

# PHASES & CYCLES®

## STILL NO CONFIRMATION.

The broader equity markets have clearly been trading in a holding pattern since April of this year. We are not seeing the continuous higher highs of November 2023 to March 2024. During that period, we saw the advancing issues clearly outnumbering the declining; this changed in April, when there were more declining issues than advancing for the first time since October 2023. May returned to a positive month but June was relatively flat.

After reviewing more than 450 Canadian and U.S. stocks by sector, one thing is quite apparent: stock selection is imperative. Even in the ever popular U.S. Tech sector, which supported the SPX into higher highs with a few heavily weighted stocks like Applied Materials (AMAT), Apple (AAPL), Alphabet (GOOG) and NVIDIA (NVDA), there were many other US Tech stocks that performed poorly during Q2 of 2024 such as Accenture PLC (ACN), Salesforce (CRM), Jabil ( JBL) and Epam Systems (EPAM), just to name a few.

On the TSX, with Financials and Energy making up about 50% of the index, they too greatly influenced the direction of the index which remained in a wide horizontal range. During Q2, roughly one-third of the Financials performed well, another third fared poorly, and one-third were flat. Meanwhile, Energy stocks performed better overall and stocks that have recently corrected in this sector, appear on the verge of resuming their respective uptrends (see our List of Investment Ideas).

We have often described how a correction may occur either in price (down) or in time (trading range). The slowdown this past quarter has provided the 40wMAs with time to catch up to their respective indices, thereby reducing the gap between them. A sustained rise above the recent trading ranges is needed before we can confirm the resumption of the long-term uptrends of the North American indices. We review the charts and provide breakout levels for the indices on the following pages.

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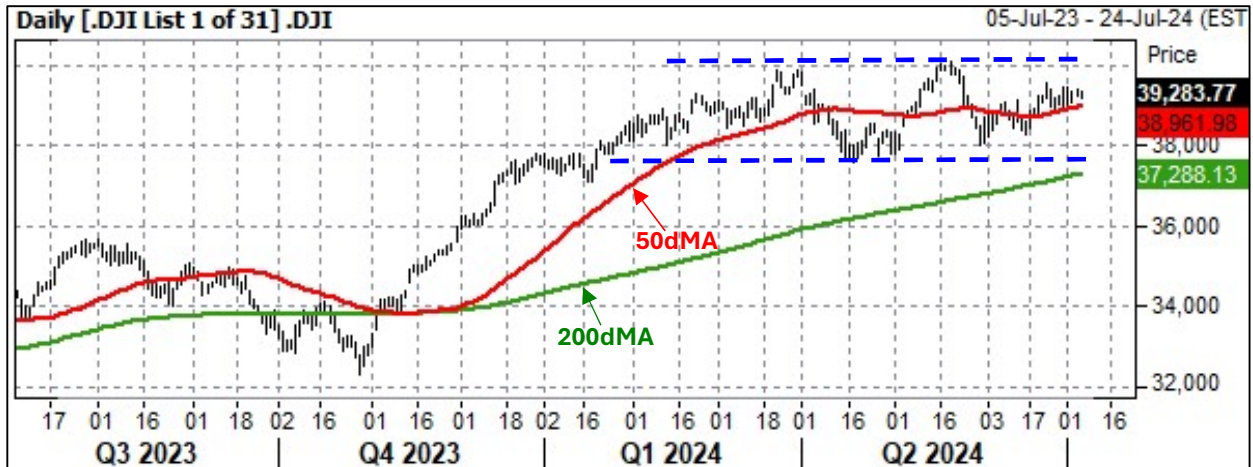
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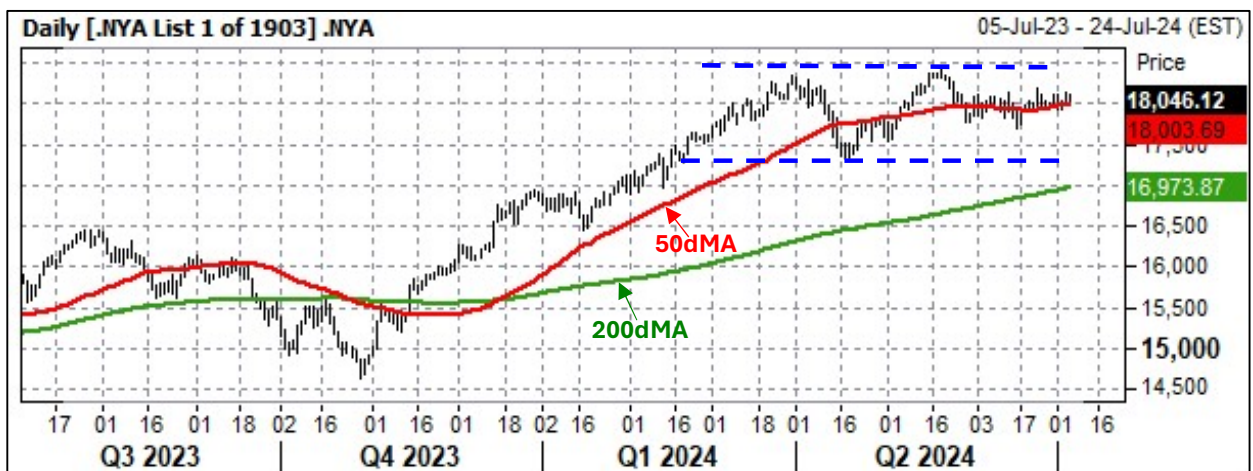
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## Dow Jones Industrial Average (DJI)



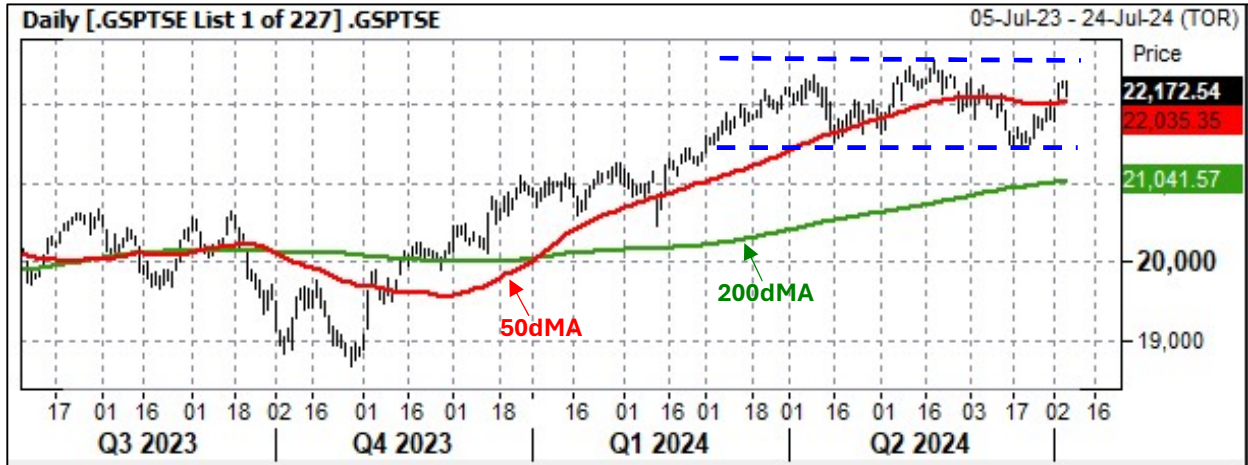
The DJI remains within a horizontal range between 37,500 and 40,000 (dashed lines) and it currently rests near the middle of the range. Notice how this range has allowed the 200dMA (200-day Moving Average) the time needed to catch up to the bottom of the trading range. A decisive rise above 40,000 would signal the continuation of the long-term uptrend of the DJI. A sustained decline below 37,500 would be negative.

## NYSE Composite Index (NYA)



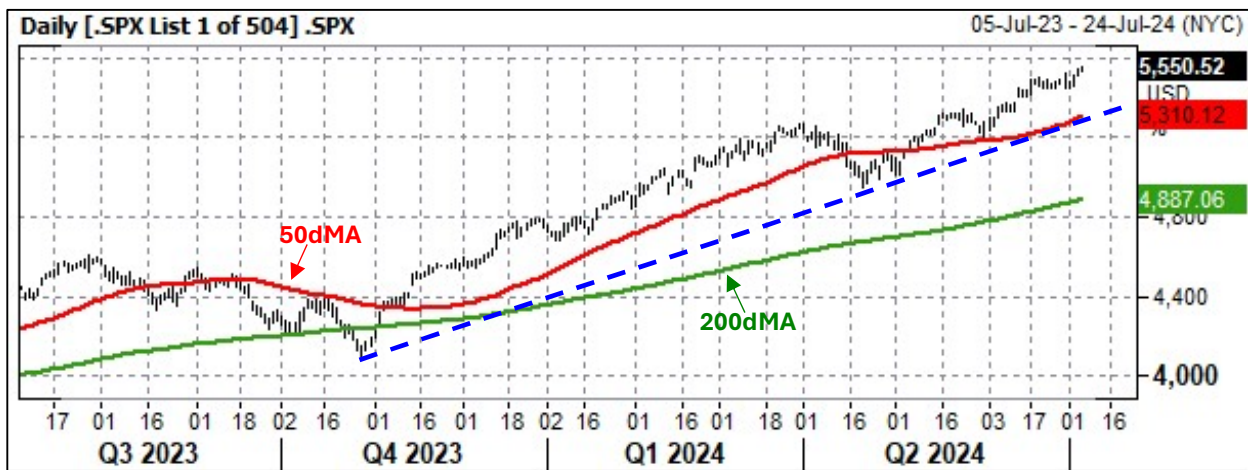
Similar to the DJI, the NYA also remains within a horizontal range bound between 17,300 and 18,400 (dashed lines) and it too rests near the middle of the range at this time. As with the DJI, this range has allowed the 200dMA the time needed to catch up to the bottom of the trading range. A decisive rise above 18,400 would signal the continuation of the long-term uptrend of the NYA. A sustained decline below 17,300 would be negative.

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



The TSX is trading between 21,400 and 22,600 (dashed lines) and it currently rests slightly above the middle of the range. Although this range has allowed the 200dMA (200-day Moving Average) to approach the bottom of the trading range, the average currently rests near 21,000; a sustained decline below this level would be negative for the TSX. A decisive rise above 22,600 would signal the continuation of the long-term uptrend.

## S&P 500 Index (SPX)



Thanks to a small number of heavily weighted tech stocks, the SPX remains above a rising trendline since 4Q 2023 (dashed line). However, not only is the index far above the 200dMA but also well above the 50dMA. Once the stocks leading this rise begin to correct, the index will follow suit. For now, the SPX is rising smoothly with good support at 5,330 where the rising trendline and the 50dMA intersect. The next level of support is at 4,950 near the April lows and the 200dMA.