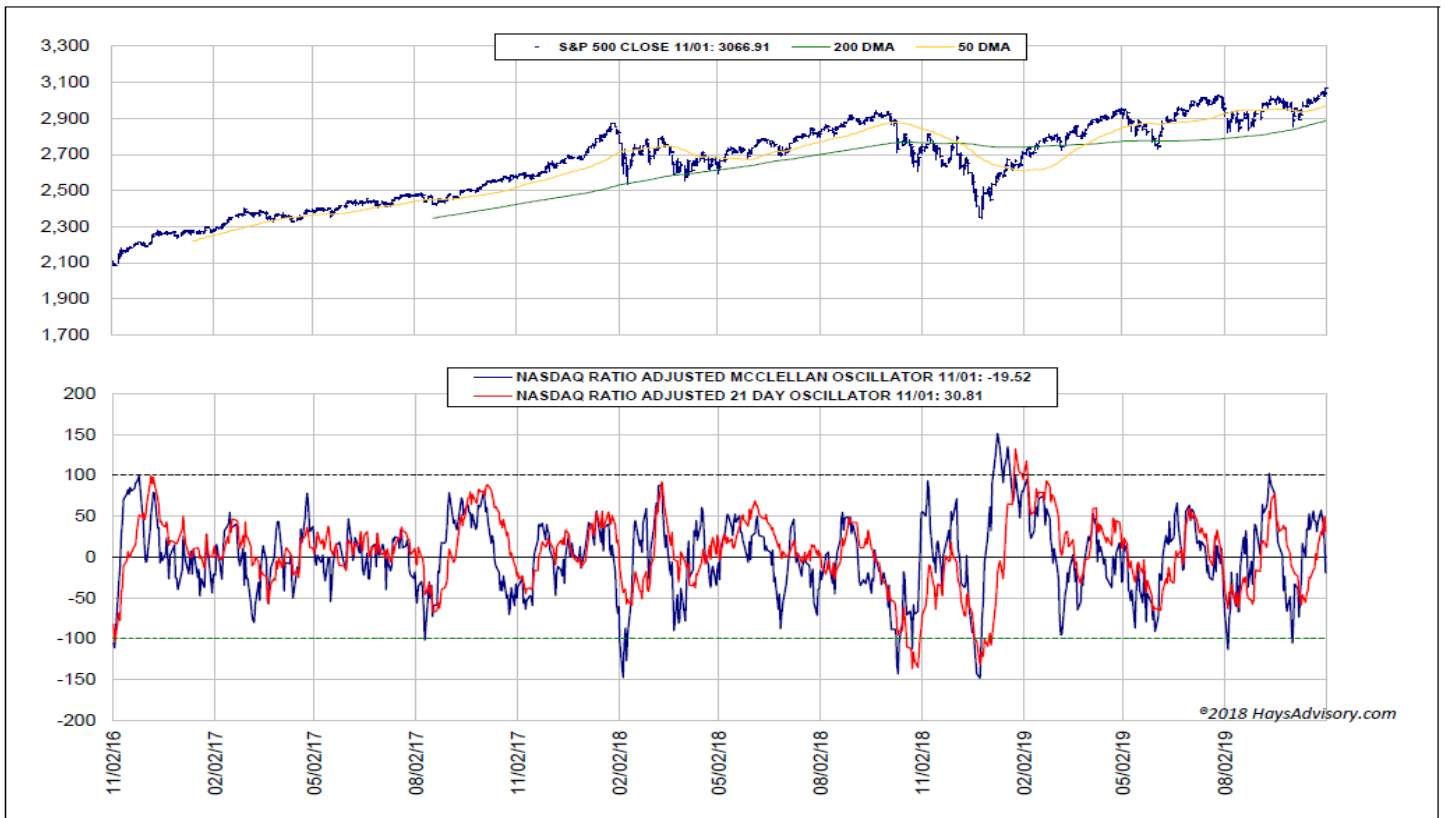
The NYSE ratio adjusted 1 day McClellan OB/OS is -25.57 (neutral) and +77.95 (bearish) on the 21 day.



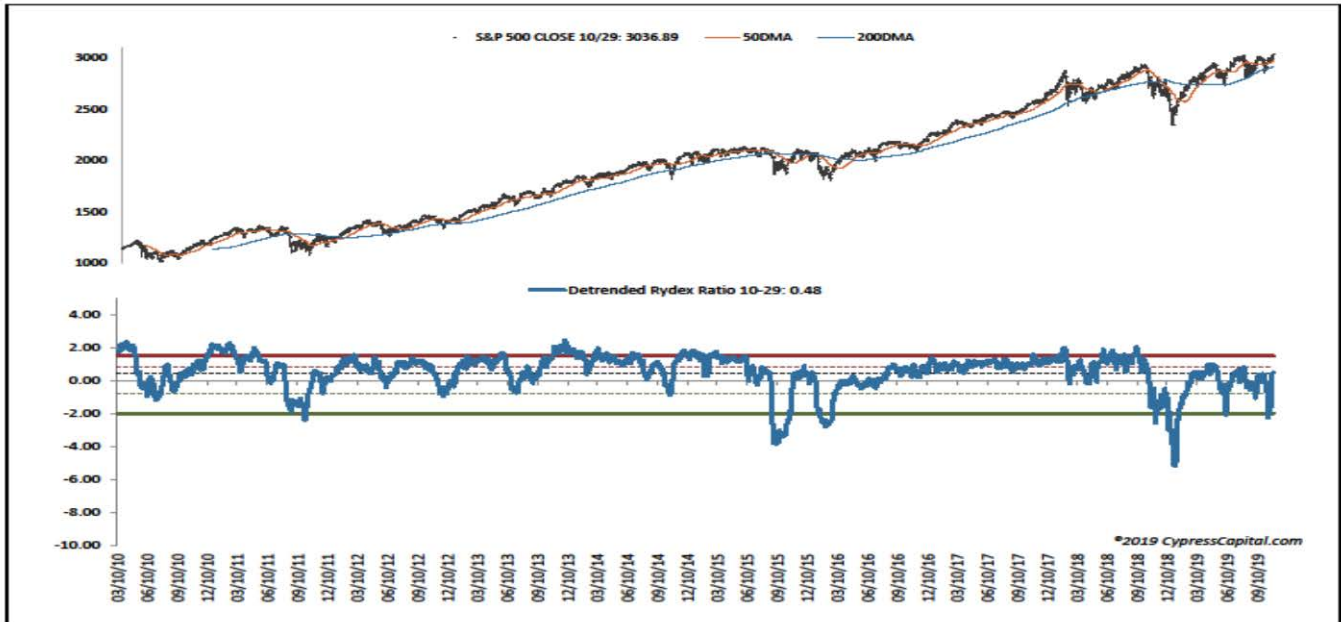
The NYSE Advance/Decline Line is short term positive and above its 50 DMA.



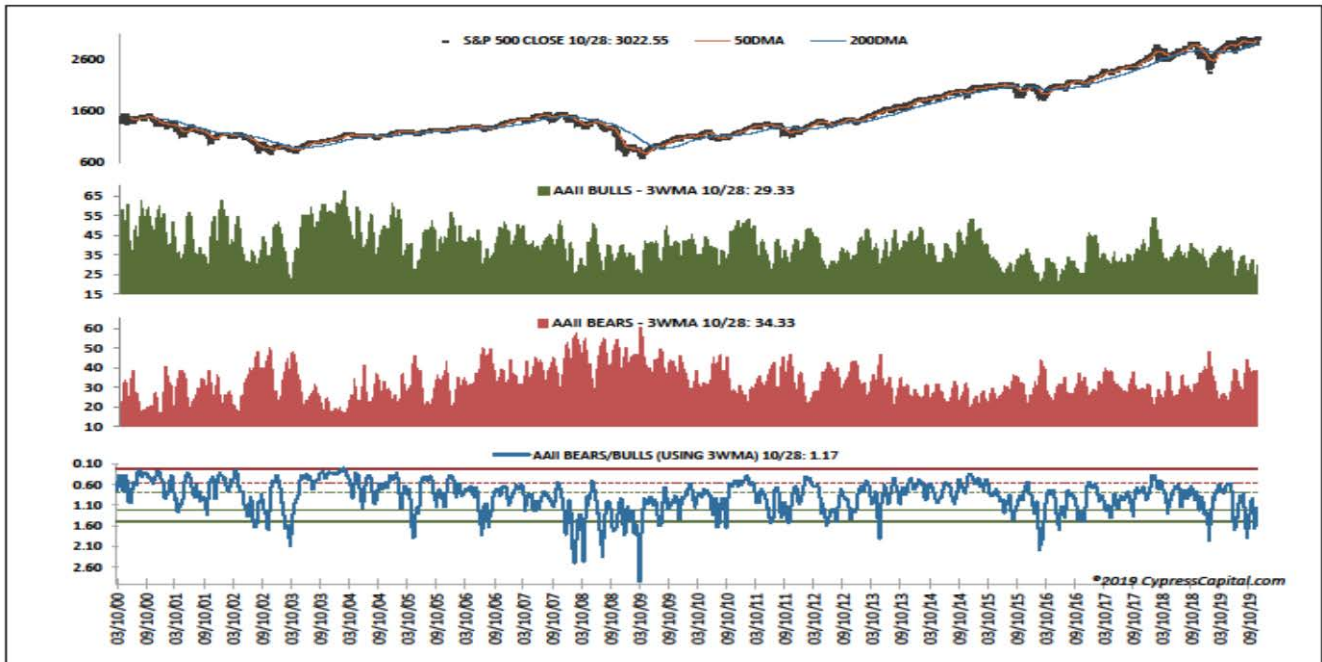
The NASDAQ ratio adjusted 1 day McClellan OB/OS is -19.52 (neutral) on the 1 day. The 21 day reading is +30.81 (neutral).



The detrended Rydex Ratio is +0.48 (neutral).



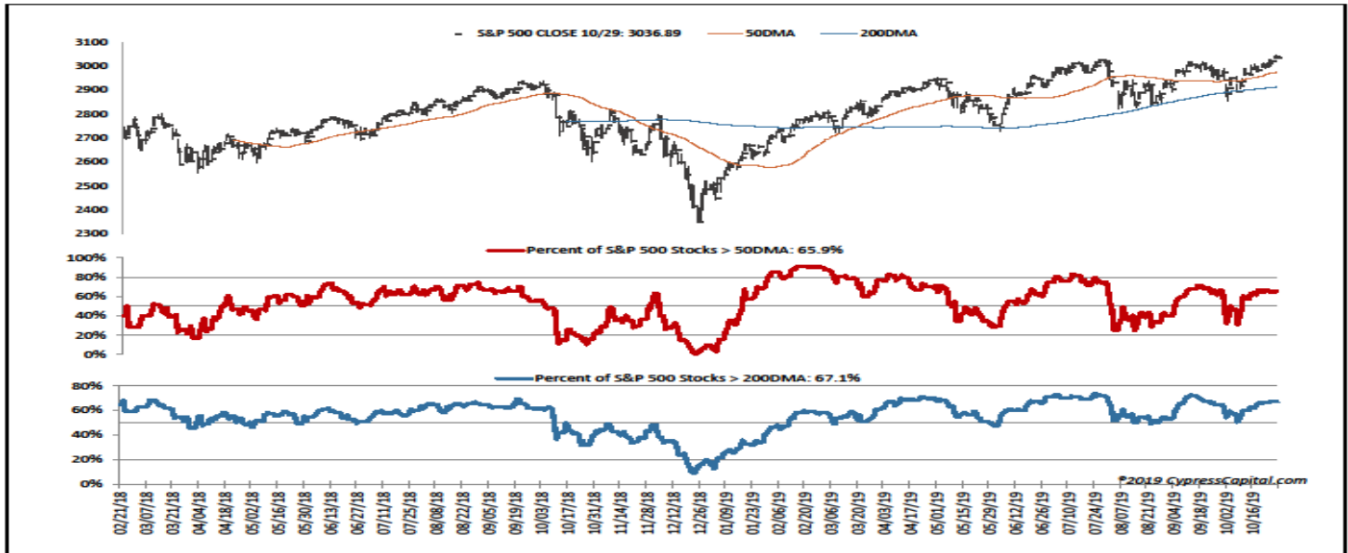
The AAI Poll weekly bear/bull reading 3 week average is 34.33/29.33 (bullish) as of 10/28.



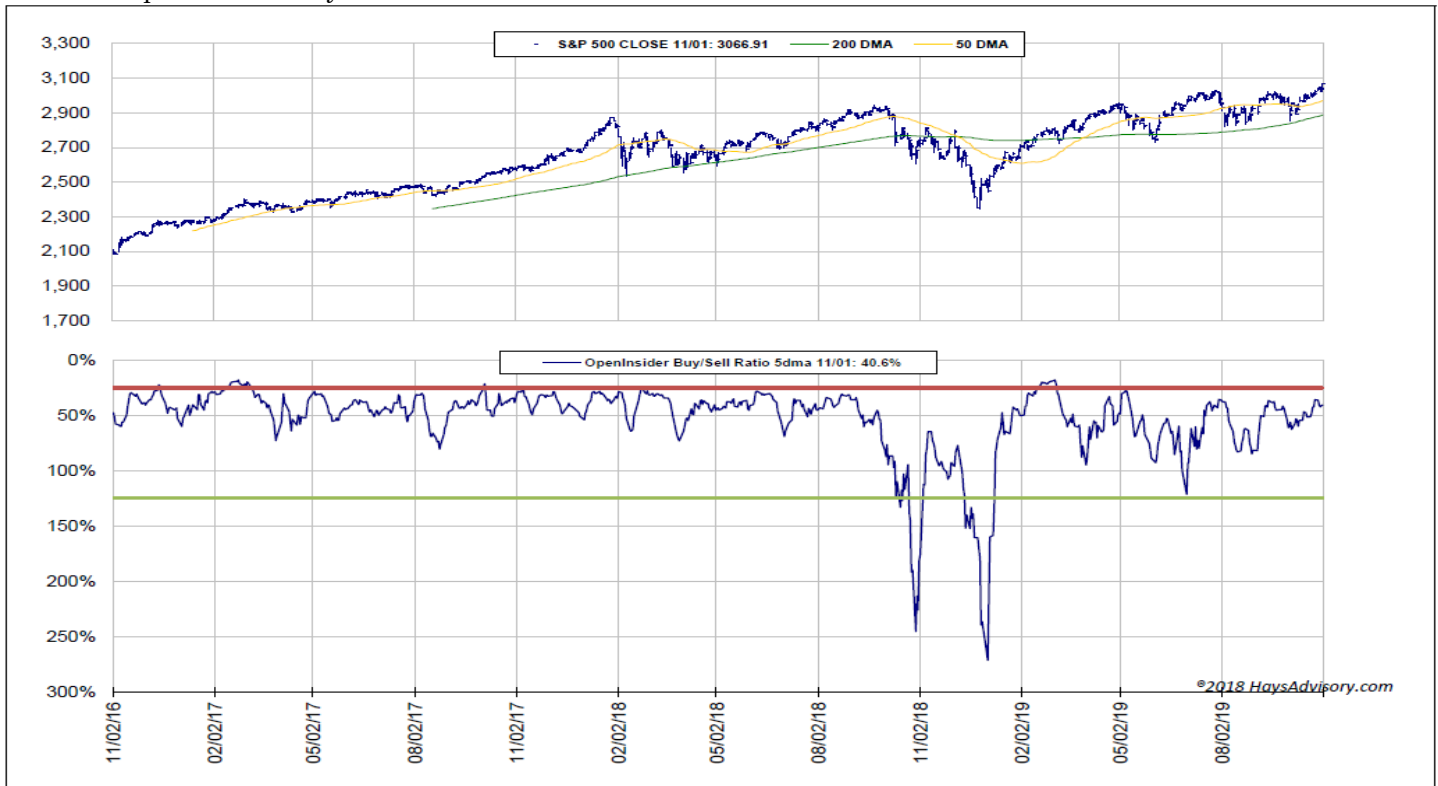


Total and Equity put/call ratios are 0.74 (neutral) and 0.53 (bearish) on the 1 day. The 15 DMAs are 0.93 (bullish) and .64 (neutral) respectively. OEX put/call ratio 1 day 1.11 (neutral) and 1.9 (very bearish) on the 15 DMA.

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



The Open Insider Buy/Sell Ratio is 40.6% (neutral)



## Data:

- All Exchange McClellan OB/OS Oscillator is +18.14 (neutral) and 21 day +57.4 (bearish).
- All Exchange A/D Line is short term neutral and above its 50 DMA.
- NYSE McClellan OB/OS ratio adjusted is +25.57 (neutral) 3 week average +77.95 (bearish).
- The NYSE A/D line closed above its 50 DMA and is short term positive.
- NASDAQ McClellan OB/OS ratio adjusted is +19.52 (neutral) 3 week average +30.81 (neutral).
- The NASDAQ A/D line is short term neutral 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 40.6 (neutral).
- Total and Equity put/call ratio 1 day readings are 0.74 (neutral) and .53 (bearish) respectively. The 15 day averages for the total and equity p/c are 0.93 (bullish) and .64 (neutral) respectively.
- OEX put/call one day is 1.11 (neutral) the 15 DMA 1.9 (very bearish).
- ISEE call/put Sentiment Index is 106 (neutral).
- The SPX, DJI, MID, DJT, VALUA, COMPQX, RTY and NDX closed above their 50 DMAs.
- The Nikkei, DAX and 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 26.58. 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:

All of the major equity indexes closed higher Friday.

Internals were positive on the NYSE and NASDAQ.

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

NYSE: A/D:2065/891 U/D Volume:2.61B/705M Total Volume:3.32B

NASDAQ: A/D:2291/851 U/D Volume:1.24B/485M Total Volume:1.74B

## Disclosure Appendix

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2 The author does not have a financial interest in SPY or QQQ mentioned in this report.

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