DAY HAGAN
ASSET MANAGEMENT

Day Hagan Tech Talk

May 7, 2024

Rangebound Continues

Summary

Equity markets can trend higher (higher price troughs and higher price peaks), lower (lower price peaks and lower price troughs), or sideways (rangebound). With the NYSE Advance-Decline Line (all issues) having just closed at a new high and the NDR Catastrophic Stop Loss model still positive, in mid-March we discussed a "Big Cap hesitation." That day, the S&P 500 (SPX) closed at 5178.51. Over six weeks later, after much volatility, the SPX closed yesterday at 5180.74 as the hesitation continues.

Short-Term Treasury Yield Breather to Continue

The long-term chart configuration of U.S. Treasury yields going back to the early 80s is bullish—higher for longer. Please reach out for the chart. In the short term, however, the "Bond Bulls" were supported by weak economic reports last week. April job growth was below expectations, the average hourly earnings trend has cooled, and Fed Chairman Powell was less hawkish than feared. As last week's equity market confirmed (yields down, equities up), *I continue to believe* that bond yields will have a short-term influence on equity market proxies—yields down and equities up, and vice versa.

Figure 1: CBOE 10-Year U.S. Treasury Yield Index & Rising 50-day MA (dashed blue line). | Considering the above observations and this chart, including the green and blue support lines and red resistance lines, please take note of "Fed-speak" this week.

Correction/Hesitation: Price and Time

Corrections or periods of hesitation by the domestic equity market can occur as a time correction, a price correction, or a combination of the two. Currently, the SPX is experiencing a period of hesitation through both price and time. It recorded a decline of approximately 6% using intraday levels between late March and mid-April—a small price correction. It is also around the same level it was in early/mid-March—a time correction.

Figure 2: S&P 500 (SPX) – daily data. | Amid the midpoint of a pocket of overhanging selling pressure, *until the influence of interest rates on the short-term direction on equities subsides*, or *until resistance is decisively broken*, expect more of the same—rangebound trading.

Leave Us Hope

While hope should not be an investment strategy and with "trend being more important than level," as Don Hagan recently penned, **"**We're also mindful that seasonal downward pressure will likely abate in the next few weeks." See Figures 3 & 4.

Figure 3: S&P 500 Cycle Composite for 2024. | Weakness (choppiness) into late May and again between September and October (pre-elections), but an overall positive year.

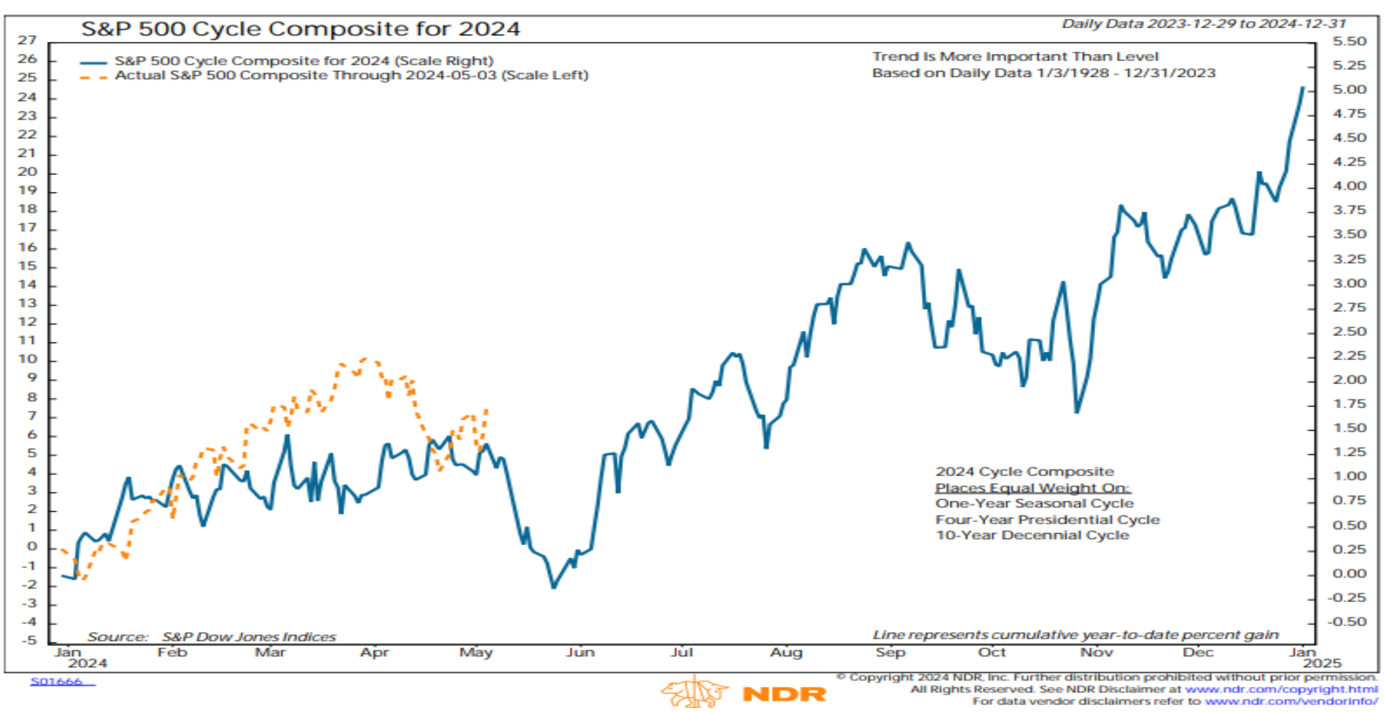
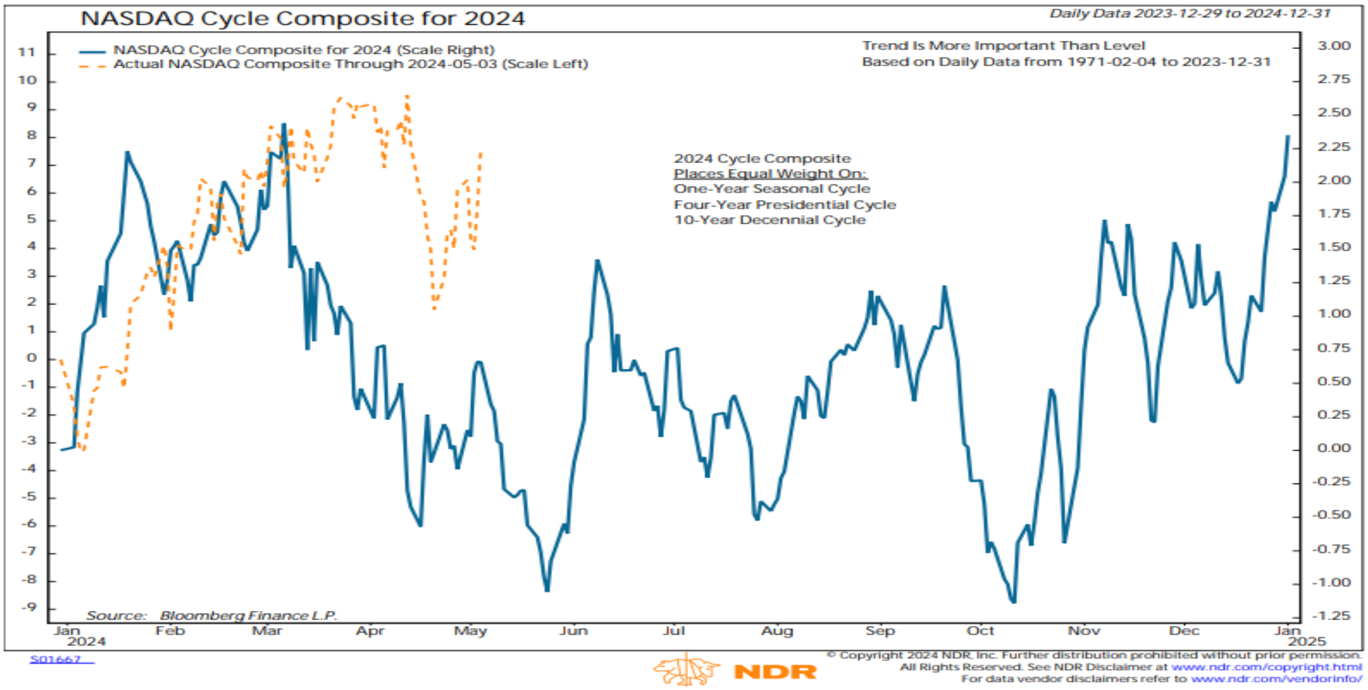


Figure 4: NASDAQ Cycle Composite for 2024. | Weakness (choppiness) into late May and again between September and October (pre-elections), but an overall positive year.



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 5.5-6.2024. Chart source: Stockcharts.com unless otherwise noted.

Upcoming Events

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

Disclosure

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