

Tuesday, August 25, 2015

INVESTMENT ADVISORY - NO ACTION REQUIRED TODAY

It seems pretty clear that the stock market has more downside before it bottoms out and can resume its long term upward trend. If you work with the S&P Index and follow its price change and volatility, you will see that there are a couple of areas that become significant:

1. February 5, 2014 - Low price on that day was 1737.66
 2. October 15, 2014 - Low price on that day was 1820.66
- Today's current end-of-day closing price was 1867.76

We will find support for the market when the S&P Index price level reaches the 1820 level. That is 47 points away right now. That area will provide some support, but it is unlikely to hold.

There is another area that has a much better opportunity for providing long term support. That is the February 5, 2014 low of 1737.66. Not only will we find support at this intraday low price level, but this is also where we will find a 38.2% retracement of the last leg up in this market. That upward leg began in October, 2011 and ended on May 26, 2015. If you calculate 38.2% of the price move during this period beginning February 5, 2011 and ending on July 20, 2015, and deduct it from the high price on July 20, 2015, that takes you to a price level of 1729.86. What this says is that:

- 1729.86 is the most likely bottom of the current downtrend;
- That this will be the point from which the next long term market rally begins.

My guess is that we will see this price level within the next 2-3 weeks, and then, the cyclical nature of periodic Federal Reserve meetings will forecast a cycle low, thereby predicting the real beginning of the coming long term, slow growth economy as a stock market driver.

That is the plan!

What this says is that we should know, within the coming two weeks of trading, whether we have found a bottom to the market, or if there is to be a severe market crash - as some are predicting rather loudly!

If the "Crash" occurs, then we estimate the bottom will be 1479.86. That is a quite large loss! (about a 30% loss from the peak price of the S&P Index)

It is important to be ready for such a turning point in our forecast. We may well have to issue a recommendation to sell all equities and to go to cash; this will happen sometime in the coming two weeks. If that becomes necessary, you will get an Advisory from us stating that it is time to liquidate equities.

BE SURE TO RESPOND WHEN YOU SEE SUCH AN ADVISORY. ACTION WILL BE STRONGLY RECOMMENDED!!

Preservation of capital is the most important criteria when managing money...particularly, this is true for those who are in retirement and are living on their investment assets.