

# PHASES & CYCLES®

## A POTENTIAL "DOUBLE-BOTTOM".

September definitely lived up to its reputation as being the worst month of the year. The Dow Jones (DJI) lost 11.3%, the S&P 500 (SPX) was down 13.1%, the NASDAQ gave back 13.7%, and Toronto (TSX) declined 8.4% (all measures are from the high of the month).

The SPX, despite its loss, managed to find support near the June low of  $\pm 3650$ , thereby maintaining the possibility that the Index is developing a technical pattern called a "double-bottom", as mentioned in the prior Market Comment. This is supported by numerous other statistics. Let's have a look at them.

On September 23<sup>rd</sup>, when the SPX lost 64.76 points to 3693, the Declining Volume (DV) was almost ten times larger than the Advancing Volume (AV). This often signals a "selling climax", the end of a down-trend. Then, a few days later, on the 28<sup>th</sup>, as the SPX gained 71.75 points (to 3,719), the exact opposite occurred: The AV was 11 times larger than the DV, which is a sign of "buying panic".

Not to get too optimistic, the next two days were negative (SPX ended at 3,586), but starting October 3<sup>rd</sup>, the statistics were once again positive for two days and the SPX reached 3,791. Adding to this positive activity, the percentage of stocks above their 10-week Moving Averages was again below 10%, as in mid-June, which then created the 3650 to 4300 rally.

However, despite the positive activity, and despite holding the  $\pm 3600$  level, there are still some negative signs: both the 200-day and the 50-day Moving Averages (MAs) (currently at 4175 and 3975 respectively) are declining, the SPX is below both of these MAs and the VIX has not settled below 20%.

**In summary**, the SPX is trying to hold near the 3600 level and create a "double-bottom". The longer this takes, the more confidence it creates that by December the SPX could begin a new up-leg. At the same time, a violation of the  $\pm 3600$  level would signal a decline towards the next support level near 3500.

## S&P 500 (SPX)



## S&P/TSX (TSX)



**TORONTO's** TSX index clearly mimics New York's activity.

A rally started in July at 18,250 and brought the Index to 20,250 in August. This was followed by a decline back to the 18,250 level by late-September. The TSX, just as the SPX, is below both its 200-day and 50-day Moving Averages, which are currently at 20,250 and 19,450 respectively and also below its downtrend line (green line). The TSX is also trying to complete a "double-bottom" formation by holding the  $\pm 18,250$  level.

The Energy Sector continues to be the strongest and the majority of its stocks continue to add a positive push to the Index, as do Consumer Staples.

Gold has broken below its March 2021 level, and so have most of its constituents.

The Bank stocks were holding their July lows until last week but moved below them yesterday.

Phases & Cycles Inc., 4000 Boul. De Maisonneuve West, Suite 2010, Montreal, QC H3Z 1J9

Tel.: (514) 393-3653 E-mail: [RonMeisels@phases-cycles.com](mailto:RonMeisels@phases-cycles.com) [www.phases-cycles.com](http://www.phases-cycles.com)

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