

## Three Market Themes

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

In this article, Mr. Richards suggests three market themes that could play out in the months ahead.

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: <https://www.valuetrend.ca/three-themes-for-the-second-half/>

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Monday, August 13, 2018

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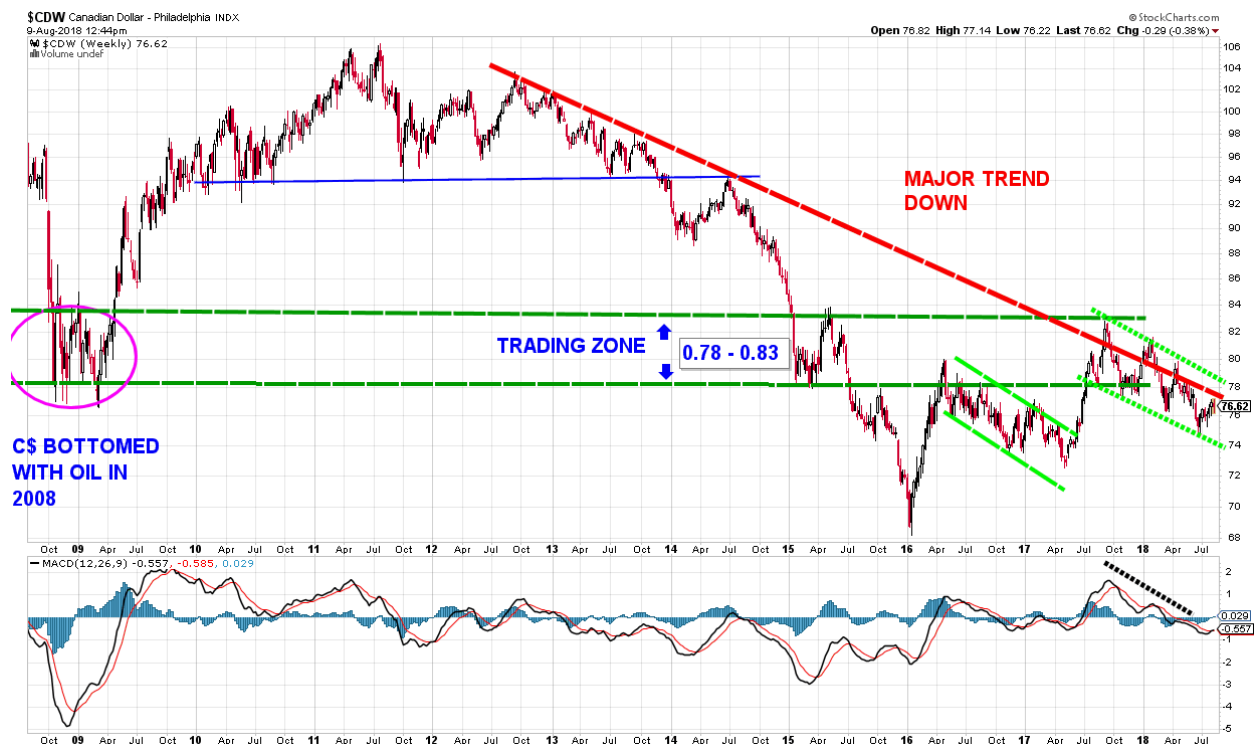
By: Keith Richards (bio at end)

My market outlook for the coming months is relatively neutral. At ValueTrend, we tend to follow some reliable factors when assessing potential market strength. None of our quantitative factors suggest a massively overbought or overvalued market. Still, we do not see an undervalued market either.

Here are the three themes we feel are going to be prevalent in the coming months:

1. **Rotation:** Given our outlook for a return to normalized levels of volatility, our first market theme is that we are in a "stock pickers" market. This market is beginning to rotate from one sector to another fairly regularly. A stock pickers market is one where an investor has to rely on more than just a rising market to make money. That is a good thing, given our propensity to trade using technical and fundamental analysis. Our best years have always been during periods of higher volatility (2008/2009, 2011, 2014). The current potential candidates for rotation were discussed on [this blog](#).
2. **USD Strength:** Our second theme is the rising U.S. dollar, and continued strength in U.S. stock markets. After reducing our USD exposure in 2017, we began to move back into the USD earlier this year. We have felt, and continue to feel, that 2018 will be a year of outperformance by the USD for many reasons, including monetary policy, technical trend analysis, and a relatively weaker Canadian economy. While there is usually a bit of seasonal strength for the loonie over the next two months, we would anticipate that strength to be short-lived into the winter. [Here is a blog](#) on that subject, and our reasoning behind it.

The chart on the next page is the \$C.



3. **There is always another bus:** The final theme we are focused on is the concept of taking intelligent losses. Many investors have a “loss aversion” bias, meaning that they will hold a losing position waiting for its return to their break-even price. This often results in drawn out periods where they miss out on the real market movers while they wait in vain hoping their stock prices will rise. ValueTrend takes a different approach. If a stock breaks technical support, we will give the stock a bit of time to either return to support levels, or to bounce off of an oversold level. But we will never hold a stock for extended periods just because it *owes us our money back*. “There is always another bus”, as one of our longest clients often says. We concur. I discussed the art and science of selling on [this blog](#).

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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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