

S&P500—EXTENDING THE OUTLOOK TO OCTOBER 2026

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Do you remember the S&P500 was 4770 on Dec. 29, 2023, with our two paths on the monthly chart? “*Bis Repetita Placent*”, the ironic aphorism suggests the author likes to repeat the same errors. So we have the pretension to extend two paths for the S&P500 until the next four-year cycle low in October 2026.

For our **Green Path**, most recently, we envisioned a rising wedge in 5 legs starting in Mid-April and ending into August: a low in June, a rise in July, a minor pullback during the summer doldrums, and a blow-off rise into late August/early September. And, we label that top Wave 3. That means Wave 4 should be in the Fall until late October 2024, possibly early November. What a coincidence! Then comes the 6-month annual Bull Phase into May 2025 labeled as A FINAL Wave 5 near 5625. This major top should be followed by a pullback in 3 legs A-B-C: **A** as a decline into October 2025, **B** as a rebound into April 2026, and **C** as a big steep decline

into October-November 2026 toward 3750.

Do you want more of a thrill: follow the **Red Path**! The rhythm is about the same, but it assumes THE TOP was in May at 5341 and the ensuing decline should be reached, not in a straight line, by October 2026, a lofty level for S&P500 of 2600, of course, because it rhymes! You know, history does not repeat itself, it rhymes...

The weekly chart with its **Green** and **Red** Paths, which we update at least every month for those requesting it, well illustrates that the VIX Index (the measure of Fear; **orange dotted line**) has been much higher around a mid-term election and lower in the 12 months following the US Presidential election.

To quote the 10th rule of the infamous market analyst Bob Farrell: “*Bull markets are more fun than a bear market.*” “*Enjoy it while it lasts.*”

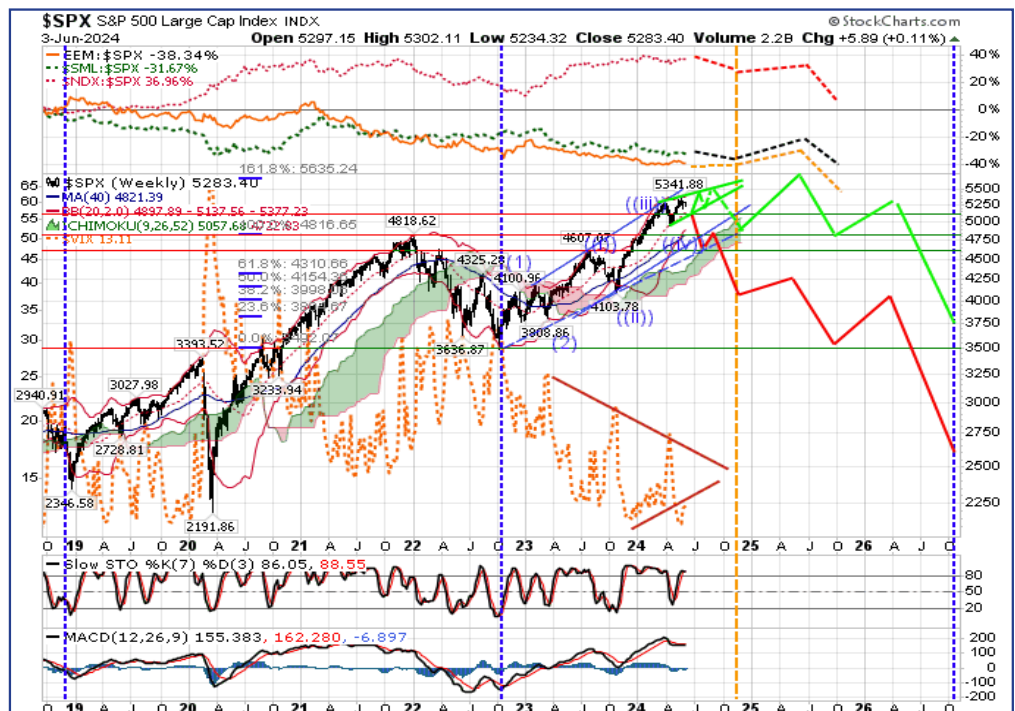
Chart: S&P500, Log scale since October 2018 in weekly candles with Ichimoku Cloud. The **orange dotted line** represents the VIX near its former support (13.41).

Upper panel: Relative Strength (RS) line of Small Caps vs S&P500 (**green dotted line**). The RS line of Nasdaq 100 vs S&P500 (**red dotted line**). The RS of Emerging Markets (ETF EEM) vs S&P500 (**gold solid line**). All the lines drawn on the right of the actual date by BEST are for educational purposes only.

Lower panel: in Q2 2024, the momentum is pausing based on MACD, and is possibly overbought based on the weekly STO. Both have crossed down. The **Red Path** shows the S&P500 in decline as envisioned by some market analysts, who are already very bearish for 2024 (see vertical **orange line**), notwithstanding for 2025 and 2026.

The vertical lines in blue are set in Oct. 2018, Oct. 2022, and Oct. 2026 for the theoretical lows of the US Presidential Cycle (midterm election).

Source of data:
Stockcharts.com
Analysis by BEST



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