

R.F. Lafferty Morning Technical Note

8.25.20

Guy S. Ortmann,, CMT, Director of Research / Senior Technical Analyst gortmann@rflafferty.com 212-293-9017**1-Day Breadth Improves As Indexes Rise****McClellan 1-Day OB/OS Oscillators Return To Neutral**

The major equity indexes closed higher Monday with positive internals on the NYSE and NASDAQ. NYSE trading volumes rose from the prior session while those on the NASDAQ declined. The charts saw a combination of positive technical events regarding new closing highs and violations of resistance although cumulative breadth remains negative. The data is a mix of neutral and bearish signals with the valuation gap reaching its widest levels within the market rally from the March lows. So, although yesterday's action was positive, it was not sufficient, in our opinion, to alter our current near-term "neutral" outlook for the equity markets.

On the charts, the indexes closed higher Monday with positive internals on the NYSE and NASDAQ as NYSE volumes rose and NASDAQ volumes declined from the prior session. Positive chart events were registered as the SPX (page 2), COMPQX (page 3) and NDX (page 3) made new closing highs while the DJI (page 2) and DJT (page 4) closed above resistance. The MID (page 4), RTY (page 5) and VALUA (page 5) remain in neutral sideways trends with the rest positive. Regarding market breadth, while yesterday's breadth was positive, the cumulative advance/decline lines for the All Exchange, NYSE and NASDAQ remain negative with the NASDAQ's staying below its 50 DMA.

The data remains mixed. The 1-day McClellan OB/OS Oscillators reversed back to neutral from overbought (All Exchange (-44.71) and NASDAQ (-38.23) and NYSE (-46.2). The Open Insider Buy/Sell Ratio (page 9) remained neutral dipping to 41.9. The detrended Rydex Ratio (contrary indicator page 8) is a mildly bearish 0.84 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. The counterintuitive % of SPX issues trading above their 50 DMAs (page 9) rose to 77.0%. The valuation gap extended with the SPX forward multiple lifting to 23.6 via consensus forward 12-month earnings estimates from Bloomberg at \$145.65 while the "rule of 20" finds fair value at 19.4. 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 0.65%.

In conclusion, our "neutral" outlook for the equity markets is unchanged. Negative 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: 1,550/1,625	VALUA: 6,198/6,568	



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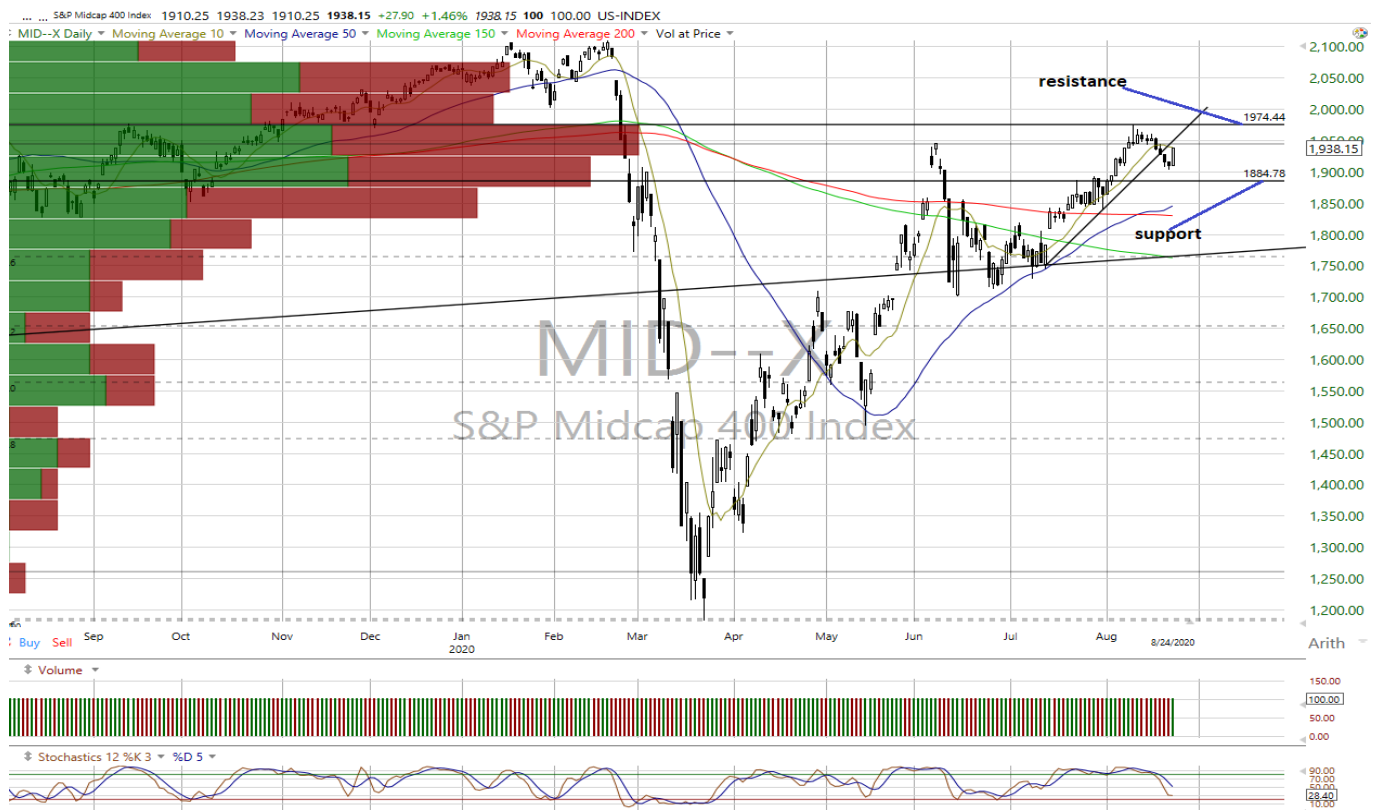
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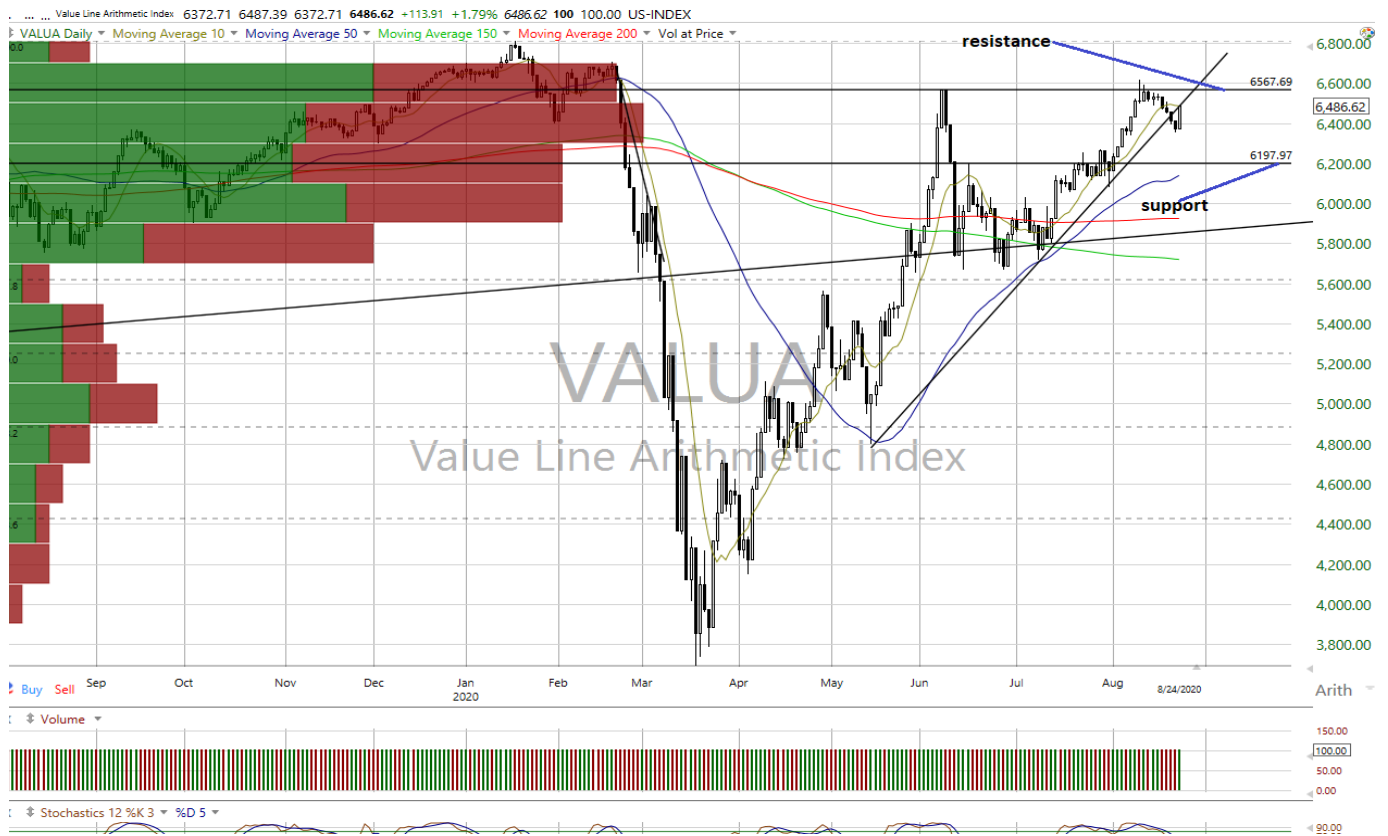
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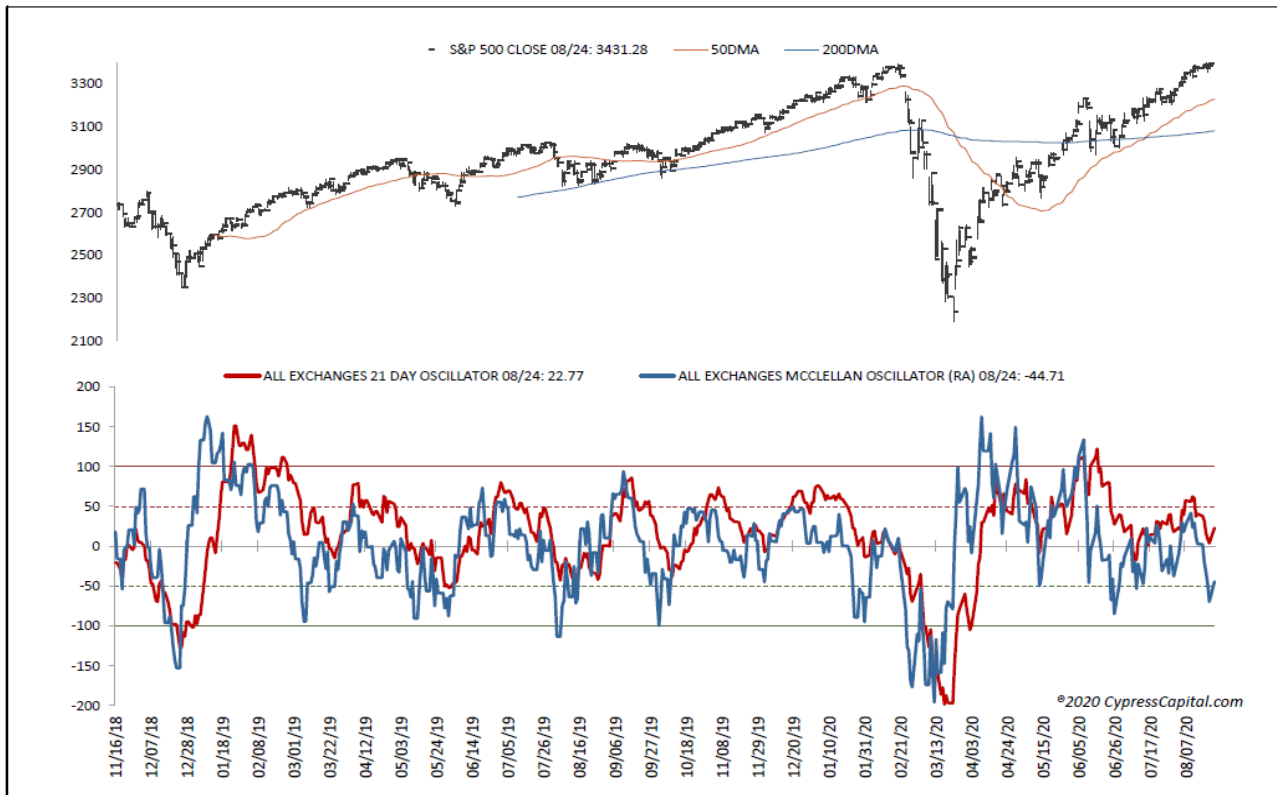


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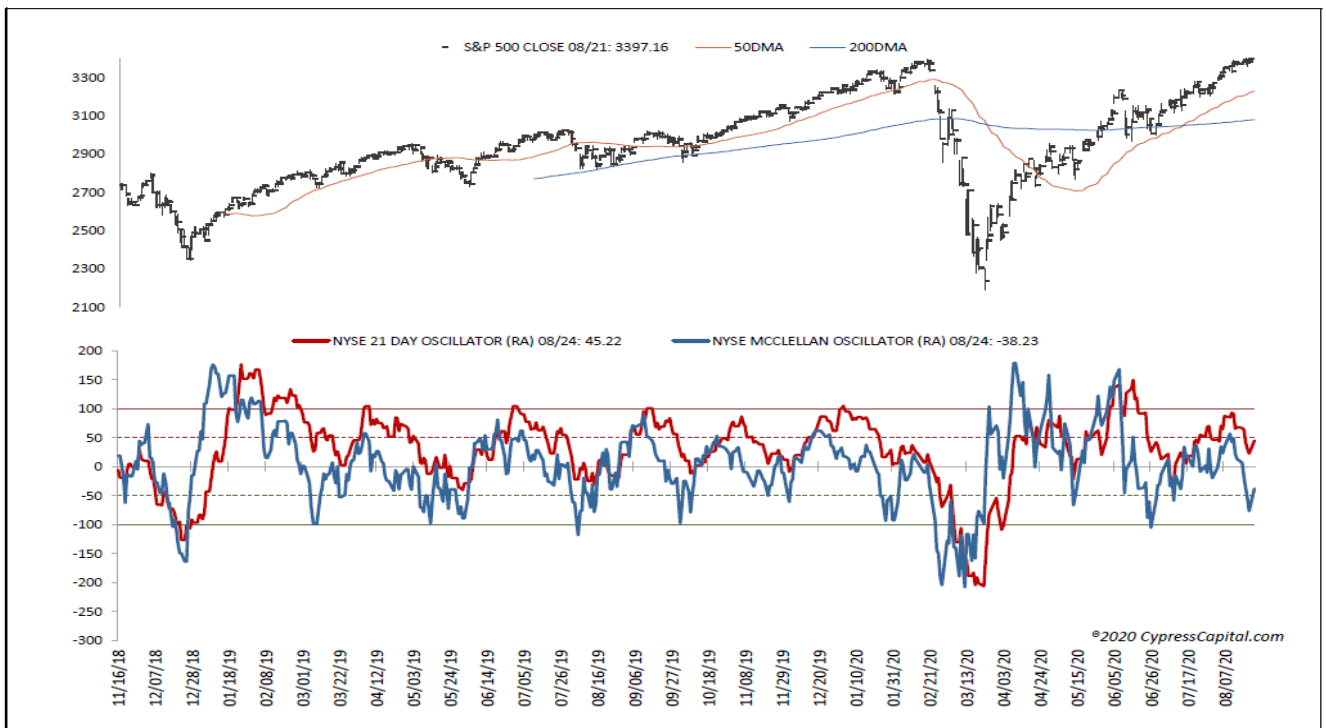


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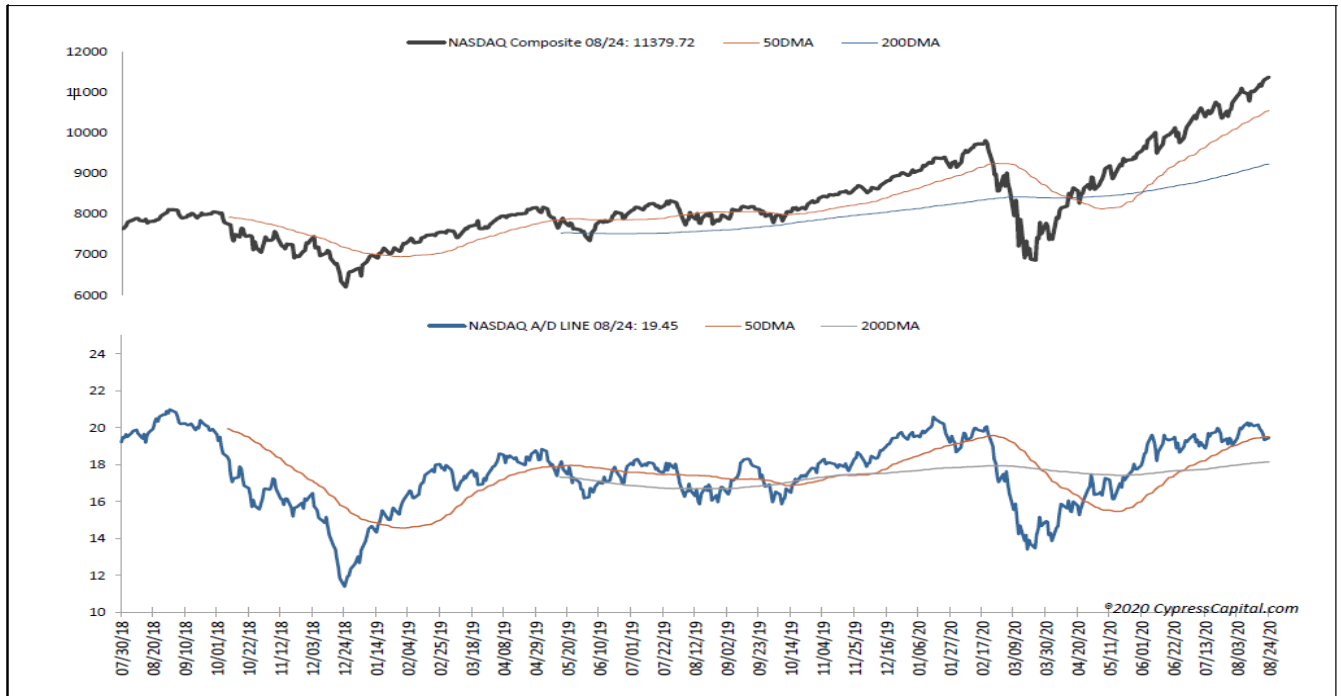
The All Exchange McClellan ratio adjusted 1-day OB/OS Oscillator is -44.71 (neutral) and 21 day +22.72 (neutral).



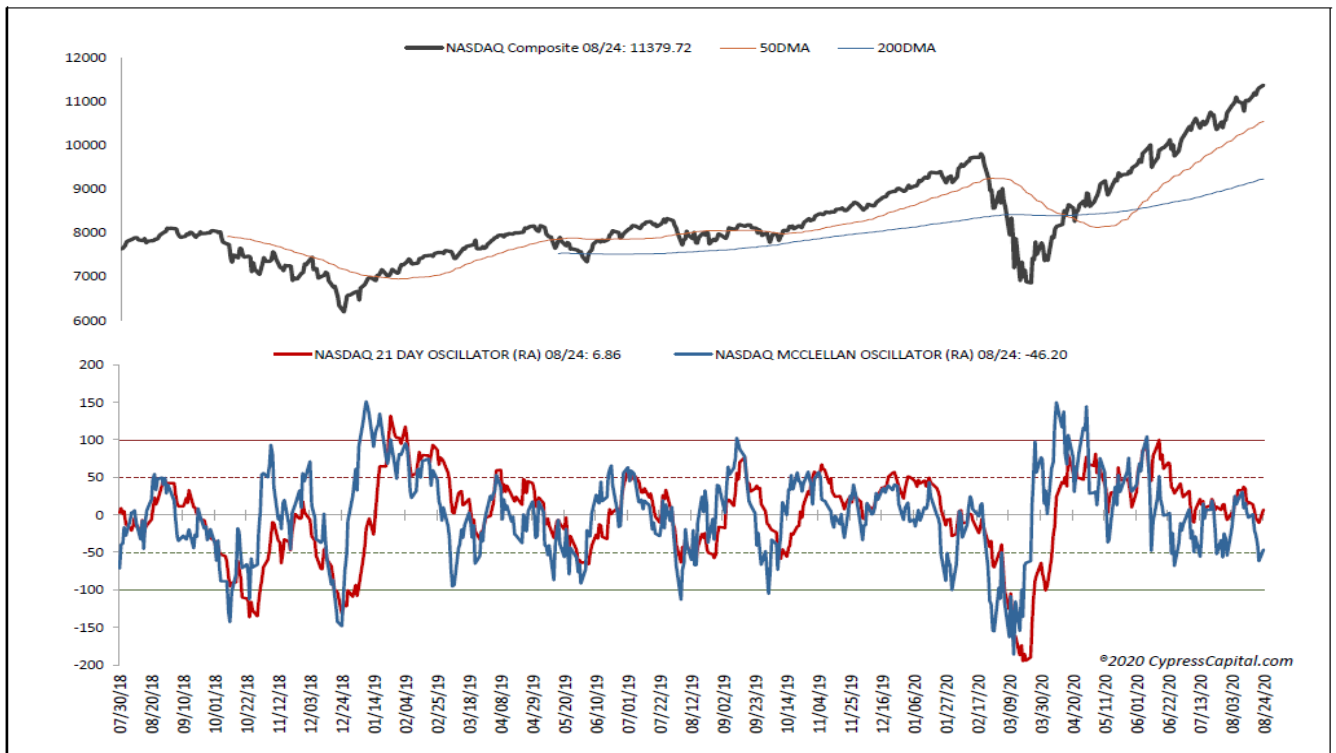
The NYSE ratio adjusted 1-day McClellan OB/OS is -38.23 (neutral) and +45.22 (neutral) on the 21 day.



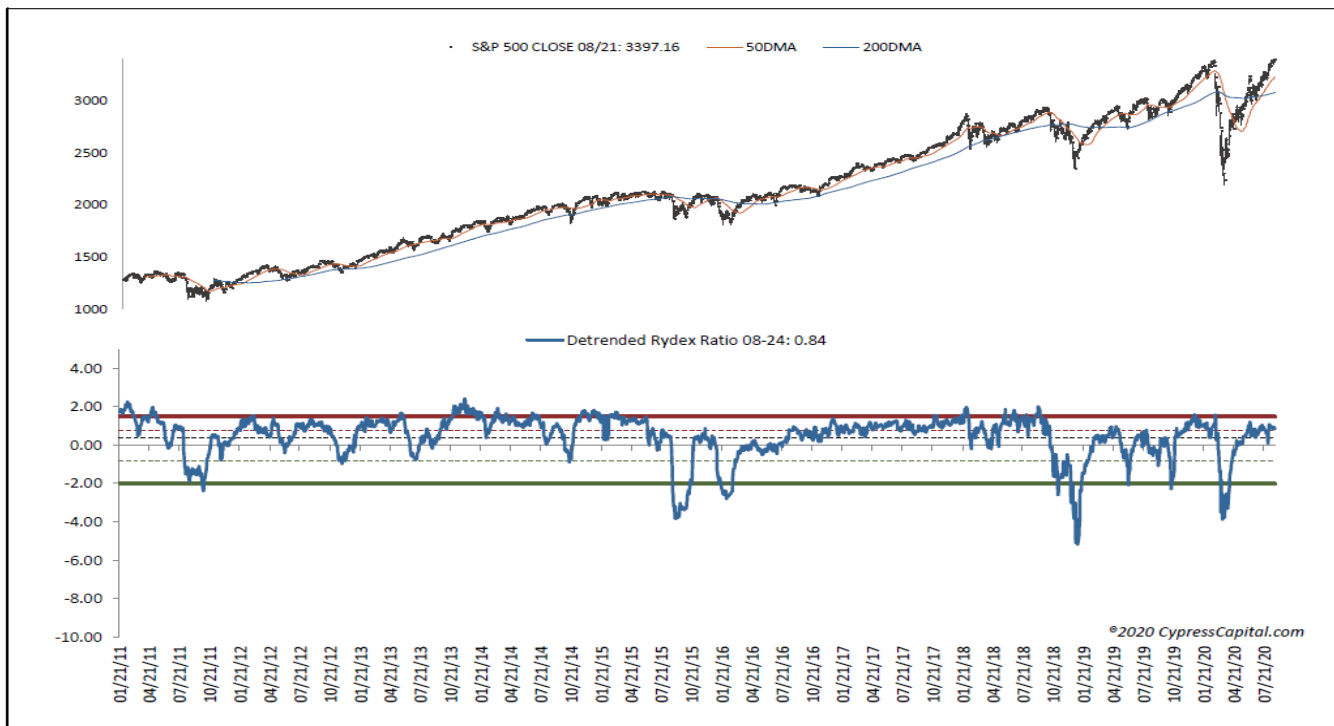
The NASDAQ cumulative advance/decline line is negative and below its 50 DMA



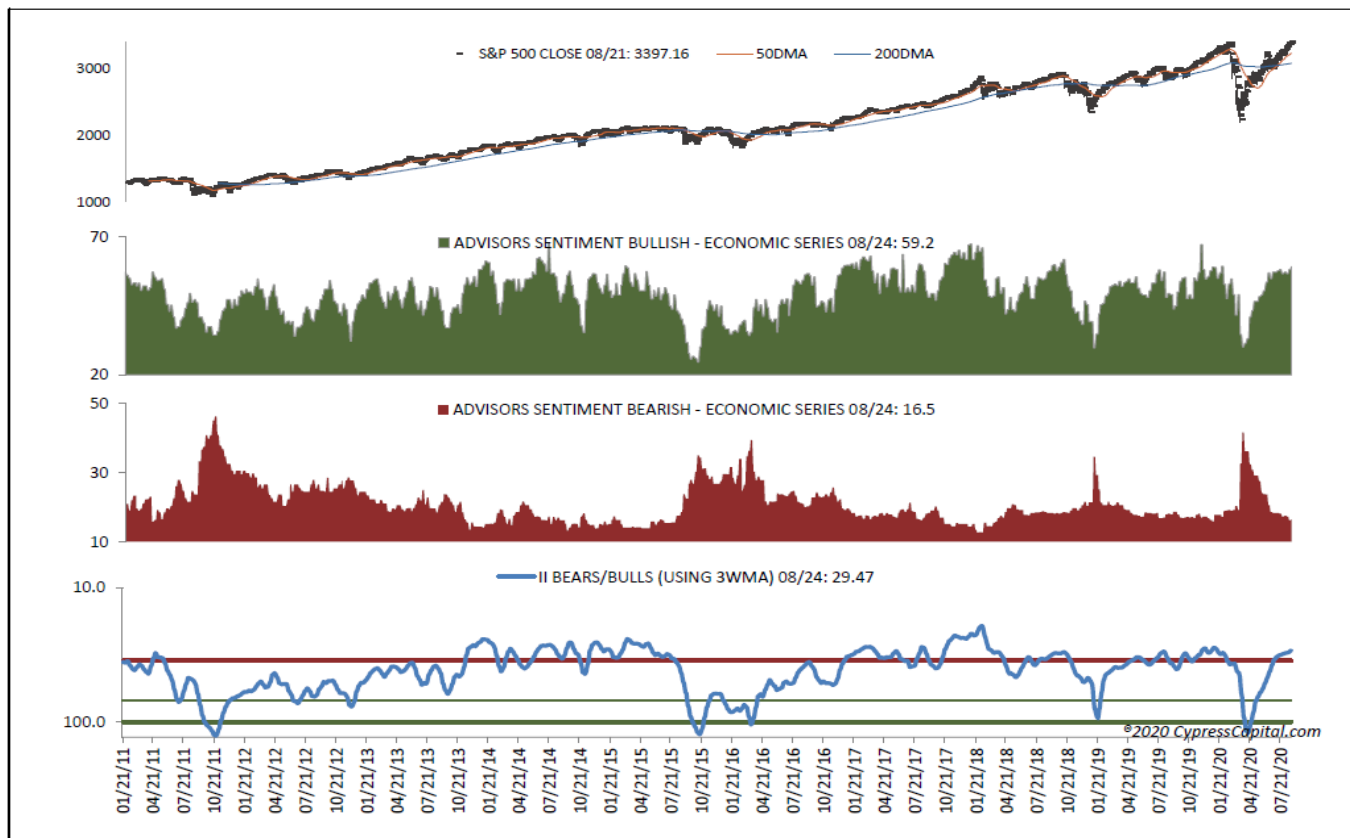
The NASDAQ ratio adjusted 1-day McClellan OB/OS Oscillator is -46.2 (neutral) and +6.86 (neutral) on the 21-day.



The detrended Rydex Ratio is 0.84 (mildly bearish)

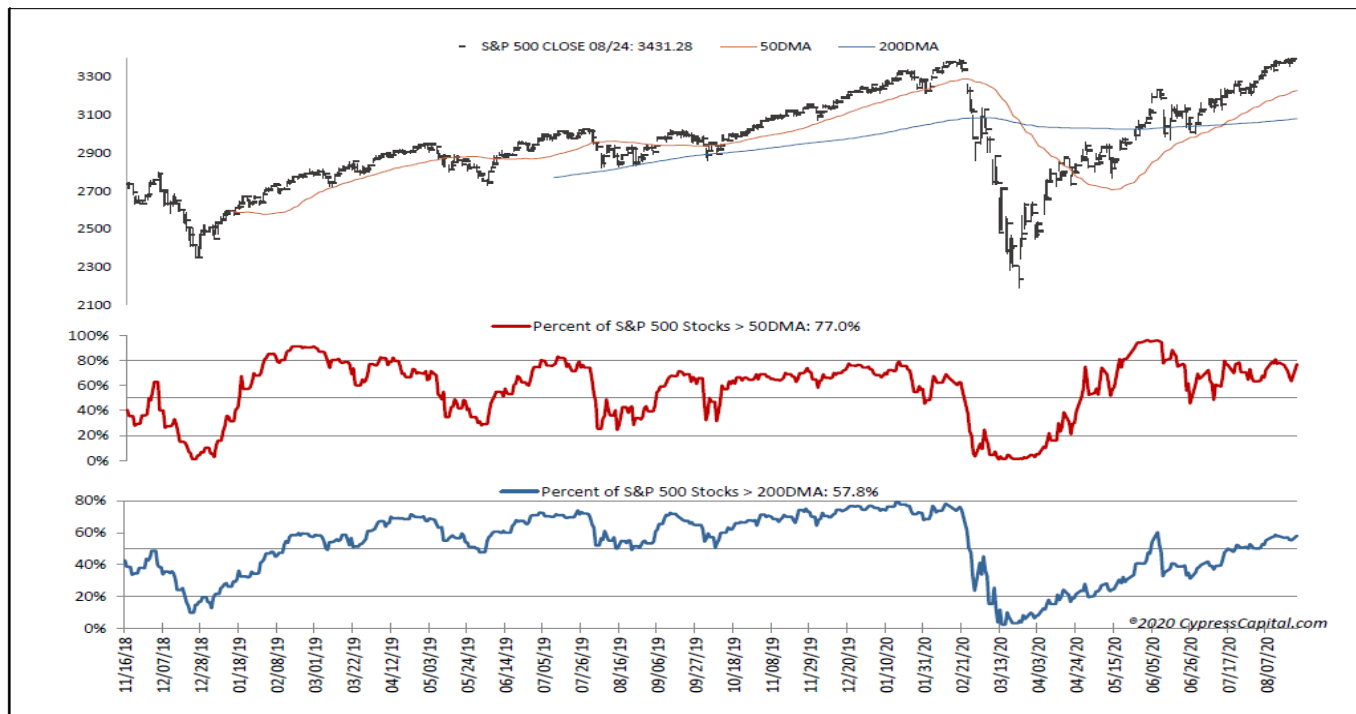


The Investors Intelligence Bear/Bull Ratio is 16.5/59.2 (bearish) as of 8.24.20

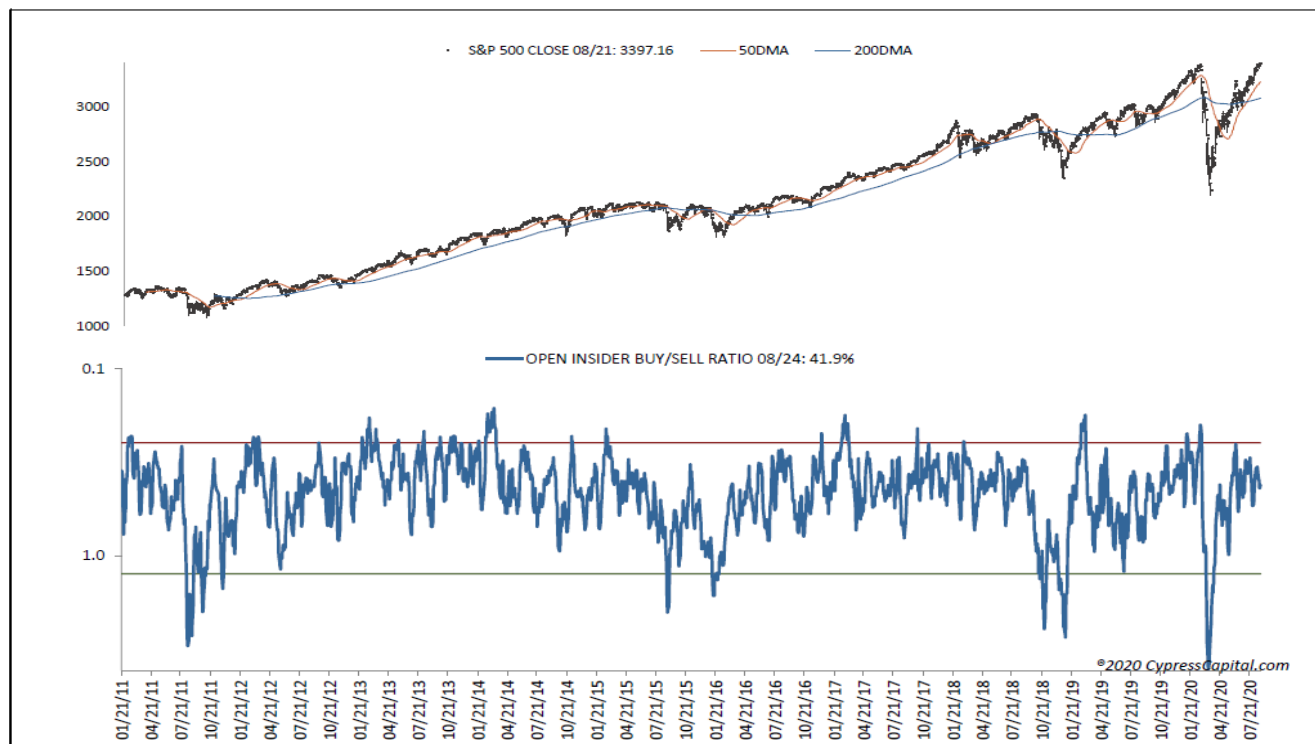


The Total and Equity put/call ratios are 0.74 (bearish) and 0.42 (bearish) on the 1day. The 15 DMAs are 0.72 (bearish) and 0.45 (bearish) respectfully. The OEX put/call Ratio is 1-day is 1.96 (very bearish) and 1.919(very bearish) on the 15 DMA.

Percent of Spx stocks above their 50 DMAs is 77.0% (neutral)



The Open Insider buy/sell ratio is 41.9 (neutral).



Data:

- The All Exchange McClellan OB/OS ratio adjusted is -44.71 (neutral) 3-week average is +22.72 (neutral).
- The All Exchange A/D line is negative and above its 50 DMA.
- NYSE McClellan OB/OS ratio adjusted is -38.23 (neutral) 3-week average is +45.22 (neutral).
- The NYSE A/D line closed above its 50 DMA and is short term negative.
- NASDAQ McClellan OB/OS ratio adjusted is -46.2 (neutral) 3-week average is +6.86 (neutral).
- The NASDAQ A/D line is short term negative and below its 50 DMA.
- % of SPX stocks > 50 DMA is 63.6% (neutral).
- AAI 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 +0.95 (bearish).
- Open Insider Buy/Sell Ratio is 43.5 (neutral).
- Total and Equity put/call ratio 1-day readings are 0.74 (bearish) and 0.42 (bearish) respectively. The 15-day averages for the total and equity p/c are 0.72 (bearish) and .45 (bearish) respectively.
- OEX put/call one day is 1.96 (very bearish) the 15 DMA 1.99 (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 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 25.22. 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)

Aluminum (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)

Market Internals:

The major equity indexes closed higher Monday.

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:2171/845 U/D Volume:3.17B/661M Total Volume:3.86B

NASDAQ: A/D:1892/1492 U/D Volume:2.24B/1.76B Total Volume:4.02B

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