

Latest Bear-O-Meter Reading

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

In this article, Mr. Richards looks at his market reading tool: the Bear-O-Meter. The conclusion is that the market is less negative but still in the danger zone.

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-signals-market-risk-improving-still-danger-zone/>

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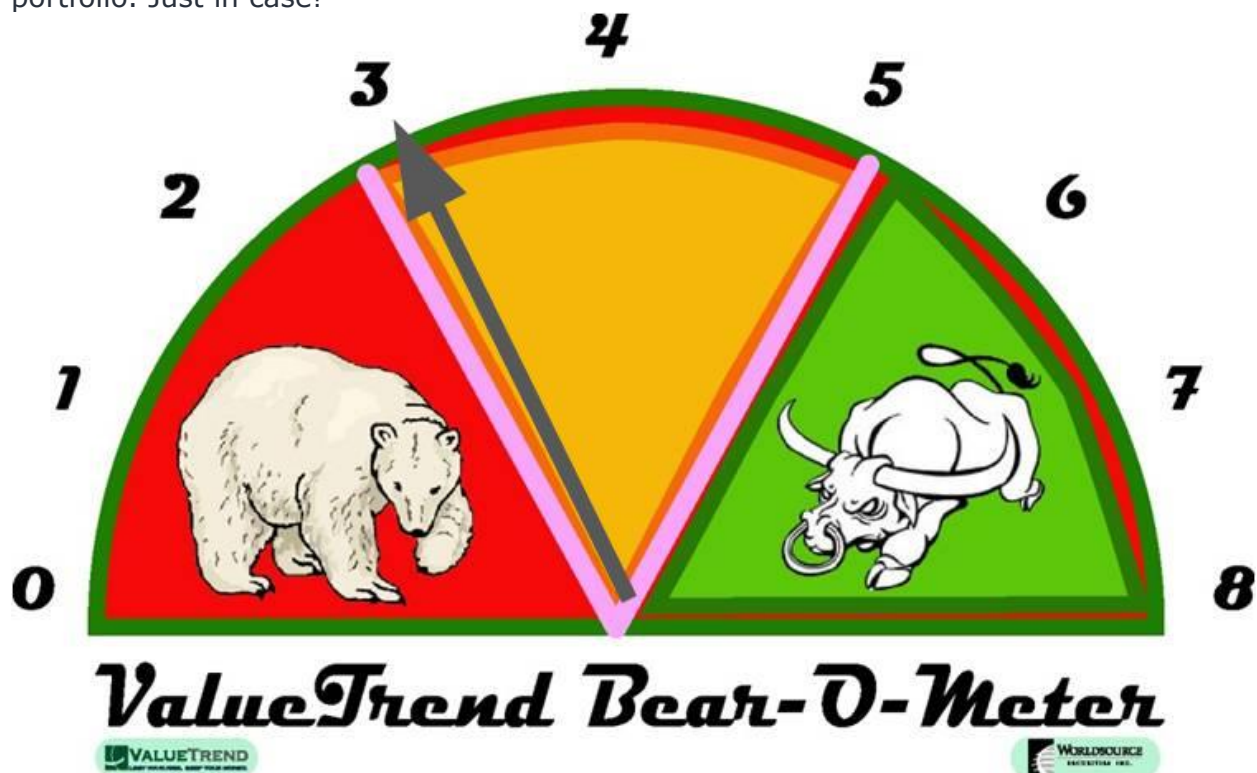
Latest Bear-O-Meter Reading

By: Keith Richards (bio at end)

Bear-o-meter signals market risk improving – but still in the danger zone

Many of you have been following my “Bear-o-meter” readings for several years. I have covered its methodology in the past, and encourage new readers to go to the search engine on this blog and type in “Bear-o-meter” for greater explanation. You will also find past readings of the compilation.

As always, I like to point out that the Bear-o-meter is NOT a market timing tool. It is a risk vs. reward measurement. Your market entry/exit decisions, like mine, should not be based on Bear-o-meter readings. Use the readings as you would a weather report. Meteorologists like to give us the “POP” (Probability of Precipitation). You don’t necessarily cancel the picnic just because there is 40% chance of rain. Or even 50%, 60% or 70% chance of rain. After all, the rain may not come (60% POP = 40% chance of no rain!). Further, the rain may be just last a few minutes, or it may be a light rain that will not wreck your day. A low Bear-o-meter does not mean run for the hills. But you might want to bring an umbrella, so to speak, by reducing some of the risk in your portfolio. Just in case!



The Bear-o-meter gave us a reading of "1" on May 17, 2017. Some of the factors have changed recently. The current ranking, as of Friday June 9th, is now "3". That still keeps us in the "higher risk" zone for the markets, but the move up tells us that markets are less risky than they were just a few weeks ago.

For those interested, we have had a positive movement on the Advance Decline levels (this breadth indicator is no longer diverging with the S&P 500). That, and a return to neutral on the Smart-money/Dumb-money spread from a prior bearish reading.

On the negative side, one of the other sentiment readings I look at, the Put/Call ratio, is now in my bearish zone.

All in, the AD line and Smart/Dumb readings added 3 points back to the indicator, but the Put/Call ratio move subtracted a point, giving us a net 2 point positive move on the Bear-o-meter. Thus, it went from a reading of 1, to a reading of 3.

As you can see on the diagram, this puts us at the entry level of "greater risk" for the markets, but it has gone from being a big negative, to more of a minor negative for investors.

Bring a light duty umbrella for your portfolio. You probably don't need to bring the full rain suit for the time being. But keep an eye on those dark clouds. This kind of weather can change quickly. Just ask a westerner about chinooks. They will tell – things can change!



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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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