Market Slipping Right On Schedule?

Reminder- Broad markets typically a little soft in August and September. Good friend @RyanDetrick shared the chart below, which looks at the average monthly performance of the S&P since 1980, broken out per month.

![Chart showing average monthly performance of the S&P from 1980-2016]

**Source: LPL Research, FactSet 07/29/17**
Sharing these charts again this week, as a **reminder of past trends**. Typical performance for August over the past 10 and 20-years ave. about a 1% decline.
Below looks at performance of several indices in the states as well as Emerging Markets (EEM) and EFA, since the first of the month (through 8/18). So far this month, most indices are on schedule, a little softer. **S&P so far this month has declined around the 20-year historical norm for August.**

Going into the month of August, the **trend in stocks was up and it still is**. Due to the historical weakness in August & September, before the month started, stops on all long positions were brought up, in case of a seasonal repeat. **Should a good deal of weakness take place, majority of long positions would be stopped out quickly.**

August 18, 2017
Keeping Stops Tight Due To These Patterns

Stocks are into the historically soft time of year, which would suggest investors tighten up stop wise. The next few charts also reflect from a Power of the Pattern perspective, why one would want to control exposure for long positions. Reminder, despite seasonal weakness this time of year, trends remain up.
Bank Index (BKX)

- Trend remains up inside of 8-year rising channel.
- Little softness of late, just below long-term resistance at (1).
- Stock and Bank bulls want/need to see index breakout.
- Bulls would get concerning message if index breaks below (2).

Russell 2000 Weekly-

- Index remains inside of long-term rising channel trend remains up.
- Hit the top of the channel 5-weeks ago at (1).
- Creating back to back bearish reversal patterns.
- Broke rising support and is testing 200MA line this week at (2).
Each of the prior five charts reflect assets that are in up trends and each is testing important overhead levels, while entering the historical soft window.
The average August Performance for the past 10-years is mixed. Why say mixed? The Average return for the month is a negative -.6% and the median return is a positive +.70%.

Below looks at the top 20 S&P 500 stocks over the past 10-years. Some of the stocks have some decent numbers.

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Avg Return</th>
<th>Median Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPY</td>
<td>-0.60%</td>
<td>0.70%</td>
</tr>
<tr>
<td>NVDA</td>
<td>6.94%</td>
<td>8.96%</td>
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<tr>
<td>SNPS</td>
<td>3.72%</td>
<td>7.11%</td>
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<tr>
<td>PVH</td>
<td>3.90%</td>
<td>6.33%</td>
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<tr>
<td>ANSS</td>
<td>5.69%</td>
<td>6.04%</td>
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<tr>
<td>LYB</td>
<td>3.01%</td>
<td>6.00%</td>
</tr>
<tr>
<td>HRS</td>
<td>4.29%</td>
<td>5.96%</td>
</tr>
<tr>
<td>XEC</td>
<td>1.72%</td>
<td>5.28%</td>
</tr>
<tr>
<td>CF</td>
<td>4.65%</td>
<td>4.40%</td>
</tr>
<tr>
<td>LB</td>
<td>6.04%</td>
<td>4.27%</td>
</tr>
<tr>
<td>EA</td>
<td>3.83%</td>
<td>4.21%</td>
</tr>
<tr>
<td>AAPL</td>
<td>2.63%</td>
<td>4.03%</td>
</tr>
<tr>
<td>AMP</td>
<td>0.55%</td>
<td>3.98%</td>
</tr>
<tr>
<td>SYY</td>
<td>1.61%</td>
<td>3.90%</td>
</tr>
<tr>
<td>HUM</td>
<td>4.81%</td>
<td>3.84%</td>
</tr>
<tr>
<td>AET</td>
<td>2.35%</td>
<td>3.43%</td>
</tr>
<tr>
<td>NFLX</td>
<td>5.32%</td>
<td>3.37%</td>
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<tr>
<td>LNC</td>
<td>1.64%</td>
<td>2.99%</td>
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<tr>
<td>CINF</td>
<td>1.73%</td>
<td>2.70%</td>
</tr>
<tr>
<td>HRL</td>
<td>1.92%</td>
<td>2.67%</td>
</tr>
<tr>
<td>PCLN</td>
<td>6.35%</td>
<td>2.64%</td>
</tr>
</tbody>
</table>

Below looks at chart patterns of several strong stocks in the month of August.

August 18, 2017
Position = Long SNPS....Fixed Stop = $75.13

August 18, 2017
**PHV Corp (PHV)**
August Seasonal Strong Stock Median Gain = 6.33%

Soft so far this week, as the low hit 2015 highs at (1). Would send bearish signal if support breaks here.

Breakout to the upside, will look to be a buyer.

**Ansys Inc (ANSS)**
August Seasonal Strong Stock Median Gain = 6%

So far this week, bearish reversal pattern just below recent highs.

If it breaks out, will be looking to buy it. Would get concerning price message if support would break at (1).
Lyondellbasell (LYB) Weekly August Seasonal: Strong Stock Median Gain = 6%

Testing dual overhead resistance at (1). If it breaks out, will be looking to be a buyer.

So far on the week, nearly flat.

Harris Corp (HRS) Weekly August Seasonal: Strong Stock Median Gain = 5.96%

Bought HRS last week at (1) due to it attempting breakout above resistance.

So far this week, a bearish reversal pattern taking place.

Fixed stop just below rising support.
Cimarex Energy (XEC) Weekly August Seasonal Strong Stock Median Gain = 5.28%

Trend is down, hit dual support a month ago and so far it has held. Breaks above bullish falling wedge resistance and the $101 level, will be looking to own it.

CF Industries (CF) Weekly August Seasonal Strong Median Gain = 4.40%

Trend remains down. If dual resistance is taken out at (1) will be looking to buy it.
Apple (AAPL) Weekly-
August Seasonal Strong Stock
Median Gain = 4.03%

Apple attempting breakout of old
highs. So far this week, could be
creating a "Doji Star" pattern that
often takes place at highs.

I am not buying at this time.
If you want to buy it, would
set stop at $152.

L Brands (LB) Weekly-
August Seasonal Strong Stock
Median Gain = 4.27%

Trend remains down and was hit hard
again this week, as it is breaking below
potential dual support and its 61% retracement level at (1).
Small & Micro Caps Look Alike Patterns

Below is a continued update of the patterns in Small Caps (Russell 2000 Index) and Micro Caps ETF (IWC). Both have created look alike patterns the past few years. Both traded sideways for 6-months and broke out.

Softness the past few weeks in both, failed to hold at new support and have slipped below important levels. If trading range support would give way at (1), would send short-term bearish message to small caps sector.

August 18, 2017
Even though August and September are historically soft, the price action of late (small bit of softness) has not broken long-term rising trends. Majority of indices remain above 200 day moving average, which is bullish, not bearish.

The chart below looks at Amazon over the past 20-years, which remains in a well established uptrend. The large reversal pattern last month does NOT reverse the bull trend to a bear trend!!! For sure a reversal of this size by one of the largest tech companies on the planet, gets my attention. Does one month’s action change a bullish trend to a bearish trend? Not so far with AMZN.
Below looks at the Nasdaq 100 “Equal Weighted” ETF (QQQE) on a weekly basis over the past couple of years. The trend remains up (above 200MA). Over the past 90-days, this ETF has mostly traded sideways, with an attempt the past two weeks to break short-term rising support at (1).

**POSITION- LONG PSQ (Inverse NDX 100 ETF); Fixed stop = 38.07**

**RIGHT CLICK HERE TO ENLARGE CHART BELOW**

Attempting to buy an asset that has been hard hit that might move higher off support. **Owning this DOES NOT equate to an overall bearish belief in the market!!!**

August 18, 2017
Past 8-weeks the sectors report has focused on Bullish Ascending Triangle patterns. These patterns present opportunities in bull markets, so my focus will remain looking for this pattern in assets that are near breakouts.

This pattern two-thirds of the time leads to higher prices, which is one of the “Best Odds” of any pattern. Below illustrates what an ideal ascending triangle pattern looks like.

Ascending and descending triangles are usually continuation patterns in trading. Ascending triangles in an uptrend are statistically more reliable than descending triangles. Ascending triangles consist of a horizontal resistance and a rising lower support line.
Position Long XLV (Health Care) with a stop at 77.17

Health Care ETF (XLV) Weekly
Bullish Ascending Triangle resistance breakout took place above old highs at line (1).
Softness of late has XLV testing rising support at (2). If dual support is taken out at (2), position will be closed.

Utilities (XLU) Weekly
Weakness in Utilities brought it down to test support recently at (1).
Rally has followed off support, and XLU is now testing old highs at (2).
Breakout here, am interested in owning.
Energy ETF (XLE) Weekly
Big decline since Feb inside of this falling channel.
Decline this week has it breaking below potential support at (1). Potential support zone in play around (2), which is the 80 level.

Materials ETF (XLB) Weekly
Potential bearish rising wedge has formed over the past year.
Broke below rising support at (1) last week, testing support this week at (2). Bulls would get concerning message if this breaks.
Position FXI Long; Fixed Stop = 41.09

China ETF (FXI) Weekly
Bought FXI at (1) as it was attempting to break above this bullish pattern. Large gap was created to the upside at (2) back in 2015. Hit this level two weeks ago and has backed off some.

IBB Weekly
Rallied up to gap the unfilled gap at (1) and turned lower right away. This week IBB has been soft and is testing top of ascending triangle and rising support at (2). What happens here is big for this sector and could send broad market message.
1999 & 2008 Repeat By Transports?

Transports in 1999 broke above 1998 highs and appeared to be heading much higher until….. a reversal took place, support broke and the index fell hard \(50\%+\).

Transports in 2007 broke above 2006 highs and appeared to be heading much higher until…. a reversal took place, support broke and the index fell hard \(50\%+\).

We’ve shared this chart several times in the past and below is our update. The index could be creating a pattern at (2), that is very similar to the highs in 1999 and 2008.

I’ve said this before and I will say this again….this pattern doesn’t matter until it matters. The odds are low that it will repeat and be meaningful.

If the read would happen to be correct, we all know it could become very important.

**Index closed on rising support last week, No Breakdown at (3)**

August 18, 2017
Crude Oil - testing overhead resistance at (2).

Energy ETF (XLE) remains soft, attempting to break below 50% Fib level.

August 18, 2017
Position
Long TLT; fixed stop $122

Choppy action continues between support and resistance.

The month of August is using good for TLT, as the average gain is 2.5%.

A rally in bonds would not be a historical surprise, considering the typical weakness in August for stocks.

August 18, 2017
Position
Long Freeport McMoran (FCX)
Fixed Stop = $13.77

Found the pattern on FCX to be attractive two months ago, as it appeared a bullish falling wedge was forming, following a large percentage decline.

Nice rally this week that pushed our gains up to the 30% level at (2).

Sold into strength as it was nearing resistance at (2). FCX hit (2) and then backed off, followed by another attempt to breakout this week, were a “Bearish Reversal” pattern (bearish wick) took place.

Potential that this second attempt to breakout, was a failure this week. Stops are set not far below current levels (2-3%). Would NOT be surprised to see the stops hit on FCX, with the price action that took place this week.
Wanted to update you on a couple of Bond Ratios that has my attention.

Both ratios have been a little soft of late, reflecting bond strength over stocks and lack of inflation pressures.

August 18, 2017
Homebuilders Testing Support Again

Lennar (LEN) Closed LEN position at the close today (8/18), due to weakness in XHB above and LEN below.

August 18, 2017
Patterns and Sentiment Could Lead to a “Sweet Opportunity!”

Sugar may have found support at (1). Attempting counter trend rally of late. A weekly close above 31.23 and will be looking to be a buyer. Went above this level “intra week” than reversed lower.
Fear ETF Update

Shared two weeks ago with you that fear levels were low and that owning VXX was of interest to me, due to how low VIX found itself. The idea of owning it, wasn’t about being bearish, it was about the pattern in a hard hit ETF. If VXX were to break above falling resistance, I was interested in owning it.

Fear levels have been pretty crazy past two weeks. One day Fear moves up 40% in a day on just a 1% decline in the S&P. Three days after the big rally, fear declines nearly 25% in a day. Yesterday it was up big again.

RIGHT CLICK HERE TO ENLARGE CHART ABOVE
I will be on vacation next week in the Rockies. Sectors as well as all reports will be abbreviated.

**SECTOR/COMMODITY SENTIMENT EXTREMES DESCRIPTION**

"Sector/Commodity" Sentiment Extremes includes the 5 most favored and 5 least favored sectors/commodity sentiment readings updated weekly. We then apply "Power of the Pattern" analysis to these extremes and look for the most opportunistic pattern(s), if any. This is a great tool for people looking to capitalize on potentially explosive opportunities at key reversal & exhaustion points.

“Shopping cart”: there will be many times certain opportunities are moving towards our ideal criteria. They are on our radar screen but we are not ready to suggest action. We want to make you aware of these potential opportunities but for now, we put them in our “shopping cart.”

*Ideal Criteria: An investment that is out of favor / unpopular / fallen a great deal is not enough to take action. **Our ideal circumstance to go long** is an out of favor investment plus any or all of the following: a support line, a falling wedge, at the bottom of a channel or a key Fibonacci support level. The opposite is true for
investments that are in favor. **Our ideal circumstance to short** (score on defense) requires any or all of the following: up against resistance, a rising wedge, at the top of a rising channel or a key Fibonacci resistance level....just because public opinion is popular on an asset/investment, is not enough evidence for taking action.

**Delivery time for updates:** Our emphasis is on timeliness of quality opportunities over timeliness of updates. We may need Monday to gather current information, chart patterns for opportunities, if any, then we will put together the report.

*We will be planning on updates to arrive by each Friday at 5 p.m.*

Best Regards,
Chris Kimble
Kimble Charting Solutions

**Kimble Charting Solutions (blog)**

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August 18, 2017
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