

Bear-o-meter reads a bit bearish

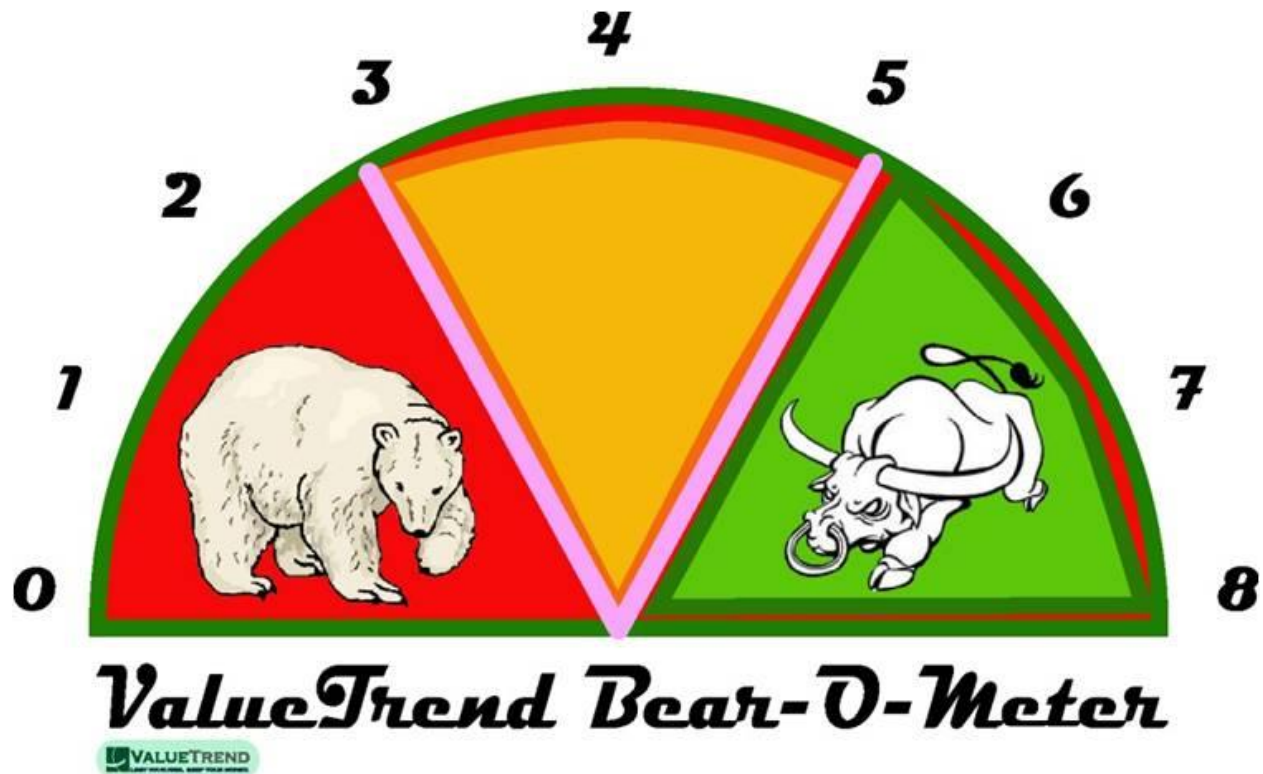
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I try to read the Bear-o-meter once a month – near the beginning of each month. The Bear-o-meter is a risk/ reward indicator. It's a compilation of indicators falling under general classifications of Breadth, Value, Trend, Breadth-momentum, Sentiment and Seasonality. The Bear-o-meter assigns risk on a scale of 0-8. A reading of 3 or under is generally a higher risk market. A reading of 3-5 is about “average” for a risk/reward tradeoff. Anything 5+ is considered lower than average risk.

The Bear-o-meter has been holding steady at “neutral” risk/reward since the beginning of November. As noted on the drawing below, a reading of “3” is borderline between “risky” and “neutral”. And that's where we are right now. Goldilocks might call a “4” reading as not too hot, not too cold. That's what we had [last month](#). The fact that the market rebounded so quickly after the virus scare suggests that the neutral environment was warranted. Things have changed a bit. A “3”, such as we have now, is getting just a bit cold. This might suggest that any more bad news would push the markets off the cliff. But that's nothing we can predict. So, I'm neutral, yet holding a wee bit (10%) of cash, just in case.

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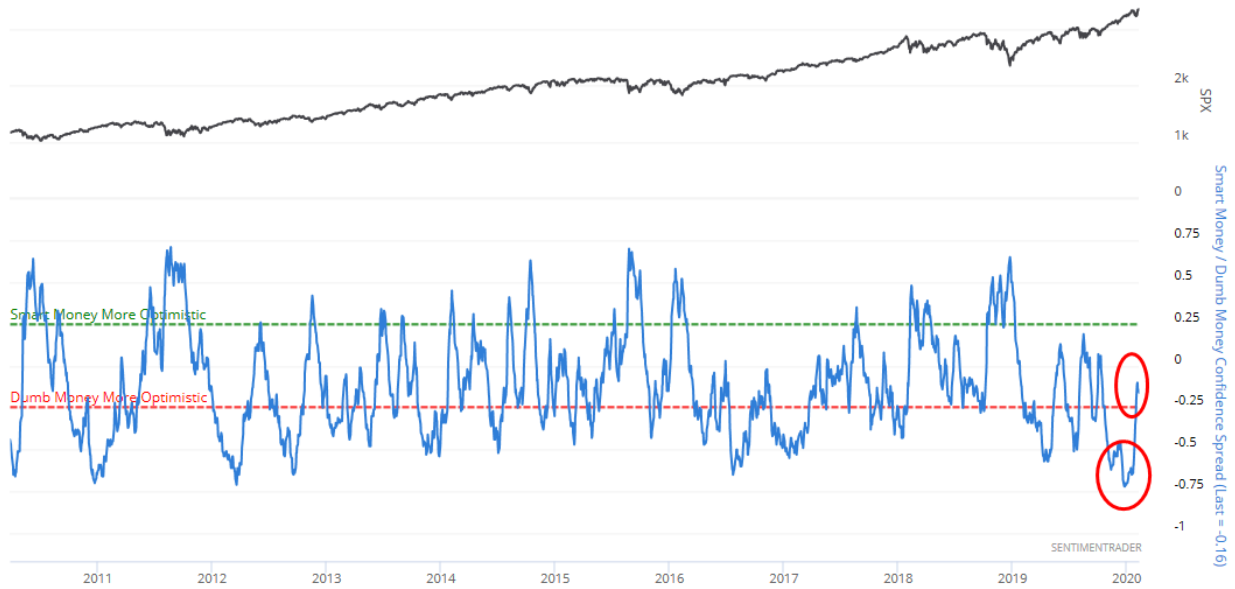
Changes

Changes in factors making up the Bear-o-meter include:

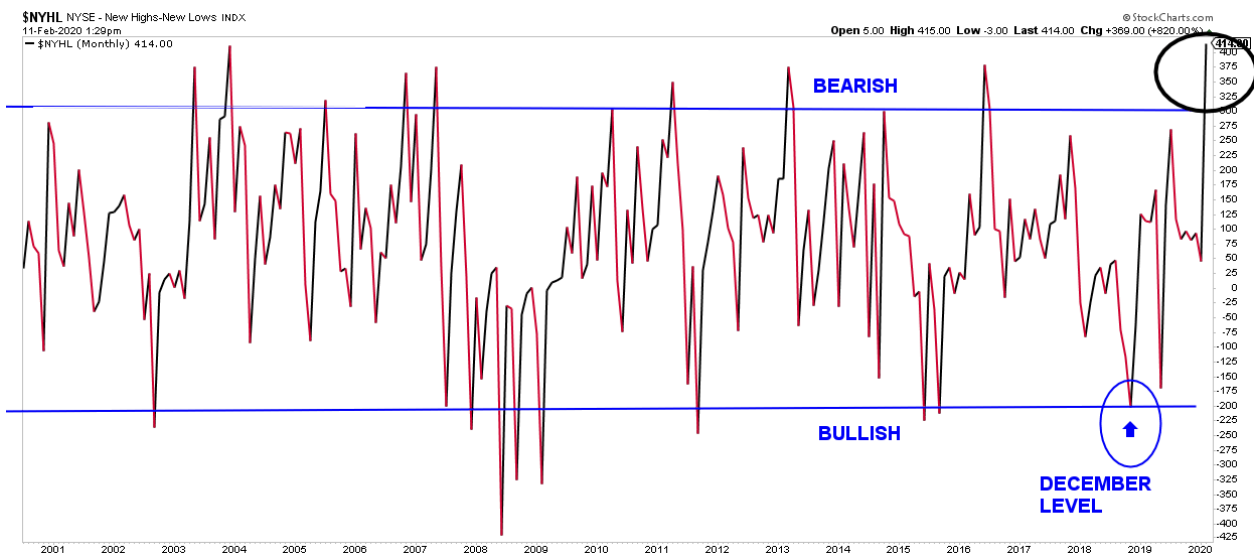
- Positive developments in the Smart/Dumb money confidence. Recall in January how I blogged about the incredibly bearish reading that indicator was giving. Dummies (retail) loved the market. Smarties (institutional \$) hated it. Clearly, the virus selloff brought the smarties out of hiding to buy, and forced at least a few of the dummies to sell in a panic. That development has brought the smart/dumb indicator back into a neutral reading, which eliminated last months negative score to the Bear-o-meter. This is significant, considering just how deeply bearish it read [exactly one month ago](#).

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- Negative divergence between the Cumulative SPX Advance/Decline Line vs the SPX is concerning. The SPX is making new highs. The A/D line is not. This is interesting. It tells us that the SPX has lower breadth (participation) than the new highs would indicate. That conflicts with the NYSE breadth indicator discussed below. That's a negative for the Bear-o-meter.
- The NYSE New High/ New Low indicator shows that lots of stocks have gone to new highs in the post-virus rally. Not that the virus situation is over. But the announcement by the WHO last Thursday did, in fact, mark the bottom of the selloff, as it had in literally every virus inspired market selloff in history. I noted that tendency in my blog. [Read the details here.](#) The problem with the rebound in optimism is that it's gone too far, again. The New High/Low indicator shows us that there are "too many" stocks making new highs. That's a sign of a potentially overbought market, and it's a negative to the Bear-o-meter score.



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Webinar this Thursday

- **Our next webinar is called “Finding Breakout Setups”**. Its being held on Thursday February 13th at 2:00pm. You can sign up using this [link](#)
- I presented this seminar at the Orlando MoneyShow. ValueTrend’s TA Intern, Alex Bozic, will be presenting it on the webinar.
- **Here is the [link](#) to our last webinar**, covering the Valuetrend Bear-o-meter.

Florida Bike Race

A few of you were aware that I raced the Sebring 100 mile (161 km) bike race on Feb 8th. I accomplished my goal, which was to put in a record time/speed for myself. I did the race in 4:26, which was over 36 km/hour average speed. I ended up first in my age and bicycle class (standard road bike). I believe I was also tied with another guy for first overall (all ages) in the standard road bike category. He and I sprinted for the finish. The timing unit put us down as the same time, but I believe I got him by half a wheel – the timing chip is on your ankle, so I guess his leg was forward and mine back as we crossed. That will serve for me to remember in the future for these chips that go on the leg. Most races have the chip on your fork. Anyhow, I am back in Ontario, and am still pretty sore and tired. Next week, then I start training towards the Canadian Masters National Time Trial Championships in Quebec, taking place in July. Yes, in bike racing (if you wish to win) you begin specialized training many months ahead. Much like last weeks race training began in October. Like a trading discipline, it’s about the goal, the plan, and the consistency.

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