

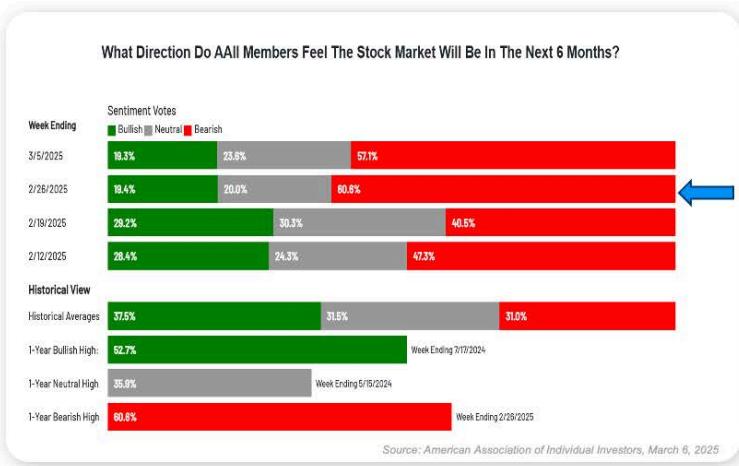
MARCH 10, 2025

# Weekly Note

## Orion OCIO On What Wall Street Is Wondering About, Worrying Over, Or Wishing For This Week...

### Will Sentiment & The 200-Day Moving Average Form a Floor?

- U.S. stocks are on the back foot, with the S&P 500, Russell 2000 and Nasdaq Composite — as we take pen to paper — all off 3.6% or more in March. As you likely have heard, most folks on Wall Street ascribe the market weakness to the uncertainty around U.S. trade policy; more specifically, to the concern that were the U.S. to implement new, meaningful tariffs on Canada and Mexico, inflation would be pushed higher and economic growth lower, all of which would be bad for risk assets. (As it concerns the risk of higher inflation, the idea is that those tariffs would get passed onto the U.S. consumer in the form of higher prices, and as it concerns the risk of lower economic growth, the idea is those tariffs would disrupt supply chains and weigh on consumer and corporate sentiment and spending.)
- And with the S&P 500 off about 7% from its all-time high, investors are trying to figure out if markets have bottomed out or if we have further to fall. The fundamental data paints a mixed picture — U.S. Q4 corporate profits have come in better than expected and the unemployment rate remains low, but manufacturing data has proven disappointing and job openings have contracted. When the fundamental data doesn't prove that helpful, investors often turn to sentiment and market technicals to try and discern the path forward for stocks. *Sentiment* is simply how investors feel about the market and *market technicals* is simply using past behavior and performance to determine future behavior and performance. On both points, we see positive signs for stocks. As it concerns sentiment, the AAll sentiment survey of February 26 showed 61% of investors bearish on stocks, an historically high reading (*bearish sentiment is a classic contrarian indicator; see graph lower left*). As it concerns market technicals, the S&P 500 has traded down to its 200-day moving average, an historical point of support (*the 200-day moving average effectively measures the market's performance over the last 200-day period; see chart, lower right, far right*). What we find encouraging is the last time sentiment was this bearish and the market was trading at or slightly below its 200-day moving average was September of 2022, just days away from a major stock market bottom (*see chart, lower right, far left*).



The S&P 500 Index is an unmanaged composite of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks.

The Russell 2000 is an index comprised of the 2,000 smallest companies on the Russell 3000 Index and offers investors a benchmark for small-cap stocks.

The Nasdaq Composite Index is an index that follows approximately 5000 stocks that trade on the Nasdaq exchange. It is considered a good benchmark for smaller company stocks.

An index is an unmanaged group of stocks considered to be representative of different segments of the stock market in general. You cannot invest directly in an index.

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