

R.F. Lafferty Morning Technical Note

9.23.20

Guy S. Ortmann,, CMT, Director of Research / Senior Technical Analyst gortmann@rflafferty.com 212-293-9017**Bounce Results In Minor Impact****Some McClellan 1-Day OB/OS Remain Oversold**

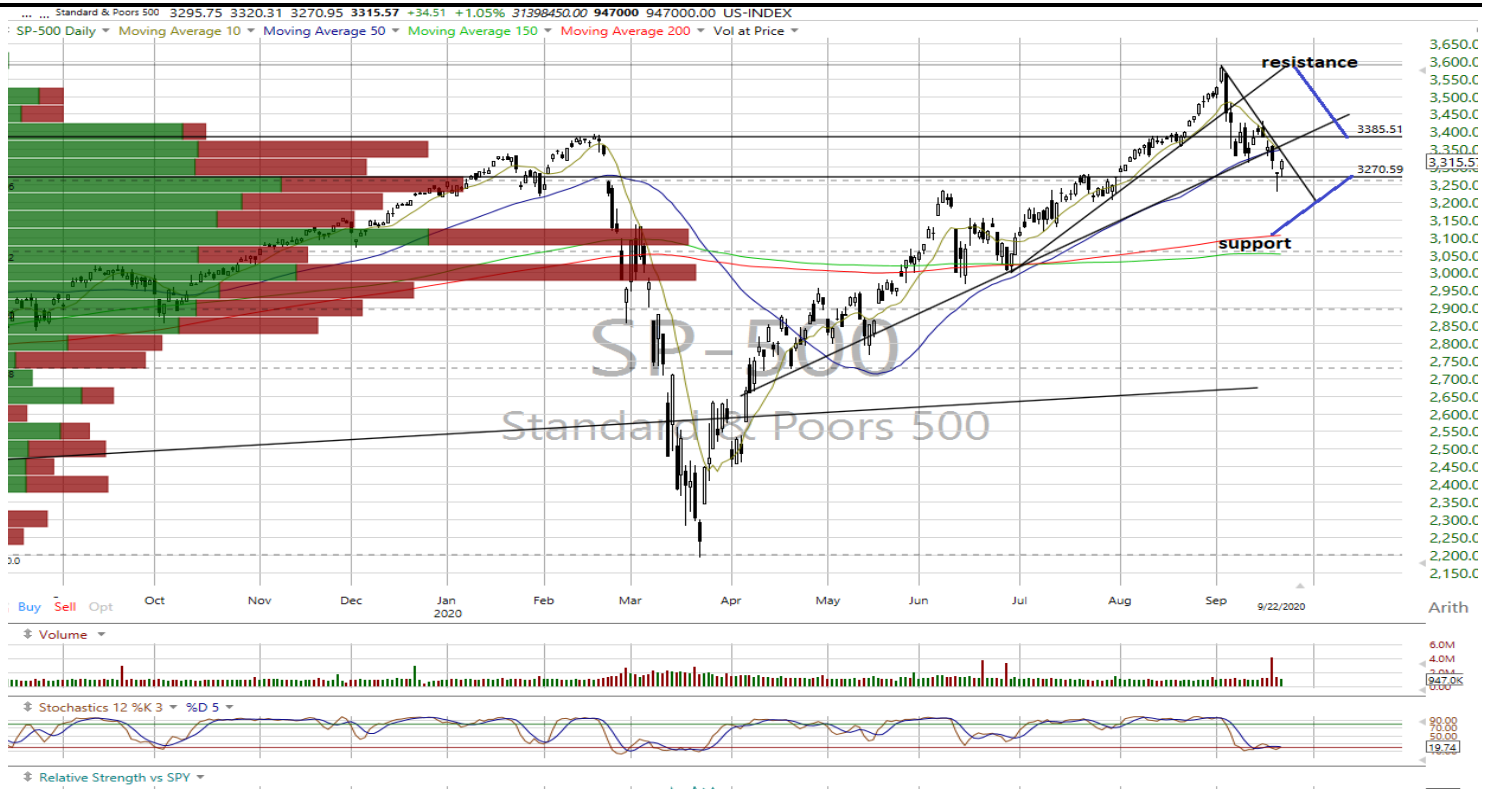
The major equity indexes closed higher Tuesday with positive internals on the NYSE and NASDAQ as trading volumes declined on both exchanges from then prior session. The charts saw two of the indexes close above their near-term downtrend lines and are now neutral while no other technical events of import were generated. The data remains mixed between bullish and bearish signals while investment advisor sentiment and valuation remain cautionary. So, while the markets saw some positive action yesterday, in our view it was not sufficient to alter our current “negative” near-term outlook for the equity markets as a whole.

On the charts, all the equity indexes closed higher yesterday with positive internals although trading volumes were well below the prior negative session. The only chart events of import were the COMPQX (page 3) and NDX (page 3) closing above their near-term downtrend lines, resulting in their trends turning neutral. The rest remain negative except for the DJT (page 4) staying positive. We would also note the majority of the indexes now have substantial levels of overhanging supply that could prove to be difficult to overcome. As well, the cumulative advance/decline lines remain negative and below their 50 DMAs for the All Exchange, NYSE and NASDAQ suggesting a weak foundation for the markets currently exists.

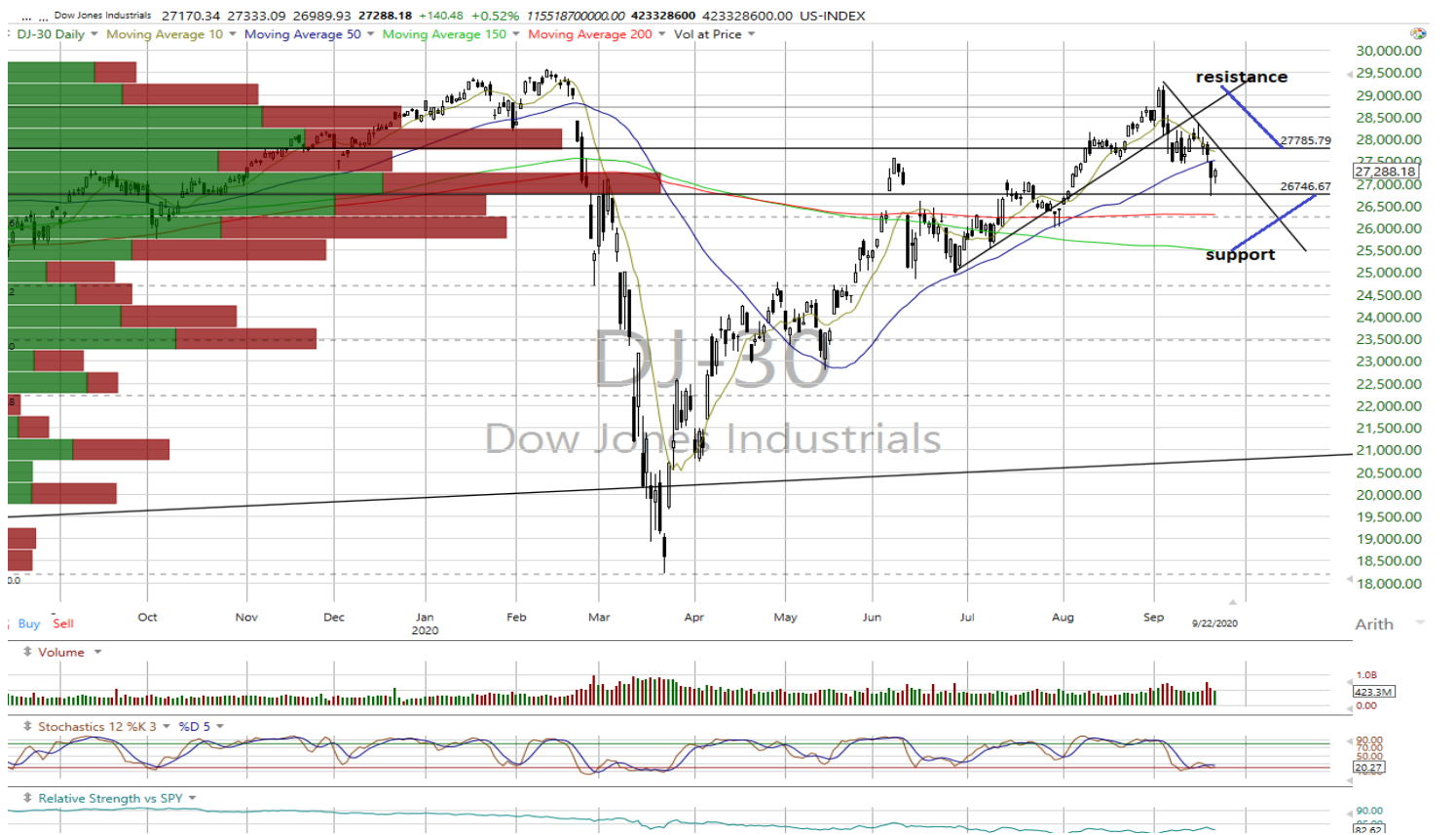
The data remains mixed. The 1-day McClellan OB/OS Oscillators remain oversold on the All Exchange and NYSE but neutral on the NASDAQ after suggesting a pause/bounce from the recent weakness yesterday (All Exchange: -51.9 NYSE: -67.0 NASDAQ: -39.43). The Open Insider Buy/Sell Ratio (page 9) is neutral, dropping to 40.4 while the detrended Rydex Ratio (contrary indicator page 8) remains neutral at -0.19 with the leveraged ETF traders remaining somewhat evenly balanced in their long/short exposure. This week’s Investors Intelligence Bear/Bull Ratio (contrary indicator page 9) continues its bearish signal at 18.36/54.8 that may be the beginning of an important sentiment shift as recently discussed in these notes. The counterintuitive % of SPX issues trading above their 50 DMAs is neutral at 36.8%. The valuation gap remains extended, in our opinion, with the SPX forward multiple lifting to 22.7 via consensus forward 12-month earnings estimates from Bloomberg of \$146.16 while the “rule of 20” finds fair value at 19.3. The SPX forward earnings yield is 4.41% with the 10-year Treasury yield at 0.66%.

In conclusion, while yesterday’s OB/OS levels suggested the bounce that occurred and still implies some slight positive action, the charts remain largely problematic while valuation and advisor sentiment are waving yellow flags. Thus, we are keeping our near-term “negative” outlook for the equity markets intact.

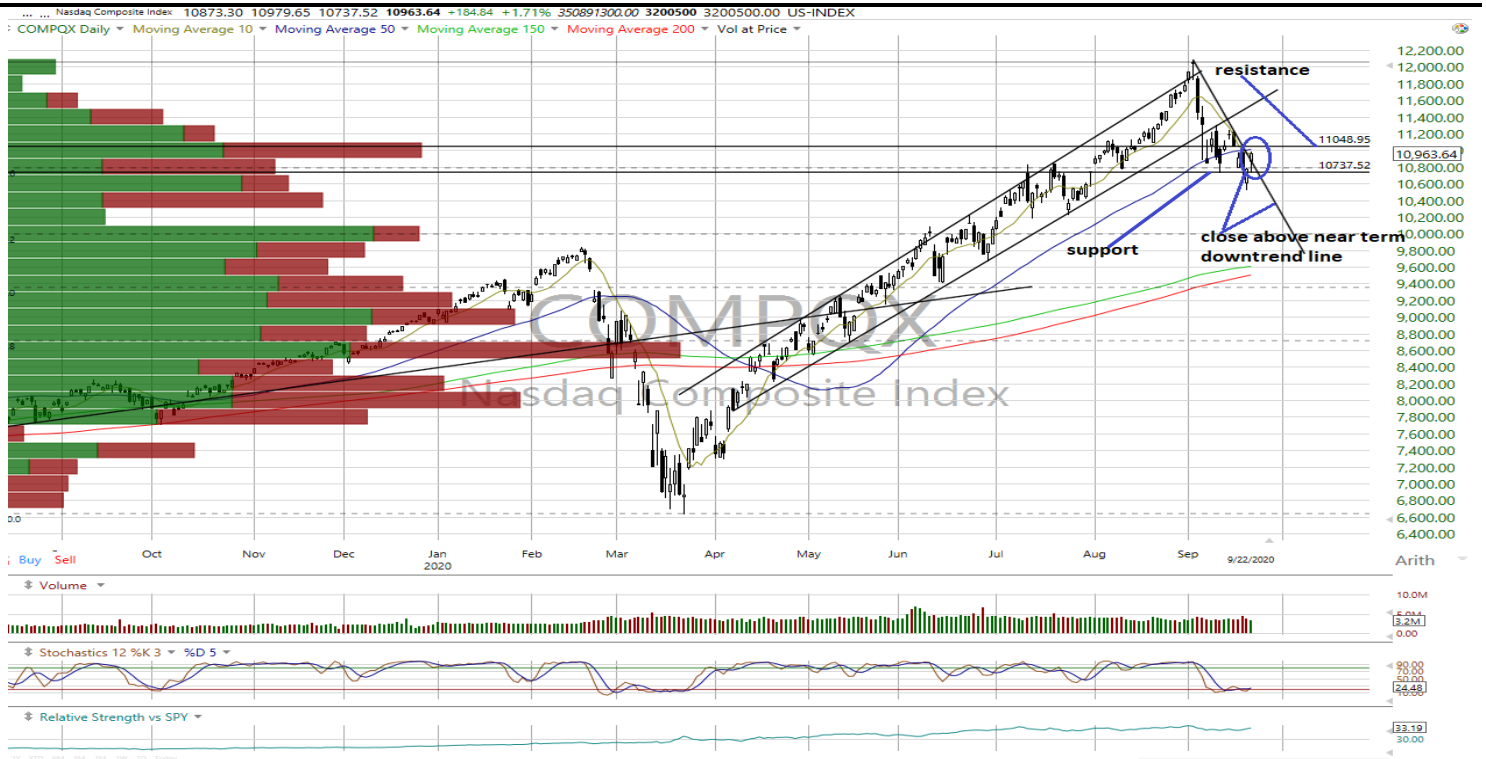
SPX: 3,271/3,386	DJI: 26,747/27,786	COMPQX: 10,738/11,232
NDX: 10,756/11,375	DJT: 11,114/11,526	MID: 1,780/1,899
RTY: 1,470/1,595	VALUA: 6,136/6,375	



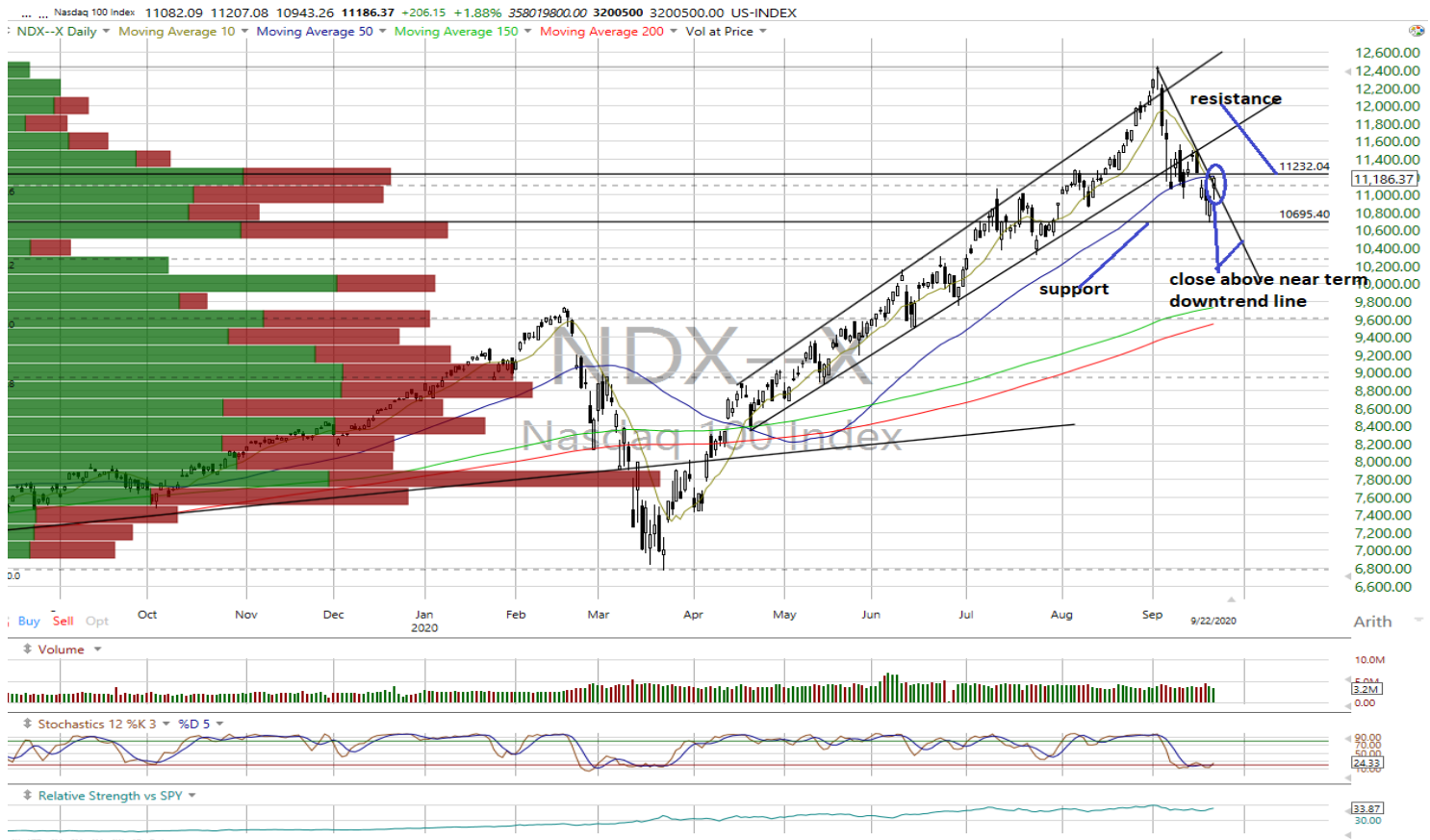
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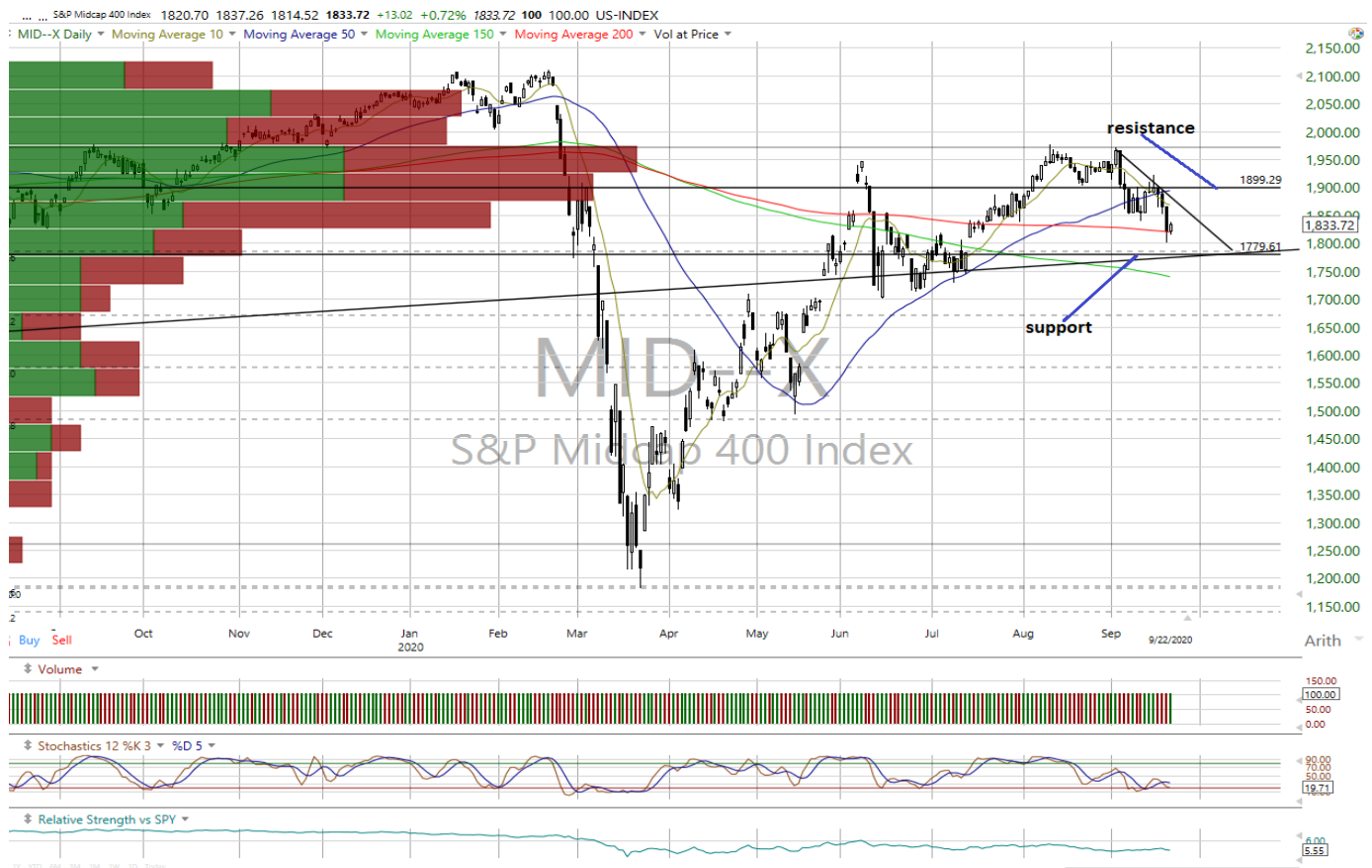
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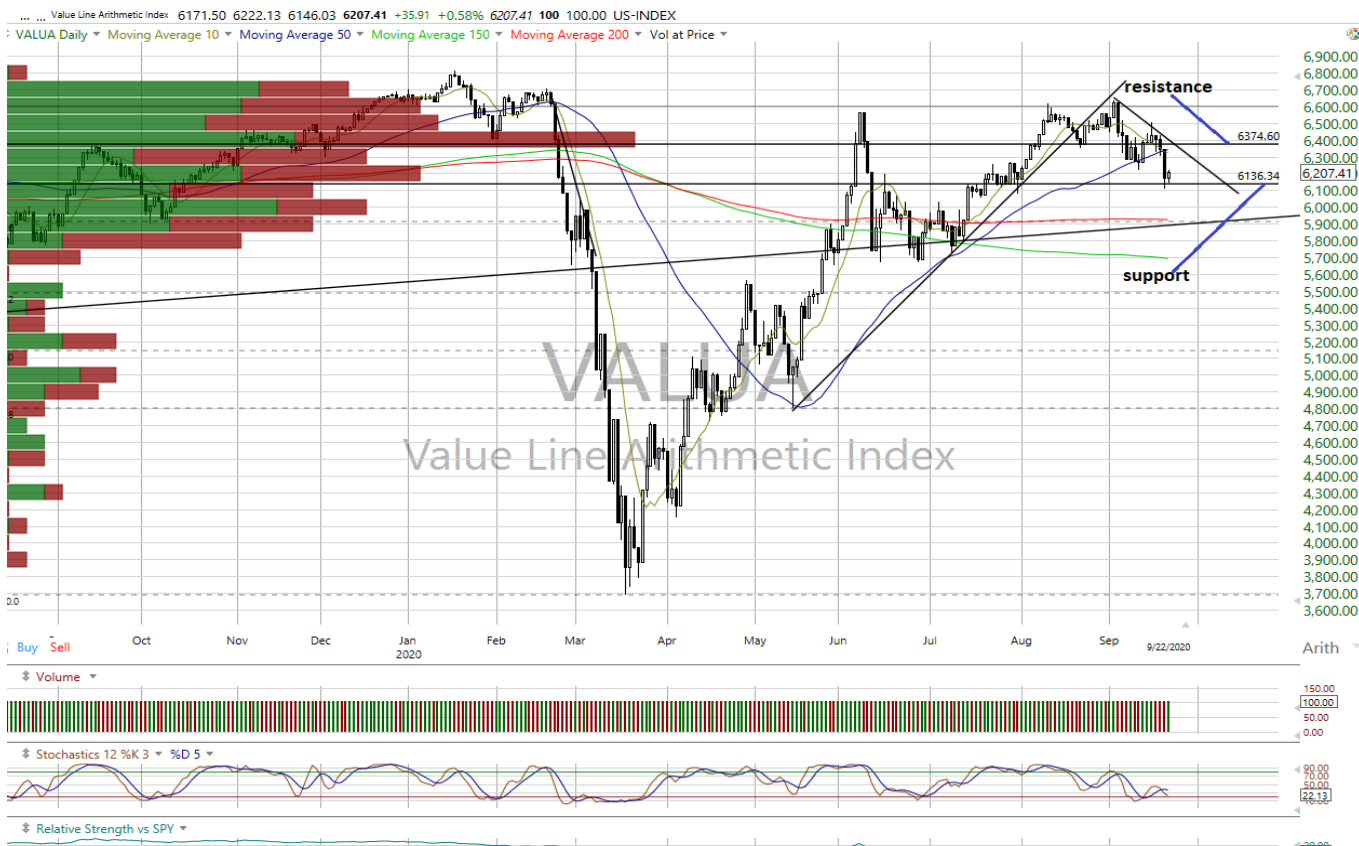
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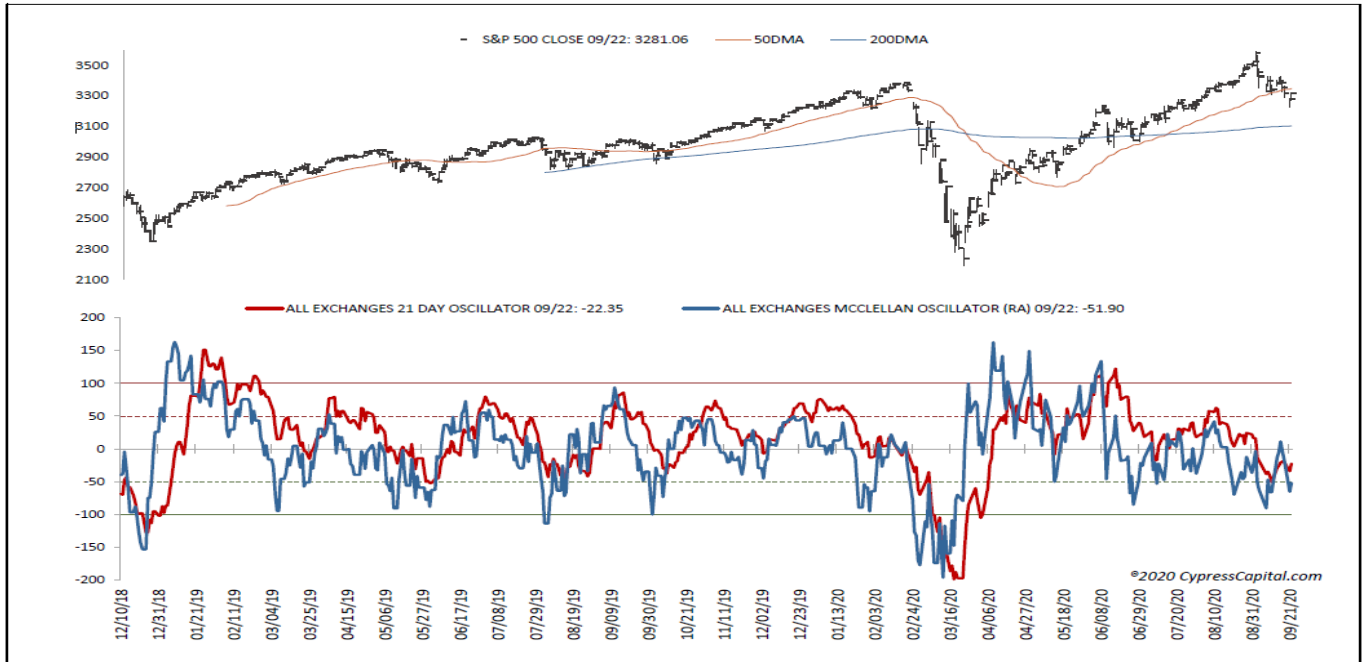


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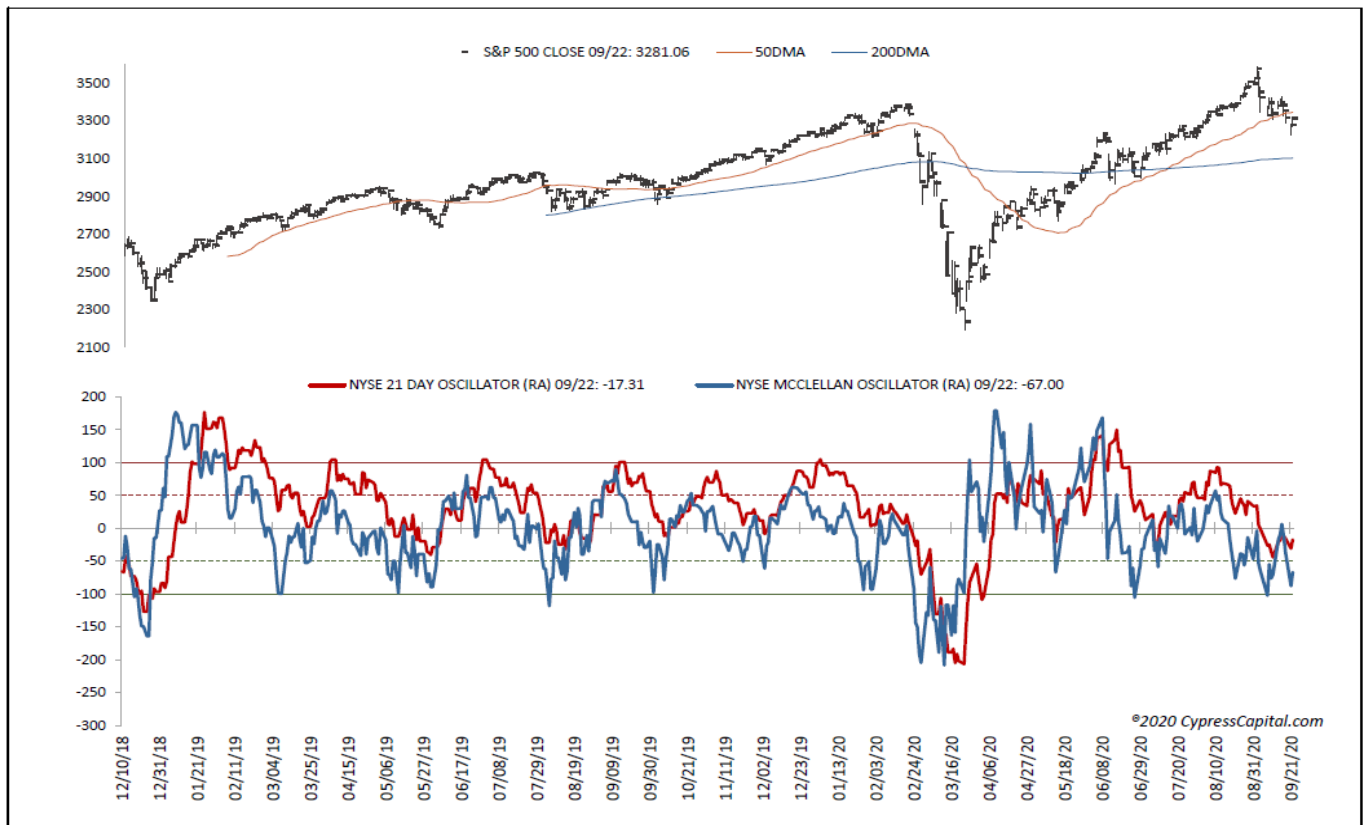


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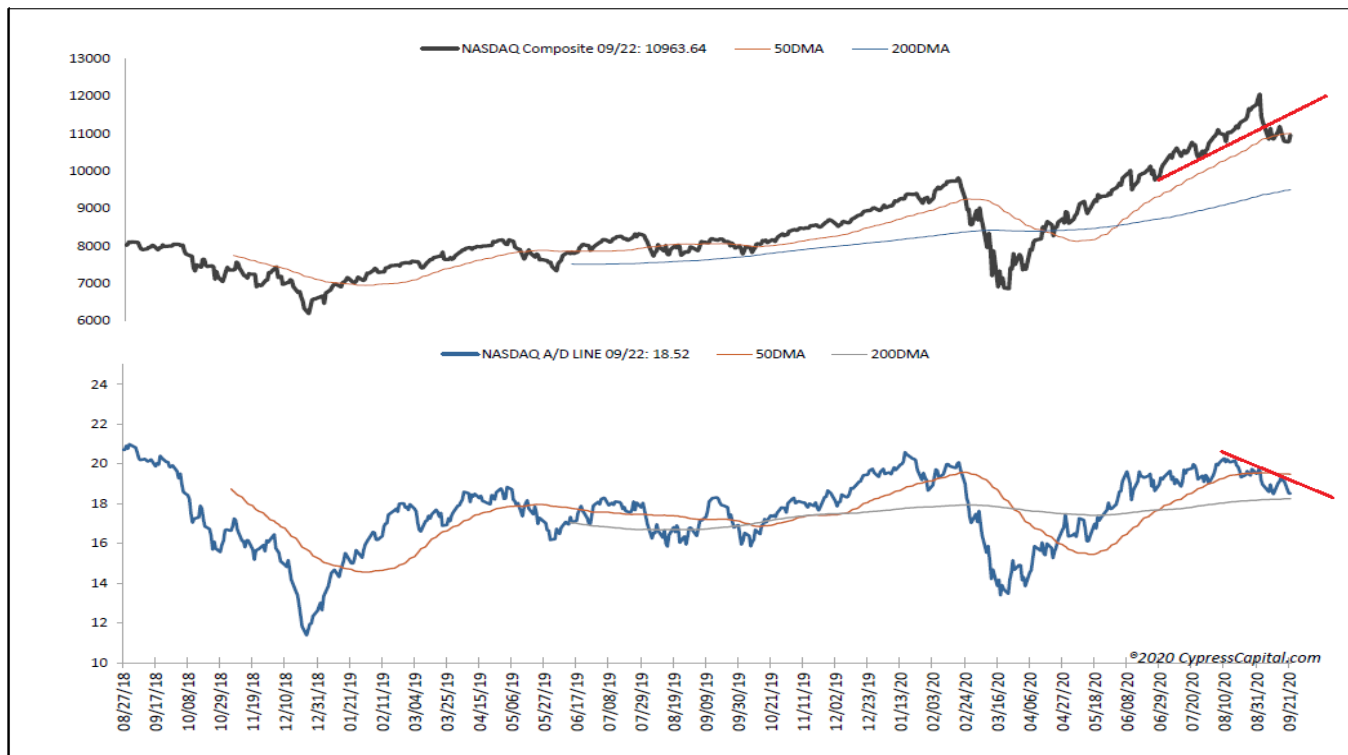
The All Exchange McClellan ratio adjusted 1-day OB/OS Oscillator is -51.9 (mildly bullish) and 21 day -22.35 (neutral).



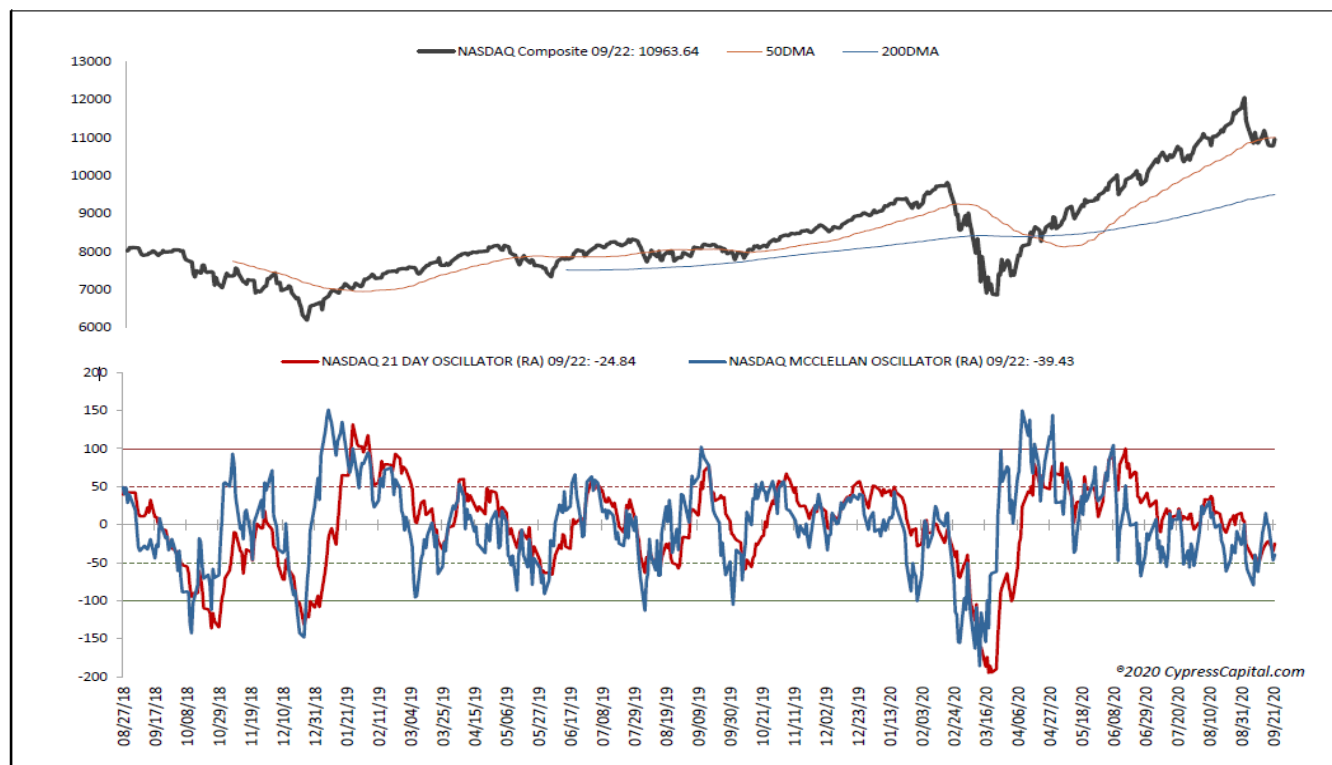
The NYSE ratio adjusted 1-day McClellan OB/OS is -67.0 (bullish) and -17.31 (neutral) on the 21 day.



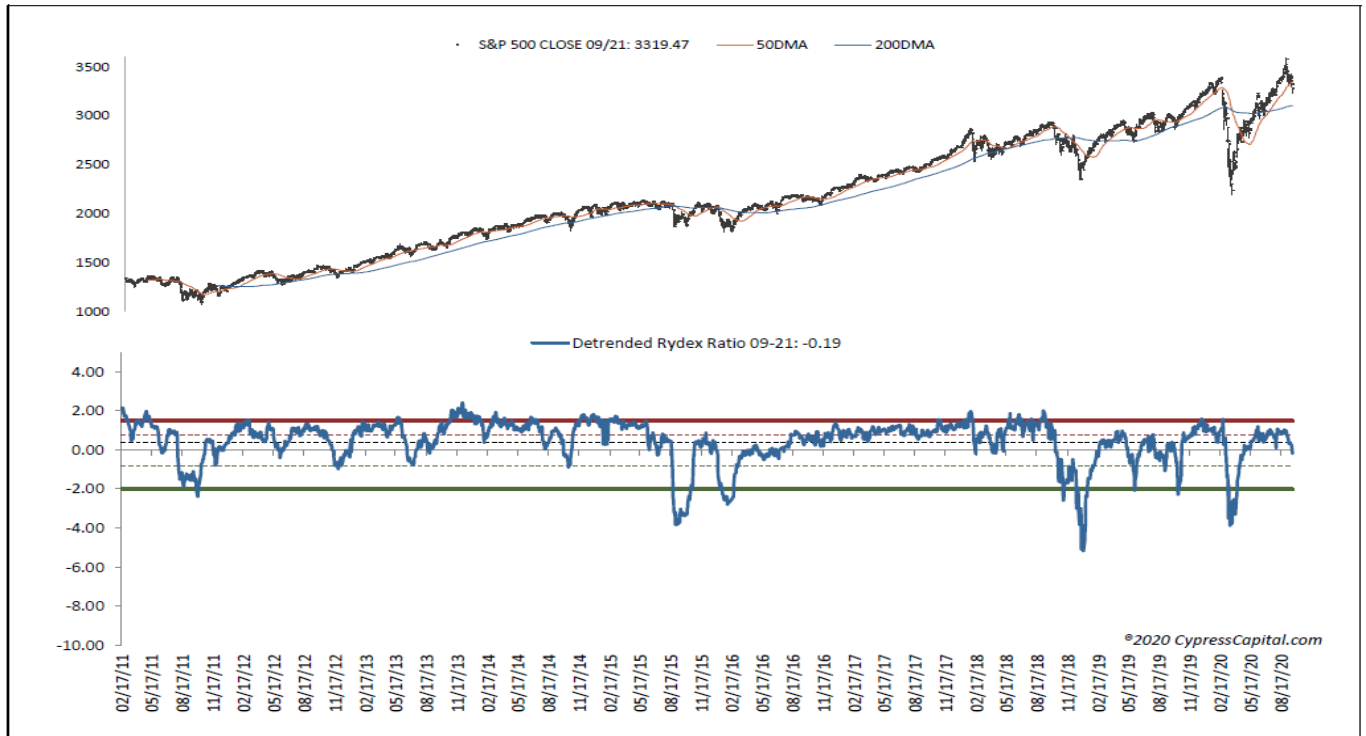
The NASDAQ cumulative advance/decline line is negative and below its 50 DMA



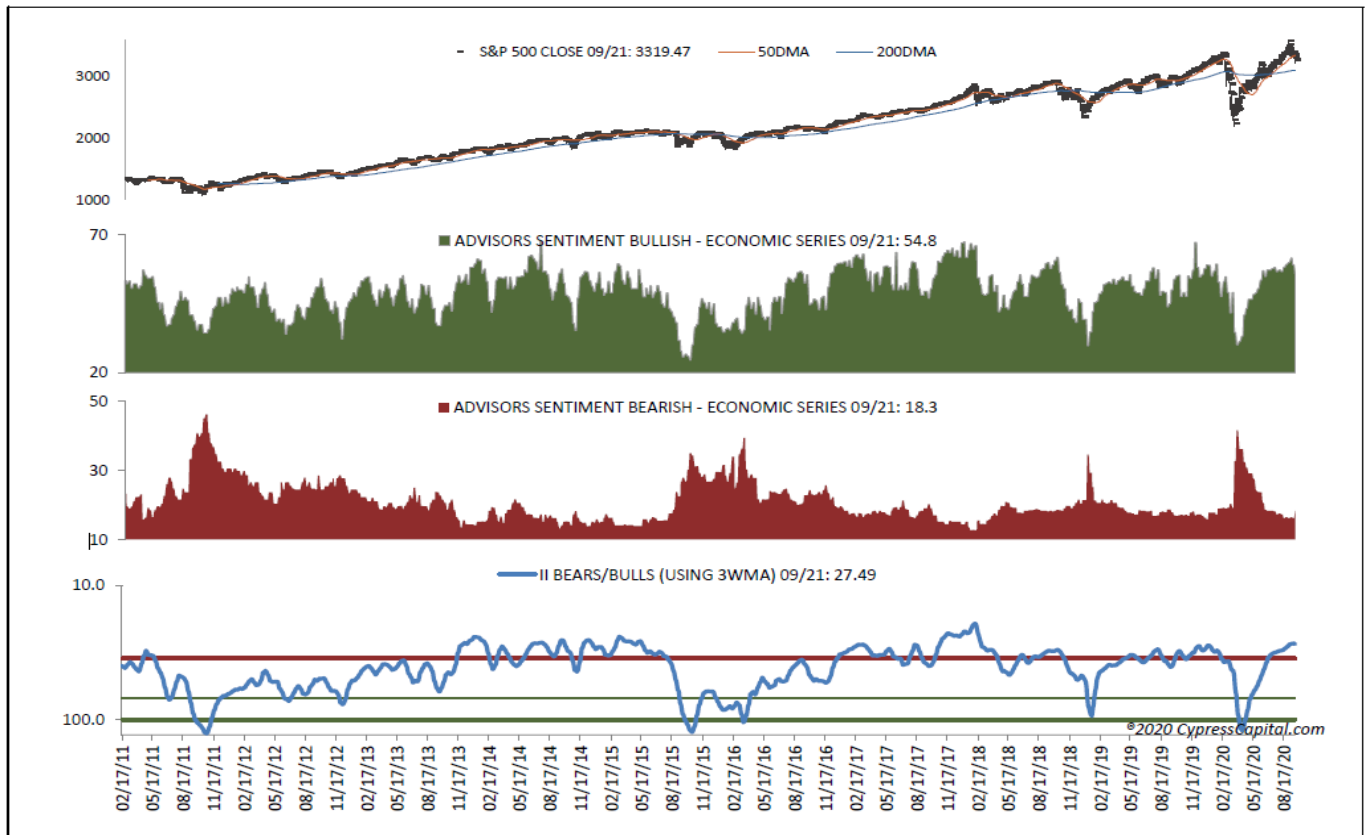
The NASDAQ ratio adjusted 1-day McClellan OB/OS Oscillator is -39.43 (neutral) and -24.84 (neutral) on the 21-day.



The detrended Rydex Ratio is -0.19 (neutral)

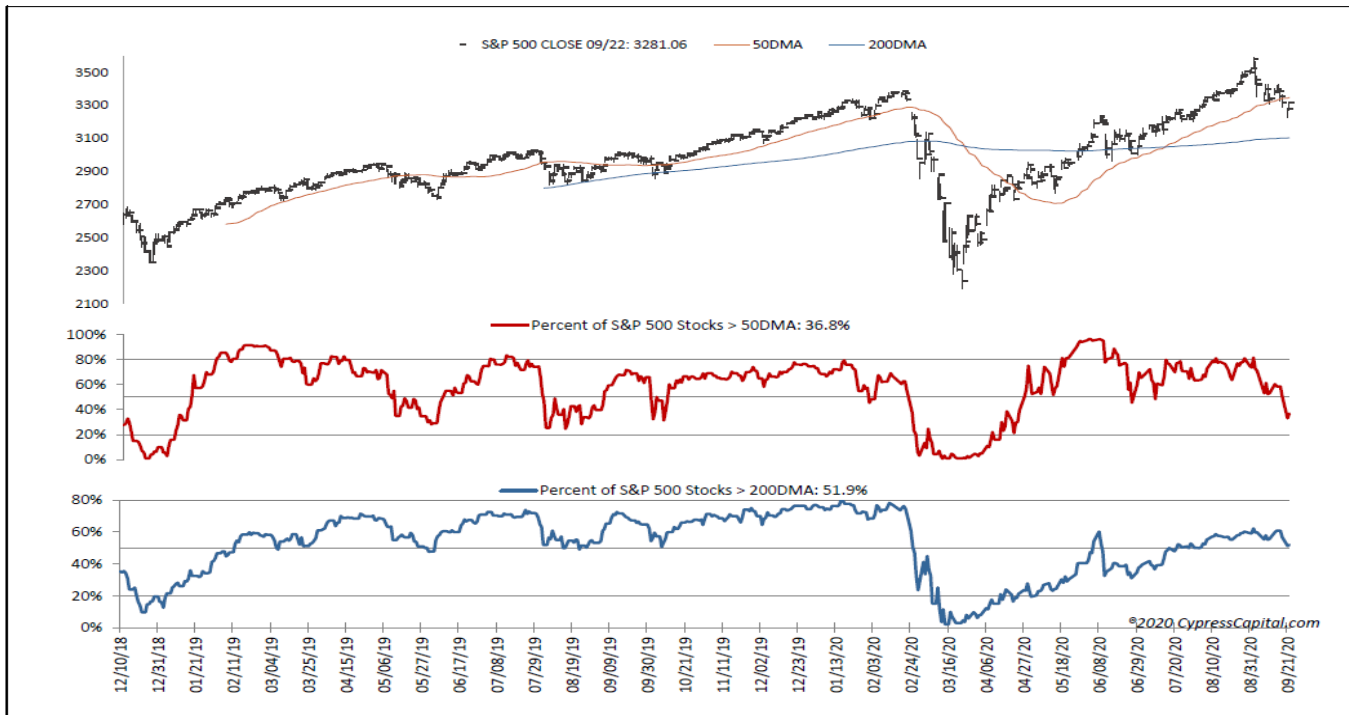


The Investors Intelligence Bear/Bull Ratio is 18.3/54.8 (bearish) as of 9.21.20

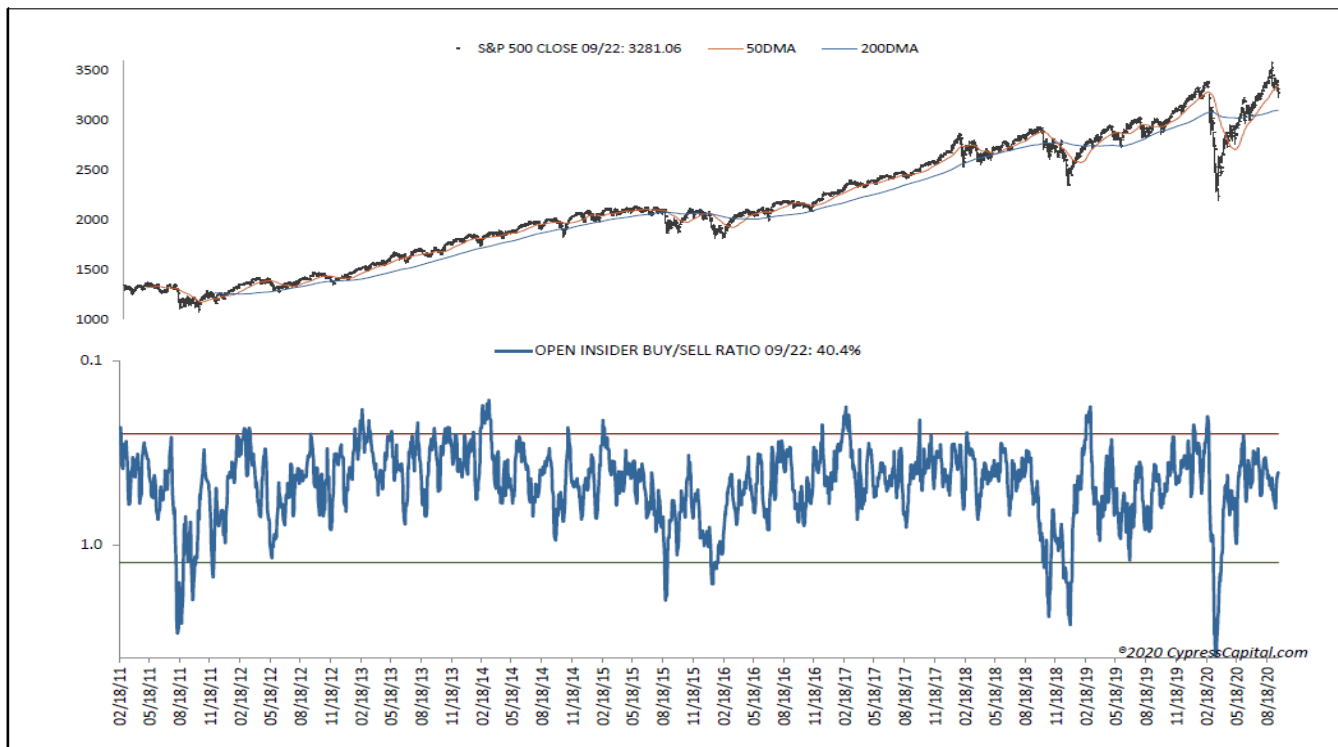


The Total and Equity put/call ratios are 0.87 (neutral) and 0.55 (neutral) on the 1day. The 15 DMAs are 0.86 (neutral) and 0.54 (mildly bearish) respectfully. The OEX put/call Ratio is 1-day is 3.26 (very bearish) and 2.56 (very bearish) on the 15 DMA.

% of SPX stocks trading above their 50 DMAs is 36.8 (neutral)



The Open Insider buy/sell ratio is 40.4 (neutral).



Data:

- The All Exchange McClellan OB/OS ratio adjusted is -51.9 (mildly bullish) 3-week average is -22.35 (neutral).
- The All Exchange A/D line is negative and below its 50 DMA.
- NYSE McClellan OB/OS ratio adjusted is -67.0 (bullish) 3-week average is -17.31 (neutral).
- The NYSE A/D line closed above its 50 DMA and is short term negative.
- NASDAQ McClellan OB/OS ratio adjusted is -39.43 (neutral) 3-week average is -24.84 (neutral).
- The NASDAQ A/D line is short term negative and below its 50 DMA.
- % of SPX stocks > 50 DMA is 36.8% (neutral).
- AAI bear/bull ratio is 43.54/28.84 (neutral) as of 9/21.
- Investors Intelligence Bear/Bull Ratio 18.3/54.8 (bearish) as of 9/21.
- The detrended Rydex Ratio is -0.19 (neutral).
- Open Insider Buy/Sell Ratio is 40.4 (neutral).
- Total and Equity put/call ratio 1-day readings are 0.87 (neutral) and 0.55 (neutral) respectively. The 15-day averages for the total and equity p/c are 0.86 (neutral) and .54 (mildly bearish) respectively.
- OEX put/call one day is 3.26 (very bearish) the 15 DMA 2.56 (very bearish).
- ISEE call/put Sentiment Index is 102 (neutral).
- The DJT closed above its 50 DMA.
- The DJI, SPX, COMPQX., NDX, MID, VALUA and RTY closed below their 50 DMAs.
- The and NIKKEI close above their 50 DMAs.
- The DAX, Hang Seng and FTSE closed below their 50 DMAs
- The U.S. dollar as measured by the UUP ETF closed higher at 25.38 and above resistance. Support is 25.22. New resistance is 25.90.

Commodities in up trends:

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:

Silver (closed above its 50 DMA)

Gold (closed below its 50 DMA)

Commodities trading sideways:

Baltic Dry Bulk Rate (closed above its 50 DMA)

Aluminum (closed above its 50 DMA)

Oil (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 NASDAQ.

NYSE: A/D:1711/1320 U/D Volume:2.13B/1.94B Total Volume:4.12B

NASDAQ: A/D:1708/1705 U/D Volume:2.23B/1.36B Total Volume:3.64B

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