

Is This The Real Life, Or Is This Just Fantasy?

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

In this article, Mr. Richards looks at the recent performance of the U.S. S&P 500 Index.

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/is-this-the-real-life-or-is-this-just-fantasy/>

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

eResearch 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.

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

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

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

eResearch 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

| |
|---|
| <p>Note: All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by eResearch Corporation, are strictly those of the Author and do not necessarily reflect those of eResearch Corporation.</p> |
|---|

Monday, May 14, 2018

Is This The Real Life, Or Is This Just Fantasy?

By: Keith Richards (bio at end)

Regular readers know I refer to 1970's and 1980's rock lyrics periodically to inspire my blog topics. Today's blog is brought to you by Queen's hit song "[Bohemian Rhapsody](#)". The song begins by asking if this is the real life, or is it just fantasy...

I might ask the same about the stock market. Much ado has been made over the recent triangle break-out on the S&P 500. BTW, argue as you wish about the interpretation of whether this was a symmetrical or right angled triangle break-out. Either could be argued for—it depends on whether you measure the low of January's low (resulting in a symmetrical triangle) or if you prefer to measure from the close (resulting in a right-angled triangle).

As I note in my book [Sideways](#)... I really don't get tied up in the "Name that formation" game. All that matters is that the market was consolidating after an over-extended bull market. Consolidations are identified by a lack of fresh higher highs and higher lows. How that image projects on the chart is of less importance than the fact we are not on trend.



It is encouraging to see the recent break-out of the triangle. Officially, the week ended with two days through the trend-line. Regular readers, and those who have read my books, will know that I like three days or more before getting too excited. So, if we see the S&P 500 stay over the trend-line today (Monday) it will be encouraging. (BW: It did!) This would imply that we have a higher high than the last peak and a market that has maintained its position above the 200-day SMA.

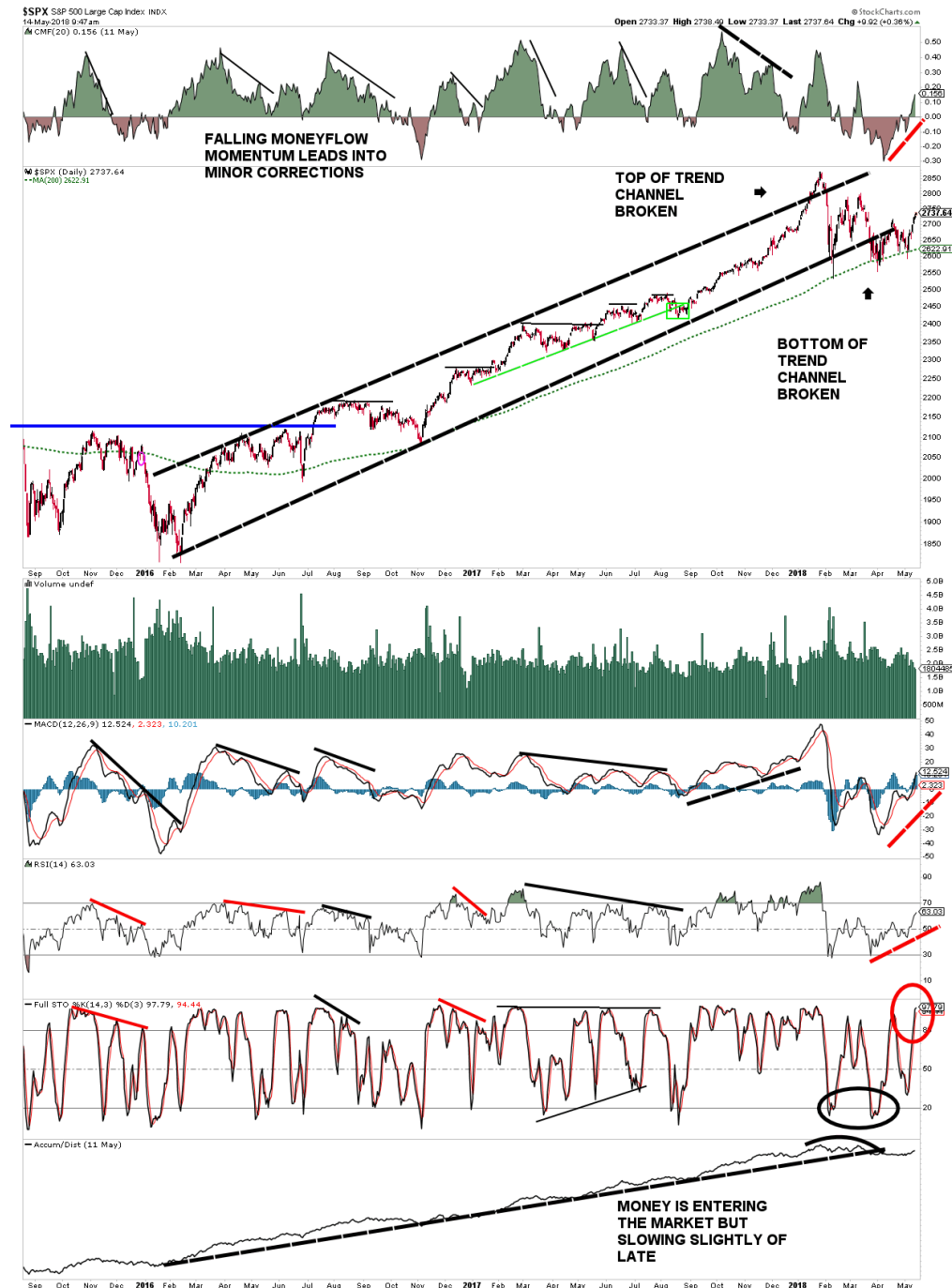
<continued>

VALUETREND

LIMIT YOUR RISK. KEEP YOUR MONEY.

Bear in mind that the trend-channel recently broke – as seen on the lower chart – although we may be re-entering it. This implies that a new bull run may proceed at a different angle – probably less steep than that of 2017. The break is not outright bearish for the market, but it does imply that something has changed.

I return to my much-stated suggestion that we should beware any break of the January low of 2580 AND a crack of the 200-day SMA before declaring a bearish turn. Meanwhile, stochastics show a mildly overbought situation, and money-flow (bottom pane) is losing steam. But all else checks out positively on the indicators that I watch.



I noted that my "[Bear-o-meter](#)" went into mildly bearish territory at "2" out of a potential of "8", where 8 is most bullish, and 0 is most bearish.

At ValueTrend, we recently added a scaling methodology to our Bear-o-meter readings that dictate the potential range of cash to be held in our Equity Platform. This scale dictates that a minimum level of 20% cash should be held upon a reading of 2. So that is where we sit right now.

The recent break-out of the triangular consolidation is encouraging. But nothing has changed as far as my market risk assessment. The weekly chart (not shown) shows that the primary trend remains intact. But the various sentiment, breadth, momentum etc. ratings seen on the Bear-o-meter reading (again, refer to that blog link) remain largely neutral. This implies a market that could be subject to a reversal should an unappealing bit of news appear in the media. In the meantime, the trend is your friend until its end.

Conclusion:

The market remains in a less attractive risk/reward state, but its primary trend is bullish. As such, we expect to maintain our 20% cash weightings – without adding or subtracting to our net equity exposure (trade swaps aside) in the near-term.

#####

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

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.

#####