THRASHER ANALYTICS

APRIL 18, 2021

WEEKLY RESEARCH & ANALYSIS

BY ANDREW THRASHER, CMT

Bullish	Bearish
• Long-term breadth remains strong. • Trend Model remains positive for all sectors and indices. • The Market Health Report remains supportive. • Gold broke out. • Bonds broke out.	• Daily & weekly & monthly momentum stretched. • Elevated sentiment. • Nasdaq Composite internals are weakening. • Risk appetite isn't confirming. • Semiconductor breadth dips.

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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	3
Divergence	0
Momentum	3
Sentiment	2
Trend	1
Volatility	0
Total	9

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	88%	87%
Nasdaq 100	89%	88%
Nikkei	83%	82%
VIX	9%	10%
10yr Treasury	45%	46%
5yr Treasury	28%	26%
CRB Index	66%	63%
Gold	35%	28%
U.S. Dollar	37%	42%

**Green<25% Red>80%*

source: trade-futures.com

Brief Summary:

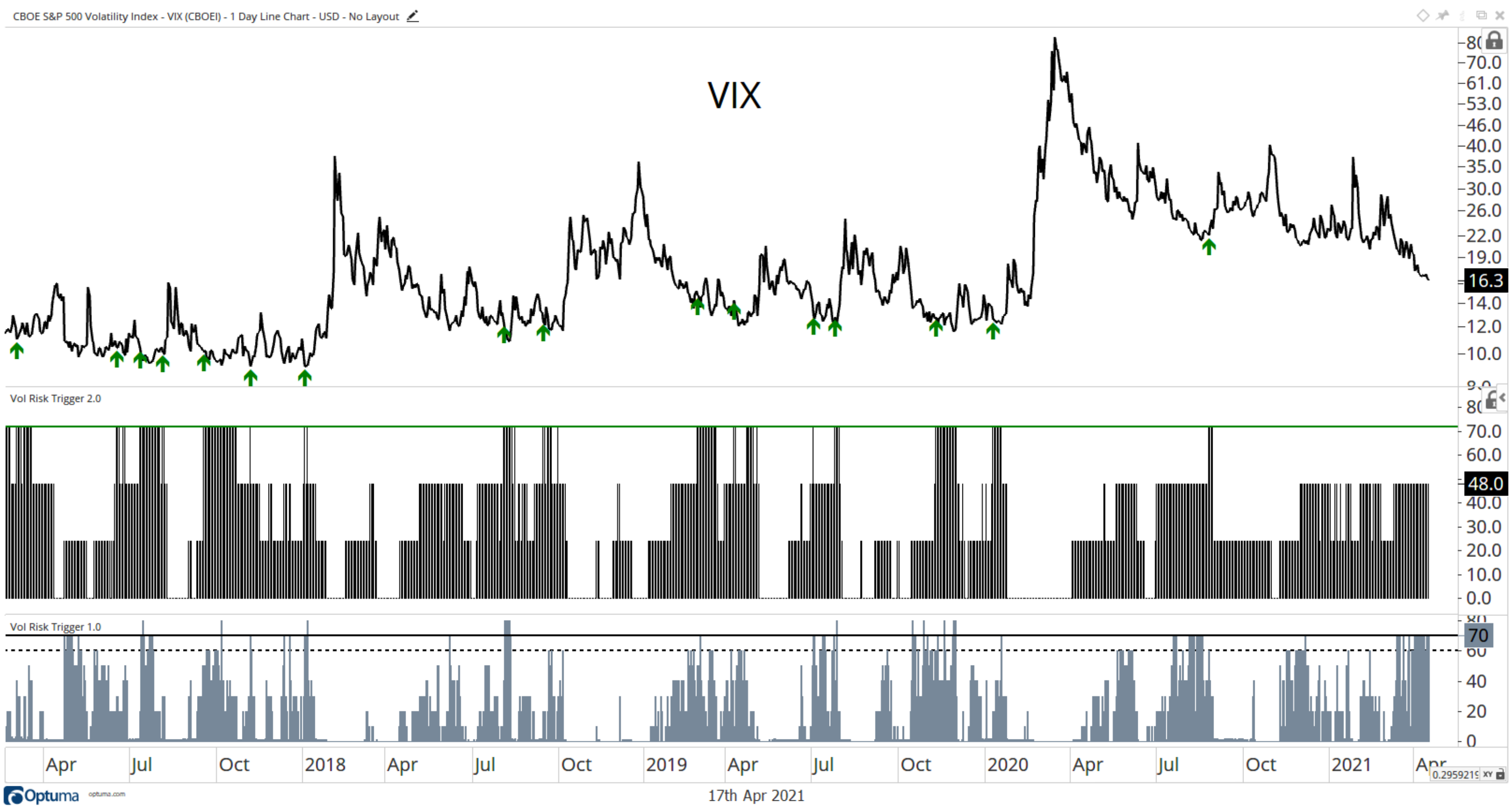
Last week I wrote about the frothy sentiment data and this week I'm focusing on the weakening breadth for the Nasdaq Composite and poor risk appetite. Small and Micro Caps haven't confirmed the new high in SPX with high beta stocks struggling to outperform. While breadth for the SPX remains strong, the Nasdaq Composite internals are struggling. History suggests the latest strength in 30yr bonds should continue. Financials and Utilities have some potential bearish headwinds on their charts and gold broke above the 50-day moving average while fund flows drop by $8 billion.

I think the short-term risk/reward is unattractive at this time and should we see a pullback I'll be relying on the Market Health Report to guide whether it's a buyable dip or to expect an extended decline.

Volatility

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 continued to move lower last week, now under 17. This continued pattern of lower-lows prevents daily dispersion from compressing which is one of the key components to setting the stage for a spike higher. So as long as the VIX keeps this up, it will likely starve off a heightened risk of a volatility spike.

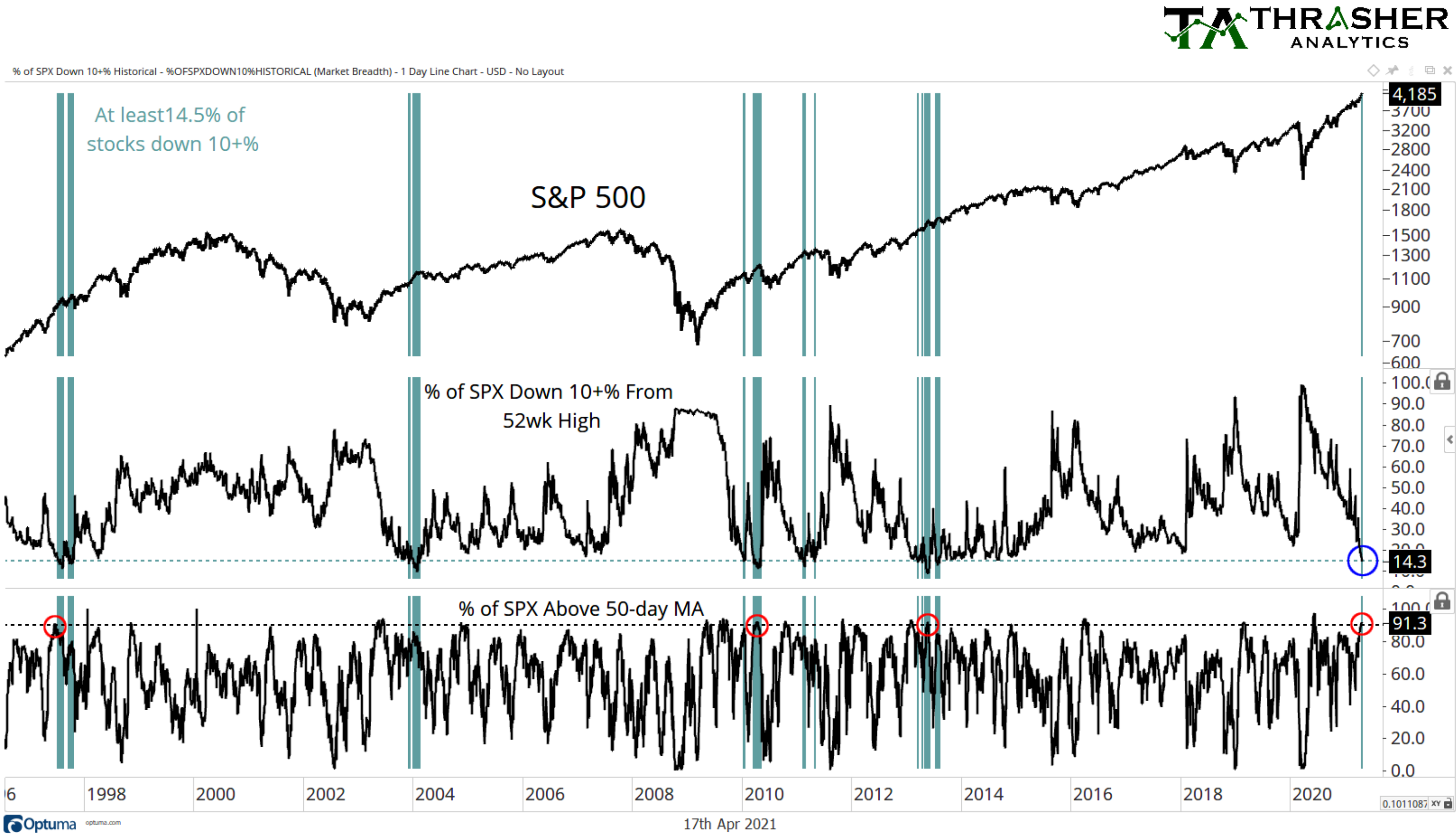


Equities - S&P 500 Daily

New all-time highs continue in the S&P 500, with the index edging towards 4,200. Momentum is now above 70 on the daily, monthly, and weekly timeframes for the first time since late-'17/early-'18. It held this daily/weekly/monthly "overbought" status basically from October until the January peak in '18. Before then, that pattern of cross-timeframe momentum was only able to hold for a few days before the market corrected via price. In fact, before late '17, it happened just five times since 2007.

Equities - Breadth

For the first time since 2013, there are only 14.3% of S&P 500 stocks down at least 10%. I've shared several charts each week showing just how strong breadth has been during this up trend. Rarely have so few stocks been down double-digits. Since the late 1990s, when we've gotten to this level in the past (shown by the light blue lines), we did see some short-term pullbacks. Even with 90+ percent of stocks above the 50-day MA ('97, '10, '13) when so few were down 10% we still had some brief drawdowns, ranging from 5%-18%.



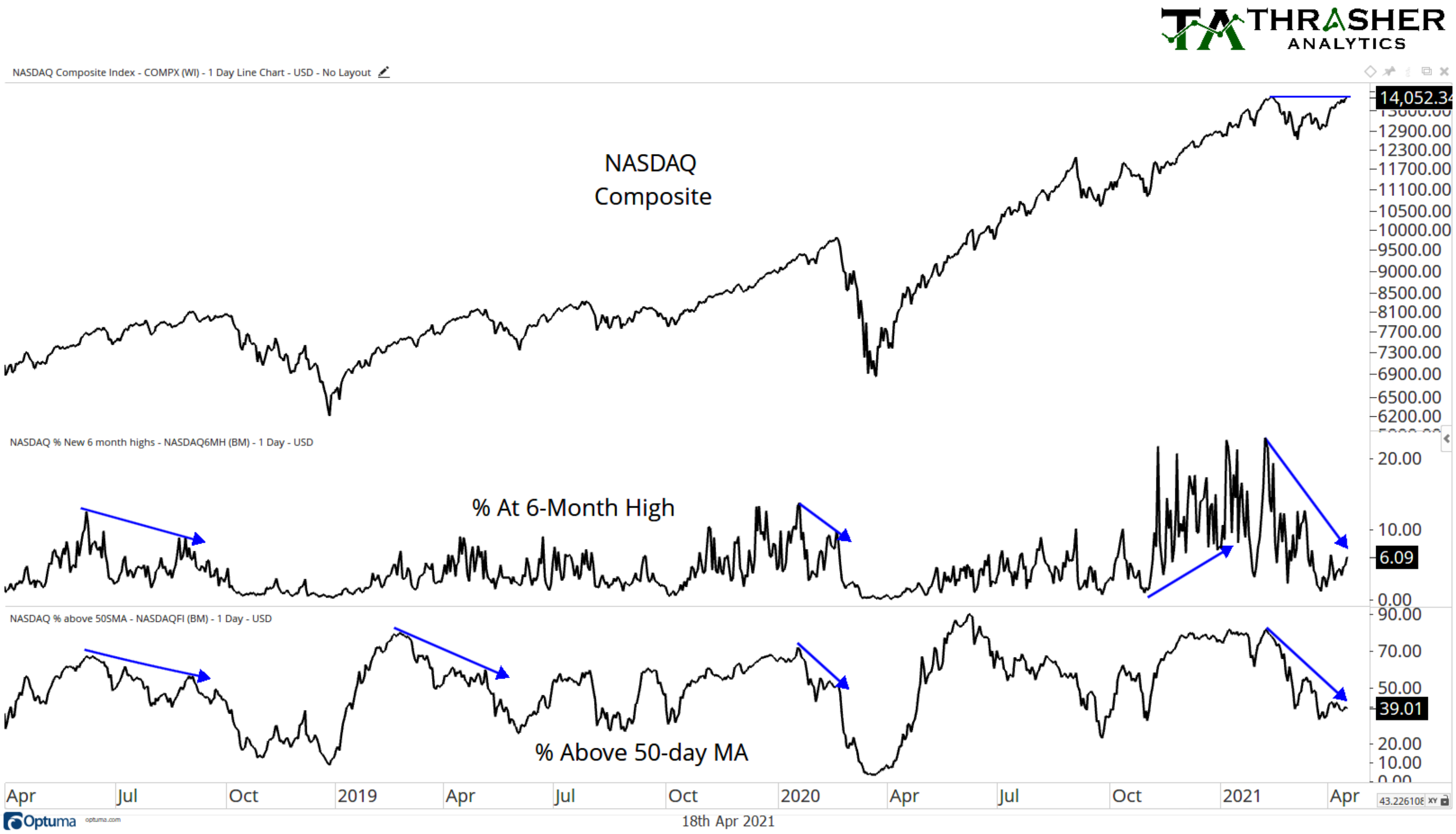
Equities - Breadth

The below chart is similar to the prior page, but for the Nasdaq 100. However, note the divergence that's come with the higher-high in price and going from 20% of stocks down 10% to 30% of stocks. 84% of the Nasdaq 100 are still above the 50-day moving average, but those that aren't above the 50-day are already in a correction (10% drawdown), creating a stark winners and losers list among the 100 largest non-financial Nasdaq stocks. We saw similar divergences before the drawdowns in early and late 2018 as well.

Focusing in on the Nasdaq Composite, which holds a much more broad group of stocks than the Nasdaq 100, we can see breadth doesn't look too great.

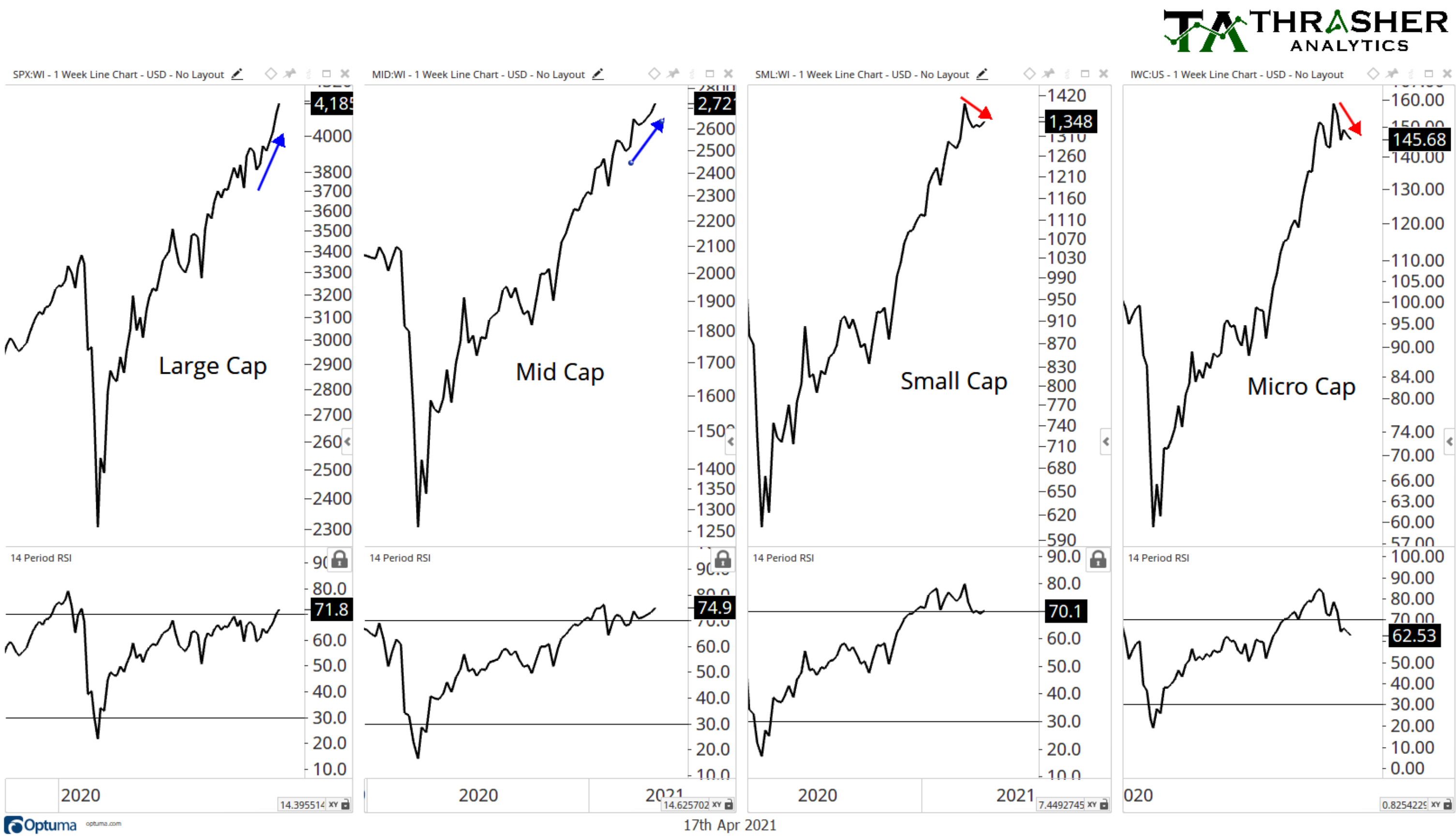
The Composite is just a few points away from a new 52-week high but only 6% of stocks are at a 6-month high and as I discussed last week comparing the % above 50-day MA for the Composite vs. the Nasdaq 100, only 39% of stocks are above the intermediate moving average. Stocks aren't making new highs and they are falling below this key moving average, something we saw before several prior pullbacks as shown by the blue arrows on the chart.

If the Nasdaq Composite makes a new high this week and the % above the 50-day stays under 45%, it'll be the lowest breadth reading at a new high for the Composite since before the 30% decline in 1998 and several 5-10% pullbacks in 1999. Breadth hasn't been this low at a high since then.

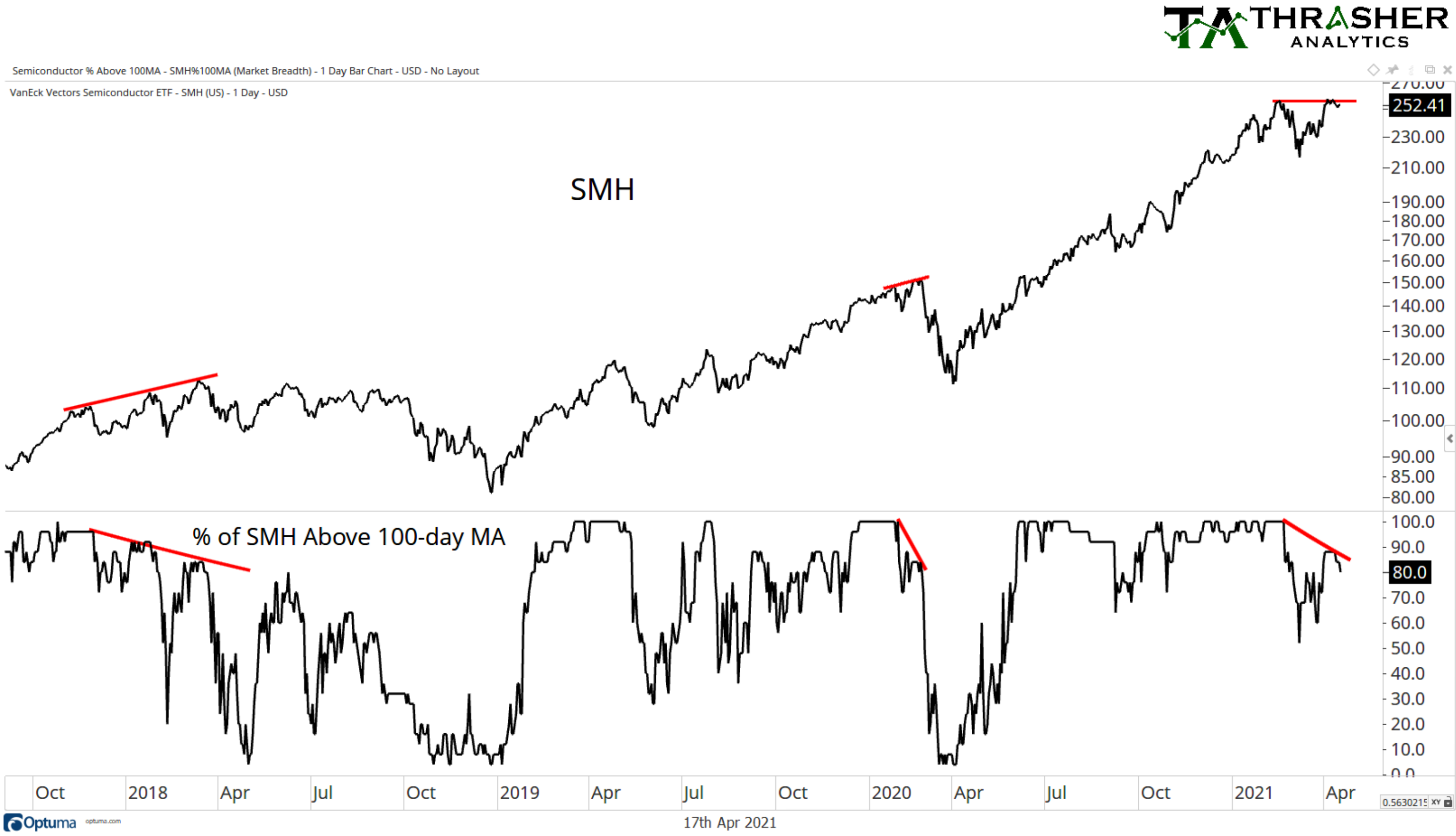


Equities - Asset Size

Similar to the breadth spread between the large Nasdaq 100 stocks vs. the more broad Nasdaq Composite, small cap and micro cap stocks also aren't showing the same level of strength as large and mid caps. Note below the higher-highs in the large cap and mid cap indices while small cap and micro caps have yet to confirm. When investors begin to get nervous about risk appetite they often shed the higher beta/more risky small/micro cap exposure first. I'll be monitoring small and micro cap stocks closely this week and see if they can confirm the new highs in large caps, which would be a bullish development.

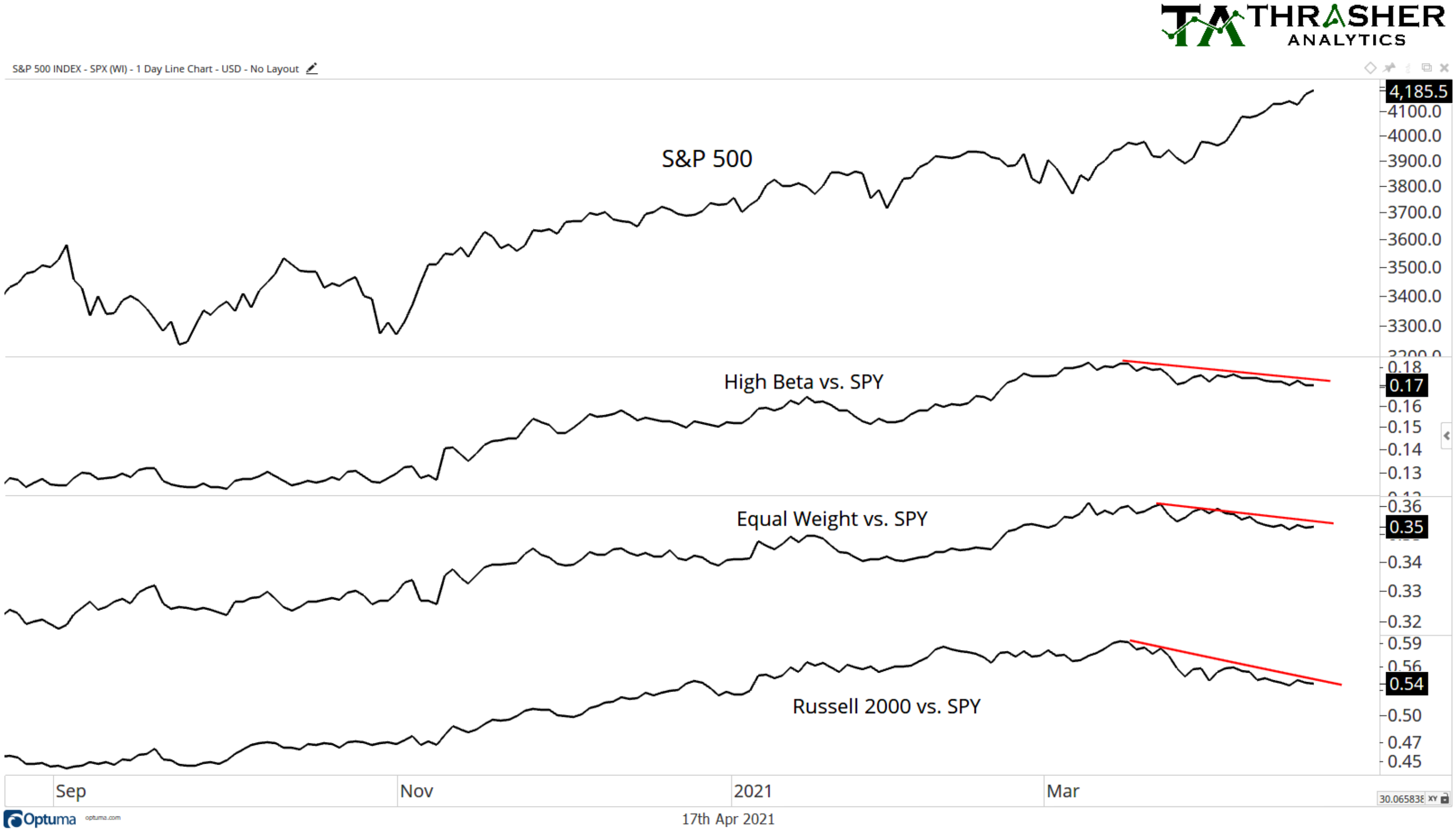


As you likely know if you've been a reading this letter any length of time, I'm a big fan of tracking semiconductors. They are an excellent leading market of tech stocks and the market as a whole. I last called the bottom in the semis during the prior dip. Since then, they've risen back to the prior highs but while the Index broke out, the SMH ETF has not. What stands out is the lower-high in % of semiconductor stocks above the 100-day moving average when was last at 100% and now at 80%. While 80% is still a heavy majority, as history has shown in prior divergences (marked by red lines), it doesn't have to be a large lower-high to cause weakness within this space. There's been a semiconductor shortage due to covid, while I focus on the price action, it seems the industry is under stress with their lack of ability to meet the demand under current conditions.



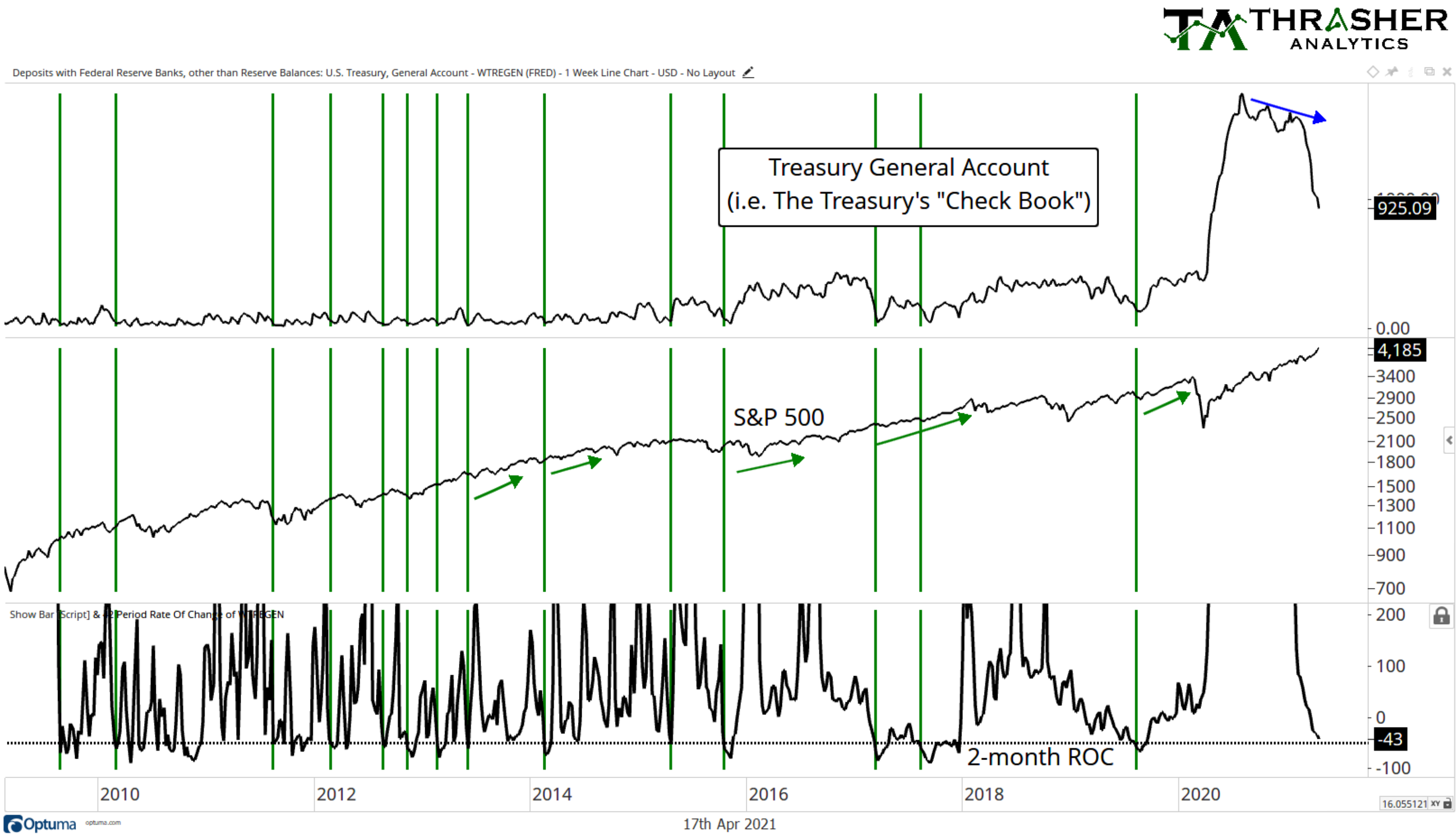
Equities - Breadth

Another way we can look at how traders are approaching the market is where outperformance is coming from - or where it's not. Currently we aren't getting higher-high confirmation in high beta, equal-weight, or Russell 2000 relative performance. Should traders be overly bullish on equities, you'd expect high beta and smaller cap stocks to outperforming and for several months they had been. But right now they aren't.



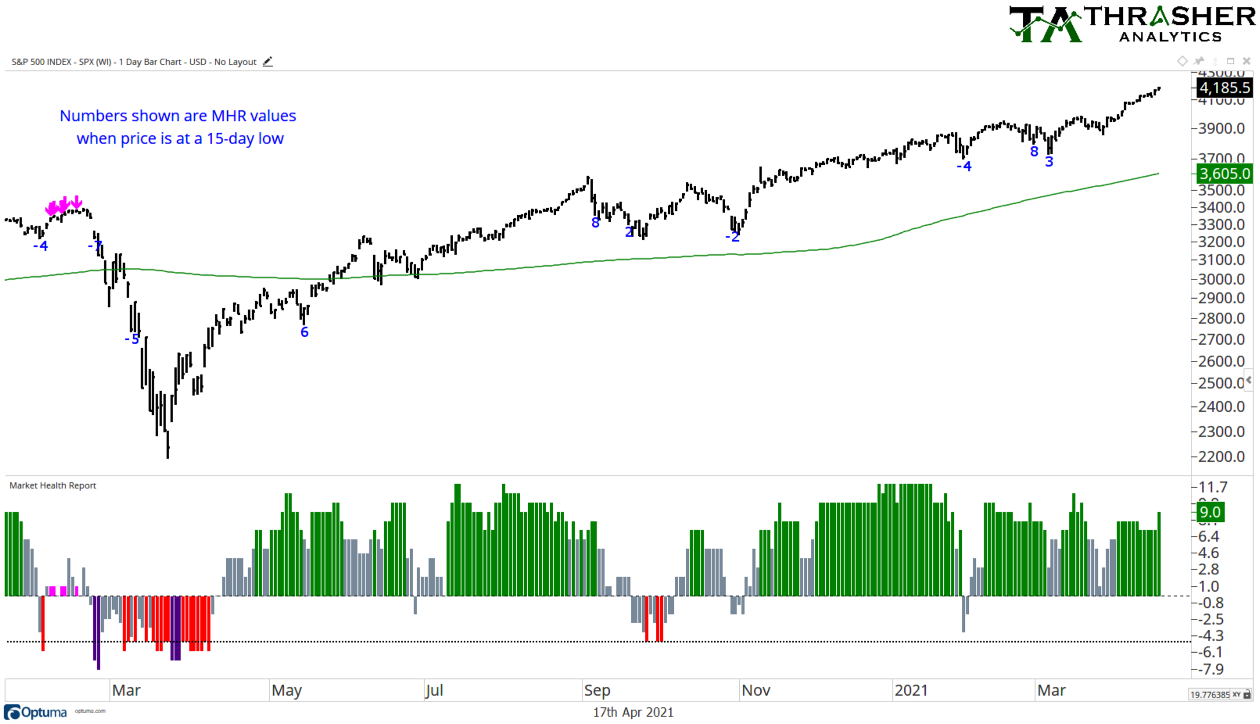
Equities - Yellen Check Book

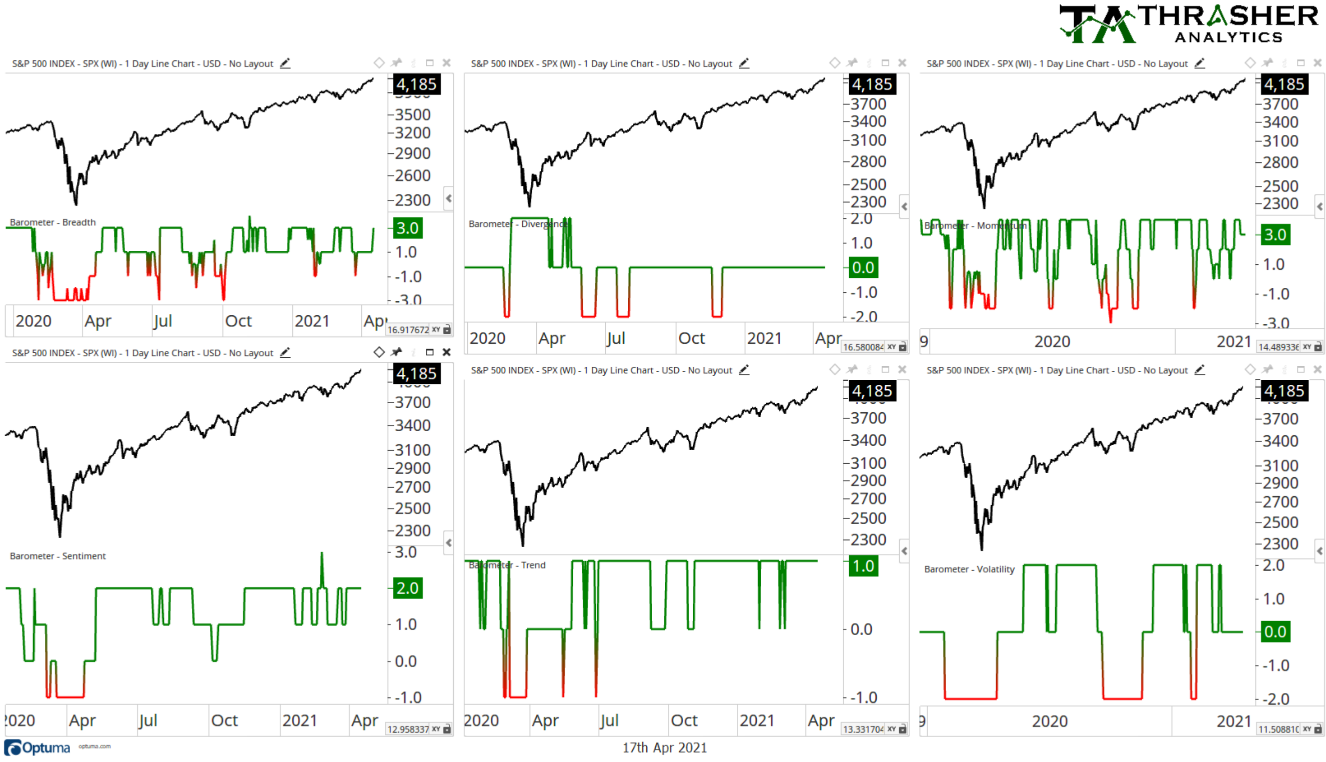
Last week I wrote about the frothy sentiment and this week the focus has been on diverging breadth data for smaller cap equities. Both bearish signs for equities right now. But we can't forget the money coming out of the Treasury's General Account, aka Yellen's check book. The Treasury has lowered its balance by 43% of the last 2 months, historically this has been simulative for financial markets. It's not that we didn't see brief periods of volatility after the TGA was depleted, but the overall trend was positive following this proactive action.



Market Health Report

The Market Health Report (MHR) finished the week two points higher at +9. The breadth of the S&P 500 has been strong, and so that category saw an increase. Right now the MHR is supportive of equities.



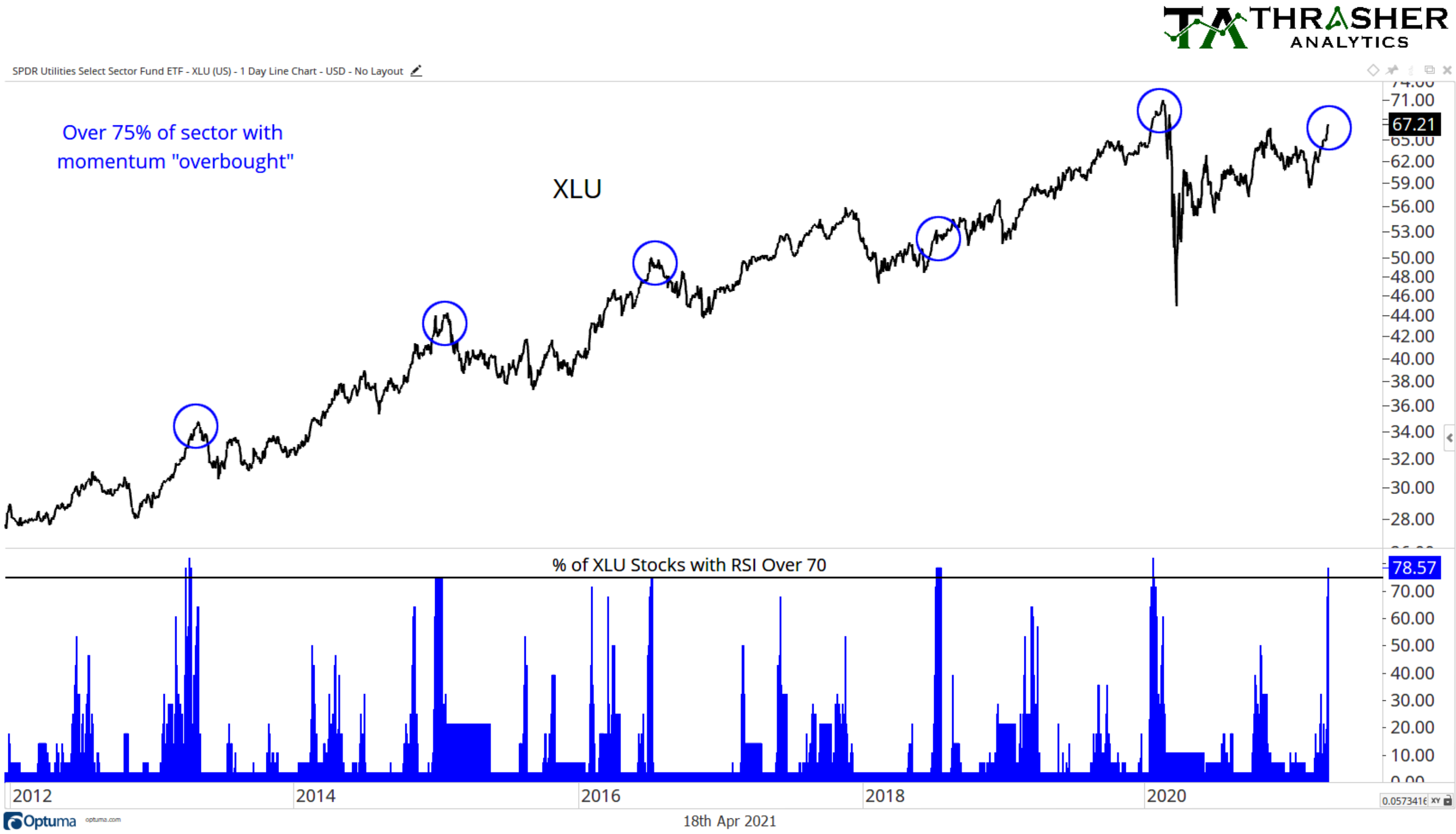


Sectors - Performance

Sector	> 50MA	> 200MA	1wk Perf	1mo Perf	3mo Perf	12mo Perf
SPDR Utilities Select Sector Fund ETF	True	True	3.69%	6.19%	6.7%	14.61%
SPDR Materials Select Sector Fund ETF	True	True	3.26%	5.80%	9.72%	71.07%
SPDR Health Care Select Sector Fund ETF	True	True	2.99%	5.34%	3.86%	23.04%
SPDR Real Estate Select Sector Fund ETF	True	True	2.63%	4.89%	13.92%	23.73%
SPDR Consumer Discretionary Select Sector Fund ETF	True	True	2.21%	7.54%	8.49%	63.98%
SPDR Consumer Staples Select Sector Fund ETF	True	True	1.29%	4.95%	6.37%	17.15%
SPDR Technology Select Sector Fund ETF	True	True	1.08%	7.09%	12.46%	62.67%
SPDR Financial Select Sector Fund ETF	True	True	0.71%	3.48%	14.41%	66.43%
SPDR Industrial Select Sector Fund ETF	True	True	0.63%	5.15%	13.86%	67.81%
SPDR Energy Select Sector Fund ETF	False	True	0.44%	-5.93%	13.22%	57.71%
SPDR Communication Services Select Sector ETF	True	True	-0.1%	1.09%	17.69%	60.89%

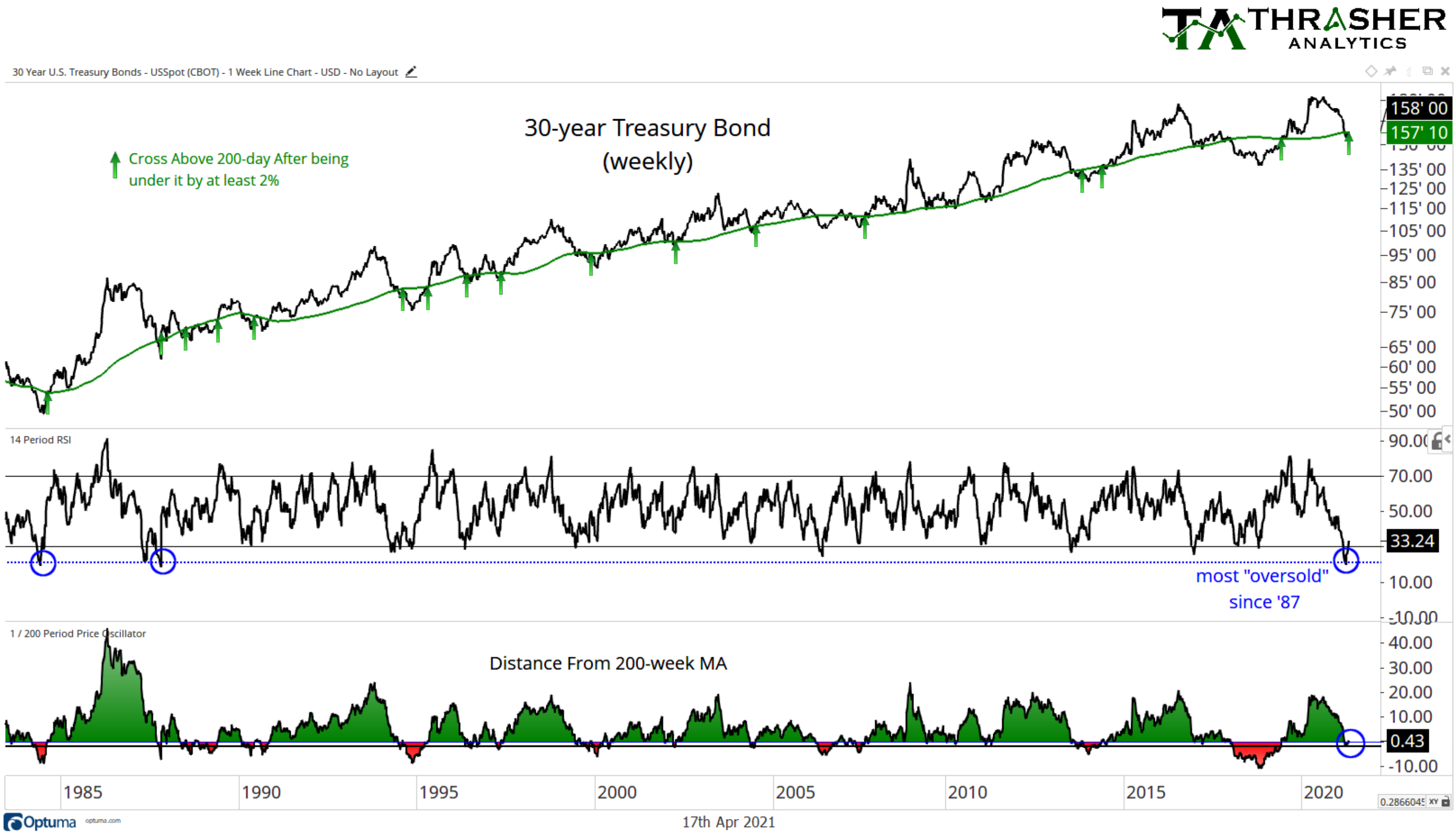
The Financial Sector (XLF) broke out to a new high this month but both the Momentum Composite and Volatility Adjusted Momentum are diverging, making lower-highs. I'm watching if the breakout can hold or if it fails and see a possible test of the 50-day MA similar to January.

78% of the stocks in the Utilities Sector had their 14-day RSI breach 70 on Friday. This was the highest reading since just before the Covid Crash and I've drawn circles around the prior instances. When this % of stocks become "overbought" we often saw XLU pullback with 2018 being the one exception.



Fixed Income - 30yr Bonds

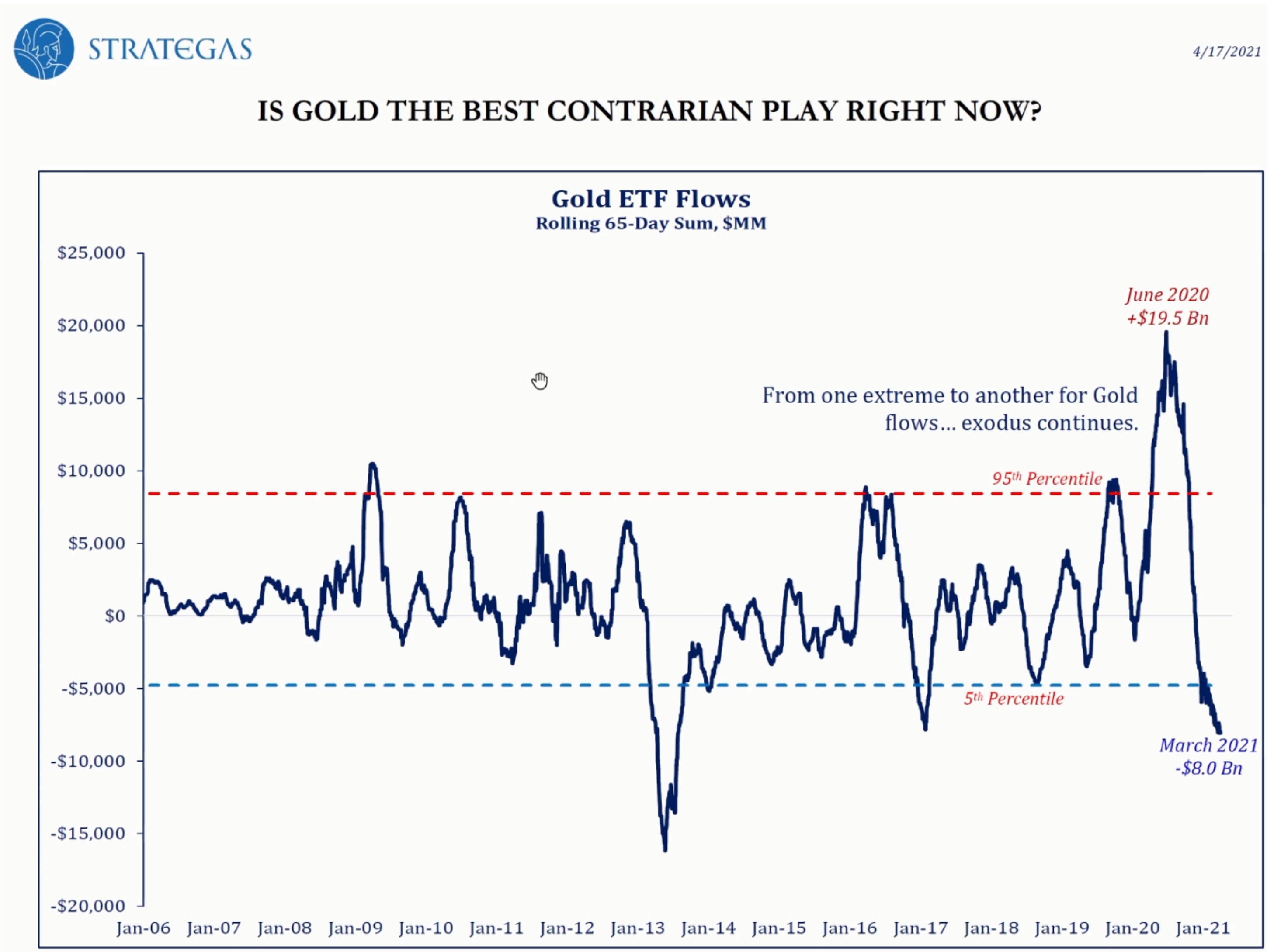
I last shared this chart of 30-yr Treasury bonds momentum hit the lowest level since 1987. Bonds saw a slight breach of the 200-week moving average but recovered above it last week. I've put green arrows when 30yr bonds moved at least 2% under the 200-week MA and then crossed back above it, we often saw continuation higher as bonds resumed an up trend.



Commodity - Gold 1

Gold gold the breakout I wrote about last week, rising above the 50-day moving average. If it can hold I'm now watching the 200-day moving average as the next possible target. Sentiment (via the DSI % Bullish) is still under 40%, so there's plenty of improvement in sentiment to help push gold higher.

The following chart was shared by Todd Sohn of Strategas during the Chart Summit on Saturday. It shows the 65-day total fund flows for Gold ETFs. This figure is at the lowest level since 2013. The last major decline in 2017 that breached the 5th %tile marked a major low in gold. We've seen even larger outflows than then. Clearly the consensus view is gold to go lower with investors shedding their exposure to the tune of $8 billion. Should gold continue to reverse higher, there's likely a lot of chasing that takes place by under-invested traders.

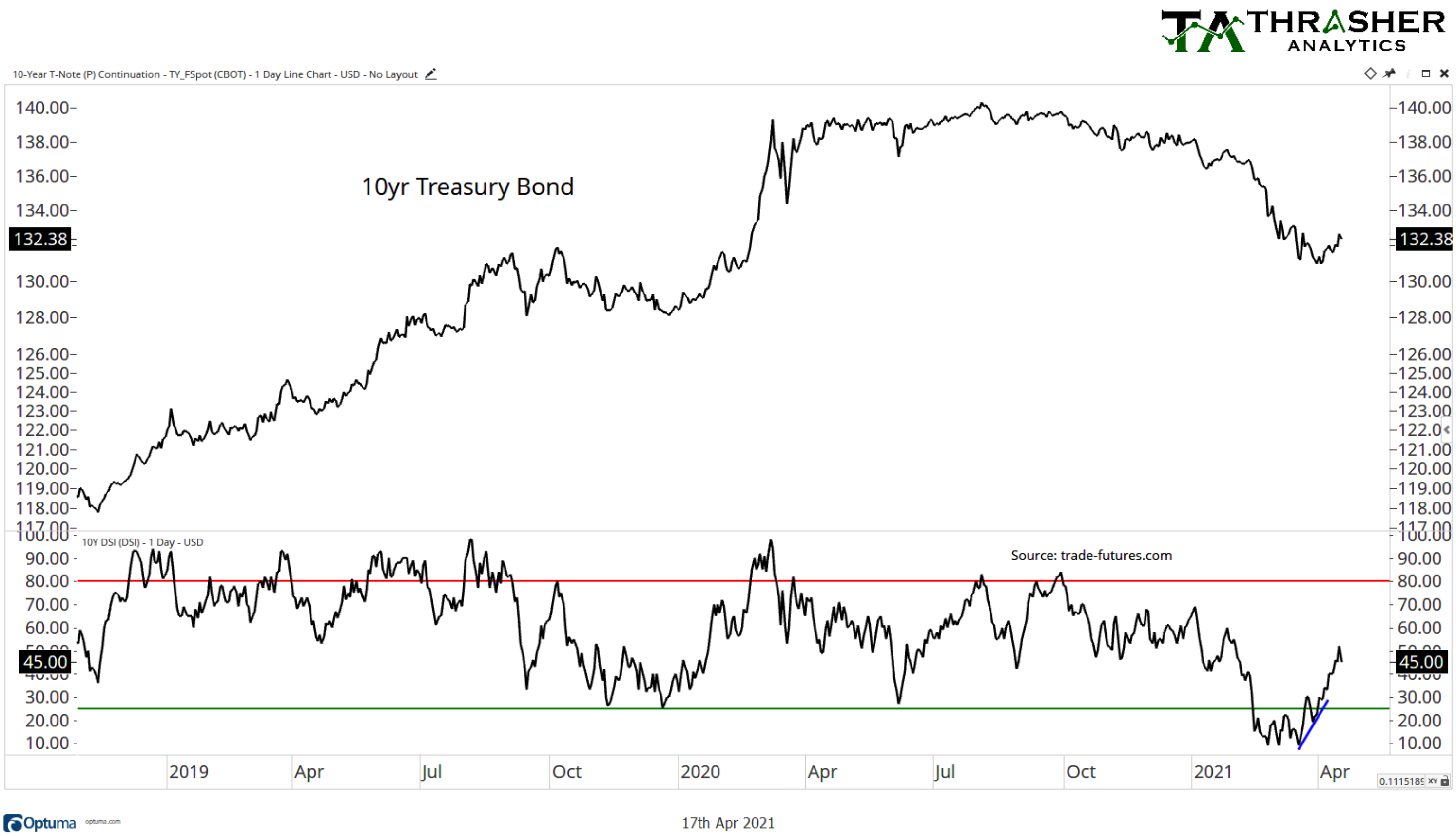


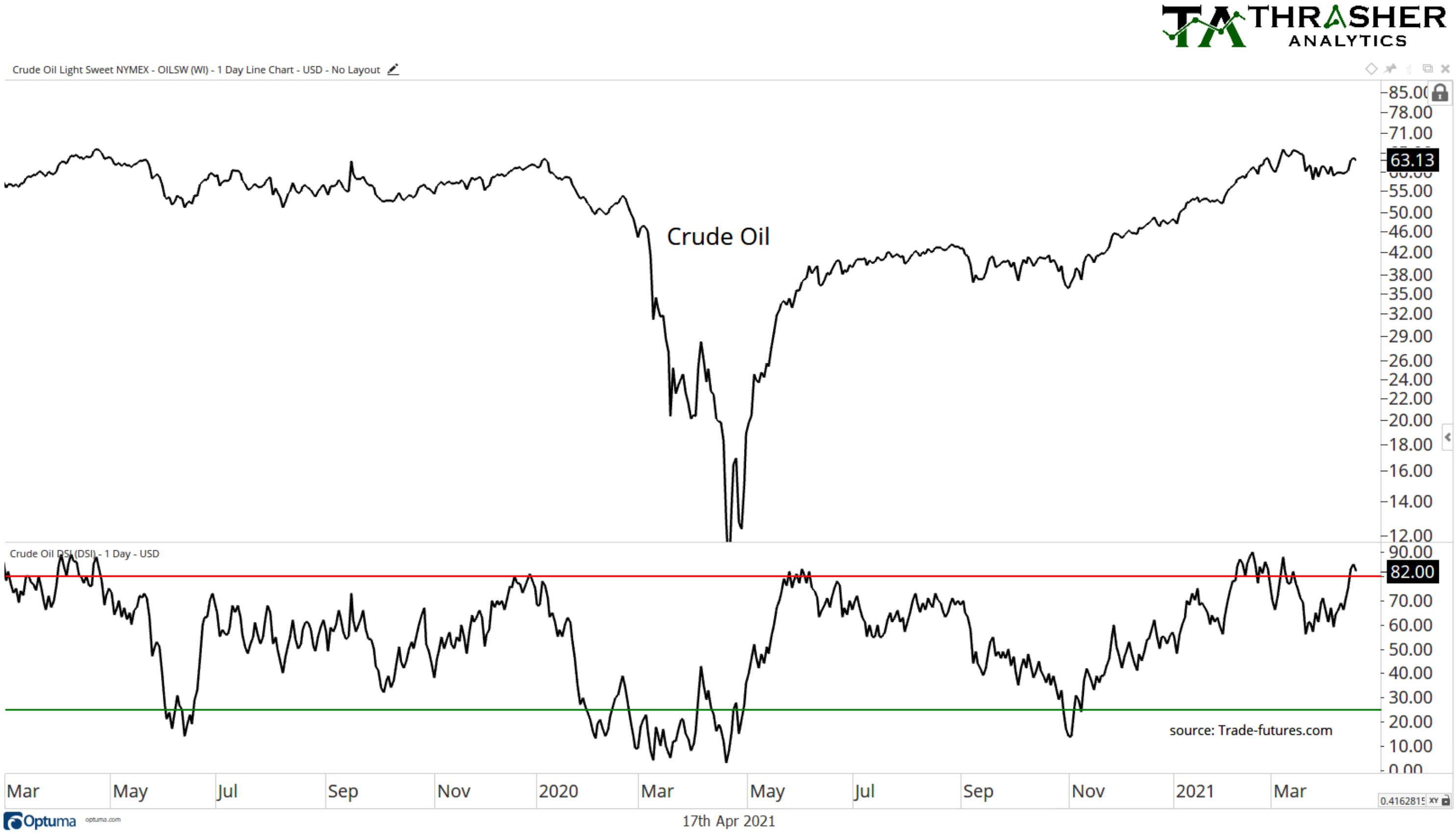
Daily Sentiment Index

Market	% Bullish	5MA	History
VIX DSI	9	10.4	
Cattle DSI	17	22.8	
Cocoa DSI	26.00	28.00	
5YR DSI	28.00	25.80	
Orange Juice DSI	29.00	25.80	
Coffee DSI	30.00	29.80	
Gold DSI	35.00	27.60	
US Dollar DSI	37.00	42.20	
Natural Gas DSI	37.00	30.80	
Silver DSI	42.00	35.20	
10Y DSI	45.00	45.60	
Swiss Franc DSI	46.00	42.80	
Sugar DSI	46.00	30.80	
British Pound DSI	52.00	52.00	
Mexican Peso DSI	53.00	48.40	
Euro DSI	53.00	51.60	
Wheat DSI	55.00	50.80	

Code	% Bullish	5MA	History
Platinum DSI	55.00	53.20	
EuroDollar DSI	55.00	55.00	
Copper DSI	55.00	50.20	
Lean Hog DSI	60.00	69.40	
Cotton DSI	60.00	58.20	
Heating Oil DSI	65.00	63.20	
Gasoline DSI	65.00	60.80	
CRB Index DSI	66.00	62.80	
New Zealand Dollar DSI	70.00	71.40	
Australian Dollar DSI	71.00	68.60	
Corn DSI	81	83	
Crude Oil DSI	82	79.00	
Nikkei DSI	83	81.8	
SPX DSI	88	87	
Palladium DSI	88	82.8	
Nasdaq DSI	89	87.6	
Lumber DSI	95	92.4	

Source: trade-futures.com


THRASHER ANALYTICS
10-Year T-Note (P) Continuation - TY_FSpot (CBOT) - 1 Day Line Chart - USD - No Layout
10yr Treasury Bond
132.38
10Y DSI (DSI) - 1 Day - USD
Source: trade-futures.com
45.00
2019
Apr
Jul
Oct
2020
Apr
Jul
Oct
2021
Apr
Optuma
17th Apr 2021


THRASHER ANALYTICS
Crude Oil Light Sweet NYMEX - OILSW (WI) - 1 Day Line Chart - USD - No Layout
Crude Oil
63.13
Crude Oil DSI (DSI) - 1 Day - USD
82.00
source: Trade-futures.com
Mar
May
Jul
Sep
Nov
2020
Mar
May
Jul
Sep
Nov
2021
Mar
Optuma
17th Apr 2021


THRASHER ANALYTICS
Gold Futures - GCSpot (NYMEX) - 1 Day Line Chart - USD - No Layout
Gold
1,780.20
Gold DSI (DSI) - 1 Day - USD
Source: trade-futures.com
35.00
May
Jul
Sep
Nov
2020
Mar
May
Jul
Sep
Nov
2021
Mar
17th Apr 2021
Optuma


NASDAQ 100 Index - NDY (WI) - 1 Day Line Chart - USD - No Layout
Nasdaq 100
14,042
13300
12800
12400
12000
11600
11200
10800
10400
10000
9600
9300
9000
8700
8400
8100
7800
7500
7200
6900
Nasdaq DSI (DSI) - 1 Day - USD
89
80
70
60
50
40
30
20
10
Source: trade-futures.com
Nov
2020
Mar
May
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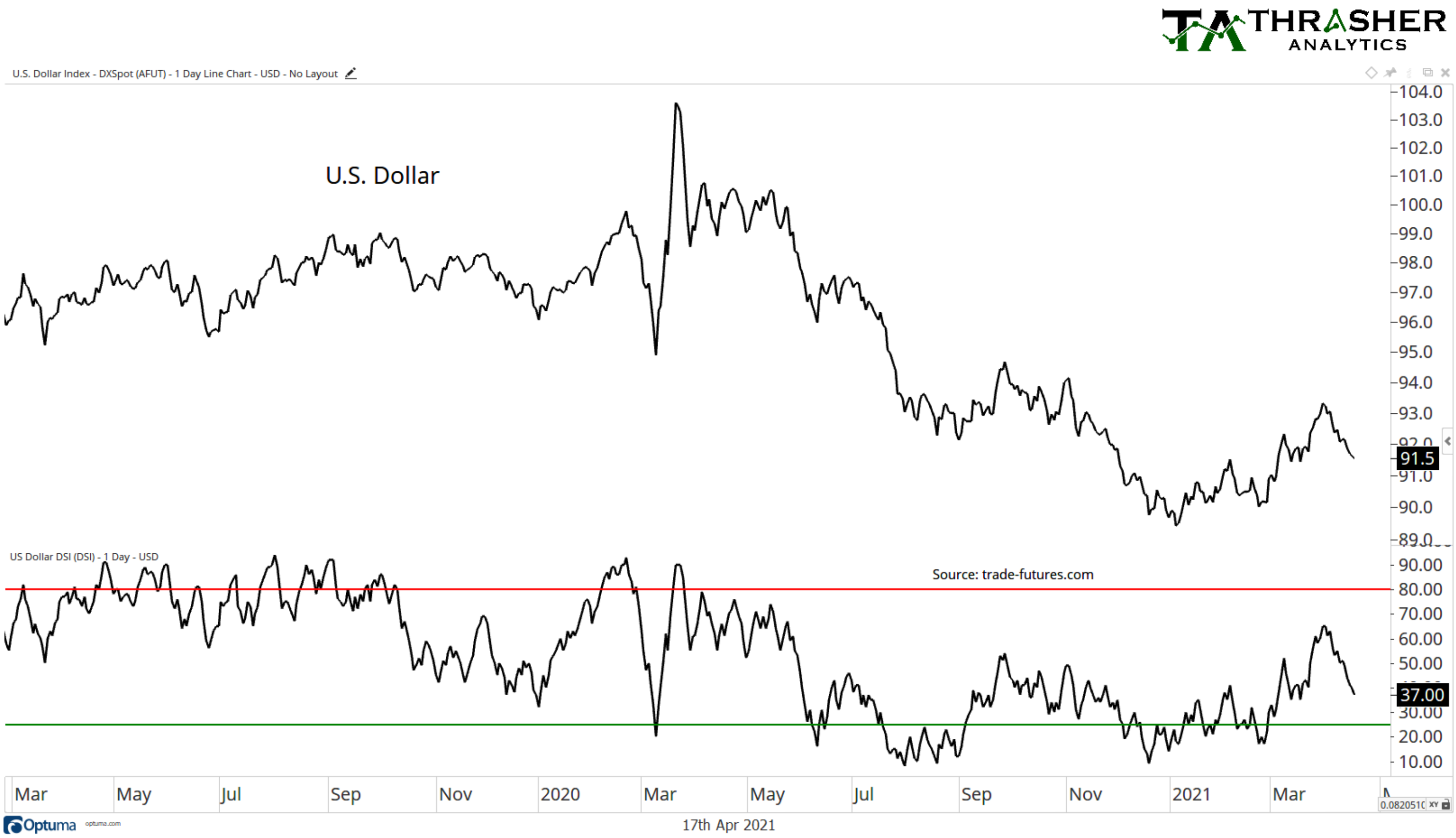
Sep
Nov
2021
Mar
Optuma
17th Apr 2021


THRASHER ANALYTICS
U.S. Dollar Index - DXSpot (AFUT) - 1 Day Line Chart - USD - No Layout
U.S. Dollar
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
91.5
91.0
90.0
89.0
US Dollar DSI (DSI) - 1 Day - USD
Source: trade-futures.com
90.00
80.00
70.00
60.00
50.00
37.00
30.00
20.00
10.00
Mar
May
Jul
Sep
Nov
2020
Mar
May
Jul
Sep
Nov
2021
Mar
Optuma
17th 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
16.3
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
9.0
2019
Mar
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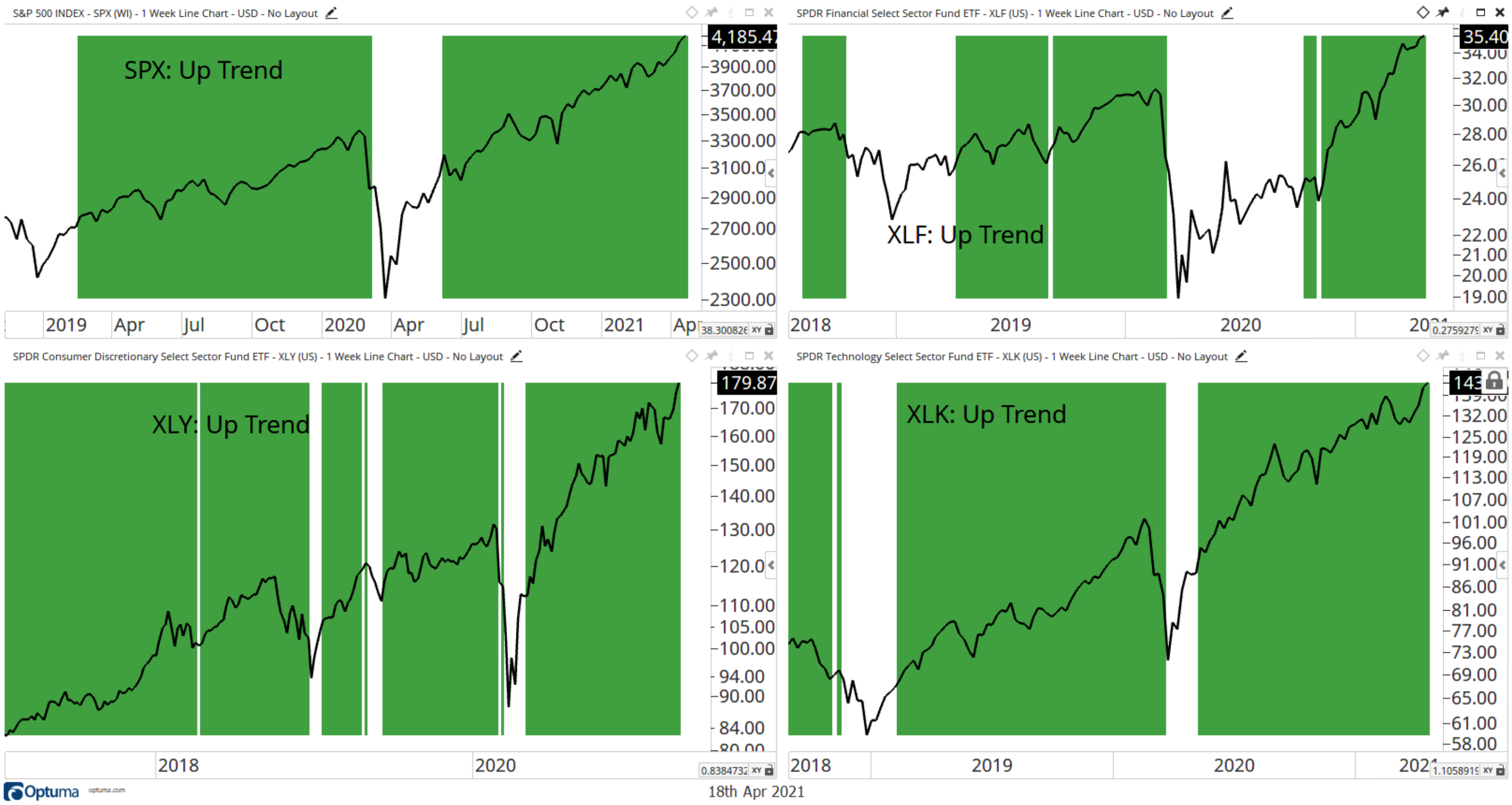
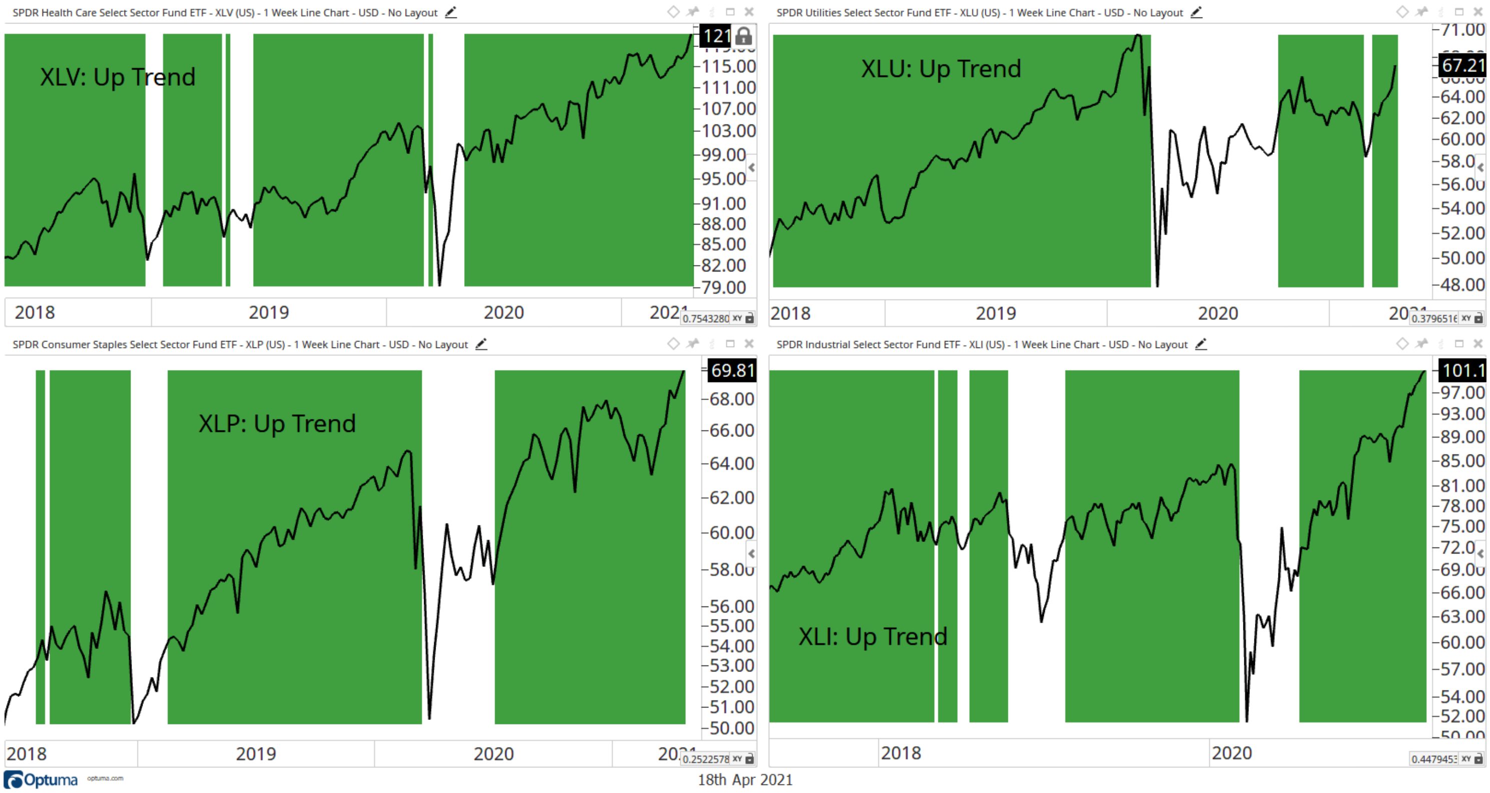
May
Optuma
17th Apr 2021

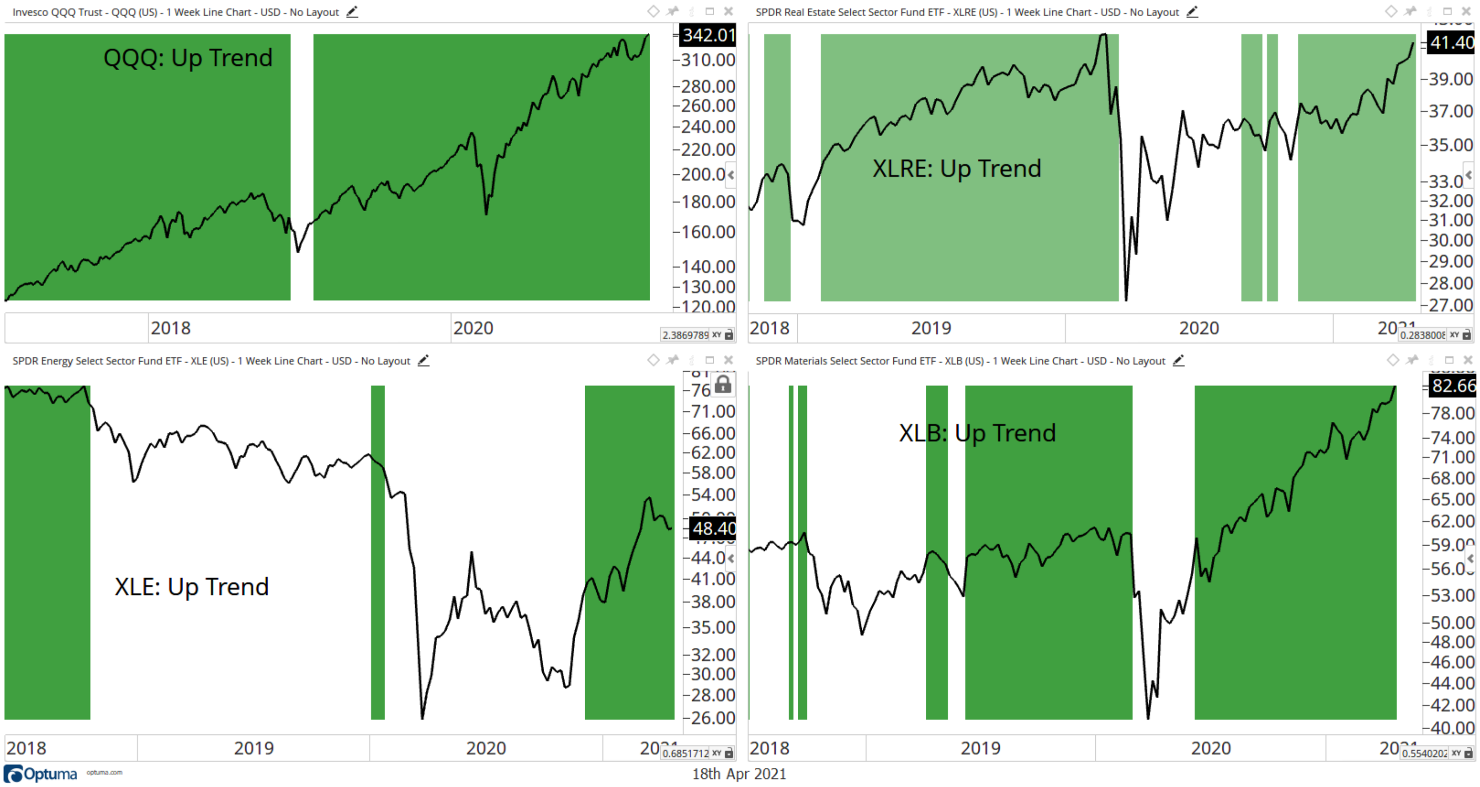
Daily Sentiment Index

Trend Models




SPDR Health Care Select Sector Fund ETF - XLV (US) - 1 Week Line Chart - USD - No Layout
XLV: Up Trend
121
115.00
111.00
107.00
103.00
99.00
95.00
91.00
88.00
85.00
82.00
79.00
2018
2019
2020
SPDR Utilities Select Sector Fund ETF - XLU (US) - 1 Week Line Chart - USD - No Layout
XLU: Up Trend
71.00
67.21
64.00
62.00
60.00
56.00
54.00
52.00
50.00
48.00
2018
2019
2020
SPDR Consumer Staples Select Sector Fund ETF - XLP (US) - 1 Week Line Chart - USD - No Layout
XLP: Up Trend
69.81
68.00
66.00
64.00
62.00
60.00
56.00
55.00
54.00
53.00
52.00
51.00
50.00
2018
2019
2020
SPDR Industrial Select Sector Fund ETF - XLI (US) - 1 Week Line Chart - USD - No Layout
XLI: Up Trend
101.1
97.00
93.00
89.00
85.00
81.00
78.00
75.00
69.00
66.00
63.00
60.00
57.00
54.00
52.00
2018
2020
Optuma
18th Apr 2021

Trend Models



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