

## Ask Me Anything

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

In this article, Mr. Richards answers questions from Readers with comments on U.S. banks, as well as gold and silver.

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Monday, October 15, 2018

## Ask Me Anything

By: Keith Richards (bio at end)

A few people are asking about strategy. While I cannot provide you with advice as to how you should invest, I can relay how I am looking at managing the ValueTrend Equity Platform.

### The Current ValueTrend Strategy

Below is a chart, courtesy of a reader of this blog "JP" who forwarded some research by Pension Partners. It is to the 10<sup>th</sup>—which was last Wednesday. As you will note, the world has not been a profitable place to invest this year – beyond a small number of countries, including the USA. Interesting to see the chart is to the 10<sup>th</sup>—which did lead into another sell-off on the 11<sup>th</sup>, adding to the pain. But, it is a data point in time, and it is of interest.

Country ETFs: 2018 Total Returns (in US \$) as of 10/10/18								
Country	Ticker	2018 YTD	Country	Ticker	2018 YTD	Country	Ticker	2018 YTD
Norway	NORW	11.0%	Sweden	EWD	-5.9%	Vietnam	VNM	-12.5%
Saudi Arabia	KSA	10.5%	Malaysia	EWM	-6.1%	Germany	EWG	-12.9%
US	SPY	5.7%	United Kingdom	EWU	-6.4%	China	FXI	-13.4%
Israel	EIS	5.0%	Canada	EWC	-6.5%	Egypt	EGPT	-14.7%
Mexico	EWV	0.0%	UAE	UAE	-7.2%	Chile	ECH	-16.9%
Russia	ERUS	-0.1%	Australia	EWA	-8.4%	Nigeria	NGE	-17.1%
Thailand	THD	-1.9%	Austria	EWO	-8.6%	South Korea	EWY	-17.2%
New Zealand	ENZL	-2.3%	Netherlands	EWN	-8.8%	India	PIN	-17.5%
Japan	EWJ	-3.1%	Singapore	EWS	-10.6%	Poland	PLND	-17.8%
Portugal	PGAL	-3.6%	Spain	EWP	-10.7%	Indonesia	EIDO	-24.6%
France	EWQ	-4.0%	Hong Kong	EWH	-11.0%	Philippines	EPHE	-26.9%
Brazil	EWZ	-4.2%	Peru	EPU	-11.1%	Greece	GREK	-27.4%
Switzerland	EWL	-5.0%	Belgium	EWK	-11.2%	Argentina	ARGT	-28.8%
Colombia	GXG	-5.4%	Italy	EWI	-11.5%	South Africa	EZA	-30.1%
Taiwan	EWT	-5.9%	Ireland	EIRL	-11.7%	Turkey	TUR	-47.0%

  @CharlieBilello

The past two weeks have been pretty much in line with what we at ValueTrend have expected to happen. In that regard, we are far less stressed than other market players who were living in denial. I guess you could call what happened last week the "easy" prediction.

As noted in the past, an overinflated balloon is doomed to pop – you don't know what will be the cause or when it happens. But it will, because it is stretched too tight.

So, when it happens, you are not surprised, and you were prepared- as we were. The next step is to decide just how much air will come out of the balloon (full deflation, or just a leak) – and when to step back into the new balloon (rising market) as it begins to be pumped up. My balloon analogy is losing momentum here....so let us drop it for now.

What I am trying to say is that deciding when to step back in is harder than the observation that markets were overdone, and the follow-up decision of raising cash.

One could argue for getting back into the market right now – based on the VIX and indicators like my short-term timing system. But – to reprint my answer to one reader’s (Ray) comment “On the one hand, we have a break of the 200-day SMA. That, by itself, becomes more meaningful if today’s bounce does not bring it back above, or does not last. I do know that you can see “V” reversals after a sharp drawdown. But, more often than those, are “complex” bottoms/reversals–meaning choppy action before a turnaround. I am not sure if I would make a call yet on what is to happen. But it does indeed seem a bit early to call an end to a sell-off. We shall see. Perhaps it will turn quickly–but I am not deploying my cash just yet.

## U.S. Banks

Reader Dave asks if rising rates are good for the U.S. banks.



Fundamentally, yes they are. Seasonals are in favor for the group as well – financials can do well from November to the spring. But, technicals come first, and the U.S. banks are at a point of decision.

The BMO Equal Weight currency hedged ETF, ZUB, is a good barometer for the large banks. This ETF broke first support at \$29 recently and is now toying with old resistance (major support) at \$28. It may be a buying opportunity, but I will wait to see if support can hold before I commit.

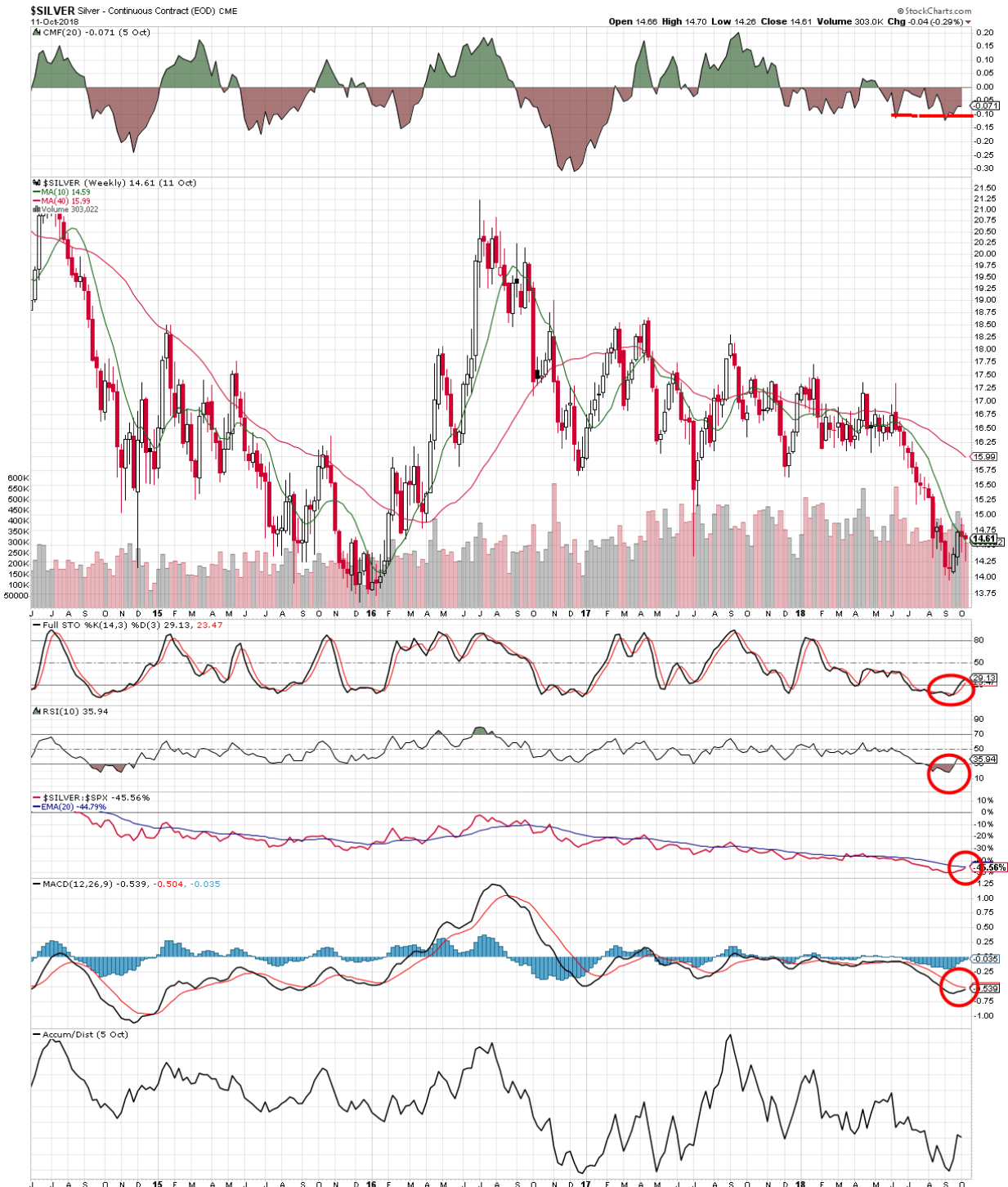
## Gold & Silver

Reader Fred asks if gold and silver are due for an oversold bounce – despite their longer-term bearish trends. Here is the gold chart.



The gold chart shows that the market is indeed oversold, and bouncing off of a support point. Note all of my circled momentum indicators, which are hooking up. Sentimentrader reports it as a good "oversold sentiment" candidate. It makes sense to think that we will see a move. But that move may be shallow. If your time-frame is short, it might be something to consider.

Here is the silver chart.



The Silver chart says the same thing. Momentum is hooking up, finding support at an old low. But again, the move may be shallow. Risk and reward, folks. There is risk on these trades.

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See **About The Author** below.

## 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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