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Technical observations of
RossClark@ChartsAndMarkets.com
@ChartsByRoss

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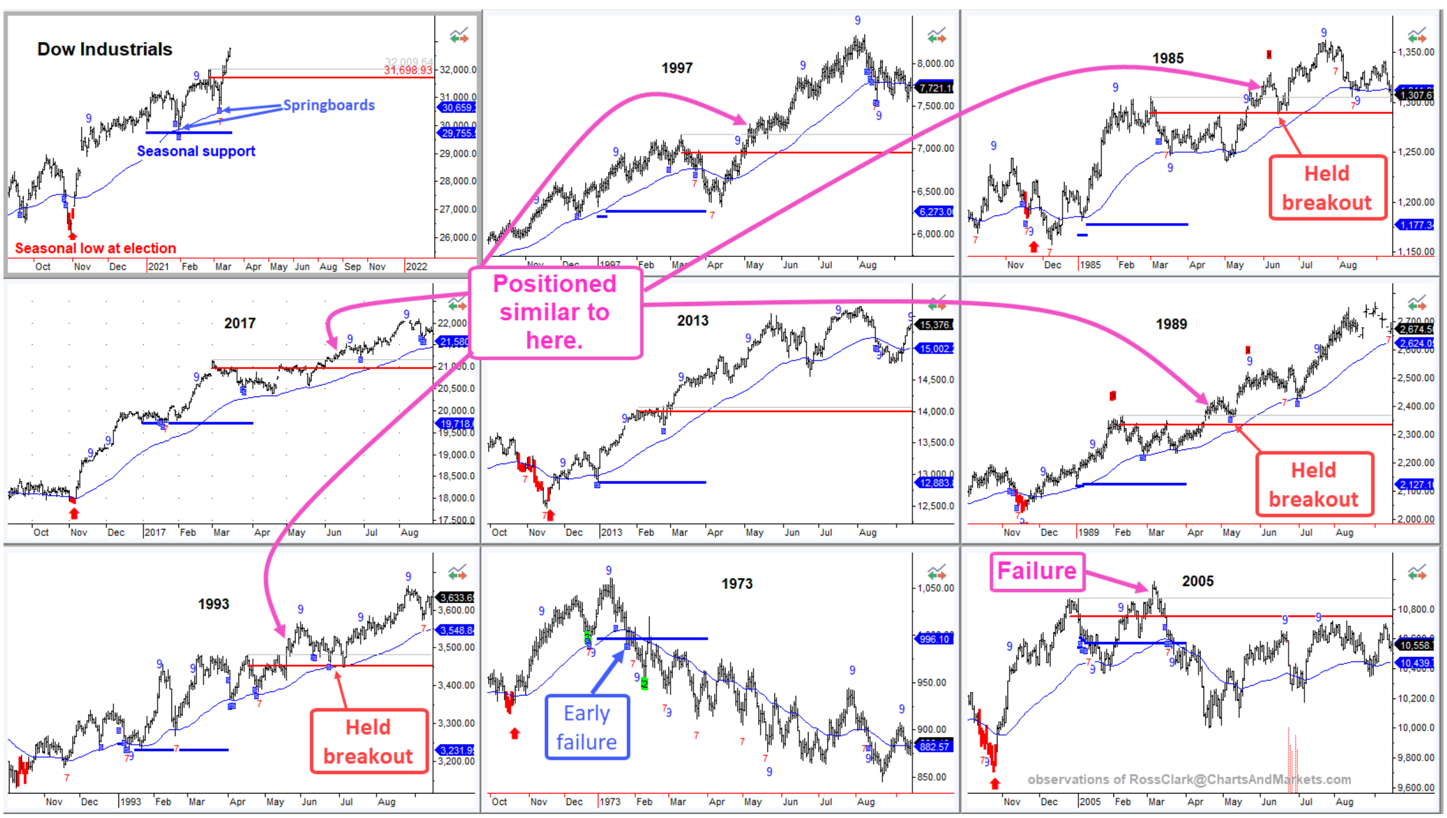
Presidential Cycle

The normally favorable period in equities is from October through May with a test of support in February/March. The seasonal move in the Dow started from a recurring oversold Springboard/Capitulation reading around the US election (✓). In post-election years with an uptrend into Q1 (*1973, ’85, ’89. ’93, ’97, ’05, ’13 and ’17*) (✓) the subsequent lows need to hold above the lowest low of the 15 trading days before January 10th (**horizontal blue line**)(✓).

Downside corrections in February to April should hold around a 1% envelope below the 50-day moving average of the lows (**blue line**). March 4th came within 100 points at 30,547 (✓). An oversold Springboard alert should identify a bottom in March/April. March 4th (✓).

The breakout to new highs (✓) typically continues higher for eight to eleven days (**now at 3 days**). Any corrections may now test the lower Bollinger Band (20,2), but not penetrate the previous consolidation by more than 25% (**horizontal red line at 31,700**).



The S&P generated two oversold Springboard alerts recently: February 25th & March 4th. We noted that it needed to exert good upside momentum when there are two back-to-back signals. It had a great week, up 4.6% in six trading days and tested the February highs.

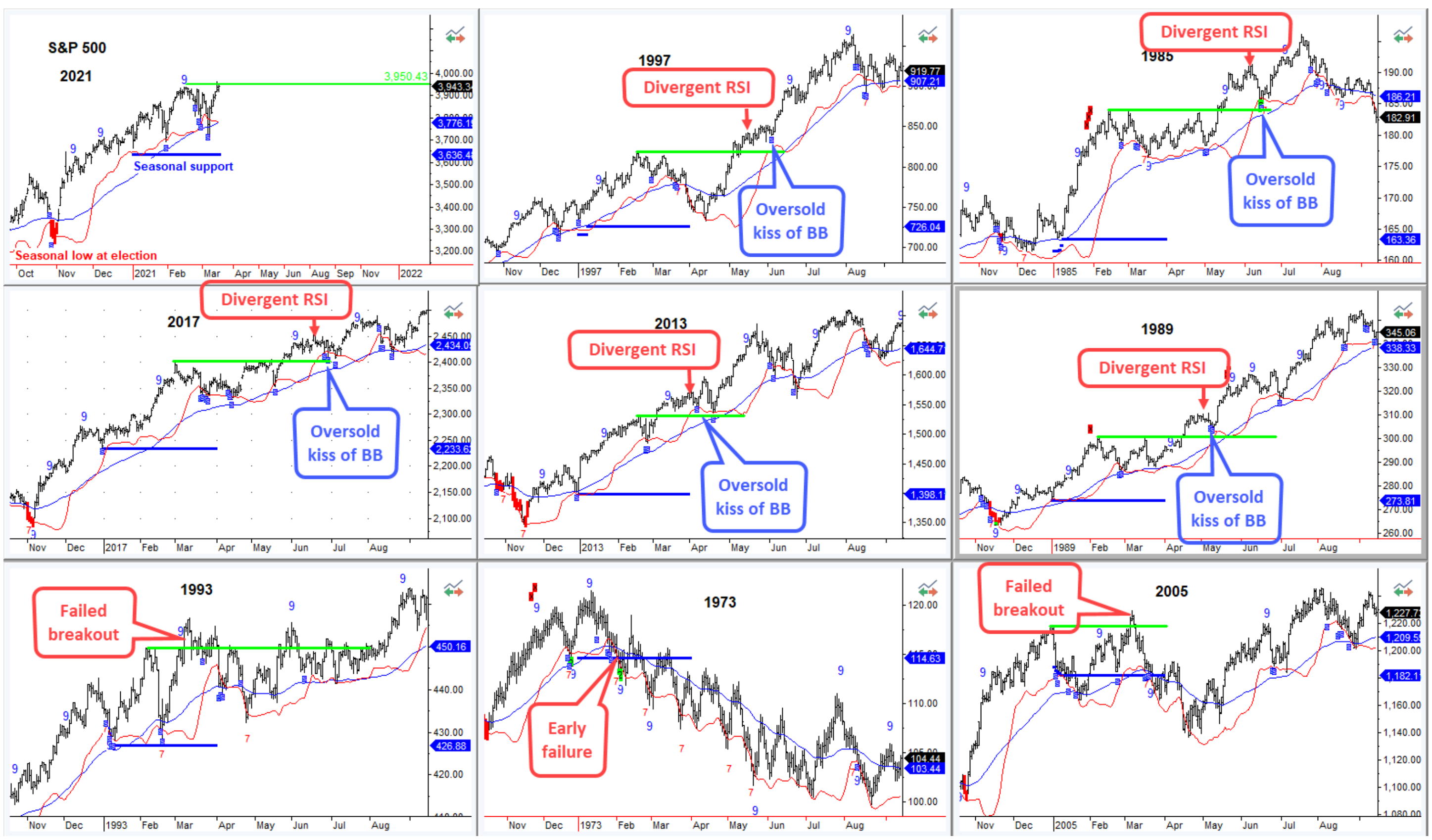
As a reminder, option traders can take advantage of Springboard and Capitulation signals by selling put spreads OR purchasing call options with a strike price halfway to target and an expiry of 45 to 60 days. April and May calls in the DIA and SPY are up 100% to 150% this week.

A breakout after February in post-election years needs to maintain upside momentum, otherwise (*1993 & 2005*) it drops right back to the January/February lows.

Positive years saw the price advance for 16 to 25 trading days after the breakout. (*This will target the first half of April if there is follow through strength next week*). Look for an RSI(14) reading around 70 followed by a divergence at the high.

Subsequent corrections held around the Bollinger Band (20,2), above the rising 1% band below the 50-day average of the lows (**blue line**) and generated oversold Commodity Channel Index(13) readings.

Hopefully, these parameters on the Dow and S&P will provide subscribers with appropriate risk control in this market environment.



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