

# Day Hagan *Chart Jamboree*

“The stock market is human nature on parade.” ~William O’Neil

## 2024: Broadening? Not Yet! New Large Cap Highs – Unconfirmed

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# Humor and Seriousness



On New Year's Day, "consensus" assigned a 97% probability of a Fed cut in March. Today, the odds of a March interest rate cut are a coin toss.

Reminds me of the ride we have experienced between "Tech & everything else" for '21 to '22 to '23 to '24.





## Humor and Seriousness #2

No offense intended. Hopefully, just a smile...



## Bottom Line

Taking into context Ned Davis's quote, *"Winners make small mistakes; losers make big mistakes:"*

- The **DH/NDR Catastrophic Stop Loss Model** maintains a fully invested allocation (vs. the SPX benchmark). **However**, the model's recent changes have shifted more toward neutral, setting it up for a potential sell signal if the market shows signs of underlying price weakness.
- Notwithstanding the development of a series of negative non-confirmations (Ex. 2022), the **SPX's primary trend remains favorable**. However, if these developments (narrow demand) are not remedied, "stocks" will be vulnerable. **This week will be critical for the "others" to catch up!**
  - Watch market internals, support, 10-year yield, U.S. Dollar Index, Energy, and Sentiment.
- While select overseas opportunities exist, the **U.S. is still dominant** (relative strength analysis).
  - The **Smart Sector International ex. U.S. strategy** can support you within this framework.
- *"Don't worry about what the markets are going to do, worry about what you are going to do in response to the markets."* ~Michael Carr
  - 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 message of the model changes, so will our investment allocations.

# Orange Juice Market – Highly Concentrated

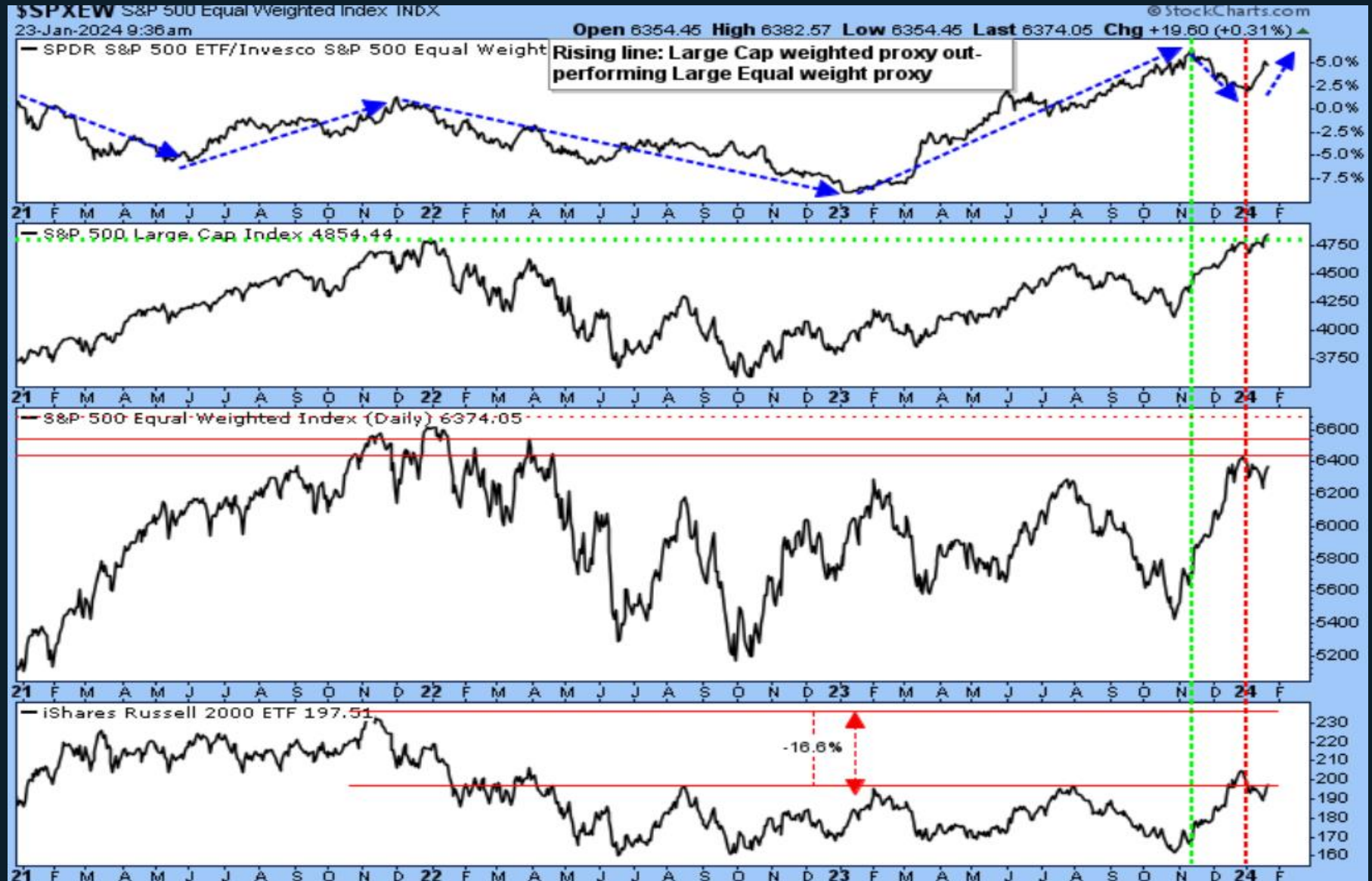
## Takeaway

It's hard to get bearish on the "Index Movers." But the "others" need to catch up, this week!

**Note:** Dashed green vertical line = broad market outperforming.

Dashed red vertical line = cap weight outperforming.

**Note #2:** Negative A/D Line non-confirmations (and others) shown in Tech Talk report (1.16.24). Reach out for updated chart(s).



My thanks to Helene M. for the title of this slide

## Do you stay with “what’s working,” or do you look for a “catch up” by the others?

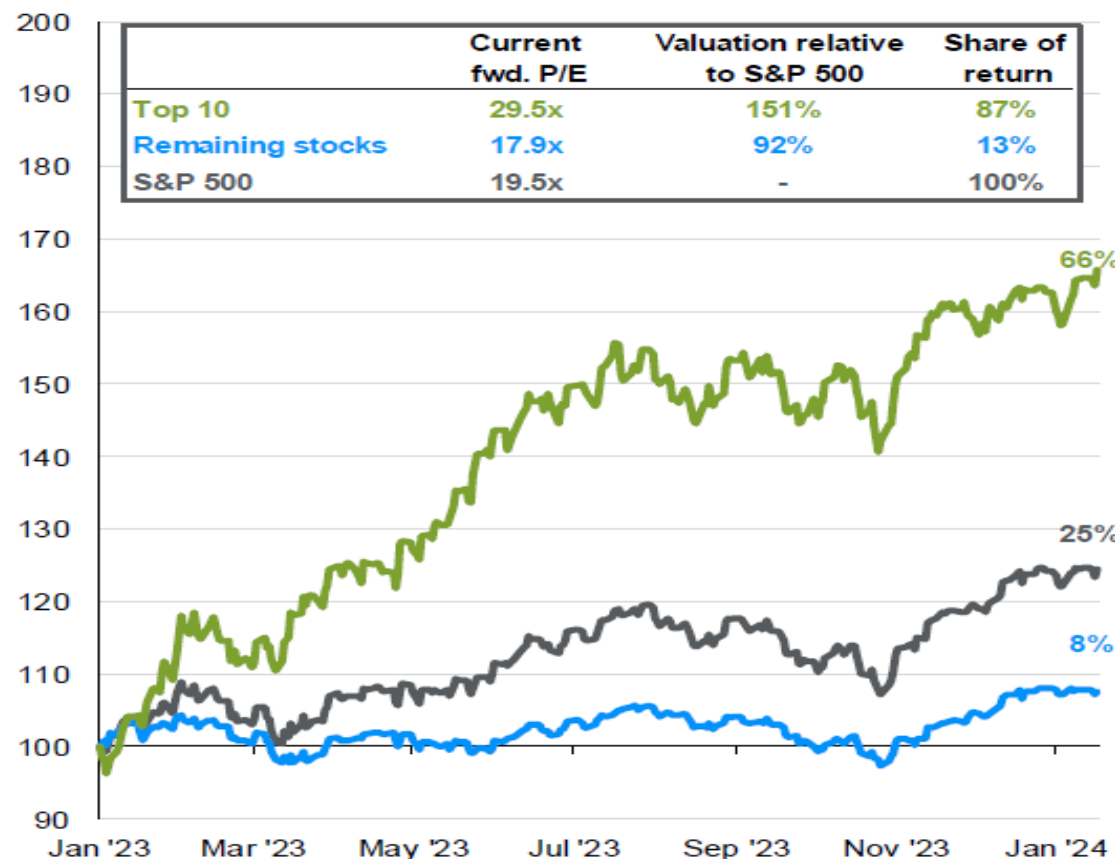
**Takeaway:** This doesn't mean the Large Cap (“SPXish”) bull case will end.

It means the investment backdrop is difficult, risk management is paramount (don't fall in love with a losing position, especially in fundamentally poor/weakening companies), and emotion (ego) needs to be checked at the door.

### S&P 500: Index concentration

#### Performance of the top 10 stocks in the S&P 500

Indexed to 100 on 1/1/2023, price return, top 10 held constant



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

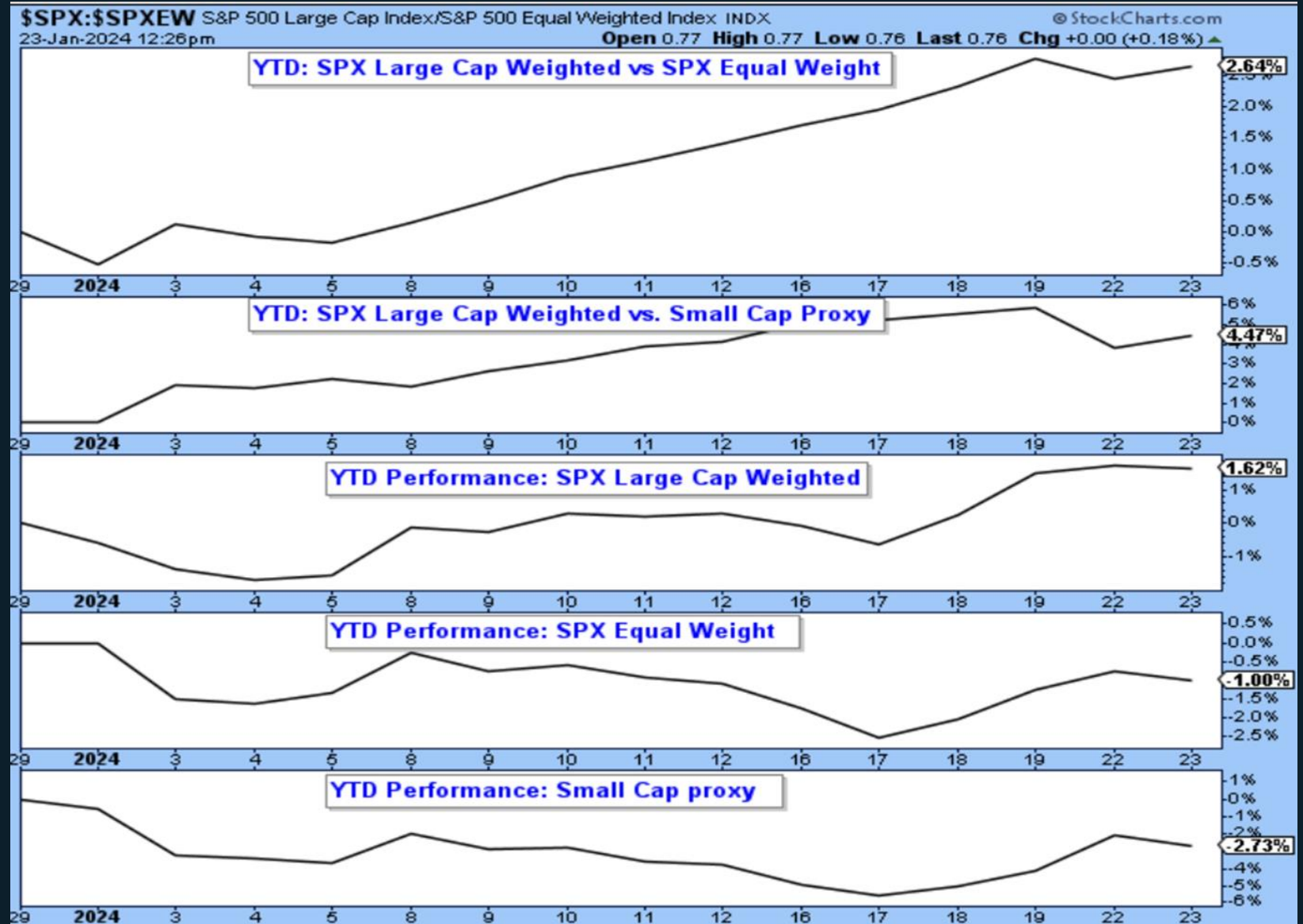


# Year-to-Date Performance Gap

Will this momentum, (these relationships) continue?

**Takeaway:** Please follow these charts closely and consistently.

Talking my book...



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

Smart Sector Int'l ex. U.S.  
(select allocations listed)

Core

UW: China

Explore

OW: Mexico

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





## U.S. vs. International

In terms of the U.S. and overseas markets, you are seeing a narrow market as well. Meaning, it's been mostly a U.S.-lead (dominated) environment.

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

**China** (middle clip, far right): Underweight.

China: Huge bounce higher last night, but overall this has been a very good call.



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

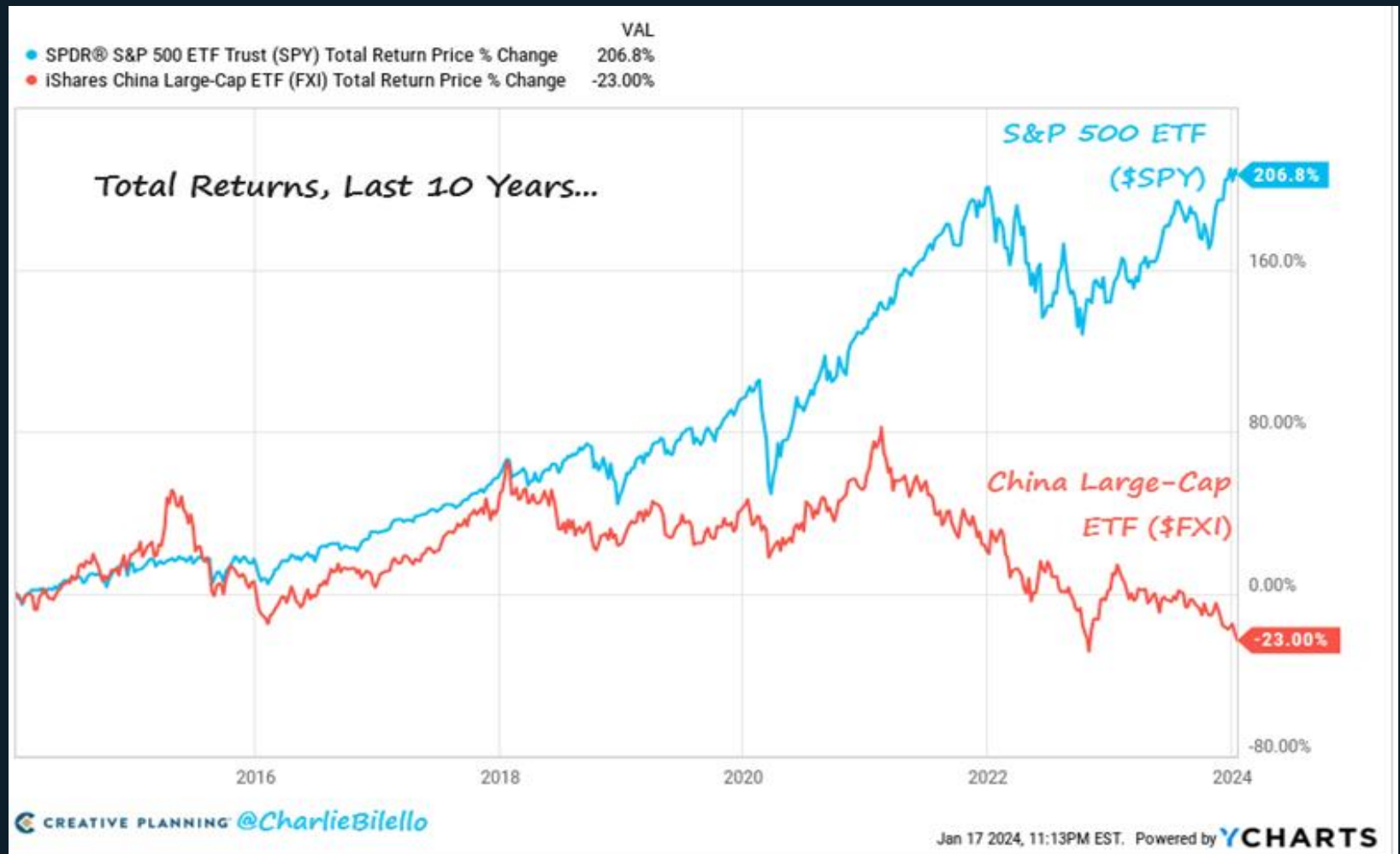
**Mexico** (top clip, far right): Overweight.



## Capitalism vs. Communism

“A decade ago, many investors were enamored with China, looking past their Communist system of government... Growth, growth, growth was the rage... Today, that narrative has changed.” ~Charles Bilello

**Takeaway:** Despite all of our issues, the U.S. is still the place to invest (and live) IMHO.





# Return to Normalcy: Non-Large Cap Growth/Non-Large Cap Technology lag!

**Takeaway:** Broadening? Not in '24. However, just when trends and patterns seem more in place than ever, they usually have a way of changing. **Ex:** Technology in '21 vs. '22 vs. '23.

The S&P 500 (SPY) closed at a record high yesterday, yet only 3 out of 11 sector ETFs made a 1-year high—XLC, XLK, and XLF.

## Smart Sector Strategy (equities)

**OW:** Comm. Svcs., Tech, Health Care, Financials

**UW:** Industrials, Materials, Utilities



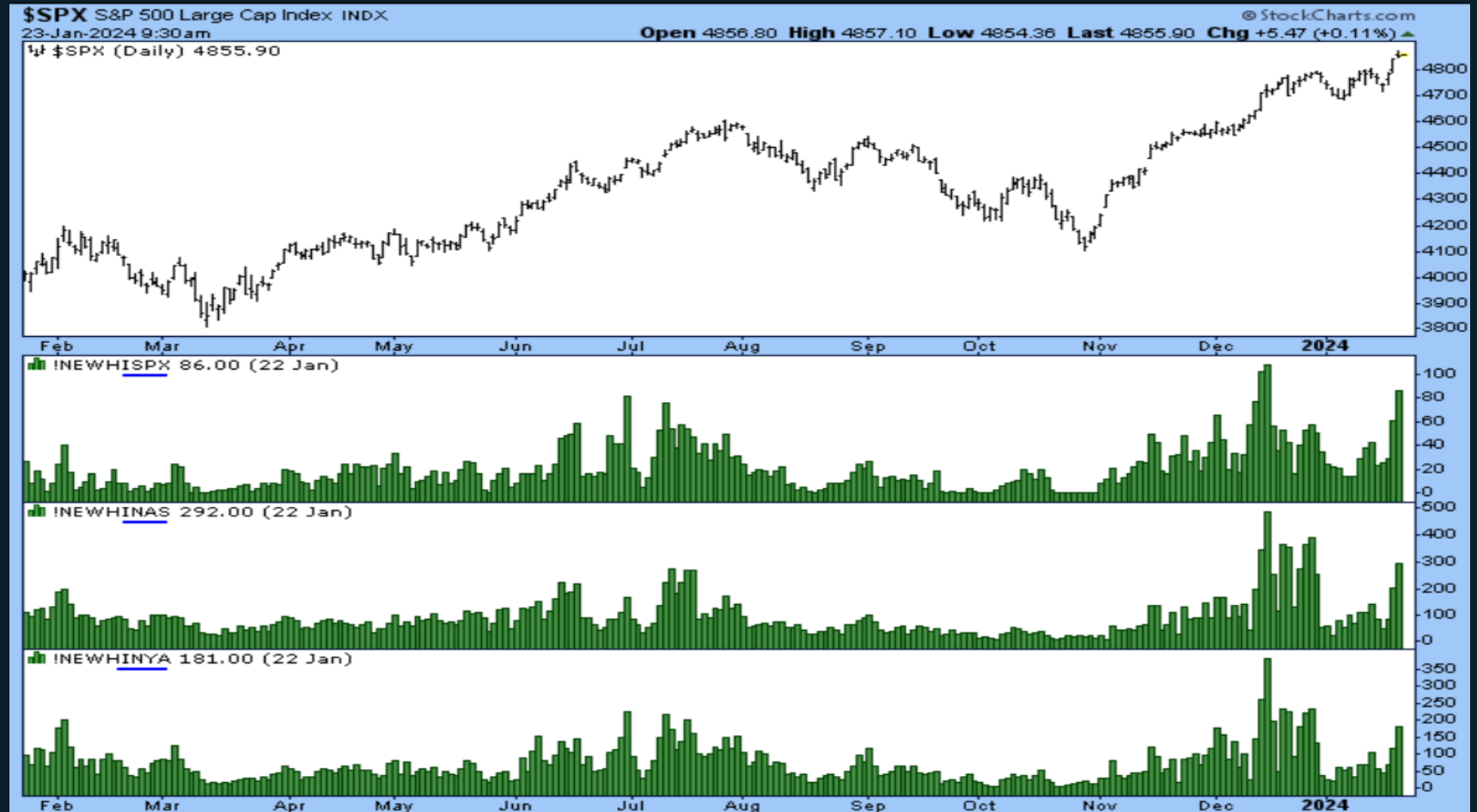
## Glass Half-Full or Half-Empty?

**New 52-Week Highs** across certain Large Cap Growth/Technology proxies are not confirming the price highs by their respective cash index. This isn't a good timing tool but is reflective of a condition—difficult backdrop and the **necessity for managing risk and having an unemotional strategy that includes a major risk management component**, e.g., **Smart Sector strategies**.

### Takeaway

**Half-Full:** Opportunity for laggards, and “higher.”

**Half-Empty:** Weakness under the surface & cap-weighted ATH is illusory



## Broadening?

Year-to-date performance, through 1.23.24

Only 3 of 11 sector ETFs are outperforming the cap-heavy SPX.

NAME	% CHG
XLK - Technology Select Sector SPDR Fund	4.45
XLC - Communication Services Select Sector SPDR Fund	3.19
XLV - Health Care Select Sector SPDR Fund	2.71
\$SPX - S&P 500 Large Cap Index	1.69
XLF - Financial Select Sector SPDR Fund	1.36
XLP - Consumer Staples Select Sector SPDR Fund	-0.46
XLI - Industrial Select Sector SPDR Fund	-0.59
XLY - Consumer Discretionary Select Sector SPDR Fund	-2.62
XLRE - Real Estate Select Sector SPDR Fund	-2.95
XLB - Materials Select Sector SPDR Fund	-3.59
XLE - Energy Select Sector SPDR Fund	-4.02
XLU - Utilities Select Sector SPDR Fund	-4.20



## OK! Enough Said. You've Made Your Point.

What happens IF these Negative Divergences remedy themselves?

**Takeaway:** Pent-up buying interest comes into play, historically a good reason why getting information about the **Smart Sector Series strategies** makes sense.

Let's talk about how the strategies may compliment your efforts!

**S&P 500 Streaks of 1-Year or More Without a Record Close: 1928 - 2024**

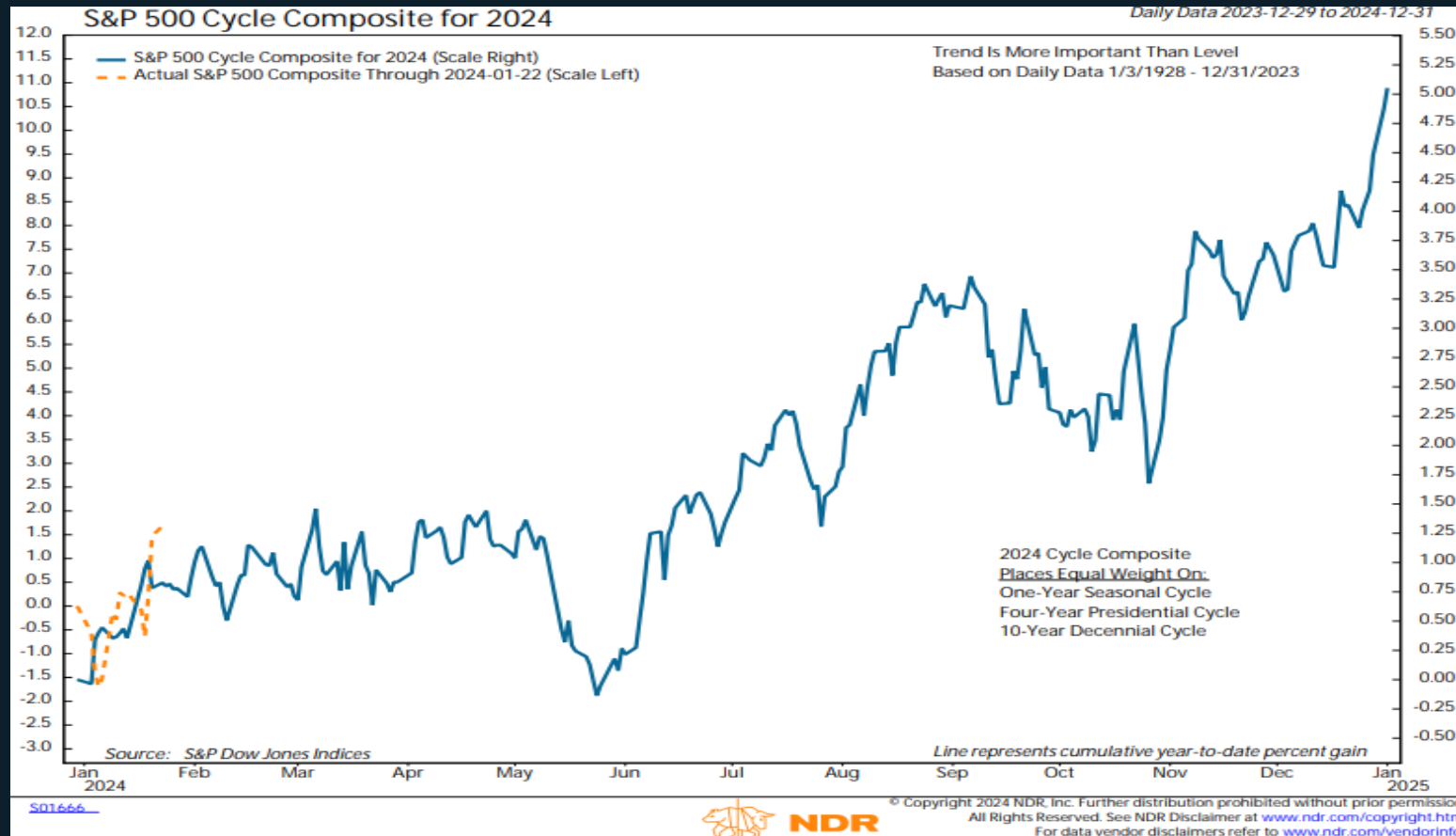
Date	Streak (Trading Days)	S&P 500 Performance (%)			
		One Month	Three Months	Six Months	One Year
9/22/54	6249	0.41	10.44	14.50	41.84
9/24/58	540	2.39	8.70	11.39	14.06
1/27/61	374	3.59	6.89	8.93	10.88
9/3/63	433	-0.50	1.57	7.43	13.10
5/4/67	309	-6.24	1.42	-1.71	4.86
3/6/72	819	0.21	0.05	2.52	5.02
7/17/80	1896	3.52	10.10	10.98	7.67
11/3/82	487	-2.93	0.25	14.31	14.54
1/21/85	323	3.40	3.12	10.91	18.43
7/26/89	484	3.98	1.67	-2.31	5.63
2/14/95	259	2.67	9.46	15.75	36.88
5/30/07	1802	-1.60	-6.40	-6.67	-8.62
3/28/13	1375	1.56	2.80	8.25	18.38
7/11/16	285	2.09	0.78	6.16	13.49
1/19/24	512				
<b>Average</b>		<b>0.90</b>	<b>3.63</b>	<b>7.18</b>	<b>14.01</b>
<b>Median</b>		<b>1.82</b>	<b>2.24</b>	<b>8.59</b>	<b>13.30</b>
<b>% Positive</b>		<b>71.4</b>	<b>92.9</b>	<b>78.6</b>	<b>92.9</b>
<b>All Periods Since 1929</b>					
<b>Average</b>		<b>0.64</b>	<b>1.92</b>	<b>3.82</b>	<b>7.85</b>
<b>% Positive</b>		<b>59.9</b>	<b>63.4</b>	<b>66.6</b>	<b>69.1</b>

Source: Bespoke Investment Group

## Seasonality: S&P 500 Cycle Composite for 2024

(secondary indicator with trend more important than level)

**Takeaway:** This implies a choppy first half but a better second half, especially after Wall Street gets a better handle on the U.S. political situation. But as always, if and when we reduce our equity allocation, it will be based on our models.



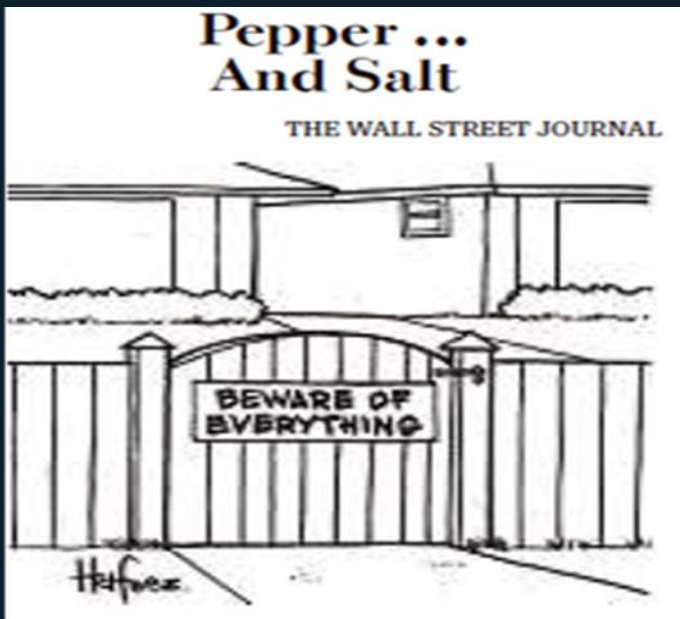
**Note:** The NDR Cycle Composite is a combination of three historical price patterns: the one-year cycle, the four-year cycle (election years for 2024), and the ten-year cycle (years ending in four).

# Sentiment

(short-term, secondary indicator)

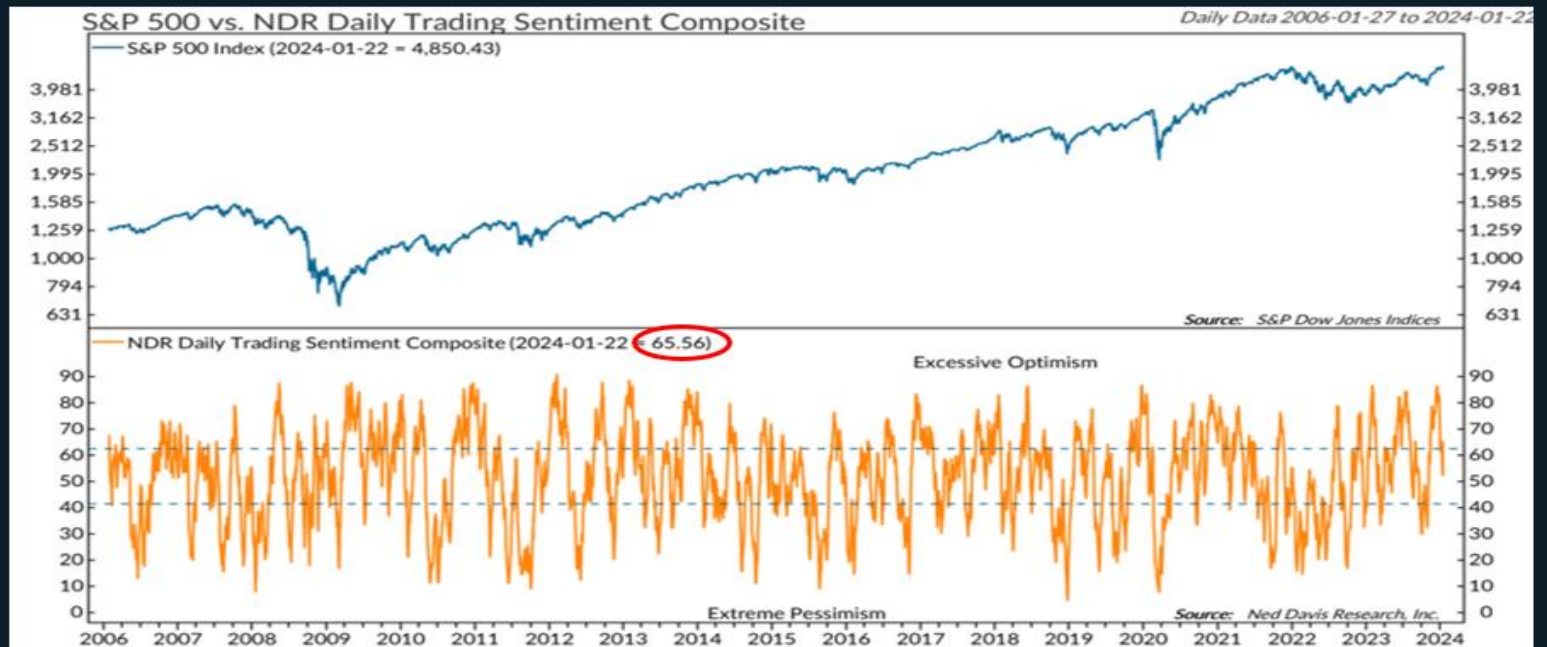
“Nothing Like Price to Change Sentiment” ~Helene Meisler

**Takeaway:** The Daily Sentiment Composite (a measure of short-term sentiment) has moved back into the Excessive Optimism zone. The current reading is 65.56%—see performance box. A sharp reversal down would generate a sell signal.



“Fear, hope, and greed, loosely tied around the business cycle.”  
~ Jeff Saut

**TRUTH!**



S&P 500 Index Performance		
Full History: 1994-12-30 to 2024-01-22		
NDR Daily Sentiment Composite is	% Gain/Annum	% of Time
Above 62.5	-5.64	28.86
41.5 - 62.5	7.69	44.05
Below 41.5	27.20	27.09
Buy/Hold = 8.44% Gain/Annum		

S&P 500 Index Performance		
Chart View: 2006-01-27 to 2024-01-22		
NDR Daily Sentiment Composite is	% Gain/Annum	% of Time
Above 62.5	-2.72	30.05
41.5 - 62.5	4.77	41.86
Below 41.5	24.99	28.09
Buy/Hold = 7.67% Gain/Annum		

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# Trends:

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

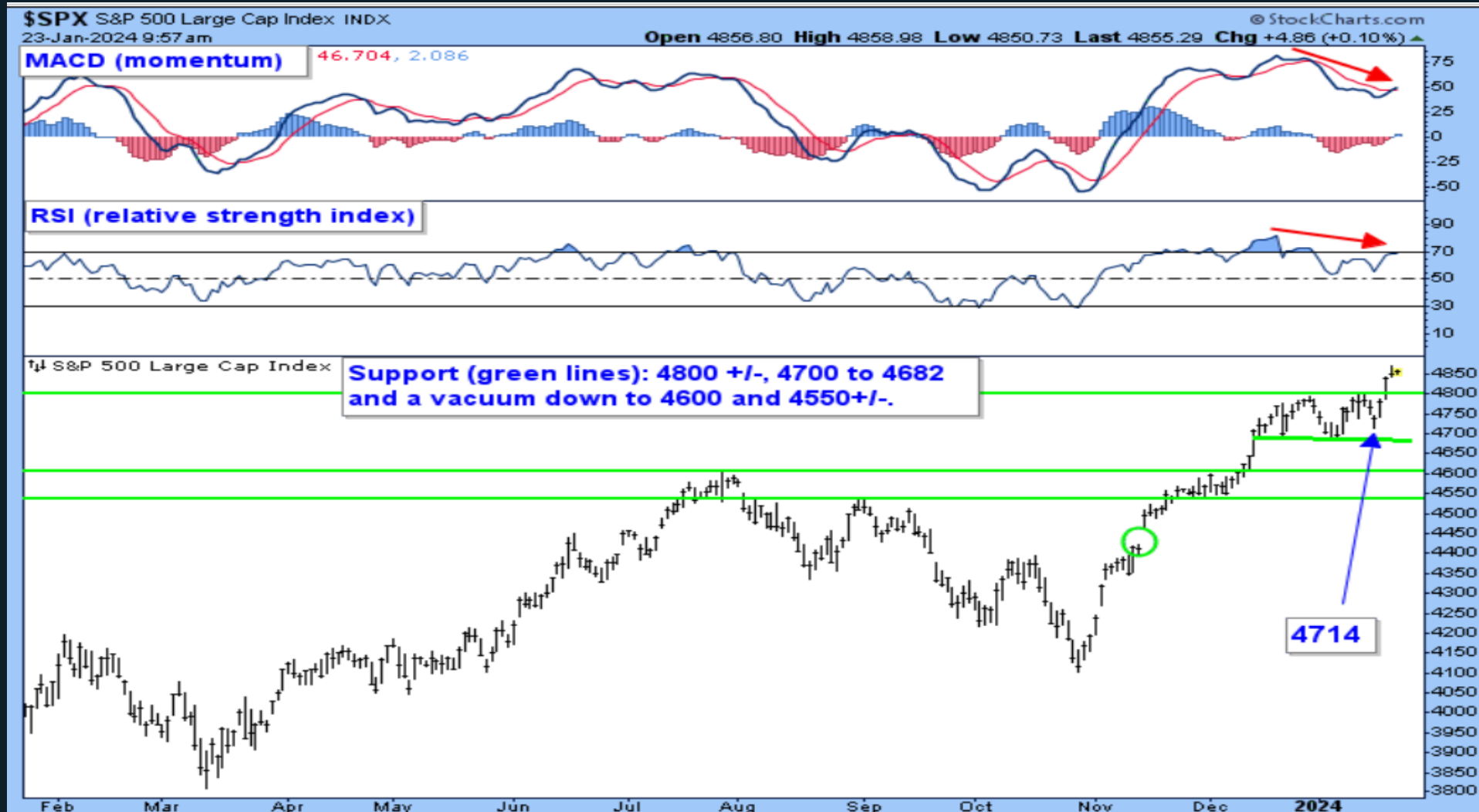
*“It’s not the answers that make you good in this business, it’s the questions you ask. If you ask the right questions, you will always find out more than the next guy.”  
~Michael Price*

We’ve experienced some topside breakouts, but the **Non-Large Caps** continue to lag. It’s not just Small Caps—select charts follow.



# S&P 500

**Takeaway:** Hard to believe given all time high (ATH), but momentum (top 2 frames) has not confirmed. Within that context, please refer back to slide #15 from Bespoke.



# NASDAQ

(Multi-year and not at new ATH territory)



## Small Cap proxy

This reflects a shift back to the former mega-cap market leaders, and one reason for the current “negative non-confirmations.”





IWM iShares Russell 2000 ETF NYSE + BATS

© StockCharts.com

23-Jan-2024 10:04am

Open 194.15 High 198.59 Low 194.09 Last 197.54 Volume 49.5M Chg +5.11 (+2.66%) ▲

Disappointing? YES!

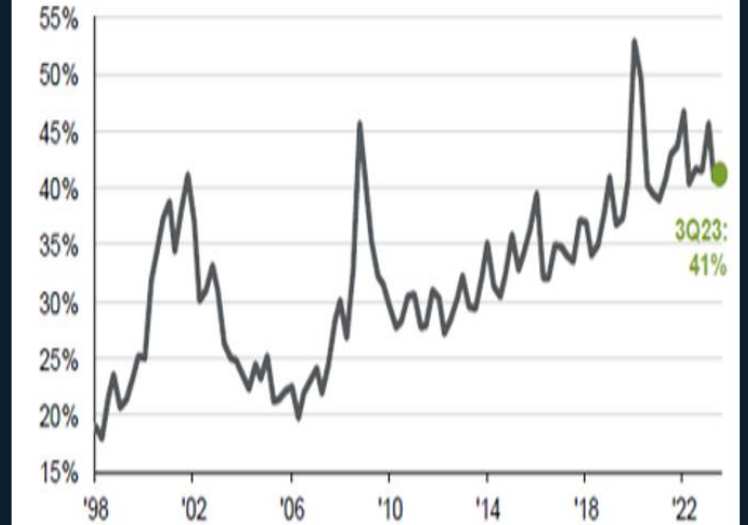
Frustrating? YES!

No Follow through? CORRECT!

LONG-TERM Trend: Up



Percent of unprofitable companies in the Russell 2000  
1Q98 – 3Q23, pro-forma EPS



Source: Compustat, FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.  
The S&P 500 is used for large cap and the Russell 2000 is used for small cap.  
Guide to the Markets - U.S. Data are as of January 18, 2024.

J.P.Morgan  
ASSET MANAGEMENT

# Where's the Love?



### 3-Headed Monster: 10-year yield, U.S. Dollar, Energy

1) **CBOE 10-Year U.S. Treasury Yield Index (TNX)**: While the recent move has carried up to resistance, short-term momentum (MACD—top frame) suggests some further topside volatility.

- Since spring 2022 I have featured the trend of the **10-Year U.S. Treasury Yield** starting in 1982. Please reach out if you would like to see the chart.



**2) U.S. Dollar Index w/Momentum** (MACD, top frame): I believe NDR is bearish on the U.S. Dollar. From a near-term trend perspective, I can't get there.

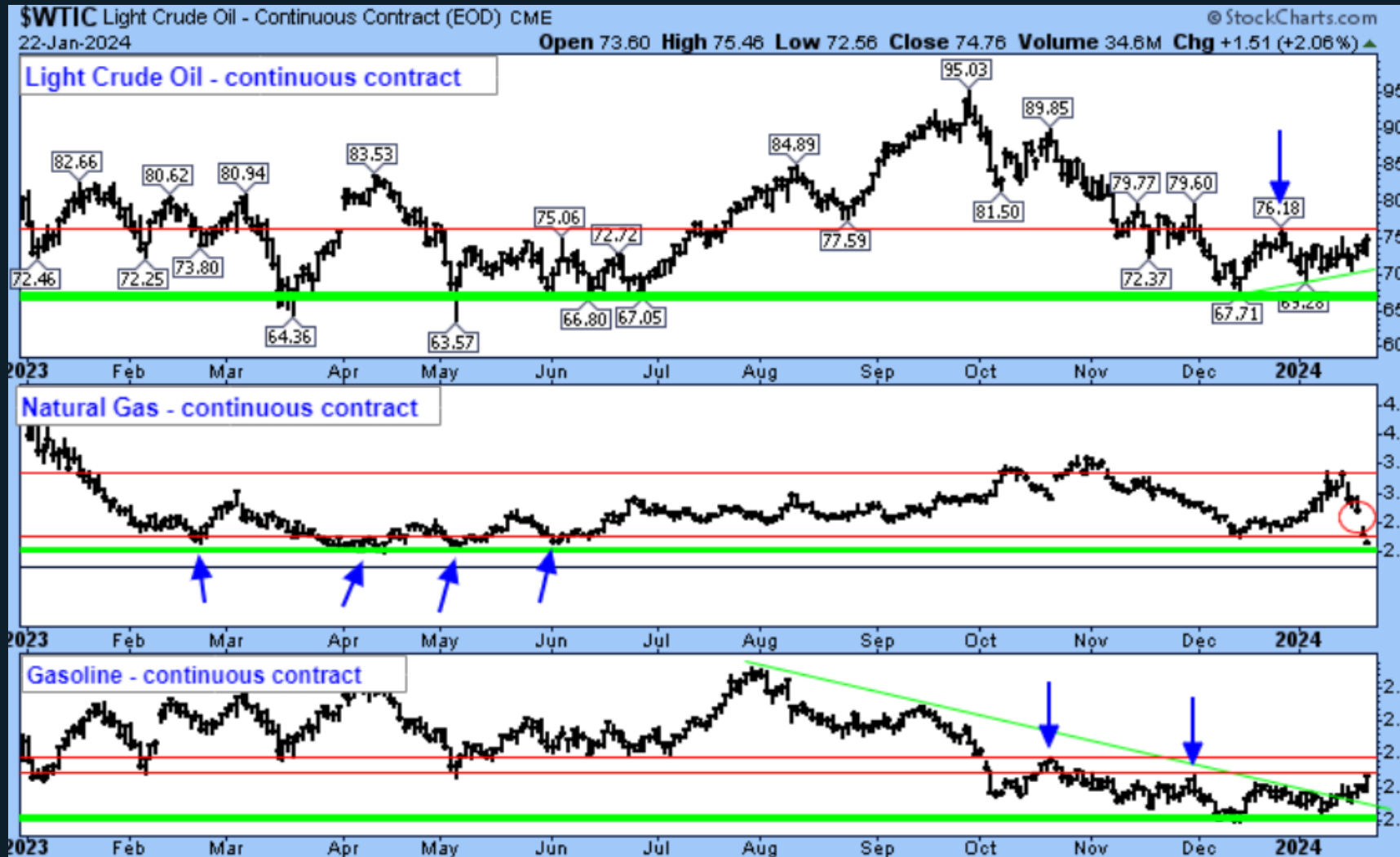
Let's see how the index acts closer to initial resistance—104.25 to 104.50+/-.

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





**3) Energy:** Wow. There is a lot going on here for the first time in a while, and if topside breakouts occur, it may prove detrimental to equities. Especially if the move is not related to the Middle East machinations.



**Talking Point:** “All-time highs tend to cluster. The S&P 500 has made an average of nearly 30 all-time highs in a year it’s made an all-time high. Years like 2022—one all-time high, are pretty rare. There have been more years where the S&P 500 has made at least 40 all-time highs (12) as there have been where it’s made less than 10 (8).” ~JPM

S&P 500 Index: Number of All-Time Highs (1929 - 2024)									
Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH
1929	45	1949	0	1969	0	1989	13	2009	0
1930	0	1950	0	1970	0	1990	6	2010	0
1931	0	1951	0	1971	0	1991	22	2011	0
1932	0	1952	0	1972	32	1992	18	2012	0
1933	0	1953	0	1973	3	1993	16	2013	45
1934	0	1954	27	1974	0	1994	5	2014	53
1935	0	1955	49	1975	0	1995	77	2015	10
1936	0	1956	14	1976	0	1996	39	2016	18
1937	0	1957	0	1977	0	1997	45	2017	62
1938	0	1958	24	1978	0	1998	47	2018	19
1939	0	1959	27	1979	0	1999	35	2019	36
1940	0	1960	0	1980	24	2000	4	2020	33
1941	0	1961	53	1981	0	2001	0	2021	70
1942	0	1962	0	1982	2	2002	0	2022	1
1943	0	1963	12	1983	30	2003	0	2023	0
1944	0	1964	65	1984	0	2004	0	2024	1
1945	0	1965	37	1985	43	2005	0		
1946	0	1966	9	1986	31	2006	0		
1947	0	1967	14	1987	47	2007	9		
1948	0	1968	34	1988	0	2008	0		



@CharlieBilello

Note: Closing Prices

# Thank You for allowing us to be part of your success

## For More Information

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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.

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