

Is the Toronto Stock Market Having a Summer Sale?

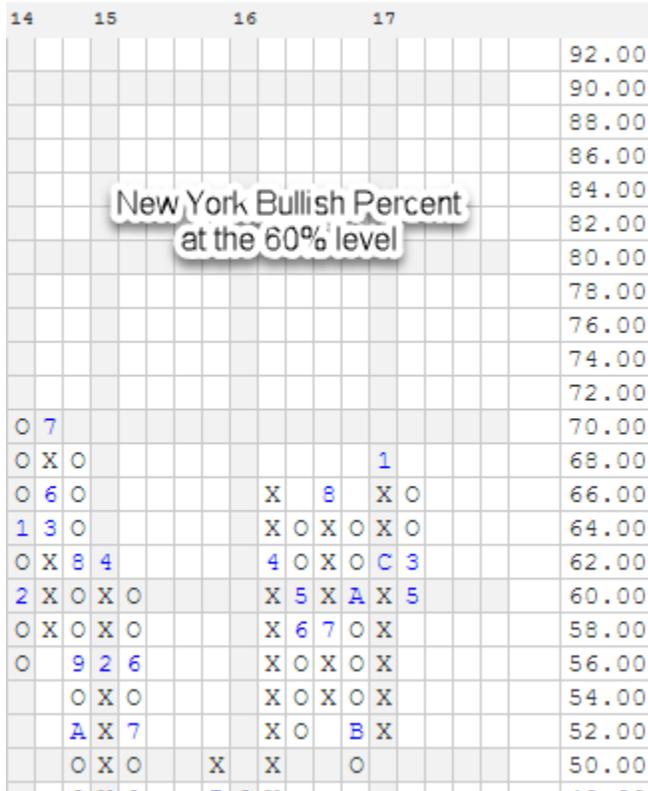
The Global Stock markets have had a very good start to the year with Toronto's TSX Index being one exception. The TSX had an excellent 2016 and ultimately made a new high in February 2017 at around 15,900. However, the TSX has really been a back and forth index when it made an intra- day high on June 6, 2008 at 15,155 but closed the day at 14,970. Those were the days when a barrel of oil was well above \$100. Fast forward to today and the TSX closed at 15,160 on June 15, 2017. Many things have changed since that time including the price of oil which trades well below \$50.00 US today. **It would have been a challenge for a TSX ETF Index, to make much money during that time period** although ETF's are continuing to receive a lot of positive press today. However from 2003 to June 2008 it was a very good time to be investing in the Toronto TSX Index.

We have just witnessed the Toronto Bullish Percent (TBP) reverse down on June 15 from the 60% level to the 54% level as 6% of the stocks that trade on Toronto's exchange gave a Point and Figure sell signal. The current level is well below Toronto's Bullish Percent top in July 2007 at 76% or even the most recent top in December 2010 at 72%. The current level is still above the 50% so more than half of the stocks on Toronto remain on a Point & Figure buy signal. The longer term Positive Trend indicator for the Toronto exchange has not reversed down from the 58% level which is a positive situation. However less than 44% of the stocks on Toronto trade above their 150 day moving average and it is lower than where it was at the beginning of November 2016 before the US election. **So looking under the hood of the Toronto market we see some weakness especially relative to the global markets.** This is certainly not a new story.



Point & Figure Charts and Toronto Exchange data provided by Dorsey Wright & Associates

We initially witnessed the New York Bullish Percent (NYBP) reverse down in March 2017, around the time that the S&P 500 was making a new high at the 2400 level. Since that time, the New York BP moved 2% lower but the S&P 500 went to another new high of 2440. **So we have witnessed the case where the NYBP can go lower and the index move higher.** This is an example of a strong stock market which is evident by both the Bullish Percent and the Positive Trend indicators being above 50%. We also noted in February that the World Bullish Percent reversed back up into X's. This continues to be the case today.



Point & Figure Charts and US market data provided by Dorsey Wright & Associates

So, are the world stock markets going to follow the lead of the TSX lower or is this going to simply be some back and forth that ultimately moves higher. Of course I do not have the answer to the question everyone is always looking for and never will. However, as investors we sometimes get paralyzed by listening to the news of all the moving parts of the various economies around the world. Add politics to the mix and we can become frozen to do nothing – although doing nothing is a decision. These Point & Figure charts that measure supply and demand can help give us perspective into what really matters in the various markets. We have seen some market indicators move lower but there are many longer term indicators that are elevated in X's. We will continue to monitor the various Point & Figure indicators and pay attention to see if the Bullish Percent and Positive Trend indicators move below their respective 50% levels or move higher. **As time moves on, the picture develops more colour. What seems clear at**

this point, is that the Toronto Index continues to lag its US counterpart which has been the case for some time.

Please call or email with any questions

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