

Crowd Sentiment Index (CSI)
for US Equities

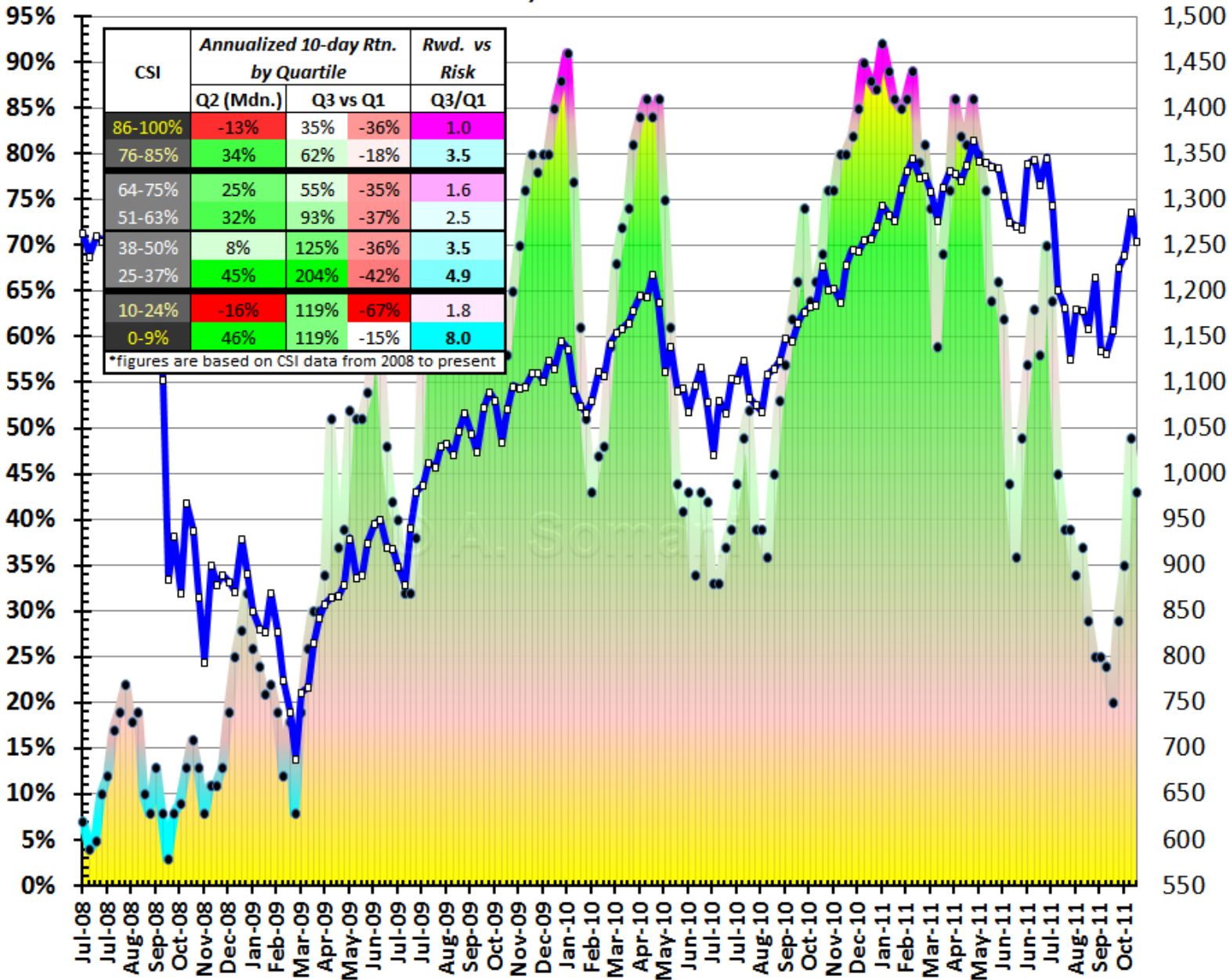
Imprecise CSI Interpretation Guidelines

	Bull Mkt.	Bear Mkt.
Extreme	86-100%	0-9%
Alarming	76-85%	10-24%
Neutral	51-75%	25-37%
Alarming	38-50%	38-50%
Extreme	25-37%	51-63%

Date	Approx. SPX Close (SPY*10)	%Ch.	CSI	Ch.
7/15/2011	1,317	-2%	58%	-5
7/22/2011	1,346	2%	70%	12
7/29/2011	1,293	-4%	64%	-6
8/5/2011	1,201	-7%	45%	-19
8/12/2011	1,181	-2%	39%	-6
8/19/2011	1,126	-5%	39%	0
8/26/2011	1,180	5%	34%	-5
9/2/2011	1,179	0%	37%	3
9/9/2011	1,159	-2%	29%	-8
9/16/2011	1,215	5%	25%	-4
9/23/2011	1,135	-7%	25%	0
9/30/2011	1,132	0%	24%	-1
10/7/2011	1,157	2%	20%	-4
10/14/2011	1,226	6%	29%	9
10/21/2011	1,240	1%	35%	6
10/28/2011	1,286	4%	49%	14
11/4/2011	1,255	-2%	43%	-6

The Crowd Sentiment Index (CSI) for US Equities is a smoothed and normalized composite of crowd sentiment (ranking from 0-100%) on the US stock market that is derived from various daily and weekly sentiment guages prepared externally by third parties.

CSI vs SPX
July 2008 to Present



CSI Summary

You may notice minor changes in past CSI figures this week due to slight adjustments I've made in the smoothing component of the CSI (with the intent of further enhancing the CSI's signal-to-noise ratio).

From my comments below, you can probably tell that how one views the current cyclical trend of the SPX will impact their interpretation of the CSI. Right now, the CSI is not telling us a whole lot other than that there is a significant amount of room that the SPX could rally or fall from its current level, in the coming weeks. The CSI is not as lopsided as it was a few weeks ago, when – regardless of one's view of the cyclical trend – it was not hard to tell that a double-digit percent rally was eventually coming (although the SPX level from which it would come was debatable – with SPX 1070-80 and 1000-20, in my view, being the favorites, as indicated in the Sept. 9th CSI Report).

The CSI declined by 600 basis points this past week to close at 43%. It experienced its first decline in four weeks, while the SPX experienced its first decline in five weeks. As with the SPX, multiple weeks of action in one direction (or primarily one direction) with the CSI often indicate a trend has formed or is building.

How one views the current level of the CSI may depend on their opinion of the current cyclical trend:

- Within the context of a cyclical bull market, the current level of the CSI could be viewed as alarmingly bullish for the SPX. Considering that the SPX may be in the midst of a cyclical bull market advance, the current level of the CSI suggests there is still significant room for higher prices should the advance continue, as there are still many traders and investors who may buy into the current rally that have not yet done so.
- Within the context of a cyclical bear market, the current level of the CSI could be viewed as alarmingly bearish. Considering that the SPX may be in the midst of a cyclical bear market advance, the current level of the CSI suggests the advance is maturing and is significantly more than half complete (and may have even already completed), as many of the traders and investors who may risk buying into it have already done so.

Cautionary Note on Interpretation: *The Crowd Sentiment Index (CSI) for US Equities is perhaps best used as a blunt and continuous (as opposed to discrete) indication as to the general market mood toward US equities, which can help a contrarian trader or investor to decide when to increase or hedge/decrease US equities exposure so as to help manage risk effectively and thereby maximize risk-adjusted returns. In a cyclical bull market, it is not unusual for the CSI to remain elevated for extended periods without the market declining in any significant way. Conversely, in cyclical bear markets, it is not unusual for the CSI to remain depressed for extended*

periods without the market rising in any significant way. Furthermore, the CSI is merely one tool a trader or investor can use to analyze markets, and should not be interpreted except in combination with the message being delivered by a suite of other tools the trader or investor feels confident in analyzing markets with.

Disclaimer: *The contents of this report do not represent trading or investment advice or recommendations. Information presented is believed to be accurate but cannot be guaranteed to be accurate. The CSI should not be used as a basis for trading or investment decisions and is shared to readers purely for entertainment purposes at the present time. Please consult your Registered Investment Advisor before making any trading or investment decisions and please remember that the publisher of this report bears no responsibility for your trading and investment decisions.*