

# Day Hagan *Chart Jamboree*

## Comfortably Numb

Pink Floyd, 1979

Presented By:

Art Huprich, CMT®  
Chief Market Technician

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@DayHagan\_Invest



Day Hagan Asset Management



DayHagan.com



# Something to Chew On: What is this saying about the condition of society (and Wall Street)?



## Favorable/Supportive Factors, Macro & Otherwise

(will discuss a few concerns @ end of presentation)

- **Credit spreads:** Elevated from lows, but given banking crisis, inverted yield curve, and recession calls, they haven't blown out to the upside. More specifically, they are below peaks from both Sept-Oct '22 and most recently, March. **Key guidepost** over the next 1-3 quarters.
- **Global Recession Probability model:** Reversal down counterintuitively supports global stock prices.
- **Global Breadth improving.** “While global rates are above average... under the surface... signs of reprieve. Moreover, central bank balance sheets in aggregate have also been expanding, but not due to traditional QE... U.S. banks utilizing the Fed's discount window...”
- **NDR Catastrophic Stop Loss Model:** Despite the “twisting & shouting,” the message remains net positive—keeping us on the right side of the major trend and our benchmark (SPX).
- **Zweig Breadth Thrust:** Breadth thrust signals are historically accurate, especially if verified...
- **Monthly Momentum:** Hasn't crossed positive but continues to get “less bad” or better.
- **Seasonal/Sentiment:** Favorable until mid-year/big tailwind (potential short squeeze) for stocks (& bonds) is the defensive positioning/shorting by Hedge Funds

## Credit Spreads: Aftershock? Not as we speak.

### Takeaway

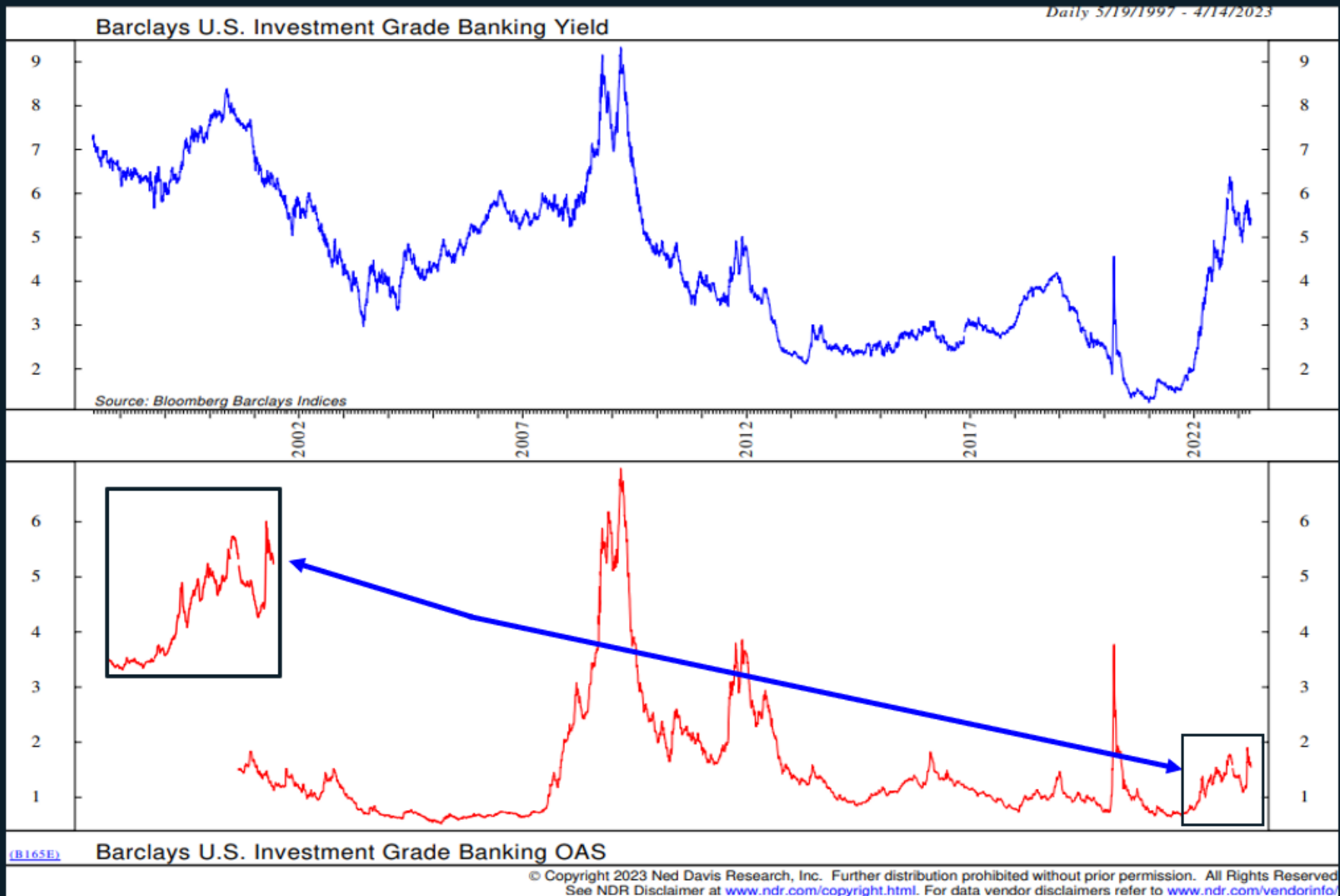
- Current levels suggest that the Fed, and the other central banks around the world, have successfully halted further contagion, for now.



## Investment Grade Banking OAS

“...decades when nothing happens and weeks when decades happen...”

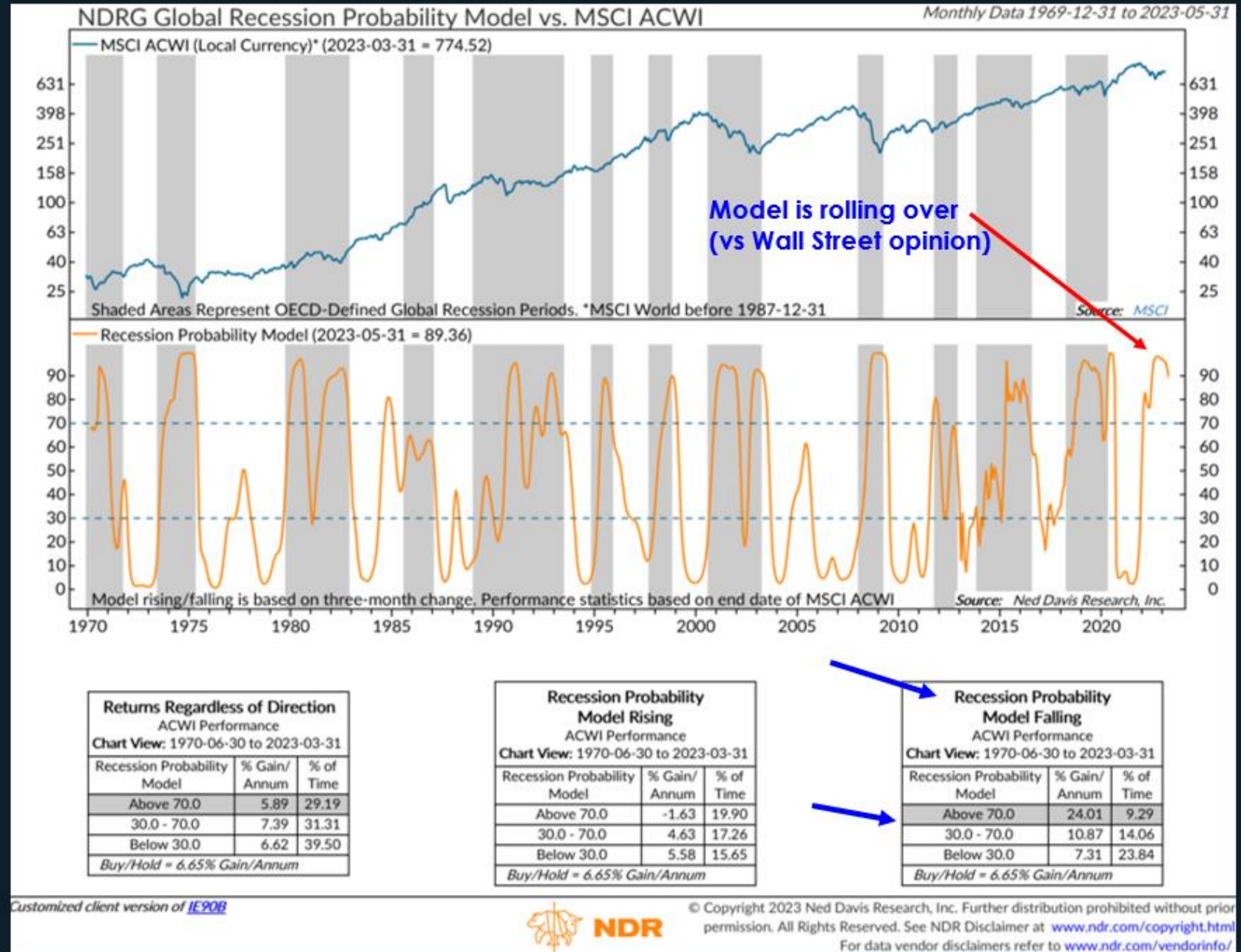
- Bank credit spreads have declined and are below last year's peak.



Will be fascinating to watch...

Wall Street & emotions (bias)  
vs.  
Unemotional (no bias) model

Model supports higher  
global stock prices



Customized client version of IE90B



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## Global Breadth....

Improving &/or bullish  
absolute &/or relative trends:  
(listed in no particular order)

Japan, S. Korea, Belgium,  
Finland, Denmark, Sweden,  
Netherlands, Spain, Poland,  
Peru, Italy, Germany, France,  
Switzerland, Mexico, Chile.

Please reach out for details  
about the **Day Hagan/Ned  
Davis Research Smart Sector  
International Strategy.**

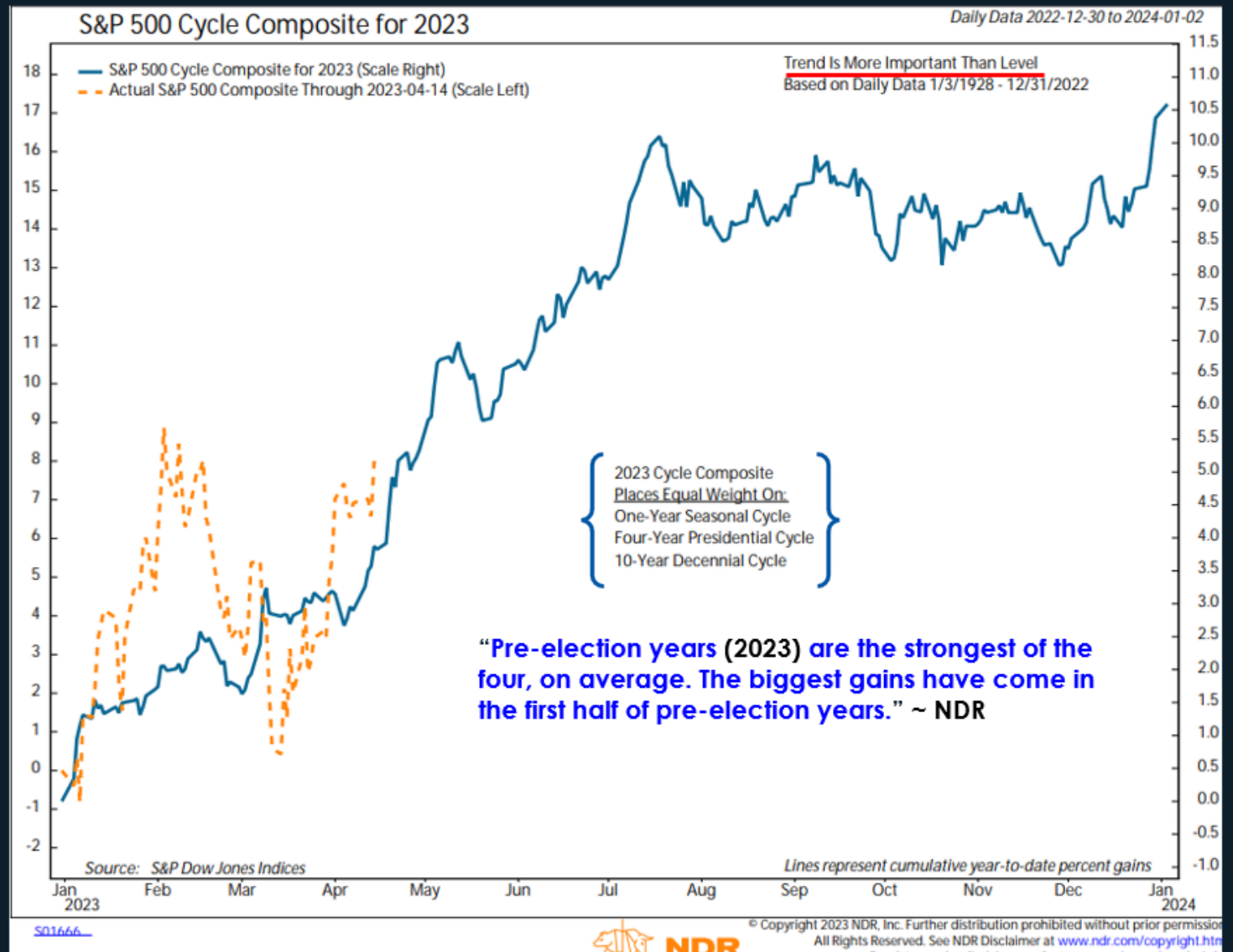
Email me for a chart of any of  
the countries listed. Too many  
to include in presentation.



## S&P 500 Cycle composite for 2023

**Takeaway:** Absent a macro event (a tall order), the Cycle Composite suggests the path of least resistance is higher through Q2 but a tougher second half.

- Using “seasonality & cycles” can aid in defining the backdrop but should be second-level indicators.
- Chart is not a forecast, but rather history’s view of how the year could unfold.
- As we have experienced, outside forces can overwhelm cycles & seasonal trends...





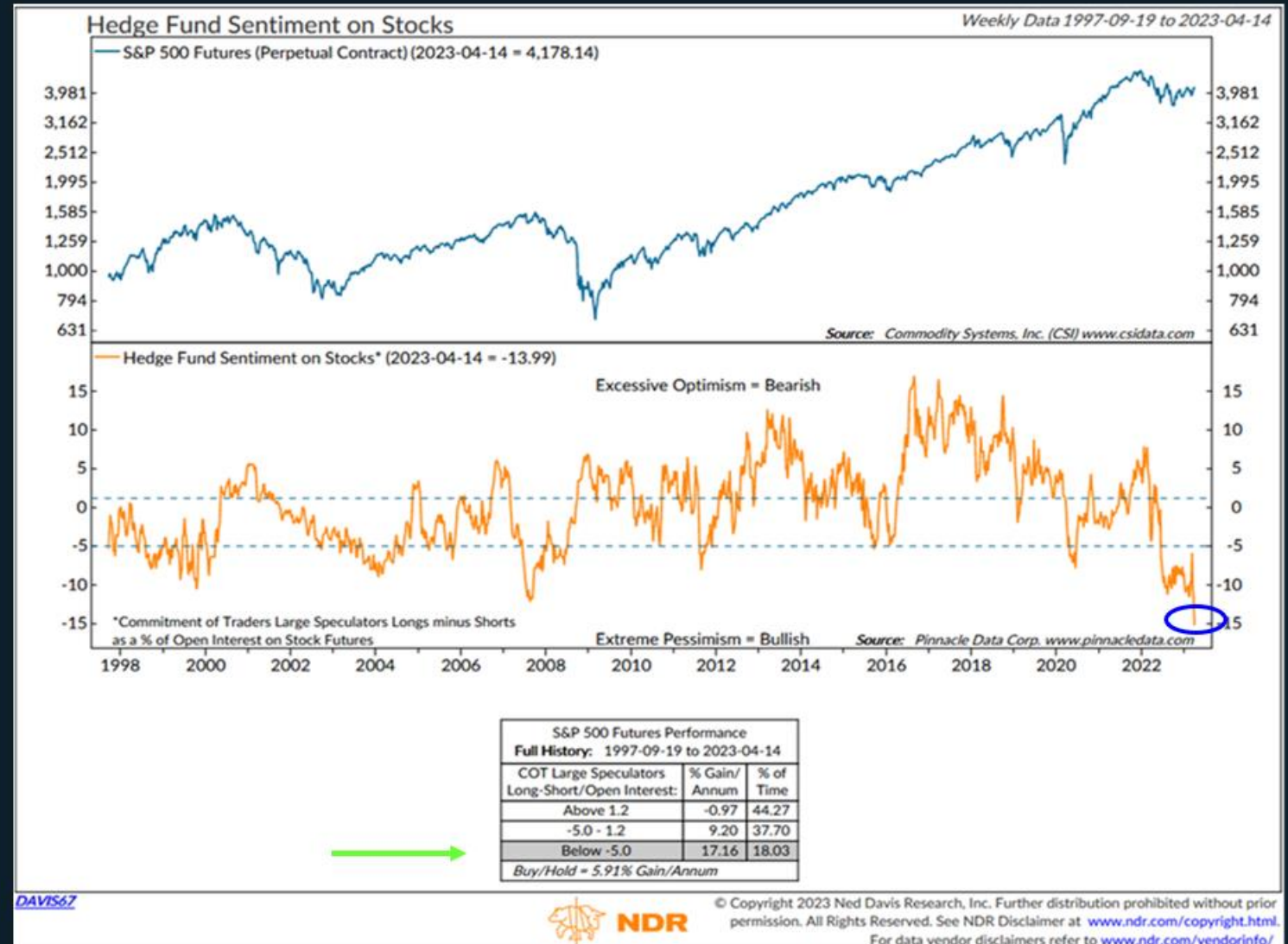
## Bears: Beware of Potential Short Squeeze

“When everybody is on one side of the boat, you should go to the other side.” ~Jim Rogers

“...even after a nearly 17% run from last year’s lows, many... are still underweight equities.” ~Don Hagan

**Takeaway:** Hedge funds are extremely underweight (short) equities. This represents future demand.

“...best buy signal when they hit extremes and then reverse. So far, while the sentiment indicator has hit an extreme, it has yet to show signs of reversing.” ~NDR



DAVIS67



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# Domestic Equity Market Proxies (weekly)

Like rats on a treadmill, there's been plenty of squeaking, but no progress.

Comfortably Numb

S&P 500 is the benchmark for the **DH/NDR Smart Sector with Catastrophic Stop Loss Strategy.**

The strategy recently received a **5-star** rating from Morningstar.

Please reach out for details.



## Comfortably Numb

Though I'm not sure how "comfortable" or "numb" many on Wall Street currently feel.

You?



While **Technology participation** isn't as supportive as we would like, under the surface it isn't as narrow as many tout, based on the **% of NDX stocks down 20% or more from their 52-week high**.

**Takeaway:** Within that context, a further contraction in **New Highs minus New Lows on NASDAQ** may quiet some and get others a bit more bullish.

So, we will focus on New Highs minus New Lows and suggest the same.

Let the trend be the arbiter, not someone "twisting and shouting."

The trend of **New Highs minus New Lows on NASDAQ** is improving – lower frame. **More of this is needed!**



# Instrument of Truth: Small Caps

Active managers have been scrambling to reposition for a weaker economic environment... with the 2022 lows only a whisper away...

Comfortably Numb?

Definitely Not!

Stuck in the Middle  
With You

Stealers Wheel, 1972

Most Definitely!



## S&P 500 – 1-year daily

4150 to 4218 remains a key inflection range – resistance

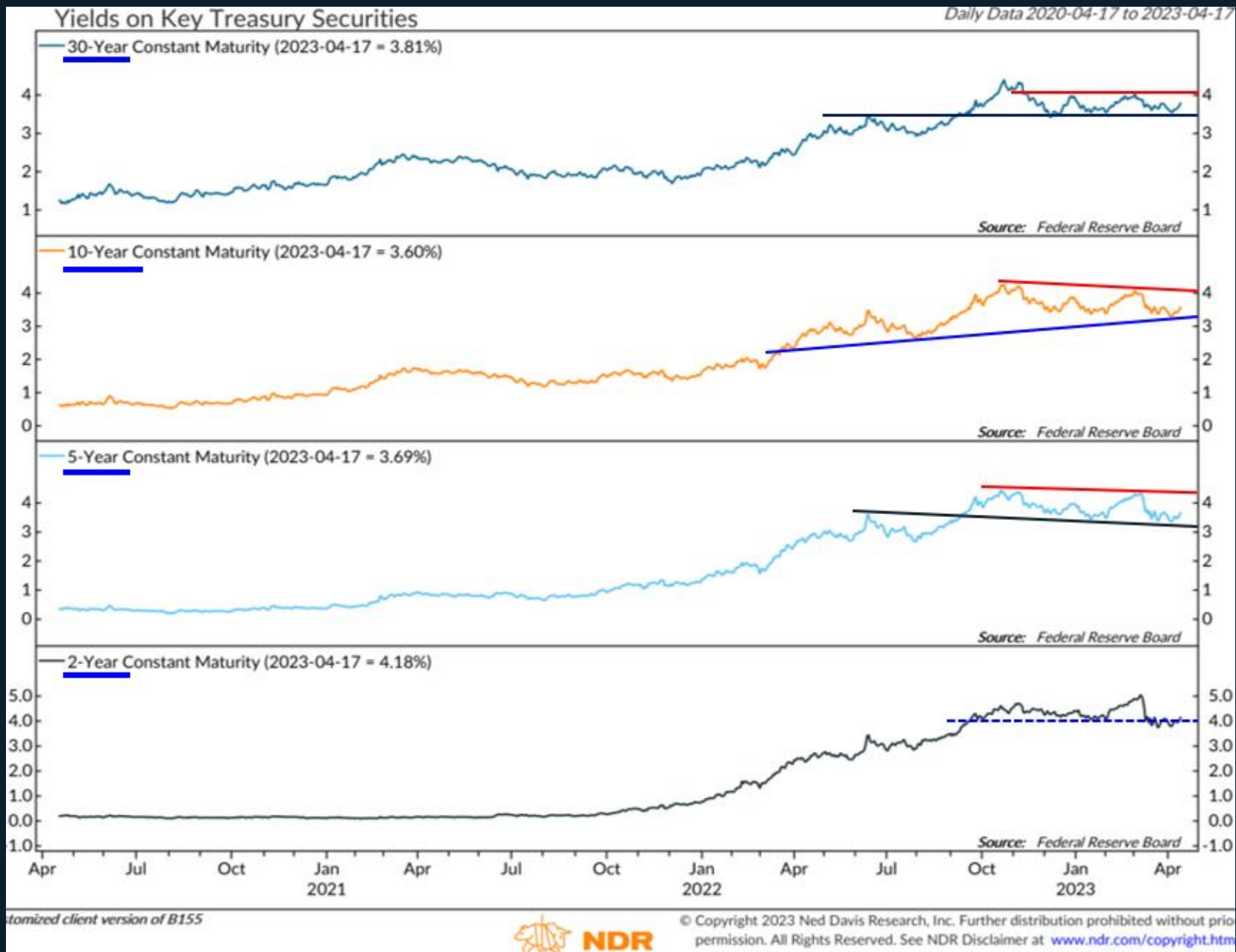
**Takeaway:** Until it resolves—*Comfortably Numb*—more consolidation, & we are presently up at the lower end of the range of selling pressure! **So don't be surprised to see some hesitation, now.**



## Interest Rates – Various maturities Stuck in the Middle with You Stealers Wheel, 1972

Important support levels all  
around.

**Takeaway:** A recession would  
likely be **led by** a breaking of  
support—**your guidepost.**



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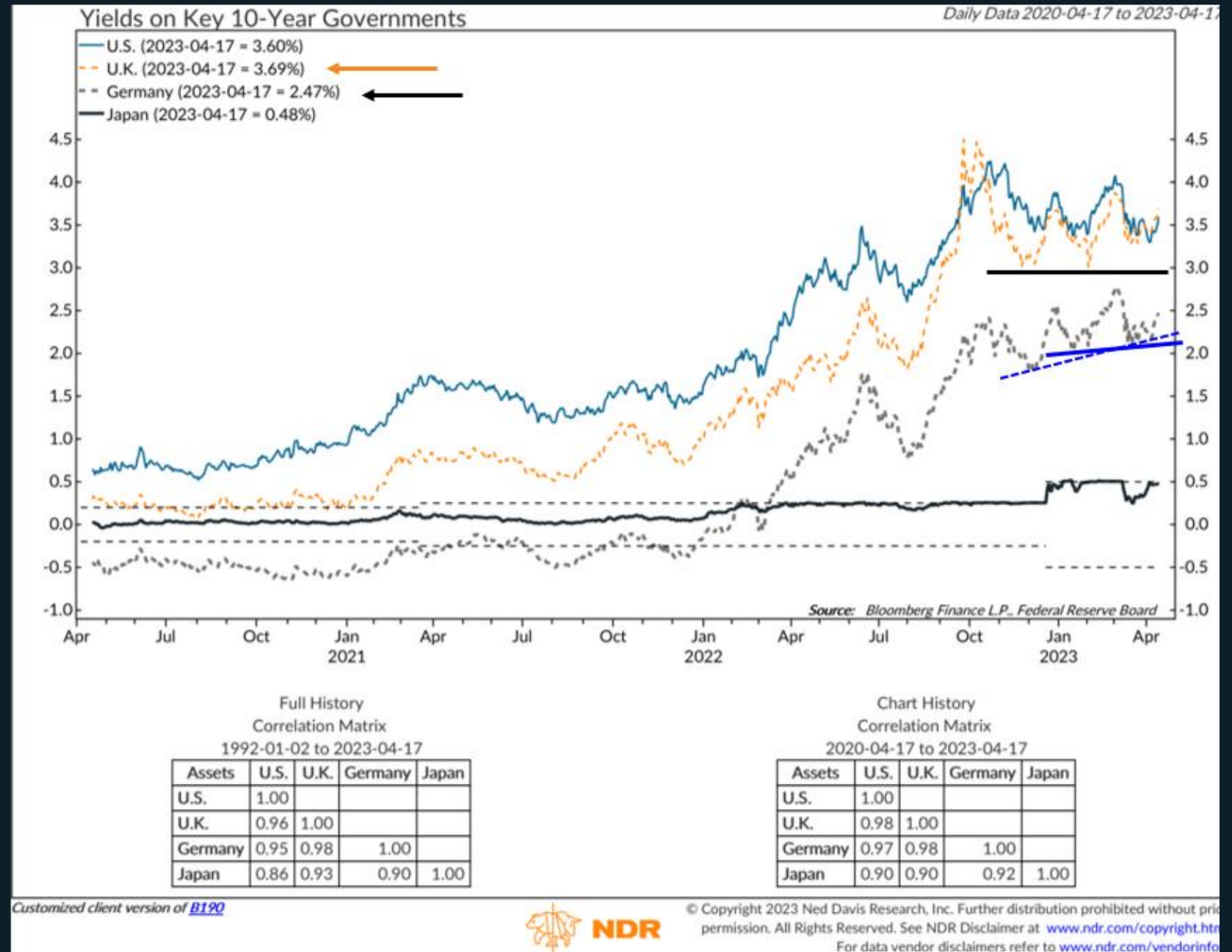


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## Global Yields (select)

Global yields have held up better than U.S.—not as close to important support.

**Takeaway:** If a global breakdown occurs at the same time as a U.S. breakdown, it would be quite bullish for bonds—**your guidepost.**



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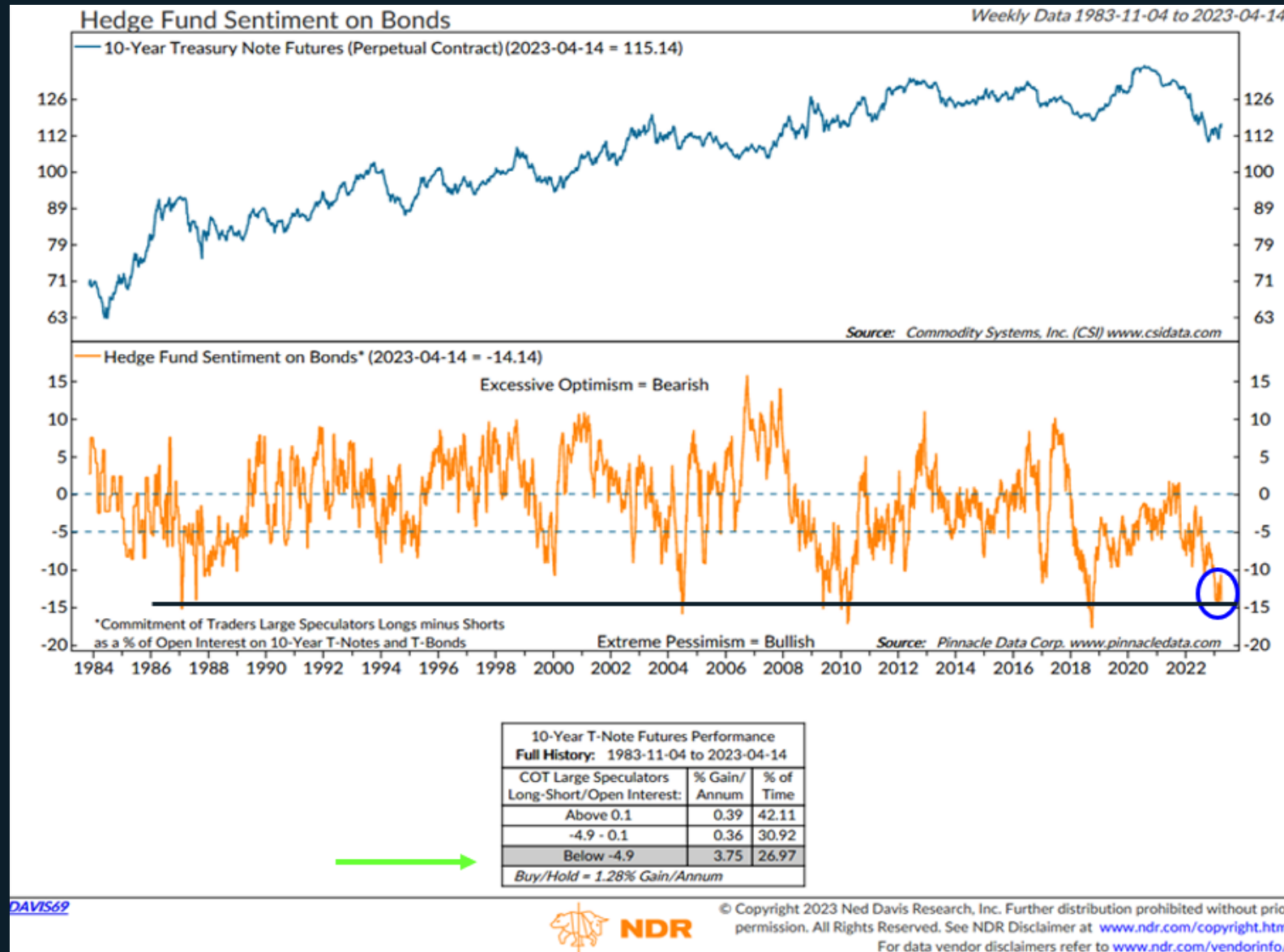
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## Bond Sentiment:

Hedge Funds are Extremely Pessimistic on Bonds

**Takeaway:** “From a contrary opinion perspective, this supports lower rates, which in turn would be supportive of equities.” ~Don Hagan



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## Has the Bell Been Rung?

**Takeaway:** While the trend for interest rates remains mostly rangebound, sentiment (a contrary, secondary indicator), suggests otherwise.

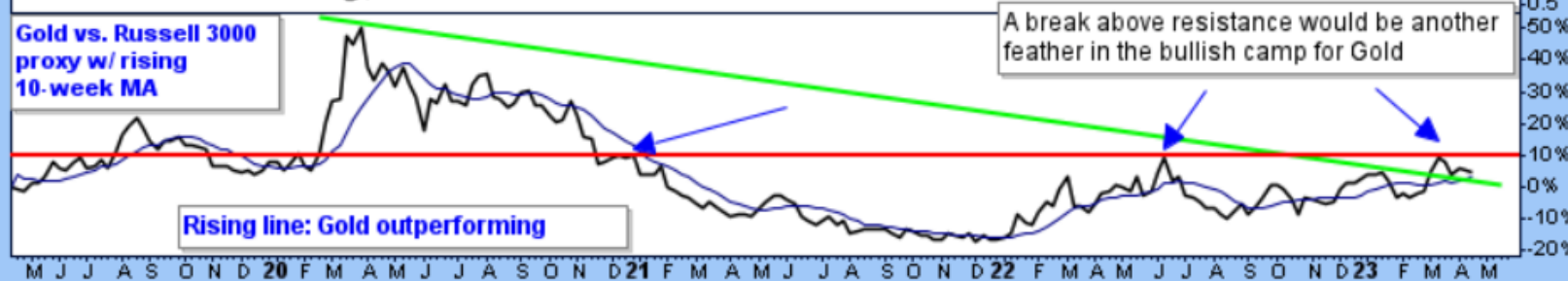
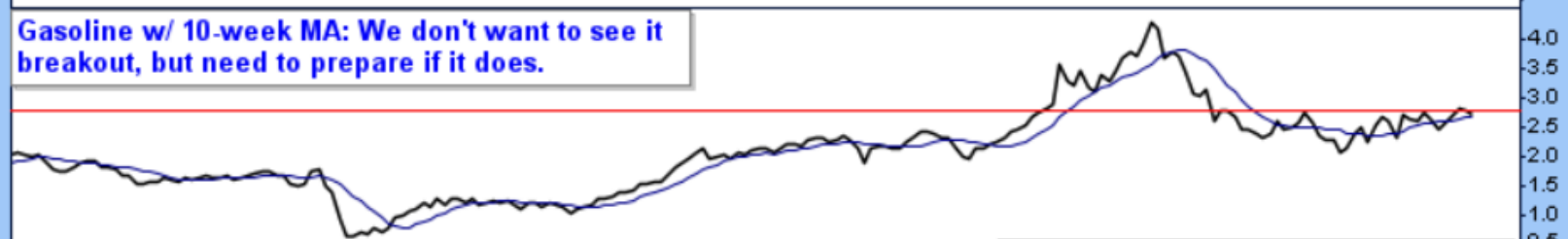
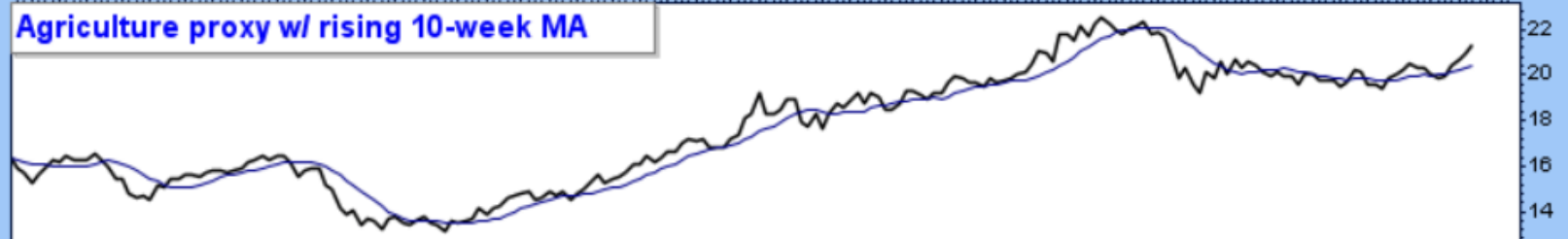
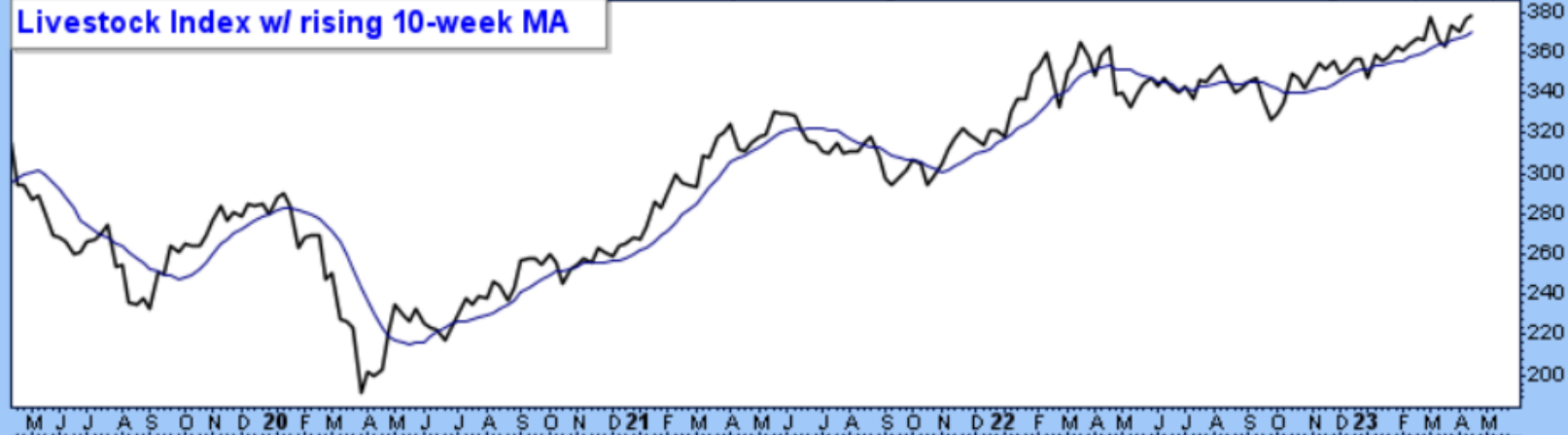


## Commodities

Based on the price trend shown below, I am not a fan of the commodity space as a whole.

Yet, there are pockets of improvement/strength.





## Crude Oil - weekly

**Takeaway:** Barring a move below gap support at \$75.72 (not shown), the first upside target/objective is the low \$90s—red horizontal line.



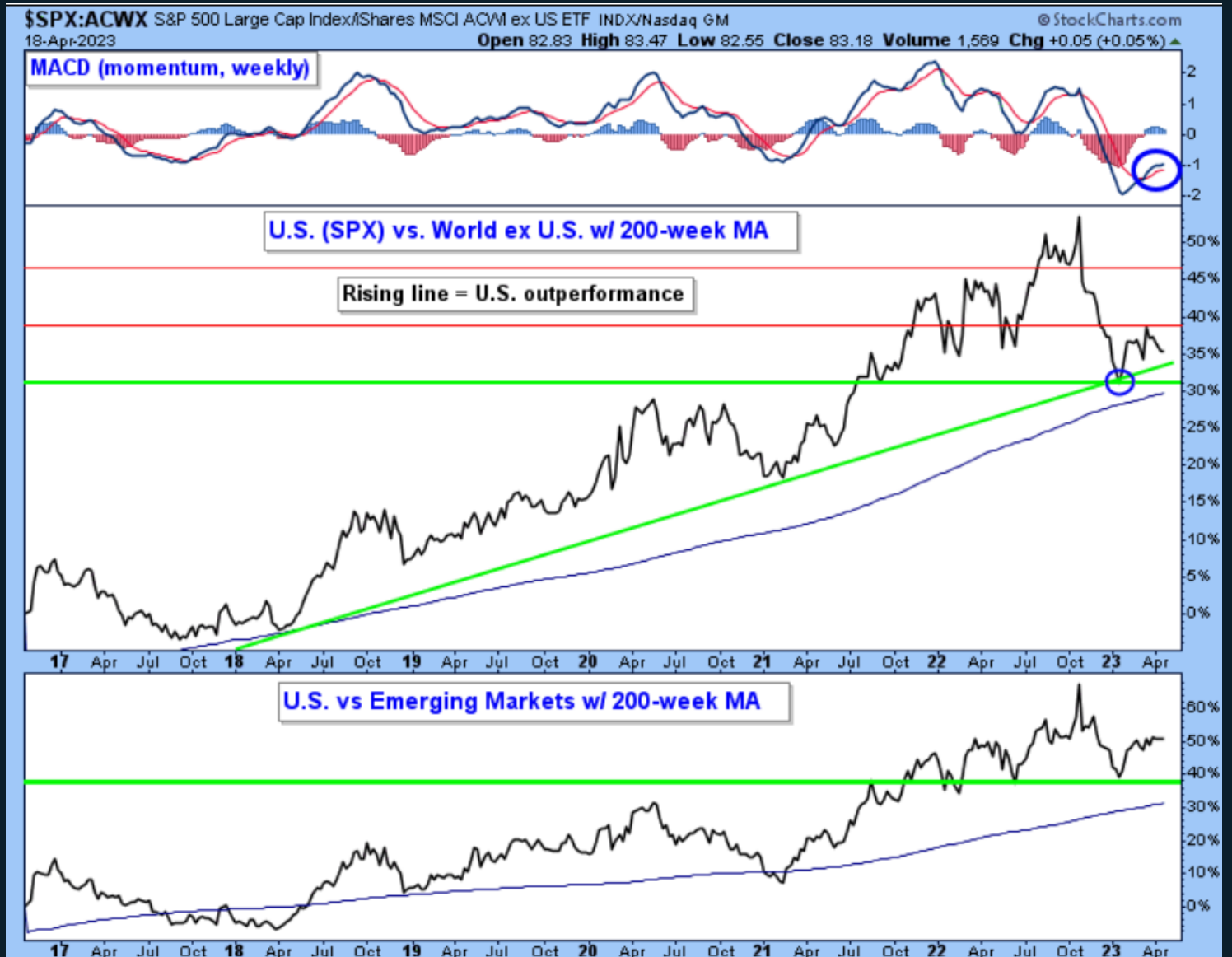
# Additional Observations



# U.S. vs. The World ex. U.S. – weekly (domestic vs. overseas relative strength analysis)

## Takeaway

- Despite the trend—**Neutral** U.S. vs. Overseas due to A LOT of overhanging selling pressure, resistance.
  - If a longer underlying base develops and is completed, overweight U.S.
  - If blue circle is broken (middle frame), underweight U.S.
- U.S. over Emerging (lower frame)
- Please reach out about the **DH/NDR Smart Sector International strategy.**



Given the **U.S. Dollar's** role in many cross-asset strategies/allocations, let's keep this simple.

**Takeaway:** While initial support exists in & around 100 to 99, monthly momentum (top frame) and a cresting 12-month MA suggest support will eventually break and lower levels discovered.





## Small vs. Large

(relative strength analysis)

Back to COVID lows is pretty amazing.

**Takeaway:** From a pure trend perspective, “Neutral.”

From a **tactical, short-term** perspective, no edge. Unless short-term resistance is broken—upper red line in thumbnail chart at far right.

Going forward, please reach out for updated chart.



# Regional Bank Index - UPDATE

The previously highlighted, hoped-for/expected, lengthy basing pattern is occurring.

**Takeaway:** More is expected & would be beneficial. It tells us where the buyers and seller live—stop loss points are identified. Think of it like the stock fell and broke its arm and maybe its leg, too. From personal experience, healing broken bones is not quick, no matter how impatient we are.



# Canaries in the Coal Mine

While the overall relative strength trend favors **Growth over Value**, we highlighted a shift towards Value on a tactical, short-term basis last month. That has proven the case.

## Takeaway

The top frame especially, and to a lesser degree the middle frame, suggest the odds favor that the tactical move (Value > Growth) has more to go.

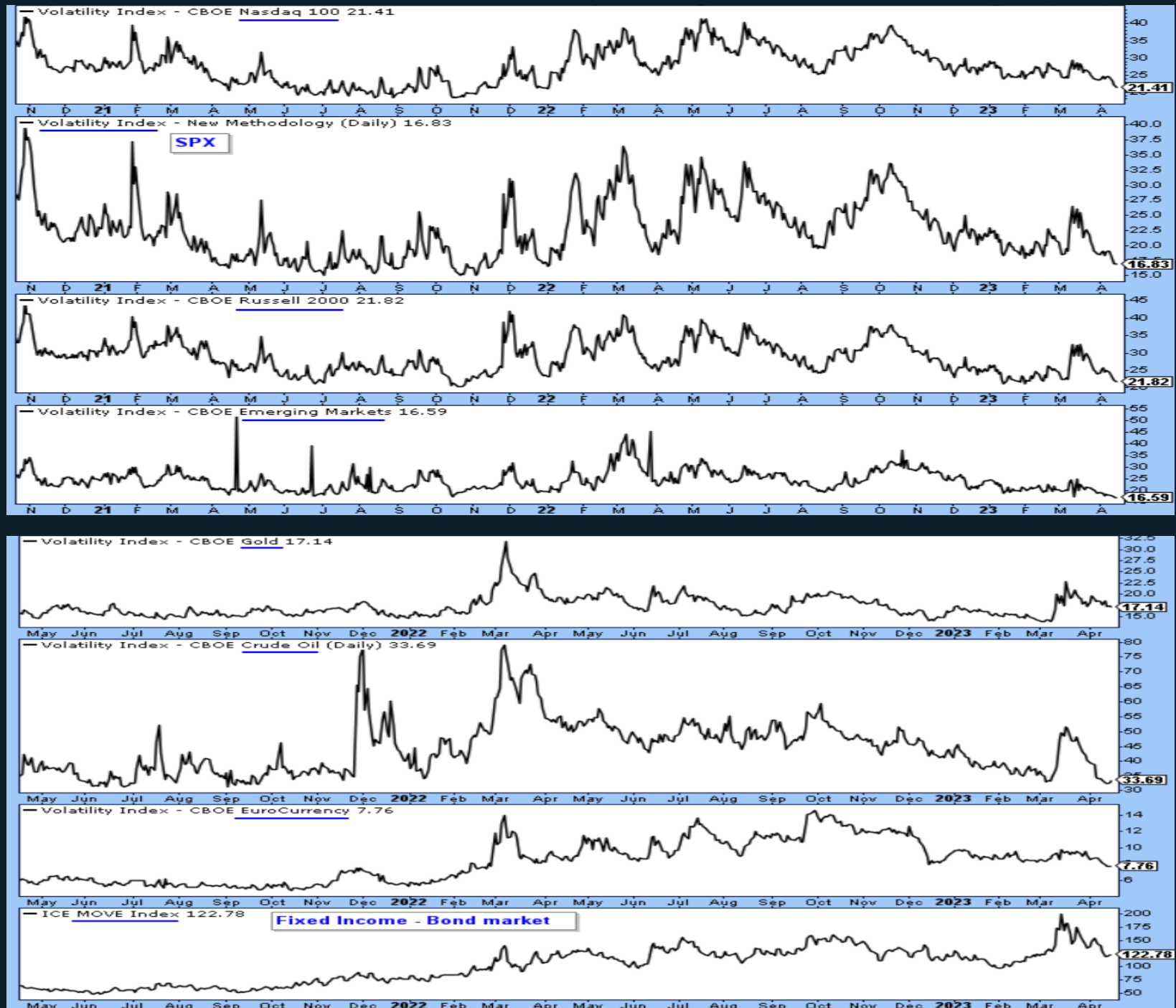


# Volatility (sentiment)

Equities: Top chart

Commodities, F/I,  
Currency: Lower chart

**Takeaway:** “Should we follow the old adage of never shorting a dull market—or should we be suspicious?”  
~H. Meisler

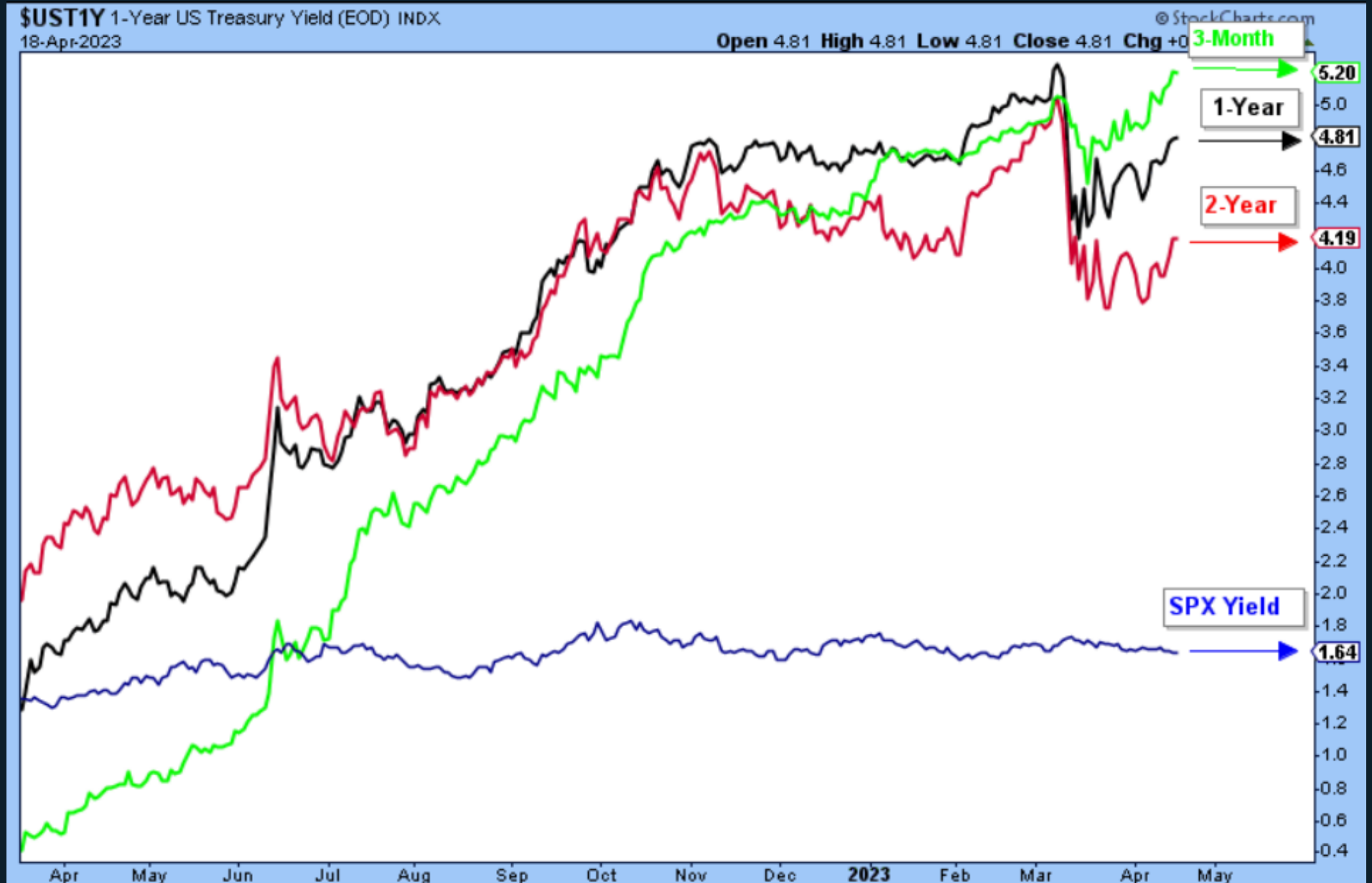


**Final Thoughts  
to  
Leave You With**



TIAA...

**Takeaway:** We need to remain cognizant of this.



While the **“Pain Trade”** remains higher due to positioning, **“breadth”** has been improving, to a point. But certain internal measuring tools are still below February levels, as SPX approaches.

**Takeaway:** Stay alert, stay patient, & please manage risk both to the upside & downside!



# Grind it Out / Down and Difficult / Wear'em Out Scenario...

## Takeaway

Be aware of **analog**s but also be cognizant...





## Market Reactions to Final Fed Rate Hikes

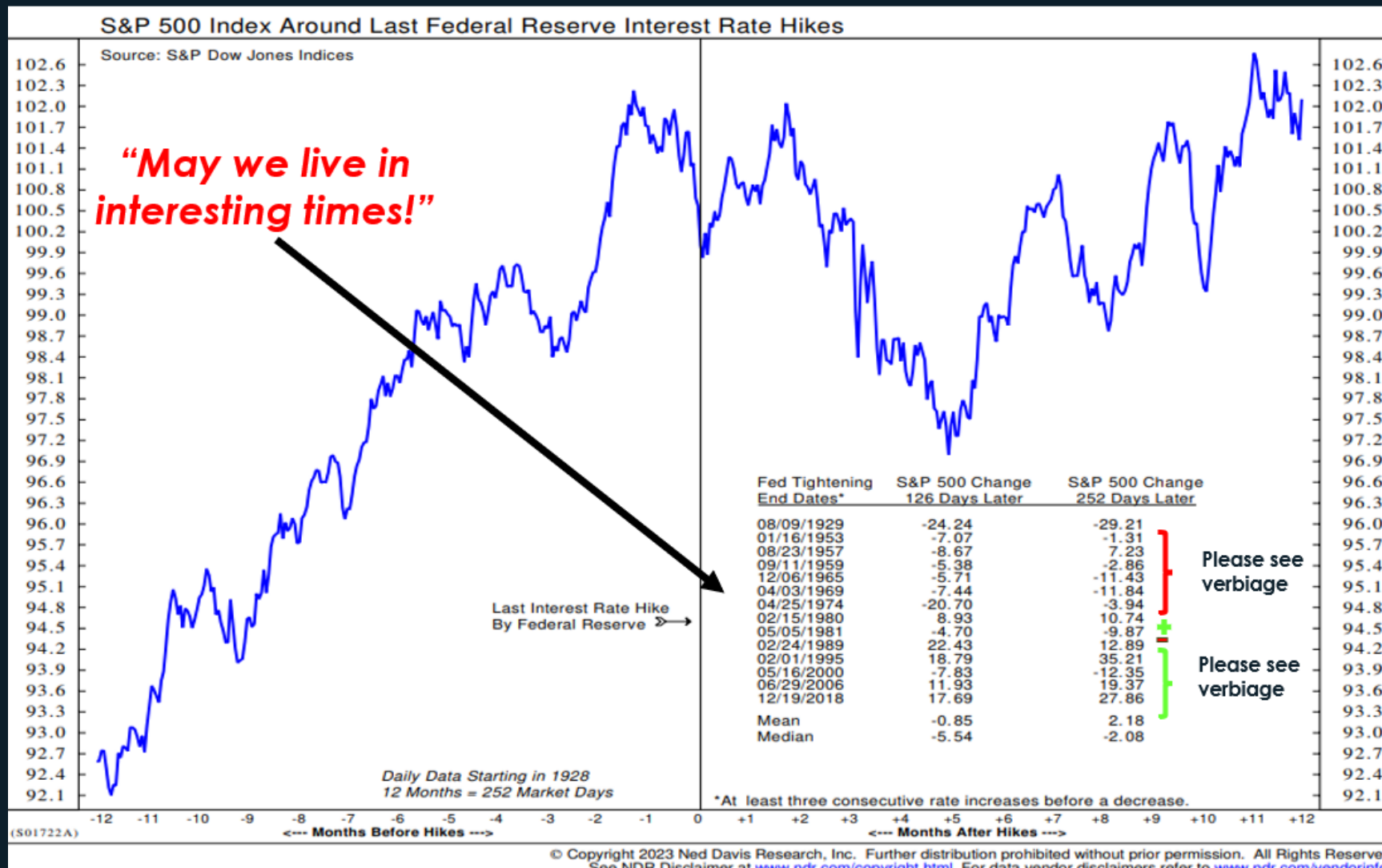
The last hike has been bearish for stocks (1929-1974), but not since Greenspan—1987 (1980 – 2018).

**Takeaway:** Which is a better last-hike analog: 1950s-1970s or 1980s-2010s?

“The S&P 500 has fallen a median of 5.5% in the six months after the last hike.

...the message has been more **bullish in recent decades**, with the S&P 500 up over 10% six months after 4 of the last 5 final rate hikes. In 2 of the 4 positive cases, 1989 & 2006, the economy eventually fell under the weight of higher rates, but it took over a year. **Ultimately, the recession call matters.**

If our macro team is correct, and a recession does not start until late-2023 or 2024, there could be a window for the stock market to rally after a May rate hike.” ~NDR



# Thank You for allowing us to be part of your success

## For More Information

**Presented By:** Art Huprich, CMT®  
**Email:** [Art.Huprich@DayHagan.com](mailto:Art.Huprich@DayHagan.com)

**Day Hagan Asset Management**  
1000 S. Tamiami Trail  
Sarasota, FL 34236  
**(800) 594-7930 or (941) 330-1702**

 @DayHagan\_Invest

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The S&P 500® is an unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for a large cap stocks.

The Russell 2000 is an index comprised of the 2000 smallest companies on the Russell 3000 list. It is a widely recognized indicator of small capitalization company performance.

# Day Hagan Technical Analysis

A time-tested, disciplined approach  
to investing.

Presented By:

Art Huprich, CMT®  
Chief Market Technician



@DayHagan\_Invest



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