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The market seems to be biding its time as it absorbs one major news event after another.

At the beginning of September the world got news the ECB was not going to commit to any new stimulus. The market tanked for one day. Then after recovering some, the FOMC held rates at their existing level. The market jumped for two days. Then after giving back its FOMC gains, we got another bounce after the first presidential debate. But those gains were given back after negative news regarding Deutsche Bank (DB) intensified.

If Europe doesn't continue their stimulus, the continent is in trouble. If the Fed raises rates, the market is likely to at least hiccup. The winner of the election will have an effect on the market (there is, after all, a very worn out path between Wall Street and DC). And if a major bank such as DB fails, the contagion could bring down the entire financial industry. All of these deserve the media attention they've gotten. They could be big or they could be nonevents. And during this time, Fed governors have become very split regarding rates - some want rates higher now, others are in no hurry.

And through it all, the S&P is about 13 points below where it was just prior to the ECB news, and the Nas is above the same level.

Lots of potentially big news. Lots of up and down movement. But the net has been a mixed and overall flat and range-bound market.

Those who zoom in and closely monitor the day-to-day are likely frustrated. There's a slight upward bias, but the action has been mostly flat for 2+ months. Rallies get sold, dips get bought. Nothing lasts. Good news causes pops, but those pops fail to entice new money to come off the sidelines so they fizzle. Bad news causes swift and intense selling, but the bears haven't been able to fully take control, and the losses are quickly recaptured. There has been very little net movement since the middle of July.

Those who back up and see a slightly bigger picture understand the market is simply in consolidation mode. The market trades in a range more than it trades directionally; this year has been pretty normal. Starting in mid

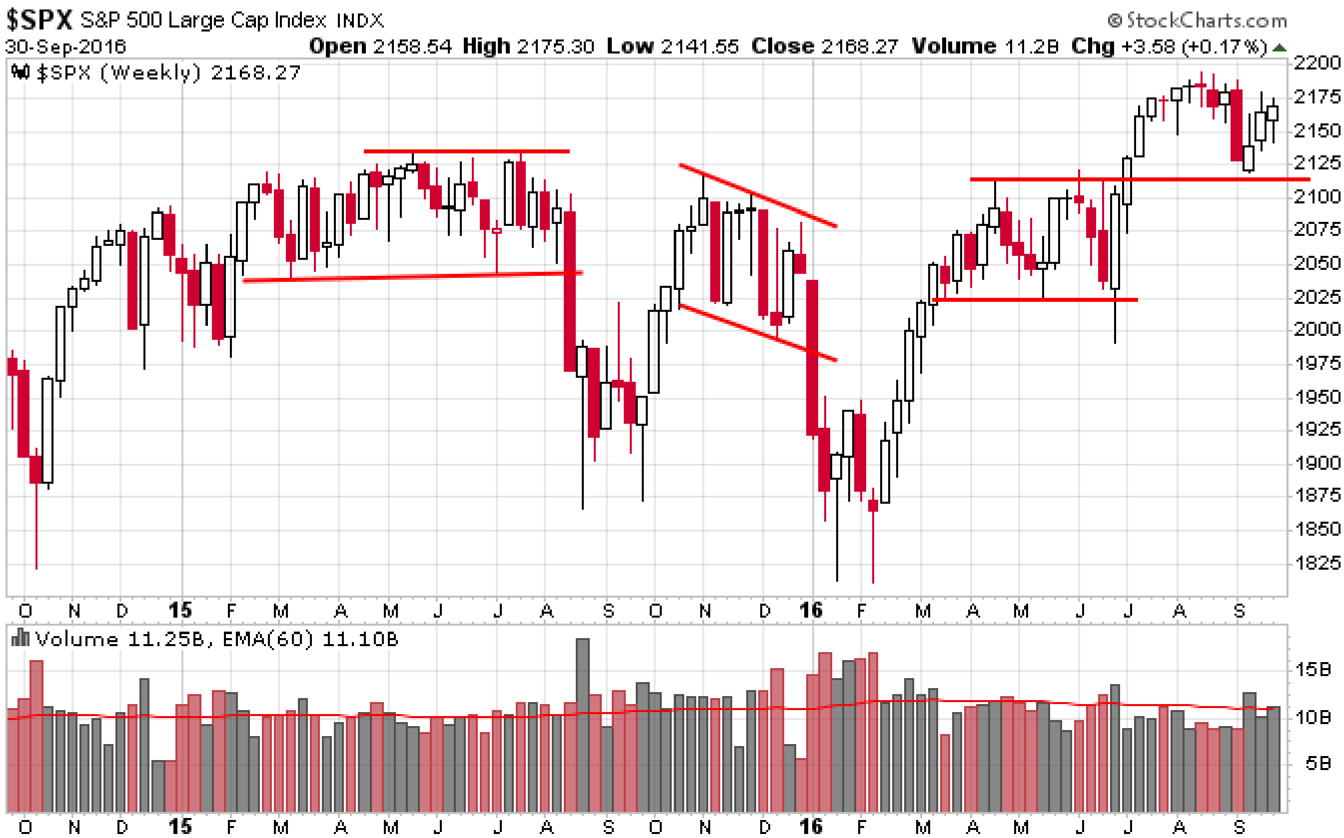
February, the market trended up for two months. Then it traded in a range for three months. A 2-week rally fed into the 2+ month range that currently persists. By my count, since the February bottom, we've gotten 2-1/2 months of directional movement and about 4-1/2 months of quiet ranges. This is normal, and other than the big 2-day spike down in June, you'd never know anything major was going on in the world. The market is doing what it normally does. It moves, absorbs, and then moves again.

Let's get to the charts and see what's going on beneath the surface. If breadth continues to hold up, I'm confident new, across-the-board highs will be made. Let's see.

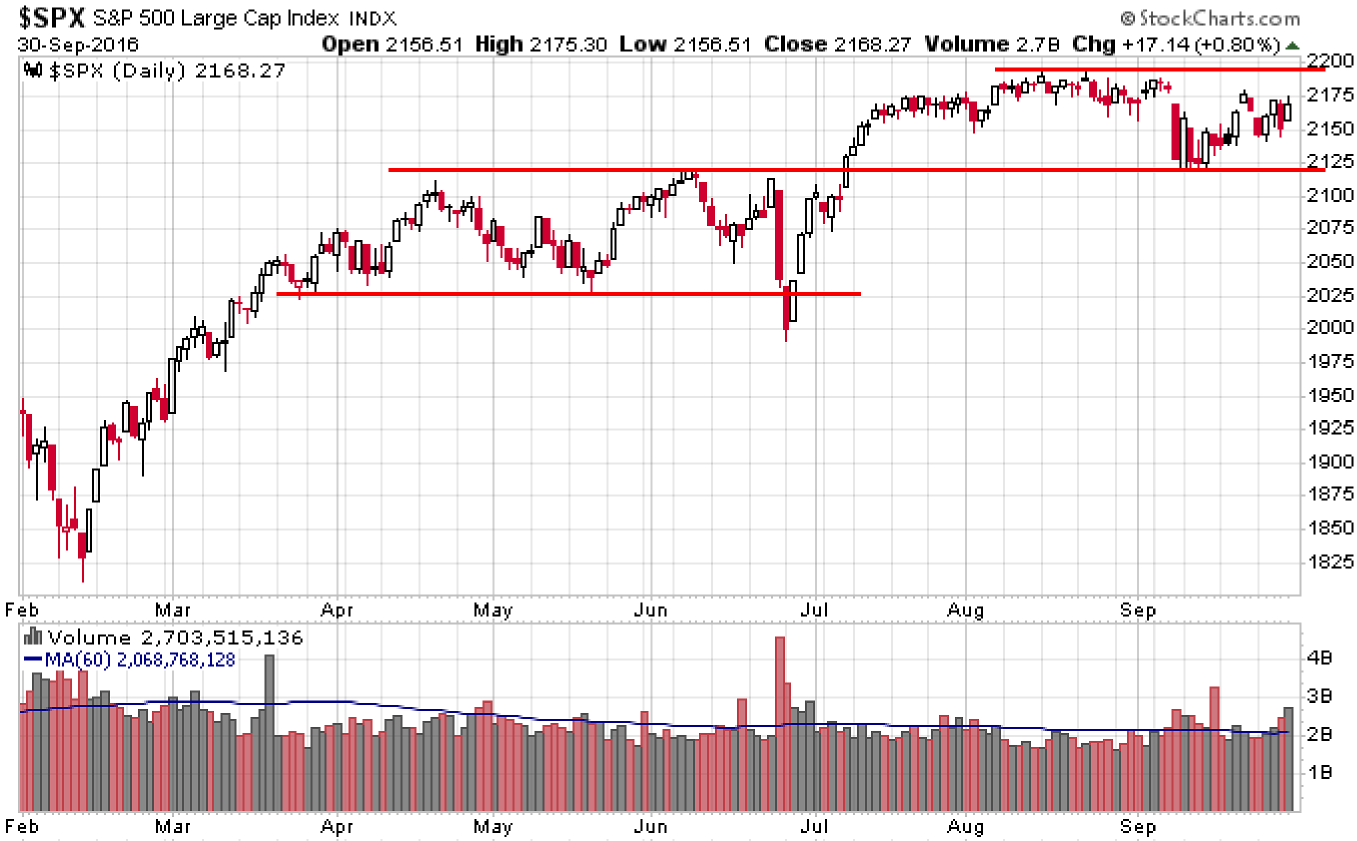
Indexes

The S&P 500 Monthly: After a breakout move in July, the S&P has traded flat. The last two months have seen the closes near the opens and zero directional movement in either direction. The 10-month is my line-in-the-sand. As long as the index stays above it - or only experiences brief moves below - I'll considering the trend to be up.

The S&P 500 Weekly: Three consecutive up weeks on pretty good volume, and after two closes well off the intraweek highs, we finally got a close in the top part of the range. Last week's candle was entirely contained by the high and low of the previous week, which I interpret as indicative of the range and not necessarily a sign pressure is building. In my eyes the index is in consolidation mode, having taken out the highs from mid- and late-2015 and this past summer.



The S&P 500 Daily: From one range to the next. This chart shows what I talked about above. Rally, consolidate, rally, consolidate. There is nothing wrong with this chart. The trend is obvious. Each "box" (as Darvas called them) is clearly defined. Be bullish, but don't be too bullish.

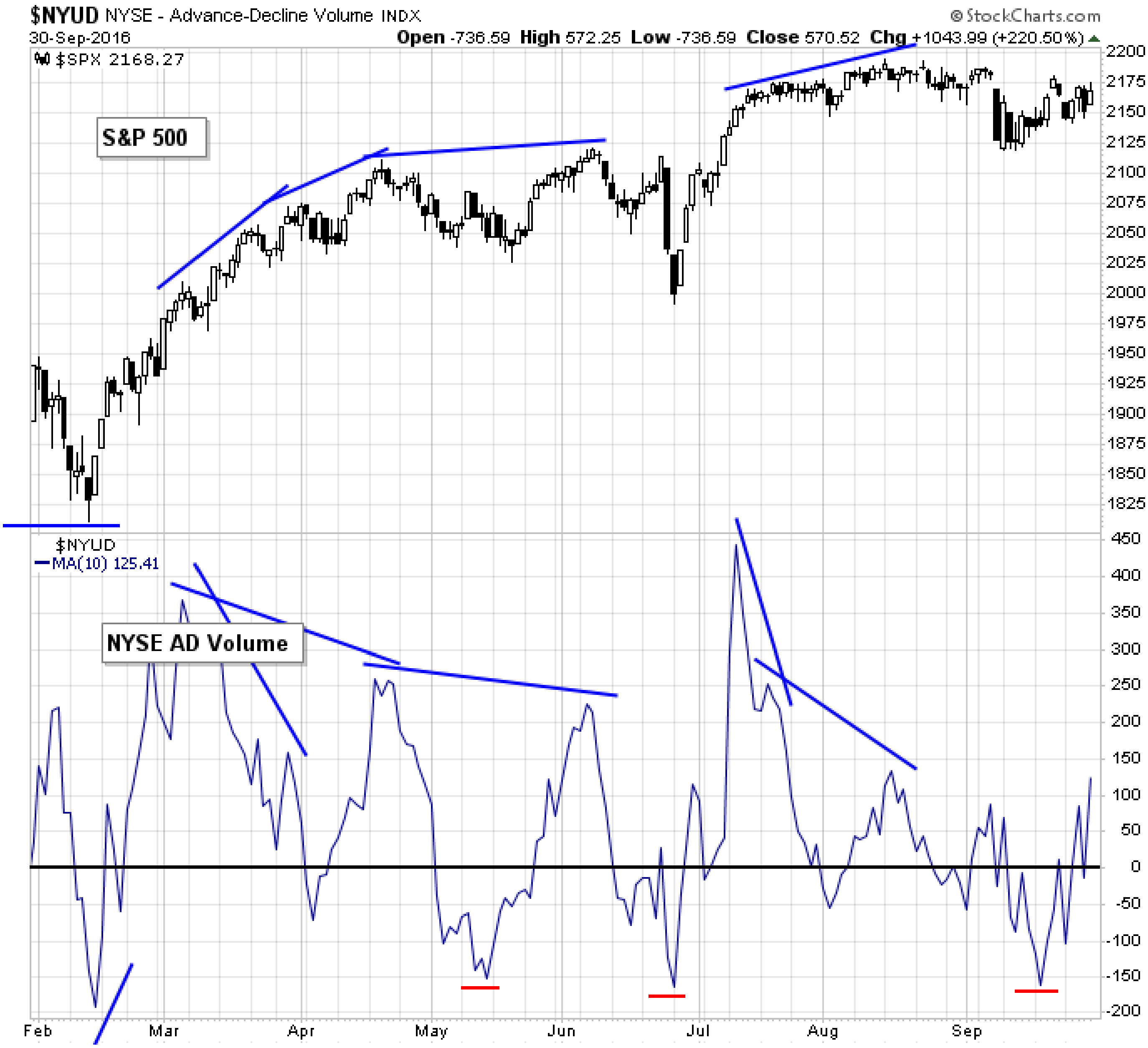


Indicators

S&P 500 vs. 10-day MA of NYSE AD Line: The AD line cycled down to a previous low and is now moving up. Over the last two weeks the market is up a small amount, so we can't expect much more. But if the market attempts to rally next week, we'll want to see this indicator surge.

S&P 500 vs. NYSE Cumulative AD Line: The cumulative AD continues to act very well. It suggests advancers are steadily beating decliners, and given how the indicator tends to trend down while a top is forming (see May-Jul 2015), we are nowhere close to a top forming.

S&P 500 vs. 10-day MA of NYSE AD Volume Line: The AD volume line also cycled down and is now moving to its highest level in about five weeks. A move to 200-250 would be normal if the S&P were to remain in a range. Beyond that, we'll need to see a higher print to support a new high for the market.

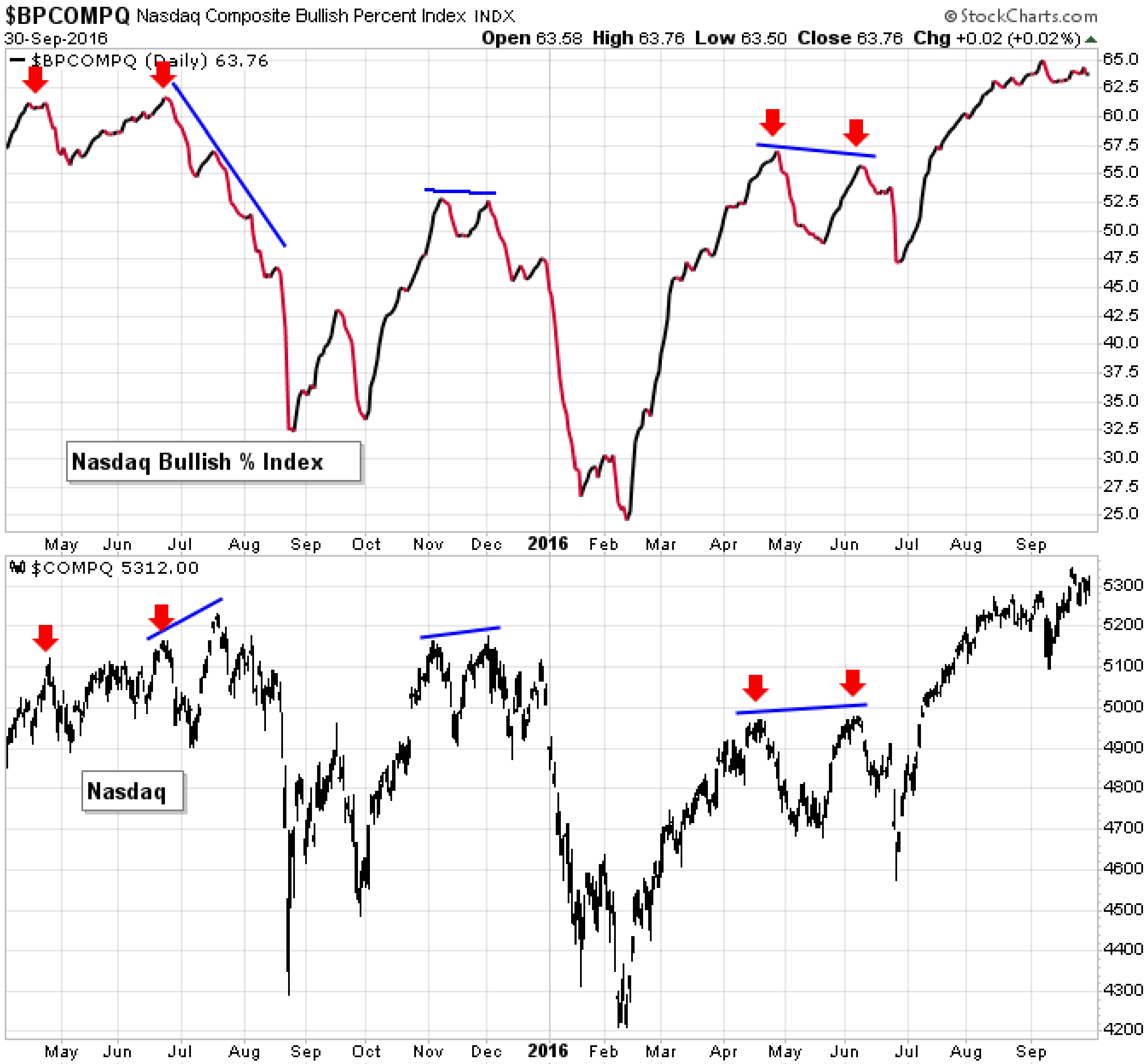


S&P 500 vs. NYSE Cumulative AD Volume Line: The cumulative version of the AD volume has lost some strength. It's not in bad shape. It's not trending down. It's just not suggesting strong underlying strength.

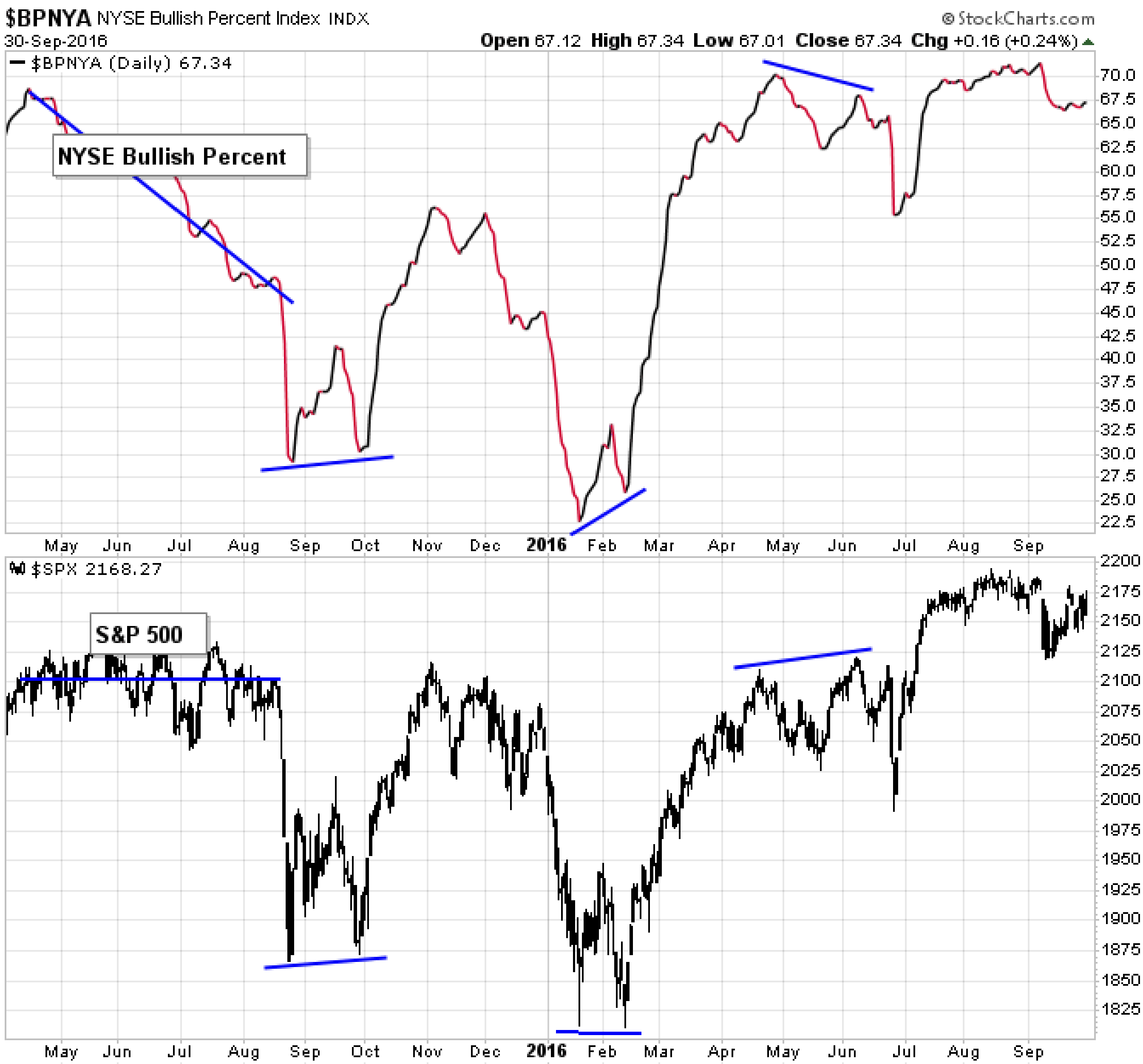
S&P 500 vs. NYSE New Highs: Overall, new highs at the NYSE are still trending down. It's not a huge concern because the market has been flat for two months, but if the market attempts to move up, we'll want to see new highs jump very quickly. Failure to do so would be a big warning. The market won't rally for long unless there is broad-based participation. It can't be carried higher by a small number of stocks.

NASDAQ vs. NASDAQ New Highs The Nas is very close to a new high, yet the 10-day of Nas new highs is no higher than early July when the index was coming off a depressed level. Are Amazon and a few other big cap tech stocks pulling the market up? Any attempt to leg up needs to be accompanied by a steady stream of individual stocks also hitting new highs.

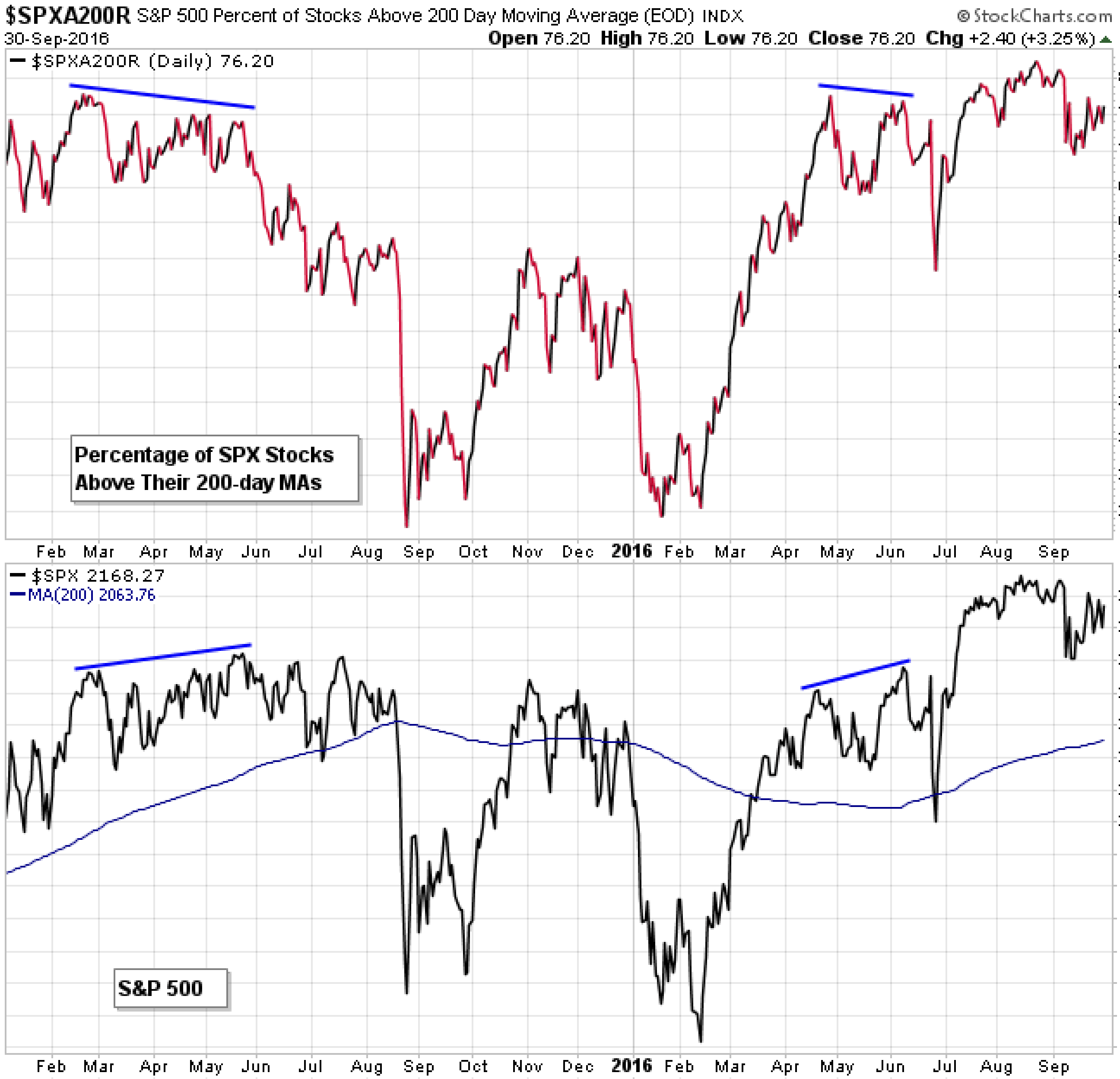
NASDAQ vs. NASDAQ Bullish Percent: The Nas bullish percent has flat-lined. No up and down movement. No divergences. No potential for a double top. Just flat movement. No improvement. No deterioration. We get nothing out of this right now, but when the market moves next, whether this indicator supports the move or stays put will be telling.



S&P 500 vs. NYSE Bullish Percent: After a quick drop at the beginning of the month, the bullish percent at the NYSE has flat-lined too. It doesn't suggest strength is brewing; it also doesn't suggest weakness is bubbling up. It supports the current action and isn't offering any clues as to what's in the pipeline.



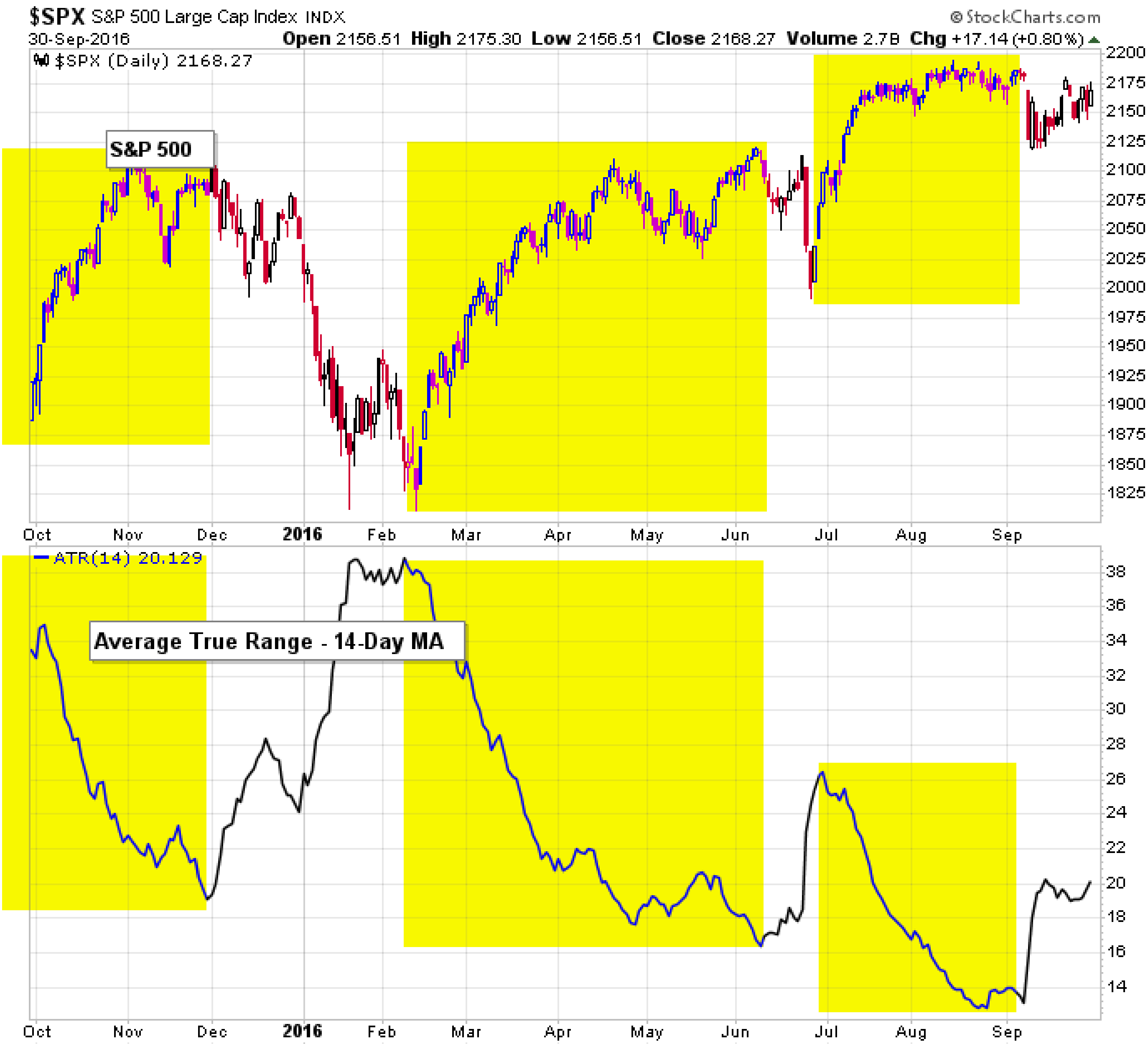
S&P 500 vs. Percentage of SPX Stocks Above 200-day MA: The percentage of SPX stocks above their 200-day moving averages is holding steady. It's not improving or weakening. It's just moving in a range while the S&P's 200 slowly trends up.



S&P 500 vs. Percentage of SPX Stocks Above 50-day MA: Very neutral picture here. The S&P is pennies from its 50-day MA, and the the percentage of SPX stocks above their 50-day MAs is at 51%. Since so many stocks have traded flat the last couple months, their 50's have flat-lined in the middle of their ranges. As the stocks move up and down, they lose and recapture their 50's literally every week. If the market attempts to move up next week, we'll want to see quick improvement here. This would suggest lots of participation. Failure to do so would constitute a lack of confirmation in my book.

S&P 500 vs. 10-day MA of Put/Call Ratio: The put/call offers no help right now. It tends to swing up and down - opposite the market - but it has gone nowhere the last month. The S&P ignored the early-August PC top and the late-August bottom, and now it's not even bothering to signal.

S&P 500 vs. 14-day Average True Range: The ATR is no longer falling. Volatility remains elevated, which is not typically what happens when the market moves up. This is important. What happens here with the ATR could be very telling going forward. If the indicator drops, the market's next move is likely to be up. But if the ATR legs up again after this 2-week pause, the market is more likely to head south. The market tends to move up on low or declining volatility and down on high or surging vol.



The Bottom Line

On most fronts the market is very neutral right now.

The S&P has established a range over the last 2-1/2 months, and while it has needed to absorb some market-moving news, its net change is minimal and the swings have been small.

Most indicators have also neutralized. The AD line and AD volume line are above 0 but not screaming bullish. The bullish percent charts have flattened out. The percentage of stocks above their 200- and 50-day MAs are exactly where you'd expect them given where the S&P is relative to its own moving averages. Essentially the indicators are not suggesting beneath-the-surface strength or weakness. They're just sitting there and not helping.

No strong bias here in the near term. Overall I like the market and think the S&P will eventually breakout to a new high and rally up to 2300-2400, but in the near term anything goes...including nothing.

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