

My Buy Signal

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

In this article, Mr. Richards provides his strategy for the current market, what indicators he is watching, and his decision-making procedures.

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/my-buy-signal/>

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Monday, November 5, 2018

My Buy Signal

By: Keith Richards (bio at end)

I have noted in my blogs over the past two weeks that I have received [positive indications from my Bear-o-meter](#) for a lower risk stock environment – with the only remaining signal needed as a move by the S&P 500 (SPX) over its 200-day (40-week) SMA.

If you would like to see a video with greater details on this outlook, I covered this development on my Bloomberg/BNN show [here](#).

I have noted in the past, as I did on the Bloomberg/BNN show last week, that I like to see 3 positive days (preferably clustered within a single week) before confirming the probability of a market turnaround. We got that signal last week. So, as when I posted the Bear-o-meter reading, the only component for an outright buy signal, based on the way I do things, is a firm move over the 200-day SMA by the SPX.

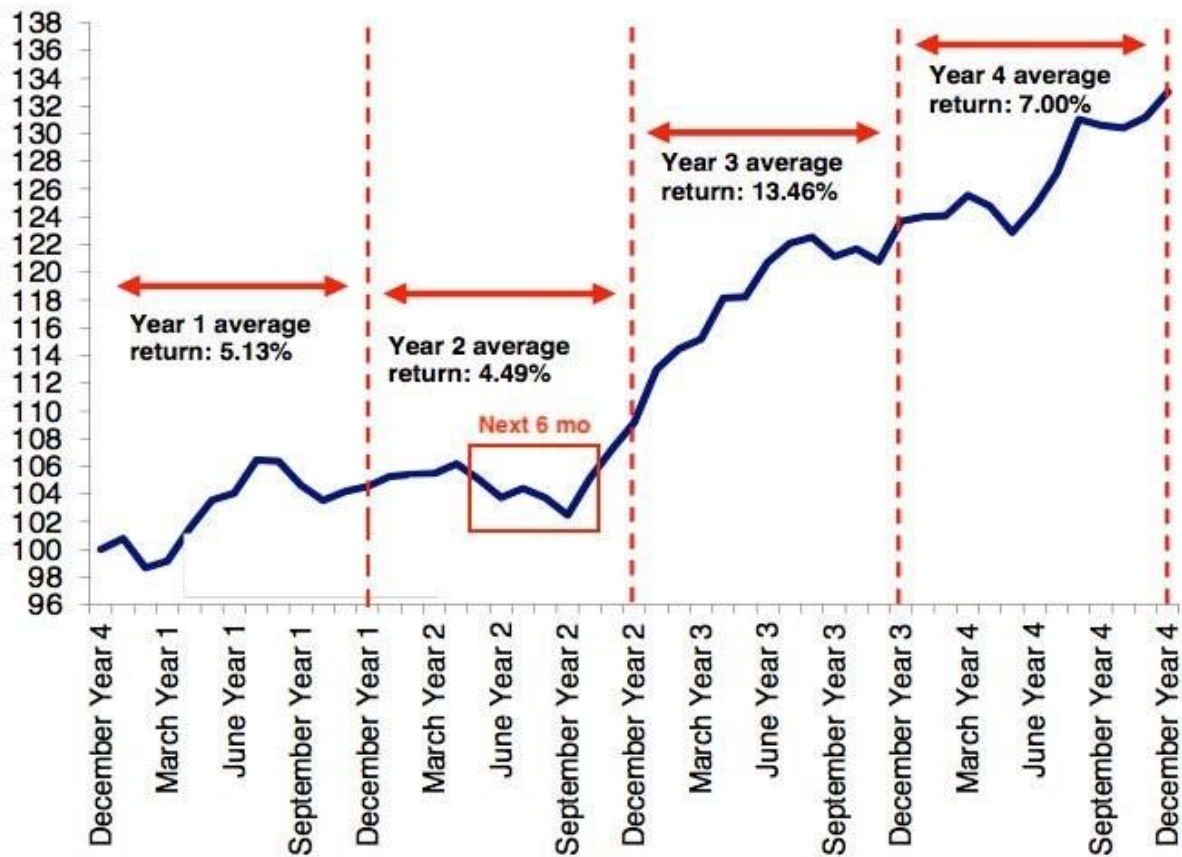
Of note, that moving average currently sits a hair over 2760. The market sits a hair over 2720 as I write this blog. We are talking really, really close here, folks.



The only other monkey in the barrel that remains is the mid-term election – which takes place tomorrow (Tuesday). It is expected that markets will react positively if the Republicans win both legislatures versus if the Democrats win. However, presidential election stock market cycles demonstrate that, no matter who wins, the pattern is often bullish for markets after the results (positive or negative) are absorbed. Don Vialoux notes on his popular ["timing the markets blog"](#) that strong employment figures may help the Republicans maintain control of the Senate. We shall see.

Note the chart below – if you look at the mid-term part (second year) of the 4-year electoral cycle, you will see that markets tend to be flat to bearish over much of the year (which they have been) – and then see a reprieve in about the last two months of the year. That, along with a set-up for a very strong year into the third year of the 4-year cycle, also known as the post-election year. Should the cycle follow (and it has followed its past tendencies throughout the Trump presidency), next year may be a fantastic year on the markets. We shall see.

Historical Presidential Cycle Pattern – 1928 through 2012



Source: BofA Merrill Lynch Global Research, Bloomberg

I expect this week to begin moving into the market with the cash we at ValueTrend held over this summer. If the market sells off tomorrow, that would be icing on the cake—possibly a good opportunity made better to buy stocks. If it rises, I will play it by ear and either buy in if it is not too aggressive a rally – or wait a day or so. Either way, I will not deploy the entirety of our cash reserves until the S&P takes out 2760. I expect to go in with about half of my cash to start.

Should that move over the 200-day average occur this week, it is really up to the market's "look" as to whether I give it a few days to prove an adherence to that level, or just jump right in. Sharp moves tend to make me hold back a bit (given the market's tendency to sell off emotional moves one way or another) – versus orderly moves into the market.

Either way, I expect to be into the market this week with a potential for holding back some cash if the 200-day SMA is not cracked. It is all about controlling our emotions, and following a plan.

No Perfect Way To Do It

As always, what I am doing is not necessarily the way you should play it. You may feel that this market should be bought now without abandon. That, or you may want to hold off entirely until the 200-day SMA is broken and holds for a number of days. I am not going to argue with either strategy. The point is, having a strategy beats an emotional approach to investing.

And that, folks, is what this blog is all about. Happy trading!

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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/. 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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