



**Third Party Research**

**June 21, 2017**

## **Mind The Gap**

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

In this article, Mr. Richards looks price gaps on charts and discusses "filling the gaps".

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/mind-the-gap/>

You can also visit the **VALUETREND** website at the link below:

<http://www.valuetrend.ca/>

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Wednesday, June 21, 2017

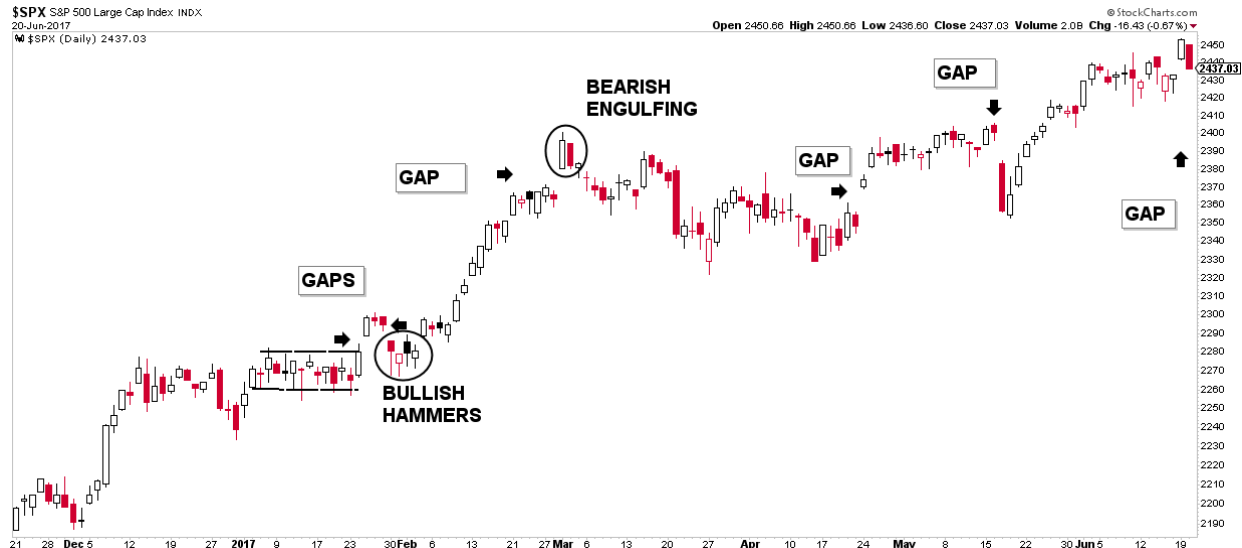
## Mind The Gap

By: Keith Richards (bio at end)

I presented a bit of research a while ago that suggested that the old adage “gaps must be filled” is a reasonably reoccurring pattern.

I would encourage readers to read [THIS BLOG](#) if they would like a primer on understanding gaps, and for some analysis on how often gaps that are occurring on daily charts are filled.

The daily candlestick chart below gives you a recent history of the S&P500 and the price gaps it has experienced since last December.



You will note that the gaps I have highlighted on the chart have, indeed, been filled.

Recall that “filling a gap” simply means that the market moves back to take out the excess movement the gap represented.

Again, I strongly recommend you read the blog noted above, and I might even be so bold as to suggest you read the section within my book, *Sideways*, that covers the subject. The book also covers “turnaround” candlesticks, which I have noted on the chart. Such candlesticks enhance the potential for a gap to be filled.

The S&P 500 gapped up as it hit its all-time high price point on Friday of last week. Immediately following Friday's gap-up, yesterday (Monday June 20) saw a pull-back from the high. Will this be the beginning of a retracement back to the early price point of last week – i.e. will the gap be filled?

My guess is, yes, it will be.

Momentum indicators (RSI and stochastics – not shown on this chart) are overbought.

The price action that fills gaps need not be immediate, so you might have to wait a few days before the retracement is complete. Were the S&P500 to illustrate a turning point candlestick as noted on a couple of the gaps in this chart – that would strengthen the case for a bigger pull-back than just the filling of the gap.

Stay tuned.

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See **About The Author** on the following page.

## 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/](http://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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