

THE MONEYLETTER®

STRATEGIES FOR SUCCESSFUL INVESTING

MARKET WISDOM

Do It Now

AGILE INVESTOR

Keith Richards

THROUGH MY ARTICLES WITH THE MoneyLetter, I have long recommended that readers consider using a trading strategy utilizing various methodologies for technical analysis. As I have often noted to readers: Everyone is a hero in a bull market. It's the bear markets that separate the competent investors (and money managers) from the wanna-be's.

It is in the current sideways market that you must be proactive and willing to trade. Buying and holding doesn't work in a choppy market. Sideways markets, as we have been stuck in since the beginning of the year, usually involve sector rota-

tion. Stocks and sectors that were hot become unfavorable, and vice versa. You must learn to move between these sectors in a logical and profitable manner, or hire someone who knows how to do it for you. Buy and hold managers are not going to help you at this time.

Attractive Trades

By the way—I am always willing to share my strengths and weaknesses with investors- and I must say that my strength has always been in trading through a choppy market period - as we are experiencing now. My weakness lies in years with below-average volatility like 2017, where a systematic approach adds no value. In those types of years, stocks go up with no pause or consideration of valuation. Other parabolic years for the market were in 1999 and 2007.

Fortunately, that type of market (i.e. 2017's parabolic move) is rare. Most years, markets either

climb a choppy wall of worry via an uptrend, or consolidate in some type of yo-yo pattern, or decline in a choppy downtrend. These are all scenarios where a trading philosophy like my own will give you an edge over buy and hold.

A choppy market is created, as investors are concentrated on certain sectors, then leave those sectors to rotate into new sectors quickly. For example, the first crack in the FANG stocks showed up in the July quarterly report from NFLX. The stock went down about 10% overnight. This was followed by a subsequent crack in Facebook's July quarterly report leading into a similar double-digit decline for that stock. Keep an eye on the entire FANG group, and the NASDAQ in general from this point forward. This could be the warning shot across the bow for investors. I believe that the party may be slowing for the FANG's, and a new rotation of the guard may be beginning.

To find the new rotational candidates, you need to watch the underdogs, wait for them to break out and then POUNCE! Below are a few candidates that you can add to your watch list as potentially attractive upcoming trades.

Canadian banks: The banks are out of favor right now due to the declining prospects of the Canadian economy, and our prospects of coming out well in the trade deals. But remember, its best to buy when the blood is running on the streets, as Barron Rothschild once said. Seasonally it's usually best to buy banks in the early part of October. I'm watching the BMO Cdn Bank ETF (ZEB-T) and individual banks



Keith Richards is a Portfolio Manager at Value-Trend Wealth Management. Sponsoring investment dealer: Worldsource Securities Inc. Member: CIPF and IIROC. He provides commentaries on equity markets and stocks during television and

radio interviews and is a frequent guest on Business News Network. He also writes a monthly business column for Investor's Digest of Canada.

krichards@valuetrend.ca.

for a potential entry point in the fall. We have a couple of Canadian banks right now, but would add to our exposure in the fall if things turn bullish. Right now, they are trading fairly flat, as the ZEB ETF indicates.

Staples: The U.S. staples have been hammered over the past 18 months. This selloff has vindicated my decision to sell MDLZ back in the New Year as it reached the highs of its trading range. I sold these stocks at a nice profit after my technical sell signals signaled a warning. The XLP staples ETF, which we still hold, is also coming off of a bottom. I think it's going to move higher if markets get choppy over the next few months, which is why I put it on my "Top Picks" on my previous Bloomberg/BNN appearance. So far, that recommendation appears to be working well.

Conglomerates: I covered the technical profile and trading zones of the conglomerates on back in

June. I think the conglomerates have been a bit overlooked in this market. We bought BAM, and FFH in that group. But POW (which we hold in our Income Platform) is interesting for a dividend play, for those after that type of play. Check the link above for their charts—albeit, a couple of months behind.

This market is not an easy one for investors. What worked yesterday – sectors like banks, energy or technology, may cause damage today. Yesterday's dogs, on the other hand, can become tomorrow's heroes. You need to watch for the new wave of sector rotation. Only through careful analysis of chart formations and volume trends will you spot the beginnings of those rotations.

The Moneyshow: Featuring two rock stars

It appears that two famous rock star names will be at the MoneyShow this year. Keith Richards (the Rock Star of Technical

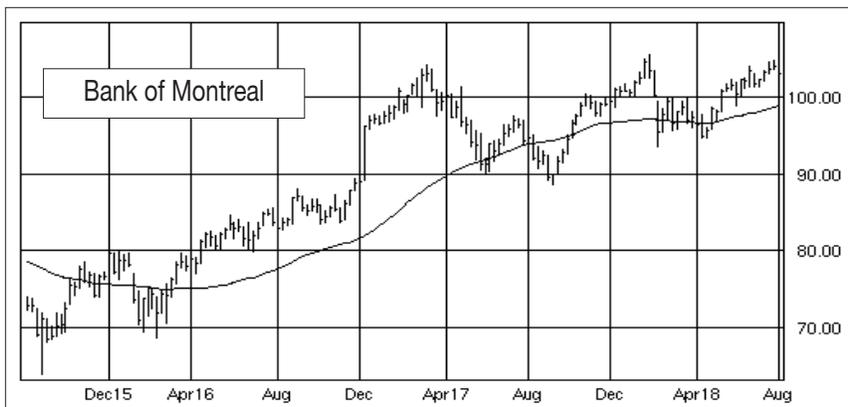
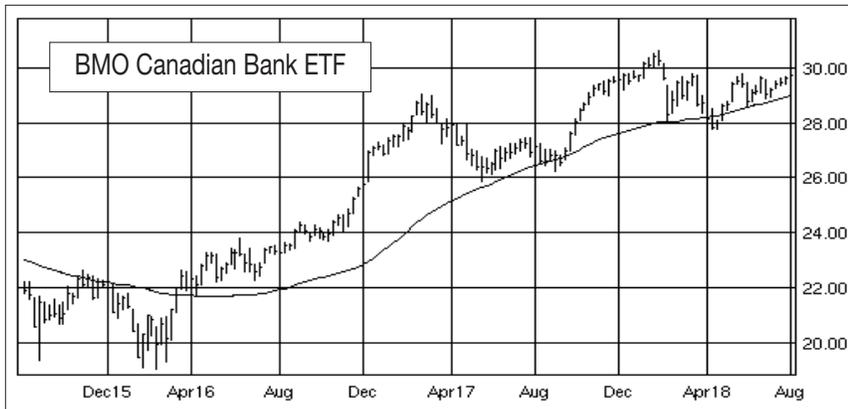
Analysis, as BNN once called him), and Gene Simmons – International Rock Star and founder of KISS. Note that Keith is speaking on Friday Sep. 14 at 4:15pm. Here's the link. ▼

Keith on BNN

Keith on Bloomberg/BNN Television's MarketCall: Friday August 24th at 12:00 noon

Keith appears regularly on Bloomberg/BNN MarketCall to answer viewer questions on the technical analysis of stock trends, and to provide unique insights on the factors of technical analysis used in successful investment management.

If you have questions about the technical analysis of stock trends for individual stocks, be sure to phone in with your questions for Keith during these shows. Call Toll-Free 1-855-326-6266. Or email your questions ahead of time (specify they are for Keith) to marketcall@bnn.ca



Keith Richards, Portfolio Manager, can be contacted at krichards@valuetrend.ca. He may hold positions in the securities mentioned. Worldsource Securities Inc., sponsoring investment dealer of Keith Richards and member of the Canadian Investor Protection Fund and of the Investment Industry Regulatory Organization of Canada. The information provided is general in nature and does not represent investment advice. It is subject to change without notice and is based on the perspectives and opinions of the writer only and not necessarily those of Worldsource Securities Inc. It may also contain projections or other "forward-looking statements." There is significant risk that forward looking statements will not prove to be accurate and actual results, performance, or achievements could differ materially from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements and you will not unduly rely on such forward-looking statements. Every effort has been made to compile this material from reliable sources; however, no warranty can be made as to its accuracy or completeness. Before acting on any of the above, please consult an appropriate professional regarding your particular circumstances.