

Market Notes October 4, 2023

1. The Equity Put/Call Ratio is above levels associated with a trading market bottom. The 10 day average is at .81. See attached
2. American Association of Individual Investors reports 50% more bearish investors than bullish, usually a market bottom occurrence
<https://www.aaii.com/latest/article/88780-aaii-sentiment-survey-highest-pessimism-since-mid-may>
3. The percentage of S&P500 issues above the 50 day moving average is below 10%, another potential bottom signal. See attached.
4. Q4 traditionally generates strong returns. From the current oversold condition, I believe the market can surprise to the upside.
5. Treasury yields have risen to 2007, pre credit crisis prices. The new normal is now what was the old normal, and up to now the economy has shown resilience returning to a traditional period of real interest rates. Q3 earnings reports are indicated to confirm corporate America is in decent shape. We'll see.
6. Equity markets are priced at where they were more than 2 years ago. See attached S&P500 and S&P500 equally weighted charts. Performance in the S&P500 has been limited to "magnificent 7 positions". Going forward, I would expect the rally to broaden out, and anticipate the equally weighted index to catch up the S&P500 itself, and outperform.