



deGraaf's Weekly Survival Guide to the Markets

October 24, 2017

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Keeping Up With the Headlines

Dow Industrials Cross 23000 for First Time

U.S. Industrial Production Rose Modestly in September

Here It Comes: The Longest Streak Ever Without A 3% Correction In US History

Mnuchin warns of fall in equities without Trump's tax reforms

Most U.S. States Aren't Prepared For the Next Recession

Post-crisis rules creating huge financial firms, warns Cohn

China central bank warns against 'Minsky Moment' due to excessive optimism

How China's Financial Cracks Could Spread

Indexers Edge Into Chinese Bond Markets

Chinese issuers prepare 'supercycle' of technology IPOs

China's September Consumer Inflation Slows

China producer price growth hits 6-month high

Japanese stocks rise as dollar climbs against the yen after Abe election win

The Bank of Japan's Stealth Taper Is Back

ECB plans longer, slower taper to keep lid on euro

Eurozone Consumer Confidence at 16-Year High

Euro-Area Exports Leap Despite Currency Gain

U.K. Inflation Hits Five-Year High

Canada Imposes Tougher Mortgage Rules Effective 2018

Central Bankers Uneasy on Inflation

IMF crunches the numbers for possible Venezuela rescue

New Zealand dollar resumes slide

Stock Pickers Are Showing Up in the Markets

U.S. Bank Profit Shoots Higher, But Questions Linger on Loan Growth

New era for post-crisis interest rates threatens gold

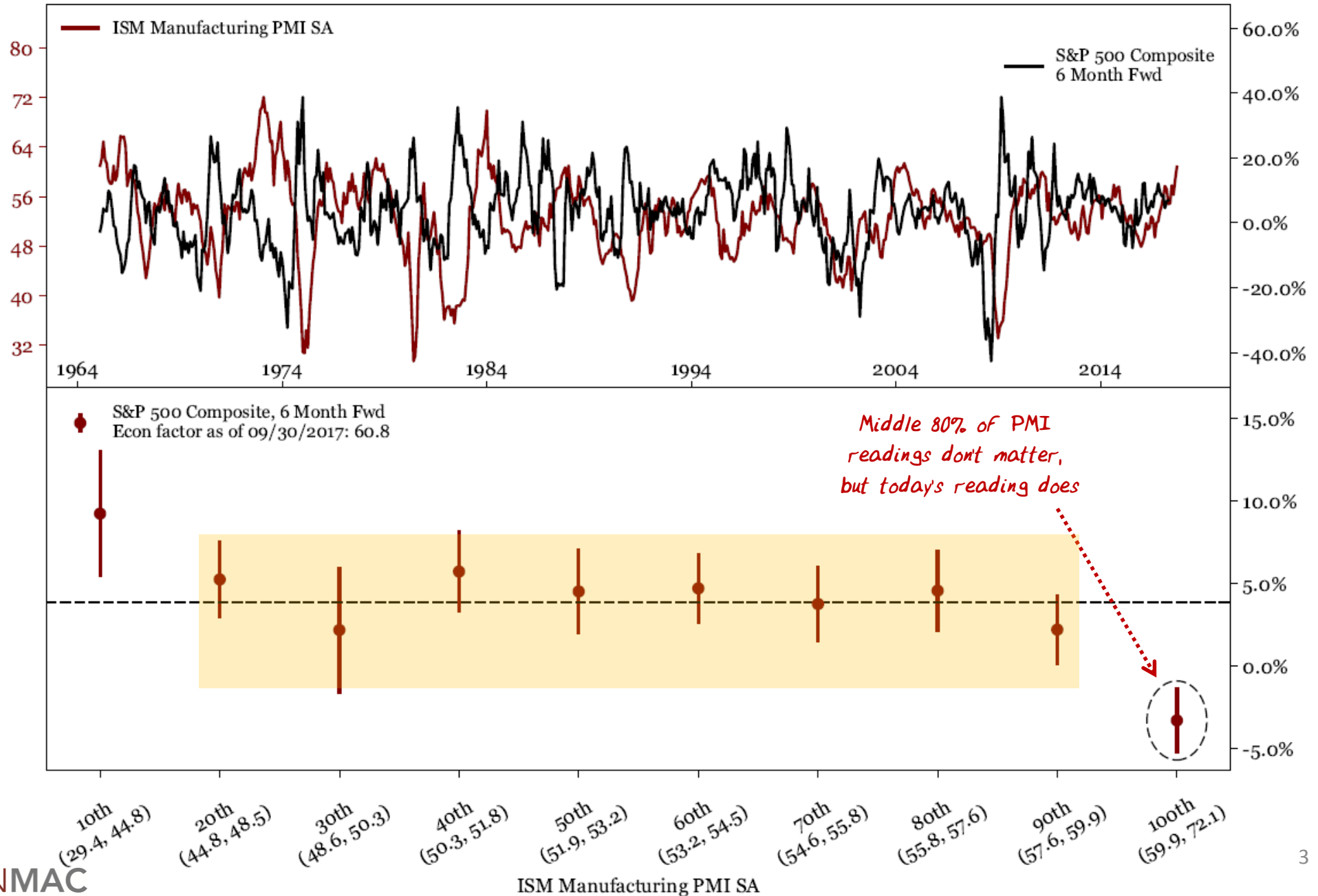
Is Bitcoin The New Gold? Some Think So

Saudi Prince Alwaleed: Bitcoin is 'Enron in the making'

PMI Only Matters at Extremes (It Does Today)

S&P 500 Composite, based on
ISM Manufacturing PMI SA (NAPMPMI Index)
1965 - 2017

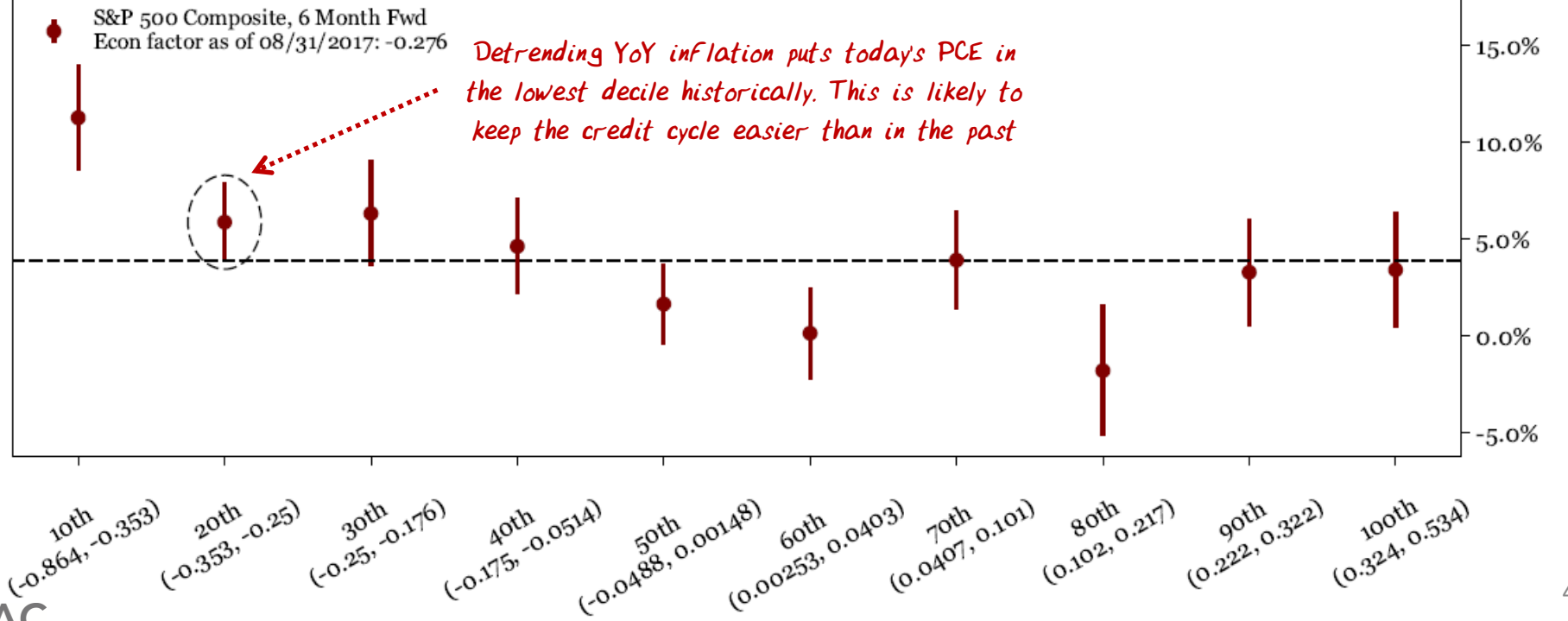
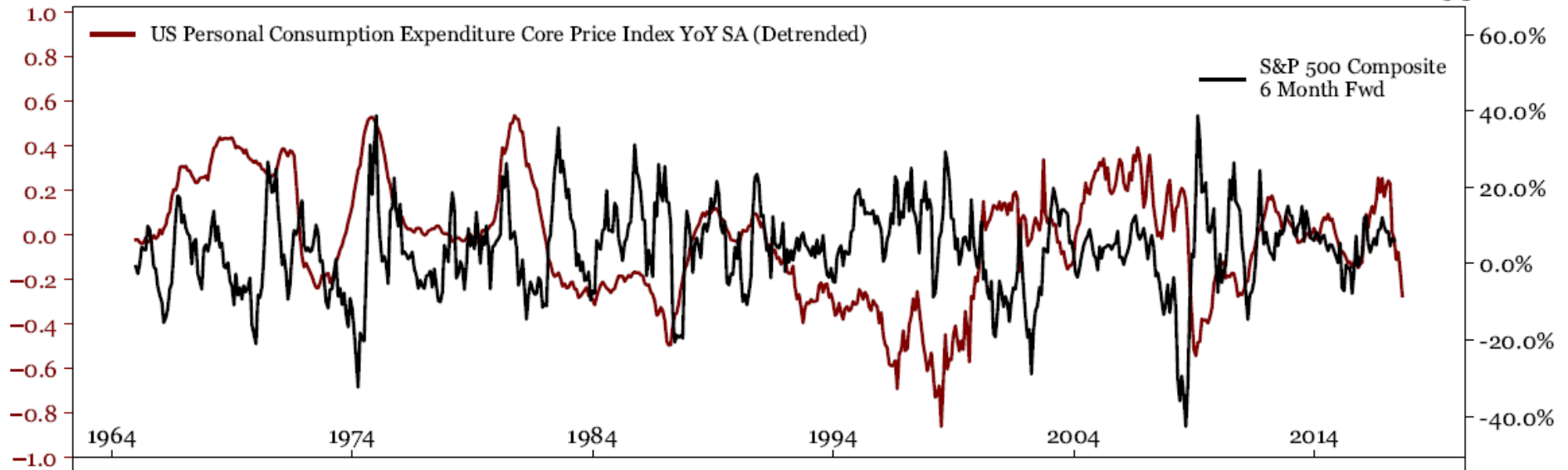
Corr: -0.26
R-Sq: 0.07
T-St: -6.81



Inflation Data May Slow the Fed

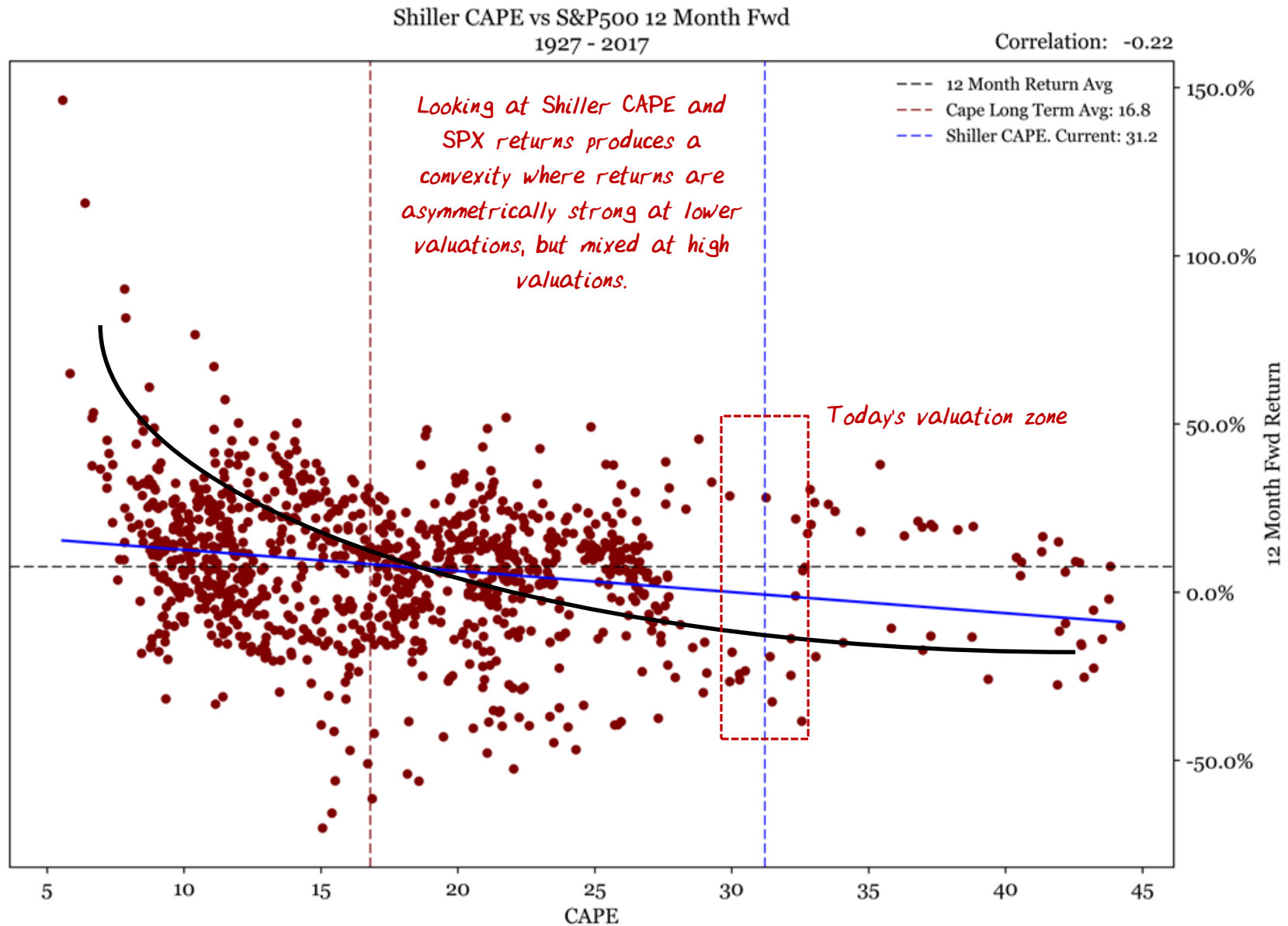
S&P 500 Composite, based on
US Personal Consumption Expenditure Core Price Index YoY SA (Detrended)
1964 - 2017

Corr: -0.21
R-Sq: 0.04
T-St: -5.36

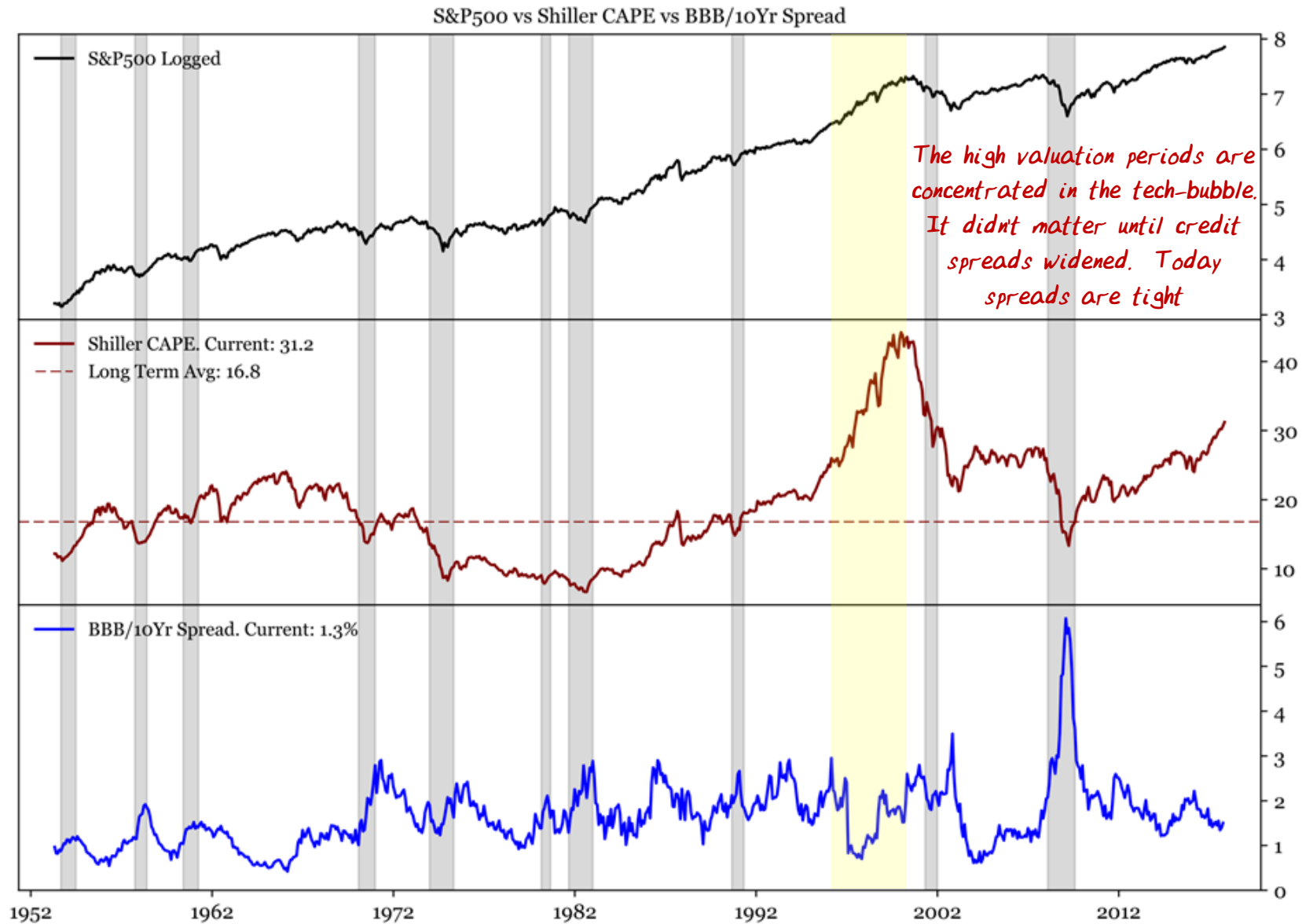


US Personal Consumption Expenditure Core Price Index YoY SA (Detrended)

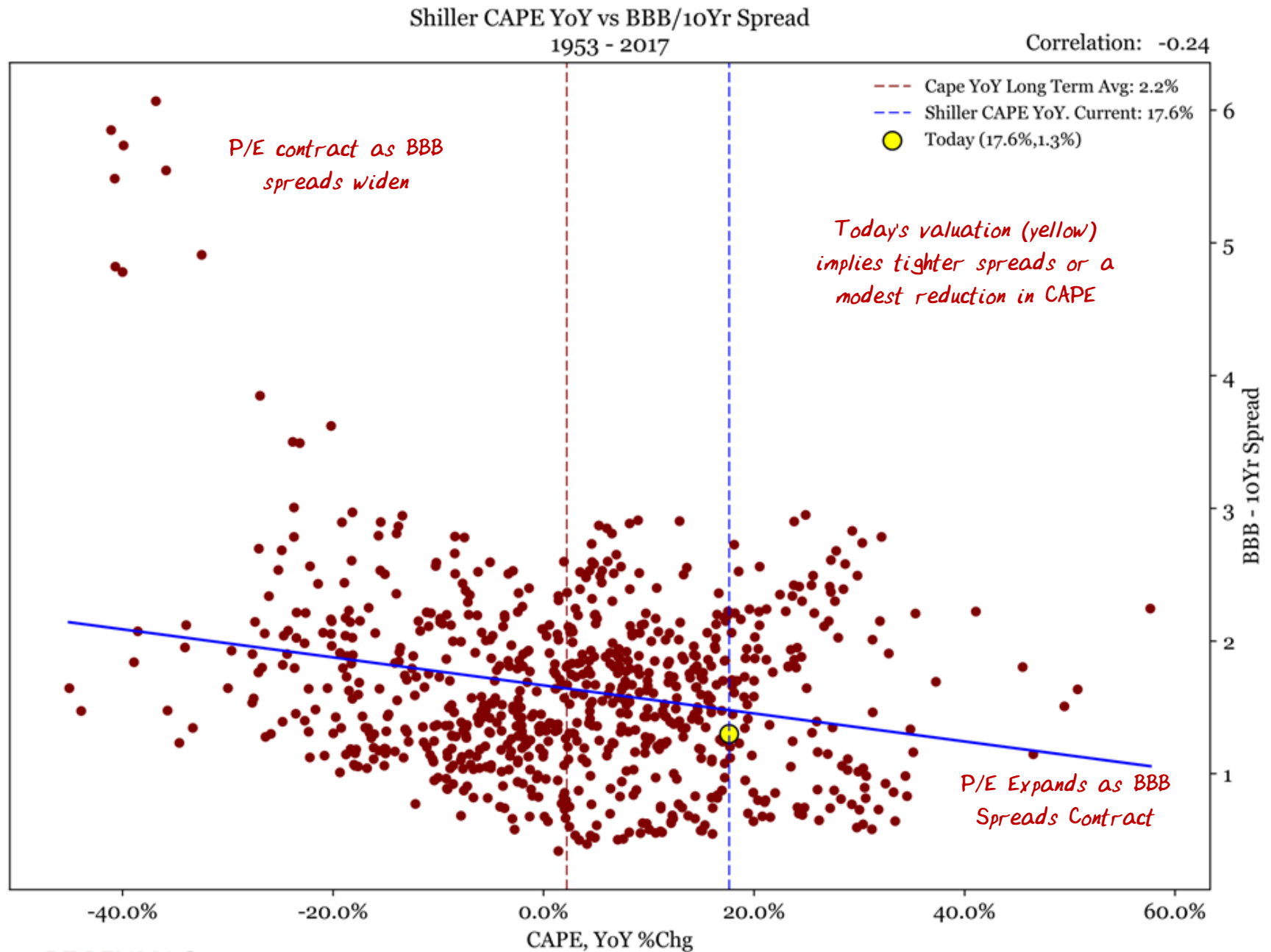
Shiller Valuation and Forward Returns (Works Better at Bottoms)



Using Value Without Credit is Foolish



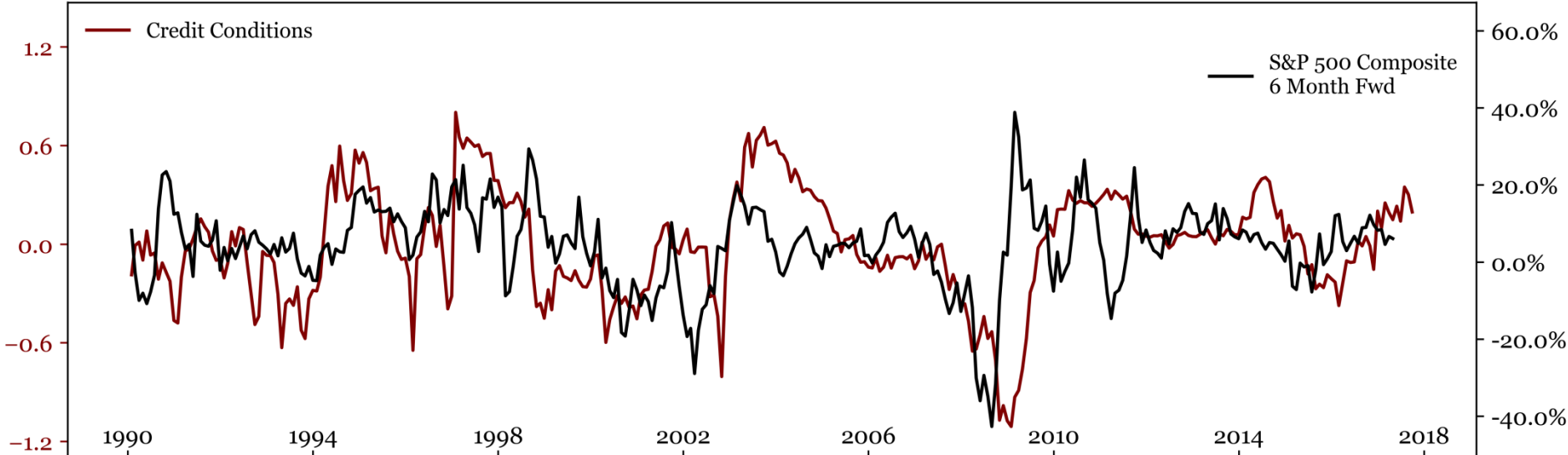
As Credit Spreads Contract Valuations Go Higher



Credit Conditions Remain Bullish

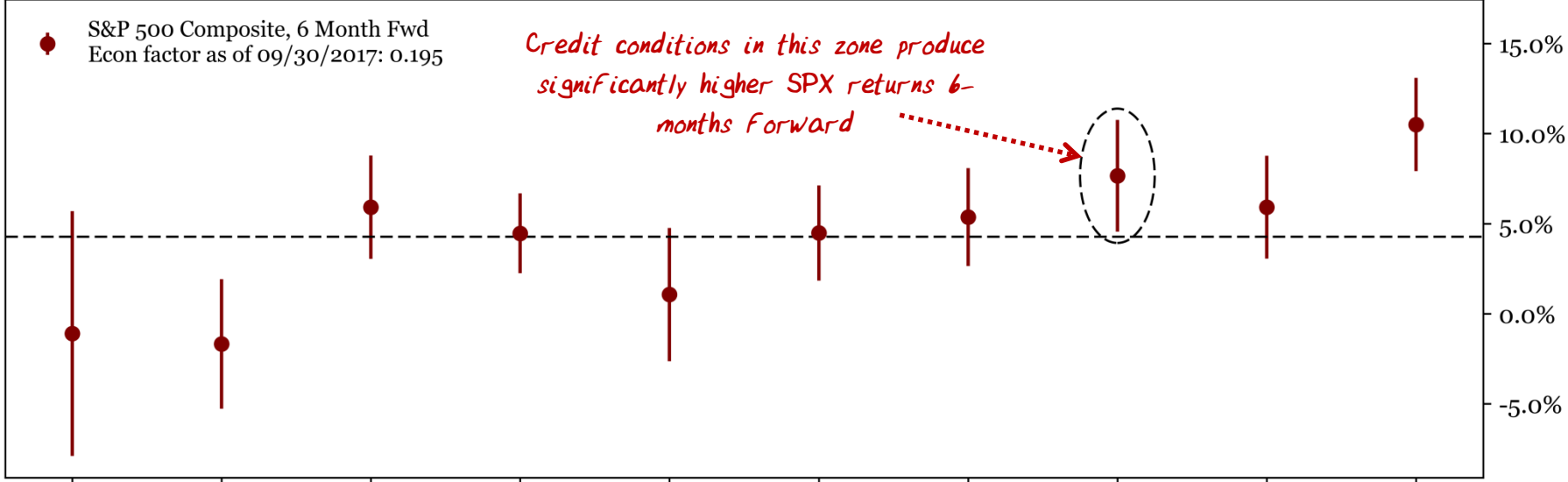
S&P 500 Composite, based on
Credit Conditions
1990 - 2017

Corr: 0.26
R-Sq: 0.07
T-St: 4.87



● S&P 500 Composite, 6 Month Fwd
Econ factor as of 09/30/2017: 0.195

Credit conditions in this zone produce significantly higher SPX returns 6-months Forward

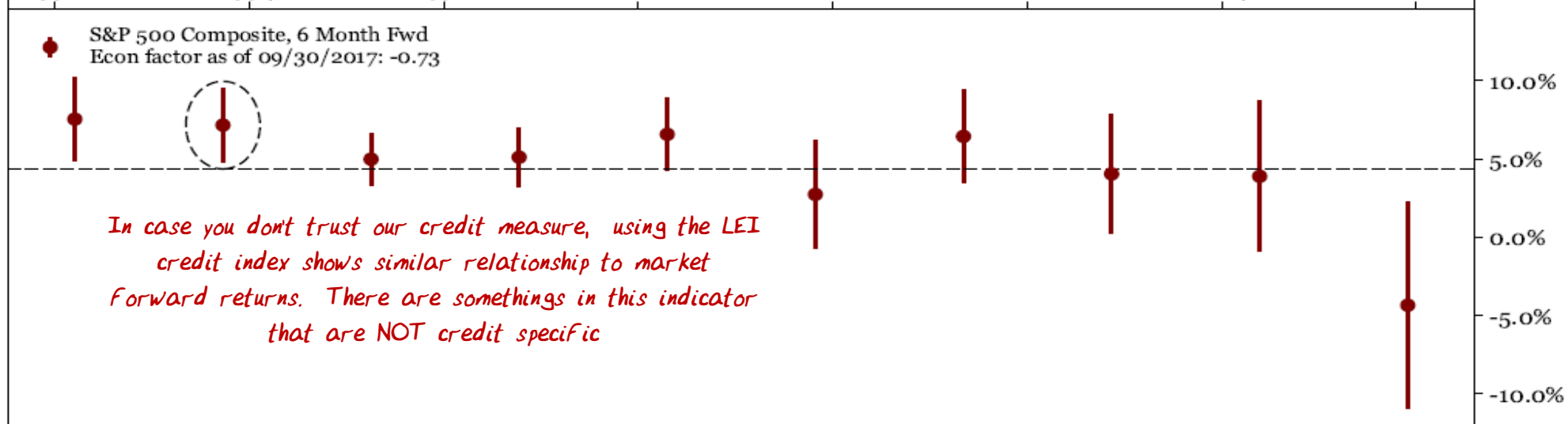
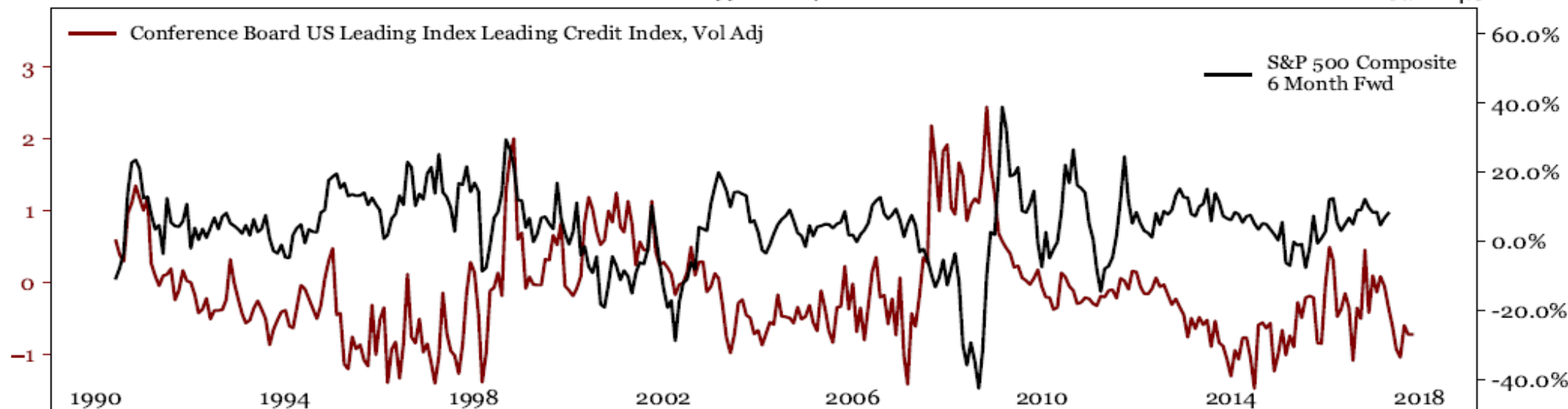


10th (-1.11, -0.394) 20th (-0.386, -0.262) 30th (-0.26, -0.145) 40th (-0.14, -0.0678) 50th (-0.0671, -0.00805) 60th (-0.002, 0.0572) 70th (0.0583, 0.145) 80th (0.148, 0.263) 90th (0.264, 0.386) 100th (0.387, 0.801)

LEI Credit Readings Also Bullish

S&P 500 Composite, based on
Conference Board US Leading Index Leading Credit Index (LEI LCI Index)
1990 - 2017

Corr: -0.26
R-Sq: 0.07
T-St: -4.8



In case you dont trust our credit measure, using the LEI credit index shows similar relationship to market Forward returns. There are somethings in this indicator that are NOT credit specific

10th (-1.48, -0.904) 20th (-0.899, -0.67) 30th (-0.66, -0.484) 40th (-0.481, -0.348) 50th (-0.347, -0.212) 60th (-0.21, -0.0659) 70th (-0.0649, 0.079) 80th (0.0792, 0.292) 90th (0.298, 0.831) 100th (0.834, 2.44)

Conference Board US Leading Index Leading Credit Index, Vol Adj

Credit Useful as a Conditional Factor

S&P 500 Composite, based on
Conference Board US Leading Index Leading Credit Index (LEI LCI Index)
1990 - 2017

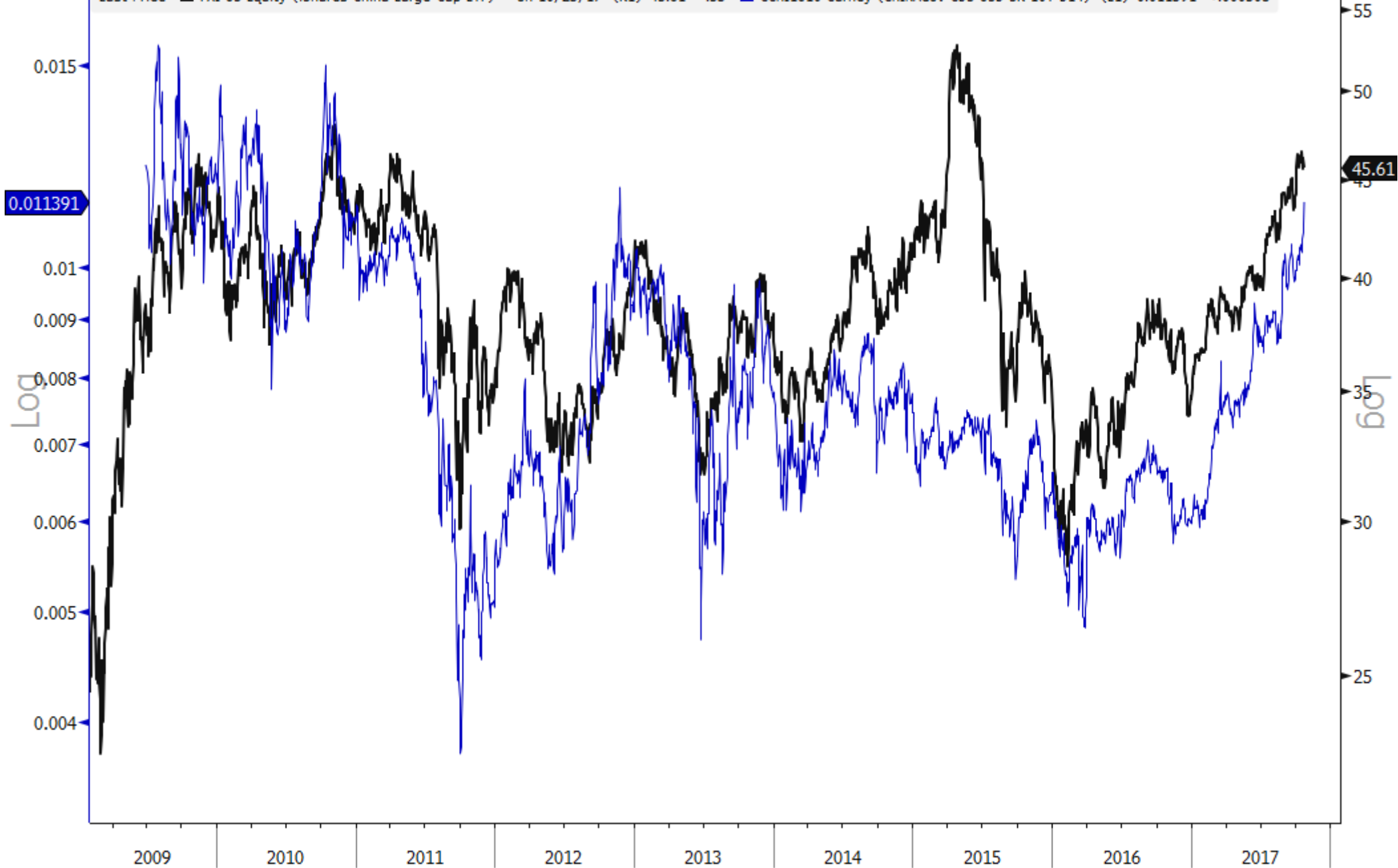


BB – BBB Spread Near 3yr Low



China CDS Spreads Confirming FXI Strength

Last Price ■ FXI US Equity (iShares China Large-Cap ETF) - on 10/23/17 (R1) 45.61 -.53 ■ CCHI1U10 Curncy (CHINAGOV CDS USD SR 10Y D14) (L1) 0.011391 +.000508

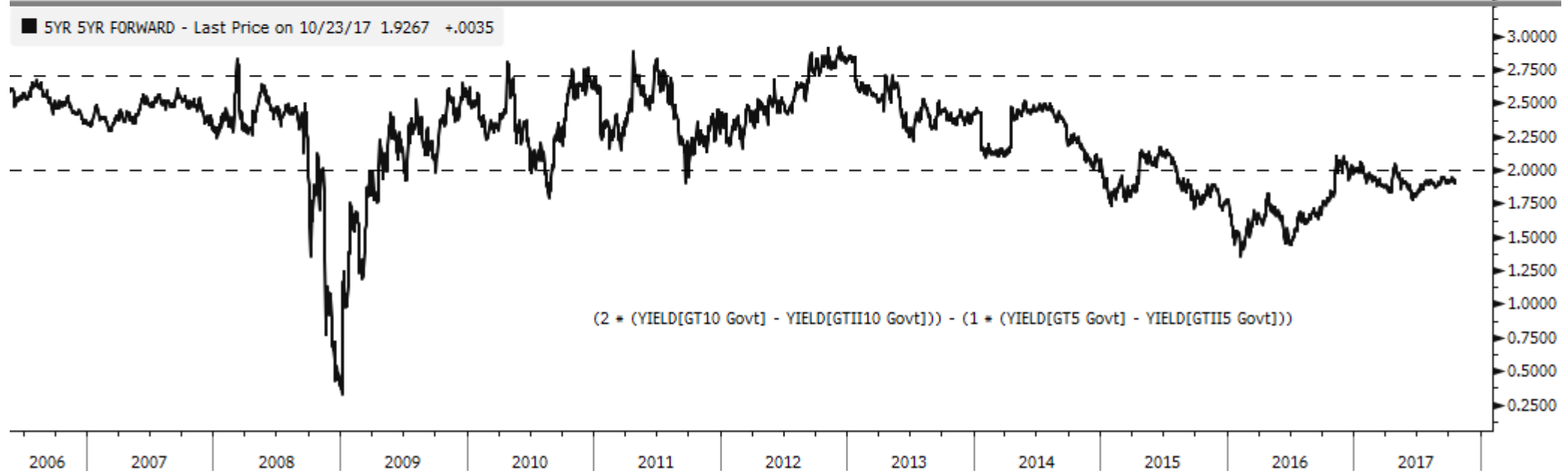


Forward Inflation Below Threshold (Thank You Oil)

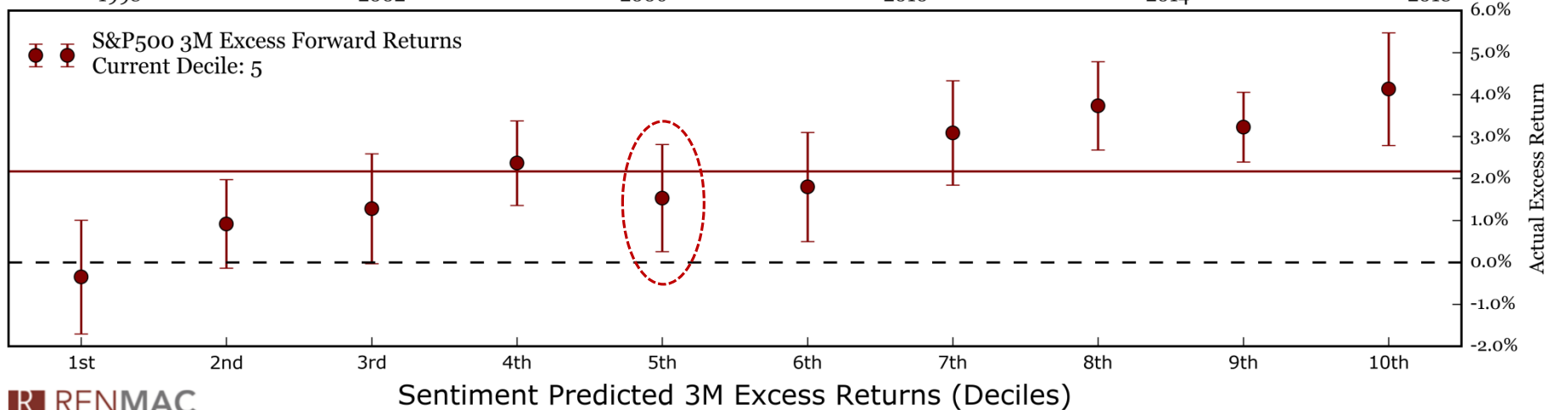
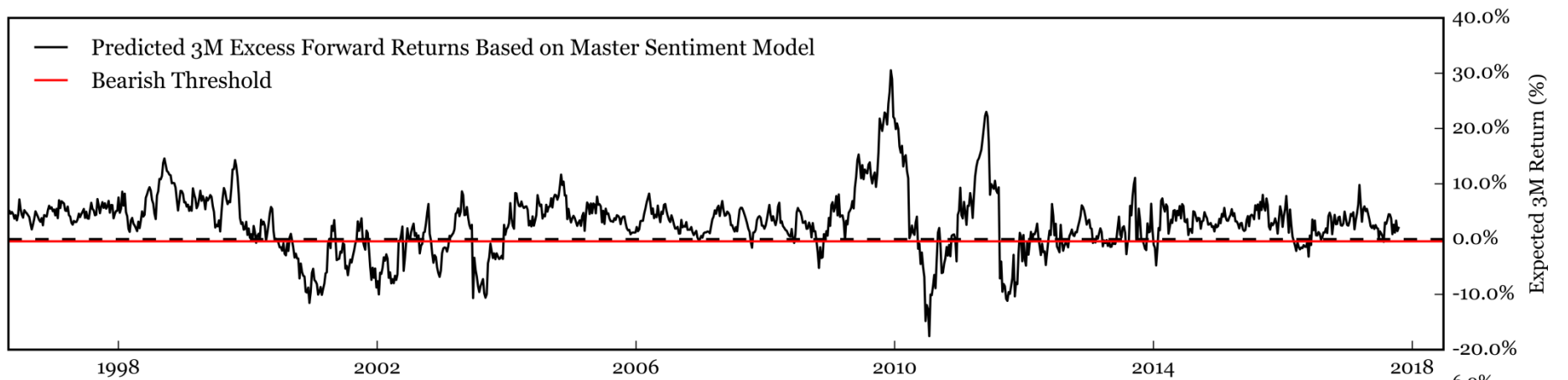
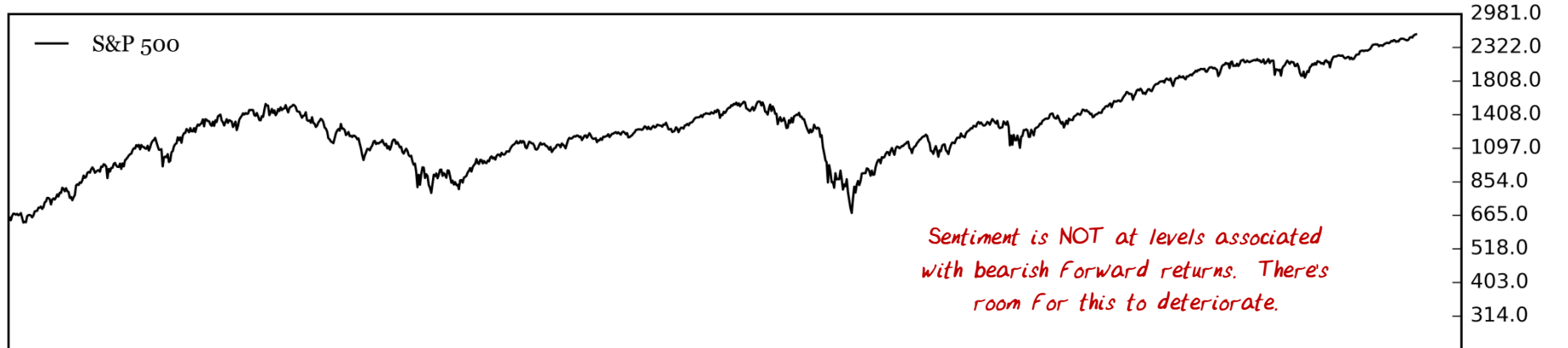
■ S&P 500 Index - Last Price 2564.98 -10.23



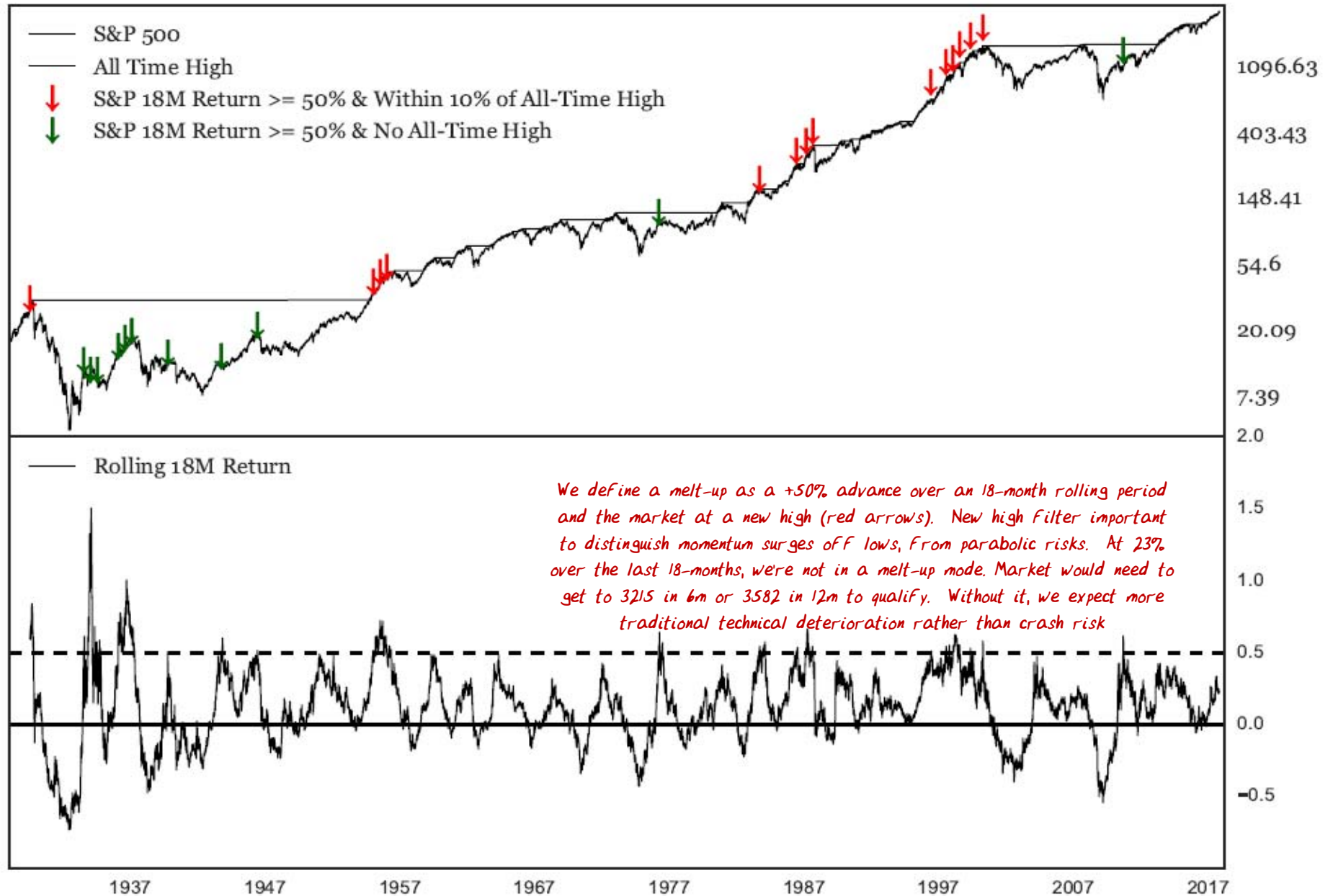
■ 5YR 5YR FORWARD - Last Price on 10/23/17 1.9267 +.0035



RenMac Sentiment Model Neutral



SPX Melt-up Indicator (Not There)



10Yr Yields Trading in a Pennant

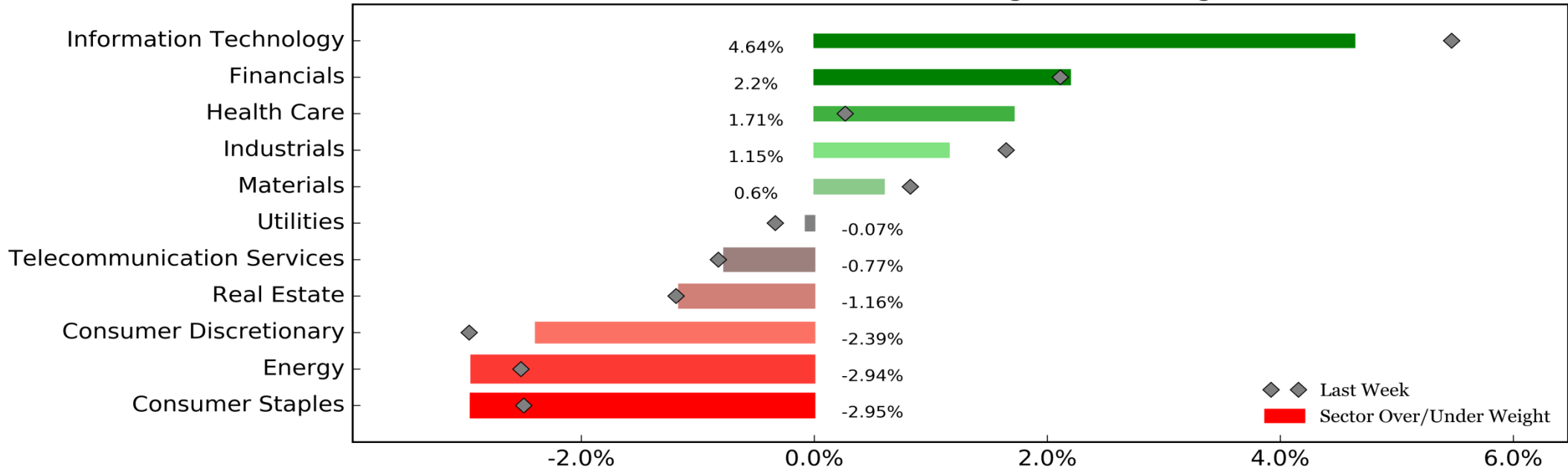
US Generic Govt 10 Year Yield

Close: 2.3646

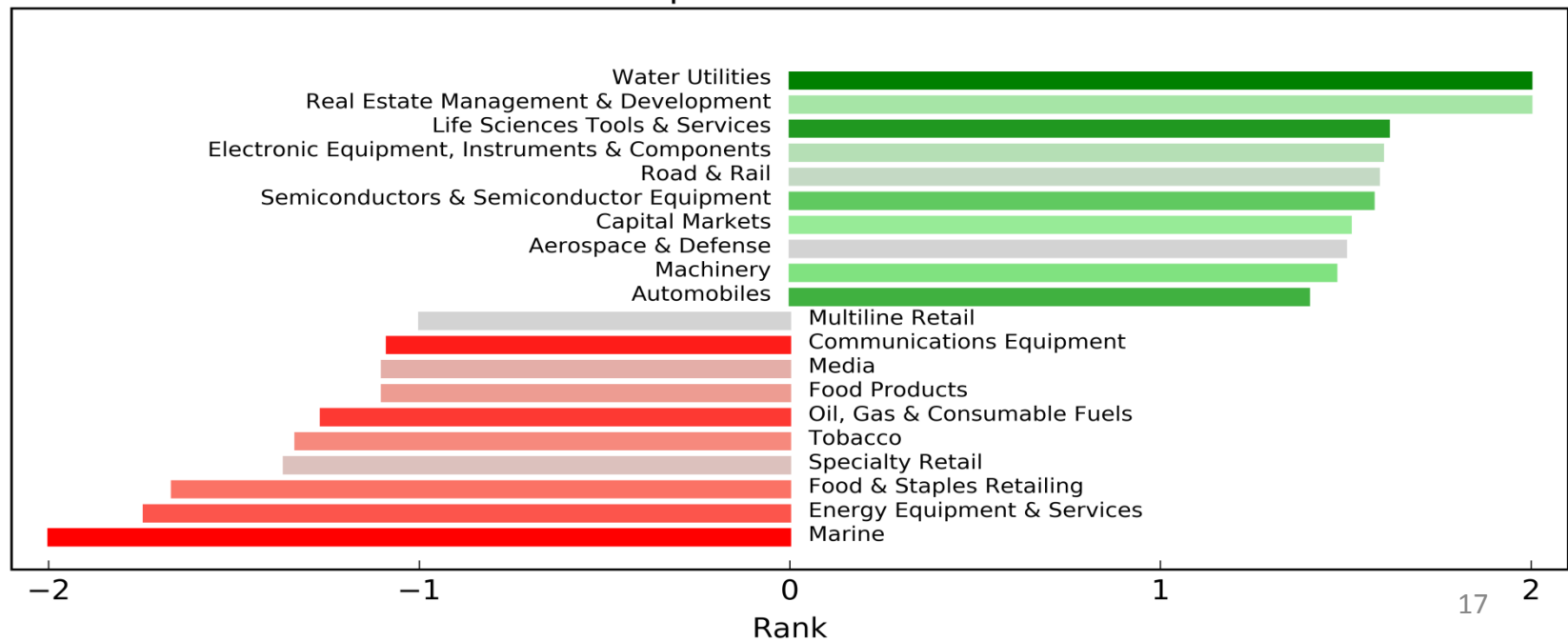


Energy and Consumer Weakest

SP1500 Sector Overweight/Underweight

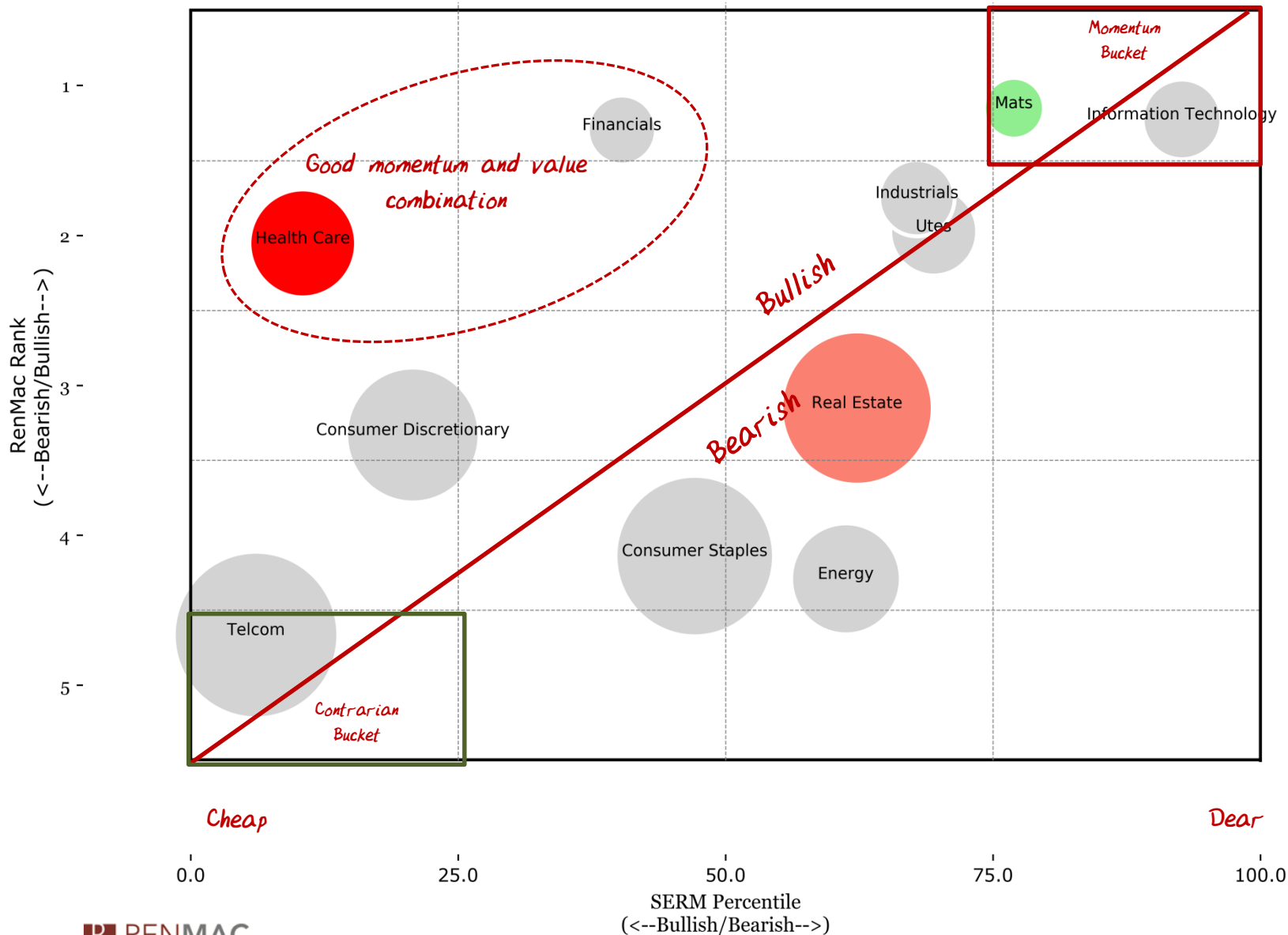


SP1500 Top and Bottom Industries



RenMac Value/Momentum Map

RenMac SP500 Sector Bubble Chart
10/24/2017



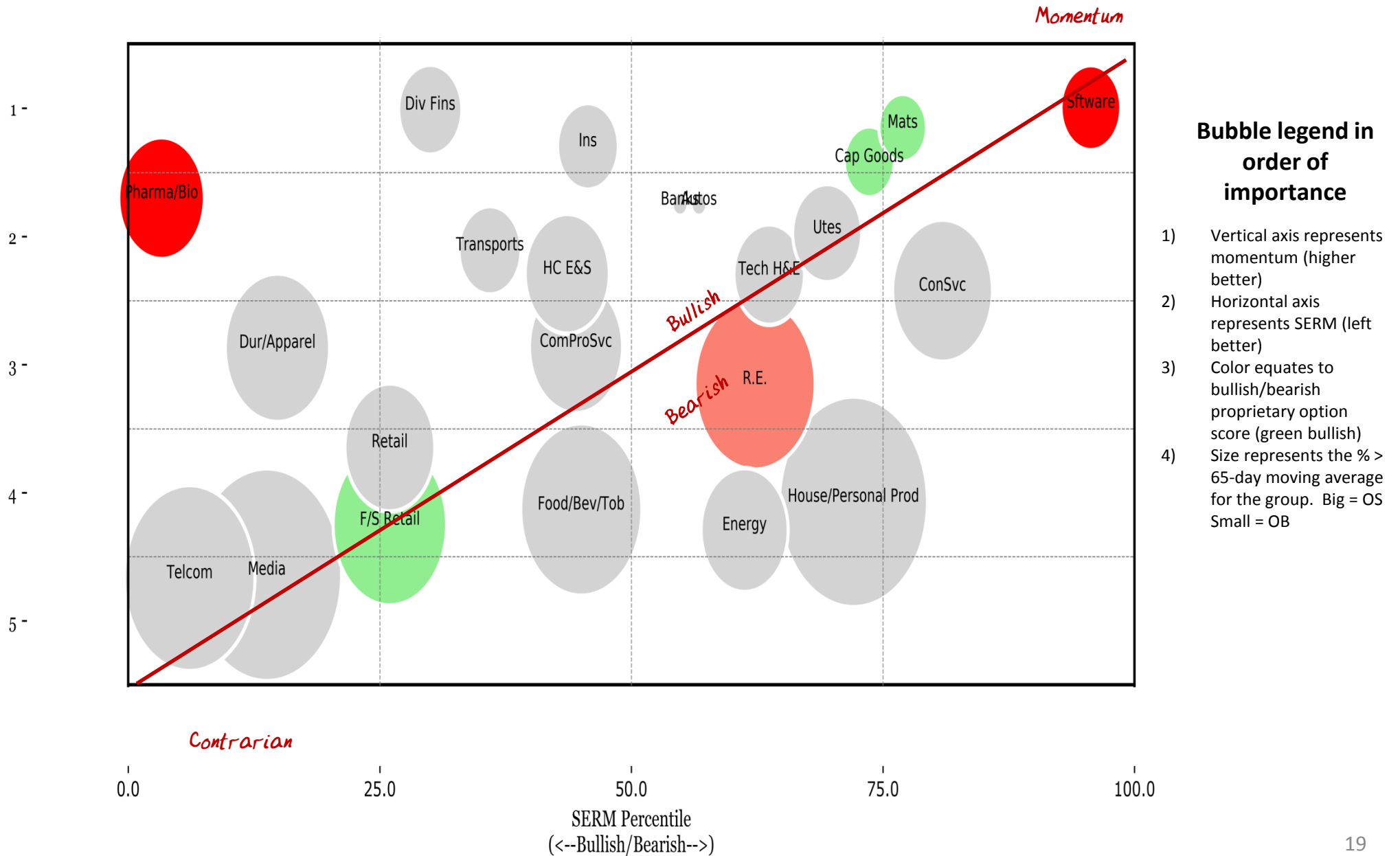
Bubble legend in order of importance

- 1) Vertical axis represents momentum (higher better)
- 2) Horizontal axis represents SERM (left better)
- 3) Color equates to bullish/bearish proprietary option score (green bullish)
- 4) Size represents the % > 65-day moving average for the group. Big = OS Small = OB

RenMac Industry Map

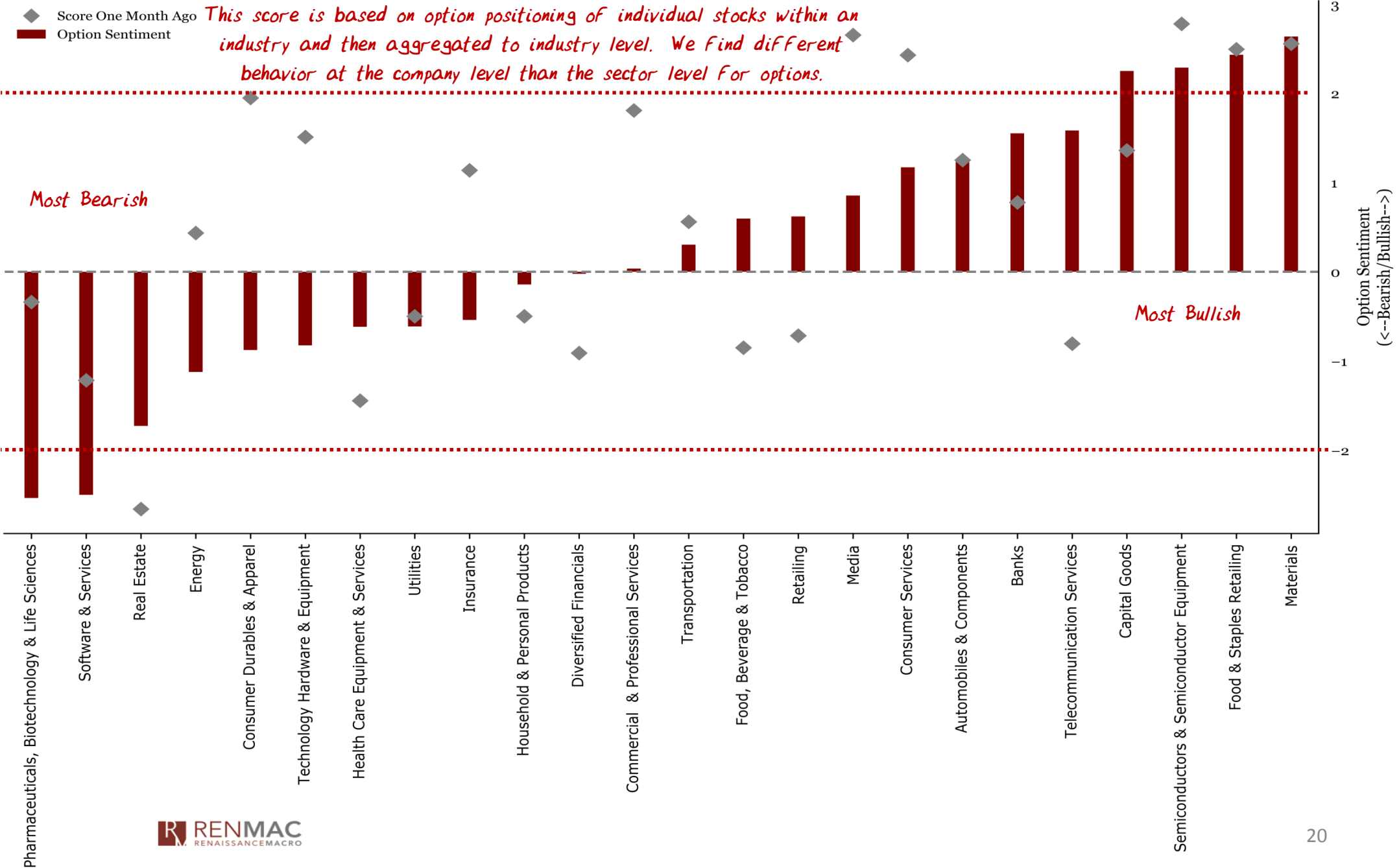
RenMac SP500 Industry Group Bubble Chart

10/24/2017



RenMac Option Score

SP1500 Industry Group Option Sentiment



Staples' Cost of Capital is Rising



Top Technically Ranked S&P 500 Names

New entrants highlighted in green

Materials:		Industrials:			Discretionary:		Health Care:			Financials:			Info Tech:				Utilities:
IFF	MON	LLL	AOS	DE	DLPH	BSX	CERN	ILMN	AXP	RJF	MMC	VRSN	GPN	ATVI	INTC	TXN	AWK
DWDP	NEM	GD	FBHS	PNR	BWA	BAX	GILD	TMO	NDAQ	SCHW	UNM	PYPL	CTSH	SYMC	MCHP	AMD	
APD		LMT	DOV	XYL	GM	DHR	BIIB	MTD	BEN	BK	TMK	IT	INTU	ADSK	AMAT		
SHW		COL	CAT	SWK	LEN	ISRG	ALXN	PKI	SPGI	MS	WLTW	FISV	SNPS	ADBE	ADI		
FMC		NOC	ITW	KSU	PHM	RMD	ABBV		AMP	NTRS	AFL	TSS	ANSS	TEL	MU		
LYB		BA	PH	NSC	GRMN	SYK	VRTX		ICE	IVZ	PGR	FIS	CDNS	GLW	NVDA		
CF		RTN	FTV	UNP	MHK	BCR	CELG		MCO	BLK	AON	ACN	MSFT	APH	AVGO		
ALB		TXT	CMI	JBHT	DHI	VAR	AMGN		CBOE	TROW	AJG	V	CRM	FLIR	XLNX		
EMN		ALLE	PCAR		LKQ	ABT	A		ETFC	STT	MET	CSRA	RHT	SWKS	KLAC		
PX		MAS	IR			ALGN	WAT		CME	AMG	LNC	MA	EA	QRVO	LRCX		

Bottom Technically Ranked S&P 500 Names

New entrants highlighted in red

Energy:		Discretionary:			Staples:		Info Tech:	Telecom Services:	Utilities:
BHGE	RRC	MAT	OMC	AAP	COST	K	FFIV	CTL	SCG
FTI	NBL	DISH	JWN	ORLY	WBA	HRL	STX	T	
SLB	HES	DIS	M	TSCO	CVS	KHC			
NOV	XEC	DISCK	AZO		KR	MO			
HP	APA	FOX	ROST		SJM	CHD			
HAL	CHK	FOXA	ULTA		MDLZ	KMB			
DVN	OXY	IPG	SIG		GIS	COTY			
MRO	PXD	DISCA	LB		ADM				
APC	XOM	VIAB	FL		CAG				
NFX	KMI	CBS	TJX		CPB				

Bullish

Intel Corporation (INTC-USA)
RenMac Rank: 1

Market Cap: 191860.2
Semiconductors



Bullish

Danaher Corporation (DHR-USA)
RenMac Rank: 1

Market Cap: 62931.38
Health Care Equipment



Bullish

Varian Medical Systems, Inc. (VAR-USA)
RenMac Rank: 1

Market Cap: 9856.674
Health Care Equipment



Bullish

Biogen Inc. (BIIB-USA)
RenMac Rank: 1

Market Cap: 69465.98
Biotechnology



Bullish

MetLife, Inc. (MET-USA)
RenMac Rank: 1

Market Cap: 56702.67
Life & Health Insurance



Bearish

Noble Energy, Inc. (NBL-USA)
RenMac Rank: 5

Market Cap: 13282.68
Oil & Gas Exploration & Production



Bearish

Occidental Petroleum Corporation (OXY-USA)
RenMac Rank: 5

Market Cap: 49735.48
Integrated Oil & Gas



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