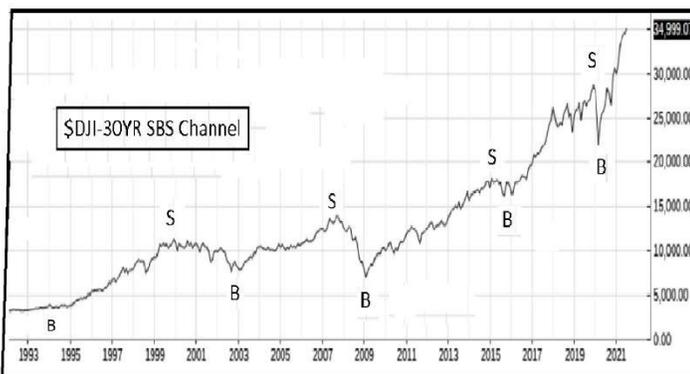


MORE ON SBS CHANNELS

In February of this year we first introduced a new technical tool on this Web Page for indicating when a stock or stock index is cheap or expensive relative to its historical price range. It's a technique which I have used successfully for well over fifty years of investing. The method involves the construction of Sell-Buy-Sell Channels (SBS) based on historical charts going back over an extended period of time as much as thirty years. This technical signal tells one what type of market one is in. We have a Bull Market when $B < t < S$ and a Bear Market when $S < t < B$. Here t is the date measured in weeks. One should be long a market only if we have a buy signal (B) and short a market only when there is a sell signal (S). If one follows this approach a time averaged gain will be guaranteed. Thirty year Channels for the S&P500 and the Dow Jones Industrials follow showing how this technique works –

30 YEAR SBS PRICE CHANNEL FOR S&P500(\$INX)
AND DOW JONES INDUSTRIALS(\$DJI)



These two graphs have attached to them buy(B) and sell(S)signals which are established visually. Their locations are almost identical for the two indexes as expected. There are clear up market phases from 1994-2000, 2003-2007, 209-2015, 2016-2020, and 2020.5-present. Bear markets occur for 2000-2003, 2008-2009, 2015-291 6, and 2020-2020.5. Presently we are in the late stages of a strong bull market driven in large part by excessive money printing by the Federal Reserve. We do not know yet when this latest up market will end until a sharp downturn (identified by an S) first appears.

In looking at the graphs it is clear that they follow the Rothschild rule to “Buy cheap and Sell dear”. Too many investors do just the opposite and so end up loosing money.

We point out that SBS Channels work just as well for any individual stocks or commodity for any chosen time period. The reason I stick mainly with ETFs based on indexes is that they are less volatile with a 1% daily price change being large.

Finally, I show you here a 20 year SBS channel for the Dow Jones Industrials around the time of the 1929 market crash where the country went from the roaring twenties to the great depression-



This historical data, obtained from BARChart.com, clearly shows a sell signal(S) occurring several weeks before the Oct 1929 crash. Had I lived at that time, I would have been out of the long side of the market at around \$DOWI=340.

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July 15, 2021
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