Below is a snapshot of last week's market performance and what to watch in the weeks ahead from Chadd Mason, Cabana CEO and co-founder.

Last week I noted that broad equity markets were struggling to overcome technical resistance. Most notably, this occurred at the $280 price level with the S&P 500 (SPY). At the same time, indexes were overbought and ripe for a pullback, following the double-digit move up since Christmas. I also stated that a test of the 200-day moving average seemed inevitable before we could move higher. Well, as soon as I said it, that is what happened. The U.S. markets posted their biggest weekly decline since September, dropping 2%. The fall pushed the S&P 500 below its 200-day moving average early on Friday, before a late rally pulled it just above that important level. In my view, the weekly close was positive and evidence of buyers stepping in at a critical moment.

It is no surprise to me that we are seeing a bullish start to this week, with domestic and international stocks up more than 1%. This testing of market resilience is important and healthy. Market participants are constantly assessing and re-assessing the relative value (or risk) of assets. When an asset moves up in price too far and too fast, selling naturally occurs and the asset drops to a point of equilibrium. The 200-day moving average just happens to be a well-regarded point of equilibrium, based upon the past 200 days' price of the asset. The stock market's ability to stay above this point indicates that the previous assessment of price was appropriate, and the bull market can continue.

In sum, we saw a necessary pullback and backfilling last week, after more than two months of consistent buying. We are likely to see more of this as U.S. markets try to reach the highs of last year. Last week I also pointed out the outperformance in emerging markets and commodities that has taken place during this year's rally. That trend continues today and remains a good sign in my view.

Last week's market commentary is available here.

To receive the extended version of Cabana's weekly market commentary each week, subscribe to our emails through our homepage at www.cabanaportfolio.com.

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