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# S&P Poised to Bounce at 2855 Support; See Choppy Action

It's been a rough week and I think the market is deeply oversold on a wide range of technical metrics, two in particular. Both traders and investors should be aware of these two, following this week's historic decline in equities. (For more see page 1.)

First, short-term technical indicators are at extreme levels, which have historically supported a rebound. However, while my expectation is for a trading rebound to develop from here, there is no meaningful evidence to state a bottom is developing. Every technical analyst is taught that support levels are meaningless unless price responds to those levels. The Standard & Poor's 500 index slicing through theoretical support at its 50- and 200-day moving averages is a case in point.

The next key support levels are at the 4Q19 lows, coinciding with a 50% retracement of the 2019-2020 rebound. The chart below highlights the next key support levels for the SPX that I'm watching for some evidence that the equity market will stabilize.

Interestingly, as I write this note on Friday, the SPX has touched and bounced from its next important support level at its 4Q19 lows at 2855, which is just below a 50% retracement (2870) of the current bull cycle that began in 4Q 2019. I expect this level to hold but should it fail, then the next support is at the August 2019 lows of 2822, followed by a more important support band at the June 2019 2728 lows, just below the 62% retracement at 2746.

Lastly, the rising 200-week moving average (2629) remains an important long-term support level that has historically defined significant cycle lows. I am not expecting a retest of that level but it remains a level to watch.

**S&P 500 – Weekly**


Source: FS Insight, Bloomberg

Why are the weekly momentum indicators important? I rely heavily on intermediate-term/weekly indicators to track and forecast equity market shifts over a 1-2 quarter time frame. They were helpful anticipating a 4Q rebound with our forecast targeting a mid-late February peak followed by choppy trading range well into and possibly through 2Q. While the expectation for a mid-late February peak proved correct, I failed to anticipate such a dramatic decline.

What now? My expectation is that markets will begin a short-term bottom process near current levels but investors should brace for months of backing and filling/choppiness before the market establishes a more sustainable bottoming pattern.

**Figure: Weekly Sector Review**
Source: FS Insight, Factset

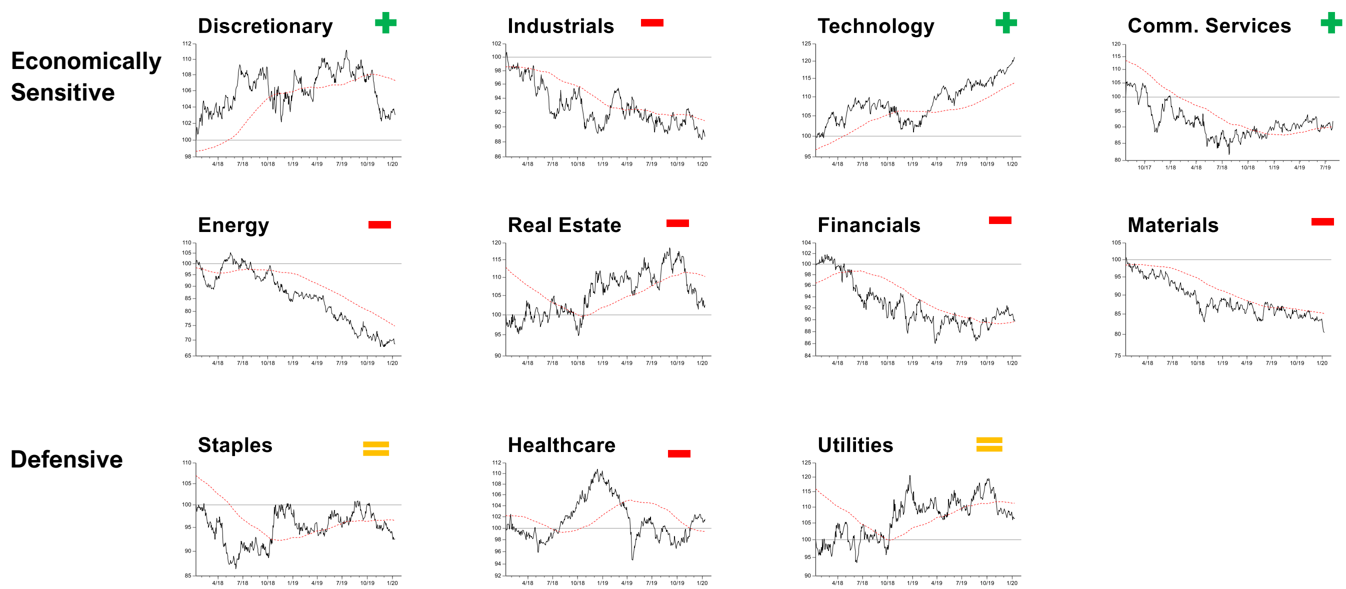
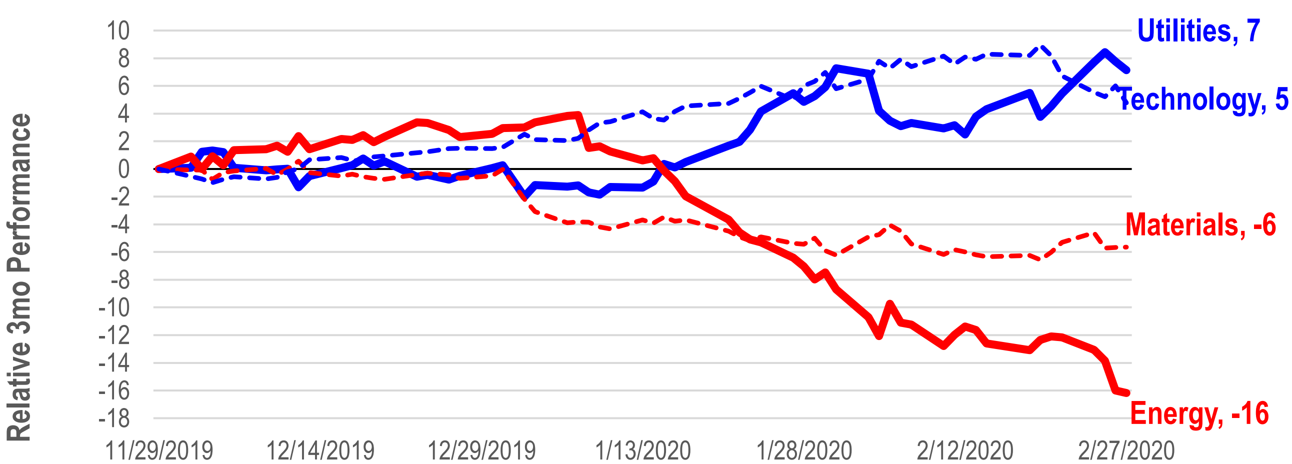



**Figure: Best and worst performance sectors over past 3 months**




Source: FS Insight, Bloomberg

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