

S&P500 AND EURO\$—MONTHLY CHARTS TO NURTURE THE 2024 DEBATE

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Some US Equity investors (passive investors) are celebrating the New Year because these “Buy and Hold” market participants see that the S&P500 is nearly back to its December 2021 high of 4818. Further, its 2023 close at 4769—above the upper monthly Bollinger Bands (4745), widening along with rising historical volatility—is usually a sign of a future strong trending move to come. Measures of momentum also are strong, as both the monthly MACD and STO (on the lower chart panel) are crossing up, calling for a further rise of the index in 2024. In addition, the monthly STO was not yet overbought at the end of December, while it was (overbought) at the end of July when the S&P500 made a top at 4607. 2024 will be a US election year with a historically bullish bias. The blue vertical lines displaying the theoretical Presidential Cycle’s low (mid-term elections) of October 2018 & 2022 suggest the next major low is due around October 2026! The Cherry on the Cake: the Euro (*green dotted line*) is rising versus the US\$, and a weaker US\$ is often a bullish factor for the US Equity markets. Why not envision a bullish *green path* (solid green line) for 2024 and even part of 2025 to levels well above 5000, similar to the rises of Q2 of 2019 or Q4 of 2020?

Chart: S&P500, log scale since January 2017 in monthly candles with Ichimoku Cloud. The *orange dotted line* represents VIX which is near former supports (12.5%).

Upper panel: *green dotted line* is the Euro \$ currency, rebounding since November 2023 and nearing a former resistance area near 111.00. Black solid line - Relative Strength of ETF Europe EZU (in \$) versus S&P500, bottoming since November 2023.

Lower panel: Q4 2023, both MACD and monthly STO re-crossed up. Further monthly STO is not yet in an overbought area, supporting more upside medium term for S&P500 along a *green path*. The *red path* is an illustration of a S&P500 decline as envisioned by some market analysts who are very bearish for 2024.

The *vertical lines in blue* are set in October 2018 and October 2022, for the theoretical lows of the US Presidential Cycle (mid-term election).

Source of data: Stockcharts.com
Support lines & parameters are provided by BEST.



Why display a *red path*? Some “bearish” market pundits claim the lower low (Covid low) of the S&P500 (2191 in March 2020) is the “true” four-year cyclical low, expecting the next major low in 2024. They see 4818 as a Major top and expect a significant top followed by a decline to at least 4000 (Ichimoku Upper Cloud) for the “moderate” Bears, to well below the Cloud near 3000 for the “convinced” Bears and for the “ultra” Bears to levels below 2191—which may make you either cry or laugh!

To illustrate only two of the bearish arguments: the VIX at 12.5%, near a support, suggests wide complacency (VIX Fear Index— *orange dotted line*), thus should rebound soon, and the Euro nearing resistance level near 111 should soon resume a downtrend, while the S&P500 is very overbought on a weekly basis, having risen the last two months without pullbacks.

To quote the infamous market analyst Bob Farrell: “When everybody is waiting for a pullback, either there is no pullback or you should buy into it.” Sound familiar? I still prefer the *green path* for the long term.

Wishing you all a Prosperous and Happy 2024.



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