

September 17, 2019

**CHASE  
INVESTMENT  
COUNSEL**

CORPORATION

350 Old Ivy Way, Suite 100  
Charlottesville, VA 22903-4897  
Phone: 800-293-9104  
Fax: 434-293-9002  
www.chaseinv.com



**Derwood S. Chase, Jr.**  
Founder & Chairman Emeritus

**Peter W. Tuz, CFA, CFP®**  
President & Portfolio Manager  
Senior Security Analyst

**Robert (Buck) C. Klintworth, CMT**  
Vice President & Portfolio Manager

**Clay J. Seftor**  
Research Analyst &  
Assistant Portfolio Manager

**Jennifer L. King, IACCP®, CIPM**  
Senior Vice President  
Chief Operating Officer &  
Chief Compliance Officer

## Market Commentary

**INTRODUCTION** – Chase Investment Counsel Corporation uses a “bottom up” investment process combining fundamental analysis (the what) and technical indicators (the when) in making judgements about both market timing and stock selection. We focus on mitigating risk.

The media keeps emphasizing negatives related to the economic outlook: recent decline in manufacturing activity, for the first time since 2007, in August the 10 year and 2 year Treasury yields inverted, trade conflicts, geopolitical uncertainties, and consumer debt at all time high over \$4 trillion. The American Association of Individual Investor’s survey indicates investors are more bearish now than they were in 2009 during the financial crisis! Many of the negatives are short-term, others just don’t correlate with the stock market. The yield inversion does correlate, but it’s only an early warning indicator. Stocks have usually risen substantially for twelve months or so after inversions. While consumer debt is at a peak, more important is the fact that payment on consumer debt as a percentage of disposable income has improved from 13% in 2008 to less than 10% or close to the lowest level since 1980.

Since stock prices are determined by the forces of supply and demand we pay particular attention to Lowry’s Primary Trend Perspectives. From early August major market indexes have been confined to rough trading ranges which the forces of Supply and Demand suggested would be resolved by a renewed market rally. The bottom of the trading range was defined by three declines, each ending at about the same level. Each of these three declines was on Down Volume of 90% or more of total Up/Down Volume, suggesting the potential exhaustion in Supply. Each of these declines was followed by signs of renewed Demand, either through an 80% Up Day, a 90% Up Day, or consecutive 80% Up Days. The combination of heavy selling (90% Down Days) followed by signs of renewed, strong Demand is a classic pattern suggesting that stocks were undergoing a process of accumulation in anticipation of an eventual breakout into a rally. Simultaneously NYSE all-issues and Lowry’s Operating Companies Only (OCO) Advance-Decline Lines both produced

all-time highs which historically has been followed by new highs in the major indexes. During the last few weeks small cap stocks whose weakness in much of the third quarter had been acting like an early warning to a faltering bull market have started outpacing the gains of both large and mid-cap stocks and instead now suggest an impressive rejuvenation of the bull market. Overall Lowry’s believes the probabilities favor the bull market remaining alive and well.

We are now in the May-October seasonally weak six months for the Dow 30 and the S&P 500® indexes, July-October for the Nasdaq. According to FactSet, S&P 500® companies with greater than 50% of sales outside the U.S. will continue to have earnings declines estimated at -10.7% in Q3 reflecting slowdowns in foreign economies and exchange losses against a strong dollar. We remain concerned that individual stock prices may not completely anticipate further earnings declines and overall slowing of 2019 earnings which could contribute to a short term correction. The market already seems to be



Lowry's Primary Trend Perspective is weekly report published by Lowry's Research Corporation ([www.lowryresearch.com](http://www.lowryresearch.com)).

Lowry's OCO indicators exclude all preferred issues, all real estate partnerships, all foreign issues and ADRs, and all closed-end stock and bond funds. The remaining issues are simply domestic common stocks listed on the New York Stock Exchange. Lowry's OCO Adv-Dec Line has provided a far more accurate measurement of the internal strength of the stock market, particularly at critical turning points.

Information from Lowry Research is used with the expressed written consent of Lowry Research Corporation.

NYSE or the New York Stock Exchange is a stock exchange located in New York City that is considered the largest equities-based exchange in the world, based on the total market capitalization of its listed securities.

The Dow Jones Industrial Average is an unmanaged index of common stocks comprised of major industrial companies and assumes reinvestment of dividends.

The S&P 500<sup>®</sup> Index is a broad-based unmanaged index of 505 stocks, which is widely recognized as representative of the equity market in general.

The Nasdaq Composite Index is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange.

FactSet Research Systems Inc is a financial data software company that provides financial information and analytic software for investment professionals.

You cannot invest directly in an index.

Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced.

**Index performance is not indicative of fund's performance.**

**Past performance does not guarantee future results. Current performance can be obtained by calling 888-861-7556.**

*The funds' investment objectives, risks, charges and expenses must be considered carefully before investing. The Statutory and Summary prospectuses (CHASX/CHAIX or CHAMX/CHIMX) contain this and other important information about the investment company, and may be obtained by calling (888) 861- 7556. Read carefully before investing.*

**Earnings growth is not representative of the fund's future performance.**

**The information on earnings growth is based on certain assumptions and historical data and is not a prediction of future results for the Funds or companies held in the Funds' portfolios. Past performance does not guarantee future results.**

**Earnings growth is the annual rate of growth of earnings from investments.**

The opinions expressed are those of the listed authors and are subject to change, are not guaranteed and should not be considered recommendations to buy or sell any security.

**Mutual fund investing involves risk. Principal loss is possible.**

Distributed by Quasar Distributors, LLC.