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The Greatest Fool

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

In this article, Mr. Richards warns about being too greedy and to be ready for a major market pull-back when it comes.

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/the-greatest-fool/***

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Friday, February 23, 2018

The Greatest Fool

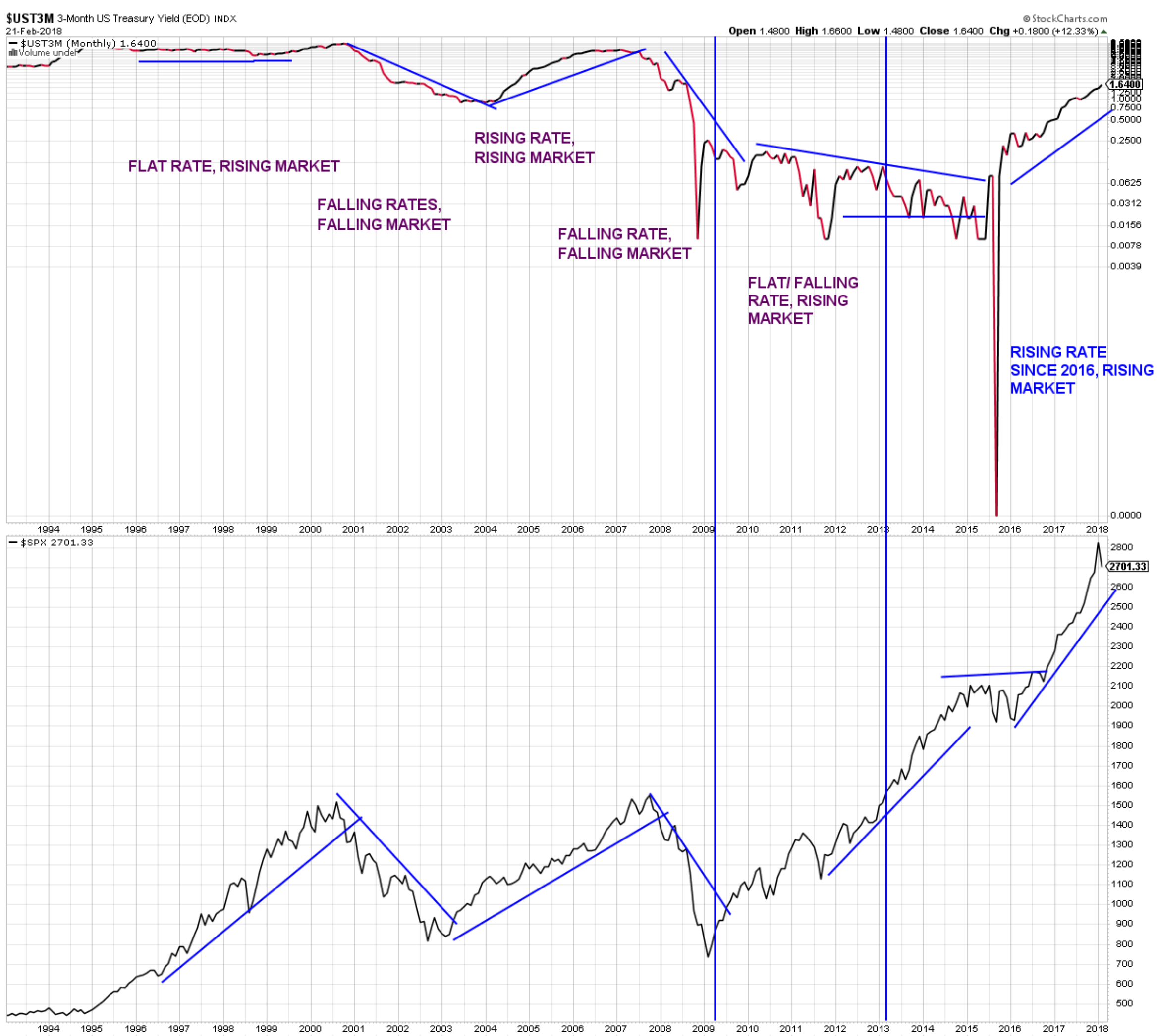
By: Keith Richards (bio at end)

In 2015, the Fed started talking of raising rates. Sure enough, they began tightening from 2016 on. I posted a blog, which can be seen **here**, to inform you (the good readership) of the positive, not negative, impact of rising rates on the stock market.

It Is All Good …

History tells us that my assumption was correct in predicting further upside as a result of rising rates.

The chart below illustrates the 3-month treasury yield vs the S&P 500. The treasury bill market tends to follow Fed rates more accurately than the long bond yield does, so it is a good indication of consumer interest rates.



You will notice on the chart that interest (T-bill) rates tend to move more or less in tandem with the markets. The thought by some folk is that a rising rate will be bad for the markets. However, the chart shows us that rising or flat T-bill rates (and, therefore, overnight lending rates) are historically positive for the stock market.

The only exception to this rule of thumb was during the tech bubble. Back then, as seen on the chart, when rates went up stocks went down. I would argue that falling stock markets during the tech bubble implosion had NOTHING to do with interest rates. If you were investing back then (I certainly was…), you know that the tech bubble had more in common with today's bitcoin and marijuana craze than it had with Fed rate decisions.

The Greater Fool

So, perhaps this picture paints a thousand words. As readers know, I am of the opinion that this market is in the final stages of the bull. Perhaps we have 3 months, 6 months, or even a year left for the bulls to party.

When the party ends is to be seen. I cannot give you a date to circle on the calendar for that. But I might be able to offer you this:

> The end of the bull market will not be driven by rising interest rates. It has not recently (per the chart), and it has not historically.

According to the Greater Fool Theory: The market rises because – as foolish as we are to buy stocks, there is someone more foolish ready to buy our stocks from us at an even higher price. The end of the bull market will come when the very greatest fool has invested. May all of you join me in striving not be the greatest fool.

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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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