THRASHER ANALYTICS

APRIL 4, 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.
- Tech attractive setup.
- Semis are leading higher.
- Gold looks attractive.
- Corp. bonds may bounce

Bearish

- Momentum slight divergence but improving.
- Sentiment slightly hot for equities.
- new highs list has shrunk.

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Market Dashboard

Sector Rotation: April	
Energy	XLE
Financials	XLF
Materials	XLB

Fixed Income Rotation: Q2	
Emerging Market Debt	PCY
20+ Yr Treasury	TLT

Market Health Report	
Breadth	1
Divergence	0
Momentum	4
Sentiment	2
Trend	1
Volatility	0
Total	**8**

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	85%	79%
Nasdaq 100	77%	73%
Nikkei	86%	77%
VIX	11%	13%
10yr Treasury	29%	24%
5yr Treasury	15%	15%
CRB Index	55%	53%
Gold	28%	27%
U.S. Dollar	63%	63%

Green<25% Red>80%

source: trade-futures.com

Brief Summary:

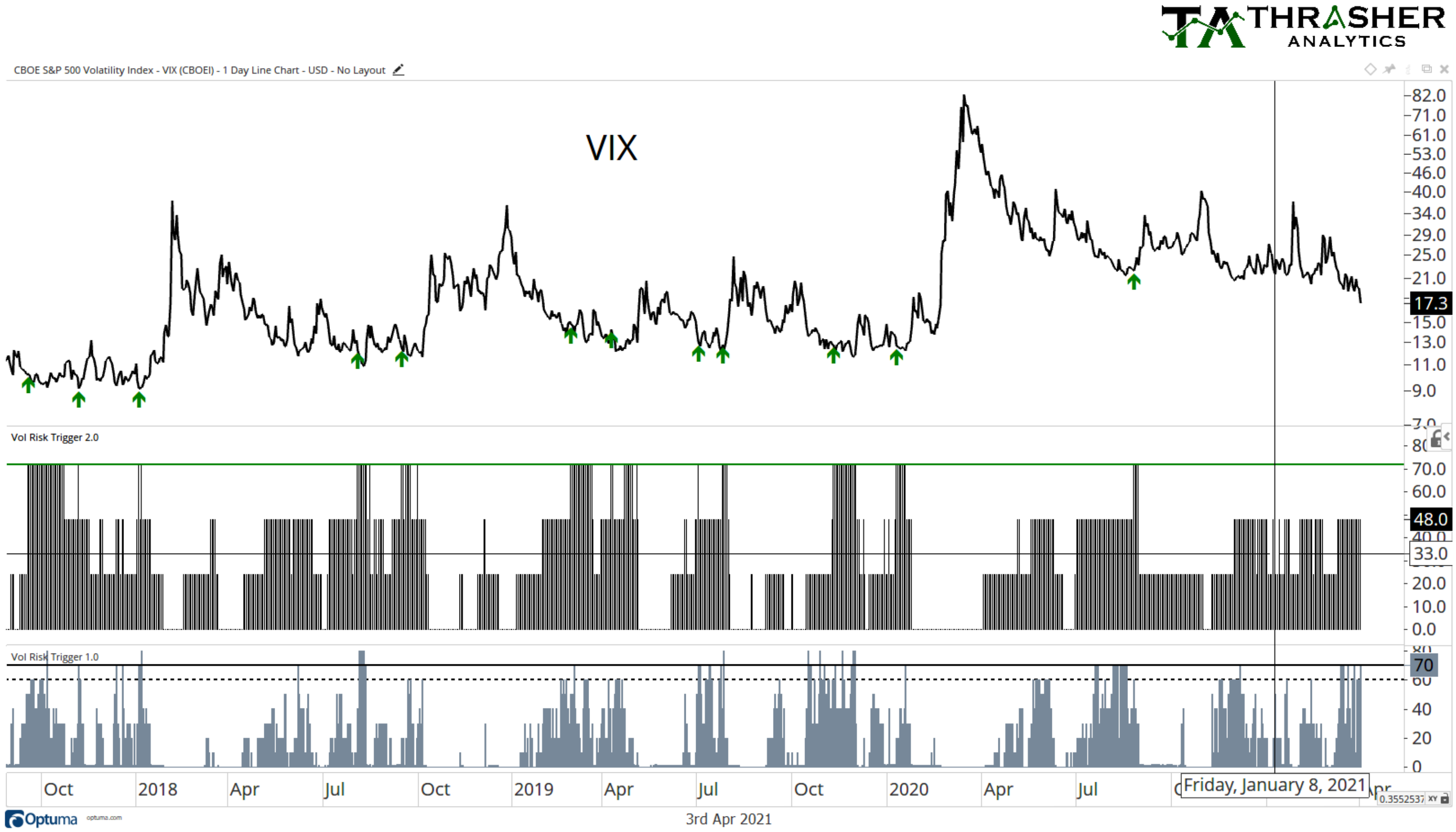
I am back up and running at near 100% this week following my brief poor health last week. Thankfully it was short-lived and I'm able to put much greater focus into my work once again.

Last week saw good improvement in the the Market Health Report, which rose to +8. Equity breadth is extremely strong, with the average sector holding over 90% of its stocks above the 200-day MA, the highest figure in over a decade. Sentiment has gotten a little high with SPX now at 85% bullish but the improvement in momentum and strength in breadth gives good tailwinds to buoying equities higher. The tech sector has strong breadth and semiconductors may signal a continued move higher for the sector.

Corporate bonds have had a horrible quarter but may be showing an attractive mean-reversion opportunity. Gold has several bullish divergence with COT data turning bullish as well.

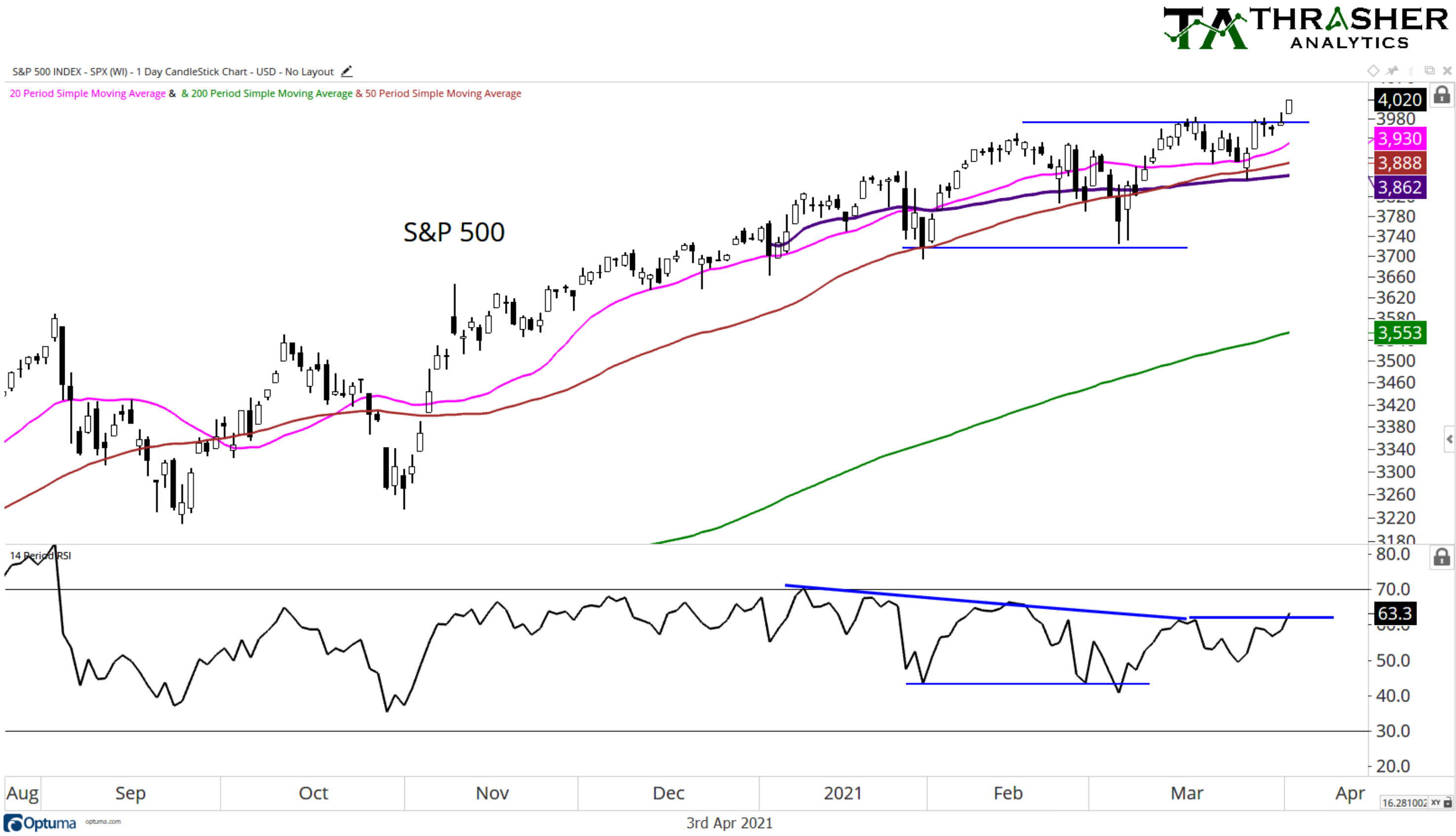
As a reminder, the below chart shows both the old Volatility Risk Trigger (VRT 1.0) as well as the new Volatility Risk Trigger (VRT 2.0).

The VRT 2.0 remains a few points below a trigger level. Spot VIX moved further under 20 last week, dropping hard on Friday to cross below 18. This has caused the mean-reversion components of the VRT 1.0 to trigger and warn of a potential short-term rise in volatility. But I continue to be more focused on VRT 2.0, which has done an excellent job avoiding any false signals over the last six months.



Equities - S&P 500 Daily

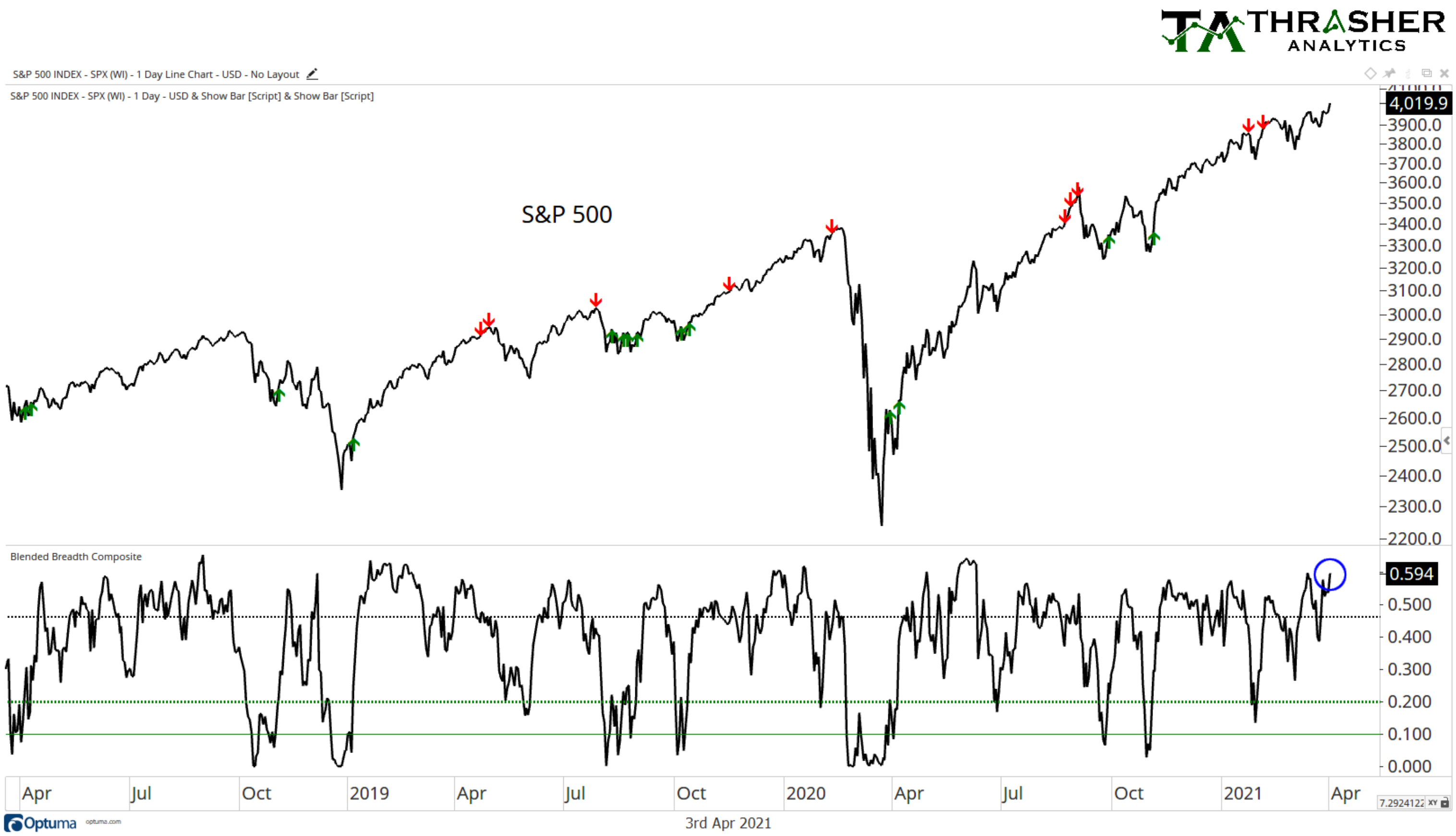
The S&P 500 moved to another new high last week, breaching the 4,000 level for the first time. Most notable though is the higher-high in momentum. Friday's price action sent the 14-day RSI above the prior March high, a good first step in ending the multi-month bearish momentum divergence. Support levels continue to hold and its hard to argue that bulls aren't firmly in control of this tape right now.



Equities - Breadth

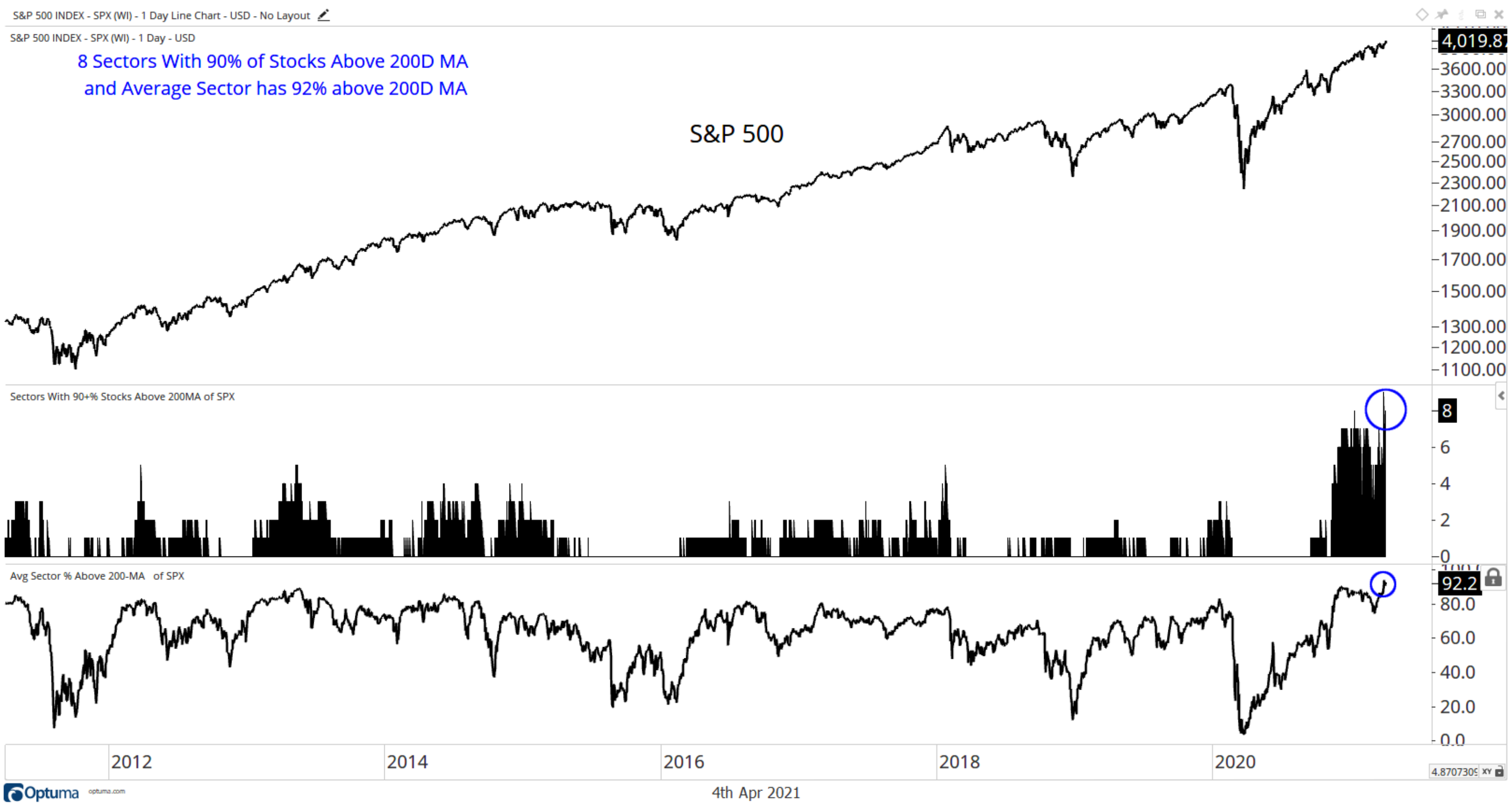
I show a lot of breadth charts each week and that's not on accident. I think breadth data is some of the most important piece of data we can look at when evaluating the market. Very rarely do we see protracted downturns in equities when breadth is strong. Remember, it truly is a market of individual stocks and when they are collectively rising, it's extremely difficult for the indices to buck that strength for long periods of time.

Below is the Breadth Composite Model, which has risen to one of the highest levels in nearly 12 months. From the many different angles the model evaluates breadth, things look good.



Equities - Breadth

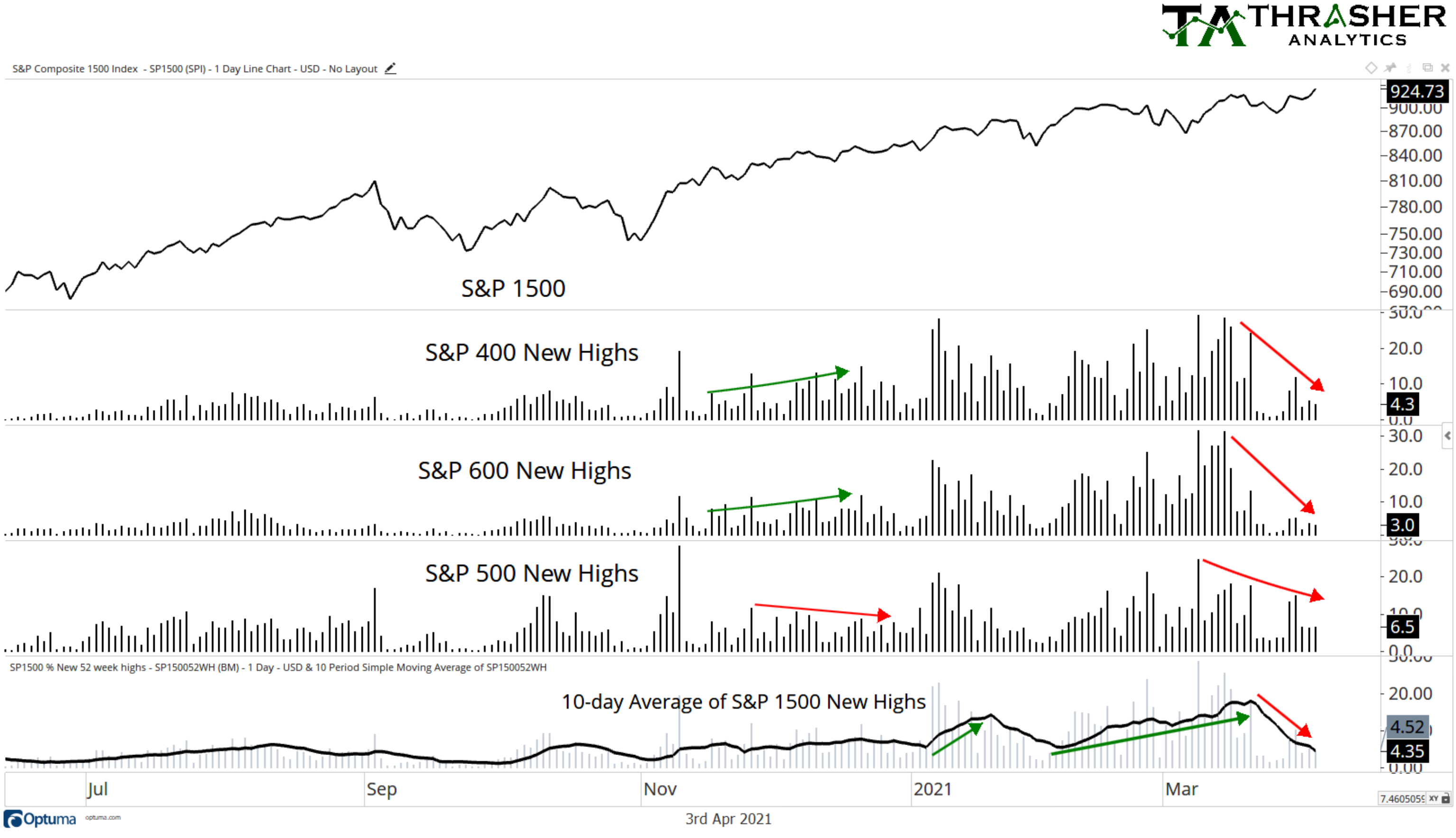
Currently 8 sectors now have at least 90% of their stocks above the 200-day MA. I last shared this chart as a bearish sign several months ago that things were getting 'too good.' Well that was wrong as stocks continued to advance, and the idea that "too good of breadth" while useful at prior turning points, was less so in 2020. With 8 sectors over 90% above 200-day MA the average sector is at a record high of 92.2% above the long-term moving average. Just about every stock in every sector is trading above the 200-day moving average. This type of development in past years has brought about some short-term selling but Q4 '20 was the exception. Breadth has never been stronger than it is today from a trend perspective (i.e. stocks above moving averages). While the next chart shows new high data less bullish, they may not be ratcheting new highs, they aren't going down either.



Equities - Breadth

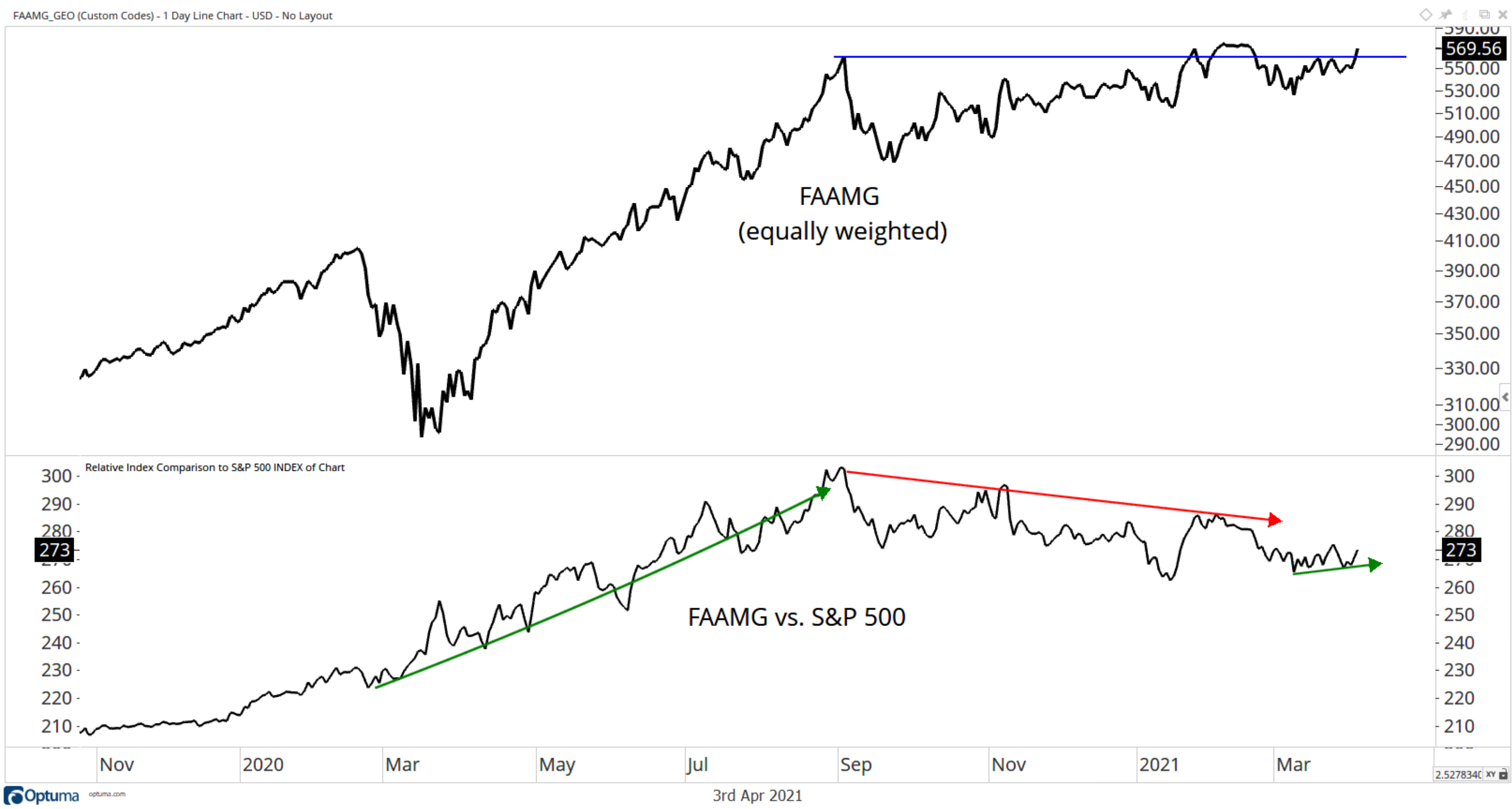
If we were to seek out one chart that is the most bearish argument for equities as it relates to breadth, it would be the new high chart, shown below. The number of new highs for small, mid, and large caps has fallen over the last month. We saw large cap new highs struggle at the end of last year but small and mid caps made up for the weakness as traders rotated out of mega caps into sm/mid cap stocks. However, now we have all three declining with just 6.5% of the SPX at a new high on Friday, well below the 15-20% we saw last month. While stocks are not declining, as we know because the % above MAs data is incredibly high, they aren't hitting news either. This is okay and can easily be worked out within a few days as long as the % above MA figures hold strong the good breadth picture can stay intact.

Should the moving average data begin to roll over and new high data doesn't improve, then we'll need to re-access the breadth picture and start getting concerned about equities but we aren't there yet.



Equities - FAAMG

The FAAMG Group (FB, AMZN, AAPL, MSFT, GOOGL) had been struggling since September, showing both poor relative and absolute performance. Fortunately the FAAMG luck appears to be turning. the equally-weighted FAAMG index is now back above the September high and the relative performance to the S&P 500 (bottom panel) has begun turning higher. Because of the large weighting these stocks have in the index, if they return to a leadership role, that would give excellent internal support for the up trend and require less reliance on sm/mid caps.

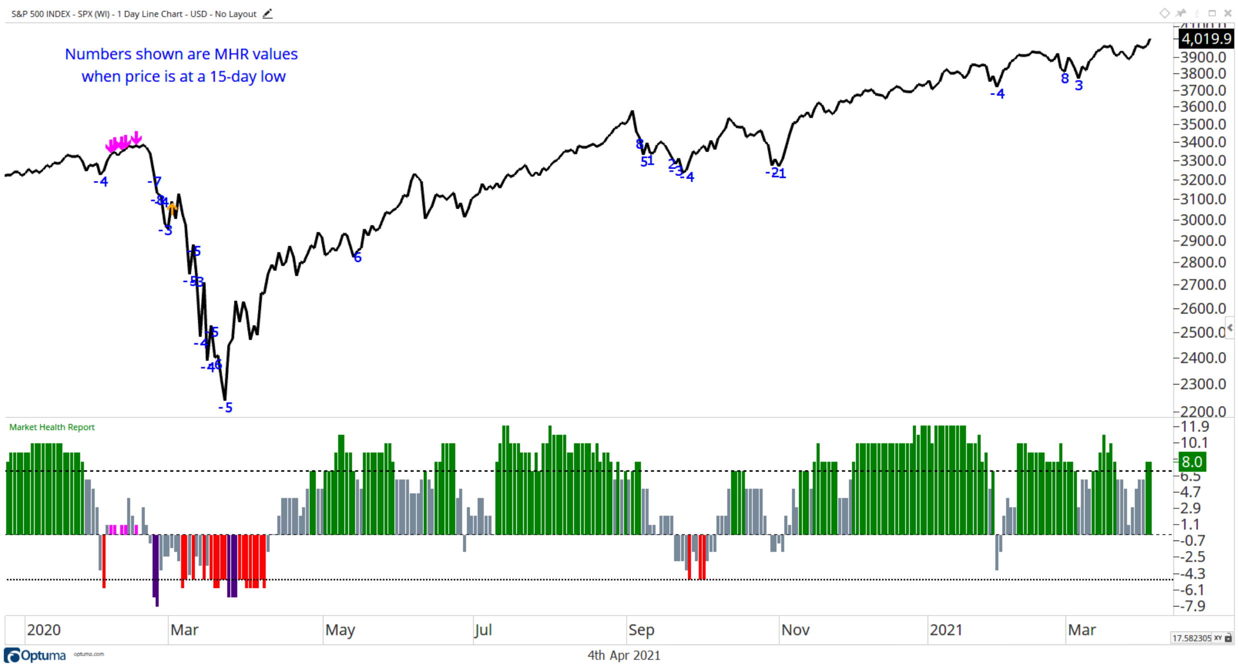


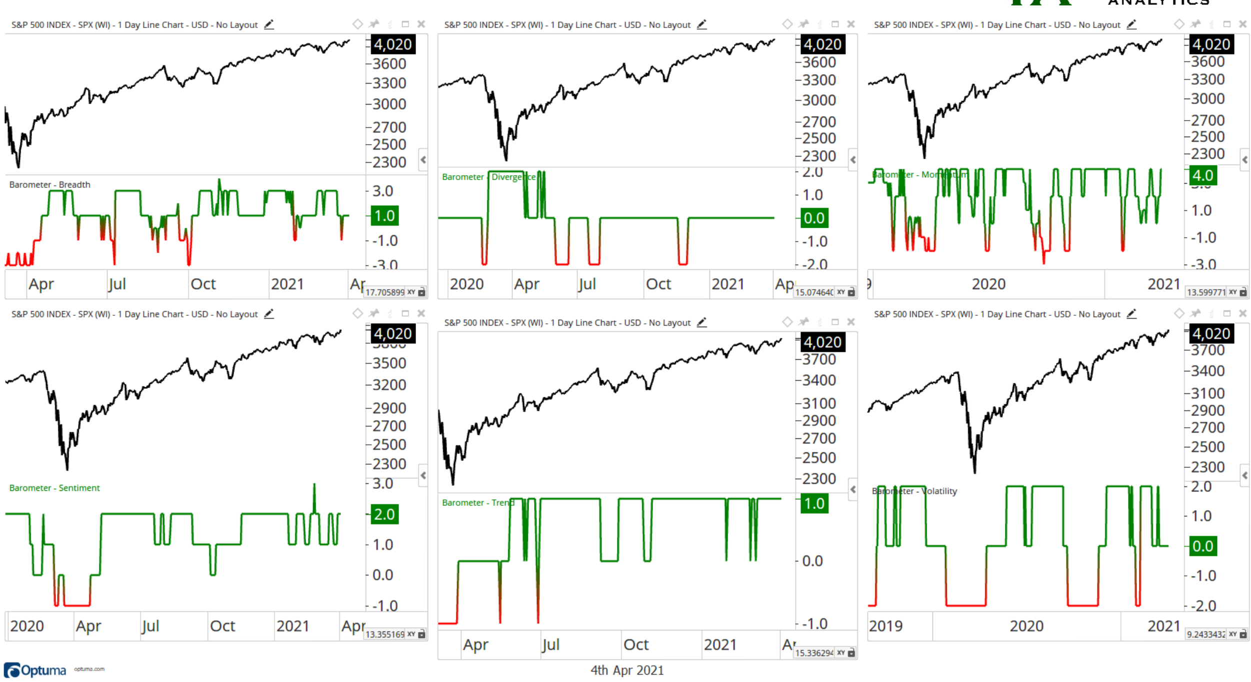
Equities - Credit Spreads

I previously wrote about the early signs of concern that the HY bond spreads were starting to rise. Equity bulls want to see spreads contract as confirmation by fixed income markets of a positive outlook. That widening of the spread has seen reversed, with the high yield spread now back at new lows. Once again, we have a confirming debt market.

Market Health Report

The Market Health Report (MHR) finished the week at +8. All of the categories are at least at zero or positive, a bullish sign for the market internals and positive for equities. So far the MHR has done a good job showing the internal strength of the six categories and defining the trend as bullish on the few minor pullbacks that have been experienced thus far.



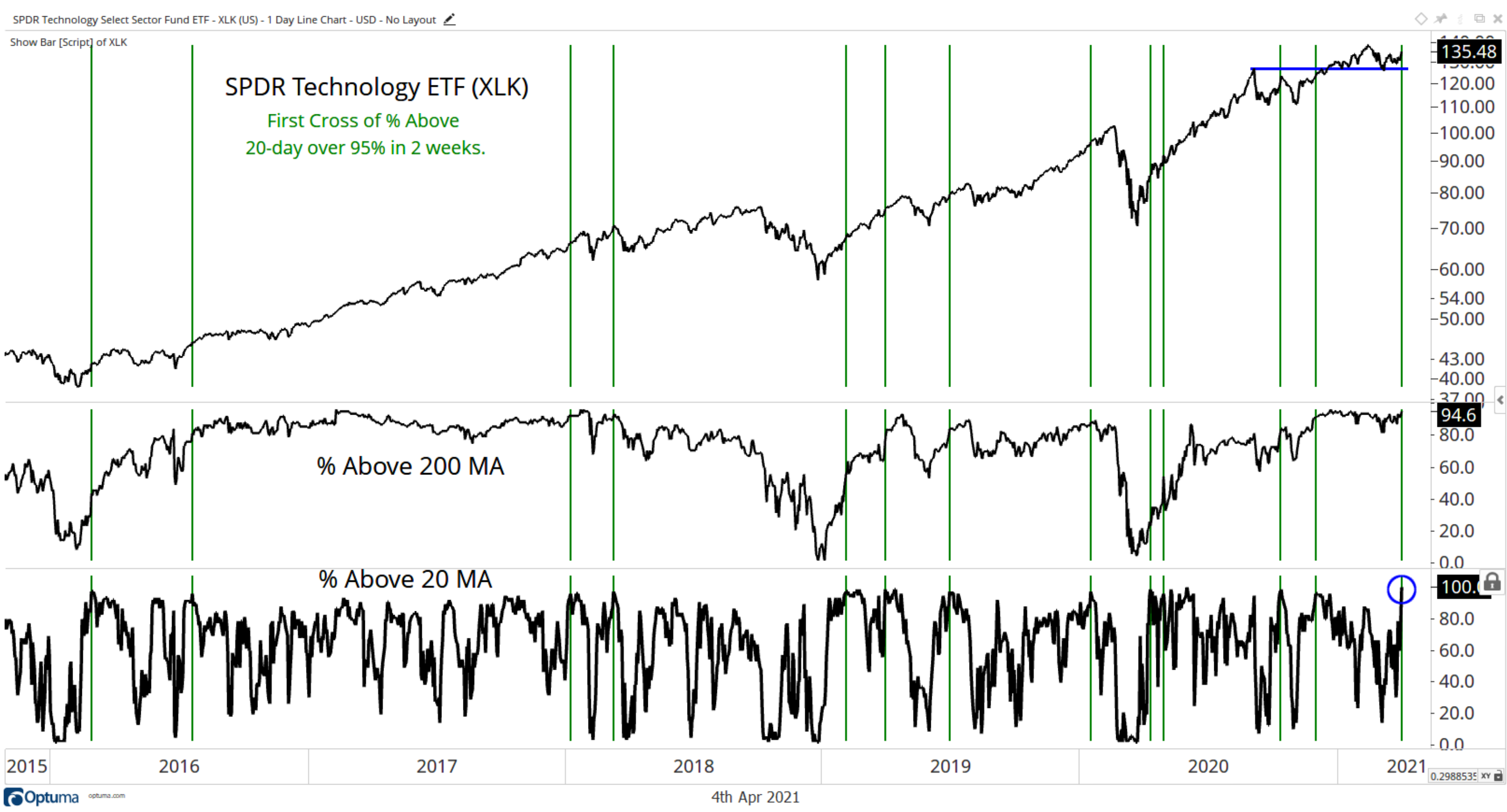


Sectors - Performance

Sector	> 50MA	> 200MA	1wk Perf	1mo Perf	3mo Perf	12mo Perf
SPDR Technology Select Sector Fund ETF	True	True	4.71%	0.43%	4.2%	77.01%
SPDR Real Estate Select Sector Fund ETF	True	True	2.98%	7.33%	9.74%	37.77%
SPDR Consumer Discretionary Select Sector Fund ETF	True	True	2.87%	2.72%	5.37%	80.81%
SPDR Energy Select Sector Fund ETF	True	True	2.24%	1.84%	32.74%	82.15%
SPDR Materials Select Sector Fund ETF	True	True	2.22%	5.41%	9.81%	84.82%
SPDR Industrial Select Sector Fund ETF	True	True	2.2%	6.30%	11.55%	75.3%
SPDR Communication Services Select Sector ETF	True	True	2.04%	1.61%	10.52%	75.56%
SPDR Financial Select Sector Fund ETF	True	True	1.86%	3.45%	16.93%	76.32%
SPDR Health Care Select Sector Fund ETF	True	True	1.34%	2.02%	2.6%	36.59%
SPDR Utilities Select Sector Fund ETF	True	True	1.14%	7.26%	2.04%	22.85%
SPDR Consumer Staples Select Sector Fund ETF	True	True	0.88%	6.32%	0.79%	26.95%

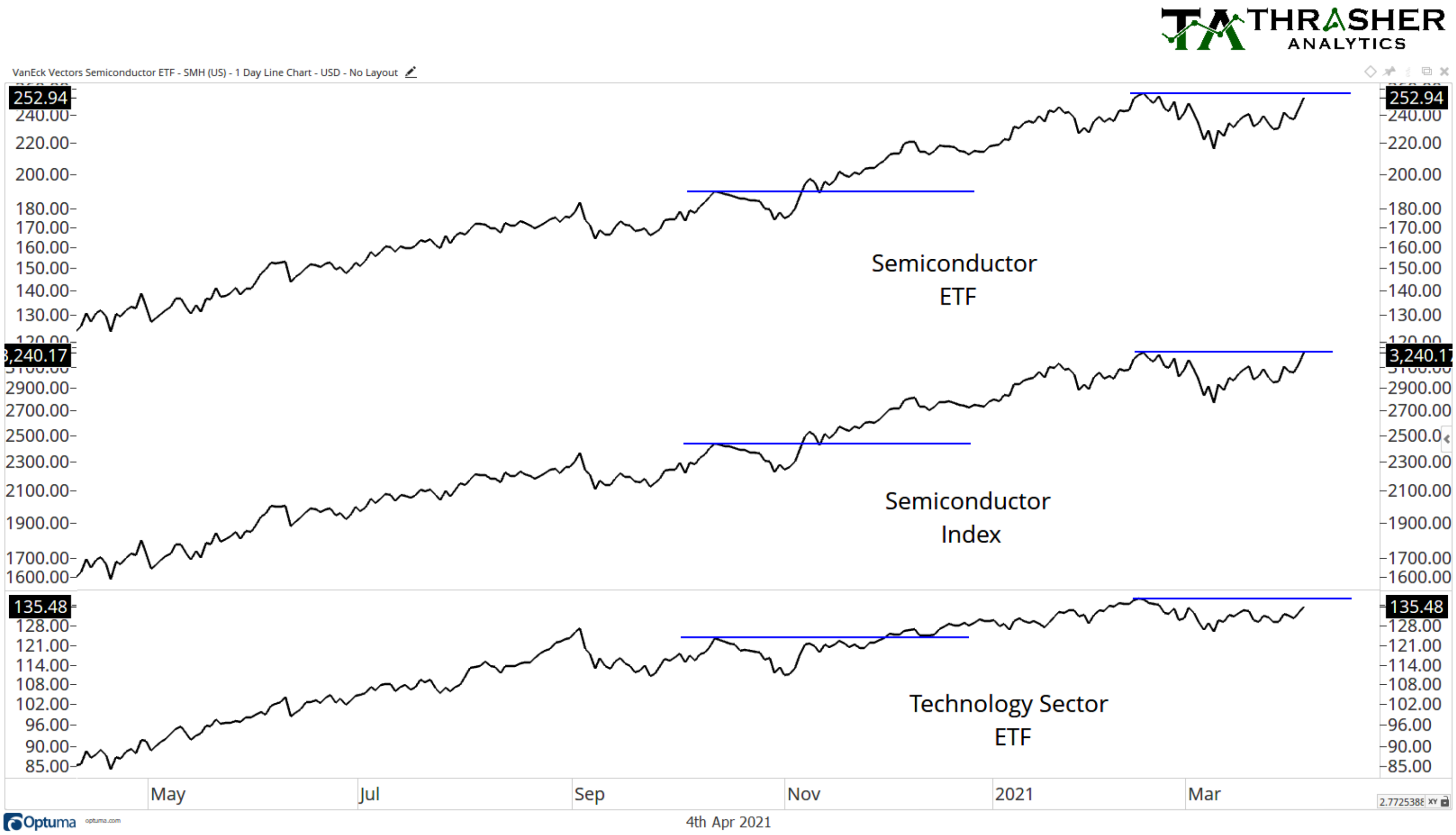
Sectors - Technology 1

Technology was the best performing sector last week, rising nearly 5% and has seen a solid improvement in its breadth data. In March we saw XLK come down and test the prior Sept. high, hold it as support and move higher. During that time the percentage of the sector above the 20-day moving average rose to 100%. Below are green vertical lines when this figure rises above 95% for the first time in two weeks. You'll see this has historically been long-term bullish for tech, with a few small pullbacks thrown in. With all stocks above the short-term MA, almost 95% are above the 200-day MA as well, suggesting good short- and long-term trends within the individual tech equities.

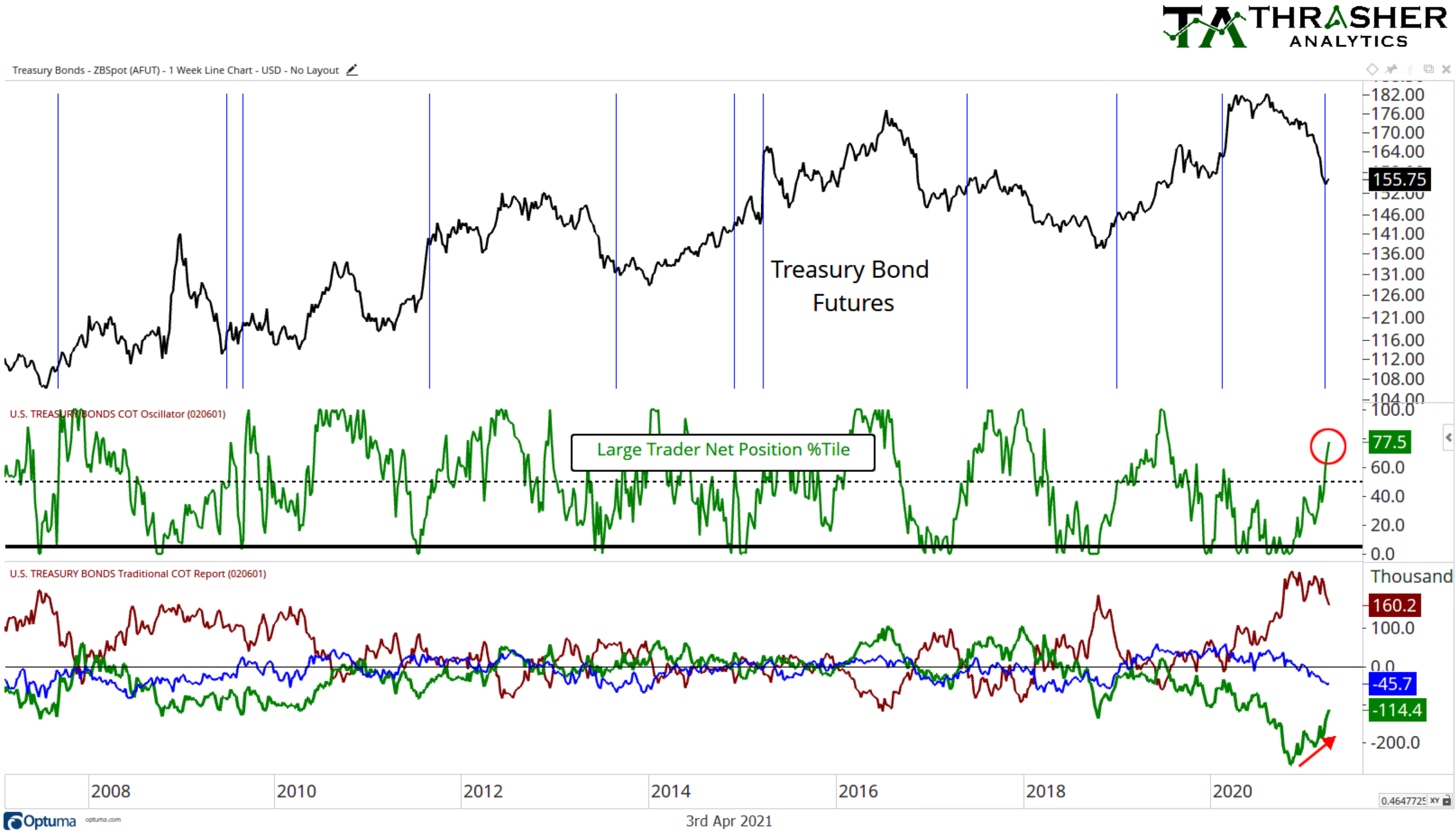


Sectors - Technology 2

I wrote my bullish thesis for semiconductors back at, what turned out to be, the low during the March dip. The short-term breadth had shaken out while long-term breadth was strong - a bullish sign. Since then, semis have had a strong move higher and near new highs. This is bullish for the tech sector as well. When semiconductors are trending higher, XLK is often not far behind. We last saw this leadership role of semis back in November when both the ETF and Index hit new highs a few weeks ahead of XLK eventually confirming. SMH and SOX are once again at their prior highs and I'm watching for a bullish breakout, should it break and hold then we should likely see XLK continue to trend higher and get a breakout of its own.

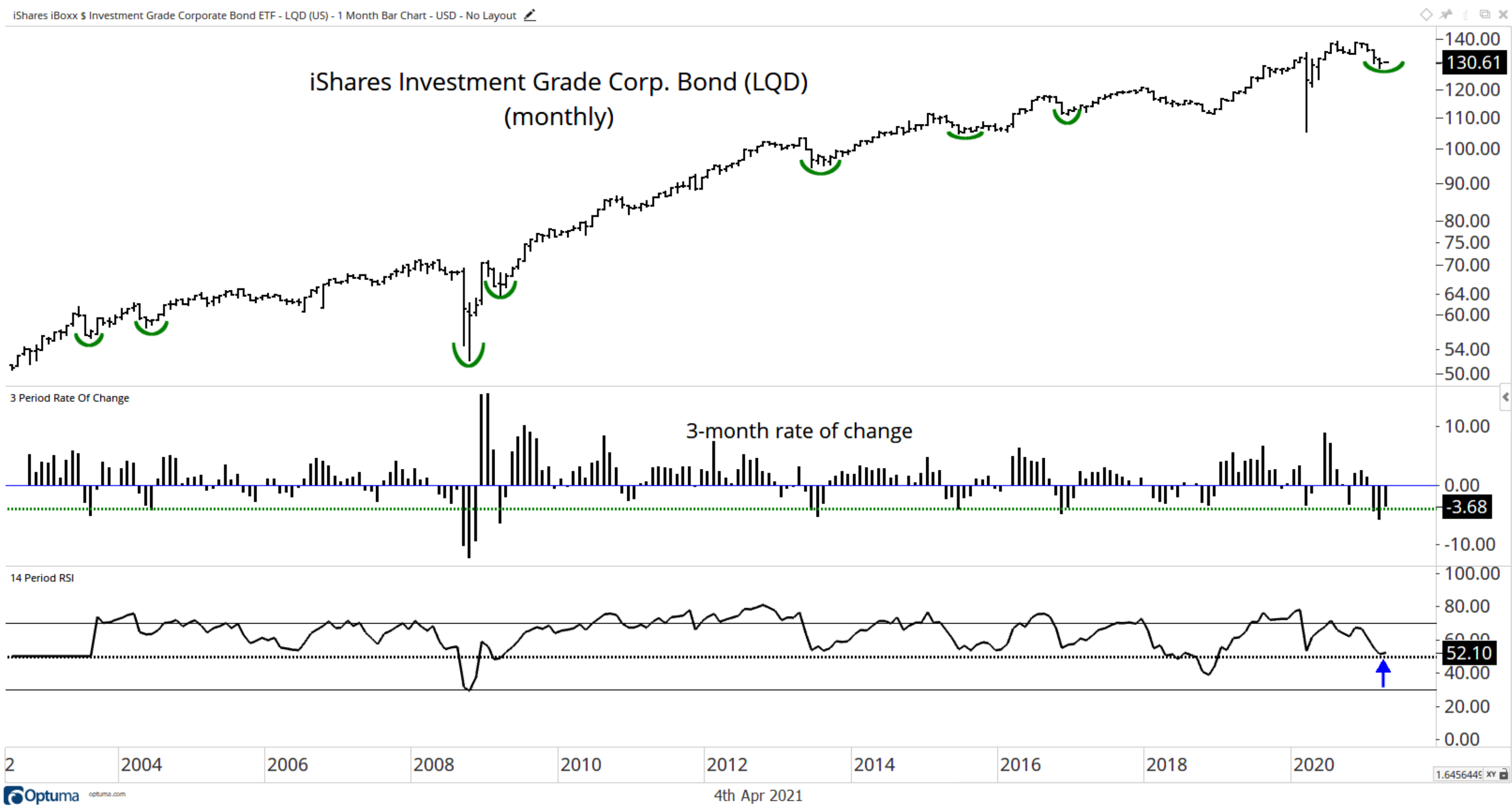


Here's an update on the net position of large traders, which we had been looking to break above 50th %tile. It's now at the 77th %tile as large traders continue to peel off their net-shorts. This has historically been bullish for treasury bonds, we'll see if this time it is as well.



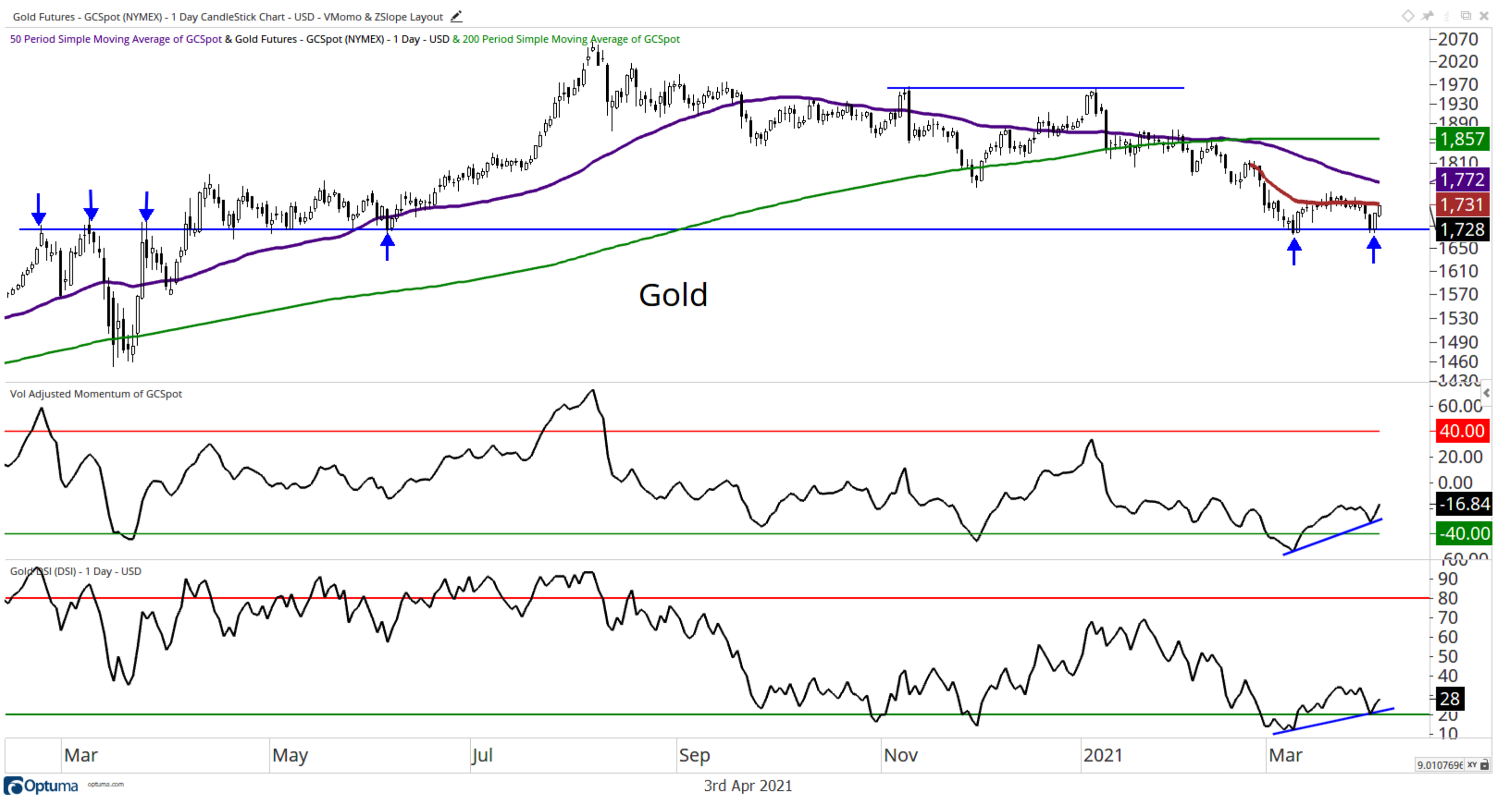
Fixed Income - Corp. Bonds

The Corporate Bond ETF, LQD, had its worst quarter of performance since the financial crisis in Q1 2021. Katherine Greifeld at Bloomberg reported that outflows from LQD hit $3.6 billion in March, the largest in 20 years and totaling $42 billion leaving in the first three months of the year. To me, this screams "contrarian opportunity." When we look at the history of LQD, when its fallen 4+% in three months, a rebound has often followed, shown below. Also note the monthly RSI is also still above the midpoint, we still have a bullish range in place for corporate bonds, suggesting this sell-off may be a counter-trend decline rather than a long-term trend change. This of course could shift and sellers continue to pound LQD but we could also see a swift snapback rally in the interim. There's no doubt a large shift in sentiment towards LQD based on the flows, I'll be watching if dip buyers immerge and start bidding corporate bonds higher from here.



I last wrote about gold at the prior low around $1700. I said that this a previously important level for the metal and I'd be watching the VWAP off the prior swing high (maroon VWAP line on chart) to get confirmation buyers were returning. Since then the VWAP has acted as resistance with price unable to spend much time above it and sending gold to test the prior low at $1700 once again. However this time we have a great deal of traders now focusing on the possible double bottom. With the double bottom we have a higher low in Volatility Adjusted Momentum as well as the Daily Sentiment Index (DSI). This is a good sign for gold bulls. If we can get a break of $1730-$1740 then we may see a run to the 50-day MA which is at $1772 and then the 200-day MA at $1857.

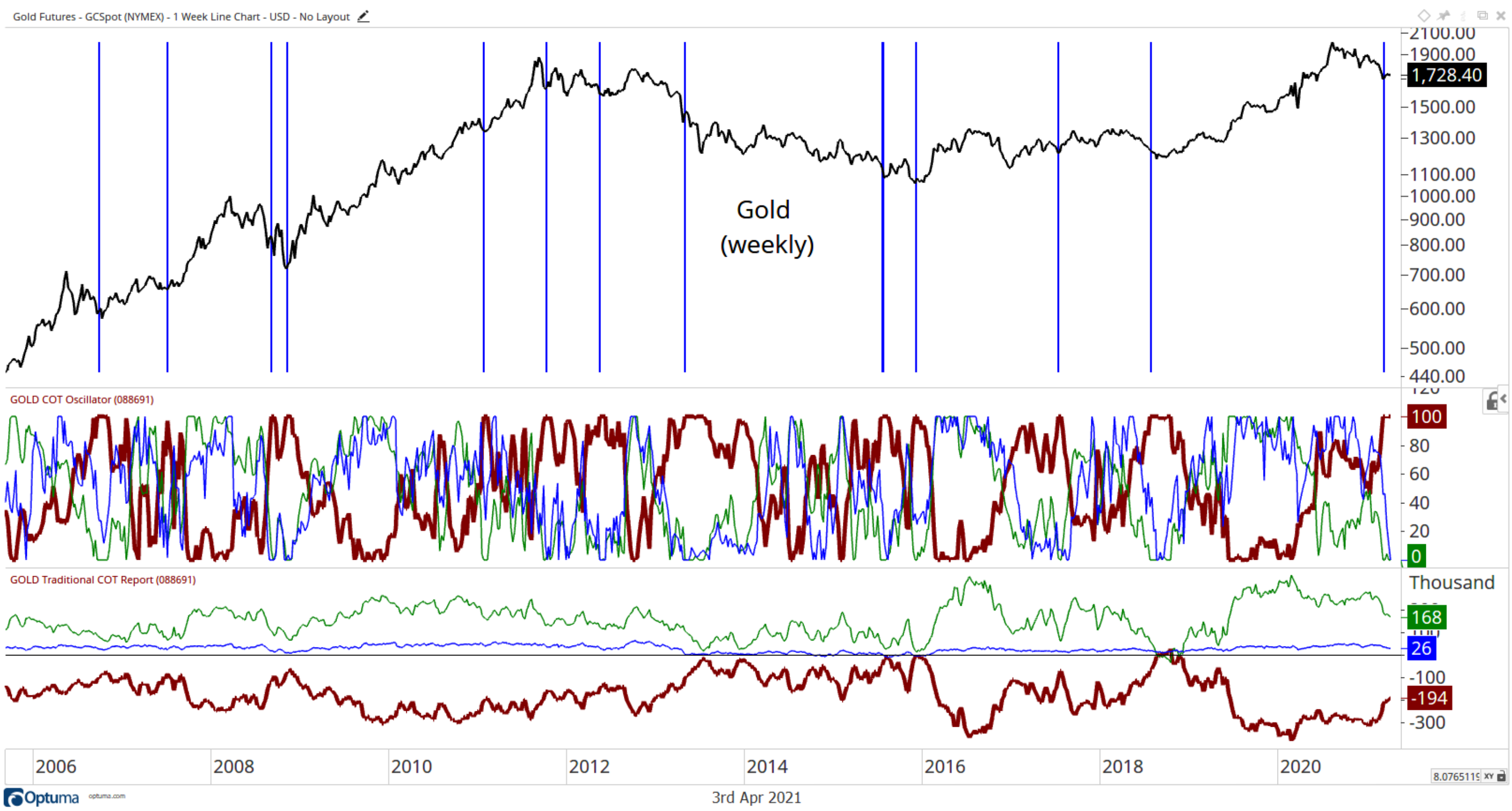
Gold is a chart to be watching closely right now.



Commodity - Gold 2

Not only do we have bullish divergence in momentum and sentiment for gold, the COT data also has greatly improved.

Below we can see Commercial Traders (red line) has moved to a 100th %tile net position for the first time since the prior major low in gold. Commercial Traders have done a good job signaling when we want to start showing more bullishness towards the commodity and while they are still net-short, they have pulled off quite a bit of their short position in recent weeks. Also notice they are almost always net-short, so waiting for them to be net-buyers, like they briefly were in '18, can often be a futile exercise of patience.



Daily Sentiment Index

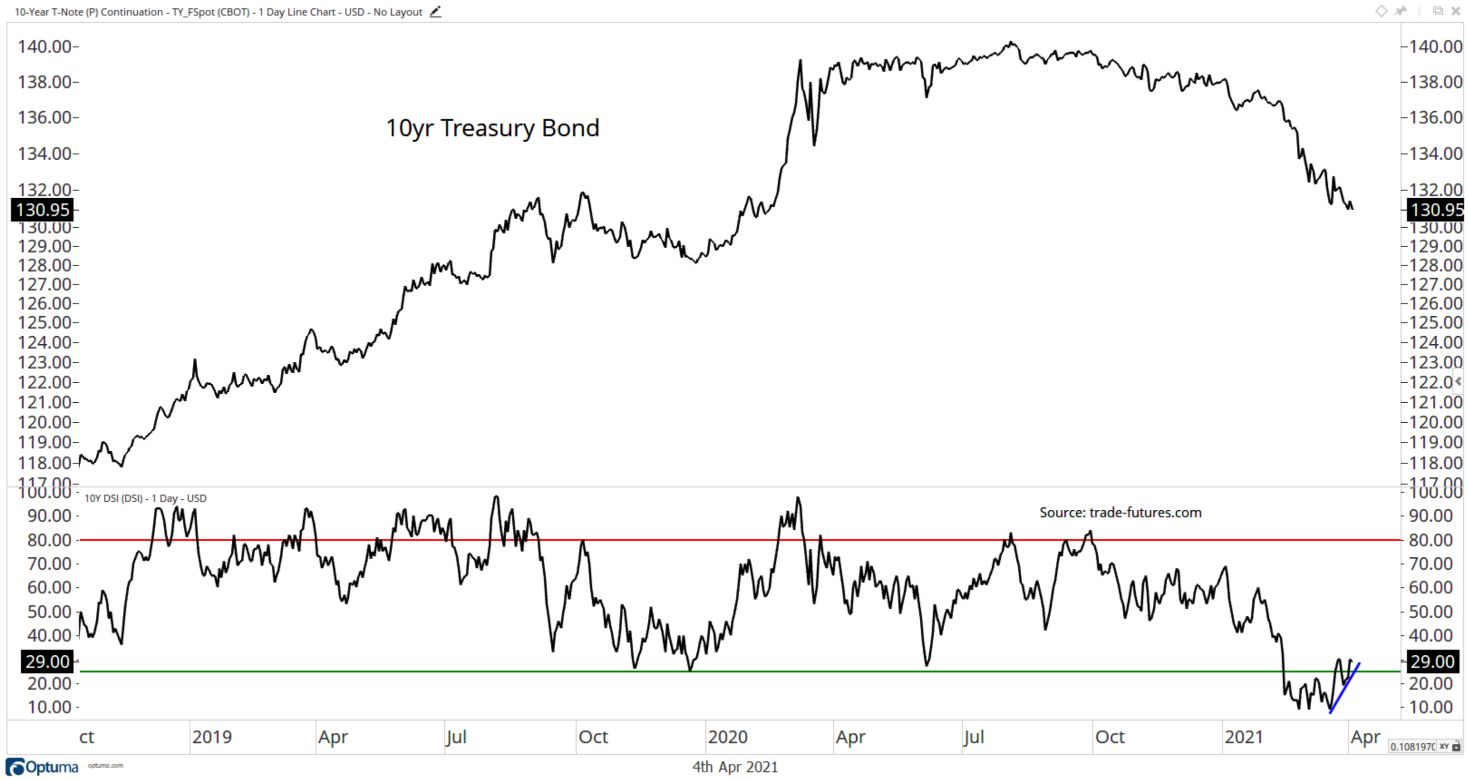
1 Day - Watch List - No Layout

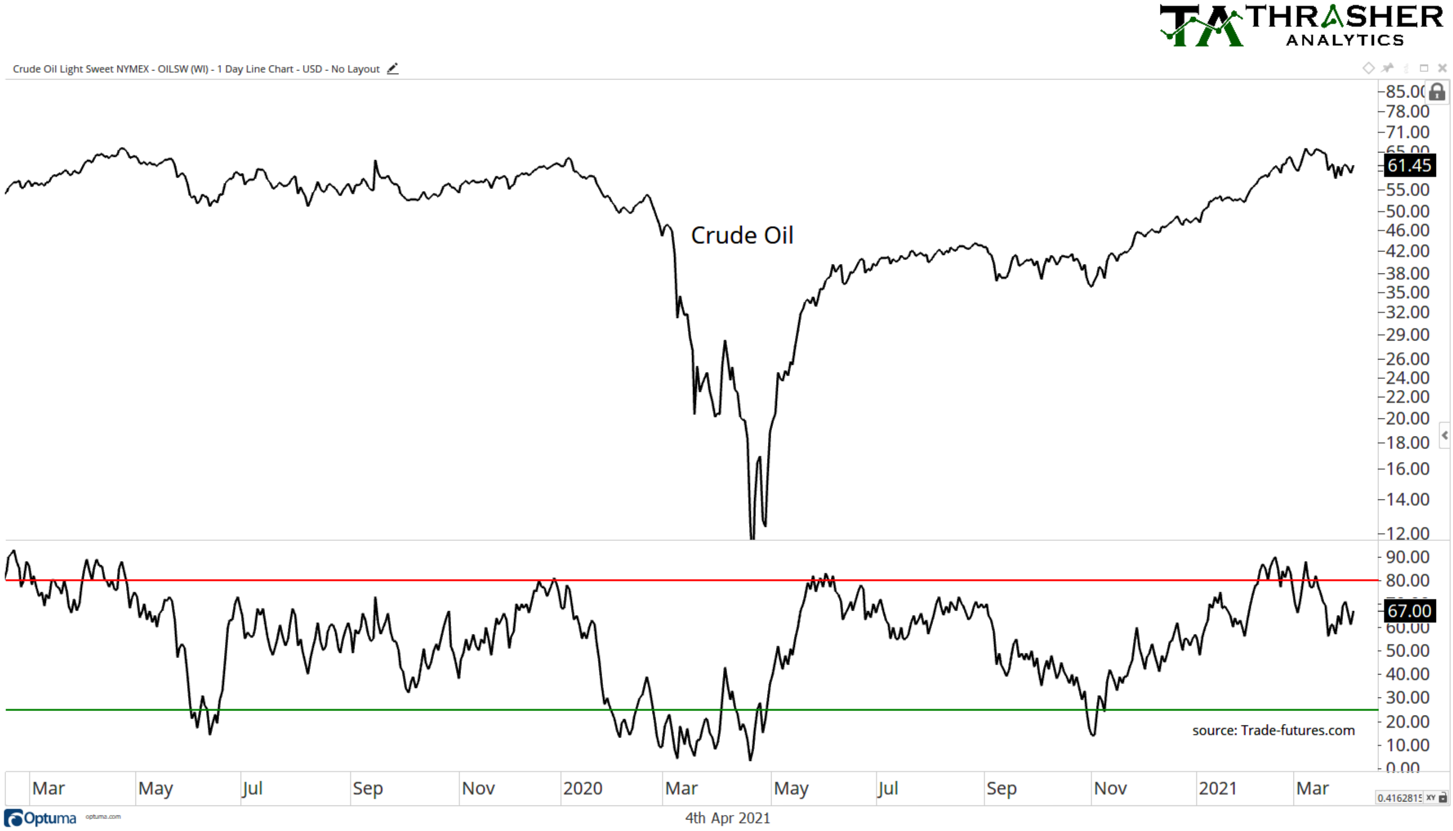
Market	% Bullish	5MA	History
Coffee DSI	10	14.6	
VIX DSI	11	12.6	
Sugar DSI	15	17.6	
5YR DSI	15	15.4	
Swiss Franc DSI	18	15.6	
Cocoa DSI	23	23	
Orange Juice DSI	25	29.80	
Cattle DSI	25	29.20	
Gold DSI	28.00	26.80	
Natural Gas DSI	29.00	30.80	
10Y DSI	29.00	24.4	
Euro DSI	30.00	29.80	
Wheat DSI	31.00	31.60	
Silver DSI	32.00	29.40	
Cotton DSI	33.00	40.20	
Mexican Peso DSI	39.00	34.80	
Copper DSI	47.00	48.00	

1 Day - Watch List - No Layout

Code	% Bullish	5MA	History
EuroDollar DSI	55.00	55.00	
CRB Index DSI	55.00	53.40	
New Zealand Dollar DSI	57.00	56.40	
Gasoline DSI	58.00	57.00	
Heating Oil DSI	61.00	58.20	
Australian Dollar DSI	61.00	58.40	
British Pound DSI	62.00	58.00	
US Dollar DSI	63.00	62.80	
Crude Oil DSI	67.00	66.80	
Platinum DSI	71.00	65.60	
Corn DSI	75.00	69.40	
Nasdaq DSI	77.00	73.00	
Palladium DSI	84	77.20	
SPX DSI	85	79.00	
Lumber DSI	85	78.80	
Nikkei DSI	86	77.00	
Lean Hog DSI	87	85.8	

Source: trade-futures.com


10-Year T-Note (P) Continuation - TY_FSpot (CBOT) - 1 Day Line Chart - USD - No Layout
10yr Treasury Bond
130.95
10Y DSI (DSI) - 1 Day - USD
Source: trade-futures.com
29.00
ct
2019
Apr
Jul
Oct
2020
Apr
Jul
Oct
2021
Apr
Optuma
4th Apr 2021


THRASHER ANALYTICS
Crude Oil Light Sweet NYMEX - OILSW (WI) - 1 Day Line Chart - USD - No Layout
Crude Oil
61.45
67.00
source: Trade-futures.com
Mar
May
Jul
Sep
Nov
2020
Mar
May
Jul
Sep
Nov
2021
Mar
4th Apr 2021
Optuma

Daily Sentiment Index

Daily Sentiment Index


U.S. Dollar Index - DXSpot (AFUT) - 1 Day Line Chart - USD - No Layout
U.S. Dollar
Source: trade-futures.com
93.1
63.00
4th Apr 2021


THRASHER ANALYTICS
CBOE S&P 500 Volatility Index - VIX (CBOEI) - 1 Day Line Chart - USD - No Layout
VIX
83.0
76.0
69.0
63.0
57.0
52.0
47.0
43.0
39.0
35.0
32.0
29.0
26.0
23.0
21.0
19.0
17.3
15.0
13.0
11.0
VIX DSI (DSI) - 1 Day - USD
Source: trade-futures.com
100.0
90.0
80.0
70.0
60.0
50.0
40.0
30.0
20.0
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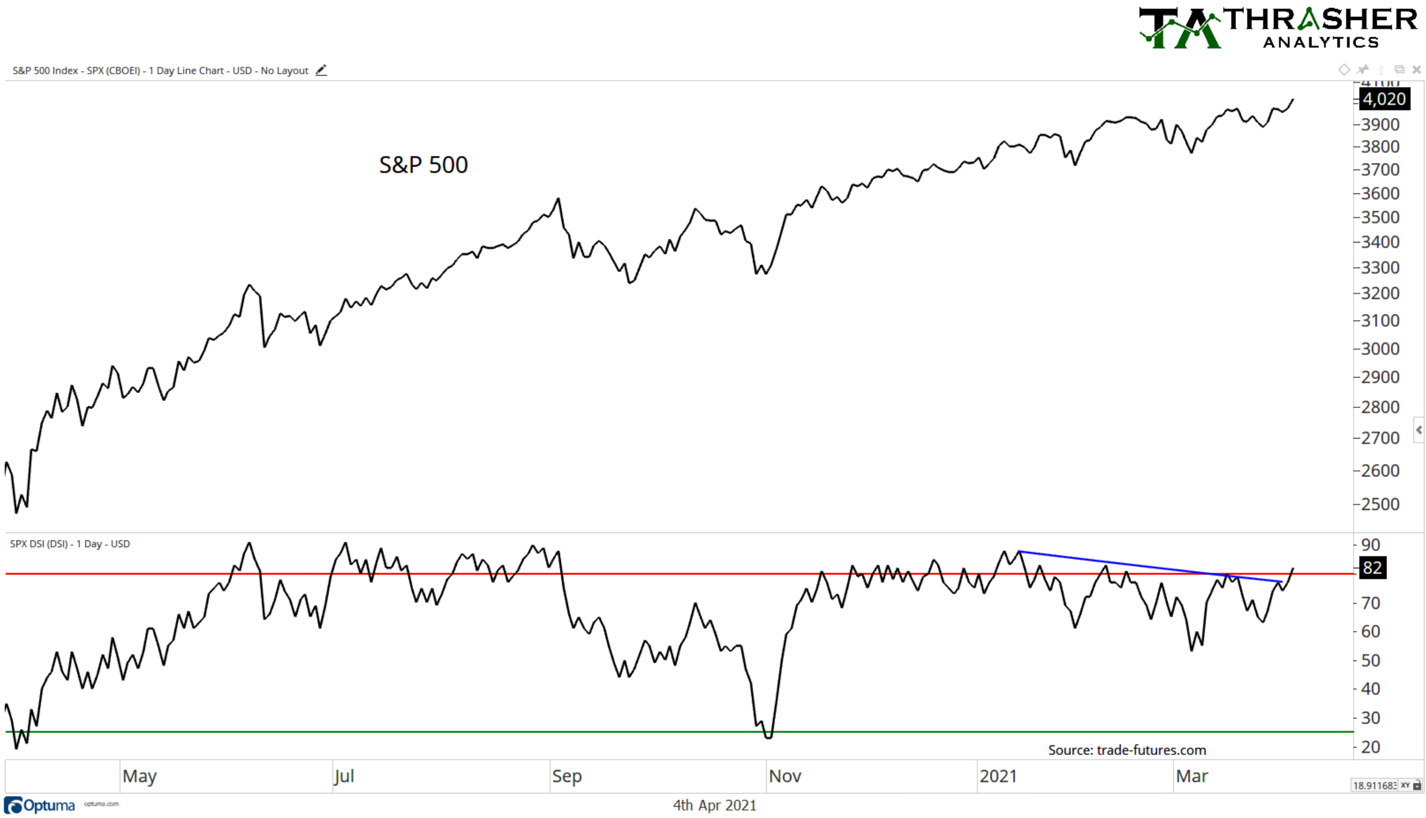
4th Apr 2021


THRASHER ANALYTICS
S&P 500 Index - SPX (CBOEI) - 1 Day Line Chart - USD - No Layout
S&P 500
4,020
3900
3800
3700
3600
3500
3400
3300
3200
3100
3000
2900
2800
2700
2600
2500
SPX DSI (DSI) - 1 Day - USD
90
82
70
60
50
40
30
20
Source: trade-futures.com
May
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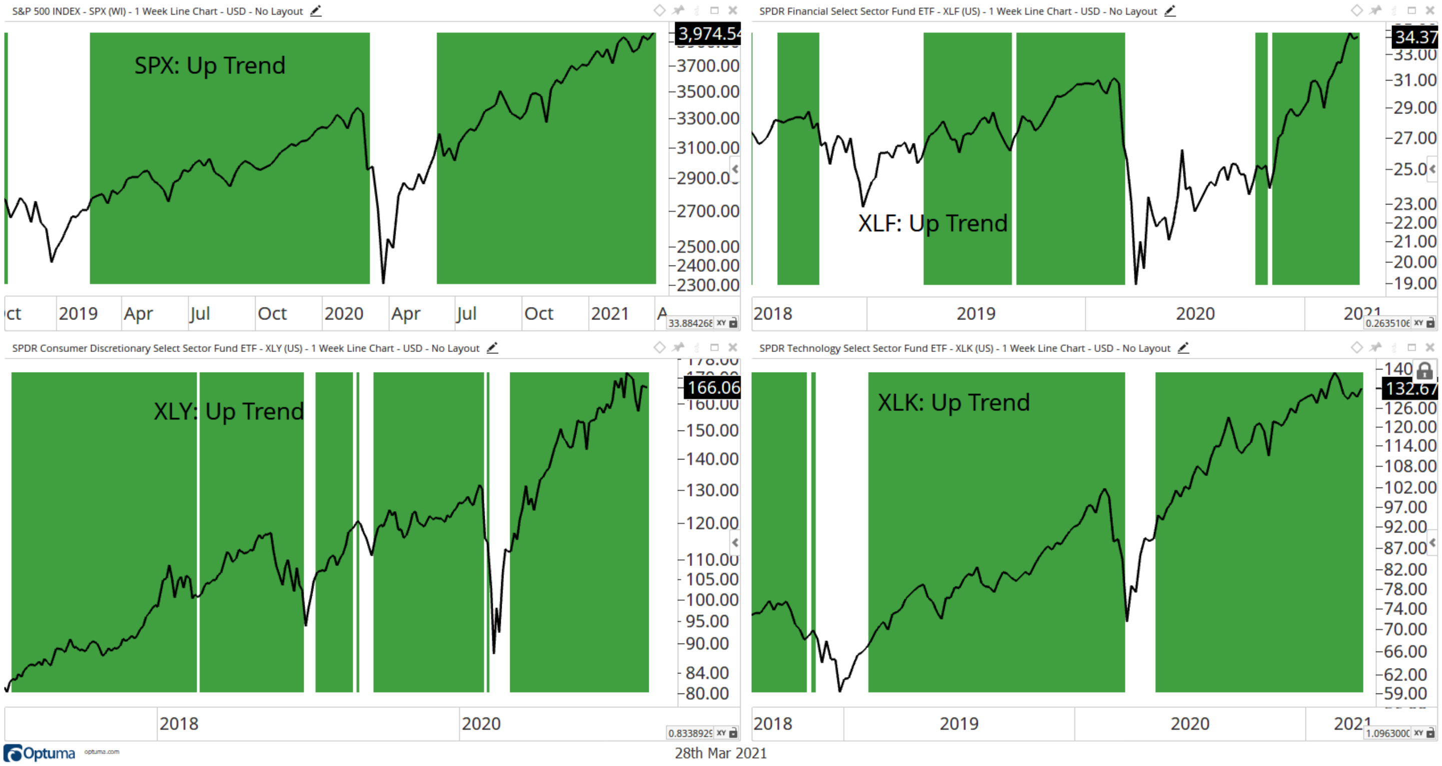
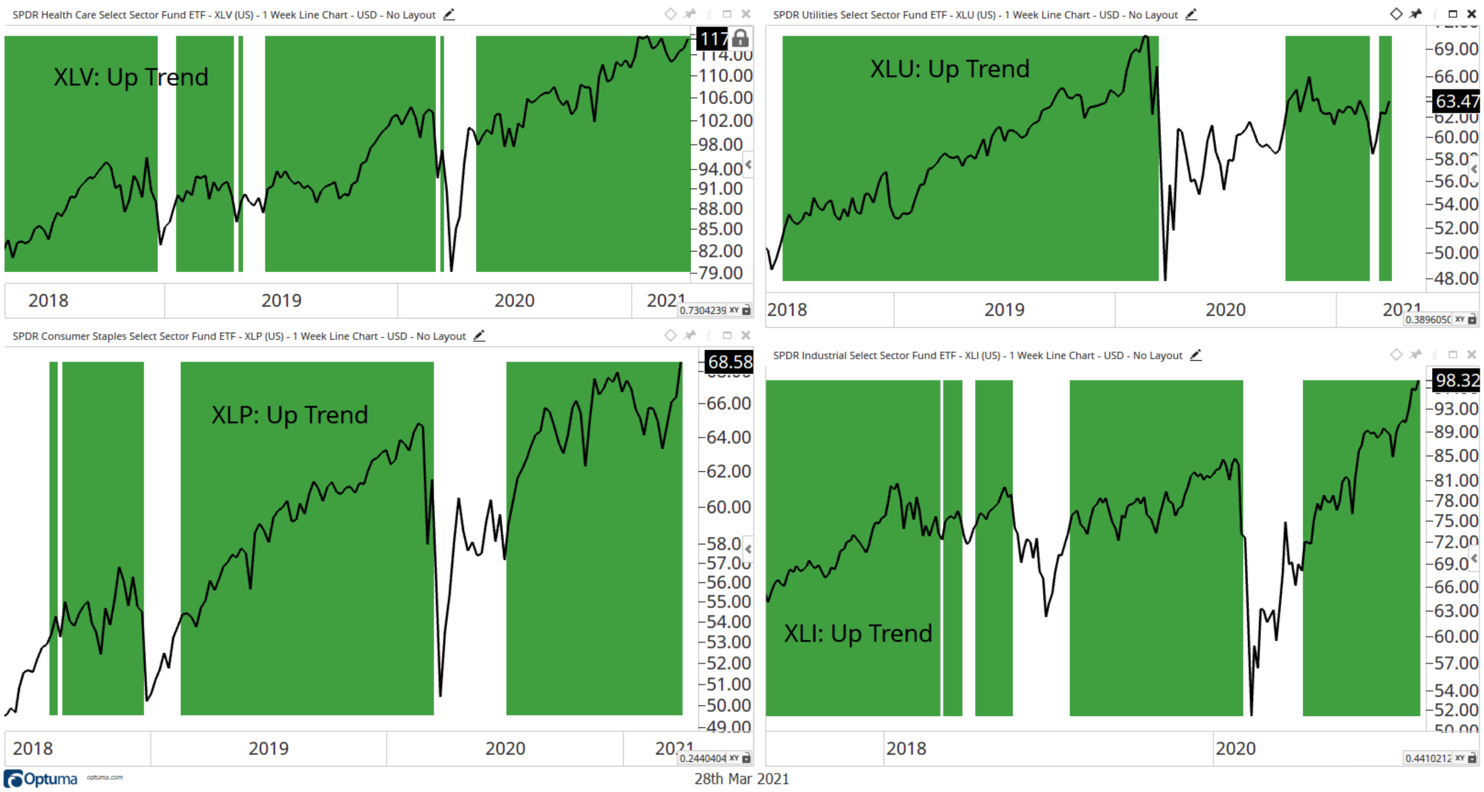
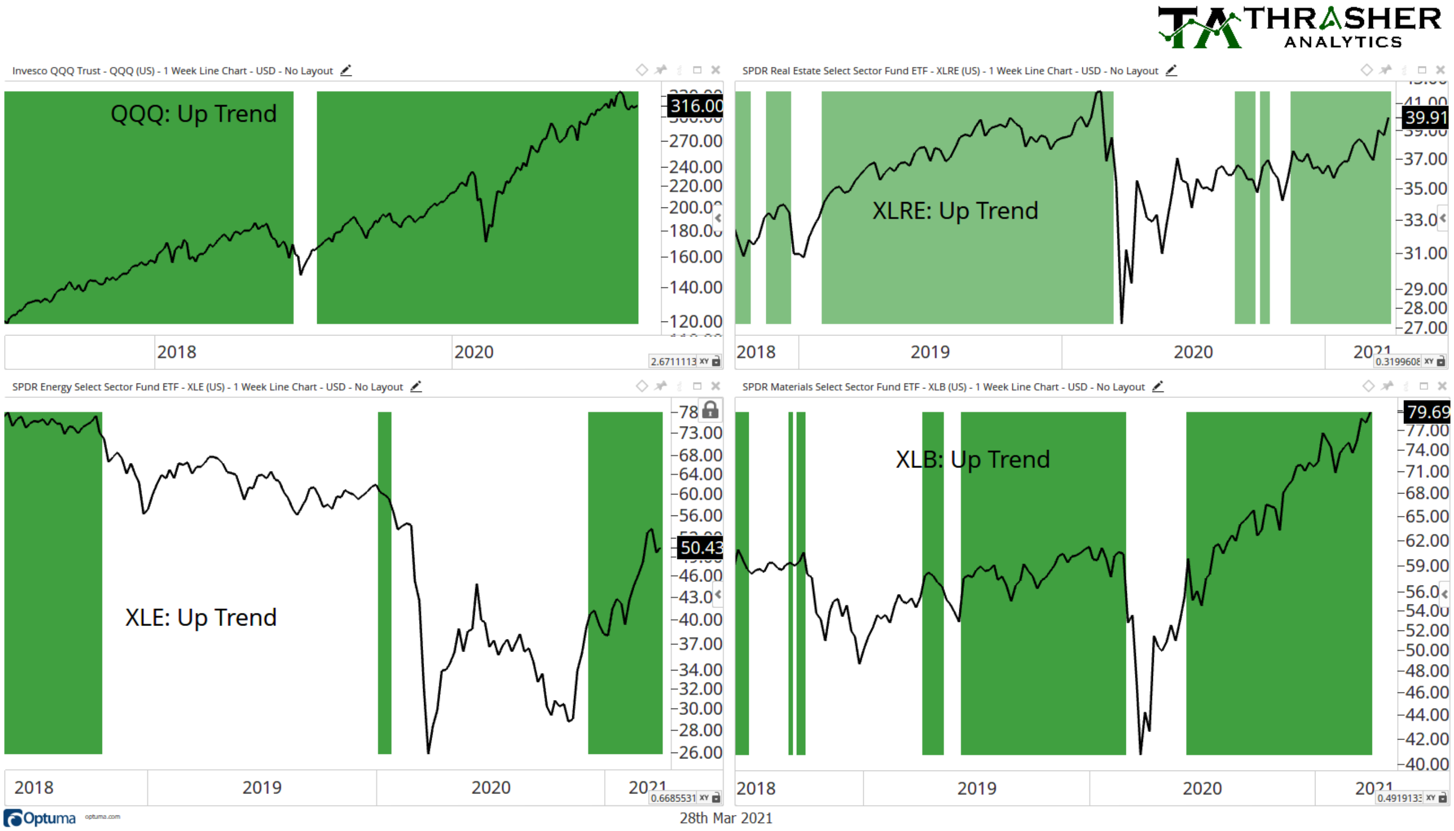
Optuma
4th Apr 2021

Trend Models



Trend Models




THRASHER ANALYTICS
Invesco QQQ Trust - QQQ (US) - 1 Week Line Chart - USD - No Layout
QQQ: Up Trend
SPDR Real Estate Select Sector Fund ETF - XLRE (US) - 1 Week Line Chart - USD - No Layout
XLRE: Up Trend
SPDR Energy Select Sector Fund ETF - XLE (US) - 1 Week Line Chart - USD - No Layout
XLE: Up Trend
SPDR Materials Select Sector Fund ETF - XLB (US) - 1 Week Line Chart - USD - No Layout
XLB: Up Trend
Optuma
28th Mar 2021

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