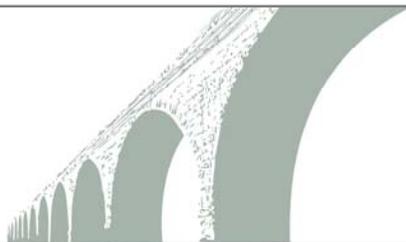


# MAJOR TREND INDEX

By: Doug Ramsey, CFA, CMT



REPORT DATE: May 16, 2017

Status: **POSITIVE**

DATA FOR WEEK ENDING: May 12, 2017

Ratio: **1.14...Up 0.03**

S&P 500 P/E on Normalized EPS = 23.5x  
(93rd percentile, 1926 To Date)

## POTENTIAL

WEIGHT			LATEST NET READING			
+	-		+	-	Net	
1200	1200	Intrinsic Value	No Change	48	615	-567
1100	1100	Economic/Interest Rates/Inflation	Gain 15	339	182	157
1200	1200	Attitudinal	Gain 11	121	497	-376
600	600	Supply/Demand	Gain 46	94	113	-19
1800	1800	Momentum/Breadth/Divergence	Loss 26	1057	44	1013
				<u>1659</u>	<u>1451</u>	<u>208</u>

BALANCE : +208 (+162 Last Week)

\*RATIO: 1.14 (1.11 Last Week)

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

The Major Trend Index rose 0.03 to a ratio of 1.14 in the week ended May 12th, with gains in three categories offsetting a pull-back from a multi-year extreme in the Momentum/Breadth/Divergence category. Some minor stock market divergences have accompanied the recent S&P 500 bull market highs, but they haven't yet proven significant enough to weigh down either the Momentum category or the overall MTI. The MTI ratio continues to hold in moderately bullish territory, and we've kept our tactical funds' equity exposure near the 66-67% level.

The Supply/Demand factors carry the lowest MTI category weighting but have been the source of a few large swings in recent months. Last week's rebound was driven by an improvement in the Smart Money Flow Index, along with a flurry of short-covering by Commercial Hedgers in S&P 500 futures that left the "smart money" contingent with a small net *long* position. Given that the Hedgers are natural sellers into market strength, this activity qualifies as "divergent" under our quantitative approach and therefore takes on more significance than, say, short covering during a market decline.

The Momentum category dropped 26 points last week but remains **above** the "super-bullish" +1,000 threshold. Our "Chart Scores" across the major and secondary averages remain uniformly positive; the Transports' and Financials' "non-confirmations" of S&P 500 highs over the last two months aren't yet considered statistically significant. **Roughly 64% of NYSE stocks remain above their 30-week moving averages, which is 10-25% above the levels seen at the last four cyclical bull market tops.**

The Economic category gained 15 points last week reflecting a pull-back in industrial commodity prices from overbought levels, and a Dow Jones Bond Indicator retreat from its maximum bearish zone.

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

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