THRASHER ANALYTICS

MARCH 7, 2021

WEEKLY RESEARCH & ANALYSIS

BY ANDREW THRASHER, CMT

Bullish	Bearish
• Long-term breadth remains strong. • Trend Model remains positive for all but one sector and indices. • The Market Health Report remains supportive. • Opportunity in tech & semiconductors. • Drawdown siloed in a few high growth names.	• Energy sector sees an uptick in overbought momentum. • Sentiment still elevated. • Seasonally tough month for equities.

TABLE OF CONTENTS

Volatility
Equities
Market Health Report
Fixed Income
Sector
Sentiment
Trend Models

Market Dashboard

Sector Rotation: March	
Financials	XLF
Energy	XLE
Technology	XLK

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

Market Health Report	
Breadth	3
Divergence	0
Momentum	1
Sentiment	1
Trend	0
Volatility	0
Total	5

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	60%	64%
Nasdaq 100	58%	63%
Nikkei	61%	62%
VIX	22%	20%
10yr Treasury	16%	16%
5yr Treasury	17%	17%
CRB Index	82%	73%
Gold	15%	15%
U.S. Dollar	45%	35%

**Green<25% Red>80%*

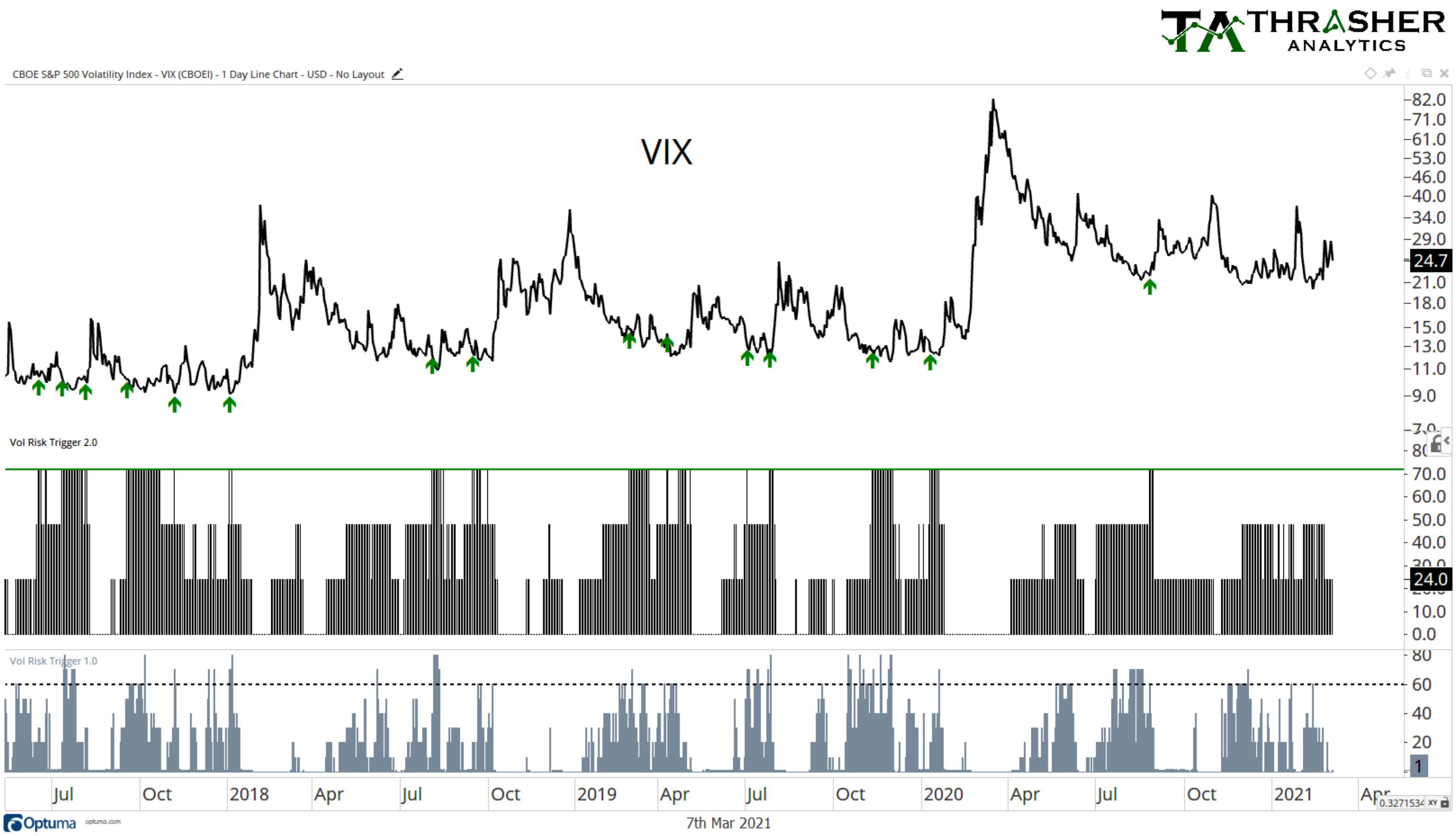
source: trade-futures.com

Brief Summary:

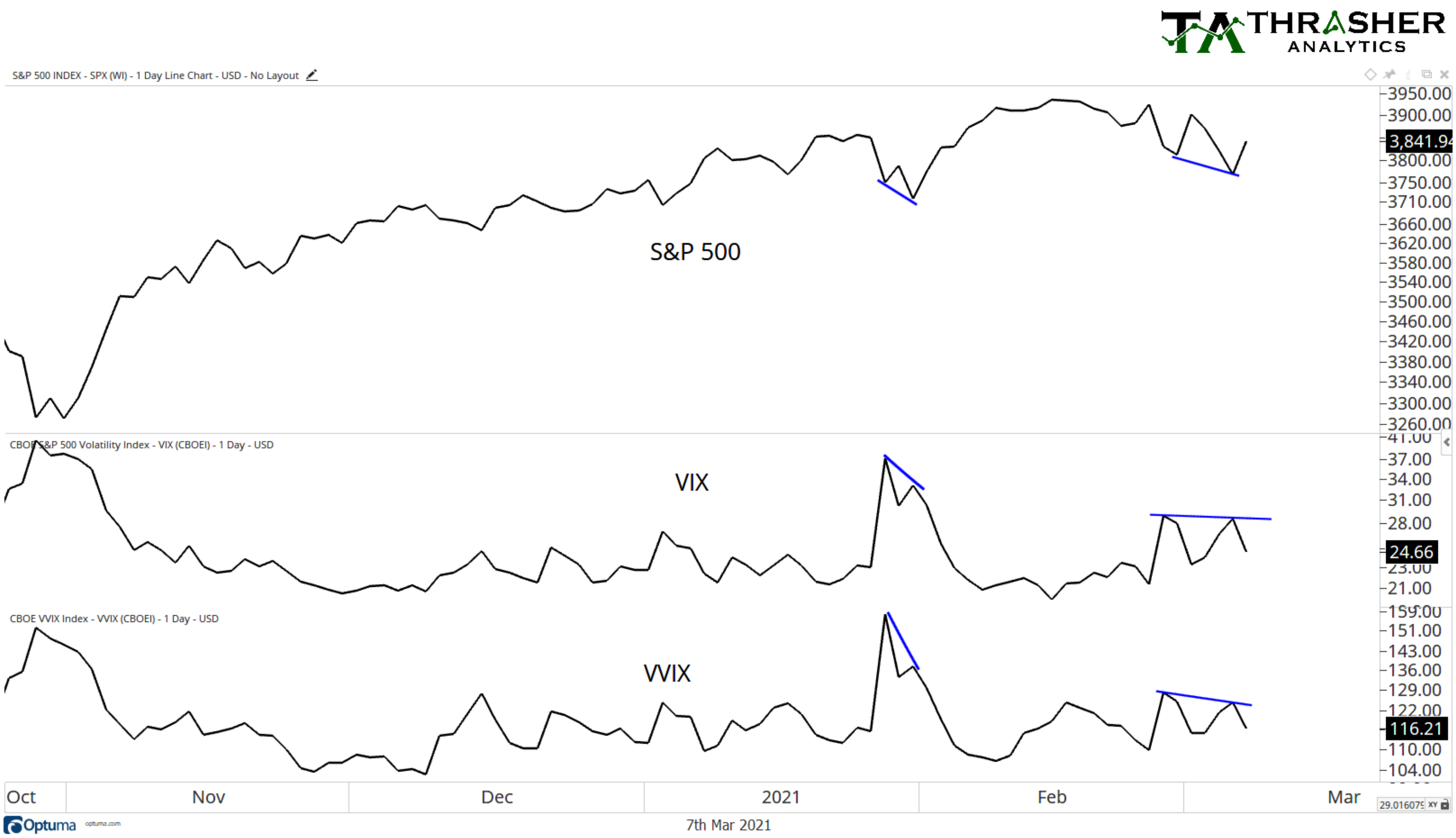
Believe it or not the S&P 500 actually closed slightly up on the week last week, with Friday's close just 1 point above Monday's open. Doesn't feel like it though does it? The drawdown thus far has been contained within the range I discussed last week based on the Market Health Report values. The correction has been siloed, so far, in a few high growth names (which I'll discuss later) as tech takes a backseat to energy. I think the setup in tech is starting to look attractive while the energy sector may have run out of...energy (sorry).

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).

While it may be hard to believe, the Volatility Index closed lower last week, despite the intra-week swings. Sentiment (via DSI) for the VIX remains low, still not seeing a move above 30% bullish.



I tweeted this on Friday near the intraday low before the strong move higher in equities - both the VIX and VVIX (VIX of the VIX) made lower highs as the S&P 500 made a lower low. This is an equity bullish sign that volatility is not confirming the breakdown in stock prices. While we don't expect every tick of the volatility complex to be inverse to the equity market, the notable divergence in highs vs. SPX lows often is a positive sign for risk assets. We saw a similar development back in January, with both vol measures making lower highs as SPX made a lower-low, marking the bottom before the equity index moved back to new highs.

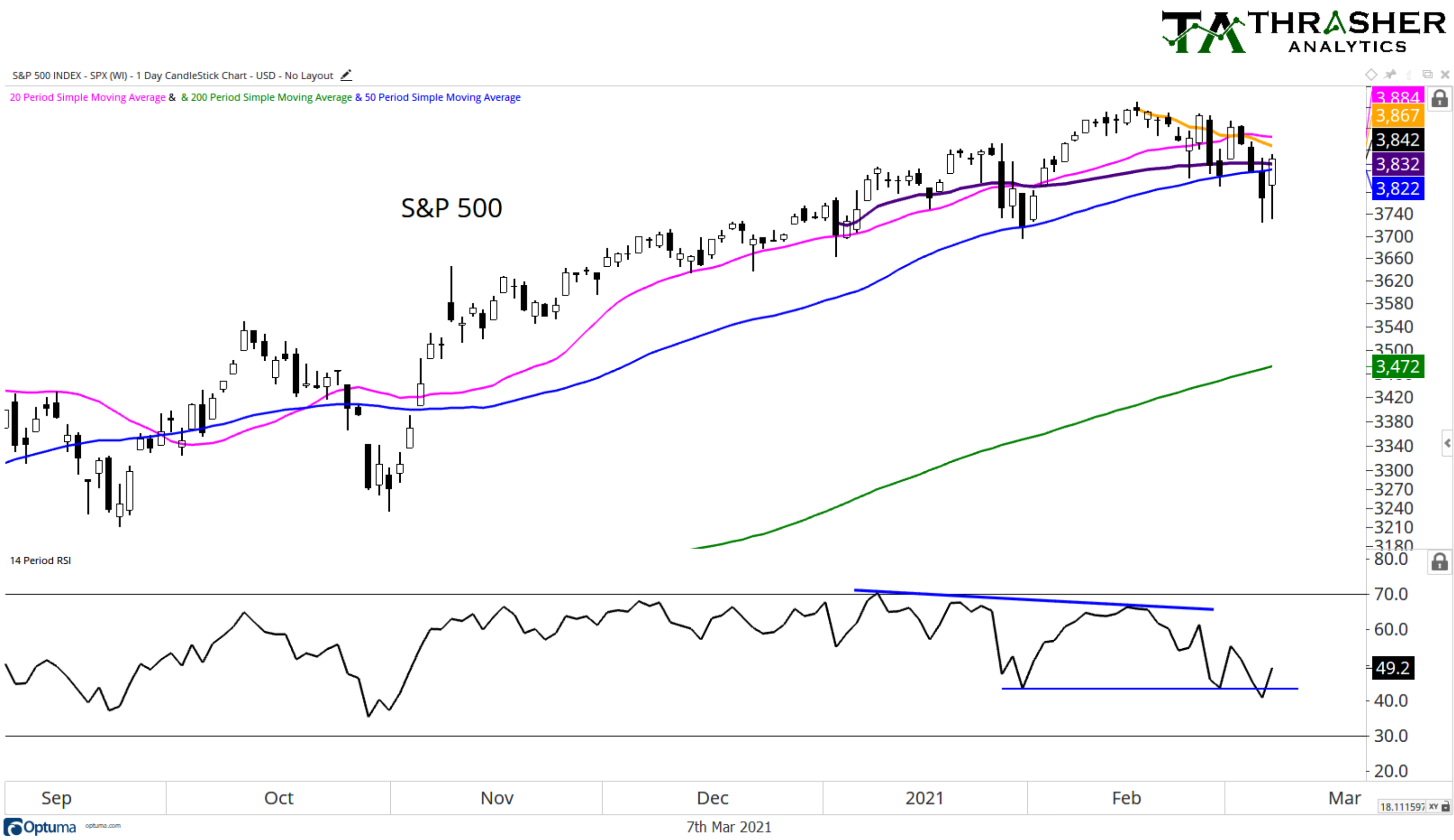


Equities - S&P 500 Daily

As I mentioned earlier, the S&P 500 actually finished marginally higher last week, recovering its 50-day moving average in afternoon trading on Friday. SPX finished the week just a few points above the year-to-date VWAP (purple line) and the 50-day MA (blue line). I've plotted on the chart below the VWAP from the February high, which closed Friday at 3867. This could be a good place to watch if stocks move higher this week and see if SPX can break above this price level as a bullish sign.

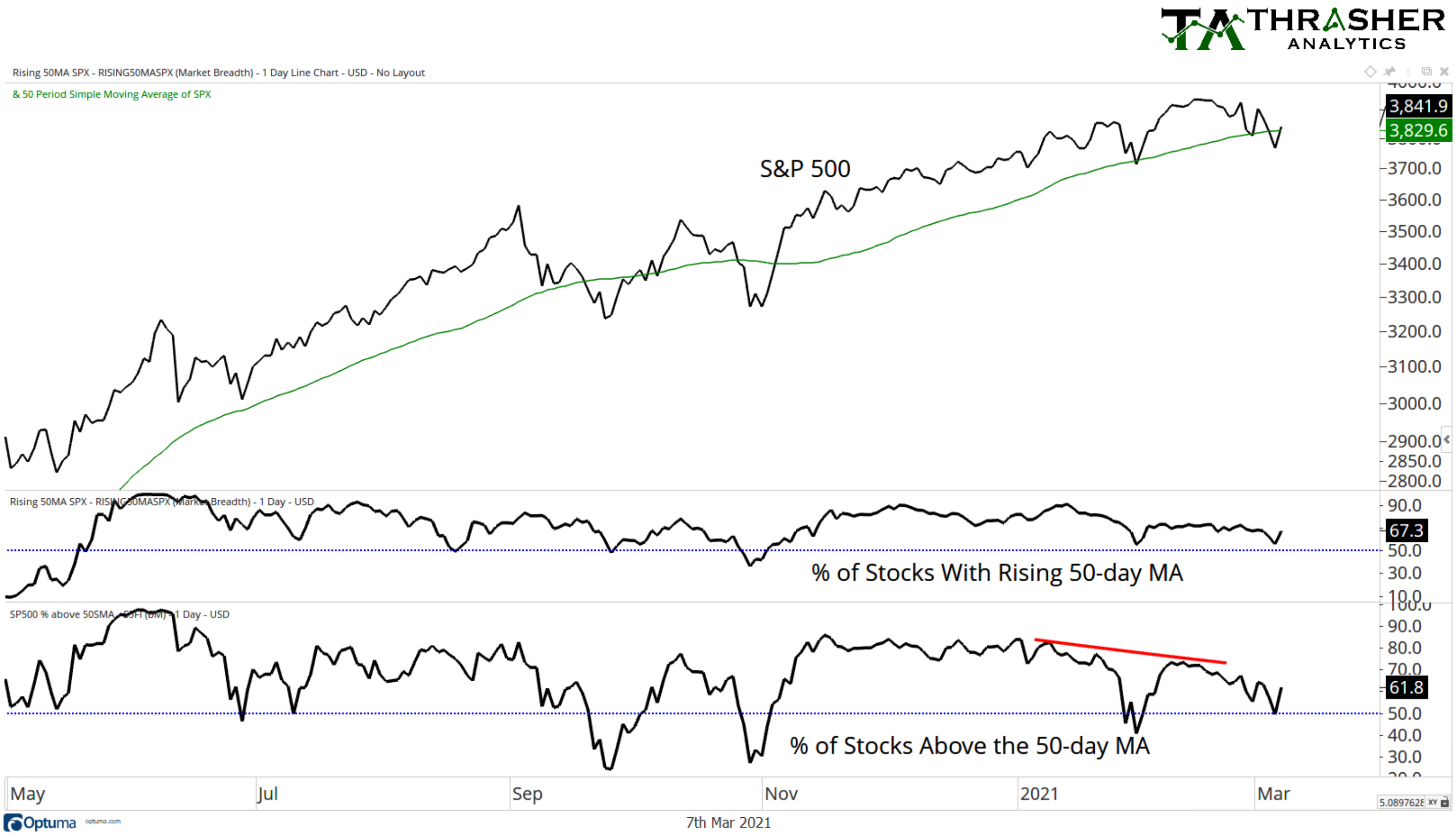
Momentum temporarily broke below the January and early February lows but recovered back above on Friday. The 14-day RSI remains in a bullish range, despite the bearish divergence that developed at the most recent high.

The Market Health Report remains supportive of equities, suggesting weakness can be taken advantage of in opportune setups.



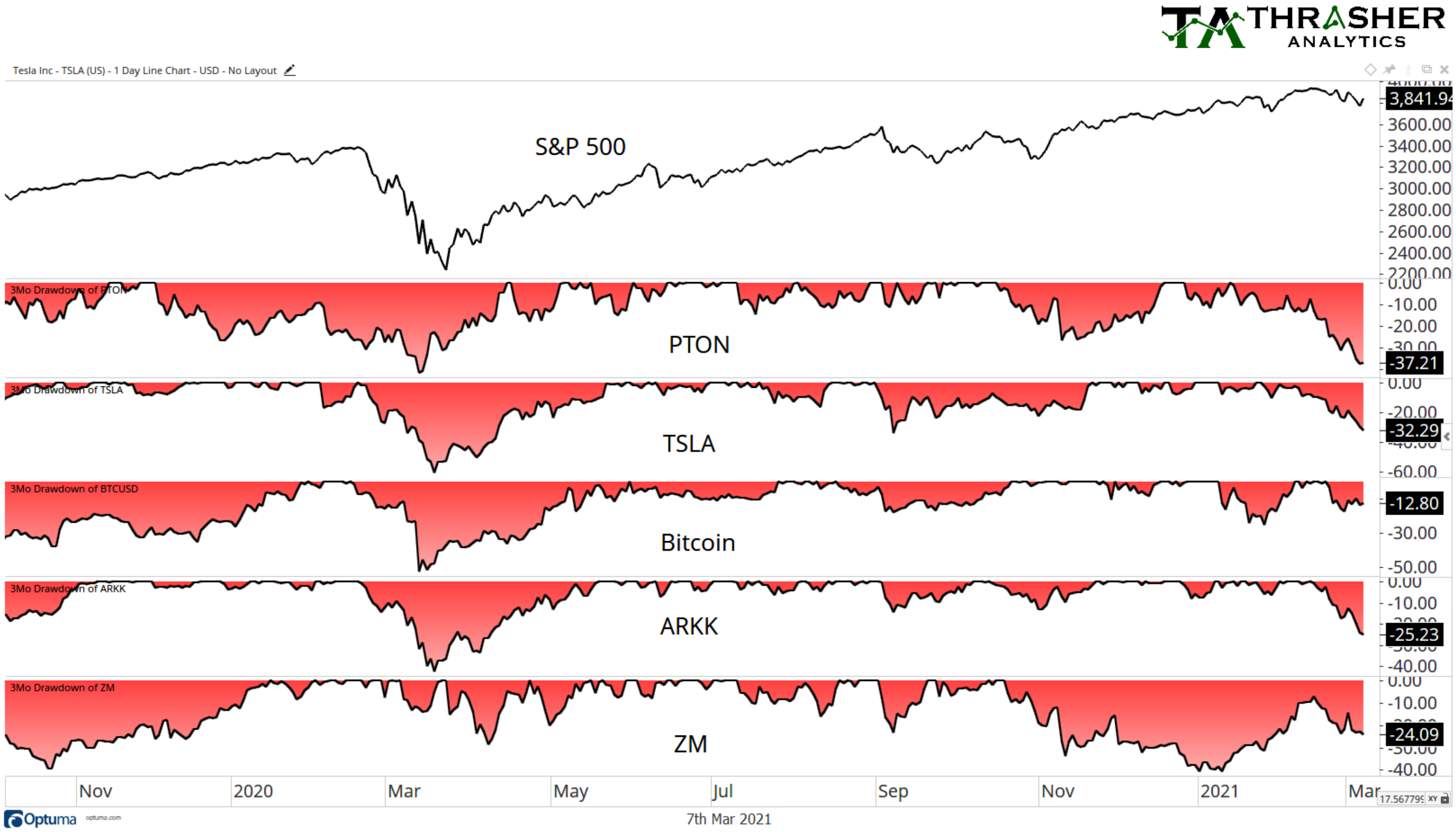
Equities - Breadth

During this recent dip in equities, we've yet to see a turn below 50% in the percentage of stocks with a rising 50-day MA. Trading Friday finished at 67% with almost 62% of stocks still trading above their own respective 50-day moving average. From a breadth perspective, the market continues to look supported by individual stocks.



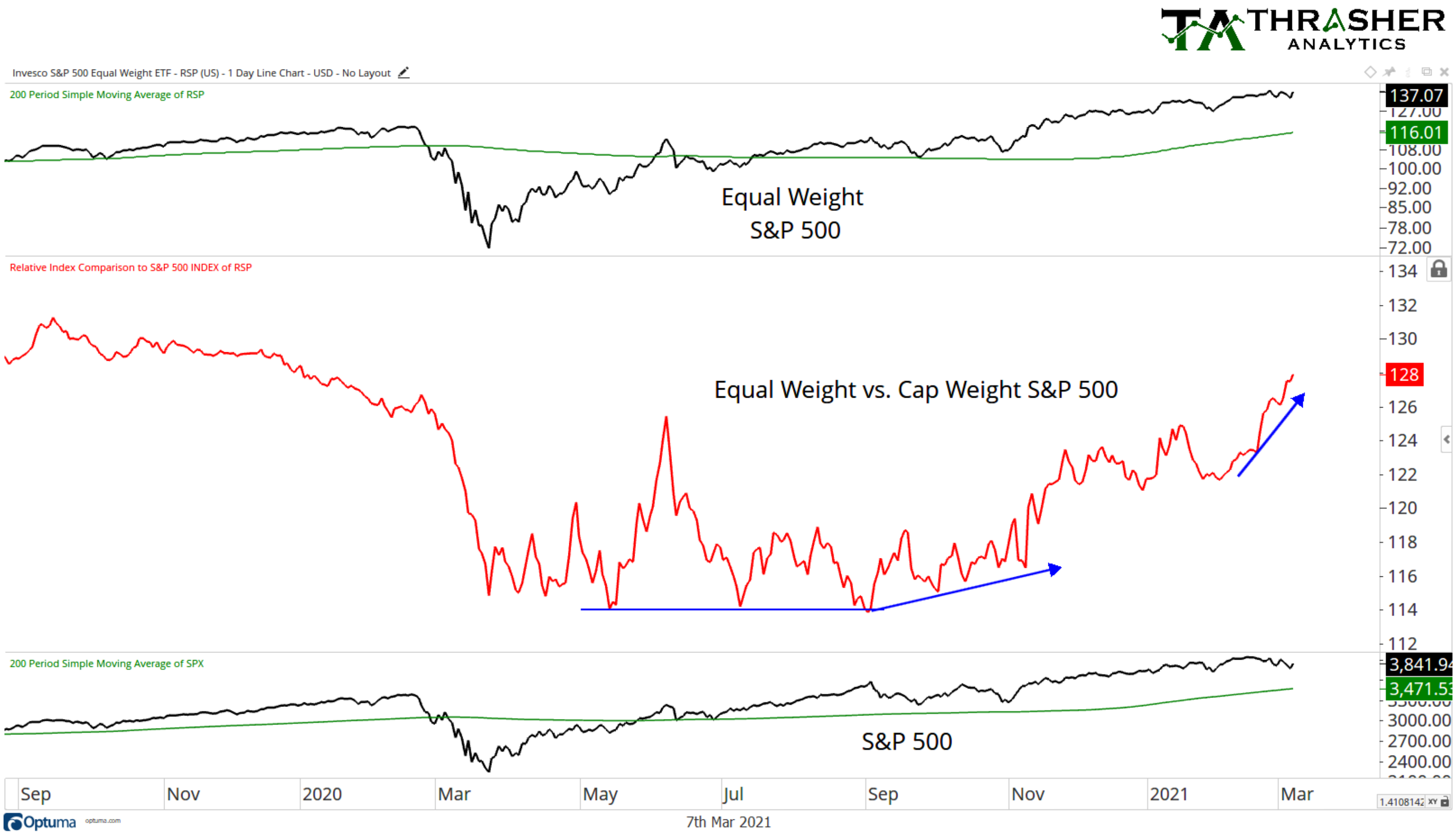
Equities - Drawdown

The S&P 500 so far has experienced a 4% decline with the Nasdaq 100 correction exceeding 10% at one point intraday on Friday. It seems the bulk of the selling has been causing damage to the high growth, primarily tech, stocks that showed incredible strength in 2020. Below is an example of the drawdowns from some of the popular names like Peloton, Tesla, Bitcoin, the ARK Innovation ETF, and Zoom. These names have seen much more severe selling, Peloton's drawdown nearly matches its decline during the Covid Crash. The fact that the intense selling is occurring in what were some of the most stretched (and some argue over-valued) corners of the market is likely a good thing. It's normal market behavior to see mean-reversion be threshed out when necessary as buyers step back and sellers step in. Meanwhile, the indices themselves have held up fairly well as equal-weight strength continues to trend higher.



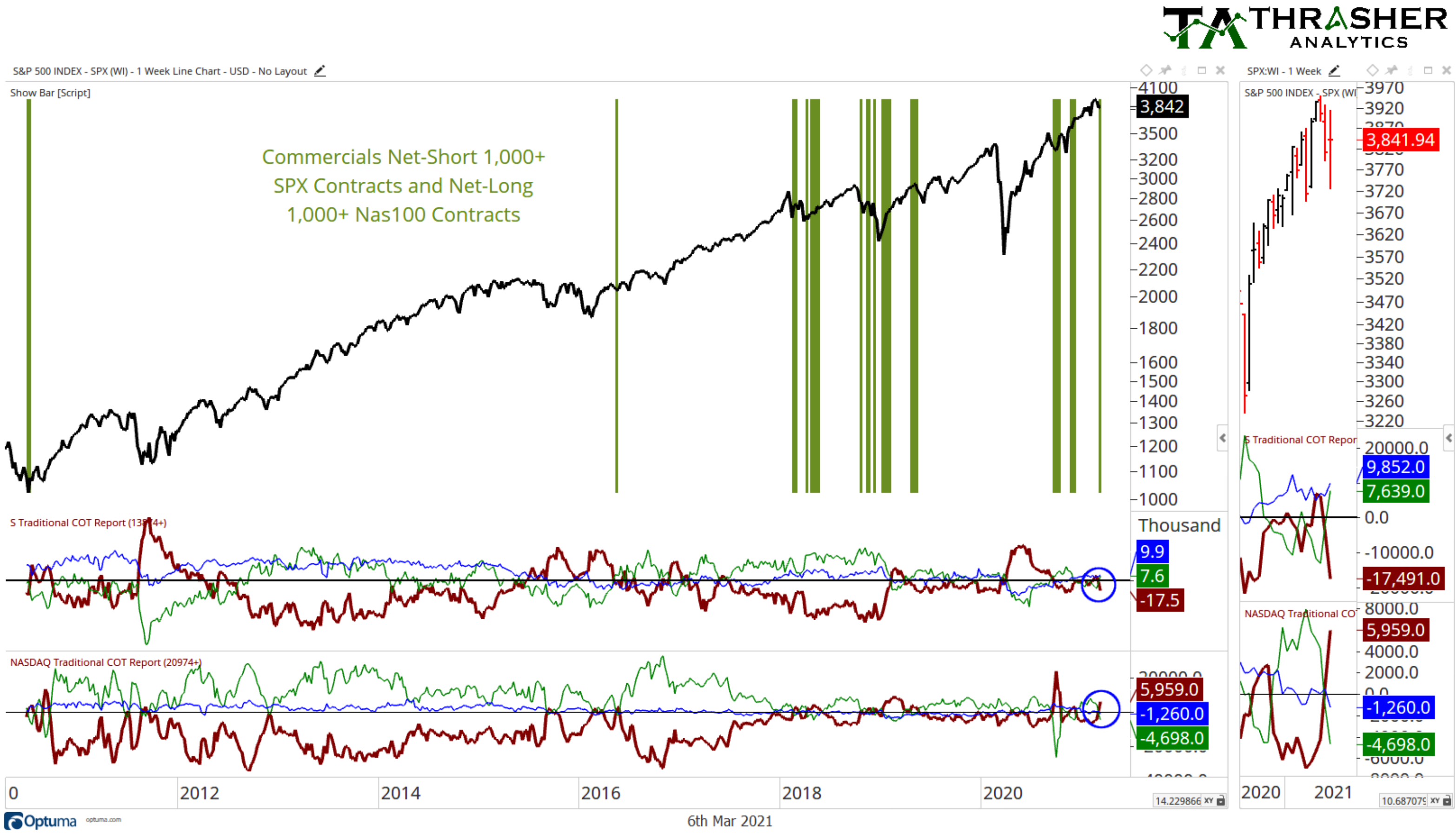
Equities - Equal Weight

Below we can see both the Equal Weight and Cap Weight S&P 500 along with a ratio of the two (in red). You'll notice as the red line rises, Equal Weight S&P 500 outperforms. This strength continued last week while many equities moved lower. Typically in a 'risk off' trading environment smaller stocks see more downside as traders shift preference for the "safety" of mega/large caps. This occurred during the Covid Crash last March and the 10% correction last September. But this time around it's the smaller cap stocks that are been sought after for "protraction" as the stretched mega caps consolidate and give back some of their gains. This suggests the weakness right now is more sentiment towards growth stocks-driven vs. an outright bearishness on equities.



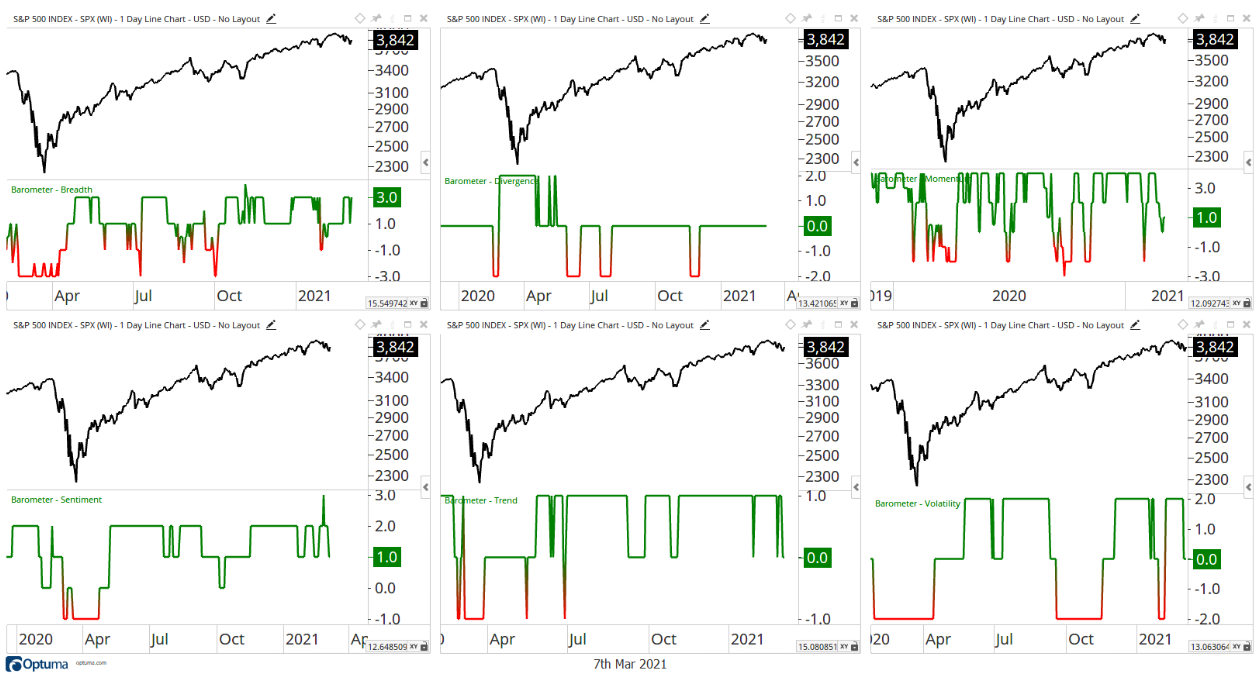
Equities - Index COT Data

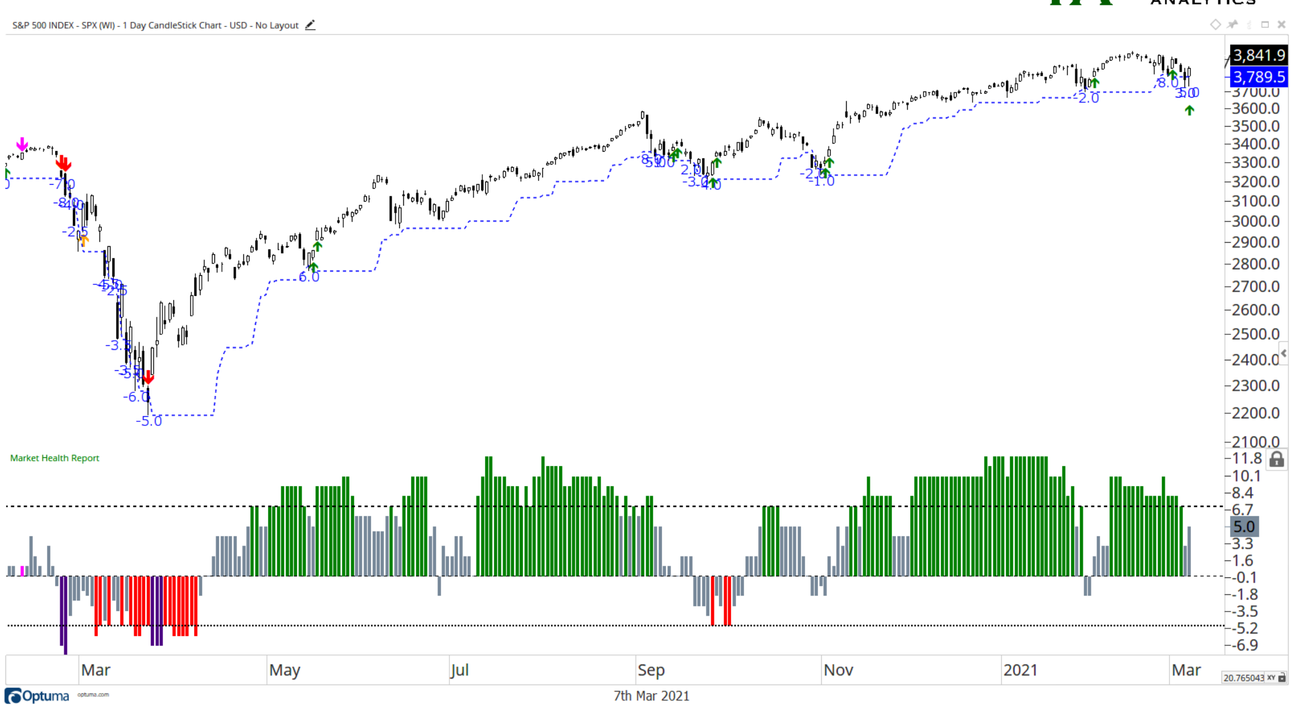
While Nasdaq stocks have taken a gut punch in the last couple of weeks, it appears the Commercial Traders have been taking advantage of the weakness and moved their net-position to be long an aggregate 5,959 contracts while moving net-short S&P 500 futures contracts. When we've seen this wide a spread between Commercial Trader's net-position in the two equity indices future markets, it's typically been bullish for equities as a whole due to the preference for the riskier Nasdaq over the mega cap SPX. Below the green lines mark when Commercials were net short over 1,000 contracts and net-long 1,000 Nasdaq 100 contracts. This typically occurred after a period of selling and we often saw equities rally soon after. The most recent example was after the 10% correction last September and smaller dip in October. This also occurred during the Q4 '18 correction, when stocks did in fact move lower before eventually bottoming out.



Market Health Report

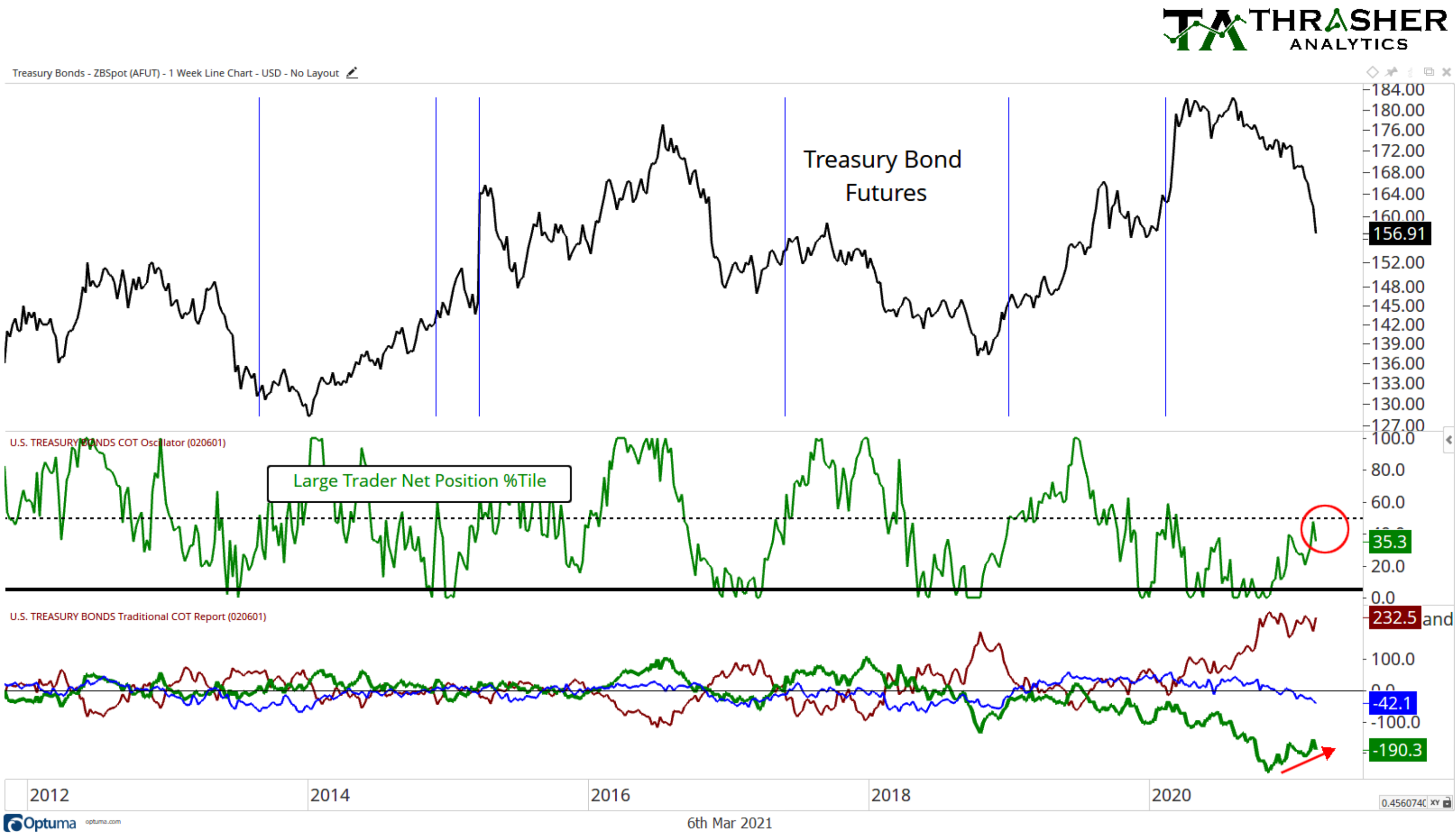
The Market Health Report (MHR) finished the week at +5. We still have most of the six categories showing positive levels, indicating good support for the equity market. As I mentioned last week, the typical decline when the first 15-day low is a MHR of +8 ranges from 4.5%-7% and so far we haven't even seen the SPX drawdown get to the lower-end of that range. Based on current data, the dip still appears buyable and hopefully we don't see any major changes to that this week. If we do I'll of course provide an update.





Fixed Income - COT

Last week I wrote about how it would be bullish if we saw the Large Trader net-position %tile move above the 50th %tile. Well I wanted to provide an update and show that we didn't get get there last week. As Powell spoke mid-week the market got the believe he wasn't overly concerned with the move up in rates and Treasury's continued to sell-off. As of last Tuesday's COT report, the Large Traders net-position ticked slightly lower, suggesting they aren't convinced enough yet to pull off more of their current net-short position. So we'll wait another week and see if the data materially improves.



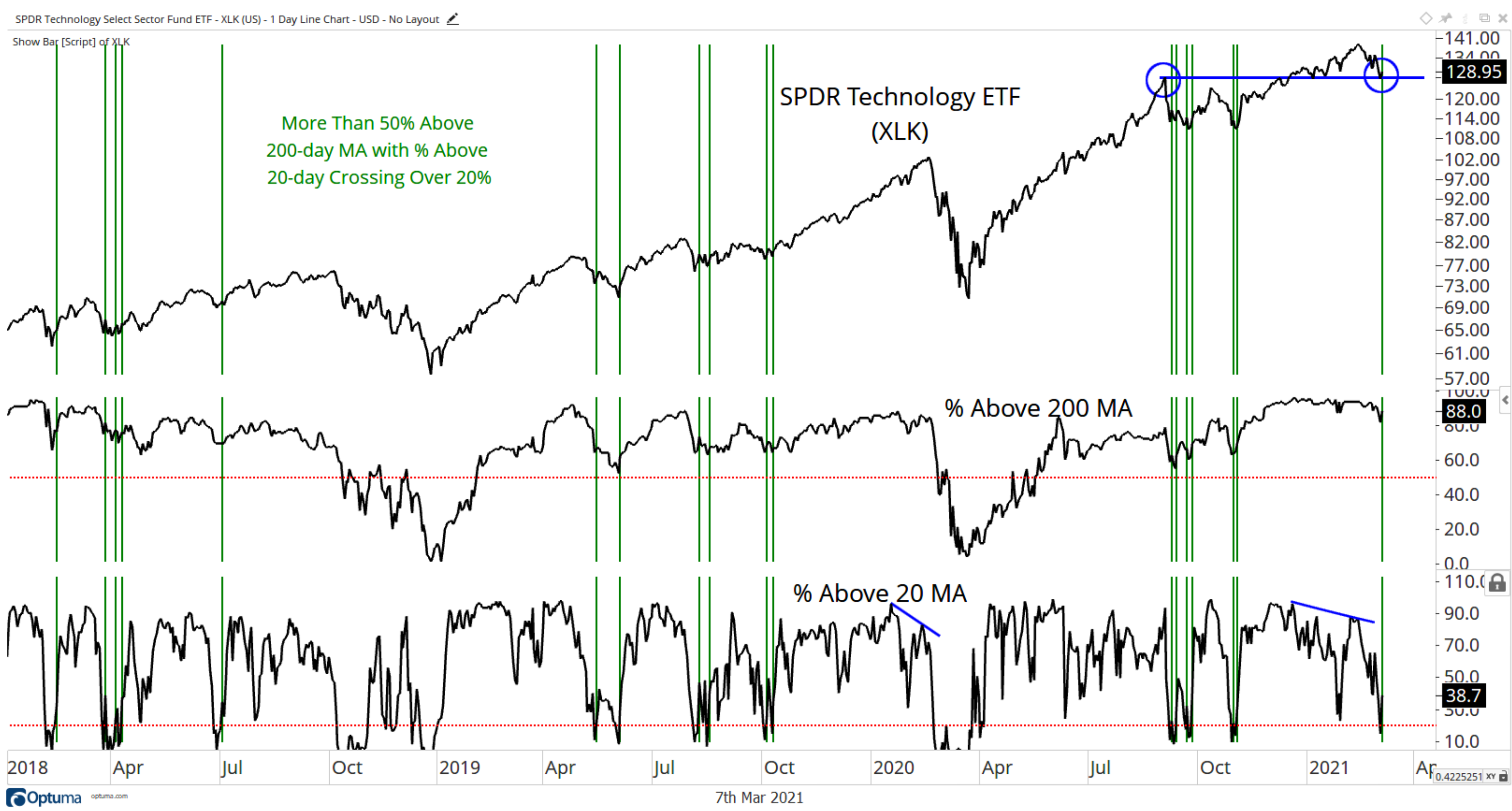
Sectors - Performance

Sector	> 50MA	> 200MA	1wk Perf	1mo Perf	3mo Perf	12mo Perf
SPDR Energy Select Sector Fund ETF	True	True	9.97%	24.41%	30.32%	17.59%
SPDR Financial Select Sector Fund ETF	True	True	4.33%	9.13%	16.32%	27.45%
SPDR Industrial Select Sector Fund ETF	True	True	3.12%	5.00%	4.74%	27.84%
SPDR Communication Services Select Sector ETF	True	True	2.52%	2.74%	9.54%	44.71%
SPDR Materials Select Sector Fund ETF	True	True	2.39%	2.42%	4.92%	37.03%
SPDR Utilities Select Sector Fund ETF	False	False	2.26%	-6.15%	-4.37%	-11.79%
SPDR Consumer Staples Select Sector Fund ETF	False	True	2.21%	-1.61%	-4.33%	4.3%
SPDR Health Care Select Sector Fund ETF	False	True	0.36%	-2.29%	0.43%	15.72%
SPDR Technology Select Sector Fund ETF	False	True	-1.33%	-4.71%	2.31%	41.97%
SPDR Real Estate Select Sector Fund ETF	False	True	-1.34%	-2.90%	-1.31%	-5.95%
SPDR Consumer Discretionary Select Sector Fund ETF	False	True	-2.69%	-8.95%	-0.77%	34.68%

Sector - Technology

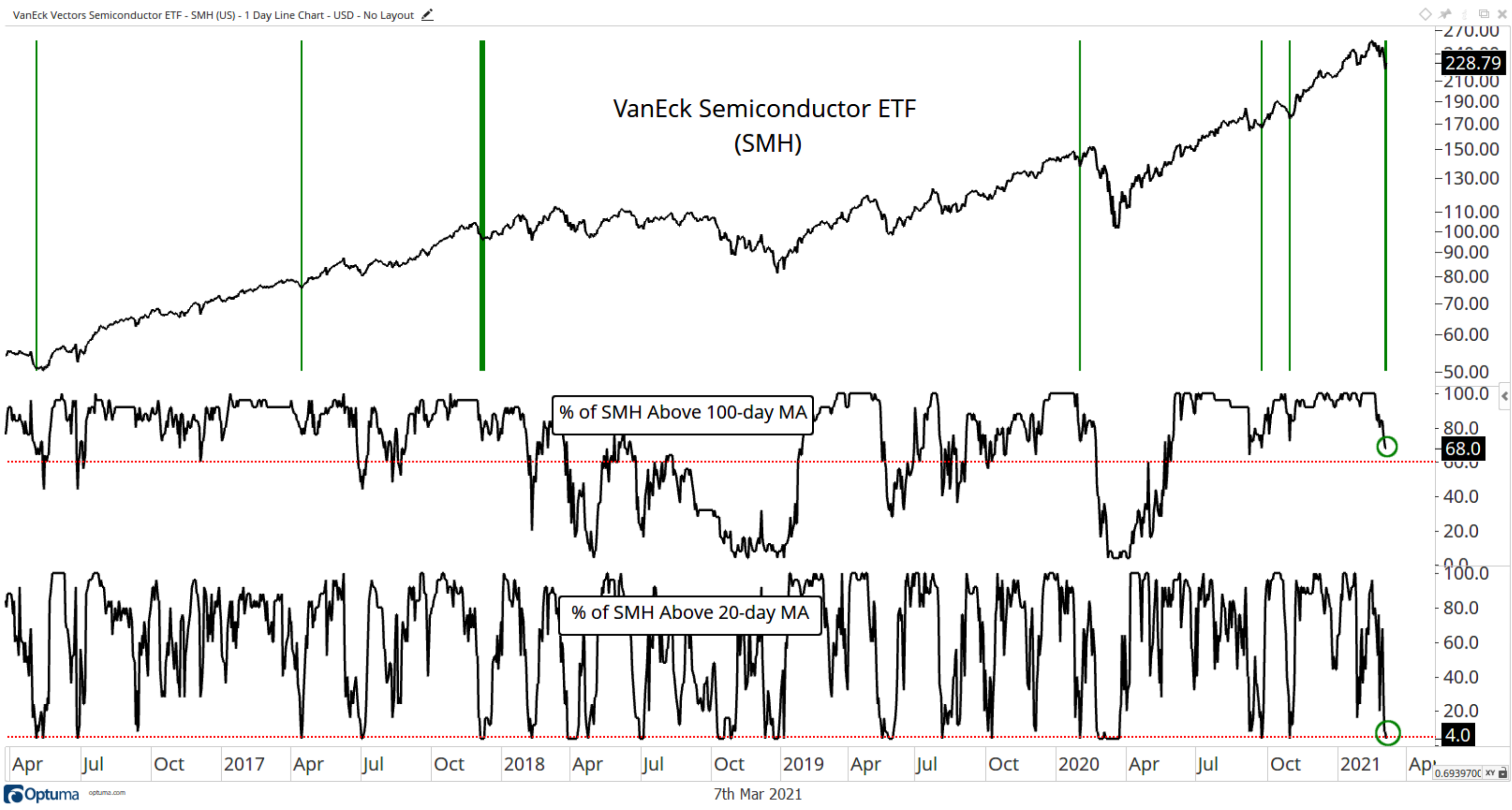
I mentioned earlier than S&P 500 breadth remained bullish. For Technology, the breadth setup looks interesting as well. We saw a large decline in short-term breadth (% above 20-MA) while long-term breadth (% above 200-MA) remains strong. This type of environment often leads to weakness being short-lived and dips getting bought. Below are green lines when There's more than half the stocks above the 200-day MA while the % above the short-term indicator moves above 20%, as we did on Friday. This often marked near lows in short-term declines.

From a pure price perspective, the dip in XLK last week landed it right at the September '20 high. A test of this prior breakout point would be bullish if it holds. Above the September high, I think tech could strengthen after shaking off some of the strength experienced after that break of the Sept. high last year.



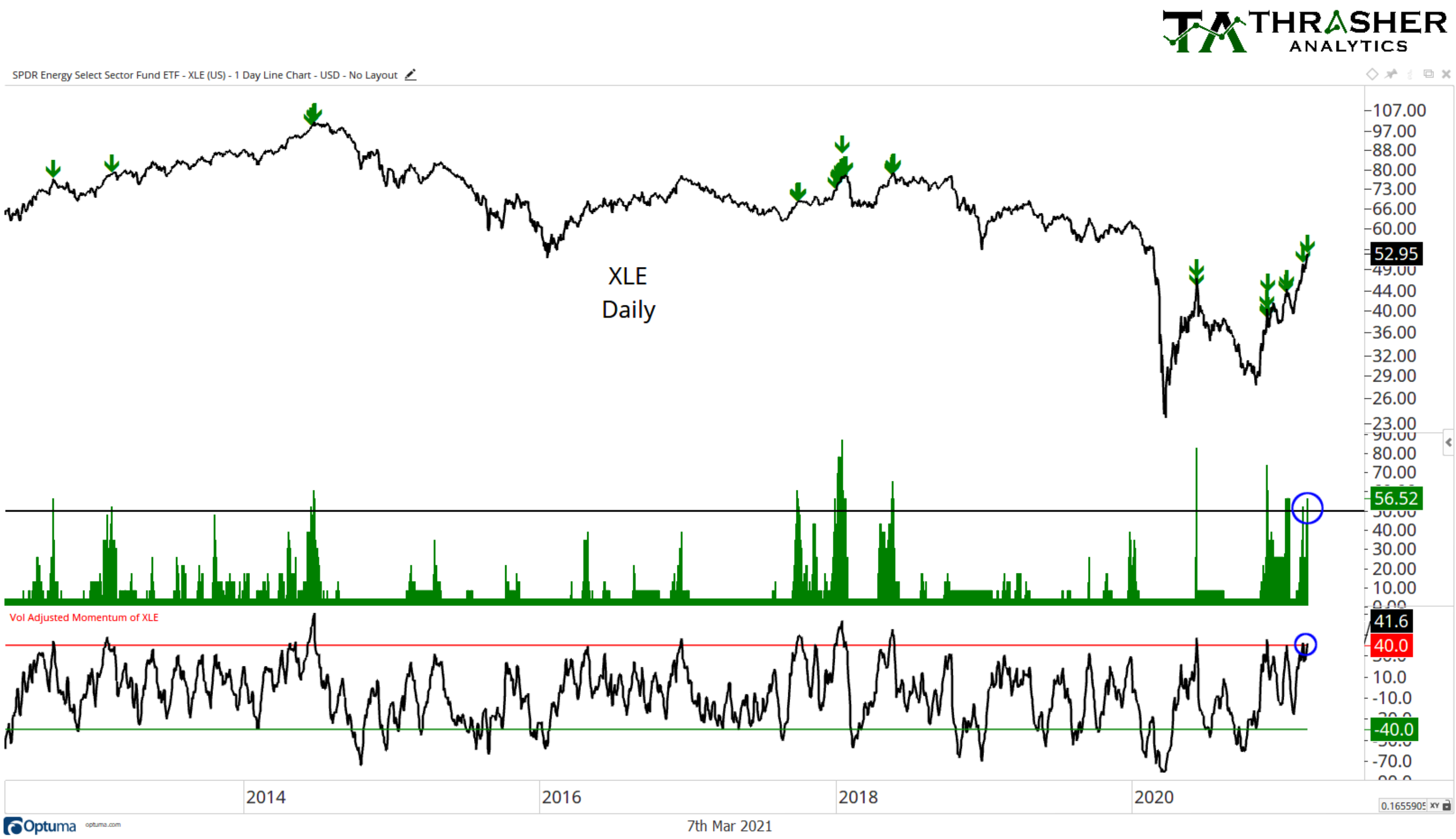
Sector - Semiconductors

Just like the tech sector, semiconductors have a similar setup in the industry's breadth data as well. With short-term breadth being washed-out and longer-term breadth looking strong. I've put green lines when we've previously seen less than 5% of stocks above their 20-day MA while more than 60% of stocks were above their 100-day MA. You'll notice this often occurred near or right before a low in semiconductors. And if semis are able to rally from here, then that would be good news for tech stocks as semiconductors are an excellent baraometer for risk taking in tech.



While tech has become one of the least favored sectors, energy has become the new market darling. And I think that fairytale may not last much longer. I wrote last week that OPEC was meeting, and could cause a big move in either direction for oil prices. They met and oil prices moved higher. This caused the percentage of XLE stocks with an RSI above 70 to jump over 56%. When this figure gets north of 50%, XLE has struggled, as shown by the green arrows on the chart below. Also, momentum for XLE itself is also becoming stretched based on the Volatility Adjusted Momentum indicator also shown below.

There's been many calls for a rotation from technology to energy and I think that's now become the overly consensus view and now that many have jumped the tech ship for the energy tanker, the relationship may flip again but this time in favor of tech.



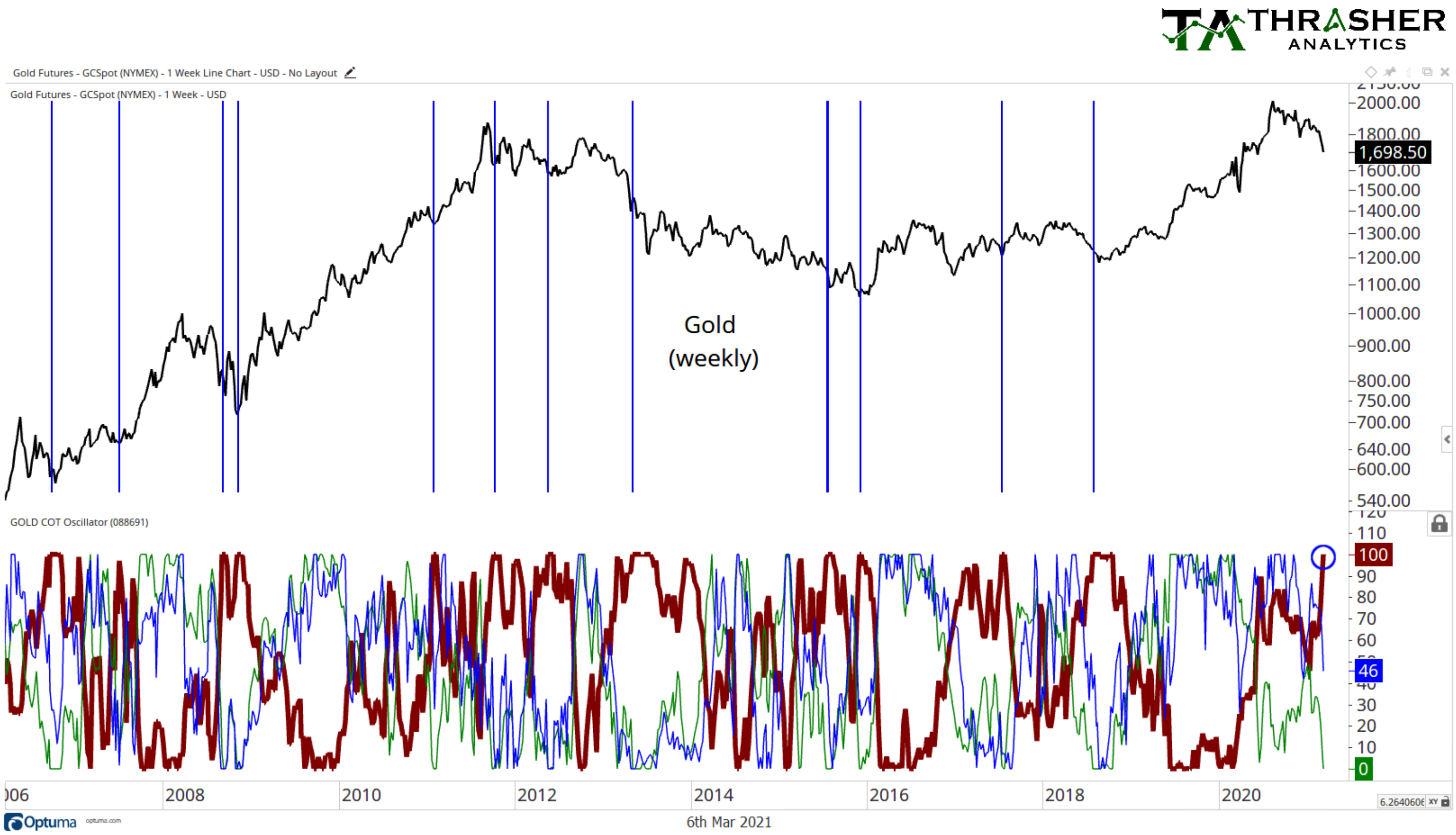
Commodity - Gold

Gold has continued to struggle as interest rates move higher. While the trend in the shiny metal is clearly down, for those looking for a bullish setup, this chart is for you. We finished trading on Friday with Gold just under $1700 which was the swing low last summer that turned prior resistance into support. This could draw in some dip buyers. Also, Volatility Adjusted Momentum is 'oversold'. On the chart I've drawn the VWAP from the latest short-term swing high, currently sitting at $1746. For those looking for gold to strength, I'd be watching this VWAP level and see if price can get back above to gain confidence gold may have begun forming a low. However, if rates continue to rise then that will be a hard headwind for precious metals to fight.

Commodity - Gold

A second potentially bullish chart for gold is based on its COT data. Commercial Traders remain net-short, but have been decreasing their short position in recent weeks. This has sent their net-position %tile to 100 for the first time in 2018. Historically when they've taken on a historically high net-position gold prices have often improved.

The major caveat I'd add to this though is that they are still net-short, typically gold bottoms when Commercial Traders aren't holding such a large bearish position, even if that position is *less* bearish than it used to be.



Daily Sentiment Index

Market	% Bullish	5MA	History
Gold DSI	15	14.8	
10Y DSI	16	15.6	
Coffee DSI	17	27.20	
Cattle DSI	17	16.6	
5YR DSI	17	16.8	
VIX DSI	22	20.4	
Swiss Franc DSI	23	33.80	
Orange Juice DSI	30.00	30.80	
Mexican Peso DSI	31.00	38.60	
Cocoa DSI	40.00	53.60	
US Dollar DSI	45.00	35.00	
Natural Gas DSI	46.00	52.60	
Palladium DSI	47.00	53.80	
Silver DSI	48.00	55.40	
Euro DSI	50.00	58.80	
Wheat DSI	51.00	51.20	
EuroDollar DSI	55.00	56.20	

Code	% Bullish	5MA	History
Sugar DSI	58.00	60.20	
Nasdaq DSI	58.00	63.40	
SPX DSI	60.00	63.60	
Nikkei DSI	61.00	62.40	
Cotton DSI	63.00	69.80	
Platinum DSI	64.00	67.80	
New Zealand Dollar DSI	64.00	73.20	
Australian Dollar DSI	65.00	73.20	
Lumber DSI	66.00	56.80	
British Pound DSI	66.00	71.00	
Copper DSI	69.00	72.20	
Lean Hog DSI	72.00	74.20	
Corn DSI	72.00	67.40	
CRB Index DSI	82	73.40	
Heating Oil DSI	85	74.00	
Gasoline DSI	88	76.00	
Crude Oil DSI	88	75.20	

Source: trade-futures.com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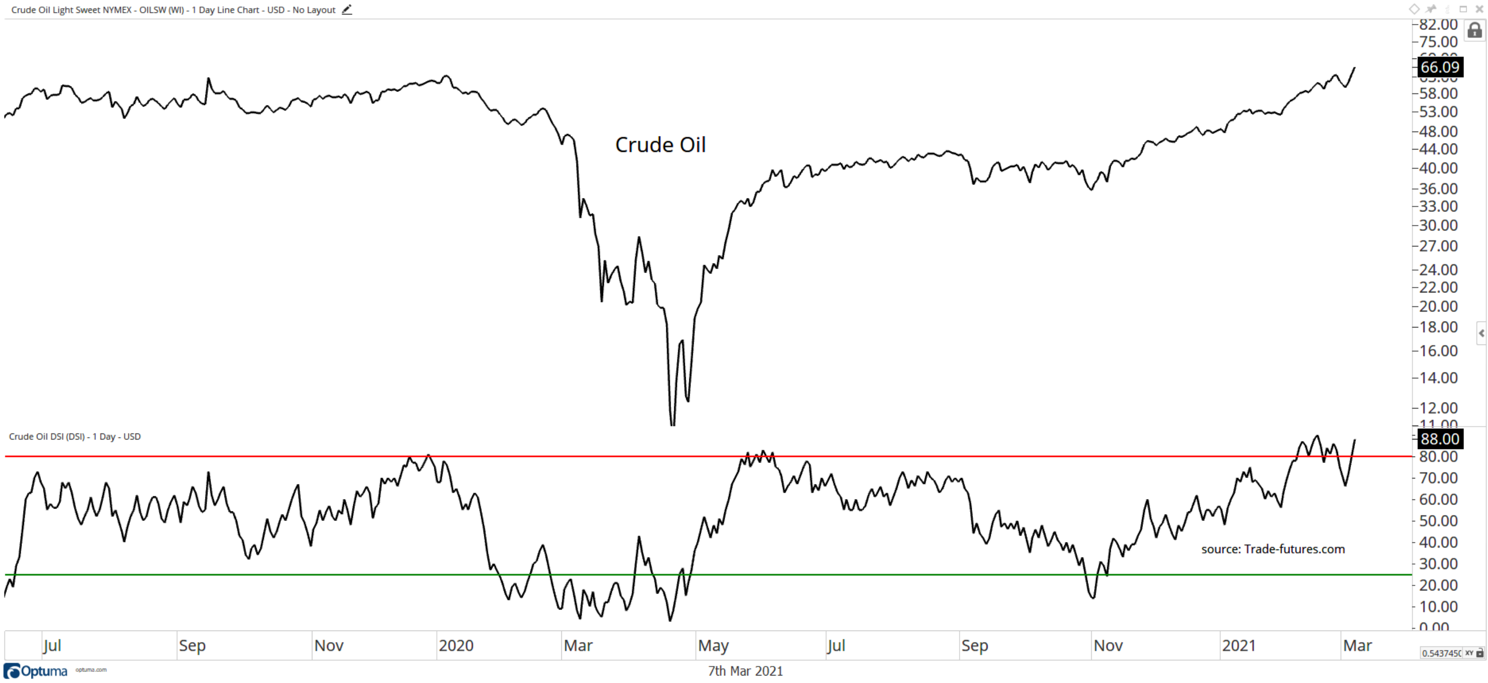
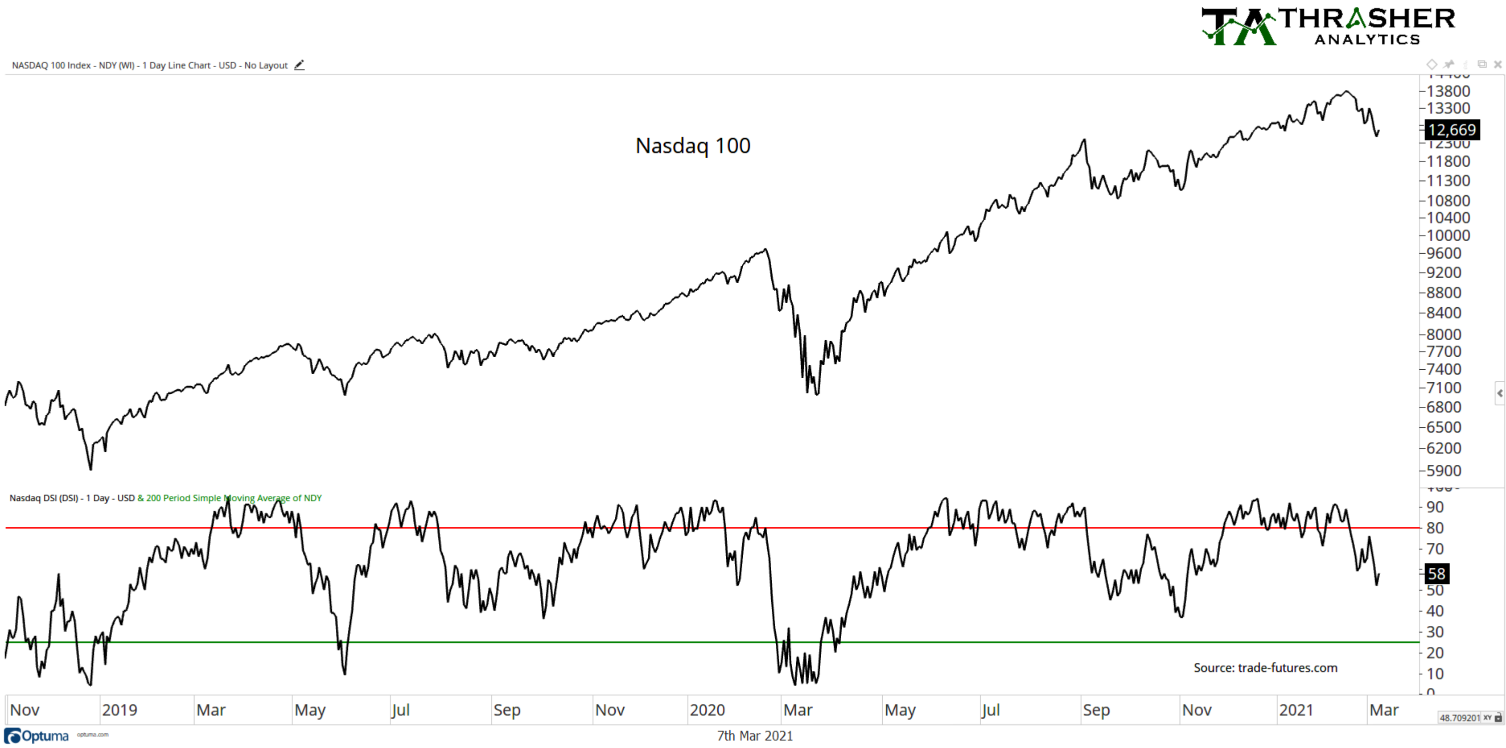
10-Year T-Note (P) Continuation - TY_FSpot (CBOT) - 1 Day Line Chart - USD - No Layout
10yr Treasury Bond
133.45
10Y DSI (DSI) - 1 Day - USD
Source: trade-futures.com
16.00
Apr
Jul
Oct
2019
Apr
Jul
Oct
2020
Apr
Jul
Oct
2021
7th Mar 2021
Optuma

Daily Sentiment Index



Daily Sentiment Index


THRASHER ANALYTICS
NASDAQ 100 Index - NDY (WI) - 1 Day Line Chart - USD - No Layout
Nasdaq 100
12,669
Nasdaq DSI (DSI) - 1 Day - USD & 200 Period Simple Moving Average of NDY
58
Source: trade-futures.com
Nov
2019
Mar
May
Jul
Sep
Nov
2020
Mar
May
Jul
Sep
Nov
2021
Mar
Optuma
7th Mar 2021


THRASHER ANALYTICS
U.S. Dollar Index - DXSpot (AFUT) - 1 Day Line Chart - USD - No Layout
U.S. Dollar
US Dollar DSI (DSI) - 1 Day - USD
Source: trade-futures.com
104.0
103.0
102.0
101.0
100.0
99.0
98.0
97.0
96.0
95.0
94.0
93.0
92.0
91.0
90.0
89.0
90.00
80.00
70.00
60.00
45.00
30.00
20.00
10.00
2019
Mar
May
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2020
Mar
May
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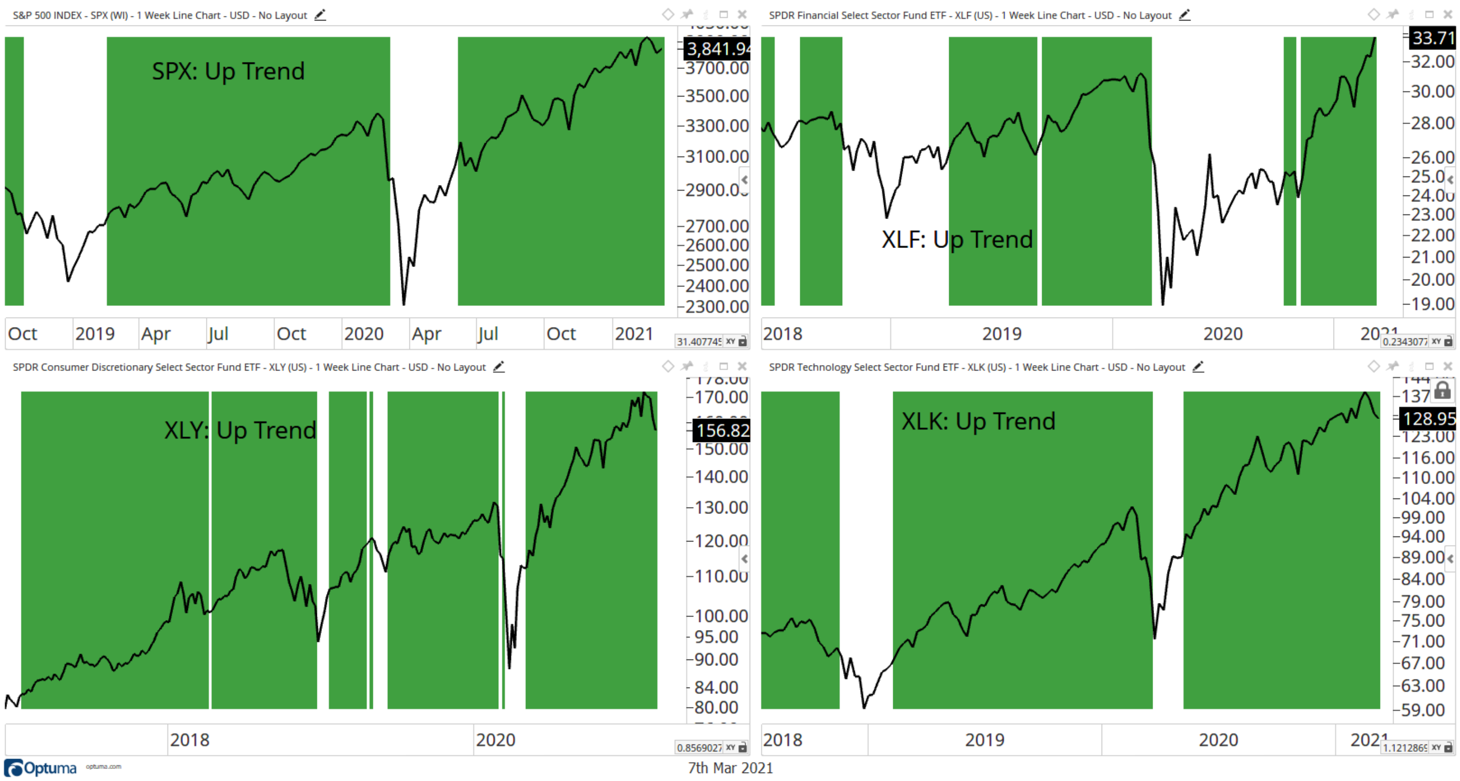
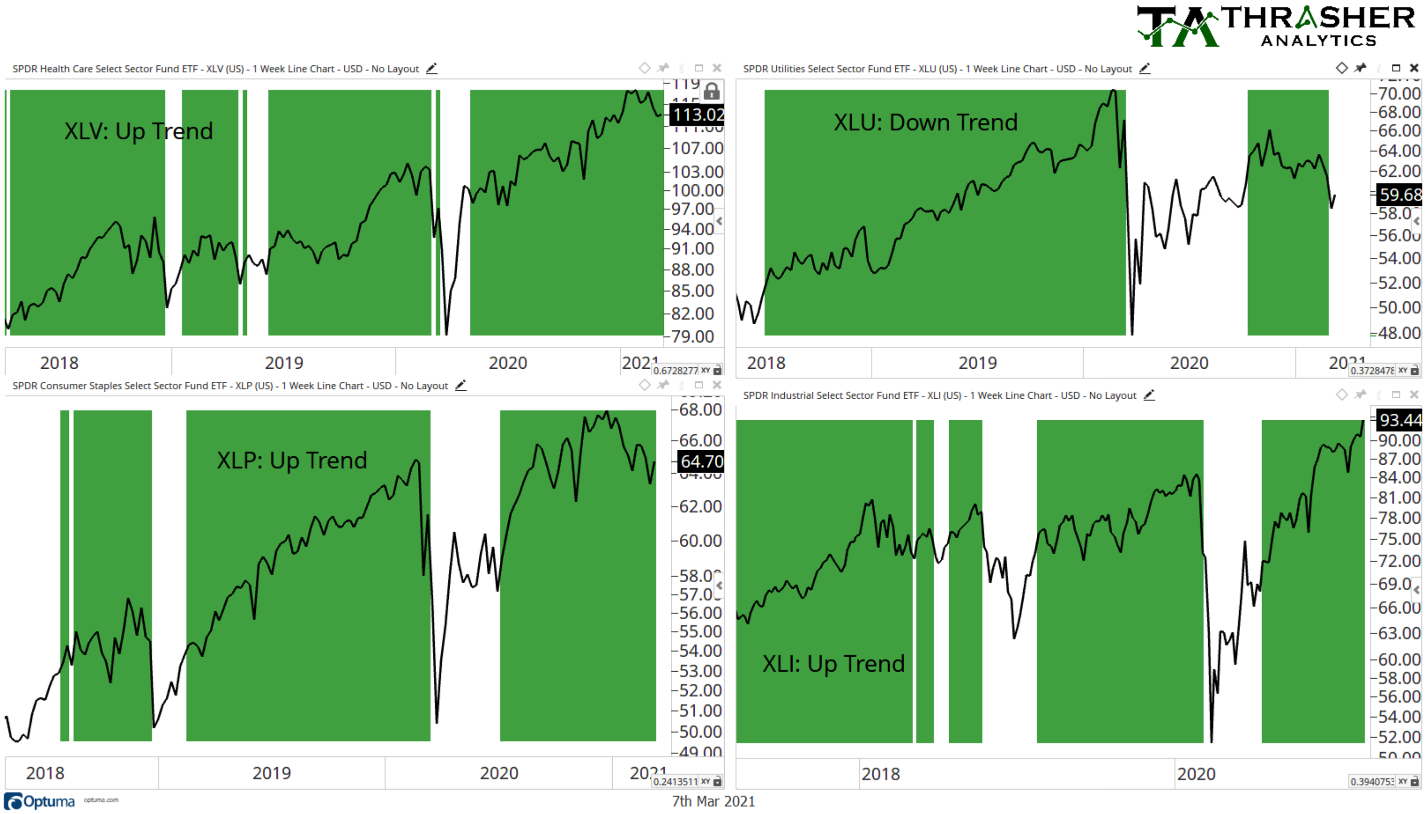
Sep
Nov
2021
Mar
Optuma
7th Mar 2021

Daily Sentiment Index

Daily Sentiment Index



S&P 500 INDEX - SPX (WI) - 1 Week Line Chart - USD - No Layout
SPX: Up Trend
3,841.94
SPDR Financial Select Sector Fund ETF - XLF (US) - 1 Week Line Chart - USD - No Layout
XLF: Up Trend
33.71
SPDR Consumer Discretionary Select Sector Fund ETF - XLY (US) - 1 Week Line Chart - USD - No Layout
XLY: Up Trend
156.82
SPDR Technology Select Sector Fund ETF - XLK (US) - 1 Week Line Chart - USD - No Layout
XLK: Up Trend
128.95
Optuma
7th Mar 2021


THRASHER ANALYTICS
SPDR Health Care Select Sector Fund ETF - XLV (US) - 1 Week Line Chart - USD - No Layout
XLV: Up Trend
113.02
SPDR Utilities Select Sector Fund ETF - XLU (US) - 1 Week Line Chart - USD - No Layout
XLU: Down Trend
59.68
SPDR Consumer Staples Select Sector Fund ETF - XLP (US) - 1 Week Line Chart - USD - No Layout
XLP: Up Trend
64.70
SPDR Industrial Select Sector Fund ETF - XLI (US) - 1 Week Line Chart - USD - No Layout
XLI: Up Trend
93.44
Optuma
7th Mar 2021


Invesco QQQ Trust - QQQ (US) - 1 Week Line Chart - USD - No Layout
QQQ: Up Trend
308.68
2018
2020
SPDR Real Estate Select Sector Fund ETF - XLRE (US) - 1 Week Line Chart - USD - No Layout
XLRE: Up Trend
36.84
2018
2019
2020
SPDR Energy Select Sector Fund ETF - XLE (US) - 1 Week Line Chart - USD - No Layout
XLE: Up Trend
52.95
2018
2019
2020
SPDR Materials Select Sector Fund ETF - XLB (US) - 1 Week Line Chart - USD - No Layout
XLB: Up Trend
75.31
2018
2019
2020
Optuma
7th Mar 2021

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