PHASES & CYCLES®

THE BULLS ARE RUNNING STRONG
BUT A BRIEF PAUSE WOULD PROVIDE RELIEF

The bulls have driven the markets to new all-time highs in September, breaking the historical norm of being the weakest month of the year.

The SPX, DJI, TSX, and NYA are up 5.5%, 8.2%, 9.7%, and 8.3%, respectively, for the third quarter of 2024 and have gained 20.8%, 12.3%, 14.5%, and 15.8%, respectively, year-to-date. The data shows that the SPX had the largest gains for the year in comparison to the other markets but the smallest gain for the 3rd quarter. This is explained by the heavy weighting of the Tech stocks, which experienced considerable gains during the first half of the year but became quite overbought, and then experienced sizable corrections during the 3rd quarter.

Our research shows that from 1900, the SPX has gained an average of 8% for years ending in four and we have well exceeded the average thus far in 2024. In addition, election years tend to be good performers for the markets. Since 1964, 14 out of the 16 presidential election years proved to be positive years for the SPX, and of those 14 years, 9 had double-digit gains.

In the short-term, the indices may experience some weakness as they are all beginning to run far above their respective 10-week Moving Averages (10wMAs – which is a good indicator of short-term support). With 67% of stocks above their 10wMA and 67% above their 30wMA minor correction would provide some relief to these overbought conditions. However, as we know, overbought conditions can persist for extended periods of time. Nevertheless, the further the indices rise above their respective averages, the more likely they are to correct in "price" (decline) or in "time" (trade horizontally).

However, even if the markets experience a minor pullback sometime between now and year-end, there is considerable support to hold off potential weakness, thereby making the odds of the indices finishing the year on a positive note extremely high.

Our long-term outlook for the markets remains bullish through 2025. As we mentioned in our market comment of April 12, 2024, years ending in five are statistically the most bullish years for both the SPX and TSX, with average gains of 22% and 16%, respectively.

We take a closer look at support levels on the next page.

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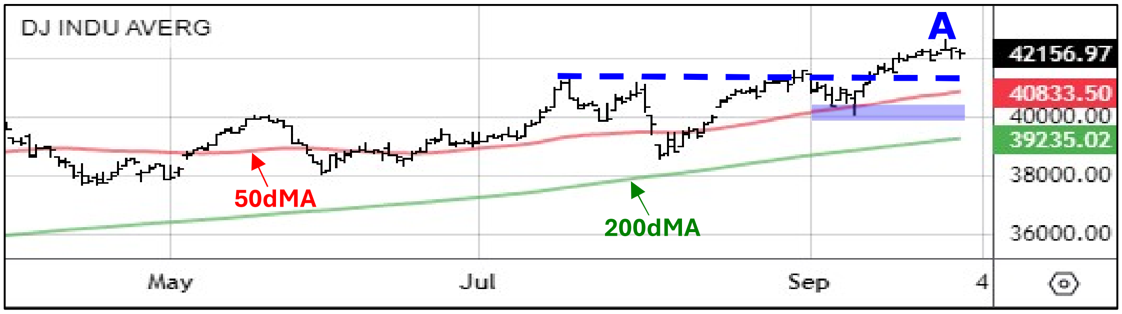
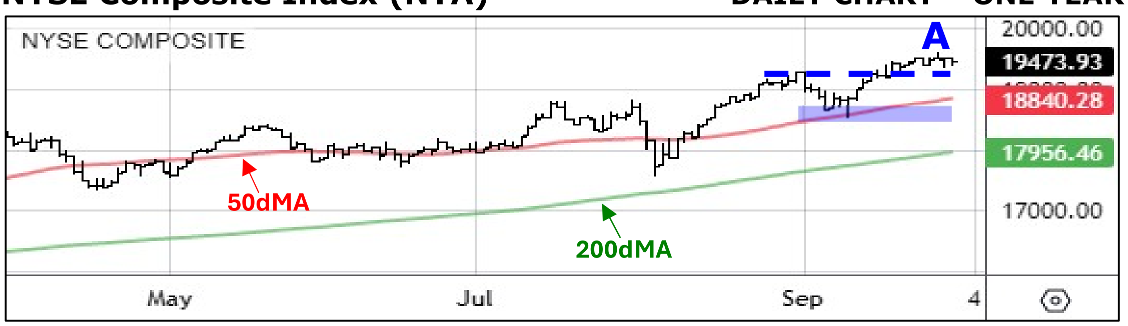
The markets collectively rallied to new all-time highs in September (A) to confirm the bullish trend. However, the gaps between the indices and their respective averages are widening. Any potential weakness will have considerable support: first near the previous highs (resistance becomes support – dashed lines); second, near the 50-day Moving Averages (50dMAs); third near the previous lows (shaded areas). More specifically, support lies between: 40,000 and 41,585 on the DJI; 5,400 to 5,650 on the SPX; 18,500 to 19,300 on the NYA; and 22,700 to 23,400 on the TSX. The 10wMAs currently rest 3-4% below their respective indices.

Dow Jones Industrial Average (DJI) **DAILY CHART – ONE YEAR**



S&P 500 Index (SPX) **DAILY CHART – ONE YEAR**

NYSE Composite Index (NYA) **DAILY CHART – ONE YEAR**



S&P/TSX Composite Index (GSPTSE) **DAILY CHART – ONE YEAR**