

I Dunno

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

In this article, Mr. Richards comments on the over-bought state of the market.

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Tuesday, October 10, 2017

I Dunno

By: Keith Richards (bio at end)

I had a laugh when I read today's market commentary by my favorite market statistician, Jason Goepfert (www.sentimentrader.com).

His commentary was "We are seeing market readings that we have only seen a few times in history. If ever. The S&P 500 surged to a new high, but was powered by the third fewest stocks in 27 years. The Nasdaq is more extreme, and its move is comparable to other blow-offs." He goes on to say: "I dunno. I don't get it. The only way to describe the equity market is one that is in the midst of melt-up type conditions". Mr. Goepfert is a math guy – he tends to be very neutral and fact-based with his comments. That is what made his "I dunno" preface so funny – yet not so funny at the same time ...

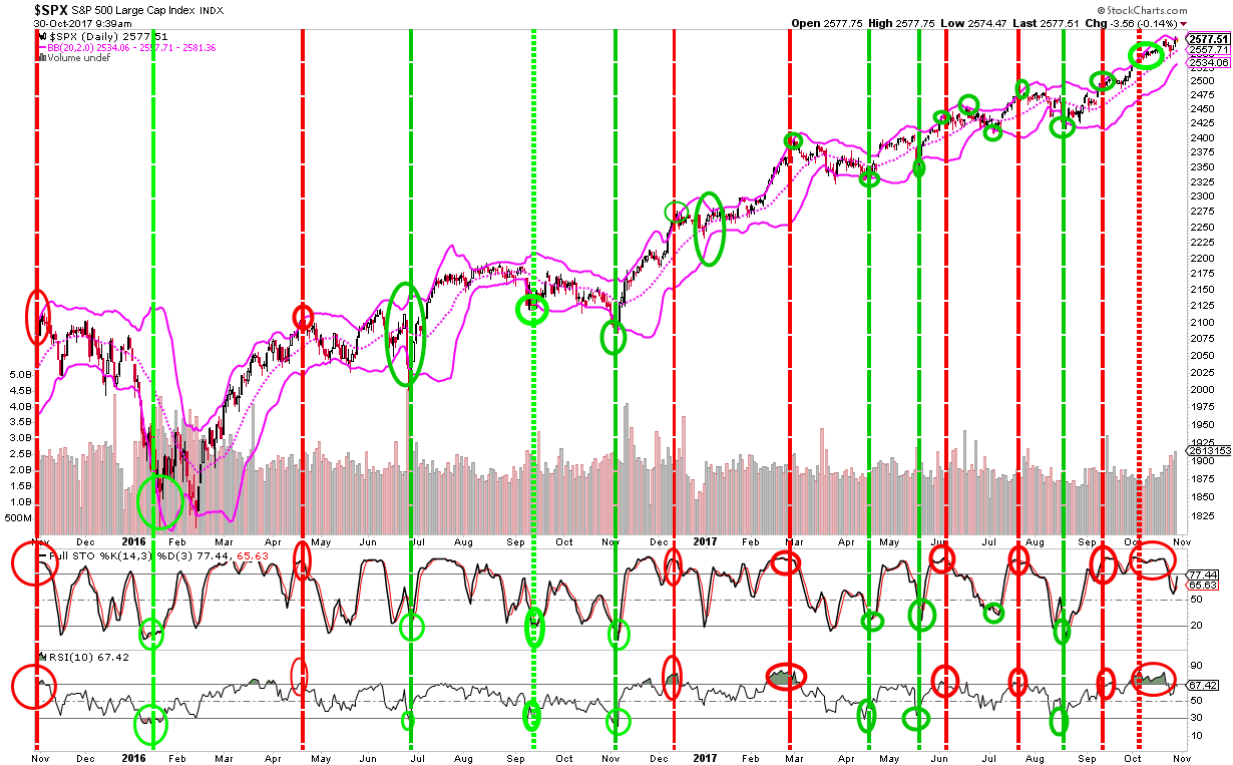
More stats, this time from technical analysis guru Don Vialoux at www.timingthemarket.com

"Technical action by individual S&P 500 stocks was slightly bearish last week despite new all-time highs set by the Index. The main reason for new index highs was strength in a handful of stocks (mainly high tech stocks). Notable among stocks breaking resistance surprisingly were Utilities. Notable among stocks breaking support were Consumer Staple and Health Care stocks. Number of stocks breaking resistance totaled 50 while number of stocks breaking support totaled 64. Number of stocks trading in an uptrend dropped to 291 from 305, number of stocks trading in a neutral trend dropped to 71 from 73 and number of stocks in a downtrend increased to 138 from 122. The Up/Down ratio dropped last week to (291/138=) 2.11 from 2.50."

Finally, my humble take, based on my short termed timing system:

As readers may recall, I got a "sell" signal from my short-term timing system on October 12th. I noted that signal [here](#).

A little over a week later (last Wednesday October 25th, to be exact), the S&P 500 staged an enormous, huge, massive pull-back of less than 1%. Please note how firmly my tongue is planted in my cheek as I write this. Then, almost apologizing for its brief interruption of the non-stop up-sloping train, the market proceeded to put in new highs ... again.



Above is the updated chart since that sell signal. Note that the two momentum indicators (RSI, stochastics) are no longer overbought. I guess the above-noted gigantic pull-back took them out of that overbought status. Yet, they have not demonstrated their typical pull-back into the "50" or less zone after signalling a sell.

This is unusual – as you will note on the chart after prior red vertical sell signal lines.

Perhaps there will be a bit of softness or sideways action to bring them back into their typical neutral zones after the recent sell signal. Sharp-eyed readers will also note that the market is climbing the top Bollinger Band. Historically – that by itself is not a problem if momentum is not overbought.

Given the above, like Jason Goepfert, I might add my voice to the "I dunno" camp. I am cautiously stepping into the market given my seasonal discipline. But I is important to be diligent and think defensively in this environment.

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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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