Market Sentiment Data

By www.ProfitableInvestingTips.com

Although valuations drive stock prices in the long term, short term market movements are driven by sentiment. The stock market anticipates price movements. Positive sentiment is based on the belief that stocks will go up and negative sentiment is based on the belief that stocks will go down. By the use of market sentiment data, traders and investors find profitable points of entry into and exit from their positions. At the base, market sentiment is driven by fear of loss and greed for profits. These provide useful market sentiment data.

> *VIX Index*
> *Put Call Ratio*
> *Safe haven assets*
> *"Risk on" assets*
> *High / Low Index*
> *Stock price breadth*
> *CNN's Fear and Greed Index*

Current Market Sentiment

Current market sentiment is a mixture of bullish optimism and fundamentals-based bearish pessimism. The market crashed at the onset of the Covid-19 pandemic. From February 20 to March 23 the S&P 500 lost ground from 3,386 to 2,237. The worst-hit were airlines, hospitality, and anyone in the travel industry. Tech stocks suffered the least and have led the charge as the S&P 500 recovered to 3,580 by September 2. Along the way, the airlines, aircraft makers like Boeing and folks in restaurants, hotels, and travel have made only slight gains. Optimistic investors believe that the Covid-19 crisis will go away with vaccines while at the same time the economy is in awful shape with millions unemployed and millions more running out of money. With these factors in play, current market sentiment is a mixed bag.

Best Market Sentiment Indicators

Because the stock market always looks forward, we would like to use the best market sentiment indicators to help sort out how to invest in the coming weeks, months, and even years. The most popular indicators of market sentiment are The CBOE VIX, High-Low Index, Bullish Percent Index (BPI), and important moving averages. The VIX is also known as the fear index. It looks at options trades as a measure of how much the market is protecting against risk. The High-Low index tells us when many stocks are trading at their 52-week highs which indicates a bull market versus how many trading at their 52-week lows indicating a bear market. The use of moving averages helps put this information into perspective.

Market Sentiment Graph

For many, if not most of us, it is easier to read market sentiment data from a market sentiment graph than from a written explanation. And, on a graph, it is possible to combine information in order to give a better picture of the market sentiment data the graph contains. As such a graph can contain information from the CBOE Put/Call Ratio, AAll Bull Ratio, Bullish ratio, NAAIM Survey, and current High/Low ratios. This snapshot gives the investor an up to date picture of market sentiment in order to guide their purchase and sale of stocks.

Cryptocurrency Market Sentiment

Reading cryptocurrency market sentiment is a bit different than following market sentiment data for stocks. Volume and volatility of trading read at 15 minute intra-day intervals and the use of Ravenpack to see sentiment in non-scheduled news reports about Bitcoin and 6 fiat currencies. It is of note that many investors experience positive returns over time irrespective of the news and prevailing cryptocurrency market sentiment. In this respect, we can sort out cryptocurrency traders versus long term investors and the effects of current sentiment on each.

CNN Market Sentiment

CNN Money provides a useful measure of market sentiment. Their Fear and Greed Index is based on seven indicators: junk bond demand, put and call options, market momentum, stock price strength, stock price breadth, market volatility, and safe haven demand.

This composite of market sentiment data shows very clearly the greed and bullish sentiment at the end of 2019 followed by the bearish fear that came on with the Covid-19 pandemic followed by the hope and greed that drove the market back up while the economy suffered in 2020.

Daily FX Market Sentiment

Data used to indicate the daily FX market sentiment are similar to what is used for the stock market. However, the news has a broader scope than the US stock market because it has to do with currencies and nations scattered across the globe and a market that is open twenty-four hours a day on working days all year long. Global politics, as well as the relations of one nation to another, are important in FX trading as currencies are traded in pairs. Nevertheless, market volatility, volume, and moving averages work just as well as indicators in the FX market as they do with stocks.

Risk Off Market Sentiment

Optimistic investor sentiment goes with good news about the economy, industry, global politics, and steady profits. This leads to a risk on investing environment in which investors pick riskier assets in hopes of big profits. When things turn around and investing looks chancier, it leads to a risk off environment in which investors shun risk and prefer stocks over bonds and value stocks over growth stocks. Risk off market sentiment is generally easy to spot as the entire market pivots to value instead of growth and bonds instead of stocks.

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