Bear-o-meter moves to neutral

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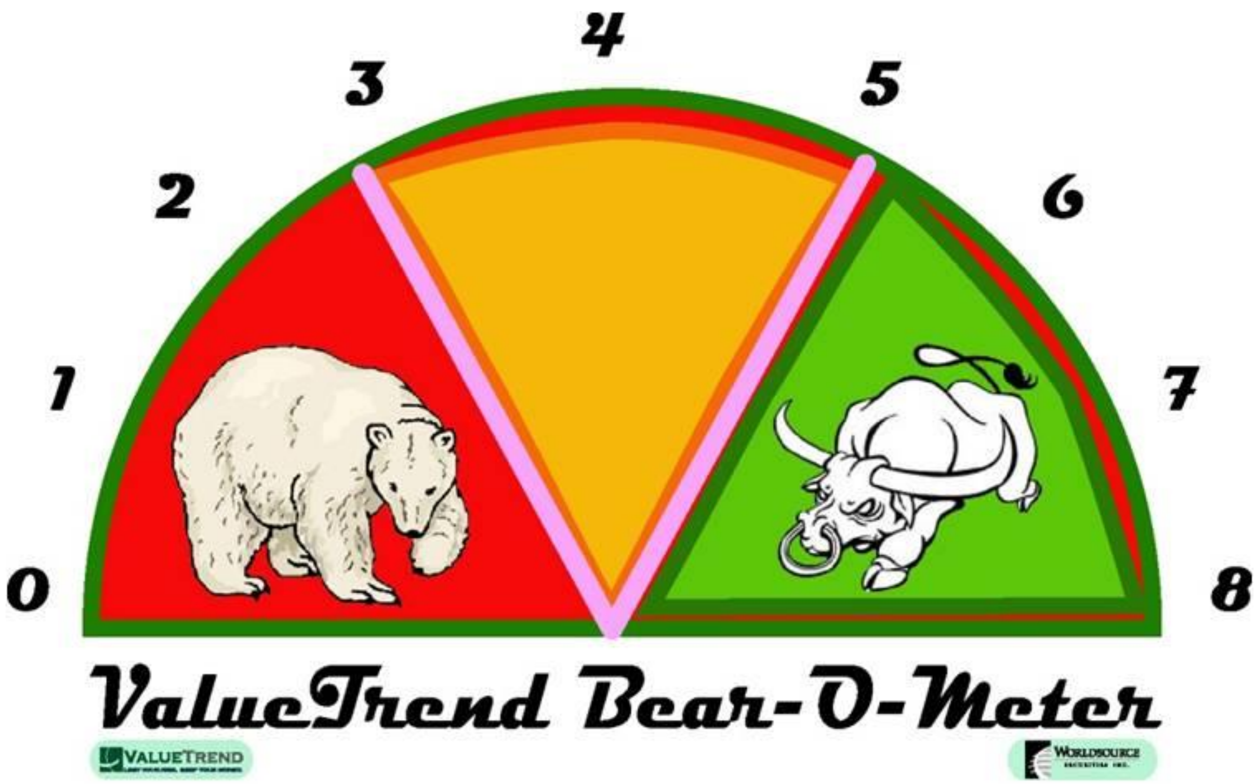
For the past 2 months, the Bear-o-meter has migrated between readings of 2-3. As you'll notice in the scale below, that level kept the Bear-o-meter in the "higher risk" territory. You can do a search on this blog for other Bear-o-meter readings to track its readings –the last one being in June. Note that the last reading did forewarn us of the potential for higher risk – that reading was proven correct, given the recent volatility. Here's the link.



At the risk of sounding like a broken record—I'd like to remind you of the purpose of this compilation: The Bear-o-meter is a very big picture (macro) view of the markets. It's not designed to be a precise market timing vehicle. Instead, it tries to read the relative balance of risk vs. reward present on the US markets at a given point of time. It gives you an edge, but not an absolute. A high rating on the Bear-o-meter indicates higher potential for reward than risk – and a low reading indicates the relative risk vs. reward is unfavorable.

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As you are no doubt aware, markets always have the potential for delivering downside or upside—either can happen. So please don't take the current, or past ratings as some type of revelation. It's just a relative risk/reward level at the moment, subject to change, with no assertions that you or I should trade off of its readings. At ValueTrend, we adjust our cash weightings in the ValueTrend Equity Platform according to Bear-o-meter readings. But we don't make all-in or all-out decisions based on it. OK – enough said.

Right now, the Bear-o-meter reads 4. That's up nicely from my last reading (noted in the above linked blog) of 2 on June 13th. What this means is that the market's risk environment has potentially moved from a higher risk environment to a "neutral" environment. Keep in mind that the score of "4" is the lowest level of neutral on the chart. It doesn't mean you sell the farm and buy stocks. It means that risk has gotten a bit lower relative to return, but it's not a screamingly wonderful environment. Its neutral.

Our cash scale- when seeing a Bear-o-meter reading – of 4 suggests anywhere from 0-15% cash be held in our Equity Platform. We're at 20% right now. As I just took this reading on the weekend, I'll give it a couple of days and see if the rating changes. If not, I may reduce our cash holdings by 5% by adding a new stock or two.

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Keith on BNN

I'll be on BNN at noon today – hope you can catch it. Feel free to call into the show with your questions. Call Toll-Free 1-855-326-6266.