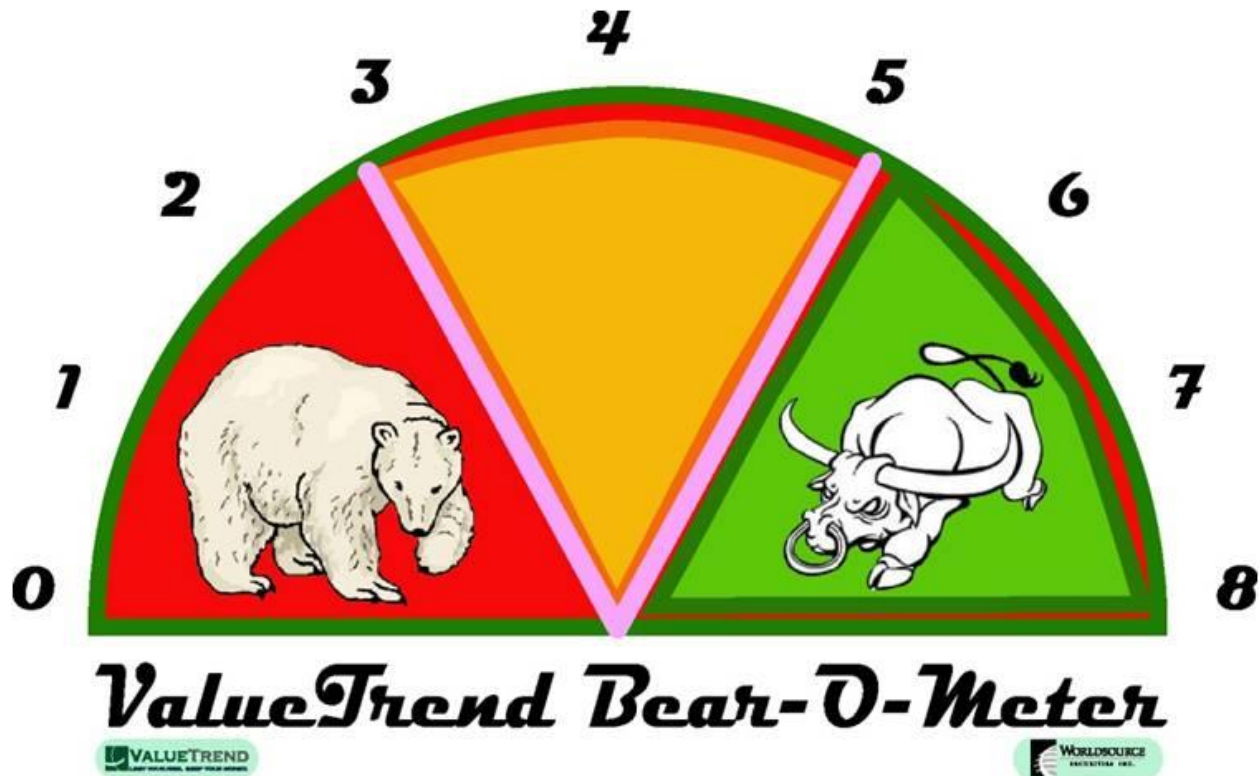


Revisiting the Bear-O-Meter

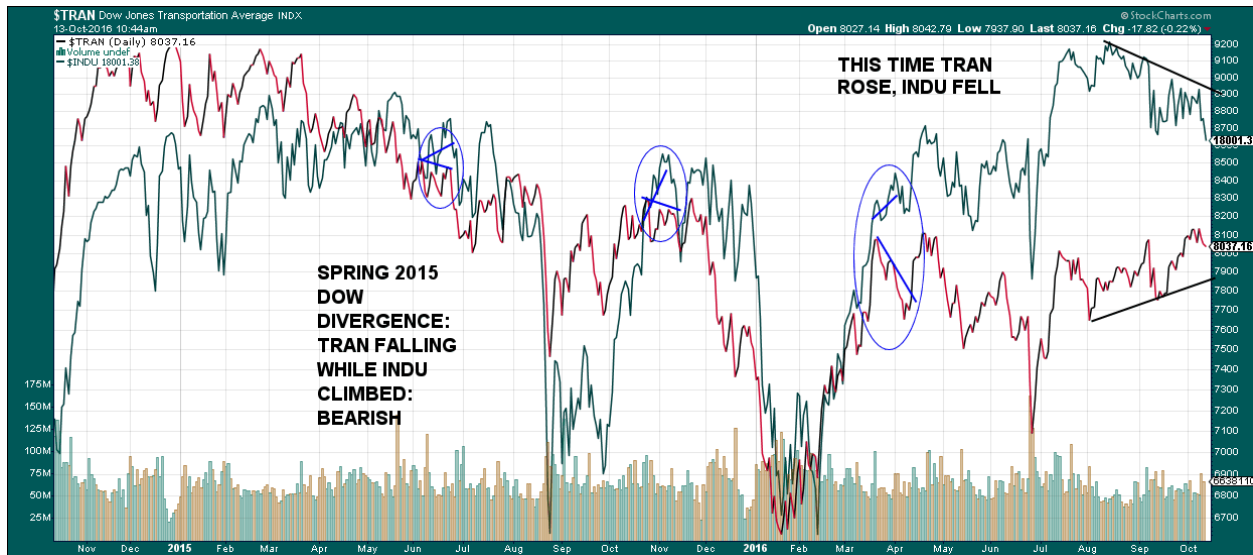
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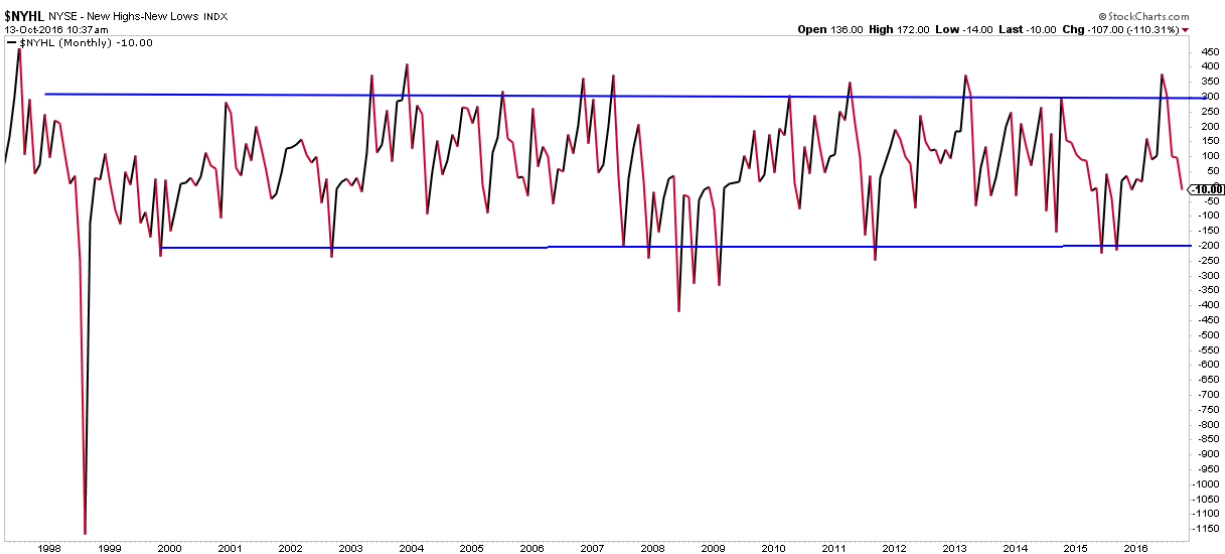
I typically don't publish the readings for my "Bear-O-Meter" until and unless there is a change in level that would move the needle from the respective **"sell, neutral, or buy"** zones. However, by special request of a very long termed reader ("Daddyo") I agreed to publish the most recent reading of the indicator. For new readers of this blog, the Bear-O-Meter is a forward looking risk indicator of the market. It is not a near-termed timing tool. Markets always have risk, and always have potential reward. This indicator simply weighs those two sides. A low reading indicates bearish potential, but it does not suggest selling the farm and hiding the cash under your mattress. A high suggests bullish conditions, but does not imply leveraging the farm to buy stocks. All levels are simply a probability reading. As such, a low reading can still lead into a market rally – and vice versa.

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He may hold positions in the securities mentioned. The opinions expressed are those solely of Keith Richards and may not necessarily reflect those of its employees or affiliates. The contents are for informational purposes only and do not represent investment advice.



Recently, the Bear-O-Meter moved from a level of “1” to a “2”. That’s still in the “bearish” zone, although it is improving. Bearish readings within the compilation include the “Smart/Dumb money” spread and a continued non-confirmation by INDU/TRAN. Seasonality does not return to positive until November, and other factors such as momentum, Put/Call ratio and some breadth indicators remain neutral. For example – note the neutral reading on the NHNL indicator below- I look for readings over 300 as overbought and below -200 as oversold. These factors carried over from last month. The compilation rose 1 point this month because of a bullish divergence between the Advance Decline line and the S&P 500, whereas last month’s reading showed no divergence (i.e. a neutral) reading.



Within the coming days or weeks, I expect that the current downdraft may push some momentum indicators into an oversold “buy” level and encourage the “smart” money to start buying. Seasonality will also allow a positive point to return to the indicator in November.

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