

THE McCLELLAN MARKET REPORT

DAILY EDITION

Prepared after the close of trading on Monday, October 02, 2017

CURRENT OPINIONS

STOCKS: Bullish short term, bearish intermediate term, and bullish long term. Change to short term neutral at the close Tuesday, and then we'll look for a signal to turn bearish.

BONDS: Bearish short and intermediate term. There is a chart pattern downside objective of around 150-16/32, so if the Dec. contract gets down close to that, change to short and intermediate term neutral.

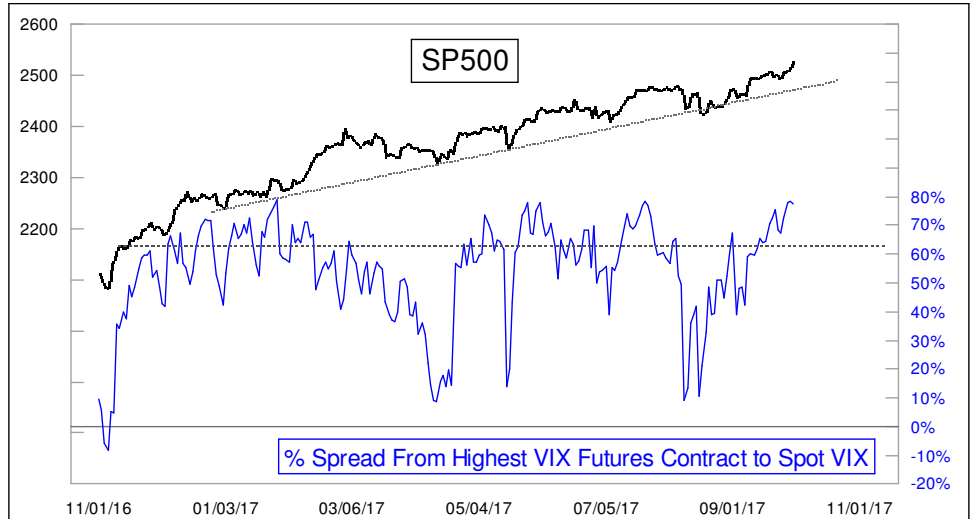
GDM & GOLD: Bearish short and intermediate term. Change to short term neutral if we see another down day for gold futures on Tuesday, just looking for a pause. But betay that if we see a big bounce.

Note: Time frames mentioned refer to trading styles, and not to the duration of a forecast.

With the mass shooting Sunday night in Las Vegas, it may seem perverse that the DJIA and SP500 pushed higher on Monday to new all-time highs. Some might wonder why investors would celebrate such news.

But that a wholly improper way to look at it. The overall stock market only has two fundamental factors that matter: (1) How much money is there, and (2) How much does that money want to be invested. At the beginning of a new month/quarter, it is normal for money managers to get a new pile of money to put to work, from automatic payroll withdrawals for 401K programs, for example. Because this news event does not change any of the values in their quant models, it does not change their allocations nor trigger any trades.

The 9/11 attacks were different, because they were on the site of trading and finance, and affected the ability of portfolio managers to even access their money. So once trading was reopened, they engaged in panic selling just because they could. And by Sep. 21, 2001,



Segment	Rank	Score	Current Managed Account Program Positions		
Sm Cap Value	1	5.83%	Stock Optimizer: 50% RydexNova, 50% Cash		
Sm Cap Grwth	2	5.68%	RS2000: 13% 2x SP500, 72% Govt Long Bond, 15% Cash		
Lg Cap Value	3	2.11%	Rising Star: 52% Invested, 48% Cash		
Lg Cap Grwth	4	1.59%	Program funds managed by Global Investment Solutions, LLC		
Cash	5	0.00%	For more information, call (866) 547-3123		

ADV-DECL	ADV	DECL	A-D	10%T	5%T	A-D OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO		
NYSE	10/02/17	1884	1071	813	434.690	334.314	100.376	3439.756	535	-1472	
NASDAQ	10/02/17	2065	872	1193	451.018	296.282	154.736	2570.201	606	-2489	
NDQ 100	10/02/17	61	38	23	9.452	7.306	2.146	53.749	12	-31	
VOLUME	UP VOL	DN VOL	UV-DV	10%T	5%T	Volume OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO		
NYSE	10/02/17	2012492	1040558	971934	470397	342783	127614	2279307	598011	-1954265	
NASDAQ	10/02/17	1348456	546163	802293	298713	205527	93186	1216598	391899	-1471821	
NDQ 100	10/02/17	318889	186743	132147	58817	40423	18394	238685	77211	-290666	
PRICES	HIGH	LOW	CLOSE	10%T	5%T	PRICE OSC	OSC Direction	OSC UNCH'd	Sum/10 Level	1%T	
DJIA	22559.38	22416.00	22557.60	22255.69	22084.49	171.196	UP	22426.88	21930.41	21001.23	
NYComp	12265.39	12200.13	12264.66	12096.40	12006.40	89.997	UP	12186.40	11925.41	11597.68	
SP500	2529.23	2520.40	2529.12	2498.13	2482.79	15.346	UP	2513.48	2468.98	2387.48	
SP400	1811.04	1795.73	1811.01	1766.97	1753.12	13.841	UP	1780.81	1740.67	1707.67	
NASDAQ	6527.22	6484.14	6516.72	6430.05	6389.56	40.499	UP	6470.55	6353.11	6039.56	
Nasdaq 100	6005.20	5955.83	5981.92	5942.38	5917.85	24.532	UP	5966.91	5895.77	5577.02	
Russ2000	1509.48	1491.05	1509.47	1451.08	1431.09	19.996	UP	1471.08	1413.09	1379.13	
GDM	642.20	635.25	639.55	655.04	654.00	1.039	DOWN	656.08	653.07	641.86	
Dec Gold	1282.80	1272.00	1275.80	1302.98	1300.62	2.362	DOWN	1305.35	1298.50	1270.13	
Dec Bonds	153.13	152.06	152.53	154.13	154.25	-0.124	DOWN	154.01	154.36	153.98	
DJI Osc Rising Index:		60%	Neutral,Trend Dn			DJI Osc Pos & Rising:		43%	Neutral,Falling		
NDX stocks >100MA:		63	Arms Index:	0.91	VIX: 9.45		Uppr Band:	12.63	Lwr Band: 9.48		

that selling had been exhausted and was met with a flood of new money courtesy of the Federal reserve, bringing about the rebound. So the two events are not really comparable in terms of the stock market's response.

Meanwhile, the market remains really overbought, and vulnerable to a drop. The chart on page 1 shows the spread between the spot VIX Index (9.45 at the close on Monday) and its highest priced futures contract, which in this case is the June 2018 expiration. High readings like this mean that the VIX has wandered far away from where its futures contracts are priced, and thus that is a sign of excessive short term optimism.

It is important to understand that the two values are determined by different traders. The spot VIX is a function of how much risk premium is being priced into SP500 options which are 23 to 37 calendar days away from expiration.

But the VIX futures prices reflect bets made by futures traders about where the spot VIX will close on a date that is 30 calendar days ahead of the following month's SP500 options expiration. The VIX futures traders are saying that it is not reasonable for the spot VIX to have dropped this low.

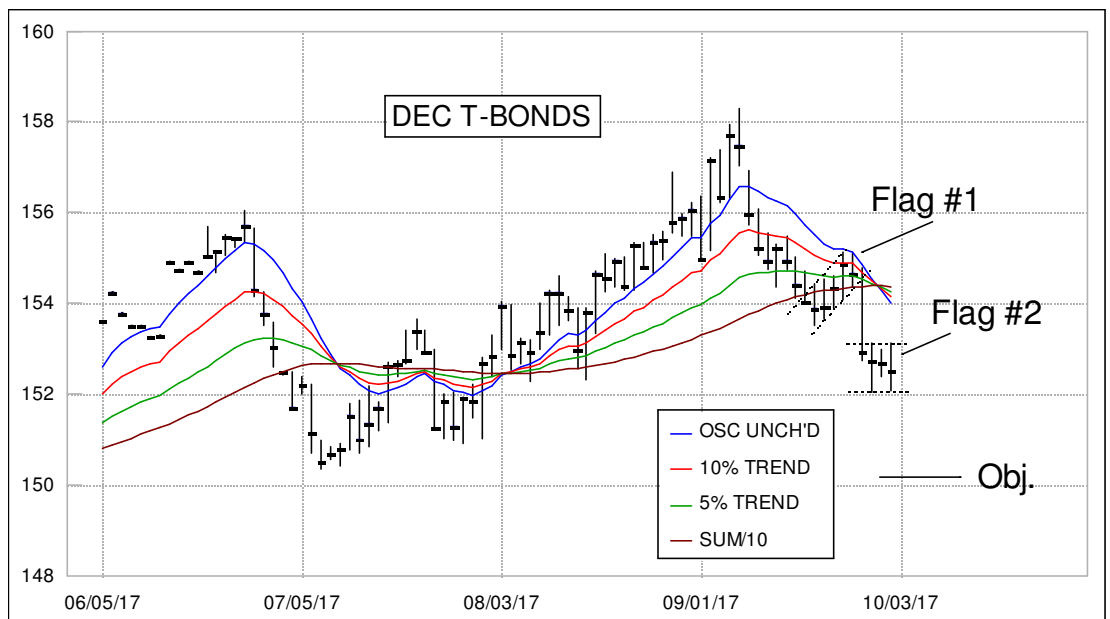
The Decennial Pattern I reviewed last week says that the ideal top date is Oct. 3, but take that with a grain of salt. It could be anytime this week, and be seen as a normal deviation from that ideal pattern.

A slightly different message on a top date comes from the top chart on page 2. Lumber futures prices give a 5 trading day leading indication of what the SP500 is going to do. It is not perfect,

but it is pretty good. One of its peculiarities is that this leading indication does not seem to work at all in the spring and early summer. And then it starts working again and does its best in autumn to early winter. I have no explanation for why it should work at all, let alone why it goes on vacation in the springtime.

Lumber pushed to a higher high on Monday, so if the 5-day count works this time, we are a week away at least from a top to this uptrend. But it does not always work precisely, so don't take that date to the bank.

T-Bond prices continue to just chop sideways, and that's actually interesting because of the way it is happening. I noted last week that the slight upward swoop in prices could constitute a halfway measuring flag structure. That's Flag #1 in the lower chart, and it projects to a downside objective of around 150-1/2.



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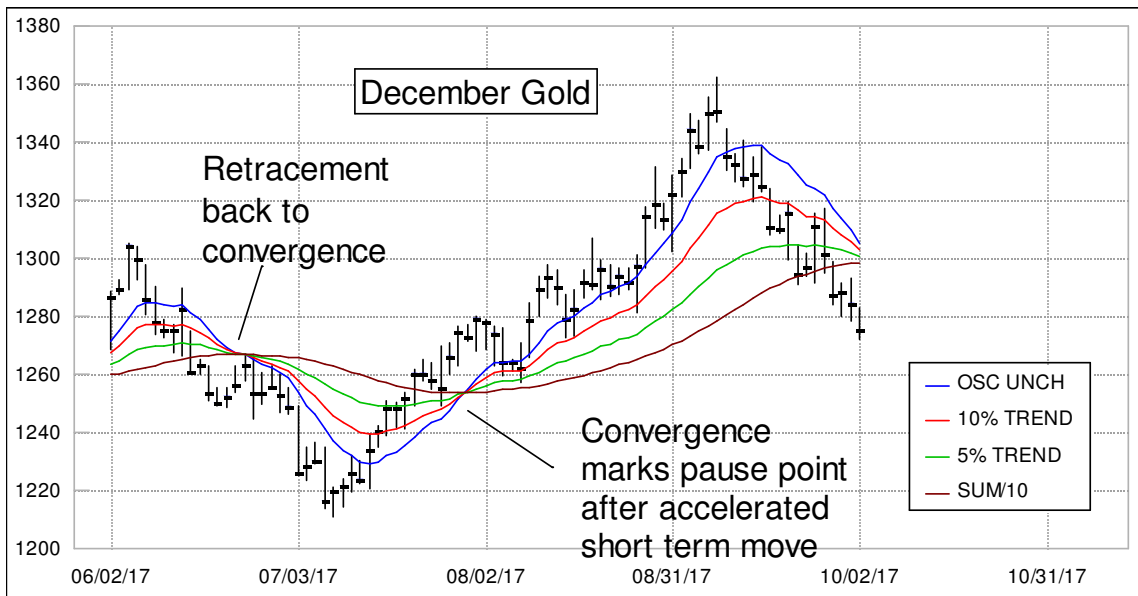
We also publish the twice monthly *McClellan Market Report* newsletter, which is available by separate subscription at \$195/year.

Now bond prices seem to be forming another flag structure about halfway down to Flag #1's objective. That is interesting because it too projects to a downside objective of around 150-1/2. Forming a second lesser flag like this is not unusual; and the symmetry of their joint downside objective makes it awfully fun for chart geeks. If we see that objective reached, that would be a sign to take profits on a bearish trade, even as we know that prices can go beyond the chart pattern's measuring objective.

Gold could also be getting close to a temporary bottom. The final chart shows that Dec. gold futures is getting close to a rainbow convergence of the 4 moving average type lines. How prices behave at the moment of the convergence tells us what lies ahead, and the final chart thankfully shows us examples of both types of behavior.

In a Type 1 convergence, prices continue the short term accelerated move right up to the moment of the convergence. In that case, the convergence usually marks the entry into a pause period. What happens after the pause is not known; the trend could resume, or the pause could turn into a reversal. The basic task of the pause is to make a test of the blue Price Oscillator Unchanged line, and how that test goes determines what happens next.

In a Type 2 convergence, like the one at the left end of the chart, prices retrace back toward the price/time point of the impending convergence. In that case, what usually follows is a resumption of the trend which preceded the retracement, which in that case was a downward trend. We do not seem to be seeing a retracement back toward the convergence in the current instance, and so at the moment it looks like a Type 1 event. So just as stocks are due to be topping out this week, ahead of a 1927-style October dip, gold prices appear to be reaching a bottom to this downtrend, thereafter to pause and then eventually tell us what is next.





Stocks Currently on a "Buy"

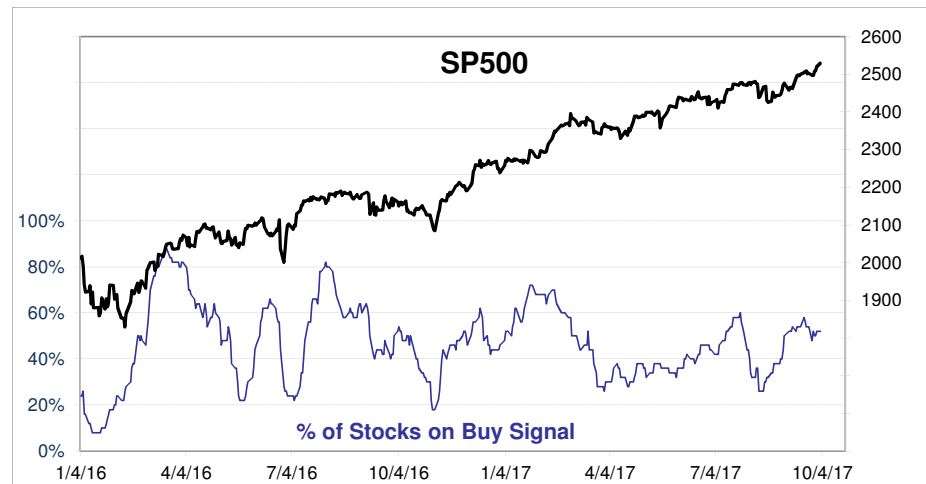
Company Name	Symbol	Buy Date	Buy Price	Current	% Change
Cognizant Tech	CTSH	2/9/2017	\$58.00	\$72.45	24.91%
Mastercard	MA	3/1/2017	\$112.31	\$141.82	26.28%
Bitauto	BITA	4/21/2017	\$27.01	\$44.94	66.38%
Dana Corporation	DAN	4/25/2017	\$19.24	\$28.79	49.64%
Gilead	GILD	4/27/2017	\$68.58	\$83.52	21.78%
Baidu	BIDU	6/9/2017	\$181.07	\$248.67	37.33%
Sina Corp	SINA	6/12/2017	\$87.13	\$115.86	32.97%
Netflix	NFLX	6/21/2017	\$155.03	\$177.01	14.18%
Freeport McMoran	FCX	7/10/2017	\$12.53	\$14.34	14.45%
Petrobras	PBR	7/19/2017	\$8.75	\$10.07	15.09%
Medifast	MED	8/8/2017	\$44.32	\$59.51	34.27%
Las Vegas Sands	LVS	8/15/2017	\$61.87	\$64.97	5.01%
Wynn Resorts	WYNN	8/15/2017	\$136.39	\$147.07	7.83%
Verifone Systems	PAY	8/17/2017	\$18.76	\$20.59	9.75%
Century Aluminum	CENX	8/21/2017	\$16.16	\$16.86	4.33%
United Rentals	URI	8/29/2017	\$114.93	\$139.20	21.12%
Express Scripts	ESRX	8/31/2017	\$62.82	\$63.63	1.29%
Tenneco	TEN	9/1/2017	\$56.45	\$61.73	9.35%
Wyndham Worldwide	WYN	9/1/2017	\$100.24	\$106.02	5.77%
Cree	CREE	9/5/2017	\$24.59	\$28.59	16.27%
Gulfport Energy	GPOR	9/12/2017	\$13.08	\$14.60	11.62%
Factset Research	FDS	9/18/2017	\$162.94	\$180.11	10.54%
FMC Technologies	FTI	9/18/2017	\$27.25	\$182.47	569.61%
Deckers Outdoor	DECK	9/26/2017	\$66.39	\$69.00	3.93%
Royal Caribbean Cruises	RCL	9/26/2017	\$117.22	\$119.12	1.62%
Mosaic Company	MOS	9/29/2017	\$21.59	\$21.75	0.74%

Stocks Currently on a "Buy"

Company Name	Symbol	Buy Date	Buy Price	Current	% Change

Recent Sales

Company Name	Symbol	Buy Date	Sell Date	Buy Price	Sale Price	% Change
Tesla	TSLA	8/23/2017	9/27/2017	\$352.77	\$340.97	-3.34%
Facebook	FB	12/30/2016	9/25/2017	\$115.05	\$162.87	41.56%
Alphabet	GOOG	8/31/2017	9/25/2017	\$939.33	\$920.97	-1.95%
Amazon.com	AMZN	9/13/2017	9/25/2017	\$999.60	\$939.79	-5.98%
Jazz Pharma	JAZZ	9/8/2017	9/20/2017	\$152.28	\$148.07	-2.76%
Lululemon	LULU	6/19/2017	9/19/2017	\$53.84	\$58.95	9.49%
Western Digital	WDC	8/23/2017	9/13/2017	\$88.31	\$85.74	-2.91%
JW Nordstrom	JWN	9/1/2017	9/11/2017	\$46.43	\$44.72	-3.68%
Ctrip.com	CTRP	1/12/2017	8/10/2017	\$43.36	\$54.55	25.81%
Priceline	PCLN	1/23/2017	8/10/2017	\$1,554.99	\$1,848.43	18.87%
JW Nordstrom	JWN	6/1/2017	8/10/2017	\$42.88	\$44.90	4.71%
Factset Research	FDS	7/13/2017	8/10/2017	\$164.42	\$158.73	-3.46%
Deckers Outdoor	DECK	8/8/2017	8/10/2017	\$65.75	\$63.86	-2.87%
Impax Labs	IPXL	6/19/2017	8/4/2017	\$14.55	\$15.90	9.28%



Buy and Sell signals are generated by technical indicators often referred to as "directional" indicators. Each stock generates its own signals based on its share price action, and independent of other factors, including our views about the overall market trend. In backtesting, best results were obtained when new positions were taken upon "New Buy" signals, and when stocks that generate a "Sell" were promptly removed from a portfolio. Since many of the stocks in this program carry above average risk, stocks should be bought only by investors financially able to purchase speculative stocks. Investors should be prepared to lose their entire investment and

PRUDENCE should be displayed when entering a position. Trading based on these signals is available in a managed accounts program through Global Investment Solutions, LLC. For more information on this program, see http://www.mcoscillator.com/market_reports/rising_star_stocks.html or contact Roger Kliminski at 949-660-7960 or Roger@Globalinvestsolutions.com.