

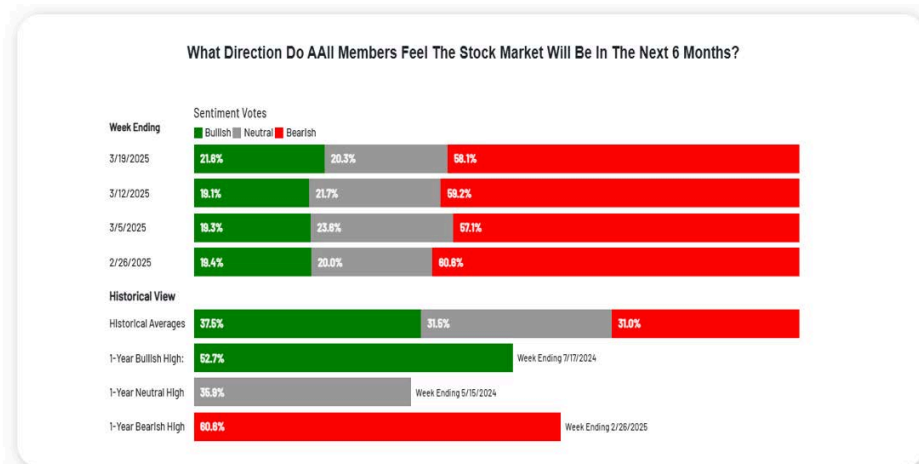
MARCH 24, 2025

Weekly Note

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

A Lot More Than Three Bears

- In thinking about what to write about this week, my mind drifted to sentiment, specifically bearish sentiment, which got me thinking of bears, which got me thinking of the 19th century English fairy tale “Goldilocks and the Three Bears,” which got me thinking of how well that book works for investors — you have always hoped for “Goldilocks Economy,” one which doesn’t run too hot or too cold — and you have bears, for those points in time when the market is stumbling and there is more bad news than good. If the author, Robert Southey, had worked in a bull or two, he would have checked off all the important Wall Street boxes.
- But I digress; and I don’t mean to make light of what remains a very difficult, and volatile, period for markets. That written, I do think it is worth revisiting sentiment — two weeks ago, we wrote about very bearish sentiment and the S&P 500 trading down to its 200-day moving average, wondering if that combination might be signaling a market bottom; and as a point of reference, the S&P 500 closed at 5,738 on March 6th.
- As it concerns sentiment, the most recent investor poll from the American Association of Individual Investors showed 58.1% of respondents bearish on the outlook for stocks over the next six months, an unusually high reading and well above the historical average for bearish sentiment of 31%. What really caught our attention was the fact that, according to the AAI, **it was the first time in the history of the survey that bearish sentiment had exceeded 57% for four consecutive weeks** (see dataset below). It is worth noting that the AAI survey has been conducted since 1987, and that sentiment is historically a contrarian indicator.
- As we write this, the S&P 500 sits at 5,663, off 1.3% since we penned our note two weeks ago. Since March 6th, we have gotten a solid jobs report for February, learned that inflation came in a bit cooler than expected last month and that the Federal Reserve left rates unchanged at its March meeting, while still penciling in two rate cuts for 2025. What we haven’t gotten is much new news on U.S. trade and tax policy. The U.S. economy seems okay to us, while the policy outlook remains uncertain. A bit of clarity regarding the latter should have Wall Street feeling better about the former, and the outlook for U.S. markets.



Source: American Association of Individual Investors, 3/20/2025

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.

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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