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Stock Market Investing Tips, Techniques, and Resources



Double Top Investment Risk Signal

By www.ProfitableInvestingTips.com

The stock market has largely recovered while the Covid-19 pandemic has driven the US economy down. A recent double peak investment risk signal warns of a coming market crash or correction. The [double top](#) or double peak is an extremely bearish technical reversal pattern according to *Investopedia*. By itself, it is not enough to guarantee a market correction or crash, but along with a market that is [ignoring the economy](#), the Covid-19 crisis that is likely to worsen before improving, and uncertain [market sentiment](#), it is a warning sign to be heeded. It is especially of note that the Fed chairman is repeating his comments about congress needing to act on more stimulus measures as the Fed can only do so much.

Double Top Investment Risk Signal

On the basis of the recent double top signal and the many other factors affecting the economy and the market, *Forbes* predicts a severe [October selloff](#). They provide a long list of things to worry about including the flu season on top of Covid-19, increasing layoffs, the end of stimulus support money, the inability of the Fed to carry the day all by itself, banks expecting a prolonged recession, overvaluation of big tech stocks, and whole industries expecting the need to go into survival mode. Their advice is to hold cash and see what happens.

On top of all this, the level of global debt is dangerous. Without a healthy global economy to service debts, there is a danger of the credit system collapsing across the globe. When this happens, trade will grind to a standstill and we could be looking at a prolonged “L-shaped” [economic recovery](#).

How Bad Will the Correction Be?

The stock market has gotten detached from fundamentals and is overpriced. When market sentiment swings to the negative, it could precipitate a substantial downturn. Although fundamentals are always the cause of crashes and technical signals like the double top help predict them, it can be something otherwise insignificant that starts the ball rolling. Once that happens it would not be surprising to see the market fall as badly as it did at the onset of the Covid-19 crisis and not recover as well as the Senate is opposed to any more stimulus measures.

How Long Will the Correction Last?

Our concern is that when the next correction occurs, the recovery may take a long time. If we fall into bear market territory, the recovery could resemble that of the 1929 to 1932 crash and not the Financial Crisis. It should be noted that the US economy and market did not really come out of the Great Depression until the

government ramped up spending (and borrowing) to fight World War II. US infrastructure improvements from roads and bridges to airports to a [5G network](#) upgrade are all necessary and long past due. The way out of the Covid-19 driven recession will be to get the virus under control and then start borrowing and spending to fix infrastructure. The improvements will help the economy and the job created will put money at the hands of consumers from where it will drive a recovery.

In the meantime, beware and consider converting some of your market gains to cash.

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