

Jeffrey D. Saut, Chief Investment Strategist, (727) 567-2644, Jeffrey.Saut@RaymondJames.com

July 20, 2018

Investment Strategy

U.S. Markets	Close	Net	1 Day %	YTD %
Dow Jones	25064.50	-134.79	-0.53%	1.40
Dow Jones Transports	10747.65	45.42	0.42%	1.28
Dow Jones Utilities	723.96	6.36	0.89%	0.08
S&P 500	2804.49	-11.13	-0.40%	4.90
S&P 400 Midcap	2009.05	7.80	0.39%	5.71
S&P 600 Smallcap	1058.97	6.84	0.65%	13.11
NASDAQ	7825.30	-29.15	-0.37%	13.35
Russell 2000 (Smallcaps)	1701.31	9.44	0.56%	10.80
BKX (Banking)	106.79	-1.50	-1.38%	0.07
BTK (Biotech)	5113.40	14.11	0.28%	21.11
XOI (Oil Index)	1490.95	-1.78	-0.12%	11.64
SOXX (Semiconductor)	1365.82	-3.65	-0.27%	9.00
XAU (Gold/Silver)	79.00	-1.17	-1.46%	-7.36

"Noise"

Yesterday was no exception to the bombardment, like the quote below from one stock market newsletter sent to us by a reader:

As the stock market has snapped back from its late June shakeout, for instance, fewer stocks have been participating – while the Nasdaq and most other major indexes have nosed back above their June highs, the number of stocks doing the same is down dramatically. Also, volume has been sub-par (12 straight days of less than normal volume) as the indexes have moved higher, and we've started to see money coming out of the small and mid-caps and into defensive areas of the market.

My response to this was succinct, "Most of the Advance-Decline Lines have been making new all-time highs." Andrew Adams' response was much longer. To wit:

The volume point doesn't bother me. It's the middle of July, which is often the deadest time of the year, so we don't expect to see major volume. We saw very similar volume at this point last year. I did mention in my Charts of the Week that, while the S&P 500 did break out above resistance this week, we did not see a similar breakout in the breadth readings. That is not ideal, but we're also not seeing a significant decline in market breadth either. It remains consistent with the sideways consolidation we remain in overall and, in going through hundreds of individual stock charts, I'm still seeing more stocks breaking up out of short-term trading ranges than breaking down. It's something to watch since we obviously want breadth to move higher along with the market, but at this point, it's not a huge concern. We continue to see rotations under the surface as investors move from one group of stocks to another instead of moving out of stocks entirely. And I don't think we're seeing a clear rotation out of small and midcaps. They have paused after a clear period of outperformance, but with fewer trade headlines recently and with the U.S. dollar stabilizing after a quick rise, the pause is not surprising. Today they are back to outperforming the S&P 500 and are not breaking down. (Continued on page 2)

"Ever since our 'this is the bottom' call on March 9, 2009, we have constantly been bombarded with statements like, 'The bull market is over;' 'The stock market is going to crash;' 'Sell everything,' which was the Royal Bank of Scotland's advice at the February 2016 low and we were bullish."

... Jeffrey Saut, Raymond James

Index	Cur Future	Change
Dow Jones	24,952	-107.00
S&P 500	2,797	-8.30
NASDAQ	7,366	-1.25

Volume	1 Day Volume	Volume	Issues
NYSE	732,701,304	0.86	1.49
NASDAQ	1,827,484,265	0.83	1.17

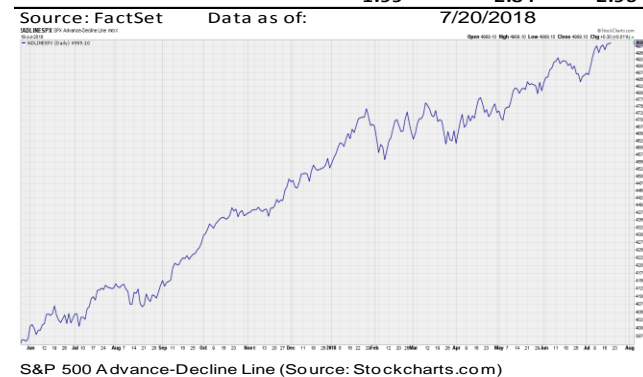
Foreign Markets	Intraday	Net	% Chg
U.K. FTSE 100	7,684	0.00	0.00%
Germany Germany DAX (TR)	12,595	-91.58	-0.72%
Brazil Bovespa In	77,487	0.00	0.00%
Japan Japan Nikkei 225	22,765	0.00	0.00%
Hong Kong Hang Seng Index	28,224	213.62	0.76%

S&P Sectors	Close	% Chg	1 mo %
S&P 500 / Consumer Discretic	896.45	-0.21%	0.80
S&P 500 / Consumer Staples -I	538.98	-0.13%	2.98
S&P 500 / Health Care -SEC	1005.30	-0.55%	2.45
S&P 500 / Information Techno	1275.85	-0.33%	1.57
S&P 500 / Telecommunicatior	146.92	-1.10%	1.74
S&P 500 / Energy -SEC	555.37	-0.02%	0.59
S&P 500 / Financials -SEC	456.69	-1.44%	0.62
S&P 500 / Industrials -SEC	626.09	-0.07%	1.75
S&P 500 / Materials -SEC	366.75	-0.61%	0.10
S&P 500 / Utilities -SEC	267.08	0.94%	4.90
S&P 500 / Real Estate -SEC	202.41	1.01%	4.16

Key Commodity Prices	Last	Net
Crude Oil WTI (NYM \$/bbl) Con	68.260	-0.29
Natural Gas (NYM \$/mmbtu) C	2.768	0.00
eMini Gasoline (NYM \$/gal) Cc	2.044	0.00
Gold (NYM \$)	1224.000	-0.10
Silver (NYM \$/ozt) Continuous	15.385	-0.02
United States Dollar Index	95.126	-0.03
eMini Copper (NYM \$/lbs) Con	2.720	0.03
Cotton #2 (IFUS \$/lbs) Continu	0.874	0.00

Market Valuation	2017E	2018E	2019E
Consensus S&P 500 EPS	\$125	\$158	\$175
P/E	22.4	17.7	16.0
Earnings Yield		5.6%	6.2%
Equity Risk Premium (10 yr)		2.8%	3.4%

Treasury Yields	90D	10 Yr	30 Yr
	1.99	2.84	2.96



So, yesterday we stated that the stock market's "internal energy" was pretty much used up on a short-term basis, although we thought the forereach would carry the market higher into next week. Obviously that was wrong on a trading basis. This morning, as we write, the preopening futures are flat as the markets contemplate option expiration where anything is possible because a determined few can readily manipulate the market on a summer Friday. However, it appears the intensity of the expiry manipulation to the upside has peaked early, so our call for weakness next week may have arrived early.

U.S. Markets Index Information: *U.S. Treasury securities* are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. The *Dow Jones Industrial Average* is an unmanaged index of 30 widely held securities. The *Dow Jones Transportation Average* is the most widely recognized gauge of the American transportation sector. The *Dow Jones Utility Average* keeps track of the performance of 15 prominent utility companies. The *S&P 500* is an unmanaged index of 500 widely held stocks. The *S&P Mid Cap 400 Index* is a capitalization-weighted index that measures the performance of the mid-range sector of the U.S. stock market. The *S&P Small Cap 600 Index* is an unmanaged index of 600 small-cap stocks. The *NASDAQ Composite Index* is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The *Russell 2000 index* is an unmanaged index of small cap securities which generally involve greater risks. The *KBW Bank Sector (BKX)* is a capitalization-weighted index composed of 24 geographically diverse stocks representing national money center banks and leading regional institutions. The *NYSE Arca Biotechnology Index (BTK)* is an equal dollar weighted index designed to measure the performance of a cross section of companies in the biotechnology industry that are primarily involved in the use of biological processes to develop products or provide services. The *NYSE Arca Oil Index (XOI)* is a price-weighted index of the leading companies involved in the exploration, production, and development of petroleum. The *PHLX Semiconductor Sector Index (SOXX)* measures the performance of U.S.-traded securities of companies engaged in the semiconductor business, which includes companies engaged in the design, distribution, manufacture, and sales of semiconductors. The *Philadelphia Gold and Silver Index (XAU)* is an index of 16 precious metal mining companies that is traded on the Philadelphia Stock Exchange.

Futures: Futures prices are current as of the publication of this report, but will fluctuate. Please contact your financial advisor for updated information.

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