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“TECHNICALLY SPEAKING”² **August 16, 2016**

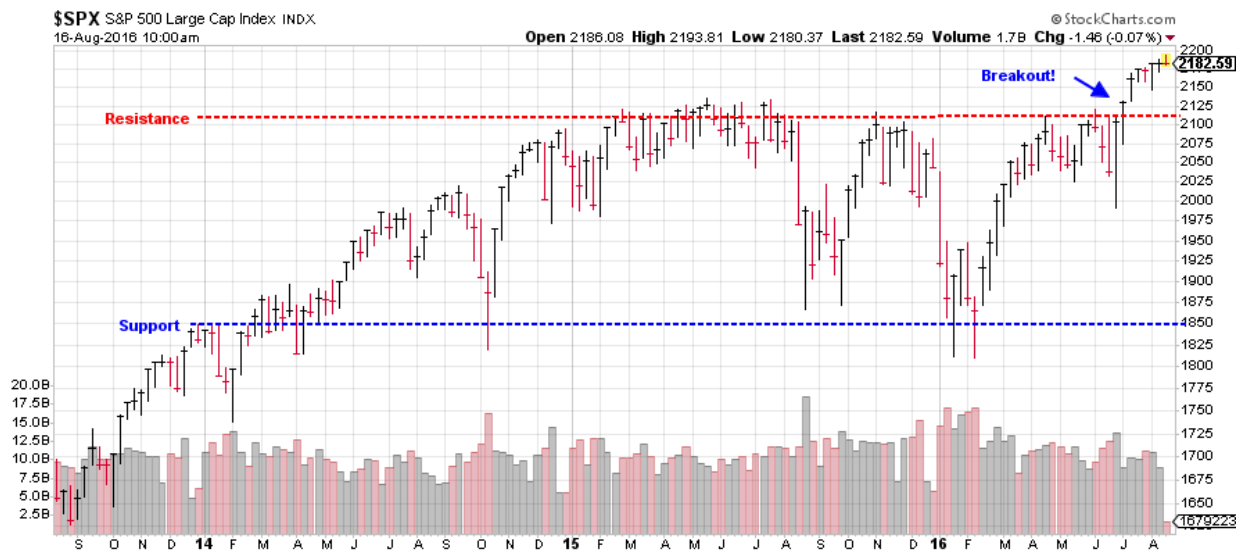
THE GOOD, THE BAD, and THE UGLY

In our June BLI Market View, we observed the S&P 500 Index³ (S&P) had the potential to repeat similar price behavior as was observed back during late 1984. Specifically, after rising up through the Blue Line, the S&P then successfully “tested” the Blue Line – twice – before breaking out to new highs. With that in mind, let’s see what we can observe today.

THE GOOD

The chart below highlights the breakout that occurred since the end of June. The S&P broke out to new highs above the 2,125 price level. At present, we consider this a positive outcome, and one that could lead many investors to expect prices to continue upward, over time, to form a new positive, primary trend.

S&P 500 Index (S&P) – Weekly Chart



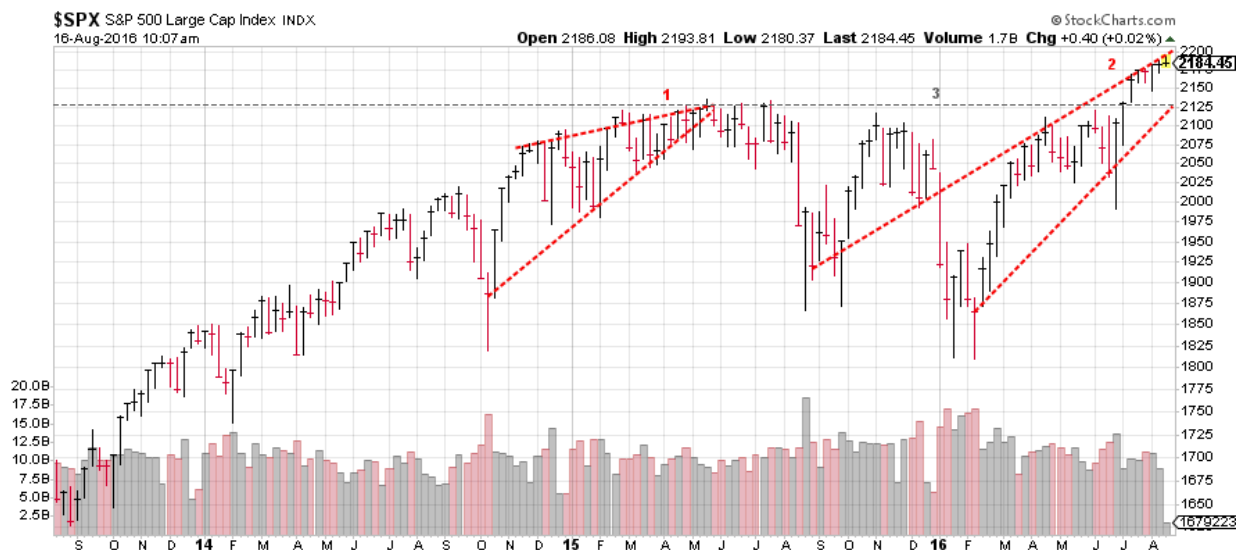
We can observe from the chart above that price was unable to continue to rise through the 2,125 level (resistance) for more than a year-and-a-half.

THE BAD

While we expect prices to eventually continue to rise in a positive primary trend, that doesn't necessarily mean it will happen in a straight line. A short-term "correction" in prices may be in the making. Please see the chart below.

During late 2014 and through much of the first half of 2015, the S&P 500 completed a technical formation called an Ascending Wedge. This has been identified using red dashed lines and the #1. This is a potentially negative chart formation where price rises into a tightening peak, where prices usually break down from the peak. This ultimately came to pass during August of 2015. Looking closely at the chart through today we can observe the potential of another Ascending Wedge forming (identified below as #2). Our expectation is for prices to eventually "correct" in the weeks to come. Of course they don't have to – it is just our current expectation based on technical analysis.

S&P 500 Index (S&P) – Weekly Chart



If prices do correct, we would expect prices to "test" the previous resistance line around 2,125 (identified on the chart above with a gray dashed line and #3). If prices hold this level, then previous "resistance" would then become "support" and prices could be expected to continue to rise thereafter. We believe this could be a good price target for investors to consider adding money to stocks should this price level be reached. Of course, nothing guarantees this will happen, or that prices won't go lower than 2,125. But this can help investors be prepared to make proactive investment decisions.

THE UGLY

As of today, there are still 85 more days to go before the U.S. Election is over for another 4 years.

For existing clients we are always happy to answer any questions you have about our current investment positions, next planned investments, and where we are looking for investment opportunity in the stock, bond, and commodity markets. Thank you for your continued trust and confidence.

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 *"Technically Speaking" is a special report 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 investment process.*

³ *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.*

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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