



Looking for signs of a bottom in stocks

Equity Strategy Special Edition

A comprehensive list of tactical indicators

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Investment risks



The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

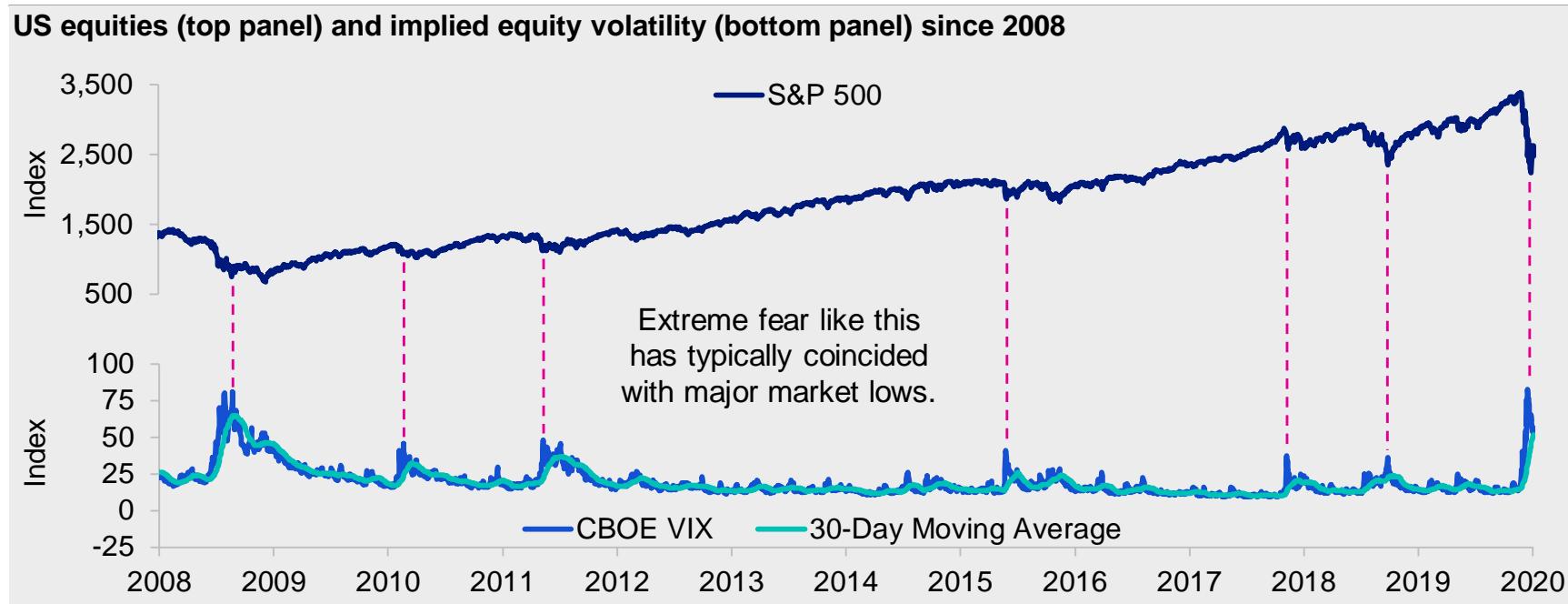
As with all investments there are associated risks. Please obtain and review all relevant materials carefully before investing.

What's working



- 1 Chicago Board Options Exchange (CBOE) Volatility Index (VIX) – extremely high
- 2 CBOE Equity Put/Call Ratio – extremely high
- 3 Percentage of NYSE stocks above their 200-day moving average – extremely low
- 4 S&P 500 Index's deviation from its 200-day moving average – extremely low
- 5 US Economic Policy Uncertainty Index – extremely high
- 6 1987 crash versus 2020 COVID crash – lining up well

1. a) Chicago Board Options Exchange (CBOE) Volatility Index (VIX)

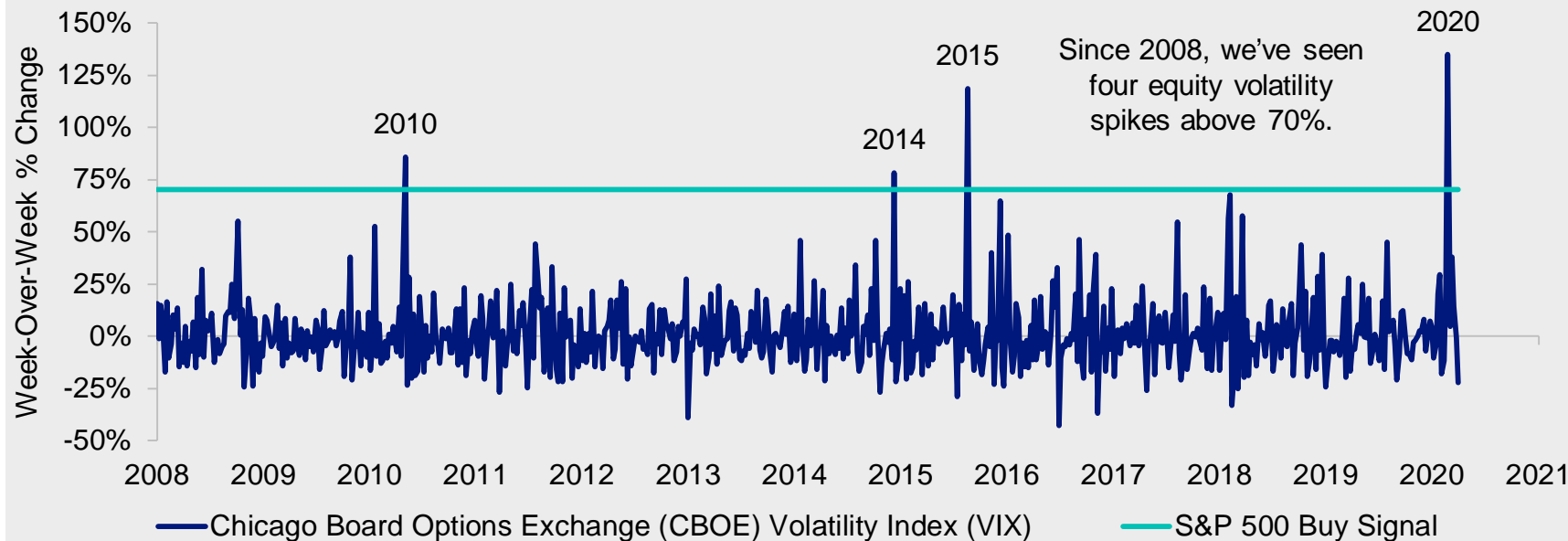


Source: Bloomberg L.P., Invesco, 04/02/20. Notes: The VIX or so-called “investor fear gauge” is a weighted, constant, 30-day measure of the expected volatility of the S&P 500, calculated from out-of-the-money SPX options. An investment cannot be made in an index. **Past performance does not guarantee future results.**

1. b) The highest percentage increase in equity volatility of all time!

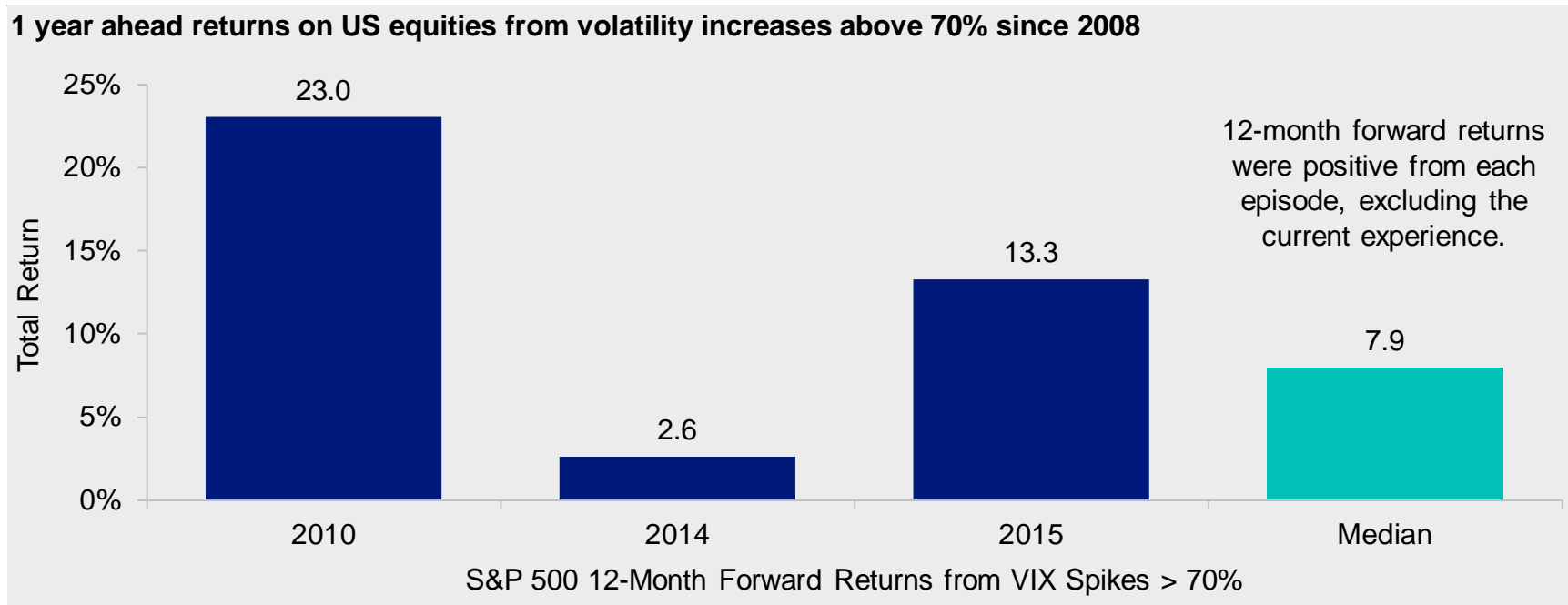


US equity volatility and week-over-week percentage increases above 70% since 2008



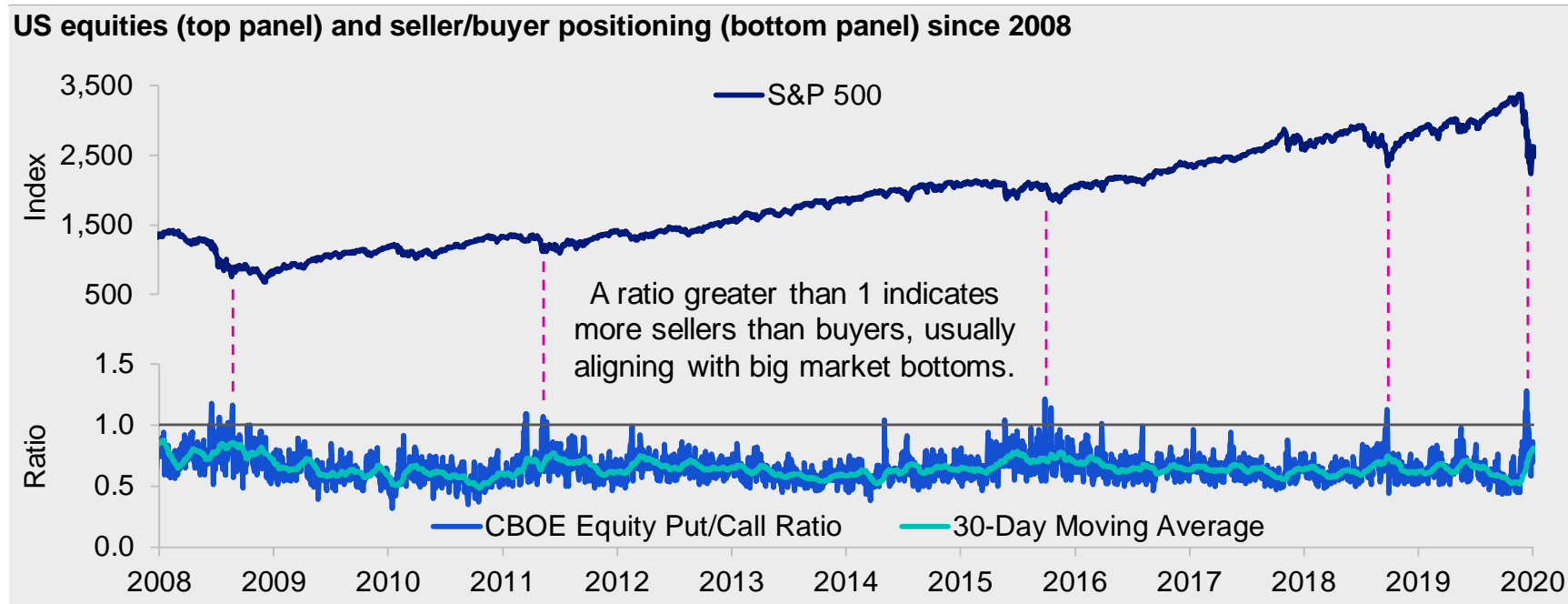
Source: Bloomberg L.P., Invesco, 04/02/20. Notes: The VIX or so-called "investor fear gauge" is a weighted, constant, 30-day measure of the expected volatility of the S&P 500, calculated from out-of-the-money SPX options. An investment cannot be made in an index. **Past performance does not guarantee future results.**

1. c) Chaos can create opportunities



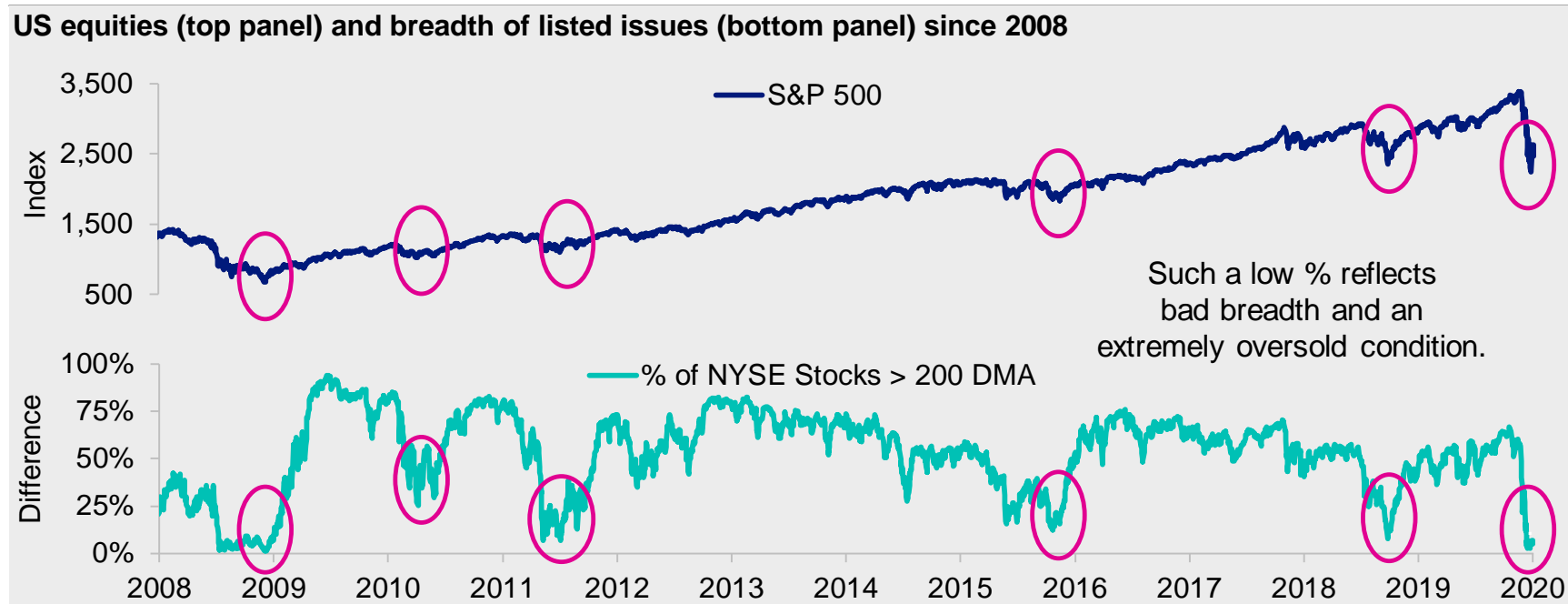
Source: Bloomberg L.P., Invesco, 02/04/20. Notes: The vertical blue bars represent historical returns from the strategy of buying a broad basket of large market capitalization US equities at the extreme spikes in volatility seen in 2010, 2014 and 2015, and holding those stocks for 12 months. An investment cannot be made in an index. **Past performance does not guarantee future results.**

2. CBOE Equity Put/Call Ratio



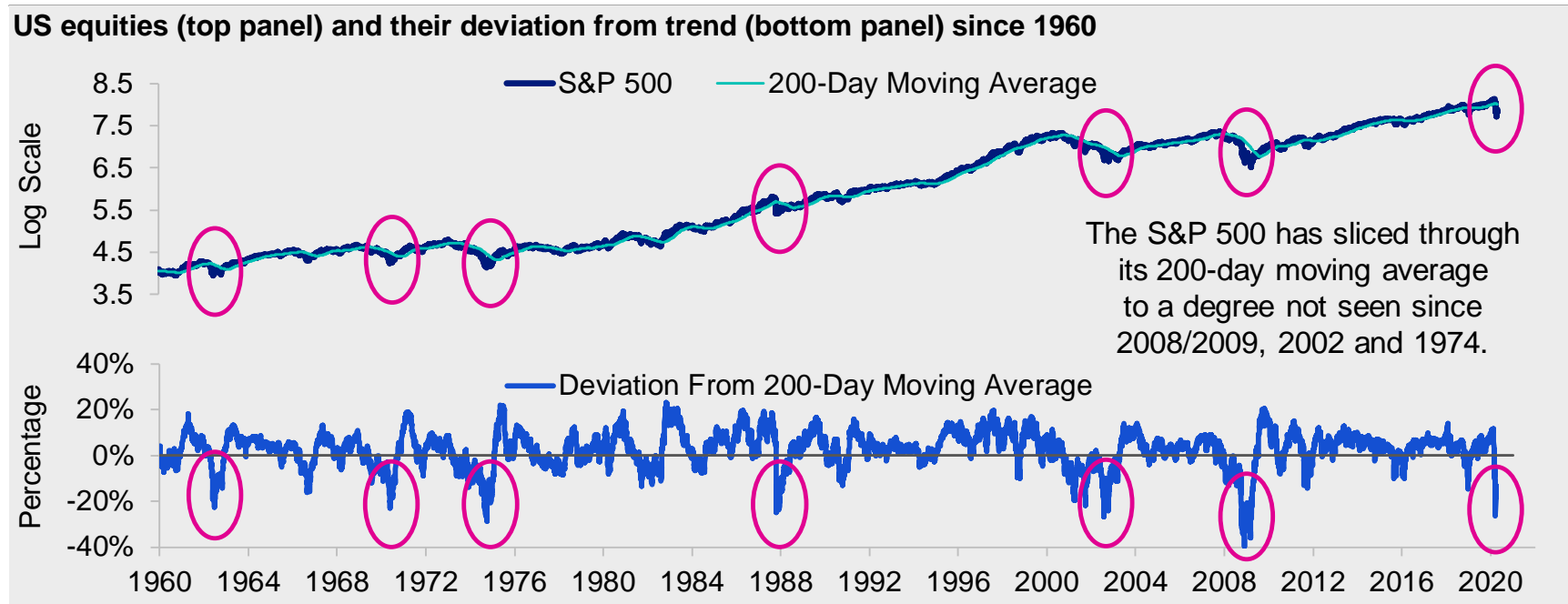
Source: Bloomberg L.P., Invesco, 02/04/20. Notes: The CBOE Equity Put/Call Ratio is a measure of seller (put) relative to buyer (call) positioning derived from the options market, where a ratio greater than 1 signals extremely negative investor sentiment. An investment cannot be made in an index. **Past performance does not guarantee future results.**

3. Percentage of NYSE stocks above their 200-day moving average



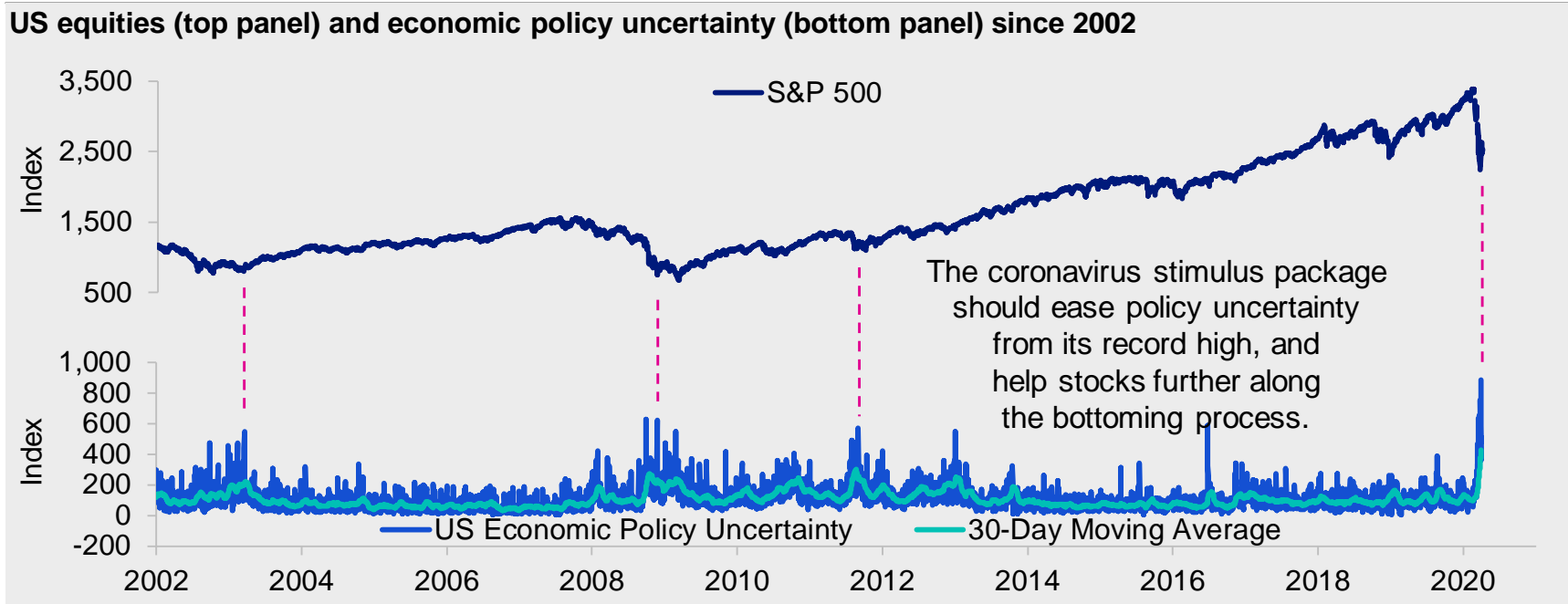
Source: Bloomberg L.P., Invesco, 02/04/20. Notes: NYSE = New York Stock Exchange. DMA = Day moving average. An extremely low % of NYSE stocks above their 200 DMA signals weak breadth, and can reflect an approaching seller climax. An investment cannot be made in an index. **Past performance does not guarantee future results.**

4. S&P 500 Index's deviation from its 200-day moving average



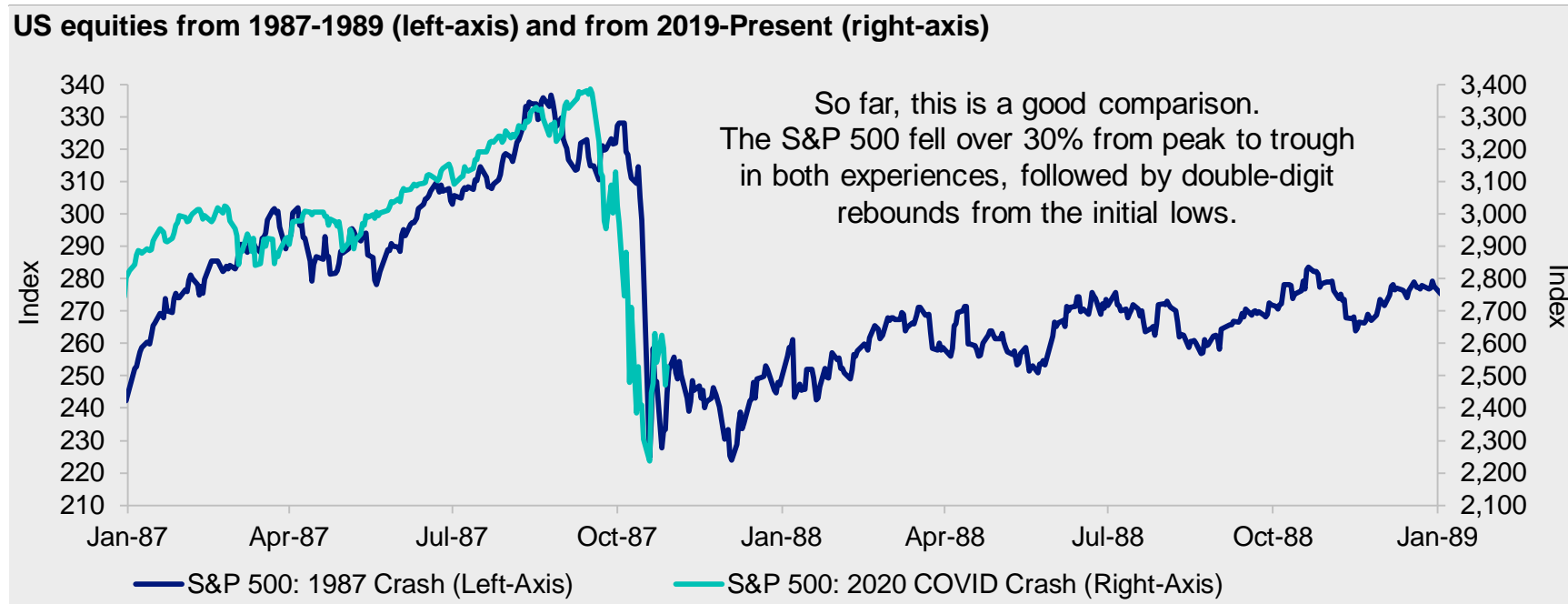
Source: Bloomberg L.P., Invesco, 02/04/20. Note: Deviation from trend = The S&P 500 minus its 200-day moving average as a % of its 200-day moving average. An investment cannot be made in an index. **Past performance does not guarantee future results.**

5. US Economic Policy Uncertainty Index



Source: Scott Baker, Nicholas Bloom and Steven J. Davis at www.PolicyUncertainty.com, Invesco, 02/04/20. Notes: The daily US News-Based Economic Policy Uncertainty Index utilizes newspaper archives from Access World News' NewsBank service. An investment cannot be made in an index. **Past performance does not guarantee future results.**

6. 1987 crash versus 2020 COVID crash



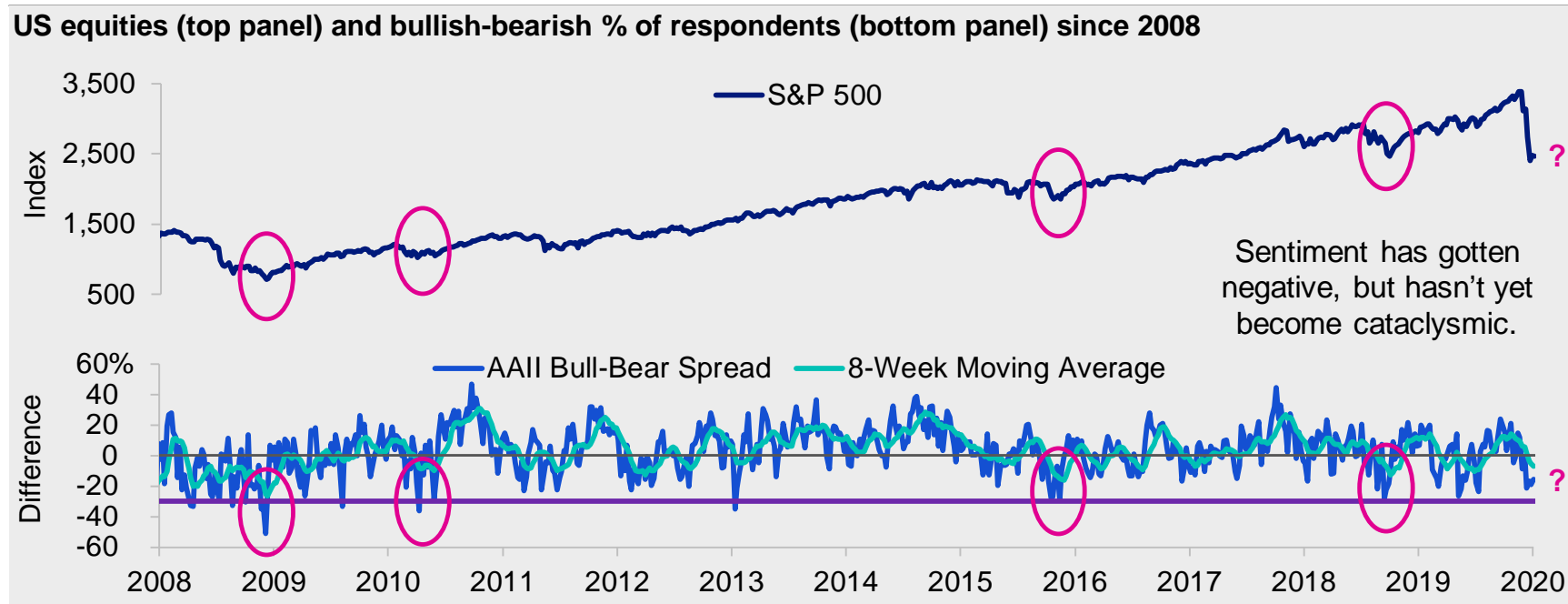
Source: Bloomberg L.P., Invesco, 02/04/20. An investment cannot be made in an index. **Past performance does not guarantee future results.**

What isn't working



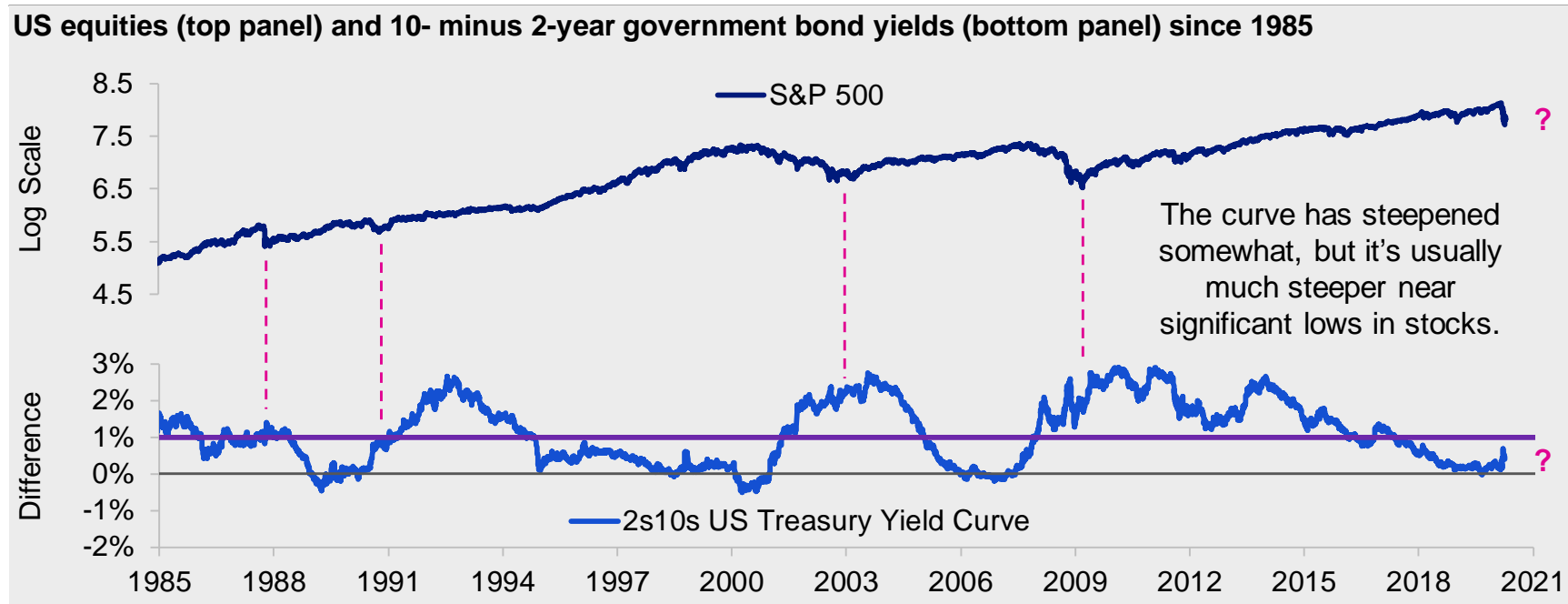
- 7 American Association of Individual Investors (AAII) Sentiment Survey – negative but not extreme
- 8 Slope of the US Treasury yield curve – steeper but not steep enough
- 9 US stock-to-bond ratio – hasn't turned
- 10 US cyclical-to-defensive ratio – hasn't turned
- 11 US coronavirus cases – haven't peaked

7. American Association of Individual Investors (AAII) Sentiment Survey



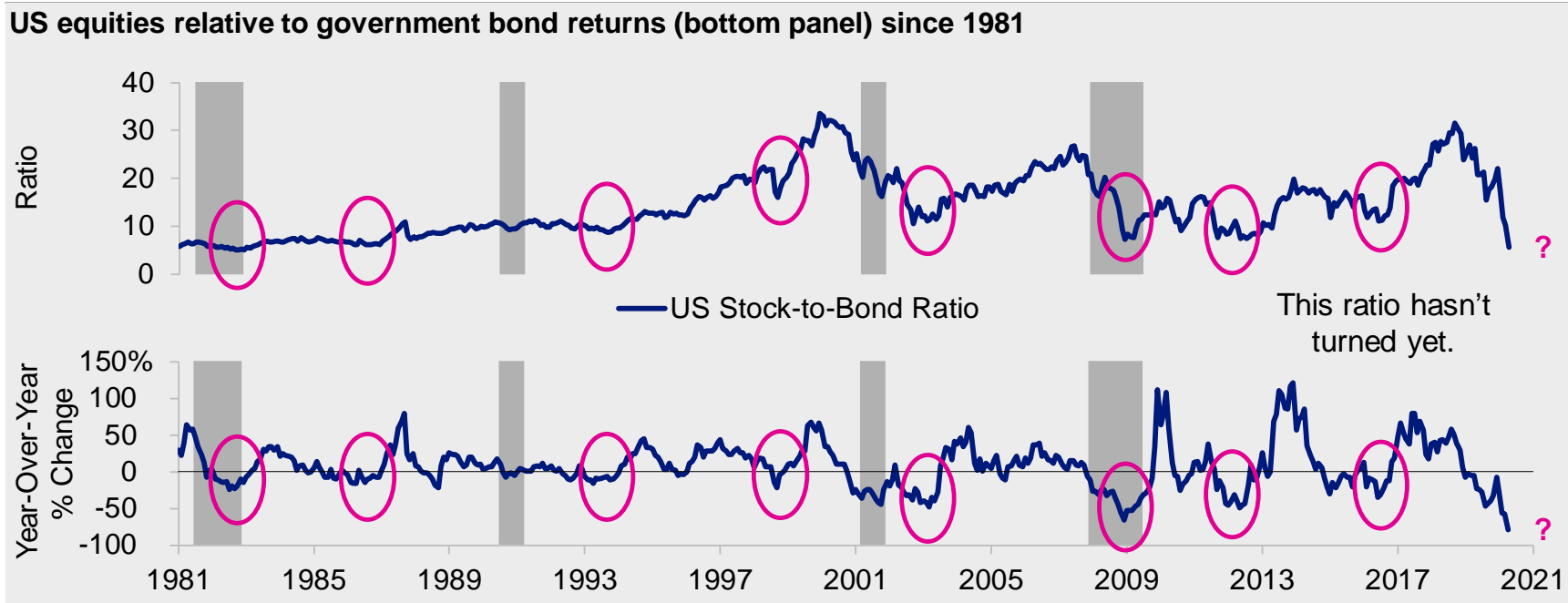
Source: Bloomberg L.P., Invesco, 02/04/20. Notes: The AAI Bull-Bear Spread is the net percentage of positive (bull) minus negative (bear) survey respondents, where a difference of roughly -30% signals extremely negative investor sentiment. An investment cannot be made in an index. **Past performance does not guarantee future results.**

8. Slope of the US Treasury yield curve



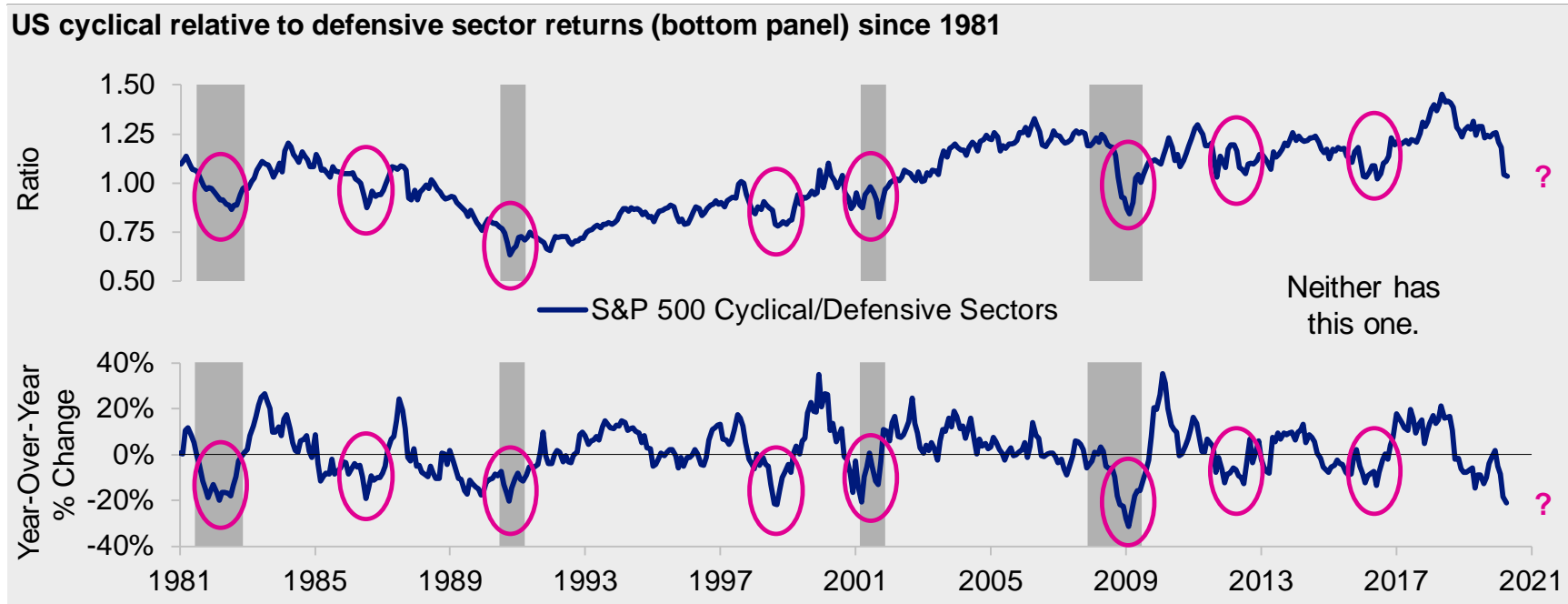
Source: Bloomberg L.P., Invesco, 02/04/20. An investment cannot be made in an index. **Past performance does not guarantee future results.**

9. US stock-to-bond ratio (top panel)



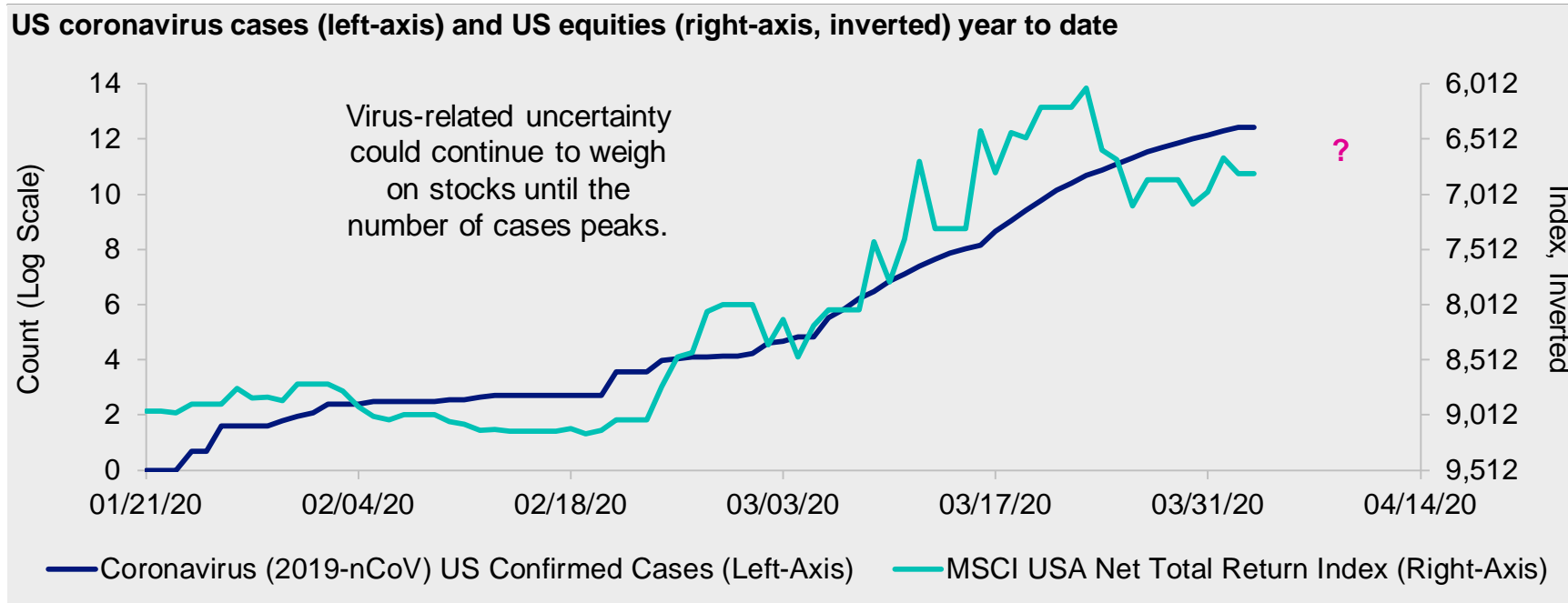
Source: Bloomberg L.P., Invesco, 02/04/20. Notes: Stock-to-Bond Ratio = The S&P 500 divided by the reciprocal of the 10-year Treasury bond yield. Shaded areas denote NBER-defined US recessions. An investment cannot be made in an index. **Past performance does not guarantee future results.**

10. US cyclical-to-defensive ratio (top panel)

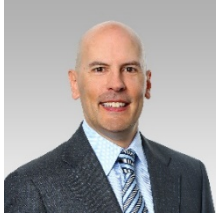


Source: Bloomberg L.P., Invesco, 02/04/20. Notes: Cyclical = Consumer Discretionary, Energy, Financials, Industrials, Information Technology and Materials. Defensive = Consumer Staples, Health Care, Telecommunication Services and Utilities. Shaded areas denote NBER-defined US recessions. An investment cannot be made in an index. **Past performance does not guarantee future results.**

11. a) US coronavirus cases



Source: Bloomberg L.P., Invesco, 02/04/20. Notes: Confirmed coronavirus (2019-nCoV) case counts compiled by Bloomberg Newsroom. Counts are subject to change as governments survey and confirm cases. Data are based on reported values as of midnight EST. An investment cannot be made in an index. **Past performance does not guarantee future results.**



Talley Léger

Senior Investment Strategist

Talley Léger is a Senior Investment Strategist for the Global Thought Leadership team. In this role, he is responsible for formulating and communicating macro and investment insights, with a focus on equities. Mr. Léger is involved with macro research, cross-market strategy and equity strategy.

Mr. Léger joined Invesco when the firm combined with OppenheimerFunds in 2019. At OppenheimerFunds, he was the equity strategist. Prior to OppenheimerFunds, he was the founder of Macro Vision Research and held strategist roles at Barclays Capital, ISI, Merrill Lynch, RBC Capital Markets and Brown Brothers Harriman. Mr. Léger has been in the industry since 2000.

He is the co-author of the revised second edition of the book, *From Bear to Bull with ETFs*.^{*} Mr. Léger has been a guest columnist for *The Big Picture* and *Data Watch on Bloomberg Brief Economics*, as well as a contributing author on Seeking Alpha (seekingalpha.com). He has been quoted in *Associated Press*, *Barron's*, *Bloomberg*, *Business Week*, *Dow Jones Newswires*, *The Financial Times*, *MarketWatch*, *Morningstar magazine*, *The New York Times* and *The Wall Street Journal*. Mr. Léger has appeared on Bloomberg TV, Canada's BNN Bloomberg, CNBC, Reuters TV, The Street and Yahoo! Finance, and has spoken on Bloomberg Radio.

Mr. Léger earned an MS degree in financial economics and a Bachelor of Music from Boston University. He is a member of the Global Interdependence Center (GIC) and holds the Series 7 registration.

^{*}*From Bear to Bull with ETFs* (2nd ed.), by David R. Kotok and Talley Léger, published by Cumberland Advisors Publishing (2014).

Index definitions



Consumer Price Index (CPI) program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

The Bloomberg Barclays Global Treasury Index tracks fixed-rate, local currency government debt of investment grade countries, including both developed and emerging markets. The index represents the treasury sector of the Global Aggregate Index and contains issues from 37 countries denominated in 24 currencies.

The S&P 500 Index is a market capitalization weighted index of the 500 largest domestic U.S. stocks.

The MSCI Emerging Markets (EM) Index is designed to measure global emerging market equity performance.

The Bloomberg Barclays U.S. Aggregate Bond Index is designed to measure the performance of investment grade bonds in the United States

Bloomberg Barclays High Yield Index is designed to measure the performance of below investment grade rated corporate bonds in the United States

Credit Suisse Leveraged Loan Index is designed to measure the performance of below-investment grade rated variable rate loans in the United States

The Alerian Master Limited Partnership Index is designed to measure the performance of master limited partnerships in the United States.

The Shanghai A Shares Index is designed to measure the performance of Chinese stocks listed on the Shanghai exchange

The Eurostoxx 300 Index is designed to measure the performance of 300 large capitalization stocks in Europe.

The Nikkei 225 Index measures the performance of 225 large capitalization stocks in Japan.

The S&P 500 Momentum Index is designed to measure the performance of high momentum stocks in the S&P 500 Index

The S&P 500 Quality Index is designed to measure the performance of high quality stocks in the S&P 500 Index

The S&P 500 Low Volatility Index is designed to measure the performance of the 100 lowest volatility stocks in the S&P 500 Index as measured by 12 month standard deviation

The S&P 500 Value Index is designed to measure the performance of lower valuation stocks in the S&P 500 Index

The S&P 500 Dividend Yield Index is designed to measure the performance of high dividend stocks in the S&P 500 Index

The S&P 500 Growth Index is designed to measure the performance of high growth stocks in the S&P 500 Index.

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