

Early Signs Of Rotation

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

In this article, Mr. Richards provides some evidence that there is some sector rotation starting in the market.

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/early-signs-rotation/>

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Early Signs Of Rotation

By: Keith Richards (bio at end)

I noted on my [last blog](#) that some market leaders are showing a bit of weakness. A couple of the FANG stocks (GOOGL, AMZN) have been choppy. We sold these stocks a while ago.

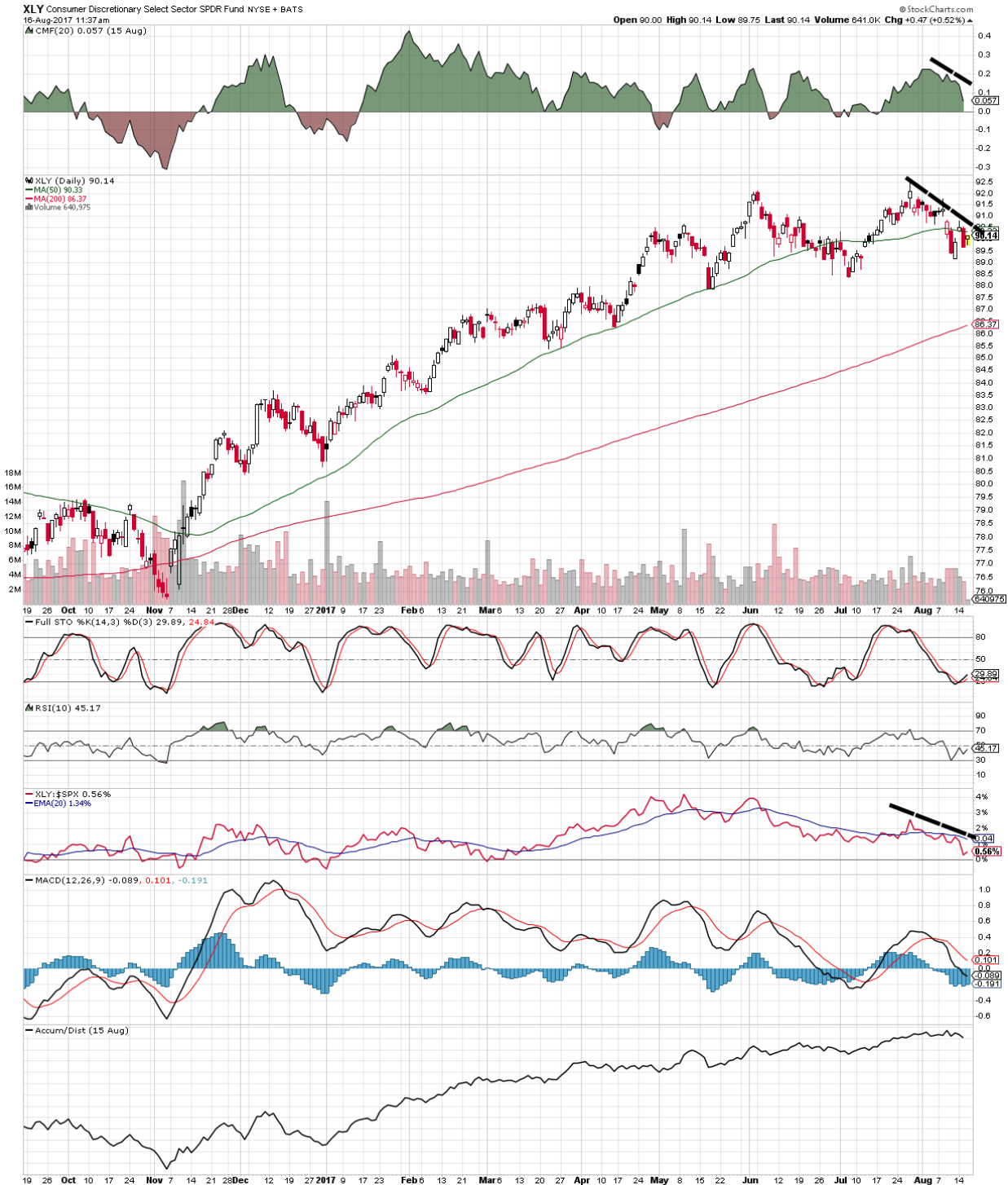


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There also seems to be a bit of weakening in the consumer discretionary sector – which had been a top performer up until a few weeks ago. In the chart below, note the declining money-flow momentum (top pane), the recently declining black trend-line, and the weakening performance vs. the S&P500 (third pane from the bottom).



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Meanwhile, the consumer staples sector is showing early signs of strength. This had been a market laggard until recently. In the next chart, note the rising trend-line, strengthening money-flow momentum and strengthening comparative strength vs. the S&P 500 on the chart below.



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Interestingly, this rotation is something Brooke Thackray has been noting in his Thackray Guides for many years—that is, a rotation out of discretionary stocks into staples over the summer. Now that the “worst months” from a seasonal perspective (August, September) are upon us, that rotation seems to be starting.

If you read my last blog, you know where I stand as far as the risk present on the market. Despite the risk, you really cannot be 100% certain of the future. Thus, we still hold stocks. We are currently around 40% cash/equivalents, 5% U.S. long bond, and 55% stocks right now in our equity model.

That 55% represents market exposure – and risk. To reduce the risk, it is best to have some of the seasonally stronger, and/or lower beta stocks within your mix. We hold the SPDR Consumer Staples ETF (XLP) in our equity platform at this time.

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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/. 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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