CHART OF THE DAY

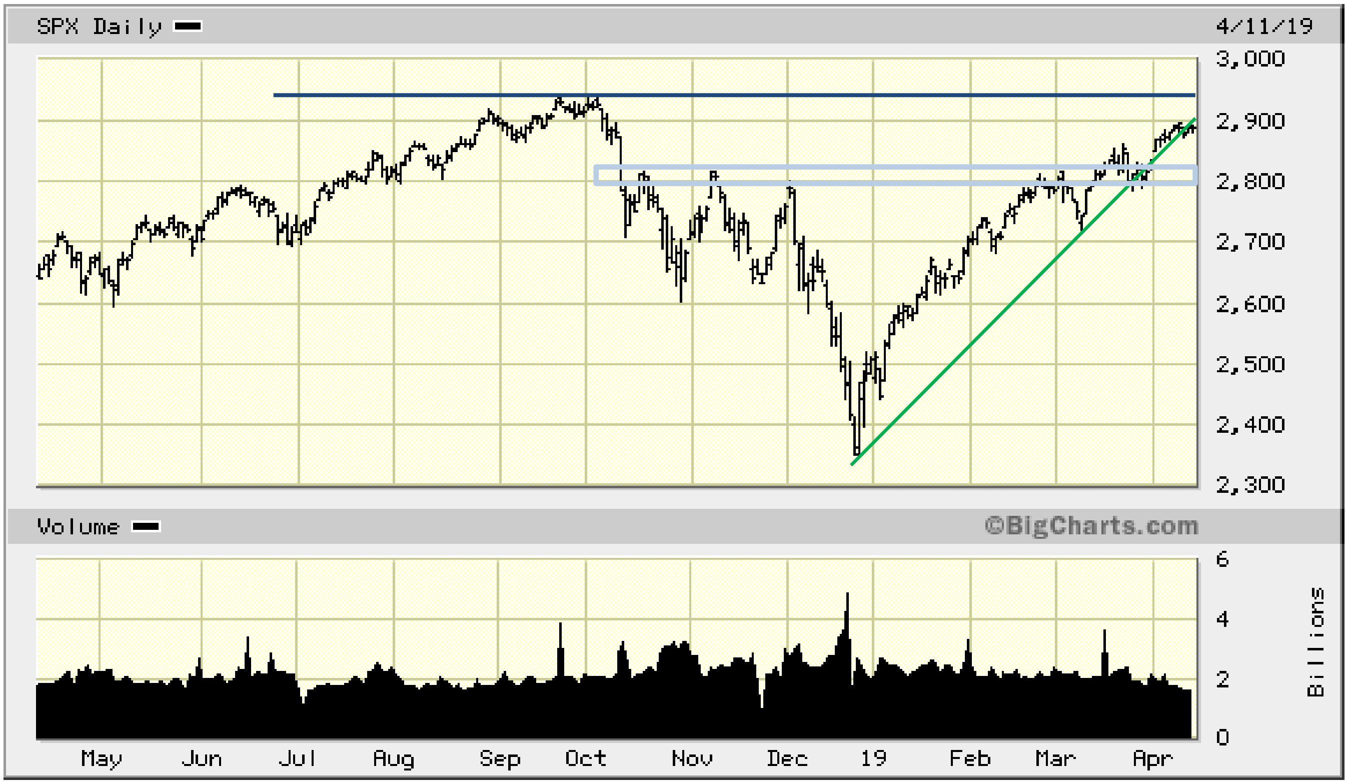
April 11, 2019

Spotlight on : S&P 500 Index

The S&P 500 Index, at its current 2888.32, is not far off its all-time high of 2940.9, just 1.8%. The Index likely will have some difficulty surpassing that benchmark but, if it does break through, then it probably will move considerably higher, which will make it be in totally uncharted territory.

It is hard to believe this bull market, which started in March 2009, can keep going. However, the U.S. economy, despite some signs of slowing, is still marching on. And so, therefore, is the Index.

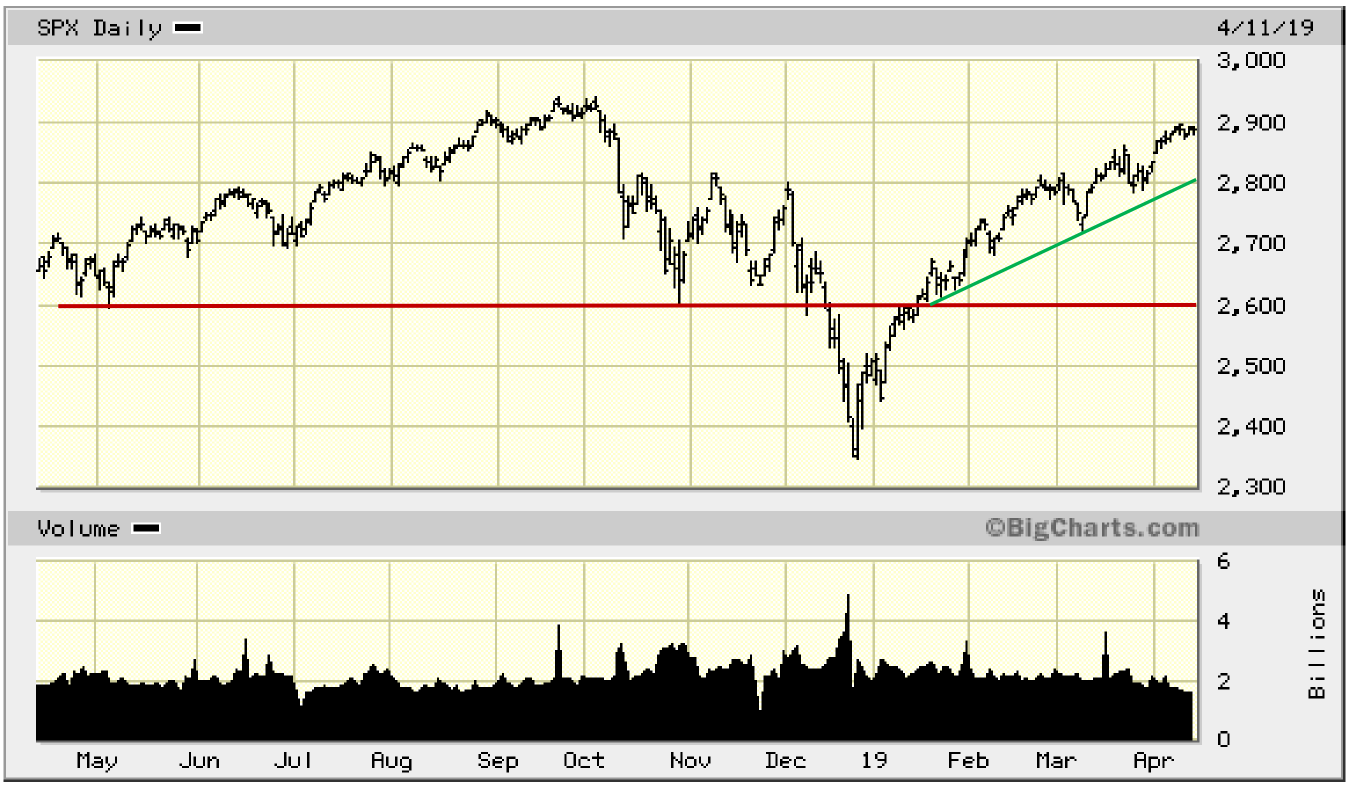
Chart 1: S&P 500 Index One-Year



Observation: The Dark **BLUE** horizontal "Resistance" line demarks the all-time high for the Index, which occurred as a Double Top in late October and early November 2018. This Resistance demarcation could be difficult to surmount. The possibilities are that we experience a third top and then retreat, or there could be a break-out to new higher and uncharted levels. If there is a retreat, there is considerable "Support" at the Light **BLUE** congestion level that has been visited several times. Right now, the Index is clinging to the **GREEN** up-trend line. This line reflects the sharp recovery that occurred since the Boxing Day lows and is at an incline above the norm, which would be, say, at 45 degrees, coincidentally projecting to about 2800 where the "congestion" occurs.

The next chart is an attempt to "normalize" the "abnormal" market action that occurred between the high of early November and the low that occurred in late December, and the subsequent sharp recovery.

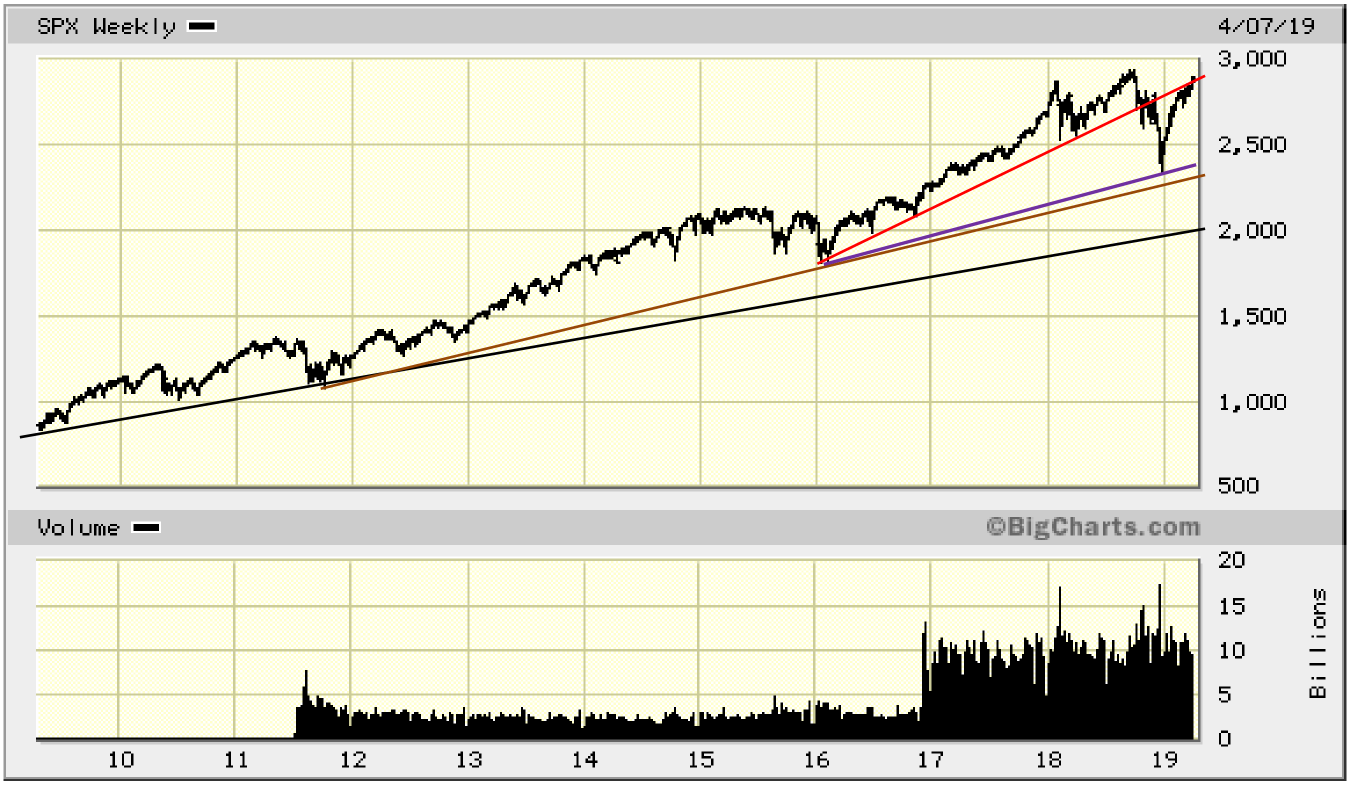
Chart 2: S&P 500 Index One-Year (Normalizing)



Observation: The **RUST** line is our guesstimate of what might have occurred in the market if the mini-panic of December had not occurred. (Market "panics" are a "normal" occurrence in the marketplace, so we are not dismissing them as a "bad" thing. It is just that to put the sharp recovery into better context, it is useful to "draw the trend-lines" from more suitable vantage points so as to understand and interpret better ultimate market moves. After all, in the final analysis, technical – and fundamental – analysis is highly subjective.) So, the **GREEN** up-trend line is set at a more realistic inclination. It shows – currently – that the market could fall about 100 points, to 2800, before reaching resistance. Guess what: that is exactly the same level as shown in Chart 1, the Light **BLUE** congestion area.

Opinion: On the downside, the 2800 level on the S&P 500 Index is a realistic support level for the market. If this level is broken, then a test of the 2600 level (the **RUST** support line) is a possibility. On the upside, same as before, the market likely will test the all-time high, with or without success of breaking into new higher territory.

Chart 3: S&P 500 Index Ten-Years



Observation: The bottom **BLACK** line marks the up-trend that the market has experienced since the March 2009 lows. The Index would have to fall to 2000 to negate this up-trend. The **BROWN** line shows the up-trend from the 2011 low point. We have drawn two up-trend lines from the 2016 low. The **PURPLE** is a longer-term trend-line and the **RED** is a shorter-term trend-line and was clearly broken in the market downturn that occurred in late 2018, but which now is back engaged with the current market level. Let us look at that more clearly in the next chart on the following page.

Chart 4: S&P 500 Index Four-Years

Observation: On a larger scale, this chart shows that the Index has NOT regained the **RED** up-trend line as portrayed in Chart 3. It would only do so if it reached and slightly surpassed the all-time high.

CONCLUSION

Likely Scenarios:

Upside: a test of the 2940 all-time high

Downside: (a) 2800 (the Light **BLUE** congestion level): a decline of 3.0%
(b) 2600 (the **RUST** line): a decline of 10.0%
(c) 2400 (the **PURPLE** line): a decline of 16.9%

Even the worst pull-back of 16.9% does not denote a "market recession" (i.e., a decline of 20.0%)

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