



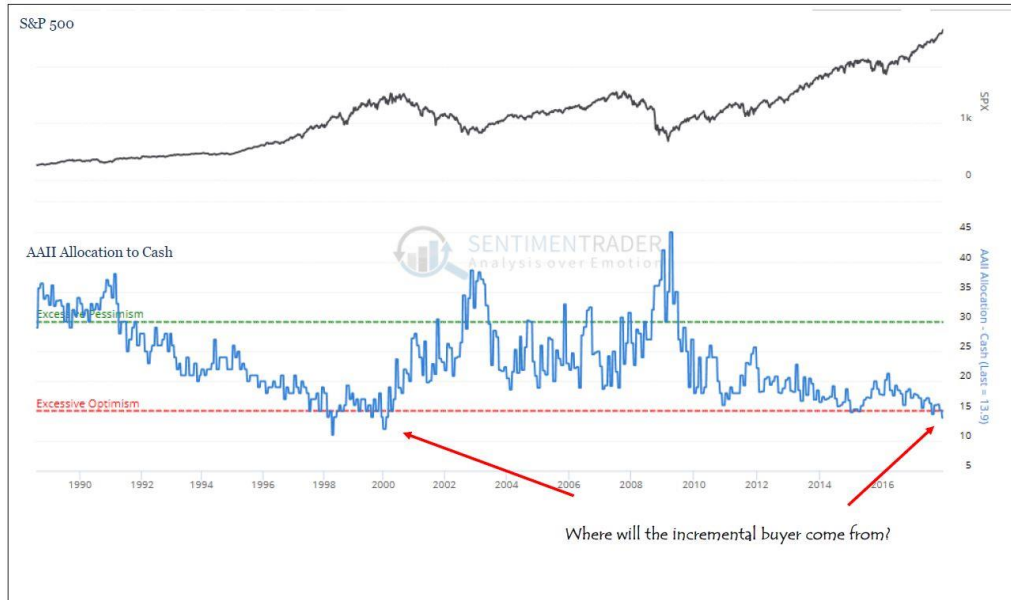
December 23, 2017

Dear Investors,

Individual investors have the lowest allocation to cash since the 2000 market peak:

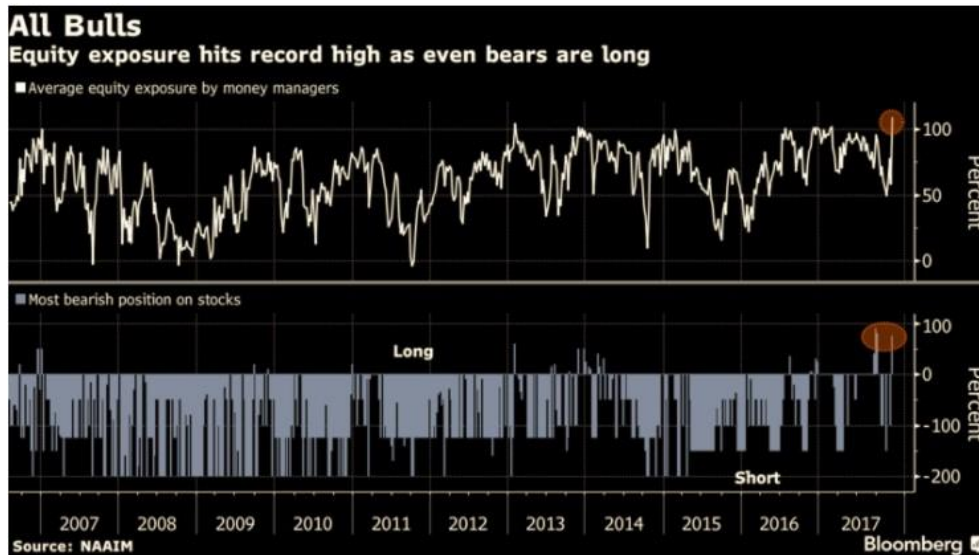
Key Chart Takeaway: AAI Data, from Sentiment Trader, shows Allocation to Cash at levels not seen since 2000

AAII show investors are holding the lowest amount of cash since the market topped out in 2000. Again, who is the incremental buyer?



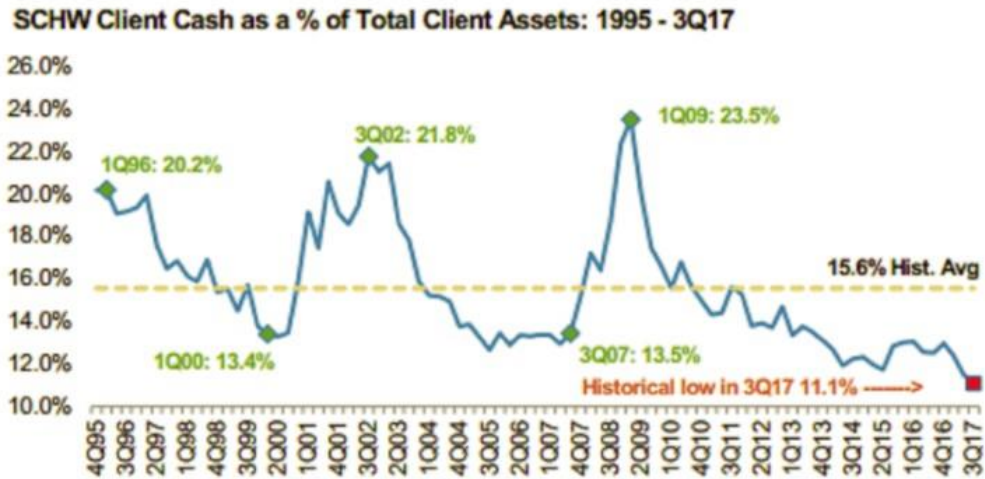
Source: FBN Securities

Active investment managers have their highest ever long equity exposure in history of this series. Even the bears are net long:



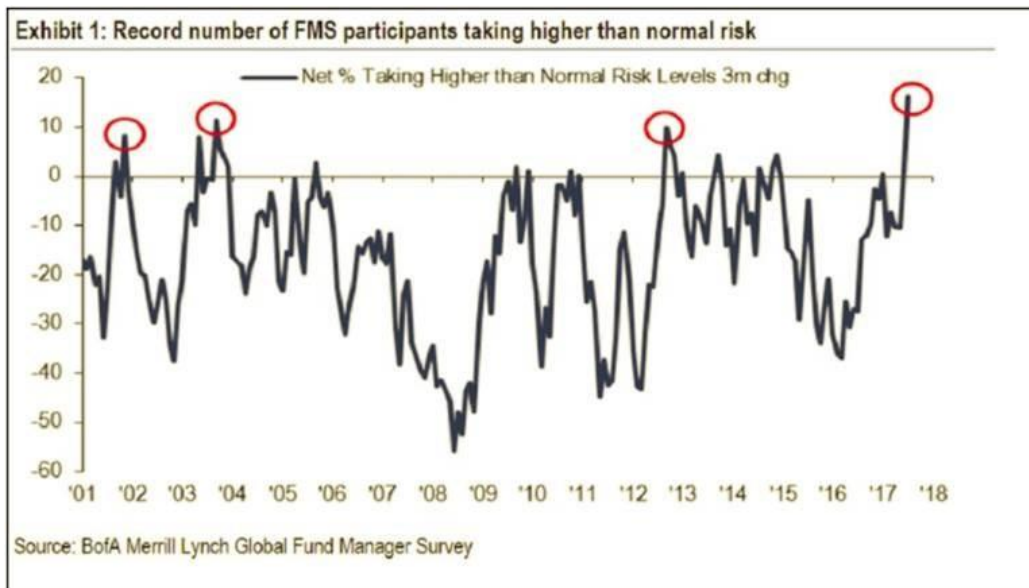


Schwab's overall client cash is at the lowest levels in the history of the data. This was a key indicator at prior market tops in Q1 2000 and Q3 2007, also prior to the 2015 selloff:



Source: Morgan Stanley

BAML fund manager survey shows record risk taking:



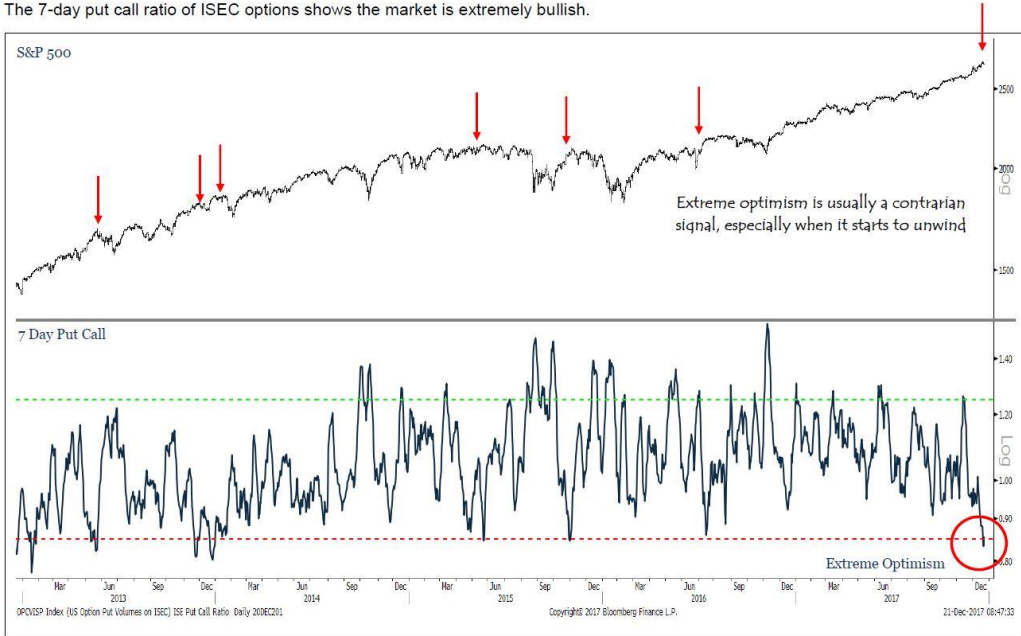


The put/call ratio is a great contrarian market timing signal and is signaling extreme bullish overcrowding:

Put Call Ratio – Extreme Bullishness

Key Chart Takeaway: Option positioning is extremely bullish and often a contrarian sign.

The 7-day put call ratio of ISEC options shows the market is extremely bullish.

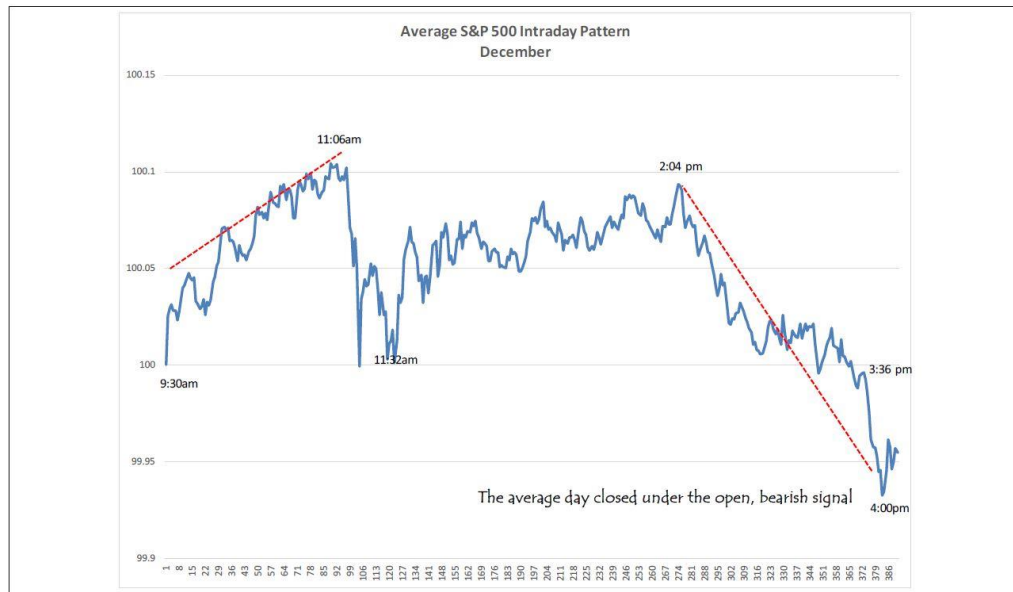


Source: FBN Securities

Intra-day trading action in December has deteriorated, much more selling into the close compared to most months all year:

Key Chart Takeaway: Selling Pressure increasing

While the S&P 500 is +1.2% for the month, the average day sold off into the close, finishing under the days open.



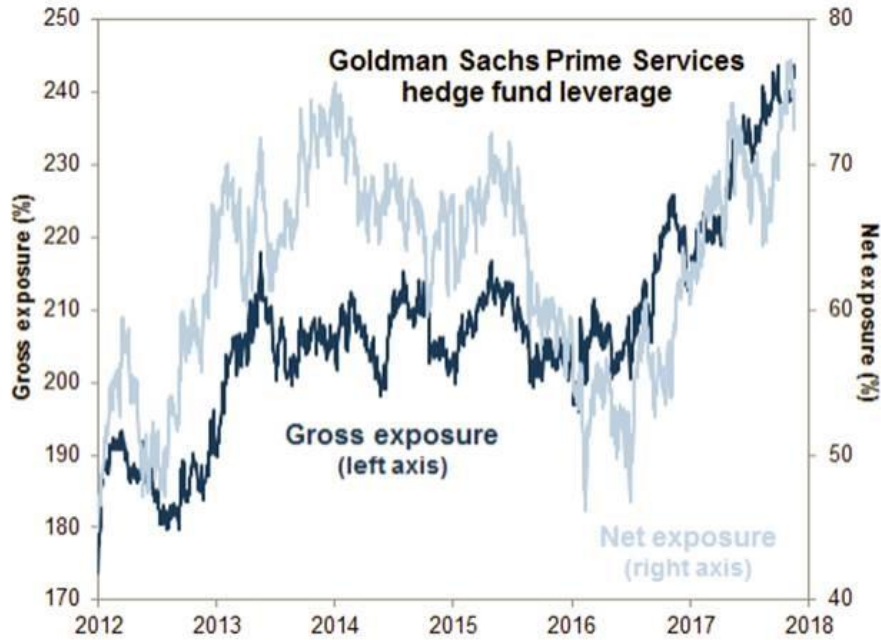
Source: FBN Securities



Hedge funds are the most leveraged and the most net long in the last five years and may be starting to sell.

Exhibit 8 : Net and gross leverage near cycle highs

Aggregated data from Goldman Sachs Prime Services as of 16-Nov-17; should not be relied upon as a comprehensive view of the market

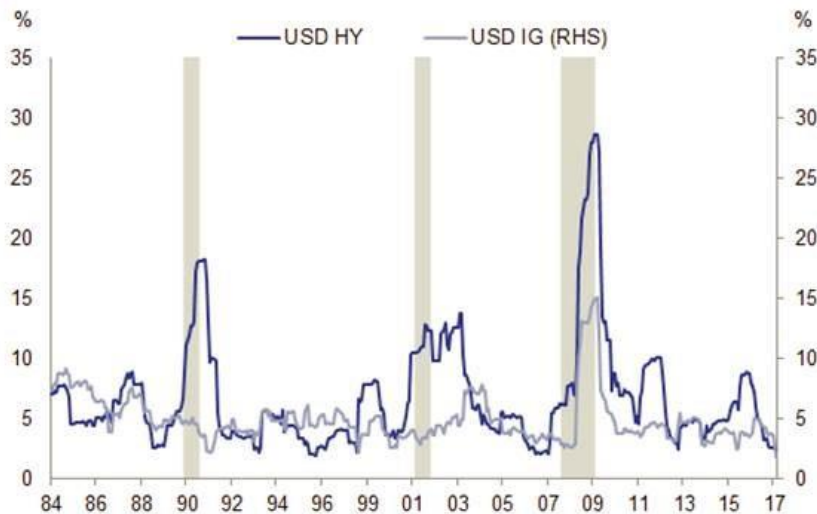


Source: Goldman Sachs Prime Services, Goldman Sachs Global Investment Research

Volatility in corporate credit is signaling the top of a business cycle:

Exhibit 2: The current low level of volatility is not unusual given the stage of the business cycle

12-month rolling standard deviation on IG and HY monthly excess returns to the one-month Treasury rate



Source: Bloomberg-Barclays, ICE-BAML, Haver Analytics, Goldman Sachs Global Investment Research



We have shown across six different measures encompassing the totality of the income statement, balance sheet, and cash flow statement why the US stock market is at all-time high valuations, higher than 1929 and higher than 2000:

<https://www.crescat.net/wp-content/uploads/Crescat-Capital-Q3-2017-Quarterly-Letter.pdf>

We have established that China is the largest currency and credit bubble of our lifetime:

<https://www.crescat.net/wp-content/uploads/Crescat-Capital-Q2-2017-Quarterly-Letter.pdf>

We have illustrated the importance of selling at or before an historical market top and the fruits to be gained by selling short:

<https://www.crescat.net/wp-content/uploads/Dec-2017-1929-Revisited.pdf>

Investors today are the most net long and the most bullish they have ever been. These set-ups happen but a few times in a hedge fund manager's career.

We wish you and your families the best this holiday season.

Sincerely,

Crescat Capital

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