## PHASES & CYCLES<sup>®</sup>

## WHAT HAPPENED TO THE PROGNOSTICATORS? WE HAVE NOT HEARD FROM THEM FOR A WHILE.

Are they Bullish or Bearish? Have they lost their way? Are they confused because they have the wrong tools? Maybe they are confusing a 35-year "span" with a 4-year "cycle": the 1974-2009 period (long-term cycle or span) with the 2018-2022 action (short-term cycle). Maybe they are stuck in the old phony proverb that "nobody can forecast the market". To help, I'll offer a refresher course.

Let's start with some descriptions. A "span" is a long time period and consists of about 8-to-10 "Cycles" (like the cities on a road trip from Toronto to Montreal). In the stock-market, there are long-term periods ("spans" i.e. 40-Year Cycles) and there are short-term cycles (±4-years).

This Market Comment will only deal with the short-term cycle, the 4 yearcycle, which includes "bull market" and "bear market", just like the longterm cycle, which we have often discussed, and also includes bull & bear markets.

Contrary to the quoted proverb, it is possible to forecast the market, if not its length, but certainly its direction. Everybody could learn the path of the market, to forecast the imminence of the bull or a bear market, just as one can anticipate the proximity of Oshawa or Kingston on our road trip, because there are signs.

## 4-Year Cycles

1. A "Cycle" consists of a "Bull Market" and a "Bear Market" and lasts (approximately) <u>four-years</u>.

2. A Bull Market is a period of rising stock prices; a Bear Market is a period of falling stock prices.

3. A "Cycle" consists of (approximately) 7/8th bull market and 1/8th bear market.

4. The bull and bear markets fall into smaller segments called "Legs". They create an up-down (zig-zag) pattern on the chart (see below).

5. The down legs are often called "corrections" and are mislabeled as "bear markets"!

6. The most recent 4-year cycle consisted of a bull market that started on December 26/2018 at 2,363, reached 4,819 on January 4/2022 and followed by a bear market that ended at 3,492 on October 13/2022.

7. A **<u>new</u>** 4-year cycle commenced the next day, October 14<sup>th</sup> 2022. No one could forecast the exact date earlier; however, it was predicted weeks ahead by the signs (see below). 1, 2022 was four years after 2018 (this was an easy sign to read);

2, The percentage of stocks above their 10-day Moving Averages (10dWA) was 5.8 (courtesy of Investors Intelligence);

3, the percentage of bullish AAII contributors (American Association of Individual Investors) was  $\pm 18$ ;

4, the newspaper columnists were unitedly over-bearish.

5, Conclusion: the market is "oversold" and will soon turn into a bull market. (Our MKT-540 headline on October 12<sup>th</sup> 2022: "A potential "doublebottom"; The "Conclusion: by December the SPX could begin a new up-leg".)

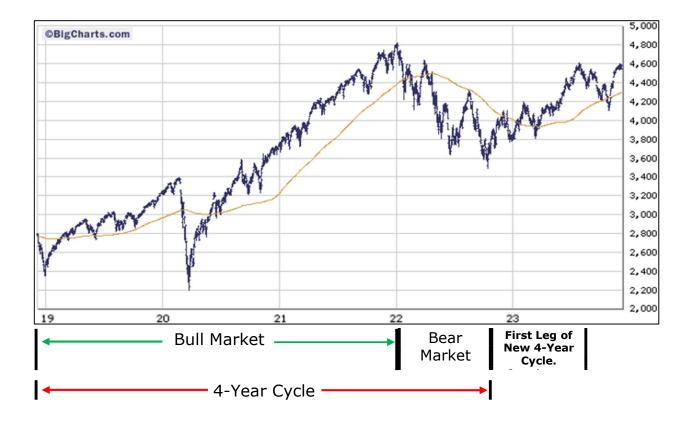
Compare the previous signs with today's readings when the SPX is at 4,585.

1, Percentage of stocks above their 10dMA is at 69.03%;

2. the AAII bulls are at 48.8%;

3. the newspaper columnists are silent.

What are your assumptions students?



## Capitalight Research · 130 King Street West, Exchange Tower Suite 1940, Toronto, Ontario M5X 2A2 subscriptions@capitalightresearch.com · Capitalightresearch.com

The contents of this report may NOT be copied, reproduced or distributed without the explicit written consent of Capitalight Research Inc. ©2023, Capitalight Research Inc. All rights reserved

The opinions and projections contained herein are those of Capitalight Research 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. "Capitalight Research Inc" is a division IC Capitalight Corp.