

PHASES & CYCLES®

QUO VADIS?

Yes, QUO VADIS, New York, and Toronto or more accurately SPX, NASDAQ and TSX.

Interest rates were raised a quarter percentage point last Wednesday and when asked, Mr. Powell, Chair of the U.S. Federal Reserve, suggested that it may go higher. Oil prices dipped below US\$70 and the Oil stocks dipped. Portfolio managers declared that the 40-bond/60-stock policy does not work. The markets declined heavily last week, and we are at the beginning of the "sell in May and go away" period.

You cannot "bank" on the Banks, the Insurance companies don't give you surety, the Oil stocks became slippery, the Utility stocks lost ---well, utility. The "value" stocks losing value, the "growth" stocks stopped growing and the "short-sellers", calling for recession, are doing what they do best, they short stocks. "The world is going to hell." And yet, we know that when everybody is negative, it is the best time to buy.

Technical Analysts don't concentrate on what others say, but what they do. Despite the continued negative attitude since October 2022, the SPX and the TSX have risen the last two quarters (but not the NASDAQ, see below). In September 2022 the percentage of New York stocks above their 10-week Moving Averages (10wMA) was 5.8% (courtesy of *Investors Intelligence*). While the

portfolio managers (PMs) were still bearish, the percentage rose to 84.7% by January 31st, 2023. What drove the stocks from 5.8% to 84.7%? What drove the SPX from 3,647 to 4,076 and the TSX from 18,614 to 20,828 during this period? Surely, the PMs who were bearish but acted bullish had a lot to do with it. Although both the SPX and the TSX continued to rise, the percentage of stocks above their 10wMAs weakened to 29.6%, to suggest that the January reading was showing an overbought condition, which is now leading to some weakness.

OUTLOOK

The positive statistics above, and the January "Breadth Thrust" mentioned in previous Market Comments, suggest an optimistic outlook with occasional weaknesses.

The NASDAQ has finally completed the 50% correction of its rise from the 2020 low to its December 2021 high, the same 50% correction that the SPX and TSX completed in October 2022. Apple and Microsoft may lead the way.

The 200-day Moving Averages (200dMA) are at 3,975 for the S&P 500 (SPX) and at 18,880 for Toronto (TSX). Cyclic indicators suggest weakness for the next two weeks, but the SPX and the TSX should find support near their 200dMAs. A move above SPX 4,200 and TSX 21,000 will signal significantly higher targets.

S&P 500 (SPX)



S&P/TSX (TSX)



NASDAQ



Capitalight Research · 130 King Street West, Exchange Tower Suite 1940, Toronto, Ontario M5X 2A2
subscriptions@capitalightresearch.com · Capitalightresearch.com

The contents of this report may NOT be copied, reproduced or distributed without the explicit written consent of Capitalight Research Inc. ©2023, Capitalight Research Inc. All rights reserved

The opinions and projections contained herein are those of Capitalight Research Inc., its principals, associates and employees (collectively "the researchers") and are subject to change without notice. The information contained herein has been obtained from sources that we believe to be reliable but cannot guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that "the researchers" are to be under no responsibility or liability whatsoever in respect thereof. "The researchers" may, from time to time, buy, own or sell securities mentioned herein. "Capitalight Research Inc." is a division IC Capitalight Corp.