

April 23, 2024

## Will April Showers Bring May Flowers?

### Summary

Late last week, the “Index Movers” were sold and consequently the big cap equity indices recorded a significant decline. Meanwhile, other equity market areas attempted to outperform, showing that there was some price stability under the surface. Proxies for utilities, staples, financials, health care, and DJIA were up for the week. Was that it? Is the selling done/close to being done? Will there be intermittent rallies on the way to the S&P 500 (SPX) testing longer-term support?

### Oversold Rallies on Way Towards Deeper Support

The SPX filled an upside gap from late February and reached a short-term oversold condition (two standard deviations below its 50-day MA and the percentage of SPX components above their 21-day exponential MA below 10%—reach out for a chart). Additionally, Bespoke Research reported that “since the market’s high on 3/28... there are over 1,000 stocks in the index (Russell 3000) down double-digit percentage points since then.” Said another way, *the stealth decline (under the surface) finally spilled over to the Index Movers*. Consequently, and considering the NDR Catastrophic Stop Loss remains favorably positioned, I think the answer to all of the questions in the summary is “yes.”

**Figure 1: S&P 500 with Momentum** (MACD – bearish signal still in place) – weekly data. | To clarify my “yes” answer, I think, unless dictated otherwise, the short-term technical conditions suggest the odds favor some price stability, intermittent countertrend rallies, *and* an eventual test of longer-term support.



**Figure 2: Anatomy of a Stock Market (S&P 500) Decline.** | Lending some credence to further downside testing is the following table from Ned David Research. Please note the fifth line, **“Chance of Decline Moving to Next Stage (%)”**.

## The Anatomy of Stock Market (S&P 500) Declines Since 1928

	Type of Decline			
	Dip (5% or more)	Moderate Correction (10% or more)	Severe Correction (15% or more)	"Bear" Market (20% or more)
Number of Occurrences	329	103	47	27
Mean Number of Occurrences Per Year	3.4	1.1	0.5	0.3
Mean Number of Days	35	99	182	289
Mean Decline (%)	10.8	19.4	27.8	35.2
Chances of Decline Moving to Next Stage (%)*	31	46	57	N/A
Last Occurrence	3/28/2024	7/31/2023	8/16/2022	1/03/2022

- Probability of moving to next stage; e.g., 10% decline turning into 15% decline. N/A = Not Applicable

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**Figure 3: S&P 500 – daily data.** | Per Susan Berge, “Early in a bull market, short-term oversold conditions are usually quickly followed by a rally. As a bull market ages, it takes more weakness and more time to create technical conditions conducive to a rally.” Consistent with this, please see shorter-term levels of support (green lines) and pockets/areas of resistance (red rectangle boxes).

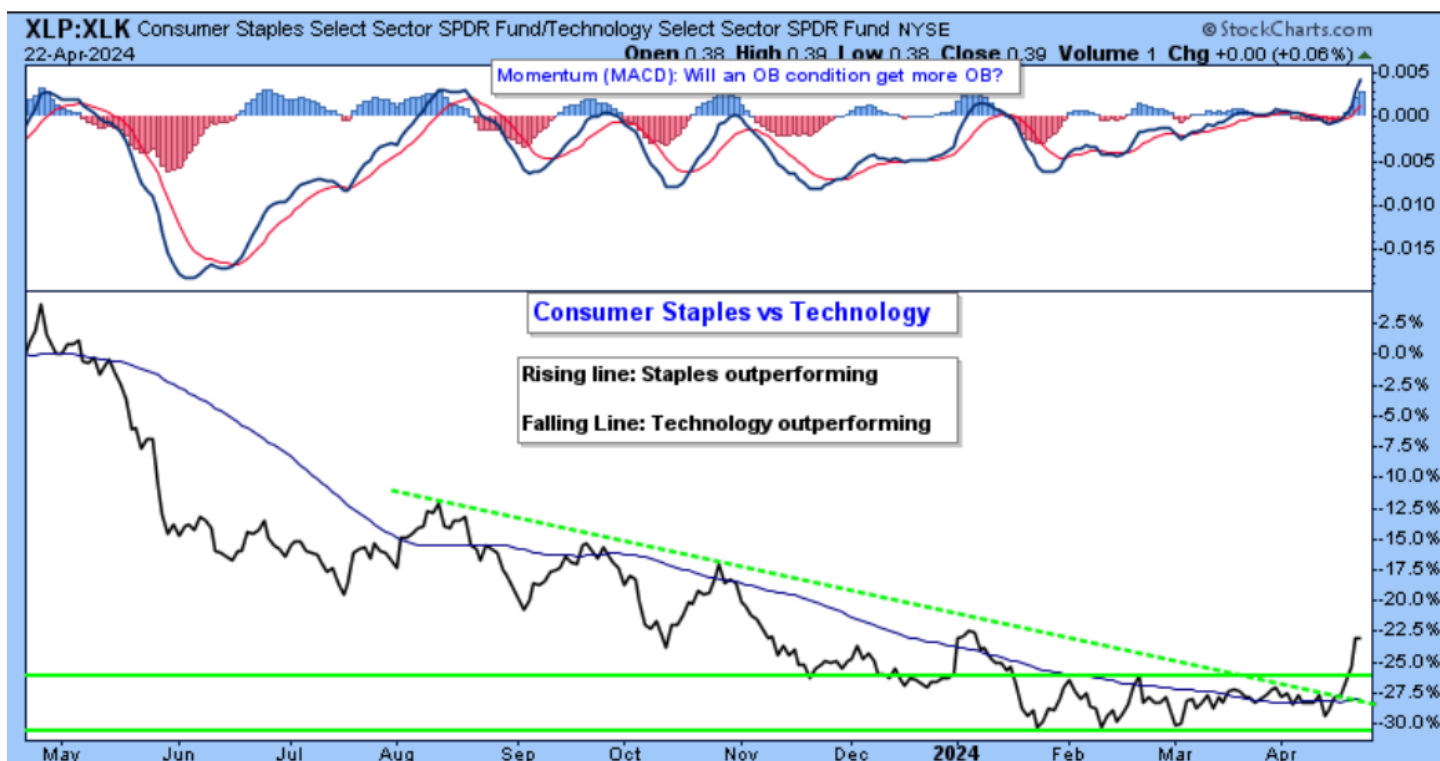


- “So goes the semis... so goes NASDAQ... so goes the market” (Ralph Bloch—RIP). As highlighted a few weeks ago, prior to last week’s sharp decline by the **Semiconductor Index**, please continue to watch the semis. They need **price stability and time** to rebuild bases of support and chew through the new levels of overhanging selling pressure (resistance). Please reach out for semi charts of interest.

## Who Are You Going to Believe?

Groucho Marx once asked, when caught in a compromising position, “Who are you going to believe, me or your lying eyes?”

**Figure 4: Consumer Staples vs. Technology** (daily, relative strength trend). | The proxy used in the denominator (technology) should bounce because this relationship has moved very far, very quickly. However, with interest rates trending higher, *what is the outperformance of staples and utilities saying?* When it comes to leading and lagging, who are you going to believe: the charts or those lying eyes?



## Touch Point

“This will be a big week for S&P 500 earnings. Fed officials are in their blackout period until Fed Chair Jerome Powell speaks at his May 1 press conference following the next meeting of the ‘Federal Open Mouth Committee.’ On the economic front, the big fireworks will occur at the end of the week with Q1’s real GDP (Thu)... and March personal income and consumer spending (Fri)” (Yardeni Research).

**Note:** Tech Talk may be late or skipped next week.

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®**  
**Chief Market Technician**  
**Day Hagan Asset Management**

—Written 4.22.2024. Chart source: Stockcharts.com unless otherwise noted.

## Upcoming Events

[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](#)

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