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“TECHNICALLY SPEAKING”
March 22, 2016

ON THE EDGE?

This special report is being provided to supplement our monthly BLI MARKET VIEW report. Its purpose is to help clients and investors contemplate the attractiveness or unattractiveness of investing in the stock market, at the present time, using technical analysis and the Blue Line Investing 3 Phase sell discipline. This sell-discipline can be helpful in identifying the potential distribution of shares, which historically has led to lower stock prices. As a reminder, the foundation of the Blue Line Investing investment process is to attempt to avoid material loss during periods when the stock market may be suggesting a change in *primary trend*, from positive to negative, over the coming weeks and months.

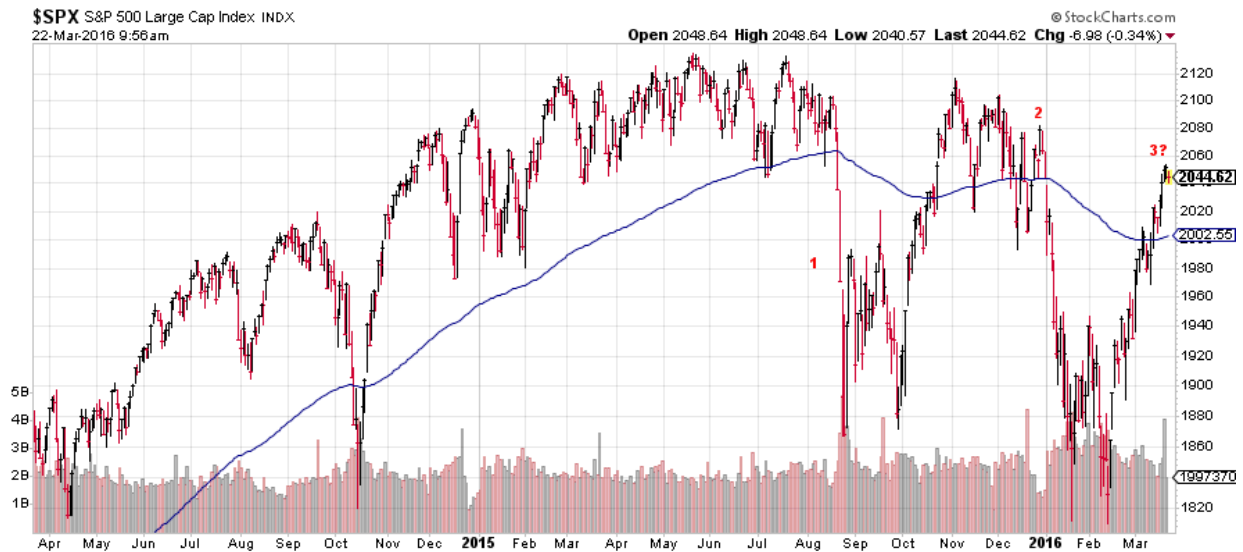
The following charts are being shown to illustrate two specific factors. The first is *time*, and how different periods can reveal different perspectives on the same investment. We believe this can help evaluate whether the investment in question is attractive or unattractive for investment over the short, intermediate, or long-term.

The second factor is *witnesses*. When a similar technical formation or behavior characteristic can be observed among multiple investments, in this case, stock indices, we believe there is greater credibility to the message the market may be sending.

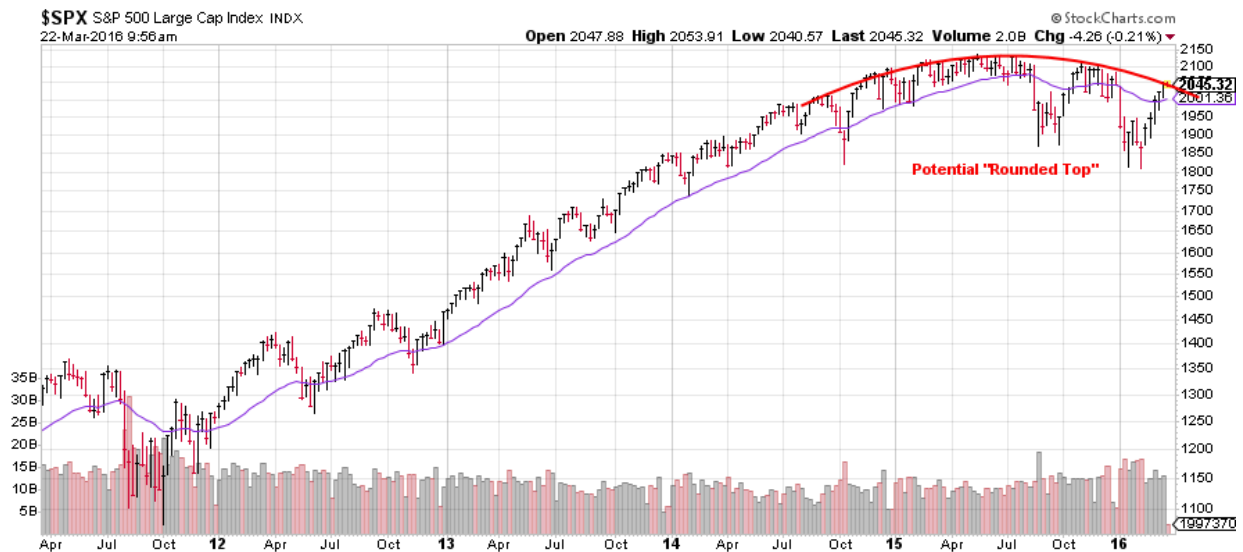
Please note on the following charts the labeled 3 Phases of our Sell Discipline, and how all indices included herein are potentially at Phase 3: CONFIRMATION. According to our observations, this phase has historically revealed the investment in question may be at its weakest and prone to a price decline.

To protect the proprietary nature of our process, we have removed specific indicators from the charts contained herein to simply illustrate basic principles for your education and understanding.

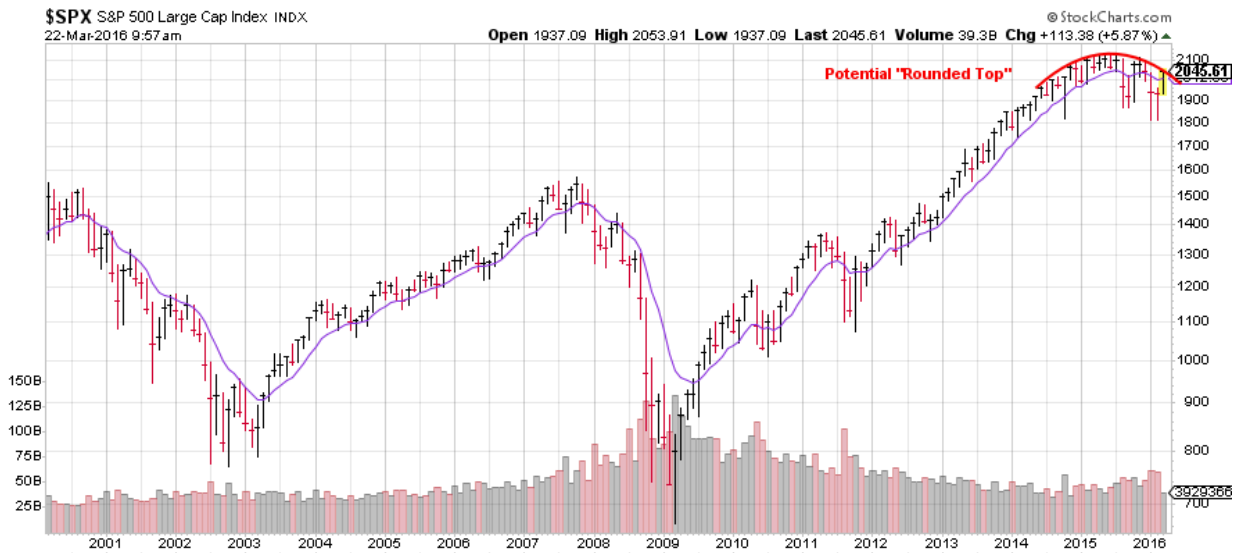
FACTOR 1: TIME (Daily – Weekly – Monthly)



Commentary: Notice the S&P 500 Index⁵ created a Phase 1: WARNING² in August of last year on the daily chart. The resulting rally resulted in a Phase 2: FAILURE³ leading into the beginning of this calendar year. At present, we may be observing the materializing of a Phase 3: CONFIRMATION⁴.

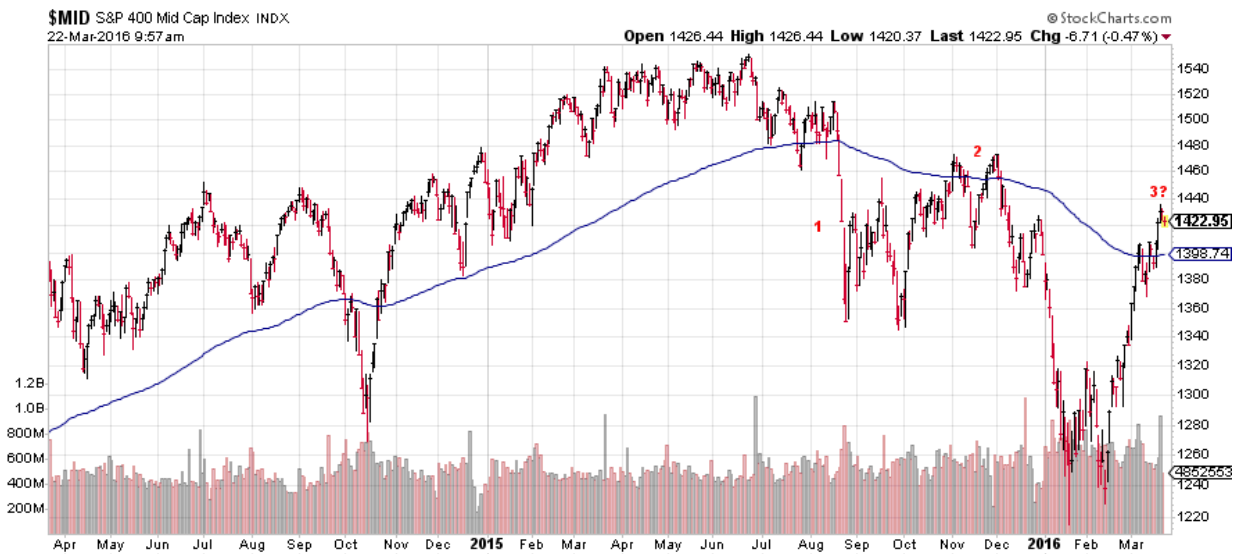


Commentary: Notice the potential "Rounded Top" distribution formation on the weekly chart above that may be in the process of completing. More information on this potential distribution formation can be read under our blog post titled "Technically Speaking, February 2016" posted on February 19, 2016.



Commentary: Notice the potential "Rounded Top" distribution formation on the monthly chart above. Like the weekly chart, this formation, at present, continues to unfold.

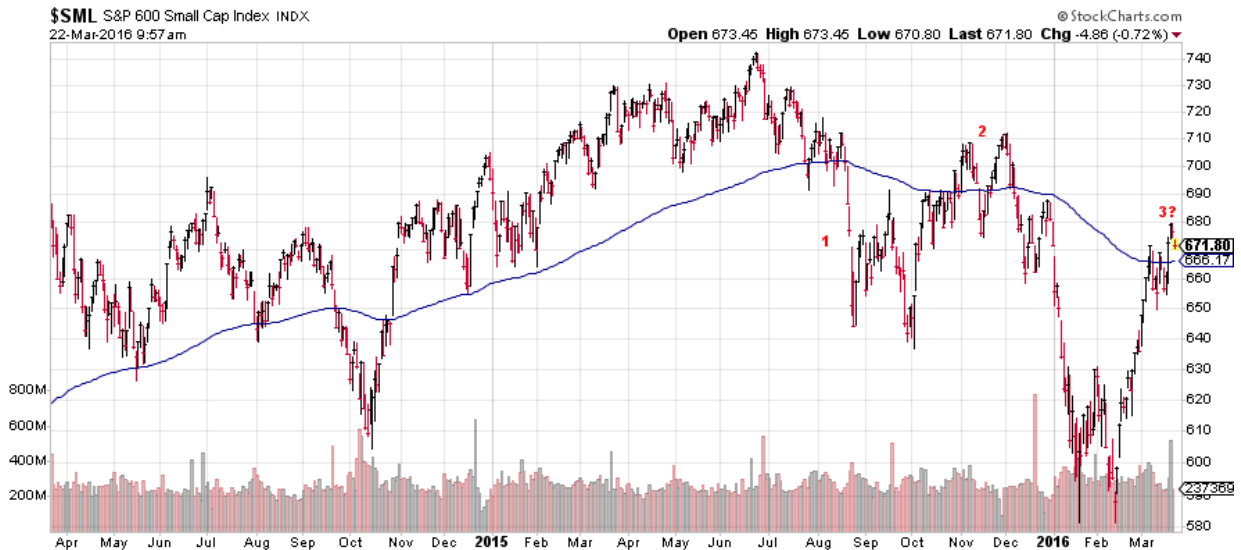
FACTOR 2: - WITNESSES



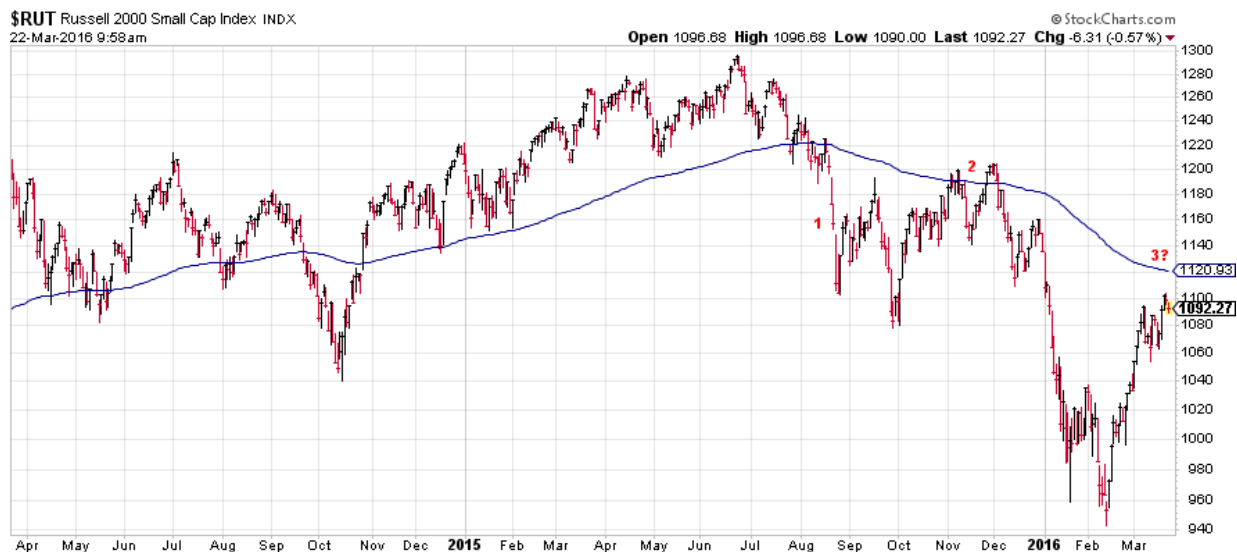
Commentary: Notice the S&P 400 Mid Cap Index⁶ created a Phase 1: WARNING² in August of last year on the daily chart. The resulting rally resulted in a Phase 2: FAILURE³ during December of last year. At present, we may be observing the materializing of a Phase 3: CONFIRMATION⁴.



Commentary: Notice the Russell MidCap Index⁷ created a Phase 1: WARNING² in August of last year on the daily chart. The resulting rally resulted in a Phase 2: FAILURE³ during December of last year. At present, we may be observing the materializing of a Phase 3: CONFIRMATION⁴.



Commentary: Notice the S&P 600 Small Cap Index⁸ created a Phase 1: WARNING² in August of last year on the daily chart. The resulting rally resulted in a Phase 2: FAILURE³ during December of last year. At present, we may be observing the materializing of a Phase 3: CONFIRMATION⁴.



Commentary: Notice the Russell 2000 Small Cap Index⁹ created a Phase 1: WARNING² in August of last year on the daily chart. The resulting rally resulted in a Phase 2: FAILURE³ during December of last year. At present, we may be observing the materializing of a Phase 3: CONFIRMATION⁴. This index appears the weakest since price has not yet even rallied back to the blue line.

As a reminder, when multiple indices are behaving in a similar manner, the message they may be sending should be given greater credence. We make no predictions of the future, but are very mindful that over the past 36 years, there have only been three occasions when the broad stock indices have completed all three phases of our sell-discipline. Those years include 1981, 2000, and 2008. What we are currently observing may eventually become the fourth such occurrence.

¹ Blue Line Investing (BLI) is a disciplined investment process, based on technical analysis research. The process applies trend-following, along with observations of the moving averages of the market. Key to the process is the "blue line", which is derived from comparing an investment's price against its moving average. BLI monitors those activities over time in order to determine allocations within client accounts.

² According to Blue Line Investing, once the price of any publicly-traded investment falls below the blue line, the trend is considered "neutral" and could become "negative." As such, a Phase 1: WARNING, means, by dropping below the blue line, the market is providing a "warning" of distribution.

³ According to Blue Line Investing, once the price of any publicly-traded investment fails to rally and remain above the blue line, it is a signal from the market that selling pressure is greater than buying pressure. This results in a Phase 2: FAILURE, representing the markets "failure" to re-establish a trend above the blue line. The probability of a change in trend is higher.

⁴ According to Blue Line Investing, once the price of any publicly-traded investment fails to rally and remain above the blue line on any second rally attempt, this results in a Phase 3: CONFIRMATION – it is "confirmation" from the market that the trend has changed to negative and investors should expect losses for an indeterminate period of time.

⁵ The S&P 500 Index is one of the most commonly followed equity indices, and many consider it one of the best representations of the U.S. stock market, and a bellwether for the U.S. economy. It is comprised of 500 large companies having common stock listed on the NYSE or NASDAQ.

⁶ The S&P 400 Mid Cap Index serves as a barometer for the U.S. mid-cap equities sector and is the most widely followed mid-cap index in existence.

⁷ The Russell MidCap Index measures performance of the 800 smallest companies in the Russell 1000 Index, with weighted average market capitalization of approximately \$6.7 billion, median capitalization of \$3.6 billion, and market capitalization of the largest company \$13.7 billion.

⁸ The S&P 600 Small Cap Index covers roughly the small-cap range of US stocks, using a capitalization-weighted index. As of January 2015, the market capital of companies included in the S&P SmallCap 600 Index ranged from US \$400 million to US \$1.8 billion.

⁹ The Russell 2000 Small Cap Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index.

Disclaimers:

Technical analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volumes. Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. There are certain limitations to technical analysis research, such as the risk is that markets may not always follow patterns. This investment process should not be considered a guaranteed prediction of market activity and is one of many indicators that may be used to analyze market data for investing purposes. There is no guarantee that this process will be successful or will result in the projections contained herein.

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