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The correction is over.

The correction is over. It ended on October 13th when all North American Indices (the DJI, DJT, SPX, NASDAQ and the TSX) hit a major low; when stocks above their respective 10-week and 30-week Moving Averages were at an extreme low; when the bullish newsletter writers and the members of the AAII, expressed unanimous negative opinions.

Any analyst would have been derided, ridiculed and teased if he openly expressed or published such "nonsense" at that time. Although yours truly did. The October 12th Market Comment states that "the Declining Volume (DV) was almost ten times larger than the Advancing Volume (AV), which often signals a "selling climax" and the end of a downtrend". However, it would have been wrong to call the end then, given that all the indices were below their respective 200-day Moving Averages (200dMA), which is the most significant and most respected technical tool.

What has changed? Six important events:

1) all the indices mentioned in the first paragraph (even the Dow Industrials and the Dow Transportations) are now above their 200dMAs (see charts for SPX & TSX on following page).

2) the first five days of January were ahead,

3) January ended higher ("as January goes so does the year"),

4) the AAII members are still 37% bearish and only 28% bullish,

5) global fund managers have their lowest allocations of U.S. stocks on record,

6) the "super bears" are still super bearish.

Why was it a "correction" and not a "bear market"? Our next Market Comment will elaborate.

OUTLOOK

Despite everything mentioned above, the markets are not going to new all-time highs just yet. They could use a pause after the January rush with a weak February, and the AAMNG stocks (previously FAANG) are still below their 200dMAs (except for Netflix).

However, in Toronto, the Banks (except BNS and CM) and the Insurers have moved above their 200dMAs and the Energy Sector is still alive.

Ron Meisels

S&P 500 (SPX)

S&P/TSX (TSX)

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

subscriptions@capitalightresearch.com · Capitalightresearch.com