

PHASES & CYCLES®

WAITING FOR THE SIGNS IN JANUARY.

We are nearing the end of 2022. It is time to look ahead to 2023: to look at four signals that provide a forecast for the coming year.

1) TAX SELLING. 2022 was a horrible year, therefore a lot of losing positions and potentially heavy selling. This, of course, creates an opportunity to pick up undervalued positions, which brings us to Point 2.

2) SANTA CLAUS RALLY. Smart investors and portfolio managers usually wait for Tax Selling time to pick up valuable, discarded issues available during the second half of December. A good example of this is Mattel (MAT), which usually benefits from Xmas buying. Currently at US\$16.26, down from US\$22.50 in September. Will it rise this time, as it has done almost every year since 2010?

3) THE FIRST FIVE DAYS OF JANUARY. This indicator holds that "the direction of the first five trading days of the year predicts the direction of the market for the remainder of the year" (Stock Trader's Almanac). Most people claim that you cannot time the market but note that statistics crunched by the Almanac and elsewhere going back to 1950, "a

positive First Five Days has resulted in a full-year positive equity market some 85% of the time".

On January 13th, 2022 our Market Comment wrote: "The SPX closed higher on the first day of 2022, but this was followed by four declining days. On January 3rd the Index rose 31 points and the next morning ran up another 22 points to 4819, but thereafter it hardly had any upticks. It declined to 4677 (a loss of 142 points or 2.9%) for the five trading days". The rest is history.

4) AS GOES JANUARY, SO GOES THE YEAR. As the old adage goes: "if the market closes up in January, it will be a good year; if the market closes down in January, it will be a bad year. This has been right almost 9 out of 10 times since 1950" (Almanac).

For 2022 this maxim was right on. The year started at SPX 4775 and it is currently at 3874 for an 18.9% loss. No matter how strong the Santa Claus rally is during the next few days, 2022 will end as a "bad year".

So, enjoy the holidays, but watch the SPX during the first five days and then the rest of January for a forecast for the year.

S&P 500 (SPX)



S&P/TSX (TSX)



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