



*Let Us Never Forget,
(yesterday 9/11.)*

Day Hagan *Chart Jamboree*

Q4 Roadmap

"Knowledge speaks, but wisdom listens." ~ Jimi Hendrix

Please Note: Next Chart Jamboree will be November 2023

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Day Hagan Asset Management



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A little LEVITY, and some SERIOUSNESS...

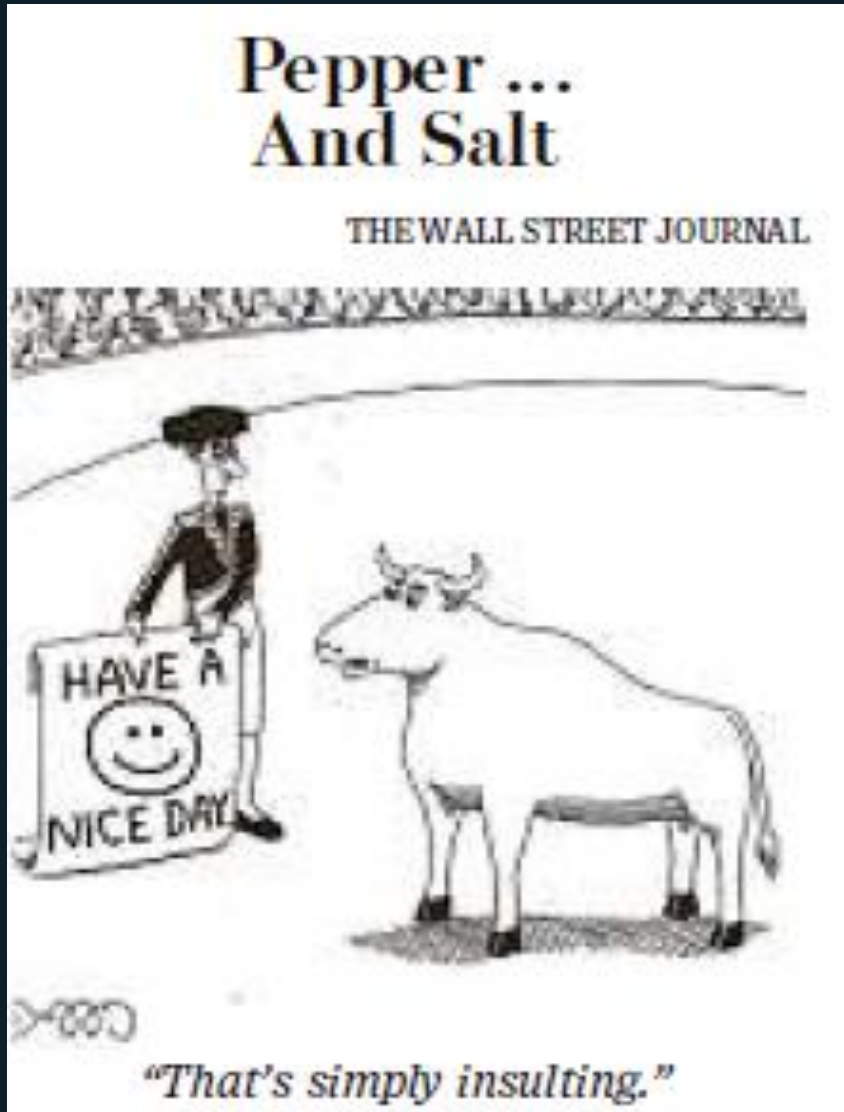


Photo by Andrew Johnson / Unsplash

"...September is a good month for picking apples. It is widely viewed as a rotten month for stocks, which has been true during 55% of Septembers since 1928. But those selloffs have often turned out to be good opportunities to pick fallen stocks just in time for a yearend Santa Claus rally." ~ Ed Yardeni

Q4 Roadmap

Tailwinds

Note some overlap

- Domestic price trend (non-trading): Higher price troughs & higher price peaks since Oct. '22.
- A/D Lines / % Above 200-day MA: Holding support, thus far. Possible crossroads!
- High Yield Credit Spreads: Rangebound. No signs of stress, yet. Please reach out for chart.
- Risk-Off Sectors (relative strength – utility, staples, health care): Recent bounce higher but overall trend still down. Watch for change.
- Gasoline & Nat. Gas: Remain rangebound. So far, so good. Critical relative to the consumer.
- U.S. > Int'l (relative strength): U.S. favored though selective opportunities exist overseas – **DH/NDR Smart Sector International Strategy** (no U.S. exposure, pure international strategy).
- Sentiment - Margin Debt curled up, IPO's (not excessive). NDR Crowd Sentiment (IT) is neutral.
- Seasonality: A lot to show here, multiple perspectives.

NDR Catastrophic Stop Loss Model: Fully invested since 11/22, vs SPX benchmark.
Non-trading price uptrend still intact.

Q4 Roadmap

Headwinds

- Domestic price trend (short-term): Rangebound at best, lower price peaks at worst.
- Crude Oil prices: Increase inflation expectations...75% 60-day positive correlation w/ 10-Year U.S. Treasury yield.
- Interest Rates: SPX yield vs F/I/Cash – competition is real. Fed mistake = higher for longer.
- Narrowing: New Lows > New Highs makes it difficult to make \$ when this is occurring.
- Momentum (weekly) – MACD: Not supportive/weakening.
- U.S. Dollar strength: Despite resistance, trend still supportive – negative affect on large int'l cos.
- Commodity's > Stocks (relative strength): Inflation implications?
- Seasonality: A lot to show here, multiple perspectives.

Note some
overlap

Incremental Edge for Q4

Watching for Directional Changes

- Demand volume (buying interest) vs Supply volume (selling pressure): Favorable but spread is quickly narrowing. This is part of the **NDR Catastrophic Stop Loss Model** – reach out for a chart.
- % of Stocks at least 20% Below 252-Day High: SPX < 28%, DJIA < 17%, NAZZ < 69%, SML < 55%. All below August peak except SML (small caps). Below August reading implies a new price low.
- Price Trend (short-term --- days to weeks): Lower price peaks, do we see a lower price trough?
- Momentum Trend (weekly, intermediate-term --- weeks to months): Does this continue to weaken, or curl back up?
- Gasoline & Natural Gas: Range bound, so far. Does either of these resolve higher?
- % Above 200-day MA: Hold support, but barely.
- Given Equity market indices weighting, we CAN'T lose Technology (XLK), Comm. Services (XLC), Consumer Discretionary (XLY) leadership!...watch the **NYSE Fang+ Index**.

NDR Catastrophic Stop Loss Model: Fully invested since 11/2022, vs SPX benchmark.

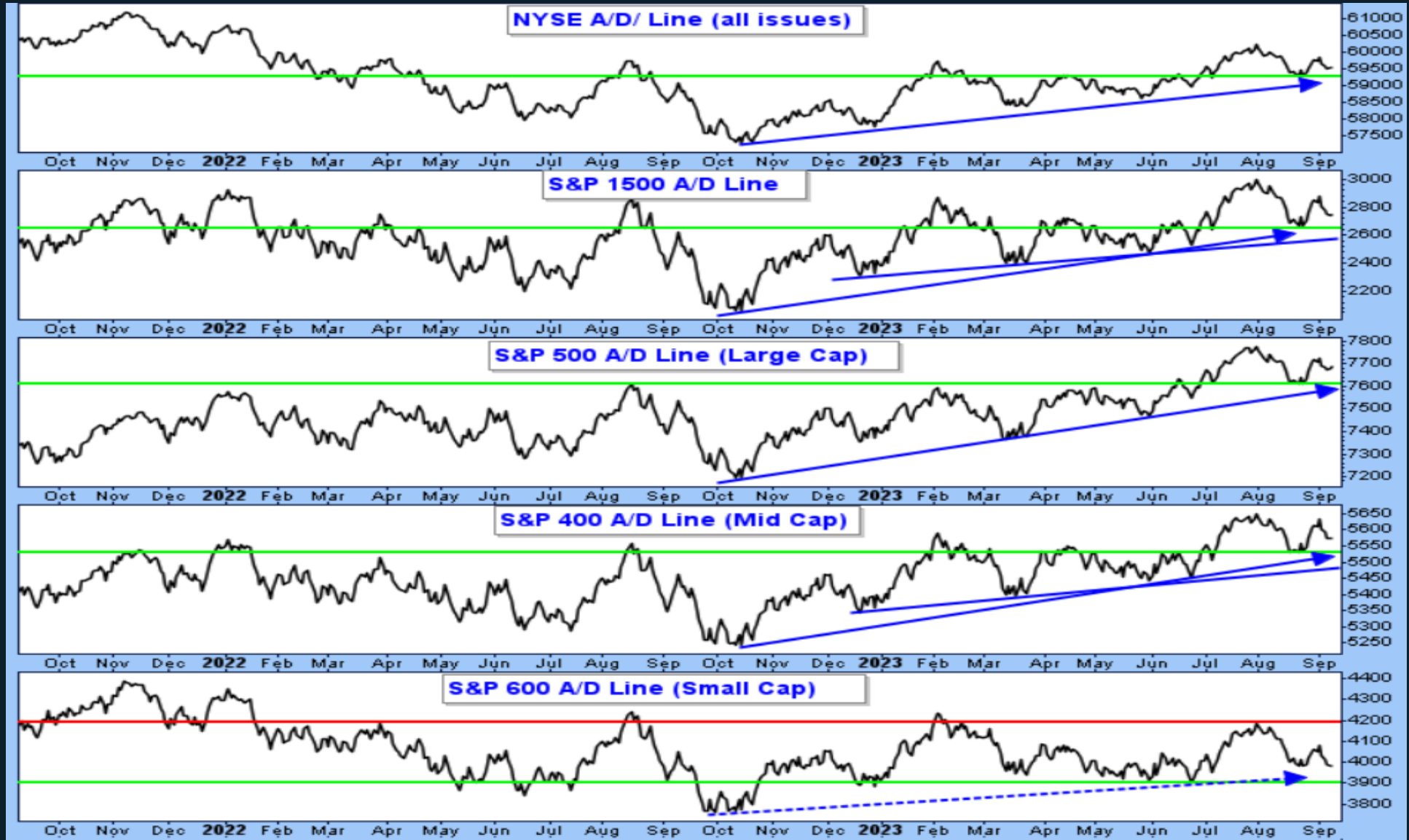
Q4 Roadmap

Tailwinds

Please refer to slide #3 for complete list



Takeaway: Held support (supportive). BUT on the edge. Don't want to see support broken.



Takeaway: Please use the “Healthy” and “Unhealthy” parameters shown below.



Takeaway: While Crude Oil marches higher, these remain rangebound – so far, so good but please follow closely!

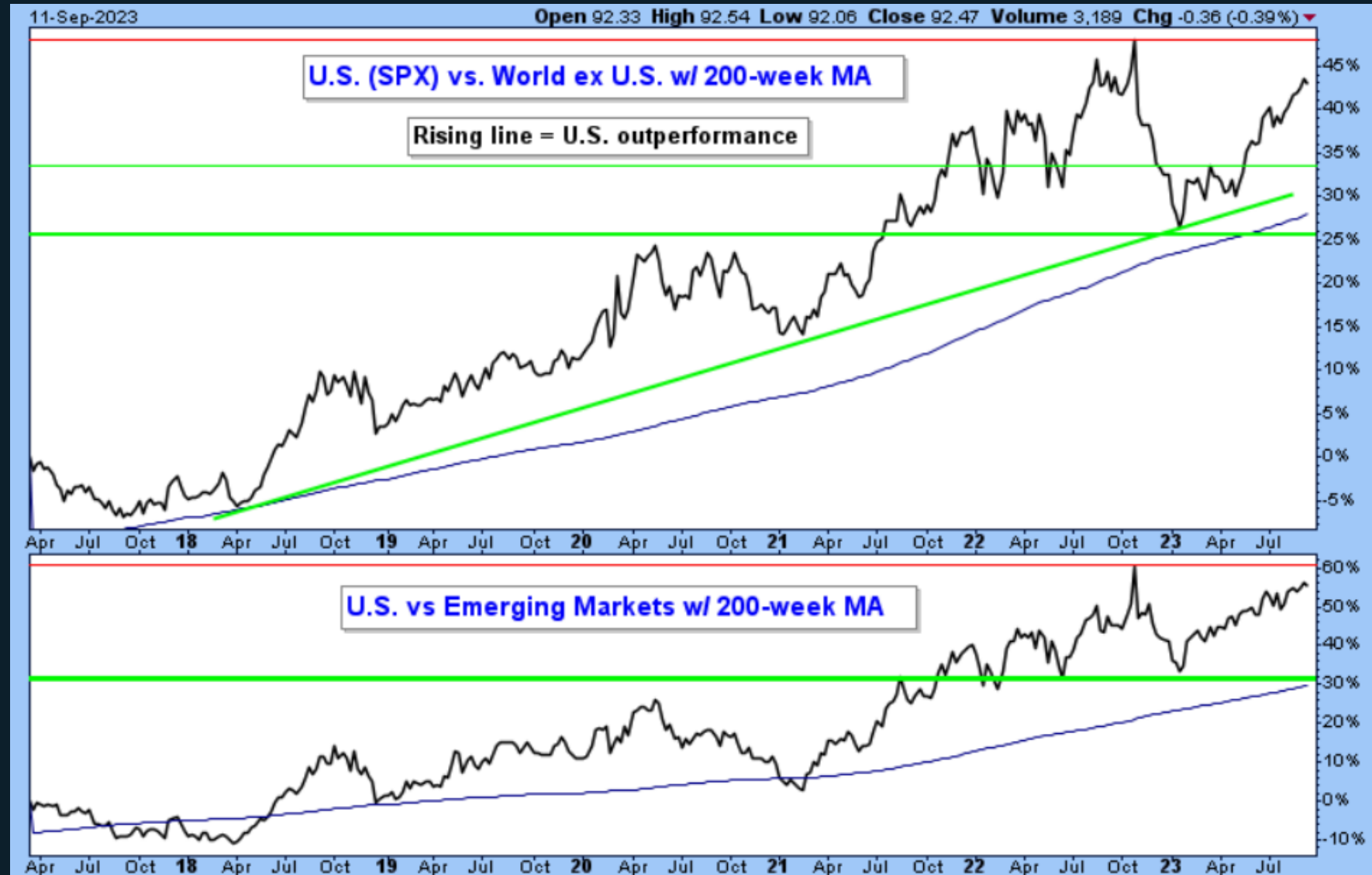


U.S. vs. The World ex. U.S. – weekly (domestic vs. overseas/emerging relative strength analysis)

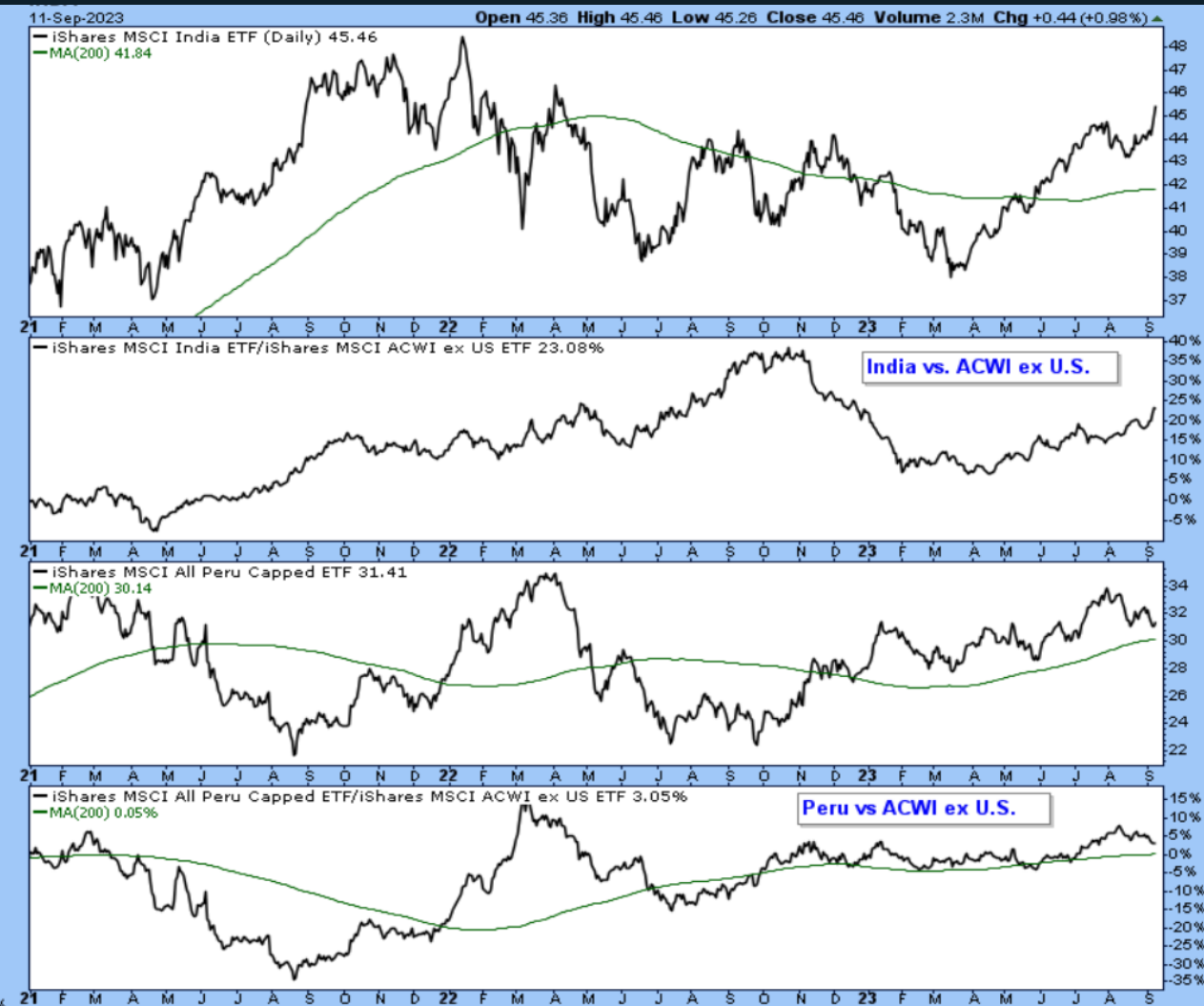
If this relationship is going to stall/consolidate/reverse, in and around resistance (red line) is where it should start.

Takeaway: For now, U.S. over World ex U.S. and Emerging.

Please reach out about how the **DH/NDR Smart Sector International strategy** is positioned.



Within the **DH/NDR Smart Sector International Strategy**, the following countries were overweighted and/or exhibited strong model readings.



NDR: **Peru** has a low market capitalization-to-GDP ratios, which typically indicates a favorable valuation.

Q4 Roadmap

Headwinds

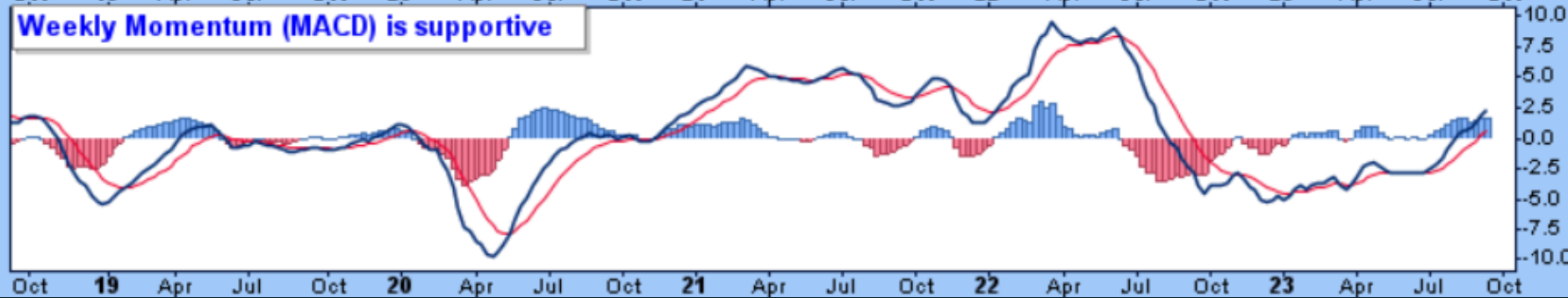
Please refer to slide #4 For complete list



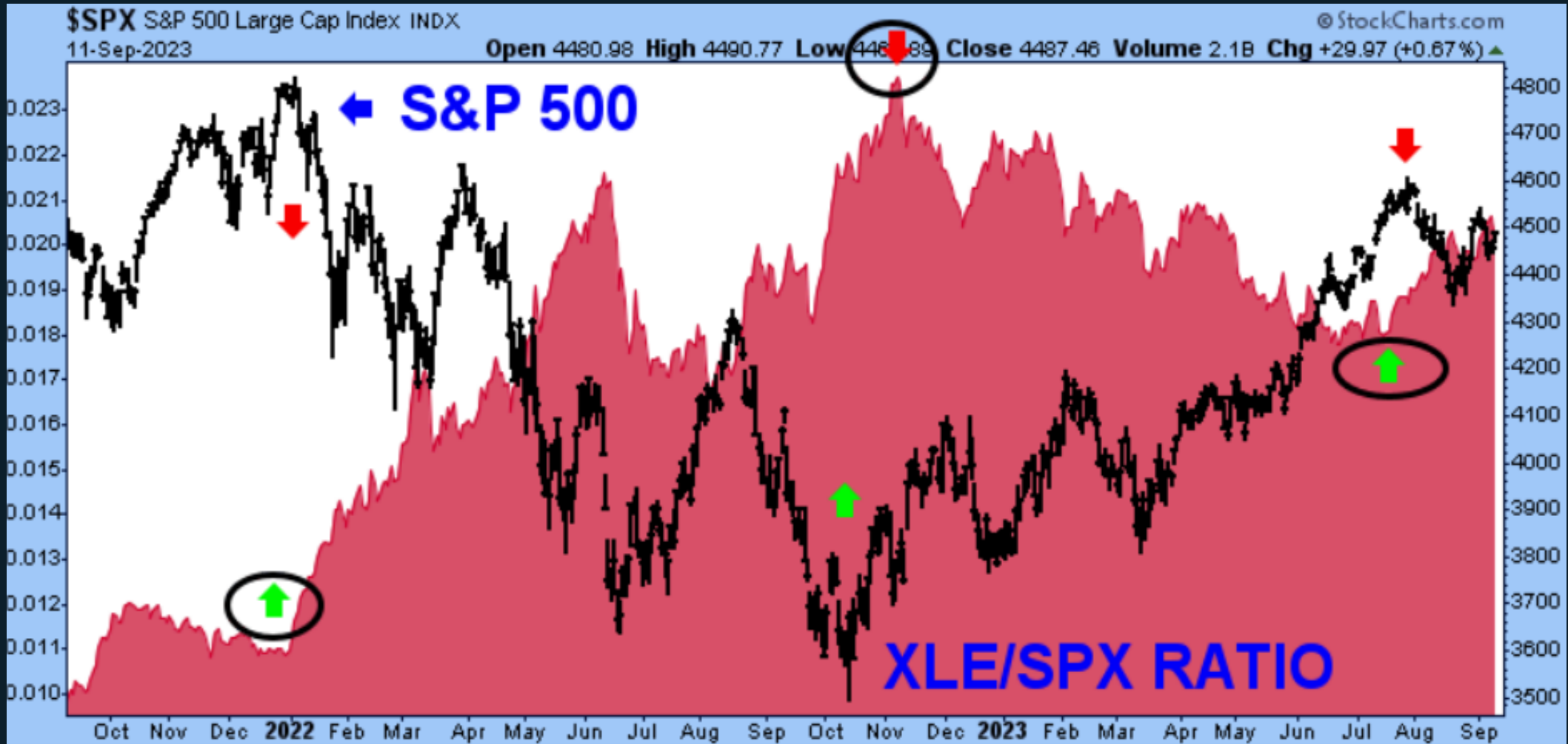
\$WTIC Light Crude Oil - Continuous Contract (EOD) CME
11-Sep-2023

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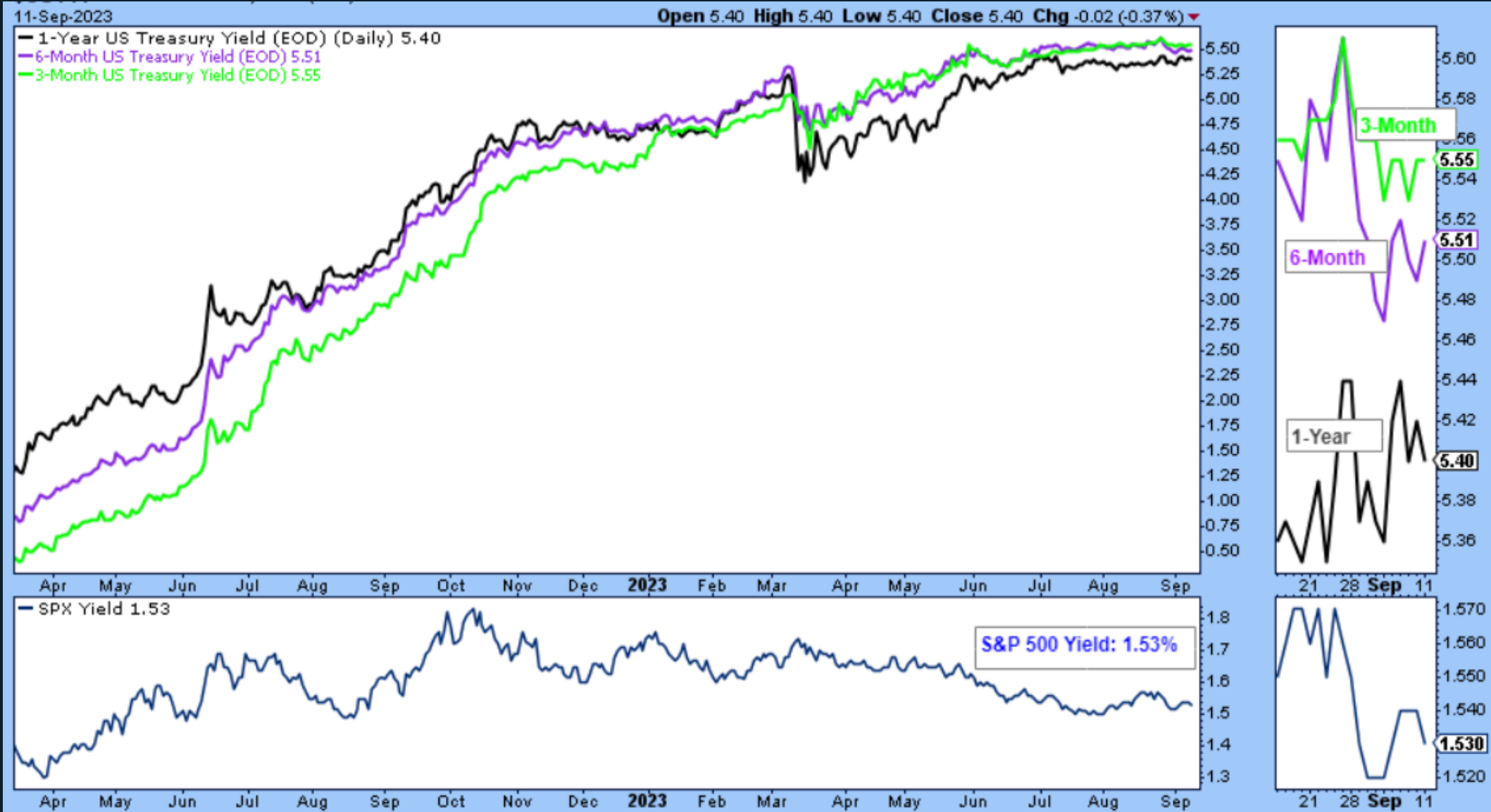
Open 87.40 High 88.15 Low 86.71 Close 87.29 Volume 27.0M Chg -0.22 (-0.25%)



Takeaway: If Crude Oil continues higher (I think it does) and the XLE/SPX ratio does likewise (the trend implies it will), then it makes sense that stocks remain “trapped/rangebound” until there is some resolve.



Takeaway: For some (not all), when it comes to incremental investment \$'s, this makes a difference / is worth it.



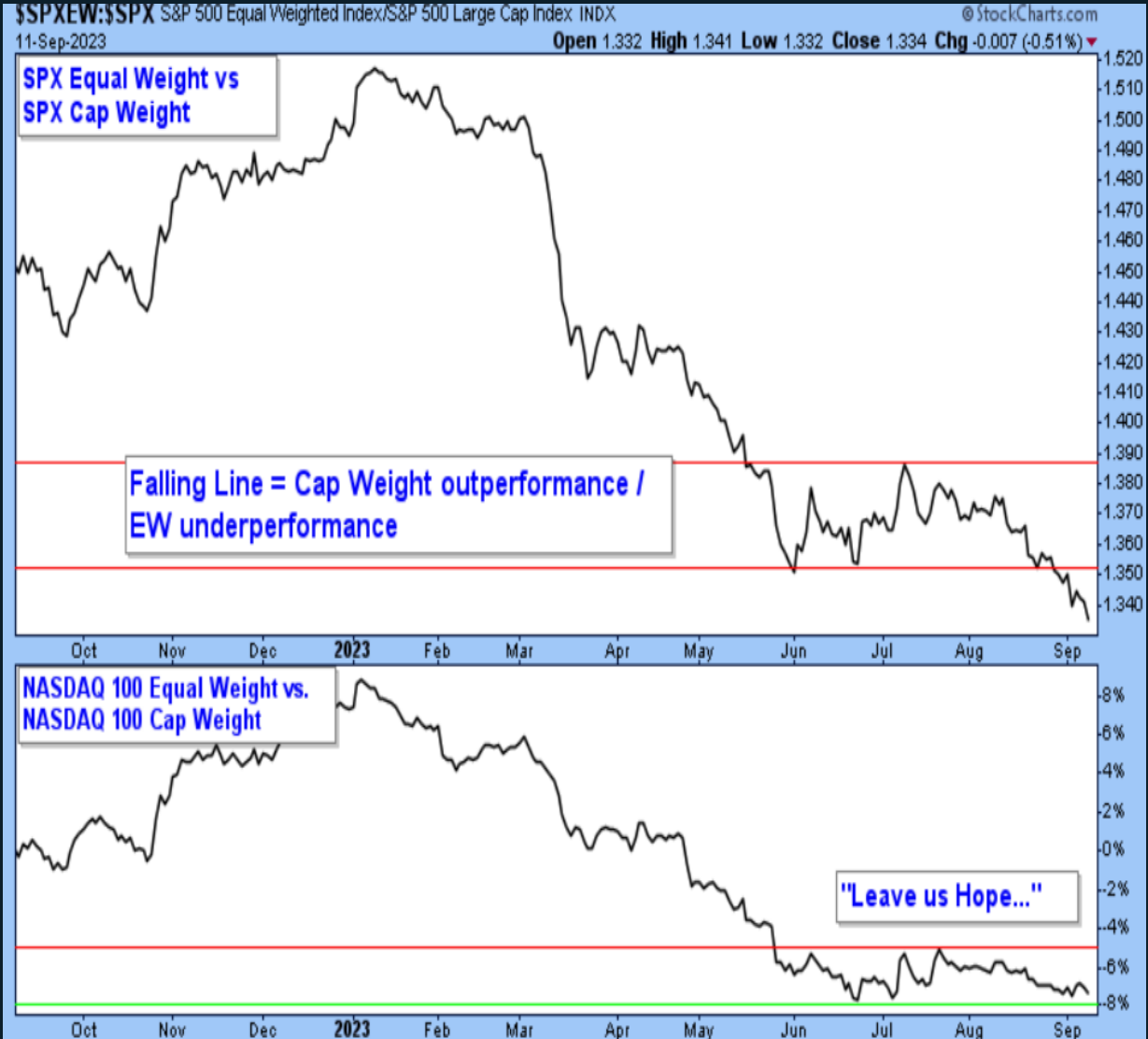
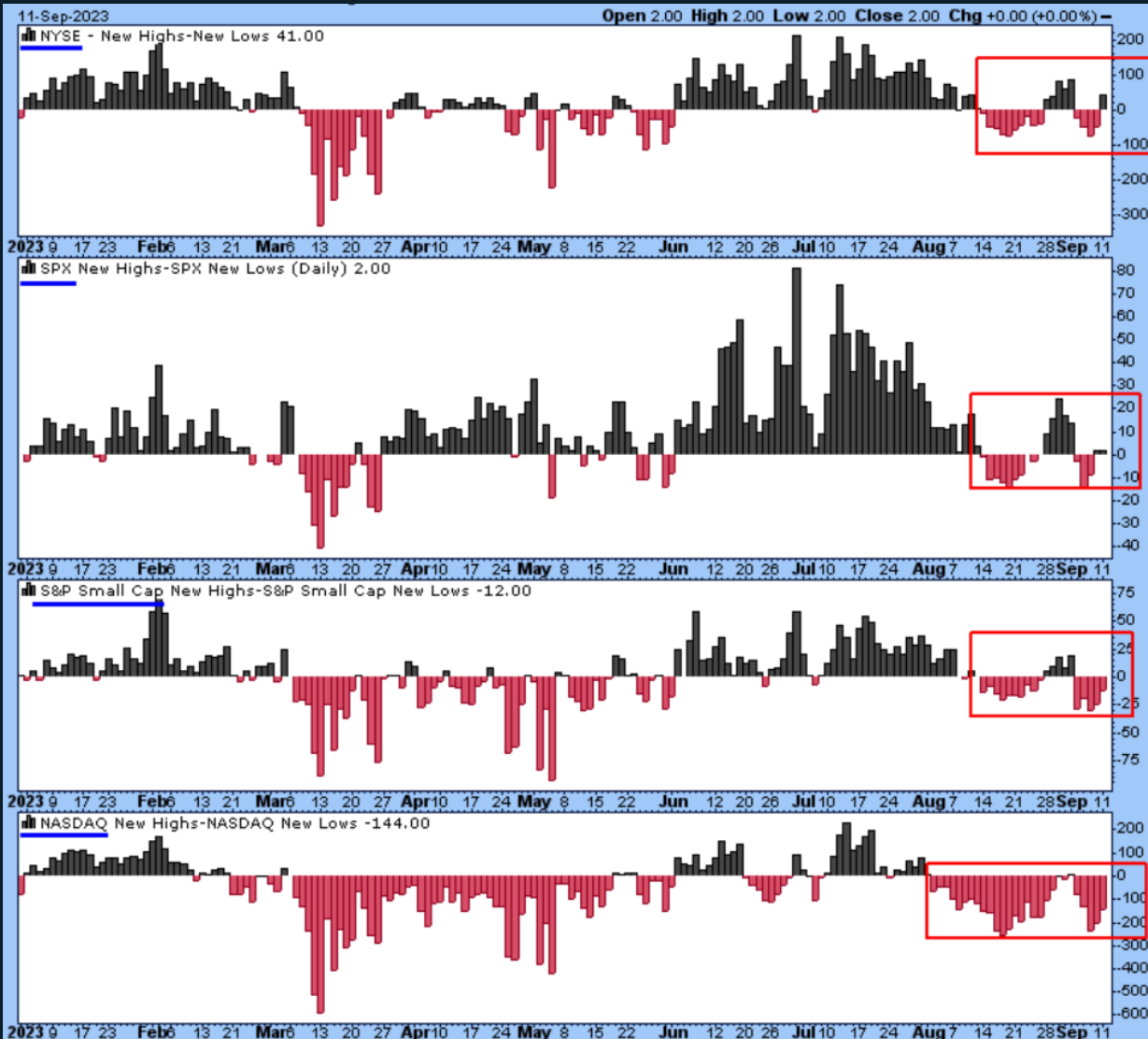
10-Year U.S. Treasury Yield (not the index [TNX]): Almost a perfect upward sloping trend channel.

There will be lots of equity and bond market-moving inflation indicators this week: ...**CPI** (Wed), **PPI** (Thu), and **import & export prices** (Fri). There will also be a couple of business cycle indicators that could move the markets: **retail sales** (Thu) & **industrial production** (Fri).

Takeaway: A confluence of support in the area between 4.10% & 4.00%. Use it accordingly



Takeaway: Narrowing (weakening) participation is indicative of a difficult back drop.



U.S. Dollar Index w/ Stochastics (bottom frame) – monthly data

Takeaway: With many cross-asset influences (emerging markets, commodities, multinational corps and their profit margins), it bears watching this index daily.

Given the ramifications for overseas markets, please let us know if you'd like to schedule a call to go over the process & discipline underpinning our **Smart Sector International strategy.**



One way to use a **stochastics indicator** is to measure overbought and oversold conditions.

Takeaway: GSCI Commodity Index Bearish-to-Bullish chart configuration.

What does this mean to the current inflation narrative?

The Bloomberg Spot Commodity Index closed above its 200-day average for the first time in a year. After similar trend change signals, the index rallied 100% of the time over the subsequent six and twelve-month periods.

~ SentimenTrader



Takeaway (non-trading): I've highlighted **Uranium** a few times over the past few years. From a timing standpoint, some have been good, others not so much. Let's try it again --- non-trading!



Q4 Roadmap

The Incremental Edge

Watch for Directional Changes!

Please refer to slide #5 for complete list



NYSE Fang Plus Index (weekly data)

Takeaway: We don't want support broken, especially because weekly momentum has rolled



Takeaway: If you covered up the name, and looked only at the relative strength chart, what would you do?

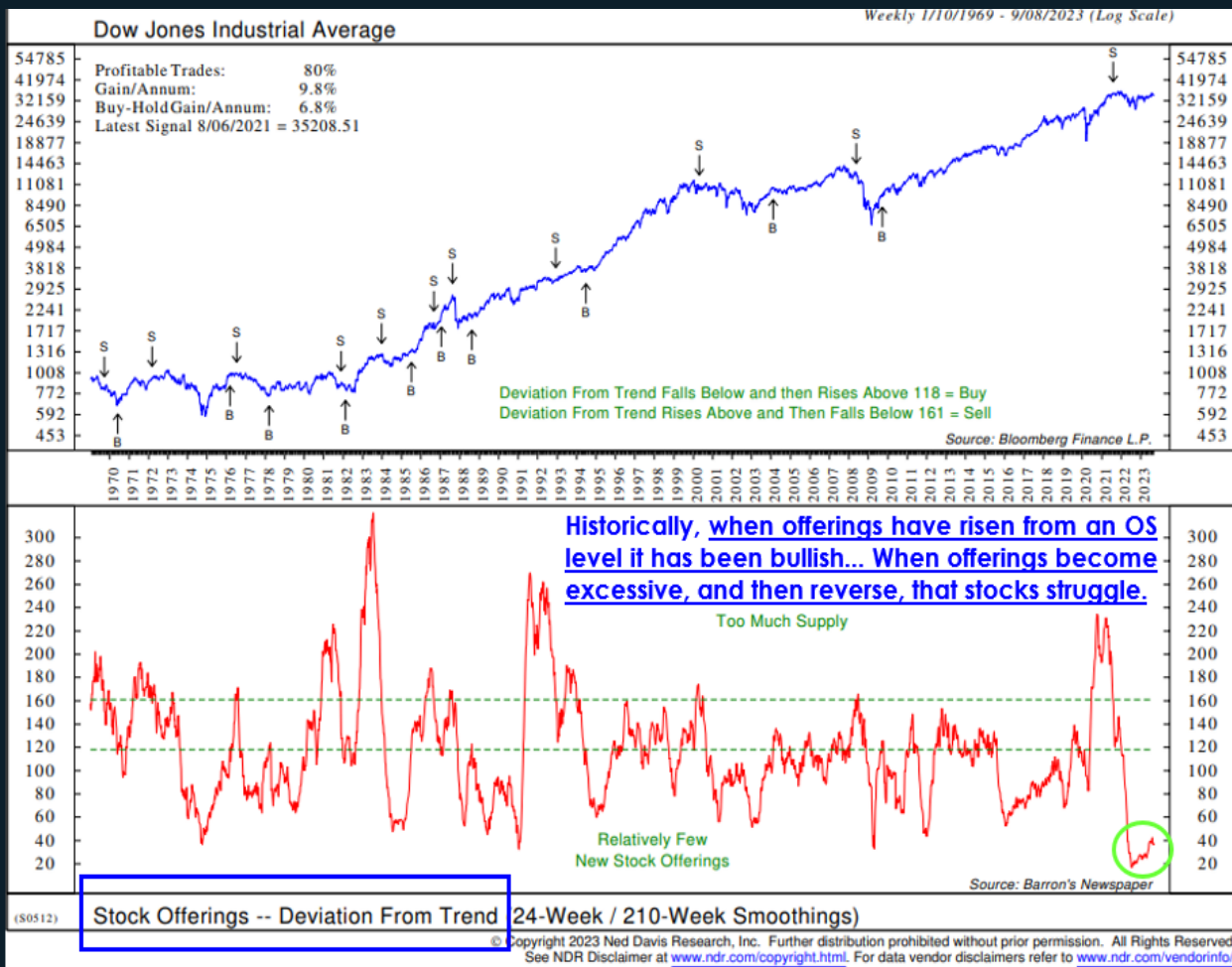
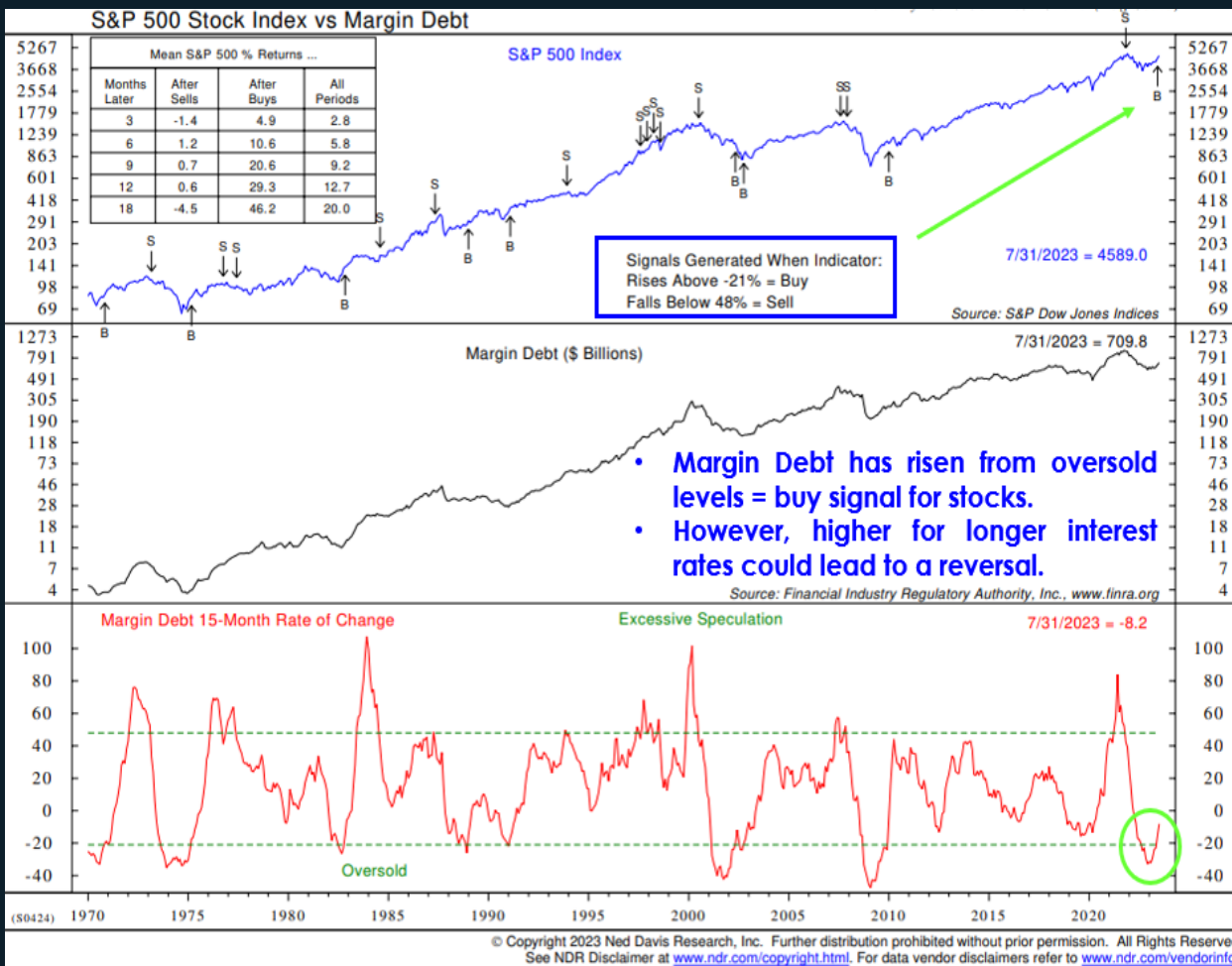
- Buy?
- Hold?
- Sell?
- Hedge?
- Scale sell?
- Raise stop loss point?



Sentiment (non-trading): Q4 Roadmap

“Nothing Like Price to Change Sentiment” ~Helene Meisler

Takeaway: We look for extremes and then a reversal...



NDR Daily Trading Sentiment Composite (short-term) is neutral. No real edge even though the market had a slight upward bias when the composite was in the neutral zone.

Seasonality: Q4 Roadmap – “Pick Your Poison”

Takeaway: There are many ways to view equities “seasonal” tendencies. It is safe to think choppy/weak towards the end Q3/early Q4, but some type of year end rally. There is no consensus on when it starts.

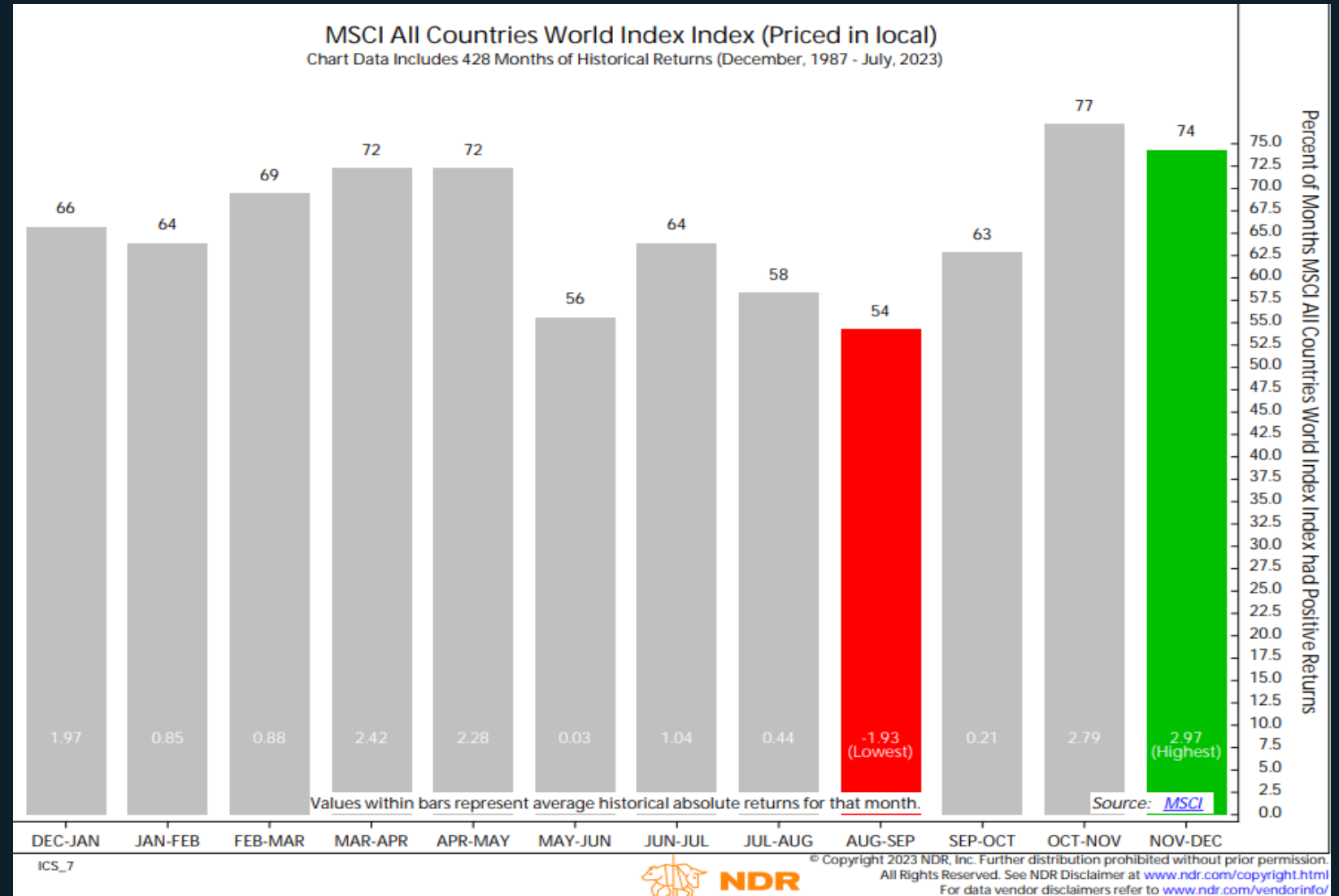


“...it occurs to me that one week from Friday, on Sept. 15 -- mid month! -- it is Rosh Hashana, the Jewish New Year. There is an old adage in the market: **Sell before Rosh Hashana** (9/16/23), **buy before Yom Kippur** (9/25/23)...(this) happens to be one of those adages that works a majority of the time...” ~ Helene Meisler

Headwinds to Tailwinds?

Takeaway: Since we view seasonality as a secondary input (same with sentiment), confirmation of a positive response (a catalyst signifying strong demand-buying interest) is still needed.

- August/September has tended to be the ACWI's worst two-month period.
- September-October has tended to be a better two-month span, ahead of the market's strongest two-month periods of October-November and November-December.



Momentum Begets Momentum

After >10% thru July & ↓ Aug, big gains thru year-end, on avg

8/31 - 12/31 max drawdowns smaller than in avg year

S&P 500 Index Performance September - December When January - July >10% & August <0%

Year	12/31 - 7/31 (%)	7/31 - 8/31 (%)	8/31 - 12/31 (%)
1938	17.5	-2.7	9.5
1954	24.5	-3.4	20.6
1955	21.0	-0.8	5.3
1964	10.9	-1.6	3.6
1967	18.0	-1.2	3.0
1975	29.5	-2.1	3.8
1976	14.7	-0.5	4.4
1985	14.2	-1.2	12.0
1988	10.1	-3.9	6.2
1995	22.4	0.0	9.6
1997	28.8	-5.7	7.9
1998	15.5	-14.6	28.4
2013	18.2	-3.1	13.2
2019	18.9	-1.8	10.4
2023	19.5	-1.8	2.0
Mean	18.9	-3.0	9.9
Median	18.1	-2.0	8.7
% Positive	100.0	0.0	100.0
All Periods Mean	5.2	0.7	1.9

2023 case not included in summary statistics.

Source: S&P Dow Jones Indices

Ned Davis Research

T_SSF23_34.1

S&P 500 Index Max Drawdown September - December When January - July >10% & August <0%

Drawdown Start Date	Drawdown End Date	Max Drawdown %
9/7/38	9/27/38	-11.4
10/6/54	10/29/54	-3.3
9/23/55	10/11/55	-10.6
11/20/64	12/15/64	-3.6
9/25/67	11/8/67	-6.6
8/29/75	9/16/75	-5.5
9/21/76	11/10/76	-8.4
8/30/85	9/25/85	-4.2
10/21/88	11/16/88	-7.0
12/13/95	12/20/95	-2.5
10/7/97	10/27/97	-10.8
9/23/98	10/8/98	-10.0
9/18/13	10/8/13	-4.1
9/12/19	10/2/19	-4.1
Mean		-6.8
Median		-6.6

Source: S&P Dow Jones Indices

Ned Davis Research

T_SSF23_34.2

“Average drawdown for all September – Decembers is 9.9%.” ~NDR.

Bottom Line

- The **NDR Catastrophic Stop Loss Model** shows that potentially catastrophic risks are not yet at levels that would demand a higher cash allocation.
 - We do note, however, that many of the Catastrophic Stop model's indicators are hovering around neutral and are poised to turn negative if risks rise further.
- Alleviation of macro headwinds, better market breadth, absorbing/containing bad news, and ideally some negative sentiment, could allow for a rally into Q4 and year-end.
- Entering Q4 and 2024, the equity market will have to thread a needle between recession and inflation risks.
- The domestic equity market is being support by some tailwinds (slide 3) but multiple/increasing headwinds (slide 4). Please use these in accordance with your risk tolerance levels and be aware of the areas that could swing negatively and tip the scale lower (slide 5).

**We continue to “See the Signals” and
will respond accordingly to model changes.**

Trends:

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



Takeaway (short-term): Trapped/Rangebound. Use support and resistance accordingly.



Resistance = red lines

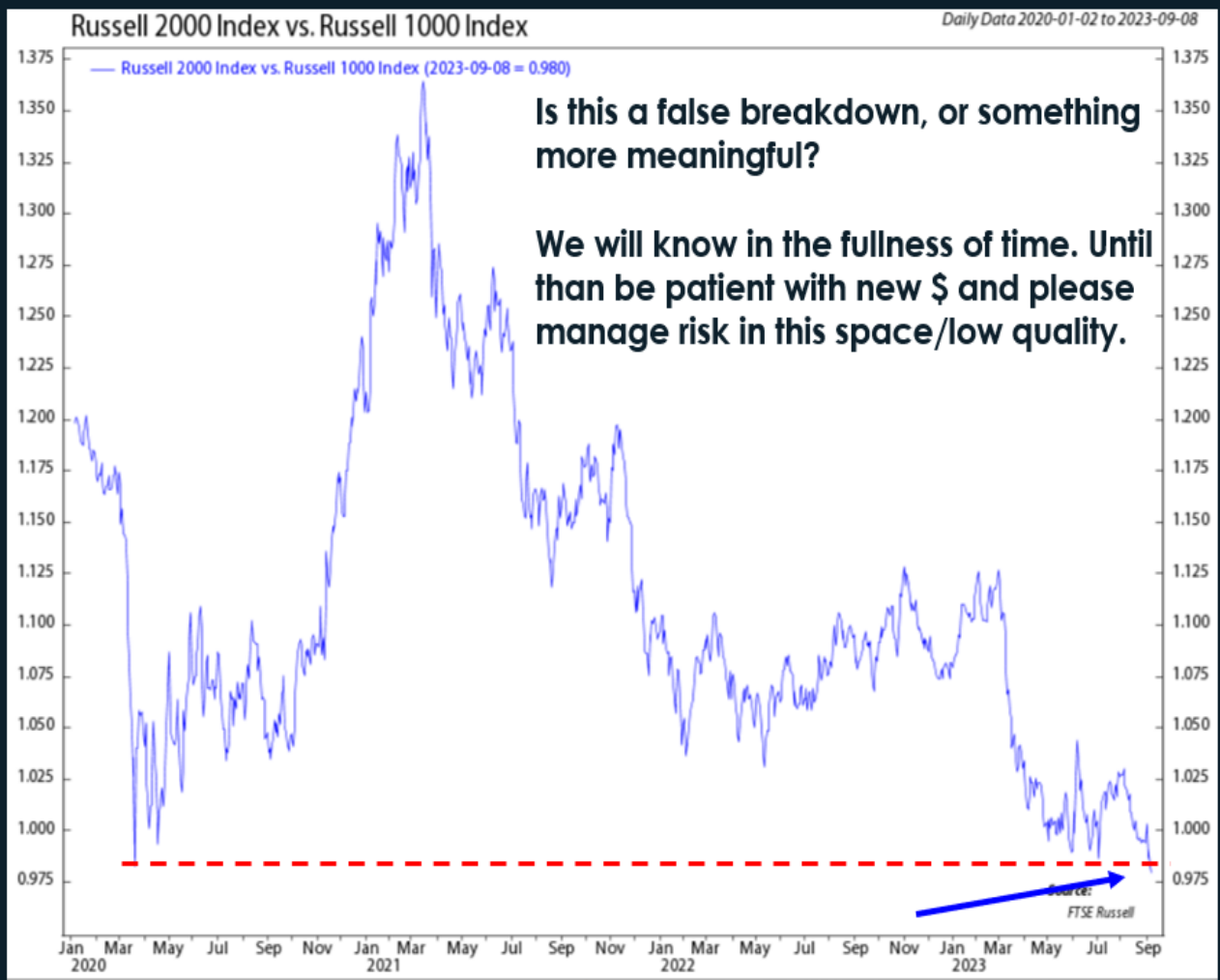
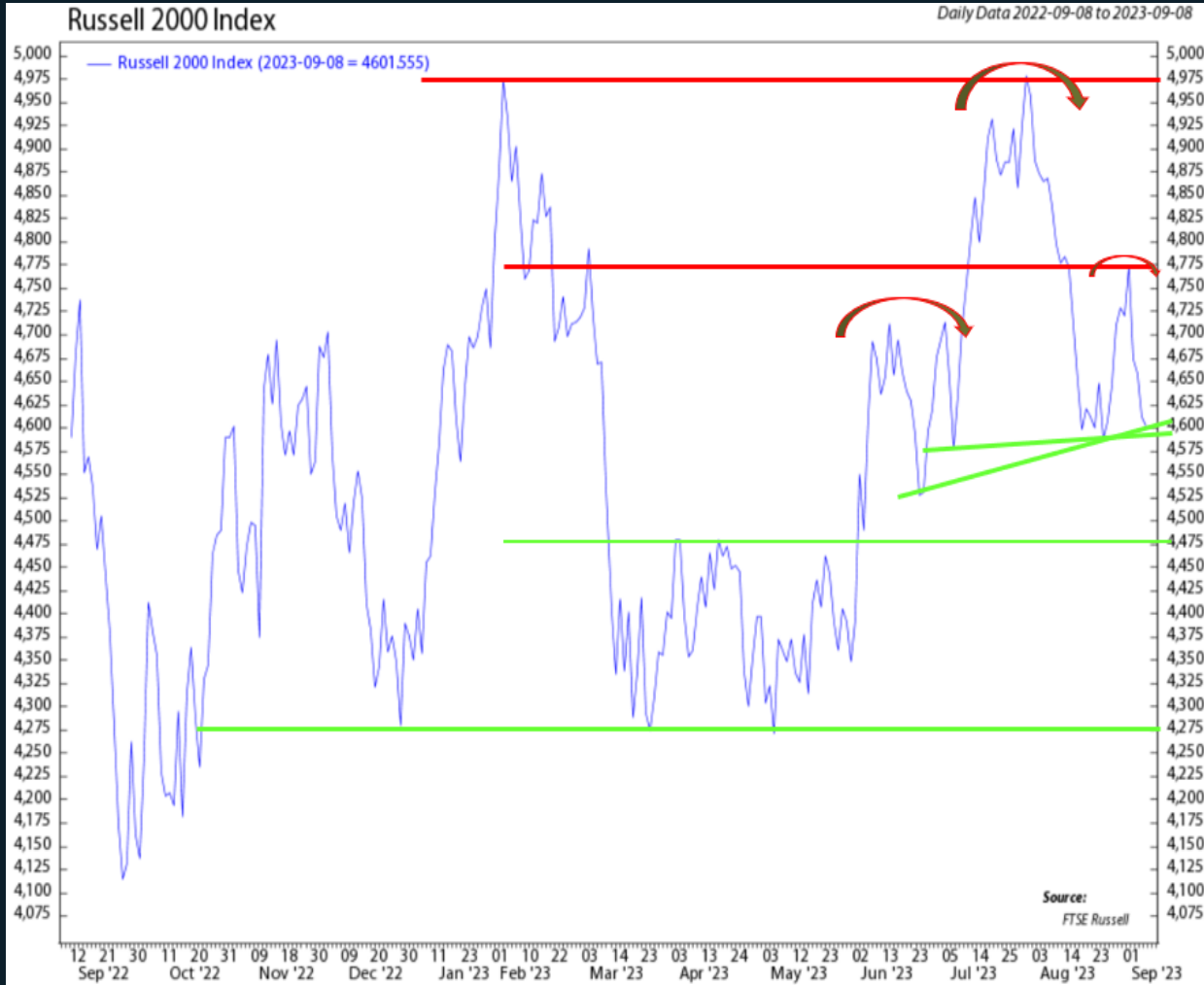
Support = green and blue lines

Takeaway (short-term): Trapped/Rangebound. Use support and resistance accordingly.



Takeaway (left chart): Potential pattern of distribution (H&S Top). A violation of support (4600 +/-) would signal that a correction of intermediate term proportion is getting underway

You can construct similar charts using **IWM**. Please let me know if I can help.



Context

Takeaway: As expected, “long and arduous.” Please use as a guidepost relative to the group(s), and small caps.



Takeaway: Trapped/ Rangebound. Since the beginning of 2023, the **DJIA** and **TRAN** (non-growth/cyclical/value) has significantly lagged in relative performance.



Thank You for allowing us to be part of your success

For More Information

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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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