ABSTRACT

STRATEGY MARKET BAROMETER

The present invention is directed to an alternative method for gauging market participant behavior, which is identified herein as “Market Barometer.” In one embodiment, Market Barometer is based on the recent performance ranks of particular equity strategy indices as compared to their historical ranks. Significant deviations from historical ranks is a predictor of market performance over subsequent near term time periods, for example, a subsequent month and, in turn, these deviations can be used to estimate the current market expected return. Empirical tests reveal that expected market returns vary over time in line with Market Barometer readings.

Fig. 2