

Day Hagan *Chart Jamboree*

March Madness

SI, SIVB, SBNY, CS, FRC, and ?

Presented By:

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March 2023



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Day Hagan Asset Management



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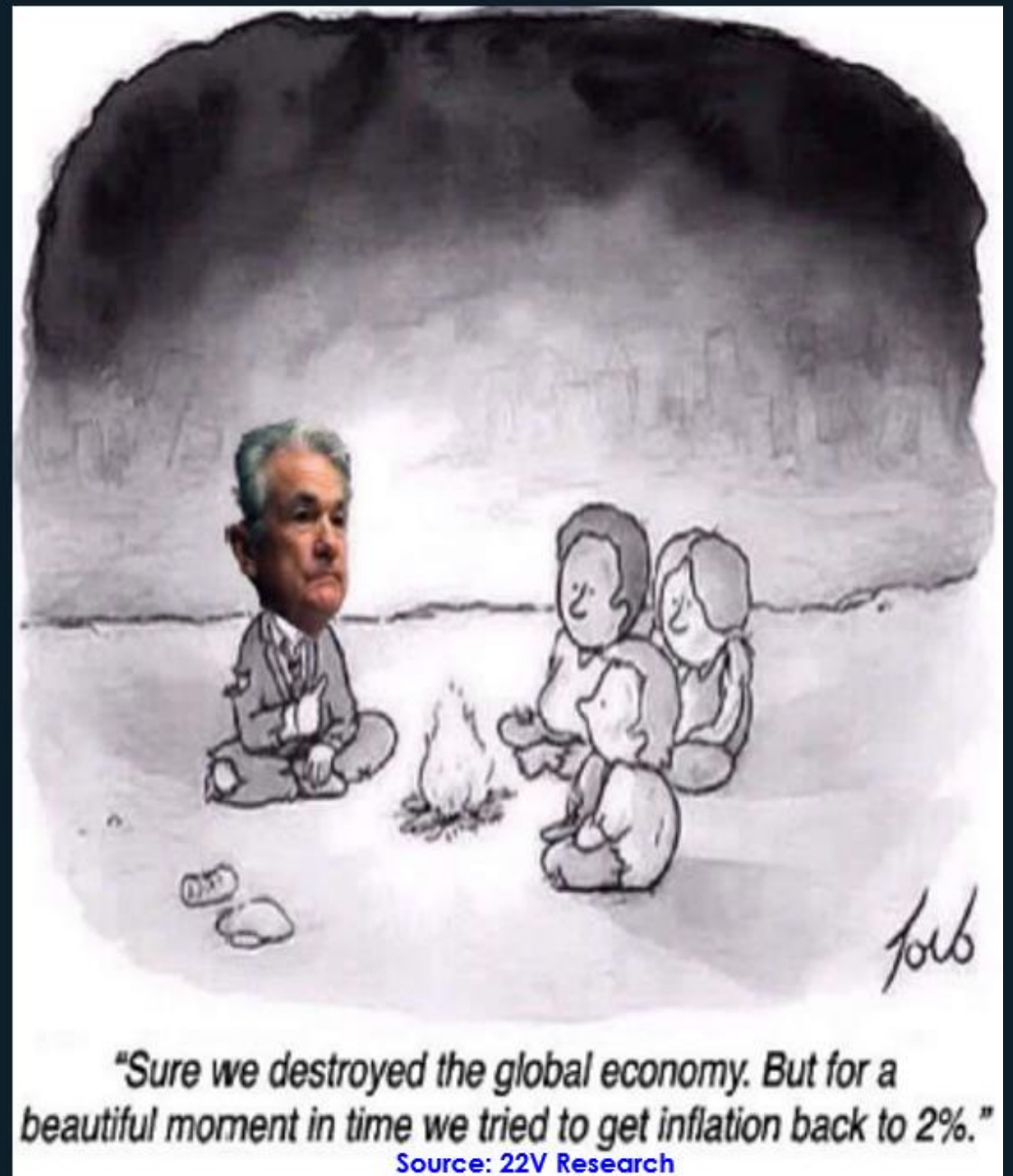
Fed Announcement Tomorrow, 3.22.23

- Markets continue to debate the Fed's next move.
- Will they acknowledge the collapse of SIVB, SBNY, SI, CS, (FRC?), and ? by pausing or even cutting rates, and at a lower peak rate?
- Or are they more focused on preserving credibility in the inflation fight?
- There is debate about how the Bank Term Funding Program (BTFP) is set to boost reserves on the Fed's balance sheet and that could mean the end of QT.

Remember “Transitory?”

“What was *transitory*?” **Apparently, QT!**

“Are we seeing a **Credit Risk/Liquidity Put?**”



Who's Your Daddy?

(a boastful claim of dominance used on the athletic field)

While we didn't foresee the specific events in the banking sector from the past week, we have highlighted since last spring that the **"Bond Market Doesn't Lie"** (~Robert Soros). Bank failures are proof positive that the bond market doesn't lie and the Fed indeed "broke" something.

- Should the **Fed stop raising rates, and have they now halted QT**—which we would view as an incremental **positive**—at their March 22 meeting?



Takeaway: If indeed the Fed follows the 2-year, then the **2-Year U.S. Treasury Yield** (3.92%) is saying the Fed is **close** to being done/**should** be done.

I don't mean "**cutting**," but stop hiking!

But will they, in order to alleviate pressure on the banking system?



Aftershock

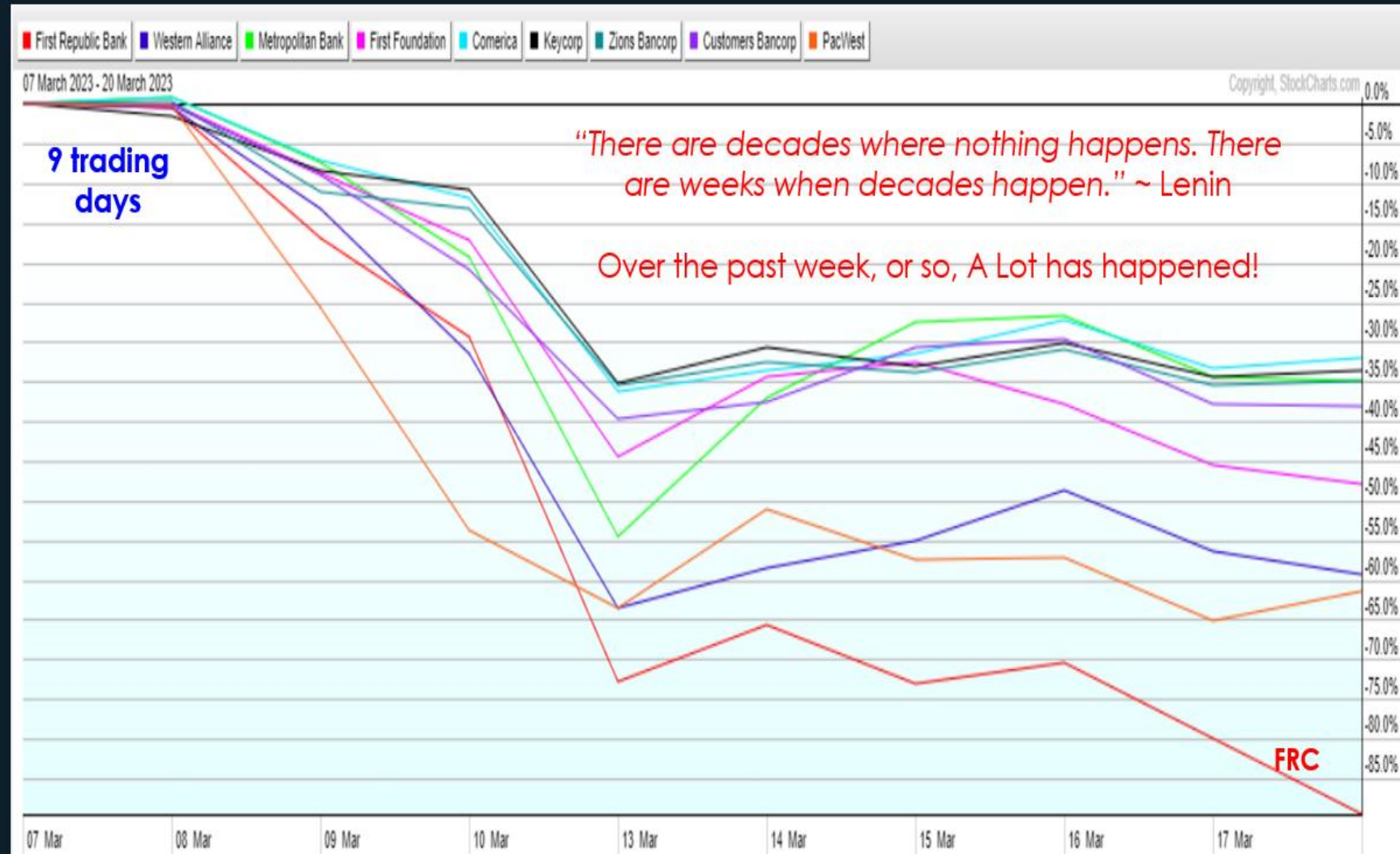
An aftereffect of a distressing or traumatic event; a minor shock following the main shock.

- Aftershocks may come in the form of **volatility: Lots of ups & downs.**

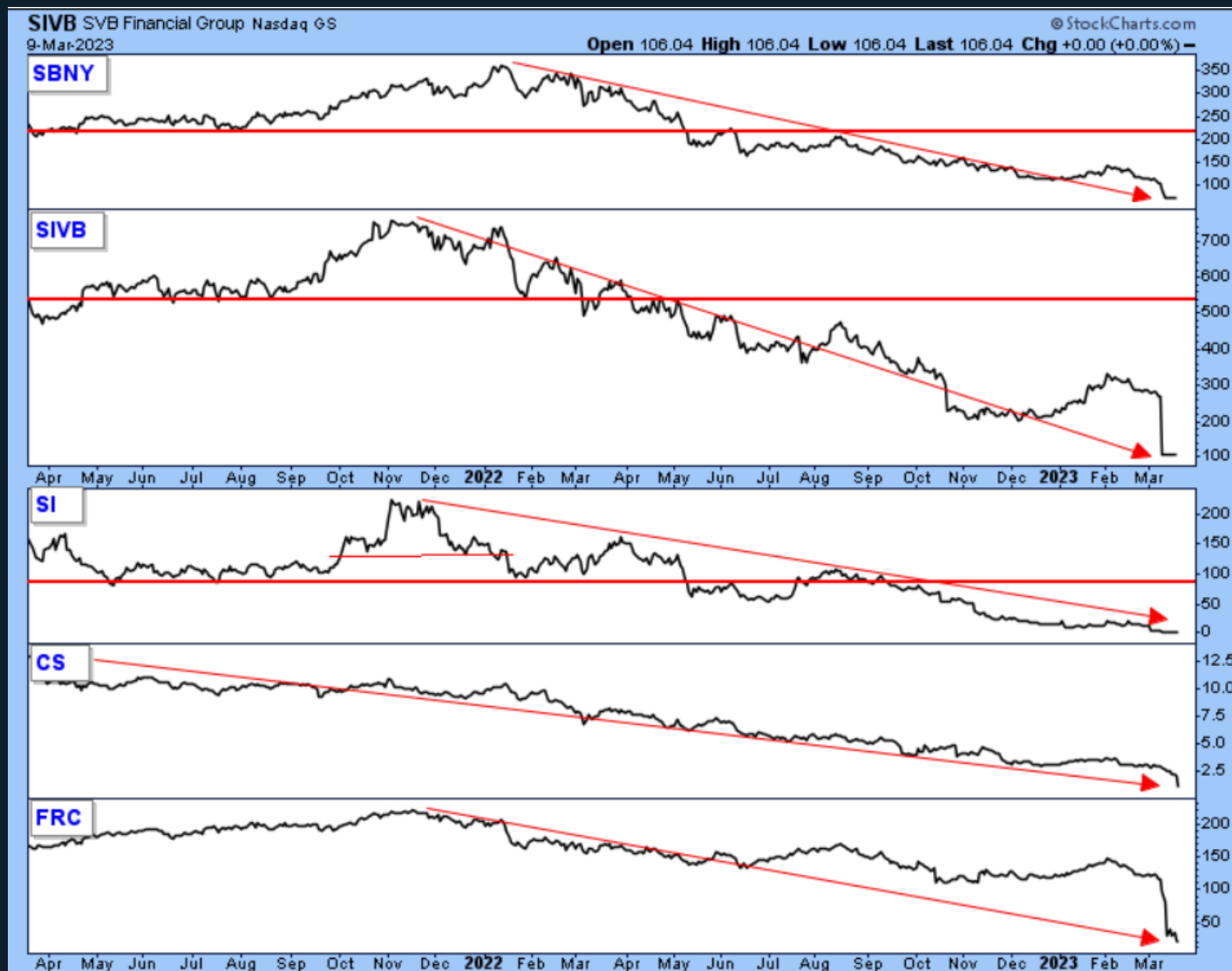
What was the main shock and what was the aftershock?

- Speed and duration of the Fed's interest rate hiking cycle?
- SIVB, SBNY, SI bankruptcy, CS?, (FRC?), & ?
- Regional Bank tape action?

“Whenever the Fed hits the brakes, someone goes through the windshield.” ~JPM



“News Follows Trend!”



Charts depict another reason why we are excited about the risk management component of our **Smart Sector Strategies!**

Speaking of **Madness...**

SVB Finl Gr Stock (NASDAQ:SIVB), Analyst Ratings, Price Targets, Predictions

Buy	Overweight	Hold	Underweight	Sell
12	5	5	1	0
Consensus Rating ¹ Buy		Consensus Price Target ¹ \$337.71		

“Thank you, sir, may I have another?!”
~Animal House, 1978

“___XXX___ downgraded **First Republic Bank** to neutral... and reduced their price target from \$140 to \$5.”

After a strong start to 2023, the S&P 500 has come back to earth, down > 9% from 2/2/23 peak. This isn't unusual considering **an average intra-year drawdown of 16% since 1928**. **Value vs. Growth ratio** has fallen 16% in '23 & **IWM** has fallen ~15% from its '23 peak.

S&P 500 Index: Max Intra-Year Drawdowns vs. End of Year Total Returns (1928 - 2023)

Year	DD	TR	Year	DD	TR	Year	DD	TR	Year	DD	TR	Year	DD	TR
1928	-10.3%	43.8%	1948	-13.5%	5.7%	1968	-9.3%	10.8%	1988	-7.6%	16.6%	2008	-48.8%	-37.0%
1929	-44.6%	-8.3%	1949	-13.2%	18.3%	1969	-16.0%	-8.2%	1989	-7.6%	31.7%	2009	-27.6%	26.5%
1930	-44.3%	-25.1%	1950	-14.0%	30.8%	1970	-25.9%	3.6%	1990	-19.9%	-3.1%	2010	-16.0%	15.1%
1931	-57.5%	-43.8%	1951	-8.1%	23.7%	1971	-13.9%	14.2%	1991	-5.7%	30.5%	2011	-19.4%	2.1%
1932	-51.0%	-8.6%	1952	-6.8%	18.2%	1972	-5.1%	18.8%	1992	-6.2%	7.6%	2012	-9.9%	16.0%
1933	-29.4%	50.0%	1953	-14.8%	-1.2%	1973	-23.4%	-14.3%	1993	-5.0%	10.1%	2013	-5.8%	32.4%
1934	-29.3%	-1.2%	1954	-4.4%	52.6%	1974	-37.6%	-25.9%	1994	-8.9%	1.3%	2014	-7.4%	13.7%
1935	-15.9%	46.7%	1955	-10.6%	32.6%	1975	-14.1%	37.0%	1995	-2.5%	37.6%	2015	-12.4%	1.4%
1936	-12.8%	31.9%	1956	-10.8%	7.4%	1976	-8.4%	23.8%	1996	-7.6%	23.0%	2016	-10.5%	12.0%
1937	-45.5%	-35.3%	1957	-20.7%	-10.5%	1977	-15.6%	-7.0%	1997	-10.8%	33.4%	2017	-2.8%	21.8%
1938	-28.9%	29.3%	1958	-4.4%	43.7%	1978	-13.6%	6.5%	1998	-19.3%	28.6%	2018	-19.8%	-4.4%
1939	-21.2%	-1.1%	1959	-9.2%	12.1%	1979	-10.2%	18.5%	1999	-12.1%	21.0%	2019	-6.8%	31.5%
1940	-29.6%	-10.7%	1960	-13.4%	0.3%	1980	-17.1%	31.7%	2000	-17.2%	-9.1%	2020	-33.9%	18.4%
1941	-22.9%	-12.8%	1961	-4.4%	26.6%	1981	-18.4%	-4.7%	2001	-29.7%	-11.9%	2021	-5.2%	28.7%
1942	-17.8%	19.2%	1962	-26.9%	-8.8%	1982	-16.6%	20.4%	2002	-33.8%	-22.1%	2022	-25.4%	-18.1%
1943	-13.1%	25.1%	1963	-6.5%	22.6%	1983	-6.9%	22.3%	2003	-14.1%	28.7%	2023 YTD	-5.0%	?
1944	-6.9%	19.0%	1964	-3.5%	16.4%	1984	-12.7%	6.1%	2004	-8.2%	10.9%			
1945	-6.9%	35.8%	1965	-9.6%	12.4%	1985	-7.7%	31.2%	2005	-7.2%	4.9%			
1946	-26.6%	-8.4%	1966	-22.2%	-10.0%	1986	-9.4%	18.5%	2006	-7.7%	15.8%			
1947	-14.7%	5.2%	1967	-6.6%	23.8%	1987	-33.5%	5.8%	2007	-10.1%	5.5%			

Note: Closing Prices (does not include intra-day or dividends)



@CharlieBilello

Takeaway

- Declines should be expected

NDR

On average:

- At least 3 5%+ declines/year.
- 1 10%+ decline/year.
- 1 15%+ decline every 2 years.
- 1 20%+ decline every 3 years.

Equity Market Indices/Proxies & Indicators

- **Short-term** technical indicators have broken down: New Lows weighing. **Intermediate-term** have deteriorated: Stock vs. F/I RS = Neutral, F/I vs. Commodity RS = FI, Supply Volume > Demand Volume, Credit Spreads widening. **Longer-Term**: NDR Catastrophic Stop Loss Model fully invested - benchmarked to SPX.
- Bears and bulls should both take a bow. Bears managed to wipe out a lot of the YTD gains for the S&P500, while the bulls managed to keep the SPX and Small Cap proxy above December 2022 lows despite a meaningful banking crisis and the highest levels of volatility in the bond markets over the last 4 decades. DJIA has broken below said low.
- Sentiment trend (equity and F/I) showing a lot of pessimism. This will be supportive once the trend reverses up from these levels.



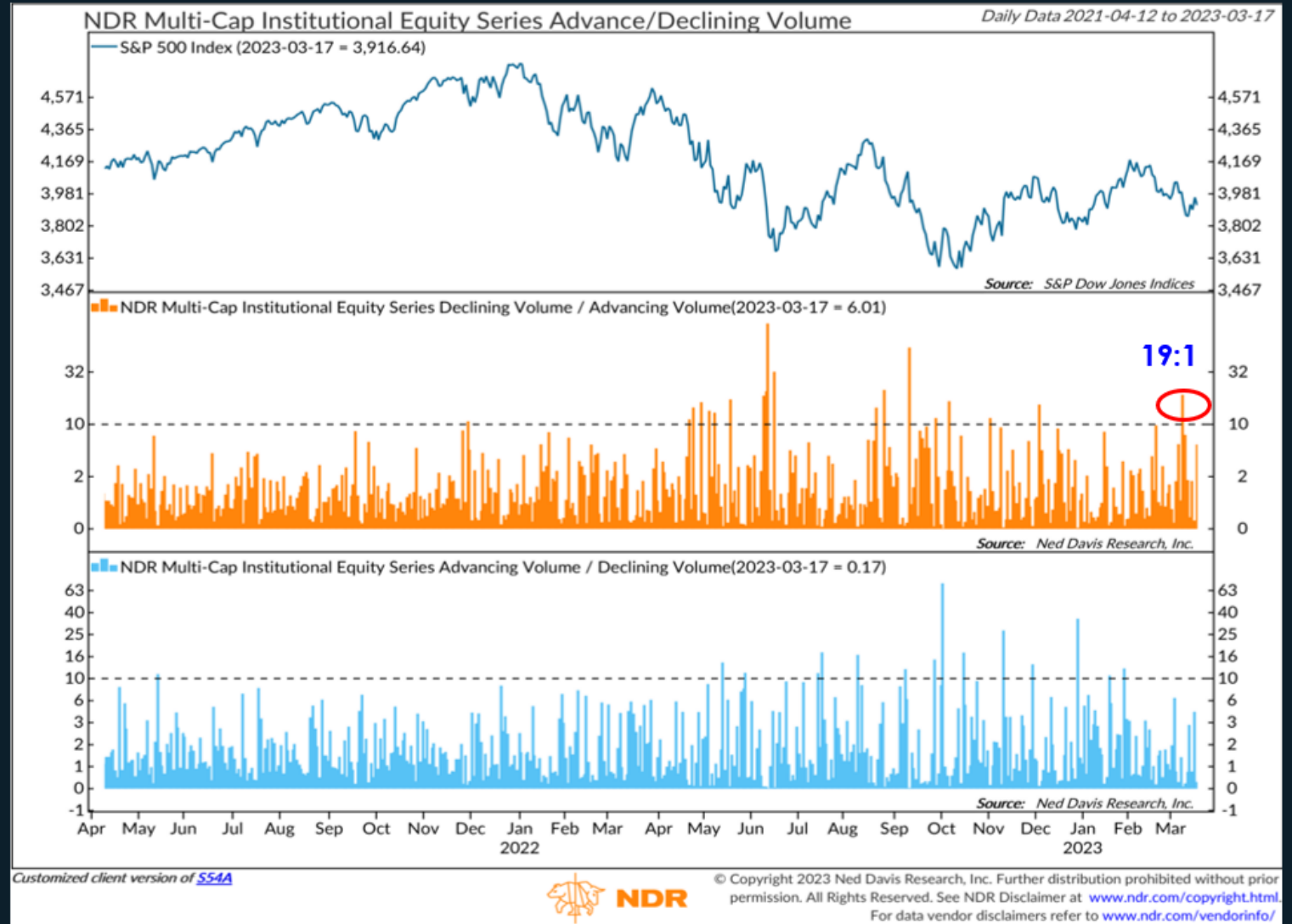
Serious Selling Pressure/Distribution

(total volume of stocks that declined beat total volume of stocks that advanced by a 19-to-1 margin) weighed heavily on short-term indicators

Viewed slightly differently, on the NYSE **Declining Volume** was 90% of Total Volume

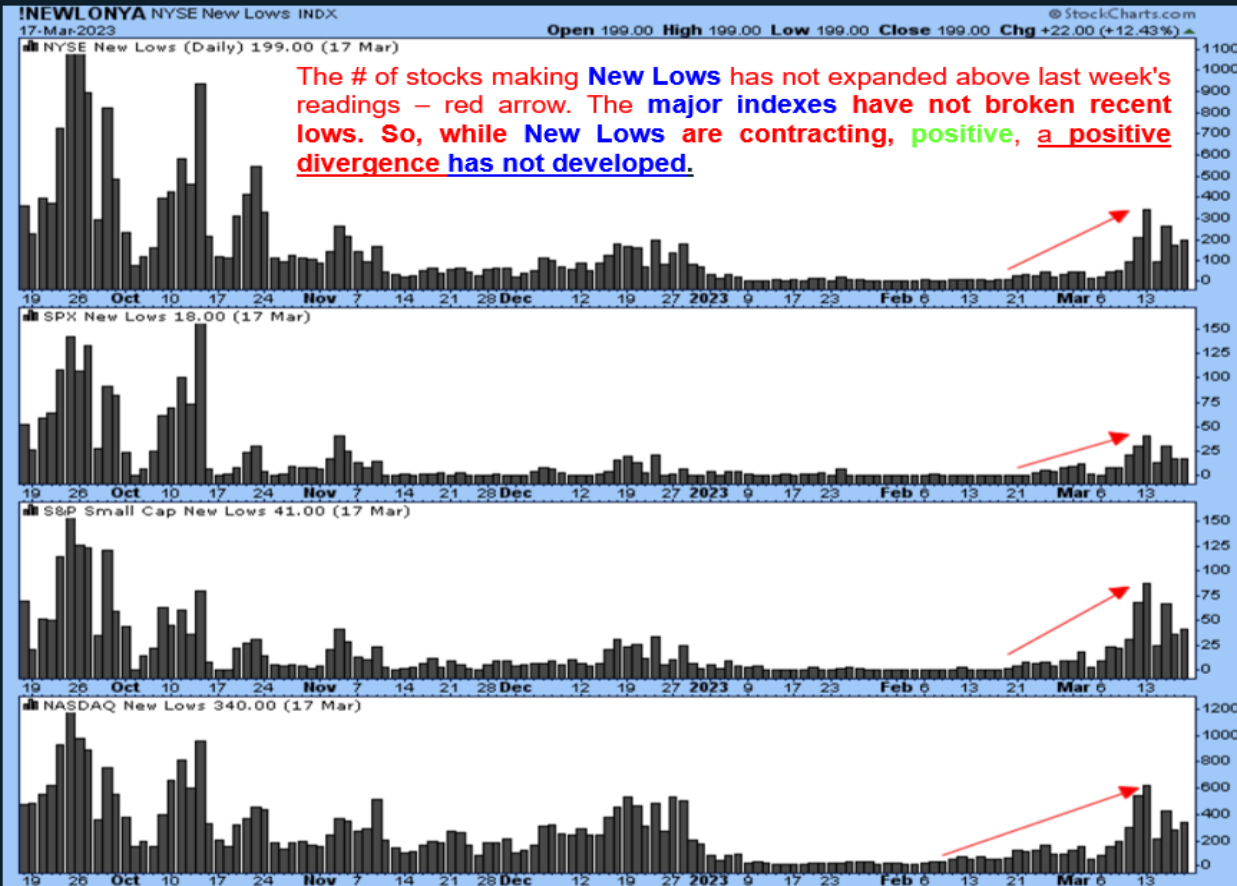
Takeaway

- Distribution creates overhanging selling pressure (resistance), which takes time to work through.



New Lows

The “Good” (chart on left) and the “Not Good” (chart on right)



Historically, a sell signal so close to a buy signal is a low probability event. **Takeaway:** Until there is a positive cross (see green vertical line), like Marty Zweig, “I will worry!”

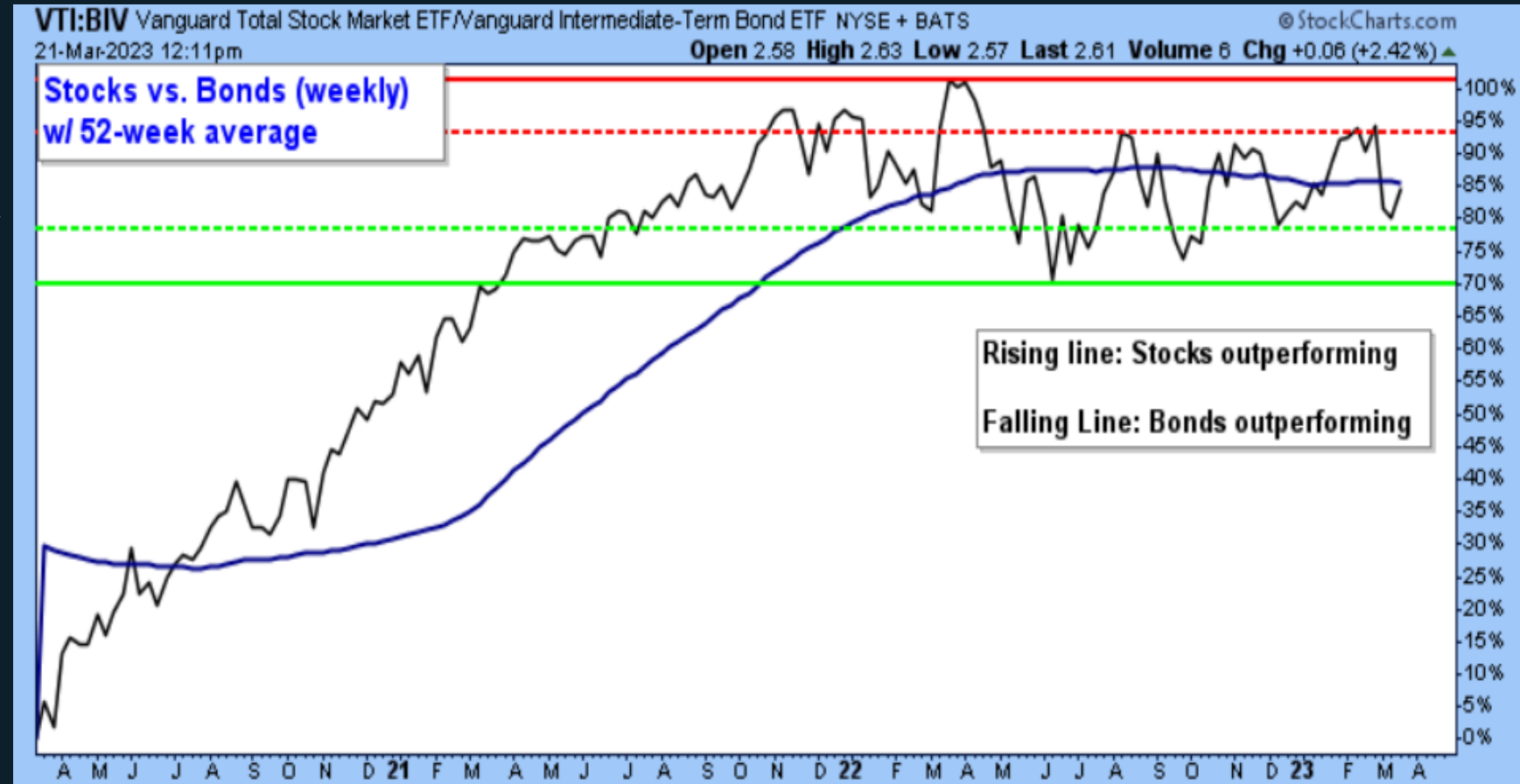


Stocks vs. Bond Relative Strength Trend

Takeaway: Looks “Neutral” to me. Hug your Stock/Bond benchmark!

Considering this chart, let’s discuss how our **Smart Sector Strategies** (Equity, Fixed Income, Int’l.) may support you, add alpha, and incorporate a risk management component.

Please reach out anytime for an updated chart.



Takeaway: Watch ratio closely and decide when to make an incremental shift to F/I from cash.

Please reach out anytime for an updated chart.



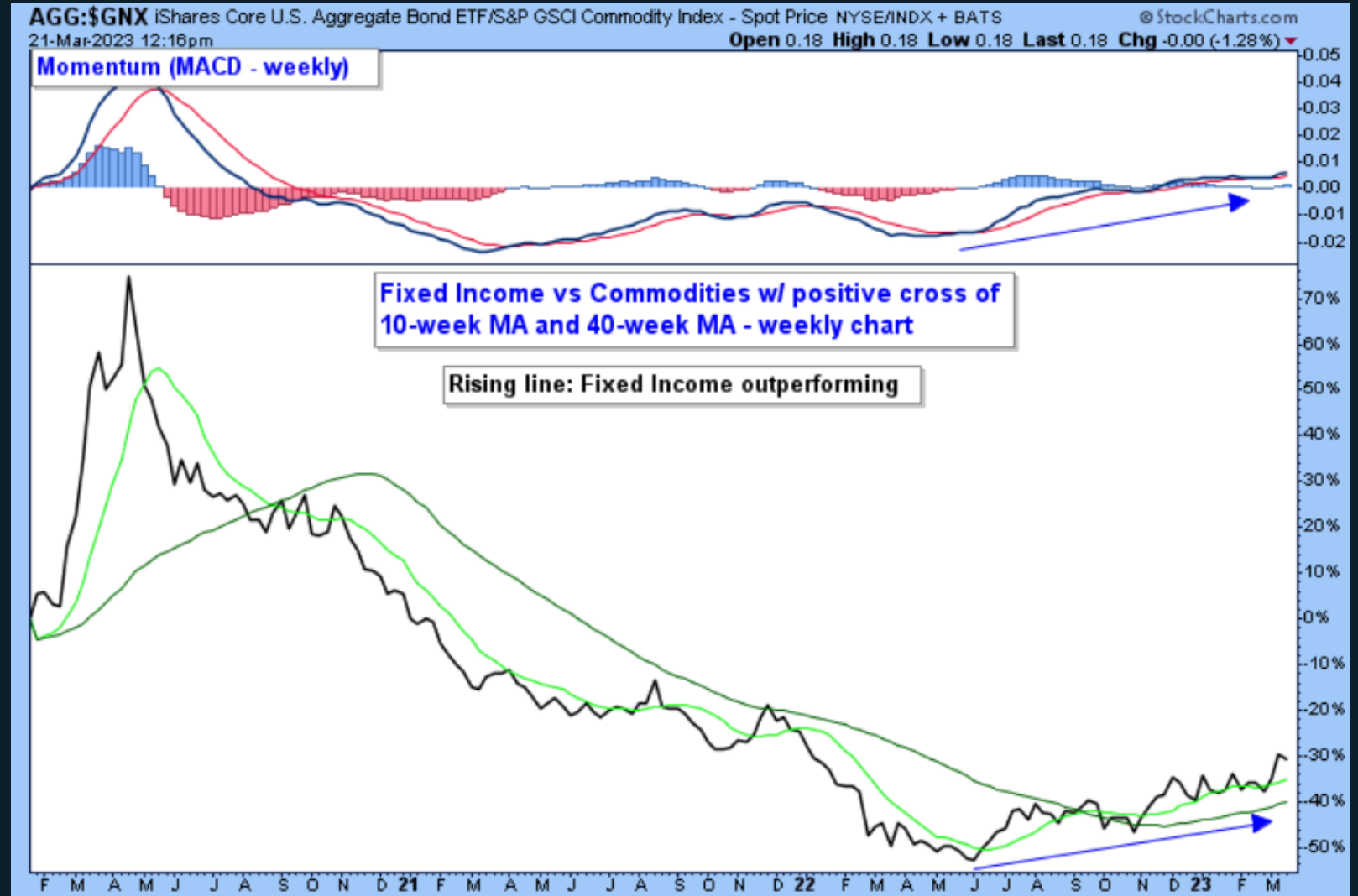
While I'm at it...

Bond/Commodity Ratio (relative strength)

Takeaway: Rising ratio suggests that the tide may be turning—Bonds over “Commodities,” which may be a headwind for equities.

Please reach out anytime for an updated chart.

Note: The commodity proxy used here is heavily weighted by Energy. My charting system doesn't provide an equal-weighted commodity index. If you know how to access one on a consistent basis, please let me know.

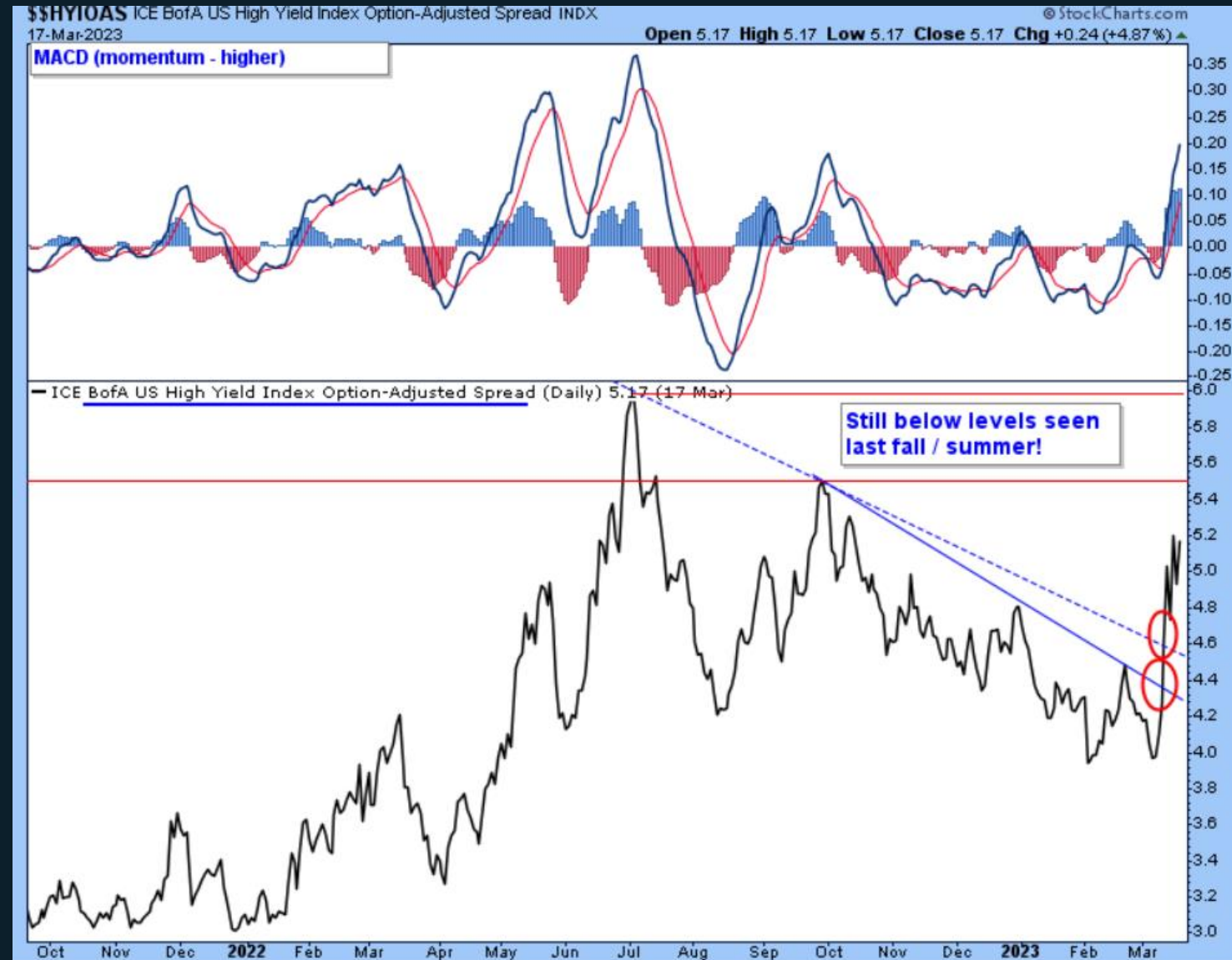


Further Aftershock or Another Main Shock?

Credit spreads (OAS) popped higher last week. Will they decline on the “bail-out”/CS news?

Takeaway

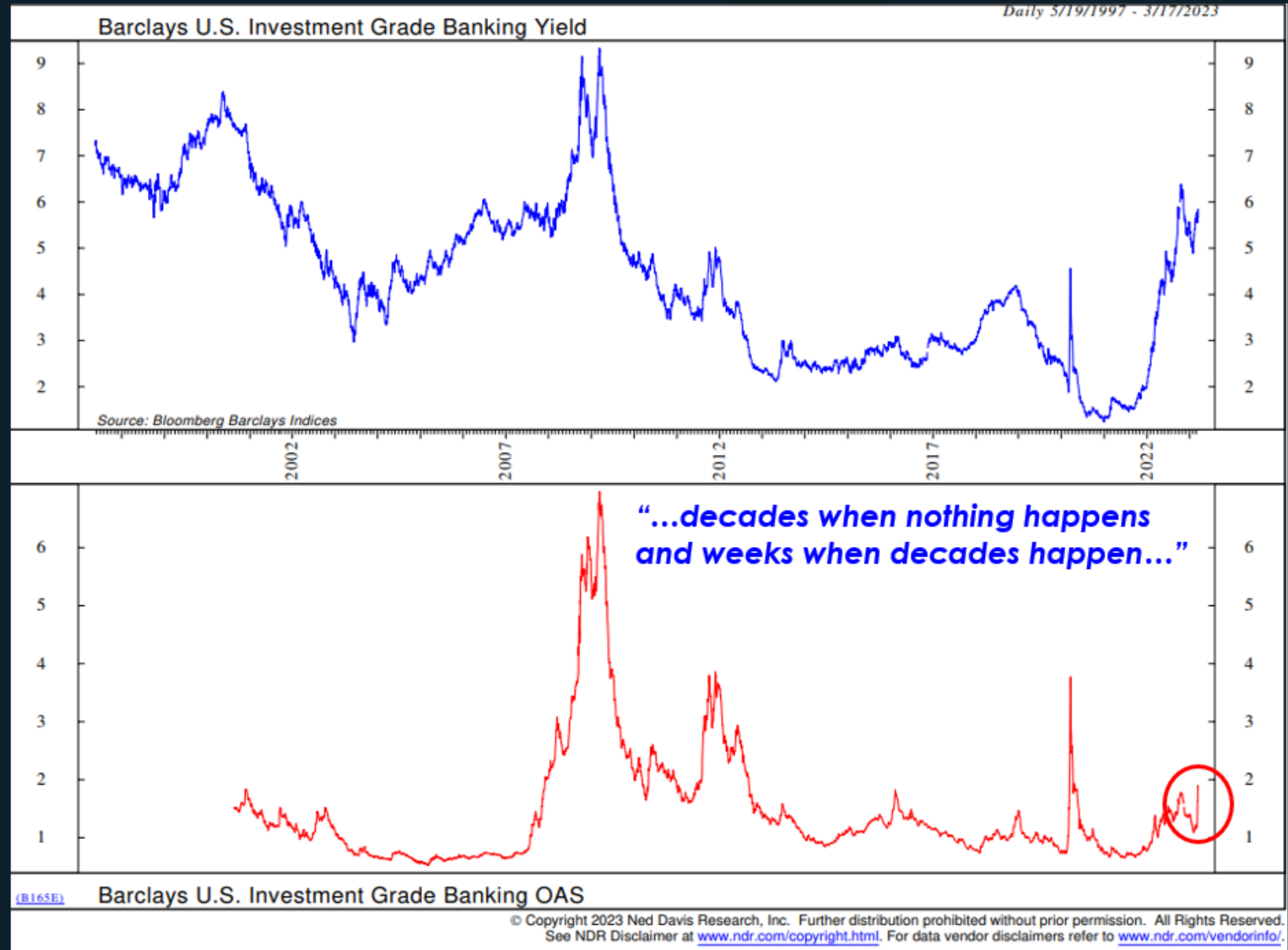
- If spreads keep moving higher, then we would expect more problems—equities sold.
- A reversal from current levels would show that the Fed and the other central banks around the world have successfully halted further contagion, for now.



NDR

- Bank credit spreads have jumped dramatically recently and moved above last year's peak.
- The deterioration will take some time to show up in the broader economy.

Note: Chart doesn't include weekend/Monday morning news.



Small vs. Large

Small-caps tend to underperform heading into recession. A **break below support** (green lines) would be bearish.

Takeaway: Given the degree of the decline, an oversold move could occur at any point—**Small Caps outperform short-term.**

However, from a “relative strength trend” perspective, **Small vs. Large** is “Neutral.”



Since October 2022, a supportive pattern of higher price troughs is still in place, marginally.

Takeaway: How weakness is handled or the quality of any rally over the next week or two will be critical.



KISS: On a near-term basis, KeeP It Simple, S...

Takeaway

- *Stuck in the Middle with You/ Comfortably Numb/ Rangebound*
- A center line crossover by RSI (top frame), above 50, would suggest “higher,” short-term.



KISS: On a near-term basis, Keep It Simple, S...

Takeaway

- A LOT of work ahead
- Canary in the Coal Mine



KISS...

Resistance:
Red lines

Support:
Green lines



U.S. vs. The World ex. U.S. – weekly (domestic vs. overseas relative strength analysis)

The U.S. is garnering interest.
A potential safe haven???

Takeaway

- Neutral, from overweight, overseas/int'l., **unless the most immediate low** (blue circle) is broken.
- U.S. over Emerging
- Please reach out about the **DH/NDR Smart Sector International** strategy.



Please reach out about the **DH/NDR Smart Sector International** strategy.

Keep an eye on these relative strength trends and use a violation of resistance (red line) or support (green line) to adjust accordingly.

Please reach out anytime for updated charts.



Regional Bank Index

Takeaway: Considering previously discussed “Aftershocks,” should we simply be patient and take a wait-and-see attitude as a base develops? While you will have to decide, it would seem prudent.

- Deeply oversold, even more so than “COVID 2020.”



Canary in the Coal Mine

Considering the weighting many components have on the Large Cap, technology-heavy indices, this index is an excellent guidepost.

Takeaway

A break below support at 5284 would imply further downside pressure on many equity indices.



Growth vs. Value (relative strength analysis)

“The bond market has essentially provided a “rate cut” and lower rates are positive for growth stocks.” ~JPM

While Growth has garnered a bid in early '23, **both** the relative strength trend (upper frame) & momentum (lower frame) **are at resistance!**

Takeaway

- Critical juncture as to “taking the trade” or letting it ride/add.
 - Tactical risk-to-reward shifting to Value?
- Watch resistance (blue circles) and how the 50-day MA handles the 200-day MA—does it cross above? If so, bullish for Growth.



KISS... Given the U.S. Dollar's role in many cross-asset strategies/allocations, let's keep this simple.

Takeaway

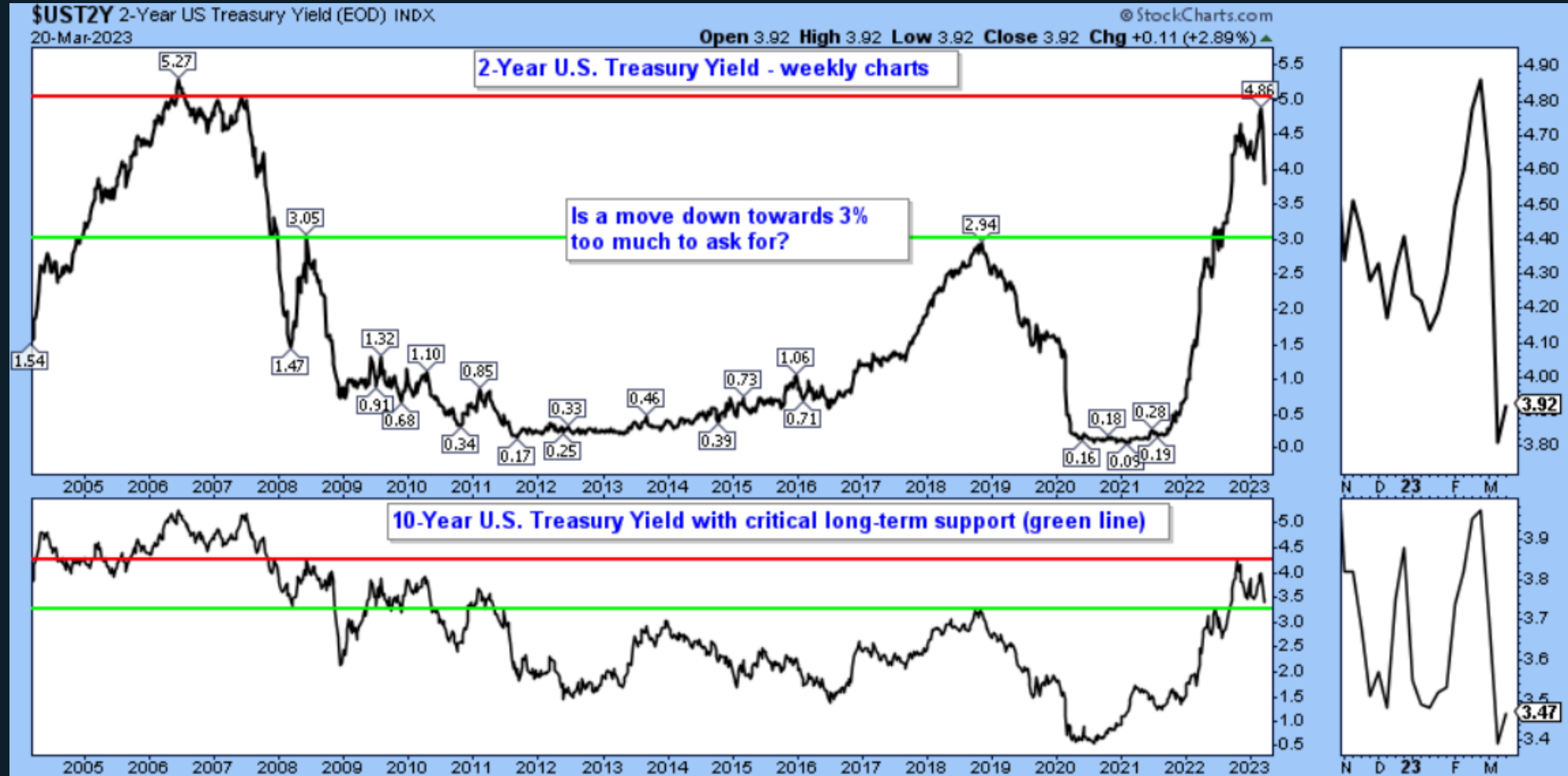
- Use a violation of resistance (red lines/price labels) and support (green lines/price labels) accordingly.
- Momentum suggests a breakdown, which in theory should support equities.



KISS... let's not overthink (as my wife tells me I am prone to do).

Takeaway

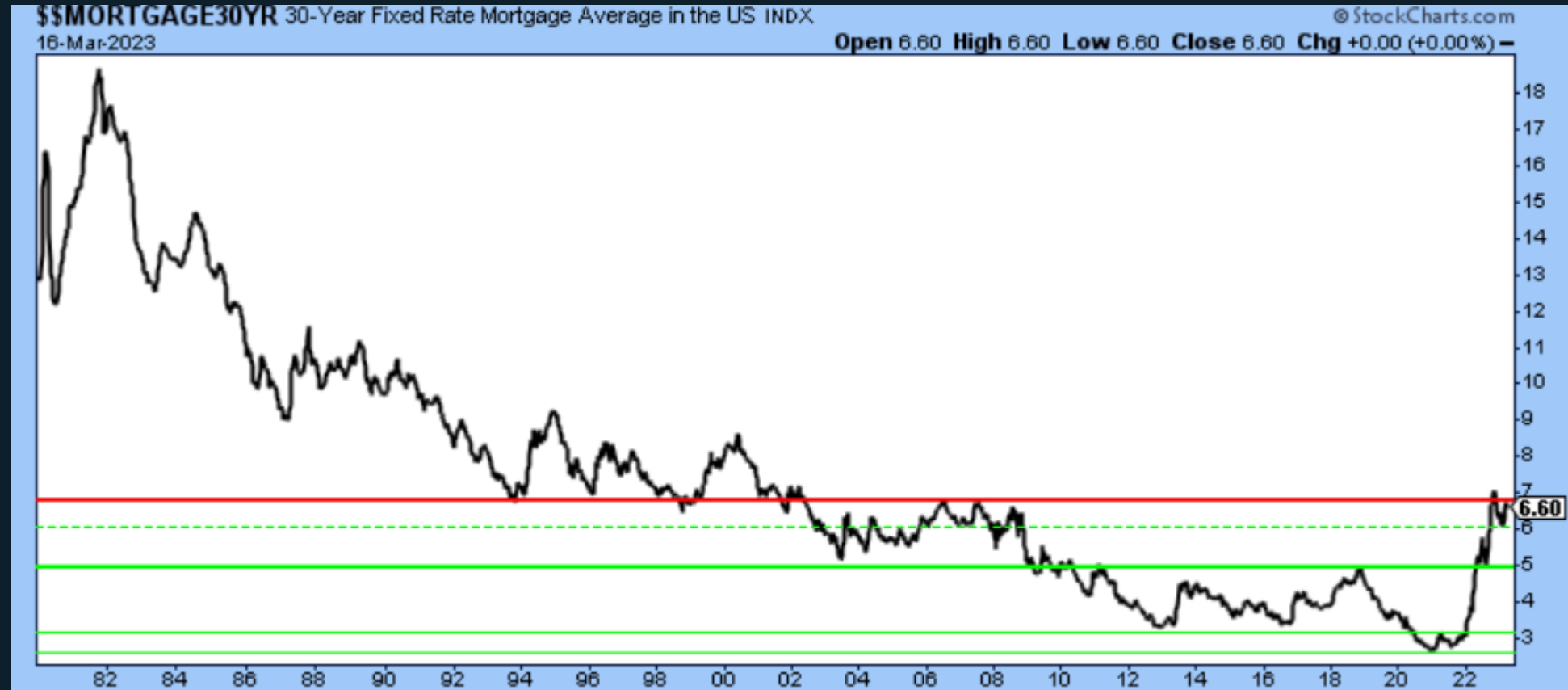
- Focus on support and resistance, as shown.



30-Year Fixed Rate Mortgage Average in the U.S.

Takeaway

For the sake of many, let's hope resistance (red line) holds!



CBOE 10-Year Treasury Yield Index

Stuck in the Middle with You – Stealers Wheel

Takeaway

- Until a more definitive trend develops, a range bound scenario exists.
- Please note resistance (red lines) and support (blue and green line).



Canary...

Takeaway

Good (for F/I): Inflation is starting to ease.

Bad (for stocks): Weakness suggests a slowing economy.



Gold (weekly chart): My mettle is being tested **again** by a metal—not as a hedge against inflation but as a hedge against something new breaking....

I will NEVER say “Buy, hold, and forget about it.”

Only as a hedge against something new breaking, “Buy (**gold**), identify a stop loss point, continually monitor & manage risk, in both directions!”



Light Crude Oil

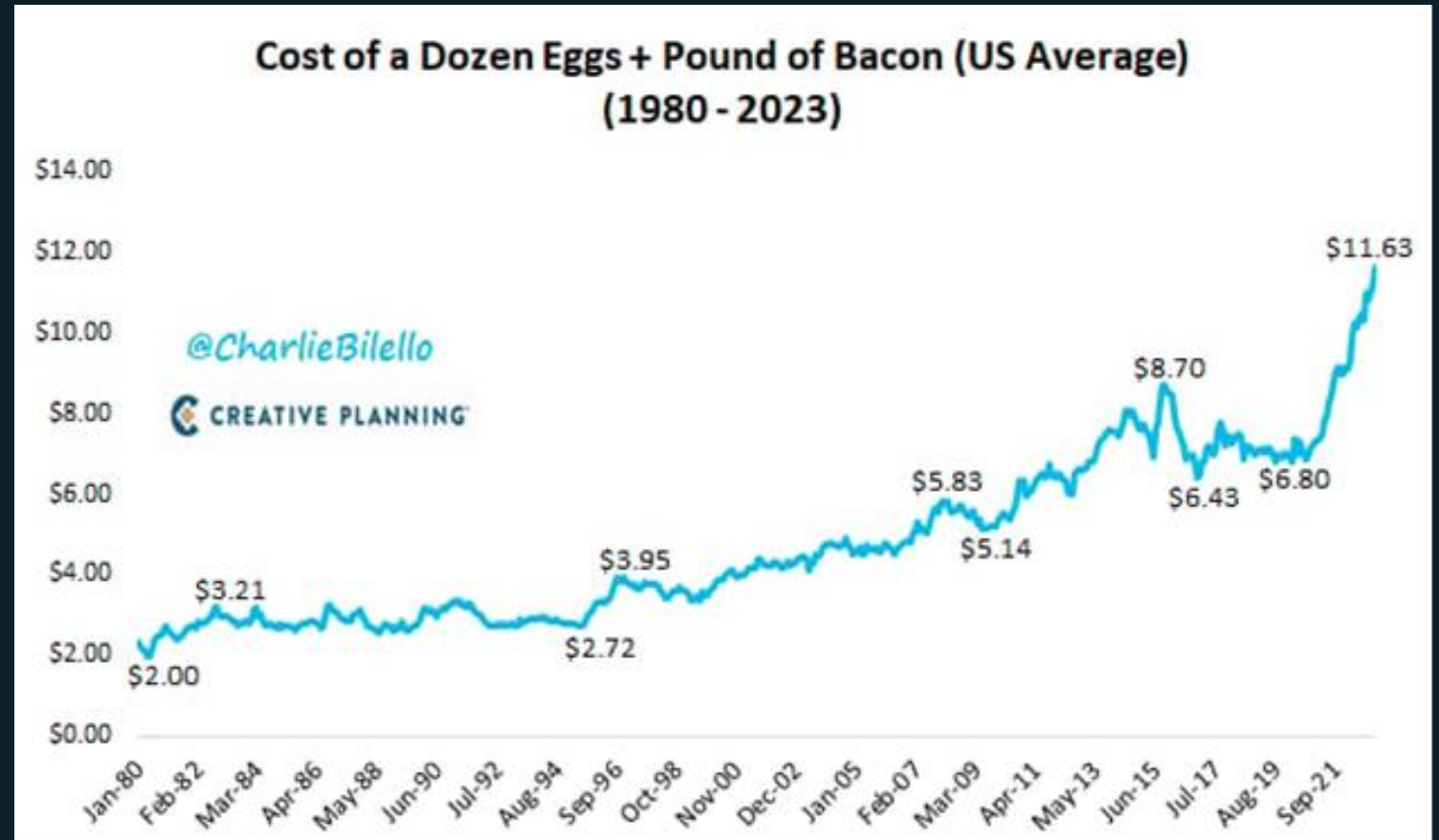
Takeaway: While an oversold bounce may occur at any point, it is going to take time and effort to work through a lot of overhanging selling pressure --- resistance.



Misery Index: Bacon and Eggs (no longer Coffee and Gas)

The cost of a dozen eggs and a pound of bacon in the U.S. has increased 67% over the last 3 years (2020-2023). That's greater than the increase in the previous 18 years (64% from 2002-2020).

“\$ saving momma” (my wife) said she never thought of bacon and eggs as a luxury meal.



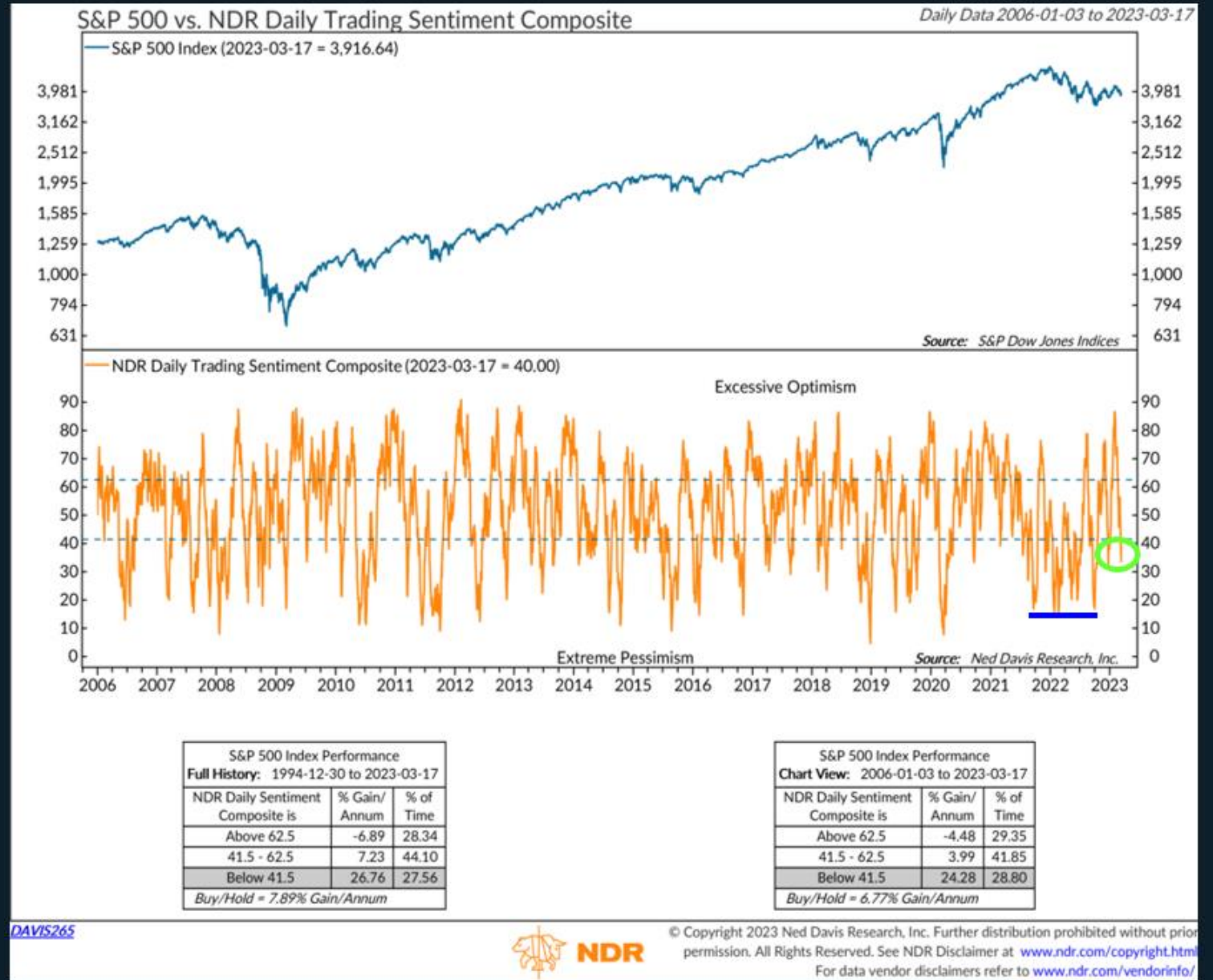
Sentiment (short-term)

The NDR Daily Trading Composite is a value-added arbiter of Excessive Optimism/Extreme Pessimism (EP).

Currently, in the EP zone at levels consistent with the end of December, prior to the January rally.

This sentiment indicator is part of the **NDR Catastrophic Stop Loss model**. Please reach out for details.

Takeaway: A reversal up from EP levels would be bullish.



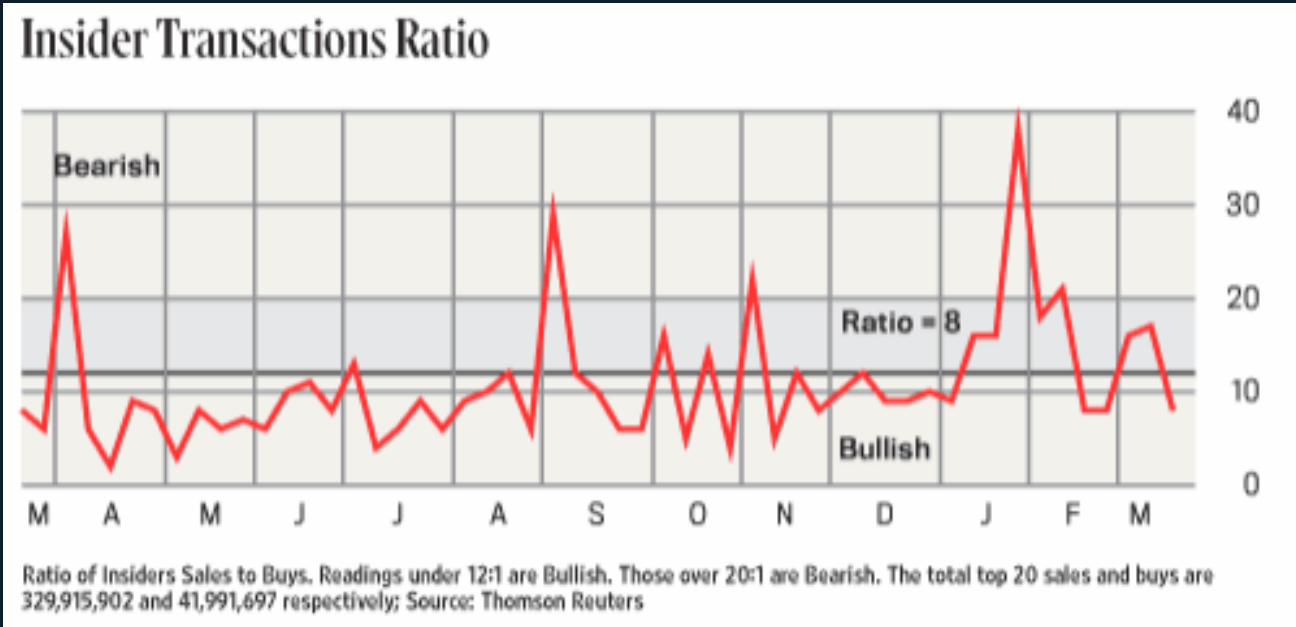
DAVIS265



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Sentiment viewed from a different perspective

Supportive...



Not so much, from a contrary perspective...

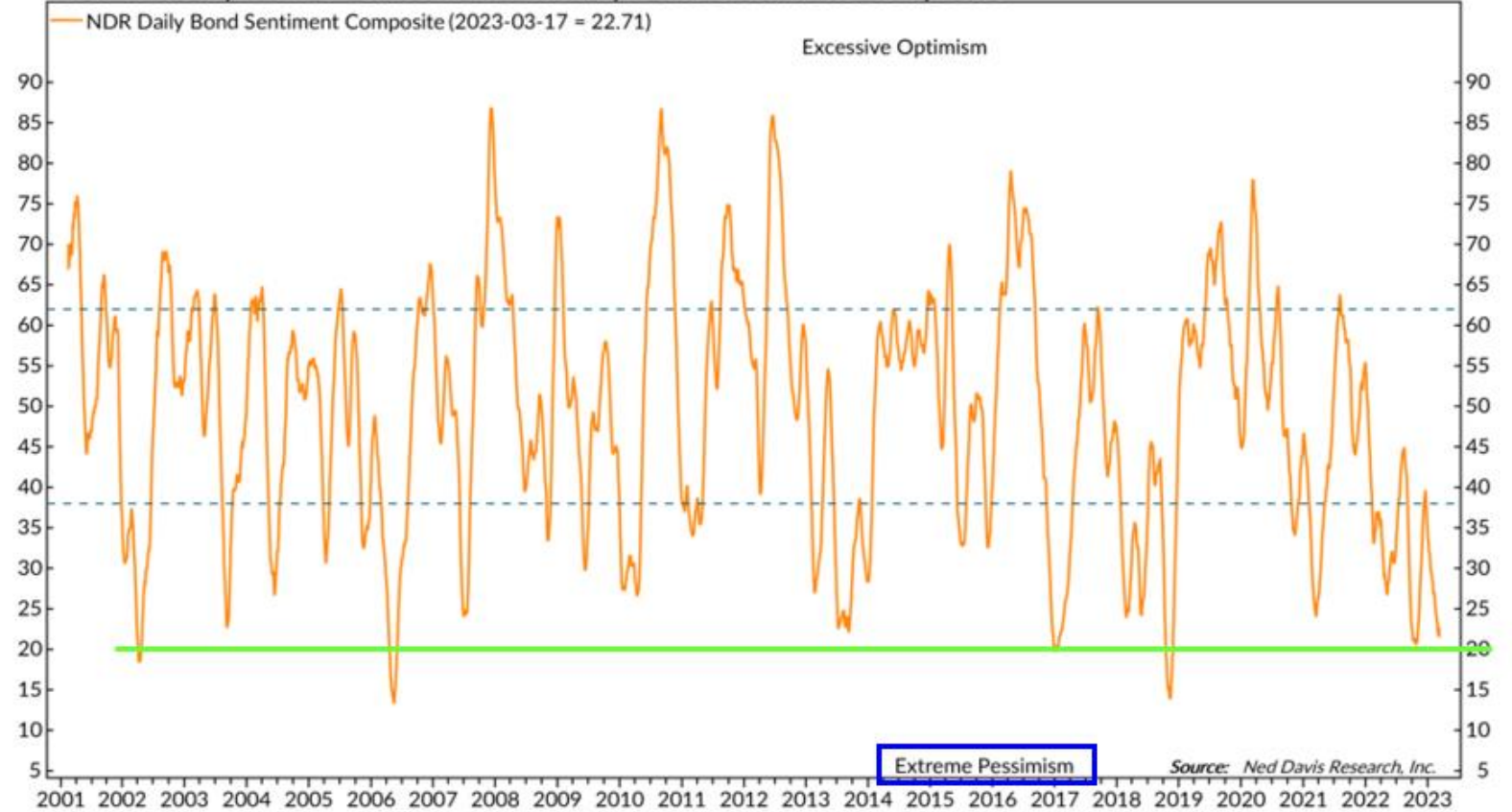
“A recent Bank of America Fund Manager survey showed that investor sentiment was near the lowest level in the past 20 years” ~JPM



To this point,
Bond Market Sentiment

U.S. Treasury Bond Futures vs. NDR Daily Bond Sentiment Composite

Daily Data 2001-02-09 to 2023-03-17



T-Bond Futures Performance		
Full History: 1984-06-06 to 2023-03-17		
NDR Daily Bond Sentiment Composite is	% Gain/Annum	% of Time
Above 62.0	-3.15	20.17
38.0 - 62.0	3.19	54.39
Below 38.0	5.72	25.44
Buy/Hold = 2.51% Gain/Annum		

T-Bond Futures Performance		
Chart View: 2001-02-09 to 2023-03-17		
NDR Daily Bond Sentiment Composite is	% Gain/Annum	% of Time
Above 62.0	-0.77	19.96
38.0 - 62.0	-0.97	53.71
Below 38.0	6.86	26.33
Buy/Hold = 1.07% Gain/Annum		



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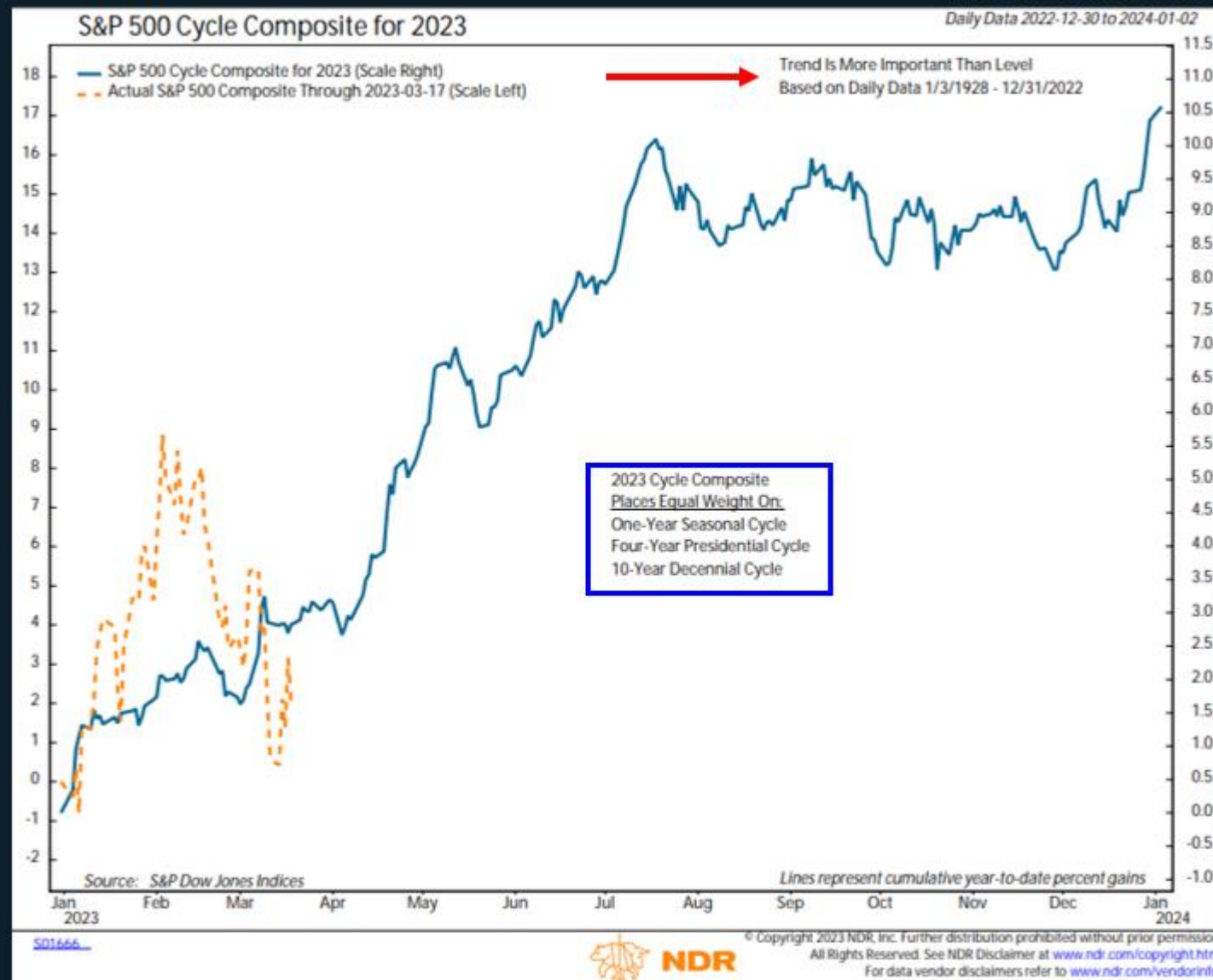
Seasonality

Using “seasonality & cycles” can aid in defining the backdrop but should be second-level indicators.

Takeaway: The 2023 cycle composite is showing a period of choppiness in both directions into early to mid-April. Then, a multi-week/month on-again-off-again rally into the summer.

While “Hope” is not an investment style, “Leave us Hope.”

Please Note: As we have experienced, outside forces can overwhelm cycles & seasonal trends...



Thank You for allowing us to be part of your success

For More Information

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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.

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