MAJOR TREND INDEX

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REPORT DATE: September 12, 2017

DATA FOR WEEK ENDING: September 8, 2017

Status: Positive
Ratio: 1.09...Up 0.05
S&P 500 P/E on Normalized EPS = 23.8x
(93rd percentile, 1926 To Date)

POTENTIAL WEIGHT +	POTENTIAL WEIGHT -			LATEST NET READING +	LATEST NET READING -	Net
1200	1200	Intrinsic Value	Loss 10	55	622	-567
1100	1100	Economic/Interest Rates/Inflation	Gain 52	407	164	243
1200	1200	Attitudinal	Loss 11	117	510	-393
600	600	Supply/Demand	Gain 40	58	147	-89
1800	1800	Momentum/Breadth/Divergence	Gain 5	1023	76	947
				1660	1519	141

BALANCE : +141 (+65 Last Week)
*RATIO: 1.09 (1.04 Last Week)

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

The Major Trend Index returned to its **positive** zone in the week ended September 8th, with solid gains in the Economic and Supply/Demand categories lifting it 0.05 points to a 1.09 ratio. The positive flip follows four weeks of neutral MTI readings, with the low for that stretch recorded in the week ended August 11th.

As a result of the MTI's improvement, we've lifted the second of the two equity hedges established in our tactical funds in late July and mid-August, returning net equity exposure in the Leuthold Core and Global Funds to **60%** (up from 58%). That being said, the short-term risks that triggered the first of those hedges on July 28th are still in place: (1) a historical "volatility window" that opened up in early August will remain open until late this month; (2) the mini-correction has driven up the number of market divergences we began to observe in mid-July; and, (3) short-term sentiment is a now a clear negative—with our Smart/Dumb Money Relative Put/Call Ratio (one of our many "Ratio of Ratios") back to levels that preceded the two major down-legs of the 2015-2016 correction.

Gains in the Economic and Supply/Demand work were the catalysts for the latest week's MTI upgrade. Two Economic sub-models—the Dollar Volatility Model and the Lumber/Gold Ratio—extended their recently-volatile patterns, flipping back into bull territory after fairly short stints in the bear camp. Dollar weakness continues to lift the Yield Curve/Dollar Ratio, and the Earnings Breadth Indicator has held near its maximum bullish threshold as the final reports of the earnings season trickle in. (Those late reports usually include a disproportionate number of duds.)

Within the Supply/Demand work, the 40-point gain was driven entirely by short-covering from S&P 500 hedgers, who evidently had been positioned for a deeper correction.

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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