Dudack Research Group
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April 8, 2025

DJIA: 37965.60
SPX: 5062.25
NASDAQ: 15603.26

Direct from Dudack

Turnaround Monday

As we wrote last week, the current market rout reminds us of other major panic lows, such as the one in 1987, in which two-day downdrafts on Thursday and Friday were followed by a huge selloff on Monday morning. History has shown that these Monday selloffs are often turnaround days and the beginning of a bottoming process.

Monday's early morning decline was therefore predictable since individual investors often panic after severe weakness; plus, after two days of falling prices, margin calls (or forced selling) become a factor. This played out as expected yesterday until a rumor (soon dismissed as false) suggested tariffs would be delayed 90 days. This rumor triggered a massive intraday upswing in prices which shows how emotional and oversold the equity market is today.

Finally, but equally important, the April 4th session was a 91% down day. This is a reflection of extreme panic, and these 90% down days are helpful in a bear market. They usually materialize in a series, which is the bad news. The good news is that the appearance of just one 90% up day indicates that the worst of the decline is over, and it helps to identify the low and the beginning of a bottoming process. To date, a 90% up day is missing.

In summary, a 90% down day appeared on Friday and now one 90% up day would demonstrate that buyers are returning to the market with conviction. (Our indicators use NYSE volume only in order to eliminate the noise of program/algorithmic/day trading which does not reflect a market stance.)

Our regular weekly report will be published later this evening.

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