



*Turning Point Analytics utilizes a time-tested, real-world strategy that optimizes the client's entry and exit points and adds alpha. TPA defines each stock as Trend or Range to identify actionable inflection points.*

*"In the short run, the market is a voting machine, but in the long run, it is a weighing machine." - Benjamin Graham*

**WORLD SNAPSHOT – COMMENTS & CHARTS**

Thursday, July 22, 2021

General comments first and macro tables at the bottom. *Links for Explanations of Technical terms at the bottom of the report.*

## **ONE TECHNICAL VARIABLE WILL SIGNAL THE NEXT MARKET DECLINE**

Let's face it, TPA has not been long enough this year. Why? Because the signals that have worked for TPA and its clients since at least 2009 and probably since 2005 have not worked in 2021. The main reasons are the size and longevity of the FED's actions, adding massive liquidity to the system causing the FED's balance sheet to swell to \$8.5 trillion, and historical stimulus measures, including forgivable loans to businesses (PPP), stimulus checks, extra unemployment money, eviction moratoriums, moratoriums on student loan payments, and mortgage forbearance programs. The FED and government programs have stabilized the economy and propelled stocks higher.

Every time there is a shock to the economy or stocks, investors realize that the federal government's ability to backstop the markets is infinite.

TPA will continue to use its Trend-Range process, which has served its clients well for over a decade, with an eye toward exiting SELL recommendations that are not working quickly. ***TPA will continue this stance until one thing happens - the S&P500 50DMA begins to decline.***

The S&P500 50DMA has continued to rise throughout the 16-month rally since 3/23/21. Even the 2 steep declines in September and October 2020 did not result in the 50DMA declining (chart 1 below).

Continued....

### S&P500 50DMA – 18 MONTHS



The declining 50DMA in late February 2020, however, happened early enough to signal it was time to exit stocks. The S&P500 50DMA began to decline on 2/25/20; moving from 3275.81 on 2/24 to 3275.61 on 2/25 (chart 2).

### S&P500 50DMA – 2 YEARS



In addition, Chart 3 shows that a decline in the 50DMA has preceded each of the last 3 most serious market pullbacks since the start of 2016. Importantly, clients should especially pay attention to this signal, since the declines have grown steadily more severe since the first signal in 2018. The declines in 2018 were -6% and then -18%, while the 2020 drop after the 50DMA began to decline was -31%. If the pattern holds, the next decline will be the most severe of the 4 (chart 4).

### S&P500 50DMA & THE LAST 3 MAJOR MARKET DECLINES



### S&P500 50DMA & THE LAST 3 MAJOR MARKET DECLINES (PERCENT DROPS)



**The odds are that the next decline in the S&P500 50DMA will be the confirmation of a trend change. When this happens, clients should get considerably more bearish. Until then, the variables that have driven the market higher should be respected.**

*When could this signal occur?*

*The math: The 50DMA is a simple mathematical variable. Since the 50DMA merely averages the last 50 S&P500 closing prices, if the S&P500 were to remain unchanged, the 50DMA would stop rising in 50 days or a little less than 2 ½ months of trading days. What if the market were to stop its rally and start to decline very slowly? If we assume a 0.10% decline each day, the 50DMA would begin to decline on day 25. Of course, the S&P500 will not remain unchanged or decline by 0.10% each day, but **TPA will monitor the S&P500 50DMA and alert clients when the signal arrives.***

CLICK ON LINKS BELOW FOR TECHNICAL INDICATOR EXPLANATIONS:

[ASCENDING - DESCENDING TRIANGLE](#)

[BASING-TOPPING-CONSOLIDATION](#)

[BREAKOUT \(Breakdown\)](#)

[CHANNEL & RANGE](#)

[DIRECTIONAL MOVEMENT INDEX \(DMI\)](#)

[DOUBLE BOTTOM or DOUBLE TOP](#)

[MACD-MOVING AVERAGE CONVERGENCE-DIVERGENCE](#)

[MOVING AVERAGES](#)

[RELATIVE STRENGTH & PEER STOCK PERFORMANCE](#)

[REPEATING PATTERNS](#)

[RSI-RELATIVE STRENGTH](#)

[SUPPORT, RESISTANCE, BREAKOUT, BREAKDOWN](#)

[TREND](#)

**ALWAYS REMEMBER: No strategy exists in a vacuum – always evaluate the relevant sector & market.**  
*Over 80% of portfolio performance is determined by sector and market forces (Ibbotson & Kaplan study – January/February 2000)*

**Turning Point Analytics Disclaimer**

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*while trying to forecast future price action. Technical analysis does not consider the underlying fundamentals of the security in question and it does not provide information reasonably sufficient upon which to base an investment decision. Investors should not rely on technical analysis alone while making an investment decision. Before making an investment decision, investors should consider reviewing all publicly available information regarding the security in question, including, but not limited to, the underlying fundamentals of the security and other information which is available in filings with the Securities and Exchange Commission. The information and analysis contained in reports provided by TPA are copyrighted and may not be duplicated or redistributed for any reason without the express written consent of TPA. The information in this communication is for institutional or sophisticated investors only. By accepting this communication, the recipient agrees not to forward, and/or copy the information to any other person, except as permitted, or required by law. TPA does not guarantee accuracy or completeness. TPA is a publisher of technical research and has no investment banking or advisory relationship with any company mentioned in any report. Reports are neither a solicitation to buy nor an offer to sell securities. Past performance is in no way indicative of future results. Opinions expressed are subject to change without notice. TPA will provide, upon request, the details of any past recommendations. TPA's analysis and recommendations should not be used as the sole reason to buy or sell any security. TPA may compensate brokers and intermediaries for sales and marketing services. You understand and acknowledge that there is a very high degree of risk involved in trading securities and/or currencies. The Company, the authors, the publisher, and all affiliates of Company assume no responsibility or liability for your trading and investment results. It should not be assumed that the methods, techniques, or indicators presented will be profitable or that they will not result in losses. Statements, data, and analysis made by TPA or in its publications, are made as of the date stated and are subject to change without notice. TPA and/or its officers and employees may, from time to time acquire, hold, or sell a position in the securities mentioned herein. Upon request, TPA will furnish specific information in this regard. TPA will not be held liable for losses caused by conditions and/or events that are beyond TPA's control, including, but not limited to, war, strikes, natural disasters, new government restrictions, market fluctuations, and communications disruptions.*



