

# Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



## Do Technical Signs Predict a Crash?

The stock market keeps going up despite what would appear to be overpriced stocks. But eventually every rally ends, sometimes with bang and sometimes with a whimper. *Market Watch* writes that a technical flag indicates the market may just have entered a **danger zone**.

The S&P 500 keeps closing just short of a critical level in the high 2400 range. This is similar to what happened going up to the 2000 dot com crash and the 2007 crash that ushered in the Great Recession.

This is investing via technical indicators. And if you are buying into an index fund that tracks the S&P 500 you may want to pay attention and even convert some of your market gains into cash. But another view is that fundamentals in the form of higher earnings are what are driving the market higher. *CNBC* calls this a *melt up* that **could push stocks to new records**.

*Veteran market watcher Edward Yardeni believes investors who succumb to stock market jitters could miss out on another wave of big gains.*

*Yardeni noted the most recent record highs for the Dow Jones, Nasdaq and S&P 500 indices aren't being driven by a surge in valuation multiples. Rather he says the activity is "more like a melt-up in earnings." And, that's a bullish sign for the rally.*

*"The fundamentals are just cranking along at a decent pace here. Earnings are doing remarkably well given that the economic data looks kind of slow. But somehow or another, companies are generating good revenues and good earnings. I think that's because the global economy is doing reasonably well.*

When there is money to invest it will go somewhere. Investors like safety and they like the prospects of growth as well as dividends. Because it is easier to get reliable information about the US stock market than markets outside of the USA investors stick with the NYSE and NASDAQ. The fact that stocks have been going up does not hurt either. But, as we said in the beginning every rally comes to an end. Will this one just level out on a higher plateau or will it overshoot and collapse?

### A Rude Awakening?

*Business Insider* writes that there are **huge warning signs** that investors should pay attention to.

*To a growing chorus of strategists and investors across Wall Street, the stock market looks like it's headed for a rude awakening.*

*Their mounting pessimism comes at a time when US equities are looking healthy, at least on the surface.*

Their concern stems from a lack of volatility.

*Baupost Group, a \$30 billion fund, recently highlighted the lack of price swings as a harbinger of pain to come, calling it a possible "accelerant for the next financial crisis." Meanwhile, Highfields Capital Management, which oversees \$13 billion, said this past week that low volatility is giving people the false impression that the market is risk-free.*

Other analysts are simply concerned about the continued and perhaps excessive optimism of those who are still throwing money at the market. Perhaps it is time to consider Buffett's advice to be greedy when others are fearful and fearful when others are greedy.

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