For those of you that have been around long enough you may recall that was the term that Fed Chairman, Allan Greenspan, used to describe the stock market conditions back in late 1996. Irrational exuberance is unfounded stock market optimism that lacks a real foundation of fundamental valuation, but instead rests on psychological factors. Although Greenspan’s comments were several years premature, when the market did peak, it traded down with a vengeance. Do not get me wrong, I am not at all suggesting the stock market is about to experience at major correction, just that there are numerous similarities that suggest that over speculation has become rampant. This rarely happens in the earlier stages of a strong uptrend. Seldom have we seen such action in a long list of low priced, low quality stocks moving dramatically higher on massive volume. In some cases, these stocks have increased hundreds of percent in just days.

The charts themselves suggest that while we are still very much in an uptrend we are beginning to see signs that perhaps we are in the later stages, including as referenced above an inordinate number of stocks going straight up in a smaller and smaller number of sectors on massive volume. In addition, we have recently seen a dramatic increase in public stock offerings, both initial and secondary, which affect the supply vs demand economics of stocks negatively. Lastly, when reviewing over 1400 stock charts my observation was that we have many stocks that are very overextended, a large number that have lost their momentum and are now turning lower and not many in between. This adds to my conviction that correct strategy now is to sell overextended stocks into this strength while we exercise a high-level of caution in buying new ones. Please contact us to receive our 2nd Quarter Factsheet and Newsletter.