

# PHASES & CYCLES<sup>®</sup>

## IS THE CORRECTION OVER?

Our most recent Market Comment (MKT-530; March 30<sup>th</sup>) suggested that the rally from March 15<sup>th</sup> to March 29<sup>th</sup> was impressive, but was not yet the “beginning of the beginning”.

The above mentioned rally moved the S&P 500 Index (SPX) from a low of 4188 to 4632, but it ran out of powder at that point. Our projected target for a minor pullback was 4400 (an approximate ½ correction of the rally) and we suggested that if this held, the market would signal both the “end of the end” as well as the “beginning of the beginning”.

The decline commenced a day before MKT-530 was published and it continued until the April 18<sup>th</sup> low when the SPX reached 4370. As the table below indicates, as the SPX declined, so did the percentage of stocks above their 10-week Moving Average (10wMA), the

percentage of stocks above their 30-week Moving Average (30wMA) and the (*American Association of Individual Investors*) AAI Bull; while the AAI Bears and the VIX reading increased.

Comparing the statistics between the latest low and the March 15<sup>th</sup> low indicates that the readings at 4370 were almost equal to the ones at 4188, suggesting that the SPX was almost equally oversold on April 18<sup>th</sup> as it was on March 15<sup>th</sup>. As we know, the March 15<sup>th</sup> oversold condition was followed by a 10.6% rally!

As my good friend Leon Tuey wrote recently: “Inflation”, “Fed Tightening”, “Inverted Yield Curve”, “Recession”, “Stagflation”, and “Russia’s invasion of Ukraine” have been around since January 2022; to which I would add “and look where we are today”.

DATE	SPX	10wMA	30wMA	AAI		VIX
				Bulls	Bears	
2022						
March 15	4188	21.9	24.5	24.0	45.8	29.8
March 29	4632	61.7	45.3	32.8	35.4	18.9
April 18	4370	40.0	35.7	15.8	48.4	22.8

### OUTLOOK

Could the SPX experience another down leg before reaching new all-time highs above 4800? Anything can happen.

Could the Energy stocks stop rising and have a pause? Could the Bank stocks recover their recent losses? Anything can happen.

Will the newspapers stop being so negative and recognize that we are still in a long-term bull market? Anything can happen.

The Wall Street Journal tells us that institutional portfolio managers have over three trillion cash in their portfolios. Tell me how long it will take to spend this and I will tell you how long this bull market will last!

## S&P 500 (SPX)



## S&P/TSX Composite Index (TSX)



PAC-22-059; MKT-531; April 20, 2022

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