THE WEIGHT OF THE EVIDENCE: 0 (NEUTRAL)

BREADTH TURNS BEARISH BUT SENTIMENT IMPROVES

March 10, 2020

Please refer to Appendix – Important Disclosures.

**Key Takeaway:** Downside momentum is intact. Longer-term breadth trends continue to deteriorate and multiple indexes (e.g., Value Line Geometric Index, Dow Transports) have undercut their December 2018 lows. Short-term sentiment indicators are getting washed out, but deep-seated complacency is only beginning to unwind. Patience remains the best near-term approach.

MACRO FACTORS (WHAT COULD HAPPEN):

**FED POLICY**

- **BULLISH**
- **BEARISH**

Even after a 50 basis point inter-meeting cut, the market is looking for more easing from the Fed.

**ECONOMIC FUNDAMENTALS**

- **BULLISH**
- **BEARISH**

Economic data continues to surprise to the upside but the economic effects of the virus outbreak remain unknown.

**VALUATIONS**

- **BULLISH**
- **BEARISH**

Valuation excesses are being relieved, but downward earnings revision cycle needs to run its course.

MARKET FACTORS (WHAT IS HAPPENING):

**SENTIMENT**

- **BULLISH**
- **BEARISH**

Near-term pessimism extremes (which can be bullish) are being reached, but longer-term sentiment is being re-set.

**SEASONAL PATTERNS AND TRENDS**

- **BULLISH**
- **BEARISH**

Watch the Gallup approval ratings for evidence that President Trump’s re-election prospects are dimming

**BREADTH**

- **BULLISH**
- **BEARISH**

The percentage of industry groups in uptrends is contracting as downside momentum remains intact.

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