

Global market sentiment getting close to peak optimism?

21 August 2025

Our Global Market Performance Indicator (GMPI) has been climbing since 11 August. At that time, sentiment was still very positive, but upward momentum in global stock markets seemed to be waning. Momentum has rebounded. Our short-term GMPI (the 10-dma of the share of 60 global markets above their 50-dma) hit 86.3% on 20 August, its highest reading since mid-June. The mid-June peak was aided by the strong market rebound from the broad, sharp sell offs after the early April Liberation Day tariff announcement.

Watching other GMPI measures

However, it is not the short-term GMPI that we should focus on, it is the other two measures — the share of markets above their 200-dma and the share of markets where the 50-dma is above the 200-dma.

Both indicators are elevated. In fact, they are getting close to levels that might be regarded as "giddy" optimism. Remember that these indicators are lagging.

Consider a market that has sold off and is near cyclical lows. This could be considered a buying opportunity, potentially leading to lift-off for a market — or a group of markets — and eventually crossing above 50-dmas. The short-term GMPI might start to rise as momentum improves. If that continues, markets might start to rise above their 200-dma (assuming the market has started from a bearish position, below the 50 and 200-dma, and with the 50-dma below the 200-dma).

If that momentum continues, the 50-dma might cross above the 200-dma — a development sometimes called a Golden Cross as a sign of bullishness. We don't think this is necessarily a sign of "bullishness" per se, just a sign of a persistent sustained gains. Some might treat this development as a sell signal that things have gone too far, but I digress.

Right now, almost 90% of global markets are above their 200-dma, and over 81% have the 50-dma above their 200-dma. Liberation Day was 140 days ago. With the erratic implementation of US tariffs, and the slipperiness of their application, markets have rightly downgraded the amount of uncertainty emanating from changes to US trade policy.

Is the global rally vulnerable?

The critical question is whether the global upswing is getting long in the tooth and is potentially vulnerable to a correction?

This is not to argue that a broad global market sell off is nigh. It does, however, suggest keeping a watchful eye for moves that don't seem to make sense (I'll leave that to your imagination or pricing models). These indicators highlight the evolution of global market sentiment and attempt to highlight potential turning points.

Market focus

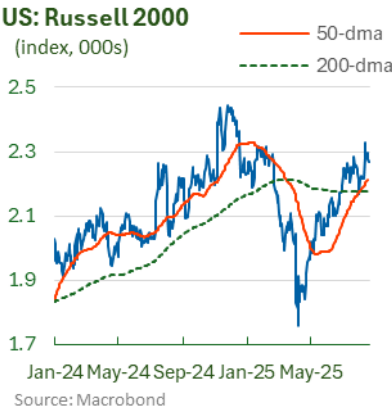
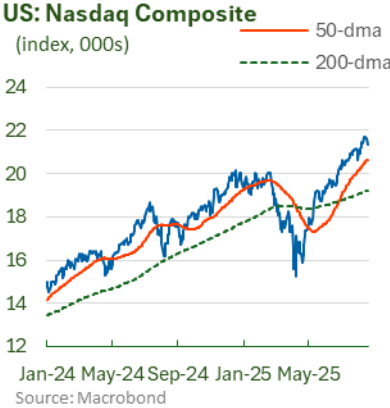
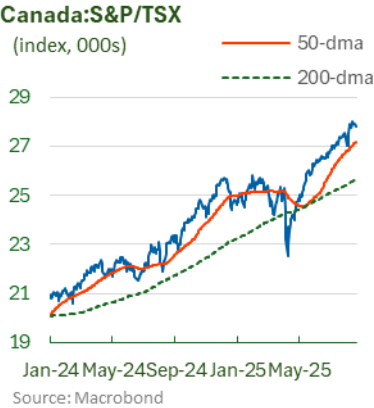
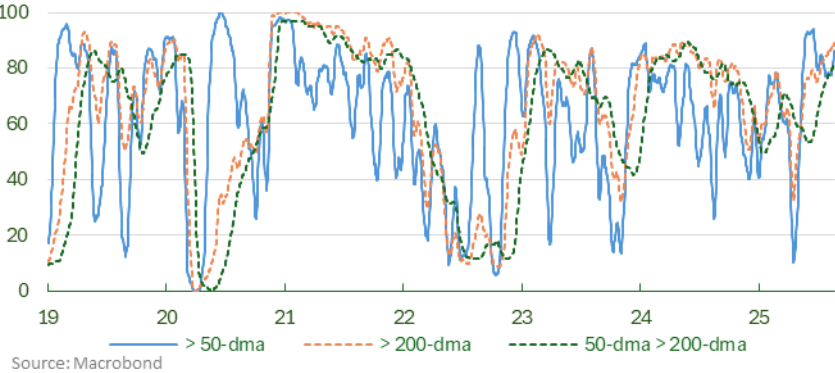
That said, let's look at some markets. In North America, markets have posted some gains of late, though the Philadelphia Semiconductor (PHLX) has slipped, and is testing its 50-dma. This comes amid concerns that the AI-driven surge in technology stocks is starting to look vulnerable, amid extended valuations. Hence, keep a watchful eye.

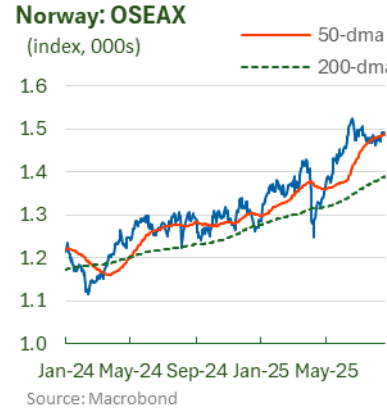
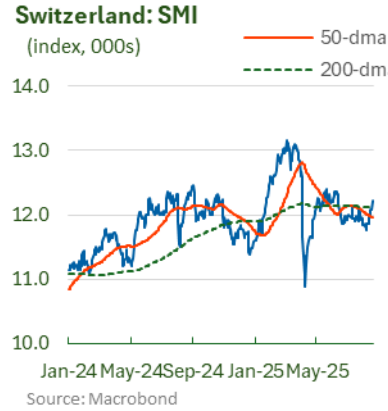
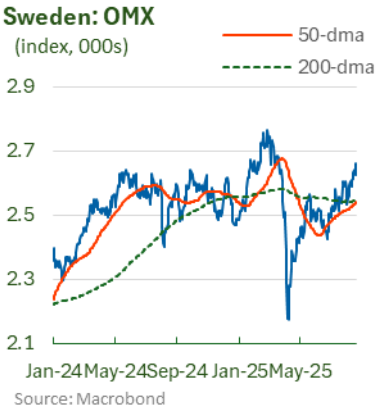
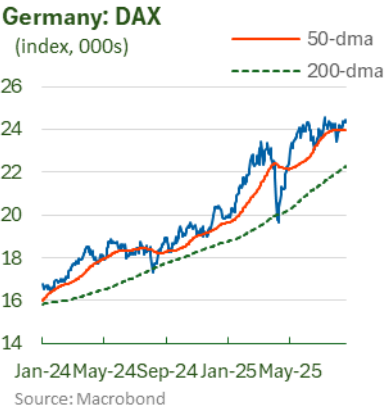
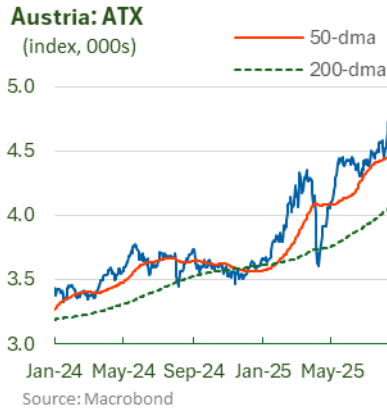
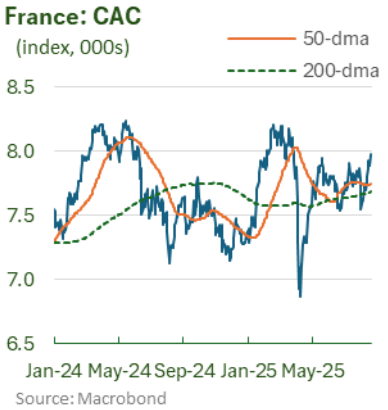
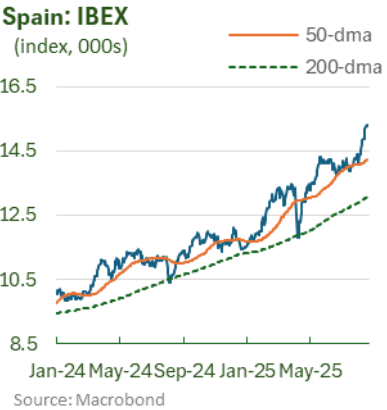
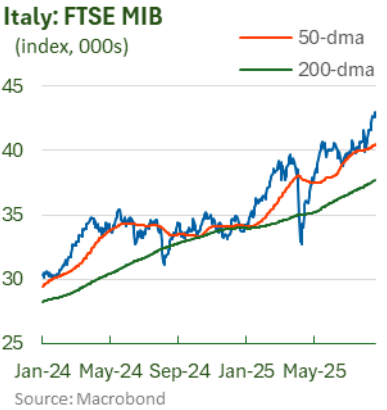
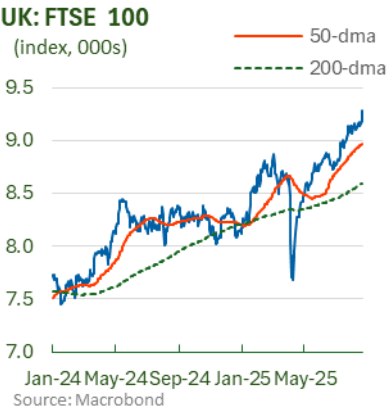
Other markets, however, continue to surge, highlighting Vietnam's VX index. Also interesting recently, has been the renewed upswing in some European stocks — UK, Italy, Spain, France, Austria, and Sweden. Solid gains. Not that there is necessarily a broad Buy Europe trade, as stocks in Germany, Netherlands, Switzerland, and Norway have been treading water.

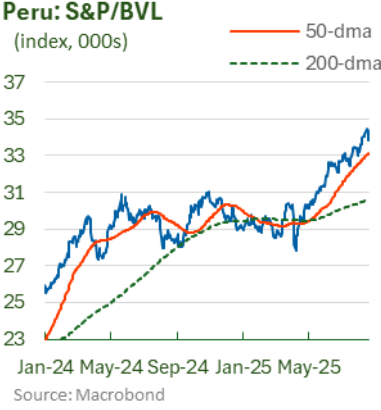
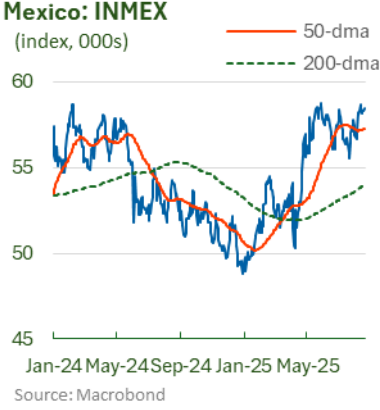
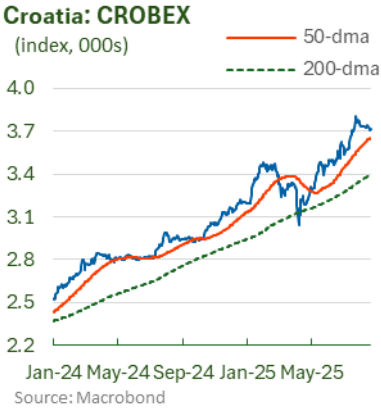
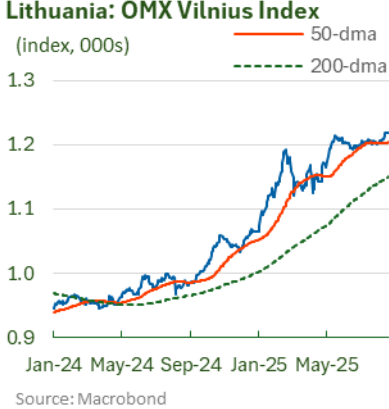
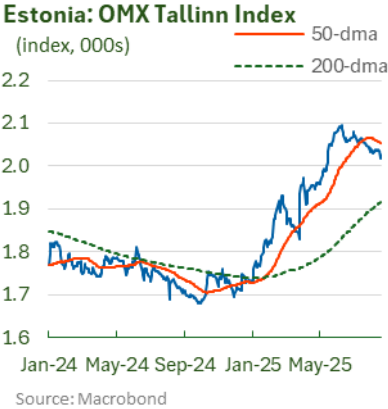
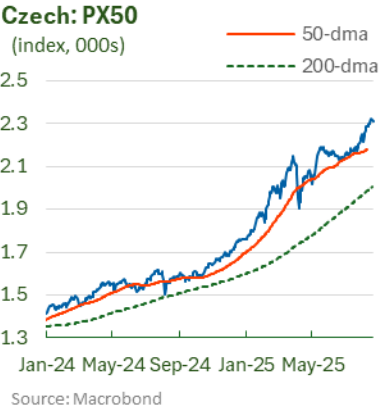
In Latin America, Chile is breaking higher once again, with a shout-out to Peru. Markets in Brazil and Argentina continue to meander. Mexico has tried to break recent highs but it has generally been trading sideways for a few months.

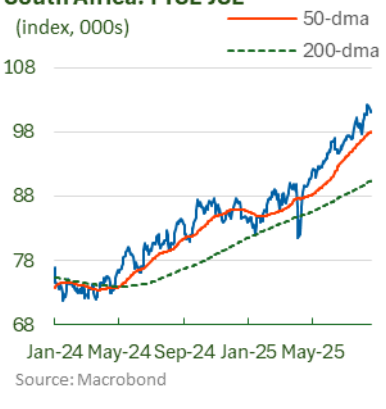
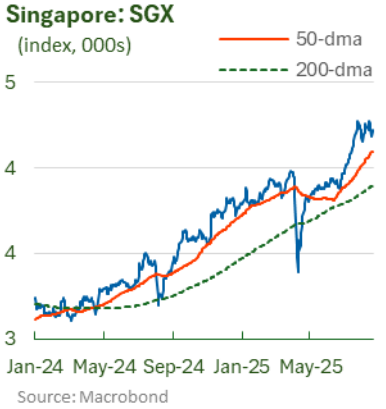
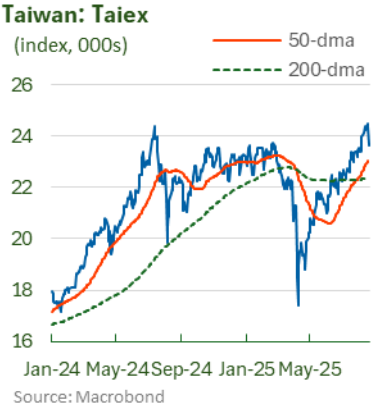
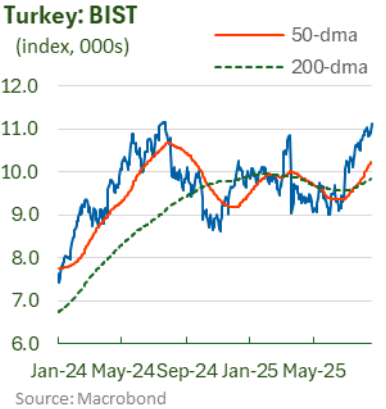
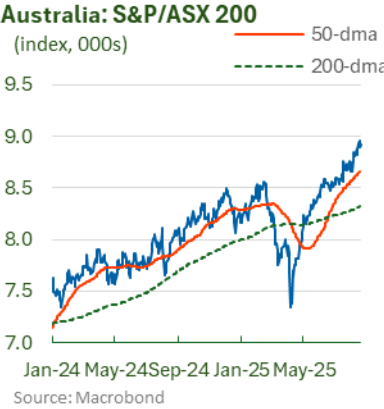
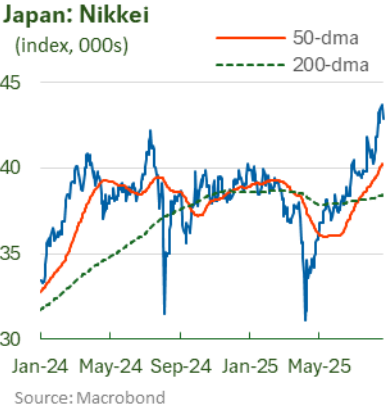
In Asia, Japan's Nikkei isn't quite keeping pace with Vietnam's VN, but it is putting in a strong showing. There have also been some solid gains in other Asian markets, such as Shanghai and Australia's S&P/ASX 200. However, keep watch for South Korea, Taiwan, and Singapore, markets that were high-flyers that might be losing steam.

Market performance indicator
(% of 60 global indices, 10-d ma)









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