THE WEIGHT OF THE EVIDENCE: +1 (BULLISH)

IMPROVING RALLY PARTICIPATION FUELS BREADTH UPGRADE

May 19, 2020

Please refer to Appendix – Important Disclosures.

Key Takeaway: The percentage of industry groups above their 10-week averages and world markets above their 50-day averages is expanding as rally participation has improved. Still looking for further evidence of strength before turning breadth bullish. Weight of the evidence tilts bullish, but volatility of 2020 may not quickly subside. Relative strength trends for small/mid-caps improving.

MACRO FACTORS (WHAT COULD HAPPEN):

**FED POLICY**

Fed focused on supplying liquidity in effort to decrease duration of economic weakness.

**ECONOMIC FUNDAMENTALS**

According to Fed, 40% of households making less than $40,000/yr have lost a wage-earner in 2020.

**VALUATIONS**

Earnings recovery unlikely to match consensus expectations.

MARKET FACTORS (WHAT IS HAPPENING):

**SENTIMENT**

Sentiment data mixed amid signs of optimism and pessimism, complacency and fear.

**SEASONAL PATTERNS AND TRENDS**

Small-caps tend to lead large-caps heading into Presidential elections.

**BREADTH**

Breadth not without blemishes, but rally participation has improved in recent weeks.

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