

Day Hagan *Chart Jamboree*

Head on a Swivel & Stealers Wheel

Be Aware of Your Surroundings

“Interest rates are to asset prices... sort of like gravity is to the apple.” ~Warren Buffett, 2013

Presented By:

Art Huprich, CMT®
Chief Market Technician

February 2023



@DayHagan_Invest



Day Hagan Asset Management



DayHagan.com



Big Picture Secular Perspective



Secular: Difficult, Sideways – Grind it Out – Wear 'em Out

The positive correlation between interest rates and equity prices emerged in the aftermath of the “Fed Put” in 1987 and LTCM in 1998 when the “Committee to Save the World”...

The December '22 minutes made clear that the “proverbial Fed put is officially dead and gone,” said Kent Engelke, chief economic strategist at Capitol Securities.

The **increase in bond yields continues to weigh on equities**. A trend of negative correlation emerged with the latest Fed hiking cycle **as portfolios are repositioned**.

- **Is Wall Street putting its head in the sand about this?**



Rubin, Greenspan, and Summers
February 15, 1999

Regime Change

Has the equity market fully embraced this reality?

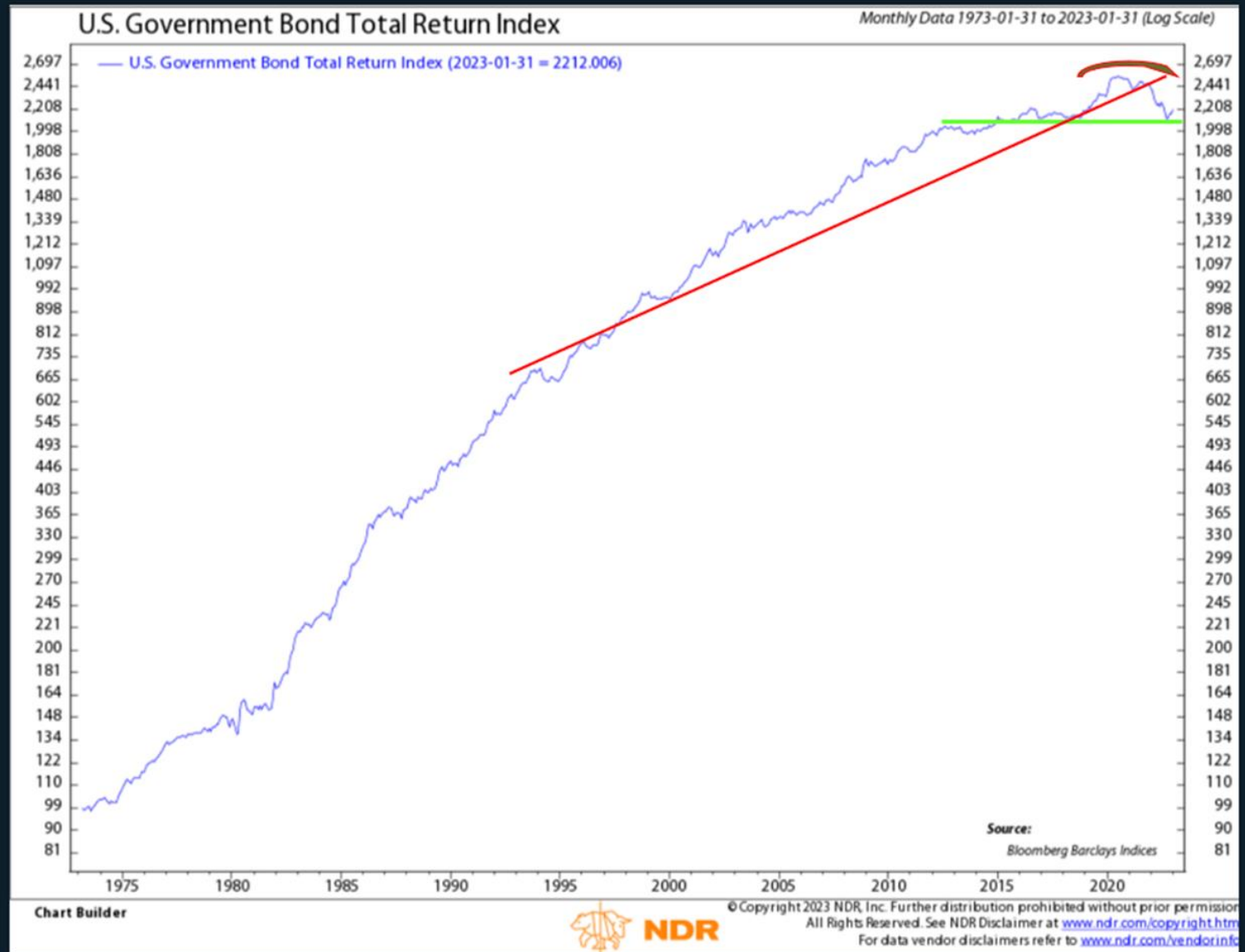
“No Fed Put... higher interest rates. Down, Difficult, Sideways, Grind-it-out era.” “Wear ‘em Out, instead of Scare ‘em Out,” ... long trading range until, at the least...”

(Chart Jamborees: Sept. '22, and earlier in '22)



Head on a Swivel

“Be aware of your surroundings.”

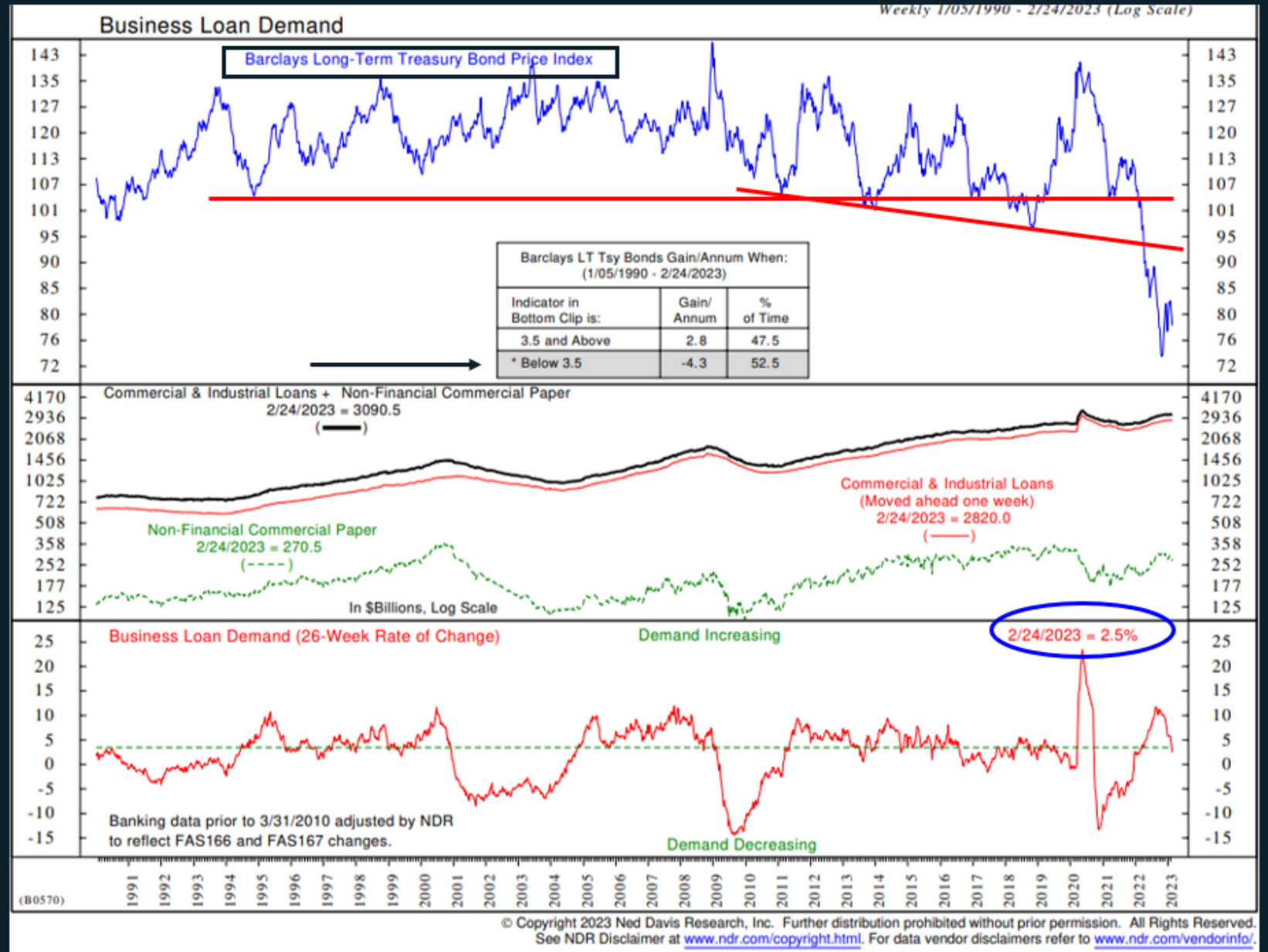


1) Long-term breakdown

(top frame) and refer back to slides 3 & 4.

2) Could there be a second consecutive year of poor returns by the F/I market?

3) Is there a chance the Fed is looking at this— lower frame? Does it matter to the Fed?



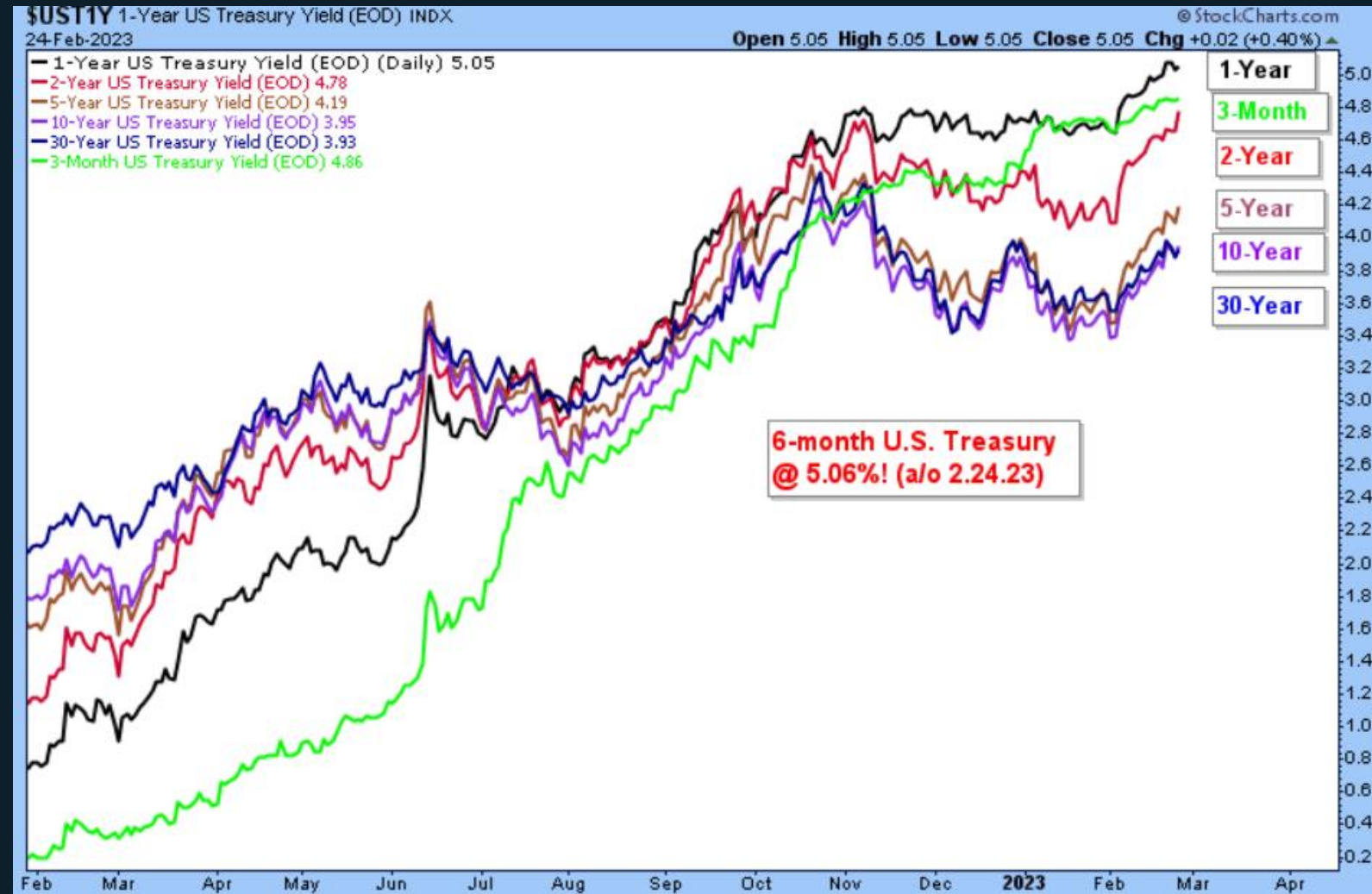
Head on a Swivel

(Be aware of your surroundings)

I am **not making a recommendation** of what you should do relative to cash vs. equities, especially given the ramifications of inflation on either.

I am simply observing and sharing what I am seeing and hearing.

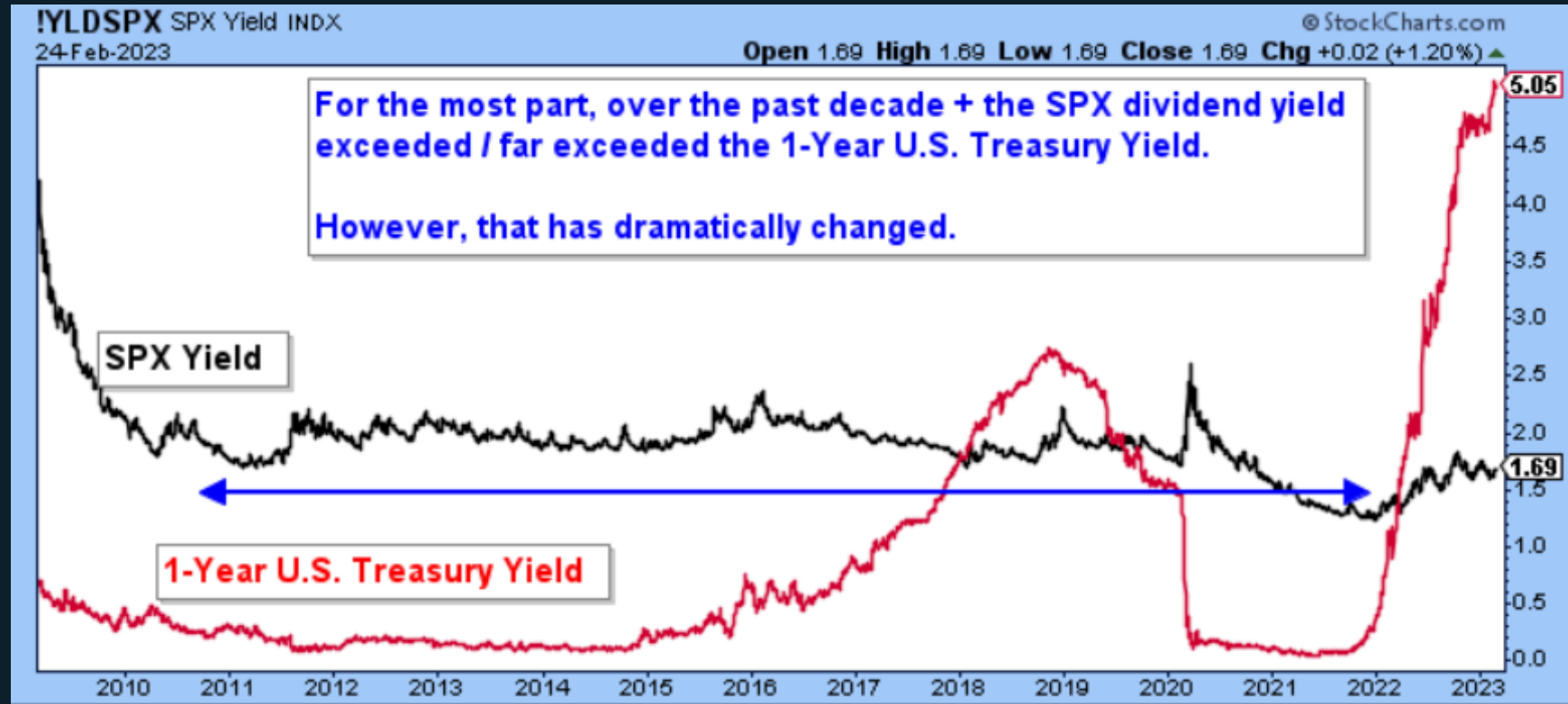
Note: I was wrong last month, believing the 10-year yield had a bit more on the downside. I should have better respected the rising 200-day MA support line.



How much of this is already priced in, especially considering stymied growth?

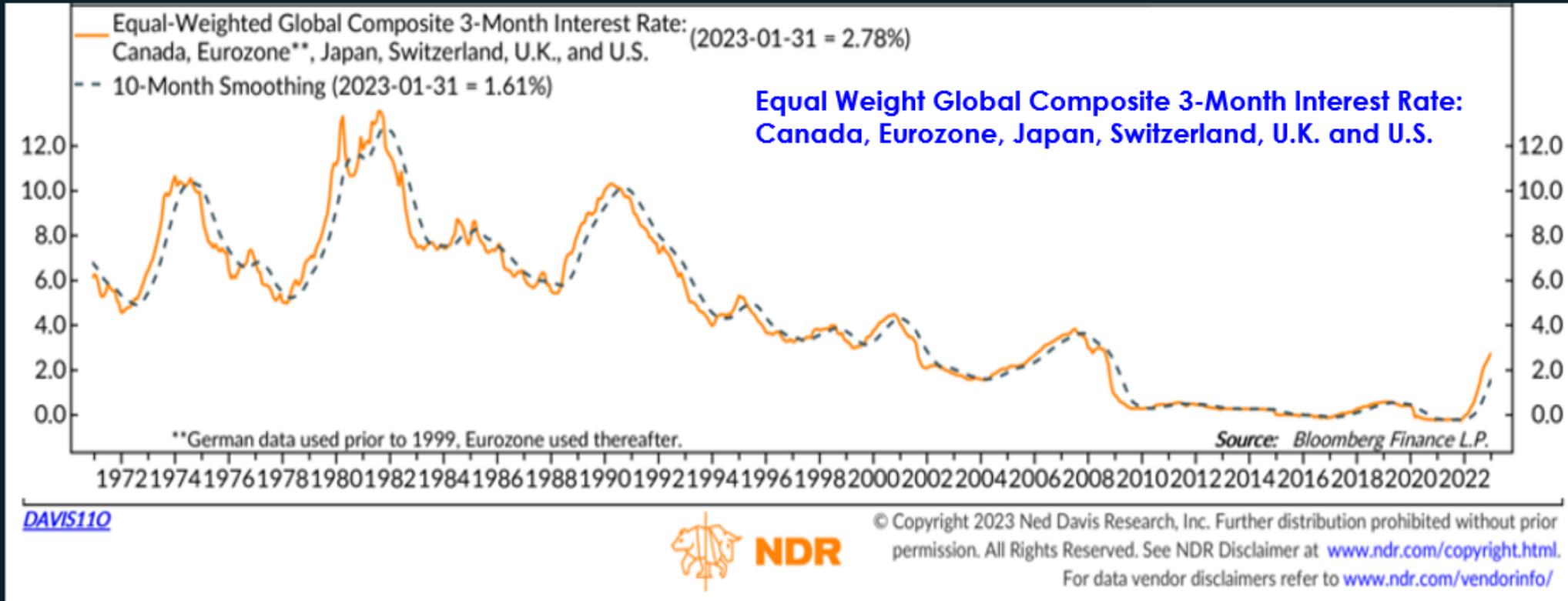
“The level of interest rates remains the most important obstacle to further market advances—as the risk-free rate of return is such an important component to valuing equities.”

“... we look at the widening relationship between the S&P dividend yield and short-term Treasuries...” ~Doug Kass



JOMO (joy of missing out) over **FOMO** (the fear of missing out) appears real as flows into money markets have picked up again this year.

Global interest rate trends also loom heavy on equities, domestically and overseas...



Reality Check: Both Humbling & Painful

The table shows that, since the historic low in the 30-Year Fixed Rate mortgage, the same monthly payment can only service a mortgage that is one-third smaller than in January 2021, or the same size mortgage (\$500,000) will require a payment that is 56.8% higher.

~Carl Swenlin

Please reach out for a chart of the 30-Year Fixed Rate Mortgage.

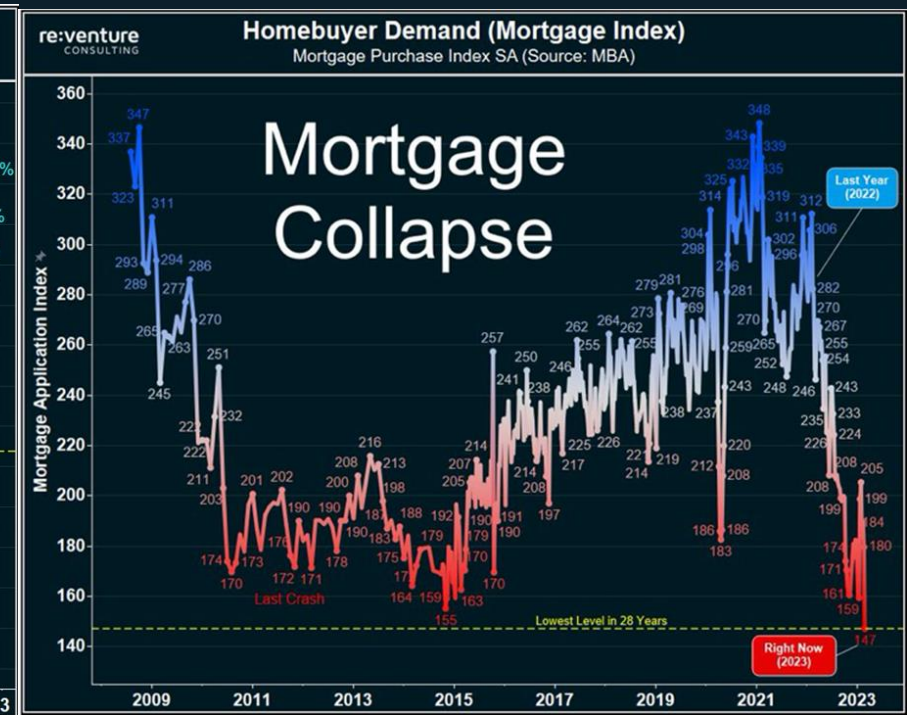
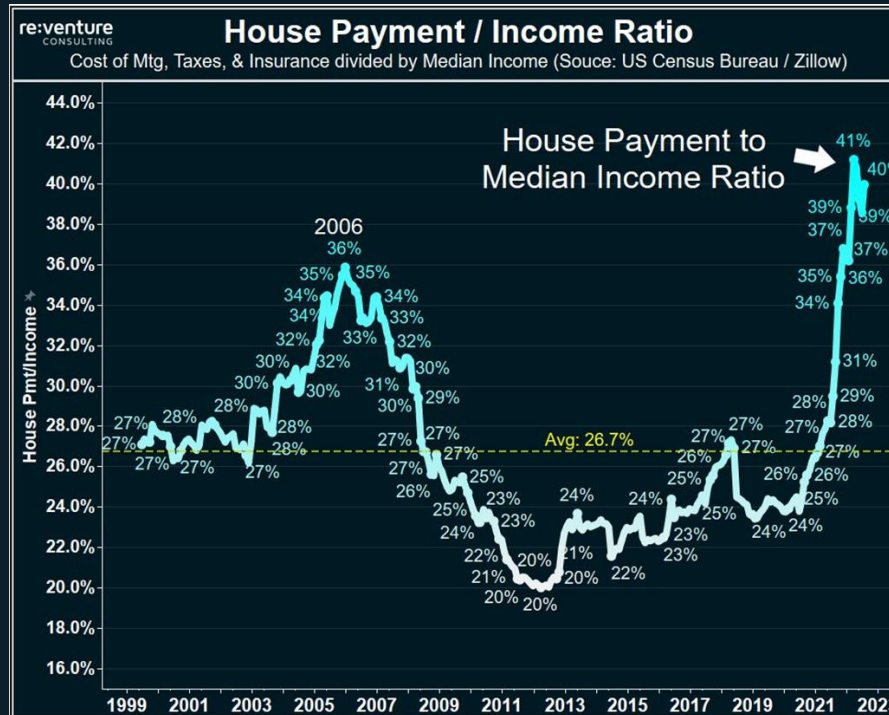
FIXED PAYMENT MORTGAGE AMOUNT - 30-YEAR FIXED

Date	Payment	Interest Rate*	Mortgage Amt	Difference	% Change
01/07/2021	\$2,015	2.65%	\$500,000	--	--
02/23/2023	\$2,015	6.50%	\$318,800	(\$181,200)	(36.2%)

* Average in U.S. per St Louis Fed

PAYMENT for FIXED MORTGAGE AMOUNT - 30-YEAR FIXED

Date	Payment	Interest Rate*	Mortgage Amt	Difference	% Change
01/07/2021	\$2,015	2.65%	\$500,000	--	--
02/23/2023	\$3,160	6.50%	\$500,000	\$1,145	+56.8%



Let's Not Forget: Quantitative Tightening?

- Fed's balance sheet runoff adds to an unsettling macro backdrop.
- “The **M2** measure of **money supply** ... **we've never seen** M2 grow so fast for so long (post COVID) or **decline so rapidly....**” ~Brian Wesbury, First Trust
- “While there is more to the Fed than money supply, **the biggest drop in inflation-adjusted M2 since July 1948** reflects the magnitude of the Fed tightening.” ~NDR



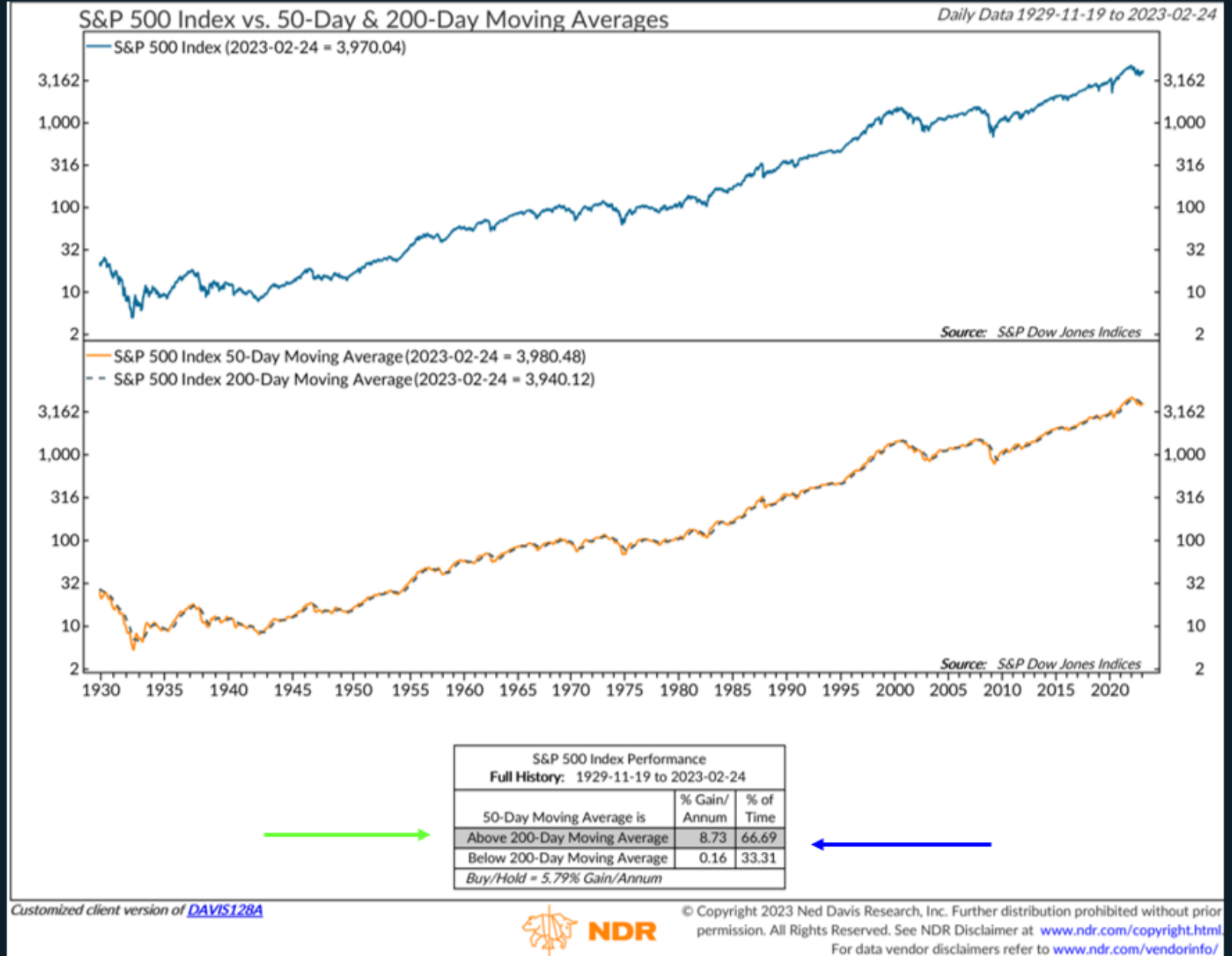
2.28.23 Update (NDR): The Fed, BoE, and BoC are shrinking their balance sheets. But continued expansions from the BoJ and ECB more than offset the reduction. China is also adding liquidity. All told, **total liquidity among the major central banks has actually expanded.**

Balanced Approach
Drilling Down: What is Supportive
of Equities, Non-Trading?



It's never this simple: While this indicator has a history of positive returns after a “Golden Cross,” there are examples of negative returns, especially pre-2000...

More to the point: “To those forecasting an up [or down, my addition] year for equities in 2023, it's not the end point that is important, but the path taken to get there.” ~Walt Deemer



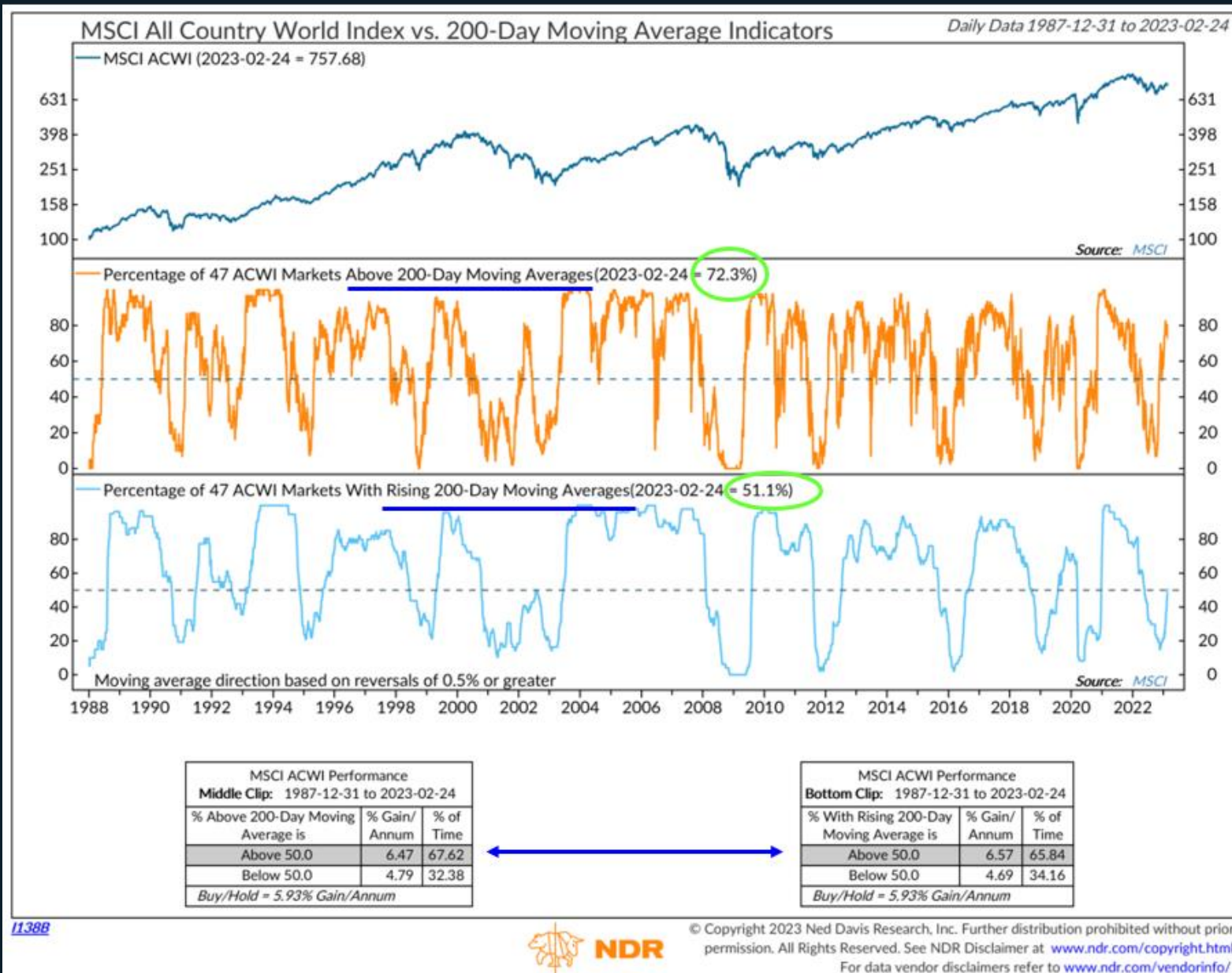
Speaking of Moving Averages...

Following the last few weeks' tape action (& slides 2-10), I know "it" doesn't feel good, but these are supportive.



Additional **“Moving Average”** analysis...

While the returns aren't that different (performance boxes), the current readings are supportive and reinforce my **“Grind it Out – Sideways for Longer”** thesis.



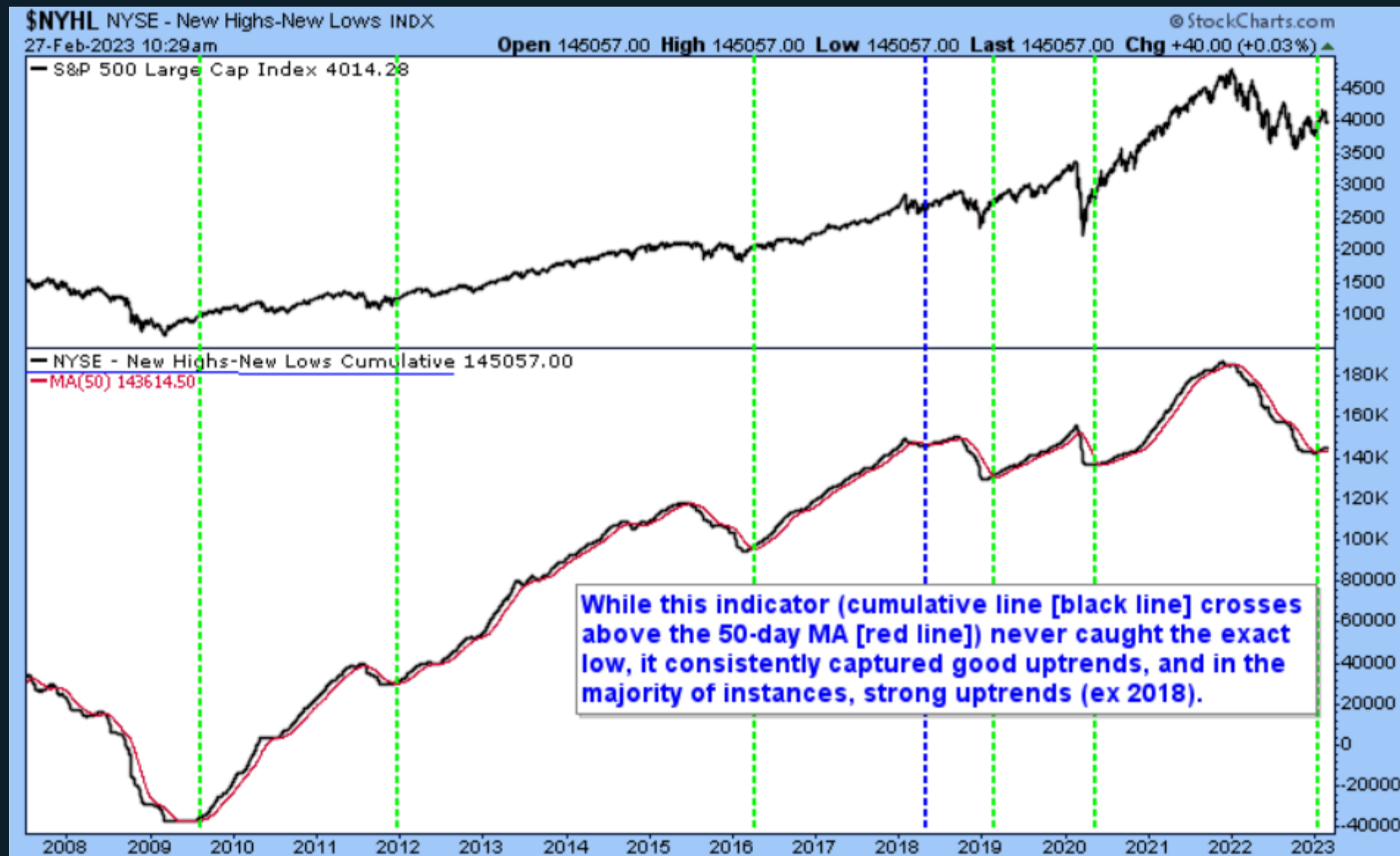
11388



© Copyright 2023 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/

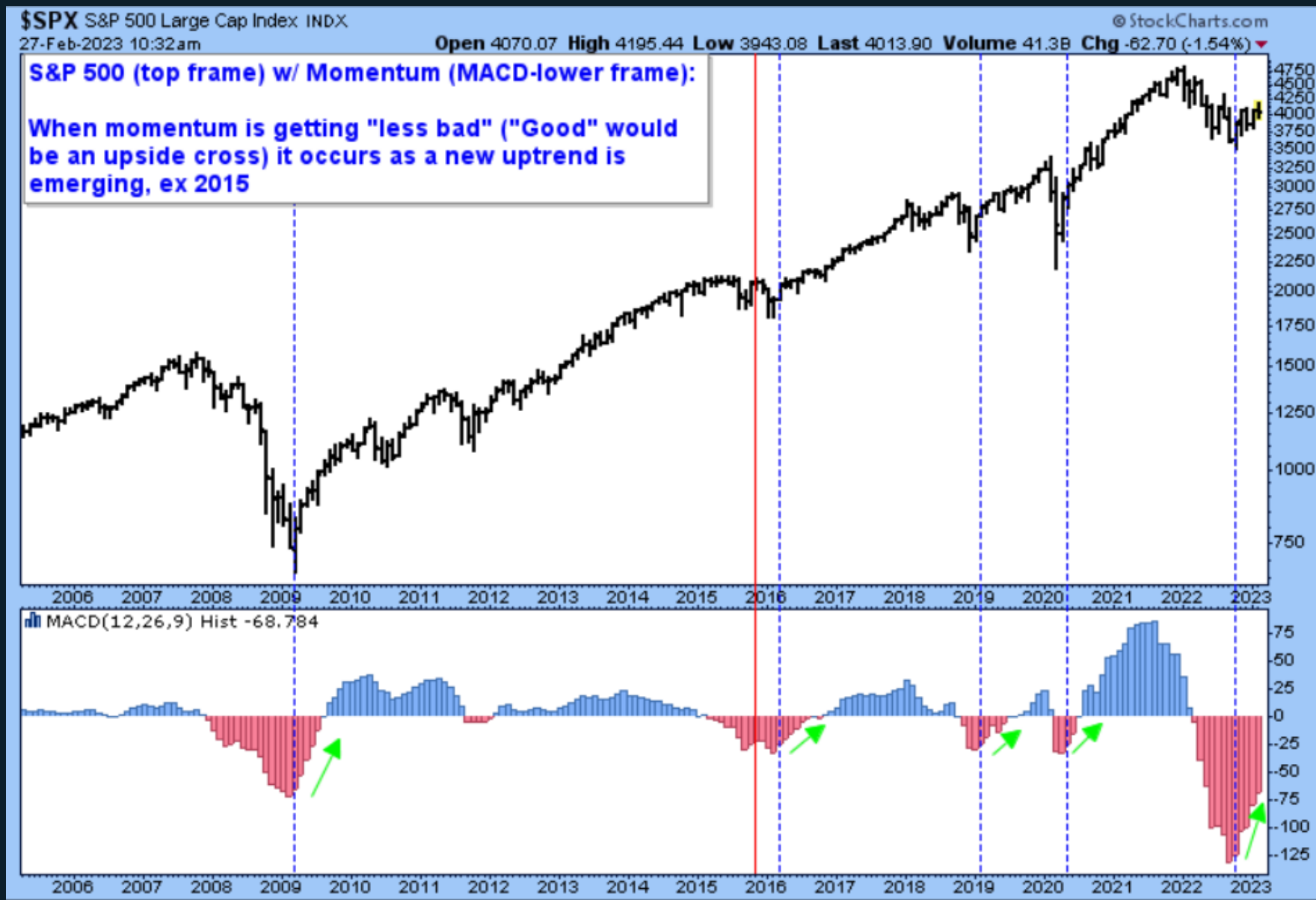
Speaking of “Simple”
(referring to slide 12)
but effective ...

NYSE: New Highs minus New Lows Cumulative



SPX Momentum (monthly MACD)

Not "Good," but "Less Bad!"

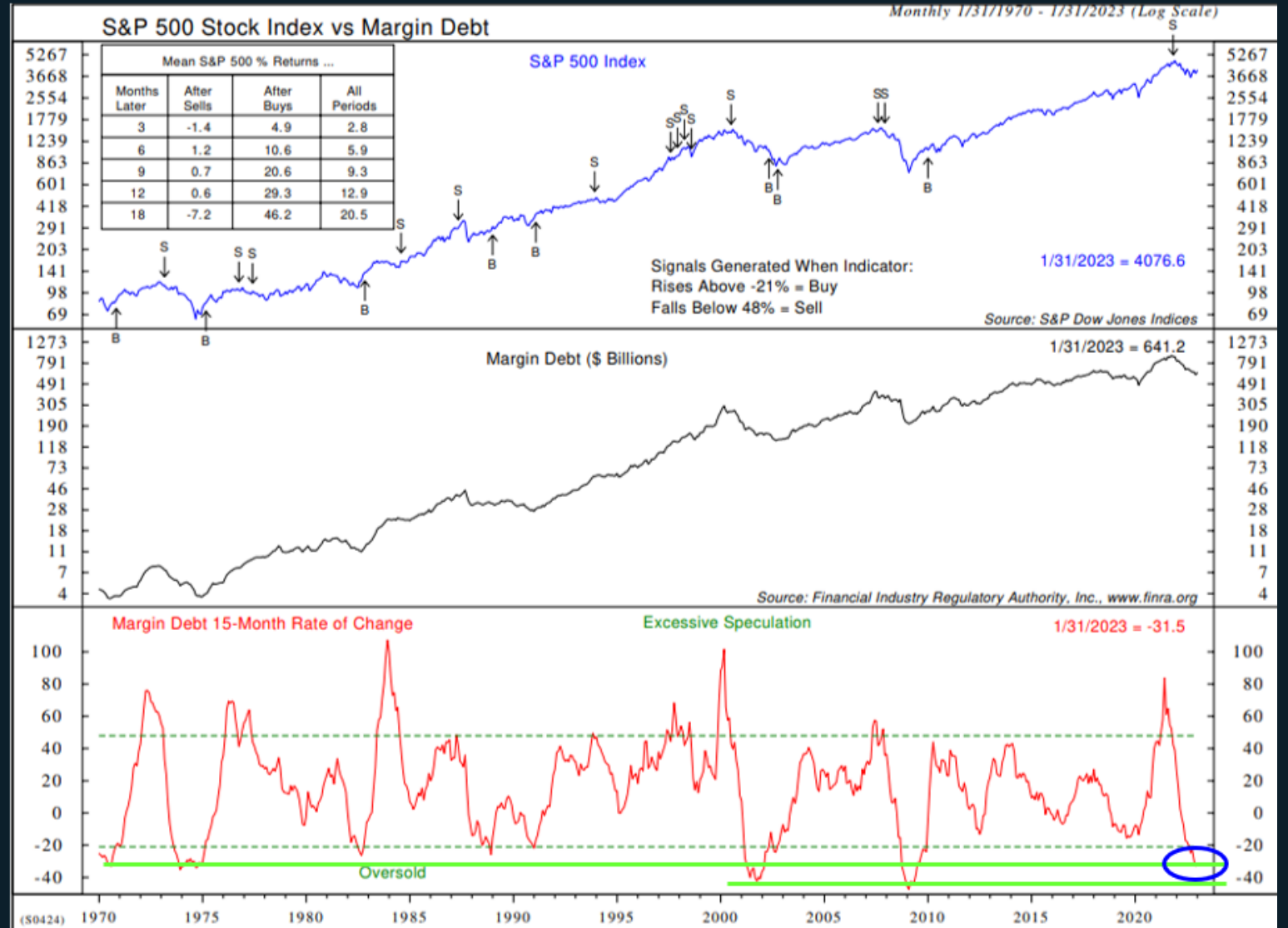


Margin Debt

15-month ROC at oversold levels – bottom frame

A buy signal has not yet been registered, but once it reverts back above -21, a new buy signal—and there have been some good ones (as well as sell signals)—will occur.

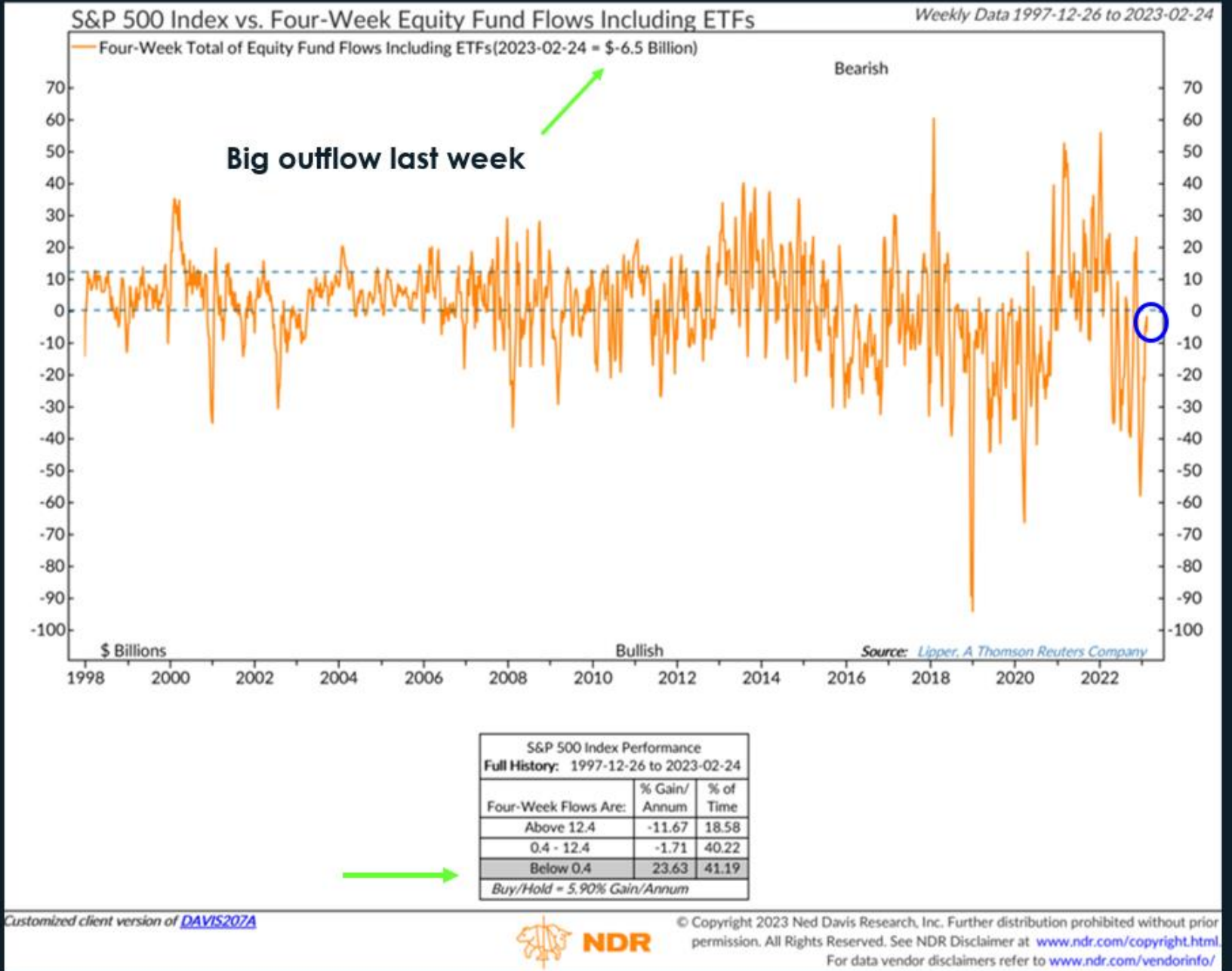
Please Note: Performance box top frame – upper left



© Copyright 2023 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved
See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo

Four Week Total Equity Fund Flows Including ETFs

Takeaway: While having risen recently, still show pessimism, just less so.



Lies, Damn Lies, and Statistics....

“No prior S&P 500 bear market has made a new low after spending 18 consecutive days above its 200-day moving average.” ~Anthony Scaramucci

- According to SentimenTrader. Of the 11 prior instances since 1950, the S&P 500 has never been lower 3, 6, or 12 months later.

Dates of 11 Signals	1 Week Later (%)	2 Weeks Later (%)	1 Month Later (%)	2 Months Later (%)	3 Months Later (%)	6 Months Later (%)	12 Months Later (%)
1958-05-13	0.0	0.4	2.6	3.5	9.4	21.5	33.8
1962-12-18	1.5	2.7	5.0	7.2	6.3	12.9	19.9
1967-02-03	0.1	0.6	0.9	3.0	8.1	9.7	5.2
1970-10-16	-0.6	-1.2	-1.2	6.5	10.8	23.4	16.0
1975-02-26	3.1	4.0	4.3	7.3	11.6	4.5	26.5
1982-09-16	0.0	-2.7	7.9	10.7	9.3	21.0	33.6
1988-07-01	-0.5	-0.5	0.1	-3.8	0.0	2.2	17.0
1988-09-28	1.0	1.8	3.0	-0.2	3.0	8.7	28.3
2003-05-13	-2.4	1.2	6.0	6.5	5.1	11.1	16.4
2009-08-05	0.3	-0.6	0.1	3.8	4.3	6.0	12.3
2020-07-23	0.3	3.5	5.0	2.5	6.2	18.7	36.3
2023-02-14							
Median	0.1	0.6	3.0	3.8	6.3	11.1	19.9
% Positive	64%	64%	91%	82%	100%	100%	100%
Avg Max Loss	-0.6	-1.1	-1.1	-1.8	-1.8	-1.8	-1.8
Avg Max Gain	0.8	1.2	5.0	7.1	9.5	14.7	24.3
Z-Score	-0.1	0.4	2.7	1.9	3.8	3.0	3.6

© SENTIMENTRADER Numbers are % return after signal; Risk = avg max loss; Reward = avg max gain; Z-Score +/- 2 suggests significance.

Credit spreads (OAS) are behaving (declining/narrowing)—not yet rising/widening.

Takeaway: Indicates normal functioning markets.

Watch the **red** and **green** downtrend lines. If broken, it would be concerning/bearish.



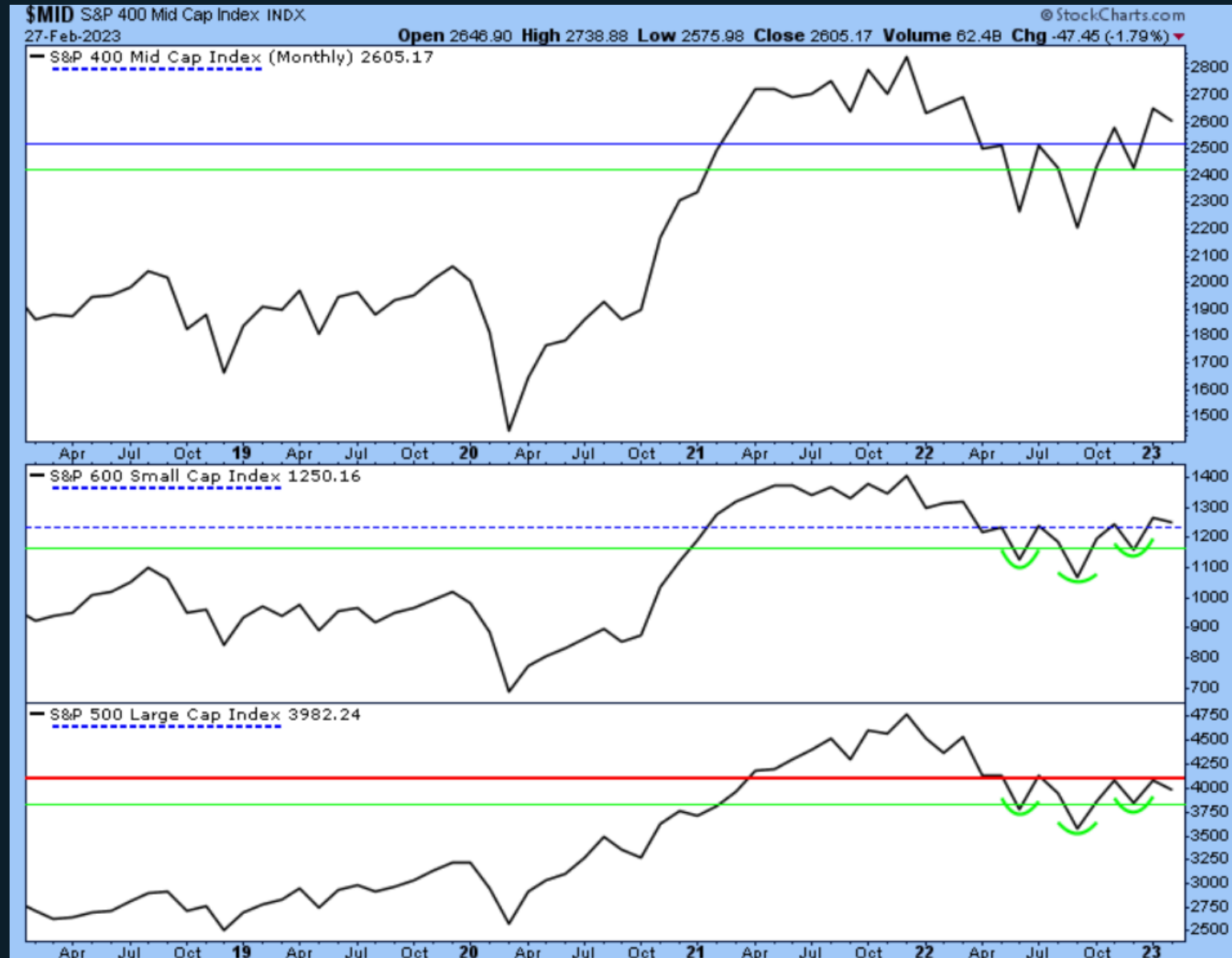
5-Year Monthly Charts: A Different perspective

Mid-Cap (top), Small-Cap (middle), Large-Cap (lower)

Takeaway: Some areas are working better than others.

- Mid > Small and Large
- Small > Large

Note: Keep a close eye on Small Caps because they are typically the most responsive to economic shifts, which could serve as an indication of broader market trends.

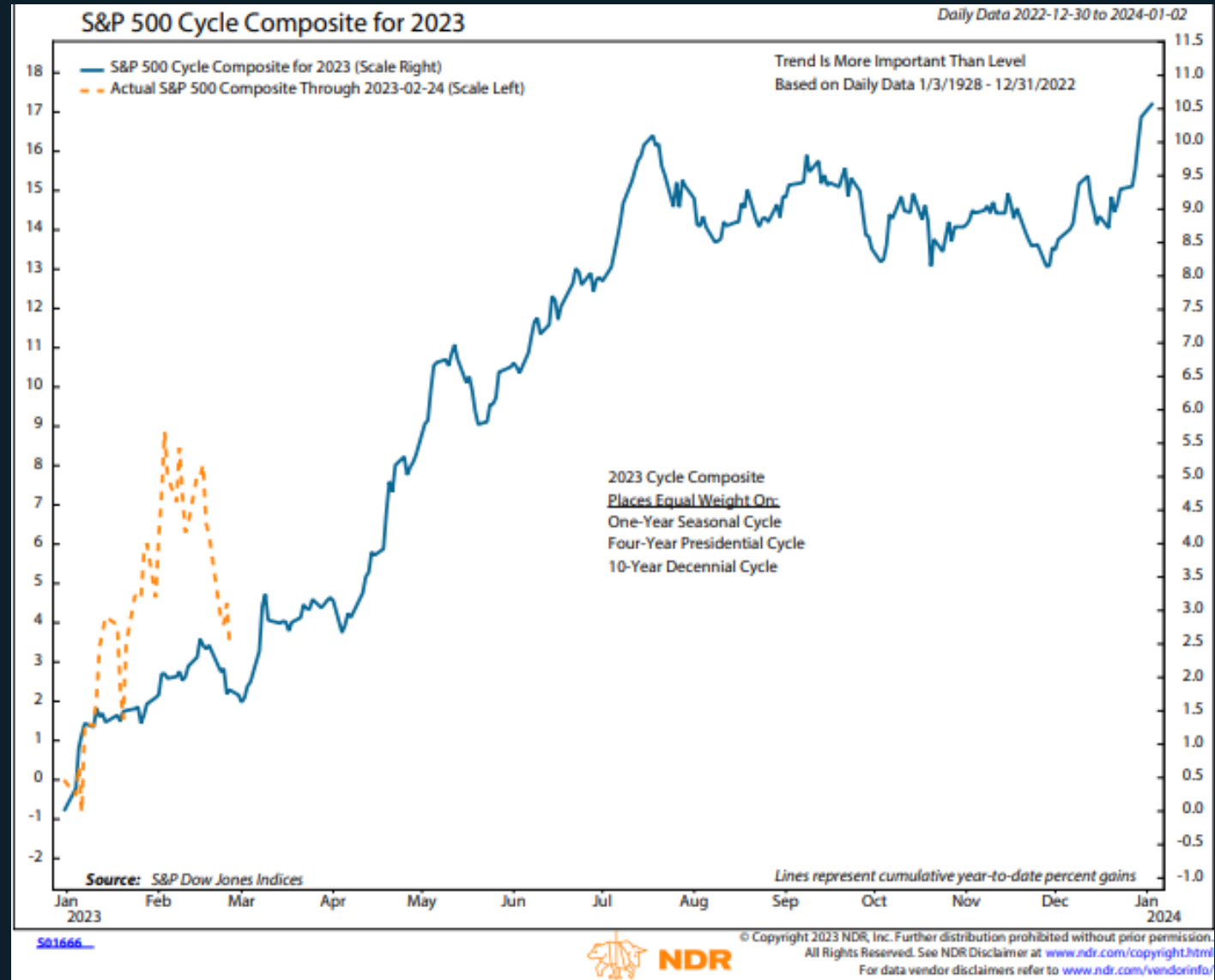


Seasonality

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

Takeaway: The 2023 cycle composite is showing a little weakness into the beginning of March but argues that over all the trend should be positive during the first half of the year.

Please Note: Outside forces can overwhelm cycles & seasonal trends...



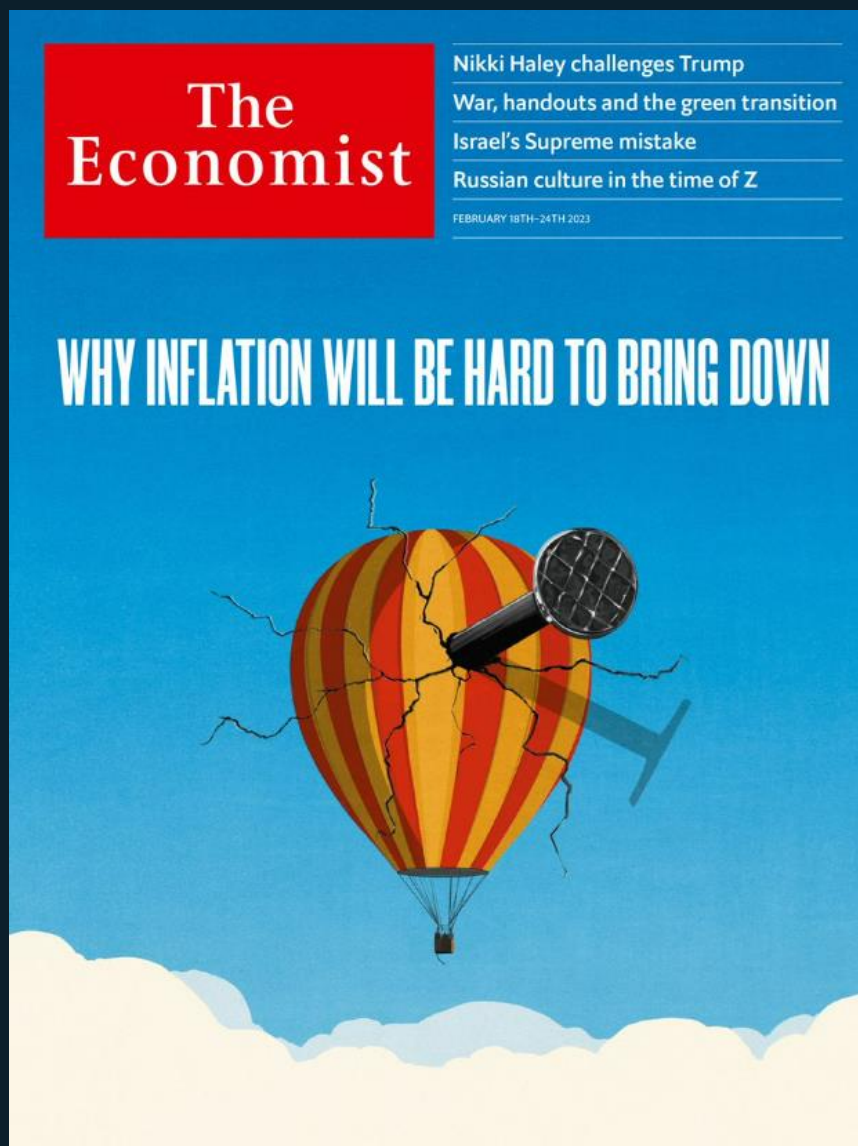
“Leave Us Hope.”

RIP Big Guy

Magazine covers tend to be late in trend signals because by the time the news has reached the editor’s desk, the markets have already discounted all/a majority of the event.

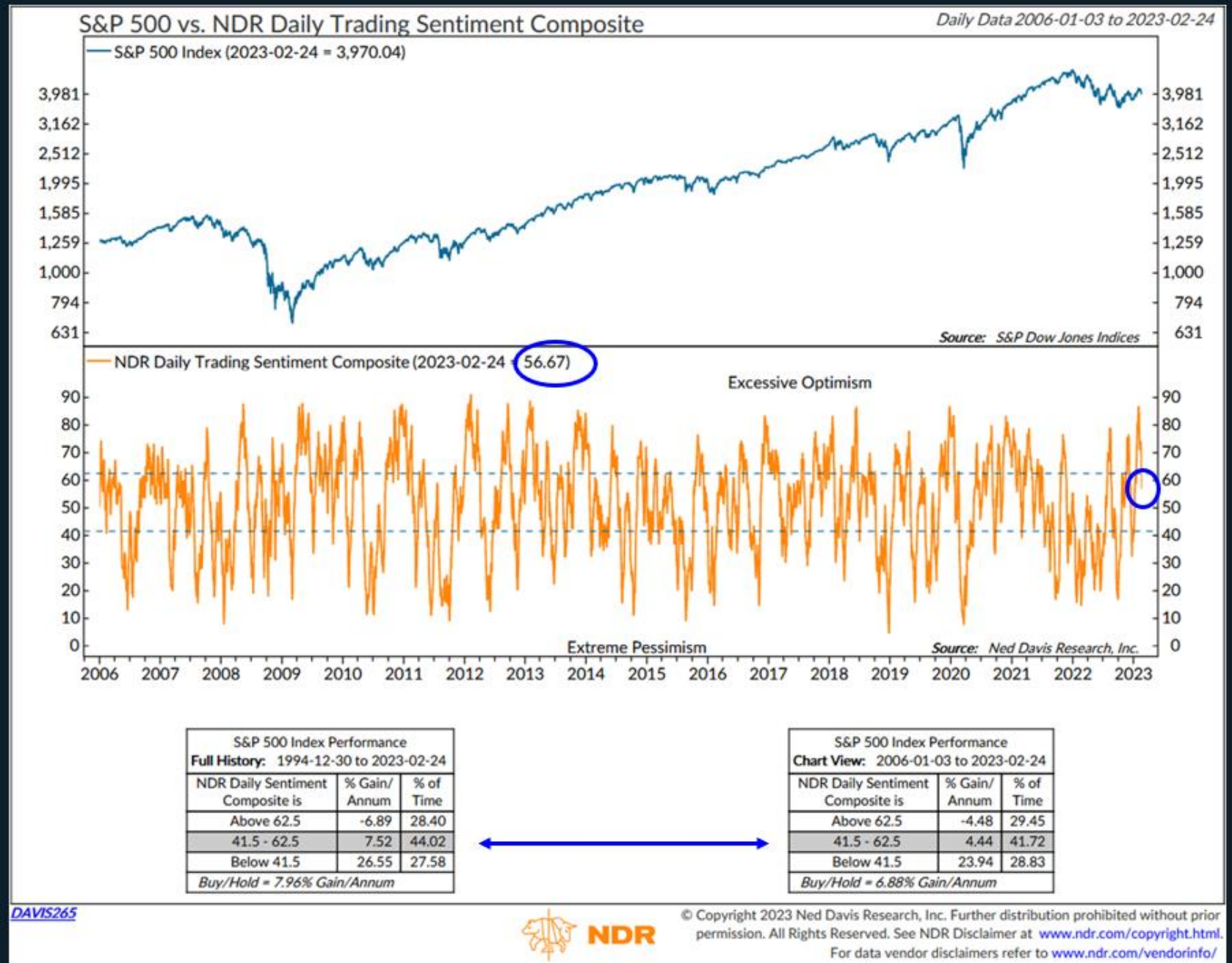
To which I say again, “Leave Us Hope.”

Please Note: Outside forces can overwhelm sentiment readings, especially short-term.



Sentiment (short-term)

Takeaway: Short-term sentiment conditions are less optimistic. A move below 41.5 would flip this factor to a buy signal. The current level indicates the previous overbought condition is being worked off.



DAVIS265



© Copyright 2023 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/

The Wrecking Ball

(in addition to higher interest rates)

Takeaway: The **U.S. Dollar** plays a major role in how many cross market assets trade.

U.S. Dollar strength has been pressuring risk assets/risk-on assets/domestic equities recently.

Please note the verbiage inside the chart.



10-Year U.S. Treasury Yield Index (short-term takeaway)

- *Stuck in the Middle With You*
Stealers Wheel, 1972
- Key off the next violation of
resistance (red lines, or support
(green lines)

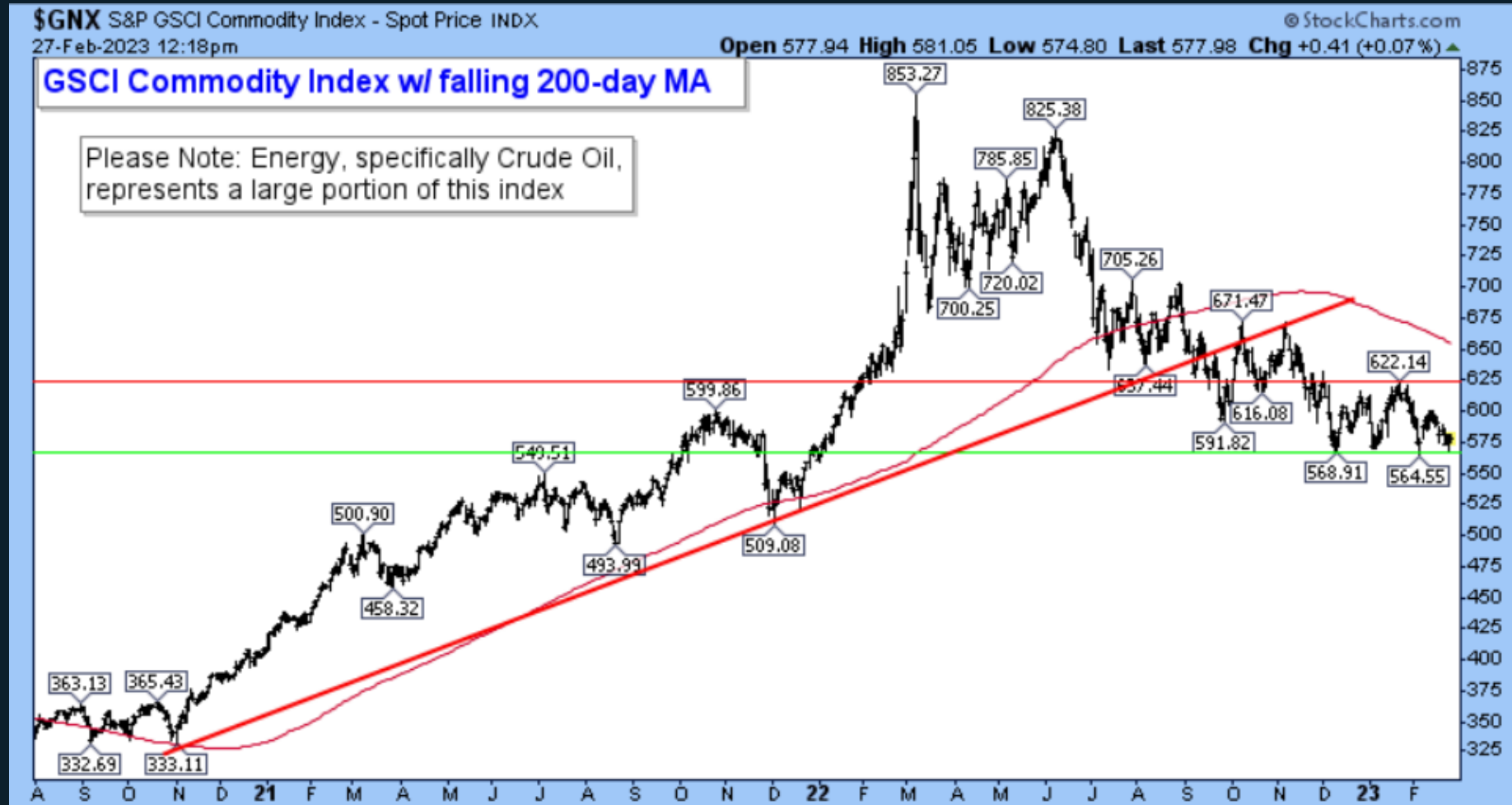


Commodities

NDR has come around to my multi-month viewpoint. Specifically, they have labeled “Commodity Breadth” bearish defined as the % above 200-day MA/with rising 200-day MA-based Aluminum, Cocoa, Coffee, Copper, Corn, Cotton, Crude Oil, Gold, Heating Oil, Lean Hogs, Live Cattle, Natural Gas, Nickel, Orange Juice, RBOB Gasoline, Silver, Soybeans, Sugar, and Wheat.

Takeaway: Very selective only (nonferrous & industrial metals) and manage risk using both absolute and relative price trends!

Please use violations of the **green line** (support) and **red line** (resistance) accordingly.



Light Crude Oil

Takeaway: *Stuck in the Middle With You*

Use resistance and support accordingly.



Domestic vs. Overseas

(relative strength analysis using different proxies)

- Given the very long (decade+) period of U.S. outperformance, any type of **meaningful change** in trend will take time.
- Please reach out about the **DH/NDR Smart Sector International** strategy.



Growth vs. Value (Non-Growth) (relative strength analysis)

Takeaway: Following 12+ months of favoring Value (non-growth) over Growth, **tactically**, I'm turning "Neutral"—Value (non-growth) & Growth (very selective)—Large & Small.

Context: These areas have become mixed. Some Technology (traditionally Growth) has become Value, some cyclicals (traditionally Value) have become Growth—Energy.

Possible solution: Stay with cos. making \$, liquid balance sheets, free cash flow/EV.

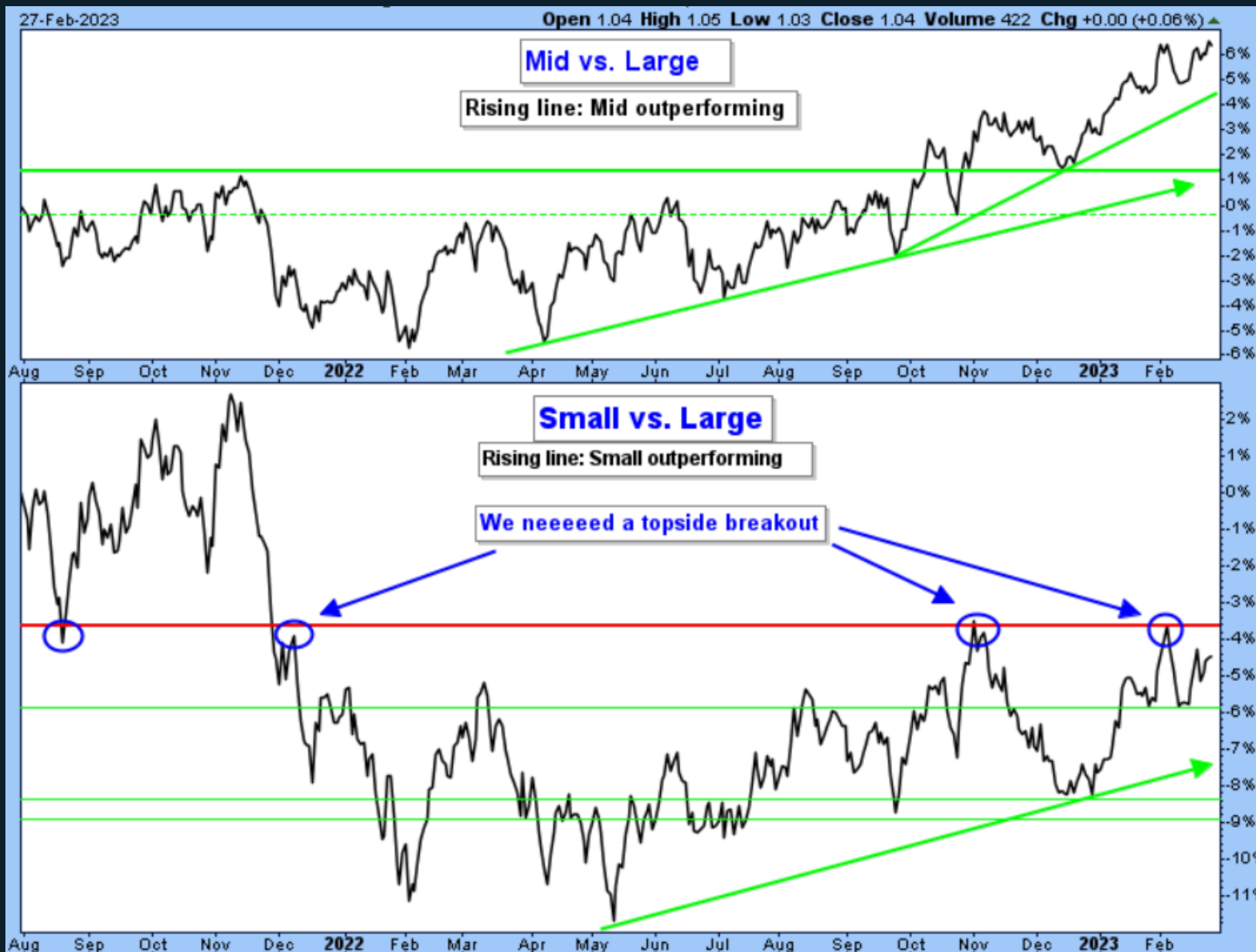
Please reach out for how Day Hagan can support you here.



Mid and Small vs. Large (relative strength analysis)

Takeaway

- Mid > Small and Large
- Small > Large



Shorter-Term

Chop Fest Continues Until:

- Resistance Violated
- Positive Divergences
- Oversold, Intermediate



Stuck in the Middle With You

Stealers Wheel, 1972

*Well, I don't know why I came here tonight,
I've got the feeling that something ain't right,
I'm so scared in case I fall off my chair,
And I'm wondering how I'll get down the stairs,*

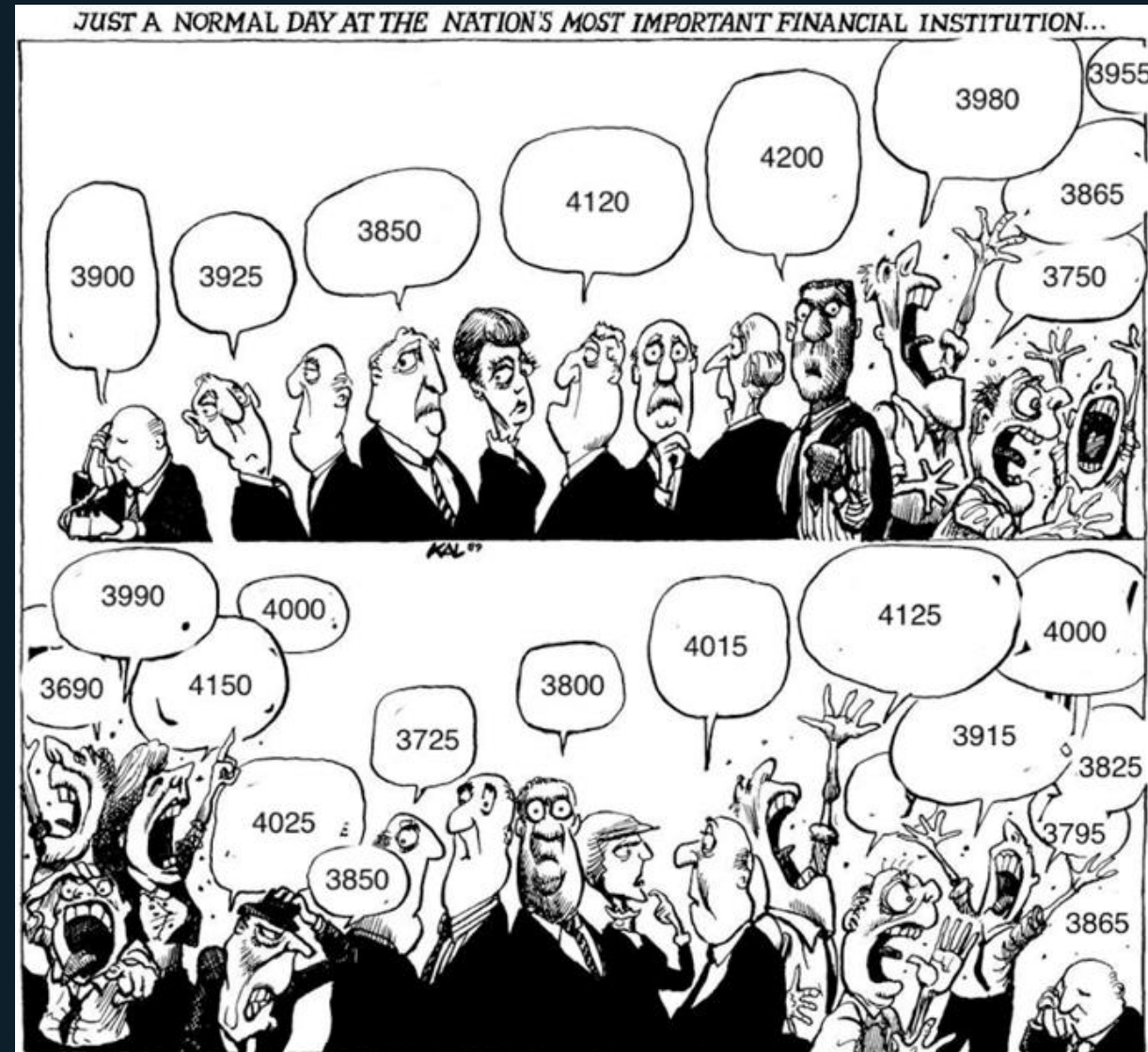
Clowns to the left of me,
Jokers to the right,
Here I am stuck in the middle with you

Yes, I'm stuck in the middle with you,
And I'm wondering what it is I should do,
It's so hard to keep this smile from my face,
Losing control, yeah, I'm all over the place...

Trying to make some sense of it all,
But *I can see it makes no sense at all,*
Is it cool to go to sleep on the floor?
'Cause I don't think that I can take anymore

Clowns to the left of me,
Jokers to the right,
Here I am, stuck in the middle with you

When you have been stuck in a range for a long time
DJIA & Small Cap proxy: 13 months; SPX & NAZZ: 10 months



S&P 500 Chop Fest Continues

Look how long the SPX has moved laterally.

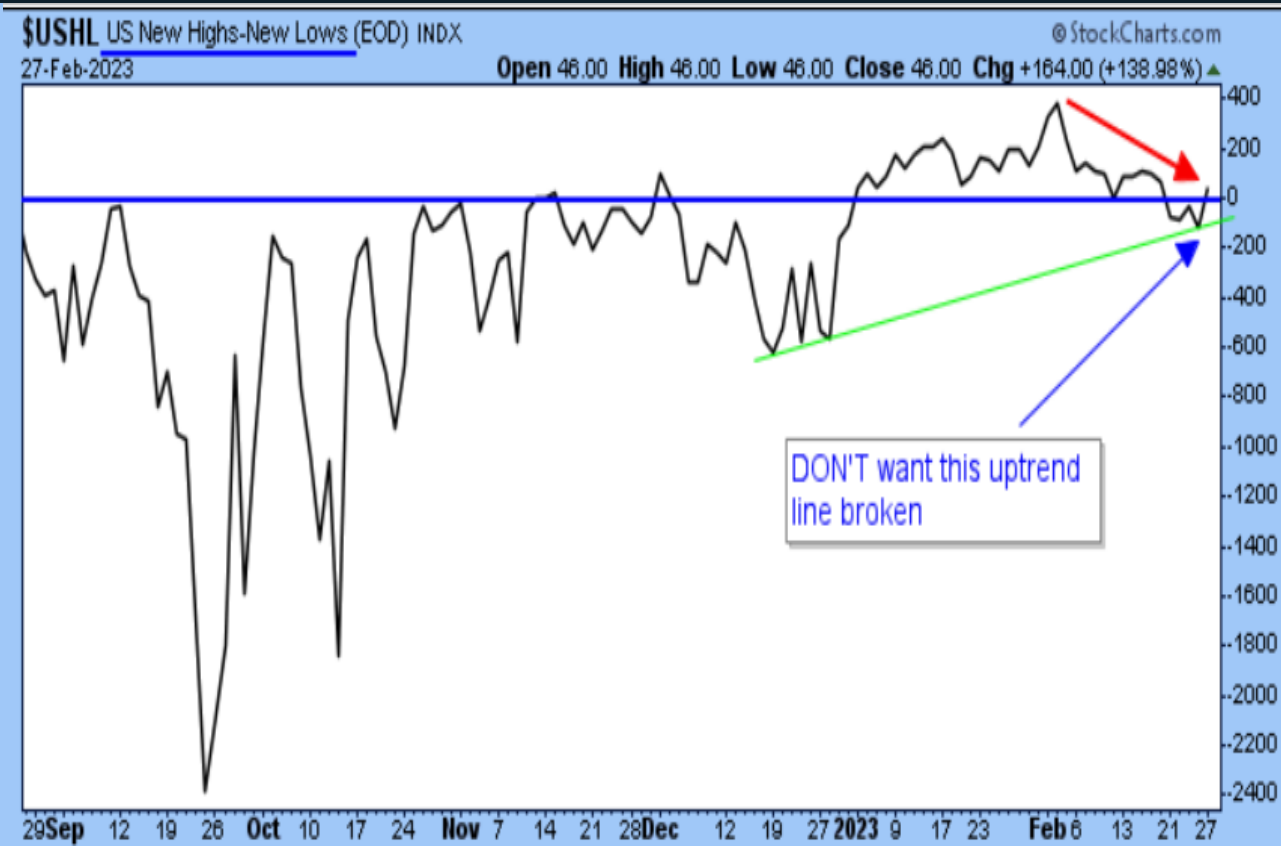
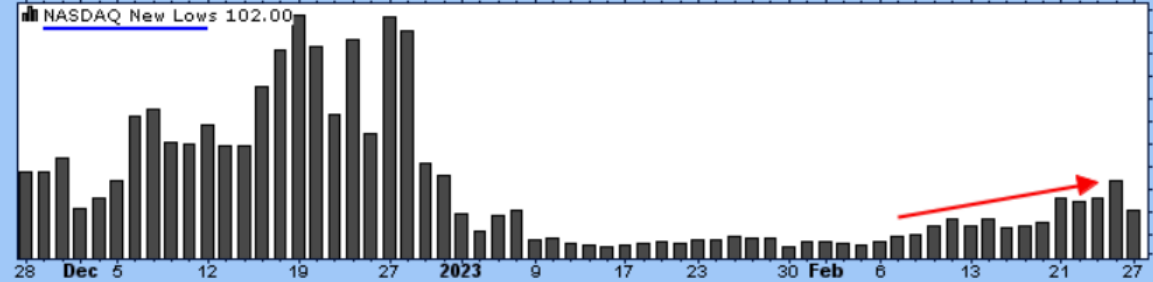
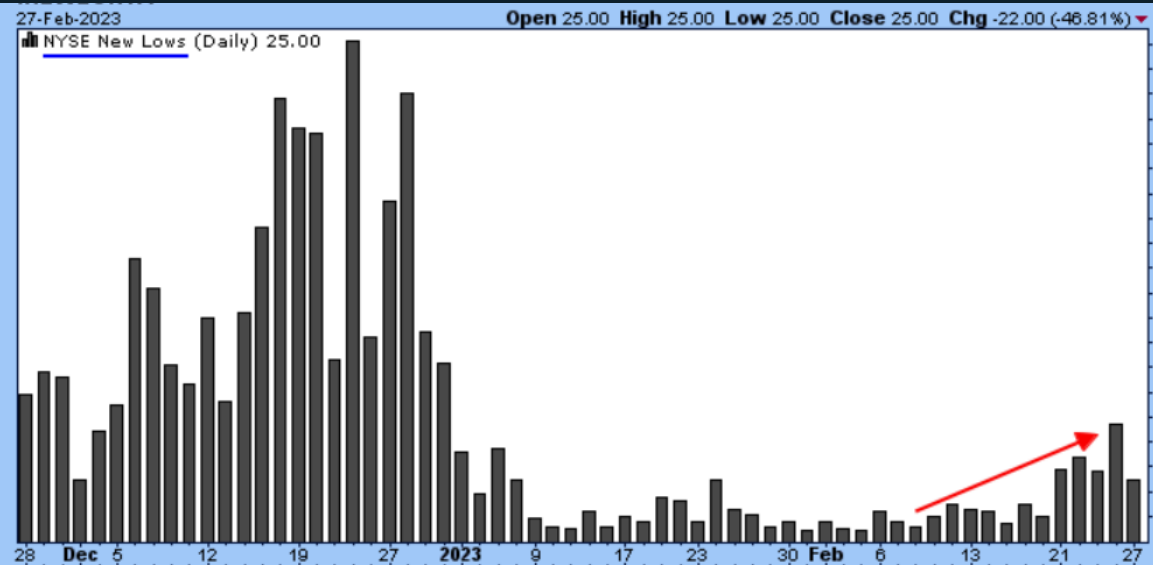
Takeaway

- After the “All Everything Bear of 2022” this isn’t surprising and could easily last much longer.
- Please see the verbiage inside the chart.



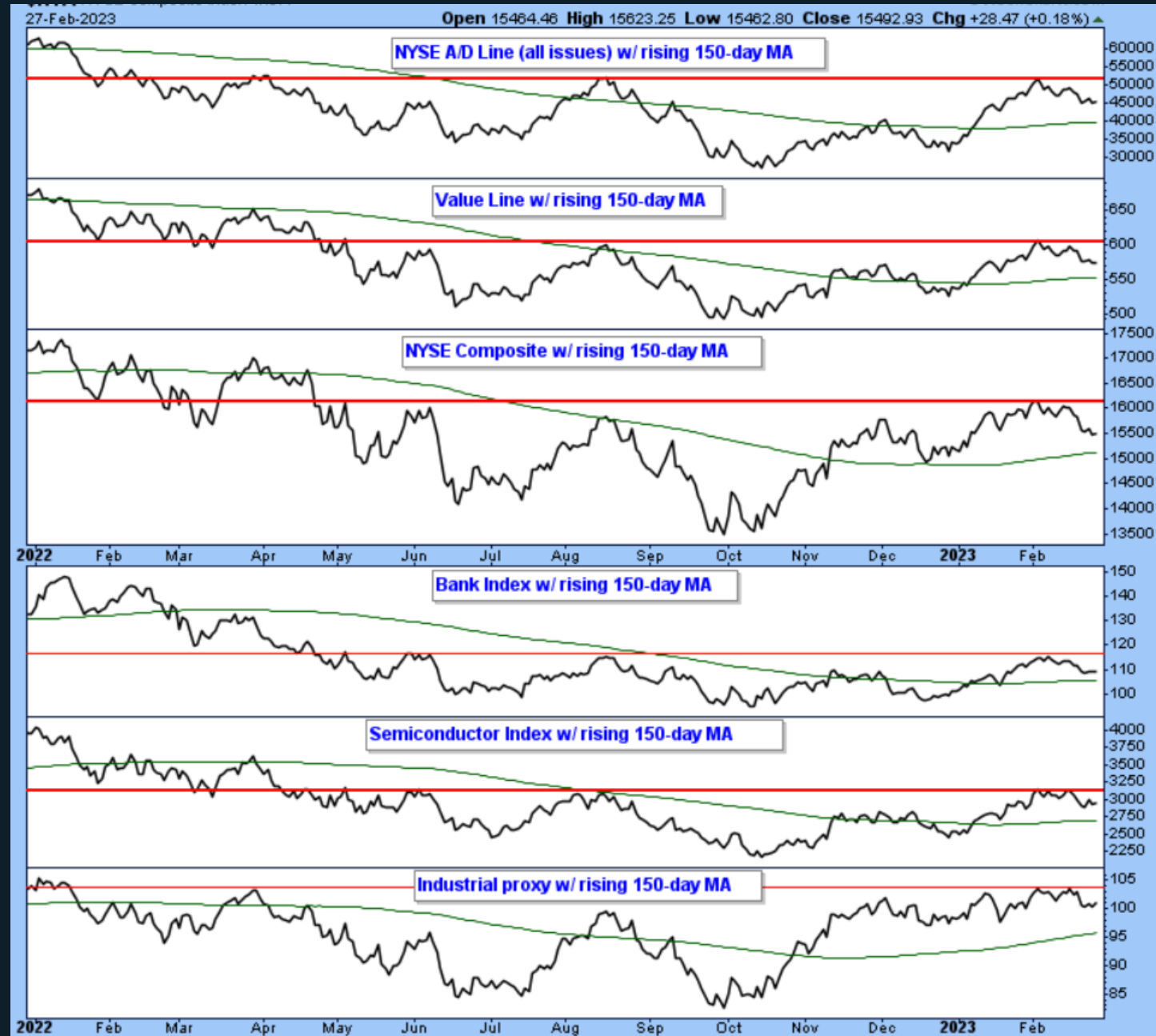
New Lows/Net New Lows

Takeaway: Watch closely as it's hard/harder to make \$ when New Lows are expanding...



Resistance still exists while OB levels have been worked off.

Takeaway: Until resistance is cleaned out, the “Chop Fest” will continue!



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



Disclosures

The data and analysis contained herein are provided “as is” and without any warranty of any kind, either express or implied. Day Hagan Asset Management (DHAM), any of its affiliates or employees, or any third-party data provider, shall not have any liability for any loss sustained by anyone who has relied on the information contained in any Day Hagan Asset Management literature or marketing materials. All opinions expressed herein are subject to change without notice, and you should always obtain current information and perform due diligence before investing.

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

