



Three Peaks

WEALTH MANAGEMENT

Current Trends of the 11 S&P500 Market Sectors

Communication Services
Negative

Consumer Discretionary
Negative

Consumer Staples
Negative

Energy
Positive

Financials
Positive

Healthcare
Positive

Industrials
Positive

Materials
Positive

Real Estate
Negative

Technology
Negative

Utilities
Negative

Will the Bears move into Hibernation?



The midterm elections are now over and on Thursday a slightly softer than expected core CPI print combined with less-hawkish Fed comments sparked the biggest rally in stocks since April of 2020 and the biggest collapse in treasury yields since March 2020.

As a result, the bears are scrambling to cover their short positions, but there must be more positive follow through in the weeks ahead to put them in “hibernation”.

This report also shows that over the past month many sectors have moved from negative to positive medium trends. These positive changes have allowed us to reduce cash and add equity positions to many portfolios. The bears are starting to look worried and the bulls are getting relief!

Broad Market Trend Indicators

Long Term S&P500 Market Indicator
Negative

Medium Term S&P500 Market Indicator
Positive

Long Term NASDAQ Composite Indicator
Negative

Medium Term NASDAQ Composite Indicator
Positive

The Russell 2000 Medium Term Composite Indicator
Positive

Developed International Markets Indicator
Positive

Emerging International Markets Indicator
Negative

US Bond/Fixed Income Indicator
Negative

Gold Trend Indicator
Negative

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What is Confirmation Bias?

In review, biases are irrational preferences that affect investing decisions and subsequent outcomes. They are errors in logical thinking and distort our ability to make rational decisions based on objective facts or evidence.

Confirmation bias describes seeking out and giving more weight to information that supports and confirms the belief(s) you already hold. If you own a certain stock, you will likely pay more attention to articles with a positive sentiment about that stock. If you are watching the news you will most likely view the channel which agrees with your current beliefs.

Speaking more broadly about investing, you will likely seek out and emphasize information that supports your particular investing strategy. Simultaneously, one will likely ignore or give less weight to information that contradicts their hypothesis. Those who succumb more to confirmation bias are more likely to engage in the herding behavior described last month. Combined with herding, this means you will give less consideration to information that goes against the herd mentality.

In another example, investors may find and give credence to biased research that confirms their existing opinion, they may irrationally interpret unbiased research in a way that confirms their existing opinion, or they may selectively remember only the bits and pieces from a piece of unbiased research that confirm their existing opinion. This may cause investors to get stuck in their own echo chamber of thoughts and strategy and irrationally disregard diversification or new ideas that don't fit their narrow scope.

We avoid confirmation bias by giving all information equal consideration and try not to go in with a preconceived conclusion. We also seek out contrary viewpoints to challenge and disprove our own. More importantly, we understand and use technical charting as a reliable method to make investment decisions based on the number of buyers vs sellers within a trend over a given timeframe.

Understanding confirmation bias is critical to preserving investment returns and achieving one's financial objectives

Important Disclosures

The proprietary market indicators and all other information contained herein is for informational purposes only, is not personalized investment advice and should not be construed as a recommendation to purchase or sell any security, sector, or strategy to any individual or entity. Information may change at any time, without notice. There is no assurance that the view or opinions discussed will materialize

Investment decisions should not be acted on without consideration of your personal financial situation, investment objectives and risk tolerance. Please consult with your financial advisor prior to making any investment decisions.

Past Performance should not be considered as an indicator of future results.

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