



Is the Bottom In?

For months, I've warned that the market trend was positive, *but* risks were elevated. This situation devolved into a "stealth bear market," in which many stocks started to falter, but the index returns looked fine because they were driven by just a handful of the biggest companies.

I also warned that many smaller stocks will be washed out when the most significant stocks get hit.

Well, here we are.

Stock market sentiment is *very* bearish.

The market is *very* oversold.

The biggest companies recently entered a bear market.

Here's a chart of the bullish versus bearish newsletter advisors. Notice that bears outnumber bulls. Historically, by the time bears outnumber bulls...the milk has been spilled. Collectively, these people have a terrible record. You could say late to the party.

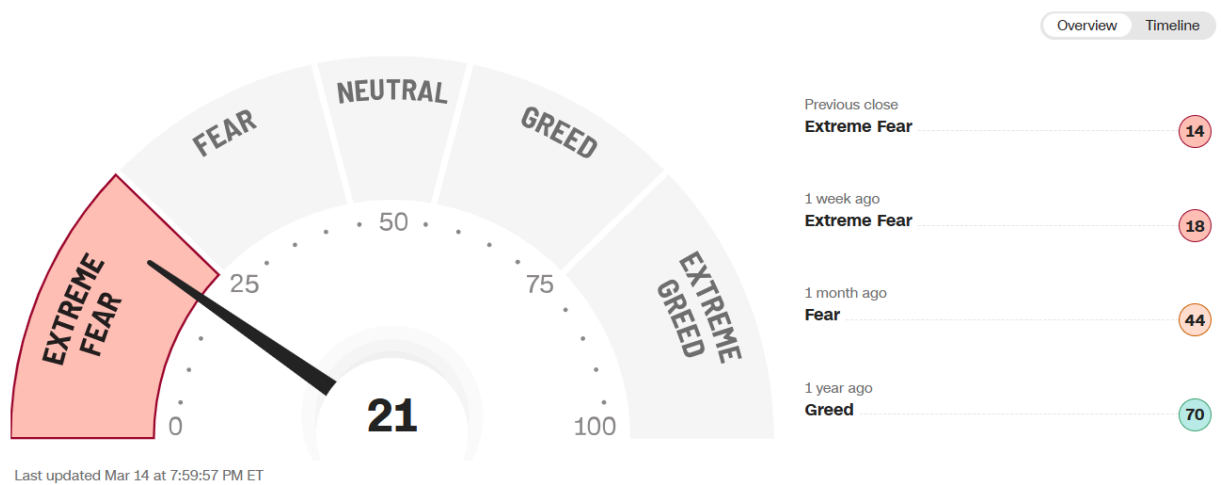
The last time this happened was near the end of 2022 *after* stocks took it on the chin.

The stock indexes had bumper years in 2023 and 2024.

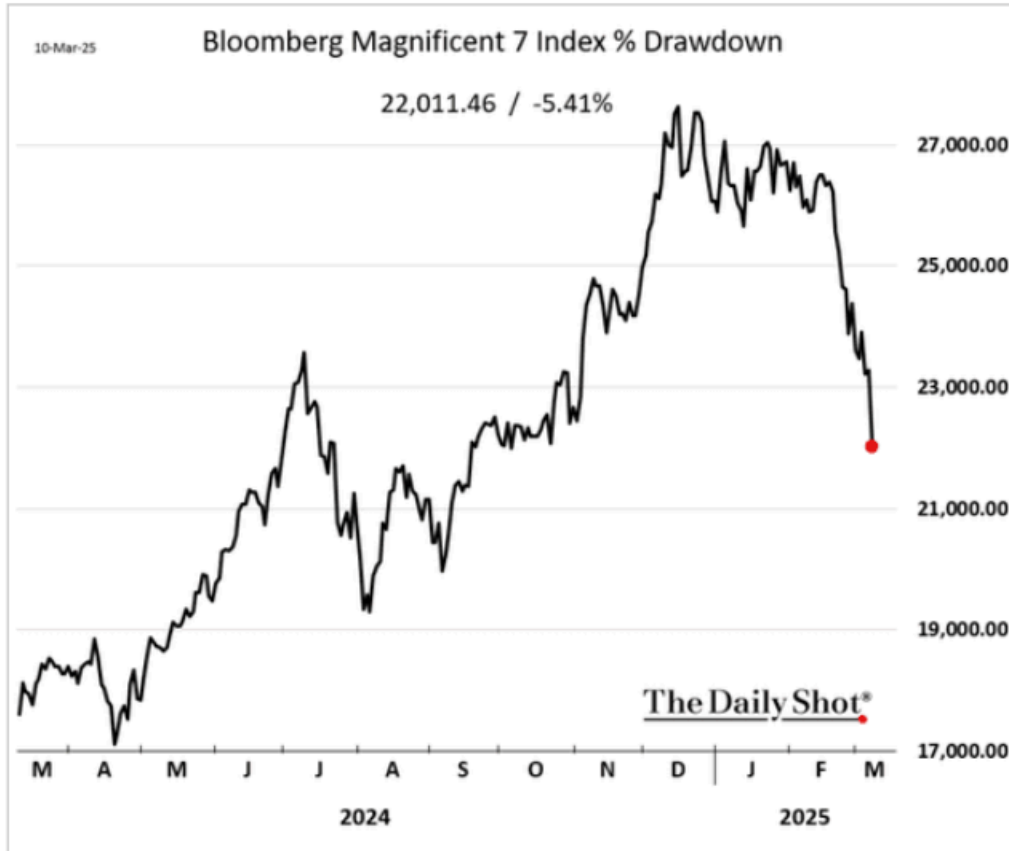
The situation is nearly identical to the end of 2022. I loaded up big then, too.



The *CNN Fear and Greed Index* has also been pressed to the floor with extreme fear. *CNN's* website offers free access to this indicator and the seven factors used for its calculation. It's a good resource that takes less than 30 seconds daily to check.



Here are the *Magnificent Seven* stocks, which entered bear market territory as they fell over 20.3% from recent highs:



There has also been plenty of sloppy selling recently. I suspect folks on margin were forced to sell, which never happens at good prices (hey, they don't give you margin calls when things are rosy)!

As I've documented, I have been buying the dip. The easy trade was to average into stocks as the sentiment shifted in a deeply oversold market. That trade is now over, and it is getting much trickier right now.

I suspect the market could bounce around a little bit from here.

I may also be wrong.

Before I take action, I figure I will be wrong. That said, I'm just playing the odds.

If the market rallies and fails, I'll look at sentiment, oversold conditions, breadth, momentum, and other factors to decide when to return with more buying.

In particular, I will hold off until and unless the S&P 500 reaches 5,250 and 5,000. Big round numbers are important levels.

I won't know if this is *the* bottom for now until after the fact.

For now, I'm done buying. Some of the noise that has spooked the markets may be just that...noise...

One indicator, though, suggests we are not at a short-term bottom. I call it the "hate mail" indicator.

I have not received nearly the amount of hate mail required to signal a bottom. It's been relatively quiet. Too quiet. I miss the emails calling me an idiot or buffoon. The worst I've received was that I'm just uninformed because I don't consume the news.

Never mind that if the news *you're* consuming is a propaganda narrative and fake news, *you're* not informed either.

All that matters is price. You don't need to read the news to monitor price.

Again, it's trickier from here. Smaller stocks that have been very beaten down are ripe to rebound first. From here, a dramatic outperformance of small-cap companies suggests that a short-term bottom is in.

That is what I will keep an eye on to see if that happens.

For now, I sit tight.

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