

# TA THRASHER ANALYTICS

MARCH 21, 2021



WEEKLY RESEARCH & ANALYSIS

BY ANDREW THRASHER, CMT

## Bullish

- Long-term breadth remains strong.
- Trend Model remains positive for all sector and indices.
- The Market Health Report remains supportive.
- COT data turns bullish for the yen.

## Bearish

- Sector leadership has shifted to defense.
- Momentum yet to confirm latest new high.
- Nasdaq 100 continues to struggle.
- Financial and energy stocks weaken.
- Short-term seasonality turns bearish.

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Volatility

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Equities

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Market Health Report

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Fixed Income

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Currency/Crypto

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Sector

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Sentiment

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Trend Models

Sector Rotation: March	
Financials	XLF
Energy	XLE
Technology	XLK

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

Market Health Report	
Breadth	1
Divergence	0
Momentum	2
Sentiment	2
Trend	1
Volatility	0
<b>Total</b>	<b>6</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	67%	75%
Nasdaq 100	71%	70%
Nikkei	72%	80%
VIX	15%	14%
10yr Treasury	12%	13%
5yr Treasury	10%	13%
CRB Index	64%	69%
Gold	34%	28%
U.S. Dollar	43%	40%

\*Green<25% Red>80%

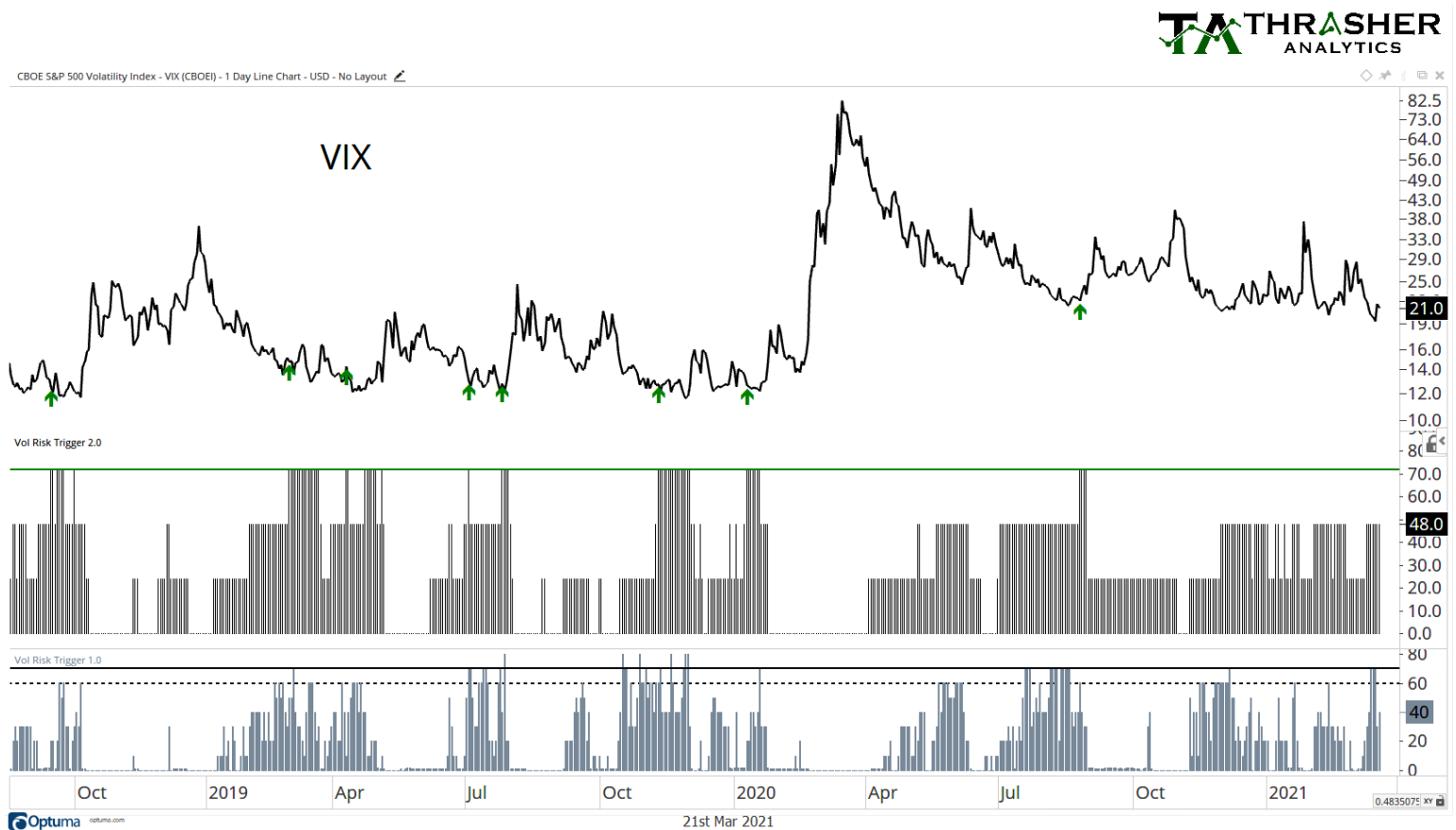
source: trade-futures.com

## Brief Summary:

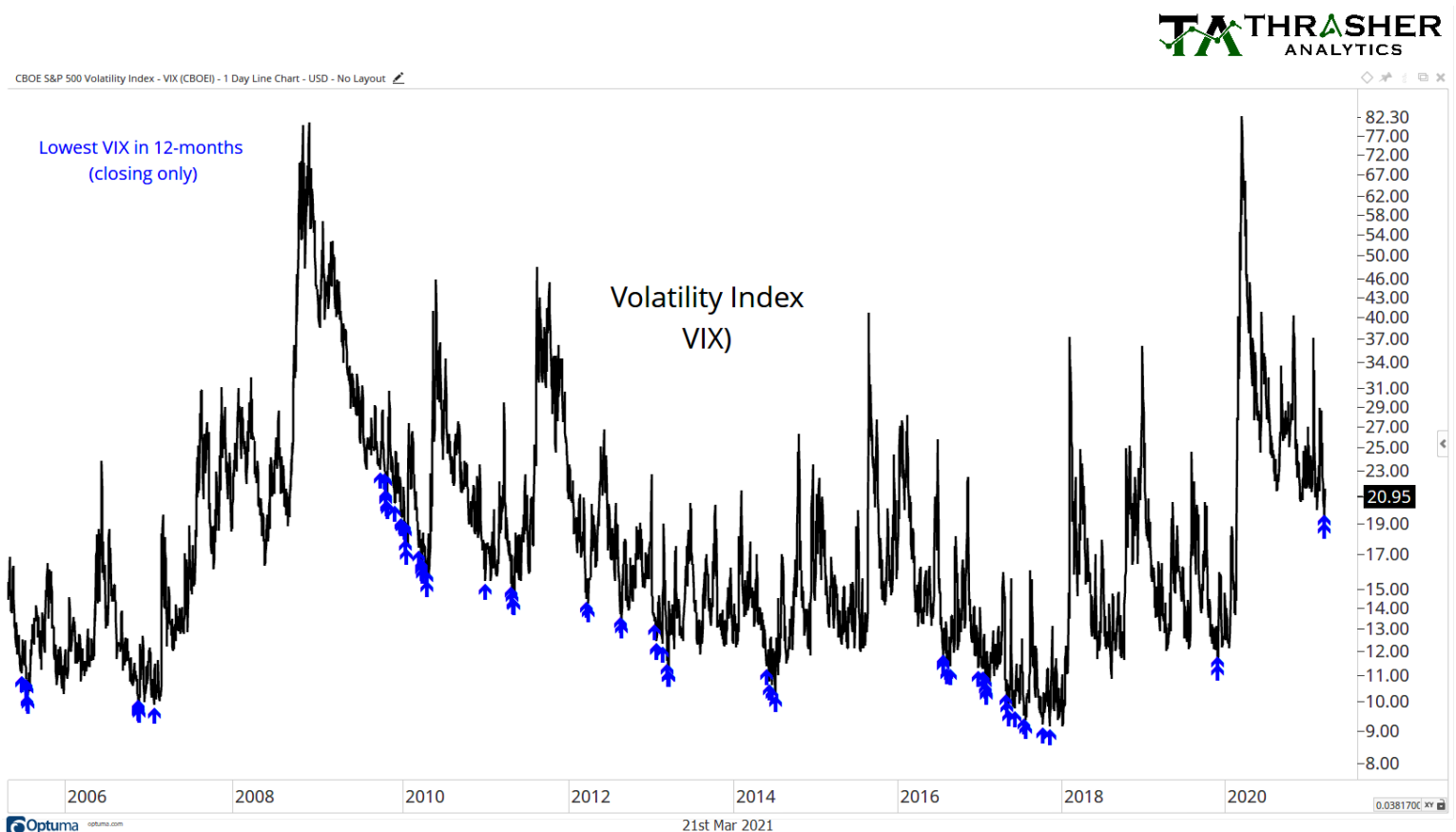
The Market Health Report remains bullish towards equities however short-term seasonality is bearish for stocks this week, following March option expiration. The leading sectors, technology, energy, and financials have come under pressure which could continue notably for financial stocks. We still don't have confirmation by commodities or forex for the latest higher-high in the 10yr yield while sentiment remains extremely bearish towards fixed income, giving the contrarian opportunity for rates to potentially peak. Large Traders have moved above the 50th %tile net position and Commercial Traders have been aggressive in buying Japanese Yen. While the outlook is positive for equities, focusing more on the defensive corners like Staples may be advantageous until the recently sloppy price action in broad indices resolves itself.

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 VRT 2.0 remains a few points below a trigger level after the VIX ticked slightly higher at the end of last week. Daily dispersion for the VIX is still fairly wide but it's been interesting to note weekly dispersion has come down quite a bit as it works off the large 2020 spike higher.



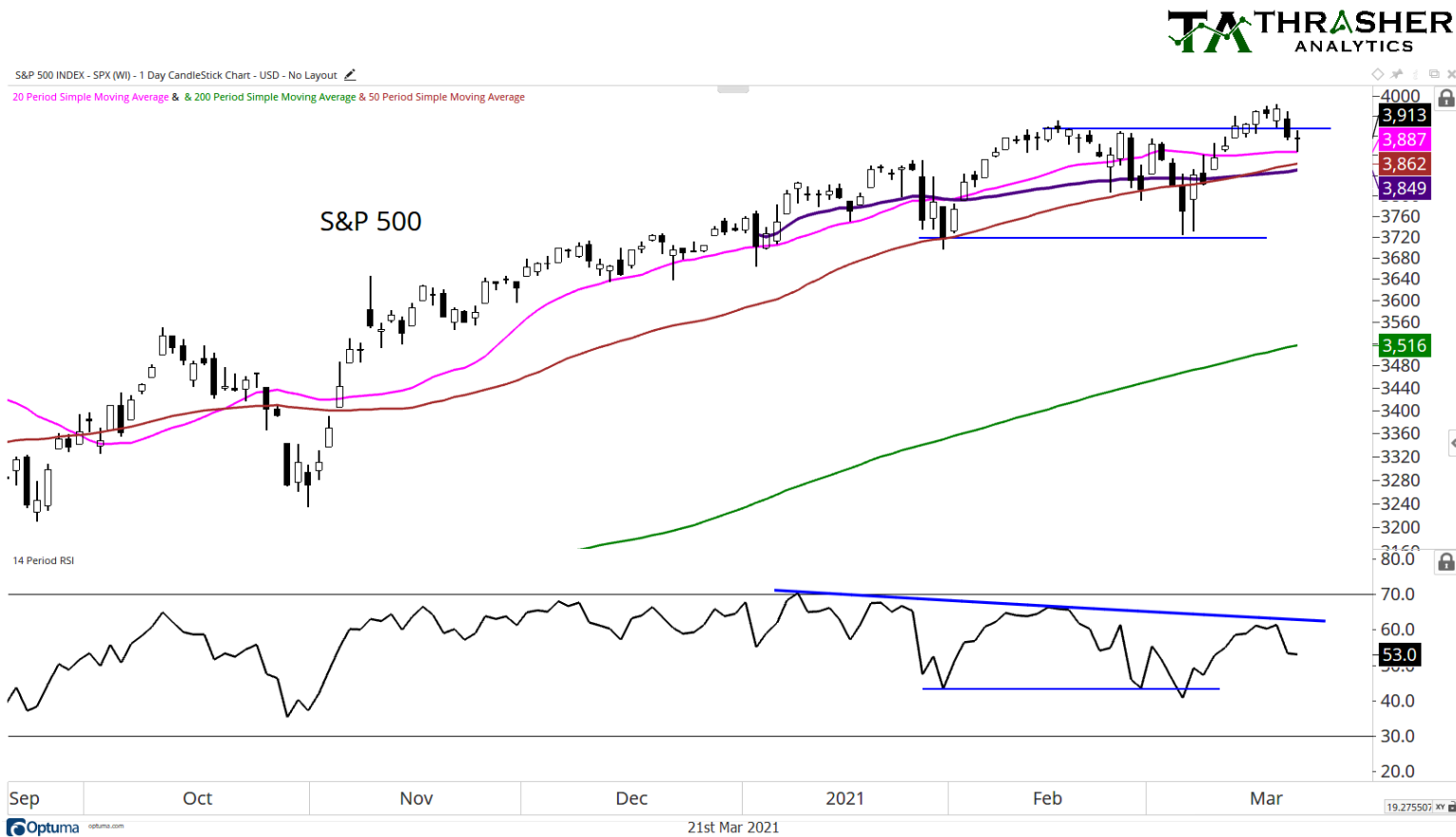
I wrote last week that I thought volatility looked cheap and this comes as it hit a new 12-month low which has been an interesting floor in the past for the VIX. While I don't subscribe to the idea that just because the VIX is "low" that it must spike higher, largely because defining "low" is a fools errand, the last 12-months, 20 has been low but would have been massively high just a couple of years ago. However, when we see the Volatility Index hit a fresh one year low, it does seem to find its footing and with it a potential floor. Note on the chart below that we've often see a move higher after the VIX slid down to a new 12-month low. There is of course nothing magical about a new one year low but when paired with other data can create a unique potential opportunity in volatility.



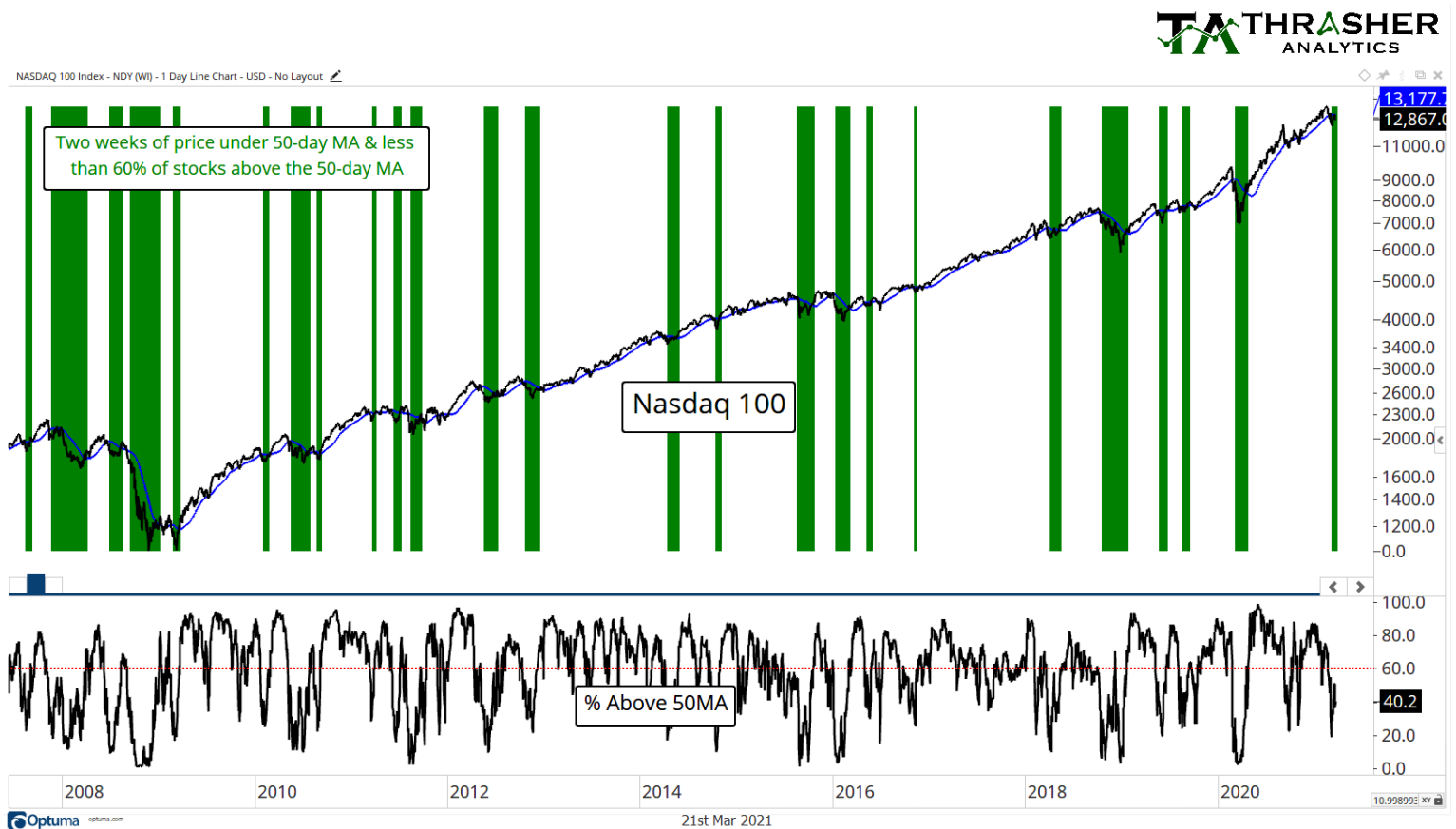
# EQUITIES - S&P 500 DAILY



The move above the February high failed with the weakness experienced in equities on Thursday and Friday. Buyers creped in on Friday at the 3900 level which also is the 20-day moving average. Momentum continues to make lower-highs but there's several key levels of support sitting less than a hundred points below the SPX current level, giving several reasons for dip buyers to re-engage. Trading is getting a little sloppy these last few weeks and holding lose reigns on positions has often been wise. There's a bevy of "events" this week the market will likely latch on to. From Biden's press conference which should give details on his infrastructure (which some are estimating to be \$2-4 trillion) and tax plan, Powell and Yellen both speak before Congress, and various economic data reports.

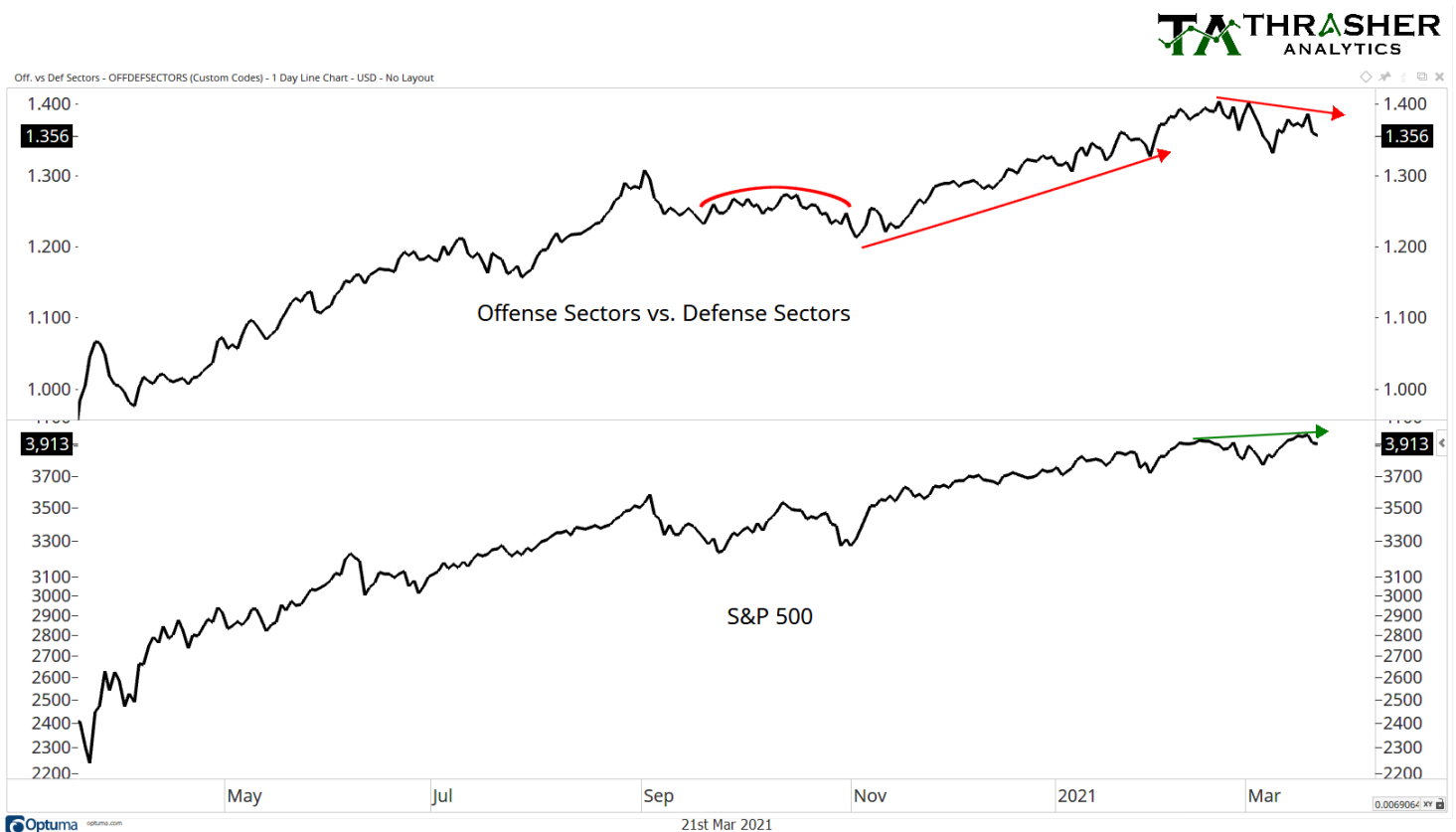


The Nasdaq 100 has been under pressure recently and has been unable to regain its 50-day Moving Average. Breadth for the Index has also declined, with just 40% of stocks above the 50-day MA as well. Looking at past instances of breadth below 60% and price under the 50-day MA for two weeks, the trend has been quite noisy. I don't view this as a timing tool but as a way to recognize rough trading environments. There's several whipsaw-type periods in this sample (shown by the green bars). The bulk of the strong up trends for the Nasdaq were during periods outside of this sample, meaning trading gets tough when breadth and price are both weak as they are right now.





When the S&P 500 moved above the February high, it was not accompanied by a higher-high in the leadership by offense sectors. The ratio between offense and defense sectors made a lower-high, a sign that risk appetite might be becoming less aggressive as tech continues to struggle and consumer discretionary gets whipsawed now that Tesla is involved. Last week I mentioned the lack of correlation by consumer staples and I think this defensive sector continues to deserve some attention as a way to get equity exposure while not going too far out on the diving board of risk, especially as the offense sectors struggle.



# EQUITIES - SEASONALITY



My Friend Steve Deppe shared this table from Wayne Whaley, a well respected market analyst. Whaley points out that the week following option expiration March has historically not been overly kind to market bulls. In the last 30 years, it's closed lower 21 times with a median return of -0.57%. Something to keep in mind this week as the short-term seasonal headwind blows.

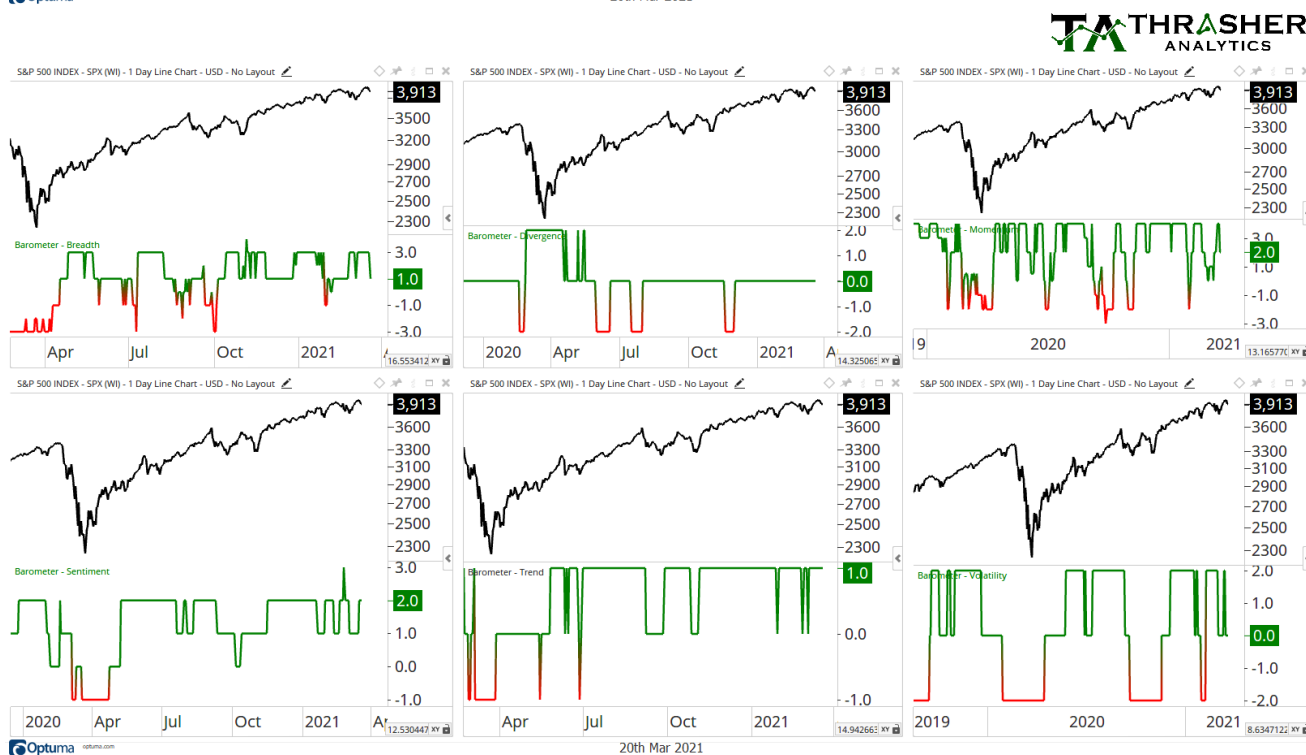
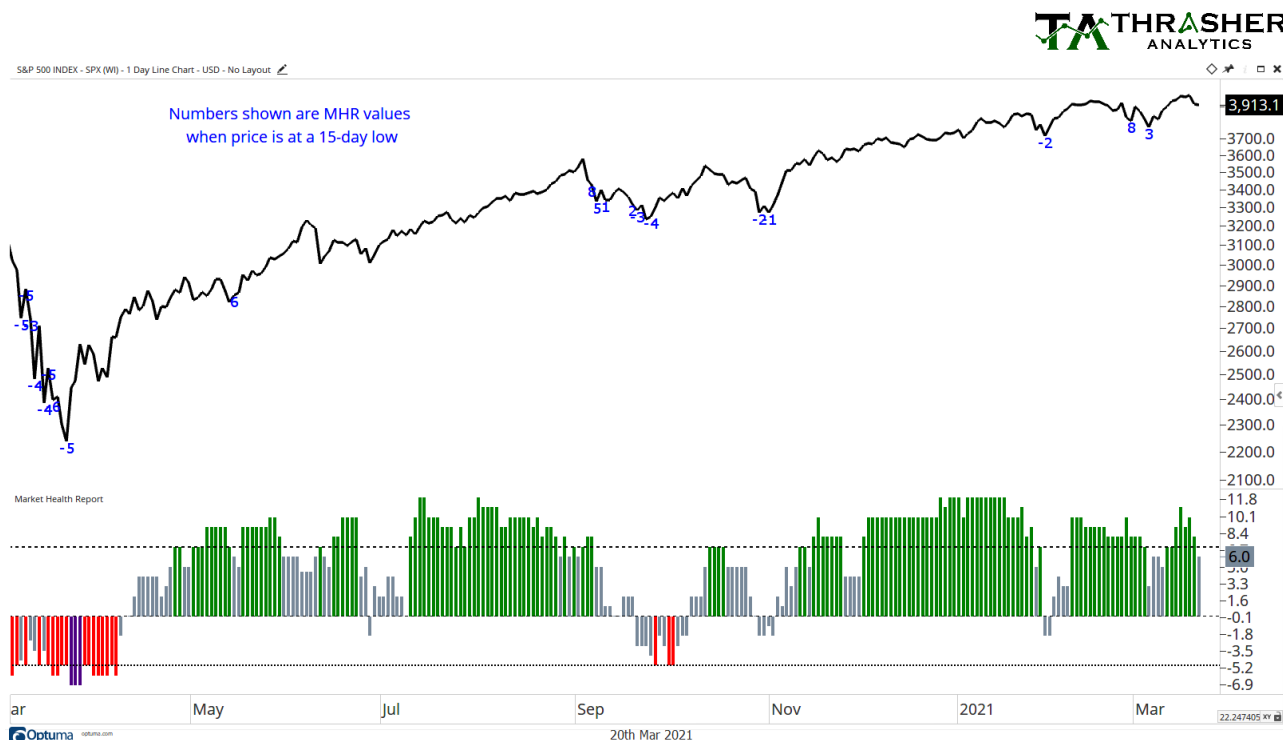
S&P PERFORMANCE IN THE WEEK AFTER THE MARCH OPEX								
YEAR	TRLQTR%	TRLWK%	MON%	TUE%	WED%	THU%	FRI%	WEEK%
1991	13.44	-0.36	-0.40	-1.48	0.36	-0.36	0.25	-1.64
1992	7.52	1.35	-0.34	-0.25	-0.33	0.08	-1.07	-1.90
1993	3.39	0.08	-0.29	-0.03	-0.15	0.63	-0.69	-0.53
1994	1.00	0.99	-0.53	0.27	-0.27	-0.89	-0.81	-2.22
1995	8.82	1.22	0.13	-0.22	0.12	0.06	1.01	1.10
1996	3.97	1.25	1.75	-0.15	-0.27	-0.11	0.22	1.43
1997	5.14	-1.14	0.87	-0.23	0.18	-2.10	-2.17	-3.44
1998	13.84	2.86	-0.33	0.92	-0.34	-0.10	-0.49	-0.34
1999	11.82	0.36	-0.18	-2.69	0.51	1.69	-0.56	-1.27
2000	3.22	4.97	-0.54	2.56	0.45	1.78	0.01	4.30
2001	-15.40	-6.72	1.76	-2.41	-1.80	-0.40	1.97	-0.95
2002	2.56	0.16	-0.05	0.41	-1.58	0.15	-0.42	-1.50
2003	0.54	7.51	-3.53	1.22	-0.55	-0.16	-0.58	-3.62
2004	3.09	-0.96	-1.30	-0.13	-0.24	1.64	-0.10	-0.15
2005	-1.15	-0.90	-0.47	-1.02	0.07	-0.09	0.24	-1.26
2006	2.71	2.00	-0.17	-0.60	0.60	-0.26	0.86	0.42
2007	-1.74	-1.13	1.09	0.63	1.71	-0.03	0.11	3.54
2008	-8.62	1.07	1.53	0.23	-0.88	-1.15	-0.80	-1.07
2009	-15.02	1.64	7.08	-2.04	0.96	2.33	-2.03	6.17
2010	4.57	0.86	0.51	0.72	-0.55	-0.17	0.07	0.58
2011	2.92	-1.92	1.50	-0.36	0.29	0.93	0.32	2.70
2012	15.87	2.43	0.40	-0.30	-0.19	-0.72	0.31	-0.50
2013	9.26	0.61	-0.55	-0.24	0.67	-0.83	0.72	-0.24
2014	3.09	1.38	-0.49	0.44	-0.70	-0.19	0.46	-0.48
2015	4.73	2.66	-0.17	-0.61	-1.46	-0.24	0.24	-2.23
2016	-1.13	1.35	0.10	-0.09	-0.64	-0.04	0.05	-0.61
2017	5.55	0.24	-0.20	-1.24	0.19	-0.11	-0.08	-1.44
2018	3.35	-1.24	-1.42	0.15	-0.18	-2.52	-2.10	-5.95
2019	6.47	2.89	0.37	-0.01	-0.29	1.09	-1.90	-0.77
2020	-27.77	-14.98	-2.93	9.38	1.15	6.65	-3.73	10.26
2021	5.73	-0.77						
		#UP-DN =	12-18	11-19	13-17	11-19	15-15	9-21
		AVG%CHG	0.11	0.09	-0.10	0.22	-0.36	-0.05
		MED%CHG	-0.18	-0.14	-0.19	-0.10	-0.04	-0.57



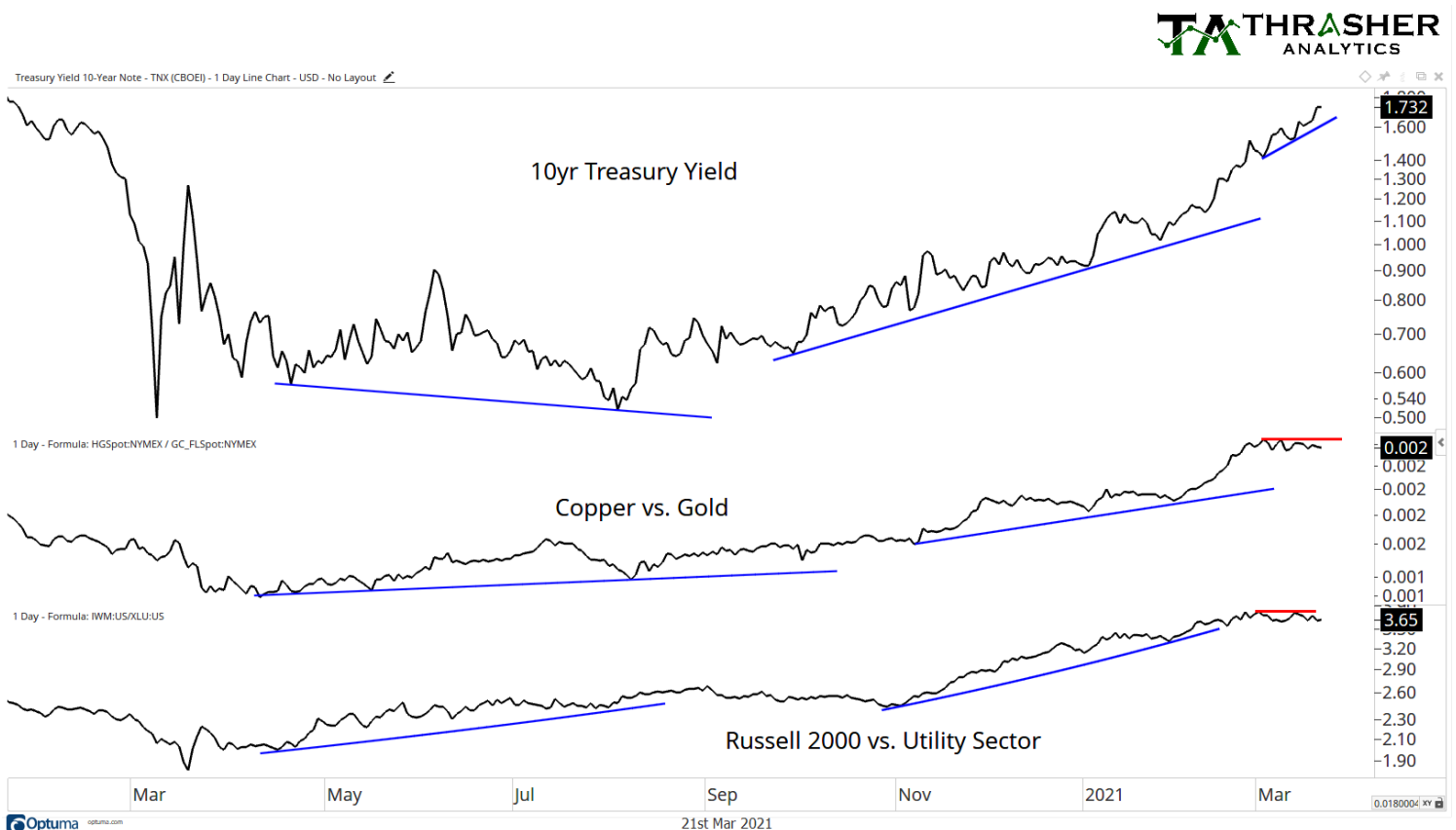
# MARKET HEALTH REPORT



The Market Health Report (MHR) finished the week at +6. All of the categories are at least at zero or positive, a bullish sign for the market internals and positive for equities. However, several categories have ticked slightly lower over the last week but we still remain in a firmly bullish profile for U.S. stocks.

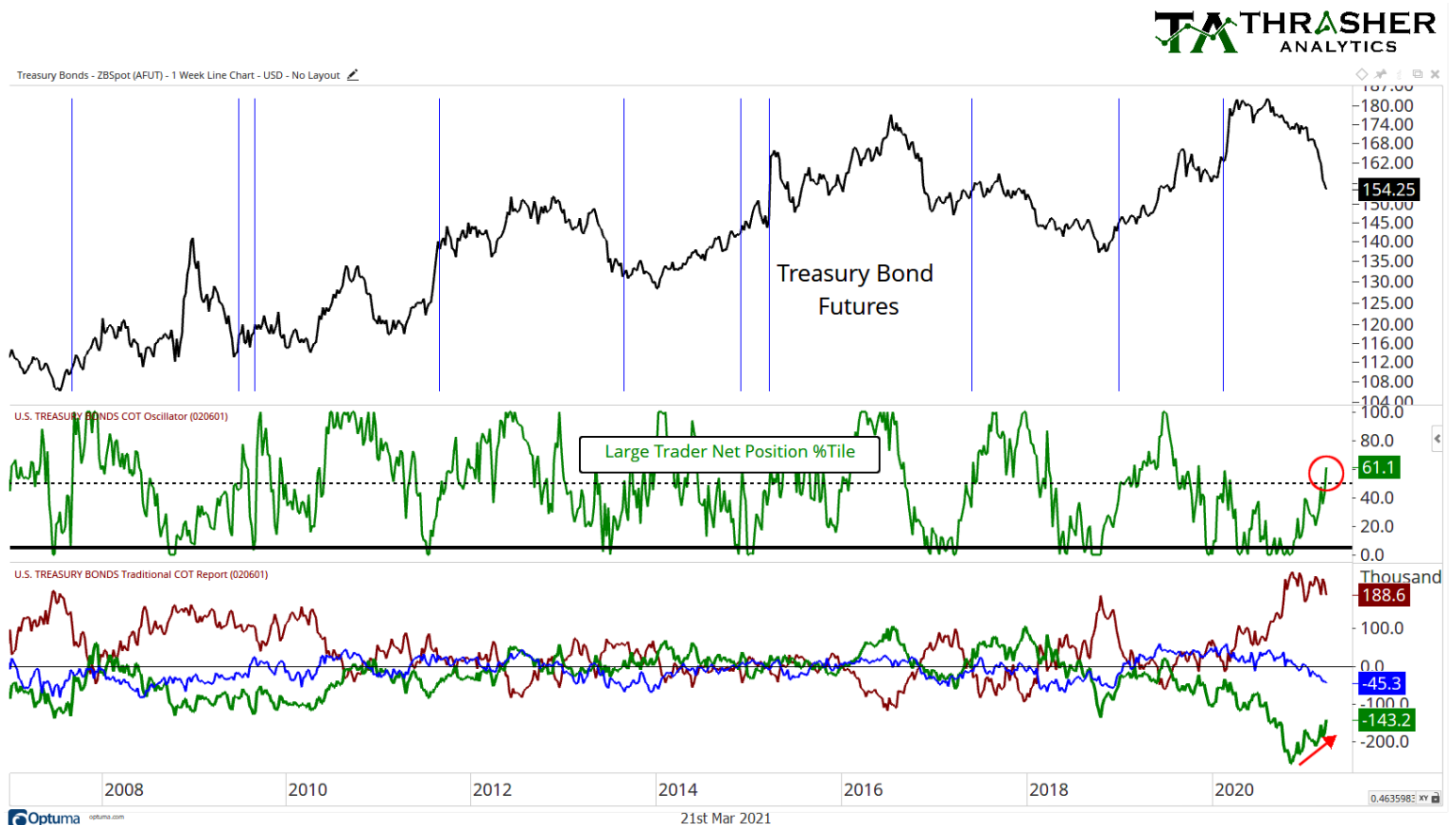


I shared this chart last week but I wanted to bring it back this week as well because I think it's still important. 10yr Yield ticked higher last week but we still don't see confirmation from commodities or currencies, as shown below. I'd now add to that list the recent performance of financial stocks were were the second worst performing sector last week. Typically XLF outperforms when rates are rising but that trend has slowed recently, are equity, commodity, and forex investors preparing for a reversal in fixed income? If so, fixed income traders don't seem all too aware as flows continued to massively pour out of Treasury bonds, for example dealers cut Treasury positions by \$16 billion last week alone. This was likely somewhat related to front-running the SLR announced by the Fed, but still shows the sentiment toward fixed income is anything but bullish. Maybe the rubber-band has gotten too far stretched in the bond bears favor.

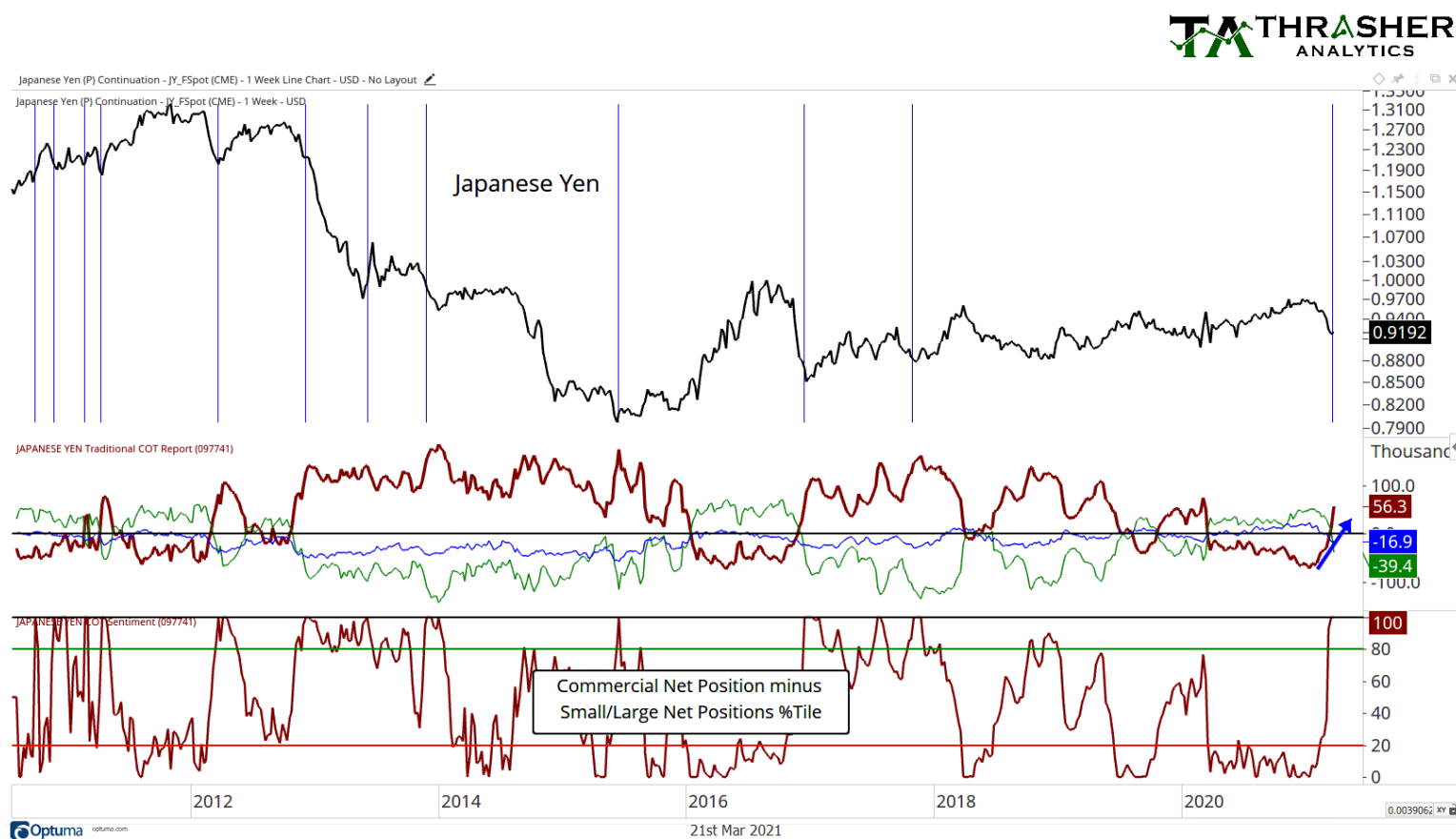


I've talked about this chart twice in the past couple of weeks and finally it's worth sharing again as what I was looking to happen, now has.

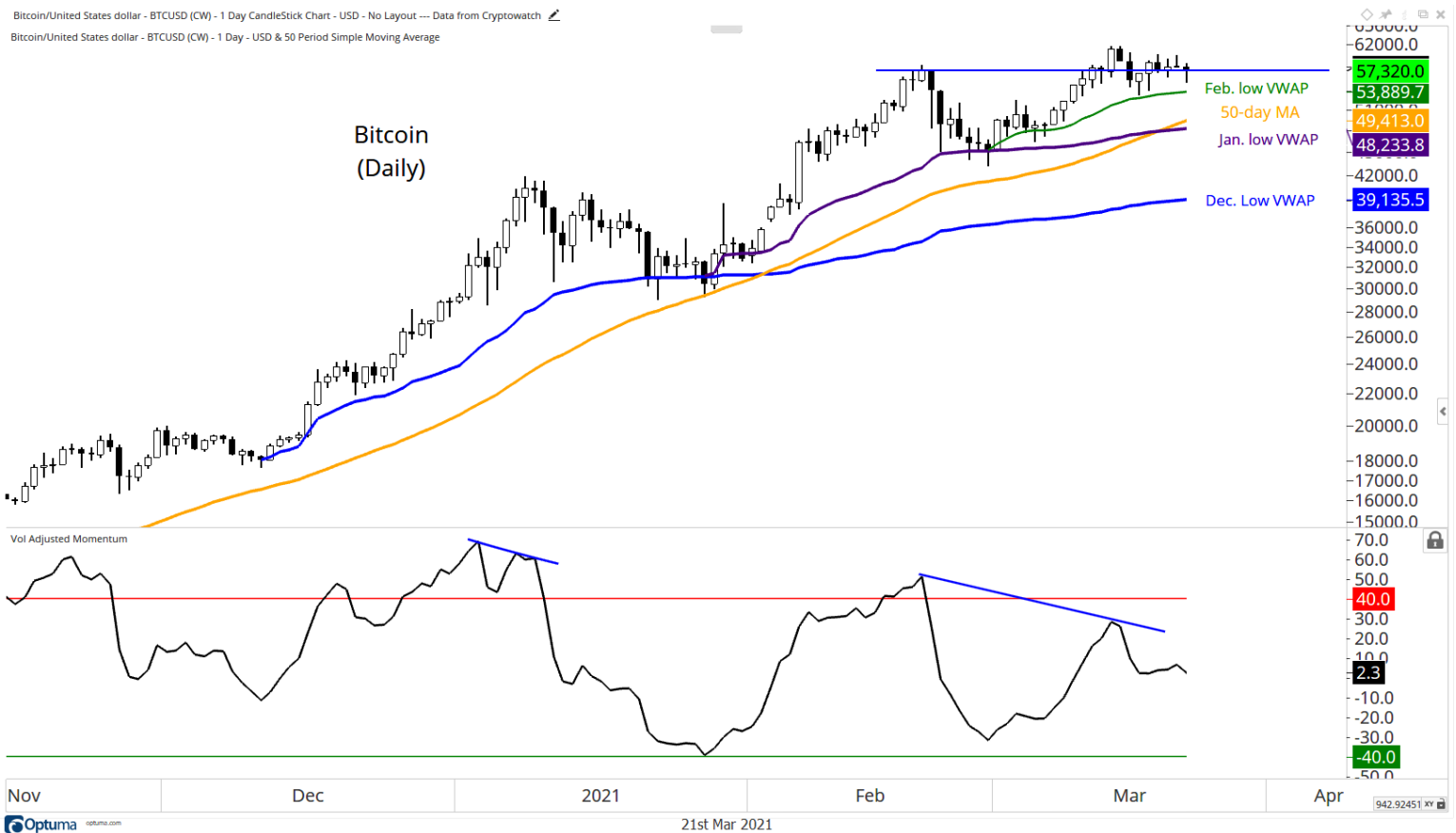
The Large Traders net position has now cleared the 50th %tile level (blue vertical lines), which has been bullish for bonds in the last 10+ years. Large Traders have been working off their heavy net-short position in recent weeks and the current COT data shows them holding the lowest net-short since early 2020.



Commercial Traders in the Japanese Yen have been aggressive recently in re-establishing a net-long position. Note the second panel on the chart and the near-vertical move in the net position of Commercial Traders (dark red line). In fact, their position minus that of Large and Small Traders is at the highest %tile since 2017. I've marked vertical blue lines when its been at the 100th %tile in the past. This has preceded a bullish period for the yen. I'd note that the yen and gold often move together and so if we see the yen turn higher, that should be bullish for gold as well.



Bitcoin has been strong off the February low, rising back above the prior high and peaking over the \$60,000 mark. However, recently it has begun to struggle at the February high and there's been a build up of a large bearish divergence in the Volatility Adjusted Momentum. I'm watching the VWAP off the February low which has helped define the latest up trend. Below that I think we could see BTC get back to the 50-day and January VWAP levels just under \$50,000 which is just above the prior February low. This very well could simply be a short-term consolidation in BTC, trading sideways at that February high before its next leg higher, but until it resolves this consolidation either higher or low, risk/reward is less attractive.



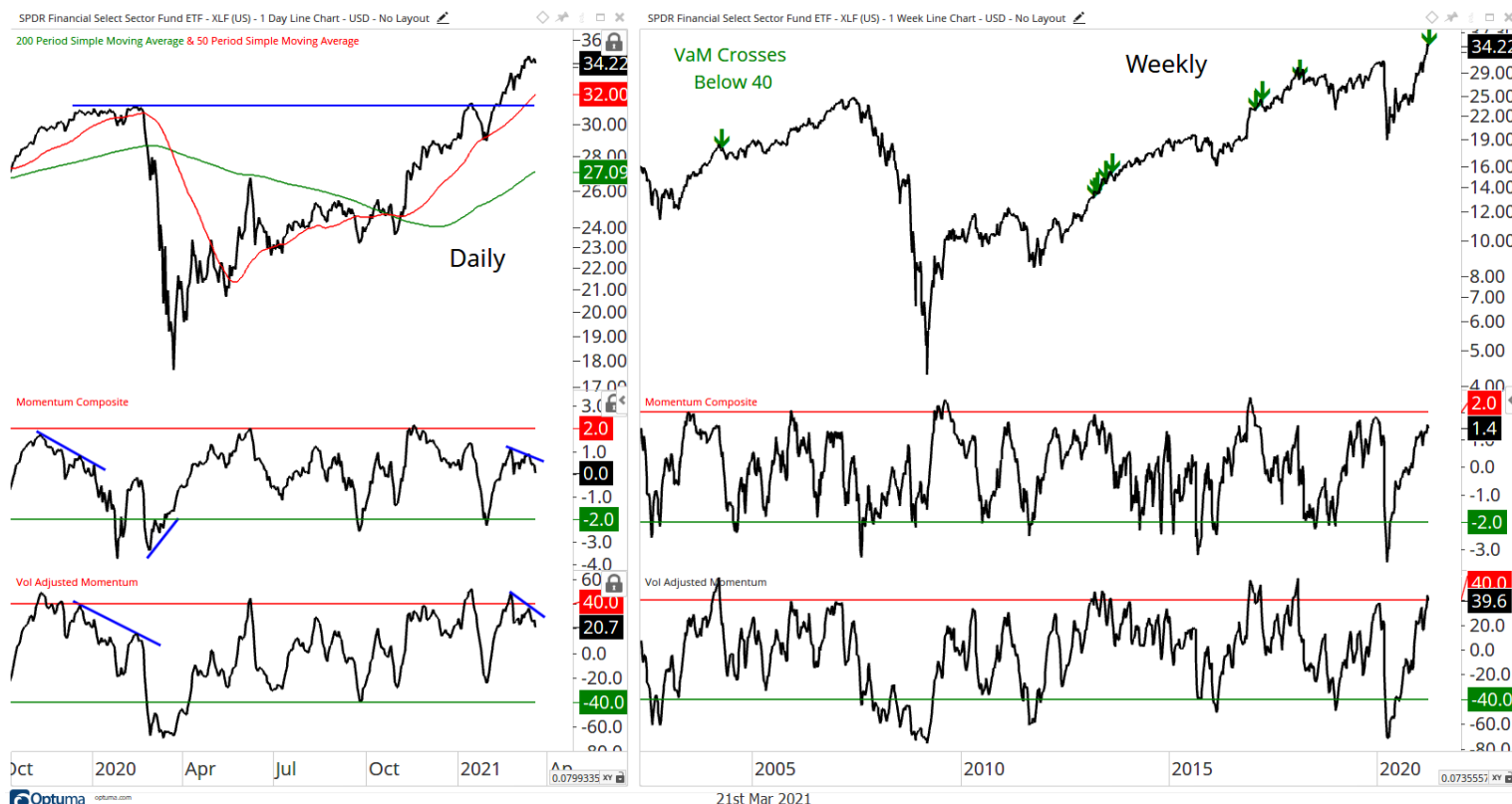
# SECTORS - PERFORMANCE



Sector	> 50MA	> 200MA	1wk Perf ▼	1mo Perf	3mo Perf	12mo Perf 📈
SPDR Communication Services Select Sector ETF	True	True	0.96%	4.04%	12.37%	79.21%
SPDR Health Care Select Sector Fund ETF	False	True	0.41%	0.58%	1.83%	39.9%
SPDR Consumer Staples Select Sector Fund ETF	True	True	0.35%	2.22%	-2.28%	23.18%
SPDR Consumer Discretionary Select Sector Fund ETF	False	True	-0.19%	-1.87%	4.04%	83.92%
SPDR Industrial Select Sector Fund ETF	True	True	-0.31%	6.03%	8.59%	78.28%
SPDR Utilities Select Sector Fund ETF	True	True	-0.34%	1.29%	-0.14%	19.75%
SPDR Materials Select Sector Fund ETF	True	True	-0.88%	3.93%	8.02%	84.88%
SPDR Real Estate Select Sector Fund ETF	True	True	-1%	1.44%	6.04%	34.21%
SPDR Technology Select Sector Fund ETF	False	True	-1.38%	-4.74%	1.05%	73.15%
SPDR Financial Select Sector Fund ETF	True	True	-1.58%	5.58%	20.11%	74.5%
SPDR Energy Select Sector Fund ETF	True	True	-7.54%	7.25%	25.71%	93.4%



XLF was the second worst performing sector last week and with that performance has caused the weekly Volatility Adjusted Momentum (VaM) Indicator to move out of 'overbought' status. Note the weekly chart on the right and the green arrows show prior occurrences. On the daily chart we have bearish momentum divergences in both the VaM and Momentum Composite. XLF has had a very strong run recently, up 20% in the last three months, but I think the picture looks less attractive for the sector now and that would only increase if we do see rates begin to move lower, pulling one of the tailwinds for financial stocks, out of the picture.



# DAILY SENTIMENT INDEX



1 Day - Watch List - No Layout

Market	% Bullish	5MA	History
<input type="checkbox"/> 5YR DSI	10	13	
<input type="checkbox"/> 10Y DSI	12	13.2	
<input type="checkbox"/> VIX DSI	15	14	
<input type="checkbox"/> Cattle DSI	19	19.8	
<input type="checkbox"/> Swiss Franc DSI	21	25.60	
<input type="checkbox"/> Coffee DSI	21	25.40	
<input type="checkbox"/> Natural Gas DSI	33.00	34.20	
<input type="checkbox"/> Gold DSI	34.00	28.40	
<input type="checkbox"/> Wheat DSI	35.00	40.00	
<input type="checkbox"/> Cocoa DSI	37.00	41.20	
<input type="checkbox"/> Mexican Peso DSI	39.00	38.60	
<input type="checkbox"/> US Dollar DSI	43.00	40.40	
<input type="checkbox"/> Sugar DSI	43.00	45.40	
<input type="checkbox"/> Orange Juice DSI	46.00	47.60	
<input type="checkbox"/> Silver DSI	51.00	53.20	
<input type="checkbox"/> Euro DSI	52.00	54.40	
<input type="checkbox"/> Lumber DSI	55.00	49.20	

1 Day - Watch List - No Layout

Code	% Bullish	5MA	History
<input type="checkbox"/> EuroDollar DSI	55.00	55.00	
<input type="checkbox"/> Cotton DSI	55.00	60.20	
<input type="checkbox"/> British Pound DSI	60.00	63.40	
<input type="checkbox"/> Heating Oil DSI	61.00	66.40	
<input type="checkbox"/> Crude Oil DSI	61.00	66.40	
<input type="checkbox"/> Copper DSI	61.00	66.00	
<input type="checkbox"/> Gasoline DSI	62.00	70.40	
<input type="checkbox"/> CRB Index DSI	64.00	69.00	
<input type="checkbox"/> Australian Dollar DSI	64.00	67.60	
<input type="checkbox"/> New Zealand Dollar DSI	65.00	67.80	
<input type="checkbox"/> SPX DSI	67.00	75.00	
<input type="checkbox"/> Corn DSI	70.00	68.20	
<input type="checkbox"/> Nasdaq DSI	71.00	70.20	
<input type="checkbox"/> Nikkei DSI	72.00	79.60	
<input type="checkbox"/> Platinum DSI	77.00	78.60	
<input type="checkbox"/> Palladium DSI	77.00	68.20	
<input type="checkbox"/> Lean Hog DSI	79.00	80.2	

Source: trade-futures.com

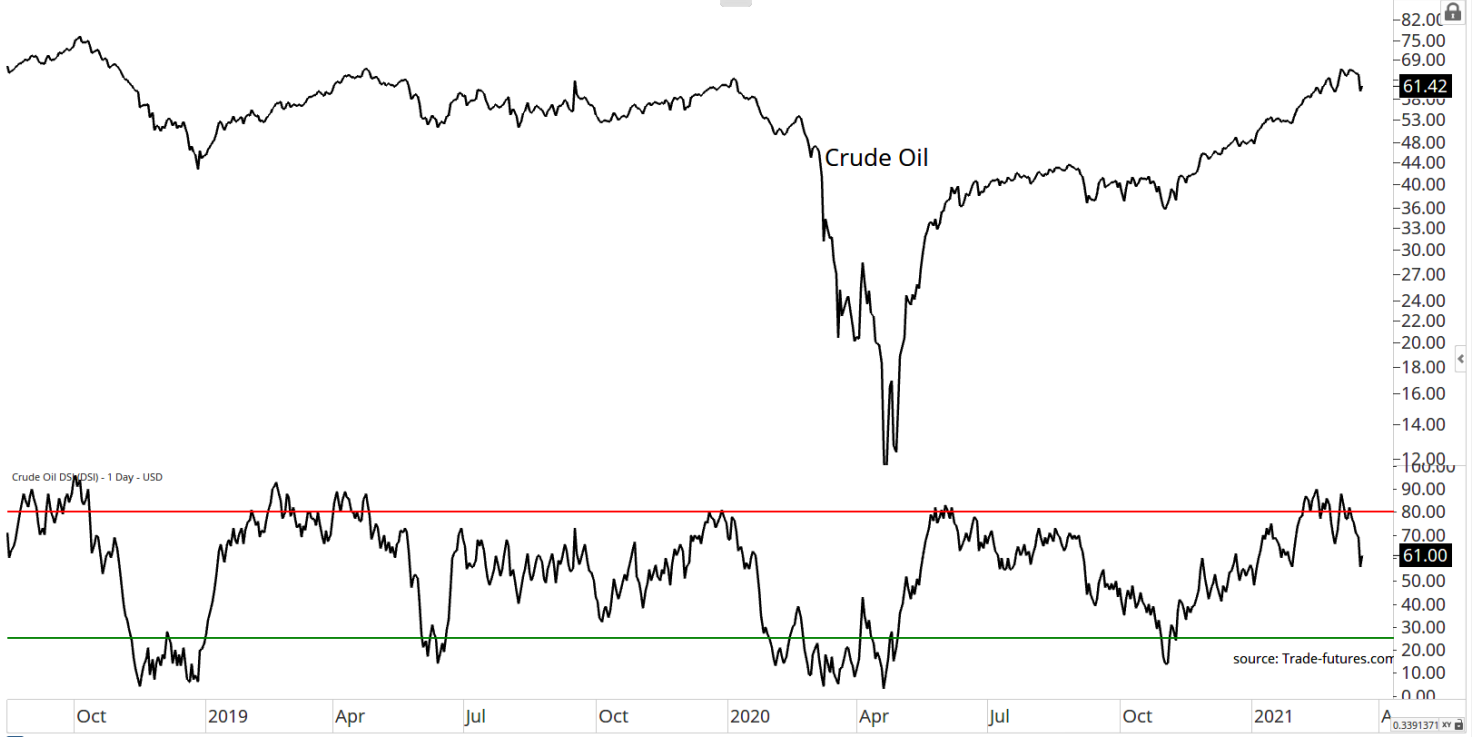
# DAILY SENTIMENT INDEX



# DAILY SENTIMENT INDEX



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



# DAILY SENTIMENT INDEX



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

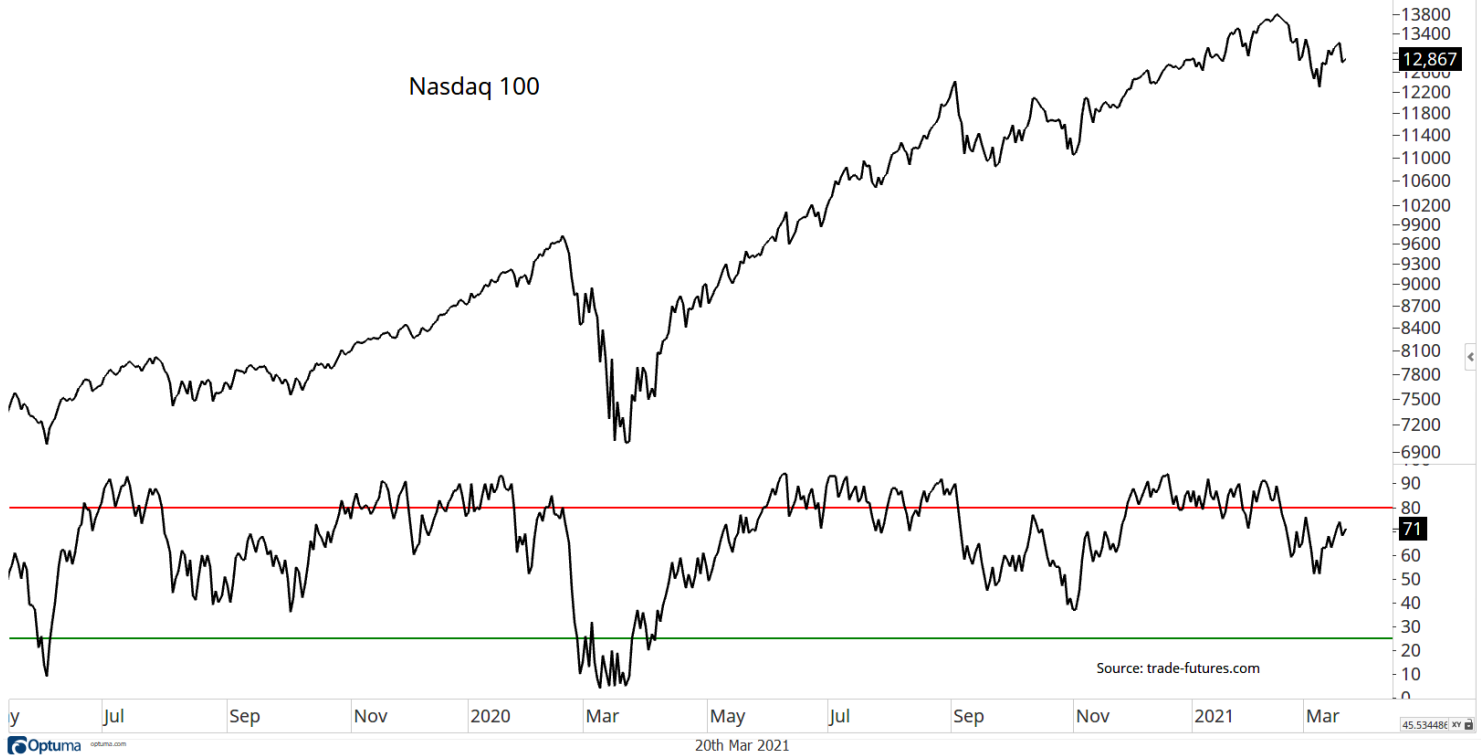


# DAILY SENTIMENT INDEX



**TA** THRASHER  
ANALYTICS

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



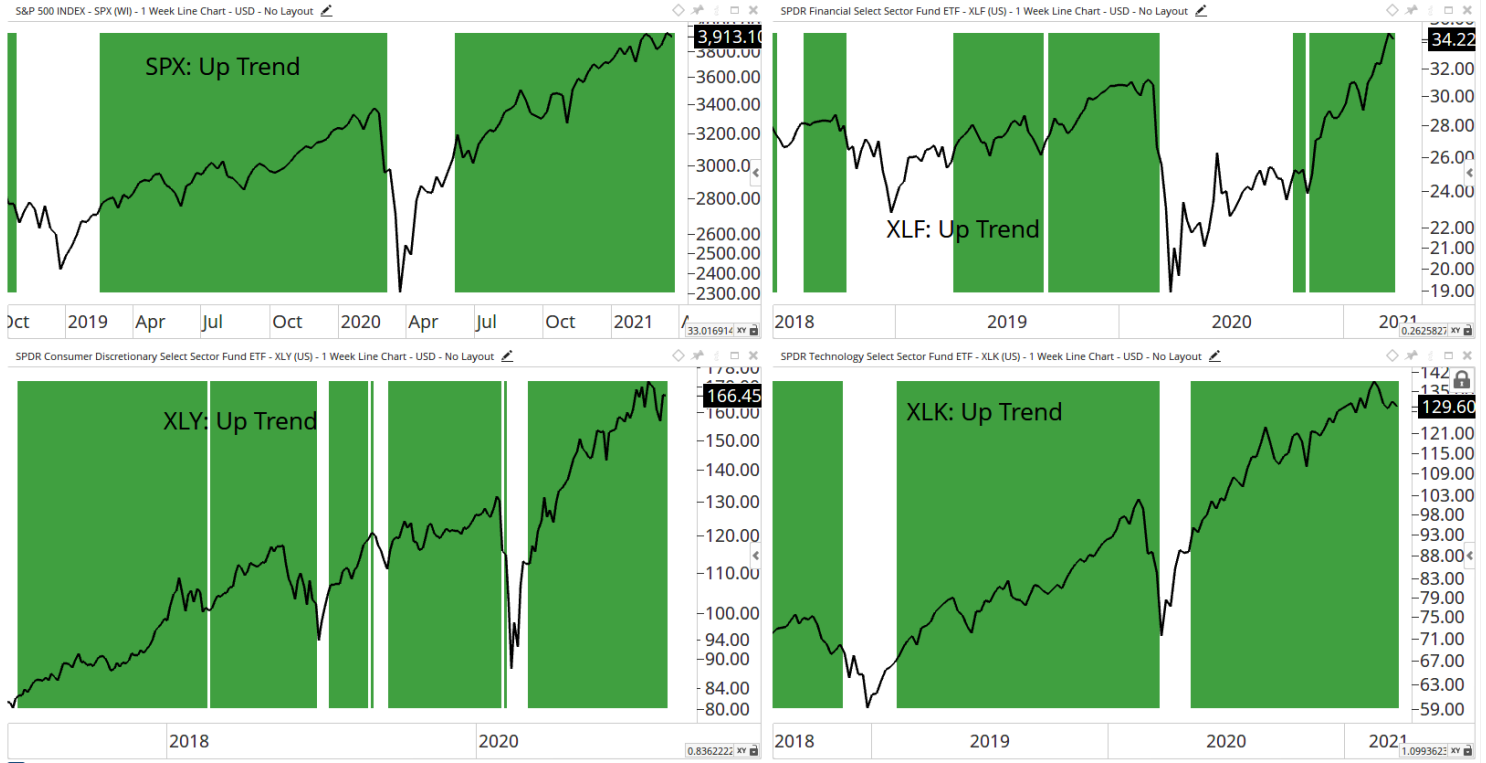
# DAILY SENTIMENT INDEX



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



# TREND MODELS

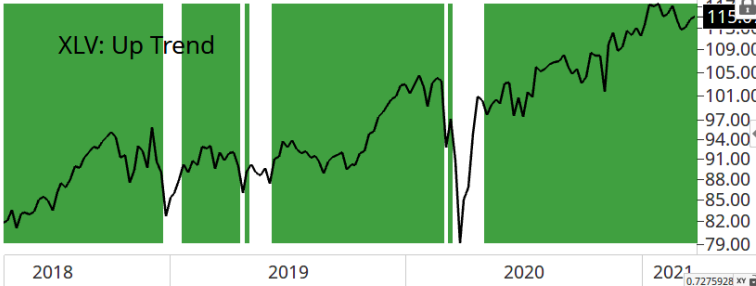


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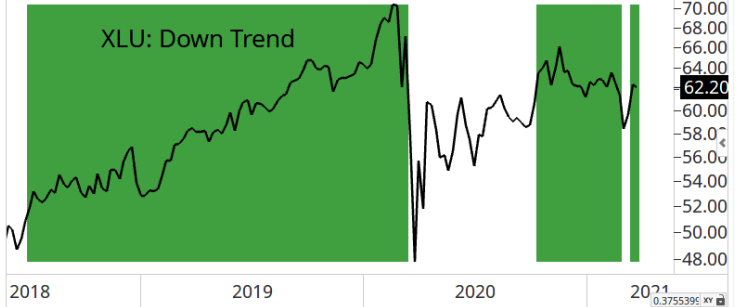
# TREND MODELS



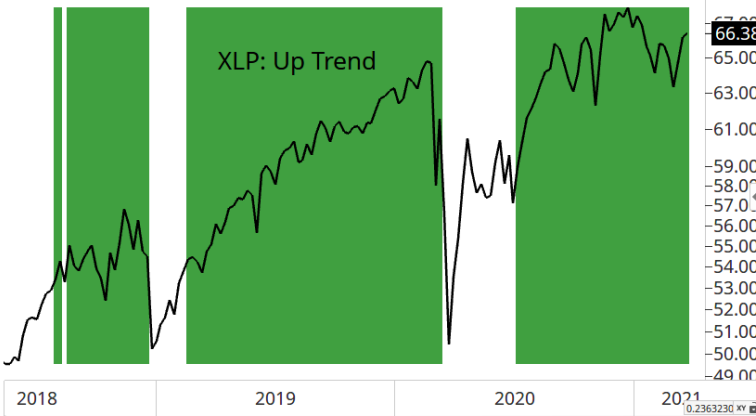
SPDR Health Care Select Sector Fund ETF - XLV (US) - 1 Week Line Chart - USD - No Layout



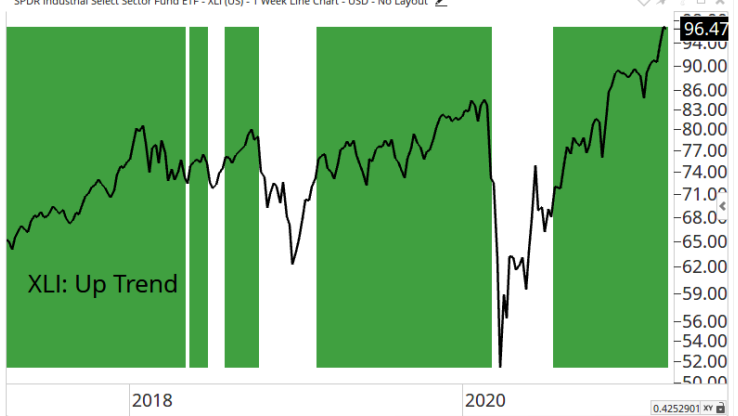
SPDR Utilities Select Sector Fund ETF - XLU (US) - 1 Week Line Chart - USD - No Layout



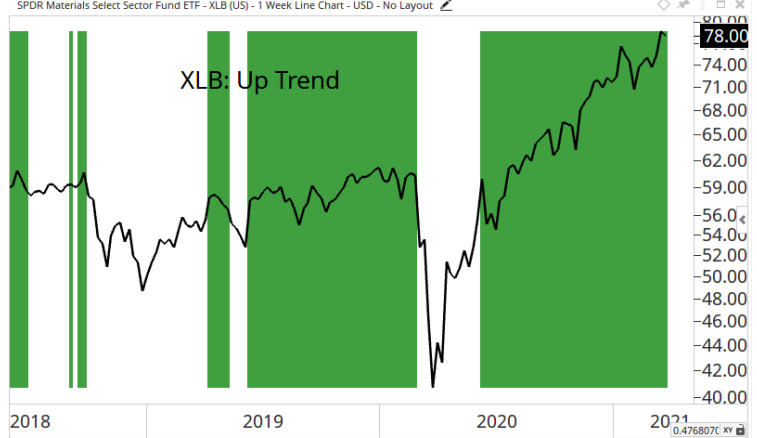
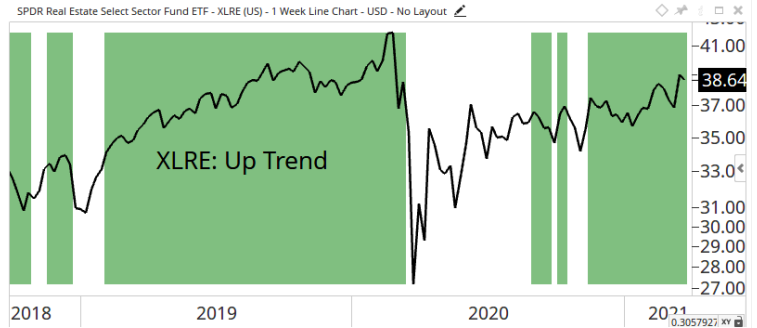
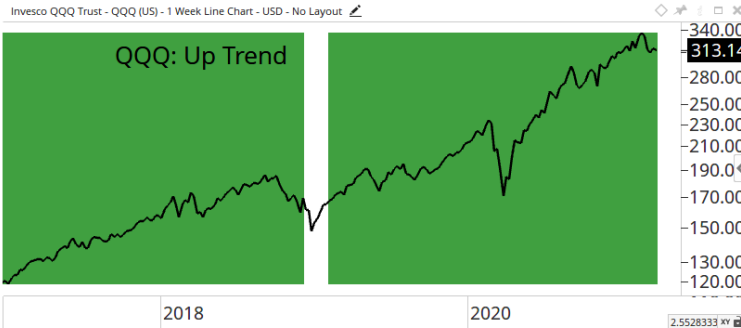
SPDR Consumer Staples Select Sector Fund ETF - XLP (US) - 1 Week Line Chart - USD - No Layout



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



# TREND MODELS



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