Market Breadth Indicators

Tom McClellan, Editor

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Editorial

So, what's it like to actually be in a bear market?

NYSE Highs-Lows for Tuesday, Oct. 20, 1987

New Highs 1

Norlnd PS

New Lows 1174

AM Intl
AM Intl pf
AMR Corp
ARX Inc s
AbbottLabs
AbitibiPr g
Acme Clev
Adams Exp
AdamsMills s
AMD
AMD pf
AdvrsGrp
AetnaLife
Ahmanson
Allegis Inc
Airbn Frt
Airfease
AlaPw 9pf
AlaskaAir
AlcanAlum s
AlcoStand s
AlexAlex
AlleghInt
Allgint 2.19pr
AlleyLud n
AllenGrp
AlliedPrd
AlisChalm pf
AlisMills n
ALLTEL Co s
AmexGold s
AmBrands
AmBrd 2.75pf
AmBrdsMed
AmCapCv
ACapMtR
AmCyan s
AmElPw
AmExpr s
AmFamly s
AmGenCp
AmGenCp wt
AHmPr n
AmHerMLJ s
Am Hoist
AmHotel pf
Am Home
AmerRech s
AmPresid
AmPresid pf
AmRExt n
Am St Rlty

BrockHtl n
BrockHtl pf
BrokenHill n
BrownGrp
BrwnFer s
Brunswck s
BrushWel
BuckeyePar n
Bunker Hill
BurgKalev
BurlingCoat
BurlNth
CBI Ind
CBI Ind pf
CCX Corp
CIGNA Cp
CNA IncSfr
CNW Cp
CPC Intl s
CRI UMI
CRI UM II n
CSX Cp
CTS Corp
C 3 Inc
CaboCp
CaesarsWld
CalFedP n
CalFed
CalREIT
Calton
CampSoup
CanalHid
Carlisle
CareFrght
Carrington n
CarterHawly n
Carter Wall
Cascde NGs
Castle Cke
CastlCke pfA
CatalysEn
CedarFair n
Centel
Centex
CentSo West
CentHud Gas
CentLaEltc
CentVIPS
CentreCp
Cenvillew
Cert-Teed
Champ Int

DaytPL pfF
DeanFoods
Decision Ind
DelmarPL s
DeltaAirl
DenimMfg
DeSoto Inc
DetE 9.32pf
DetE 7.48pf
DetE 7.45pf
DetE 2.75pf
DetE 3.24pr
DetE 3.12pf
DetE 3.12pf
DetE 3.48prO
DetE 3.48prM
DiGiorgio
DiaShmRM n
DianaCp
Diebold
Divers Int
DominRsc
Donaldson
DoverCp
DowneySL
DravoCp
Dreyfus
duPont
duPnt 3.50pf
duPnt 4.50pf
DukeP pfG
DukeP pfK
DukeRityInco
DukeRtyCap
Dunhrad s
Dunham Ll
DunLl 2.10ptA
DunLl 2.70pf
DunLl 2.20pG
DunLl 2.31pr
Dynacorp
EGG Inc
EQK Grn
EQK Rty
ERC Intl
E System
E-II Hld s
EagleFich
EastGasFuel
Eastn Util
EatonCp
Echlin

GTE 2.47pf
Gabell
GatoobLaw n
Gaylord s
Gaylnc s
GemiCee
Gemtl In
GenAm Inv
GenCinema
GaCin pf
GenData
GenDevl
GaDynam
GenEngy
GenHome
GenHost
G Housewar
GenMot Spf
GNC
GenRecorp s
Gen Refrac
GenSignal
GTFI 8.14pf
Genesco Inc
GenuPart s
GaPacif
GeaPwr 2.28pf
GaPw 3.65pf
GaPw 3.44pf
GaPw 2.58pf
GerberProd
GermanyFd
GettyPtr s
GIANT Group
GilbrtFin
Gillette s
GlaxoHldg n
GlensfC
Glenfed
GlbGovt n
GlbGfhInc
GoldNugf
GoldNug wt
GoldWstFin
Goldome n
Goodrich
Gdrich pfD
Goodyear
GordonJwl
Gouldinc
Grace Co
GrtAmFst

IrvngBk
ItalyFd n
JP Indust
JWP Inc s
JamesRiver
JamesRvr pf
JamesRvr pf
Jamesway s
JeffPil
JerCenP 4pf
Johns Jn
JohnsCn s
KDI Co
K mart s
KN Eng
KanebSvc
KCSouind
KanGasEl
KaufBdHm
KaufBrand s
KaufBd pfA
Kay Jewel s
Kellogg
Kellwood s
KentuckyUtil s
Kerr Glass
KerrGls 1.70pf
Keycorp
Keyslnl
KlelnertGen n
KnightRid
KoppCo
KoparProp
Kollmor
Kraftinc
Kroger s
Kuhlman
LL&E Royity
LVI Grp pf
LaQuintLP
LacledeGas
Landmk Inc
Lawlnd
LearPetrl
LearPet cv pf
LeggMason
LehmanPfpf
Lehman Cp
Lennar
LesleFay
Leucadia Mill s
LigatGp n

MylanLab s
NAFCO Fncl
NBI Inc
NCH Corp
NCNB Cp s
NL Ind pf
NLT Cp s
NWA Inc
Nacco s
NatCmSfr
Nat Ed
NatFuelGas s
NBI
NBI pf
NatMedEn
NatPresto
NtSemi wt
NatSvcInd s
Nat Steel
Navistar
Navistr pfD
Navistr pfG
NelmMar
NevadaPw s
NewEngEl
NewEngEtc
NewPlanRlt
Newell pf
Newhall s
Newhallnv
NewmtRsc
NewsCorp
NiagMk Pow
NiMk 3.64pf
NiMk 4.56pf
Niagra Shre
NichAmpt n
NordRsc
NorflkSou s
NorstarBcp
Nortek s
NoEurOil
NestSvg
NEstSvg pf
Nortnd PS
NSPw 4.08pf
NSPw 8.36pf
Northgate n
Northrop
NwstBkN
Norwest
Norwind

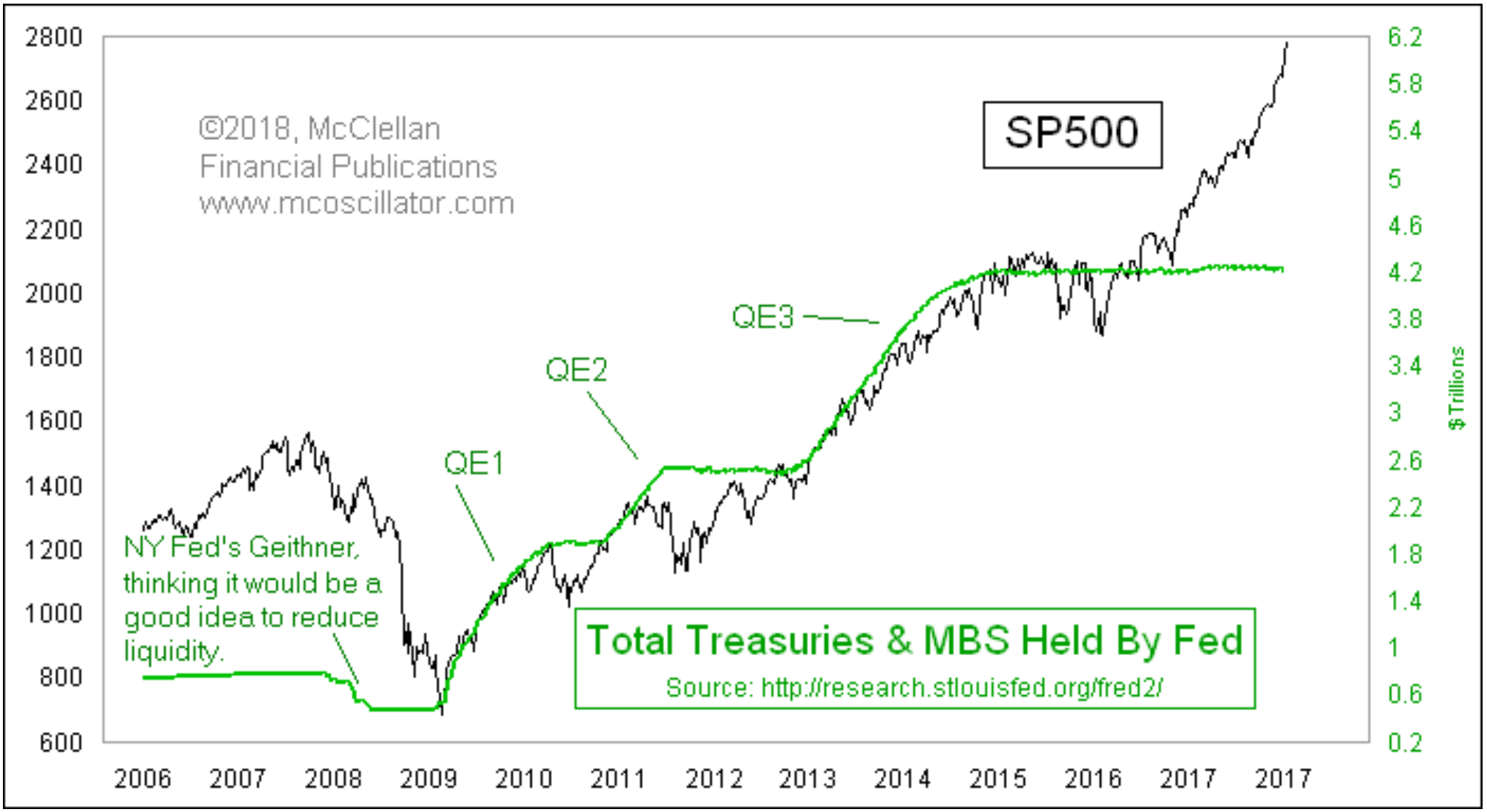
PubSvc NH
PSNH 2.81pf8
PSNH 3.25pfF
PSNH 3.45pfG
PSEG 5.08pf
Pueblo Int
PugSdPL
Pullman
Pulsetrnx
PulsumWlac n
PyroEngy
QANTEL
QuakerOats s
QuakSCp
QuasrVale n
QuasrValCa n
QuestarCp
QuickRell s
RB Ind
R JR Nab
RLC
RTE Corp
Radice
RaisinPur
Ramadainc
RamarOil
Rayonier
REIT
RityRef Tr
RecognEq
Redman Ind
Reebok s
ReichFrcl n
ReichTang n
ReliantGp
RenGyps
RenoNtNY
Rhodes
Rich Tel
Rockaway
RockCastr
Rockfrd pfB
Rockwell Int
Rohr Ind
RollinsEnv s
Rollins
RoperCp s
RorerGp
Rothchld
RoyceVal n
Rubermd
RussBerr

Tandy
Tandycrft
Tech Sym
Tektronix s
Teledyne
TeleCpEqu n
Telex Corp
Tenneco
Tesoro s
Texaco
vjTexaco
TexAmRnch
TexEaste
Textron s
Thackeray
ThermoEl
Tiffany n
TimeCo
Tipn pf
vjToddShp
TolEd 2.24pf
ToiBros s
TooseCo
Toose pf
ToysRUs
TransalCrow
TWA
Transam Co
TriCdnPipe n
TransCanPn
TransctEne
Transco pf
TransctExp
Transco Inc
Travelers
Travlrs pf
Tri Cont
Tri-Cont pf
Triangind s
Trinova s
Tultex s
TycoLabs s
Tyler

UDC Devl
UGI Corp
UNC Inc
UNUMI n
UMS Corp
USFG Cp
USFG 4.16pf
USG
USPCI s
USX 3.75pr

There are only 2 fundamental factors which matter:

- How much money is there?
- How much does that money want to be invested?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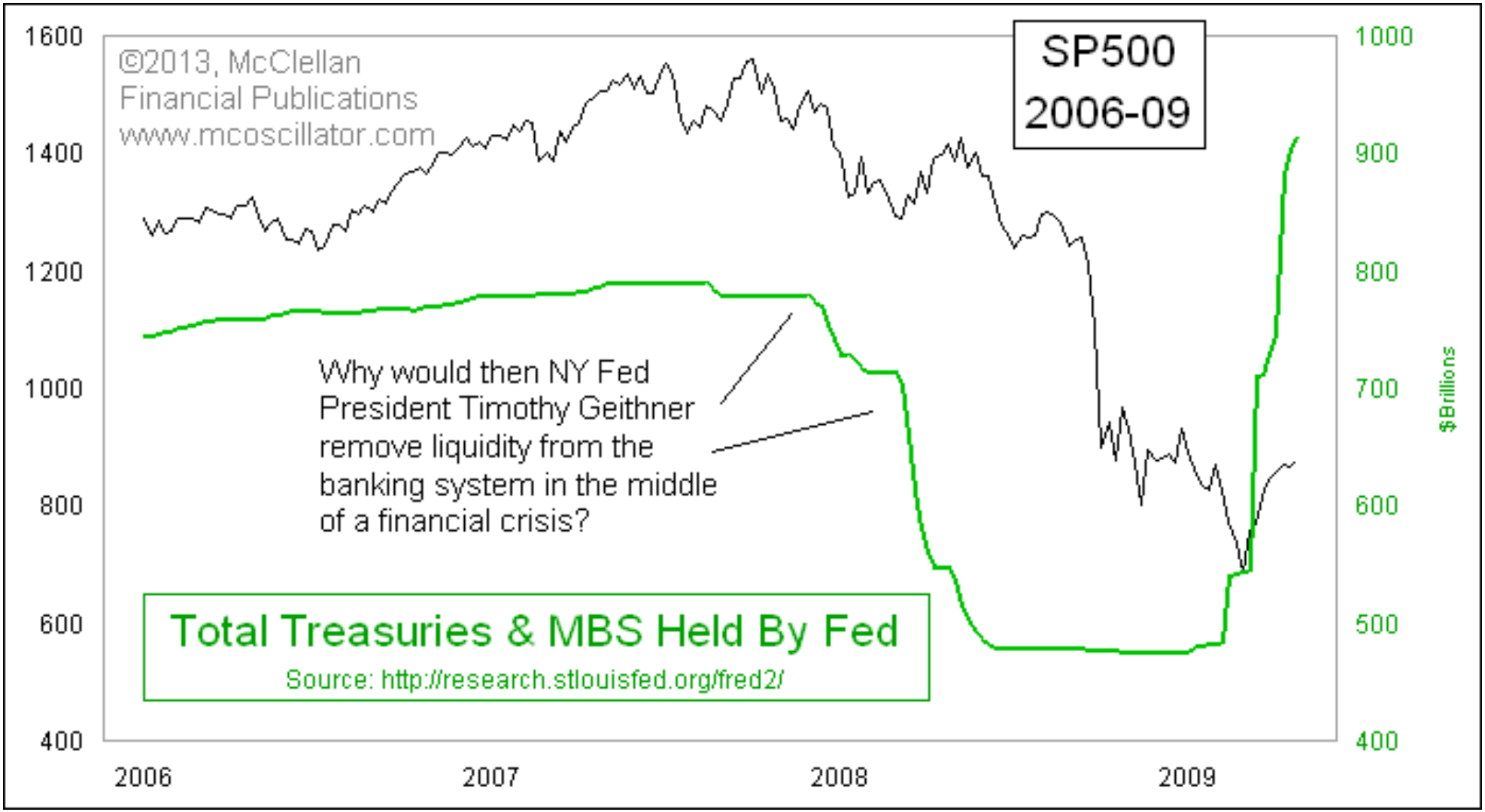
SP500
QE1
QE2
QE3
NY Fed's Geithner, thinking it would be a good idea to reduce liquidity.
Total Treasuries & MBS Held By Fed
Source: http://research.stlouisfed.org/fred2/
$ Trillions
2800
2600
2400
2200
2000
1800
1600
1400
1200
1000
800
600
6.2
5.8
5.4
5
4.6
4.2
3.8
3.4
3
2.6
2.2
1.8
1.4
1
0.6
0.2
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2017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SP500
2006-09
Why would then NY Fed President Timothy Geithner remove liquidity from the banking system in the middle of a financial crisis?
Total Treasuries & MBS Held By Fed
Source: http://research.stlouisfed.org/fred2/
$Brillions
1600
1400
1200
1000
800
600
400
1000
900
800
700
600
500
400
2006
2007
2008
2009

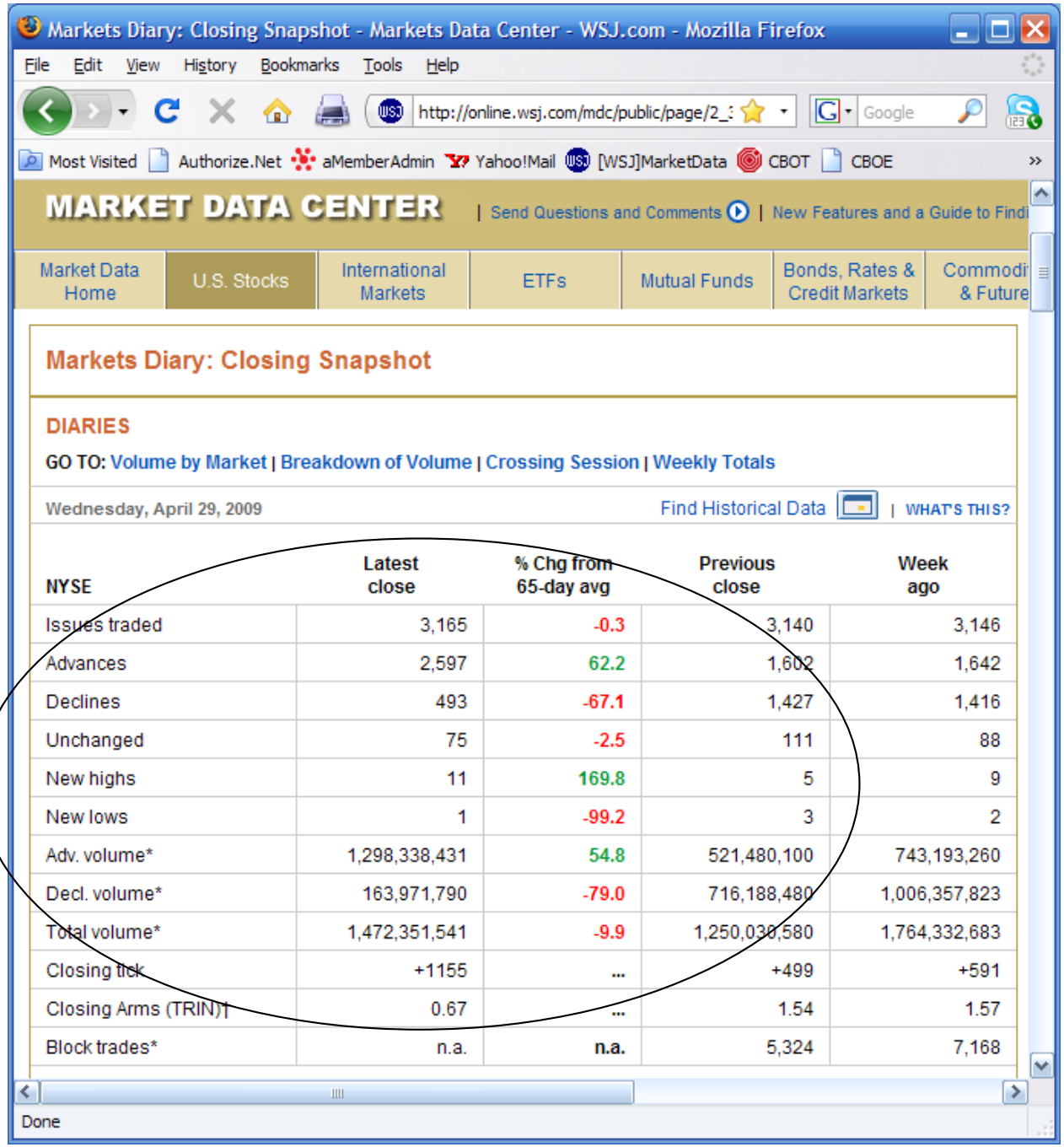
All breadth indicators are "diffusion indices"

A diffusion index measures the proportion of a population exhibiting a certain behavior.

Most Common Breadth Indicators

- A-D Line
- Up-Down Volume
- New Highs – New Lows (NH-NL)
- Stocks above XXX-MA
- Stocks on P&F buy signal

LEONARD PORTER AYRES
BRIGADIER GENERAL
GENERAL STAFF CORPS
UNITED STATES ARMY
D. S. M.
1879 —— 1946
HE SOUGHT THE TRUTH THAT
IT MIGHT MAKE MEN FREE



NYSE	Latest close	% Chg from 65-day avg	Previous close	Week ago
Issues traded	3,165	-0.3	3,140	3,146
Advances	2,597	62.2	1,602	1,642
Declines	493	-67.1	1,427	1,416
Unchanged	75	-2.5	111	88
New highs	11	169.8	5	9
New lows	1	-99.2	3	2
Adv. volume*	1,298,338,431	54.8	521,480,100	743,193,260
Decl. volume*	163,971,790	-79.0	716,188,480	1,006,357,823
Total volume*	1,472,351,541	-9.9	1,250,030,580	1,764,332,683
Closing tick	+1155	...	+499	+591
Closing Arms (TRIN)†	0.67	...	1.54	1.57
Block trades*	n.a.	n.a.	5,324	7,168

Advances – Declines:

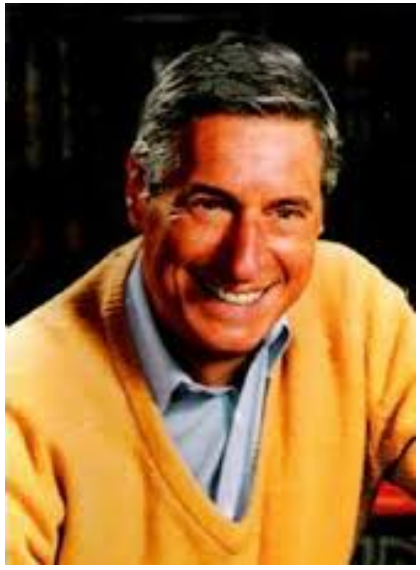
2597

-493

+2104

A-D Line

- Running cumulative total of all advances and all declines since start point
- First conceived by Leonard Ayres in 1926
- Became more widely followed in 1960s after Richard Russell and Joe Granville highlighted big divergence



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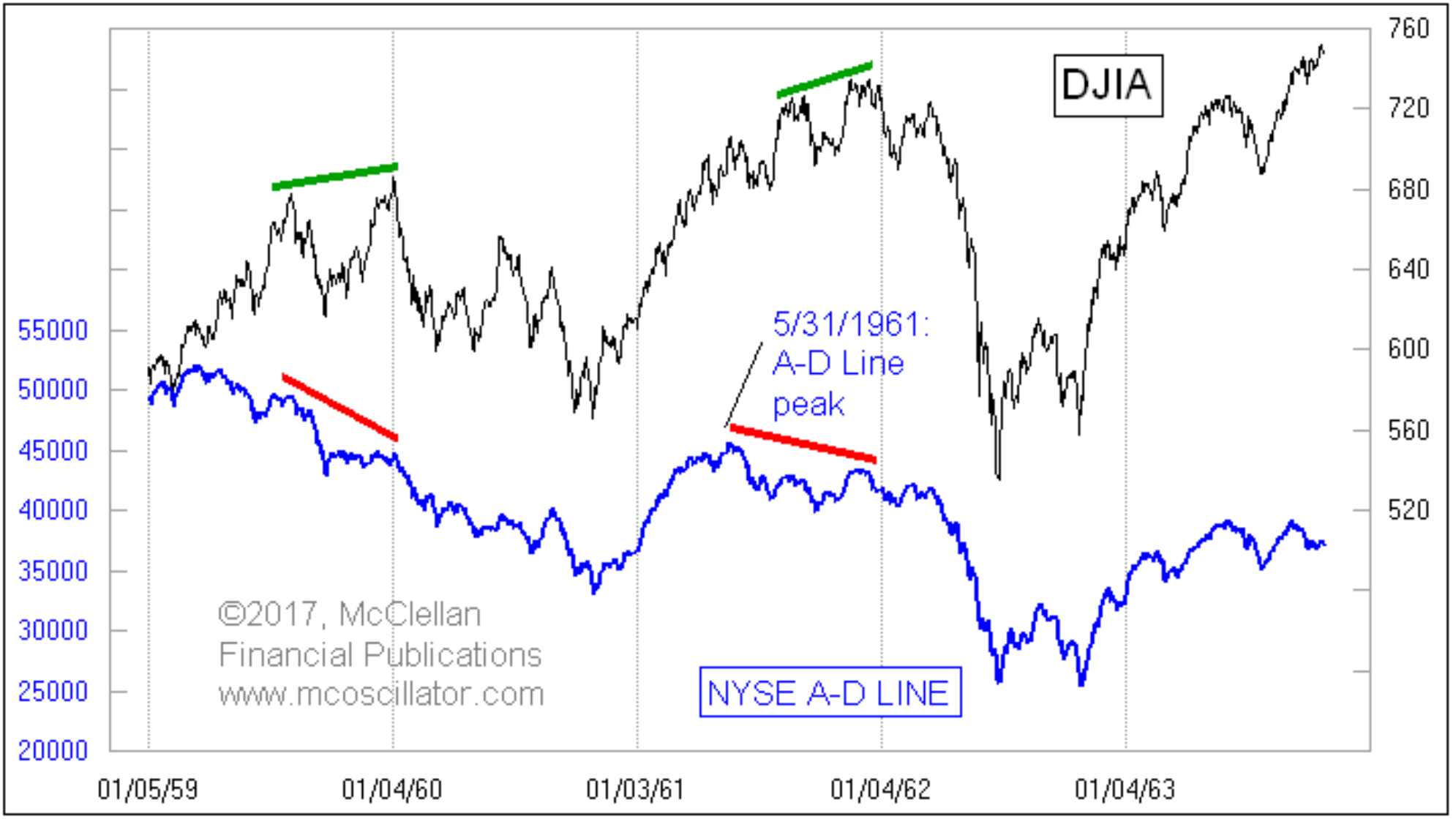
DJIA
760
720
680
640
600
560
520
55000
50000
45000
40000
35000
30000
25000
20000
5/31/1961:
A-D Line
peak
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NYSE A-D LINE
01/05/59
01/04/60
01/03/61
01/04/62
01/04/63

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©1987 SEATTLE POST-INTELLIGENCER
STOCK MARKET
KEEP BLOWING!
THINK SHORT TERM PROFITS!
AND DON'T THINK ABOUT 1929!
WALL STREET
CORPORATE RAIDERS
INVESTMENT HOUSES
SPECULATORS
HORSEY

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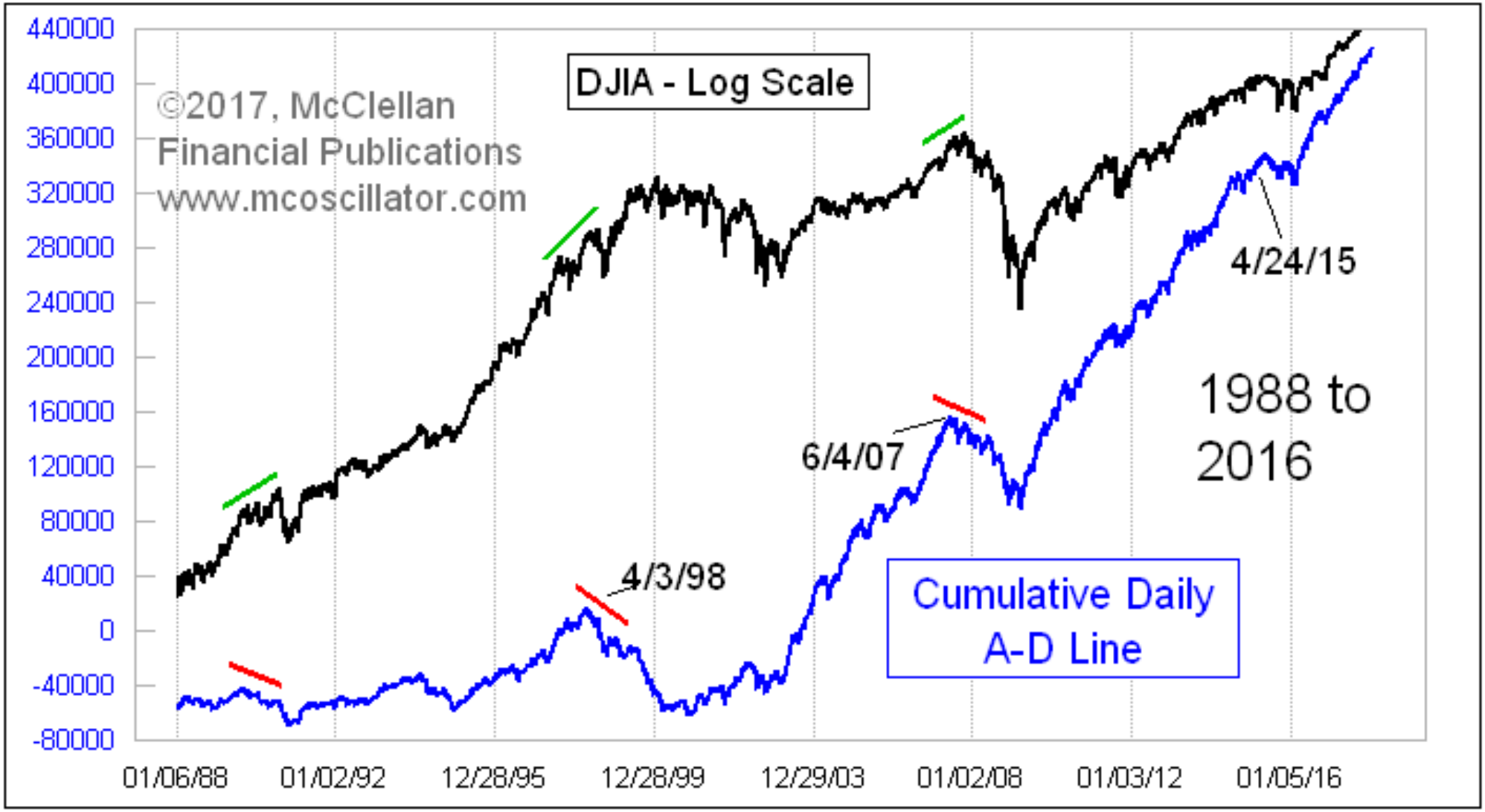
DJIA - Log Scale
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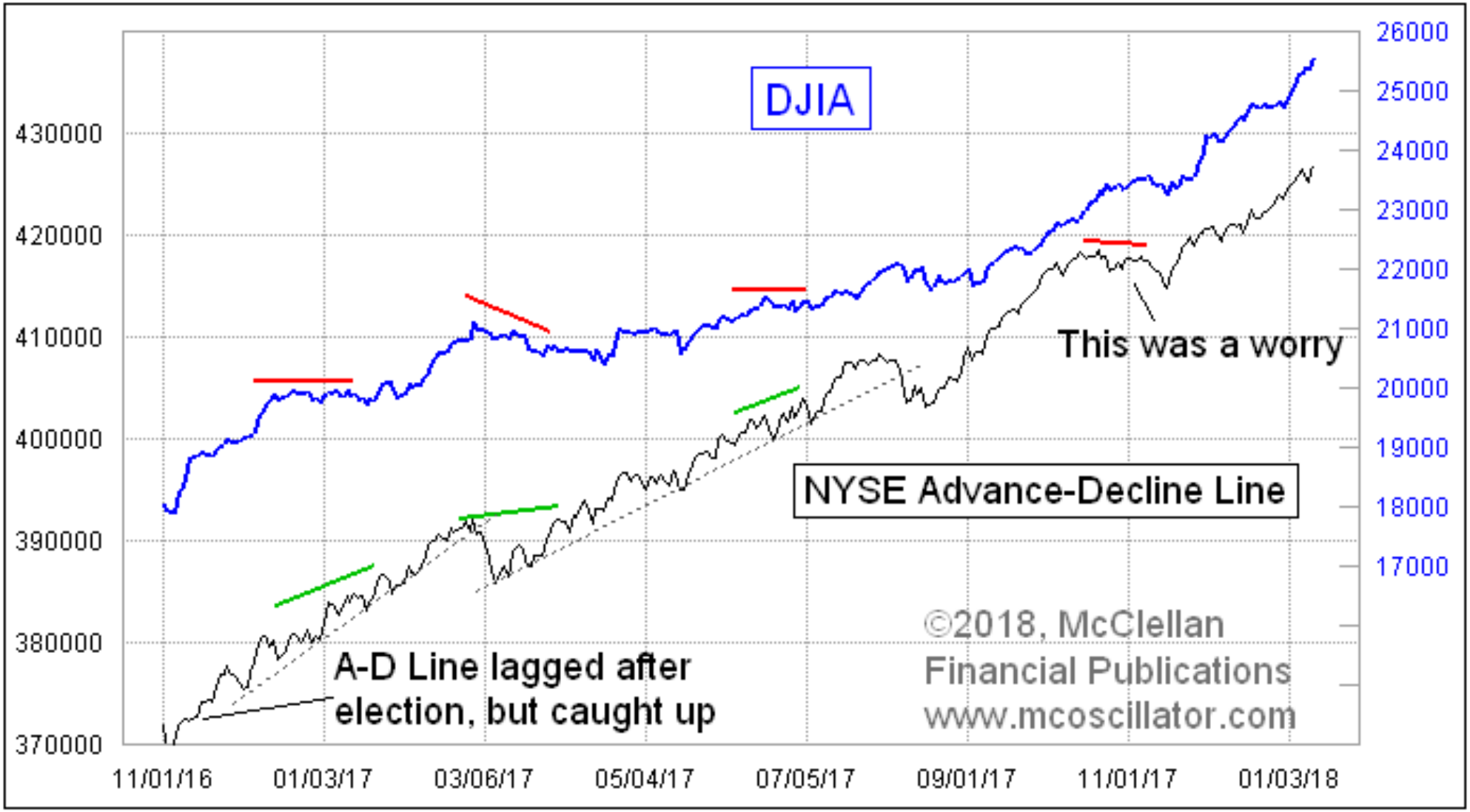
440000
400000
360000
320000
280000
240000
200000
160000
120000
80000
40000
0
-40000
-80000
01/06/88
01/02/92
12/28/95
12/28/99
12/29/03
01/02/08
01/03/12
01/05/16
4/24/15
6/4/07
4/3/98
1988 to
2016
Cumulative Daily
A-D Line

CANARY BIRDS WERE TAKEN INTO THE EARLY MINES IN CAGES IN ORDER TO DETECT THE PRESENCE OF THE ODORLESS AND LETHAL GAS, CARBON MONOXIDE


DJIA
NYSE Advance-Decline Line
This was a worry
A-D Line lagged after election, but caught up
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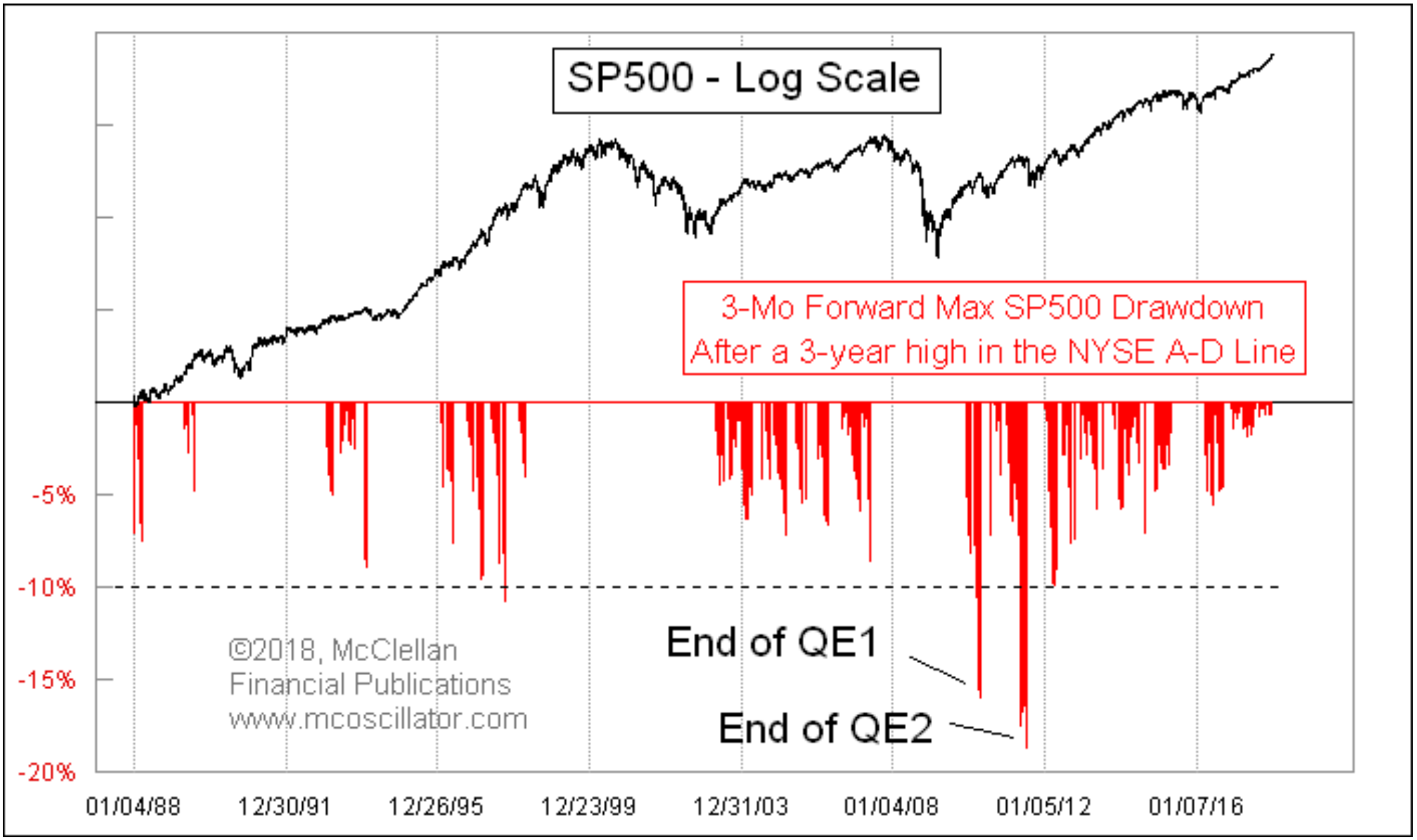
430000
420000
410000
400000
390000
380000
370000
26000
25000
24000
23000
22000
21000
20000
19000
18000
17000
11/01/16
01/03/17
03/06/17
05/04/17
07/05/17
09/01/17
11/01/17
01/03/18


SP500 - Log Scale
3-Mo Forward Max SP500 Drawdown
After a 3-year high in the NYSE A-D Line
-5%
-10%
-15%
-20%
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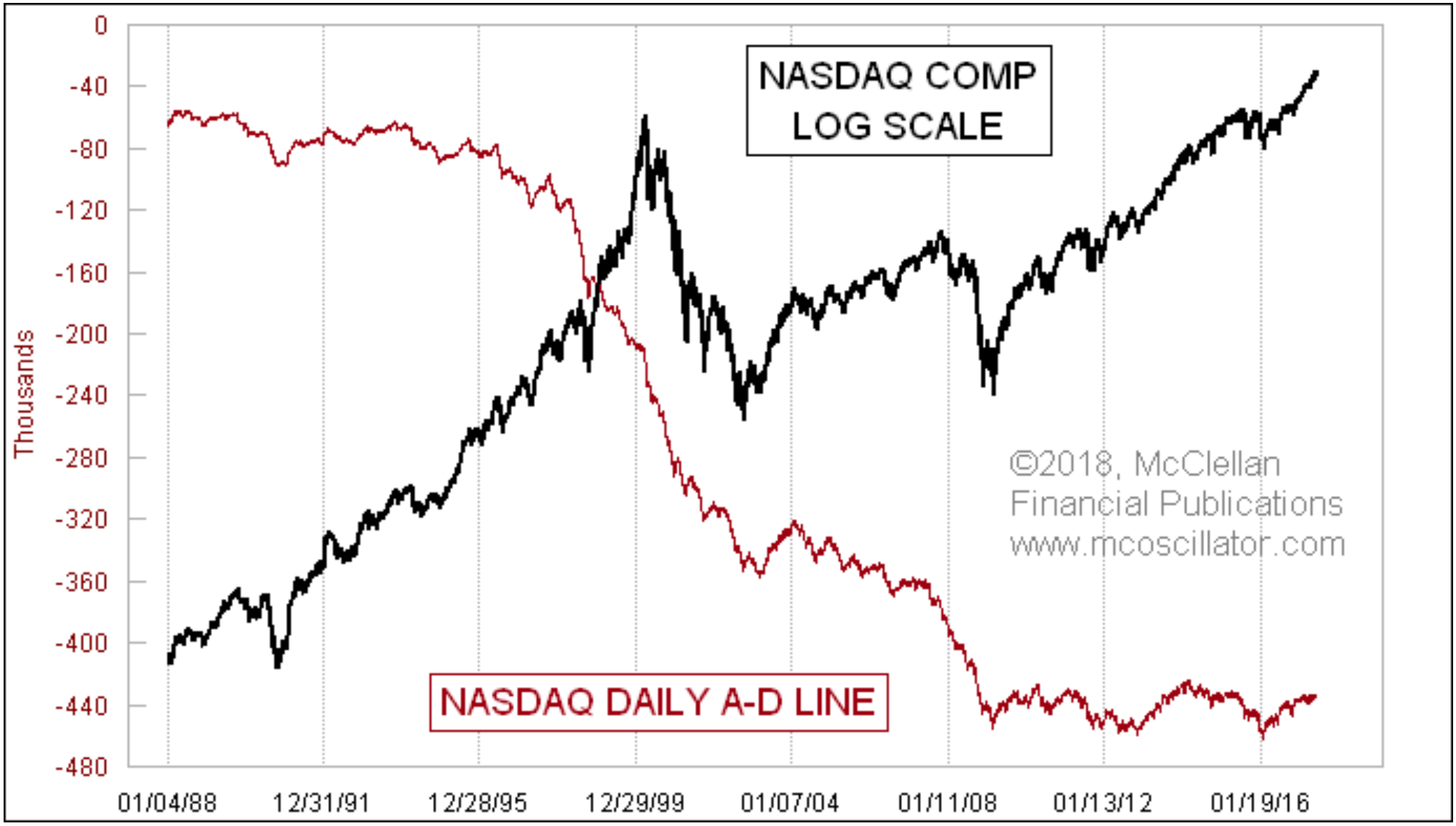
End of QE1
End of QE2
01/04/88
12/30/91
12/26/95
12/23/99
12/31/03
01/04/08
01/05/12
01/07/16


NASDAQ COMP
LOG SCALE
NASDAQ DAILY A-D LINE
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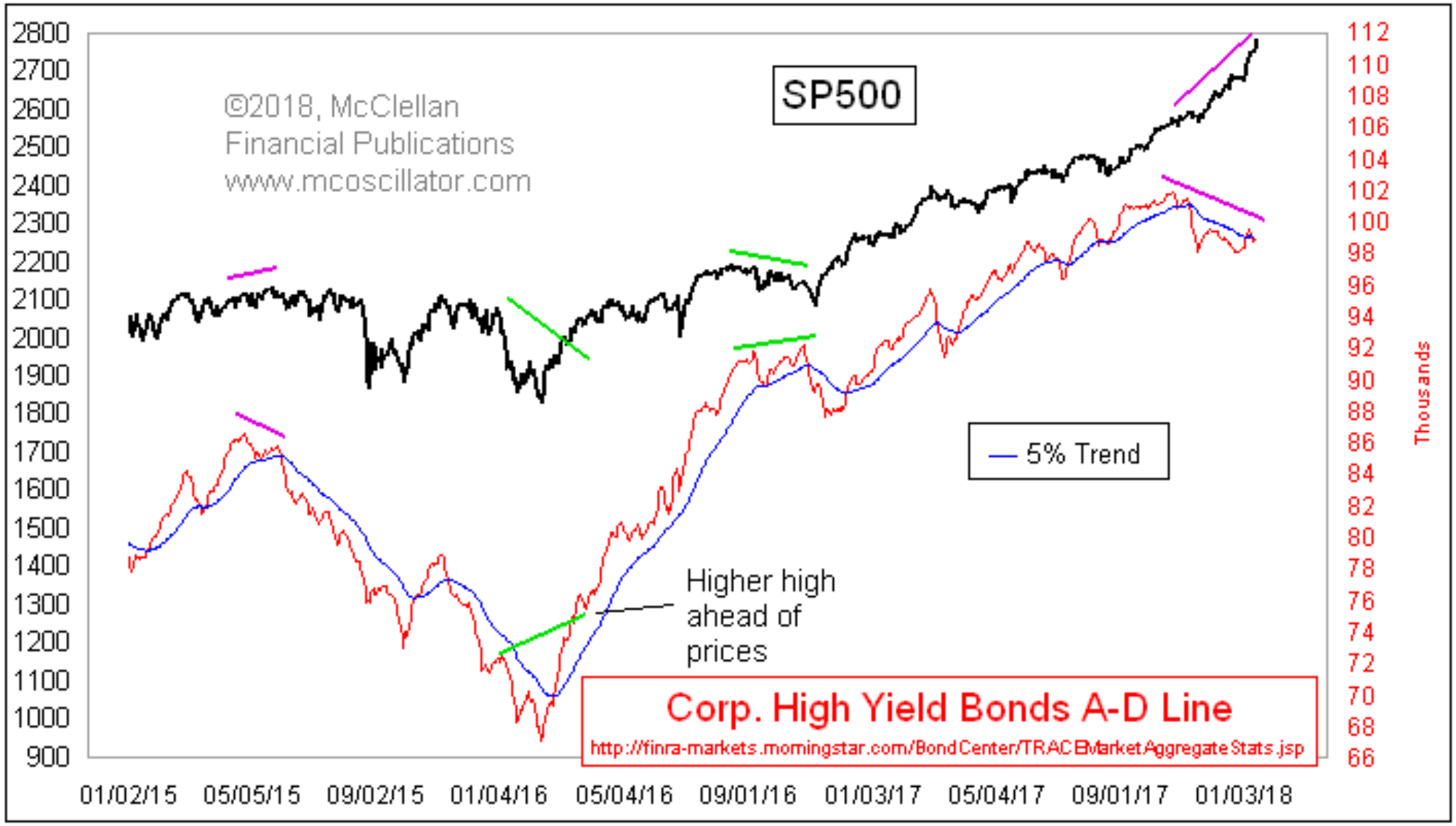
Thousands
0
-40
-80
-120
-160
-200
-240
-280
-320
-360
-400
-440
-480
01/04/88
12/31/91
12/28/95
12/29/99
01/07/04
01/11/08
01/13/12
01/19/16


SP500
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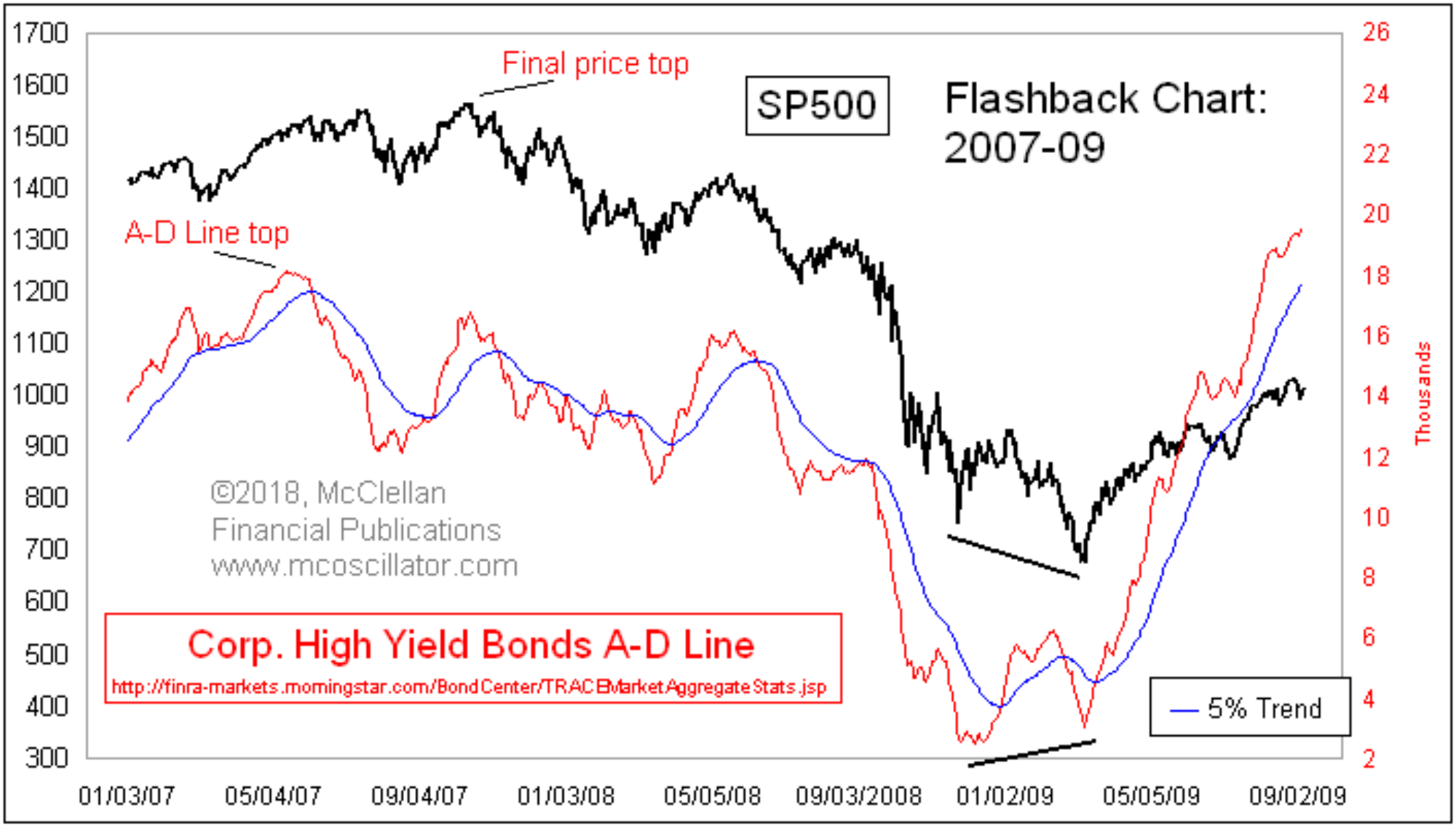
5% Trend
Higher high
ahead of
prices
Corp. High Yield Bonds A-D Line
http://finra-markets.morningstar.com/BondCenter/TRACEMarketAggregateStats.jsp
Thousands
2800
2700
2600
2500
2400
2300
2200
2100
2000
1900
1800
1700
1600
1500
1400
1300
1200
1100
1000
900
112
110
108
106
104
102
100
98
96
94
92
90
88
86
84
82
80
78
76
74
72
70
68
66
01/02/15
05/05/15
09/02/15
01/04/16
05/04/16
09/01/16
01/03/17
05/04/17
09/01/17
01/03/18


Final price top
SP500
Flashback Chart:
2007-09
A-D Line top
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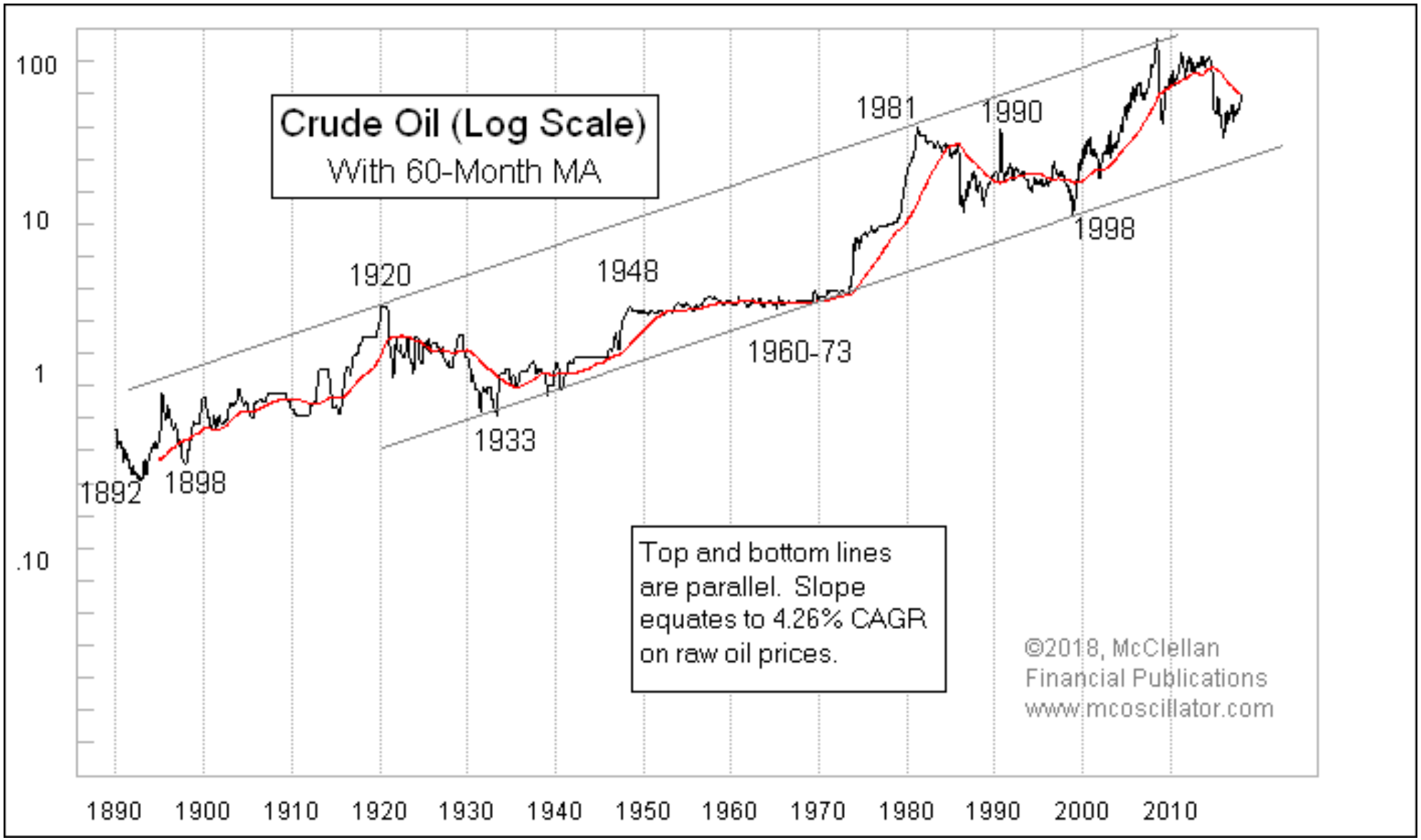
Corp. High Yield Bonds A-D Line
http://finra-markets.morningstar.com/BondCenter/TRACEMarketAggregateStats.jsp
5% Trend
Thousands
1700
1600
1500
1400
1300
1200
1100
1000
900
800
700
600
500
400
300
26
24
22
20
18
16
14
12
10
8
6
4
2
01/03/07
05/04/07
09/04/07
01/03/08
05/05/08
09/03/2008
01/02/09
05/05/09
09/02/09

Now the really fun stuff


Crude Oil (Log Scale)
With 60-Month MA
100
10
1
.10
1892
1898
1920
1933
1948
1960-73
1981
1990
1998
Top and bottom lines are parallel. Slope equates to 4.26% CAGR on raw oil prices.
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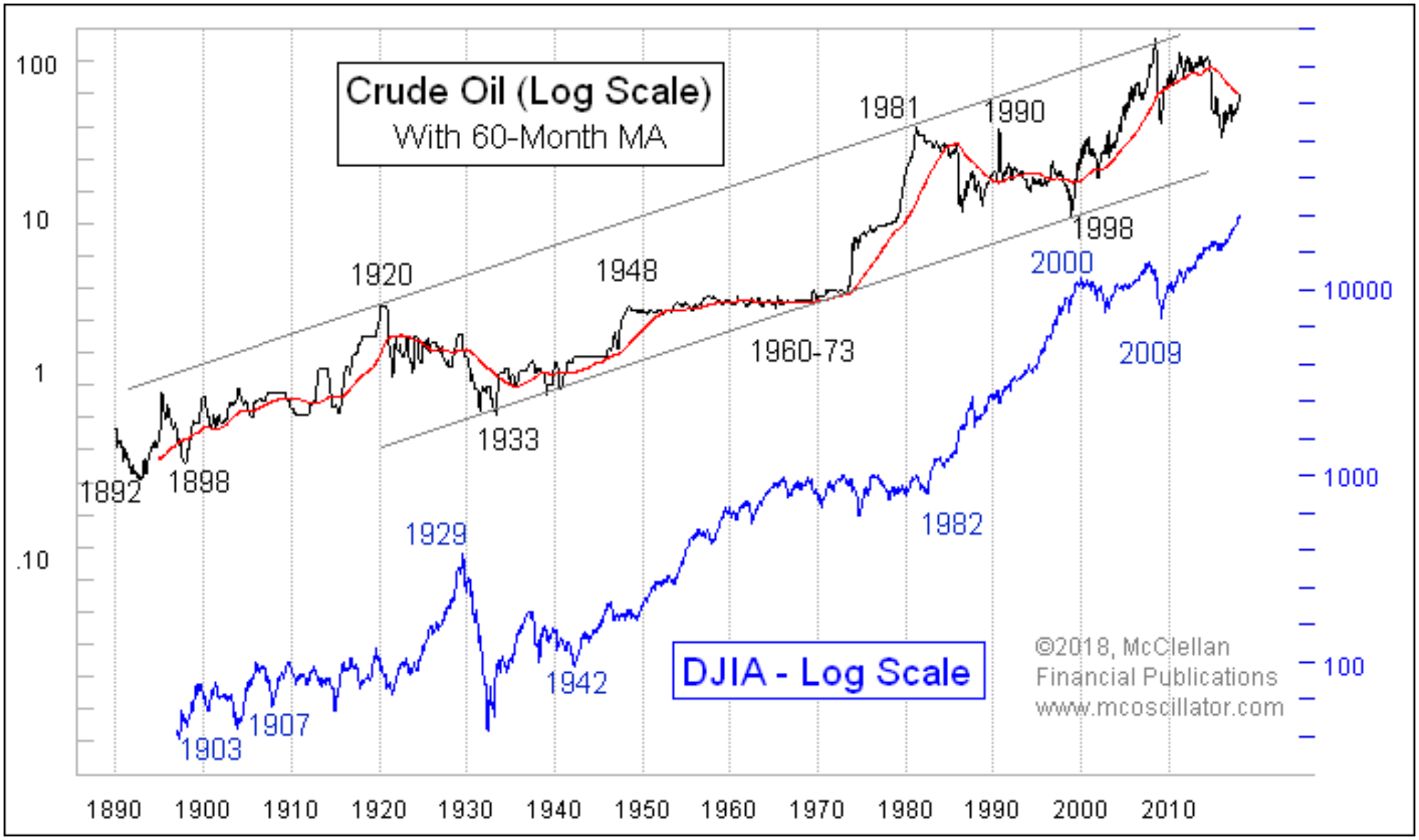
1890
1900
1910
1920
1930
1940
1950
1960
1970
1980
1990
2000
2010


Crude Oil (Log Scale)
With 60-Month MA
DJIA - Log Scale
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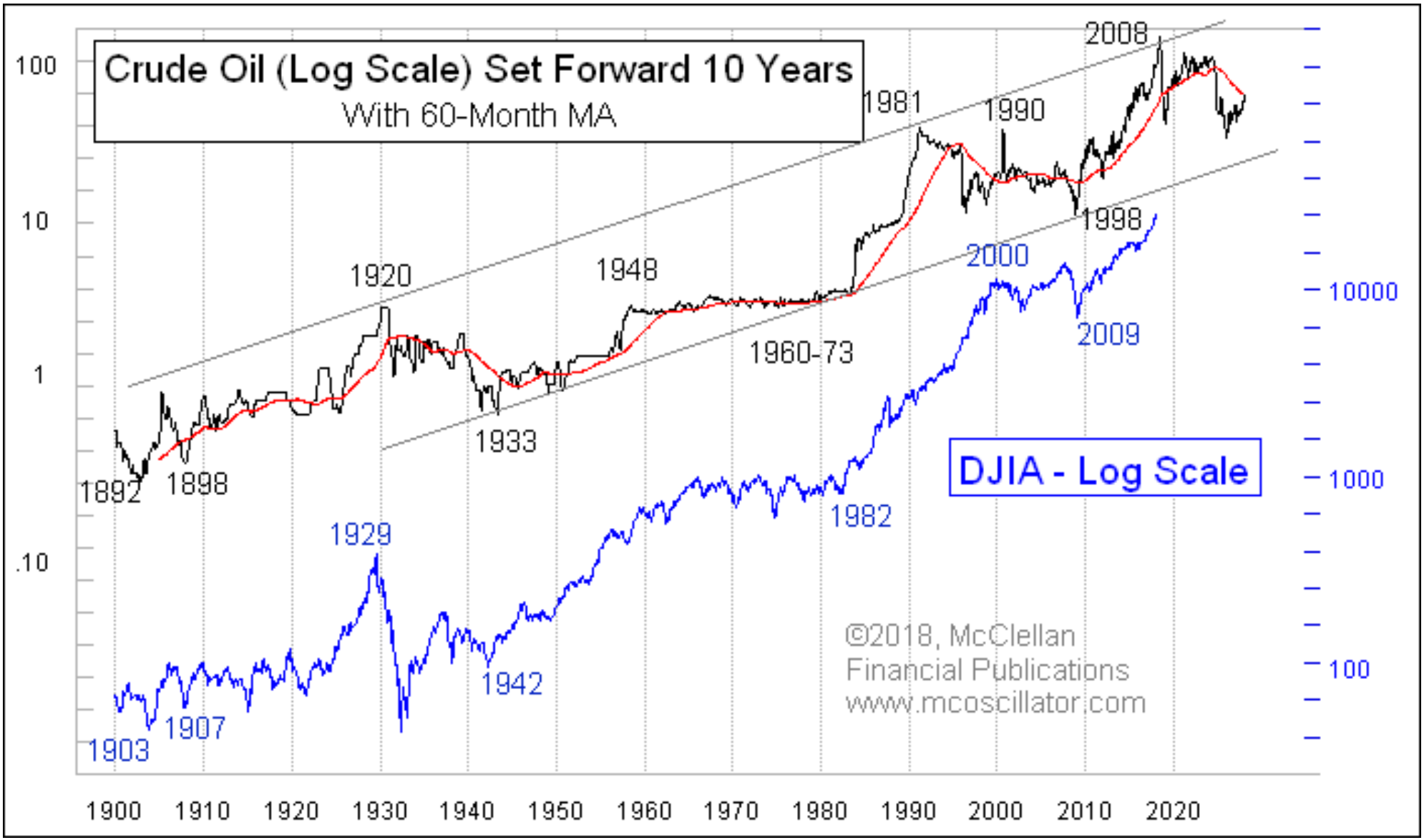
100
10
1
.10
10000
1000
100
1890
1900
1910
1920
1930
1940
1950
1960
1970
1980
1990
2000
2010
1892
1898
1903
1907
1920
1929
1933
1942
1948
1960-73
1981
1982
1990
1998
2000
2009


Crude Oil (Log Scale) Set Forward 10 Years
With 60-Month MA
DJIA - Log Scale
100
10
1
.10
10000
1000
100
1892
1898
1920
1933
1948
1960-73
1981
1990
1998
2008
1903
1907
1929
1942
1982
2000
2009
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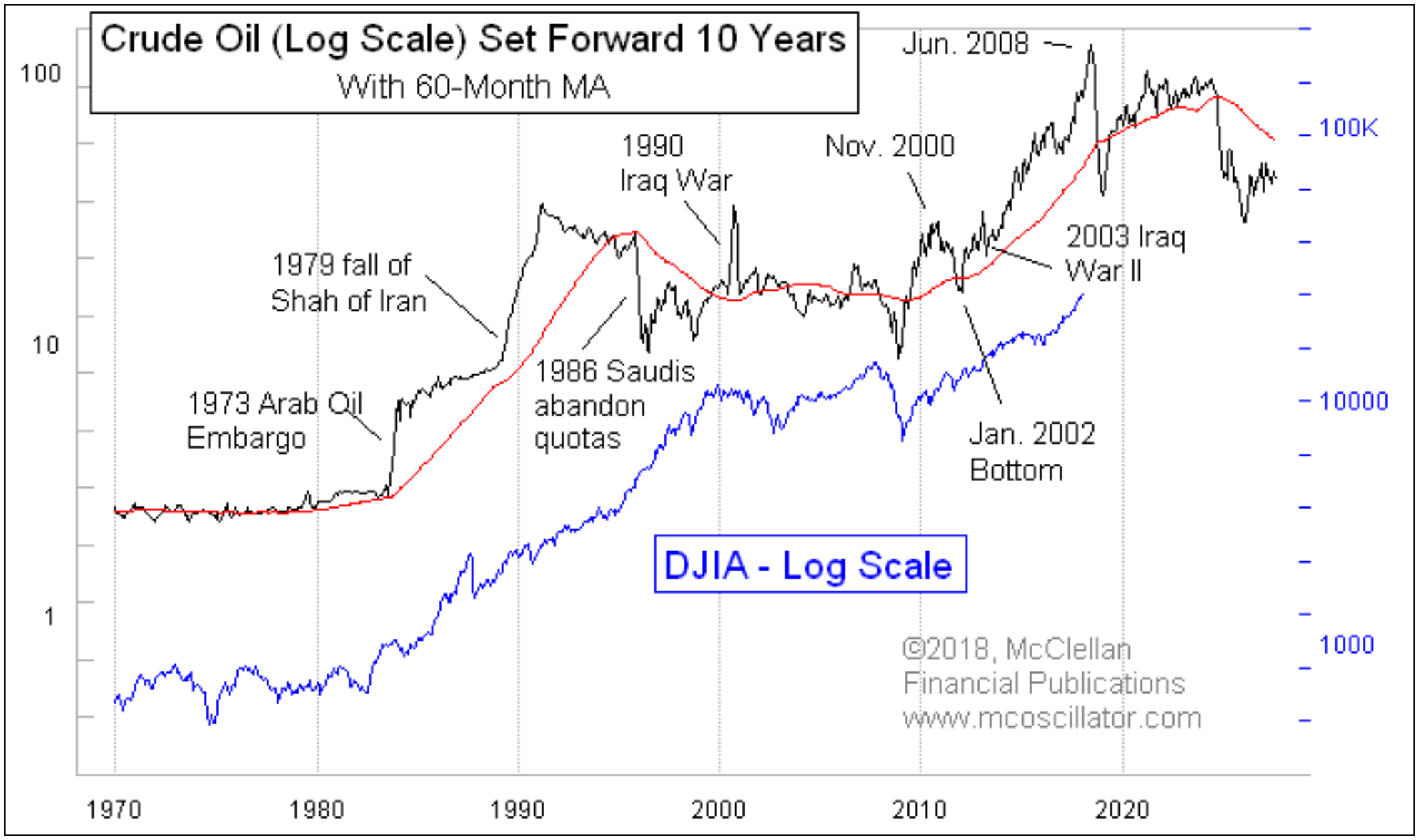
1900
1910
1920
1930
1940
1950
1960
1970
1980
1990
2000
2010
2020


Crude Oil (Log Scale) Set Forward 10 Years
With 60-Month MA
100
10
1
100K
10000
1000
Jun. 2008
1990
Iraq War
Nov. 2000
2003 Iraq
War II
1979 fall of
Shah of Iran
1986 Saudis
abandon
quotas
1973 Arab Oil
Embargo
Jan. 2002
Bottom
DJIA - Log Scale
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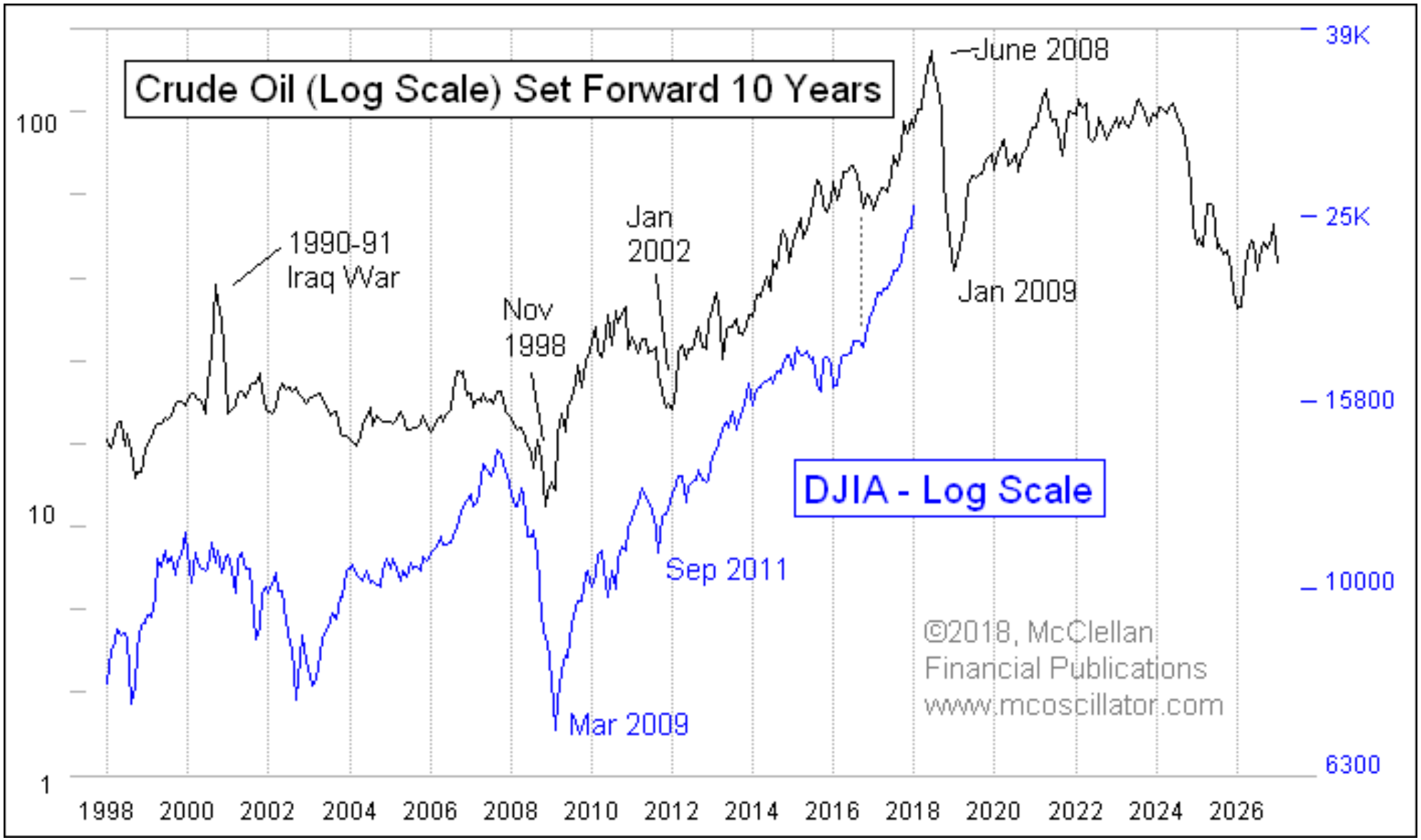
1970
1980
1990
2000
2010
2020


Crude Oil (Log Scale) Set Forward 10 Years
100
10
1
1990-91
Iraq War
Nov
1998
Jan
2002
June 2008
Jan 2009
Mar 2009
Sep 2011
DJIA - Log Scale
39K
25K
15800
10000
6300
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Financial Publications
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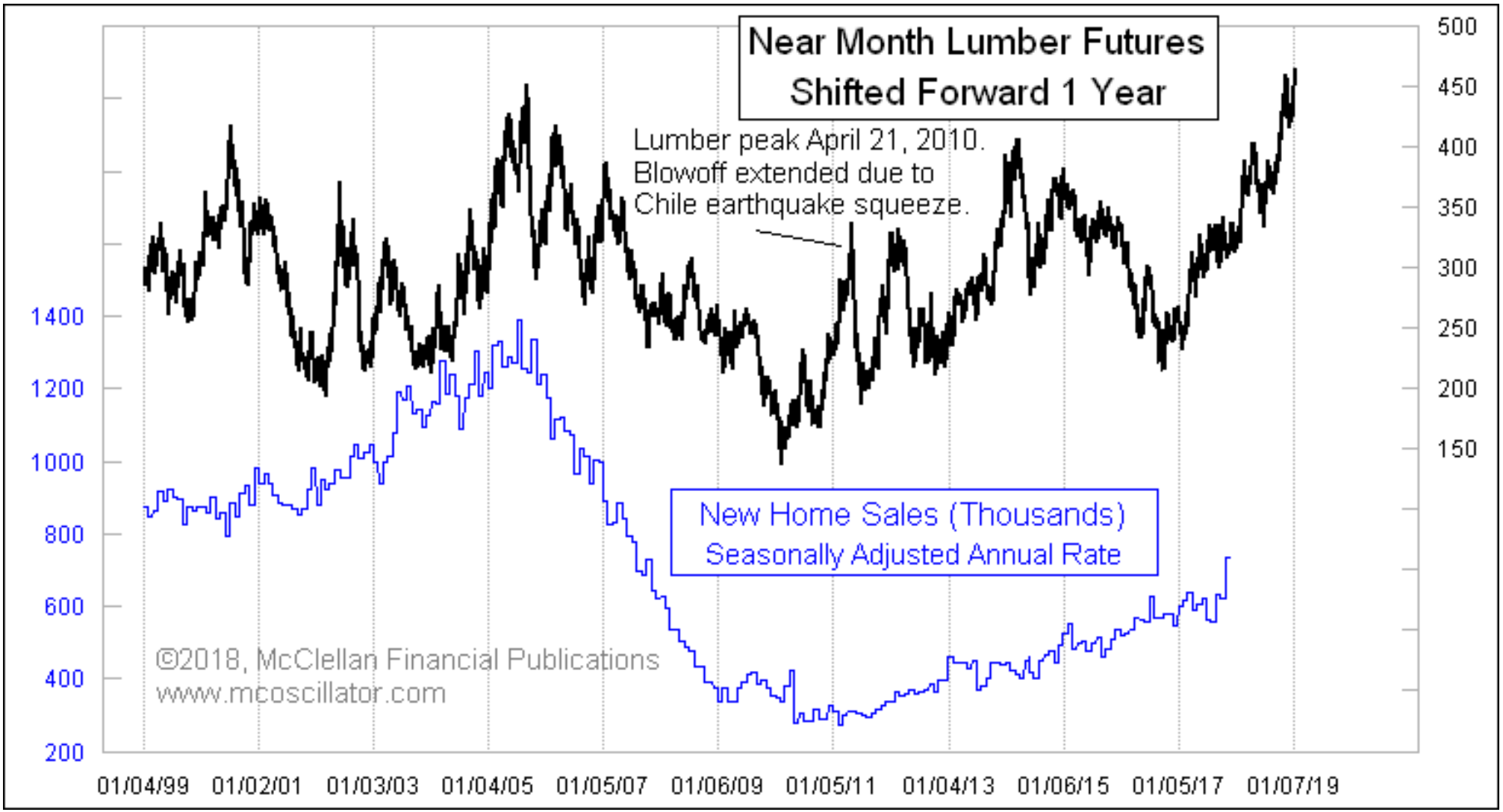
1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026


Near Month Lumber Futures
Shifted Forward 1 Year
Lumber peak April 21, 2010.
Blowoff extended due to
Chile earthquake squeeze.
New Home Sales (Thousands)
Seasonally Adjusted Annual Rate
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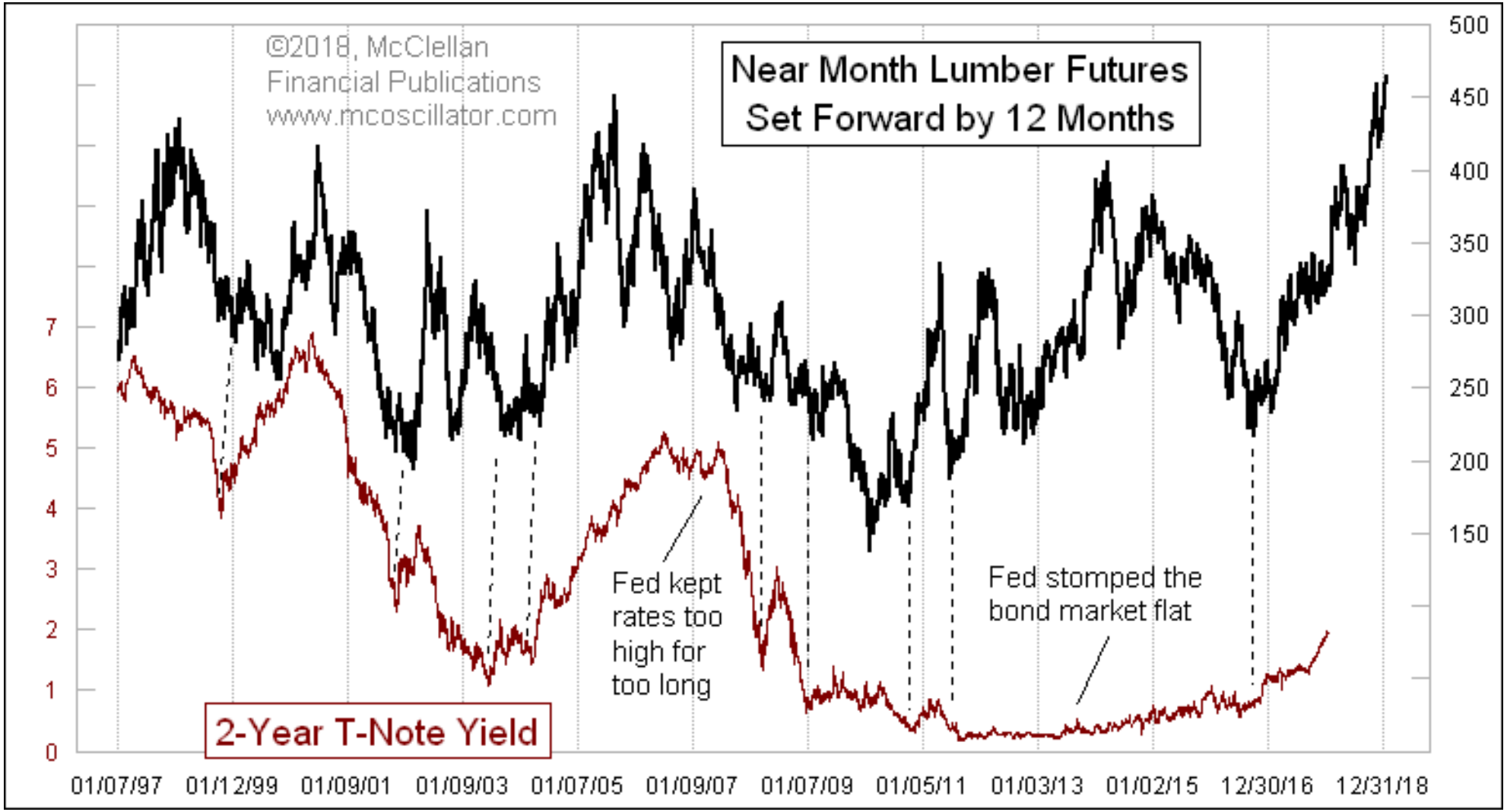
1400
1200
1000
800
600
400
200
500
450
400
350
300
250
200
150
01/04/99
01/02/01
01/03/03
01/04/05
01/05/07
01/06/09
01/05/11
01/04/13
01/06/15
01/05/17
01/07/19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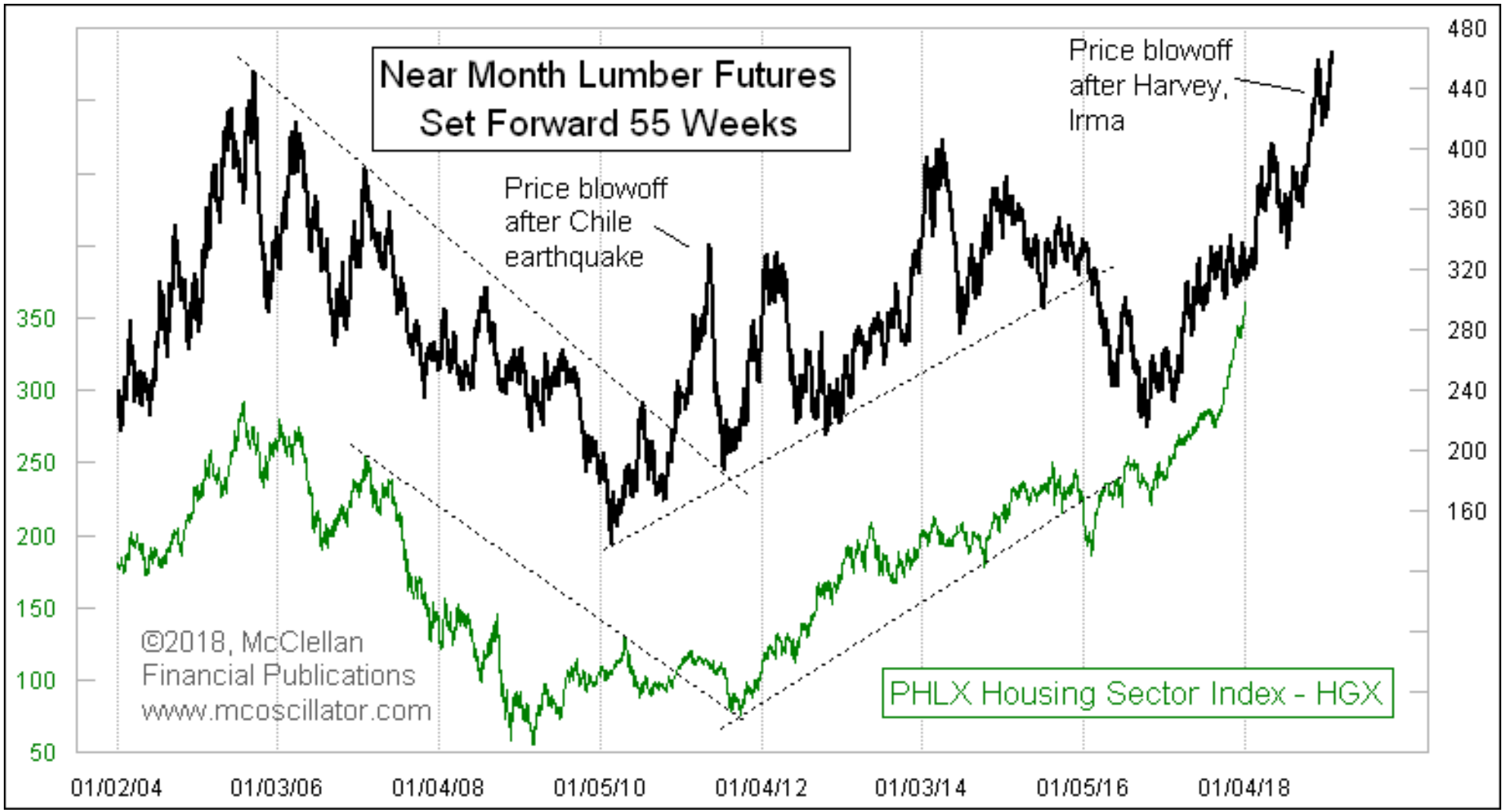
Near Month Lumber Futures
Set Forward by 12 Months
2-Year T-Note Yield
Fed kept
rates too
high for
too long
Fed stomped the
bond market flat
500
450
400
350
300
250
200
150
7
6
5
4
3
2
1
0
01/07/97
01/12/99
01/09/01
01/09/03
01/07/05
01/09/07
01/07/09
01/05/11
01/03/13
01/02/15
12/30/16
12/31/18


Near Month Lumber Futures
Set Forward 55 Weeks
Price blowoff
after Chile
earthquake
Price blowoff
after Harvey,
Irma
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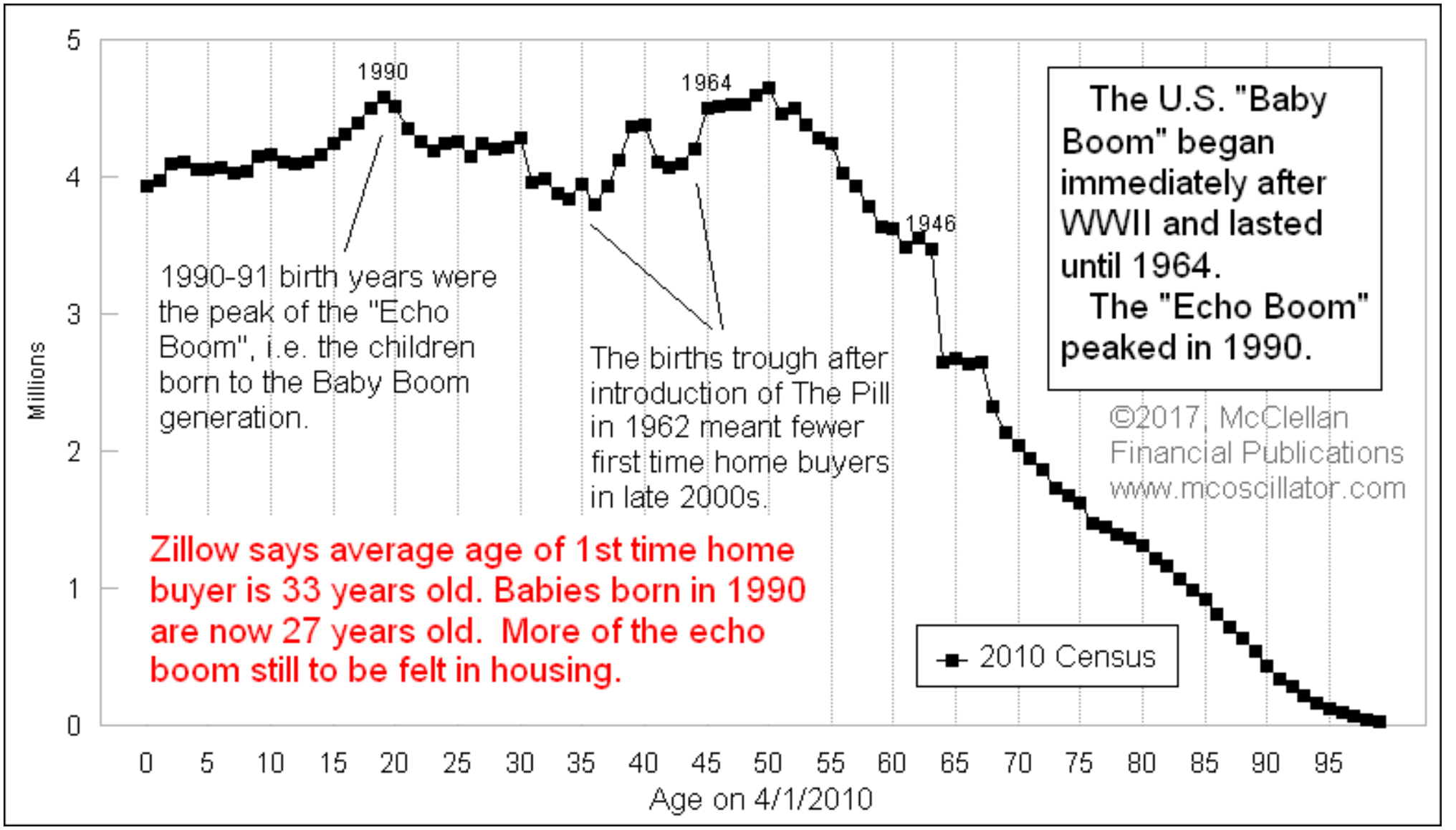
PHLX Housing Sector Index - HGX
480
440
400
360
320
280
240
200
160
350
300
250
200
150
100
50
01/02/04
01/03/06
01/04/08
01/05/10
01/04/12
01/03/14
01/05/16
01/04/18


5
4
3
2
1
0
Millions
1990
1964
1946
1990-91 birth years were the peak of the "Echo Boom", i.e. the children born to the Baby Boom generation.
The births trough after introduction of The Pill in 1962 meant fewer first time home buyers in late 2000s.
The U.S. "Baby Boom" began immediately after WWII and lasted until 1964.
The "Echo Boom" peaked in 1990.
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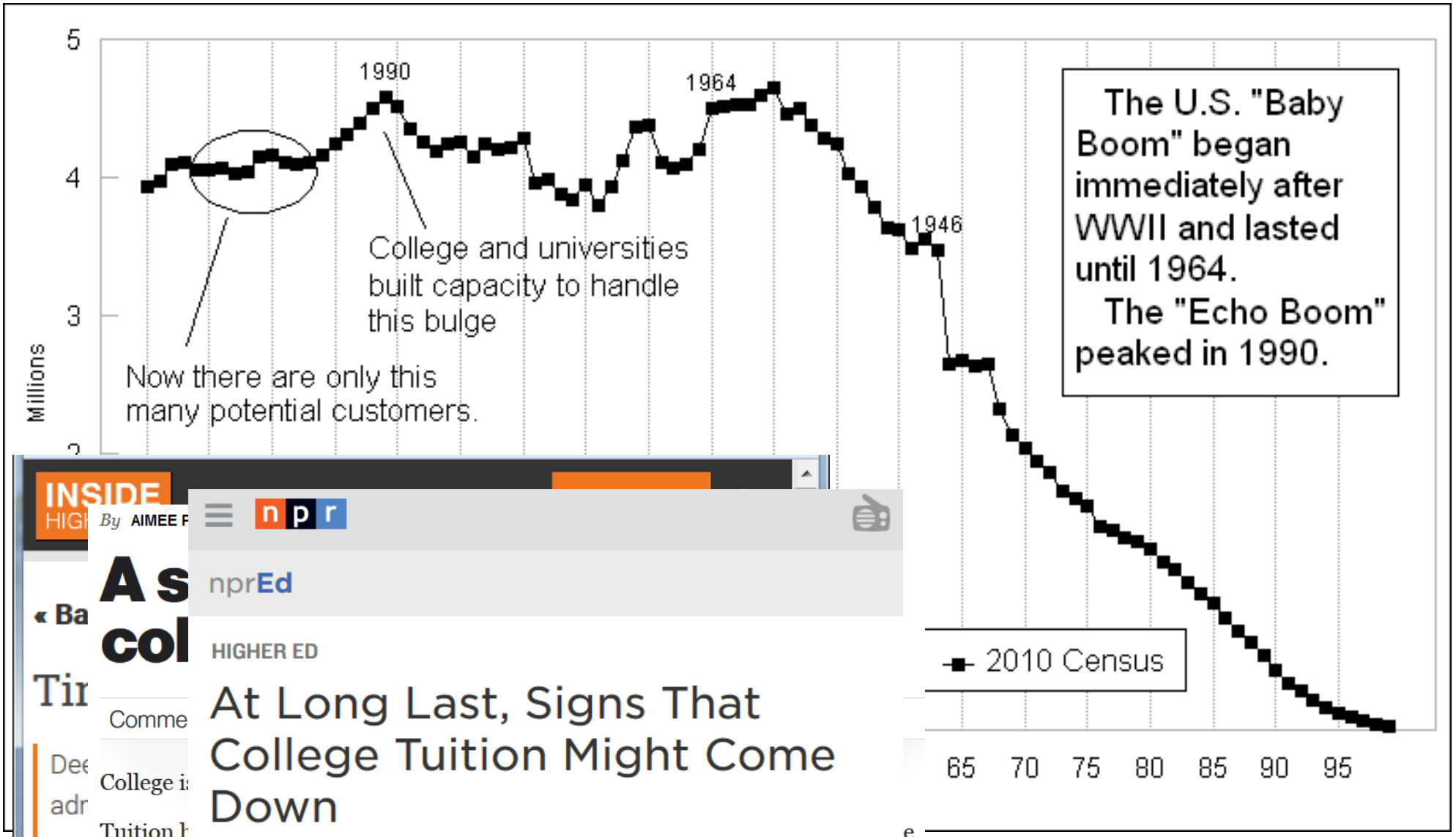
Zillow says average age of 1st time home buyer is 33 years old. Babies born in 1990 are now 27 years old. More of the echo boom still to be felt in housing.
2010 Census
0 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95
Age on 4/1/2010



INSIDE HIGH

By AIMEE F

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By Rick Seltzer

npr

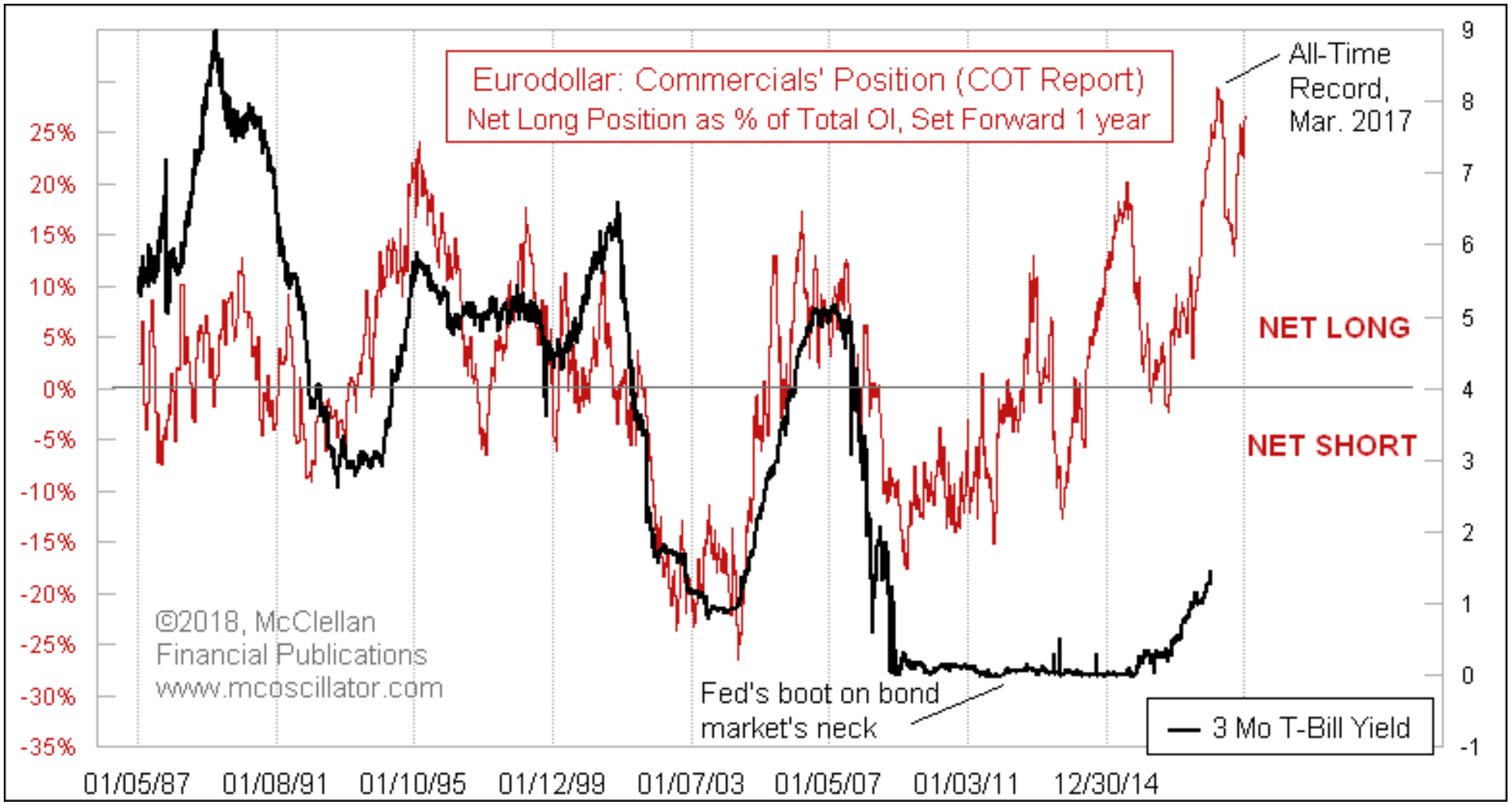
nprEd

HIGHER ED

At Long Last, Signs That College Tuition Might Come Down

August 8, 2017 · 6:00 AM ET

ANYA KAMENETZ


Eurodollar: Commercials' Position (COT Report)
Net Long Position as % of Total OI, Set Forward 1 year
All-Time Record, Mar. 2017
NET LONG
NET SHORT
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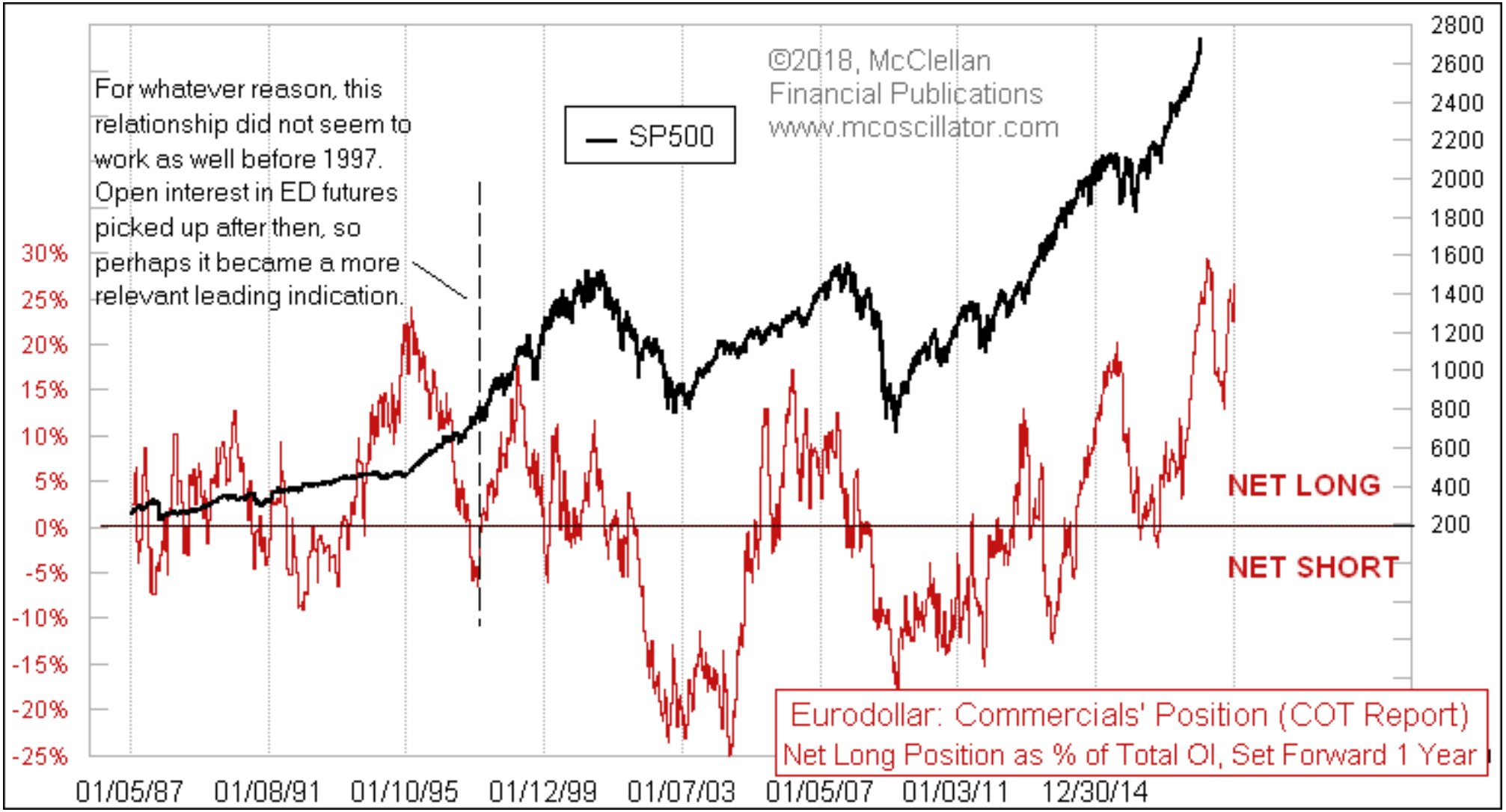
Fed's boot on bond market's neck
3 Mo T-Bill Yield
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
-35%
9
8
7
6
5
4
3
2
1
0
-1
01/05/87
01/08/91
01/10/95
01/12/99
01/07/03
01/05/07
01/03/11
12/30/14


For whatever reason, this relationship did not seem to work as well before 1997. Open interest in ED futures picked up after then, so perhaps it became a more relevant leading indication.
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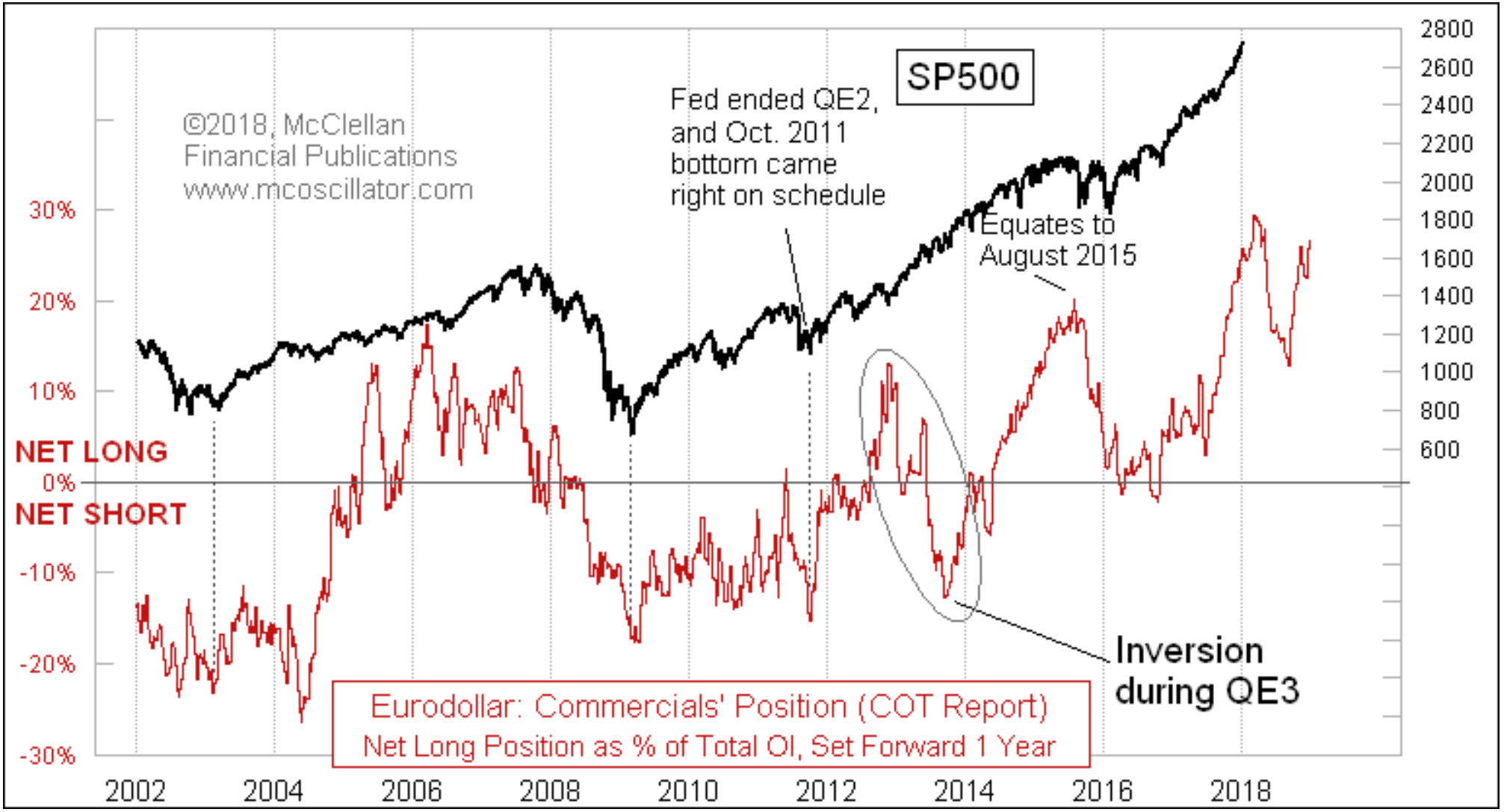
SP500
NET LONG
NET SHORT
Eurodollar: Commercials' Position (COT Report)
Net Long Position as % of Total OI, Set Forward 1 Year
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
2800
2600
2400
2200
2000
1800
1600
1400
1200
1000
800
600
400
200
01/05/87
01/08/91
01/10/95
01/12/99
01/07/03
01/05/07
01/03/11
12/30/14


SP500
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Fed ended QE2,
and Oct. 2011
bottom came
right on schedule
Equates to
August 2015
Inversion
during QE3
NET LONG
NET SHORT
30%
20%
10%
0%
-10%
-20%
-30%
2800
2600
2400
2200
2000
1800
1600
1400
1200
1000
800
600
2002
2004
2006
2008
2010
2012
2014
2016
2018
Eurodollar: Commercials' Position (COT Report)
Net Long Position as % of Total OI, Set Forward 1 Year

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SP500
March
2017
All-time
Russia/Impeachment Panic
Equates to
~May 10
Ooops.
China minicrash
Brexit
Election
Ebola Panic
Yellen
appointed
Equates to
~Aug 29
NET LONG
NET SHORT
Eurodollar: Commercials' Position (COT Report)
Net Long Position as % of Total OI, Set Forward 1 Year
32%
28%
24%
20%
16%
12%
8%
4%
0%
-4%
-8%
2800
2700
2600
2500
2400
2300
2200
2100
2000
1900
1800
1700
01/02/14
01/02/15
01/04/16
01/03/17
01/03/18
01/03/19

THE
END
IS
NEAR

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