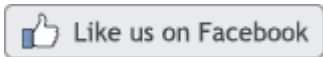




February 23, 2018

1:50 PM EST



It's Friday of a holiday-shortened week and even more so for me as I spent Tuesday and Wednesday in New Orleans with some fellow UCONN crazies eating, enjoying a few adult beverages, playing golf and watching the women dismantle Tulane, my wife's alma mater. It was a good break from winter in New England, but Mother Nature seems to have lost her ferocity up here and it's been more like March & April.



Speaking of my wife, Teri, I want to wish her the happiest of birthdays and the best year ever ahead! She's my best friend, love of my life and most incredible mother, even when screaming at our teenage daughter. Until death do us part, or she kills me...

Tulane passed out these BEAT UCONN towels, so of course, we accepted ours. We took a bunch of pics holding these and all but the one below had us both looking at the camera with a somewhat normal pose. This one, however, pretty much describes our relationship. I am the jokester who starts everything and she joins in, almost in disbelief of feeding my immaturity. Anyway, the towels made great napkins for the muffuletta from Central Grocery.



Before I send a full canaries in the coal mine which will be print very long because of all the charts, I wanted to send this update on what's becoming two very familiar charts. The first one below remains my preferred scenario which calls for the rally to end, well, right about now with a return to the bottom of the volatility range in March. My initial downside target is Dow 23,000. From there, I see a very strongly rally to all-time highs with Dow 27,000 by the end of Q2 and a shot at 30,000 by Labor Day.

How will I be wrong?

If the Dow closes above the top of the volatility range which is essentially above last week's high, I think this scenario will move down to number two on the list. Let's call that Dow 25,500.



The other scenario I have offered is below and would move to number one if the Dow closes above 25,500 this month. This one calls for the bottom to be in with only mild weakness before closing well above the top of the volatility range on its way to Dow 27,000, all-time highs, sooner than later.



Both scenarios being offered end with new highs and at least Dow 27,000. The bull market remains alive and reasonably well. If the first scenario plays out, you can bet that the masses will be calling the end of the bull market right around Dow 24,000.

A few additional things of note. First, the rally in stocks has not been with enough enthusiasm. There doesn't seem to be strong conviction. While there is no rule saying there absolutely has to, it does give me some background concern. Maybe a day where 90% of the volume is in advancing stocks is coming next month, or even two with 80%.

Stocks sold off into the close last Friday, the day before a holiday weekend. That's atypical and suggests that all is not perfectly well. However, several times I said we need to watch which groups lead the market higher off of the bottom. So far, banks, semis, software, internet, discretionary, materials, biotech and healthcare have been leading. In other words, strong "risk on" sectors which usually lead a healthy advance.

On the flip side, staples, telecom, REITs, utilities, energy and transports have all lagged since February 8. The first four are all defensive in nature and healthy to lag at this stage. The last two are somewhat of a head scratcher as lower energy is good for transports but transports are very economically sensitive.

Stocks are approaching a critical juncture. Next week will be key.

To Your Financial Success,



Paul Schatz
President
Heritage Capital LLC

1 Bradley Road Suite 202
Woodbridge CT 06525

203.389.3553 Phone
203.389.3550 Fax

www.InvestForTomorrow.com

Published by Paul Schatz. Copyright (C) 2008 Heritage Capital, LLC. All rights reserved.
StreetSmarts is produced and distributed regularly via email by Paul Schatz of Heritage Capital, LLC
1 Bradley Road, Suite 202 Woodbridge CT 06525 Phone (203) 389-3553 Fax (203) 389-3550 - www.InvestForTomorrow.com
Heritage Capital, LLC is an independent RIA not associated with any financial institution. Data used in this publication is gathered from reliable sources, although completeness and accuracy cannot be guaranteed. Performance results do not take into account any tax consequences and are not predictive of future results. This publication does not give any specific investment advice, does not provide financial planning services, or consider any individual's financial situation, needs or goals. This publication may not be reproduced or retransmitted in whole or in part without the consent of the author, Paul Schatz.

Important Disclosure Information

Heritage Capital LLC ("Heritage") composite performance results represent time-weighted actual performance results for continuously managed Heritage accounts, which individual accounts Heritage believes to be representative of its investment management process (i.e. mutual funds and exchange traded funds) for each specific strategy during the corresponding time period. The composite performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction and custodial charges, and the separate fees assessed directly by each unaffiliated mutual fund and exchange traded fund holding that comprised each account, and the maximum investment advisory fee that the accounts would have incurred (by applying the Heritage's current investment advisory fee of 2.00% as set forth in its current written disclosure statement) during the corresponding time periods.

Please Note: Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, equal the performance results reflected, or equal any corresponding historical benchmark index. The historical index performance results for all historical benchmark indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical performance results for all indices are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a Heritage program meets, or continues to meet, his/her investment objective(s). A corresponding description of each index is available from Heritage upon request. It should not be assumed that Heritage account holdings will correspond directly to any such comparative benchmark index. The Heritage performance results do not reflect the impact of taxes.

For reasons including variances in the investment management fee incurred, market fluctuation, the date on which a client engaged Heritage's investment management services, and any account contributions or withdrawals, the performance of a specific Heritage client's account may have varied substantially from the indicated portfolio performance results.

In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise Heritage immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by Heritage) will be profitable.

Information pertaining to Heritage's advisory operations, services, and fees is set forth in Heritage's current disclosure statement, a copy of which is available from Heritage upon request. Performance results have been compiled solely by Heritage, are unaudited, and have not been independently verified. Heritage maintains all information supporting the performance results in accordance with regulatory requirements.