

PHASES & CYCLES[®]

**To paraphrase Winston Churchill:
March 14th was the end, but the market is not yet
at the beginning of the beginning.**

In other words, the correction that started on January 4th, 2022 culminated on March 14th, but the rally that started on that day was not yet the start of a new up-leg – the market may retest SPX 4400 first.

Let's look at the market activity of the last four months. In 2021 the S&P 500 Index (SPX) rose all year, advancing 25.2% to 4595 by the end of November. A similar move in Toronto lifted that Index (TSX) by 19.9% to 21,126. Our Market Comment (26/11/21) suggested a slow-down towards SPX 4500 and TSX 20,500 due to a potentially large tax-selling in early December, but called for a rise towards January 4th, which is the end of the usual Santa Claus Rally.

December developed as forecast. The targets given (4500 and 20,500) were reached exactly in early December, and the SPX rallied for the rest of the month to an all-time high of 4819 --- on January 4th!

The next Market Comment (13/1/22) and Ron's Briefs (22/2/22!) introduced the Kitchin Cycle. Joseph Kitchin observed that the markets (among others) have a cyclicity of 44-48 months. Although this work was done in 1923, history exhibited its high accuracy through the years, despite its disbelievers. Based on this

concept, we suggested in January that there would be a decline, a correction, but not a bear move, sometime in 2022, since that would be four years after the market's corrective move in 2018.

Although the January barometer ("as goes January so goes the year") had already given a negative reading for 2022, it was a surprise that the proposed decline occurred as early as it did. The 13.6% drop that ended on March 24th was a market correction of the over-bought condition that everybody recognized in late 2021, but not a bear market just as the 2018 decline (-19.6%) was not a bear market but a correction.

OUTLOOK

Toronto did not mirror New York's negative move. It had a smaller decline due mainly to the strength of its Energy stocks and had already reached a new all-time high in early-March. At the same time, the 9.5% advance since March 14th probably exhausted the SPX and it will need a rest before it could mimic the TSX's new all-time high, possibly by revisiting the 4400 area between now and mid-April. This proposed pull-back is likely to induce the prognosticators who did not listen to Mr. Kichin, cried "bear market" all through February, to echo this sentiment again in April.

S&P 500 (SPX)



S&P/TSX Composite Index (TSX)



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