

# PHASES & CYCLES<sup>®</sup>

## MARKETS REMAIN STRONG AS WE BEGIN SEPTEMBER

Despite recent volatility, markets have had solid gains year to date. The SPX and TSX both had double-digit gains at 13.4% and 10.8%, respectively, through September 6. Two historical statistics suggest that markets will finish the year with gains: The SPX has gained an average of 8% in years ending in four since 1990, and markets gained in 23 of the 30 election years since 1903.

At the time of writing our previous Market Comment (August 8, 2024), markets had experienced a major selling climax. The increased volatility was captured by the VIX reaching its third highest level in 34 years. We had suggested that markets would likely remain choppy in the weeks to come but would perhaps return toward or slightly above recent highs. Markets closed August near or above their respective July highs (see table below), and the VIX has returned to a "resting position" between 10 and 25.

However, the first few days of September have seen the markets retreat once again toward their respective 50-day (or 10-

week) Moving Averages. Furthermore, a 35-day cycle low is expected on September 20, which could see markets correct toward their respective 40-week Moving Averages. However, the indices have considerable support at this level, which should contain any further potential weakness. The table below illustrates how the previous lows correspond roughly to the 40wMAs levels of each index and that a potential decline toward these levels would be  $\pm 5\%$  below current levels. Even with such a decline, the long-term bullish trend would remain intact (see charts on page 2).

We remind readers how important stock selection is as the returns on individual companies within a sector is a mixed bag. For example, the SPX Information Technology sector has led the SPX gains. But within the sector IBM is up 25%, while SNPS is down 10% year-to-date. Other examples include the TSX energy sector with TRP up 22% and MEG down 1%. See to our List of Investment Ideas for stocks that continue to have upside potential.

Index	Friday's close	July high	August high	Difference	40wMA	Previous low	% to previous low
SPX	5,409	5,670	5,652	-0.3%	5,152	5,119	<b>5.4%</b>
DJI	40,345	41,376	41,585	+0.5%	38,769	38,499	<b>4.6%</b>
TSX	22,781	23,210	23,414	+0.9%	21,762	21,659	<b>4.9%</b>
NYA	18,663	18,799	19,298	+2.7%	17,703	17,688	<b>5.2%</b>

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The DJI, NYA and TSX slightly exceeded their July highs (A) while the SPX was slightly short of its July high (B). The former are currently resting just above their respective rising 50-day Moving Averages (50dMAs) while the SPX is currently just below its average. Given the recent correction of the heavily weighted Tech stocks on the SPX, the

latter had a slightly weaker performance over the past month. However, the four indices have good support near their recent lows, which coincide with the current position of the 200-day Moving Averages (200dMAs – shaded areas). Any potential seasonal weakness, should find good support near these levels.

**Dow Jones Industrial Average (DJI) DAILY CHART – ONE YEAR**



**NYSE Composite Index (NYA) DAILY CHART – ONE YEAR**



**S&P 500 Index (SPX) DAILY CHART – ONE YEAR**



**S&P/TSX Composite Index (GSPTSE) DAILY CHART – ONE YEAR**

