

# PHASES & CYCLES®

**OUTLOOK FOR 2021:**  
**WEAKNESS IN LATE SPRING SHOULD LEAD TO**  
**A LATE SUMMER HIGH AND A YEAR-END LOW.**

Our January 15, 2020 Market Comment began with a forecast for the year: “an early minor correction will be followed by more all-time highs”. As it happened, the “early minor correction” was right on-time, but it certainly wasn’t “minor”, as the correction turned into a “flash-crash” due to the Covid-19 virus. The Standard & Poor 500 Index (SPX) declined 35.4% and the S&P/TSX Composite Index (TSX) 37.8% from the February high to the March low. At the same time, there certainly were “more all-time highs” later. Much to the surprise of most participants, the SPX climbed 71.4% and the TSX 56.0% from the March low to an all-time high of 3758 and 17,433 respectively.

What's waiting for us in 2021. An old Wall Street folklore states that the first five days of the year will indicate the direction of the market for the year. According to the Stock Trader's Almanac, “when stocks finish the first five days higher, the SPX has been positive more than 80% of the time at year-end, with an average gain of about 13%”. The chart on page 3 shows how this turned out since 2008. For the record, the first five days of 2021 were positive, the SPX rose 1.8% and the TSX gained 3.5%.

There is also another Wall Street favorite seasonal gauge, the January barometer, which states that “a higher January should mean a higher year” or, as the Street puts it, “So goes January, so goes the year”. We are anxiously waiting to see the closing price of the Indices at month-end!

Notwithstanding the folklores quoted above, we forecast market behavior using different tools than folklores. Our most effective tools are the study of market-cycles and the analysis of investor behavior. The former looks at the regular up-and-down movements of the markets, similar to the regular changes in tides and seasons; and the latter examines the cycle of emotion (see chart on the last page), the changing behavior of Investors from bulls to bears, from euphoria to depression, and back again. These tools helped us to determine market tops and bottoms, it helped us to forecast market behavior for the last 30 years (and more).

What do the tools say about 2021. The up-leg that commenced at the March 2020 low is nearing its end: investor sentiment (emotion) has changed from super-bears (March) to neutral (August) and, after a pause, the bulls started a new up-channel in October (see charts on page 2). A change of direction will likely begin in mid-February and lead to a corrective period.

Looking at further moves down the road, the positive and negative cycles are likely to push the markets to another rising period and to new all-time highs in late-summer and reverse again to a negative status towards the end of the year. But more of this as the weeks and months unfold.

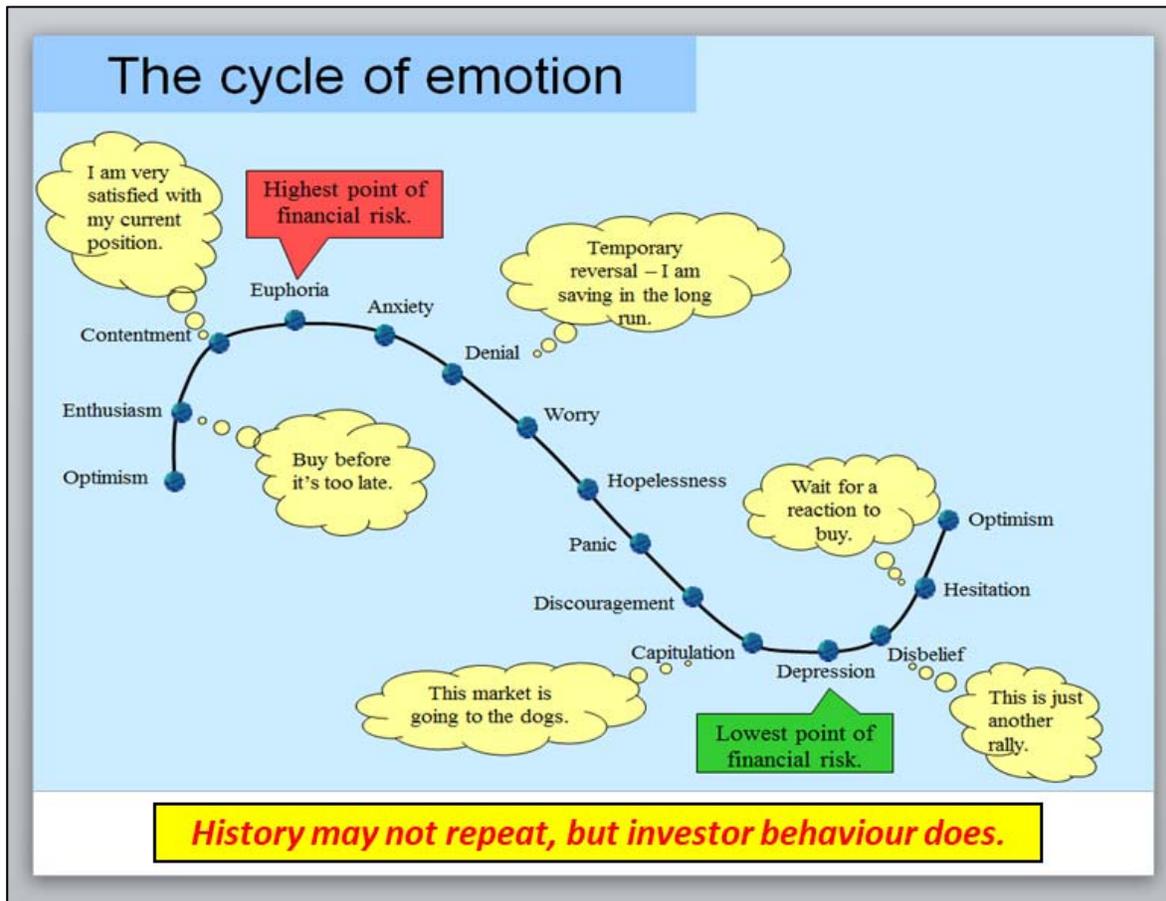
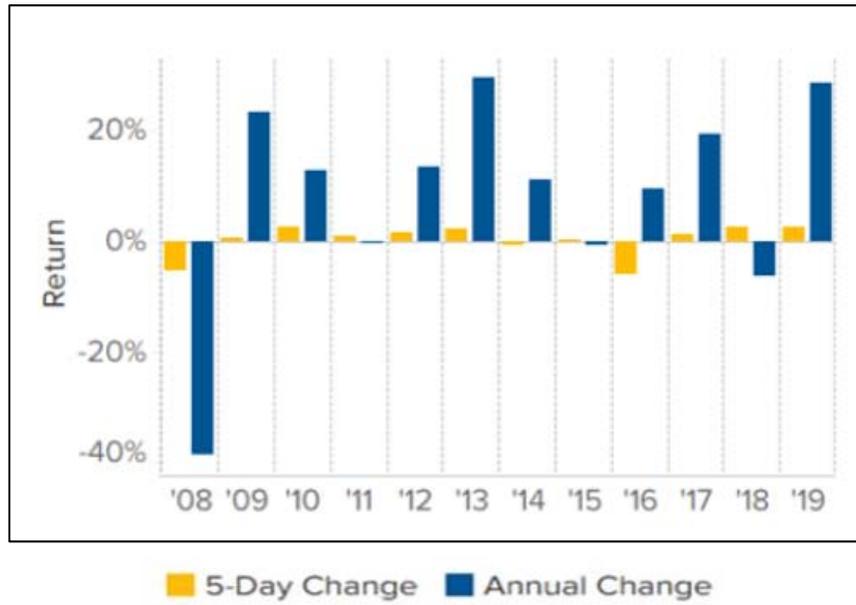
*Ron Meisels is the founder of the independent research firm Phases & Cycles Inc. You can get a free trial on the website.*

### S&P 500



### S&P/TSX Composite Index





**Ron Meisels**  
 January 20, 2021

Phases & Cycles Inc., 4000 Boul. De Maisonneuve West, Suite 2010, Montreal, QC H3Z 1J9

Tel.: (514) 393-3653 E-mail: [RonMeisels@phases-cycles.com](mailto:RonMeisels@phases-cycles.com) www.phases-cycles.com

© Copyright 2021, Phases & Cycles Inc. All Rights Reserved

The contents of this report may NOT be copied, reproduced, or distributed without the explicit written consent of Phases & Cycles Inc. The opinions and projections contained herein are those of Phases & Cycles Inc., its principals, associates and employees (collectively "the researchers") and are subject to change without notice. The information contained herein has been obtained from sources that we believe to be reliable but cannot guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that "the researchers" are to be under no responsibility or liability whatsoever in respect thereof. "The researchers" may, from time to time, buy, own or sell securities mentioned herein. "Phases & Cycles" is a registered trademark of 104443 Canada.