

PHASES & CYCLES®

Are we in a Bull market or a Bear market?

What is a "market"? For investors it represents a collection of stocks, trading in a particular exchange. If the majority of stocks listed on the Toronto Stock Exchange are in positive phases, then we say Toronto is in a Bull market. If the majority of commodities listed on the Chicago Exchange are in negative phases, then we say that the commodities are in a Bear market.

What is a "phase"? The dictionary defines it as a "distinct period or stage in a series of events" as in "the final phases of the war". What is the best way to find the phase of a stock? There are many theories, but the most used method is to observe the stock's position relative to its 40-week (or 200-day) Moving Average (40wMA or 200dMA). A stock that is above its 40wMA is defined to be in a positive or bullish phase, while the one below its 40wMA is in a negative or bearish phase. If the majority of stocks on Wall Street are in a negative phase, then we call it a bear market; if they are about even then we call it a correction.

There are "Indices", which contain a fewer number of stocks than the "market" for a fast assessment; the Dow Industrial Index (DOW) contains 30 stocks, the Standard & Poor 500 Index (SPX) has 500 and the Toronto Index (TSX) about 250.

I wish I had the time to find the phases of all 500 stocks in New York and all 250 stocks in Toronto for

2009, 2018 and 2022, but I had to settle for the 30 DOW stocks. In 2009 there were only six stocks in positive phases, and 80% of the 30 stocks were in negative phases. Therefore in 2009 we were in a Bear market. In 2018, 21 of the 30 stocks (70%) were in positive phases; therefore we were in a corrective phase. As of this Friday, 50% of the Dow stocks were in positive and 50% is negative phases.

This means that the FAANG stocks are in a Bear market, but the Energy stocks in New York are in a Bull market. For every Linamar in Toronto there is a Dollarama; for Saputo there is Loblaw; for each Lightspeed there is a Celestica; for Financials, Energy!

OUTLOOK

We forecasted a corrective market for somewhere in 2022. It came earlier than we expected. We targeted 4400 (a 1/3rd correction) or 4300 (a 1/2 correction) for the SPX, but the Ukrainian invasion and the Fed's announcement pushed the SPX below those levels. This created a negative atmosphere, where the percentage of stocks above their 40-week Moving Averages declined to 18.9%, where only 16.4% of the AAll members are bullish, and the VIX climbed to 35; statistics that are very close to those of 2018.

So, are we in a Bull market or a Bear market? It depends on what is in your portfolio!

S&P 500 (SPX)



S&P/TSX Composite Index (TSX)



PAC-22-071; MKT-532; May 9, 2022

Ron Meisels

Phases & Cycles Inc., 4000 Boul. De Maisonneuve West, Suite 2010, Montreal, QC H3Z 1J9

Tel.: (514) 393-3653 E-mail: RonMeisels@phases-cycles.com www.phases-cycles.com

© Copyright 2022, Phases & Cycles Inc. All Rights Reserved

The contents of this report may NOT be copied, reproduced, or distributed without the explicit written consent of Phases & Cycles Inc.

The opinions and projections contained herein are those of Phases & Cycles Inc., its principals, associates and employees (collectively "the researchers") and are subject to change without notice. The information contained herein has been obtained from sources that we believe to be reliable but cannot guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that "the researchers" are to be under no responsibility or liability whatsoever in respect thereof. "The researchers" may, from time to time, buy, own or sell securities mentioned herein. "Phases & Cycles" is a registered trademark of 104443 Canada.