

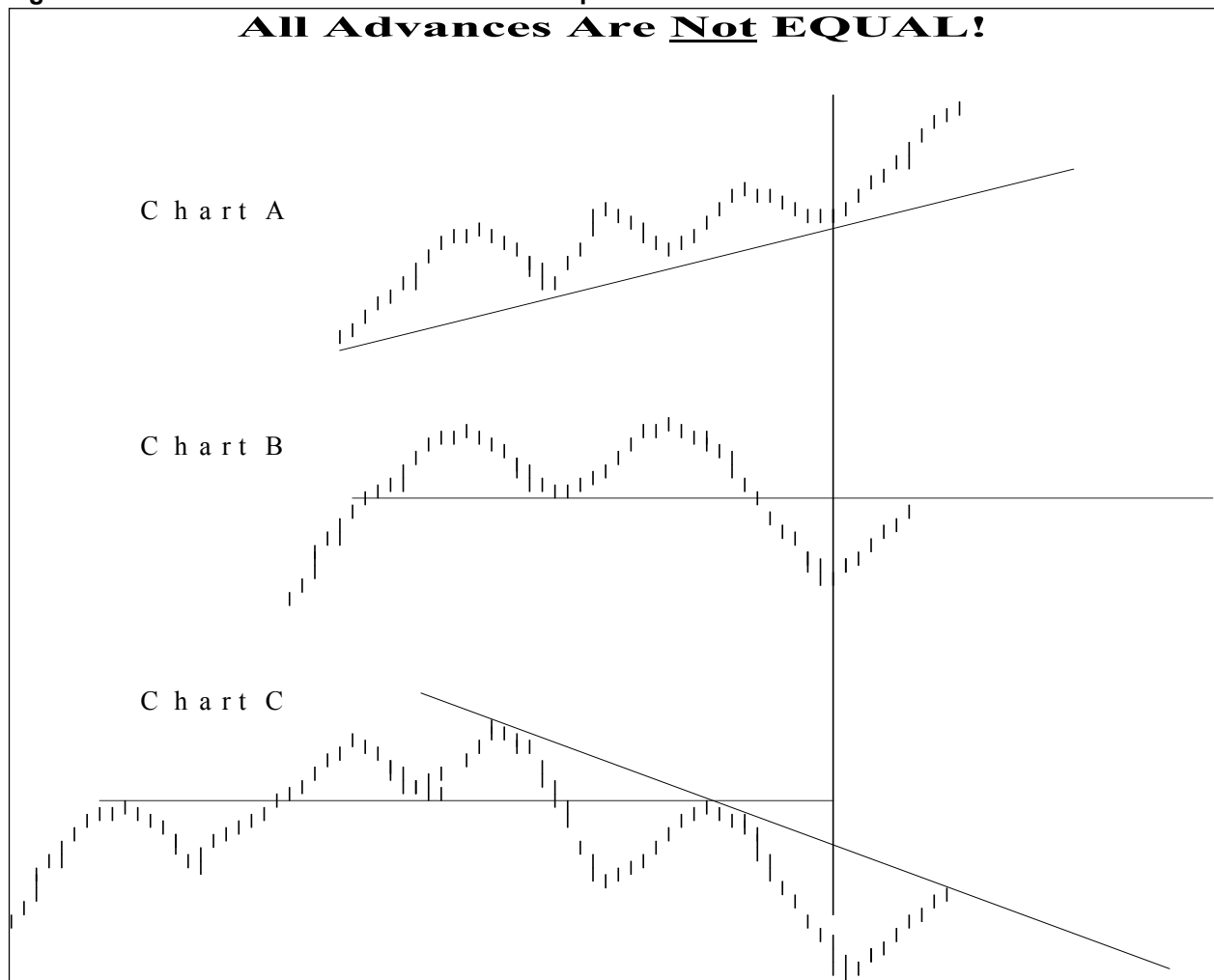
## All Advances Are Not Equal within an Overall Bear Market Rally

In the frustrating attempts to determine which rallies may represent the end to an overall market decline, one has to recognize, particularly in the throes of a bear market cycle, that **“All Advances are Not Equal”** even as all stocks may rally together with the market.

Within any market trend, there will be rally phases. However, rallies *may not carry all stocks* to new highs, as *all advances are not equal*. In the schematic (see Figure 1), to the right of the vertical line, one can see that **each stock is advancing**, but each of the three schematic advances represent a **very different implication** within the *structural trend* of each individual stock.

Some may represent *breakouts to new highs*; others may represent only *kickback rallies into resistance* (formerly support, now broken) offering an opportunity to sell into strength (generally prior to another decline); some are *rallies off the lows* (toward a lower resistance), that thereafter *may fall lower* on the next market decline (or at best, begin *stabilization / accumulation to contribute to a future sustainable advance*).

Figure 1. Schematic – All Advances Are Not Equal



Source: LY Advisors

While all *stocks may rally simultaneously*, some of the advances may represent **rallies in their ongoing structural bull market uptrends** (see Figure 1 **Chart A**) which carry examples across sectors.

Other advances represent **rallies into the resistance of major topping formations** or resistance of secondary declines (see Figure 1, **Chart B**), offering another **opportunity to sell into strength** within new or established downtrends.

Still other advances **may represent bear market rallies from even more depressed levels within ongoing structural declining trends** (see Figure 1, **Chart C**).

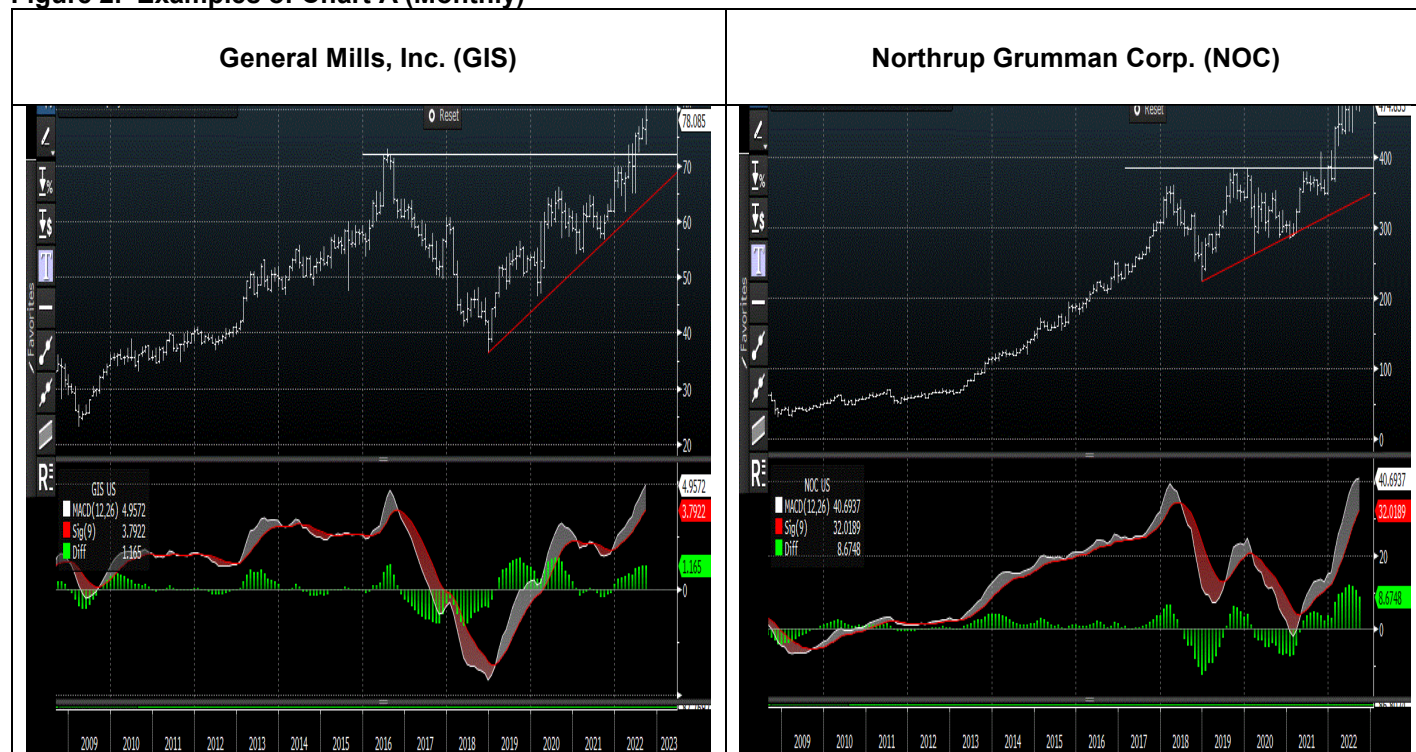
The latter two rallies (**B** and **C**) would be considered *contra-trend rallies*, or **temporary rallies in the opposite direction to the major trend** (in these cases *down*). In some instances, **these kickback rallies can represent substantial percentage advances**, depending on the degree of decline to which the stock price may have fallen.

## CHART A

**Chart A** (see Figure 2) **represents a bull market advance**:

If the market indexes were to decline again, we would expect these already uptrending stocks to establish / hold their support levels, move into consolidations, and / or **decline overall less than the market** (*unless support levels were seriously violated on retreats*).

**Figure 2. Examples of Chart A (Monthly)**



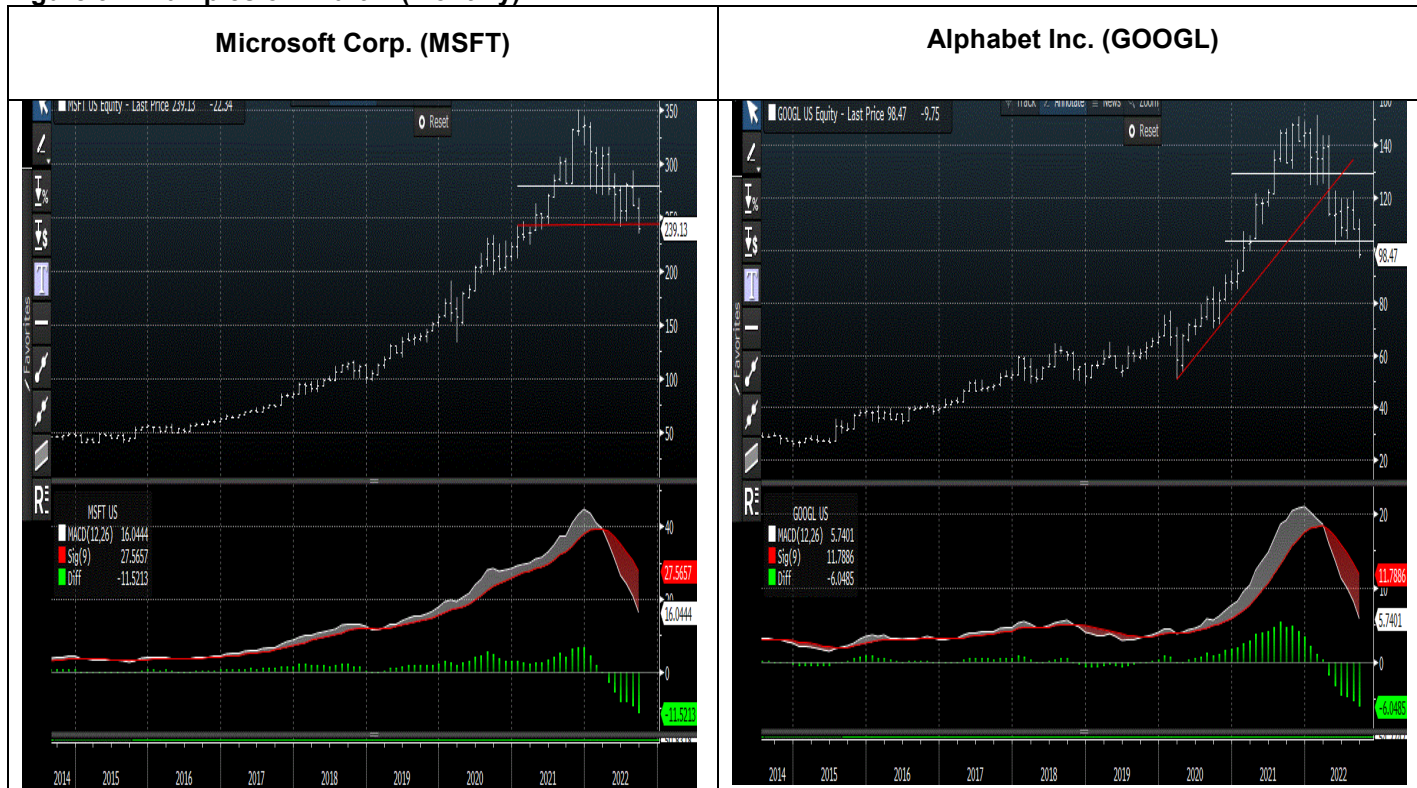
Data Source: Bloomberg

Notice, too, that accompanying these advancing price trends, the Monthly Momentum models (lower panels) are positive, on a *Buy*, and rising to new highs with price, confirming the price trend. (We have discussed the momentum models in a prior educational piece.)

## CHART B

**Chart B** (see Figure 3) represents a *rally into resistance* (formerly support) of the topping formations following an initial price breakdown through support, or a rally into resistance following a *secondary* support break, offering another opportunity to [sell into strength within new, or extending, downtrends](#).

**Figure 3. Examples of Chart B (Monthly)**



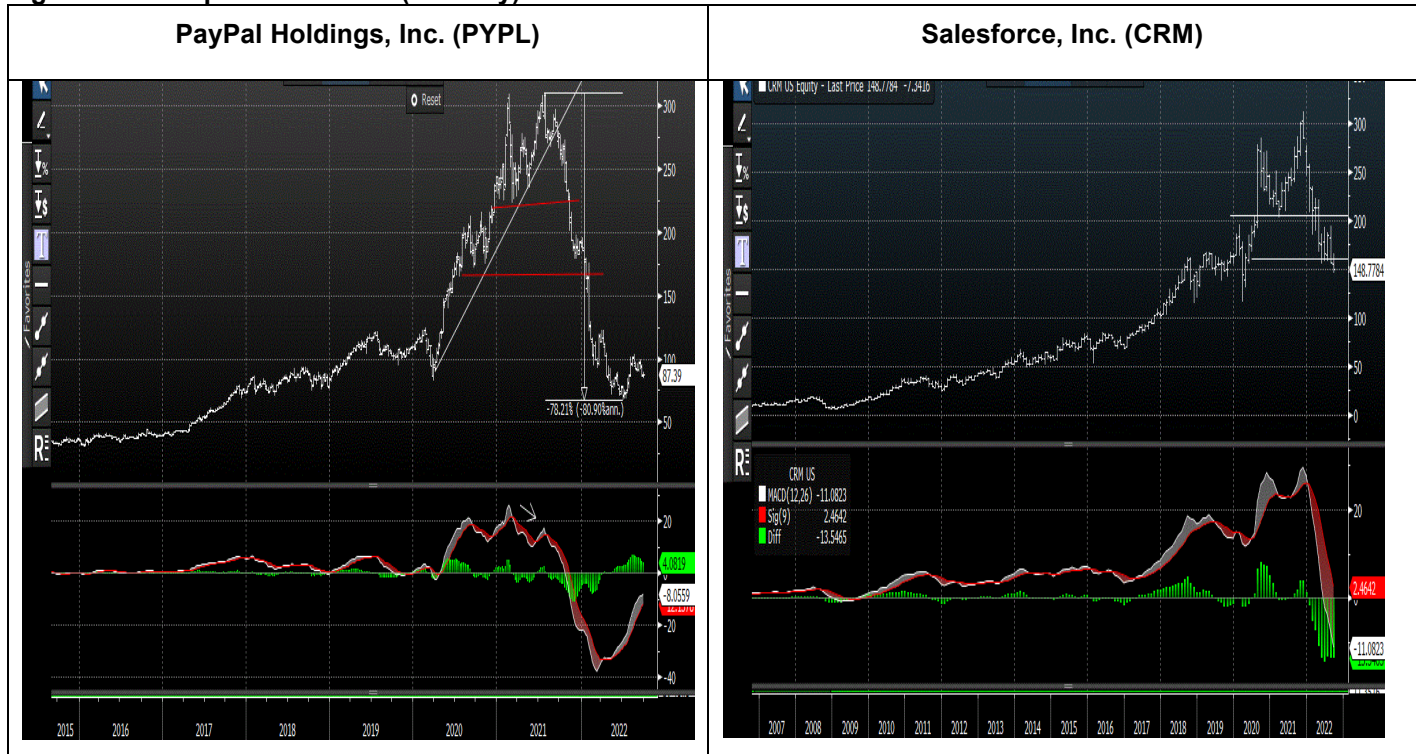
Data Source: Bloomberg

(Notice here, that the Monthly Momentum models are negative, on a *Sell*, and declining, confirming the declining price trend, with no evidence as yet of reversing.)

## CHART C

**Chart C** (see Figure 4) represents **rallies in very depressed stocks** that could encounter a bounce / sharp generous rally, *in a later stage of their structural bear markets*, but well before a necessary and *generally extensive repair* phase is in place. These, *often short lived-rallies*, can offer another opportunity to sell into strength.

Figure 4. Examples of Chart C (Monthly)



Data Source: Bloomberg

(Notice here that the monthly momentum models are mixed:

The left one is on a *Buy* but well below the zero line in negative territory; a consolidation may be initiating, or another decline may develop.

The right one is on a *Sell* and declining, suggesting the decline may not yet be over.)

Any market weakness (**Charts B** and **C**) may cause the price to roll over again to test or *break* support levels. These rallies either may not hold, or can *initiate a repair phase*. We would expect this behavior among those *stocks in individual structural bear markets*.

Obviously, if all these **rallies (Charts A, B and C)** occur *simultaneously*, there could be a **seemingly improving equity market environment**, at least for a period of time. But if the **Chart B** and / or **Chart C** rallies are used to *sell into strength* or *fail to materialize*, another unwinding phase of the equity market environment may follow thereafter, as the individual structural **forces of supply resume**.

Louise Yamada October 1, 2022

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