Biiwii Commentary

***e*Research Corporation** is pleased to provide an article, courtesy of Biiwii.com, and written by Chris Ciovacco.

The article, starting on the next page, is entitled: **"Guideposts for Bulls and Bears".**

Biiwii.com was created in mid-2000 solely as a way to help get the message out about deeply-rooted problems about too much debt and leverage within the financial system. The concerns were confirmed and the message proved justified 3 to 4 years later as the system began to purge these distortions, resulting in a climactic washout extending from October, 2008 to March, 2009.

Along the way, a geek-like interest in technical analysis, a long-time interest in human psychology, and various unique macro market ratio indicators were added to the mix, with the result being a financial market newsletter (and dynamic interim updates), Notes From The Rabbit Hole (NFTRH) that combines these attributes to provide a service that is engaged and successful in all market environments by employing risk management first, and opportunity for speculation second.

But It Is What It Is: You can access Biiwii at its website: **www.biiwii.com**.

Notes From The Rabbit Hole: You can access NFTRH at its website: **www.NFTRH.com**

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Bob Weir, CFA
Director of Research

Long-Term Bull Case

By [Chris Ciovacco]()

Not Much Talk Of A Major Stock Market Bottom

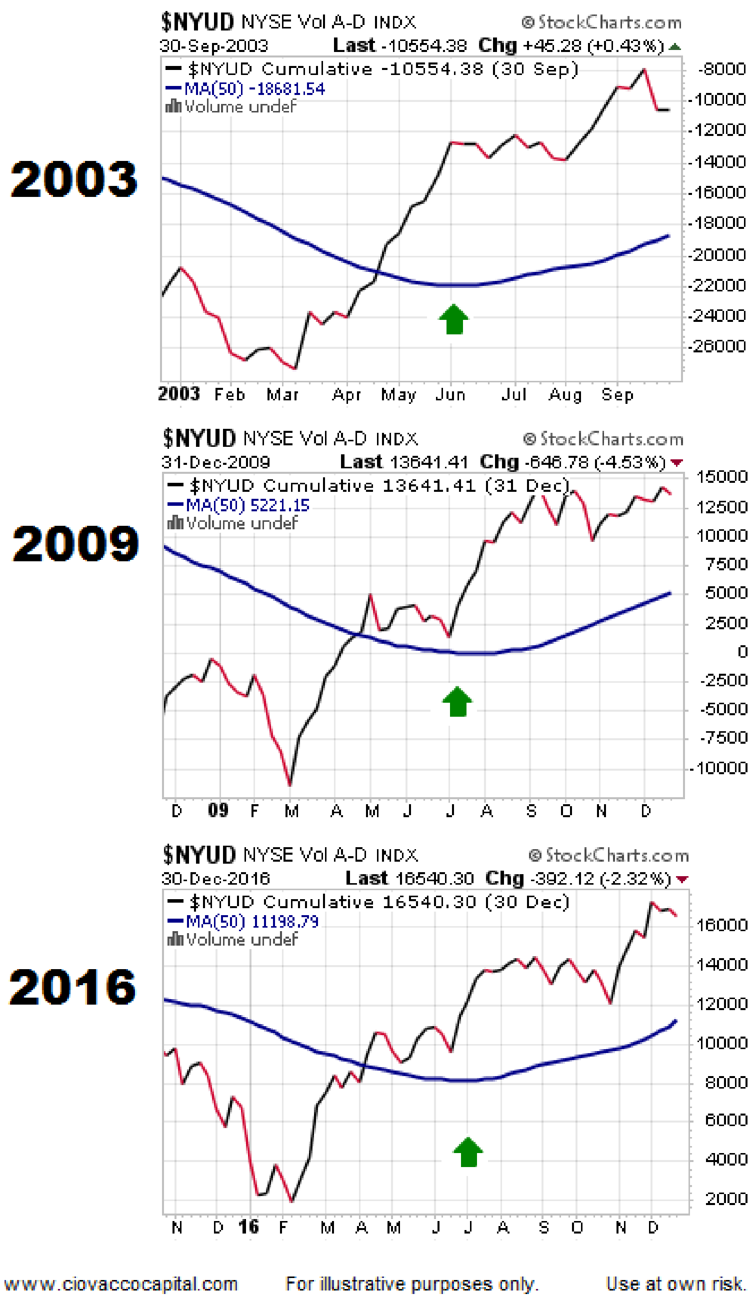
Similarities To Previous Major Market Turns

The chart below shows up/down volume (1998-2017) for the NYSE Composite Stock Index, along with its 50-week moving average (thick blue line). Notice how all-things-being equal, the probability of bad things happening increases when the 50-week moving average is flat or negative (see red arrows below). Conversely, the probability of good things happening increases when the 50-week moving average turns back up in a bullish manner (see green arrows below). The S&P 500 is shown at the bottom of the image below for reference purposes.

Not Much Talk About A Major Bottom

Instead of 2016-2017 looking like a major stock market topping process, a strong case can be made that 2016-2017 looks very similar to a major bottoming process. The charts below compare the breadth-based 50-week moving average in 2003, 2009, and 2016.

The 2016 Turn In The Markets Look Similar To Bullish Turns In 2003 and 2009.



You Cannot Compare 2016 To 2003/2009

It is easy to understand how a major stock market bottom can form after a bear market (2003 and 2009). However, it is more difficult to understand how one could have possibly formed in 2016, given the S&P 500 did not hit the 20% bear-market threshold. While the major indexes held up relatively well in late 2015/early 2016, the story was quite a bit different for the average stock. From a January 11, 2016 USA Today story:

There is mounting evidence that the U.S. stock market is being decimated and undermined by a so-called "stealth" bear market...Indeed, the Standard & Poor's 1500 index – a broad basket of large, mid and small company stocks – shows that the average stock's distance from its 52-week high is 26.9%, according to stats compiled by Bespoke Investment Group through Friday's close. "That is bear market territory!" says Paul Hickey, co-founder of Bespoke Investment Group, the firm that provided USA TODAY with the gloomy price data.

Does 2016-17 Look More Like A Major Top Or A Major Bottom?

This week's stock market video (see link below) uses facts to complete check marks in the table below. If you review the evidence with an open mind, the conclusions may be surprising.

	Major Stock Market Top	Major Stock Market Bottom
Long-Term Trends		
Breaks From Consolidation		
Long-Term Momentum		
Market Breadth		
Asset Class Behavior		
Leadership Momentum		
Valuations		

For illustrative purposes only. Use at own risk.

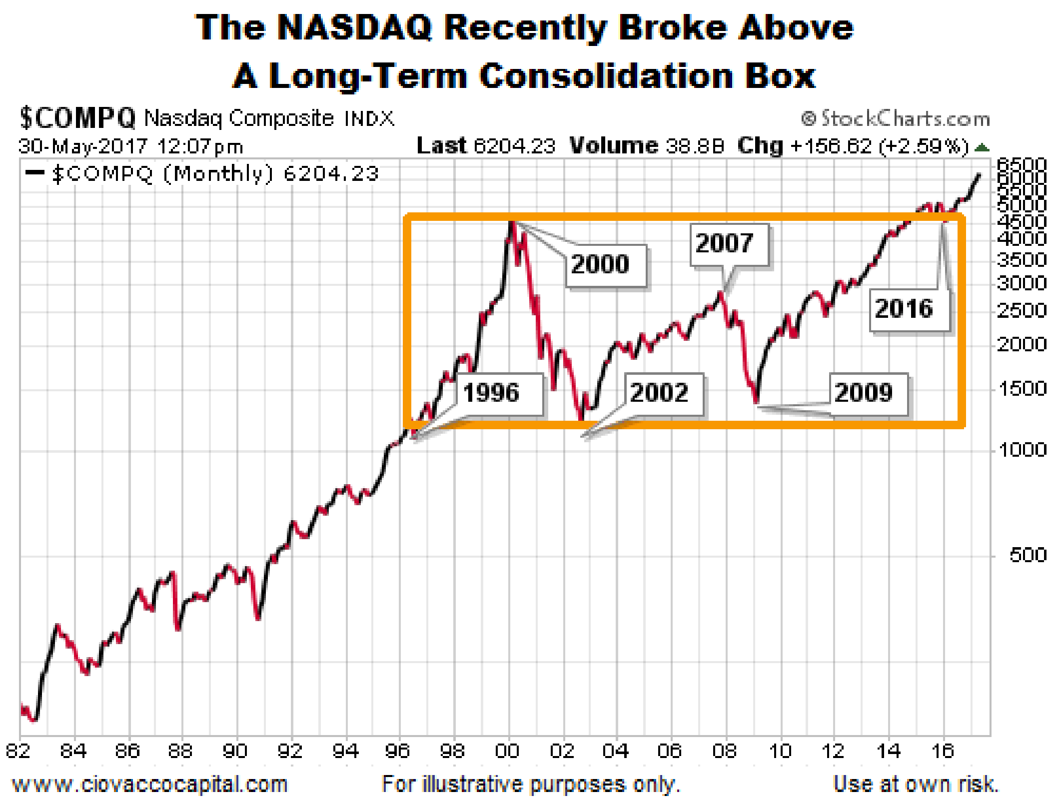
After you click play, use the button in the lower-right corner of the video player to view in **full-screen mode**.
Hit Esc to exit full-screen mode.

(BW: The video is 27 minutes in length.)

https://youtu.be/cTwsoPbkzZc

Tech Breaks Long-Term Barrier

The NASDAQ's long-term chart (1982-2017) also leaves the door open to better-than-expected outcomes in the coming weeks, months, and years.



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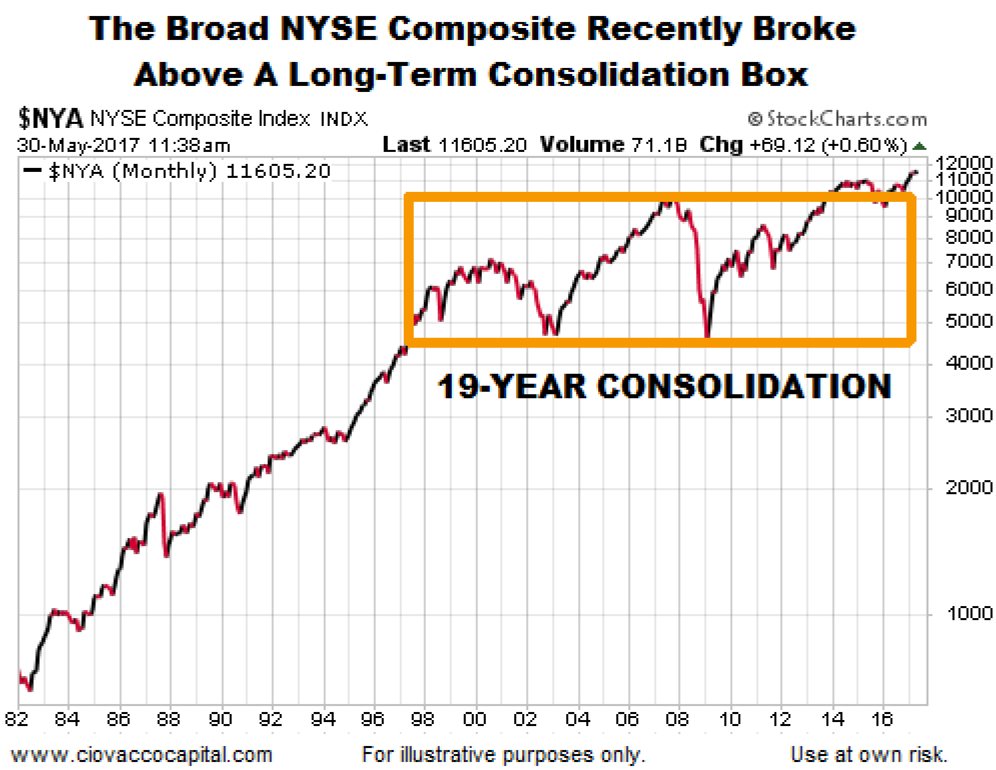
Broad Market Has A Constructive Set-Up

The NYSE's long-term chart below aligns with the volume-based breadth analysis above. The NYSE Composite was unable to clear the orange box below between 1996 and 2015; a break occurred in 2016.



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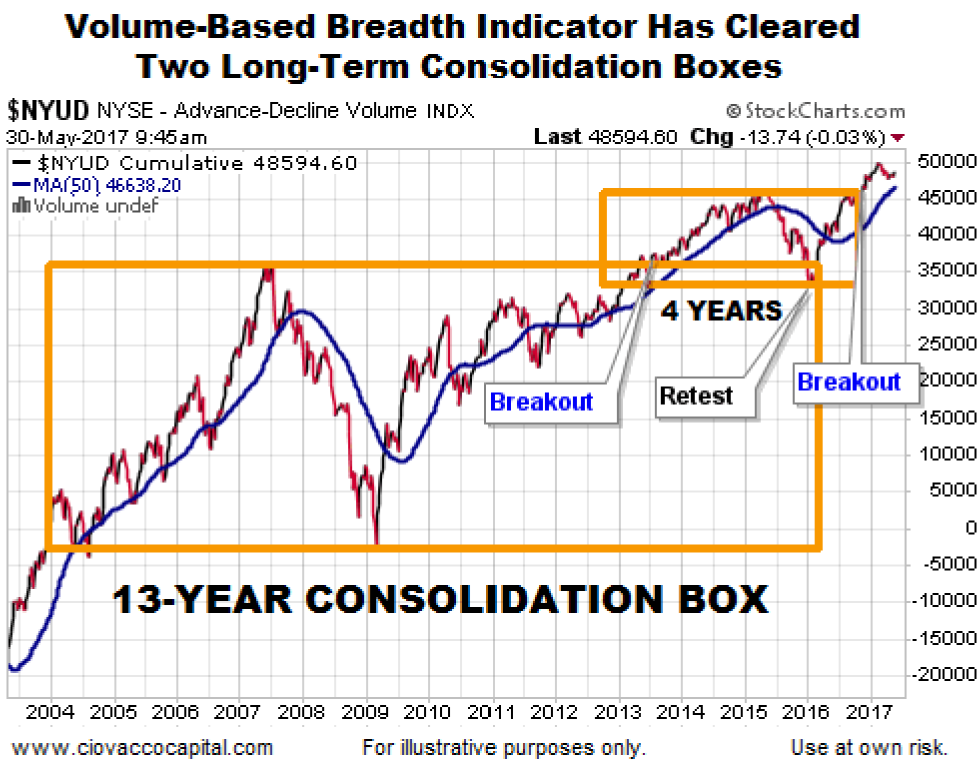
Breadth Aligns With Stocks

The NYSE's up/down volume indicator has also recently cleared some areas of past resistance. The longer the indicator remains above the orange boxes below, the more meaningful it becomes from a bullish perspective.



Remaining Open To All Outcomes

The facts we have in hand today align with a growth-oriented investment stance. As long as that is the case, our allocations will continue to be heavily tilted toward equity ETFs. If the evidence shifts in a meaningful way, flexibility will allow for prudent adjustments.

Biiwii/NFTRH on the Web

NFTRH and Biiwii.com commentary and technical analysis have regularly been published, highlighted and/or quoted at SeekingAlpha, Investing.com, MarketWatch, Yahoo Finance, Ino.com, TalkMarkets and many more since 2004.

Biiwii.com is proud to be included in the **50 Blogs Every Serious Trader Should Read** from TraderHQ.com.

Biiwii: but it is what it is

NFTRH: Notes From The Rabbit Hole