

# TA THRASHER ANALYTICS

JULY 25, 2021



WEEKLY RESEARCH & ANALYSIS

BY ANDREW THRASHER, CMT

## Bullish

- Trend Model remains positive for all sectors and indices.
- The Market Health Report remains supportive.
- FAAMG strong relative performance.

## Bearish

- Poor Sector Leadership
- Frothy sentiment.
- short-term breadth still weak.
- Semiconductors flat.
- Breakdown in Cyclical.
- VIX Rising.
- Expanding list of stocks down 10+%.

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Volatility

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Equities

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Market Health Report

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Sector

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Commodity

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Crypto

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Sentiment

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Trend Models

Sector Rotation: July	
Financials	XLF
Energy	XLE
Real Estate	XLRE

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

Market Health Report	
Breadth	-2
Momentum	4
Sentiment	2
Trend	1
Volatility	2
<b>Total</b>	<b>7</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	83%	72%
Nasdaq 100	86%	75%
Nikkei	57%	49%
VIX	21%	25%
10yr Treasury	73%	80%
5yr Treasury	77%	79%
CRB Index	71%	63%
Gold	43%	46%
U.S. Dollar	65%	64%

\*Green < 25% Red > 80%

source: trade-futures.com

## Brief Summary:

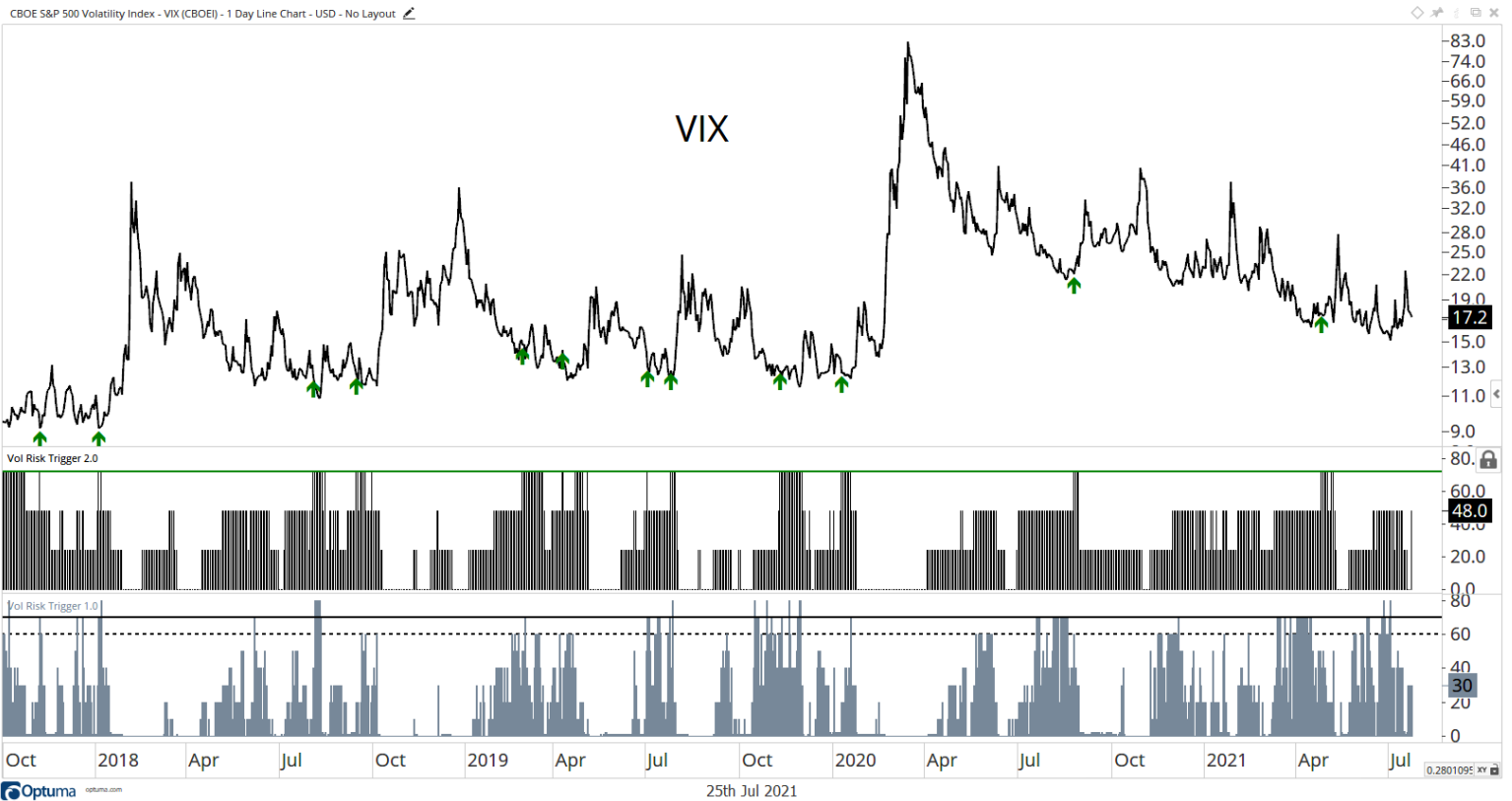
Cracks began to form on Monday with equities selling off but once the the 50-day moving average entered the picture, the dip buyers playbook held true and stocks rallied back to new highs to finish the week. This played out with the breadth picture continuing to breakdown. At this new high in SPX more stocks are down 10+% and 20+% and volatility is over 20% above its 1-month low. Defensive stocks are leading and high beta stocks are lagging. Just two sectors joining the S&P 500 in hitting a new high on Friday (tech and health care). Several cyclical sectors like financials are down 5.7%, energy 13.6%, and materials 7.8%. When SPX did cross under the 20-day MA on Monday we didn't see a major rise in the number of stocks hitting 6-month lows, a sign that typically accompanies the start to material declines.

This will be a busy with with earnings reports from all the FAAMG stocks with AAPL, MSFT, & GOOGL all reporting after Tuesday's close. We also get an FOMC announcement and the first look at Q2 GDP. The Treasury has continued to drawdown its General Account, something I've written about several times earlier in the year, providing a form of liquidity to the market that's historically been bullish for equities. This, with the FAAMG group showing strong relative performance, I believe has helped buoy markets and keep dip buyers in the driver seat.

The Market Health Report remains positive and while I believe the internals don't look great, with some measures at the weakest levels since the late 1990s, until price begins to show signs of confirming, the up trend remains in tact and bulls in charge.

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 has remained above the prior 1-month lows while the equity marked charges higher. The recent brief advance in the VIX has mostly been given back, which isn't a huge surprise. While the VRT 2.0 doesn't catch every spike in volatility, when volatility moves without a signal by the VRT 2.0, it's often short-lived.

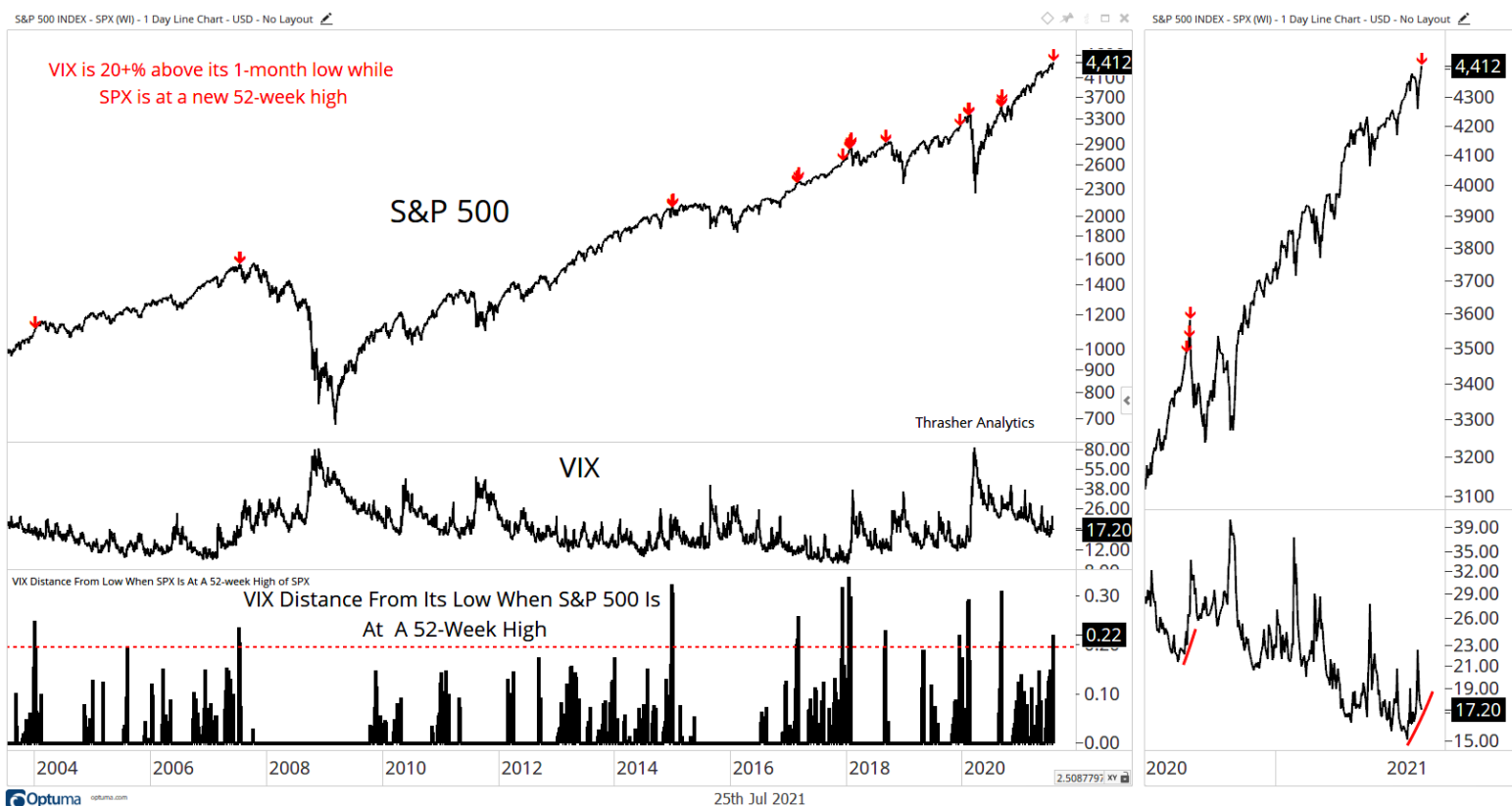


# VOLATILITY - CORRELATION



Last week I shared this chart when the VIX was over 14% above its 1-month low while the SPX was at a 52-week high. Well that trend has continued, now we have spot VIX over 22% above its 1-month low while the equity index is at fresh highs. The red arrows on the chart show prior instances, there haven't been many but when we have seen advances in volatility like this, rarely does the equity market get to ignore it for very long. I've said this several times but it bears repeating.... The VIX rarely spikes from multi-week lows, it's when its already been advancing for a few weeks that it uses as its "jumping off point". Back during "vol-mageddon" in Feb. '18, the VIX had bottomed in mid-January. I say this to point out that the rise in vol along with stocks is not something to be taken lightly.

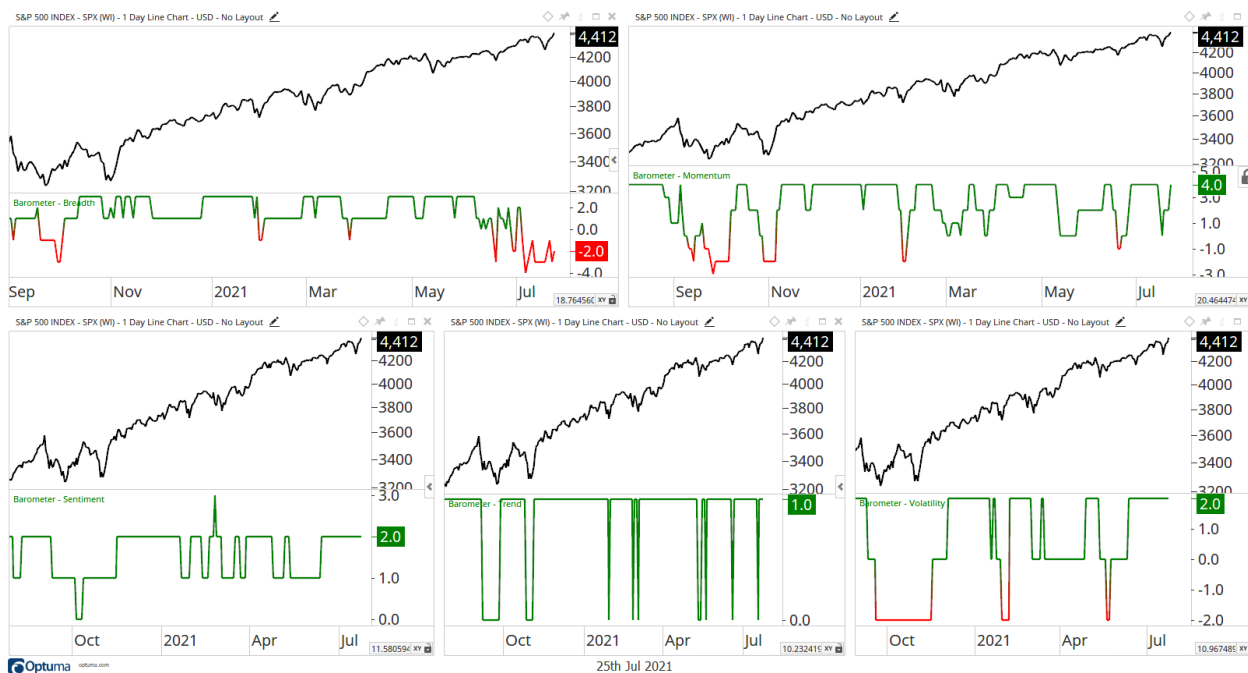
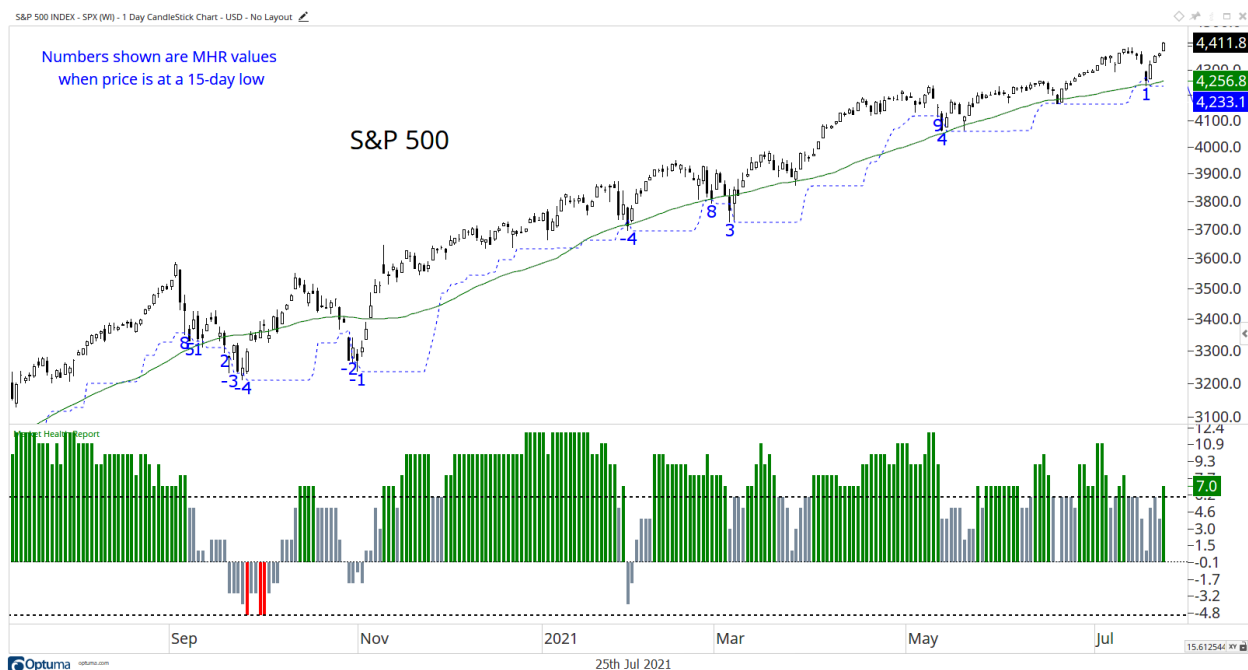
When volatility and equities face off, equities are often the first to blink.



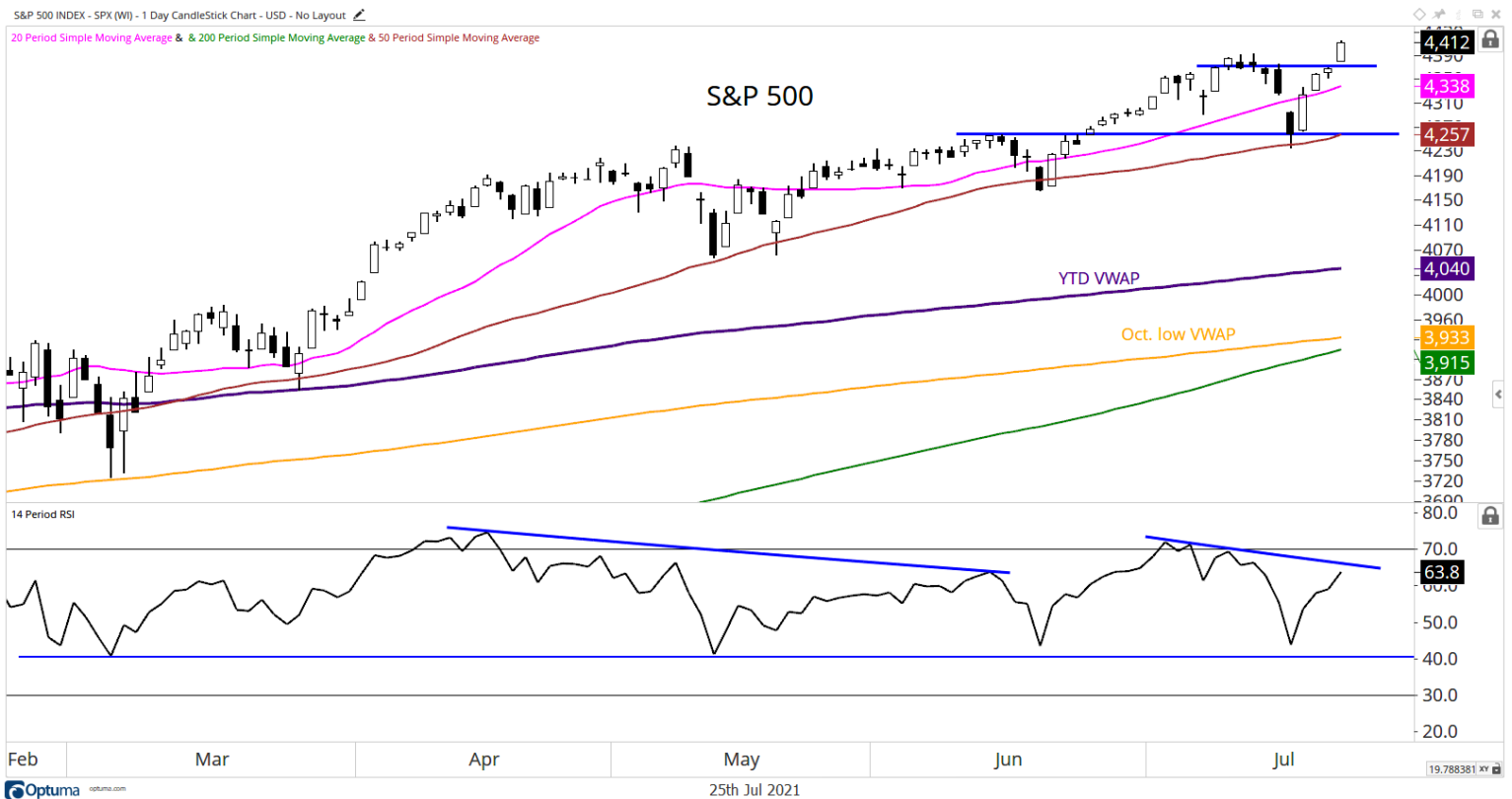
# MARKET HEALTH REPORT



The Market Health Report (MHR) finished the week up to +7 with an improvement in the Momentum category. I have made a small change to the MHR, taking away the Divergence Category. It was not making a material impact to the MHR but due to how the data was collected, was not 'static' meaning the score could shift after-the-fact by enough to make it less reliable. Because of this I've removed it. Looking back, this change doesn't change any of the prior major signals. As always, I want to provide you with the best quality data I can.



Friday trading sessions in the summer can bring with them some big swings in the market. It often doesn't take much leaning to get the market to move in either direction and last week was no different. We saw the early week dip bought up and the 50-day MA hold strong. Friday moved the index back to a new high. We now have a new bearish divergence in momentum with yet another set of lower-highs in the 14-day RSI. While the internals continue to show weakness, dip buyers remain in control of this market.

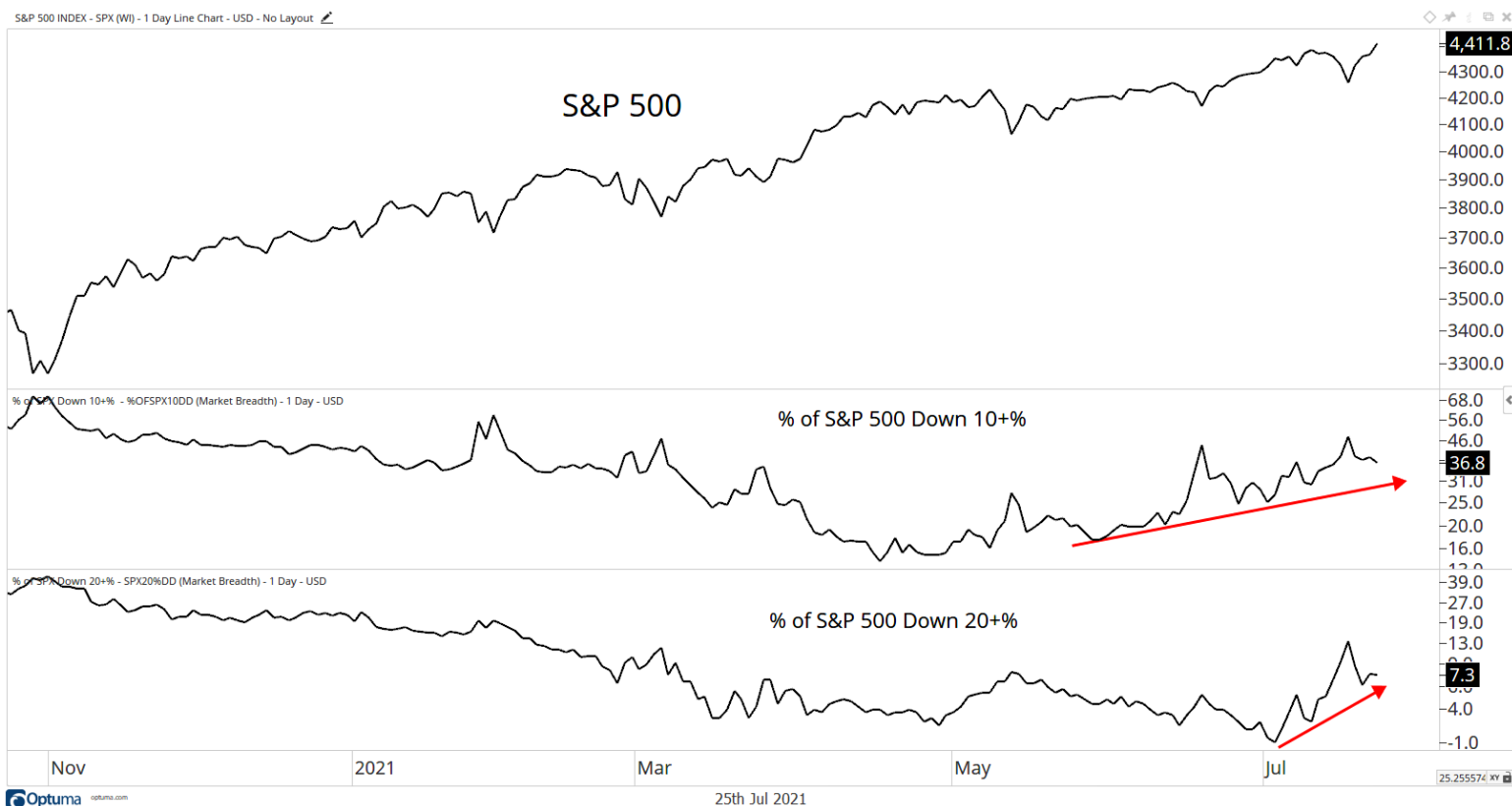


# EQUITIES - DRAWDOWN



Another update on the drawdown chart for S&P 500 stocks. I think this is extremely important chart to be watching to get a good understanding of what's developing below the surface of the large cap equity market.

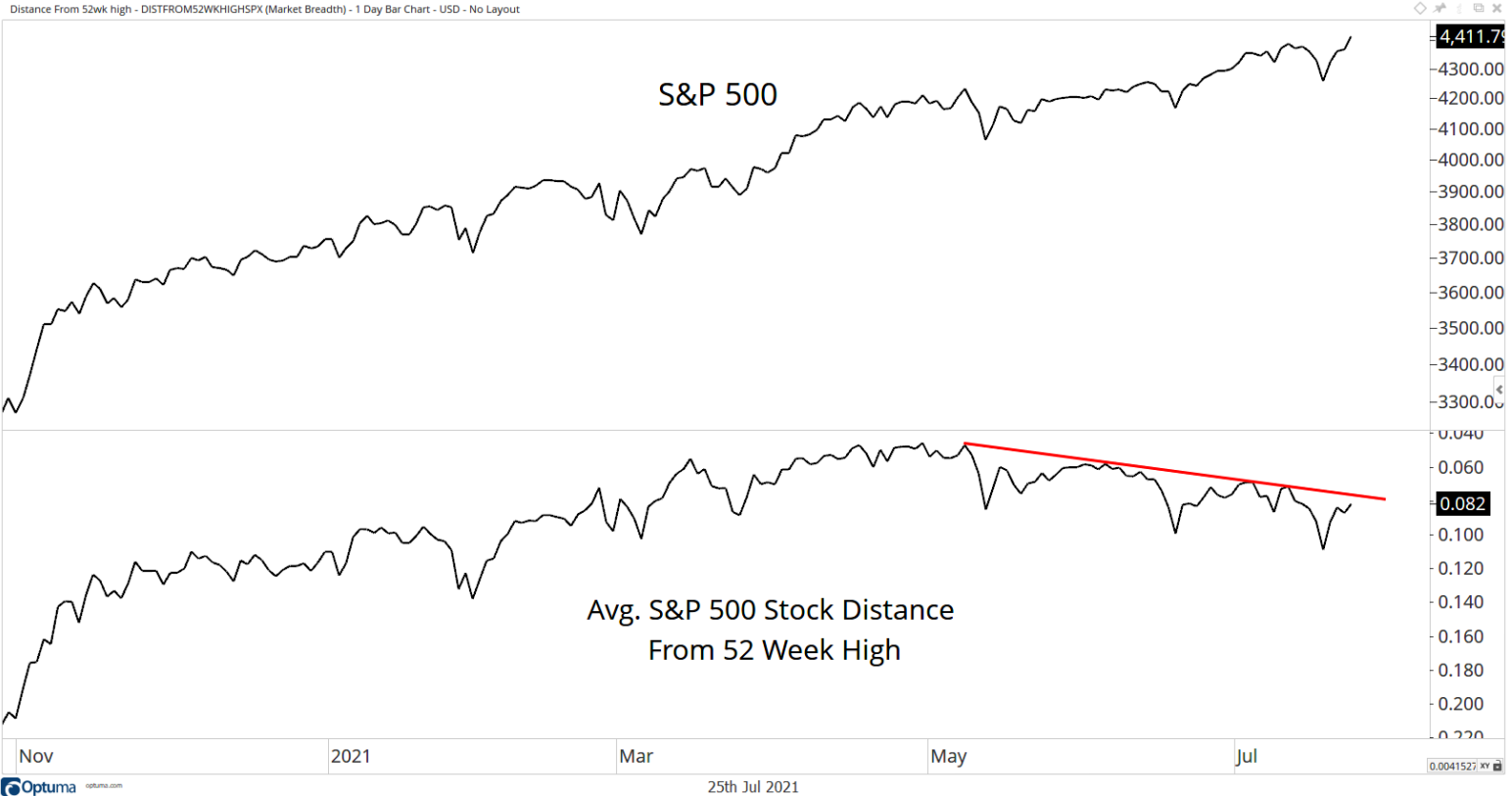
Another new high for the S&P 500 but we also have more stocks down 10+% and 20+% than the last high. At the last high we had 29.9% down 10+% and now we have 36.8%. Since 1990, the only other period of time I can see where there were a rising trend in stocks down 10% to this level (north of 30%) with the index at a high was December 1999 (which wasn't the high in the index, that came in March '00 when 55% of stocks were already down 10+%, but shows the breakdown in market internals during that period of time).



# EQUITIES - DISTANCE FROM HIGH



While the Index hit a new high on Friday, the average S&P 500 stock is down 8.2% from its own 52-week high. This figure has slowly been rising (the chart is inverted in order to show the divergence) as more stocks struggle to keep up with the FAAMG-driven strength.

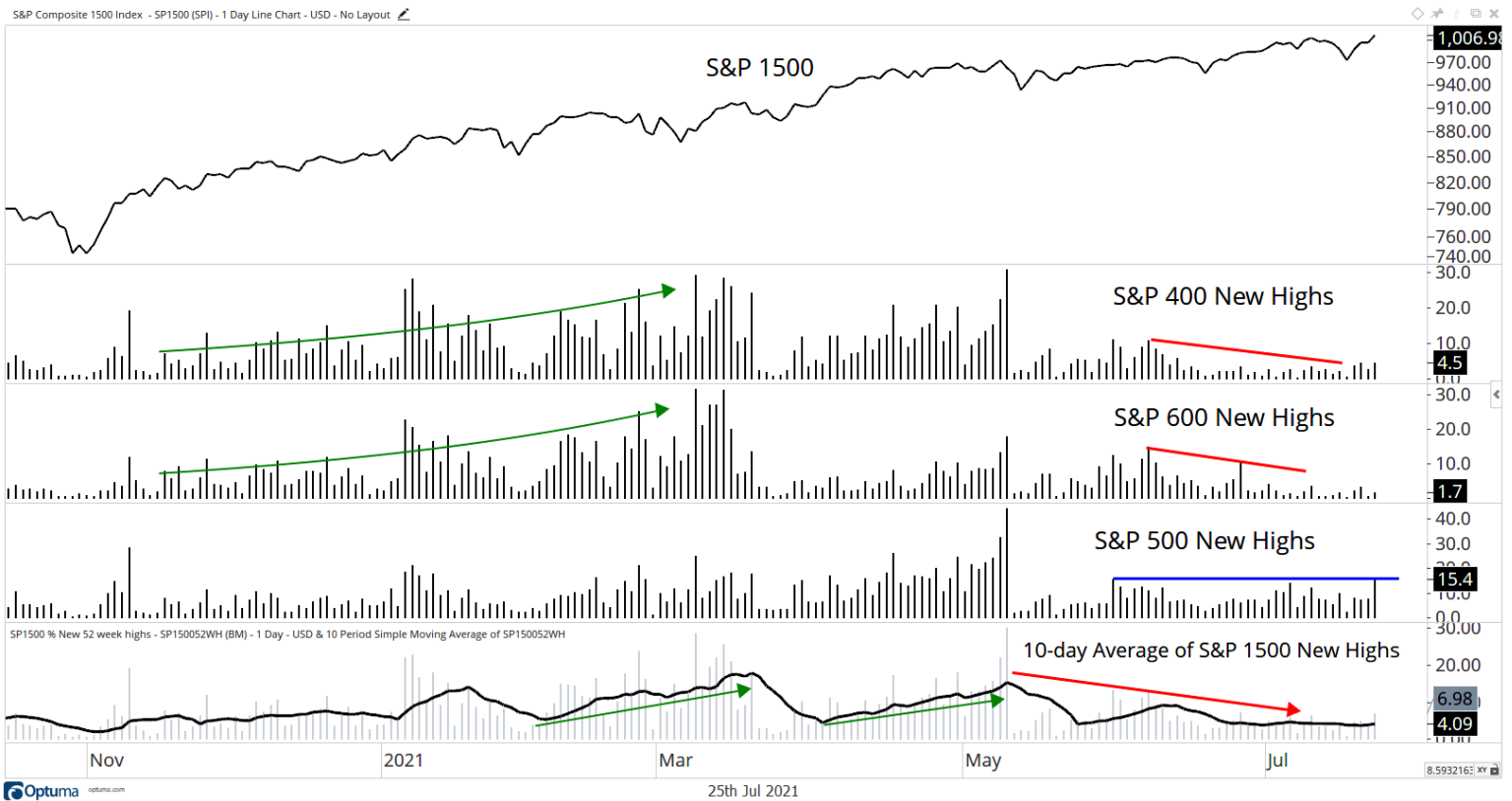




# EQUITIES - NEW HIGHS



We still aren't seeing a rising trend of 52-week highs in small or mid caps with the Large Cap index seeing an uptick on Friday but still not an expansion in names. While the S&P 1500 hit a new high on Friday, less than 7% of its stocks joined that party.



# EQUITIES - NO NEW LOWS



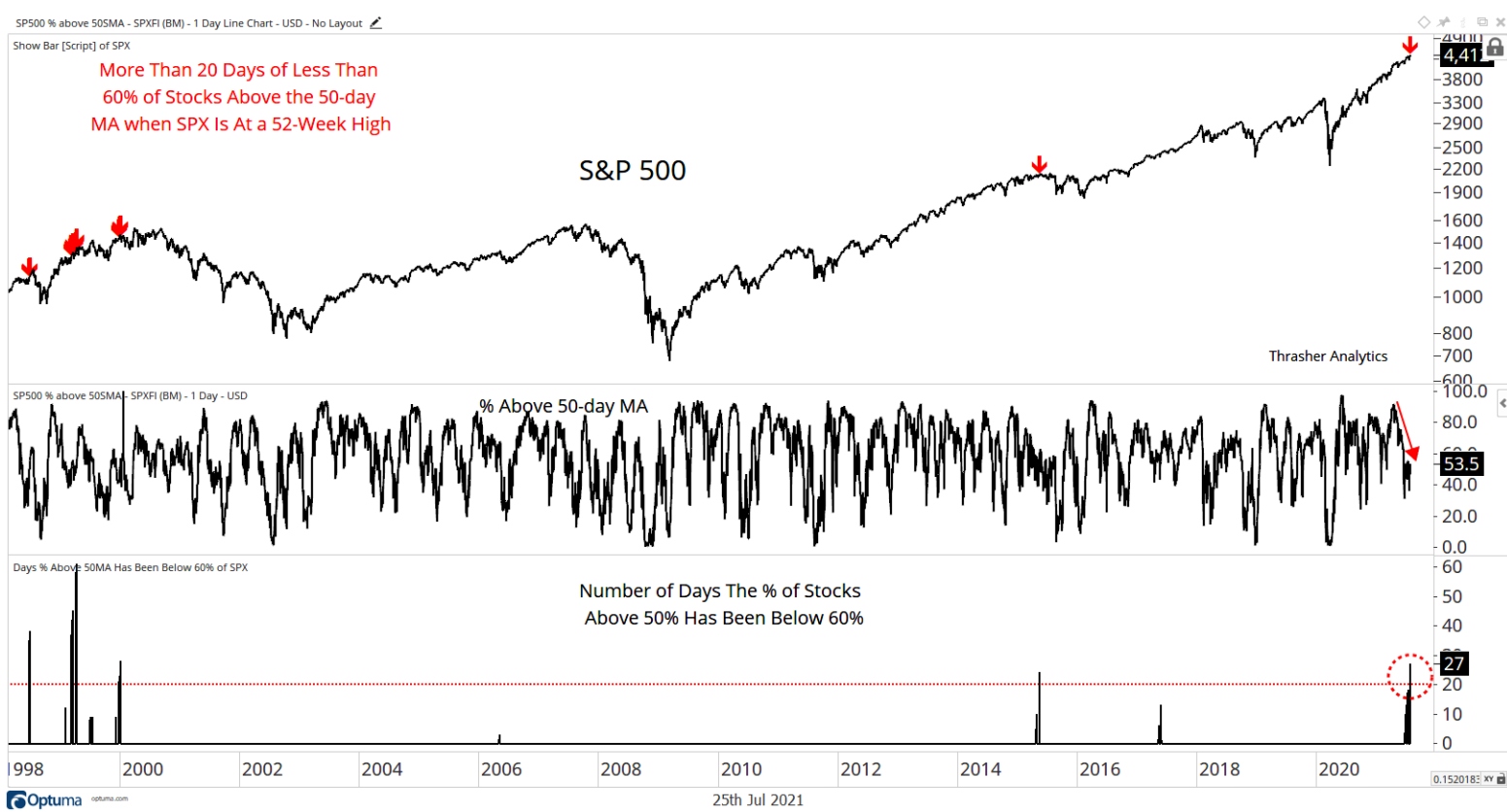
I shared this chart in a prior letter, noting the significance of at least 5% of stocks at 6-month low when the S&P broke its 20-day moving average. Last Monday we saw a break of the short-term moving average but less than 3% of stocks were at a 6-month low, which showed the shallow breakdown the bears needed to put pressure on the index to go lower. So far the lack of expansion in 6-month lows has keep the bears from taking the proverbial steering wheel, we'll see how that long that continues.



# EQUITIES - LENGTH OF BAD BREADTH



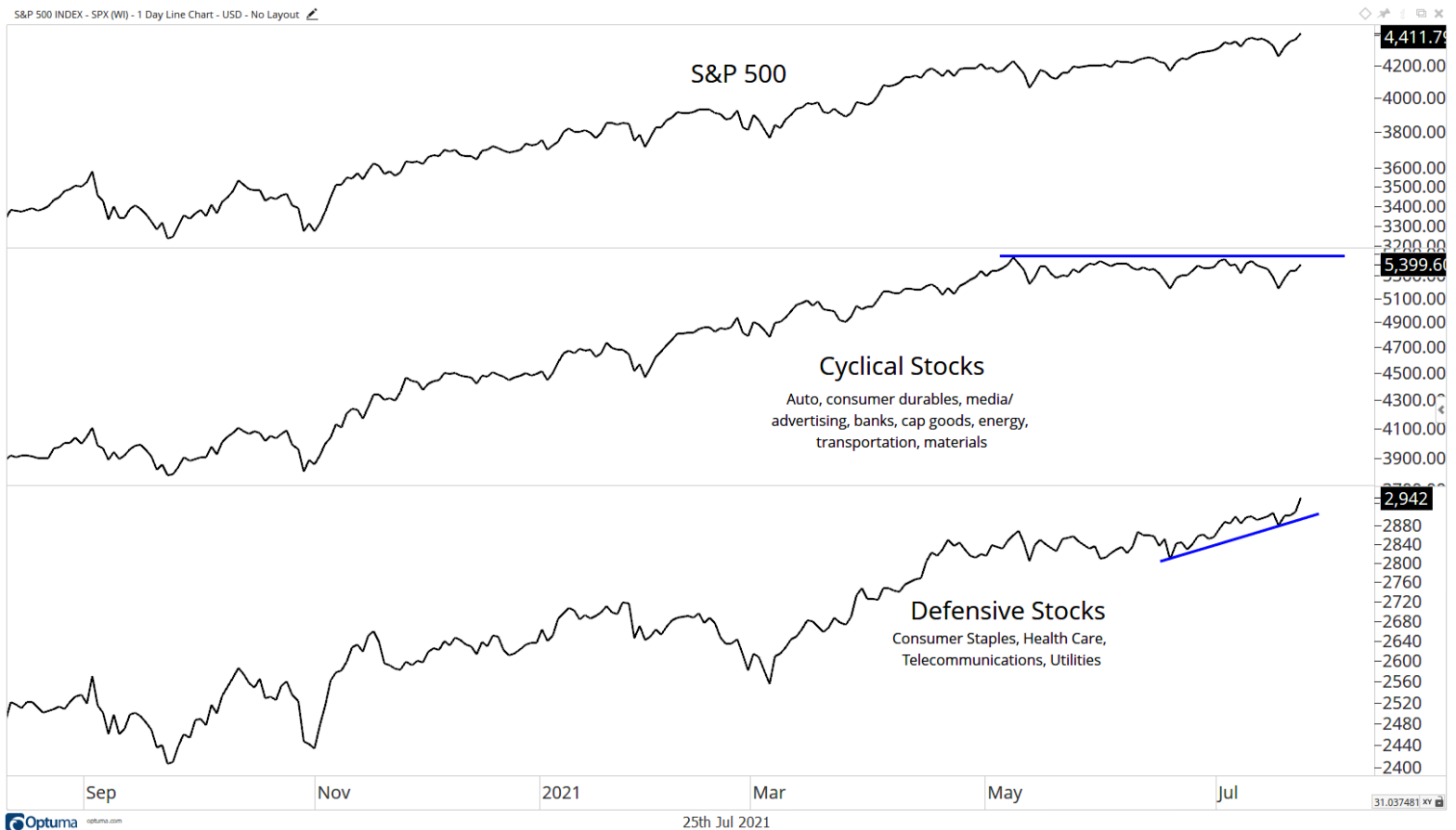
I shared this chart last week when we were at 22 and now we've now at 27 trading days of less than 60% of stocks trading above the 50-day moving average, the longest streak since 1999. In the last ten years this has happened once, in 2015. We then had it occur three periods in the mid-90s, each seeing a short stumble in stocks soon after. Just another way to slice up the data to show the poor breadth picture.



# EQUITIES - CYCLICAL VS. DEFENSIVE

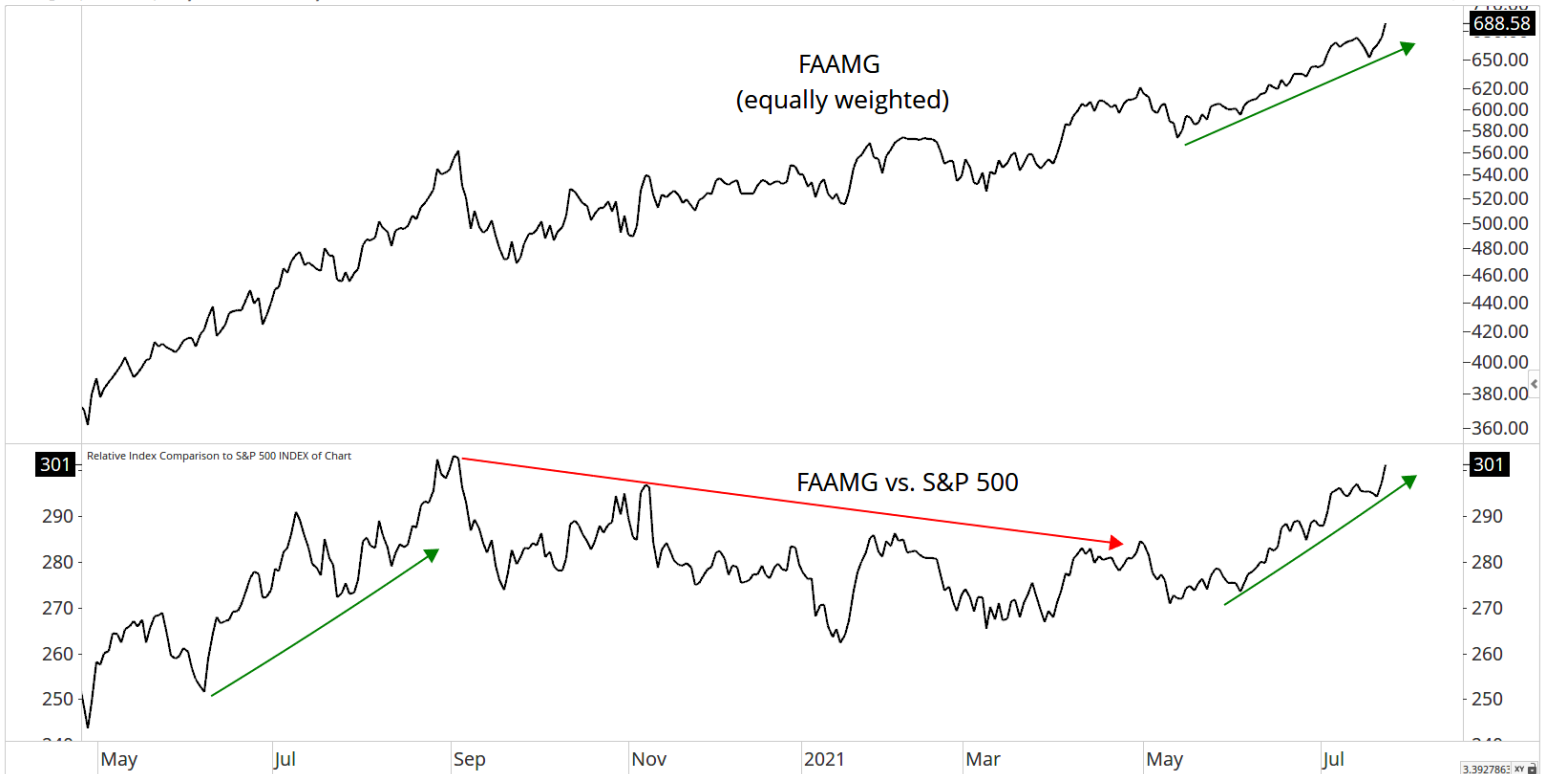


Looking at the trends in both cyclical and defensive stocks, we can see cyclical industries and sectors have stagnated since May. Meanwhile, defensive industries and sectors have been the drivers of the latest new highs in the market. A market driven by defensive stocks doesn't necessarily scream "risk on."



FAAMG stocks (FB, AMZN, AAPL, MSFT, & GOOGL) have been showing strong relative performance since May after failing to outperform for the prior eight months. How can the SPX remain strong with breadth breaking down? This helps tell at least part of that reason.

FAAMG\_GEO (Custom Codes) - 1 Day Line Chart - USD - No Layout

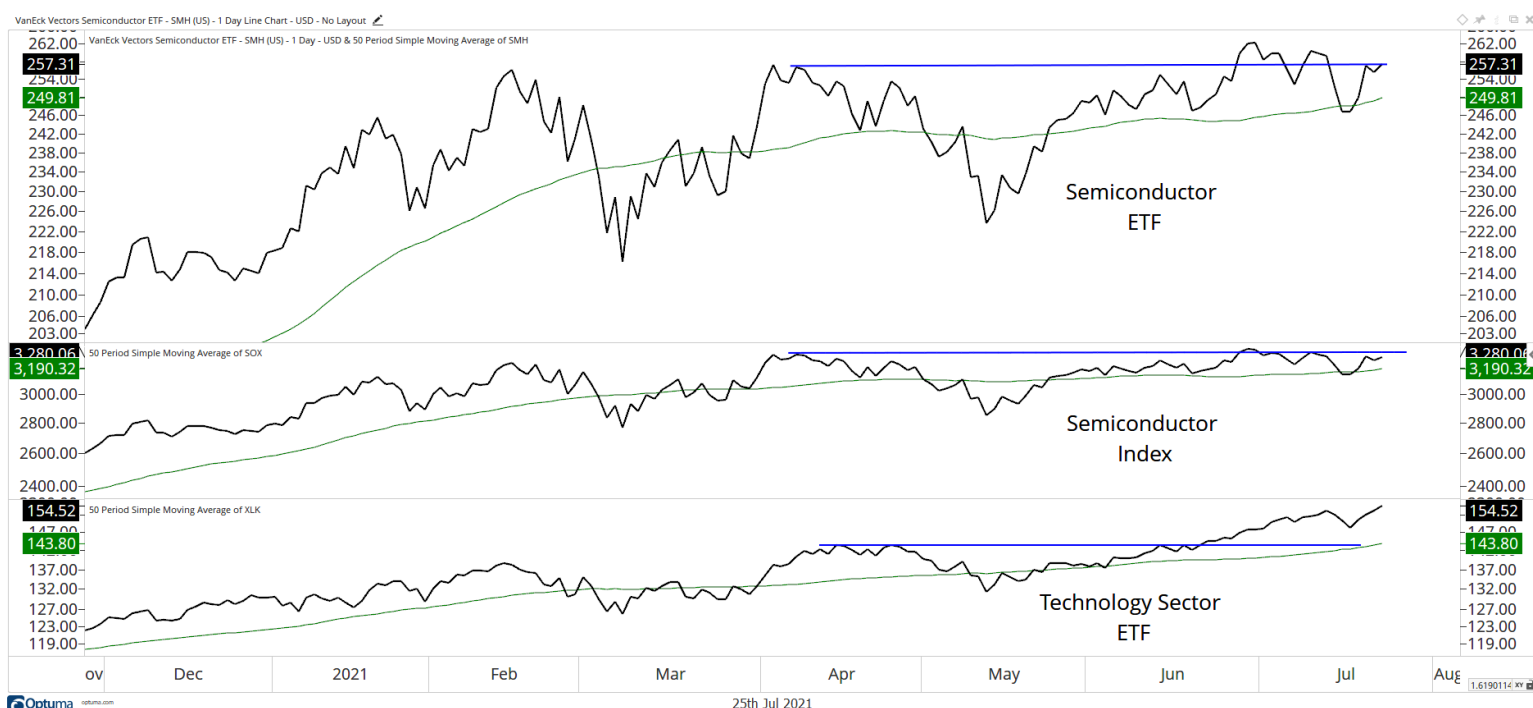


# SECTORS - PERFORMANCE



Sector	> 50MA	> 200MA	1wk Perf ▼	1mo Perf	3mo Perf	12mo Perf
SPDR Communication Services Select Sector ETF	True	True	3.26%	4.64%	9.22%	46.65%
SPDR Consumer Discretionary Select Sector Fund ETF	True	True	2.95%	4.01%	3.06%	35.45%
SPDR Technology Select Sector Fund ETF	True	True	2.81%	6.94%	8.28%	45.1%
SPDR Health Care Select Sector Fund ETF	True	True	2.22%	5.61%	6.31%	23.72%
SPDR S&P 500 ETF	True	True	1.99%	4.10%	5.57%	36.22%
SPDR Industrial Select Sector Fund ETF	True	True	1.67%	2.22%	2.02%	43.07%
SPDR Materials Select Sector Fund ETF	False	True	0.79%	-0.16%	-1.42%	32.51%
SPDR Consumer Staples Select Sector Fund ETF	True	True	0.51%	3.76%	2.63%	14.77%
SPDR Financial Select Sector Fund ETF	False	True	0.39%	0.61%	2.49%	49.03%
SPDR Real Estate Select Sector Fund ETF	True	True	0.11%	3.81%	9.56%	32.46%
SPDR Energy Select Sector Fund ETF	False	True	-0.33%	-11.10%	2.06%	28.63%
SPDR Utilities Select Sector Fund ETF	True	True	-0.85%	3.71%	-1.31%	8.29%

Semiconductors have been a great leading barometer for the tech sector and the market for the last several years. When semiconductors breakout, we often see tech follow suit and moving higher, and the same when semis breakdown. This is why I pay a lot of attention to semiconductors. Right now, while XLK is making higher-highs, we have both the ETF and Index for semiconductors stuff below the April highs, sitting in a multi-week range. Should Semis end this consolidation with a leg higher, that would be a good sign for tech but if not, then tech could be vulnerable.



Last week we saw gold stall out a little bit, but remains above the VWAP from its big one-day drop in June. Consolidation below major moving averages is not unusual, these are heavily watched price levels and can bring in short-term supply like we saw in gold earlier this month. I'm watching for the metal to breakout above the 50- and 200-day MAs and until then hopefully keep holding above \$1800.





ETH has been doing a great job holding above the December low VWAP (volume-weighted-average-price) but is still stuck below the Feb. and May VWAP levels. While we've gotten a higher-low in Volatility Adjusted Momentum, I'd like to see at least the Feb. VWAP broken and ideally the May VWAP to the upside by price before getting bullish on ETH, until then I think being patience is wise.



# DAILY SENTIMENT INDEX

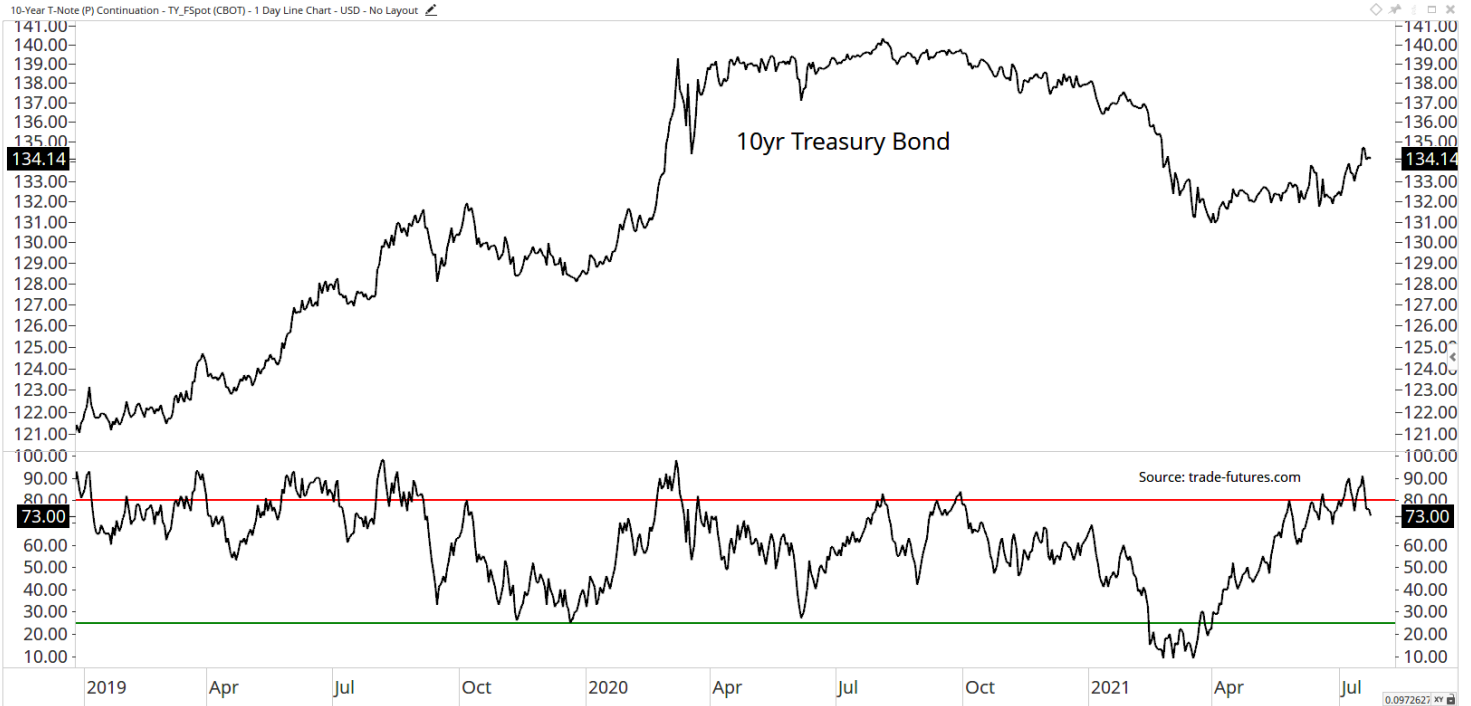


Code	% Bullish ^	5-day MA	History
Corn DSI	12	19	
VIX DSI	21	25	
Soybean DSI	22	28	
Yen DSI	25	32	
Lumber DSI	27	19	
Cattle DSI	29	24	
Silver DSI	31	30	
Platinum DSI	32	35	
Palladium DSI	32	29	
Cocoa DSI	32	22	
Euro DSI	35	35	
Australian Dollar DSI	35	32	
British Pound DSI	36	35	
Wheat DSI	37	42	
Bitcoin DSI	41	36	
Gold DSI	43	46	
Copper DSI	47	36	
Swiss Franc DSI	53	53	

Code	% Bullish ^	5-day MA	History
Nikkei DSI	57	49	
Mexican Peso DSI	63	61	
US Dollar DSI	65	64	
EuroDollar DSI	65	65	
Cotton DSI	66	62	
Heating Oil DSI	69	61	
Sugar DSI	71	66	
CRB Index DSI	71	63	
10Y DSI	73	80	
Crude Oil DSI	76	69	
Lean Hog DSI	77	74	
5YR DSI	77	79	
Orange Juice DSI	82	74	
SPX DSI	83	72	
Coffee DSI	83	84	
Gasoline DSI	84	73	
Nasdaq DSI	86	75	
Natural Gas DSI	90	85	

Source: trade-futures.com

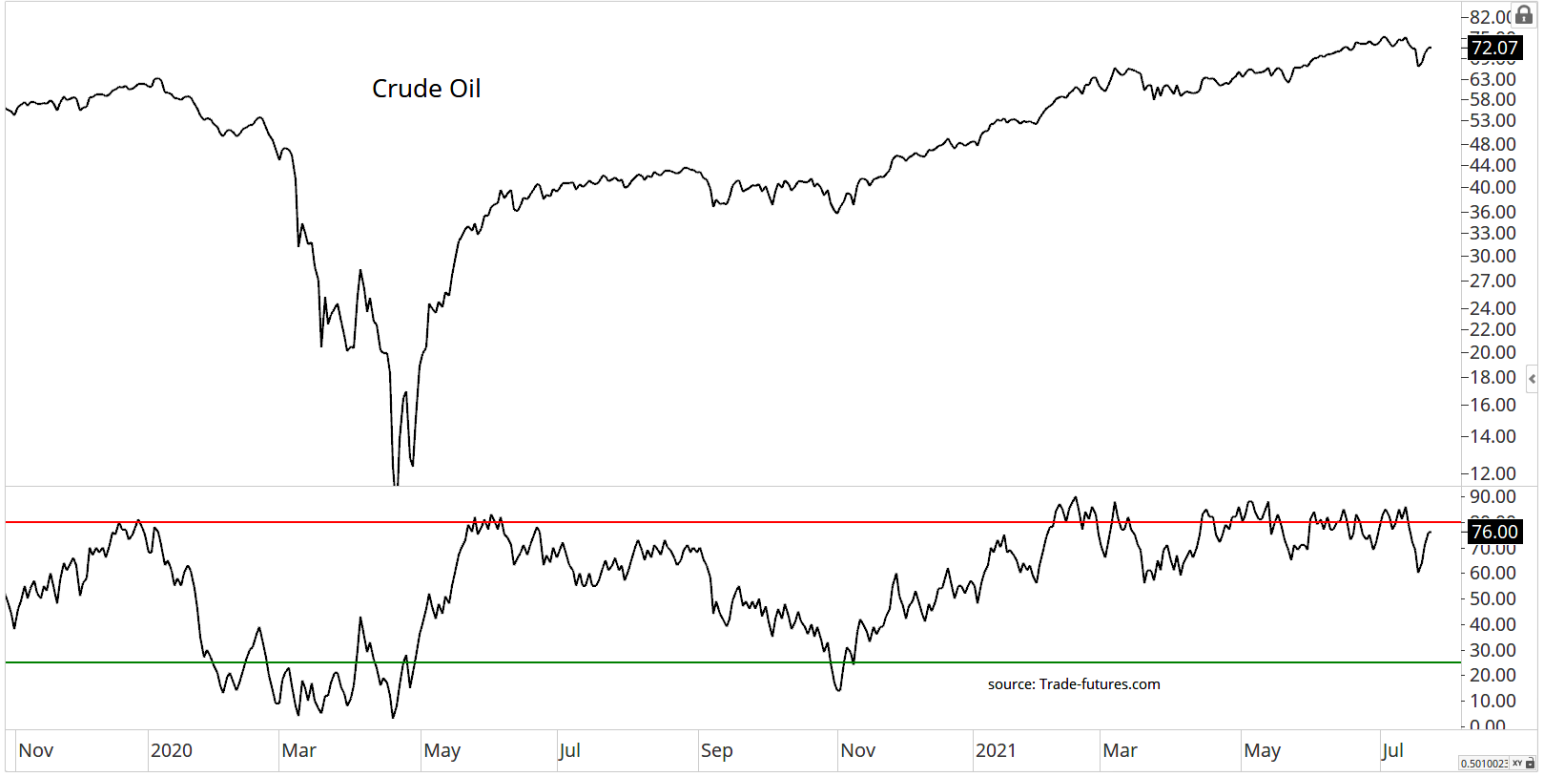
# DAILY SENTIMENT INDEX



# DAILY SENTIMENT INDEX



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



# DAILY SENTIMENT INDEX



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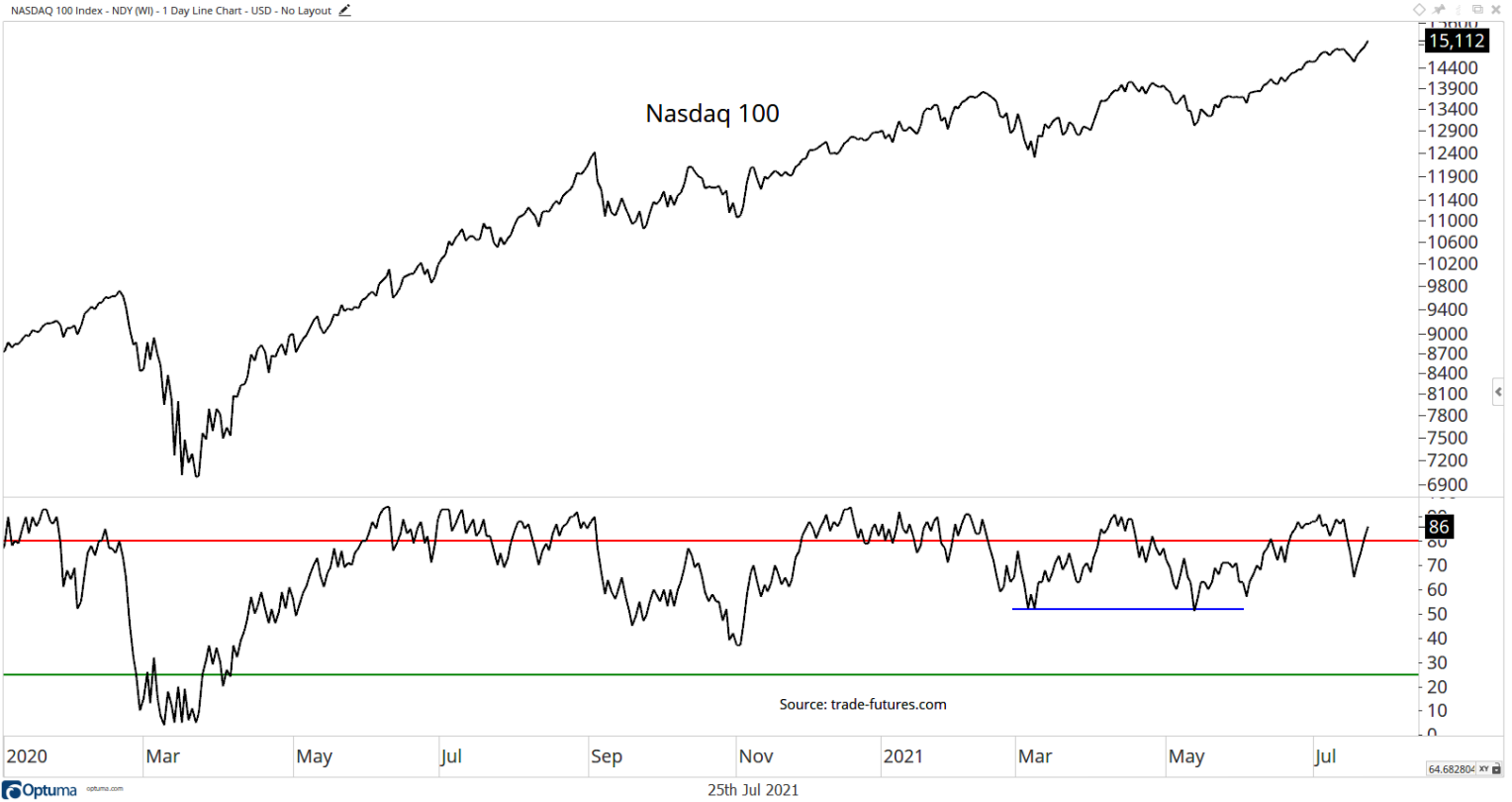
Gold Futures - GCSpot (NYMEX) - 1 Day Line Chart - USD - No Layout



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# DAILY SENTIMENT INDEX

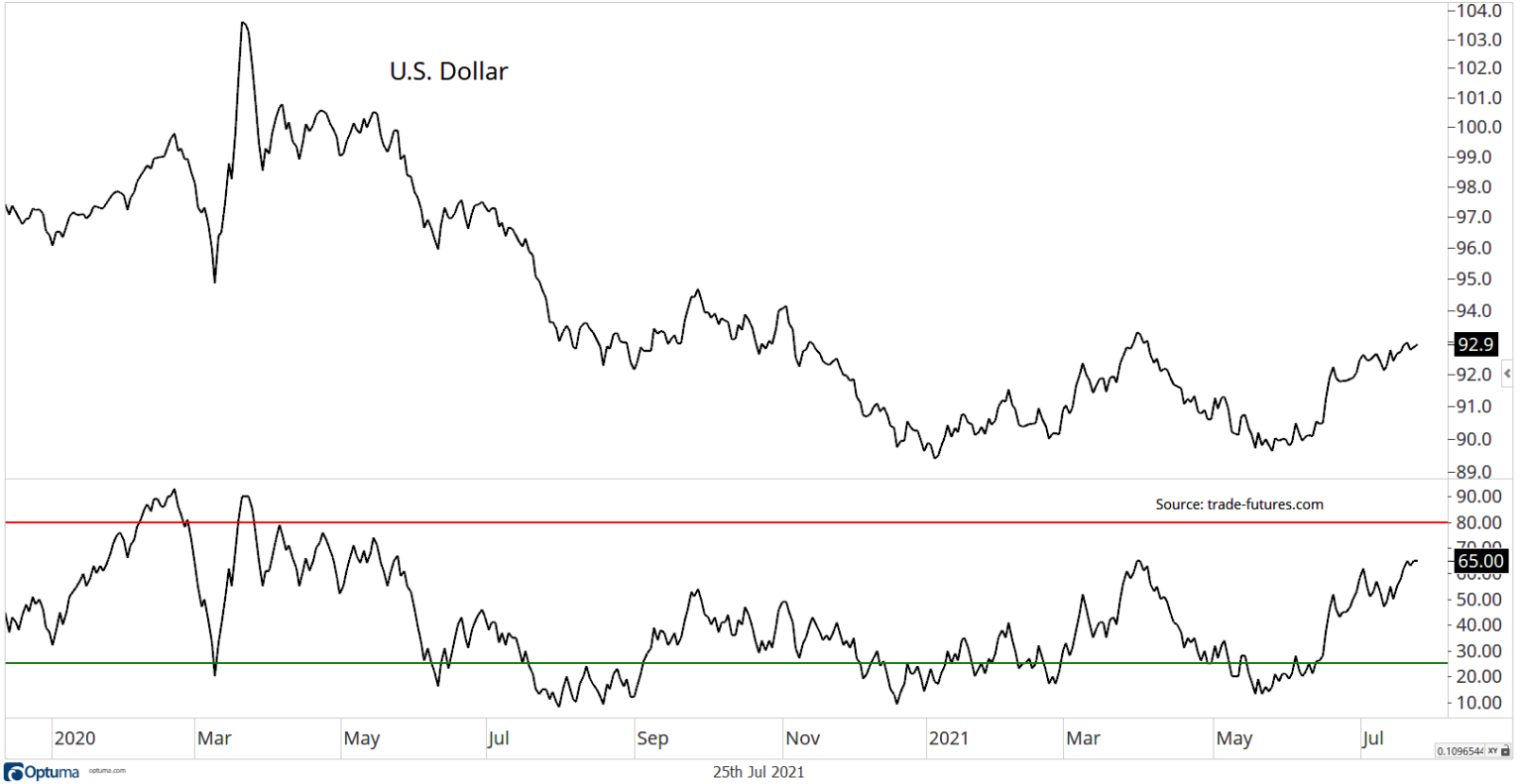


# DAILY SENTIMENT INDEX



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



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0.1096544 xy

# DAILY SENTIMENT INDEX

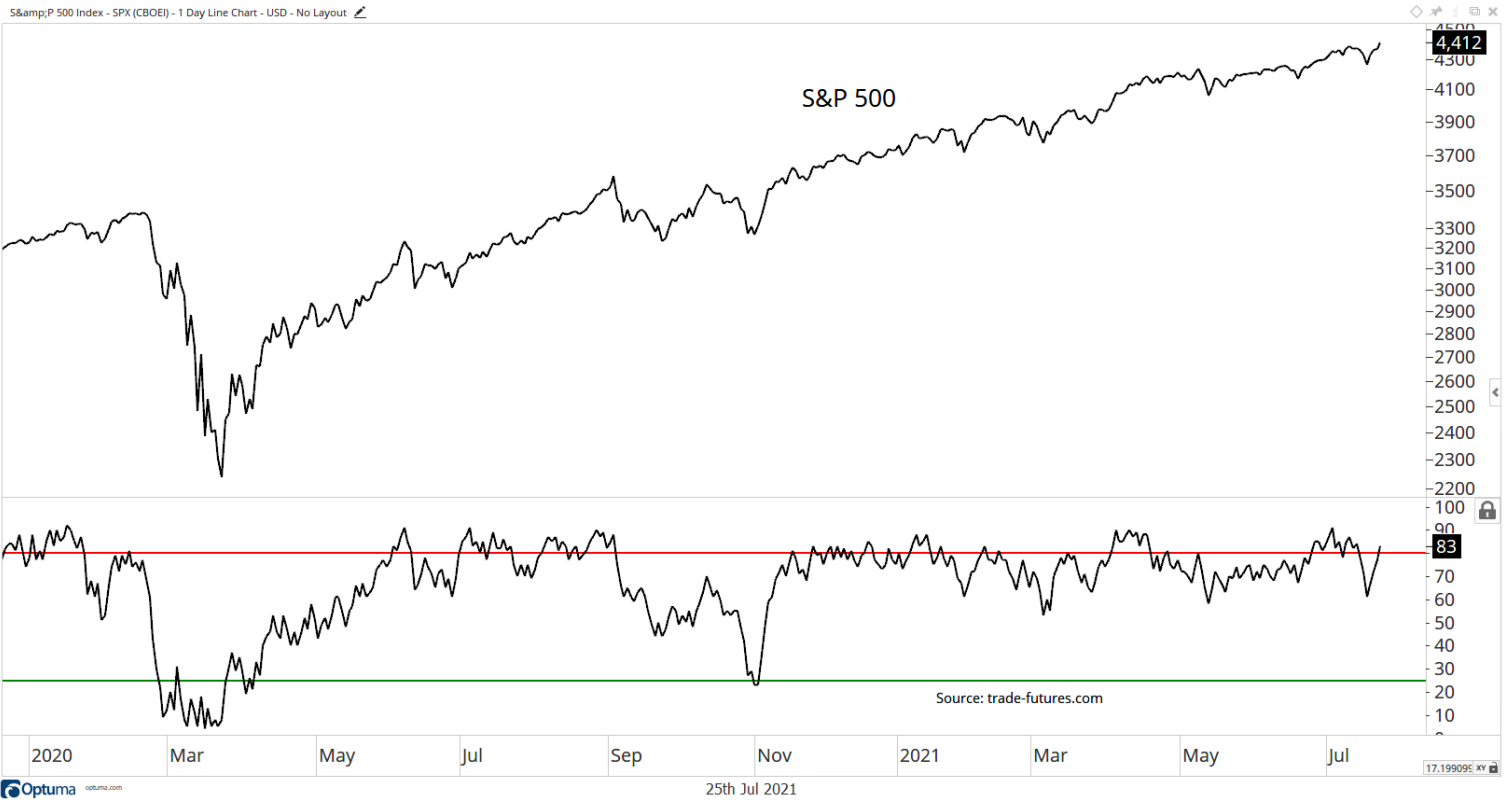


CBOE S&P 500 Volatility Index - VIX (CBOE) - 1 Day Line Chart - USD - No Layout





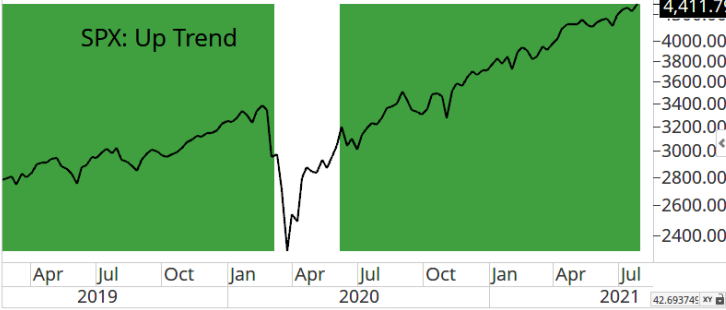
# DAILY SENTIMENT INDEX



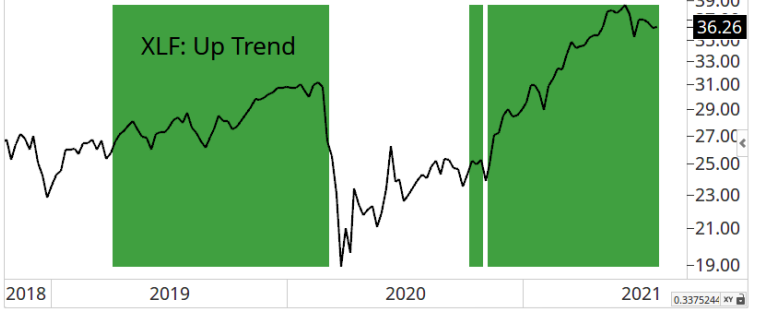
# TREND MODELS



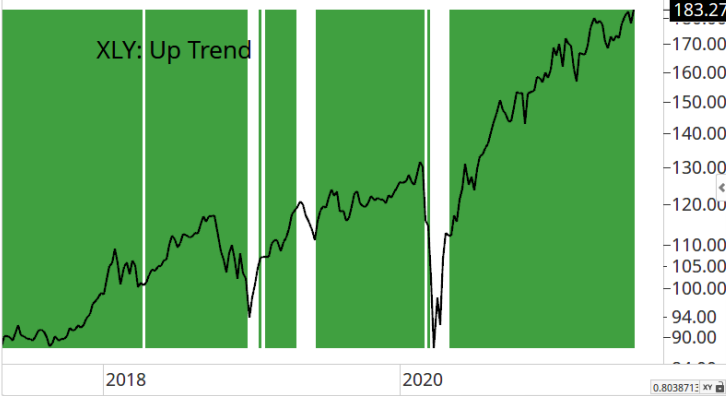
S&P 500 INDEX - SPX (WI) - 1 Week Line Chart - USD - No Layout



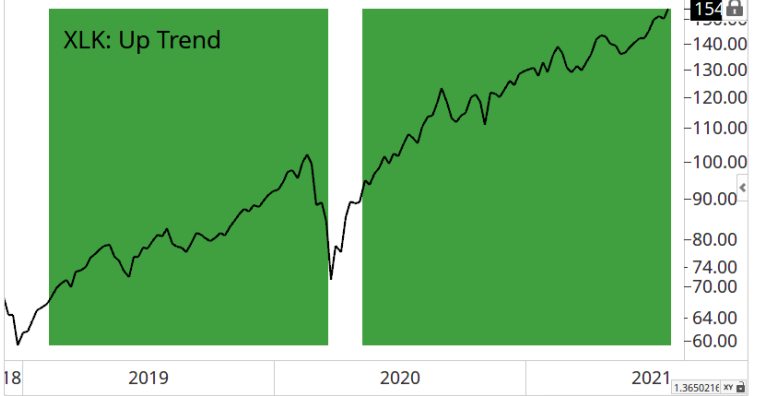
SPDR Financial Select Sector Fund ETF - XLF (US) - 1 Week Line Chart - USD - No Layout



SPDR Consumer Discretionary Select Sector Fund ETF - XLY (US) - 1 Week Line Chart - USD - No Layout



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



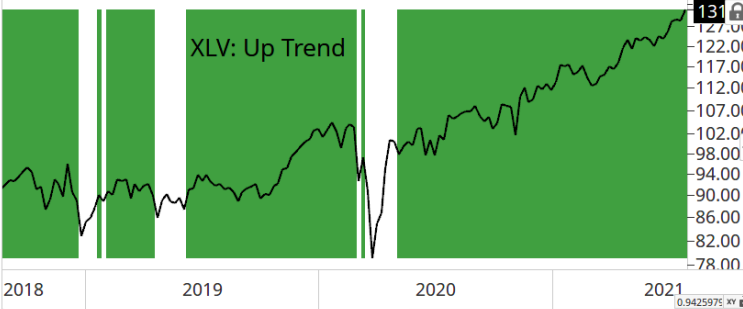
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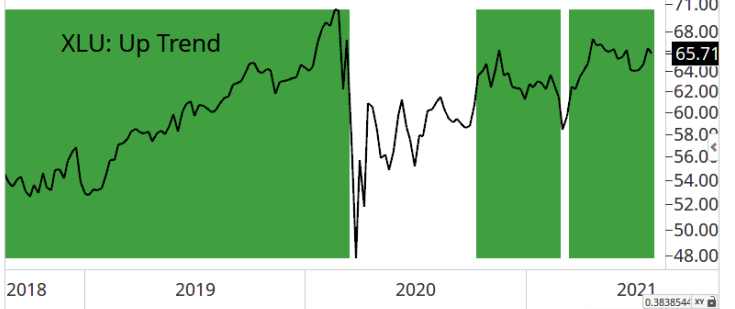
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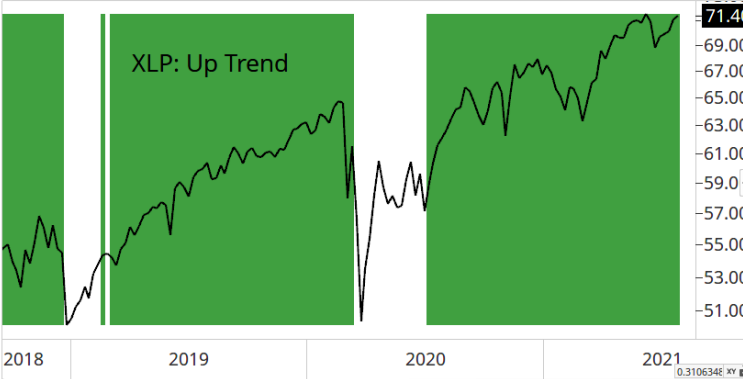
SPDR Health Care Select Sector Fund ETF - XLV (US) - 1 Week Line Chart - USD - No Layout



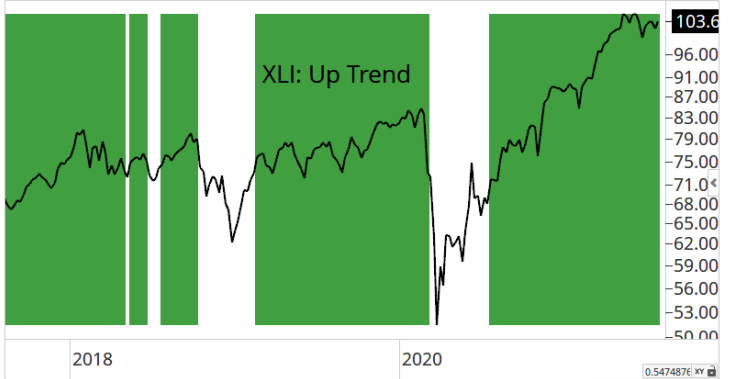
SPDR Utilities Select Sector Fund ETF - XLU (US) - 1 Week Line Chart - USD - No Layout



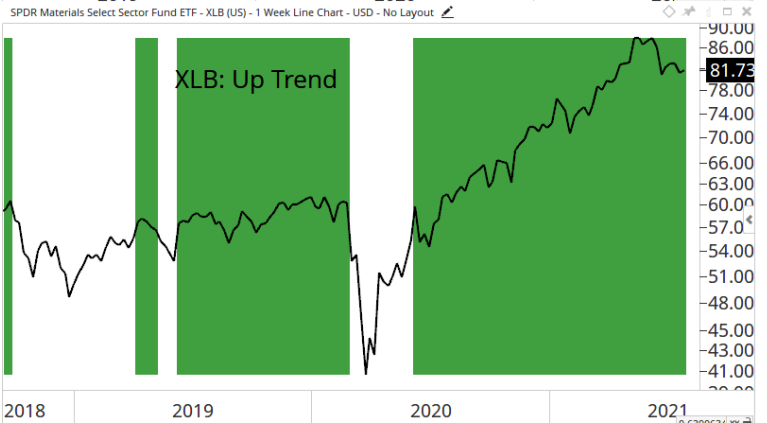
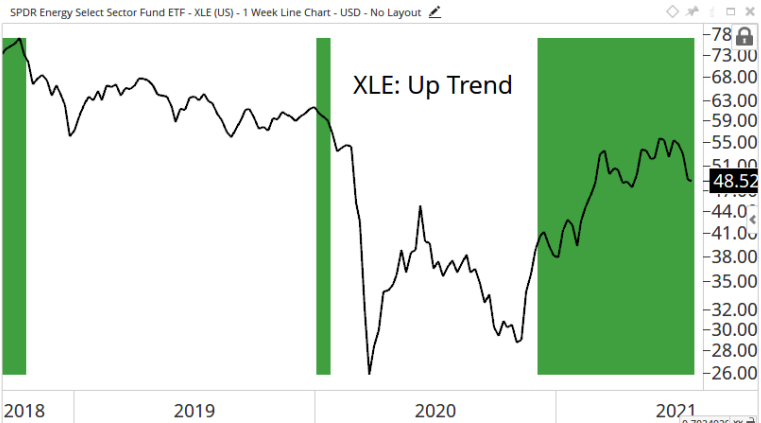
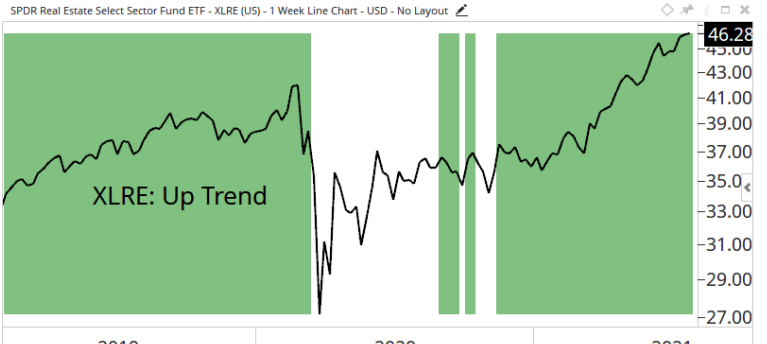
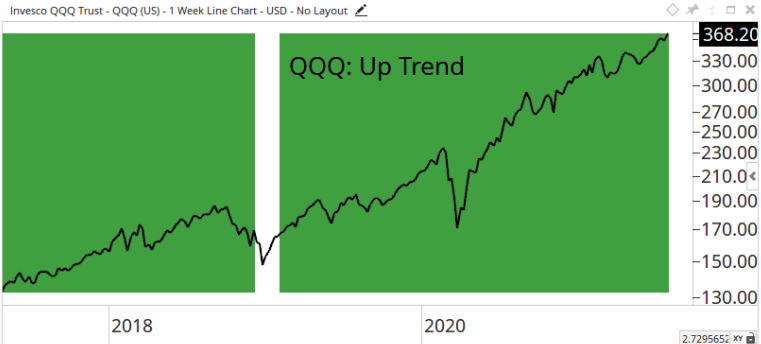
SPDR Consumer Staples Select Sector Fund ETF - XLP (US) - 1 Week Line Chart - USD - No Layout



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



# TREND MODELS



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