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The market followed a moderate down week with a small up week. There was little change between Friday's close and the previous Friday's close, and there wasn't much difference between where the week started on Monday and finished on Friday. The range was small, and volume was on the lighter side. Despite the lack of net movement, it feels like volatility and anxiety are increasing - there were a couple moderate gaps last week and several sudden vertical moves in both directions. Overall the market remains in range, and while a month ago there was a definite bullish bias, things have neutralized. I would no longer consider there to be underlying strength or weakness - just a lot of jockeying for position with no prevailing trend.

Longer term traders - those who hold for several months in an attempt to nail the bulk of trending moves created by underlying themes - are being patient and are biding their time. They know the market spends more time moving in ranges than directionally, and this range isn't much different than other ranges that have played out the last few years. As long as they're in the groups doing well or holding up, they're doing fine and content to stay the course.

Intermediate term traders - those who hold for a few weeks or possibly a couple months while attempting to nail directional moves but don't have the patience to sit tight when the market consolidates - are getting a little frustrated. The quality and quantity of good opportunities have fallen off, and while there are a few outlier groups offering a few good set-ups, it's easier to play the outliers within a market trend. These traders are getting a little stir-crazy because they're itching to have more exposure, but they just can't justify the risk given the lack of underlying currents.

Short term traders or day traders - those who hold for a day or two and just try to chip away with little gains - are pretty much swapping spit. They're buying and selling and shorting and covering, and only the brokers who act as toll booths and the most skilled navigators are making money. Yes, day traders should be able to make money in all environments, but a trend and a steady breeze offers a better environment and the opportunity to size up a little or hold positions a little longer. This isn't the case right now, where moves aren't lasting very long at all.

The most important news items the market is grappling with and digesting are:

1) The election. This is a done deal. Unless Hillary Clinton faints and ends up hospitalized, the presidency is hers. It's possible there's a silent Trump vote out there - people who are voting for Trump but aren't being vocal about it - and there will always be people who close their eyes and vote straight party line, but there shouldn't be surprises come election night. ...unless Trump contests the numbers, which is possible.

2) The ECB's continued reluctance to commit to additional stimulus in the future.

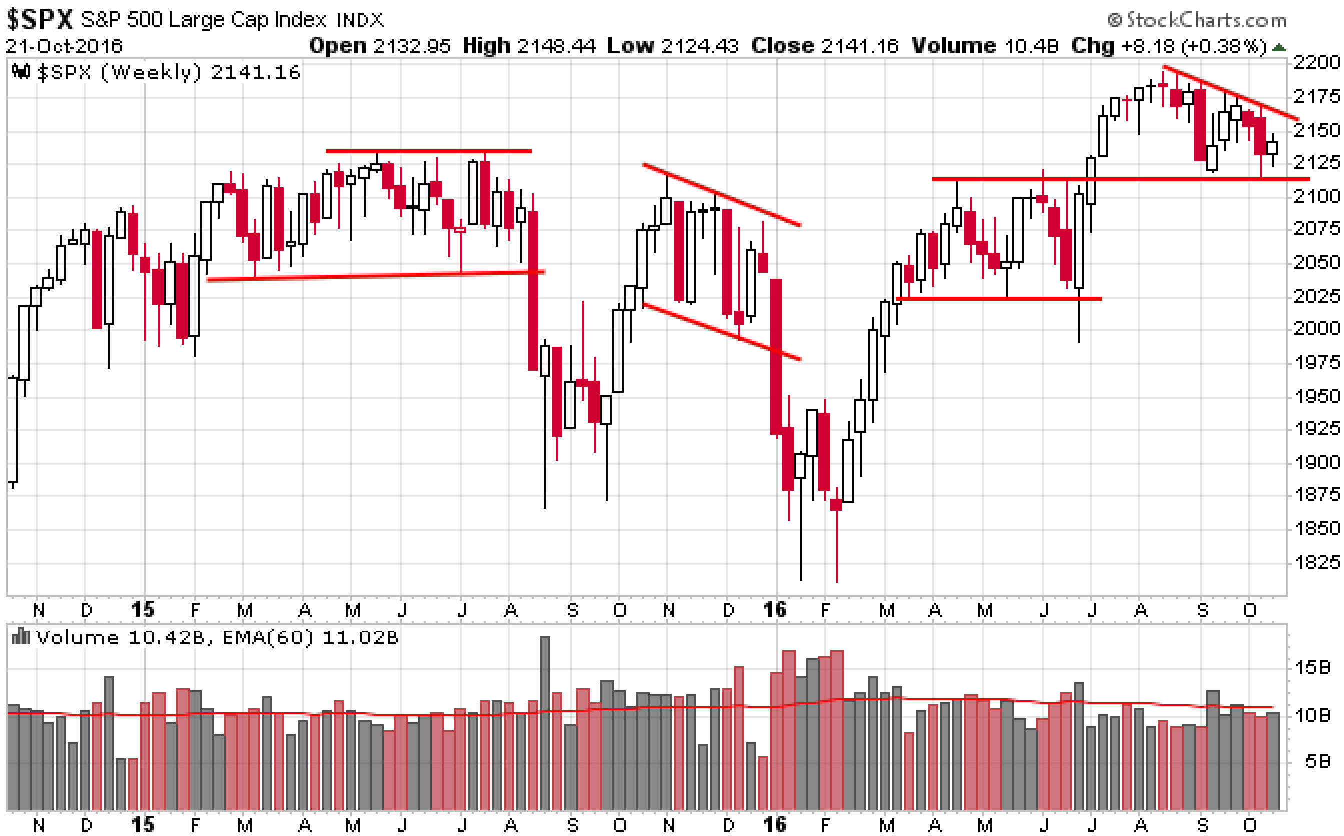
3) The dollar's strength. It broke out of a little consolidation pattern and is now marching toward $100. If it gets through that level, all bets are off, and everything will get re-evaluated. Multi-nationals will get hit with a less favorable exchange rate, and commodities will have a much stronger headwind to fight.

4) Rates. There's no way the Fed raises rates the first week of November, just days before the election. No way. But in my eyes, and I said this immediately following the September meeting, December is a done deal. Unless the dollar rallies hard over $100 - giving the Fed a way out - there's been too much hawkish chatter for them to backtrack.

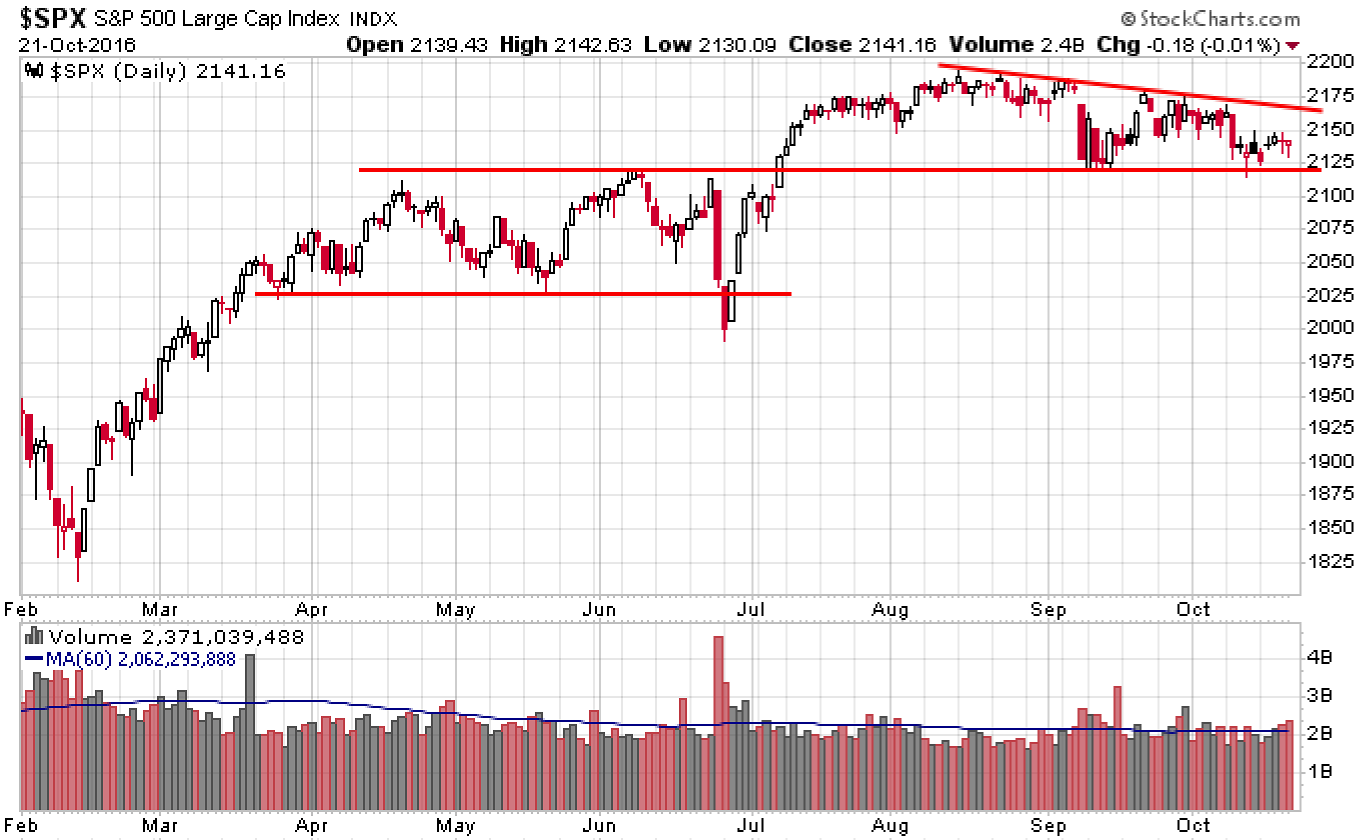
While the indexes have traded in ranges for three months, the breadth indicators have also neutralized. Let's get to the charts and see if there are any subtle, beneath-the-surface, hints of something brewing.

Indexes

The S&P 500 Weekly: Small candle entirely contained within the high and low of the previous week. There isn't much going on - just a breakout to a new high and then a consolidation pattern. Most notable is the lack of volume on the July rally and the increased volume within the pattern. Classic TA says the bulls want the opposite to be the case.

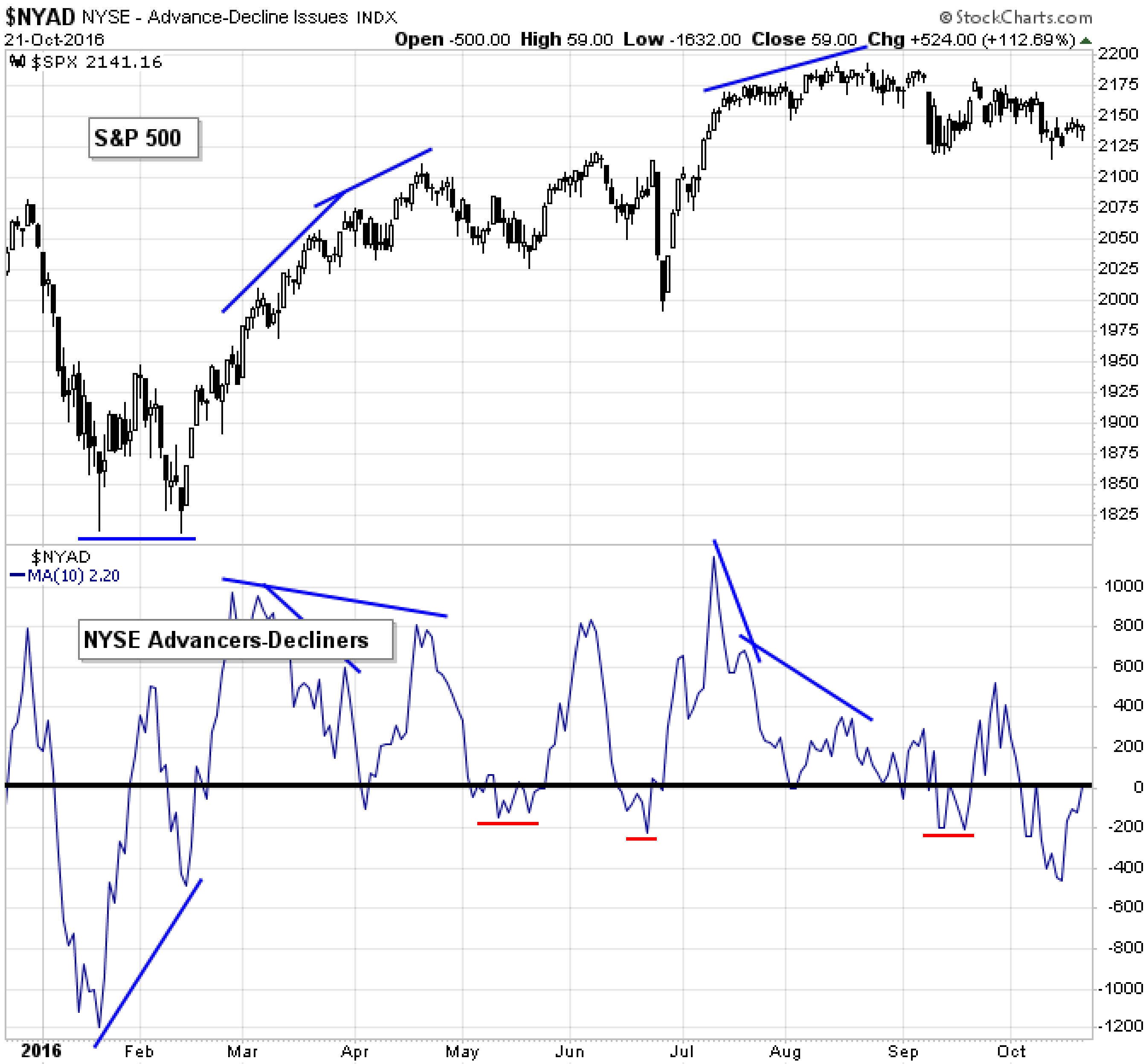


The S&P 500 Daily: Zooming in on the last nine months reveals nothing - just a market that has spent 3-1/2 months moving in a relatively tight range. And unlike April-June, when the market rolled up and down, the current action is more of a grind with lots of overlapping candles and virtually no directional movement. It is what it is. We have to look beneath the surface to find the outlier groups.



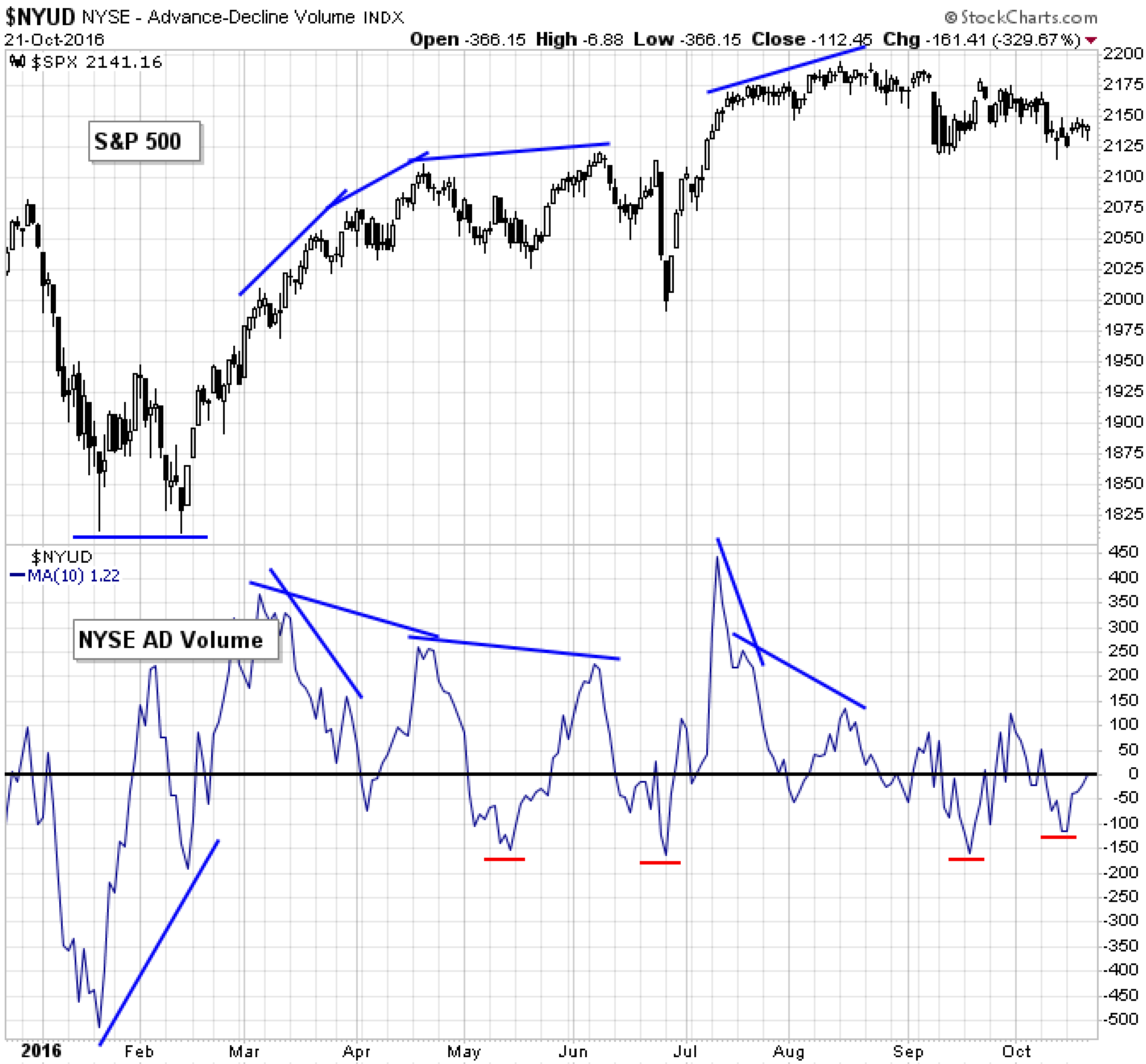
Indicators

S&P 500 vs. 10-day MA of NYSE AD Line: The 10-day of the AD line reversed from no-man's land. It fell further than previous drops within the current uptrend but not nearly as much as the January washout level. Now it sits at 0 - literally, so over the last 10 days advancers and decliners have been exactly equal. There is no hint of anything brewing under the surface.

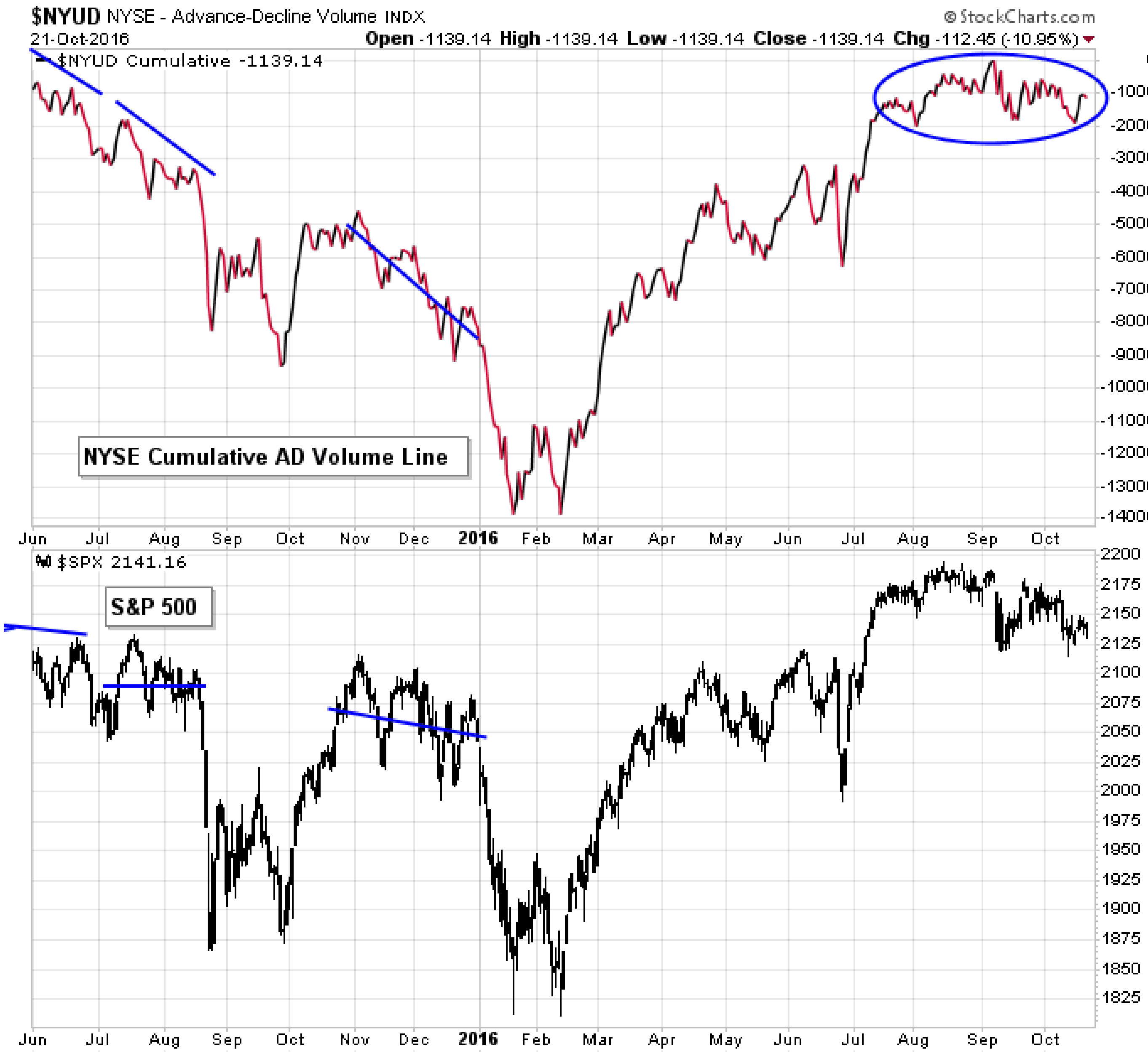


S&P 500 vs. NYSE Cumulative AD Line: The cumulative version of the AD line remains in consolidation mode, so there are no hints here either. As long as this remains the case, as long as this indicator doesn't start trending down, my overall bias will remain to the upside.

S&P 500 vs. 10-day MA of NYSE AD Volume Line: There have been no extreme prints from the NYSE AD volume line the last three month - a picture of neutrality. And now the indicator sits at zero, so over the last ten days, nobody has exerted themselves.

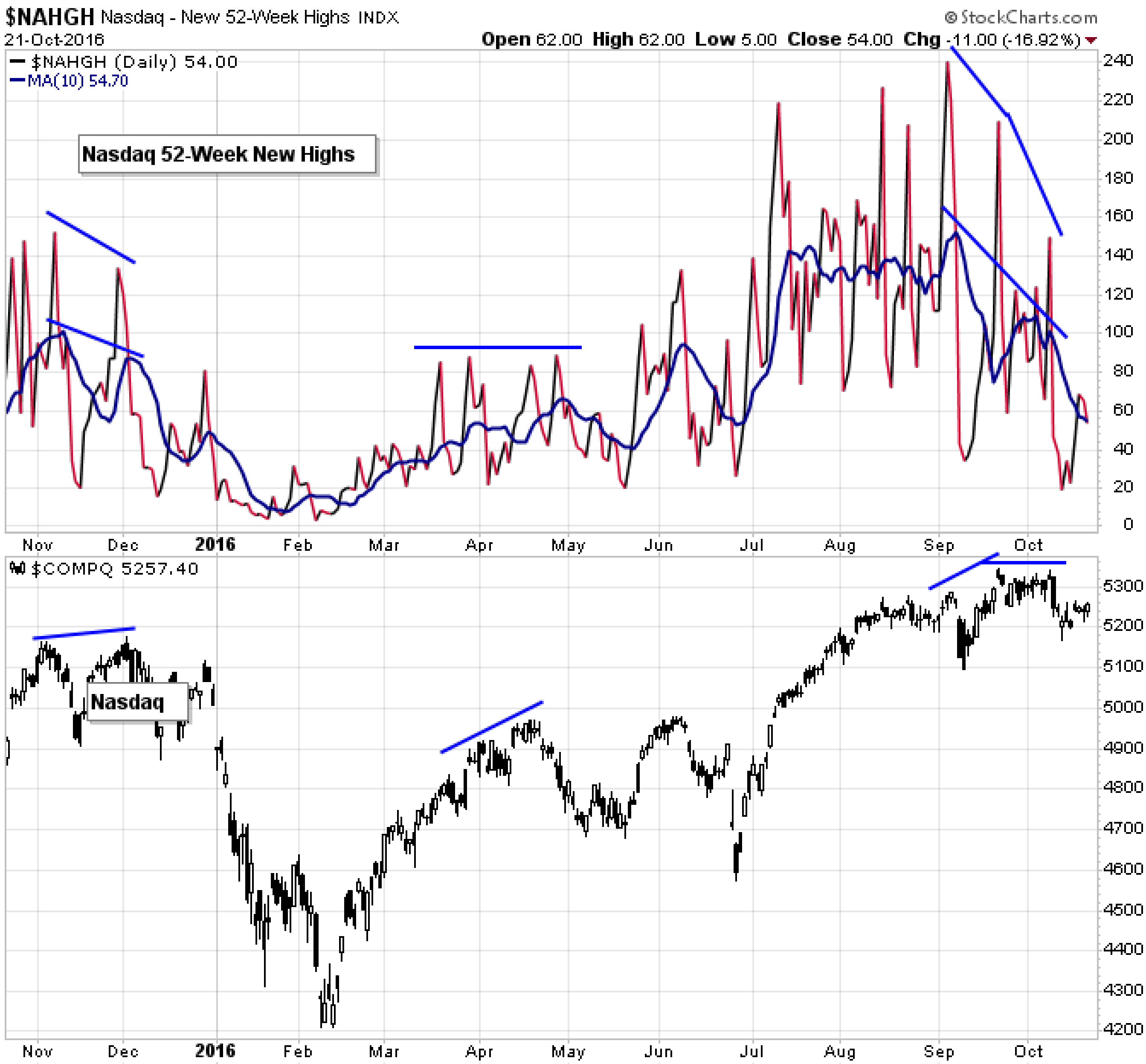


S&P 500 vs. NYSE Cumulative AD Volume Line: The cumulative AD volume line is similarly neutral. And until it trends down, like it did at the end of last year, I'll favor the upside.

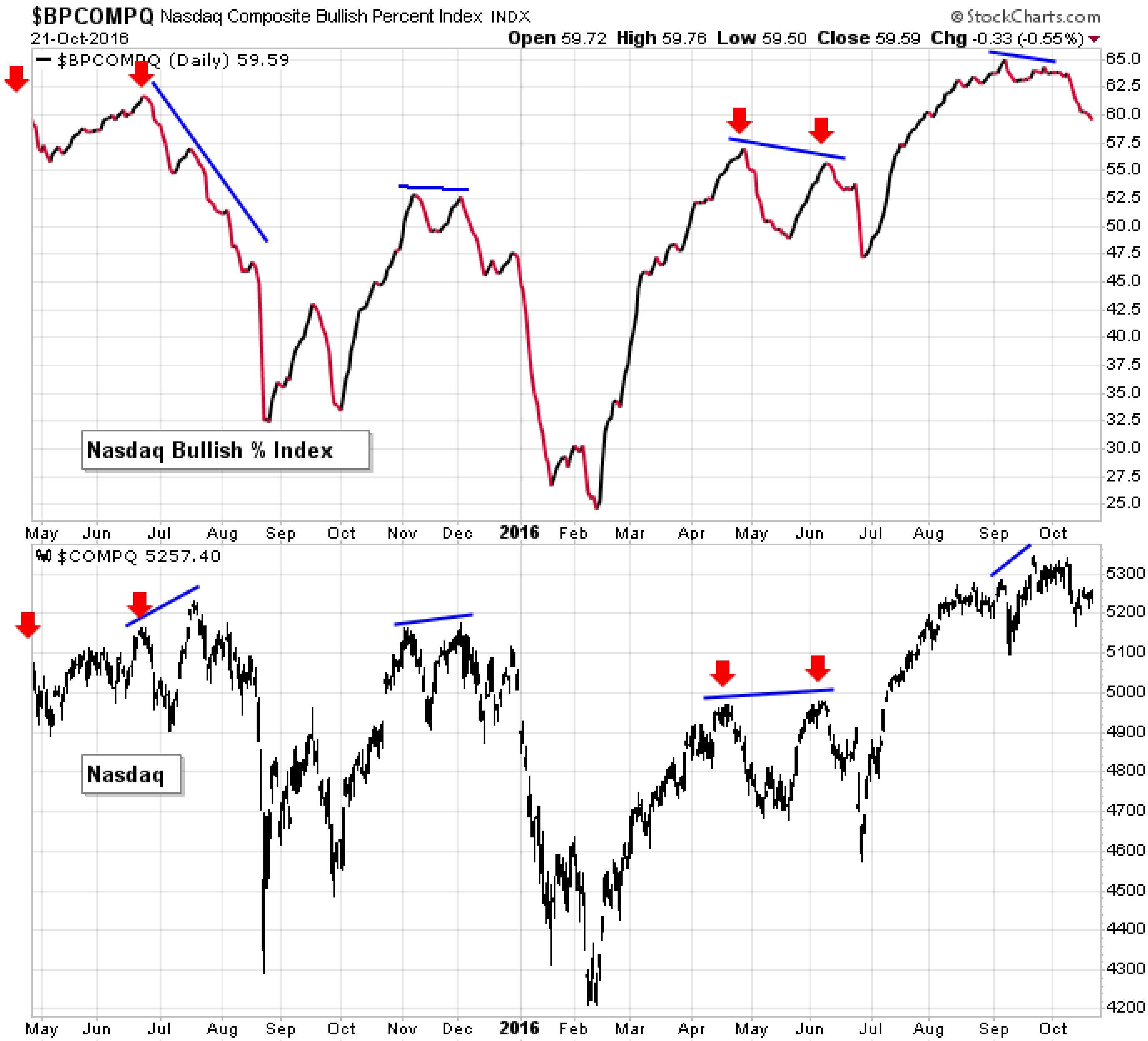


S&P 500 vs. NYSE New Highs: New highs continue to be nonexistent. If the market moves up, this will need to immediately change.

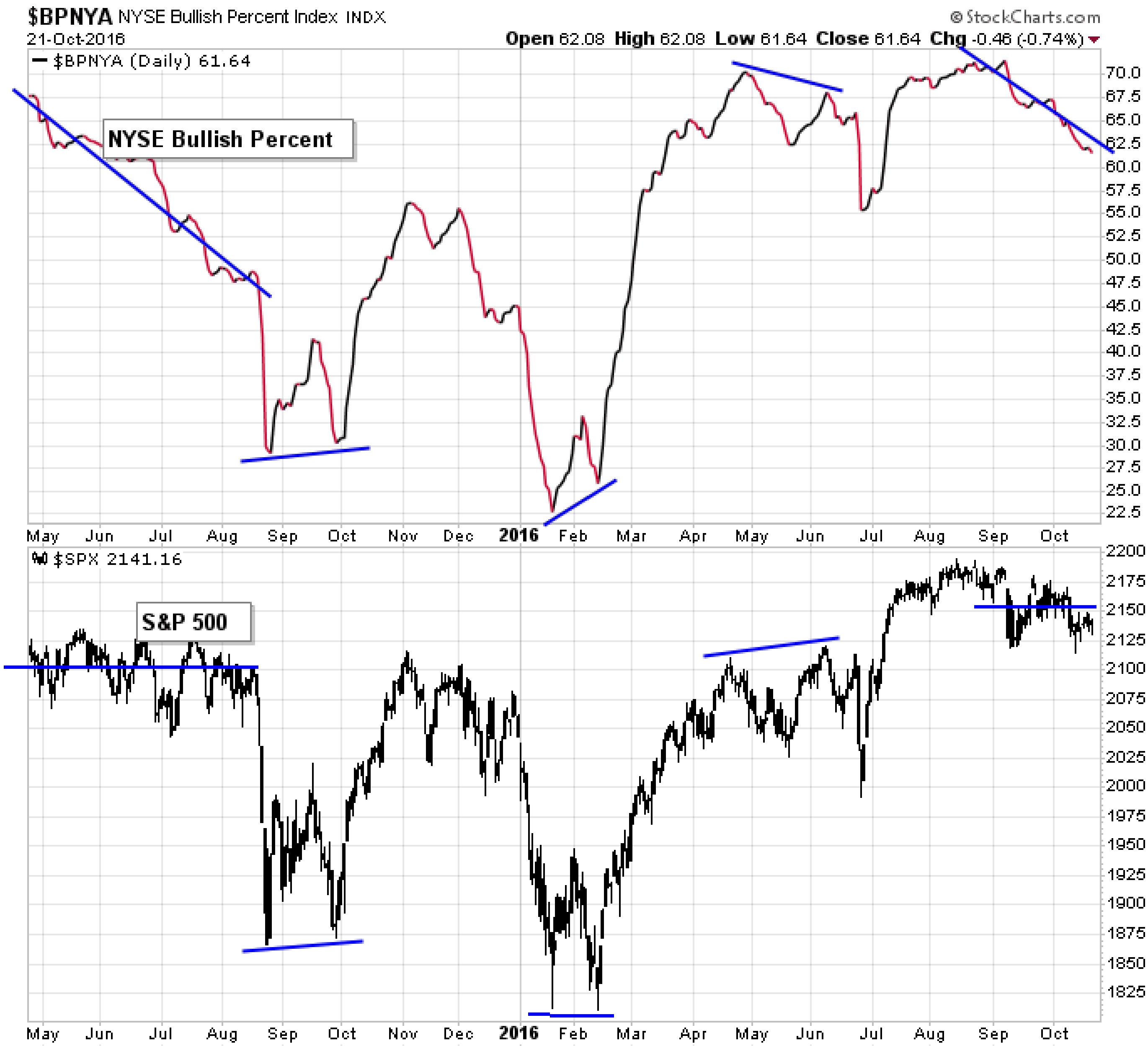
NASDAQ vs. NASDAQ New Highs New highs at the Nas are also nowhere to be found, even though when the Nas traded at the same level a month ago, there were several new-high spikes. This will need to change if the market moves up.



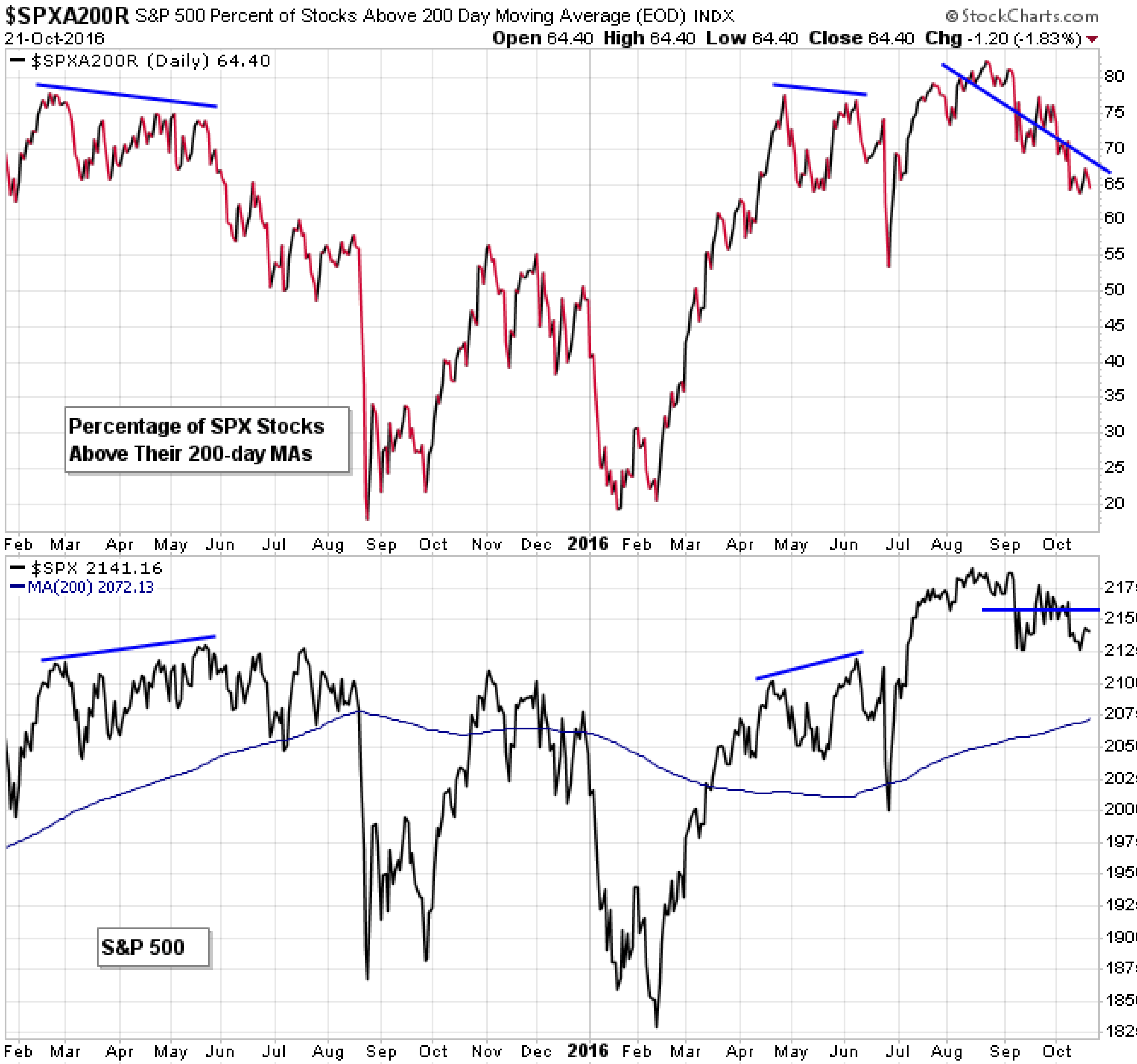
NASDAQ vs. NASDAQ Bullish Percent: The Nas bullish percent continues to slowly move down while the index itself trades mostly in a range. There's no sense of urgency yet, but it's definitely notable and not to be ignored.



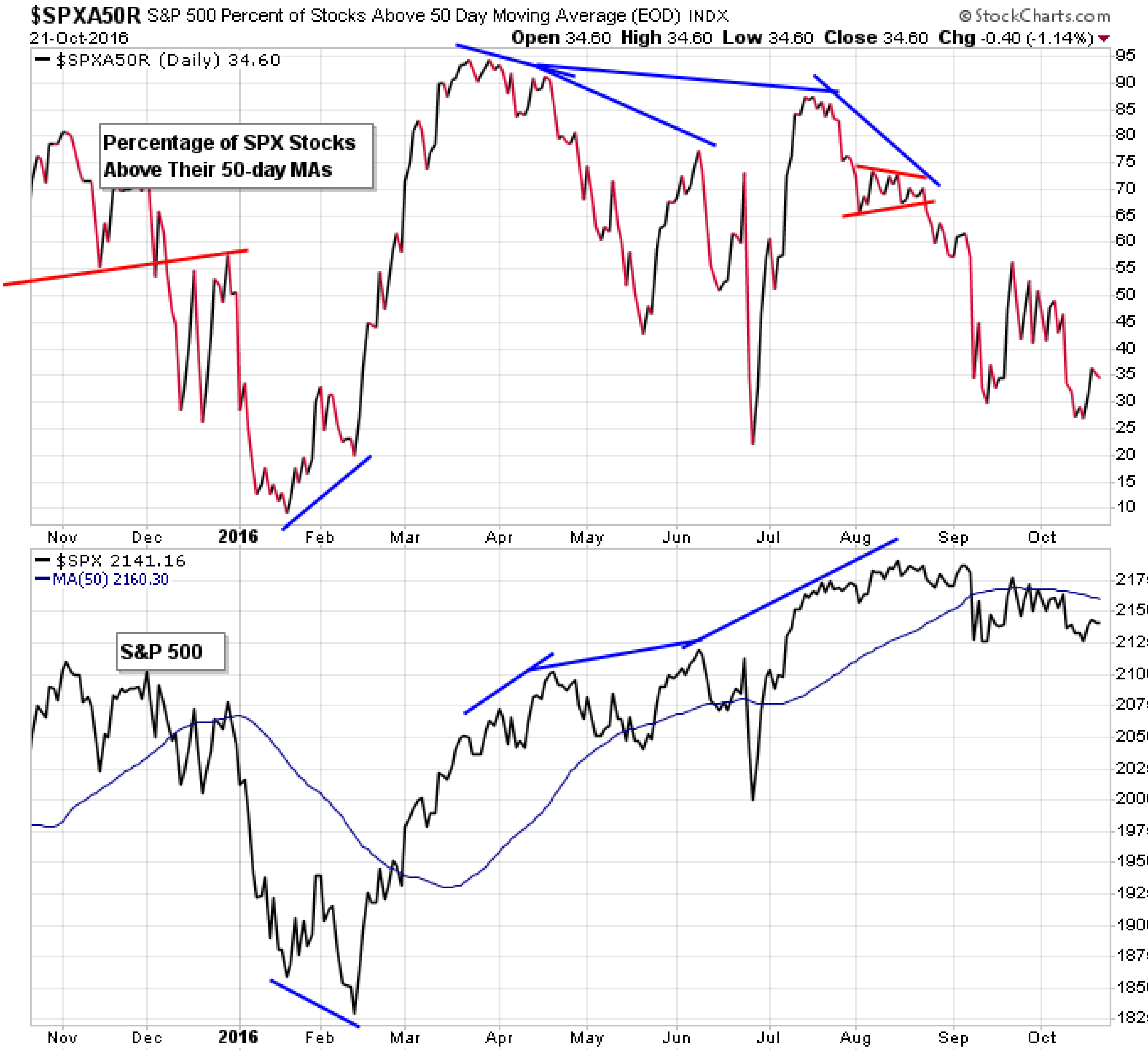
S&P 500 vs. NYSE Bullish Percent: And the bullish percent at the NYSE has been declining for almost two months. It still sits at a pretty good level, but this is reminiscent of May-July of 2015 when the market stayed in range and this indicator deteriorated. Keep an eye on this.



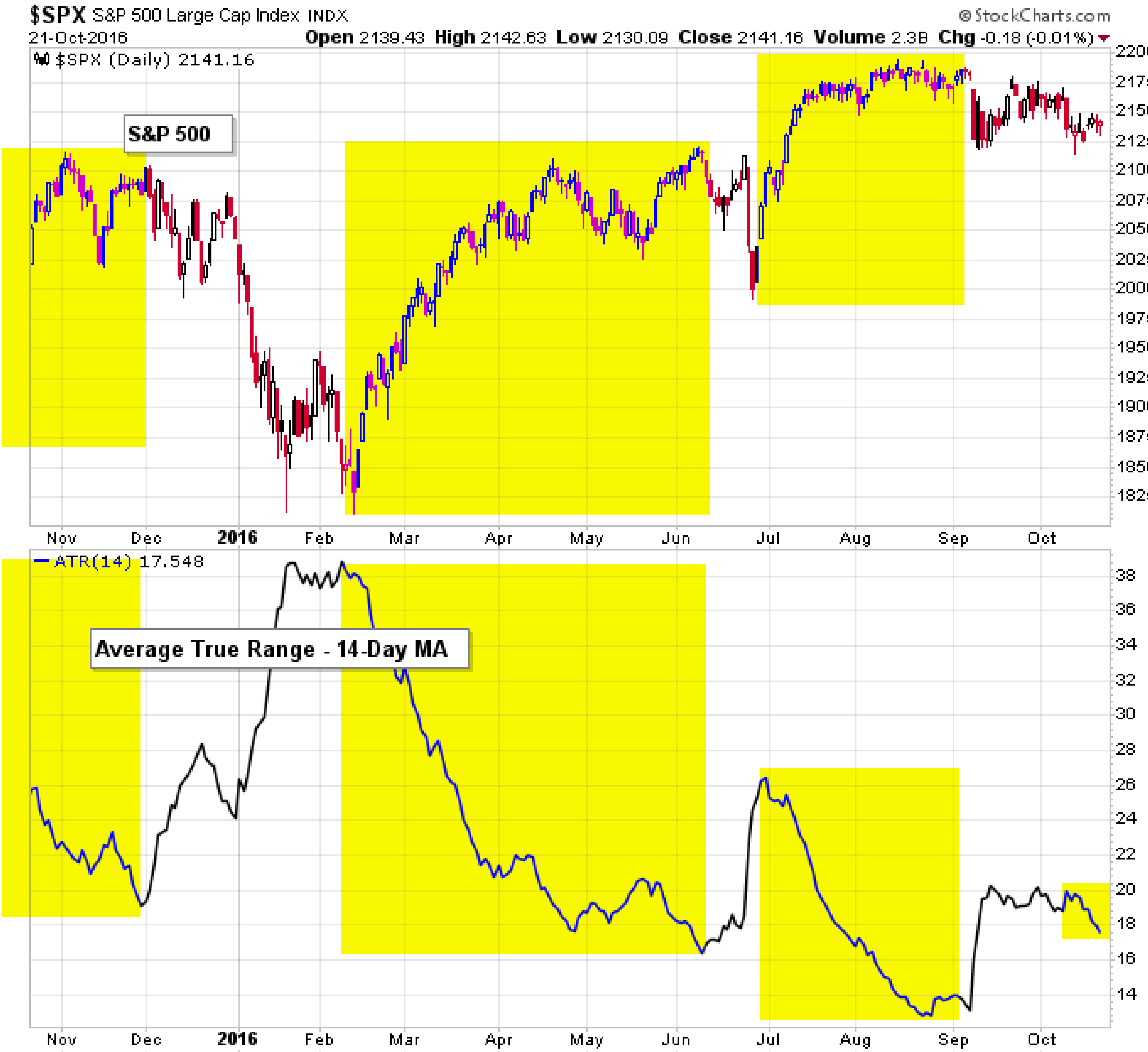
S&P 500 vs. Percentage of SPX Stocks Above 200-day MA: The percentage of SPX stocks above their 200-day MAs has been declining for two months. This is similar to May and June of 2014, when the indicator trended down, and then the market broke down six weeks later. Don't ignore this deterioration.



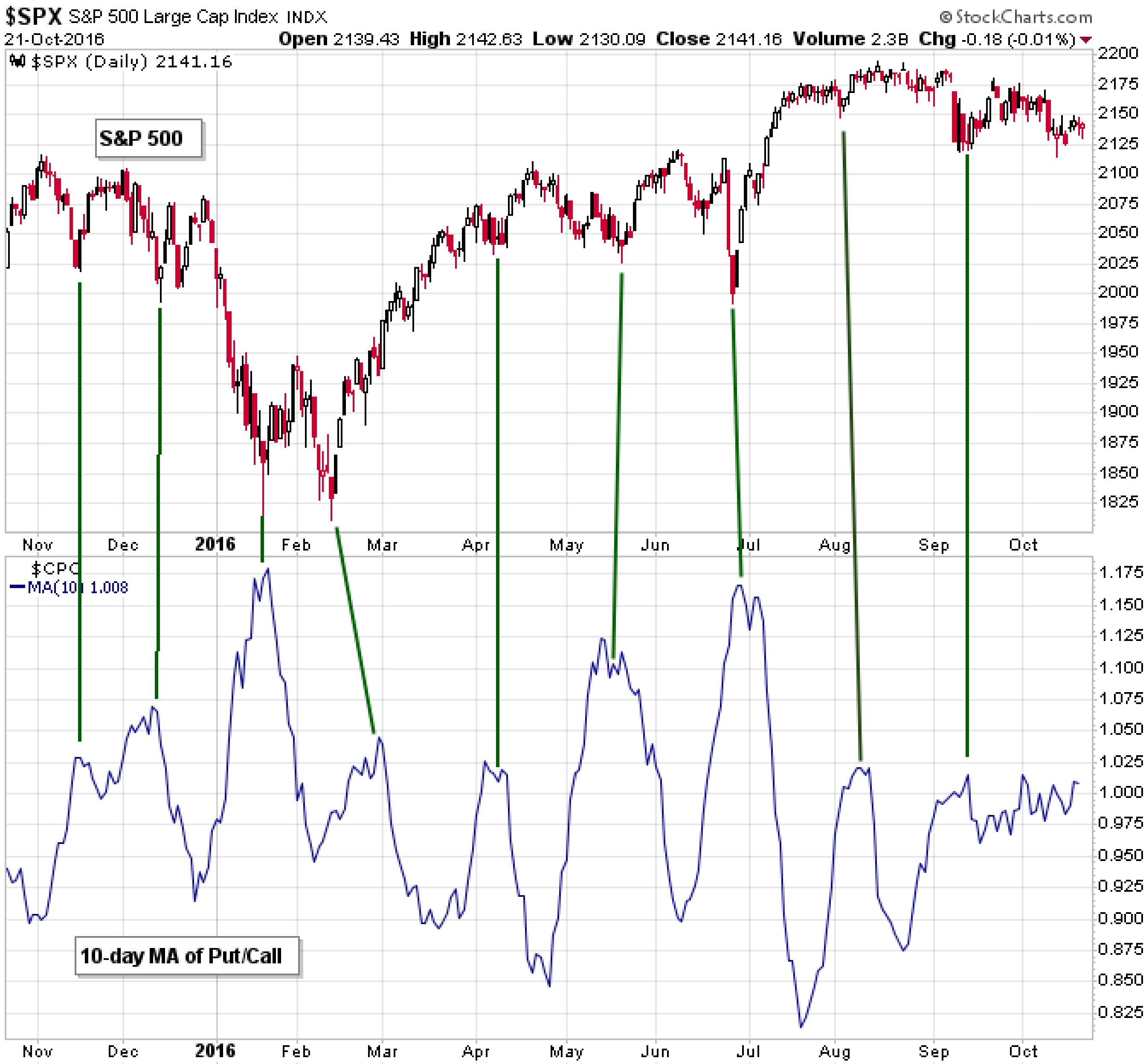
S&P 500 vs. Percentage of SPX Stocks Above 50-day MA: The percentage of SPX stocks above their 50-day MAs has been declining since July. This isn't a big surprise. Since so many stock have traded flat the last couple months, the 50's have caught up and flat lined. Still, it's notable. And if the market bounces and there's a lack of stocks reclaiming their 50's, it'll be a big warning.



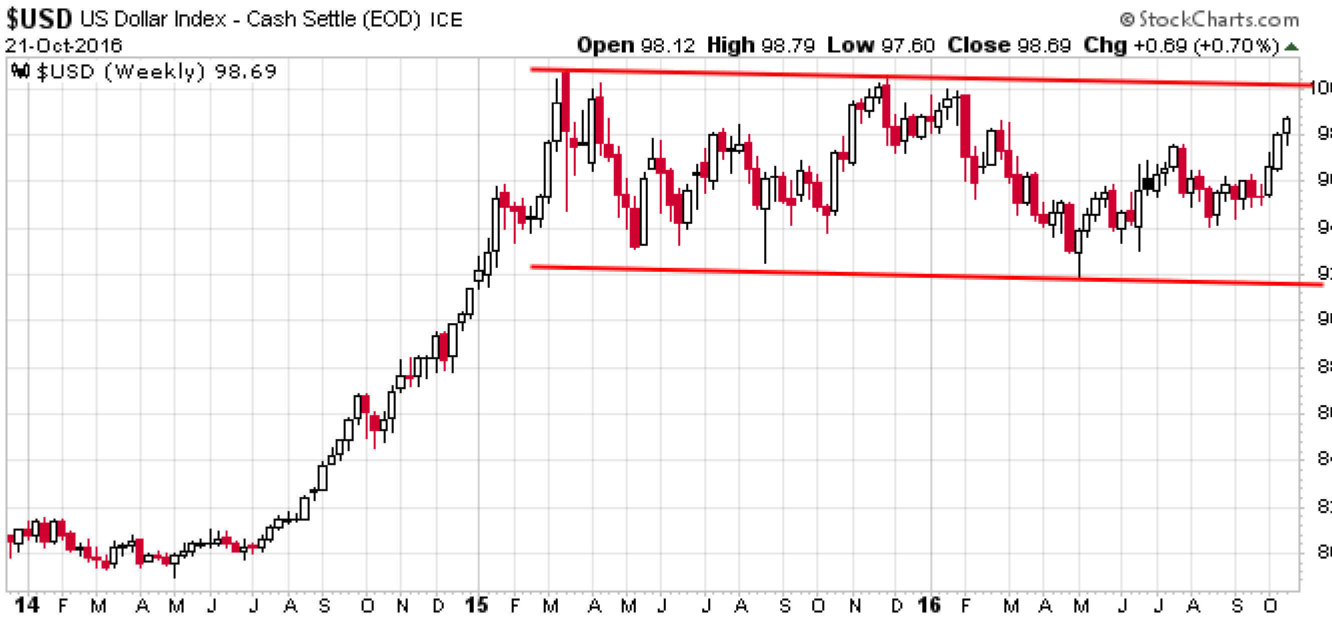
S&P 500 vs. 14-day Average True Range: This is one of the few signs the market is likely to maintain its current level. The ATR is dropping. The market moves up on low or declining volatility and moves down surging vol. The fact that vol is dropping is a good sign for the bulls.



S&P 500 vs. 10-day MA of Put/Call Ratio: And we're still getting zero help from the put/call. It's been a long time since this trading so quietly in a tight range. Normally it swings wildly up and down.



US Dollar: The dollar may be extremely influential going forward. On a shorter term basis, it moved up to its highest level since March, consolidated for 1+ week and then broke out last week. The trend and momentum are up. The longer term chart tells us the currency is still trading in a bullish rectangle pattern which goes back to the beginning of 2015. If the pattern holds, the Fed can breathe a huge sigh of relief. They'll still be able to raise rates, and multi-nationals will just have to continue dealing with a slightly less favorable exchange rate. But if the dollar breaks out and runs, all bets are off. Everything will need to be re-evaluated from scratch. Can the Fed raise rates in the face of a rallying dollar? That would be a double whammy - something the market and economy probably couldn't immediately handle. But with all the hawkish talk the last two months, how can they not raise rates without signaling they are genuinely fearful of what might happen? The dollar, more than anything else, probably holds the key. Here are the daily and weekly charts.



Crude Oil: And what if oil breaks out of this 15-month base and rallies 20%? Would that be a triple whammy? Less favorable exchange rate, higher rates and higher energy costs.

The Bottom Line

On the surface, the indexes are flat and in range and not very interesting.

Beneath the surface, there are warnings. Some breadth indicators have neutralized, but several have deteriorated enough to suggest the market's next move is likely to be down.

But we have an election in 2+ weeks. What are the odds the market falls apart right now? I'd say very low. The current administration isn't going to let it happen.

This puts us in a situation where the technicals will not be permitted to run their course. The invisible hand (whatever that is and wherever it comes from) won't let it happen.

I'm neutral and not placing big bets right now.

Have a great week.

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