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Sadoff Investment Management is an independent investment advisor. That means we strategize the best path to your most important goal, and we're not distracted by the need to sell specific products. What makes us truly different is our strategy to protect your investment in the downtimes. At every step, we promise to be dependable and easy to work with. Our family is looking out for yours.



Bryan, Ronald and Michael Sadoff

This report provides insight into the decision making process that supports our time tested investment strategy.

For more information please check us out at [www.sadoffinvestments.com](http://www.sadoffinvestments.com)

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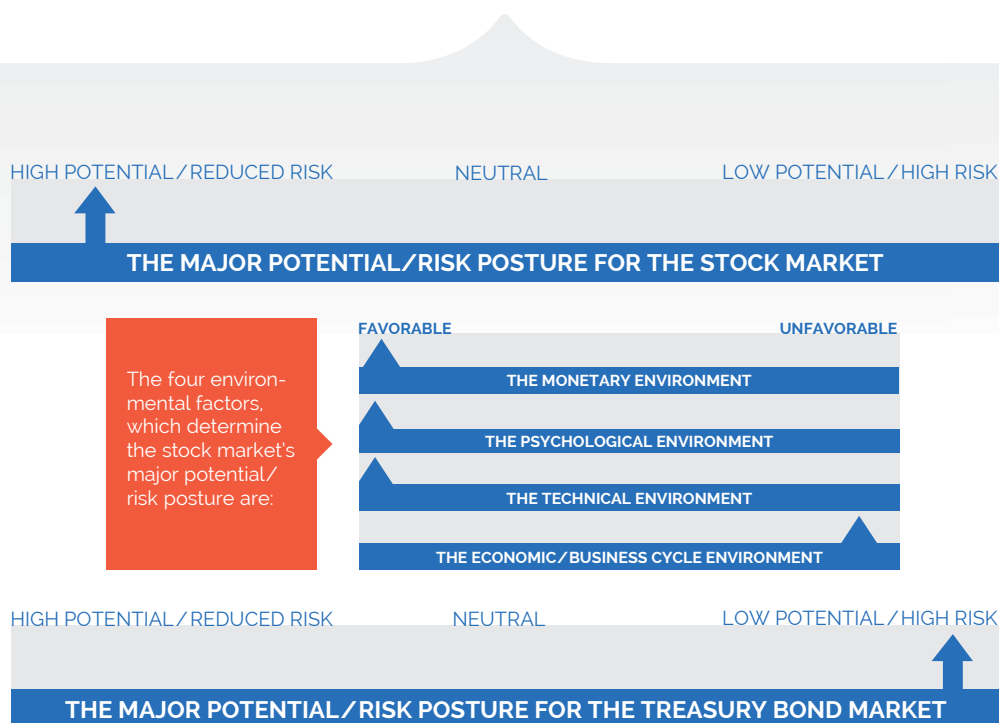
# A Global Steep Recession

**Most important, we want you safe and healthy during these most difficult times.**

The world economies are tumbling into a steep recession. How deep is it going to be and how long will it last? No one knows. We are confident this will eventually pass. Historically bull markets begin when the financial news is still dire. The life threatening information about COVID-19 and its recessionary effects have mainly been already absorbed by the stock market.

Meanwhile, the tools and measurements which gauge this downdraft are distorted and difficult to interpret. The shutting down of major parts of our economy was not anticipated in the construction of our economic statistics. For

example, the jobless rate relies on surveys of people and businesses. This COVID-19 crisis is affecting how people and businesses respond. Already bottlenecks in state unemployment systems are capping the number of people who can file for unemployment benefits. Plus it is uncertain how their employment status is classified. For example, the unemployment rate is based on monthly survey of 60,000 households conducted by the Census Bureau and Bureau of Labor Statistics. Surveyors randomly visit selected homes to question those living there. This stopped on March 20th to protect the health of the survey takers. Others are contacted by phone. In summary, current data describing the extent of this recession may be unreliable.



For descriptions of the "environments" listed above, please visit us on the web at [www.sadoffinvestments.com/disclosures](http://www.sadoffinvestments.com/disclosures)

# The Stock Market Bottoms Before The Recession Ends

According to the Dow Jones Market Data, a 30% drop for the Dow within 3 month's has been followed by an average gain of 11.88% for the next quarter, an average gain of 8.47% for the second quarter and a one year average gain of 22.75%. Reason for optimism!

If history repeats, the stock market will bottom one or two quarters before the recession ends. This table shows the actual time line range is about 3 - 8 months.

## S&P 500 INDEX LEAD TIME TO U.S. RECESSION END

S&P 500 Index Bottom	Recession End	Months to Recession End
Mar 1945	Oct 1945	-7
Jun 1949	Oct 1949	-4
Sep 1953	May 1954	-8
Oct 1957	Apr 1958	-6
Oct 1960	Feb 1961	-4
May 1970	Nov 1970	-6
Oct 1974	Mar 1975	-5
Mar 1980	Jul 1980	-4
Aug 1982	Nov 1982	-3
Oct 1990	Mar 1991	-5
Sep 2001	Nov 2001	-2
Mar 2009	Jun 2009	-3
	<b>Mean</b>	-4.8
	<b>Median</b>	-4.5

Chart courtesy of Ned Davis Research

Restated, the stock market looks ahead into the future. The current grim economic stats have already been discounted by the stock market. The stock market is focusing on the 4th quarter of this year and first quarter of 2021.

# Two Types Of Stock Market Bottoms

The stock market pivot from a bear to a bull has historically formed either a "V" or "W" bottom. Examples: the horrifying 33% stock market collapse in 1987 formed a "W" bottom: a low, then a rally followed by a retest of that low. Thereafter a bull market took hold.

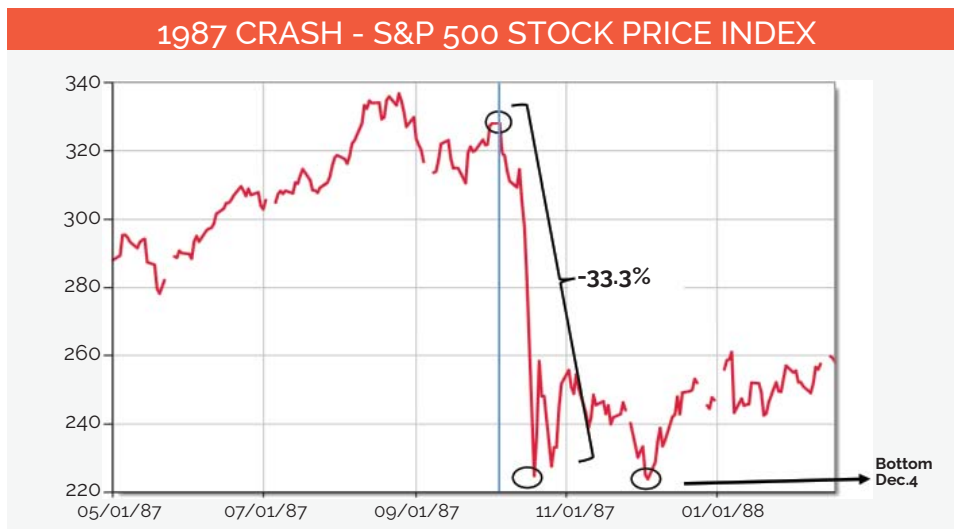
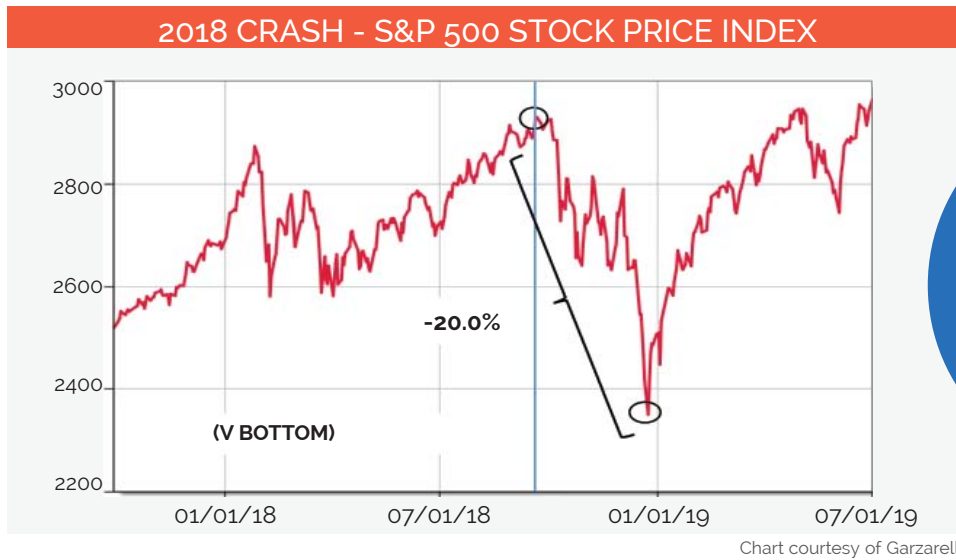
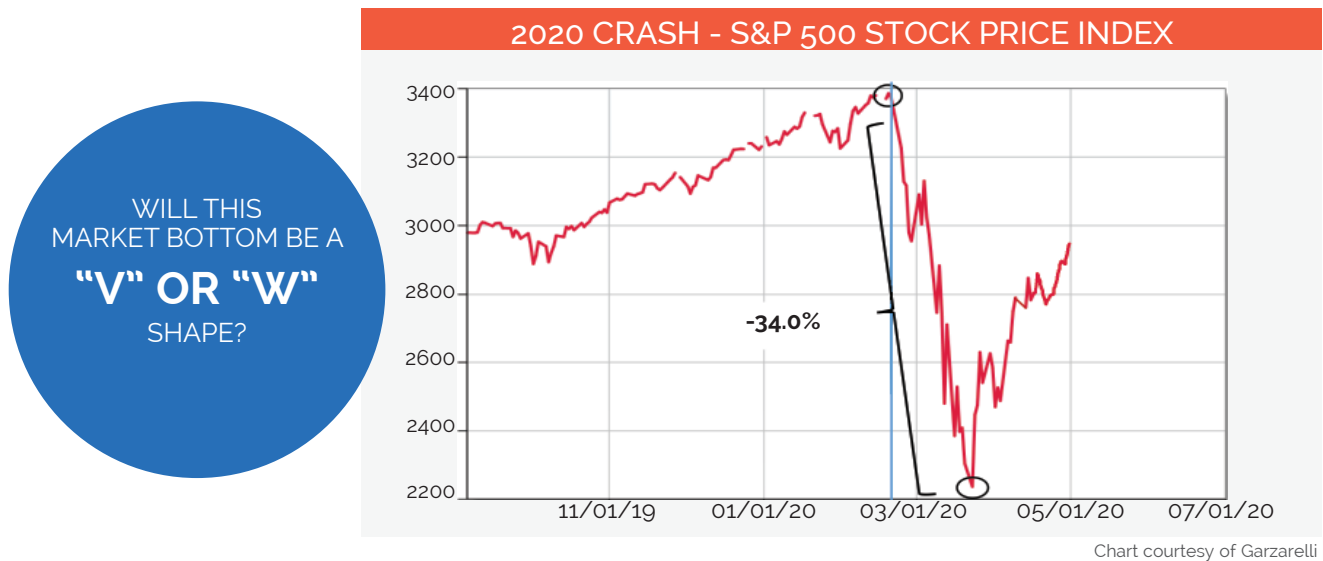


Chart courtesy of Garzarelli

The 20% hard hitting stock market plunge which occurred in late 2018 resulted in a “V” shape turnaround. A mega advance followed with no retest of that low. Just a sharp pivot.



The current corona virus 34% plunge for the S&P 500 Index so far portrays a “V” shape pivot.



So far, so good. Caution: it is possible the stock market could retreat and retest its March low near 2200 for the S&P 500 so as to form a “W” pattern. Either way, a mega turnaround pattern is forming.

# The Making Of A Bear Market Bottom

Bear market bottoms typically occur against the following background.

1. Panic selling coupled with all the “fear” factors. Clearly this 34% March waterfall stock market plunge has been devastating and intense.
2. A dramatic Fed easing occurs with a significant interest rate decline. The Fed has pushed interest to nearly 0% coupled with their pledge to purchase trillions of dollars in assets and junk bonds. Best estimates: they have pumped nearly \$5 trillion into our economy in an attempt to pivot this economy out of a recession. That's huge!
3. An economic turnaround takes hold when the federal government pumps needed funds into the economy. A massive \$800 billion stimulation helped to pull the economy out of the Great

Recession. Already our government has injected nearly \$3 trillion. More is expected.

4. Near the stock market low during the Great Recession there was a sharp spike in CEO insider buying. Currently, such insider buying has jumped to near record highs. Corporate executives value their own stock as a bargain.

In summary, these 4 factors typically occur near major stock market turnarounds. The current support from both the Federal Reserve and our Treasury is unprecedented. And similar type massive stimuli are occurring around the globe. If history repeats this massive stimulation will help bootstrap the world economies out of this unfolding recession.

## Bottom Identifying Indicators

Several time tested excellent bottom spotting indicators have already clicked into place. Packaged together these indicators suggest a turnaround is unfolding. Let's quickly review a few such helpful technical indicators. One excellent indicator that spotlights panic selling is labeled the VIX volatility index. It's also called the fear gauge which confirms just about everyone is bearish (which is bullish for the stock market). It recently spiked to extremes identifying a stock market low. That's bullish.

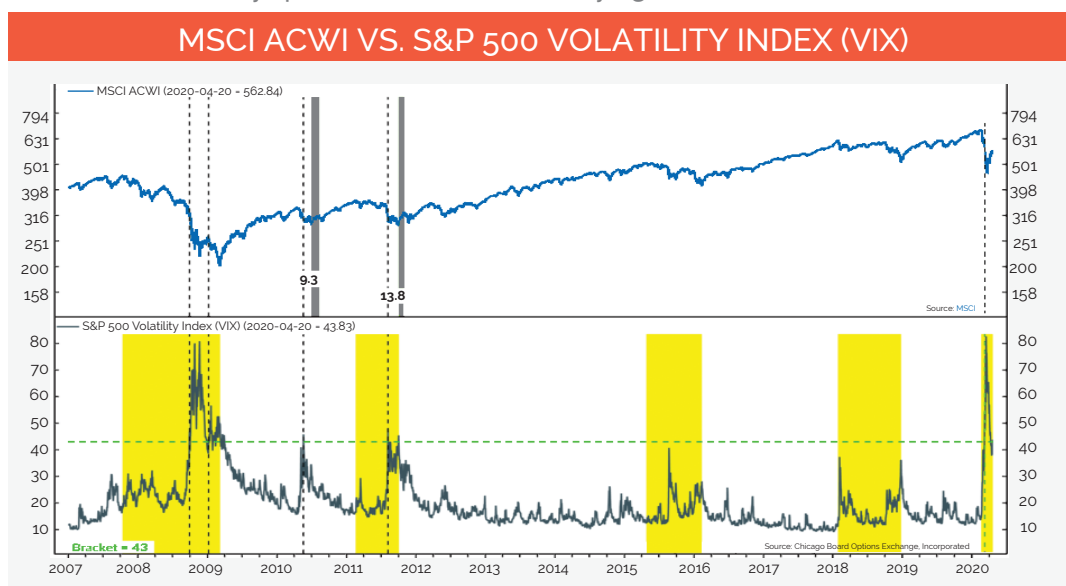


Chart courtesy of Ned Davis Research

It's also quite bullish when 90% of all stocks drop below their 200 day average. This happens against extreme selling. Color this indicator bullish.

Another bottom spotting technical indicator is the Ned Davis 44 Average Daily Volatility Index (a 44 day average of daily highs as a percentage of daily lows). A significant spike correlates with an excellent buying juncture. Observe the recent surge for this indicator. Another "buy" signal.

One more bottom spotting indicator occurs when two 10:1 advancing/declining trading volume days (this occurs on mega "up" days) take place within 3 months without an intervening 1:10 down volume day. This trading pattern took place during the April rally and historically has marked an excellent buying opportunity.

In summary, this package of bottom spotting technical indicators frame a long term bullish outlook. One more caution: the overall outlook looks quite favorable, yet extreme stockmarket volatility should be expected for awhile.

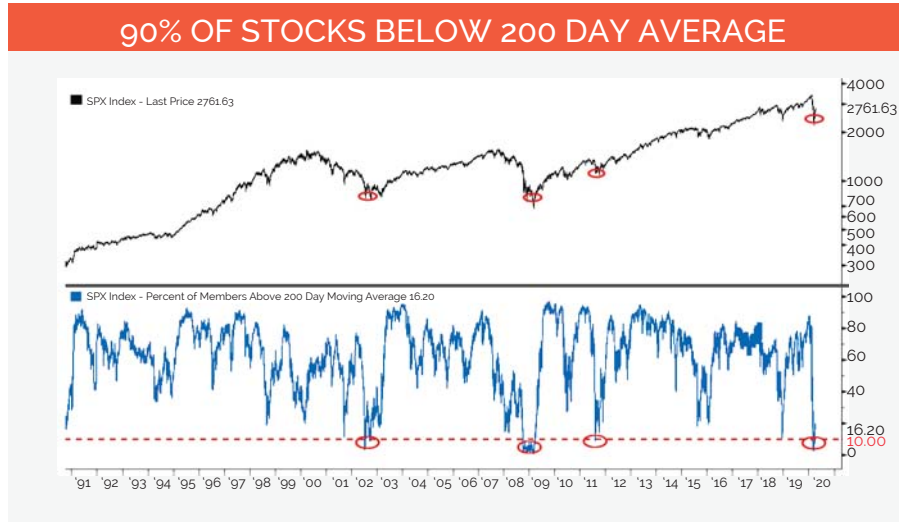


Chart courtesy of BofA Global Research

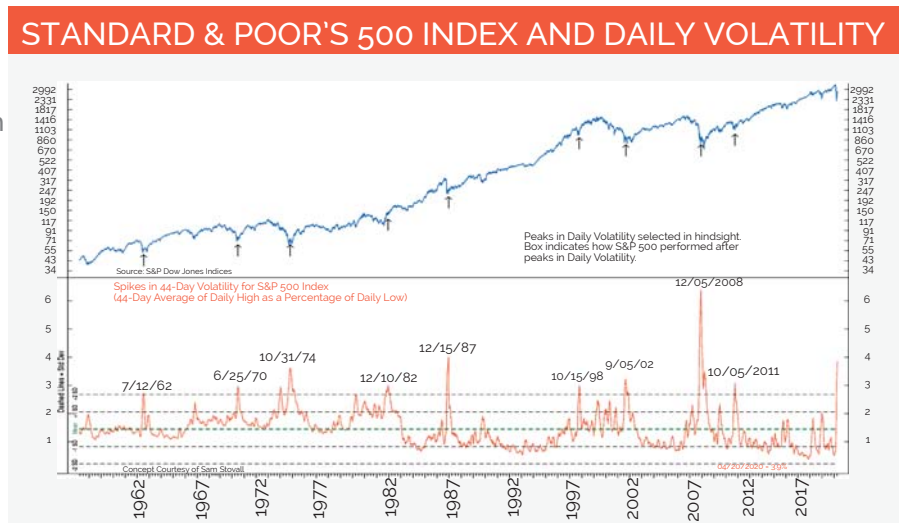


Chart courtesy of Ned Davis Research



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