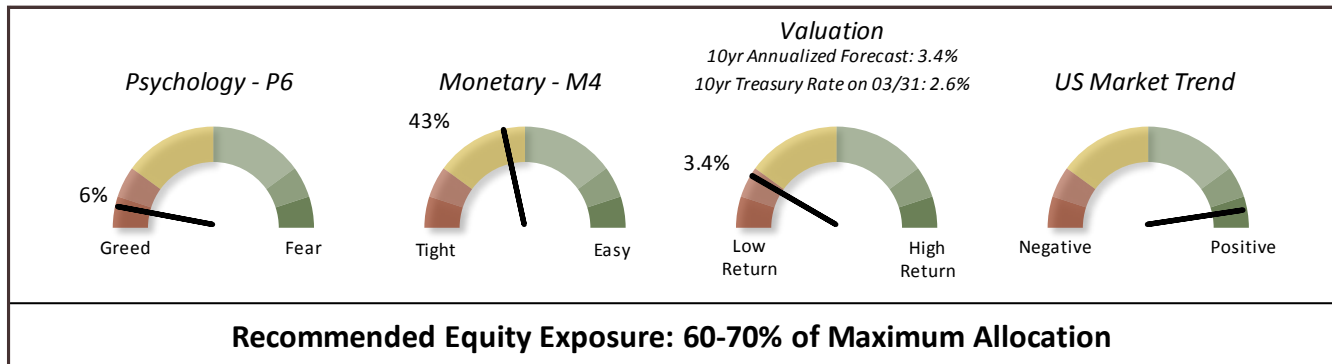




Cypress Market Outlook

By Mark T Dodson, CFA



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	○
GDP	Positive	●
Inflation	Neutral	○
Interest Rate Spreads	Negative	●
Interest Rates	Positive	●
Lending & Leverage	Neutral	○
Monetary Aggregates	Neutral	○
Velocity	Negative	●

Psychology

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

Valuation

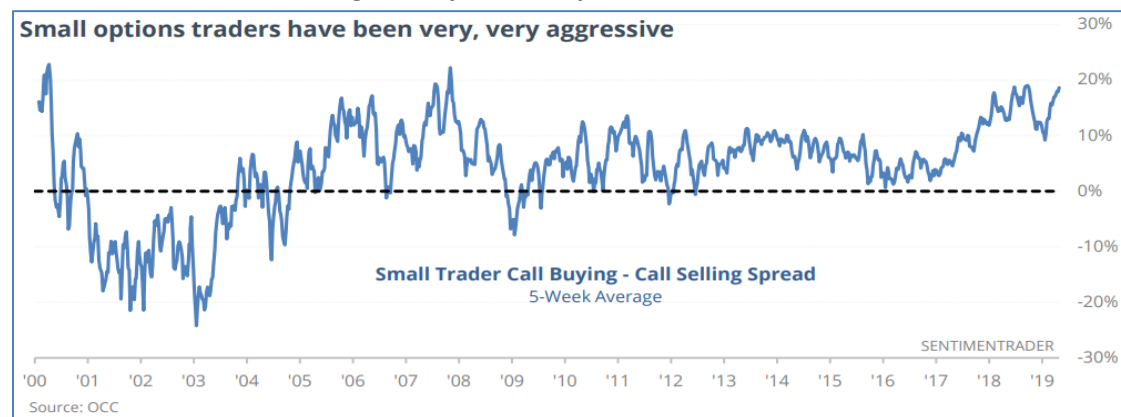
Components	Level
10Yr Annl Equity Return Forecast	3.4%
10Yr Treasury Yield (on 03/31)	2.6%
5Yr Annl Valueline App Potential Forecast	6.2%

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.

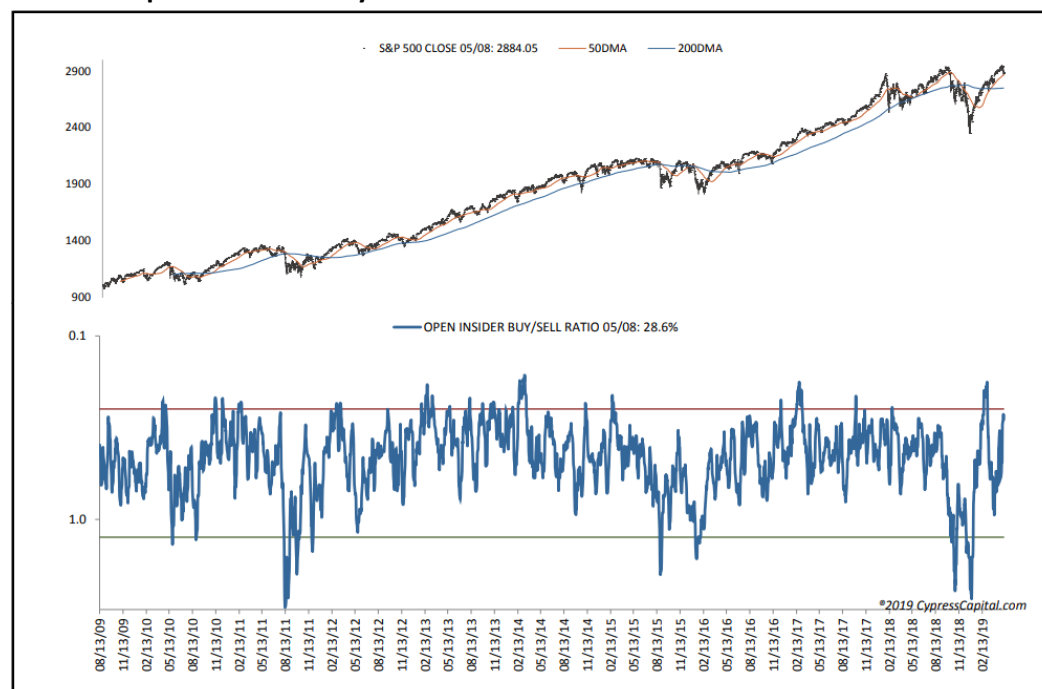
Since the recent breach of the bottom decile of readings by our psychology composite coincided with a market peak in almost eerie fashion, we're on the lookout for the nascent signs of improvement there. Put/call data is often some of the first to shift back to positive in short-term corrections, but 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.