

PHASES & CYCLES®

THE STATISTICS POINT THE WAY.

In our January 13th, 2022 Market Comment we mentioned that given the existence of the 4-year market cycle there should be a negative (corrective) move in 2022, four years after the one in 2018. We expected that the S&P 500 (SPX) would have a 1/3 correction of the rise from late-2020 to January 2022 (to 4400) or a 1/2 correction to 4200. As we all know, Ukraine happened, the Fed followed and the SPX did not stop at these levels but instead continued to a recent 3901, for a drop of 18.7%.

This move would not be the first decline within the bull market that began in 2009, there were three

others: in 2011 the SPX fell 17.4%, in 2016 11.9% and during the most recent corrective action in 2018 the SPX lost 17.5%.

We know that these actions were not bear market moves but corrections in a bull market, not only because they did not fall below the arbitrary 20% decline, but because the technical signals were all suggesting over-sold conditions at that time.

What were the technical signals that supported the assessment that the bull market would resume from these lows? How do they compare with the current signals?

DATE	SPX	10wMA	30wMA	AAII		VIX
				Bulls	Bears	
2011	1099	6.3	7.7	25.3	48.0	40.82
2016	1880	10.7	12.6	17.9	48.7	32.09
2018	2351	6.5	6.7	20.9	50.3	36.07
2022	3901	8.3	13.9	16.4	59.4	36.64

Average readings during an over-bought market	49-56	50-54	35-37	30-33	14-16
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The most recent data of the percentage of New York stocks above their 10-week and 30-week Moving Averages (10wMA and 30wMA) shows low readings that are comparable to those of 2011, 2016, 2018 and now. Similarly, the AAI

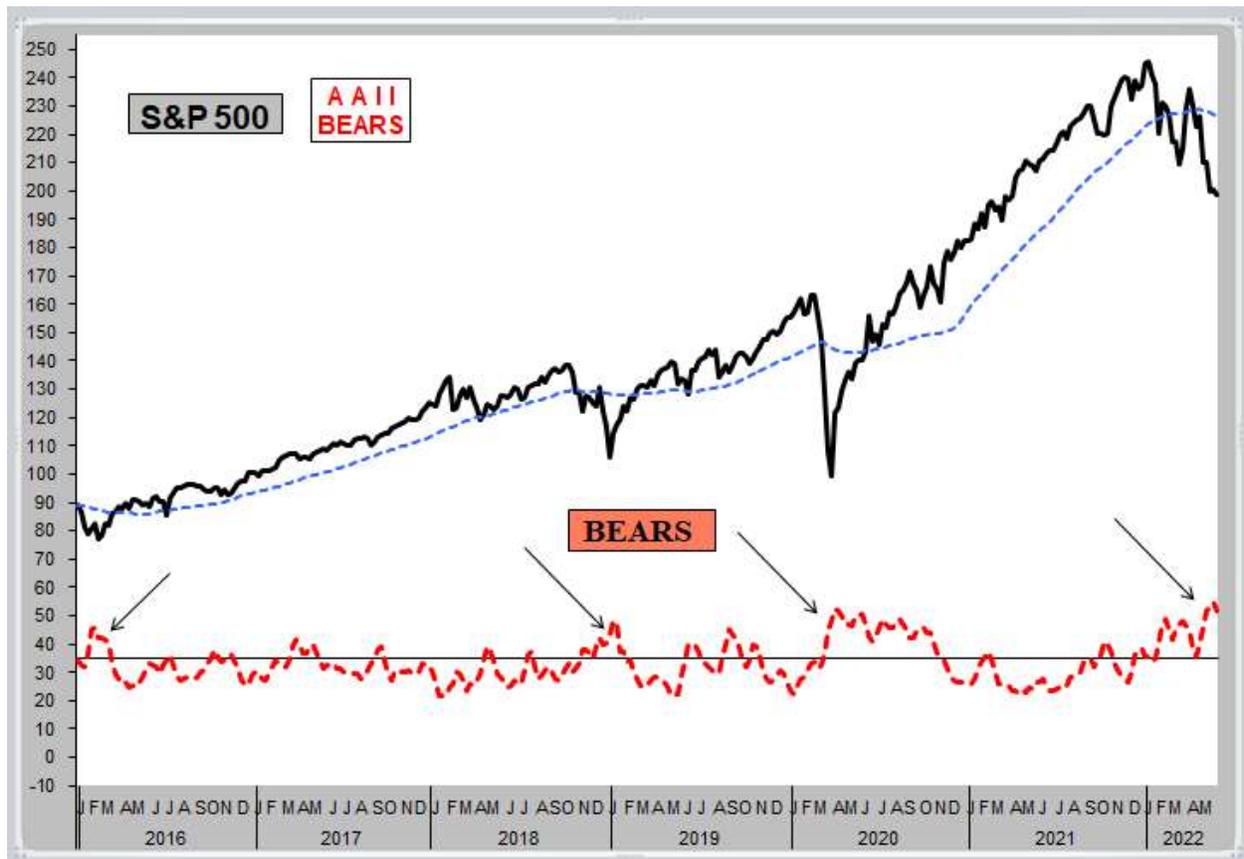
statistics (a contrary indicator) suggests the same low reading for the Bulls and high readings for the Bears. Additionally, the high level of the VIX has always been a bullish signal.

OUTLOOK

In 2011, 2016, and 2018 there was no Covid or war in Ukraine and it is possible that the turn-around may be delayed this time. However, the over-abundant cash positions of portfolio managers in both New York and Toronto will soon become a

burden, considering the attractive price levels.

As my good friend, Leon Tuey put it "Black headlines notwithstanding, refrain from joining the crowd and do not despair. It's always the darkest before dawn. Remember March 2020?"



PAC-22-081; MKT-533; May 26, 2022

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