

Bear-O-Meter Reading Plummets

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

In this article, Mr. Richards highlights some newly negative market indicators, giving pause to the thinking that this bull market will never end.

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: <https://www.valuetrend.ca/bear-o-meter-reading-plummets/>

You can also visit the **VALUETREND** website at the link below:
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Bear-O-Meter Reading Plummetts

By: Keith Richards (bio at end)

Do a quick search on the search bar for this blog and you will find plenty of entries under the Bear-o-meter. I try to read the compilation monthly.

The last reading was on September 17th, where it had moved up from its August reading of "4" to a more bullish reading of "5". Interestingly, the market did follow through with a bit of strength since my September reading. New highs, not seen since January, were achieved for the S&P 500 and finally for the DJIA.

Currently, a number of the previously bullish readings in the compilation have turned outright bearish. I will get into them below. The new reading on the Bear-o-meter now reads a very cautious "1". That is quite a move for just a few weeks.

Let us dive into the details.

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Negative Scores

The **Advance-Decline Line** is diverging—take a look at the chart below, courtesy of www.freestockcharts.com.

You will note that the S&P 500 (red line, top of chart) is rising in a near-term channel. Meanwhile, the cumulative AD line (black line) illustrates flat peaks, and lower lows.

This divergence is a change from my reading in mid-September. This change took a negative point from the Bear-o-meter. As an aside, I have noticed a bit of weakness in the Russell 2000 recently, indicating that a contributing factor to this divergence may be the small caps.

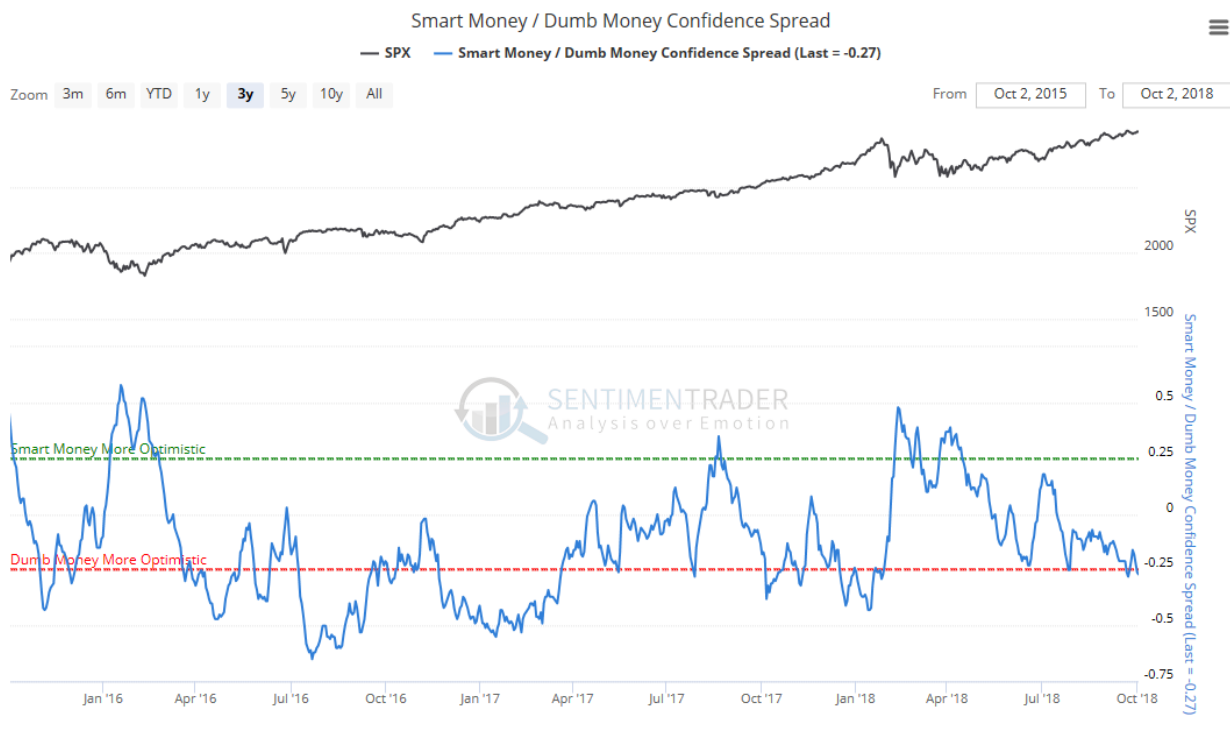


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The **Smart money/ dumb** money combined confidence spread indicator – courtesy of www.sentimentrader.com – also subtracted a point from our compilation.

A bearish signal is triggered if the confidence spread moves below -0.25. The current reading is -0.27, suggesting that the Smart Money is selling, while Dumb money continues to buy.

Note that this indicator is not too deeply bearish – but it is below the trigger line for a bad score. The actual readings are 33% confidence by the Smart Money Group, and 60% confidence by the Dumb Money group.

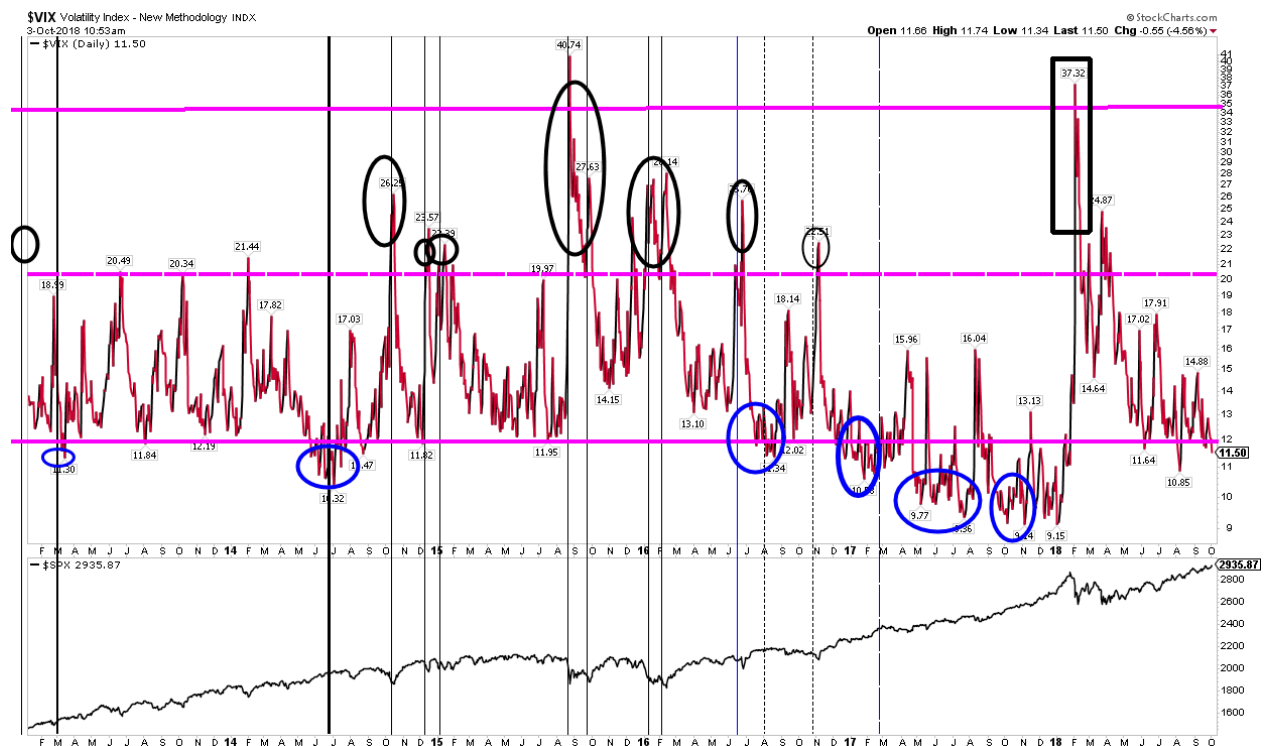


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Finally, a new negative score was seen for the **VIX indicator**. I assign a negative point to the VIX if it drops below 12. It too has marginally breached that level – so I must give the Bear-o-meter a negative score for that indicator.

Note that the VIX is so whippy that this negative score could be reversed by the time you read this. That is something I cannot control, so I must read the indicator as to what it says today – and score the compilation at the moment of doing the reading.

The VIX is easily the most “whippy” indicator in the mix – but its general level still gives us one more data point to the overall mood of the markets. Right now, the mood is a bit too risk-favoring. And that is a bad thing.



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Positive Scores

All other indicators remained bullish or neutral. This included key indicators like the 200-day SMA and the overbought/oversold indicators. Seasonality remains neutral in score until November 5th.

The Bear-o-meter currently totals "1" out of "8". This is on the low end of the scale, indicating higher-than-normal risk at this time. Because the negative indications coming from the VIX and the Smart/Dumb spread are barely into their "bearish" zones – and because these two indicators can be quicker moving, we might see the Bear-o-meter go back to a more neutral stance in the event of a short correction. More concerning is the divergence in the cumulative A/D line –but it is just one indicator.

My take

I am happy to be holding a 20% weighting in cash in the ValueTrend Equity Platform at this time. A reading of "1" is a little disconcerting, despite the lack of depth on some of the negative readings. Perhaps an opportunity awaits for deploying that cash in the coming month. We shall see.

Meanwhile, ValueTrend has just posted its gross numbers for the end of September, for those interested. Click [here](#) to visit that page of our website.

"Ask me anything"

As I have done a few times in the past, I would like to open the floor to my readers to "Ask me anything" on the subject of investing, risk management, portfolio management, and technical analysis. You can even ask fundamental analysis questions, and I will get Craig Aucoin (resident CFA for ValueTrend) to inject his two cents worth. Please don't ask about individual stocks as I am trying to keep the questions interesting to most readers. The exception might be in massively followed stocks like the FANG's. Better to ask about sectors, world markets, asset classes, etc. For example: cannabis, gold, European markets, or questions on technical/fundamental analysis rules, etc.

Please post your questions in the comment section below and I will cover them on Mondays blog.



BW: To leave a comment, you will need to open Keith's blog article [HERE](#) and go to the end of his commentary.

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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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