



Harry's Take

February 4, 2025

Another Major Divergence Coming Late in the Game

I have noted a number of divergences in the past months as stocks have continued to approach what looks like the peak of the bubble of our lifetimes, that will in turn lead to the crash of our lifetimes. This bubble since March 2009 is now going on 16 years as of March just ahead. And the most classic divergence has thus far been the small cap Russell 2000 only retesting its late 2021 highs while the Nasdaq and S&P 500 have continued to make major new highs.

The NYSE Advance/Decline Line Is Diverging Badly from the S&P 500



Source: <https://www.elliottwave.com/>

www.hsdent.com

This is another very classic one... showing the troops not following the generals. It comes from my friends at Elliott Wave International. When the advance/decline line does not make new highs to confirm the major stock indices, that is a sign that the rally is getting narrower and narrower. That a

few big stocks, favored by the “dumb money,” who don’t analyze as thoroughly and look through a broader stock range to find the best bargains, are increasingly driving the rally and that signals that there isn’t another wave of investors to follow and extend the rally... these are the least sophisticated finally jumping in at the end after they see everyone else making money.

And this indicator looks to be failing badly to me. First it falls farther after the last peak, and then is not even getting close to making new highs to follow...

So, “another brick in the wall” signaling the end of the longest, greatest, most artificial and stimulus-driven bubble run of all time. The end should be nigh!

Harry

Got a question or comment? You can reach us at info@hsdent.com.

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