

Tech Talk for Saturday October 7th 2023

The Bottom Line

Don Vialoux was a guest on “Wolf on Bay Street” to be released at 7:00 PM EDT on Saturday on Corus Radio 640. The show was taped at noon on Thursday. Following are notes developed prior to the interview:

Equity markets continued to respond to financial “noise” during the past three weeks

- The VIX Index, better known as the “Fear Index” soared to over 19 from below 13 three weeks ago. The CNN Fear and Greed Index dropped down during the past three weeks from 58 to 19 indicating Extreme Fear.
- North American equity markets are responding to increasing bearish sentiment. Broadly based equity indices have plunged during the past three weeks: S&P 500 Index and Dow Jones Industrial Average are down 6% and the TSX Composite Index is down more than 8%.
- Interest rates in the U.S. and Canada have spiked during the past three week Yield on 10 year U.S. Treasuries have jumped from 4.2% to 4.8%.
- Political chaos in the U.S. expanded last week when the House of Representative Speaker effectively was voted out of office.
- Credit rating of the United States is in jeopardy unless Congress is able to increase the U.S. government debt ceiling on a timely basis. Time runs out on November 17th
- The Federal Reserve and the Bank of Canada have vowed to maintain (and possibly increase) administered interest rates until economic signs of a drop in inflation become evident.
- On the charts, percent of stocks trading above their 50 day moving average for S&P 500 stocks has dropped during the past three weeks from over 40% to less than 9%. Ditto for TSX stocks that have dropped to less than 16%. The TSX Composite Index and Dow Jones Industrial Average currently are trading at a loss for 2023.

On the other hand,

- Seasonal influences for U.S. and Canadian equity markets have a history of moving lower from September to the middle of October. On average during the past 20 years, the S&P 500 Index and TSX Index have reached their seasonal low on October 9th followed by start of an upside move lasting to the first week in January.
- Earnings prospects for major U.S. and Canadian companies are expected to improve. Consensus calls for S&P 500 companies to report flat year-over-year earnings in the third quarter followed by an 8% gain in the fourth quarter and a 12% increase in the first quarter of 2024.
- Sectors that are outperforming the S&P 500 and TSX during recent weakness in North American equity markets are top candidates for a recovery in the fourth quarter. They include the following ETFs: Cyber Security (HACK), Industrials that benefit from infrastructure spending (PAVE and SLX), Metals and Mining (XME), Transportation (IYT) and Canadian Technology XLK.TO

Based on the extremely oversold levels for S&P 500 and TSX 60 stocks, North American equity markets are poised for a recovery to the end of the year.

Consensus for Earnings and Revenues for S&P 500 Companies

Source: www.FactSet.com

Consensus earnings estimates for remainder of 2023 decreased slightly last week. Consensus for the third quarter is an earnings **decrease** on a year-over-year basis of 0.3% (versus previous decrease of 0.1%). Third quarter revenues are expected to increase 1.7% (versus previous increase of 1.6%). Fourth quarter earnings are expected to increase 7.8% (versus previous increase of 8.3%) Fourth quarter revenues are expected to increase 3.9%. For all of 2023, consensus calls for an earnings increase of 0.9% (versus an increase of 1.1% last week) Revenues are expected to increase 2.4%.

The recovery continues into 2024, but at a slightly slower rate. Consensus for the first quarter on a year-over-year basis calls for an earnings increase of 8.2 % (versus previous increase of 8.6%. and a revenue increase of 4.6% (versus previous increase of 4.7%). Consensus for the second quarter calls for a 11.8% earnings increase (versus a previous increase of 12.1%) and a 5.5% revenue increase. Consensus for all of 2024 is an increase in earnings of 12.2% and a 5.5% increase in revenues (versus a previous increase of 5.6% last week).

Economic News This Week

Source: www.Investing.com

September Producer Price Index released at 8:30 AM EDT on Wednesday is expected to increase 0.4% versus a gain of 0.7% in August. September Core PPI is expected to increase 0.2% versus a gain of 0.2% in August.

September Consumer Price Index released at 8:30 AM EDT on Thursday is expected to increase 0.3% versus a gain of 0.6% in August. September core CPI is expected to increase 0.3% versus a gain of 0.3% in August.

October Michigan Consumer Sentiment released at 10:00 AM EDT on Friday is expected to slip to 68.0 from 68.1 in September.

Selected Earnings News This Week

Source: www.Investing.com

Twelve S&P 500 companies are scheduled to release quarterly results this week (including three Dow Jones Industrial Average companies). Focus is on reports by major banks on Friday.

Tuesday: PepsiCo

Wednesday: BlackRock

Thursday: Delta Airlines, Walgreens Boots, Domino's Pizza

Friday: UnitedHealth Group, JP Morgan, Wells Fargo, Citigroup, Progressive, PNC Financial

Trader's Corner

Technical scores range from +6 (Most bullish) to -6 (Most bearish). A score of 0 is neutral. Preferred purchase candidates have a rising technical score. Preferred sell/short sell candidates have a falling technical score.

Technical score ranges are:

Trend:	-2 to +2
Strength relative to S&P 500:	-2 to +2
Above/Below 20 day moving average:	-1 to +1
Daily momentum indicators (Stochastics, RSI, MACD):	-1 to +1
Minimum/Maximum scores	-6 to +6

Equity Indices and Related ETFs

Daily Seasonal/Technical Equity Trends for Oct.6th 2023

Unit	Seasonal	Until	Trend	Relative Strength	20 Day Momentum MA		Tech Score	Prev Score
SPX	Neutral	Oct.28	Down	Neutral	Below	Up	-2	-4
TSX	Neutral	Dec. 12	Down	Negative	Below	Up	-4	-6
DJIA	Positive	Nov.17	Down	Neutral	Below	Up	-2	-4
COMPQ	Positive	Jan.5	Down	Positive	Above	Up	2	-2
IYT	Positive	Dec.8	Up	Neutral	Below	Up	2	0
AORD	Positive	Nov.10	Down	Neutral	Below	Up	-2	-4
NIKK	Neutral	Nov.8	Down	Negative	Below	Up	-4	-6
IEV	Neutral	Dec.9	Down	Neutral	Below	Up	-2	-4
FXI	Positive	Jan.12	Down	Neutral	Below	Up	-2	-6
EEM	Neutral	Nov.29	Down	Neutral	Below	Up	-2	-4

Green: Increase from previous day

Red: Decrease from previous day

Source for all positive seasonality ratings: www.EquityClock.com

Commodities

Daily Seasonal/Technical Commodities Trends for October 6th 2023

Unit	Seasonal	Until	Trend	Relative Strength	20 Day MA	Momentum	Tech Score	Prev Score
CRB Index	Neutral	Jan.14	Up	Negative	Below	Down	-2	
Gasoline	Neutral	Mar.30	Down	Negative	Below	Down	-6	
Crude Oil	Neutral	Jan.20	Up	Negative	Below	Down	-2	
Natural Gas	Neutral	April 1	Up	Positive	Above	Up	6	
S&P Energy	Neutral	Mar.23	Neutral	Negative	Below	Down	-4	
Oil Services	Neutral	Dec.28	Neutral	Negative	Below	Down	-4	
Gold	Neutral	Dec. 23	Down	Negative	Below	Down	-6	
Silver	Neutral	Nov.29	Down	Negative	Below	Down	-6	
Gold Bug	Neutral	Dec.15	Down	Negative	Below	Up	-4	-6
Platinum	Neutral	Dec.9	Down	Negative	Below	Up	-4	-6
Palladium	Neutral	Nov.26	Down	Negative	Below	Down	-6	
Copper	Neutral	Nov.22	Neutral	Negative	Below	Up	-2	-4
Agriculture	Neutral	Oct.9	Down	Negative	Below	Down	-6	

Green: Increase from previous day

Red: Decrease from previous day

Sectors

Daily Seasonal/Technical Sector Trends for October 6th 2023

Unit	Seasonal	Until	Trend	Relative Strength	20 Day MA	Momentum	Tech Score	Prev Score
XLK	Neutral	Apr.13	Down	Positive	Above	Up	2	0
XLB	Positive	Jan.1	Down	Neutral	Below	Up	-2	-4
XLI	Positive	Dec.11	Down	Negative	Below	Up	-4	-6
XLY	Positive	Jan.3	Down	Negative	Below	Up	-4	-6
XLF	Positive	Nov.2	Down	Negative	Below	Up	-4	-6
XLE	Neutral	Mar.23	Neutral	Negative	Below	Down	-4	
XLP	Neutral	Jan.6	Down	Negative	Below	Down	-6	
XLV	Neutral	Nov.3	Down	Positive	Below	Up	0	-2
XLU	Neutral	Feb.6	Down	Negative	Below	Down	-6	
XLC	Neutral	Jan.18	Up	Positive	Above	Up	6	4
XLRE	Neutral	Dec.1	Down	Negative	Below	Down	-6	
TSX Financial	Neutral	Jan. 8	Down	Negative	Below	Up	-4	
TSX Energy	Neutral	Dec.22	Neutral	Neutral	Below	Down	-2	
TSX Gold	Neutral	June 14	Down	Negative	Below	Up	-4	-6
TSX Tech	Neutral	Nov.15	Neutral	Neutral	Below	Up	0	
TSX B Metals	Neutral	Nov. 28	Down	Negative	Below	Up	-4	-6

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Technical Notes

Wal-Mart \$WMT an S&P 100 stock moved below intermediate supports at \$155.02 and \$152.60.



Verizon \$VZ a Dow Jones Industrial Average stock moved below \$31.51 extending an intermediate downtrend.



Lululemon \$LULU a NASDAQ 100 stock moved below intermediate support at \$359.81



Synopsys \$SNPS a NASDAQ 100 stock moved above \$471.15 to an all-time high extending an intermediate uptrend.



S&P 500 Momentum Barometers



The intermediate term Barometer advanced 5.00 on Friday and added 2.00 last week to 17.40. It remains Oversold. First technical sign of an intermediate low has appeared.



The long term Barometer added 1.80 on Friday, but slipped 2.20 last week to 38.40. It changed last week from Neutral to Oversold.

TSX Momentum Barometers



The intermediate term Barometer added 4.42 on Friday, but dropped 3.45 last week to 18.14. It remains Oversold. First sign of an intermediate low has appeared.



The long term Barometer added 3.10 on Friday, but dropped 2.49 last week to 33.63. It remains Oversold and showing an early sign of bottoming.

Tech Talk is a free report available each business day at www.timingthemarket.ca

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