

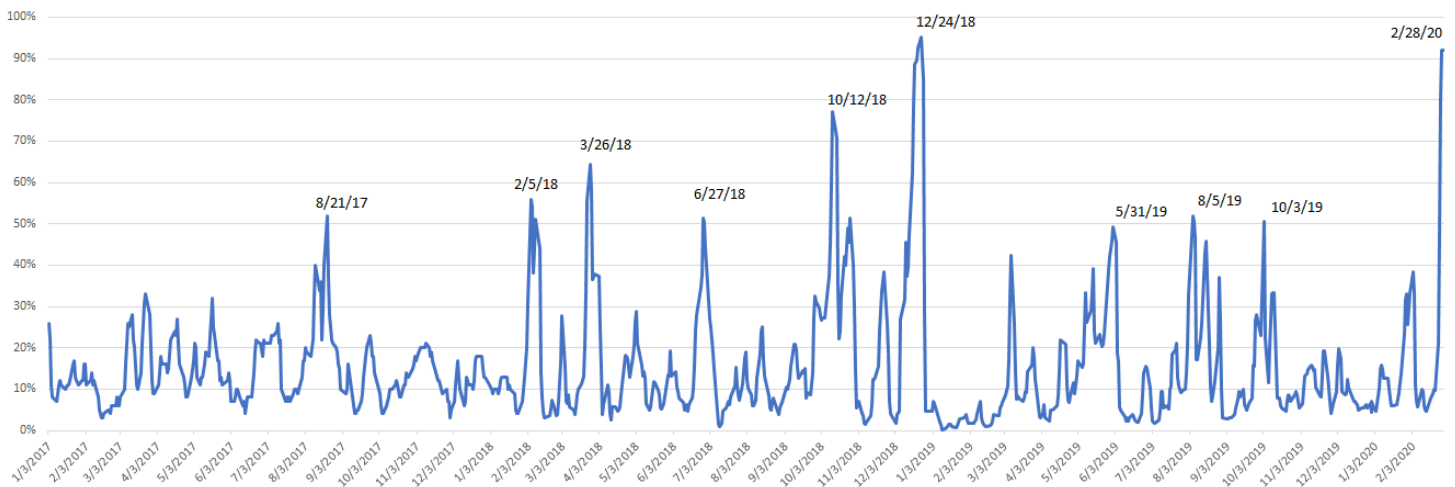
MONTHLY COMMENTARY

FEBRUARY 28, 2020

Our February 1st commentary featured the viewpoint that equity markets had begun to reflect fear and that risk had diminished, but that the tide of risk was not all the way out. The market internal measurements that we perform on an every-day basis were unanimously in neutral territory at that point, having migrated from over-bought readings seen in early to mid-January. But they were some distance away from extreme over-sold indications. Also featured in that commentary was one of our market breadth indicators, the percentage of S&P 500 stocks that are over-sold. That reading on February 1st was a little over 30%. To get to an extreme reading that percentage needs to be somewhere north of 50%. That measurement has been updated below to the current figure of 92%.

This measurement, along with a collective group of additional market internal measurements, is now telling us that a preponderance of risk is reflected in current equity prices. These are measurements of sentiment and market breadth, that provide a road map as to where we sit on the fear and greed spectrum. At extremes, the over-sold indications become very meaningful, and offer longer term re-assurance for equity investors. Market internals are typically early, and can become more extreme, so downside momentum could continue to carry prices lower before turning up, but high readings of fear are good. The wall of worry that markets climb is being rebuilt.

PERCENTAGE OF S&P 500 OVERSOLD DAILY MEASUREMENTS IN THE PAST THREE YEARS



Source: Fairlead Strategies, LLC

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