

Market Sentiment (graphics: NFTRH/Stockcharts.com, Sentimentrader.com & Yardeni.com)

And so, the Good Ship Lollipop finally hits some rough seas as it makes its first break from trend (red box) and the VIX pops above resistance (now support).



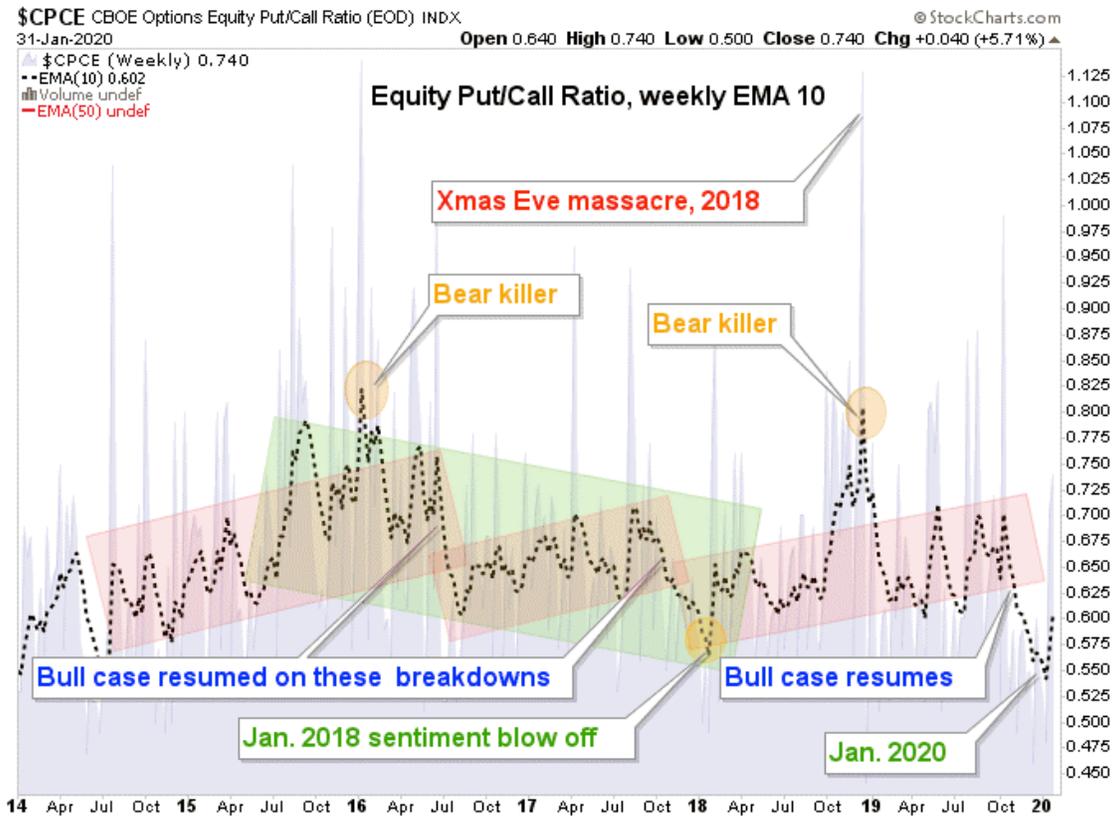
We can now proclaim that the VIX signal, in its divergence to inverse SPX, has worked to a 'mini' degree as it did in 2019. It remains to be seen whether it will proceed on to a 'maxi' situation. Again, I don't love that sentiment is getting riled up amid global contagion hysteries if I am a bear. But the markets will decide and we will manage.



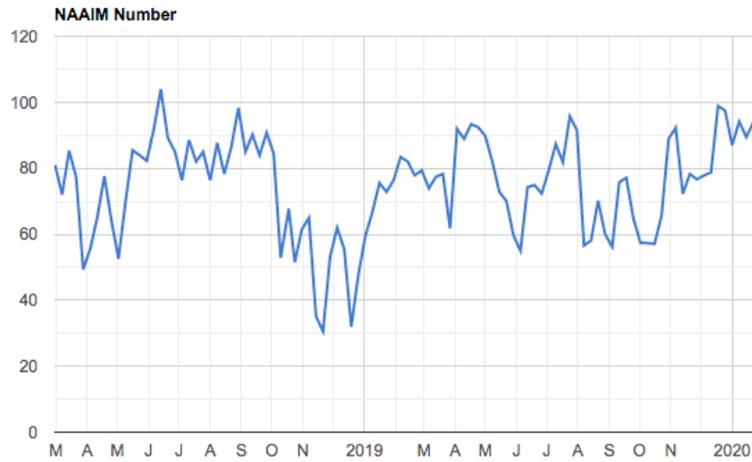
Here is the simple daily view of the VIX. It has cleared the traffic area at the SMA 200 and is set free to do what it will on the upside. But let's be clear that counterintuitive as it sounds, a spiking VIX very often implies less market risk, not more. Risk was very high when VIX was stapled to the floor.



Equity Put/Call ratio's weekly EMA 10 is turning up much like it did after the January 2018 sentiment blow off. But the key here is to establish a trend and thus far it is just a spike. It's worthy of respect for the bear view, but let's tap the breaks on full frontal Armageddon for now, shall we?



After we noted active investment managers' over bullish positioning and risk signals therein last week, the NAAIM (graphic from naaim.org) did what it usually does and began retreating from the top that it had signaled.



Risk profiles according to Sentimentrader.

Stocks Short-Term

Below Avg Risk

Stocks Medium-Term

Above Avg Risk

Bonds

High Risk

Crude Oil

Below Avg Risk

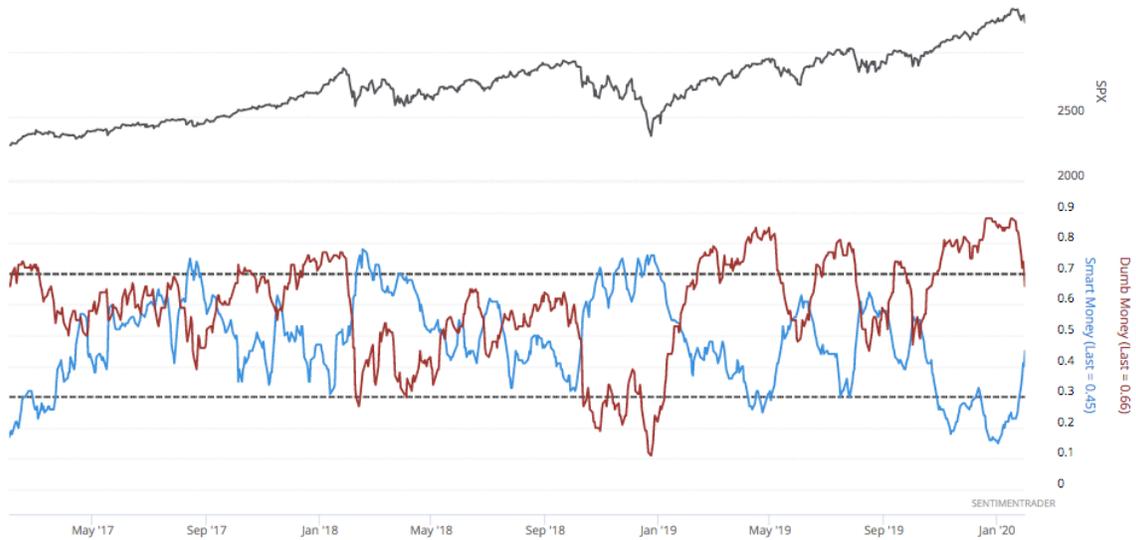
Gold

Neutral

Agriculture

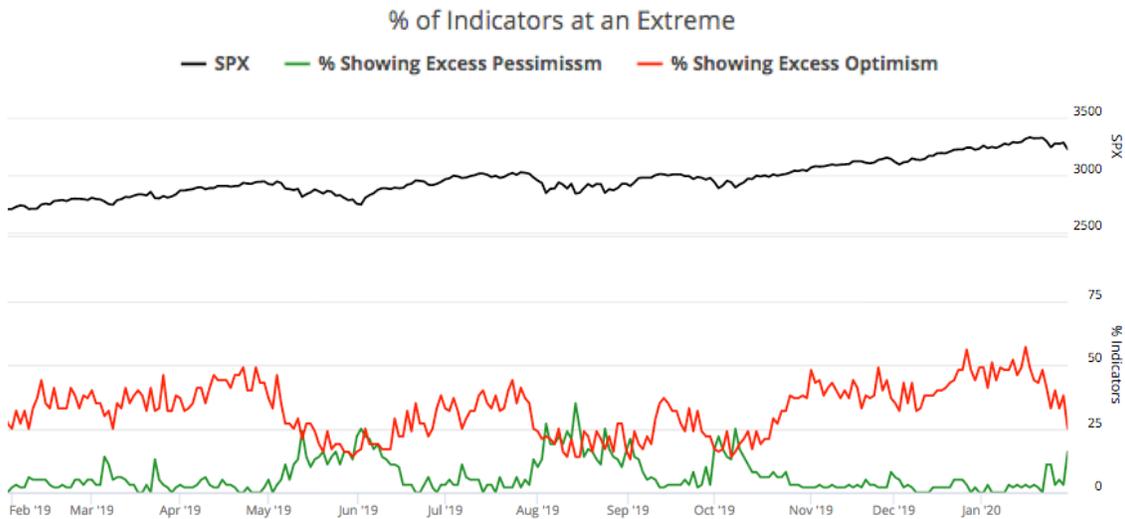
Above Avg Risk

Smart & Dumb money indicators are on their way to fixing the market's sentiment profile. If it's a maxi correction there would be much further to go. If it's mini, we could see just a bit more closing of these sentiment jaws.

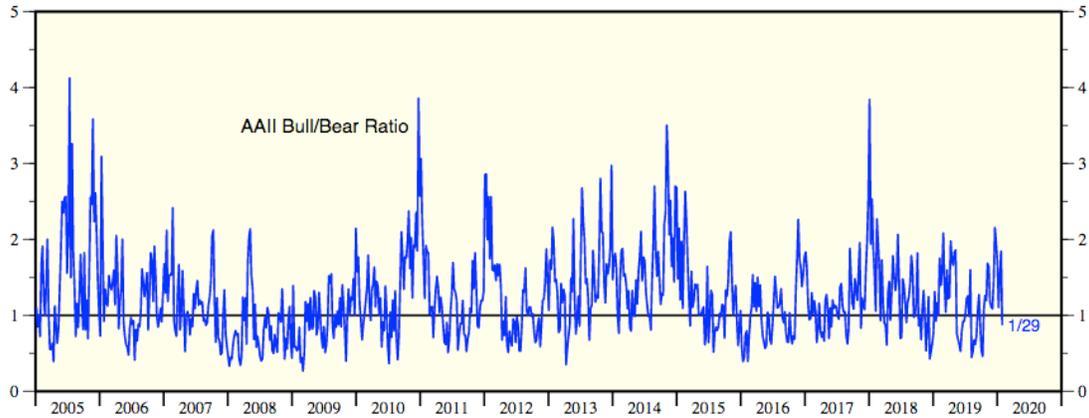


Extremes in Optimism and Pessimism are also being addressed in fine fashion.

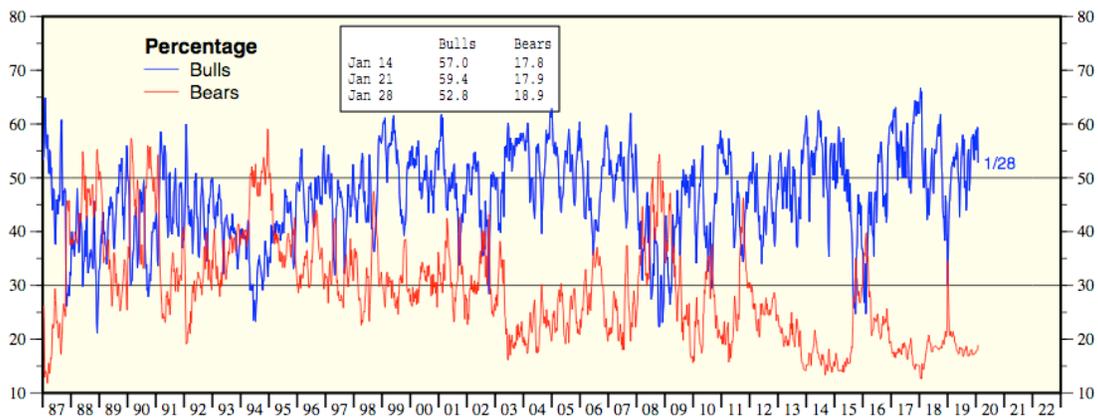
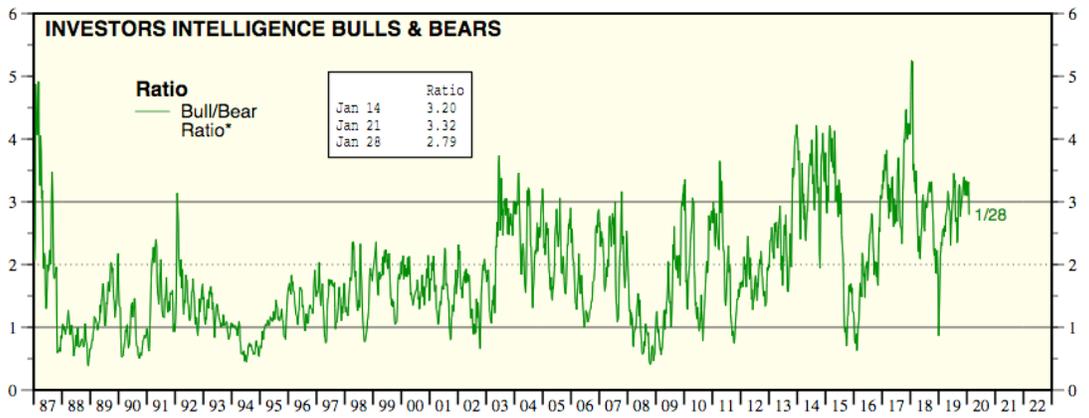
This view as well says maybe just a bit more pain (there is that bearish engulfing candle on the NDX implying another day or two of red, after all) if the correction is a 'mini' one instead of a major one. But let's respect all possibilities.



AII got spooked pretty good as of the 29th, and that was before Friday's beat down. So it's probably near the graph's lows by now.



Investors Intelligence dropped as of 1/28. It too is likely well lower now after the Friday market hammering.



Bottom Line on Sentiment: From my perspective, if there were not a dominant non-financial instigator to this market correction I'd be advising that the sentiment indicators may only just be kicking off a big bear phase. But given the situation, I give at least equal weight to the prospect that this may be just another 2019 style sentiment reset.