Leavitt Brothers

# Weekly


| Jason Leavitt<br>jason@leavittbrothers.com | Sunday, September 4, 2016 |
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Last week the market sandwiched three down days with moderate up days on Monday and Friday. The net was a moderate up week on so-so volume. The range remained small, and while there were a few 10-point, intraday, SPX moves, the overall activity level remain low.

So essentially nothing happened that was different than what has taken place the last seven weeks.

Over the last 38 days, there have been 19 up days and 19 down days. Going back to the beginning of July, the longest winning and losing streaks have only been three days. There have been almost no volume spikes, and there have been very few big opening gaps. By many measures the recent activity has been among the quietest as far back as data is available (the 1920's), and although August is over, the latest employment numbers are out and Labor Day is in the past, don't expect things to immediately pick up. Experience tells me the summer doldrums tends to linger for another week after Labor Day.

Talk of a rate hike at the Sept 21 FOMC meeting has intensified in recent weeks. The good news is the market seems to be taking it in stride - there have been no ill effects from the constant chatter and heightened hawkishness. Unfortunately we'll have to listen to all this talk for 2-1/2 more weeks. The media needs to sensationalize whatever the top stories are to keep listeners and viewers tuned in, so unless something happens in the world worthy of being a headline story (hey, don't we have an election coming up?), we're stuck.

I personally don't think rates matter nearly as much as everyone makes them out to be. The Fed isn't going to raise from 0.5% to 4.0% overnight. If they raise, rates will move from 0.5% to 0.75% and then probably sit tight for several months. The economy may not be super strong, but it's certainly strong enough to absorb a measly 25 basis point increase. And if corporations need money to fund their buybacks, they can go overseas where money is even cheaper than here in the States.

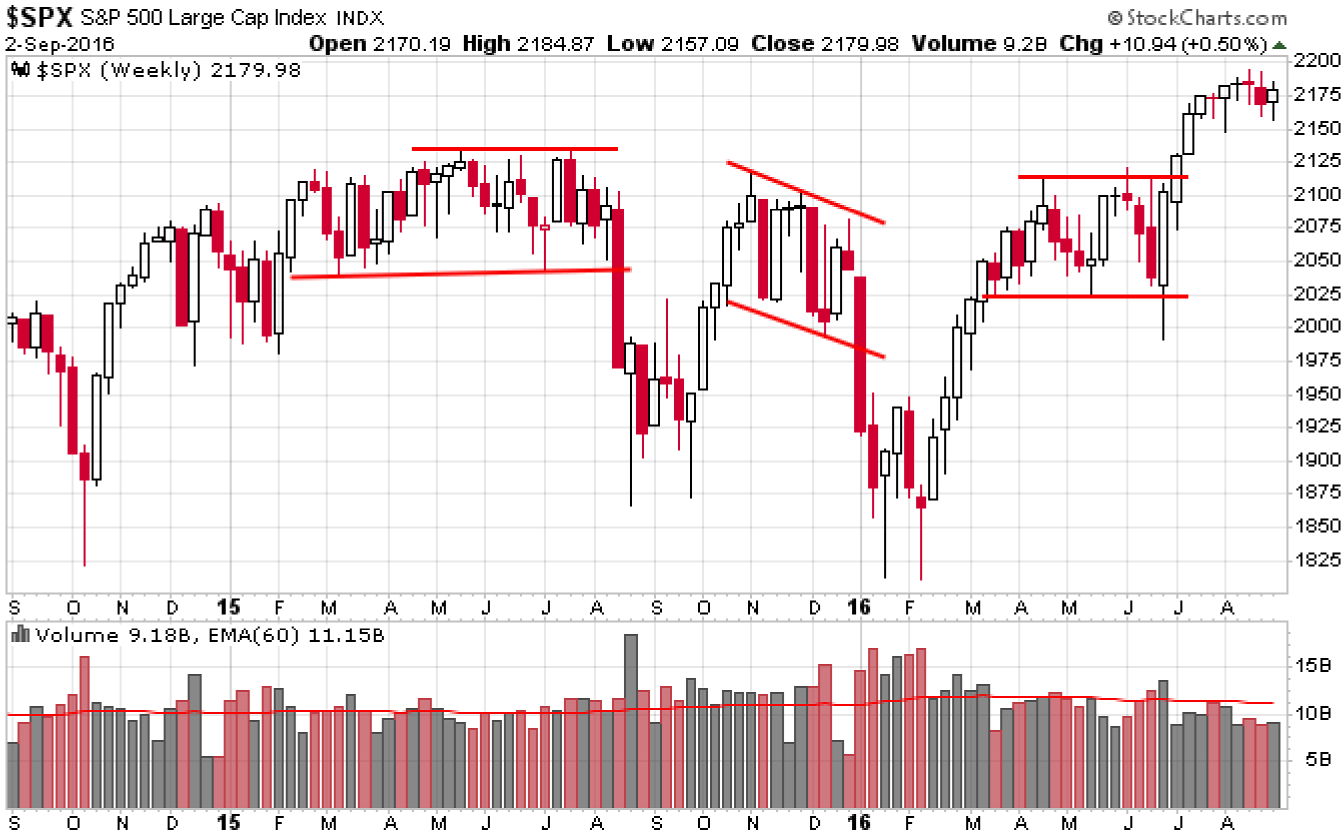
I'd love to tell you there's a lot of pent of pressure in the system...that seven weeks of very slow and tight movement has buyers and sellers sitting at the edges of their seats...that a move in either direction would immediately bring a cascade of activity off the sidelines. But I don't sense this. I wouldn't be surprised if a move down was a thud or a move up fizzled. It's just the way things are right now.

I'm encouraged by the movement in some leadership names (AMZN new all-time high, FB, MSFT and GOOGL close to their own highs) and like the fact that some safe-havens (T, VZ, utilities) have pulled back. I don't see beneath-the-surface warnings forming with the breadth indicators, and I'm assuming the market is absorbing a possible rate hike and the likely outcome of the election. The trend is up. Period. Guess when it will end? Not wise. The greatest source of loss is not buying a stock at 50 and selling at 48 for a 2-point loss. It's sitting on the sidelines in a state of denial during one of the greatest bull markets in history.

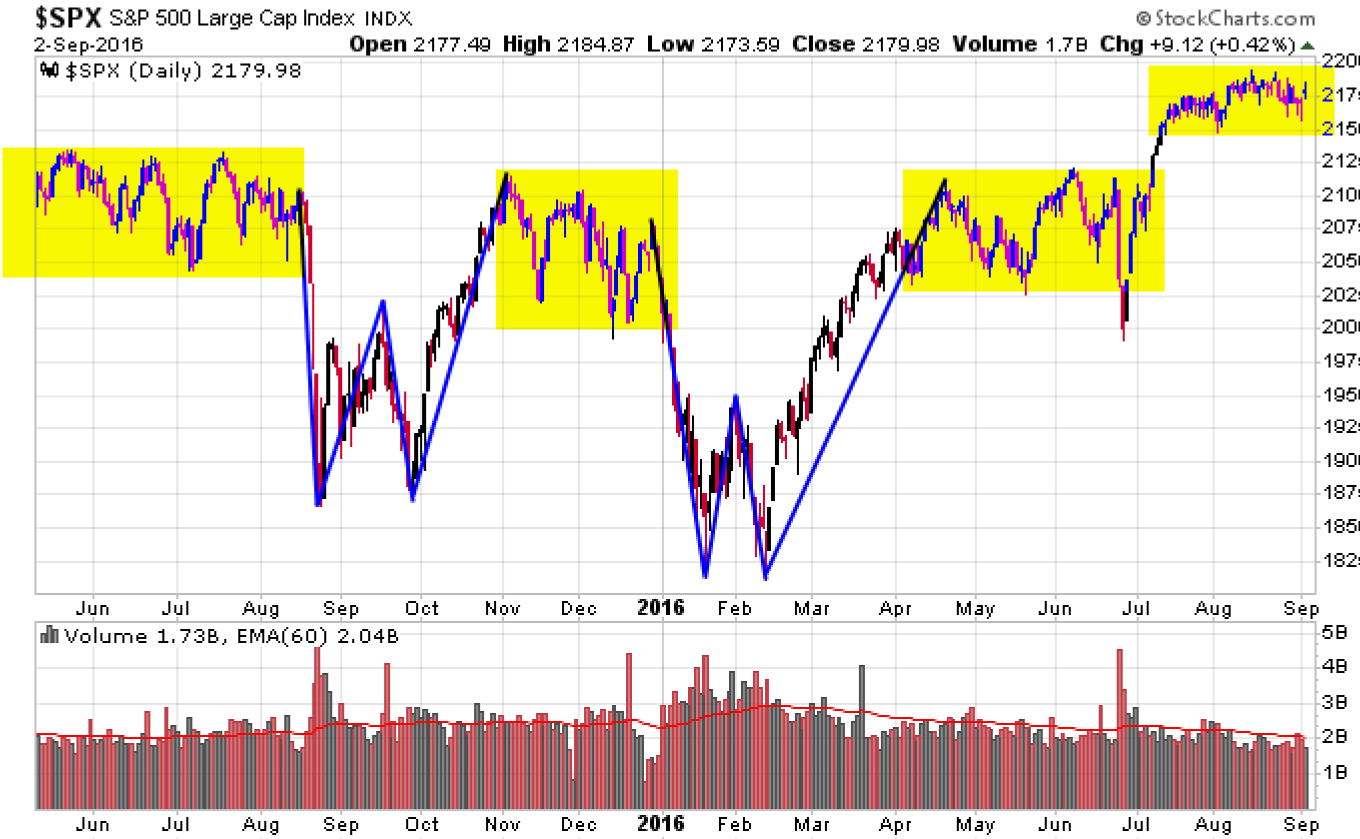
Let's get to the charts and see what they say. Since the breadth charts haven't changed much, less of them are posted to make room for some group charts.

## Indexes

**The S&P 500 Weekly:** Nothing new here - just a bunch of overlapping weekly candles on declining volume. Overall the bulls are in control. This consolidation pattern is taking place near the S&P's all-time high, and there's two years of activity below that will act as support in case of of a drop.



**The S&P 500 Daily:** Nothing new here either. I've been captioning the same chart for weeks and am running out of things to say. The market is quietly trading in a range. The trend is up, and my bias remains to the upside. A break of support and a drop to 2100 would set up some tasty longs.



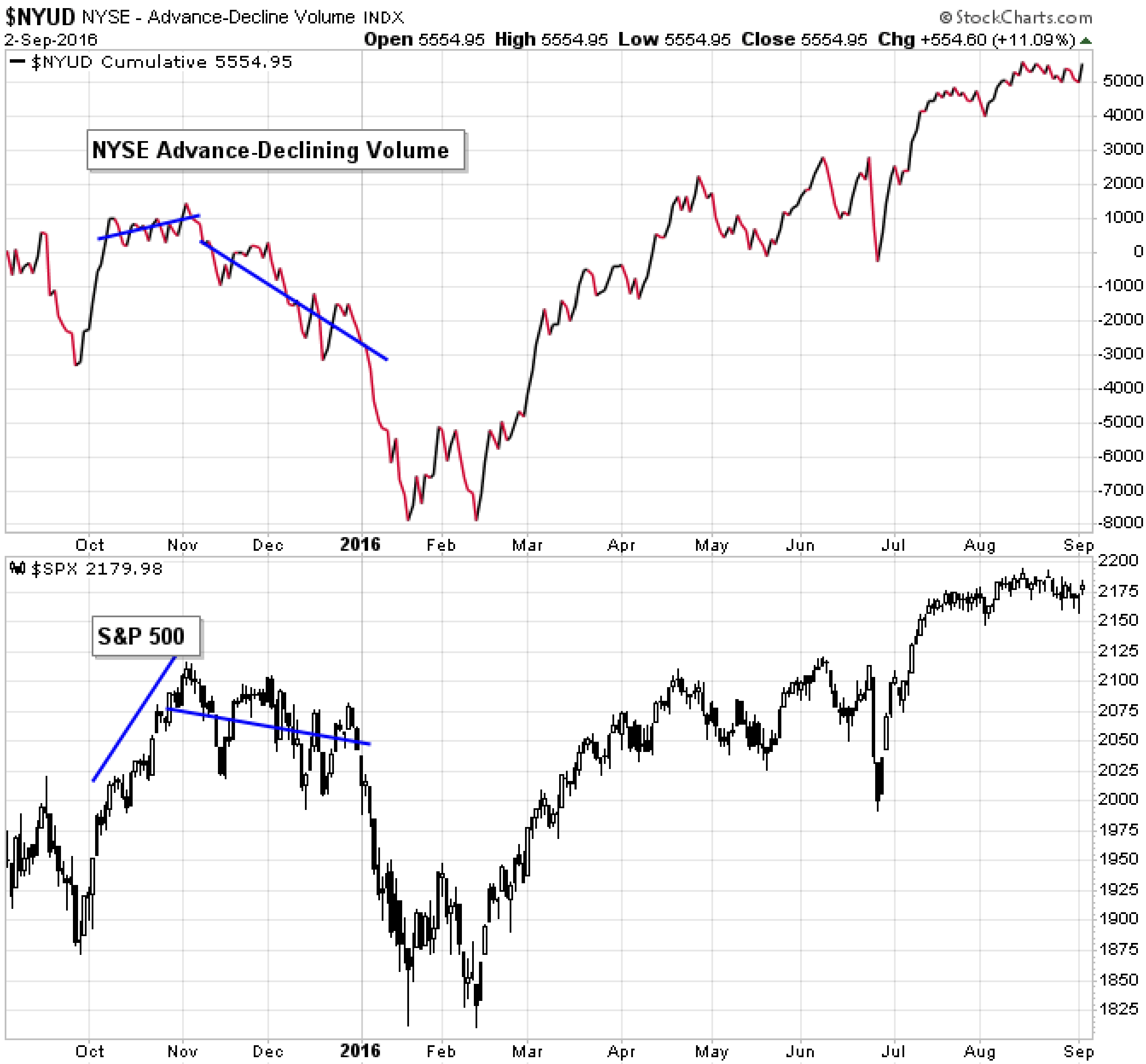
## Indicators

**S&P 500 vs. 10-day MA of NYSE AD Line:** A flat market over the last few weeks has flattened out the 10-day MA of the AD line. There are no hints of strength of warnings of weakness.

**S&P 500 vs. NYSE Cumulative AD Line:** The cumulative AD line is doing just fine. There are certainly no warnings like what took place May-Aug last year or Nov-Dec last winter. The market's strength is supported.

**S&P 500 vs. 10-day MA of NYSE AD Volume Line:** No hints here either. There's been no movement the last couple weeks, and the AD volume line sits right at 0.

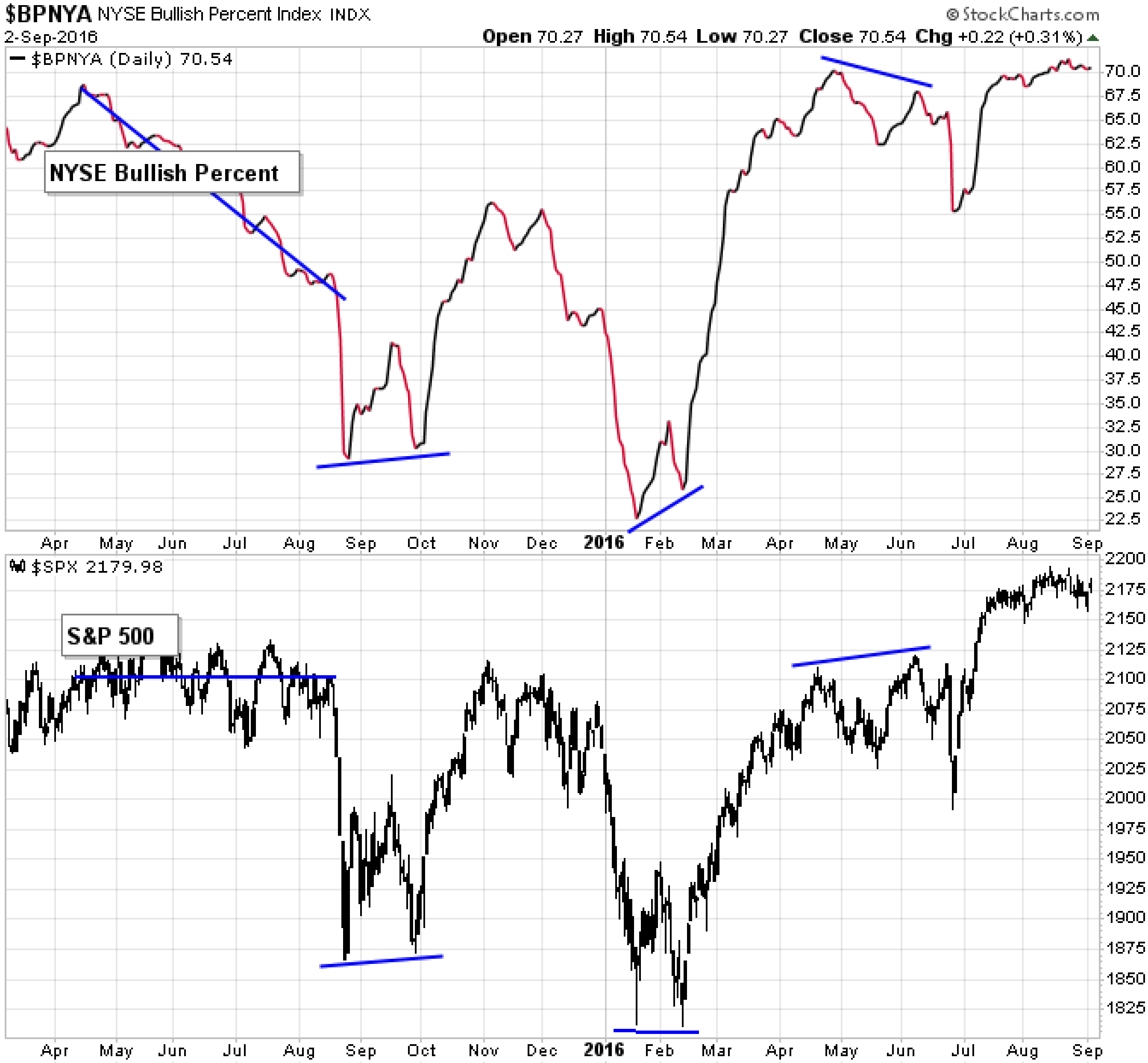
**S&P 500 vs. NYSE Cumulative AD Volume Line:** With the AD volume line spending equal time above and below 0, the cumulative version has flattened out. Again, no hints of strength or weakness - just a flat indicator to match a flat market.



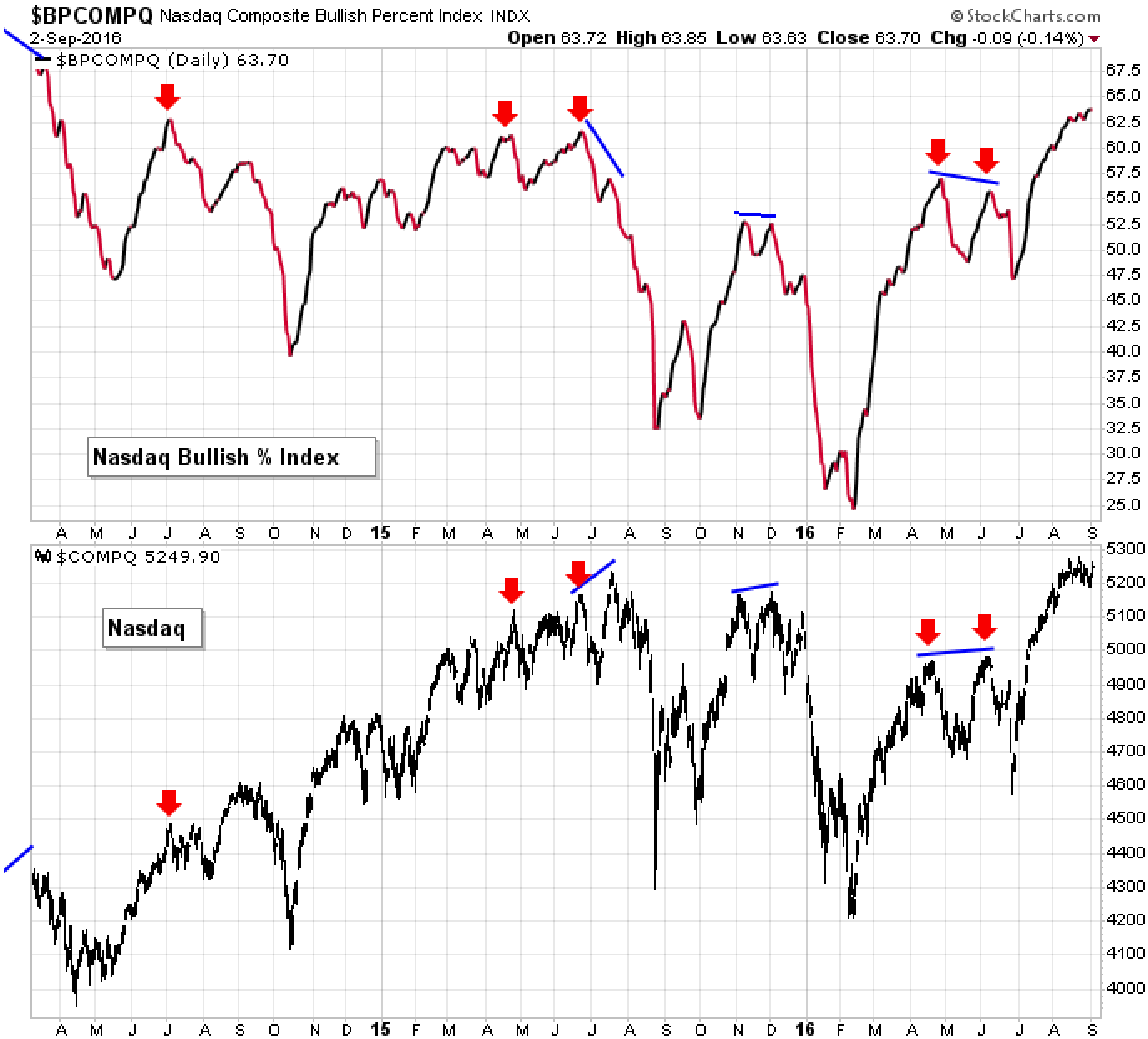
**S&P 500 vs. NYSE New Highs:** New highs have largely been subdued...then Friday happened. I guess it's a good sign, but a single day doesn't mean much. If the market moves to a new high, we'll want to see more high prints from this indicator. Absent many individual stocks also moving to new high, the market's move is likely fizzle. And if the market moves down, but new highs still print decent numbers, it'll be a sign of strength.

**NASDAQ vs. NASDAQ New Highs** Nothing wrong here. Nas new highs are all over the map, but the average has been steady and at its highest level in over a year.

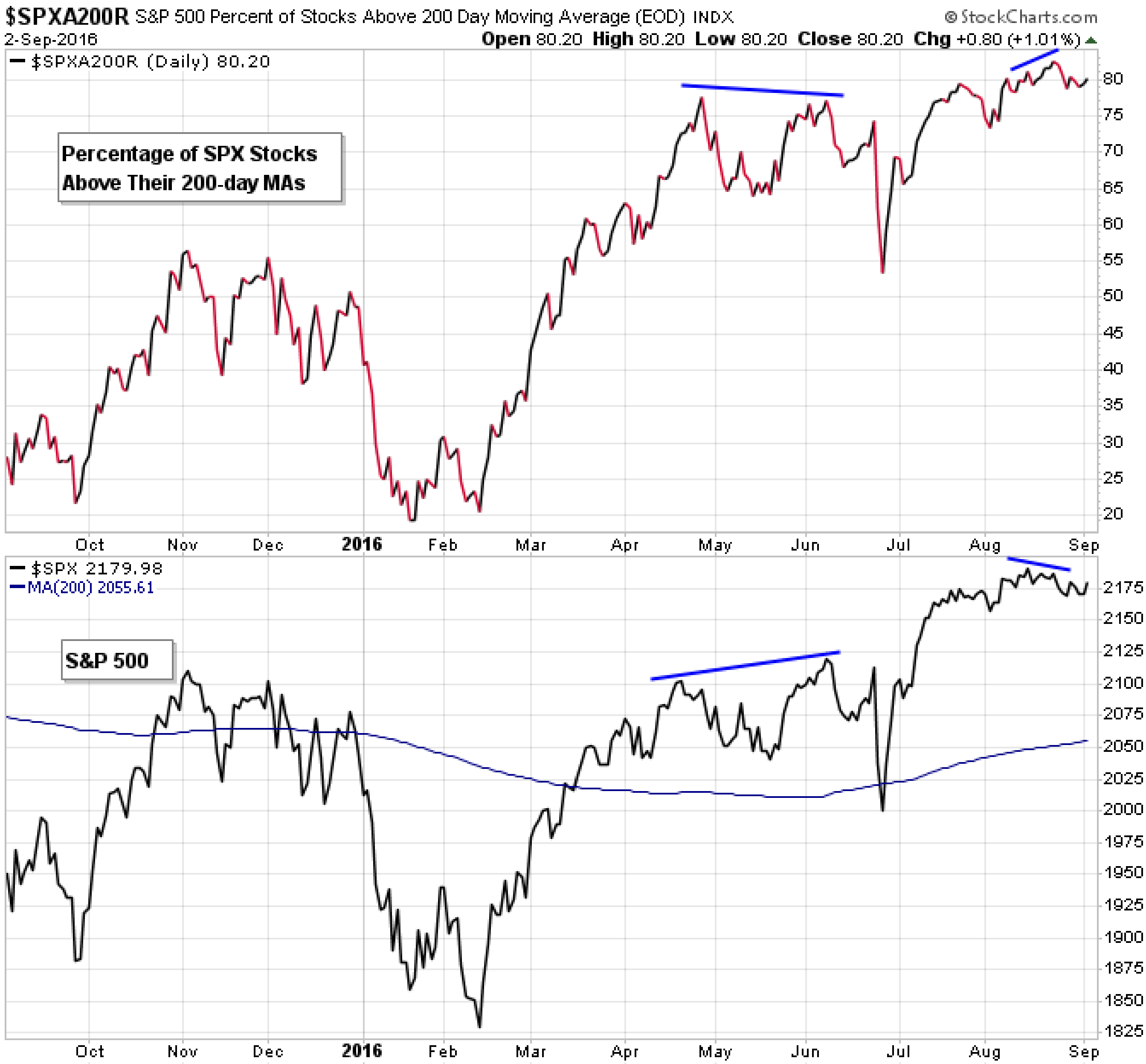
**S&P 500 vs. NYSE Bullish Percent:** The NYSE bullish percent has moved quietly in a small range the last few weeks. No warning here.



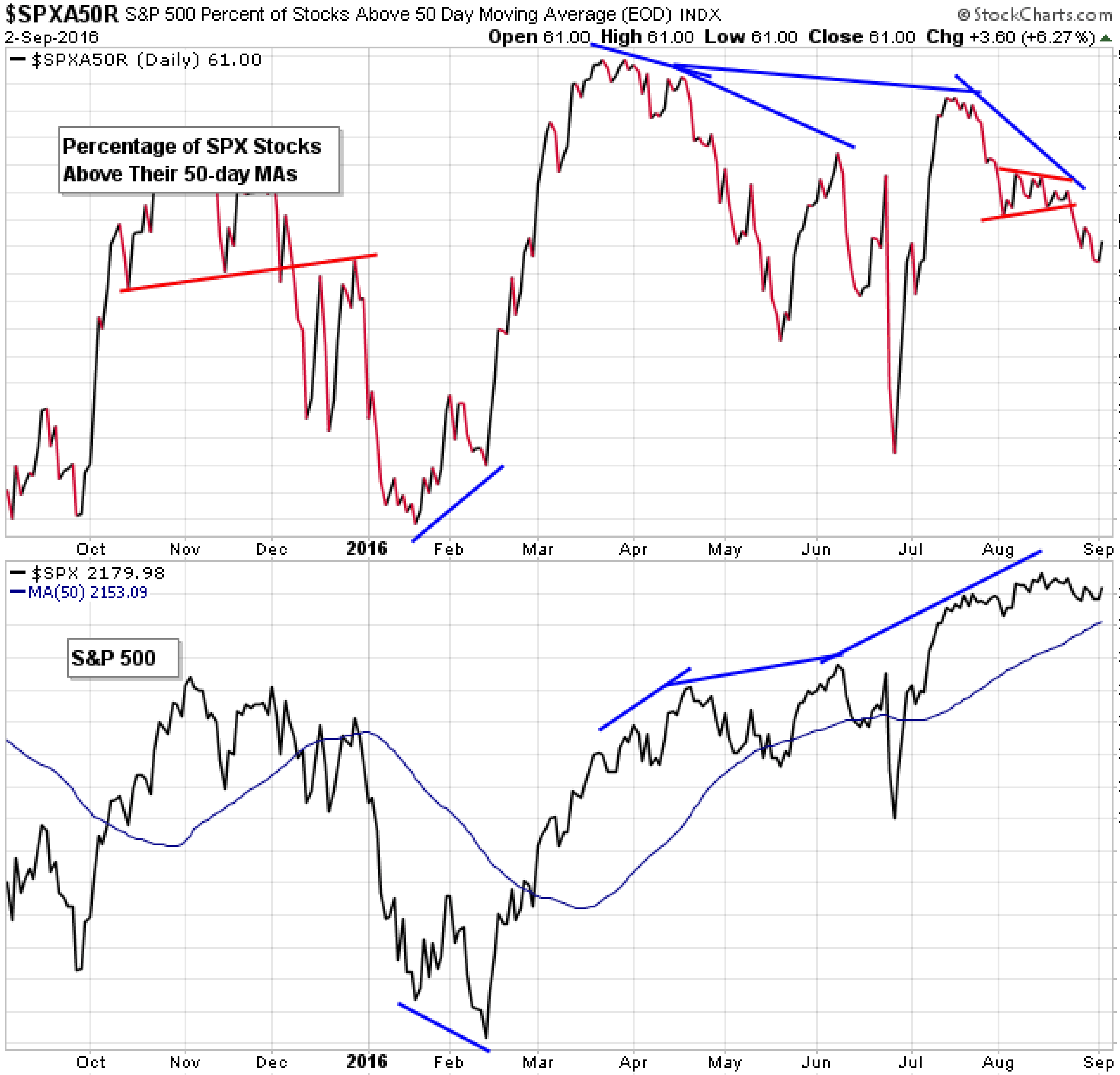
**NASDAQ vs. NASDAQ Bullish Percent:** The Nas bullish percent quietly put in a higher high...no warning here.



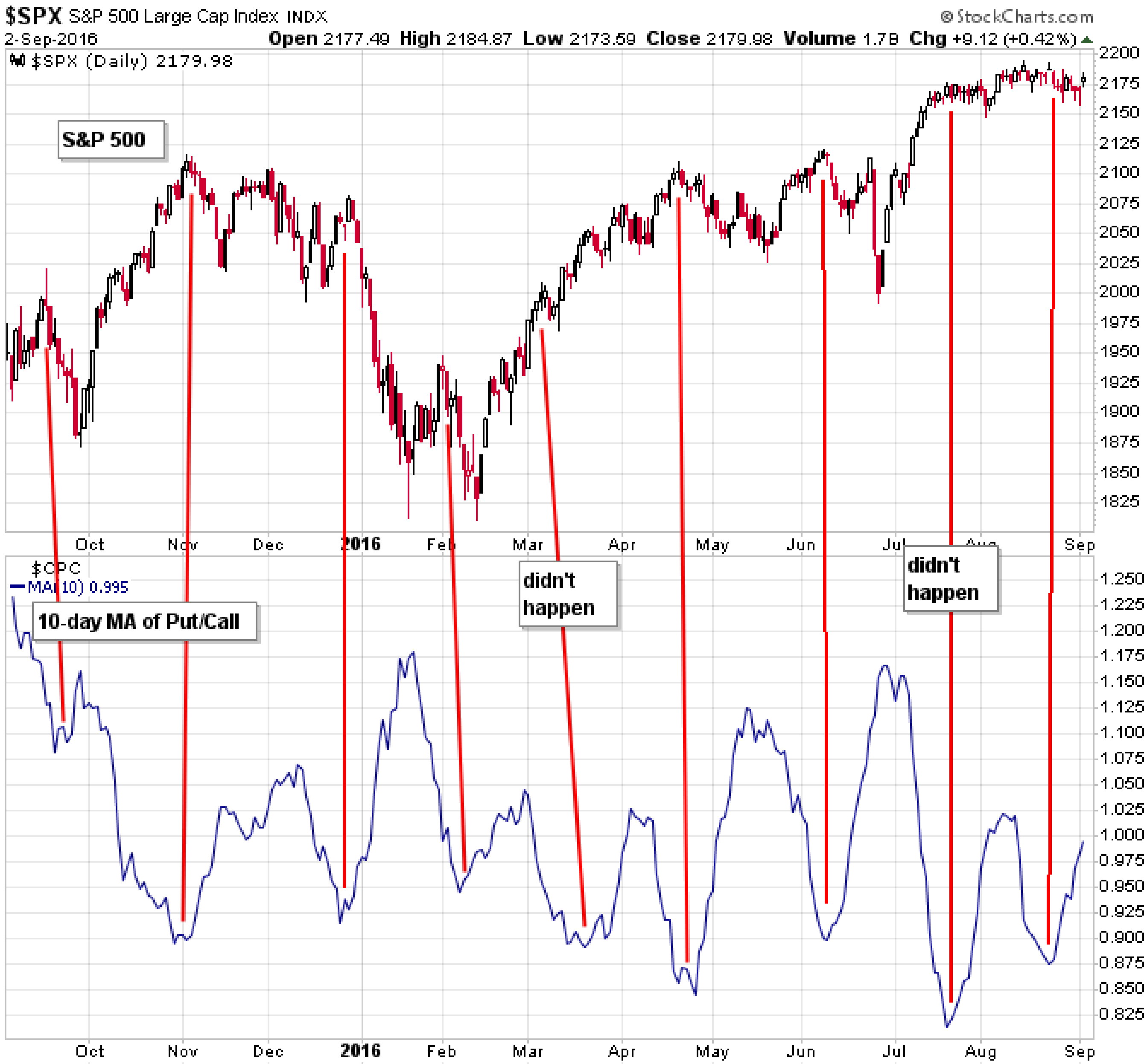
**S&P 500 vs. Percentage of SPX Stocks Above 200-day MA:** The percentage of stocks above their 200-day MAs is unchanged going back to the second half of July. No signs of weakness here either.



**S&P 500 vs. Percentage of SPX Stocks Above 50-day MA:** But the percentage of stocks above their 50's continues to deteriorate.



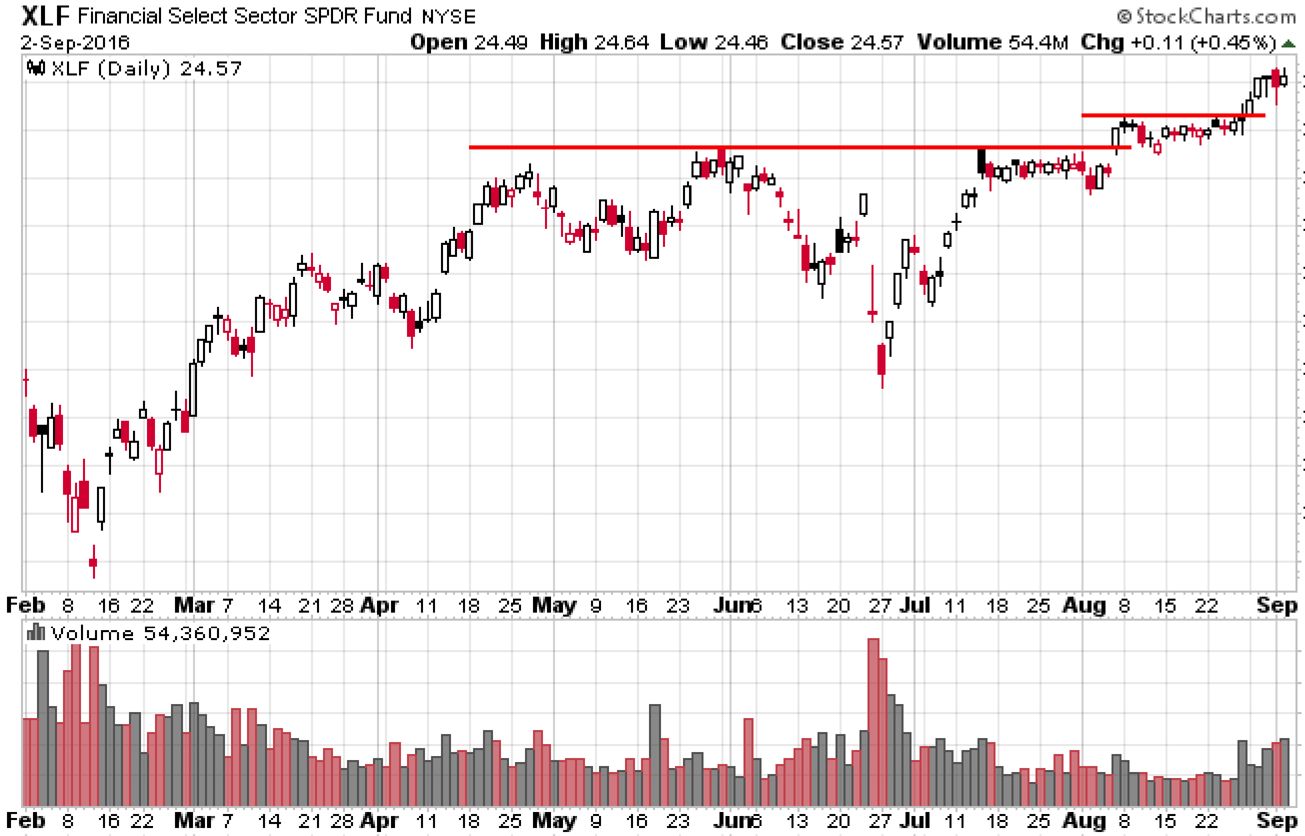
**S&P 500 vs. 10-day MA of Put/Call Ratio:** So far the market is completely ignoring the put/call bounce. It happened in July/August.



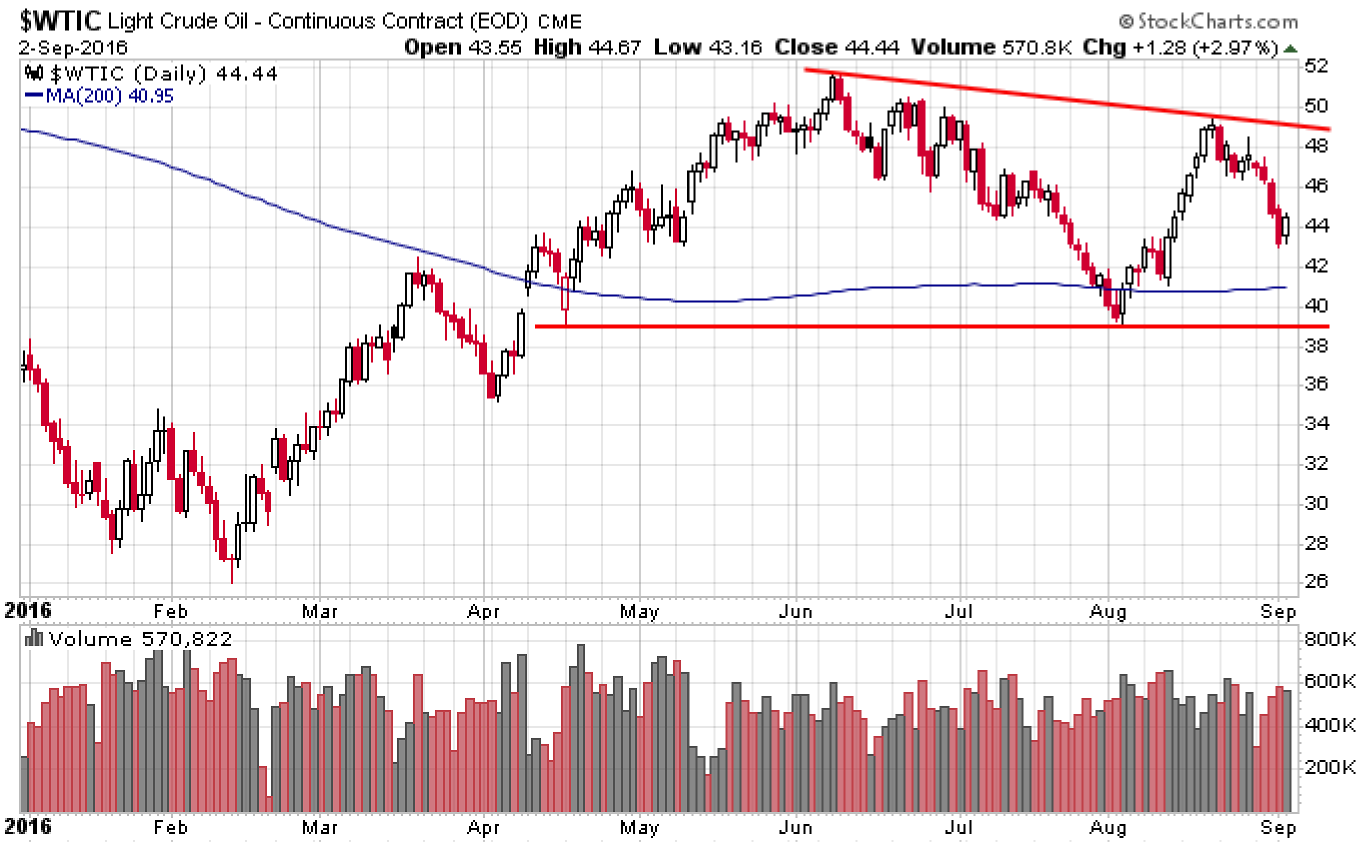
**S&P 500 vs. 14-day Average True Range:** The ATR moved off its low and then stalled. Without at least a moderate move up, the odds of a sizable pullback are very small.

## Interesting Groups

**Financials:** Very quietly financials are at a 52-week high. Banks, insurance, asset managers - all have done well lately. I don't trade the group often because the stocks tend to move too slowly, but since so many of the stocks are dependent on the health of the market, I consider it a pretty good proxy for what's going on. According to this XLF chart, the market is in good shape.

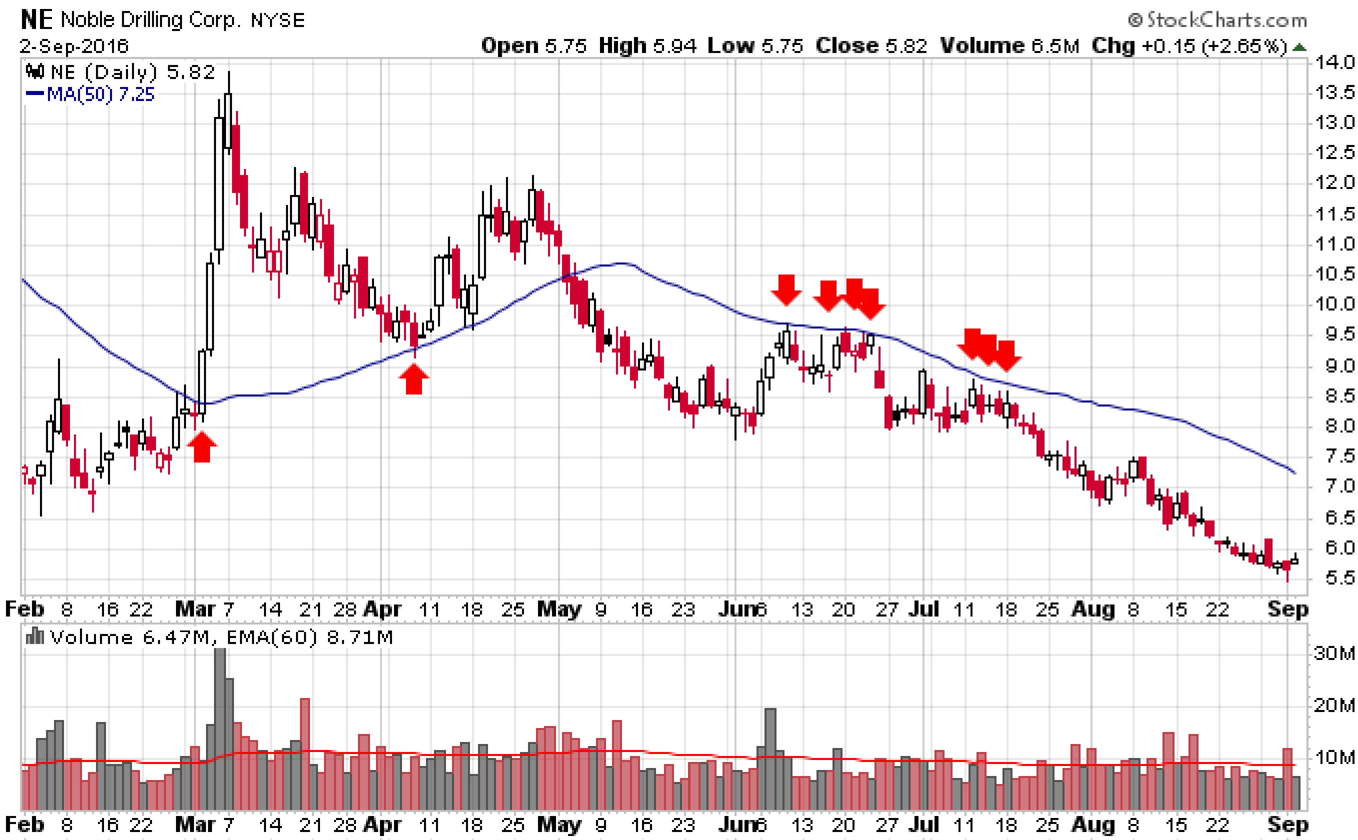


**Crude Oil:** Oil has had its ups and downs the last five months. Despite the bearish news (too much supply, among other items), the commodity has held up well. It rallied nicely off its early-August low and then dropped and gave back about 60% of the gains. There are a handful of oil stocks that are performing beautifully and an even bigger list that are in horrible shape. In my eyes, from the current level, an oil rally will set up a round of shorts...and a drop will give us the opportunity to buy some quality stocks at discount prices. We just need a move from the current "no-man's land" area. Here's the daily crude chart.



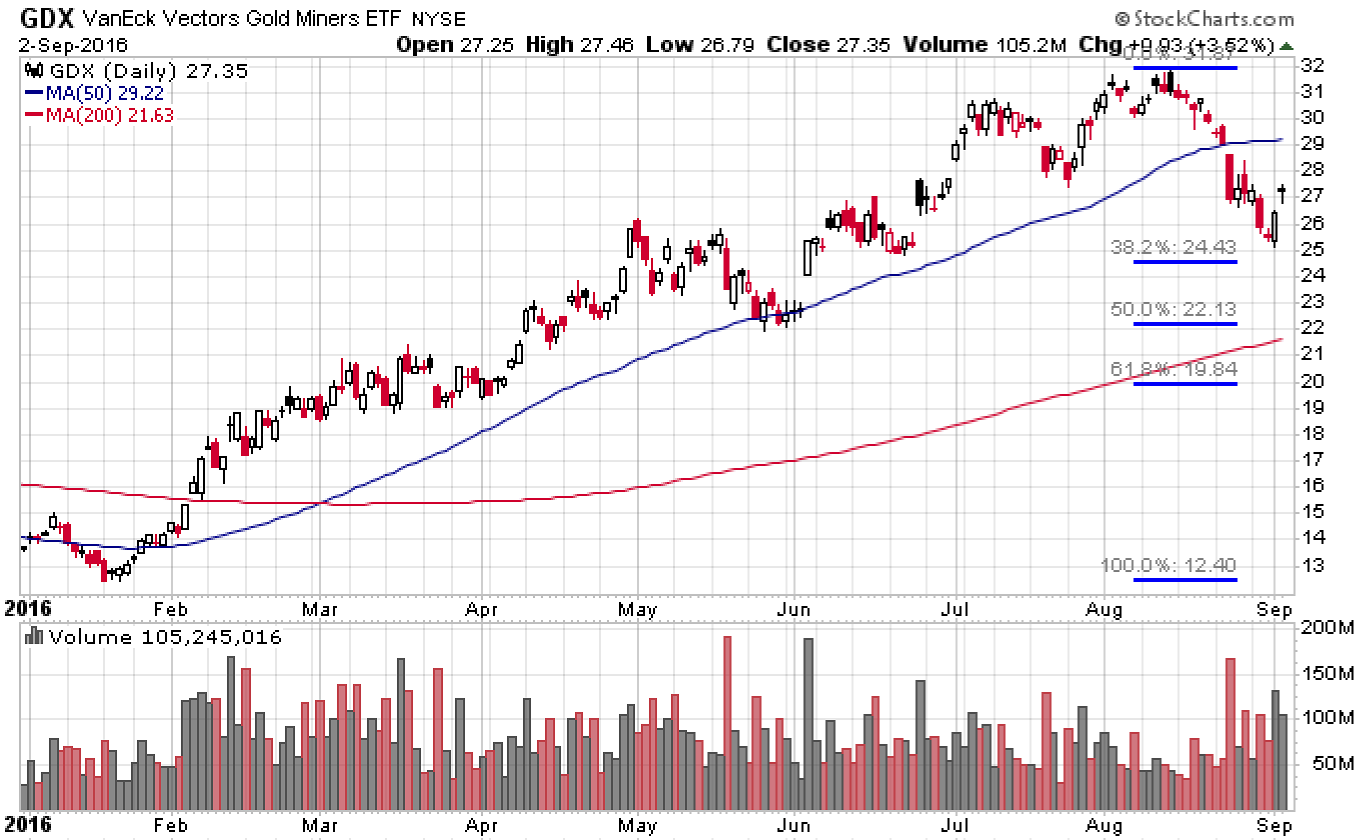
Here's RICE - an example of a stock that is super strong, and unless crude completely collapses, it's a no-brainer buy on a pullback. There are many others like RICE.

And here's NE - an example of a stock that is in horrible shape, and unless crude rallies up to $70 and stays there, it's a no-brainer short on a bounce to the declining 50. There are many others like NE.




**Gold & Silver:** After trending down for several years, these metals reversed up earlier this year and have provided us with some huge winners. In my eyes, as long as the weekly charts stay above their up-trending 65-week moving averages, I'll consider the trend to be up. Here's gold.

GDX, a mostly-gold ETF, rallied 2.5X off its January low. It then fell and sliced through its 50-day MA but didn't even drop to its first major Fib level before bouncing. I don't know if that's the bottom. There will be a lot of resistance overhead, and I have to admit the confluence of the 50% retracement level and the up-trending 200-day looks tasty.




Gold and silver stocks have separated themselves the last couple months. There are solid charts that can be bought on dips, but there are many that are trending down already. The first big move bring most stocks along for the ride, but successive moves leave the weak behind. As the trend matures, money will flow to the leaders, so that's where you'll want to be.

## The Bottom Line

The market has stalled. It has done virtually nothing the last seven weeks. We can hope the end of summer and the post-Labor Day time will wake things up, but there are no guarantees.

Don't over-analyze things now. The market is flat, and many indicators have flattened out too.

There just isn't anything going on, and I'm not sure what it'll take to jump-start things.

The next Fed meeting is 2+ weeks away. Earnings season doesn't start until next month. There isn't likely to be any surprises with the election.

The market will move when it's ready. Build your list. Have a plan. Read a book. Don't wear yourself out watching the market do nothing.

Have a great week.

Jason Leavitt
Jason@leavittbrothers.com