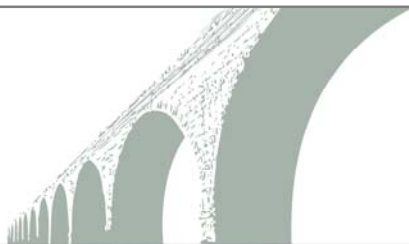


MAJOR TREND INDEX

By: Doug Ramsey, CFA, CMT



REPORT DATE: March 14, 2017

Status: **POSITIVE**

DATA FOR WEEK ENDING: March 10, 2017

Ratio: **1.13...Down 0.03**

S&P 500 P/E on Normalized EPS = 23.3x
(92nd percentile, 1926 To Date)

POTENTIAL

<u>WEIGHT</u>				<u>LATEST NET READING</u>		
+	-			+	-	Net
1200	1200	Intrinsic Value	No Change	48	599	-551
1100	1100	Economic/Interest Rates/Inflation	Gain 3	331	226	105
1200	1200	Attitudinal	Loss 3	157	513	-356
600	600	Supply/Demand	Loss 12	72	62	10
1800	1800	Momentum/Breadth/Divergence	Loss 31	1038	60	978
				<u>1646</u>	<u>1460</u>	<u>186</u>

BALANCE : +186 (+229 Last Week)

*RATIO: 1.13 (1.16 Last Week)

*Total Positive Points : Total Negative Points. (0.95 to 1.05 is a "Neutral" reading.)

The Major Trend Index fell 0.03 to a ratio of 1.13 for the week ended March 10th, as the Momentum/Breadth/Divergence category pulled back modestly from its recent bullish extreme.

While the current ratio's margin above its 0.95-1.05 "neutral" zone is fairly small, we'd point out that's been the case throughout the entire rally from the November 4th interim market low. Regardless of how strong the "tape" remains, valuations and sentiment are finally getting extreme enough that another 5-7% market advance would in fact likely push the MTI down into its neutral zone.

Given this bull's history, we'll give it the benefit of the doubt and wait for an official MTI status change before implementing major defensive measures. Net equity exposure in the Leuthold Core and Global Funds remains at 65%.

Last week's deterioration in the Momentum work was minor, mainly consisting of various sub-models moving down from maximum positive to 95% positive. On a very short-term note, though, it's been troubling to see NYSE Daily 52-Week "New Lows" outnumber "New Highs" on several occasions since March 1st—the latest cycle high. While this condition would need to persist for awhile before it registers in the MTI, it tends to confirm our belief that the Advance/Decline work—thanks to several institutional developments since 2001—might overstate the true health of market breadth.

**Clients who have questions regarding any of the components or indicators should contact
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