MAJOR TREND INDEX

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REPORT DATE: December 5, 2017

DATA FOR WEEK ENDING: December 1, 2017

Status: Positive
Ratio: 1.16...Up 0.01
S&P 500 P/E on Normalized EPS = 25.1x
(95th percentile, 1926 To Date)

POTENTIAL WEIGHT +	POTENTIAL WEIGHT -			LATEST NET READING +	LATEST NET READING -	Net
1200	1200	Intrinsic Value	Loss 9	60	668	-608
1100	1100	Economic/Interest Rates/Inflation	Loss 12	337	145	192
1200	1200	Attitudinal	Loss 32	162	485	-323
600	600	Supply/Demand	Gain 23	119	65	54
1800	1800	Momentum/Breadth/Divergence	Gain 41	1050	130	920
				1728	1493	235

BALANCE : +235 (+224 Last Week)
*RATIO: 1.16 (1.15 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 1.16 in the week ended December 1st, with gains in the Momentum and Supply/Demand more than offsetting losses elsewhere. The evidence continues to support a cyclically bullish stance, and our tactical portfolios remain positioned with net equity exposure in the 62-63% range.

We expect 2018 to be a more difficult year for the stock market, but the MTI suggests it's too early to batten down the hatches. The new highs remain incredibly broad, and our strengthening Supply/Demand work suggests that it's institutions—rather than Johnny-Come-Lately retail investors—who have been the more aggressive buyers during the last couple of months. That message is reinforced by new highs in the Smart Money Flow Index, a bullish position in stock index futures by the smart-money commercial hedgers, and recent breakouts in two other Leuthold measures of institutional accumulation. There's always the chance that a burst of institutional buying like the current one is not a sign of sustainable demand, but rather one of capitulation by lagging equity and hedge fund managers—especially with the year coming to an end. But we are going to take the bullish Supply/Demand work (and the bullish MTI, for that matter) at face value.

The Economic category has remained steady in the last few months, lending secondary support to the overwhelmingly bullish Momentum work. We think that liquidity support for stocks is likely to erode in the months ahead. The yield curve continues to flatten, and money supply growth is slowing sharply at a time when the Congressional Budget Office's estimated "Output Gap" has finally moved into positive territory.

The Intrinsic Value category sunk to a new low for this bull market last week, to -608. New all-time high valuation readings for latest week included the Leuthold 3000 Median Trailing P/E (23.9x), and the S&P 500 Median Price/Cash Flow Ratio (15.1x).

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