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NEW YORK'S "ALL-TIME HIGH BULL MARKET" CONTINUES TO DELIVER.

TORONTO'S TURNAROUND IS HALF-COMPLETED.

In our previous Market Comment, we concluded our assessment of the S&P 500 by declaring that "a significant push to new all-time highs in the 2,500s is inevitable." Last week the S&P 500 finally dipped its toe into the waters of the 2,500s. The Dow Industrials, NASDAQ, NYSE Composite and the NYSE daily advance/decline line also reached new highs. With so many major market indices making new all-time highs and few signs of deterioration in underlying indicators, <u>New York remains in a very bullish position for the longer-term</u>.

The S&P 500's sustained advance since early 2016 (690 points or 38.1%) has created several well-established patterns on the daily chart. These are: a large rising trend channel dating from February 2016, a smaller trend channel dating from March 2017 (see the next page), and a price pattern of higher highs and higher lows. If and when this uptrend falters, we will see a change in these three patterns. The larger trend channel's current boundaries are about 2,400 on the downside and 2,600 on the upside, which gives us the parameters for a "normal" price movement within the current advance. We also now have a useful "early warning" indicator on the daily chart. The S&P 500 has dipped below its rising 50-day Moving Average on four occasions and quickly recovered each time to a new high. If this pattern would change, then it would suggest that the sellers are finally exerting more force and are gaining the upper hand. So far, this has not occurred.

Two weeks ago we observed that sentiment towards the bull market became more negative in August, a positive contrary indicator since scepticism usually acts as fuel for advances. This is supported by data from the Investment Intelligence Survey of investment advisers, which continues to lose bullish advocates.

The first half of September was positive for the New York markets but what about the rest of the autumn season? Options expiry last week was a non-event. Cyclical pressure will persist for the rest of the month and the historical pattern for post-presidential election year autumnal weakness remains. Downside risk is 3-5%. But equally, this bull still has the potential and capacity to just continue to plough its furrow upwards.

Toronto continues to try to turn its fortunes around. When a market is in an extended – albeit gradual – decline it has two tasks: first, stop going down and second, start going up. The S&P/TSX Composite Index has not made a new low in over two months. The recent horizontal action above the key 14,900 level (bolstered by a strengthening Energy sector) is encouraging as it is a sign of possible base-building. However, <u>there is still much more to do</u>. Toronto needs to start making a new pattern of "higher highs." This will happen only if the eight-month downtrend channel is broken to the upside and the 15,600 and 15,800 levels are exceeded. There is considerable overhead resistance in the 15,000s so this will be a major challenge. But if the S&P/TSX Composite Index moves above this resistance then <u>the potential exists for a very powerful upside move</u>.

For the past twenty months New York has been in a powerful and unrelenting uptrend. The bull market's price pattern is very distinct and it will take a significant move to disrupt the pattern. Until that occurs, any market weakness must continue to be regarded as a buying opportunity.

The investing challenge is to stay with the major uptrend and be invested in those sectors and stocks that are participants. Some stocks are falling by the wayside while new candidates are emerging. See our List of Investment Ideas for our latest suggestions.

David Tippin, Ron Meisels

S&P 500

The S&P 500's one-month rally has taken it to yet another new all-time high. The S&P 500 is approaching the upper boundary of its rising trend channel that dates from March. This boundary – near 2,550 – could pose some upside resistance.

The price pattern remains distinctly that of "higher highs and higher lows." While internal momentum remains in good shape, the S&P 500 is slightly overbought, so there is a risk of a pull back from current levels. The 50-day Moving Average (at 2,460) should provide good initial support, as well as the lower boundary of the trend channel at 2,430. There is further major support around 2,400.

We expect the S&P 500 to continue to move within its trend channel. Some slowing down of upside progress may occur in the low 2,500s.

S&P/TSX Composite Index

The S&P/TSX Composite Index is still moving within its seven-month downtrend channel but it has stopped making new lows. Upside progress will have to overcome important resistance areas near the 15,400 and 15,600 areas that stopped previous rally attempts.

Key support remains at 14,900. The 200-day Moving Average is near 15,400 and a move to above this level would be a sign of further strengthening. In the past two weeks the percentage of stocks above their respective 50-day Moving Averages has stalled in the 50% range – this is an indication that more base-building and more stocks moving into stronger technical positions are necessary to fuel a significant advance.

Further base-building in the low- and mid-15,000s would be very positive for an eventual bullish resolution of this prolonged period of uncertainty. The S&P/TSX Composite Index still has a good chance to make new all-time highs above 16,000 before the end of the year and our target of 17,000 remains in force.

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