LE COIN TECHNIQUE

New Paths for the S&P500 for July to December

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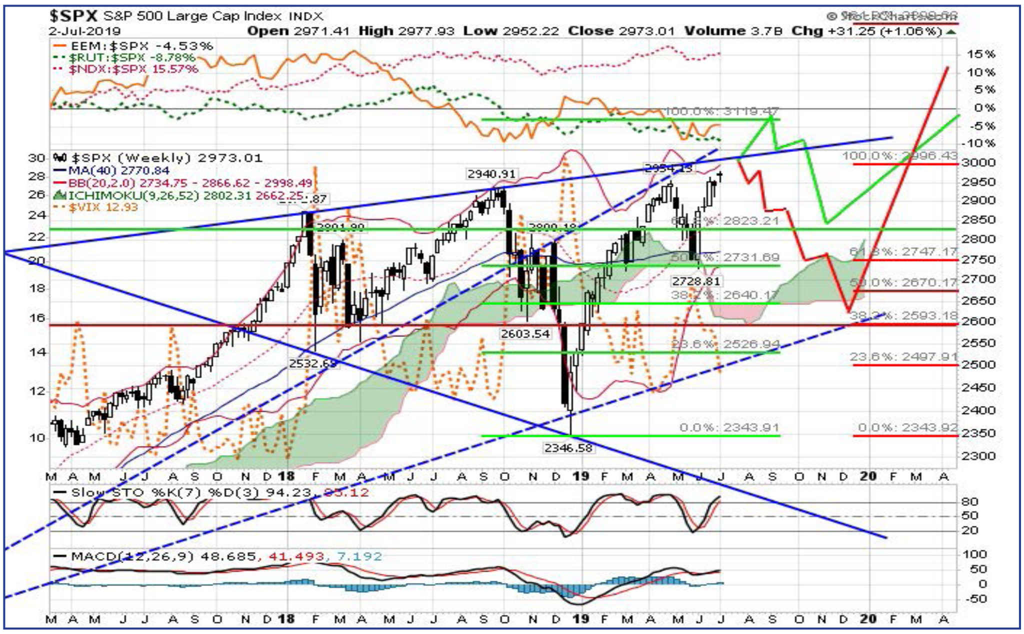
In the May WealthGram, our preferred Red path called for a correction. Right in timing but surprised by such a fast & deep decline to S&P500 2728. Lucky, we caught the turn on June 3-4 and remained bullish during June. Bullish for July should be right, but keep in mind that, during the past 18 months, turning points don't leave a second chance to market participants. Now is the time to adjust our preferred paths: first, on the weekly S&P500 chart we keep the same drawn Widening Triangle joining, on one hand, the parabolic rising top of January 2018 and the top of September 2018; and, on the other hand, the low of February 2018 and the panic selling low of 24 December 2018. In addition, the rising support trend line, broken in October 2018, will probably act as secondary resistance near 3065 in late July or August if the price breaks above the upper triangle trendline in coming days near 3030. As we are nearing the upper weekly Bollinger Bands, we shall expect, like in July-August 2018, smaller range days during the next 4 to 6 weeks. This will allow the VIX to decline and remain within a narrow range of 14-11.50% and will create a climate of complacency during the summer doldrums.

If the S&P500 reaches the 3165 area this summer in a straight line, the wakeup call could be as dramatic as represented by our Green & Red paths. Both paths could still be elements of the big widening Triangle, which is a pause within this bull campaign, which started in 2009. In May, we explained why we discarded the "classic" Widening Triangle ending below the December 2018 low before turning up toward the Q1 or Q2 2020 final high. During the coming summer and after the fall's correction, we should expect institutional investors to increase and overweight their equity positions in their asset allocation. At that point, the risk of a panic will increase seriously.

Our GREEN Path *(60% probability)* envisions a top near 3110 around the end of August followed by a correction toward 2850 *(38% of the rise from December 2018)* into the end of October. Then bull seasonality should kick in for the end of the year 2019 and extend into Q1 2020.

Our RED Path *(only 30% probability)* would surprise us by already drifting near the end of July as S&P500 would test 3030 *(upper triangle trendline)* and reverse into a steep and long-lasting down drift reaching 2606-2593 *(62% retracement)* near the second main rising trendline passing through the low of December 2018 on a weekly close basis. But then expect a stronger rebound into year-end and Q1 2020 with this Red Path.

Both cases can become a nightmare for BUY & HOLD investors *(passive investing)*, but offer great opportunities for active Investors glancing at charts from time to time. Enjoy your summer.



Graph:

S&P500 chart of weekly candles with Ichimoku cloud and the VIX represented in orange dotted line behind the S&P500 candles. On the upper panel is displayed the still declining Relative Strength (RS) of small caps Russell 2000 versus S&P500 in green dash line, the bottoming RS of emerging markets versus S&P500 in orange solid line and the pausing since the May RS of Nasdaq100 versus S&P500 in red dotted line, which is not yet at an all-time high. On the lower panel, MACD is reaccelerating upward since mid-June together with weekly STO, which is rising into an overbought area (94%), but contrary to May there are no signs of bearish divergences! So 3000-3100 should be seen in July to reach the upper rising trendline of the expanding triangle: then we prefer the new green path with a guessed 60% probability over only a 30% probability for the new red path. The remaining 10% is for the unforeseen case of a meltdown below 2350. The Green path is tough for BUY & HOLD but in line with some correction in the Fall along the expected four-year cycle in the third presidential year (2019).

Source: Stockcharts.com
Red and Green Paths are proposed by BEST