



'Godfather' of chart analysis says stock market now dealing with 'uglier action'

By Mark DeCambre

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Acampora says emerging-market stocks have been flashing red



Wall Street stocks have been under pressure lately

Prominent market technician Ralph Acampora is growing increasingly concerned about recent moves in the stock market, notably in the Dow Jones Industrial Average.

Acampora, a pioneer in the field of chart-based trading, said that the primary utility of reading charts is a “risk management” function, and what he’s observing currently suggests that the bullish dynamic in equities may be unraveling.

That is particularly the case after the Dow **DJIA, +0.70%** on Monday closed below its **200-day moving average** for the first time since June 2016, and as key components of the blue-chip benchmark spiraled lower.

“I sell when major support levels are broken.... take a look at Caterpillar as an example... The Dow Industrial broke a near-term support yesterday—this is getting uglier action” he said. Moving averages and other technical patterns can help analysts determine bullish and bearish momentum in an asset.

Industrial giant **Caterpillar Inc. CAT, +1.47%** saw its shares enter bear-market territory on Monday, defined as a decline of at least 20% from a recent peak (see chart below). Shares of Caterpillar were down 0.4% in Tuesday afternoon trade.

Watch



Bearish action in Caterpillar comes as investors worry that a tit-for-tat global trade spat between the U.S. and trading partners in China, Europe, Canada and Mexico could morph into a full-blown trade war, with the potential to dent global economic growth.

On Monday, technology and internet-related stocks took as market participants wrestled with a series of conflicting messages by Trump administration officials. Peter Navarro, the president's trade adviser, later that day said a forthcoming Treasury Department report will focus on China, and with respect to other countries, there is **"nothing on the table."** Speaking on CNBC, Navarro's comments followed a tweet by Treasury Secretary Steven Mnuchin, which said investment restrictions will apply to all countries attempting to steal U.S. technology, **not just China.**

In a previous interview last week, Acampora told MarketWatch that the stock market deserved the "benefit of the doubt," given its apparent resilience, highlighting outperformance by the small-cap Russell 2000 index **RUT, +0.26%** and the Nasdaq Composite Index **COMP, +0.97%** (up until Monday's trade) as signs of strength. However, he believes the current dynamic in the market is making a strong case for investors to adopt a cautious stance moving forward and thinks that investors should be acutely focused on selecting the right investments.

Read: Here's the only concern about the big rally by small-cap stocks



On Wednesday, stock losses gathered steam after the market's traded firmly higher, with the Dow, S&P 500 index **SPX, +0.82%** and Nasdaq **all declining in afternoon trade**.

Another area that has been flashing red for the technical analyst: emerging-market stocks.

As measured by the popular iShares MSCI Emerging Markets ETF **EEM, +0.69%** emerging markets are down 5.5% in June and nearly 7% over the past 30 days. A stronger dollar, gauged by the ICE U.S. Dollar Index **DXY, +0.10%** which recently **touched an 11-month high**, is finally taking a toll on those economies.

A stronger buck can put pressure on countries that use local currencies to pay dollar-denominated debts. Surging crude-oil prices, with the international benchmark Brent **LCOQ8, -0.03%** nearing \$76 a barrel and the U.S. contract **topping \$70 for the first time since May**, are also a potential headwind.

Meanwhile, Tuesday's drop left China's Shanghai Composite Index **SHCOMP, -0.93%** in a **bear market**, with a slowing economy in the region and concerns about the intensifying trade spat with the U.S. undercutting risk appetite.

"I've been telling the funds I advise to lighten there," Acamora said, referring to emerging markets.

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QUOTE REFERENCES

DJIA
+169.73 +0.70%

CAT
+1.98 +1.47%

RUT
+4.31 +0.26%

COMP
+72.52 +0.97%

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other puts, but so many stocks are already in the far down, way oversold range of the stochastic indicator. I looked through charts of about 200 stocks and I was surprised by how mangled the market is. It will take a while to for the technical damage to be overcome. Any more increases in tariffs and a bear market seems quite likely. I was focused on bullish side and had already sold my financials, so I did not notice how bad the financial stock have been hit.

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David Fitzsimmons · 22h 

One of the strongest supports of the Trump presidency is the American bull market, which launched in November 2017 and continues to this day. This is a simple observation, and should not be considered to be a statement of a causal relationship.

Stipulate to this observation, and you must conclude that the anti-Trump "revolution" requires rooting for a bear market - and a good long one.

Fancy that.

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Larry Ellis ★ Influencer → David Fitzsimmons · 20h 

The president's role should be do *avoid* disrupting markets. I thus don't conclude a market disaster should be required to boot him, despite his ham-handed trade interference. There are plenty of other good reasons for him to be ejected.

Reply · Share · 7 Likes ·  

Mike Vercellotti ★ Contributor → David Fitzsimmons · 19h 

Bbbbb

Reply · Share · 1 Like ·  

Mike Vercellotti ★ Contributor → Mike Vercellotti · 19h 

Oh..and by the way.. thank you Harley Davidson for sending your business overseas to avoid the Dumps " Bull Market and Tariff War". This is only the beginning. This is his bringing back jobs program. Hey ..coal miners (remember them?) I see that's booming again!?! Vote stealing and more lies. Reality TV is no way to run a government!!!

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George Thomas · 22h 

Yeah, well "Godfather" said late in 1999 that the Nasdaq could easily hit 5,000. Next stop? 1,500.

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Alier Gauche → George Thomas · 21h 

NASDAQ did close at 5039 on March 10, 2000, with an intraday high of 5132. And it did break 5000 on at 2 more days during intraday trading before the dot-com bubble burst.

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wow! what superlatives. in my 36 years on the street of dreams, Mr. Acampora had been known by a few other names such as 'Professor Flip-Flop', because he would make a call, and when things did not go as he called, would make a million and one excuses or try to correct what he said. I do not know Mr. Acampora personally, nor have I ever met him, ... seems like a nice enough gentleman, but I cannot ever remember him making a correct call.

Reply · Share · 4 Likes ·  

Tom Collins ★ Leader → Wally sobel · 4h 

A fellow in Canada wrote his thesis on a study of about 220 "experts". His conclusion was that the more strong and outspoken they were the more money they were payed and the more press they got. BUT they were wrong 70% of the time compared with the quieter experts who were only wrong 60% of the time. I never listen to so called experts or talking heads. You might as well flip a coin. With stock markets you can say it's going to correct, or say it's going to skyrocket. Eventually you can claim that you were right. It's all a game. You sound like someone who knows all of this anyway.

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Wally sobel ★ Influencer → Tom Collins · 33m 

Hi Tom Collins:

Yes, I am aware. Thirty six years on the 'Street of Dreams' and, if you paid attention, you learned a lot. I have written about these sort of things many times in the past, but so few actually listen. You can tell by the way stocks move when analysts make a call and how the stock reacts. Analysts are PAID for their opinions, so who is the analyst responsible to????

Who gets the first look at those opinions???? The client! Who hears about it last? The public who reacts, usually too late and in concert with all the other John Q. Public investors. I do not find fault with these analysts, they are doing their jobs. It is all sort of a pyramid scheme of sorts. Check out the stocks that are being singled out in these calls. Look at the time and sales and volume going back a day, to a few days, to maybe even a week. It is incredible how some people seem to have a crystal ball. I was witness to an event where a major brokerage house came out and recommended this one particular stock, and then immediately sold into all the buying. This very same outfit used a pyramid type scheme with their clients. The top tier got in first, then the second tier got in and then the third. The fourth tier, basically, took out the first tier, the fifth took out the second tier and the sixth took out the third. A simplification here.

Remember Long Term Capital Mgt. many years ago.

You are a Good Man, Tom. Keep up the good work.

Welcome to the street of dreams.

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Burt suGarman · 1d 

RALPH, take a nap!

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Catch-N-Kill Dennison ★ Leader · 1d · Edited 



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joe zappia → Catch-N-Kill Dennison · 1d

Dennison is too young to even know who Ralph Acampora is. Just as certain as the sun will set in the evening, Dennison will learn the market's lessons the hard way.

Reply · Share · 9 Likes ·

Catch-N-Kill Dennison ★ Leader → joe zappia · 1d

Good luck with your shorts.

Reply · Share ·

joe zappia → Catch-N-Kill Dennison · 1d

Typical millennial response. Reducing long exposure, which is what the Godfather correctly recommends at this stage of the bull market, is not shorting. But you are on a path to lose your shirt...and shorts. You won't be the first. You won't be the last.

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