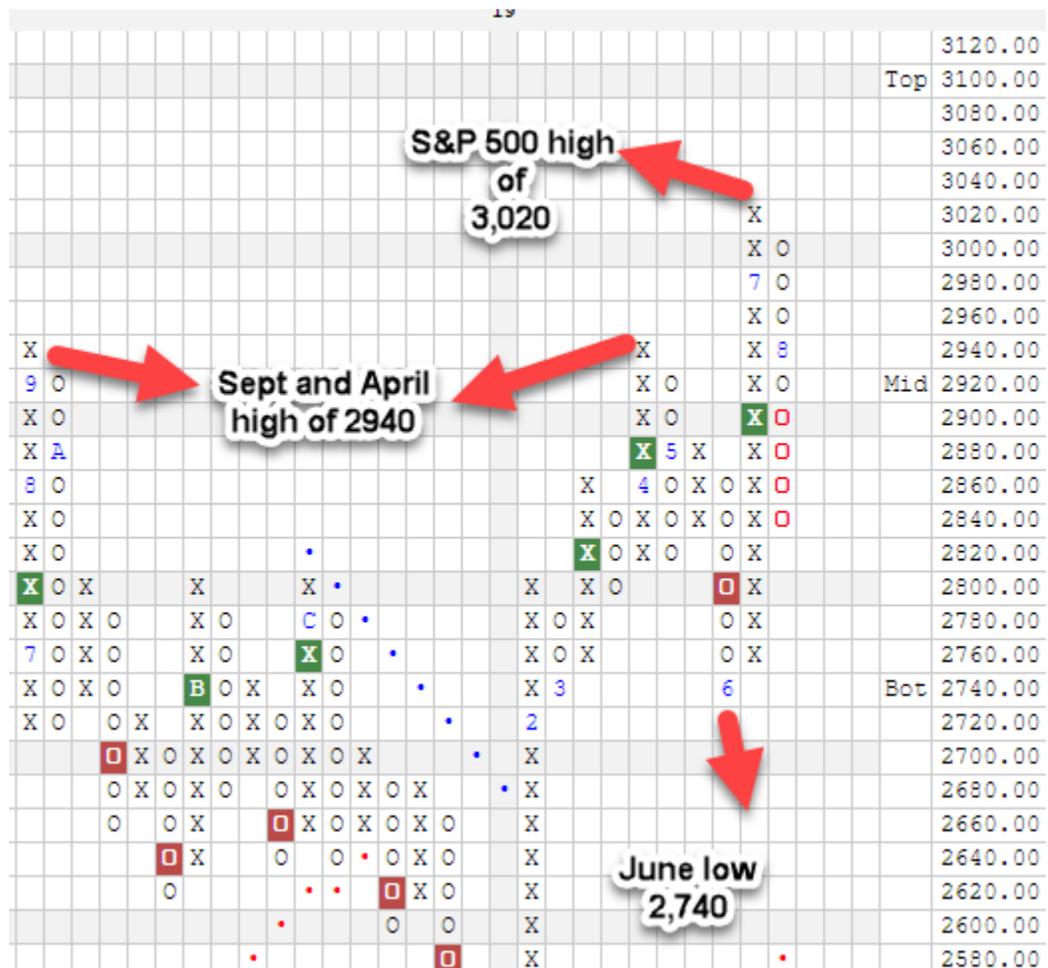


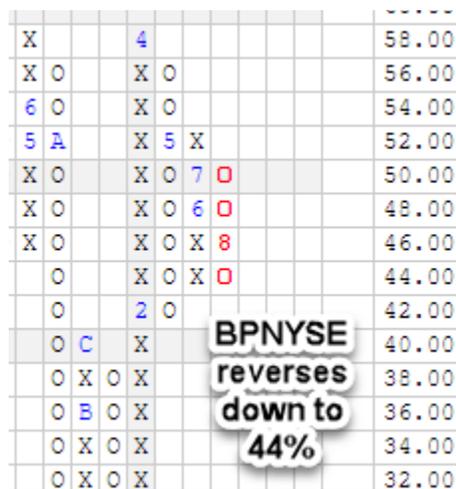
## Back to Defence

Although the US S&P 500 made another new high near the end of July around 3,020, it didn't last as the US President decided to issue a "Tweet" on August 1, 2019 suggesting more tariffs will be imposed on China effective September 1, 2019. At that time, the Dow Jones Industrial Average was up over 300 points on the day and ended the day down around 200 points – a 500 point swing to the downside.\* The sell-off has continued right through the Canadian Civic holiday with markets in Canada being closed in respect of the holiday Monday. **So has anything changed with the Tweet?**

**The short answer is it could form part of a significant change. Only time will tell.** When we look at the S&P 500 index it made another all-time high around 3,020 which was higher than the previous high of 2,940 in September 2018 and the January 2018 high of 2,860. So higher highs, is always a good thing – much better than lower highs or lower lows. We now have a significant move down in a short period of time. It is still above the June and March 2019 lows of 2,740. **So 2,740 is certainly a number to watch to** see if we may challenge the prior December 2018 low of 2,360. We are not at that level and don't want to get there too early in my opinion. Hopefully we avoid it altogether.



As we look at our main indicator, the Bullish Percent for the NYSE (BPNYSE) that measures the percentage of stocks on the NYSE on a buy signal as determined by the Point & Figure methodology, **has now reversed down to 44% suggesting a defensive posture**. The offensive team for the BPNYSE was on the field but failed to make a new high like the S&P 500 did which is disconcerting. In fact it has reversed down below the 50% demarcation point and the 40% level would constitute a lower low in the bottom half of the field in a bear confirmed status.



We also notice that the longer-term indicator known as the Positive Trend indicator for the NYSE (PTNYSE) that measure all stocks on the NYSE in a Positive Trend as determined by the Point & Figure methodology made its current high in April 2019 at the mid-way point - 50%. **A move to 44% would reverse this indicator down and it is currently at 45.64**. So the market has advanced to new highs but this indicator has not moved past its April high. It is also very close to reversing down- **something that has not occurred in 2019**. This would be an ominous picture with a reversal down due to its field position

Finally, last time we looked at the price of **copper** which has application in many parts of the economy to see how it has been performing. It did have a short reversal up to \$2.76 in July but immediately reversed back down again and **threatens to go below its prior lows of \$2.56** set in August 2018 and January 2019. Lower lows are not a good thing but it remains significantly above its prior bottom of \$2.00 in January 2016.

**Interest rates do continue to push lower which can certainly produce a stimulative effect on the economy**. We do like to watch the credit market and see if high yield interest rates for Corporations is rising or falling. We like to see the HYG ETF rising. It too made a new high in June 2019 at \$87.50 but it has just reversed down to \$85.50. **A move down below the June low of \$84.50 would put it on a sell signal and suggest high yield credit continues to rise** – a disconcerting signal and one to certainly watch. It is still well above the December 2018 low of \$80.00



Many indicators are currently falling. Maybe we will get another tweet or some buyers will show up. Many stocks have certainly come down in price. The volatility index for the S&P 500 known as the VIX has certainly spiked up to a high risk level. A long-term reversal in the VIX is welcomed. **The last few days, we have had more sellers than buyers.**

Please call or email me any questions.

Point & Figure Charts and stock market data provided by Nasdaq Dorsey Wright

- <https://time.com/5641813/trump-tariffs-china/>

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