

# TA THRASHER ANALYTICS

NOVEMBER 22, 2020



WEEKLY RESEARCH & ANALYSIS

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## Bullish

- Seasonality
- Trend Model remains positive for almost all sectors and indices.
- The VRT 2.0 has not signaled a warning for a spike in volatility.
- Equal Weight SPX shows bullish relative performance.
- Semiconductors trend higher.

## Bearish

- Volatility sentiment has been low for the last two weeks.
- FAAMG stocks continue to weaken relative to the S&P 500
- The number of bearish divergences rise further.

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Bitcoin

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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	
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	68%	74%
Nasdaq 100	61%	65%
Nikkei	76%	81%
VIX	10%	13%
10yr Treasury	66%	59%
5yr Treasury	60%	58%
CRB Index	58%	52%
Gold	37%	38%
U.S. Dollar	37%	36%

\*Green<25% Red>80%

source: trade-futures.com

As a reminder, the below chart shows both the old Volatility Risk Trigger (VRT 1.0) as well as the new Volatility Risk Trigger (VRT 2.0).

The Volatility Risk Trigger 2.0 has not confirmed the signal produced by the VRT 1.0 last week. The VIX ticked slightly higher as the market worked through option expiration and now enters the holiday-shortened trading period this week. The VIX futures curve is extremely flat across the board, a likely sign of the uneasiness in the market creating a proper discount of front month vol to further out contracts as we typically see a 'normal/healthy' market. More on this topic on the next page.



# VOLATILITY - SENTIMENT

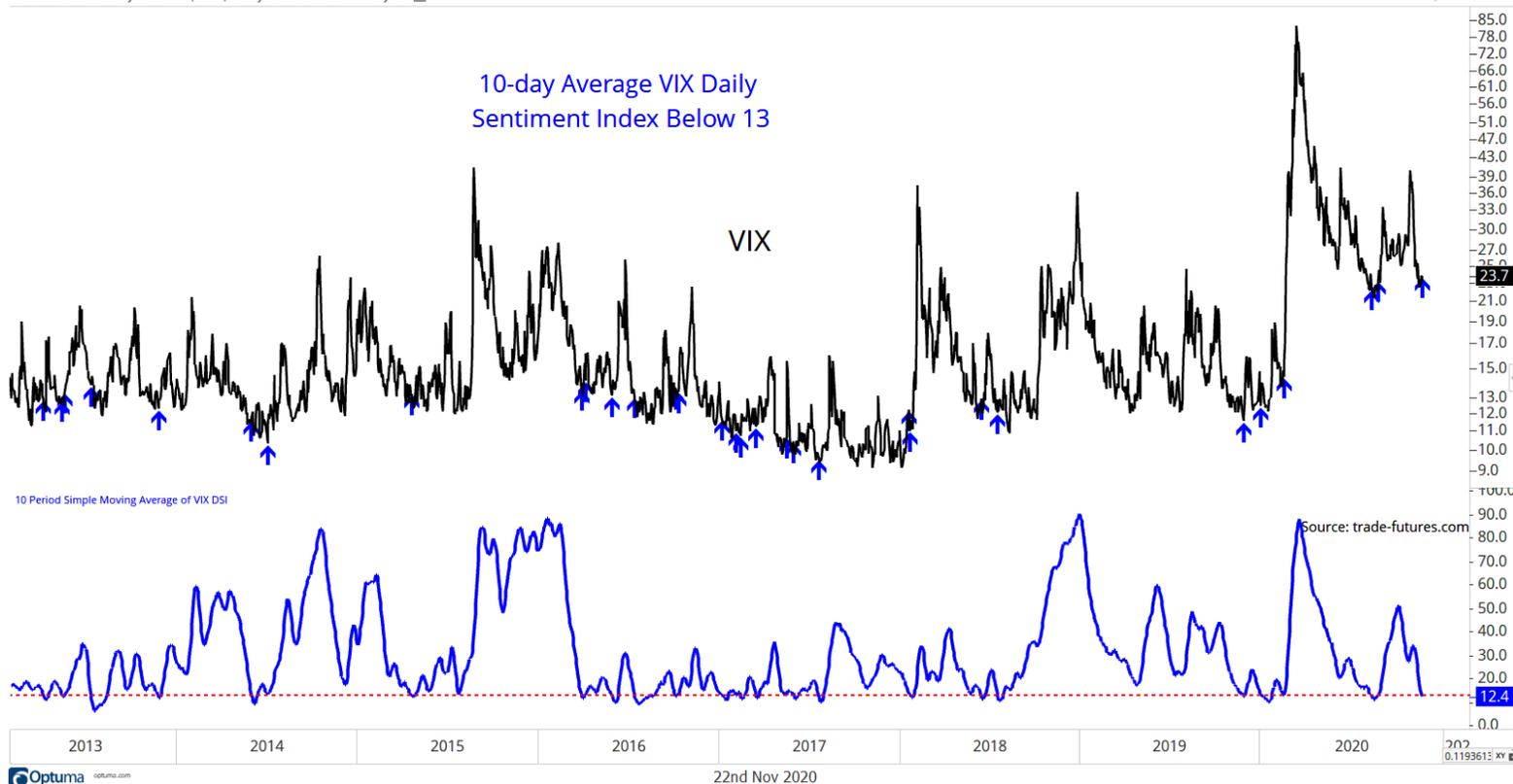


I mentioned last week how the Daily Sentiment Index (DSI) for the VIX had fallen to single digits, touching 10 at one point. Sentiment moved higher last week but on Friday returned back to just 10% bullish, sending the 2-week average of DSI for volatility below 13% bullish. Below you can see arrows when sentiment has previously been this low over a 2-week average for the VIX. Note that it's typically near a low for volatility. It doesn't necessarily need to spike up from here but I believe all those looking for a material break of 20 on Spot VIX, what on its face doesn't seem like a big ask, may be tougher to accomplish with sentiment this low for this long.



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

Chart controls: zoom, pan, etc.



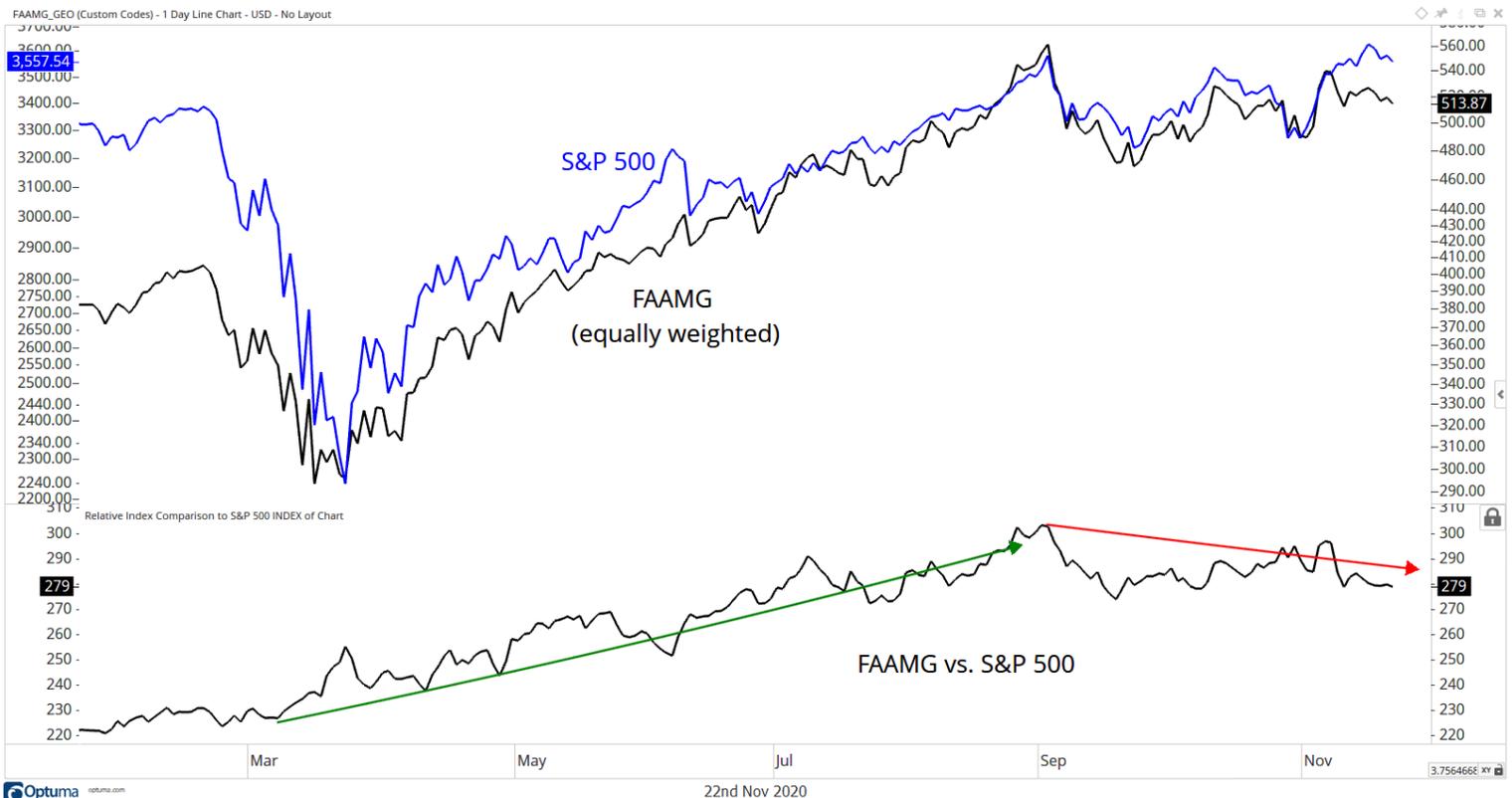
Not a huge surprise to see equities weaken last week, albeit just slightly. The S&P 500 closed back below the September high but remains above the October high around 3530. From here I'm watching the VWAP (red line) off the October low as well as the VWAP (green line) from the November high. I think a break above one of these levels will be a good 'tell' for whether buyers or sellers are in control. Seasonally, the market typically fairs well during the period before and after Thanksgiving as well as we November-December in general. That alone may keep bulls in control if we are able to recapture that prior high, but I watch for price to give such confirmation. Especially considering the lofty level of sentiment and the note from last week with 5 sectors showing over 90% of their stocks already above the 200-day MA, which has led to lower prices in SPX in the past.



This is a chart I've shown several times in the last few months as the trend bottomed earlier in the summer and has been rounding higher. Equal Weight S&P 500 has continued to improve relative to the cap weight index, a positive sign for smaller capitalized stocks.



With equal weight equities showing bullish relative strength, FAAMG stocks remain the laggards. Since the September peak, FAAMG has weakened relative to the broad market. Being that the FAAMG stocks make up such a large percentage of the S&P 500, how long they can go without showing strength will be very interesting to watch. I don't think we can simply see a rotation out of these names and into others without the indices struggling because of the weighting they carry, well above what historically the top stocks account for. It'll be dancing on a razors edge to make that rotation work without negatively impacting the index.



Semiconductors have been one of the best charts for 2020. So much so, I've been asked to do a video for StockCharts.com about the best charts of 2020, and a semiconductors chart will be the one I discuss. The video should be out in December I believe.

While equities weakened last week, semiconductors took another step higher in relative performance (bottom panel of the chart). This is a bullish sign for stocks, as I believe semis are a good leading indicator of sentiment towards tech and right now tech makes up the largest percentage of the S&P 500. Notice how semis relative performance went flat at the start of the year, ahead of the March decline. They also bottomed ahead of the broad market in March as well. Seeing this industry group show a solid up trend and continue to outperform is a good sign for the up trend in the market and one we don't want to see break down.



As I wrote about last week, investors poured more money into global equities, one of the largest inflows into global and domestic funds.

According to the latest BofAML fund manager survey, optimism towards equities has moved to its highest level since January 2018. To summarize the high level of sentiment towards risky assets, BofA said this at the end of the monthly report: "The most bullish Fund Manager Survey (FMS) of 2020 on the back of vaccine, election, macro; Nov FMS shows a big drop in cash, 20-year high in GDP expectations, big jump in equity, small cap & EM exposure; reopening rotation can continue in Q4 but we say "sell the vaccine" in coming weeks/months as we think we're close to "full bull."

BofA argues we are in a multi-month process of making a top, I wouldn't go quite that far as I don't believe the data suggests that level of bearishness, not until we start seeing material decline in market internals/breadth. At this point I believe we do have a skewed risk/reward profile for equities that needs to see some digestion/weakness before the next leg up but ultimately price needs to confirm this, which we started seeing a bit of last week and I'll be watching for any continuation this week.

Exhibit 11: November survey shows FMS investor optimism on stocks skyrocketed

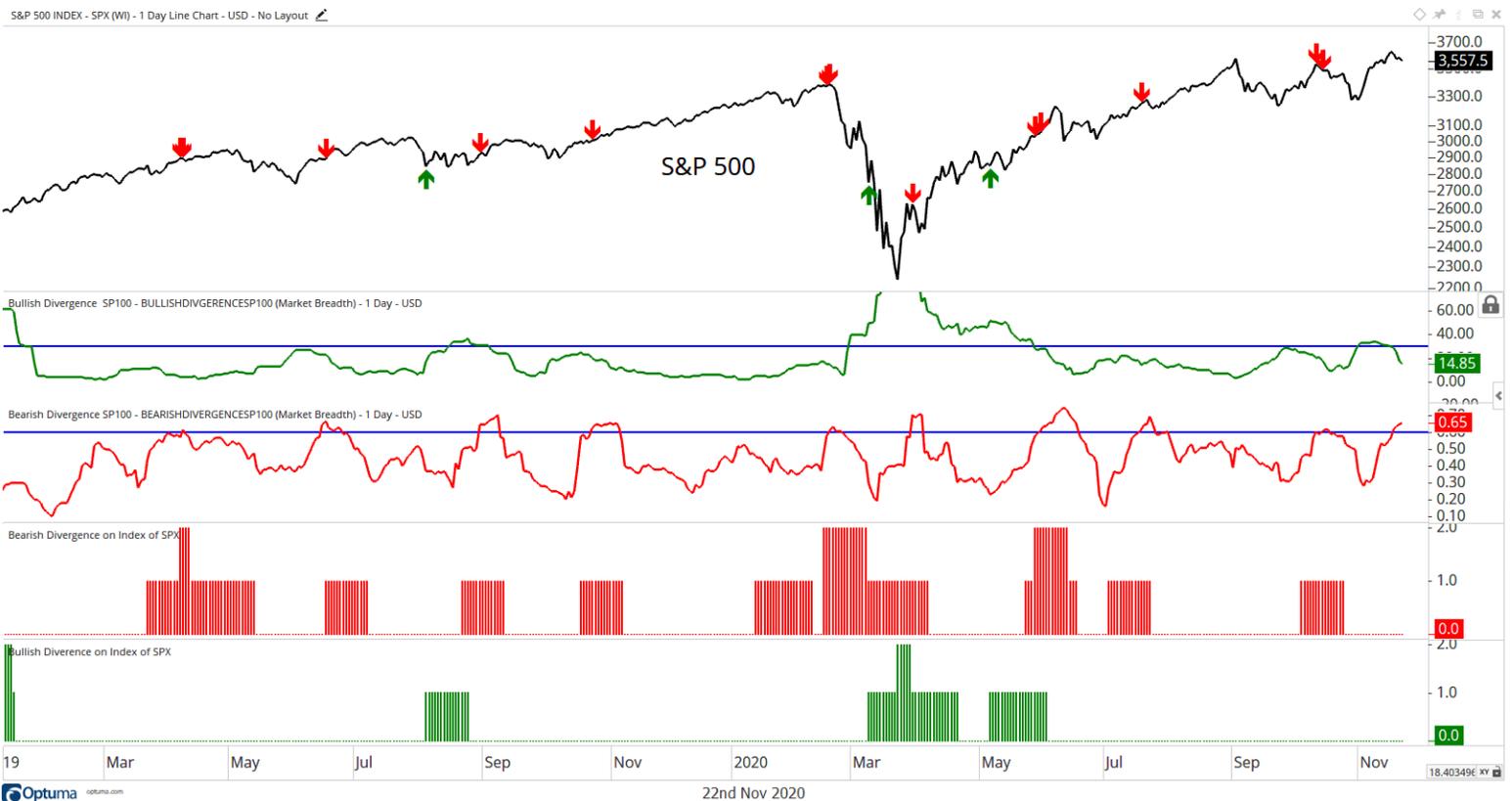


Source: BofA Global Fund Manager Survey

# EQUITIES - DIVERGENCES



The list of bearish divergences continued to grow last week. The caveat preventing a red arrow on the chart is the lack of defined divergence for the index it self (like we saw in October). We now have the most divergences since since June.



# EQUITIES - DIVERGENCES



Like the S&P chart, the Nasdaq 100 also continues to see a rising number of bearish divergences. However, unlike the SPX chart, one bearish divergence has developed for QQQ.



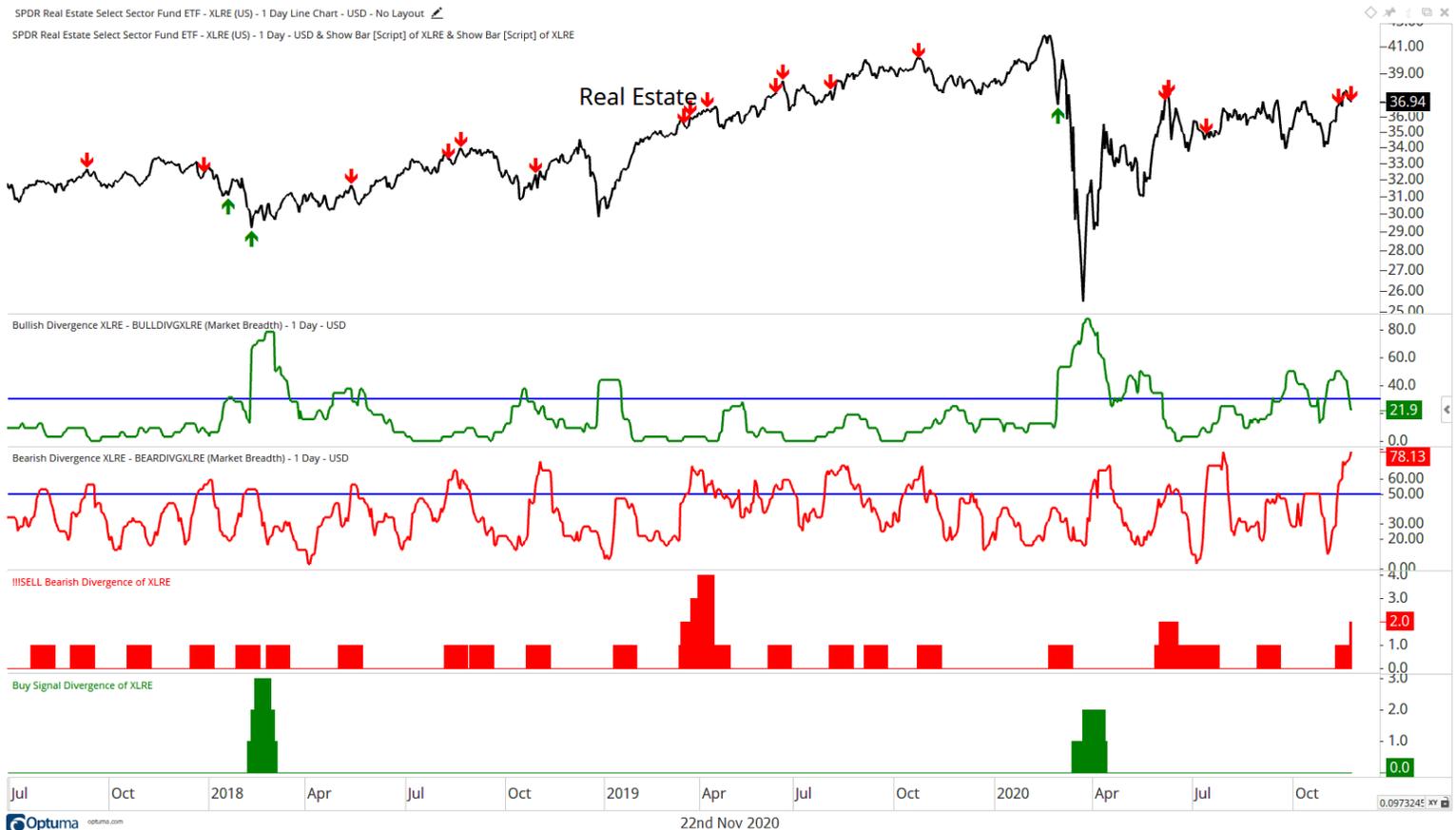
Sector	> 50MA	> 200MA	1wk Perf ▼	1mo Perf	3mo Perf	12mo Perf
SPDR Energy Select Sector Fund ETF	True	False	5.7%	19.77%	-1.24%	-39.37%
SPDR Materials Select Sector Fund ETF	True	True	1.09%	6.26%	12.06%	17.58%
SPDR Industrial Select Sector Fund ETF	True	True	1.05%	6.97%	13.82%	6.62%
SPDR Financial Select Sector Fund ETF	True	True	0.55%	9.55%	11.58%	-8.58%
SPDR Consumer Discretionary Select Sector Fund ETF	True	True	0.16%	0.99%	5.68%	27.89%
SPDR Communication Services Select Sector ETF	True	True	-0.36%	6.25%	4.69%	23.13%
SPDR Technology Select Sector Fund ETF	True	True	-0.9%	0.67%	3.13%	37.84%
SPDR Real Estate Select Sector Fund ETF	True	True	-1.52%	3.24%	3.24%	-4.94%
SPDR Consumer Staples Select Sector Fund ETF	True	True	-1.53%	1.93%	3.68%	7.76%
SPDR Health Care Select Sector Fund ETF	True	True	-2.96%	2.30%	1.96%	11.41%
SPDR Utilities Select Sector Fund ETF	True	True	-3.86%	-0.47%	7.11%	0.54%

# SECTORS - REAL ESTATE



Last week I wrote about Energy, which continued higher and is now back at its 200-day MA, a level that's been resistance several times in the last couple of years.

This week I want to take a look at the Real Estate sector, which has seen a large rise in bearish divergences and XLRE has two bearish divergences for itself as well. I think with price still under \$38 (the June high) that sellers may continue to push price lower from here and we could see a test near the low-end of the recent range near \$34.



What a move! I had written in the past that I didn't doubt we'd see a run back to the 2017 high, but not before some kind of pullback or consolidation to digest the lofty momentum that had built up. Well bitcoin had other ideas, continuing to rise and now sitting just under that \$20k level. Meanwhile, the Momentum Composite has created a bearish divergence of lower highs during the latest leg higher in bitcoin. Ahead of prior pullbacks in BTC we've seen such divergences develop. The interest in crypto continues to grow and I remain long-term bullish towards the space but turn short-term cautious here.



Gold continues to consolidate just under its 2011 high. Sentiment (middle panel) has ticked higher with 37% bullish DSI reading and momentum (bottom panel) is off the low seen in September. Kevin Muir, of The MacroTourist, shared in a recent note his belief - and I agree - the latest move by the Treasury to end several emergency credit facilities and request back funds at the Fed to be dollar bearish and gold bullish due to the likely response by the Fed to amp up their asset buying program and provide liquidity to fill the gap now created by the Treasury.



# DAILY SENTIMENT INDEX



Market	% Bullish ▲	5MA	History 📄
VIX DSI	10	12.6	
Natural Gas DSI	26.00	28.00	
US Dollar DSI	37.00	35.60	
Silver DSI	37.00	40.60	
Gold DSI	37.00	37.80	
Crude Oil DSI	43.00	39.20	
Swiss Franc DSI	45.00	45.80	
Coffee DSI	47.00	47.80	
Palladium DSI	54.00	51.60	
Australian Dollar DSI	55.00	57.00	
Heating Oil DSI	57.00	55.00	
CRB Index DSI	58.00	52.00	
Wheat DSI	60.00	63.00	
5YR DSI	60.00	57.60	
Nasdaq DSI	61.00	65.00	
British Pound DSI	64.00	62.60	
Gasoline DSI	65.00	63.40	

Code	% Bullish ▲	5MA	History 📄
<input type="checkbox"/> 10Y DSI	66.00	59.20	
<input type="checkbox"/> Euro DSI	67.00	68.60	
<input type="checkbox"/> Cotton DSI	67.00	61.00	
<input type="checkbox"/> SPX DSI	68.00	74.00	
<input type="checkbox"/> Platinum DSI	68.00	59.40	
<input type="checkbox"/> Corn DSI	69.00	71.00	
<input type="checkbox"/> Cattle DSI	69.00	71.80	
<input type="checkbox"/> Sugar DSI	74.00	77.40	
<input type="checkbox"/> Lean Hog DSI	74.00	74.60	
<input type="checkbox"/> EuroDollar DSI	74.00	74.00	
<input type="checkbox"/> Nikkei DSI	76.00	81.4	
<input type="checkbox"/> Mexican Peso DSI	76.00	77.20	
<input type="checkbox"/> Lumber DSI	76.00	67.80	
<input type="checkbox"/> New Zealand Dollar DSI	79.00	82.2	
<input type="checkbox"/> Copper DSI	82	76.40	
<input type="checkbox"/> Cocoa DSI	84	68.80	
<input type="checkbox"/> Orange Juice DSI	85	88.8	

Source: trade-futures.com

# DAILY SENTIMENT INDEX



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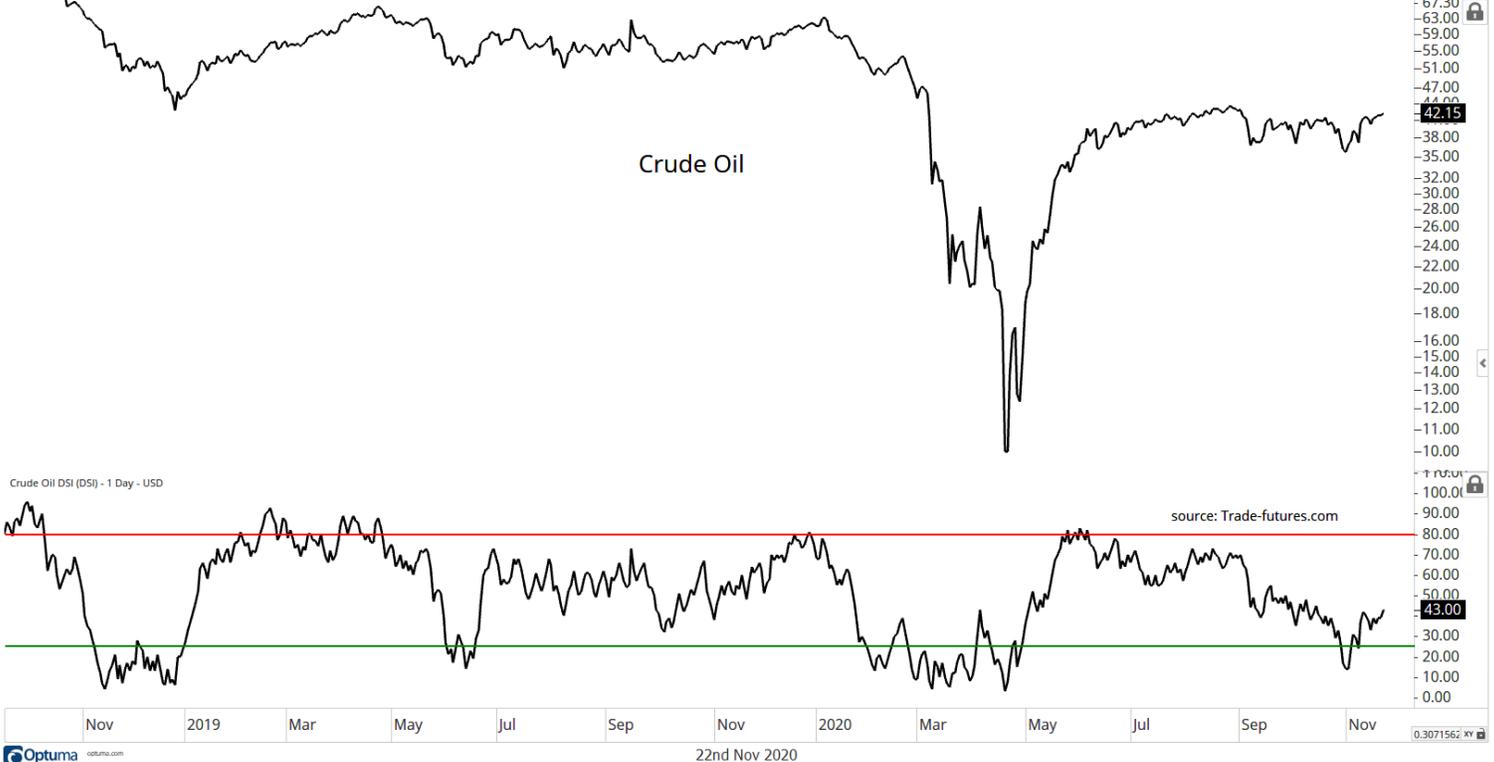
22nd Nov 2020

# DAILY SENTIMENT INDEX



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Crude Oil Light Sweet NYMEX - OILSW (W1) - 1 Day Line Chart - USD - No Layout



# DAILY SENTIMENT INDEX



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



# DAILY SENTIMENT INDEX



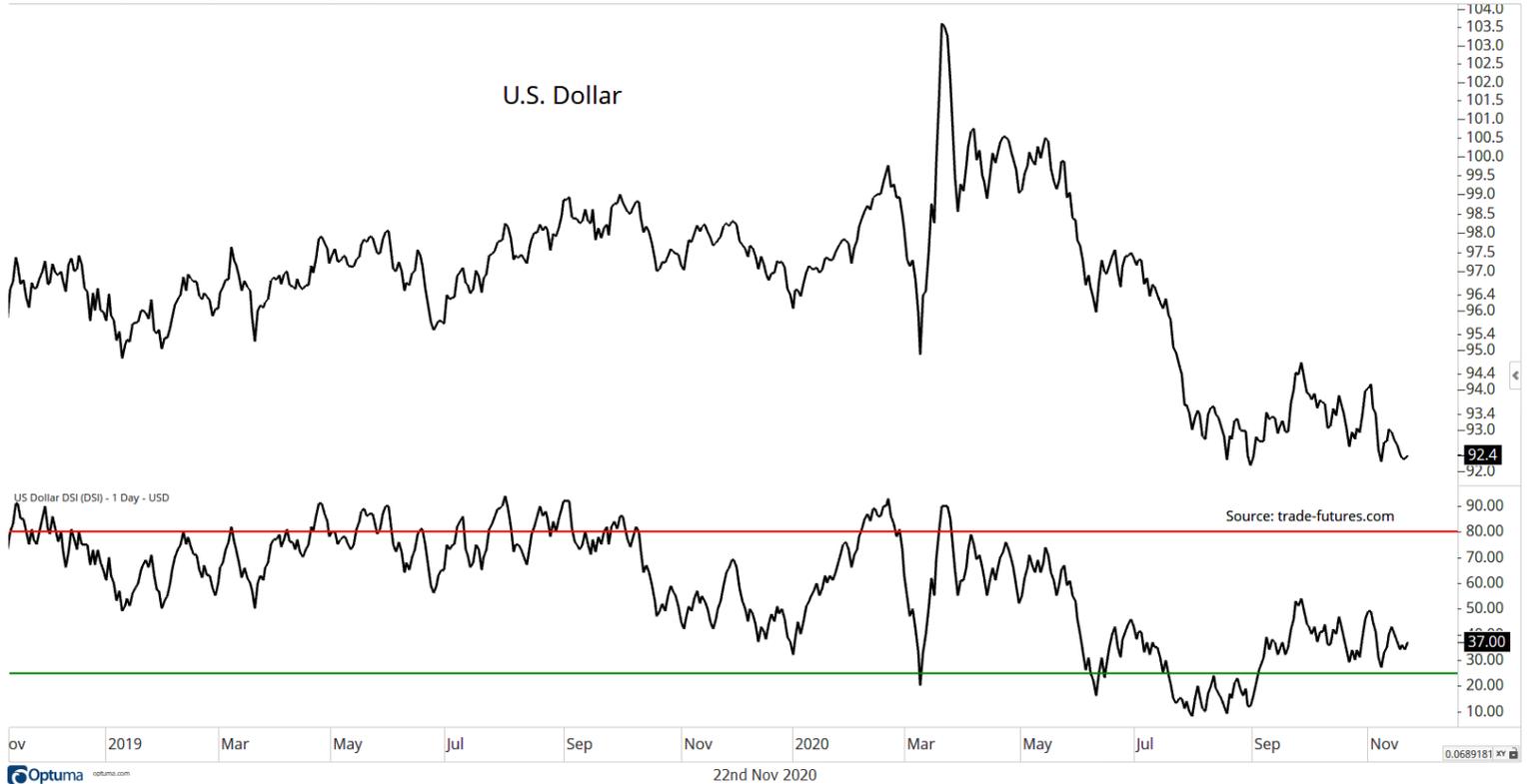
NASDAQ 100 Index - NDY (W1) - 1 Day Line Chart - USD - No Layout



# DAILY SENTIMENT INDEX



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



# DAILY SENTIMENT INDEX



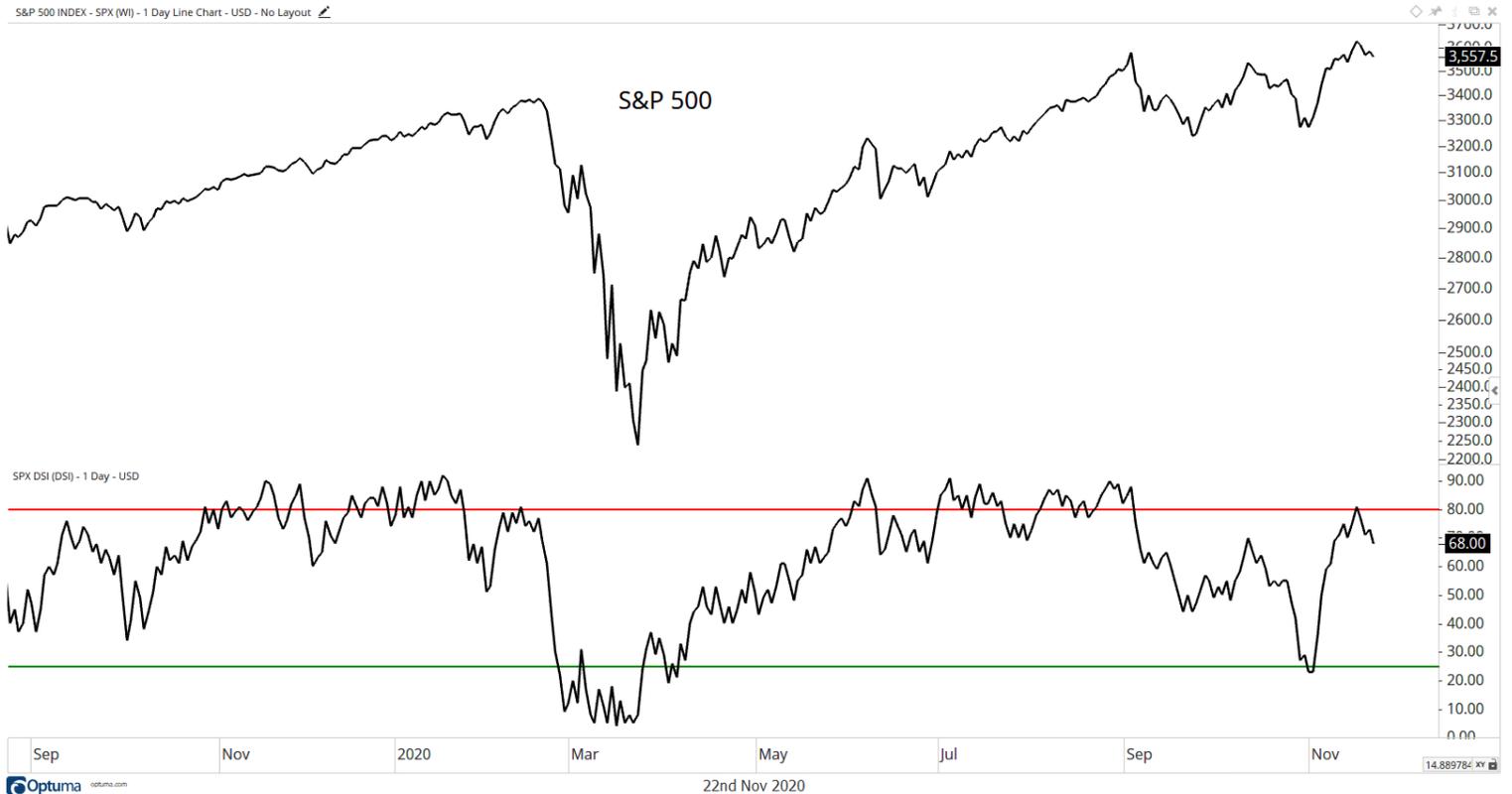
CBOE S&P 500 Volatility Index - VIX (CBOE) - 1 Day Line Chart - USD - No Layout



# DAILY SENTIMENT INDEX



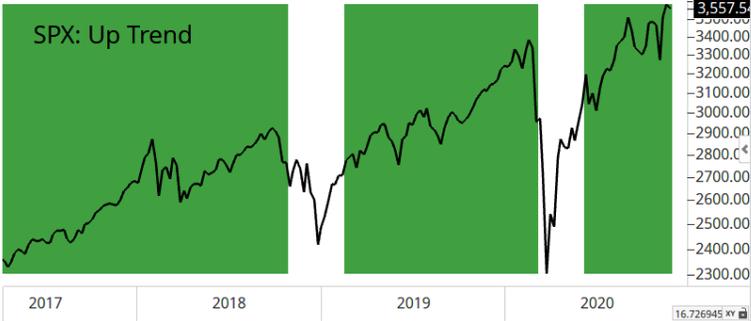
S&P 500 INDEX - SPX (WJ) - 1 Day Line Chart - USD - No Layout



# TREND MODELS



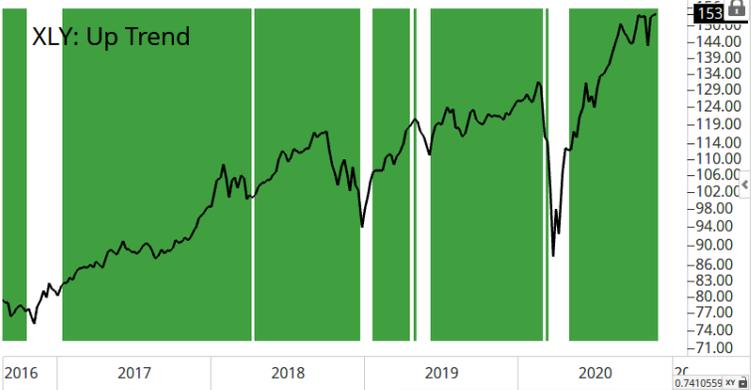
S&P 500 INDEX - SPX (WI) - 1 Week Line Chart - USD - No Layout



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

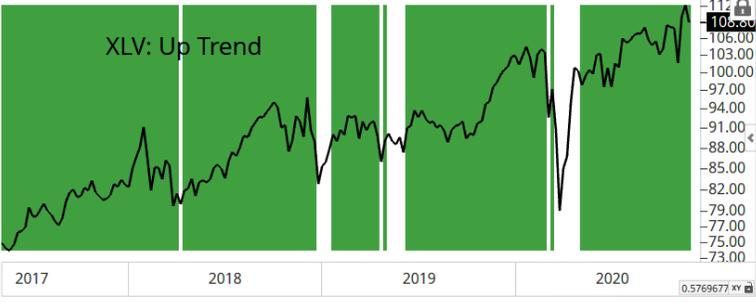


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# TREND MODELS



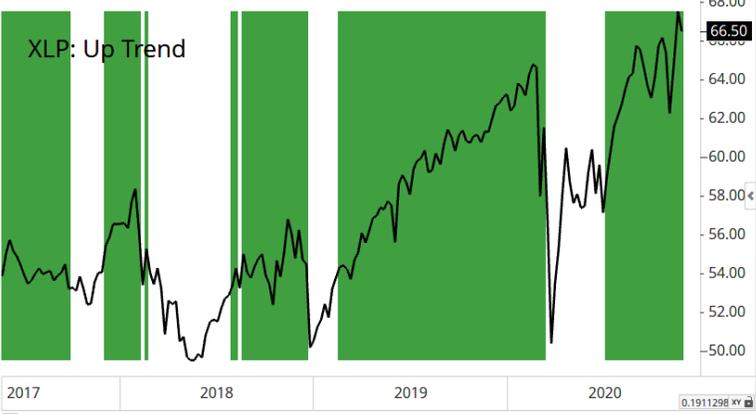
SPDR Health Care Select Sector Fund ETF - XLV (US) - 1 Week Line Chart - USD - No Layout



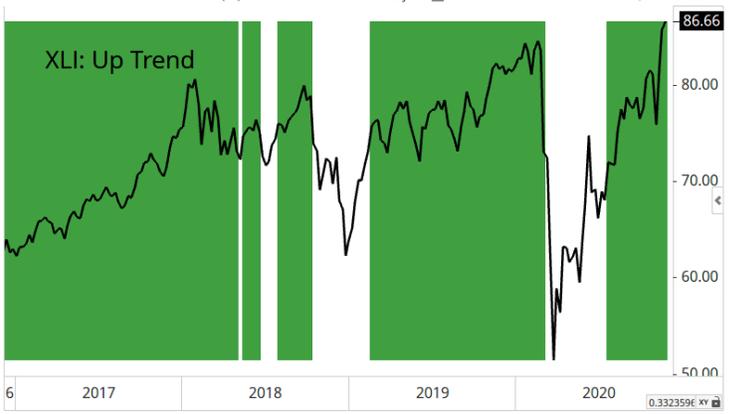
SPDR Utilities Select Sector Fund ETF - XLU (US) - 1 Week Line Chart - USD - No Layout



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



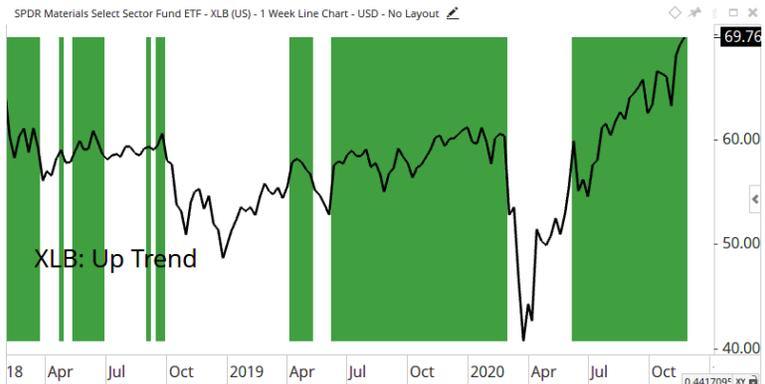
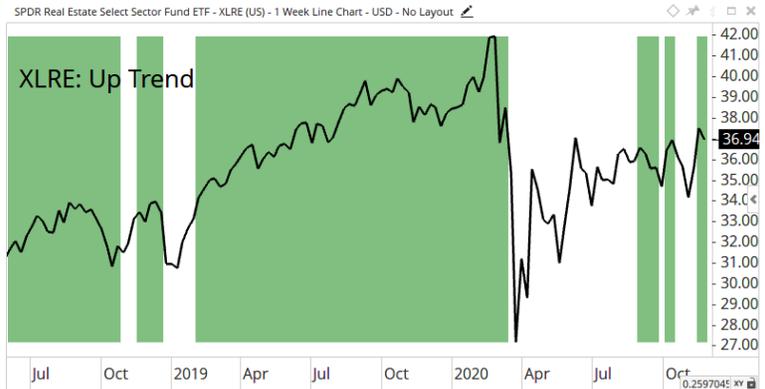
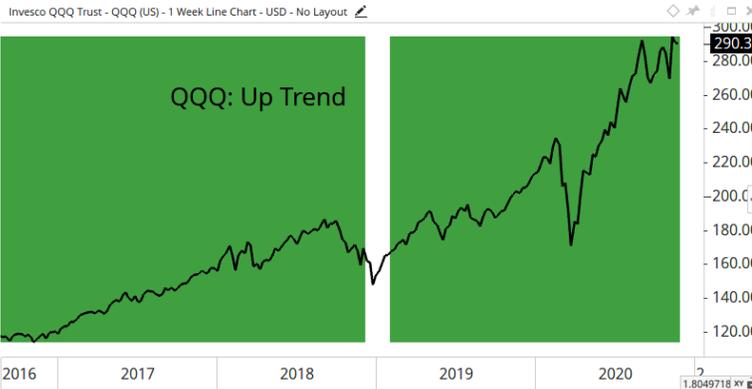
SPDR Industrial Select Sector Fund ETF - XLI (US) - 1 Week Line Chart - USD - No Layout



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# TREND MODELS



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