Stocks are primed to drop 25 percent before the year is out: 'Northman Trader'

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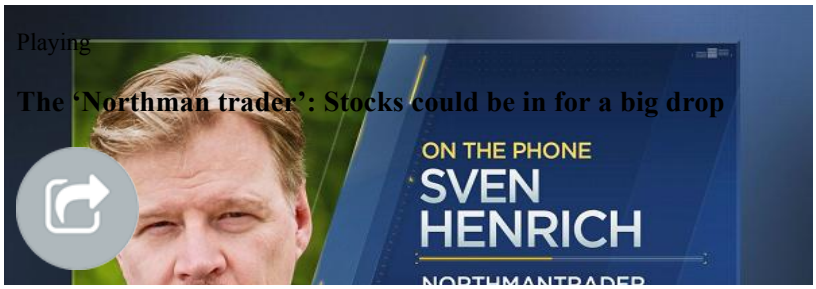
Alex Rosenberg | @AcesRose
Tuesday, 13 Sep 2016 | 9:45 AM ET



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The 'Northman trader': Stocks ... big drop

Stocks could be set for a big slide to finish off the year, according to Sven Henrich, better known as the "Northman Trader."

According to Henrich's work, the S&P 500 is trading in a "rising wedge pattern" — in which the market's narrowing range points toward a dramatic move.

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Stocks may be set for a big slide to finish off the year, according to "Northman Trader" Sven Henrich.

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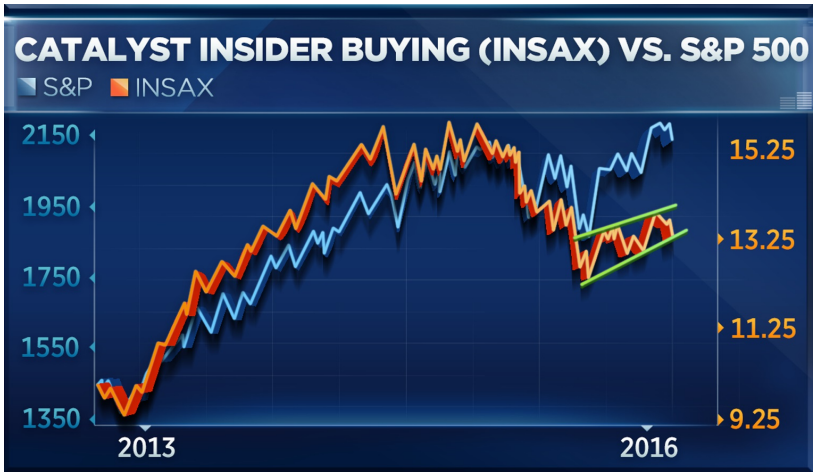
"Wedges are very powerful patterns, and when they break, they have a fairly sizable implication," Henrich said Monday on CNBC's "Trading Nation." "The rising wedge demands a resolution in the coming months."

For Henrich, this pattern is likely to resolve to the downside. He points to a series of divergences, including the spread between insider buying and the S&P 500.



In another sign of instability, Henrich points to the FTSE All-World Index's inability to hit a fresh record high.

How could this play out? Given the rising wedge pattern and based on the market's high valuation from historical norms, the chart-minded trader predicts that "we can see a 20 to 25 percent correction into 2017."

"That's actually not a historically outrageous correction," added Henrich, who runs a subscription service and is not a professional money manager. "We just haven't seen it in such a long time that no one's used to it any longer."

So far this year, the S&P 500 is up about 5 percent, but is slipping in Tuesday morning trading.

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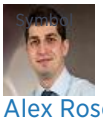

Alex Rosenberg
Producer

Symbol	Price	Change	%Change

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S&P 500	2135.35 ▲	8.33	0.39%

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onjoFilms • 4 hours ago
I've studied charts since 1981. It's more of an M that is leading to a Y. After that, there will be a small blip that looks like an A, followed by a high vix that can appear as two S's.
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AFACEINTHECROWD • a day ago
Sven and his lovely bride Angelina Jolie have been top calling for quite a while. They've seriously misunderestimated the willingness and ability of our CBs to prop this financial mess up at the expense of all that is good in the world.
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HOST

Brian Sullivan
"Power Lunch" Co-Anchor

CONTRIBUTORS

Todd Gordon
TradingAnalysis.com founder

Lawrence McDonald
Senior Director, Société Générale

Rich Ross
Managing Director, Head of Technical Analysis, Evercore ISI

David Seaburg
Managing Director Head of Equity Sales Trading, Cowen and Company

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gw232 • a day ago

Funny how it's doom & gloom one day then the next day it's "just a blip"

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Jim Lee • a day ago

Any mention of how unreliable wedges are? I've got deep experience in technical analysis. This is one formation that is talked about in the books, but seldom works in real life.

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drock10 ➚ Jim Lee • 13 hours ago

So does he. Follow him on twitter for his charts. Called the W in jan/feb almost to the tick. He may be wrong here but hes been very accurate so far this year.

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horseyface • a day ago

More doom & gloom. Let's sell everything!

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Bruce • a day ago

1+1=2. Every time it looks like the fed is going to raise rates, the market tanks. Then, when it looks like the fed won't raise rates, the market comes back.When the fed actually starts raising rates for real, the market will tank.

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BabyWayne • a day ago

Why not 24%? You are a joke, sir.

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Follow his charts on twitter...hes been pretty spot on...called the W in jan/feb almost to the tick. Not saying he is right just been really accurate thus far.

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Nikolai Golovenkov • a day ago

another BS artist

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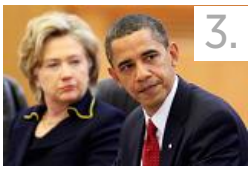

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