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Bear-O-Meter, and the Great Mystery Buyer

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

In this article, Mr. Richards states that he is cautious towards the market, is holding a large cash position, but remains overly optimistic, but selective.

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-and-the-great-mystery-buyer/

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Monday, March 4, 2019

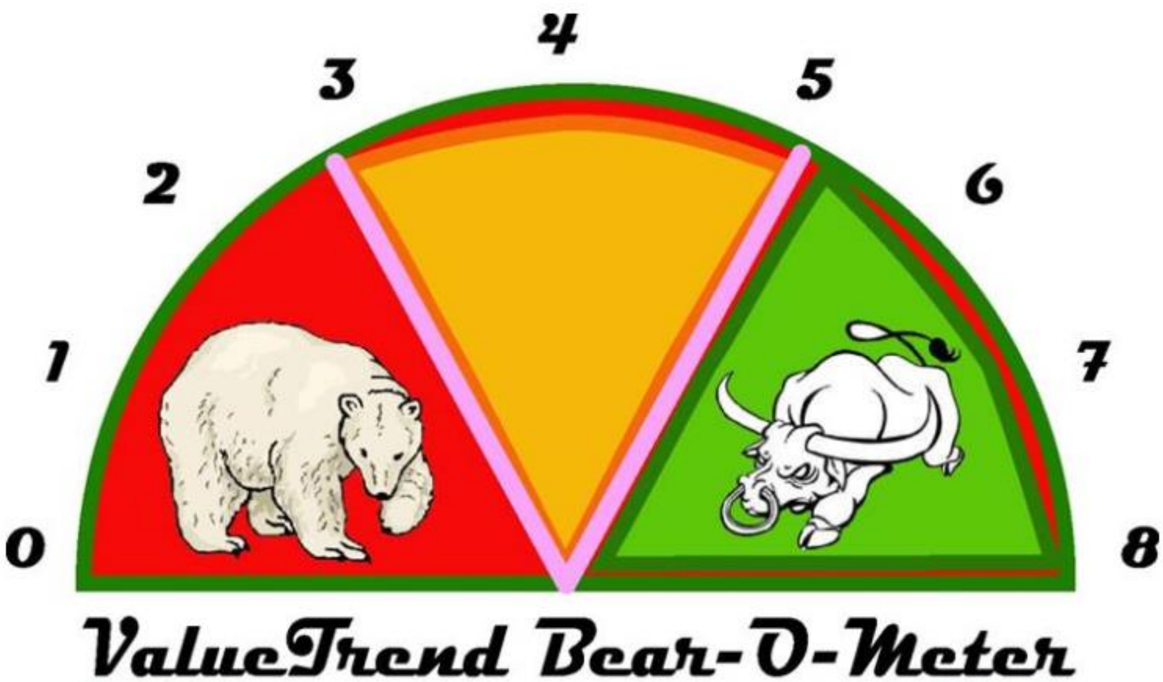
Bear-O-Meter, and the Great Mystery Buyer

By: Keith Richards (bio at end)

I did a Bear-o-meter reading on Friday. You can search my past blogs to get more information on how this compilation works. Basically, it is a compilation of many indicators that track trend, cumulative breadth, sentiment, seasonality, value, and breadth/momentum.

As always, I like to stress that the Bear-o-meter is not a precision market timing tool. It merely reads the relative ratio of risk versus reward. A low reading (high risk) does not imply markets cannot rise. Indeed, the markets DID rise after last month's [very low reading of "1"].

So, it is not fail-proof (what is?). Having said that, it has alerted us to become more cautious prior to a major correction in the past—most recently alerting us to the volatility over 2018. So, I tend to pay attention to its signals despite the fact that it is not going to be a perfect indicator. As I said…what is?



Before getting to the current reading, I thought it would be interesting to recap a report from sentimentrader.com. Jason Goepfert illustrates to his subscribers (of which ValueTrend has been for many years) that the normal market movers have not been particularly involved in the rally since the late December lows.

Specifically, large speculators, small speculators, hedge funds, and equity funds (including ETFs) are NOT getting strong inflows or experiencing strong trading volumes. This is counter to historical norms. In his research, Mr. Goepfert effectively asks…who is the buyer of this rally? It is a mystery…

Anyhow, the Bear-o-meter has moved from a bearish "1" in February to a neutral "4" as of last Friday March 1st.

A reading of 4 does not give us any edge for evaluating the potential balance between risk and return. The way I look at it is, the reading tells us to pick our stocks carefully, stay mostly invested in the market, while holding a bit of cash on the sidelines. We have been pretty heavy in cash (averaging 30% for the past month) and while that has not hurt us, it did not help us keep up with the Jones either. As I noted in a prior blog…I hate losing my own or my clients' money. My family's wealth (beyond some properties) is held in the ValueTrend models…so I remain in the same boat as my clients.

The recent changes to the Bear-o-meter from February to Friday include:

Positive: A higher reading on the cumulative A/D (breadth) line

Positive: A move above the 200-day SMA and the 50-day SMA (long- and short-term trend indicators).

Negative: Smart/dumb money spread has moved to more confidence by dumb money

Negative: The Dow industrials are at their last peak of 25,900 vs. the transports, which are still below their last peak of 11,000.

All in, our recent moves have been to move into stocks and sectors that were trending negatively last year, and are basing and/or breaking out currently. I have noted these moves on BNN via my Top Picks. We are focusing on commodities (directly held vis ETFs, along with producers), Emerging Markets, select European country ETFs, and generally oversold stocks with the base/breakout formation noted above.

Happy hunting out there!

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See **About The Author** below.

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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