THE McCLELLAN MARKET REPORT

DAILY EDITION

Prepared after the close of trading on
Friday, November 04, 2016

CURRENT OPINIONS

STOCKS: Bullish now short, intermediate, and long term trading styles. The resolution of the election should erase the fear of the unknown which is gripping investors this week.

T-BONDS: Bearish short and intermediate term, although an upturn is coming starting next week. Reverse to bullish for both trading styles on a close above 163-30/32 (10% Trend), or on a selloff into Tuesday.

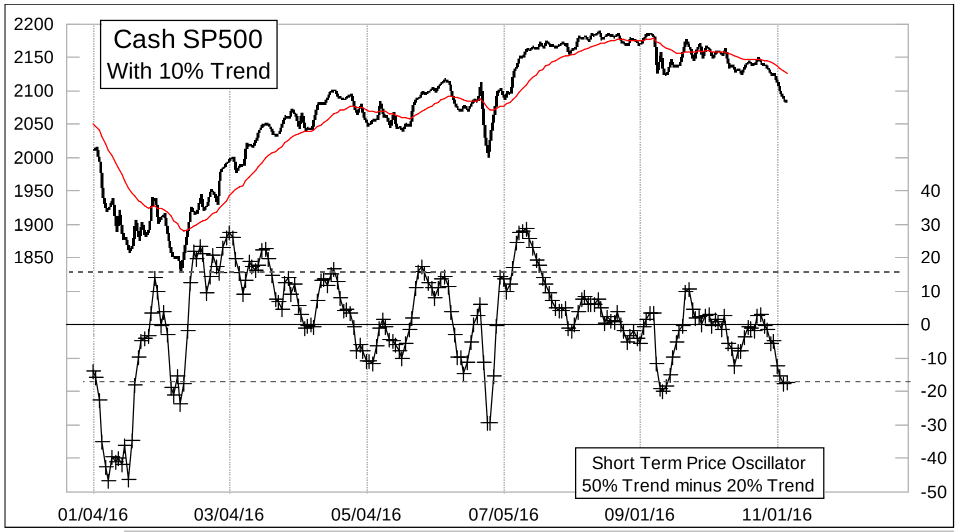
GDM & GOLD: Bullish short and intermediate term. The new uptrend is not done yet.

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

Stocks tried to rally, but the unease over next week's elections proved to be too potent a factor, and most of the major averages finished with a small loss. In a surprise, though, breadth was slightly positive, and the Russell 2000 was actually up by +0.56%. That's positive development, because the small caps are the most liquidity sensitive issues. So if they are starting to do relatively better, that could mean liquidity is coming back, even though fear is not yet leaving.

The SP500 is only down by 4.8% from the all-time high it made back in August. So it is really hard to say that it is "oversold". But we have now seen a somewhat oversold reading in the SP500's Short Term Price Oscillator (STPO). It can certainly go lower than this, but this is also a low enough reading to get a market bottom if the market wants to bottom.

We are now at the moment when worries about the election are at a climax. After the election, people still might have worries about the future, but they won't



Segment	Rank	Score
Sm Cap Value	4	-4.06%
Sm Cap Grwth	5	-6.10%
Lg Cap Value	2	-2.71%
Lg Cap Grwth	3	-3.41%
Cash	1	0.00%

Current Managed Account Program Positions
Stock Optimizer: 100% Rydex Nova
RS2000: 25% Util, 25% Govt Bond, 25% 2x SP500, 25% 2x NDX
Rising Star: 18% Invested, 82% Cash
Program funds managed by Global Investment Solutions, LLC
For more information, call (866) 547-3123

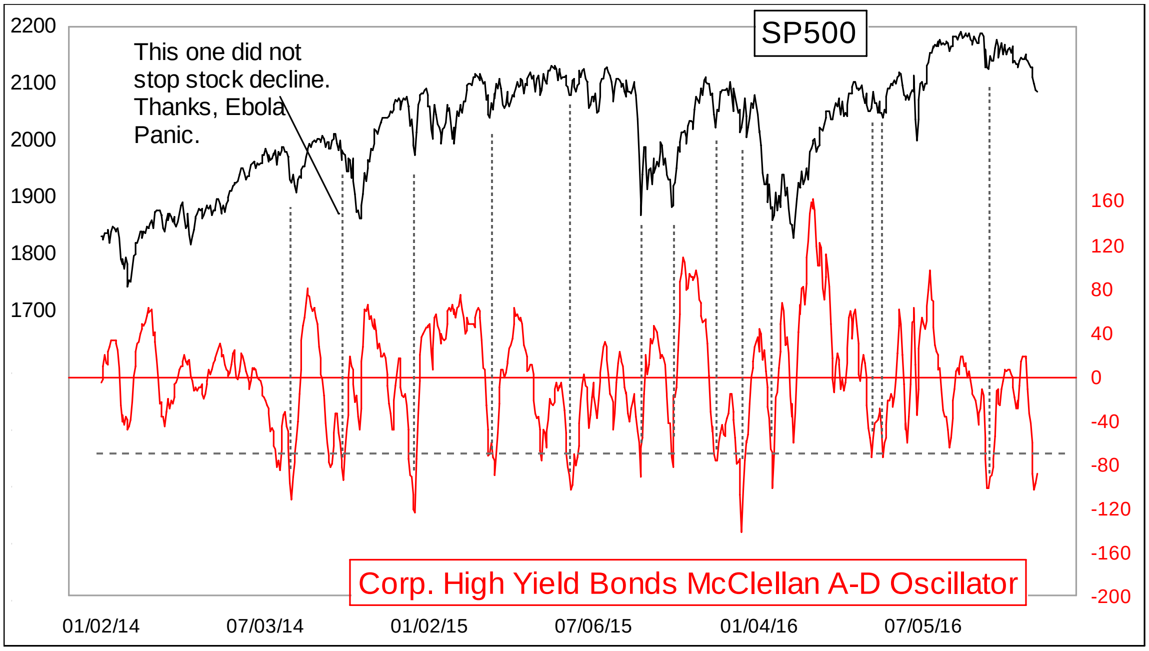
ADV-DECL		ADV	DECL	A-D	10%T	5%T	A-D OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO
NYSE	11/04/16	1541	1455	86	-430.316	-248.431	-181.885	152.650	-612	3025
NASDAQ	11/04/16	1437	1329	108	-450.251	-285.636	-164.615	-374.830	-615	2677
NDQ 100	11/04/16	36	64	-28	-19.349	-11.128	-8.221	-37.286	-28	137
VOLUME		UP VOL	DN VOL	UV-DV	10%T	5%T	Volume OSC	SUMM INDEX	OSC UNCH'd	OSC TO ZERO
NYSE	11/04/16	1900106	1858225	41881	-496033	-281498	-214535	-884162	-710568	3580135
NASDAQ	11/04/16	891820	1039251	-147431	-295610	-152572	-143038	-238376	-438648	2422112
NDQ 100	11/04/16	256143	369885	-113742	-112722	-57831	-54890	-84300	-167612	930194
PRICES	HIGH	LOW	CLOSE	10%T	5%T	PRICE OSC	OSC Direction	OSC UNCH'd	Sum/10 Level	1%T
DJIA	17986.76	17883.56	17888.28	18102.15	18168.96	-66.812	DOWN	18035.34	18229.10	17927.61
NYComp	10352.98	10281.48	10289.35	10483.34	10557.61	-74.270	DOWN	10409.07	10624.45	10487.37
SP500	2099.07	2083.79	2085.18	2125.00	2137.29	-12.297	DOWN	2112.70	2148.36	2105.70
SP400	1491.67	1475.61	1478.83	1508.67	1521.74	-13.061	DOWN	1495.61	1533.49	1494.72
NASDAQ	5087.51	5034.41	5046.37	5189.75	5211.65	-21.895	DOWN	5167.86	5231.36	5043.43
Nasdaq 100	4697.94	4647.59	4660.46	4792.55	4801.60	-9.057	DOWN	4783.49	4809.75	4621.66
Russ2000	1174.78	1156.92	1163.44	1197.74	1211.66	-13.926	DOWN	1183.81	1224.20	1182.37
GDM	703.17	686.42	694.17	683.18	697.97	-14.795	UP	668.38	711.29	671.23
Dec Gold	1308.30	1295.70	1304.50	1283.57	1290.76	-7.192	UP	1276.37	1297.23	1271.85
Dec Bonds	163.81	162.53	163.53	163.92	165.21	-1.294	UP	162.62	166.37	165.00

DJI Osc Rising Index: 27%	Low Neutral,Trend Dn		DJI Osc Pos & Rising: 7%	Oversold,Falling	
NDX stocks >100MA: 37	Arms Index: 1.04		VIX: 22.51	Uppr Band: 17.20	Lwr Band: 12.42

have worries about the election because we should know the result (2000 was an historical anomaly). Fear of the unknown seems to be the most powerful type of fear for investors. After Tuesday, the unknown will become known, and there is very likely to be a relief rally.

But what if Mr. Trump wins? I have been asked that a lot lately, apparently because the consensus view is that a Trump victory would be bad for the stock market. But if "everyone" believes that, will the market allow "everyone" to be right? Not very likely.

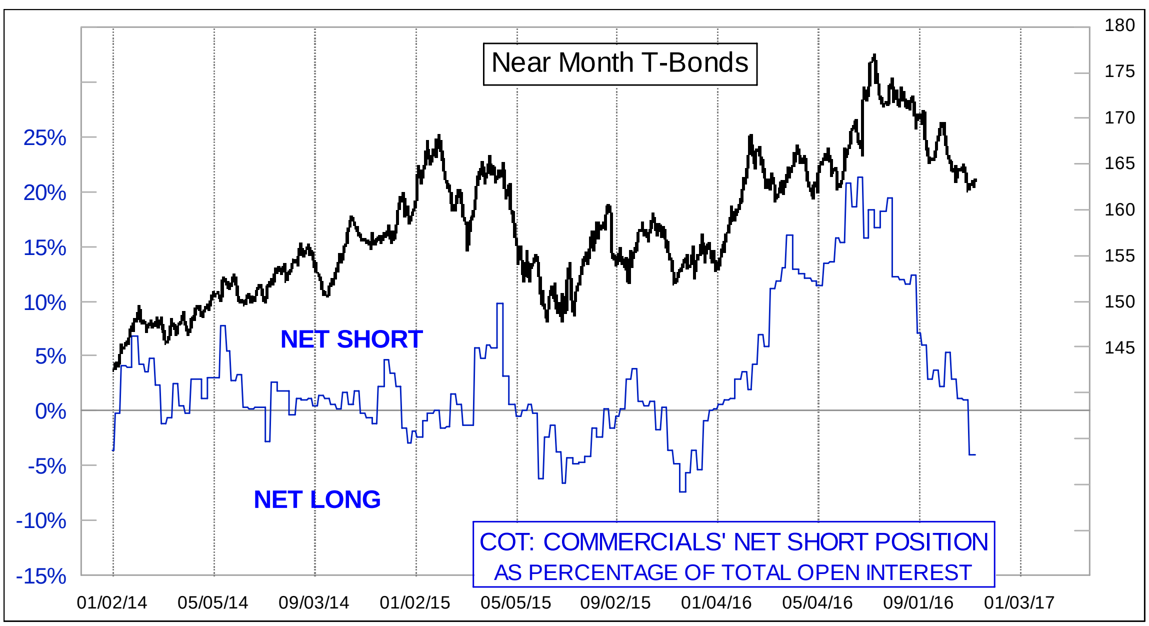
Earlier this week, I noted the oversold readings we were seeing on the NYSE's McClellan A-D Oscillator. Those happened because the daily A-D number have been decidedly negative lately, and the Oscillator measures the upward or downward acceleration in the A-D stats.



We are also seeing a lot of negative breadth numbers among the high-yield bonds as tracked by FINRA. These are corporate bonds, categorized as not being "investment grade" (I don't know who does FINRA's categorizing). They move in sympathy with the stock market much more than with bond yields.

The raw A-D Line for these high-yield bonds (not shown) topped back on Oct. 25, and has been in a sharp drop since then. The downward acceleration in that A-D Line has produced an oversold reading for its McClellan Oscillator, shown in the top chart.

The point of this chart is that when one of these really extreme low readings appears, the price decline for the stock market is usually about done. One notable exception was back in October 2014, when traders were gripped by the fear of Ebola reaching the U.S. and causing us all to die of hemorrhagic fever. In that instance, the market kept going downward even after one of these very low readings on this particular McClellan Oscillator. So as with everything in life, there are exceptions. But the idea of an oversold reading on this and many other indicators does fit well with the notion of a market reaching a climax of fear ahead of the election.



Friday is COT Report day, and there are some really interesting developments this week. The lower chart shows that commercial traders of T-Bond futures are now back to net long, after spending all of 2016 on the net short side of neutral. Perhaps more important than the raw value is the point that this week's movement in the numbers seemed to show a great deal of urgency among these big-money traders to get repositioned the other way. That can be a useful indication that a big change is brewing.

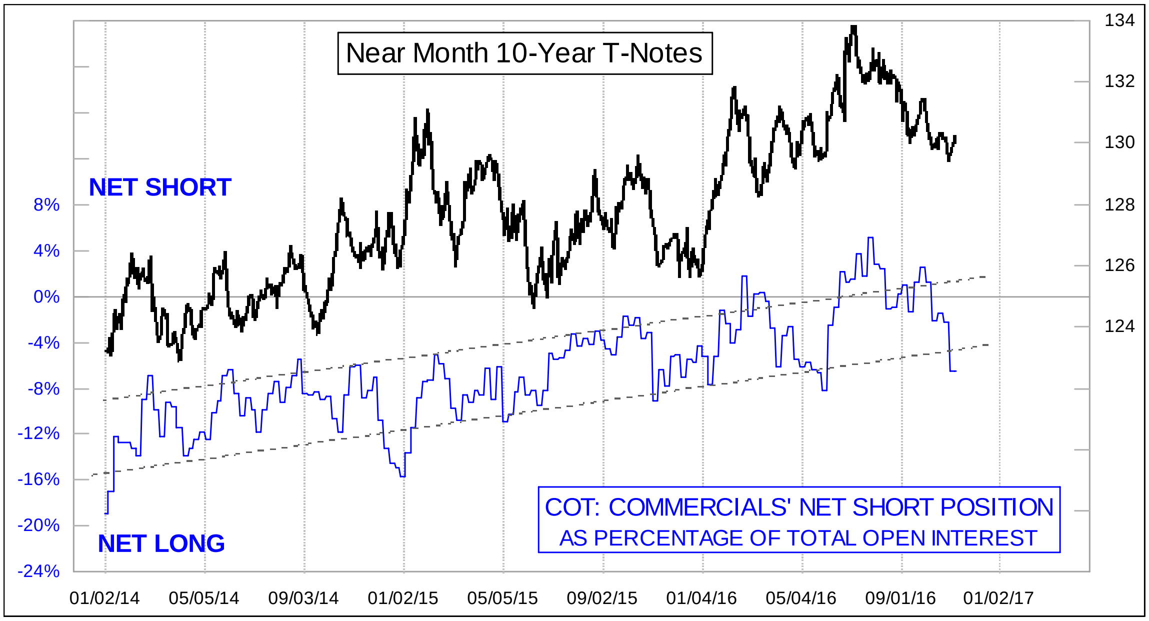
The same message comes from the COT data on **10-year T-Note** futures. In these data, the commercial traders net position has actually been trending over the years toward the net short side, but excursions outside of the trend channel shown in the chart have been important.

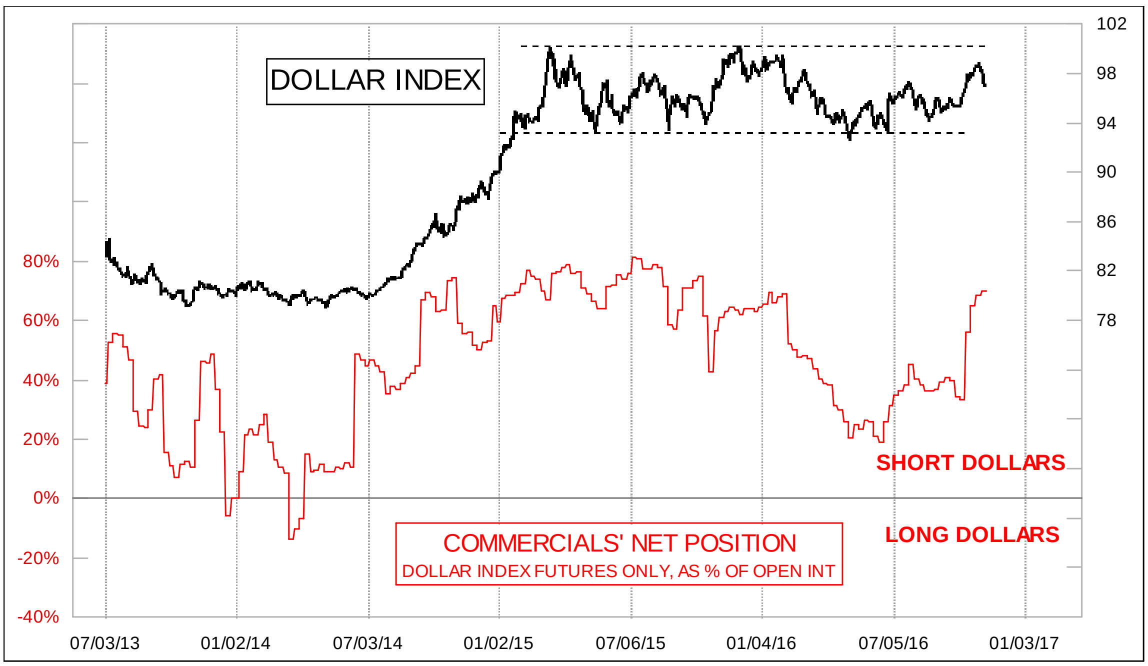
This week saw a rapid drop to below the lower band, which is where meaningful price bottoms are seen. So we ought to get ourselves ready for a rally in T-Bonds and T-Notes. Remember that the 3-week anniversary of crude oil's price top is on Tuesday, which would make for a nice bottoming point for bond prices as discussed earlier this week.

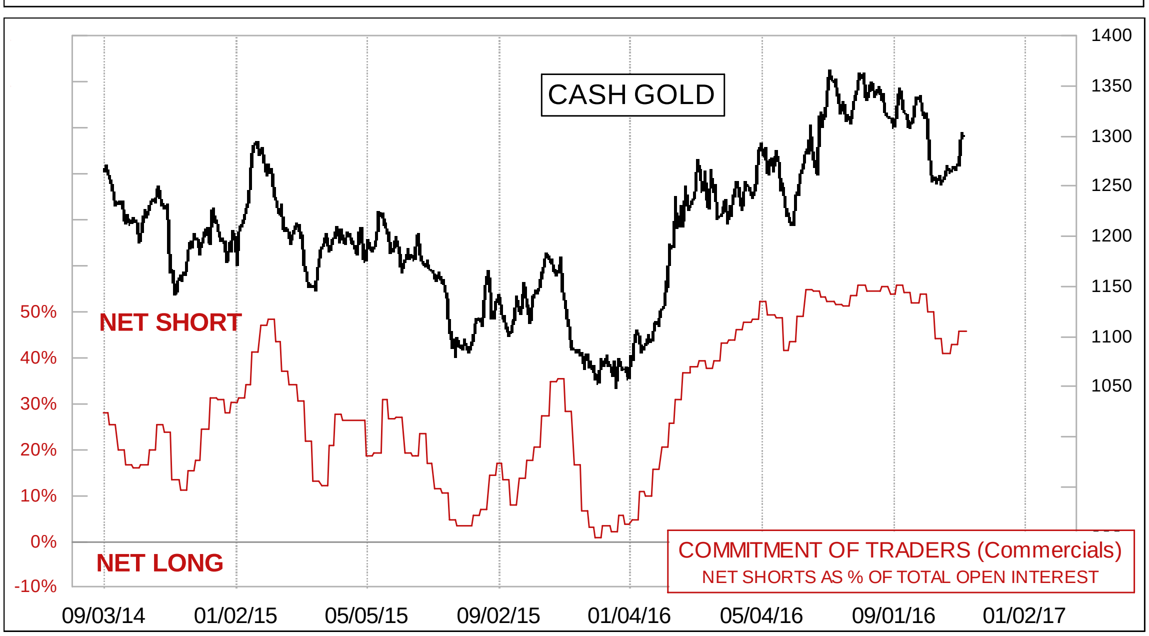
I suspect that the **dollar** is going to somehow be involved in that change for bonds. Commercial traders of US Dollar Index futures continued to increase their net short position this week, despite the slight pullback in the value of the dollar. High readings like this are associated with tops for the Dollar Index.

Why would that be helpful to T-Bonds? I really don't know. But bond prices have been moving down since early July, even as the Dollar Index has moved higher. So for the moment they appear to have an inverse correlation. Whether that makes sense or not is secondary.

A presumptive dollar drop should be at least helpful for the dollar price of **gold**, if not for gold prices in other currencies. The COT data for gold futures this week showed the commer-

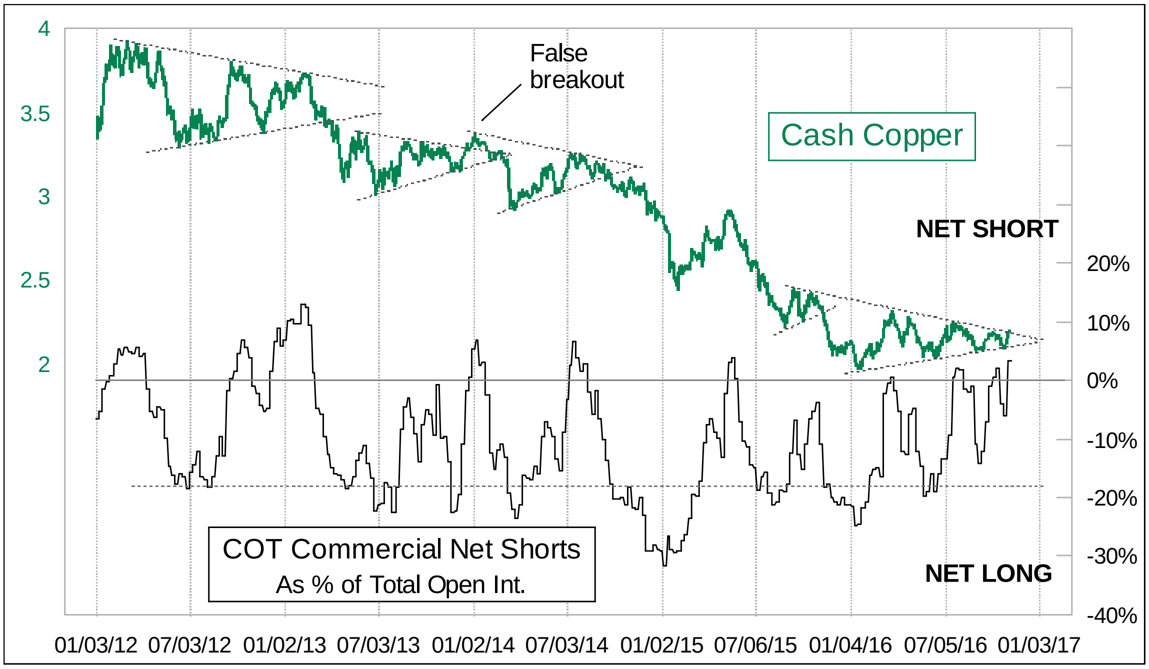






cials upping their shorts, but that is to be expected given the rapid price rise.

The revelation in this chart is that the rise in the commercials' net short position has only been a *small* one. That says the price rise to date is not yet enough to get the commercials to aggressively move to a higher net short position. In other words, there should be more room to run higher for gold prices.



Not so, however, for **copper** futures. Spot copper prices this week saw a slight breakout from the long triangle structure that has been underway all of this year. Triangles are a regular feature in the history of copper prices. So a breakout like this could be a bullish development.

But the COT data say otherwise. The commercial traders were slightly net long, but have now moved to slightly net short. The advantage of seeing a lot of history is that it allows us to know that being slightly net short is about as extreme as they ever get in that direction. Such readings are associated with price tops, and not the start of successful breakouts. Although, having said that, I will note that we have not seen any successful breakouts lately.

So what circumstances add up to a stock market rally, a bond rally, a dollar drop, a gold rise, and a copper drop? That's a tougher one to answer. But that's what the data are pointing to. Should be an interesting time.

Final Note: I am scheduled to be Carl Quintanilla's guest on CNBC Monday morning at 10 AM Eastern ***Standard*** time (yes, we "fall back" this weekend), talking about how the stock market's movements forecast changes in presidential poll numbers, and other topics that may come up.

On another note, the latest issue of Timer Digest has me ranked as the #1 stock market timer over the past 12 months. See the note on our web site's Home page.

RisingStar STOCK PROGRAM

Stocks Currently on a "Buy"

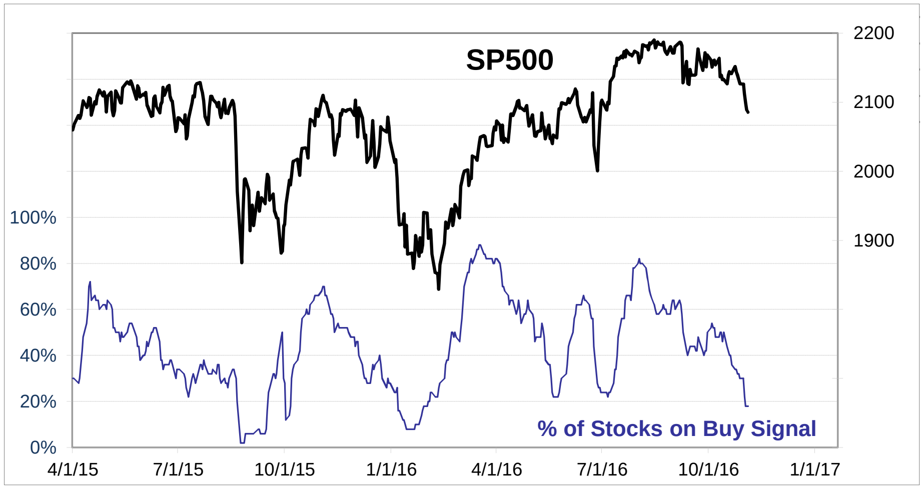
Company Name	Symbol	Buy Date	Buy Price	Current	% Change
Las Vegas Sands	LVS	7/22/2016	$47.32	$59.07	24.83%
MasterCard	MA	7/28/2016	$96.01	$103.10	7.38%
Fmc Technologies	FTI	9/29/2016	$29.51	$32.25	9.28%
Netflix	NFLX	10/3/2016	$102.63	$122.03	18.90%
Petrobras	PBR	10/6/2016	$10.40	$10.62	2.12%
Western Digital	WDC	10/27/2016	$59.58	$55.02	-7.65%
Freeport McMoran	FCX	10/31/2016	$11.19	$11.05	-1.25%
Cognizant Tech	CTSH	11/4/2016	$52.08	$52.08	0.00%
Rockwell Collins	COL	11/4/2016	$82.18	$82.18	0.00%

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
Medifast	MED	7/6/2016	11/4/2016	$33.71	$38.50	14.21%
Century Aluminum	CENX	9/30/2016	11/4/2016	$6.95	$6.89	-0.86%
Alphabet	GOOG	9/22/2016	11/2/2016	$787.21	$768.94	-2.32%
Facebook	FB	10/21/2016	11/2/2016	$132.07	$127.17	-3.71%
Apple	AAPL	9/14/2016	11/1/2016	$111.71	$111.47	-0.21%
Nordstrom	JWN	9/30/2016	11/1/2016	$51.87	$50.85	-1.97%
Terex	TEX	9/30/2016	11/1/2016	$25.41	$22.53	-11.33%
United Rentals	URI	10/14/2016	11/1/2016	$75.27	$73.04	-2.96%
Sina Corp	SINA	10/13/2016	10/31/2016	$75.41	$72.14	-4.34%
Express Scripts	ESRX	10/26/2016	10/28/2016	$70.39	$65.08	-7.54%
Ctrip	CTRP	10/11/2016	10/27/2016	$46.77	$45.47	-2.78%
Tata Motors	TTM	10/18/2016	10/26/2016	$41.06	$38.90	-5.26%
Wyndham Worldwide	WYN	10/24/2016	10/26/2016	$67.98	$63.32	-6.85%
Rockwell Collins	COL	9/28/2016	10/24/2016	$85.40	$79.21	-7.25%



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.