



## Market Update

*Good morning,*

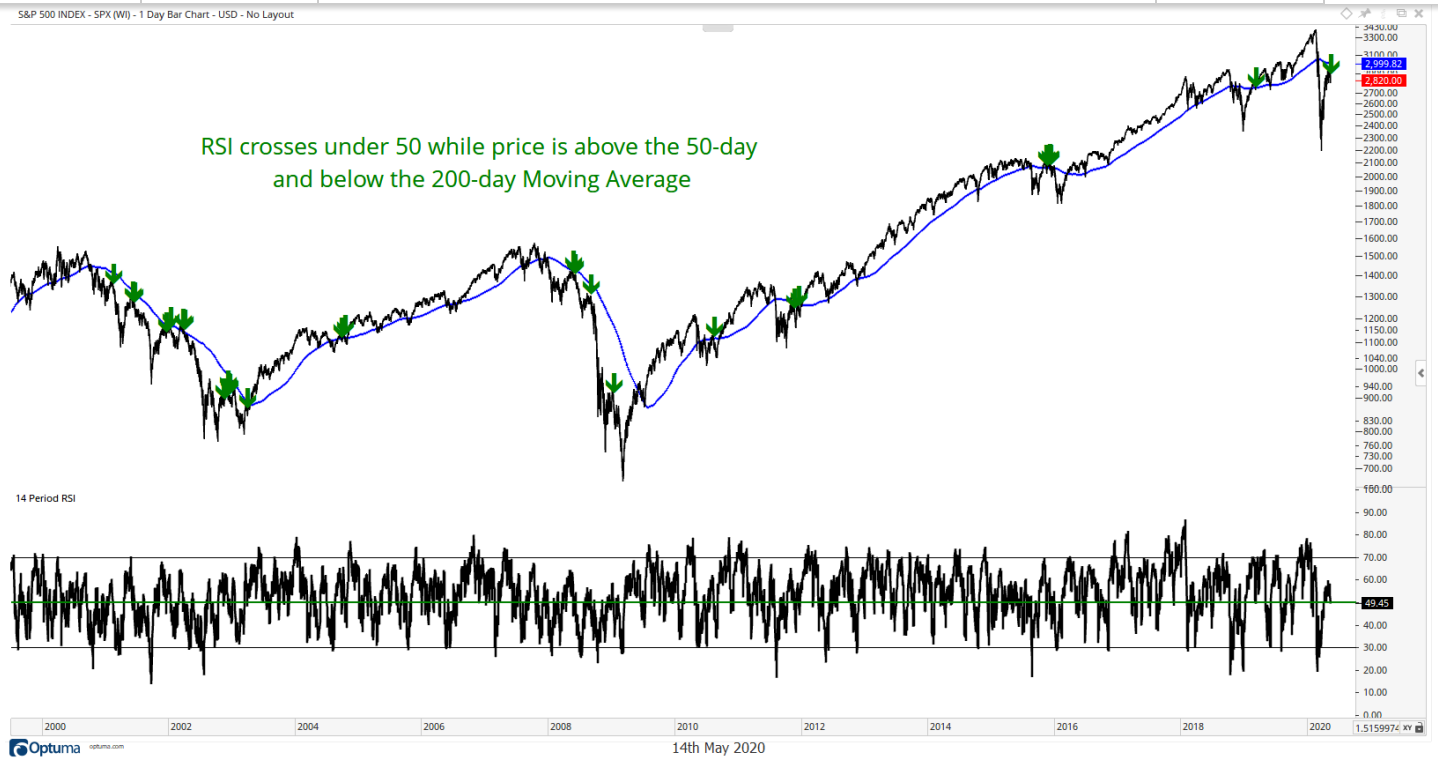
*The S&P 500 has begun to roll over, never having cleared its 200-day Moving Average, a level I've discussed many times was critical to put a nail in the coffin of the March bear market. With the last two days of decline, the 14-day Relative Strength Index has also crossed back under the 50 level. When this has occurred while the S&P 500 is below its 200-day MA and above its 50-day MA, the market has continued to decline. When it's occurred in the middle of a bear market, the counter-trend rallies has ended. Since 1980 we've seen this happen 42 times and the index was lower 63% of them by a median of 4.91% 50 days later.*

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*In Sunday's letter I laid out the new sector section, which included proprietary indicators on bearish divergences for each sector and index as well as a unique look at individual stock divergences. When we begin to see a growing number (over 50-55%) of stocks with a bearish or bullish divergence in momentum, then the respective index has often reversed its trend.*

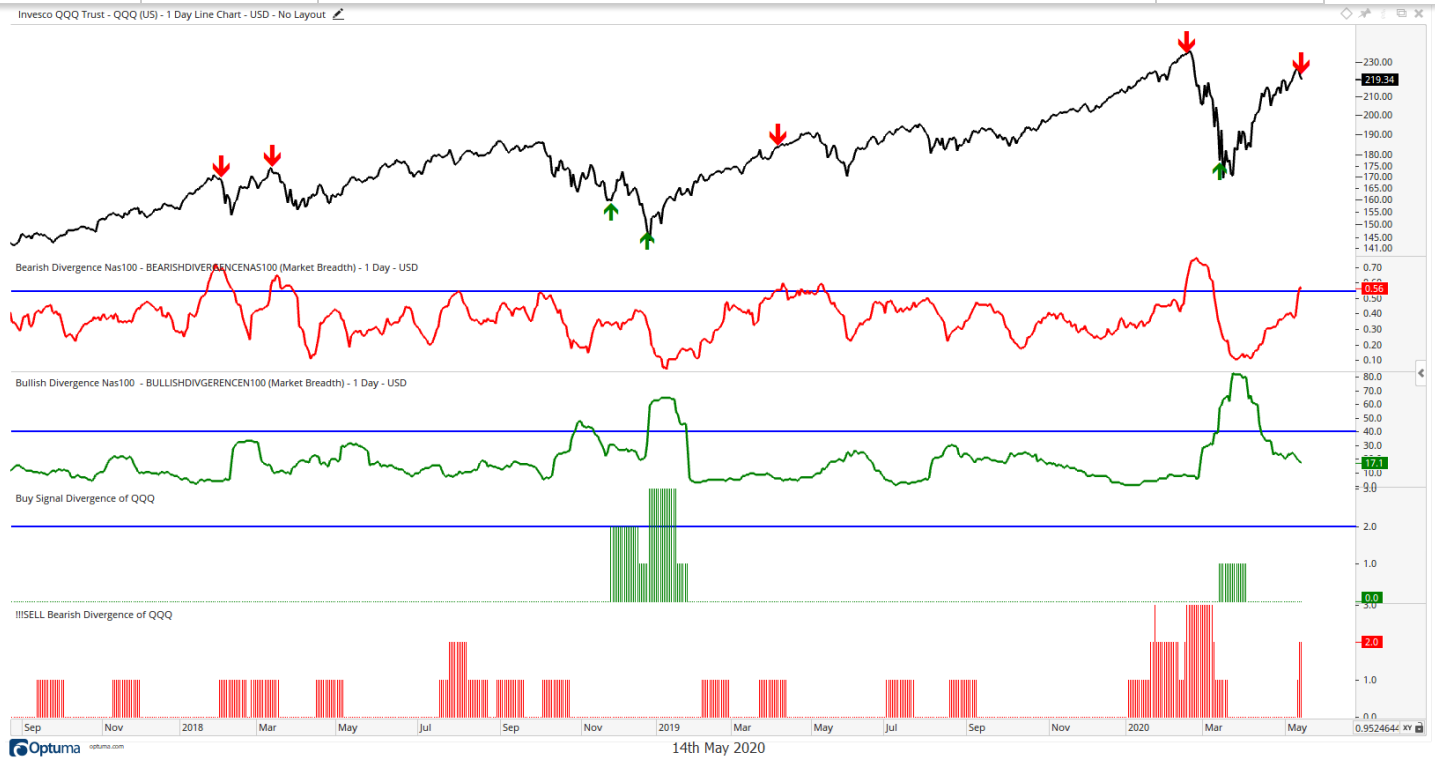
*This week we now have 56% of the Nasdaq 100 with a bearish momentum divergence, which is confirmed by the index also having such a setup. The last time we saw this develop was at the peak before the March bear market. See chart below.*

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Best Regards,  
Andrew Thrasher, CMT

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