

Inside this Report

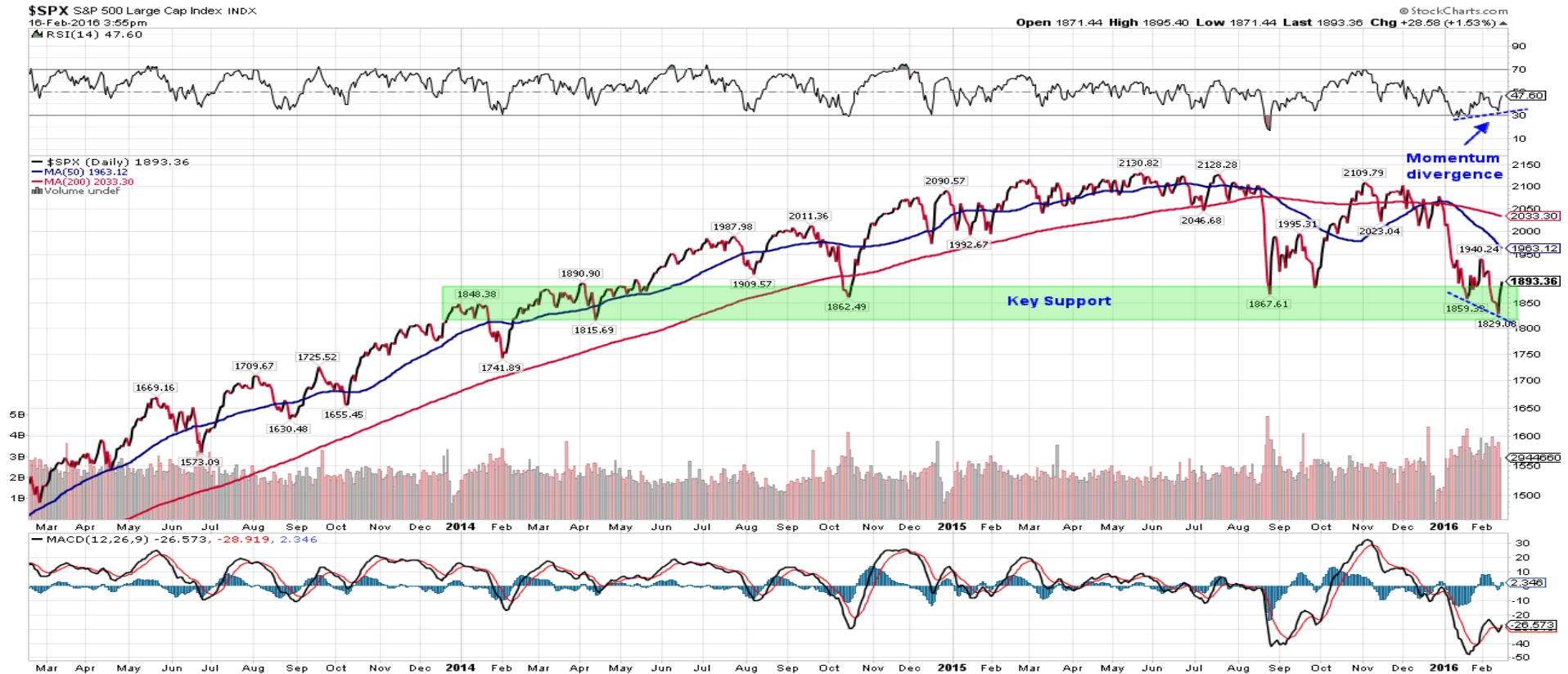
S&P 500: Holding Key Support	2
US 10-Year Treasury Yield: Oversold And Due For A Bounce	3
S&P/TSX Composite Index: Remains In A Downtrend	4
S&P/TSX Relative To S&P 500: At Key Technical Level.....	5
WTI Oil: Approaching 50-day MA	6
Gold Price: Breaks Above Key Resistance.....	7
S&P/TSX Capped Energy Index: Still In Downtrend But History Points To Bottom Soon	8
S&P/TSX Capped Materials Index: At Its 200-day MA	9
Glossary	10
Important Investor Disclosures	12

Ryan Lewenza, CMT, CFA
SVP, Private Client Strategist

Highlights

- In recent publications we have emphasized the important technical support zone of 1,850 to 1,870 for the **S&P 500 Index (S&P 500)**. Last week, this crucial support range was breached which put us on high alert. Subsequently, the S&P 500 rebounded, putting the US benchmark index back above this key range. For us to get more constructive we would need to see the S&P 500 break above the 1,940 to 1,963 range.
- The weakness in the equity markets is the mirror opposite of the strength seen in US Treasuries, with the **US 10-year Treasury yield** declining from roughly 2.3% in January to 1.75% currently. In the short term, yields are oversold (prices are overbought) and we see yields moving higher.
- The **S&P/TSX Composite Index (S&P/TSX)** technical profile remains negative with the index trading in a well-defined downtrend and below its declining 50- and 200-day MAs. For us to get more constructive we would need to see the S&P/TSX break above the 12,650 to 13,000 range.
- Despite news of a production freeze from Saudi Arabia and Russia, **WTI oil prices** continue to trade in a downtrend. We see two key technical levels for WTI. The first is the US\$32.50/bbl to \$33.50/bbl range. The second key level is the 200-day MA, which currently intersects at US\$45.63/bbl. For us to turn bullish on oil prices from a longer term perspective we would need to see WTI close above the 200-day MA.
- **Gold** has experienced an important technical breakout, with the precious metal breaking above its long-term downtrend. In the short-term gold is very overbought with an RSI reading of 82. As such, we expect gold to pull back in the short-term. If gold holds US\$1,190/oz. on the expected pullback this would be bullish, and likely cause us to get more constructive on the metal.
- The **S&P/TSX Capped Energy Index** remains in a long-term downtrend, and is trading below its declining 50- and 200-day MAs. From a technical perspective, there is little reason to aggressively buy energy stocks at present. However, history suggests that the bottom in the energy sector is close. Since 1980, there have been six major bear markets for the S&P/TSX energy sector and on average they lasted 15 months with the sector declining 47% peak-to-trough. The current bear market has lasted 18 months with a 46% decline. This analysis suggests that a bottom is getting closer.
- In recent weeks the materials sector has rebounded in large part due to strong gains from gold miners. The **S&P/TSX Capped Materials Index** is now trading at its 200-day MA and at horizontal price resistance. If the index can break above 190, this would reverse the long-term downtrend, and likely cause us to revisit our bearish view of the sector.

S&P 500: Holding Key Support



Source: Stockcharts.com, Raymond James Ltd.

- In recent publications we have emphasized the important technical support zone of 1,850 to 1,870 for the S&P 500. Last week, this crucial support range was breached which put us on high alert. Subsequently, the S&P 500 rebounded, putting the US benchmark index back above this key range.
- In the short term we note a “momentum divergence” with momentum (RSI indicator) making a “higher high” while S&P 500 price made a “lower low”. We believe this divergence is setting the stage for a rally in the short term. However, for us to get more constructive, and believe this correction is over, we would need to see the S&P 500 break above the 1,940 (January 29 high) to 1,963 (50-day MA) range.
- Conversely, a downside break of 1,829 would be bearish, and likely cause us to get more defensive.

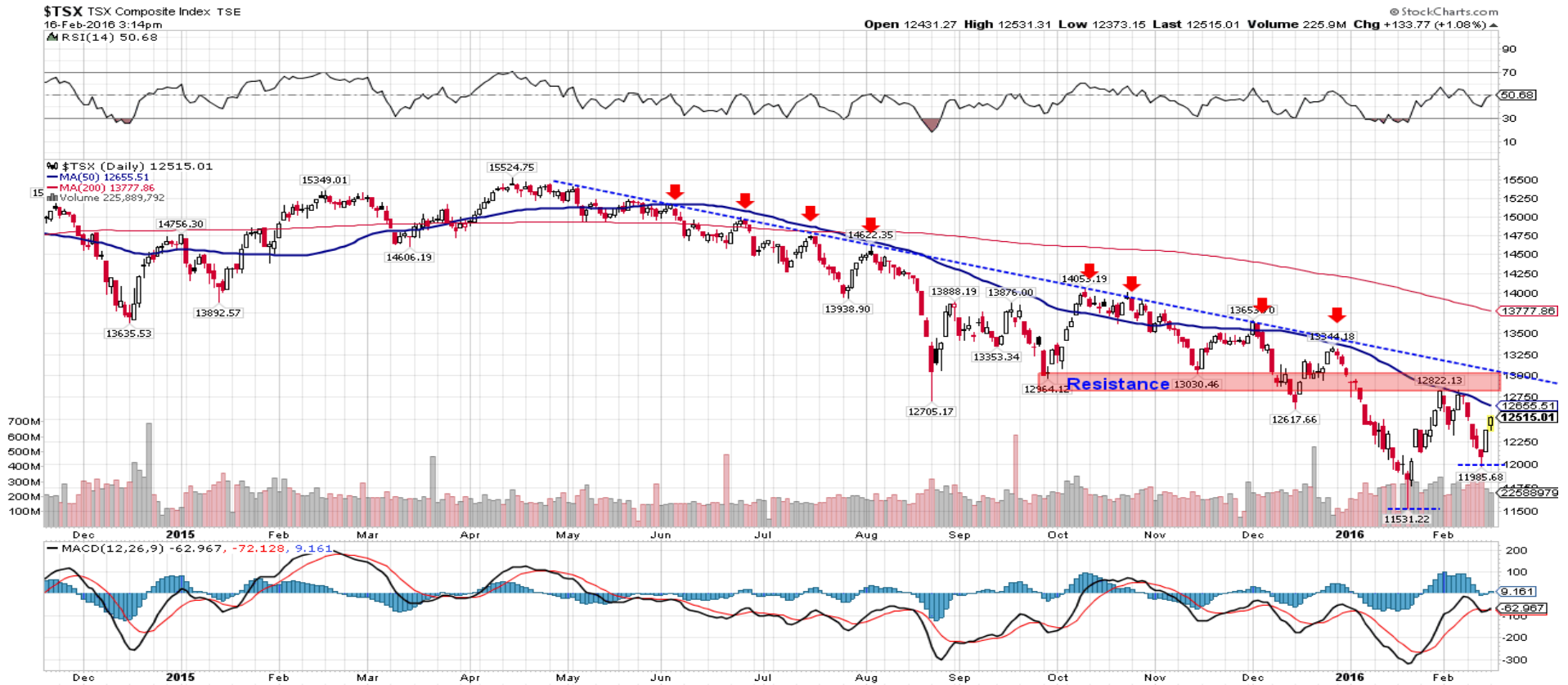
US 10-Year Treasury Yield: Oversold And Due For A Bounce



Source: Stockcharts.com, Raymond James Ltd.

- The weakness in the equity markets is the mirror opposite of the strength seen in US Treasuries, with the US 10-year Treasury yield declining from roughly 2.3% in January to 1.75% currently. In fact, the US 10-year yield hit a low of 1.56% last week, breaking below technical support.
- The strength in US Treasuries is due to: 1) growing concerns of a US/global recession; and 2) the bond markets pricing out further Fed rate hikes for this year.
- In the short-term, yields are oversold (prices are overbought) and we see yields moving higher. However, if the US 10-year fails to trade back above 1.90% on the expected bounce, we would view this negatively as it would suggest weakness in the economy, which would be concerning for stocks.

S&P/TSX Composite Index: Remains In A Downtrend



Source: Stockcharts.com, Raymond James Ltd.

- The S&P/TSX’s technical profile remains negative with the index trading in a well-defined downtrend and below its declining 50- and 200-day MAs. The 50-day MA in particular remains crucial for the S&P/TSX as it has provided stiff resistance since June 2015.
- For us to get more constructive we would need to see the S&P/TSX break above the 12,650 (50-day MA) to 13,000 (downtrend intersection) range.
- One short-term positive is the recent “lower low” for the S&P/TSX. However, we now need to see a “higher high” and a break above that resistance zone for us to believe the correction is behind us.

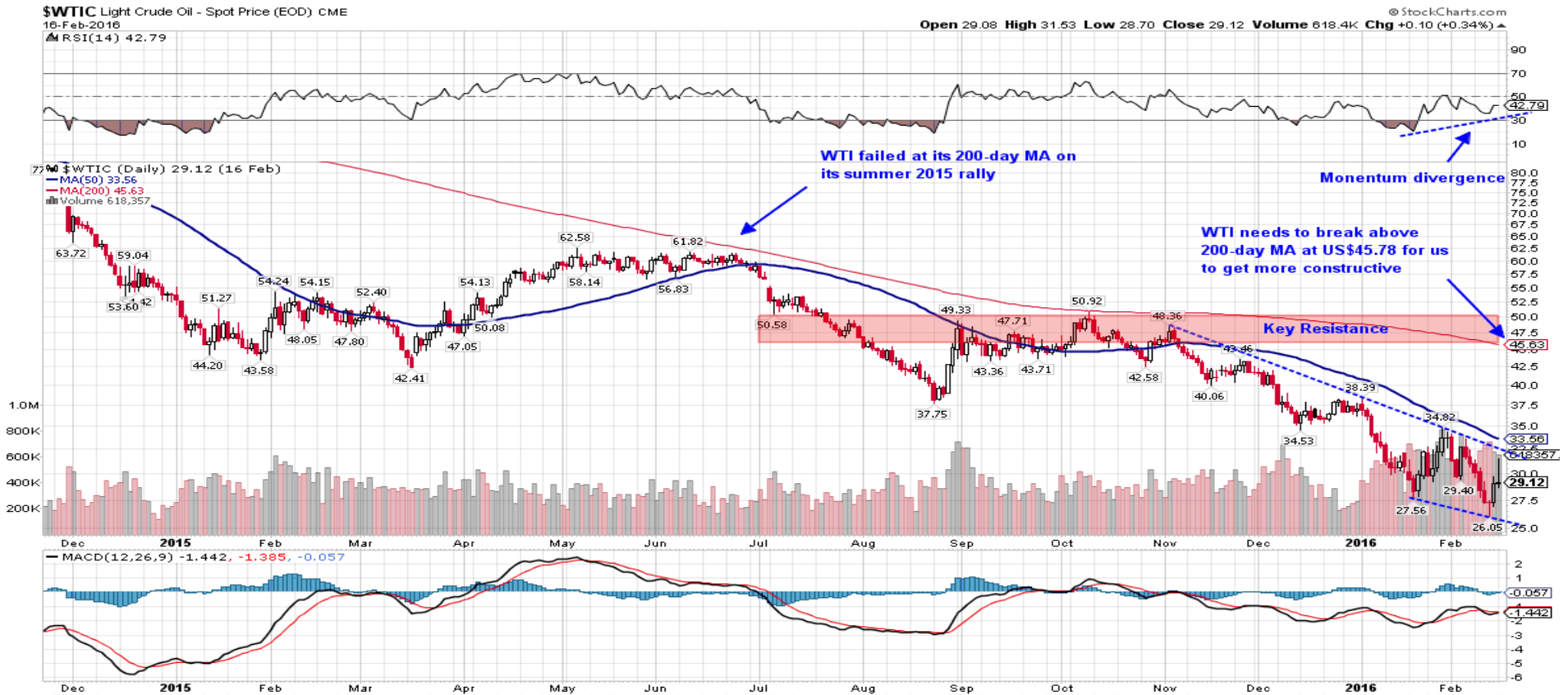
S&P/TSX Relative To S&P 500: At Key Technical Level



Source: Stockcharts.com, Raymond James Ltd.

- We have consistently preferred US to Canadian equities in recent years. This preference has in part been due to the chart above which shows the relative performance of the S&P/TSX to the S&P 500. Since 2011, the S&P/TSX has consistently underperformed the S&P 500, supporting our case to overweight US equities.
- We believe oil prices are the key to S&P/TSX. If WTI oil prices can decisively bottom and begin to move higher, then we would expect this trend to reverse, with the S&P/TSX beginning to outperform the S&P 500.
- This chart is one of the most important charts that we are monitoring at present, having implications for the Canadian dollar, our equity markets and sectors. If this downtrend is broken it would suggest reducing US exposure, converting US dollars back to Canada, and likely, increasing exposure to the beaten down energy sector.

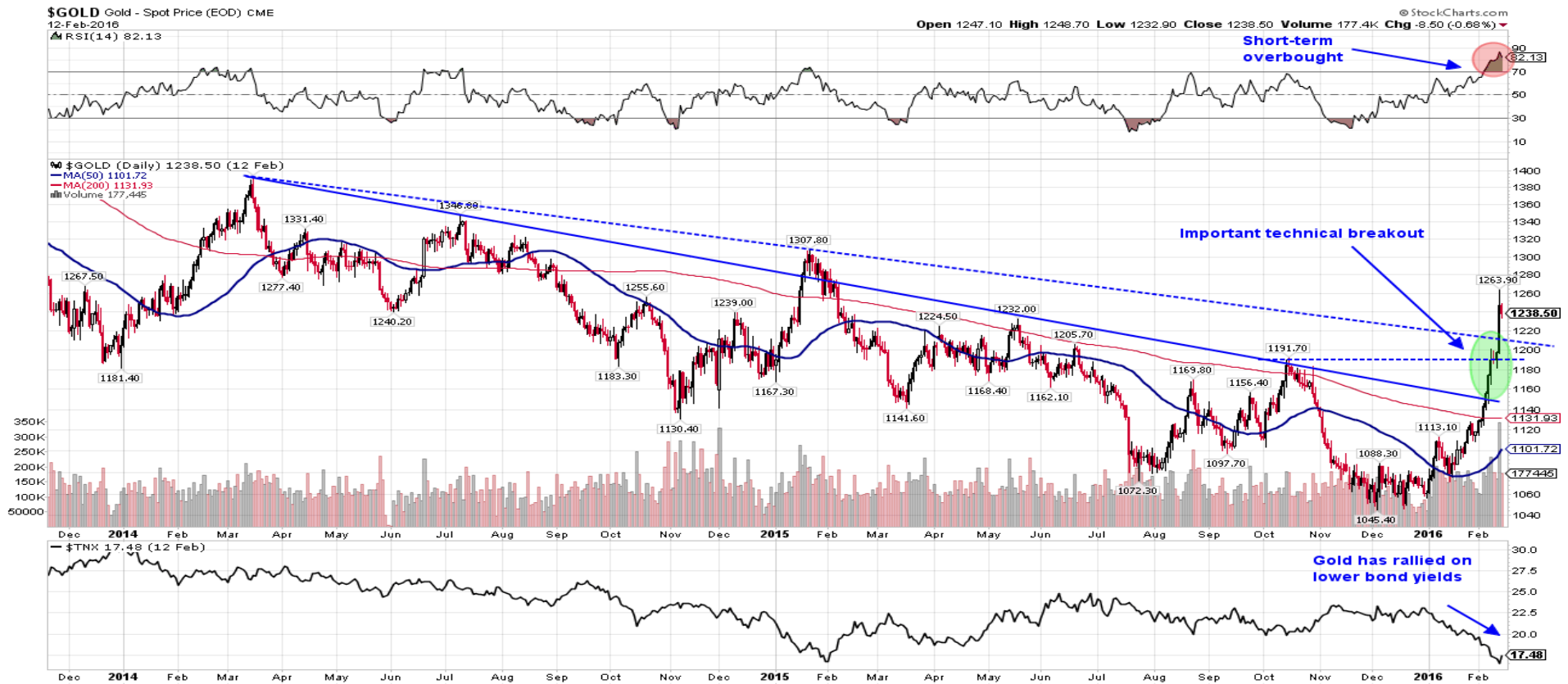
WTI Oil: Approaching 50-day MA



Source: Stockcharts.com, Raymond James Ltd.

- Despite news of a production freeze from Saudi Arabia and Russia, WTI oil prices continue to trade in a downtrend.
- We see two key technical levels for WTI. The first is the US\$32.50/bbl to \$33.50/bbl range. This range represents the short-term downtrend and 50-day MA. The second key level is the 200-day MA, which currently intersects at US\$45.63/bbl.
- We view the 200-day MA as the most critical level as it proved to be resistance during the 2015 summer rally. For us to turn bullish on oil prices from a longer term perspective, we would need to see WTI close above the 200-day.

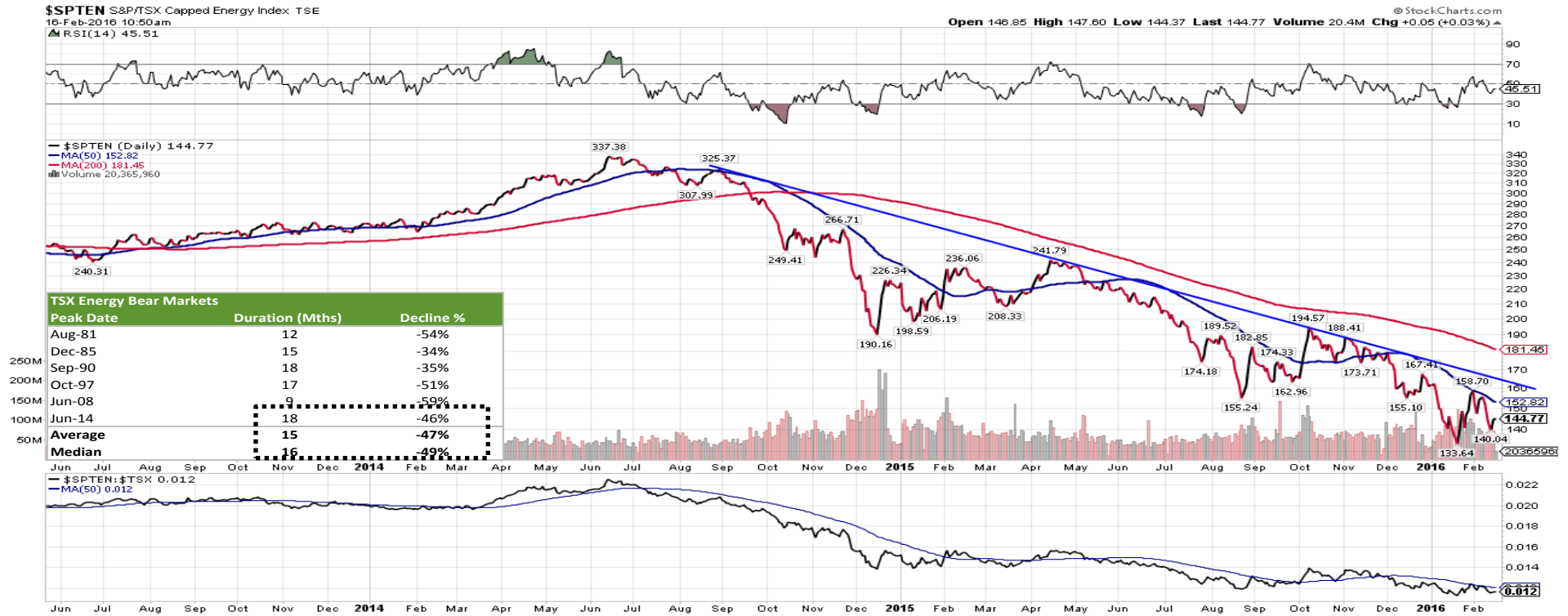
Gold Price: Breaks Above Key Resistance



Source: Stockcharts.com, Raymond James Ltd.

- Gold has experienced an important technical breakout, with the precious metal breaking above its long-term downtrend.
- We believe a few factors have precipitated this breakout. First, is the recent weakness in the US dollar, with the US Dollar Index down roughly 5% in the first half of February. Second, is the recent risk off environment, with “safe haven” assets like gold and Treasuries rallying. Third, is the pricing out of Fed rate hikes for this year from the bond markets.
- In the short term gold is very overbought with an RSI reading of 82. As such, we expect gold to pull back in the short term. If gold holds US\$1,190/oz. on the expected pullback this would be bullish, and likely cause us to get more constructive on the metal.

S&P/TSX Capped Energy Index: Still In Downtrend But History Points To Bottom Soon



Source: Stockcharts.com, Raymond James Ltd.

- The S&P/TSX Capped Energy Index remains in a long-term downtrend, and is trading below its declining 50- and 200-day MAs. From a technical perspective, there is little reason to aggressively buy energy stocks at present.
- However, history suggests that the bottom in the energy sector is close. Since 1980, there have been six major bear markets for the S&P/TSX energy sector and on average lasted 15 months with the sector declining 47% peak-to-trough. The current bear market, which started in June 2014, has lasted 18 months with a 46% decline. This analysis suggests that a bottom is getting closer.
- Therefore, we are closely monitoring the price action in the energy sector, and if the S&P/TSX Capped Energy Index can break above 160, this could mark the end of the current bear market.

S&P/TSX Capped Materials Index: At Its 200-day MA



Source: Stockcharts.com, Raymond James Ltd.

- Material stocks have been significant underperformers for years. The S&P/TSX Capped Materials Index is trading in a long-term downtrend and below its 200-day MA.
- In recent weeks the sector has rebounded in large part due to strong gains from gold miners. As a result, the sector has experienced a new relative high (lower panel) which is the first technical positive we've seen from the sector in some time.
- The index is now trading at its 200-day MA and at horizontal price resistance. If the S&P/TSX Capped Materials Index can break above 190, this would reverse the long-term downtrend, and likely cause us to revisit our bearish view of the sector.

Glossary

Ascending Triangle

A continuation pattern where the period of consolidation takes the shape of an upward sloping triangle with an ascending lower trendline. A break down through the support trendline can sometimes mark a reversal pattern.

Bollinger Bands

Bollinger bands gauge a security's trading activity and trend by showing a range of normal price swings.

Candlestick Chart

A graphical representation of prices where opening and closing prices are connected to form coloured boxes. Generally, a series of dark candlesticks suggest downside momentum and light candlesticks upside momentum.

Continuation Pattern

A chart formation that signals the continuation of the prevailing trend. Continuation patterns often occur after a period of brief consolidation.

Descending Triangle

A continuation pattern where the period of consolidation takes the shape of a downward sloping triangle with a declining upper resistance trendline. A break up through the resistance trendline can sometimes mark a reversal pattern.

Double Bottom

Chart formation that normally occurs after an extended downtrend and resembles a W. Double bottoms signal potential price reversals.

Double Top

Chart formation that normally occurs after an extended uptrend and resembles an M. Double tops signal potential price reversals.

Fibonacci Sequences

Mathematical relationships that help predict points of support or resistance. The key Fibonacci ratio is 61.8% also referred to as "the golden ratio" or "the golden mean".

Flag

A chart formation in which prices move sharply to create a near vertical line (the flag pole) followed by a small move in the opposite direction (the flag). Flags are often continuation patterns.

Gap

An open space on a chart. A gap is created when the low of one time period is above the high of the previous period, or the high of one time period is below the low of the previous period. Gaps can signal breakouts or continuations of up or down trends.

Head-and-Shoulders Formation

A reversal chart formation that looks like a head and shoulders (with both a defined left and right shoulder). Head-and-shoulders formations can occur at both the bottom and top of a trend.

MACD

The moving average convergence/divergence determines turning points in a trend by differencing two exponential moving averages of specific periods. The trendline of the MACD can also signal continuation or reversal trends for share prices.

Moving Average

A statistical tool that plots smoothed prices to signal future price trends. 50-day and 200-day moving averages are the most common indicators.

On Balance Volume (OBV)

A cumulative indicator that adds volume on up days and subtracts volume on down days. OBV shows buying or selling pressure. An upward sloping OBV confirms an uptrend, while a downward sloping OBV confirms a downtrend.

Resistance Level

A technical level that prices may have trouble rising above (i.e., where the price may experience selling pressure).

Rounded Bottom

A bullish reversal pattern taking the shape of a U. Ideally, the rounded bottom should be accompanied by a similar volume pattern.

RSI

The relative strength index measures the velocity of directional price movements with extreme values indicating overbought and oversold conditions. The trendline of the RSI can also signal continuation or reversal trends for share prices.

Support Level

A technical level that prices may have trouble falling below (i.e., where the price should have buying support).

Trendline

A line connecting a series of ascending lows (in the case of an up trendline) or descending highs (in the case of a down trendline).

Important Investor Disclosures

Complete disclosures for companies covered by Raymond James can be viewed at: www.raymondjames.ca/researchdisclosures.

This newsletter is prepared by the Private Client Services team (PCS) of Raymond James Ltd. (RJL) for distribution to RJL's retail clients. It is not a product of the Research Department of RJL.

All opinions and recommendations reflect the judgement of the author at this date and are subject to change. The author's recommendations may be based on technical analysis and may or may not take into account information contained in fundamental research reports published by RJL or its affiliates. Information is from sources believed to be reliable but accuracy cannot be guaranteed. It is for informational purposes only. It is not meant to provide legal or tax advice; as each situation is different, individuals should seek advice based on their circumstances. Nor is it an offer to sell or the solicitation of an offer to buy any securities. It is intended for distribution only in those jurisdictions where RJL is registered. RJL, its officers, directors, agents, employees and families may from time to time hold long or short positions in the securities mentioned herein and may engage in transactions contrary to the conclusions in this newsletter. RJL may perform investment banking or other services for, or solicit investment banking business from, any company mentioned in this newsletter. Securities offered through Raymond James Ltd., Member-Canadian Investor Protection Fund. Insurance products & services offered through Raymond James Financial Planning Ltd., not a Member-Canadian Investor Protection Fund.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual funds. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The results presented should not and cannot be viewed as an indicator of future performance. Individual results will vary and transaction costs relating to investing in these stocks will affect overall performance.

Information regarding High, Medium, and Low risk securities is available from your Financial Advisor.

RJL is a member of Canadian Investor Protection Fund. ©2015 Raymond James Ltd.