April 9, 2024

Break On Through (To the Other Side)

Summary

Wall Street tried to "Break on Through (To the Other Side)"—as The Doors might put it—the often-discussed upward trending support lines. With only one exception, however, it was not to be. At least not yet. From a short-term risk management perspective and considering last Friday's relatively low-quality rally (NYSE Advancing Issues only equated to 57% of Total NYSE Active Symbols), I would respect a violation of last Thursday's intraday lows and/or respective uptrend support line—Figures 1-4.

Broken Uptrend Lines: Recaptured, or Not?

Wall Street is always searching for why something, such as a sell-off, happens. In the case of the domestic equity and fixed income market's decline last week, several geopolitical events have been offered as a reason, including rising energy prices and Fed speak (let me know if you would like an updated **10-year/30-year U.S. Treasury YIELD** chart starting in the 80s).

I'm not trying to identify a narrative right away, and instead believe "price turns, and then the narrative follows" (Paul Tudor Jones) and "sell (or buy) now, reasons to follow" (Ralph Bloch). Nonetheless, I have highlighted below a few domestic equity market proxies, including their upward trending support lines and immediate reaction low support points.

Figure 1: Dow Jones Industrial Average. | The broken support line hasn't been recaptured and **DIA** is exhibiting a potential Bear Flag pattern. Since the DJIA is a good proxy for the "Index Movers" (non-growth), **please manage risk**, especially if additional support levels are broken.

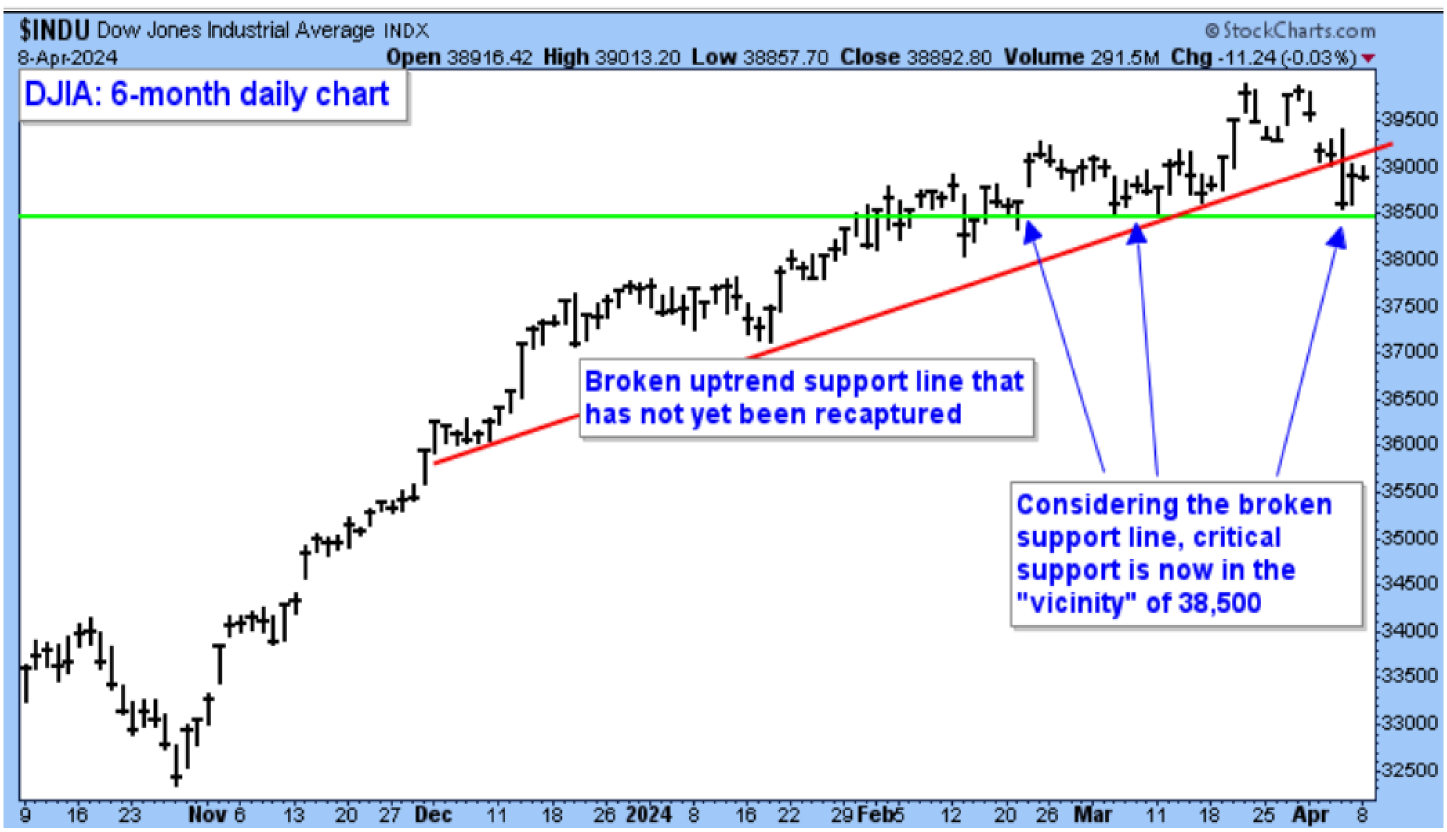


Figure 2: S&P 500. | S&P 500 has been moving sideways since the start of April and now stands close to where it was in early March. **1)** Manage short-term risk, as resistance is approached and not violated and/or support is broken. **2)** My "Hesitation" label from a few weeks ago was accurate after all!

Note: The green uptrend line is moving from lower left to upper right. Thus, the specific support level will marginally change each day. This is why it is important to identify prior reaction lows' support points.

Figure 3: NASDAQ. | "NASDAQ Bulls" were enjoying an intraday gain of almost 1.2% last Thursday, yet by the close, the Nasdaq was *down* 1.4% for the day. 16,000+/- is an important support level!

Note: The hesitation period alluded to above, relative to NASDAQ, is consistent with NDR's **2024 Cycle Composite for NASDAQ**. Please reach out for the most up-to-date chart.

Figure 4: Small Cap proxy. | This Small Cap proxy experienced an intraday swing of almost 2.5%, from intraday high to low last Thursday. Yet it has not violated the green uptrend support line, nor moved below a prior reaction low support point. Please respect any violation of support, as highlighted below.

Moving to oil, Yardeni Research writes, "Since Hamas attacked Israel on October 7, 2023, our number-one concern has been that the war between these two mortal enemies could turn into a regional war with a direct confrontation between Israel and Iran that could disrupt the global supply of oil."

Figure 5: Light Crude Oil—Continuous Contract. | For quite a while, the chart of Crude has proven to be "value added." Currently, the next potential inflection points (resistance) are $90+/- and $95+/-.

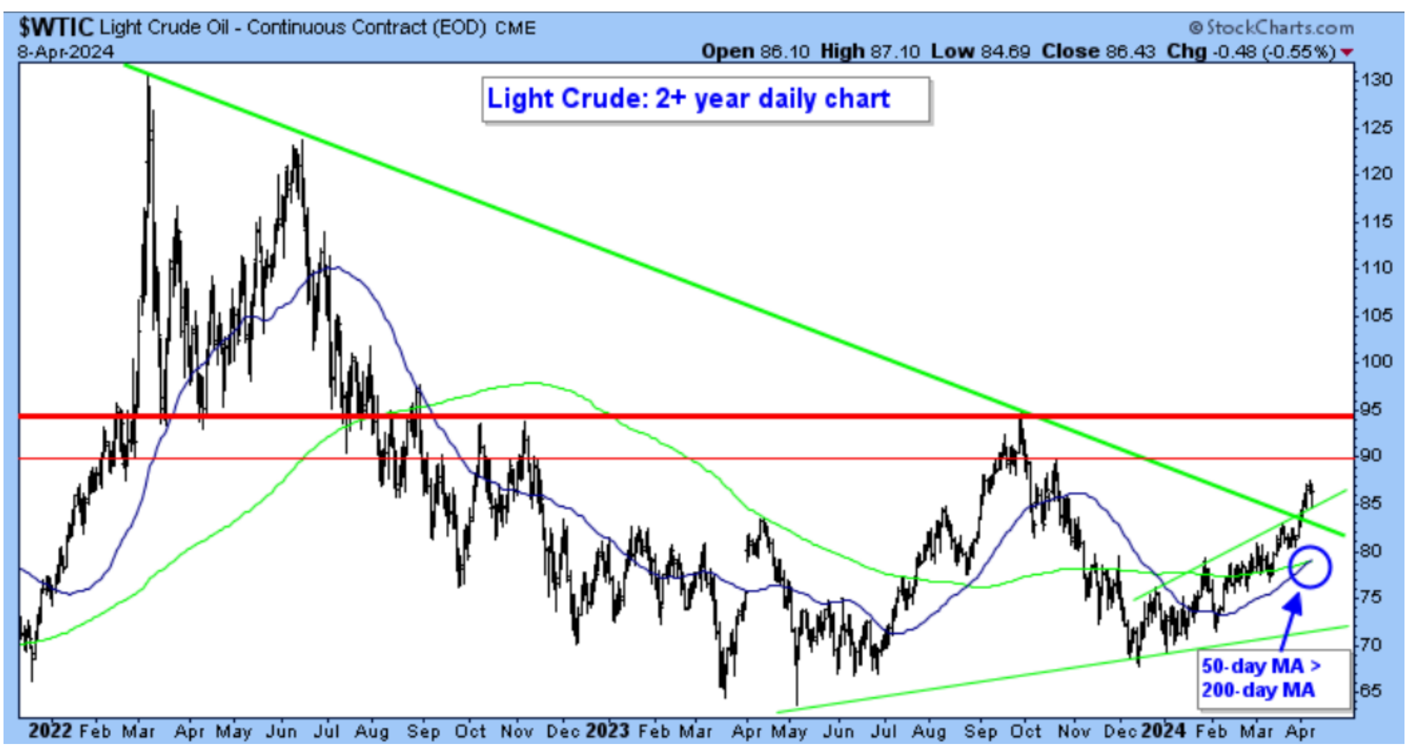
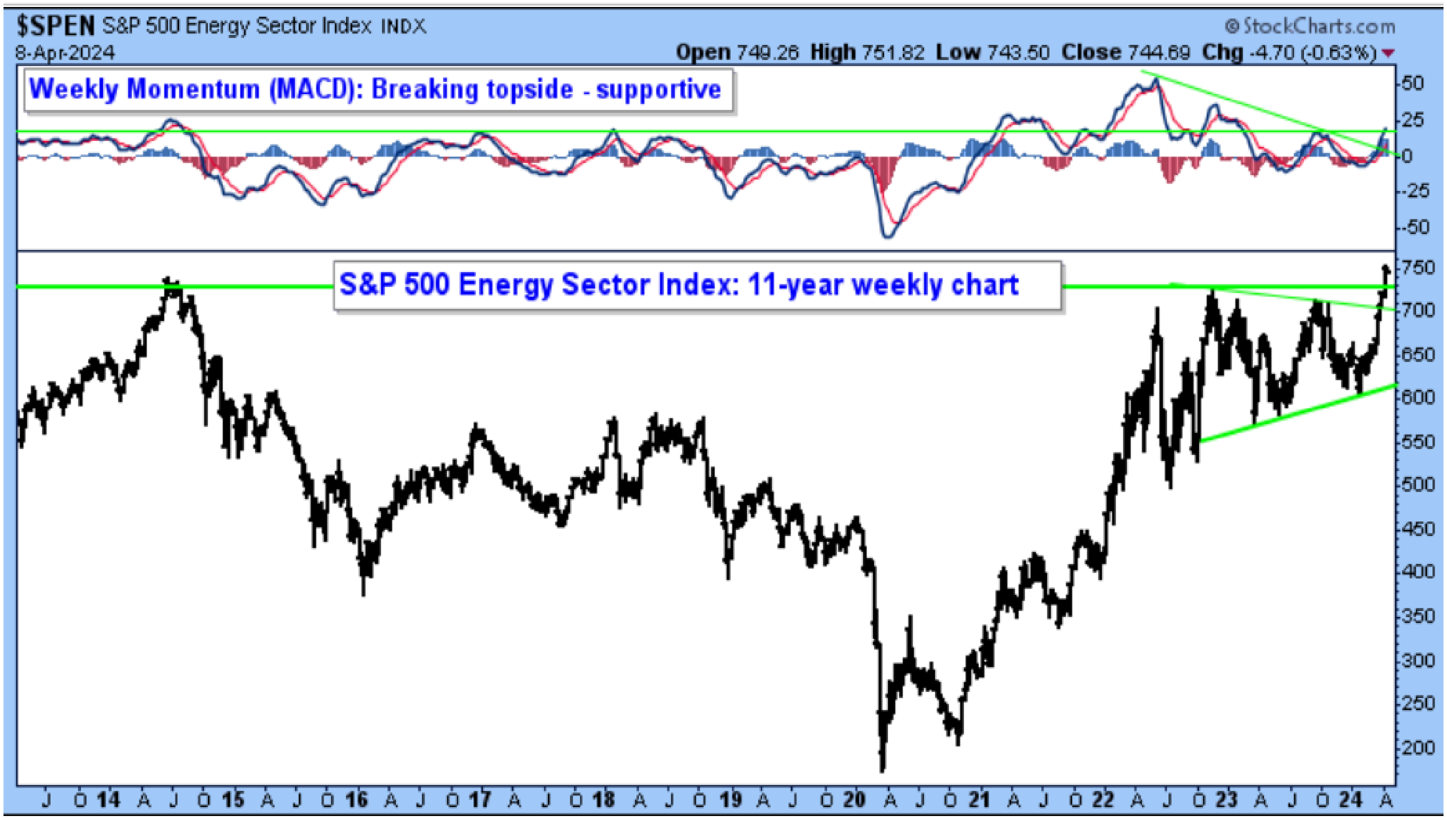


Figure 6: S&P 500 Energy Sector Index. | Our Smart Sector strategy (U.S. equities) has been, and remains, overweight Energy. A pullback towards support (green lines) shouldn't be surprising.



Note: NDR's Crowd Sentiment Poll for Crude Futures (5-day smoothing), a second-level intermediate-term indicator that is not part of the Smart Sector models, is in the "Extreme Optimism" zone. Historically, this has been bearish, and we will need to see if it can be overshadowed by Fed speak and geopolitical/macroeconomic news. ***Alternatively***, in contrast to NDR's Crowd Sentiment Poll for Crude Oil, Callum Thomas writes, relative to **Hedge Fund Net Energy exposure**, "hedge funds are running fairly light allocations to energy stocks.... By my metrics, retail is also fairly light on energy stocks, so if energy stocks really get going it could see a bit of chasing and band-wagoning."

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.

Art Huprich, CMT®
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Day Hagan Asset Management

—Written 4.7-8.2024. 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 Market Outlook with Donald Hagan, CFA, on April 24, 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

Disclosure

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