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Reminiscences

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MARKET COMMENTARY: *September 2017*

For several years in the 1990s I was a consultant to the head trader of one of the five largest investment banks in the country. Every quarter I would prepare an outline, details and analysis on the markets, the state of the business and the trends in the industry for his quarterly meeting with the board. One day I asked him why given the firms' analysts, strategists, and economists did he pay me, at a Wall Street lawyers' level, given all of the resources of his firm. He mentally rolled his eyes and said:

> *You, I, and the board live in the real world of profit and loss, concrete actions and reality. The board is not interested in possibilities, scenarios, and the hypothetical.*

This has been the case with the market for much of this summer as we have the market as reported in the media and by too many analysts who should know better and the real market where traders buy and sell and put their careers on the line. The media market has regularly reported that the market lacks volatility, has been making little progress or noise (no one percent daily change since Nixon or whatever), has not had even a small correction, has had limited activity and so forth. In other words a typical August.

> "Losing money is the least of my troubles. A loss never bothers me after I take it. I forget it overnight. But being wrong – not taking the loss – that is what does the damage to the pocketbook and to the soul."
>
> ~ Reminiscences of a Stock Operator ~
> by *Edwin Lefèvre*

Years ago August was slow and uneventful. Today, however, we have our phones and pads and most traders probably take their portable *Bloomberg* terminals with them and are probably more of a nuisance to their offices than before. Years ago I got off a lift at the top of a mountain and there was a note on the blackboard: Birinyi call your office. Today, of course, the phone would have been ringing on the chair lift.

We might first address volatility. Yes, the S&P has had a lot of non-event days but there has been an abundance of *stock* volatility. We might start with Amazon which in the last three months has traded as high as $1,083 and as low as $927. Or there was Regeneron which we sold one morning at $500, bought it back hours later at $478 before it closed at $467.

Examples of stock volatility abound:

- On 7/27, Verizon was up $3.41 (almost 8%) this in a stock where a dollar change is considered significant
- Priceline closed at $2,049 on August 8th and dropped $152 and $57 the next two days.

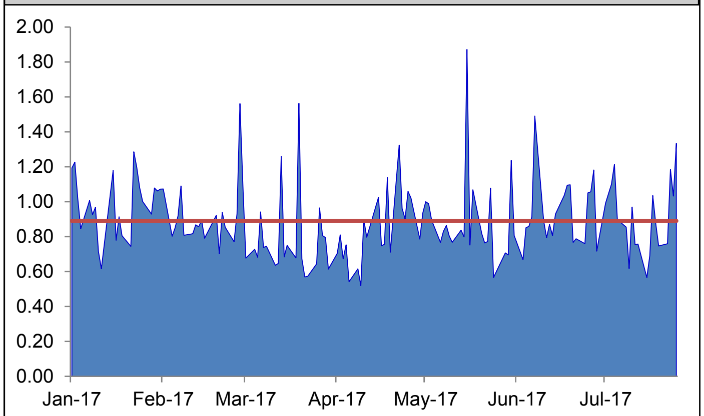
Then there was NVIDIA which, like most tech names, reports earnings after hours so most investors are not aware of the gyrations in the post 4:00 PM trading. The details on trading from *Bloomberg* only give you an overview:

*NVIDIA FALLS 5% POST-MARKET AHEAD OF 2Q EARNINGS REPORT	BFW	16:19
Nvidia 2Q Adjusted EPS Beats Highest Estimate; Shares Rise 6.1%	BFW	16:22
*NVIDEA FALLS AS MUCH AS 8.1% POST-MARKET AFTER EARNINGS	BFW	16:34

Initially the response was positive and as the stock traded to $172 we sold some and planned to sell more as our target was $174/175. The stock then went into a free fall and we bought our shares back at $155! All in a matter of minutes. Three days later it was at $168.

We have sympathy for reporters and commentators whose inputs may be limited to public websites and TV and who are focused on the market, gold, oil and politics. In reality, August was a briar patch for traders and the lack of volatility in the S&P was a result of large price changes *in both direction.* So while Apple continued higher and Boeing/Intuitive Surgical/Broadcom and others had sharp gains, they were often offset by losses in Chipotle, AutoZone, the energy patch and General Electric. As we detailed in a Bulletin, the *absolute* average change of the S&P members was in line with the previous seven months:[1]

S&P 500 Member Average Absolute Percent Change



Or we might review trading on August 15th when the S&P lost 0.05% while the DJIA gained 0.02%. Apparently a non-event, leave-early kind of day. Except that there were some large moves which basically offset one another:

S&P 1500 Largest Price Changes: 8/15

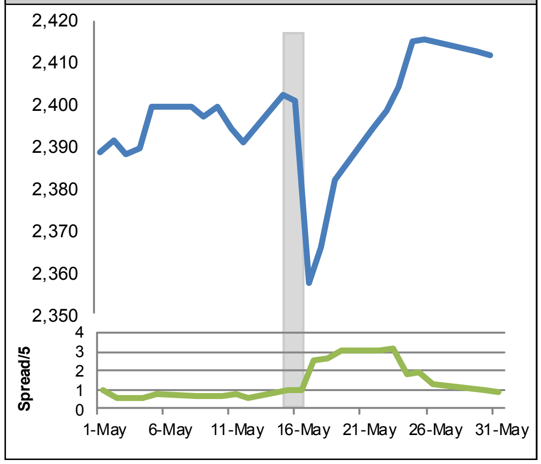
Biggest Moves Higher			Biggest Moves Lower		
Stock	Chg. ($)	Chg. (%)	Stock	Chg. ($)	Chg. (%)
ISRG*	20.81	2.16	AAP*	-22.24	-20.34
WYNN*	8.21	6.41	PCLN*	-13.12	-0.70
COHR	7.61	3.49	ULTA*	-10.80	-4.35
GHC	6.15	1.04	AZO*	-9.19	-1.75
ADS*	4.04	1.82	DKS	-8.04	-23.03

Non-traders and observers were also fixated this month on the VIX. We are not sure when it became known as the 'fear index' but we will again reiterate that we find it of little investment significance.[2] One strategist wrote that if the VIX rises we should expect a correction (10%). But moves in VIX are a function of large price changes *in either direction.* In a July 12th note we wrote that the two largest changes in the measure over the previous three months were a result of the largest *gain* in the S&P and the largest *loss:*[3]

April 24, 2017: S&P +1.08% *VIX: -25.91%*
May 17, 2017: S&P -1.82% *VIX: +46.38%*

And we illustrated that on May 16th, the S&P moved lower and *then* its first cousin, but in the opposite direction:

S&P 500: May 2017



The current fixation on the VIX and volatility is reminiscent of CAPE stories which were in such abundance for most of this market and still appear with some regularity.[4] VIX concerns and CAPE conclusions have had a consistently negative tone and even those which conclude that the market is expensive, but could go higher, were well short of what we would consider a positive recommendation.

A reasonable question might be, why do we detail these shortcomings and make them such a priority every month or two if they are of limited value? We do so because every week there is at least one or more detailed comments suggesting the perils associated with a high (or low) VIX or lack of volume. Every week there is some expert or authority equating 2017 with the dot.com or financial crisis experience. As we constantly remind ourselves, we have heard this scenario before and it has not worked. And frankly, it is not different this time.

There is another benefit of our analysis which most individuals would not consider: time. Some years ago we analyzed the first twenty five years of *Barron's* round table and basically concluded that it was of limited value. A portfolio manager from a significant institution called and praised our effort. We said that it was no big deal and while it took some time, there were no great insights or revelations.

No, he said, you don't understand. You have just saved me six or eight hours of reading and now I have a free day in January. Visitors to our offices are regularly surprised by how boring our operation is. We almost never have the TV on, our client calls are usually about some administration matter such as a change of address request. And while we subscribe to numerous magazines and review a number of websites, there are very few stories or columns which we actually read in their entirety.

[1] *Yes, There is Volatility*. Bulletin: 17-S-49. Birinyi Associates. 7/31/17.

[2] This is not just our opinion. "Bets on Market Volatility Resemble gambling." *WSJ*. 8/14/17.

[3] *VIX: Really?* Bulletin: 17-S-45. Birinyi Associates. 7/12/17.

[4] "Red Flag... '29-Style Market Crash Isn't 'Unimaginable' [CAPE]." *MarketWatch. 8/8/17.*

We have found absolutely no investment value in seasonal factors ("August is usually a volatile month," is as helpful as telling us that it follows July). We have never derived a trade from knowing that individuals allocated $200 million to small growth funds last month, we ignore any recommendation which includes *could, may, should, usually, average, normal, typical*, *if* or other non-concrete conclusion.

Our list of avoids also includes speculation regarding the Federal Reserve (we wonder if we had a graph of the last two years, how many money managers could point out when the Fed first raised rates) and we find earnings forecasts to be of limited value.

We do review – carefully – market strategy and commentary not necessarily for the conclusion but for the process. Is there detailed data? Is it a rational conclusion? ("Due for correction" is not rational.) Is the analysis rigorous? (Surveys are not. We now know that 97.5% of the managers were bullish in March '09.) Does the analyst have an agenda? (The analyst who didn't like Apple at $125 is probably not going to say nice things when it is $160). Lately, we have spent a lot of time reviewing our files and historical efforts. It is fascinating as on more than one occasion we stopped to check the date because it could have been written in 2010 or 2014 or even last year.

But mostly we look at the market. In mid-month when North Korea was on the agenda we checked Raytheon which provides missile defense systems. Its price barely budged which was the market telling us to keep calm and carry on. The infrastructure stocks are suggesting that, that portion of the Administration's agenda is not forthcoming.

At the same time we are intrigued with the retail stocks. Nordstrom is firm as there is conversation regarding a buyout, but Macy's and Kohl's are dead money. Coach was a bright spot until it wasn't and went from $48 to $40 but what is going on in Michael Kors and Ralph Lauren? Both had better than expected results and while Kors is slipping, Ralph is holding close to its $10 gain.

Clearly, those who are lamenting about the lack of activity were not monitoring these things and for the time being we will do no more than watch these names.

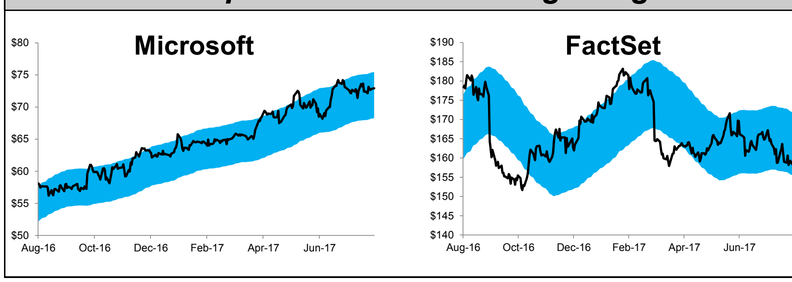
While the focus was on volatility or the lack thereof, there were some notable events taking place within the market and especially earnings. Earnings is always a taxing period where guidance and forecasts are usually lacking or inadequate. This is especially the case with technology names which report after the close and have major swings in the two hour period after the close where the market is even less regulated.

It has widely been reported that, on-balance, earnings were above expectations. Unfortunately, investors today dig deeper and analyze sales, margins and secondary items. Netflix for example, was in-line with expectations but rallied 13% because of an increase in subscribers. Pioneer Natural Resources had better than expected results but gave a tepid forecast going forward and as a result the stock is down over $30 this month.

To analyze the impact of just earnings we took the 93 major stocks on which investors focus and found that 83 beat estimates but more stocks traded lower on the day of their earnings. And only five of those "winners" went up 5% including AT&T (BA, RL, COF, CAT). Even more disappointing is that only 27 of the 83 stocks have added to their post-earnings gains. Unfortunately, this makes stock selection even more difficult as earnings progress is usually the first step in the stock selection process.

We are therefore placing more emphasis on market-related factors including charts. Microsoft's trend chart shows a steady, consistent rising stock which is one reason it is in our growth list (and it is a company we understand and with which we are familiar.) This is in contrast to FactSet whose pattern is up and down with abrupt moves.

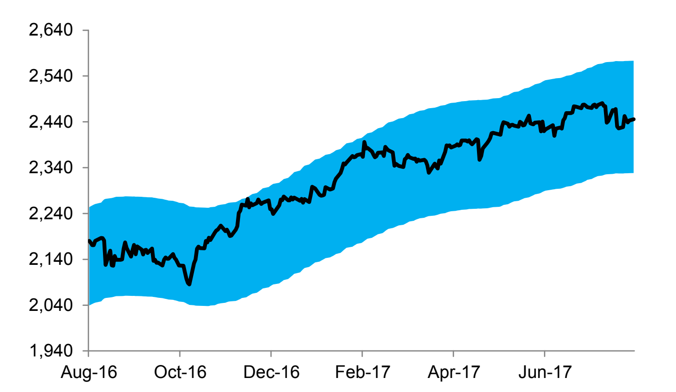
Example Trend and Trading Range



Wait. Some will remind us that we regularly rail against technical approaches. The difference being is that these charts are used to determine stocks' trends and not to forecast them. In truth, we look for established trends and will, therefore, be late getting in and will be late getting out. But we would hope to stay with these names longer than most approaches. Other elements which we incorporate include options activity, money flows (where applicable), and the sensitivity of stock to news and moves in the broader market.

As for the market itself we have historically ignored earnings forecasts for the S&P and the trend for the Index remains intact as does our current target of 2,500 which we think is possible by the end of September:

_S&P 500_



If earnings and the reaction to them were somewhat surprising this month, perhaps a bigger one was sentiment. Every morning we review a variety of newspapers, web sources, blogs and research which we then catalogue. It is critical that we do so with some objectivity as it gives us a better sense of the mood and attitude than do surveys or word searches. To us the length of an article, the individuals cited, the placement of the story and its credibility are important factors.

Probably not since the beginning of 2012 has the level of skepticism and bearishness been as pronounced as it has been this month. Negative stories and forecasts have outweighed bullish news by approximately ten to one. On August 21st, for example, the lead story on page one of the *WSJ* was:

Wall Street Journal - August 21st

Warning Signs Mount as Stocks Stumble

A list of others would easily fill an entire column but among the highlights (if that is the correct term) are:

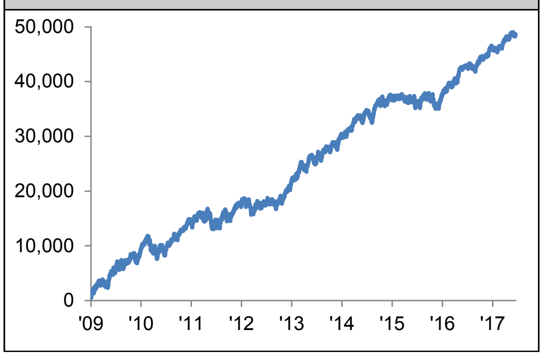
- Stocks just entered 'the danger zone'
- Final warning on US stocks' overvaluation
- 'Nasty' 10% correction in offing
- 'Warning siren is blaring'
- Market tremors could trigger big quake
- Earnings flashing 2000-like warning

These and literally dozens of others with a similar tone and conclusion appeared on an almost daily basis *but none of them said sell.* Another cautious article which received a great deal of attention was a lengthy piece by Howard Marks Co-Chairman of Oaktree Capital. We have never met the gentleman and readily appreciate that he has a good record and has been very successful. But he readily admits that he has played this tune before "starting …in 2011," which is, with all due respect, one of the characteristics of many, if not most of these arguments: *we have heard them all before, long before, and often.*

This is not to suggest that we dismiss them but we will again note that of the dozens of articles regarding CAPE, in one form or another, not one of them ever advised *buying* stocks. Furthermore, the concerns have been updated, rejiggered, and recycled but the basic thesis is unchanged as illustrated by one of the primary technical arguments: breadth.

Breadth can be addressed in a number of ways: the traditional advance – decline line, number of new highs or lows, stocks above their short or long term moving averages. Currently the A/D line of the *500* Index is only 0.77% below its current rally peak:

S&P 500 Cumulative A/D Line



But the bears are arguing that the number of stocks hitting new lows is ominous. You might recall a similar argument in 2014 when the lack of new highs was bearish as indicated by the chart below. That chart was one of the more insulting examples of analysis we have ever seen. You merely had to look at it to see that there had been numerous examples of few stocks hitting new highs in the past (such as August 16, 2013 when only one member made a new high) which in no way was impeding the bull market then (up 47% since then). Why should the flip side of the argument be valid today?

52-Week Highs

This is an example of what we mean when we say "it's not brain surgery." It does not require an advanced degree or experience to conclude that the indicator is flawed. However, we have found that investors never consider that to be the case. Instead they tell us maybe it is only a short term indicator (a week or less) or that there has been some reasonable explanation. There is: the indicator doesn't work.

In 1999 we did a detailed analysis of the A/D line and the anecdotal chart, which appears at the bottom of the page, is especially interesting.[5]

- At multiple points it was noted how few stocks are participating and also that the situation is reminiscent of market peaks or declines.

- During this period the A/D line peaked on January 28, 1994 and did not reach that level again until January 3, 1996 but the S&P had gained 31.6%.

In truth, the positive arguments are not especially helpful either. One major investment banking firm wrote: "the bull market is still healthy but the risks for a crash are increasing." And "the bull market has ten more years to run" which is not an argument we would like to defend.

In summary, sentiment is negative and even the bullish arguments are muted. While several firms have slightly upgraded their year-end targets, perhaps the bulls with a capital B might be ourselves, David Tepper ('nowhere near an overheated market') and Morgan Stanley ('Bull market check list remains intact').

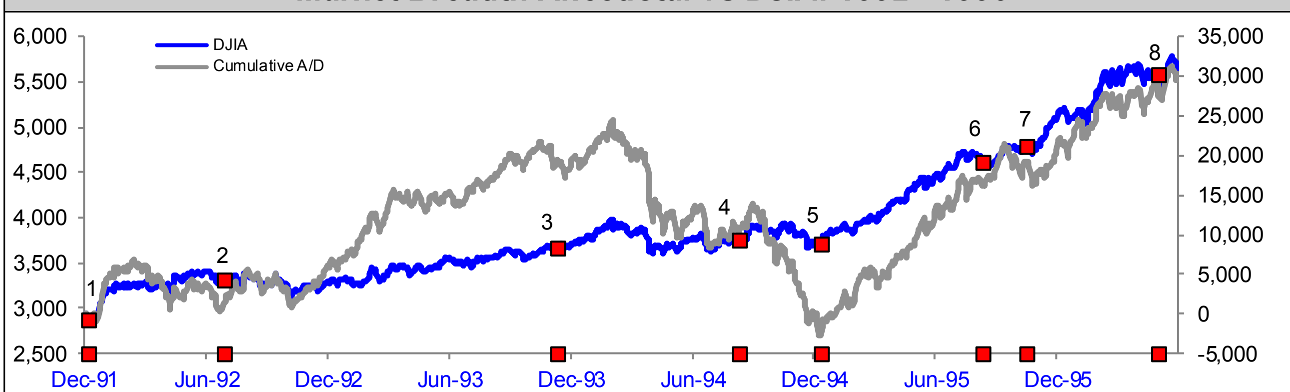
To us the abundance of bears and the lack of strong, positive arguments for a rally is a positive. We agree that the rally is lengthy and perhaps even boring of late, but it is still a bull market. For those who argue that it exceeds the average of the last ten rallies we might again mention that last year when we spoke at the Columbia B School we asked one of the professors: if averaging three numbers does not make sense, then how many data points does one need to make a meaningful average?

He said the conventional response is 30. Thus, it is not statistically sound to average ten rallies or declines despite one's understandable inclination to do so.

S&P Bull and Bear Markets

Move	Begin	End	Percent Change	Length (Days)
Bull	8/12/82	8/25/87	228.81	1,839
Bear	8/25/87	12/4/87	-33.51	101
Bull	12/4/87	7/16/90	64.77	955
Bear	7/16/90	10/11/90	-19.92	87
Bull	10/11/90	7/17/98	301.66	2,836
Bear	7/17/98	8/31/98	-19.31	45
Bull	8/31/98	3/24/00	59.52	571
Bear	3/24/00	10/9/02	-49.15	929
Bull	10/9/02	10/9/07	101.50	1,826
Bear	10/9/07	3/9/09	-56.78	517
Bull	**3/9/09**	**8/7/17**	**266.71**	**3,073**

Market Breadth Anecdotal vs DJIA: 1992 - 1996



1 Everything has been for sale except the twenty most loved stocks on Wall Street.

2 Number of advancing and declining stocks has been equal recently, a phenomenon ususally seen around market peaks.

3 The advance decline line peaked in August and the number of new lows recently exceeded the number of new highs. These and other indicators remind him of the summer of 1990, when the most recent bear market began.

4 Blue chips are joining the rank and file on the downside and the retreat is entering the final phase. Only 23% of all stocks are above their 200-day moving averages, and typically cyclical lows are reached when fewer than twenty are below that line. Garden variety downturn.

5 71% of the stocks on the NYSE are down at least 20% from their highs; 39% are down 30% or more and 17% are down at least 40% from their peaks. The picture is even glumer for NASDAQ shares.

6 About 40% of the rise in the NASDAQ - an index that includes more than 6000 issues - was caused by the movement of the 100 largest.

7 Diminishing number of stocks making new highs shows that the market is tiring.

8 Never before has there been a bull market with such wide participation. This is not a good sign.

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[35] *Market Breadth*. Birinyi Associates, Inc. May 1999.

Going into the Fall there is no change in our continuous, undramatic outlook: higher prices, stock selection. We are in a bull market, sentiment favors stocks because so many are dramatically negative, cash remains abundant, and while most measures are stretched they are not broken. In other words pretty much what we have been saying since 2009.

(It is not our practice to write: Takeoff around the corner, ten stocks for your imminent retirement, this way to a higher tax bracket or the like.)

Our July issue was published on June 28th and we would have liked to have reported on mutual funds first half results and might have issued a special the first week of July except that the *WSJ* wanted an exclusive.[6]

We found that our universe of 300+ billion dollar funds which have existed over five years *outperformed* the S&P by $24.1 billion. The *WSJ* did write the story on their website and we were told it would run 7/5 but it was never published in the paper. We wonder if our conclusions: active funds are doing better and the fees argument is not as persuasive as most argue was not in line with the paper's views:

Mutual Funds as of 6/30/17

	Beat	Trailed	Total
No. of Funds:	135	190	325
Assets (Bil)	$1,182	$1,422	$2,604
Return			
S&P 500	9.34%		
Fund Average	14.81	6.52	
Excess Return (Mil)	**$57,003**	**-$32,890**	**$24,114**
Expense Ratio			
Average Fee:	0.59%	0.55%	

WSJ Article: 7/5/17


THE WALL STREET JOURNAL.

MONEYBEAT

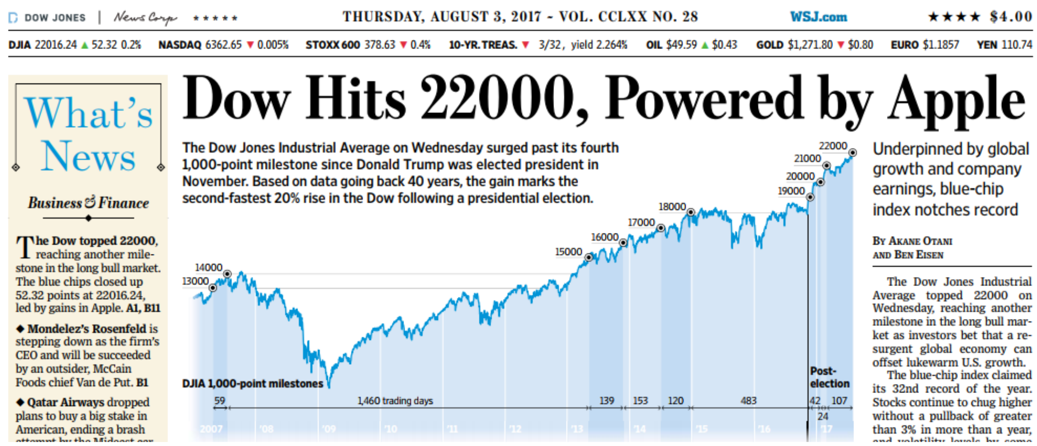
Active Managers Take on Low Volatility, Helped by a Little Luck

By James Mackintosh

Jul 5, 2017 1:56 pm ET

This is not unusual as reporters regularly ask for our research but apparently often don't agree with our conclusion. Since press relations are not part of our business model it doesn't affect us but we think individuals should have more information and reality than opinions.

Another piece of what we might term self-editing was the paper's story about new highs. On several occasions the Dow Jones Average had hit a new all-time high which was heralded on page one. Obviously, we understand and would do the same thing in their position. But on four occasions in May the S&P hit an all-time high. That story was buried in the back pages. And on only one of the four was it mentioned in the headline. For professionals, the S&P is more important and since it does no harm we understand why the *Journal* will highlight the Dow's gain, but still....


DOW JONES | News Corp ★★★★★ THURSDAY, AUGUST 3, 2017 - VOL. CCLXX NO. 28 WSJ.com ★★★★ $4.00

DJIA 22016.24 ▲ 52.32 0.2% NASDAQ 6362.65 ▼ 0.005% STOXX 600 378.63 ▼ 0.4% 10-YR. TREAS. ▼ 3/32, yield 2.264% OIL $49.59 ▲ $0.43 GOLD $1,271.80 ▼ $0.80 EURO $1.1857 YEN 110.74

What's News

Business & Finance

The Dow topped 22000, reaching another milestone in the long bull market. The blue chips closed up 52.32 points at 22016.24, led by gains in Apple. A1, B11

◆ Mondelez's Rosenfeld is stepping down as the firm's CEO and will be succeeded by an outsider, McCain Foods chief Van de Put. B1

◆ Qatar Airways dropped plans to buy a big stake in American, ending a brash

Dow Hits 22000, Powered by Apple

The Dow Jones Industrial Average on Wednesday surged past its fourth 1,000-point milestone since Donald Trump was elected president in November. Based on data going back 40 years, the gain marks the second-fastest 20% rise in the Dow following a presidential election.

Underpinned by global growth and company earnings, blue-chip index notches record

By Akane Otani and Ben Eisen

The Dow Jones Industrial Average topped 22000 on Wednesday, reaching another milestone in the long bull market as investors bet that a resurgent global economy can offset lukewarm U.S. growth.

The blue-chip index claimed its 32nd record of the year. Stocks continue to chug higher without a pullback of greater than 3% in more than a year,

B&G Foods: We blew it

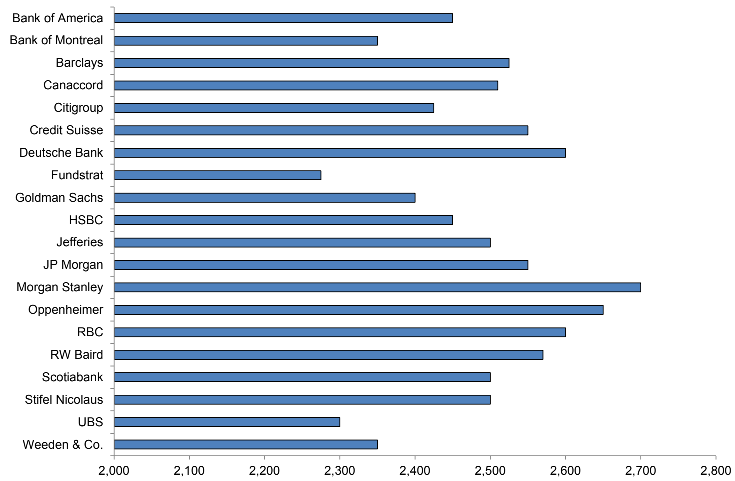
B&G was one of our best picks last year. After our recommendation at $34 (3/30/16) it went to ($50) while continuing to provide a handsome dividend. We first bought this stock in the summer of 2009 and have had our money returned several times over.

In February 2017 it missed earnings which was a real surprise given the companies products of pickles and condiments We were willing to excuse one miss but there have been two this year and we have to admit our failing. In truth the whole food group (except for Unilever) has been a disappointment (Kraft is down from $100) but that is a fact, not an excuse, and a black eye for us.

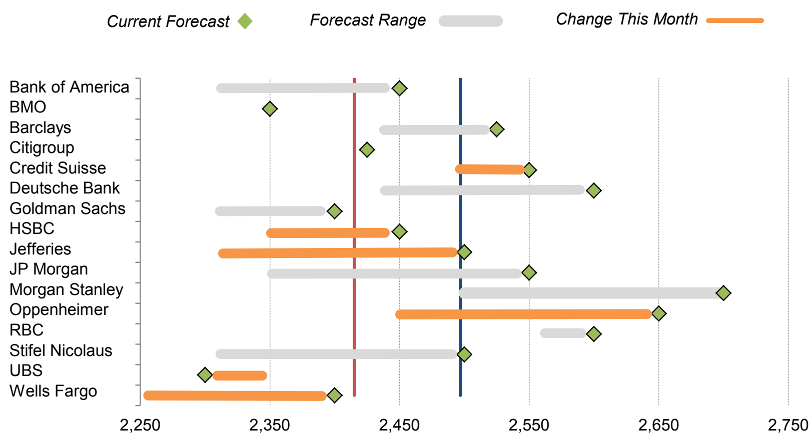
[6] This week there was a story about first half results which is disappointing and we fail to understand why it takes some firms over a month to generate the results.

Strategists' Forecasts and Comments: August 2017

Year-End 2017 S&P 500 Targets and MTD Changes:



2017 S&P 500 Year-End MTD Changes and Overview:

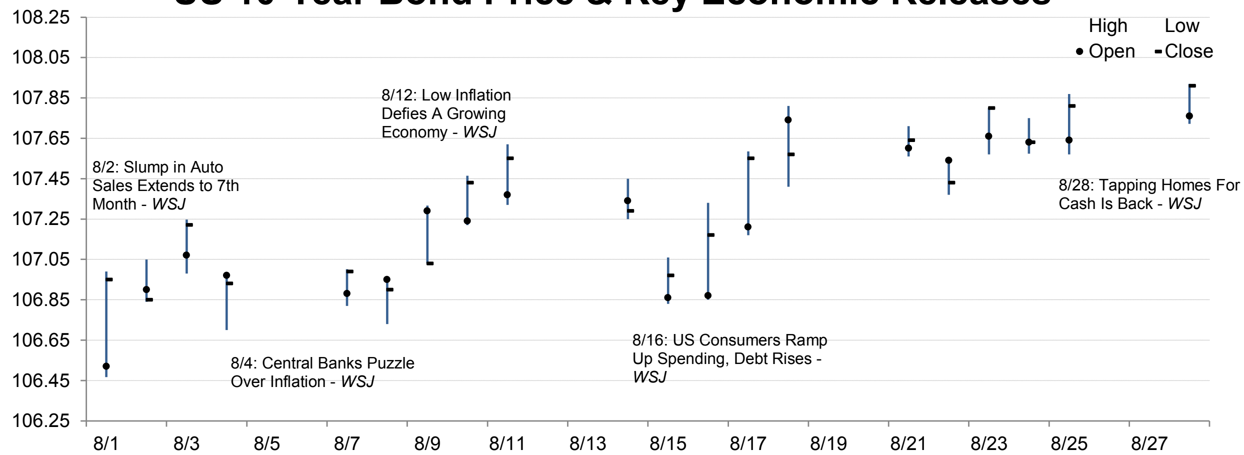


Comments This Month:

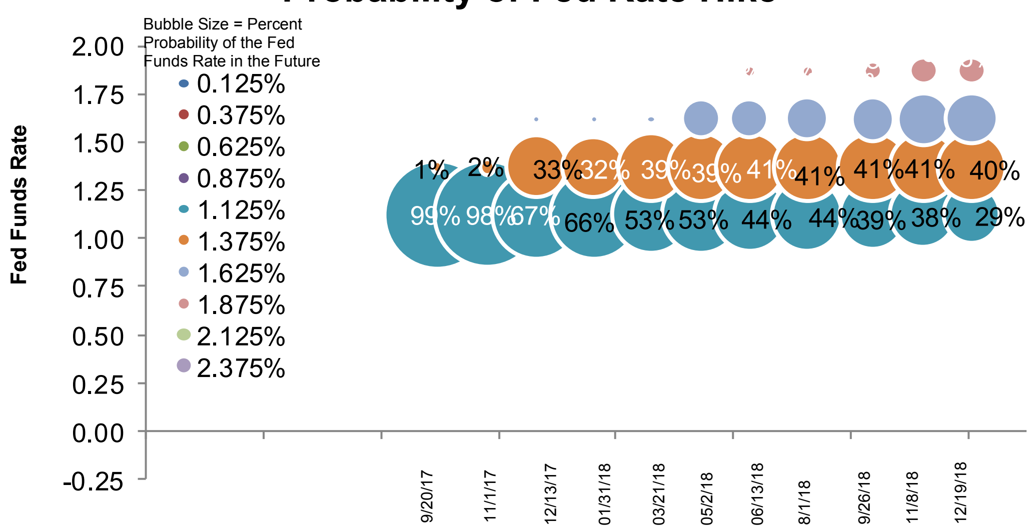
Date	Company	Analyst	Statement
8/1/17	Bank of America	Savita Subramanian	Says earnings, not vol. selling, is culprit for record low
8/1/17	Morgan Stanley	Michael Wilson	Says sees VIX staying lower for longer
8/1/17	Goldman Sachs	David Kostin	Says inflation views part him from equity bulls based on Fed
8/1/17	Oppenheimer	John Stoltzfus	Raises S&P 500 target to 2,650 from 2,450
8/7/17	Bernstein	Alla Harmsworth	Says stock pickers will do well; gains as correlation unwinds
8/8/17	Morgan Stanley	Michael Wilson	Says don't fret over equity market complacency
8/8/17	Goldman Sachs	David Kostin	Defends his bullish stance on banks; sees compelling case
8/8/17	JPMorgan	Mislav Matejka	Says equity valuation multiples 'outright expensive'
8/8/17	Credit Suisse	Mandy Xu	Says use S&P 500 options to position for further gains
8/10/17	Leuthold	Doug Ramsay	Says S&P 500 2,550 calls has to wait; sees correction
8/11/17	HSBC	Robert Parkes	Utilities best placed defensive as correction risk rises
8/14/17	PIMCO	Dan Ivascyn	Says firm has above average cash position
8/14/17	Morgan Stanley	Graham Secker	Says US exposed equities are oversold
8/15/17	JPMorgan	Mislav Matejka	Says Risk-Reward for equities is 'unattractive'
8/16/17	Canaccord	Brian Reynolds	Says S&P 500 dip short-lived
8/16/17	Goldman Sachs	David Kostin	Says company commentary is more cautious on reg reforms
8/17/17	Weeden & Co.	Michael Purves	Says avoid small-cap stocks until Trump agenda is clear
8/17/17	Oppenheimer	Krishna Memani	Says bull market is likely to be longest one on record
8/17/17	Grantham Mayo Co	Matt Kadnar	Says expecting S&P 500 valuations to climb is dangerous
8/18/17	Jefferies	Steven DeSanctis	Sees stock market volatility spike in Sept on Wash., N. Korea
8/22/17	MKM Partners	Jim Strugger	Says not time to passively invest in indicies
8/24/17	Morgan Stanley	Mike Wilson	Says S&P 500 bull market case still valid after sell off
8/25/17	Wells Fargo II	Scott Wren	Raises S&P 500 target to 2,300 - 2,400 vs 2,230 - 2,330

Key Economic Indicators: August 2017

US 10-Year Bond Price & Key Economic Releases



Probability of Fed Rate Hike



Key Economic Releases & Major News Headlines

Date	Time	Event	Survey	Actual	Publication	Major News Headline
8/1/17	8:30	Personal Income	0.40%	0.00%		
8/1/17	8:30	Personal Spending	0.10%	0.10%		
8/1/17	8:30	Real Personal Spending	0.10%	0.00%		
8/1/17	9:45	Markit US Manufacturing PMI	53.2	53.3		
8/1/17	10:00	ISM Manufacturing	56.5	56.3		
8/1/17	10:00	ISM Prices Paid	55.8	62		
8/2/17	8:15	ADP Employment Change	190k	178k	*WSJ*	Slump in Auto Sales Extends to 7th Month
8/3/17	8:30	Initial Jobless Claims	243k	240k		
8/3/17	9:45	Markit US Services PMI	54.2	54.7		
8/3/17	10:00	ISM Non-Manf. Composite	56.9	53.9		
8/3/17	10:00	Factory Orders	3.0%	3.0%		
8/3/17	10:00	Durable Goods Orders	0.00%	6.40%		
8/4/17	8:30	Change in Nonfarm Payrolls	180k	209k	*WSJ*	Central Banks Puzzle Over Inflation
8/4/17	8:30	Change in Private Payrolls	180k	205k		
8/4/17	8:30	Unemployment Rate	4.3%	4.3%		
8/4/17	8:30	Trade Balance	-$44.5b	-$43.6b		
8/7/17	15:00	Consumer Credit	$15.750b	$12.397b		
8/10/17	8:30	Initial Jobless Claims	240k	244k		
8/10/17	8:30	PPI Final Demand MoM	0.1%	-0.1%		
8/11/17	8:30	CPI MoM	0.20%	0.10%	*WSJ*	Low Inflation Defies a Growing Economy
8/15/17	8:30	Import Price Index MoM	0.10%	0.10%		
8/15/17	8:30	Retail Sales Advance MoM	0.3%	0.6%		
8/15/17	10:00	NAHB Housing Market Index	64	68		
8/15/17	10:00	Business Inventories	0.40%	0.50%		
8/16/17	8:30	Housing Starts	1220k	1155k	*WSJ*	US Consumers Ramp Up Spending, Debt Rises
8/16/17	8:30	Building Permits	1250k	1223k		
8/17/17	10:00	Leading Index	0.30%	0.30%		
8/18/17	10:00	U. of Mich. Sentiment	94	97.6		
8/23/17	10:00	New Home Sales	610k	571k		
8/24/17	8:30	Initial Jobless Claims	238k	234k		
8/24/17	10:00	Existing Home Sales	5.55m	5.44m		
8/25/17	8:30	Durable Goods Orders	-6.00%	-6.80%		
8/30/17	8:30	GDP Annualized QoQ	2.70%	3.00%	WSJ	Tapping Homes For Cash Is Back
8/30/17	8:30	Core PCE QoQ	0.90%	0.90%		

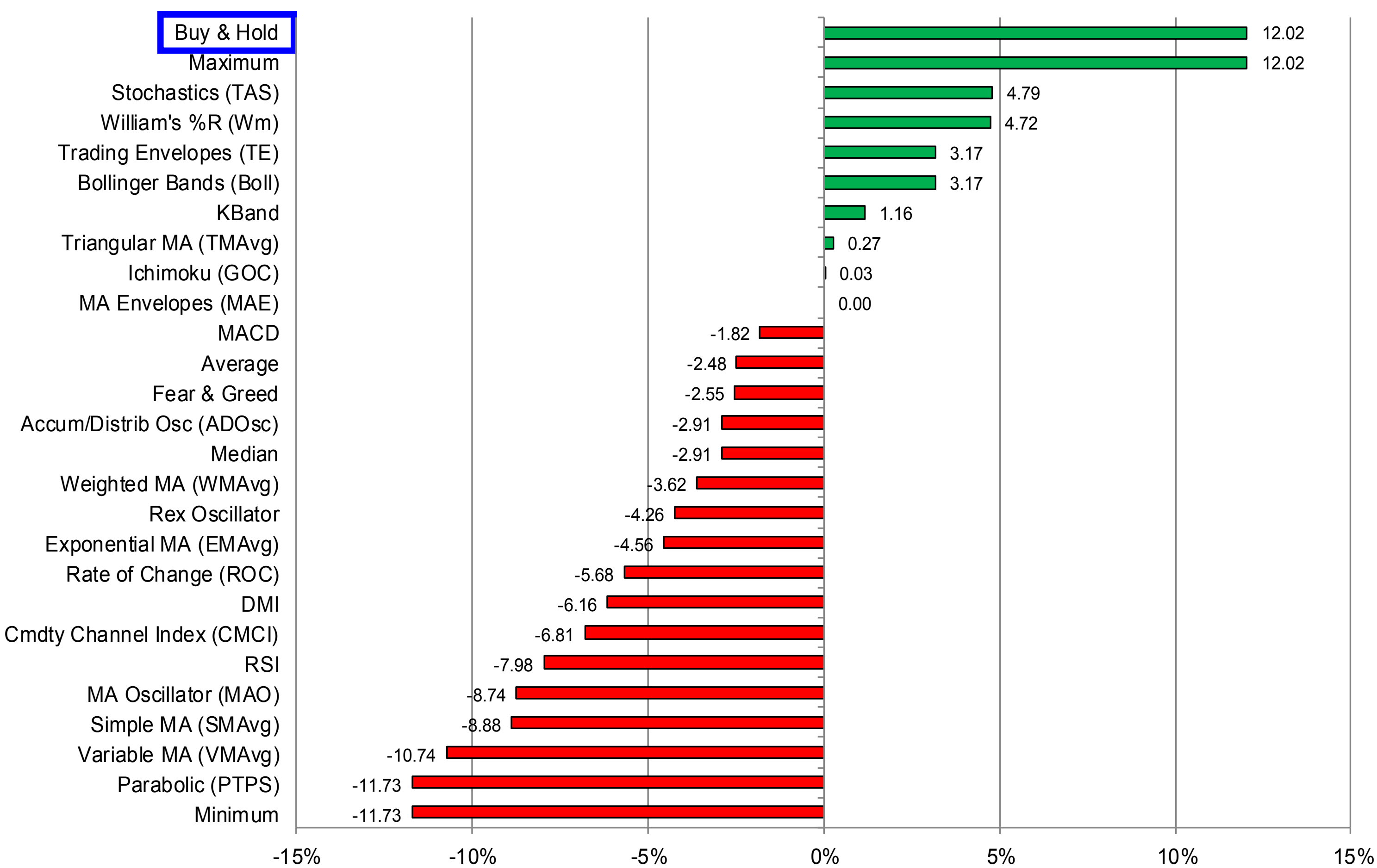
Technical Comments Monitor: August 2017

Date	Company	Analyst	Statement
8/8/17	Strategas	Chris Verrone	Sees bank rally enduring
8/9/17	Oppenheimer	Ari Wald	Not expecting a selloff at this time; however S&P is in 'pullback season'
8/21/17	JPMorgan	Jason Hunter	Says US stock market vulnerable to correction in fall
8/22/17	JPMorgan	Jason Hunter	Rangebound S&P 500 may spell trouble for US equities in fall
8/22/17	BTIG	Katie Stockton	Tradeable lows materialize often in August before September volatility
8/23/17	Strategas	Chris Verrone	Says cover shorts in energy sector
8/24/17	Strategas	Chris Verrone	Says he is reluctant to say that stock selloff is over
8/25/17	BTIG	Katie Stockton	Sees slowing market momentum

Technical Indicators Backtest

SPDR S&P 500 ETF

The backtest model displayed below is a representation of 23 popular technical indicators executed against the SPY ETF on associated buy and sell signals assuming normal (market risk) parameters on a one year time horizon. Our concerns about technical analysis are inherently displayed in the following model as we are suspect to the large portfolio risk associated with utilizing such strategies.



Birinyi Sector Timing Model

ETF	Sector	Price	Bottom TE	Top TE	% From Bottom	% From Top	Absolute Buy Price	Absolute Sell Price	Sector Trend
SPY	S&P 500	244.85	242.69	246.91	0.89	-0.84	237.79	257.13	5T
DIA	Dow 30	218.59	214.25	219.18	2.03	-0.27	212.27	231.81	5T
XLF	Financials	24.57	24.47	25.18	0.42	-2.42	23.60	28.36	3T
XLV	Health Care	79.52	78.84	80.24	0.87	-0.89	73.78	84.65	4T
XLI	Industrials	67.95	67.72	68.93	0.35	-1.42	66.32	73.90	4T
XLE	Energy	62.64	63.26	65.80	-0.97	-4.81	61.10	70.30	2T
XLK	Technology	58.06	55.70	57.93	4.25	0.22	55.27	59.91	5T
XLY	Cons Disc	88.60	88.96	91.04	-0.40	-2.68	87.10	94.69	4T
XLP	Cons Stap	54.70	54.63	55.54	0.12	-1.52	52.81	57.80	3T
XLB	Materials	54.25	53.81	55.04	0.81	-1.44	52.33	58.50	4T
XLU	Utilities	55.12	52.14	54.43	5.72	1.28	50.22	56.31	4T
IYZ	Telecom	31.93	31.45	32.41	1.51	-1.49	29.43	35.89	2T

Using the Birinyi Sector Timing Model

Over the course of several years Birinyi Associates developed a toolset of overbought and oversold parameters that can be applied to both index prices and stock prices. In our *Sector Timing Model* we highlight these parameters for the ten S&P 500 economic sectors, the S&P 500 and the DJIA.

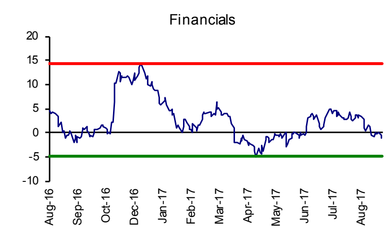
The "Bottom TE" and "Top TE" are determined by subtracting and adding one standard deviation from or to the current fifty-day price average. For example, the fifty-day average of the SPYDER ETF is 244.80 and one standard deviation in price movement over the last fifty days is 2.11 the "Bottom TE" is 242.69 and the "Top TE" is 246.91.

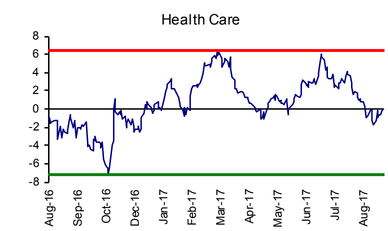
When the current price is below the Bottom TE the security is *oversold*, when the current price is above the Top TE the security is *overbought*. Overbought or oversold conditions are indicated by red shading in the "% From Top" column or green shading in the "% From Bottom" column.

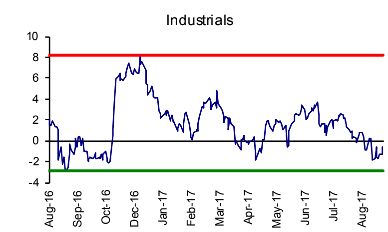
Absolute Buy Price and Absolute Sell Price are calculated by finding the most oversold and overbought a security has been in the last twelve months.

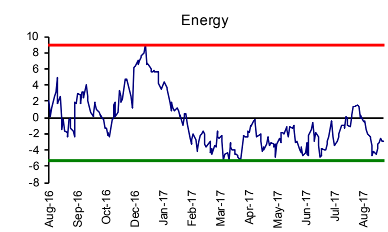
Strategy:

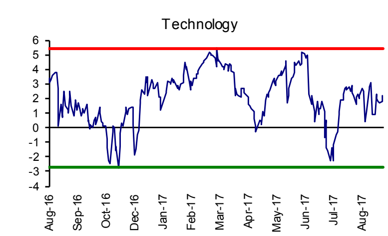
Long candidates are in uptrends and oversold, while short candidates are in downtrends and are overbought. Trend is identified by the "Sector Trend" on a scale of 1 – 5 where 5 is a strong uptrend.

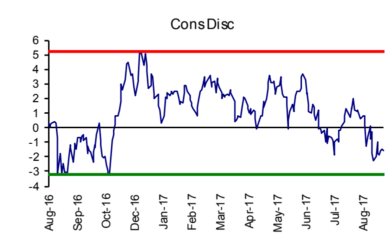


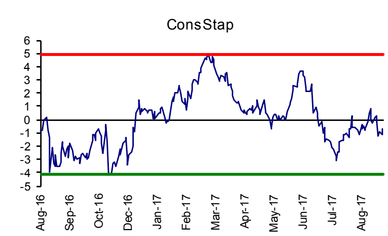


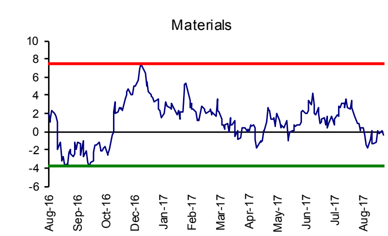


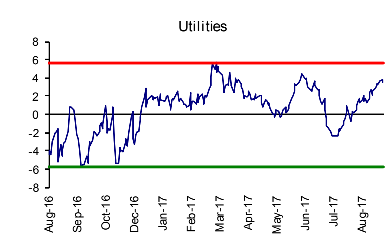


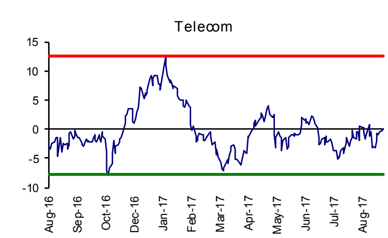












Birinyi Flow of Funds Data ($, Bil)

Liquidity and Borrowings	Current Level ($, Bil)	Current Flows ($, Bil)	% Change - Prior Month	Mo/Mo % Change - Prior 6 Months July	June	May	Apr	Mar	Feb	Y/Y
ETFs	3,043.7	-3.0	2.9	2.9	4.0	1.9	1.3	1.8	4.2	**27.8**
Margin Debt	549.9	10.7	2.0	2.0	-0.2	-1.7	2.3	1.7	2.9	**15.9**
Checking Accounts	2,043.7	25.4	1.3	1.3	0.0	1.2	-0.3	5.1	-2.7	**11.3**
Retail Money Market Funds	672.7	7.6	1.1	1.1	-1.0	-1.7	-0.6	1.7	-0.9	**-3.5**
Total Loans and Leases	9,320.3	63.7	0.7	0.7	0.1	0.3	1.2	-0.1	0.0	**3.9**
Bank Credit of All Commercial Banks	12,698.3	76.2	0.6	0.6	0.0	0.5	0.4	0.5	0.0	**3.7**
M2	13,548.7	78.1	0.6	0.6	0.3	-0.7	0.5	1.3	0.1	**5.5**
Equity Mutual Funds (Liquid Assets)	312.6	1.6	0.5	0.5	0.8	5.8	-0.8	2.3	5.0	**13.2**
Total Real Estate Loans	4,210.0	21.0	0.5	0.5	0.3	0.4	0.3	0.3	0.1	**4.6**
US Gov't Sec at All Commercial Banks	2,472.4	12.0	0.5	0.5	0.2	0.6	0.2	-0.2	0.0	**5.6**
Savings and Small Time Deposits	9,344.6	39.0	0.4	0.4	0.4	-1.2	0.7	0.5	0.7	**4.8**
Total Revolving Credit	989.0	4.1	0.4	0.4	0.6	1.5	1.6	-0.7	-1.7	**5.8**
Total Consumer Credit Owned	3,865.0	9.2	0.2	0.2	0.3	0.6	0.4	0.4	0.5	**5.6**
Total Nonrevolving Credit	2,835.0	2.4	0.1	0.1	0.4	0.4	0.1	0.2	0.1	**5.5**
Commercial and Industrial Loans	2,101.3	-2.2	-0.1	-0.1	0.3	0.1	0.5	-0.7	-0.1	**1.8**
Institutional Money Market Funds	1,710.5	-10.4	-0.6	-0.6	-0.1	1.0	-1.5	-0.6	-0.4	**-4.9**
Commercial Paper Outstanding	928.7	-7.7	-0.8	-0.8	-0.9	1.4	-4.6	2.8	0.2	**-8.2**
IRA & Keogh Accounts	735.0	-12.7	-1.7	-1.7	0.2	0.2	0.2	0.5	0.0	**8.7**

	2017 Jan	Feb	Mar	Apr	May	Jun	July	YTD 2017	2016	Y/Y Change (%)
IPOs	2.04	5.41	2.62	2.44	5.05	2.07	1.37	21.00	3.50	500
Secondaries	14.34	21.73	13.09	3.84	22.45	6.94	7.93	90.32	75.87	19
Announced Buybacks	34.47	82.71	33.11	55.74	80.17	111.69	19.76	417.65	375.30	11
Completed Buybacks	31.34	47.35	54.57	27.64	36.42	34.55	10.56	242.43	379.40	-36
Total M&A	114.73	61.33	34.50	75.46	69.55	68.06	59.09	482.71	571.52	-16
M&A Cash	87.46	36.85	30.92	35.53	37.14	48.09	35.57	311.56	321.43	-3
Private Equity Deals (Cash to Investors)	6.49	2.68	8.46	4.39	11.32	18.97	8.51	60.81	38.03	60
Average Private Equity Deal Premiums (%)	1.31	13.83	7.23	5.80	18.55	24.67	5.30			
S&P Dividends	22.13	51.46	33.76	25.23	54.06	31.65	26.57	244.86	227.97	7
Net Purchases *of* Mutual Funds	-8.76	3.73	-13.85	-12.25	2.27	-7.28		-36.14	-58.68	NM
International	-2.43	5.98	-2.51	5.23	9.08	8.28		23.64	14.65	61
Capital Appreciation	-12.41	-3.87	-9.29	-7.70	-3.94	-4.64		-41.85	-51.92	NM
Net Purchases *by* Mutual Funds	-12.05	0.34	-4.43	1.01	9.93	-3.61		-8.81	-7.71	NM
International	-0.38	-0.90	2.77	9.89	8.38	10.95		30.71	26.06	18
Capital Appreciation	-13.93	-4.17	-8.71	-7.88	-8.19	-8.07		-50.96	-43.87	NM
Hedge Fund Assets Raised	-5.45	-3.60	-2.75	-1.56	-2.45	10.63	-2.56	-7.74	-56.25	NM
Foreign Purchases of US Stocks	17.82	21.42	3.50	14.33	0.73	-4.47		53.33	-41.01	NM

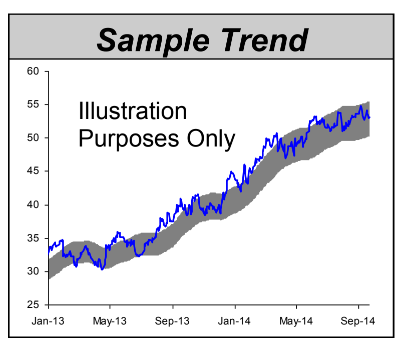
Birinyi Strategic and Tactical Universe

Strong Uptrend (5)			Uptrend (4)						Neutral (3)						Downtrend (2&1)		
Stock	**Price**	**Tactical**	**Stock**	**Price**	**Tactical**	**Stock**	**Price**	**Tactical**	**Stock**	**Price**	**Tactical**	**Stock**	**Price**	**Tactical**	**Stock**	**Price**	**Tactical**
PCLN	$1,818.28	5B	BBY	$54.04	4B	TMO	$182.03	4T	AGN	$222.66	3B	DIS	$103.31	3T	ALK	$73.67	2B
AAPL	162.87	5S	RH	45.47	4B	TROW	83.83	4T	AIG	60.21	3B	DPS	90.11	3T	CAG	32.55	2B
BA	239.22	5S	BIDU	222.33	4S	TSLA	347.95	4T	COH	41.55	3B	DRI	82.81	3T	CAH	66.45	2B
BABA	169.52	5S	EL	106.18	4S	TWX	101.44	4T	DAL	46.42	3B	EIX	80.49	3T	CXO	107.89	2B
OA	109.40	5S	MNST	55.72	4S	VFC	62.80	4T	DE	115.21	3B	EW	111.88	3T	FLR	38.40	2B
PYPL	61.51	5S	PVH	127.81	4S	WYNN	135.00	4T	DPZ	178.00	3B	F	10.86	3T	HOG	47.15	2B
RHT	105.69	5S	ABBV	73.89	4T	XLB	54.40	4T	ETN	70.82	3B	FDS	155.85	3T	KHC	81.82	2B
V	103.69	5S	ABT	49.90	4T	XLI	67.95	4T	ITW	136.51	3B	GM	35.60	3T	LB	36.43	2B
ADBE	153.07	5T	ACN	129.59	4T	XLU	55.07	4T	JWN	44.93	3B	GOOGL	937.88	3T	M	20.96	2B
ALL	90.59	5T	AET	156.77	4T	XLV	79.77	4T	MCK	146.11	3B	GS	222.87	3T	MO	63.92	2B
AVGO	243.41	5T	AMP	137.57	4T	XLY	89.04	4T	MDT	79.60	3B	HD	149.90	3T	PXD	128.48	2B
AXP	85.39	5T	AMZN	962.34	4T	YUM	76.27	4T	NKE	52.73	3B	HSY	104.62	3T	RGR	46.19	2B
BAX	61.41	5T	ANDV	100.68	4T				SBUX	54.37	3B	IEP	51.34	3T	SNA	144.84	2B
CAT	116.82	5T	BRK/B	179.58	4T				TRV	122.20	3B	INTC	34.69	3T	STX	31.12	2B
CB	142.18	5T	BX	32.26	4T				VRX	12.99	3B	IWM	138.01	3T	UAA	16.31	2B
CI	179.68	5T	C	68.27	4T				WHR	168.31	3B	JPM	91.60	3T	UAL	62.08	2B
DIA	218.57	5T	CCE	42.98	4T				ZBH	112.28	3B	KO	45.43	3T	ULTA	212.10	2B
FB	168.33	5T	CELG	134.57	4T				FCX	14.94	3S	LLY	80.65	3T	ANF	12.57	2S
GD	200.16	5T	CMI	156.44	4T				GILD	79.87	3S	LVS	60.46	3T	DLTR	79.53	2S
HON	137.23	5T	CRM	94.15	4T				KORS	42.14	3S	LYB	90.16	3T	ROST	58.47	2S
ISRG	987.40	5T	DD	82.43	4T				R	78.63	3S	MAR	102.35	3T	AZO	524.91	2T
JBL	30.67	5T	DLR	117.32	4T				RL	87.14	3S	MDLZ	41.76	3T	COP	42.80	2T
LMT	306.17	5T	DOW	64.33	4T				ABX	17.80	3T	MET	47.02	3T	CPB	50.80	2T
MA	133.64	5T	EBAY	35.47	4T				ADI	82.23	3T	MRK	63.05	3T	DNKN	51.49	2T
MCD	158.58	5T	ED	84.25	4T				ADP	105.30	3T	NDAQ	75.20	3T	ESRX	61.36	2T
MMM	202.78	5T	EXPE	143.95	4T				ALXN	139.27	3T	NICE	77.49	3T	GIS	53.86	2T
MSFT	73.52	5T	FDX	213.16	4T				AMGN	173.60	3T	NSC	120.56	3T	IBM	142.52	2T
NEE	150.65	5T	HPQ	19.08	4T				APD	145.45	3T	PANW	130.87	3T	IYZ	31.81	2T
NFLX	173.00	5T	ICE	64.79	4T				AWK	80.82	3T	PEP	115.13	3T	JEC	53.35	2T
NVDA	164.82	5T	INTU	138.77	4T				BAC	23.82	3T	PFE	33.42	3T	K	65.79	2T
NVR	2,658.60	5T	JNJ	131.85	4T				BIIB	300.35	3T	PG	91.97	3T	KMB	122.00	2T
SPY	245.38	5T	LLL	181.23	4T				BLK	414.70	3T	PM	116.26	3T	LOW	74.06	2T
STZ	199.14	5T	MS	45.84	4T				BMY	59.26	3T	PSX	83.11	3T	ORLY	196.55	2T
UN	59.10	5T	NOC	269.94	4T				BPT	19.58	3T	PX	130.04	3T	OXY	58.80	2T
UNH	195.44	5T	ORCL	49.54	4T				BUD	117.92	3T	SHW	335.03	3T	QCOM	52.18	2T
WM	76.64	5T	REGN	489.05	4T				CL	70.90	3T	SYY	52.41	3T	SLB	63.32	2T
XLK	58.16	5T	TLK	35.40	4T				CLX	136.97	3T	TGT	54.66	3T	SPG	156.50	2T
									CMCSA	40.77	3T	TIF	88.28	3T	T	37.73	2T
									CME	126.14	3T	TRIP	42.49	3T	TAP	89.64	2T
									COST	153.92	3T	TXN	81.66	3T	WSM	46.23	2T
									CSCO	31.83	3T	UNP	105.03	3T	XLE	62.46	2T
									CSX	50.02	3T	UPS	115.51	3T	XOM	76.18	2T
									CVS	76.55	3T	URBN	20.66	3T	BBBY	27.96	1B
									CVX	107.33	3T	UTX	118.47	3T	BGS	30.63	1B
									DHR	81.84	3T	VLO	68.51	3T	BWLD	102.30	1B
												VNO	73.70	3T	CMG	311.10	1B
												VZ	48.26	3T	GE	24.17	1B
												WBA	81.71	3T	KR	21.82	1B
												WFC	51.72	3T			
												WMT	78.88	3T			
												XLF	24.70	3T			
												XLP	54.69	3T			

In an attempt to better time purchases and sales we have developed the coding system displayed here. We discriminate between the strategic (longer term) characteristics of a stock (1-5) and the tactical (short term) characteristics (B=Buy, S=Sell, T=Within Trading Range).

For example, the stock shown below left, has displayed a strong long term upward trend. This type of "pattern" is coded a five and all things being equal is a name that should be owned. But in order to time the purchases and sales correctly we also examine where it is trading relative to its trading range. The stock is given a "B" if it is trading below its trading range, an "S" if it is above and a "T" if it is within the trading range.

When a stock is coded a "B" it does not mean it won't trade lower, it simply is indicating that at these levels the stock is oversold and the risk has been diminished. Likewise, an "S" does not mean that the stock will not continue to increase but instead it is alerting us to the current short term risk. For a further explanation you can refer to the May 2011 newsletter which is available on our website in the library section.



Next month's issue will be released on Wednesday September 27th after the close of the market.

Changes to the Portfolios

There are two changes to the **Conservative** portfolio this month.

Removed	Added
B&G Foods (BGS)	Blackstone Group (BX)
Kraft Heinz (KHC)	Johnson & Johnson (JNJ)

There is one change to the **Growth** portfolio this month.

Removed	Added
Domino's Pizza (DPZ)	Micron (MU)

PORTFOLIOS

Conservative

	Price 8/30	Change Since Last Publication	Trading Range Bottom	Trading Range Top
AbbVie (ABBV)	$73.92	1.8%	$70.77	$73.02
Accenture (ACN)	129.79	0.2	124.59	129.63
Altria (MO)	64.05	-10.7	65.08	74.87
AT&T (T)	37.67	-0.9	36.84	38.54
Blackstone Group (BX)	32.53		32.17	34.06
Cisco Systems (CSCO)	31.99	1.0	31.09	31.93
Coca-Cola (KO)	45.39	-0.8	44.77	45.79
Johnson & Johnson (JNJ)	131.07		131.74	134.54
Unilever (UN)	59.02	1.2	55.86	58.79
Yum! Brands (YUM)	76.02	1.9	73.76	75.84

Growth

	Price 8/30	Change Since Last Publication	Trading Range Bottom	Trading Range Top
Allstate (ALL)	$90.07	0.7%	$88.43	$93.12
Bank of America (BAC)	23.87	-1.4	23.54	24.64
Chubb (CB)	141.16	-1.9	144.16	147.89
Constellation Brands (STZ)	199.54	3.2	189.48	198.61
Micron Technology (MU)	31.61		28.98	31.69
Microsoft (MSFT)	74.01	-0.1	70.21	73.57
Texas Instruments (TXN)	82.31	-0.3	78.64	82.11
UnitedHealth Group (UNH)	195.88	2.7	186.43	193.94
Visa (V)	103.73	2.9	95.41	102.23
Waste Management (WM)	76.95	3.1	73.79	75.73

Trading

	Price 8/30	Objective	Downside Limit
Ameriprise Financial (AMP)	$137.20	$139.88	$133.77
Estee Lauder (EL)	105.66	108.35	103.63
Intuit (INTU)	139.97	141.97	135.77
Monster Beverage (MNST)	55.95	57.91	53.71

PORTFOLIO PERFORMANCE*

	Month[1]	YTD[2]
Conservative	-2.29%	5.16%
Growth	0.68	16.62
Trading	-2.39	3.96
S&P 500	-0.82	9.77

[1] Return is from last publication.
[2] Return is from 12/31/16 - 8/30/17.

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