

## S&P/TSX Spikes Out Of Down-Trend

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

In this article, Mr. Richards reviews the recent break-out by the S&P/TSX Composite Index and goes on record that this Index will not reach a new all-time high over the ensuing twelve months.

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/tsx-spikes-downtrend-trend-change/>

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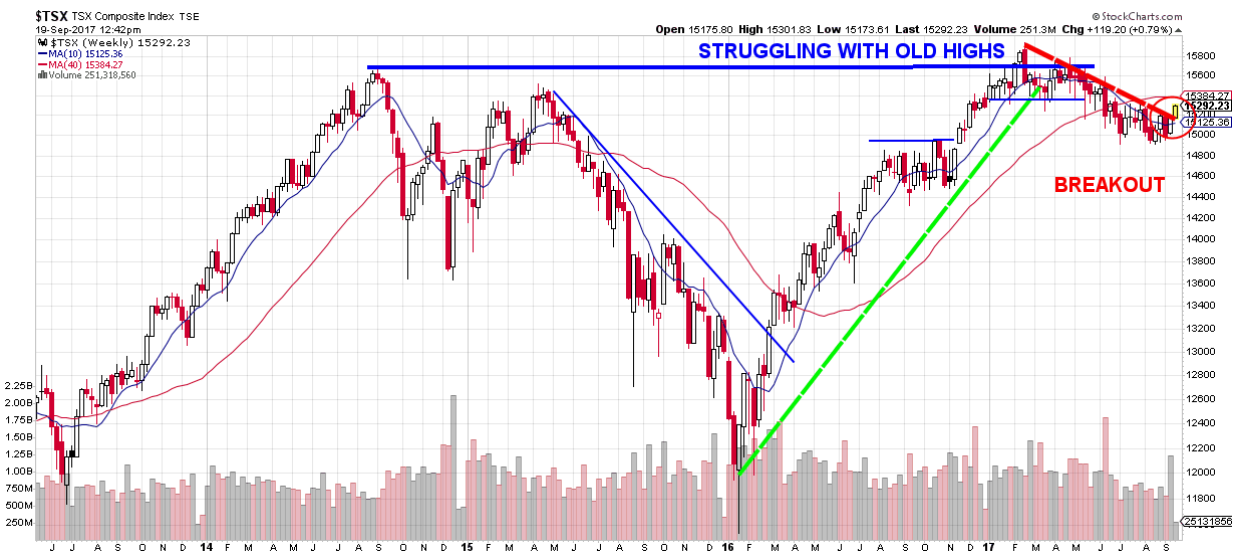
## S&P/TSX Spikes Out Of Down-Trend

By: Keith Richards (bio at end)

Below is the chart of the TSX with its recent move through the down-trend.

Technically, I like a minimum of 3 days—and even better, 3 weeks for a break-out from a consolidation (bottoming pattern) or a down-trend. Further, I like to see the last high AND the last low taken out to prove that breakout to be the “real deal”. Thus, at this point I am not a “believer” in the TSX.

Readers of this blog know that I have been negative on the TSX for some time and, in 2015, forecasted that it would top and drop at its old highs. I was close—the TSX topped in February at a level just a bit over its 2014 high level. From there it has been in a down-trend, as predicted.

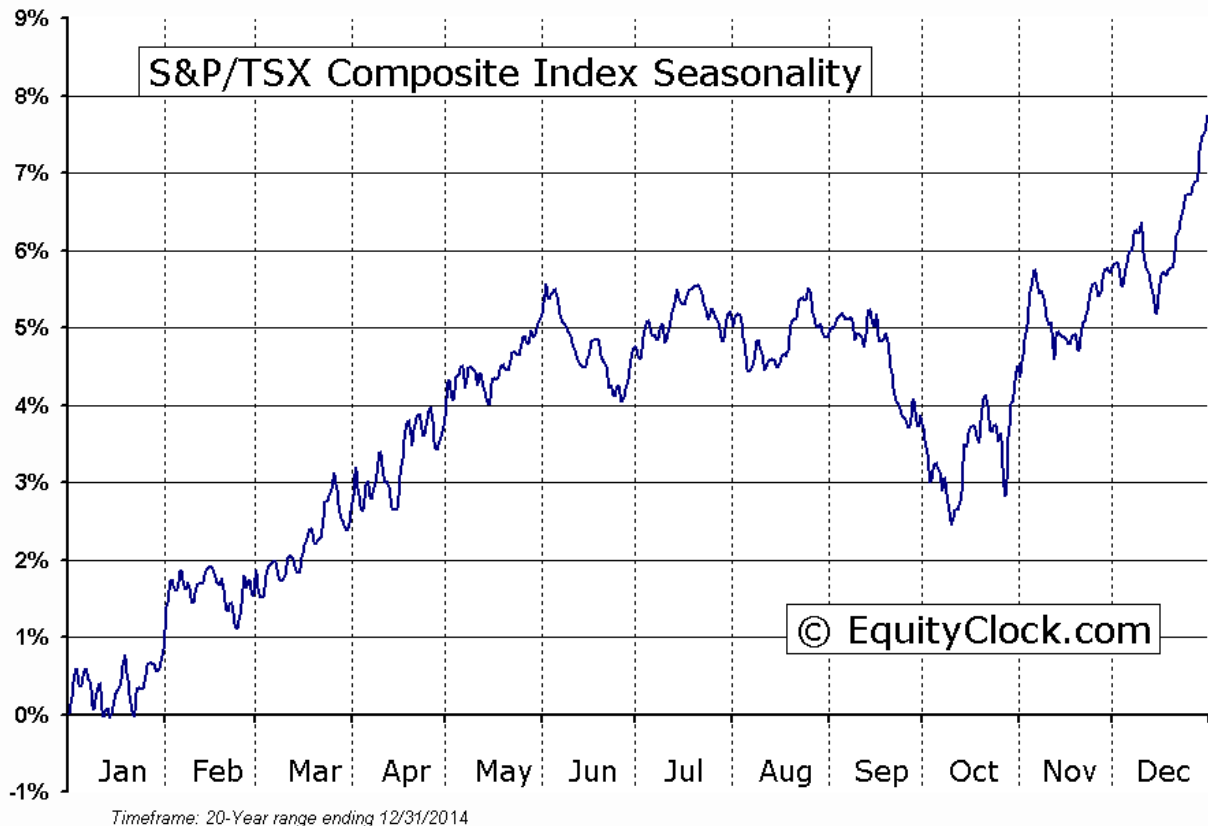


Adding to my skepticism of this break-out being valid are the seasonals.

All of the seasonal experts ([DV Techtalk](#), [Equity Clock](#), [Thackray](#)) point out that the seasonal tendencies for the TSX weaken somewhat from now to late October.

Brook Thackray had a good YouTube video on rotating back and forth between TSX 300 and S&P 500. Click [here](#) to see it.

The seasonality traits of the TSX are presented on the following page, courtesy of Equity Clock.



I have previously mentioned the Canadian debt and the longer-term consequences on economic growth of irresponsible government policies.

Click on [this link](#) to read the details of what the most-respected global macro analysts are saying about Canada's future. The analysts on that blog commented before the new small business tax changes. The new message from Ottawa is this: Big unionized business (BBD, GM, and F) get hand-outs and breaks, while small business, farmers, doctors etc. get **no** hand-outs **and** get their tax breaks removed. Not to mention the potential consequences of minimum wage increases on employment and small business investment in Ontario and other provinces.

Certainly the growth picture has only got worse for Canada since that blog was written. Or, perhaps we don't need those darned doctors and businesses. We can all work for Bombardier or the government!

Suffice to say that longer-term government policies continue to suggest, despite any near-term rally, that we are not likely looking at future growth potential to drive through the TSX's old highs.

## Another Easy Prediction

I will say it again – as I said in 2015:

A near-term rally for the TSX? Sure, anything can happen. A test of old highs again? Sure, it is possible.

A new high on the TSX over the next 12 months? I think not. Feel free to bet against me on this. I am putting my money where my mouth is on that prediction. We remain underweight the TSX. It has been a good move so far, and I would suggest that trend continues for a while to come.

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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/](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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