HedgeFolios Strategy Advisory

â??Time For The Bears To Prosperâ??

04-06-2025

Our Current View:

The big bear market has intensified in velocity and losses on Friday, just as we predicted. Reportedly over **$5.4 trillion in market value was obliterated from the S&P 500 over the past two trading days. Thatâ??s incredible.**

Remember, when we wrote early this year that we had never seen such persistent high volume selling? That was tipoff for what was being planned.

With the S&P 500 **dropping 6% last Friday**, it was the worst performer among the indices, suffering its worst 2-day plunge since the big â??Covid Crashâ?• in March 2020.

The DJI plunged 2231 points (-5.5%), making it the 3rd worst day for the DJI in history, only behind two plunges in March 2020. **That is eye catching. In fact, it is so bad, it should soon trigger a technical bounce in the near-term.**

The NASDAQ Comp plunged another 5.8% while the Russell 2000 fared better than the large cap indices, although it dropped 4.4% on Friday.

Once again, all major indices **closed at their lows of the day.** This suggests further selling should be expected on Monday. However, thereafter we will be watching for a bounce.

After Fridayâ??s plunge, the NASDAQ Comp joined the Russell 2000 and is now â??officiallyâ?• **in a bear market,** while the DJI and S&P 500 are very close to joining them. Here are the plunges as of the April 4 close.

Index	% Down From Recent High
DJ-30	*-15.0%*
S&P 500	*-17.5%*
NASDAQ COMP	*-22.9%*
Russell 2000 ETF (IWM)	*-26.0%*

After Thursdayâ??s **big** 7.3 billion share volume on the first plunge, the markets followed up with **a 23% rise in volume the next day with 8.9 billion shares** traded on the NYSE.

The dumping continues. Money managers are trying to save their jobs. Their bullish sentiment made it impossible to accept our case that a bear market and â??officialâ?• recession were ahead.

The internals were so heavily lopsided on the negative side; we got a **92% down volume** day on the NYSE, while **91% of stocks were decliners** on the NYSE. Such huge skews of 90% or more on one side often suggest weâ??re near a **temporary** near-term bottom.

Below is the current list of the percent of stocks in bear markets (down 20% or more from a 52-week high):

- **84% of Russell 2000 stocks**
- **73% of NASDAQ 100 stocks**
- **64% of S&P 500 stocks**
- **50% of DJI stocks**

We finally heard one Financial TV commentator on Friday say, â??we are in a **bear market** for the most part.â?• Thatâ??s refreshing to hear! Of course, we said that weeks ago when the decline actually began.

We see that major stock indices now have **two breakaway downgaps during the crash on the charts.** That signals temporary seller exhaustion and is usually followed by at least a temporary bottom.

On the daily chart of the NASDAQ Comp below, the bottom horizontal blue line is first chart support, which is very close. The horizontal red line at the bottom is stronger support.

It would be normal now that at any sign of trade negotiations, there will be some short covering. That will be followed by new plunges when the negotiations with large countries donâ??t succeed. Regardless, the **major market trends are down**.

BEAR MARKETS DONâ??T GO IN A STRAIGHT LINE: Itâ??s important for our HedgeFolios members to keep in mind that markets **donâ??t** plunge into a bear market in a straight line. Bear markets are choppy and grind their way to lower lows with spurts of rallies in between.

Our HF members were safe during this debacle, with very slight exposure to equities, and very high cash and equivalents.

For those who may have forgotten the last bear market, hereâ??s a chart showing the big plunges and swift, brief rallies over 12 months from late 2021 to late 2022.

This zig-zag is why most investors hold their stocks all the way down until they finally capitulate, which often coincides with a bear market low. They endure the plunges thinking it will just be a short â??correction,â?• then they become hopeful on the relief rallies. When those rallies fail, they lead to further plunges.

Therefore, there is still time to be in the **top bearish (inverse) ETF positions, only utilized by our Opportunistic, Global Equity, and Income models. The savings and gains** will more than pay for your HedgeFolios membership fee.

Our valued members should not make the mistake of thinking this selling and volatility will be over quick, as often heard on financial TV.

A bear market can be very profitable for those who sell short or buy the inverse ETFs, which we have guided our members to do during bear markets in the past. Our long-time members love bear markets.

(Note: If you enjoy our research, analysis, and 5 model HedgeFolios you can easily track and replicate, make sure to tell your friends, family, and colleagues before they suffer even bigger losses in their investments).

Our HedgeFolios:

Last week we moved 30% of our cash to the short-term T-bill ETF, BIL, in all 5 models, which we consider to be safer than cash in times like now. Money market funds can be risky in this environment as these often hold short term debt from banks and financial institutions. Thatâ??s why we prefer an alternative, which is is short-term T-bills.

We also sold out of our two gold ETFs and the ARKK across all 5 models. The huge dumping we saw on Friday signaled to us that investors of all sorts (big, institutional money, retail, hedge funds, etc.) were selling anything they could in order to get cash and to meet margin calls.

The motto in this part of the bear market is **â??sell what you can, not what you want to.â?•** This means the dumping is closer to the point where even the most ardent bulls say, â??get me out.â?• That could come early next week.

In our 3 flagship HedgeFolios (Opportunistic, Global Equity, and Income), **we added inverse (bearish) ETFs as a way to profit from the market plunge.** Remember, inverse ETFs rise when the underlying sector or index declines. Therefore, if you agree that the market is in a bear market, these positions should do well. You donâ??t have to catch the exact day of a top in a bounce.

Even if there is a near-term bounce, remember that **the current market trend is lower**. Analysts and money managers are still in denial.

The inverse ETFs will continue to help our members profit as the bear market continues to unfold.

IMPORTANT NOTE: Any members who wish to **profit while stocks plunge** should consider following and replicating any or all 3 of these models (Opportunistic, Global Equity, and Income). These are able to hold inverse ETFs, which we plan on adding more of on a brief market bounce in order to profit from the next selloff.

Our 2 conservative models (Global Conservative and U.S. Conservative) **do not utilize inverse ETFs** and will instead hold more cash or fixed income ETFs, if appropriate, in times like now.

After last weekâ??s changes, we now hold between 22-38% cash across our 5 models, not counting the 40% in the T-bill ETF, BIL. That is very defensive.

Our Conclusion:

The weekend could have generated enough bearish sentiment to get that big panic dumping early this coming week.

One commentator said last Friday â??there is a shortage of buyers.â?• That suggests the **final** bottom is still far away and any bounce or rally will be just a temporary interruption of the bear market. **Stocks are still** far overvalued, and therefore, canâ??t attract longer term investment money. More reasonable valuations have to be reached before serious buyers come in.

We said in early March when the first leg of the bear market ended, that the next downleg would be more severe than the first one. That â??next downlegâ?• started on March 26. **So far, it has been much worse.**

However, there are always counter-trend bounces or rallies. One could start early next week after one more bout of dumping.

As longer-term active investors, we prefer to go with the longer-term trend, which is down. Of course, each investor has to make their own decision of whether to hold or sell any positions during the choppiness.

Wishing you successful investing,

Bert Dohmen and Dion Dohmen