

January 9, 2024

Occam's Razor

Summary

In the spirit of Occam's razor, which suggests finding an explanation using "the smallest possible set of elements," we'll focus simply on the recent price action of the Large Cap Growth/"Magnificent 7" heavy **NASDAQ** and **S&P 500**.

Controlled Pullback

While the important macro data points this week are the CPI and PPI reports on Thursday and Friday, which may move the market as the bond market tries to determine the timing of the first rate cut, most everything related to technology has wobbled since late 2023. This would specifically include a **Technology proxy** (XLK fell 4.5% between late 12/23 and 1/5/24), **NYSE FANG+ Index** and many components (index declined 4.1% between late 12/23 and 1/5/24; AAPL and AMD each declined almost 6% last week), and **NASDAQ** (lost 3.6% between late 12/23 and 1/5/24). During the same period, a proxy for **Value** was down only 1% and the **DJIA** was flat—down 0.2%. A controlled, mean reversion type pullback. So far, so good.

Figure 1: NASDAQ – weekly data. | NASDAQ closed at 14,533 the day before the December 2023 Fed meeting. Last Friday's intraday low was 14,477, giving back all of the rally since the Fed meeting. The support area in and around 14,500 (blue arrows) should have, and has, provided the means for a bounce. A break under last Friday's low of 14,477 (upper green horizontal line) would open a move towards the next area of support in and around 14,000 (lower green horizontal line—December low).



Figure 2: S&P 500. | A correction can come in price (February-March 2023, August-October 2023) or in time (April-May 2023). We hope it is the latter, but a violation of 4700 to 4682 will open a stair-step move down towards the December low of 4600+/-.



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. The 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®
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—Written 01.07-08.2024. Chart source: Stockcharts.com unless otherwise noted.

Upcoming Events

[Day Hagan/Ned Davis Research Smart Sector® with Catastrophic Stop, hosted by Art Day, on January 17, 2024, at 1:15 p.m. ET.](#)

[Day Hagan/Ned Davis Research Smart Sector® with Catastrophic Stop, hosted by Art Day, on January 17, 2024, at 4:15 p.m. ET.](#)

[Day Hagan Technical Analysis, hosted by Art Huprich, CMT, on January 23, 2024, at 4:15 p.m. ET.](#)

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