

# PHASES & CYCLES®

## FIVE PLUS ONE.

Our previous market comments listed five indicators to suggest that the markets were back in bullish form. We will introduce the sixth.

The five indicators we mentioned were: the positive market action during the last days of 2022 (the Santa Claus rally), the positive first five days of the year, the rising activity in January, the breadth thrust (the Advancing Issues are twice as many as the Declining ones, which gave only one negative signal since 1950, in 1987), and our designated target for the rally and the subsequent decline: "the rally must reach above SPX 4050 (it reached 4200) and the subsequent decline shouldn't descend below SPX 3600-3700" (to date the decline reversed at 3808).

The sixth indicator is not technical, but cyclical. History tells us that "The year that precedes the USA Presidential Elections shows a very high frequency of positive outcome". In fact, out of the 29 occasions since 1907 (sorry, I couldn't find data before this), 19 years ended higher (66%), five ended even (17%), and six ended at a loss (21%) and those which closed lower (like 1987) only declined during the last second or third month.

### Status

The S&P 500 (SPX) bottomed at 2,192 on March 23, 2020 (A) and rose to 4,819 on June 4, 2022 (B), before it started down again. Historically, corrections reach 1/3<sup>rd</sup> or 1/2 of the previous rise. The 1/3<sup>rd</sup> target of the rise was 3,943, which was violated, and the 1/2 target was 3,505. The SPX bottomed (to date) on October 13, 2022 at 3,492 (C), turned up again and reached 4,195.

The 200-day Moving Average (200dMA) flattened for the first time since May, 2022, before the Bank problem pushed it down again. The current action is not a thrust, but a drag. Days go by when the Declining Issues are twice the number of the Advancing ones. Panic took over sanity.

### OUTLOOK

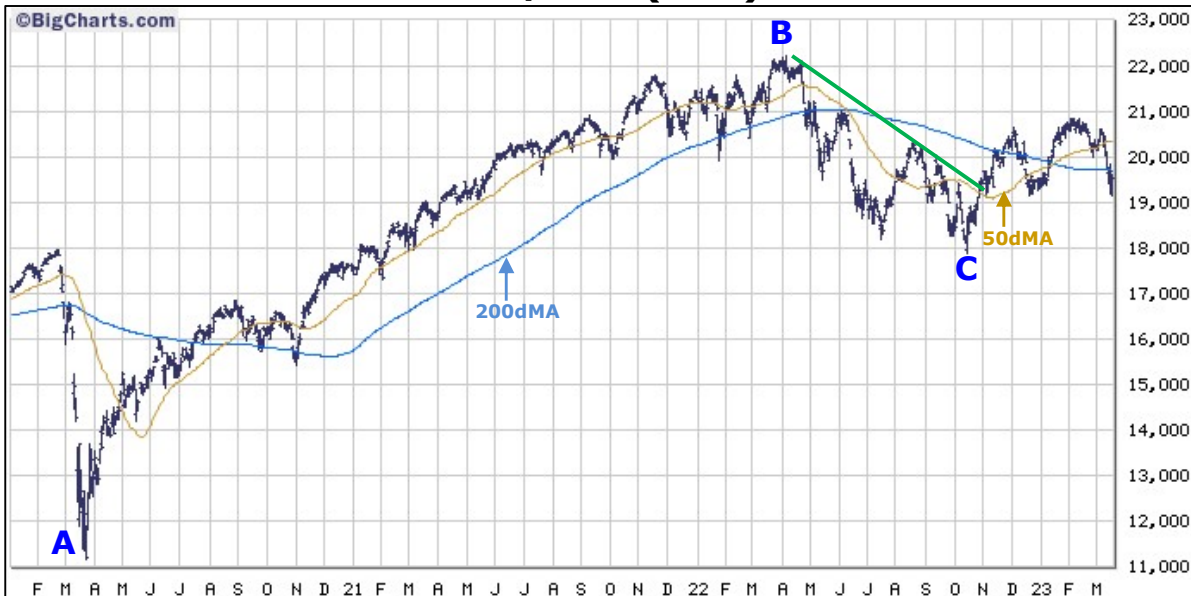
Despite the bears all around, it is not logical to insist that the SPX is in a bear market, taking into consideration the six bullish indicators mentioned above.

As long as the SPX and the TSX hold above 3,750 and 18,500 respectively, we are in a bull market.

## S&P 500 (SPX)



## S&P/TSX (TSX)



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