

PHASES & CYCLES®

THE SECOND LEG OF NEW 4-YEAR CYCLE.

Our last Market Comment compared September with October and found that “since 2003, September consistently had larger declines than October”. In addition, October has been the springboard of major rallies and many bull markets through the years.

Here we are, almost at the end of October. Let’s compare three years of statistics for these two months, their performance, and their forecasts for the next two months, using the S&P-500 Index (SPX) and *Investors Intelligence* data.

SPX	2021	2022	2023
% of stocks >10wMA: September decline	65 to 31	26 to 6	44 to 20
September +/-	-221	-354	-243
October +/-	+288	+262	-142
November and December +/-	+155	+235	

HISTORY

What does the table tell us?

In September 2021 the SPX declined by 221 points. At the same time, the percentage of stocks above their 10-week Moving Averages (10wMAs) declined 34 percentage points (pp) from 65 to 31. This created an oversold condition, buyers entered during October, the SPX rose 288 points and it increased an additional 155 points to the end of year. *The low 10wMA reading gave the signal.*

In September 2022 the SPX declined by 354 points, the stocks above their 10wMAs fell by 20 pp (26 to 6). In October the SPX gained 262 points and another 235 by year’s end. *The low 10wMA reading gave the signal.*

In September 2023 the SPX lost 243 points, the 10wMAs lost 24 pp (44 to 20). In October the SPX gained 88 points in the first half but lost 250 since then (-142) and the 10wMA has also declined, giving the “oversold” signal.

OUTLOOK

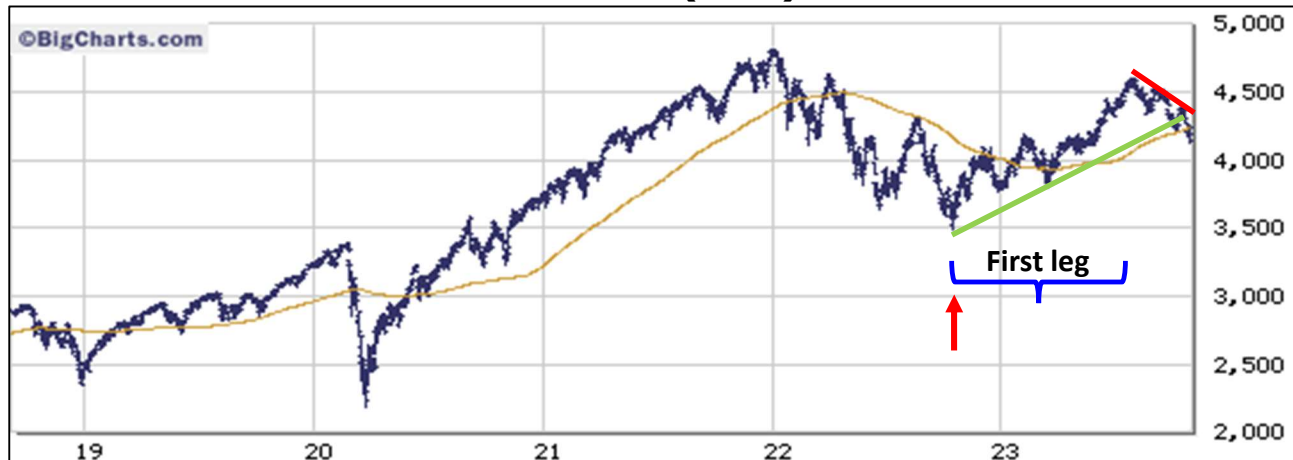
The SPX started a new 4-year cycle on October 13th 2022 (see red arrow). The *first leg* of the new 4-year cycle took the SPX from 3,500 on to 4,600 on July 27th 2023 (see charts below).

From the end of the first leg, SPX started a corrective move (SPX declined from 4,600 towards 4,050).

Why is the 4,050 level the target for this correction? It is the 1/2 level of the previous move from 3,500 on to 4,600 (first leg) and it is also a strong level of support.

No matter where the SPX will complete this correction move, it will be known as the *second leg* of the current four-year cycle.

S&P 500 (SPX)



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