

The month of May saw the anticipated return of volatility to the equity markets. The S&P 500 declined over 6% for the month. That still leaves markets up year-to-date, but below last September’s high. While equities are still searching for a hard bottom, a good deal of the tide has gone out at this point.

The two tables shown illustrate the market internals we follow daily. These internals are measures of sentiment that are highly efficient at extremes. Quite simply, these measurements are demonstrating how much fear and greed is priced into the market. As these indicators become extremely oversold, they turn green and when overbought they turn red.

Table 1 shows the massive selloff that took place in December 2018, while **Table 2** shows an oversold May – but not as dramatic as we saw in late December.

A Screaming Buy

Table 1

		21-Dec	20-Dec	19-Dec	18-Dec	17-Dec
Price	S&P 500 Index (SPX)	2416.62	2467.42	2506.96	2546.16	2545.94
	SPX % Change	-2.06%	-1.58%	-1.54%	-0.01%	-2.08%
Breadth	NYSE Advancers	832	771	1040	1717	571
	NYSE Decliners	2998	3100	2717	2008	3212
	SPX % > 50-day MA	6%	9%	12%	15%	16%
	SPX % Oversold	93%	90%	89%	78%	62%
	SPX % Overbought	0%	0%	0%	0%	1%
Sentiment	McClellan Oscillator	-300	-267	-215	-184	-210
	CNN Fear and Greed Index	3	5	8	8	10
	AAll Bull-Bear Spread	-22.4	-22.4	-22.4	-28.0	-28.0
	CBOE Volatility Index (VIX)	30.11	28.38	25.58	25.58	24.52
Leadership	NYSE New 52-Week Highs	2	3	6	3	6
	NYSE New 52-Week Lows	667	701	532	337	482
	NYSE NH - NL	-665	-698	-526	-334	-476

Sources: Fairleads Strategies, LLC; Bloomberg Finance LP.

A Maturing Market Pullback

The market's internal measures are sending an oversold "buy" signal, with extreme readings from measures of breadth, leadership, and sentiment. Importantly, the overbought reading from the CNN Fear & Greed Index in April has been reversed, which increases the likelihood of a near-term rebound.

Table 2

		31-May	30-May	29-May	28-May	24-May
Price	S&P 500 Index (SPX)	2752.06	2788.86	2783.02	2802.39	2826.06
	SPX % Change	-1.32%	0.21%	-0.69%	-0.84%	0.14%
Breadth	NYSE Advancers	1115	1797	1169	1213	2341
	NYSE Decliners	2476	1742	2391	2325	1111
	SPX % > 50-day MA	29%	32%	31%	37%	43%
	SPX % Oversold	49%	46%	42%	39%	23%
	SPX % Overbought	3%	2%	3%	10%	23%
	McClellan Oscillator	-176	-161	-161	-123	-77
	Sentiment	CNN Fear and Greed Index	24	24	23	25
AAll Bull-Bear Spread		-15.3	-15.3	-15.3	-11.4	-11.4
CBOE Volatility Index (VIX)		18.71	17.3	17.9	17.5	15.85
Leadership	NYSE New 52-Week Highs	17	16	9	61	74
	NYSE New 52-Week Lows	244	122	203	116	89
	NYSE NH - NL	-227	-106	-194	-55	-15
Volume	NYSE Volume (Billions)	3.28	2.69	3.05	3.34	2.37
	NYSE Up/Down Volume	-2.7	-1.2	-2.0	-3.1	1.7

Sources: Fairlead Strategies, LLC; Bloomberg Finance L.P.

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