MAJOR TREND INDEX

By: Doug Ramsey, CFA, CMT

REPORT DATE: August 8, 2017

DATA FOR WEEK ENDING: August 4, 2017

Status: POSITIVE
Ratio: 1.10...Up 0.01
S&P 500 P/E on Normalized EPS = 24.1x
(93rd percentile, 1926 To Date)

POTENTIAL WEIGHT +	POTENTIAL WEIGHT -			LATEST NET READING +	LATEST NET READING -	Net
1200	1200	Intrinsic Value	Gain 3	45	610	-565
1100	1100	Economic/Interest Rates/Inflation	Gain 25	365	173	192
1200	1200	Attitudinal	Loss 17	102	486	-384
600	600	Supply/Demand	Gain 16	40	153	-113
1800	1800	Momentum/Breadth/Divergence	Loss 10	1082	66	1016
				1634	1488	146

BALANCE : +146 (+129 Last Week)
*RATIO: 1.10 (1.09 Last Week)

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

The Major Trend Index rose 0.01 to a ratio of 1.10 in the week ended August 4th. Gains in the Economic and Supply/Demand categories were the main drivers, while the Momentum/Breadth/Divergence category managed to hold above its “super-bullish” threshold of +1000 despite a loss of 10 points.

The MTI, along with other disciplines we look to for substantiation and reinforcement, continues to support a cyclically bullish stance. Our decision to reduce net equity exposure last week to 60% (from 68%) was a tactical one, based on negative short-term developments in both the sentiment and technical work coinciding with a bearish seasonal window. While we currently expect this hedge to be a temporary one, there is certainly the chance that our cyclical models (including the MTI) could deteriorate in the next several weeks and prompt an increase in the hedge.

The Economic category gained 25 points last week, reversing some of its recent slide. While currency market trends have been a statistical negative within this category during 2017, an indicator based on the ratio of the Treasury yield curve to the U.S. Dollar Index (DXY) flipped into bullish territory last week. In addition, our Earnings Breadth Indicator has trended up sharply during the first three weeks of the EPS reporting season, and the Citi Economic Surprise Index (CESI) continues to recover from its mid-June trough.

The Attitudinal work lost 17 points to close the week at a net reading of –384. Deterioration in several short-term inputs within this category were a major catalyst for last week’s decision to establish the new equity hedge. They included a one-week jump in Insider Block Sales, repeated readings in the VIX/VXV ratio in its danger zone, low CBOE Equity Put/Call Ratios, and a spike in optimism shown by market newsletter writers.

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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