



# Harry's Take

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## Another Sign of Narrowing Breadth: Only 20% of Stocks Are Beating the S&P 500

We are seeing many signs of the phenomenon that accompanies almost all major stock tops: large-cap stocks outperforming small caps as the dumb money piles in during the late stages of a bull market. I have shown a number of these over recent weeks and months. This indicator is just more extreme, having just hit the same level as the first tech bubble top in March 2000.

### Rare Sell Signal Like Early 2000 Top: Only 20% of Stocks Beat S&P 500



Source: <https://twitter.com/MichaelKantro/>; <https://www.fool.com/investing/2023/05/30/first-time-in-23-years-sp-500-warning-wall-street/>

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At the October 2007 top, 34% of the stocks were beating the S&P 500 index. At the January 4, 2022, peak, 28% were beating the index. And back at the

pre-COVID peak in early 2020, it was 25%. Only at the early 2000 top was only 20% beating, as is occurring now.

That early 2000 peak was the top of the first tech bubble, the first such bubble since 1925-1929. The 2007 peak was not nearly as bubbly. Only into late 2021 did the second tech bubble peak, and that peak was stronger and longer than the one from 1995 into 2000. And the present bear market rally has been unusually strong. Investors strongly want to believe that we are heading to new highs, as we have every time since the 1987 mini-bubble peak.

**As I have been saying clearly... not this time!**

Hence, this is an even more important point for the market than the late 2021 top for most stock indices (January 4 for the S&P 500). That's why this rare breadth indicator beating the index level at the same, extreme 20% of stocks is so important. A reversal in stocks should be imminent... If not, I will have to reevaluate.

But for now, this literally looks like the last chance to sell or short stocks for the next major wave down of the crash of our lifetime, with the early 2020 COVID lows as the best target. That will be down nearly 60% for the Nasdaq and 55% for the S&P 500 from the all-time highs...

And the ultimate bottom likely will not hit until mid- to late 2024!

Harry

Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).