

April 30, 2024

Hard Work Begins Now!

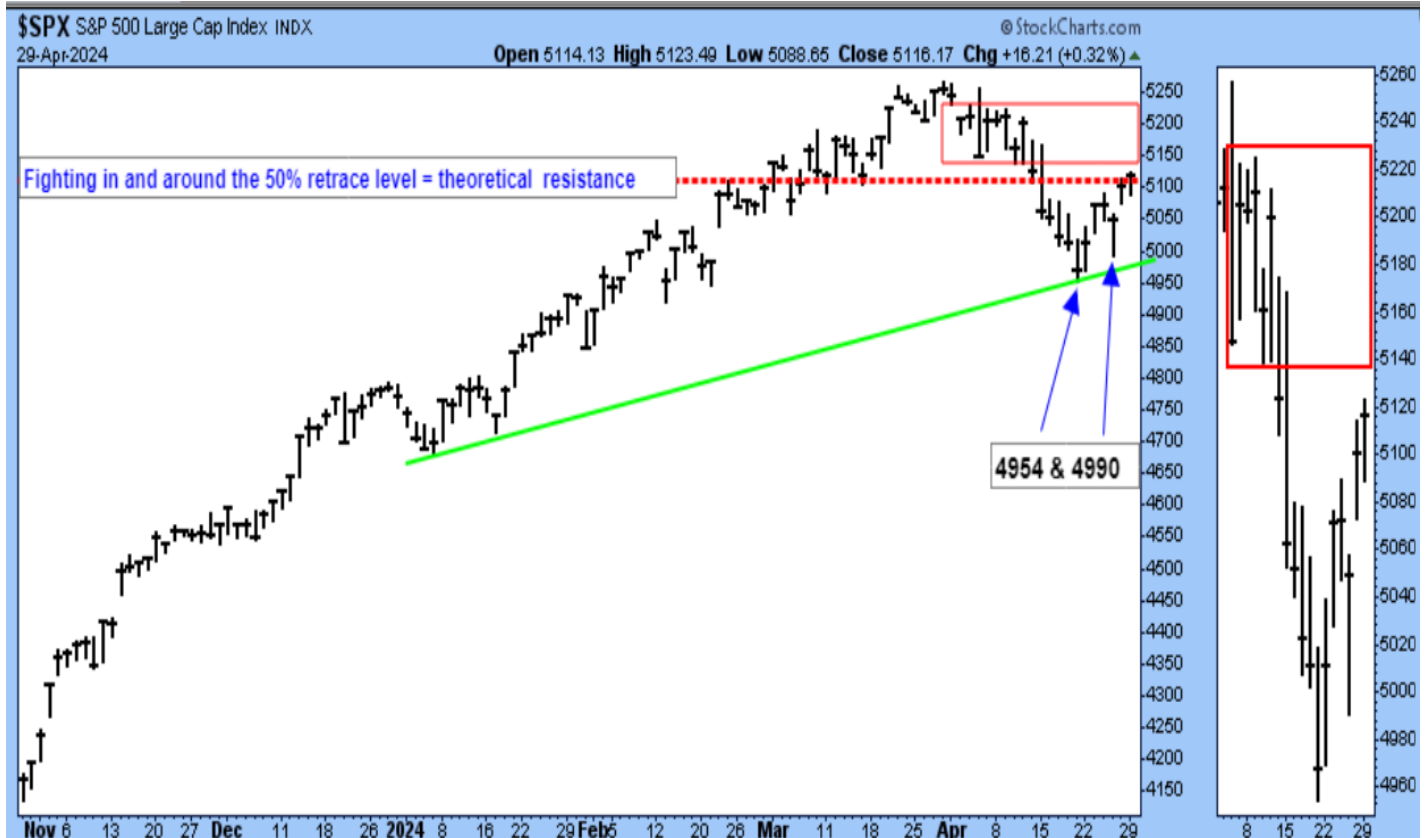
Summary

Following an oversold condition and some “stealth price stability” in areas other than Technology/Growth (discussed last week), the “Index Movers” bounced higher last week. Consequently, the S&P 500 has retraced approximately 50% of the March-April decline and is now amid various pockets of overhanging selling pressure—resistance. Simultaneously, U.S. outperformance (leadership) vs. the rest of the world is at an important near-term tipping point from the perspective of relative strength.

Overhanging Selling Pressure (resistance)

Now that the S&P 500 (SPX) has approached an initial pocket of resistance (Figure 1), and considering the Fed announcement/Q&A session Wednesday afternoon, I believe that *the near-term direction of bond yields will continue to influence the near-term direction of domestic equity market indices/proxies, starting with Small Caps and extending through the spectrum of the Index Movers.* Reach out for a chart showing the 1-month inverse correlation between interest rates and SPX/IWM.

Figure 1: S&P 500 – daily data. | Please see the areas of resistance (red lines and box) and support (blue arrows) and use them accordingly, especially considering Figure 2.



Helene Meisler recently posted, “Corrections tend to be a process of ups and downs. Their purpose is to shake out weak holders and often they are the market’s way of changing leadership. That doesn’t

tend to happen in a few short weeks but over time.” Relative to the importance of the support levels shown in Figure 1, I want to note again longer-term support levels and weekly momentum—Figure 2.

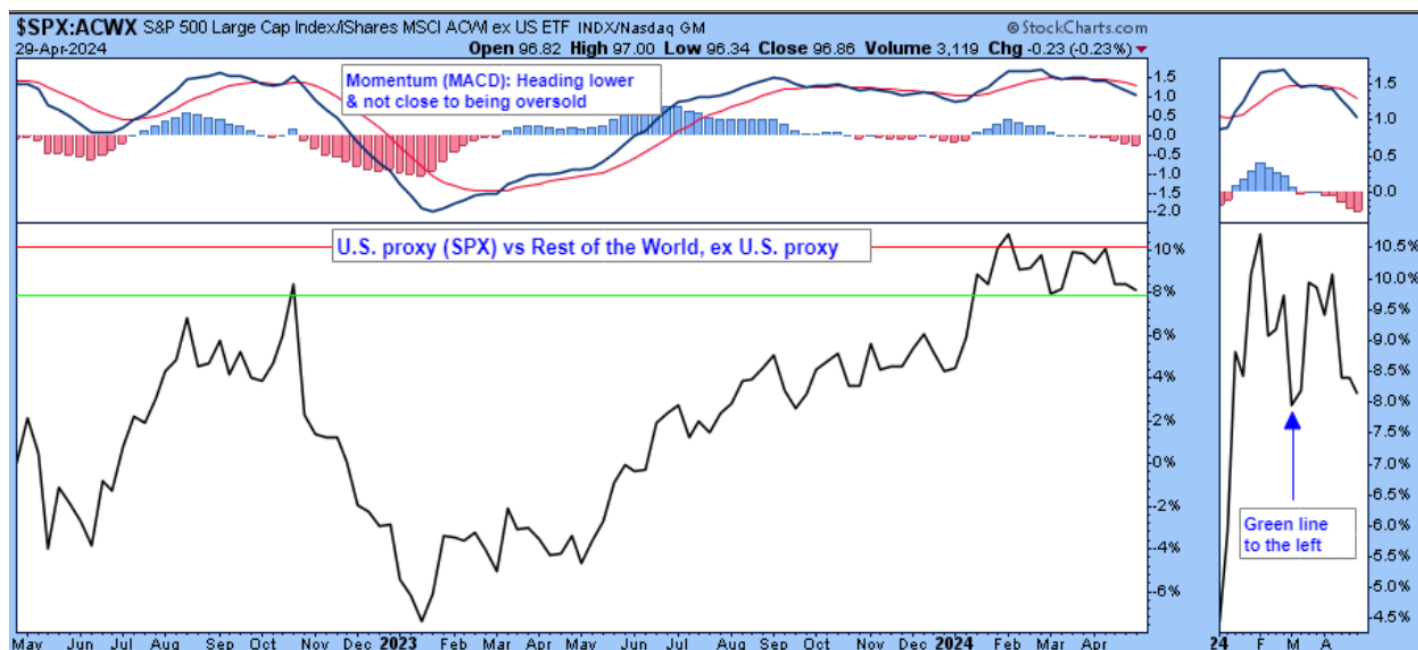
Figure 2: S&P 500 with Momentum and Rising 30-week MA (green line) – weekly data. | The NDR Catastrophic Stop Loss model is currently showing a favorable condition. Since corrections can occur from a time or price perspective or a combination of the two, I reemphasize the importance of the support levels shown in Figure 1 and below.



Us Against the World

While the Technology complex has bounced higher over the past week, it continues to underperform the S&P 500 (and several S&P macro sector proxies) year-to-date on both an absolute and relative basis. Considering the weight the complex carries, *the U.S. is getting close to losing its leadership role (relative outperformance) when compared to the rest of the world.* It hasn't occurred yet, but a well-defined critical support level—a line in the sand—is evident; Figure 3.

Figure 3: U.S. vs. the Rest of the World ex U.S. – weekly data. | 2-year chart used to discern the important underlying support level more easily. If you prefer a longer-term chart, please reach out.



The **Day Hagan/Ned Davis Research Smart Sector International ex U.S. strategy** came into April overweight China. While the model will update Wednesday, 5/1/24, and we'll have to see how things stand, as one who will define risk management levels ahead of time I continue to find the country intriguing. Please reach out to discuss the strategy in more detail.

Figure 4: Hang Seng China Enterprises index – weekly data. | Please see the verbiage and resistance (red lines) and support (green lines) shown inside the chart.



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.

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—Written 4.29.2024. Chart source: Stockcharts.com unless otherwise noted.

Upcoming Events

[Day Hagan Technical Analysis, hosted by Art Huprich, CMT, on May 21, 2024, at 4:15 p.m. EDT](#)

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