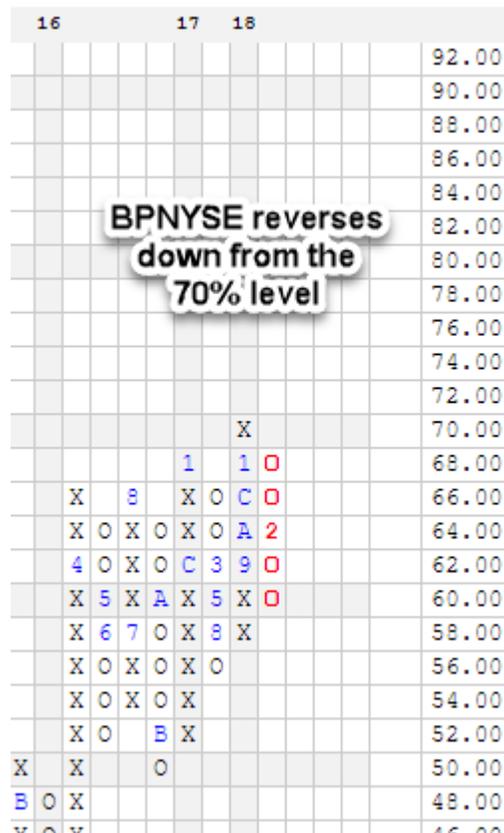


Volatility has Returned

After an extremely strong January and a very good 2017 for the US and international stock markets, all of a sudden we see a fall – out in the US stock market. **Throughout 2017 there was very little volatility** or back and forth for the US markets. There was a big start to the New Year which left some wondering how long this could continue. It simply became a very over-bought market or many more buyers than sellers to drive prices higher in a concentrated fashion. Suddenly, we saw the reversal of that forward momentum last week. **As a consequence the NYSE Bullish Percent (BPNYSE),** which is defined by how many stocks that trade on the NYSE are on a Point & Figure buy signal **reversed down into O's quite dramatically.** In fact over 7% of the stocks on NYSE reversed into O's in one day. **This reversal places it the top 10 list going back 20 years.** It's not a list you want to be on so it does deserve some reflection. I'm sure the financial media will provide numerous reasons for the reversal. We will leave that to the media at this point.

At the same time the S&P 500, and all major stock indexes in the US had a bad week or so. At the close on Monday February 5, 2018, the S&P 500 was at 2648 erasing the January high of 2870. Back on Sept 29, 2017 when the NYSEBP reversed up into X's, the S&P 500 closed at 2519 according to Yahoo Finance. **So it was a good move to the upside but we must now realize that risk levels have increased.** The NYSEBP did make it the 70% level and a reversal down in dramatic fashion adds to the increasing risk.



So, as of Monday Feb. 5, 2018, **we have just under 60% of the NYSE stocks on a P&F buy signal**. How quickly the deterioration continues or not is of some relevance. **We look to the 50% level as being significant** based upon where stock market deterioration has occurred in the past.

As always, we don't know how this develops but it does have some concerning signs worth monitoring.

Please call or email me any questions.

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

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