PHASES & CYCLES®

Signs of Recovery Emerge Following March Pullback

Market Overview

In our previous *Market Comment* (MKT–584, March 12, 2026), we anticipated some weakness in March as the 21- and 35-day cycles matured into late month. We also noted that April would likely bring a recovery and potentially a resumption of the long-term uptrend, as it is historically the second best-performing month of the year.

As expected, U.S. markets pulled back toward their respective long-term support levels (see shaded areas on the charts on the last page), while the TSX only modestly narrowed the gap relative to its 200-day moving average (200dMA). Although all indices have rebounded from their late-March lows, volatility remains elevated.

Momentum & Breadth

Over the past month, the TSX remained well above its 200dMA, while U.S. indices declined toward theirs before recovering. However, they have so far struggled to decisively reclaim their 50-day moving averages (50dMAs), leaving them in a re-accumulation phase between the 200dMA and 50dMA, as of the time of writing (prior to Monday, April 15's close). A sustained breakout above the 50dMA would provide a constructive base for a move beyond the February highs.

Market breadth weakened during the March correction, with declining volume exceeding advancing volume on more than half of the trading days. Of the 22 trading days in March, 13 recorded higher declining volume, and on eight of those days, declining volume exceeded advancing volume by a factor of 2.5 to 4 times—evidence of sustained distribution.

More recently, however, encouraging signs have emerged that the correction may be ending. From March 31 to April 9, advancing volume exceeded declining volume on six of seven trading days. Notably, two of those sessions showed particularly strong upside participation, with advancing volume surpassing declining volume by roughly 3:1 and 3.75:1.

While this shift suggests improving market internals and the potential start of a new uptrend, price confirmation remains important. A sustained move above the 50dMAs would signal a resumption of the uptrend, while a break to new highs would confirm it.

PAC-26-59; MKT-585, April 14, 2026

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Charts courtesy of Workspace by LSEG

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Sentiment

Investor sentiment reached extreme bullish levels on February 4, with 62.3% bulls and 15.1% bears according to *Investors Intelligence*. Since then, sentiment has shifted notably, with bulls declining to 33.3% and bears rising to 27.8% as of April 8.

From a contrarian perspective, elevated bullishness often precedes market weakness, while reduced optimism creates conditions more conducive to a rally. The bull-bear spread narrowed sharply, falling from 47.2% on February 4 to 3.7% on April 1. The fact that the spread remains positive suggests the broader uptrend is still intact.

Overall, the reset in sentiment—driven by fewer bulls and more bears—combined with improving breadth and seasonally favorable conditions, leaves the market better positioned for a potential advance.

Key Support Levels

In our previous report, we outlined key support levels required to maintain the long-term uptrend. As shown below, the indices largely found support within those expected ranges, and their subsequent rebound above the 200dMAs strengthens the case for a continuation of the long-term uptrend.

Index	Support identified in MKT-584	Late March 2026 low
DJI	~ 45,500	~ 45,500
SPX	~ 6,500	~ 6,300
NYSE	~ 21,400	~ 21,500
TSX	~ 30,000	~ 31,100

The indices have since rebounded toward their respective 50dMAs but have not yet clearly broken above them. A period of consolidation between the 200dMA and 50dMA is possible before a sustained breakout occurs.

Any pullbacks toward the 2000dMA on lighter declining volume would indicate that demand is outweighing supply, further supporting the view that the correction has likely run its course and that the longer-term uptrend may soon resume.

Key Levels to Watch

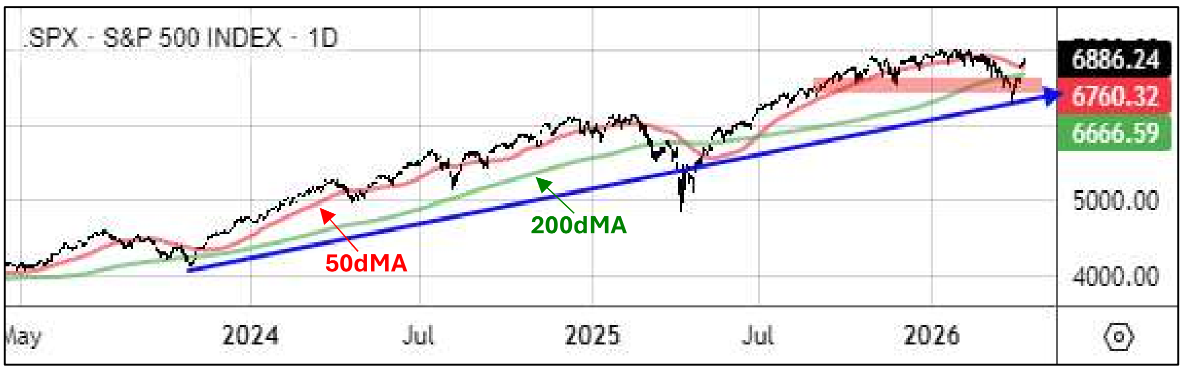
- The 200dMA should act as support on any near-term weakness
- A sustained move above the 50dMA would signal trend resumption
- A break above prior highs would confirm the uptrend
- A decisive move below the March lows would be a negative development.

For now, the weight of the evidence suggests the March correction may be transitioning into a constructive consolidation phase, with improving conditions for the longer-term uptrend to resume.

Index	200dMA	50dMA	Previous high
DJI	~ 46,800	~48,000	~50,513
SPX	~6,650	~6,750	~7,002
NYA	~21,700	~22,700	~23,603
TSE	~30,600	~33,000	~34,544

Dow Jones Industrial Average (DJI) **Daily chart – three years**

S&P 500 Index (SPX) **Daily chart – three years**



NYSE Composite Index (NYA) **Daily chart – three years**

S&P/TSX Composite Index (GSPTSE) **Daily chart – three years**