

October 31, 2017

*A clarion is a medieval trumpet that had clear, shrill tones. Trumpets were often used to get people's attention when making announcements. We are also using "clarion" in the context of making announcements, as well as being thought-provoking when sharing our information and opinions with those people who are interested in new investment ideas.*

## for your Information

### New Format

The Clarion now features only an editorial.

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## Topic: Risk Sentiment

Article content courtesy of Equity Clock

An important gauge of investor risk sentiment is suggesting caution. The Dow Jones Transportation Average rallied to a new all-time high earlier this month, breaking free of a massive consolidation range. The transportation benchmark has since rolled over as the broader market hits new highs. Price is back below rising trend-line resistance and the relative performance, versus the Dow Jones Industrial Average, is closing in on the lows of the year.

Resistance on the relative performance chart has become apparent at the declining 200-day moving average. A break of the lows of the year would suggest an additional 12% of under-performance ahead, based on the target of a head-and-shoulders pattern that has been charted over the past couple of years.

The last time the transportation average out-performed its blue-chip counterpart on a sustained basis was from late 2012 to late 2014, a period characterized by broad equity market strength.

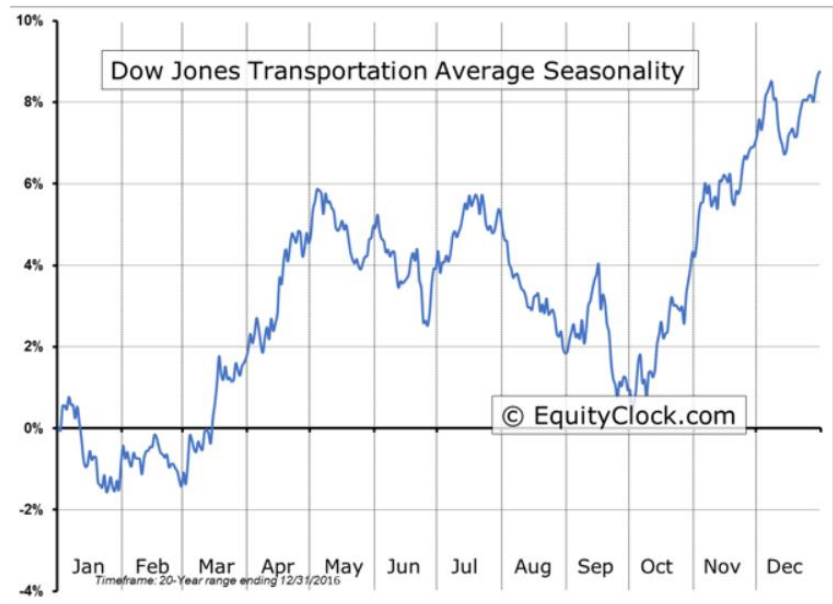
The current negative trend could be signalling something more negative ahead for stocks, despite solid transportation data. You should keep an open mind, but the trend certainly warrants continued monitoring. Transportation stocks seasonally strengthen through October and November.

See the charts on the following page.

### Transportation/Industrials



### Transportation Seasonality



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“Research is the bedrock underpinning all capital markets”

*Bob Weir*, CFA, and Director of Research