



Bulls, Bears, and Pigs

On Wall Street, there's an old saying that bulls make money, bears make money, but pigs get slaughtered.

This week, I wanted to share an analysis of the current market sentiment among newsletter advisors, along with some historical perspectives.

This analysis comes courtesy of *Investors Intelligence / Chart Craft*.

There's a lot of bulls out there.

There are few bears.

Are we in a piggish environment about to get slaughtered?

I don't know.

In my experience, market tops are much more difficult to anticipate than bottoms.

Tops can develop over time because speculators may have cash on the sidelines; they can borrow money on margin and use other tools to gain more market exposure.

Bottoms develop quickly.

Just like how building a house might take a year, it takes only 30 minutes to burn it down.

Speculators are forced to sell; they dump everything fast, what took a while to go up free falls, and then sentiment gets so sour that the bottom is in.

The following analysis notes that market sentiment suggests we are far from the bottom.

We may also be far from the top even though the level of bullishness is historically high relative to the recent past.

You should be aware of the current situation so that you're prepared to react to major trend changes in the indexes as sentiment starts to shift.

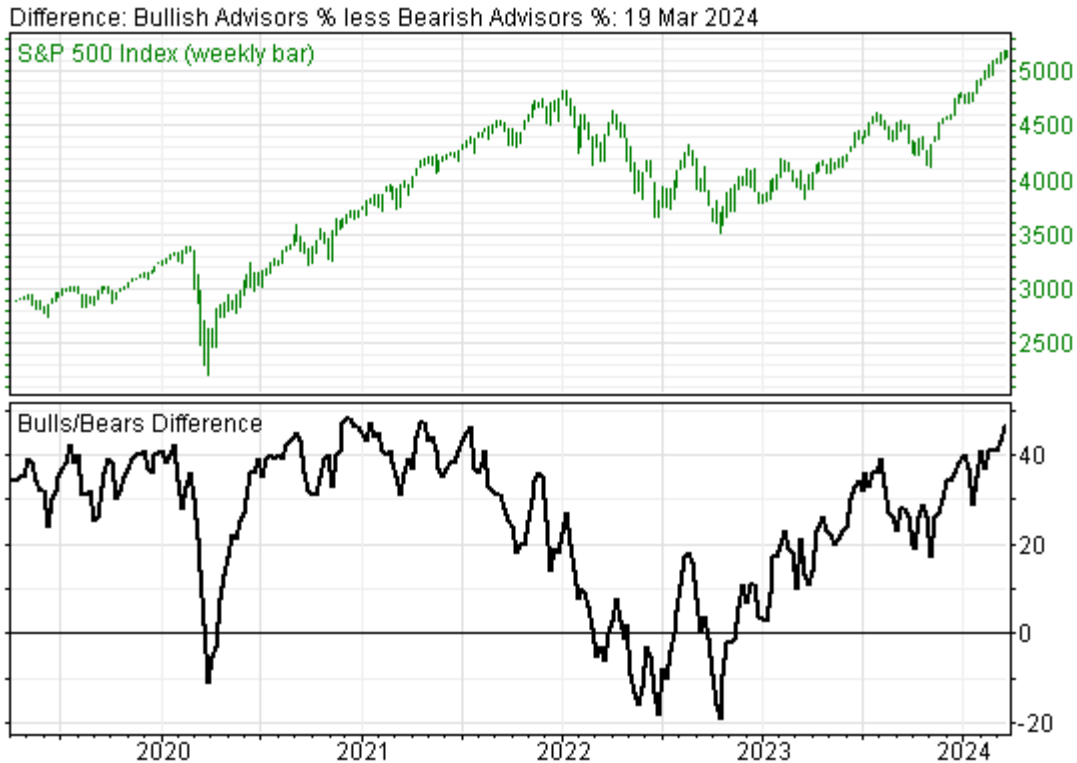
Without further ado...

*“The tiny index losses left the **bulls** little changed at **60.3%**, down from 60.9% last time. That was the most bulls since summer 2021, increasing the danger of a retreat. High levels of optimism are danger signs! The bulls last exceeded 60% in Apr and Jul 2021, at 63.7% and 61.2% respectively. Remember, sentiment signals of a top can take weeks/months to occur. Bottom signals (low bulls-high bears) happen quickly. These highs contrast with the late Sep-2023 when the bulls fell below 43% as the averages retreated. In a bull market, readings around 40% indicate lowered risk to buy, but bulls above 55% are signals to prepare defensive strategies. After a significant bear market decline, such as in 2022 (after the 2021 top signals), we expect to see the bulls below 30%. This occurred in early Oct-22 (bulls at just 25.0%), suggesting a major market trend shift and buying chance.*

*A fractional increase for the **bears** ended at **14.7%**, up from 14.5% a week ago. That was their lowest count since Mar 2018. The remaining bears hold lots of cash. Many question the accuracy of positive economic data and still project a recession. We also note more comparisons with the tech bubble of 1999/2000. Low levels of bears (14.4% in Mar-18, 15.3% in Jul-2021) hint at market tops, suggesting most newsletters are near fully invested. In contrast, the bears hit 44.1% early Oct-22, equaling their mid-Jun-22 peak. The best broad buying chances occur with those lofty bear counts, which suggest most have exited equity positions. If markets selloff the bear count could increase quickly!*

*There was also a small increase for the number of advisors projecting a **correction**. That rose to **25.0%** from 24.6% last issue. A low correction count is modest sign for higher markets. It often takes a market setback to raise their number. As contrarians we look to act against the ‘crowd.*

*The **bull-bear spread** narrowed a bit to **+45.6%**, from +46.4% a week ago. Those are similar to the +45.9% **difference** shown in Jul-2021, and the widest spreads since Apr-2020 when it hit +47.0. Spreads above 40% spread point to elevated risk. The wider the positive spread, the higher the risk, with the +35% to +45% clearly there. Smaller differences, such at +17.2% late Oct-23, as buying chances in a bull market. We also recall that tops usually form over weeks (and sometimes months) while bottoms can occur quickly. In a bear market, such as late 2022, there were nine weeks with more bears than bulls (a negative spread), including -19.1% early Oct-22. Negative differences signal diminished risk and allow for broad accumulation. Please remember, advisor sentiment was originally designed to call bottoms, and market top signals occur over months.”*



Above, you can see a chart of the S&P 500 compared with the spread between bulls and bears.

Going back several years, we can see that we are in a historical "danger zone."

Again, this does not mean that the market is going to crash.

The market could go higher.

It could go sideways.

However, we are in a situation where most people have already made their bullish bets.

It will take extra oomph to push the market higher from here.

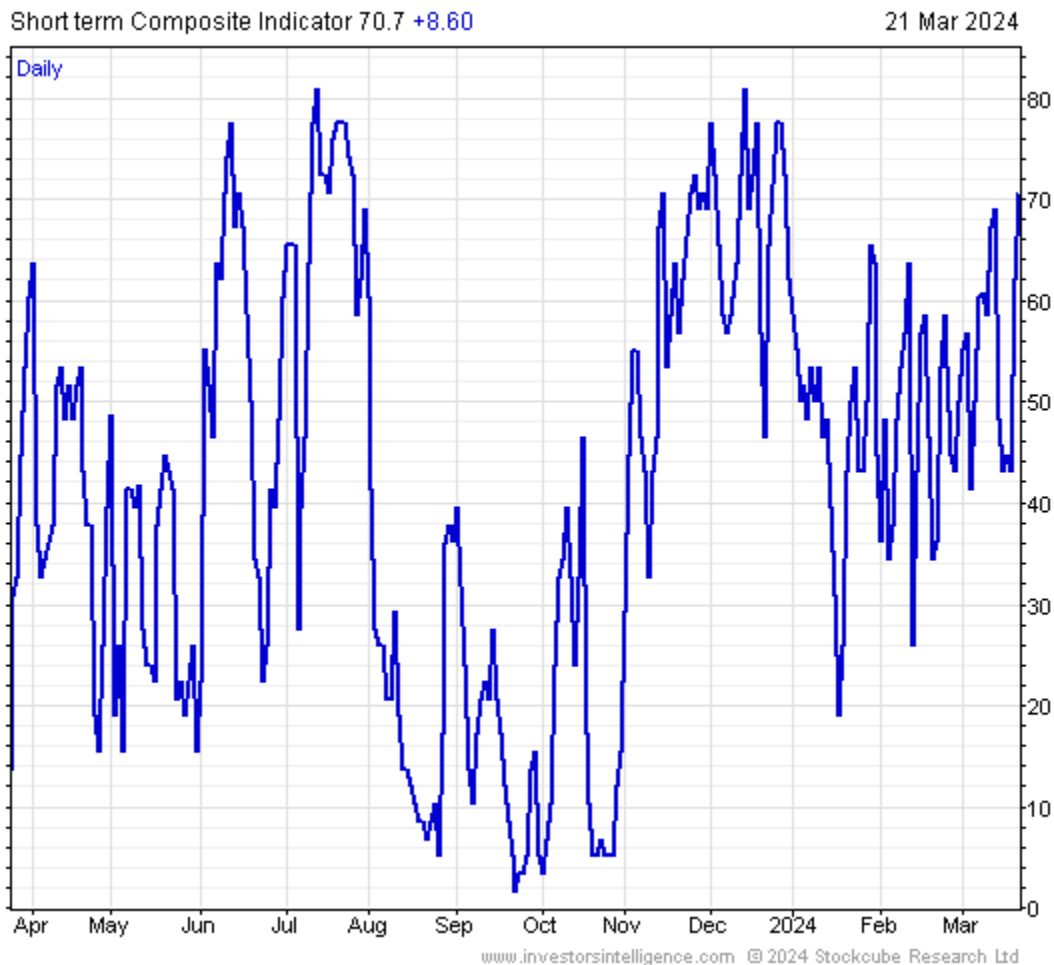
The odds favor all the gains from here, and then some will be lost before the market sentiment gets too bearish and the next bottom is in place.

Risk-O-Meter

My favorite indicator outside my creations is the *Short-Term Composite*, also courtesy of *Investors Intelligence*. I have displayed the chart here numerous times when the indicator has been at a critical point.

Right now, the *Short-Term Composite* is above 70.

From the statistical analysis that we've conducted internally, we know that when the indicator is above 70, it's a losing bet to own stocks.



Could this time be different?

Absolutely.

At the very least, though, the overbought condition must be worked off.

Stocks could remain flattish until then.

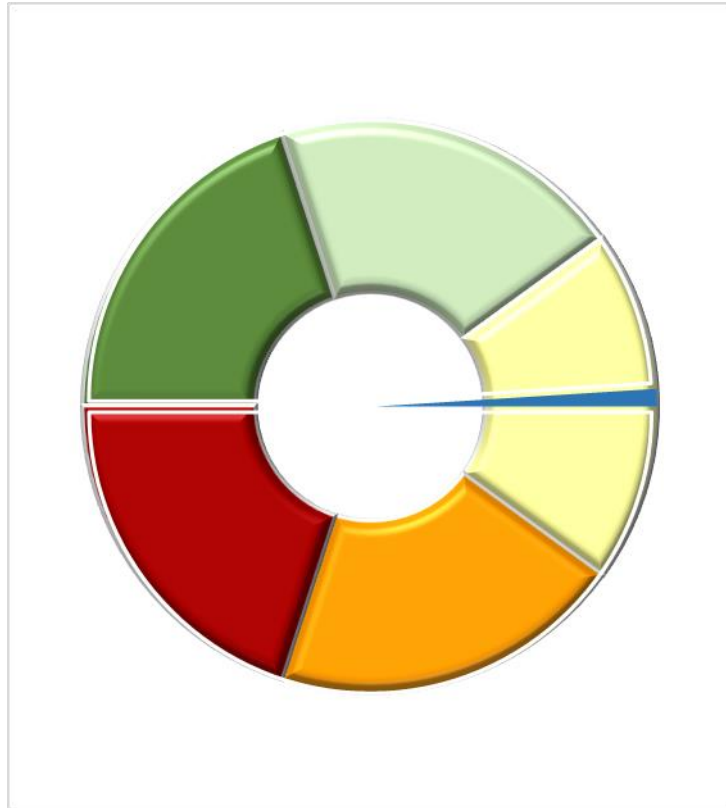
There could be a swift ass-kicking.

No one knows for sure.

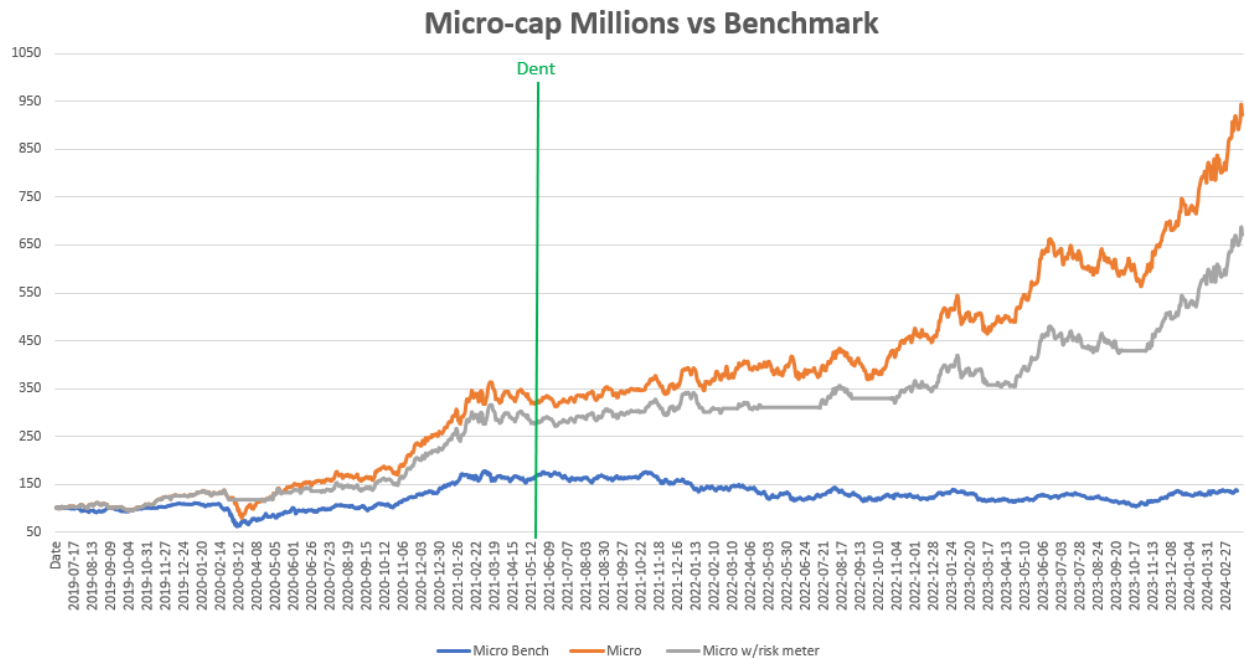
Therefore, I am going to play the odds and not allocate fresh capital to stocks here.

Instead, I have...





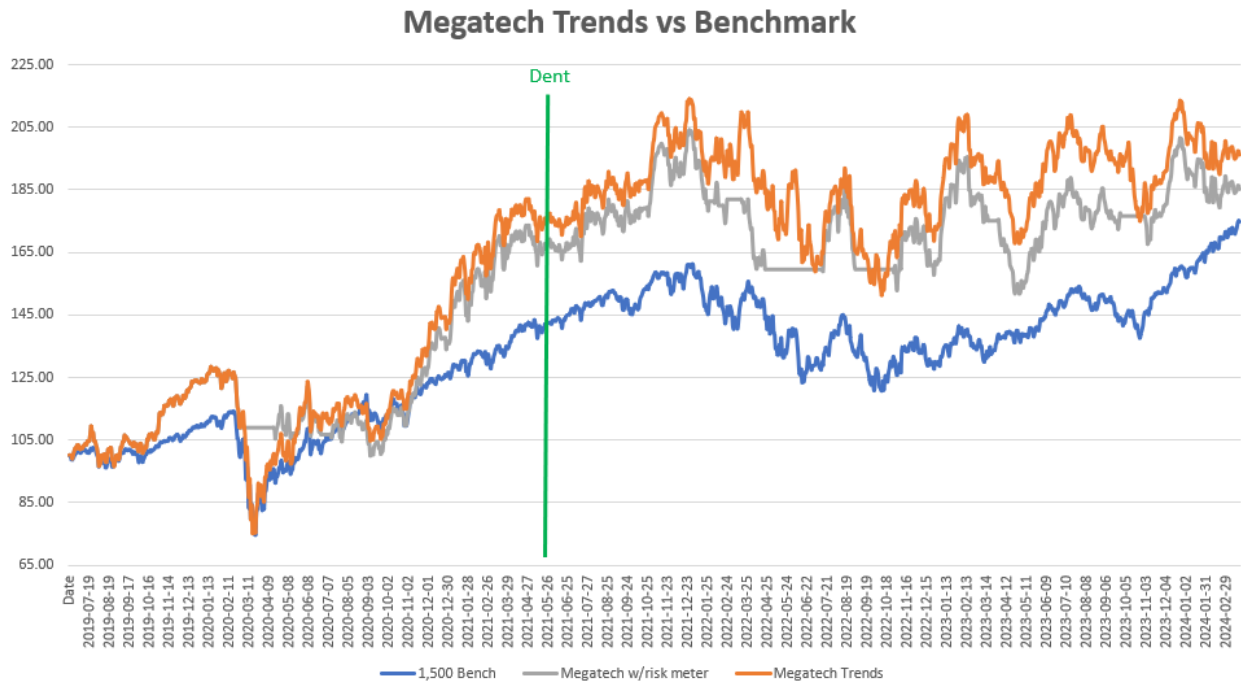
Micro-Cap Millions



There are no trades this week. Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ALOT	AstroNova, Inc.	4.12%	18	Technology
BWAY	Brainsway Ltd.	0.00%	4	Healthcare
CLMB	Climb Global Solutions, Inc.	23.03%	39	Technology
CRNT	Ceragon Networks Ltd.	10.18%	25	Technology
DDI	DoubleDown Interactive Co., Ltd.	-7.51%	31	Technology
DSP	Viant Technology, Inc.	102.28%	144	Technology
DTST	Data Storage Corp.	163.06%	214	Technology
ELMD	Electromed, Inc.	25.40%	31	Healthcare
ITRN	Ituran Location & Control Ltd.	20.77%	291	Telecommunications
MPTI	M-tron Industries, Inc.	3.70%	18	Technology

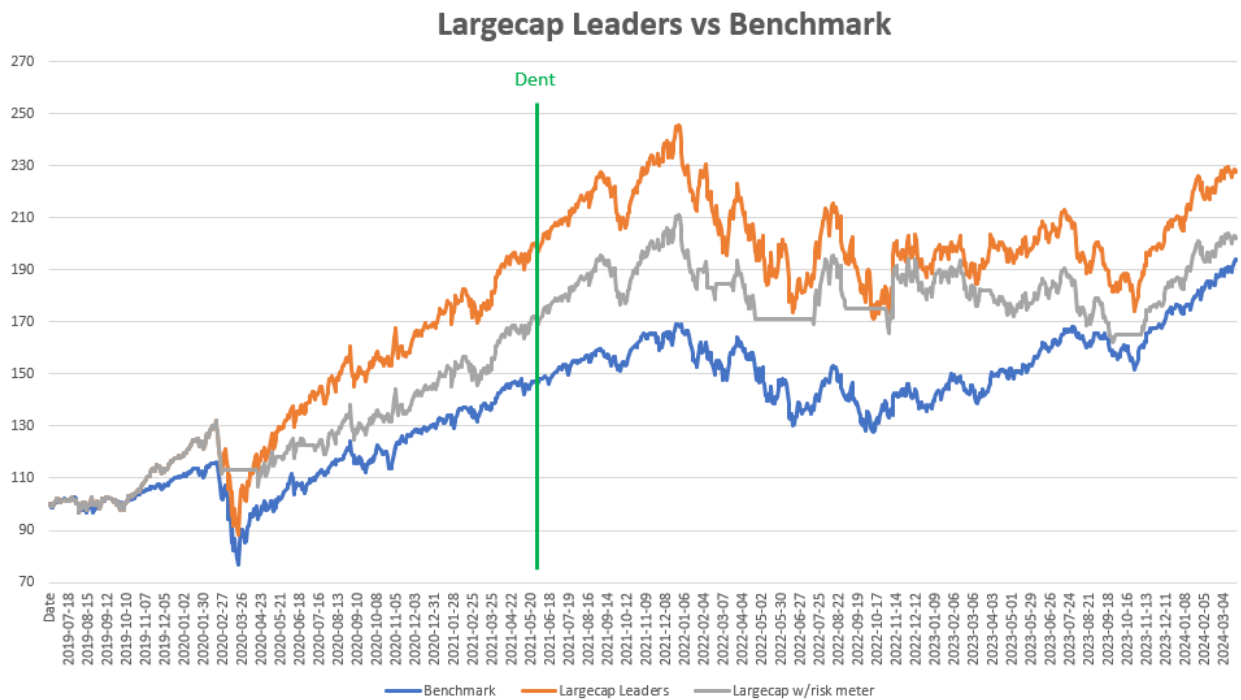
Mega-Tech Trends



There are no trades this week. Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
BMY	Bristol Myers Squibb Co.	3.63%	60	Healthcare
COLL	Collegium Pharmaceutical, Inc.	20.40%	60	Healthcare
DBX	Dropbox, Inc.	-2.91%	31	Technology
DXC	DXC Technology Co.	-5.63%	46	Technology
OSUR	OraSure Technologies, Inc.	-16.73%	53	Healthcare
SCSC	ScanSource, Inc.	6.64%	53	Technology
SWKS	Skyworks Solutions, Inc.	0.94%	53	Technology
TDC	Teradata Corp.	0.37%	4	Technology
XRX	Xerox Holdings Corp.	-10.66%	53	Technology
YELP	Yelp, Inc.	-13.05%	46	Technology

Large Cap Leaders



There are two trades this week.

Buy Akamai Technologies, Inc. (Nasdaq: AKAM) and Hewlett Packard Enterprise CO. (NYSE: HPE)

Sel Accenture (NYSE: ACN) and TE Connectivity (NYSE: TE)

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ABBV	AbbVie, Inc.	5.80%	46	Healthcare
AKAM	Akamai Technologies, Inc.	0.00%	NEW	Technology
AMAT	Applied Materials, Inc.	25.19%	60	Technology
APH	Amphenol Corp.	44.27%	144	Technology
BMY	Bristol Myers Squibb Co.	4.49%	53	Healthcare
CHTR	Charter Communications, Inc.	-22.93%	53	Telecommunications
CMCSA	Comcast Corp.	-1.41%	60	Telecommunications
FFIV	F5, Inc.	5.82%	60	Technology
HPE	Hewlett Packard Enterprise Co.	0.00%	NEW	Technology
MSFT	Microsoft Corp.	35.24%	179	Technology

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