

# PHASES & CYCLES®

## MARKETS CONTINUE TO RISE

As we approach the end of the first quarter of 2024, the U.S markets continue the up-leg that began in October 2023. The TSX behaved similarly, except for a short pause in the beginning of the year but then resumed the uptrend in late-February. While the SPX gained 9.4% since the start of the year, the TSX gained half this amount at 4.7%. However, both have performed very well since their October-2023 lows with a 26% appreciation for the SPX and 17% for the TSX.

At this time, both markets continue to have a comfortable buffer between current price levels and their respective 10wMAs (which is a good indicator of short-term support). The SPX 10-week Moving Average (10wMA) currently rests at ±4950 and the TSX at ±21,200. A decline below these levels would suggest a correction toward the January lows.

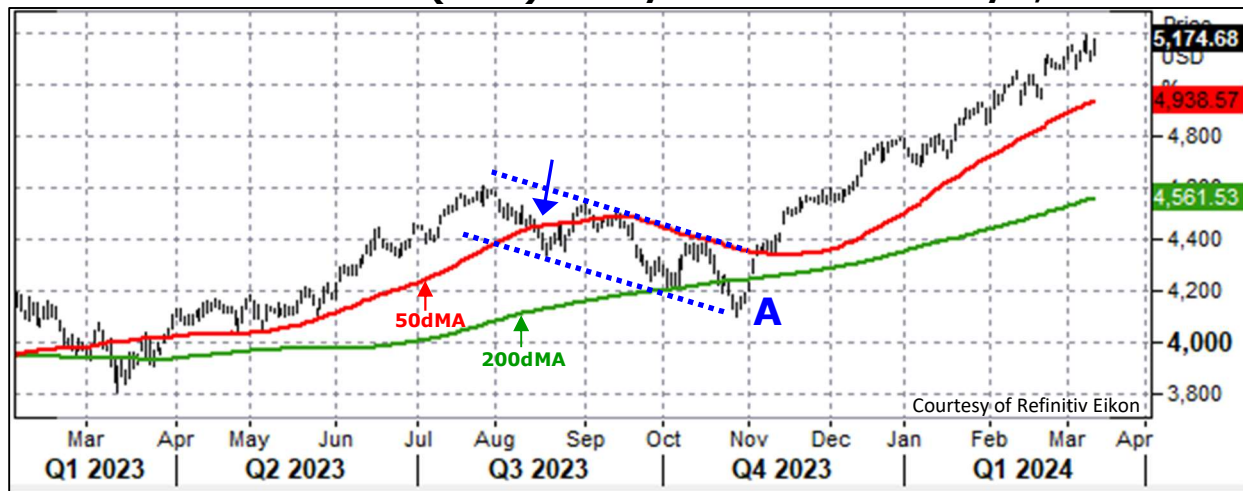
Since our February comment, the percentage of stocks above their 10wMA have increased by 11% while the percentage of stocks above their 30wMA have increased by 5%. The AAI Bull counts have not significantly changed.

Technically, the 40wMA tends to act like a magnet in the long-term, meaning that the price tends to revert toward the average. *However, overbought conditions can persist for extended periods of time.* Be that as it may, the further the indices rise above the average, the more likely they are to experience either a correction in “price” (decline) or “time” (trade horizontally). The SPX is currently about 4% above its 10wMA and 12% above its 40wMA; meanwhile the TSX is 3% above its 10wMA and 7% above its 40wMA. We take a closer look at the daily charts on the next page.

	SPX	% of stocks above 10wMA	% of stocks above 30wMA	AAII Bulls	AAII Bears
5-Mar-24	5130.95	61	61	47	21
27-Feb-24	5078.18	61	61	44	26
20-Feb-24	4975.51	59	60	42	27
13-Feb-24	4953.17	49	55	49	23
6 Feb-24	4954.23	55	58	49	25
30 Jan-24	4924.97	66	63	39	26
23 Jan-24	4864.60	62	61	40	27
16 Jan-24	4765.98	60	60	49	24
9-Jan-24	4756.50	70	65	49	24
2-Jan-24	4769.83	78	69	46	25

Source: Investors Intelligence, American Association of Individual Investors (AAII), Capitalight Research.

## S&P 500 Index (SPX) - daily chart from February 3, 2023



From March to July 2023 the SPX climbed steadily above the 50dMA (which is the 10wMA on a weekly chart). It fell below it in August (arrow), then started a correction within a parallel channel (dotted lines), and found support near the 200dMA (which is the 40wMA on a weekly chart – A).

In November 2023, the 50dMA curled upward as the index rallied above it, and so it remains steady to date. Therefore, we suggest that there is good support near  $\pm 4,950$  at this time. The next level of support is near 4,700. **Point & Figure measurements provide a target of 5,525.**

## S&P/TSX Composite Index - daily chart from February 3, 2023



The TSX traded in a horizontal range mostly between 19,000 and 20,800 for about one year (dashed lines). In November 2023, the index rallied above the 50dMA and the average started to curl upward. It wasn't until the index rallied above the top of the trading range and the 50dMA crossed above the 200dMA in January that the breakout

was confirmed (arrow). Aside from a one-day dip below the 50dMA (A), the TSX has been trading steadily above the 50dMA, which suggests there is good support near  $\pm 21,200$  at this time. The next level of support rests near 20,600. **Point & Figure measurements provide a target of \$23,300.**

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