



## Free Weekly Investment Commentary

Volume 3

Edition 36

August 27, 2016

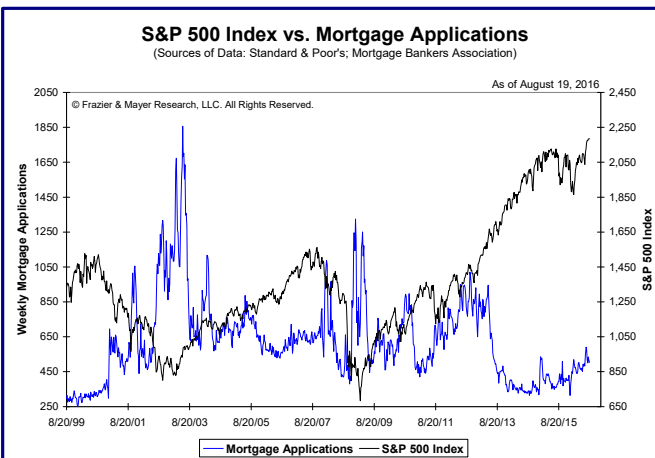
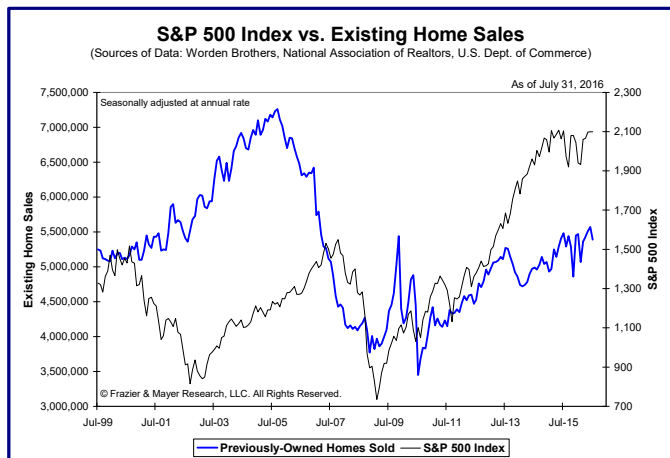


David N. Frazier

### Stocks Due for a Substantial Pullback After Running into Key Price-Resistance Levels

After trending higher from February 12 to July 20 of this year, and then moving sideways over the past five weeks, U.S. stocks appear to be setting up for a substantial pullback. I say that because approximately 50 closely-followed stocks that I monitor on a regular basis ran into some key price-resistance levels during the week ended August 26, and price-momentum statistics indicate that financial market participants are currently overvaluing those stocks substantially.

Meanwhile, recent statistics for the housing market indicate that sales of previously-owned homes – existing home sales – , which account for approximately 90% of all homes sold in the United States, are headed lower over the next few months, with sales of those homes declining during July, and applications for mortgages declining in five of the past six weeks. Such a development would bode poorly for the future direction of the U.S. economy and U.S. stock prices. That’s because the economy and stocks tend to move in the same direction as existing home sales.



Although sales of durable goods (i.e. household appliances, automobiles and office equipment) rose during July, they rebounded very modestly after falling sharply over the two prior months. And, recent surveys of executives at U.S. manufacturing companies indicate that sales of durable goods resumed their May to June downturn during August. That would also be a negative development for stocks because U.S. stock prices also tend to move in the same direction as durable goods orders.

As a result of the negative developments mentioned above, I recommend for you to continue to be patient and to wait for the right reward-to-risk opportunity before committing substantial amounts of your financial market assets to equity securities.

Having said that, , the recent trading action in several small-cap, growth stocks that I’ve been monitoring suggests that those stocks will generate some substantial gains over the 6-18 months,

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including **Shake Shack (SHAK)**, **Blue Buffalo Pet Products (BUFF)**, **Barracuda Networks (CUDA)**, **Cynosure (CYNO)**, **Ei Pollo Loco (LOCO)** and **Skullcandy (SKUL)**. However, I expect all of those stocks to pull back considerably before continuing to trend higher.

**[Click here](#) and complete the form that loads on our Internet Web site if you would like for us to tell you when our research indicates are opportune times to purchase the stocks mentioned above.**

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