S&P 500 - Volatile Weeks to Buy on Dips

Bruno Estier Strategic Technicals—http://bruno.estier.net/—bruno.estier@bluewin.ch

Re-read our analysis in the BestView of June 2024 and check the one of January 2025 to grasp the envisioned evolution of the Green Path & Red Path.

On the chart, the green and red paths are zoomed in to see the past turning point of the CRB Index (mostly oil), the relative strength of Nasdaq vs S&P500 (Mag-7 vs the rest of the US mid-caps), and of the US 10-year yield, which represents the "bond Vigilantes" and which have a definitive strong influence on the turning points of the S&P500 (heavily weighted by the Mag-7).

While some weakness is expected in February due to a "reset "on the expectation around AI among some Mag-7 stocks, the current price evolution of the S&P500 could allow not only volatile weeks but even new all-time highs in Q1 or Q2 along first a widening triangle, then along our preferred pattern – a rising wedge. Often rising wedges display major divergences in breadth measures with preceding peaks, allowing market analysts to call a potential major correction phase late in 2025 and into 2026. Right now, with the S&P500 close at 6040 within a range, which is developing in a widening triangle, the swings will hurt weak hands and favour short-term swing traders. VIX presents a key support near 15% and a key pivotal area of 16.50%, above which Fear is expected to be displayed with a rise toward the 20-30% range. The January close at 16.45 is right below that pivot!

Speaking of the January barometer, the month is up and points to a positive return in 2025 if the S&P500 has two subsequent monthly closes above 6040. Too long to wait? Well, that will be the market for Bulls and Bears! Only Pigs get slaughtered. At this stage, we do not bet that a parabolic rise would take place as in 2023 and 2024, Both years had substantial returns (+ 20%) in a row, and it would be a bet against the historical odds to get a third year above 20%! But we keep an open mind and know that 2025 will not be a year for BUY and HOLD investing, but for agile investors.

Region allocation, foreign exchange, stock selection, and sector rotation are the names of the game. CAVEAT EMPTOR for equity investors again and again…

Chart of the S &P500 is represented on a log scale since July 2023 in weekly candles with Ichimoku cloud .The orange dotted line represents VIX which made a spike low near 15% on January 24 ,2025 and is rebounding last Friday but still below key PIVOT for VIX 16 5% .**On the upper panel are displayed in** green dotted line the US 10-year yield declining from a peak and in Gold solid line the CRB index **(mostly OIL) also declining** from a peak .In red dotted line is the RS line of Nasdaq 100 versus S &P500 with a slight decrease .All 3 lines are in percentage point variation since July 2024 .Of course all the lines drawn on the right of the actual date by BEST are for educational purposes assuming some ebb and flows of further sector rotation out of MAGSEVEN into other sectors .All of that help us draw a hypothetical Green path for the capitalised weighted S &P500 along hypothetical turning point for the year 2025 .

On lower panel ,in mid-January 2025 ,the momentum shown on the weekly STO crossed up ,while the longer term momentum on weekly MACD was slowing down (declining positive MACD) .The MACD is nearly crossing up but has not done it yet with the January 31 close .The RED path is an illustration of a S &P500 decline in late February as envisioned by some market analysts ,who are still bearish for 2025 . **The two vertical lines** in orange are set to put in evidence the turning point of the US 10 year yield and the capitalized S &P500 (heavily weighted by the MAG-7) .Source: Stockcharts com -illustration B E S T .

Source: Stockcharts com -illustration B E S T .