

# PHASES & CYCLES®

**THE BULL MARKET IS LIKELY TO DELIVER UPSIDE GAINS;  
HOWEVER, SANTA MAY CAUSE A "HOLIDAY HICCUP"  
IN THE MARKETS.**

This bull market continues to deliver upside surprises as the uptrend persists without any significant corrections. So far, we've been accurate about the long-term advance and the anticipated minor pullback in November toward the 50dMA, but a retreat toward the 200dMA remains elusive.

With the DJI, SPX, NYA, and TSX gaining 19.6%, 27.9%, 20.6%, and 23.3%, respectively, since the beginning of 2024 to their latest peaks, the indices are anticipated to conclude the year positively even with a possible pullback toward their 200dMAs.

In our previous comment, we suggested that ongoing advances in market rallies would likely push the percentage of bullish investors over 60%, which historically has been a sign that markets are due for a correction. According to Investor's Intelligence, this condition has been met for the fifth consecutive week. The last time bulls stayed above the 60% level for this long was last summer, from June to July; they remained above 60% for seven weeks before the indices experienced a pullback toward their respective 200dMAs in August. This raises the question: Will the indices see such a pause before year-end?

Markets are entering a period of cross-currents: On the upside, markets are

currently in a period that has historically strong upside seasonal behaviour, including prospects for a Santa Claus rally. On the downside, end-of-year portfolio adjustments, and tax-loss selling could put downward pressure on markets. Furthermore, we expect increased volatility on December 20 during triple witching, which involves the simultaneous expiration of stock options, stock index futures, and stock option contracts. Additionally, there's a full slate of economic data due in the coming week, which could also increase volatility.

A correction toward the 200dMA would lead to a contraction in the number of bullish investors and help alleviate the current extreme bullish sentiment. A resumption of the uptrend in early January would support the statistics compiled by the Stock Trader's Almanac, which states that *"the direction of the first five trading days predicts the direction of the market for the remainder of the year"* and that *"a positive first five days has resulted in a full-year positive equity market some 85% of the time."* This aligns with statistics dating back to 1950, which indicate that years ending in "5" tend to be positive, with only one exception in 2015. We have a solid foundation for higher prices extending into 2025.

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Except for the SPX, the indices have pulled back slightly toward their respective 50dMAs since the beginning of the month. With 5 out of the Mag-7 stocks surging to new highs recently (AAPL, AMZN, GOOG, META and TSLA), the SPX has not corrected in a similar manner. However, these are becoming overbought, and they will eventually experience some profit taking, at

which time the SPX will likely close the gap with its 50dMA.

If this period of market volatility causes indices to breach their 50dMAs, then there is considerable support just below at  $\pm 42,800$  - DJI,  $\pm 5,850$  - SPX,  $\pm 19,200$  - NYA and  $\pm 24,600$  (shaded areas) and then again at the 200dMAs.

### Dow Jones Industrial Average (DJI) DAILY CHART - SIX MONTHS



### S&P 500 Index (SPX) DAILY CHART - SIX MONTHS



### NYSE Composite Index (NYA) DAILY CHART - SIX MONTHS



### S&P/TSX Composite Index (GSPTSE) DAILY CHART - SIX MONTHS

