



**Rod Smyth**  
CHIEF INVESTMENT STRATEGIST

*For the S&P 500, 2330-2350 stands out to us as an area of technical support. Not only is it where the 200-day moving average (what we call the primary trend) is heading for, it is also where support was found during the minor pullback earlier this year, as shown in the oval on the chart.*

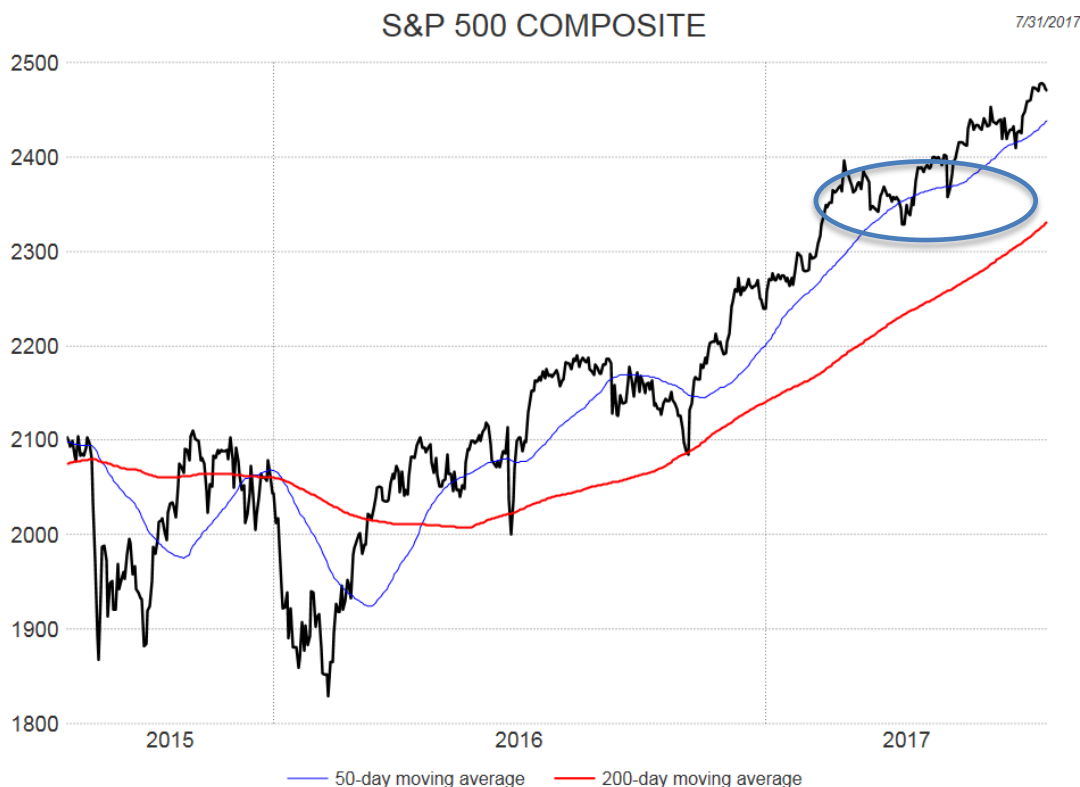
## Entering the “Correction Months”

August and September have historically been associated with corrections in the stock market and October is the month that has seen the most seasonal lows, so it would not be unreasonable for investors to prepare for a correction.

2017 has been a good year so far for stock investors with the MSCI ACWI up over 14% in just seven months. Moreover it has been remarkably free of volatility and pullbacks. We think this is because the economic and earnings data has been steadily improving, despite plenty of political drama. As a result, a certain amount of investor complacency has crept in. The Ned Davis Crowd Sentiment Poll has been above the 66 level, which they consider “extreme optimism”, for almost all of 2017, so an investor solely relying on that measure as a timing tool would have been frustrated.

This year the trend has been solidly upward both in the US stock market and overseas. We know that market timing can be very challenging, and use a combination of sentiment and trend to try and gauge the odds of the market being higher or lower in a three-month timeframe. Our work is not currently suggesting caution. Furthermore, so long as central banks are supportive of growth and valuations are reasonable (as is currently the case), we don’t put a lot of weight on making tactical moves in our portfolios.

That said, for those seeking to make timing decisions over the next few months, this week we examine some levels that should offer technical support should a correction occur.



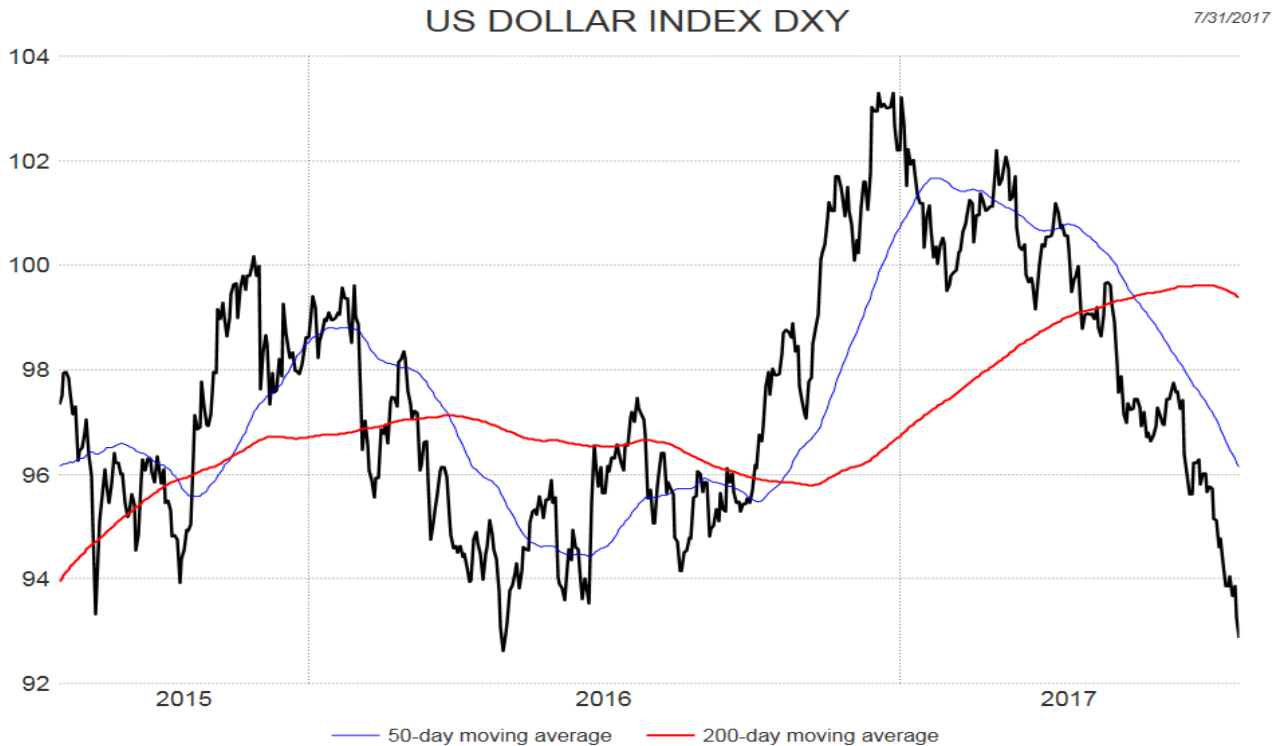
Source: Thomson Reuters Datastream, RiverFront

Past performance is no guarantee of future results. You cannot invest directly in an index.

For the S&P 500, 2330-2350 stands out to us as an area of technical support. Not only is it where the 200-day moving average (what we call the primary trend) is heading for, it is also where support was found during the minor pullback earlier this year, as shown in the oval on the chart above. From current levels, that would be a decline of about 5% -- a perfectly normal correction in a bull market.

In the meantime, so long as the 50-day moving average is rising and the market is above it, we don't know from what level a correction might occur. We seek to build portfolios that take this kind of question and put it on our shoulders rather than our clients. What we ask in return is a commitment to a timeframe which helps us judge the appropriate amount of risk.

**The Dollar: A Changing Trend and Greater Volatility**



*Past performance is no guarantee of future results. You cannot invest directly in an index.*

Our chart above shows the value of the dollar against a basket of major overseas developed world currencies, mostly in Europe. You can clearly see the big gain in the dollar from July of 2014 until April of 2015. From then until November 2016 this index traded in a range, capped at the 100 level. The election of Donald Trump and the Republican sweep in Congress caused investors to raise their estimates for US economic growth and interest rates. The dollar surged above the 100 level on that optimism. However the combination of gridlock within the Republican Party and great clarity of both economic growth and political stability in the Eurozone has caused a sharp reversal. This index is now challenging the bottom end of its 2+ year trading range and the primary trend is now down. Arguably some of the volatility that has been absent from stock markets has played out in the currency markets.

This year we have largely removed our hedges to Euro and Yen exposure. While there may be tactical opportunities to deploy hedging, we do not expect sustained dollar strength now that the global economy is in greater equilibrium.

**Important Disclosure Information:**

*The comments above refer to generally to financial markets and not RiverFront portfolios or any related performance.*

*RiverFront Investment Group, LLC, is an investment adviser registered with the Securities Exchange Commission under the Investment Advisers Act of 1940. The company manages a variety of portfolios utilizing stocks, bonds, and exchange-traded funds (ETFs). RiverFront also serves as sub-advisor to a series of mutual funds and ETFs. Opinions expressed are current as of the date shown and are subject to change. They are not intended as investment recommendations. (continued on the next page...)*

**Important Disclosure Information (continued):**

*RiverFront is owned primarily by its employees through RiverFront Investment Holding Group, LLC, the holding company for RiverFront. Baird Financial Corporation (BFC) is a minority owner of RiverFront Investment Holding Group, LLC and therefore an indirect owner of RiverFront. BFC is the parent company of Robert W. Baird & Co. Incorporated (“Baird”), a registered broker/dealer and investment adviser.*

*These materials include general information and have not been tailored for any specific recipient or recipients. Accordingly, these materials are not intended to cause RiverFront Investment Group, LLC or an affiliate to become a fiduciary within the meaning of Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974, as amended or Section 4975(e)(3)(B) of the Internal Revenue Code of 1986, as amended.*

*Past results are no guarantee of future results and no representation is made that a client will or is likely to achieve positive returns, avoid losses, or experience returns similar to those shown or experienced in the past.*

*RiverFront’s Price Matters<sup>®</sup> discipline compares inflation-adjusted current prices relative to their long-term trend to help identify extremes in valuation.*

*Diversification does not ensure a profit or protect against a loss.*

*Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.*

*Strategies seeking higher returns generally have a greater allocation to equities. These strategies also carry higher risks and are subject to a greater degree of market volatility.*

*Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.*

*In a rising interest rate environment, the value of fixed-income securities generally declines.*

**Index Definitions:**

*Standard & Poor’s 500 Index (S&P 500) measures the performance of 500 large cap stocks, which together represent about 75% of the total US equities market.*

*MSCI ACWI captures all sources of equity returns in 23 developed and 23 emerging markets. .*

*The U.S. Dollar Index (DXY) is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners’ currencies*

*It is not possible to invest directly in an index.*

*Copyright ©2017 RiverFront Investment Group. All rights reserved.*

*2017.87*