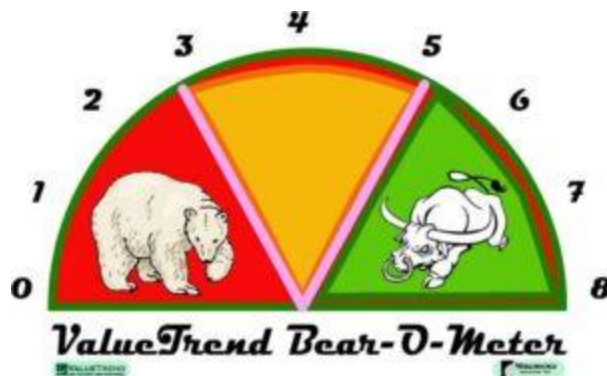


## Bear-o-meter still neutral

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The Bear-o-meter has been covered numerous times in this blog. Briefly, it is a risk/reward measurement against the US markets. It is not a pure market timing tool – rather, it gives us an idea of the current environment stacks up against historical risk and reward tendencies. I rank 12 indicators that fall into 5 broad market macro Technical analysis parameters. They are: Trend, Sentiment, Breadth/Breadth-momentum, Value, Seasonality. The Bear-o-meter is ranked 0-8 from least attractive risk/ reward to highest. Three categories, which can be seen on the graphic below, shows high risk, neutral, or lower risk zones—all depending on the recent numeral reading of the compilation.



I try to update the Bear-o-meter about once a month – although often I don't bother if there is no change. Well, this month has seen a net no-change reading on the Bear-o-meter since the [last reading on July 8<sup>th</sup>](#). The current reading was taken August 9<sup>th</sup>, and, as with last month, it still reads "4". However, I still thought I would post its reading.

Changes to my parameters were a negative score on the VIX (after it fell below 12) and a positive score on the market vs. the 50 day SMA (vs. a neutral score last month). You can PM me if you would like a copy emailed to you of a research report I did for the CSTA on the Bear-o-meter. Hit the "contact" button on our website and I'll get your request.

According to that reading of "4", the environment remains relatively neutral for the US stock market—risk/reward potential at this time may be roughly equal. Normally, we would hold about 15% cash in such a situation. But, due to the added risk of August/September as potential corrective months (according to the seasonal experts out there), we've kept a bit over 20% cash

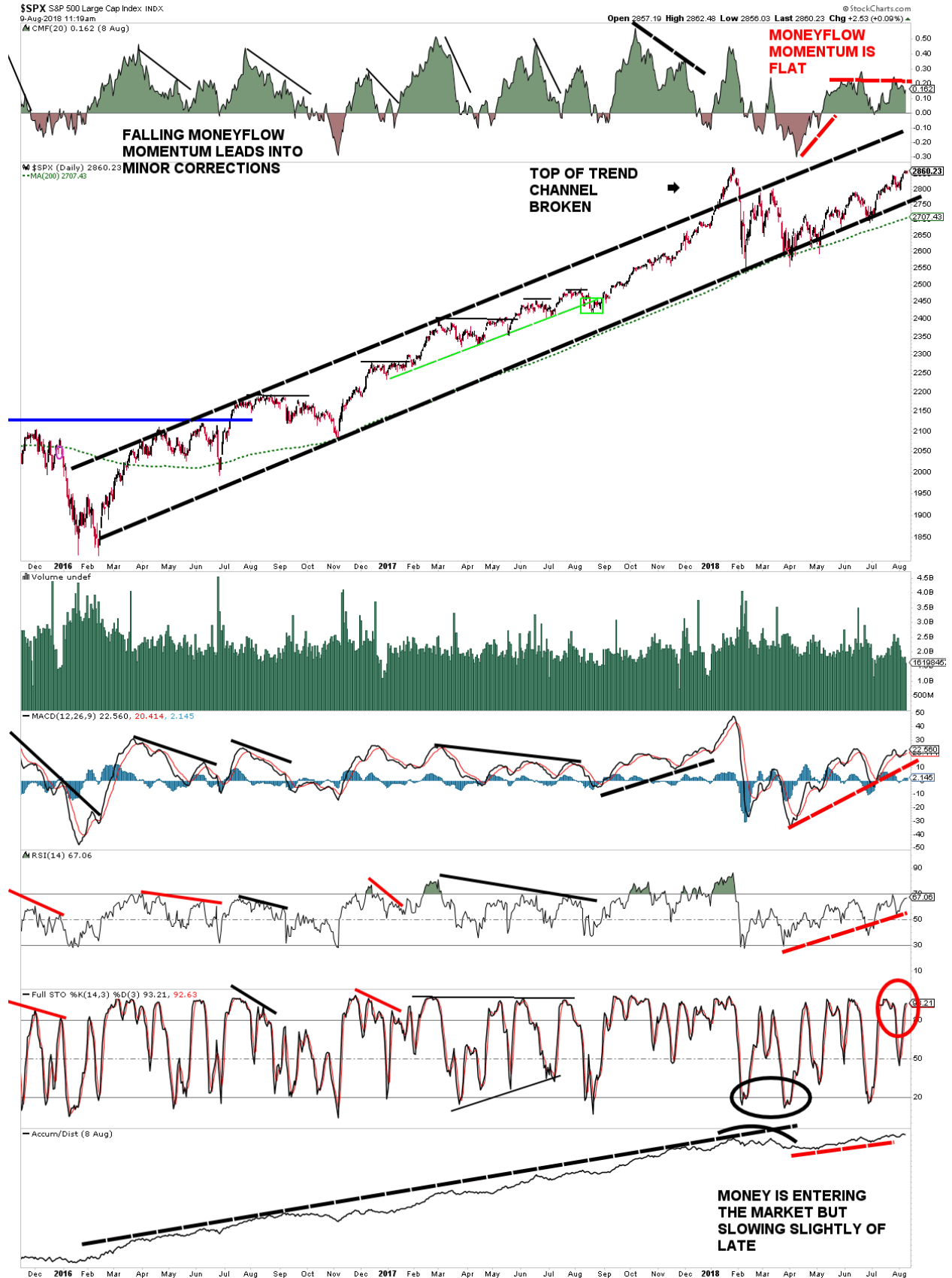
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in our Equity Platform. Seasonal trends are often poor for August and / or September, plus the rhythm of the market is suggesting a setup for a short termed correction – per [this blog](#). The chart below shows us that the trend and moneyflow are slowing but still fine, although short termed indicators like stochastics are a bit overbought.

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If the market doesn't correct, so be it. I tend to play it safe by holding a bit of cash when the Bear-o-meter reads less ideally, and look for opportunities based on my observations to spend that cash. At the end of the day, it's not an absolute that we see a correction in the next month or so— we shall see.

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