

Bullish Sentiment Index (BSI) for US Equities

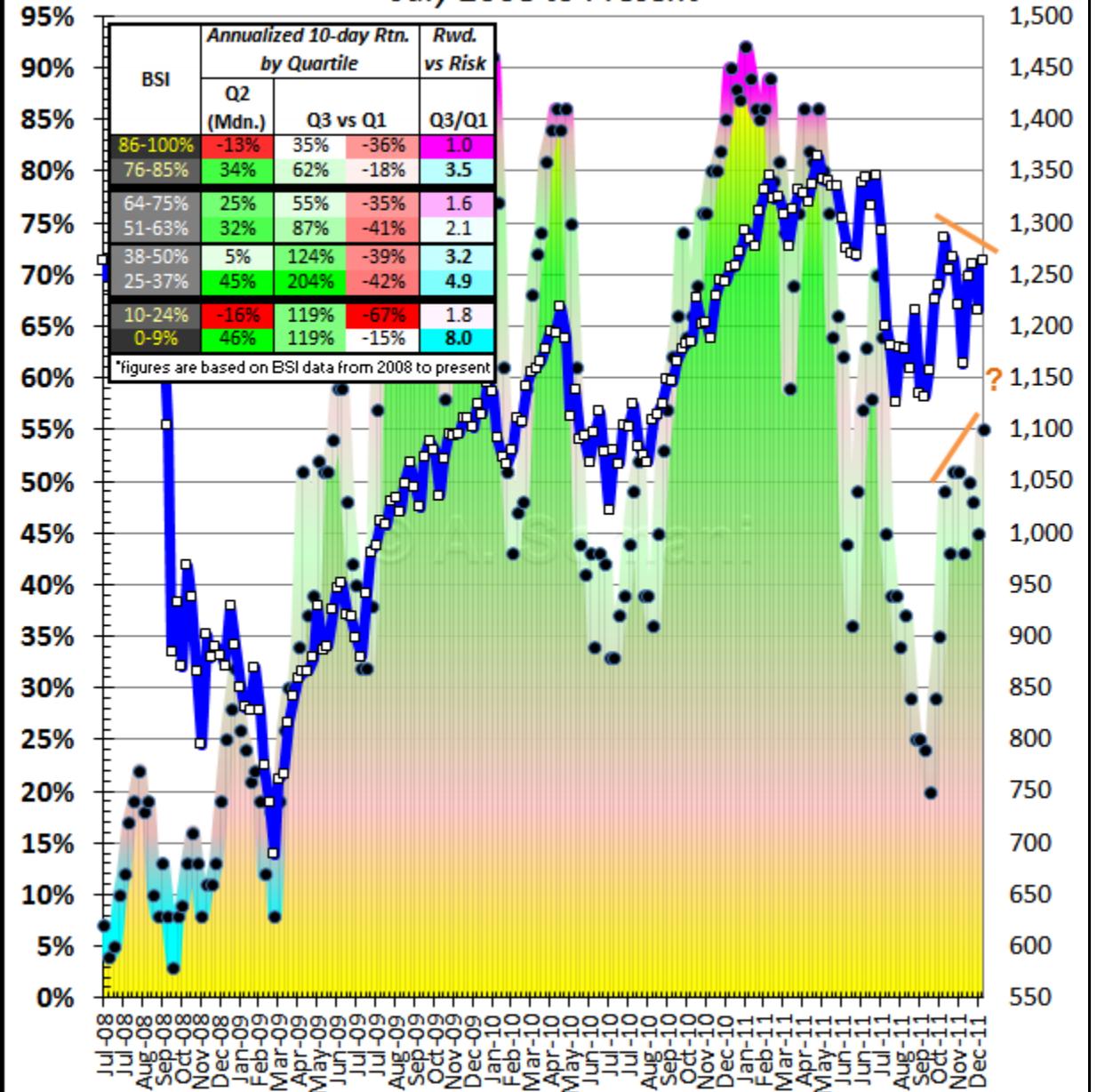
Rough BSI Interpretation Guidelines

| Cyclical Bull Market | | Cyclical Bear Market | |
|----------------------|---------|----------------------|-----------------|
| <i>Extreme</i> | 86-100% | 0-9% | <i>Minimal</i> |
| <i>Extended</i> | 76-85% | 10-24% | <i>Limited</i> |
| <i>Neutral</i> | 51-75% | 25-37% | <i>Neutral</i> |
| <i>Limited</i> | 38-50% | 38-50% | <i>Extended</i> |
| <i>Minimal</i> | 25-37% | 51-63% | <i>Extreme</i> |

The Bullish Sentiment Index (BSI) for US Equities is designed to provide a single numerical and comprehensive measurement of bullish sentiment on the US stock market at any given time. It is normalized, oscillates in a range of 0-100% (where 0% indicates there is no bullish sentiment and 100% indicates bullish sentiment is at its maximum), and is constructed through the application of custom weighting and smoothing mechanisms to various third-party sentiment gauges.

| Date | Approx. SPX (SPY*10) | %Ch. | SPX Stretch from Mean (50 to -50) | BSI | Ch. | BSI Stretch from Mean (50 to -50) |
|------------|----------------------|------|-----------------------------------|-----|-----|-----------------------------------|
| 9/9/2011 | 1,159 | -2% | -17 | 29% | -8 | -23 |
| 9/16/2011 | 1,215 | 5% | -4 | 25% | -4 | -33 |
| 9/23/2011 | 1,135 | -7% | 0 | 25% | 0 | -43 |
| 9/30/2011 | 1,132 | 0% | -14 | 24% | -1 | -47 |
| 10/7/2011 | 1,157 | 2% | -22 | 20% | -4 | -48 |
| 10/14/2011 | 1,226 | 6% | -19 | 29% | 9 | -48 |
| 10/21/2011 | 1,240 | 1% | -6 | 35% | 6 | -45 |
| 10/28/2011 | 1,286 | 4% | 14 | 49% | 14 | -16 |
| 11/4/2011 | 1,255 | -2% | 29 | 43% | -6 | 0 |
| 11/11/2011 | 1,267 | 1% | 21 | 51% | 8 | 13 |
| 11/18/2011 | 1,220 | -4% | 4 | 51% | 0 | 22 |
| 11/25/2011 | 1,163 | -5% | -19 | 43% | -8 | 14 |
| 12/2/2011 | 1,249 | 7% | -26 | 50% | 7 | 26 |
| 12/9/2011 | 1,261 | 1% | -24 | 48% | -2 | 32 |
| 12/16/2011 | 1,216 | -4% | -23 | 45% | -3 | 32 |
| 12/23/2011 | 1,264 | 4% | -5 | 55% | 10 | 39 |

BSI vs SPX July 2008 to Present



BSI for US Equities – Summary

The BSI rose 10 notches this week to close at 55%, breaking out of its range since early November and perhaps indicating a new shift in investor sentiment. Meanwhile, the SPX climbed about 4% for the week, and now sits about 7% below its 52-week high and right on its 200-day moving average.

There is a noticeable positive divergence taking place between the SPX and BSI. This could be a good or bad omen, but does indicate a shift in thinking among investors. The SPX has rallied to its 200-day average for the fourth time in almost as many months. There is a good chance it will eventually break through this average soon enough, in my opinion. Could this be the time for a sustained break of the average?

The current level of the BSI should be interpreted within the context of the current cyclical trend:

- Within the context of a ***cyclical bull market***, the current level of the BSI suggests **bullish sentiment is at the Neutral level** – so, there are apparently an average number of potential buyers of equities on the sidelines.
- Within the context of a ***cyclical bear market***, the current level of the BSI suggests **bullish sentiment is at the Extreme level** – so, there are apparently extremely few potential buyers of equities on the sidelines.

Sector Relative Strength

The top five performing sectors of the SPX over the past 3 months are shown below, courtesy of Bloomberg:

| Sector | Performance | |
|------------------------------------|-------------|---------|
| | 1 Month | 3 Month |
| Energy 1 Industry | +9.30% | +18.45% |
| Industrials 3 Industries | +10.48% | +17.13% |
| Financials 4 Industries | +12.57% | +13.35% |
| Materials 1 Industry | +8.75% | +13.29% |
| Health Care 2 Industries | +9.59% | +9.96% |

Cautionary Note on Interpretation: *The Bullish Sentiment Index (BSI) for US Equities and its associated indicators (“SPX Stretch from Mean” and “BSI Stretch from Mean”) are 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 BSI and its associated indicators 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 BSI and its associated indicators to remain depressed for extended periods without the market rising in any significant way. Furthermore, the BSI and its associated indicators represent merely one suite of tools a trader or investor can use to analyze markets, and should not be interpreted except in combination with the message being delivered by one or more other suites of tools that the trader or investor feels confident in comprehensively 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 Bullish Sentiment Index (BSI) for US Equities and its associated indicators (“SPX Stretch from Mean” and “BSI Stretch from Mean”) should not be used as a basis for trading or investment decisions and are 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.*