



**Third Party Research**

**March 14, 2018**

## **Canadian Banks Still On Trend**

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

In this article, Mr. Richards outlines possible scenarios for the near-term movement in the Canadian Dollar.

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/canadian-banks-still-trend/>

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Wednesday, March 14, 2018

## Canadian Banks Still On Trend

By: Keith Richards (bio at end)

Here is a monthly chart of the BMO CDN bank equally weighted index (ZEB). Nice uptrend, I must say. However, the sector is not without its harrowing moments. For example, the period between mid-2014 and early-2016 was a lousy time to be in the banks. Sure, the trend returned, but you had to wonder if that 18 months or so could have been better spent elsewhere....



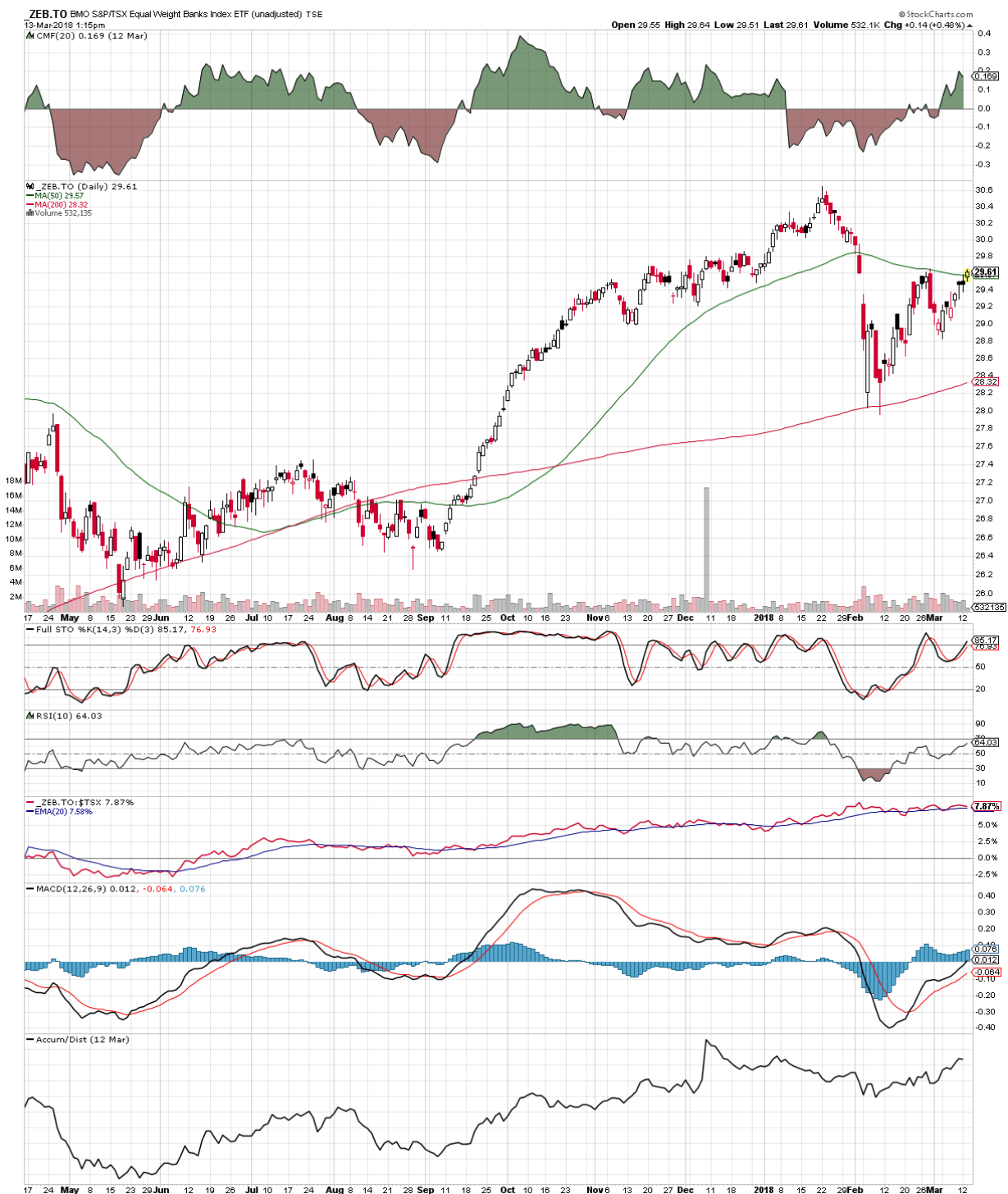
Investors might be wondering about the recent meandering by stocks in the sector. As you will note on the monthly chart, the banks are on trend. But they really did arch off of the trend-line after the 2014-2016 pull-back was finished.

The 10-month SMA (which is fairly close to the 200-day SMA) did **not** show a period of crazy overbought levels despite this off-trend-line rally from the 2016 low point. I look at 10% over the 200-day SMA as the first signs of an overbought market. When it is way over that level, I consider it outright bearish—as I noted [here](#).

So the recent pull-back, or “pause”, in the banks is likely just a removal of the overdone movement off of that trend-line.

As you will note on the daily chart below, the technical indicators are largely bullish. Rising money-flow (top and bottom panes), bullish but not overbought momentum indicators (stochastics, RSI, MACD) and a solid comparable relative strength vs. the TSX 300 suggest that the sector might be okay until the spring.

Seasonal patterns are typically bullish for financials until June. I have two Canadian banks in the Equity Platform here at ValueTrend – and I intend to hold them until at least the spring.



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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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