LAMENSDORF
MARKET TIMING REPORT

JULY 2017

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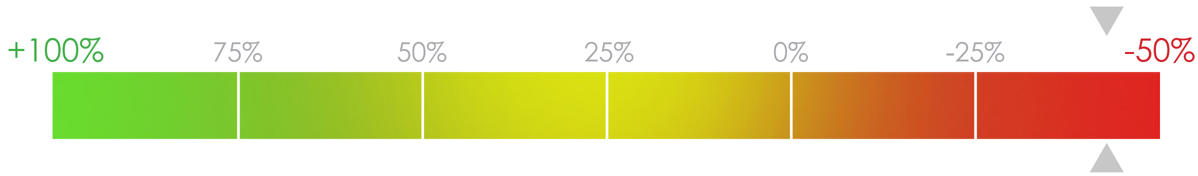

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Watch-out, indicators point to a break in the stock market

As the indexes continue to produce a series of higher highs, subsurface conditions are painting an entirely different picture. The market capitalized indexes are dominated by names such as Amazon (AMZN), Microsoft (MSFT) and Johnson and Johnson (JNJ). The good performance of these large companies is masking the fact that many stocks, including REITS and those in the retail sector, have already entered bear market territory. This issue of LMTR focuses on market breadth, which has become exceedingly negative.

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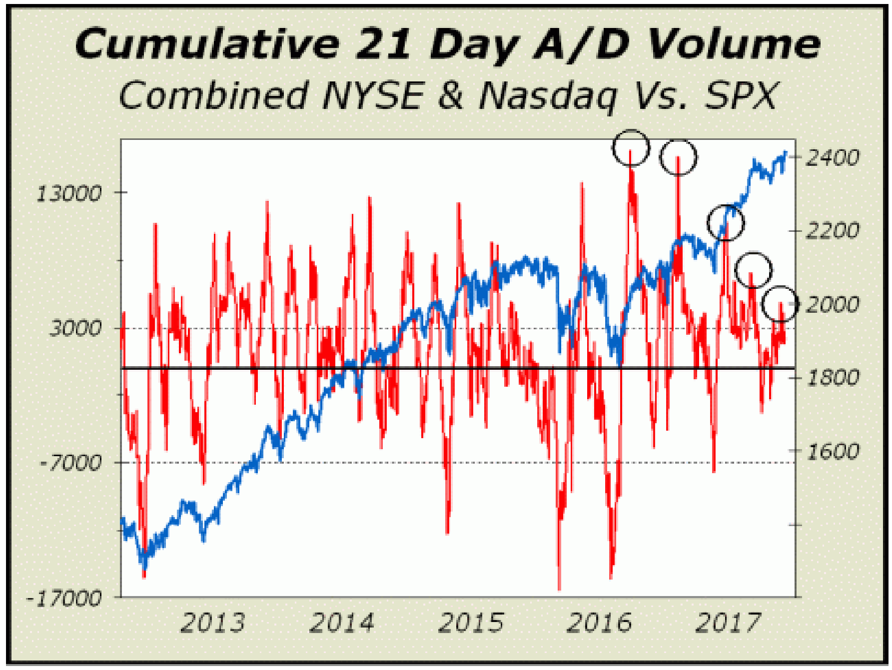
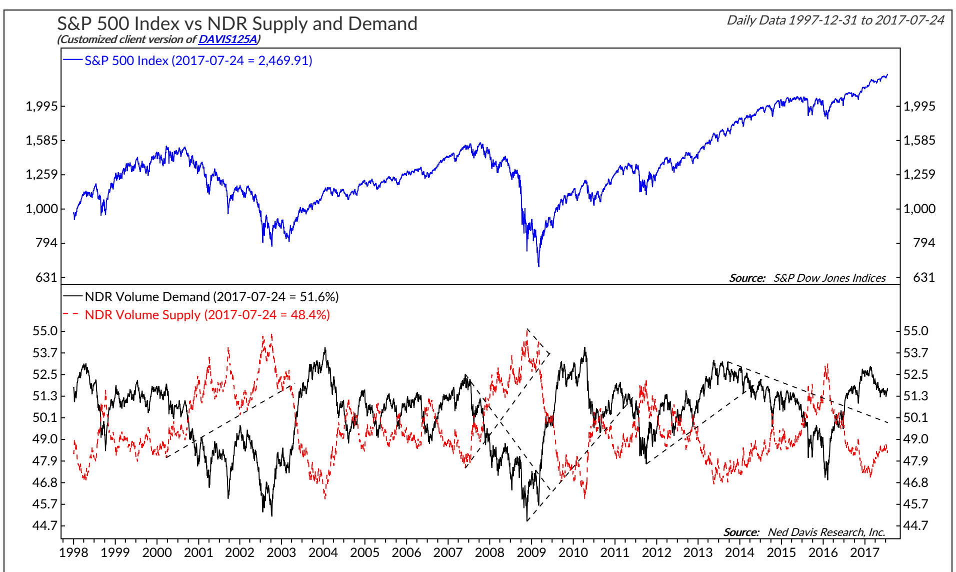
The cumulative 21-day advancing/declining volume indicator measures the internal dynamics of the market by monitoring up/down volume. We have highlighted the previous four peaks in order to emphasize the series of lower highs in the up/down volume gauge. This situation has occurred while the indexes have simultaneously hit higher highs; a classic negative divergence illustrating that large institutional sponsorship has not been following the indexes.





S&P 500 Index Performance
Full History: 1981-12-31 to 2017-07-24

NDR Volume Demand is	% Gain/ Annum	% of Time
Above NDR Volume Supply	11.52	78.47
Below NDR Volume Supply	-0.52	21.53

Buy/Hold = 8.81% Gain/Annum

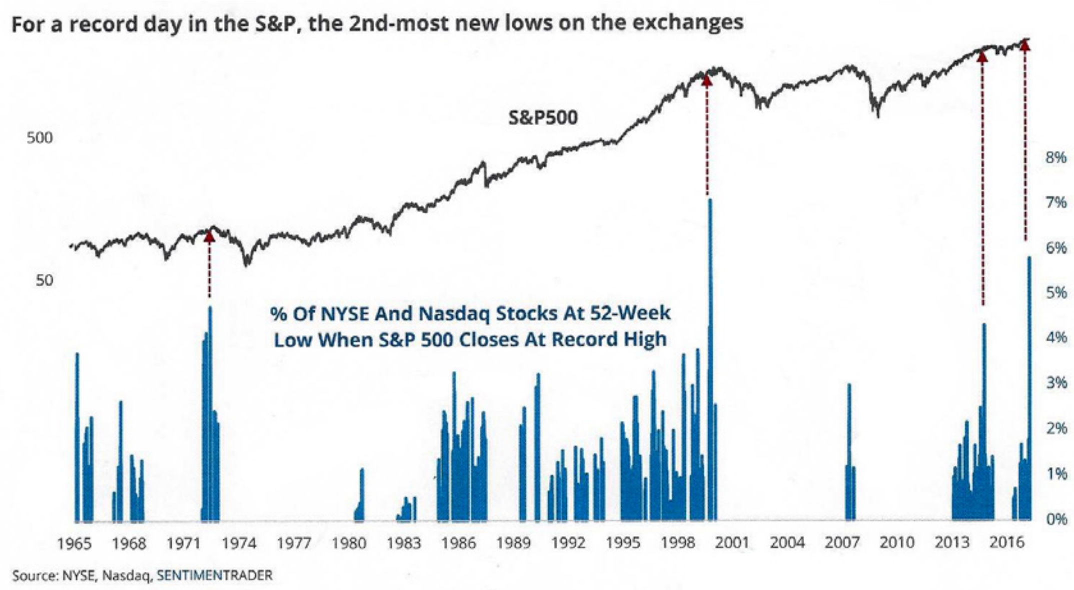
S&P 500 Index Performance
Chart View: 1997-12-31 to 2017-07-24

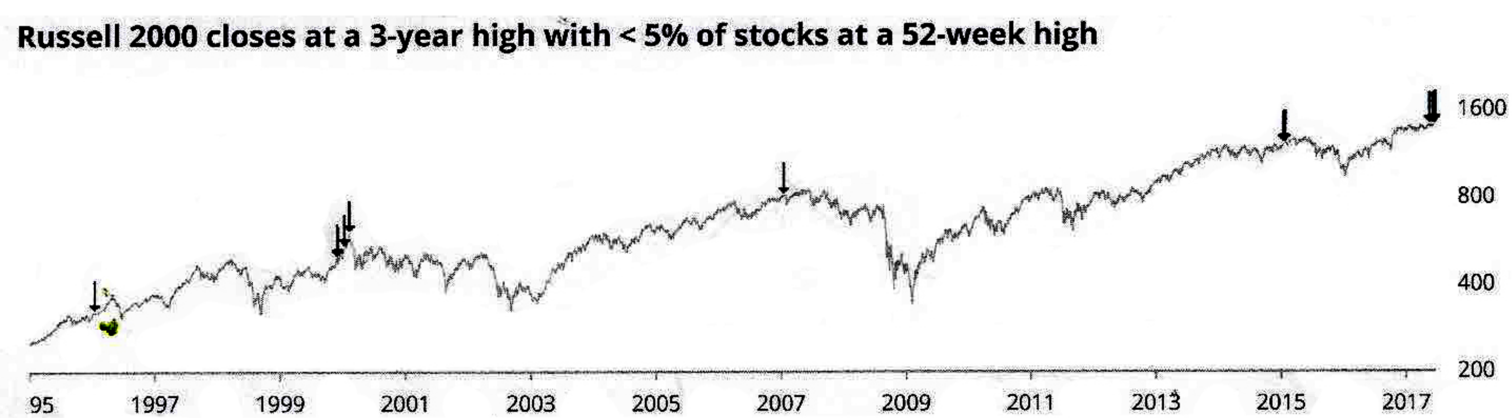
NDR Volume Demand is	% Gain/ Annum	% of Time
Above NDR Volume Supply	10.23	65.93
Below NDR Volume Supply	-4.72	34.07

Buy/Hold = 4.89% Gain/Annum

The Ned Davis Research proprietary supply/demand indicator is extremely useful for judging underlying buying and selling in the market. The demand gauge has begun to weaken, and it has failed to participate in the recent rally. At the same time the supply side component has started to rise along with the market, suggesting that there could be a trend change in buying and selling.

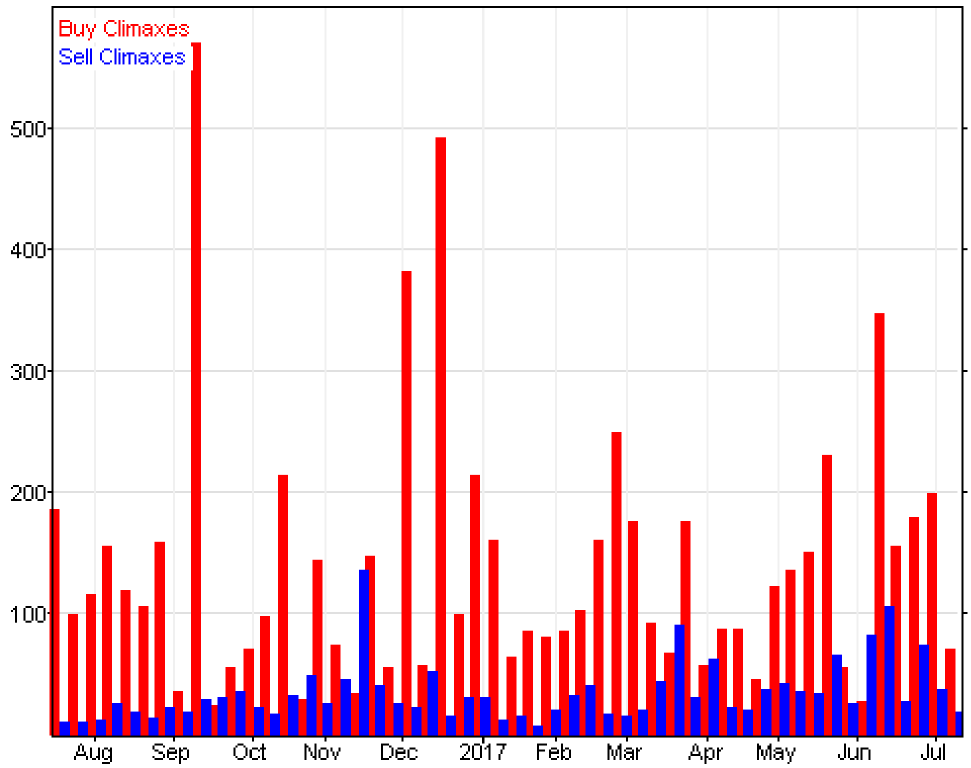
An alarming percentage of NYSE and Nasdaq stocks are hitting 52-week lows. Sentimentrader has created an excellent study that explores this phenomenon. The study analyzed the percent of NYSE and Nasdaq stocks at 52-week lows when the S&P 500 closes at a record high. Recently there were more than 340 securities that sank to 52-week lows, the second highest level going back as far as 1965. Similar spikes occurred in 1973 and 1999, both directly preceding significant corrections.





Over the last year fewer and fewer stocks have participated in the market rally. Sentimentrader has created a unique indicator that quantifies the narrowing of stocks participating in a rally. They went back to 1995 and analyzed closes on the Russell 2000 that were at three-year highs while less than 5% of the stocks were at 52-week highs, indicating sell signals. Arrows have been placed at areas on the chart to highlight such occurrences. There have been five sell signals over the last 20 years, and one of them is occurring now. The 1996 signal was followed by a year-long flat market. The 2000 and 2007 signals identified incredibly rough bear markets, and the 2015 signal coincided with a 20% Russell correction. What will the result of the current sell signal be?

Investors Intelligence publishes a weekly buying and selling climax report. Buying climaxes take place when a stock makes a 12-month high, but closes the week with a loss. This signals a topping out of buyer interest, indicating that the stock is moving from strong hands to weak ones. Selling climaxes occur when a stock makes a new 12-month low, but then closes the week with a gain. They are a sign of accumulation and indicate that stocks are passing from weak hands to strong ones. Over the last 18 months the buying climaxes have remained at extremely high levels. This type of price action suggests that there is a very large top forming.



CONCLUSION

Serious market corrections do not occur out of the blue. Indicators, such as the ones highlighted in this month's report, help investors identify when corrections are long in the tooth and rallies are beginning to wane. Presently the indicators are suggesting a top. We remain 50% short.

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BIO

Brad Lamensdorf, a seasoned money manager and market strategist, is the CIO of The Lamensdorf Market Timing Report, a newsletter designed to help investors improve performance via market timing by assessing the environment of the stock market using a variety of technical, fundamental and sentiment-oriented tools from powerful independent research firms. Many investors mechanically enter and depart the market without a true "game plan." Studies have shown that retail investors, in particular, are very poor market timers, tending to invest at or near market peaks and sell at or near market lows. The newsletter is designed to provide risk parameters for both professional and retail investors around the short-term stock market environment, giving subscribers better insight about when to allocate assets into or out of the equity markets.

Lamensdorf, a frequent guest commentator and analyst on major business networks including CNBC, CNN and Fox Business News, also serves as a Portfolio Manager and Principal of Ranger Alternative Management LP, a sub-advisor to the Advisor Shares Ranger Equity Bear Exchange Traded Fund (NYSE: HDGE). In this role, he conducts top-down technical evaluations of broader market liquidity, sentiment and breadth to help identify short and intermediate-term market trends, manage exposure and mitigate risk. HDGE was launched in 2011 and is the first and sole actively managed, short-only ETF in existence.

Lamensdorf, also has managed investment portfolios for the Hughes family and was principal of Tarpon Partners, managing a long/short fund that was up more than 200% gross over six years. Earlier in his career, he was as an equity trader/market strategist for Taylor and Company, the Bass brothers' trading arm, co-managing a short-only strategy in a derivative format with national exposure. He also served as the in-house market timing strategist for the entire internal and external network of Bass managers.