

## LE COIN TECHNIQUE

## S&P 500: 2022 May Not Be a Year to Buy & Hold

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Early January, we mentioned that the Nasdaq100 could start a correction phase along a rotation from Growth to Value. Four weeks later, there is evidence that a correction phase has started. As the 40-week moving average (MA) is flattening, this opens diverse outlooks for the coming months: a topping phase along our Green path or a more serious decline along our Red path.

We have not seen that since June 2020: the S&P500 has now declined below its 40-week MA (now 4451), after large caps in Nasdaq100 declined from their November 2021 top, following the smaller caps' correction that started much earlier. As this correction is taking place during the seasonally bullish period, it's probable that either a major top has been made or a topping process will develop in the coming months. This could lead to a more serious correction during 2022, coinciding with the Four-Year Cycle low usually occurring during the year of mid-term elections in the USA.

The last weekly candle on the chart displays a spike low near 4222 and a close above the open making it a white candle. Such a rebound could extend toward the 4550 area, but may also stall below that level as the MACD weekly momentum is declining, and the weekly STO is below 50%, but not yet oversold. Therefore, the Red path, displaying a lower low in February near 4100, is becoming the obvious case in the new downtrend direction. In that case, it is likely that the Relative Strength (RS) of the Nasdaq100 vs. the S&P500 (red dotted line on the upper panel) will continue its downtrend with lower highs and lows. Further, the RS of the small caps versus S&P500 (green dotted line on the upper panel) will also extend its downtrend and the VIX (orange dotted line) would also reach levels well above the 30% former resistance.

However, if the S&P500 manages to remain above 4350 after testing the 4550 area, the Green path, leading to a retest of the 4800 area during the first quarter, has to be envisioned. The bearish outlook would be postponed until the S&P500 crosses below the 40-wk MA for a second time. In that instance, the VIX will probably drift lower toward 20% and the RS of Nasdaq100 vs. S&P500 would rebound toward its November high. But as long as the RS of small caps vs. S&P500 remains in a downtrend, the risk of further corrections later this year will remain. Buyers Beware as 2022 is not going to be a year to BUY and HOLD.

\$SPX S&P 500 Large Cap Index INDX 29 100-2022 Open 4356.32 High 4463.23 © StockCharts.com Low 4222.62 Close 4431.85 Volume 16.1B Chg +33.91 (+0.77%) ▲ M:\$SPX -15.07% ML:\$SPX 10.28% DX:\$SPX -3.83% 0.28% 7 3.83% 30% 20% 10% 0% -10% -20% 38 **W \$**SPX (Weekly) 4431.85<sub>100.03</sub> 4818.62 4900 4800 4700 4600 4500 4400 4200 4200 4200 4000 3900 3800 36 0) 4319.52 - 4573.21 - 4826.90 KU(9,26,52) 4520.62 4270.98 34 MICHIM 32 30 28 26 3950.43 24 22 3549.85 3700 20 3600 3500 3400 3300 3200 Oct No Feb Mar Apr May Jun Jul 80 50 20 200 150 100 50 0 -50 MACD(12,26,9) 61.138, 100.136, -38.99 Sep Oct Nov Dec 2021 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2022 Feb Mar Apr May as an example of theoretical technical analysis and y security. Neither this document and its contents, nor to, or intended for distribution to, or use by any percen nation is being provided to you solely for your information, as an example of theoretic t does not constitute a recommendation to purchase or sell any security. Neither this docur f it, may be altered in any way. This document is not directed to, or intended for distribution any jurisdiction where such distribution, publication or use would be unlawful. information is being prov

Chart of the S&P500—the weekly candles with an Ichimoku Cloud since September 2020, represented on a log scale.

On the upper panel (green dotted line) are the Relative Strength (RS) of small caps versus S&P500, which has been declining since mid-March 2021, the RS of Nasdaq100 versus S&P500 (red dotted line), which has been declining steadily since November 2021, and the RS of emerging equities versus S&P500 (orange solid line), which is pausing after a rebound in early 2022.

On the lower panel, positive MACD has crossed down again during January, displaying a bearish divergence on the weekly STO, which has declined below 50% without being oversold yet - the correction may extend further, especially if it stalls below 4575.

The S&P500 has declined below its now-flattening 40-wk MA (4451) and left a spike below the lower B-Band (4319). However, the rising weekly Cloud is still intact near 4700.

Source of data: Stockcharts.com. Supports line & parameters are provided by BEST.

