Twin Horn LLC

Market Forecast for US Equities – July 22, 2019

Our prior work anticipated a high in US Equity markets around April 26th, with lower prices to follow through June 7th, then a rally back to the April highs lasting until July 24/25. The market moved as anticipated, with a sharp move down, then a rally that started just before the June 7 date.

We have already reached the April highs during this current rally, but we are nearing the end of this cycle.

Traders should look to preserve profits on their long positions.

The trend set after July 24/25 may help to establish the primary trend in US Equities through May 2020, consistent with our commentary of September 2018, where we anticipated lower prices through May 2020.

Therefore, we see an opportunity to lock in profits, and look to see if another opportunity develops on the short side.

The July 24/25 date represents an inflection point where time and price meet, and a window of opportunity for a change in trend may take place. Markets move up, down, or sideways, and these inflection points represent areas to watch for a change in market sentiment.

If we are correct, and the trend will turn down, it would represent, similar to April, a false breakout higher, with the highs from September, April, and July representing a triple top, with those levels (2,940 in September, and 2,954 in April) representing support levels we believe will be broken.

On the S&P 500, 3,025 and 3,035 are levels to watch, as well as 2,998. If correct, support levels include the tops mentioned above, as well as 2,875 and 2,815.

It is recommended that the price and date levels be used as stop losses (both a time and a price stop) to preserve capital if the market does not move lower, as anticipated. The point is to deploy capital when the risk/reward ratios are favorable, as we see now with the potential end of the current rally.

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