

TA THRASHER ANALYTICS

AUGUST 15, 2021



WEEKLY RESEARCH & ANALYSIS

BY ANDREW THRASHER, CMT

Bullish

- Trend Model remains positive for all sectors and indices.
- The Market Health Report remains supportive.
- Industry breadth improves.
- short-term breadth improving.
- Bullish setup for Euro.

Bearish

- Poor Sector Leadership
- Frothy sentiment.
- long-term breadth weakening.
- Drawdown list expanding.
- Bearish setup for commodities.
- Bearish setup for U.S. Dollar.
- Elevated equity sentiment.

TABLE OF CONTENTS

Volatility

Equities

Market Health Report

Sector

Commodity

Currency

Sentiment

Trend Models

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	
Breadth	3
Momentum	4
Sentiment	2
Trend	1
Volatility	2
Total	12

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	85%	82%
Nasdaq 100	89%	87%
Nikkei	51%	51%
VIX	12%	10%
10yr Treasury	75%	70%
5yr Treasury	75%	74%
CRB Index	61%	61%
Gold	24%	16%
U.S. Dollar	55%	62%

*Green <25% Red >80%

source: trade-futures.com

Brief Summary:

Last week we saw good improvement in S&P 1500 industry breadth and % of stocks above the 20-day and 50-day moving averages but we still have a notable lower-high stocks above the 200-day moving average as well as a growing list of stocks down 20+%. Rotation has been the lifeblood of this dip-buyers market and I discussed on Fox Business last week how we've been up 58 straight weeks without a test of the 40-week moving average, one of the longest since 1950.

The most interesting charts right now are volatility and commodities. VVIX is rising while VIX is falling, creating a negative correlation that's often led to higher a higher spot VIX. Meanwhile (not shown) the spread between spot and 3-month vol is one of the widest on record as we approach August volatility expiration. this means we need to a sizable move in the futures market to close that gap by expiration. For commodities, the Canadian Dollar has a great track record as a leading indicator of trend direction for commodities and it peaked back in June. Commercial Traders in Wheat have pushed shorts to over 30,000 which has led to lower prices in the past. I think the trade few are expecting as inflation is the current siren song of the market, is actually for commodity prices to come fall. It seems no one else is talking about this.

I also give two sneak peaks at two new indicators and sections of the letter I'll be rolling over very very soon! I can't wait to finish the deep dive write ups on these two so I can share them and begin including the data each week. Game changers for sure!

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 old version of the VRT is back to a high signal level, matching where it was before the most recent uptick in volatility. However, my focus is squarely on VRT 2.0 which as I said, is still below a signal level. While we don't have a signal from VRT 2.0 there's still some very interesting developments in volatility I'll be covering later in the letter.



COMING SOON!



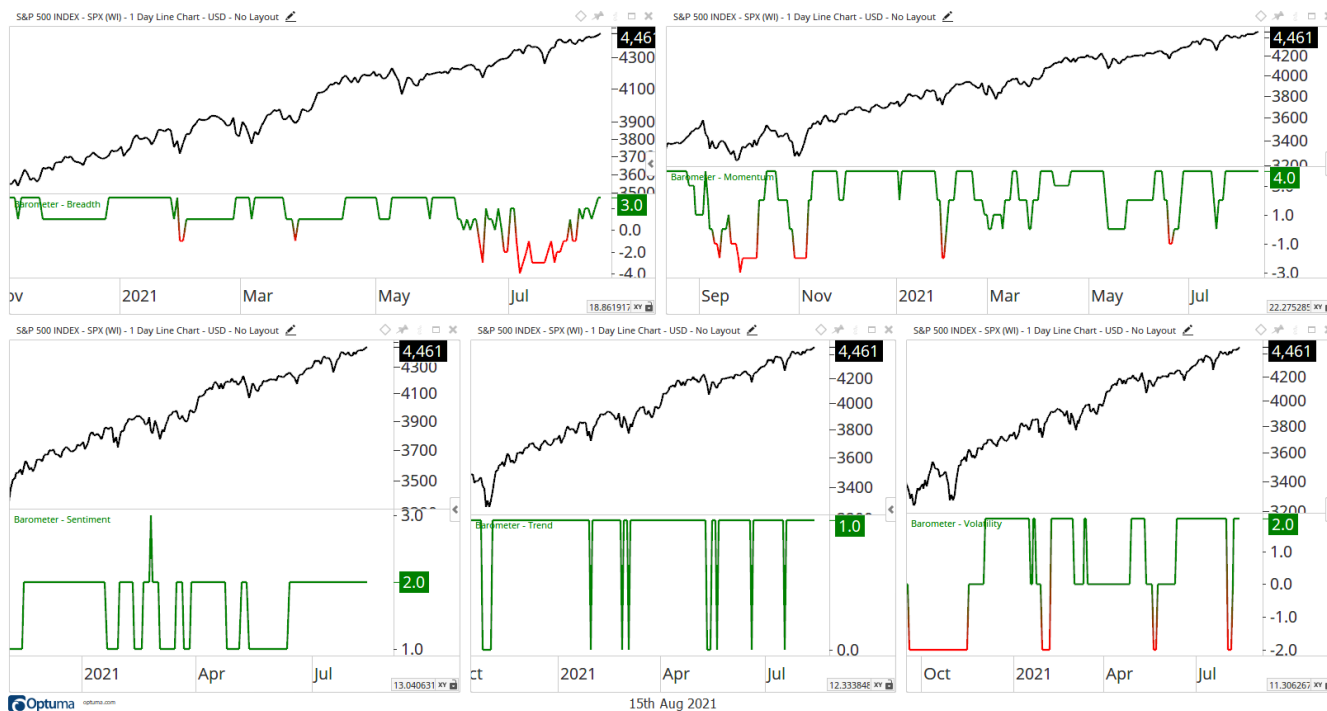
In the next week or two I'll be adding another section of the Thrasher Analytics letter that gives more quantitative looks at volatility in addition to the VRT 2.0. I'll give more details soon but this tool will identify low and high volatility environments/regimes as well as high probability turning points higher (via VRT 2.0) and lower (a new indicator). I'm look forward to sharing more about this with you shortly!



MARKET HEALTH REPORT



The Market Health Report (MHR) finished the week up to +12. Breadth data continued to improve last week and we now have all 5 categories back in positive territory.

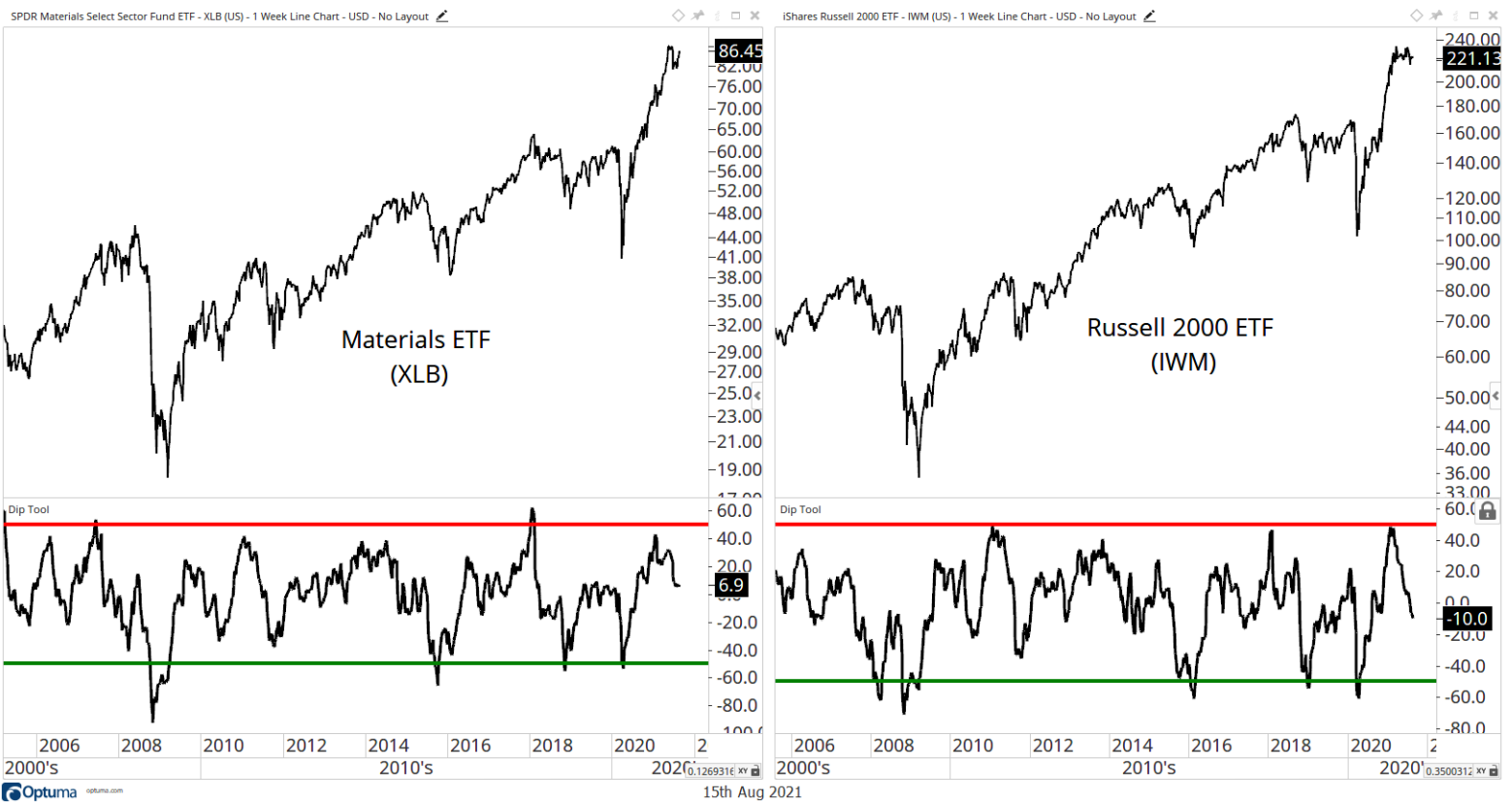


SNEAK PEAK: MARKET SCORES



The tool I've been building has been done I've just needed to finish doing an extensive write up. Until then, I wanted to share an example chart with you. I'll be in to much greater detail of what this tool is but until then, below is the weekly chart of XLB and IWM with the new tool in the bottom panel.

I'll be sharing the data of this indicator on ETFs, global indices, commodities, major indices while highlighting each week the key chart setups. This will become a major section of the Thrasher Analytics letter and along with the Market Health Report, VRT 2.0, and the soon-to-be-released Volatility chart I shared earlier, the letter will give you a near complete 360-degree look at the market and where potential risks as well as opportunities potentially can be found from an entirely quantitative - non-emotional or biased - viewpoint.



EQUITIES - S&P 500 DAILY



In the [Fox Business interview](#) I did last week, I mentioned how we have gone 58 weeks without the weekly low breaching the 40-week (200-day) moving average. this is the third longest streak in over two years (exceeded in 2014 and 2017). I've written before how strong dip buyers have been. We saw that continue last week with another new high in SPX.

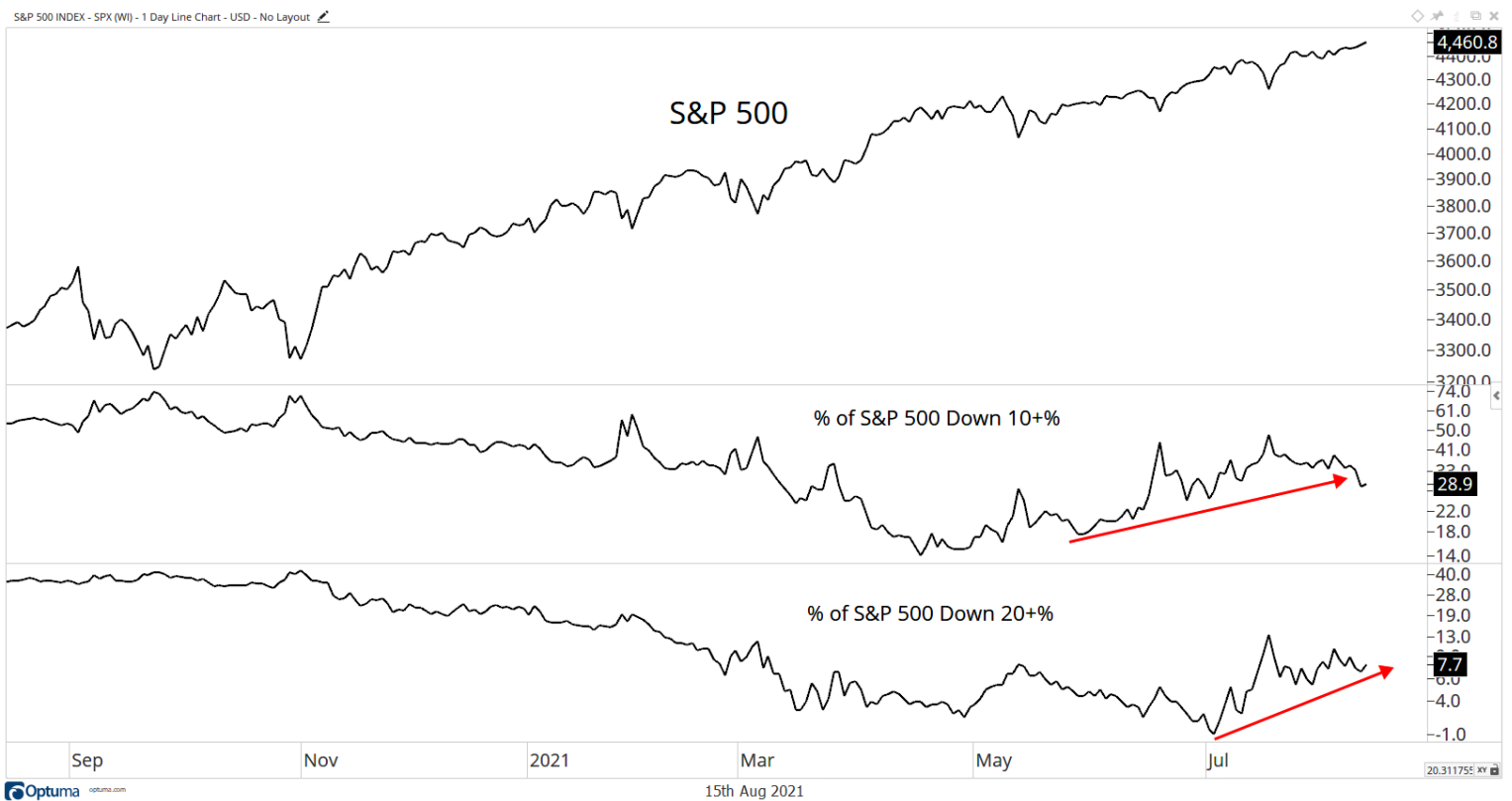


EQUITIES - DRAWDOWN



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

With the SPX at a new high, 29% of stocks are in a correction and 7.7% are down by 20+% from their respective highs. The % down 10% has declined but we see a move higher in the number down 20%, even though we had another new SPX high. Each new high in the SPX since the start of July has come with a higher-high in % of stocks down at least 20%. So far this hasn't mattered, the near-perfection execution of rotation has been like a shiny object dangled in front of a baby distracting it from the rest of the world, in this case the rest of the world is the 145 large cap stocks in a correction.

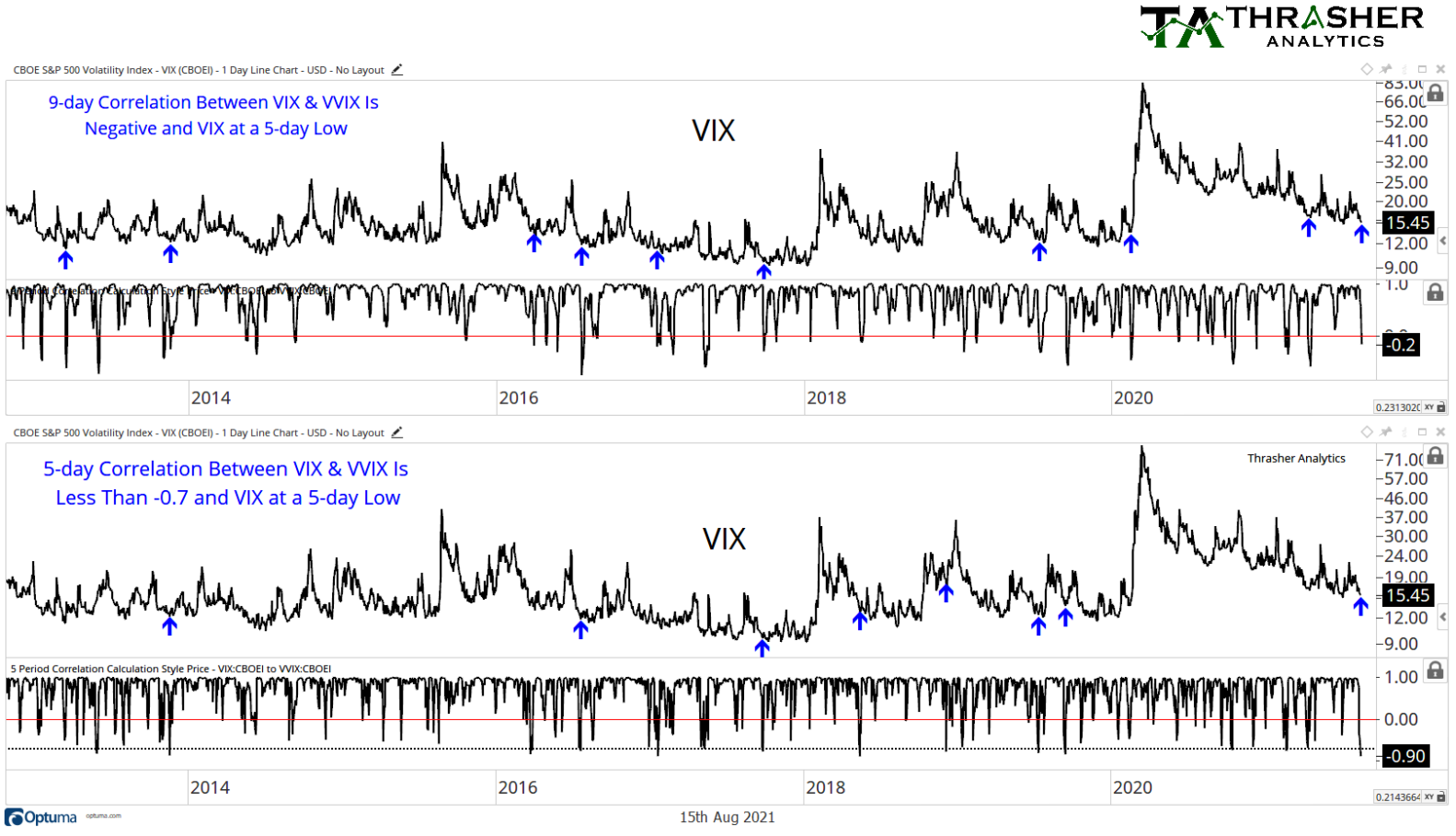


VOLATILITY - VVIX - 1



I have two VIX-related charts to share this week. The first, shown below, is the breakdown in correlation between the VIX and VVIX (VIX of the VIX). These two typically move in near-lockstep with one another but have recently diverged. The VVIX is moving higher while the VIX is at a multi-day low. Below is the 9-day and 5-day correlation charts with blue arrows when correlation has turned negative (for 9-day correl) and gone under -0.7 (for 5-day correl).

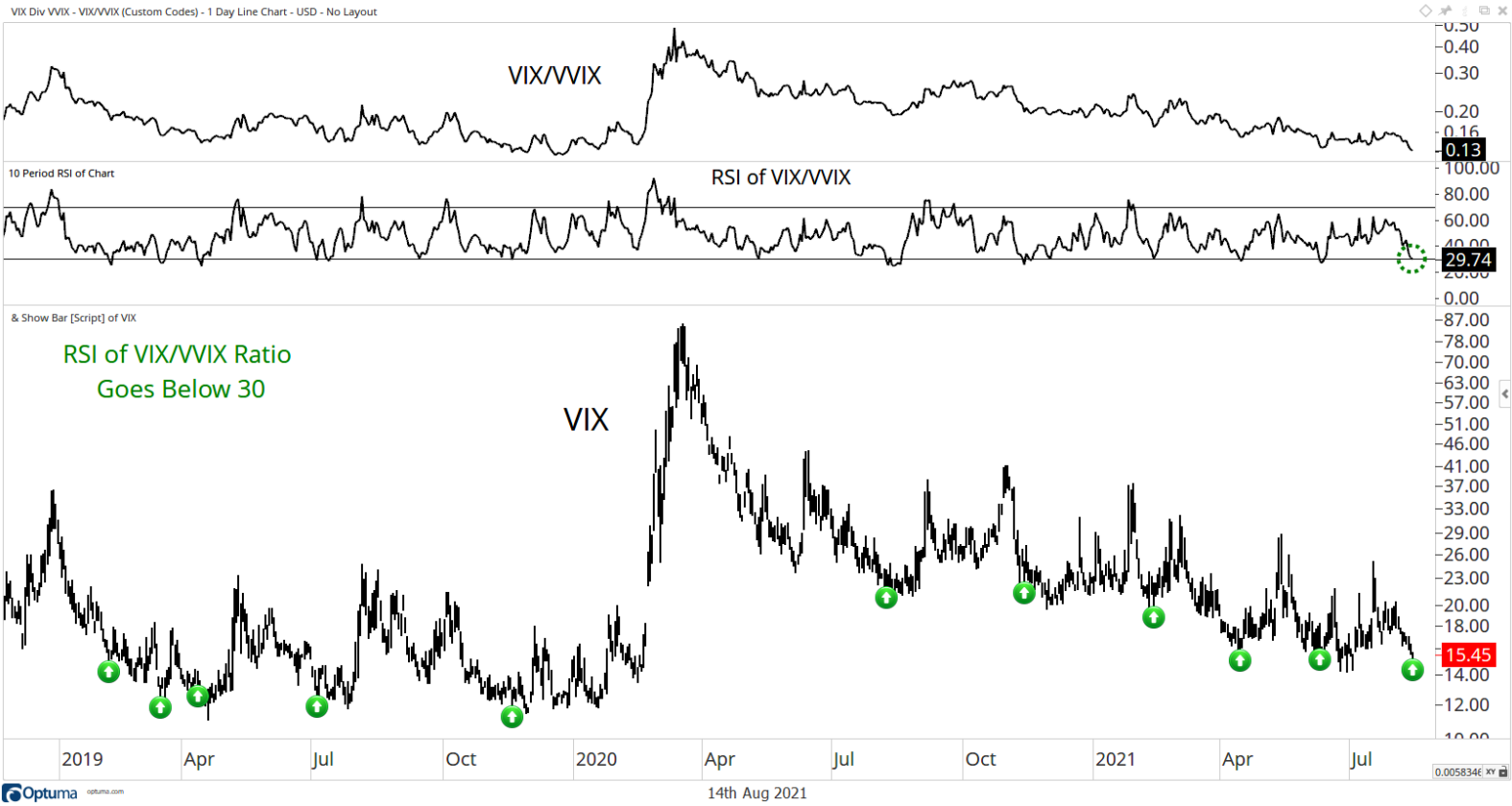
The often result of a breakdown in correlation is higher volatility seen soon after.



VOLATILITY - VVIX -2



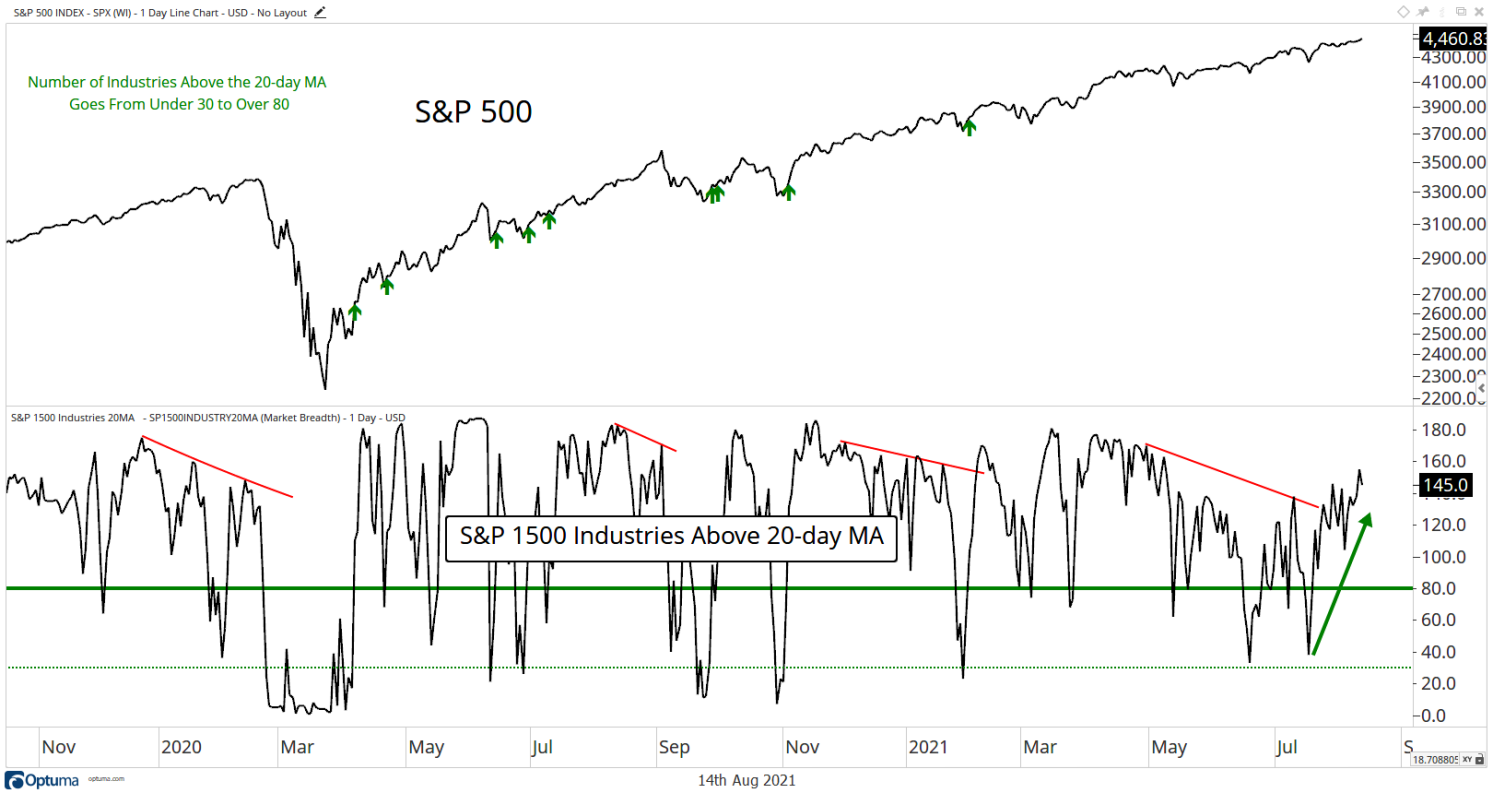
Along with the breakdown in short-term correlation between VIX and VVIX, the ratio of the two is now "oversold" based on a 10-day RSI. Because of the historically high correlation of these two, their ratio doesn't see extreme high or low momentum readings very often. But when it's become 'oversold' in the past, volatility has picked up as shown by the green arrows.



EQUITIES - INDUSTRY BREADTH



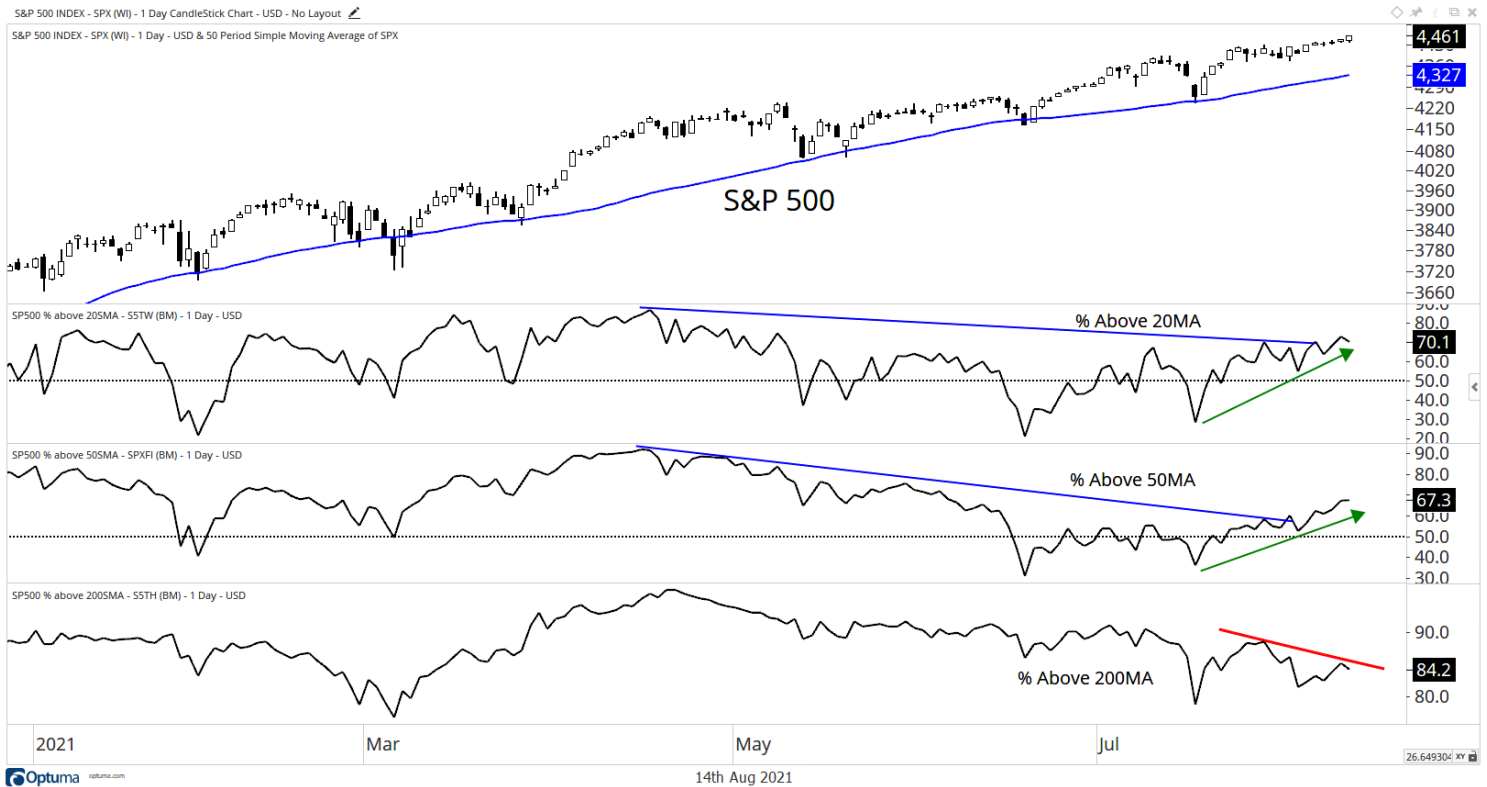
For several weeks we saw a breakdown in breadth for the S&P 1500 industries. Since the July dip the rebound has brought with it a majority of industries back above the 20-day moving average, a bullish sign for the overall market.



EQUITIES - BREADTH



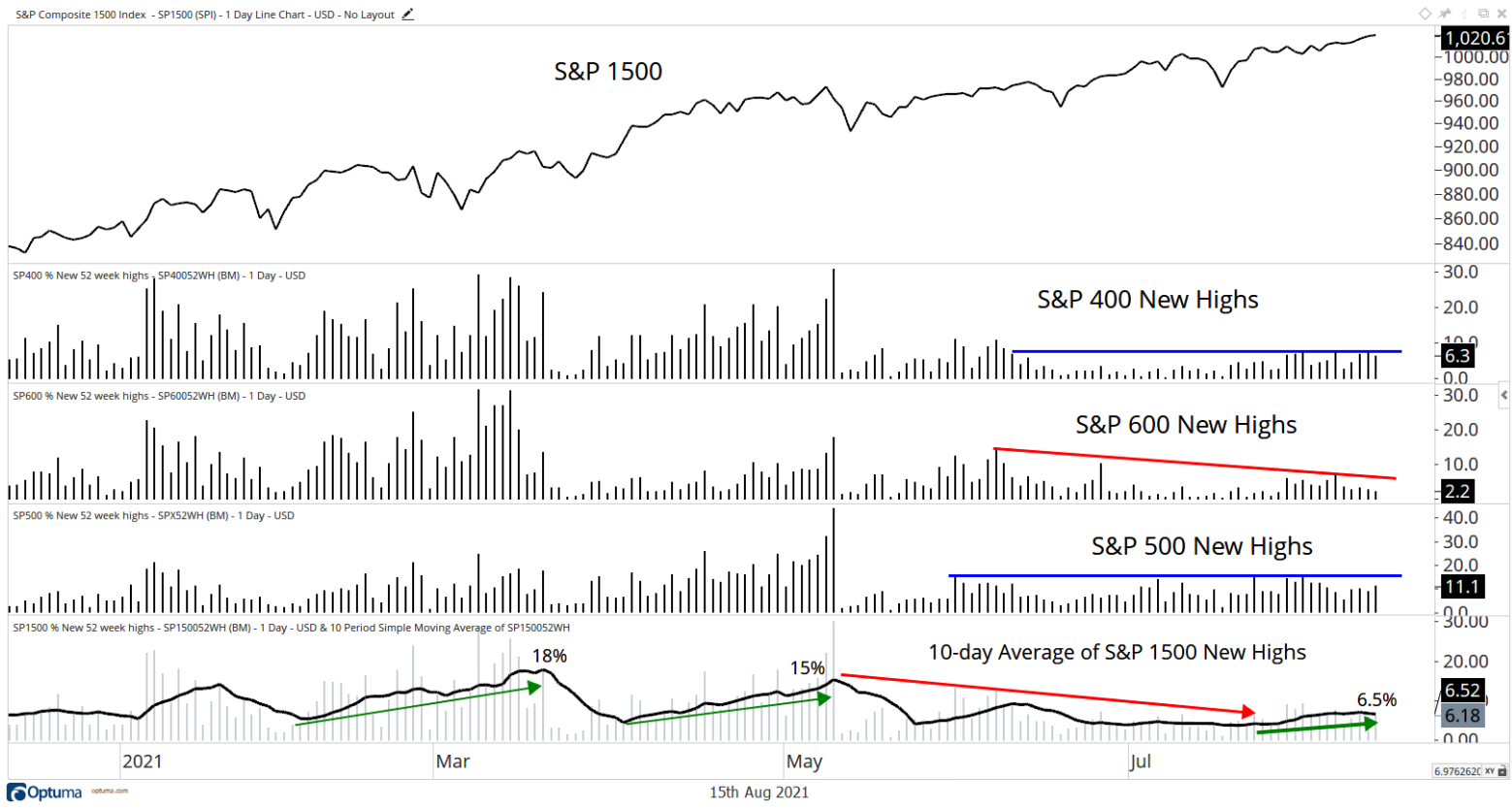
Most industries are back above the short-term MA and most individual stocks are as well. 70% of S&P 500 stocks are above the 20-MA. We've seen good improvement in % above the 20-day and % above the 50-day but it's now the % above the longer-term 200-day moving average that has not seen a similar improvement.



EQUITIES - NEW HIGHS

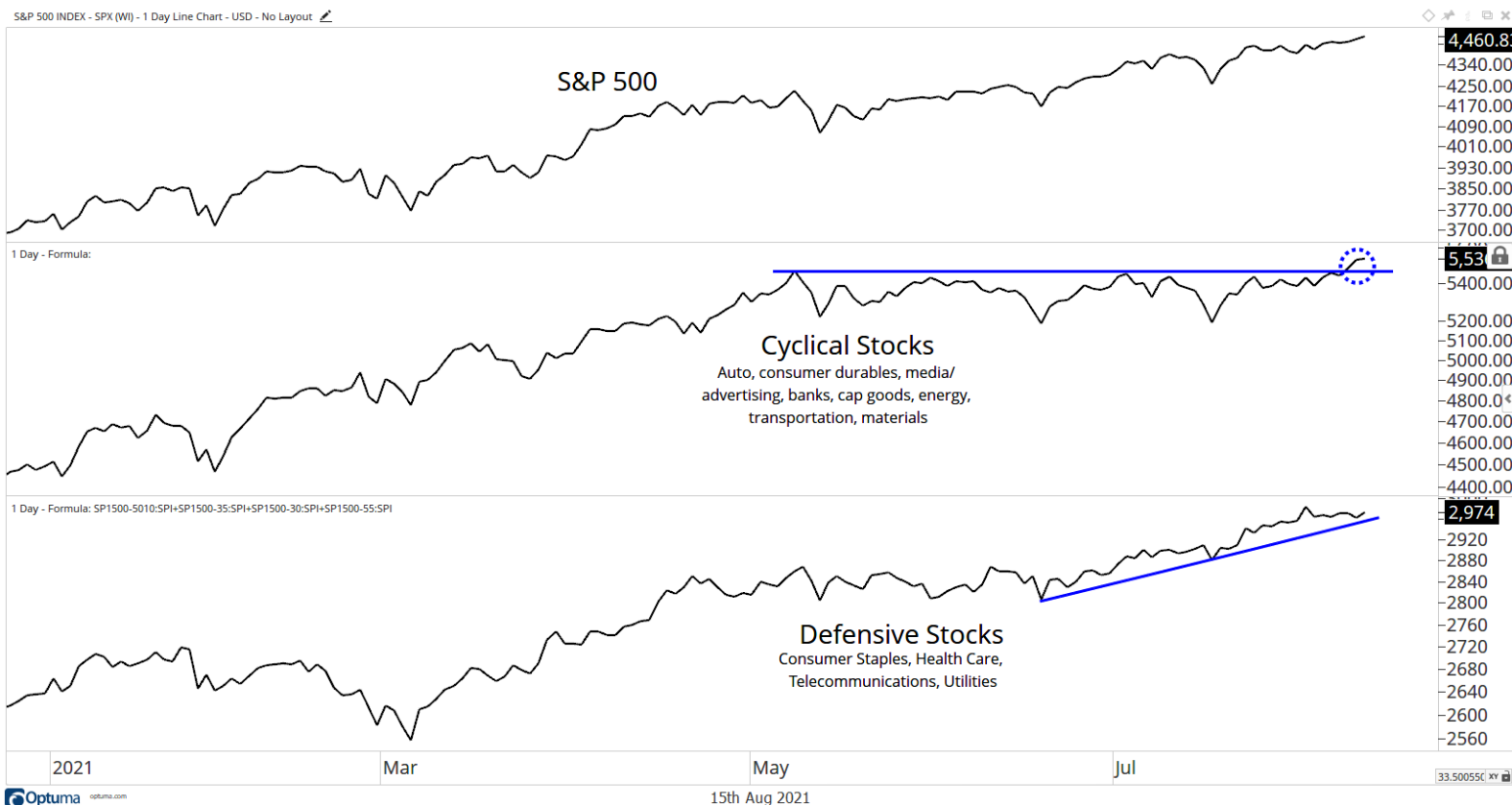


New highs for S&P 400 (mid cap) has improved from declining but has yet to move into expansion. We still are just just 6% of mid cap stocks making new 52-week highs and barely 2% of small caps (S&P 600). Large caps have been fairly consistent at around 10% but also not showing expansion. Back in March we had 18% of the total stock market making new highs and that's been steadily drifted lower to just 6.5% as of last week. 6.5% is actually an improvement from the last month but still less than half of what we saw earlier in the year. Again, the rotation has been what's kept the up trend alive - not an expansion of participation.



EQUITIES - CYCLICAL IMPROVEMENT

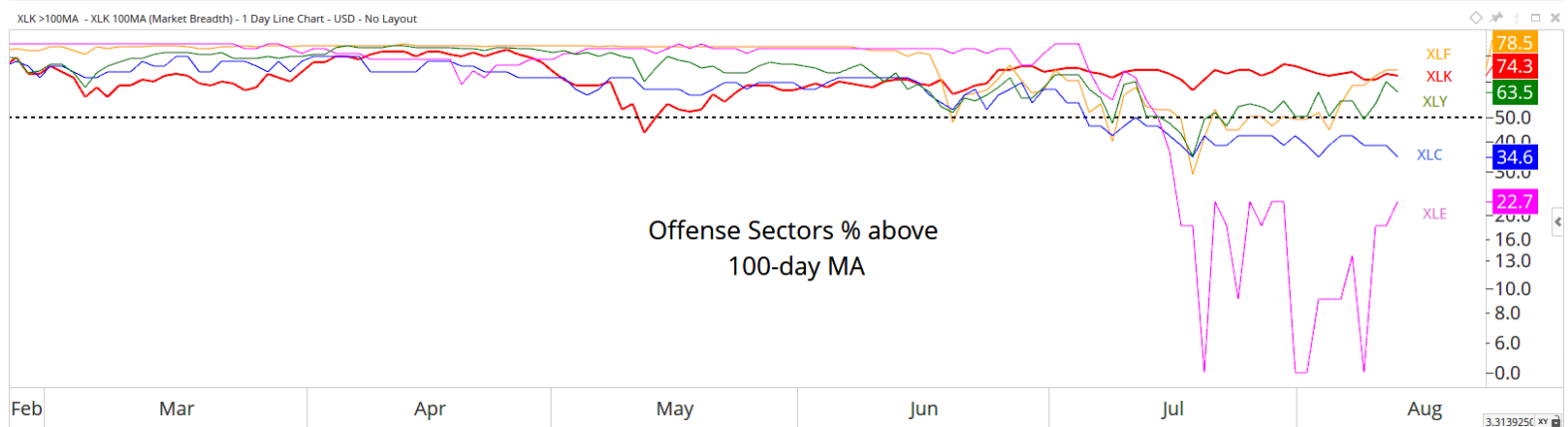
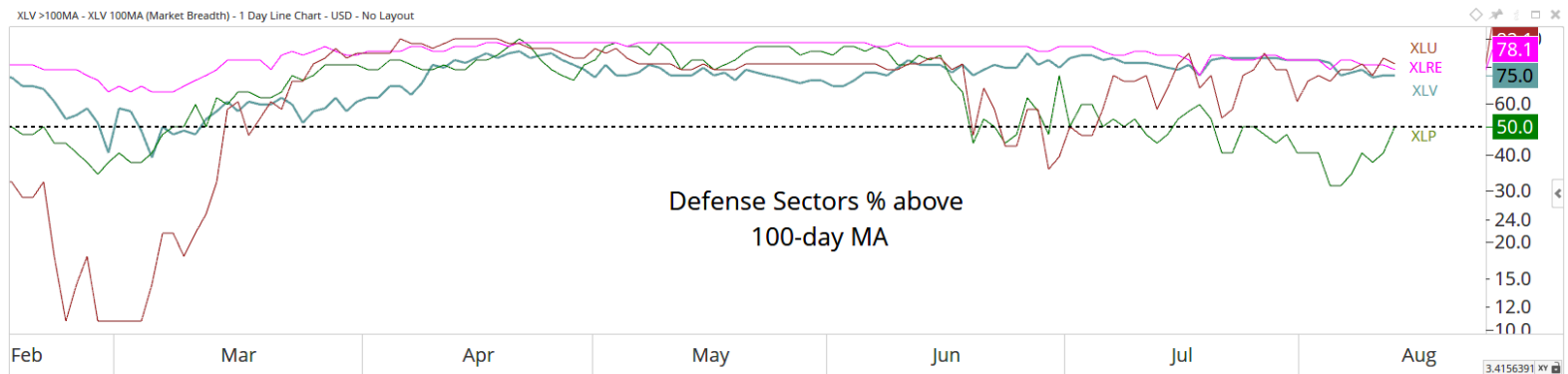
Previously the Defensive stocks had been showing leadership while Cyclical Stocks stagnated in a range. Last week we finally saw a breakout in Cyclical Stocks, which as a group, made a new multi-month high. This is another example of the rotation that's been playing out and giving the much needed fuel to equity bulls to keep buying short-term weakness.



EQUITIES - SECTOR BREADTH



Consumer Staples and energy saw the greatest improvement in breadth last week. XLP is still in a well defined breadth divergence with just 50% of stocks above the 100-day MA while the overall sector hits new highs. Financials jumped above Technology last week as the strongest offense sector breadth. Utilities also moved above Real Estate in the Defense category.



SECTORS - PERFORMANCE

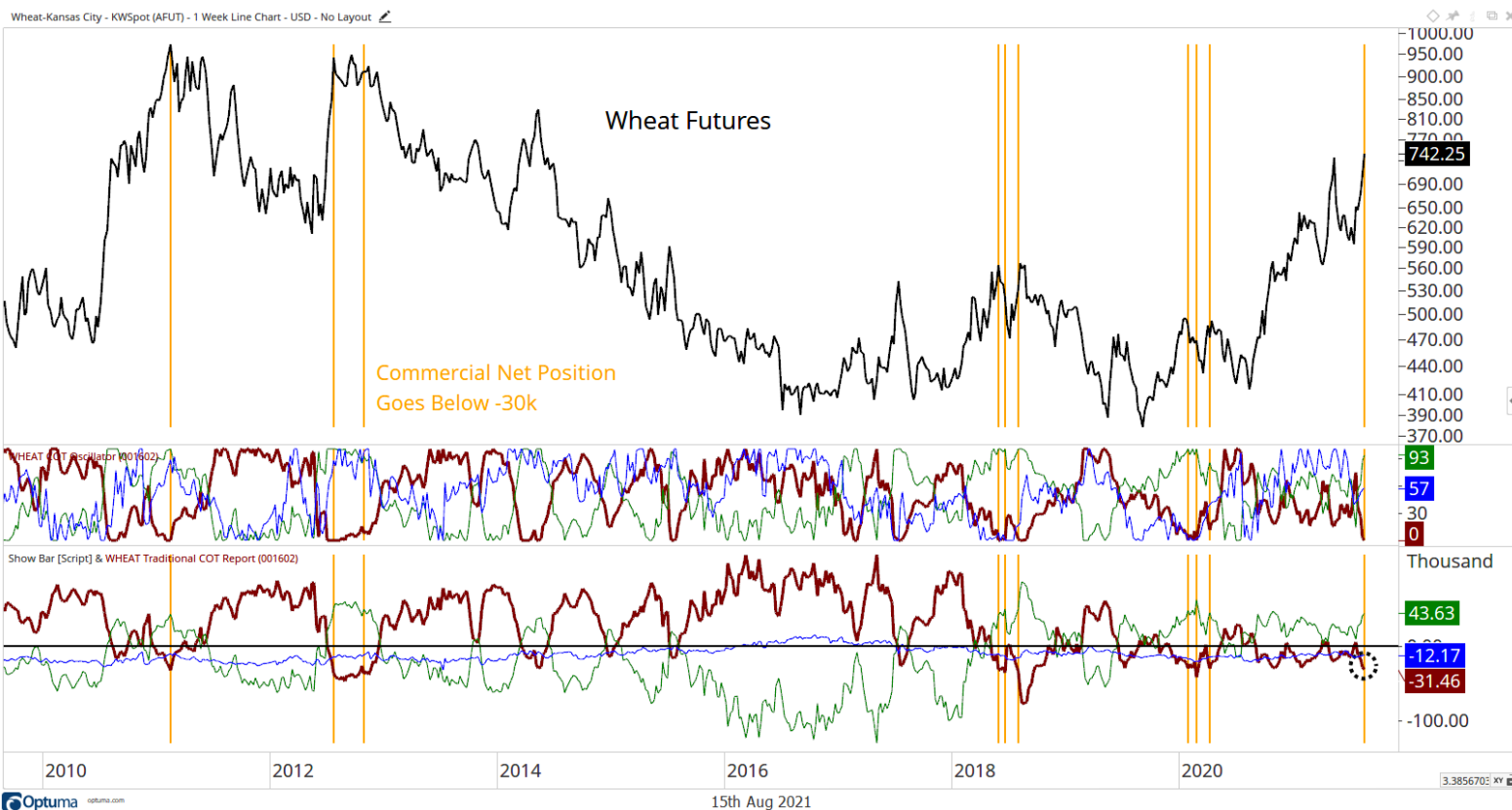


Sector	> 50MA	> 200MA	1wk Perf ▼	1mo Perf	3mo Perf	12mo Perf
SPDR Materials Select Sector Fund ETF	True	True	2.75%	4.80%	-0.48%	38.19%
SPDR Consumer Staples Select Sector Fund ETF	True	True	2.21%	3.56%	2.71%	13%
SPDR Financial Select Sector Fund ETF	True	True	1.9%	5.21%	3.46%	53.83%
SPDR Utilities Select Sector Fund ETF	True	True	1.82%	6.78%	4.71%	12.76%
SPDR Industrial Select Sector Fund ETF	True	True	1.41%	2.31%	1.65%	35.96%
SPDR S&P 500 ETF	True	True	0.78%	2.37%	8.69%	32.39%
SPDR Health Care Select Sector Fund ETF	True	True	0.56%	3.76%	8.84%	24.93%
SPDR Communication Services Select Sector ETF	True	True	0.45%	1.44%	10.04%	39.02%
SPDR Consumer Discretionary Select Sector Fund ETF	True	True	0.3%	0.01%	8.18%	26.43%
SPDR Technology Select Sector Fund ETF	True	True	0.08%	2.01%	16.49%	36%
SPDR Real Estate Select Sector Fund ETF	True	True	0.02%	2.25%	12.46%	30.67%
SPDR Energy Select Sector Fund ETF	False	True	-0.18%	-5.63%	-4.74%	30.64%

COMMODITY - WHEAT



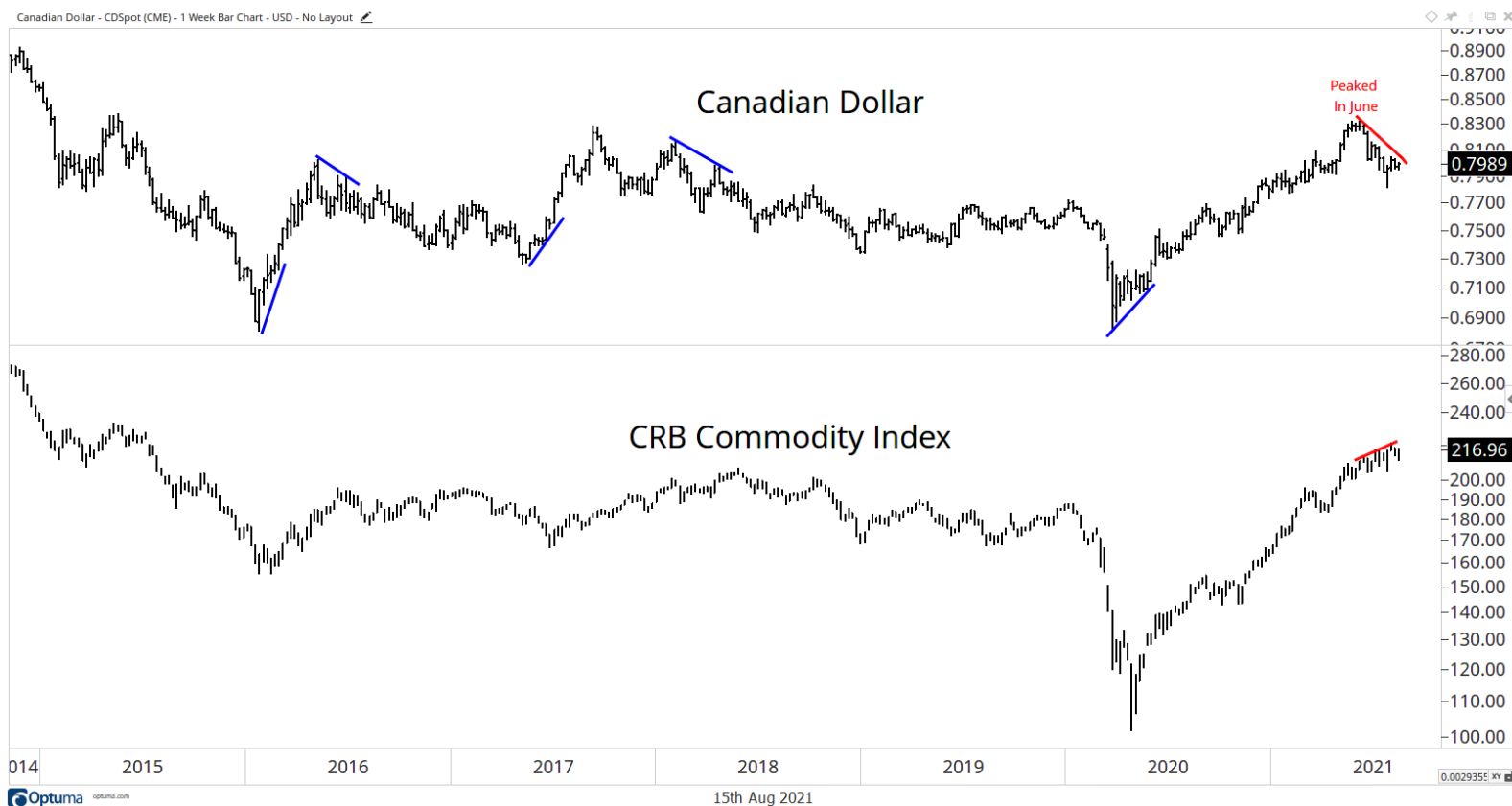
The COT data for Wheat futures shows that Commercial Traders have moved their net-position to under 30,000 contracts short. As the orange lines show, this has not been a bullish sign for wheat going forward which each prior occurrence since 2010 seeing lower prices follow soon after. I think this lends to what I wrote last week about the bearish setup in commodities as a whole.



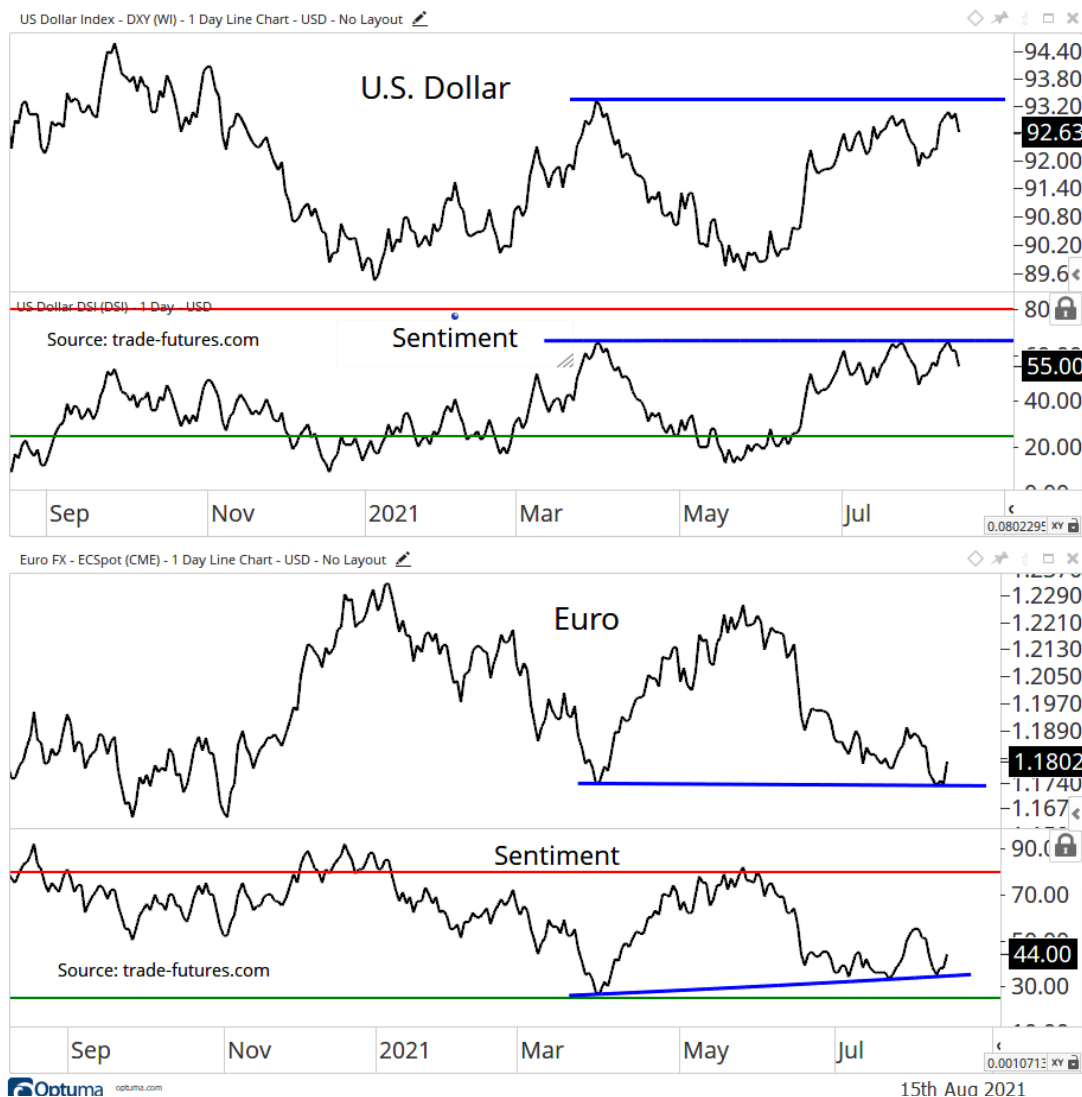
COMMODITY - DIVERGENCE



If there's one currency that's the most sensitive to commodities it would have to be the Canadian Dollar (CAD). A big part of the Canadian economy is tied to oil and energy producing commodities. Historically CAD has been an excellent leading indicator for the CRB Commodity Index. We've seen several great examples of CAD leading commodities higher or lower. Last year, the Canadian Dollar bottomed several weeks before commodities did following the Covid Crash. Most recently, CAD peaked in June and has been trending lower ever since, even while the commodity index has been hitting new highs. This is a bearish divergence for commodities and adds to what I wrote last week that I think commodities are vulnerable for a move lower.



Sentiment data for both the U.S. Dollar and Euro show interesting setups. Daily Sentiment Index (DSI) for USD has risen back to prior highs and bounced lower while DSI for the Euro is showing a bullish divergence of a higher-low as the Euro tests its prior low. These developments in sentiment suggest we could see a bullish move in the Euro over the USD.



DAILY SENTIMENT INDEX



Code	% Bullish ^	5-day MA	History	Code	% Bullish ^	5-day MA	History
Lumber DSI	11	12		Lean Hog DSI	59	55	
VIX DSI	12	10		Heating Oil DSI	61	62	
Silver DSI	20	16		Gasoline DSI	61	65	
Platinum DSI	24	19		Crude Oil DSI	61	63	
Gold DSI	24	16		CRB Index DSI	61	61	
Palladium DSI	26	22		EuroDollar DSI	65	65	
Yen DSI	29	24		Wheat DSI	69	59	
Copper DSI	33	30		Natural Gas DSI	69	79	
Cattle DSI	33	32		Orange Juice DSI	73	72	
British Pound DSI	35	34		Mexican Peso DSI	73	67	
Soybean DSI	38	29		Coffee DSI	73	73	
Australian Dollar DSI	40	37		10Y DSI	75	70	
Euro DSI	44	39		5YR DSI	75	74	
Corn DSI	47	40		Cotton DSI	80	71	
Swiss Franc DSI	51	49		Sugar DSI	81	76	
Nikkei DSI	51	51		Bitcoin DSI	82	80	
US Dollar DSI	55	62		SPX DSI	85	82	
Cocoa DSI	56	47		Nasdaq DSI	89	87	

Source: trade-futures.com

DAILY SENTIMENT INDEX



TA THRASHER
ANALYTICS

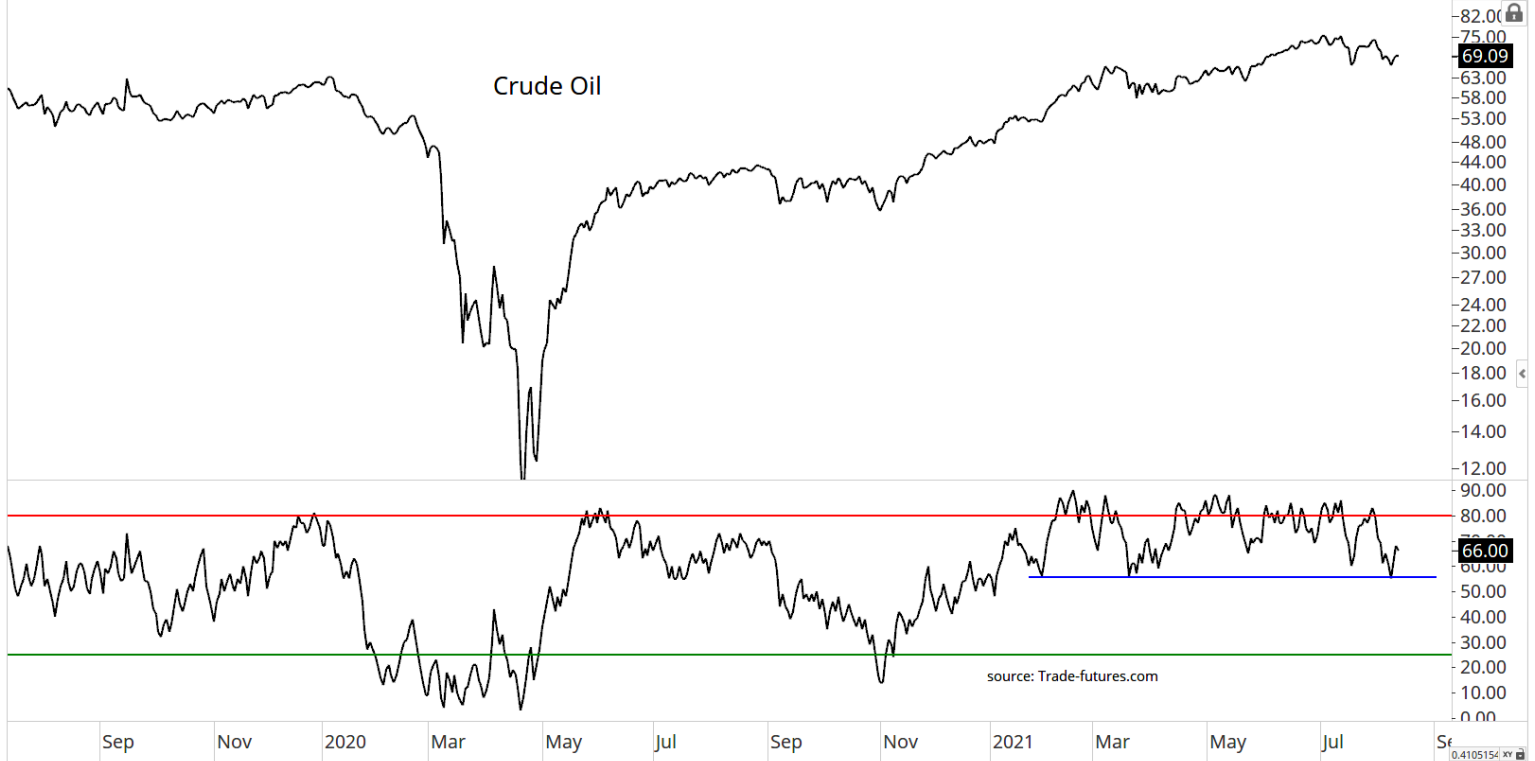


DAILY SENTIMENT INDEX



TA THRASHER
ANALYTICS

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

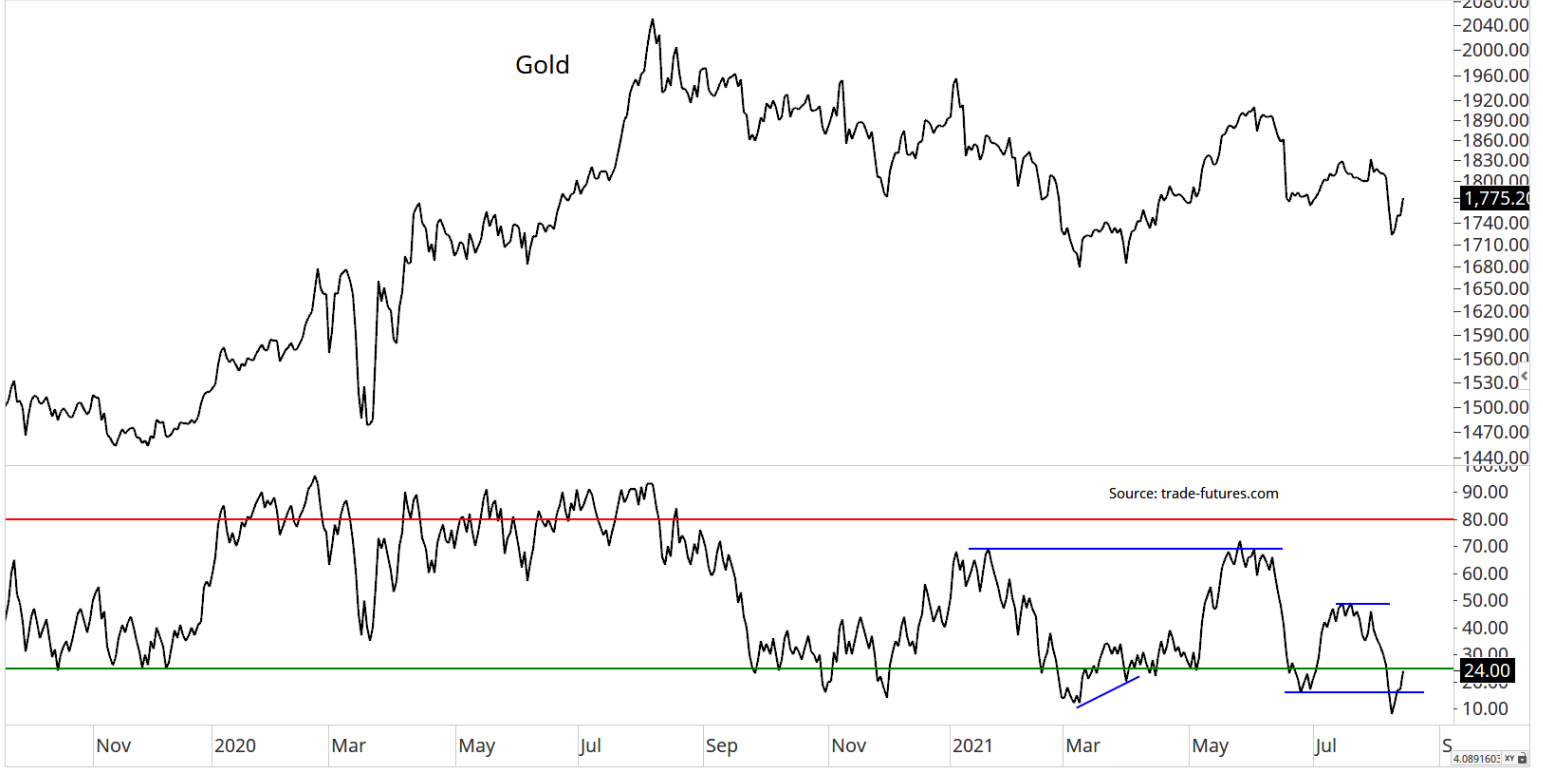


DAILY SENTIMENT INDEX



TA THRASHER
ANALYTICS

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

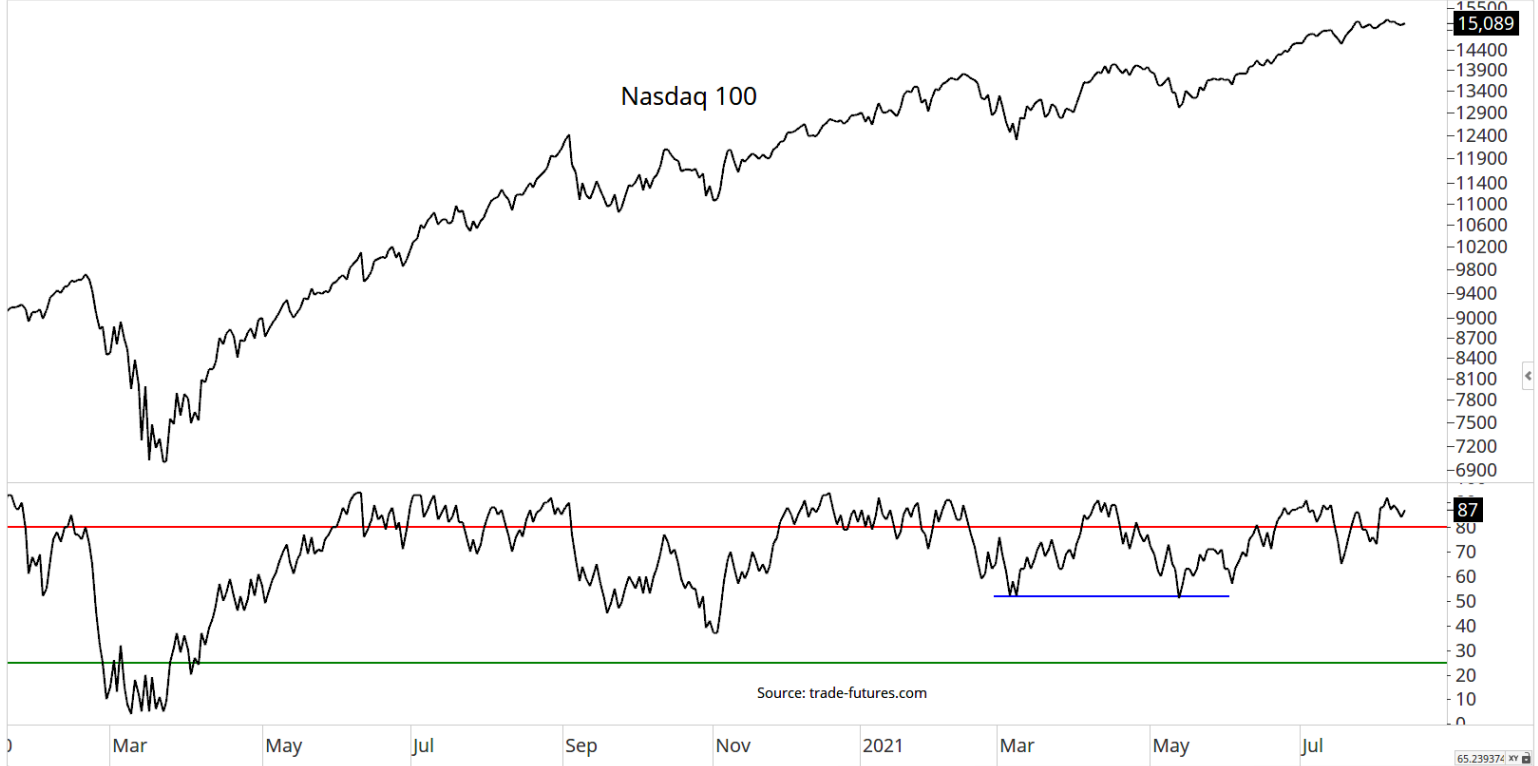


DAILY SENTIMENT INDEX



TA THRASHER
ANALYTICS

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



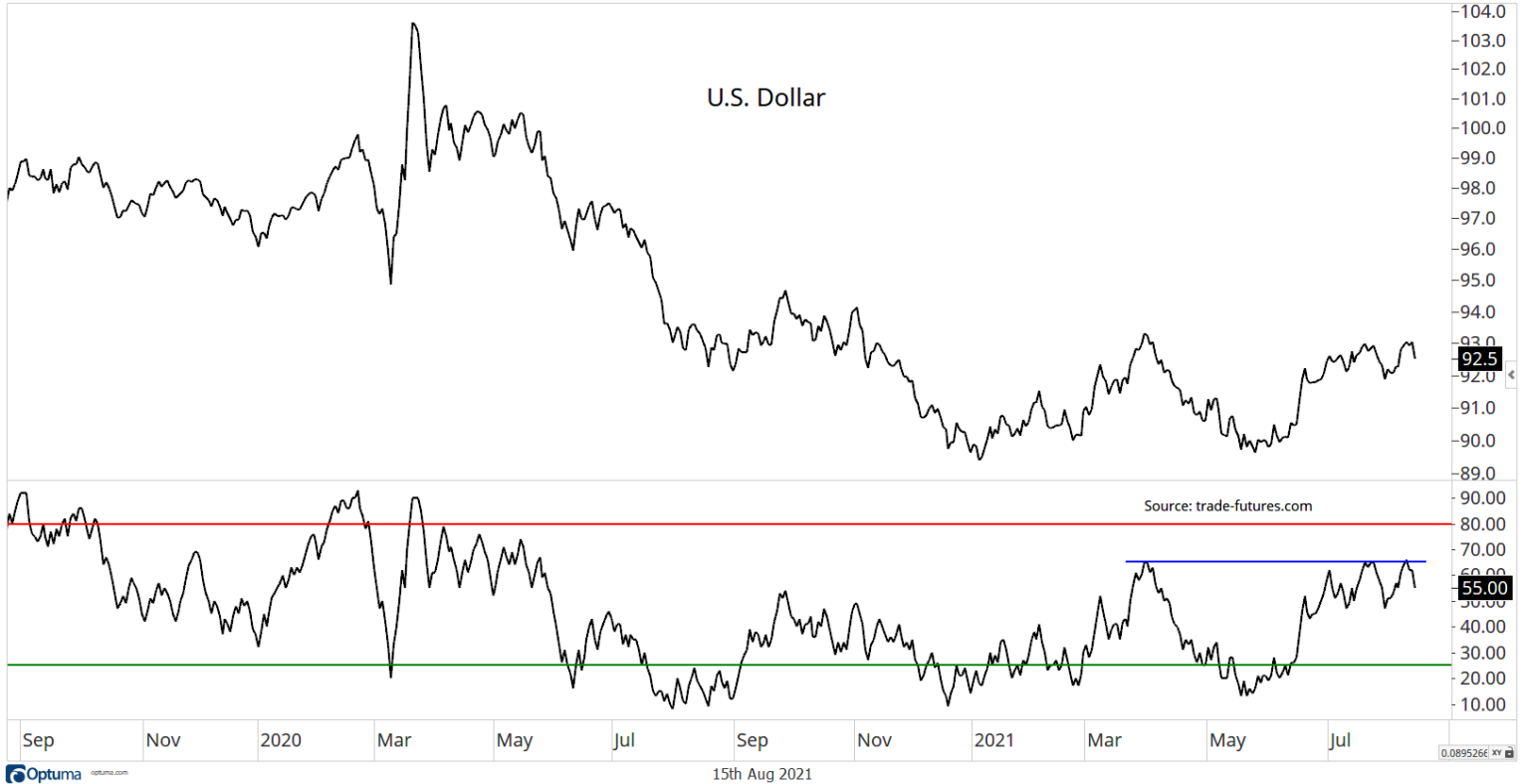
Optima optima.com

15th Aug 2021

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 (CBOEI) - 1 Day Line Chart - USD - No Layout

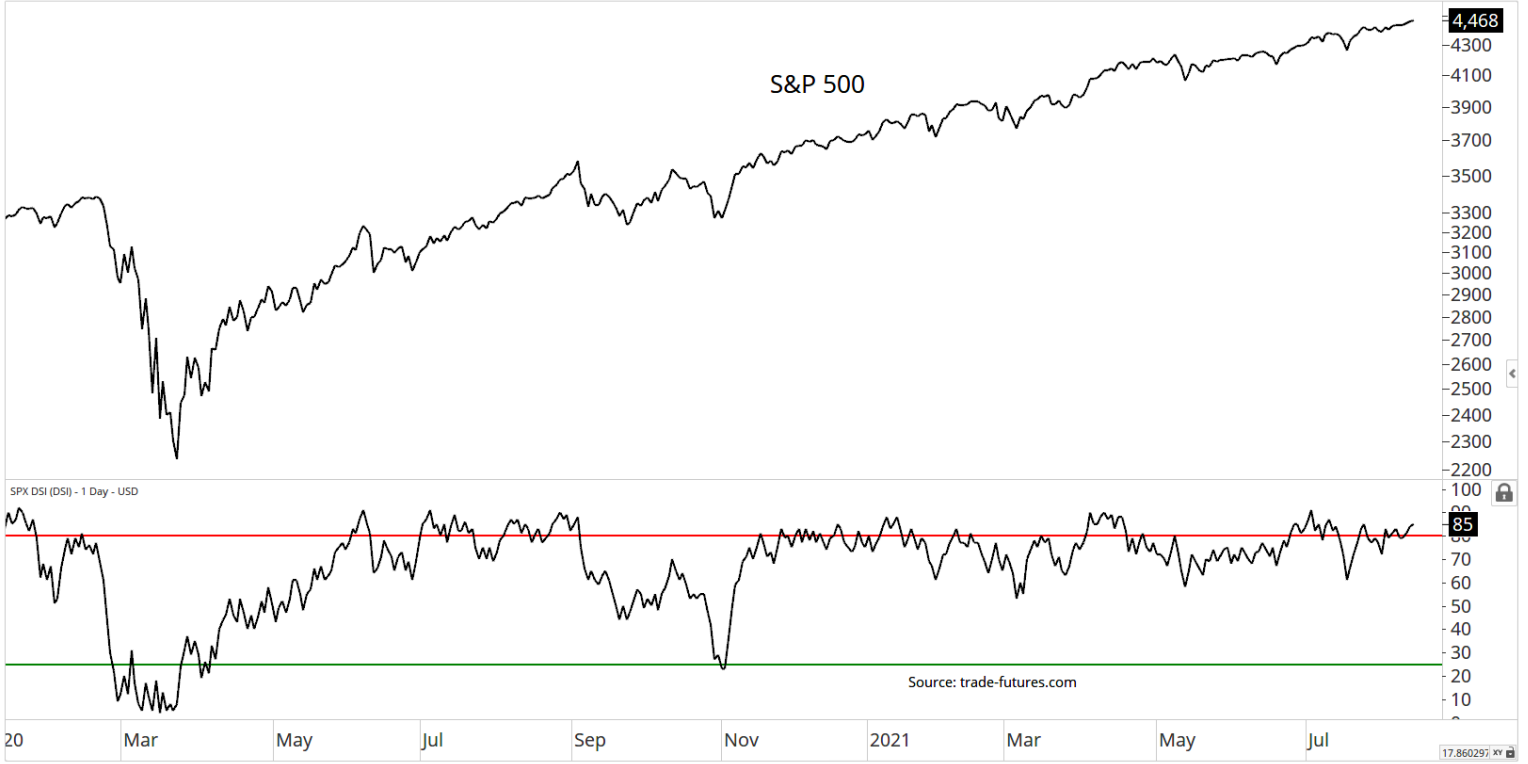


DAILY SENTIMENT INDEX



TA THRASHER
ANALYTICS

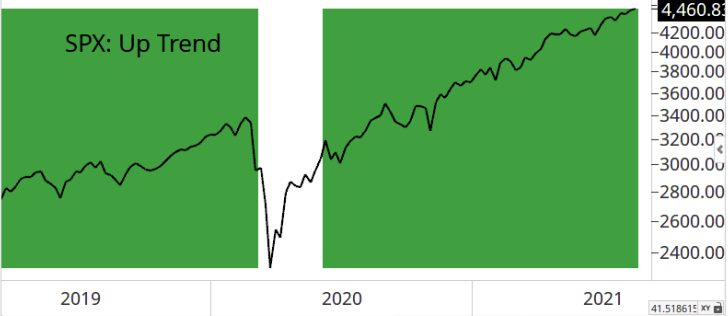
S&P 500 Index - SPX (CBOE) - 1 Day Line Chart - USD - No Layout



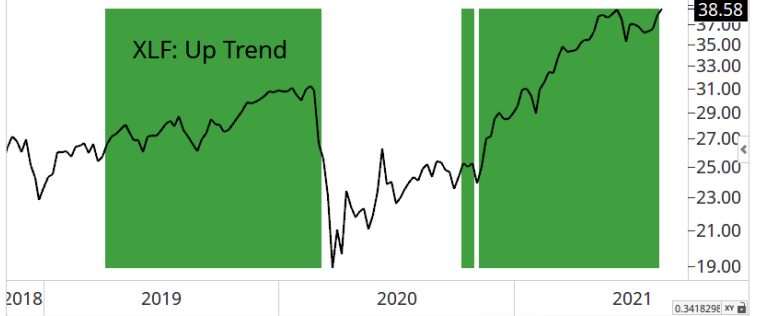
TREND MODELS



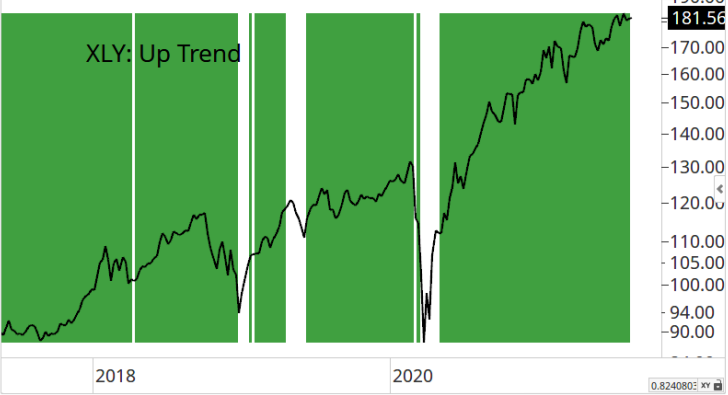
S&P 500 INDEX - SPX (WI) - 1 Week Line Chart - USD - No Layout



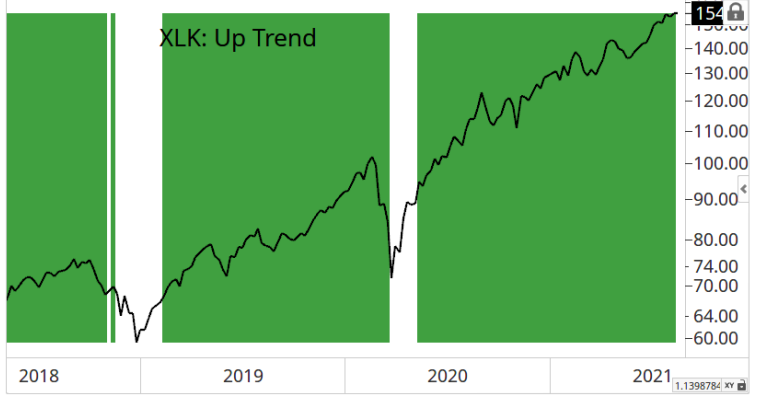
SPDR Financial Select Sector Fund ETF - XLF (US) - 1 Week Line Chart - USD - No Layout



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



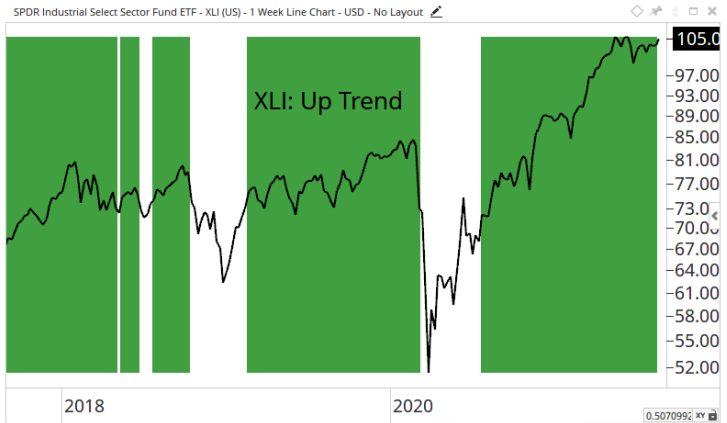
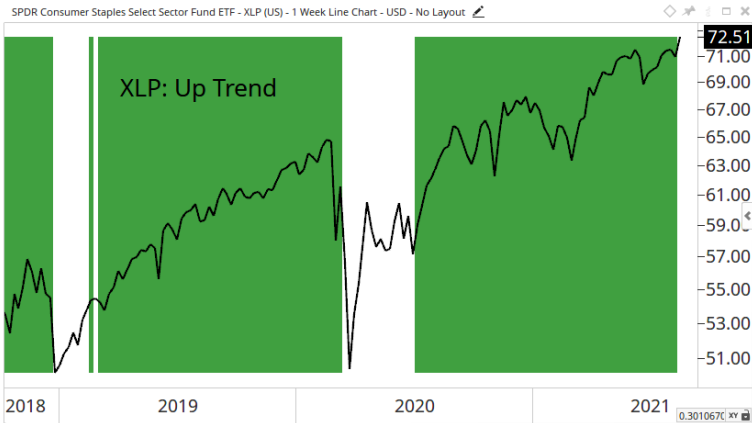
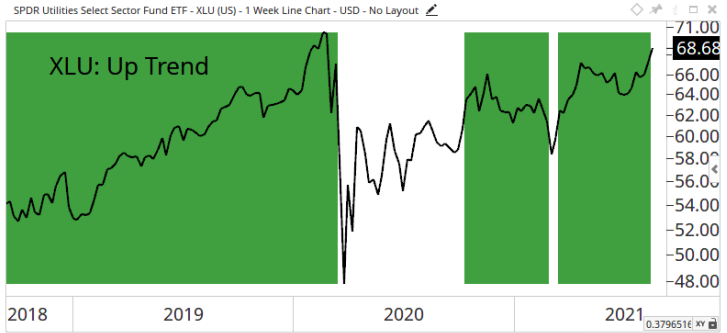
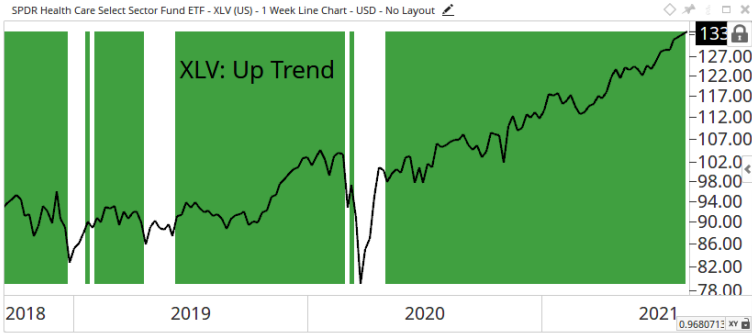
SPDR Technology Select Sector Fund ETF - XLK (US) - 1 Week Line Chart - USD - No Layout



Optuma optuma.com

15th Aug 2021

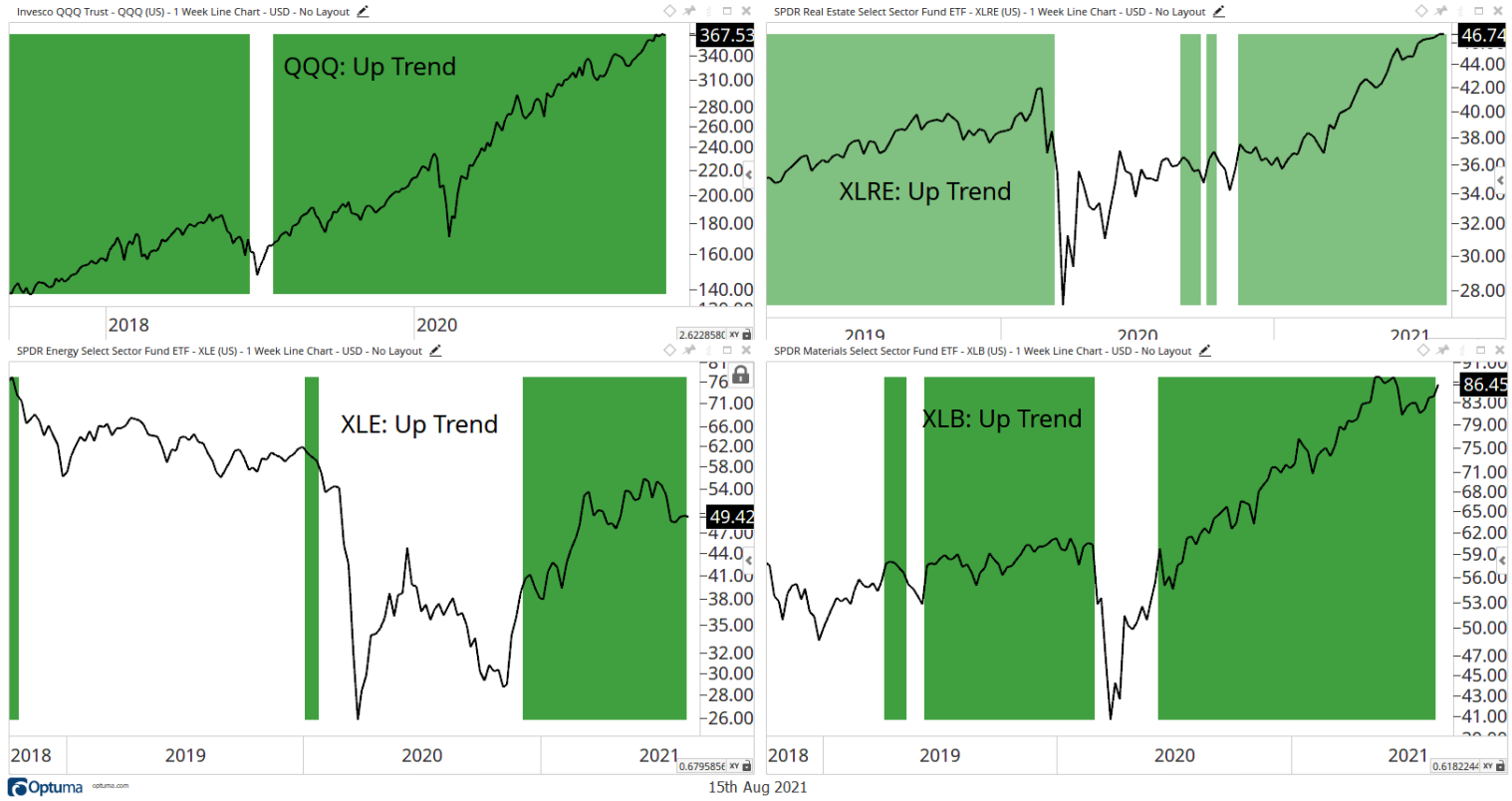
TREND MODELS



Optima optima.com

15th Aug 2021

TREND MODELS



DISCLAIMER:

No reproduction, transmission, or distribution permitted without consent of Thrasher Analytics LLC ("Thrasher Analytics"). The material contained herein is the sole opinion of Thrasher Analytics. This research has been prepared using information sourced believed to be reliable. Such information has not been independently verified and no guarantee, representation or warranty, express or implied, is made as to its accuracy completeness or correctness. It is intended for the sole use by the receipt to whom it has been delivered to by Thrasher Analytics. The delivery of this report to any person shall not be deemed a recommendation by Thrasher Analytics to effect any transaction in any securities discussed herein. For more information please refer to our Terms & Service page of our website:
<http://thrasheranalytics.com/terms-of-service-agreement>.