

# TA THRASHER ANALYTICS

JULY 11, 2021



WEEKLY RESEARCH & ANALYSIS

BY ANDREW THRASHER, CMT

## Bullish

- Long-term breadth remains strong.
- Trend Model remains positive for all sectors and indices.
- The Market Health Report remains supportive.
- Breadth has improved.
- No new 6-month lows.
- Sentiment improved for silver.

## Bearish

- Lack of new highs in indiv. equities.
- Frothy sentiment.
- short-term breadth still weak
- Poor performance in foreign markets.
- Lack of new high in semiconductors.

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Commodity

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International

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Sentiment

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Trend Models

Sector Rotation: July	
Financials	XLFI
Energy	XLE
Real Estate	XLRE

Fixed Income Rotation: Q3	
High Yield Corp.	HYG
20+ Yr Treasury	TLT

Market Health Report	
Breadth	-2
Divergence	0
Momentum	4
Sentiment	2
Trend	1
Volatility	2
<b>Total</b>	<b>7</b>

Index & Sector		
	Up Trend	Down Trend
SPX	X	
QQQ	X	
XLFI	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	84%	84%
Nasdaq 100	85%	85%
Nikkei	61%	63%
VIX	23%	20%
10yr Treasury	84%	84%
5yr Treasury	77%	75%
CRB Index	76%	76%
Gold	44%	36%
U.S. Dollar	47%	52%

\*Green <25% Red >80%

source: trade-futures.com

## Brief Summary:

This should be an interesting week with Q2 earnings session kicking off on Tuesday with GS and JPM reporting with the rest of the banking brood announcing before week-end. We'll also get inflation data and Powell testifying before both houses of Congress.

Buyers remain in control of the equity market, buying the dip to finish the week at a new high. Breadth has improved some on a few fronts but we are still noticeably short on new highs by individual stocks, specifically in the small and mid cap corners of the financial market. Sentiment remains high and my writing last week continues through to this week as well on that topic. On the positive front, we have offense sectors ready to push for a possible breakout in sector leadership and while we don't have a lot of new highs we also aren't seeing an expanding list of new lows quite yet either - a key characteristic should stocks decide to dip more than a day or two.

Gold continues to strength and Silver has an interesting setup with improvement being made in its sentiment data. Semiconductors haven't confirmed the new leg higher in tech, so that's something I'm watching this week should equities rally. Foreign markets have also lagged, unable to fight the headwind of a stronger dollar. SPX breadth has improved over Nasdaq Composite and creates a setup that favors the large cap index over the Naz.

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).

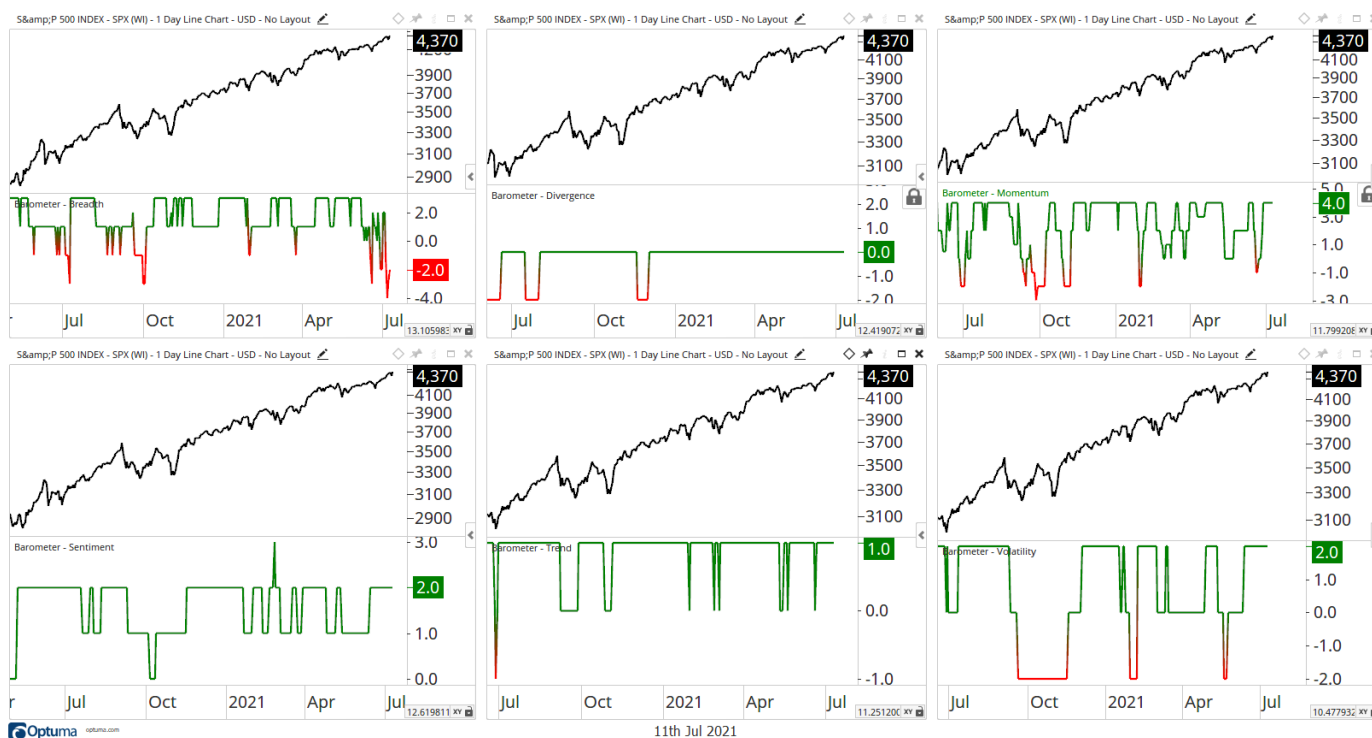
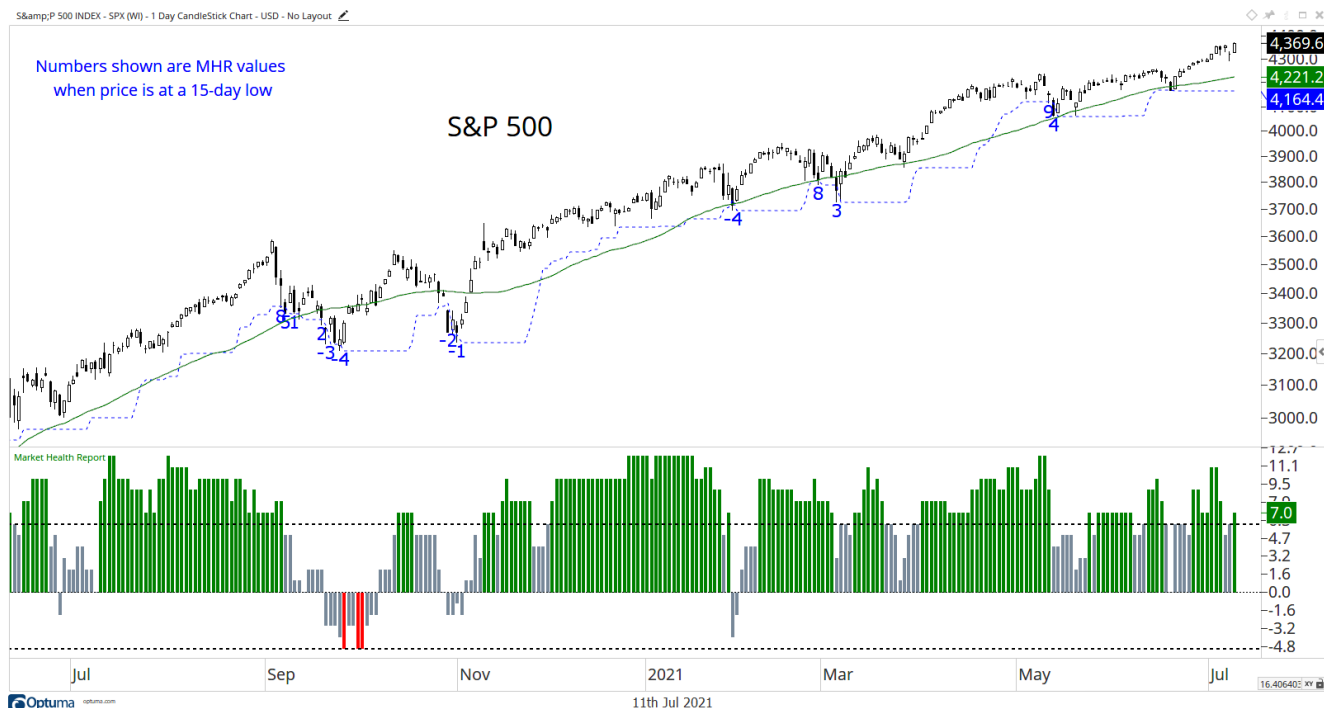
Volatility saw a brief move higher but was unable to sustain the advance and fell back just above the prior lows to close out trading on Friday. The VRT 2.0 remains shy of producing a signal.



# MARKET HEALTH REPORT



The Market Health Report (MHR) finished the week down slightly to +77. The Breadth category has moved back into the red at -2 with the rest of the categories are at/above 0. The MHR remains supportive of the equity market and has so far done a great job staying on the right side of this trend.



# EQUITIES - S&P 500 DAILY



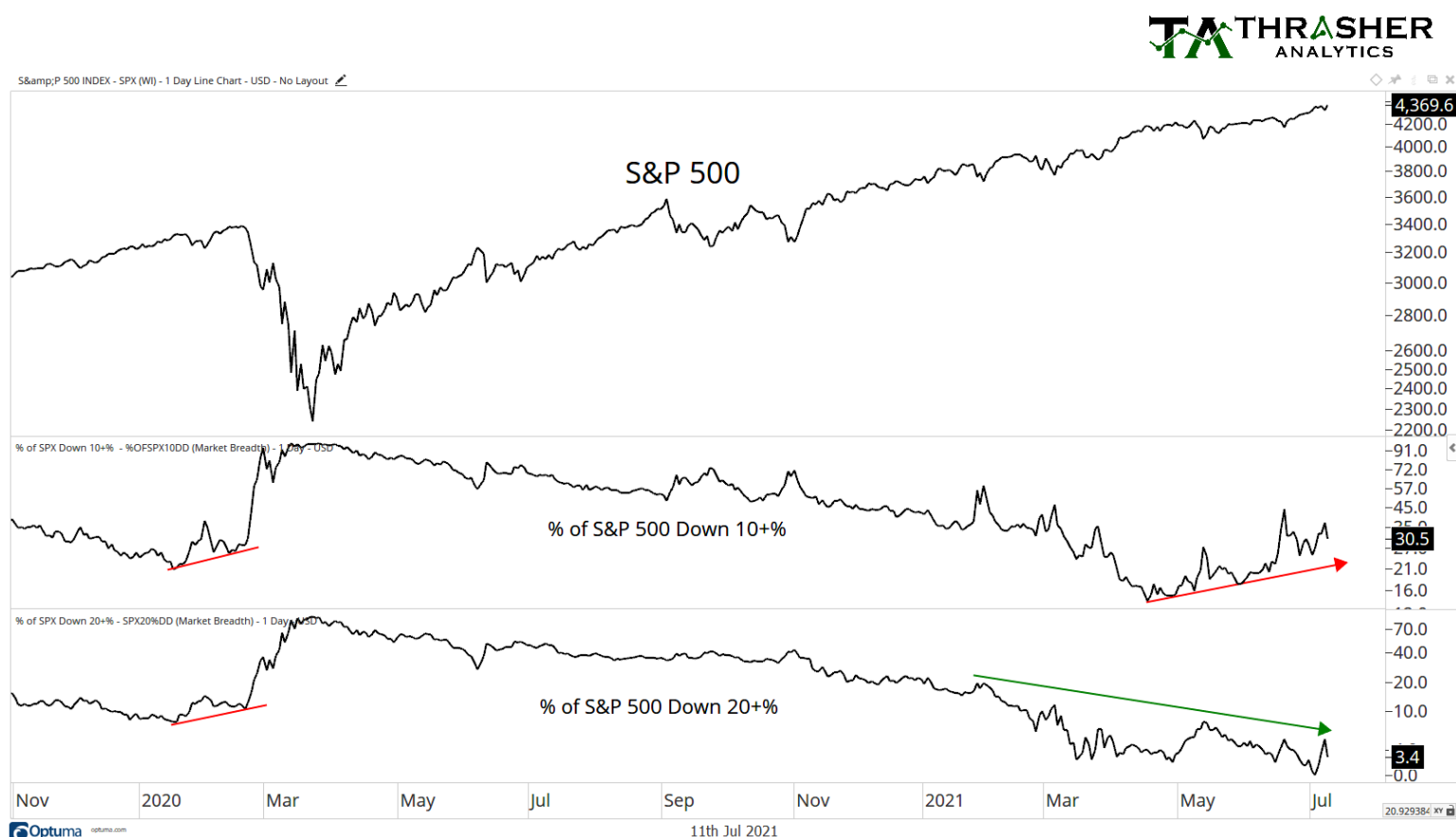
In the middle of last week it started to appear the market was beginning to respond to the excessive bullish sentiment and some of the short-term bearish breadth divergence that had been building up. Thursday saw a gap down that nearly tagged the 20-day moving average but dip buyers continue to be resilient, stepping in to take the SPX back to a new high by close on Friday. The trend remains firmly to the upside with buyers in control of this tape.



# EQUITIES - DRAWDOWN



Last week I shared two charts that looked at the lack of almost any stock in the S&P 500 experiencing a 20+% drawdown. That remains the case still, with a small uptick to 3.4%. While we don't have many down 20% we do have a rising number that are off their highs by at least 10%. This metric had been in the teens a few weeks ago and now has moved to just over 30%, all while the index hits fresh highs. It's not unusual to have some weakness in equities, as I wrote last week - that's what helps facilitate the rotation that acts as the lifeblood of an up trend. However, should this figure continue to rise then I would assume it would be just a matter of time before those "10% corrections" begin to bleed into the "20+" category. Refer back to last week's letter for more in-depth discussion on that chart.

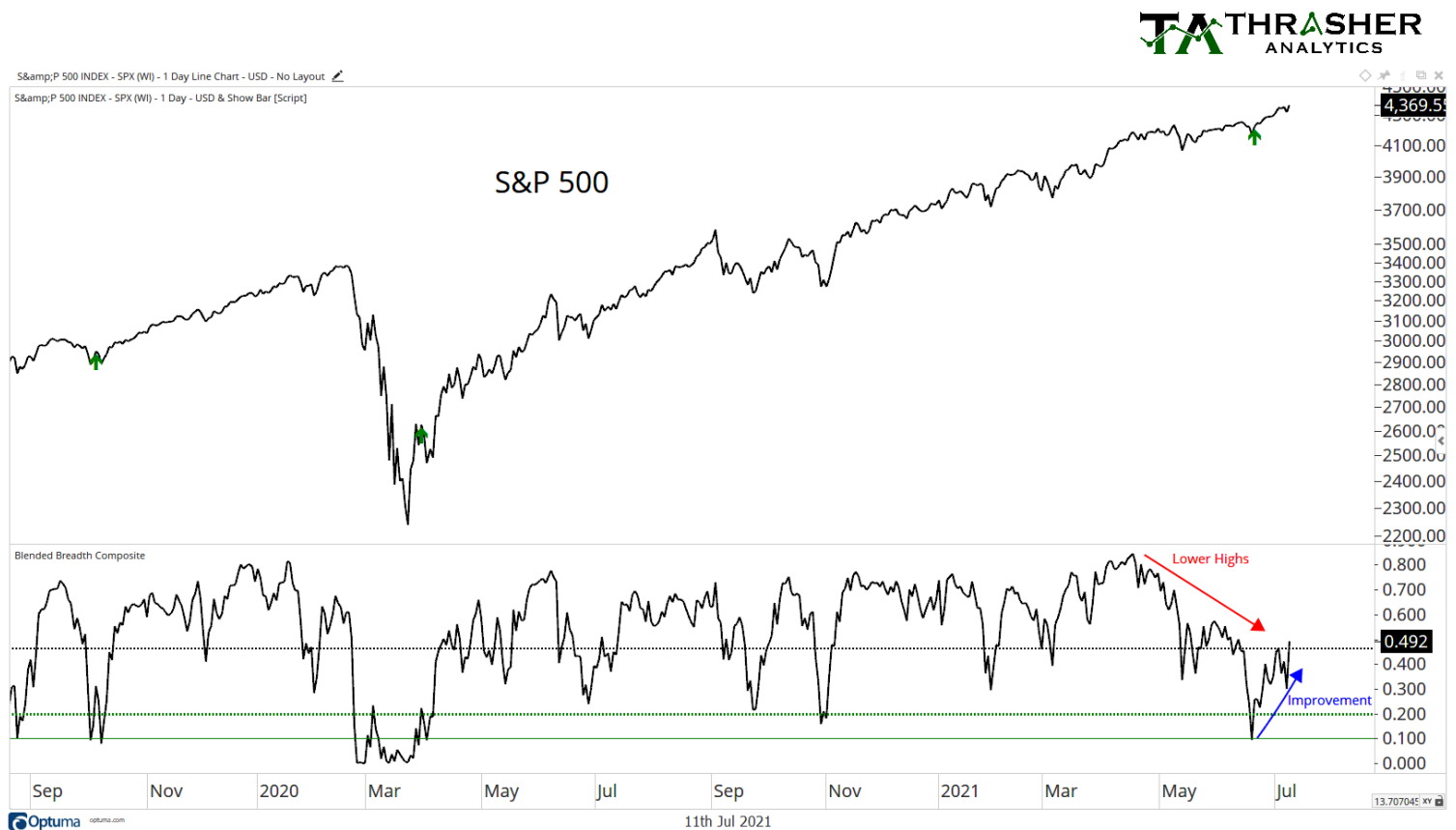




# EQUITIES - BREADTH COMPOSITE



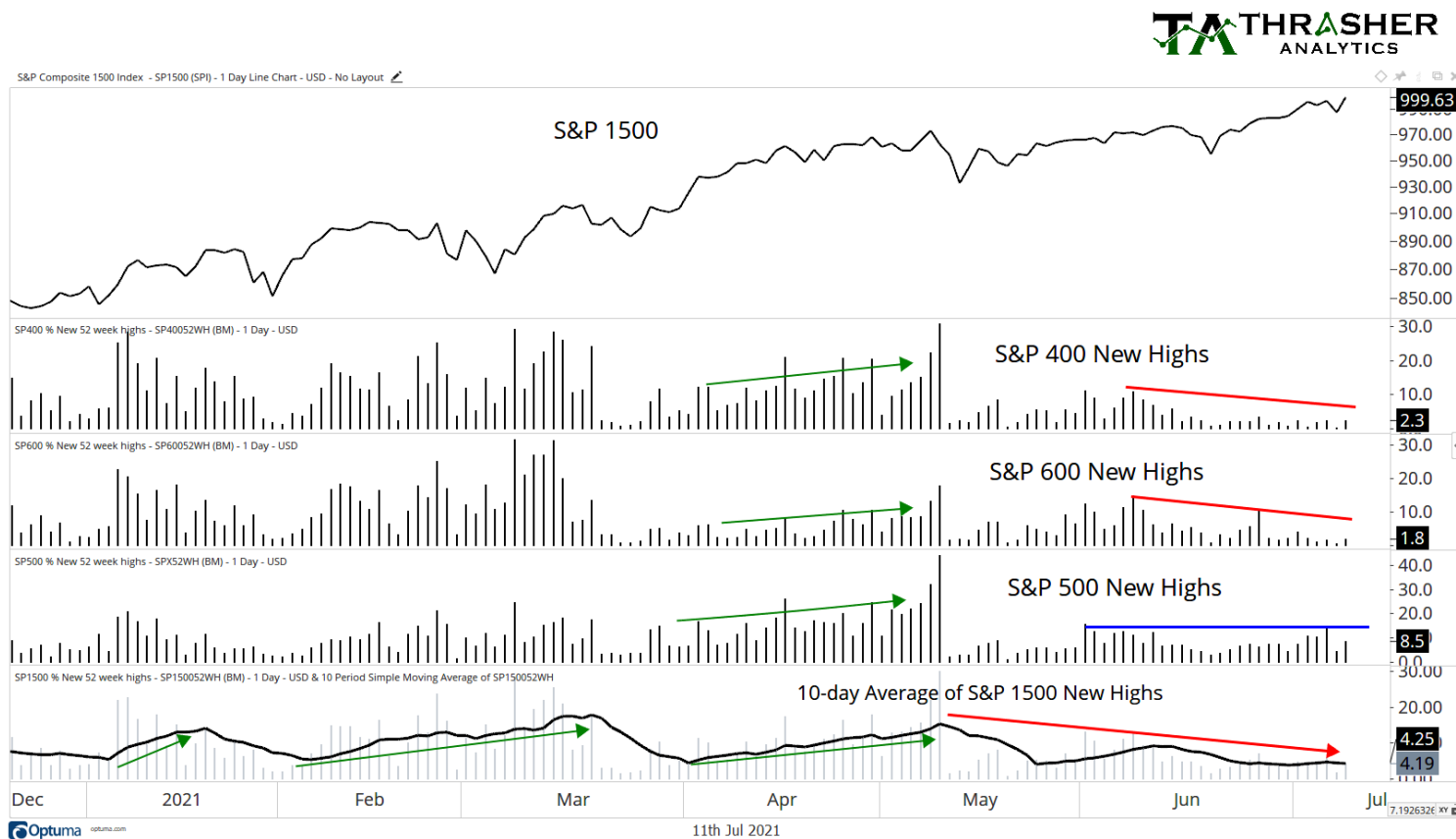
The Breadth Composite continues to make improvements, rising to 0.49 with Friday's strong price action. We still have a major divergence here but it's encouraging to see the short-term trend in breadth being up. As I wrote last week, I think the bigger concern right now is sentiment-related rather than internal breadth being poor. This is due to the extremely strong level of stocks above the long-term 200-day MA, which is over 90%. As I've shared before, major declines occur when we have less than 70% of stocks above the 200-day MA, which adds fuel to a downtrends fire and currently we are nowhere close to that level.



# EQUITIES - NEW HIGHS



While most stocks are still above their 200-day moving average and aren't seeing 20+% declines, the list of new highs is still smaller than we'd like to see - most notably in mid and small caps.





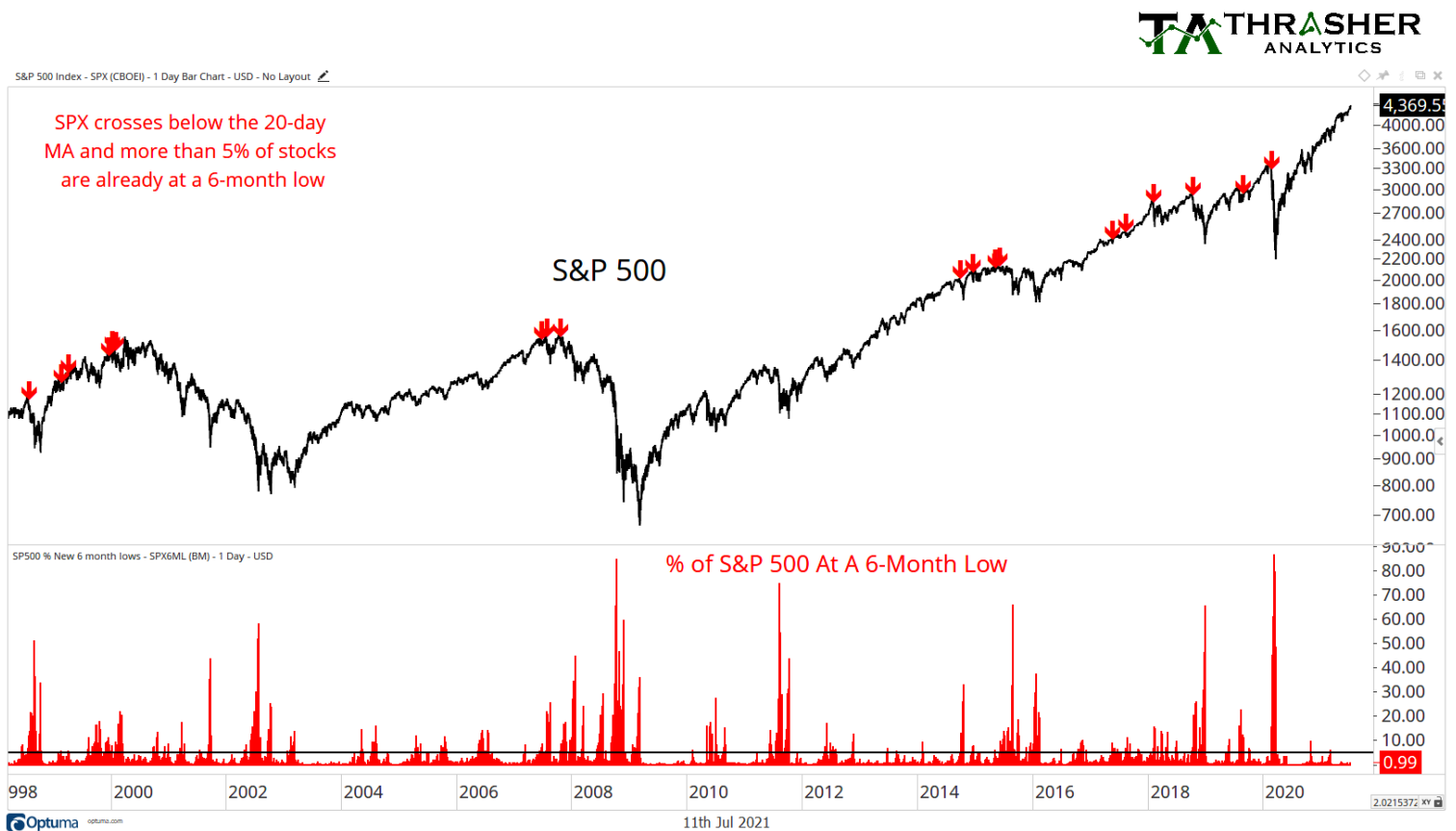
# EQUITIES - 6-MONTH LOWS



While we don't have a strong list of new 52-week highs, we also don't have a lot of stocks hitting 6-month lows either - which is a very good thing.

Looking back at most of the major declines in the S&P 500, they often began their declines by cutting through their 20-day moving average with more than 5% of the stocks already down to a 6-month low. As I've said repeatedly, breadth-driven declines are often more more severe and see larger declines than those driven by excessive sentiment.

Many major declines over the last 20 years had a slow build up in stocks hitting 6-month lows by the time the SPX just began to roll over. As of right now we have less than 1% of stocks showing such weakness when the index has briefly fallen below its short-term moving average. This is also why I evaluate the level of the Market Health Report at 15-day lows, understanding how 'healthy' the market is when it first starts to decline can shed light on what kind of decline we may be in store for. Same thing here. We want to know how weak or strong the internals are when the index begins to show signs of changing trend.



With the equity index continuing to climb to new highs we are near a breakout in sector leadership for the ratio between offense and defense sectors. This ratio has gone no where for several months now but the latest attempt to show strength by the likes of tech and energy have helped drive the ratio higher and near a new high of its own. While most measures of investor risk appetite still are not confirming the up trend in equities, this one is.

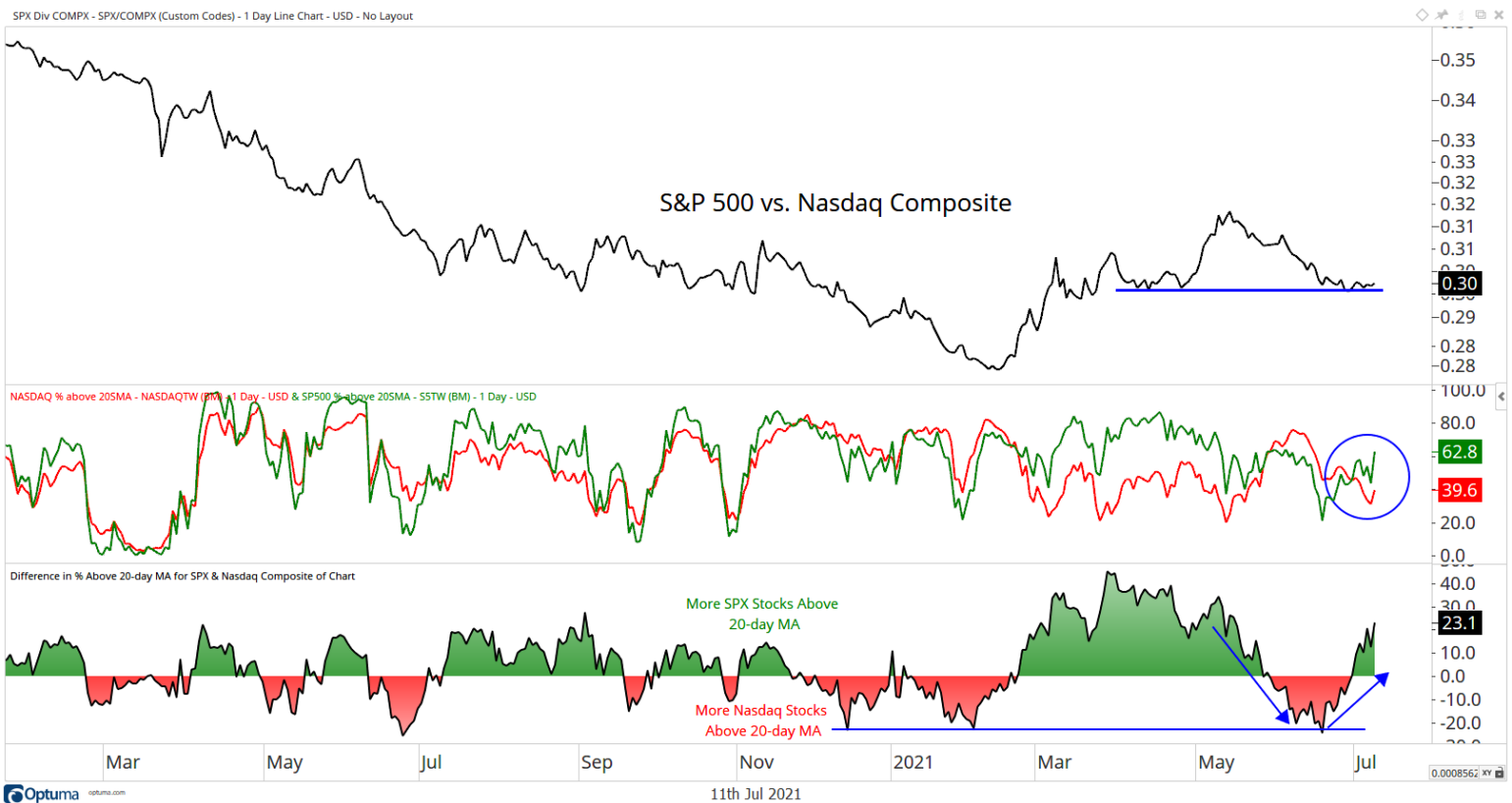


# EQUITIES - SPX VS. NASDAQ



Since mid-May the Nasdaq Composite has been showing good relative strength against the S&P 500. This also showed up in the breadth data with a strong move in the percent of the Nasdaq that was above the 20-day MA compared to the S&P 500 stocks. When one index has more stocks trending higher above the short-term MA, that's a good sign that index will show better relative performance as well.

However, that trend has recently reversed with the S&P short-term breadth showing more improvement than the Nasdaq Composite as shown in the bottom two panels of the chart. This is also occurring with the ratio at its prior swing low. For these reasons I think the SPX may look more attractive than its Nasdaq counterpart and we could see a move higher in the ratio which would favor the S&P.

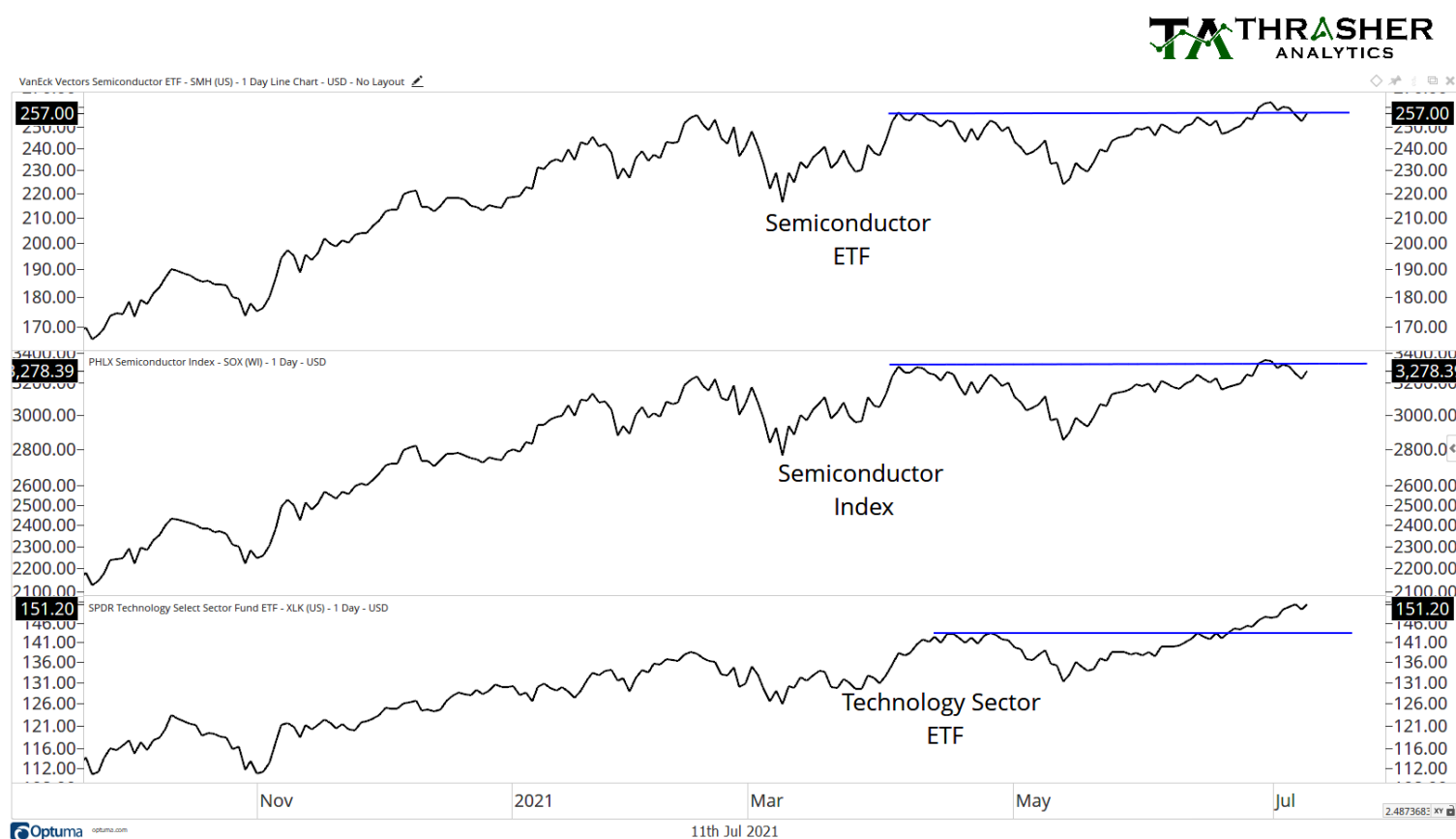


# SECTORS - PERFORMANCE



Sector	> 50MA	> 200MA	1wk Perf ▼	1mo Perf	3mo Perf	12mo Perf
SPDR Real Estate Select Sector Fund ETF	True	True	2.66%	1.41%	13.81%	31.32%
SPDR Utilities Select Sector Fund ETF	False	True	0.91%	-1.42%	-0.34%	13.93%
SPDR Technology Select Sector Fund ETF	True	True	0.89%	7.92%	6.65%	39.86%
SPDR Consumer Discretionary Select Sector Fund ETF	True	True	0.75%	6.43%	3.7%	38.52%
SPDR S&P 500 ETF	True	True	0.42%	3.29%	5.84%	38.53%
SPDR Health Care Select Sector Fund ETF	True	True	0.33%	4.36%	9.12%	27.5%
SPDR Consumer Staples Select Sector Fund ETF	False	True	0.31%	-0.44%	1.78%	18.5%
SPDR Industrial Select Sector Fund ETF	True	True	0.19%	-0.31%	2.96%	54.14%
SPDR Materials Select Sector Fund ETF	False	True	0.12%	-3.87%	3.66%	45.58%
SPDR Communication Services Select Sector ETF	True	True	-0.61%	2.96%	6.14%	43.94%
SPDR Financial Select Sector Fund ETF	False	True	-0.62%	-2.78%	4.44%	61.86%
SPDR Energy Select Sector Fund ETF	False	True	-3.36%	-5.01%	9.67%	53.46%

Semiconductors are often a great leading indicator for both the tech sector and the broad market (since tech makes up such a large weighting of the equity market). Which is why I find it interesting to see semiconductors stagnating right now as tech shows strength. Both the semi ETF and the Index are struggling to break above their prior highs while XLK broke out last month. Semiconductors aren't confirming the strength in tech right now and if they don't soon then that could be an early sign tech has gotten too far ahead of itself and may see its trend put under pressure as it "catches down" to what semiconductors are doing.



I wrote last week I wanted to see gold break above the VWAP from its large move a few weeks ago, and that's exactly what we saw last week. While stocks saw a small uptick in volatility, gold strung together several days of gains and moved it closer to its 50-day and 200-day moving averages.

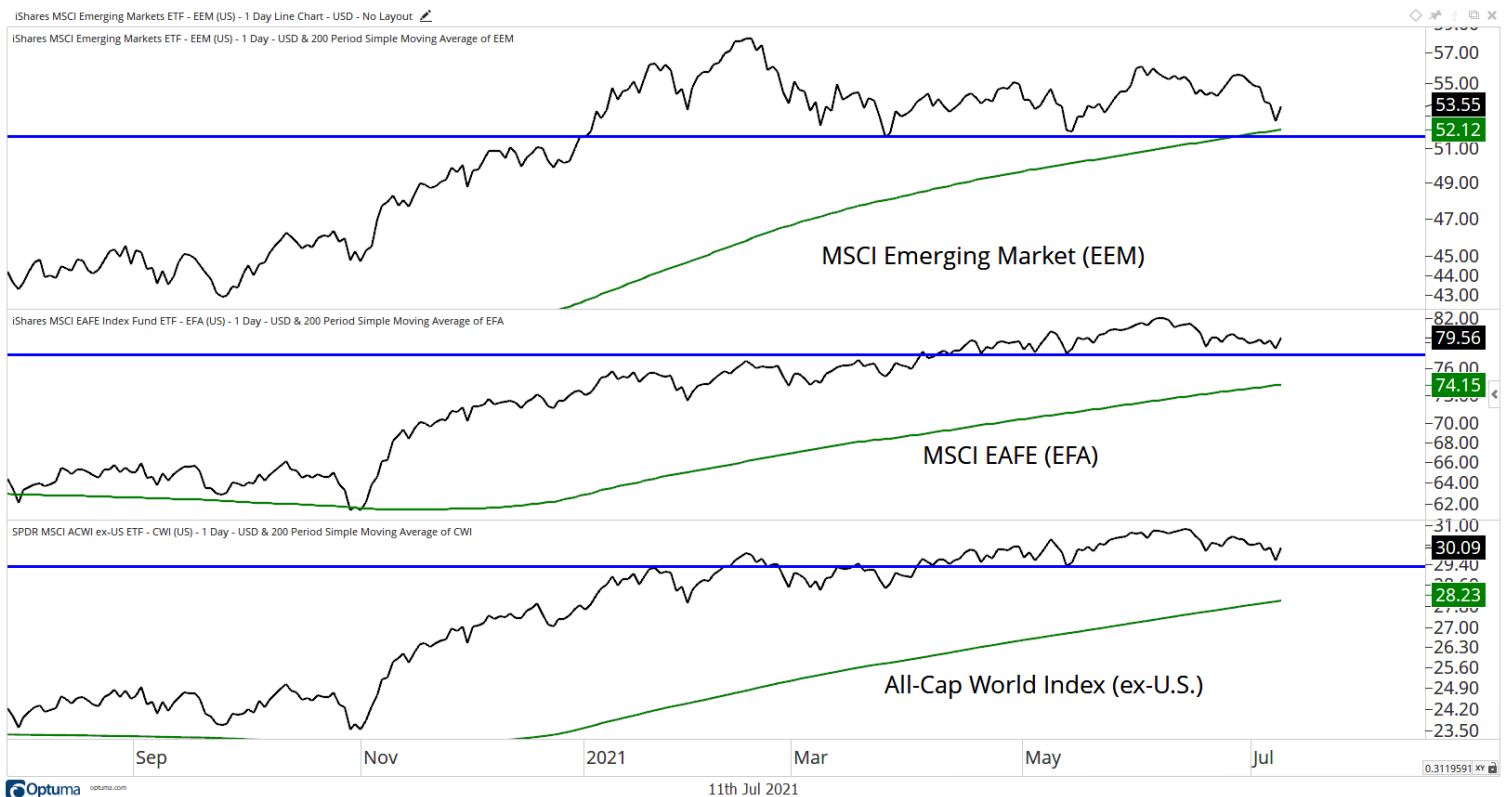




Sentiment (via DSI) had recently dropped to under 20% bullishness but has since rebounded back above 30%. This has historically been bullish for the precious metal when its trading above its long-term moving average, like it is today. These sentiment 'reset' periods have often drawn back in buyers and sent silver higher. Should silver hold above its 200-day MA, I'm watching if that plays out again this time around as well.



It's been a little while since I've written about the international equity indices. That's mostly because they haven't been doing a very much. EEM has been asleep most of 2021 and is close to getting passed by its 200-day moving average should it not wake up soon. All three, EEM, EFA, and ACWI have been relatively flat in recent weeks and are not confirming the new highs being shown in U.S. equities. Part of the headwind for foreign market has been the recent strength in the dollar since May.



# DAILY SENTIMENT INDEX



Code	% Bullish ▲	5-day MA	History
Corn DSI	12	20	
Lumber DSI	14	19	
Wheat DSI	15	16	
VIX DSI	23	20	
Soybean DSI	23	25	
Cattle DSI	25	31	
Cocoa DSI	26	24	
Yen DSI	33	30	
Silver DSI	33	30	
Gold DSI	44	39	
Euro DSI	44	39	
Copper DSI	44	42	
Platinum DSI	45	40	
US Dollar DSI	47	52	
Australian Dollar DSI	47	50	
Palladium DSI	48	47	
British Pound DSI	48	44	
Lean Hog DSI	49	43	
Bitcoin DSI	51	53	

Code	% Bullish ▲	5-day MA	History
✓ New Zealand Dollar DSI	51	53	
✓ Bitcoin DSI	51	53	
✓ Swiss Franc DSI	58	52	
✓ Sugar DSI	58	63	
✓ Nikkei DSI	61	63	
✓ Orange Juice DSI	63	62	
✓ Coffee DSI	63	61	
✓ EuroDollar DSI	65	65	
✓ Cotton DSI	66	64	
✓ Mexican Peso DSI	68	65	
✓ CRB Index DSI	76	76	
✓ 5YR DSI	77	75	
✓ Heating Oil DSI	80	78	
✓ Gasoline DSI	80	78	
✓ Natural Gas DSI	81	85	
✓ SPX DSI	84	84	
✓ 10Y DSI	84	84	
✓ Nasdaq DSI	85	85	
✓ Crude Oil DSI	85	82	

Source: trade-futures.com

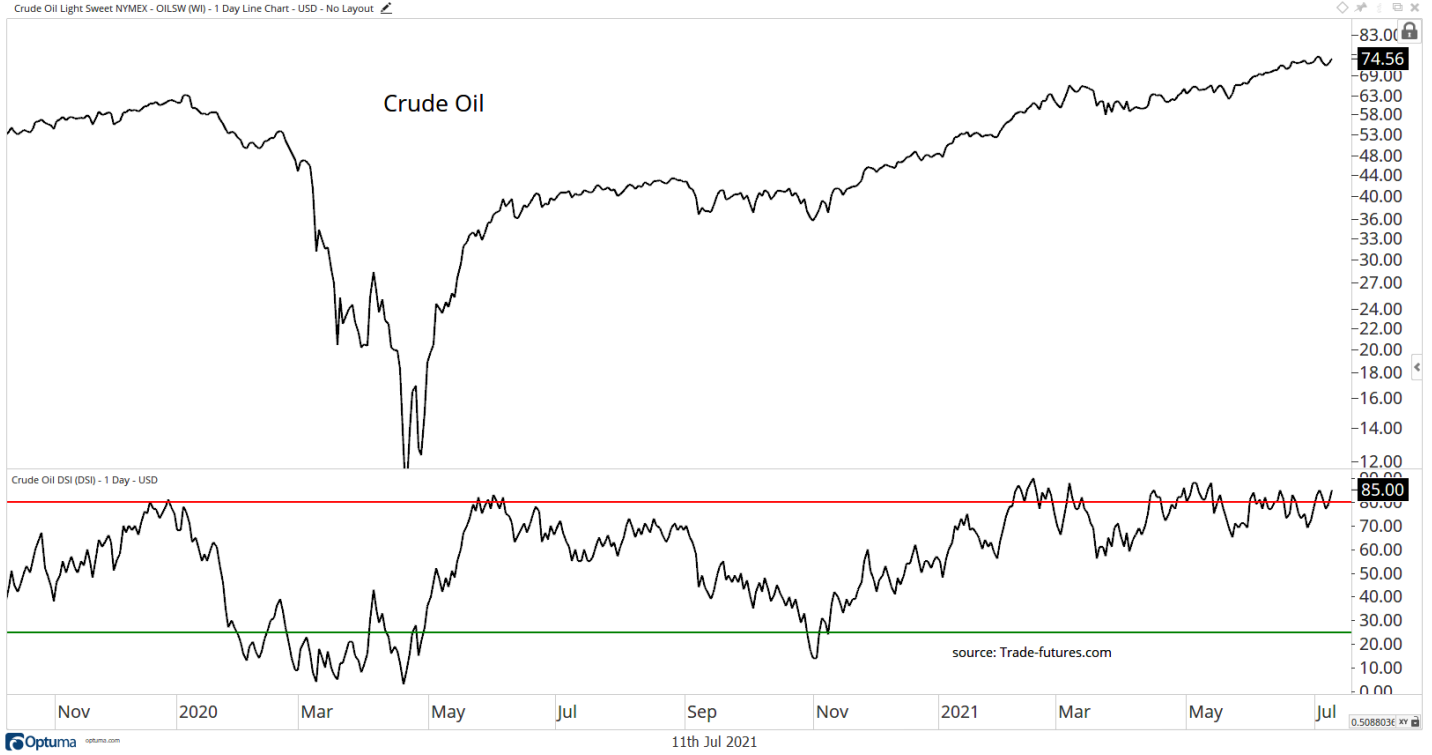
# DAILY SENTIMENT INDEX



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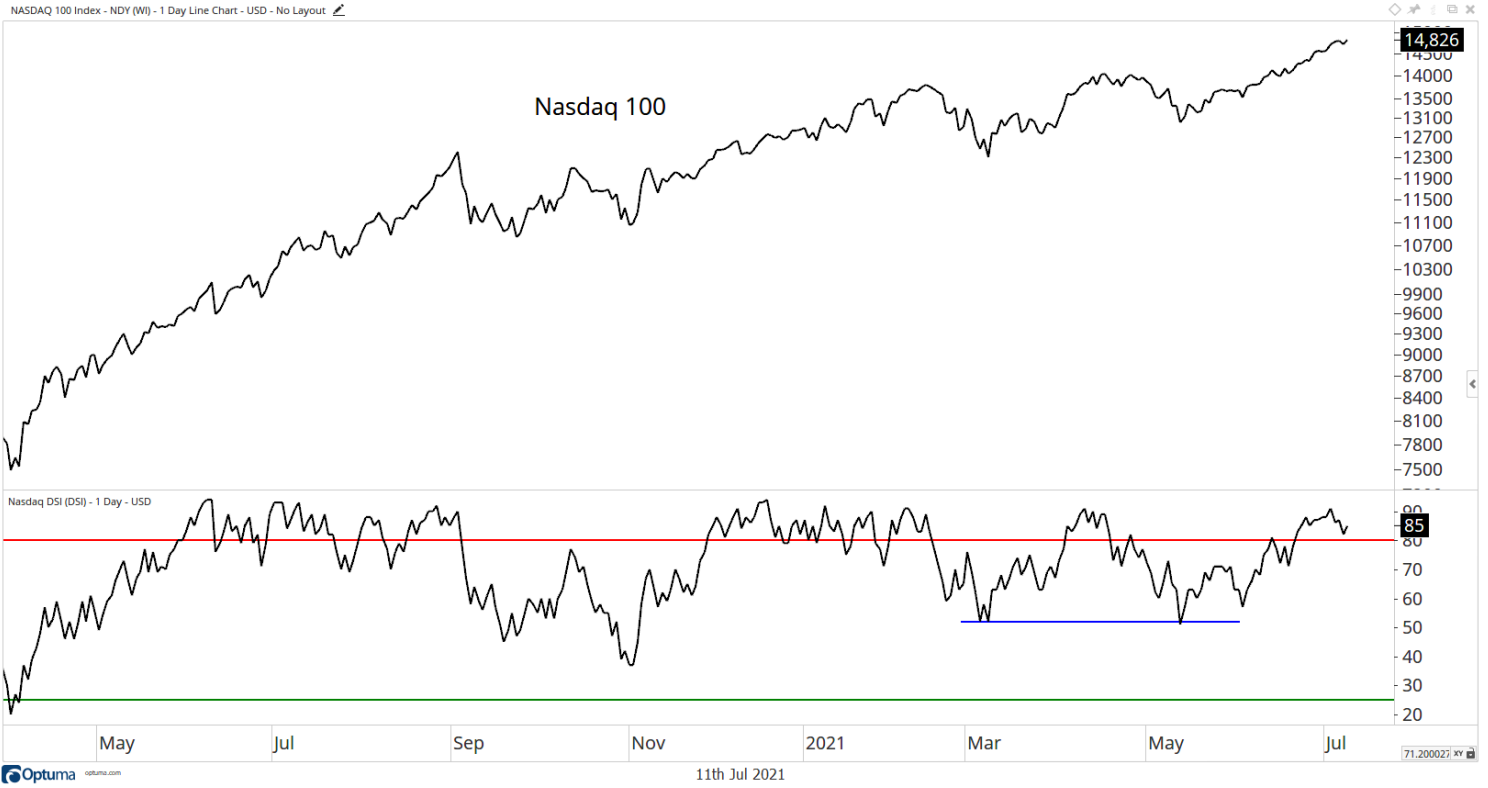


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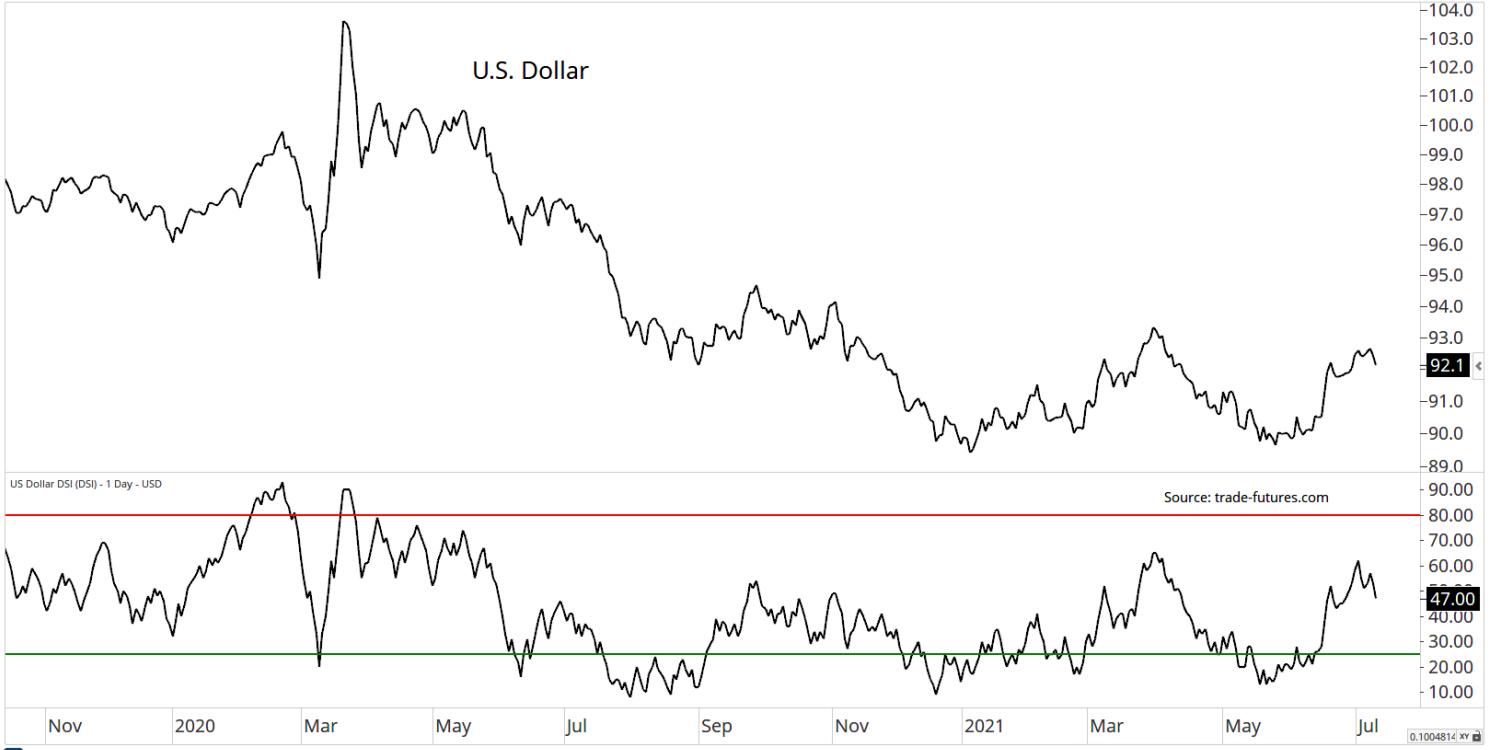
# DAILY SENTIMENT INDEX



# DAILY SENTIMENT INDEX



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



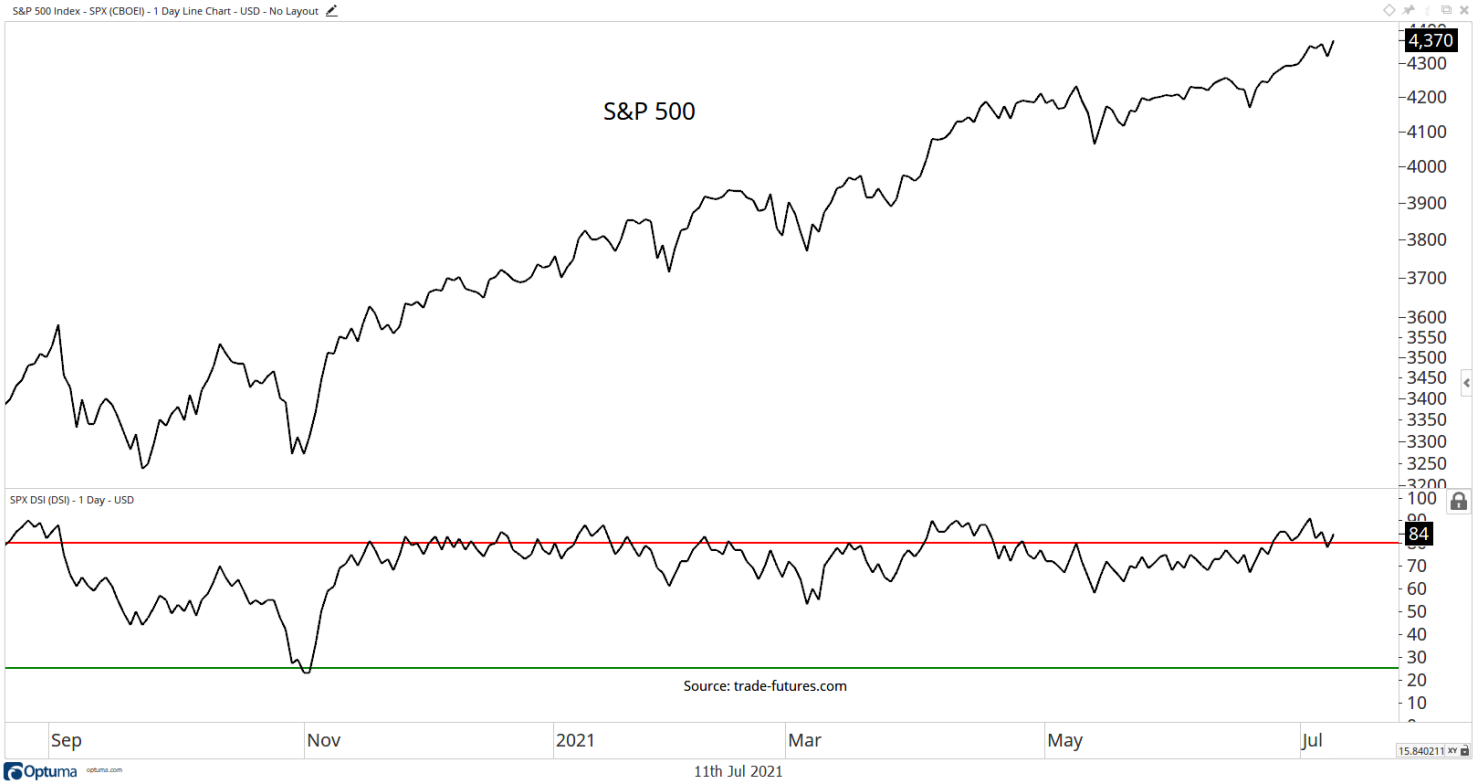
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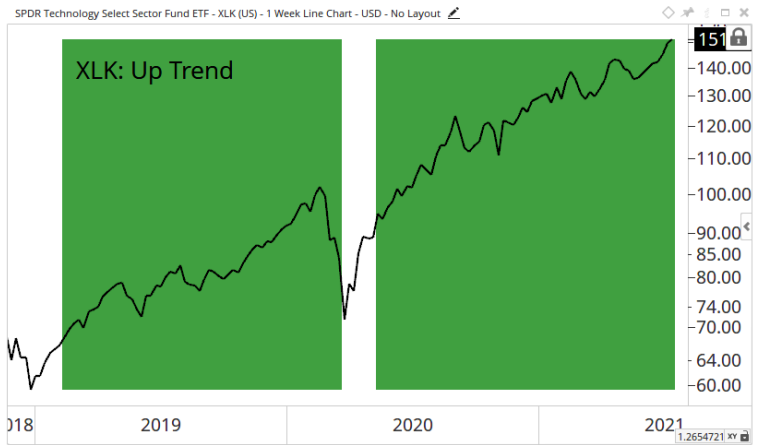
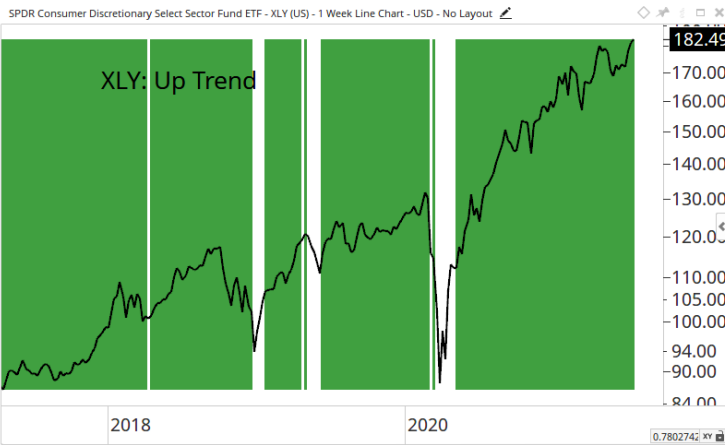
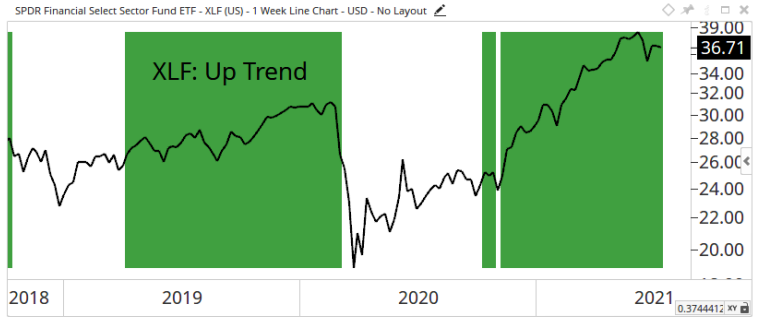
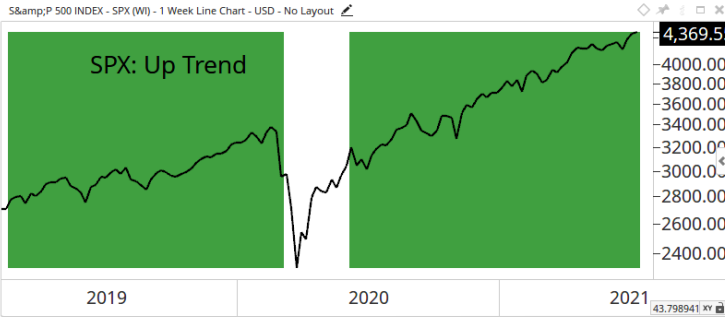
CBOE S&P 500 Volatility Index - VIX (CBOE) - 1 Day Line Chart - USD - No Layout



# DAILY SENTIMENT INDEX



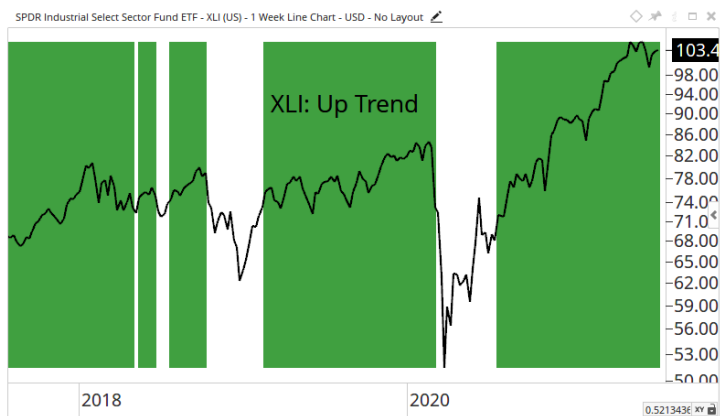
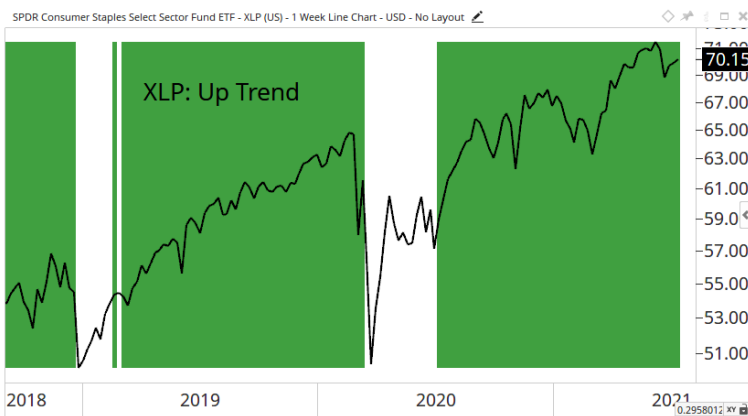
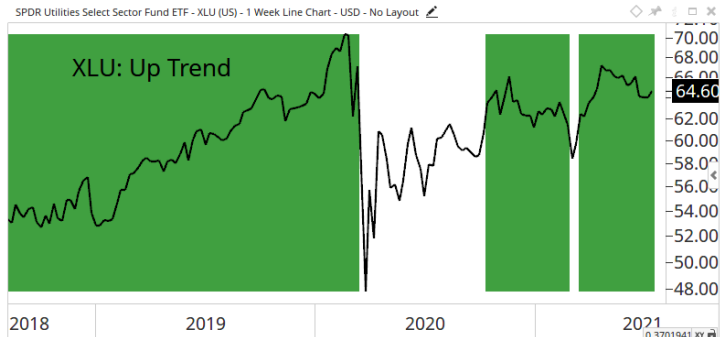
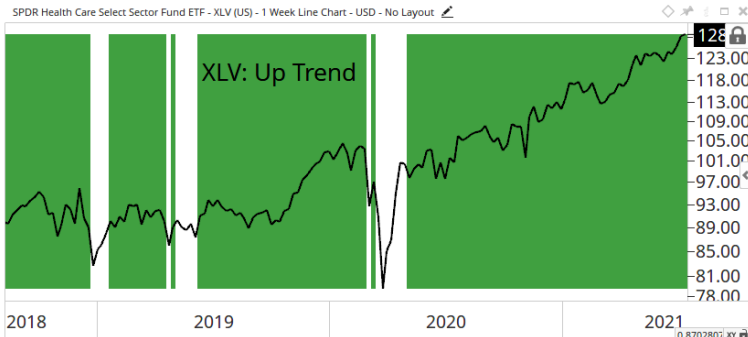
# TREND MODELS



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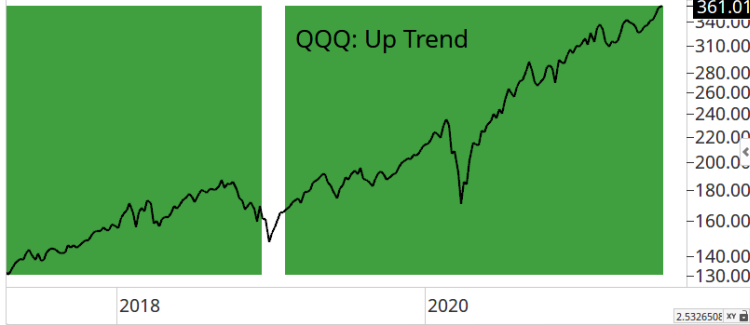


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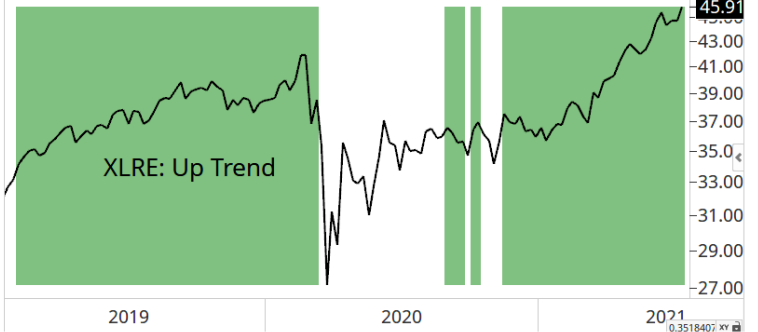


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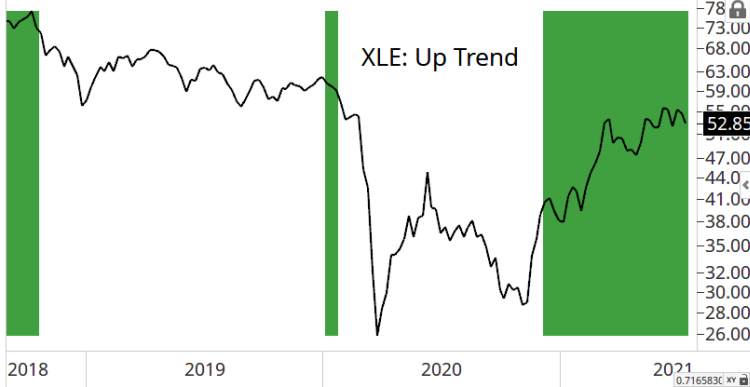
Invesco QQQ Trust - QQQ (US) - 1 Week Line Chart - USD - No Layout



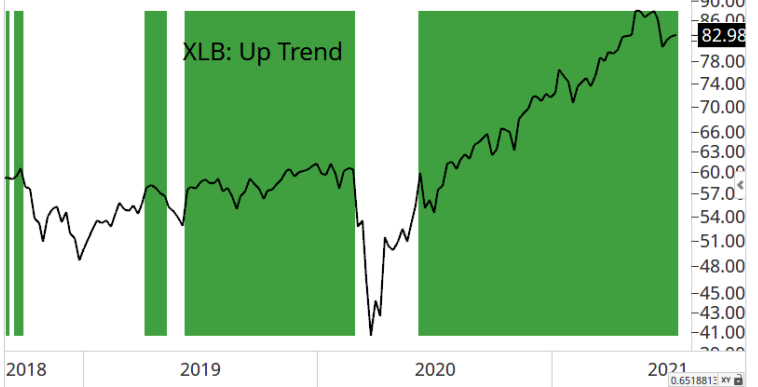
SPDR Real Estate Select Sector Fund ETF - XLRE (US) - 1 Week Line Chart - USD - No Layout



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



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



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