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THE GOOD RALLY TO DATE SHOULD CONTINUE AFTER A PAUSE.

This Market Comment is dedicated to the memory of Leon Tuey and Horst Mueller, old friends and two of the best Technical Analysts I have known.

Major changes have occurred since June 21st: the S&P 500 (SPX) gained 515 points (13.7%) and all indicators turned positive (see table below). On June 21st the indicators signaled an “oversold” condition and despite the inflation scares, rising interest rates, continued COVID problems etc. the

professionals recognized and reacted to the under-valued securities. The daily volume statistics rose heavily on the Advancing side, the number of stocks rising above their 10 and 30-week averages grew daily and the AAI crowd got more bullish and less bearish.

DATE	SPX	10wMA	30wMA	AAII	
				Bulls	Bears
<u>2022</u>					
7 June	4160	47.0	26.4	32.0	37.1
21 June	3765	9.4	9.3	19.4	58.3
20 July	3960	31.9	13.6	26.9	46.2
8 August	4280	66.4	28.6	30.6	38.9

Despite these positive actions, the prognosticators fell into two groups: one declared that the bull-market has resumed, while the super bears have warned that this is a false move, and the SPX is heading to 3100!

I don't think that Leon or Horst would agree with either position. First, they would recognize the positive technical condition in the left SPX chart below (the violated trend-line).

Then, they would point out the “double hurdle” in the right chart: the SPX has not yet moved above the 200-day Moving Average (200dMA – green line) or its falling trend-line.

To continue the advance above 4300, the SPX first needs a corrective move of the recent gains, i.e. revisit the 4000-4100 area during the oncoming cyclically weak September period.

S&P 500 (SPX)



The good news is that both trend-lines have been violated in TORONTO. However, the Index failed to reach the falling 200-day Moving Average (green line) in the chart at right, making the TSX weaker than the SPX.

The Banks are trying to reach their 200dMAs, but they are still behind, leaving the Energy stock providing the most positive action.

S&P/TSX (TSX)



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