THE WEIGHT OF THE EVIDENCE: 0 (NEUTRAL)

EVIDENCE NEUTRAL AS RALLY FACES TESTS

March 27, 2019

Please refer to Appendix – Important Disclosures.

Key Takeaway: Cracks can be repaired before they become crevices, but inability for weight of evidence to turn bullish increases likelihood of near-term consolidation after outsized swings over past two quarters.

MACRO FACTORS (WHAT COULD HAPPEN):

FED POLICY

ECONOMIC FUNDAMENTALS

VALUATIONS

BULLISH

BEARISH

BULLISH

BEARISH

BULLISH

BEARISH

Market is looking for Fed to cut rates later this year which is at odds with Fed forecasts.

Expansion poised to set record for longevity, though average growth has been sub-par.

Excessive valuations have historically put a damper on stock market returns going forward.

MARKET FACTORS (WHAT IS HAPPENING):

SENTIMENT

SEASONAL PATTERNS AND TRENDS

BREADTH

BULLISH

BEARISH

BULLISH

BEARISH

BULLISH

BEARISH

Sentiment surveys show elevated but not excessive optimism.

Small-caps being out of rhythm with large-caps argue against historically bullish seasonal patterns.

Breadth trends have been slow to turn higher.

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