



Is the Bear Market Over?

The market has had a powerful rally.

Low-quality stocks have bounced strongly.

This is typical of a bear market rally. Bear market rallies are typically very powerful.

Is the bear market over?

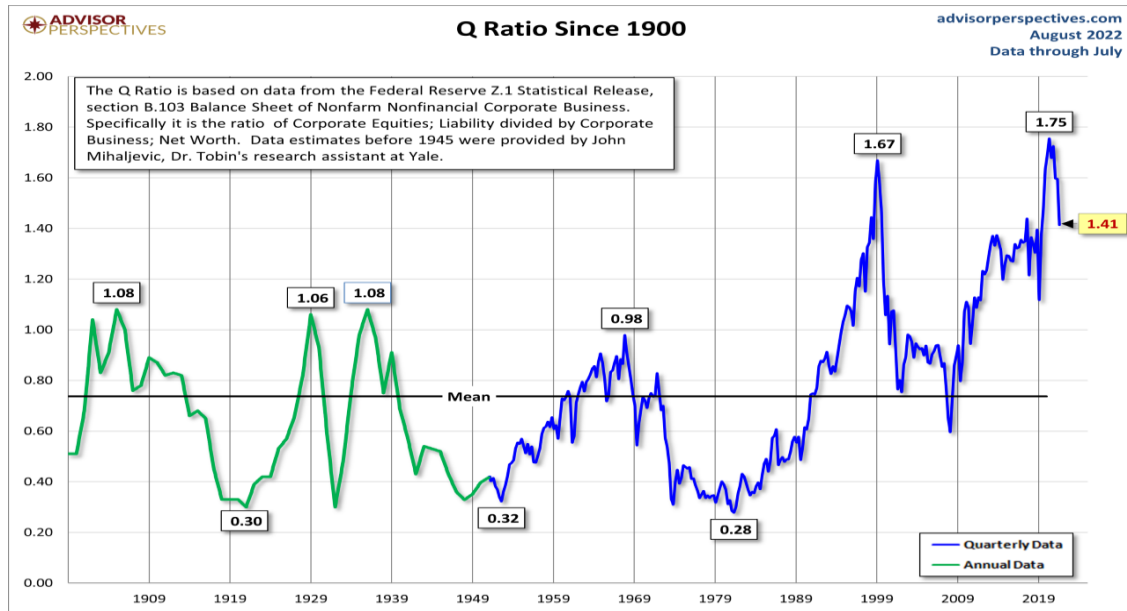
While it could be, certain conditions exist that typically do not indicate the start of a new *bull* market.

Consider Tobin's-Q. The Q-Ratio measures the market value of companies divided by their assets' replacement cost.

The indicator has been around for decades.

Coming into the most recent bear market, the Q-Ratio was at 1.75x. An all-time high.

It now sits at 1.41x, still an historically high level.

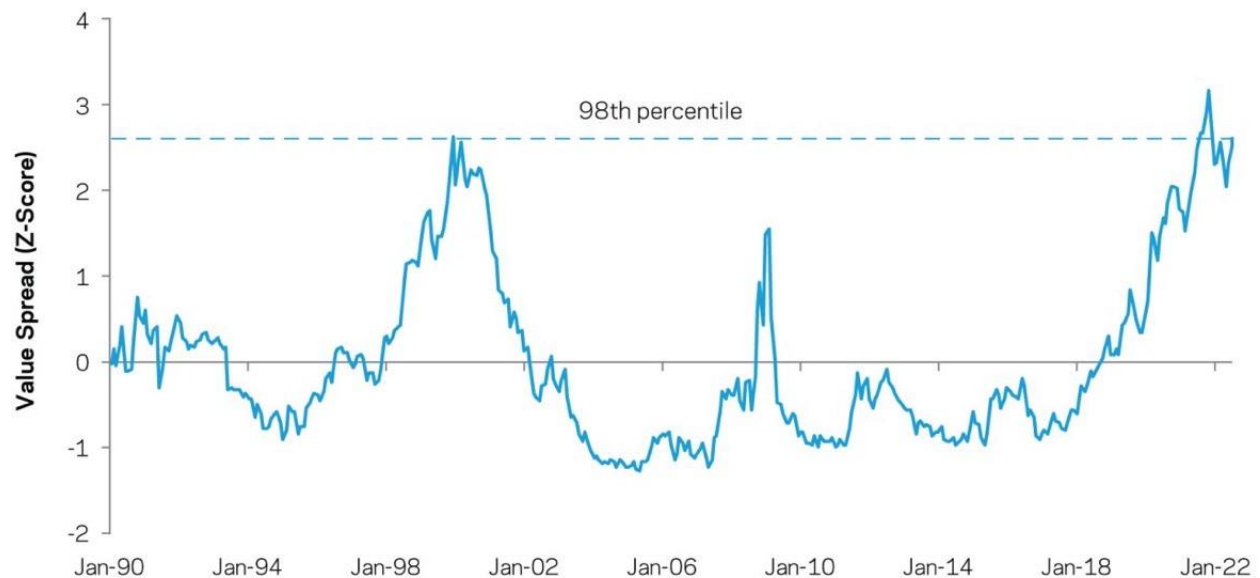


If history is any guide, we would not expect a new bull market to start from current levels.

Meanwhile, valuation spreads remain at nosebleed levels.

The following chart illustrates that the valuation spreads are still at 30-year highs.

Spreads are constructed using five value measures: book-to-price, earnings-to-price, forecast earnings-to-price, sales-to-enterprise value, and cash flow-to-enterprise value. Spreads are measured based on ratios and are adjusted to be dollar-neutral, but not necessarily beta-neutral through time.



Meanwhile, if the bear market is over, it would represent an historically short period of market pain.

S&P 500® Index Price Declines (Excluding Dividends): 1946-January 2019

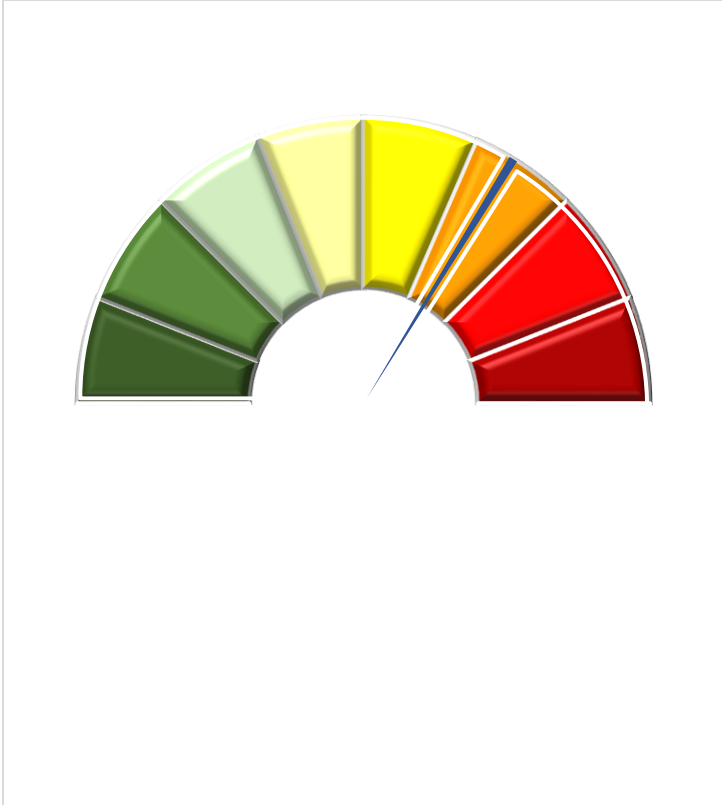
Type of Decline	Percent Decline	Count	Average Change	Duration in Months
Pullbacks	5-10%	100	-6.6%	1
Corrections	10-20%	30	-13.0%	4
All Bear Markets	20+%	14	-31.5%	14
Uncomfortable Bears	20-40%	11	-25.9%	11
Hellacious Bears	40+%	3	-52.1%	23

Given the historically high valuations and unfavorable liquidity situation, the odds favor being through the first third of a bear market.

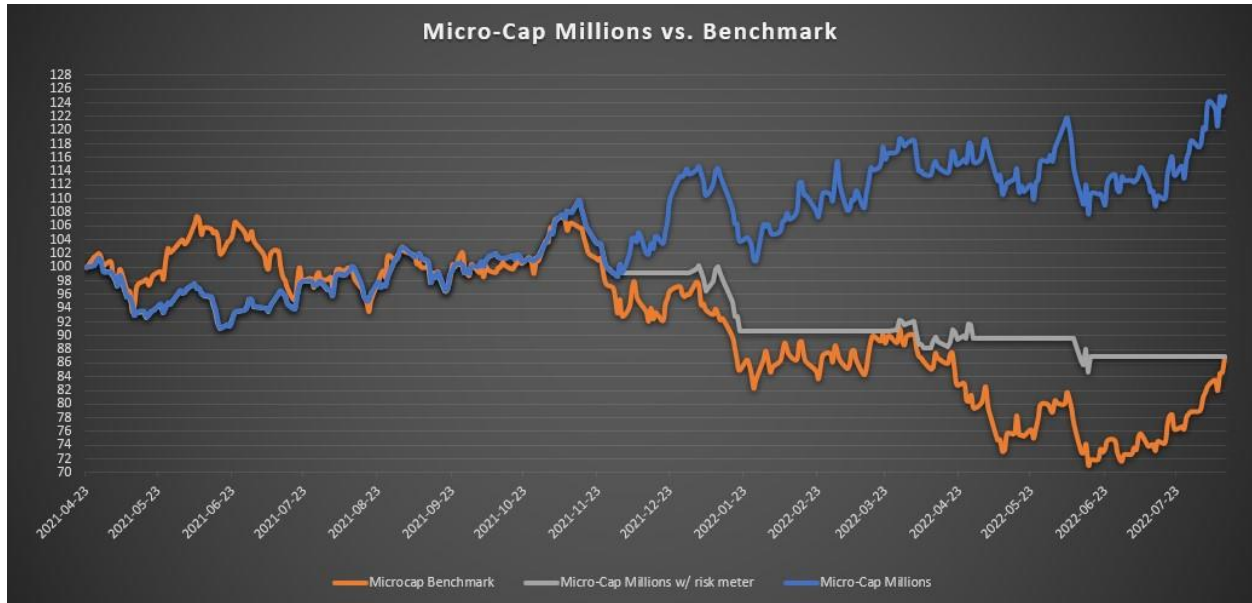
More pain to come.

Meanwhile, the market is exceptionally overbought.

While my long-term taxable account has done very well over the last couple of weeks, I am sitting on my hands until we are oversold again.



Micro-Cap Millions



There are two trades this week.

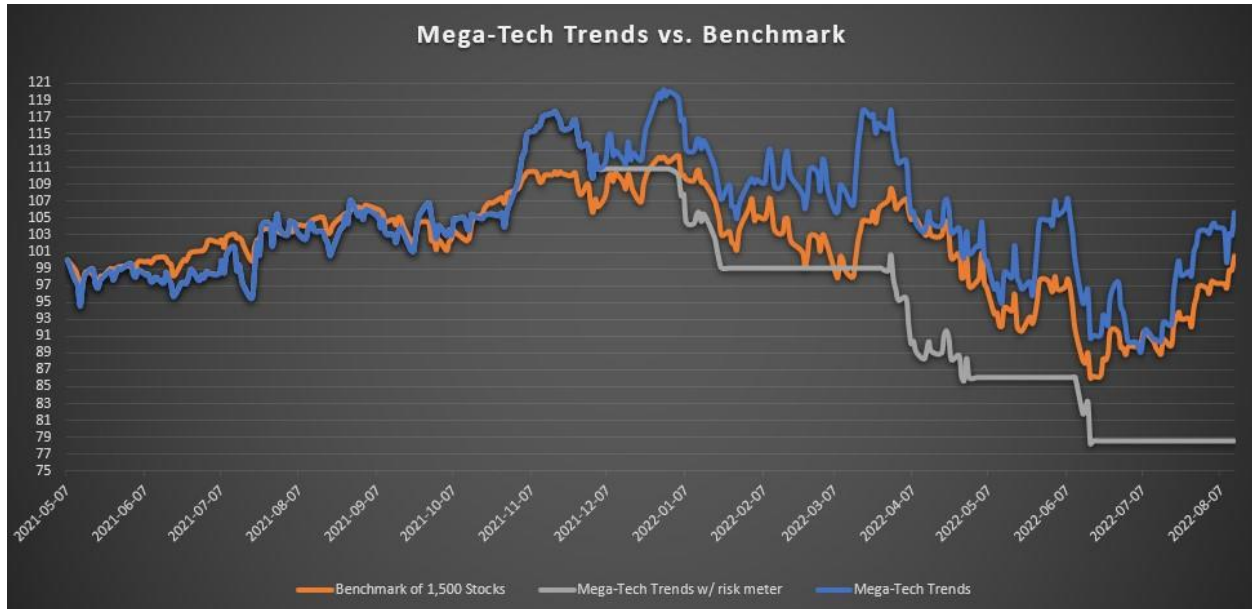
Buy Advantage Technologies (Nasdaq: AEY) and PCTel, Inc. (Nasdaq: PCTI)

Sell Alpine Immune Sciences, Inc. (Nasdaq: ALPN) and Utah Medical Products (Nasdaq: UTMD)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
AEY	ADDvantage Technologies Group Inc	0.00%	new	Technology
ASRT	Assertio Holdings Inc	20.77%	46	Healthcare
BMRA	Biomerica Inc	-2.91%	4	Healthcare
CTG	Computer Task Group Inc	-12.79%	67	Technology
HCKT	Hackett Group Inc (The)	4.56%	144	Technology
IMMR	Immersion Corp	1.56%	4	Technology
PCTI	PCTEL Inc	0.00%	new	Technology
PERI	Perion Network Ltd	23.63%	25	Technology
SCSC	ScanSource Inc	-14.46%	74	Technology
WSTG	Wayside Technology Group	-16.69%	81	Technology

Mega-Tech Trends



There is one trade this week.

Buy TTM Technologies, Inc. (Nasdaq: TMI)

Sell Arlo Technologies, Inc. (NYSE: ARLO)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
AEIS	Advanced Energy Industries Inc.	0.80%	4	Technology
AMKR	Amkor Technology Inc	0.40%	4	Technology
CDW	CDW Corp	12.53%	81	Technology
CNXN	PC Connection Inc	4.53%	4	Technology
JBL	Jabil Inc	5.12%	11	Technology
PLAB	Photronics Inc	51.03%	151	Technology
SANM	Sanmina Corp	0.16%	4	Technology
SCSC	ScanSource Inc	-14.12%	67	Technology
SNX	TD SYNEX Corporation	12.28%	25	Technology
TTMI	TTM Technologies Inc	0.00%	new	Technology

Large Cap Leaders



There is one trade this week.

Sell Salesforce, Inc. (NYSE: CRM)

There is no new buy as the model only holds nine stocks this week.

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ABT	Abbott Laboratories	2.04%	4	Healthcare
ADI	Analog Devices Inc	6.99%	74	Technology
APH	Amphenol Corp	0.91%	186	Technology
AVGO	Broadcom Inc	11.95%	53	Technology
CDW	CDW Corp	5.66%	95	Technology
EPAM	EPAM Systems Inc	4.10%	4	Technology
KLAC	KLA Corp	20.31%	32	Technology
MCHP	Microchip Technology Inc	3.15%	4	Technology
NXPI	NXP Semiconductors NV	1.95%	11	Technology

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