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How To Chop Up Your Portfolio

e*Research Corporation** is pleased to provide an article from ***The Reformed Broker, featuring Josh Brown.

Today's article looks at the 200-day Moving Average and points out that going below and above it does not necessarily signal a bear or a bull market.

The Reformed Broker is a blog about financial markets and the economy.

From Josh Brown's website: My blog is about markets, politics, economics, media, culture and finance. I'll use statistics, satire, anecdotes, pop culture references, sarcasm, fact, fantasy, and any other device that I feel necessary to get my points across.

What I don't do on this site is give financial advice or tell anyone what to invest in. The Reformed Broker is a forecast-free blog. What I will do on this site is provide you with a running commentary of my market-related insights and thoughts as events unfold. I'll point you toward other interesting content around the web. I'll challenge your perceptions, call it like I see it and, occasionally, I'll make you laugh.

A link to the blog's website is provided here: http://www.thereformedbroker.com/.

Joshua Brown is with Ritholtz Wealth Management, a New York City-based investment advisor, whose clients are high net worth individuals, charitable foundations, retirement plans, and corporations. He helps people invest and manages portfolios for them. He is the author of the book *Backstage Wall Street*, from publisher McGraw-Hill. He is a regular contributor to: CNBC, Investment News, The Daily Beast, TheStreet.com, Forbes, CNNMoney, Fortune, Christian Science Monitor, The Faster Times, Marketplace Radio, The Wall Street Journal, and The Business Insider.

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Bob Weir, CFA: Director of Research

How To Chop Up Your Portfolio

By Josh Brown
June 26, 2018

You are going to be hearing a lot about the 200-day moving average. Yesterday, the Dow Jones Industrial Average broke below its 200-day moving average for the first time since 2016. It recovered mid-day and then closed above it but, still, the articles are being written as we speak.

What people get right about the 200-day MA is that markets tend to be more volatile when they are below it than when they are above it. But this should be obvious – of course things go more smoothly in a defined uptrend than they do in a downtrend.

What people get wrong about the 200-day MA is that being below it does not mean we are necessarily headed into a bear market. The slope of the average – or prevailing trend – is more important. You can have cross-overs above and below over and over again and they don't necessarily tell us anything.

In the discussion below, Michael and I look at the stats and some examples of when this signal did not do you any favors in terms of telling you when to buy or sell.

Here is a chart of the 2000 – 2001 period when people chopped themselves up for a year and a half that Michael references … you can see all the breaks above and below that signified nothing along the way to the actual down-trend.

Okay, enjoy, and I hope this is helpful.

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