Bear-o-meter, and the great mystery buyer

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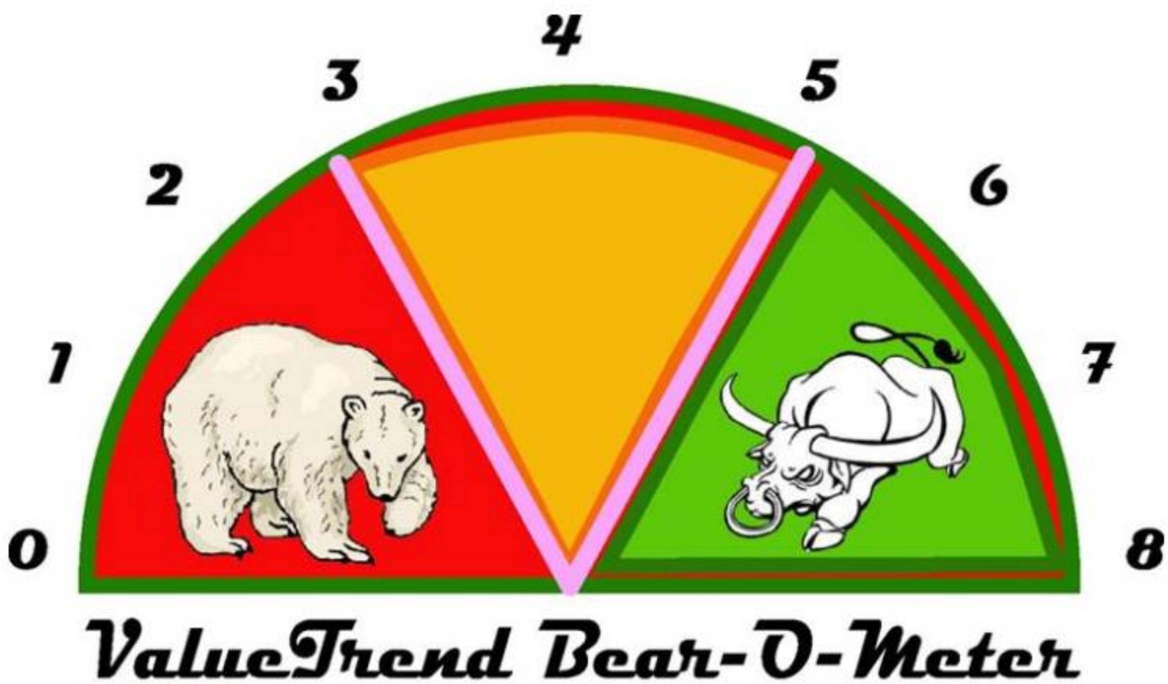
I did a Bear-o-meter reading on Friday. You can search my past blogs to get more information on how this compilation works. Basically, it's a compilation of many indicators that track trend, cumulative breadth, sentiment, seasonality, value, and breadth/momentum. As always, I do like to stress that the Bear-o-meter is not a precision market timing tool. It merely reads the relative ratio of risk vs. reward. A low reading (high risk) doesn't imply markets cannot rise. Indeed, the markets DID rise after last month's very low reading of "1".

So, it isn't fail-proof (what is?). Having said that, it alerted us to become more cautious prior to major corrections in the past—most recently alerting us to the volatility over 2018. So, I tend to pay attention to its signals despite the fact that it's not going to be a perfect indicator. As I said…what is?



Before getting to the current reading, I thought it would be interesting to recap a report from sentimentrader.com. Jason Goepfert illustrates to his subscribers (which ValueTrend has been for many years) that the normal market movers have not been particularly involved in the rally since the late December lows. Specifically, large speculators, small speculators, hedge funds, and equity funds (including ETF's) are NOT getting strong inflows or experiencing strong trading volumes. This is counter to historical norms. In his research, Mr. Goepfert effectively asks…who's the buyer of this rally? It's a mystery…

Anyhow, the Bear-o-meter has moved from a bearish "1" [in February](#)to a neutral "4" as of last Friday March 1st. A reading of 4 doesn't give us any edge for evaluating the potential balance between risk and return. The way I look at it is the reading tells us to pick our stocks carefully, stay mostly invested in the market, while holding a bit of cash on the sidelines. We've been pretty heavy in cash (averaging 30% for the past month) and while that has not hurt us, it didn't help us keep up with the Jones either. As I noted in a prior blog…I hate losing my own or my clients money. My families wealth (beyond some properties) is held in the ValueTrend models…so I remain in the same boat as my clients.

The recent changes to the Bear-o-meter from February to Friday include:

Positive: A higher reading on the cumulative A/D (breadth) line

Positive: A move above the 200 day SMA and the 50 day SMA (long and short term trend indicators)

Negative: Smart/dumb money spread has moved to more confidence by dumb money

Negative: The Dow industrials are at their last peak of 25,900 vs. the transports, which are still below their last peak of 11,000

All in, our recent moves have been to move into stocks and sectors that were trending negatively last year, and are basing and / or breaking out currently. I've noted these moves on my recent BNN Top Picks. We are focusing on commodities (directly held vis ETF's, along with producers), Emerging Markets, select European country ETF's and generally oversold stocks with the base/breakout formation noted above.

Below is a photo from the Capital Markets talk given to Ryerson students. The talk featured Jason Donville, Ryan Bushell and myself – where we all presented our own way of managing client wealth, along with some thoughts for students hoping to get into the industry. It was a great night, and Aleks Bozic (who organized the event) did a bang-up job.

Happy hunting out there!

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