

# TA THRASHER ANALYTICS

MAY 16, 2021



WEEKLY RESEARCH & ANALYSIS

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## Bullish

- Long-term breadth remains strong.
- Trend Model remains positive for all sectors and indices.
- The Market Health Report remains supportive.
- Gold continues to rise.
- Support holds in SPX.
- COT data supportive of bonds.
- Growth vs. value setup.

## Bearish

- VIX Spike.
- Commodities rolling over.
- Micro Caps make lower-low.
- Nasdaq breadth weakens.

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Volatility

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Trend Models

Sector Rotation: May	
Energy	XLE
Financials	XLF
Communication	XLC

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

Market Health Report	
Breadth	3
Divergence	0
Momentum	0
Sentiment	1
Trend	1
Volatility	0
<b>Total</b>	<b>5</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	72%	66%
Nasdaq 100	63%	60%
Nikkei	69%	66%
VIX	22%	26%
10yr Treasury	64%	55%
5yr Treasury	45%	39%
CRB Index	75%	79%
Gold	54%	51%
U.S. Dollar	21%	23%

\*Green<25% Red>80%

source: trade-futures.com

## Brief Summary:

We got the VIX spike that the VRT had signaled would occur, along with a brief 4% dip in equities. The 50-day MA held as support and we finished the week with a snapback rally. S&P 500 breadth remains strong while Nasdaq Composite breadth still looks bad. There's potential for growth to show some relative strength against value and semiconductors and Taiwan equities are starting to set up as well if price can continue its bounce higher.

The biggest concern right now is the breakdown in micro cap stocks and if that will start a ripple effect into small, mid, and eventually large caps. Tech and growth names have gotten beaten pretty hard recently, so I'm watching those corners of the market if traders buy the dips or continue to shed risk exposure. If SPX can hold above the 50-day MA then things look okay but should that break then we could see another wave of selling that begins to shifts the trend from simply bending to a full break lower.

Treasury bonds still appear to have good support based on COT and sentiment data. Commodities that had gone parabolic have begun to pullback while gold still stands firm, sitting just under the 200-day MA.

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 had signaled a warning that we could soon see a spike in the VIX and we then had the fourth largest 3-day rise in the Volatility Index in three years. Once again, VRT did an excellent job identifying a period of heightened risk within the market based on the VIX. The move was short-lived with spot VIX finishing under 19 on Friday, we can't always know how long a spike will last, focusing more on the edge of forecasting when those spikes will likely occur.



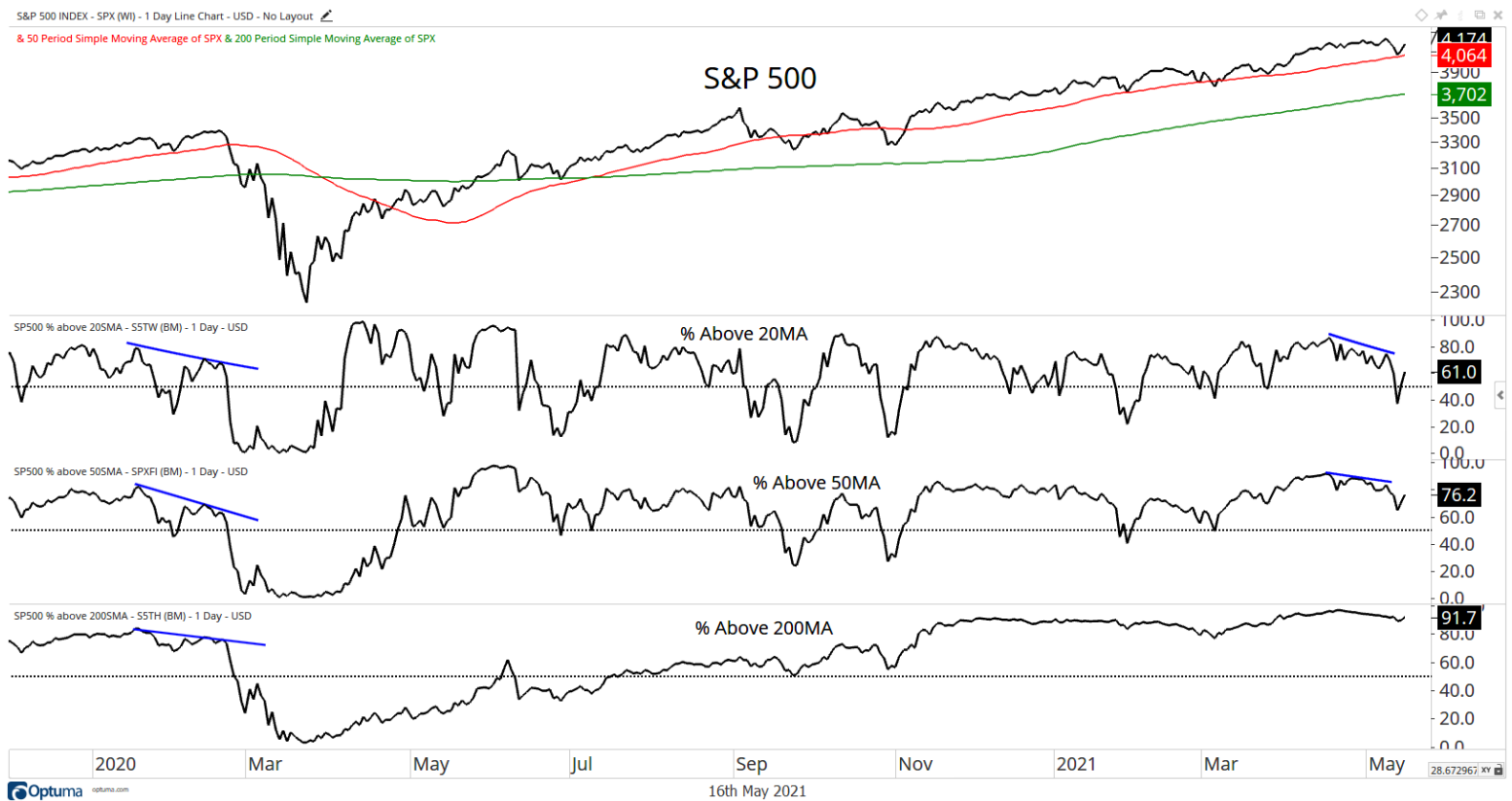
The S&P 500 saw a 4% dip last week, sending price to the 50-day moving average creating a quick dip buying opportunity that traders took advantage of, moving SPX back a few points above the 20-day moving average by the end of the week. I had mentioned I was expecting some market weakness but that it should be fairly shallow based on the strength in breadth and the Market Health Report. Was that all the weakness we'll see? If the 50-day MA can hold strong then potentially yes. We know have level to watch and if price holds above it then risk assets can resume moving higher. There's still a few concerns I have but the bounce on the 50-day MA and momentum (RSI in bottom panel) holding above prior lows is a bullish sign.



# EQUITIES - BREADTH: SPX



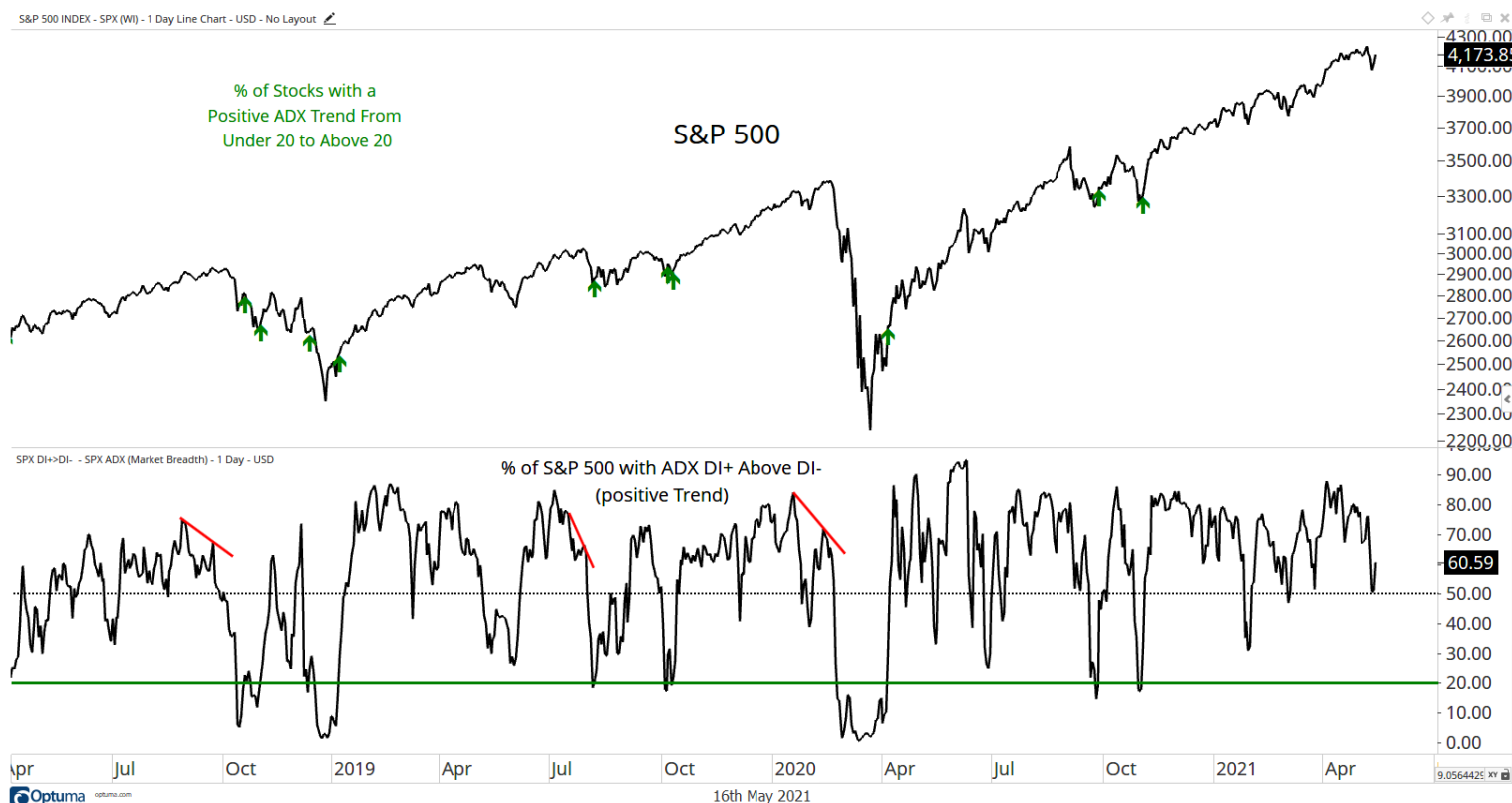
the percentage of stocks above in the S&P 500 above the 20-, 50-, and 200-day MA finished the week all above 60%. The % above 20-mA dipped below 50 but quickly recovered. Over 90% still are trading above their long-term moving average. From a breadth perspective, as has been the case for several months, breadth remains supportive of an up trend in SPX. However, the bullishness in breadth stops there. Nasdaq still doesn't look good.



# EQUITIES - BREADTH: SPX



With this (so far) small dip in stocks, the majority of S&P 500 equities are still firming in up trends, based on the ADX trend indicator. We saw the % in positive trends tag 50% but bounce back to 60% by Friday's close - similar to the couple of dips that occurred earlier this year. When we have less than half of stocks in up trends is when things can get messy and when we have less support of indices by the individual stocks. Fortunately, that's not the environment we have right now with most stocks still trending higher in the intermediate-term.

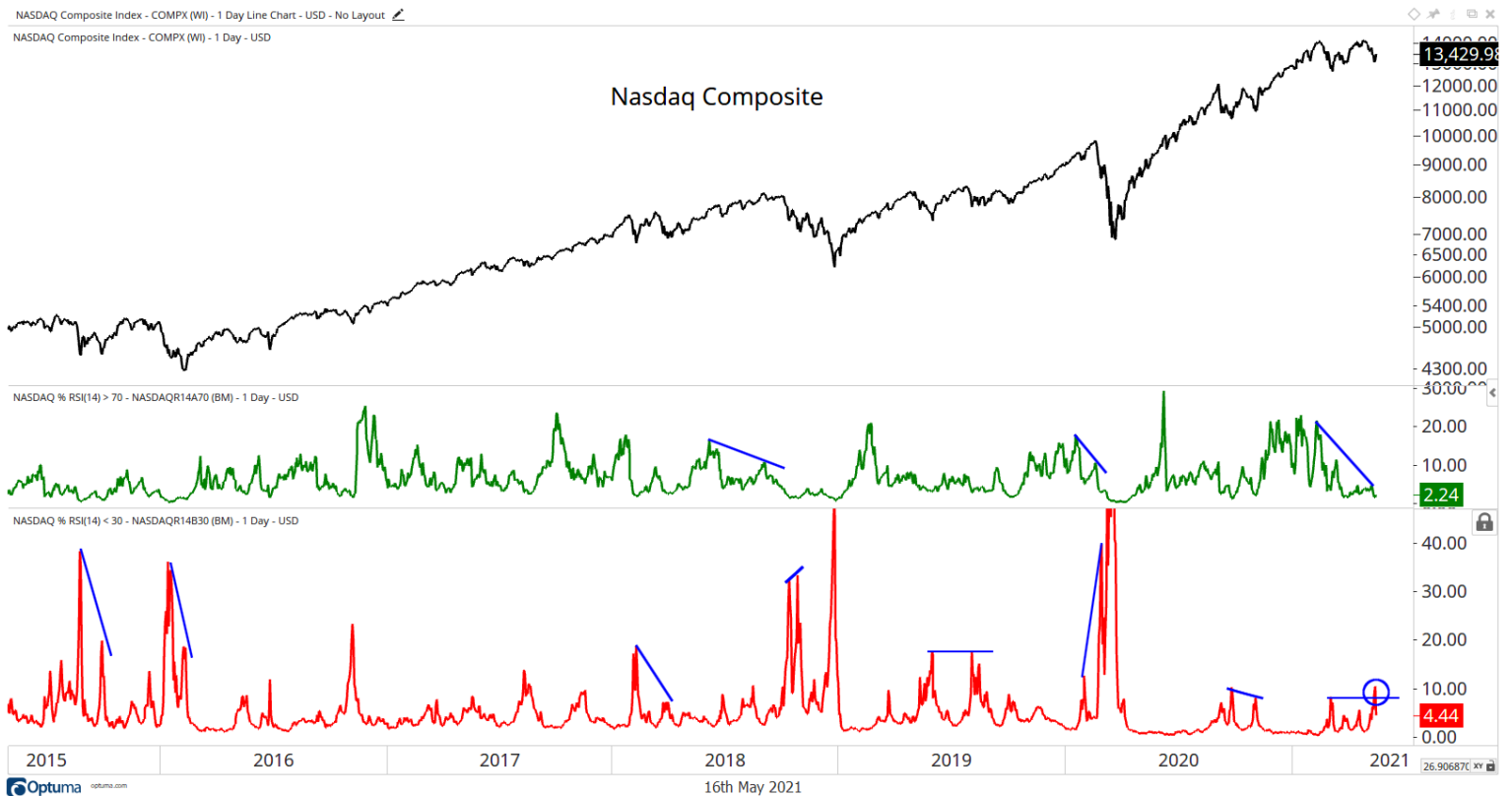




# EQUITIES - BREADTH: NASDAQ

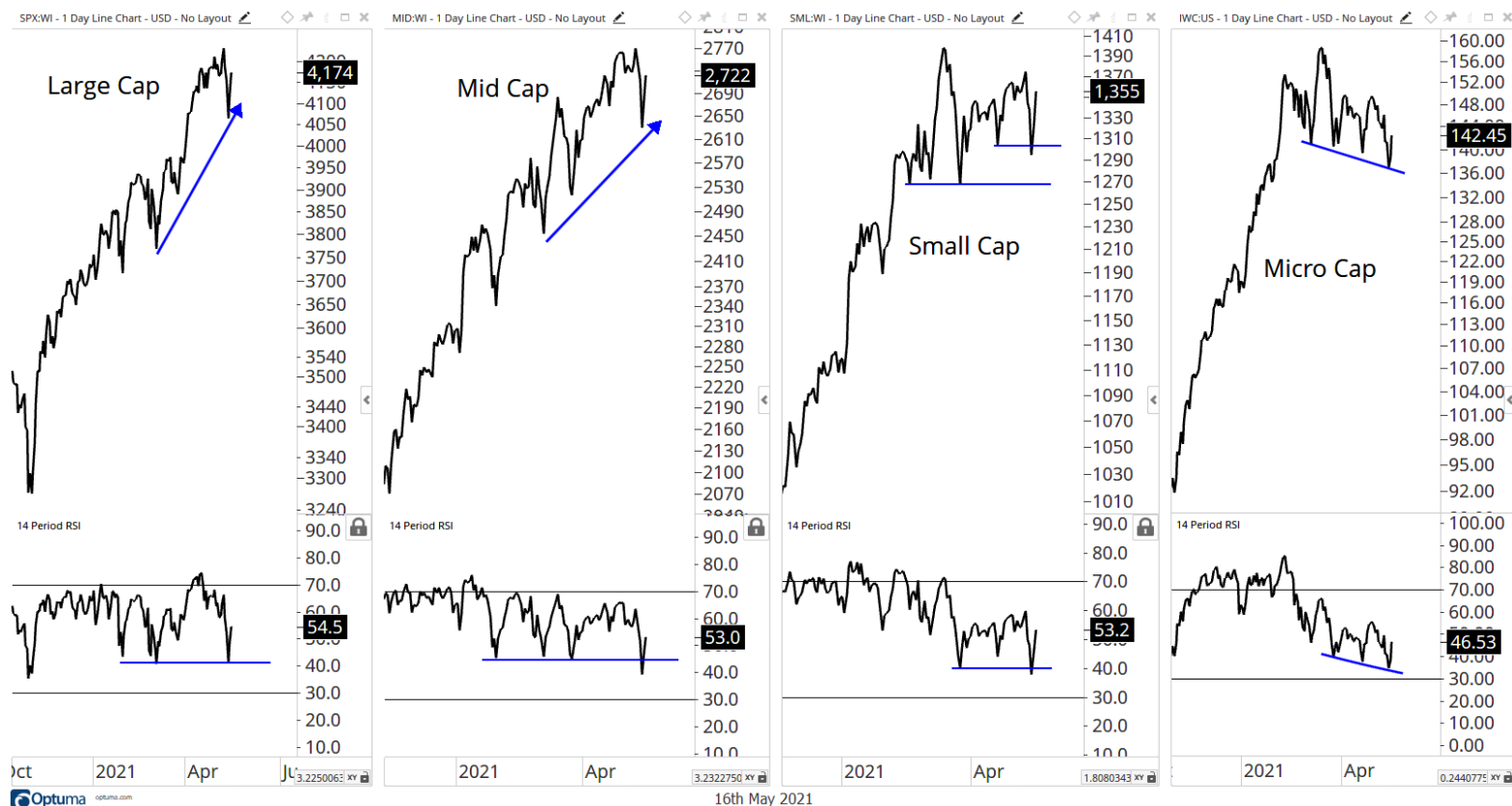


As I've written about numerous times in recent weeks, the breadth data for the Nasdaq Composite looks awful. The most recent high, which is starting to look like a double top, saw less than 10% of stocks with a 70+ RSI reading. Meanwhile, the number of stocks that are 'oversold' is expanding, which is not a great sign. Note the bottom panel, bottoms often occur when LESS stocks are "oversold" a sign momentum is improving. We saw an expanding list of 'oversold' stocks mid-way through the decline in Q4 2018 and during the Covid Crash last year. I will note the higher-high in % of RSI under 30 is fairly small, it was the highest reading since March '20 and occurred with the Composite trading at a higher level than the last reading, meaning price is higher but internals are weaker.



Along with the Nasdaq Composite, Micro Cap stocks aren't holding up very well. While we still have higher-lows in large and mid caps and for the most part small caps as well, we now have a series of lower-lows in micro caps. Momentum for micro caps is also weakening, dipping under 40 last week while the other larger cap indices are holding above prior lows.

Why this matters is when investors take down risk exposure it often starts with higher beta/smaller cap stocks. So if we are losing the up trend in micros, next we want to see how small caps do. Right now they are holding up okay, so bulls want to see small caps not get pulled down with the micros which then sets up mid caps and large caps. So far, the selling seems contained to just micro caps and if it doesn't spill over then the market can fairly easily digest that bit of bearishness.



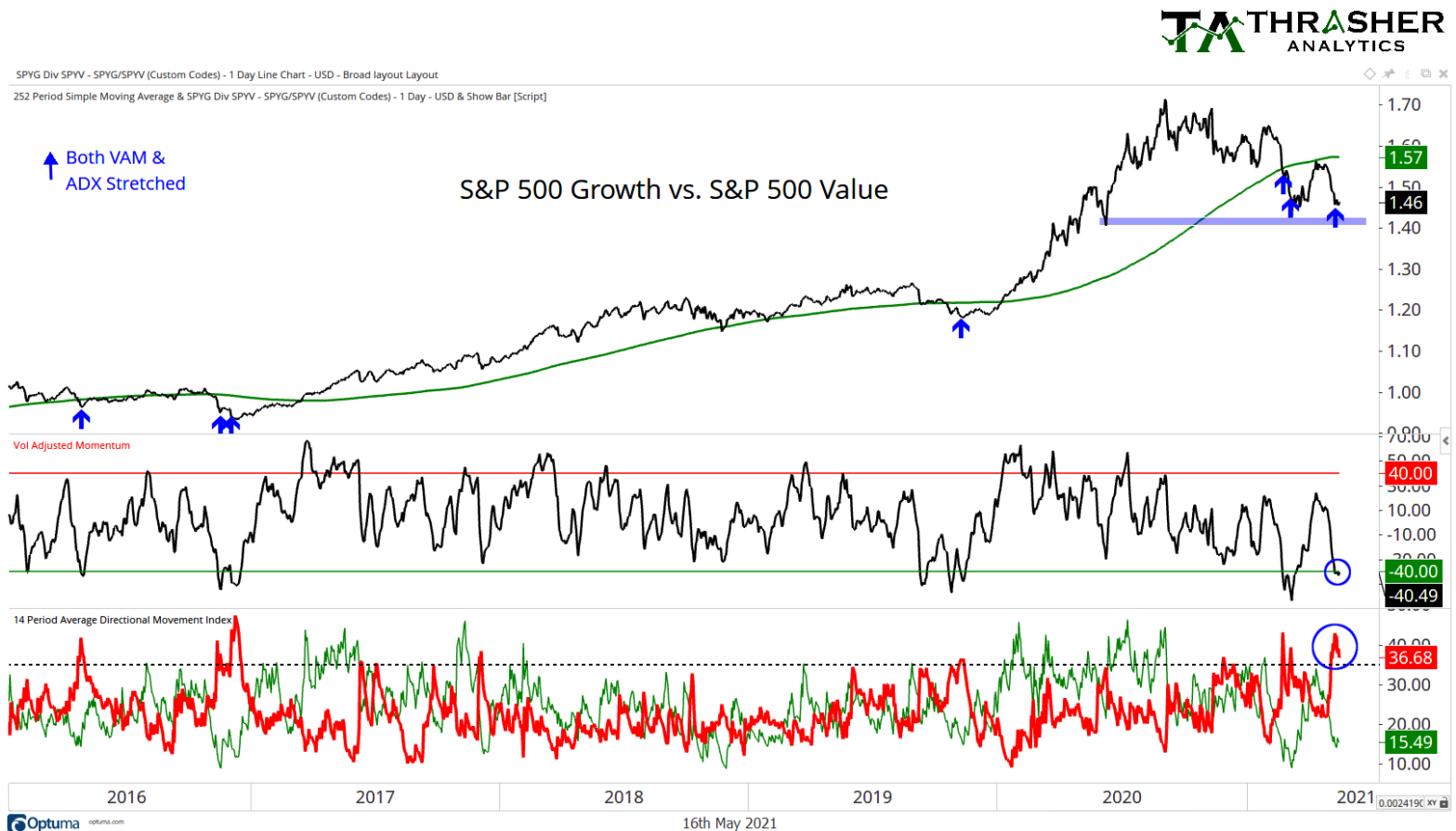


# EQUITIES - GROWTH VS. VALUE



Growth stocks have been getting stomped on hard, with many growth names down 40+% from their recent peaks. The relative performance of growth vs value is experiencing its largest drawdown since the Financial Crisis in 2008. Is all hope lost for growth? I don't think so, at least not yet.

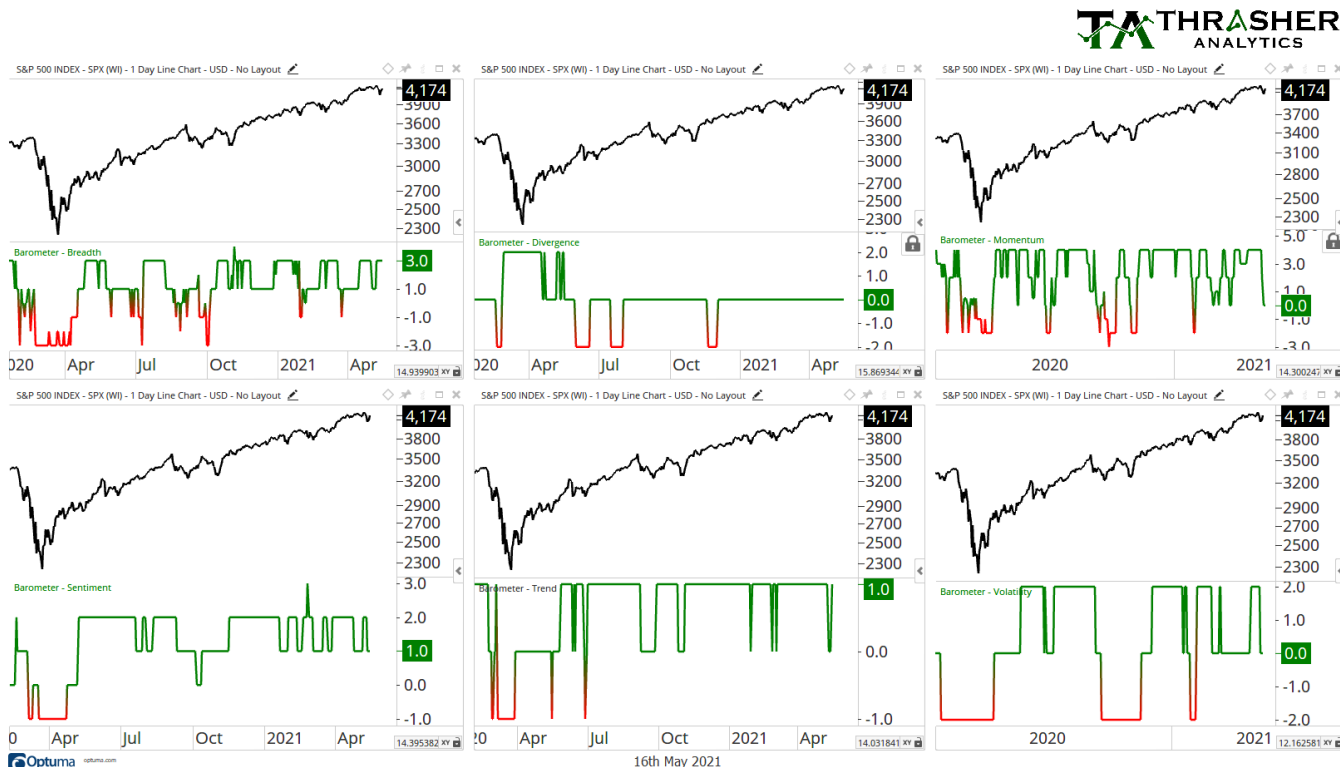
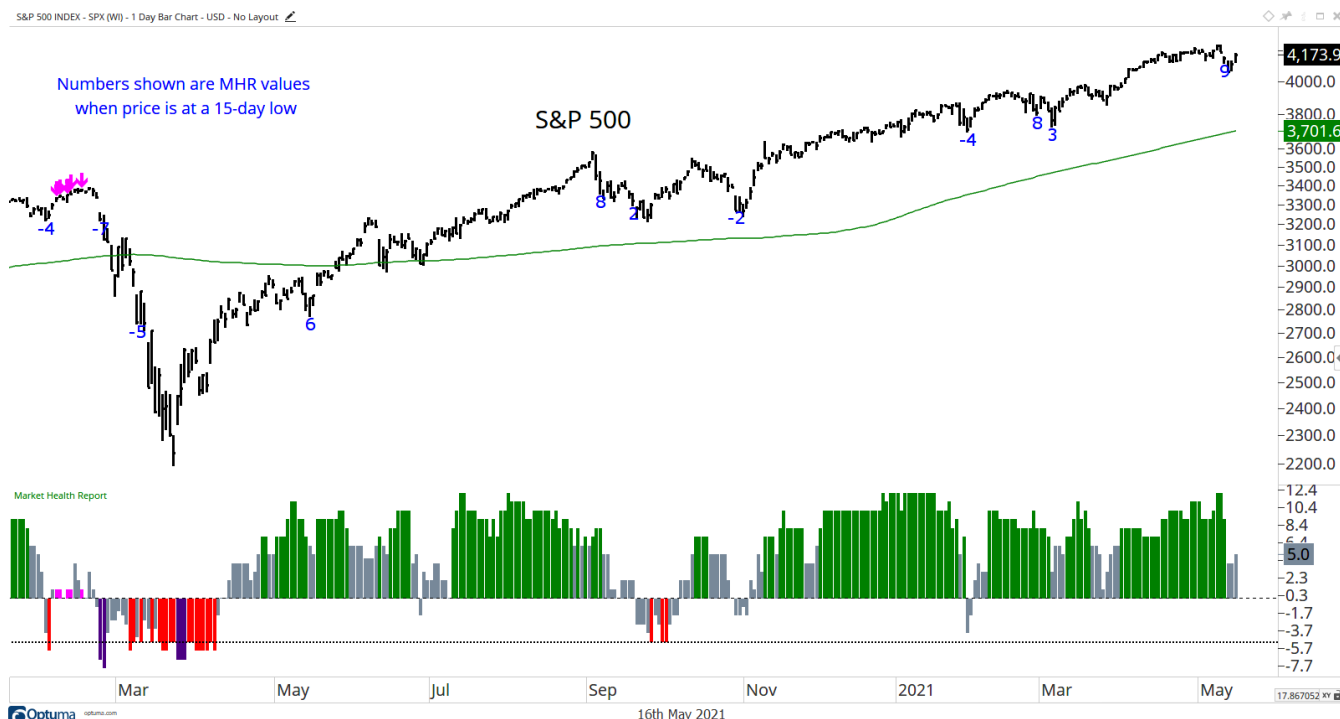
The ratio between growth and value is near the June '20 pivot low with Volatility Adjusted Momentum (VAM) and the ADX trend indicator both stretched. When they both have been stretched to the downside I've marked with blue arrows. Notice this has often created a setup for growth to resume a leadership role. If the Ratio holds above 1.4 then I think there's potential for growth to strengthen. But if not then there could be more downside pressure for growth stocks. Sentiment is pretty sour right now for growth so I think there's an interesting contrarian opportunity if price behaves.



# MARKET HEALTH REPORT



The Market Health Report (MHR) finished the week down to +5. The recent 15-day low had an MHR reading of +9, suggesting a buyable dip opportunity within the market still appearing healthy - similar to the prior dips over the last six months. While the MHR can still flip bearish if we keep moving lower, as of right now the six categories remain broadly supportive of equities.

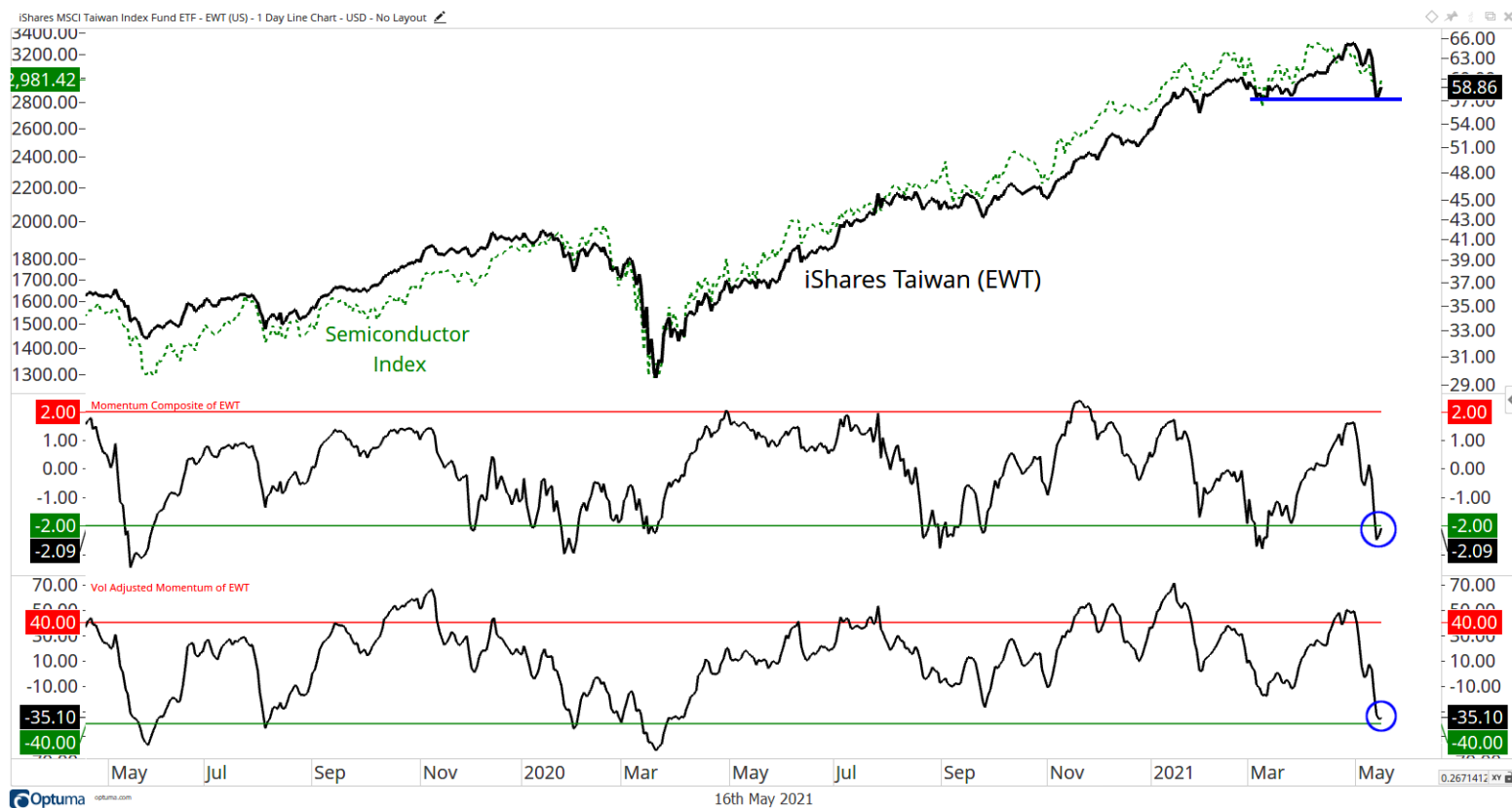


# SECTORS - PERFORMANCE



Sector	> 50MA	> 200MA	1wk Perf ▼	1mo Perf	3mo Perf	12mo Perf
SPDR Consumer Staples Select Sector Fund ETF	True	True	0.38%	2.98%	7.95%	24.64%
SPDR Financial Select Sector Fund ETF	True	True	0.26%	7.67%	20.18%	78.76%
SPDR Materials Select Sector Fund ETF	True	True	0.05%	8.91%	18.25%	74.32%
SPDR Utilities Select Sector Fund ETF	True	True	-0.2%	-0.05%	5.25%	18.65%
SPDR Energy Select Sector Fund ETF	True	True	-0.26%	8.74%	19.74%	48.05%
SPDR Health Care Select Sector Fund ETF	True	True	-0.5%	4.13%	5.26%	23.97%
SPDR Industrial Select Sector Fund ETF	True	True	-0.59%	4.19%	15.98%	75.52%
SPDR Real Estate Select Sector Fund ETF	True	True	-0.99%	3.40%	9.33%	34.93%
SPDR S&P 500 ETF	True	True	-1.31%	1.25%	6.1%	46.18%
SPDR Communication Services Select Sector ETF	True	True	-1.52%	1.54%	5.6%	52.5%
SPDR Technology Select Sector Fund ETF	False	True	-2.19%	-3.50%	-1.88%	46.22%
SPDR Consumer Discretionary Select Sector Fund ETF	False	True	-3.87%	-3.66%	0.25%	49.58%

The iShares Taiwan ETF (EWT) has fallen to the prior March lows and (so far) bounced off that level as potential support. This is playing out with the Momentum Composite "oversold" and Volatility Adjusted Momentum near an "oversold" level. I've plotted the Semiconductor Index in green as well, to show the high correlation between EWT and semis. The Semiconductor industry has been under pressure due to supply issues, so sentiment is pretty bearish right now but that could set up for a continued bounce. If EWT can hold above \$57 then the chart has my attention.

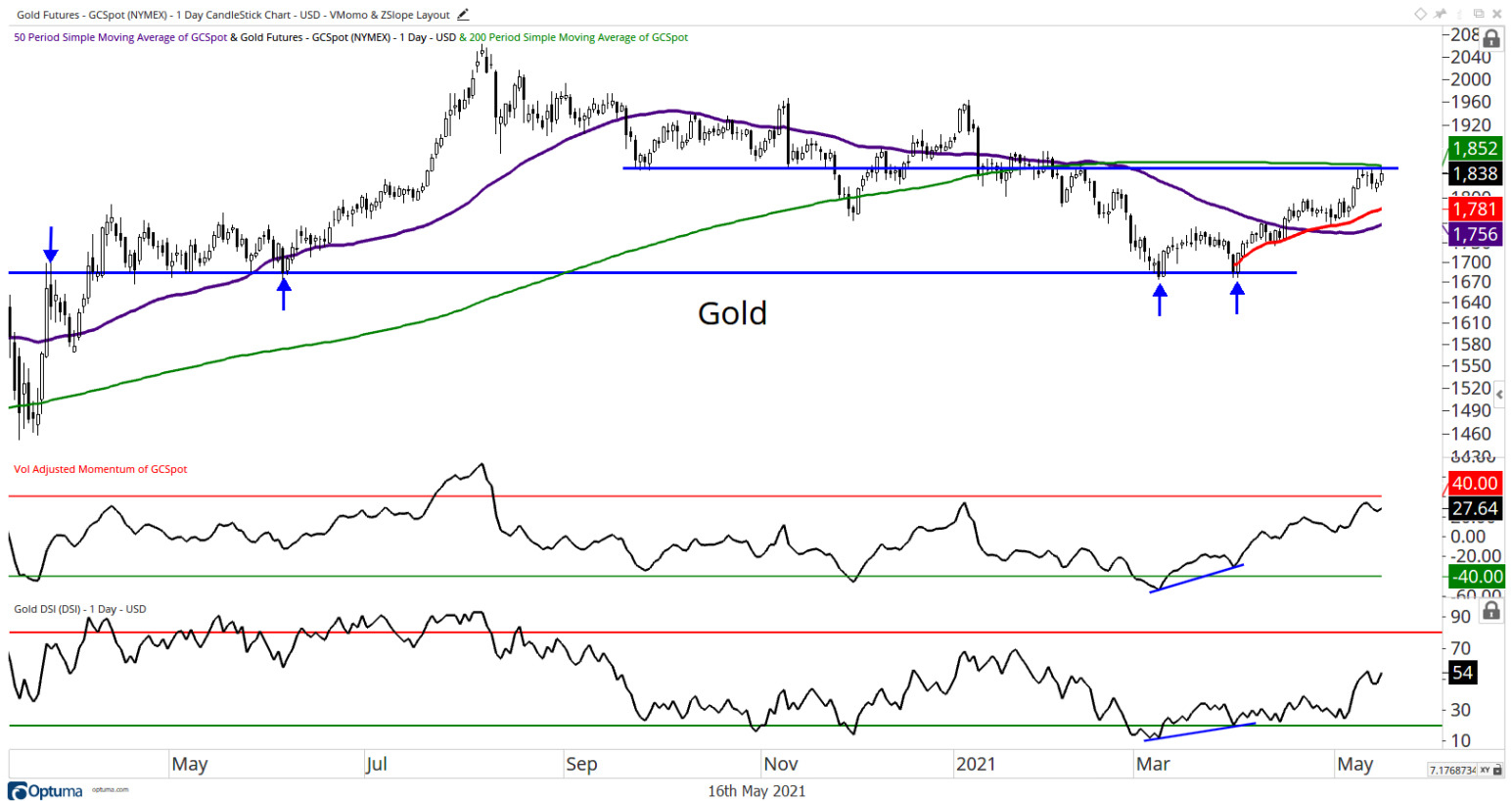


# INTERNATIONAL - CHINA INTERNET TA

Chinese tech/internet stocks have been under pressure after headlines of China cracking down on several companies. This has sent the KWEB ETF to the lowest level since last fall, which also happened to be the 2018 high. There's obviously price memory at this level and if KWEB can strength a little more and fill the gap, there's good potential for some dip buyers to step in to beaten up Chinese tech stocks which would benefit KWEB. Volatility Adjusted Momentum has sunk for KWEB to the lowest level since March '20, from a momentum perspective this ETF is very oversold and could be due for a bounce.

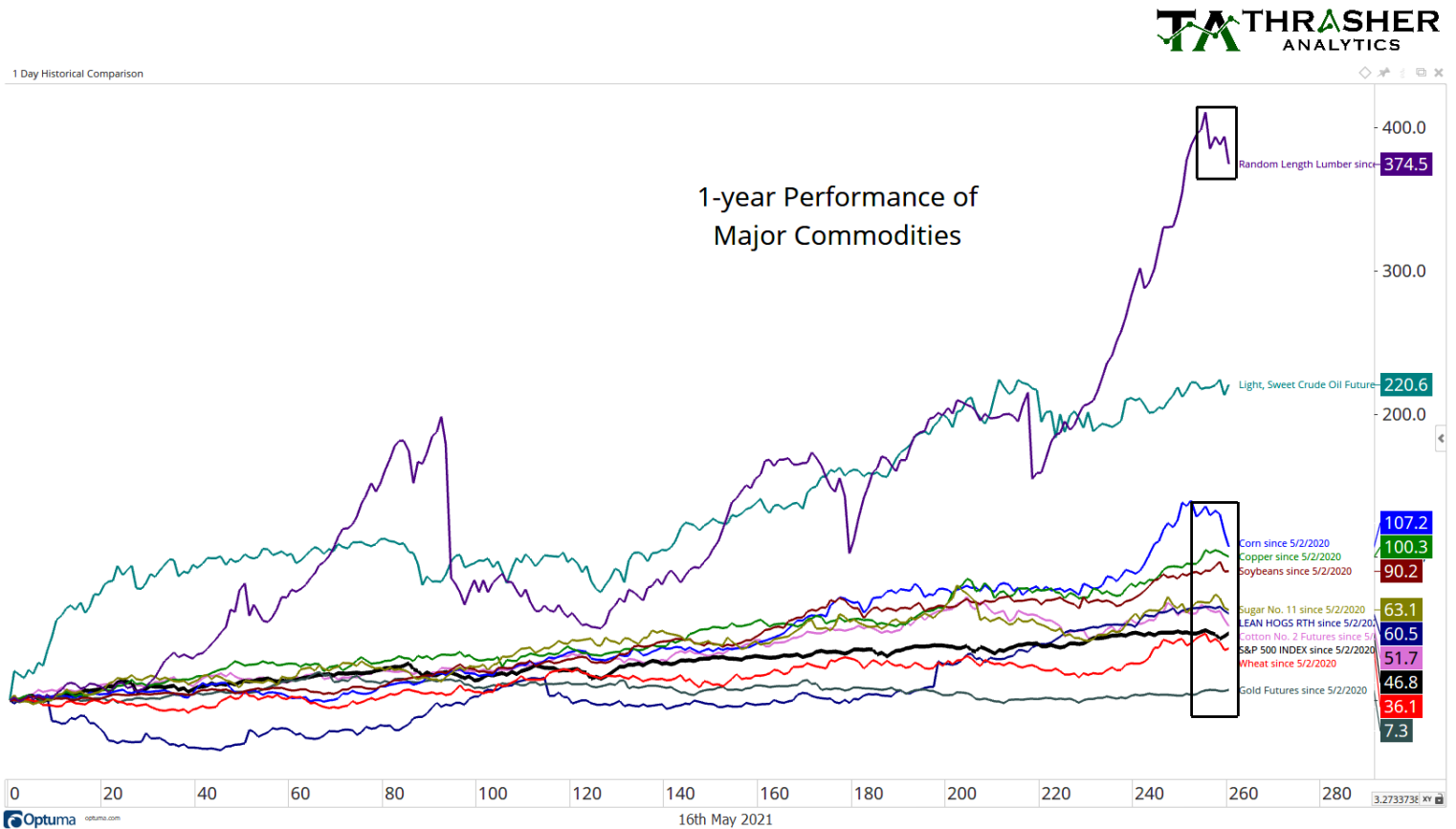


Gold has continued to rise, advancing to the previously mentioned level of interest. The metal is back to the 200-day MA and \$1950 level that has seen previous price pivots. I'm watching to see if the 200-day MA breaks and price can begin working its way back to \$2000.



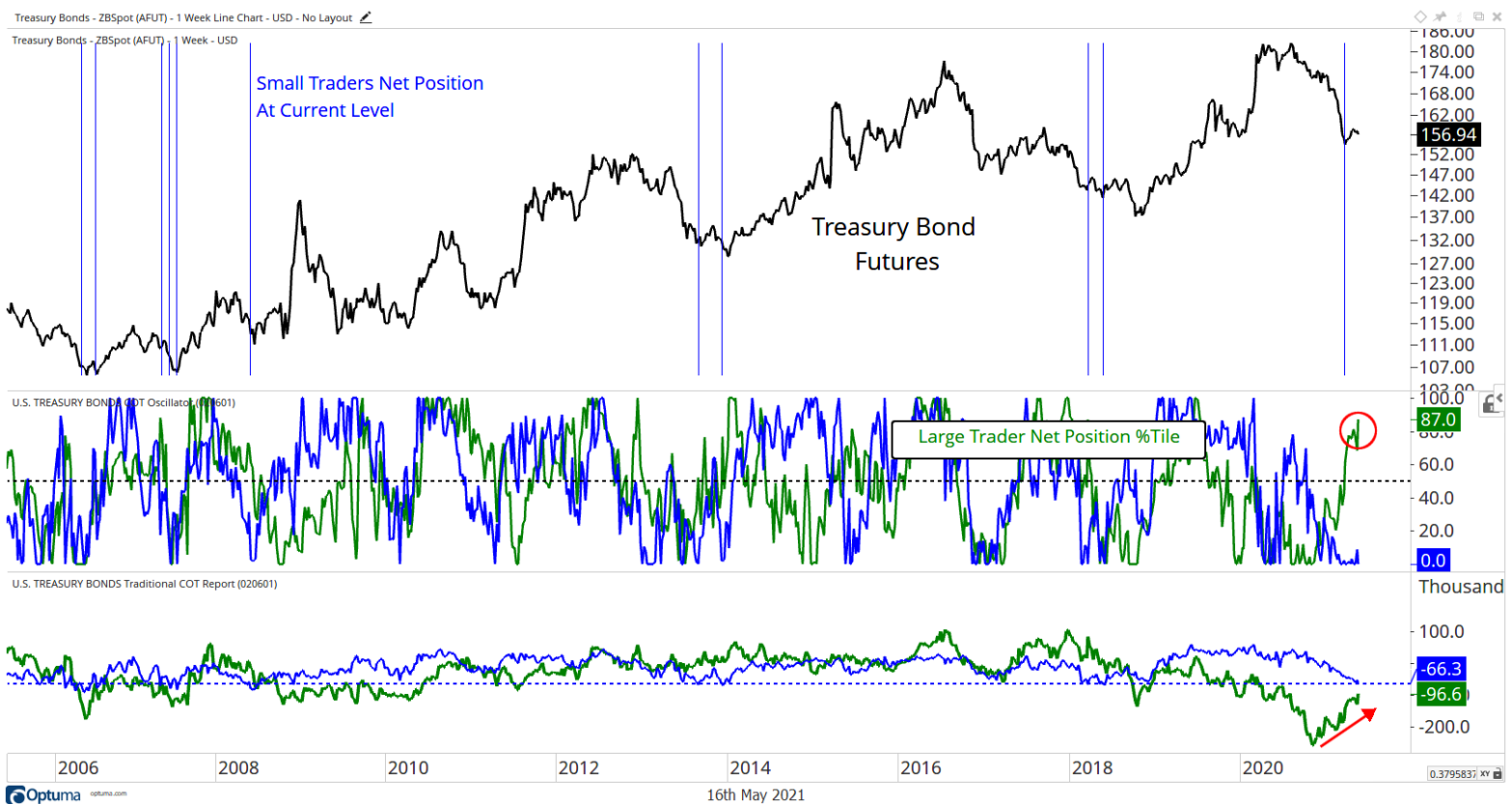


Lumber, corn, and wheat have begun to pullback, as well as copper and soybeans to a lesser degree. Corn and lumber have garnered the most attention and earned the spotlight for the posterchild of rising inflation. If these ag commodities are starting to truly rollover then the moves could be swift.



I've shared this chart several times in the last few months, noting the rising net-position of Large Traders which helped mark the low in Treasury Bonds. That trend continues as Large Traders keep working off their net-short position and now hold net position in the 87th percentile.

Meanwhile, Small Traders are holding a large (historically) net-position. I've put blue lines to they've had a similarly sized position and note bonds have often continued to rise or soon bottomed after small traders got this bearish. With Large Traders getting LESS bearish and Small Traders getting MORE bearish, the setup appears attractive for bond bulls, regardless of the headlines about inflation and what the Fed will do. Traders are voting with their dollars and the vote appears tilted to rising bond prices.



# DAILY SENTIMENT INDEX



Market	% Bullish ▲	5MA	History 📊
US Dollar DSI	21	23.4	
VIX DSI	22	26.00	
Cattle DSI	23	31.20	
Orange Juice DSI	27.00	24.8	
Lumber DSI	40.00	61.80	
Platinum DSI	45.00	45.00	
5YR DSI	45.00	39.40	
Corn DSI	50.00	72.20	
Sugar DSI	51.00	60.80	
Cotton DSI	53.00	65.20	
Gold DSI	54.00	51.00	
EuroDollar DSI	55.00	55.00	
Cocoa DSI	55.00	54.60	
Palladium DSI	58.00	59.00	
Silver DSI	61.00	56.60	
Lean Hog DSI	61.00	70.20	
Wheat DSI	62.00	72.00	

<input type="checkbox"/>	Code	% Bullish ▲	5MA	History 📊
<input type="checkbox"/>	Coffee DSI	62.00	64.40	
<input type="checkbox"/>	Nasdaq DSI	63.00	59.80	
<input type="checkbox"/>	10Y DSI	64.00	55.40	
<input type="checkbox"/>	Mexican Peso DSI	65.00	61.00	
<input type="checkbox"/>	Copper DSI	68.00	78.20	
<input type="checkbox"/>	Nikkei DSI	69.00	65.80	
<input type="checkbox"/>	British Pound DSI	69.00	67.00	
<input type="checkbox"/>	Swiss Franc DSI	70.00	66.60	
<input type="checkbox"/>	SPX DSI	72.00	66.40	
<input type="checkbox"/>	Natural Gas DSI	74.00	70.40	
<input type="checkbox"/>	Euro DSI	74.00	71.40	
<input type="checkbox"/>	CRB Index DSI	75.00	79.00	
<input type="checkbox"/>	Australian Dollar DSI	75.00	76.80	
<input type="checkbox"/>	Heating Oil DSI	79.00	79.20	
<input type="checkbox"/>	Gasoline DSI	79.00	80.2	
<input type="checkbox"/>	Crude Oil DSI	80	81.8	
<input type="checkbox"/>	New Zealand Dollar DSI	81	78.00	

Type Code or Name to add an item to the watchlist

Source: trade-futures.com

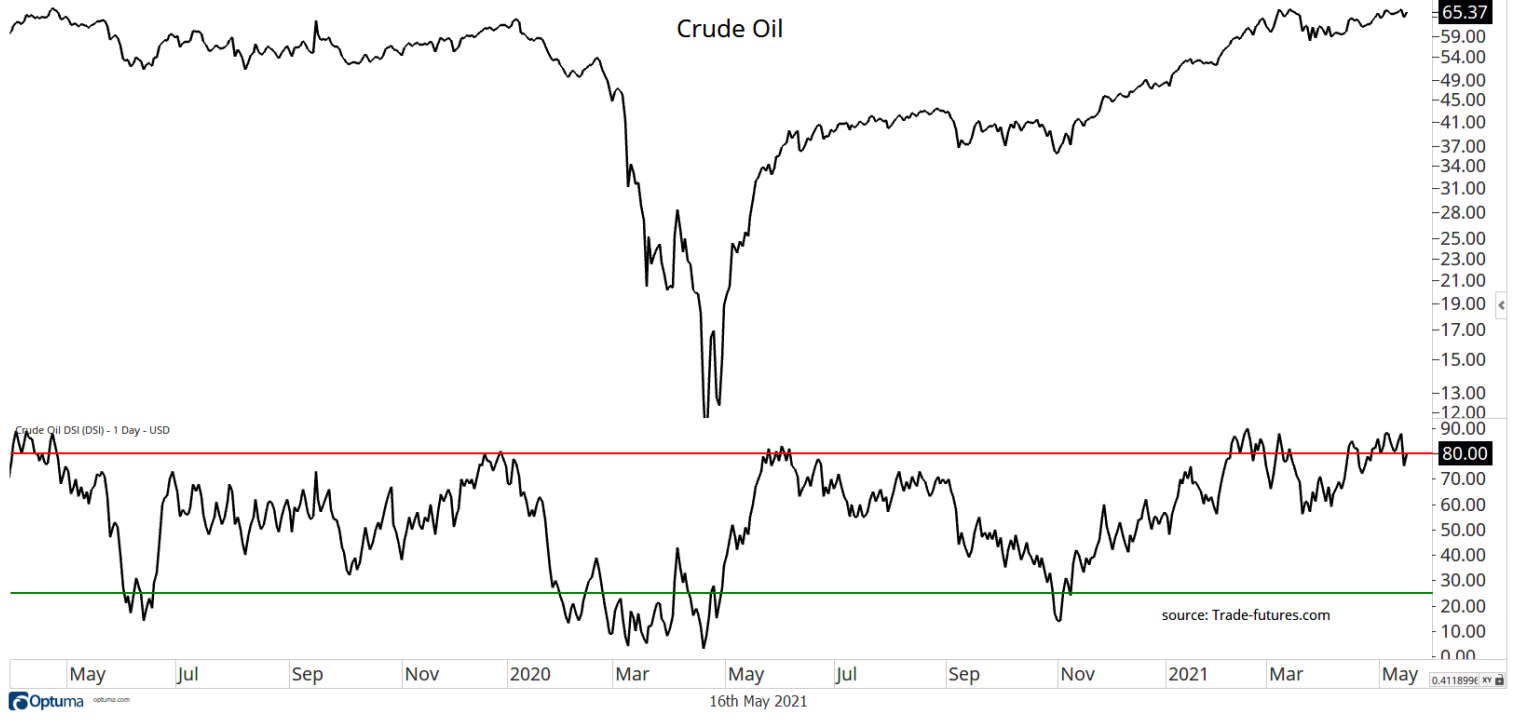
# DAILY SENTIMENT INDEX



# 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

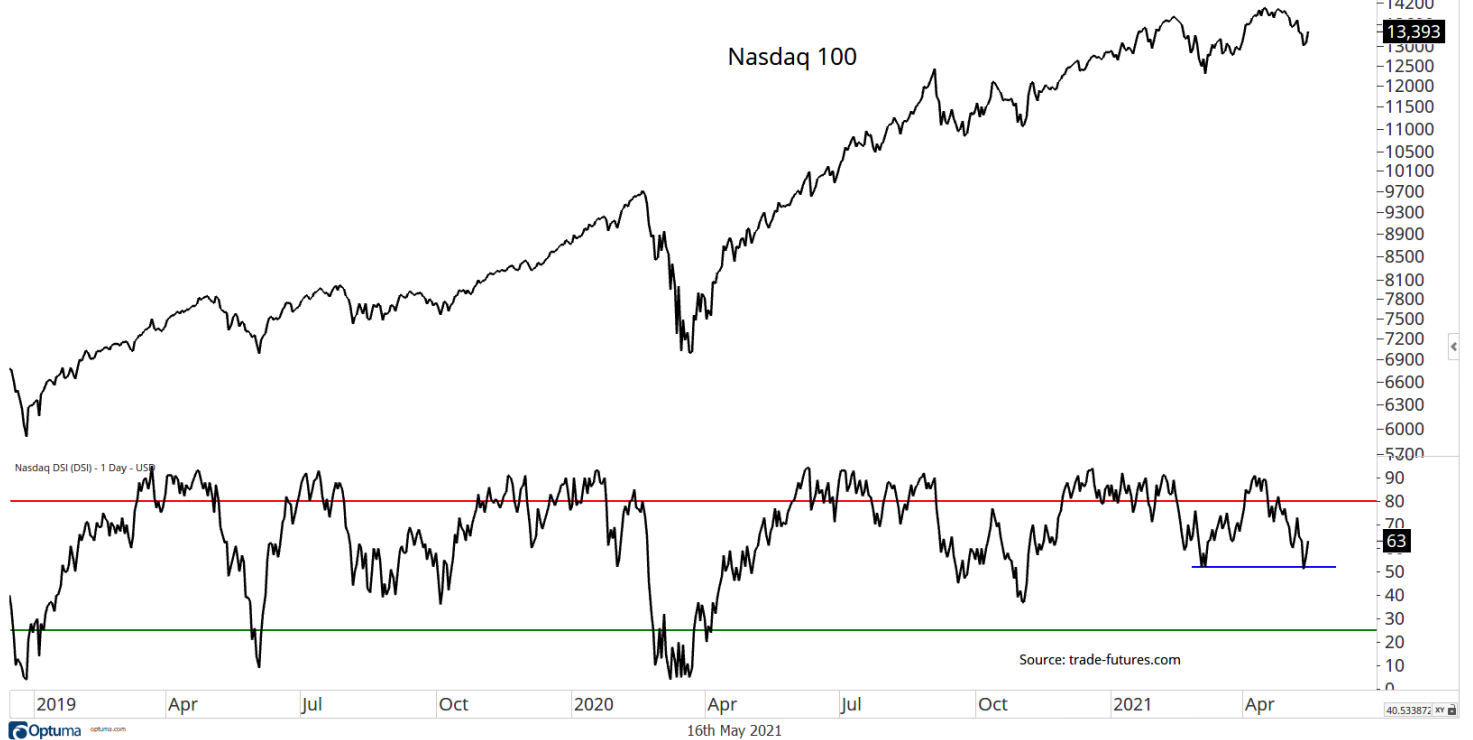




# DAILY SENTIMENT INDEX



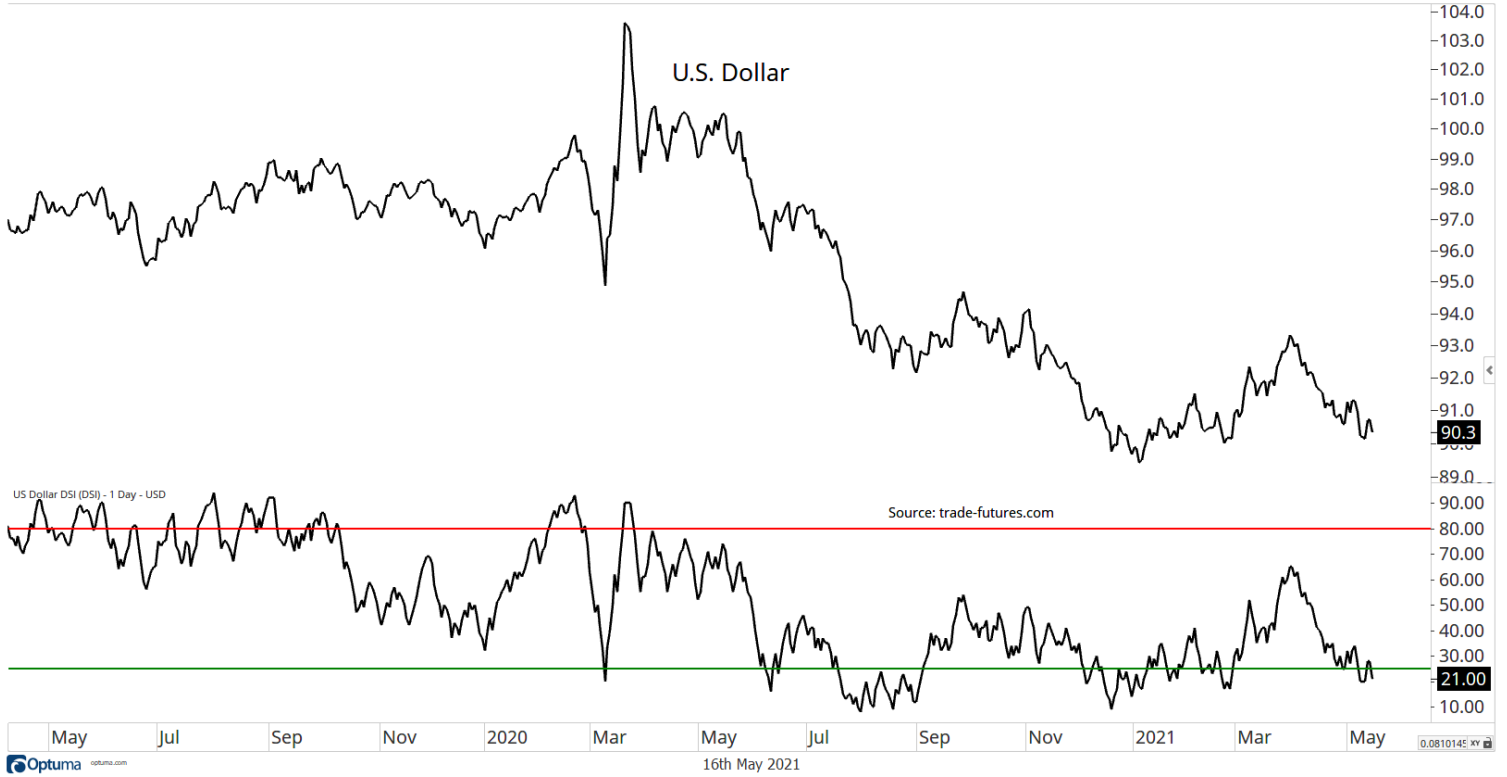
NASDAQ 100 Index - NDY (W) - 1 Day Line Chart - USD - No Layout



# DAILY SENTIMENT INDEX



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



# DAILY SENTIMENT INDEX



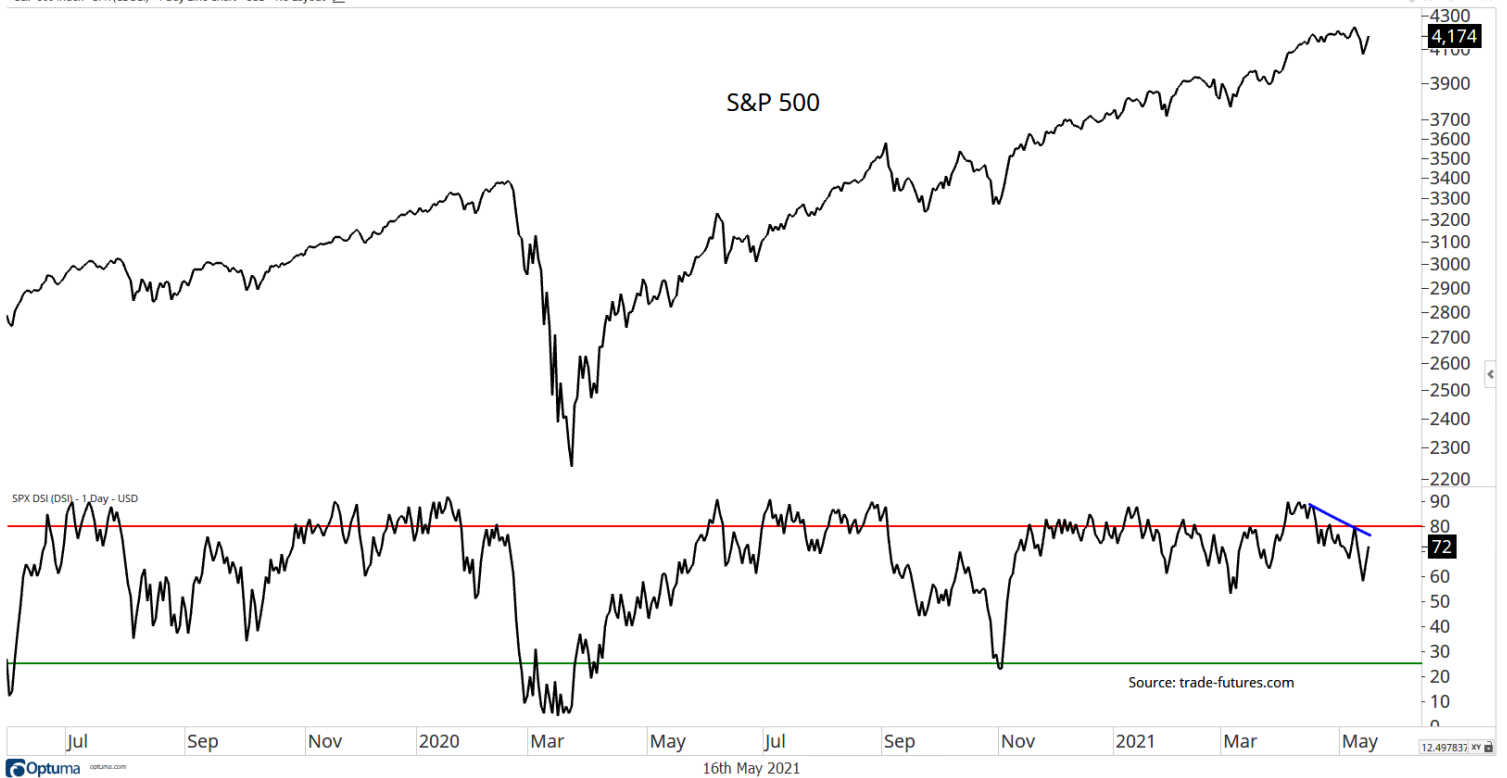
CBOE S&P 500 Volatility Index - VIX (CBOE) - 1 Day Line Chart - USD - No Layout



# DAILY SENTIMENT INDEX



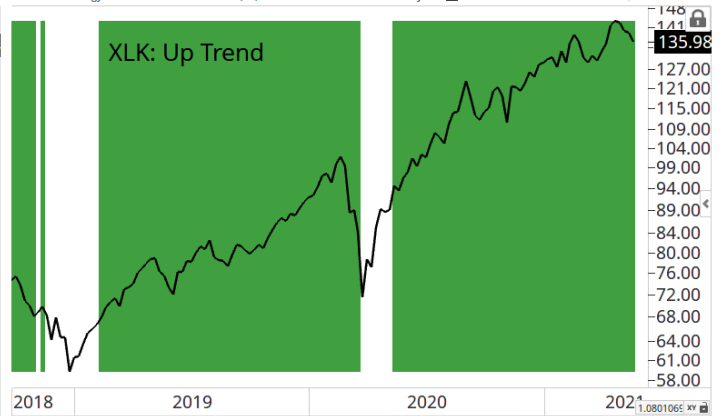
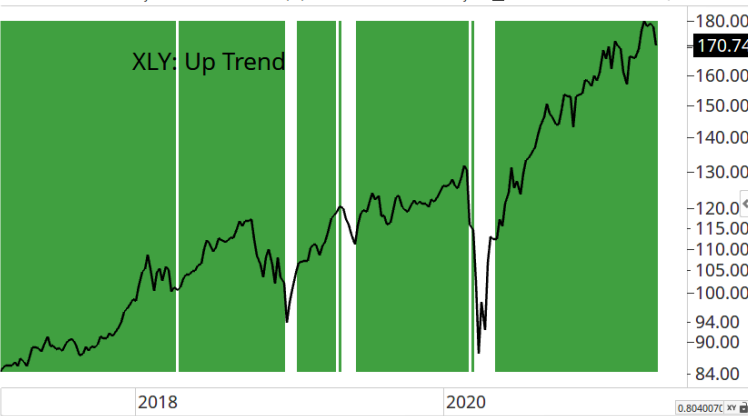
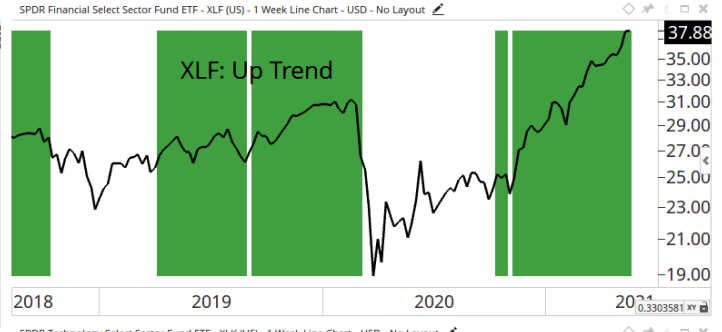
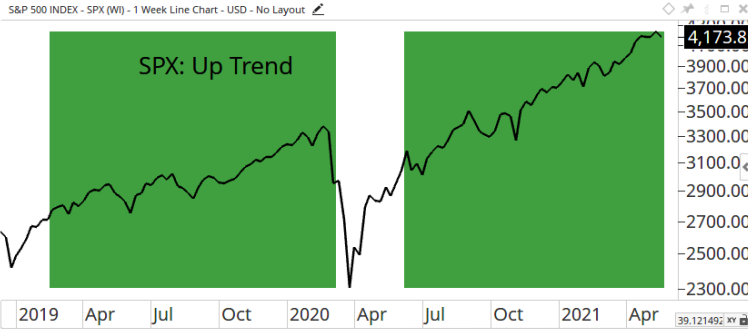
S&P 500 Index - SPX (CBOE) - 1 Day Line Chart - USD - No Layout



# TREND MODELS



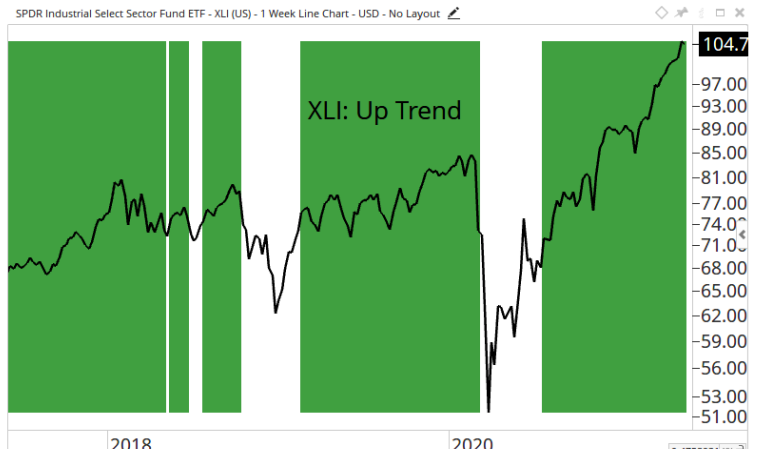
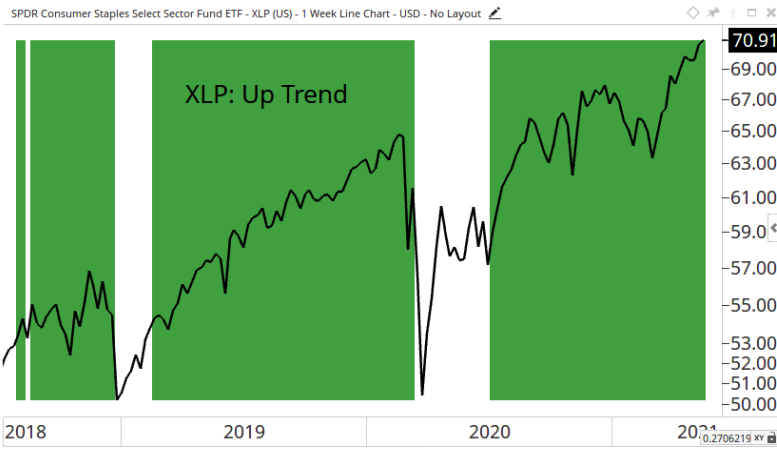
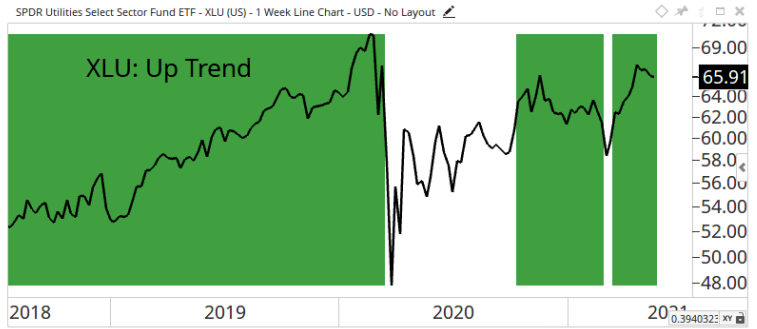
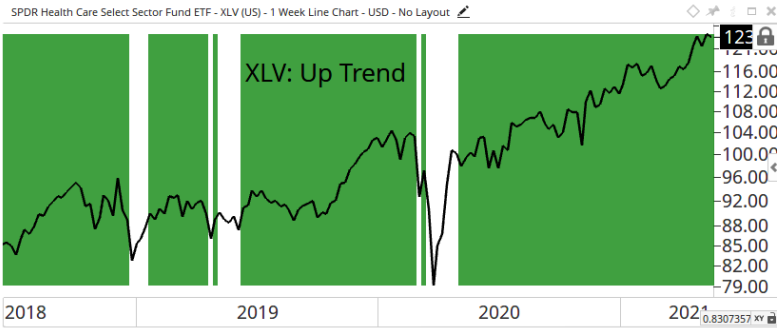
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# TREND MODELS





# TREND MODELS



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