Bullish Trend At Risk As Market Selloff Continues

Inside This Week?s Bull Bear Report
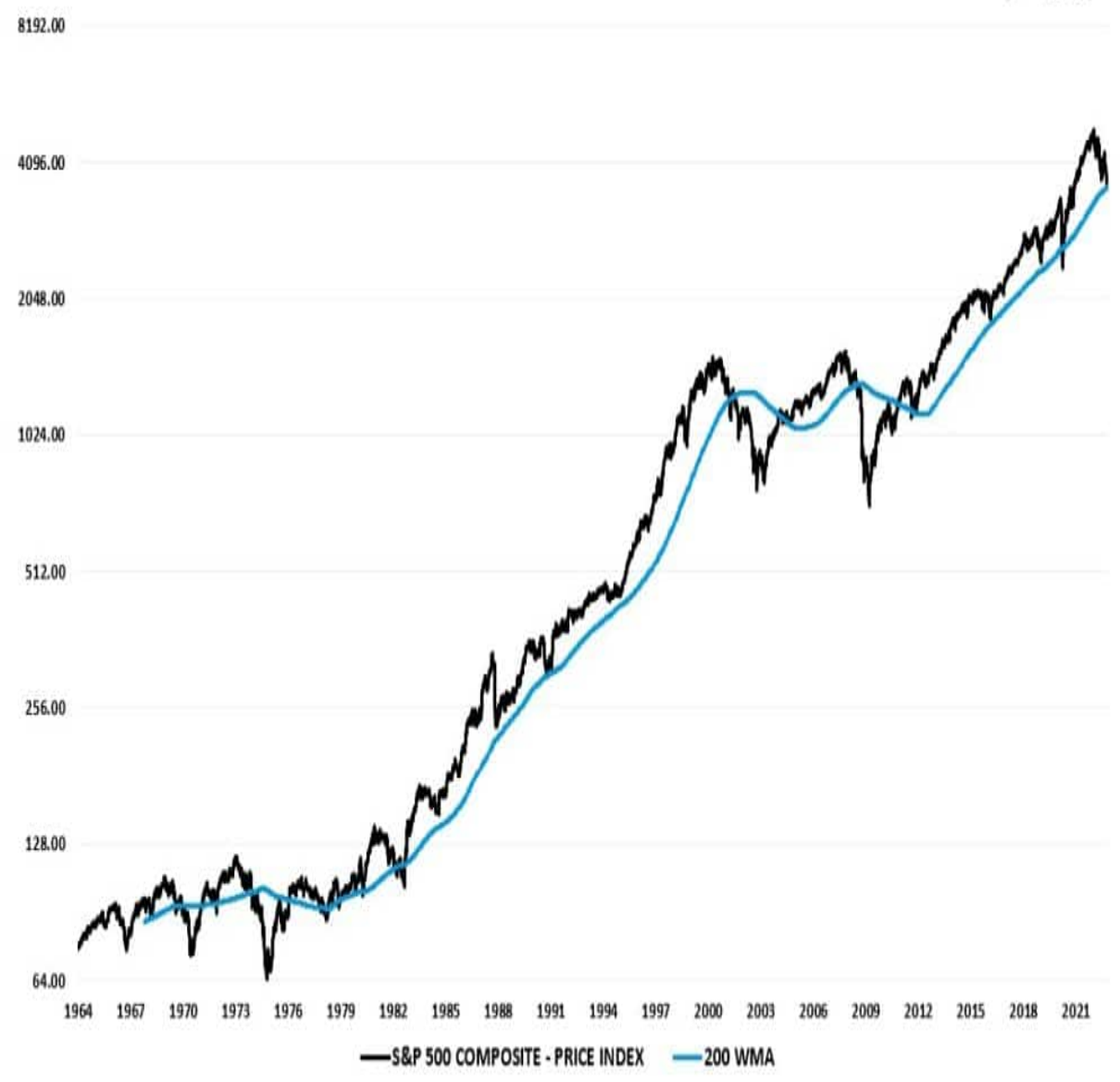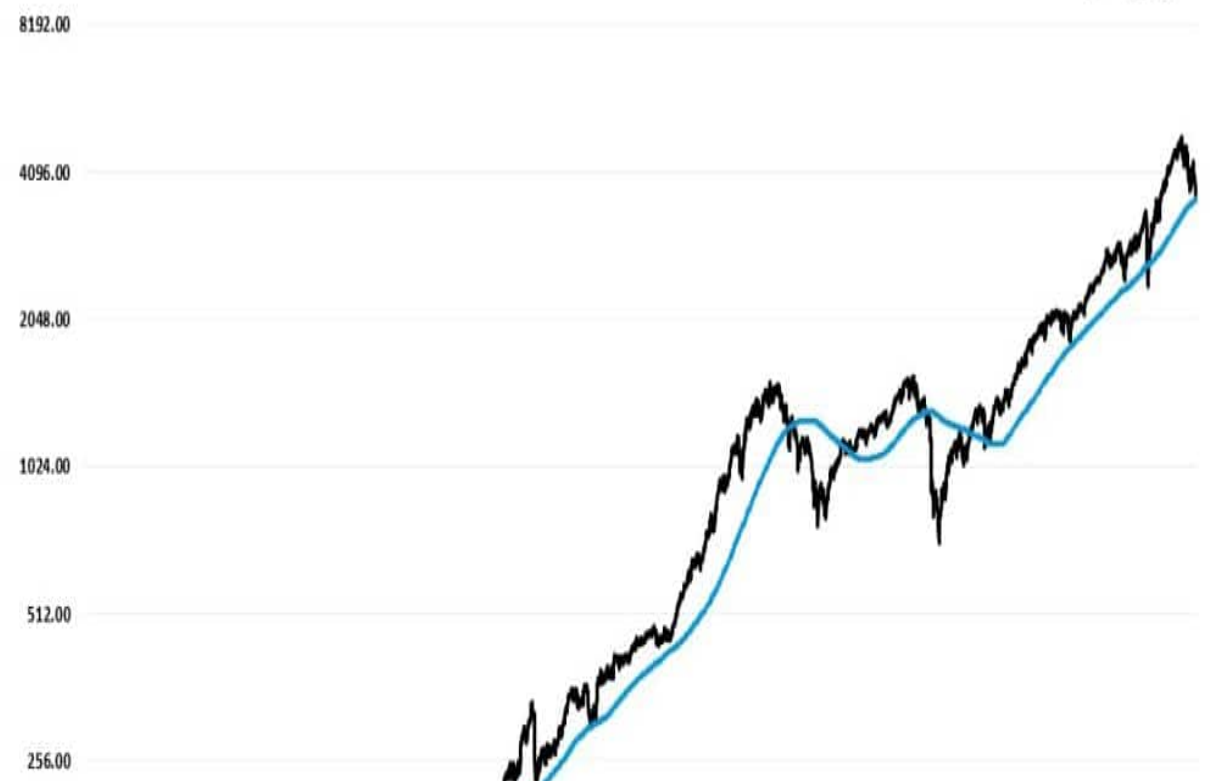

Bullish Trend At Risk

Another volatile market week continues to weigh on investor psychology. Such remains the most dangerous part of a bearish market, as emotions begin to take over logical investment processes. The market traded quietly early in the week in anticipation of the September inflation report, which was much hotter than expected. On that news, the market initially broke down but mustered a strong rally of 5.5% from the lows.

Notably, the market continues to flirt with support at the 200-week moving average, which has defined the&#2013266080;*?bullish trend?*&#2013266080;since the financial crisis lows.&#2013266080;**In other words, despite the ?correction? from this year?s highs, the ongoing bull market remains intact.&#2013266080;**However, a *?confirmed break,?* which will be a close, retest, and failure of that bullish trend, will constitute a bear market.

S&P 500 Index Vs. 200-WEEK MA

S&P 500 COMPOSITE - PRICE INDEX   200 WMA
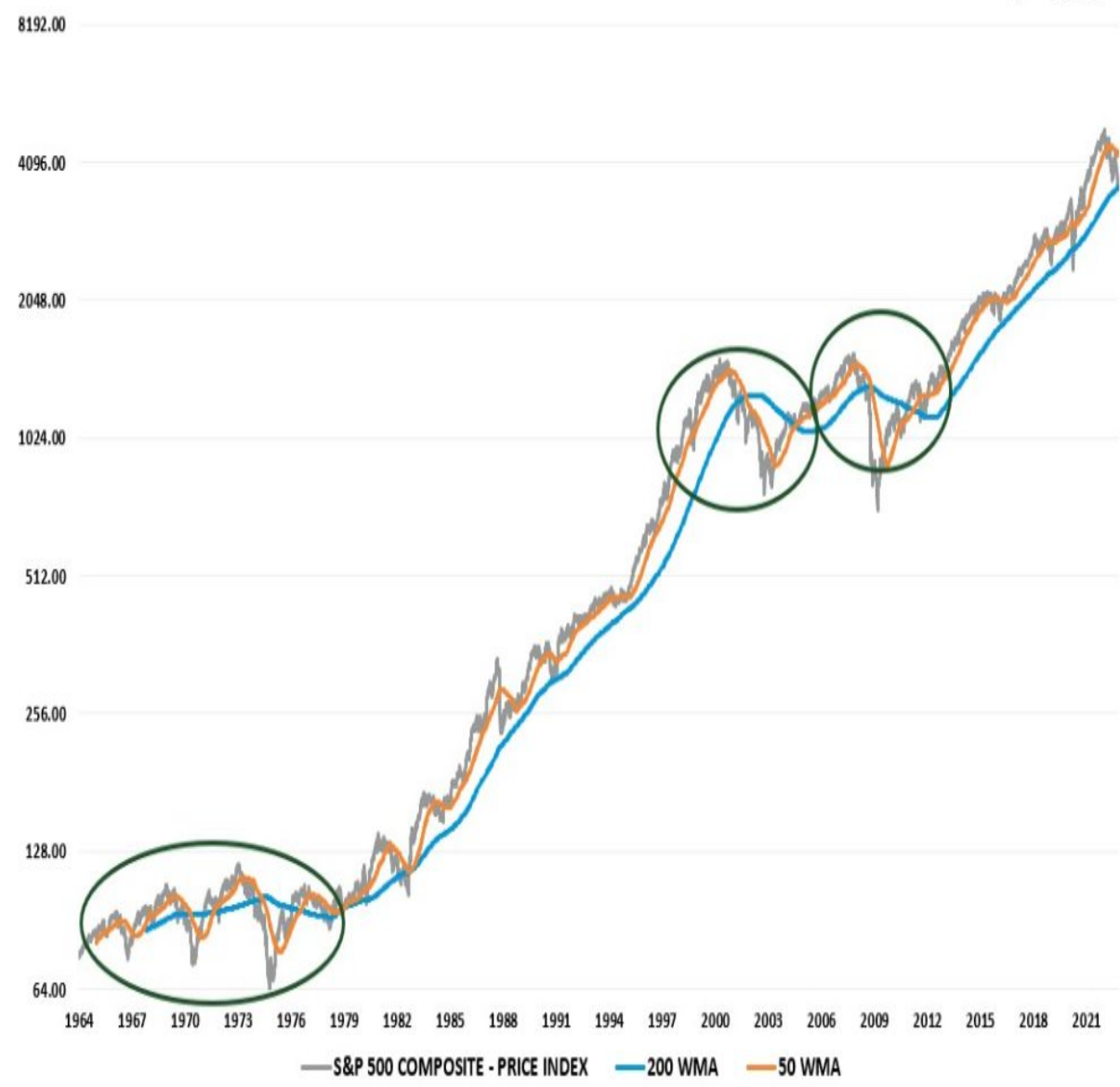
S&P 500 Index Vs. 200-WEEK MA

This is an important point.

While the mainstream media continues to define the current decline as a *?bear market,?* it remains a *?correction?* within the bullish trend. Many factors don?t currently exist that coincide with previous bear market cycles.
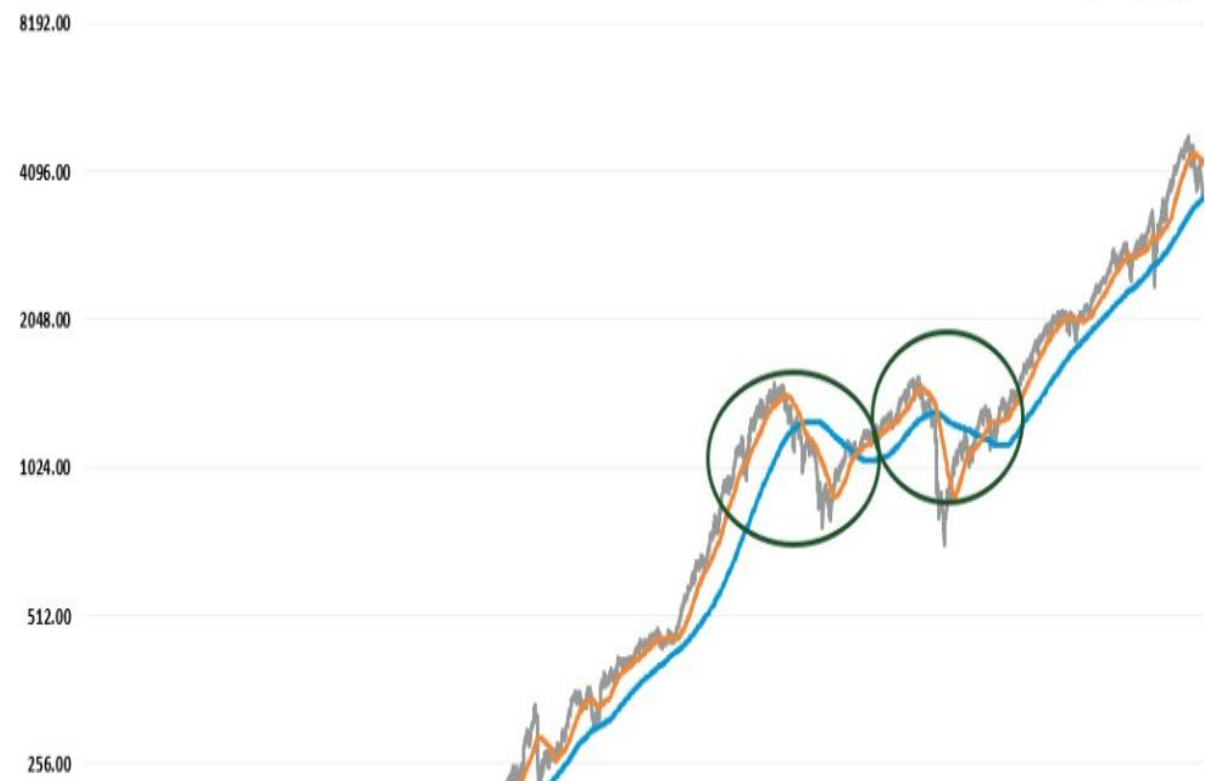
- *Surging unemployment*
- *Recession*
- *Bankruptcies*
- *Defaults*
- *Fed cutting rates*
- *Falling 2-year and 10-year Treasury yields*
- *Un-inversion of the yield curve.*
- *Spiking credit spreads*

In all previous *?bear markets,?* the bullish trend failed, and the 50-week moving average crossed below the 200-week.

S&P 500 Index Vs. 50-WEEK vs. 200-WEEK MA

8192.00

4096.00

2048.00

1024.00

512.00

256.00

128.00

64.00

1964 1967 1970 1973 1976 1979 1982 1985 1988 1991 1994 1997 2000 2003 2006 2009 2012 2015 2018 2021

— S&P 500 COMPOSITE - PRICE INDEX —— 200 WMA —— 50 WMA

S&P 500 Index Vs. 50-WEEK vs. 200-WEEK MA

8192.00

4096.00

2048.00

1024.00

512.00

256.00

Yes, those things may come, and if they do, we will see the bullish trend broken, and the Fed will reverse course. BofA had a great table on this.

Table 2: Only two metrics at levels normally seen when Fed panics/pivots/eases after market/macro pain...volatility
Fed capitulation watch

	Dotcom Dec'00-Dec'01	GFC Aug'07-Mar'09	Euro Debt Crisis Jul'11-Apr'12	Trade War (Feb'18-Jan'19)	COVID Mar-Apr'20	Today	Fed Pivot to Rate Cuts?
Initial unemployment claims (000s)	517	665	409	241	5,946	228	X
US unemployment rate (%)	4.2	8.3	9.1	4.2	13.0	3.6	X
ISM manufacturing PMI	40.8	34.5	51.4	54.9	41.6	50.9	X
CPI core y/y, NSA (%)	2.8	2.5	2.3	2.4	2.1	6.6	X
US IG credit spreads (bp)	204	622	266	266	401	171	X
US HY credit spreads (bp)	1,025	2,147	894	894	1,087	531	X
CBOE Volatility Index (VIX)	33.6	59.9	43.0	25.4	53.5	31.9	✓
ICE BofA MOVE Index	138.9	214.0	107.2	66.6	83.9	160.7	✓

Source: BofA Global Investment Strategy, Bloomberg, ICE Data Indices LLC

With the market oversold on a short-term basis, and longer-term deviations more extreme, we continue to look for a reflexive rally. Use any rally to raise cash levels and reduce equity risk

accordingly.

Need Help With Your Investing Strategy?

Are you looking for complete financial, insurance, and estate planning? Need a risk-managed portfolio management strategy to grow and protect your savings? Whatever your needs are, we are here to help.


Forward P/E?s Still Not Cheap

There are some important considerations with the chart above. While the bullish trend remains intact, there is a reasonable probability the trend line will break before this cycle completes. The reason is that while we are certainly due for a robust counter-trend rally, the market has likely not accounted for an earnings recession in 2023 as a global recession takes hold.

We discussed the risk to earnings ***in last week?s newsletter,*** stating:

> *?The Fed?s inflation-fighting measures of hiking rates and reducing its balance sheet do not support a market bottom. Why market participants are expecting&#2013266080;?this time to be different?&#2013266080;is a bit beyond my ability to rationalize.*
>
> *Such is particularly the case as we head into earnings season. We previously noted the high correlation between the ISM Manufacturing Index and corporate earnings. With the latest release of the ISM Index, the economic backdrop continues to deteriorate, suggesting earnings growth rates will decline further.?*

ISM Manufacturing vs S&P 500 EPS Ann. % Change

S&P 500 EPS YoY % Change — US ISM PURCHASING MANAGERS INDEX (MFG SURVEY) SADJ
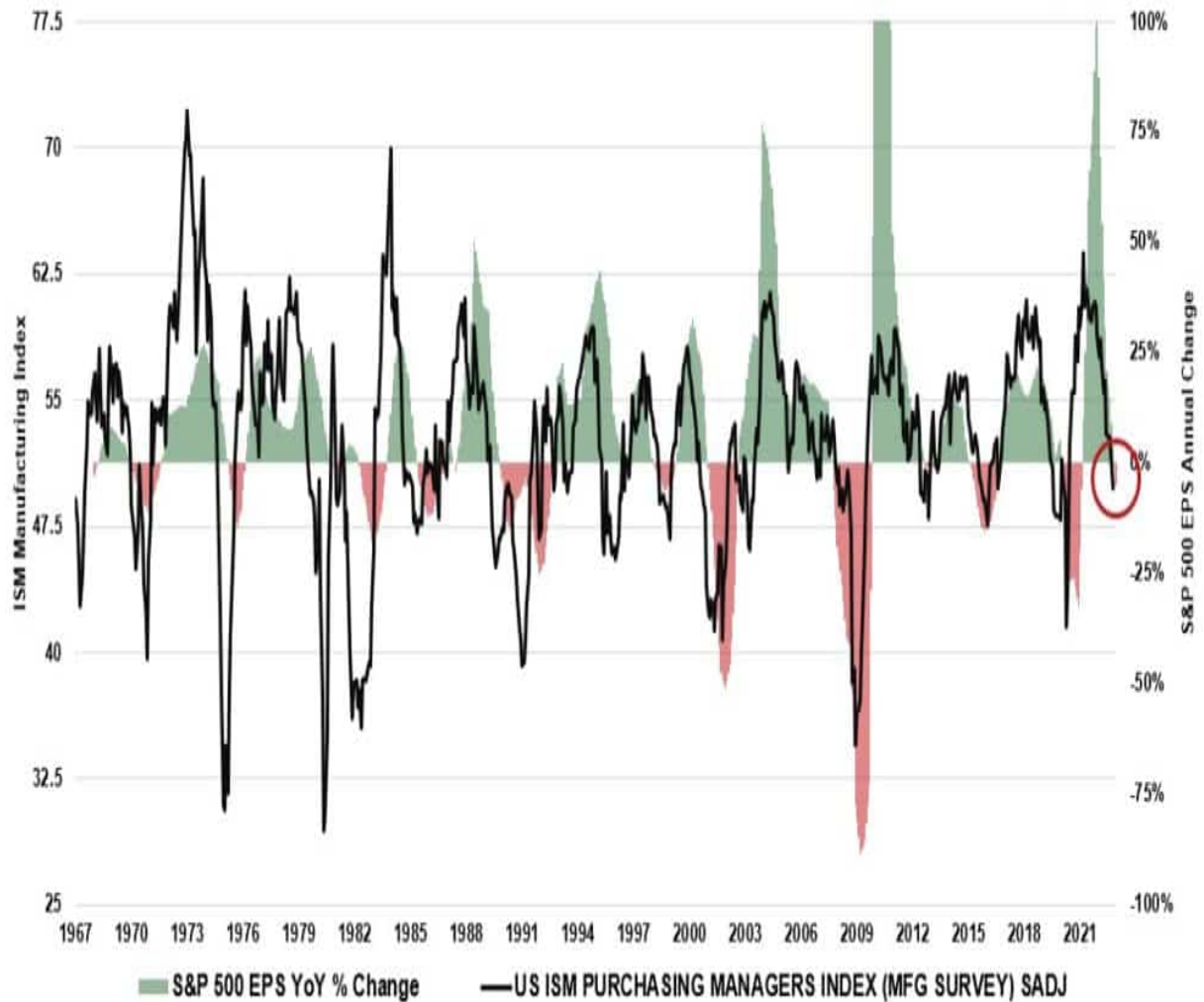
ISM Manufacturing vs S&P 500 EPS Ann. % Change
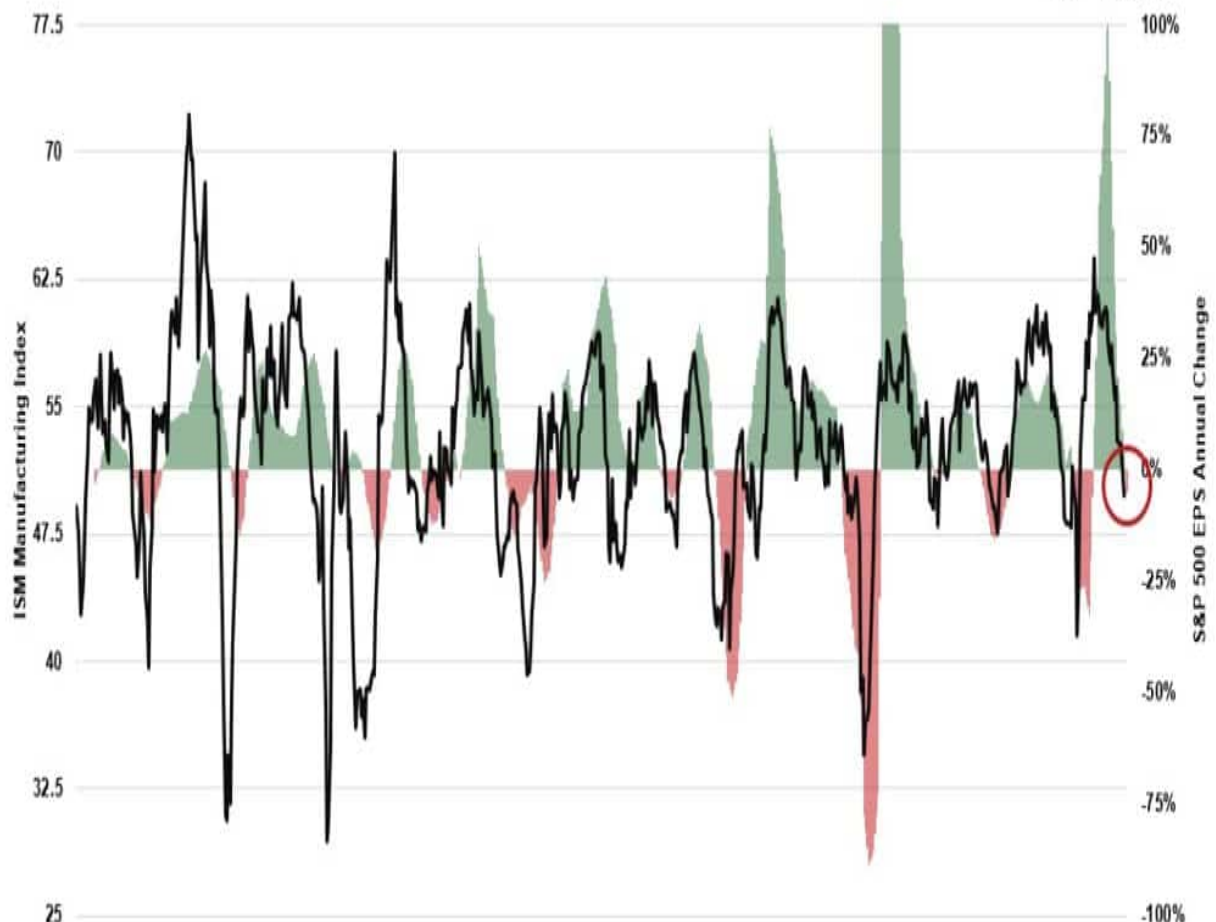
Of course, that commentary elicited an email question:

> *?But Lance, earnings estimates have come down and forward P/E ratios have dropped markedly.?*

While that is a true statement, here is the problem with an earnings recession and why the bullish trend is at risk.

The P/E Trick

The forward price/earnings ratio assumes that the market?s current price (P) and earnings (E) are stagnant. For example, the S&P 500 Price = 3600, and the 2023 year-end earnings estimates are $209 per share. If we divide the price by the earnings, we get a FORWARD P/E ratio of 17.22.

However, if we have a further earnings decline, which would be consistent with previous historical recessions, such is where current forward valuations become problematic. We can make some assumptions in the following table.

The first column assumes the market price remains the same as earnings decline. The second column assumes valuations remain stagnant as earnings decline.

Forward P/E Assumptions

Price	Year End 2023 Earnings	Fwd PE Ratio		Price	Year End 2023 Earnings	Fwd PE Ratio
3600	209	**17.22**		**3599**	209	17.22
3600	204	17.65		3513	204	17.22
3600	199	18.09		3427	199	17.22
3600	194	18.56		3341	194	17.22
3600	189	19.05		3255	189	17.22
3600	184	19.57		3168	184	17.22
3600	179	20.11		3082	179	17.22
3600	174	20.69		2996	174	17.22
3600	169	21.30		2910	169	17.22
3600	164	21.95		2824	164	17.22
3600	159	**22.64**		**2738**	159	17.22

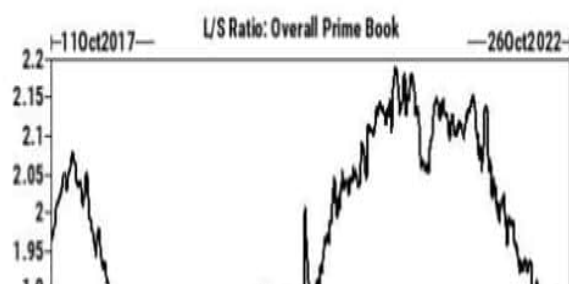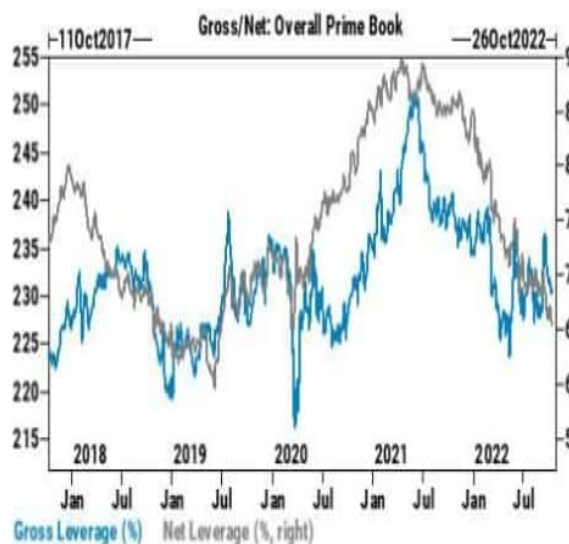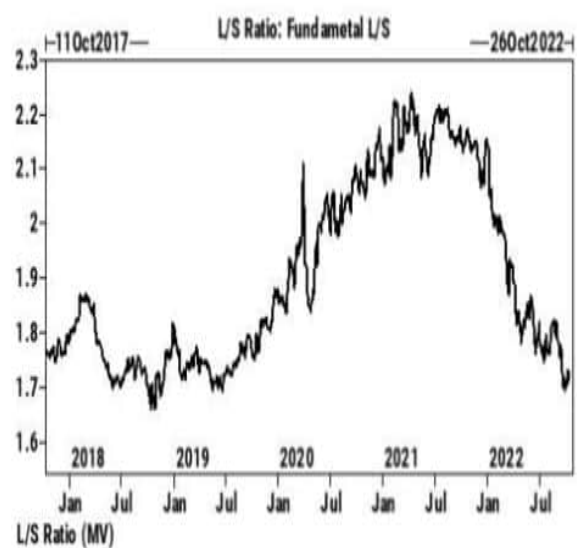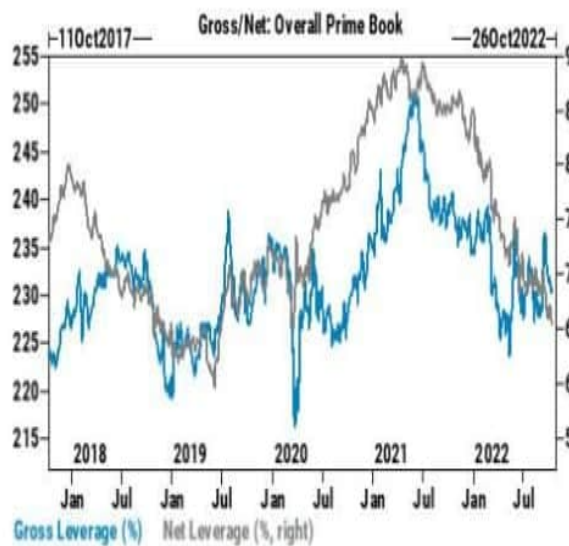*Earnings Data: S&P Dow Jones Indices*

If the market?s price remains stagnant, valuations will rise from 17x forward earnings to 22.6x. However, if you buy the market today based on paying 17x forward earnings, the market price will have to fall to accommodate lower earnings. If an earnings recession occurs, falling prices and earnings will jeopardize the long-term bullish trend discussed above.

Foreward P/E assumptions are problematic as they do not account for future changes. Those changes are coming, and they will likely be considerably larger than most investors expect, particularly if something *?breaks?* economically.

However, such does not mean we can?t have a big rally first.

# Another Bear Market Rally Remains Likely

As we have discussed over the last couple of weeks, the market remains grossly oversold, sentiment is extremely negative, and professional managers carry very light exposure. Furthermore, with hedge fund exposure to the lowest levels in 5-years, a rally remains likely.

Gross/Net: Overall Prime Book

Gross Leverage (%) Net Leverage (%, right)

Gross/Net: Fundamental L/S

Gross Leverage (%, left) Net Leverage (%, right)

L/S Ratio: Overall Prime Book

L/S Ratio (MV)

L/S Ratio: Fundametal L/S

L/S Ratio (MV)

Gross/Net: Overall Prime Book

Gross Leverage (%) Net Leverage (%, right)

Gross/Net: Fundamental L/S

Gross Leverage (%, left) Net Leverage (%, right)

L/S Ratio: Overall Prime Book

L/S Ratio: Fundametal L/S

The fuel for a short-covering rally remains, considering the substantial short positions and near-record put options.
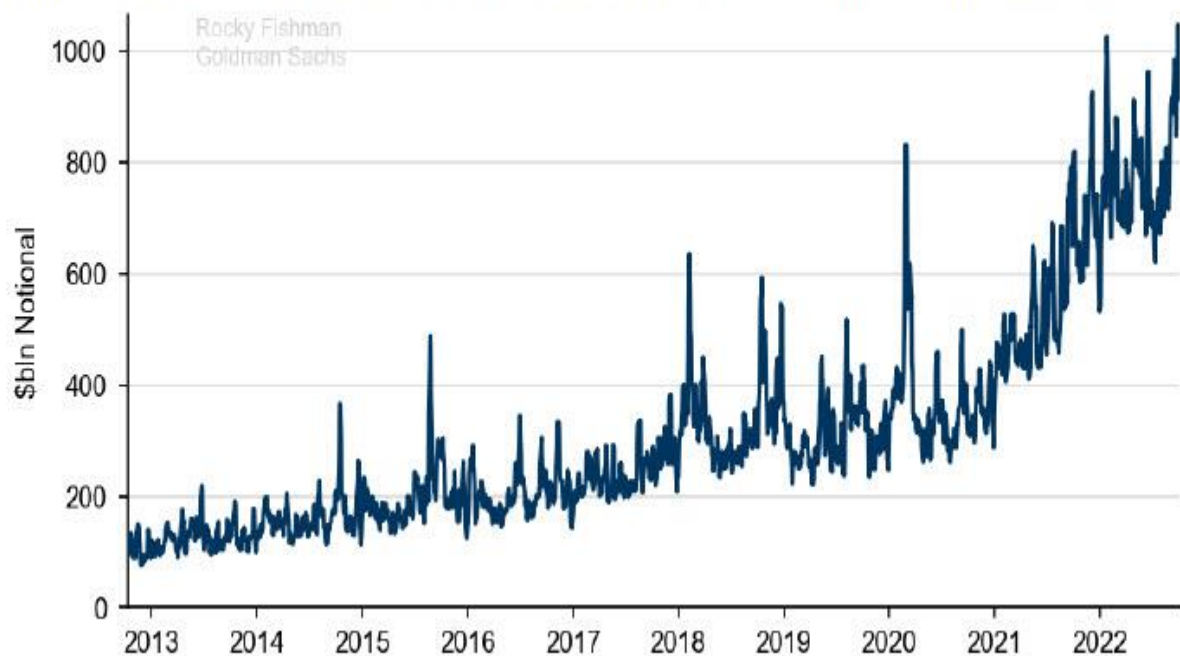
Index/ETF puts - notional volume
5-day rolling average US-listed index and ETF put option volume, $bln notional
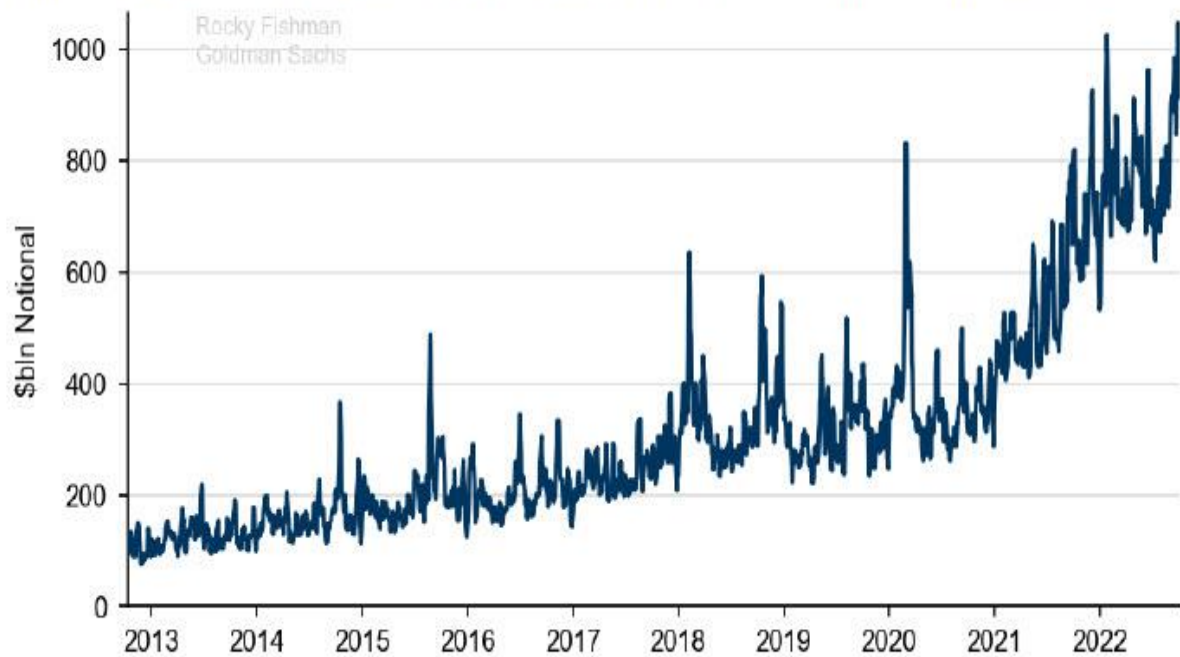
Goldman Sachs Global Investment Research, OptionMetrics

Index/ETF puts - notional volume
5-day rolling average US-listed index and ETF put option volume, $bln notional

Goldman Sachs Global Investment Research, OptionMetrics

This year, the sheer magnitude of consecutive down days in the market has been the largest since 1974. Also, as noted by @TheMarketEar earlier this week:

- *The systematics traders (algos) have been huge sellers over the past few weeks*
- *The quarter-end saw pension funds de-risking portfolios*
- *Retail traders have finally started to capitulate*
- *US corporates are in black-out*
- *Mutual funds have been raising cash levels*
- *Massive short gamma position has magnified the moves*
- *QT is ramping up; the last 3-weeks saw the largest reduction in over 2-years*

As a consequence, there are many signals suggesting the market is *?washed out.?*
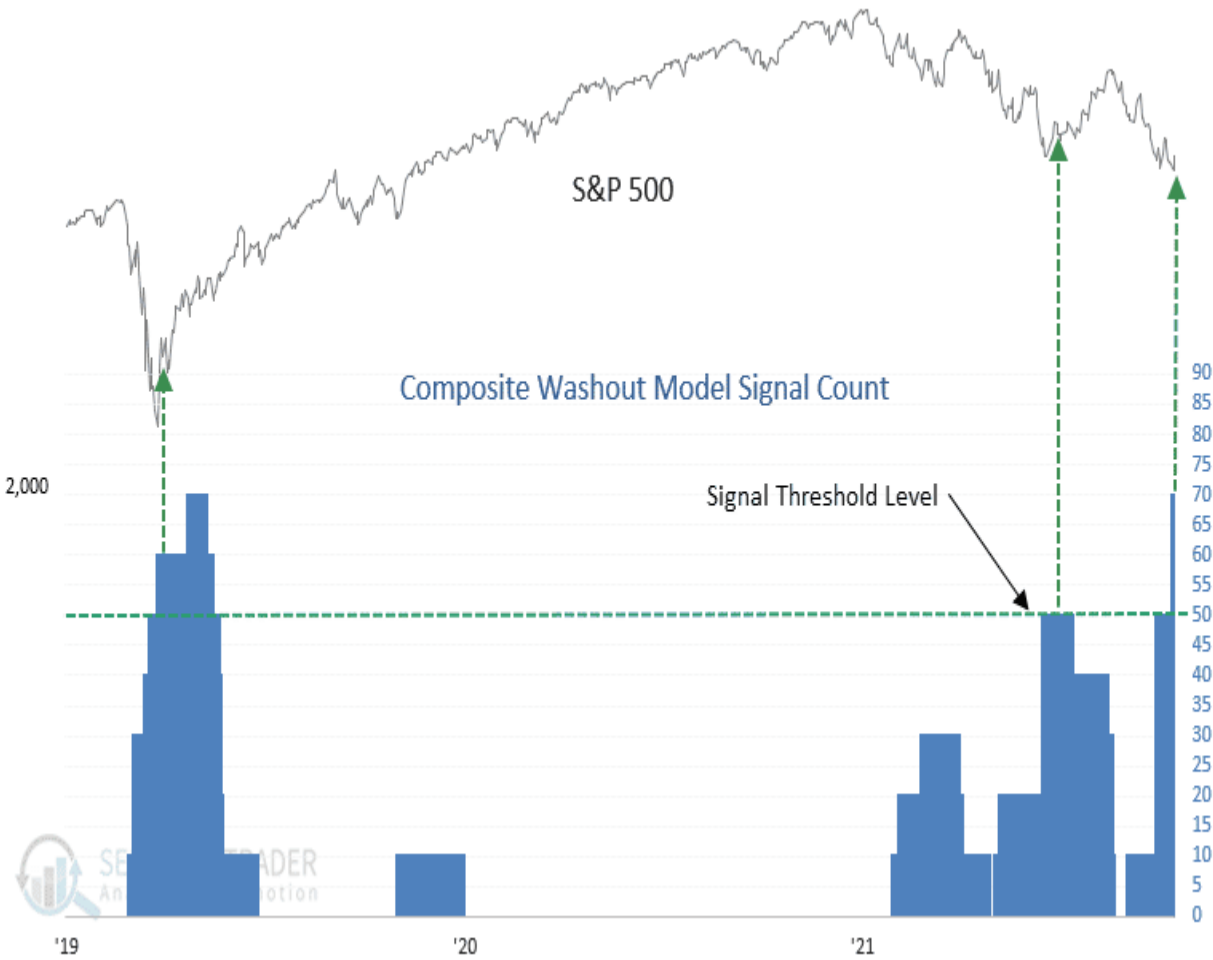
> *?For only the 36th time since 1930, the Composite Washout Model triggered a new alert when the 10-day rate of change for the S&P 500 turned positive on Thursday.&#2013266080;***The previous&#2013266080;alert&#2013266080;occurred in June, leading to a 13% rally*** when measured from the publish date to the August peak in the S&P 500.? ? Sentiment Trader*

Composite Washout Model Signals

S&P 500

Composite Washout Model Signal Count

Signal Threshold Level

2,000

'19   '20   '21
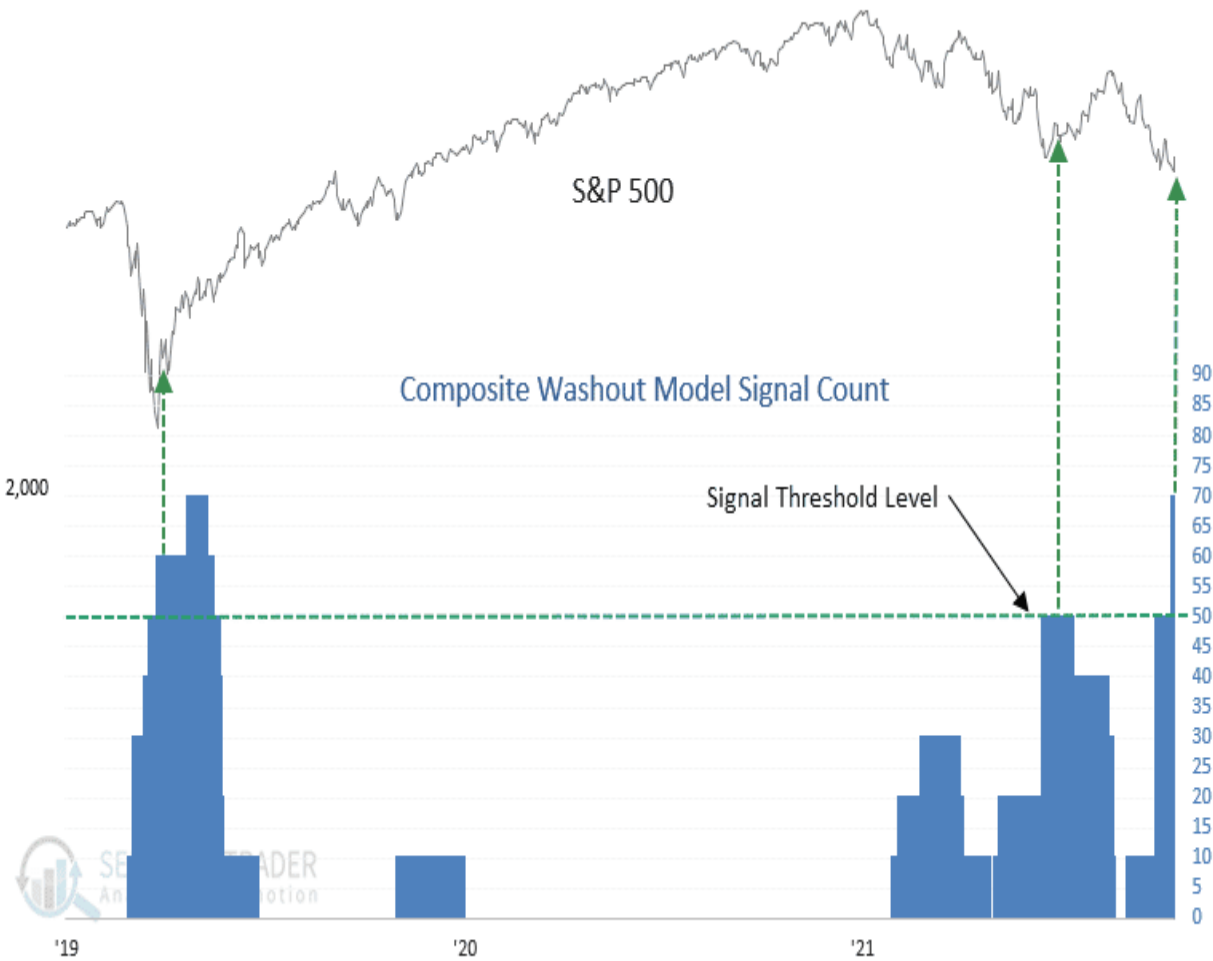
Source: S&P & CRSP

Composite Washout Model Signals

S&P 500

Composite Washout Model Signal Count

Signal Threshold Level

2,000

'19   '20   '21

With so much selling over the last few weeks, it has left large imbalances on the books of portfolio managers. According to Goldman?s Scott Rubner, there is a potential $217 billion in net buying if a market rally gains traction. However, while we could see another rally like July and August, it remains an opportunity to reduce risk and rebalance portfolios.

When Will The Bearish Trade End?

Such brings us to THE question.

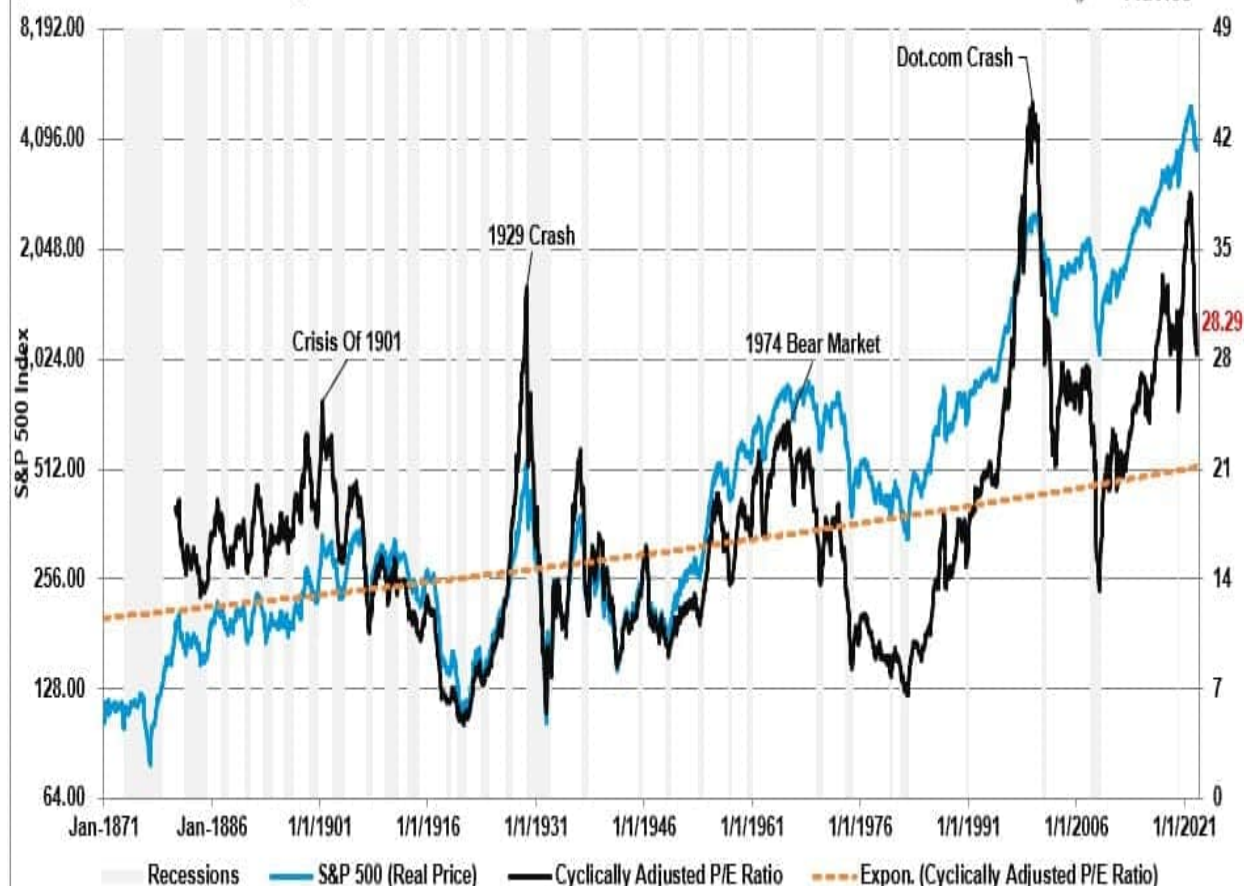> *?When will the bearish market end??*

The honest answer is, *?I don?t know.?*

I am growing more confident that we are moving well into the 7th inning of this current down market cycle. Sentiment, as noted, is negative, but valuations remain expensive on both a trailing and forward basis. The valuation problem will need to resolve itself before we reach a bottom. Currently, valuations remain well above the previous trough of every previous bear market cycle.

Importantly, valuations will likely revert past the exponential growth trend before completion. As noted above, such will be a combination of declining prices to adjust for declining earnings.
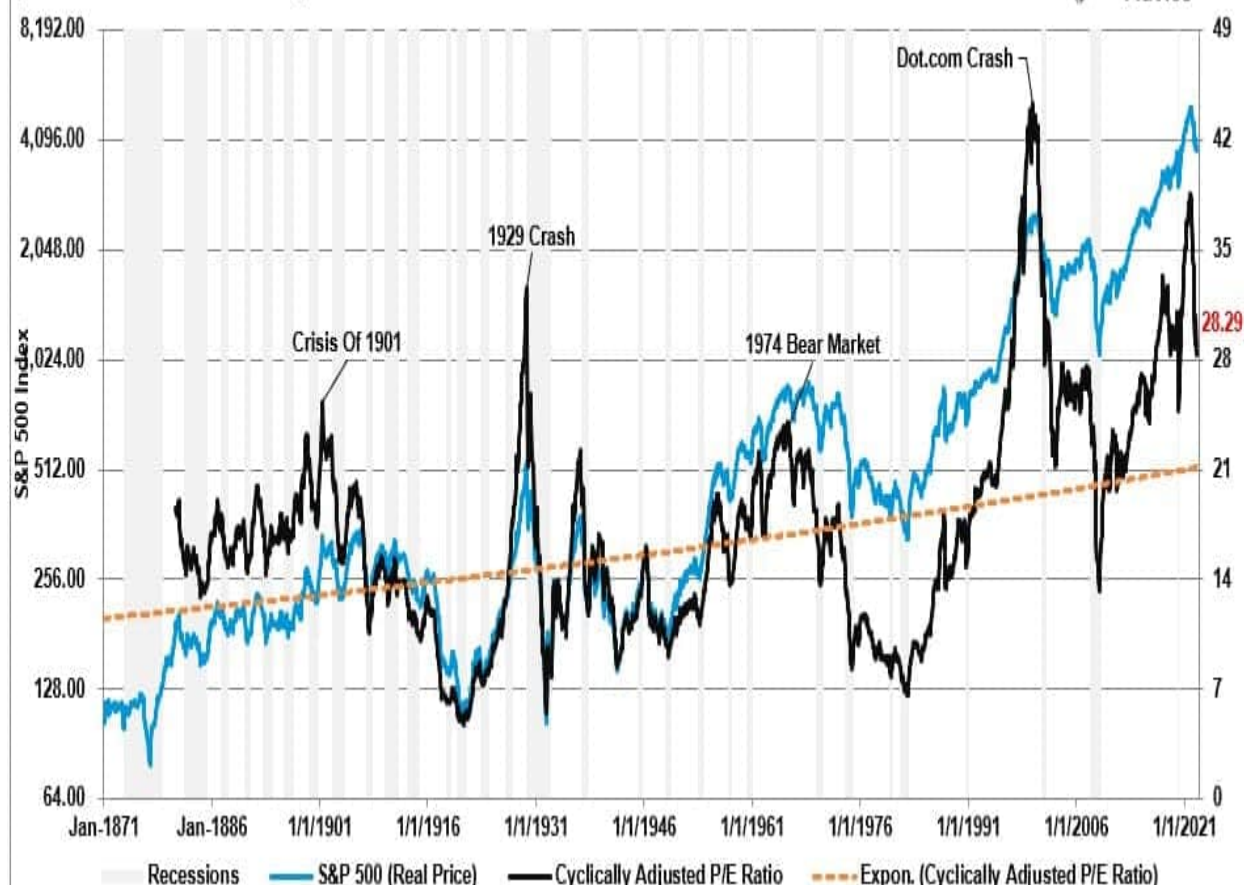
Real S&P 500 Index Vs. Valuations
(Robert Shiller Real Price Data)

Real Investment Advice

Chart annotations: Dot.com Crash, 1929 Crash, Crisis Of 1901, 1974 Bear Market, 28.29

Legend: Recessions — S&P 500 (Real Price) — Cyclically Adjusted P/E Ratio - - - Expon. (Cyclically Adjusted P/E Ratio)

Real S&P 500 Index Vs. Valuations
(Robert Shiller Real Price Data)

Real Investment Advice

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Legend: Recessions — S&P 500 (Real Price) — Cyclically Adjusted P/E Ratio - - - Expon. (Cyclically Adjusted P/E Ratio)

What would such a reversion look like?

If we assume 17x trailing CAPE valuations is realistic, and an earnings recession leads to $170-180 / share in earnings, then a price target of 3000-3100 is reasonable. **From peak to trough, such would be a drawdown of roughly 36.5%, which is well within the context of a break of the bullish trend and a bear marke**t. However, a 15x valuation at $180 / share is 2700, or a decline of 44%.

Clearly, there is downside risk.

However, going forward, the markets will have better inflation numbers, not-so-terrible earnings, given lowered estimates, and more extreme negative sentiment. Such will provide the lift for a rally that will likely *?sucker?* investors into thinking the bear market is over.

It likely won?t be.

As BofA laid out this past week, many factors are missing to suggest the market has made a bottom.

Exhibit 2: Only 20% of signposts triggered vs. over 80% before prior market bottoms
List of indicators that have typically occurred before market bottom

Signpost	Sep-74	Jul-82	Nov-87	Oct-90	Sep-02	Feb-09	Mar-20	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Fed cutting rates (prior 12m)	✓	✓	✓	✓	✓	✓	✓	☐	☐	☐	☐	☐	☐	☐	☐	☐
Unemployment rates rise (vs. 12-mo. low)	✓	✓	☐	✓	✓	✓	✓	✓	☐	☐	☐	☐	☐	☐	✓	☐
More bears than bulls (AAII)			☐	✓	✓	✓	✓	✓	✓	☐	✓	✓	✓	✓	✓	✓
ERP increases by >75bps vs. 12-mo. low	✓	✓	✓	✓	✓	✓	✓	✓	✓	☐	✓	✓	☐	☐	☐	☐
50bps+ decline in the 2-yr yield (vs. 6-mo. low)		✓	✓	✓	✓	✓	✓	☐	☐	☐	☐	☐	☐	☐	☐	☐
Sell Side Indicator Buy Signal (prior 3m)		✓	✓	☐	✓	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	
Yield curve steepens (vs. 6-mo. low)		✓	✓	✓	✓	✓	✓	☐	☐	☐	✓	✓	✓	☐	☐	☐
5% bear market rallies (prior 3m)	✓	☐	✓	☐	✓	✓	✓	☐	✓	✓	✓	✓	✓	✓	✓	✓
Rule of 20	✓	✓	✓	✓	✓	✓	✓	☐	☐	☐	☐	☐	☐	☐	☐	☐
PMI improves (vs. 12-mo. YoY low)	☐	✓	✓	✓	✓	✓	✓	☐	☐	☐	✓	✓	☐	✓	✓	☐
% triggered	83%	88%	80%	90%	90%	100%	90%	30%	30%	10%	50%	50%	30%	30%	40%	20%
S&P 500	64	107	230	304	815	735	2585	4516	4374	4530	4132	4132	3785	4130	3955	3586

Source: BofA US Equity & Quant Strategy, Bloomberg, FactSet, Haver Analytics

BofA GLOBAL RESEARCH

The economic data, including employment, will worsen as the effect of the excessive rate hikes to date become realized. That will happen in 2023 as the lag effect occurs in the first half of next year.

Just remember, the biggest up days almost entirely happen in bearish markets.

How We Are Trading It

So far, 2022 remains an extremely tough market to trade. However, as long as the long-term bullish trend remains intact, we maintain some equity exposure. We will further reduce equity exposure if the market violates the bullish trend. As noted last week, we started implementing tax loss harvesting to rebalance portfolios for the end of the year.

Given the market?s deeply oversold conditions, we are holding some additional equity exposure we added previously for the expected reflexive market rally. While we anticipate a decent rally in the weeks ahead, particularly as we move past October and corporate share buybacks restart, we will use that rally to reduce exposure further and rebuild cash levels accordingly.

Despite the modest equity increase, we remain underweight in stocks and bonds and overweight cash and short-term Treasuries. *(The ETF allocation comprises short-duration Treasury bonds and floating rate Treasuries, with a lesser allocation to long-dated Treasuries. You can view our models in real-time at **[SimpleVisor.com](#)**)*

ASSETS

Cash:14.3 %
US Equities:42.0 %
ETF:43.7 %

SECTORS

Technology:6.3 %
Healthcare:11.0 %
Cash:14.3 %
Materials:2.2 %
Treasury Bond:9.5 %
Consumer Cyclical:1.4 %
Industrials:1.8 %
Prefered Stock:2.0 %
Communication Services:4.2 %
Energy:4.4 %
ETF:32.2 %
Utilities:4.4 %
Consumer Goods:4.9 %

ASSETS

Cash:14.3 %
US Equities:42.0 %
ETF:43.7 %

SECTORS

Technology:6.3 %
Healthcare:11.0 %
Cash:14.3 %
Materials:2.2 %
Treasury Bond:9.5 %
Consumer Cyclical:1.4 %
Industrials:1.8 %
Prefered Stock:2.0 %
Communication Services:4.2 %
Energy:4.4 %
ETF:32.2 %
Utilities:4.4 %
Consumer Goods:4.9 %

Navigating The Market Rally

We continue to suggest following the guidelines we laid out previously during any market rally over the next few weeks.

1. ***Move slowly.&#2013266080;****There is no rush to make dramatic changes. Doing anything in a moment of ?panic? tends to be the wrong thing.*
2. ***If you are overweight equities, DO NOT try and fully adjust your portfolio to your target allocation in one move.&#2013266080;****Again, after significant declines, individuals feel like they ?must? do something. Think logically about where you want to be and use the rally to adjust to that level.*
3. ***Begin by selling laggards and losers.&#2013266080;****These positions were dragging on performance as the market rose, and they led on the way down.*
4. ***Add to sectors, or positions, that are performing with or outperforming*** *&#2013266080;the broader market if you need some risk exposure.*
5. ***Move ?stop-loss? levels up to recent lows for each position.&#2013266080;****Managing a portfolio without ?stop-losses? is like driving with your eyes closed.*

6. ***Be prepared to sell into the rally and reduce overall portfolio risk.***&#2013266080;*As the rally ensues, you will start to second-guess selling. Avoid that emotional trap and follow through with your plan.*
7. ***If none of this makes sense to you, please consider hiring someone to manage your portfolio.***&#2013266080;*It will be worth the additional expense over the long term.*

See you next week.

Research Report

Deflation Will Become The Problem When "Something Breaks"

Written by Lance Roberts | Oct 14, 2022 | Investing

While the Fed continues to hike rates to combat high inflation levels aggressively, history shows t...

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Market Recap ? With Adam Taggert

[embed]https://www.youtube.com/watch?v=GRBWomR2tNs[/embed]

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Stock Of The Week In Review

Cash Surrogates

This week?s Five for Friday is a little different from prior ones. Instead of scanning for stocks that meet specific criteria, we address the growing demand for cash-like assets.

A few subscribers have asked us how to invest their excess cash sitting at a brokerage firm to earn more than the paltry sweep fund yields they offer. We critique cash alternatives to help our readers understand the lay of the money market land.

Here is a link to the full [SimpleVisor Article for your review.](#)

Login to [Simplevisor.com](#) to read the full 5-For-Friday report.

Daily Commentary Bits

[Insider Buying Is Getting Send Bullish Signal](#)

?The Fidelity graph below shows corporate executives are bullish on their stocks. Insiders are often sellers as they reduce the shares they accumulate via stock options and grants. As such, the ratio of sales to buys, shown below, is always a positive number. The lower the ratio, the less they sell compared to the amount they buy. Recently, the number has fallen to its lowest level since March 2020. The weekly ratio (light gray) is approaching prior troughs, which have coincided with market bottoms. Per Jurrien Timmer from Fidelity:

*Look who?s bullish: Corporate insiders are buying their company stock again in size during this latest sell-off. **As the saying goes, insiders sell for all kinds of reasons, but they only buy for one.***

Insider Buying/Selling
Source: FMRCo, Haver Analytics. Weekly Data.

SPX drawdown from 12m high
LTM P/E drawdown

-27%

-30%

-33%

-31%

-38%

-44%

08/21/02

03/11/09

08/10/11

08/26/15

12/26/18

03/18/20

09/28/22

Vicker's Insider sell/buy (weekly avg)
Vicker's Insider sell/buy (4-week avg)

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
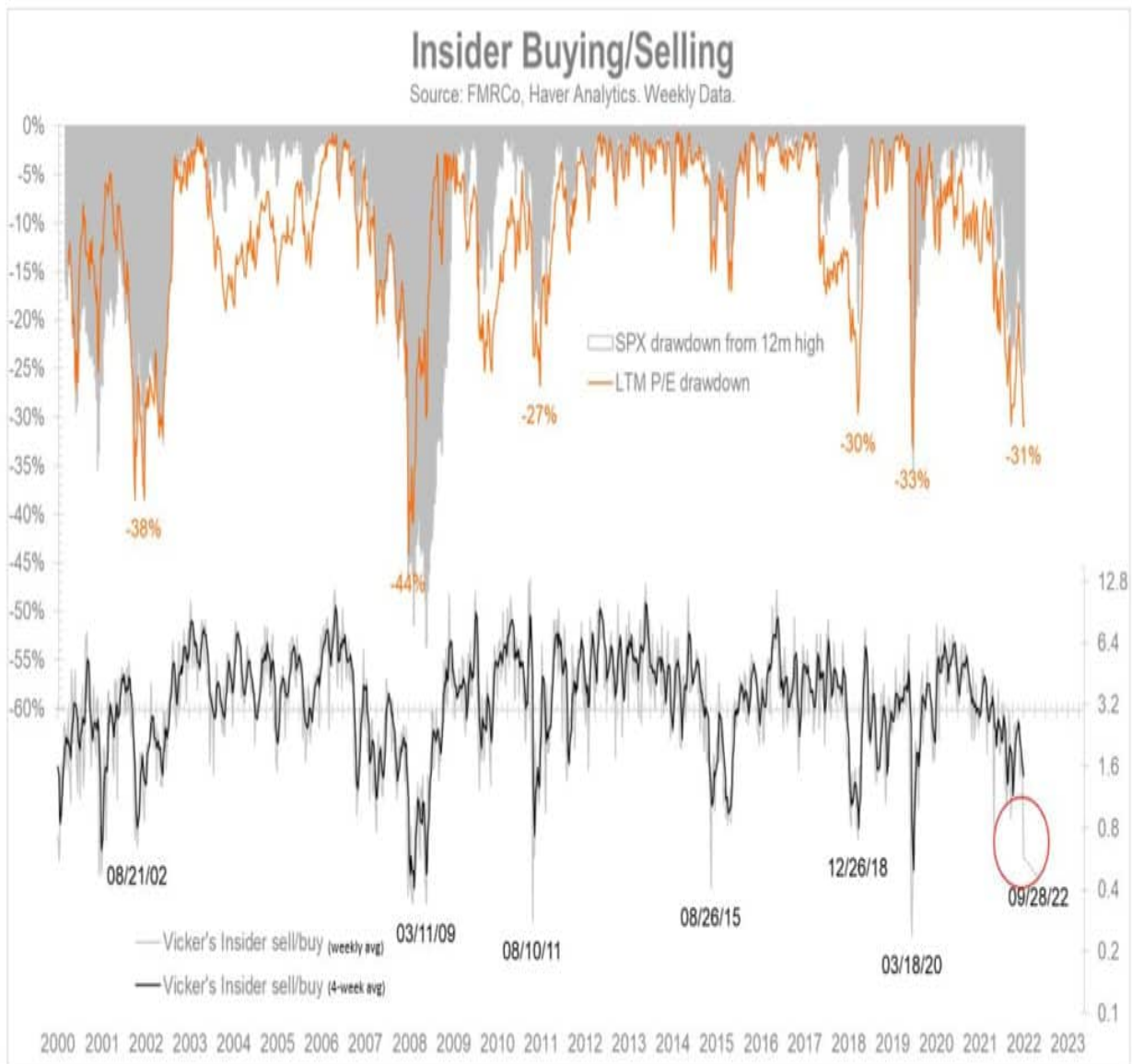
Data source: FMRCo, Bloomberg, Haver Analytics, FactSet. Data as of 10/09/2022. Past performance is no guarantee of future results.

Fidelity

Insider Buying/Selling
Source: FMRCo, Haver Analytics. Weekly Data.

SPX drawdown from 12m high
LTM P/E drawdown

-27%

-30%

-33%

-31%

-38%

-44%

Bull Bear Report Market Statistics & Screens

SimpleVisor Top & Bottom Performers By Sector

Healthcare

TFX	INCY	UNH	DGX
1.23%	0.99%	0.63%	0.32%
ABBV	HUM	BIO	DVA
0.01%	-0.03%	-0.05%	-0.12%
AMGN	LLY	COO	UHS
-0.13%	-0.21%	-2.57%	-2.67%
CTLT	BAX	OGN	IDXX
-2.75%	-2.82%	-3%	-3.16%
ABMD	ISRG	DXCM	ALGN
-3.41%	-3.84%	-4.24%	-5.03%

Industrials

DAL	LUV	BA	AAL
2.3%	1.02%	0.57%	0.46%
FDX	AOS	UAL	AVY
0.45%	0.37%	0.2%	0.1%
GPN	NLSN	ROK	MAS
0.06%	0%	-3.49%	-3.52%
EFX	IR	LHX	LMT
-3.54%	-3.59%	-3.96%	-4.08%
PWR	FAST	GNRC	NOC
-5.22%	-6.24%	-6.48%	-7.43%

Consumer Cyclical

NCLH	CCL	GM	MAR
0.62%	0.42%	0.4%	0.22%
MGM	SEE	RCL	HLT
-0.26%	-0.28%	-0.31%	-0.42%
MHK	IP	SBUX	LEN
-0.44%	-0.49%	-3.36%	-3.49%
KMX	ETSY	POOL	ROST
-3.51%	-4.02%	-4.56%	-4.68%
DPZ	BBWI	AMZN	TSLA
-4.78%	-4.84%	-5%	-7.55%

Technology

FIS	CTSH	AKAM	FFIV
0.18%	-0.59%	-0.6%	-0.68%
JKHY	EPAM	CSCO	ANSS
-0.97%	-0.98%	-1.01%	-1.2%
DXC	GRMN	AMD	KLAC
-1.2%	-1.23%	-5.09%	-5.33%
MSI	NOW	AMAT	NVDA
-5.36%	-5.57%	-5.79%	-6.13%
CDAY	MTCH	MPWR	LRCX
-6.49%	-6.68%	-6.86%	-7.53%

Consumer Goods

CL	CLX	NWL	KHC
0.45%	0.37%	0%	-0.14%
CAG	CPB	CHD	SJM
-0.26%	-0.49%	-0.83%	-0.92%
TSN	PG	PM	DG
-0.93%	-0.97%	-2.26%	-2.3%
BF-B	PEP	COST	MNST
-2.35%	-2.53%	-2.85%	-2.98%
DLTR	TGT	ADM	KR
-3.16%	-5.47%	-6.15%	-7.32%

Utilities

ED	NRG	AWK	PNW
-0.29%	-0.34%	-0.42%	-0.44%
WEC	ETR	CNP	PPL
-0.5%	-0.55%	-0.65%	-0.69%
CMS	SO	EXC	NEE
-0.83%	-0.84%	-1.72%	-1.81%
DTE	PEG	FE	NI
-1.89%	-2.11%	-2.56%	-2.97%
EIX	ATO	PCG	AES
-3.29%	-3.3%	-3.35%	-4.47%

Financial

USB	WFC	JPM	C
3.36%	1.86%	1.66%	0.65%
BAC	MET	AIG	PRU
0.03%	-0.18%	-0.45%	-0.45%
CMA	ZION	BRO	MS
-0.46%	-0.85%	-4.92%	-5.07%
PGR	RJF	SBNY	AMP
-5.33%	-5.57%	-5.72%	-6.13%
NDAQ	SCHW	SIVB	FRC
-6.49%	-6.87%	-7.91%	-16.43%

Materials

IFF	PPG	DOW	SHW
-0.09%	-1.68%	-1.74%	-1.94%
NEM	DD	APD	EMN
-2.11%	-2.27%	-2.29%	-2.29%
LIN	LYB	NUE	VMC
-2.52%	-2.75%	-4.27%	-4.4%
FMC	CE	MLM	FCX
-4.87%	-4.9%	-4.94%	-5.86%
CTVA	ALB	CF	MOS
-6.7%	-7.24%	-8.4%	-9.88%

Real Estate

VNO	SPG	HST	BXP
1.29%	0.03%	-0.12%	-0.39%
DLR	FRT	CSGP	KIM
-1.37%	-1.82%	-1.91%	-1.96%
PEAK	AMT	CPT	EQIX
-2.02%	-2.14%	-3.26%	-3.28%
EQR	VTR	VICI	O
-3.3%	-3.38%	-3.48%	-3.49%
UDR	AVB	IRM	EXR
-3.56%	-3.58%	-3.58%	-3.59%

Energy

OXY	KMI	XOM	OKE
-1.94%	-2.55%	-2.63%	-2.89%
PSX	CVX	WMB	COP
-2.89%	-3.11%	-3.29%	-3.89%
BKR	FANG	SLB	APA
-4.06%	-4.07%	-4.59%	-4.61%
EOG	HES	PXD	HAL
-4.76%	-5.04%	-5.35%	-5.46%
VLO	DVN	CTRA	EQT
-5.58%	-5.85%	-6.7%	-7.3%

Communication Services

IPG	TWTR	VZ	FOXA
0.4%	0.22%	-0.05%	-0.47%
WBD	CMCSA	EA	FOX
-0.56%	-0.6%	-0.7%	-0.75%
CHTR	T	ATVI	LUMN
-0.81%	-0.86%	-1.35%	-1.75%
OMC	NWS	NWSA	DIS
-1.77%	-1.97%	-2.13%	-2.27%
GOOG	META	LYV	DISH
-2.54%	-2.71%	-2.77%	-3.57%

SimpleVisor Asset Class Trend Analysis

| Asset Class | | Global Equities | | Bonds | | Commodities | | Asia Pacific | | |
Name ↑↓	Symbol ↑↓	Trend Analysis ↑↓	Today's Change ↑↓	MTD ↑↓	YTD ↑↓	52 Week Range (Low-High)	RSI ↑↓	20 SMA ↑↓	50 SMA ↑↓	100 SMA ↑↓
U.S. Bonds	BND	0/10	-$0.34 (-0.48%)	-1.48%	-16.63%	$69.79 - $86.03	30.24	$72.02	$74.09	$74.79
International Bonds	BNDX	0/10	-$0.15 (-0.32%)	-0.90%	-14.43%	$46.93 - $57.46	32.66	$48.16	$49.41	$49.62
Oil	CL=F	0/10	-$3.49 (-3.92%)	7.71%	13.84%	$62.43 - $130.50	57.36	$84.68	$88.37	$98.44
Commodity Index	DBC	0/10	-$0.51 (-1.99%)	5.27%	21.13%	$19.20 - $30.64	56.32	$24.88	$25.39	$26.44
Emerging Markets	EEM	0/10	-$0.52 (-1.50%)	-1.92%	-29.38%	$33.67 - $52.62	34.06	$36.63	$38.54	$39.43
International Stocks	EFA	0/10	-$0.85 (-1.49%)	0.00%	-27.24%	$54.61 - $82.00	38.23	$58.25	$61.75	$63.00
EM Bonds	EMB	0/10	-$0.58 (-0.74%)	-1.56%	-27.87%	$77.09 - $111.08	34.58	$81.65	$85.08	$85.95
Gold	GLD	0/10	-$1.93 (-1.25%)	-1.09%	-10.52%	$151.03 - $193.30	43.87	$156.08	$160.28	$163.90
U.S. Stocks	SPY	0/10	-$8.34 (-2.28%)	0.13%	-23.83%	$348.11 - $479.98	36.64	$374.33	$395.58	$392.28
Dollar Index	UUP	9/10	$0.21 (0.69%)	1.03%	18.85%	$25.02 - $30.76	63.73	$29.92	$29.24	$28.62
REIT	VNQ	0/10	-$1.94 (-2.48%)	-5.03%	-34.01%	$74.66 - $116.71	27.29	$84.69	$92.30	$92.96
Equity Volatility	VXX	0/10	$0.47 (2.24%)	1.13%	15.76%	$17.30 - $41.65	59.64	$19.80	$20.20	$21.52

Relative Performance Analysis

The late-week rally lifted some sectors out of the extremely oversold conditions, but most, with the exclusion of energy, remain oversold enough for a potential short-term rally. Use rallies to reduce exposure accordingly. Energy is very overbought, which is why we reduced exposure accordingly.

Year To Date Performance

Ticker	Performance
VWO	-27.34%
VEA	-28.09%
XLC	
TLT	-3.12%
SLY	-21.00%
MDY	-19.15%
XLY	-33.18%
XLV	-10.54%
XLU	-11.02%
XLP	-10.80%
XLRE	-22.52%
XLK	-21.53%
XLI	-17.44%
XLF	-20.21%
XLE	45.74%
XLB	-21.10%
SPY	-23.39%

YTD Price - S&P Sectors Recalibrated To $50/share

Legend: XLB — XLE — XLF — XLI — XLK — XLRE — XLP — XLU — XLV — XLC — XLY — SPY
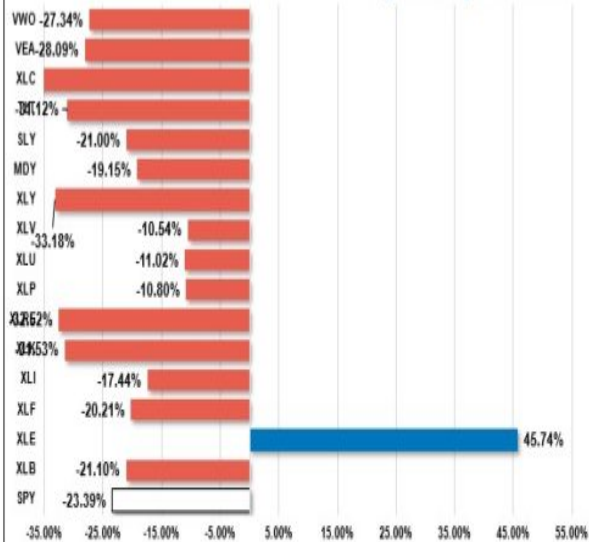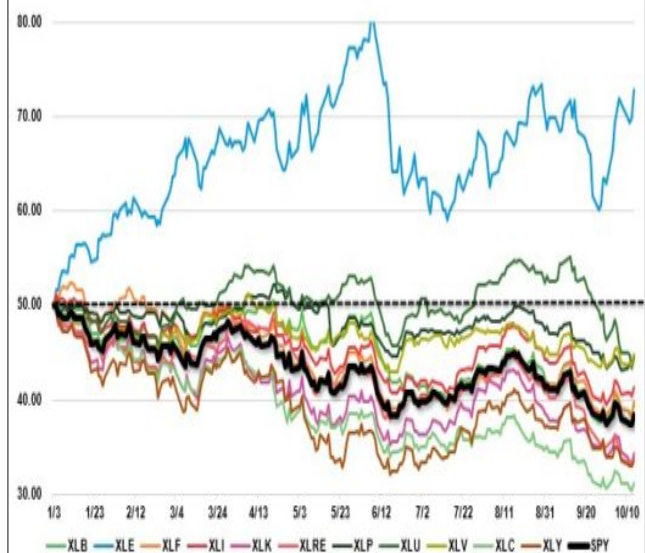
Year To Date Performance Relative To S&P 500

SPY 0, XLB 2.29%, XLC -14.25%, XLE 69.13%, XLF 3.18%, XLI 5.95%, XLK -8.14%, XLRE -9.12%, XLP 12.59%, XLU 12.37%, XLV 12.85%, XLY -9.79%, MDY 4.24%, SLY 2.39%, TLT -7.73%, VEA -4.70%, VWO 3.95%
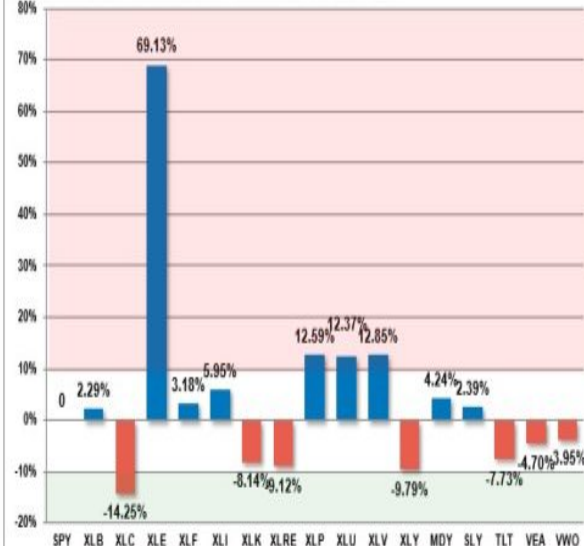
Price Deviation From 50-Day Moving Average

SPY -7.02%, XLB -5.53%, XLE 6.69%, XLF -4.50%, XLI -5.86%, XLK -10.51%, XLRE -14.81%, XLP -4.79%, XLU -13.62%, XLV -2.01%, XLY -10.33%, MDY -4.90%, SLY -5.08%, TLT -8.73%, XLC -8.78%, VEA -7.50%, VWO -9.19%
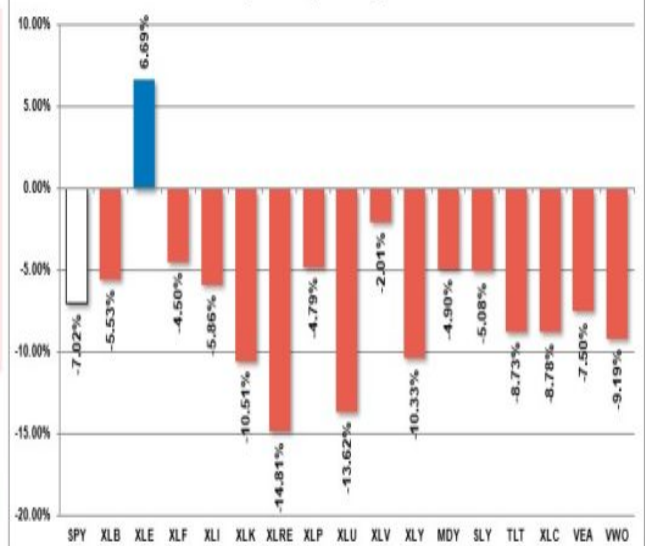
Overbought/Oversold 14-Periods

Composite Average, (54.35); Composite Median, (56.66); XLE, XLP, SLY, XLB, XLF, XLV, MDY, SPY, XLK, XLC, VEA, XLRE, XLU, XLY, VWO, TLT
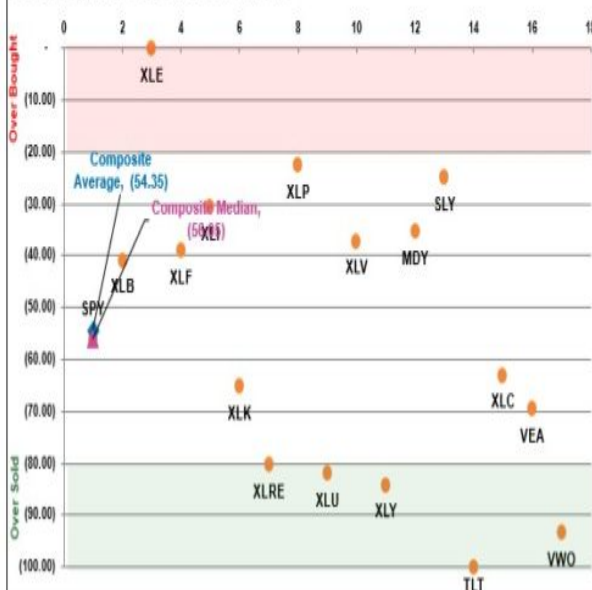
Size / Sector ETF YTD Trading Range

Ticker	Low	High
SLY	75.61	101.16
MDY	401.58	521.70
SPY	356.56	477.71
XLY	134.63	210.31
XLV	119.89	142.83
XLU	61.52	78.12
XLP	66.5	80.57
XLK	116.56	175.52
XLRE	34	51.33
XLI	82.84	107.05
XLF	30.29	41.42
XLE	57.22	92.28
XLB	67.32	90.55

Year To Date Performance

Ticker	Performance
VWO	-27.34%
VEA	-28.09%
XLC	
TLT	-3.12%
SLY	-21.00%
MDY	-19.15%
XLY	
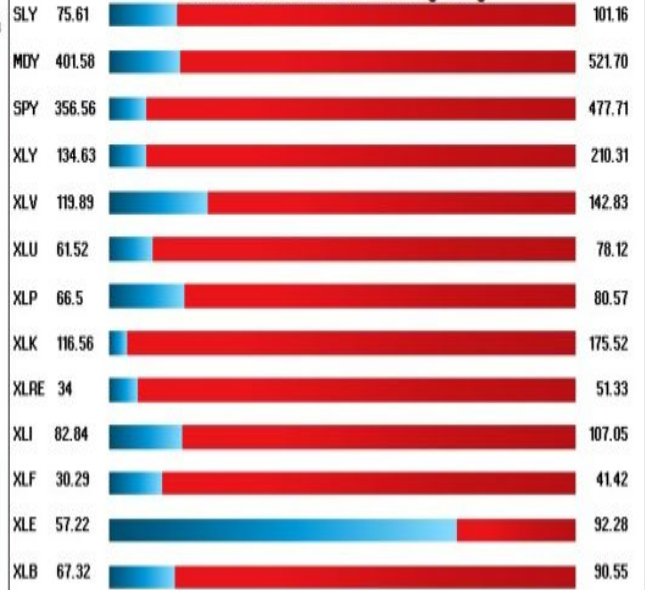
YTD Price - S&P Sectors Recalibrated To $50/share
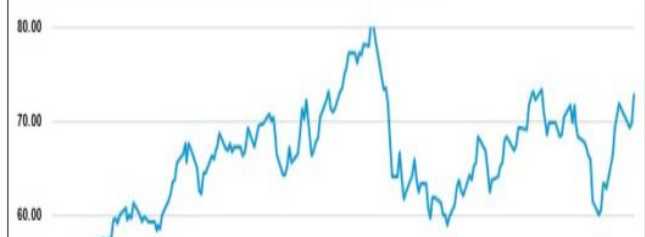
Technical Composite

The technical overbought/sold gauge comprises several price indicators (RSI, Williams %R, etc.), measured using ?weekly? closing price data. Readings above ?80? are considered overbought, and below ?20? are oversold. Markets tend to peak when readings are at 80 or above, which suggests profit-taking and risk management are prudent. ***The best buying opportunities exist when readings are 20 or below.***

The current reading is 38.41 out of a possible 100 and rising. Remain long equities for now.

Technical Overbought/Sold Composite — SimpleVisor

S&P 500 Stock Price Index — Technical Score

Technical Overbought/Sold Composite — SimpleVisor

S&P 500 Stock Price Index — Technical Score
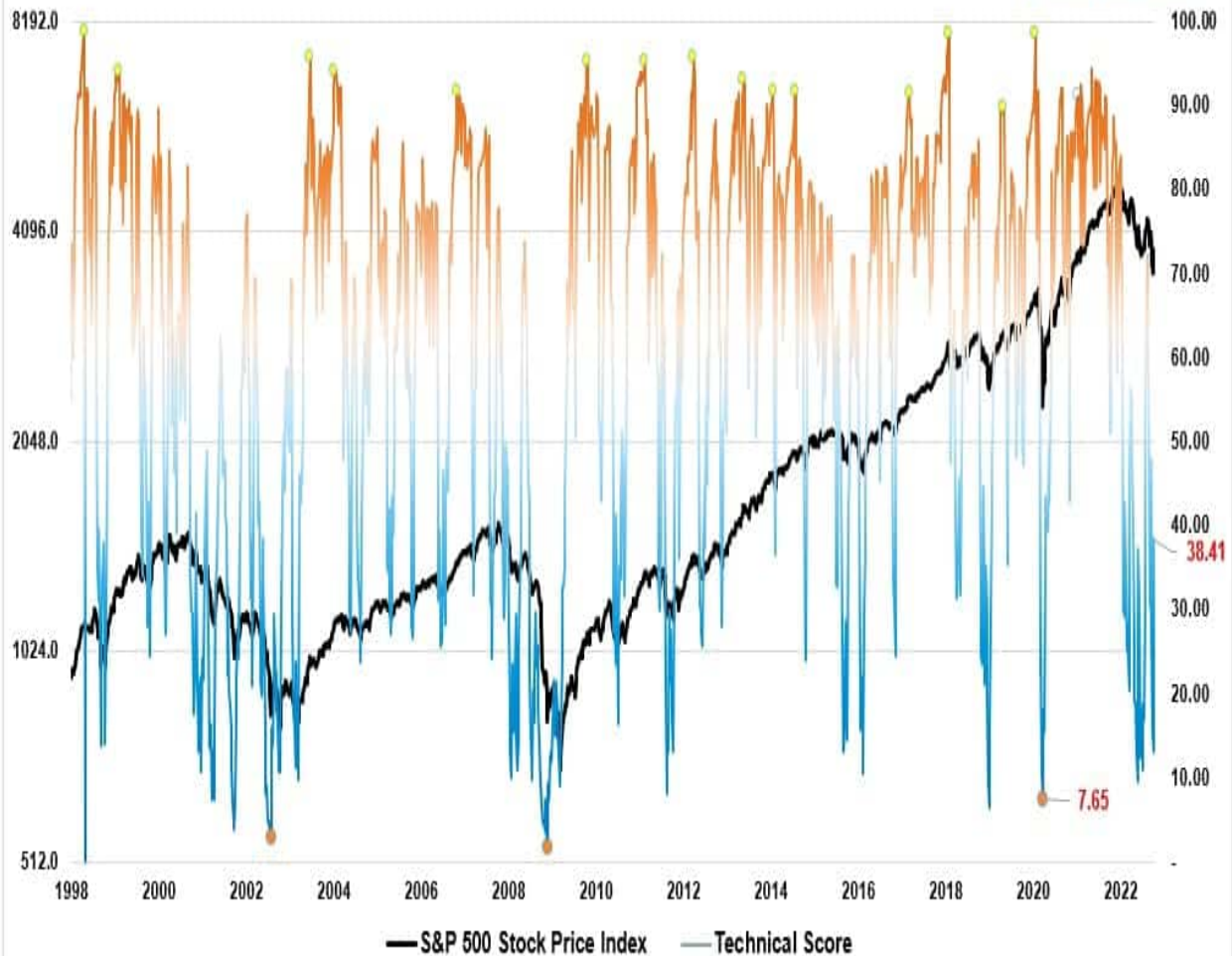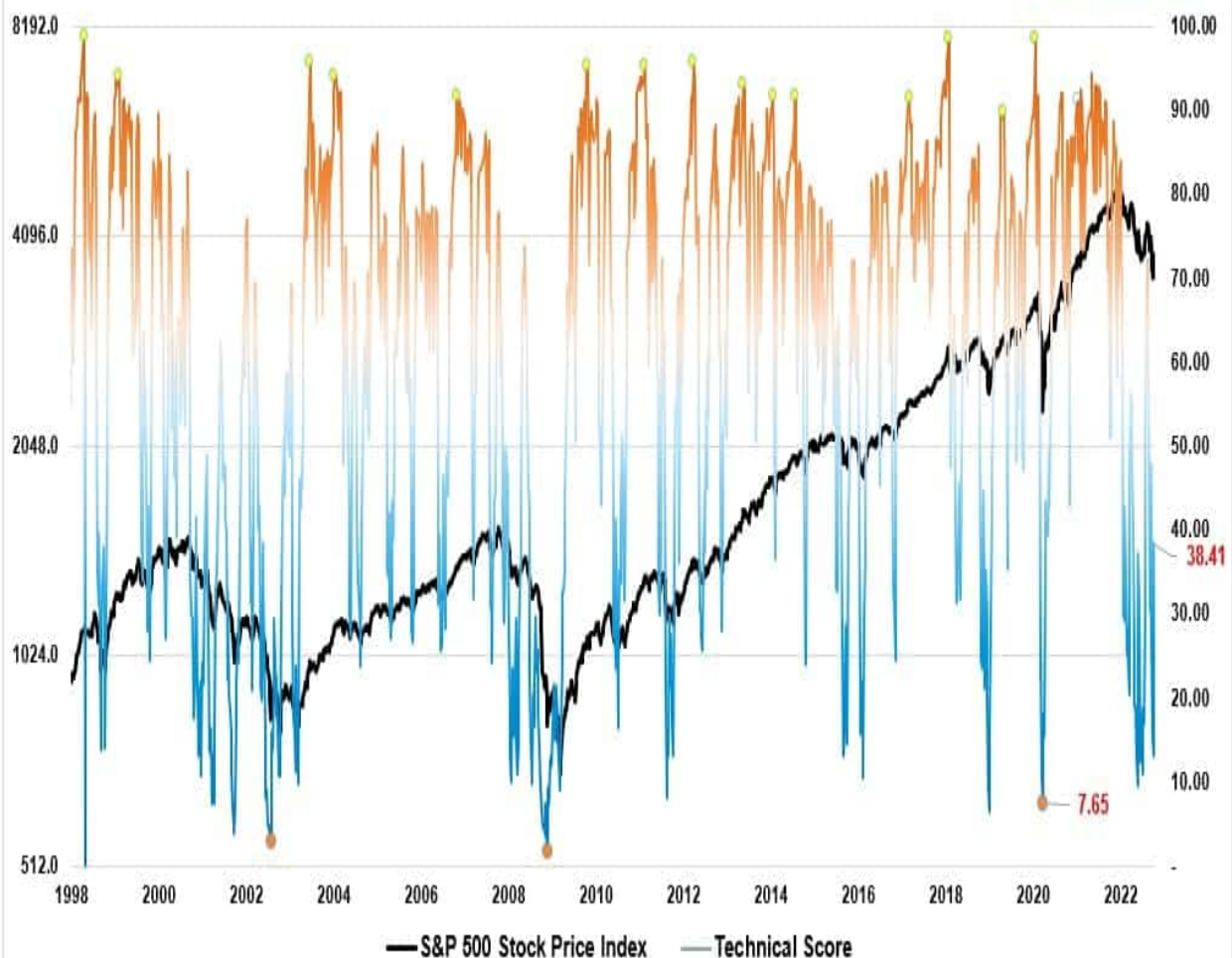
Portfolio Positioning ?Fear / Greed? Gauge

The ?Fear/Greed? gauge is how individual and professional investors are ?positioning? themselves in the market based on their equity exposure. From a contrarian position, the higher the allocation to equities, to more likely the market is closer to a correction than not. The gauge uses weekly closing data.

NOTE: The Fear/Greed Index measures risk from 0 to 100. It is a rarity that it reaches levels above 90. The c*urrent reading is 30.68 out of a possible 100.*

MARKET GREED/FEAR INDEX

(AAII, INVI, Bullish Pct, Put/Call, NAAIM, VIX)

SimpleVisor™

Weekly Greed/Fear Gauge — S&P 500 INDEX

MARKET GREED/FEAR INDEX

(AAII, INVI, Bullish Pct, Put/Call, NAAIM, VIX)

SimpleVisor™
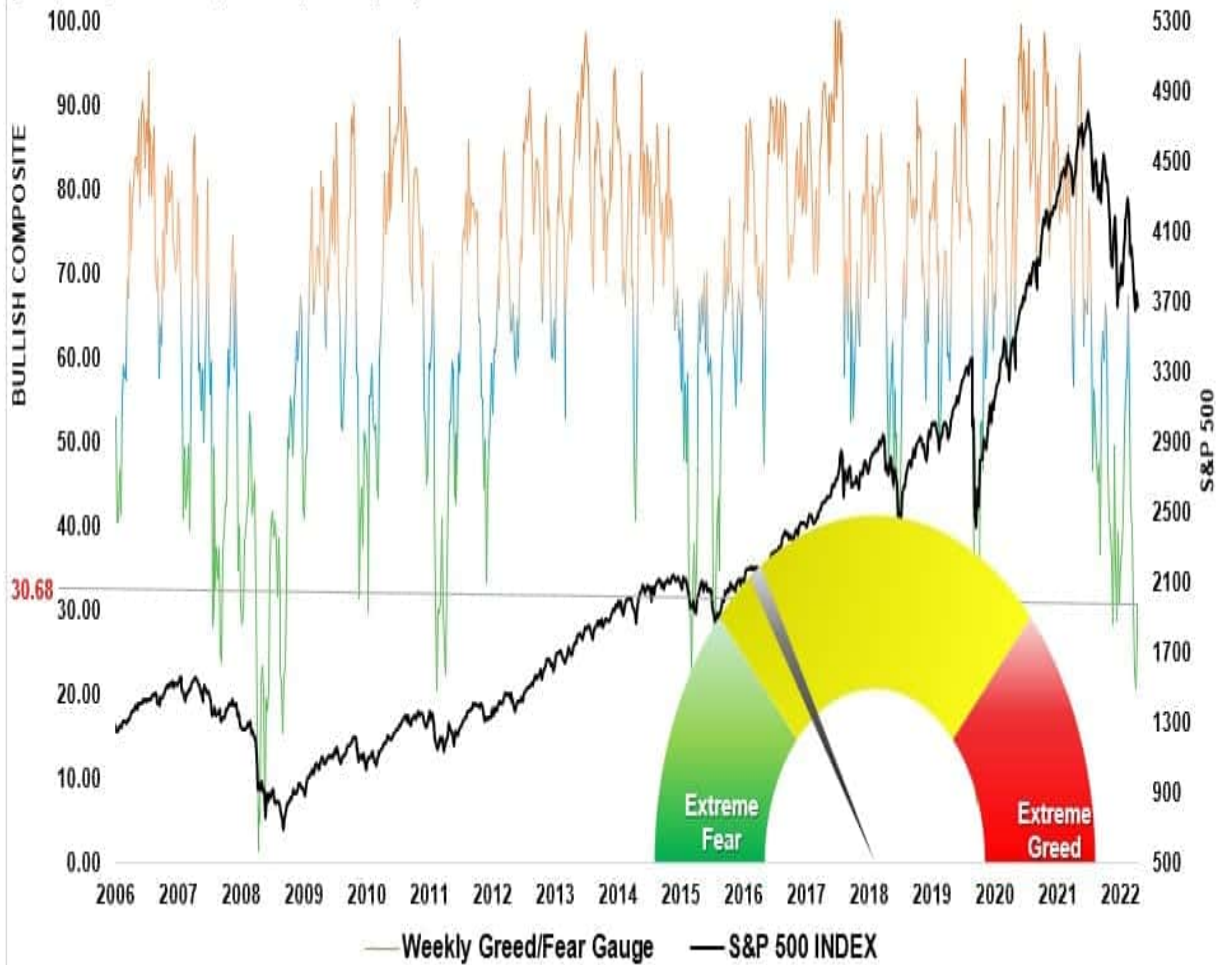
Weekly Greed/Fear Gauge — S&P 500 INDEX
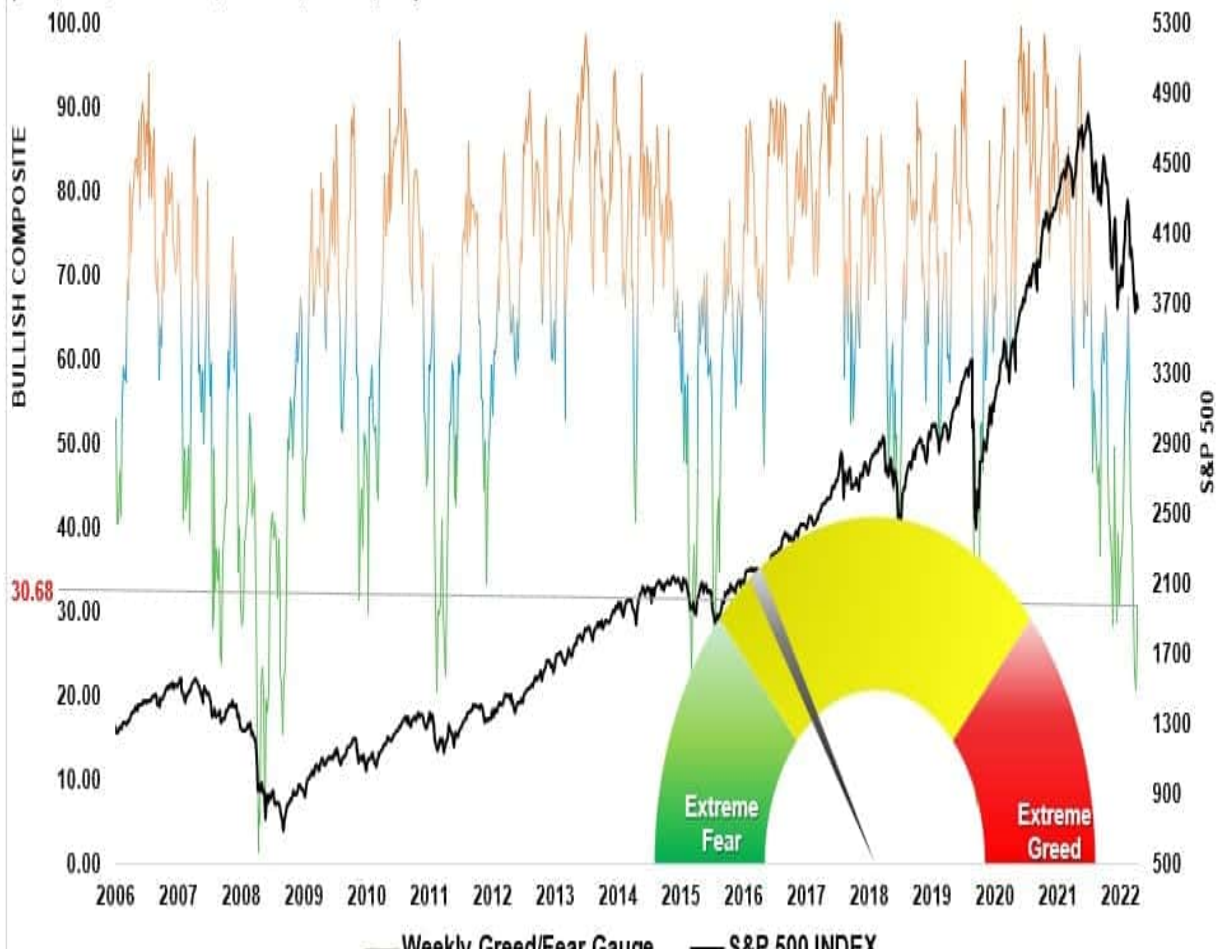
Sector Model Analysis & Risk Ranges

How To Read This Table

- *The table compares the relative performance of each sector and market to the S&P 500 index.*
- *?M/A XVER? is determined by whether the short-term weekly moving average crosses positively or negatively with the long-term weekly moving average.*
- *The risk range is a function of the month-end closing price and the ?beta? of the sector or market. (Ranges reset on the 1st of each month)*
- *The table shows the price deviation above and below the weekly moving averages.*

The selling pressure continued this week, keeping almost every sector and market double-digit deviations below long-term weekly moving averages. Such extremes are not sustainable, and when all markets and sectors are this oversold, a reflexive rally becomes highly probable. **Bonds, Staples, and Real Estate are currently trading at very oversold levels.**

Ticker	ETF NAME	Current Price	1 Week	4 Week	12 Weeks	24 Weeks	52 Weeks	SHORT WMA	LONG WMA	MONTH END PRICE	REL S&P BETA	RISK RANGE HIGH	RISK RANGE LOW	% DEV - Short M/A	% DEV - Long M/A	M/A XVER SIGNAL
IVV	ISHARS-SP500	367.51	(1.94)	(6.26)	(8.31)	(14.47)	(17.28)	396.89	409.03	358.65	1.00	367.62	349.68	-7%	-10%	BEARISH
XLB	SPDR-MATLS SELS	70.56	1.01	1.53	1.64	(4.21)	1.38	74.85	79.80	68.01	1.04	70.41	65.61	-6%	-12%	BEARISH
XLC	SPDR-COMM SV SS	48.78	(0.66)	(1.17)	(7.59)	(5.73)	(22.13)	54.11	58.83	47.89	1.01	49.57	46.21	-10%	-17%	BEARISH
XLE	SPDR-EGY SELS	83.39	3.09	10.31	24.55	22.59	63.45	77.17	77.32	72.02	1.34	74.78	69.26	8%	8%	BEARISH
XLF	SPDR-FINL SELS	31.54	1.62	0.81	4.06	2.72	(1.70)	32.99	34.43	30.36	1.07	31.45	29.27	-4%	-8%	BEARISH
XLK	SPDR-TECH SELS	120.18	(2.64)	(0.88)	(5.32)	(4.09)	(5.02)	135.25	139.47	118.78	1.12	123.08	114.48	-11%	-14%	BEARISH
XLI	SPDR-INDU SELS	86.64	1.73	1.36	3.79	3.12	2.29	91.94	94.03	82.84	1.11	85.83	79.85	-6%	-8%	BEAR
XLP	SPDR-CONS STPL	68.77	3.81	2.91	2.88	0.64	14.16	72.56	73.86	66.73	0.58	68.79	64.67	-5%	-7%	BEAR
XLRE	SPDR-RE SELS	34.64	(0.12)	(7.87)	(9.10)	(14.78)	(7.71)	41.07	43.33	36.01	0.81	37.20	34.82	-16%	-20%	BEAR
XLU	SPDR-UTIL SELS	63.06	(1.21)	(9.37)	0.38	0.31	13.01	72.59	71.93	65.51	0.51	67.48	63.54	-13%	-12%	BULLISH
XLV	SPDR-HLTH CR	124.74	1.52	3.86	3.99	7.75	15.24	128.02	130.00	121.11	0.71	125.00	117.22	-3%	-4%	BEARISH
XLY	SPDR-CONS DISCR	140.52	(1.59)	(5.48)	(1.41)	(3.64)	(7.24)	156.36	159.56	142.45	1.19	147.71	137.19	-10%	-12%	BEARISH
XTN	SPDR-SP TRANSPT	66.54	0.17	(1.60)	(0.52)	(5.99)	(7.53)	72.56	76.54	63.61	1.30	66.02	61.20	-8%	-13%	BEARISH
SDY	SPDR-SP DIV ETF	115.45	1.93	1.09	3.33	4.82	11.88	122.53	123.69	111.50	0.84	115.23	107.77	-6%	-7%	BEARISH
RSP	INVS-SP5 EQ ETF	131.10	0.28	(0.19)	1.18	0.68	1.77	140.42	144.79	127.28	1.05	131.80	122.76	-7%	-9%	BEARISH
SLY	SPDR-SP6 SC	79.32	1.48	2.87	1.66	4.02	(1.31)	83.94	86.20	75.69	1.13	78.44	72.94	-6%	-8%	BEARISH
MDY	SPDR-SP MC 400	419.77	0.97	1.38	3.45	4.02	1.16	441.59	451.09	401.66	1.11	416.15	387.17	-5%	-7%	BEARISH
EEM	ISHARS-EMG MKT	34.73	(2.67)	(2.68)	(4.47)	(3.29)	(15.05)	38.49	41.07	34.88	0.73	36.01	33.75	-10%	-15%	BEARISH
EFA	ISHARS-EAFE	56.86	0.40	(0.17)	(2.23)	(3.66)	(11.04)	61.69	66.00	56.01	0.83	57.88	54.14	-8%	-14%	BEARISH
IAU	ISHARS-GOLD TR	31.57	(1.07)	6.23	4.97	2.07	9.59	32.63	34.54	31.53	0.13	32.36	30.70	-3%	-9%	BEARISH
GDX	VANECK-GOLD MNR	23.74	(5.51)	6.26	0.54	(18.49)	(10.45)	24.96	30.57	24.12	0.70	24.89	23.35	-5%	-22%	BEARISH
UUP	INVS-DB US$ BU	30.25	2.17	9.16	14.37	23.75	37.17	29.19	27.95	30.15	(0.15)	30.86	29.44	4%	8%	BULLISH
BOND	PIMCO-TOT RETRN	88.44	0.67	1.82	0.67	4.37	(2.58)	93.84	96.87	89.72	0.16	92.11	87.33	-6%	-9%	BEARISH
TLT	ISHARS-20+YTB	99.39	(0.60)	(1.68)	(6.44)	(3.40)	(14.59)	110.66	117.86	102.45	0.01	105.02	99.88	-10%	-16%	BEARISH
BNDX	VANGO-TTL INT B	47.25	0.85	3.09	2.81	7.03	0.23	49.38	50.46	47.73	0.10	48.97	46.49	-4%	-6%	BEARISH
HYG	ISHARS-IBX HYCB	71.74	0.20	3.28	1.49	4.70	(0.61)	75.25	77.39	71.39	0.41	73.47	69.31	-5%	-7%	BEARISH

Double-Digit Deviations Not Sustainable

Real Investment Advice

RISK RANGE REPORT

SimpleVisor™

Weekly SimpleVisor Stock Screens

Each week we will provide three different stock screens generated from SimpleVisor: (RIAPro.net subscribers use your current credentials to log in.)

This week we are scanning for the Top 20:

- *Relative Strength Stocks*
- *Momentum Stocks*
- *Highest Rated Stocks*

These screens generate portfolio ideas and serve as the starting point for further research.

(Click Images To Enlarge)

RSI Screen

Symbol	Trend	Last	RSI	20 SMA	50 SMA	100 SMA	Mohanram Score	Piotroski Score	SV Rank	Yield%	MACD
BIIB	10/10 👍	$266.98	64.28	$227.49	$216.66	$211.43	—	5	4	%	14.94
ENPH	10/10 👍	$240.66	39.01	$288.54	$289.15	$240.20	1	6	3	%	-7.32
LW	10/10 👍	$84.05	64.63	$78.81	$79.93	$74.58	4	5	3	1.27%	0.80
PCG	10/10 👍	$13.85	60.68	$13.32	$12.46	$11.69	1	5	3	%	0.55
TWTR	10/10 👍	$50.68	69.08	$44.14	$42.67	$40.49	1	7	3	%	2.29
ALB	9/10 👍	$242.36	51.20	$279.90	$273.55	$249.37	1	5	3	0.56%	0.36
CAH	9/10 👍	$68.13	54.51	$67.79	$66.75	$60.51	—	6	5	2.86%	0.53
COP	9/10 👍	$118.69	61.18	$110.21	$105.71	$102.61	1	8	1	1.63%	2.58
AES	8/10 👍	$23.45	50.45	$25.11	$24.91	$22.88	4	8	4	2.78%	-0.13
CSGP	8/10 👍	$70.73	51.69	$72.29	$72.56	$66.22	—	5	3	%	0.44
DVN	8/10 👍	$69.04	58.72	$65.31	$64.97	$63.11	1	8	3	8.58%	1.26
HES	8/10 👍	$123.82	59.86	$118.04	$115.95	$113.42	5	7	3	%	2.47
MOH	8/10 👍	$351.12	61.61	$339.16	$334.68	$310.95	1	6	2	%	4.69
MPC	8/10 👍	$105.24	61.78	$98.99	$97.90	$95.18	—	9	1	2.15%	2.47
NLSN	8/10 👍	$27.98	68.13	$27.85	$27.17	$25.66	4	8	2	%	0.19
REGN	8/10 👍	$735.53	61.81	$707.66	$652.14	$631.71	4	6	3	%	22.53
VRTX	8/10 👍	$295.14	53.49	$289.91	$288.74	$281.74	1	6	2	%	2.81
XOM	8/10 👍	$99.87	59.20	$92.84	$93.49	$92.03	3	8	1	%	1.39

Momentum Screen

Scan Result: 20 Item(s) found | Tables ∨ | Overview | **Technicals** | Fundamentals | Performance

Symbol	Trend	Last	RSI	20 SMA	50 SMA	100 SMA	Mohanram Score ⑦	Piotroski Score ⑦	SV Rank ⑦	Yield%	MACD
BIIB	10/10 👍	$266.98	64.28	$227.49	$216.66	$211.43	—	5	4	%	14.94
ALB	9/10 👍	$242.36	51.20	$279.90	$273.55	$249.37	1	5	3	0.56%	0.36
COP	9/10 👍	$118.69	61.18	$110.21	$105.71	$102.61	1	8	1	1.63%	2.58
DVN	8/10 👍	$69.04	58.72	$65.31	$64.97	$63.11	1	8	3	8.58%	1.26
HES	8/10 👍	$123.82	59.86	$118.04	$115.95	$113.42	5	7	3	%	2.47
MOH	8/10 👍	$351.12	61.61	$339.16	$334.68	$310.95	1	6	2	%	4.69
MPC	8/10 👍	$105.24	61.78	$98.99	$97.90	$95.18	—	9	1	2.15%	2.47
REGN	8/10 👍	$735.53	61.81	$707.66	$652.14	$631.71	4	6	3	%	22.53
VRTX	8/10 👍	$295.14	53.49	$289.91	$288.74	$281.74	1	6	2	%	2.81
XOM	8/10 👍	$99.87	59.20	$92.84	$93.49	$92.03	3	8	1	%	1.39
CF	7/10 👍	$98.54	56.38	$100.58	$102.55	$96.49	1	9	3	1.51%	0.56
FANG	7/10 👍	$141.55	61.26	$129.51	$129.75	$130.07	4	8	3	8.57%	2.40
LLY	7/10 👍	$332.22	54.01	$316.55	$315.07	$313.49	—	5	3	1.18%	4.41
NOC	7/10 👍	$469.44	61.24	$484.47	$483.18	$473.05	4	6	3	%	2.66
ORLY	7/10 👍	$738.65	56.08	$706.21	$712.47	$675.39	5	8	3	%	4.85
AZO	6/10 👍	$2,275.27	57.45	$2,154.55	$2,187.40	$2,133.79	5	7	3	%	9.91
CMI	6/10 👍	$220.56	55.58	$212.76	$217.81	$209.35	5	7	4	2.88%	0.62
EOG	6/10 👍	$121.91	56.06	$118.85	$116.12	$116.98	7	8	3	2.35%	1.81
ETSY	6/10 👍	$93.21	53.54	$105.47	$107.83	$95.19	—	7	3	%	1.13
IT	6/10 👍	$282.07	49.93	$290.49	$293.58	$270.67	6	7	3	%	0.25

Highest Rated Screen

Symbol	Trend	Last	RSI	20 SMA	50 SMA	100 SMA	Mohanram Score	Piotroski Score	SV Rank	Yield%	MACD
LW	10/10 👍	$84.05	64.63	$78.81	$79.93	$74.58	4	5	3	1.27%	0.80
AES	8/10 👍	$23.45	50.45	$25.11	$24.91	$22.88	4	8	4	2.78%	-0.13
HES	8/10 👍	$123.82	59.86	$118.04	$115.95	$113.42	5	7	3	%	2.47
NLSN	8/10 👍	$27.98	68.13	$27.85	$27.17	$25.66	4	8	2	%	0.19
REGN	8/10 👍	$735.53	61.81	$707.66	$652.14	$631.71	4	6	3	%	22.53
CI	7/10 👍	$295.44	50.04	$285.90	$284.87	$273.89	5	6	3	1.52%	1.14
FANG	7/10 👍	$141.55	61.26	$129.51	$129.75	$130.07	4	8	3	8.57%	2.40
GL	7/10 👍	$109.18	64.48	$102.73	$101.14	$99.07	4	5	3	0.78%	1.45
NOC	7/10 👍	$469.44	61.24	$484.47	$483.18	$473.05	4	6	3	%	2.66
ORLY	7/10 👍	$738.65	56.08	$706.21	$712.47	$675.39	5	8	3	%	4.85
SLB	7/10 👍	$42.62	63.80	$38.32	$37.66	$38.39	5	7	2	1.65%	1.00
APA	6/10 👍	$40.16	58.64	$37.96	$36.88	$38.45	5	6	1	2.47%	0.85
AZO	6/10 👍	$2,275.27	57.45	$2,154.55	$2,187.40	$2,133.79	5	7	3	%	9.91
CMI	6/10 👍	$220.56	55.58	$212.76	$217.81	$209.35	5	7	4	2.88%	0.62
EOG	6/10 👍	$121.91	56.06	$118.85	$116.12	$116.98	7	8	3	2.35%	1.81
IT	6/10 👍	$282.07	49.93	$290.49	$293.58	$270.67	6	7	3	%	0.25
OXY	6/10 👍	$66.97	51.20	$63.98	$65.56	$63.94	5	7	1	0.74%	0.44
ROL	6/10 👍	$35.11	54.71	$35.71	$36.13	$35.61	7	9	2	1.08%	0.17
SBUX	6/10 👍	$87.06	49.94	$87.96	$86.73	$81.66	5	8	4	2.37%	0.32
IEX	5/10 👎	$198.20	48.62	$204.67	$207.66	$196.92	5	7	2	1.16%	-0.34

SimpleVisor Portfolio Changes

We post all of our portfolio changes as they occur at&#2013266080;*SimpleVisor:*

October 10th

We shed a little exposure this morning to the energy sector, which has been red hot. The Energy sector, XLE, beat the S&P 500 by about 8% last week. Crude is up from $77 to $92 in just two weeks which we have been discussing was likely in our 3-minutes videos.

We also sold 1% of Public Storage (PSA.) We are starting to do some tax loss selling for year-end purposes to offset the gains we took early this year. We still like PSA as a position and will add back to it later. Also, PSA is the most overbought stock within the REIT sector. We are looking to initially replace that reduction in PSA with either Digital Reality (DLR) or American Tower (AMT) as they are grossly oversold.

Equity Model

- *Reducing XOM and DVN by 0.5% each*
- *Trimming PSA by 1%.*

ETF Model

October 13th

This morning we sold our positions in IAU and FXE in both models and added 0.5% of utility exposure via DUK and XLU. &#2013266080;

We still think the market may bounce but recognize IAU and FXE will likely lag in a bounce. Furthermore, we have a LOT of gains that we have taken this year in various positions, so we are starting to do some tax loss harvesting heading into year-end. We have some other candidates for tax loss selling as well and are looking at some strategic swaps if the current rally continues.

Utilities have gotten hit hard recently and are now grossly oversold. The yield on DUK, for instance, is approaching 5%.

Equity&#2013266080;Model

- *Sell 100% of both iShares Gold Trust (IAU) and Guggenheim Currency EURO (FXE)*
- *Buy 0.5% of Duke Energy (DUK)*

ETF Model

- *Sell 100% of both iShares Gold Trust (IAU) and Guggenheim Currency EURO (FXE)*
- *Buy 0.5% SPDR Utilities Sector (XLU)*

Lance Roberts, CIO

Have a great week!