

# TA THRASHER ANALYTICS

FEBRUARY 7, 2021



WEEKLY RESEARCH & ANALYSIS

BY ANDREW THRASHER, CMT

## Bullish

- Long-term breadth remains strong.
- Trend Model remains positive for all sectors and indices.
- The Market Health Report remains supportive.
- Industrial sector holds support test.
- Gold remains above support.
- Industry breadth improves.

## Bearish

- Equity sentiment is extremely high.
- Silver pot'l bearish setup.
- Risk appetite remains low.
- New high list narrows.
- SPX stretched above 200-wk MA.

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Volatility

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Equities

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Market Health Report

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Commodity

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Sectors

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Sentiment

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Trend Models

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Sector Rotation: Feb.	
Financials	XLF
Energy	XLE
Technology	XLK

Fixed Income Rotation: Q1	
20+ Yr Treasury	TLT
Muni Bond	MUB

Market Health Report	
Breadth	0
Divergence	0
Momentum	2
Sentiment	2
Trend	1
Volatility	-2
<b>Total</b>	<b>3</b>

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	

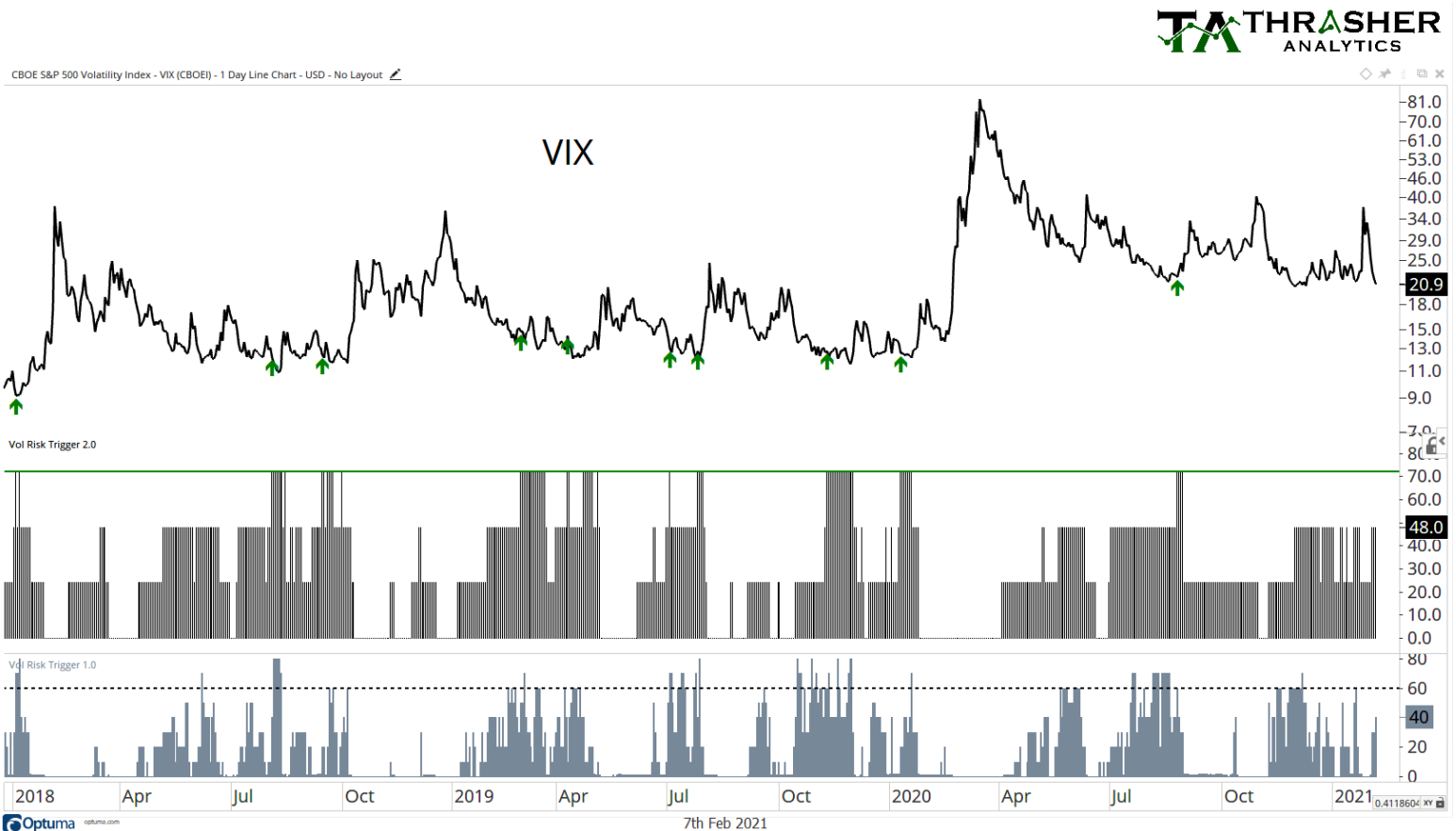
Daily Sentiment Index		
	% Bullish	5-day MA
S&P 500	80%	73%
Nasdaq 100	91%	85%
Nikkei	88%	83%
VIX	15%	92%
10yr Treasury	39%	48%
5yr Treasury	41%	47%
CRB Index	83%	80%
Gold	45%	48%
U.S. Dollar	34%	37%

\*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).

As fast as VIX went up is about as fast as it came down. While the move near 40 was swift, the dip buyers came in fearless to buy the dip in equities and sending volatility back near the low-end of its multi-month ranch. The VRT 2.0 remains without a signal. February VIX futures expire next week but there's still quite a healthy premium to spot right now with nearly a 4 point spread and then another 2 points out to March. There's still a bit of concern being priced in to SPX futures that's being displayed by volatility staying elevated. The calls for VIX to be sub-20 over the last several months have gone unanswered by the options market. We'll see once we move past Feb. expiration if this spread narrows and the back-end of the curve which is extremely flat near 28 steepens out a bit.

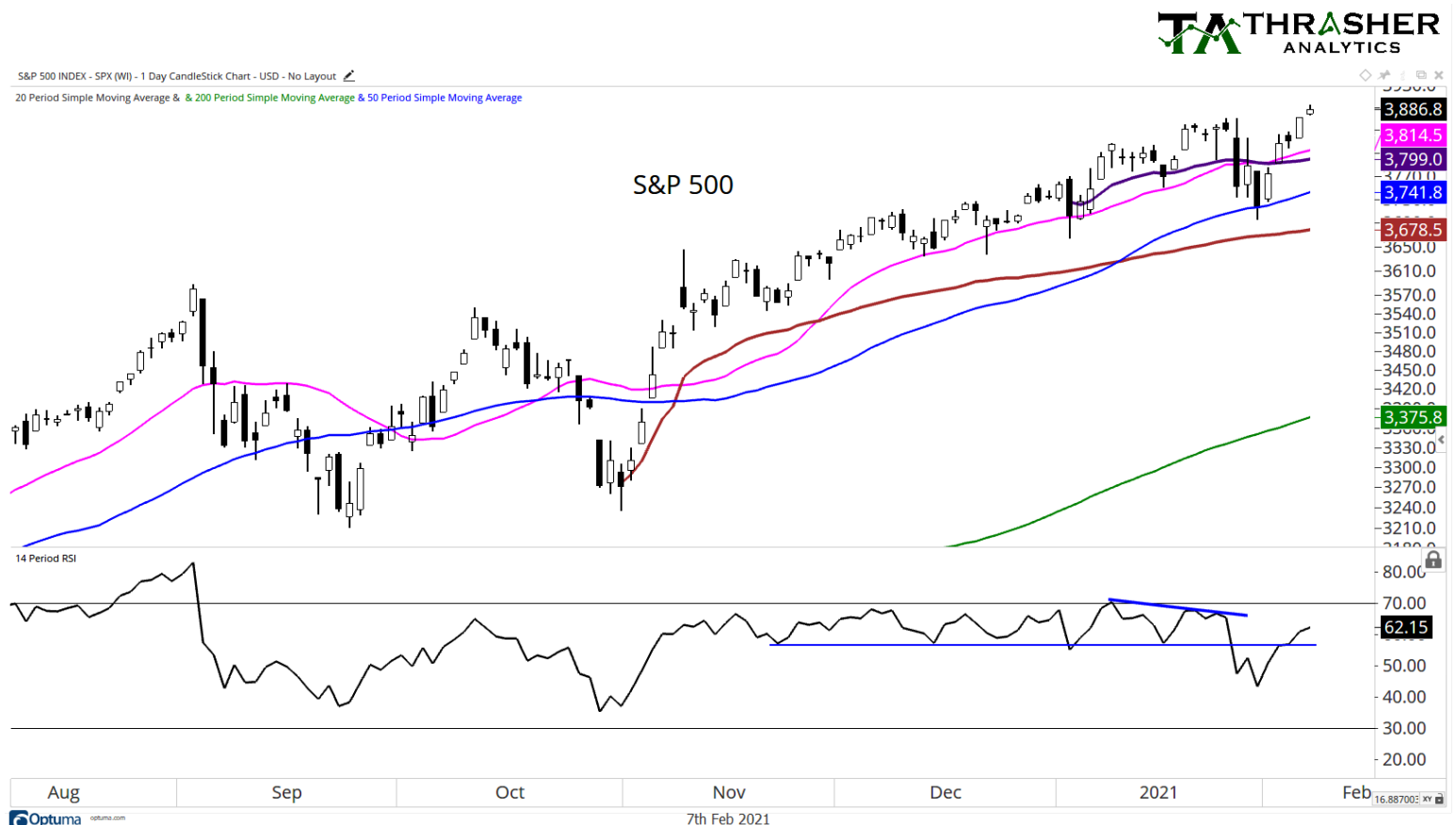


# EQUITIES - S&P 500 DAILY

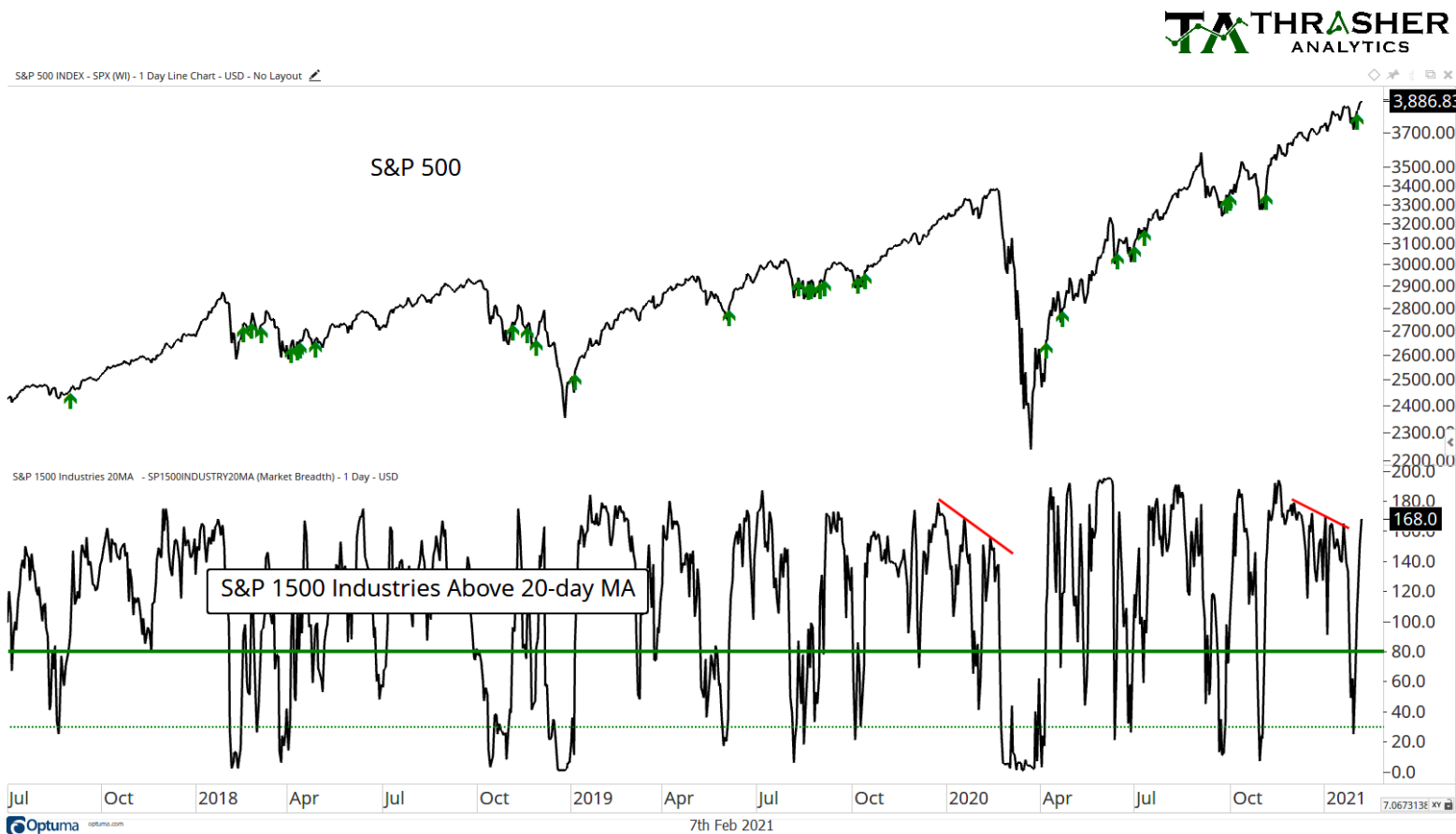


The S&P 500 did an excellent job holding on to its 50-day moving average, bouncing like a champ as price moved higher to close out last week with a new 52-week high. Was that 4% dip enough to washout the elevated sentiment? No, but the price action doesn't seem to care. You may have noticed on the Dashboard on the first page that many of futures markets have 80+% bullish DSI readings, with the Nasdaq 100 over 90%. Last week I discussed the Market Health Report (MHR) showing internal market strength as we hit a 15-day low, suggesting the decline would be short-lived which turned out to be accurate as we are at a new high. The MHR has since improved to a +3, with just one category (volatility) showing a negative score.

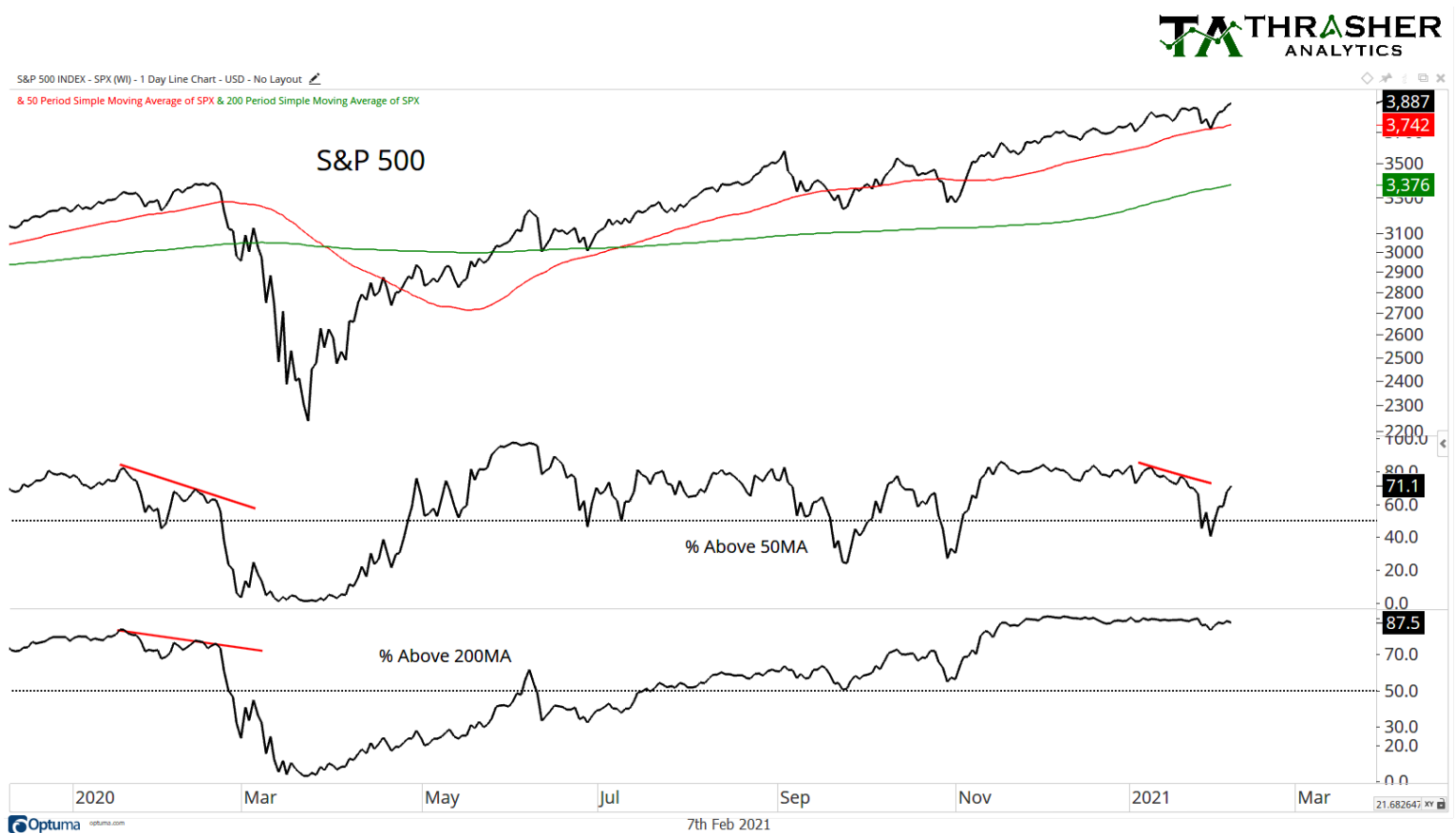
The 14-day RSI for the S&P 500 is back in the bullish range but still showing a series of lower-highs as momentum continues to slow down during this current leg higher in price. Nothing bearish seems to matter these days so this bearish divergence in momentum remains ignored by the large cap index. As long as these short- and intermediate-term support levels remain strong and breadth holding firm, the buyers remain in the driver seat.



Last week I shared this chart of the number of S&P 1500 industries trading above their respective 20-day moving average. I mentioned I wanted to see this figure get above 80, which we did, and price has continued to rise and we've continued to see more industries resume trading above their short-term moving average.

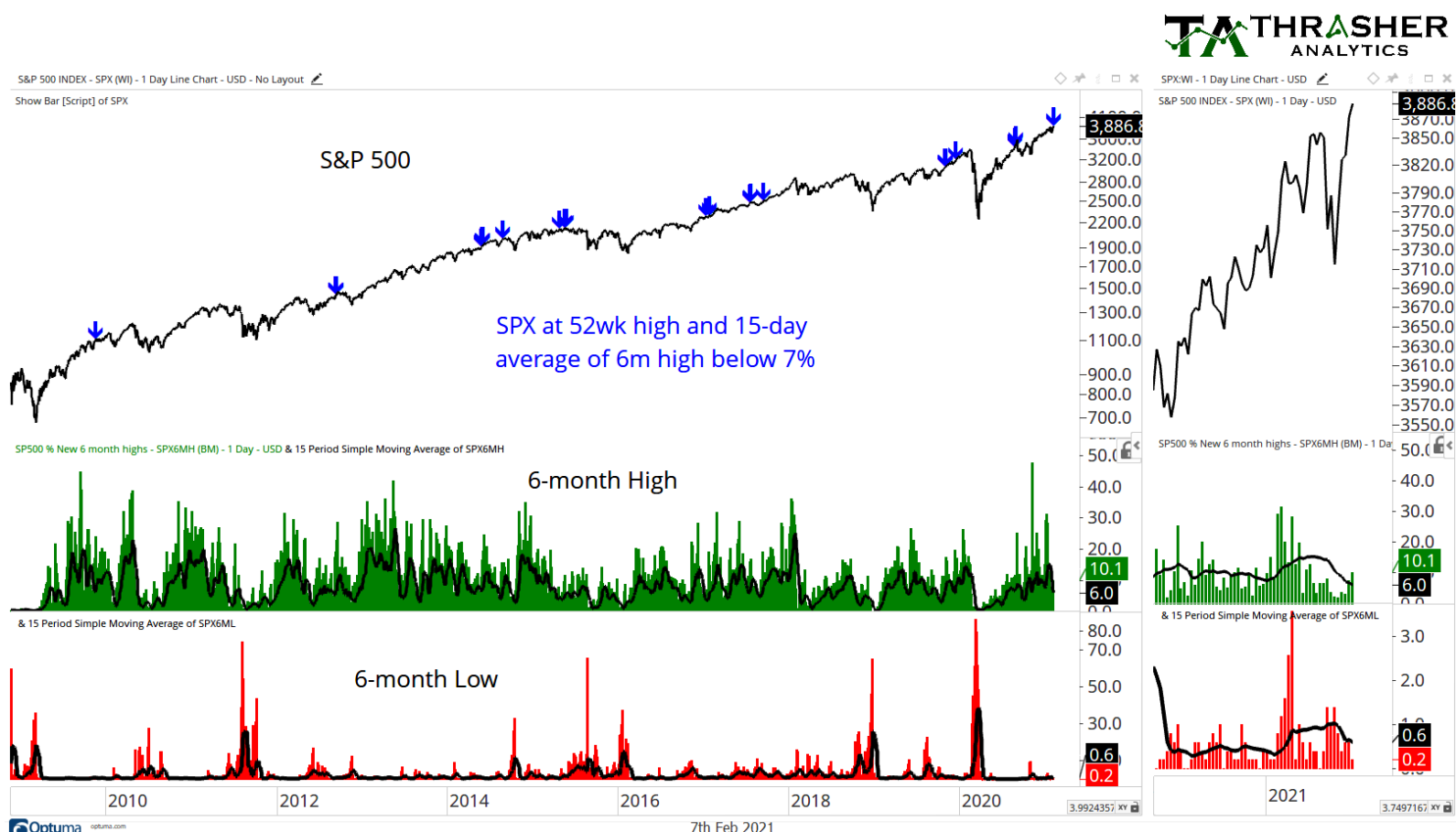


The percentage of S&P 500 stocks trading above the 50-day moving average remains below 80%, but did make good improvements last week, as we're back to having the majority of stocks above the intermediate MA. The fact that the % above is rising, even if its still below the prior high, the trend is positive and the support of stocks in up trends appears strong. The caveat being that while they are in up trends, they aren't hitting new highs like the index, more on this on the next page.



We closed on Friday at another new 52-week high but just 10% of stocks were able to squeeze out just a 6-month new high. Smoothing out this data over 3 weeks (15-days), we have an average of 6% of the index at a 6-month high as of Friday, a fairly low reading. I've plotted blue arrows when this 15-day average has been below 7% in the past and there's been less than 15 occurrences, many at important turning points and others (like 2007) in the middle of up trends.

So while we still have a good chunk of the market trending higher as shown in the % above the 50-day MA on the prior page, I'd like to see some strength in new highs expanding. We had a good trend going towards the end of last year, but the new year killed that progress, you can see it more clearly on the zoomed in portion of the chart on the right. Hopefully it picks back up soon or we'll start getting some breadth concerns showing up. We aren't there yet, but I'm watching it.



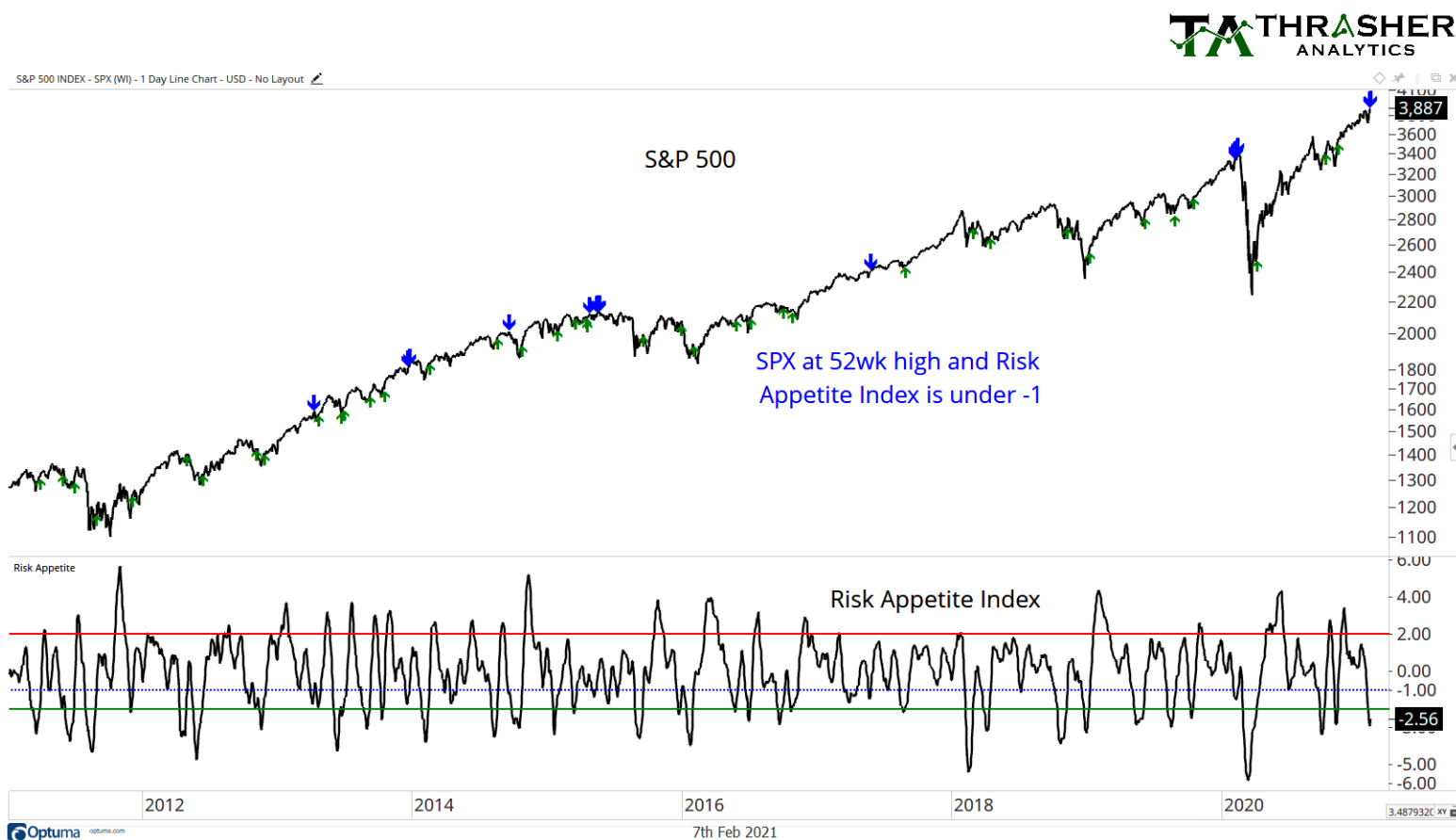
From a sector leadership standpoint, the offensive sectors remain in control of the trend. The ratio of offense vs. defense sectors continues to trend with the broad market, a bullish sign for the current up trend.





The Risk Appetite Index (RAI) did not make any improvements last week as the broad market rallied. The RAI evaluates the slope of various lookback periods for several key markets to determine if risk appetite is expanding or contracting. When the majority of these variables are declining, then the RAI moves lower, as it's been for several weeks now. What's most interesting is we have a negative RAI while the S&P 500 hit a new high. Never has RAI been below -2 at a SPX high, so the blue arrows show when it's been below -1, which it last did just before the peak in March 2020 and then a handful of times since 2011.

I believe this lines up well with the lack of new highs in individual stocks. Risk appetite might not be outright weakening but the trends are slowing down, having a negative impact on the slopes of those trends which in-turn suppresses the Risk Appetite Index. This is like eating something meant to be warm that's turned cold. It's not inedible but it's not enjoyable either. That's the best way I can summarize where we are at this point!



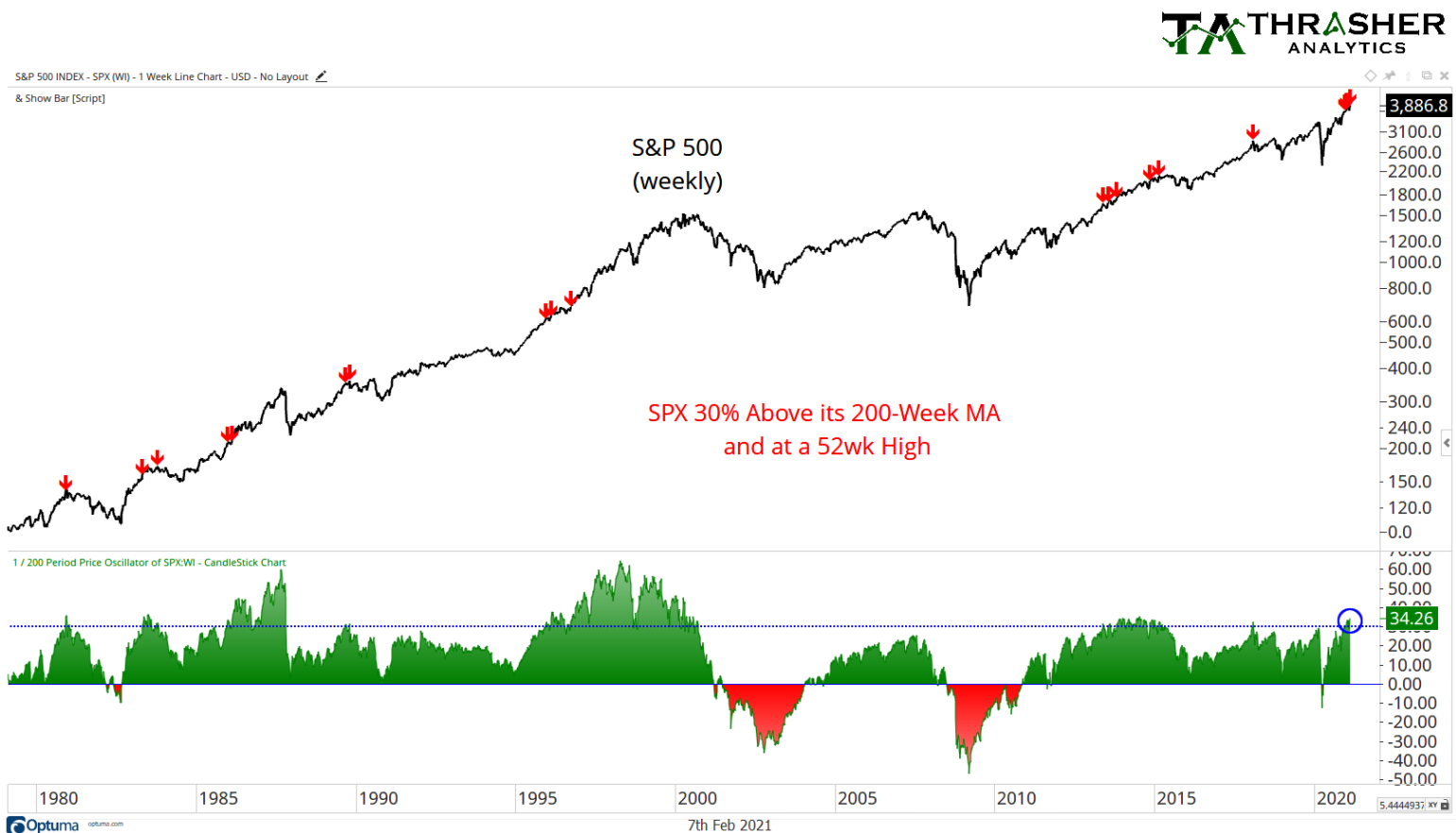
# EQUITIES - ABOVE 200WK MA



We've now hit a new record high in the percentage the S&P 500 is above the 200-week moving average!

I, like many others, were amazed at the strength earlier in the fall when we were hitting records in the spread between the index and the 200-DAY moving average, we're now taking it up a notch to the spread for the weekly MA. It's now the widest spread since January 2018. You can see on the chart below, that goes back to 1980, we don't see the spread more than 30% above the 200-week MA very often. Before Jan. '18, it was just ahead of the 2015 correction and then in 2013 and then we'd have to go all the way back to the mid 1990s.

Yes, the market is stretched right now. Historically that has mattered and chased away investors who thought equities had gotten too hot. That hasn't been the case this year, at least not yet.



The trend in covid cases, hospitalizations, and deaths were the key focal point for the market for much of 2020. That was until the discussion of stimulus flowed from Congress and eased concerns. Then we got good news about the vaccines and the eventual rollout of getting people vaccinated. Fortunately now we have declining trends in cases, hospitalizations and it appears deaths may be peaking too. And thankfully according to BofA data, globally more people have been vaccinated than contracted the virus. The Covid Tracking Project reported hospitalizations have fallen for the last 25 consecutive days. It seems, at this point (hopefully), covid is getting more under control and that's good news for future economic data reports as far as the market is concerned. While the stimulus bill now moves to the House, there's some possible bullish economic catalysts that could help propel growth in Q2 and on.

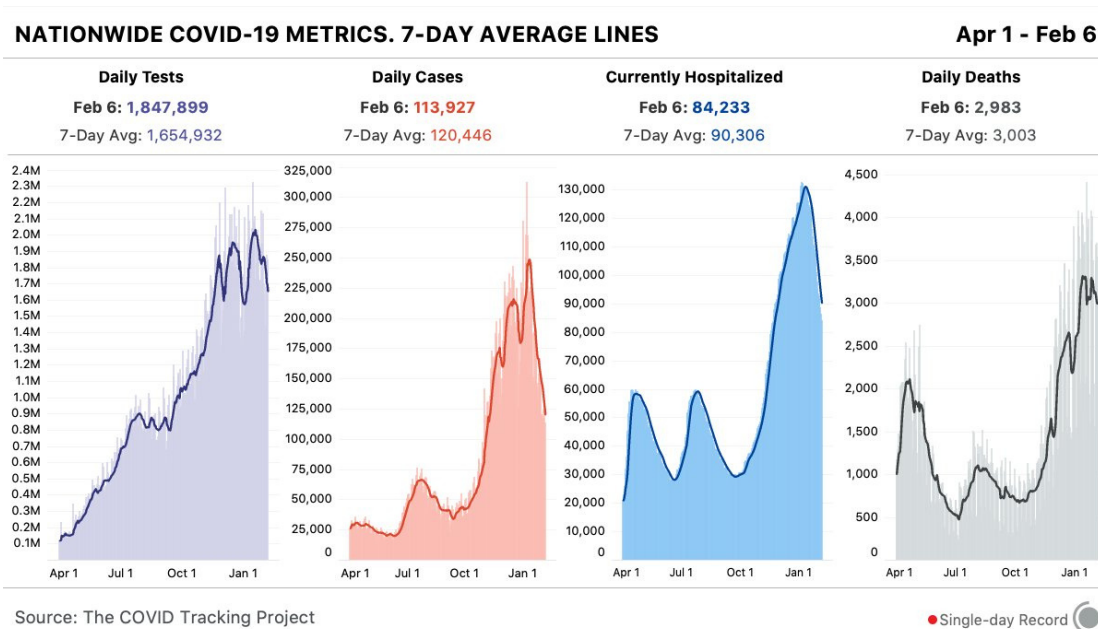
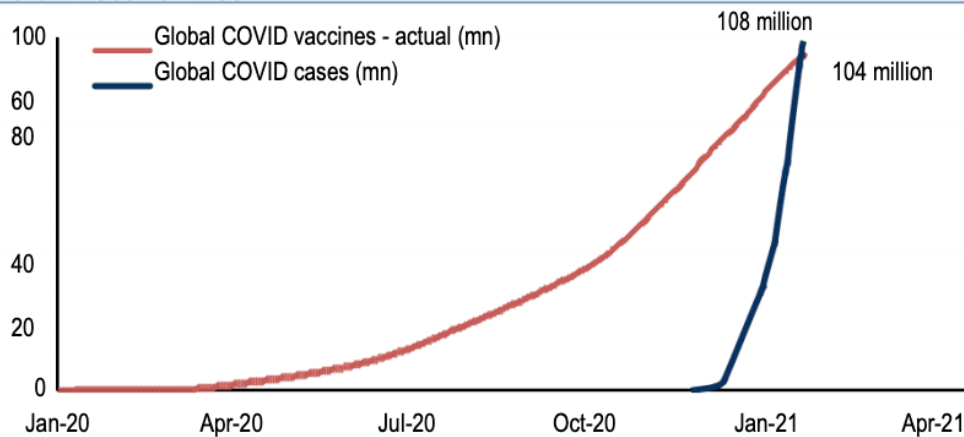


Chart 2: Vaccine>Virus



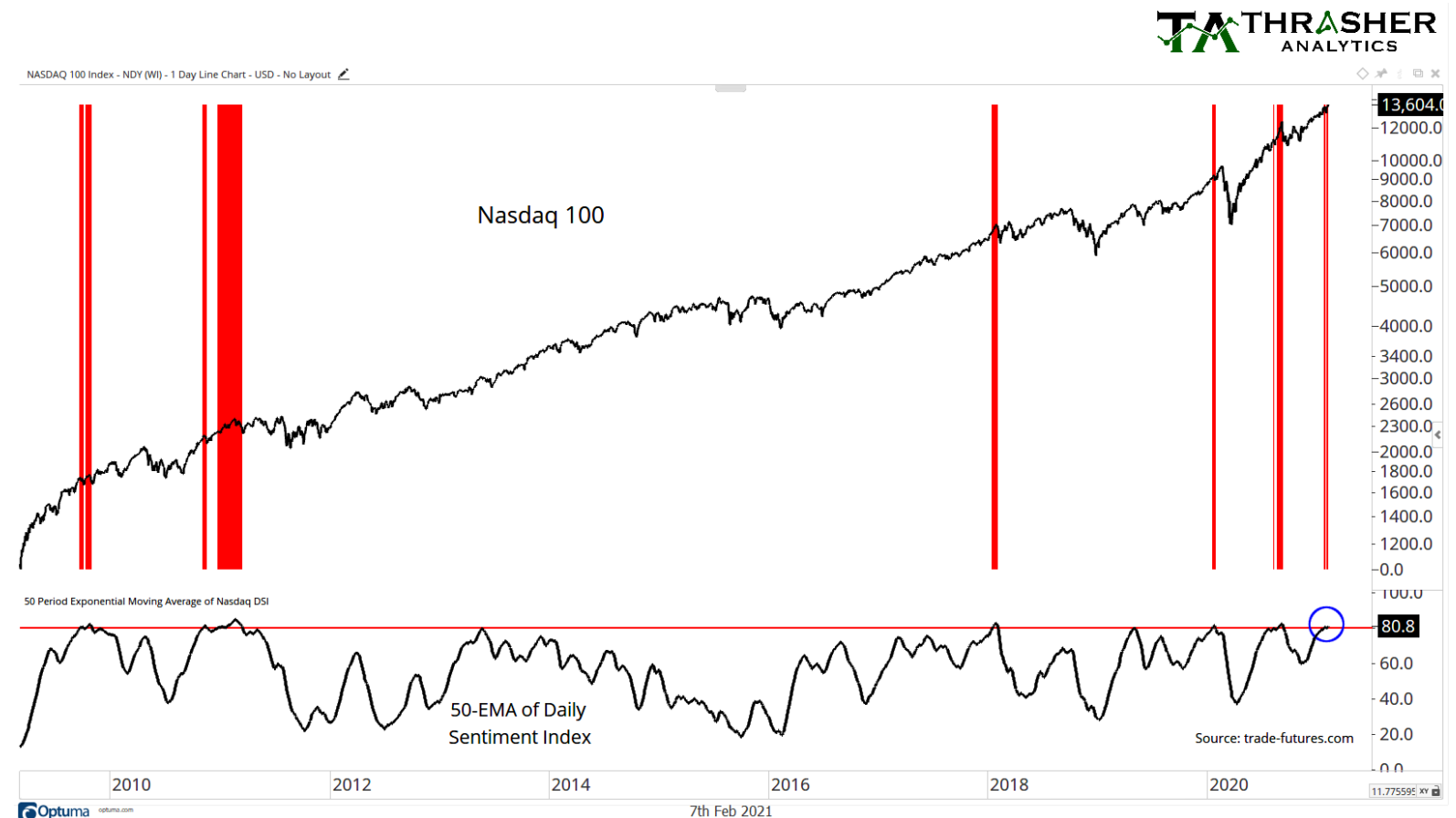
Source: BofA Global Investment Strategy, Bloomberg, Johns Hopkins

# EQUITIES - NASDAQ SENTIMENT



I mentioned earlier that the Daily Sentiment Index for the Nasdaq 100 was above 90%. In fact, the 50-day average DSI for the index is over 80%, showing that bullishness has been elevated for more than just a couple days. We last saw the 50-day average above 80% before the Sept. 10% correction, in early 2020, and ahead of January 2018. There's no question that even after the tiny dip in stocks two weeks ago that sentiment remains extremely elevated.

Tech stocks, which make up a large share of the Nasdaq 100, saw their largest weekly inflow last week at \$4 billion according to BofA. This edged out the prior record inflow set just a couple of weeks ago. There's a strong thirst for mega cap growth and money continues to pile into the tech sector.

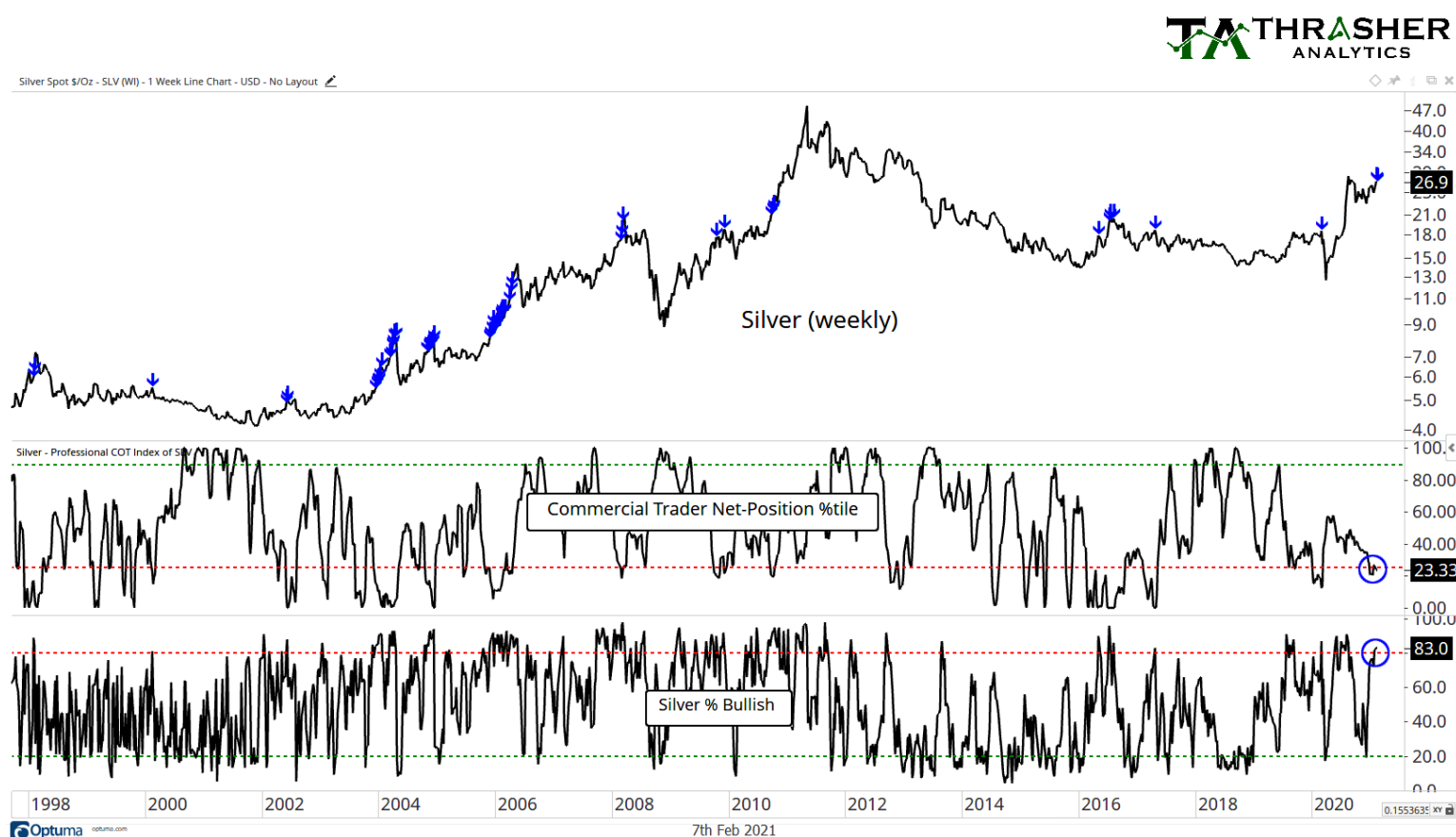




Gold moved lower last week, seeing a large drop on Thursday that was followed by a slight bounce on Friday to close out trading for the week. The shiny metal has been struggling at the 50-day moving average and the Thursday drop sent it back below the 200-day MA as well. However, we still find gold above \$1770, which was an important price level (blue circles) over the last year. While the trend in gold is not the strongest, if it can hold above \$1770 then all hope isn't lost yet. But if it does fail at this key price level then there's little support left below this area for bulls to latch on to. I'd like to see gold recover and hold the 50-day MA and put some more cushion between it and the \$1770 level to get confidence it has enough strength to make another run to \$1980.



While the price action in gold has been cooling off, silver has been hot. And with the rise in silver prices, things may begin to cool off soon. There's now an 83% bullish DSI reading with Commercial Traders dropping their net-long exposure to the 23rd percentile. When we've been below the 25th %tile and above 80% on the DSI, I've plotted blue arrows. You can see the results are fairly mixed. Some led to lower silver prices while others were in the middle of continued up trends. From a price perspective, there's a possible double top at \$29 that needs to be monitored. If silver can't get above \$29 then sellers make take the driver seat and send prices lower.



# SECTORS - PERFORMANCE



Sector	> 50MA	> 200MA	1wk Perf ▼	1mo Perf	3mo Perf	12mo Perf
SPDR Energy Select Sector Fund ETF	True	True	8.24%	7.31%	43.93%	-22.51%
SPDR Communication Services Select Sector ETF	True	True	6.77%	7.03%	11.84%	29.34%
SPDR Financial Select Sector Fund ETF	True	True	6.7%	5.75%	22.77%	-0.58%
SPDR Consumer Discretionary Select Sector Fund ETF	True	True	6.31%	7.23%	12.41%	33.35%
SPDR Industrial Select Sector Fund ETF	True	True	4.98%	1.98%	9.51%	5.95%
SPDR Technology Select Sector Fund ETF	True	True	4.96%	5.12%	11.7%	35.73%
SPDR Materials Select Sector Fund ETF	True	True	4.09%	0.30%	8.4%	20.56%
SPDR Real Estate Select Sector Fund ETF	True	True	3.21%	7.36%	6.07%	-4.55%
SPDR Consumer Staples Select Sector Fund ETF	False	True	2.61%	-1.44%	1.5%	2.64%
SPDR Utilities Select Sector Fund ETF	True	True	2.32%	4.06%	-1.06%	-7.56%
SPDR Health Care Select Sector Fund ETF	True	True	0.56%	1.67%	5.27%	11.48%



The Industrial sector (XLI) broke above its prior 2020 high back in November and then declined earlier this year to test that breakout level as potential support. Support did in fact hold and we saw a move higher. I highlighted this test in last week's letter. XLI has nearly 95% of its stocks above the 200-day MA, giving good long-term support from internals. The % above the 20-day MA dropped to about 7% which was the washout level back in November as well. Since then, we have 67% (and rising) back above the short-term MA. The test and hold of the breakout level in XLI is a positive sign for industrial sector bulls and with the Momentum Composite coming off 'oversold' level there's still some improvement to be done from the momentum viewpoint that could help propel the sector further.



# DAILY SENTIMENT INDEX



Market	% Bullish <sup>▲</sup>	5MA	History <sup>+</sup>
VIX DSI	15	19.2	
Cocoa DSI	30.00	25.80	
Coffee DSI	32.00	33.00	
US Dollar DSI	34.00	36.60	
10Y DSI	39.00	47.60	
5YR DSI	41.00	46.60	
Swiss Franc DSI	45.00	44.40	
Orange Juice DSI	45.00	34.80	
Gold DSI	45.00	47.60	
Palladium DSI	47.00	33.80	
Cattle DSI	47.00	49.20	
Natural Gas DSI	48.00	49.20	
Wheat DSI	55.00	55.80	
Euro DSI	58.00	55.20	
Mexican Peso DSI	65.00	63.20	
Sugar DSI	66.00	63.60	
EuroDollar DSI	67.00	67.80	

Code	% Bullish <sup>▲</sup>	5MA	History <sup>+</sup>
<input type="checkbox"/> Copper DSI	68.00	62.00	
<input type="checkbox"/> Platinum DSI	70.00	66.20	
<input type="checkbox"/> Australian Dollar DSI	70.00	63.20	
<input type="checkbox"/> New Zealand Dollar DSI	71.00	67.40	
<input type="checkbox"/> Cotton DSI	72.00	71.40	
<input type="checkbox"/> British Pound DSI	74.00	66.20	
<input type="checkbox"/> Corn DSI	77.00	81.6	
<input type="checkbox"/> Crude Oil DSI	78.00	72.40	
<input type="checkbox"/> Lean Hog DSI	79.00	71.00	
<input type="checkbox"/> SPX DSI	80	73.40	
<input type="checkbox"/> Heating Oil DSI	80	73.20	
<input type="checkbox"/> Silver DSI	83	82.2	
<input type="checkbox"/> Lumber DSI	83	73.80	
<input type="checkbox"/> CRB Index DSI	83	80.2	
<input type="checkbox"/> Gasoline DSI	86	84.2	
<input type="checkbox"/> Nikkei DSI	88	82.6	
<input type="checkbox"/> Nasdaq DSI	91	85	

Source: trade-futures.com

# DAILY SENTIMENT INDEX

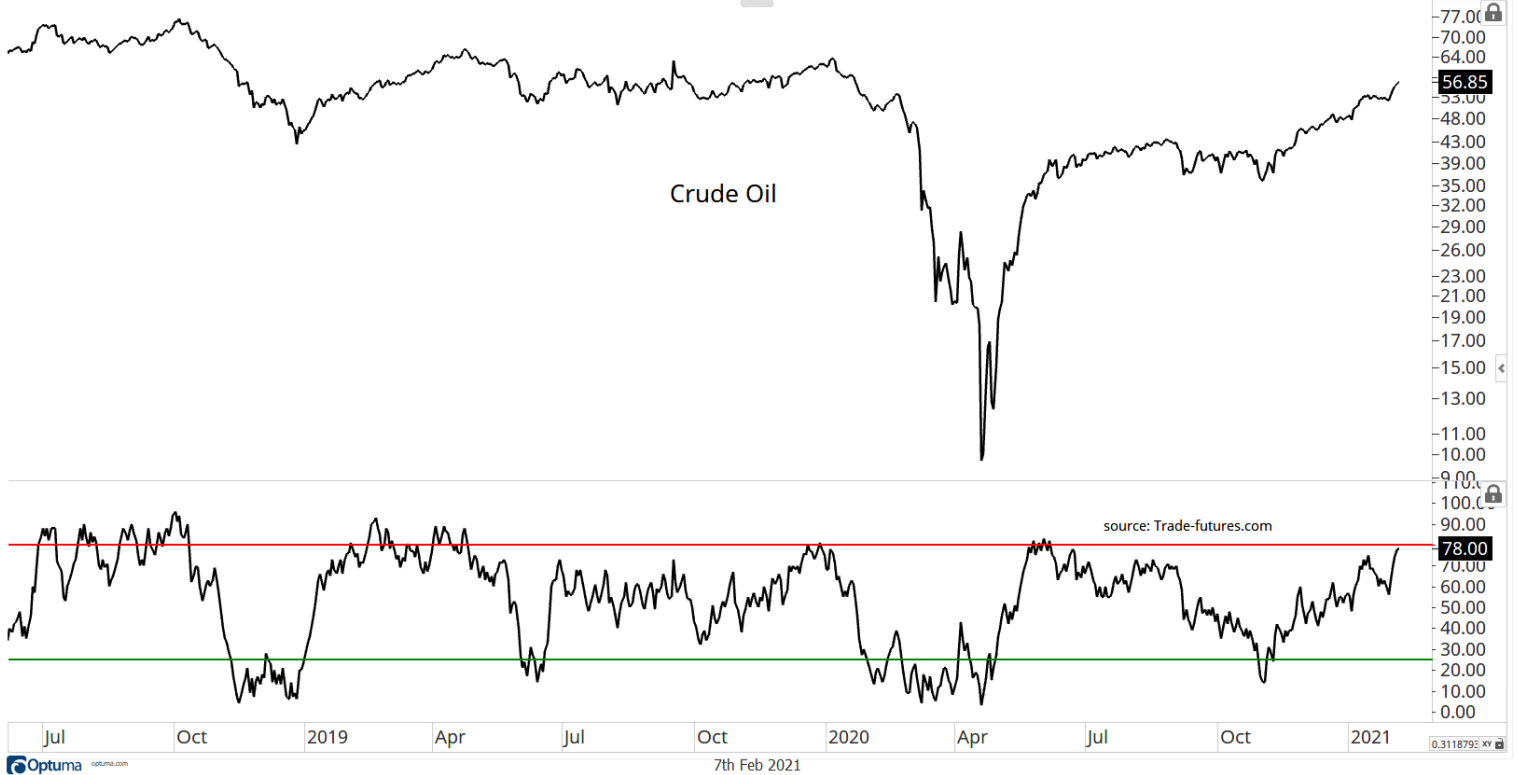


# DAILY SENTIMENT INDEX



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



# DAILY SENTIMENT INDEX



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ANALYTICS

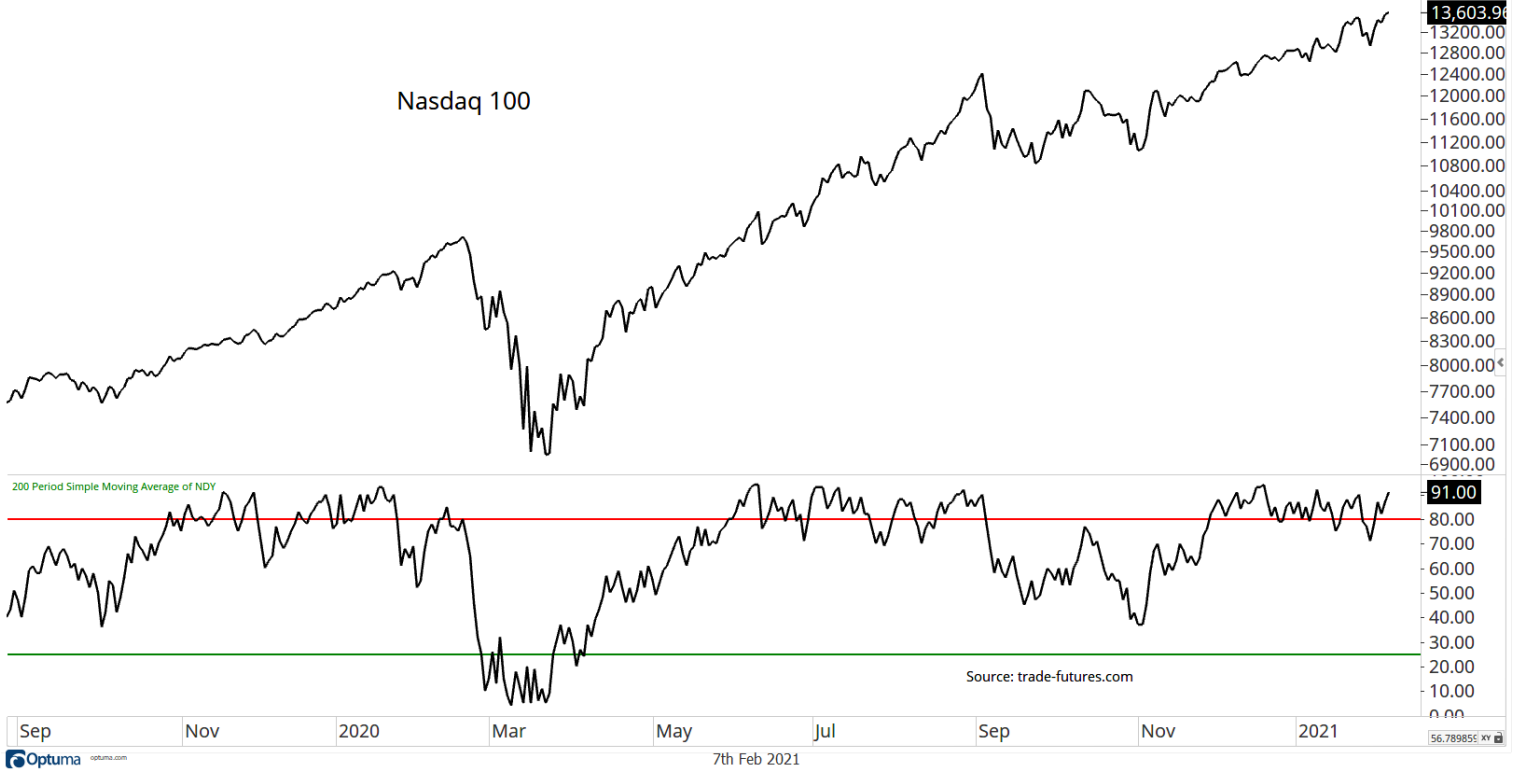
Gold Futures - GCSpot (NYMEX) - 1 Day Line Chart - USD - No Layout



# DAILY SENTIMENT INDEX



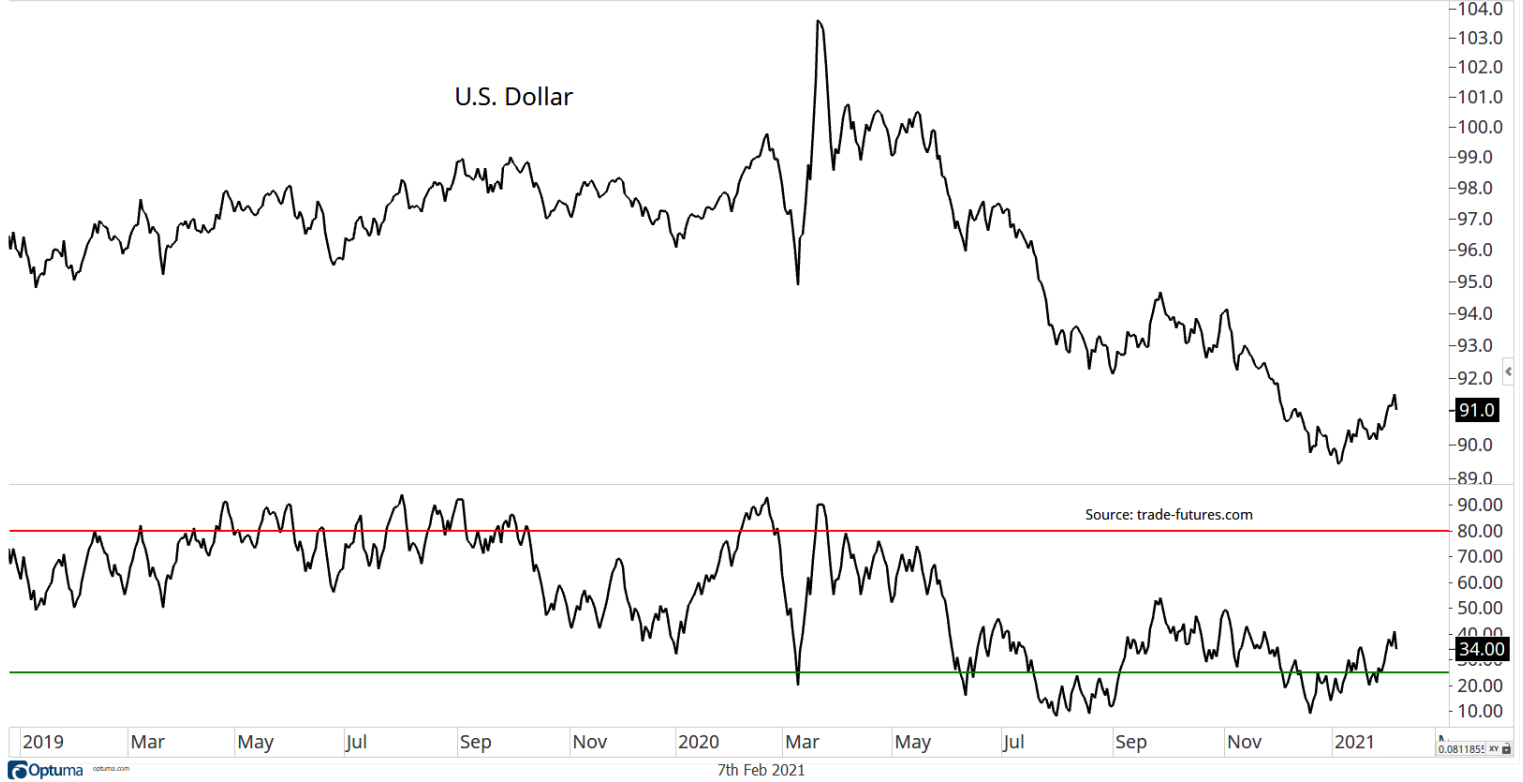
NASDAQ 100 Index - NDY (W) - 1 Day Line Chart - USD - No Layout



# 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

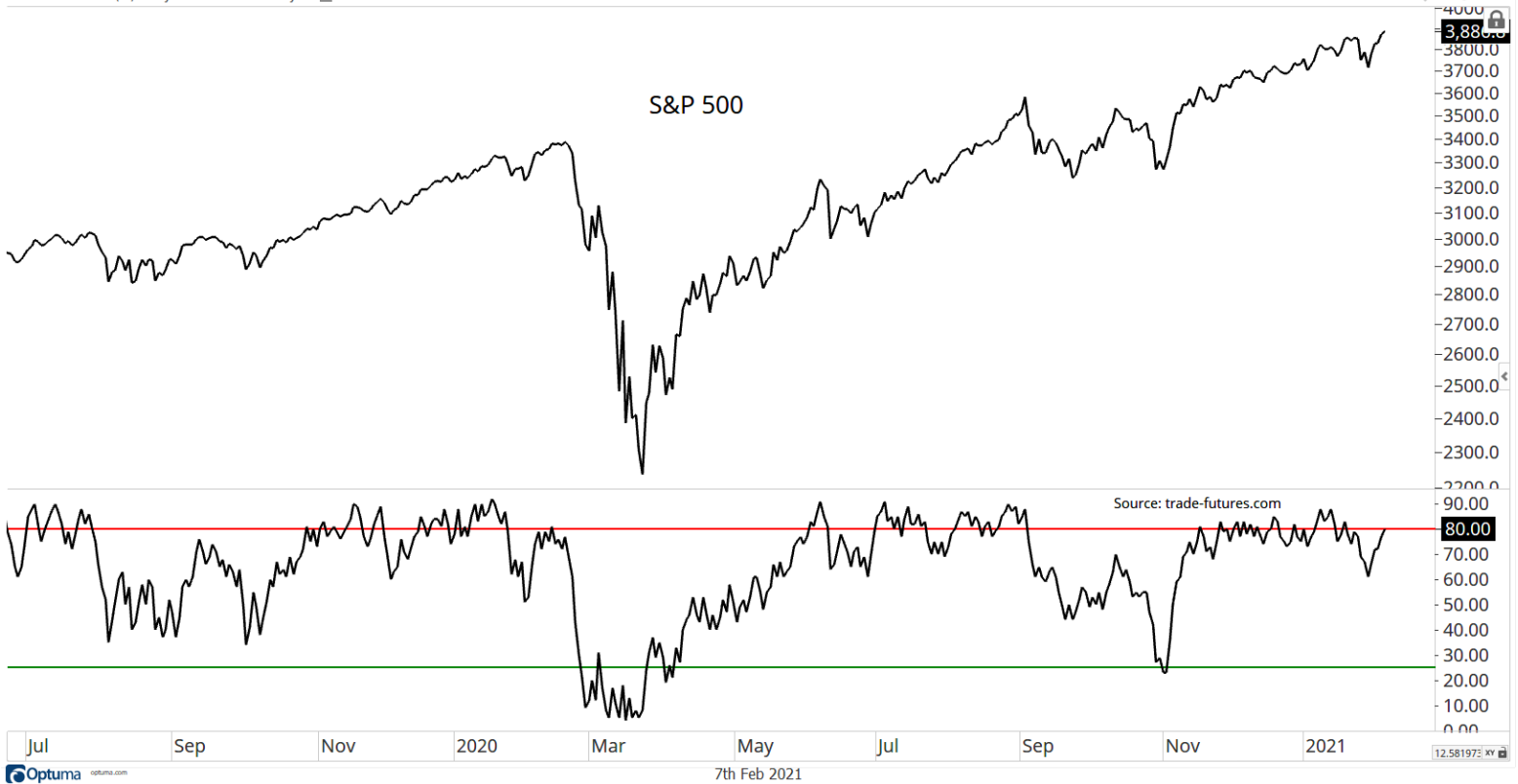




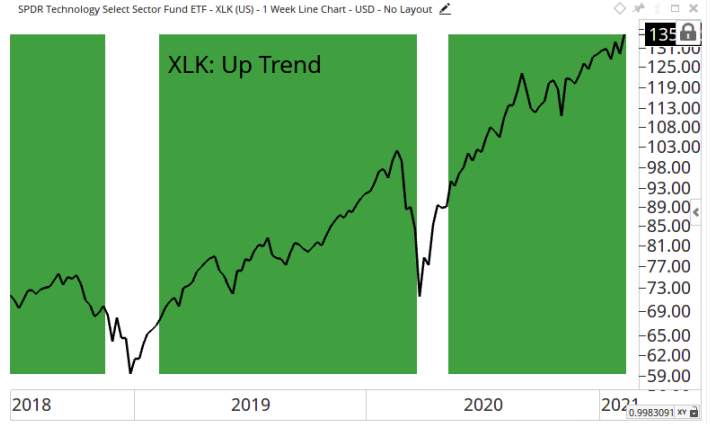
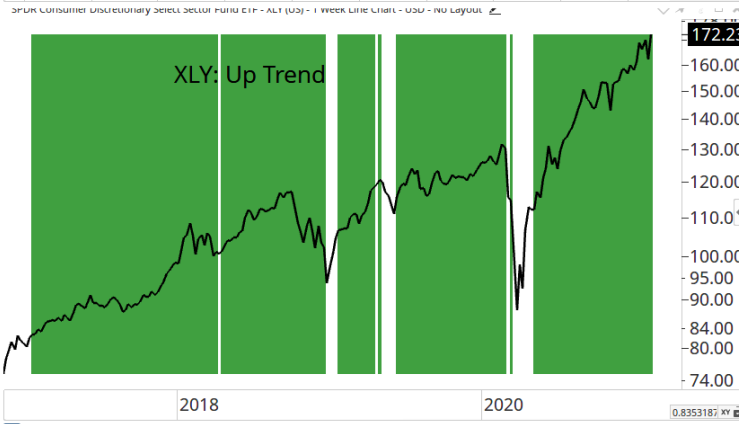
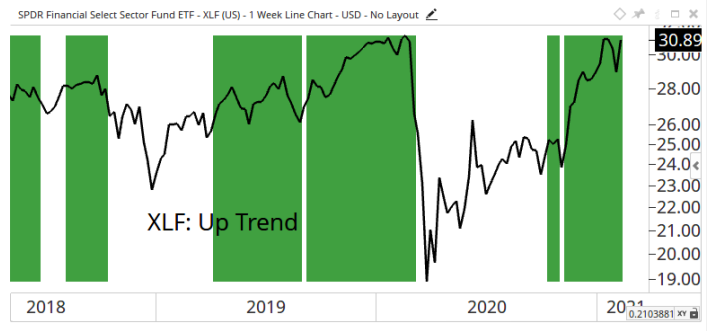
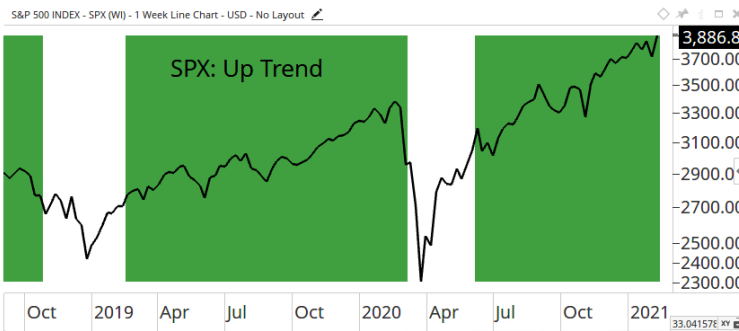
# DAILY SENTIMENT INDEX



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



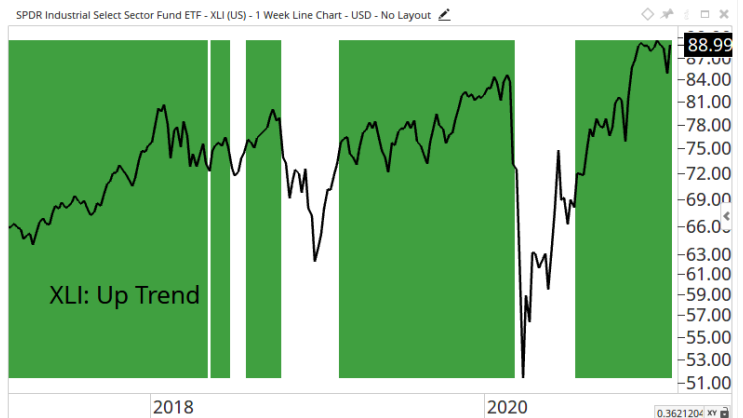
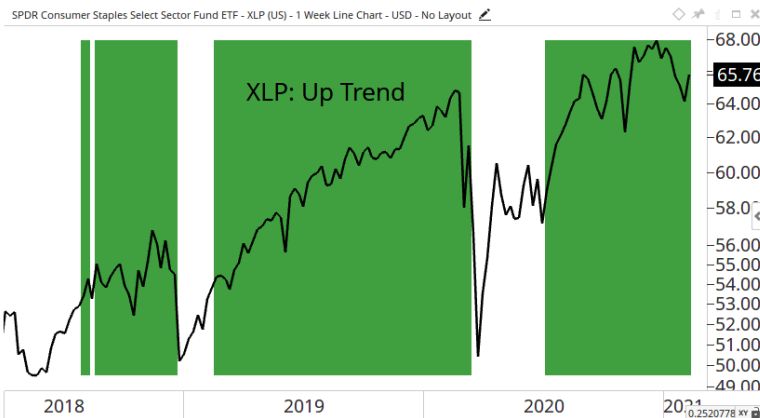
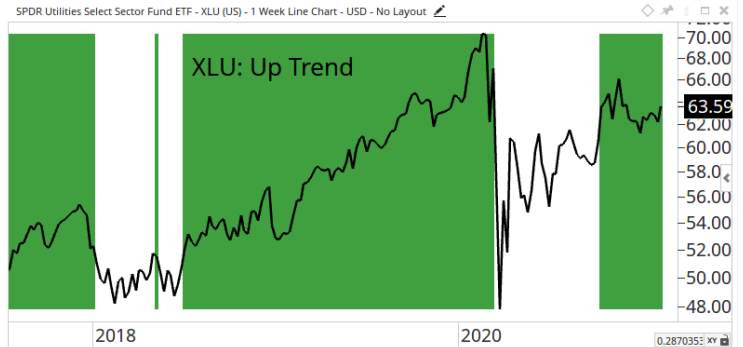
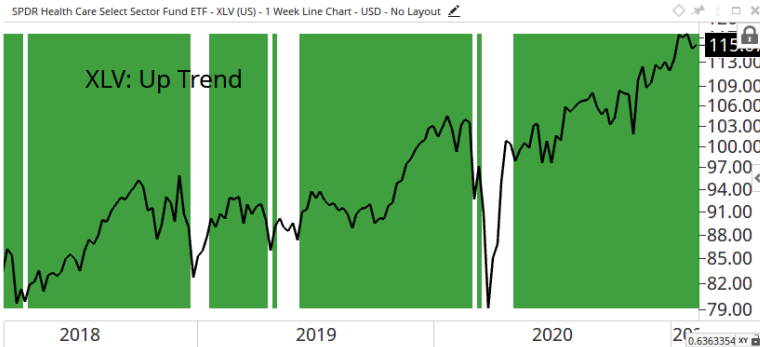
# TREND MODELS



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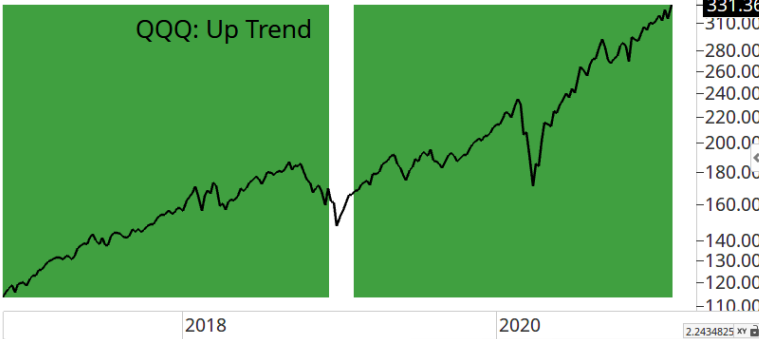
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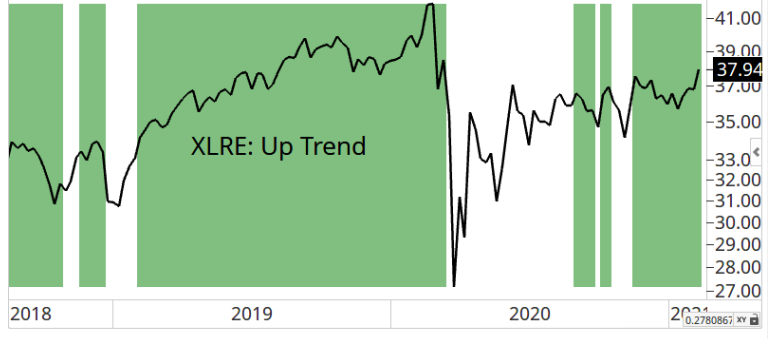
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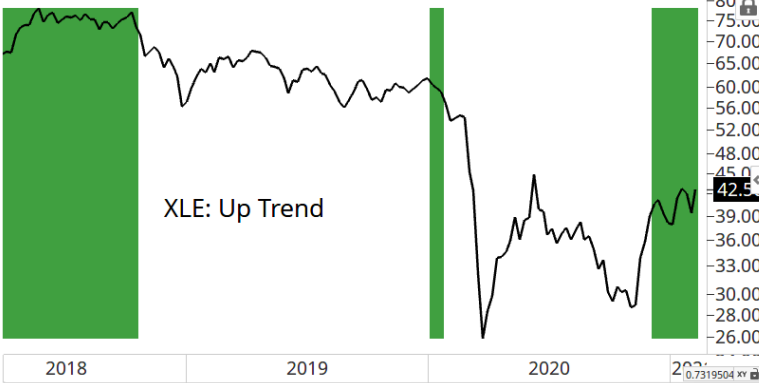
Invesco QQQ Trust - QQQ (US) - 1 Week Line Chart - USD - No Layout



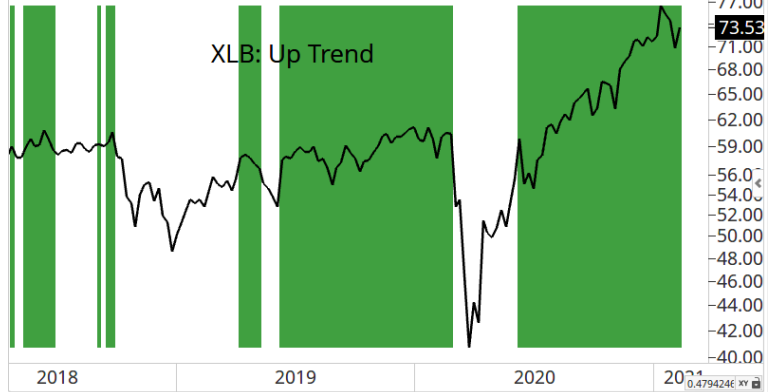
SPDR Real Estate Select Sector Fund ETF - XLRE (US) - 1 Week Line Chart - USD - No Layout



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



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



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