

SPX at New Closing High Near Term Outlook Remains Neutral

The indexes closed mostly higher Monday with positive internals on the NYSE and NASDAQ as NYSE volumes rose from the prior session on both exchanges. The charts saw some new closing highs as well as violations of resistance, leaving them in positive trends. The data remains generally neutral as well with the exception on the NASDAQ OB/OS being overbought. Yet with all of these positive factors present, we are maintaining our near term “neutral” outlook or the major equity indexes due to issues discussed below that suggest better buying opportunities may lie ahead.

On the charts, all of the indexes closed higher Monday with the one exception of the DJT (page 4) posting a minor loss. Positive events occurred on the SPX (page 2) and NDX (page 3) with both hitting new all-time closing highs. The DJI (page 2), COMPQX (page 3), MID (page 4) and RTY (page 5) closed above their respective resistance levels as well. As such, all of the charts are in near term uptrends as are the cumulative advance/decline lines for the All Exchange, NYSE and NASDAQ. We reiterate our concern, however, on the NSDAQ's A/D making a notably lower high as discussed previously. The stochastic levels remain a concern as all are well into overbought conditions. While they can stay that way for a while, we have seen these conditions four times this year, each of which was followed by a notable correction. The VIX is sending the same signal as its Friday close below 13.00 was seen twice this year with the same eventual result.

The data remains mostly neutral including most of the 1 day McClellan OB/OS Oscillators with the exception on the NASDAQ 1 day now being overbought (All Exchange:+43.24 NYSE:+31.24 NASDAQ:+57.36). The detrended Rydex Ratio (contrary indicator) remains neutral at +0.4. 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 64.6%. Insider buying has cooled as it slipped to a 36.2 neutral Open Insider Buy/Sell Ratio. Valuation continues to compress with forward 12 month earnings estimates for the SPX slipping down to \$172.65 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 daily over the past several sessions. The 10 Year Treasury yield stands at 1.85%. The earnings yield is 5.68%.

In conclusion, while the charts are sending a positive message, the VIX, stochastic levels, insiders cooling on their buying activity and the consistent slide in forward SPX estimates suggest we maintain our “neutral” outlook.

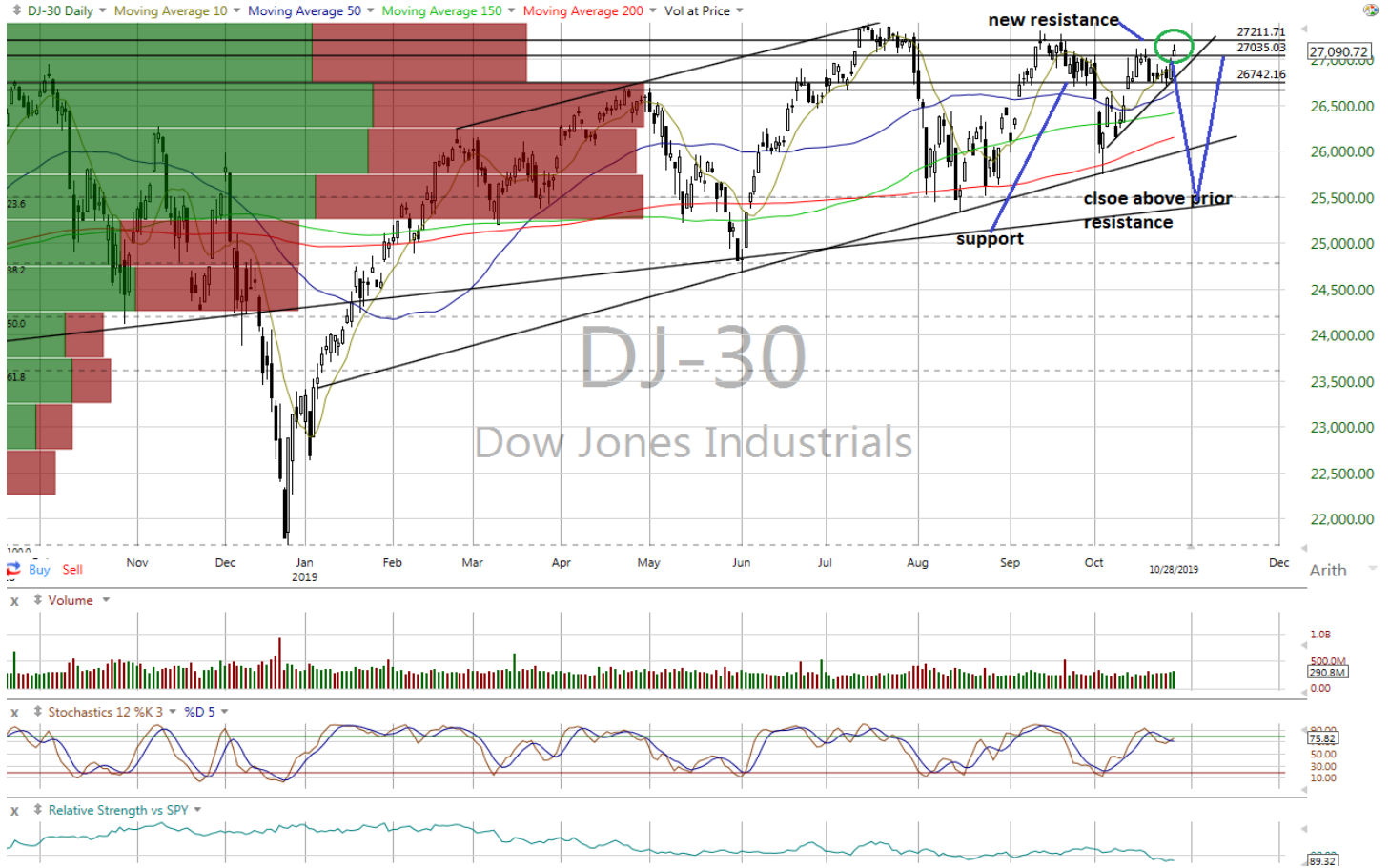
SPX: 2,994/NA	DJI: 26,742/27,212	COMPQX: 8,173/8,330
NDX: 7,911/NA	DJT: 10,657/10,858	MID: 1,939/1,983
RTY: 1,529/1,588	VALUA: 6,190/6,318	

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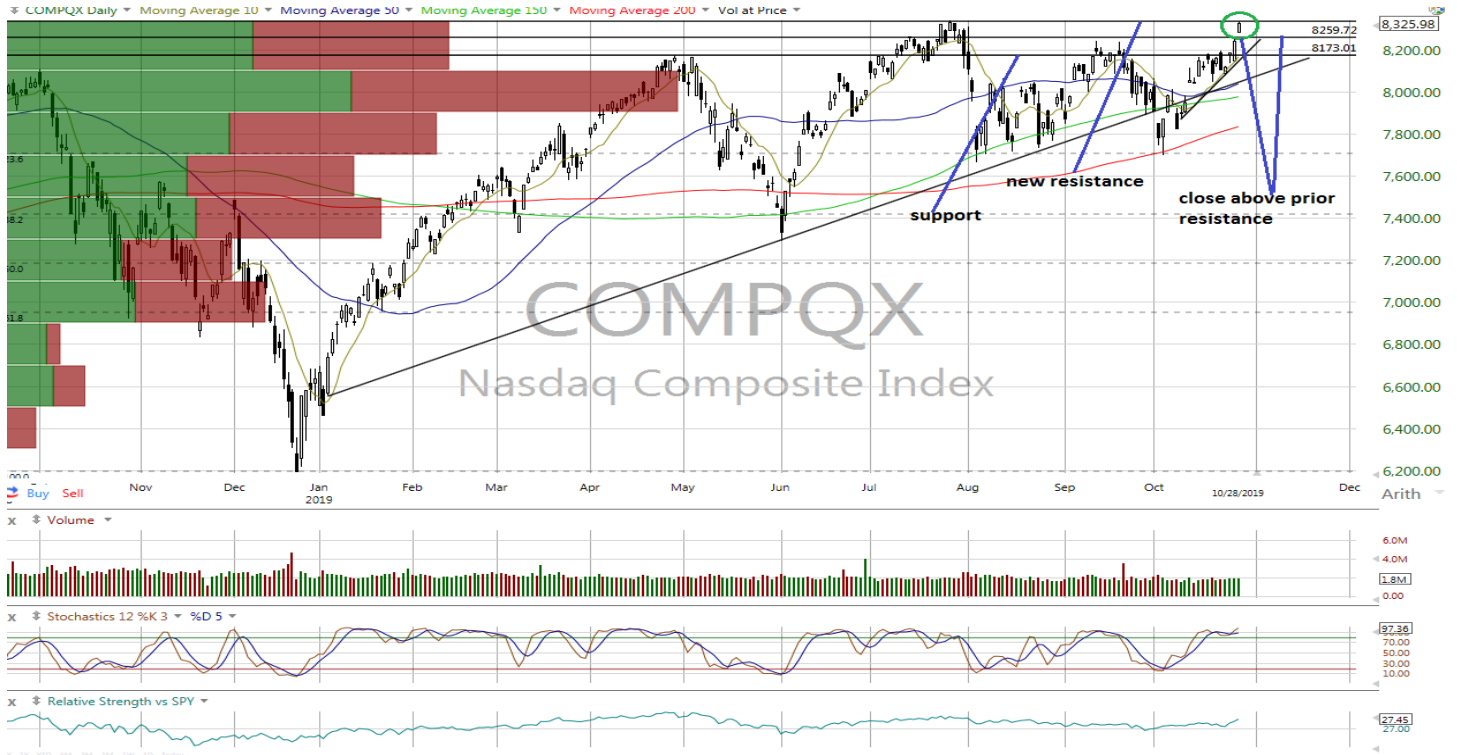
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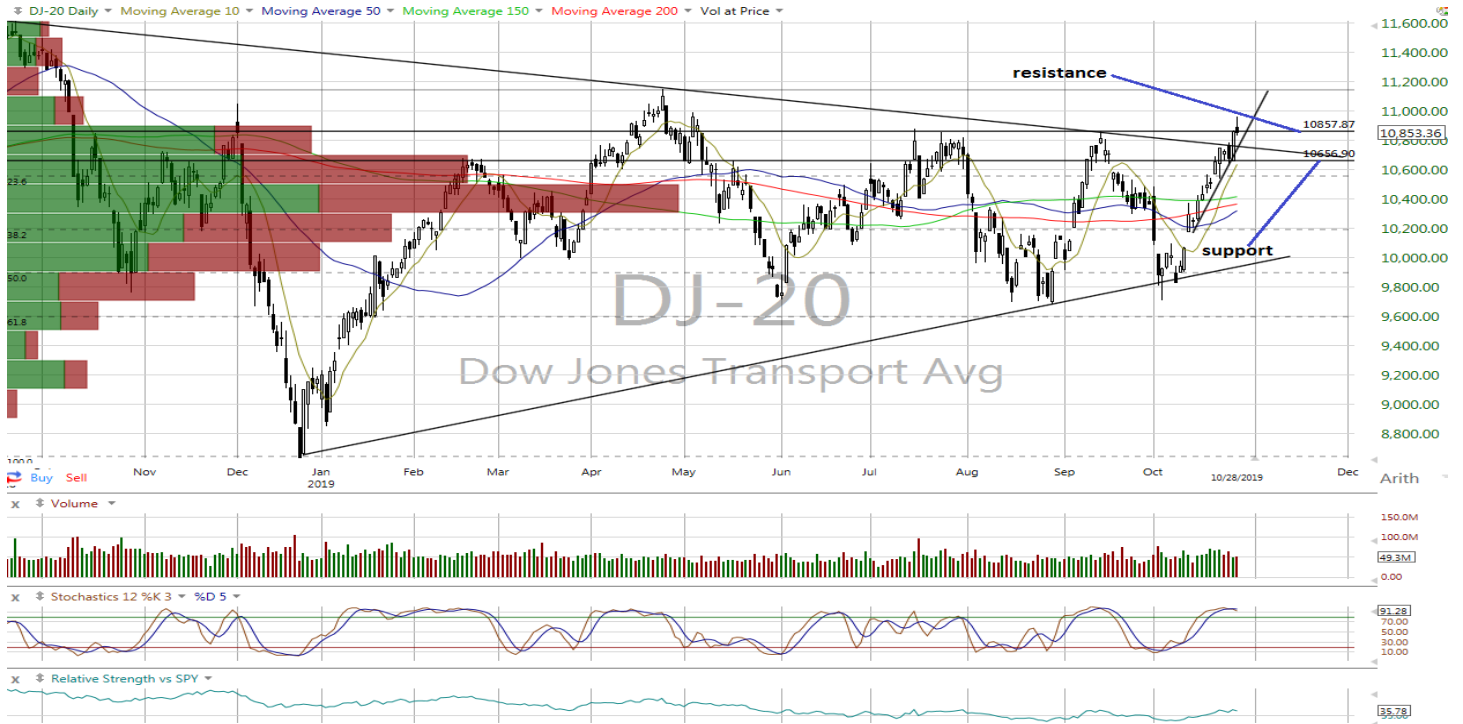


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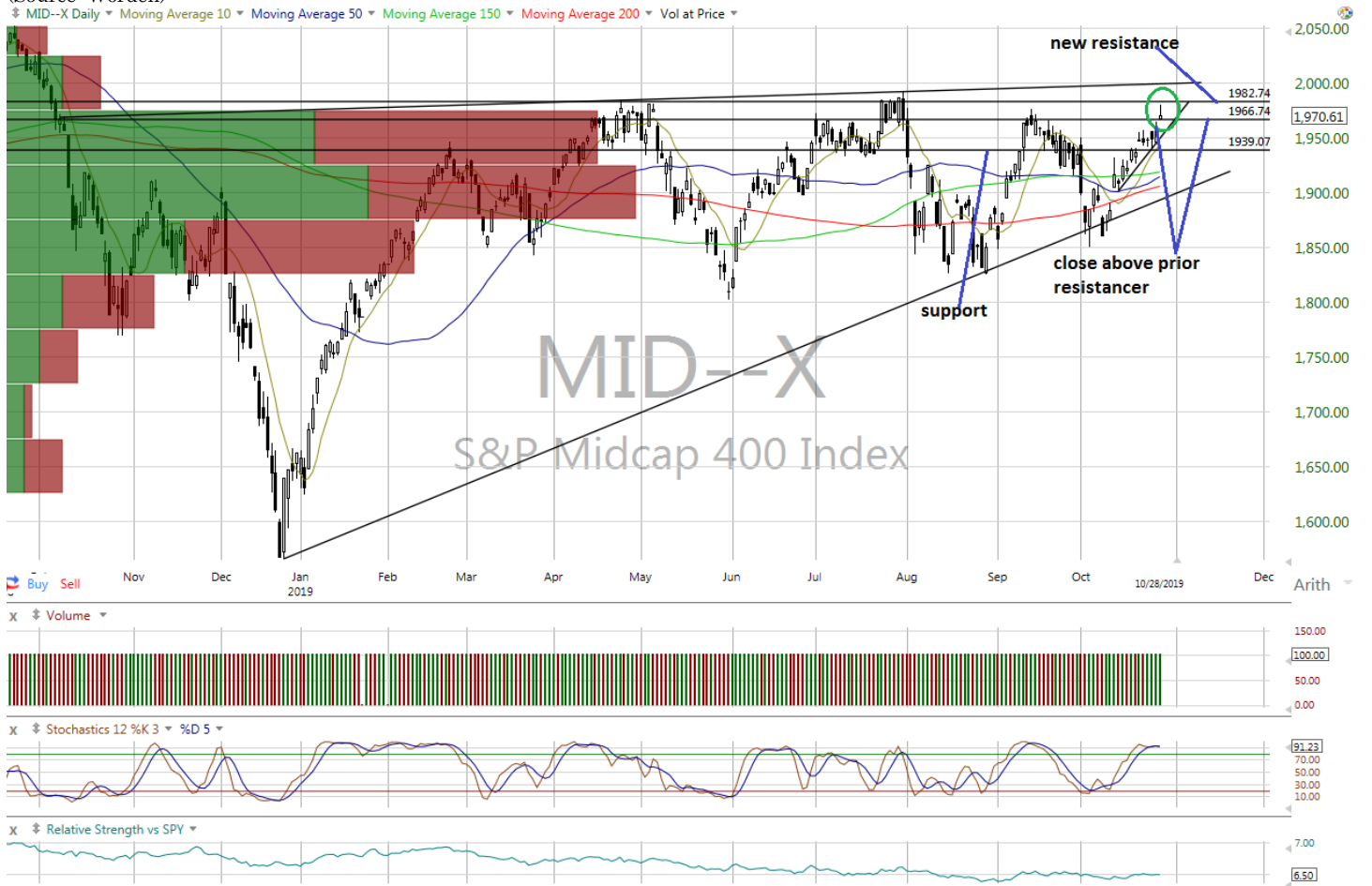


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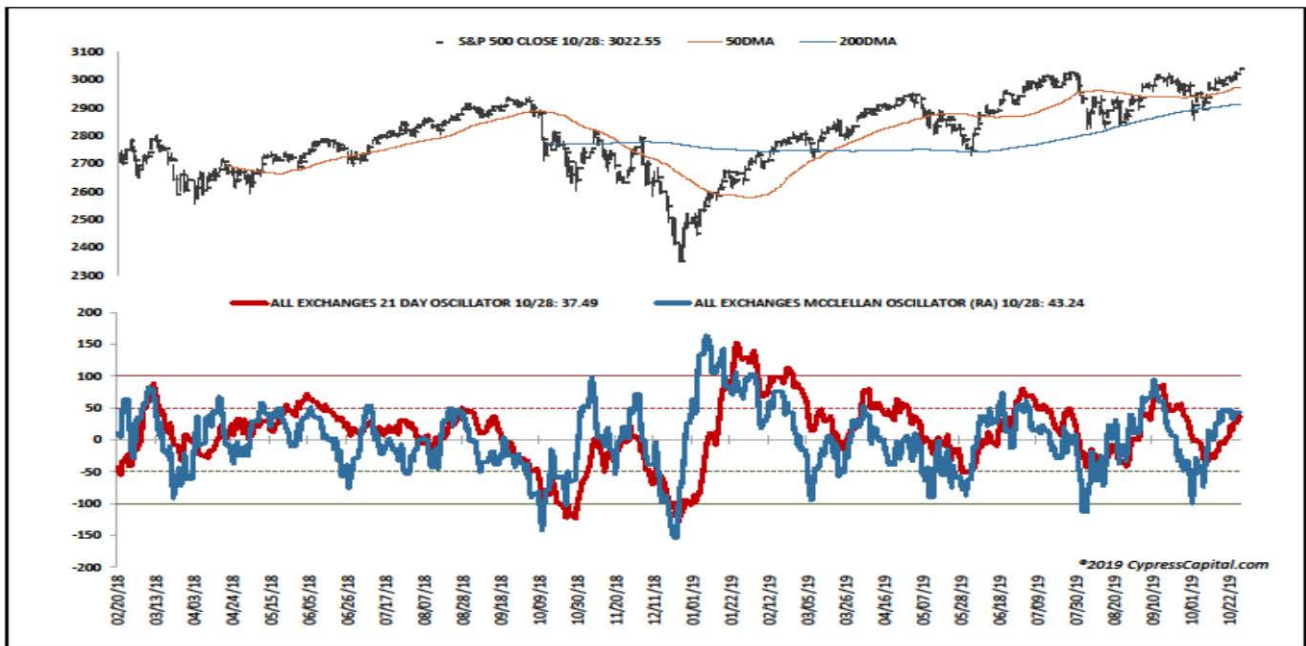


(Source: Bloomberg)

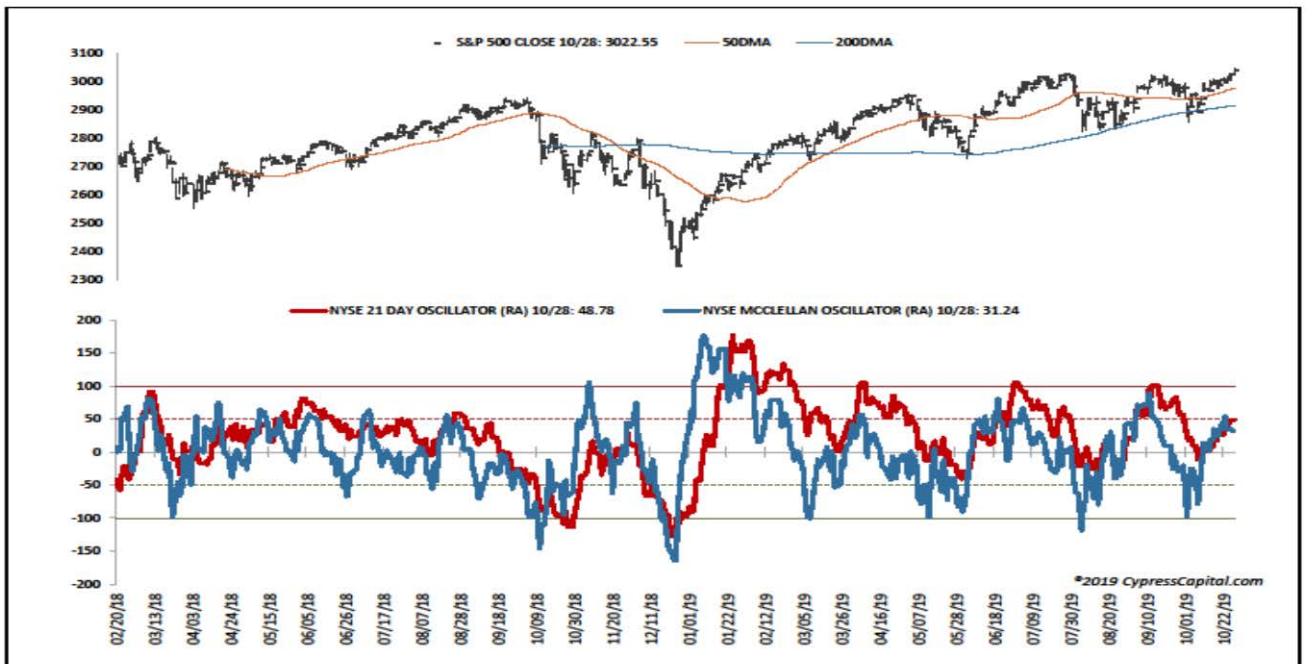


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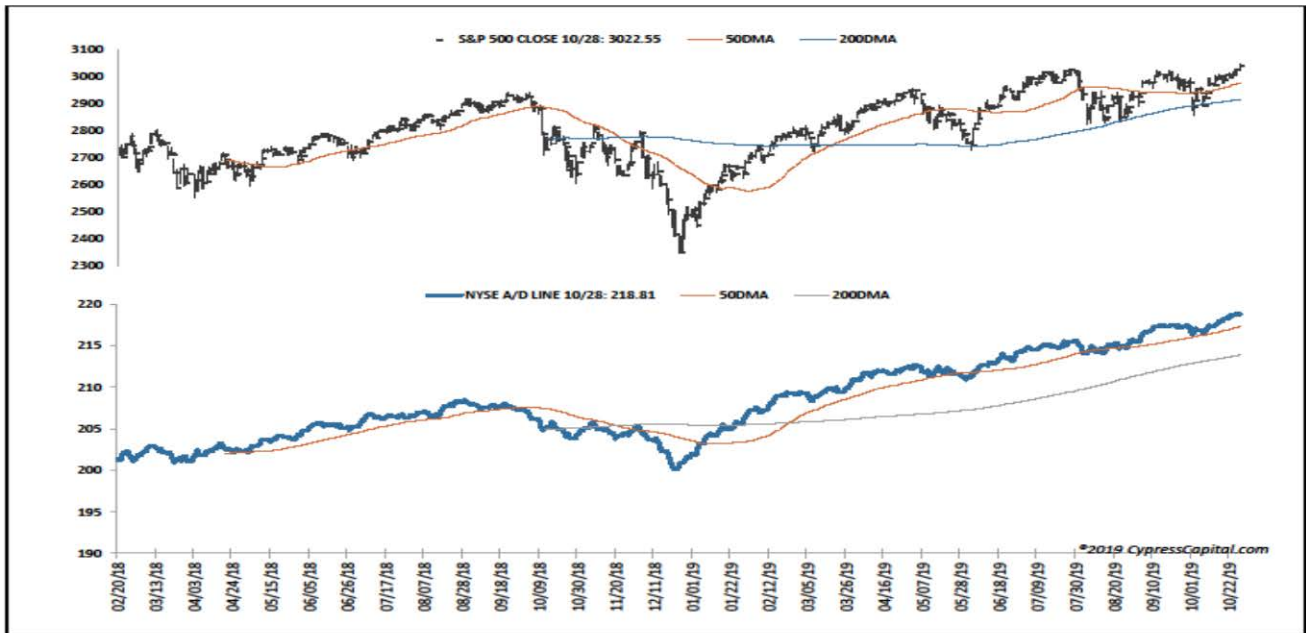
The All Exchange McClellan ratio adjusted 1 day OB/OS Oscillator is +43.24 (neutral) and 21 day +37.49 (neutral).



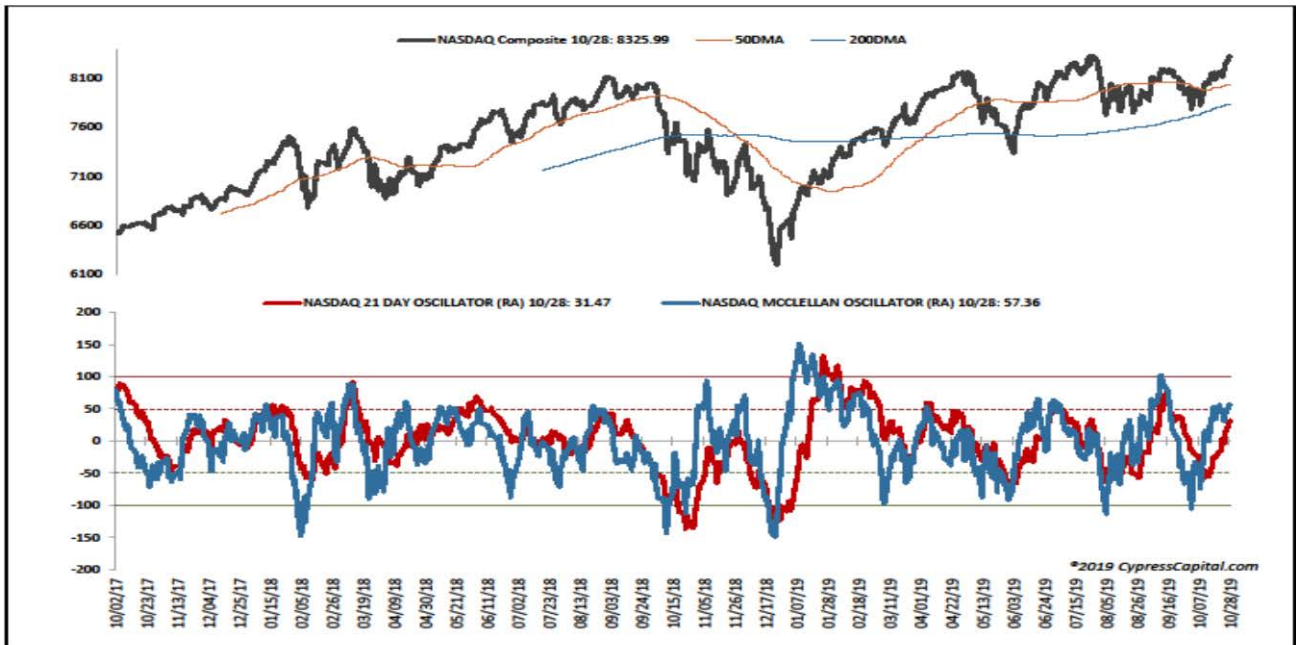
The NYSE ratio adjusted 1 day McClellan OB/OS is +31.24 (neutral) and +48.78 (neutral) on the 21 day.



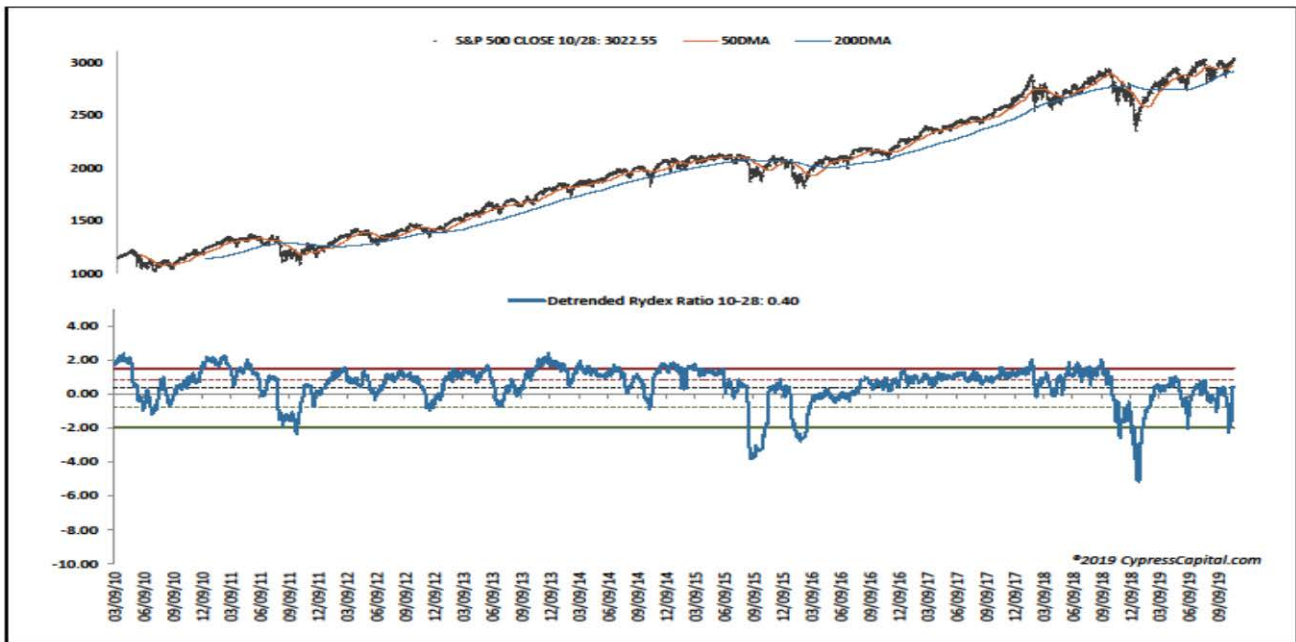
The NYSE Advance/Decline Line is short term positive and above its 50 DMA.



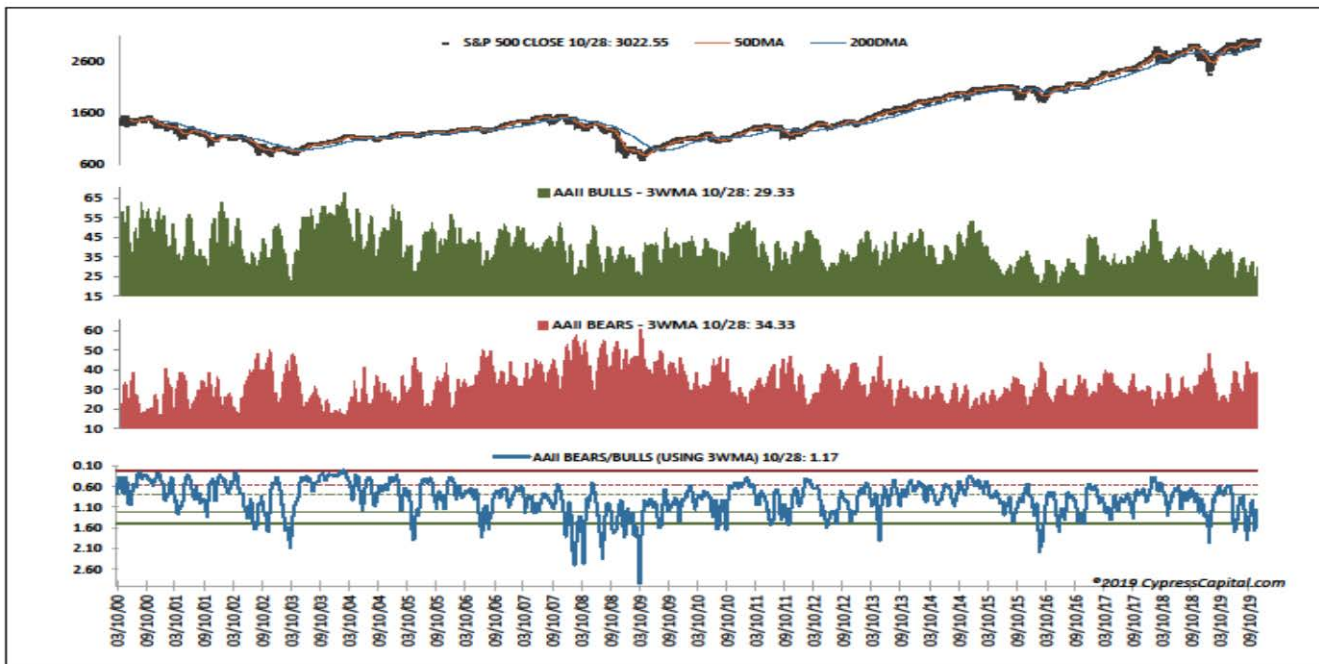
The NASDAQ ratio adjusted 1 day McClellan OB/OS is +57.36 (bearish) on the 1 day. The 21 day reading is +31.47 (neutral).



The detrended Rydex Ratio is +0.4 (neutral).

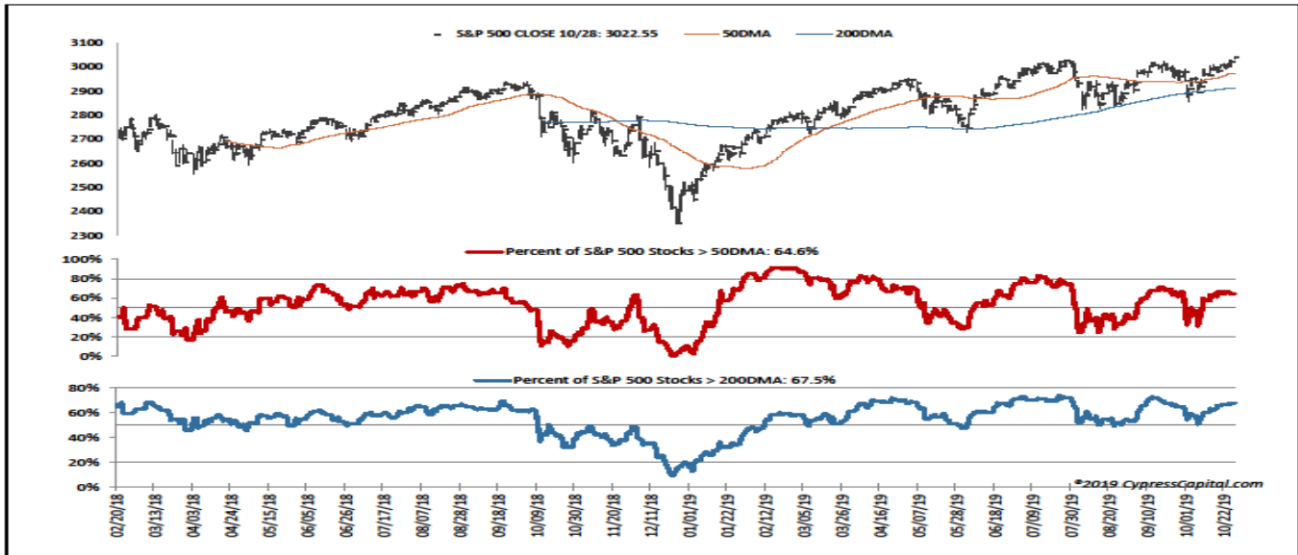


The AAI Poll weekly bear/bull reading 3 week average is 34.33/29.33 (bullish) as of 10/28.

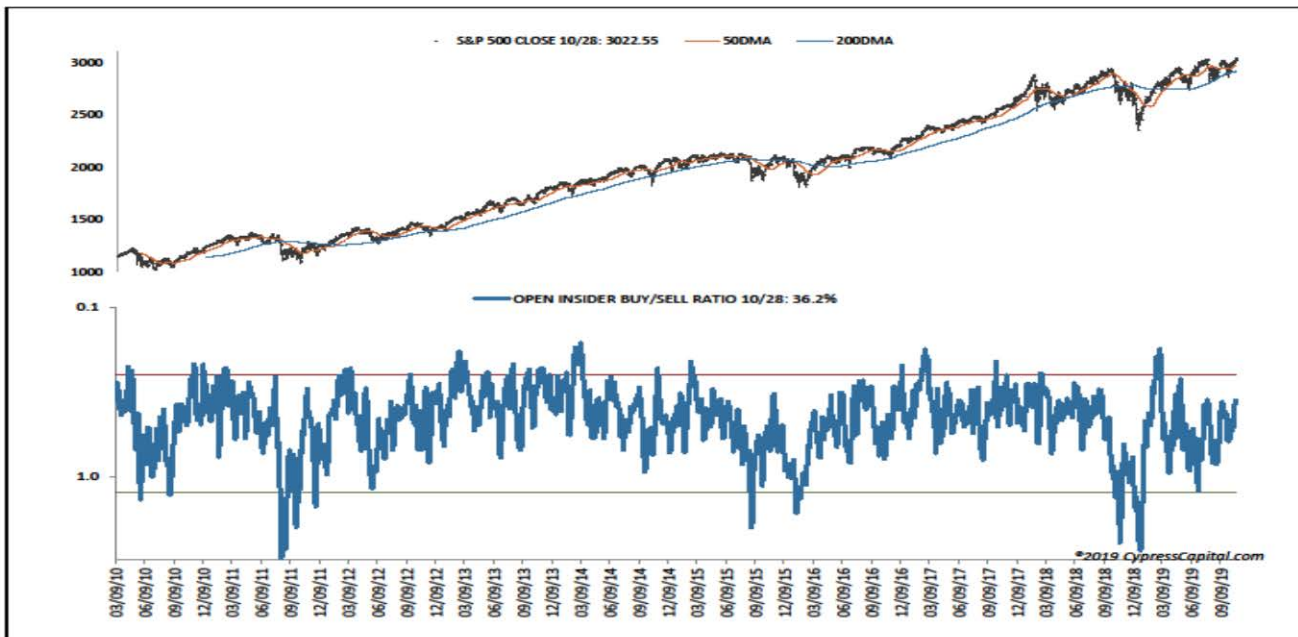


Total and Equity put/call ratios are 0.79 (neutral) and 0.51 (bearish) on the 1 day. The 15 DMAs are 0.81 (bullish) and .67 (neutral) respectively. OEX put/call ratio 1 day 0.97 (midly bullish) and 1.76 (very bearish) on the 15 DMA.

The % of SPX stocks > their 50 DMAs is 64.6% as (neutral).



The Open Insider Buy/Sell Ratio is 36.2% (neutral)



Data:

- All Exchange McClellan OB/OS Oscillator is +43.24 (neutral) and 21 day +37.49 (neutral).
- All Exchange A/D Line is short term positive and above its 50 DMA.
- NYSE McClellan OB/OS ratio adjusted is +31.24 (neutral) 3 week average +48.78 (neutral).
- The NYSE A/D line closed above its 50 DMA and is short term positive.
- NASDAQ McClellan OB/OS ratio adjusted is +57.36 (bearish) 3 week average +31.47 (neutral).
- The NASDAQ A/D line is short term positive and above its 50 DMA.
- % of SPX stocks > 50 DMA is 64.6% (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 +0.4 (neutral).
- Open Insider Buy/Sell Ratio is 36.2 (neutral).
- Total and Equity put/call ratio 1 day readings are 0.79 (neutral) and .51 (bearish) respectively. The 15 day averages for the total and equity p/c are 0.81 (neutral) and .67 (neutral) respectively.
- OEX put/call one day is 0.97 (mildly bullish) the 15 DMA 1.76 (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 26.71. 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 higher Monday.

Internals were positive on the NYSE and NASDAQ.

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

NYSE: A/D:1602/1352 U/D Volume:1.68B/1.42B Total Volume:3.13B

NASDAQ: A/D:2089/1072 U/D Volume:1.21B/522M Total Volume:1.76B

Disclosure Appendix

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