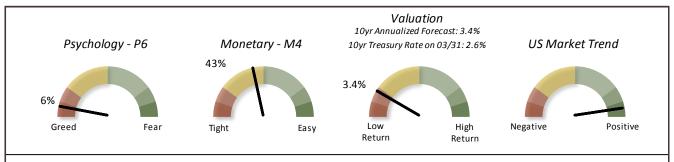


## Cypress Market Outlook

By Mark T Dodson, CFA



## Recommended Equity Exposure: 60-70% of Maximum Allocation

## **Market Trend Analyzers**

Domestic Equities International Equities Real Estate Commodities

## **Phase**

Investment Phase: 60-70% Invested

Trading Phase: ST Trend Negative, MT Trend Positive

Investment Phase: All Trends Positive Trading Phase: ST & MT Trends Negative

Monetary		
Components	Condition	
Exchange Rates	Neutral	0
GDP	Positive	
Inflation	Neutral	$\circ$
Interest Rate Spreads	Negative	
Interest Rates	Positive	
Lending & Leverage	Neutral	$\circ$
Monetary Aggregates	Neutral	$\circ$
Velocity	Negative	

Valuation	
Components	Level
10Yr Annl Equity Return Forecast	3.4%
10Yr Treasury Yield (on 03/31)	2.6%
5Yr Anni Valueline App Potential Forecast	6.2%

Psychology		
Components	Condition	
Bank Sentiment	Negative	
Flow of Funds	Neutral	0
Fund Flows	Neutral	0
Insider Sentiment	Negative	
Leveraged Investments	Negative	
Option Activity	Negative	
Surveys	Neutral	0
Consumer Confidence	Neutral	0
Technical Indicators	Negative	
Trading Data	Positive	
Volatility	Positive	

The Market Risk Index moved little over the last week. Investor psychology dropped further, but this was offset by a comparable improvement in monetary conditions. The psychology category is based upon a smoothed scoring of daily readings, and the trough in those daily readings came last Thursday. While the pocket of volatility this week has coincided with some improvement in those daily readings – they are still firmly in negative territory.

Coincidentally, the trough in daily readings on psychology came on the same day Beyond Meat's IPO soared 160% on its first day of trading. Large first day pops in IPOs are hallmarks of euphoric markets. We include first day IPO returns in psychology, but we base it on the average return for all IPOs for the month. Popular, attention grabbing IPOs have been coming public at 50-60 times sales in recent months, rivalling dot-com era pricing.

Since the recent breach of the bottom decile of readings by our psychology composite coincided with a market peak in almost eerie fashion, we're on the lookout for the nascent signs of improvement there. Put/call data is often some of the first to shift back to positive in short-term corrections, but that data still shows option traders leaning heavily toward call options. Small option traders have been very enthusiastic call buyers, rivalling the level of buying from the market peaks in 2000, 2007 and 2018.



**Chart – Small Traders Betting Heavily on Call Options** 

Corporate Insiders had also swung back in favor of more aggressive selling of their own shares, and this selling also peaked last Thursday.

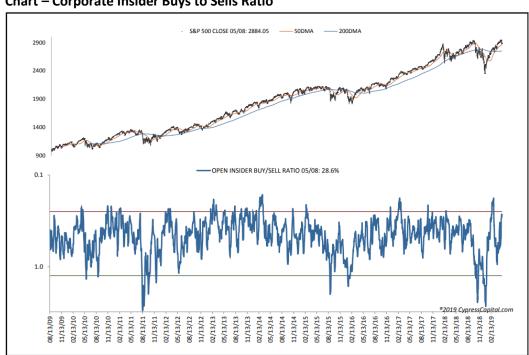


Chart - Corporate Insider Buys to Sells Ratio

If the 1998 analog for this market still holds, and investors are looking for a sign of a respite of this trade tantrum, it's going to be up to policymakers to provide it, because sentiment indicators aren't giving those signals yet.

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