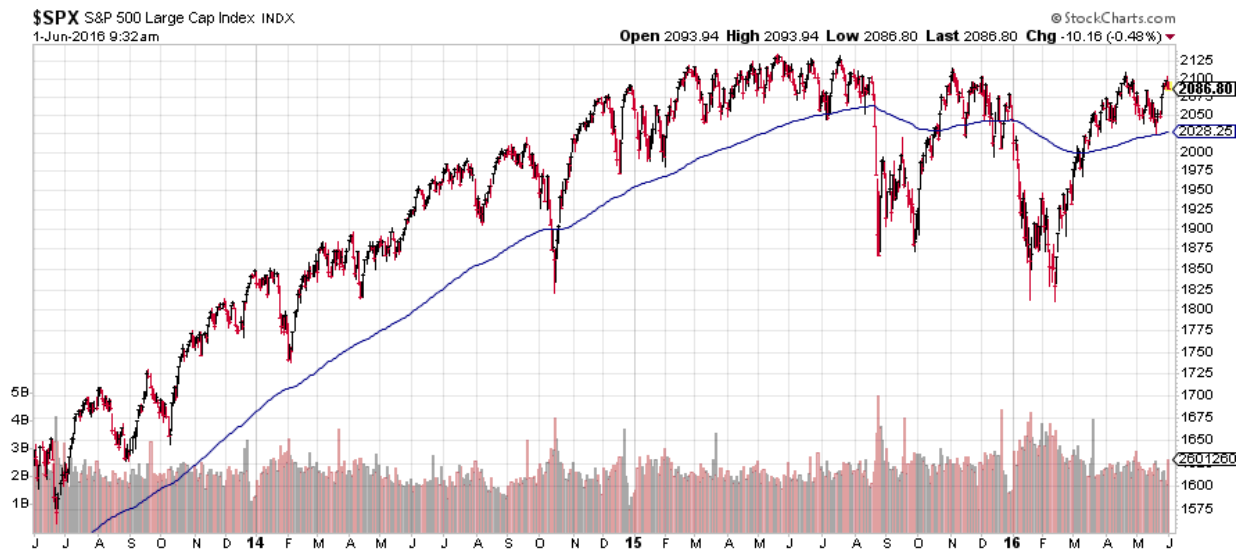




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## Our view of the United States Stock Market<sup>1</sup> at Blue Line Investing<sup>2</sup> for the month ending May 2016



### Commentary:

We believe the stock market is beginning to look attractive for investment. While additional “corrections” are likely, and even appear to be at the door, we believe the *primary trend* of the market may be nearing a turning point, possibly changing from Neutral/Consolidating, to a possible breakout into a Positive Trend.

From the chart above we are currently observing that price successfully exceeded the Blue Line during March. It has now successfully “tested” the Blue Line on the recent correction. If this current price behavior is similar to what was observed during 1984, we would not be surprised if the market has another small “correction” in price, possibly back to the Blue Line, before rallying and breaking out to new all-time highs.

<sup>1</sup> 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. The volatility (beta) of the account may be greater or less than the index. It is not possible to invest directly in this index.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

## **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. The risk is that markets may not always follow patterns. There are certain limitations to technical analysis research, such as the calculation results being impacted by changes in security price during periods of market volatility. Technical analysis is one of many indicators that may be used to analyze market data for investing purposes and should not be considered a guaranteed prediction of market activity.

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