

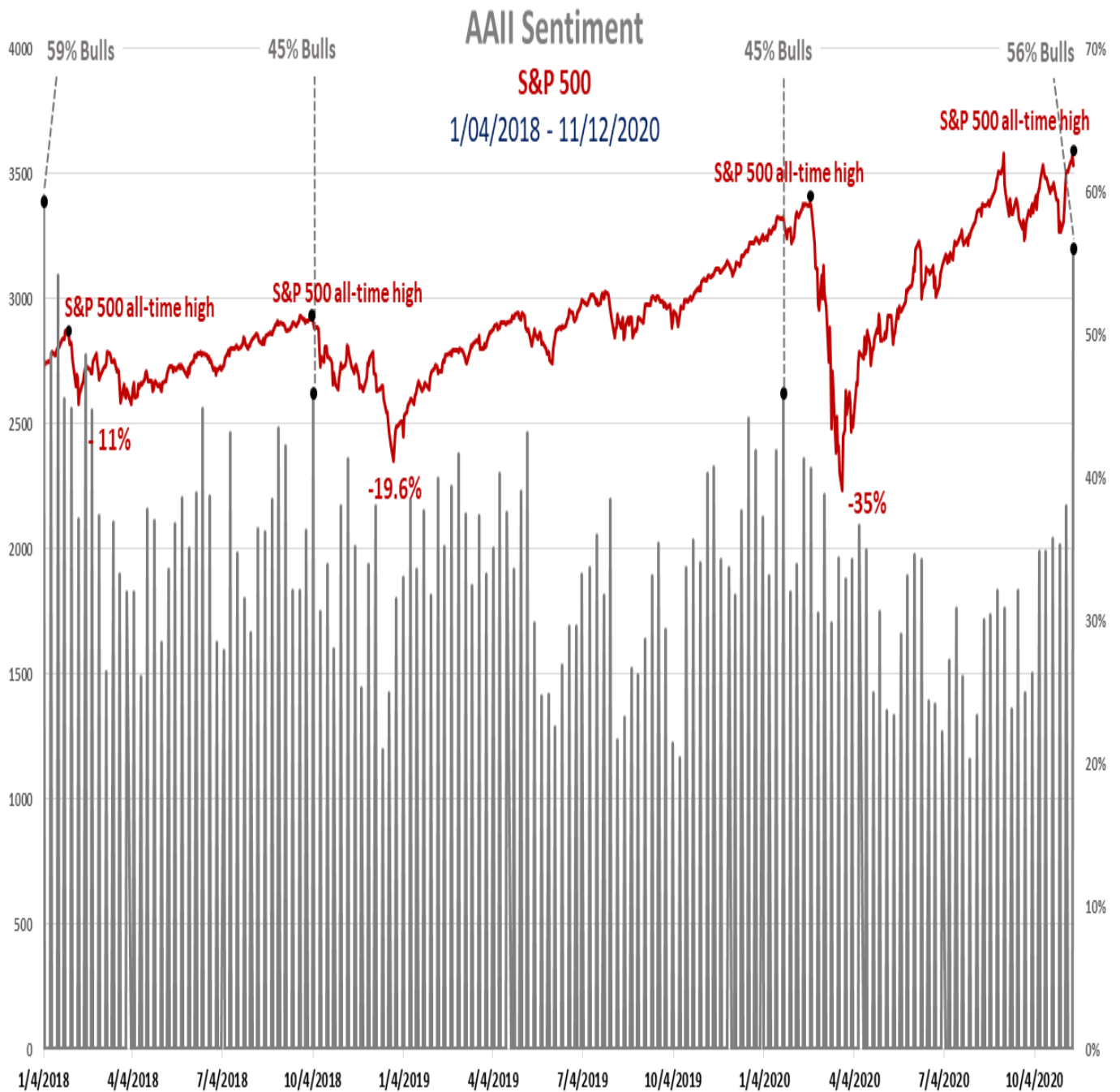
Markowski: Sentiment Anomalies & Market Downturns

Market Sentiment Anomalies And Historical Market Downturns.

The two stock market sentiment anomalies have increased the probability of a correction near term. The two anomalies are:

- **Thanksgiving Melt Up Anomaly.** *The average S&P 500 gain for 12 of the past 14 ten-day periods concluding November, was 3.5%. The only two exceptions, 2015 and 2018, were preceded by significant market corrections.*
- **Bullish Sentiment Anomaly.** *Currently, there is a high probability for the S&P 500 to decline by 12.7%. Such would be from its recent 2020 high and would conclude by December 20, 2020. Based on the previous behavior, there is a 66% probability the S&P 500 could continue its decline in 2021.*

The **Thanksgiving Melt Up Anomaly** is now driving the S&P 500 to a higher November all-time high. The **Bullish Sentiment Anomaly** is the cause of a violent correction for the S&P 500 to begin in early December 2020. The chart below depicts the four 45% to 59% Bullish sentiment readings which occurred near the all-time highs for the S&P 500. (2018 to November 13, 2020)



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Looking For A Short-Term Decline

Within five weeks of the three prior *Bullish Sentiment Anomalies* occurring, the **S&P 500 declined by a minimum of 9.7%**. Two of the three total declines depicted in the table below were more than 100% greater than the five-week drops.

S&P 500 five week and total declines after Bullish Sentiment Anomaly occurrences

Bullish Sentiment Anomaly start date	5-weeks period end date	S&P 500 % decline @ 5 weeks low	Total decline @ bottom
1/4/18	2/8/18	-11.0%	-11.0%
10/3/18	11/13/18	-9.7%	-19.6%
1/23/20	2/28/20	-12.7%	-35.0%
11/13/20			

There exists a risk of decline from November 13, 2020, through Christmas Day. Such is likely to occur precisely because no one expects it to.? Trade accordingly.



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Michael Markowski has worked in the Capital Markets since 1977. He spent the first 15 years of his career in the Financial Services Industry as a Stockbroker, Portfolio Manager, Venture Capitalist, Investment Banker, and Analyst. Since 1996, he has worked in the Financial Information Industry and has produced research, information, and products that have been used by investors to increase their performance and reduce their risk. [Read more at BullsNBears.com](http://BullsNBears.com).