

## Data Still Implies Defense

### DJT Worst Performer Yesterday

Opinion: We continue to be of the opinion that a somewhat defensive tone should be taken regarding the major equity indexes over the near term based on the data and charts.

Although yesterday's weakness did bring some of the 1 day data points down into neutral territory, the slightly longer term data continues to suggest caution for the short term. The NYSE and OTC 21 day McClellan OB/OS Oscillators remain overbought (the NYSE notably so) at +123.2 and +68.08 respectively. The percent of SPX stocks above their 50 DMAs remains extended at 88.2 as the NYSE Net New Highs has made a lower low with the OTC Net New Highs now having made a lower high and a lower low. The Net New High data suggests internal deterioration. Meanwhile, sentiment that has the greater short term influence remains at opposite extremes with a Rydex Ratio (contrary indicator) of 40.7 showing the leveraged ETF traders still heavily long while the Gambill Insider Buy/Sell Ratio remains at a very low and cautionary 5% as of 1/29. Insiders are almost totally absent from the buying roster. As such, the data, in our opinion, suggests short term caution should continue to be exercised.

On the charts, there are only two points worthy of comment. First, and possibly most important, is the DJT (page 3) being the worst performer of the day yesterday by a sizable margin. As stated over the past several weeks, it has been our opinion that the DJT has been the "leading index" for the overall markets. If that continues to be the case, yesterday's action sets a darker short term tone. We would also note the OTC (page 3) formed a "bearish engulfing pattern" yesterday. The pattern happens when a stock or index opens and closes down at levels that completely engulf the prior day's "real body". It is considered a short term bearish signal. As a number of the candlestick patterns have not played out lately, we would not over emphasize this event. Yet given the state of current evidence, it adds to our short term concern.

For the longer term, the outlook remains bullish for equities as the IBES Valuation Model suggests equities are quite undervalued with the forward 12 month earnings yield for the SPX versus the 10 year Treasury yield standing at 7.5% versus 1.97%.

SPX:1,456/1,520

DJI:13,577/???

OTC:3,050/3,170

DJT:5,528/???

RUT:8875/???

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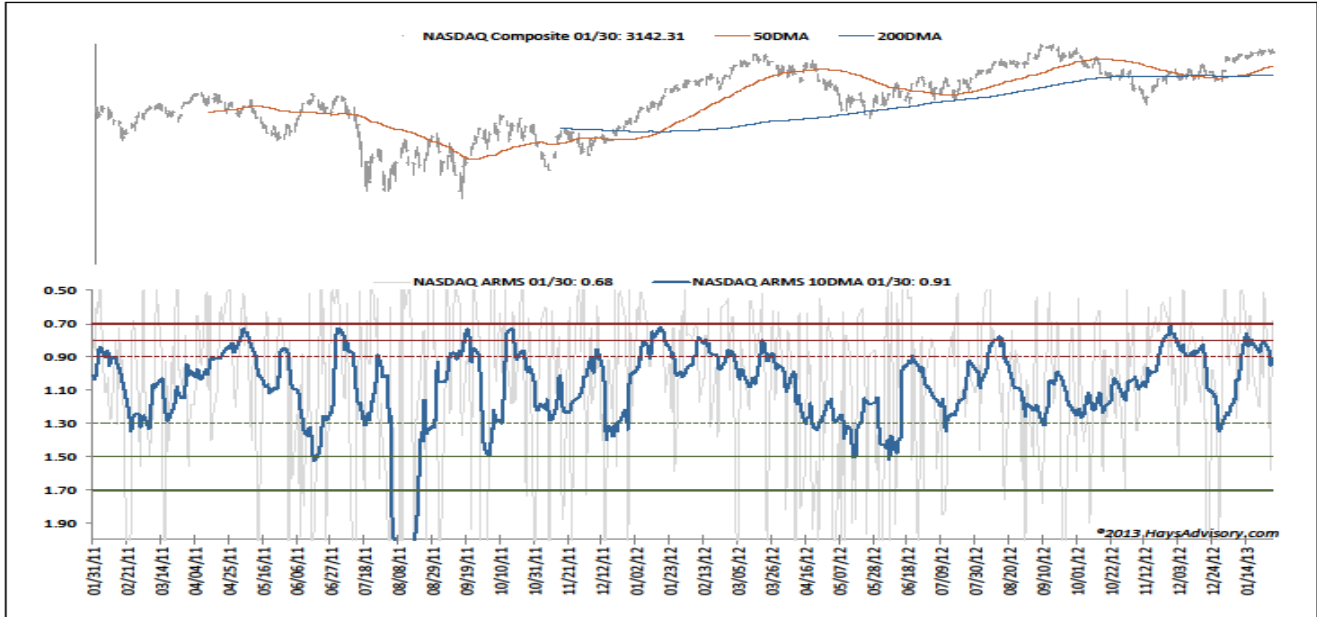
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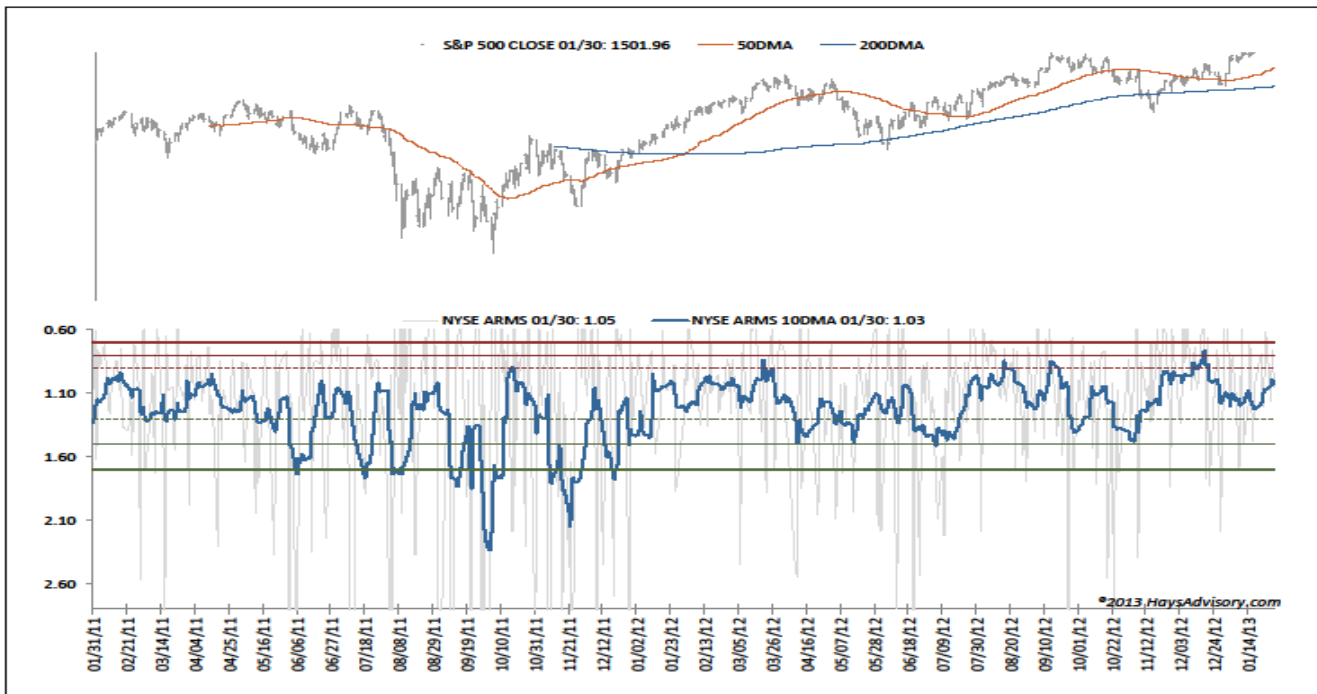
The OTC 1 day and 10 day Arms Index are .68 (very bearish) and .91 (neutral) respectively. The NYSE one and 10 day Arms Index are 1.05 (neutral) and 1.03 (neutral) respectively.

NASDAQ Market Internals



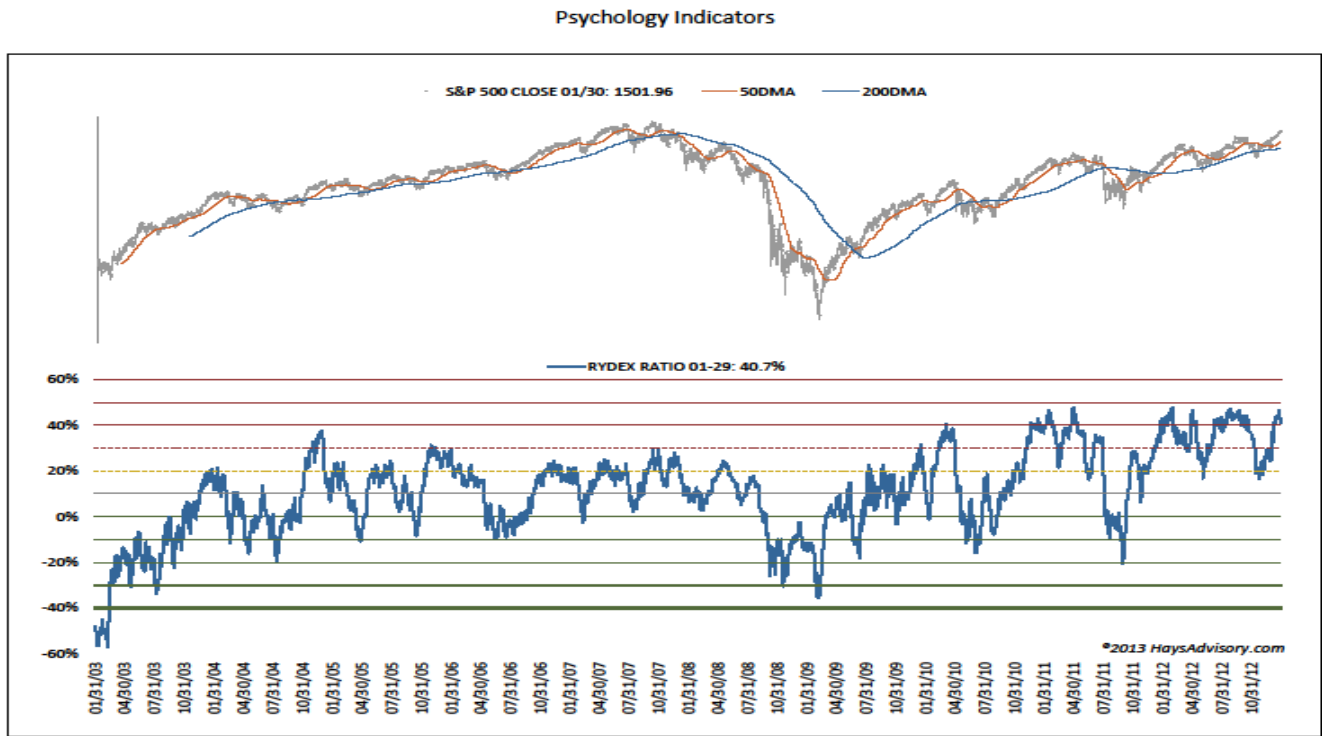
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NYSE Market Internals



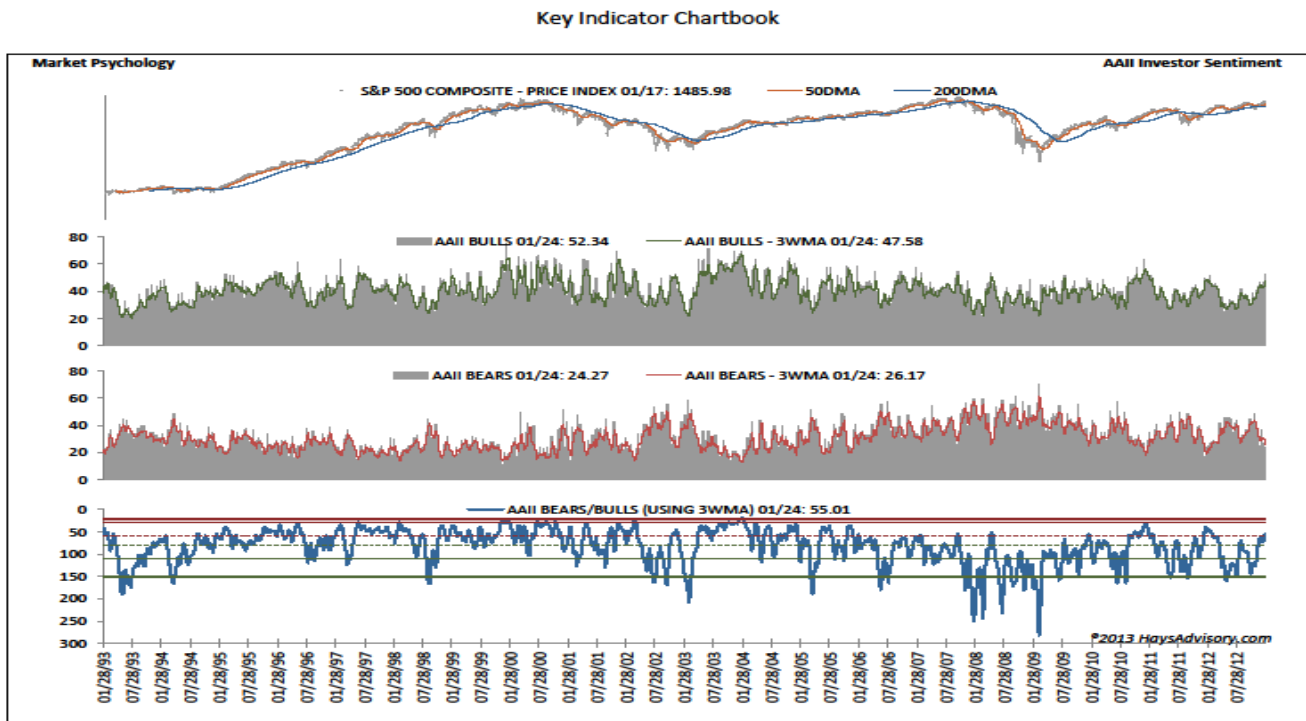
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The Rydex Ratio is 40.7 (bearish).



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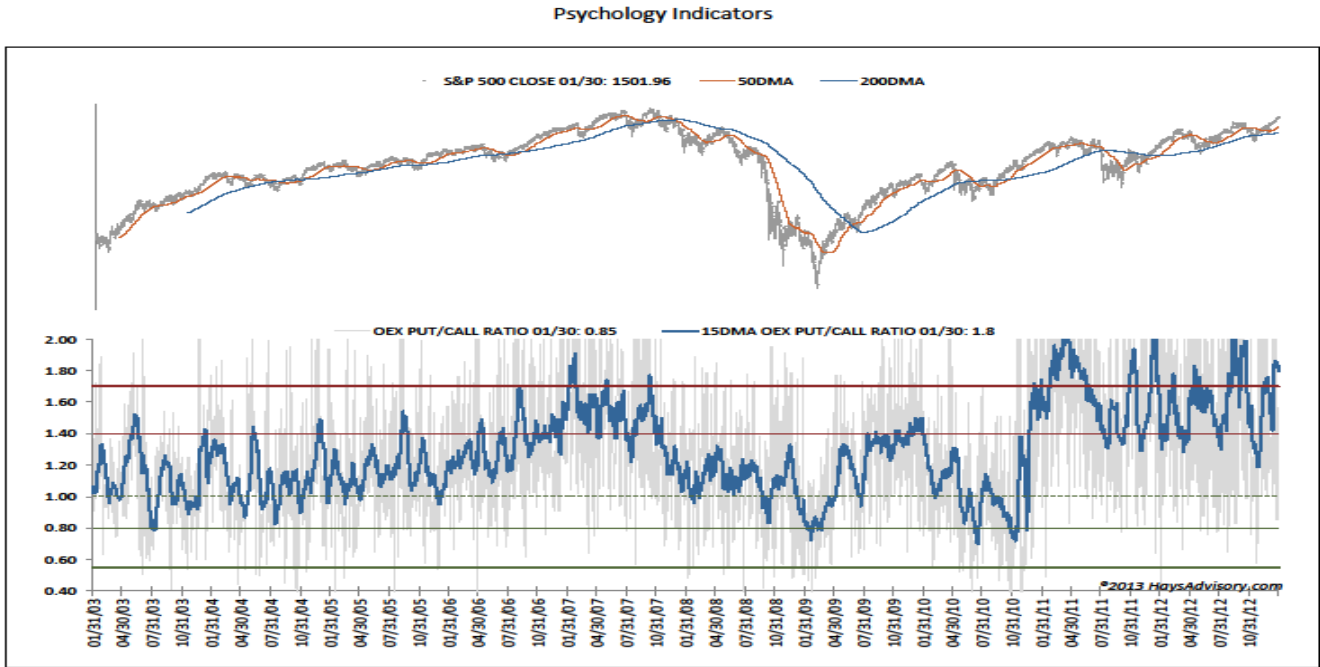
- The AAI Poll weekly bear/bull reading as of 1/24/13 is 24/52 (bearish) and 3 week average 26/48 (bearish).



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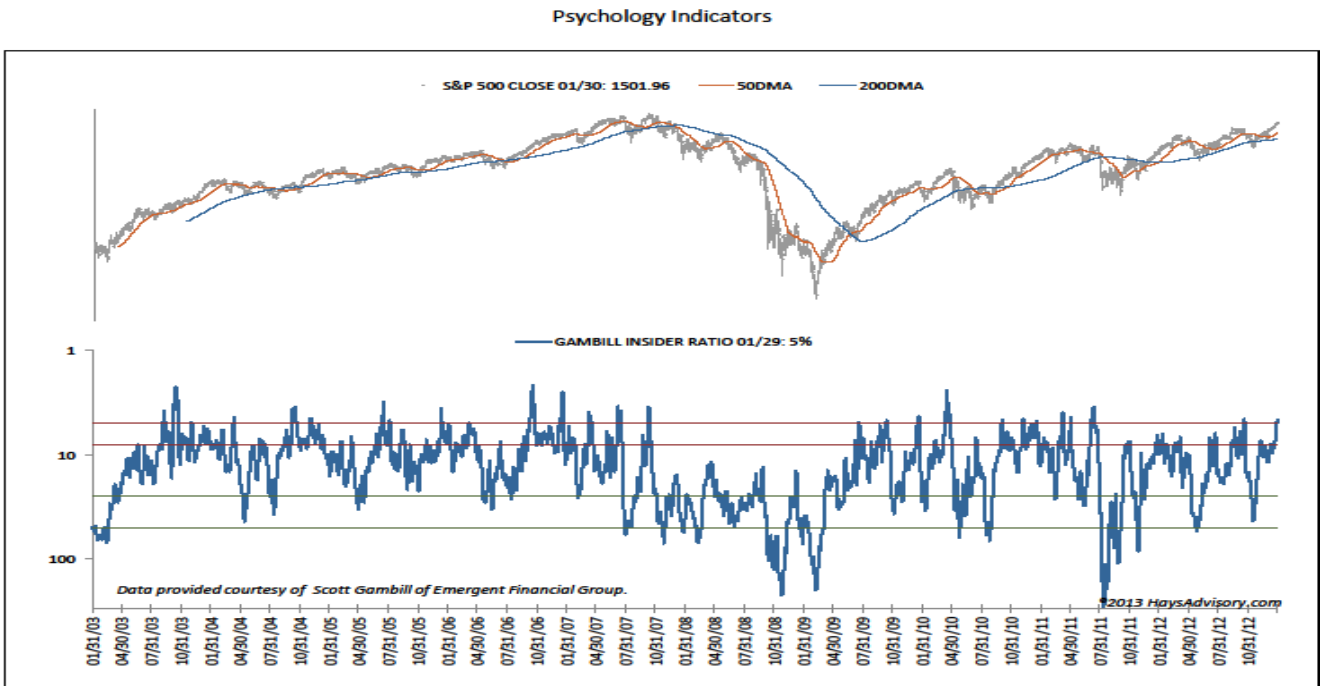
Total and Equity put/call ratios are .95 (bullish) and .67 (neutral) on the 1 day. The 15 DMAs are .87 (mildly bullish) and .65 (neutral) respectively.

OEX put/call ratio 1 day is .85 (mildly bullish) and 1.8 (very bearish) on the 15 DMA.



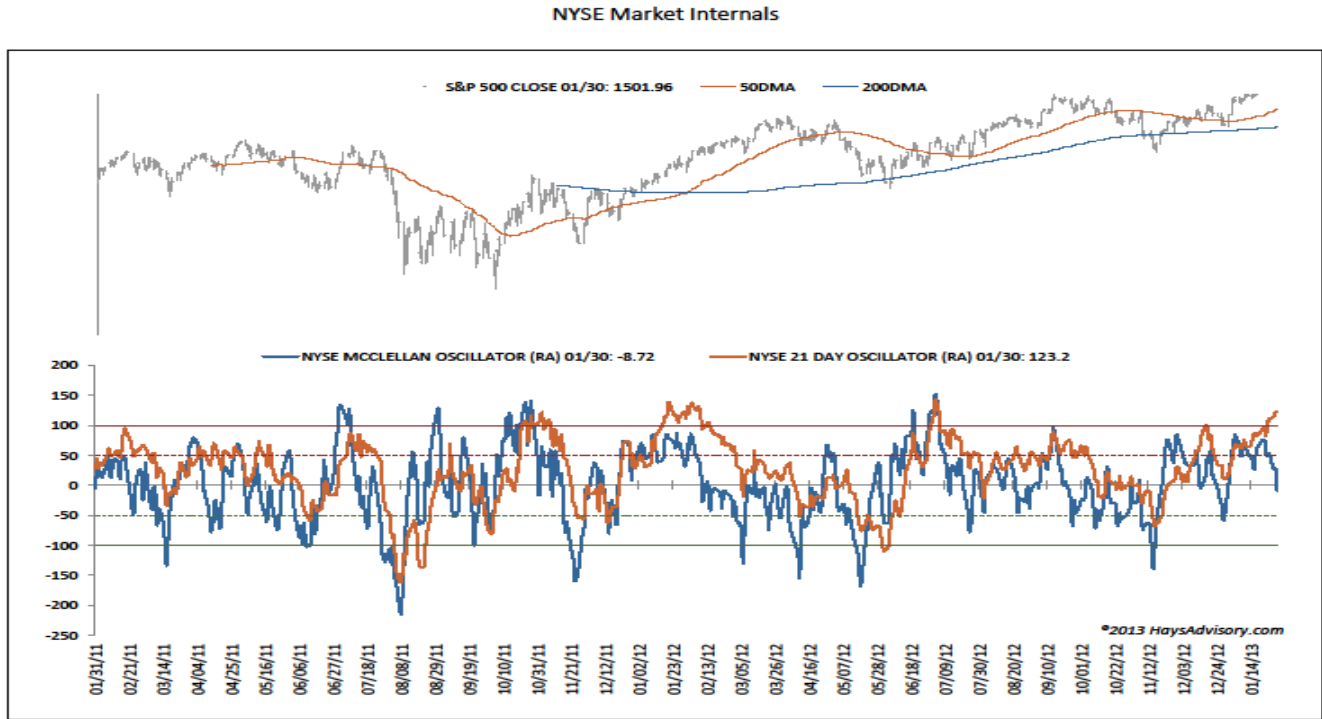
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- The Gambill Insider Buy/Sell Ratio is 5% as of 1/29 (bearish).



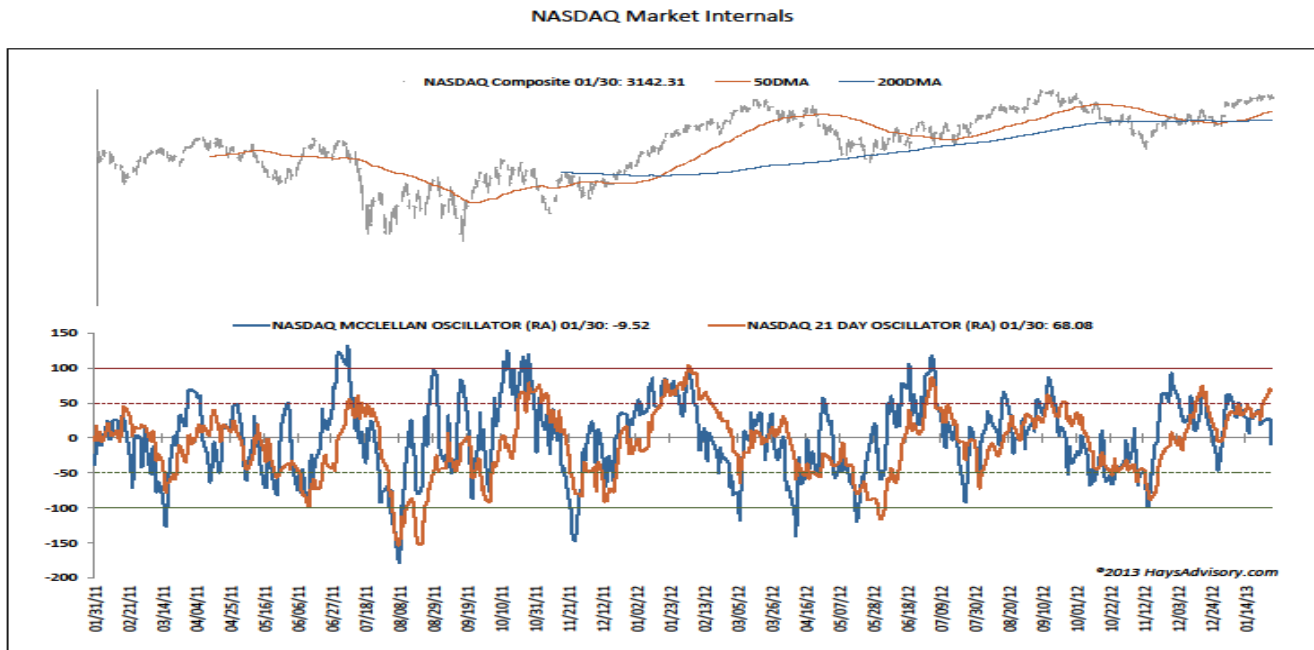
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- The NYSE McClellan OB/OS ratio adjusted is -8.72 (neutral) on the 1 day and +123.2 ratio adjusted (very bearish) on the 21 day.



2

- The OTC McClellan OB/OS ratio adjusted is -9.52 (neutral) on the 1 day. The 21 day reading is +68.08 ratio adjusted (bearish).



2



## Data:

- OTC Arms Index .68 (very bearish) and 10 day .91 (neutral). NYSE Arms Index 1.05 (neutral) and 10 day 1.03 (neutral).
- AAI bear/bull ratio 24/52 as of 1/24 (bearish).
- Investors Intelligence Bear/Bull Ratio 54.3/22.3 (bullish) ?.
- The Rydex Ratio is 40.7 (bearish).
- Gambill Insider Buy/Sell Ratio is 5% (bearish) as of 1/29.
- The WST Ratio 1 day is 42.5 (neutral) Composite 111.4 (neutral) (Source: bullsorbears.com).
- Total and equity put/call ratio 1 day readings are .95 (bullish) and .67 (neutral) respectively. The 15 day averages for the total and equity p/c are .87 (mildly bullish) and .65 (neutral) respectively.
- OEX put/call one day is .85 (mildly bullish), the 15 DMA 1.8 (very bearish).
- ISEE call/put Sentiment Index 1 day 78 (very bullish) and 15 day 112 (neutral).
- NYSE McClellan OB/OS ratio adjusted is -8.72 (neutral) 3 week average +123.2 (very bearish).
- OTC McClellan OB/OS ratio adjusted is -9.52 (neutral) 3 week average +68.08 (bearish).
- NYSE A/D line closed above its 50 DMA.
- The OTC A/D line closed above its 50 DMA.
- The DJI, SPX, DJT, OTC and RUT closed above their 50 DMAs.
- The FTSE, DAX, Hang Seng and Nikkei closed above their 50 DMAs.
- The U.S. dollar as measured by the UUP ETF closed lower at \$21.64 and below support. New support and resistance levels are \$21.61 and \$21.87 respectively.

## Commodities in up trends:

Gold (above its 50 DMA)

Oil (closed above its 50 DMA)

DRAMs (closed above its 50 DMA)

## Commodities in down trends:

Baltic Dry Bulk Rate (below its 50 DMA)

Silver (below its 50 DMA)

Aluminum (closed below its 50DMA)

CRB Spot Raw Industrials (closed above its 50 DMA)

## Commodities trading sideways:

Copper (closed above its 50 DMA)

Stainless steel (closed above its 50 DMA)

## Market Internals:

The markets closed lower yesterday.

Internals were negative for the NYSE and the OTC.

Volumes were below prior levels for the NYSE and the OTC.

NYSE: A/D 1070/1867 U/D Volume 227M/464M Total Volume 705M.

OTC: A/D 752/1719 U/D Volume 774M/1.2B Total Volumes 1.99B.

## Disclosure Appendix

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