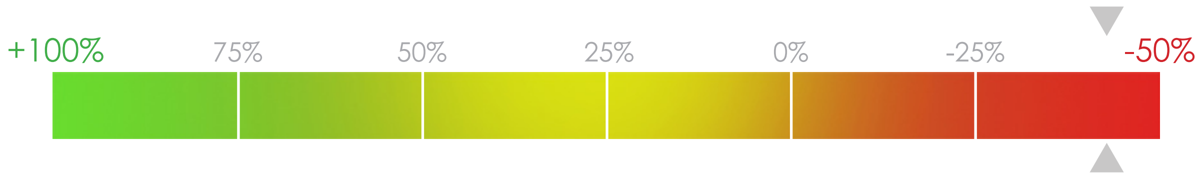
LAMENSDORF
MARKET TIMING REPORT

JANUARY 2017

EDITOR: DICK STERN | **CIO:** BRAD LAMENSDORF



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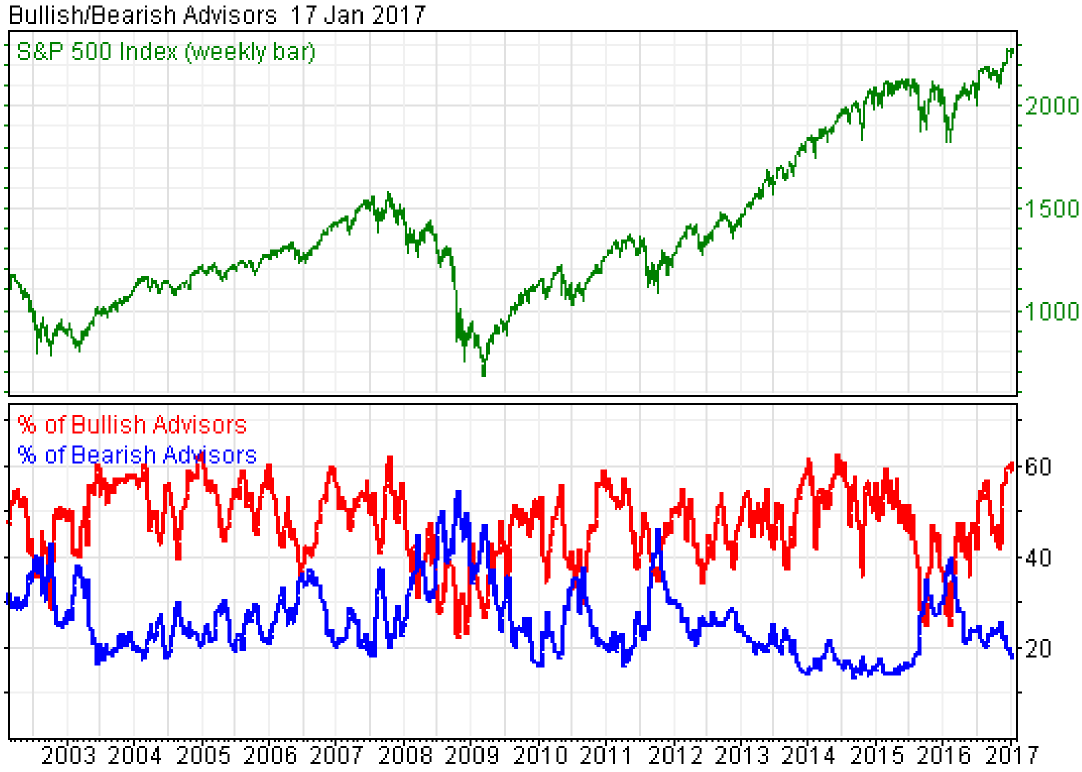
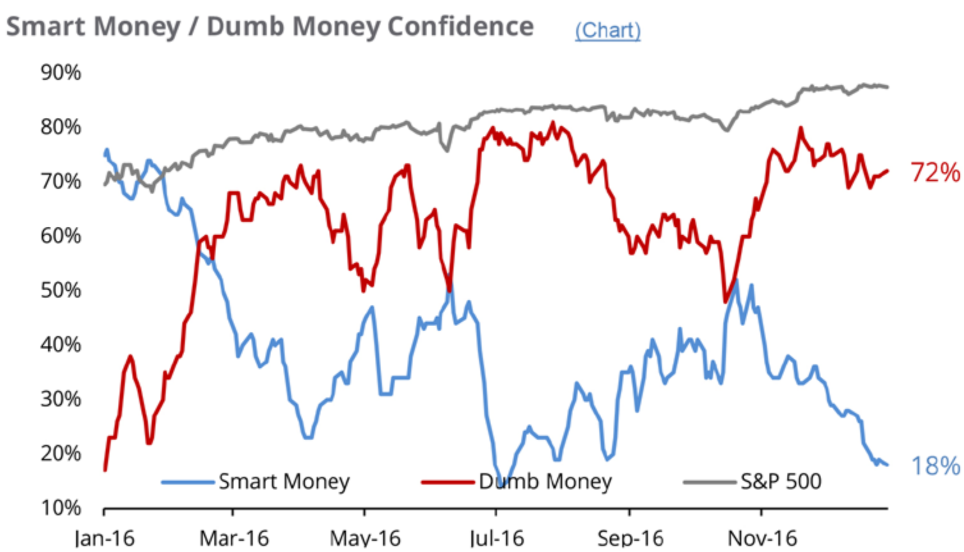
Seven Charts to Watch in 2017

As we begin the New Year, historic indicators are showing that market expectations are extremely optimistic. Valuation and sentiment indicators, for instance, are rivaling record highs. From a contrarian perspective, these record-high indicators are warning signals to watch out. We take these warning signs very seriously. Real time LIMTR subscribers received an alert advising them to re-short the 12 ½% that was covered before the election, rebalancing exposure back to 50% short.This issue focuses on seven particular charts that will be important for investors to monitor closely in 2017.

WESTPORT, CONNECTICUT
BRAD@LMTR.COM

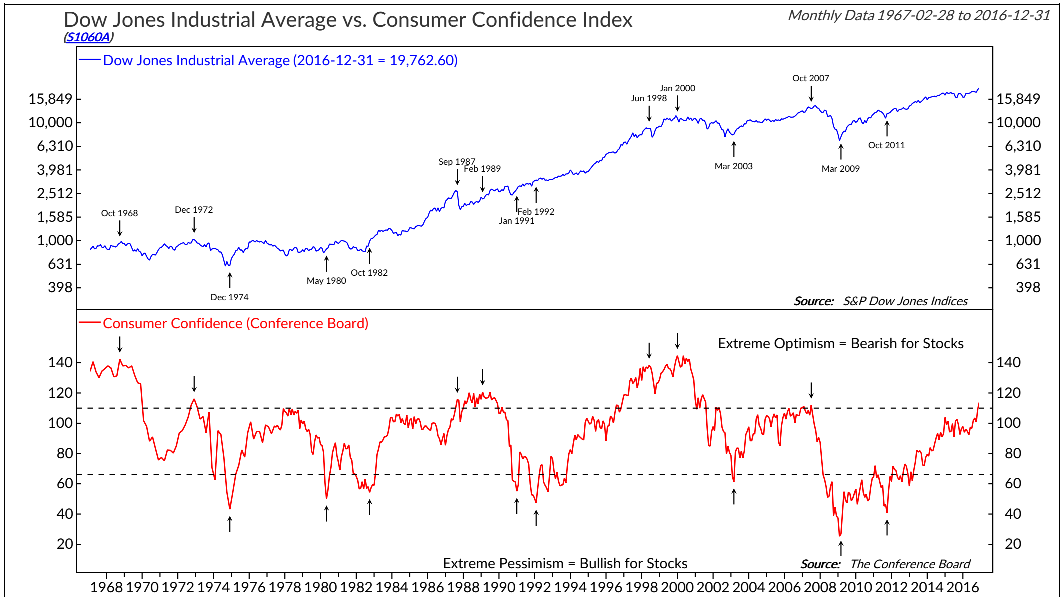
Extremely high positive sentiment remains problematic, suggesting that a significant amount of funds available for investment have already been committed. As we've mentioned, sentiment is a contrarian indicator, and extremes typically mark tops and bottoms. Bullish newsletter writers stand at 60.6%, which is an 18-month high. Bearish newsletter writers have fallen to just 17.3%.



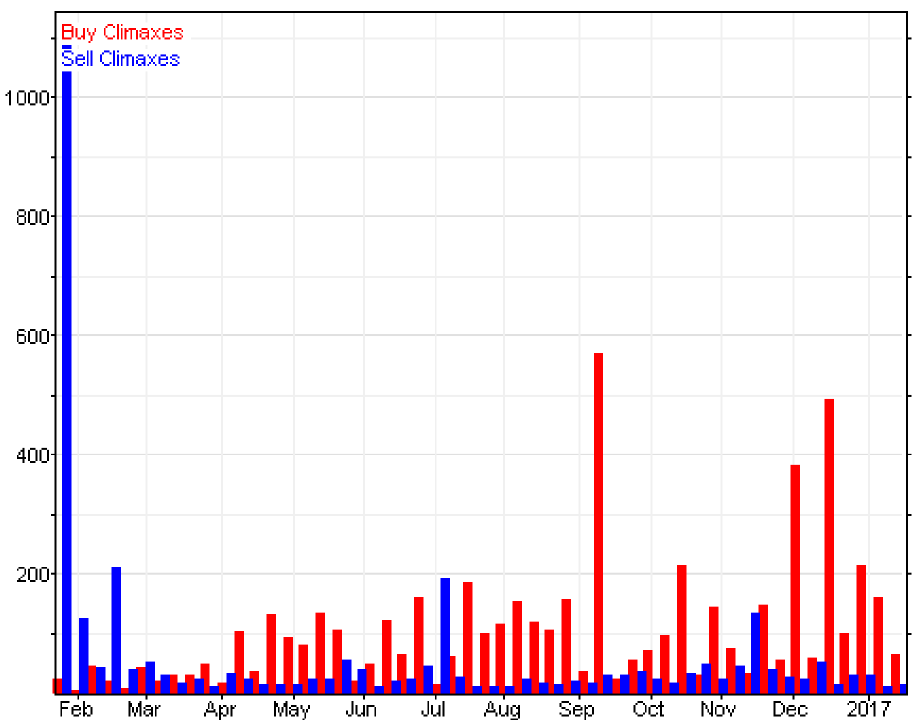


The bull/bear ratio is now in the danger zone at 43.3%. The smart money/dumb money confidence gauge, a proprietary indicator published by sentimentrader.com, reinforces our view on sentiment. The current spread is exceedingly high, which is another negative for sentiment in general.

The consumer confidence index measures the confidence level of the general public on the economy based on spending and savings. This tool is not directly linked to the stock market. However, it can be useful for spotting when expectations have become too extreme in positive or negative directions. The current reading of 113 is at its highest in over 15 years. Going back further one can clearly see the elevation of the index in the 1980's and 1990's, recessions occurring at each point thereafter. Extremes typically occur at the beginning or end of a trend. Current expectations are definitely running high!

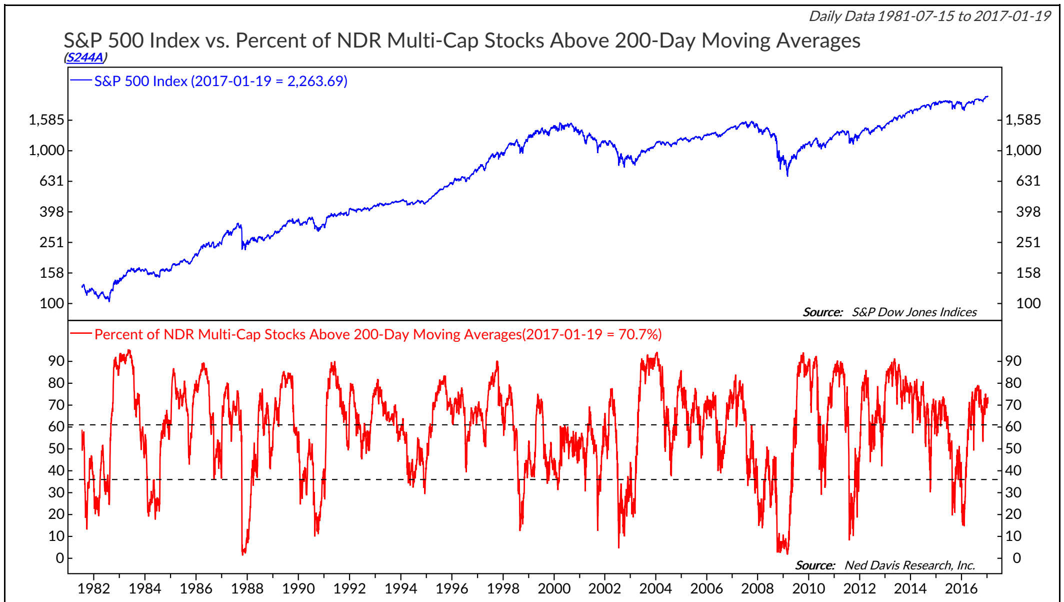


DJIA Performance		
Full History: 1967-02-28 to 2016-12-31		
Consumer Confidence Is	% Gain/ Annum	% of Time
Above 110.0	0.51	21.72
66.0 - 110.0	6.50	61.10
Below 66.0	14.82	17.19
Buy/Hold = 6.54% Gain/Annum		

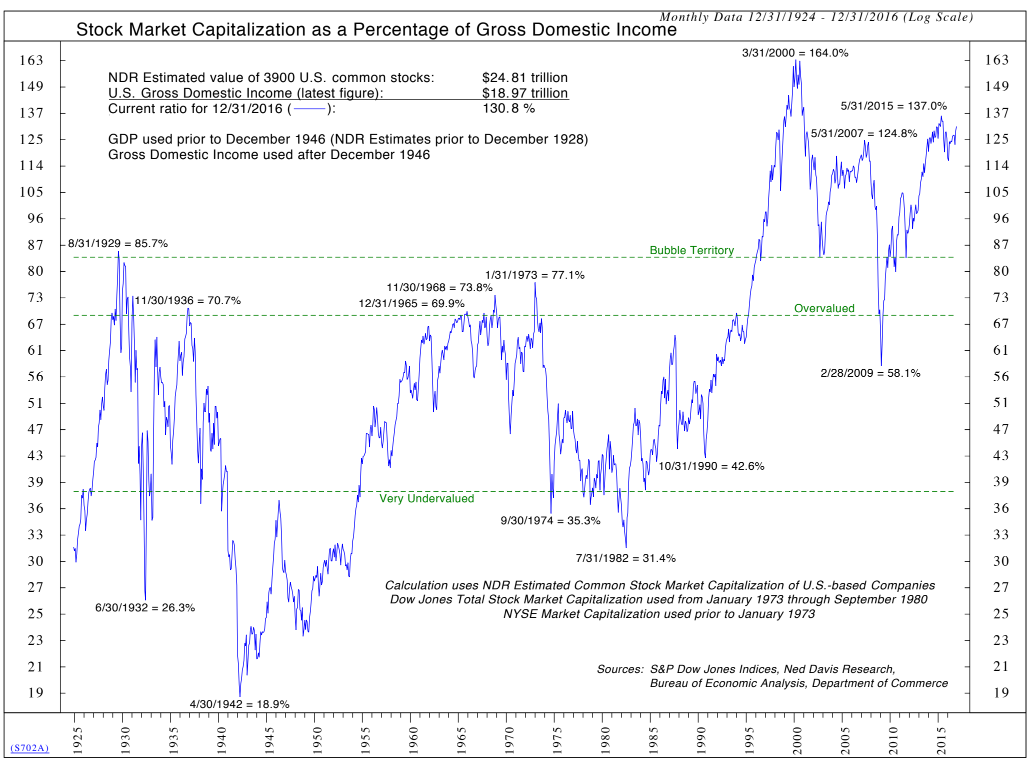


The importance of buying/selling climaxes was addressed in a recent issue of LMTR. This topic is definitely worth revisiting. The year-end acceleration of buying climaxes continues to alarm us. Buying climaxes take place when a stock makes a 12-month high yet closes the week with a loss, signaling negative price action, and is a clear market negative.

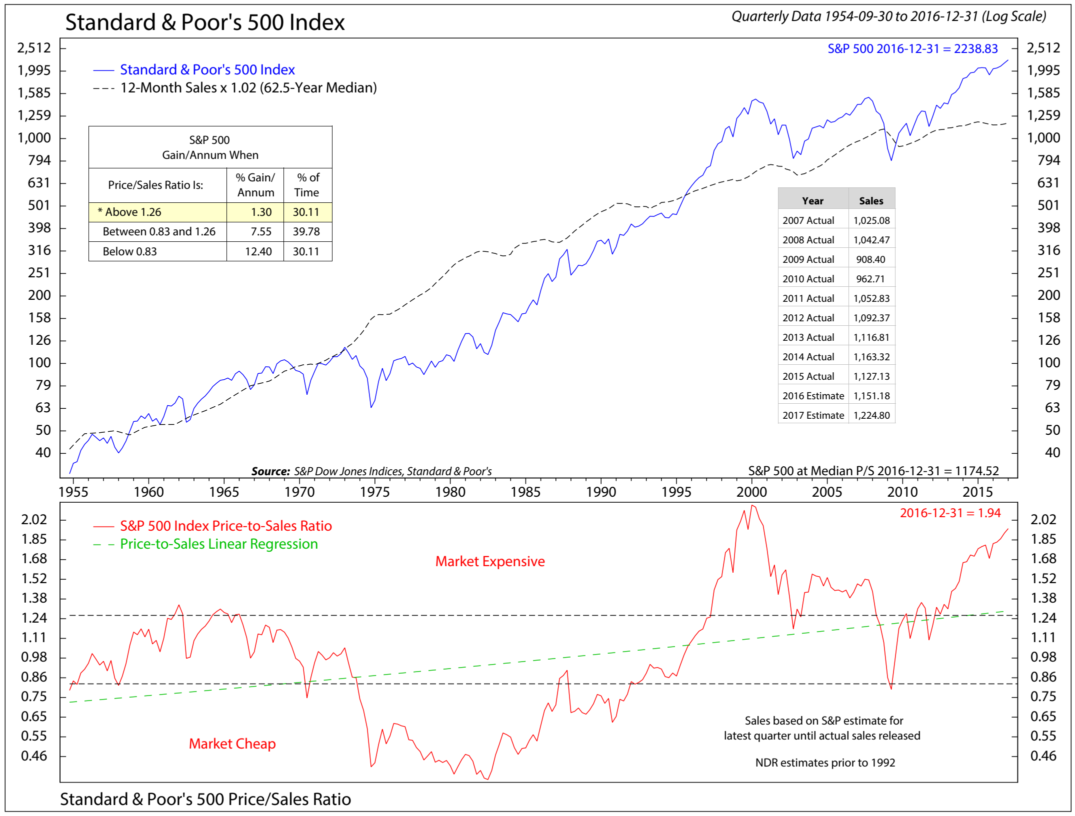
Over the last several years the general market has been characterized by poor breadth. Similar periods of weak breadth also characterized the 1998-2000 and 2005-07 eras. Each of these periods was followed by a bear market.



S&P 500 Index Performance **Full History:** 1981-07-15 to 2017-01-19		
% Above Moving Average is	% Gain/ Annum	% of Time
Above 61.0	11.13	53.48
36.0 - 61.0	5.44	32.19
Below 36.0	4.90	14.33
Buy/Hold = 8.37% Gain/Annum		



Stock market capitalization as a percentage of gross domestic income (GDI) is at its second highest level in 90 years. This highlights the extreme extent of stock market distortion, which can largely be attributed to artificially low interest rates. Because stocks are an unusually large percentage of the economy, a stock market correction would undoubtedly stunt economic growth.



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Unlike earnings, which can be easily "massaged", sales are much more difficult to manipulate. The price-to-sales on the S&P500 is at its second highest in history, rivaled only by the 2000 bubble.

CONCLUSION

The Presidential election has injected a large dose of enthusiasm into an already overvalued market. This is very worrisome. We are at our maximum, which is 50% net short. Real-time LMTR subscribers will be alerted mid-month if this allocation is revised.

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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.

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