



Technical Update

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No Update tomorrow – Friday.

Near support. The big drop on the indexes Wednesday brought them down to close to their first levels of support where we would expect to see some firming and bouncing in the days ahead, and we believe these areas are important to hold during this time. The support areas are not exact numbers but exists around 3200 on the S&P and 26,500 on the Dow Industrials with the S&P holding a bit higher, so far, due to the heavier weighting of the large-cap technology stocks in that index. The indexes are off about 7% from their peaks, and if the support levels were to clearly be broken, we would anticipate another 7% of downside risk to the next support areas to follow. We think being near the first support levels is enough to warrant putting some money to work in stocks at this point and if there is another leg down, we would be more aggressive buyers. The good news is that the sentiment is quite negative by many measures and from a contrarian point of view this suggests the risk of a more serious decline is less. Instead, we believe this market action is all part of a larger range the markets could be in for the next several months with more swings in both directions likely during this period.



Chart courtesy Stockcharts.com and RBC Wealth Management

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