Leavitt Brothers

Daily

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March 31, 2016

I wasn't entirely impressed with yesterday's post-Janet Yellen-induced "follow through," and after today, I'm even less impressed. The indexes closed mixed and little moved from their unchanged levels, the major industries closed mostly down (only utilities posted a gain), and leading stocks were mixed. The market followed through a little yesterday but closed off its high. Today wasn't any better.

The market opened flat and grinded in a range for about two hours. The small caps then jumped, but the large caps didn't participate. A top was put in place during lunch, and an afternoon sell-off started. The small caps fell back to their first hour range while the large caps sliced through their lows. The last hour saw the indexes move up and down and frustrate traders on both sides of the aisle.

At the close, the S&P 100, SP 500 and Dow were down a little, and the Russell 2000, S&P 600 and S&P 400 were up a little.

Among the groups, paper rallied more than 3%, real estate did better than 2%, and consumer electronics, electronic office equipment, biotech, autos, computer services, hotel & lodging REITs, mortgage REITs and recreational services gained better than 1%. On the flip side, platinum & precious metals, steel, chemicals, railroads, life insurance, travel & tourism, industrial metals, basic materials, marine transports and aluminum fell more than 1%.

There's nothing wrong with the action - it's just that the movement isn't convincing.

Today was the last day of March and the last day of Q1 2016, so let's check out the monthly charts.

Here's the S&P. It rode its 10-month moving average for 3-1/2 years and has spent the last nine months fluctuating above and below. Last month I was able to observe the index was unchanged over the previous two years. Now the index is unchanged over the last 18 months. Bottom line is the S&P is in a 2-year consolidation period. Not bad considering it tripled off its 2009 low. If this was an individual stock, we'd buy dips within the pattern.

The Dow is trading very much like the S&P (they are, after all, about 95% correlated). It rode its 10 up and has traded above and below it the last nine months.

The Dow Composite, which includes all the Dow stocks, plus transports and utilities, is similar but not the same. It too rode its 10-month up, but the MA also provided resistance the last nine months. This month's breakout - albeit on light volume - is the most forceful attempt to resume the uptrend.

At the other end of the market cap spectrum, the small caps, via the Russell 2000, would be considered in a downtrend. It broke a support level in January and has put in a lower high and lower low. And it's trading below its declining 10-month MA. If the large cap indexes try to bust out and leg up again, the small caps must participate. Otherwise the rally won't have legs.

Zeroing in on the middle of the market cap range, the mid-caps, via the S&P 400, are doing better than the small caps but worse than the large caps. They closed the month above their declining 10-month MA but haven't gotten much separation and are now right at a potential resistance level.

The Nas and Nas 100 (together). Both rode their 10's up, and both have traded above and below their 10's the last nine months. They're trading very similarly, with the obvious difference being the Nas is trading in a declining channel while the Nas 100 is trading in an up-trending channel.

Overall I'd say the market is in long term consolidation pattern, and it's very notable there's been a shift out of small caps. At this point, it would not be wise to be overly bullish or bearish, because the reality is the market isn't trending up or down on a long term basis.

Have a great night.

Jason Leavitt