

April 2, 2024

Walking the Line, Still

Summary

Despite the recent rotation (large vs. small, growth vs. non-growth, S&P sectors—those other than Index Movers are having their day in the sun) and **the simplicity of it, the support (and resistance) lines we've highlighted remain intact** (walking the line). When the lines break, we will take notice. Also, the domestic equity market indices haven't shown any distinct, strong patterns of distribution (stocks moving from strong hands to weak hands).

The Line

Was the rotation discussed in the summary above due to quarter-end rebalancing? Or was it something more? (Fed Chair Powell stated, "it was good" following the release of the Personal Consumption Expenditures data.) I hope it's something more, but we'll know in the fullness of time. In the meantime, please follow the lines as well as previous reaction low support levels.

Figure 1: S&P 500. | For now, the next chart-based support line is in the vicinity of 5200. Following that area, the bullish pattern of higher troughs stays intact while above 5104/5056 support—blue arrows. The upper channel line (resistance) currently comes into play above 5300+.



Note: Since both are uptrend lines, the specific levels of both support (green) and resistance (red) lines will increase over time.

Figure 2: S&P 500 – weekly data. | With the start of a new quarter, an aggressive SPX price target based on the depth of the base that was completed on the breakout over 4800 equates to a target closer to 5800/6100. First and foremost, we will follow our models and indicators. If our models shift to bearish levels, we will raise cash.



Note 2: Having highlighted multiple domestic and global equity market indices over the past few weeks, we are only featuring SPX and the charts below today. Reach out for other charts of interest.

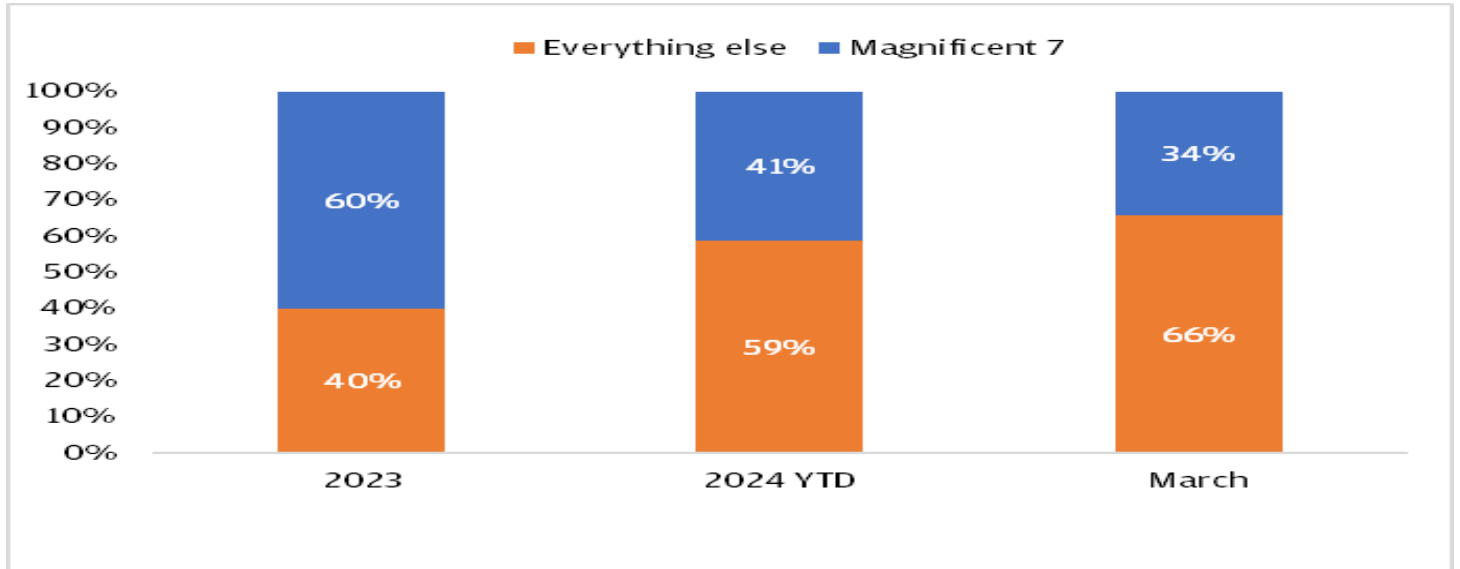
So Goes the Semis, So Goes...

Figure 3: Semiconductor Index. | Per Ralph Bloch, “So goes the semis, so goes NASDAQ. So goes NASDAQ, so goes the market.” Please focus on trend line support (the Line) in the vicinity of 4800, and the most immediate reaction low (support) at 4620. Concurrently, initial points of resistance (selling pressure) exist *between* 4993 and 5031, followed by 5218 (red bar from which big one-day reversal occurred—black circle).



Conversation Points

Figure 4: 2023, 2024 Year to Date and March 2024 Returns. | “Whereas 60% of the S&P 500 returns last year (2023) came from the Mag 7, this year that has been flipped. The rally broadened in March when 2/3 of the index's return came from members outside the Magnificent 7.” ~JP Morgan.



Source: Bloomberg Finance, L.P., as of 3/27/24

Figure 5: Round Trip Commodity Moves. | “Parabolic advances usually go further than you think, but they do not (usually) correct by going sideways.” ~Bob Farrell

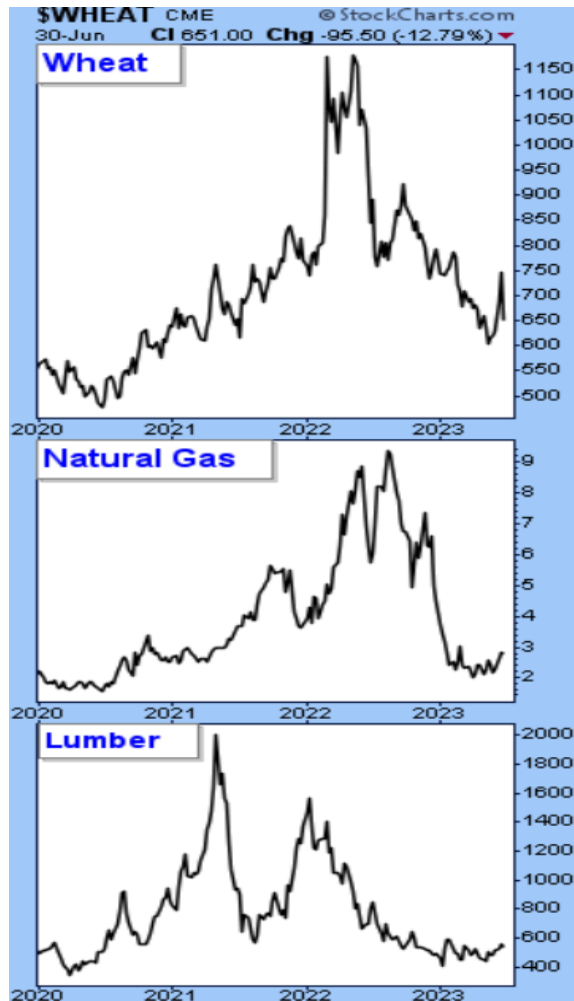
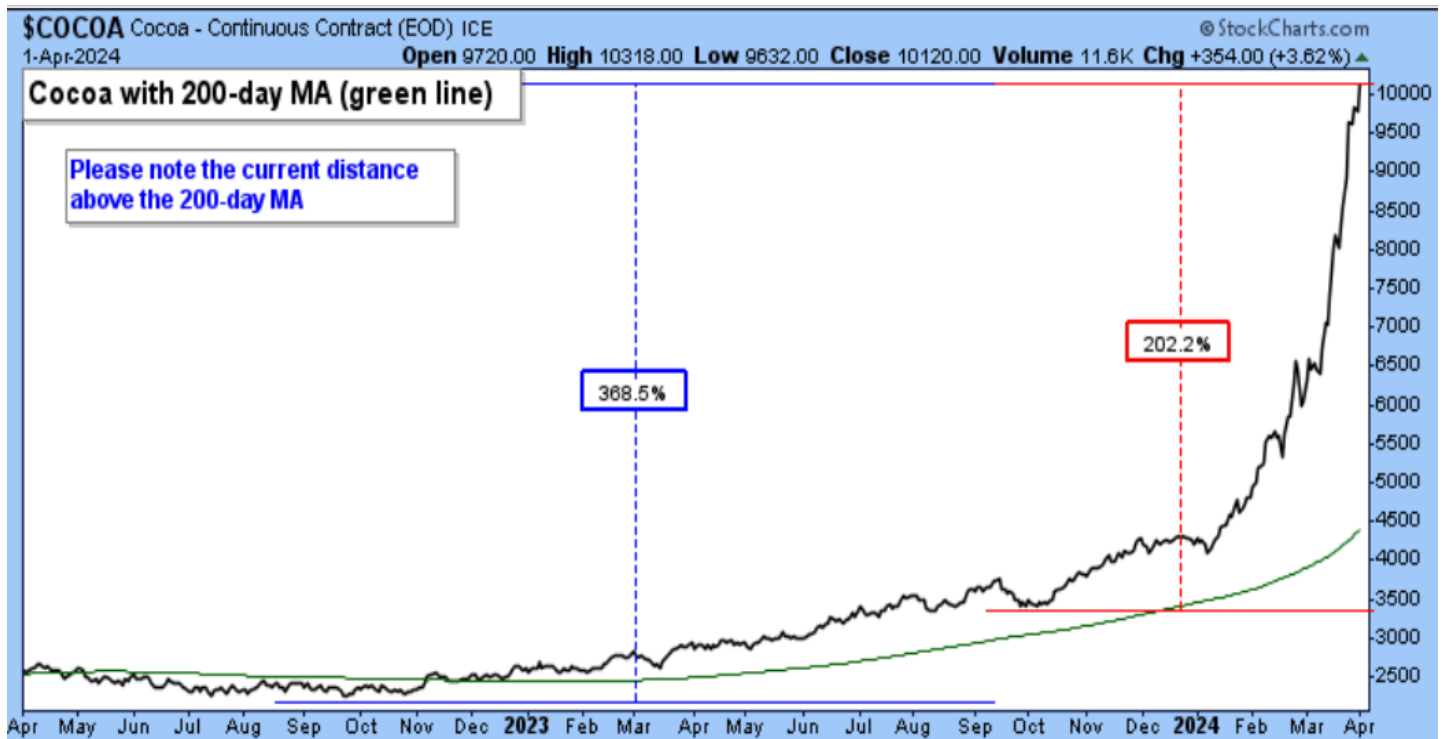


Figure 6: Cocoa and Recent Parabolic Move. | Based on Figure 5, how do you think this may end?



Please let me know if you would like to schedule a call to go over the process and discipline underpinning our **Smart Sector with Catastrophic Stop**, **Smart Sector International**, and/or **Smart Sector Fixed Income** strategies. Disclosures and Fact Sheet information can be found here: <https://dhfunds.com/literature>.

Day Hagan Asset Management appreciates being part of your business, either through our research efforts or investment strategies. Please let us know how we can further support you.

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—Written 3.31.24 and 4.01.2024. Chart source: Stockcharts.com unless otherwise noted.

Upcoming Events

[Day Hagan/Ned Davis Research Smart Sector® with Catastrophic Stop, hosted by Art Day, on April 17, 2024, at 1:15 p.m. EDT](#)

[Day Hagan/Ned Davis Research Smart Sector® with Catastrophic Stop, hosted by Art Day, on April 17, 2024, at 4:15 p.m. EDT](#)

[Day Hagan Technical Analysis, hosted by Art Huprich, CMT, on May 21, 2024, at 4:15 p.m. EDT](#)

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