

# PHASES & CYCLES®

## WATCH THE 4000 LEVEL.

The S&P 500 (SPX) reached our projected target of 4300 on August 18<sup>th</sup> and has been falling ever since. It started, as it does more often than not, on the option expiry day, which was the next day, the 19<sup>th</sup>. The decline brought the SPX to 4100 from 4305 (-4.8%); the percentage of stocks above their 10-week Moving Averages from 81.2% to 49.6% and the percentage of stock above their 30-week Moving Averages from 47.3 to 29.9 (courtesy of Investors Intelligence).

The decline was not a surprise. Our most recent Market Comment suggested that a corrective move would follow the run to 4300, since two important indicators were intersecting at this level to block further advances, the *falling* 200 day Moving Average (200dMA) and the *declining* trendline (see chart below).

The target we published was 4000-4100, the zone between a 1/3 and a 1/2 decline of the previous rally. This was a logical target since the now rising 50-day Moving Average (50dMA) intersects at about this level. A not-logical (and negative) action would be a further decline

below 4000, as this would bring the Index below the 50dMA and open the way to a retest of the recent low at ±3700.

**Seasonal indicators:** the markets are entering into the negative September-October seasonal period. Although the common belief states that October is the worst month of the year (because selloffs that commence in September invariably end there) in actuality it is September that is the worse month of the year. (The bears, seeing the start of the decline from 4300, have already used this to forecast a decline to the 3100 level!) However, given that 2022 has already brought us a number of bad months (January, April, June, etc.) it is possible that the honor of being the worst month has been used up already.

### OUTLOOK

The important level to watch is the SPX's behavior near the above mentioned 4000 level. For investment ideas continue to look at the Energy stocks on Phases & Cycles' List of Investment Ideas.

## S&P 500 (SPX)



## S&P/TSX (TSX)



The TSX failed to reach its falling 200-day Moving Average (200dMA) and it has also begun a corrective move, as the SPX. The projected target for the corrective move is the 19,250 area, where the 50-day Moving Average currently intersects. As in New York, a decline below this level would indicate a decline to lower levels in the upcoming negative season.

The Energy Sector continues to provide the best upside targets for investments, along with Consumer Discretionary and Staples stocks on the List of Investment Ideas.

Banks are below their respective 200-day MAs and also have falling 50-day Moving Averages, above which they continued to fail to advance during the recent TSX action.

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