

TA THRASHER ANALYTICS

MARCH 28, 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.
- Consumer Staples hit a new high.

Bearish

- Sector leadership has shifted to defense.
- Momentum yet to confirm latest new high.
- Sentiment for SPX not rising with index.
- Put/call ratio rises.
- Stimulus money not headed to investments.

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Volatility

Equities

Market Health Report

Fixed Income

Sector

Sentiment

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	1
Trend	1
Volatility	0
Total	5

Models		
	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	74%	68%
Nasdaq 100	69%	68%
Nikkei	73%	59%
VIX	13%	15%
10yr Treasury	24%	25%
5yr Treasury	15%	15%
CRB Index	55%	56%
Gold	34%	32%
U.S. Dollar	58%	53%

*Green<25% Red>80%

source: trade-futures.com

Brief Summary:

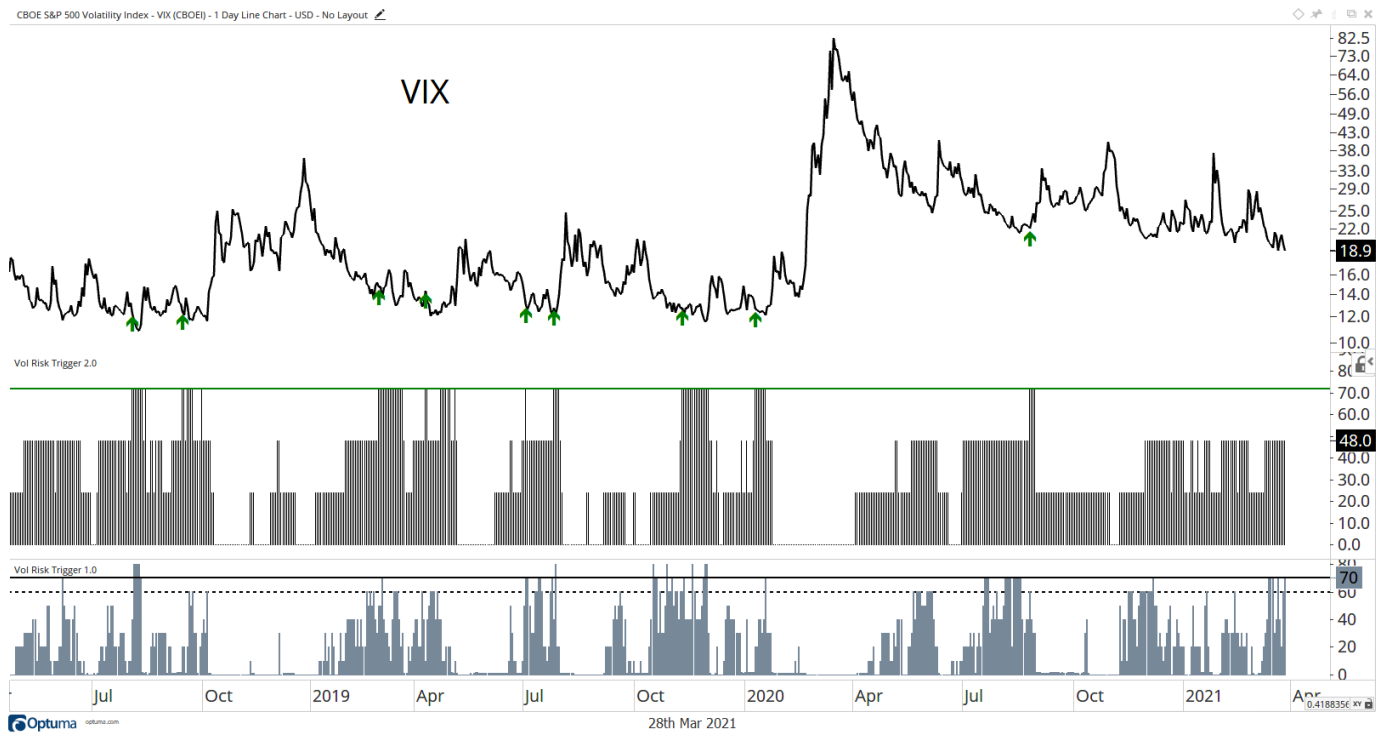
This week's letter will be slightly shorter than normal as I'm dealing with a health issue that I hope and pray will be out of my system by this time next week and I'm able to return to writing this letter as usual.

Last week's price action continued to be messy, culminating with a Friday involving a mass liquidation of a highly leveraged multi-billion dollar hedge fund due to their exposure to Discovery which dropped nearly 30% on Friday. But then we finished the week with a late-day push to a new high. Under the hood, there wasn't a lot of participating signs in risk appetite of that Friday push but broadly the market still appears long-term healthy with good breadth and trend data. Put/call ratios are starting to rise as less call activity hits the market and momentum still is a bit of concern. The rates market still has a lot of focus and the expected investment of the recent stimulus doesn't appear to be coming to fruition as consumers spend their money on non-financial assets.

The Market Health Report remains positive and bullish towards equities. While some data is starting to turn negative, the methods of gaining exposure begins to be more important as we start to see wider dispersion in losers vs. winners.

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).

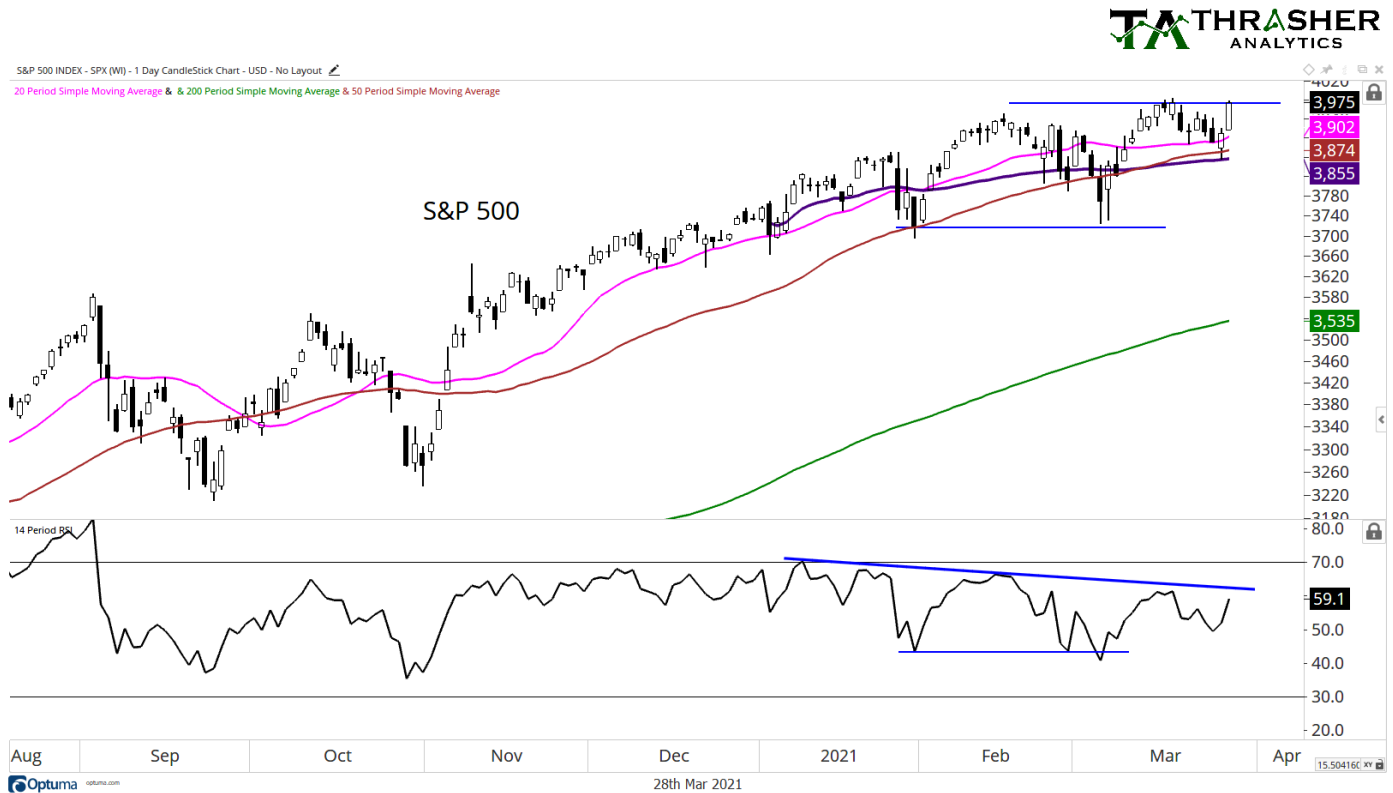
The VRT 2.0 remains a few points below a trigger level. Not a lot to say about volatility right now as spot VIX hasn't moved much recently as it flips above and below 20. As a reminder, the 20 level does not hold a magical threshold for the VIX and doesn't (in my opinion) deserve the significance so many seem to give it.



EQUITIES - S&P 500 DAILY



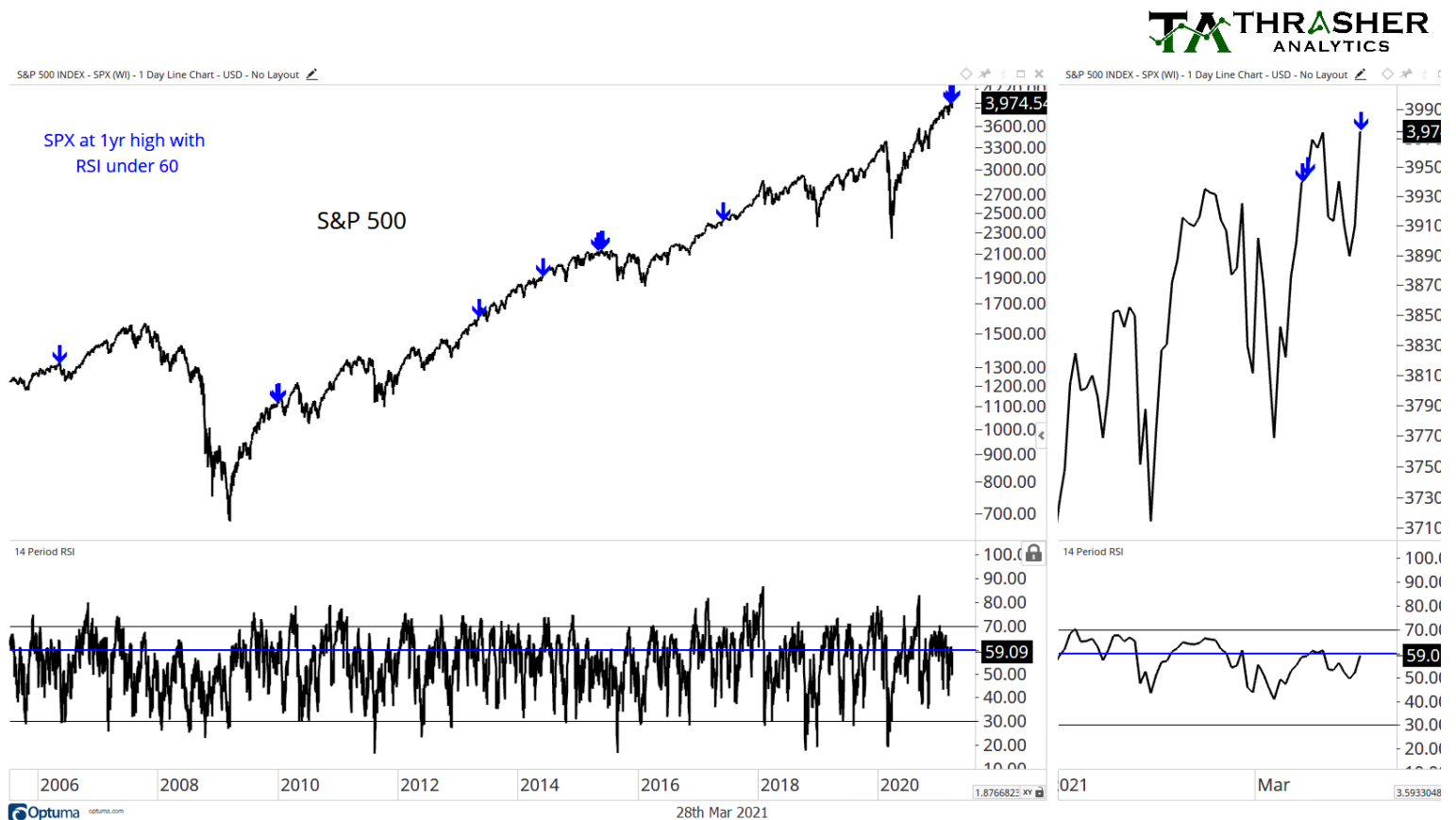
The S&P 500 moved lower during most of last week until the Thursday bounce on the year-to-date VWAP and late-day push on Friday just before the close to finish edging out a new high. Momentum continues to drag and make lower-highs as the equity index slowly claws away to new highs. The next takes another look at this.



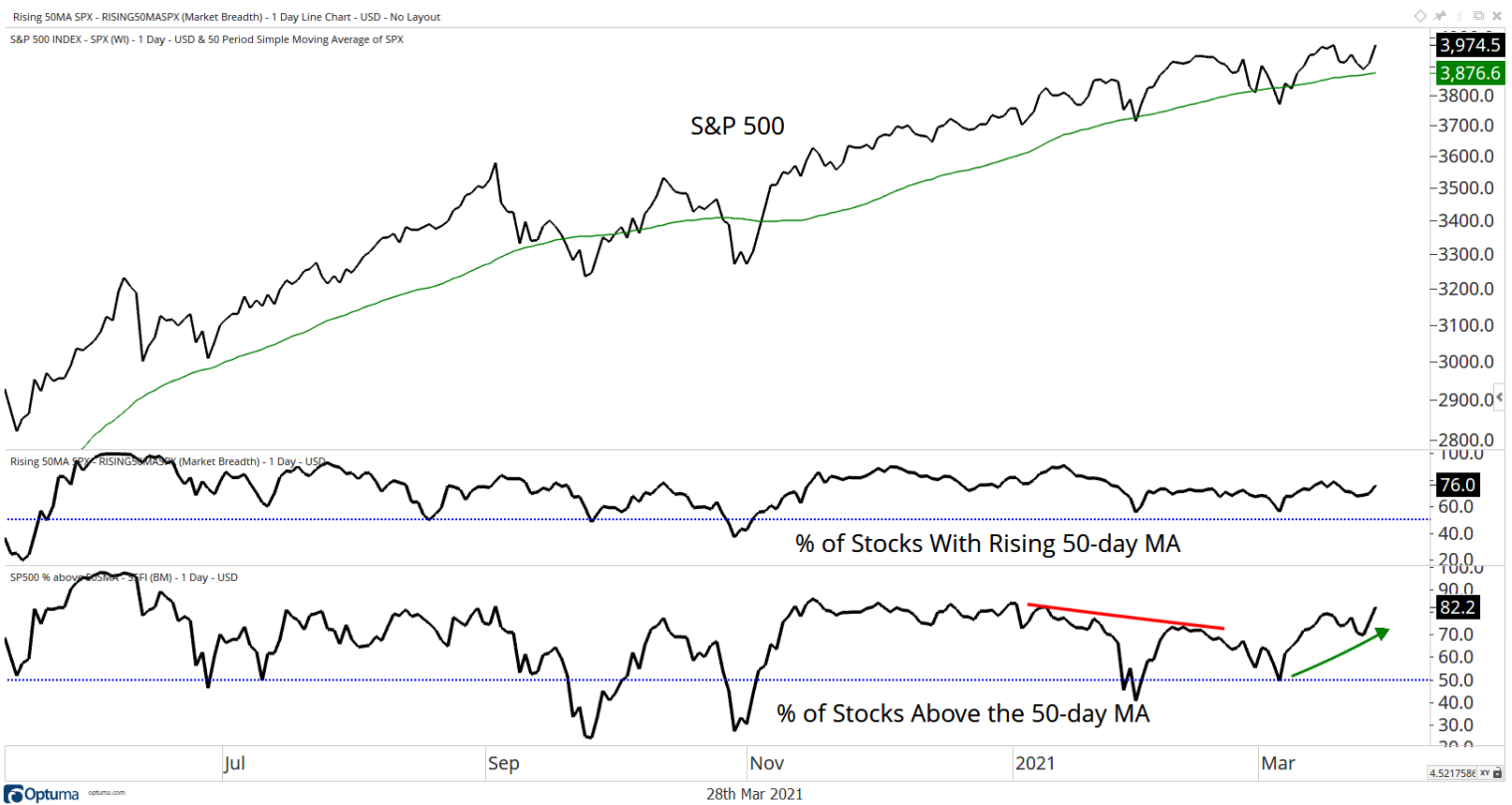
EQUITIES - MOMENTUM



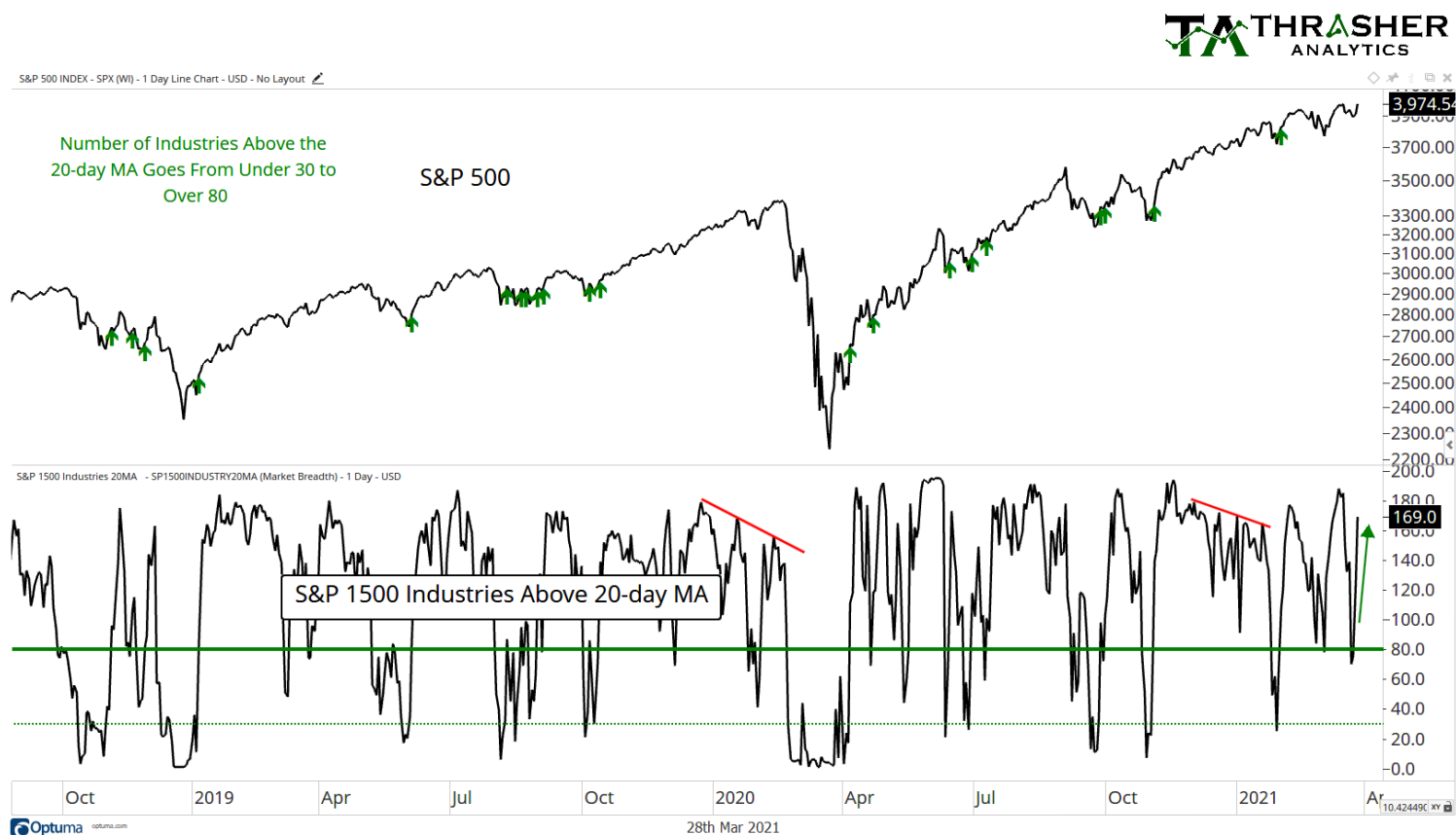
The below chart shows when the S&P 500 has been at a one-year high while the 14-day RSI was below 60, as it was on Friday. As you can see, this doesn't happen very often, last occurring in 2017 and 2015. On the far-right zoomed in chart note the trend in lower highs of momentum. Price is able to 'ignore' this trend but becomes more difficult to sustain the momentum it does have at each swing high.



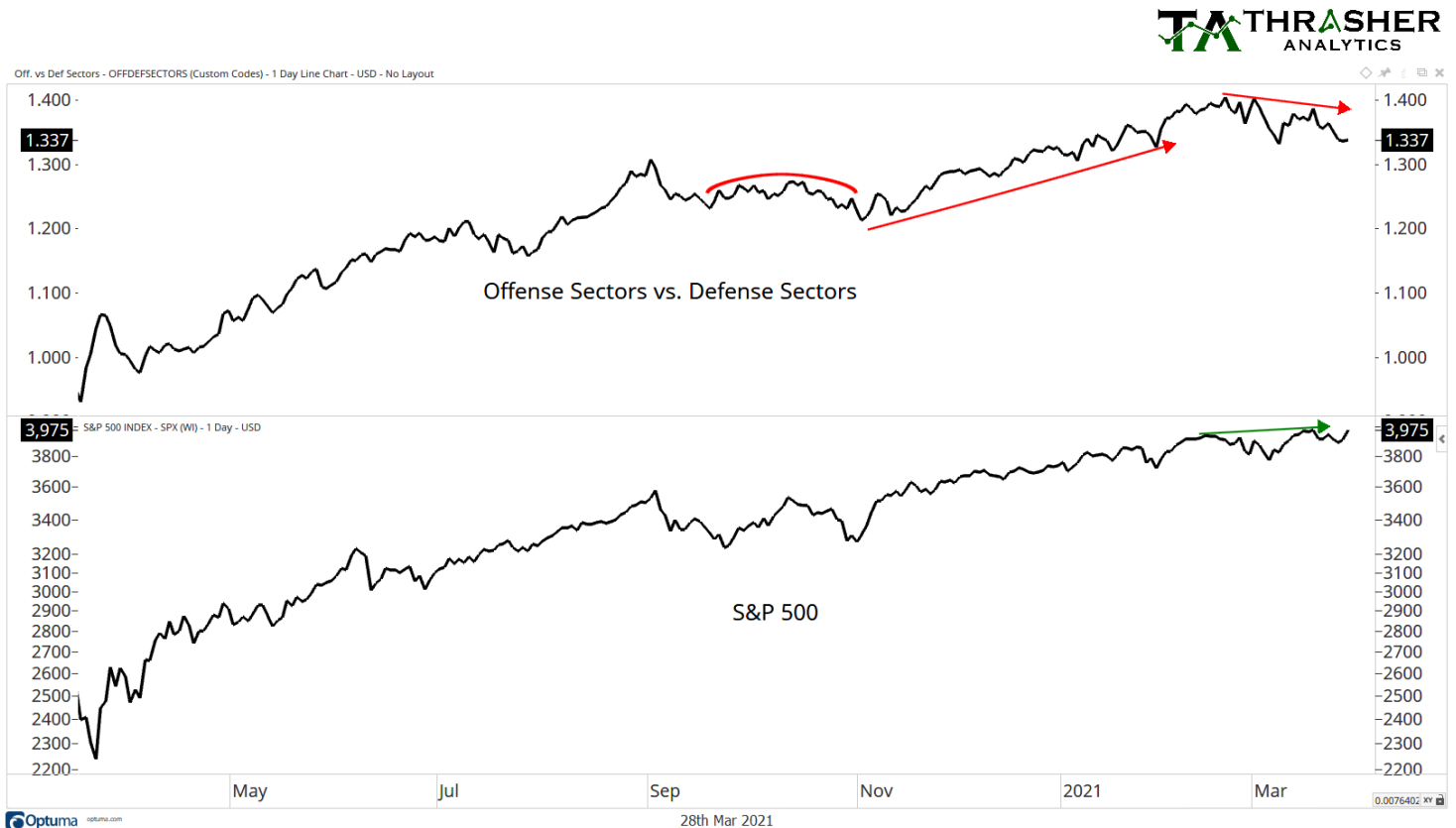
Going into March, we had a bearish divergence in the percentage of stocks above the 50-day MA, which sent the index down to test its own 50-day moving average. Since the bounce off that level of support and rise to a new high, breadth has improved with the intermediate indicator rising to 82%. We also have a healthy number of stocks with rising 50-day MAs, these both breadth indicators suggest the internals of the market are healthy and we still have good participation by individual equities in the up trend.



Looking at breadth from the industry perspective, we can see again here that there's a bullish number of industries above their short-term moving average.



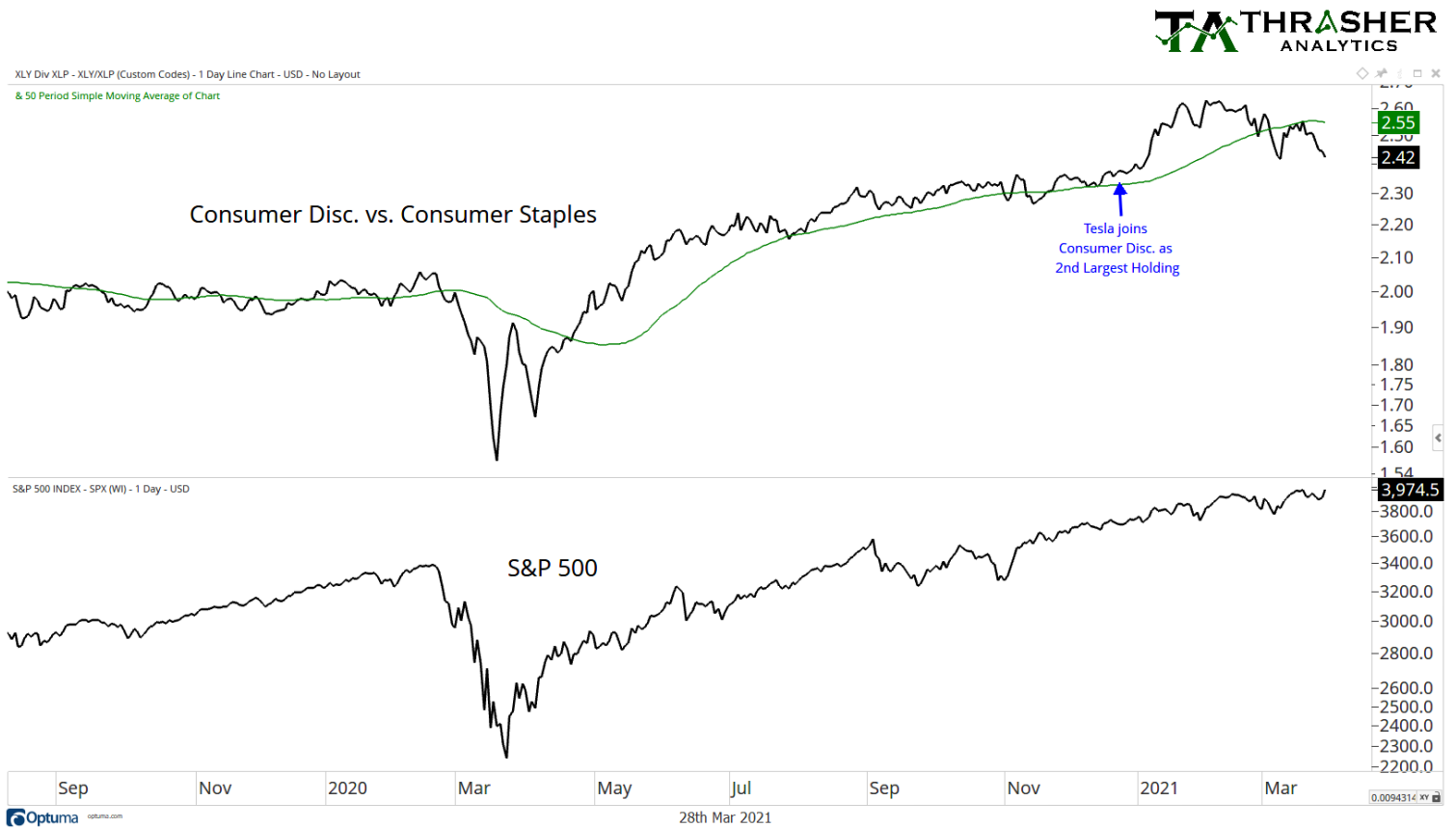
I shared this chart last week but wanted to post it again as an update to point out we didn't make any progress on offense sectors improving in relative performance against defense sectors. I've written recently that I thought Consumer Staples was a good sector to focus on and that plays into this trend as well of defense sectors playing a leading roll. From a risk appetite perspective we want to see offense sectors do better than they have been but with tech under pressure and financials and energy giving up some of their year 2021 gains, it's been the less correlated sectors to the 10yr Yield that have gained the focus of the market recently.



EQUITIES - DISC. VS. STAPLES



Speaking of Consumer Staples, the ratio of Consumer Disc. and Staples has been moving lower, in favor of Staples in the last couple of weeks. A big part of this can be attributed to the drag of Tesla on XLY but still lends itself to the idea that Staples, which hit a new 52-week on Friday, are a corner of the market we may want to keep watching.



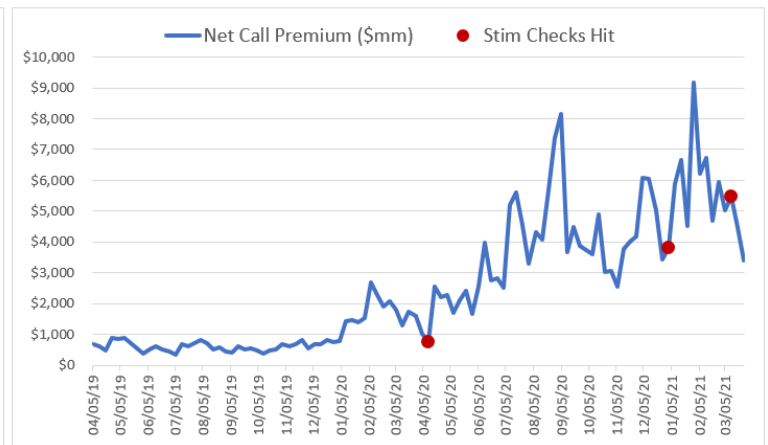
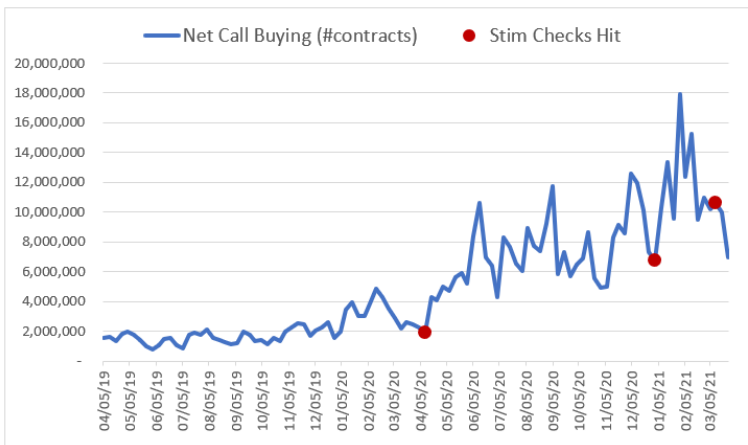
EQUITIES - PUT/CALL RATIO



The put/call ratio had been trending lower since the end of the Covid Crash as investors chased after call options like they were the key to eternal youth. Long-time readers of this letter know that I'm less worried about a falling put/call ratio vs. a rising one. Investors buying calls vs. puts is bullish, that's a good sign for equities. Like sentiment, it's when that reverses, turning more towards puts instead of calls, that can be a concern as a possible sign investors risk appetite has turned bearish. This is what we are starting to see now with the ratio bottoming at the end of last year and steadily rising for the last three months.



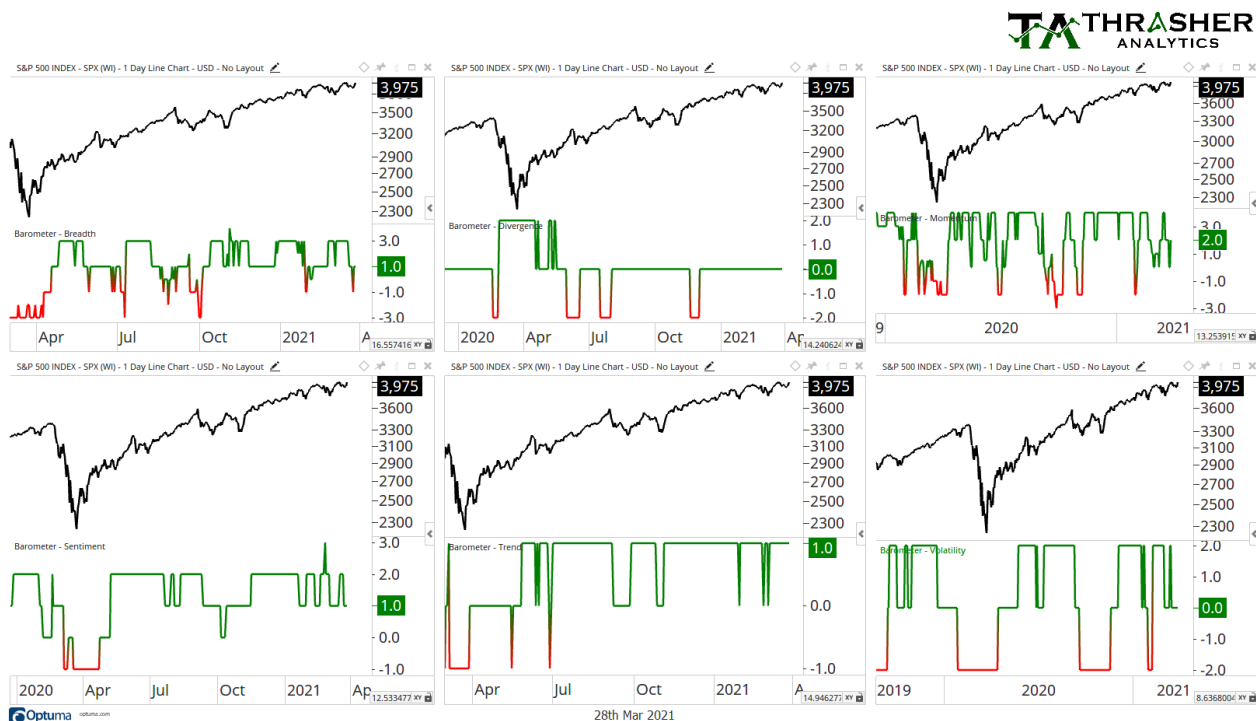
This chart was shared by [Max Rochatansky](#) and shows the prior and current dates stimulus checks were issued overlaid on call option activity. The prior two stimulus checks were immediately followed by sharp moves higher in call buying as many put their new funds into their investment accounts. The most recent check however has not had the same impact. This is likely due to more alternatives to spend their dollars, the ability to travel, go to restaurants and shop more freely is probably drawing consumer behavior away from simply watching a Robinhood account. So the backing of stimulus money into financial assets are unlikely to be felt this time and that narrative won't be as loud as a reason for stocks to keep ripping higher. This doesn't mean stocks won't keep rising but it doesn't appear to be taking the next leg on the back of the current stimulus impulse.



MARKET HEALTH REPORT



The Market Health Report (MHR) finished the week at +5. All of the categories are at least at zero or positive, a bullish sign for the market internals and positive for equities. However, you'll notice that we aren't seeing levels in the green like during most of the trend higher since last March even though SPX is at a new high. The six categories remain bullish but less so than in the past couple of months.



SECTORS - PERFORMANCE



Sector	> 50MA	> 200MA	1wk Perf ▼	1mo Perf	3mo Perf	12mo Perf
SPDR Consumer Staples Select Sector Fund ETF	True	True	3.31%	8.34%	2.79%	27.57%
SPDR Real Estate Select Sector Fund ETF	True	True	3.29%	6.88%	11.14%	28.2%
SPDR Technology Select Sector Fund ETF	True	True	2.37%	1.52%	2.8%	61.18%
SPDR Materials Select Sector Fund ETF	True	True	2.17%	8.35%	11.33%	73.54%
SPDR Utilities Select Sector Fund ETF	True	True	2.04%	8.76%	3.69%	14.61%
SPDR Industrial Select Sector Fund ETF	True	True	1.92%	8.51%	11.73%	59.92%
SPDR Energy Select Sector Fund ETF	True	True	1.82%	4.74%	32.29%	65.94%
SPDR Health Care Select Sector Fund ETF	True	True	1.69%	3.92%	4.98%	34.74%
SPDR Financial Select Sector Fund ETF	True	True	0.44%	6.38%	18.72%	58.61%
SPDR Consumer Discretionary Select Sector Fund ETF	False	True	-0.23%	3.05%	5.18%	63.69%
SPDR Communication Services Select Sector ETF	True	True	-4.14%	1.01%	9.1%	62.3%

DAILY SENTIMENT INDEX



Market	% Bullish ▲	5MA	History 📅
VIX DSI	13	15.4	
Swiss Franc DSI	14	18.8	
5YR DSI	15	15.4	
Coffee DSI	18	17.6	
Sugar DSI	20	31.40	
10Y DSI	24	25.40	
Cattle DSI	28.00	23.2	
Mexican Peso DSI	29.00	27.20	
Wheat DSI	31.00	33.20	
Cocoa DSI	31.00	32.40	
Orange Juice DSI	33.00	34.80	
Natural Gas DSI	33.00	33.00	
Gold DSI	34.00	32.20	
Silver DSI	35.00	36.80	
Euro DSI	36.00	42.60	
Cotton DSI	40.00	44.80	
New Zealand Dollar DSI	52.00	54.20	

Code	% Bullish ▲	5MA	History 📅
<input type="checkbox"/> EuroDollar DSI	55.00	55.00	
<input type="checkbox"/> CRB Index DSI	55.00	56.20	
<input type="checkbox"/> Copper DSI	55.00	54.40	
<input type="checkbox"/> British Pound DSI	56.00	56.00	
<input type="checkbox"/> Gasoline DSI	57.00	55.80	
<input type="checkbox"/> US Dollar DSI	58.00	53.00	
<input type="checkbox"/> Heating Oil DSI	58.00	55.20	
<input type="checkbox"/> Australian Dollar DSI	58.00	55.80	
<input type="checkbox"/> Platinum DSI	66.00	65.20	
<input type="checkbox"/> Nasdaq DSI	69.00	67.80	
<input type="checkbox"/> Crude Oil DSI	69.00	62.60	
<input type="checkbox"/> Lumber DSI	70.00	72.20	
<input type="checkbox"/> Corn DSI	70.00	67.60	
<input type="checkbox"/> Nikkei DSI	73.00	59.00	
<input type="checkbox"/> SPX DSI	74.00	68.00	
<input type="checkbox"/> Palladium DSI	80	74.80	
<input type="checkbox"/> Lean Hog DSI	87	86.2	

Source: trade-futures.com

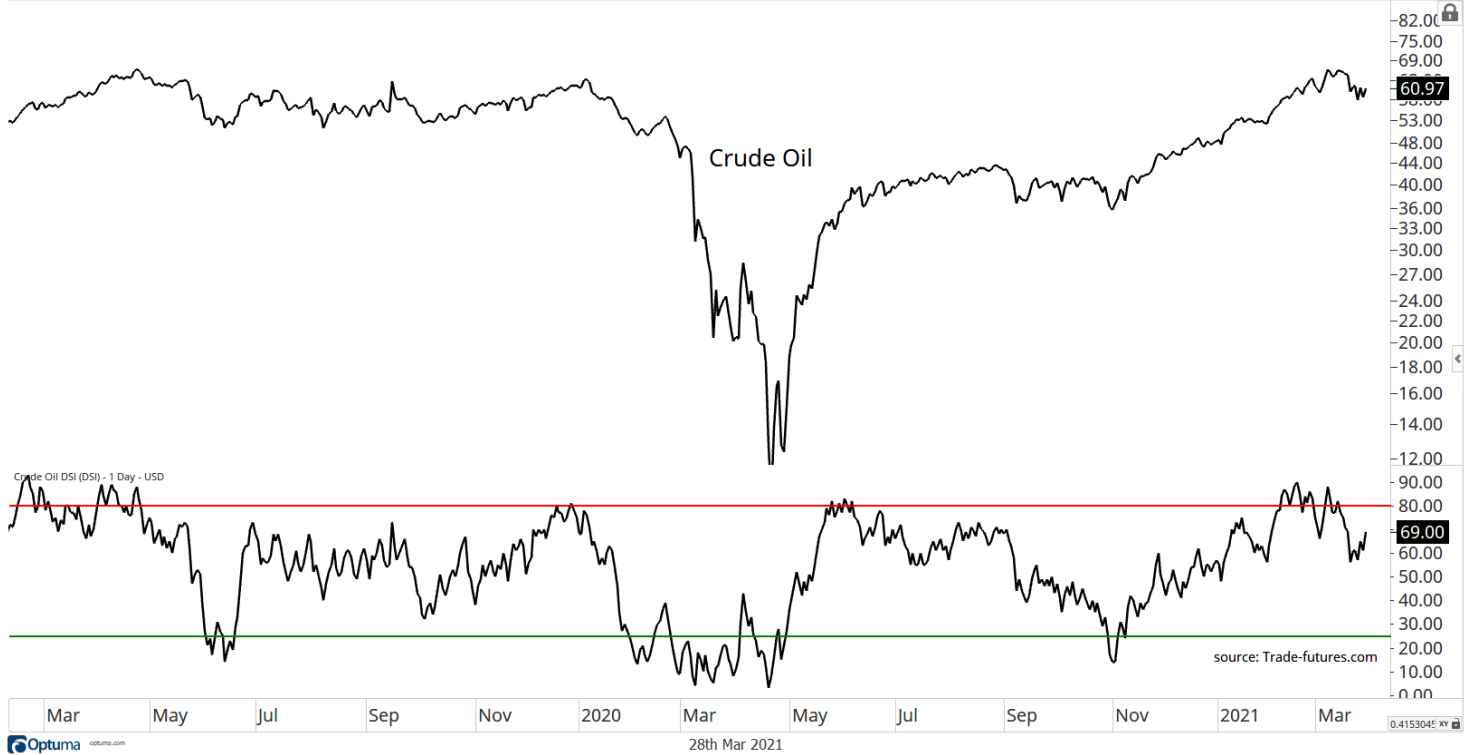
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Crude Oil Light Sweet NYMEX - OILSW (W) - 1 Day Line Chart - USD - No Layout



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



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



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



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

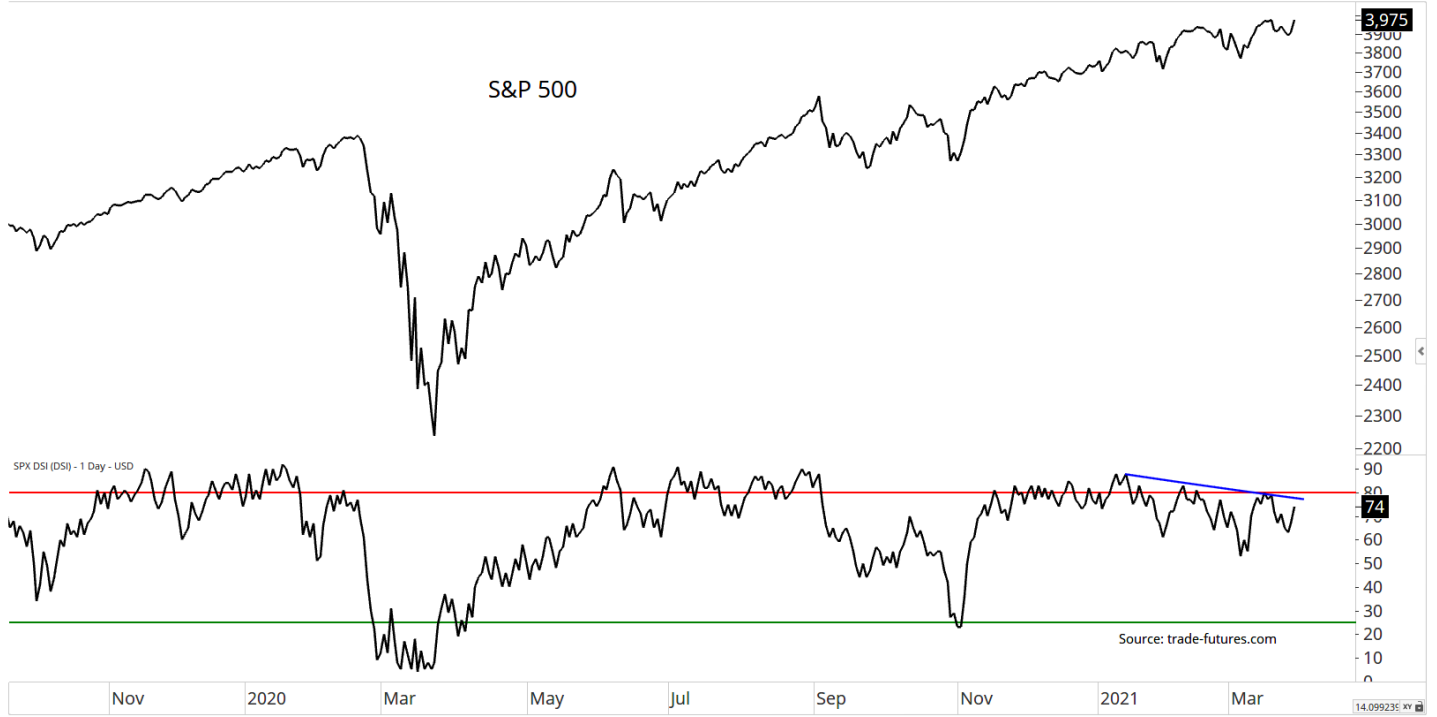
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S&P 500 Index - SPX (CBOE) - 1 Day Line Chart - USD - No Layout

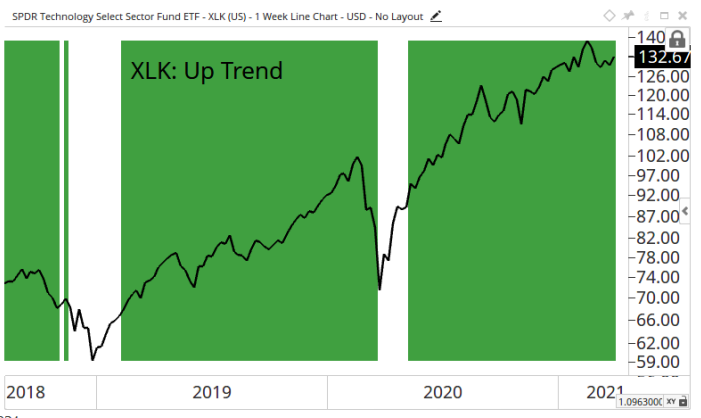
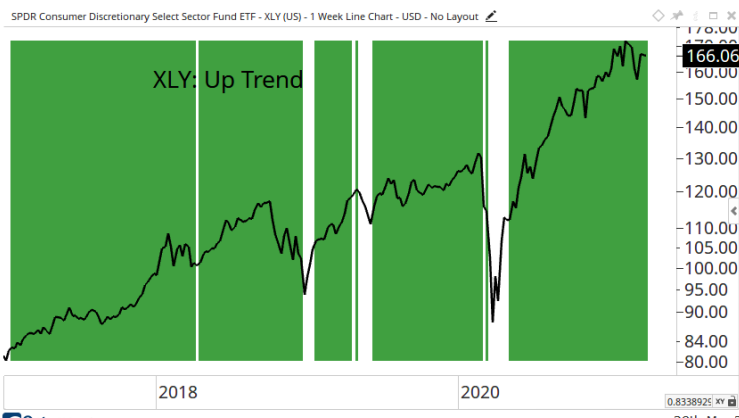
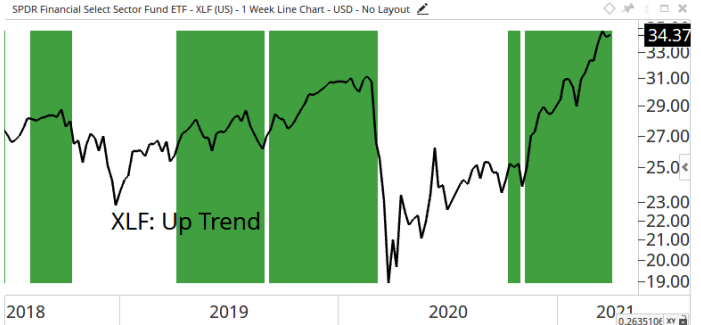
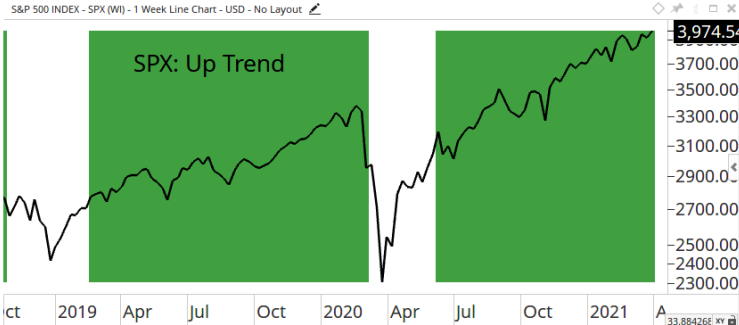


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TREND MODELS



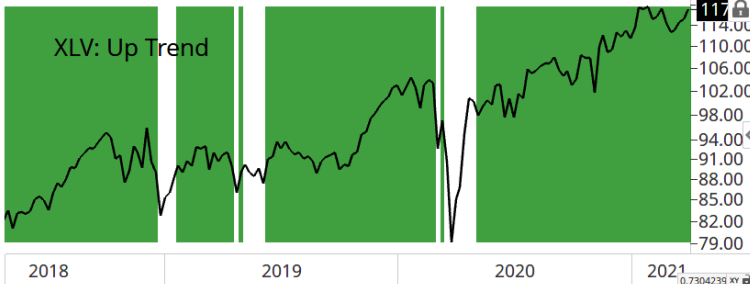
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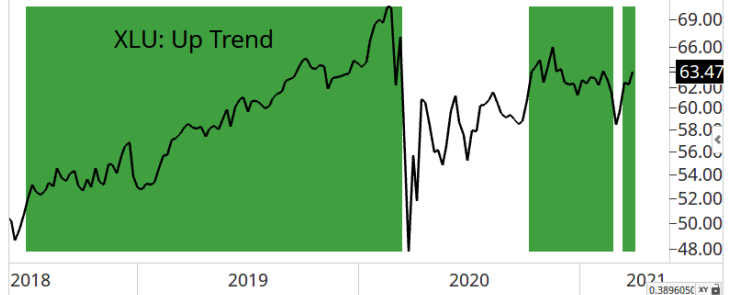
TREND MODELS



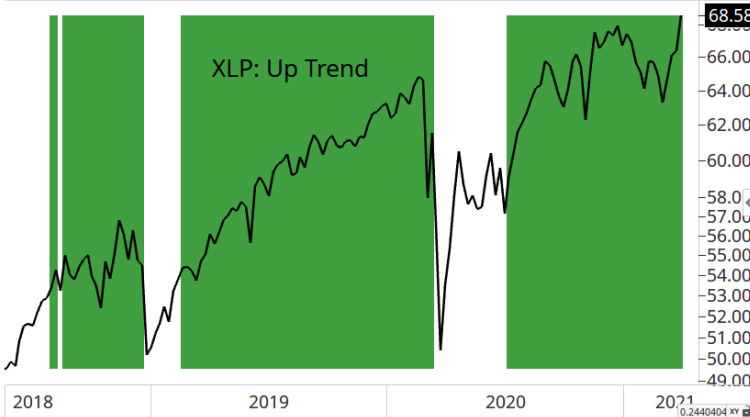
SPDR Health Care Select Sector Fund ETF - XLV (US) - 1 Week Line Chart - USD - No Layout



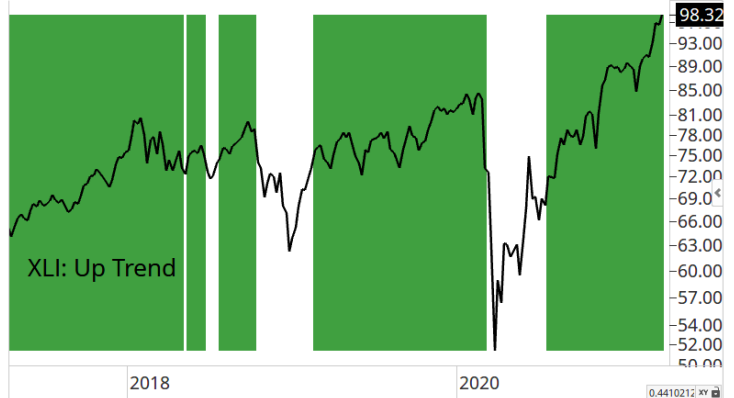
SPDR Utilities Select Sector Fund ETF - XLU (US) - 1 Week Line Chart - USD - No Layout



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



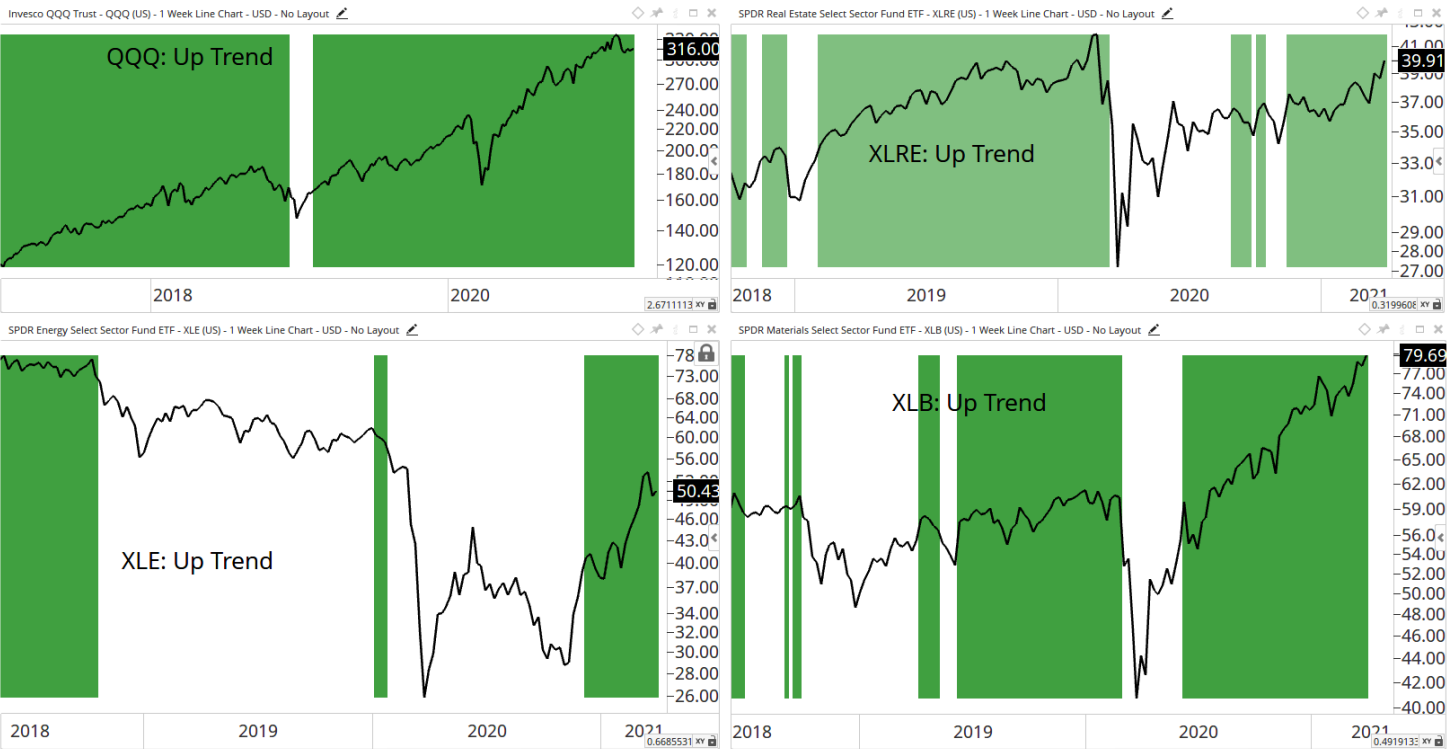
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