



# UNBOUNDED WEALTH

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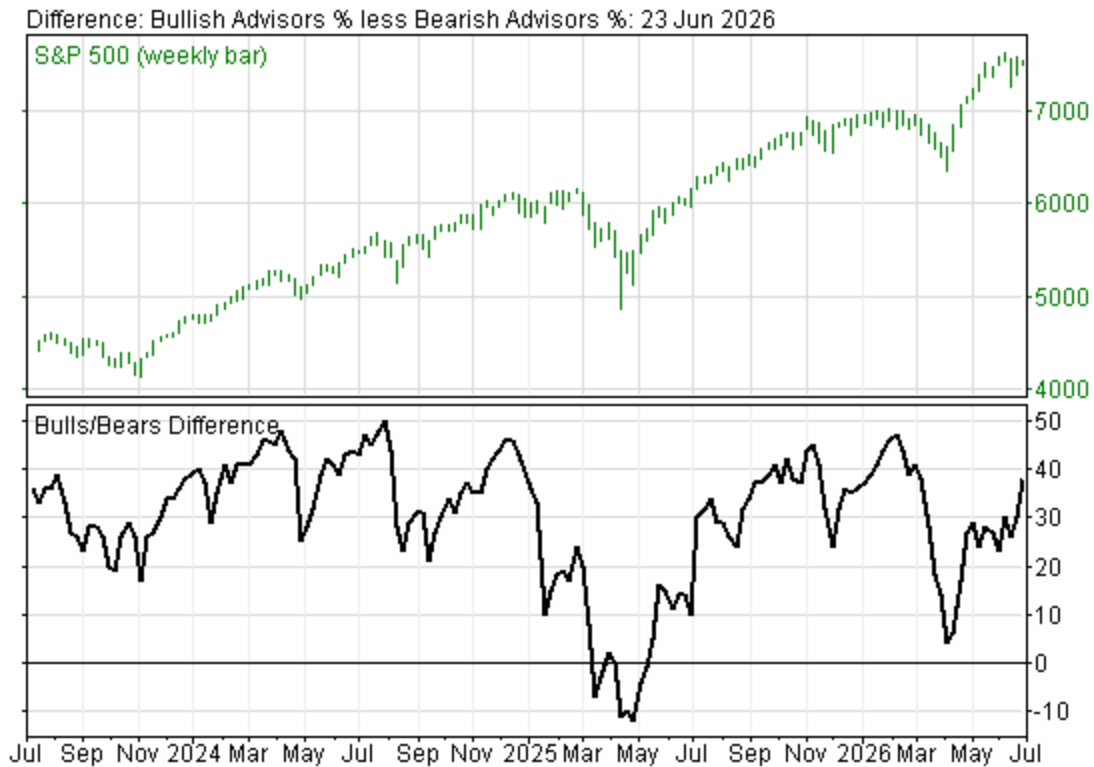
## This Indicator is Flashing Warning Signs

One question I receive frequently is, "What are you seeing right now?"

While I don't make portfolio decisions based on any single indicator, I believe it's helpful to share some of the factors I'm monitoring. One of those is investor sentiment.

The chart below comes from *Investors Intelligence* and tracks the difference between bullish and bearish investment advisors. Here's how I'm interpreting it today.

As you can see in the chart, bullish sentiment has risen sharply while bearish sentiment has fallen. Historically, readings above +30% suggest investors are becoming increasingly optimistic, and readings above +40% have often preceded periods of market weakness. Conversely, when bears outnumber bulls, particularly by a wide margin, I generally become much more interested in buying risk assets.



One point I'd like to emphasize is that I don't use sentiment as a market timing tool. I use it as a risk management tool. Extreme optimism doesn't mean the market has to fall tomorrow, next week, or even next month. Bull markets can remain optimistic far longer than most investors expect. What elevated sentiment does tell me is that expectations are becoming increasingly optimistic, and historically, future returns tend to become less attractive when nearly everyone is already bullish.

That's one reason the last time I became aggressively bullish in April, 2026 was when bulls seemed to disappear and bears came out of hibernation. Fear has a way of creating opportunity. It doesn't guarantee the market can't fall further, but it often shifts the balance between risk and reward in the investor's favor. As Warren Buffett famously said, "Be fearful when others are greedy and greedy when others are fearful." While that sounds simple, it's surprisingly difficult to put into practice.

It's also important to understand that this chart, by itself, will never cause me to buy or sell. No single indicator should. Sentiment is just one input among many that I monitor. My investment decisions are based on a combination of market trends, risk management, intermarket relationships, and other quantitative factors. The biggest mistakes investors make often come from placing too much confidence in a single piece of information.

Markets don't usually peak because of bad news. More often, they peak because good news has already been fully embraced. By the time everyone agrees that the outlook is bright, much of that optimism has already been reflected in stock prices.

That's why I continually ask myself one question: What would change my mind? If bullish sentiment continues to rise while market internals begin to deteriorate, I'll naturally become more cautious. On the other hand, if sentiment cools while the underlying trend remains healthy, the market may once again offer a more attractive balance between risk and reward.

Ultimately, sentiment tells me when to think differently—not when to act immediately.

At the moment, I'm not predicting an imminent market decline, nor am I suggesting investors should panic. Elevated optimism simply tells me that **risk management** deserves a little more attention than return maximization. As always, my objective isn't to predict the next move in the market. It's to respond to changing conditions while protecting capital and allowing probabilities to work in my favor over time.

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