End Of The World As We Know It

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

In this article, Mr. Richards says that investors should reassess the investing rules of the last two years. Although he is still "long" the market, he is now emphasizing defensive positions.

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/its-the-end-of-the-world-as-we-know-it/

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Tuesday, April 3, 2018

End Of The World As We Know It

By: Keith Richards (bio at end)

By now, readers know that I sometimes draw inspiration from classic rock 'n' roll for my blogs.

I went to high school during the 1970s – the era that inspired the greatest rock legends of all time (with thanks to the 1950s-1960s ground-breakers like Elvis, Buddy Holly, The Beatles, and the Stones).

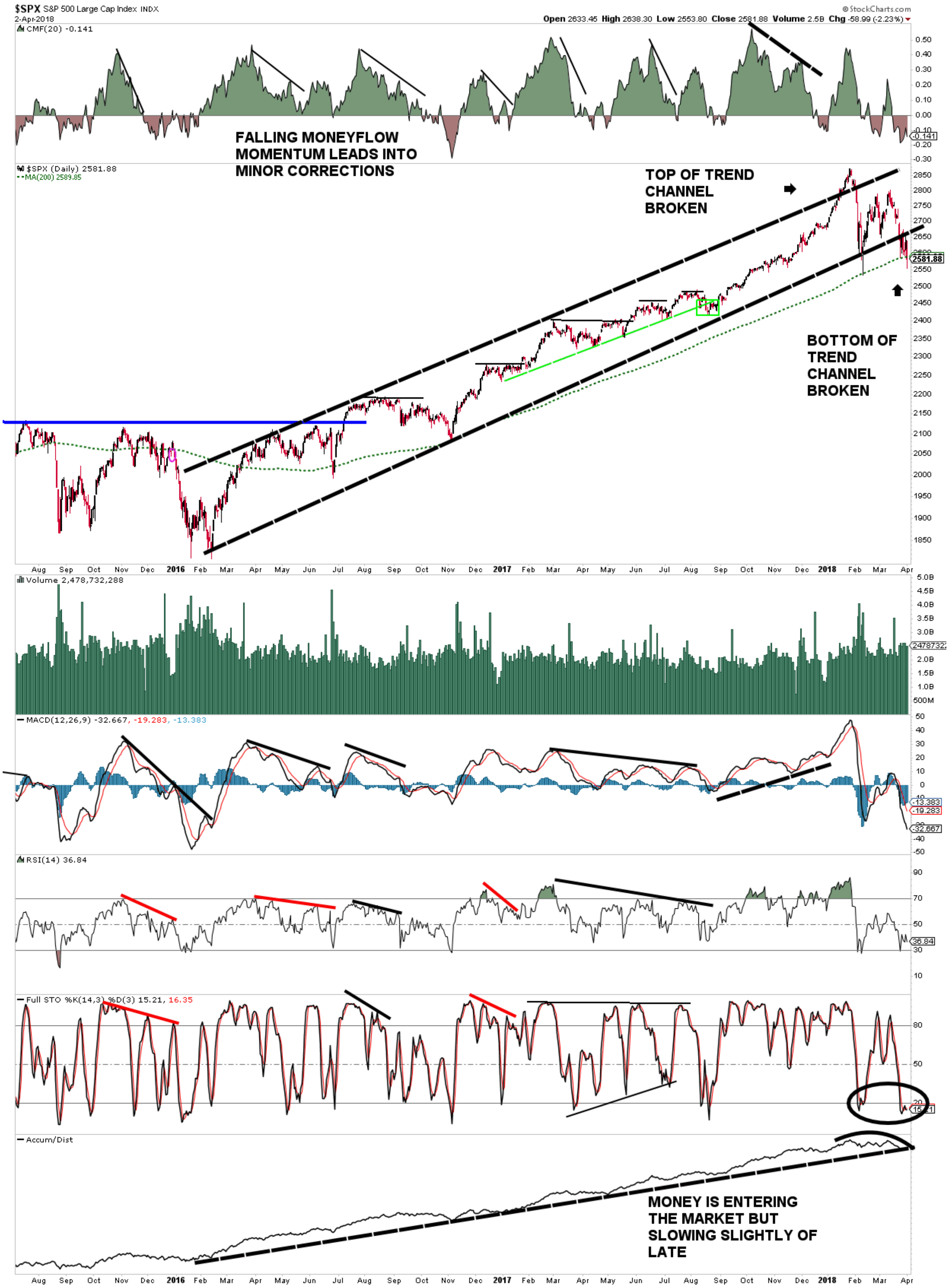
Although not from the 1970s – REM (see above group) had a **hit song** in the late 1980s that inspired today's title. It does indeed look like the end of the world, as we know it, insofar as investing is concerned

After all, the rules over the past 2 years stated that, in order to invest successfully, you must:
- Own at least two of the FAANGs (FB, AAPL, AMZN, NFLX, GOOGL)
- Never, ever, ever sell ever because the market always goes up and never, ever, ever, corrects. Ever.
- Today is always the best day to buy because the market cannot have any more than 0.75% correction in a day – as noted on **last Halloween's blog**. Furthermore, a corrective day will be recovered, and move onto new highs within two days henceforth.

So, if you don't buy today, you miss out.

Perhaps those rules are changing …

Here are my short-term chart impressions of the market after yesterday's pull-back:


$SPX S&P 500 Large Cap Index INDX
2-Apr-2018
Open 2633.45 High 2638.30 Low 2553.80 Close 2581.88 Volume 2.5B Chg -58.99 (-2.23%)
CMF(20) -0.141
FALLING MONEYFLOW MOMENTUM LEADS INTO MINOR CORRECTIONS
$SPX (Daily) 2581.88
MA(200) 2589.85
TOP OF TREND CHANNEL BROKEN
BOTTOM OF TREND CHANNEL BROKEN
Volume 2,478,732,288
MACD(12,26,9) -32.667, -19.283, -13.383
RSI(14) 36.84
Full STO %K(14,3) %D(3) 15.21, 16.35
Accum/Dist
MONEY IS ENTERING THE MARKET BUT SLOWING SLIGHTLY OF LATE

- The S&P 500 broke its daily chart trend channel. However, it has done this to the upside before and returned. See Chart above.
- The March lows were tested but not breached in the recent correction – so far.
- The 200-day SMA was cracked intra-day but the market finished pretty close to that line. Should the 200-day SMA crack decisively, that will imply a move below the last low (March). I do not take defensive action until that breach of both conditions lasts *more* than 3 days—with the discretion to act more aggressively within 3 weeks of the breach depending on the rapidity of the move that follows.
- Two of the market leaders (FAANGs) have been broken. FB has broken its trend-line and GOOGL has put in a double top- as discussed on **this blog**.
- Three of the market leaders (FAANGs) are largely on trend, although experiencing a healthy dose of pull-back to rid themselves of their overbought conditions.
- We recently got a bullish short-term timing signal from my Near-Term Trading System (green vertical lines are "buy" signals, red lines are "sell" signals). See Chart below.
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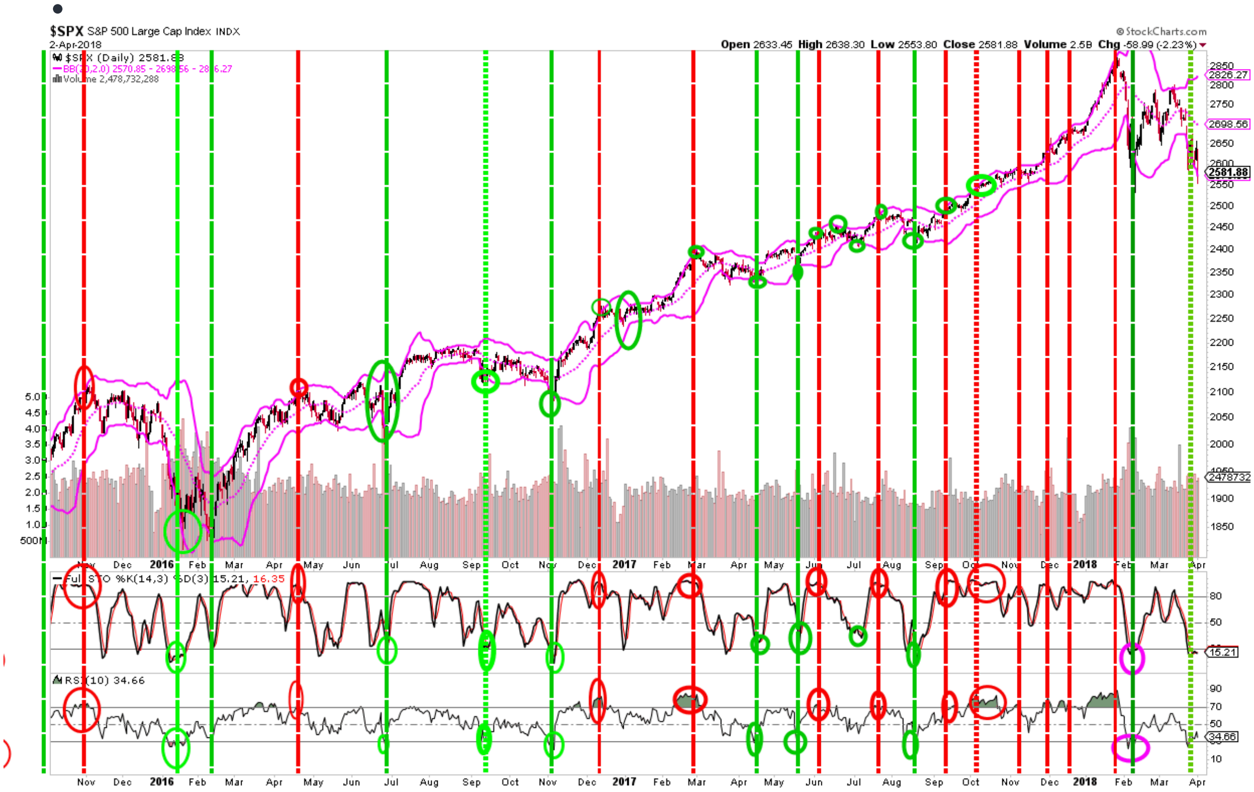

I will post the longer-looking Bear-o-meter soon, although I did a recent reading of that indicator **here**. It was a bullish (6/8).

I covered a bit of my outlook on my BNN appearance yesterday. **Here** is the clip.

<continued>

Conclusion

From the observations above, the most important notations are that the S&P 500 has held its 200-day SMA. Again – it marginally broke that average at 2582, vs. the MA at 2590, but it was so close I will call it break-even. It successfully tested its last low (2580 in March).

Should both of those levels break, I will count a minimum of 3 days below their respective levels before electing to take defensive action.

Upon a three-week break, I will become even more defensive. From a disciplined perspective, the trend is still intact. Seasonals are still bullish. The last reading of the Bear-o-meter was mildly bullish (6 out of 8).

I am still long the market – although taking a keener interest in defensive positions such as staples – per my top picks on BNN Monday. I am also keeping an eye open for a potential 2011-like correction, as discussed **here**.

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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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