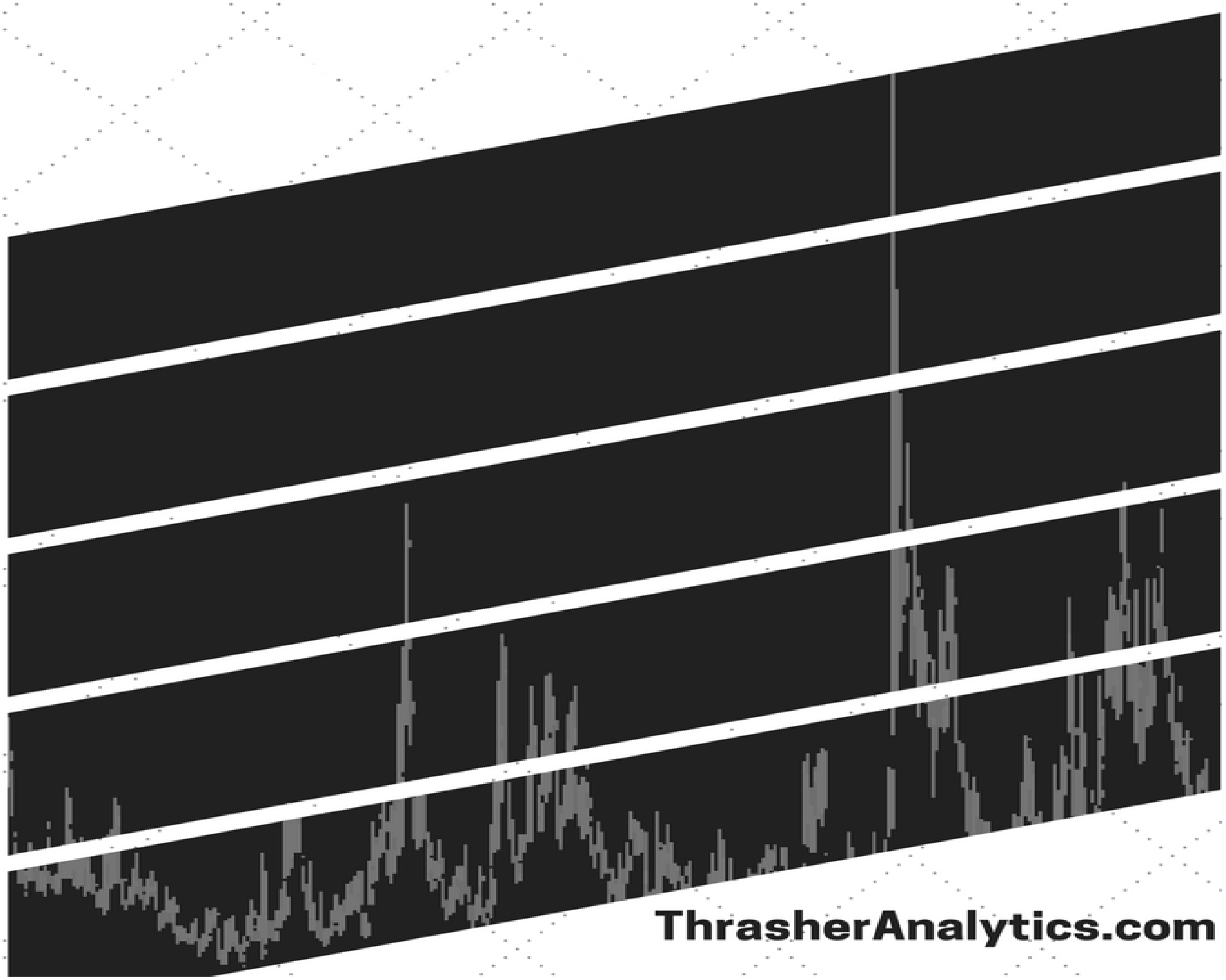
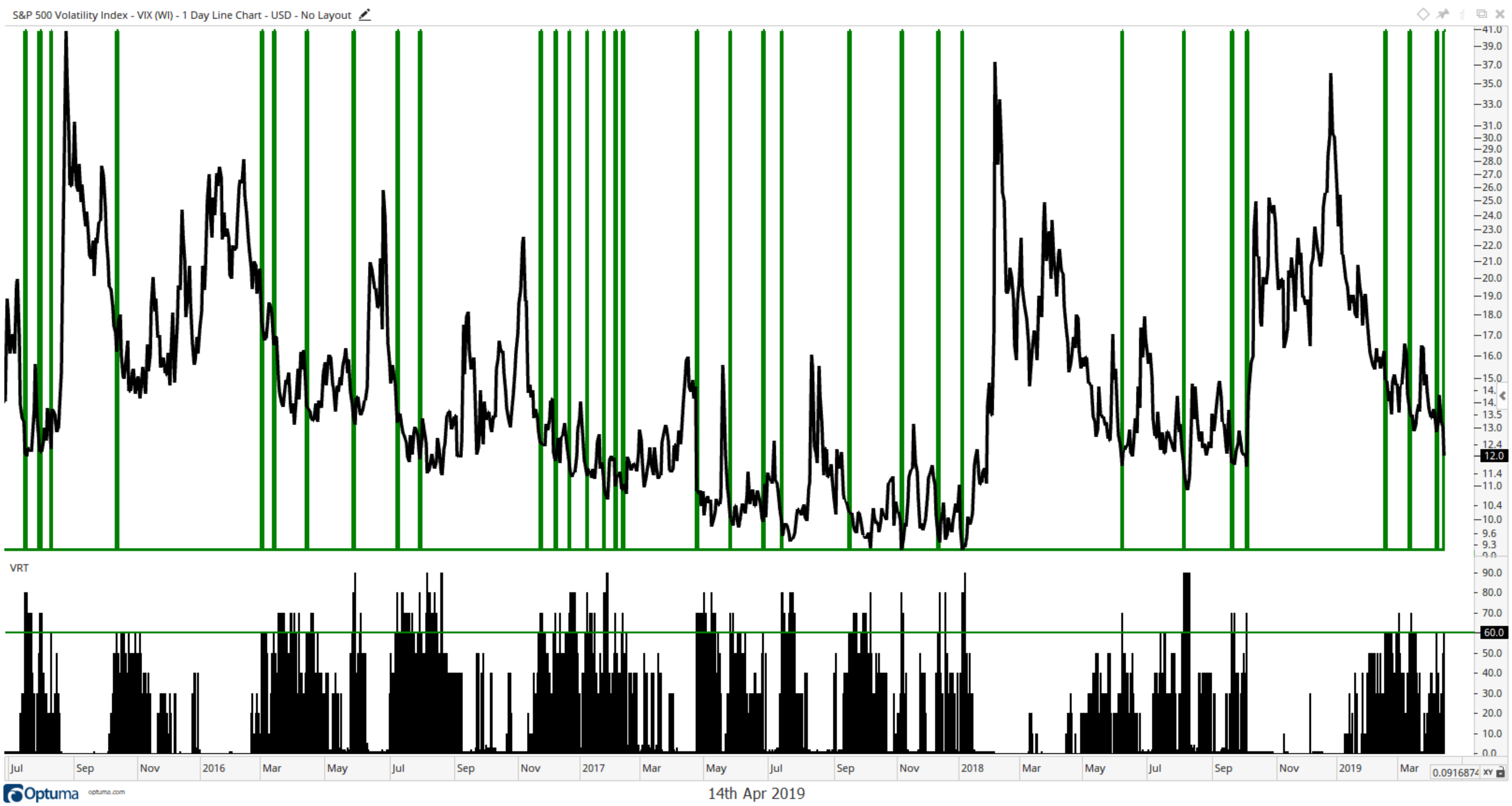
THRASHER ANALYTICS



ThrasherAnalytics.com

BI-WEEKLY RESEARCH & ANALYSIS

Name	> 50MA	> 200MA	1wk Perf	1mo Perf	3mo Perf	12mo Perf
SPDR Technology Select Sector Fund ETF	True	True	1.17%	7.08%	20.88%	15.43%
SPDR Real Estate Select Sector Fund ETF	True	True	0.41%	3.23%	14.8%	20.8%
SPDR Industrial Select Sector Fund ETF	True	True	0.35%	4.04%	13.86%	4.19%
SPDR Consumer Discretionary Select Sector Fund ETF	True	True	0.68%	7.36%	13.14%	16.24%
SPDR Communication Services Select Sector ETF	True	True	1.45%	3.83%	11.28%	0.00
SPDR Materials Select Sector Fund ETF	True	True	0.52%	4.31%	11.19%	-0.09%
SPDR Financial Select Sector Fund ETF	True	True	2.03%	3.19%	10.78%	-2.65%
SPDR Utilities Select Sector Fund ETF	True	True	0.19%	-0.26%	9.36%	17.83%
SPDR Energy Select Sector Fund ETF	True	False	-0.07%	3.43%	8.95%	-4.35%
SPDR Consumer Staples Select Sector Fund ETF	True	True	1.1%	3.25%	8.85%	7.4%
SPDR Health Care Select Sector Fund ETF	False	False	-2.38%	-1.39%	2.28%	9.64%



Volatility began to rise early last week after I sent out a note that the VRT has produced another signal but the advance was quickly given back in the second half of the week as the Volatility Index finished at a year-to-date low. The volatility market internals have continued to decline as a COT data of shorts (will cover this later in the letter) have risen along with broad market sentiment. Bulls should wish for a quick vol 'reset' to get the market back in balance rather than see this protected over-confidence build ups, only making the likihood of the next volatility even being larger than it could very well need to be at this point in time.

The longer we go without a move in vol, the more exacerbated it'll likely be.

The next target for equities is the 2018 high at approx. 2925. Finally on Friday we saw some above-average volume enter the market on a positive day as the market gave a positive reaction to int'l data and the first of the banks to report Q1 earnings. Momentum has remained elevated, which is a positive sign - I'd much rather see it trade around 70 than see it begin to diverge like it did going last September.

10-year Treasury Yield Clears First Resistance Level

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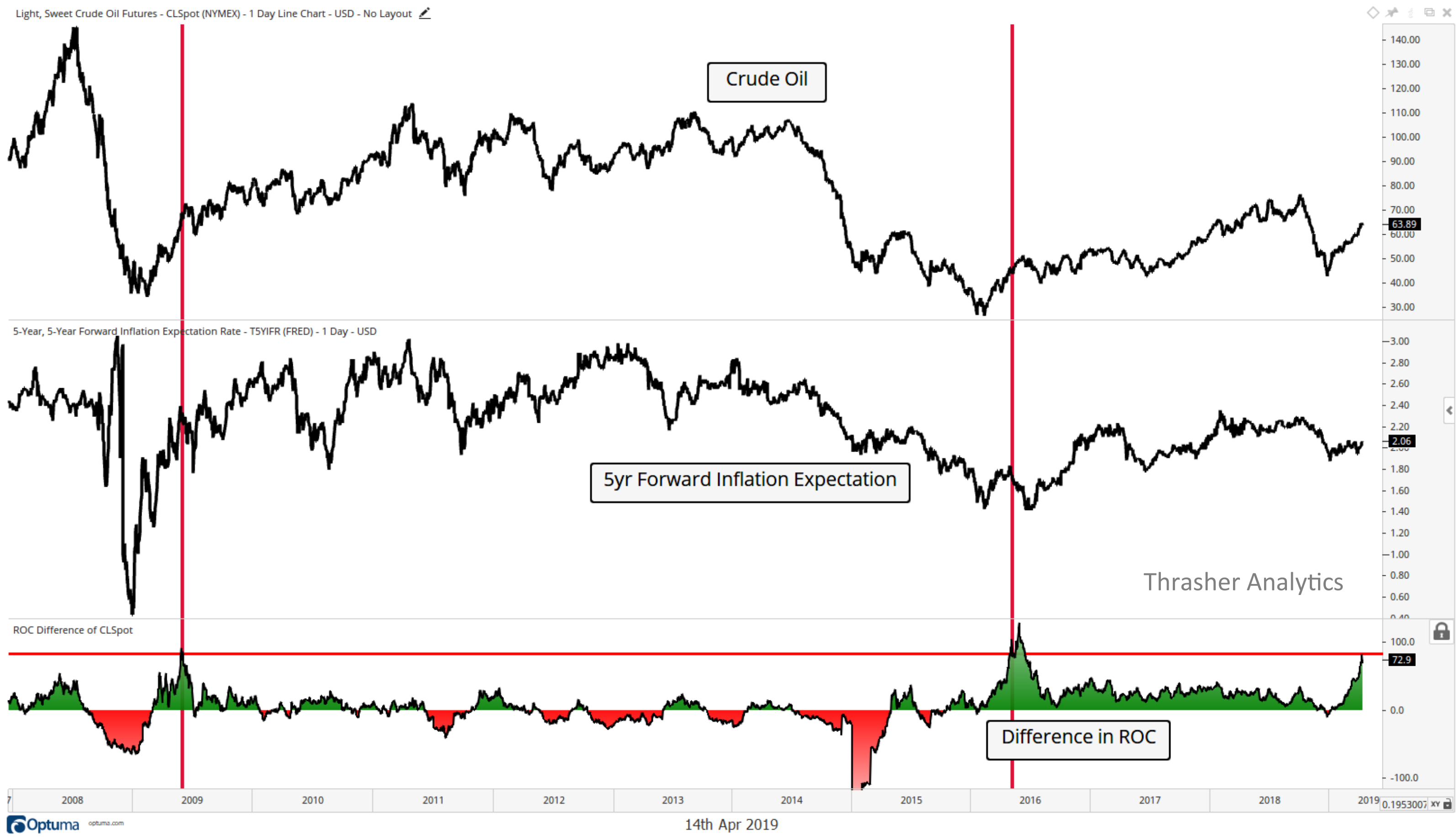
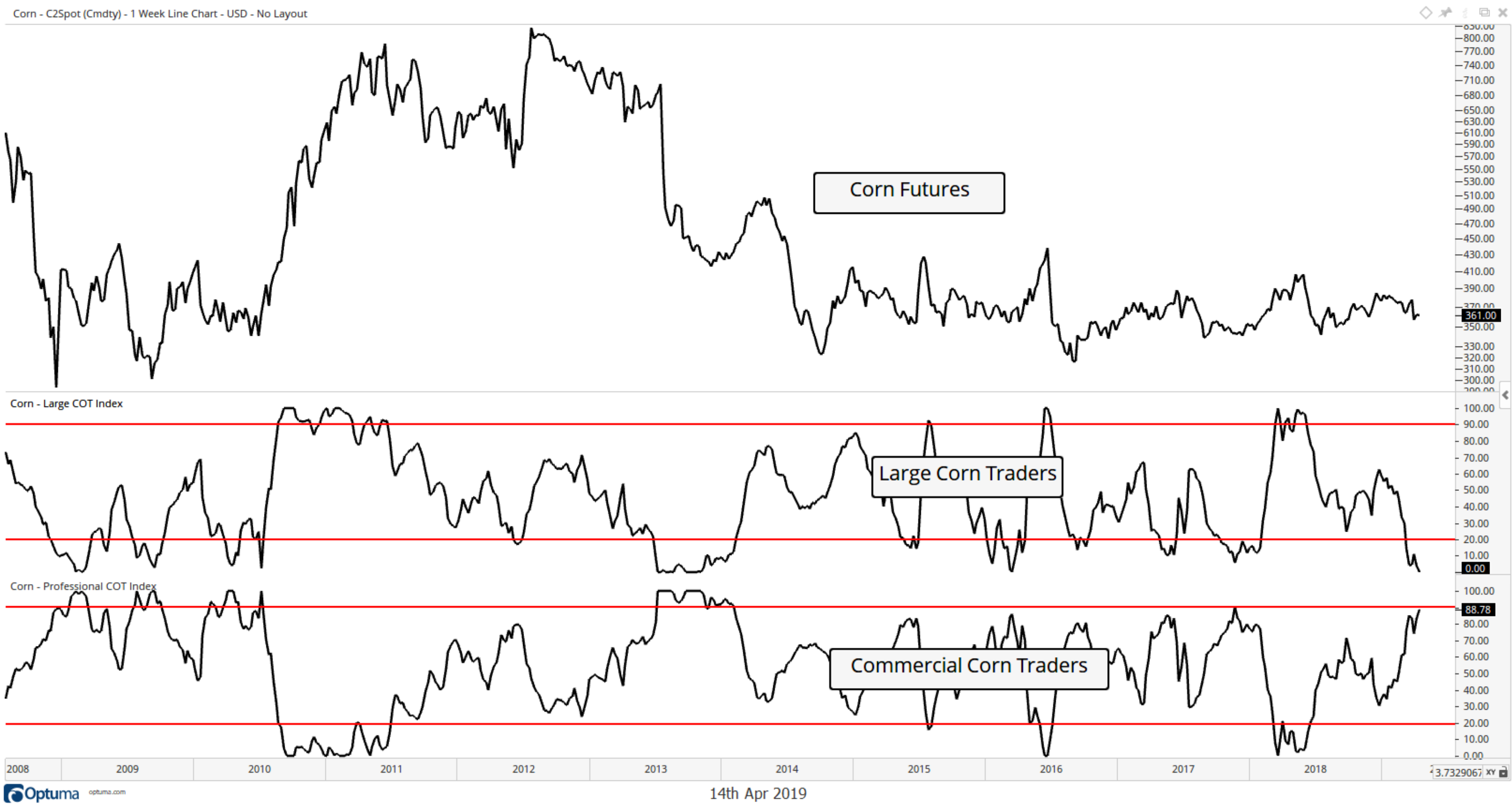
In my last letter I laid out the argument for bond yields to move higher. It was not a popular call as many traders were enjoying seeing both their equity and bond holds rise together. Since then the 10-year yield (TNX) has bottomed and moved back above the pivot low at 2.55%. Next up I'm looking to see if TNX can clear 2.64%, which is where the next pivot lows would be as yield moves higher.



When economic figures report on inflation, they are basically reporting on what crude oil has been doing. The correlation between inflation expectations and crude oil prices is fairly high, and as the chart above shows - they have moved nearly in lock-step with one another over the last ten years. The bottom panel of the chart shows the difference in rate-of-change between crude and the 5-year forward inflation expectation. It's risen quite a bit recently as oil has been moving higher since its January low while inflation expectations have remained relatively flat. Since 2008, the difference in performance of these two has only been this stretched over the same lookback period two prior times. Both occurrences saw a slight pullback in both oil and inflation expectation before the trends up continued.

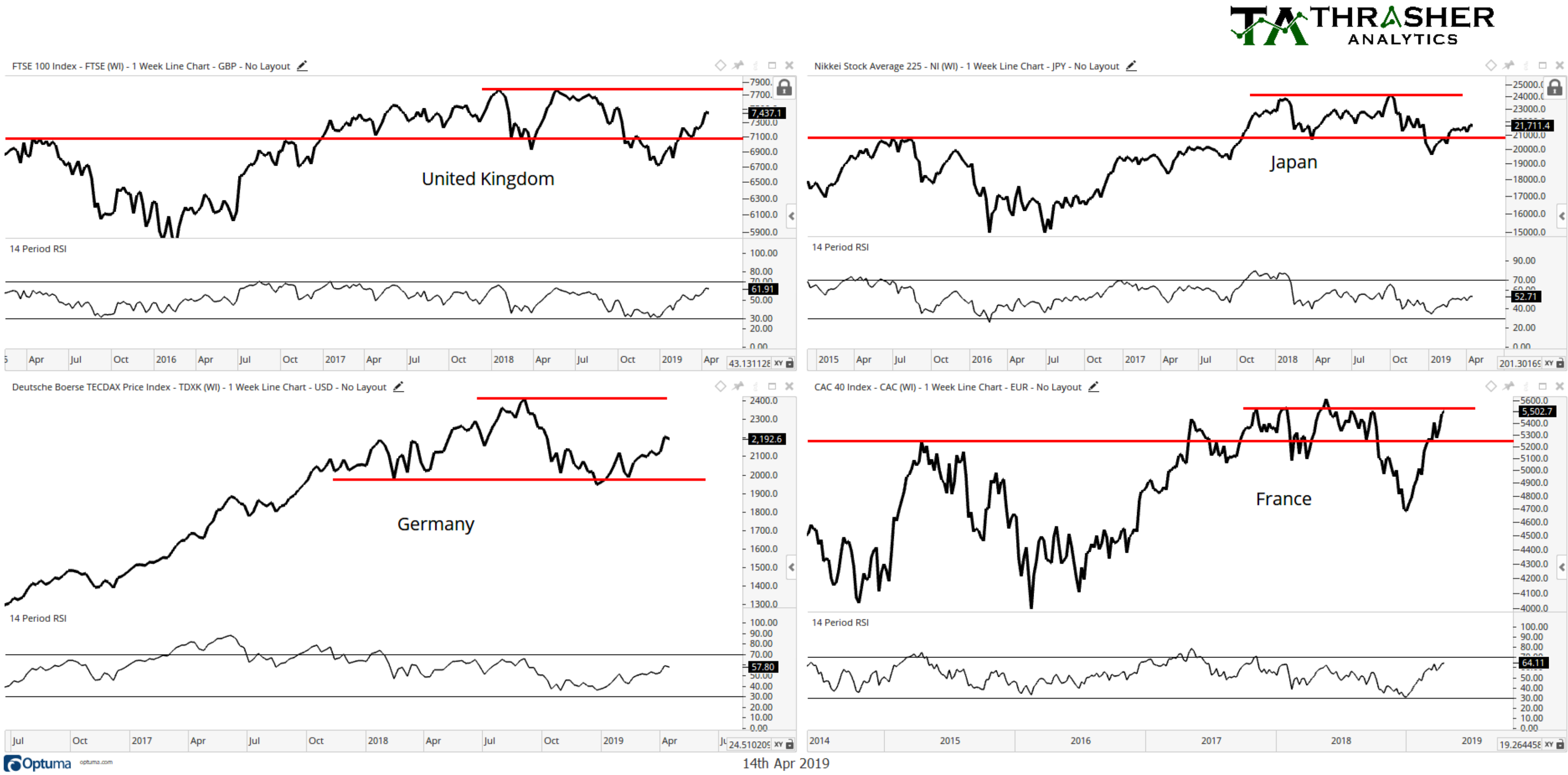
So while it's possible we see oil continue to head towards $70/barrel, I think it would be reasonable to assume a counter-trend pullback for oil prices, something oil bulls would likely appreciate as an opportunity to increase their positional size.

Corn COT Data Turns Bullish



The position in corn futures has become quite interesting. The Commercial Traders have been building up a bullish position, with the Commercial Trader Index (bottom panel) rising to its highest level since the 2017 low in corn prices. Meanwhile, Large Traders have been pressing their short position, extending to one of the largest net-short positions they have had in several years. When these two are at major extremes like they are now, typically the commercial traders are proven correct, like we saw in 2017, 2015, 2013, and 2010.

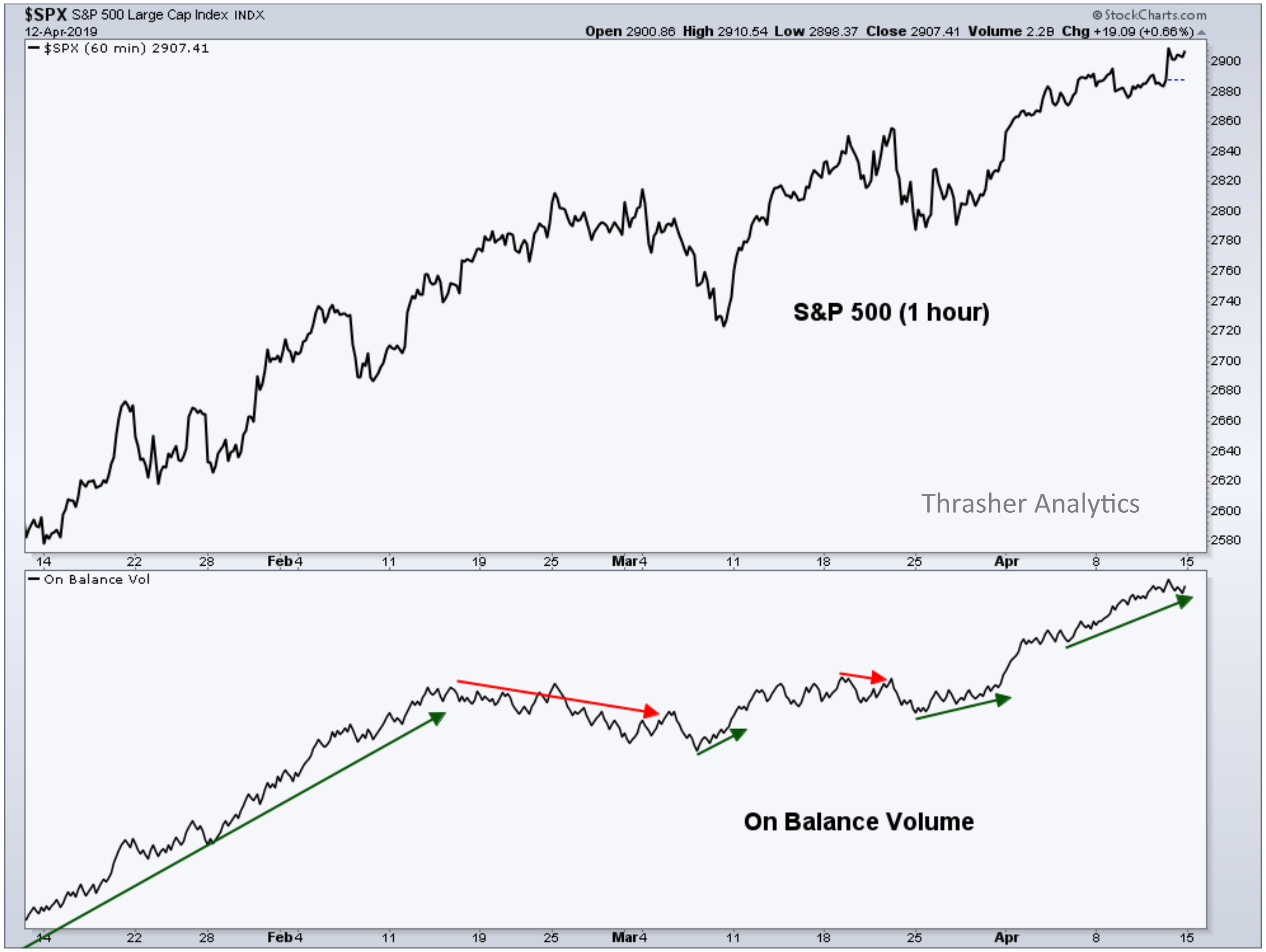
Seasonally, corn prices tend to continue to rise until mid-summer when the seasonal pattern historically turns lower by June through October.



Above are the four major international markets that account for roughly 60% of the MSCI EAFE Index. Currently, France is the closest to seeing a break out above the prior 2018 highs. The UK, Germany, and Japan are still coming off their prior lows and are still a fair bit away from the prior highs.

Earlier in the year the ratio between offensive and defensive sectors had begun to flatten out, giving some concern that traders were taking a step back in their risk-taking positioning. However, the ratio has now broke out and offense sectors have returned to their leadership position. This is an encouraging sign for U.S. equities. While on an individual basis, many of the sectors aren't showing overly bullish trends in relative strength, looking at them in groups appears more favorable and a trend that the bulls will push to continue.

Short-Term Equity Net Volume Remains Supportive

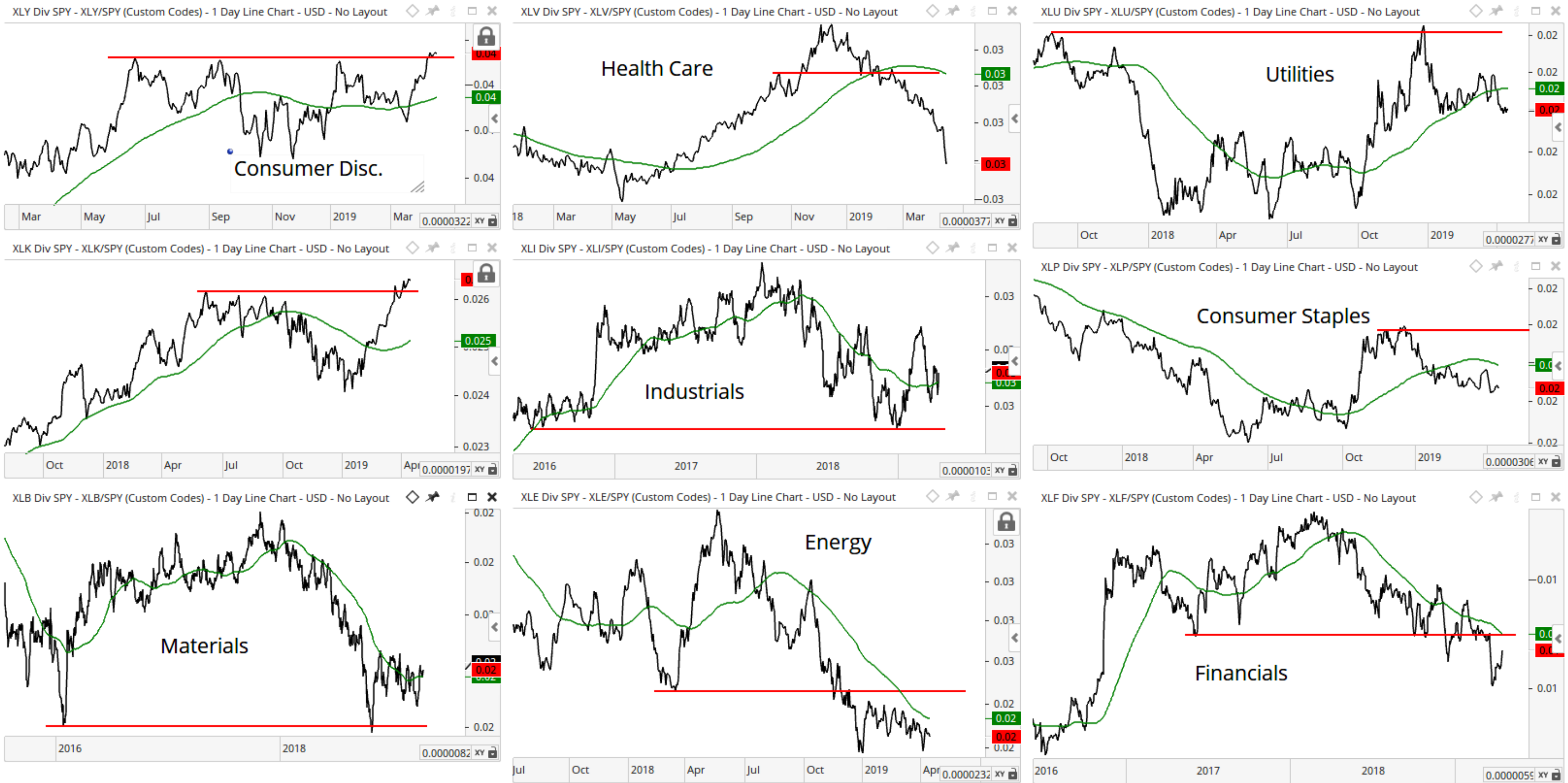


The volume profile for the S&P 500 remains positive, with more shares being traded intraday on upticks as shown by On Balance Volume with the above 1-hr chart.

The equity market continues to move higher and finally we are seeing some confirmation in the risk appetite ratios. Last week produced a breakout in High Yield vs. Aggregate bonds, a firming of an up trend in equal weight vs. cap weight, and a breakout in High Beta. Small Caps remain the weakest part of the market, and the one pocket of the market I highlighted in March as a place to see downside protection within the broad U.S. equity market. Overall, the risk appetite picture looks good, something I haven't been able to say in several weeks.

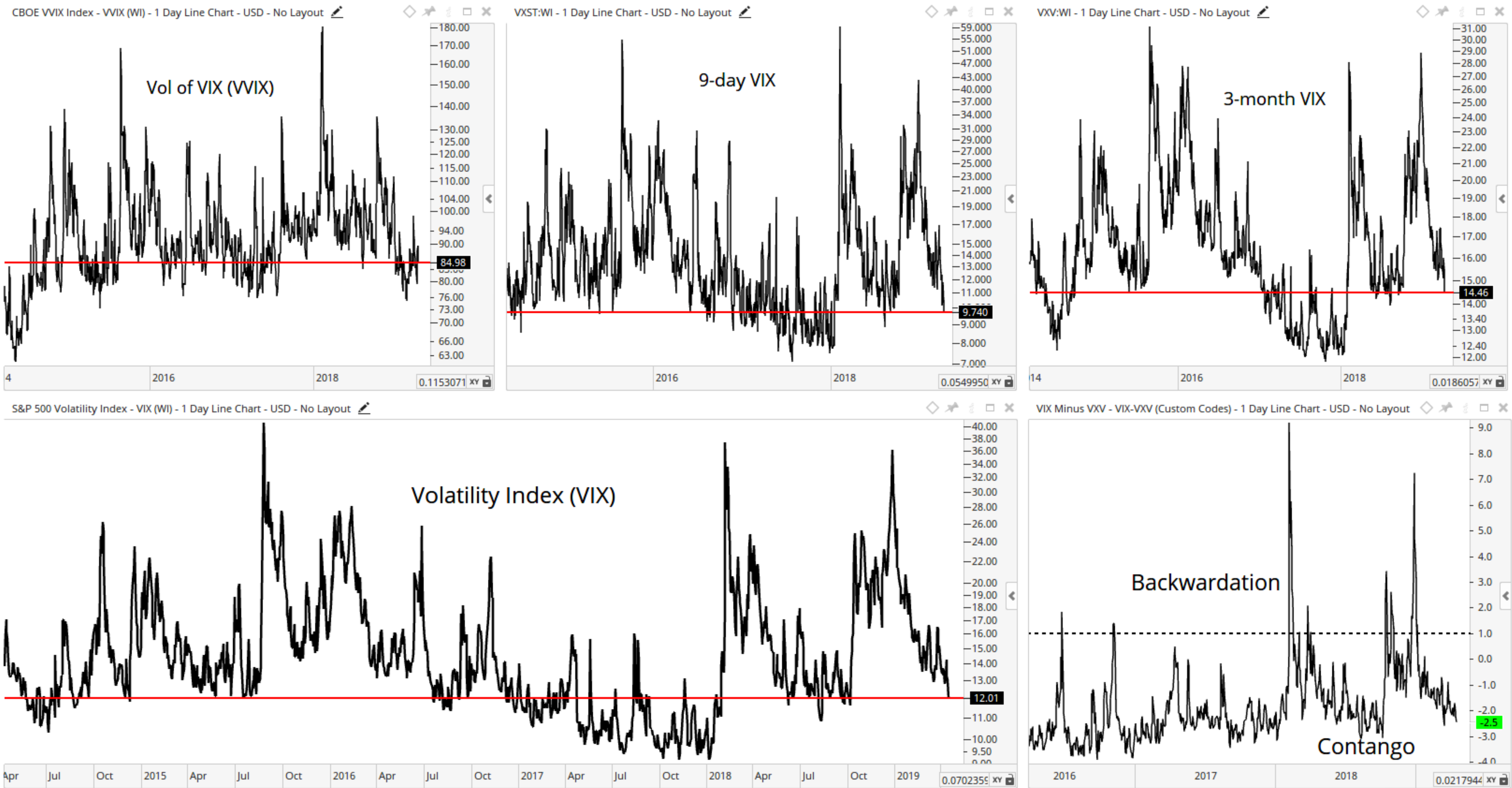
Many traders have highlighted the strength in the Advance-Decline Line as it hits fresh highs. But a more timely breadth tool is the percentage of stocks trading above their respective Moving Averages.

The chart to the left shows the % of S&P 500, Dow, and Nasdaq stocks are trading above their 50-day Moving Average. These breadth measures were moving higher with the respective index but have begun to diverge lower here recently. All three have now made lower-highs while the indices have made higher highs.



Optuma 14th Apr 2019

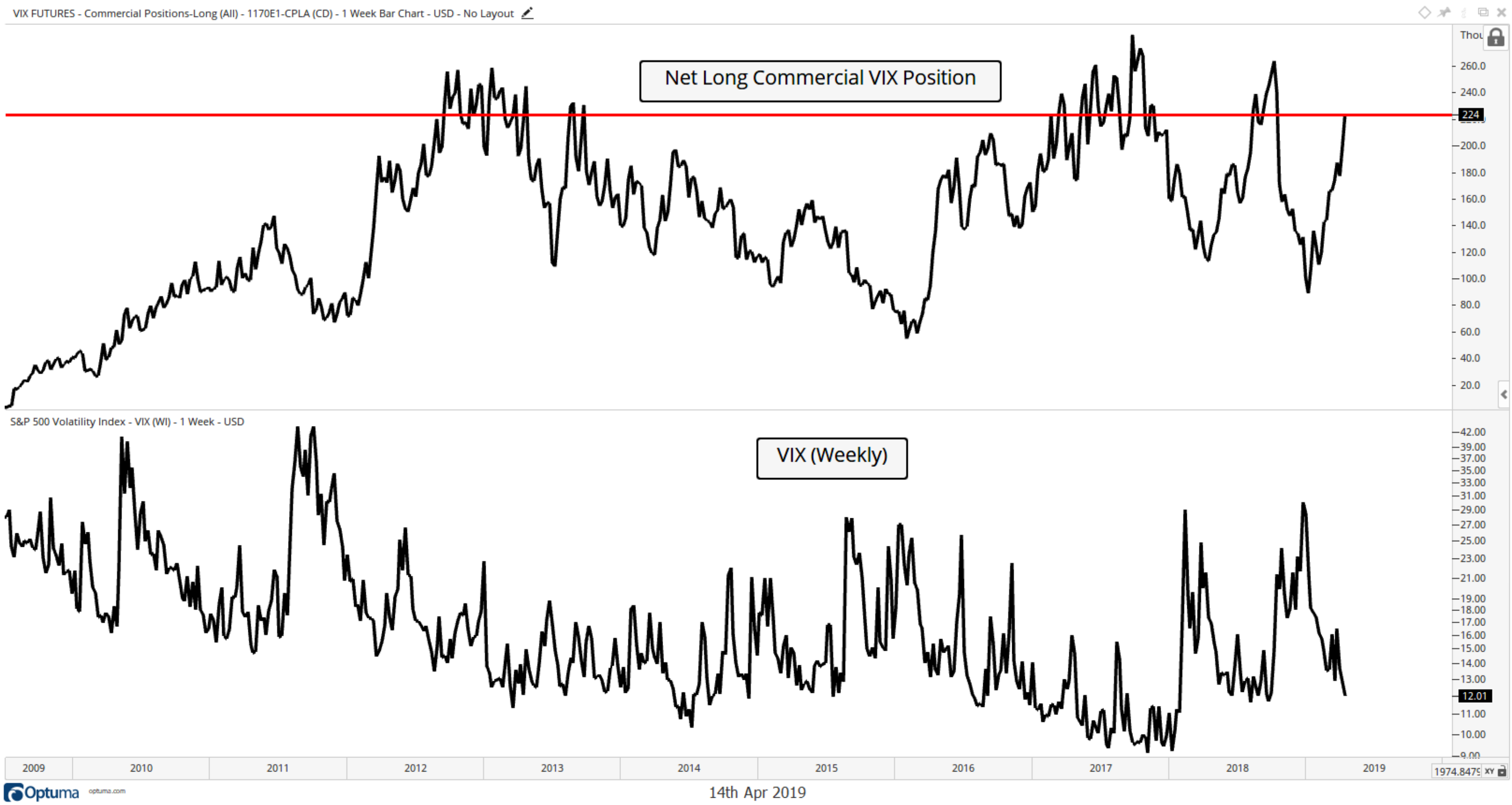
Above are the relative performance charts for the nine main S&P sectors. Sectors rotate in and out of favor of the market as sectors "take turns" holding the baton of an up trending broad market. Currently there are just two sectors showing relative strength compared to the S&P 500: Consumer Discretionary and Technology. Both of these sectors have now broken out above their prior relative performance highs. Meanwhile Health Care has taken quite a move lower, along with Industrials and Utilities. Financials have begun to strengthen, Energy remains in a down trend, and Staples and Materials have stayed relatively flat against the market.



Optuma

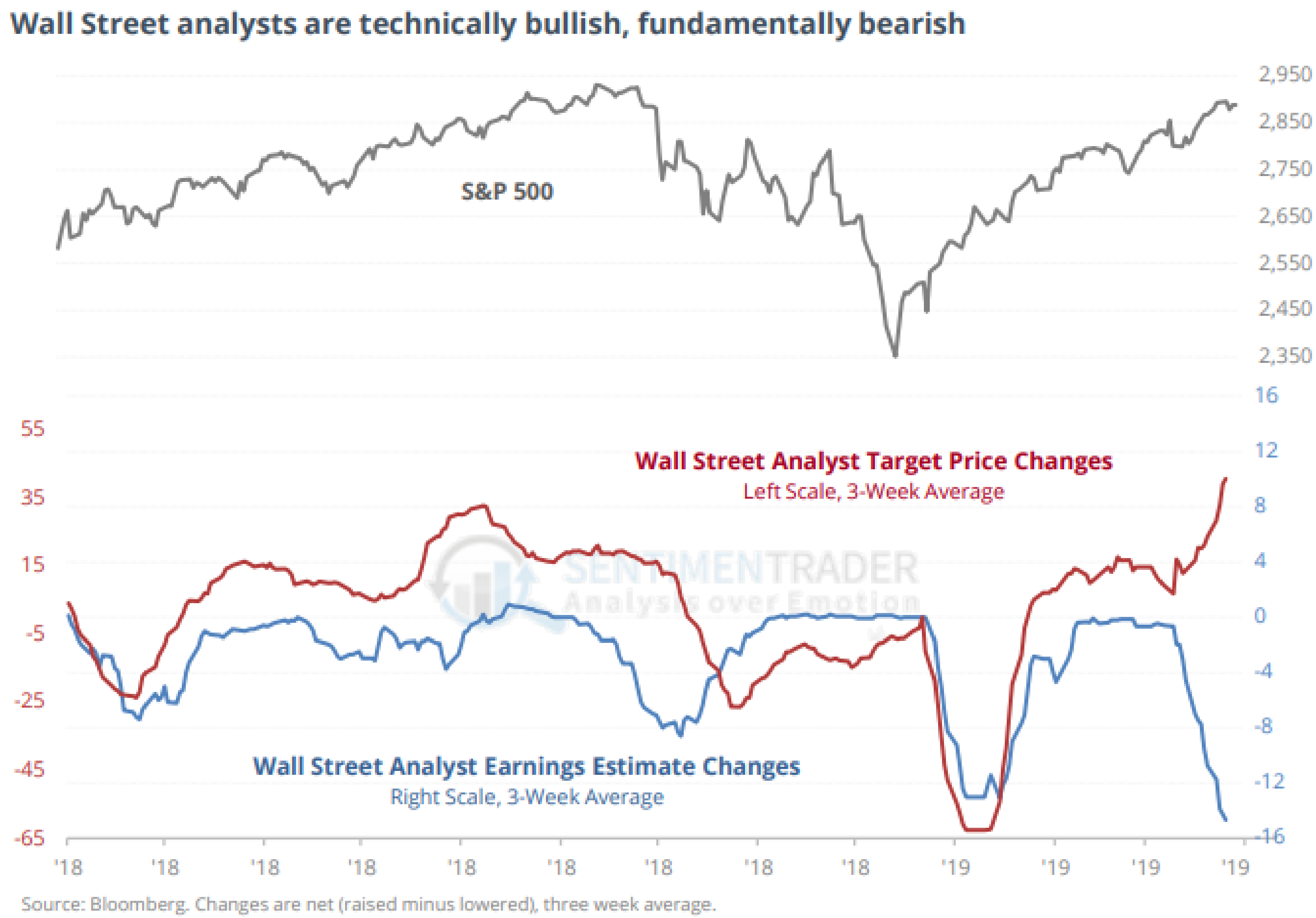
14th Apr 2019

The Volatility Index made a fresh 2019 low on Friday and was accompanied by 9-day vol and 3-month vol as well. Vol of the VIX (VVIX) remains above its 2019 low and it's hard not to notice that 3-month vol has fallen to a level that it only briefly camped out at before bottoming in 2015 and 2018.



There's been a growing discussion of the COT data for Volatility. Notably about the growing net-short in Large Traders, which is offset by the growing net-long in Commercial Traders position. I wrote last week about the VIX COT but wanted to talk about it again. The focus has been on the positions getting back to before we saw major moves higher in vol in January and October last year. While this is very true, and something I'm watching closely as well, it's important to point out that the build up in positions lasted several months in late 2017 before vol responded. A similar level of net position in commercials was seen in 2012 as well, which resulted in a few brief moves higher in vol but nothing like we saw in Q4 of last year, in 2015 or 2011.

The COT data acts as tender in the potential volatility fire. It doesn't cause the fire all by itself but if lit, can add needed fuel to see what we did in Q4 '18. But that lighting of the proverbial fire will come from a source outside of COT-related data, so while we can't ignore what's developing here, it wont be the source of a spike in volatility, at least in my opinion.



I'll be the first to admit to not giving much attention to what Wall St. analysts have to say about earnings or their dart-throwing price targets that conveniently get revised throughout the year. Going into earning seasons for Q1 it appears analysts are hedging their bets, lowering their estimates for earnings while also raising stock price targets, as shown by this chart from SentimenTrader.

How ridiculous is that?! Honestly, who can take this seriously? Salesmen have their ABC (always be closing) while Wall St. has their own version: ABH… always be hedging. Apparently analysts aren't immune.

DISCLAIMER: