

March 5, 2024

# The Grind Continues

## Summary

The best way to describe the tape action last week and since the October 2023 low is “the grind higher continues” (Figure 1). Fortunately, the grind higher has recently been taking on more participants (Figure 2), albeit hesitantly and with much consternation. Also, the **number of New 52-Week Lows** (a guidepost for when the odds of a meaningful decline increase—reach out for a chart) refuses to expand.

## Condition vs. Signal

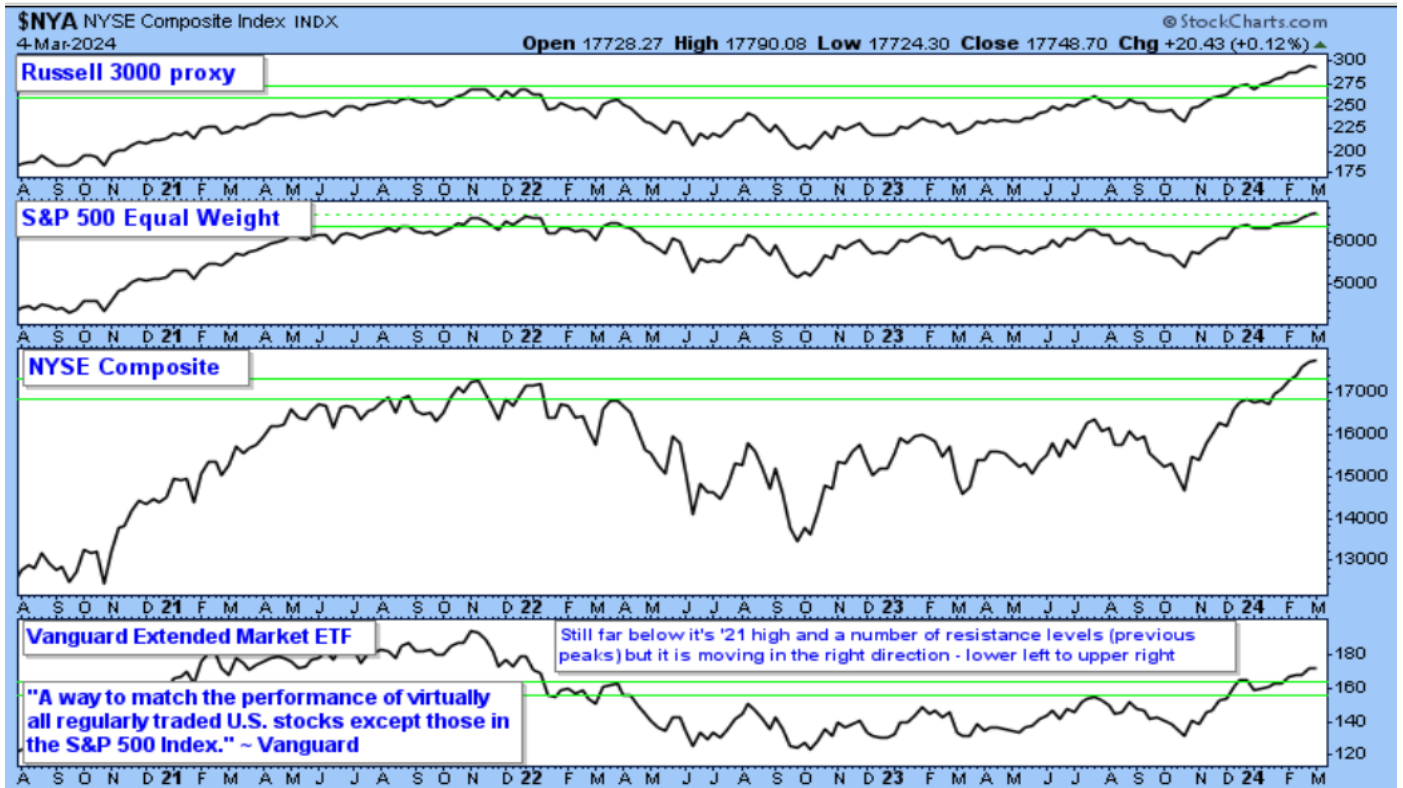
We’ve discussed before the need to differentiate between a **condition** and a **signal** (in this case a sell signal). A *condition* may be a divergence/non-confirmation between the price trend of an equity market index and a set of equity market internal measuring tools. It does not have a specific timeframe—the condition could last days, weeks, or a few months before a change of trend occurs or it gets resolved. In this case, we need to be aware of the suspect/unsupportive backdrop and manage risk accordingly. Alternatively, a *sell signal* occurs at a specific point in time—e.g., model change, momentum cross, moving average cross, trendline or price breakdown.

Between late December 2023 and February 2024, the domestic equity market was in a suspect condition. Yet our models/indicators did not register a specific sell signal. That remains the case, even with technology’s huge outperformance last week—see note below.

**Figure 1: S&P 500.** | Please refer to the verbiage inside the chart. In terms of support, please use the green uptrend line as well as the levels highlighted inside the thumbnail chart on the right.



**Figure 2: Domestic Equity Market Proxies – weekly charts.** | Besides the tech-heavy SPX (Figure 1) and “Index Movers,” broader areas of the domestic equity market have joined the fray higher—supportive.



## You're Killin' Me, Smalls

The Small Cap complex has consistently underperformed, and it has also registered numerous false topside breakouts. The “you're killin' me, Smalls” frustration (from the 1993 film *The Sandlot*) is widespread, but I think that's about to change.

**Figure 3: Small Cap proxies - weekly chart.** | More work is needed on a relative basis (versus Large Caps—please reach out for the chart). But from a price (trend) perspective, don't be surprised by a stair step move (1.5 step higher, 1-step down) towards resistance (red lines)/2021 highs.



**Note:** Despite AAPL's chart breakdown below \$180 (resistance now between \$180 and \$185; meaningful support and price target = \$165, \$160 respectively), the **technology proxy's relative strength trend** highlighted recently moved up through some resistance. But it continues to face more resistance overhead, defined as previous peaks. I will monitor it closely. At the same time, the **semiconductor proxy's relative strength trend** shown did break out to the upside and up to this point has held. The **software proxy's relative strength trend** remains rangebound—blasé for now. Please reach out for a chart of the group, or a specific sector proxy only.

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 3.03-04.2024. Chart source: Stockcharts.com unless otherwise noted.

## Upcoming Events

[Day Hagan/Ned Davis Research Smart Sector® with Catastrophic Stop, hosted by Art Day, on March 20, 2024, at 1:15 p.m. EDT](#)

[Day Hagan/Ned Davis Research Smart Sector® with Catastrophic Stop, hosted by Art Day, on March 20, 2024, at 4:15 p.m. EDT](#)

[Day Hagan Technical Analysis, hosted by Art Huprich, CMT, on March 26, 2024, at 4:15 p.m. EDT](#)

## Disclosure

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