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DESPITE OVERSOLD CONDITIONS, THE MARKETS HAVE NOT YET FOUND THE BOTTOM.

Our recent Market Comment (MKT-534) listed five sentiment indicators and their relatively low readings. Given that similar results in the past (2009 2018, 2020, etc.) have invariably signaled oversold positions and led to significant upside moves, we were expecting the same. However, the SPX (S&P 500 Index) has continued to fall to lower levels (from 4161 to 3667) from early to mid-June.

The table on the following page lists these indicators for the last five weeks and shows that the readings have gone even lower between June 7th and 21st but improved somewhat while the market had a rally to June 28th.

Based on these very low readings the outcome should have been a reversal, the beginning of an up-leg. However, in these precarious times important daily events can distort or defer technical signals: COVID, Ukraine and more significantly inflation and rising interest rates.

Despite the huge cash reserves carried by portfolio managers (currently reported as three trillion) and the relatively huge cash positions of individual investors (reported at 600 billion) the money is sitting on

the sidelines due to fear of further interest rate increases.

My 2022 forecast called for a corrective move for the year, caused by the four-year cycle, (2018 + 4), but this correction has exceeded all expectations, technical and all others.

What could reverse the markets? Second quarter positive earnings would help, but only a lesser than a $\frac{3}{4}$ interest rate rise would be a quick solution. Technically, bargain hunters would act quickly should the SPX move above 3980, which is where the 50-day Moving Average (50dMA) currently intersects.

Leaving the U.S. market, let's look at Toronto's status. The S&P/TSX Composite Index (TSX) had a 16% decline from its April high of $\pm 22,000$ to the current $\pm 18,500$. The less significant decline than the SPX (20.3%) is mainly due to the positive action of the Energy Sector.

However, as the charts below indicate, even the Energy sector is starting to give up some of its strength, but at least it is still above its 40-week Moving Average (green line). Compare this to the chart of the Financial Sector which is already below its 40wMA.

DATE	SPX	10wMA	30wMA	AAII	
				Bulls	Bears
2022					
7 June	4160.68	47.0	26.4	32.0	37.1
14 June	3735.48	8.3	10.1	21.0	46.9
21 June	3764.79	9.4	9.3	19.4	58.3
28 June	3900.11	13.8	11.4	18.2	59.3
5 July	3750.79	18.1	9.5	22.8	46.7

CANADIAN ENERGY SECTOR (TTEN)



CANADIAN FINANCIAL SECTOR (TTFS)



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