# PHASES & CYCLES®

## THE UP-TREND IS INTACT BUT A MINOR PAUSE WOULD DELIVER RELIEF FROM MOUNTING OVERBOUGHT PRESSURE

The SPX rose 10.6% in the first quarter of 2024 and up 28.0% since the October 2023 low. Meanwhile, the TSX is up 6.3% and 17.1% over the same periods respectively. While financial and technology stocks helped carry the markets at the beginning of this first leg of the four-year cycle, energy and gold/material stocks only recently started experiencing technical breakouts. (See our recent report on Canadian Gold stocks (April 2, 2024) and our List of Investment Ideas for ideas in both sectors.)

Markets seem to just keep rising. Days of significant declines (such as 530.16 on April 4, 404.64 on March 5, and 524.63 on February 13 on the DJI) were all quickly erased by large gains in subsequent days.

In addition, positive momentum continues as the percentage of bullish investors increased to 62.5 last week from our previous comment at 60.9 and, as per the Investor's Intelligence Advisors Sentiment, this is the highest percentage of bulls since summer 2021. Although this high percentage is often a predecessor to a potential pullback, it does not inevitably indicate the immediate start of one. Furthermore, rising trendlines remain intact and the indices continue to find support at their respective 50dMAs.

<u>Near-term Outlook:</u>

There was a 70-day cycle high in late-March and markets haven't exceeded their respective peaks since then. The maturation of the next cycle-low is expected in early-May. A minor pause over the next few weeks would ease the current overall overbought conditions. Although overbought conditions can persist for extended periods of time, as we saw in 2020 to 2021, the longer they last the more likely a minor correction is to occur.

<u>Longer-term Outlook:</u>

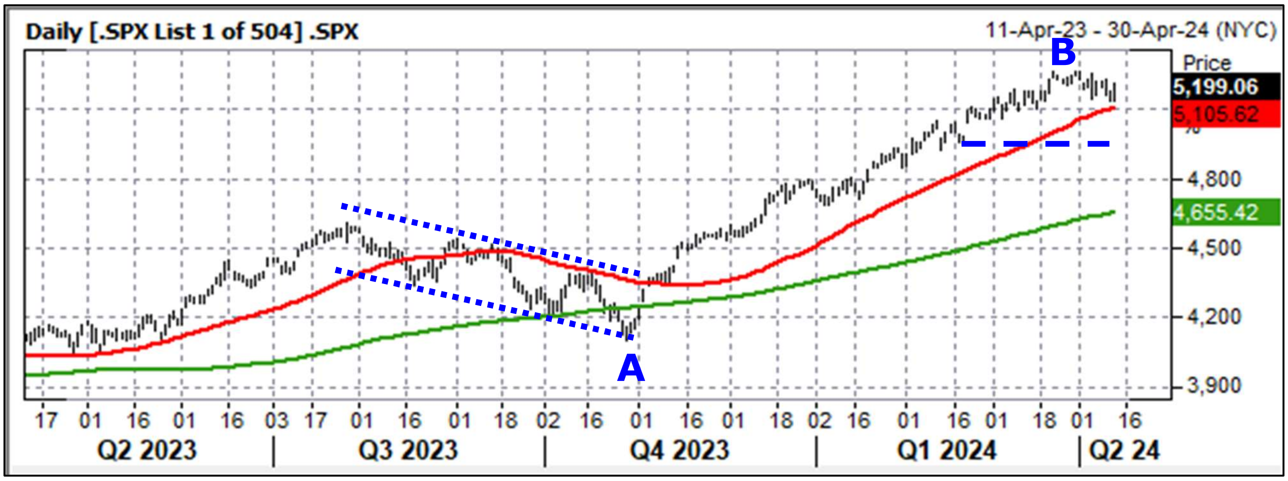
The current secular bull market started in 2009; these usually last between 16-18 years. This means that the earliest expected end to the current bull market would be in 2025. However, our research dating back to 1900 has shown that years ending in 5 are statistically the most bullish years for both the SPX and TSX, with average gains of 22% for the SPX and 16% for the TSX, therefore we do not expect the secular bull market to end until after 2025. The average gain for years ending in 6 has also been bullish, with an average gain of 8% for the SPX and 11% for the TSX, but years ending in 7 are statistically among the worst performing years for both indices. Therefore, our research leads us to believe that the end of the secular bull market is more likely to occur in 2027. In addition, if we agree that the four-year cycle started in 2023 and we add four years to that, this also supports the idea that 2027 will indeed be a weak year for market performance.

We examine the daily charts of the SPX and the TSX on the second page, which focus on the up-leg that started in 2023.

PAC-24-55; MKT-561; April 12, 2024

**Monica Rizk**

## S&P 500 Index (SPX) - daily chart from April 11, 2023




Following the correction from August to October 2023 (dotted lines), the SPX started a powerful up-leg (A-B) above the rising 50-day Moving average (50dMA); this up-leg remains intact. The 50dMA currently rests near 5,100 and only a sustained decline below this level would signal the start of a minor pullback. A one-third retracement (which is very common in a bull market) would bring the SPX toward $4875 (dashed line). The next level of support would come in near 4,700-4,800 –closer toward the 200dMA.

## S&P/TSX Composite Index - daily chart from April 11, 2023


The TSX also started a powerful up-leg late-last year above a rising trendline (dashed line) and is currently comfortably above the 50dMA, which is currently near 21,600; this is the first level of support for the index. A one-third retracement of the recent rise (A-B) would bring the TSX toward 21,150. This level is where the index "paused" for the first month-and-a-half of this year (shaded area) and should provide excellent support in the event of a decline below the 50dMA.

**Capitalight Research · 130 King Street West, Exchange Tower Suite 1940, Toronto, Ontario M5X 2A2**

subscriptions@capitalightresearch.com · Capitalightresearch.com