

TA THRASHER ANALYTICS

NOVEMBER 10, 2020



WEEKLY RESEARCH & ANALYSIS

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Equities have had a strong run going into and now out of the election, with volatility continuing to come back down to earth as election hedges roll off. The thirst higher on Monday creates a short-term headwind for equities and some sectors with a strong improvement in breadth. The move on Monday created several bearish divergences that could put pressure on equities, we now watch for price to respond. The trend remains positive but short-term is extended some brief weakness would not be unexpected.

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Sector Rotation: Nov.	
Consumer Disc.	XLY
Materials	XLB
Industrials	XLI

Fixed Income Rotation: Q4	
20+ Yr Treasury	TLT
Core U.S. Agg	AGG

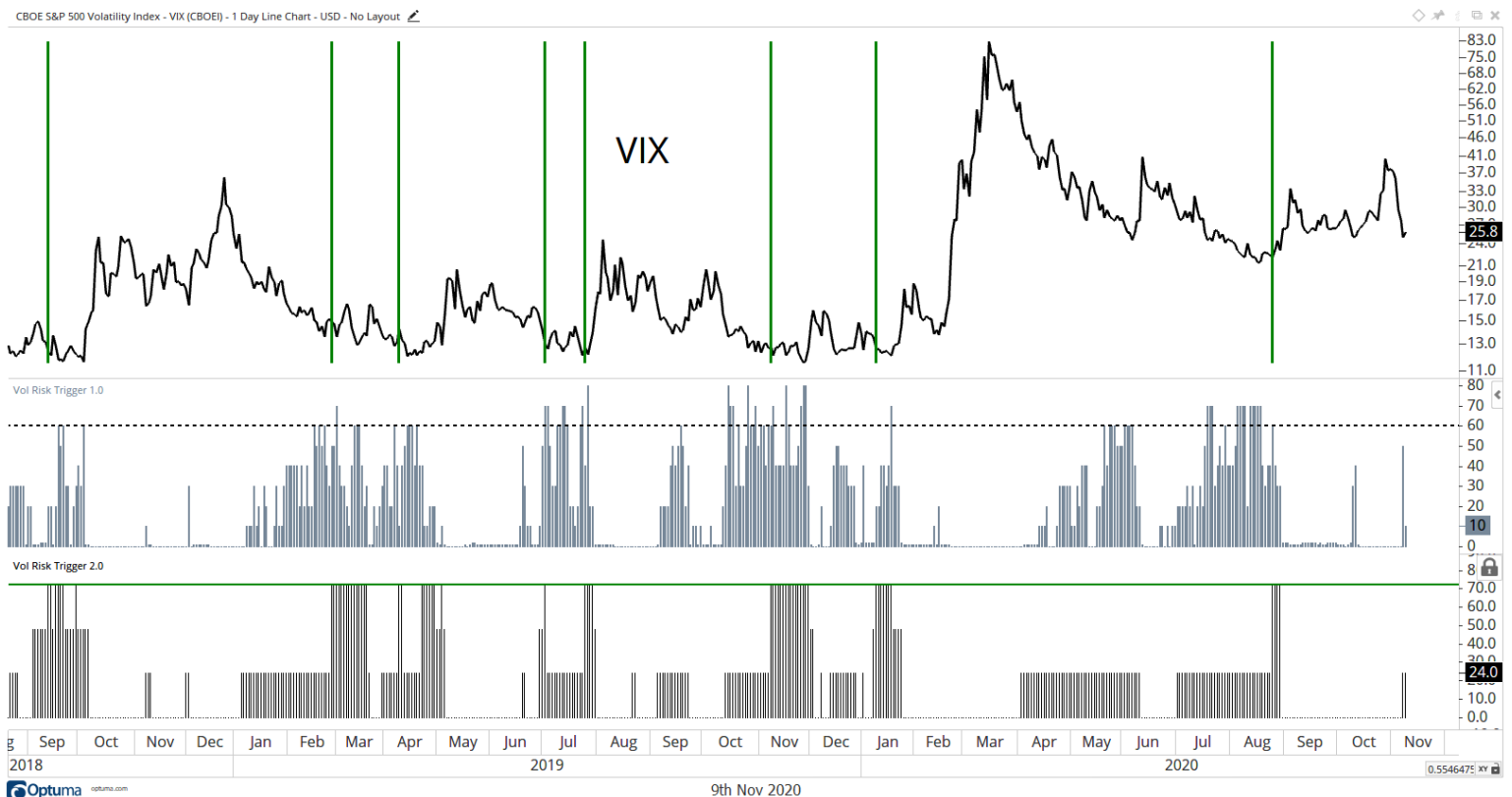
Index & Sector		
	Up Trend	Down Trend
SPX	X	
QQQ	X	
XLFX		X
XLY	X	
XLK	X	
XLV	X	
XLU	X	
XLP	X	
XLI	X	
XLRE		X
XLE		X
XLB	X	

Daily Sentiment Index		
	% Bullish	5-day MA
S&P 500	69%	55%
Nasdaq 100	63%	61%
Nikkei	90%	77%
VIX	13%	22%
10yr Treasury	46%	56%
5yr Treasury	51%	55%
CRB Index	41%	35%
Gold	30%	34%
U.S. Dollar	33%	35%

*Green<=25% Red>=80%

source: trade-futures.com

Volatility continued to come down post-election, proving the heavy put volume to be (so far) the right in expecting a vol-crush. Monday, 9-day VIX did tick higher along with VVIX with the late-day day weakness in equities, spot VIX moved to the lowest level since August at its low point during the day. Vol is now a bit stretched to the downside in the short-term but it wouldn't be surprising to continue to see some consolidation in volatility as election hedges continue to roll off if equities remain firm. The VRT did tick up slightly but has not signaled since August.



Yesterday's price action was anything but boring. The major indices gapping up 4+% was too juicy an opportunity for many traders to not monetize some of their gains as fresh highs were hit and initiate a "sell the news" strategy. It's been said that the market bottoms on bad news and peaks on good news and the announcement from Pfizer of a potentially 90% effective vaccine was very much good news. Everyone is watching the failed breakout on the S&P 500 and Nasdaq 100. While breadth saw a huge improvement (more on this later) the price action fading like that is discouraging. We now have an obvious level to watch, 3580 that failed to hold Monday. We remain well above the VWAP off the October low, leaving a fairly wide gap between Monday's close and major support.



The percentage of S&P 500 stocks trading above their 200-day moving average continued to move higher last week and Monday, finishing trading at 80% which is the highest level since before the March crash. We remain a few points below the October high in % above the 50-day MA but at 75%, that's still a healthy level of up trend participation by the individual stocks.



EQUITIES - BREADTH

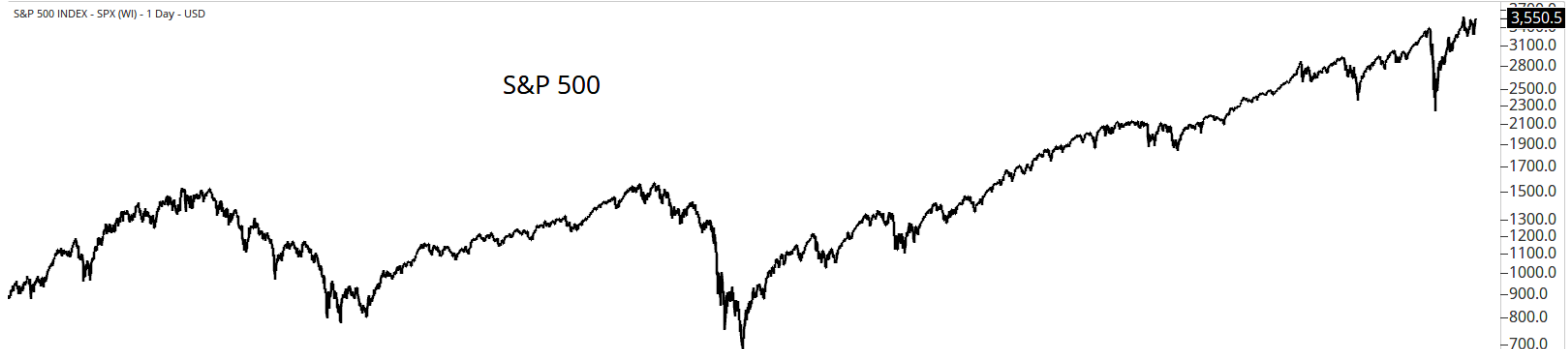


Looking at breadth another way, a massive 47% of S&P 500 stocks and 21% of Nasdaq stocks hit a 6-month high on Monday, this is the highest figure in over a decade. And it's not just 6-month highs, 28% of SPX hit a 52-week high yesterday as well – the highest level since January 2018. Short-term, moves over 25% of stocks hitting a 1yr high have historically been followed by brief pullbacks. It seems traders treat these strong thrusts as opportunities to take profit, but typically the up trend in equities remains intact.

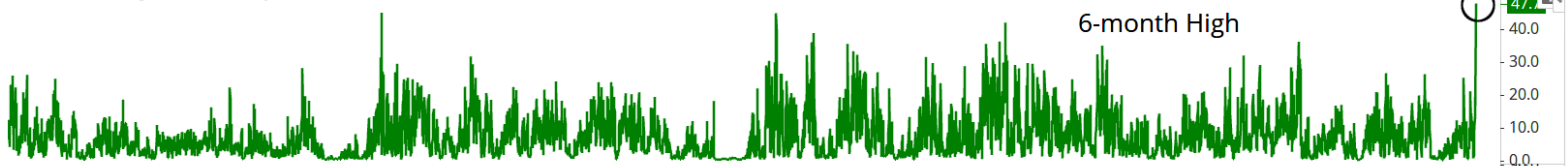


S&P 500 INDEX - SPX (WI) - 1 Day Line Chart - USD - No Layout

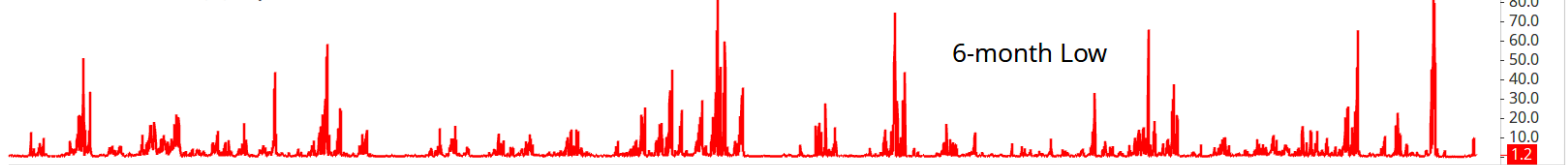
S&P 500 INDEX - SPX (WI) - 1 Day - USD



SP500 % New 6 month highs - SPX6MH (BM) - 1 Day - USD

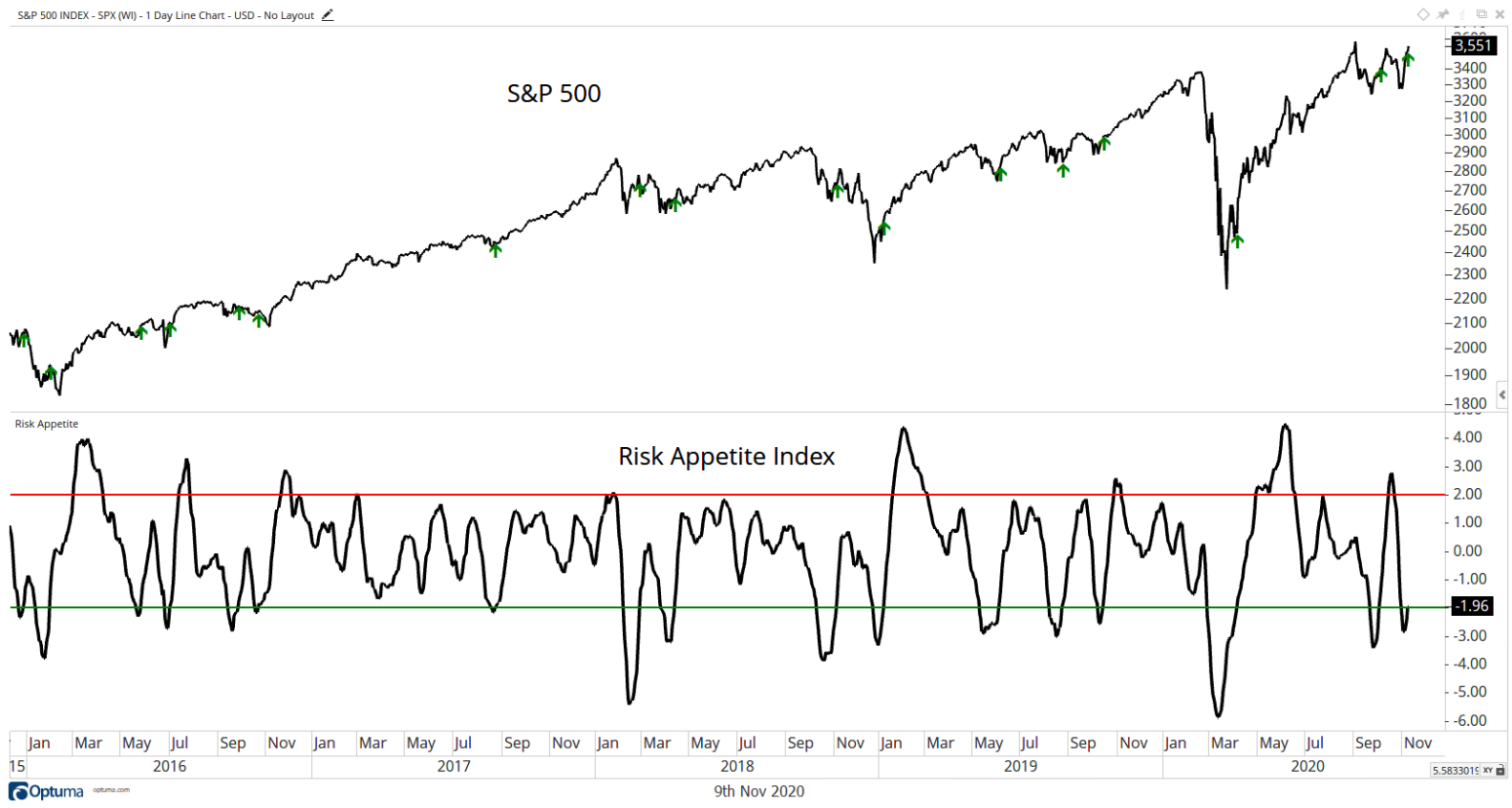


SP500 % New 6 month lows - SPX6ML (BM) - 1 Day - USD



Optuma optuma.com 10th Nov 2020 2020:2,1598736.XY

The Risk Appetite Index (RAI), as mentioned last week, did move higher and on Friday tripped back above -2 as I discussed in my last letter as the sign I was looking for that risk appetite had improved. Interestingly, risk appetite did tick lower on Monday due to the large gap in relative performance between growth and value. The RAI still has some work to do to get back near a healthy level, but currently the trend is improving.



EQUITIES - OFFENSE VS. DEFENSE

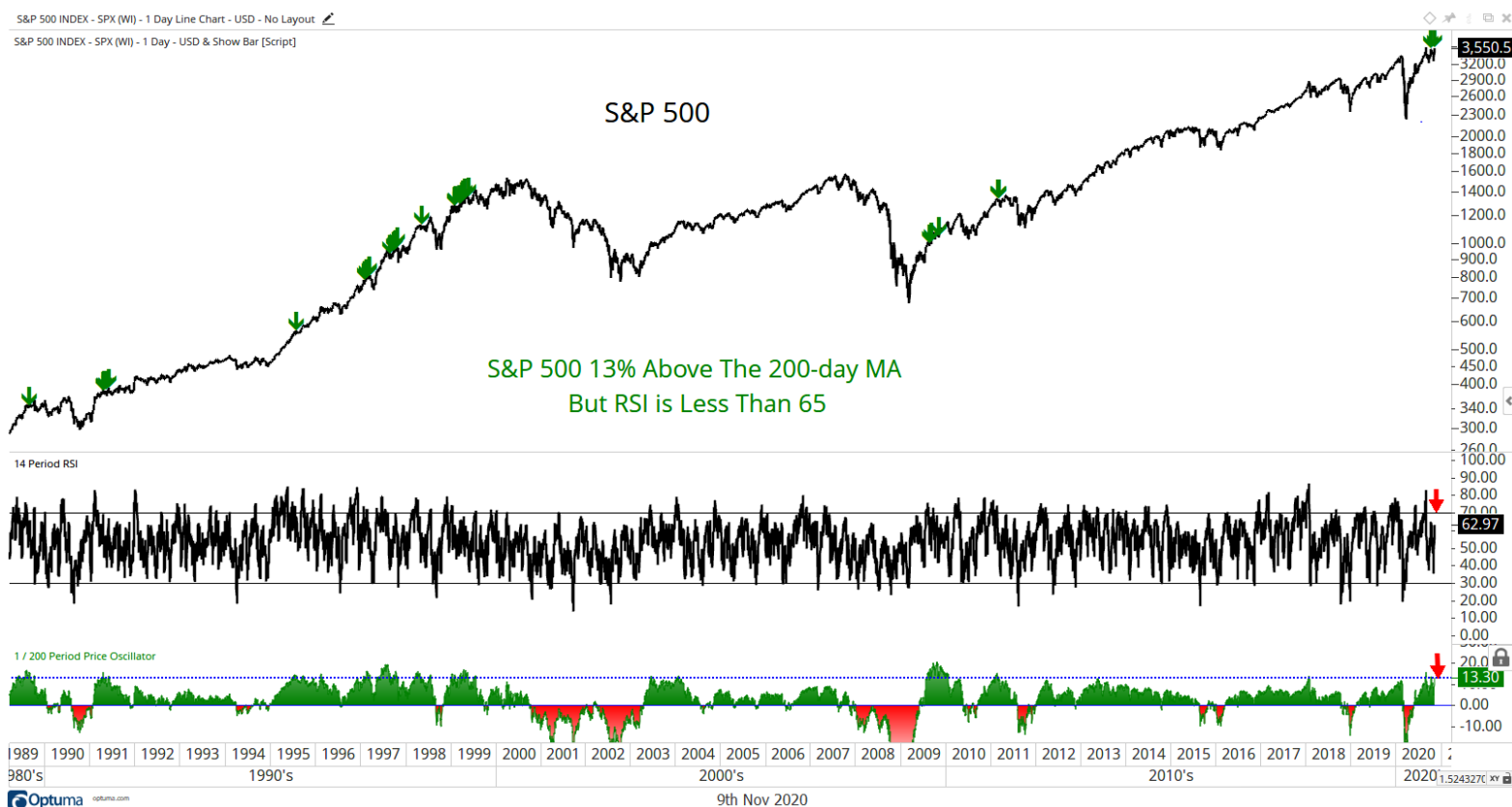
From a sector performance standpoint, offensive sectors have been lagging relative to defensive sectors. This is most notable in technology, which ever since the Q3 numbers were reported by FAAMG, has struggled to remain the dominant sector as has been the case for the bulk of 2020. While the relative performance between the two appears more in consolidation than straight out down trend, an improvement will need to be made soon by offensive sectors to retain its status as leader.



EQUITIES - DISTANCE FROM MA



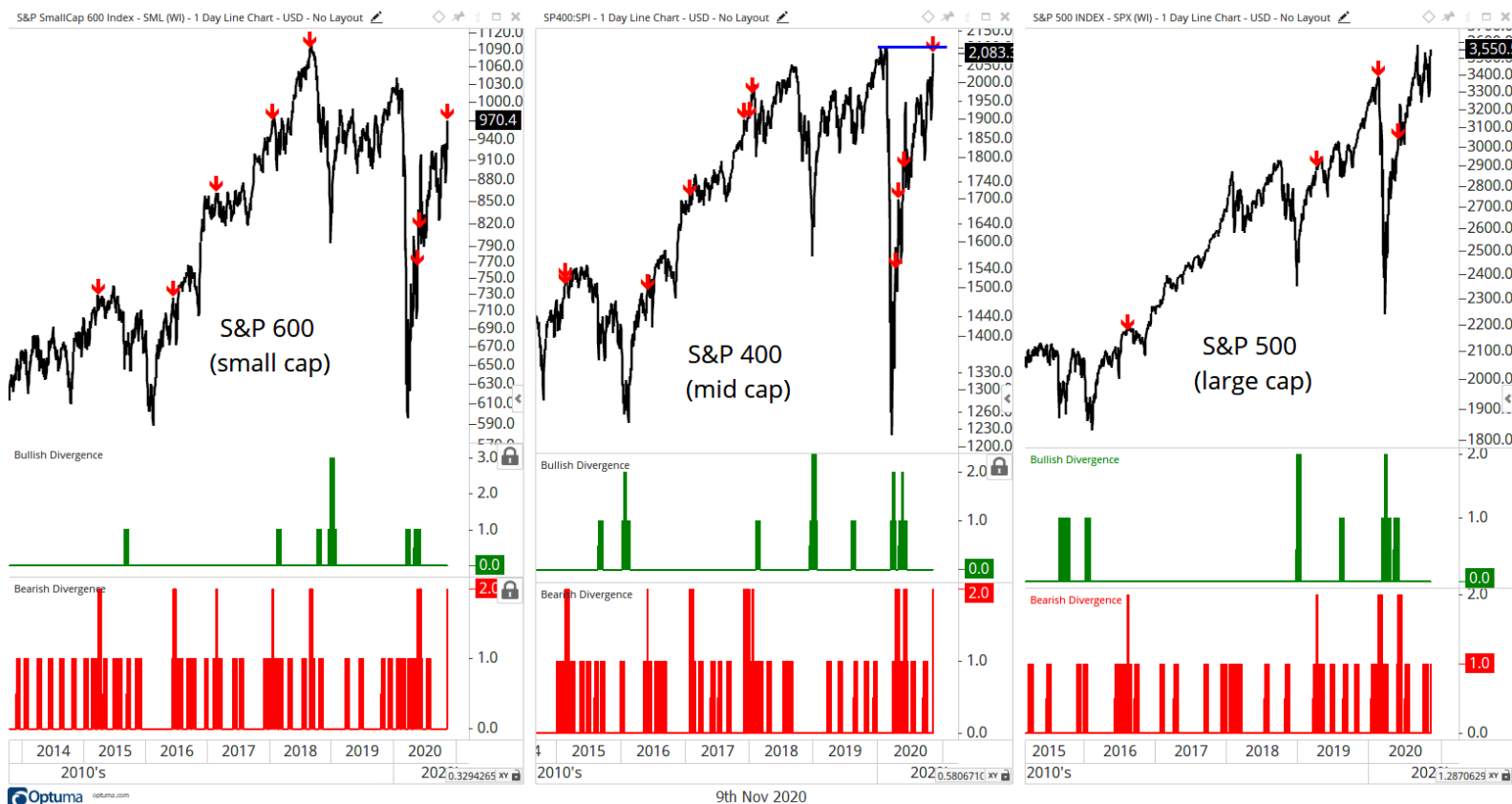
The S&P 500 is now over 13% above its 200-day moving average, the figure that top-ticked equities the last two rallies in October and September. Typically when we see the S&P this far above its long-term MA, momentum is also very high, like in January '18 or Feb. '20. But today the RSI is only at 62. The green arrows show when SPX has been above the 200-MA by 13% and RSI is less than 65, as shown this has created a short-term headwind for equities, even briefly during the runup in the tech boom.



EQUITIES - DIVERGENCES



With the strong move up in stocks, quite a few bearish divergences were created on the S&P 600, S&P 400, and S&P 500 as shown on the chart below. I've shown a long-term price history of each to show that we don't typically see this type of setup very often. It's important to note that when a divergence develops like this, the next step is for price to 'respond' by moving lower. It's possible price holds strong and 'unwinds' the divergence by moving higher and dragging the indicators with it to make a higher high, closing out the divergence. But as we stand right now, the divergence at the possible double top in the S&P 400s sticks out the most as problematic.



EQUITIES - DIVERGENCES



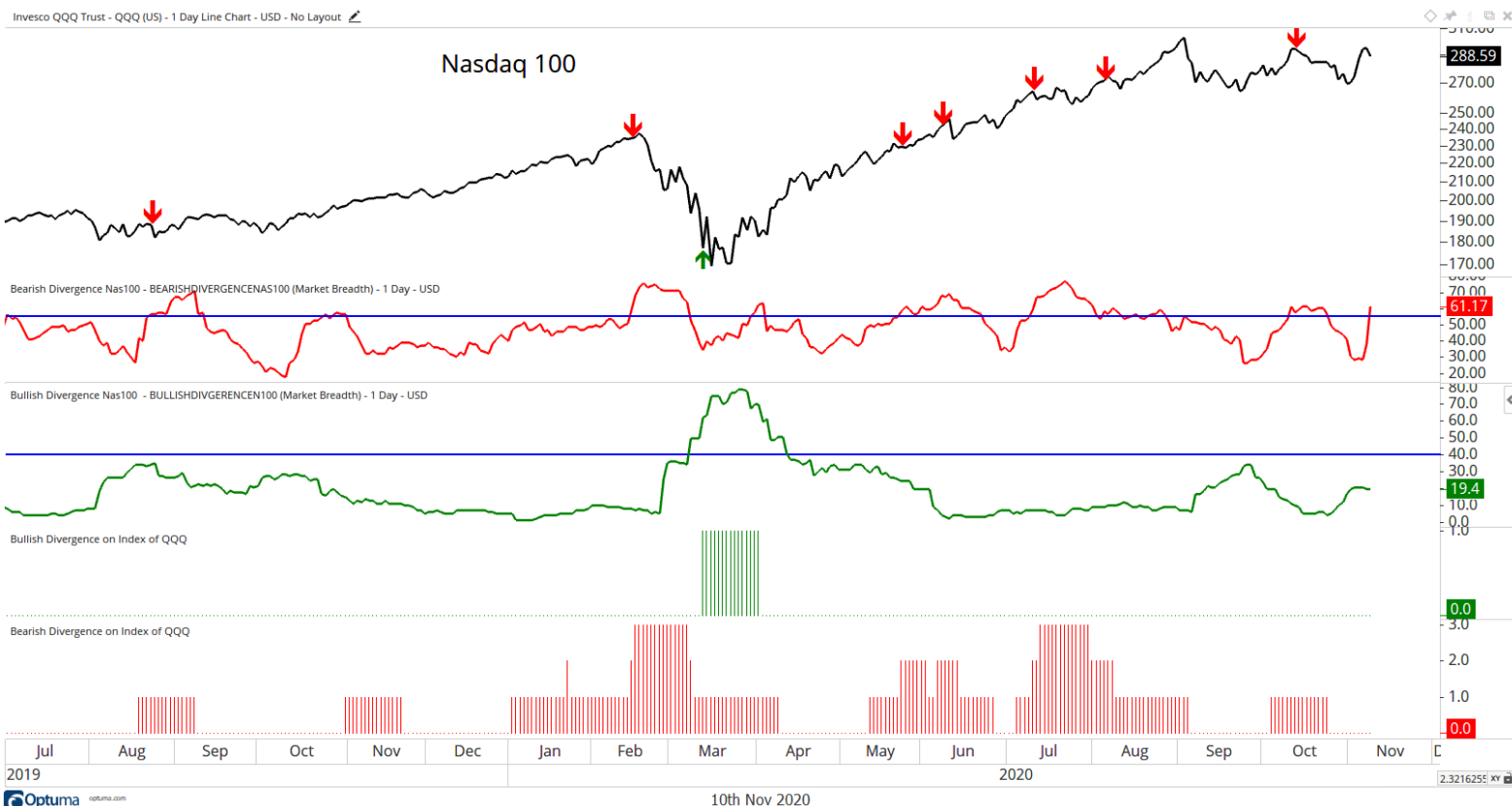
As mentioned on the prior page, a build up in bearish divergences has occurred with 58% of the S&P 100 showing a divergence. This figure would need to reach 60% to create a red arrow on the chart, so not quite there yet. Some sectors are showing higher figures such as tech has 64% bearish divergences and Financials at 73%



EQUITIES - DIVERGENCES



Like the S&P chart, the Nasdaq 100 has a large amount of divergences but the index itself has not triggered one just yet. As I've mentioned several times, semiconductors are key for tech stocks and the broad market, 83% of the semi index as of Monday is showing a divergence, the highest figure since July, creating a bearish headwind for tech stocks and the Nasdaq 100.



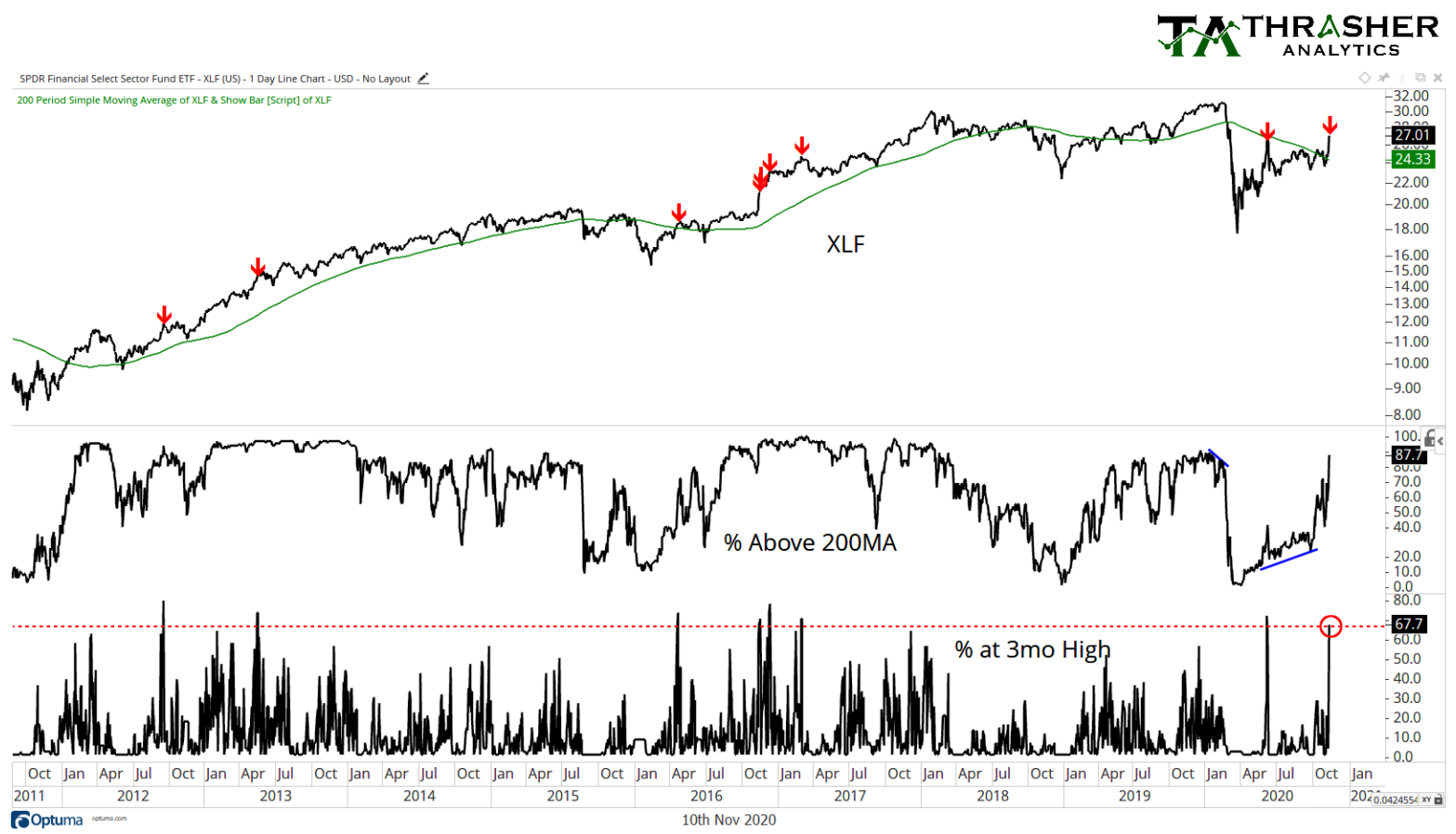
<input type="checkbox"/>	Sector	> 50MA	> 200MA	1wk Perf	1mo Perf	3mo Perf	12mo Perf
<input checked="" type="checkbox"/>	SPDR Energy Select Sector Fund ETF	True	False	11.31%	7.37%	-11.08%	-45.53%
<input checked="" type="checkbox"/>	SPDR Financial Select Sector Fund ETF	True	True	11.11%	7.06%	8.74%	-9.48%
<input checked="" type="checkbox"/>	SPDR Technology Select Sector Fund ETF	True	True	8.6%	0.43%	6.12%	40.15%
<input checked="" type="checkbox"/>	SPDR Industrial Select Sector Fund ETF	True	True	7.94%	4.21%	11.95%	2.87%
<input checked="" type="checkbox"/>	SPDR Health Care Select Sector Fund ETF	True	True	7.21%	2.39%	4.27%	16.63%
<input checked="" type="checkbox"/>	SPDR Communication Services Select Sector ETF	True	True	6.74%	4.69%	5.39%	22.57%
<input checked="" type="checkbox"/>	SPDR Materials Select Sector Fund ETF	True	True	6.51%	4.54%	12.67%	15.56%
<input checked="" type="checkbox"/>	SPDR Consumer Discretionary Select Sector Fund ETF	True	True	5.74%	-0.74%	8.46%	25.48%
<input checked="" type="checkbox"/>	SPDR Real Estate Select Sector Fund ETF	True	True	4.52%	-0.97%	0.19%	-3.2%
<input checked="" type="checkbox"/>	SPDR Consumer Staples Select Sector Fund ETF	True	True	2.67%	-1.22%	2.25%	6.88%
<input checked="" type="checkbox"/>	SPDR Utilities Select Sector Fund ETF	True	True	2.46%	2.90%	6.23%	5.78%

[View Code on News](#) to add as items to the watchlist

SECTORS - FINANCIAL



Similar to the major indices, a large percentage of financial stocks hit a fresh 3-month high on Monday, more than 67% of the sector. Since 2011, a figure above 65% has led to a short-term pull back in XLF, most recently in July of this year. Note the red arrows for past occurrences.



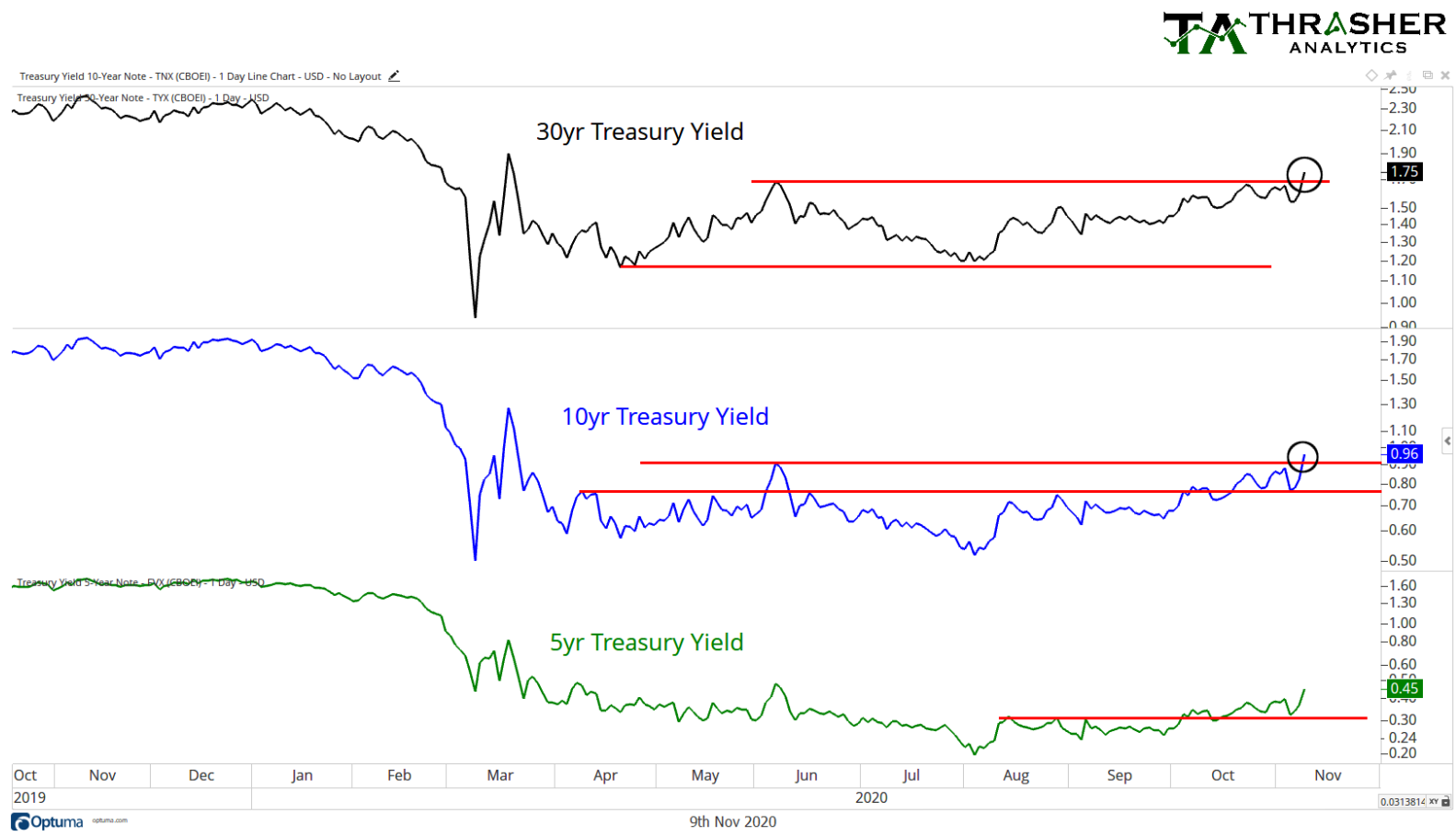
Gold has been in a consolidation since September and fell Monday to test the low-end of its range. The 2011 high remains a sticking point for the shiny metal as does the 50-day moving average. Sentiment appears to be improving with a slight bullish divergence in the DSI as shown in the third panel of the chart below. While gold dropped, there was a tick higher to 30% bullish in the DSI. I'm watching if this level holds in gold and we may see a run back to the \$1950.



FIXED INCOME - YIELD BREAKOUT



Yields continues to rise over the last week with a notable breakout in the 30yr Treasury yield, hitting its highest level since March.



DAILY SENTIMENT INDEX



1 Day - Watch List - No Layout

Market	% Bullish ^	5MA	History
<input type="checkbox"/> VIX DSI	13	21.8	
<input type="checkbox"/> Coffee DSI	25	22.2	
<input type="checkbox"/> Gold DSI	30.00	34.20	
<input type="checkbox"/> Natural Gas DSI	31.00	39.80	
<input type="checkbox"/> US Dollar DSI	33.00	35.40	
<input type="checkbox"/> Platinum DSI	37.00	44.60	
<input type="checkbox"/> Crude Oil DSI	37.00	29.20	
<input type="checkbox"/> Silver DSI	40.00	41.00	
<input type="checkbox"/> CRB Index DSI	41.00	35.20	
<input type="checkbox"/> Cocoa DSI	46.00	35.40	
<input type="checkbox"/> 10Y DSI	46.00	56.20	
<input type="checkbox"/> Heating Oil DSI	49.00	41.60	
<input type="checkbox"/> Swiss Franc DSI	50.00	50.80	
<input type="checkbox"/> 5YR DSI	51.00	55.40	
<input type="checkbox"/> Lumber DSI	52.00	41.80	
<input type="checkbox"/> British Pound DSI	55.00	53.40	
<input type="checkbox"/> Australian Dollar DSI	55.00	50.00	

1 Day - Watch List - No Layout

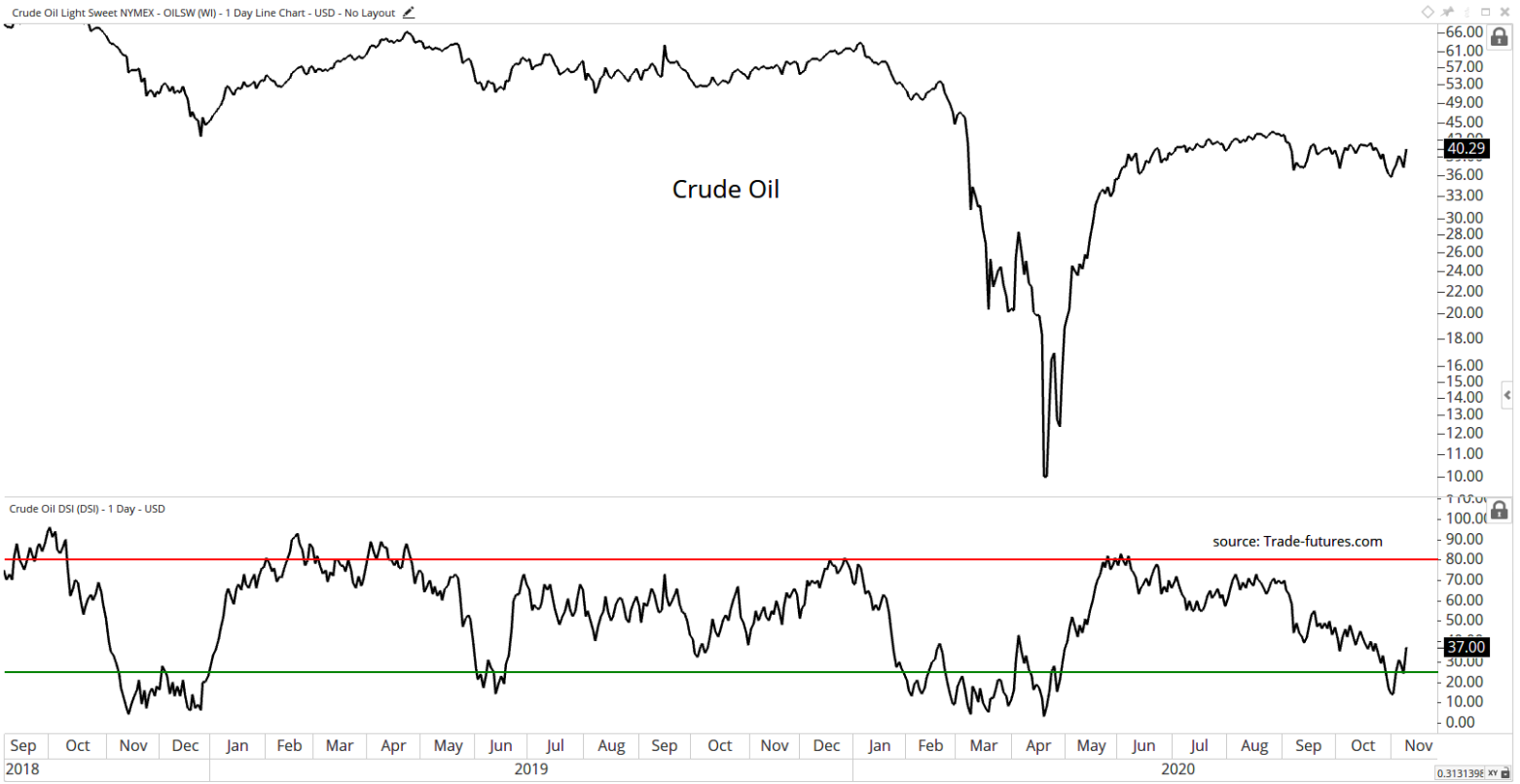
Code	% Bullish ^	5MA	History
<input type="checkbox"/> Wheat DSI	61.00	66.40	
<input type="checkbox"/> Gasoline DSI	61.00	53.60	
<input type="checkbox"/> Nasdaq DSI	63.00	60.60	
<input type="checkbox"/> Palladium DSI	66.00	55.00	
<input type="checkbox"/> Cotton DSI	66.00	66.80	
<input type="checkbox"/> SPX DSI	69.00	55.00	
<input type="checkbox"/> Sugar DSI	70.00	70.40	
<input type="checkbox"/> Orange Juice DSI	70.00	73.40	
<input type="checkbox"/> Euro DSI	70.00	66.80	
<input type="checkbox"/> Lean Hog DSI	73.00	69.80	
<input type="checkbox"/> Corn DSI	73.00	70.60	
<input type="checkbox"/> Copper DSI	75.00	75.20	
<input type="checkbox"/> EuroDollar DSI	77.00	76.20	
<input type="checkbox"/> New Zealand Dollar DSI	79.00	71.60	
<input type="checkbox"/> Cattle DSI	80	69.20	
<input type="checkbox"/> Nikkei DSI	90	76.60	
<input type="checkbox"/> Mexican Peso DSI	90	80.6	

Source: trade-futures.com

DAILY SENTIMENT INDEX



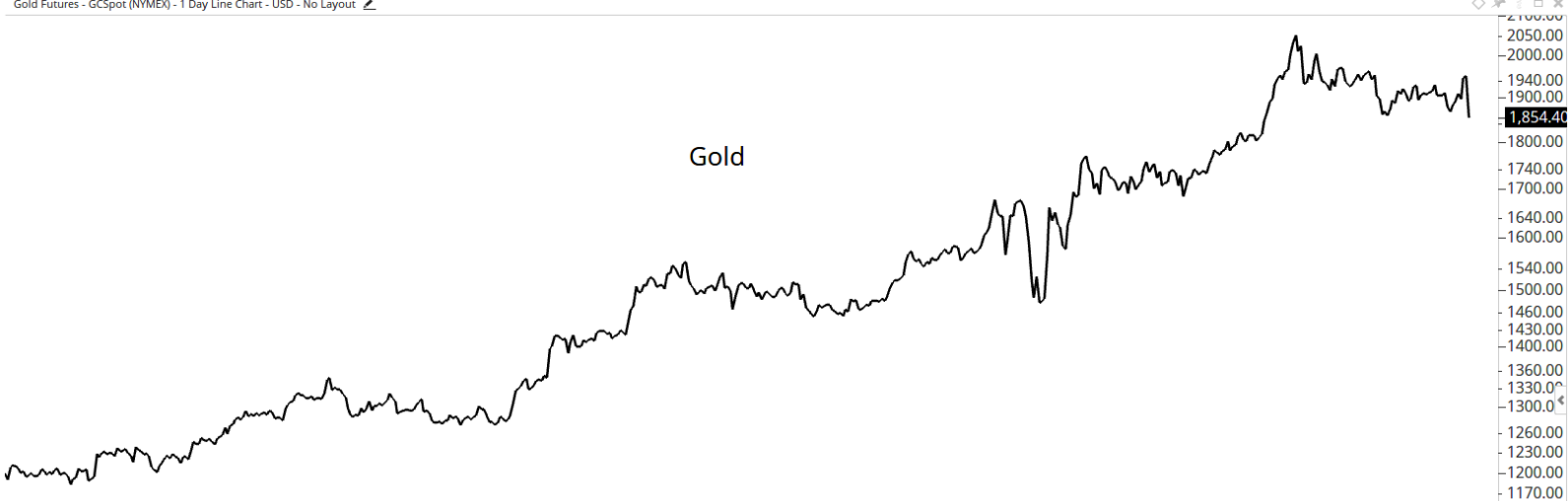
DAILY SENTIMENT INDEX



DAILY SENTIMENT INDEX



Gold Futures - GCSpot (NYMEX) - 1 Day Line Chart - USD - No Layout



Gold DSI (DSI) - 1 Day - USD



DAILY SENTIMENT INDEX



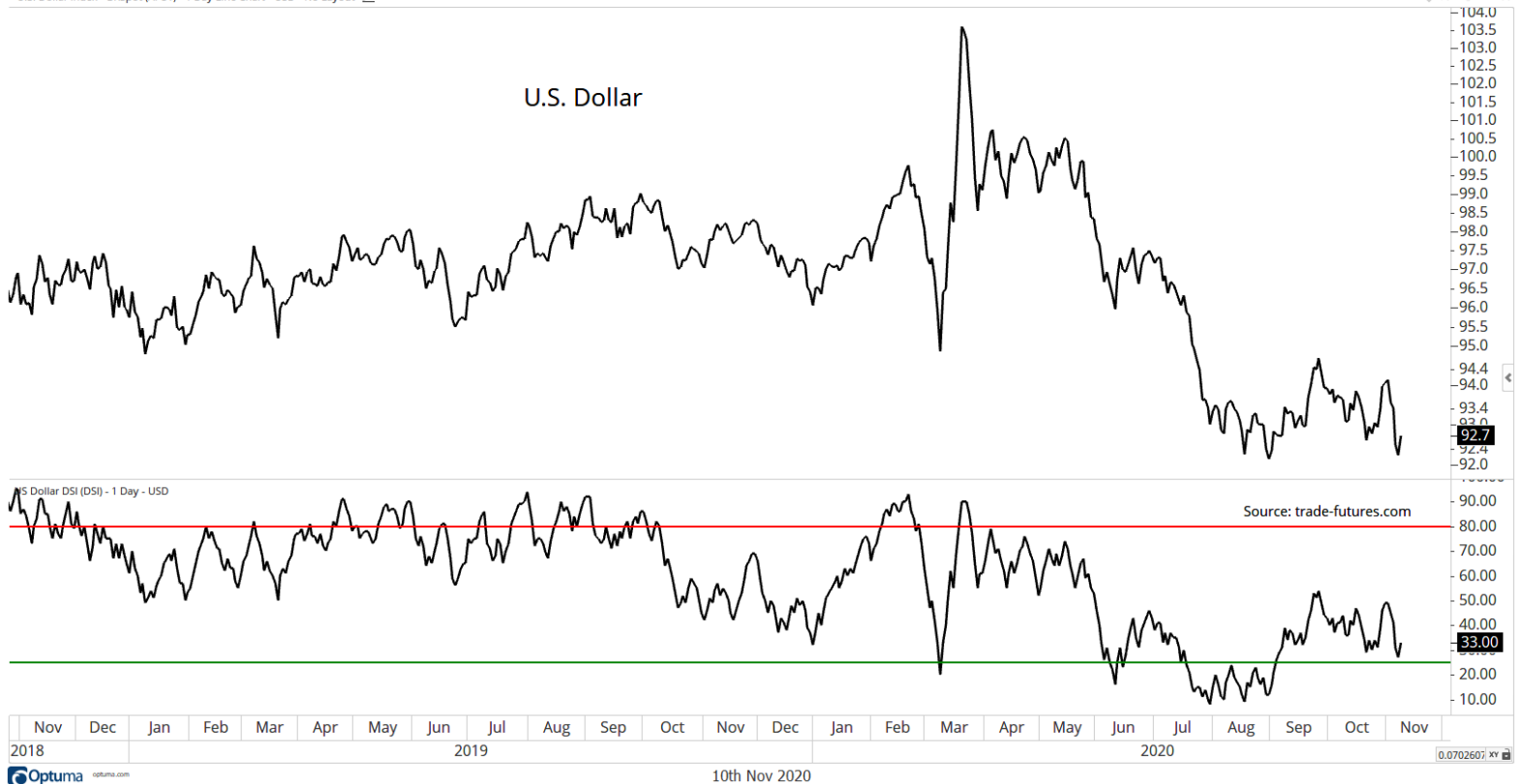
NASDAQ 100 Index - NDY (W) - 1 Day Line Chart - USD - No Layout



DAILY SENTIMENT INDEX



U.S. Dollar Index - DXSpot (AFUT) - 1 Day Line Chart - USD - No Layout



DAILY SENTIMENT INDEX



CBOE S&P 500 Volatility Index - VIX (CBOE) - 1 Day Line Chart - USD - No Layout



DAILY SENTIMENT INDEX



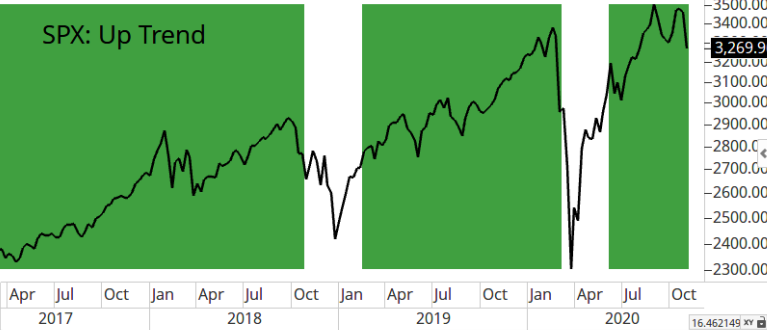
S&P 500 INDEX - SPX (W1) - 1 Day Line Chart - USD - No Layout



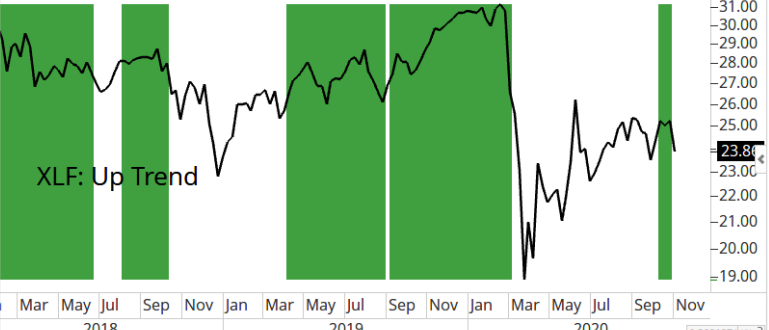
TREND MODELS



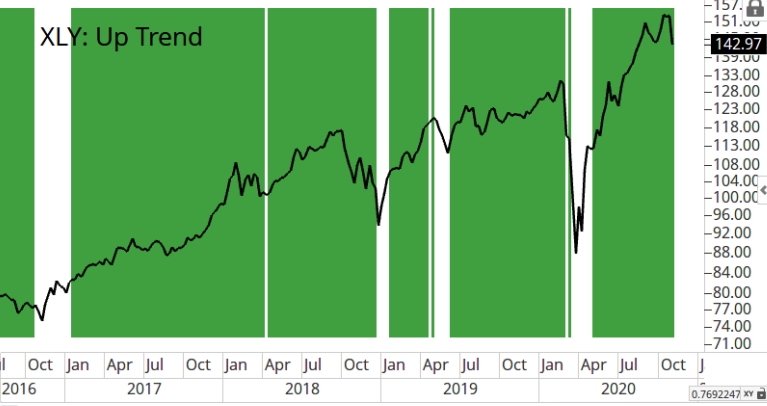
S&P 500 INDEX - SPX (WI) - 1 Week Line Chart - USD - No Layout



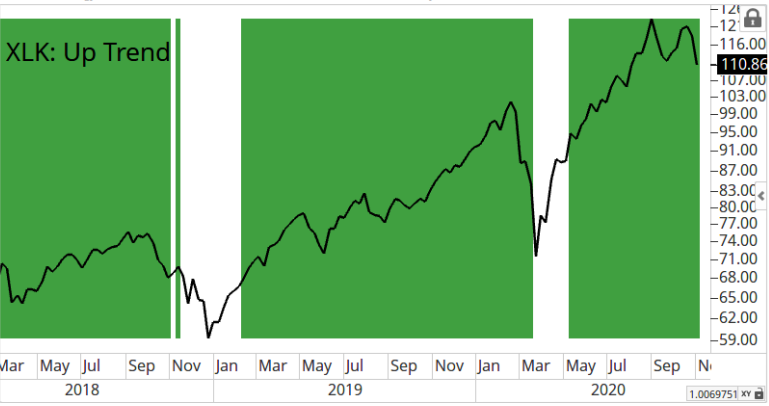
SPDR Financial Select Sector Fund ETF - XLF (US) - 1 Week Line Chart - USD - No Layout



SPDR Consumer Discretionary Select Sector Fund ETF - XLY (US) - 1 Week Line Chart - USD - No Layout

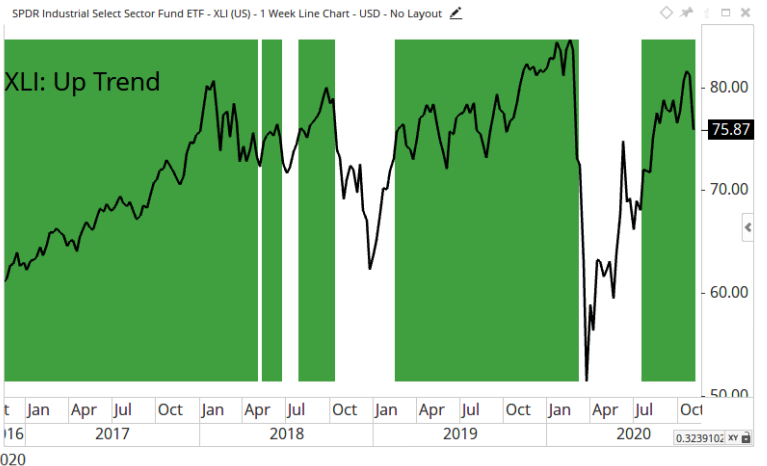
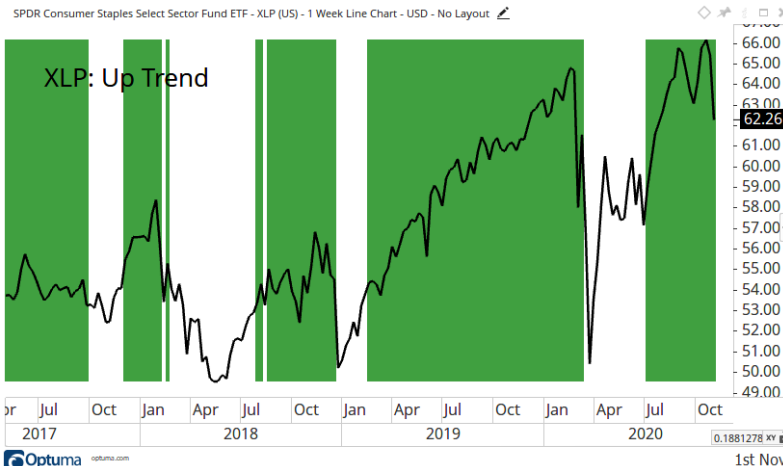
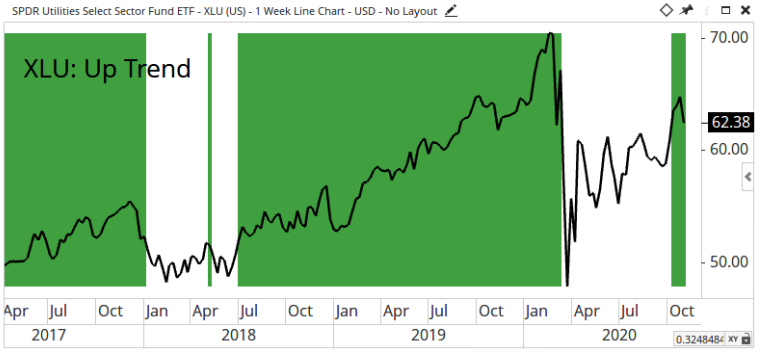
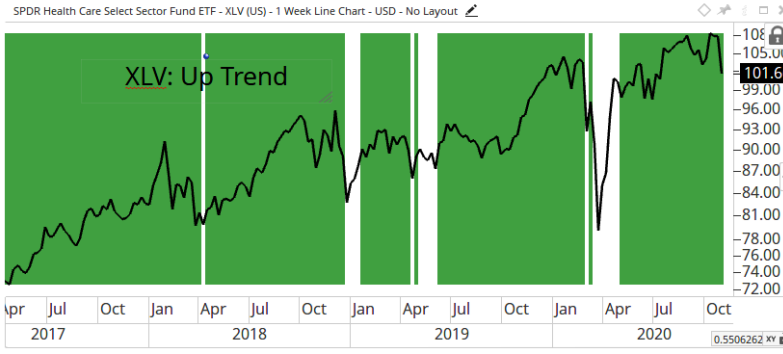


SPDR Technology Select Sector Fund ETF - XLK (US) - 1 Week Line Chart - USD - No Layout



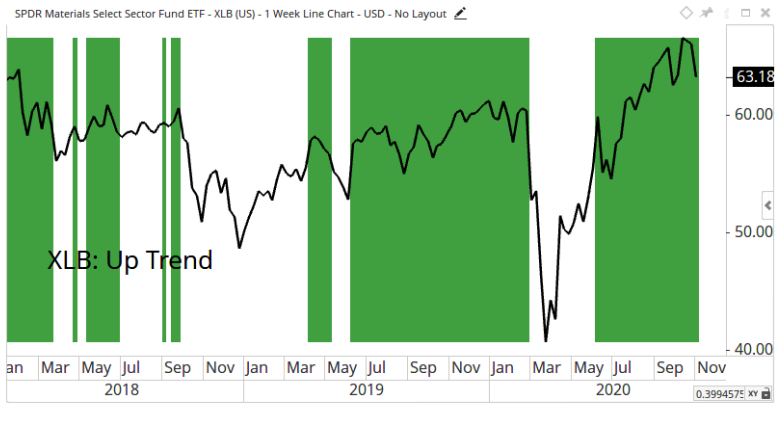
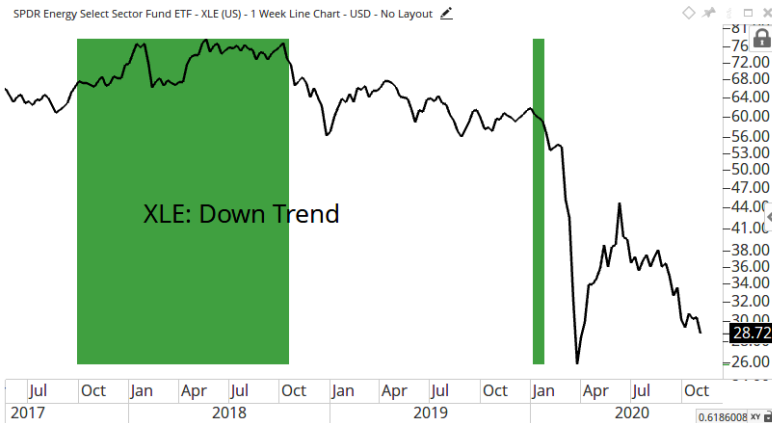
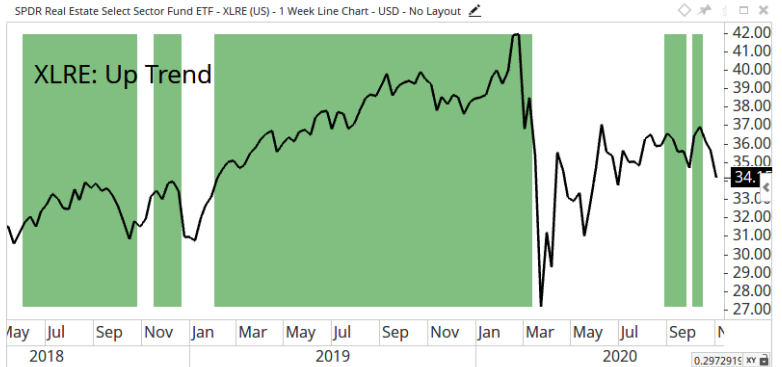
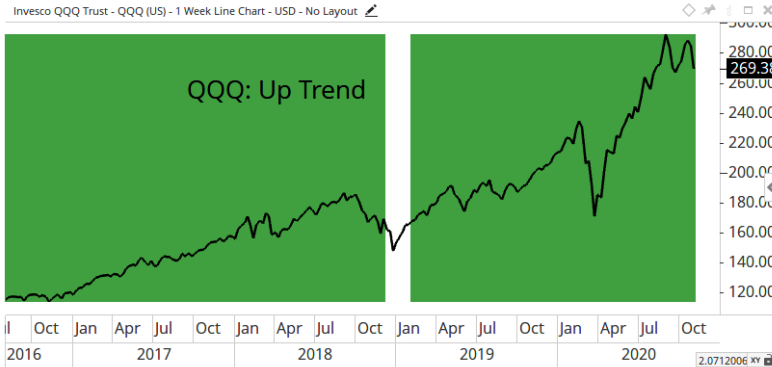
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TREND MODELS



1st Nov 2020

TREND MODELS



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