

Day Hagan *Chart Jamboree*

2023: Narrative vs. Reality

Markets are strongest when they are broad and weakest when they narrow to a handful of blue-chip names. ~ Bob Farrell

Insert: Following today's tape action, 11/14/23, if you would like to see a specific updated chart, please reach out.

Presented By:

Art Huprich, CMT®
Chief Market Technician

Art.Huprich@Dayhagan.com

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@DayHagan_Invest



Day Hagan Asset Management



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Who's Calling the Shots?

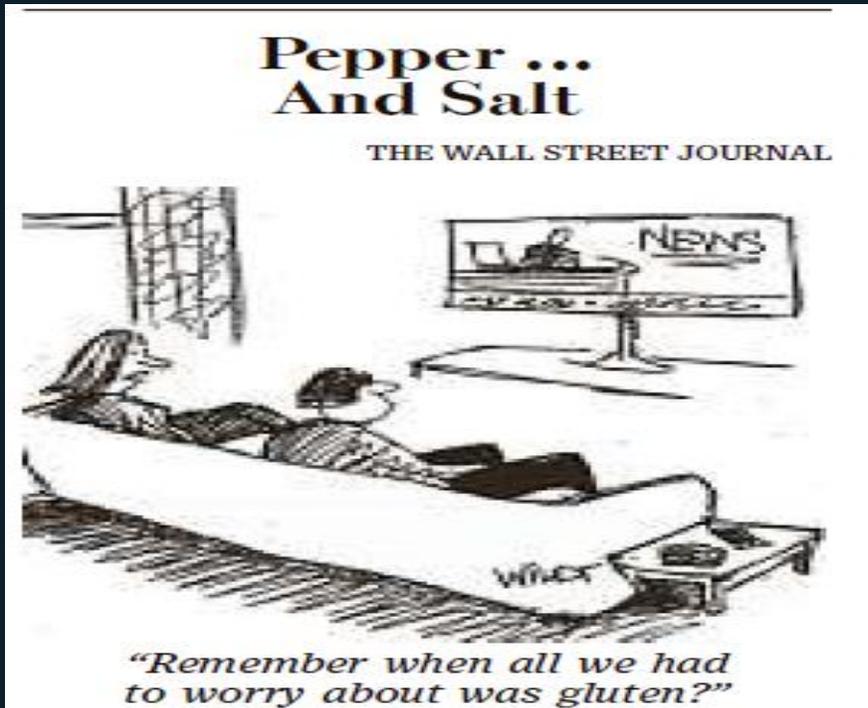


Photo by Markus Winkler / Unsplash

Powell?
Geopolitics?
Fed?
Inflation (expectations)?
Powell?
CTA positioning?
Interest Rates?
U.S. Dollar?
Higher for longer?
Dysfunctional U.S. gov't.?
Central Banks?
Powell?



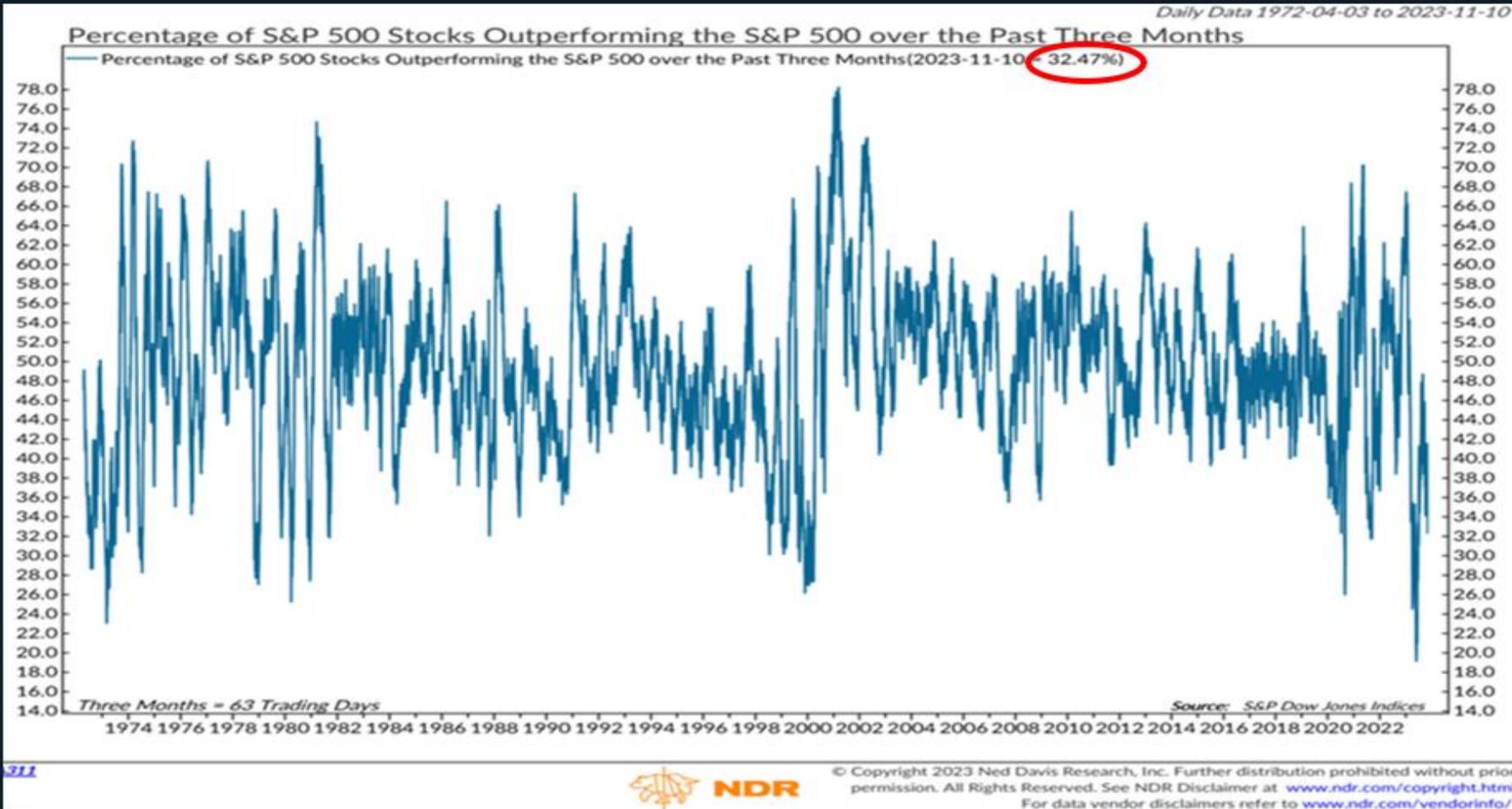
2023 – Unusual Indeed: From the strongest first seven months in 26 years to the highest bond yields in 16 years. Breadth has been volatile, bouncing from one of the narrowest markets on record in May to one of the broadest advances in years in July, and a quick return to poor breadth in October. 11/14/23 saw the **strongest ratio of NYSE Advancing as a % of Total Issues Traded** (> 90%) for the year.



Takeaway: Within U.S. stocks, returns have been driven by a narrow group of mega-cap stocks. However, **today's action (11/14/23) was very strong and broad**, likely producing **bullish Breadth Thrusts**

Only 32.5% of stocks have outperformed the S&P 500 over the past three months. While that is above the record low of 19.1% on June 1, it has remained below 50% since February 28. The long-term average is 49.5%. ~ NDR

Takeaway: The S&P 500 had gained 15.0% year-to-date (a/o 11.10.23). However, when compared to Large Cap Growth, few other asset classes have come along for the ride, .



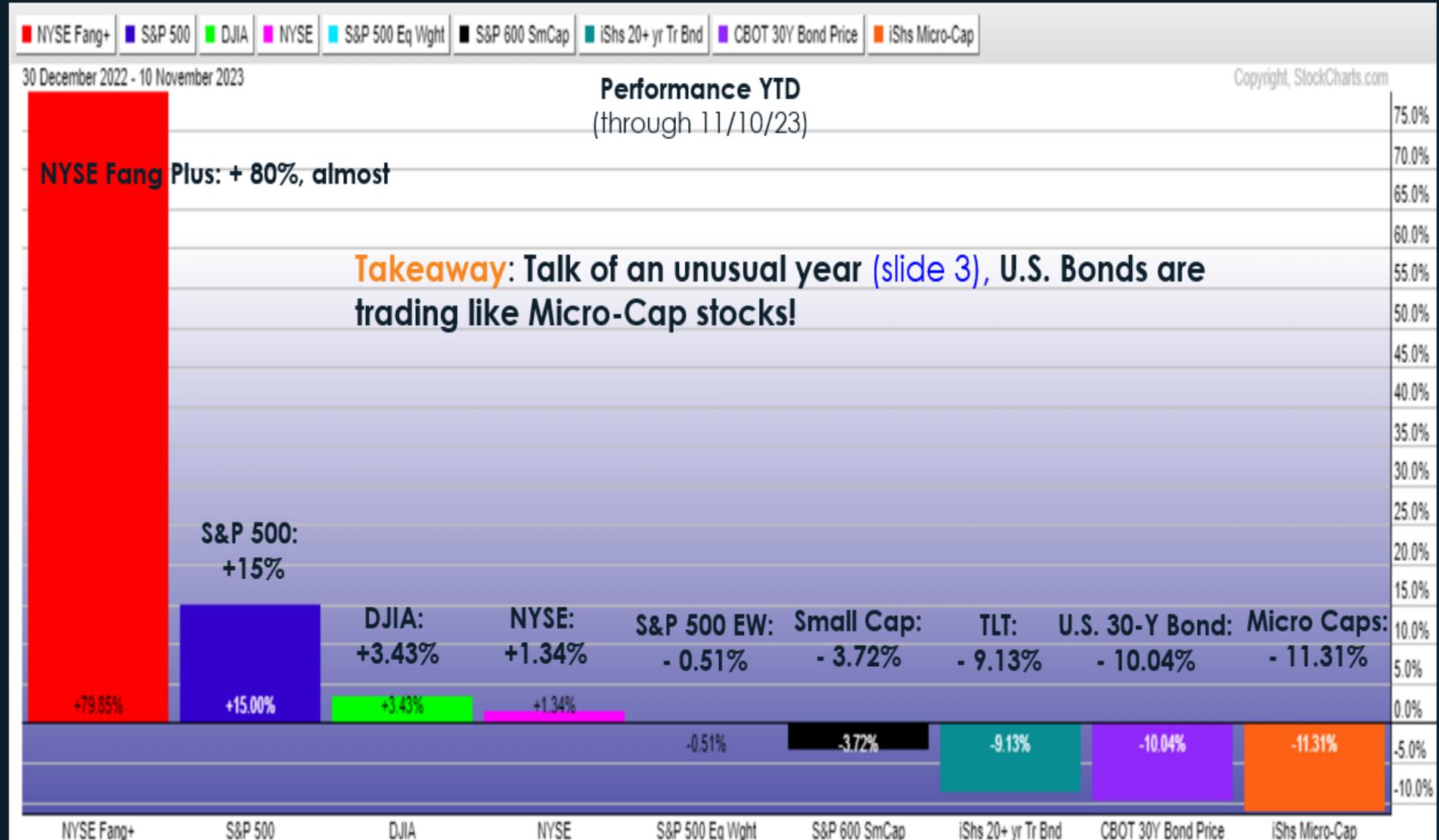
However, **today's action** (11/14/23) **was very strong and broad**, likely producing **bullish Breadth Thrusts**.

Please reach out for an updated chart, following today's tape, 11/14/23

2023: Bull Market (large cap price trend) vs Everything Else (breadth) aka Perception (Wall Stret narrative) vs Reality

Takeaway: 11/14/23
topside surge changes
these figures.

And while the advance
was broad & strong, the
dispersion still exists,
though not to the same
degree as this slide
depicts.

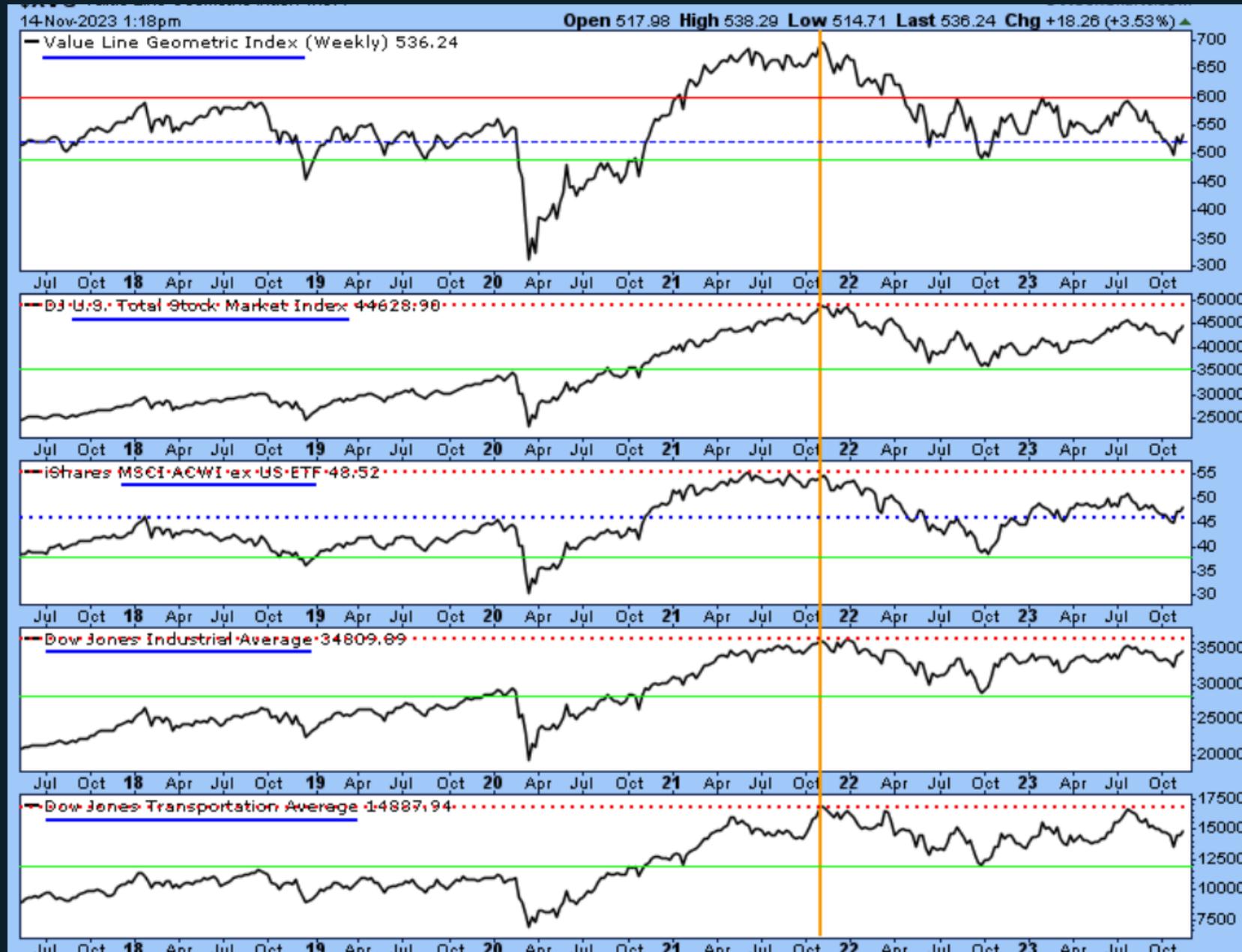


Boxed In

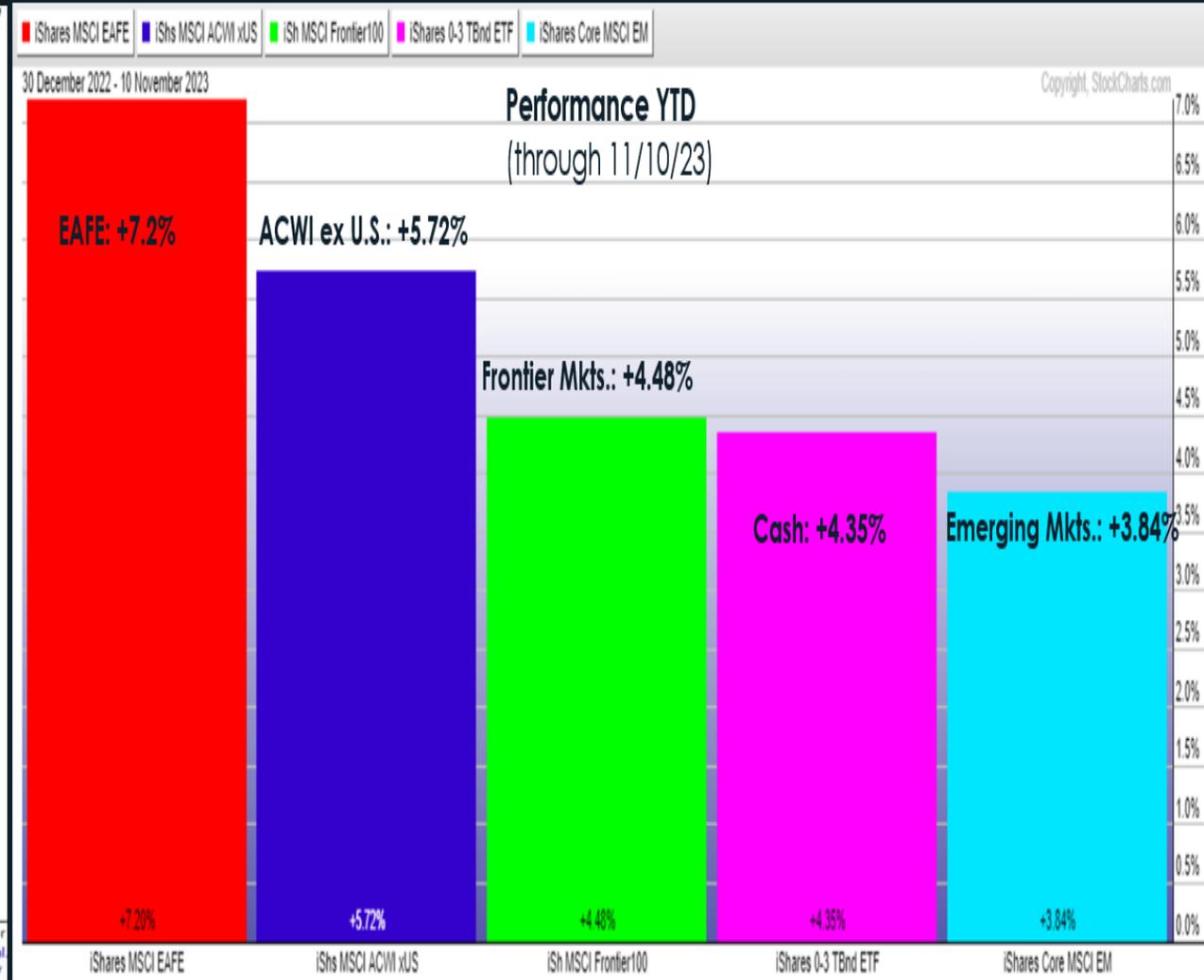
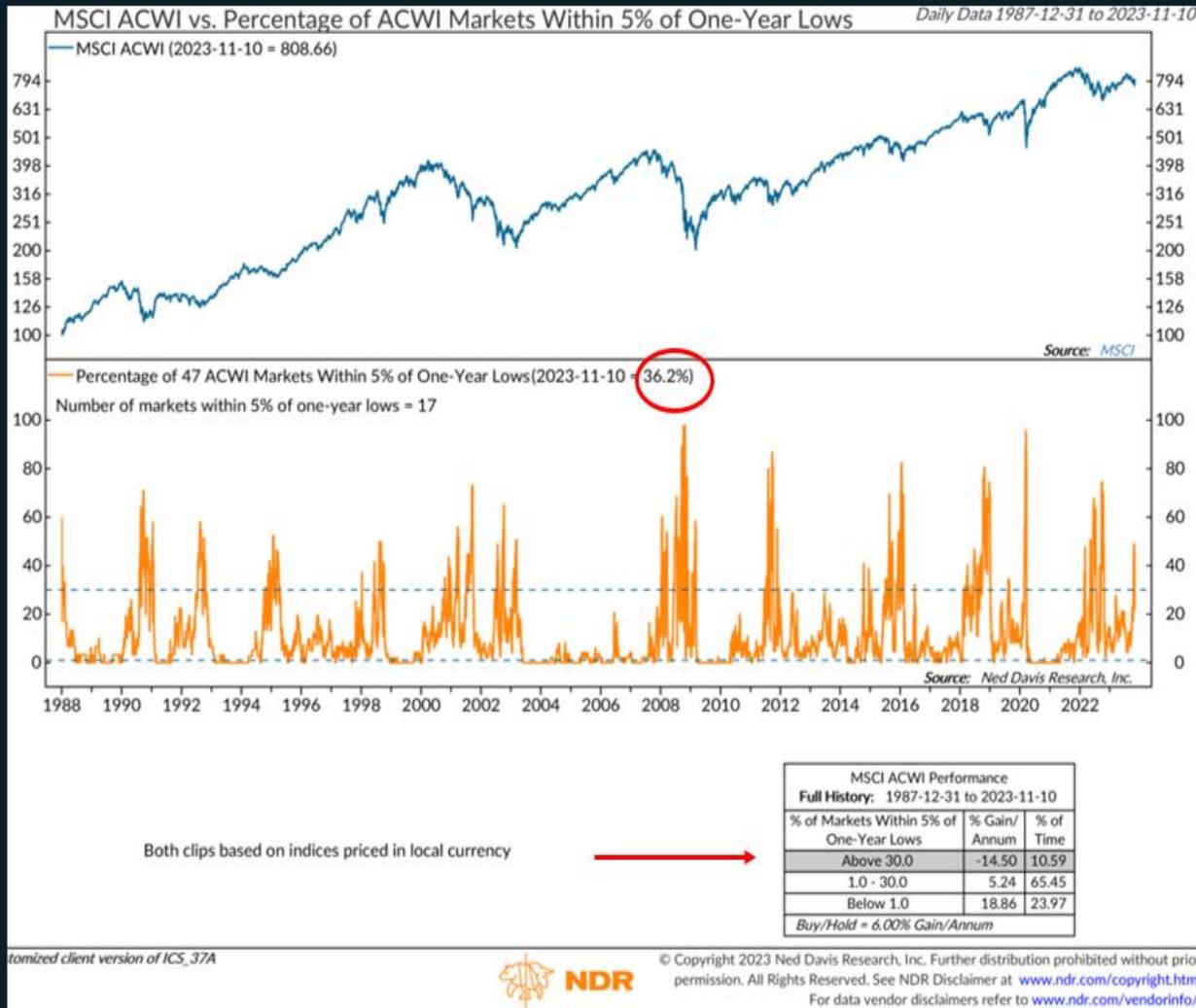
Value Line Geometric Average represents roughly 1500 stocks, none of which impact the index anymore than the next.

Each stock has the same chance to impact the index each day. Mega caps and micro caps, growth and value, high and low quality alike, all get an equal say in the index's performance.

Takeaway: Multi-year "Box."



Takeaway: Another example of the difficult backdrop 2023 has presented, despite a lot of “Bull Market” narrative.



Please refer to **slide #5** relative to these figures and today's tape action

These charts don't mean "stocks" can't go up. They can.

It makes for a difficult back drop, especially on a stock-by-stock basis.

Takeaway: Decisive follow through is necessary, defined as broader participation and/or expansion in New Highs.

11/14/23 advance was strong and broad and likely produced some bullish Breadth Thrusts.



Trends:

“Trends, like horses, are easier to ride in the direction they are going.” ~ John Naisbitt



S&P 500 (2+ year chart)

Takeaway: The recent move, including 11/14/23 was strong. It clearly strengthened the short-term trend. But did it really change the multi-year chart configuration? I'd say "No." You?



S&P 500 (YTD chart)

Takeaway: Shorter term support & resistance levels (green & red lines respectively), vs previous slide.

Perspective

July peak is still 200+ points below the early 2022 ATH.



2023: The Haves and the Have Nots

Takeaway: More examples of the bifurcated nature of the domestic equity market, and another reason for an unemotional investment process that has a built-in risk management component.

11/14/23 action brought these indices closer to resistance



King of Mean Reversion

Takeaway: If you are looking for an area that may benefit from post tax loss selling, no recession theme or you are looking to balance out (hedge off) large cap growth, mid, small & micro-cap may be a consideration.

Even with today's tape (11/14/23), I still feel the same about the above statement.



Banks: Regional and Large

Playing into the previous chart of Small-Caps...

Takeaway: Nothing said this was going to be easy but instead, long and arduous. And it has been and will continue to be.

However, this is an excellent guidepost for the previous, Small-Cap chart

11/14/23 tape did not dramatically change the charts – closer to resistance.



U.S. (SPX) over International and Emerging (relative strength analysis)

Smart Sector Int'l ex. U.S.

Core

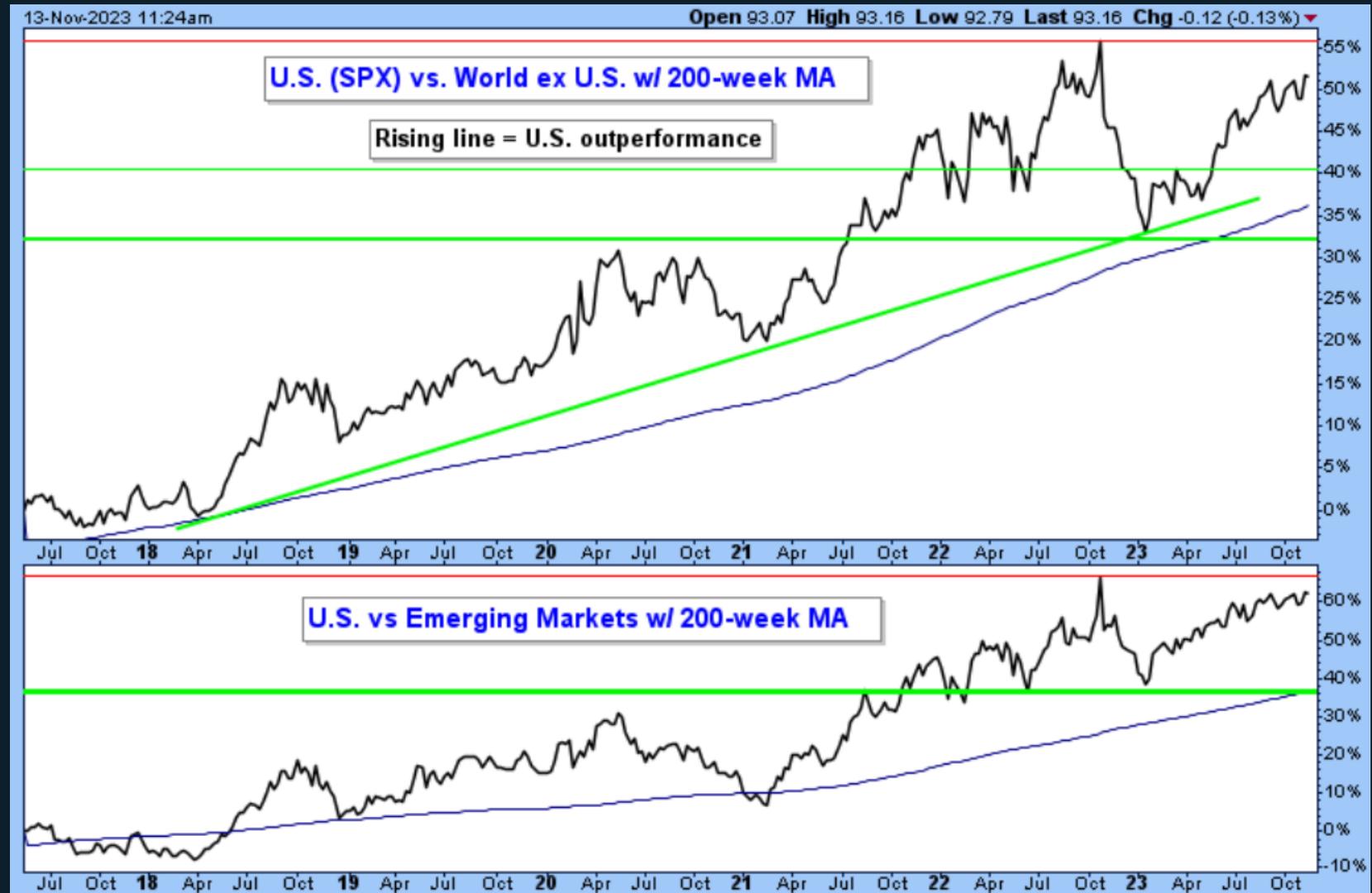
UW: U.K., Canada, China

Explore

OW: Brazil, India

Taiwan was one of the **top ranked** countries.

Please reach out for the features and benefits of the strategy.



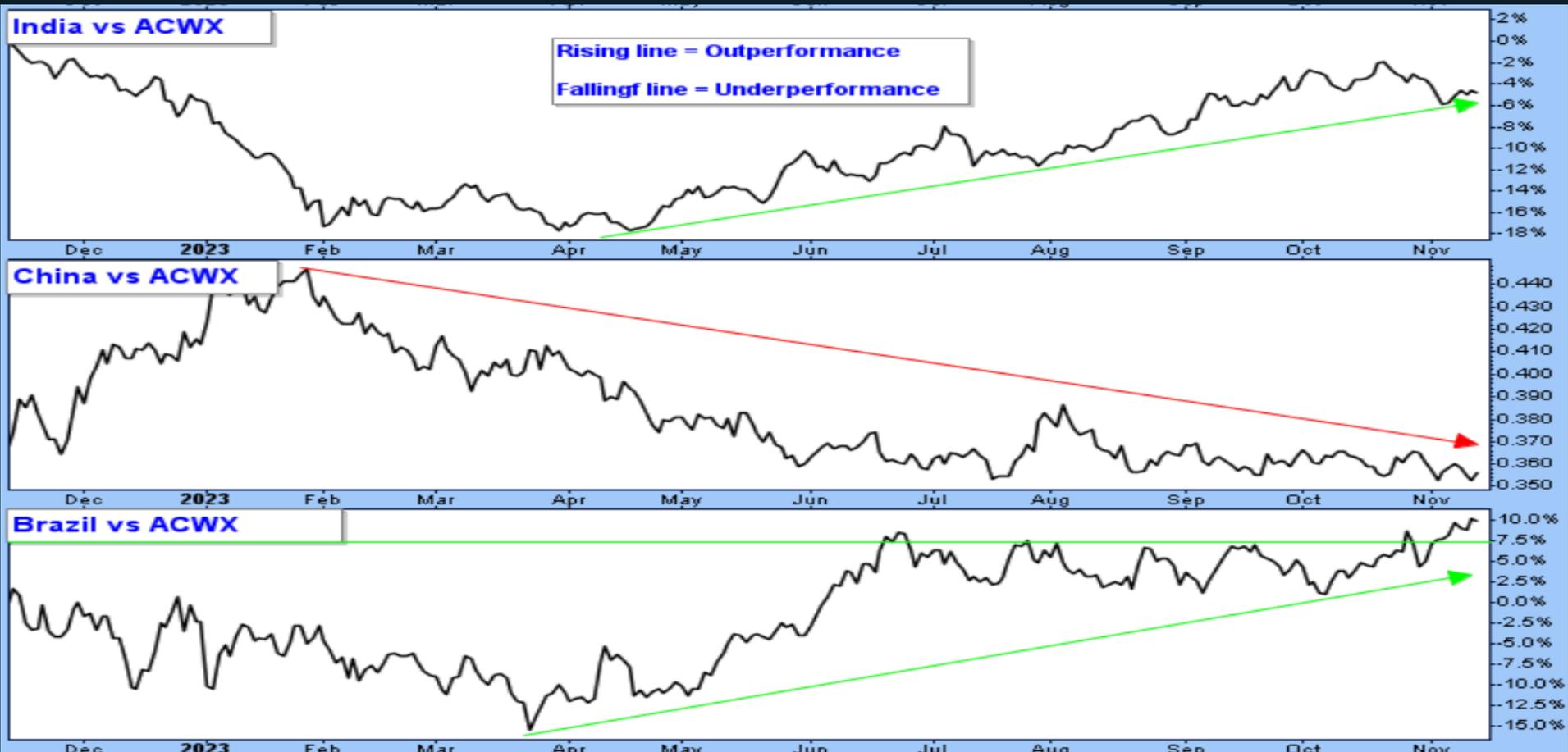


NOVEMBER 2, 2023

China vs. India: Diverging growth paths

Key Takeaways

- China and India appear to be going in different directions on both a cyclical and secular basis.
- Several factors suggest that India boasts the most upside potential.
- Despite India's relatively more sanguine economic outlook, India still has quite a bit to do before it can become the next China.



10-Year U.S. Treasury Yield Index (TNX): The resistance at 50 (5.0%) proved more formidable than I expected. I was wrong in thinking more formidable resistance was higher than 5.0%.

A big slice of **Humble Pie**...

Takeaway: Lower energy prices played a role in today's CPI report (11/14/23). Which in turn lead to a follow through lower by interest rates, following a previous move below support (red lines).

Now, expect a battle around 44-43.50, or 4.40% to 4.35%.



U.S. Dollar Index

With many cross-asset influences (emerging markets, commodities, multinational corps and their profit margins), it bears watching this index daily.

Takeaway: If the U.S. Dollar Index is strong the SPX has struggled. The inverse is also true; a reversal lower by the U.S. Dollar Index would aid another leg higher for the SPX.

Given the ramifications for overseas markets, please let us know if you'd like to discuss the process and discipline underpinning our **Smart Sector International ex U.S. strategy.**



Takeaway: Given the pullback in energy, I felt the inflation #'s may be market friendly.

So far, so good.

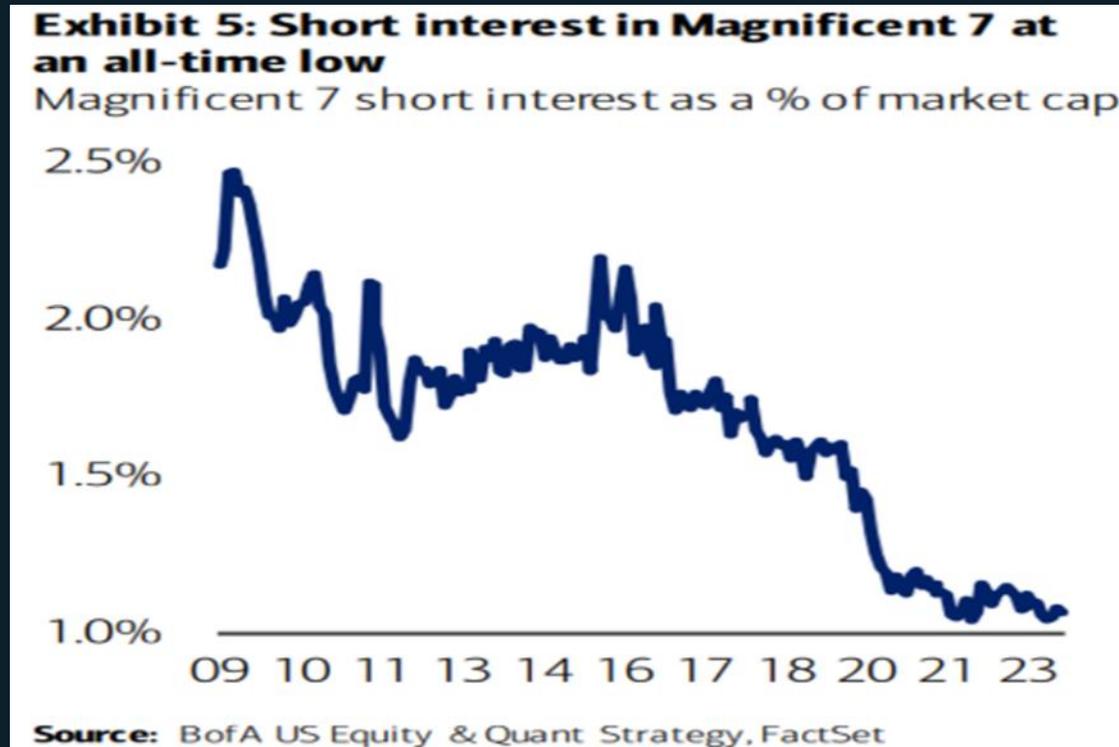


Sentiment (non-trading): Q4 Roadmap

“Nothing Like Price to Change Sentiment” ~Helene Meisler

Investor sentiment relating to the market leaders (The Magnificent Seven), appears to be at a bullish extreme:

Takeaway: We look for extremes and then a reversal...



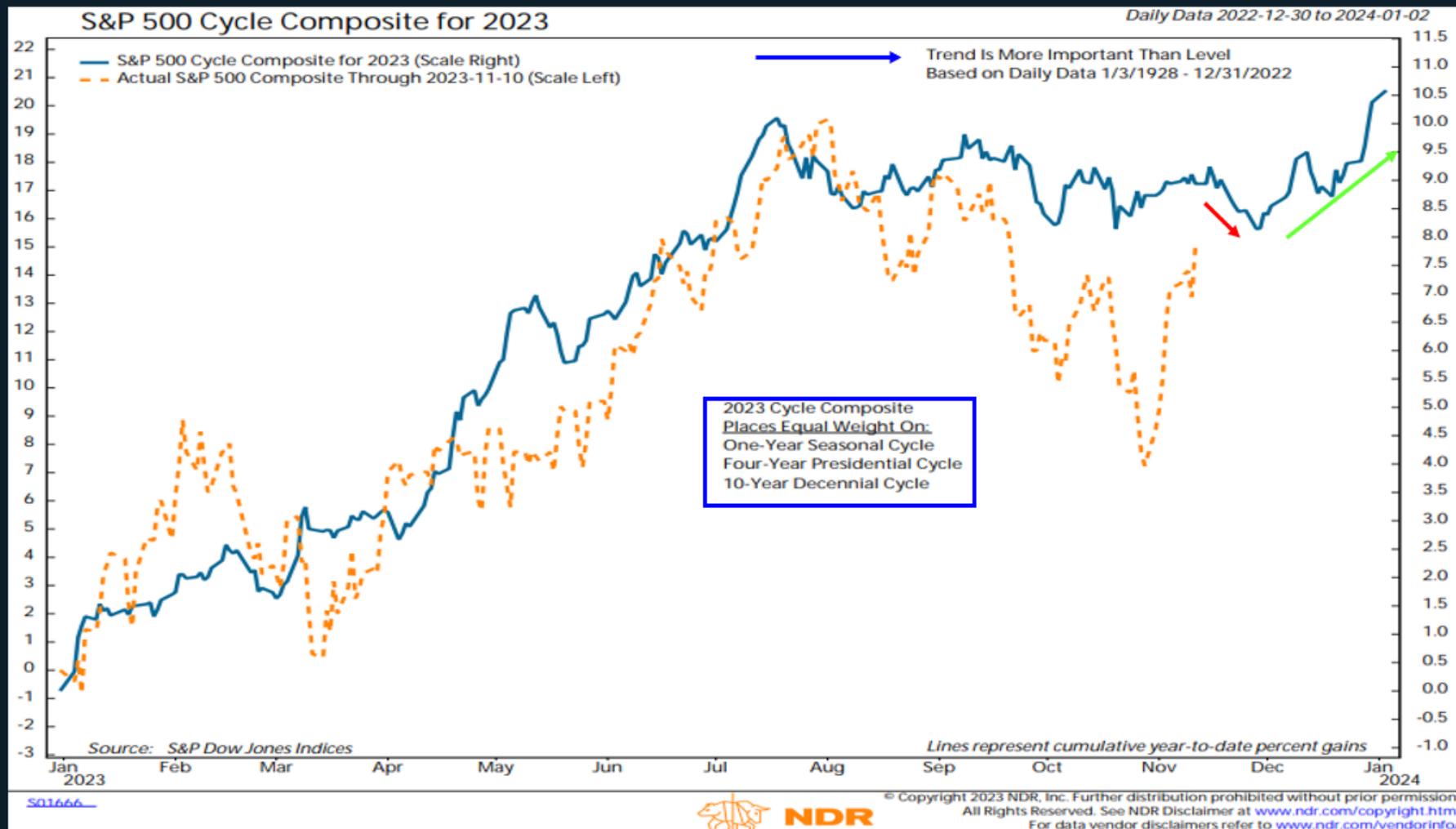
NDR Daily Trading Sentiment Composite (short-term) is “High - Neutral,” close to “Excessive Optimism.”

Seasonality: Q4 Roadmap – “Pick Your Poison”

Takeaway: If trend is more important than level than this chart has been surprisingly accurate in 2023, as it was in 2022, and is supportive for the most part, into year-end.

Considering how well this Cycle Composite worked in '22 and '23, I need to ask NDR if I can see 2024.

Interested?



Bottom Line

The **DH/NDR Catastrophic Stop Loss Model's** message is to remain cautious. However, the recent rally has brought the model closer to a buy signal (the model must rise above 45% for two consecutive days).

Taking into context Ned Davis's quote **"Winners make small mistakes; losers make big mistakes,"** there are two paths the market could take:

1) If the current Catastrophic Stop signal proves correct, the market decline will continue, ultimately reaching levels of extremely pessimistic sentiment & valuations consistent with bear markets. At that point, our models would monitor for signs of significant capitulation. Once capitulation is confirmed, we would require signs of trend reversal. Historically, that confirmation would be signaled by improving demand statistics alongside breadth thrust indicators & increasing fund flows. Should this occur, it would likely set the stage for the next rally.

2) If the current Catastrophic Stop signal is incorrect, the markets have already fully priced the potential for significant economic weakness & negative earnings revisions. The short-term trend & breadth measures should switch from bearish to bullish, returning the model fully invested.

- Thankfully, we have a quantitative approach to guide our decision-making, as opposed to capitulating to confirmation bias and emotion, that is benchmarked against the S&P 500. If the message of the model changes, so will our investment allocations.

Thank You for allowing us to be part of your success

For More Information

Presented By: Art Huprich, CMT®
Email: Art.Huprich@DayHagan.com

Day Hagan Asset Management
1000 S. Tamiami Trail
Sarasota, FL 34236
(800) 594-7930 or (941) 330-1702

 @DayHagan_Invest

 Day Hagan Asset Management

 DayHagan.com

 DHFunds.com



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The S&P 500® is an unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for a large cap stocks.

The Russell 2000 is an index comprised of the 2000 smallest companies on the Russell 3000 list. It is a widely recognized indicator of small capitalization company performance.

Day Hagan Technical Analysis

A time-tested, disciplined approach
to investing.

Presented By:

Art Huprich, CMT®
Chief Market Technician



@DayHagan_Invest



Day Hagan Asset Management



DayHagan.com

