



Third Party Research

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Rotation of the Guard?

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

In this article, Mr. Richards looks at the performance of the U.S. sector ETFs and wonders

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Wednesday, June 20, 2018

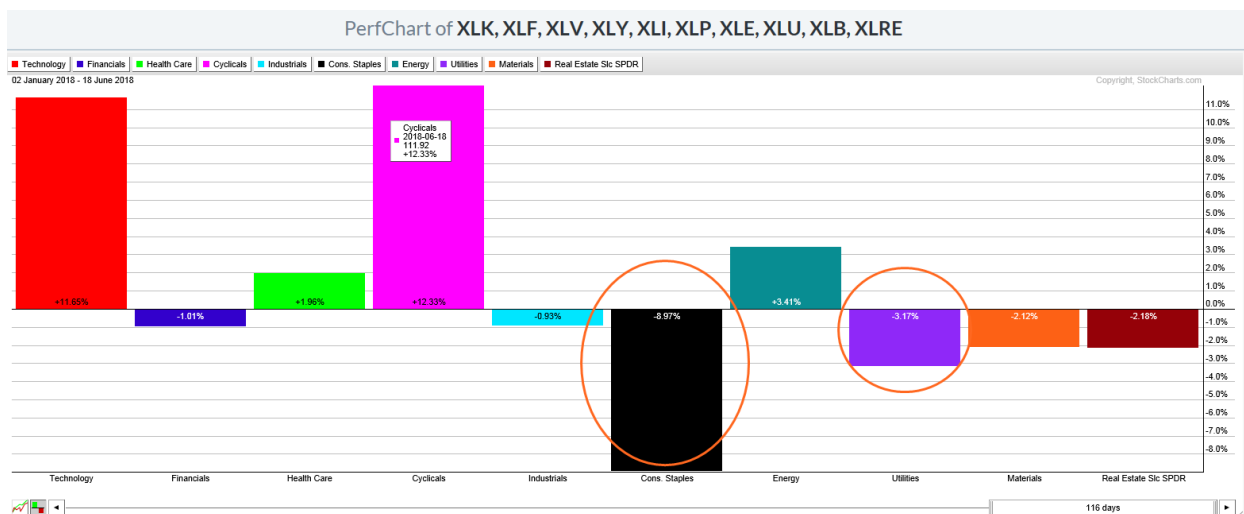
Rotation of the Guard?

By: Keith Richards (bio at end)

Given the correction we seem to be getting – which was indicated as likely on [my blog](#) last week – I thought I would look at the major U.S. sectors to see how the defensive names are doing.

That is, how the utilities and staples, might be faring. Sometimes you will see an initial move into these sectors during a minor market correction. Should the correction be too deep, you might see them fall along with the higher growth sectors. But, if you guess, as I do, that the current correction may be somewhat short – or shallow – or both – they can be a good place to hide.

Right on schedule, we seem to be getting that rotation. If we look at the year-to-date chart of the S&P sectors, we can see that these two sectors performed similarly this year, as they did last year. That is, utilities and staples were the dog's breakfast last year and, so far, YTD.

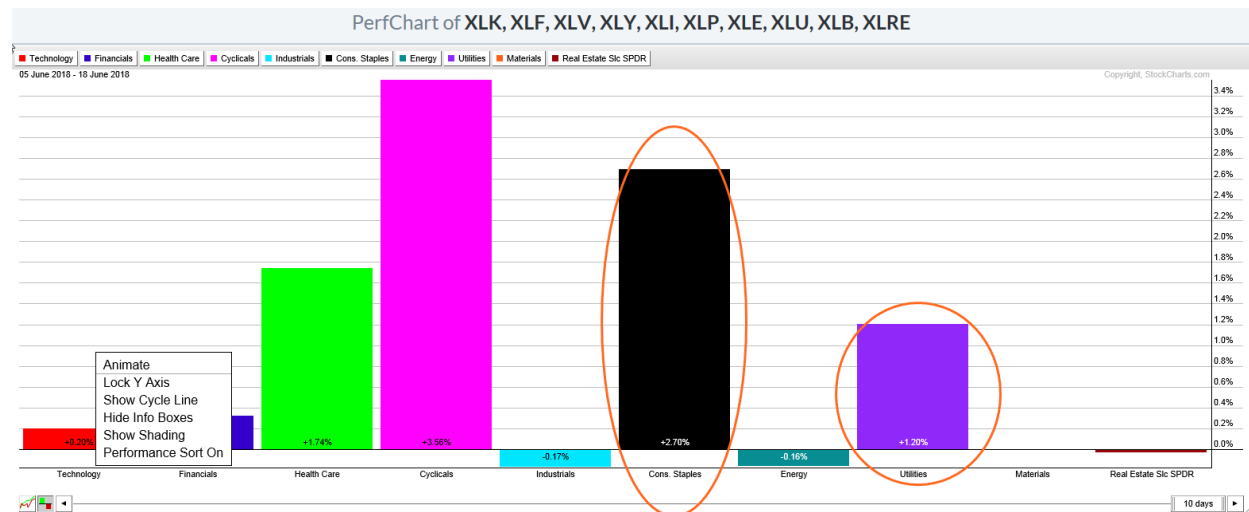


But...

If we look at the last 10 days or so of trading, the picture changes.

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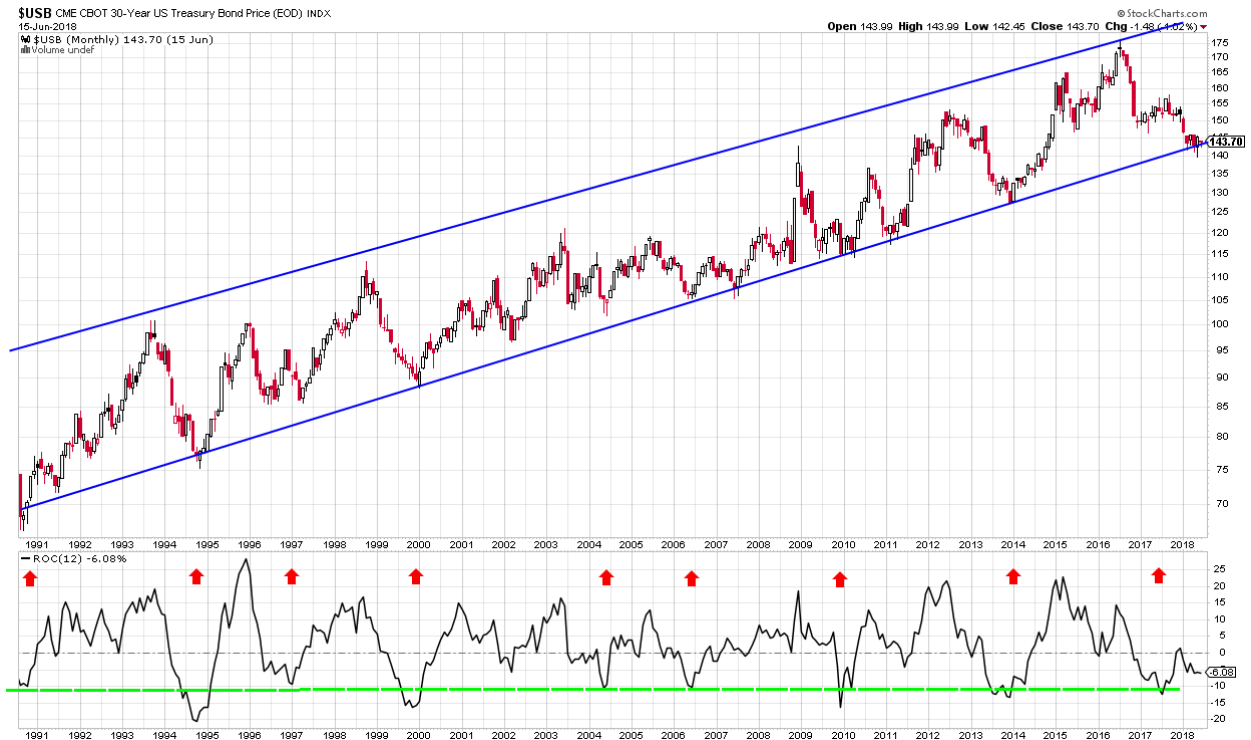
Note the positive performance of these two unloved sectors – versus largely lower performance by the other sectors. In fact, it is really just the cyclicals and health-care that are holding up in strength without outbound rotation (relative under-performance), at least in this very small data sampling.



Don't run out and pile into staples and utilities just yet (although I will admit we do own the staples ETF and made it a Top Pick on my last BNN show as a contrarian play). It is too early to call this potential rotation the real deal. But it is interesting enough to keep an eye open for a shift, which might merit a portfolio re-allocation – should the market continue to rotate as it has in the last two weeks.

We shall see.

BTW- I also note that the long treasury bond recently (late 2017) gave a long-term (monthly chart) ROC buy signal, and does seem to be finding support on the trend-line as I write. See the chart below. I discussed that potential for t-bonds to act in negative correlation to stocks in [this blog](#) – which details a few sectors to hedge with in a market correction:



Happy trading!

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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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