

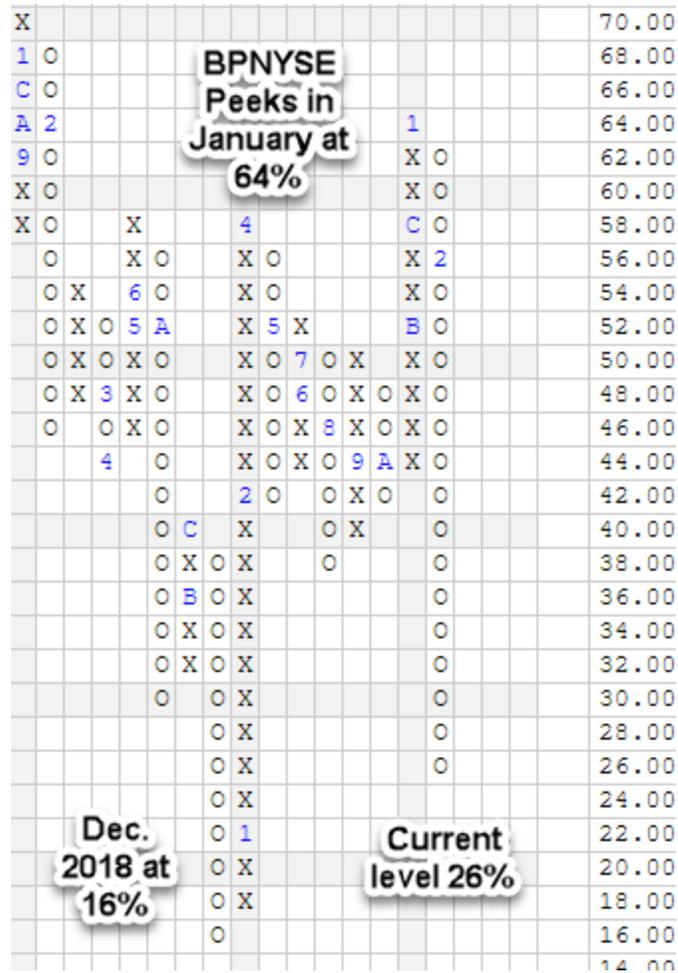
Risk Levels Remain Elevated

Last week we experienced a significant drop in the US stock markets from all-time highs. **A sudden drop of this magnitude from all-time highs does not happen very often** so it does make sense to put it into some context to see if it is simply another buying opportunity that is occurring or is it something different. **When the buying returns to the US stock market, is it a long term opportunity or simply a short-term move.** I would say much like the Corona Virus- nobody really knows. Many will simply buy at some point as that has worked in the past. I would prefer to put some risk reward context into the decision based upon what we do know.

The leader of the US stock market, the Nasdaq Composite reversed down last week from 9800 to 8300 and had a nice reversal up on Monday to 8950. The reversal up could have certainly been caused by some very over sold short term conditions from last week. We now have a test to see if we can proceed higher to a new buy signal at 9150 or we make a new lower low at 8250. It has been a very volatile market so the long-term direction is more uncertain in times like this. **Quite frankly, we prefer this to reverse right back up from where it came but some sort of retest of the prior low is a distinct possibility.**



When we look at the main indicator, **the BPNYSE**, which measures the percentage of stocks that trade on the NYSE that are on a Point & Figure buy signal, **we see it has reversed down below the 50%** demarcation point. Coincidentally, the longer term **PTNYSE** that measures the percentage of stocks that trade on the NYSE that are in Positive Trend based upon Point & Figure methodology also reversed below 50%. This occurrence happened in late 2018 and once again it brought trouble to the stock markets. We see the BPNYSE at 26% which generally brings opportunity when it reverses up from such a low level. Also, the PTNYSE is at 38% - still not at an extreme low but it is in O's below the 50% level. Both of these indicators generally take some time to reverse up.



We certainly know what we want to see for this market to become healthy again. When it does remains the question. **One can simply buy into the stock market because it has worked in the recent past or use a compass of sorts that measures the risk/ reward and act when it improves.** Currently the risk is high and many times opportunity does follow high risk. The timing of that is generally unknown. We try to put the odds in our favour.

Please call or email me any questions.

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

Disclaimer Notice: This publication is solely the work of Michael Farrell for the private information of his clients. Although the author is a Manulife Securities Advisor, he is not a financial analyst at Manulife Securities Incorporated ("Manulife Securities"). This is not an official publication of Manulife Securities. The views, opinions and recommendations are those of the author alone and they may not necessarily be those of Manulife Securities. This publication is not an offer to sell or a solicitation of an offer to buy any securities. This publication is not meant to provide legal, accounting or account advice. As each situation is different, you should seek advice based on your specific circumstances. Please call to arrange for an appointment. The information contained herein was obtained from sources believed to be reliable; however, no representation or warranty, express or implied, is made by the writer, Manulife Securities or any other person as to its accuracy, completeness or correctness.