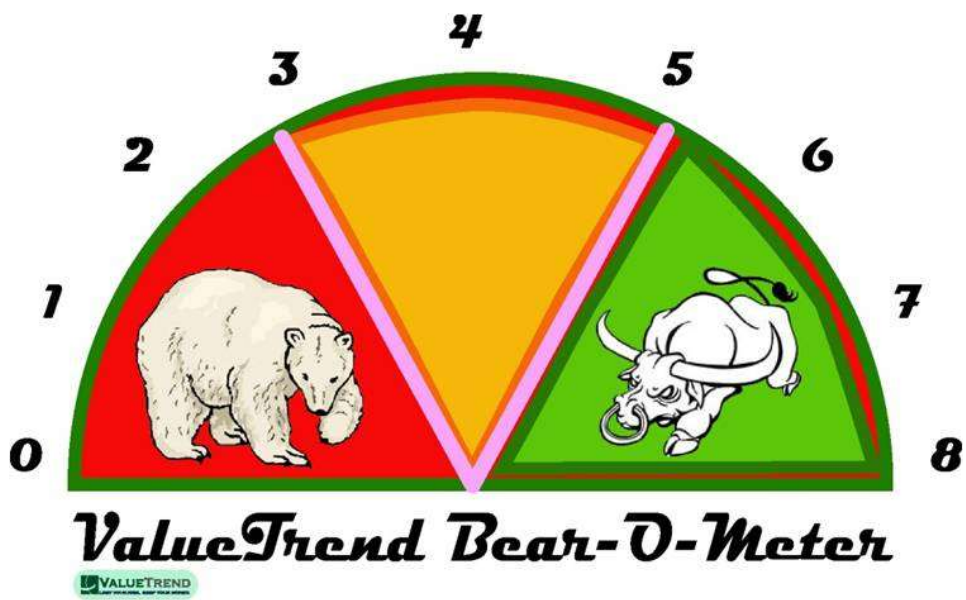
Bear-o-meter continues to read some caution

Published on May 6, 2024

May read as "3. That's on the cusp of higher risk - yet not in the "run for the hills" area. A reading of 3 is the most frustrating level. It suggests a somewhat higher level of risk that may or may not materialize - albeit still a caution signal. April was a negative month. So the meter was correct in warning of slightly higher than normal risk potential.

Where does the investment analysis Bear-o-meter sit now?



Its still at a "3". A few indicators within the compilation changed hands, and most stayed the same. A very brief recap of the findings:

Positive

Breadth has improved. The NYSE Advance Decline line had a positive bump against the SPX, meaning that the larger index of stocks (NYSE composite) had lots of rising stocks last month. Here's the chart. Note the nice move by the black line which is the AD for NYSE.

Also positive over April were the NHNL breadth momentum indicator, which moved from negative in April to neutral in May.

Negative

The market moved below its 50 day SMA on Friday, which lost it a point over the positive score in April. I note that I always use the close of the market for the meter's readings. At the time of writing (10am Monday May 6), the SPX is currently back above its 50 day SMA - as seen on the chart below. Can't say for sure if it will hold, so I will keep the score at "0" for this months report.

Seasonality has entered into its weakest period now, which creates a loss of 2 points for the meter.

Final investment analysis thoughts

The VIX is still in neutral territory, although it is declining near its "complacency" point (its now 13.5 vs. the 12.5 complacency level). More importantly, you've probably read my previous ponderings on the potential for the current period to be a bit like last fall.

There, the SPX fell in September, rallied, then did a final low in October before that resulted in a market bottom:

- The VIX signaled a "complacency" sell signal early September near my trigger level of **12.5,**
- A spike in late September to about **19,**
- A pullback in early October to around **16.5**
- Finally, a massive move to a high of 21.

Recently we saw:

- A low of 12 in December, and a revisit at **12.5** in early April.
- A spike to **19**
- A pullback to **13.5**
- Which begs the question: is the next step a final high closer to 20?