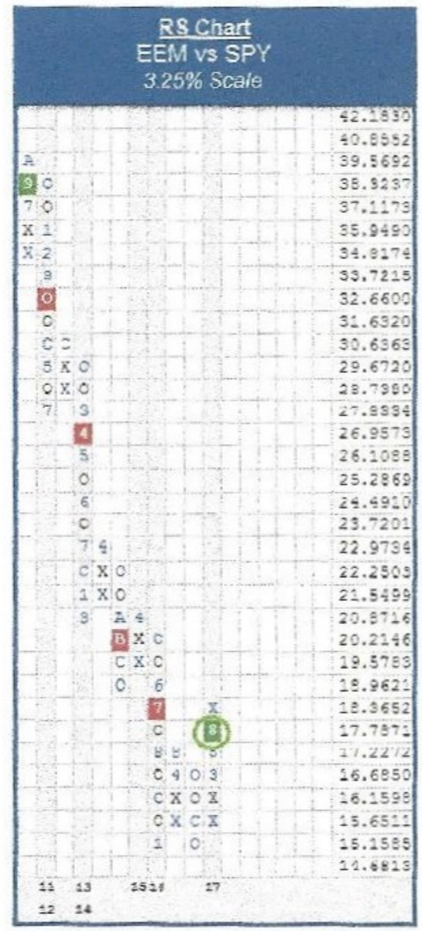
While the month of January marks the official start to each year, sometimes the month of September gives us the feeling of starting anew. In Richmond, Virginia (home to Dorsey Wright), the Tuesday after Labor Day heralds the official start of the new school year, and nationwide, with summer vacations behind us, we are all getting back to work. Similar to a New Year's Day, this first month of fall gives us the opportunity to take stock of where we are, add some new projects to our "to do list," and refocus on our work to finish the year strong. With that in mind, today we want to send you a quick evaluation of where we stand from a technical perspective.

In early August, we witnessed a key relative strength relationship change for the first time in nearly six years. The relative strength chart of the iShares Emerging Markets ETF (EEM) vs the SPDR S&P 500 ETF Trust (SPY) gave a buy signal on August 7th and now favors Emerging Markets over US Equities for the first time in six years! This change serves as further evidence for increasing or maintaining International, specifically Emerging Market, exposure within your portfolio allocation. Stay tuned and continue to be proactive in developing a game plan to increase your International exposure if we see International Equities overtake Domestic Equities in DALI. At this time, the gap between US Equities and International Equities has narrowed to just 27 signals. China and Latin America are currently the highest scoring International groups that we track, followed by Russia, India, and broad Emerging Markets.




While U.S. Equities continues to hold on to the top spot in DALI, August was a bit of a cooling off period for the asset class. Our primary participation indicator for the U.S. Equity markets is the NYSE Bullish Percent, a chart that tracks the percent of stocks listed on the NYSE that are trading on Point & Figure buy signals. The Bullish Percent for the NYSE stock universe and broader Bullish Percent for the Optionable universe are both currently in Os. Just last month, we witnessed virtually every other major US market BP give a similar reversal, telling us that an increasing number of stocks are giving sell signals. While US Equities remains the number one ranked asset class in DALI, the weakness in the Bullish Percent indicators suggest a lack of broad participation, especially among the smaller cap and value stocks. After all, the S&P 500 Index (SPX) is up 10% (thru 8/31), while the S&P 500 Growth ETF (RPG) is up 17% versus just a 3.5% gain for the S&P 500 Value ETF (RPV). With that said, appropriate actions for such a market environment include buying strong stocks/sectors on pullbacks, selling laggards and weak RS names, using trendline stops or setting stops at violations of material support, and using protective puts to hedge.


Drilling down to the U.S. sectors, we continue to see steady leadership from Technology, as the sector was able to gather four more buy signals in DALI throughout the month of August. Another sector to keep an eye on is the Basic Materials sector. Basic Materials has improved significantly over the past month and now ranks 5th in the DALI broad sector rankings, a level not seen by this sector since 2011. This improvement is also echoed in the Basic Materials asset class group score. Typically, we like to see a fund score in excess of 4 before buying a fund. Currently, the average Basic Materials fund is scoring an impressive 4.55 out of a possible 6 (as of 09/11/17). Precious Metals and Utilities are the 1st and 3rd most improved sectors as defined by score direction on our Asset Class Group Scores page. Precious Metals' increase, driven by the improvement in Gold, has brought the group closer to the acceptable 3 score line, while Utilities currently scores 4.14, which is the highest the group's score has been in roughly a year.

Lastly, interest rates reversed course, once again, in August and now find themselves back in a negative trend. The 10 Year Yield Index (TNX) fell nearly -7.50% in August and is now back close to the 2% mark, which is the lowest 10 year rates have been since last November, following the US Presidential election. The net result of this is that the bond portion of portfolios helped smooth out the equity market volatility in the month of August. As an asset class, Fixed Income ranks number three out of the six asset classes in DALI, and the most recent action has caused a number of positive trend changes among the Fixed Income ETF universe.