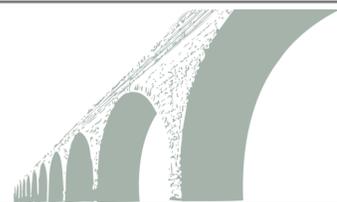


MAJOR TREND INDEX

By: Doug Ramsey, CFA, CMT



REPORT DATE: January 3, 2018

DATA FOR WEEK ENDING: December 29, 2017

Status: Positive

Ratio: 1.07... Down 0.01

S&P 500 P/E on Normalized EPS = 25.3x
(95th percentile, 1926 To Date)

POTENTIAL

WEIGHT

+ -

1200	1200	Intrinsic Value
1100	1100	Economic/Interest Rates/Inflation
1200	1200	Attitudinal
600	600	Supply/Demand
1800	1800	Momentum/Breadth/Divergence

LATEST NET READING

	+	-	Net
Gain 11	60	660	-600
Gain 1	366	171	195
Loss 23	145	498	-353
Loss 5	95	116	-21
Loss 3	980	100	880
	1646	1545	101

BALANCE : +101 (+120 Last Week)

*RATIO: 1.07 (1.08 Last Week)

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

The Major Trend Index fell 0.01 to a ratio of 1.07 in the week ended December 29th, closing out a year in which it was bullish for all but a four-week stretch from mid-August through early September. The current level continues to support a constructive stance toward equities, with our longtime caveat being: at this point, most of the bullish evidence is derived from MTI inputs that are *shorter-term* in nature.

Net equity exposure in the Leuthold Core and Global Funds remains at recent levels of 62-63%.

The Momentum/Breadth/Divergence category has shouldered the load for most of the last two years and continues to register extremely high readings. All of the major breadth measures scored new highs last week, suggesting—all else being equal—even higher highs in the blue chip indexes are likely over the next three or four months. Chart work on domestic stock indexes remains bullish across the board, with the Dow Jones Utility Average being the lone index scoring below a 95% positive reading.

The Attitudinal category was the week's largest mover with a decline of 23 points. While the major sentiment surveys (Investors Intelligence, Market Vane, and Consensus) remain near maximum bearish readings, we've frequently noted that cyclical peaks in investor optimism almost always precede the cyclical peak in prices. If the eventual market top loosely resembles those of the past, we'd expect the accompanying sentiment readings to be a bit more subdued than we're currently seeing.

The stability in the Economic/Interest Rates/Inflation category in the last several weeks has masked a bit of quiet deterioration in the leading inflation work. Two models based on the Producer Price Index dropped to 50% negative readings in December, while sub-models based on crude oil and the CRB Raw Industrials have also weakened. To date, though, the inflation pickup hasn't been enough to offset other bullish evidence on earnings, interest rate momentum, and leading indicators of the economy.

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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