Bear-o-meter risk/reward reading for September

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Before getting started- a reminder that the **Ask us Anything webinar is this Friday Sept 10th at 10am**. You can post questions here – please get them in by Wednesday Sept 8th at midnight. If you cant make it, you can still post a question – you can watch the video of the webinar next week when I post it. Participants can ask questions on the chat box during the event. You will get an invitation to attend the webinar today if you are a newsletter subscriber. If you are not a subscriber, please do so here.

The Bear-o-meter, for those unfamiliar, is a compilation of 11 indicators covering market breadth, trend, sentiment, seasonality and value. Some of these indicators, such as the Put/Call ratio and the VIX, are fairly quick-moving. I treat them as near termed factors. Some are more mid-termed view indicators. This can include the breadth-momentum studies like the % Stocks over the 50 day SMA, or the NYSE New high/Low indicator. Some are longer termed indicators like the 200 day SMA, or the A/D line. You can learn to construct the Bear-o-meter for yourself – its construction is outlined in my new book Smart Money, Dumb Money – click here for more info.

The challenge with combining 3 time frames is that you can get a neartermed signal -say an overbought sentiment reading like the Put/Call ratio, indicating its a risky environment. Simultaneously, you often get positive long termed signals, eg- a good trend as indicated by the 200 day SMA, and a positive Dow signal (industrials vs. transports). These short and long signals cancel each other out in my compilation. This, despite that the Put/Call signal may indeed be accurate in predicting a neartermed risky environment. But short termed signals like the Put/Call ratio or the VIX can be corrected in a matter of a few days or so. But the trend is your friend until it ends, as it goes. So, as a mid termed (1-6 months) trader – I'm more interested in the overall environment. I want the general picture to get an idea of where I should be positioning for the coming month or months. FYI- the typical environment for accurate signals seems to occur when the mid-termed indicators combine with the short termed – all of which are covered in my book – signals.

In the August reading of the Bear-o-meter, I noted that the reading was 4 out of 8. That's about as "neutral" as it gets. Since then, the market has been business as usual. Right now, the **Bear-o-meter has moved down one notch to 3.** That's still neutral, albeit "low-neutral". So, being September, that might make sense. Also- volatility is very low right now. Typically that doesn't last. Read my last blog for more on that. We are about 14% cash right now in the Equity Platform (conservative mandate) and about 7% in the Aggressive Platform.

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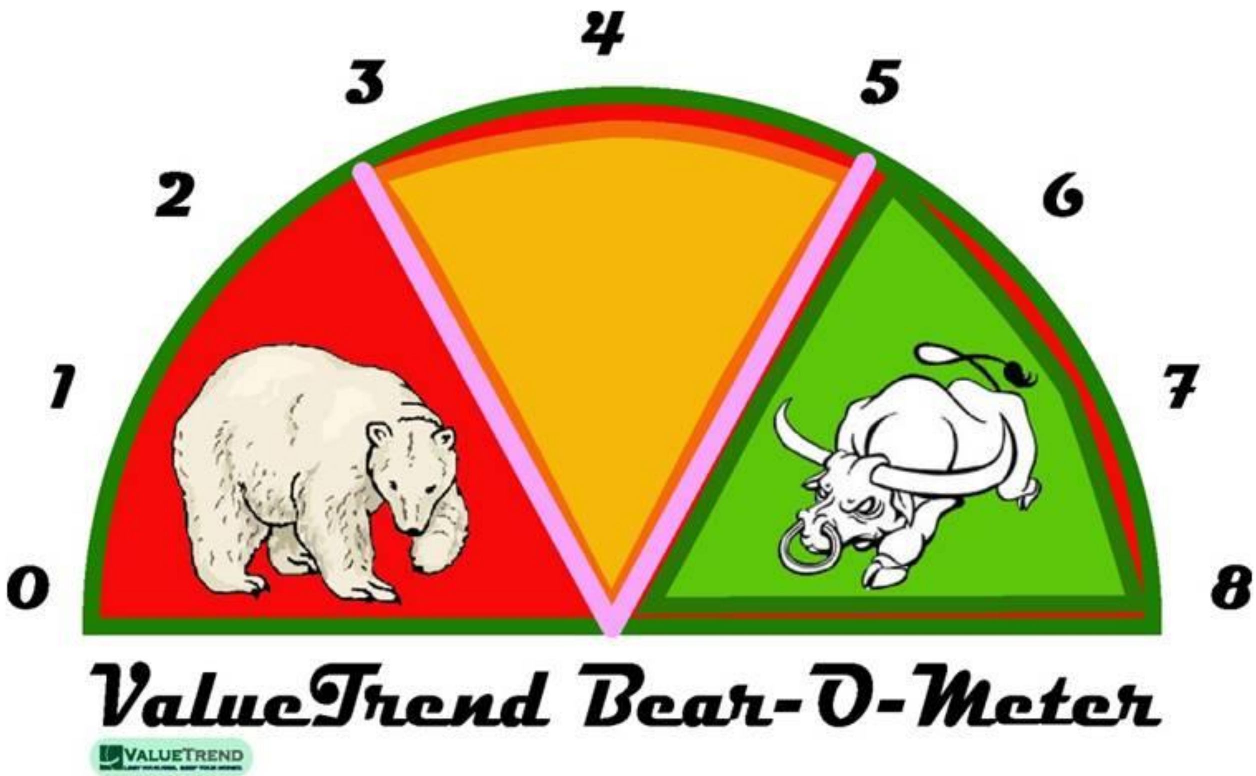

The only change from the August reading was the Smart/Dumb reading from Sentimentrader.com. The chart moved to just below its “dumb money likes the market more than smart money likes it” level. Here is the chart:

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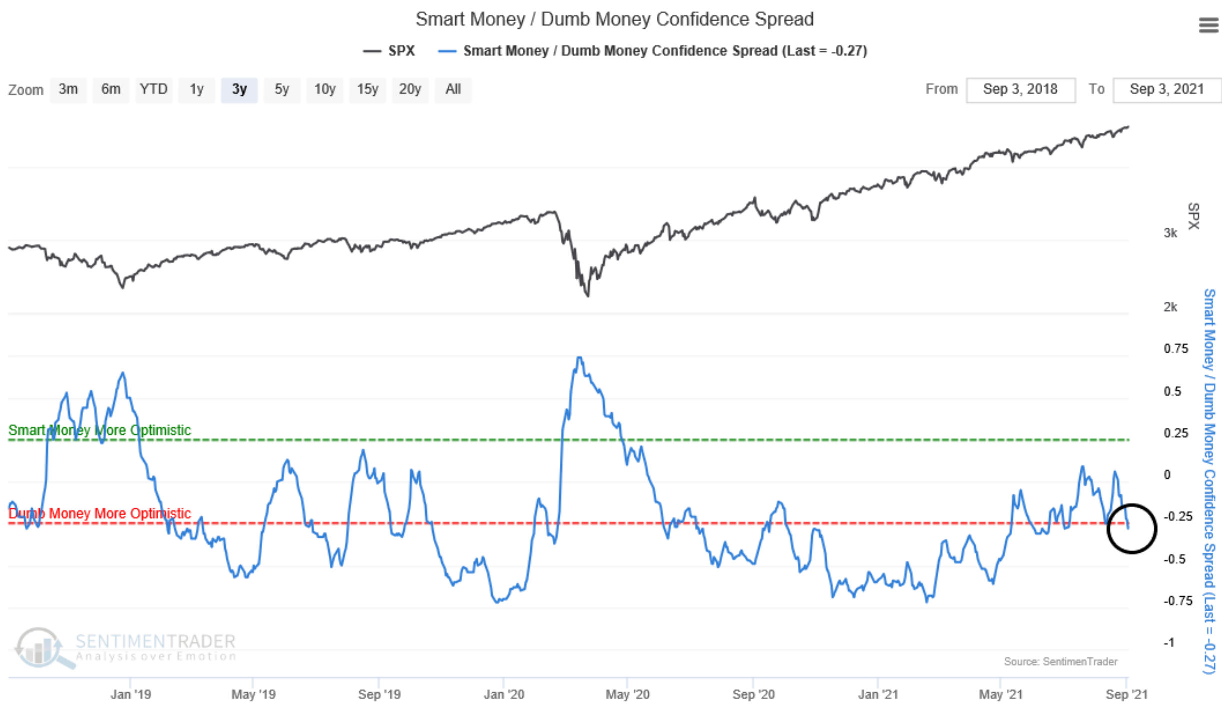

Conclusion

September can be volatile. So its not a bad thing to hold a bit of cash. But the environment is not risky, per se'. We may get a bit of a correction. But we are likely staying within a bullish trend.

By the way – I just recorded a video on my outlook for oil. I was at the cottage when I did the video, and it was cold (less than 10 degrees Celsius). We don't have central heating, so we had the wood stove going to heat the place. So, I did a fireside chat on oil. Is that ironic? Here's the link.

Final, final thought–don't forget to post questions and register for the webinar. The links are at the top of this blog.

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