Bear-o-meter quick update

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This is going to be a quick n' dirty blog – hopefully it helps. Before getting to the meat of it – for those who don't already, please consider subscribing to our newsletter. True, sometimes we repeat content form this blog on it, but other times like today, we spit out some new thoughts on markets. The newsletter is an abbreviated version of what our clients get–the only exception being that it eliminates specific stock updates from our holdings.

Anyhow– a reader asked me to update the Bear-o-meter. Today seems like just the day to do it. I can't post all of the data or charts, but its pretty amazing to see the extent of fear and panic in the markets at this juncture. I'll highlight what's happened.

Ok, to start, the Bear-o-meter still sits at 7/8, just as it was 2 weeks ago. I expected an 8/8, but the compilation does need the SPX over the 200 day SMA in conjunction with oversold levels to justify that high score. Clearly, that's not the case right now!

What's really interesting is the extent of the bearish sentiment. Recall that the indicators I use are often contrarian. Not so much with breadth or trend, but things like put/call, Smart/Dumb money confidence, and breadth momentum. And boy, are these indicators buried deeply in capitulation readings.

Just a few highlights:

VIX was 69 this morning. Anything over 35 is considered bullish (too much fear). We very briefly saw 90 right at the bottom of the bottom in March 2009. That was a very brief capitulation spike marking the day of the turnaround. We could wash out to that level in no time at all, but its now a longer shot to see too much more downside.

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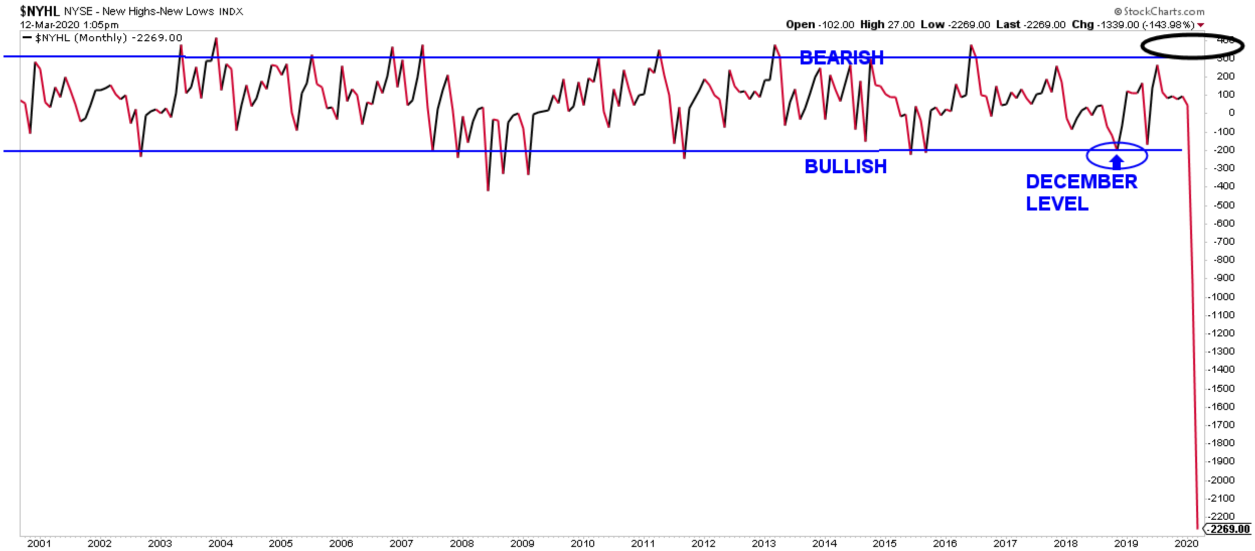
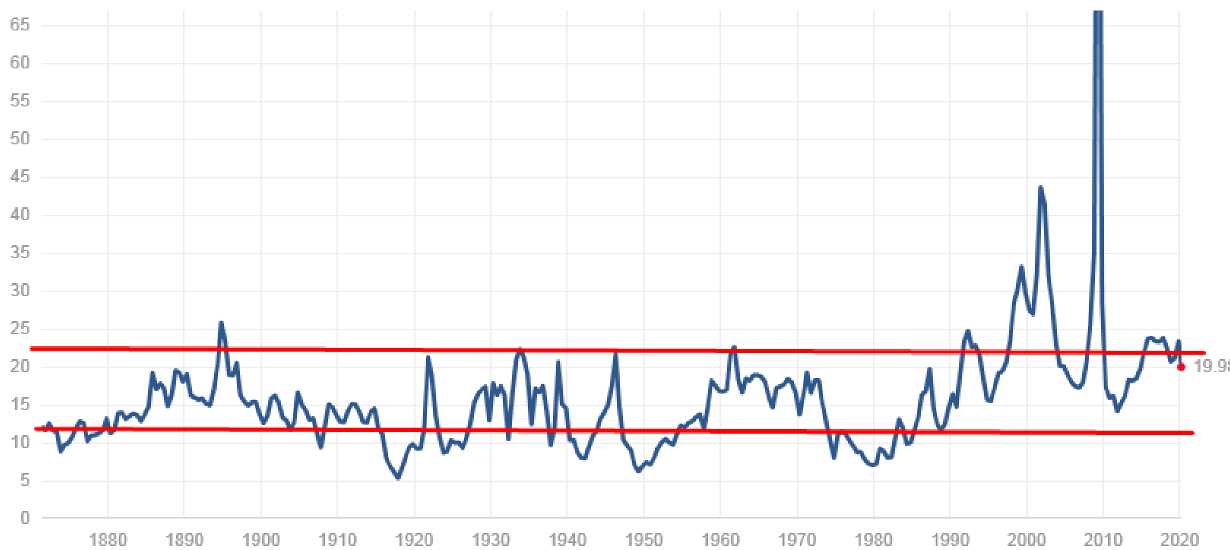
The % of stocks on the SPX over their 50 day SMA is now only 3.4%. That is as low as I've seen it. And its a sign of an oversold market – to put it mildly.

The biggest standout was the NYSE New High/ New low indicator. Brace yourself. Its showing 22 times more stocks have made new lows vs new highs on the entire market. My historic research suggests anywhere over twice as many new lows is an oversold buy signal.



SPX trailing PE ratio is finally "normal" at around 20. Its been well over 23 for too many years. The market is subject to earnings falling in this mess, but there's some room for that in the current PE and still be considered a fair valuation.



Conclusion

We're seeing more signs of outright capitulation. These conditions don't last. I cant call today or any other day as "the bottom". But I can tell you that we're damn well getting there!

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