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Macro Market Indicator Has Neutral Reading

***e*Research Corporation** is pleased to provide an article by Keith Richards of **VALUETREND**.

In this article, Mr. Richards looks at his proprietary macro market indicator and concludes that the current reading is at the low end of Neutral and just above the Bear segment. His advice is to stay long until the indicators flash sell. Not there yet.

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: ***http://www.valuetrend.ca/bear-o-meter-neutral-now/***

You can also visit the **VALUETREND** website at the link below:
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Wednesday, March 8, 2017

Bear-O-Meter Is Neutral Now

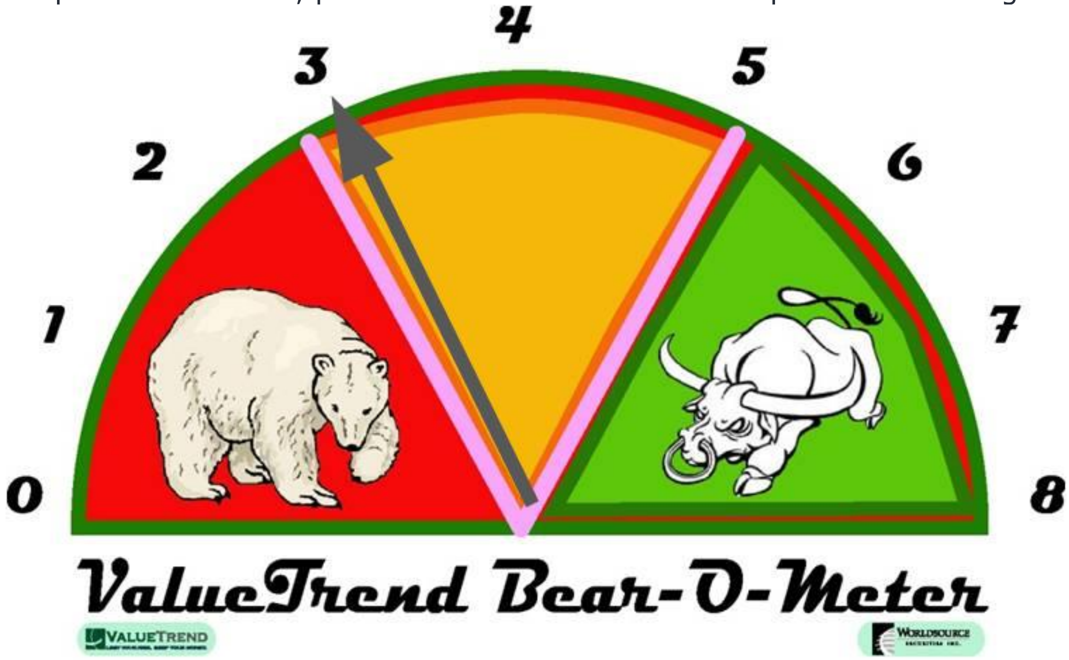
By: Keith Richards (bio at end)

A reader posted a query recently regarding the current reading of the Bear-o-meter that I tend to use for macro market risk/reward readings. Although I answered his question under his posted comment, I felt inspired to post a new reading for the Bear-o-meter.

This makes sense given the arguably high market valuations, arguably poor sentiment readings – which I recently covered **here** – and questionable market breadth statistics of late.

The Bear-o-meter covers all of those factors, plus others. Do a search on this blog to see my past readings of the indicator. As I have covered in the past – it is a macro viewpoint. It is not there to help you finesse a quick trading decision. Instead, it tries to assess risk and reward—and assign a value as to how likely the market is to go up or go down in the coming weeks or months (not days).

Further, it is a probability ranking tool with a scale of 0-8. If the rank is near the right side of the scale, it means risk is relatively lower vs. potential reward—but risk still exists. There is no such thing as a risk-free environment. If the rank is closer to the left side of the scale, markets may indeed pose more potential for negative vs. positive returns. But, that does not mean they cannot or will not go up. Markets can always rise despite the odds. So, please bear this in mind when I present a reading of the indicator.



The Bear-o-meter consists of 6 mid-long term categories. Below are the 6 categories, and their current readings. In some cases, I have 2-3 indicators within each category, and perhaps 2/3 are leaning one way. Further, each has different weightings. I assign the reading as bullish or bearish depending on the dominance of indicators that comprise the category:

- **Breadth**: neutral
- **Seasonality**: bullish
- **Relative fundamental value**: bearish
- **Momentum**: neutral
- **Trend**: bullish
- **Sentiment**: bearish

The current reading of all indicators is "3". That is in the low end of a neutral reading.

What this means is, the potential for a market correction is growing, although the risk reward ratio is still skewed away from an outright "push the sell button" reading.

As you will note on the factors above – it has really been the trend indicators, along with positive seasonality, that are keeping the boat afloat. It is times like this that we can see a rapid change in the factors towards one side or the other. For that reason, I promise to post a new reading if, and when the "needle" moves out of a zone – particularly if it moves to bearish.

In the meanwhile, recall the adage "the trend is your friend until the end".

Should the S&P500 break its trend (starting with the 50 day MA), it would skew the above reading to move into bearish territory. But that has not happened yet. There is little to be gained by fighting the tape at this point.

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See **About The Author** on the following page.

ABOUT THE AUTHOR

ValueTrend Founder and Owner, Keith Richards, has been in the securities industry since 1990. ValueTrend manages over $100 million through a discretionary investment service for high-net-worth clients.

Keith Richards has been in the securities industry since 1990 and is a highly regarded member of the small, exclusive community of Chartered Market Technicians in Canada. Mr. Richard's articles appear regularly in INVESTORS DIGEST, MONEYLETTER, GLOBE AND MAIL, and the TORONTO STAR newspapers.

His appearances on BNN Television have inspired producers to acknowledge him as **"one of [our] most accurate technical analysts."** Mr. Richard's first book, SMARTBOUNCE: 3 ACTION STEPS TO PORTFOLIO RECOVERY, is available in bookstores and directly through his blog page **www.valuetrend.ca/blog/**. His second book, SIDEWAYS: USING THE POWER OF TECHNICAL ANALYSIS TO PROFIT IN UNCERTAIN TIMES was released in late 2011. He has been critical of the commission-based, follow-the-pack approach to investing – where brokers succeed regardless of performance.

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