LAMENSDORF
MARKET TIMING REPORT

APRIL 2018

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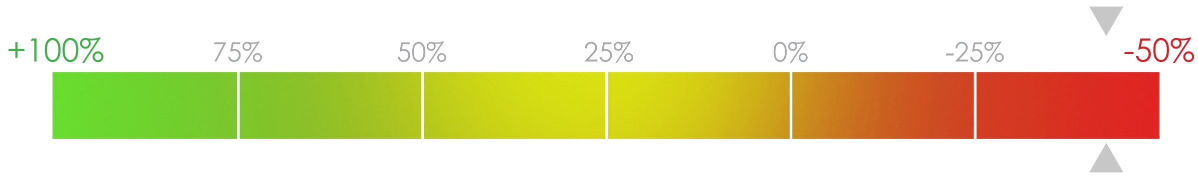

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Five Stock Market Indicators That Should Worry You A Lot

The stock market has become extremely volatile. Down moves in the market have helped pull many of our sentiment gauges from ridiculously overbought, as they were in January, into mid-range levels. History tells us that these gauges need to dip much lower to oversold levels in order to suggest that an intermediate-term bottom is in place. Investors must be patient and wait for all the excesses to be squeezed out of the market before there is a true bottom. This issue of LMTR focuses on specific gauges that lead us to remain cautious.

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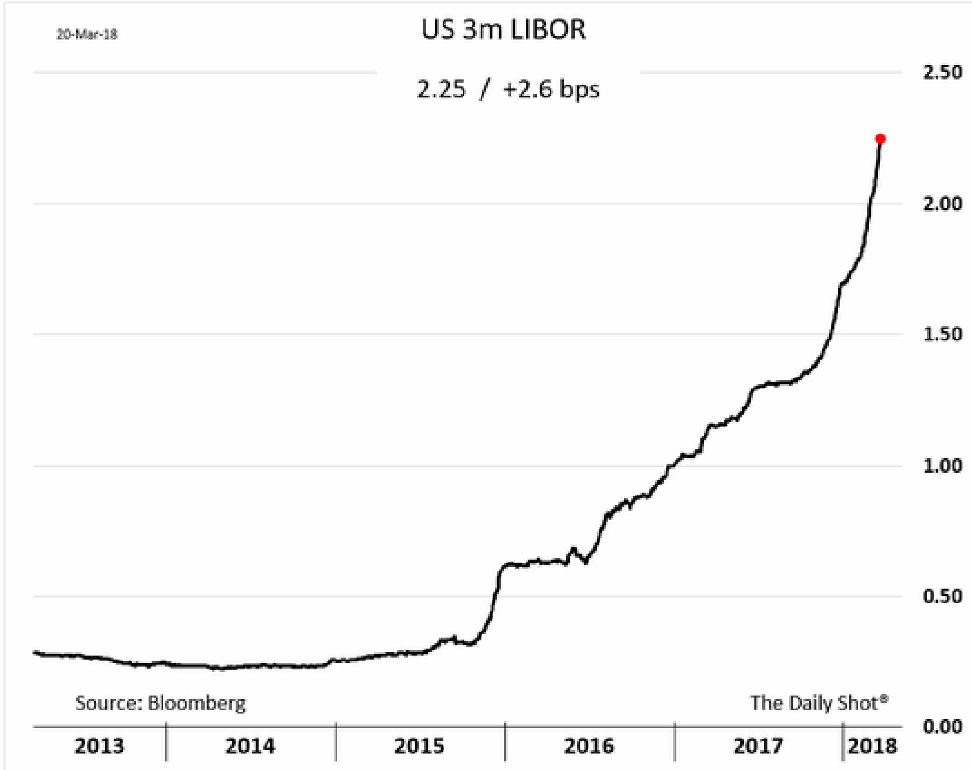
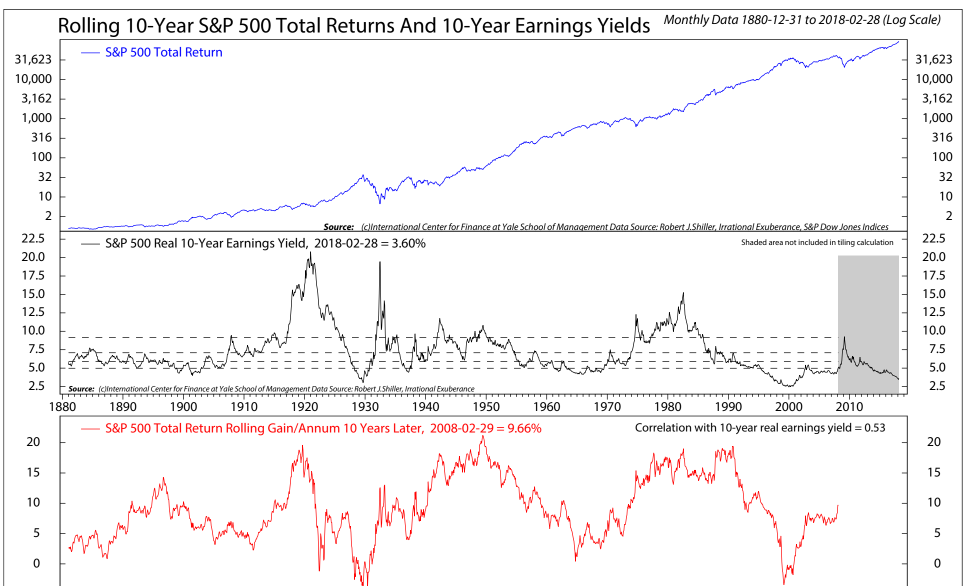
Three-month LIBOR rates continue to increase, almost doubling over the past six months. The current rate is 2.31%, compared with 1.75% for the three-month US Treasury bill. The reason for the lower T-bill yield is that the US government has been controlling the front end of the curve. LIBOR rates have consistently stayed ahead of Treasury rates, proving the Fed is behind the curve in rate hikes. Why do higher interest rates hurt the stock market? Because buybacks, which have been a major reason for market gains, are more expensive. Higher interest rates also make it more expensive to buy on margin. Moreover, higher rates provide an alternative risk-free option for investors.





Adj Earn Yield Quintile	Average Adj Earn Yield	Low GPA% 10 Years Later	High GPA% 10 Years Later	Average GPA% 10 Years Later
Highest 20%	11.97	-1.20	21.21	13.39
2nd Highest 20%	8.09	2.60	18.80	11.23
3rd Highest 20%	6.42	1.06	19.42	8.79
4th Highest 20%	5.45	-0.05	18.13	7.94
Lowest 20%	4.19	-4.60	10.84	4.69

The Shiller P/E expressed as a yield. Earnings are based on Shiller prior to 1926, GAAP until 1984, operating from 1984.

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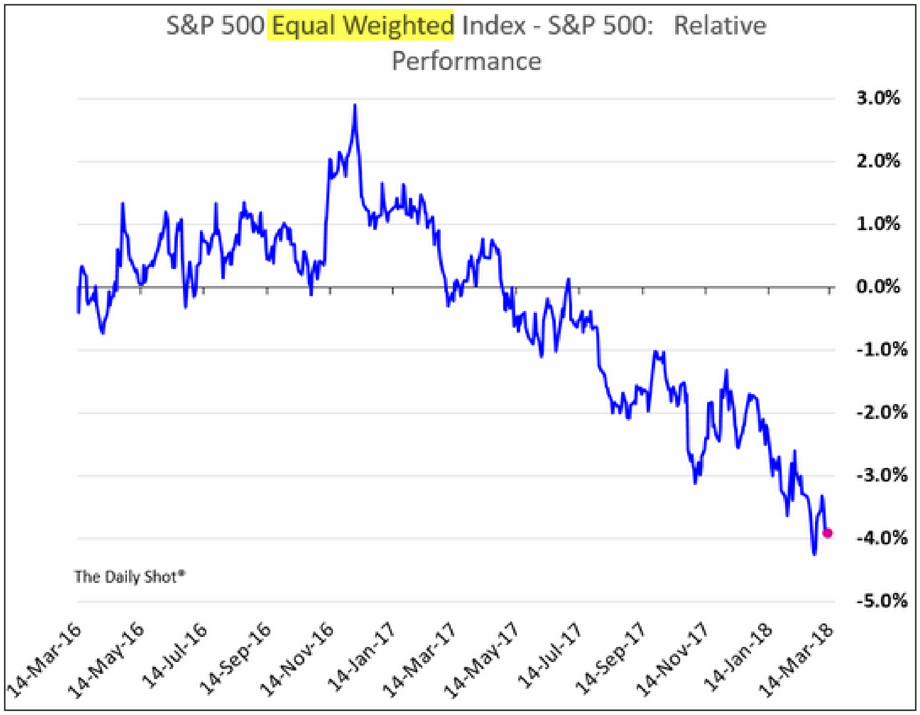
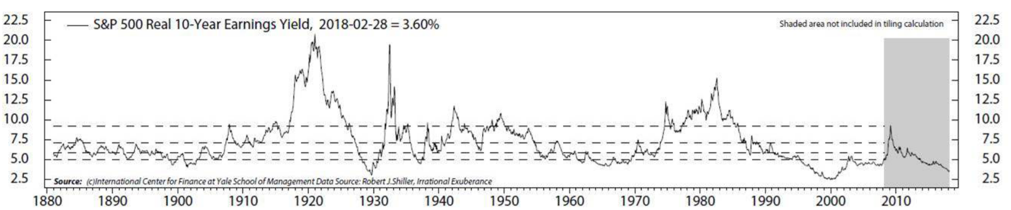
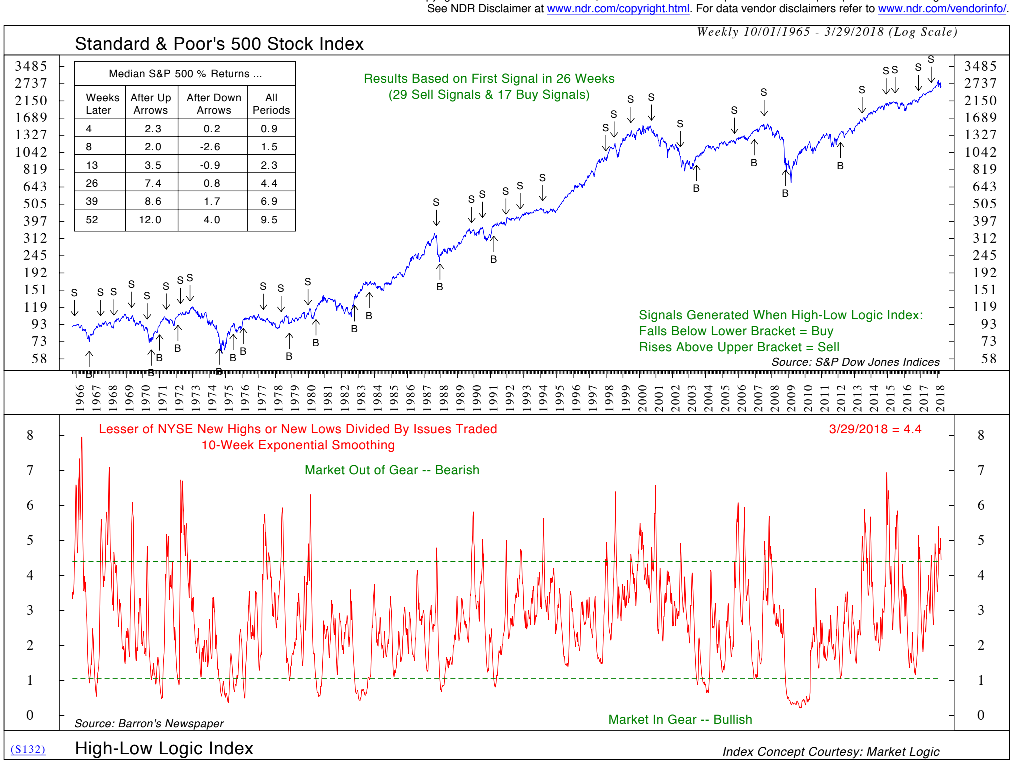
The S&P 500's earnings yield is a measly 3.6%, while its dividend yield is 1.8%. This adds up to a historically low return of 6.4%, which was attractive to investors as long as interest rates remained low.
As interest rates continue to rise, stocks are becoming less appealing to investors on a relative basis.

The S&P equal weighted index minus the S&P 500 chart shows a clear underperformance in the equal weighted index. This underperformance means the market is much weaker than the S&P 500 market cap would suggest.







Stock Market Logic has created an indicator, known as the High-Low Logic Index, that is based on 52-week highs and lows. It takes the lesser of NYSE new highs or new lows and divides them by issues traded on a 10-week average (10-week exponential smoothing). Positive forward returns are statistically likely when this indicator is at a level of 1 or lower. Its current reading of 3.7, down from 4.5, remains negative and is flashing a sell signal. It should be noted that the High-Low Logic Index has correctly flashed several sell signals during the past few quarters. These sell signals happen when the market is advancing on narrow leadership. In other words, investors should be extremely cautious.

LMTR continually monitors events at Deutsche Bank because it is one of the most leveraged banking institutions in the world. Despite its $10 billion capital raise last year, the stock continues to decline and is at an almost five-year low. Trouble at a major bank like Deutsche Bank would undoubtedly impact the general market.

CONCLUSION

With a return to market volatility, it is now much easier for investors to make mistakes. The bull market has led to investor complacency. There is a misconception that the markets are ultimately forgiving of mistakes, and stock investing is easy and a sure thing. We maintain our bearish outlook and are currently 50% hedged.

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BIO

Brad Lamensdorf, a seasoned money manager and market strategist, is the CIO of The Lamensdorf Market Timing Report, a newsletter designed to help investors improve performance via market timing by assessing the environment of the stock market using a variety of technical, fundamental and sentiment-oriented tools from powerful independent research firms. Many investors mechanically enter and depart the market without a true "game plan." Studies have shown that retail investors, in particular, are very poor market timers, tending to invest at or near market peaks and sell at or near market lows. The newsletter is designed to provide risk parameters for both professional and retail investors around the short-term stock market environment, giving subscribers better insight about when to allocate assets into or out of the equity markets.

Lamensdorf, a frequent guest commentator and analyst on major business networks including CNBC, CNN and Fox Business News, also serves as a Portfolio Manager and Principal of Ranger Alternative Management LP, a sub-advisor to the Advisor Shares Ranger Equity Bear Exchange Traded Fund (NYSE: HDGE). In this role, he conducts top-down technical evaluations of broader market liquidity, sentiment and breadth to help identify short and intermediate-term market trends, manage exposure and mitigate risk. HDGE was launched in 2011 and is the first and sole actively managed, short-only ETF in existence.

Lamensdorf, also has managed investment portfolios for the Hughes family and was principal of Tarpon Partners, managing a long/short fund that was up more than 200% gross over six years. Earlier in his career, he was as an equity trader/market strategist for Taylor and Company, the Bass brothers' trading arm, co-managing a short-only strategy in a derivative format with national exposure. He also served as the in-house market timing strategist for the entire internal and external network of Bass managers.