

PHASES & CYCLES®

**VOLATILITY IS EXPECTED,
BUT A POSITIVE YEAR SHOULD REIGN.**

2025 is shaping up to be a highly volatile year, but technical signs point to equity markets ending the year with gains. Last week was a good example of increased volatility. Major North American indices opened lower on February 3rd and then declined sharply over concern about the implementation of 25% tariffs on imports from Canada: the DJI declined 666 points, the SPX declined 117, NYA declined 360, and the TSX dropped 790. However, after the announcement of a 30-day reprieve on Canadian tariffs the indices recuperated most of their losses by the end of the day. Uncertainty over President Trump's policies has increased market volatility since his election in November and will likely continue to do so throughout the year. However, markets climb a "wall of worry", and this volatility provides the fuel to drive the markets higher. In addition, there are

proposed policies that could also be positive for equity markets; a few examples are an extension of the 2017 tax cuts, deregulation, and infrastructure investment.

We outlined in our previous Market Comment (January 16, 2025) that there is evidence that supports that years that end in 5 have on average, since 1960, recorded a gain of 22%. We also pointed out that the first five trading days of the major indices were positive this year; historically, this has led to a positive equity market about 85% of the time since 1950. Moreover, the old adage that January's performance predicts the performance for the year has proven accurate at 88.9% (40 out of 45 years) as per the Trader's Almanac. The major indices ended January 2025 with gains, supporting the expectation of a positive 2025 (see table below).

Index	Dec 31, 2024 close	Jan. 31, 2025 close	Change
Dow Jones	42,544.22	44,544.66	+4.7%
S&P 500	5,881.63	6,040.53	+1.3%
NY Composite	19,097.10	19,998.82	+4.7%
S&P/TSX Composite	24,727.94	25,533.10	+3.3%

To assess what's to come in the weeks and months ahead, we focus on shorter-term cycles. We suggested a 35-day cycle low in early February; did the one-day drop on February 3 fulfill this expectation? Thus far,

we have not seen any meaningful new highs on the indices to indicate that the weakness is over. However, 39-week and 35-day cycle highs are expected in mid-March. We analyze the charts on the following page.

Charts courtesy of LSEG

PAC-25-24; MKT-571; February 12, 2025

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The daily charts below demonstrate that the indices have remained in a holding pattern since setting highs in December. So far, the holding pattern is supported by recent lows (dashed lines) intersecting with the 200-day Moving Averages (200dMAs) and by resistance to December highs (shaded areas). The indices are an average 6-7% away from support in the case of a potential

down-move. The 50-day Moving Averages (50dMAs) remain firmly above the 200dMAs to confirm the positive trends, and the maturation of the 39-week cycle in mid-March also favours a rise above previous highs. A sustained rise above 45,100 on the DJI, 6,150 on the SPX, 20,300 on the NYA, and 25,900 on the TSX would signal the resumption of the long-term uptrend.

Dow Jones Industrial Average (DJI) DAILY CHART – ONE YEAR



S&P 500 Index (SPX) DAILY CHART – ONE YEAR



NYSE Composite Index (NYA) DAILY CHART – ONE YEAR



S&P/TSX Composite Index (GSPTSE) DAILY CHART – ONE YEAR

