

Opportunity In U.S. Banks?

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

In this article, Mr. Richards evaluates the U.S. banks as a short-term play.

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/opportunity-us-banks/>

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By: Keith Richards (bio at end)

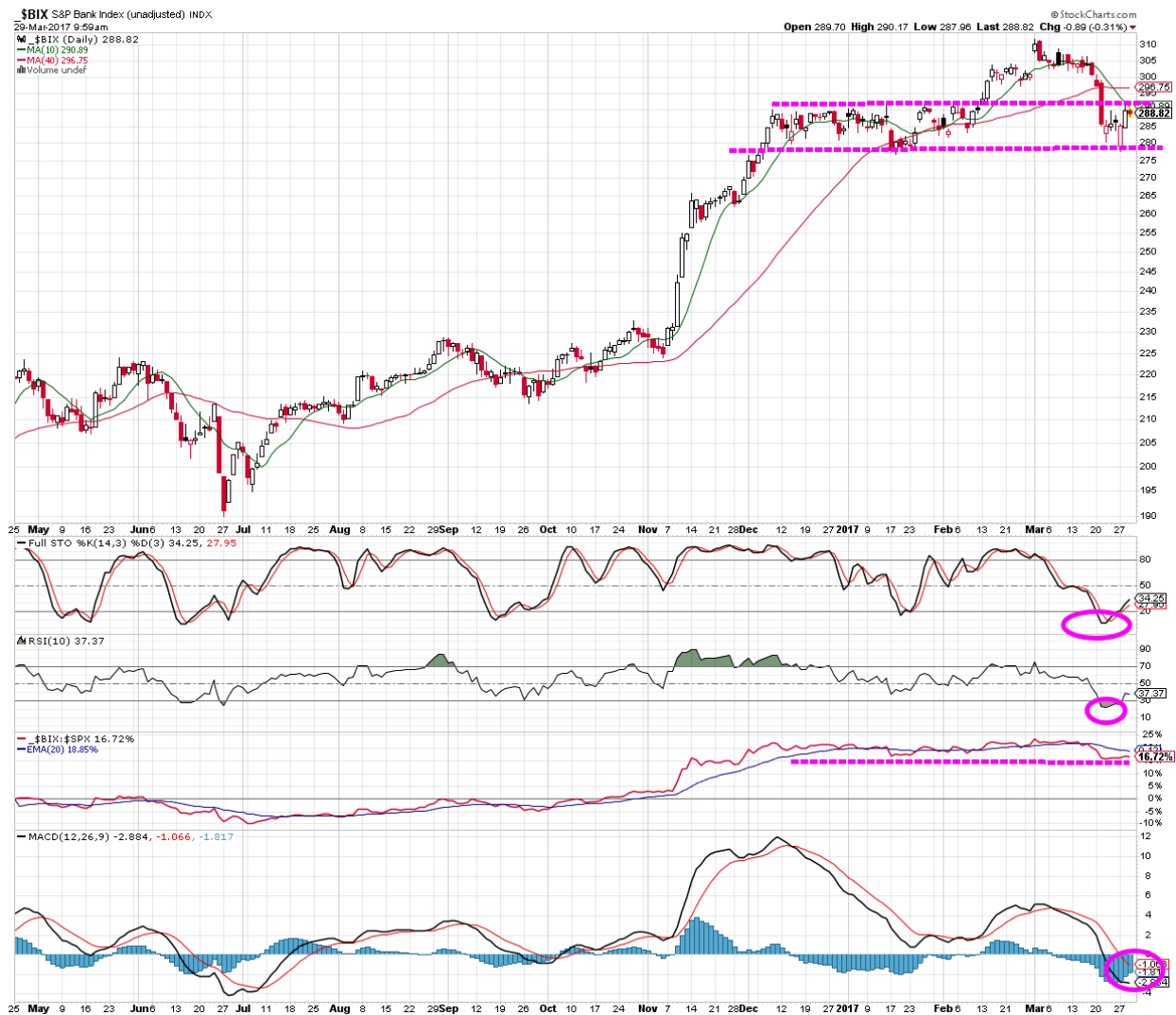
Recently, I [wrote a commentary](#) on the Canadian banking sector. My general comments were that the sector may have broken the neckline of a potential double-topping formation – and that we want to watch the sector for a near-term bounce off of \$27 (for the ZEB units). We did get that bounce. I also warned that it is important to see a follow-through on the sector to prove it is not a false bounce. If \$27 cannot hold – Canadian banks may in trouble. (Current price = \$27.97)

The U.S. banks have been hit as well. However, the formation that I see on the sector does not yet look like that of a typical top. It simply hit a peak, and fell. There was no “complex” action of a market that is struggling to find new highs like there is in a double top (as in the case of Canadian banks) or a head & shoulders or rounded top type occurrence.

The daily chart below shows a pretty clean peak, and then a decline to pretty much exactly the prior level of support, and a clean bounce from that level – so far. Further, there was no negative divergence on momentum indicators – as I noted there had been on the Canadian bank stocks.

My conclusion is that the technical profile for U.S. banks, despite the clear sell-off that occurred in tandem with the Canadian banks, does not look like a topping formation.

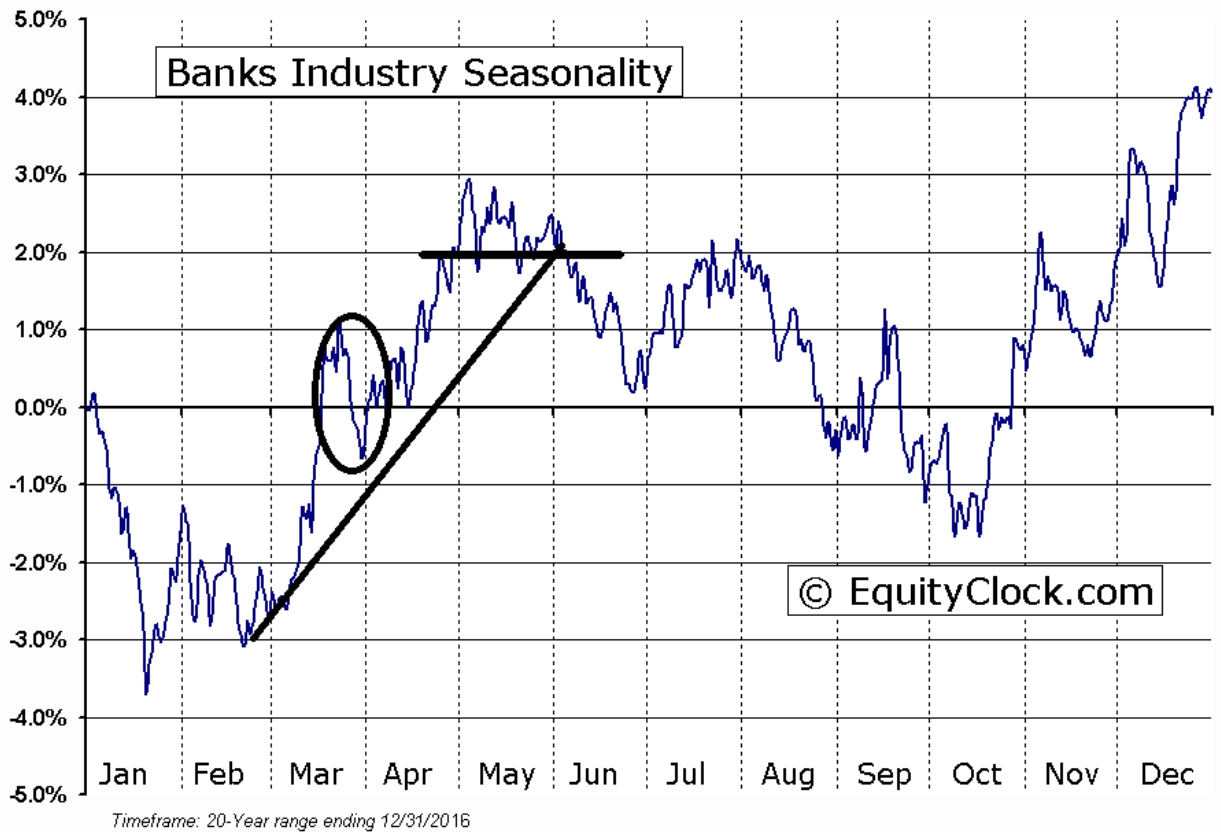
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Seasonally, U.S. banks should have more than a month of upside left in them—they can be strong well into May. Interestingly, the seasonal chart, courtesy of [equityclock](#), shows us a sell-off can indeed occur in the late part of March. I have circled it on the chart below.

Coincidence or not, the recent sell-off occurred on schedule with the seasonal chart – and the point has been a good spot to enter for a final thrust on that sector historically.

The current technical profile on the daily chart lines up with this seasonal tendency. Momentum is hooking up from an oversold level. As noted above, that bounce occurred right at support.



We are taking a short-term (1 – 2 month) trade on the sector via an ETF holding the U.S. banks. There are many out there, so choose your favorite if you wish to take advantage of this potential opportunity.

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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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