

Weekly Market Review

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Detailed information on **THE FAT PITCH** is provided at the end of the article. However, a brief overview is provided immediately below, with the article beginning on the next page.

WHAT IS THE FAT PITCH?

Specifically, the Fat Pitch on this site refers to two situations.

First: A Fat Pitch comes at a market turning point.

Second: The Fat Pitch is a favorable investing environment.

Objectives

The objective of **THE FAT PITCH** is to provide a structured, quantitative, and empirical methodology for evaluating the state of the market. At any point in time, there are a variety of factors pulling on the market. We want to determine the relative importance of each factor in order to answer two questions:

- (1) In which direction should we be investing in the market?
- (2) Are tailwinds behind this direction or are headwinds picking up?

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Weekly Market Summary

June 20, 2019

An Extreme In Investor Fear And Pessimism

Summary: Fund flows out of equities and into the safety of bonds is the most extreme in more than 15 years. Retail investor bearishness is consistent with that at Christmas 2018, early 2016, and other durable lows in equities.

Fund managers surveyed by BAML are similarly pessimistic. Their cash allocation is one of the highest in 16 years. Their equity allocation is the lowest since the bear market bottom in March 2009, and their allocation to bonds is near an 8-year high.

All of this suggests a continued upside tailwind for equities and a strong headwind for bonds. Could investors, especially fund managers, be right this time? Of course they could, but it is not likely. The last bear market started with strong equity inflows and bond outflows. Cash levels were relatively low. All of this is the reverse now.

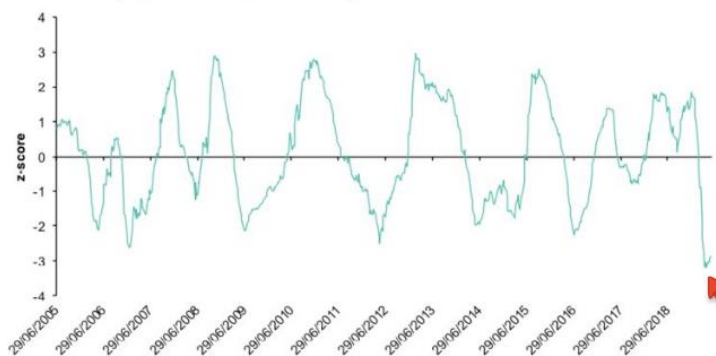
The U.S. dollar is considered the most over-valued in 16 years, a possible tailwind for U.S. multi-nationals and ex-U.S. equities.

* * *

By most accounts, the fall in equities in May was exacerbated by investor fear. That fear does not appear to have dissipated with the rise in equities so far in June.

Let's review several recent studies of sentiment. First, a study from Bernstein shows that flows out of equities and into bonds so far in 2019 is the most extreme in more than 15 years. *Enlarge any chart in this report simply by clicking on it.* Use <Ctrl-Click>.

EXHIBIT 1: Global Equity - Bond flows (26 week average) z-score



Source: EPFR, Bernstein research

BW: You can read the rest of the detailed article by clicking on the <Read more> link below. Also, you can enlarge any chart by clicking on it.

[Read more »](#)

The Fat Pitch website is here: <http://fat-pitch.blogspot.ca/>

BW: Info on Mr. Urban Carmel and his blog, The Fat Pitch, follows below.

WHAT IS THE FAT PITCH?

In baseball, a fat pitch is a hittable ball. The odds are in your favor. You might miss, but it is a situation where you should take a swing of the bat. If you swing at good pitches and avoid the crappy ones, you improve your OBP. Once on base, it becomes a running game.

The stock market serves a lot of curve balls. Now and then there comes a Fat Pitch, your odds-on opportunity to swing the bat. So, get on base and then manage your base-runners.

Specifically, the Fat Pitch on this site refers to two situations.

First: A Fat Pitch comes at a market turning point. It is an identifiable and quantifiable capitulation point where sellers or buyers have become exhausted and panic or euphoria is at an extreme. The Fat Pitch here is measured by a combination of (in no particular order): put-call, Trin, NYMO, sentiment, fund cash balances, major accumulation or distribution, volume, price relative to Bollinger bands, volatility, and consecutive days in a row in one direction. Swinging the bat without popping up is the hardest part.

Second: The Fat Pitch is a favorable investing environment. Old hands talk about there being only a few good times each year to be involved in the market. The remainder are unprofitable. I think this is correct. The Weekly Market Summary is intended to help discern when it is favorable to be long (or short) and when it is best to work on improving your French.

Every day, week, and year is a learning experience. The purpose of this site is to help refine what constitutes a Fat Pitch. Like baseball, you have to continue to work on your swing.

Our Objectives

The objective of the Fat Pitch is to provide a structured, quantitative, and empirical methodology for evaluating the state of the market. At any point in time, there are a variety of factors pulling on the market. We want to determine the relative importance of each factor in order to answer two questions:

1. In which direction should we be investing in the market?
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Every Friday we publish a Weekly Market Summary with green, yellow, and red lights on it. Green is good and red is bad. Everything on this site is in support of this market summary.

The little tabs across the top of the site (trend, breadth, etc.) mirror the different factors we follow to monitor the market. There is nothing here that does not fit with the methodology.

Anytime you want to understand why a factor is red or green, click on the tab and read the accompanying analyses. To the fullest extent possible, we quantify and use empirics to determine the state of every factor.

THE FAT PITCH is authored by Urban Carmel, see below.

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