

TA THRASHER ANALYTICS

AUGUST 8, 2021



WEEKLY RESEARCH & ANALYSIS

BY ANDREW THRASHER, CMT

Bullish

- Trend Model remains positive for all sectors and indices.
- The Market Health Report remains supportive.
- Intermediate breadth data improving.
- New highs ticking higher.

Bearish

- Poor Sector Leadership
- Frothy sentiment.
- short-term breadth still weak.
- Credit spreads widening.
- Commodities weakening.

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Sector Rotation: August	
Real Estate	XLRE
Communications	XLC
Financials	XLF

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

Market Health Report	
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Trend	1
Volatility	2
Total	11

Index & Sector		
	Up Trend	Down Trend
SPX	X	
QQQ	X	
XLF	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%	80%
Nasdaq 100	87%	86%
Nikkei	43%	41%
VIX	11%	17%
10yr Treasury	77%	84%
5yr Treasury	77%	79%
CRB Index	43%	41%
Gold	16%	28%
U.S. Dollar	61%	55%

*Green <25% Red >80%

source: trade-futures.com

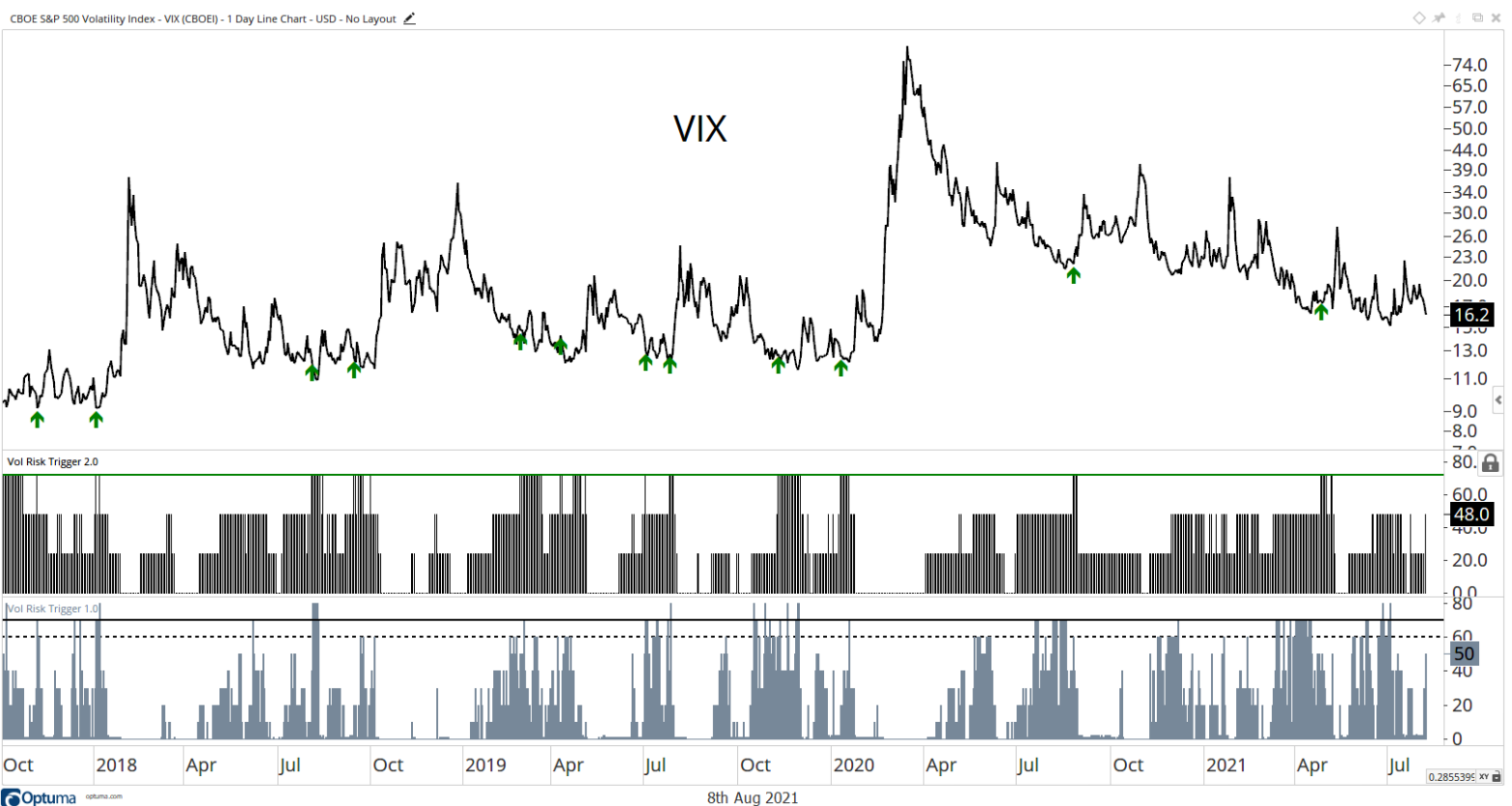
Brief Summary:

The breadth picture for U.S. equities has improved but still finds itself well below the prior 2021 highs. If this improvement can continue, then that be a strong tailwind for stocks going forward. New 6-month highs have been moving higher in recent weeks but are still half of what they were a few months ago. We still have an uncomfortable level of drawdown for the average S&P 500 stock and a growing spread between the breadth data of the Nasdaq 100 and Nasdaq Composite. Rotation continues to be the lifeblood of this up trend as we see a passing of the baton from equal-weight to mega caps and back again over and over again, each helping push the broad index to new highs. Sentiment has risen back to near-froth like conditions.

Gold saw a move lower on Friday and now finds itself at prior support, I'm watching if this can hold. Commodities have weakened and most individual futures markets are trading under their 50-day MA, so breadth data suggests the commodity market as a whole could be under pressure.

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).

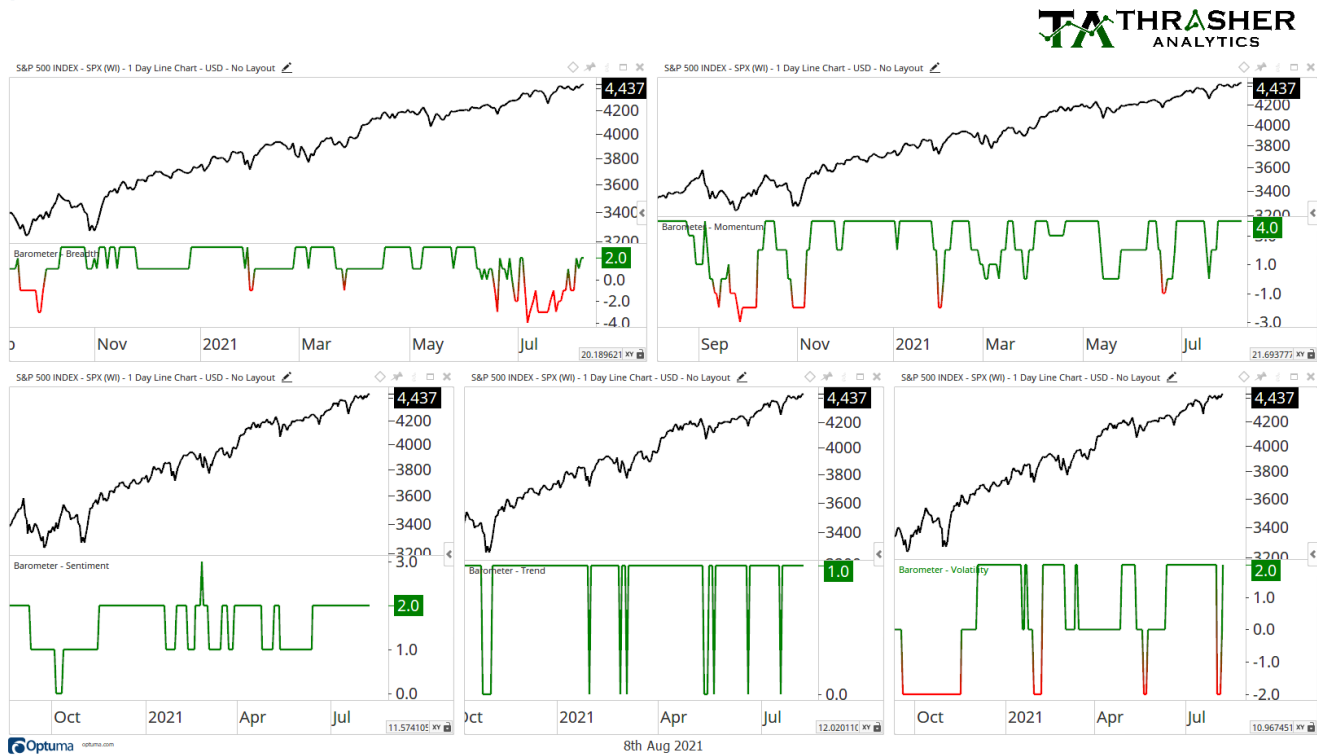
Volatility continued to decline last week and the VRT 2.0 remains below its signal level. The Nasdaq VIX has compressed quite a bit and poses the biggest threat to a spike in vol while the Volatility Index (VIX) has yet to see major compression following last months minor tick higher.



MARKET HEALTH REPORT



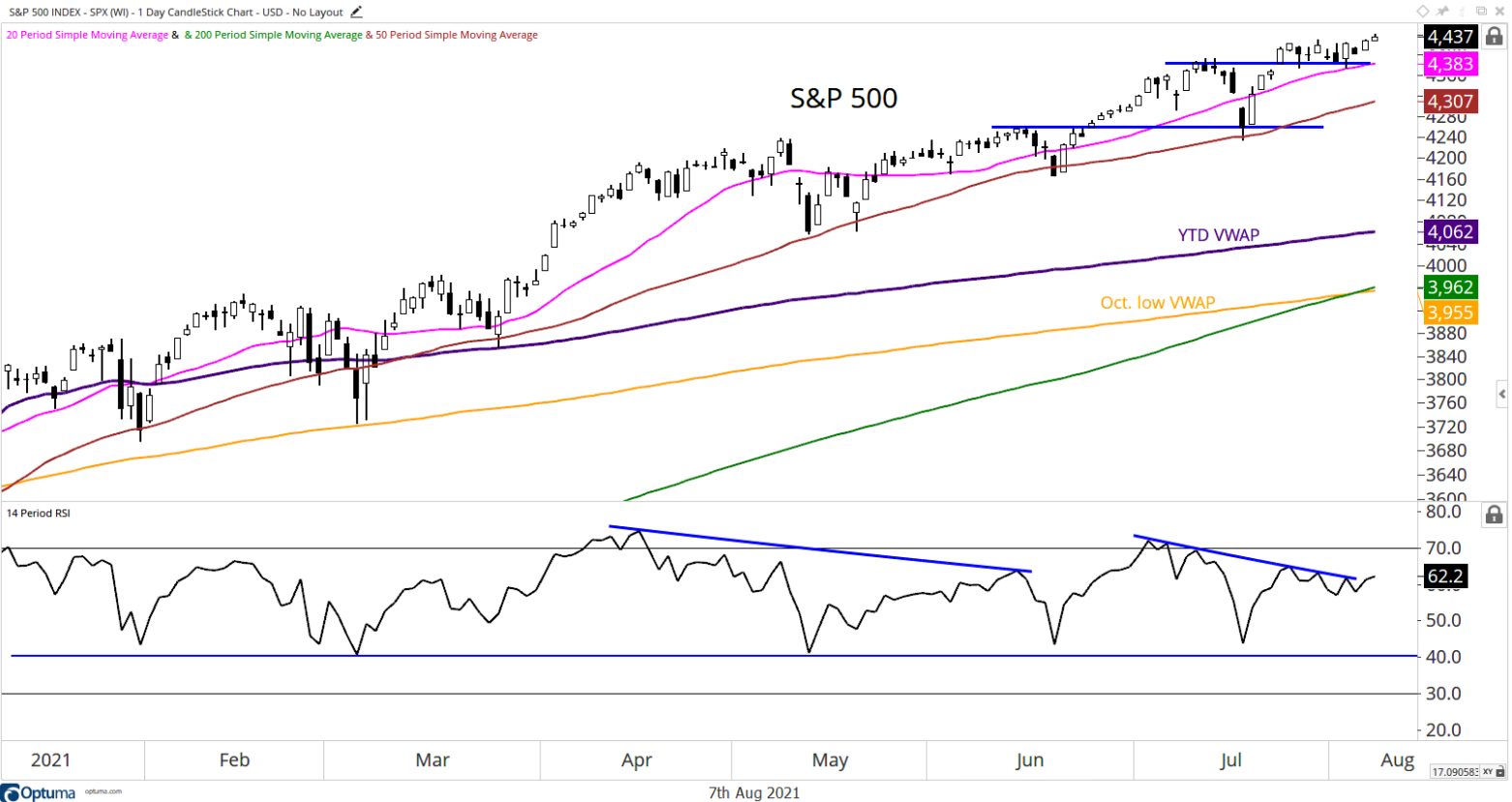
The Market Health Report (MHR) finished the week up to +11. I continue to be impressed by the ability of the MHR to be on the right side of this market, identifying periods of broad strength that holds equities higher. All 5 categories are now back in positive territory.



EQUITIES - S&P 500 DAILY



The S&P 500 finished the week at another new high, edging higher each week by just a few points to garner the title. We still have lower-highs in momentum but the 20-day moving average has done a good job as short-term support on minor dips.

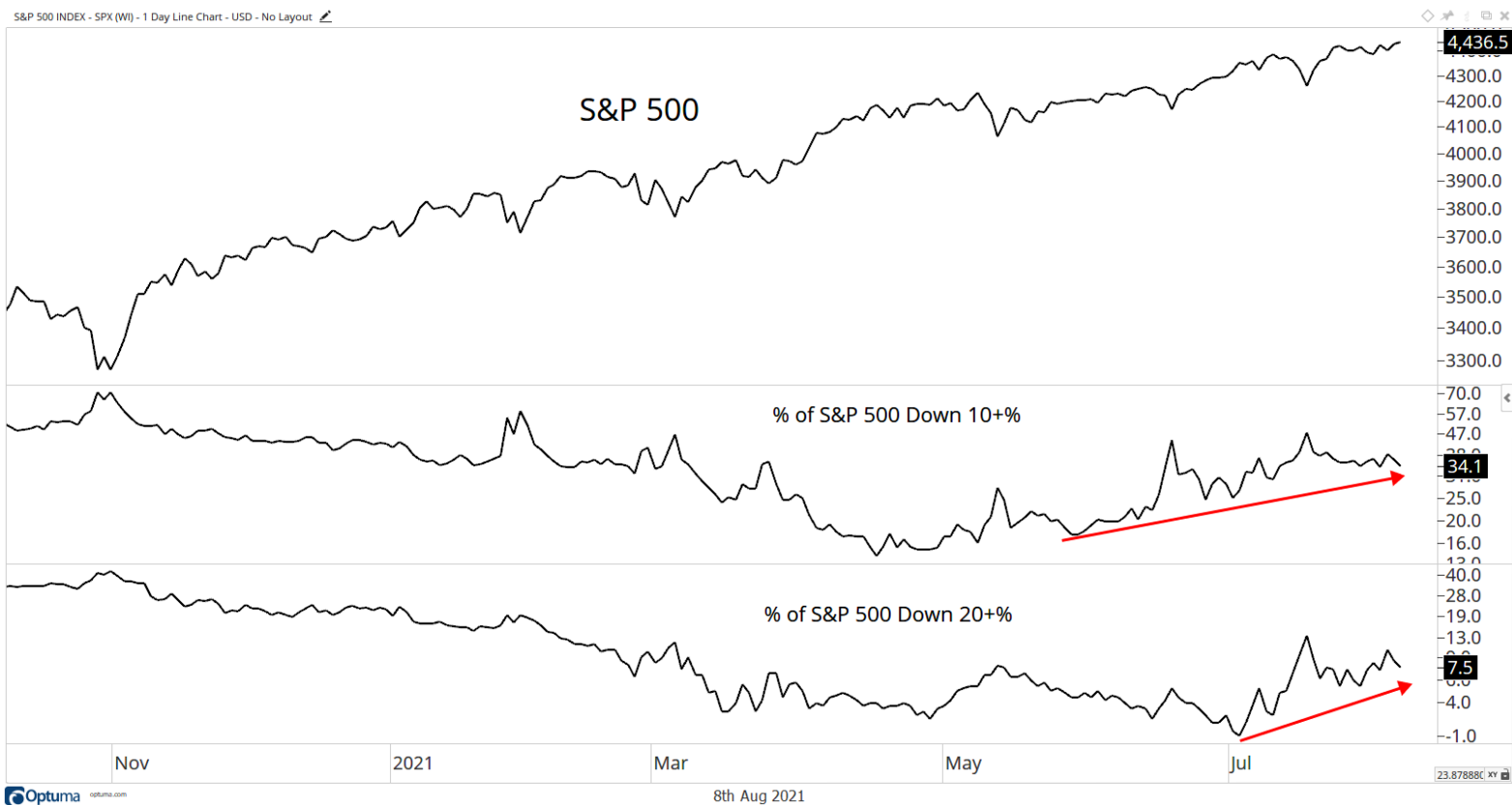


EQUITIES - DRAWDOWN



Another update on the drawdown chart for S&P 500 stocks.

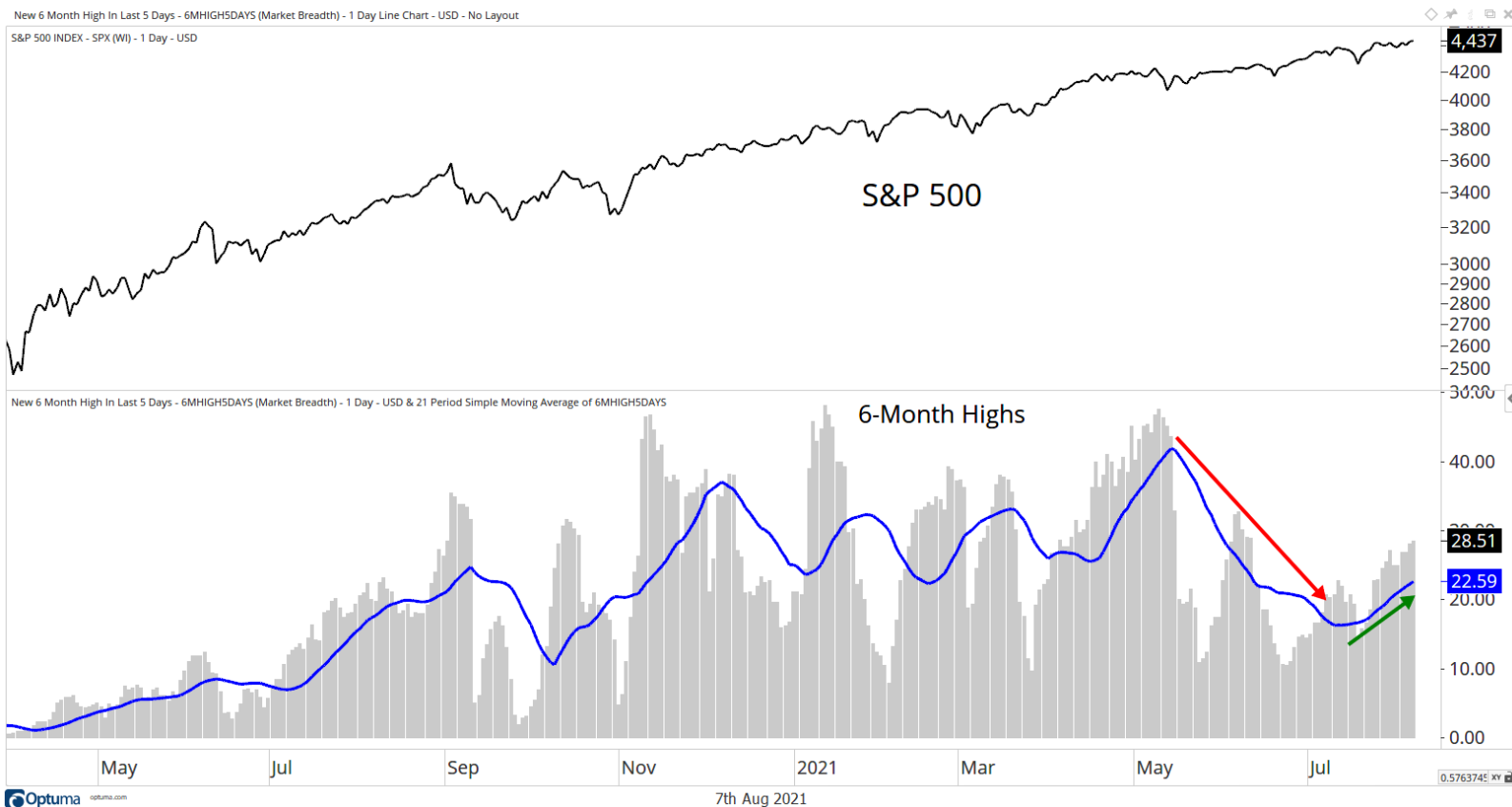
With the SPX at a new high, 34% of stocks are in a correction and 7.4% are down by 20+% from their respective highs. These trends have slowed but have not begun to decline which garners the bulk of my concern for equities right now. Last week we saw an improvement in equity breadth as far as % above moving averages but not so in drawdown.



EQUITIES - 6-MONTH HIGHS



The percentage of stocks making new 6-month highs has peaked in May. This figure has been steadily declining since then, even though the broad index was making continued new highs. This was a major concern pointing to narrowing breadth for the equity market. However, we've begun to see a steady tick higher in new 6-mont highs recently, rising to 28.5% as of Friday. It's encouraging to see this figure begin to move higher. While still well off its high, the improvement is a bullish sign.

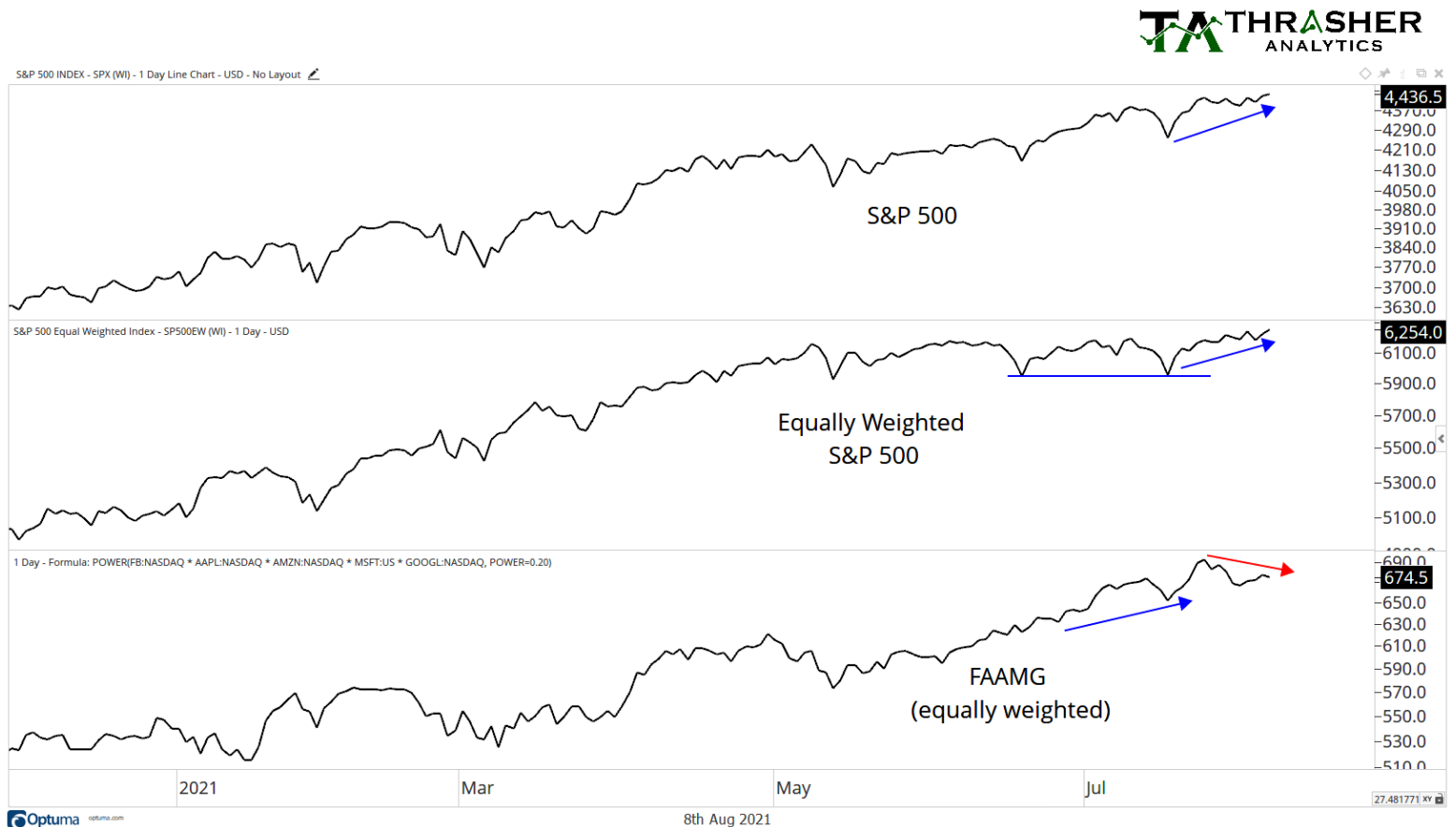


EQUITIES - LEADERSHIP



The most impressive feat of 2021 has been the consistent passing of the leadership baton.

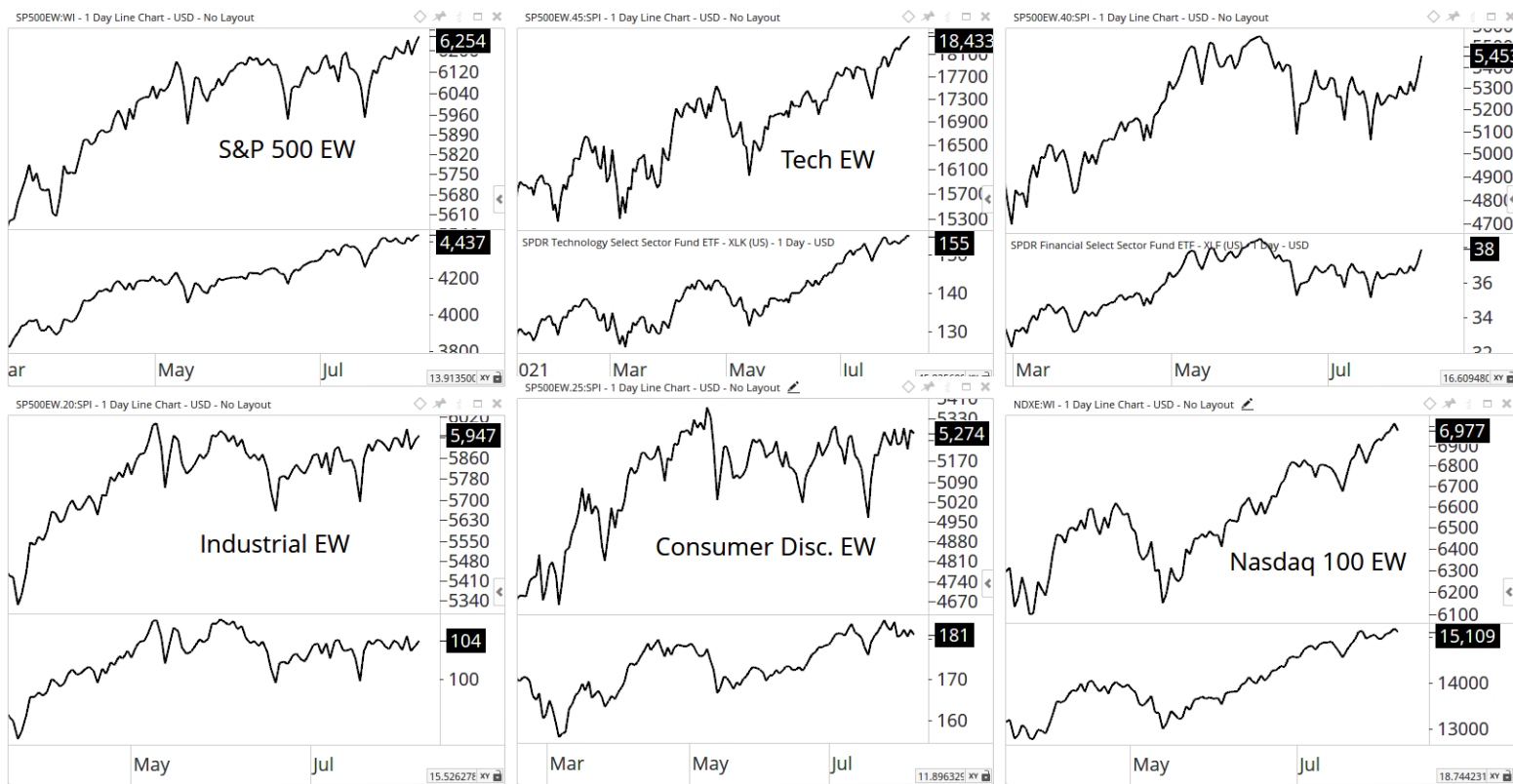
We started the year with equal weight holding the leadership title with FAAMG stocks consolidating for several months in relative performance. Then in late-June FAAMG started to lead again with the mega caps taking the baton. Last week we saw another shift back to equal-weight stocks putting in work as FAAMG names dipped. The rotation back-and-forth has held hold the broad index from dipping meaningful and sweeping the bearish concerns under the rug for the time being.



EQUITIES - EQUAL WEIGHT



Looking more closely at the equal weight performance of equities, below are the charts for S&P 500, technology, industrial, consumer discretionary, and Nasdaq 100 equal weight and cap weight. The big takeaway here is there aren't major divergences taking place here. The new highs in the SPX are being confirmed by their equal weight counterparts and the same can be said for the other 'risk on' corners of the market as well. For a period we were seeing just the mega caps lead but now the smaller capitalized stocks are beginning to carry their own water and participate as well.

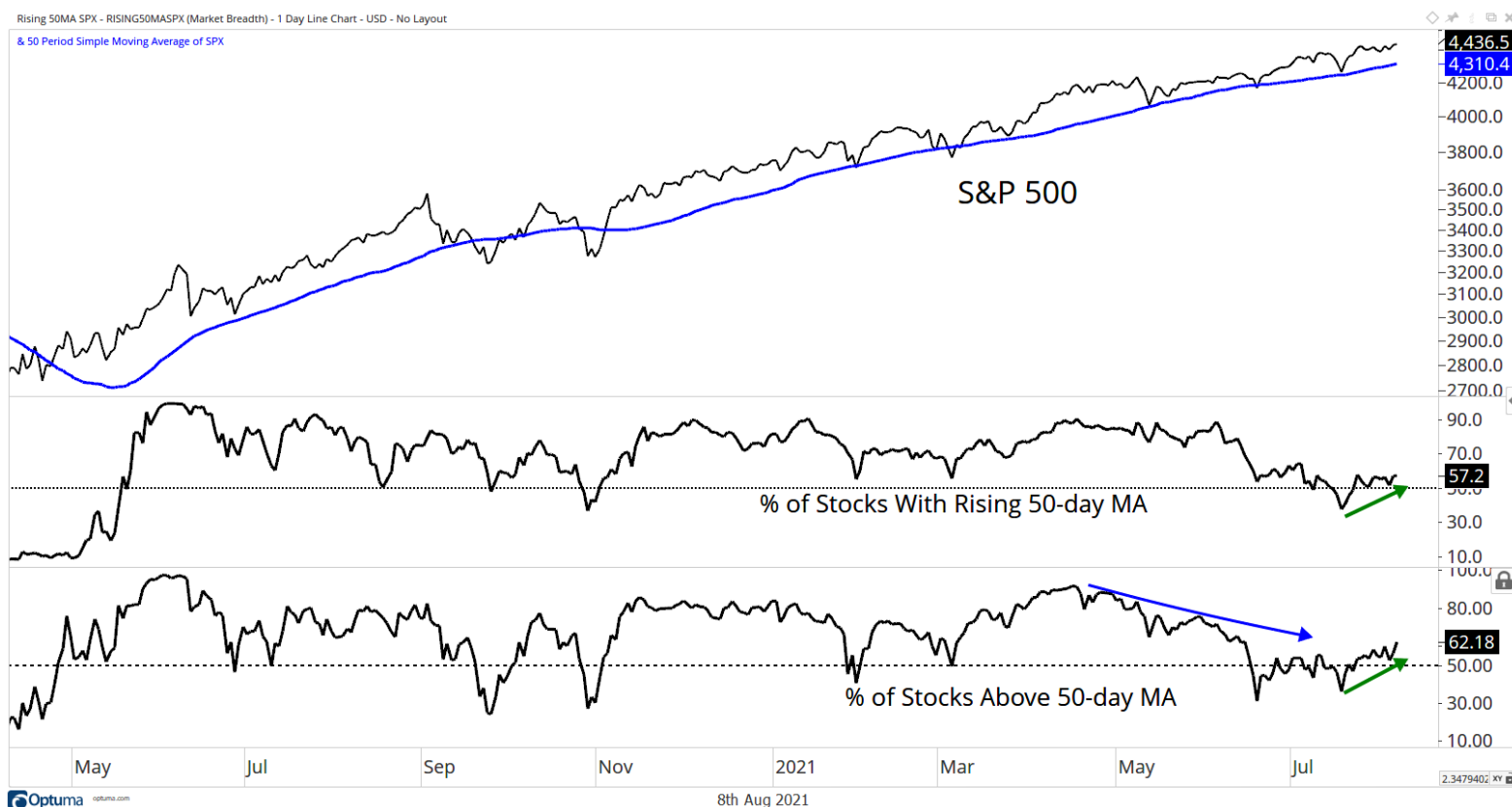


7th Aug 2021

EQUITIES - BREADTH



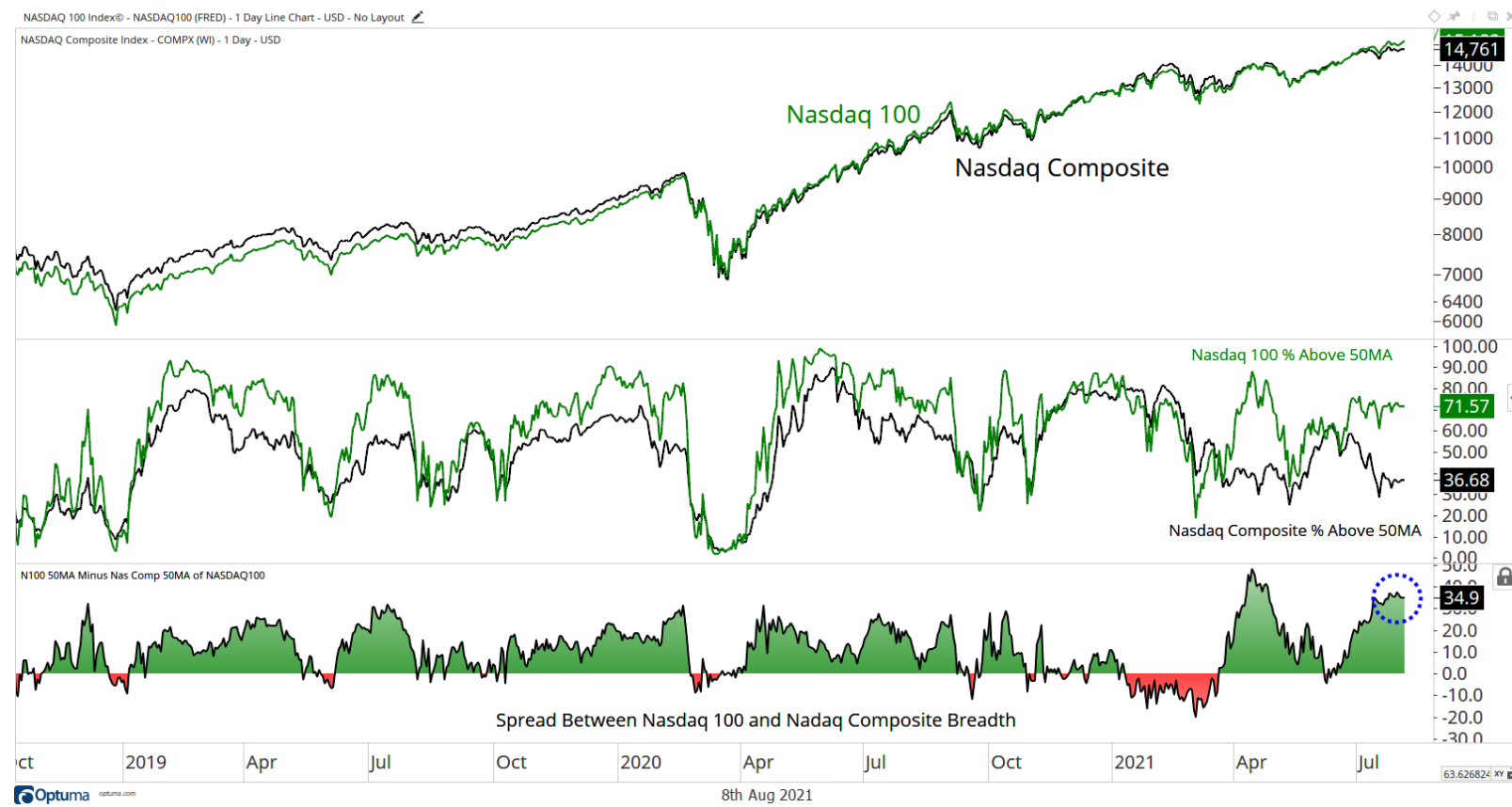
We are back to having the majority of S&P 500 stocks with rising 50-day moving averages and for the first time in several months, over 60% of stocks are trading above their own respective 50-day MA as well. This is a good improvement to a still current bearish breadth landscape. While 62.18% of stocks above the 50-% is an improvement, it's still a far cry from the 80+% we saw just a few months ago. Bulls will want to see further improvement here to continue building a bullish thesis for the up trend to remain in tact.



EQUITIES - NASDAQ BREADTH



The breadth picture for the Nasdaq 100 and the Nasdaq Composite continues to be really interesting. The mega caps, Nasdaq 100 has over 70% of stocks above the 50-MA while the more broad Composite is still stuck at under 40%. This is one of the largest spreads seen in several years and is taking pace with both indice at/near fresh highs.



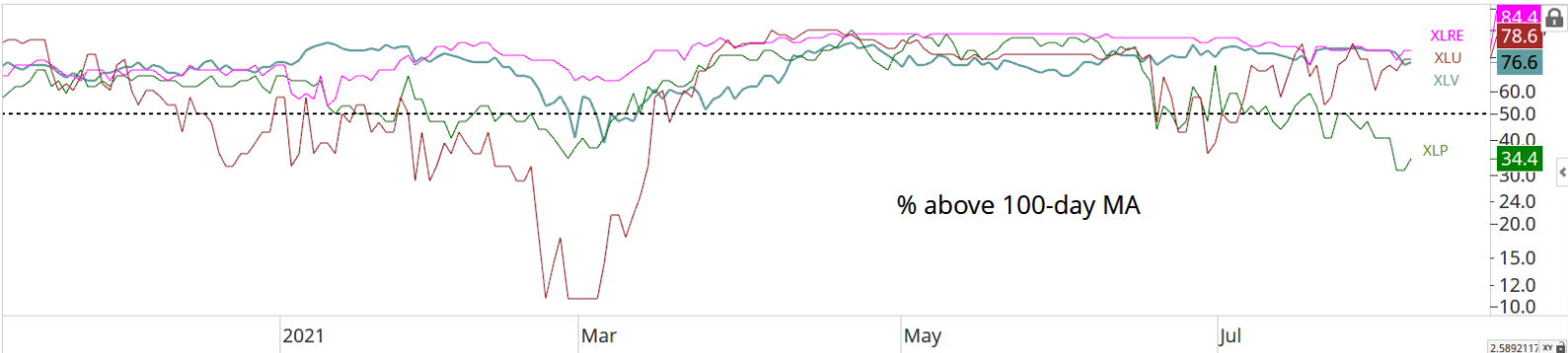
EQUITIES - SECTOR BREADTH



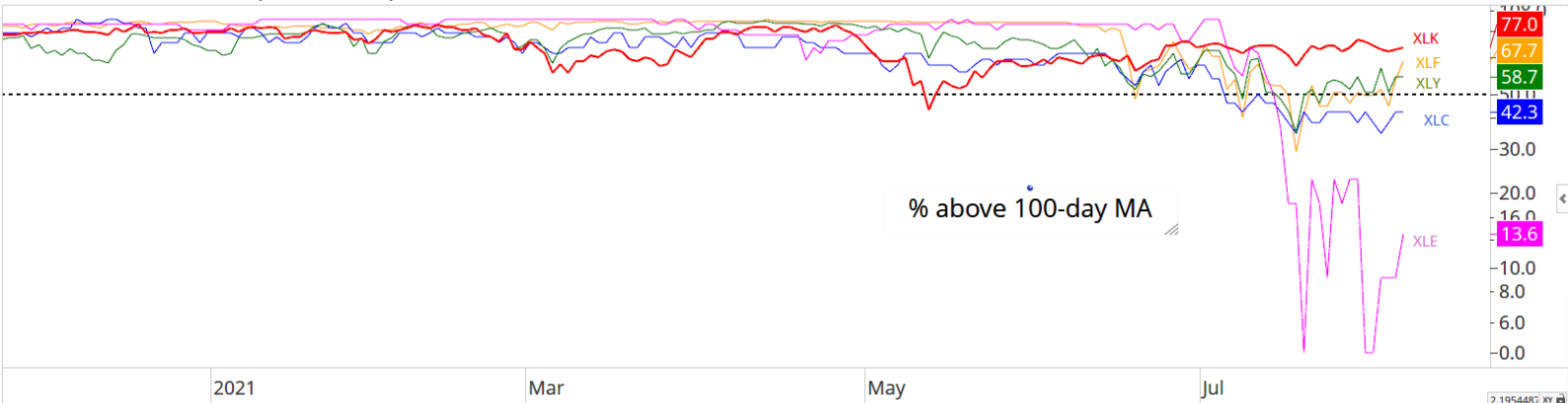
We saw good improvement last week in sector breadth with most sectors rising in % above the 100-day moving average as shown on the chart below.



XLV >100MA - XLV 100MA (Market Breadth) - 1 Day Line Chart - USD - No Layout



XLK >100MA - XLK 100MA (Market Breadth) - 1 Day Line Chart - USD - No Layout



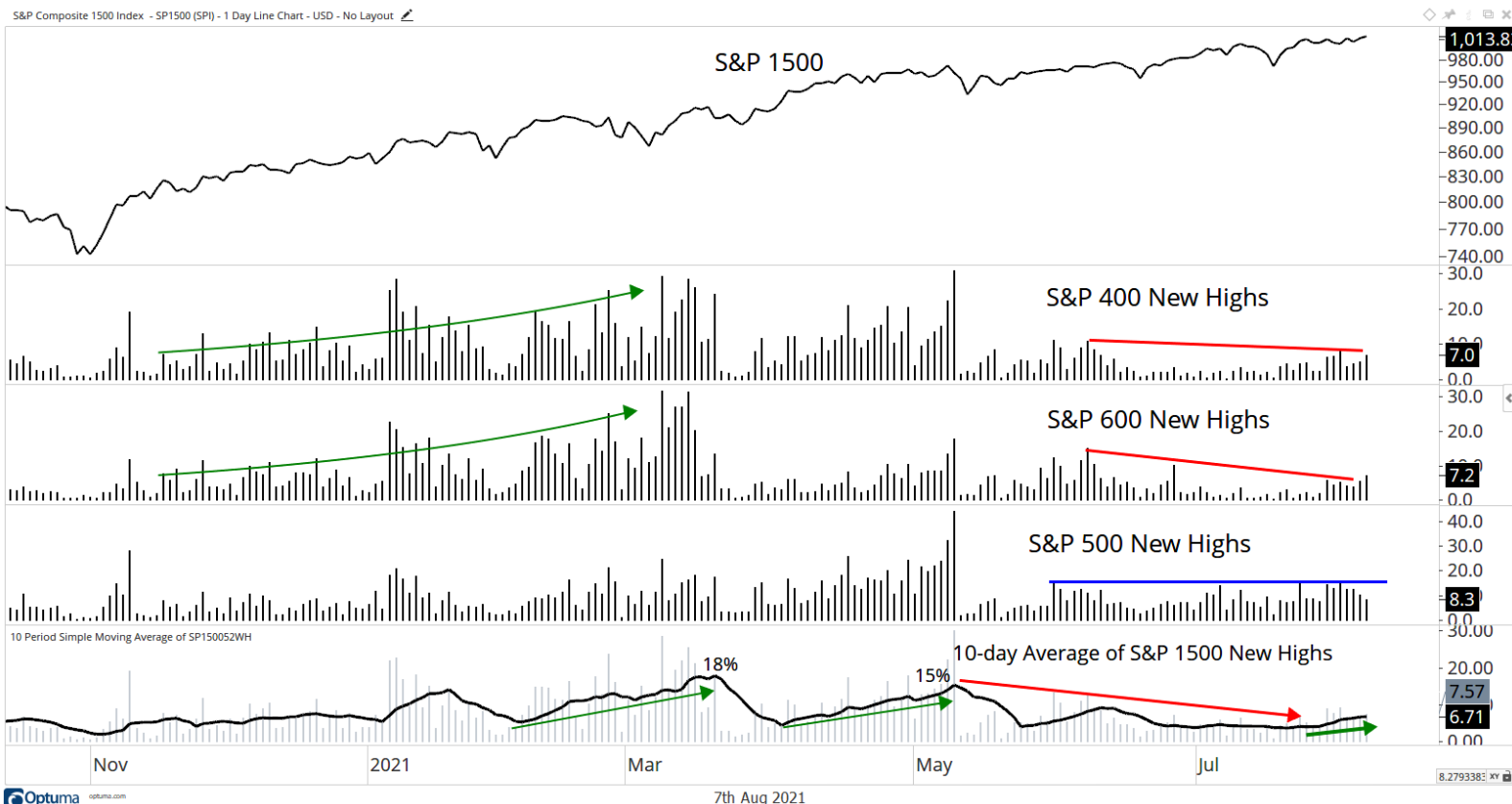
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EQUITIES - NEW HIGHS



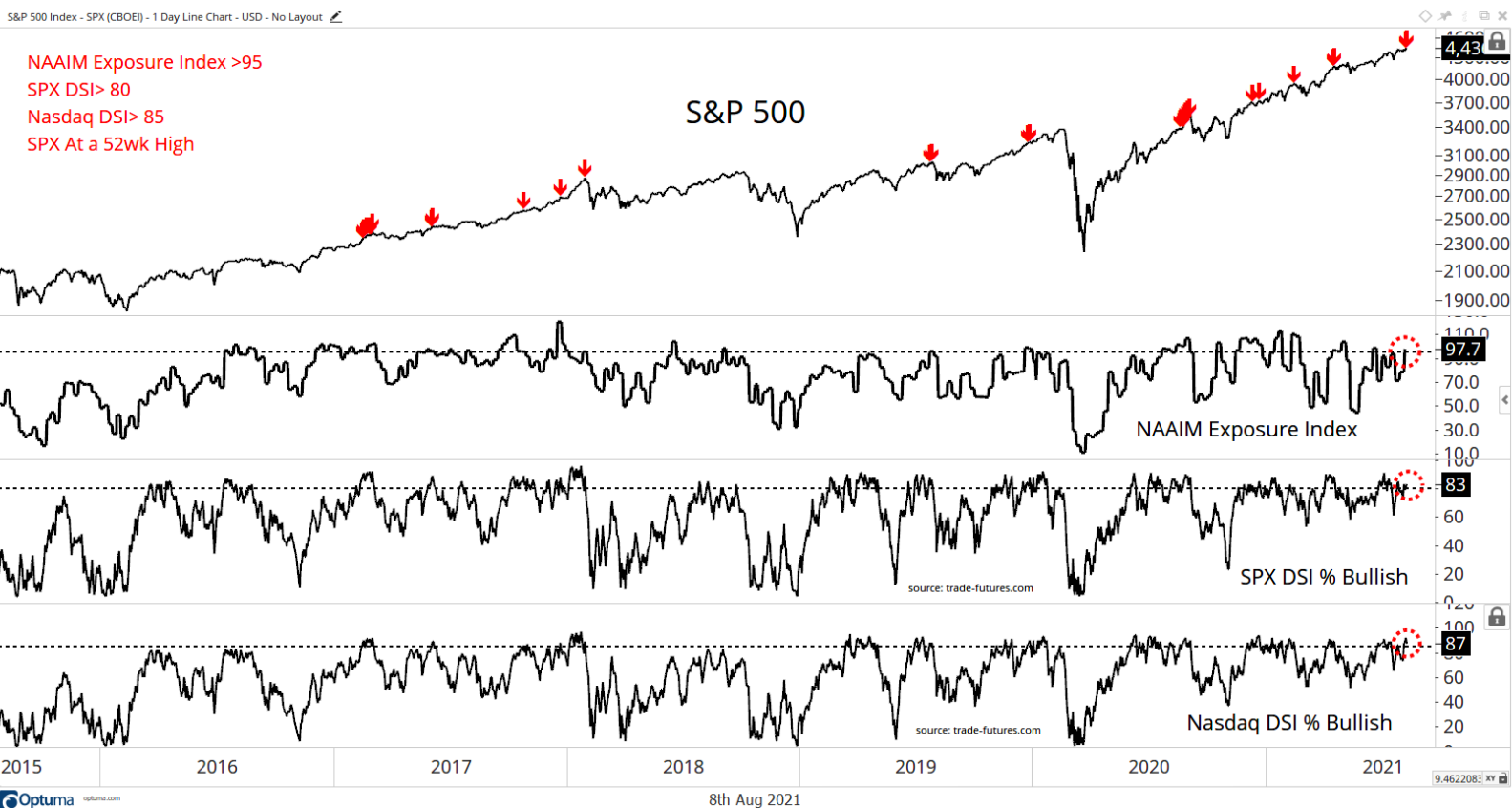
While some breadth data has seen good improvement, we still don't have major expansion in new high data. The figures have recently ticked up for small and mid caps but across the S&P 1500, we still are in the single digits.



EQUITIES - SENTIMENT



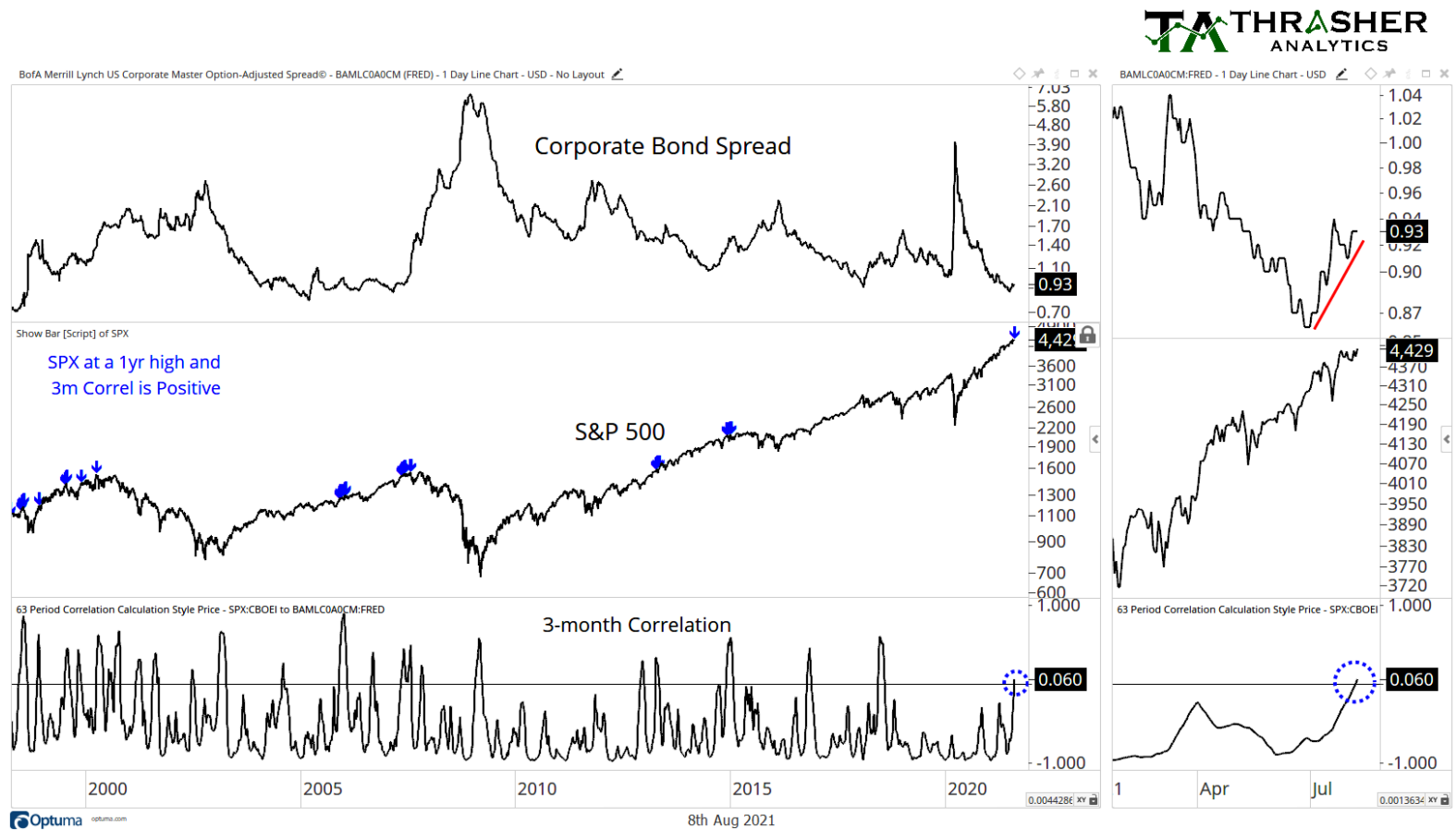
The Sentiment picture is once again getting heated. The Exposure Index of financial advisors based on NAAIM data is at 97% with Daily Sentiment % bullish for S&P 500 at 83% and Nasdaq at 87%. When we've seen this high of sentiment across these three readings, stocks have often struggled.



EQUITIES - CORP. BOND SPREAD



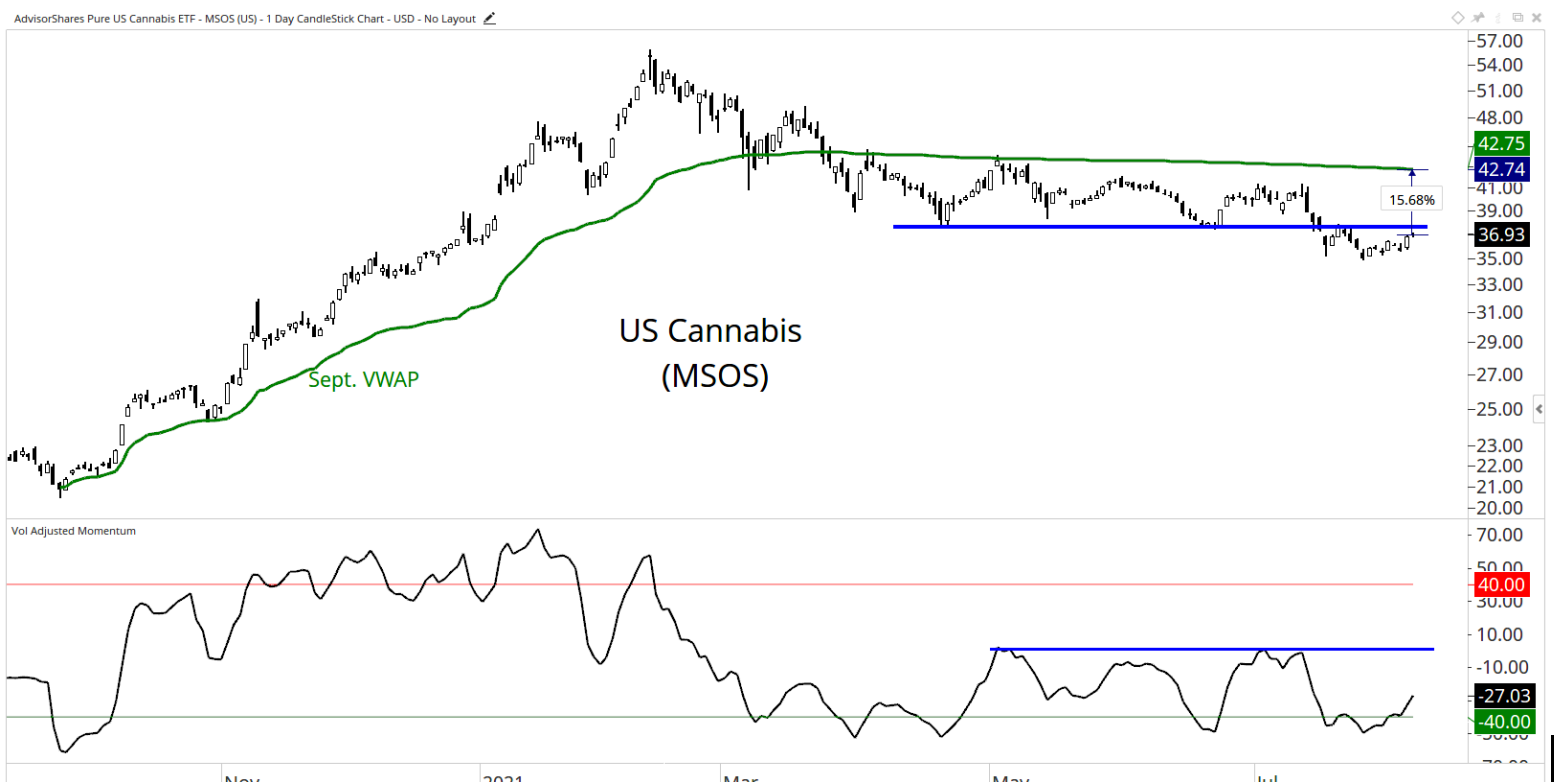
I wrote about this last week but want to address it again this week. We now have a positive correlation of corporate bond spreads and equities over the last 3-months, the first positive readings since 2018. When corp. bond spreads rise, it's often as investors get more cautious in the fixed income market and it's not often we see this level of positive correlation to equities like we have today. In fact when S&P 500 has been at a 52-week high the 3-month correlation has been positive just two other times since The Great Financial Crisis.



Cannabis stocks have been an area of interest for most of 2021 as more and more states legalize and open up new markets to these companies. This industry continues to expand and see major growth but their stocks have not responded in-kind.

This week Cannabis stocks land on the cover of Investor Business Daily and major bank analysts have been writing bullish reports looking into the second half of the year. The IBD notes, "Recreational cannabis is now legal in 18 states and the District of Columbia. Medical marijuana use is legal in 37. Legal U.S. cannabis industry sales are forecast to jump 23% to around \$22.8 billion this year, according to cannabis industry market researcher Headset." Cantor Fitzgerald analyst recently wrote, "MJ sales could double by 2023E - but keep an eye on the N template. Even without changes at the federal level, we think that the US MOS group should benefit from continued sales growth at the state level, as rec sales continue to expand in places with rec programs and new states begin rec sales or expand their med programs."

Long-term, I still think this is a major industry to be watching. Looking at the chart I'm focused on the VWAP off the September low, which is currently a little over 15% from current levels for the MSOS ETF (U.S. Cannabis ETF). Regaining the prior year lows around \$37 and then the Sept. VWAP would give me more confidence in rebound potential for cannabis stocks and signs the market is finally beginning to recognize the growth potential in this expanding industry.

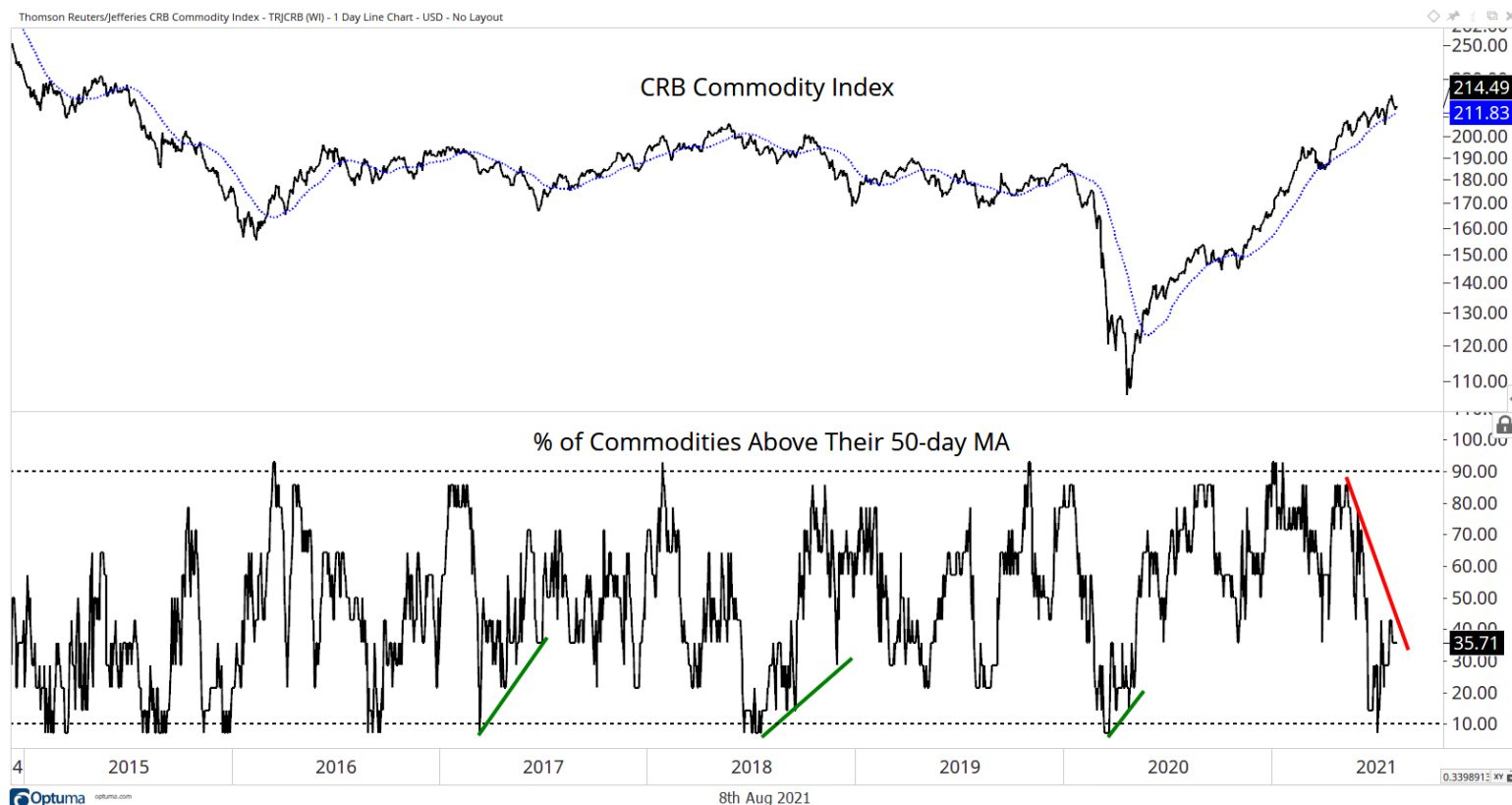


SECTORS - PERFORMANCE



Sector	> 50MA	> 200MA	1wk Perf ▼	1mo Perf	3mo Perf	12mo Perf
SPDR Financial Select Sector Fund ETF	True	True	3.67%	4.13%	0.75%	55.67%
SPDR Utilities Select Sector Fund ETF	True	True	2.24%	4.92%	2.45%	11.67%
SPDR Technology Select Sector Fund ETF	True	True	0.95%	2.94%	12.34%	34.12%
SPDR S&P 500 ETF	True	True	0.91%	2.21%	5.59%	32.35%
SPDR Real Estate Select Sector Fund ETF	True	True	0.75%	3.57%	11.63%	29.77%
SPDR Health Care Select Sector Fund ETF	True	True	0.6%	3.72%	7.89%	25.33%
SPDR Communication Services Select Sector ETF	True	True	0.51%	1.07%	6.6%	38.03%
SPDR Consumer Discretionary Select Sector Fund ETF	True	True	0.32%	-0.19%	2.82%	29.14%
SPDR Energy Select Sector Fund ETF	False	True	0.24%	-6.43%	-6.04%	33.34%
SPDR Industrial Select Sector Fund ETF	True	True	0.17%	1.21%	-0.68%	40.17%
SPDR Materials Select Sector Fund ETF	True	True	0.14%	3.05%	-3.3%	36.81%
SPDR Consumer Staples Select Sector Fund ETF	True	True	-0.8%	1.87%	0.42%	12.3%

I wrote last week how the breakdown in emerging markets was cause for concern about commodities. This week I want to look at breadth for the broad commodity index, specifically at the number of commodity future markets that are trading above the 50-day MA. A few months ago over 80% of commodities were above the 50-MA but now we have less than 40%. Many commodities have already broken down, energy markets primarily are what's left holding up the index at this point. The winds have shifted and are blowing against the broad commodity market and seasonality is no longer a bullish catalyst for commodities over the next few weeks. From here I'm watching of the CRB can hold its own 50-MA which is just a few dollars below its Friday close.



Gold was looking good until Friday's big drop to the prior swing low. The \$1760 level has been key support for several months, so I'm watching to see if it holds here. I wrote last week that commodities look vulnerable and gold isn't necessarily immune from that. The 50-day MA clearly brought in sellers so a test and break of that level is what the bulls now set as their target from here.



DAILY SENTIMENT INDEX



Code	% Bullish ^	5-day MA	History
VIX DSI	11	17	
Platinum DSI	14	25	
Gold DSI	16	28	
Lumber DSI	17	22	
Silver DSI	21	32	
Palladium DSI	22	27	
Soybean DSI	28	22	
Yen DSI	29	36	
Copper DSI	31	37	
Cattle DSI	33	36	
Corn DSI	35	25	
Cocoa DSI	39	37	
British Pound DSI	40	42	
Australian Dollar DSI	40	43	
Nikkei DSI	43	41	
Euro DSI	43	51	
CRB Index DSI	43	41	
Wheat DSI	53	54	

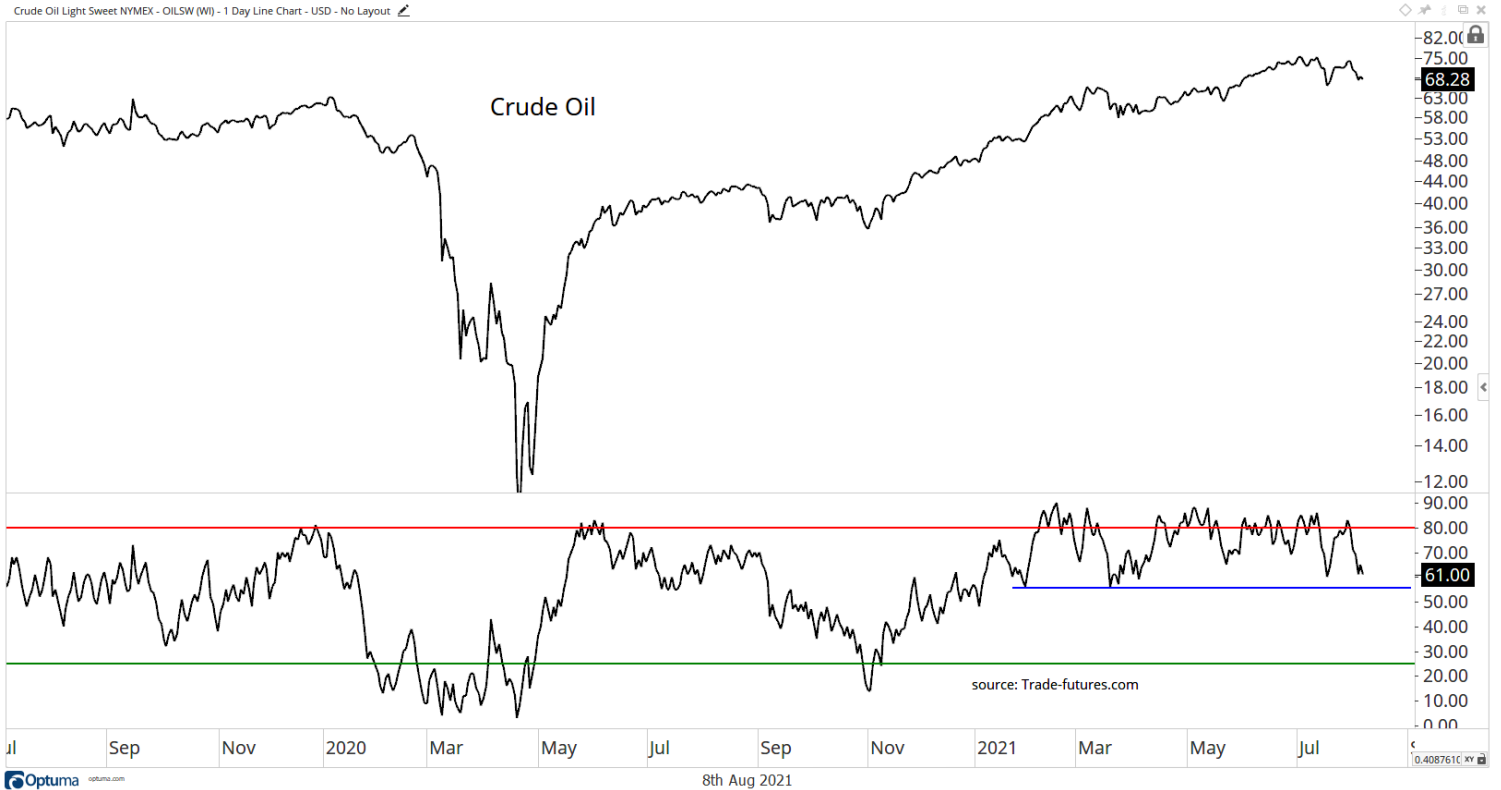
Code	% Bullish ^	5-day MA	History
Swiss Franc DSI	59	68	
Heating Oil DSI	60	65	
Coffee DSI	60	59	
US Dollar DSI	61	55	
Crude Oil DSI	61	65	
Gasoline DSI	63	69	
Mexican Peso DSI	64	67	
Lean Hog DSI	65	68	
EuroDollar DSI	65	65	
Cotton DSI	68	65	
Bitcoin DSI	71	64	
Orange Juice DSI	72	64	
Sugar DSI	73	68	
10Y DSI	77	84	
5YR DSI	77	79	
SPX DSI	83	80	
Natural Gas DSI	85	85	
Nasdaq DSI	87	86	

Source: trade-futures.com

DAILY SENTIMENT INDEX



DAILY SENTIMENT INDEX



DAILY SENTIMENT INDEX



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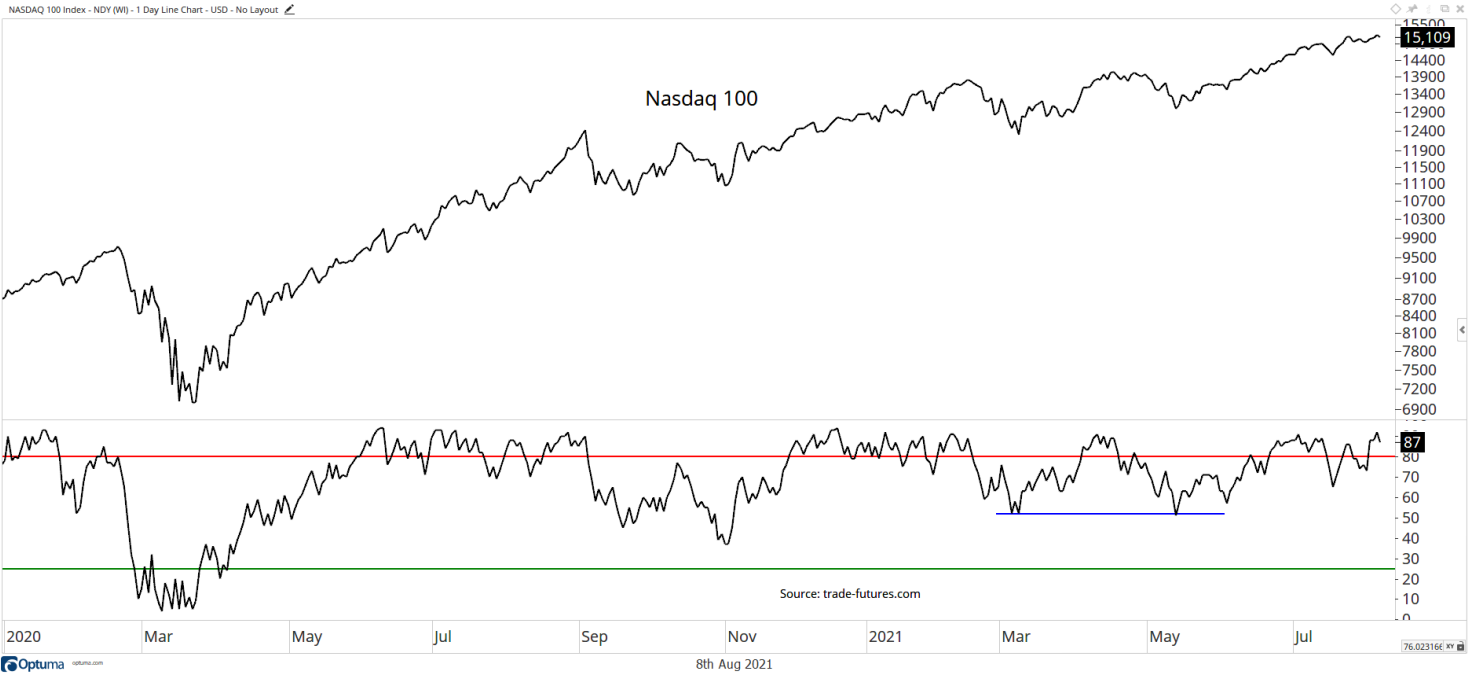
Gold Futures - GCSpot (NYMEX) - 1 Day Line Chart - USD - No Layout



DAILY SENTIMENT INDEX



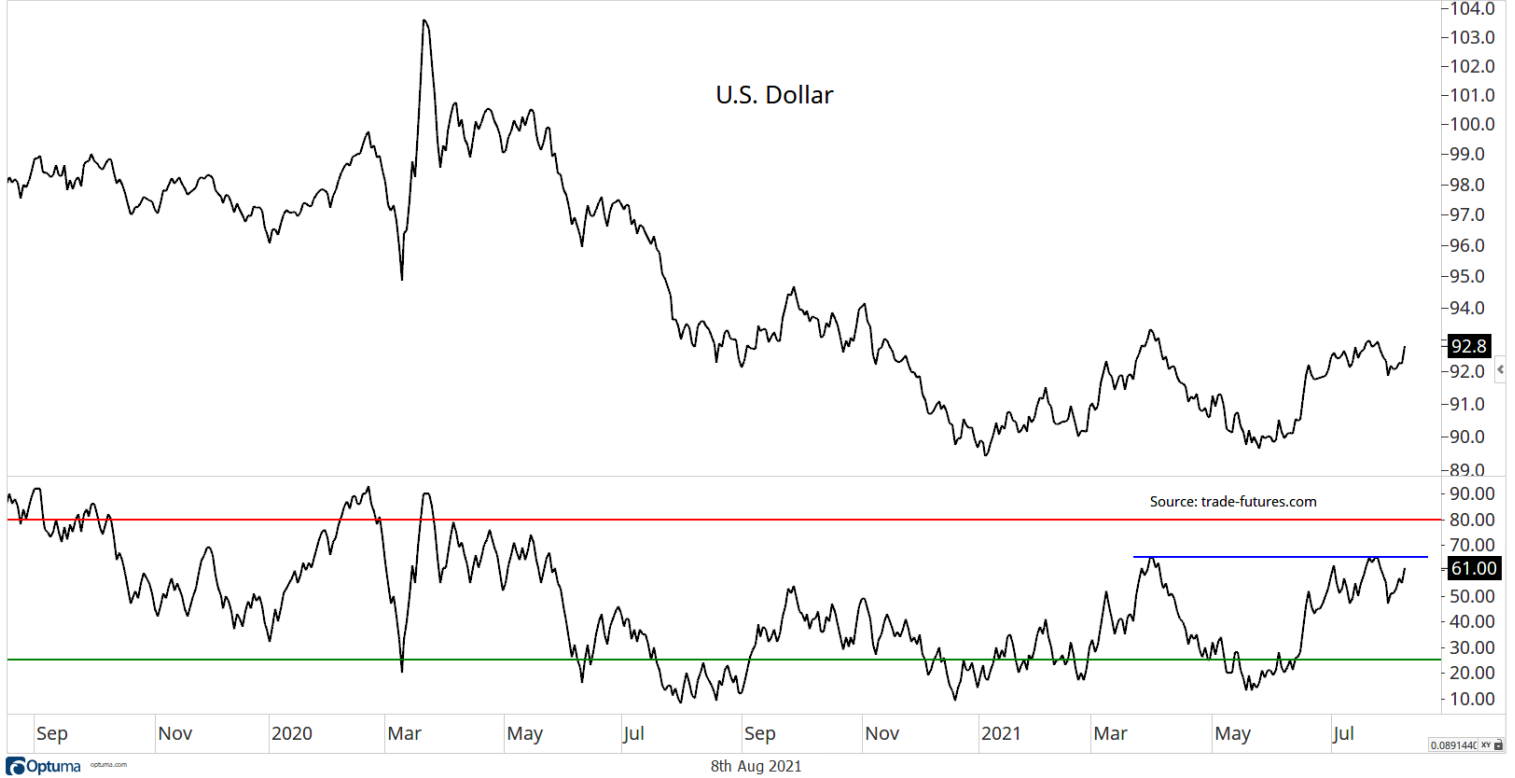
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DAILY SENTIMENT INDEX



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



DAILY SENTIMENT INDEX



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



DAILY SENTIMENT INDEX



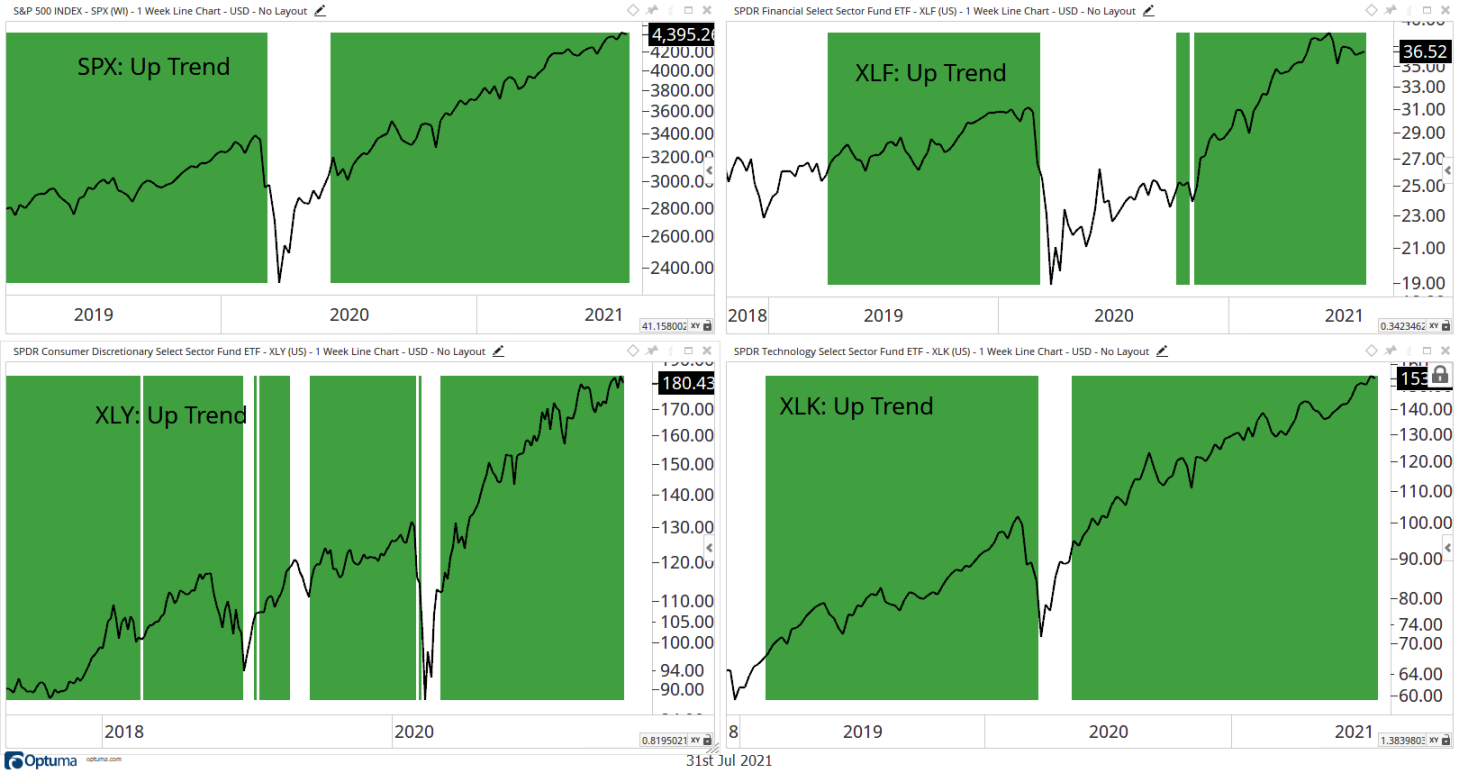
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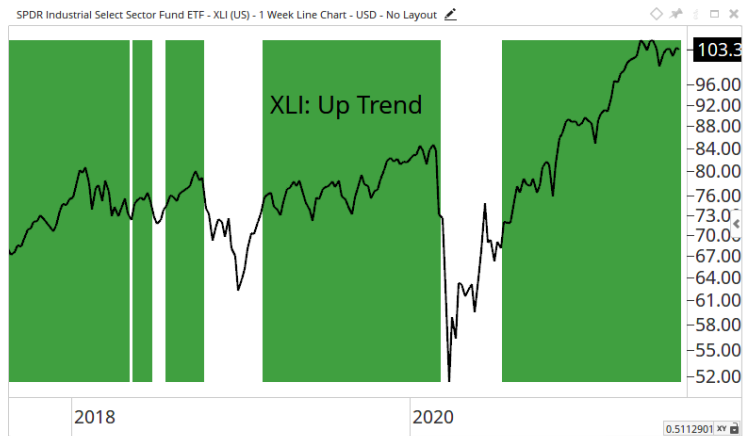
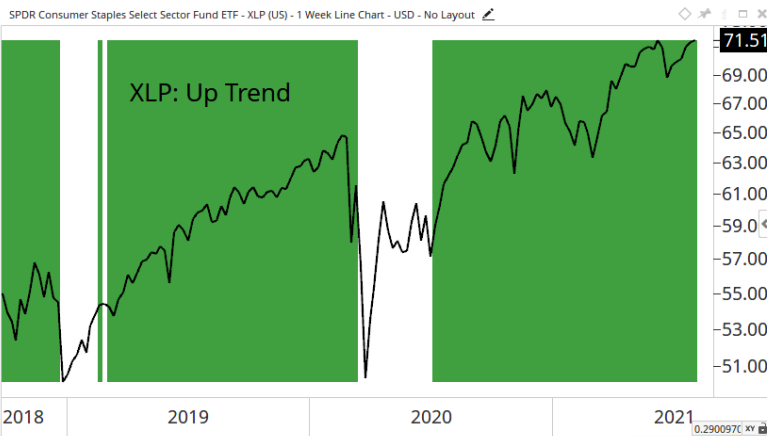
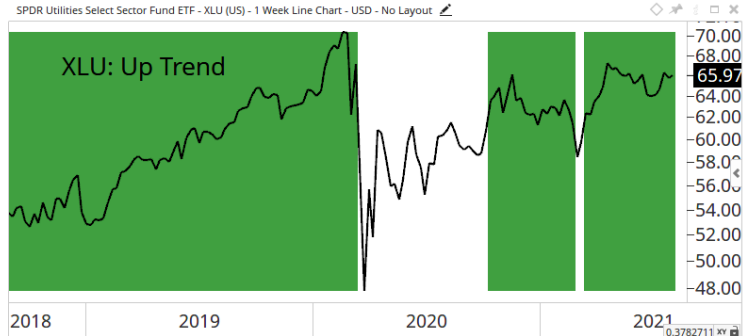
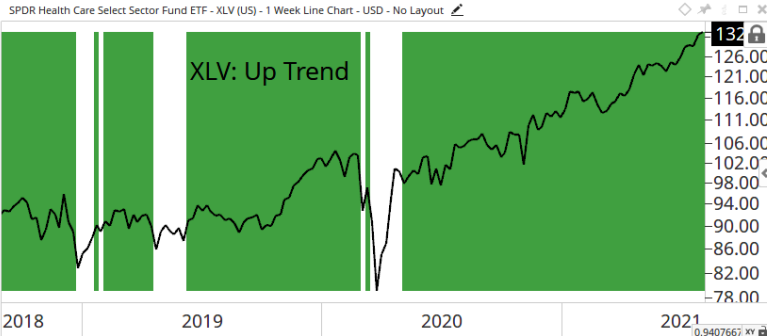
TREND MODELS



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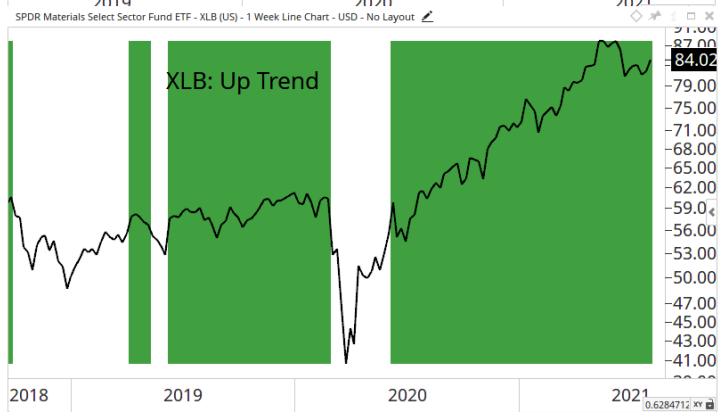
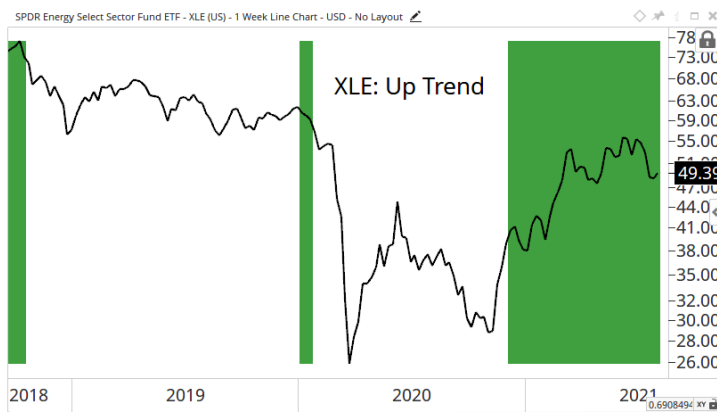
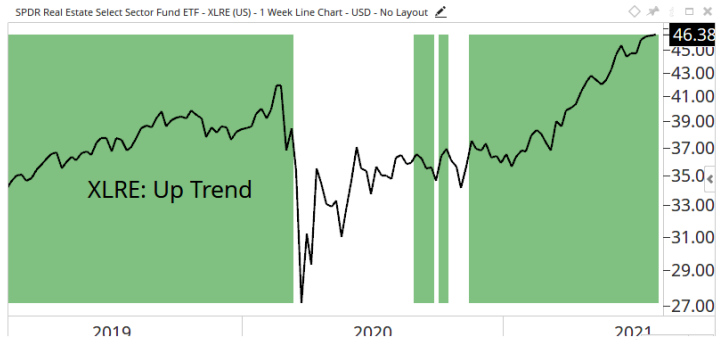
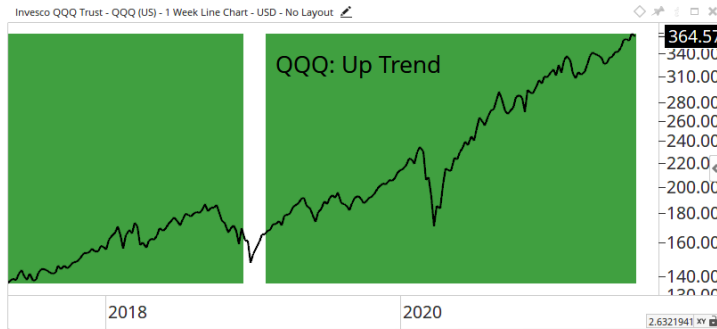
TREND MODELS



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TREND MODELS



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