

# EQUITIES PERSPECTIVE

May 29, 2015  
DJIA: 18,126

Breaking up is hard to do ... so too is breaking down. By now we are all painfully aware that we're in a trading range. Market averages like the Dow and S&P nudged to new highs last week, but trading range it remains. Less well known was last week's very own little trading range, a five-day period which saw the S&P move no more than 0.23%. Even for a pre-holiday week that's narrow. Tuesday took care of that, however, via a nasty break to the downside – the Dow lost a couple hundred, breadth was 3.5-to-1 down and volume rose. It's a small sample but similar breaks led to lower prices over the next month, according to the "Sentiment Trader." However, here's the rub. In almost half the cases the market first went to new highs before going lower, as the NASDAQ did Wednesday. So what we're trying to say is if they don't go lower they'll go higher, or vice versa – pretty much what we always say.

The main thing here is that the bull market remains intact. Now that every Semiconductor company is a takeover, we may even be on the verge of the speculative binge we've discussed more than a few times. We do think something like that will happen before the whole thing ends. For sure the bull market has developed a few cracks, including last week's slam to the Airlines and, therefore, the Transportation average. Most disturbing is the loss of leadership in an overall sense. Twelve-month New Highs peaked so long ago it's hard to even remember but the disparity now is severe. As the S&P made its new high last week there were more New Lows than New Highs, meaning no leadership. As the NASDAQ hit its new high Wednesday fewer than 3% of issues there reached new highs, the third lowest since 2001. In the past when fewer than 5% of issues traded at new highs along with the Composite, that market struggled.

The trading range in the averages is a function of the trading range in measures of momentum, stocks above their 10-day moving average being our favorite for now. It's the inability of this measure to push much above 80% that's behind the inability of the averages to push much above their ranges. This could be about the bull market's age, but it could also be about this measure's recent failure to push much below 20%. Bull markets follow bear markets because stocks become sold out. Even in the short term, it often takes a relatively sold-out market to provide the springboard of sorts for a good rally. Another test of this idea of being sold out is sentiment. There is always a degree of fear that goes with the idea of being sold out – investors sell for a reason. The VIX or Volatility Index provides a decent read on short-term sentiment and has been hitting new lows. As much as anything, this explains the trading range.

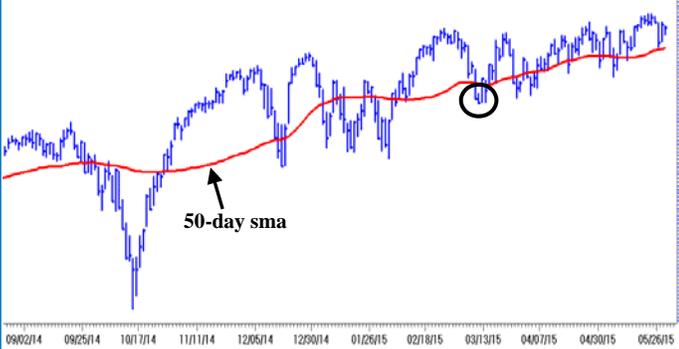
When the market goes down, Greece typically catches the blame – the rounding up of the usual suspects. Since the Banks don't own Greek debt, Greece doesn't seem the worry it was a few years ago. It's important to understand, however, that the market makes the news – in a weak market any old excuse will do. Were we to choose a worry it would be China, specifically the Shanghai Composite Index. China's not growing but that Shanghai Index is soaring, at least until Tuesday when it lost more than 6%. Then there is the bond market. Everyone is in a dither over the Fed but that bond chart says rates are through going down. Among the other problems associated with this is that it makes it easier for the Fed to raise – the market already has raised. Meanwhile, based on the number, the IPO market doesn't exactly seem overheated these days. However, the percentage of IPOs that are losing money is close to 80%, comparable to July 2000 and well above the 65% in April 2007. What hits close to home here – most are Biotechs.

Slowly pieces have begun to fall off the bull market – the Transports, New Highs, even the small-cap Russell again has begun to lag. However, should we get our blowoff move, even in just a group or two, everything would change. The technical background no doubt would deteriorate, but hope would soar – hope for the laggards. That's not a prediction, that's history. We expect something like this, but while mistaken for a new bull market, it would instead be the end of the old one. In the meantime, there are a couple of things to keep in mind even now. It's still a bull market but as is historically typical, more and more it's a bull market in the Dow and S&P. As those averages dabble with new highs, only about half of NYSE stocks are in 6-to-8 month uptrends, that is, above their 200-day average – not what we call a bull market. Even for the S&P Index itself, the number is only 65%. Bull markets never end with the Advance-Decline Index at new highs, but even that peaked back on April 28. In any new high in the averages, how this measure responds will be important.

Frank D. Gretz

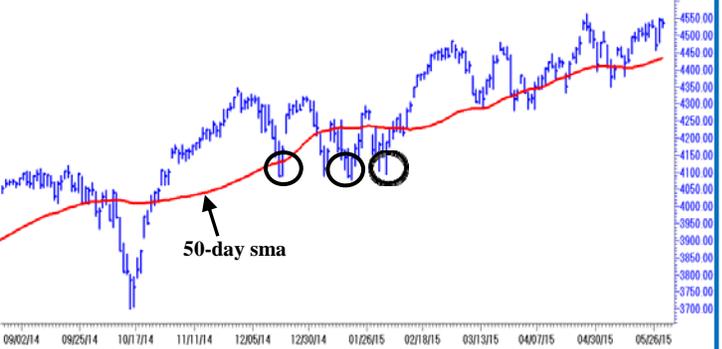
### S&P 500 (SPX - 2121) - DAILY

Daily > SPX:UT S&P 500 Index C: 2120 Chg: 2 > sma50 2099.0

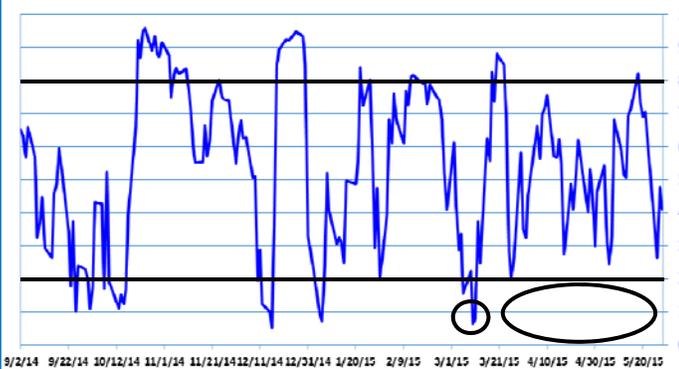


### NASDAQ 100 (NDX - 4536) - DAILY

Daily > NDX:O Nasdaq 100 Index New Calculation C: 4535 Chg: 10 > sma50 4433.9

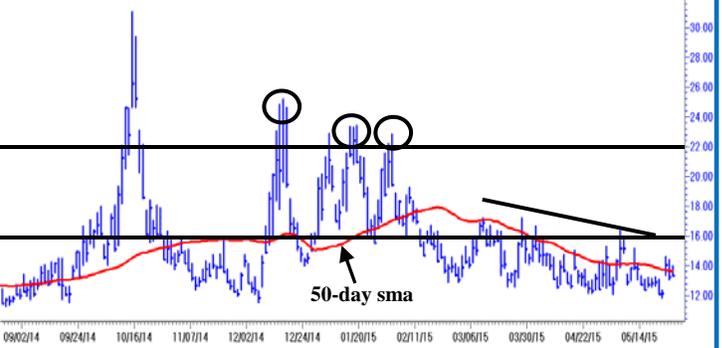


### S&P 500 -% OF STOCKS ABOVE THEIR 10-DAY MA - DAILY



### CBOE MARKET VOLATILITY (VIX - 13) - DAILY

Daily > VIX:UT CBOE Market Volatility C: 13 Chg: 0 > sma50 13.61



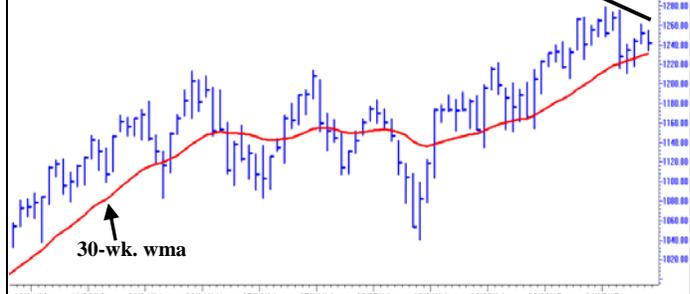
### SEMICONDUCTOR ETF (SMH - 60) - WEEKLY

Weekly > SMH Market Vectors Semiconductor ETF C: 59 Chg: 0 > sma30 56.18



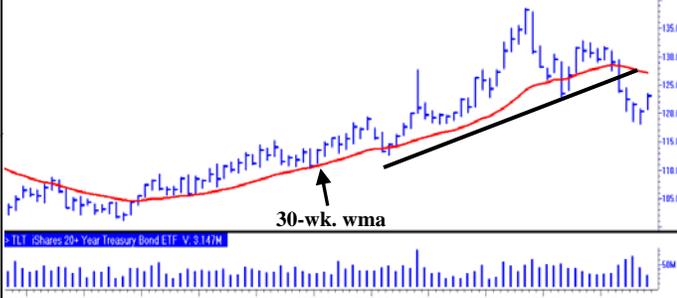
### RUSSELL 2000 INDEX (RUT - 1242) - WEEKLY

Weekly > RUT:F Russell 2000 Index C: 1241.8 Chg: 11.2 > sma30 1230.9



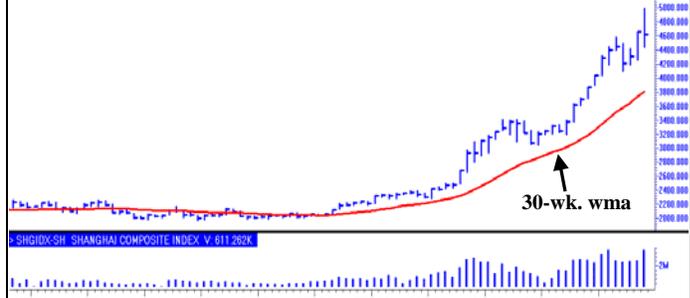
### ISHS 20+ YR TREASURY BOND ETF (TLT - 123) - WEEKLY

Weekly > TLT iShares 20+ Year Treasury Bond ETF C: 123 Chg: 0 > sma30 127.16



### SHANGHAI COMPOSITE INDEX (SHGIDX - 4613) - WEEKLY

Weekly > SHGIDX:SH SHANGHAI COMPOSITE INDEX C: 4613 Chg: 0 > sma30 5593.8



### ISHS NASDAQ BIOTECH ETF (IBB - 365) - WEEKLY

Weekly > IBB iShares Nasdaq Biotechnology C: 365 Chg: 0 > sma30 342.95



### NATIONAL BANK OF GREECE SA (NBG - 1.32) - WEEKLY

Weekly > NBG National Bank Of Greece S. A. ADS NEW 1:1 Ordinary NEW Share C: 1 Chg: 0 > sma30 1.45

