MONTHLY COMMENTARY

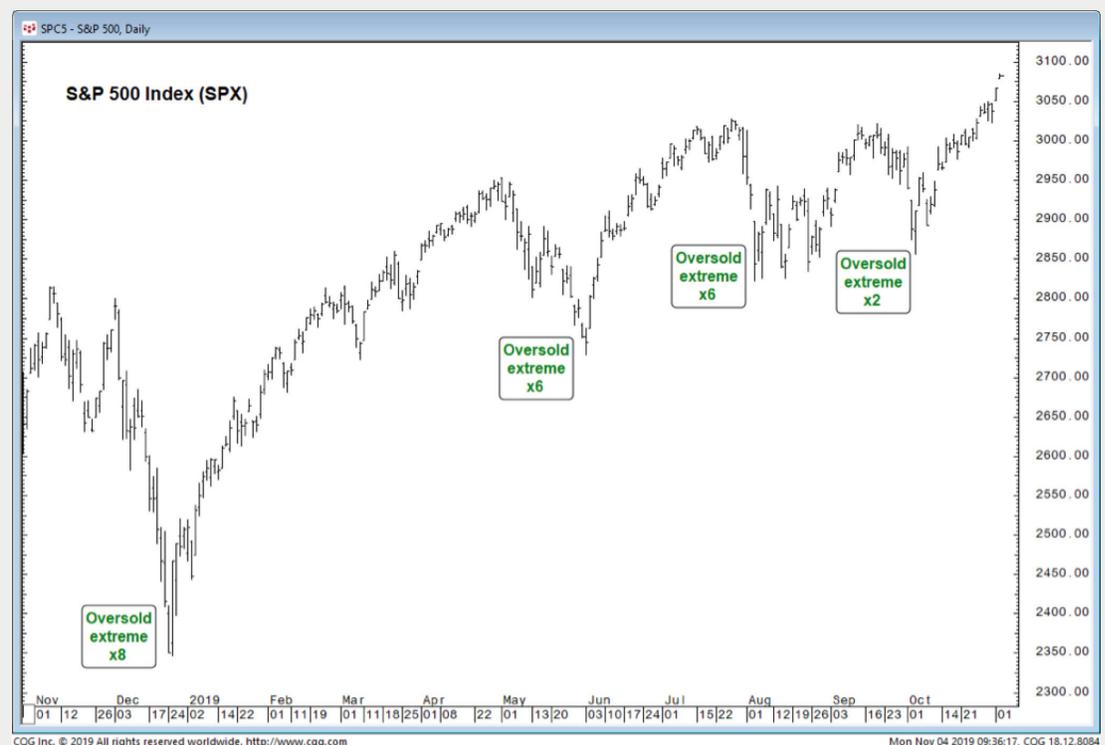**LUXON FINANCIAL**

NOVEMBER 2019

November 6—Readers of our monthly commentary will recall three instances over the last twelve months when we indicated equity markets had reached oversold extremes as measured by our sentiment and market breadth internals.

We utilize sixteen daily measurements. These readings become very meaningful when five or more signal either extremely oversold or overbought conditions. Oversold extremes have been quite powerful, as they usually are in the context of bull markets, as illustrated by the accompanying chart.

As equity markets break out to new highs, we will be on watch for inverse extremes developing on the overbought side. We are particularly attentive to equity market indices led by a small number of companies, seen as a negative market breadth divergence. This pattern is a classic storm cloud developing before the storm. There is no evidence of a current "storm cloud".

NUMBER OF OVERSOLD INTERNAL MEASUREMENTS AT EXTREMES ILLUSTRATED IN GREEN (LAST 12 MONTHS)

Source: http://www.cqg.com; Fairlead Strategies