

Tech Talk for Saturday April 27th 2024

The Bottom Line

Focus this week in on the Federal Reserve's decision on interest rates announced on Wednesday at 2:00 PM EDT. Consensus calls for no change in the Fed Fund Rate currently at 5.25%-5.50%. The question is "How long will the Fed maintain this rate?" Release of a slightly "hotter than consensus" March core PCE Price Index on Friday suggests that timing of a reduction of the Fed Fund rate has been delayed until at least this fall.

Better than consensus quarterly results released last week by several large cap S&P 500 companies prompted analysts to raise estimates for the S&P 500 for the remainder of 2024.

"Sell in May and Go Away"? Following are notes developed prior to my appearance on "Wolf on Bay Street" last Saturday. The notes discuss the strategy and its likely outcome this year:

"Sell in May and go away"? That's the expression used by seasonality analysts projecting a seasonal peak by the S&P 500 near the beginning of May followed by weakness to the end of September. According to www.EquityClock.com, average return per period during the past 20 years from May 1st to September 30th has been only 0.8%. In contrast, average return per period from end of September to the beginning of April was 7.2%. Should you "Sell in May and go away" this year?

Not quite! Start and end dates for the seasonal trade vary slightly each year. This year, start of the seasonal peak was earlier than usual: March 28th when the Index reached a high at 5,265. The Index subsequently dropped 6.0% by April 19th to a low of 4,954.

Although historic returns by the S&P 500 Index from May to September are lower than average, opportunities to invest in selected Exchange Traded Funds and securities are available. U.S. sectors, that have a history of outperforming the S&P 500 Index with positive returns during the May to September period, include Healthcare, Biotech, Technology, Oil Exploration, Gold and long term U.S. government bonds. In Canada, the Canadian Banks are a notable outperformer

What about seasonality for the TSX Composite Index? Seasonal influences for the TSX Composite are slightly different relative to the S&P 500 Index: Average seasonal peak during the past 20 year for the TSX occurred at the end of May instead of the end of April. Average seasonal trough for the TSX occurred at the end of September, same as the S&P 500 Index. Average return per period from end of May to end of September was -1.0%. During the favourable period from the end of September to the end of May, average return per period was +7.0%. The extended period of seasonal strength to the end of May can be attributed to seasonal strength in commodity prices and related equities, notably energy prices.

What about performance of the TSX Composite relative to the S&P 500 Index in May this year? Prospects for outperformance by the TSX Composite Index are above average: The Index started to outperform the S&P 500 Index at the beginning of April. Major reasons were higher commodity prices realized by Canadian producers as well as weakness in the Canadian Dollar relative to the U.S. Dollar in the first quarter. Canadian producers are benefitting from recent strength in crude oil, copper, gold and silver prices. Analysts have been prompted recently to raise their cash flow and earnings estimates.

Editor's Note: China also was mentioned during the interview. China is a major importer of Canadian commodities. See chart on China iShares below.

Consensus for Earnings and Revenues for S&P 500 Companies

Source: www.FactSet.com

Higher than consensus first quarter results released to date prompted analysts to increase significantly their first quarter estimates. Consensus on a year-over-year basis calls for an earnings increase of 3.5% (versus a 0.5% increase last week). Revenues are expected to increase 4.4% (versus a 3.5% increase last week).

Earnings gains accelerate in the second and third quarters. Consensus for the second quarter calls for a 9.7% earnings increase (versus 9.6% last week) and a 4.4% increase in revenues.. Consensus for the third quarter calls for an 8.6% increase in earnings (versus previous 8.7% increase) and a 4.9% increase in revenues (versus a previous 5.0% increase).

Earnings gains continue in the fourth quarter. Consensus for the fourth quarter calls for a 10.8% increase in earnings (versus previous 10.7% increase) and a 4.9% increase in revenues (versus previous 5.0%)

For all of 2024, consensus calls for a 10.8% earnings increase (versus previous 10.7% increase) and a 4.9% increase in revenues (versus previous 5.0% increase)

Earnings estimates for fiscal 2025 were increased slightly. Consensus calls for a 13.9% earnings increase (versus previous 13.8% increase) and a 5.8% revenue increase (versus previous 5.9% increase).

Economic News This Week

Source: www.Investing.com

April ISM Manufacturing PMI released at 10:00 AM EDT on Wednesday is expected to slip to 50.0 from 50.3 in March.

FOMC Decision on the Fed Fund Rate is released at 2:00 PM EDT on Wednesday. No change from the current 5.25%-5.50% rate is expected.

March U.S. Trade released at 8:30 AM EDT on Thursday is expected to slip to a deficit of \$68.00 billion from \$68.9 billion in February.

March Canadian Trade is released at 8:30 AM EDT on Thursday

March U.S. Factory Orders are released at 10:00 AM EDT on Thursday

April Non-farm Payrolls released at 8:30 AM EDT on Friday are expected to drop to 210,000 from 303,000 in March. **April Unemployment Rate** is expected to remain unchanged from March at 3.8%. **April Average Hourly Earnings** are expected to increase 0.3% versus a gain of 0.3% in March.

April ISM non-manufacturing PMI released at 10:00 AM on Friday is expected to increase to 52.3 from 51.4 in March.

Selected Earnings News This Week

Source: www.Investing.com

Forty six percent of S&P 500 companies have reported quarterly results to date. Another 35% are scheduled to release results this week (including six Dow Jones Industrial Average companies).

Eight TSX 60 companies are scheduled to release quarterly results.

Monday: Transocean

Tuesday: Amazon, Eli Lilly, Coca Cola, Advanced Micro Devices, McDonald's, Stryker, Eaton, Starbucks, Mondelez, American Tower, Illinois Tool Works, Republic Services, PACCAR, Air Products, MMM, Prudential, Restaurants International, Archer Daniels Midland, Clorox, Molson Coors

Wednesday: MasterCard, Qualcomm, Pfizer, Cenovus, Marriott, Este Lauder, Met Life, Door Dash, American International Group, Aflac, Kraft Heinz, Allstate, Yum Brands, Devon Energy, Verisk, Barrick Gold, eBay, CGI Group, Franco-Nevada, Fortis, CF Industries, Brookfield Infrastructure, Mosaic, Etsy

Thursday: Apple, Linde, ConocoPhillips, Amgen, Regeneron, Southern Companies, EOG Resources, Becton Dickenson, Monster Beverages, Moderna, Ingersol Rand, BCE, Open Text, US Steel, Wendy's, Bausch Health

Friday: Hershey, TC Energy, Telus, Magna International, Goodyear.

Trader's Corner

Example of a daily change in technical score for copper:

	Score
Intermediate trend: Up	+2
Strength relative to the S&P 500: Positive	+2
Trades above its 20 day moving average:	+1
Daily momentum (Stochastics, RSI, MACD) turned from Down to Up:	-1 to +1
Total Score	+4 to +6

Equity Indices and Related ETFs

Daily Seasonal/Technical Equity Trends for April 26th 2024

Unit	Seasonal	Until	Trend	Strength Relative To S&P 500	20 Day MA	Momentum	Tech Score	Score Last Week
SPX	Positive	May 2	Up	Neutral	Below	Up	2	0
TSX	Neutral	Dec.15	Up	Positive	Below	Up	4	4
DJIA	Positive	May 2	Neutral	Neutral	Below	Up	0	2
COMPQ	Positive	Apr.30	Neutral	Neutral	Below	Up	0	-4
IYT	Neutral	Aug.27	Neutral	Negative	Below	Up	-2	-2
AORD	Positive	May 2	Neutral	Neutral	Below	Up	0	0
NIKK	Positive	Apr.30	Neutral	Negative	Below	Up	-2	-4
IEV	Positive	Apr.30	Neutral	Positive	Above	Up	4	0
FXI	Neutral	Oct.4	Up	Positive	Above	Up	6	2
EEM	Neutral	Nov.29	Neutral	Positive	Above	Up	4	-2

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 April 26th 2024

Unit	Seasonal	Until	Trend	Strength Relative To S&P 500	20 Day MA	Momen tum	Tech Score	Score Last Week
CRB Index	Positive	June 11	Up	Positive	Above	Down	4	4
Gasoline	Positive	June 29	Up	Neutral	At	Up	3	2
Crude Oil	Positive	June 30	Up	Neutral	Below	Down	0	2
Natural Gas	Positive	June 29	Up	Positive	Above	Up	6	-4
S&P Energy	Positive	June 6	Up	Neutral	Below	Up	2	2
Oil Services	Positive	Apr.24	Up	Neutral	Below	Up	2	0
Gold	Positive	Apr 27	Up	Positive	Below	Down	2	6
Silver	Neutral	Dec.28	Up	Positive	Below	Down	2	4
Gold Bug	Neutral	June 15	Up	Positive	Above	Up	6	4
Platinum	Neutral	Dec.24	Up	Neutral	Below	Down	0	2
Palladium	Neutral	Nov.28	Down	Negative	Below	Down	-6	2
Copper	Neutral	Nov.22	Up	Positive	Above	Up	6	6
Agriculture	Neutral	Nov.10	Neutral	Neutral	Below	Up	0	0

Green: Increase from previous day

Red: Decrease from previous day

Sectors Daily Seasonal/Technical Sector Trends for April 26th 2024

Unit	Seasonal	Until	Trend	Strength Relative To S&P 500	20 Day MA	Momen tum	Tech Score	Score Last Week
XLK	Positive	Aug.28	Down	Negative	Below	Up	-4	-6
XLB	Neutral	Oct.1	Up	Negative	Below	Up	0	2
XLI	Neutral	Aug.26	Up	Neutral	Below	Up	2	2
XLY	Neutral	Aug.7	Down	Neutral	Below	Up	-2	-6
XLF	Neutral	July 7	Up	Neutral	Below	Up	2	4
XLE	Positive	June 6	Up	Neutral	Below	Up	2	2
XLP	Positive	May 24	Up	Positive	Above	Up	6	4
XLV	Positive	July 30	Neutral	Neutral	Below	Up	0	0
XLU	Positive	July 2	Up	Positive	Above	Up	6	6
XLC	Positive	June 2	Neutral	Negative	Below	Up	-2	4
XLRE	Neutral	Dec.1	Down	Negative	Below	Up	-4	-6
TSX Financial	Neutral	July 12	Up	Neutral	Below	Down	0	4
TSX Energy	Neutral	Dec.11	Up	Positive	Above	Up	6	4
TSX Gold	Neutral	June 14	Up	Positive	Above	Up	6	4
TSX Tech	Neutral	Nov. 15	Down	Neutral	Below	Up	-2	-2
TSX B Metals	Neutral	Oct.4	Up	Positive	Above	Up	6	4

Green: Increase from previous day

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Technical Notes for Friday

China rises! China large cap iShares moved above \$24.89 last week completing a reverse Head & Shoulders pattern. Measured target is \$28.80. The breakout also is positive encouragement for Canada's commodity producers that export to China!



BMO Global Base Metals ETF \$ZMT.TO moved above Cdn\$66.45 to a 12 year high extending an intermediate uptrend.



Colgate Palmolive \$CL an S&P 100 stock moved above \$89.85 to an all-time high extending an intermediate uptrend.



General Motors \$GM an S&P 100 stock moved above \$46.04 extending an intermediate uptrend.



S&P 500 Momentum Barometers



The intermediate term Barometer added 3.00 on Friday and 8.80 last week to 45.80. It changed from Oversold to Neutral on a recovery above 40.00.



The long term barometer slipped 1.00 on Friday but added 3.40 last week to 74.20. It remains Overbought.

TSX Momentum Barometers



The intermediate term Barometer added 1.79 on Friday and gained 3.13 last week to 55.36. It remains Neutral.



The long term Barometer added 0.45 on Friday and gained 1.78 last week to 66.96. It remains Overbought.

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

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