The Big Bearish Crossover

eResearch Corporation is pleased to provide an article from The Reformed Broker, featuring Josh Brown.

Today’s article comments on a possible bearish cross-over in the making.

The Reformed Broker is a blog about financial markets and the economy.

From Josh Brown’s website: My blog is about markets, politics, economics, media, culture and finance. I’ll use statistics, satire, anecdotes, pop culture references, sarcasm, fact, fantasy, and any other device that I feel necessary to get my points across.

What I don’t do on this site is give financial advice or tell anyone what to invest in. The Reformed Broker is a forecast-free blog. What I will do on this site is provide you with a running commentary of my market-related insights and thoughts as events unfold. I’ll point you toward other interesting content around the web. I’ll challenge your perceptions, call it like I see it and, occasionally, I’ll make you laugh.

A link to the blog’s website is provided here: http://www.thereformedbroker.com/.


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By Josh Brown
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Jon Krinsky’s latest technical look at the market for MKM Partners is eye-opening for those who understand the importance of sentiment and trend. While we are in the midst of a healthy bounce from the year’s lows, the larger trend is, at best, in the midst of a flattening out or, at worst, presaging a rollover.

Here is Jon on a longer-term crossover in the moving averages:

*If the S&P 500 closes below 1970 on Monday, the 10-month moving average will cross below the 20-month moving average from above for the first time since 2008. (BW: It closed at 1932)* There have only been two other bearish crossovers in the last 22 years, and both coincided with cyclical bear markets. While 1994 saw a negative crossover within the confines of a secular bull market, the slope of the 20-month moving average never inflected downward. The current slope of the 20-month M.A., while not negative, is certainly flattening.

Josh here – now, of course, the frustrating aspect of technical analysis is that all of this is subject to change. Stocks could begin “acting” differently based on new information or no information at all.

Chartists are using information about the past to understand the behavior of investors, they never have access to information about the future. In this way, “technical analysis is a windsock, not a crystal ball.” But I would point out that there is not any other investing discipline whose proponents have access to information about the future either.

Trend is important because it informs sentiment, which influences behavior.
The trend over the last two weeks is higher. The trend over the last two years is flat. Observing long-term moving average crossovers is just another way of understanding the big picture, from a buyer vs seller behavioral point of view.

Source:
*A Long-Term Bearish Crossover*
*MKM Partners – February 28th 2016*

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