



Third Party Research

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Don't Bank On The Banks

eResearch Corporation is pleased to provide an article by Keith Richards of **VALUETREND**.

In this article, Mr. Richards evaluates the banking sector by examining the ETF, ZEB. The \$27 level represents critical support.

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: <http://www.valuetrend.ca/dont-bank-on-the-banks/>

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Wednesday, March 22, 2017

Don't Bank On The Banks

By: Keith Richards (bio at end)

A reader asked me to cover the Canadian banks – a great idea considering their changing technical profile of late.

The big Canadian banks are looking precarious right now. Using the BMO “ZEB” ETF shares as our proxy, we can see that the sector is suffering.

A double top formation on the daily chart (see next page) was verified by a neckline break of \$28.

The ETF is now testing support around \$27. If that level does not hold, the Canadian banks could enter into a new world of pain.

Volume on the topping formation is high, which suggests that this top may be the real deal. The volume is unique to the ETF, but ZEB is owned by many investors who want exposure to the sector—so the higher volume is indicative of the changing viewpoint on the sector.

Watch \$27 carefully on this ETF – a break would be quite bearish.

Something I found of interest on this chart is that virtually all of the momentum studies I follow– short (stochastics), mid-term (RSI), and longer-term (MACD) were diverging long before this top occurred.

Despite the two peaks of the recent highs being about the same, there was an early warning negative divergence on the momentum oscillators—as shown by my pink trend-line notations on the indicators.

Note that all of the indicators are oversold right now, but are not yet hooking up. There is a good chance that the banks will stage an oversold rally at current \$27 support. But I would be cautious as to the legitimacy of such a rally.

Should \$27 hold – investors may want to hold their shares. But a break of that level for more than a few days could mean trouble.

This is a sector I am avoiding for the time being.

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ABOUT THE AUTHOR



ValueTrend Founder and Owner, Keith Richards, has been in the securities industry since 1990. ValueTrend manages over \$100 million through a discretionary investment service for high-net-worth clients.

Keith Richards has been in the securities industry since 1990 and is a highly regarded member of the small, exclusive community of Chartered Market Technicians in Canada. Mr. Richard's articles appear regularly in INVESTORS DIGEST, MONEYLETTER, GLOBE AND MAIL, and the TORONTO STAR newspapers.

His appearances on BNN Television have inspired producers to acknowledge him as **"one of [our] most accurate technical analysts."** Mr. Richard's first book, SMARTBOUNCE: 3 ACTION STEPS TO PORTFOLIO RECOVERY, is available in bookstores and directly through his blog page www.valuetrend.ca/blog/. His second book, SIDEWAYS: USING THE POWER OF TECHNICAL ANALYSIS TO PROFIT IN UNCERTAIN TIMES was released in late 2011. He has been critical of the commission-based, follow-the-pack approach to investing – where brokers succeed regardless of performance.

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