

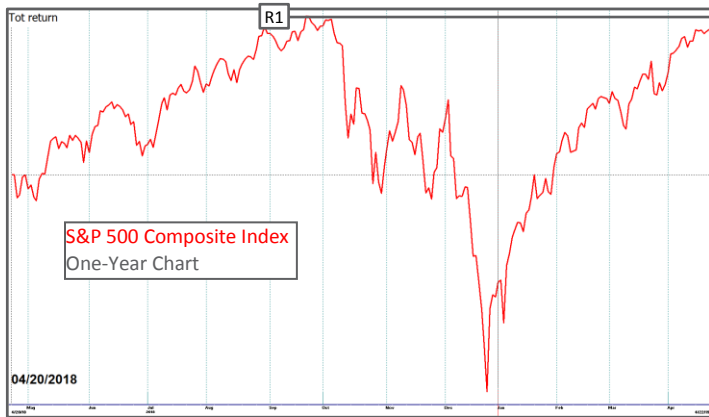


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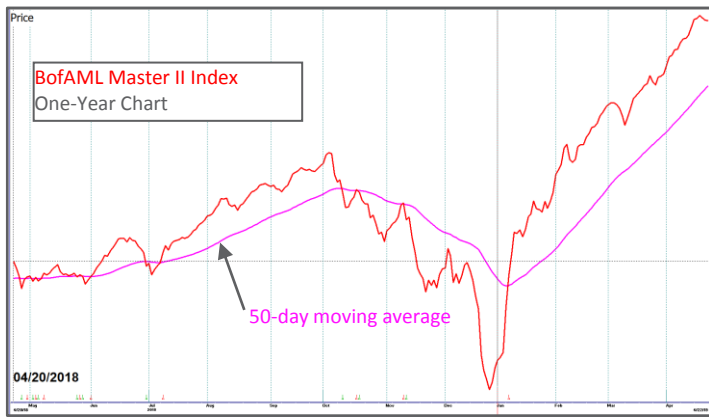
April 22, 2019

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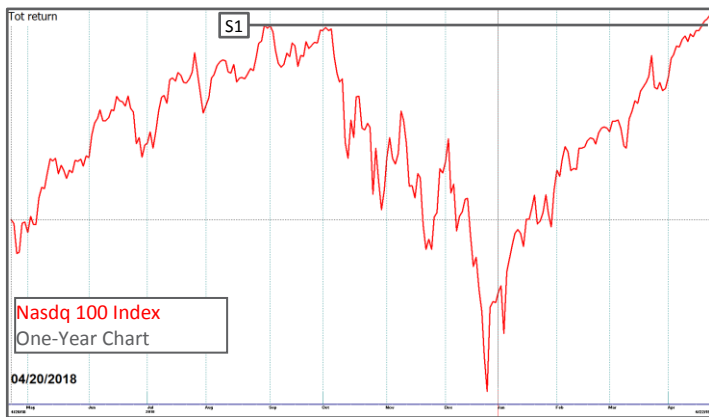
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Over the last week, the **S&P 500 Composite Index** took a brief pause as it approaches the all-time high set back in September 2018 (R1). A consolidation of the recent gains through a sideways trend is healthy for the market as it reduces the odds of a sharp, profit-taking sell off. The question is whether there is enough momentum to carry the index past R1 to a new all-time high. I think the odds favor a continuation of the rally.



One reason I believe the odds favor a continuation of the uptrend is the behavior of junk bonds. During positive market environments, junk bonds tend to take on low volatility uptrends indicating a desire for investors to take on risk. The **BofAML Master II Index** has been in a low volatility uptrend, trending steadily above its 50-day moving average. This is a positive configuration for junk bonds but bodes well for stocks as well.



Another area that continues to show promise is the **Nasdaq-100 Index**, an index of the top 100 growth and technology stocks. The index has already surpassed its 2018 all-time high (S1) over the last few trading days which will now act as an important level of support. Given the propensity for this index to lead in both up and down markets, the rest of the market will likely follow the path of this index.

Although the market looks healthy now, it wouldn't be a surprise to see some sort of pull back in stocks in the near-term. A stock market uptrend is defined as a series of stronger up legs interrupted by weaker down legs. As long as this pattern persists, the uptrend will continue. While odds favor a continuation of the current uptrend, it will not last forever so let's enjoy it while it lasts.

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