



HERITAGE CAPITAL LLC

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Two weeks ago in [Battle Lines Drawn](#), I showed four horizontal blue lines which I thought would dictate market behavior for a while. There wasn't anything secret or proprietary about them, just four price areas that seemed to be garnering a lot of attention. When the masses focus on certain prices, the market will usually do its best to exceed them and make the most people look like fools. In this case, soon after stocks exceeded the closest blue line, they ran straight to the next and sharply reversed lower.

Having breached the next blue line on the downside, the S&P 500 is left with the two most prominent price areas shown below, still in blue. Again, nothing shown below that everyone and their dog couldn't make out. In other words, we have a well defined trading range, albeit a fairly volatile one. The S&P 400 and Russell 2000 look similar, but the NASDAQ 100 is clearly weaker, scoring a new low on Tuesday as you can see in the second chart.





Although stocks remain very volatile with the path of least resistance being down right now, one thing has been cleared up this week. I am able to obviously remove one of the two most likely scenarios I offered last week in [THE Bottom Right Now or Soon](#). The light blue scenario below is no longer valid and we are left with the path in pink. That is, IF I am correct.



When I offer forecasts and scenarios, I always, always, always receive emails asking me "what if you are wrong". Well friends, that is always a possibility. 30 years doing this, I have been wrong before and I will be wrong again. Those are facts. However, I think my track record speaks for itself.

When I don't have strong conviction, I don't have an issue stating that. When I pound the table like I did after the Q1 correction that stocks were not in a bear market and heading back to all-time highs, I go all in. Likewise, in late September when I kept on the theme of a mid to upper single digit decline in October, I did not waver. Making as many forecasts as I do, I will be wrong and sometimes in grand fashion.

In today's market, I see this decline in its late stages with perhaps some more downside and high volatility before the rally to 27,000 begins. Yes. As I have mentioned for weeks and months, I remain firm that Dow 27,000 is next, probably in Q1 of 2019. If I am wrong and stocks don't find a low and continue lower, well, I will reassess at that time. In the markets, I always try to ask myself how I will be wrong. In other words, what's going to tell me that I fell on my sword.

Finally, in the very short-term as I have written about this week [here](#) and [here](#), this week's seasonal tailwind has been blown over by the big bad bears, something I did not expect to happen. I had thought that stocks would add to last week's late reversal and then perhaps roll over to the downside for the final time next week. I don't get the sense that stocks are going right up from here. They still need some more foundation building and maybe even some panic. In the shortest of short-term for the most nimble, selling one to two day rallies is probably a good tactic until proven otherwise.

To Your Financial Success,



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