

# Day Hagan *Chart Jamboree*

**“I Walk the Line”** ~Johnny Cash

*“As sure as night is dark and day is light  
I keep you on my mind both day and night  
And happiness I've known proves that it's right  
Because you're mine, **I walk the line”***

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Day Hagan Asset Management



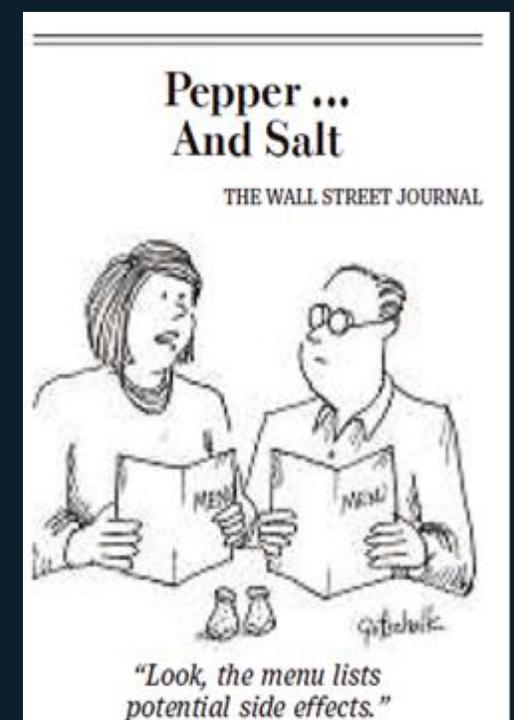
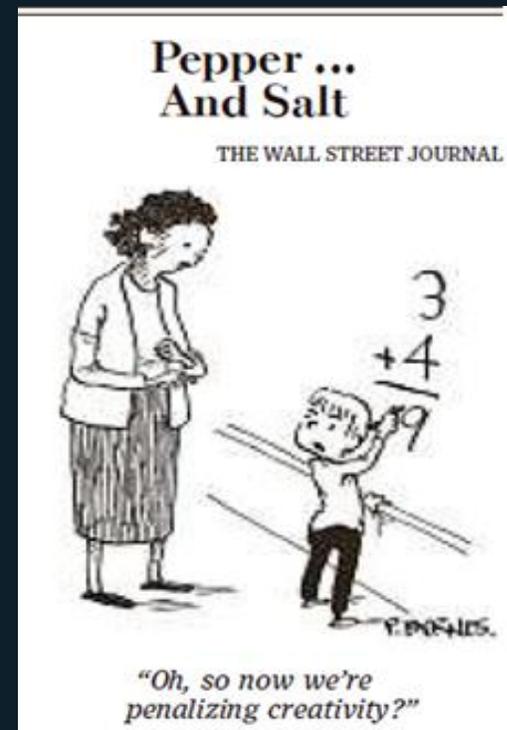
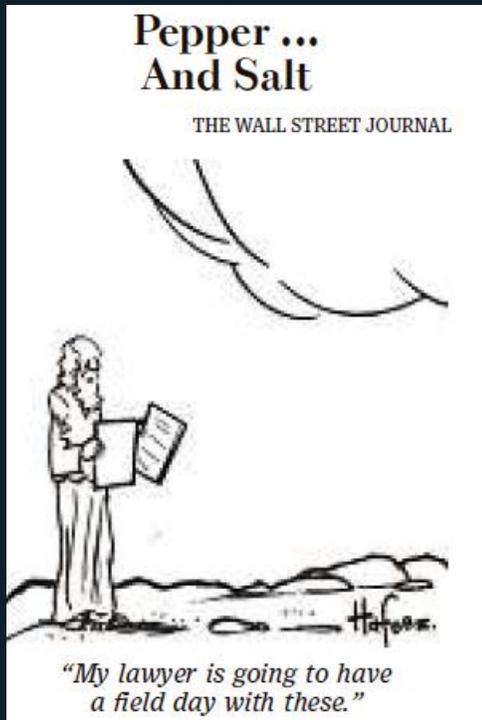
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## Humor and Seriousness

I have been counseled not to discuss politics or religion in public. Sorry. As my wife likes to say, in her sweet Southern twang, "Can't help it."

*"If the opposite of 'pro' is 'con', then the opposite of progress must be Congress."* ~Sam Stovall



## Bottom Line #1

- The **DH/NDR Catastrophic Stop model** continues to recommend a fully invested position vs. its S&P 500 Large Cap benchmark, and we are aligned with the message. If our models shift to bearish levels, we will raise cash.
  - “The broader-based composite models calling U.S. economic growth, international economic growth, inflation trends, liquidity, and equity demand remain constructive.” ~Don Hagan
  - The **NDR Sector Allocation Model** (risk management): Entering March, Information Technology and Financials are **overweight**. Industrials, Health Care, Consumer Discretionary, Consumer Staples, Energy, and Real Estate are **neutral**. Materials, Communication Services, and Utilities are **underweight**. **This model updates Monday, 4/1/24. I’d be surprised if some didn’t change.**
- **Continual internal rotation** (charts below plus Large/Index Movers vs. Small/Mid, Growth vs. Value/Non-Growth, S&P macro sectors) coupled with **selective commodity strength** supports the current equity market uptrend. It hasn’t been only 9, 7, or 4 stocks (pick a #)!
  - We remain overbought, and sentiment is mostly bullish. But the support and resistance lines continue to hold—“*I Walk the Line*.” Relative to support, they will cease to matter if they break and cannot be quickly recaptured or a prior reaction low (support) is violated.
- A **time or price decline/correction**, not comparable to the recession-driven drop of 2020 or the 2022 decline driven by inflation and interest rate worries, **would be healthy and shouldn’t be surprising**.

## Bottom Line #2

- With stable interest rates, **Small Caps benefit** (as expressed last month) – weekly chart further down.
- **Guideposts** (non consensus): Gold, Silver, and various commodities moved sharply higher after the Fed news last week, **potentially signaling** that at least some market participants anticipate a dovish Fed could help fuel another round of "surprise" high inflation.
  - What's more, long-term rates (chart shown further down) held relatively firm, again possibly masking either doubt that the Fed will be able to lower rates or that such actions could necessitate generally higher rates in the future (slide 21) if inflation remains a concern.
- **U.S. vs. Overseas**: Relative strength analysis still favors U.S., but only marginally so – watch closely! Select overseas opportunities exist. **Smart Sector International ex. U.S. strategy** can support you within this framework.
  - Entering March, the non-U.S. equity Core model **overweighted** Japan and Germany. China and Canada are **neutral**, and the U.K., France, Switzerland, and Australia are **underweight**. The Explore model **avored** Mexico, Turkey, Brazil, Spain, and the Philippines. **This model will update Monday, 4/1/24.**
- **Seasonality and Sentiment** (condition, not a signal): Head winds (but this isn't new).
- **Banks vs. S&P 500 / Technology**: Very interesting. Watch closely!
- **30-Year Yield and 10-Year Yield**: Two different perspectives.

“In price there is knowledge.”

~Alan Shaw (RIP January 2024)

Since most investors follow, and money managers are benchmarked against, the S&P 500, let's start by looking at the chart and its proximity to support (green lines and blue arrows) and resistance (red line—currently approximately 5280-5300).

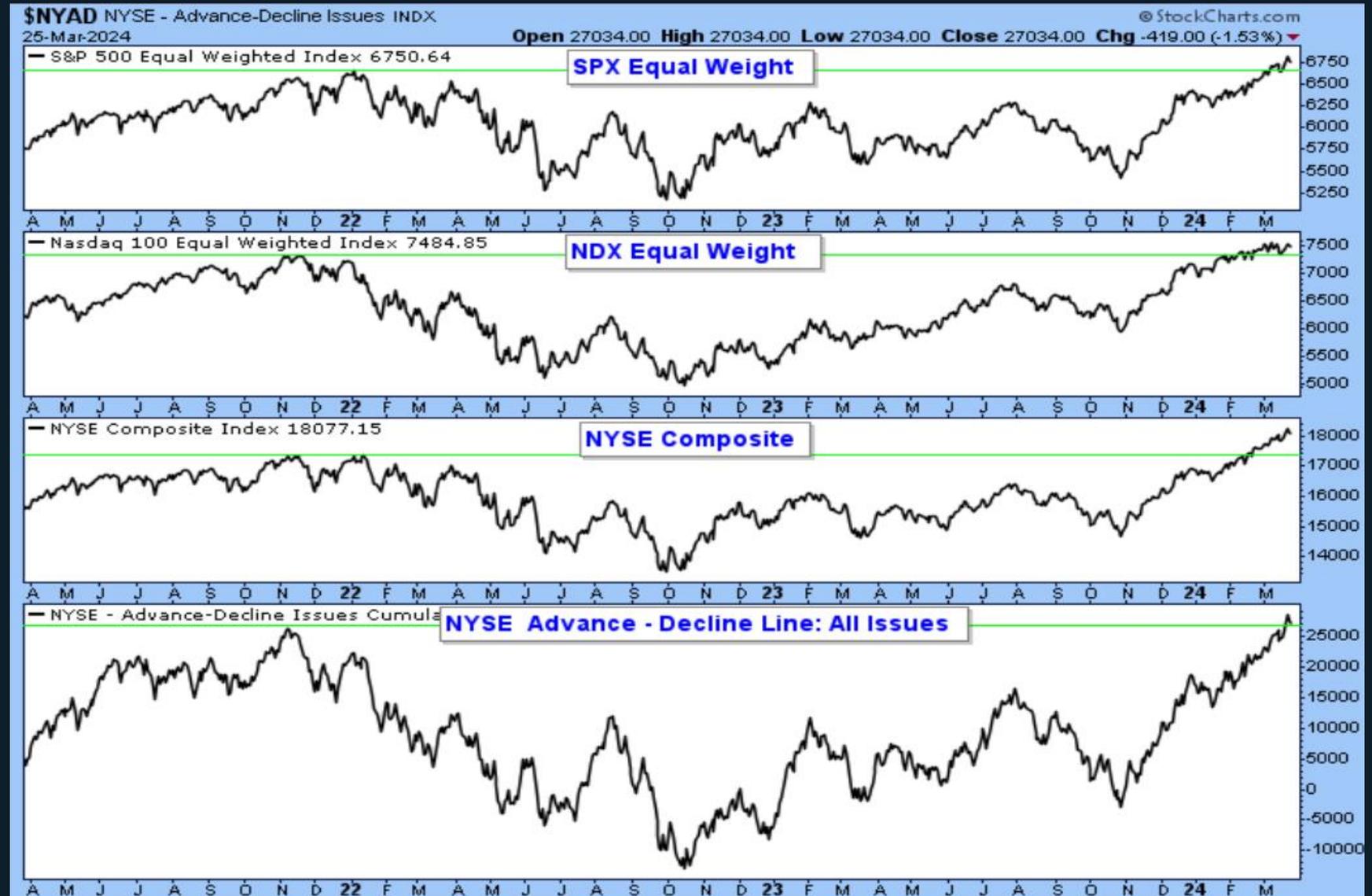


**"I'm not predicting, I'm observing."**

~George Soros (shared by John Roque)

### Takeaway

- Wider participation/rotation suggests the equity market's uptrend is not just about the Mag 7/ Index Movers.
- When it comes to assessing the health of the broad market, it is okay for Mega-Caps/ Index Movers to lead if they are taking other stocks with them, which is currently happening.



## NYSE New Highs minus New Lows – Cumulative with 50-day MA

Despite my continual angst about **New Highs & New Lows**, this indicator has remained true, and “Value added.”

**Takeaway:** Markets rarely peak when this indicator is on a buy signal and new highs are expanding.

“With a significant number of stocks in economically sensitive sectors like Consumer Discretionary, Financials, and Industrials registering new annual highs simultaneously, the uptrend in the world's most benchmarked index should persist...” ~Sentimentrader

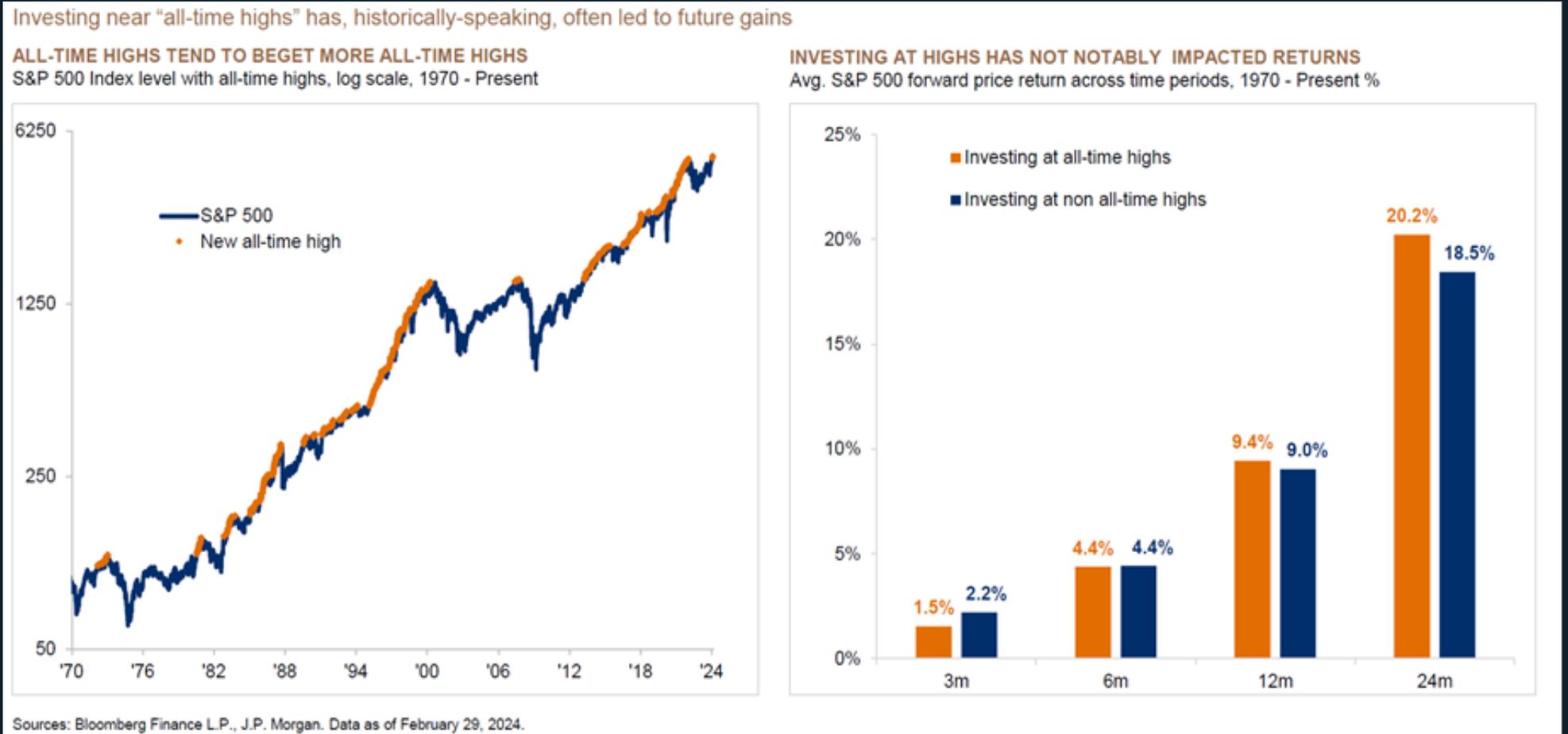
(reach out for New High sector chart)



# “Buying Begets Buying” or Greed Over Fear

**Takeaway:** “There may be some feelings of missing out on the recent rally. We hope the following charts can be helpful for your conversations.” ~JPM

Let’s talk about how the **Smart Sector Series strategies** may compliment your efforts!



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

## Smart Sector Int'l ex. U.S.

Complete allocations slide 4  
Model updates 4/1/24

### Core

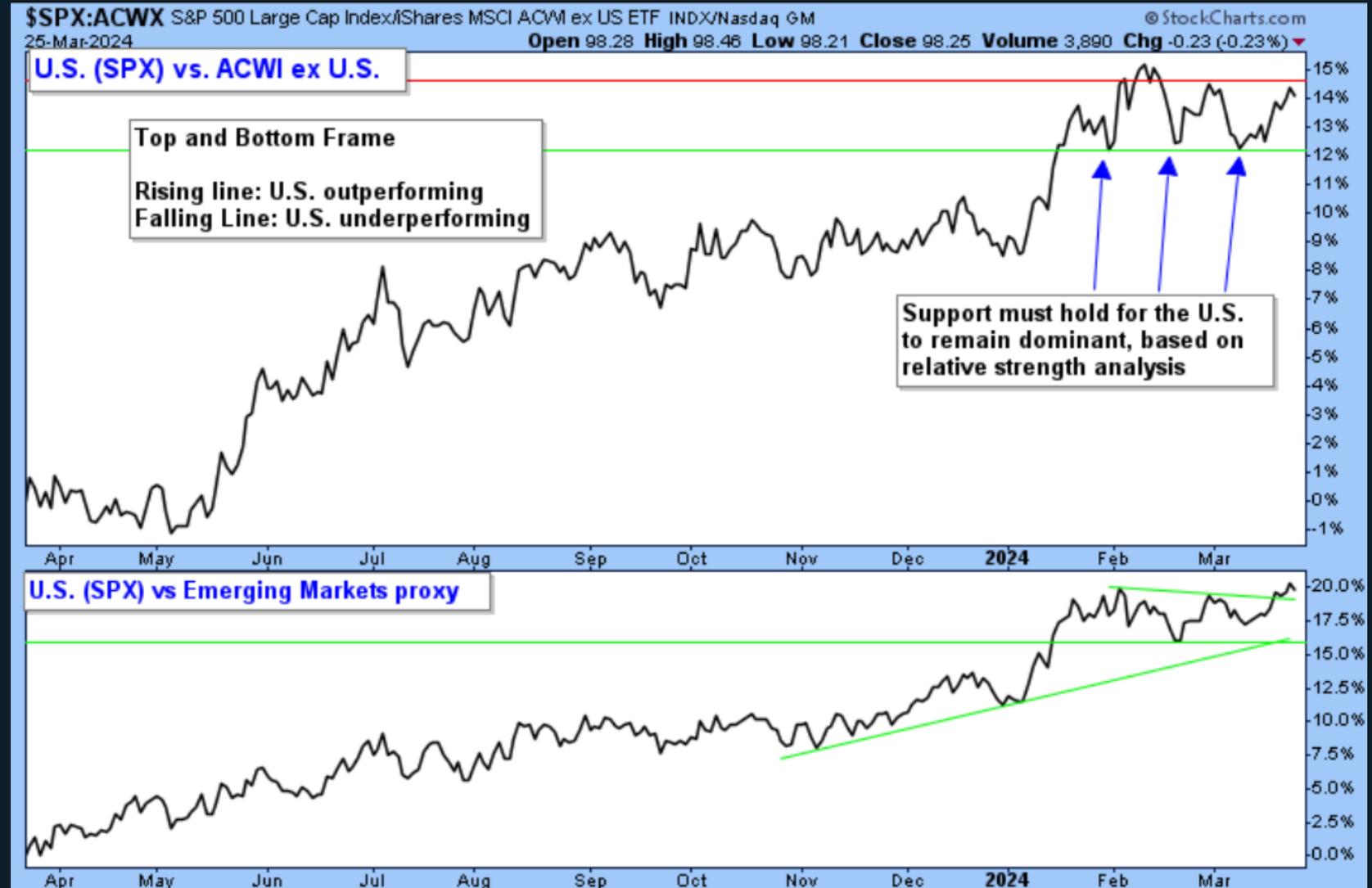
Favorable: Japan, Germany

### Explore

Favorable: Mexico, Turkey,  
Brazil, Spain, Philippines

Charts for the above were  
Highlighted 3/19/24.

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



## China (Technology)

Highlighted **Shanghai** last month based on an extreme oversold condition and bearish sentiment. It was not, and currently isn't, being recommended by the **Smart Sector Int'l ex U.S. strategy**.

### Takeaway

Now the going gets more difficult—more time and energy needed.

But I think there is more to come, over time. If support is broken (blue lines), I am wrong.



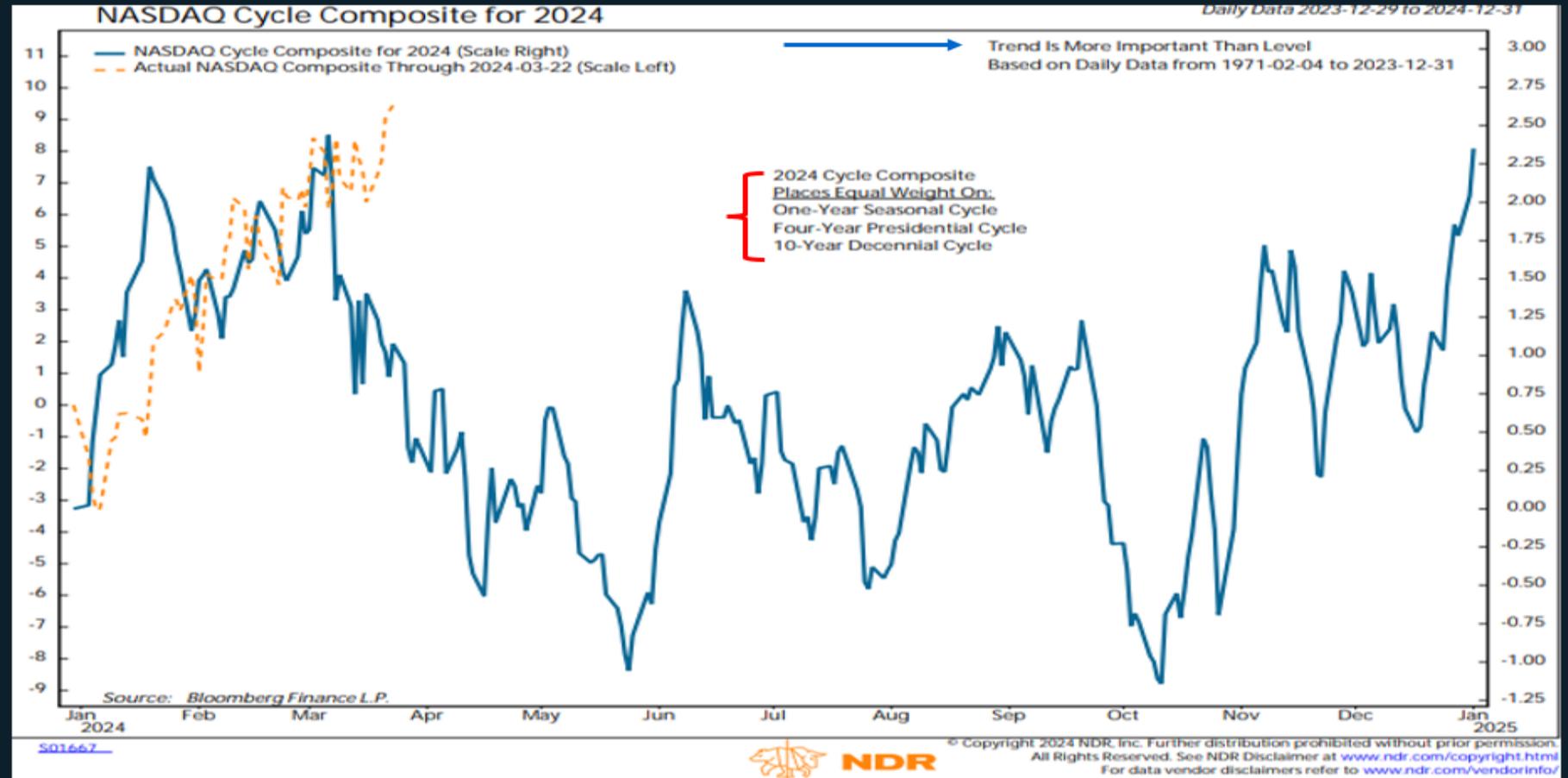
## Seasonality: NASDAQ Cycle Composite for 2024

(A condition, not a signal; second-tier indicator)

While seasonal tendencies can be overshadowed by Fed speak, algo trading, and macroeconomic trends (employment, inflation, economic activity), though not part of the Smart Sector strategy models, this chart is worth being aware of.

### Takeaway

Seasonal headwinds. Tactically, please review risk parameters relative to “domestic Technology.”



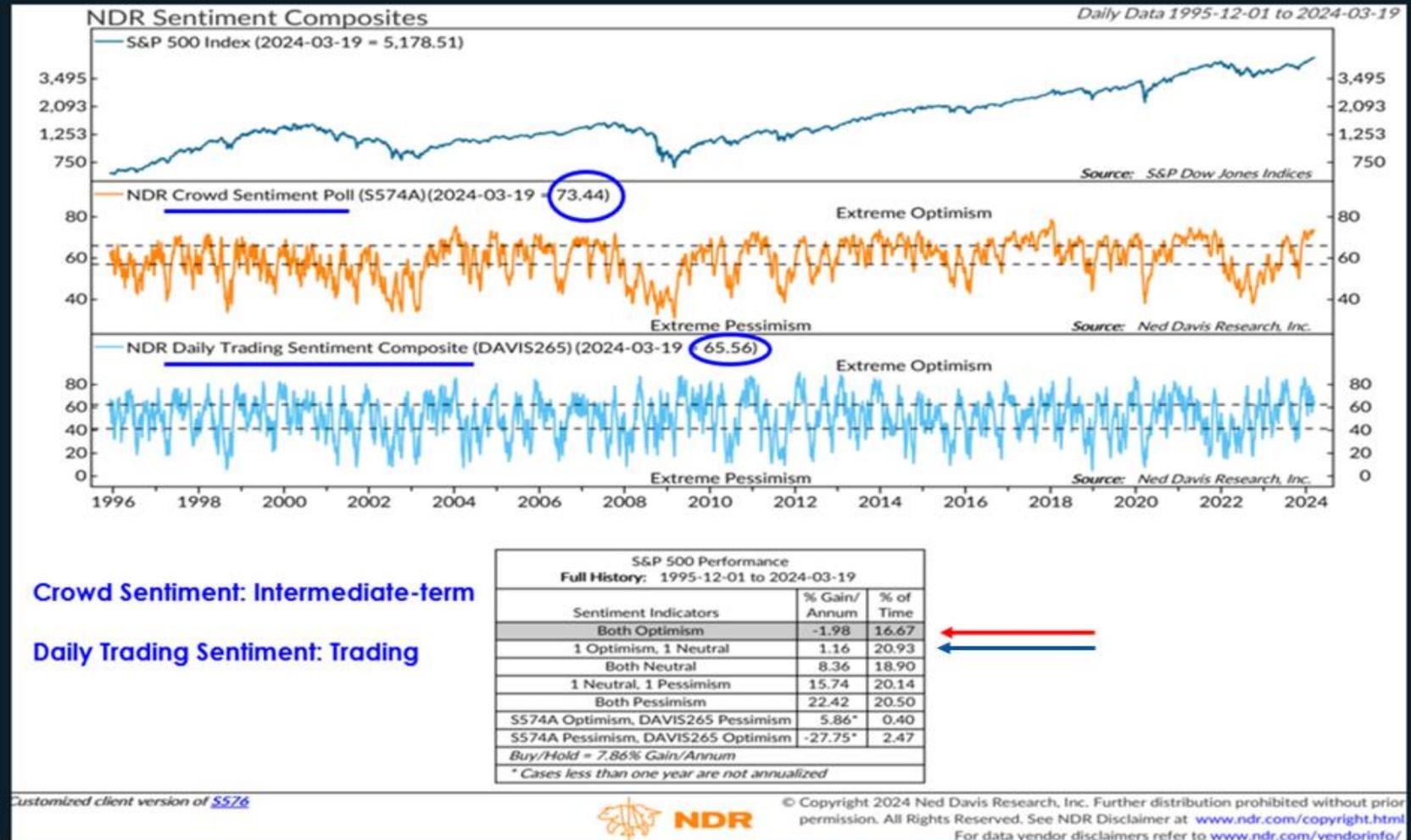
# Sentiment

(A condition, not a signal)

**Takeaway:** Risks of a pullback exist. A quality pullback, as defined by our models and indicators, may relieve optimism for further rallying, but a breakdown by other internal measuring tools, **which hasn't happened**, would signal something worse.

Similarly, **optimistic readings** exist in the following:

- Flows into U.S. Equity Funds (weekly vs. 4-week MA)
- National Association of Active Investment Managers (NAAIM)
- Investors Intelligence Bull-Bear Newsletter Advisory



# Trends:

*“As sure as night is dark and day is light  
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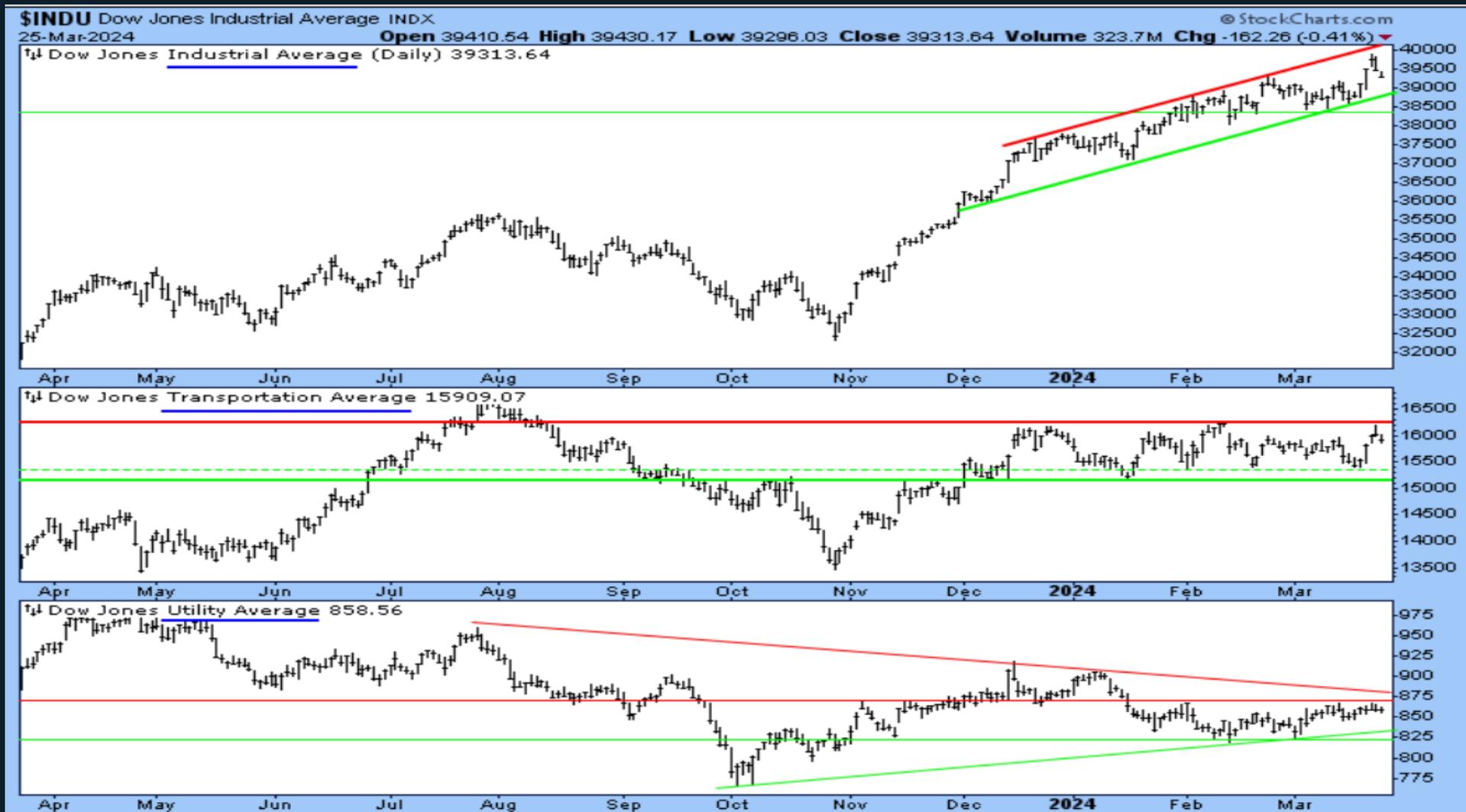
~Johnny Cash

While Johnny Cash was addressing his marriage, **the equity market is walking its own line** as support and resistance lines continue to hold! The lines matter, as do previous reaction troughs (support) and previous reaction peaks (resistance).



# The Joneses

As time (and price) march forward, please reach out for specific resistance and support levels highlighted in red and green.



## Small Cap Proxy (IWM – weekly chart)

I remain of the opinion that this complex needs stable interest rates at a minimum, and lower interest rates ideally.

### Takeaway

First support line to walk (not violate) is the upper green line—200+/-.



# Another example of "Walking the Line."



# Semis: Another example of the importance of "Walking the Line"

"So goes the semis, so goes NASDAQ. So goes NASDAQ so goes the market" ~Ralph Bloch (RIP)

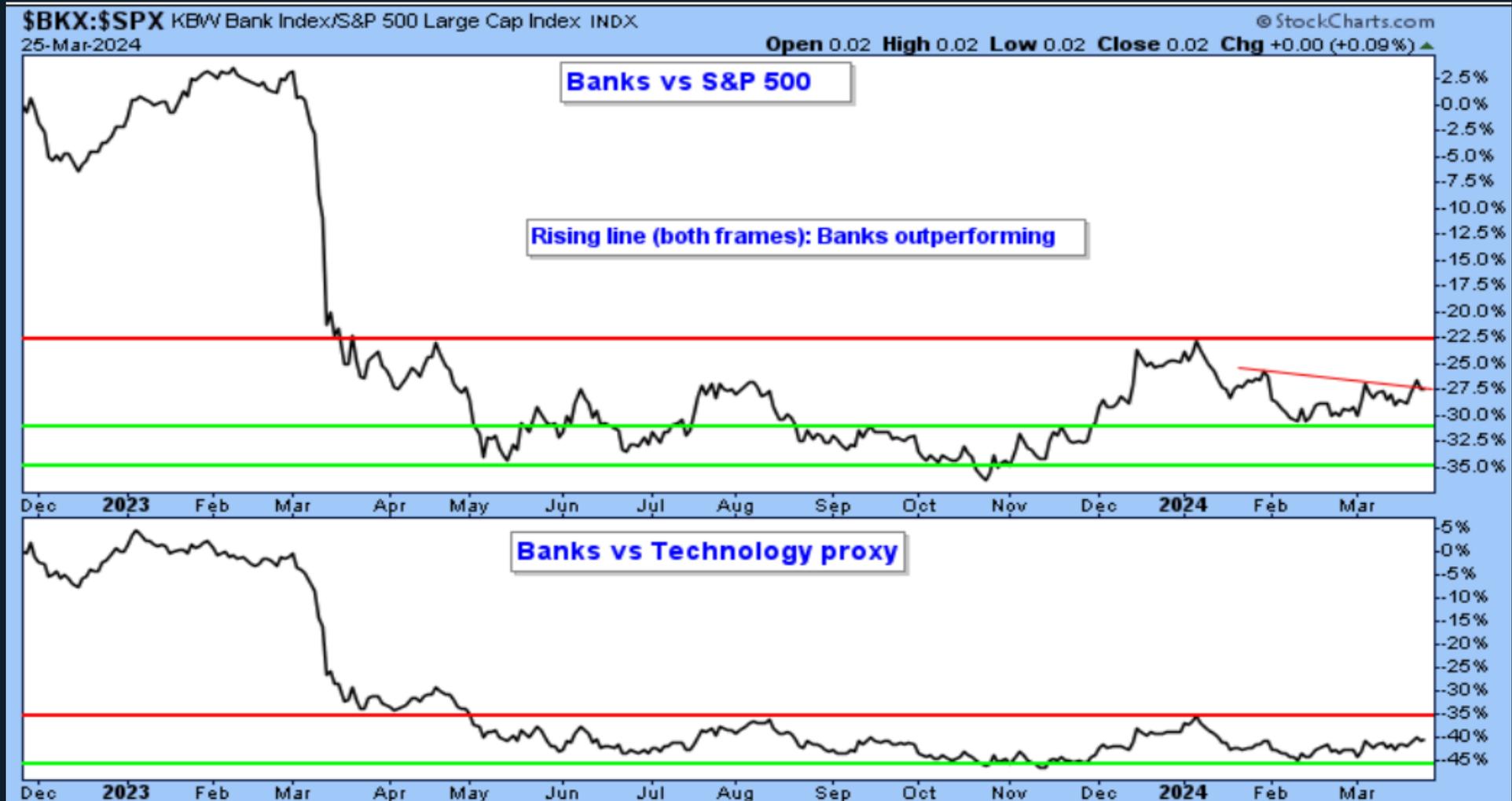
**Side Note:** As Yardeni Research states, "The economy is less about producing and transporting goods and more about processing data. Datacenters are becoming as important as transportation hubs." Should this be part of Dow Theory, in lieu of TRAN?



# Banks vs. S&P 500 / Technology

**Takeaway:** It's still early (topside breakouts have not happened, yet), but there is something intriguing about each of these.

What's your take?



## Growth (Index Movers) versus Value (Non-Growth)

Because of the overlap in many of these proxies and the questionability of some of the components, I remain leery of discussing them. That said:

**Note:** XLK continues to exhibit weak relative strength.



## CBOE 10-Year U.S. Treasury Yield Index (TNX) w/50-day MA

Within the context of higher lows since mid-December '23, TNX has been rangebound the past few weeks, despite all of the economic reports and the "Federal Open Mouth Committee's" statements.

**Takeaway:** Rangebound for now, but a decisive close above 43.40 (4.34%) resistance or below 41.80 (4.18%) support will aid in dictating the next near-term directional move. Please be apprised.



## 30-Year U.S. Treasury YIELD and Bond (PRICE) Index

Having shown a similar chart for the 10-Year U.S. Treasury Yield many times over the past 2 years, I am showing the 30-Year because I can also show the 30-Year Bond Price Index.

### Takeaway

I say, "A picture is worth a thousand words."

You?



## U.S. Dollar Index – weekly data

**Takeaway:** 106-107 red horizontal resistance line is important. Violate it and we move towards the upper end of the range. If not, the lower trading range (107 to 100) continues.

Given the relationship between the U.S. Dollar and international markets, please let us know if you'd like to discuss the process & discipline underpinning our **Smart Sector International ex U.S. strategy.**



## GSCI Commodity Index (weekly) w/rising 10-week and 40-week MA

**Takeaway:** An example of what happens after “Walking the Line” and some resolution occurs.



**Takeaway:** While each has their own levels of overhanging selling pressure (resistance), from a non-trading perspective, each is trending higher.

**Note:** This chart brings me back to slide #4 and the discussion about Inflation.

You?



# Gold

**Takeaway:** Multi-year breakout (bullish) with recent short-term high volume price reversal (caution). Needs to remain above long-term breakout level to maintain its “Goldfinger” status.



## Final Thought

*“...worry about what you are going to do in response to the markets.”* ~Michael Carr

- **The Smart Sector strategy** utilizes measures of price, valuation, economic trends, monetary liquidity, and market sentiment to make **objective, unemotional, rational decisions about how much capital to place at risk and where to place that capital.**
- As opposed to capitulating to confirmation bias and emotion, we have a quantitative approach to guide our decision-making that is benchmarked against the S&P 500: **Smart Sector Series strategies.** If the model changes, so will our investment allocations.

*“Winners make small mistakes; losers make big mistakes.”* ~Ned Davis



# 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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