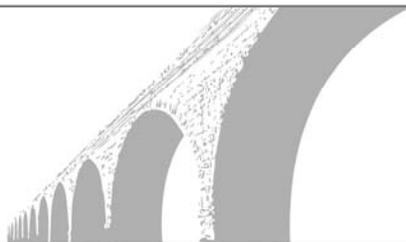


# MAJOR TREND INDEX

By: Doug Ramsey, CFA, CMT



REPORT DATE: April 18, 2017

Status: **POSITIVE**

DATA FOR WEEK ENDING: April 13, 2017

Ratio: **1.14...Up 0.01**

S&P 500 P/E on Normalized EPS = 23.0x  
(91st percentile, 1926 To Date)

## POTENTIAL

WEIGHT			LATEST NET READING			
+	-		+	-	Net	
1200	1200	Intrinsic Value	Gain 16	48	590	-542
1100	1100	Economic/Interest Rates/Inflation	Gain 7	340	182	158
1200	1200	Attitudinal	Gain 41	173	475	-302
600	600	Supply/Demand	No Change	70	133	-63
1800	1800	Momentum/Breadth/Divergence	Loss 48	1003	56	947
				<u>1634</u>	<u>1436</u>	<u>198</u>

BALANCE : +198 (+182 Last Week)

\*RATIO: 1.14 (1.13 Last Week)

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

The Major Trend Index ticked up 0.01 to a ratio of 1.14 in the week ended April 13th, led by improvement in both the Intrinsic Value and Attitudinal work. The Momentum/Breadth/Divergence category dropped below the +950 threshold for the first time since early February, but remains the key bullish underpinning of the MTI. We continue to target relatively aggressive equity exposure of 66% in our tactical funds.

Sentiment analysis is typically more helpful in pinpointing market *bottoms* than market tops (and that's generally true of the Momentum/Breadth/Divergence category as well). That being said, it's encouraging to see the improvement in several Attitudinal measures in the face of what has been (to date) only a mild market setback. Big Block Insider Sales have practically dried up in the last few weeks, pulling the 10-week moving average of this indicator below the "maximum bearish" threshold it reached in March. At the same time, options-based measures show an increase in trader anxiety, with the 4-Wk. CBOE Equity Put/Call Ratio trending up, and the VIX/VVX Ratio (1-month to 3-month implied volatility) spiking above 1.0 last Thursday. Readings above 1.0 accompanied two important short-term market lows last year (late-June and early-November). While surveys of investor sentiment are generally slower to react to market developments than "hard money" measures, all of them show declining optimism over the past few weeks—a *contrary positive*.

Inflation pressures have declined from their short-term peak two months ago, driving a net gain of roughly 80 points in the Economic/Interest Rates/Inflation category during that span. The Dollar Stability Index and the Lumber/Gold Ratio have been bullish pillars within this category for a few months, helping to offset the still-maximum bearish reading in the Dow Jones Bond Indicator.

Clients who have questions regarding any of the components or indicators should contact Doug Ramsey at 612-332-1567 or dramsey@LWCM.com

Published By The Leuthold Group, LLC

The Leuthold Group, LLC, provides research to institutional investors. The material herein is based on data from sources we considered to be reliable, but it is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed are subject to change.

FURTHER DISTRIBUTION OF INFORMATION CONTAINED IN THIS REPORT IS PROHIBITED WITHOUT PRIOR PERMISSION.