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# What to watch

## As complacency rises, so do odds of pullback

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Pretty much everyone is bullish on the stock market. And that means there is a pretty good chance of a short-term pullback.

That's the message Gina Martin Adams, senior analyst at Wells Fargo Securities, delivered to clients Wednesday in a research note titled, "Investor Complacency Reaches New Highs."

"Investors appear increasingly convinced that the only direction for stocks is higher," she wrote.

She ticked off myriad indicators pointing to rising bullishness and dangerous complacency. The 2% rise in the stock market in May and the European Central Bank's recent announcement that it would provide more stimulus to its struggling economy, Adam says, "appears to have emboldened risk takers."

But too much bullishness is often a bad sign.

She points to the fact that the percentage of investment newsletter editors who are bullish hit 62.2% last week, its highest level since October 2007. A widely followed Wall Street "fear" gauge also recently dipped to its lowest level since February 2007.

Investor confidence at seven-year highs "suggests market participants should prepare for at least a short-term correction in stocks," Adams wrote.

But they shouldn't prepare for Armageddon.

"Should a correction play out ... we suggest investors prepare to buy any dip below our year-end S&P 500 price target of 1850." A drop to 1850 would equate to a pullback of 4.8% from Wednesday's close of 1943.89.