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QUICK TAKES:

- ✓ **RUSSELL 2000 on verge of accelerating downward vs. S&P500**
- ✓ **VALUE LINE continues to underperform & breaks down vs. SPX**
- ✓ **NASDAQ 100 Index continues to outperform**

The **RUSSELL 2000 Index** continues to be one of the market's weakest links. Price-wise, the Russell is forming a potential rounding top. Critical support is @1040-1080. Thus far, the bounce has stalled at the 55-day and 10-week moving averages. With key near-term support @1125-1130, a break <1125 would project a test of critical 1080-1040 support. On a "relative" basis, the Russell continues to hemorrhage versus the S&P500 Index. Back to its October 2014 low versus the S&P, my work projects a (5%) relative decline down to December 2009 levels. Viewing the Russell's weakness another way, we have a chart of the S&P versus the Russell. Since hurdling a 13-year downtrend, the S&P is on the verge of hurdling a 6-year base and beginning a major long-term bull market versus the Russell.

The **VALUE LINE Index** treats all of its 1700+ stocks equally: Apple has the same weighting as a $700 million market cap stock. Thus it provides the best insight into how the broad market is performing. Additional evidence confirming that "big is beautiful" and small is being avoided, the unweighted Value Line Index is forming a potentially large 2-year top.

The “cluster closes” on the monthly chart indicate almost unchanged monthly closes. Considering that this is an index of 1700+ stocks, to close practically unchanged for 3 consecutive months is rare. Occurring at a market high, it illustrates an exhaustion of buying pressure (so far) – solidifying resistance. So far, this is unlike anything seen at prior tops going back to 1986 – all of which formed quickly. By contrast the current topping action has encompassed two years. When compared to the S&P500 Index, the Value Line has broken down from a 3-year top.

Meanwhile, the **NASDAQ 100 Index** continues to outperform the S&P by a wide margin.

Since emerging from an 18-month base versus the S&P in July 2014, the NDX’ advance has begun to accelerate. Yet in the face of its leadership role, its advance is not broad-based. Despite having returned to its 52-week high, only 53% of the NASDAQ 100 stocks are trading above their 200-day moving averages. If we eliminated Alphabet, Amazon, Facebook, Microsoft & Starbucks (which accounted the lion’s share of the gains), the NDX’ performance would be considerably weaker. Could the market’s leadership be narrowing just as it did during the “Nifty 50” market of the late-1960’s/early-1970’s? This is what we will have to monitor closely in the months ahead.

RUSSELL 2000 Index – weekly chart

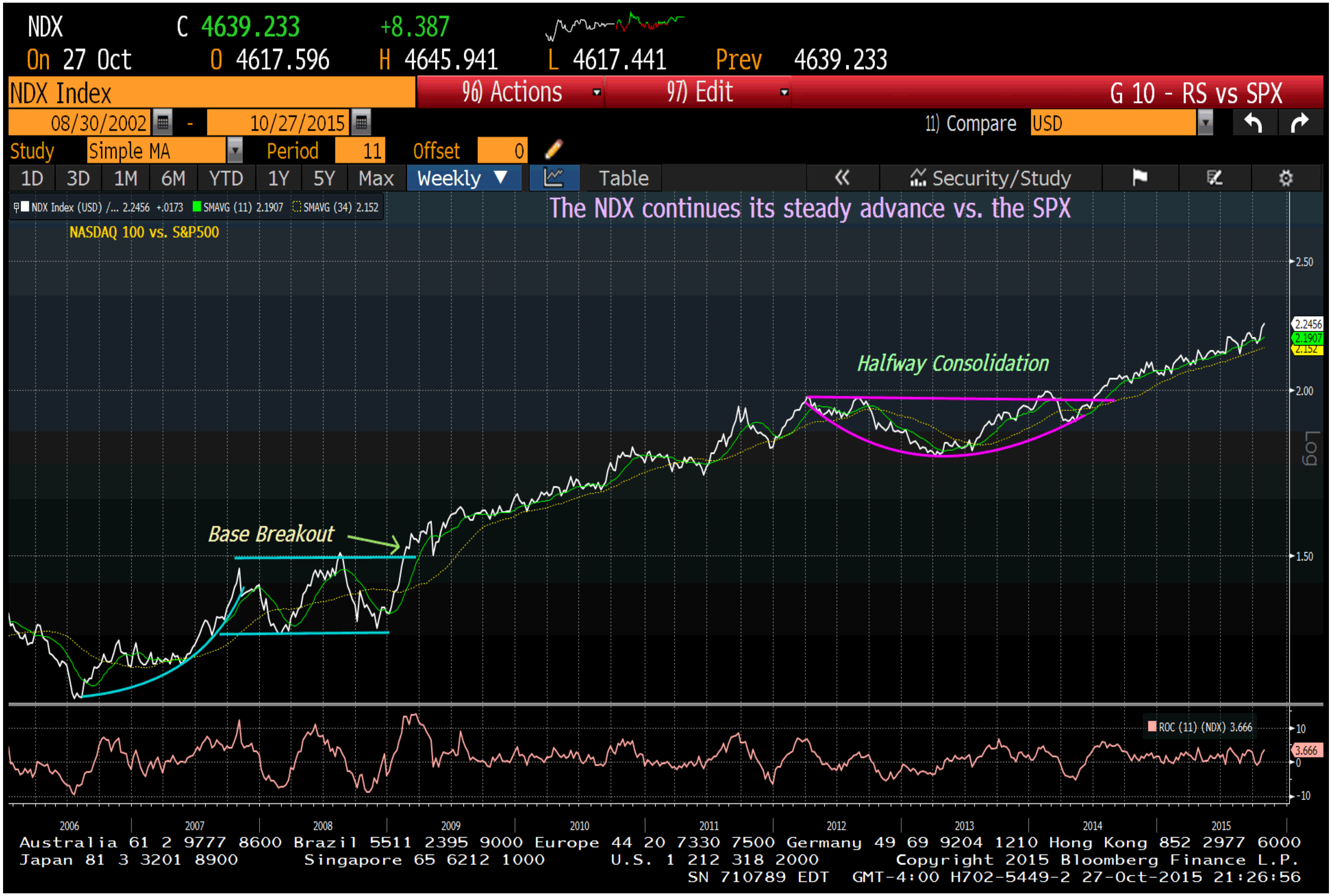
RUSSELL 2000 Index vs. the S&P 500 Index

S&P 500 Index vs. RUSSELL 2000 Index

VALUE LINE Index – monthly chart

VALUE LINE Index vs. S&P 500 Index

NASDAQ 100 Index vs. S&P 500 Index



NASDAQ 100 Index with % of stocks trading >200-day moving averages