

Market Review

Bob Krishfield

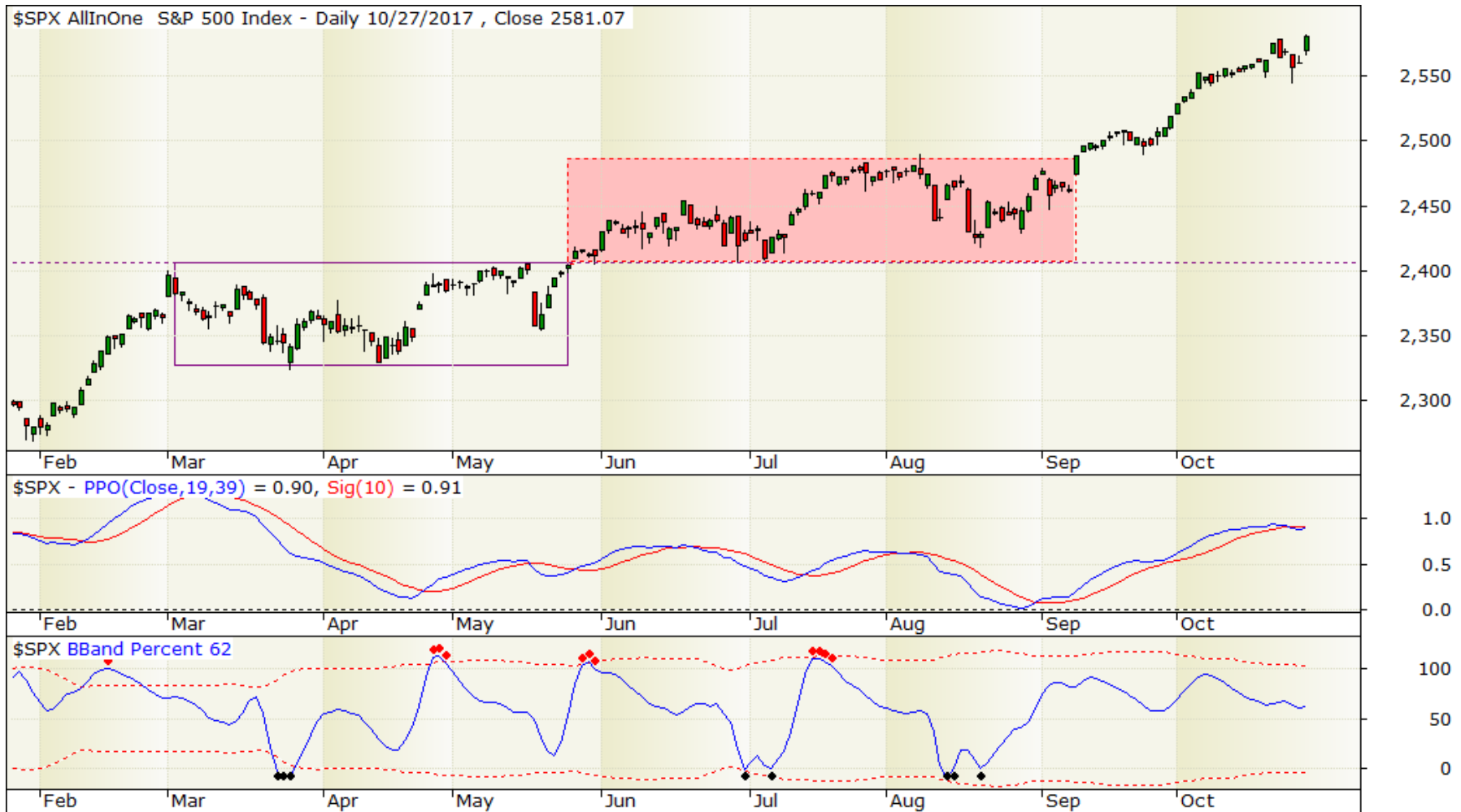
Oct 2017

bobkrish22@gmail.com

Topics Today



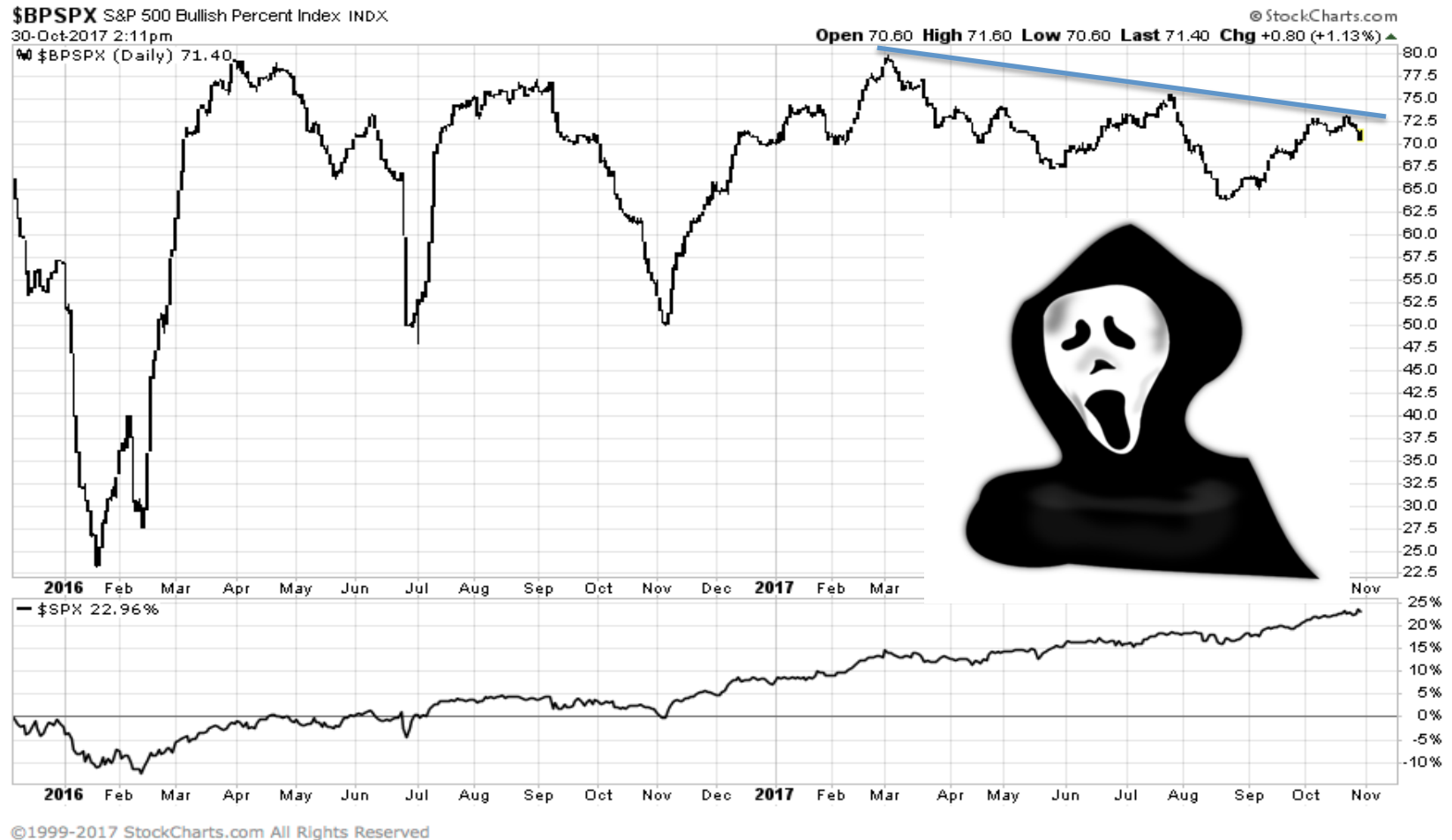
S&P 500 – A Brake-out to New Highs



S&P 500 Weekly - UpTrend Continues



S&P Bullish Percent Index In Decline



The Bullish Percent Index is a breadth indicator of the percentage of stocks on Point & Figure Buy Signals.

VIX - Low Volatility - Complacency?



Dow 30 Above 23000 – A New Threshold



NASDAQ LT Trend Still Positive



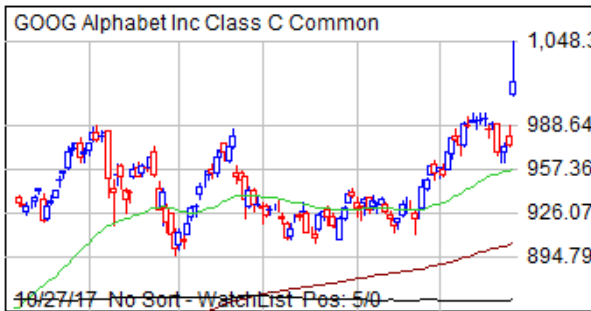
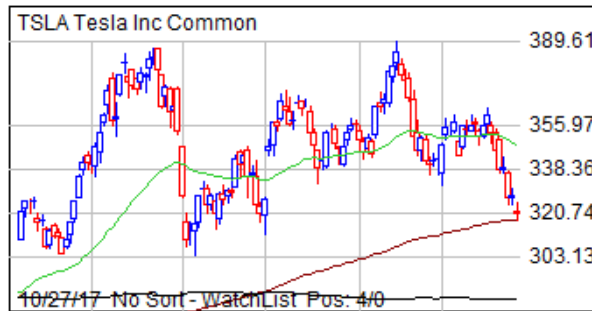
Russell 2000 Uptrend Breakout



S&P Small Caps Breakout



Canary Stock Performances



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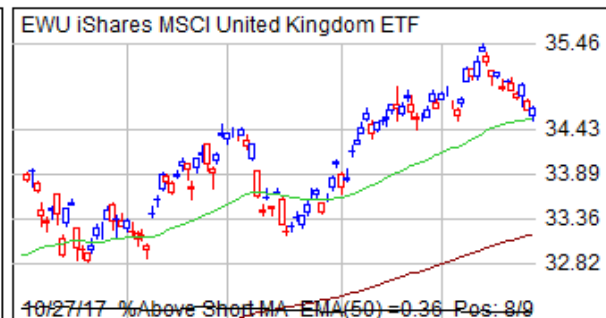
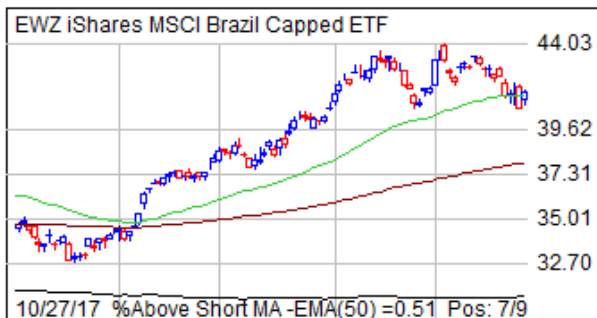
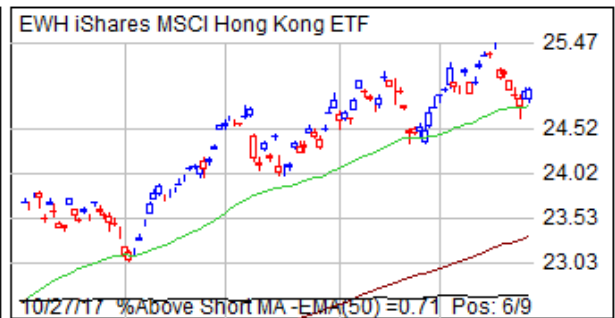
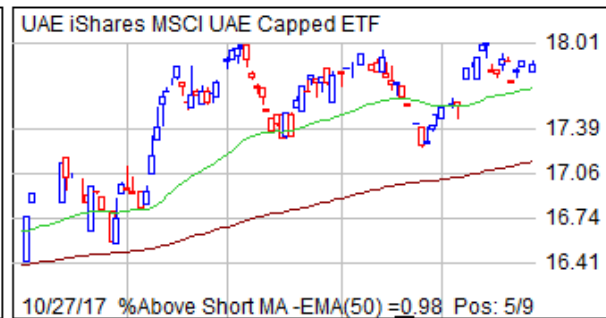
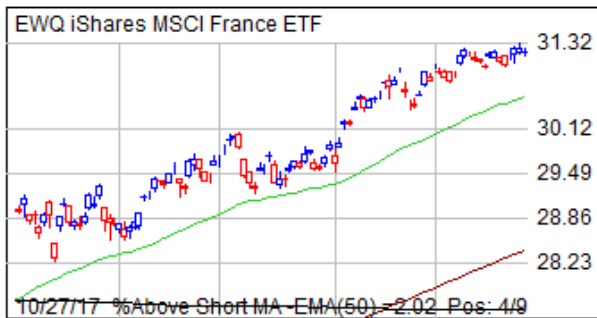
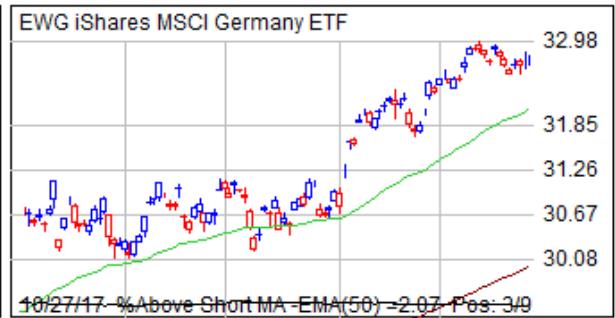
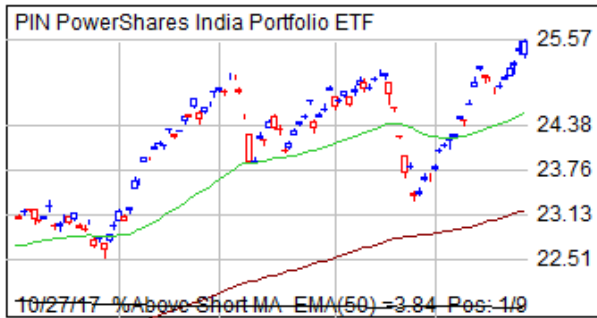
US Dollar Index



World Indices Performance

Index	Price	1Y Return ↓	52-wk Range
Nasdaq 100	6,223.25	30.0%	
Nasdaq	6,697.42	29.6%	
DJIA	23,400.00	28.8%	
Russell 2000	1,495.14	27.4%	
Nikkei 225	22,011.67	27.0%	
Hang Seng	28,336.19	26.0%	
CAC 40	5,492.18	25.1%	
DAX 30	13,231.28	23.5%	
S&P 500	2,571.96	23.1%	
S&P 100	1,136.16	22.1%	
S&P/TSX	15,999.45	7.9%	
FTSE 100	7,489.06	7.2%	
Volatility S&P 500	10.62	-30.9%	

World ETFs



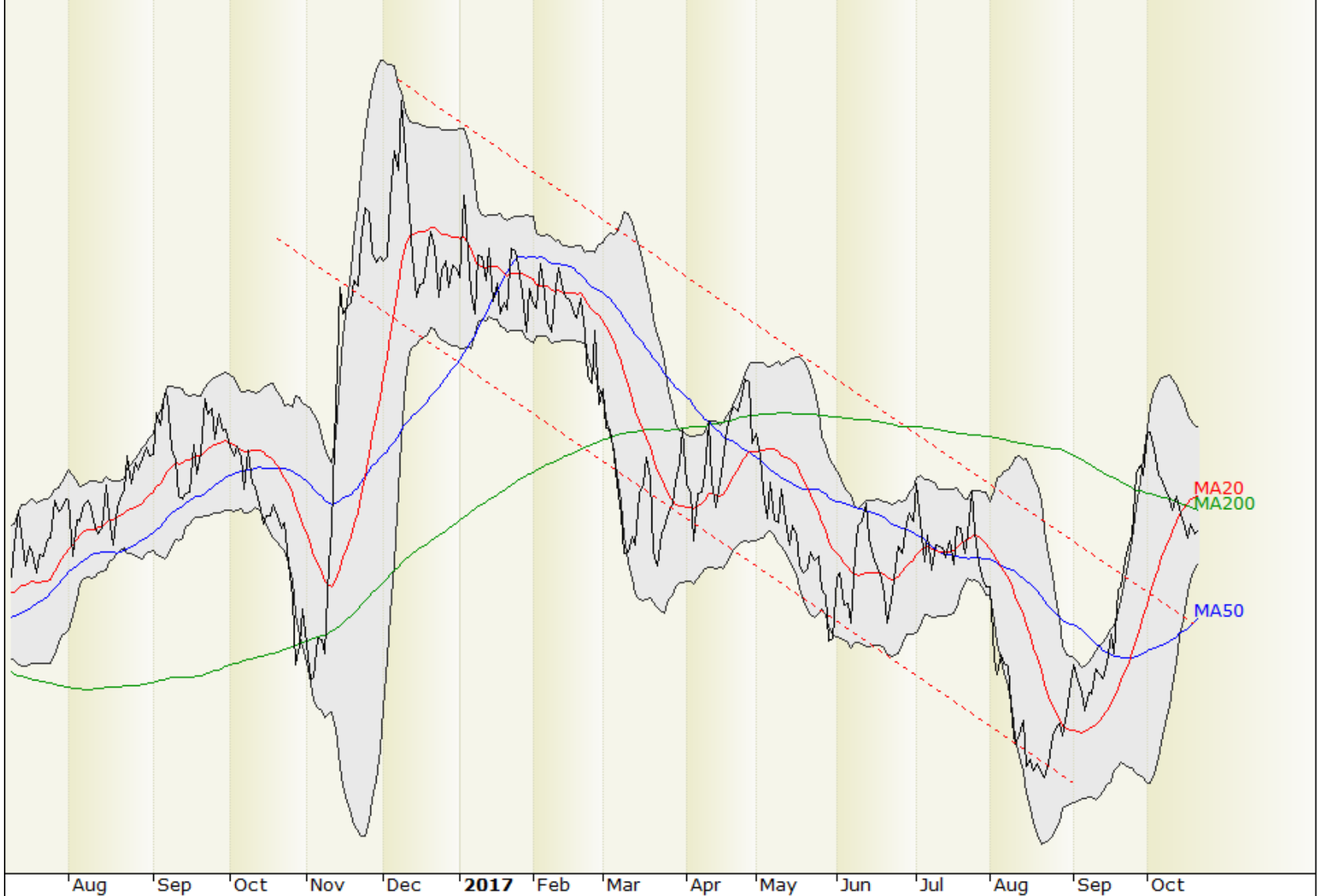
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Risk On – Off Performance



Small Cap vs Large Cap Performance

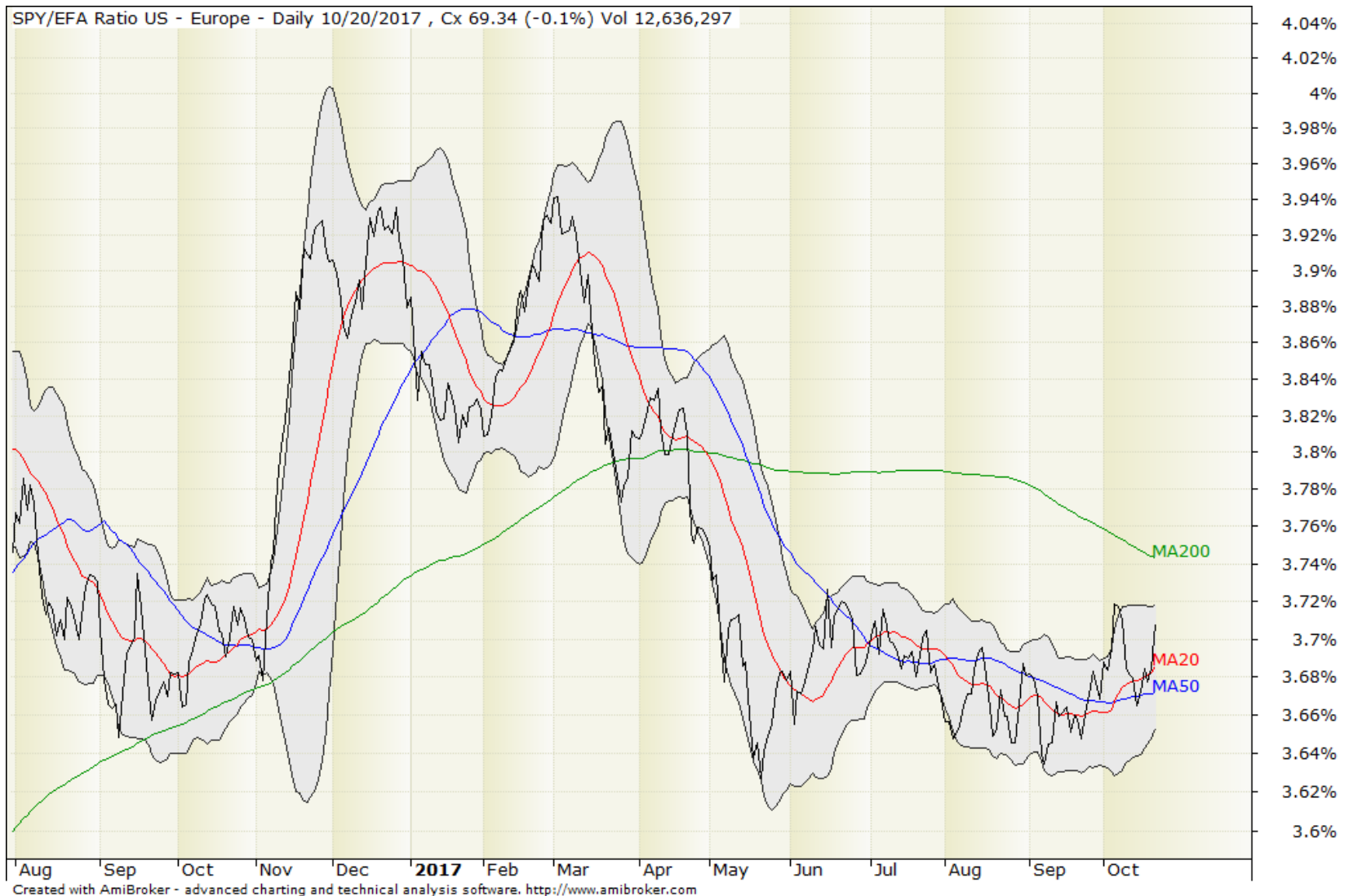
VB/VOO Ratio Small - Large Cap - Daily 10/20/2017 , Cx 143.6 (0.6%) Vol 818,090



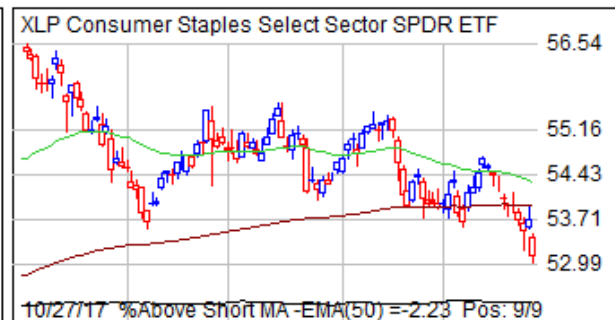
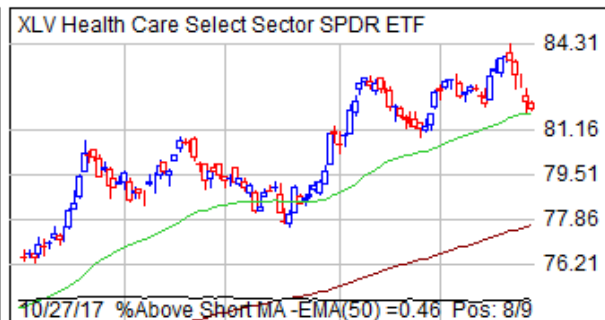
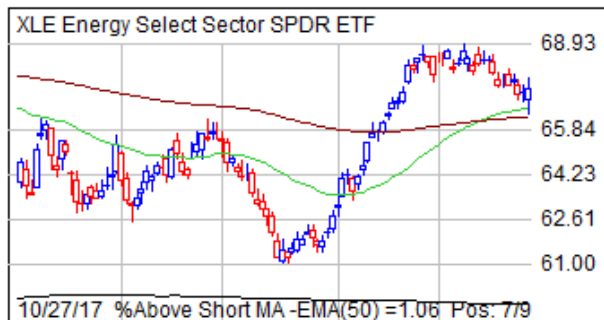
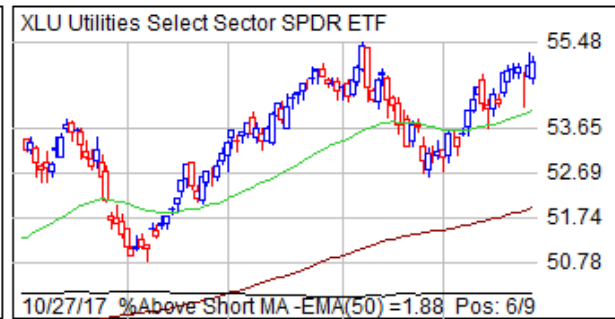
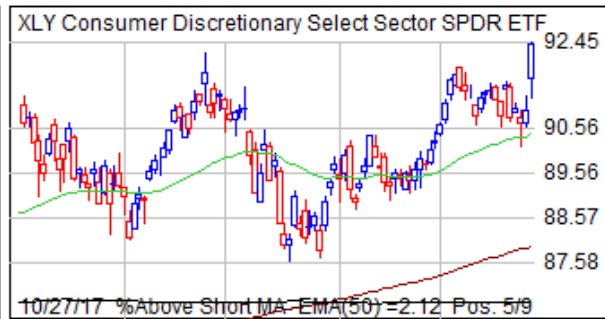
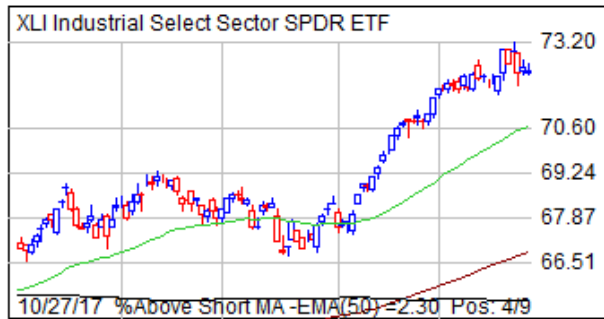
Growth vs Value Performance



US vs Foreign Stock Performance

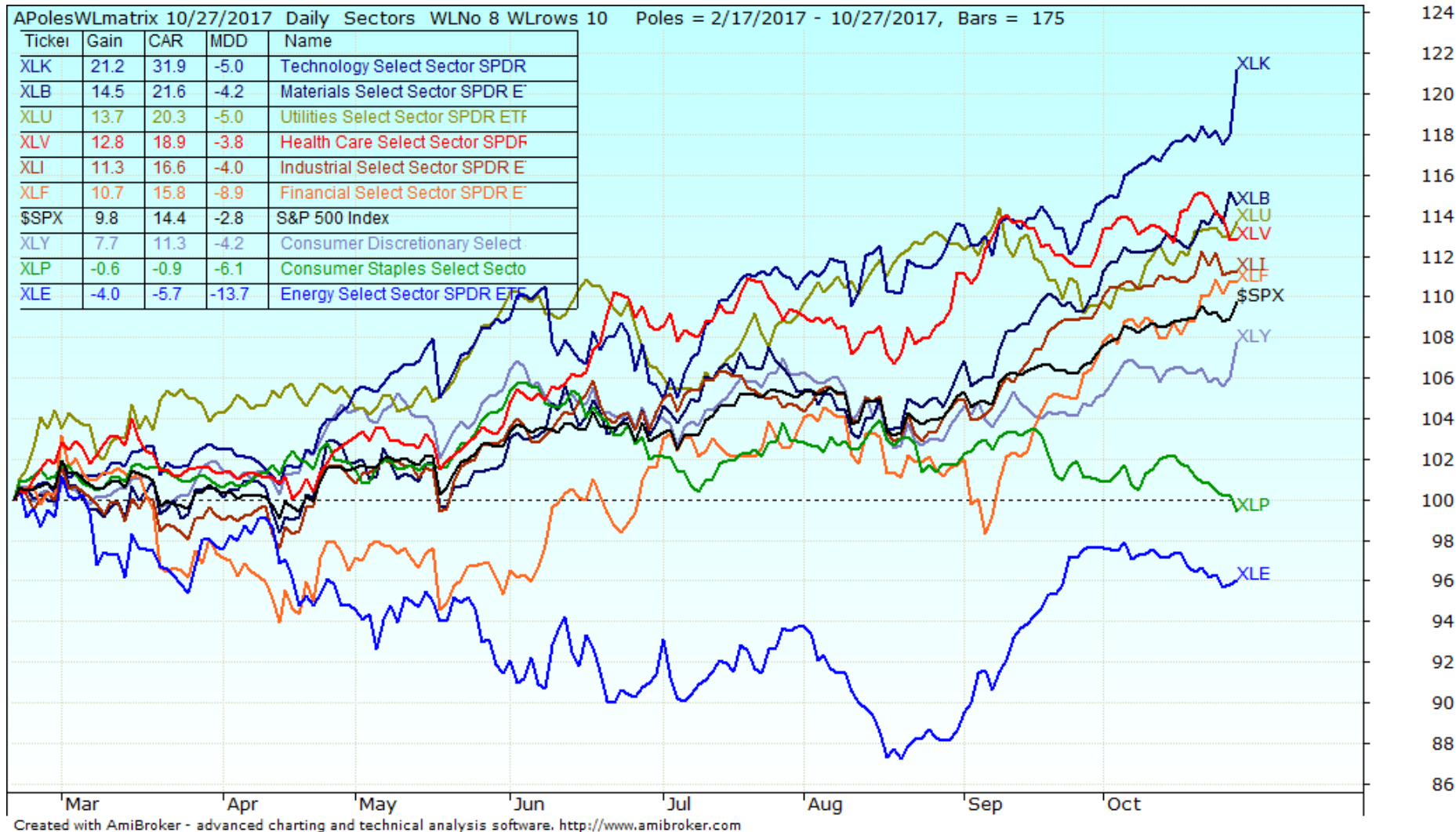


Sector Performance














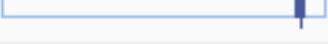

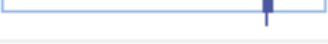

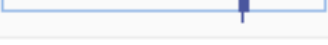

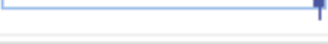


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Comparison of Sectors



Sector One Year Performance

Sector	1Y Return ↓	52-wk Range
Technology	34.8% 	
Financial Services	29.3% 	
Industrials	27.0% 	
Basic Materials	24.9% 	
Consumer Cyclical	24.0% 	
Utilities	16.9% 	
Healthcare	15.5% 	
Real Estate	14.5% 	
Consumer Defensive	8.9% 	
Communication Services	8.4% 	
Energy	7.8% 	

Top 20 ETFs (ranked by ETFReplay.com)

Symbol	ETF	ReturnA	ReturnB	Volatility	Rank
DIA	<u>SPDR Dow Jones Industrial Average</u>	+7.6%	+4.7%	5.1 %	1
VIG	<u>Vanguard Dividend Appreciation</u>	+5.0%	+2.9%	4.4 %	2
IWF	<u>iShares Russell 1000 Growth</u>	+7.0%	+3.8%	6.5 %	3
IWP	<u>iShares Russell Midcap Growth</u>	+6.4%	+2.8%	5.5 %	4
IJK	<u>iShares S&P MidCap 400 Growth</u>	+6.0%	+3.5%	5.7 %	5
VYM	<u>Vanguard High Dividend Yield Index</u>	+5.3%	+2.4%	4.5 %	6
DBEF	<u>DB X-Track MSCI EAFE US Dollar Hedged Eq</u>	+5.9%	+2.9%	5.5 %	7
DXJ	<u>WisdomTree Japan Hedged Equity</u>	+10.9%	+5.9%	9.2 %	8
VGT	<u>Vanguard MSCI U.S. Technology</u>	+10.8%	+6.6%	9.8 %	9
EWJ	<u>iShares MSCI Japan Index Fund</u>	+6.7%	+4.9%	7.4 %	10
VV	<u>Vanguard MSCI U.S. Large Cap</u>	+5.0%	+2.6%	4.9 %	11
VTV	<u>Vanguard U.S. LargeCap Value</u>	+5.1%	+2.5%	4.9 %	12
XLK	<u>U.S. Technology Sector SPDR</u>	+9.8%	+5.8%	10.7 %	13
IVW	<u>iShares S&P 500 Growth Index Fund</u>	+6.0%	+3.4%	6.6 %	14
IWB	<u>iShares Russell 1000 Index Fund</u>	+5.0%	+2.5%	4.9 %	15
VOO	<u>Vanguard S&P 500</u>	+5.0%	+2.6%	4.9 %	16
XLF	<u>U.S. Financial Sector SPDR</u>	+7.2%	+3.6%	8.9 %	17
IVV	<u>iShares Core S&P 500 ETF</u>	+4.9%	+2.6%	4.8 %	18
SPY	<u>SPDR S&P 500 Index</u>	+5.0%	+2.6%	5.0 %	19
VTI	<u>Vanguard Total U.S. Stock Market</u>	+5.1%	+2.4%	5.1 %	20

Stock Pickers Market?



- The stock market is going great guns, with the **S&P 500** having gained roughly 14 percent this year. The current market offers an opportunity for stock pickers.
- For the past year, about 44 % of the large-cap funds outperformed the S&P 500, compared to only 18 % over the past five years.
- We could be in the early stages of an 'active versus passive' regime change.
- An “Active” market favors high-yield bonds over government bonds, emerging markets rather than developed, and small-cap equities rather than large cap.



Impact of Storms on Earnings?

Hurricanes Harvey and Irma probably have caused more than \$200 billion in damages. A few companies reporting 3rd Qtr results have said on conference calls that the storms harmed their businesses to some degree.

- But the storms have not stopped the stock market's record advance. Up 15 percent in 2017, the benchmark S&P 500 is trading at 18 times expected earnings.
- A pickup in spending is yet to be seen from those who stocked up on goods from hardware and grocery stores ahead of the storms.
- Car purchases have spiked up with people replacing autos damaged by the floods.
- The S&P 500 property and casualty index hit a record high, more than recovering from a selloff that coincided with the Harvey's destruction.
 - Many investors believe that insurers will raise premiums to make up for losses, and that those higher premiums will become permanent.

Politics Driving the Market

- U.S. equities advanced to new record highs again. One factor is from the Congress passing a budget for 2018, which is seen as an key step for tax reforms.
- This allows the Republicans to pass tax reform without any support from the Democrats under the reconciliation process--which requires only a simple majority in the Senate versus the typical 60-vote threshold.
- Let's hope momentum in Congress is not interrupted by the special prosecutor's indictments.



Market Summary

- The indicators for the **longer term** equity market show a **up market** within a **bull cycle**. The NYSE Composite, the Dow Jones Industrials and the S&P 500 all are at record highs.
- US stock indexes are significantly overvalued, which suggests cautious expectations on investment returns.
- China has topped the US in the number of Billionaires (594 vs 535), and the gap is widening. Alibaba's Jack Ma is China's #2 wealthiest, having risen 41% from last year.
- BREXIT issues continue in Europe as ECB pledges to keep rates low and uncertainty continues in EU markets and economics.
- As we begin November, the seasonal markets performance is usually really good. We are in the favorable time of the year.

