

Technical Scoop January 29, 2018

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“Only buy something that you would be perfectly happy to hold if the market shut down for 10 years”

—Warren Buffet, *Principles from the Sage of Omaha*

“There is nothing like losing all you have in the world for teaching you what not to do. And when you know what not to do in order not to lose money, you begin to learn what to do in order to win.

Did you get that? You begin to learn!”

—Edwin LeFèvre, *Reminiscences of a Stock Operator*

“We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful.”

—Warren Buffet, *Principles from the Sage of Omaha*

We wonder what Warren Buffet thinks of the current market. If he holds true to his philosophy, he should be fearful right now. After all, this is a stock market that is entering its tenth year without a significant bear market. A bear market is defined as a downturn of 20% for any of a stock index or an individual stock. Since 2009 the Dow Jones Industrials (DJI) has experienced two significant corrections: first in 2011 during the EU debt crisis declining 16.8%, and the second one in 2015/2016 following the end of QE as the DJI fell 14.5%. Neither qualified as a bear market. Since March 2009 the DJI has risen just over 300%.

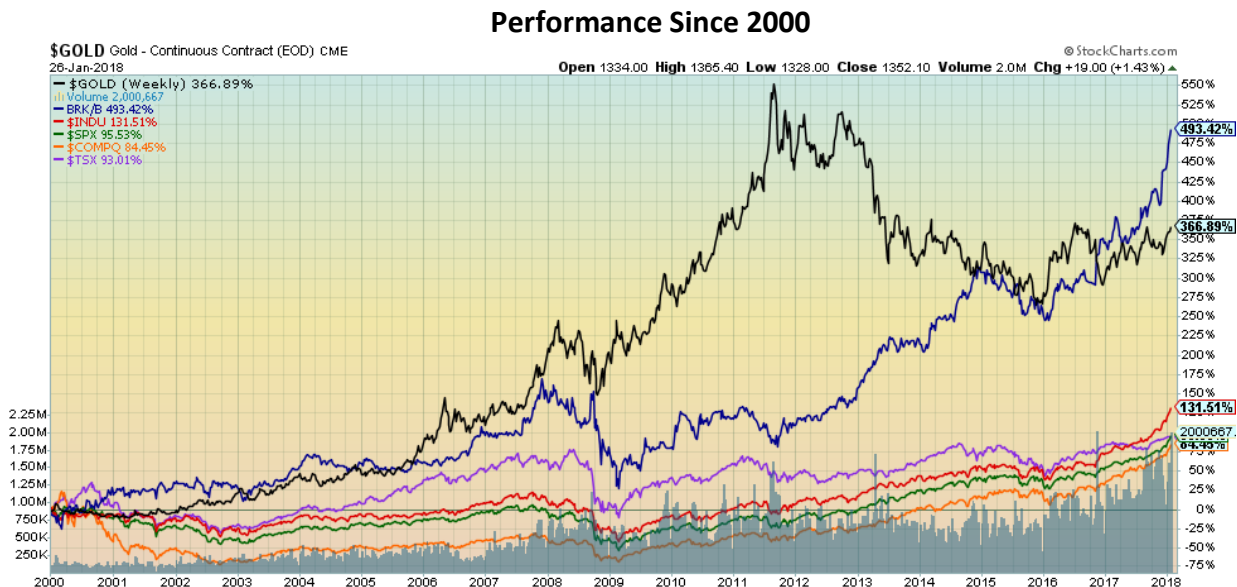
It was noteworthy that Buffet was greedy at the bottom of the bear market in 2008/2009 when he purchased perpetual preferred shares of General Electric (GE-NYSE) and Goldman Sachs (GS-NYSE), amongst others. At the time they seemed to be foolhardy moves. Now they appear as Buffet genius. Maybe it is significant that Buffet’s firm Berkshire Hathaway (BRK.B-NYSE) has gone up 380% since the March 2009 low, outperforming the DJI. Despite good moves on GE and Goldman, Berkshire also increased their investment in ConocoPhillips (COP-NYSE) the oil and gas giant in 2008, before the collapse of oil prices. Even gurus make mistakes.

Warren Buffet probably also does not wish to be reminded that even Berkshire fell 56% during the 2008 financial crash which was consistent with the 54% decline of the DJI. When a bear market hits it takes everyone with it. Despite the collapse in 2008 Berkshire has outperformed most assets since the turn of the century. Berkshire has gained a staggering 493% since 2000, outpacing just about everybody except for the FAANGs. Oh yes, the FAANGs—Facebook, Apple, Amazon, Netflix, and Google. How about a combined 5,990% gain since 2000. Netflix (NFLX-NASDAQ) has been the big winner, up over 22,000% during that period. No one, however, is going to put all of their funds into one company although there are many who try.

Still, Berkshire's performance has been stellar giving high credence to what is known as the "Buffet method." Only the performance of gold has come close to Berkshire as gold is up 367% in the same period. The major indices have been significant underperformers with the DJI up 131%, the S&P 500 gaining 95%, the NASDAQ despite the FAANGs up only 84%, and the S&P TSX Composite gaining just 93%. And that is despite the stellar returns since the low of 2009.

Buffet has spurned gold (and other precious metals) in his portfolios. Buffet has described gold as "being neither of much use nor procreative." He does correctly note that gold is not a long-term investment strategy, but rather as a store of value and a hedge against government, inflation, deflation. Gold (and precious metals) are an asset that helps preserve wealth but does not create wealth. Gold's rise since 2000 has been predicted primarily on currency devaluations, the massive increase in debt from all sectors (government, corporate, and household) and the fear of financial collapse and an increasingly destabilized world politically.

Significantly, gold has gone through its bear market falling almost 46% from September 2011 to December 2015. Silver and the gold stocks fell even further and junior exploration stocks were down anywhere from 80% to 99% from their peak. Gold is now up 30% from the December 2015 low and appears to be in the early stages of a new bull market.



Source: www.stockcharts.com

With the DJI currently up 311% from its March 2009 low it has entered rarified territory as far as bull markets go. The granddaddy of bull markets is still the "Roaring Twenties" market as the DJI gained 495% from August 1921 to September 1929 with only one significant correction (under 20%) along

the way. Similarly, the great bull market of the 1990s gained 395% from October 1990 to January 2000 again with only one significant correction along the way in 1998 when the DJI fell 19.3%.

The bull market of the 1950s and 1960s saw a significant gain of over 500%, but along the way there were four corrections including one (1961/1962) that qualified as a bear market as the DJI fell 25%. The bull of the 1950s and 1960s was also a lengthy one (17 years from 1949–1966, or 12 years if you are only counting until the 1961 top), significantly longer even than either of the “Roaring Twenties” bull, the 1990s bull, and the current bull. But the four corrections including one bear market means it was also a bull with numerous setbacks. Still, if the current bull market can survive past mid-June 2018 this bull would qualify as the second greatest bull ever in terms of length. As the bulls would love to chime, maybe we have entered a new paradigm and this bull has much longer and higher to run.

But corrections and setbacks are normal in markets. And this one just might be overdue. Most indicators suggest that the current market is quite overvalued or at extremes. The Shiller Price Earnings (PE) ratio has been higher only once before: the stock market peak in 2000. Daily sentiment indicators (DSI) for the S&P 500 and NASDAQ have consistently been at, near, or above 90 of late suggesting that there are few if any bears around. Other indicators are flashing warnings. But does it matter?

Shiller PE Ratio



Source: www.multpl.com

In a melt-up, as we are experiencing, all negative issues are seemingly pushed into the background. Political dysfunction and investigations, threats of wars, record debt—yes, they are there, but who cares? Not even the “who’s on first” three-way from President Trump, Treasury Secretary Steve Mnuchin, and Commerce Secretary Wilber Ross on the direction of the US\$ was able to shake the markets this past week.

More important are tax cuts. We have a global economy that is, if not booming, at least humming along. And everywhere, North/South America, Europe, Asia, developed economies and emerging economies – all are experiencing positive growth. An economy with negative growth is difficult to find (okay, Venezuela). Stock indices in North America, Europe, and Asia are either making new all-time highs or not far from them. A list of stock markets in *The Economist* reveals only two (Venezuela and Pakistan) that have experienced negative growth in the past year. In a melt-up the market can keep going higher longer than the bears can remain solvent.

We don’t know what will stop this market. The clouds are there but they haven’t come together sufficiently to cause a huge storm. We know the market can’t continue like this and when something finally happens it could not only be sudden but could cause a huge downdraft comparable to 1987. No one rings a bell at the top. Not even Warren Buffet. Still, he must be eyeing this current market a little nervously.

Bitcoin Watch!



Source: www.coindesk.com

Has Bitcoin gone into the “snooze” phase? Well, maybe “snooze” is not the right word but for the past week Bitcoin has been largely trading between about \$10,000 and \$11,500 with occasional pokes above or below that range. Compared to past volatility this is almost calm. Bitcoin did try to gain some traction above \$12,500 but failed and came back down again. The bulls will argue Bitcoin is building a base. The bears will argue this is merely a consolidation before Bitcoin breaks to the downside and lower prices.

Still, Bitcoin is down roughly 40% to 50% from its December high and it is showing few, if any, signs of regaining those previous lofty levels. At best, the bloom is off. At worst, this is merely a pause before lower prices are seen. Challenges from other cryptocurrencies, continued attempts by governments to gain some measure of control over Bitcoin and cryptocurrencies, a desire to tax profits, close down the potential for money laundering, and other issues are catching up to Bitcoin and the cryptos. This past week saw a big crypto hack at Coincheck, a huge Japanese exchange, where an estimated \$533 million worth of cryptocurrency was stolen from digital wallets. No matter how one looks at it a lot of people lost a lot of money.

There are far too many cryptocurrencies—almost 1,500 are listed at www.coinmarketcap.com—and there are too many stories of hacking, with exchanges shutting down. All this has brought caution into the market and a sober realization this is not something that is going to make you an overnight millionaire.

That hasn’t stopped the ads that one should get in on the next big thing in cryptocurrencies, but it is putting a damper on the market. Blockchain, the technology behind Bitcoin and the cryptocurrencies will no doubt become an important technology of the future but there is no way 1,500 cryptocurrencies are going to survive. Even an admitted parody, Dogecoin (DOGE), is still the 40th largest by market cap cryptocurrency with a value of over \$800 million. That is nuts and just about sums up the entire cryptocurrency market.

At this rate, our weekly “Bitcoin Watch!” column may not be needed any more. As we have stated earlier, Bitcoin needs to regain and hold above \$12,500 to suggest higher prices ahead. A further breakdown under \$10,000 could soon send Bitcoin tumbling below \$8,000 and even lower. Note we are approaching a key uptrend line. However, Bitcoin remains in a well-defined bear channel. The bulls can only hope that when Bitcoin hits the uptrend line it holds.

MARKETS AND TRENDS

Percentage Gains					Trends		
	Close Dec 31/17	Close Jan 26/18	Week	YTD	Daily (Short Term)	Weekly (Intermediate)	Monthly (Long Term)
Stock Market Indices							
S&P 500	2,673.63	2,872.87 (new highs)	2.2	7.5	up	up	up (topping)
Dow Jones Industrials	24,719.22	26,616.71 (new highs)	2.1	7.7	up	up	up (topping)
Dow Jones Transports	10,612.29	11,125.75	(1.6)	4.8	up	up	up (topping)
NASDAQ	6,903.39	7,505.75 (new highs)	2.3	8.7	up	up	up (topping)
S&P/TSX Composite	16,209.13	16,239.22	(0.7)	0.2	up	up	up
S&P/TSX Venture (CDNX)	850.72	890.80	1.2	4.7	up	up	up
Russell 2000	1,535.51	1,608.06 (new highs)	0.7	4.7	up	up	up (topping)
MSCI World Index	2,046.47	2,171.73 (new highs)	1.4	6.1	up	up	up
Gold Mining Stock Indices							
Gold Bugs Index (HUI)	192.31	203.36	3.3	5.8	up	up (weak)	up (weak)
TSX Gold Index (TGD)	195.71	200.67	1.4	2.5	up	up (weak)	up (weak)
Fixed Income Yields							
U.S. 10-Year Treasury yield	2.40	2.66	0.8	10.8			
Cdn. 10-Year Bond yield	2.04	2.24	0.5	9.8			
Currencies							
US\$ Index	91.99	88.89 (new lows)	(1.6)	(3.4)	down	down	down
Canadian \$	0.7990	0.8120	1.3	1.6	up	up	up
Euro	120.03	124.22 (new highs)	1.7	3.5	up	up	up
British Pound	135.04	141.45 (new highs)	2.0	4.8	up	up	neutral
Japanese Yen	88.76	92.01	2.0	3.7	up	up	up
Precious Metals							
Gold	1,309.30	1352.10 (new highs)	1.4	3.3	up	up	up
Silver	17.15	17.44	1.7	2.4	up	up	up (weak)
Platinum	938.30	1,018.40 (new highs)	(0.2)	8.5	up	up	neutral
Base Metals							
Palladium	1,061.00	1,085.05	(1.2)	2.3	up	up	up
Copper	3.30	3.20	0.3	(3.0)	up (weak)	up	up
Energy							
WTI Oil	60.42	66.14 (new highs)	4.5	9.5	up	up	up
Natural Gas	2.95	3.17 (new highs)	(0.3)	7.5	up	up	up

Source: www.stockcharts.com, David Chapman

Note: For an explanation of the trends, see the glossary at the end of this article.
New highs/lows refer to new 52-week highs/lows.



Source: www.stockcharts.com

The melt-up continues. Back in June 2017 we wrote a piece titled “Blow Off Top: Could it Happen?” (*Chapman Report*, June 23, 2017). So far, it appears as we were prescient. The trouble with a blow-off is no one knows where or when it might end. We only know that it will end and most likely suddenly. Take this upcoming week as an example. On January 31, 2018 we will have a super blue blood moon. Without getting into all the different interpretations of what that means, quite simply a super blue blood moon is the combination of a supermoon, a blue moon, a blood moon, and a total lunar eclipse. It is also known as a wolf moon.

We don’t want to get into all of the definitions, but the full moon is often associated with volatility in markets. There is also seismic volatility going on around the world with earthquakes, volcanoes erupting, and threats of tsunamis—more so than usual. These are the kind of conditions where one could see a spike in the markets followed by volatility and a reversal usually within a few days either side of the date January 31, 2018. Indeed, there has been a supermoon trilogy over the past couple of months with a supermoon on December 3 and January 1 as well. Curiously, the S&P 500 made a spike top reversal on December 4, 2017 and on December 29, 2017 the S&P 500 appeared as if it was

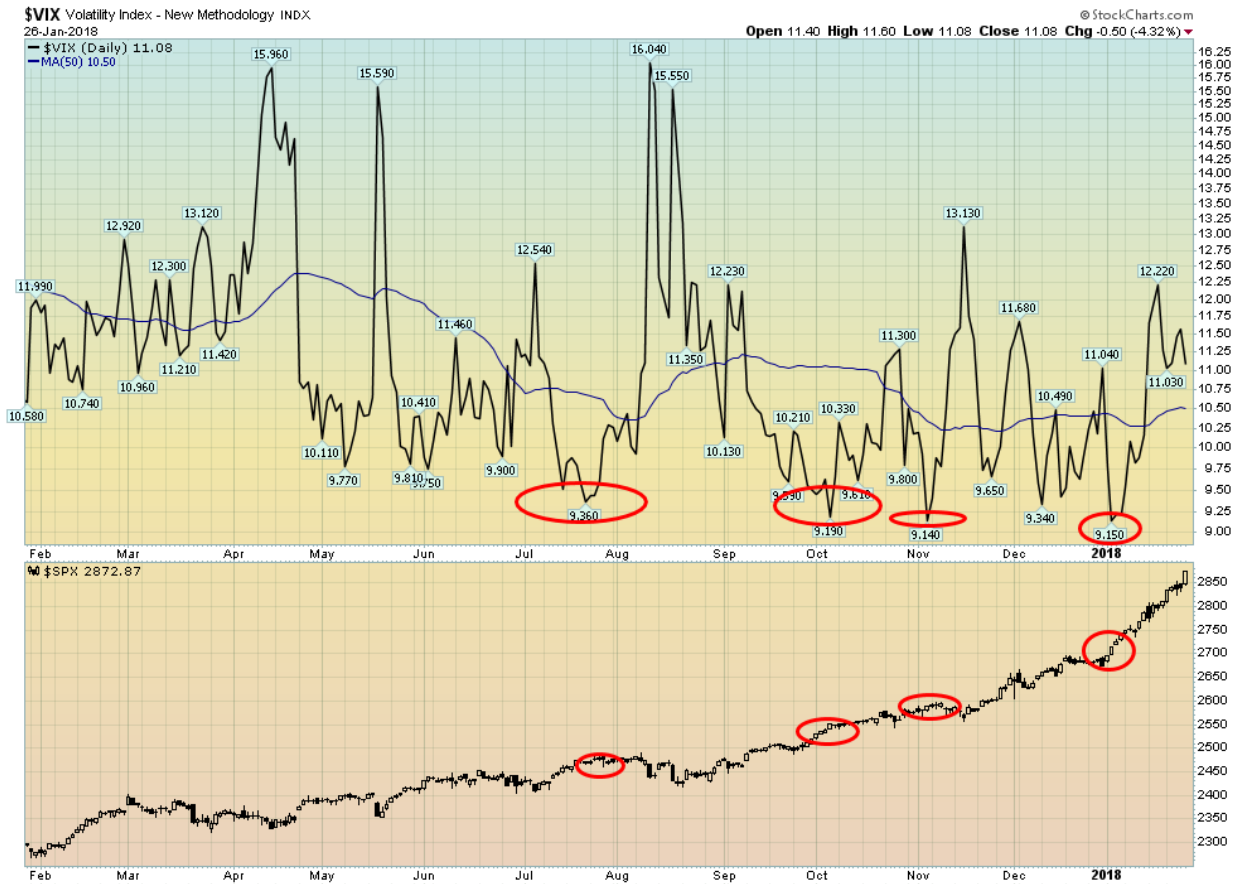
about to plunge, only to reverse the next day on January 2, 2018 as the S&P 500 started its most recent melt-up.

So, expect some volatility this coming week and even a possible spike into a top. Naturally, the top could be temporary. There are few signs of distribution in the market, meaning there are few signs of a pattern that might indicate a broader top formation. Typically, markets spike into top, plunge, then regroup and start another climb that could see new highs or a failed high (double top). We don't know which just yet but even if we were to correct down the correction would most likely be shallow of 5–8% before regrouping and making another attempt at highs.

Our current target for the S&P 500 based on the 2015/2016 correction is 2,982. That is a mere 3.8% away or just over 100 points. Considering the S&P 500 is up 7.5% so far in January and we jumped over 2% this past week that might not be much of a stretch. For the Dow Jones Industrials (DJI) the current target is or at least was 26,155. That was achieved so the next target is 29,135 some 2,500 points away or 9.5%. This one might be difficult, and the S&P 500 target less so at this point.

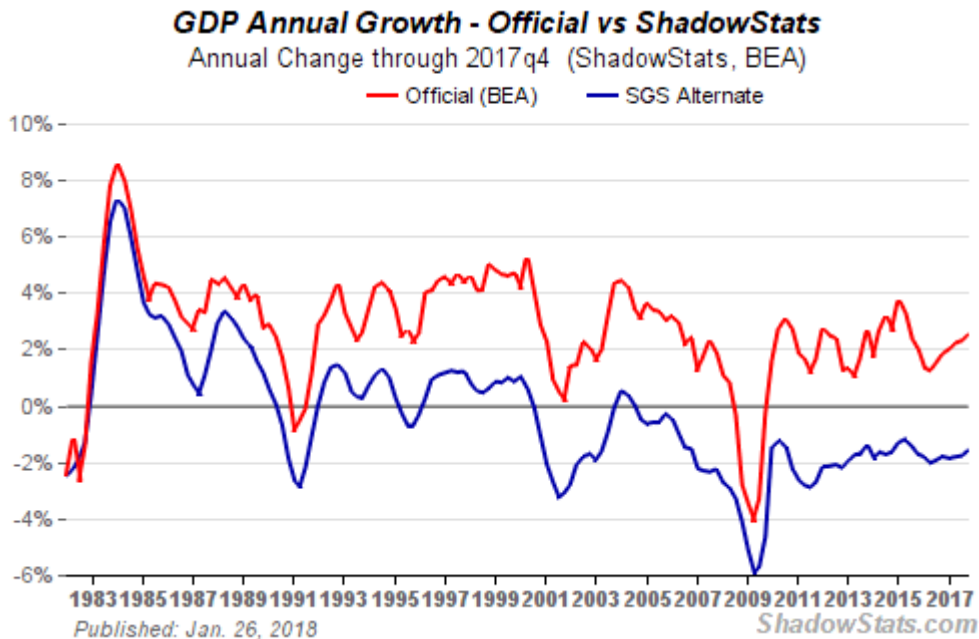
Sentiment for the U.S. stock indices has been waffling in the 90s, hitting a high of 96% on January 22, 2018. It also hit a record 97% on the NASDAQ. The markets have rallied in the past few days, but breadth as measured by the NYSE advance/decline ratio was actually declining. The Dow Jones Transports (DJT) fell 1.6% this past week. That is strange, considering all of the other indices were in positive territory. This negative divergence has been seen only four times since 1930 as reported by [Elliott Wave International](#) and Jason Goepfert of [SentimenTrader](#). The occurrences were in February 1980, April 1999, April 2007 and April 2013. The first three led to a significant decline while the fourth led to a sideways market for several weeks.

So, record highs, negative divergences, extreme positive sentiment, and a super blue blood moon all could conspire this coming week into some heightened volatility. There is considerable support for the S&P 500 down to 2,750 (a decline of 4.2% from current levels). That zone would be logical spot for the S&P 500 to correct down to if a volatile correction did get underway.



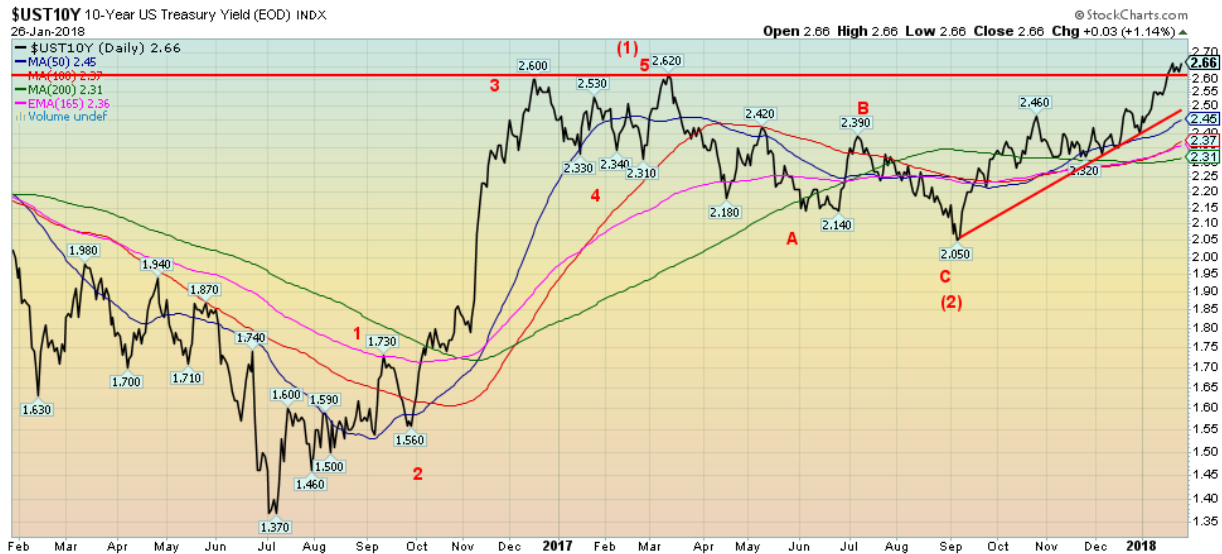
Source: www.stockcharts.com

The VIX volatility indicator, a measurement of fear and greed in the markets is also diverging with the stock indices. Rather than making new lows as one would expect with record highs the VIX has actually been rising, reflecting a level of fear creeping into the market as it marches higher and higher. Those other two upward spikes occurred on December 4, 2017 and December 29, 2017, the two dates we noted previously occurring with the two previous super moons of December 3, 2017 and January 1, 2018. A reminder the last time we saw the VIX rising even as the market continued to rise was in January 2015 before the market top of May 2015. The VIX was also rising in June 2007 before the major top in the markets in October 2007. A rising VIX and a rising market is a poor omen. The two normally trade inversely to each other.



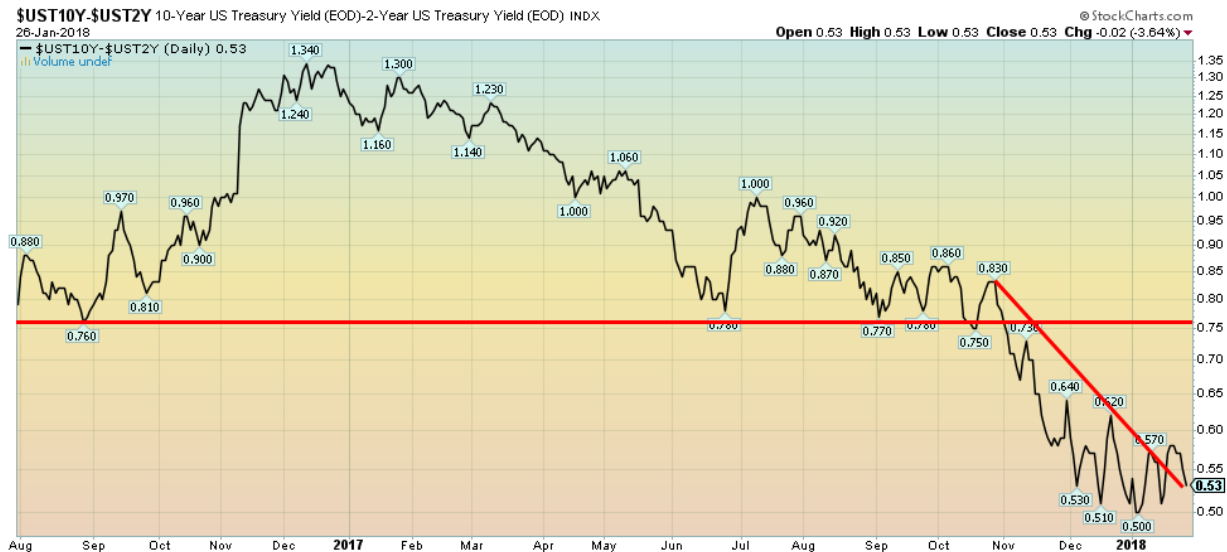
Source: www.shadowstats.com

Fourth quarter GDP was reported this past week and it was slightly disappointing. Fourth quarter real GDP growth was 2.55% vs. 3.16% in the third quarter. There was unexpected inventory liquidation and the trade deficit reported was unexpectedly high (that ought to get the protectionist President going). As the chart shows, the official GDP (in red) continues to languish since the recession of 2007–2009, remaining below previous periods of recovery. The [Shadow Government Stats](http://www.shadowstats.com) GDP is also shown (in blue) and it continues to show that the U.S. has been in a rolling recession for years since 1999. There was a brief respite in 2003/2004. The Shadow Stats alternate GDP reflects the inflation adjusted, or real, year-to-year GDP change adjusted for distortions in government inflation usage and methodological changes that have been made over the years to give an upward bias to the official reported headline GDP.



Source: www.stockcharts.com

U.S. bonds, as represented here by the 10-year U.S. Treasury note, continued to rise this week to 2.66%, up from 2.64% the previous week. Our target zone continues to be 3.15% to 3.20%. That doesn't seem high, but consider that the 10-year was at 1.37% in July 2016. So the rise in yield terms is actually in excess of 100%. Bond dealers have been used to artificially low yields so having to deal with higher yields and falling prices (bond prices move inversely to bond yields) could translate into some problems for some bond funds. Further, there has been no shift by the Fed that we are aware of. The Fed is expected to continue with hiking the Fed rate quarterly. The next one could be in March. That assumes, of course, that Jerome Powell, the new Fed Chairman appointed by President Trump, continues the policies of the outgoing Chairman Janet Yellen. Or is he, as some suspect, more beholden to Trump? We'll see. Strong support is seen down to 2.45%.



Source: www.stockcharts.com

The 2–10-year spread could be resuming its downward trend. This past week saw the 2–10 spread fall to 0.53% from 0.58% the previous week. The spread is nowhere near, suggesting that a recession could be imminent. Before both the 2000–2002 and the 2007–2009 recessions the 2–10 spread went negative. But a decline can occur quite rapidly. We will continue to monitor this important spread. We call it the recession watch spread.



Source: www.stockcharts.com

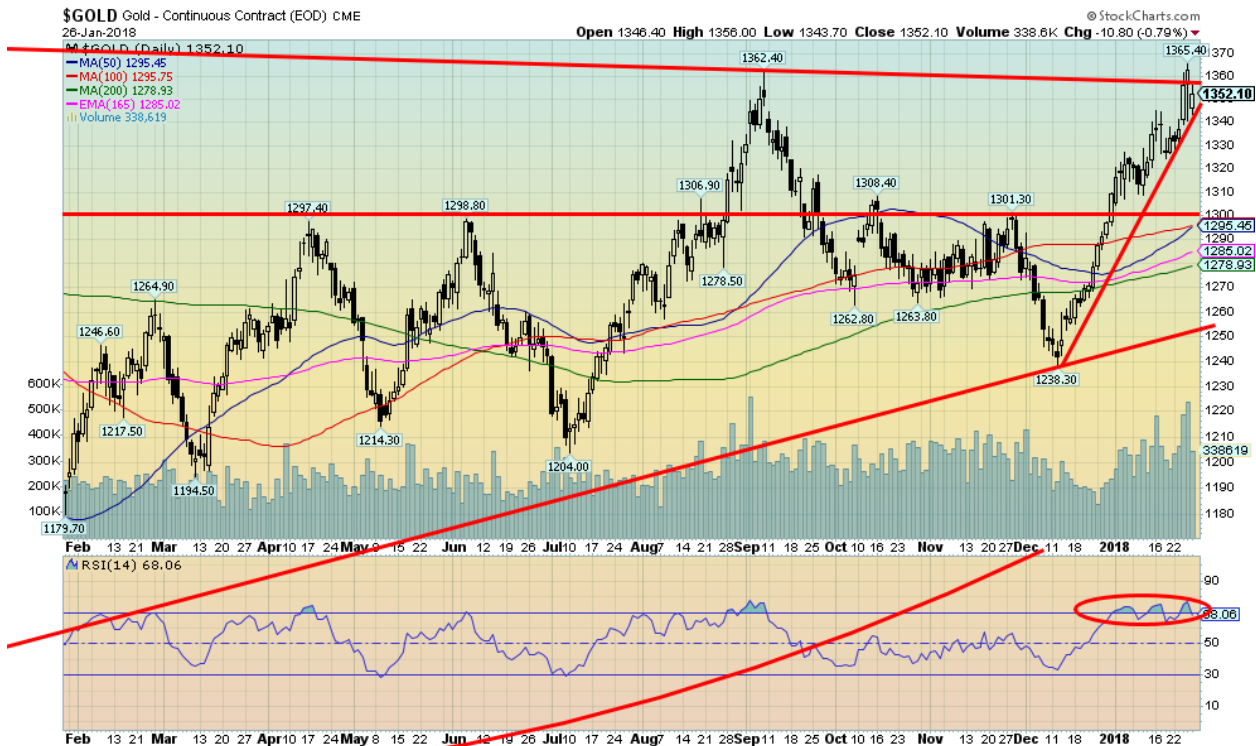
It was an interesting week for the US\$ Index as it plunged to new lows for the move down. The US\$ wasn't helped by the musings of a trifecta of the Trump administration. First Treasury Secretary Steve Mnuchin mused that a weaker US\$ along with the tax cuts were good for the U.S. as it would encourage investment. The U.S. is open for business Mnuchin declared. Then Commerce Secretary Wilber Ross got in on the act, seemingly countering Mnuchin by stating that the U.S. was not abandoning the US\$. Ross was speaking at the World Economic Forum (WEF) in Davos, Switzerland. Ross noted that a weaker US\$ was good for trade but that its short-term value was "not a concern of ours at all." He noted that the US\$ is not "something we worry a lot about day by day." Ross also expressed optimism that the U.S. would get a better NAFTA deal.

Then President Trump got into the act at Davos by pushing once again his "America First" agenda and that America was open for business. His agenda would be good for the US\$. This past week Trump also slapped 30% tariffs on imported washing machines and solar panels, which many believe could result in increased trade wars.

All of this had in some respects predictable effects as the US\$ plunged on Mnuchin's comments, then stormed back on Trump's comments. Gold and commodities rallied on Mnuchin's comments, then plunged on Trump's comments. A wild week. Ultimately, however, trade wars are not good for the US\$ and are positive for gold and other commodities.

With the US\$ Index hitting new lows this past week it was no surprise to see the Euro and the Pound hit new 52-week highs. The Japanese Yen also enjoyed a strong up week. A weaker US\$ actually helps US multinational corporations whose earnings are predominately in other currencies as they can purchase more US\$ when they repatriate the profits. This in turn helped propel the stock market higher.

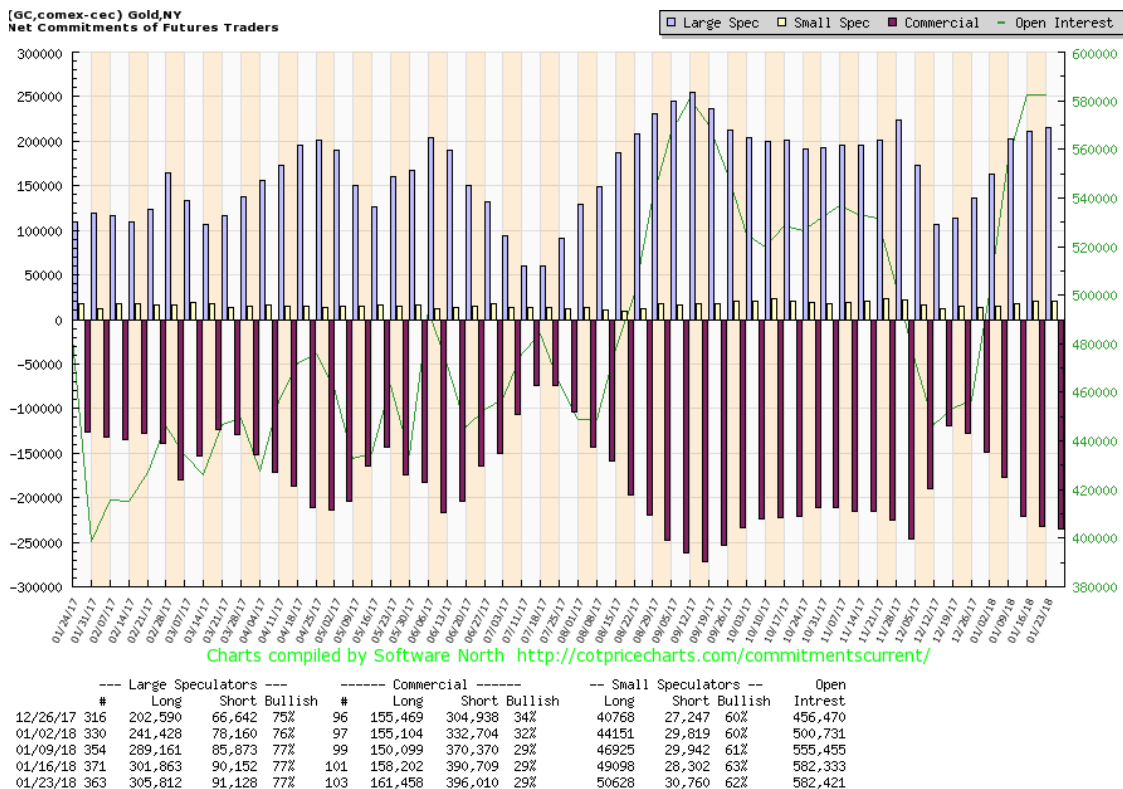
The US\$ Index is continuing its downward march towards our targets of 86.90 with the low this past week at 88.25. However, given a sentiment index at 8% bulls and indicators quite oversold a bounce cannot be ruled out. A rebound back up towards 90 and even 91 would not be the end of the downward trend. It is possible that Thursday's upside reversal following new lows was the current low. On Friday the US\$ Index did not follow through and closed lower once again. Given the highly negative sentiment coupled with high bullish sentiment for gold, a rebound for the US\$ Index cannot be ruled out. It should, however, be temporary before resuming the downtrend.



Source: www.stockcharts.com

If the US\$ Index was volatile this past week it translated into volatility for gold as well. Gold is the alternative currency to the US\$. Gold prices surged to a new 52-week high hitting \$1,365, taking out the September 2017 high of \$1,362. Still ahead lies the July 2016 high of \$1,377. Gold rallied, then plunged back down following Trump's musings on the US\$. Given high bullish sentiment of 91%, overbought indicators, and a strong up move from the December 2017 low that has gone largely uninterrupted, some resistance at the former highs should not be surprising. This is a key zone to break through and all indications are that gold should break through and eventually hit \$1,400 or higher. But a setback now would not be a disaster. Gold closed at support on Friday but a break under \$1,340 could send gold down to support near \$1,320. Stronger support exists down to \$1,300. Given gold's largely uninterrupted rise a period of consolidation would be healthy. We note that divergences continue in that silver has not taken out its September 2017 high of \$18.29. Similarly, the gold stock indices, Gold Bugs Index (HUI), and TSX Gold Index (TGD) remain below their September 2017 highs. If we are to have a strong market we need silver and the gold stocks leading, not lagging as they appear to be.

Gold's weekly chart (not shown) still indicates what appears to be a huge head and shoulders bottom that formed between 2013 and today. Gold is now challenging the neckline of that pattern. Volumes have surged indicating that we should break through, if not now, then following a needed consolidation to ease the bullish sentiment. The H&S pattern projects to \$1,750 once gold breaks firmly above \$1,360 and the July 2016 high of \$1,377. Considerable resistance would be seen along the way at various points. But, overall, with a positive looking pattern and cycles that are turning up for gold, 2018 and even into 2019 promise to see some strong gains for gold, silver, and the gold stocks. As noted, strong support exists back to \$1,300.



Source: www.cotpricecharts.com

While the commercial COT remained unchanged this past week at 29% there actually was some improvement. While short open interest jumped another 5,000 contracts or so, long open interest was also up by roughly 3,000 contracts. The large speculators COT (hedge funds, managed futures, etc.) also was unchanged at 77%. Short open interest rose by a small roughly 1,000 contracts while long open interest rose about 4,000 contracts. Overall, we view the commercial COT has been slightly positive towards gold given there was no further deterioration.

More encouragement could be seen in the silver commercial COT (not shown). The silver commercial COT improved to 39% this past week from 37% the previous week. Commercials cut their short open interest position by roughly 5,000 contracts while increasing their long open interest by about 4,000 contracts. The large speculators COT was slightly more bearish falling to 62% from 65%. The large speculators short open interest jumped just over 5,000 contracts while their long open interest fell over 3,000 contracts. We view the silver COT has being positive especially given the improvement in the commercial COT. This also helps support our thesis that the gold/silver ratio should improve over time in favour of silver.



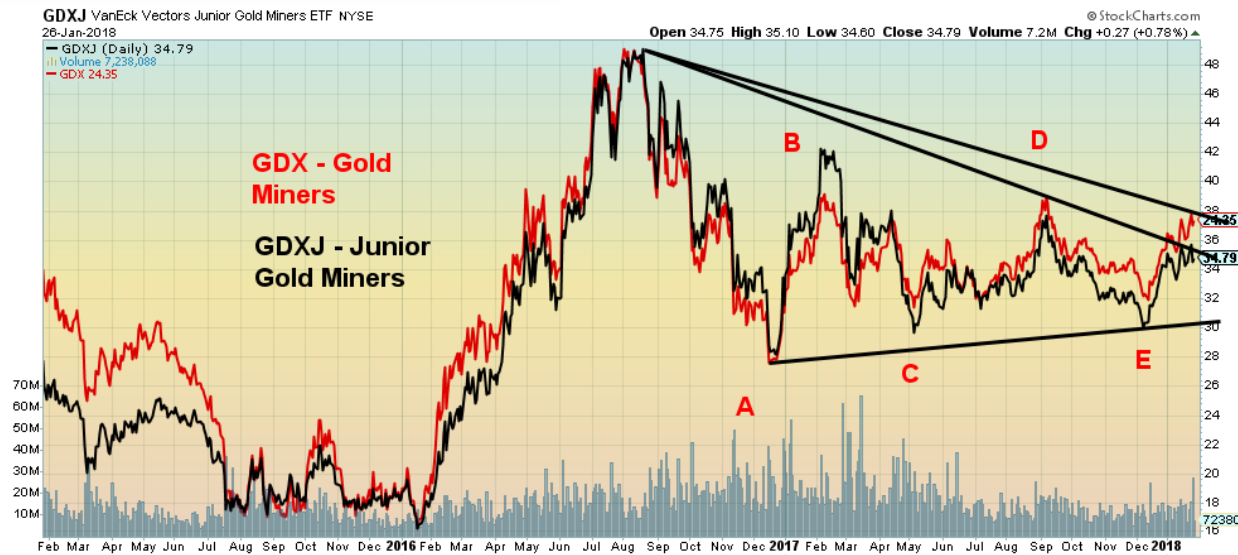
Source: www.stockcharts.com

Silver prices continue to lag, but as we noted, we are encouraged by the positive silver COT report this past week. Silver prices remain below the September 2017 high but did finally take out the October 2017 high with a high this week of \$17.705. Silver has considerable support back to \$17 and below that down to \$16.75. We would be surprised on any pullback to see a drop below \$16.75. Silver's very distinct head and shoulders bottom pattern has the potential to see silver rise to \$22.30 once it firmly breaks above \$18. Silver volume, like gold's volume, has picked up recently suggesting that buyers are positioning themselves. As noted, we expect the gold/silver ratio to improve in favour of silver.



Source: www.stockcharts.com

Admittedly, we remain frustrated with the gold stocks. The gold stocks seem to be acting in the mode of “show me” rather than “follow me.” Gold is leading the way while silver and the gold stocks lag. The TSX Gold Index (TGD) has not yet taken out September 2017 high of 213 and it barely took out the October 2017 high of 204 this past week before pulling back. Still, as we have noted in previous write-ups the gold stocks remain compelling and with the gold/gold stocks ratios heavily tilted towards gold our expectations remain that going forward the gold stocks should outperform gold by a considerable margin. The TGD has broken above its key 50, 100 and 200-day MA’s but so far, the breakout is feeble. The 205 zone, a zone we have noted previously, remains resistance. A firm breakout above 205 could see the TGD rise to over 300. The 2011 high was at 455 so the TGD remains down 56% from that high. As with both gold and silver we believe that the TGD (and its U.S. sister the Gold Bugs Index (HUI)) will break out. Given how small the gold market actually is, fresh funds coming into the sector could see gold stocks move upward quickly. The TGD has good support down to 195 then 190.



Source: www.stockcharts.com

Thanks to recent musings by Mike Ballanger who writes for the “Gold and Gold Miners Report,” we thought we would highlight the performance of two key gold stock ETFs, namely the VanEck Vectors Gold Miners ETF (GDX-NYSE) and its sister the VanEck Vectors Junior Gold Miners ETF (GDJ-NYSE). If we want to see the gold stocks leading the way we also want to see the GDJ leading the way ahead of the GDX. As Ballanger notes, things are good for the gold sector when silver leads gold, the gold miners lead gold, and the junior gold miners lead the senior gold miners. So far, it is the other way around with the GDJ lagging the GDX and, as we have noted, the gold miners lagging gold. Note how both the GDX and the GDJ basically follow each other up and down. That’s not surprising. What we like about the pattern that has formed over the past two years is that it appears to us as a huge symmetrical triangle. Following the sharp rise out of the December 2015 bottom the gold miners peaked in July/August 2016. The symmetrical triangle that has formed appears to us as a huge 5-point pattern ABCDE. Once this pattern firmly breaks out to the upside the GDX could rise initially to at least \$36 and the GDJ up to \$45. Further gains could be seen once the two take out the July/August 2016 high. Volumes have surged for the gold miners and we especially see that for gold miners that trade on the TSX Venture Exchange (CDNX). The CDNX has broken out of a 2-year consolidation pattern and appears to be headed higher. The CDNX is made up of 50% material stocks dominated by junior gold miners.

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GLOSSARY

Trends

Daily – Short-term trend (For swing traders)

Weekly – Intermediate-term trend (For long-term trend followers)

Monthly – Long-term secular trend (For long-term trend followers)

Up – The trend is up.

Down – The trend is down

Neutral – Indicators are mostly neutral. A trend change might be in the offing.

Weak – The trend is still up or down but it is weakening. It is also a sign that the trend might change.

Topping – Indicators are suggesting that while the trend remains up there are considerable signs that suggest that the market is topping.

Bottoming – Indicators are suggesting that while the trend is down there are considerable signs that suggest that the market is bottoming.

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