

March 7, 2023

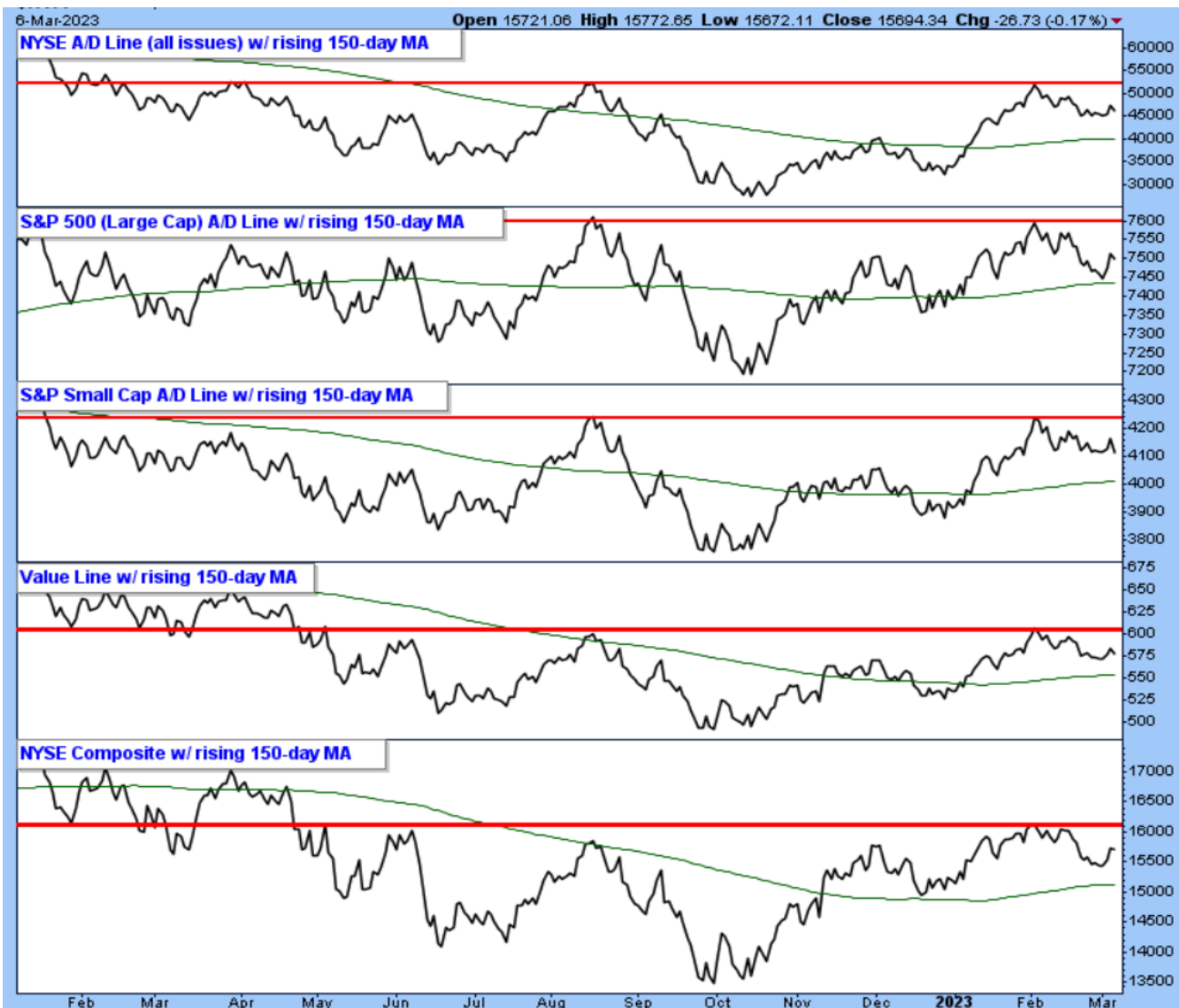
It Makes No Sense at All

Summary

Wall Street is focused on Fed Chair Powell's semiannual monetary policy testimony today and tomorrow and the employment report Friday. With that backdrop, **the short-term chart configuration** of domestic equity market proxies remains neutral. From an **intermediate-term perspective**, with excessive optimism (sentiment) relieved, the *weight of the evidence supports* the prospect of the uptrend eventually continuing, as shown in last week's [Chart Jamboree](#).

Support Stands Strong. Now Resistance?

Figure 1: Large & Small Cap Advance-Dcline Lines & Broad Equity Market Proxies. | *Until resistance is violated (red lines) and/or positive divergences occur and New Highs expand, the short-term price trend remains neutral.* Also, I expect an increase in volatility this week and next in both equities and fixed income.



Please Note: Besides the events this week (see Summary), how the domestic equity market trades prior to and following the **CPI report** on March 14 and the **FOMC meeting** on March 22 will be important near-term guideposts.

Stuck in the Middle with You

As goes the 1972 song “Stuck in the Middle with You” by Stealers Wheel, so it is with many domestic equity market proxies—Figures 2 and 3.

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.

Figure 2: S&P 500 with rising 150-day MA (currently 3946). | A lot of discussion last week centered around comments from Fed official Bostic about how he favors more caution on additional rate hikes. What I find interesting, especially since he is a nonvoting member, is that there was little mention of algo trading as the SPX came right down into the critical range of support between 3950 and 3900.



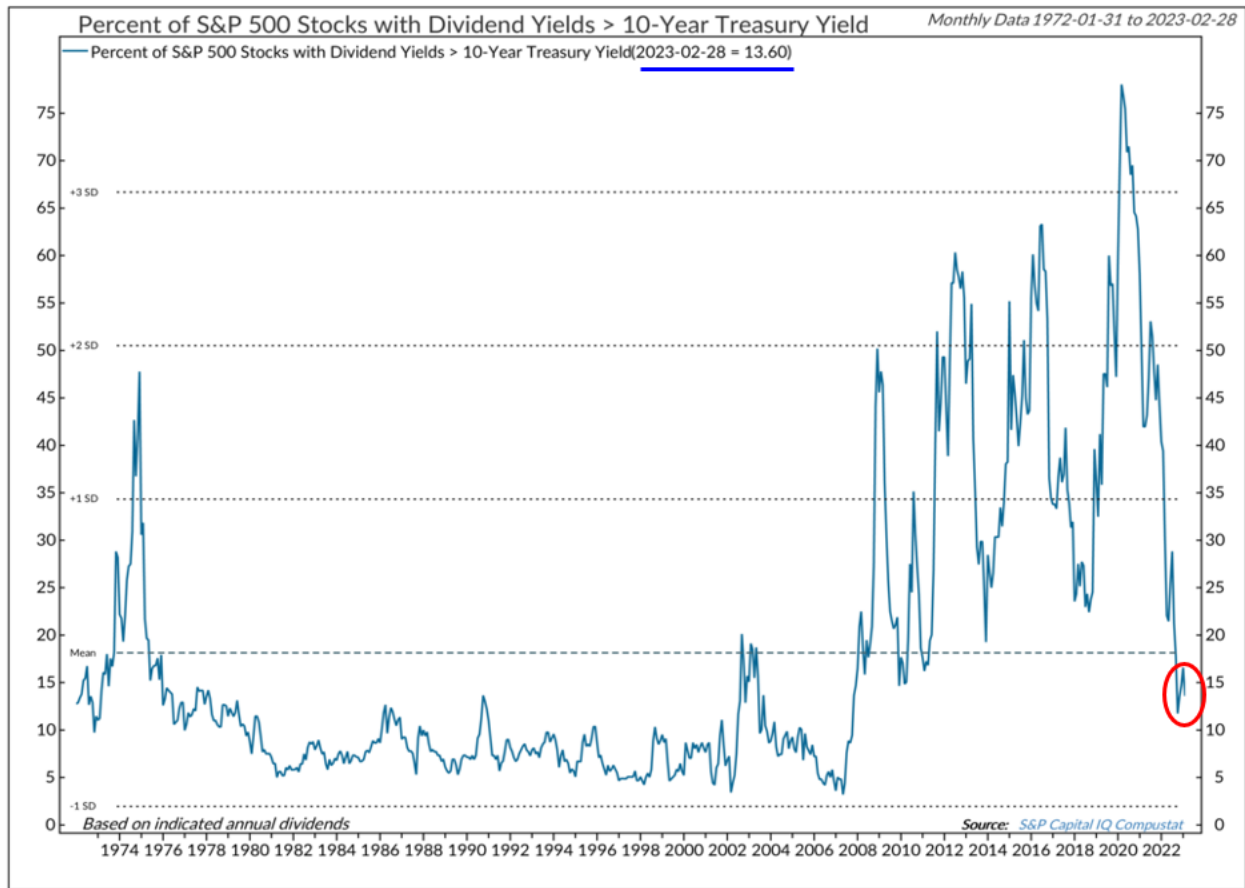
Figure 3: Dow Jones Industrial Average. | “Clowns to the left of me, Jokers to the right, Here I am, stuck in the middle with you.” Within the context of the current trading range pattern, please use a violation of support (green line) or resistance (red lines) accordingly.



What Keeps Me Up at Night

Despite what Ed Yardeni calls a “**CFO Put**”—S&P 500 companies paying dividends at a record pace and continuing to buy back lots of their equities—bond yields are competition to dividend yields. As NDR recently stated, which I think is fair, “Quantifying an exact fair value for the stock market given the current level of interest rates is a moving target, but it is clear that there is an alternative to equities, and that means P/E ratios should be lower than they were last decade.”

Figure 4: Percent of S&P 500 Stocks with Dividend Yields above 10-Year Treasury Yield. | Competition is usually good, but maybe not in this case. Please share your thoughts or the feedback you have received about this.



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Art Huprich, CMT®
Chief Market Technician
Day Hagan Asset Management

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Upcoming Events

[Day Hagan Technical Analysis, hosted by Art Huprich, CMT, on March 21, 2023, at 4:15 p.m. EDT](#)

[Day Hagan/Ned Davis Research Smart Sector® with Catastrophic Stop, hosted by Art Day, on March 15, 2023, at 1:15 p.m. EDT](#)

[Day Hagan/Ned Davis Research Smart Sector® with Catastrophic Stop, hosted by Art Day, on March 15, 2023, at 4:15 p.m. EDT](#)

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For more information, please contact us at:

Art Huprich, CMT

Art.Huprich@DayHagan.com

For more information, please contact us at:

Day Hagan Asset Management

1000 S. Tamiami Trl
Sarasota, FL 34236

Toll Free: (800) 594-7930

Office Phone: (941) 330-1702

Website: <https://dayhagan.com> or <https://dhfunds.com>