Technical Update

Bob Dickey – Technical Strategist **February 16, 2018**

I will be out of the office the week of February 20-23. The next Update will be Monday Feb 26.

Current stock market trends:

Short-Term (Days to Weeks): Correction. The increase in the volatility in both directions over the past few weeks is an indication to us that the overall tone and pattern of the market is changing from the steady advance of the past two years. It is not unusual for the market to move from a period of lower to higher volatility, with the more normal pattern being a market that has bursts of volatility between periods of flatter trading over shorter time periods than we are used to. We see many stocks that are beginning some correcting trends which leads us to believe the market indexes, in the U.S. and internationally, are early in some correcting trends that may not have seen the lows yet. On average, we are looking for a total correction of around 15% for the indexes, with more risk than that for the volatile market sectors, and less so for the value, yield, and "defensive" sectors of the market.

Intermediate-Term (Weeks to Months): Neutral. The stock market trends appear to be changing from a strong bullish uptrend of the past two years to a consolidation period, or sideways trading range, which could last anywhere from six to 24 months. This has been a repeating pattern for the S&P 500 over the past nine years where longer periods of strength are separated by fairly long ranges that allow for the fundamental factors of stock valuation to catch up to the higher stock prices. It could be that the strength in the markets over the past year especially, is now being recognized by the increased earnings estimates for the S&P in 2018, and now that this improvement is widely recognized, the effect on market prices may be less robust than many expect. So for the year 2018, we continue to look for a more volatile market within an overall range of about 15%, with another possible uptrend developing into year end.

Long-Term (Months to Years): Bullish. The Dow Industrials and the S&P have been in bull markets since 2009, and they continue to trade in rising technical channels that imply possible further gains for potentially many more years. We continue to believe that the U.S. stock market is still early in a longer-term secular bull market that we expect to rise until the sentiment of investors and the public regarding the economy and the stock market become much more optimistic, which could still take many more years to develop. The theme of the bull market has been that of changing group rotation where different market sectors and groups do better, or worse, at various times, and we expect that kind of rotational strategy to outperform the averages going forward.

Disclosure

Wealth Management