

NDX at New Closing High As Charts Improve Near Term Outlook Remains Neutral

The indexes closed higher Friday with positive internals on the NYSE and NASDAQ as NYSE volumes declined from the prior session while the NASDAQ's rose. The NDX made a new closing high as several of the other indexes closed above resistance, turning their trends positive. The data remains generally neutral. Yet with all of these achievements, we are maintaining our near term "neutral" outlook due to issues discussed below.

On the charts, all of the indexes closed higher Friday with positive internals with the NDX (page 3) closing above resistance, making a new all-time closing high. The COMPQX (page 3), DJT (page 4), MID (page 4) and VALUA (page 5) closed above resistance as well, turning those trends to positive from neutral. The SPX (page 2) closed at resistance while the DJT tested its resistance level but failed to violate. So all of the near term trends are now positive with the exceptions of the DJI and RTY (page 5) remaining neutral. The cumulative advance/decline lines are positive for the All Exchange, NYSE and NASDAQ although the NASDAQ's is making a notably lower high that suggests weakening breadth on that exchange. However, our chart enthusiasm is somewhat tempered by the fact that all of the indexes are well into overbought conditions on their stochastic readings. They may remain that way for extended periods. As well, when combined with the VIX near its lowest levels of the year that were followed by spikes in volatility, they suggest better buying opportunity may arise in the relatively near future.

The data remains mostly neutral including all of the 1 day McClellan OB/OS Oscillators (All Exchange:+37.41 NYSE:+35.05 NASDAQ:+41.51). The detrended Rydex Ratio (contrary indicator) returned to neutral at -0.16. Last week's AAI Bear/Bull Ratio (contrary indicators) remained bullish at 38.0/24.67. However, the Investor's Intelligence Bear/Bull Ratio (contrary indicator) stayed bearish at 17.0/49.1 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 65.7%. Insiders have pulled back further from the buying table as it slipped to a 35.8 neutral Open Insider Buy/Sell Ratio. Valuation continues to compress with forward 12 month earnings estimates for the SPX slipping down to \$172.68 via Bloomberg, leaving the forward p/e at a 17.5 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 1.8%. The earnings yield is 5.71%.

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.

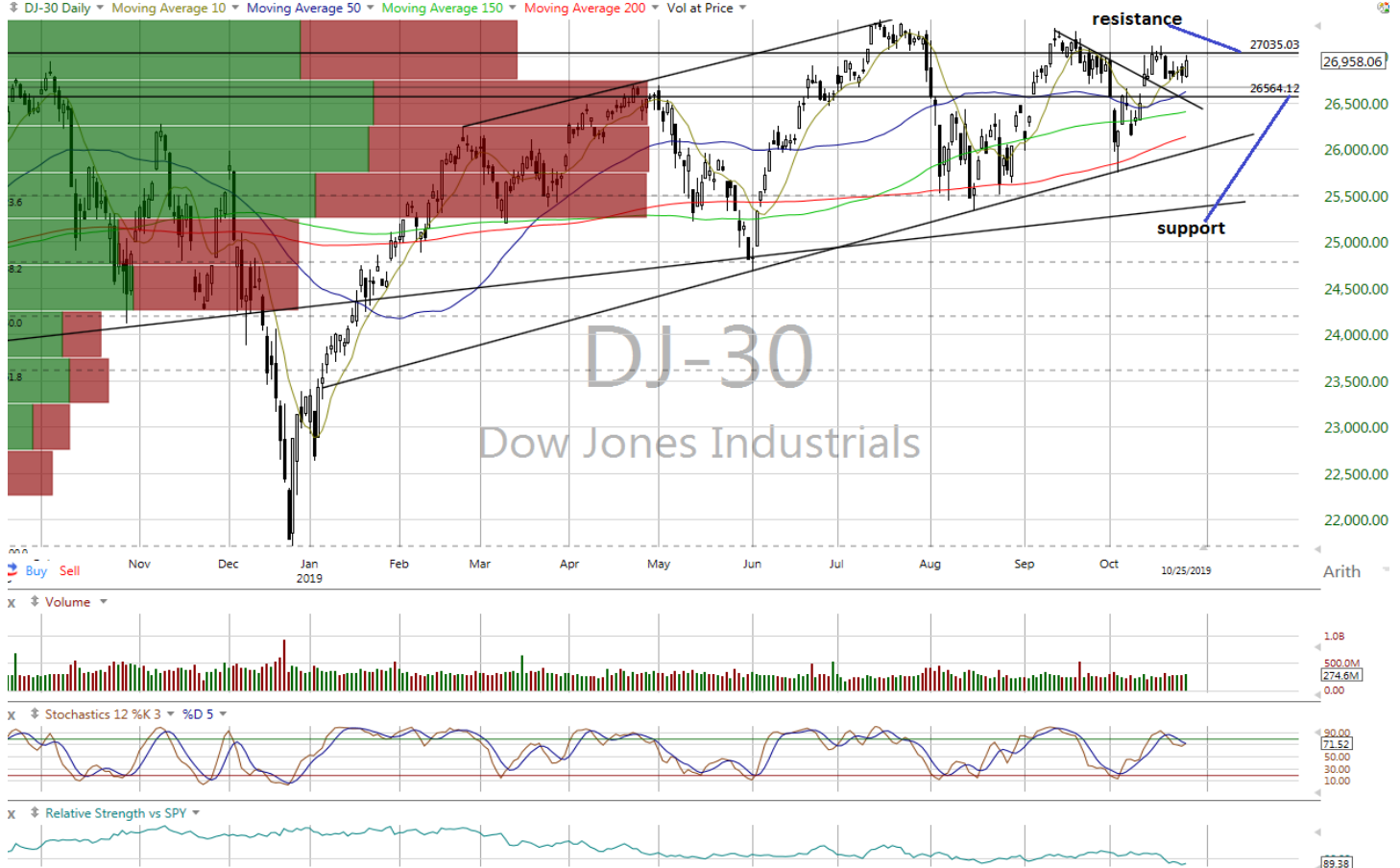
SPX: 2,963/3,022	DJI: 26,440/27,035	COMPQX: 8,091/8,260
NDX: 7,747/NA	DJT: 10,564/10,858	MID: 1,923/1,967
RTY: 1,525/1,564	VALUA: 6,190/6,318	

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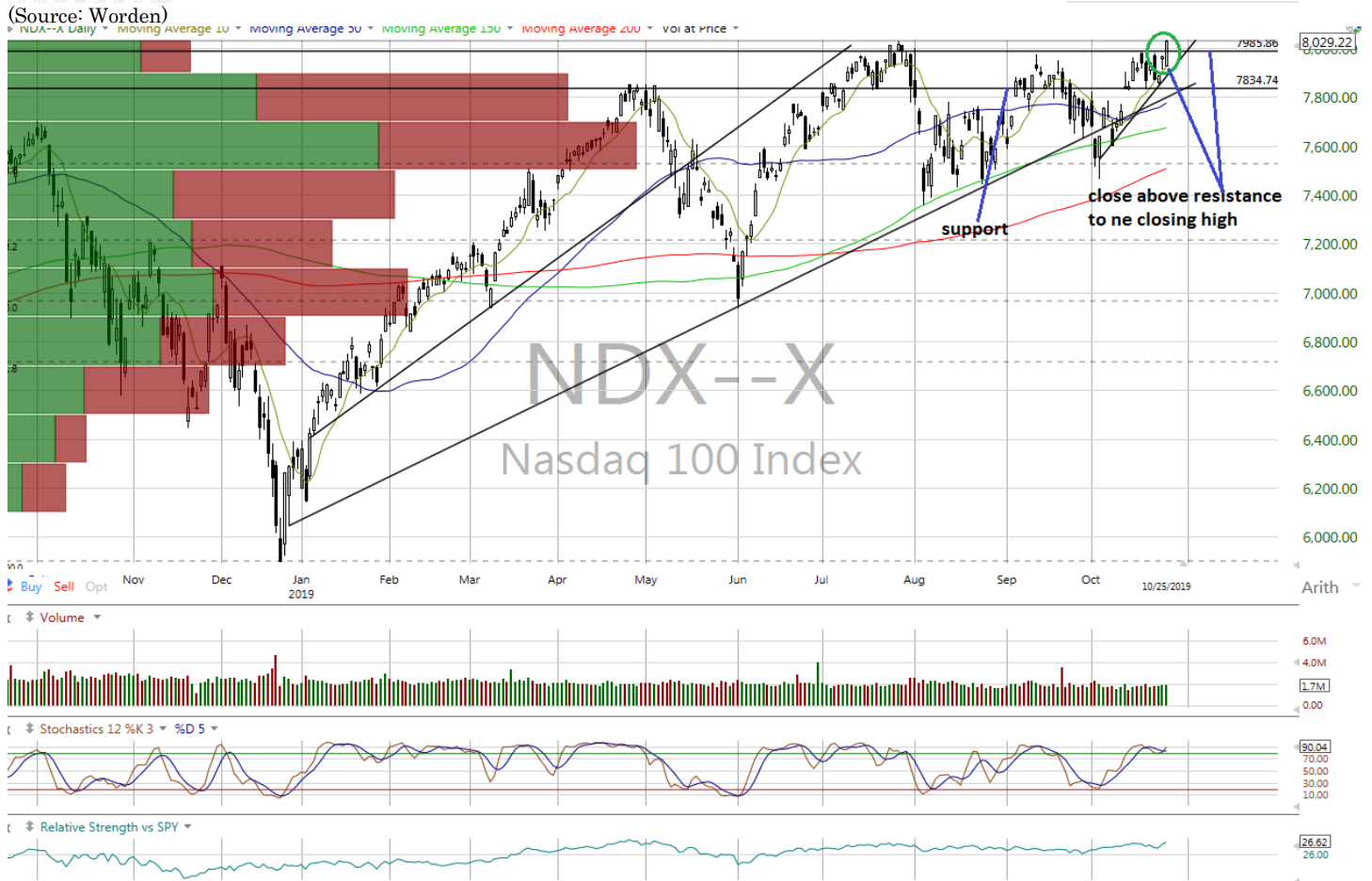
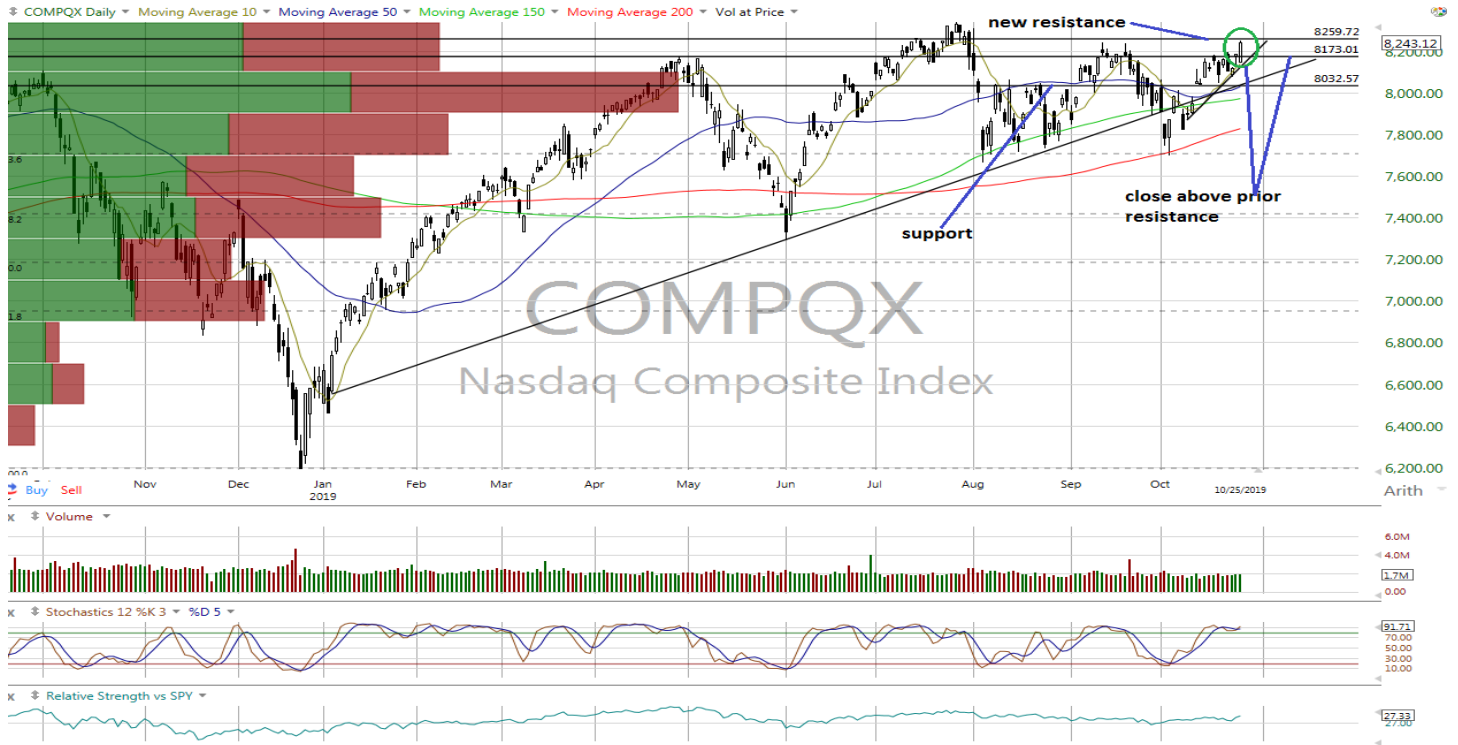
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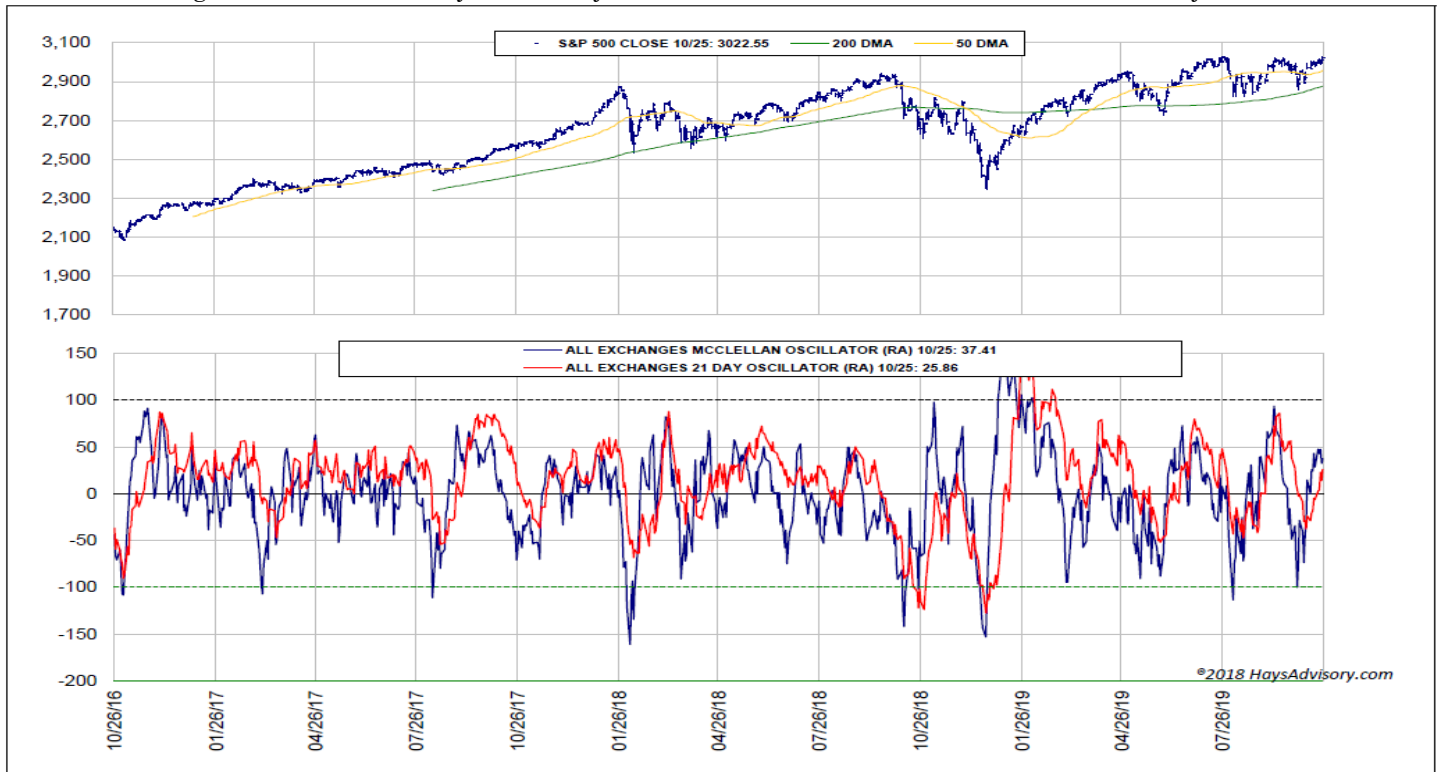


(Source: Bloomberg)

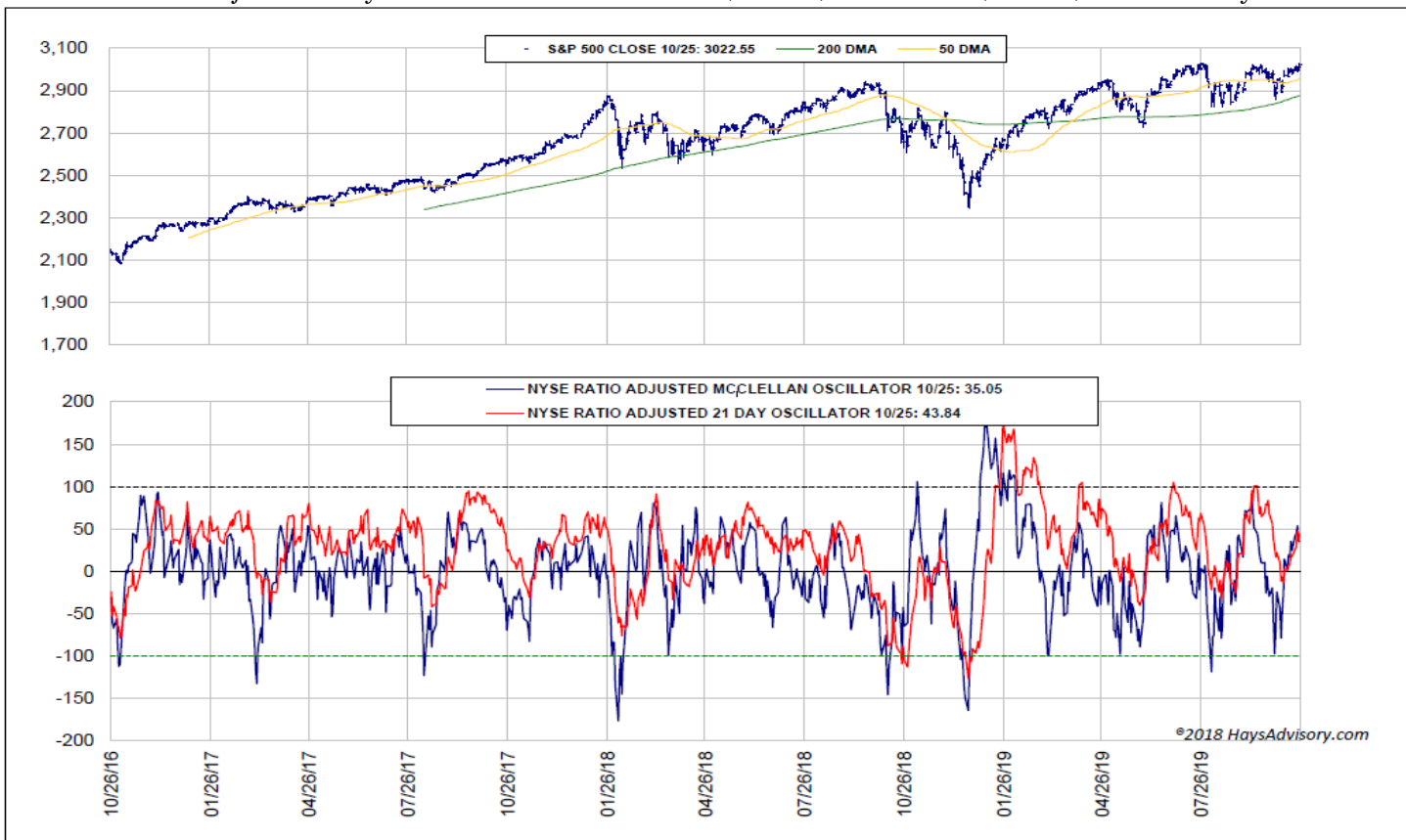


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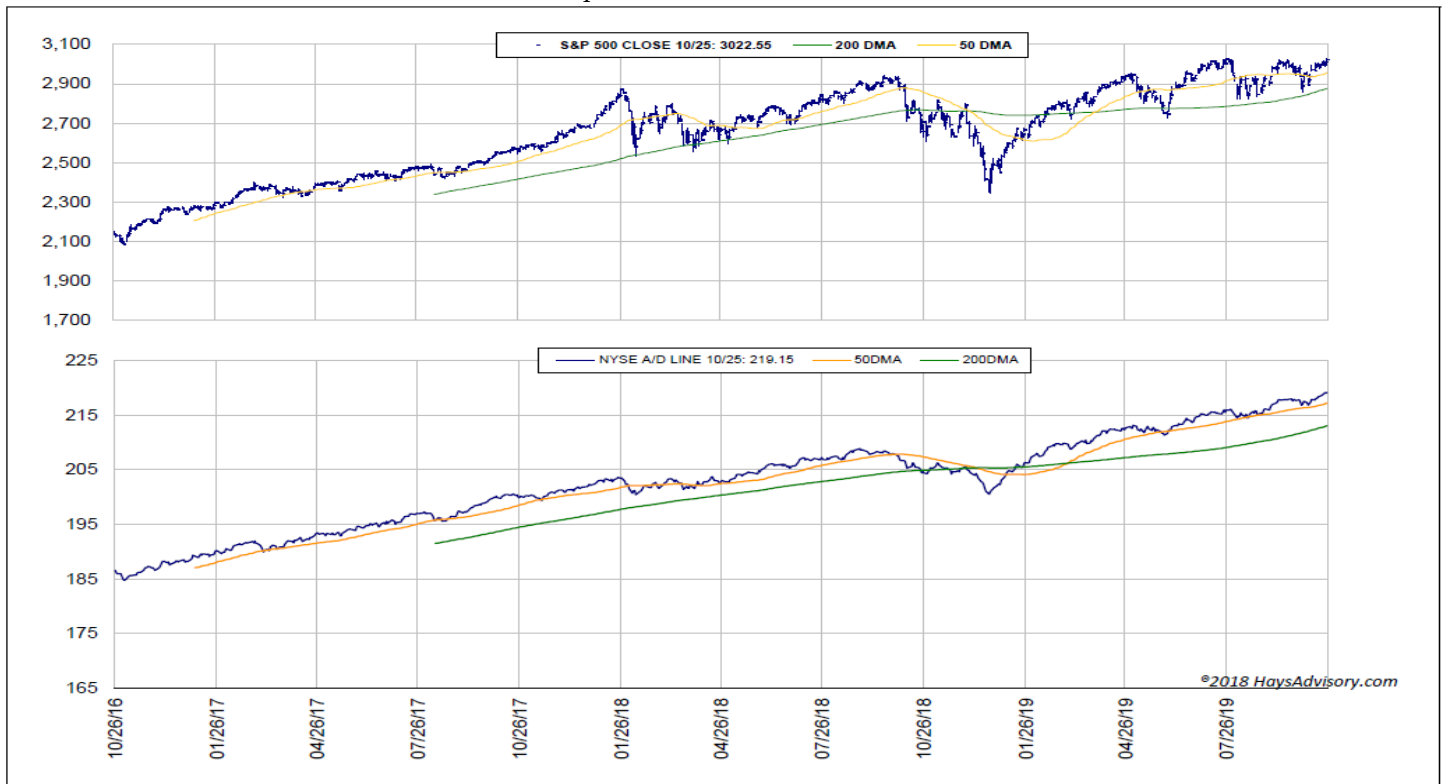
The All Exchange McClellan ratio adjusted 1 day OB/OS Oscillator is +37.41 (neutral) and 21 day +25.86 (neutral).



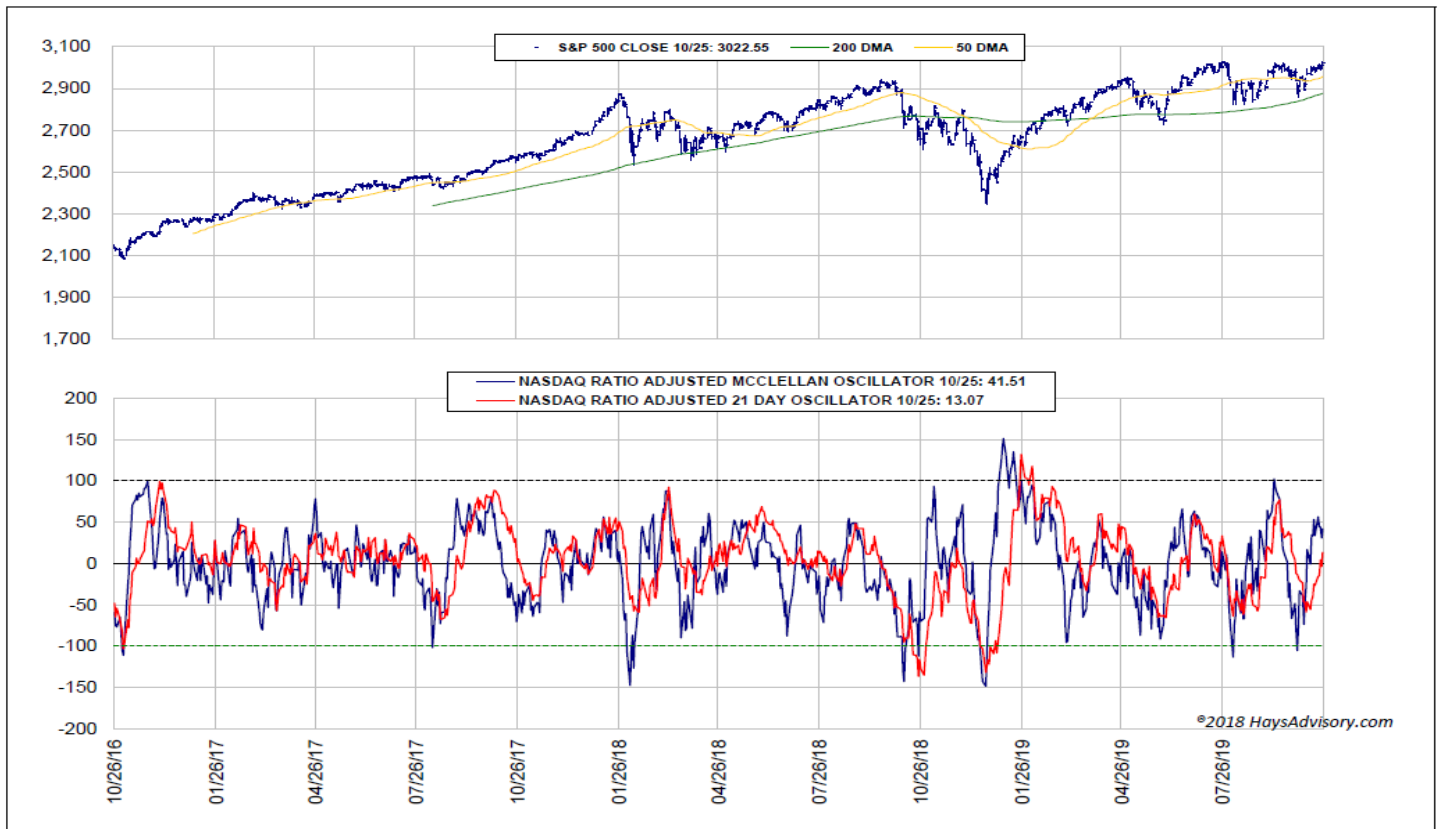
The NYSE ratio adjusted 1 day McClellan OB/OS is +35.05 (neutral) and +43.84 (neutral) on the 21 day.



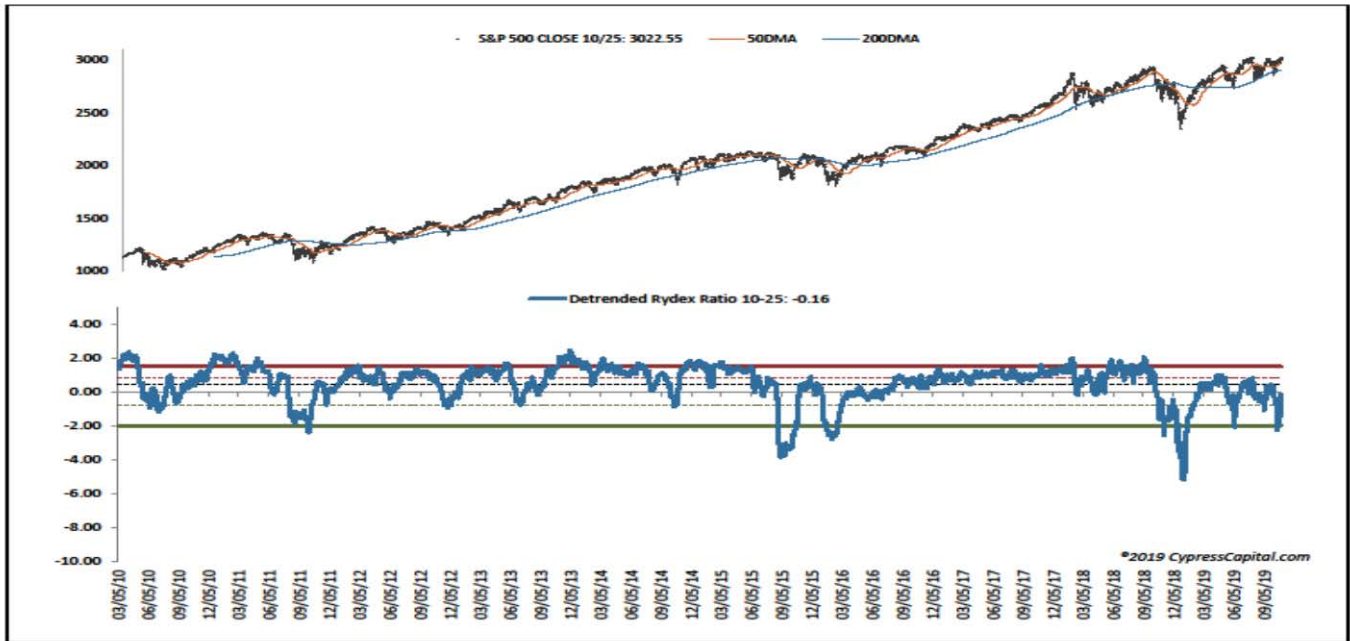
The NYSE Advance/Decline Line is short term positive and above its 50 DMA.



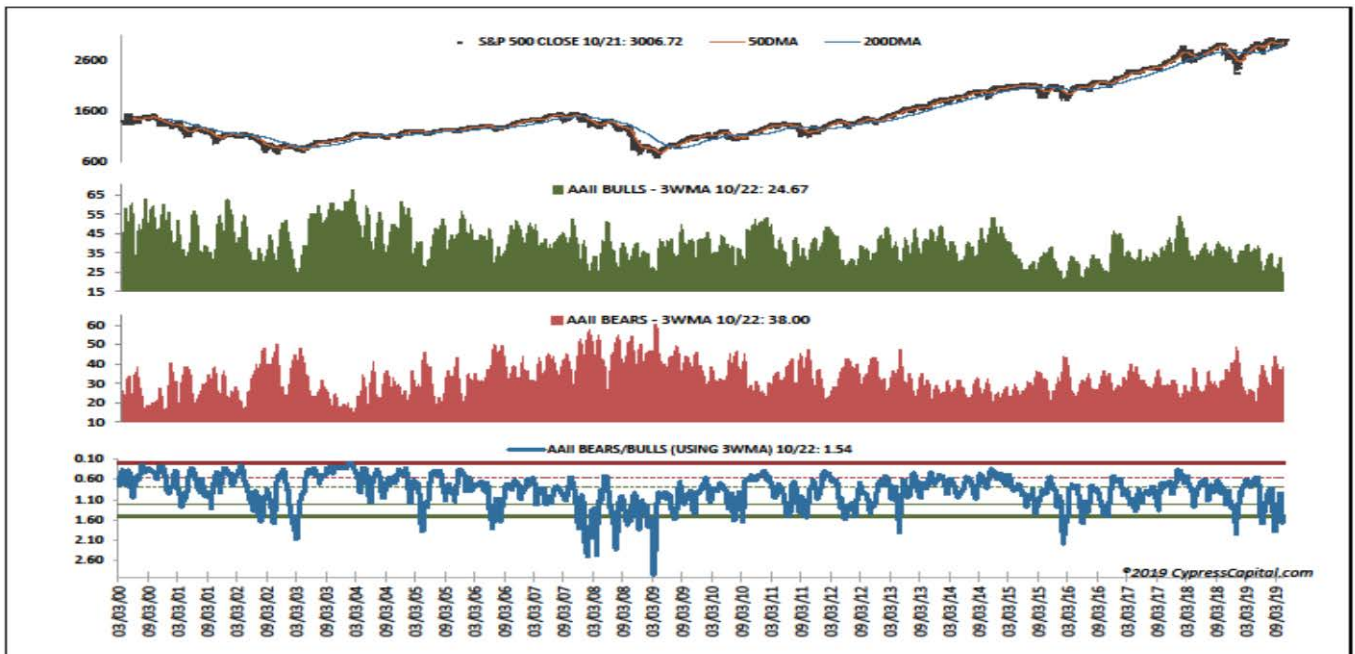
The NASDAQ ratio adjusted 1 day McClellan OB/OS is +41.51 (neutral) on the 1 day. The 21 day reading is +13.07 (neutral).



The detrended Rydex Ratio is -0.16 (neutral).

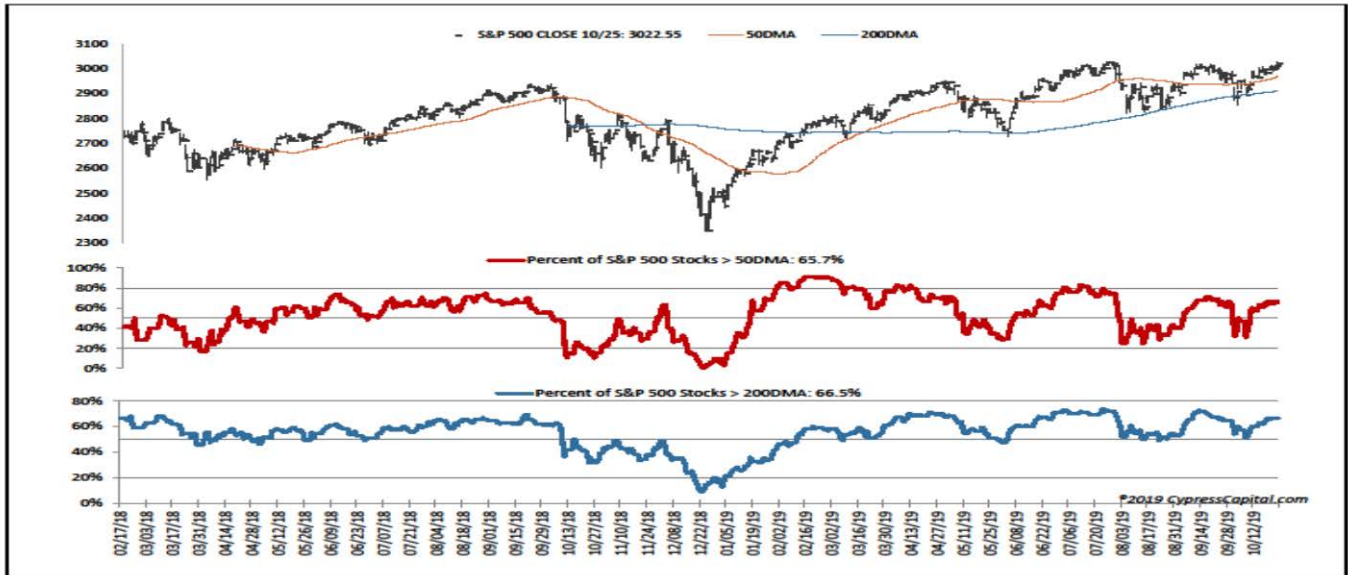


The AII Poll weekly bear/bull reading 3 week average is 38.01/24.67 (bullish) as of 10/21.

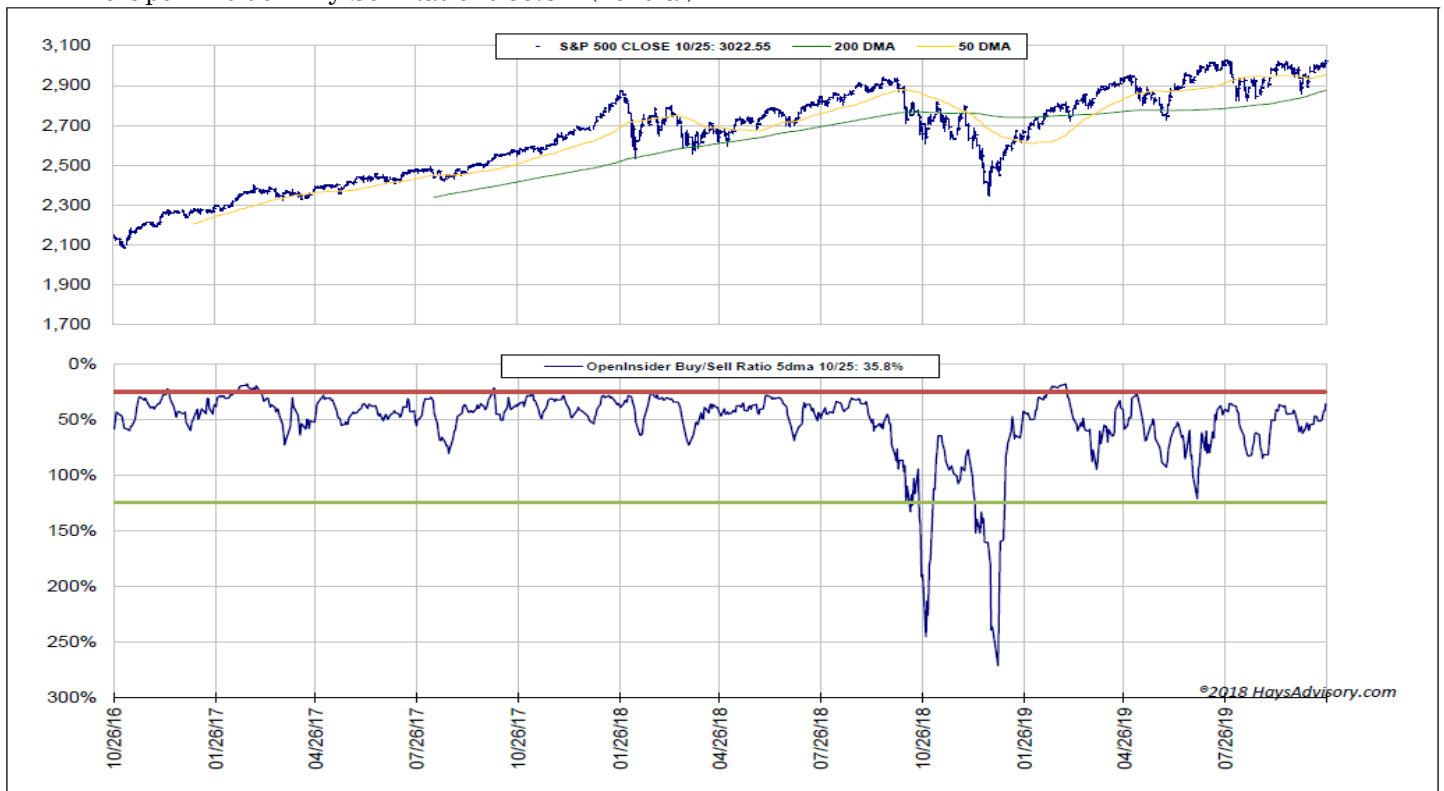


Total and Equity put/call ratios are 0.82 (neutral) and 0.56 (neutral) on the 1 day. The 15 DMAs are 0.97 (bullish) and .67 (neutral) respectively. OEX put/call ratio 1 day 1.32 (neutral) and 1.98 (very bearish) on the 15 DMA.

The % of SPX stocks > their 50 DMAs is 65.7% as (neutral).



The Open Insider Buy/Sell Ratio is 35.8% (neutral)



Data:

- All Exchange McClellan OB/OS Oscillator is +37.41 (neutral) and 21 day +25.86 (neutral).
- All Exchange A/D Line is short term positive and above its 50 DMA.
- NYSE McClellan OB/OS ratio adjusted is +35.05 (neutral) 3 week average +43.84 (neutral).
- The NYSE A/D line closed above its 50 DMA and is short term positive.
- NASDAQ McClellan OB/OS ratio adjusted is +41.51 (neutral) 3 week average +13.07 (neutral).
- The NASDAQ A/D line is short term positive and above its 50 DMA.
- % of SPX stocks > 50 DMA is 65.7% (neutral).
- AAI bear/bull ratio is 38.0/24.67 (bullish) as of 10/21.
- Investors Intelligence Bear/Bull Ratio 17.0/49.1 (bearish) as of 10/21.
- The detrended Rydex Ratio is -0.16 (neutral).
- Open Insider Buy/Sell Ratio is 35.8 (neutral).
- Total and Equity put/call ratio 1 day readings are 0.82 (neutral) and .56 (neutral) respectively. The 15 day averages for the total and equity p/c are 0.97 (bullish) and .67 (neutral) respectively.
- OEX put/call one day is 1.32 (neutral) the 15 DMA 1.98 (very 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 higher at 26.73. 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 major equity indexes closed higher Friday.

Internals were positive on the NYSE and NASDAQ.

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

NYSE: A/D:1663/1289 U/D Volume:1.92B/1.05B Total Volume:2.99B

NASDAQ: A/D:1918/1206 U/D Volume:1.13B/575M Total Volume:1.71B

Disclosure Appendix

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