

S&P 500 Due For An Interim Pull-Back

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

In this article, Mr. Richards provides commentary on why he thinks the S&P 500 could experience about a 5% pull-back shortly.

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/sp-500-uptrend-interim-pullback-likely/>

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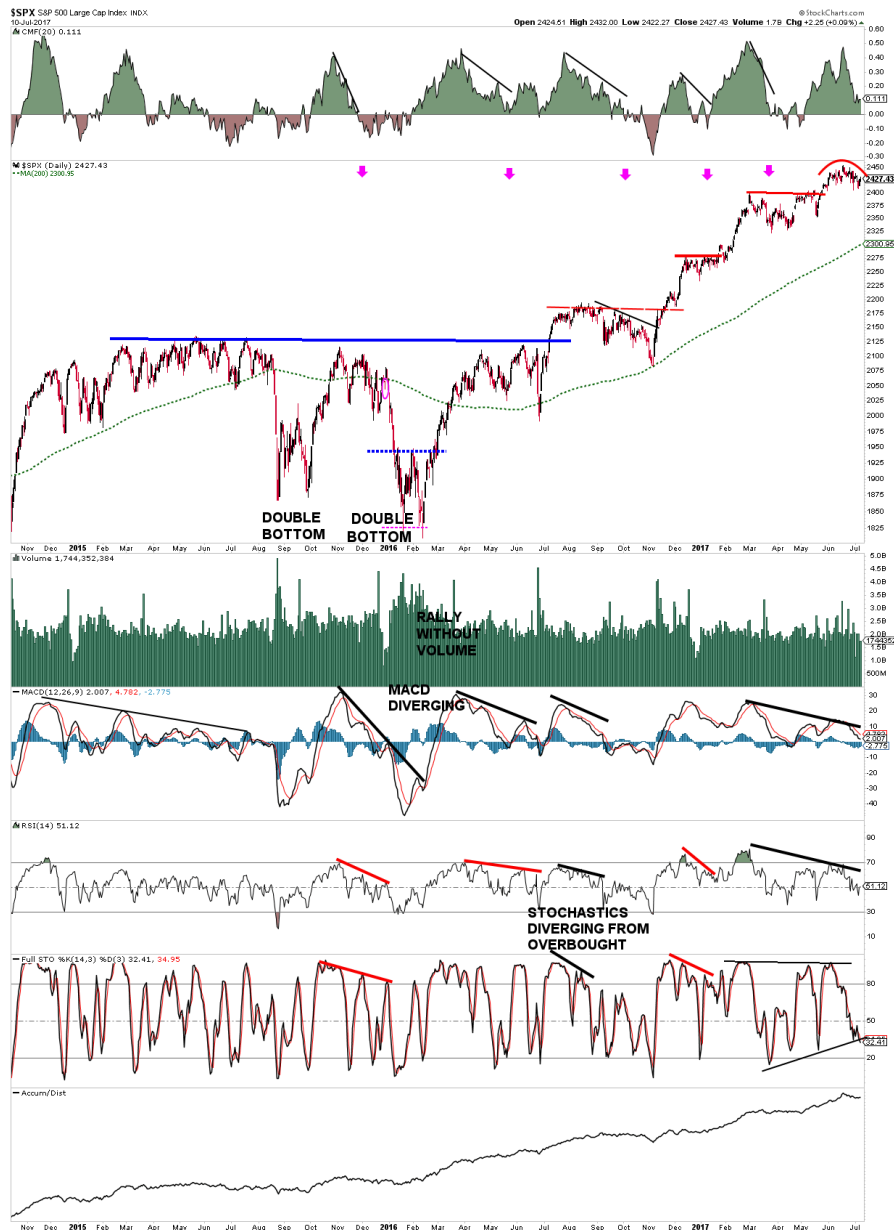
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By: Keith Richards (bio at end)

Today's chart is a daily chart of the S&P500. Even on this close-up view, you can see that the market is in an up-trend. Higher highs and higher lows, and the slope and level of the 200-day Moving Average (MA) (dashed green line) verifies this trend. You will also note that the all-important cumulative money-flow (Advance-Decline Line) on the very bottom pane is trending up. That indicator suggests that money is entering, not leaving the stock market.



However, there are a few indications that the market may be ripe for a short-term pull-back soon. They are:

- Seasonal tendencies: As the godfather of Canadian seasonal studies, [Don Vialoux](#) notes *"The usual period of summer weakness from Mid-June to Mid-October has arrived. The Dow Jones Industrial Average and S&P 500 Index probably reached an intermediate peak on June 19th"*
- Despite positive cumulative money-flow, near-term momentum for money entering the market is starting to turn down – something that can be seen on the top pane (money-flow momentum). Such occurrences can lead into interim corrections as you will see via my notations and arrows on the chart.
- There is a slight rounded look to the market since the mid- June peak. The prior lid of 2400 is the neckline for that short-term formation. A break of 2400 could result in a completion of a small rounded top that could see a pull-back to 2300 or thereabouts. That is an area of prior support, and where the 200-day MA lies.
- Divergences in stochastics, RSI, and MACD can lead into market corrections. You can see such occurrences marked on the chart and the frequency of good signals they gave. Although MACD and RSI are currently diverging bearishly – stochastics (the fastest of the momentum indicators on this chart) is not. So, there is a conflict here.

All in, there are no panic buttons to be pushed here, but it does look like we may get a pull-back of about 5% in the near-term.

BW: That would be about 120 points on the S&P 500, down to about 2,300.

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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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