
CHART OF THE DAY

March 30, 2017

Spotlight on : S&P/TSX Composite Index

The most widely-recognized major market indexes in Canada and the United States are, respectively, the S&P/TSX Composite Index (250 companies) and the S&P 500 Index (500 companies).

Usually, the two indexes move in sync, with the U.S. index being the leading barometer. However, this is not always the case. From time-to-time, they can, and do, move differently, although rarely for long.

Seasonally, the S&P/TSX Composite Index is strongest from November until June.

Alternatively, the S&P 500 Index has its seasonal strength from October until May.

The seasonal strength period is pretty much the same with only short overlaps at each end. Not enough to be significant.

Our charts begin on the next page.

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Chart 1: Two-Year Chart (close at Wednesday, March 29, 2017)



Observations:

On this two-year chart, there is a still-intact long-term up-trend line (**GREEN**) extending from February 2016. (We have ignored the “noise” exemplified by the sharp down-draft that occurred on global exchanges on February 20, 2016; the respective indexes closed well off the day’s lows.) This support line was not tested until very recently and, other than a brief breach, it has held.

There is also a long-term resistance line (**RED**), extending from the high in mid-April 2015 until January 2017. Other than the brief run-up in late February 2017, the recent action in the Index has, more or less, oscillated around this resistance-support line at about 15,500 (rounded).

The **arrow** in April 2016 is explained on Chart 2.

A one-year chart follows on the next page.

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Chart 2: One-Year Chart (close at Wednesday, March 29, 2017)



Observations:

On this one-year chart, I have drawn three up-trend lines: (1) **OLIVE-GREEN**, that starts in April (at the arrow on Chart 1, and an appropriate starting point as it marks the end of a brief consolidation period as Chart 1 shows) and is defined by the low near the end of June, and it intersects currently at exactly 15,000 (a nice round number!); (2) **ORANGE**, that starts at the June low and is defined by the low in mid-November, and it intersects currently at about 15,375; and (3) **BROWN**, from that low in mid-November, defined by the recent low in March, and currently intersects at about 15,350. (The intersects are not exact since there is a greater chance for error when drawing trend-lines on longer-term charts as compared to shorter-term charts: see the same BROWN trend-line drawn on the subsequent six-month chart - it intersects at 15,300!)

For consistency and comparative purposes, I have drawn the same **RED** resistance line, at 15,500 (another nice round number!) as shown on Chart 1.

Okay, let us look at another one-year chart, this time with the three key Moving Averages (MAs) (50-day, 100-day, and 200-day) drawn in.

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Chart 3: One-Year Chart, with Moving Averages (close at Wed., March 29, 2017)



Observations:

On this one-year chart, the three MAs intersect at: (1) 15,560 (50-day, gold line); (2) 15,353 (100-day, blue line); and (3) 14,940 (200-day, rust line).

The Index, currently, is above all three indexes. In March, it broke below the 50-day for a while, tested the 100-day, which held after a brief breach, and has rallied back into positive territory.

Given the expectations of so many pundits that a pull-back is inevitable, the market, both here in Canada and in the United States, has proven to be very resilient. However, a pull-back could still occur and almost everyone will be astounded if it does not.

Let us have a look at that six-month chart previously referred to. It will give us a better perspective on the short-term outlook (technically, of course).

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Chart 4: Six-Month Chart (close at Wednesday, March 29, 2017)



Observations:

On this six-month chart, I have drawn in that **BROWN** up-trend line from mid-November. It intersects at 15,300. I also included the **RED** long-term resistance line from Charts 1 and 2.

Chart 4 also shows a (short-term) triple bottom, the **LIGHT BLUE** line in October-November.

Finally, there is a **RUST** down-trend line that was very recently broken to the upside, a positive action. Its down-side intersect is at 15,470.

Our last chart, on the next page, is for three months.

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Chart 5: Three-Month Chart (close at Wednesday, March 29, 2017)



Observations:

On this three-month chart, I have drawn the Chart 4 **RUST** down-trend line (at 15,470) that has been exceeded to the upside.

The **BLUE** line underlines short-term bottoms that, collectively, could act as support in a market pull-back.

Coincidentally, the **BLUE** line intersects at 15,300, exactly where the **BROWN** up-trend line from mid-November intersects, so 15,300 becomes a more important support level. (Currently, the Index is at 15,657.)

The **PURPLE** line is the opposite of the **BLUE** line and denotes short-term tops that, again, collectively currently act as resistance and, if the market can move higher, could act as support on any pull-back. It intersects at 15,636.

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LOOKING AHEAD

1. Upside Objectives

Like any trend that is at or near its all-time high, the upside for the S&P/TSX Composite, from here, is the actual all-time high which, in this case, is **15,943**. Anything above that is “blue sky”. How high is up?

2. Downside Possibilities

15,657: the current (March 29) price of the S&P/TSX Composite Index

15,636: the **PURPLE** support line (Chart 5)

15,560: the current 50-day Moving Average (**gold** line in Chart 3)

15,500: the long-term **RED** resistance line (Charts 1, 2, and 4) AND a mid-level “round number”

15,470: the **RUST** down-trend line (Charts 4 and 5)

15,400: the **GREEN** long-term up-trend line (Chart 1)

15,375: the **ORANGE** up-trend line (Chart 2)

15,353: the current 100-day Moving Average (**blue** line in Chart 3)

15,300: the **BROWN** up-trend line (Chart 4) AND the **BLUE** support line (Chart 5)

15,000: The **OLIVE-GREEN** line (Chart 2) AND a key integral “round number”

14,940: the current 200-day Moving Average (**rust** line in Chart 3)

TSX: Peak	-1%	-3%	-5%	-7%	-9%	-11%	-13%
Price:	15,943	15,784	15,465	15,146	14,827	14,508	14,189
							13,870

The current price of the TSX, at 15,657, represents a decline of 1.79% from the Peak.

The next table shows the percentage declines from the Peak (at 15,943) and from Current (at 15,657) to the respective Downside Possibilities.

	TSX	% from Peak	% from Current
Peak	15,943	-----	-----
Current (3/29/17)	15,657	-1.8%	-----
PURPLE Support Line	15,636	-1.9%	-0.1%
50-day MA	15,560	-2.4%	-0.6%
RED Resistance Line	15,500	-2.8%	-1.0%
RUST Down-Trend Line	15,470	-3.0%	-1.2%
GREEN Up-Trend Line	15,400	-3.4%	-1.6%
ORANGE Up-Trend Line	15,375	-3.6%	-1.8%
100-day MA	15,353	-3.7%	-1.9%
BROWN Up-Trend Line	15,300	-4.0%	-2.3%
BLUE Support Line	15,300	-4.0%	-2.3%
OLIVE-GREEN Up-Trend	15,000	-5.9%	-4.2%
Round Number	15,000	-5.9%	-4.2%
200-day MA	14,940	-6.3%	-4.6%



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