



Lindisfarne Investments, LLC

An island of safety in a sea of risk

Market Update February 20, 2014

In the last Market Report, we postulated three scenarios for the market. The bullish one showed that the S&P 500 would have to break the 1850 level to signal a continuation of a move to the upside. The second one had the market remaining in a trading range between the 1750 and 1850 levels while the third talked of a move to the downside if we broke through the 1750 level. Here, the downside target was around 1650.

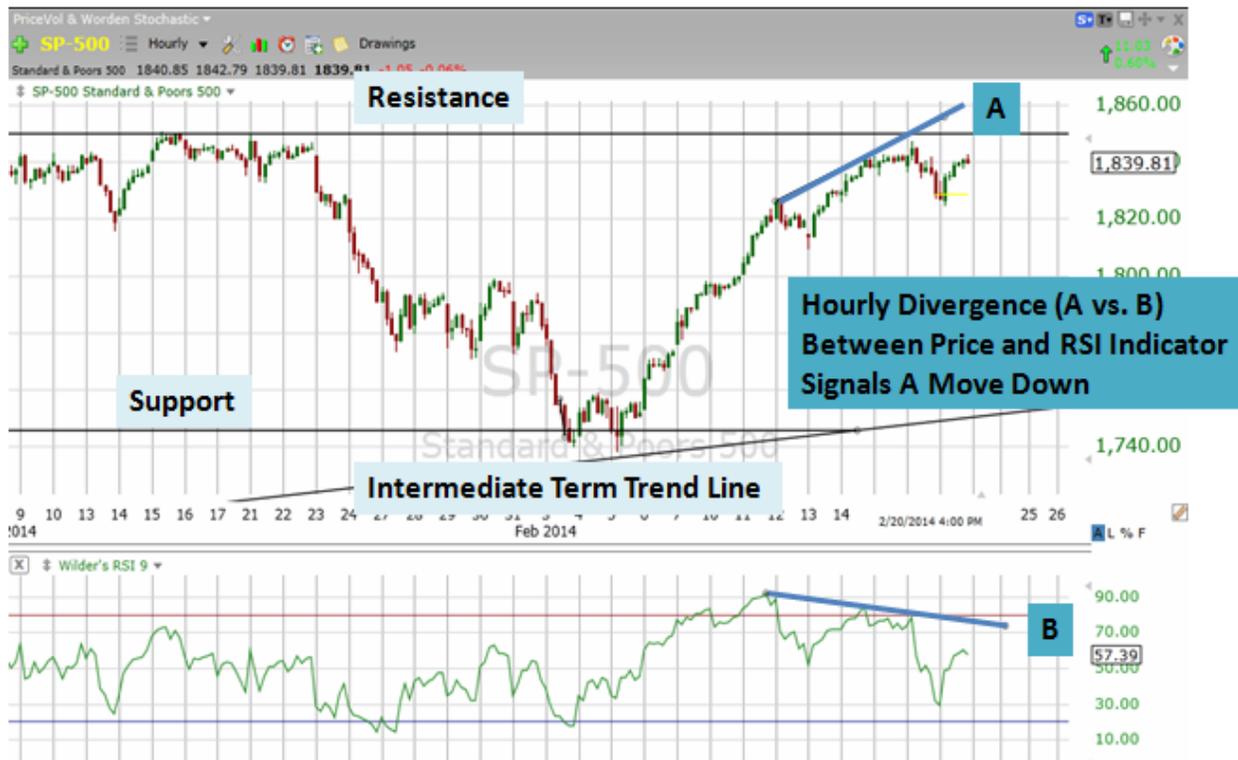
Not a lot has changed since that report. The first chart shows a longer term view of the S&P 500 on a daily basis. Over the past three weeks, we have simply travelled from the bottom to the top of the 1750-1850 trading range. This leaves our three scenarios all within the realm of possibilities.

S&P 500 Daily Chart



Many times, if a longer term chart is unclear, we can get clues as to possible next action by looking at a shorter term chart. The next chart shows an hourly view of the S&P 500 with the same support and resistance lines as in the daily chart above. The bottom of the chart shows a plot of the Relative Strength Indicator (RSI) which gives an indication of how strong the market is.

S&P 500 Hourly Chart



Looking at Lines A and B, we see what is called a divergence between them. Or, in other words, as the Price made new highs along Line A, the strength of the move making the highs was declining along Line B. Interpretation: the market was getting weaker while moving higher. This is not a positive which would signal a move higher through the resistance at 1850. However, nothing is perfect in our world of technical analysis and this could turn out to be a head fake and the market could power higher through the 1850 level. We remain on a close watch.

Unfortunately, market risk remains high. Therefore, in managing risk, we remain in a position of waiting for the market to signal its next direction. If we break out to the upside, there will be plenty of gain to be had, but if the move is down, we need to avoid major portfolio losses.

1099 Schedules

If your accounts at TD Ameritrade and Ceros are IRAs, you do not need to worry about 1099s. They are not issued for these types of accounts and are not needed to do your taxes.

Those that had taxable accounts at TD Ameritrade during 2013 should be receiving their 1099s in the mail shortly. The last TDA 1099s were mailed on 2/20/14. However, there is a delay on those tax documents from Ceros.

Ceros uses the Fidelity Clearing House, National Financial Services – NFS, to handle all their paperwork. NFS notified Ceros this week that a number of accounts have not yet received their 1099s. To avoid issues with corrected 1099s, NFS has received an extension from the IRS in sending out these documents. All 1099s from NFS should be received between 2/18 to 3/14/2014.

If you do not receive your 1099, please drop me an email and I will pursue it for you.

Road Trip

I am leaving for Jordan today to attend a wedding between my youngest son and a woman he met while stationed there last year. I look forward to meeting her family, seeing the country and visiting some of the spectacular sites such as the ruins at Petra and seeing if I float in the Dead Sea. I should return on March 2nd, but can always be reached by email.

Please feel free to pass this update on to anyone that you think might be interested in it. If they wish to be on the mailing list or would like more information about the services of Lindisfarne Investments, we can be contacted by phone at (440) 623-0775 or by email at bill@lindisfarneinvestments.com.

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