



# GPAG Technical Analysis

Monday, March 26, 2018

Global Portfolio Advisory Group, Scotia Capital Inc.

Gord Wiesemann / (416) - 863-7779  
[gord.wiesemann@scotiawealth.com](mailto:gord.wiesemann@scotiawealth.com)

### Indexes

Index	Short Term Trend	Medium Term Trend	Support	Resistance
TSX Composite	Bear	Bull	15120, 14940	15510, 15700 ↓
S&P500	Bear*	Bull	2535, 2403 ↓	2680, 2710 ↓
Nasdaq 100	Bull	Bull	6424, 6200 ↓	6770, 6860 ↓
DJIA	Bear*	Bull	23530, 23113 ↓	24590, 24800 ↓

\* Change in status

### Influential Markets

Product	Short Term Trend	Medium Term Trend	Support	Resistance
Gold	Bull	Bull	1327, 1310	1364, 1374
Silver	Bear	Sideways	16.13, 15.72	16.84, 16.92
Crude Oil	Bull	Bull	63.00, 60.00 ↑	66.40, 68.22 ↑
Canadian Dollar	Bear	Sideways*	0.7634, 0.7548 ↓	0.7837, 0.7854 ↓
Lumber	Bull	Bull	475, 461	490, 519 ↓
Natural gas	Bear	Sideways	2.62, 2.53	2.70, 2.77 ↓
Copper	Bear*	Bull	2.90, 2.84 ↓	3.09, 3.18 ↓

\* Change in Status

### Action and Changes

I've said this before. Technical analysis is, in my opinion, a graphical representation of market sentiment. It is not simply a series of lines connecting price highs or lows nor is it a collection of arbitrary mathematical calculations. Technical analysis can admittedly be done poorly but a price chart, particularly one with ample data, is in effect a

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snapshot of every market participant's sum desire to hold or liquidate a given asset over time, up until the present moment. When evaluated from this context it can offer significant insight. It cannot predict the future but because people collectively tend to make similar decisions when confronted with the same information over and over it is, again in my opinion, possible to identify prevailing sentiment and also note where, as defined by price, participants take the time to assess and reassess the relative desirability of said asset. When a price chart displays an unrelenting uptrend for an extended period of time for example, it could be inferring that market participants have begun, as the old saying goes, to throw caution to the wind. An unrelenting price trend, whether we're talking up or down, does not leave behind pivots which are the inflection levels that mark where participants have collectively taken the time to pause and reconsider the desirability of the asset. Prices are rising or falling as the case may be without reconsideration which could suggest that the underlying asset may no longer be priced according to relevant fundamentals. Since the chart cannot predict the future it cannot tell us at what point in time the market will have a collective dawning that it's overdue to stop and think but the chart can warn us away from participating in a trend that has taken on a life of its own and is potentially displaying a collective, and possibly reckless disregard for reality. Eventually, an event of some sort forces a moment of reconsideration on market participants and we see an abrupt end to the prevailing chart condition. Often times, analysts who are not particular proponents of technical analysis point to these circumstances to support their view, arguing that charts cannot anticipate such an eventual event and that the chart top was an event in and of itself, therefore technical analysis has little if any use. A technical analyst would counter by pointing out that the event itself is irrelevant since the conditions for a market response were already well-built into the prevailing price movement. In a metaphorical sense, the bonfire had already been stacked, it was simply lacking the flame and whether that arrives as a match, a lighter or flint is moot.

Toward the end of 2017 and into the early part of this year I prepared a few technical studies that suggested equity indices were extending rather dramatically above what could be perceived as long term trade norms. I attempted to illustrate this by adding slowly ascending trendlines to the major stock index charts that graphically placed 20 and 30 year views into wide trade bands. These trendlines rather unsurprisingly rose at a rate of just 10 to 15 degrees; a rate of climb that at least in graphic terms approximates the long term average stock market return. If we accept that the long term average annual return on the S&P500 or Dow30 is roughly around 7% (there is no precise consensus but this calculation will serve our point) then by virtue of how an average is calculated, outperformance over a relatively short period of time necessitates that there be an ensuing period of underperformance in order for this average result to be true. Even if stock indices are slowly improving their average rate of return in more recent decades through advanced trading methodologies, better corporate management, more effective monetary and fiscal policy implementation or any host of other factors, there is still no escape from the core mathematics that requires an upside aberration to be offset by a downside aberration (not necessarily of equal magnitude), ultimately delivering an average result. Reflecting back to my first paragraph, there was no way for technical analysis to determine specifically at what point in time stock markets would have their collective dawning that an adjustment from outperformance was required. Nor could the charts possibly anticipate what the catalyst for this awakening would be. But the signs were there in the charts that the bonfire had been stacked. At the very least, market volatility was on the horizon. And to be clear, the environment we're in now is as much a part of a normally functioning stock market as any other. The average rate of return for the S&P500 since 2008 up to the end of 2017 was 15.1%. Last year by itself even significantly exceeded that. Again, mathematics does not require that this is adjusted for today, tomorrow or even this year. A 100 year average of 7% simply states that 15% over a much shorter period of time is not sustainable indefinitely.

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Looking ahead into the remainder of 2018 there are a number of technical signals both emerging and evolving that suggest the average index rate of return will decline from measures of the past two years. Outperforming the index will be a challenge and will very likely require active portfolio management. Due diligence notwithstanding I would propose that technical analysis can be a valuable tool to help identify assets that either remain consistent performers while wider indices correct or alternatively identify those assets that have comparatively less room to decline today, having already underperformed for the short to medium term past. For the latter I would hope they are in position to take advantage in a sense of basic mathematics and correct upwards toward their specific longer term average price range in opposition to the broader indices. Among the short list of stocks we like in GPAG from a fundamental perspective, here are the ones I feel also carry technical chart conditions that ascribe to these criteria:

**Canada:** ENB, SLF, BMO, FCR, FTS

**United States:** PFE

#### Additional Featured Items

**ENB:** Enbridge Inc. is an example of a multi-year underperformer that is now approaching a long term supportive trendline (currently intersecting the chart at \$38.60) as well as an influential point of long term support that has some measure of inflection as well (\$37.87). While calendar year 2016 offered positive performance, the rebound was part-and-parcel of the longer term decline that began from the \$65 range the year prior. Pivot levels in the range of \$59, \$51, \$48 and \$42 were variously influential in affirming the market's collective wariness. The long term, supportive trendline that originates in late 2008 could be said to underline the general rate of climb since then (12 degrees) and could represent an approximate price level at which market participants might be willing to reconsider their desire to own ENB. The number of contact points on this trendline is admittedly a matter of some concern but the initial response and rebound over the recent few trading days lends a measure of credence to its potential influence. There is of course no certainty as to the market's final decision on the matter but risk/reward as defined by these chart criteria now appears attractive.

**SLF:** The chart for Sun Life Financial Inc. is an example of consistent bullish performance in spite of broader index struggles. The market has undertaken several periods of inflection at roughly \$45.50, \$42.50, \$40 and \$33 which implies that the prevailing price rally has been weighed numerous times and considered appropriate. The current rally can be considered to have begun over 2012 and 2013 with its peaks and troughs quite well defined. While the present price would be considered mid-range within the context of the prevailing uptrend, thus implying little better than an initial one to one risk/reward ratio, any retracement that remains within the confines of the ascending channel can be viewed as an opportunity to add, thereby improving both the average entry price as well as the longer term risk/reward ratio.

**BMO:** Bank of Montreal shares earn a spot on this list as a consistent technical performer. It is singled out from its sector colleagues only by virtue of what is still a tentative but otherwise comparatively proximate pivot or inflection level on its chart (\$95.75). The price is on the high end of its long term ascending channel and consequently its near term

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risk/reward ratio may be less than optimal but with established longer term pivots in the range of \$83, \$67 and \$53 there is ample technical evidence that market participants have taken the time to reflect on the continued desirability of the shares.

**FCR:** The chart for First Capital Realty Inc. shows that bullish price momentum has predominantly stalled over the past five years so FCR makes this list as a relative underperformer on that basis but the chart has undergone significant inflection over this period and is now showing signs of a potential bull breakout in defiance of broader market turmoil. Inflection levels began with the market rally in 2009 at the \$10 level and appeared again at \$13, \$17 and at two distinct levels within the \$19 handle. An ascending trendline that defines a general rate of climb of 26 degrees is arguably too steep for long term sustainability but this excess can perhaps also reconcile the extended inflection that has been ongoing since early last year and a new, slightly more sustainable rate of climb could be the emergent result. A bullish breakout and close above the short term declining trendline would add an additional positive to the chart outlook.

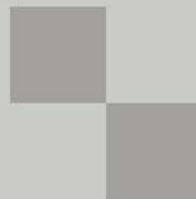
**FTS:** Fortis Inc. is something of a mix of criteria for this list with the most recent 12 months representing a period of technical underperformance while being a consistent performer longer term. A steady, ascending trendline that originates from the market low in 2013 delivers a very market-consistent climb rate of 15 degrees. In late 2015 the market deviated from that relatively sustainable norm and embarked on a more aggressive climb rate of 27 degrees. This condition remained intact until late 2017 at which time the market revisited an establishing inflection point at the \$45 level and market participants opted to liquidate. The ensuing retracement took prices back to a prior inflection point at the \$40 level which also happened to retest the previous 15 degree supportive trendline that underpins the longer term rally. With an additional inflection point standing in possible defence at the \$38 level, the chart has seen an appreciable and presumably well-considered retracement that presents the current price in an attractive technical light.

**PFE:** Pfizer Inc. makes the list as the sole US entity on the basis of being a consistent technical performer. Since embarking on a very well defined price rally in early 2009, an ascending channel is the highlight of chart action with price support defined at \$28 and inflection levels emerging at \$31, \$33 and \$35. While very short term market action sees prices dipping below the \$35 inflection level there is good technical reason to see the \$33 range as potentially strongly supportive. When market participants previously tested this level and opted to liquidate, buying interest re-emerged at the baseline of the ascending channel. This baseline now intersects the \$33 inflection point. The risk/reward ratio as defined by the present price in relation to its place within the ascending channel presents a particularly attractive technical picture.

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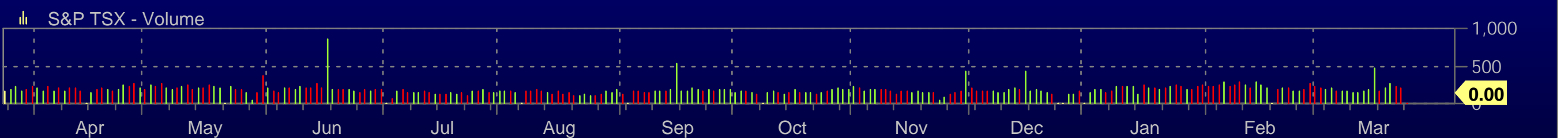
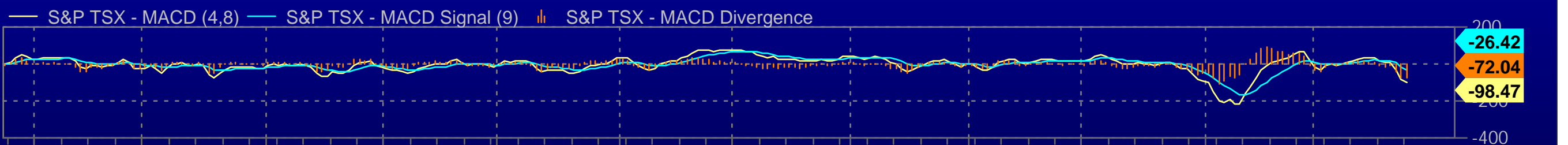
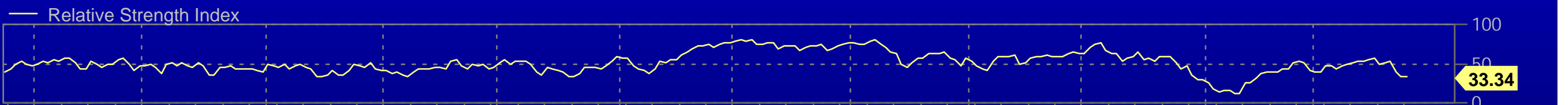
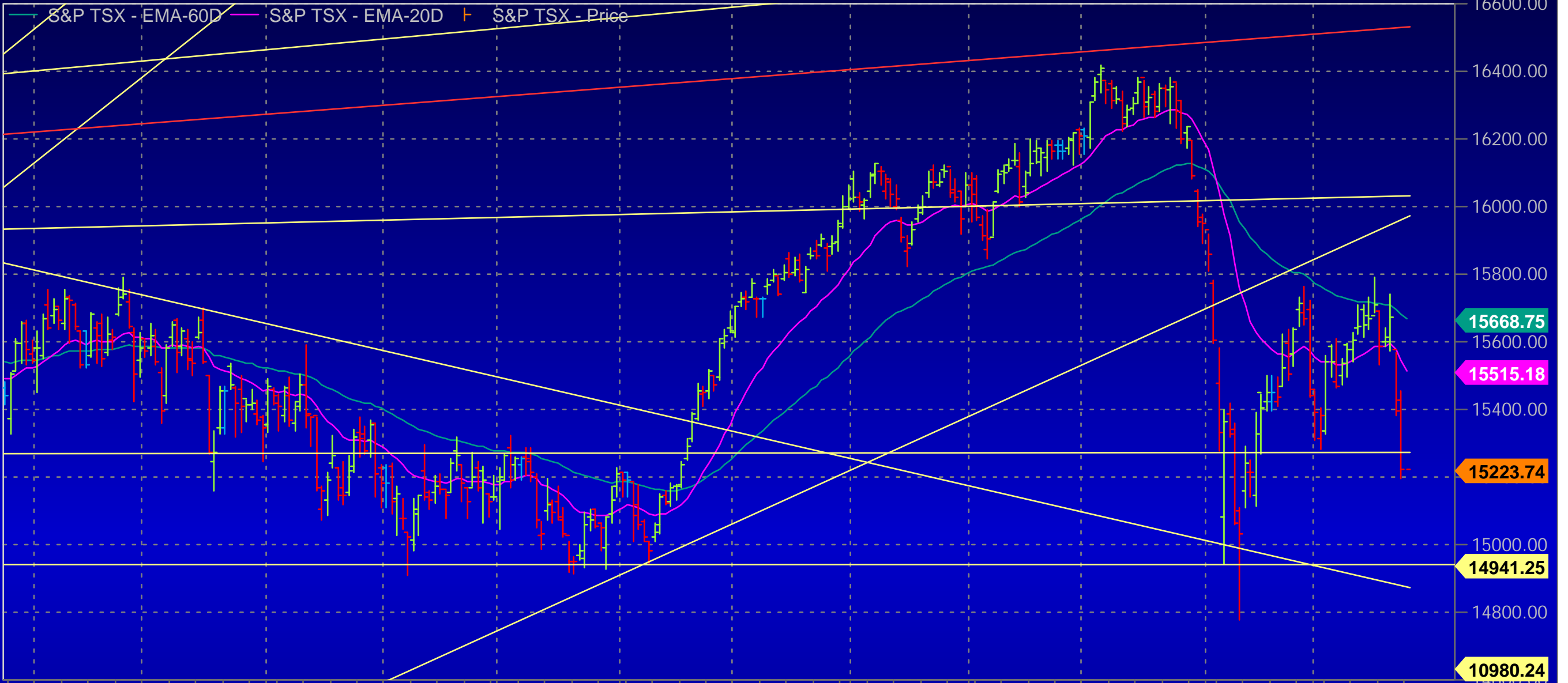
## Benchmark Indexes

# S&P TSX

Daily

15223.74 0.00 0.00% 12:00:00 AM VWAP:

High: 16129.45 Low: 15162.44 Chg: 0.82%



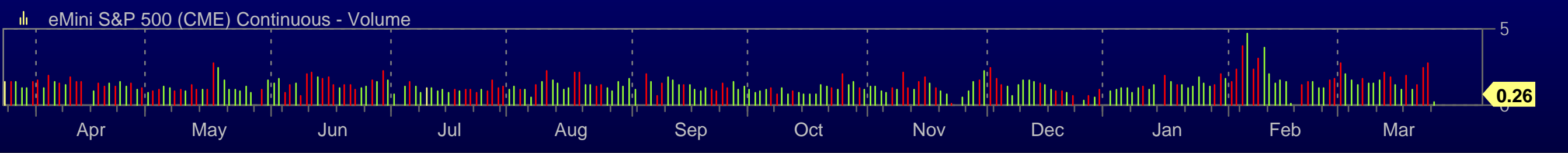
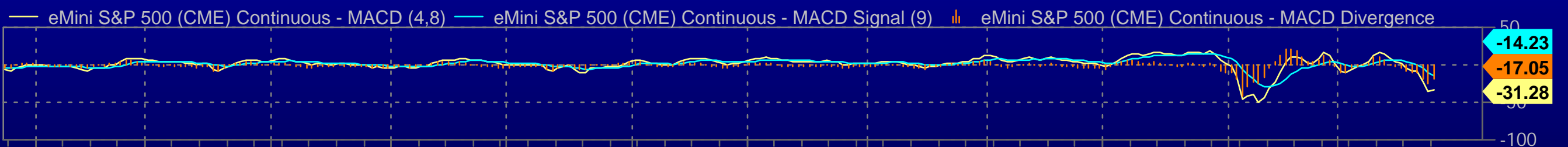
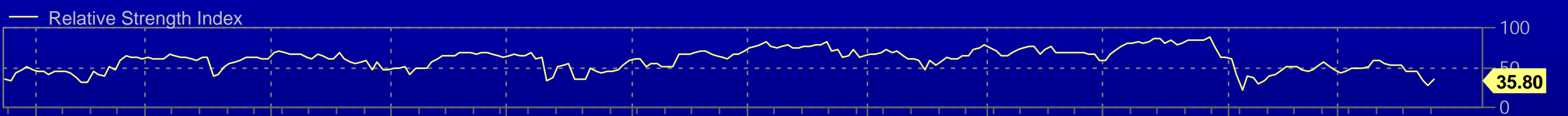
Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

# eMini S&P 500 (CME) Continuous

Daily

2628.75 30.95 1.19% 7:50:43 AM VWAP:

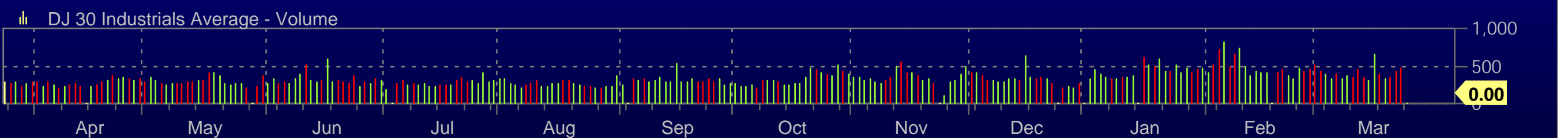
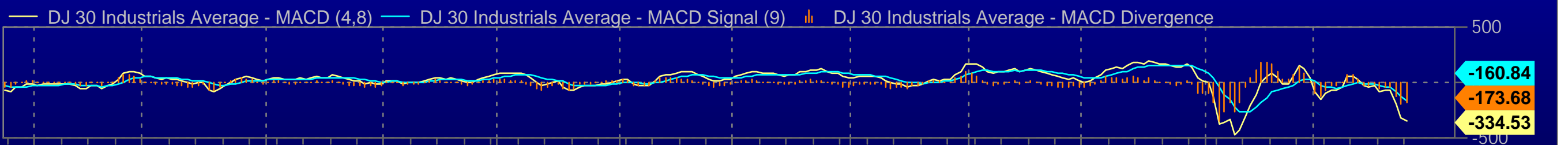
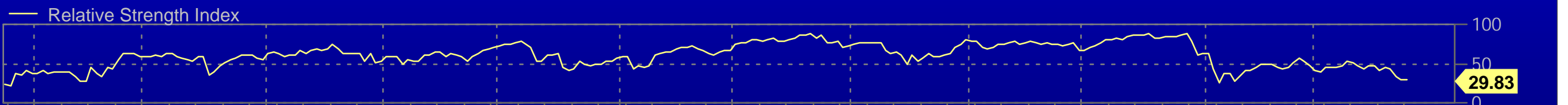
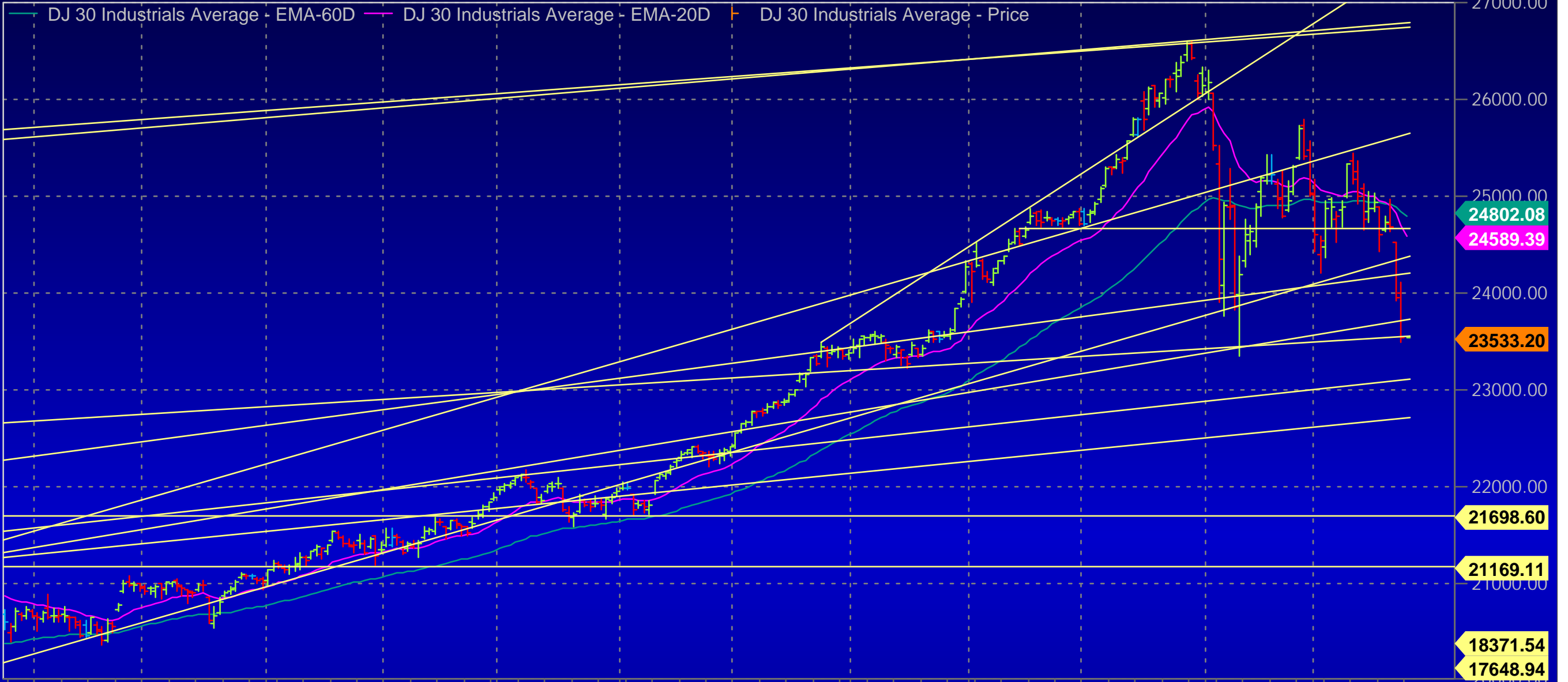
High: 2721.50 Low: 2317.99 Chg: 17.00%



# DJ 30 Industrials Average

23533.20 0.00 0.00% 12:00:00 AM VWAP:

Daily  
High: 24985.06 Low: 20368.68 Chg: 21.77%



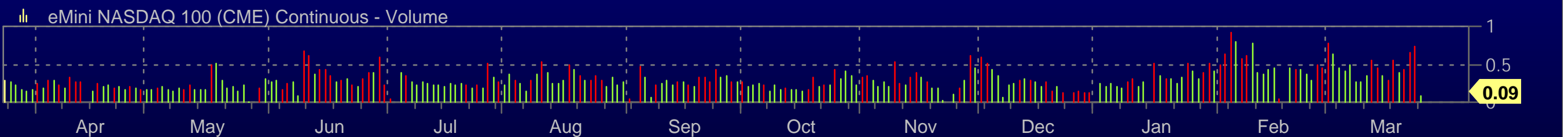
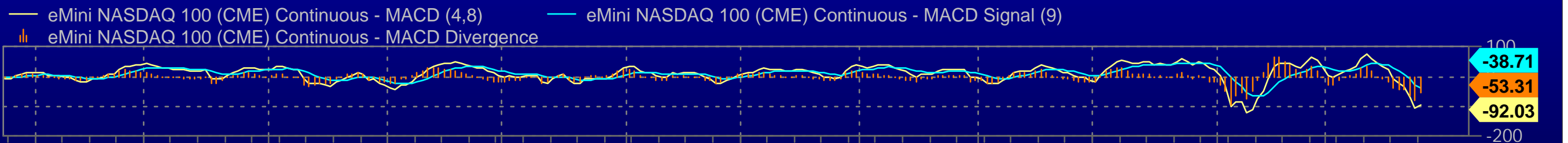
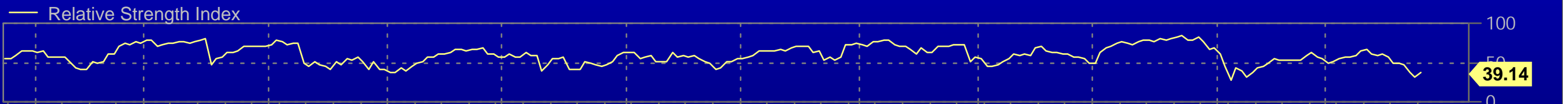


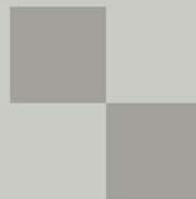
# eMini NASDAQ 100 (CME) Continuous

Daily

6657.00 102.75 1.57% 7:52:14 AM VWAP:

High: 6780.03 Low: 5217.83 Chg: 29.67%



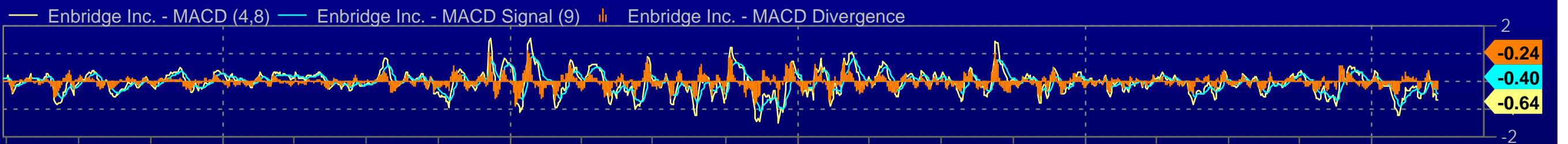
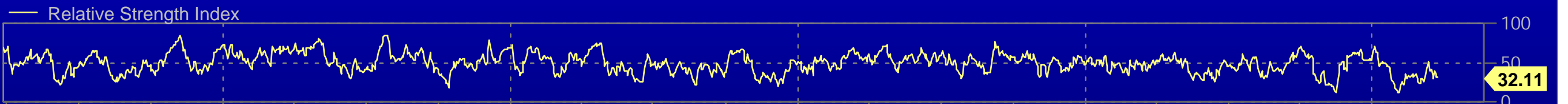


## Features and Notables

# Enbridge Inc.

38.48 0.00 0.00% 12:00:00 AM VWAP:

Daily  
High: 61.90 Low: 43.34 Chg: -3.03%

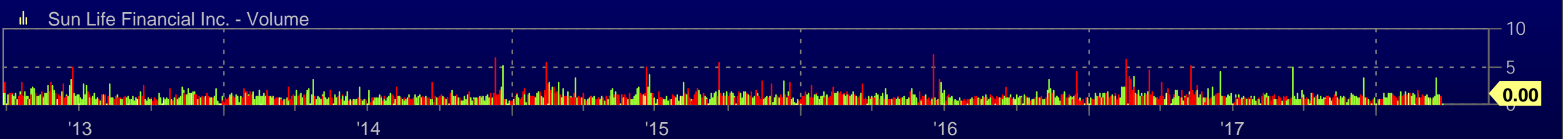
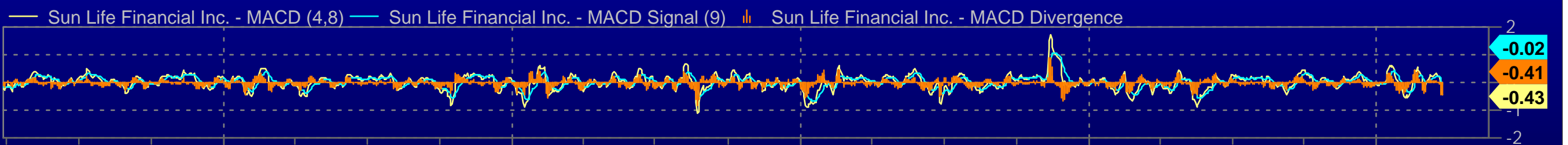
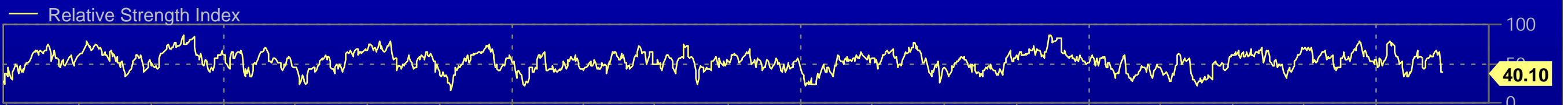


# Sun Life Financial Inc.

53.04 0.00 0.00% 12:00:00 AM VWAP:

High: 53.34 Low: 27.91 Chg: 86.69%

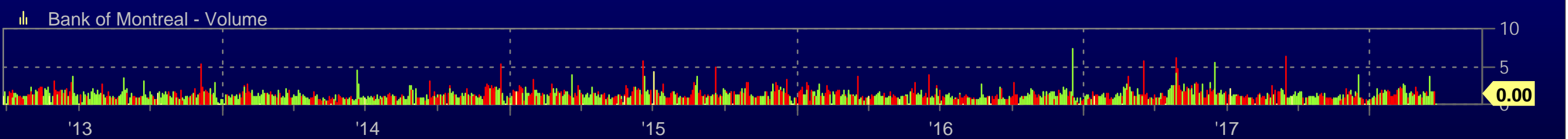
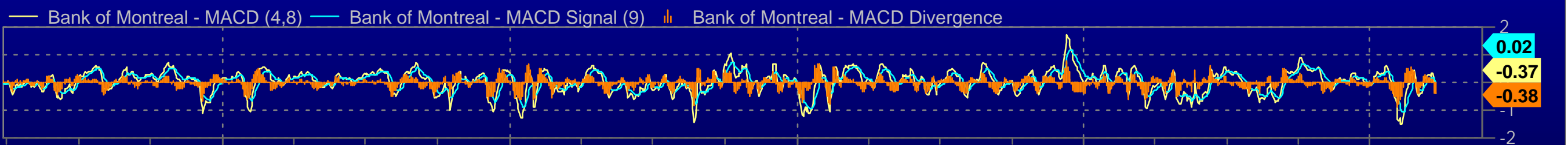
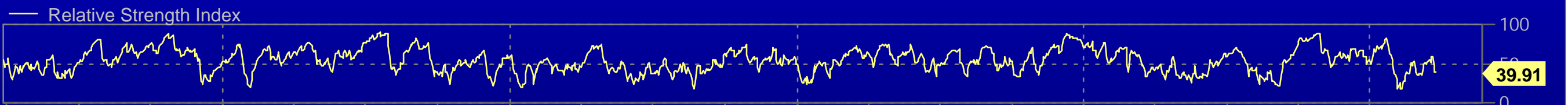
Daily



# Bank of Montreal

96.87 0.00 0.00% 12:00:00 AM VWAP:

Daily  
High: 101.02 Low: 61.52 Chg: 56.13%

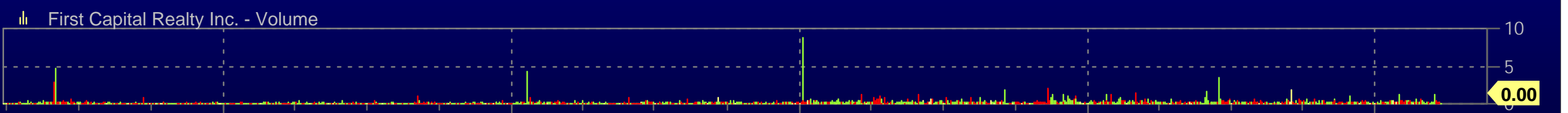
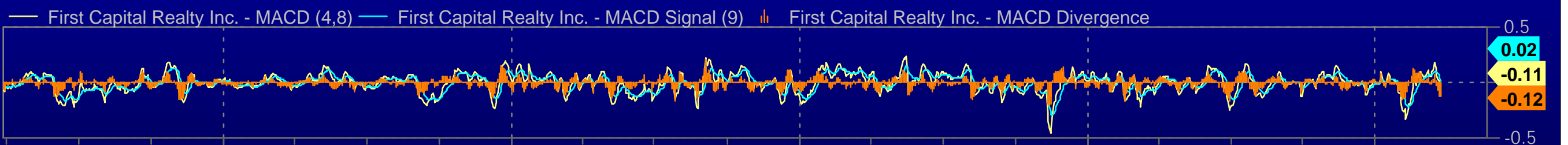
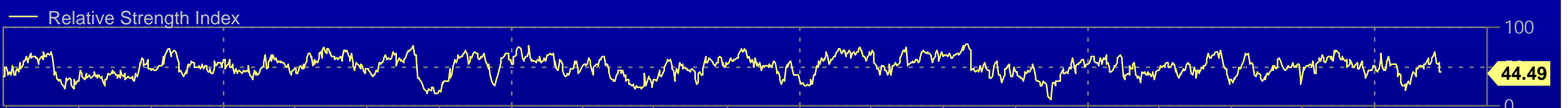


'13 '14 '15 '16 '17

# First Capital Realty Inc.

20.03 0.00 0.00% 12:00:00 AM VWAP:

**Daily**  
High: 22.28 Low: 17.17 Chg: 6.46%



'13

'14

'15

'16

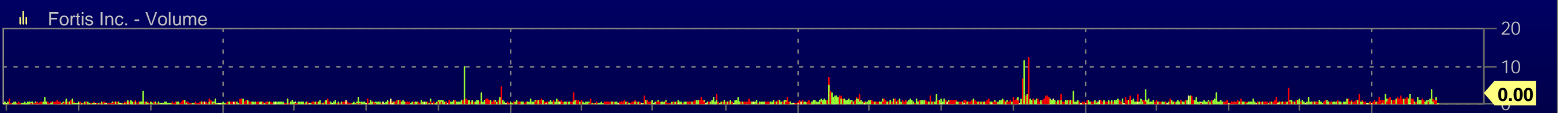
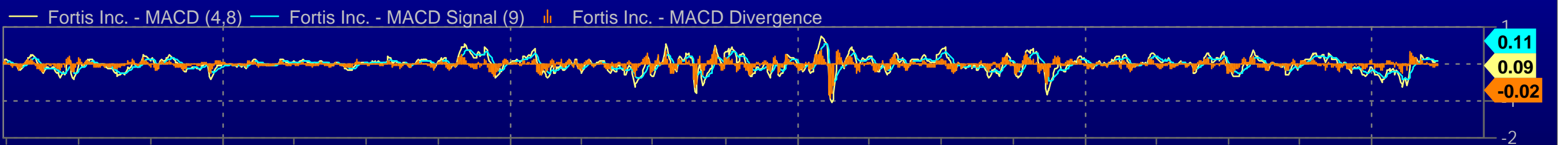
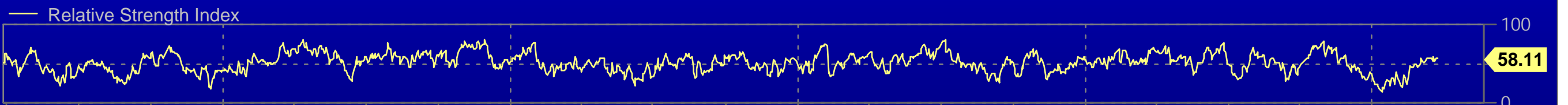
'17

Fortis Inc.

43.25 0.00 0.00% 12:00:00 AM VWAP:

High: 46.95 Low: 30.66 Chg: 27.34%

Daily



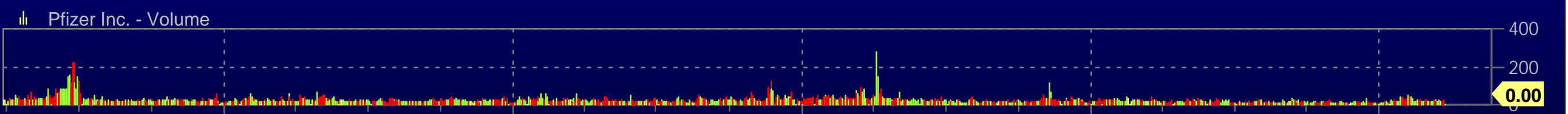
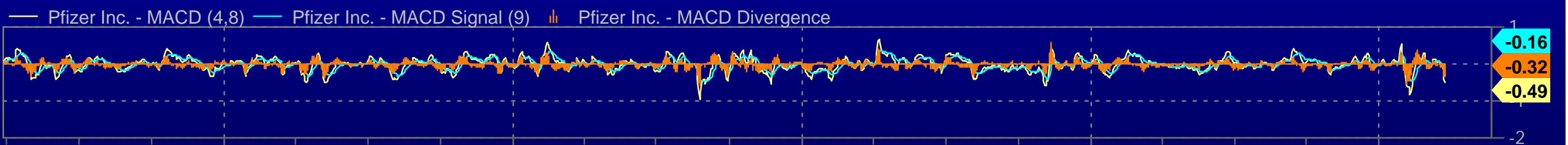
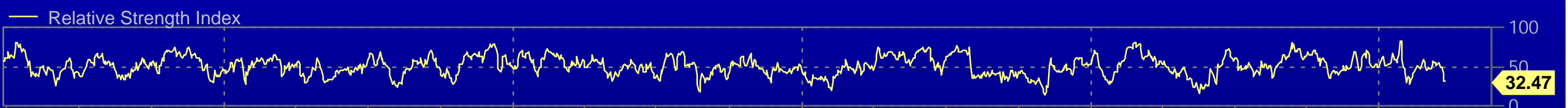
'13 '14 '15 '16 '17

**Pfizer Inc.**

34.49 0.00 0.00% 4:01:42 PM VWAP:34.92

**Daily**

High: 36.52 Low: 27.27 Chg: 32.34%



'13

'14

'15

'16

'17



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None.

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