THRASHER ANALYTICS

Market Update

Sector Rotation: June	
Technology	XLK
Health Care	XLV
Communications	XLC

Notable Breadth Data:	
SPX >50MA	45.54%
SPX >200MA	31.09%
Nasdaq >50MA	68.93%
Nasdaq >200MA	68.93%

Fixed Income Rotation: Q2	
Emerging Mkt Sovereign	PCY
Convertible Bond	CWB

Index & Sector Adaptive Trend	Up Trend	Down Trend
SPX	X	
QQQ	X	
XLF		X
XLY	X	
XLK	X	
XLV	X	
XLU		X
XLP	X	
XLI		X
XLRE		X
XLE		X
XLB	X	

Daily Sentiment Index	% Bullish	5-day MA
S&P 500	61%	68%
Nasdaq 100	71%	81%
Nikkei	60%	66%
VIX	35%	30%
10yr Treasury	59%	53%
5yr Treasury	50%	48%
CRB Index	68%	73%
Gold	86%	85%
U.S. Dollar	44%	38%

**Green<25% Red>80%*

Equities: *Last week I noted the breakdown in some key data points along with the bearish short-term seasonality coming out June option expiration. U.S. equities responded as expected, declining nearly 3% for the week.*

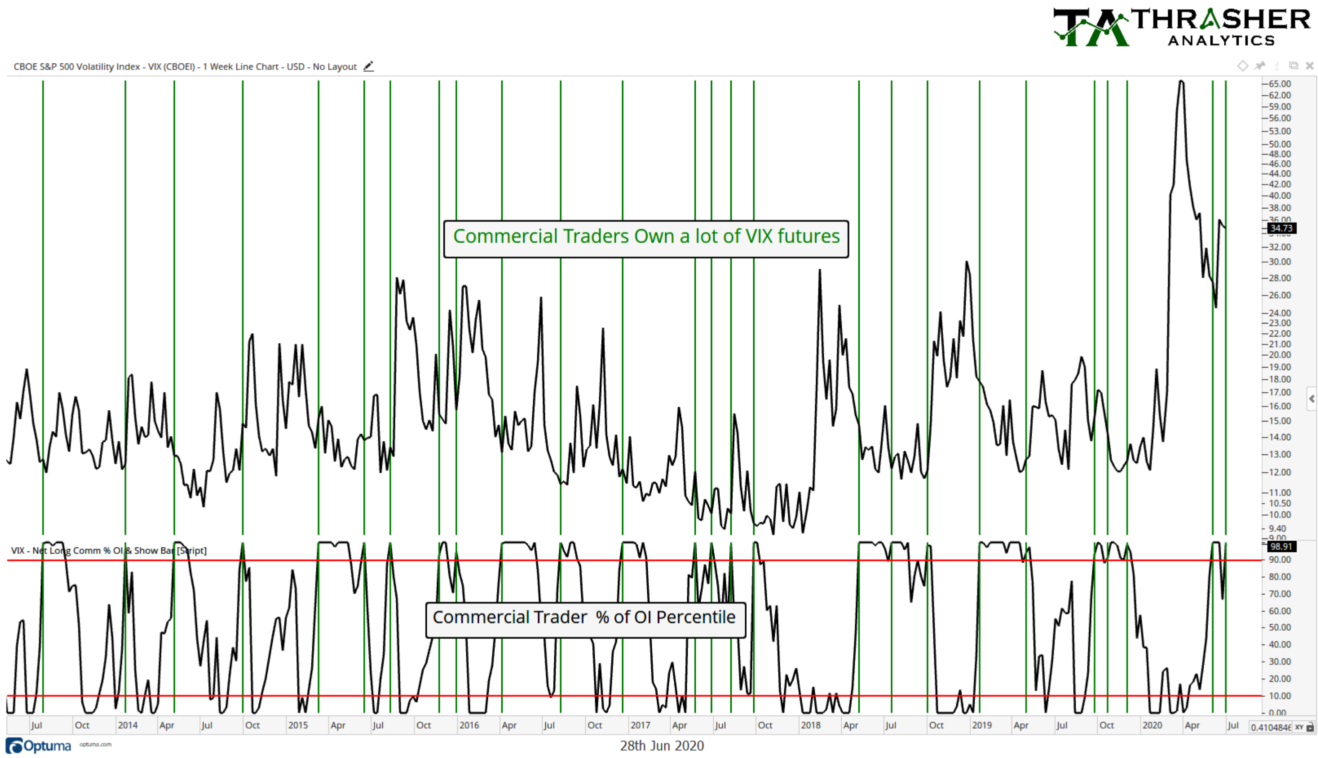
The S&P 500 continues to display s similar price action to June '09, a quasi-analog I've referenced several times in this letter: A break above the 200-day MA that needed to be digested through either time or price before a resumption of the up trend. When I've discussed this in the past I noted that breadth continued to improve, with more stocks rising back above their 200-day MA as the major index dipped lower, a bullish sign that the market was internally stronger than what the index displayed. Back in June '09 we saw the SPX test and *long-term moving average held up as support as price only dipped below it by a few points on a handful of day, no solid break below. That is what the bulls want to see here, no major break below.*

Another period of time this price action resembles is late 2015, when the S&P 500 recovered nearly the entire 12%(ish) drop but then struggled to remain above the 200-day MA. The first weakness in Nov '15 was recovered but the second failure at the 200-MA was joined with a drop in breadth, providing less individual stock support for the index recovering higher, and ultimately the SPX declined another 11% from there into early '16.

The bearish argument for the current market is breadth has not strengthened during this period of consolidation like we saw back in June '09, that's discouraging as more stocks have broken down along with the index, the opposite of the 2009 consolidation. 3150 on the S&P 500 remains an important 'recovery' point for price to regain. If we continue to chop around, I'm less interested in risky assets until we get back to that level, if we decline further then I'll be focusing on that 200-day MA as a recovery point. Another short-term price level I'll be watching if SPX can gain strength is the high on Friday (3073), typically when we break below the 200-day MA, the high of the day of the break (Friday) is a good short-term place to see price recover to get confidence the bulls have regained control. There's also the 50-day MA just a few points below Friday's close and the YTD, and March low VWAPs to keep an eye on as possible support levels.

***Crude Oil**: There's a wide disparity between who loves and who hates being long oil futures right now. Professional traders are at a 20.7%ile net-long position while Large Traders are at 90.5%tile and Small Traders 7.7%tile. The last time the spread was this large was in early 2014 when crude was trading around $100/barrel and then spent the next year dropping to $25. I'm not saying we'll see a similar price reaction, but the risk/reward for oil, based on COT positioning data, is not favorable right now.*

which is significant. Below is a chart showing green bars each time their net-long position crossed above 90th%tile. As you can see, commercial traders are pretty good at timing the moves higher in volatility, in fact they were just above the 90%tile before the last quick jump from 25 to 43 a few weeks ago.



***Sentiment**: As I mentioned in last week's letter, several key pieces of data made lower-lows ahead of price, falling below the prior June levels. With the S&P 500 now just a few points above the last June low, sentiment has joined that group, with the Daily Sentiment Index (DSI) % bullish for the SPX moves to 61%, the lowest since May 21st. The same can be said for the Nasdaq 100, making a lower-low at 71% while the index is still a little over 2.5% above its own June low. Volatility sentiment is making a higher high, breaking above the last June high of 34% when VIX was north of 40 with Friday's figure of 35% while VIX is at 34.73. This speaks to the breakdown of internal strength for the equity market (and increase in bullishness for volatility) following last week's decline in prices.*

***Breadth**: Breadth data continued to decline last week, the % of S&P 500 stocks above their 50-day MA fell to the lowest level since April 27th of just 46%, well below the figure was when SPX was at its last June low and over 70% of stocks were still above their 50-MA (see bottom panel of chart above). On Friday, we saw the most S&P 500 stocks making a new 20-day low since the March bottom, a possible sign of bearish breadth expanding as stocks breakdown.*

***Semiconductors**: I've mentioned several times the importance of semiconductors as a barometer for this market and the Semi's Index continues to struggle with the prior 2020 high. The index failed once again last week to break out, a bearish development for risk assets.*

***Economic Data**: This week the focus will be more on economic data than corporate earnings as we get ISM and FOMC minutes on Weds., and June jobs report on Thursday. And of course, covid-19 headlines will continue to have their impact on markets, especially if the infection data continues to trend higher and starts tightened up their restrictions on opening back up their*

I'll be back next Sunday with a chart-focused letter.

Best Regards,
Andrew Thrasher, CMT

Important Reminder

None of the Content Distributed By Thrasher Analytics May Be Shared or Disseminated Without Prior Approval.