PHASES & CYCLES®

CHAOS IS THE NEW NORMAL.

Intense market volatility, driven by the U.S. president's unpredictable policy shifts, has rattled both North American and global equity markets. Although volatility was widely anticipated, the magnitude of recent swings has taken many by surprise. Over the past few weeks, markets have experienced both sharp declines and powerful rebounds amid the ongoing uncertainty around trade policy. Equity markets declined sharply over several trading days after President Trump's April 2 "Liberation Day" global U.S. tariffs announcement, but then staged a dramatic rally of the largest single-day gain in recent history on April 9 following the announcement of a 90-day pause on tariffs. Despite a brief rally following a temporary pause on certain tariffs, the index remains below its early-year highs, indicating ongoing investor caution amid persistent policy uncertainties. The recent extreme volatility and steep decline in equity markets have several technical market indicators at extreme levels, signaling deeply oversold conditions.

The CBOE Volatility Index (VIX), often referred to as Wall Street's "fear gauge", reached a peak of 60.13 intraday on April 7, before closing at 46.98. Only three previous peaks have been higher: 89.53 in October 2008, 85.47 in March 2020, and 65.73 in August 2024. Since April 7, the VIX has been declining. It's worth noting that the VIX's typical range, or "resting position," lies between 10 and 25.

The put-call ratio*,* another gauge of investor sentiment, rose to 1.02 on April 3 – its highest since April 17, 2024, when it reached 1.13.

Market breadth also deteriorated sharply: on April 4, declining volume outpaced advancing volume by more than 10 to 1, and there were eight times as many declining issues as advancing issues. At the end of last week, just 3.75% of stocks remained above their 10-week moving average and 8.87% above their 30-week moving average – readings not seen since September 2022.

Investor sentiment indicators reflect this widespread pessimism. The Investors Intelligence survey reported a bull-bear spread of -11.0%, the first negative reading since September 2022. Similarly, the American Association of Individual Investors (AAII) survey showed that 61.9% of respondents were bearish as of April 8 – the highest level since March 10, 2009 (70.3%), and above the September 2022 peak of 60.9%. Historically, AAII notes that since 1987, the average bearish sentiment is 30.6%. There have been 26 instances (excluding 2007–2009) when bearish sentiment exceeded 50.8%, and following those cases, 96% of the time, the S&P 500 delivered positive performance in the subsequent six months, with an average six-month gain of 14.2% and a 12-month gain of 19.9%.

Charts courtesy of LSEG

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Are We in a Bear Market?

By definition, a bear market occurs when equity markets fall 20% or more over a sustained period, typically two months or longer, and is often accompanied by widespread investor pessimism, forced selling, and economic weakness. While recent market action reflects many of these characteristics, not all indices have breached the 20% threshold.

As shown in the table below, only the tech-heavy S&P 500 (SPX) has met the formal bear market criteria with a decline just exceeding 20%. The Dow Jones Industrial Average (DJI) followed with a peak-to-trough loss of 18.7%, while the NYSE Composite (NYA) and S&P/TSX Composite (TSX) posted more moderate declines of 16.9% and 14.1%, respectively. Importantly, the recent decline brought all four indices down to long-term support levels, where they appear to have stabilized for now (see charts below).

As markets grow accustomed to the president's erratic policy shifts, many investors are now shrugging off the chaos as "the new normal." North American indices have begun to recover, though they remain below their 40-week moving averages. These averages may act as near-term resistance. A failure to break above them could lead to renewed selling pressure, especially if indices fall below recent lows, a move that would raise the risk of a deeper, longer-lasting correction.

Conversely, a decisive move above the 40-week moving average would be a constructive signal, suggesting the potential resumption of the longer-term uptrend. Such a rebound could take the form of a rapid V-shaped recovery, similar to 2020, or a more gradual retracement, with the indices potentially revisiting recent lows before establishing a more durable recovery. We delve deeper into the analysis of the charts on the subsequent page.

Index	2025 High	April 7 low	Loss
DJI	45,054.36	36,611.78	-18.7%
SPX	6,147.43	4,835.04	-21.3%
NYA	20,240.59	16,820.11	-16.9%
TSX	25,875.61	22,227.74	-14.1%

The charts below clearly illustrate how all the indices sank below their respective 40-week moving averages but halted the decline at their long-term upward trendlines (dashed lines). Notably, the rising trendline on the TSX differs from that of the U.S. indices, as it doesn't commence in late 2022. This is because the TSX decline in October 2023 brought it closer to its 2022 lows compared to the U.S. indices. Nevertheless, all four indices found support where they had previously encountered resistance, as anticipated in our previous market comment (shaded areas). The indices must continue to find support at these levels to maintain their bullish outlook.

Dow Jones Industrial Average (DJI) **Weekly chart – from April 2022**

S&P 500 Index (SPX) **Weekly chart – from April 2022**

NYSE Composite Index (NYA) **Weekly chart – from April 2022**

S&P/TSX Composite Index (GSPTSE) **Weekly chart – from April 2022**