eResearch

Third Party Research February 28, 2018

Self-Fulfilling Prophesy?

eResearch 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/self-fulfilling-prophesy/***

You can also visit the **VALUETREND** website at the link below:
http://www.valuetrend.ca/

***e*Research Corporation** was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, its Subscribers (subscription is free!!!) benefit by having written research on a variety of small- and mid-cap, under-covered companies.

*e*Research also provides unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis.

*e*Research complements its corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals.

*e*Research provides its professional investment research and analysis directly to its extensive subscriber network of discerning investors, and electronically through its website: www.eResearch.ca.

*e*Research does not manage money or trade with the general public, provides full disclosure of all fee arrangements, and adheres to the strict application of its Best Practices Guidelines.

Bob Weir, CFA: Director of Research

Note: All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by *e*Research Corporation, are strictly those of the Author and do not necessarily reflect those of *e*Research Corporation.

***e*Research Corporation**
78 Cameron Crescent, Suite 202 • Toronto, Ontario • M4G 2A3
www.eresearch.ca

Monday, February 26, 2018

Self-Fulfilling Prophesy?

By: Keith Richards (bio at end)

Sometimes the market will stop at certain levels because players who believe in those levels will sell the market as soon as their specific indicators suggest a sell point.

For example, moving averages are pretty much just lines drawn in the sand. They simply represent a rolling average price, and thus can indicate a trend – or a lack of trend. But players will sell a market (program trading does this automatically) simply because the moving average was cracked. Thus, the break of a moving average puts pressure on the market, and this creates a self-fulfilling prophesy.

Currently, the S&P 500 is toying with its 50-day SMA. In itself, that does not mean much. However, the fact that many traders, and computerized trading programs, will recognize the 50-day SMA as a potential breaking point, it may influence the market to continue to pause. A break through the 50-day (it actually broke through on Friday, but I consider a break as 3 full days over the average) means that those "selling traders" are of less influence than the "buying traders". Today (Monday) and the next day or two (Tuesday and Wednesday) will be telling of that potential.

Another self-fulfilling prophesy on the charts can be Fibonacci retracement targets. As you probably know, I place absolutely no faith in their value, except in the fact that some traders and program trading applications might utilize them as sell targets. **[Here is a blog]** on my thoughts regarding Fib targets.

Currently, the S&P is toying with the 61.8% retracement point when measured from the recent peak, and subsequent trough of the recent correction. The above chart shows us both the 50-day SMA and the Fib retracements. Despite my hesitation to place any significance on these Fib targets, it is a fact that some people do treat them with an almost religious faith.

As such, there may be cause for pause if the traders that do follow Fib numbers believe the current 61.8% retracement is significant. They will sell because the magic 61.8% number was hit.

All in, the next day or two will be telling as to who wins – the retail buying crowd who don't know or care about such things as moving averages and Fibonacci targets – and those traders and computer programs which do. At the end of the day, the bulls will likely win, but there is cause for some potential sideways action or pull-back. We will see how that plays out before the end of this week.

#####

INVESTMENT ANALYSIS | WEALTH MANAGEMENT | PORTFOLIO MANAGEMENT
LIMIT YOUR RISK. KEEP YOUR MONEY.

See **About The Author** below.

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.

#####