



SURPRISE! MARKET IS OVERSOLD
10.26.18

SUMMARY: Our buying/selling ratio has reached oversold. History suggests this could be a great buying opportunity.

Currently the MAP ratio sits at 24.7% and will likely be lower as of the close today. When our ratio breaks 25% to the downside, it's usually a time to get your buy list ready. We have been very vocal recently and sent an update on 10/10/2018 [here](#), suggesting the market is likely to fall, and a buy opportunity is around the corner. Remember, the ratio measures buying vs. selling on a 5 week moving average. This ratio allows us to gauge if the market is overbought (80%) or oversold (25%). Historically it has been very accurate.

All the ratio is doing is looking for unsustainable selling. When we hit that point (now), the market tends to catch its footing soon after. We do expect to see lots of selling signals once today comes to a close. But again, bottoms are made when selling exhausts itself.

Below are stats on breaking the 25% level and why we feel it is important:

We have had only 3 instances where the ratio has been in a downtrend and then fell below 25%. This is out of ~1600 trading days of data, so this is a very rare event!

A couple of observations on market returns after breaching below the 25% level:

- 1) the average 3 week return for IWM = +4.12%
- 2) the average 8 week return for IWM = +7.27%

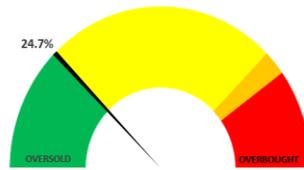
Below details the 3 instances where the ratio descended and fell below 25%:

| RATIO BELOW 25% | IWM RETURN 3 WEEKS LATER | IWM RETURN 8 WEEKS LATER |
|------------------------|---------------------------------|---------------------------------|
| 10/15/2014 | 8.82% | 8.81% |
| 9/24/2015 | 2.22% | 2.57% |
| 2/2/2016 | 1.31% | 10.43% |

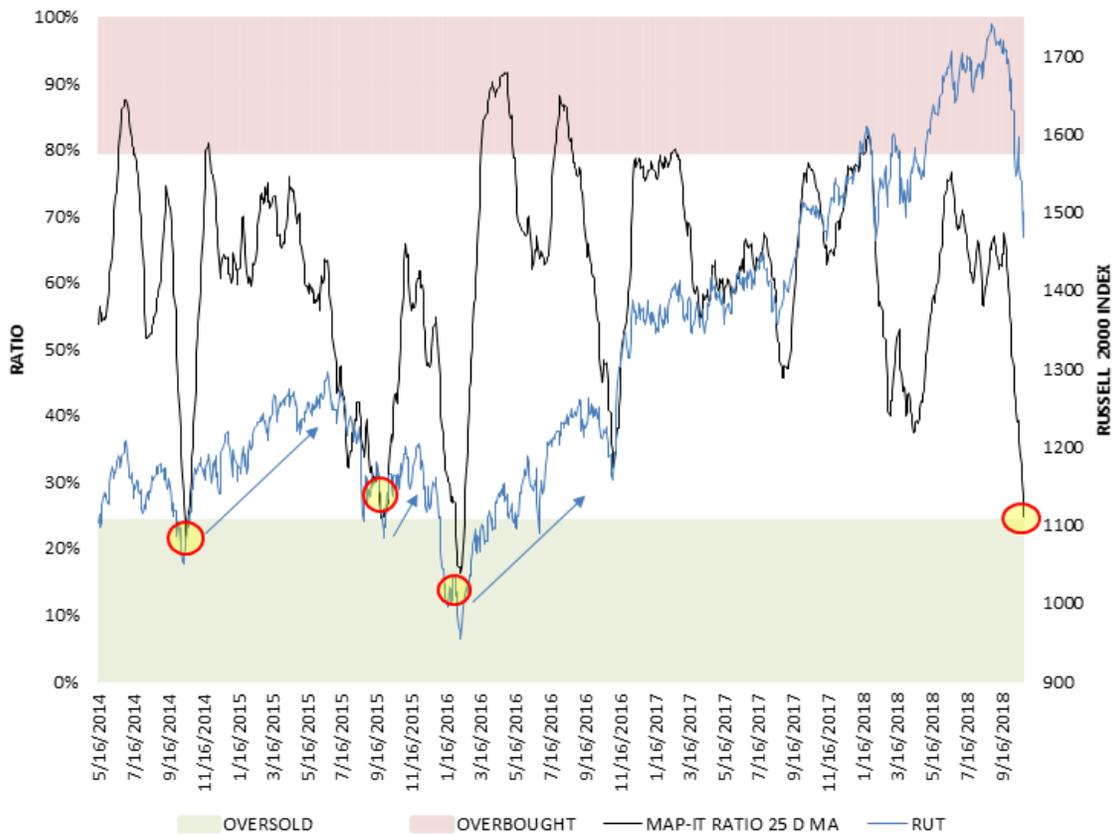
BOTTOM LINE: Our data suggests that a falling ratio reading below 25% indicates unsustainable selling and should lead to a bounce in the market. This is usually a good time to scoop up great stocks. Our long-term view is bullish on the market and our data says the end of the selling is near.

Below are the historical instances highlighted by a red circle with yellow fill:

MAP-IT RATIO UPDATED
10/25/2018
24.7%
 MAP-IT RATIO



MAP-IT RATIO



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