Bear-o-meter back to neutral

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Before getting started, I wanted to note that we are publishing a newsletter update today. This is a version of the client newsletter we do. Sometimes the newsletter mirrors this blog, but sometimes it presents differing thoughts. Today's newsletter is one of those differing messages. It outlines our in-house strategy for the coming weeks. I encourage you to subscribe if you don't already. If you jump on subscribing today, we'll make sure you get todays update. Hit the subscribe button on the right side of the page. And BTW, you probably recognize from reading this blog that our style is not to aggressively solicit and propagate our services. So rest assured our newsletter is published in a similar manner.

OK, on with the show.

Last month, I did two readings of the Bear-o-meter. One reading was on March 2nd when the SPX sat at 3000, then a second reading was done on March 12 when the SPX sat at 2480. Both readings came in at a "screamingly bullish" level of 7/8. For those new to this blog, the higher the reading, the better the potential risk/reward for the markets. The lower the rating, the worse the risk/reward payoff.

Contrast the March readings to the February 11th reading of 3/8, where I noted that the market was a "bit risky". The SPX was just a few points off of its high at 3357. Clearly, the Bear-o-meter understated the risk at that time, but at least it was contrarian to the average investors bullish view of "up forever". We reacted to the low rating by going 15% cash. Not enough in hindsight, but that "3" rating didn't justify holding more than 15% cash.

Both the February and March readings were pretty good signals. Markets fell after the February bearish signal, and climbed after the second (not the first) bullish March signal.

So where are we now? Well, as you might have guessed by the title of today's blog, we're back to a completely neutral risk/reward rating. It's just come in at 4/8. Normally, that level indicates one should just stay the course and hold no more than 15% cash.

Nonetheless, we have moved from 15% cash to about 23% cash at this time. We anticipate moving closer to 30% cash in our Equity Platform in the next week or so, as we sell out of oil. We got caught in that nasty selloff with a 7% position, and view the current OPEC talks as an exit window. We also view the recent rally as a potential head-fake–please see our newsletter today for more on that thought.

So, where did the 3 positive points bringing the compilation down from "7" to "4" come from?

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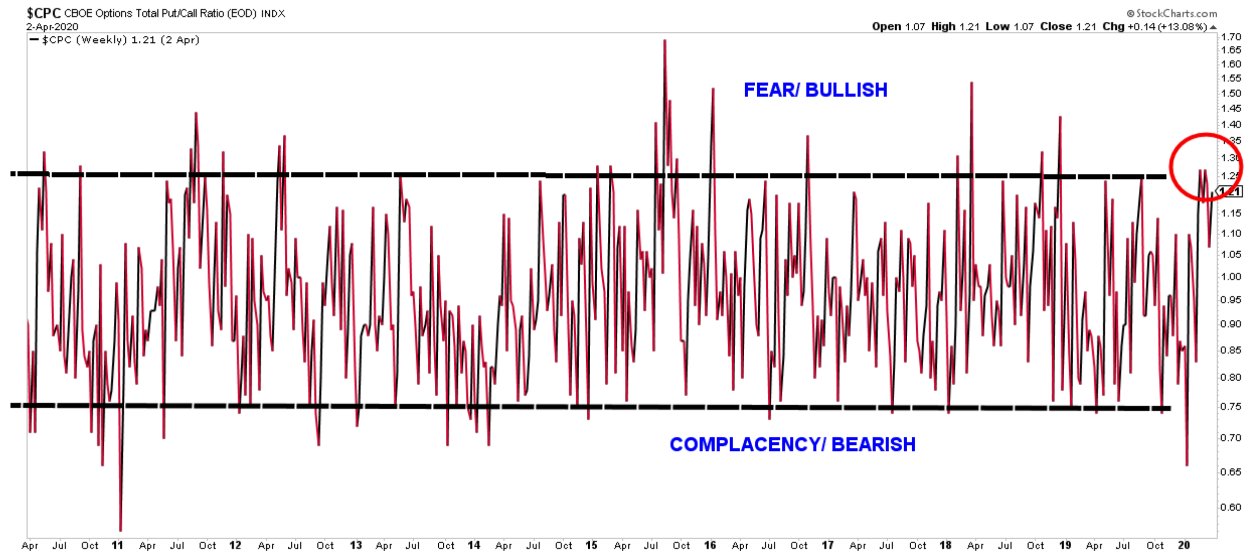
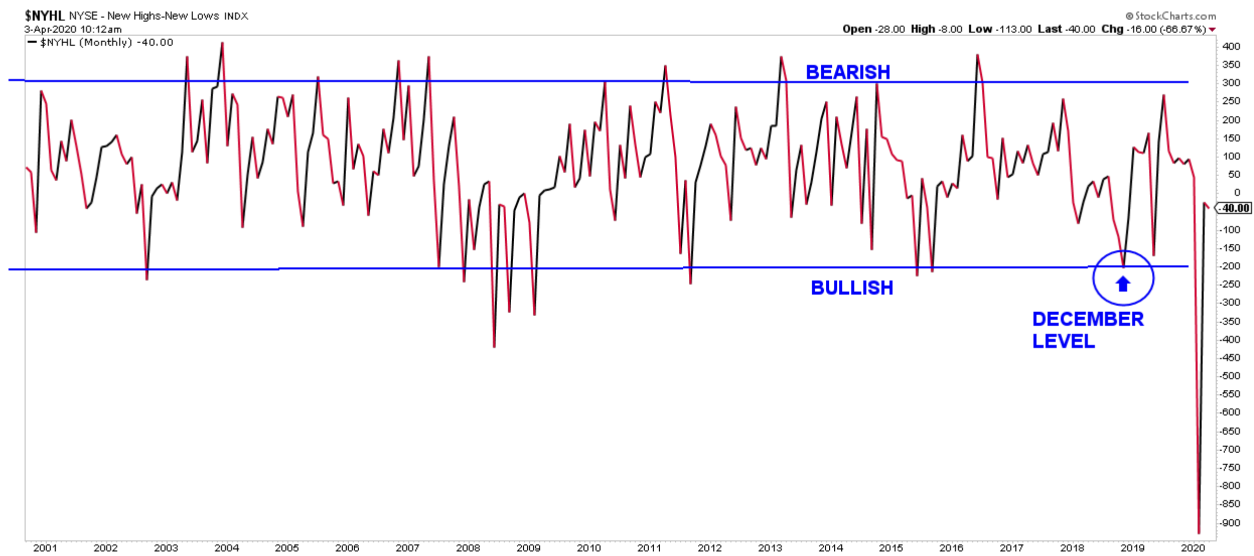
First, the cumulative A/D line has moved below its own 200 day SMA (simple moving average). That's a point against it.

Next, the Put/Call ratio, while still high, is officially below my "bullish" zone of 1.25. It sits at 1.21.. That subtracted a point.



Finally, the New High/New Low for the NYSE has returned to neutral from a shocking level last month. That subtracted a point.



So, there you have it. No edge on this reading, at least from the factors that comprise the Bear-o-meter.

Stay safe!

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