

December 12, 2023

## An Early Peek Into 2024

### Summary

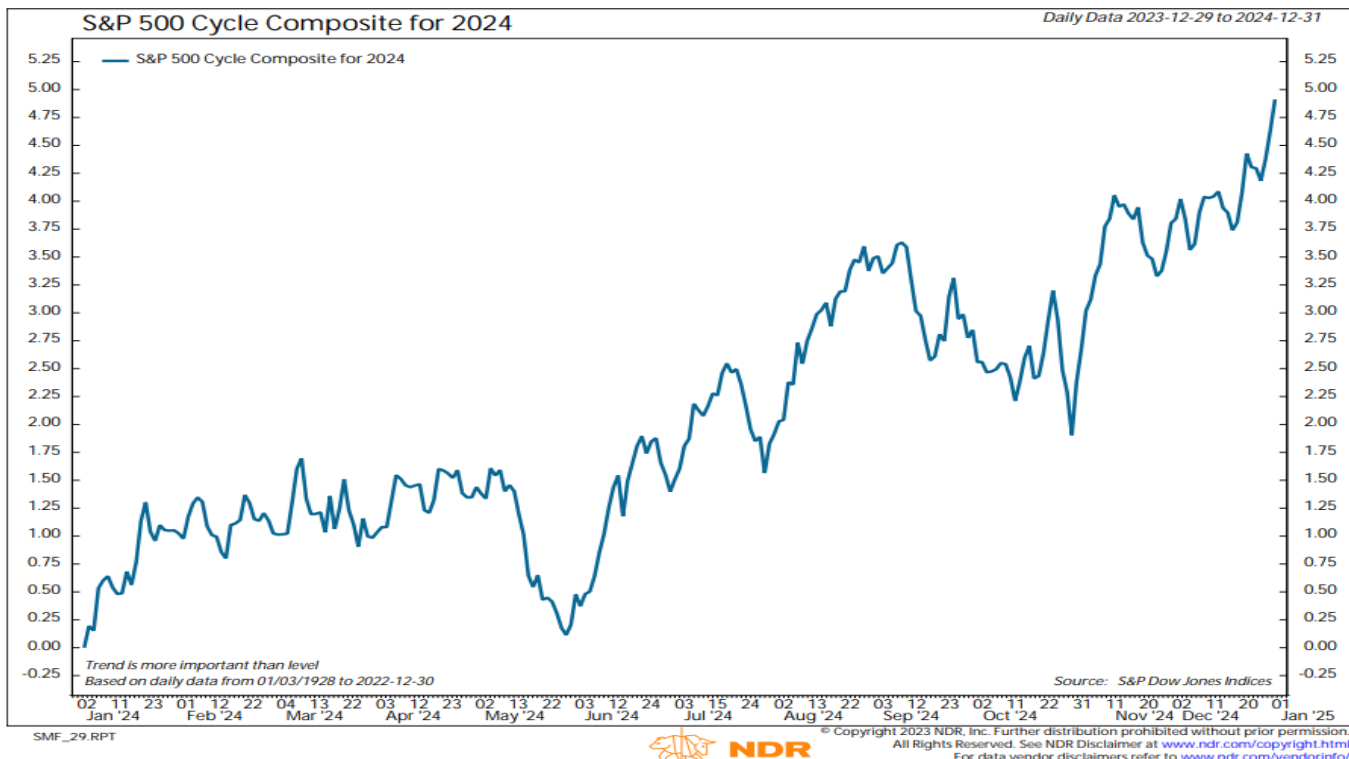
Following this week's macro events (CPI earlier today, PPI & FOMC policy and Q&A Wednesday, Retail Sales and global Central Bank policy Thursday) and year-end tax loss harvesting, equity market trading is likely to slow into the holidays and year-end. Let's consider a possible 2024 scenario.

### Identifying a Potential Framework

Year-end 2024 equity market projections have been coming out for weeks. These guesstimates are, in my opinion, an exercise in ego. In my experience, far too many micro and macro factors come out as a year progresses, impacting investor fear and greed. These factors dictate many buy and sell decisions on a daily, weekly, and monthly basis. This is why Day Hagan uses an unemotional, objective investment process coupled with a risk management component in our Smart Sector strategies.

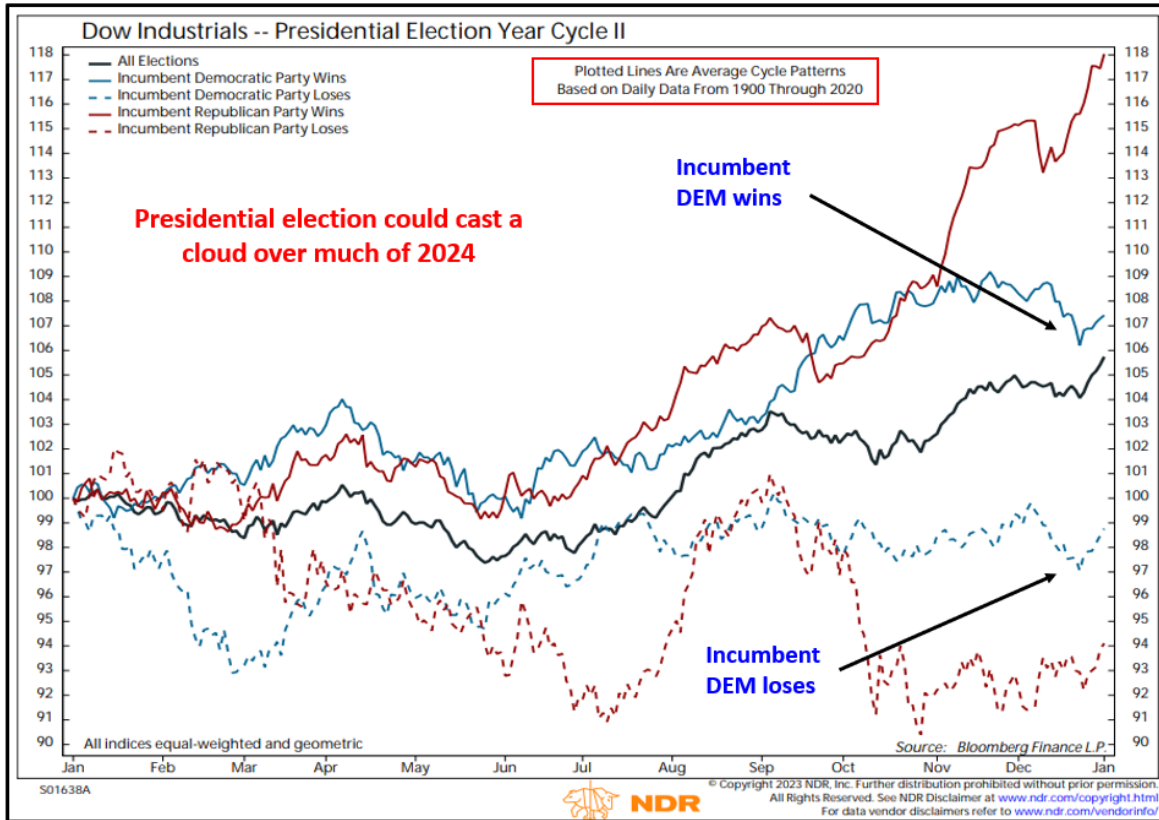
That said, I find Figures 1 and 2 interesting conversation starters. Though they are not part of the NDR Catastrophic Stop Loss Model, they may aid investors in identifying a potential framework for 2024. NDR's Cycle Composites for both 2022 and 2023 were extremely accurate, in my opinion.

**Figure 1: S&P 500 Cycle Composite for 2024** – trend is more important than level. | This implies a choppy first half but a better second half. NDR states, "This is consistent with our macro expectations as slowing growth, fiscal tightening, and election uncertainty are expected to give way to a more constructive second half... but as always, if and when we reduce our... equity allocation will be based on our models."



**Note:** The NDR Cycle Composite is a combination of three historical price patterns: the one-year cycle, the four-year cycle (election years for 2024), and the ten-year cycle (years ending in four).

**Figure 2: Dow Industrials – Presidential Election Year Cycle II.** | On average, the stock market bottoms during May of election years (thick black line), but the average can be deceiving. Often, rallies begin once election uncertainty lifts. NDR notes, “Given the likely close Biden/Trump rematch, election uncertainty could overhang the market after May.... Returns tend to be weaker when the incumbent party loses. Whether the market is weak because of uncertainty over a new administration, or a poor economy hurts both the incumbent and the stock market is open to debate, but a hard landing would likely damage Biden's bid to stay in office as well as the stock market's bid to stay in a bull market.”



**Figure 3: S&P 500 – 2-year chart.** | While many sentiment indicators continue to exhibit “exuberant” readings (too much bullishness), the internal composite of the NDR Catastrophic Stop Loss model (technical component) remains supportive of equities. The SPX is emerging up from its multi-week consolidation range. **Note:** The sentiment readings don’t represent a signal (sell) but a condition (many Wall Street participants have already bought). **The sell signal**, based on these sentiment readings, won’t occur until they reverse and decline in earnest.



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. The 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 12.10-11.2023. Chart source: Stockcharts.com unless otherwise noted.

## Upcoming Events

[Day Hagan/Ned Davis Research Smart Sector® with Catastrophic Stop, hosted by Art Day, on December 20, 2023, at 1:15 p.m. ET](#)

[Day Hagan/Ned Davis Research Smart Sector® with Catastrophic Stop, hosted by Art Day, on December 20, 2023, at 4:15 p.m. ET](#)

[Day Hagan Technical Analysis, hosted by Art Huprich, CMT, on January 23, 2024, at 4:15 p.m. ET](#)

## Disclosure

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