

Technical Chart Packet Feb 23, 2024

The Myth vs. The Reality

Born in Cuba in 1941, **Sergio Oliva** was a champion bodybuilder who competed from the 1960s – mid 1980s and was a three-time winner of the Mr. Olympia contest.

He was known as “**The Myth**” because he was a combination of tremendous muscle mass while possessing exceptionally wide shoulders and an almost impossibly narrow waist which made him superior to any bodybuilder of his generation.



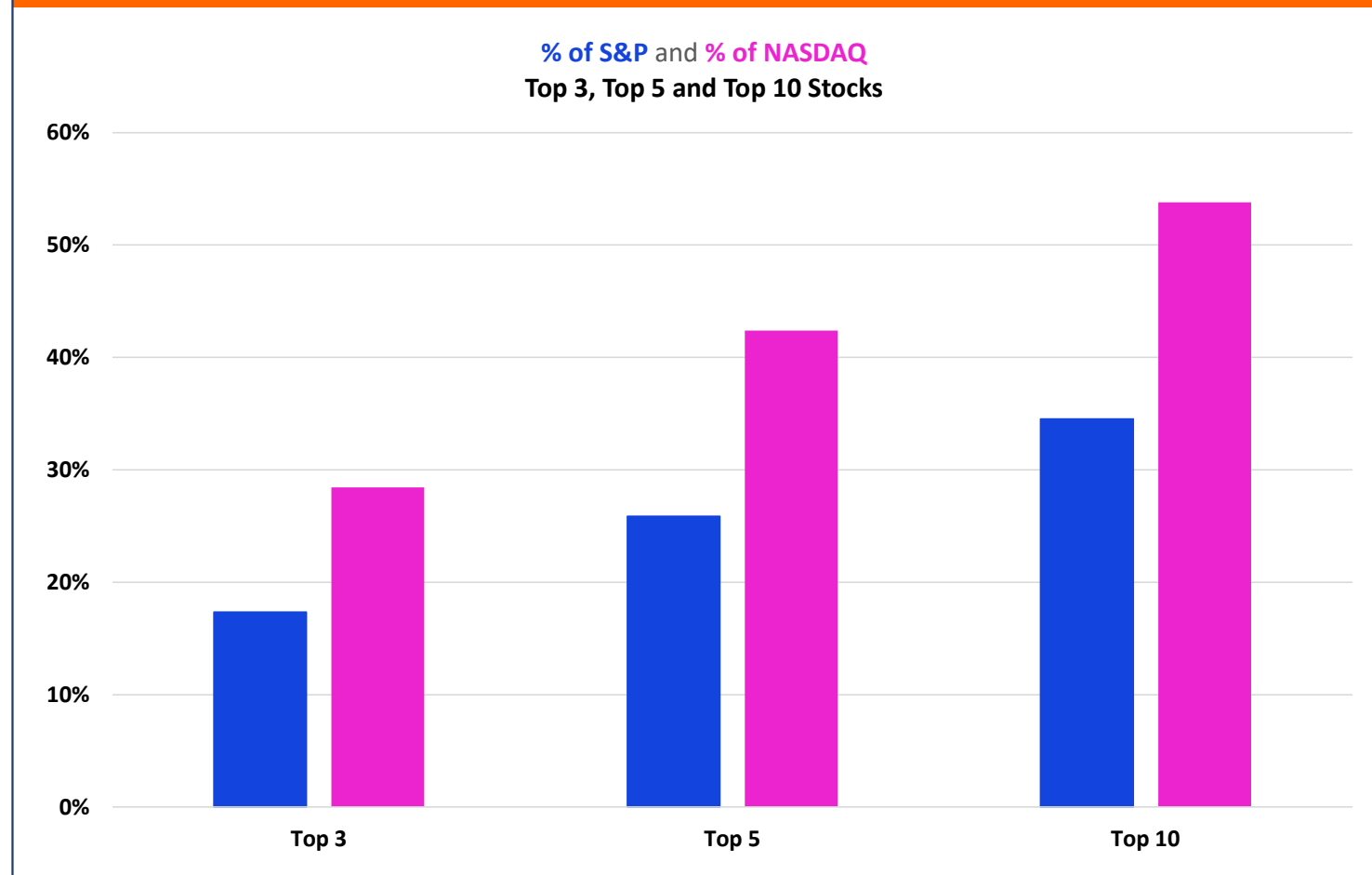
Yesterday **NVIDIA** added \$277 billion in market cap and is the all-time champion of one-day market cap gains. \$277 billion is 40% > the \$197 billion added by Meta three weeks ago. By itself **NVDA's \$277 billion market cap gain is > the market cap of 95% of the stocks in the S&P 500.**

Due to NVDA's largesse and its knock-on effects, the Top 10 stocks in NASDAQ are now 54% of the Index and the Top 10 stocks in the S&P are now 35% of the Index.

Please send me an email if you'd like to see the entire chart packet.

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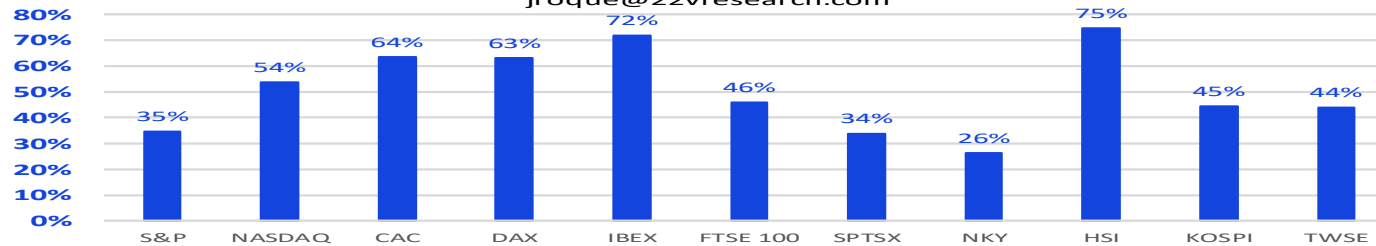
Size Has its Privileges



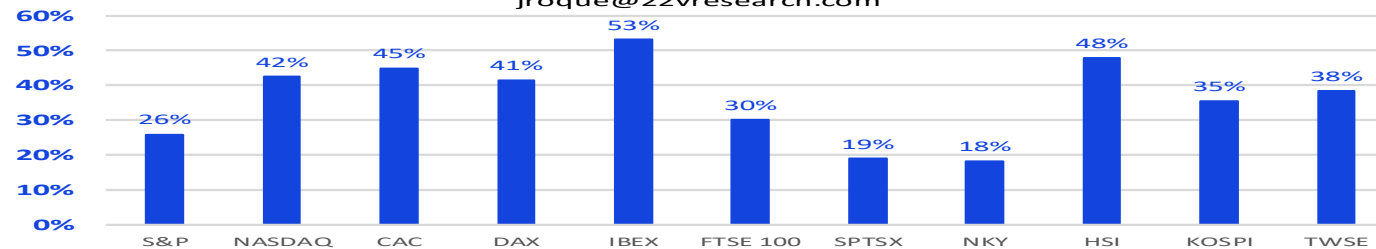
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A Global Phenomenon

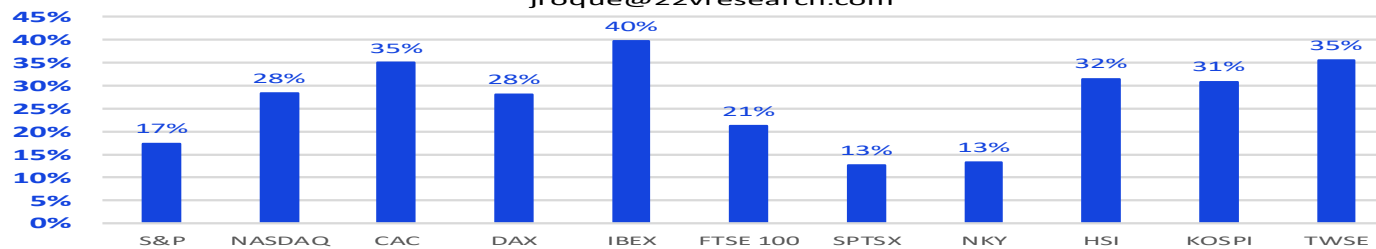
Top 10 Market Cap Stocks % of Index
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Top 5 Market Cap Stocks % of Index
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Top 3 Market Cap Stocks % of Index
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Equity Indexes (Base = 100; 12/30.22)

Nikkei, S&P, MSCI Europe, Australia, MSCI Asia Pac, & MSCI Asia Pac Ex Japan. Nikkei been fave since 4/23 .

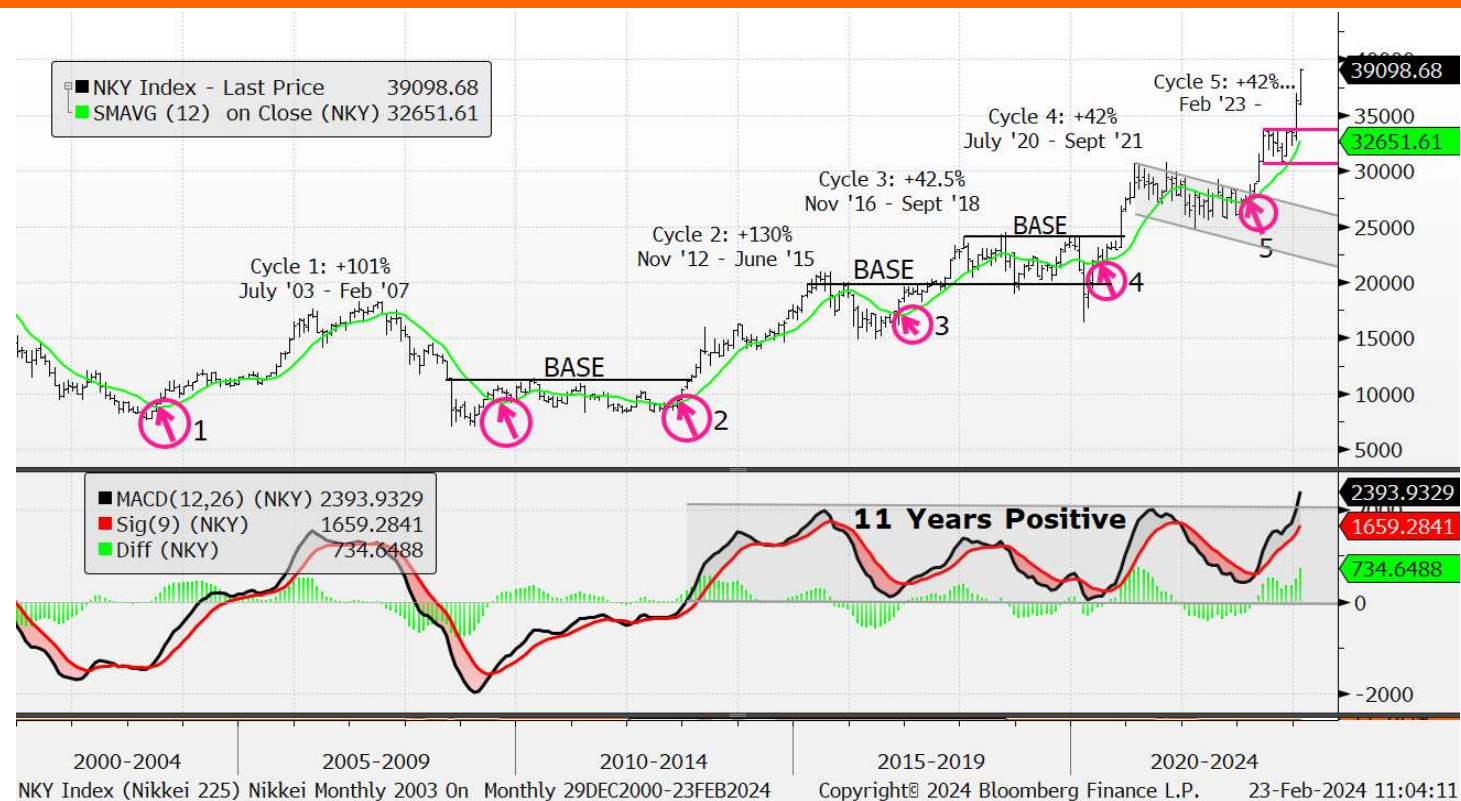


That's acceleration.

SPX Index (S&P 500 INDEX) S&P Europe Asia Asia ex Daily 30DEC2022-23FEB2024 Copyright© 2024 Bloomberg Finance L.P. 23-Feb-2024 11:03:59

Japan – Nikkei Monthly w/ 12-Month MA & MACD Globe's Best Big Market.

Got long in April '23 and thought it would make an assault on / break all-time highs from 1989. Well...it's at a new high today!

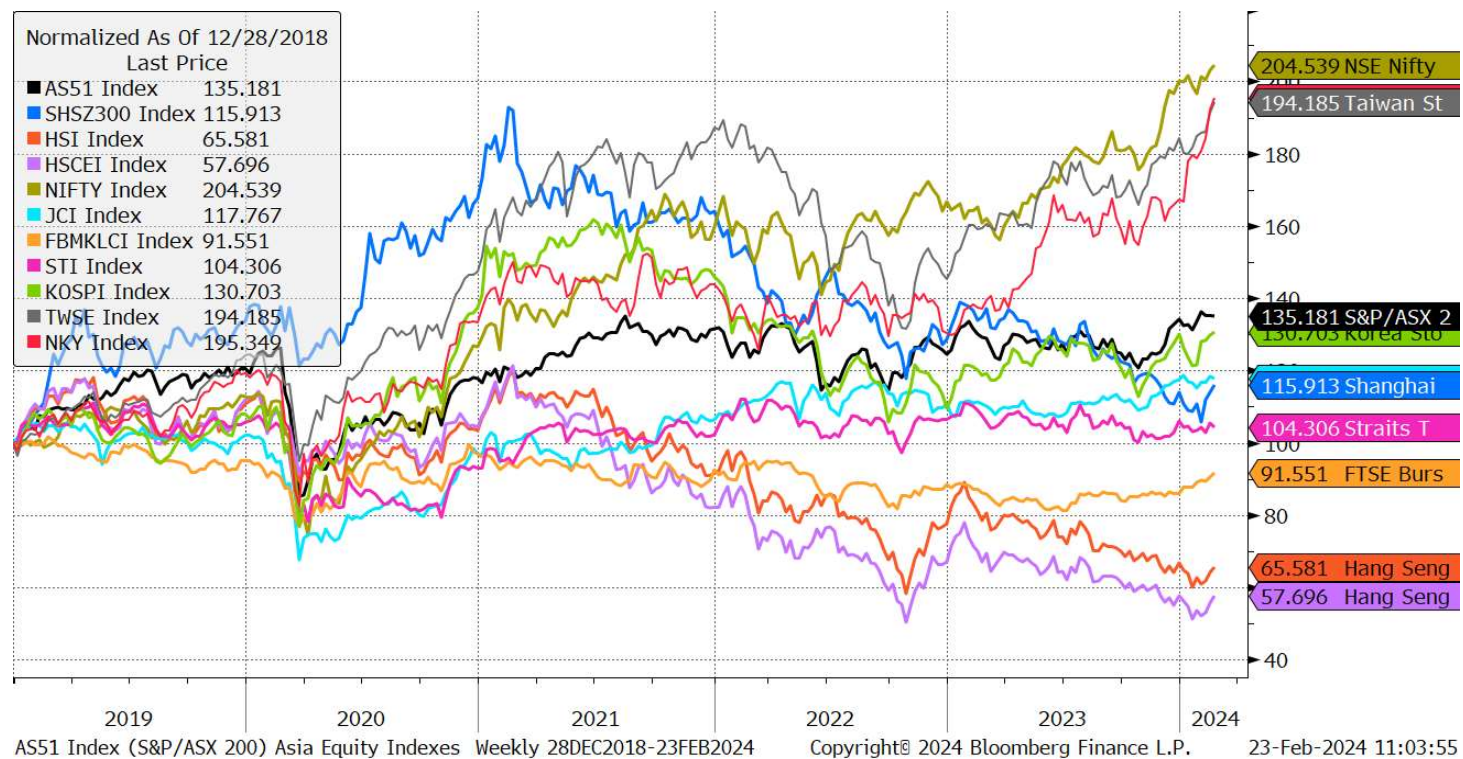


Japan – Nikkei Monthly w/ 12-Month MA & MACD
“What a Long Strange Trip It’s Been” was a Grateful Dead compilation album from 1970. It could’ve been about the Nikkei!
New all-time high Feb 23, 2024; +42% since “get long” call 4/23



Asia' Equity Indexes

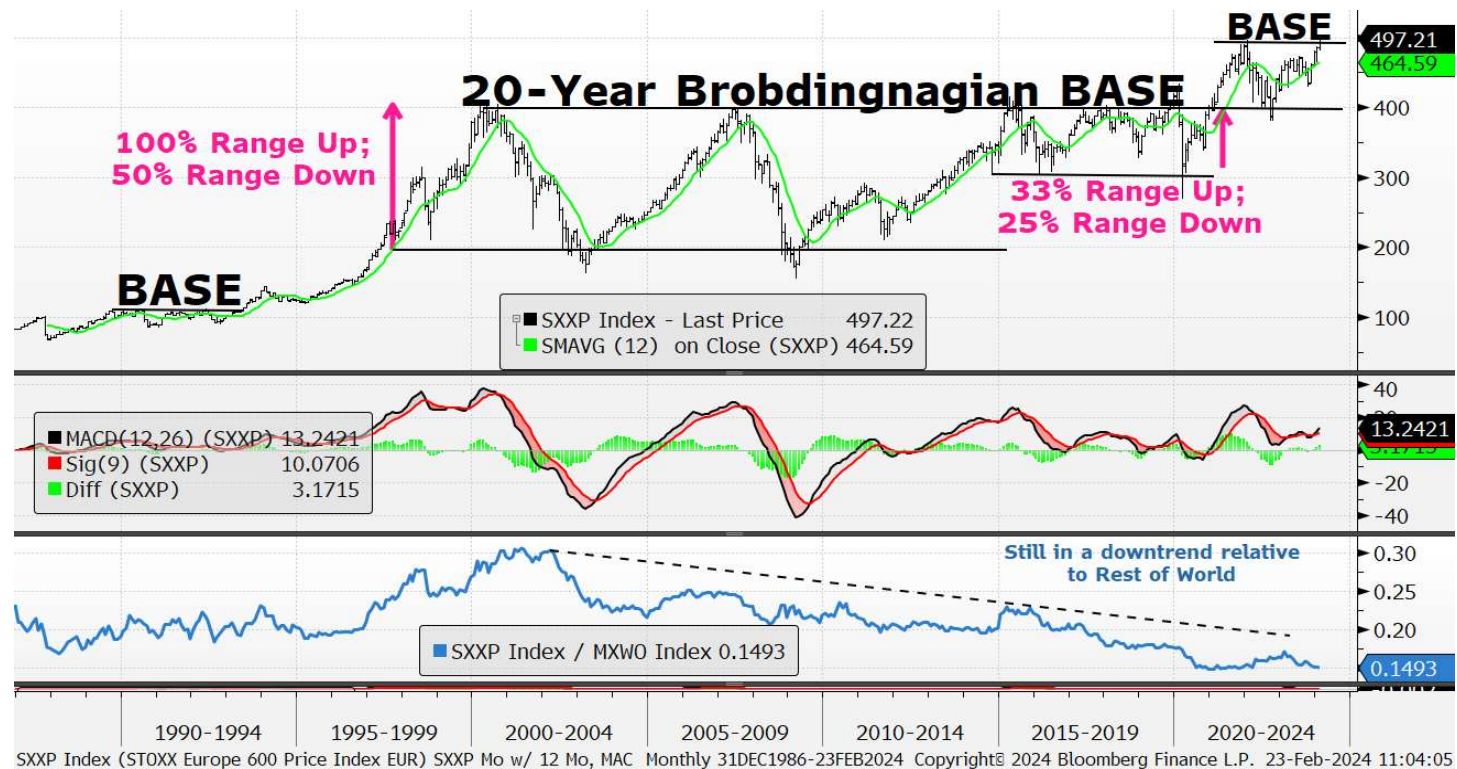
Nifty 50 (India), TWSE (Taiwan) and Nikkei big winners since late 2018. Hang Seng (HSI) & HSCEI turning



Europe – STOXX 600 Monthly w/ 12-Month MA & MACD

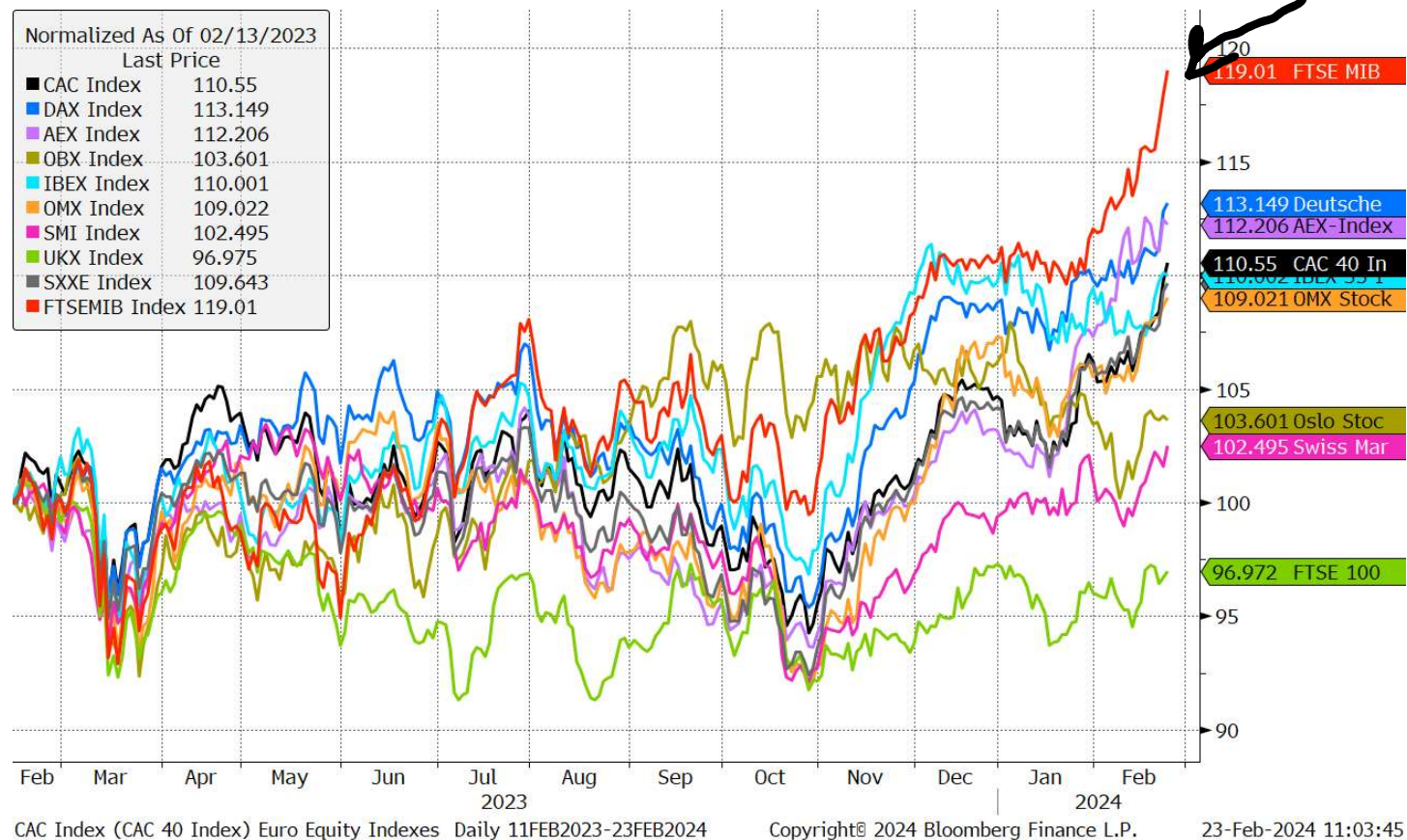
What's not to like? Breaking out of a 3-Year BASE w/ steady momentum.

It's true Europe lags the MSCI World Index on a relative basis because it doesn't have as much tech as the US, but the action is undoubtedly positive.



Europe's Equity Indexes

Few investors are interested...Italia e al Primo Posto



Russell 2000 - Weekly w/ 40-Wk MA, MACD & Rel to Eq. Wgt S&P

Thought it could work to 2000 and it's there.

Currently consolidating...Looking for a target at the 2021 highs
But why isn't it going up? Because it's not big cap & (1) and (2)

(1) As Milton Friedman told us...
"inflation is always and everywhere a monetary phenomenon."

Extended for my purposes, "The Russell 2000 is always and everywhere an IWM phenomenon" and that is because HFs are always short IWM versus their bigger cap longs.



(2) They then use IWM to alter their net exposure. They buy to cover IWM when they want to increase net, and they short more when they want to decrease net. They dominate IWM trading, thus overwhelming the single stock fundamentals of companies in IWM.

Russell 2000 – Monthly w/ 12-Month MA & MACD

2nd Worst Bear (24 Months) vs. Mar 2000 – Oct 2002 (31 Months). MACD inflected up in + territory. RTY to old highs.



Russell 2000

1) Table showing number of Bear and Bull Markets, length (# of Months), and Span. Average, Median, Maximum and Minimum results included.

		Russell 2000		Span	Russell 2000		Span
		Bears %	# of Months		Bulls %	# of Months	
	1	26.7	1	Feb '80 - Mar '80	1	87.7	15 Mar '80 - June '81
	2	28.7	14	June '81 - Aug '82	2	108.4	10 Aug '82 - June '83
	3	25.6	12	July '83 - July '84	3	83.8	36 Aug '84 - Aug '87
	4	39	4	Aug '87 - Dec '87	4	74.8	24 Oct '87 - Oct '89
	5	35.6	13	Oct '89 - Nov '90	5	314.2	89 Nov '90 - Apr '98
	6	38.3	6	Apr '98 - Oct '98	6	101.5	17 Oct '98 - Mar '00
	7	48	32	Feb '00 - Oct '02	7	163.6	57 Oct '02 - July '07
	8	60	21	June '07 - Mar '09	8	153.1	25 Mar '09 - Apr '11
	9	30.6	6	Apr '11 - Oct '11	9	114.9	45 Sept '11 - June '15
	10	27.1	8	June '15 - Feb '16	10	84.04	31 Feb '16 - Sept '18
Could be	11	27.2	3	Sept '18 - Dec '18	11	154.48	20 Mar '20 - Nov '21
1 Bear	12	43.7	2	Dec '19 - Feb '20	12		Oct '23 -
	13	33.6	23	Nov '21 - Oct '23			
	Avg	35.70	11.15		Avg	130.96	33.55
	Median	33.60	8		Median	108.40	25
	Max	60.00	32		Max	314.20	89
	Min	25.60	1		Min	74.80	10

Russell 2000 Study

- 2 – The just ended Russell 2000 Bear began in Nov '21 and lasted 23 months. It was the 2nd longest Russell 2000 Bear – and longer than the GFC version – based on the data reviewed.
- 3 – There have been 6 Bear Markets over the last 16 years or since the GFC version (June '07 – Mar '09). There were 7 Bear Markets over 22 years from 1980 – 2002.
- 4 – **After each Bear ended a Bull began.** I realize this does not follow exactly above because I've counted 11 and 12 as two Bears; if we count this as 1 Bear then "After each Bear ended a Bull began" fits. As such, we should be looking for the 12th R2000 Bull to continue/form/take place, etc.
- 5 – The just ended R2000 Bear of -34% fits w/ historical avg (-36%) & median (-34%) figures
- 6 – The just ended R2000 Bear of 23 months is > 2X the avg Bear and almost 3X the Median Bear.
- 7 – Only one Bear (Feb '00 – Oct '02, 32 months) was > the just concluded version (23 months).
- 8 – Prior to the just concluded Russell 2000 Bear of 23 Months, the Bears were 6, 8, 3 & 2 Months.
- 9 – **Bulls have produced average gains of 131% with 7 of 11 Bull Markets producing triple-digit gains. The four non-triple digit gaining Bull Markets produced results of at least +75%.**
- 10 – **The shortest prior Bull lasted 10 Months (Aug '82 – June '83) while the longest was 89 Months (Nov '90 – Apr '98). The avg length is 34 months, and the median is 25 months.**
- 11 – The prior chart shows a monthly log version of the R2000 with Bulls and Bears. The top panel also has a 12-Month MA, and the bottom panel shows an 18-Month RoC.
- 12 – **It is a "general" rule of thumb that a Bear transition to a Bull has occurred when the R2000 moved back above its 12-Month MA and the 18-Month RoC goes from negative to positive territory. The index solves for this "general" rule currently.**
- 13 – Given the data and chart information here I think we would be happy to see a pullback / consolidation for the Russell that holds in at the 1950 level which would be about a 4 ½% drop from its recent intra-day high (yesterday) of 2039.8. Also, I think 1950 is a key level because it represents the "gap" area between the intra-day high on Dec 13 and the intra-day low on Dec 14.

Willy Wonka Was a Contrarian; 2/4/24

It was really Roald Dahl, the author of the 1964 book Charlie and the Chocolate Factory, who was the contrarian, and it was Willy Wonka who gave voice to Dahl's eccentricities. Anyway, Wonka (Dahl) said – it really is an excellent line and perfectly contrarian – ***“Oh, you should never, never, doubt what nobody is sure about.”*** Its direct opposite is equally important and makes perfect paradoxical sense, as did the above, from a contrarian point of view, ***“Oh, you should ever, ever, doubt what everybody is sure about.”*** Mind you, Dahl didn't say the second one, I just turned the first one around.

Applying the Dahl / Wonka line, ***“Oh, you should never, never, doubt what nobody is sure about”*** to the market leads me to think that we should, at the very least, consider that the market can continue to accelerate higher such that it reaches excesses that nobody is sure about or that nobody has seen for a very long time because (a) limited history shows it's happened before, (b) I've not heard anyone evangelize about such a notion and (c) as my former partner Steve Shobin used to say, ***“Momentous momentum begets more momentum.”*** Let me explain.

Willy Wonka Was a Contrarian; 2/4/24

Through Friday's close the S&P has been up for 13 of the last 14 weeks and within those 13 weeks it has had a 9-week winning streak (week ending Nov 3, 2023 – week ending Dec 29, 2023) and then a 4-week winning streak (week ending Jan 12, 2024 – week ending Feb 2, 2024). Using data going back to early January 1960, a period of 3,344 weeks, I found four prior comparable periods where **the S&P displayed momentum thrust-like behavior** and, in each case, (I realize this is not admissible in stats class, but it might just be important in portfolio management class) the S&P did not put in an important top or experience a sharp correction until much after its initial momentum impulse.

1 From Dec 9, 1960 – Mar 3, 1961, the S&P was up for 12 of 13 weeks where it added 13%. The S&P stayed strong into December 1961 adding another 13% from early March 1961 until the end of the year.

2 From Mar 8, 1963 – May 10, 1963, the S&P rose for 10 weeks in a row gaining 9%. The S&P then continued to push higher, adding 25% in the process, until May 1965 when it had a one-month correction of 10%. Post the correction the S&P added another 15% into February 1966 when a bear market started (-22% through Oct 1966).

Willy Wonka Was a Contrarian; 2/4/24

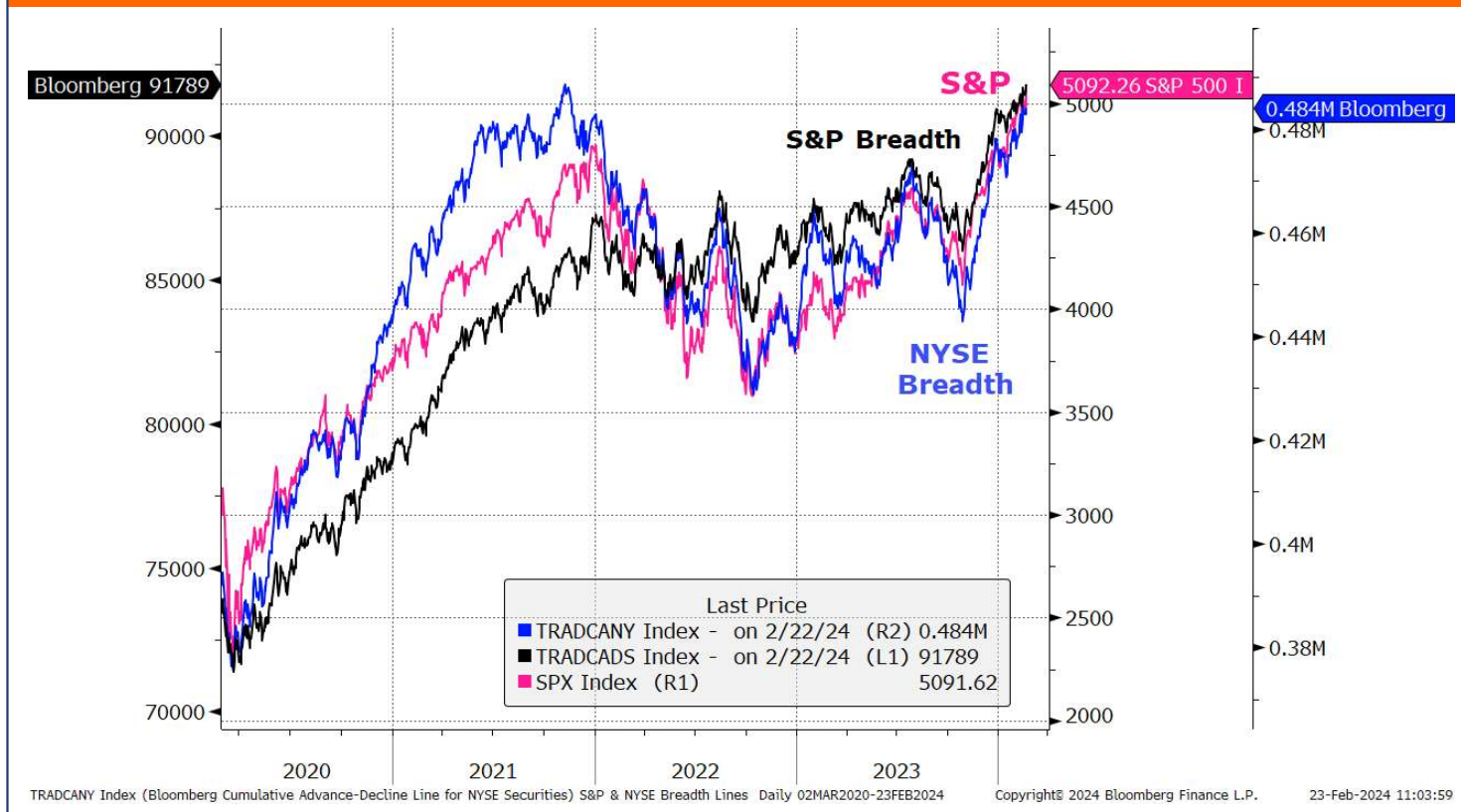
3 From Oct 4, 1985 – Jan 3, 1986, the S&P was up for 13 of 14 weeks where it jumped 15%. The S&P added another 17% into the end of 1986 and then, without too much of a breather, smoked higher by 36% (!) from late 1986 and into the third week in August '87. Aug. '87 was the market's peak and preceded the "Crash of 1987" in Oct.

4 From Nov 28, 2003 – Mar 5, 2004, the S&P gained in 13 of 15 weeks where it tacked on 9%. The S&P only added another 5% from Mar 5 through the end of December 2004. It BASED in 2005 and then pushed higher by 22 ½% from November 2005 (with an 8% spring 2006 setback) until summer 2007 which was where the market peaked before anyone had an inkling about the oncoming GFC.

It's true the S&P is daily and weekly overbought (I'll say monthly, too) and it is 11% above its 40-Week MA which is more than a +1 Standard Deviation reading for the S&P vs. its 40-Week MA for data back to early Jan 1960 (3,344 weeks). But what's to stop it from getting to a +2 Standard Deviation reading (+18%) above its 40-Week MA? And, what's to stop overbought stocks from getting more overbought a la **Super Micro Computer** (SMCI; on Friday morning it was 127% above its 200-Day MA) or **Meta** (META) which added almost **\$200B** in market cap on Friday alone?! (META's additional market cap is > 467 or 93% of the companies in the S&P 500).

S&P with S&P Breadth and NYSE Breadth

The market's rally is well supported and gets the benefit of the doubt until / unless NYSE Breadth rolls.



CRISPR Therapeutics

Weekly w/ 40-Week MA, MACD & Rel. to S&P
Potential BASE / Building / Trying to break out
Generally disliked...maybe even hated



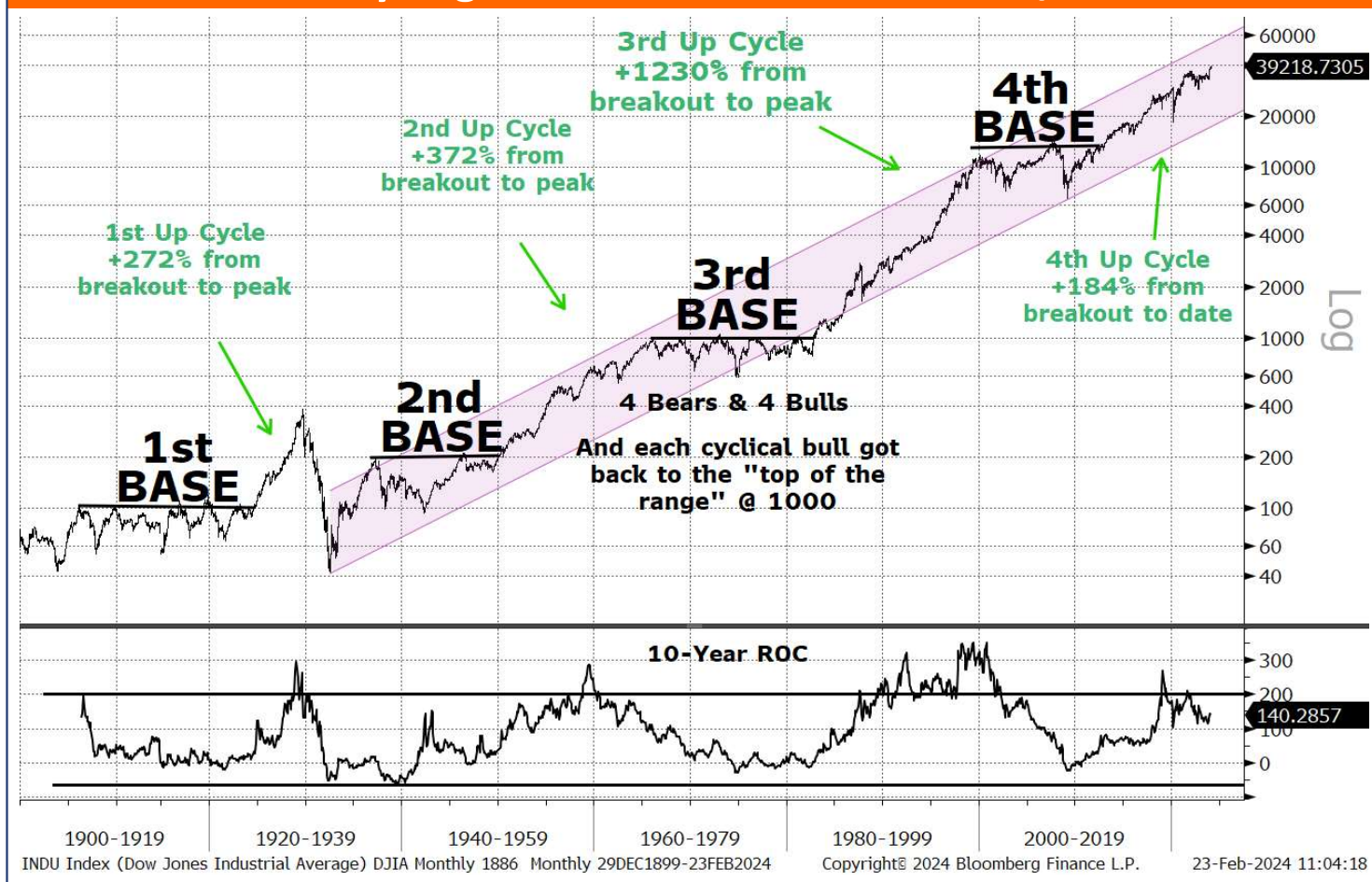
Leidos Holdings Monthly w/ 12-Month MA & MACD BASE & Breakout



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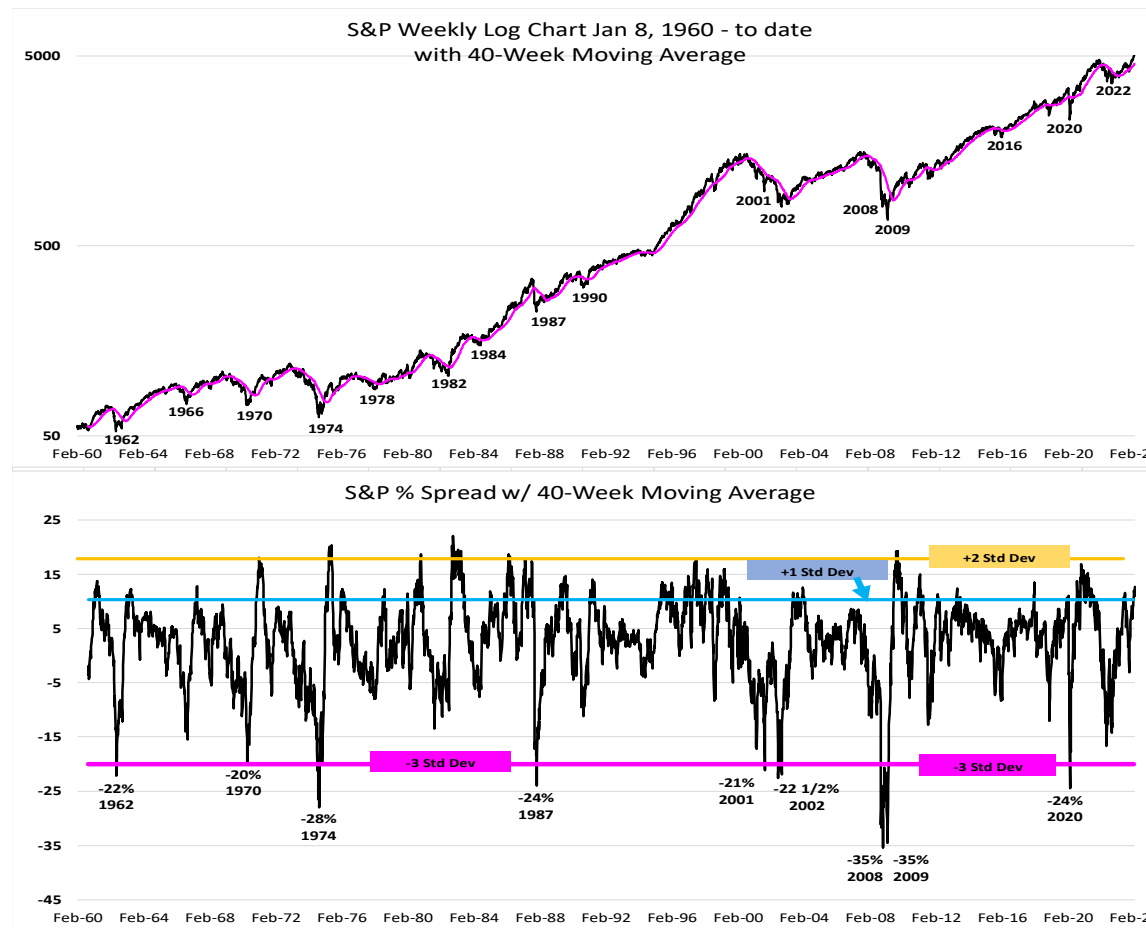
Perspective

DJIA Monthly Log Chart Dec 1899 – to date w/ 10-Yr ROC



S&P 500 Weekly Log Chart Jan 8, 1960 – to date w/ 40-Wk MA

S&P 13% Above 40-Week MA



While corrections to or just below an *upward-sloping 40-Week MA* have happened regularly (last one in Oct '23), the S&P usually snaps back quickly. The more important down moves / bear markets for the S&P happen when the index gets below its 40-Wk MA and the same *40-Wk MA slopes downward*. (last time was in 2022).