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**THE BOTTOM HAS BEEN BUILT.
THE UP-LEG HAS COMMENCED.**

The sentiment indicators have been heralding an oversold condition since May. A bottom formation has been quietly building without recognition. Technical signals, as usual, were first to signal the change. The volatile action camouflaged the rising bullish signs, confused the majority, and hid the base-building that took place in the background.

Day by day, while the market was losing points, Advancing Stocks outnumbered the Declining ones by 5 to 8 times. Up Volumes outnumbered Down Volumes between 5-to-1 and 10-to-1. Stocks above their 10-week and 30-week Moving Averages (10wMA - 30wMA) demonstrated oversold status, just as they did in 2011, 2016, 2018 and this May to herald a turnaround (see the table from our last Market Comment on the following page).

The first chart on the following page (courtesy of *Investors Intelligence*) shows when Bearish Advisors outnumber Bullish Advisors to signal an oversold condition (see the dips below zero and when they occurred). The second chart shows that members of the AAI (American Association of Individual Investors, a contrary indicator) become extremely bearish just before the market is ready for a turnaround.

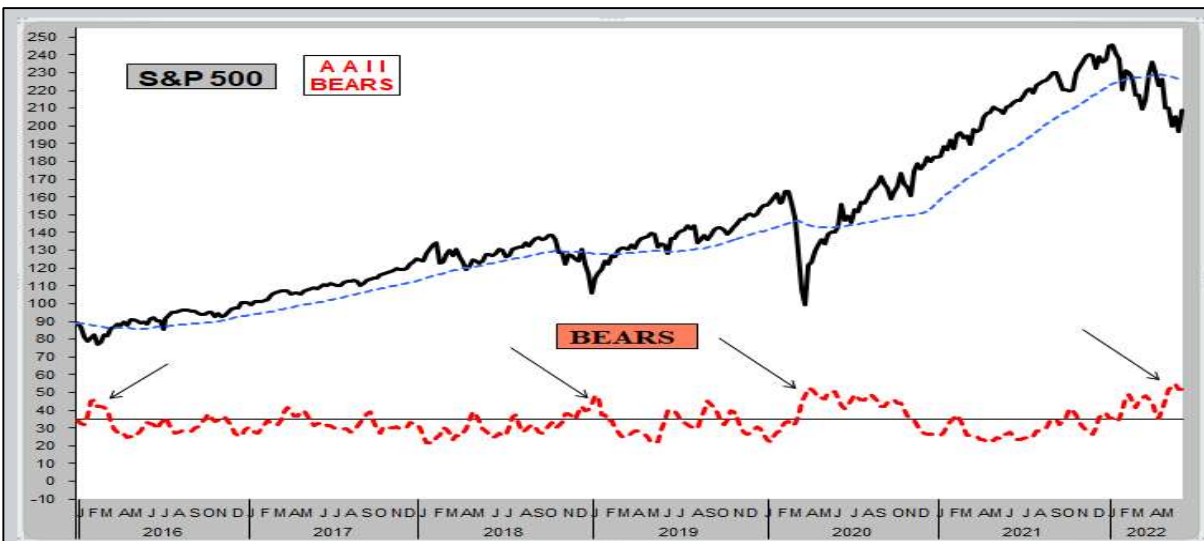
The VIX has been below 30 for the last 10 days, a bullish sign.

OUTLOOK

The lesser than 20% drop by the SPX confirms that the decline from January was a correction within a bull market, just as the 2016 and 2018 declines were corrections, not bear markets. The base that has been built since early May could lift the SPX towards 4450 and the TSX towards its recent highs. Depending on how quickly investors recognize the upside potential, reenter the markets and create an overbought condition, will determine the under or over fulfillment of these targets, and will determine the next move of the averages: will they need another small correction or will they continue directly to all-time highs. Stock selection will be of utmost importance (isn't it always?) because most of the stocks that declined below their 40-week Moving Averages during the correction (Shopify, Lightspeed, Facebook, Netflix, etc.) will continue to lag from now on and new names will do the outperforming during the second half of the current bull market.

DATE	SPX	10wMA	30wMA	AII		VIX
				Bulls	Bears	
2011	1099	6.3	7.7	25.3	48.0	40.82
2016	1880	10.7	12.6	17.9	48.7	32.09
2018	2351	6.5	6.7	20.9	50.3	36.07
May 10 th , 2022	3901	8.3	13.9	16.4	59.4	36.64

Average readings during an over-bought market	49-56	50-54	35-37	30-33	14-16
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Phases & Cycles Inc., 4000 Boul. De Maisonneuve West, Suite 2010, Montreal, QC H3Z 1J9

Tel.: (514) 393-3653 E-mail: RonMeisels@phases-cycles.com www.phases-cycles.com

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