

## JANUARY S&P500 CLOSE IS BULLISH ALONG POTENTIAL GREEN PATH

Bruno Estier Strategic Technicals—<http://bruno.estier.net/>—[bruno.estier@bluewin.ch](mailto:bruno.estier@bluewin.ch)

The close of the month of January, or the period from November 1 to January 31 is relevant for historical statistics. A January close up or a rise in the November-January period is correlated with a bullish year from January to December. Thus, contrary to the bearish sentiment perception at the end of December 2022, the rise of the S&P500 at the end of January is producing a bullish message. Indeed, the weekly MACD is rising, and could soon be in a positive area. The weekly STO crossed up early in January and is rising strongly. The S&P500 has risen above 4000 into the Cloud. This is calling for a shift from Bearish to Neutral Price Action. Our **Green Path** suggests a rise from 4000 to 4150 (a Fibi 50% of the decline 4818-3491) into mid-February, then a minor pullback to a pivotal level of 4100, then a rise toward the top of the Cloud with a possible break up toward 4306 (Fibi 62%) during April. At that time, a pause between 4305 to 4150 is expected for the second quarter.

One caveat in this **Green Path** is the behaviour of sector leadership during 2023. On the upper panel is the Relative Strength of the Nasdaq versus the S&P500 (**red dotted line**).

Chart of the S&P500, log scale, July 2020-present, in weekly candles with Ichimoku Cloud.

Upper panel: Relative Strength (RS) (**green dotted line**) of Small Caps versus S&P500, which has been slowly rising since April 2022; the RS of the Nasdaq100 versus S&P500 (**red dotted line**), which has only rebounded in 2023; and the RS of Emerging Equities versus the S&P500 (**orange solid line**), which has been rising since October. Lower Panel: MACD has crossed up into a negative area and is about to turn positive. The weekly STO is rising toward 80%. Both momentum measures are favouring a rise of the S&P500 along the **Green Path**. The Red Path currently appears unlikely and may be activated if the S&P500 breaks below the Cloud again.

Source of data:

Stockcharts.com.

Supports line &

parameters

are provided by BEST



In a downtrend since November 2021, this line only rebounded in January 2023 because of the rebound in the strongly oversold stocks. Recall that past leadership (technology in 2021) is rarely the leader in a following Bull Market. The question is whether value-oriented stocks will gather enough momentum to carry the S&P500 along our **Green Path**. The second line (**green dotted**) represents the Relative Strength of the Small Caps versus the S&P500, only very gradually rising from April 2022 to the end of January. This may explain why sentiment measures have remained rather bearish so far. Finally, the third line (**orange solid**) is the Relative Strength of Emerging Markets versus the S&P500 rising since October 2022. This outperformance is joined in 2023 by the outperformance of European stocks, suggesting Value may outperform Growth.

The risk is that the S&P500 on a two-weekly close basis would decline and remain below the Cloud despite any subsequent rebound, following the **Red Path** on the chart. But it is rather unlikely. So this time, perhaps it is the Sellers who should beware...



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