Cycle Turn Indicator Direction and Swing Summary
of Select Markets as of the close on
October 17, 2017

<table>
<thead>
<tr>
<th>Market</th>
<th>Daily CTI</th>
<th>Daily Swing</th>
<th>Weekly CTI</th>
<th>Weekly Swing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>Positive</td>
<td>Low</td>
<td>Positive</td>
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<tr>
<td>Transports</td>
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<tr>
<td>NDX</td>
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<tr>
<td>S&amp;P Inverse Fund</td>
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<td>N/A*</td>
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<tr>
<td>CRB Index</td>
<td>Negative</td>
<td>High</td>
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</tr>
<tr>
<td>Gold</td>
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<td>Low</td>
</tr>
<tr>
<td>XAU</td>
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<tr>
<td>Dollar</td>
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<td>Bonds</td>
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<td>Low</td>
</tr>
<tr>
<td>Crude Oil</td>
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<td>Unleaded</td>
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<tr>
<td>Natural Gas</td>
<td>Positive</td>
<td>Low</td>
<td>Negative</td>
<td>High</td>
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</tbody>
</table>

*Since this fund is quoted at the end of the day it is impossible for the concept of swing highs and lows to apply on a daily level. The primary interests here are the weekly developments. The daily is representative of the short-term and the weekly is representative of the intermediate-term.
Short-term Updates

Note on the Cycle Turn Indicator

The most important indicator we have is the Cycle Turn Indicator and the most important timeframe, at least in my mind, is the intermediate-term. This indicator has proven itself time and time again. In reality, this is all we really need to know. Everything else is secondary. That being said, please be sure to monitor the "Cycle Turn Indicator Direction and Swing Summary" above. Red indicates that a swing high and down turn of the Cycle Turn Indicator has occurred and lower prices should follow. The only exception here is that on the daily stock market signals we also want to see both the slow cycle Turn Indicator and the New High/New Low Differential in agreement with the original Cycle Turn Indicator, which is what is covered in this summary above. Yellow, is cautionary meaning that the Cycle Turn Indicator and the swing are not in agreement, which is typically indicative of a trend change. Green, means that a swing low has occurred and that the Cycle Turn Indicator is positive, which should be followed by higher prices. Again, the only exception here is the daily stock market signals in that we want to see both the slow Cycle Turn Indicator and the New High/New Low Differential in agreement with the original Cycle Turn Indicator, which is what is covered in this summary above. For everything else, all that matters is the formation of a swing and the direction of the Cycle Turn Indicator.

All subscribers who do not understand cyclical translation should click here "Notes for New Subscribers." It is important that you read and understand the content found in both of the PDF files that you will find at this link.
October 17, 2017

Stocks

<table>
<thead>
<tr>
<th>End of Week Weekly Indicator Summary</th>
<th>Daily Indicator Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediate-Term Buy/Neutral</td>
<td>Short-Term Buy/Neutral</td>
</tr>
</tbody>
</table>

**Primary Indicators**
- Formation of a Weekly Swing High: Bullish
- Cycle Turn Indicator (CTI): Bullish
- CTI on Rydex Tempest Fund *: Bearish

**Confirming Indicators**
- Trend Indicator (TI): Bullish
- Advance/Decline Issues Diff: Bearish
- New High New Low Diff: Bullish

**Secondary Indicators**
- 5 3 3 Stochastic: Bullish
- Cycle Momentum Indicator: Bullish

**Primary Indicators**
- Formation of a Daily Swing Low: Bullish
- Cycle Turn Indicator (CTI): Bullish
- Slow Cycle Turn Indicator (CTI): Bullish

**Confirming Indicators**
- New High/New Low Differential: Bearish

**Secondary Short Term Indicators**
- 5 3 3 Stochastic: Bullish
- Cycle Momentum Indicator: Bearish
- Trading Cycle Oscillator: Bullish
- Momentum Indicator: Bullish
- Ratio Adjusted McClellan Oscillator Crossover: Bearish
- Accumulation/Distribution Index: Bullish

The XAU retriggered another short-term sell signal on Monday in association with what appears to be a failed rally out of the October 11th daily swing low and retest of the trading cycle top. Gold and Silver retriggered short-term sell signals on Tuesday as did the CRB. Crude Oil completed the formation of a daily swing high on Tuesday, but we need to see further weakness in order to turn the daily CTI down in association with the triggering of another short-term sell signal. The anticipated trading cycle low in the dollar appears to be in place and so far it continues to look as if the October 6th low marked the trading cycle low on Bonds. We have a short-term sell signal on the Transports and the price action this week has also set a weekly swing high into motion. Short-term, this trading cycle advance is beyond stretched and we should be at or near the trading cycle top. In fact, the decline into the trading cycle low is past due. I also continue to think that the overall topping process is underway in that commodities are not confirming this advance. Also the XAL continues to warn and the Tel Aviv continues to be suggestive of the 4-year cycle top. But, in the case of the Industrials and most major US...
equity averages, we just aren’t there yet. The statistics suggest that we should see a Dow Theory non-confirmation and an intermediate-term AD line non-confirmation in conjunction with the 4-year cycle top. Therefore, in the absence of those two developments, there is simply no indication that the higher degree topping process is complete.

The first chart below shows our distribution indicator. The red intermediate-term Advancing issues line is tied to the intermediate-term cycle, which is still trying to turn back down, but we have still not yet seen enough weakness to turn the green and black lines back down, which is also another indication to me that while we should be at the trading cycle top, the overall topping process is not yet complete.
The Trading Cycle Oscillator in the upper window has turned back up above its trigger line as the overall divergence into the trading cycle top continues to grow. The Momentum indicator has also turned back up as well. The 5 3 3 stochastic in the middle window has also turned back up. The overall behavior of these indicators continues to be suggestive of the trading cycle top, but until we see a short-term sell signal we cannot say that this top is in place. The Trend Indicator remains positive. The first of our Primary Short-Term Indicators is the New High New Low Differential, plotted with price, which has turned back down.
The Three Primary Short-Term Indicators are the **Original** and the **Slow** Cycle Turn Indicators, both plotted below, and the NYSE New High/New Low Differential, plotted with price above. Conditions remain extremely ripe for the trading cycle top. But, until we see the completion of a daily swing high that is confirmed by a downturn of ALL Three of the Primary Short-Term Indicators, a short-term sell signal will not be triggered. A daily swing high will be completed on Wednesday if 23,002.20 is not bettered and 22,948.23 is violated.
Both the Intermediate Term Breadth Momentum Oscillator and the Intermediate Term Volume Momentum Oscillator remain below their trigger lines. As a result, this continues to be indicative of the pending trading cycle top.
The McClellan Oscillator and Summation Indexes are also used to measure the intermediate-term internals. The Ratio Adjusted McClellan Oscillator in the upper window is shorter-term in nature and is therefore used to help identify the shorter-term tops and bottoms, but it is also useful in identifying intermediate-term cycle tops and bottoms.

The McClellan Volume Summation Index remains the weakest, but the McClellan Summation Index has finally turned slightly negative. The Ratio Adjusted McClellan Oscillator has again turned down after a kiss of the trigger line I’ve added. Once a short-term sell signal is triggered, we should have the trading cycle top in place.
Next is the Smoothed McClellan Oscillator, which remains below its trigger line. Here too, this continues to make for an increasingly mature oscillator picture and is suggestive of the trading cycle top.
The short-term Accumulation/Distribution Index has ticked ever so slightly up.

In Summary: There is no change in that the price advance and short-term buy signal remains intact as the trading cycle advance continues to stretch into an increasingly right-translated trading cycle on the back of an increasingly mature oscillator picture. Nonetheless, we must see the completion of a daily swing high and downturn of ALL Three of the Primary Short-Term Indicators in order to trigger a short-term sell signal. Once this happens, we should have confirmation of the trading cycle top. Also, as I have been saying here, based on current evidence, while we should be nearing a trading cycle top, I do not think that the overall topping process is complete with regard to the higher degree top.
Bigger Picture: There is no change in that the evidence continues to be indicative of a major top in the making. As discussed in the September research letter, the current market behavior continues to be extremely similar to the Babson chart. This has been a little slow to develop, but as I have said all summer, I think that commodities are key and that we were dealing with either a 1927 or a 1929 scenario. At this point, the evidence still favors the 1929 scenario with this being similar to the blow off move into that top. I have again included the monthly chart of the XAL vs the DJIA. It has been a while since we looked at this chart, so I thought I would include it. While the XAL has also rallied out of its August intermediate-term cycle low, there has been no change in that the structure here is still warning of what appears to be a higher degree top in the making. That said, knowing that the XAL has front run other 4-year cycle tops, this in turn remains a warning to the broader market. But, we aren’t there yet!
The timing band for the trading cycle low ran between September 1st and September 15th. But, in light of last week’s price action and the accompanying oscillator picture, the evidence continues to be suggestive of the October 6th daily swing low having marked a trading cycle low. We will evaluate this further as we move into the approaching timing band, which is based on the September 21st phasing. Regardless of the phasing of the trading cycle, based on our higher degree expectation, and the intermediate-term sell signal that is also in place, the expectation has been for the bounce out of the October 6th low to be a counter-trend failure. The advance out of the October 6th low had carried price to overbought levels, per the 5 3 3 stochastic, and in light of the completion of a daily swing high on Tuesday, and the accompanying downturn of the daily CTI, plotted with price, a short-term sell signal was triggered. As a result, we can only assume that the advance out of the October 6th low has now failed. If so, we should soon see a violation of the October 6th low as the higher degree intermediate-term and seasonal cycle lows press lower. Another daily swing low will be completed on Wednesday if 1,283.20 holds and if 1,298.40 is bettered.
I have next included a chart of silver, which has also triggered a short-term sell signal in association with what should also be a failed bounce out of the October 6th trading cycle low.
Next is a daily chart of the XAU. In this case the trading cycle low was seen on October 2nd and we knew that the XAU should be at or near a top. On Monday the XAU completed the formation of a daily swing high, per the parameters given in the weekend update. With that daily swing high being confirmed by a downturn of the daily CTI, a short-term sell signal was triggered in association with what appears to be a failed retest of the October 10th trading cycle top. Price did reverse off of the lows on Tuesday, but we have a weekly swing high in place and until proven otherwise, the assumption has to be that we should ideally have the trading cycle top in place, which leaves the XAU positioned for lower prices. Another daily swing low will be completed on Wednesday if 84.78 holds and if 85.88 is bettered. Should this happen, it should be another counter-trend advance.
Next is a daily chart of the CRB, which also completed the formation of a daily swing high that was confirmed by a downturn of the daily CTI. As a result, we also have another short-term sell signal here as well. The expectation is that the advance out of the October 2nd low should prove to be an ending move into the intermediate-term cycle top, but we now need to see the completion of a weekly swing high and downturn of the weekly CTI in order to retrigger a higher degree intermediate-term sell signal. If this happens, and the expectation is that it should, then once that sell signal is in place the entire commodity complex will be positioned to move lower in conjunction with the higher degree cycle low, which is ideally due later this year or early next.
The timing band for the trading cycle low runs between October 4th and October 18th. We knew that the oscillator picture was ripe for this low and we knew that with price nearing the end of the timing band that the trading cycle low was close at hand. In the weekend update I said that once a daily swing low was formed and confirmed by an upturn of the daily CTI a short-term buy signal would be triggered and that the trading cycle low should then be in place. On Monday we saw the marginal completion of a daily swing low and on Tuesday the daily CTI, plotted with price, turned up triggering a short-term buy signal. As a result, this trading cycle low should be in place. If we have in fact seen the clustering of lows that we should have seen, higher prices should now follow. The next level of structural confirmation with regard the the higher degree advancing cycles will be the completion of another weekly swing low and a bettering of the October 6th trading cycle top. The test of the dollar should now be underway.

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The timing band for the trading cycle low runs between October 12th and November 2nd. But, there is no change in that the evidence continues to point toward the October 6th low having marked the trading and intermediate-term cycle low. As long as the October 6th low holds then I have to continue to give bonds the benefit of the doubt. In the event the October 6th low doesn’t hold, then we will examine the evidence at that time, but any such move should prove to be an additional push down within the normal timing band, which should then mark the trading cycle low. For now, we still have a short-term buy signal and until proven otherwise, the assumption will continue to be that the trading cycle low has probably been seen. A right-translated trading cycle advance will be the next level of confirmation with regard to the intermediate-term cycle low.
Crude Oil

The expectation continues to be that the advance out of the October 6th low will prove to be a counter-trend advance/retest of the September high and that price should be at or near the intermediate-term and seasonal cycle top. The price action on Tuesday completed the formation of a daily swing high, but with the daily CTI still positive, the previously triggered short-term buy signal remains intact. Once a daily swing high is formed AND confirmed by a downturn of the daily CTI, the trading cycle top should be in place. If this trading cycle advance peaks prior to a bettering of the September high, then we will have a structural failure of a trading cycle, which will serve as further evidence with regard to the anticipated intermediate-term cycle top. Then, once a weekly swing high is in place crude oil will be poised to move down out of the intermediate-term cycle top. A violation of the October 6th trading cycle low should then pretty much seal the deal. In the meantime, this short-term buy signal will stand until both a daily swing high and downturn of the daily CTI is seen. A daily swing low will be completed on Wednesday if 51.21 holds and if 52.25 is bettered.