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VACCINE NEWS LIFTS MARKETS

The stock market gave us a good sample of its sensitivity to the discovery of a vaccine for the Covid-19 virus last Monday, as all indices opened up strongly, some at an all-time high, from the Friday close. The news from Pfizer was great for the Bull Market.

The Long-term outlook benefited from Monday's action as both the S&P 500 Index (SPX) and the Dow Jones Industrials (DJI) reached new all-time highs (even if by a minute amount).

The Mid-term action. The predicted cycle-low for the end of October brought both the SPX and Toronto (TSX) to important lows. Our most recent Market Comment outlined the market behavior between September and the end-of-October as a horizontal trading-range, as both the SPX and the TSX moved between well-defined bottoms at ± 3200 and $\pm 15,500$ and equally well recognized tops at ± 3600 and $\pm 17,000$ (See D to H on the charts below).

Monday's action (November 9th), generally speaking, did not change the above described market behaviour. However, with the exception of Google, none of the FAANG stocks participated in the action. On the other hand, numerous Industrial stocks in New York, including Caterpillar (CAT), Deere (DE), Dover (DOV), Honeywell (HON), Norfolk (NSC), St. Joe (JOE) and Timken (TKR), as well as others such as Best Buy (BBY), Comcast (CMCSA), General Motors (GM), News Corp. (NWSA), NIKE (NKE), Sony (SNE), Colgate (CL), COSCO (COST) and Walmart (WMT); and Canadian stocks such as Canadian Tire (CTC.A) Canadian National Railway (CNR), Canadian Pacific Railway (CP), First Service (FSV), Linamar (LNR), Magna (MG) and Toromont (TIH), (but not any of the Banks), moved to new yearly highs.

Conclusion: Despite the minor new all-time high for the SPX, it is likely that this trading range will continue, waiting for decisive news about the Election and more news about the potential of the new vaccines . Since the 39-week cycle low has come on time (at the end of October), market action should eventually be more positive, towards the next 39-week cycle high near mid-March.

Finalising the Election results and obtaining more details from Pfizer and other manufacturers of potential vaccines should help both markets to reach new all-time highs.

Ron Meisels is the founder of the independent research firm Phases & Cycles Inc. You can get a free trial on the website.

S&P 500



S&P/TSX Composite Index



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