MARKET COMMENT

TORONTO JUST REACHED AN ALL TIME HIGH. ARE YOU SURPRISED? WE ARE NOT!

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Despite the market volatility and negative news that bombards us every day, the markets have again climbed the proverbial wall of worry. The S&P 500 and the S&P/TSX are ahead by 11% and 22% respectively from their January lows. Toronto reached an all-time high of 14,696. While many are perplexed about how this could have happened in such an uncertain environment, the indicators have clearly suggested an *over-sold* condition earlier this year. It is another example of why it is so much better to rely on technical indicators to show where the money is flowing, than on news, opinions and statistics which explain what has happened in the *past*.

It is like a tourist entering an unfamiliar city. He can either look in the rear view mirror, or at a map. While a map does not predict the future, it shows where he is and where he is heading. It is the same with the over-bought / over-sold index. They may not tell us where the markets will be in three or six months in the future (we use Point&Figure measurements for this), but they tell us where we are in the cycle, and what the trend is likely to be! This is what occurred in January. The indicator provided a clear signal that the worst-case scenario was already factored into the market; that those who wanted to sell had already sold, which meant that the only way the markets could go was **UP**.

While the dismal performance of the US financials hurt the performance of the US market averages, the Resource Sector helped the S&P/TSX to reach the new all-time high. Although a short-term pause or consolidation could occur at any time, there are no signs of any longer-term trouble for the time being.

Commodities. Gold and Silver are building a base and their oscillators are at a very low reading, which suggests that much of the risk has dissipated.

Stock selection remains the key. Continue to maintain a fully invested position in the Canadian Resource Sectors.

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