# PHASES & CYCLES®

## IS THE CORRECTION OVER?

In our previous market comment (April 12, 2024) we suggested that a minor pause over the coming weeks would ease overbought conditions. By April 19, 2024, the SPX had declined below the 10-week Moving Average (10wMA) to 4954 – a 5.9% decline from the March 28 high of 5265. The TSX also declined to its 10wMA, reaching a low of 21,536 – a decline of 3.8% since the April 9 high. Both indices have since rallied above their respective 10wMAs erasing most or all of their losses, the SPX with a gain of 5.0% and the TSX with a gain of 3.8% as of the close on May 7. The question remains: Is the correction over? The answer: Maybe. A sustained rise above the recent highs near 5265 on the SPX and 22,380 on the TSX would confirm that the correction is indeed over.

However, there is another possible scenario, which would include one more down-leg. Very often, a correction will occur in a 1-2-3 format made of one leg down (1), followed by an up-leg (2), and then a final down-leg (3). (As opposed to a corrective trading range where the price remains in a horizontal range for a period of time). If markets are in a downward correction, then there is one more leg down before the correction is over. A third leg to the correction would bring the indices back down near the recent lows or possibly slightly lower. As we mentioned in our previous comment, the 4800 level would be the next level of support on the SPX and at 21,100 on the TSX. A decline toward 4800 on SPX would be an 8.8% decline while a decline to 21,100 on the TSX would be 5.7% decline from the recent highs set on March 28 and April 9 respectively.

A loss of momentum in market rallies as we approach the recent highs would suggest markets are in a downward correction and need to complete leg three.

We take a closer look at the charts of the SPX and TSX on the following page.

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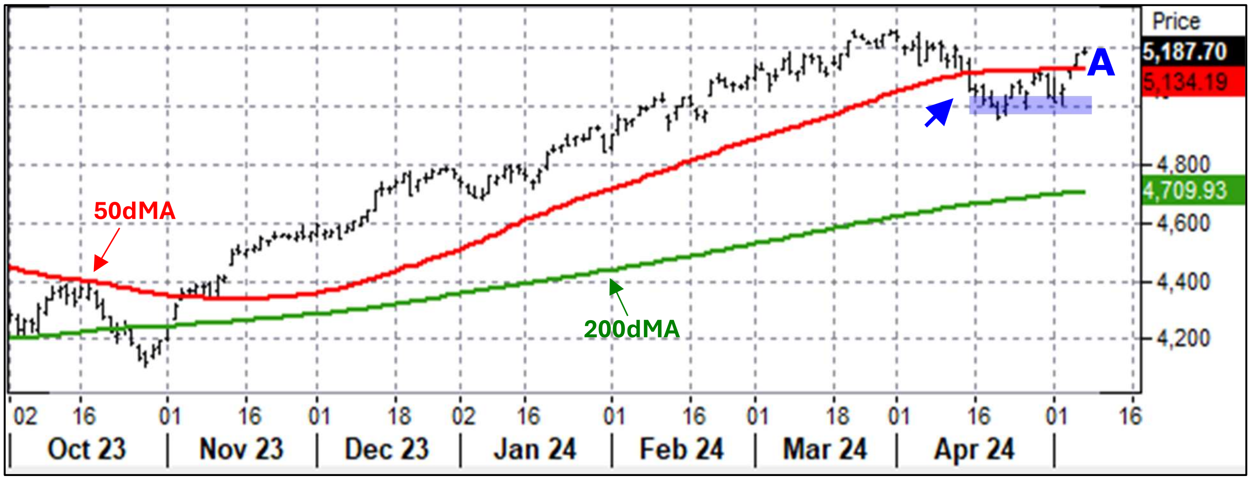
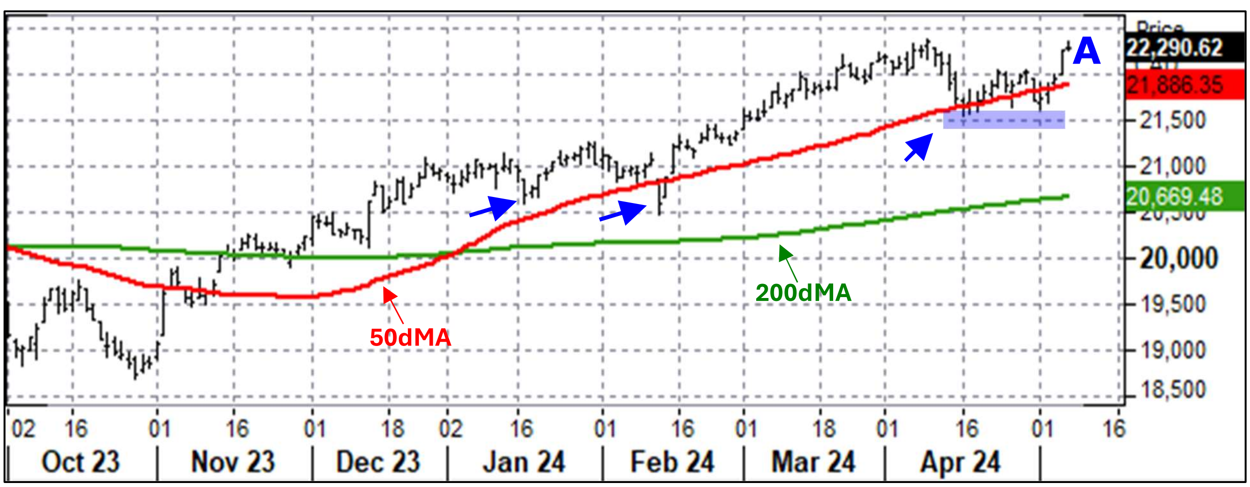
## S&P 500 Index (SPX) - daily chart from October 1, 2023




The SPX declined below its 50dMA in April for the first time since October 2023 (arrow). Although it appears to have found support near 5,000 (shaded area), it remains to be seen if it's ready to rise above the March 28 high of 5,265.

The recent rise above the 50dMA is positive (A) but time will show if the index will remain above its average or complete the third leg of a 1-2-3 correction. In the event of a leg three, a decline below 5,000 should find support near 4,800. A rise above 5,265 would signal the resumption of the long-term uptrend.

## S&P/TSX Composite Index - daily chart from October 1, 2023




The TSX has declined toward the 50dMA several times since the October 2023 lows (see arrows). During the most recent decline, the index found support near 21,600 (shaded area) and then recovered all the recent losses with a rise to the April highs (A). In the days to come the index will show if it's ready to resume the long-term uptrend or if it will complete the third leg of a 1-2-3- correction. In the case of a third leg, a decline below the recent low of 21,600 should find support near 21,000. A rise above 22,380 would indicate the resumption of the long-term uptrend.