

# TA THRASHER ANALYTICS

JANUARY 9, 2022



WEEKLY RESEARCH & ANALYSIS

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## SUMMARY OF MODELS

	Current	Wkly Change
Market Health Report	+7	Declining
Volatility Risk Trigger	0	Declining
Risk Appetite Ratios	0.46	Improving
Bullishish Confidence Score	+5	Neutral
S&P 500 Long-Term Trend	Up	-

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Volatility

Equities

Market Health Report

Hedge Fund Stocks

Sectors & Fixed Income

Sentiment

Trend Models

Sector Rotation: January	
Real Estate	XLRE
Technology	XLK
Materials	XLB

Fixed Income Rotation: Q1	
Emerging Market Debt	PCY
High Yield Corp. Bond	HYG

Market Health Report	
Breadth	3
Momentum	0
Sentiment	1
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	56%	66%
Nasdaq 100	51%	64%
Nikkei	51%	63%
VIX	23%	21%
10yr Treasury	37%	45%
5yr Treasury	49%	54%
CRB Index	63%	61%
Gold	33%	38%
U.S. Dollar	67%	69%
Bitcoin	14%	20%

\*Green < 25% Red > 80%

source: trade-futures.com

## Brief Summary:

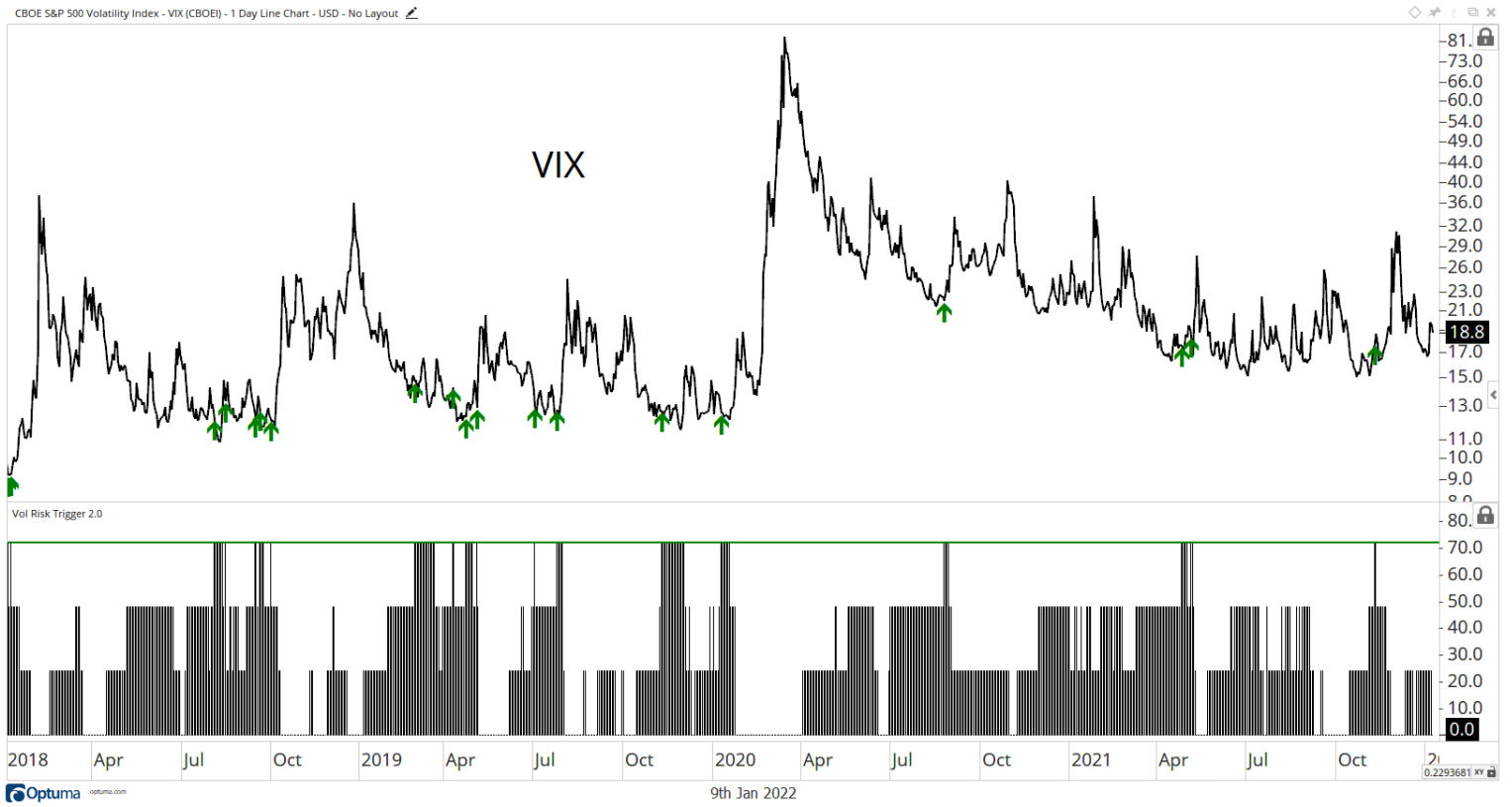
All eyes are on the Fed and the fixed income market, with the 10yr rates rising near multi-month highs, bringing with it a 34% increase in the 3m10yr yield curve. Growth stocks continue to take the brunt of the selling, dragging the Nasdaq 100 down 5% with them. Defensive sectors and energy remain strong, with XLE rising over 10% last week and over 30% of Consumer Staples stocks now "overbought." Tech and Staples are two sectors I highlight in this weeks note. Breadth for large caps showed some improvement before the latest dip and the Risk Appetite ratios also briefly moved above the 50th percentile before falling a few points at the end of the week. At this point we aren't seeing expansion in selling, which isn't too much of a surprise with SPX off less than 2%. The index is back at the 50-day MA so we'll see if dip buyers continue the theme of stepping in here as they did in 2021 or of sellers finally muster up the courage to come out of hiding. We haven't seen a washout in short-term breadth just yet, which typically falls to 30% of stocks above the 20-MA after initially breaching 89%.

The latest rise in interest rates isn't being confirmed by the commodity or equity market, meaning someone has some correcting to do - either rates move lower or copper needs to strength against gold and small caps should begin doing better than utilities. BofA highlights an interesting point that the Fed may not be alone in their plan to tighten policy, with inflation data in Europe and Japan also rising, the ECB and BOJ may also soon hint at tightening their own policy.

# VOLATILITY: VRT



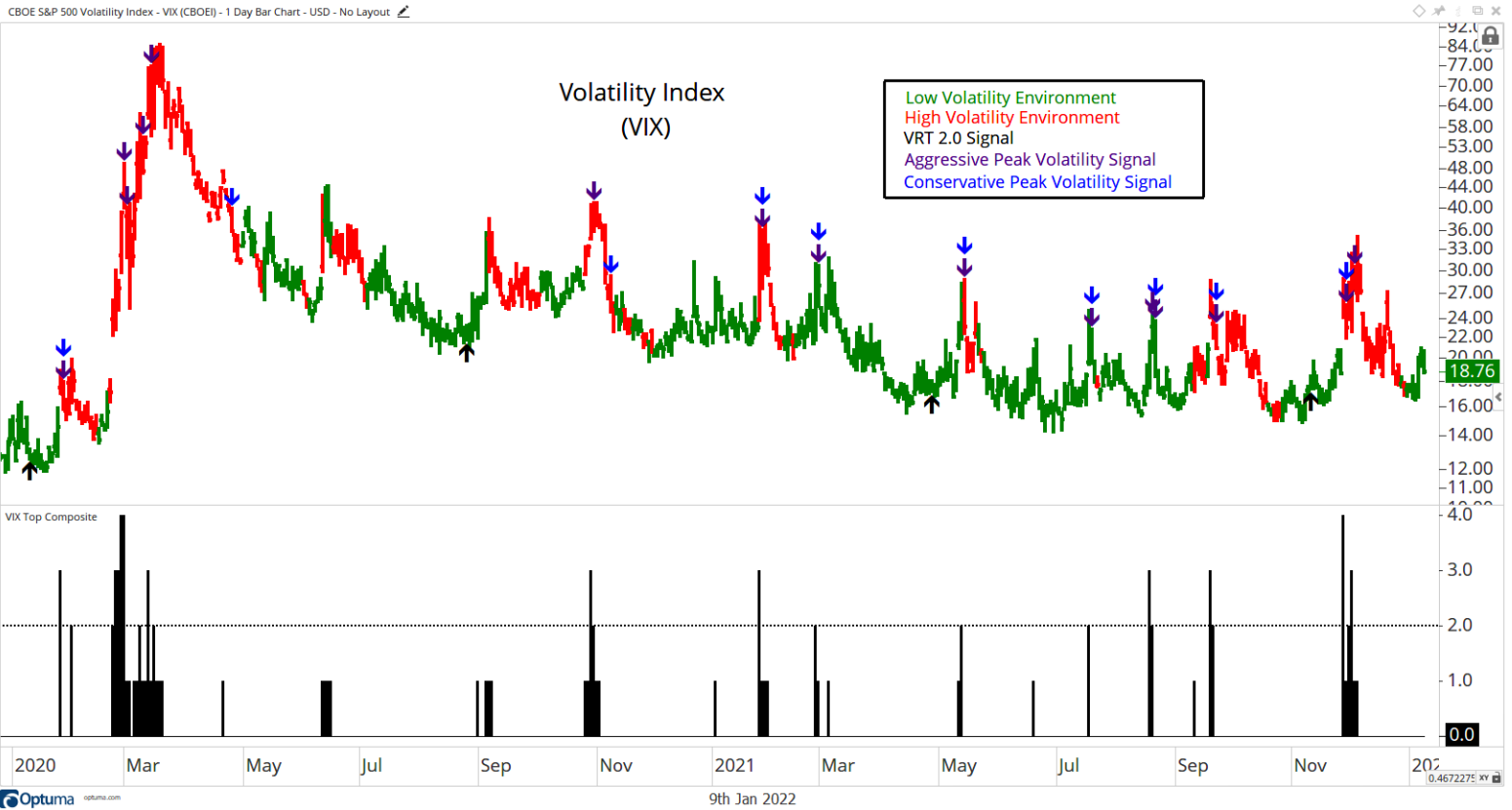
Spot VIX moved higher last week as equities weakened. VRT remains below its signal threshold.



# VOLATILITY: TOP & ENVIRONMENT



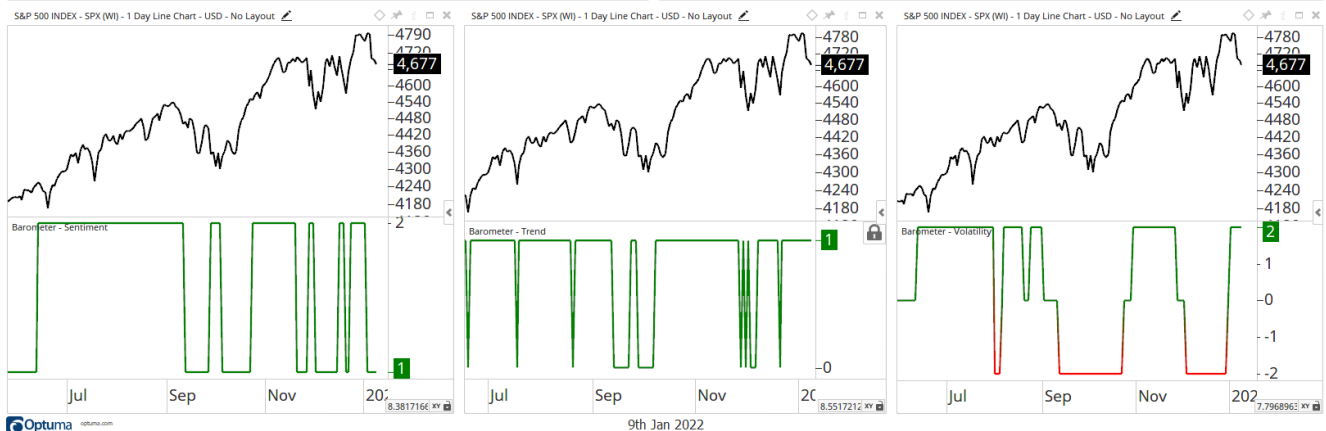
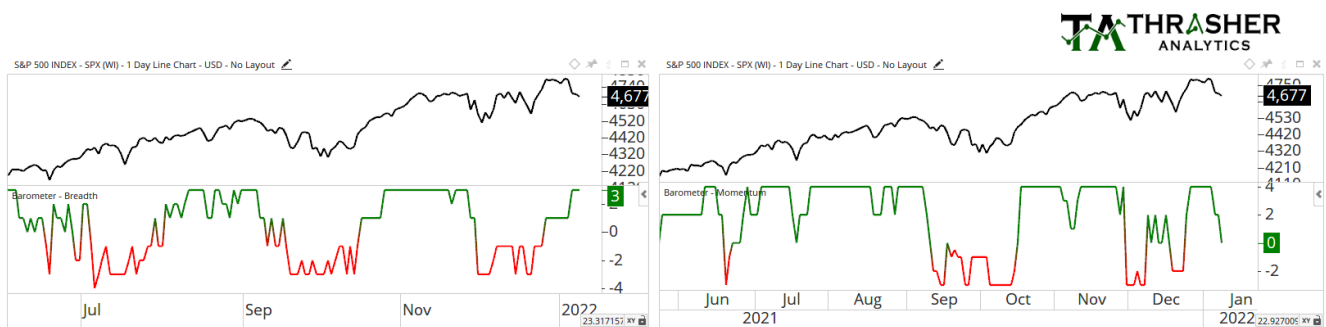
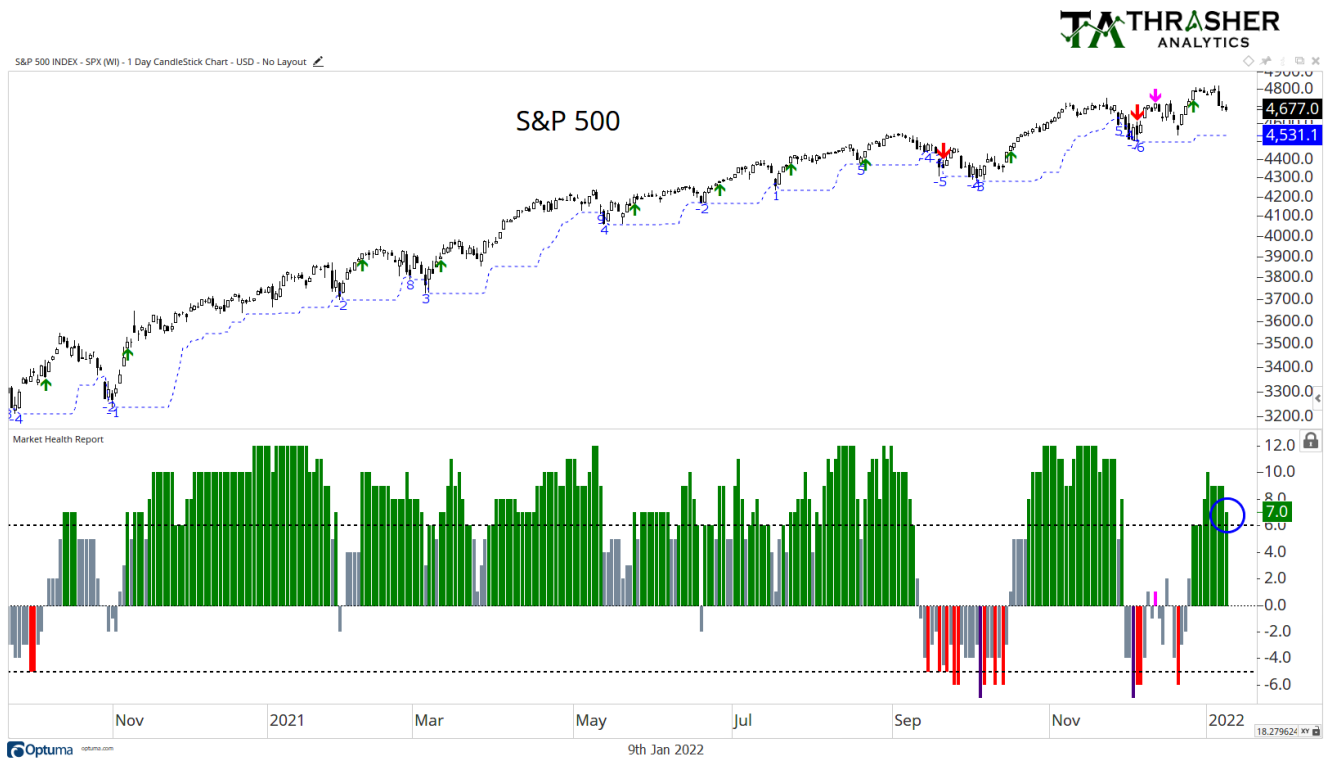
VIX remains in a Low Volatility Environment.



# MARKET HEALTH REPORT



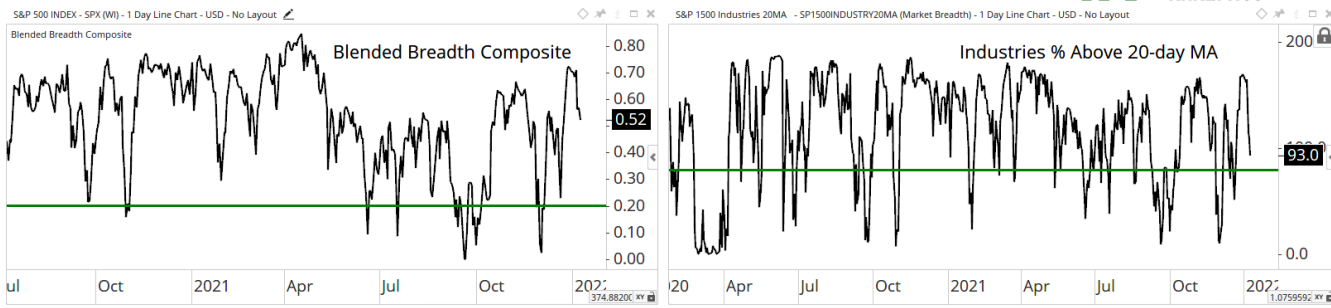
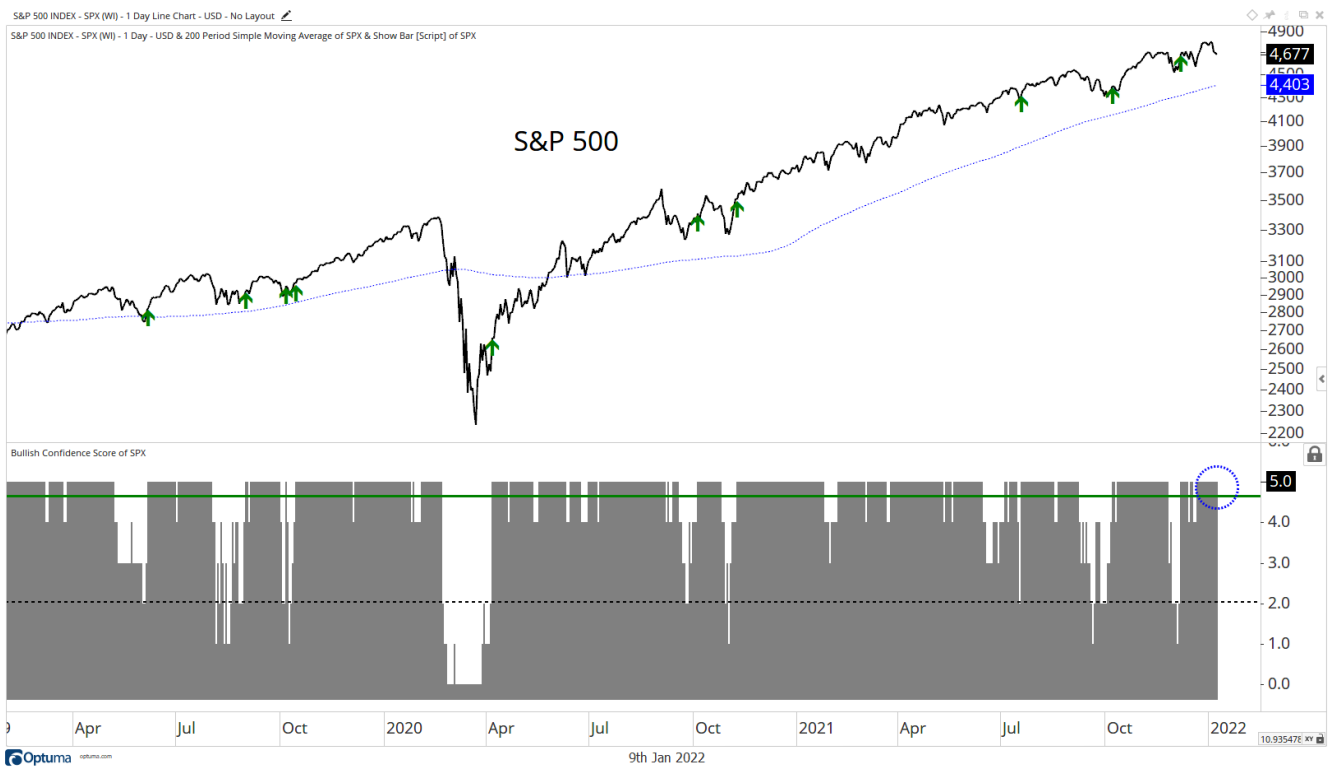
The Market Health Report (MHR) moved slightly lower last week to +7 due to the momentum category falling to 0. Three of the four categories remain positive.



# BULL CONFIDENCE SCORE



All five categories of the Bullish Confidence Score are still above their thresholds, a positive sign for equities.



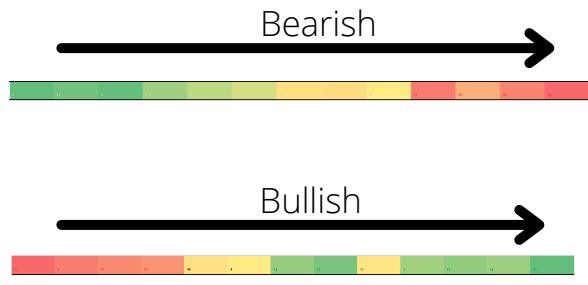
# RISK APPETITE RATIO



Below is a table of 18 gauges of risk appetite such as offense vs. defense sectors, foreign markets vs. domestic, small vs. large cap, lumber vs gold, high beta vs. broad market, high yield debt vs. Treasury debt, etc. The table shows each ratio's 1-year percentile going back the last 3-months (35 trading days). As the data improves, it turns green and as it declines it becomes red.

The average Risk Appetite Ratio percentile finished higher than last week and briefly got above 50. The next page shows a chart version of the average with additional commentary.

Risk Metric	-35	-34	-33	-32	-31	-30	-29	-28	-27	-26	-25	-24	-23	-22	-21	-20	-19	-18	-17	-16	-15	-14	-13	-12	-11	-10	-9	-8	-7	-6	-5	-4	-3	-2	-1	
Emerging Market vs. SPX	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.08	0.08	0.06	0.05	0.04	0.04	0.05	0.03	0.00	0.01	0.00	0.02	0.04	0.03	0.03	0.02	0.02	0.00	0.00	0.00	0.03	0.02	0.03	0.02	0.03	0.00	
EAFE vs. SPX	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.08	0.07	0.09	0.08	0.08	0.08	0.07	0.03	0.00	0.01	0.00	0.04	0.05	0.09	0.06	0.05	0.05	0.02	0.03	0.02	0.01	0.02	0.02	0.02	0.05	0.10	0.00
HY Debt vs. Treasury	0.51	0.49	0.42	0.47	0.54	0.45	0.27	0.35	0.19	0.15	0.18	0.11	0.22	0.30	0.40	0.34	0.37	0.27	0.27	0.35	0.33	0.26	0.29	0.35	0.30	0.37	0.36	0.39	0.45	0.39	0.38	0.53	0.54	0.52	0.55	
High Beta vs. SPX	0.87	0.88	0.85	0.83	0.83	0.84	0.73	0.78	0.78	0.69	0.72	0.62	0.65	0.73	0.75	0.70	0.67	0.54	0.53	0.53	0.43	0.48	0.42	0.57	0.56	0.59	0.61	0.57	0.54	0.52	0.51	0.59	0.63	0.53	0.55	
Home Construction vs. SPX	0.56	0.55	0.57	0.57	0.59	0.57	0.57	0.53	0.53	0.61	0.72	0.73	0.79	0.74	0.76	0.77	0.80	0.74	0.71	0.71	0.65	0.61	0.59	0.62	0.67	0.65	0.65	0.68	0.72	0.70	0.75	0.61	0.66	0.64	0.66	
Offense vs. Defense Sectors	0.95	0.99	0.99	0.98	0.97	0.99	0.87	0.91	0.96	0.88	0.94	0.81	0.82	0.91	0.91	0.83	0.85	0.65	0.61	0.58	0.46	0.46	0.39	0.53	0.55	0.60	0.64	0.62	0.59	0.55	0.54	0.67	0.74	0.64	0.7	
Broker-Dealer vs. SPX	0.73	0.70	0.67	0.73	0.81	0.78	0.73	0.69	0.66	0.67	0.75	0.72	0.72	0.74	0.71	0.69	0.61	0.58	0.63	0.59	0.68	0.62	0.53	0.56	0.55	0.57	0.55	0.55	0.52	0.50	0.50	0.52	0.64	0.64	0.7	
Value vs. Growth	0.00	0.00	0.00	0.07	0.11	0.09	0.08	0.02	0.00	0.03	0.08	0.12	0.14	0.09	0.06	0.09	0.08	0.10	0.15	0.09	0.20	0.18	0.17	0.15	0.12	0.11	0.09	0.12	0.12	0.14	0.16	0.14	0.22	0.32	0.3	
Semiconductor vs. SPX	0.94	1.00	1.00	0.93	0.88	0.92	0.88	1.00	0.99	1.00	0.93	0.92	0.83	0.98	0.94	0.85	0.83	0.74	0.74	0.88	0.69	0.74	0.73	0.82	0.83	0.84	0.91	0.86	0.85	0.81	0.80	0.89	0.86	0.78	0.8	
Consumer Disc. Vs. Staples	0.98	1.00	0.99	0.95	0.91	0.91	0.82	0.83	0.85	0.79	0.85	0.75	0.77	0.84	0.89	0.83	0.80	0.64	0.59	0.58	0.46	0.49	0.44	0.59	0.61	0.64	0.65	0.61	0.62	0.62	0.60	0.60	0.60	0.48	0.4	
Small Cap vs. Utilities	0.69	0.69	0.64	0.60	0.59	0.59	0.51	0.45	0.49	0.40	0.42	0.23	0.25	0.29	0.32	0.20	0.17	0.03	0.01	0.01	0.00	0.09	0.07	0.18	0.20	0.23	0.25	0.19	0.18	0.16	0.14	0.23	0.23	0.10	0.1	
Transports vs. Utilities	0.89	0.90	0.87	0.90	0.93	0.91	0.83	0.81	0.80	0.72	0.78	0.74	0.77	0.75	0.74	0.76	0.75	0.66	0.63	0.59	0.55	0.56	0.49	0.59	0.56	0.62	0.65	0.62	0.61	0.58	0.59	0.58	0.66	0.60	0.6	
Equal Weight vs. Cap Weight	0.25	0.15	0.08	0.14	0.18	0.15	0.09	0.04	0.00	0.00	0.12	0.16	0.20	0.15	0.15	0.14	0.11	0.13	0.14	0.08	0.17	0.18	0.15	0.18	0.14	0.15	0.13	0.16	0.19	0.20	0.24	0.17	0.28	0.34	0.3	
Small cap vs. Large Cap	0.20	0.16	0.13	0.12	0.11	0.10	0.03	0.00	0.00	0.00	0.05	0.00	0.03	0.04	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.07	0.10	0.10	0.11	0.09	0.07	0.07	0.08	0.08	0.11	0.10	0.05	0.0	
Equities. vs. VIX	0.83	0.80	0.78	0.69	0.68	0.73	0.29	0.49	0.32	0.21	0.30	0.23	0.33	0.55	0.65	0.56	0.73	0.62	0.53	0.69	0.61	0.55	0.48	0.58	0.73	0.78	0.82	0.83	0.88	0.84	0.85	0.91	0.88	0.66	0.6	
Aussie Dollar vs. Yen	0.62	0.66	0.69	0.67	0.66	0.41	0.42	0.34	0.27	0.29	0.13	0.26	0.36	0.45	0.39	0.42	0.35	0.32	0.45	0.44	0.35	0.32	0.43	0.52	0.59	0.56	0.64	0.61	0.66	0.67	0.70	0.60	0.76	0.73	0.6	
Lumber vs. Gold	0.19	0.23	0.27	0.26	0.28	0.28	0.26	0.29	0.32	0.35	0.40	0.38	0.41	0.42	0.44	0.48	0.52	0.55	0.55	0.56	0.55	0.52	0.49	0.46	0.47	0.49	0.53	0.57	0.59	0.58	0.56	0.55	0.56	0.57	0.6	
Copper vs. Gold	0.54	0.57	0.65	0.72	0.77	0.79	0.67	0.71	0.69	0.66	0.72	0.67	0.72	0.71	0.74	0.72	0.67	0.67	0.68	0.64	0.67	0.65	0.66	0.70	0.72	0.70	0.76	0.72	0.72	0.70	0.72	0.73	0.73	0.67	0.6	
AVERAGE	0.54	0.54	0.53	0.53	0.55	0.53	0.45	0.46	0.44	0.42	0.46	0.42	0.45	0.49	0.50	0.47	0.46	0.40	0.40	0.41	0.38	0.38	0.36	0.42	0.43	0.45	0.46	0.46	0.46	0.45	0.45	0.47	0.51	0.47	0.48	

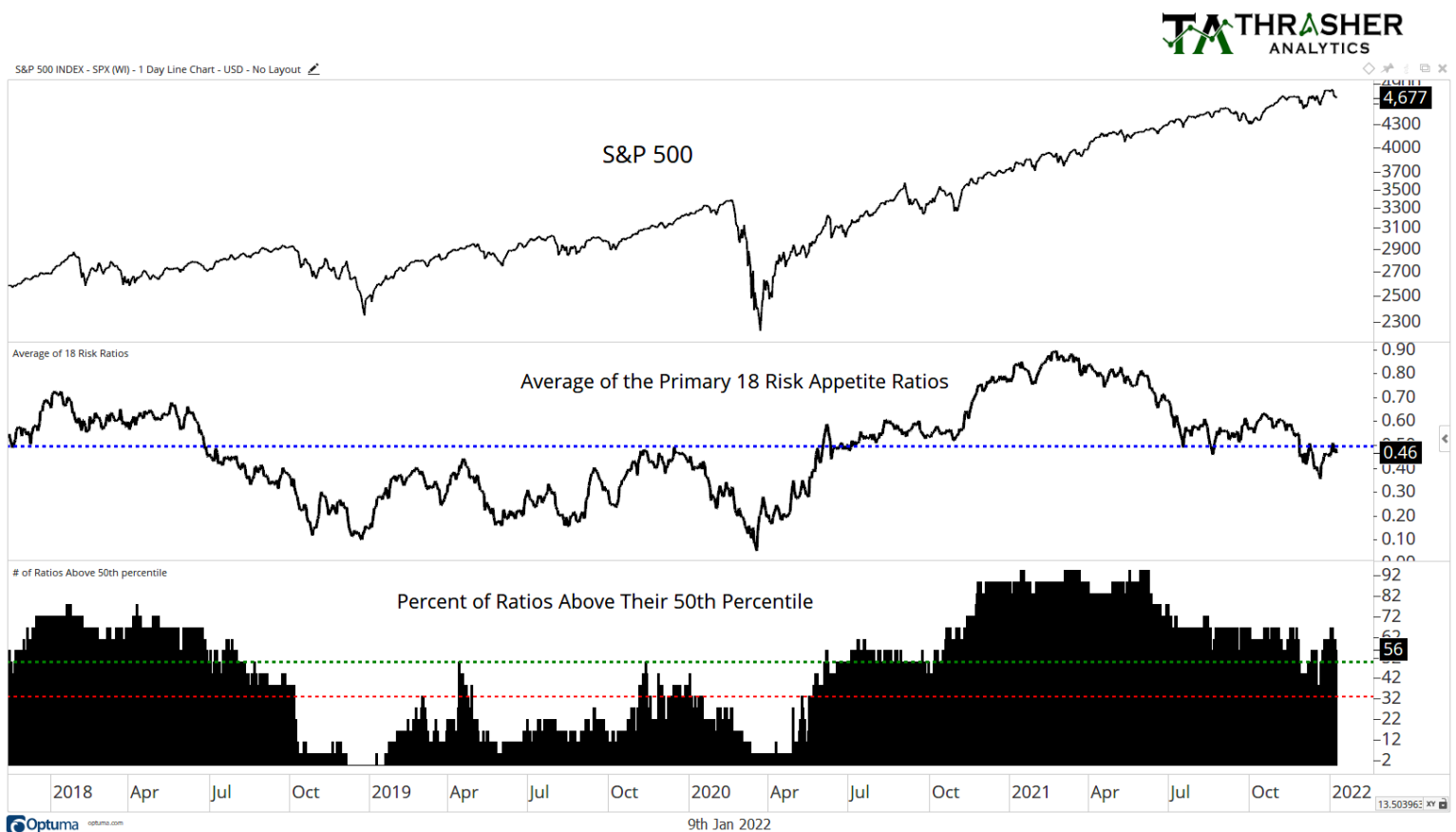


# RISK APPETITE RATIO



Here's a look at the historical average of the 18 Risk Appetite Ratio. You can see they've been steadily declining the last twelve months after the strong run in 2020 which set a high percentile bar. However, for the bulk of 2021 the average remained above the 50th percentile, meaning Risk Appetite, while declining, still remained positive.

In the bottom panel of the chart we have the percent of the ratios that are still above their 50th percentile, currently at 56%. Bulls want to see this figure stay above 33%, meaning at least one-third of the ratios are in the top half of their ranges. We haven't fallen under 33% since following the Covid Crash, with equities weakening at we kick off 2022 we'll see if that continues to be the case.





Last week I discussed how equities remained above their latest breakout levels and momentum was testing the upper end of its multi-month range. Both of these were unable to hold true in the first week of 2022. Large cap stocks fell to their 50-day MA and momentum fell under 50 on the RSI. In 2021 bulls refused to let SPX spend much time under its 50-day moving average, 'do dip buyers remain in control in 2022?' is the question we now must answer.



# EQUITIES - BREADTH

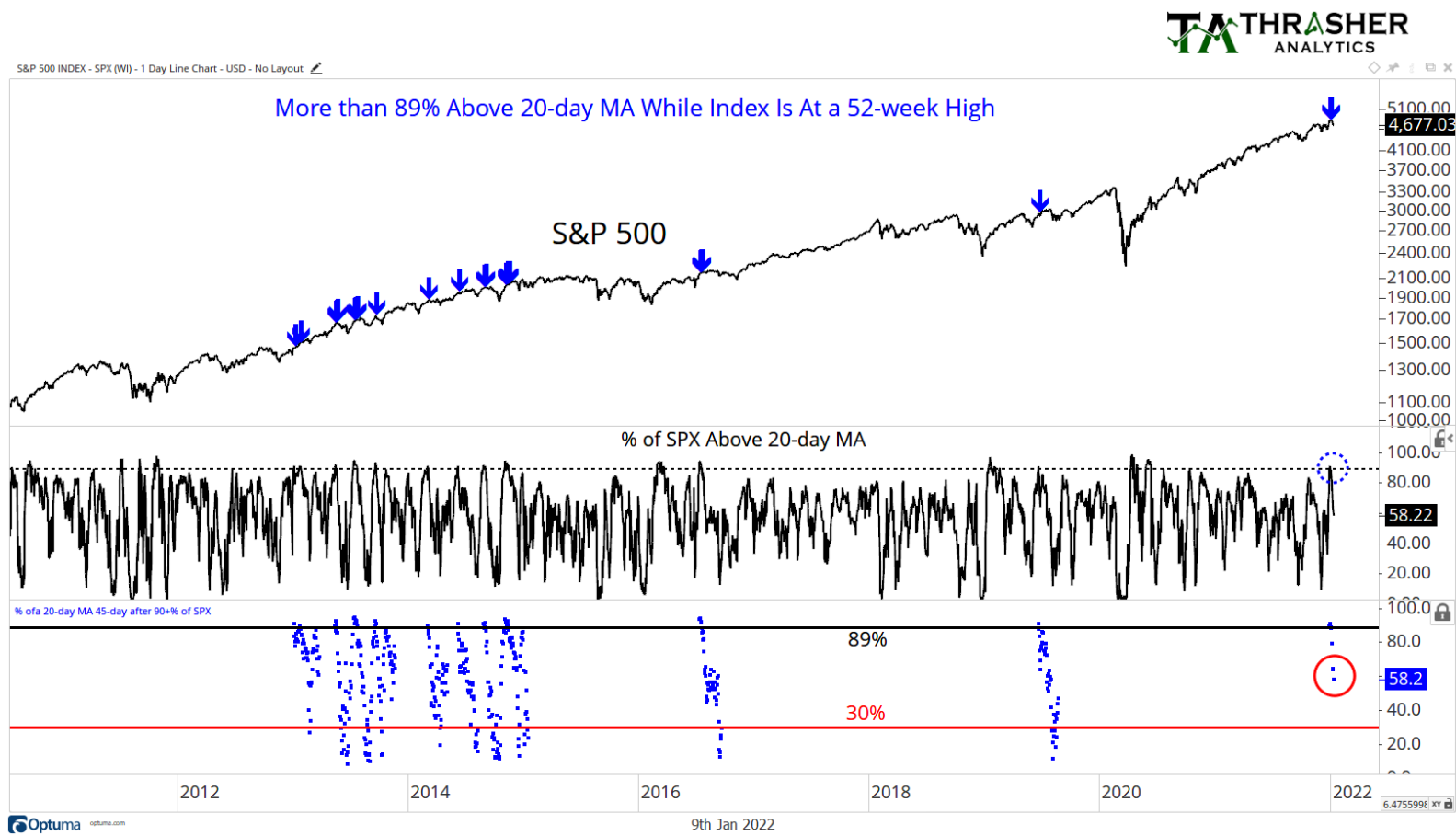


With stocks dipping last week we saw the % above the 20-day moving average move from near 90% to 58% on Friday. We saw a marginal higher-high in % above the 50-day MA, which hit 77.6%, a good sign of some expanding breadth as this exceeds the highs in November and December.



# EQUITIES - SHORT-TERM BREADTH

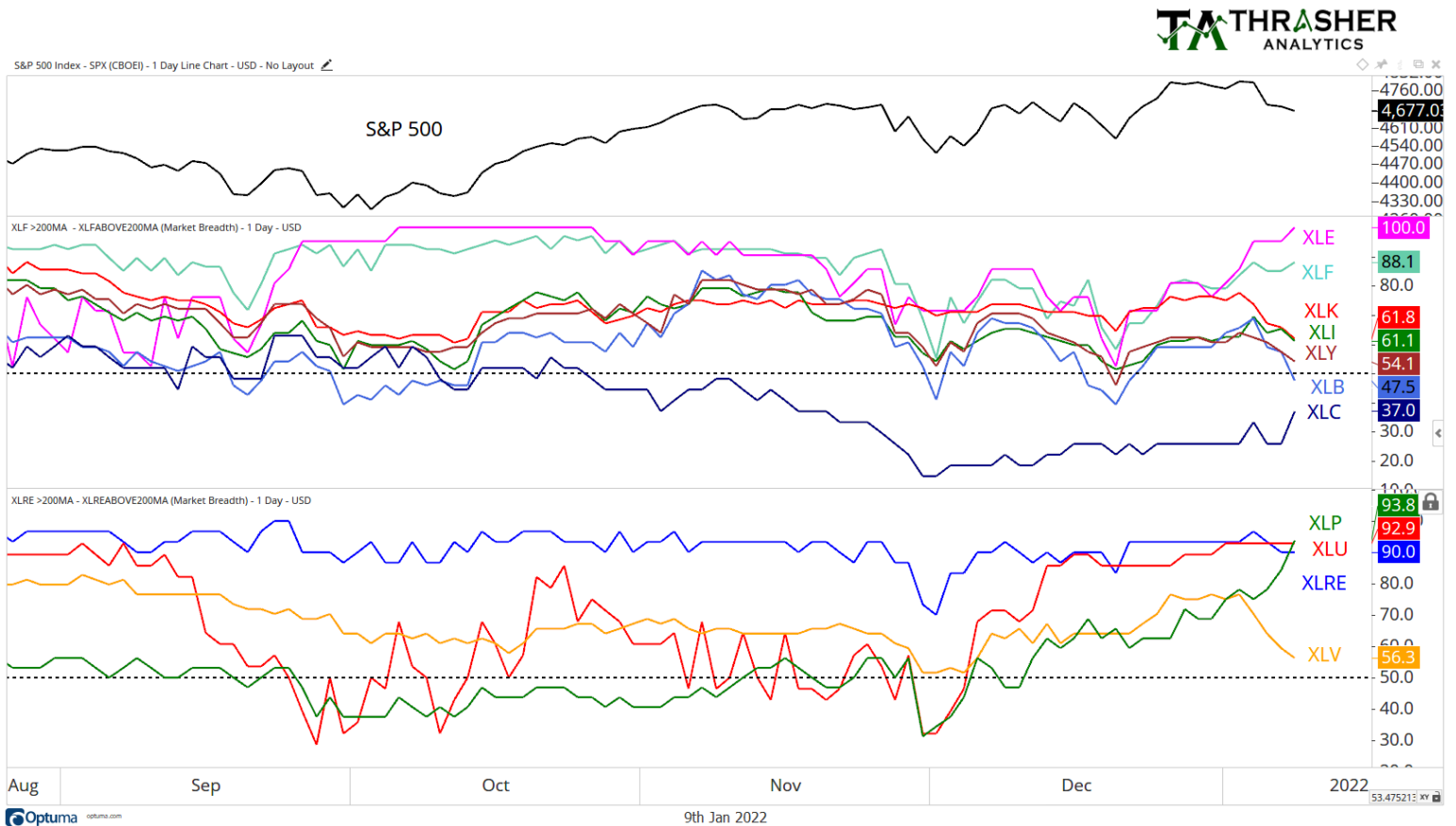
I shared this in December, noting that 89% of stocks were above their 20-day moving average, the first time we saw that level when SPX was at a 52-week high since 2019. This often was followed by a dip in the index, which we've now begun to do this go around as well. Looking at the other occurrences, we typically saw % above the 20-day MA go from 89+% to at least 30%. Currently we're at 58.2%, suggesting we still could see some short-term weakness to allow short-term breadth to wash out. The prior dips were brief and weren't followed immediately by a major drop in the index, so if we are to follow that historical precedent, we could see some more red and maybe a move to the 100-day MA, allowing % above the 20-day MA to reach 30%.



# EQUITIES - SECTOR BREADTH



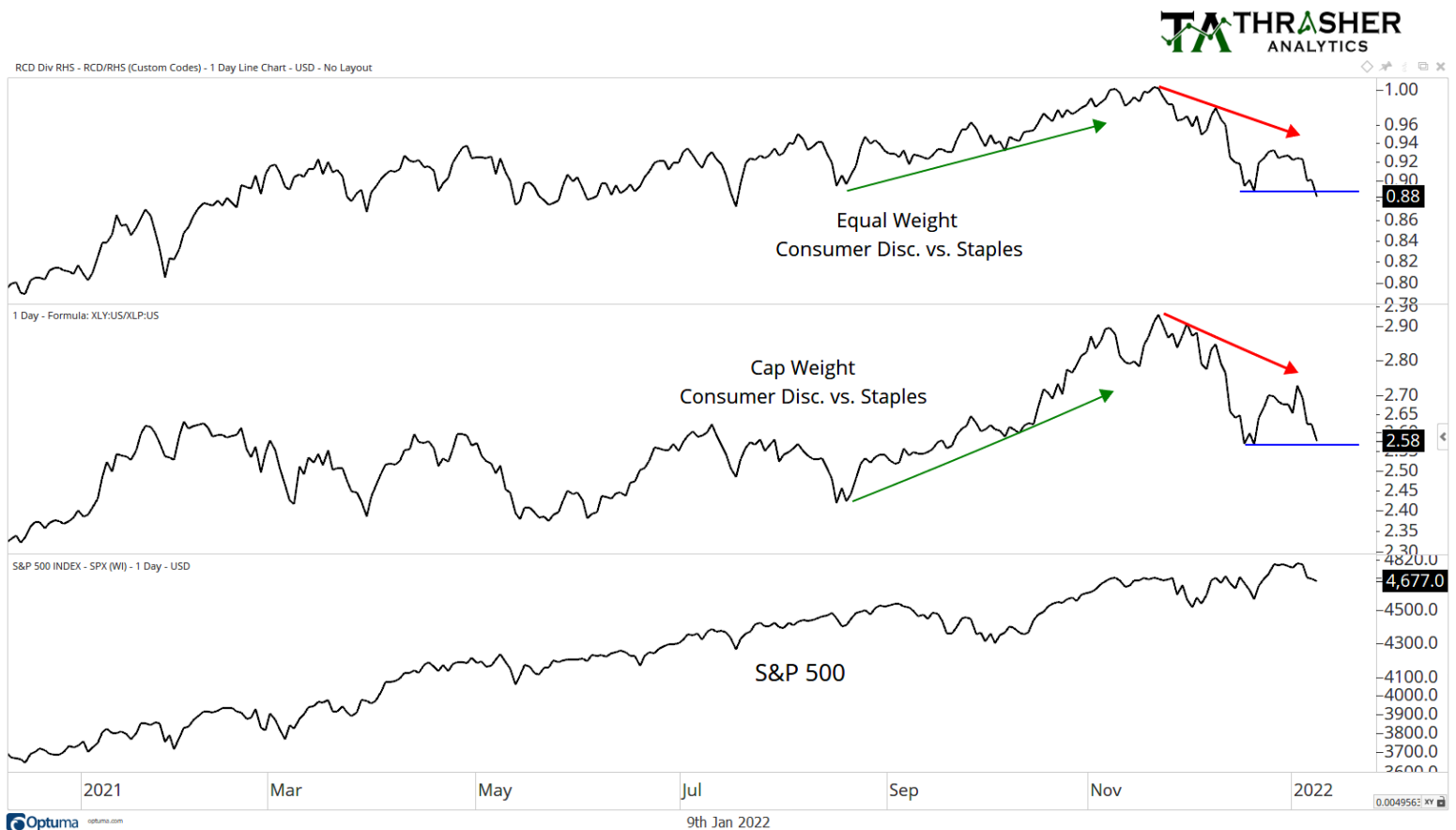
Energy was extremely strong last week, rising over 10% and now all the XLE stocks are above both the 20-day and 200-day moving averages. Financials, Industrials, and Staples were the other positive sectors last week, however industrials saw a minor dip in % of stocks above their 200-day moving average. Staples now has the highest % in the defensive group at 93.8% followed by Utilities, and Real State - both have 90% or more of their stocks above the long-term moving average.



# EQUITIES - CONSUMER RATIO



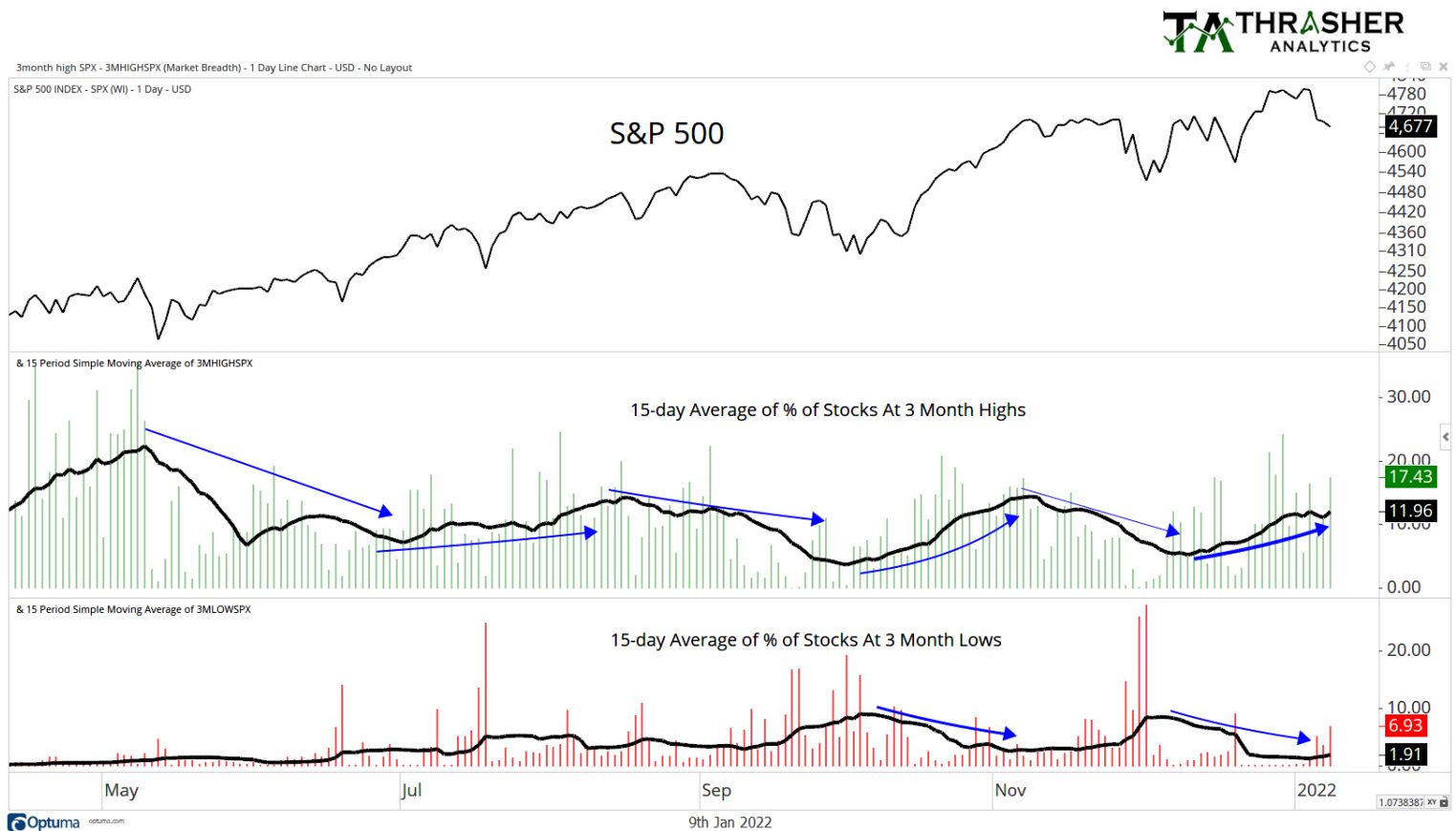
The Consumer Ratio, the relative performance of Consumer Discretionary vs. Consumer Staples has continued to move lower as Staples show strong performance. The equal weight version of the ratio made a new multi-month low last week - falling to the lowest level since last summer.



# EQUITIES - 3-MONTH HIGHS



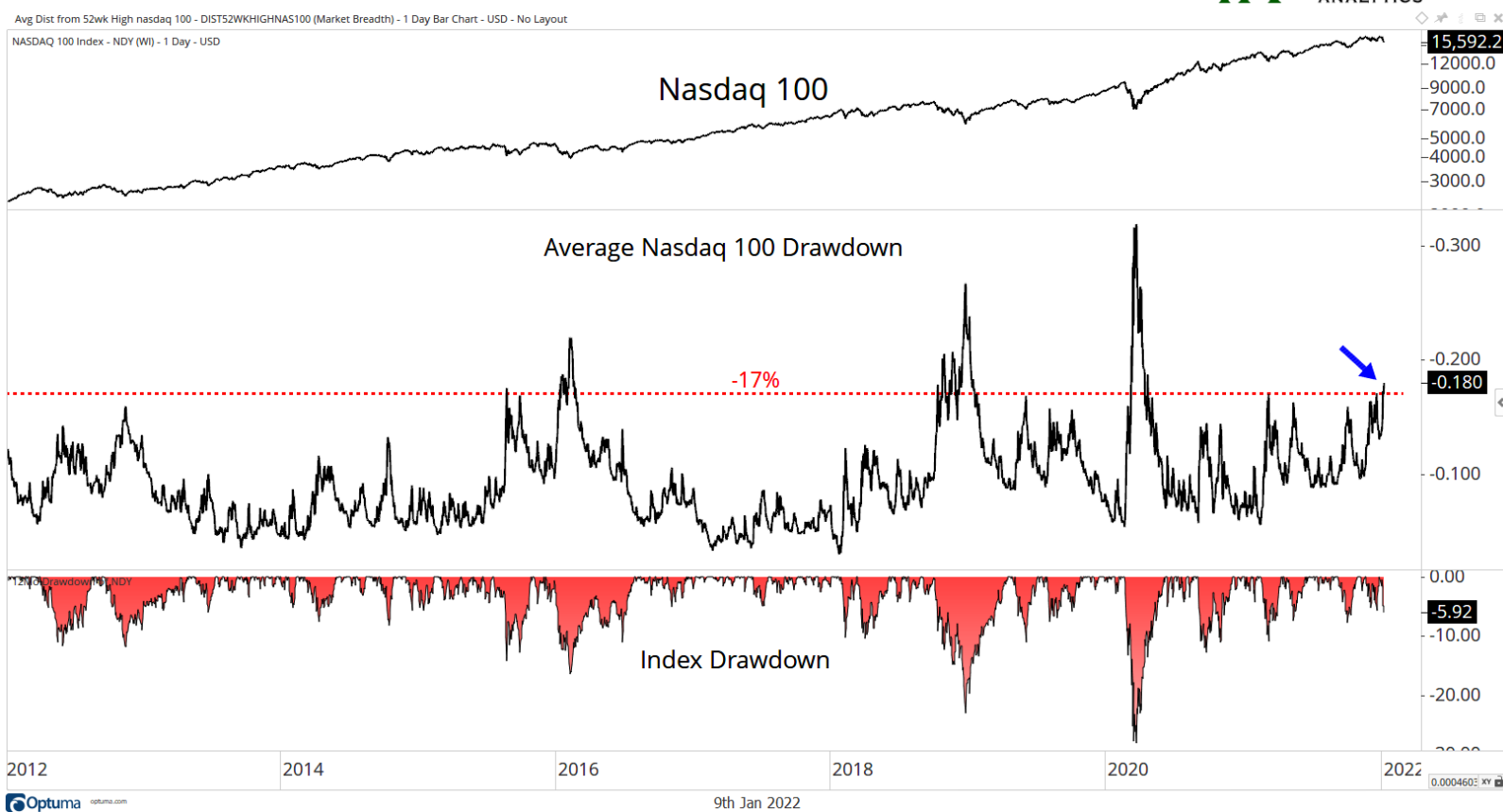
The S&P 500 is now down less than 2% from its 52-week high. That minor dip means we focus more on the short-term breadth figures than the long (like 52wk or 6-month high list). So far we aren't seeing any major distribution yet in individual large cap stocks. Less than 7% are at a 3-month low and we still have a rising 15-day average of new 3-month highs, which is nearing the November high. If this selling continues then we should see this data flip, with an expanding list of 3-month lows but that's not the case yet.



# EQUITIES - NASDAQ 100 DRAWDOWN

While SPX stocks aren't seeing expanding 3-month lows, the drawdown data for Nasdaq 100 is getting worse. We now have the highest average drawdown since the Covid Crash, at -18%. I've put a horizontal line at -17% to show that outside of protracted declines (or crashes like in '20), we don't typically see this kind of drawdown.

There's been a lot of talk regarding the Fed repeating its mistake in Q4 2018 and interestingly enough, the drawdown data was at this level in October '18 as the index fell roughly 5% like it is today. Rising rates has not been the friend of growth stocks, which make up the lion's share of the Nasdaq 100 list and why we're likely seeing such internal weakness here. We'll look at this topic more later in the letter.

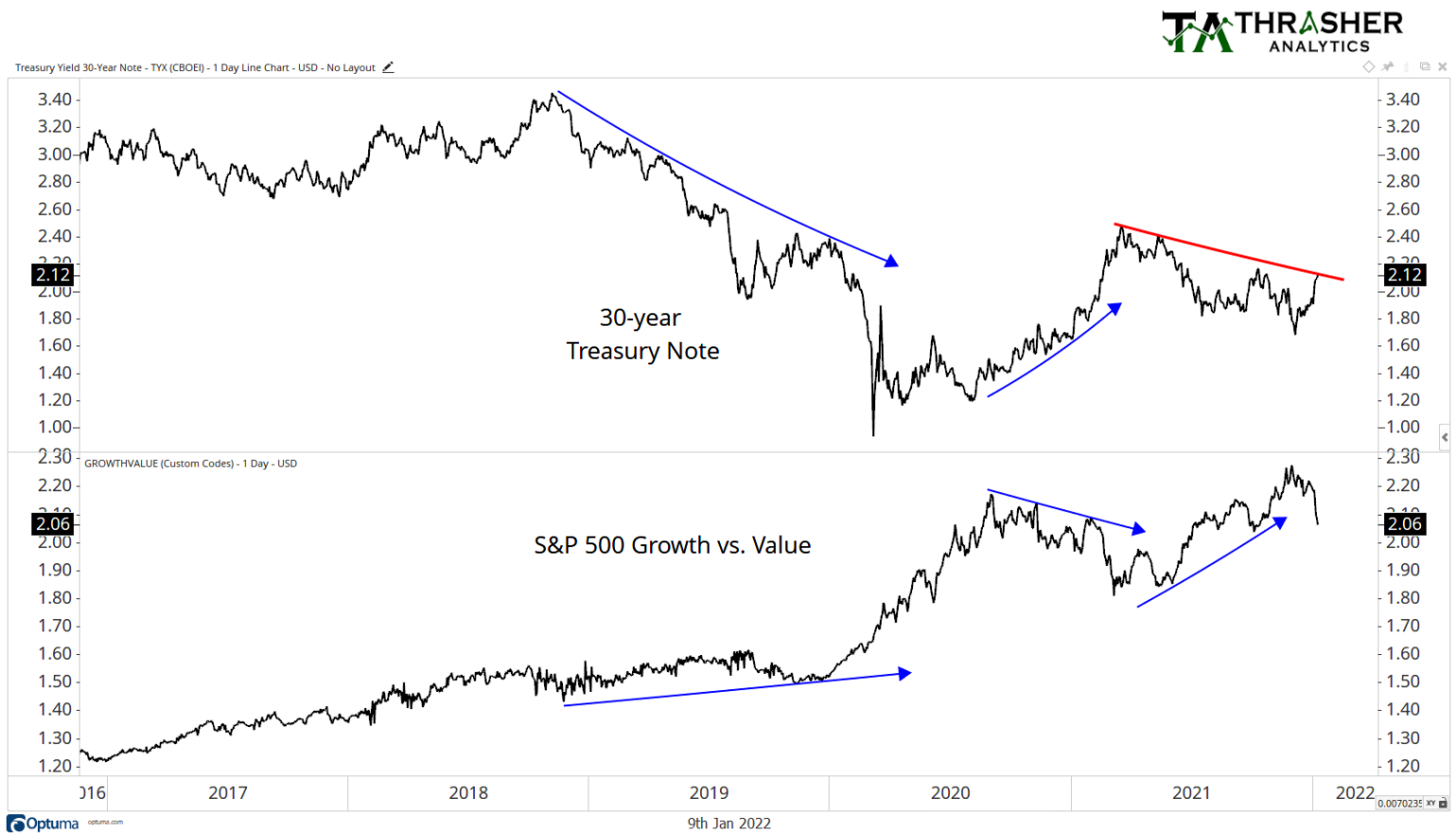


# EQUITIES - GROWTH VS. VALUE



I'll be discussing rates in the Fixed Income portion of the letter, but first I wanted to share this chart of the 30yr Treasury Note Yield and the ratio of growth vs. value. Note the high correlation in trends for these two: when rates are falling, growth shows strength but when rates reverse higher, growth struggles. As the Fed attempts to end its decade long easing program and raise rates, which the market now thinks will be in March (note last week's letter that showed the Eurodollar already pricing in the first rate hike, we didn't need the FOMC minutes to know that!).

Should we see further upside in long-term rates, it's likely going to be accompanied by further weakness in growth stocks.





# HEDGE FUND STOCKS



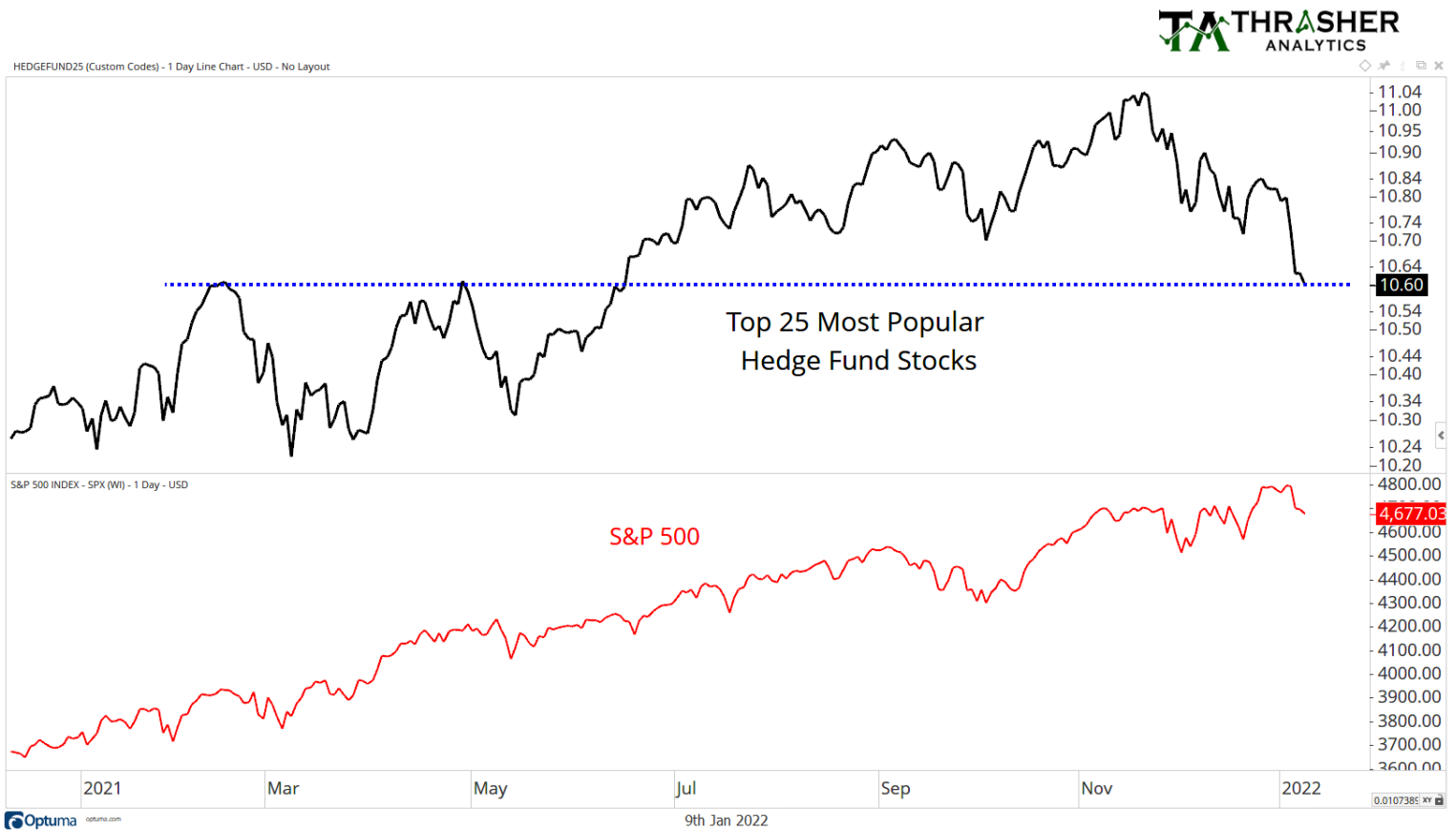
A new section of the report I'll be sharing in the new year will be looking at the most important stocks to hedge funds. Using data from [HedgeMind](#), which publishes a list of the 50 stocks that the most hedge funds hold in their top 10 largest positions. This means these stocks likely are "in play" by many hedge funds as they accumulate shares or exit positions.

Using the Thrasher Analytics Mean Reversion Indicator (TAMRI), I've sorted the stocks by their combined (Absolute & Relative) score, showing the 1st and 4th quartiles. These are no buy and sell recommendations. These lists show stocks that have potential to mean revert higher (when the TAMRI is low) or revert lower (TAMRI is high). I've also included the 1-year z-score of each stock.

This can act as a great source of idea generation of stocks that hedge funds may be active buyers or sellers in the coming weeks. I'll provide an updated list each week.

Name	Ticker	1W Change	1M Change	3M Change	1yr Z-Score	Absolute Score	Combined Score ^
Combined Score 1st Quartile		AVG: -6.86%	AVG: -4.51%	AVG: -19.87%	AVG: -1.492		AVG: -45.44
Five9 Inc	FIVN	-2.40%	4.21%	-19.87%	-1.893	-65.39	-66.75
PayPal Holdings Inc	PYPL	-0.52%	2.00%	-29.11%	-1.935	-48.84	-53.17
Block Inc - Ordinary Shares - Class A	SQ	-12.36%	-21.93%	-40.85%	-3.013	-46.75	-48.88
Adobe Inc	ADBE	-9.94%	-17.17%	-11.56%	-0.671	-42.65	-45.63
Twitter Inc	TWTR	-8.21%	-5.70%	-36.00%	-2.133	-42.57	-45.18
T-Mobile US Inc	TMUS	-5.38%	-2.69%	-13.43%	-1.830	-44.70	-44.08
Fiserv, Inc.	FISV	4.86%	8.29%	-0.87%	-0.347	-44.09	-43.81
Charter Communications Inc.	CHTR	-6.36%	-10.13%	-17.29%	-1.308	-40.75	-40.21
Shopify Inc	SHOP	-16.91%	-18.83%	-15.27%	-1.252	-37.01	-40.04
Mercadolibre Inc	MELI	-19.51%	3.08%	-34.91%	-2.095	-37.53	-39.88
Visa Inc	V	0.12%	10.51%	-5.86%	-0.385	-39.87	-39.72
Liberty Broadband Corp - Ordinary Shares - Se	LBRDK	-5.66%	-5.74%	-13.41%	-1.038	-37.27	-37.97
+ Combined Score 2nd Quartile		AVG: -7.71%	AVG: -3.44%	AVG: -15.69%	AVG: -0.723		AVG: -25.03
+ Combined Score 3rd Quartile		AVG: -8.50%	AVG: -9.09%	AVG: -21.20%	AVG: -0.841		AVG: -9.42
- Combined Score 4th Quartile		AVG: -5.27%	AVG: 2.21%	AVG: 16.39%	AVG: 1.163		AVG: 14.92
Elastic N.V	ESTC	-12.08%	-3.95%	-28.36%	-1.566	-2.86	-2.70
Booking Holdings Inc	BKNG	1.47%	15.14%	-0.87%	1.029	-0.95	-1.04
Snowflake Inc - Ordinary Shares - Class A	SNOW	-11.53%	-13.16%	-1.33%	0.322	5.30	5.43
Advanced Micro Devices Inc.	AMD	-8.27%	-8.34%	28.84%	1.265	8.54	6.83
Micron Technology Inc.	MU	1.40%	15.72%	33.05%	1.773	8.97	7.84
Expedia Group Inc	EXPE	-0.45%	15.64%	5.96%	1.199	12.21	13.42
Nvidia Corp	NVDA	-7.36%	-11.23%	31.36%	1.246	12.49	14.77
Tesla Inc	TSLA	-2.82%	1.18%	32.47%	1.474	17.81	17.97
Apple Inc	AAPL	-3.04%	6.38%	20.69%	1.969	17.23	19.09
WillScot Mobile Mini Holdings Corp	WSC	-6.73%	-2.31%	18.40%	1.641	21.63	24.99
Palo Alto Networks Inc	PANW	-5.62%	0.89%	8.01%	1.445	35.87	35.57
Builders Firstsource Inc	BLDR	-8.26%	10.58%	48.47%	2.156	31.75	36.91

Speaking of hedge fund stocks, if we look at just the top 25 - their performance has been pretty bad. The top 25 most popular hedge fund stocks have almost given back all the 2021 gains. These funds are feeling the pain as growth stocks struggle. I'm seeing many funds buying dips, trying to add to positions rather than cut bait and take the loss. Should weakness in these names continue, it doesn't appear the funds have cut their exposure, meaning some forced selling could be in store once they hit their pain threshold.



# SECTORS - PERFORMANCE



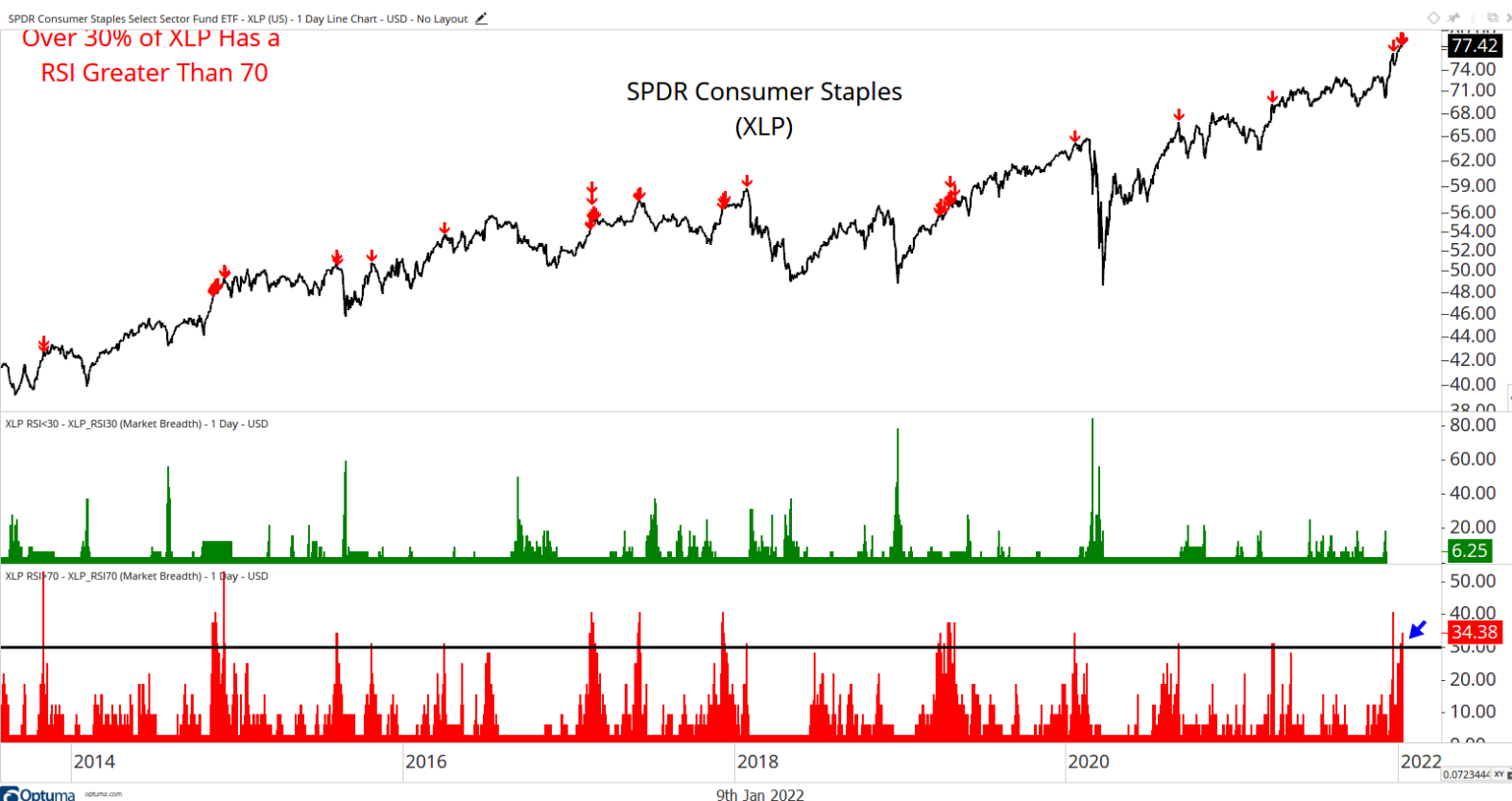
1 Day - Watch List - No Layout

Ticker	Name	2022	YTD Rel% to SPX	1W %	1M %	3M%	6M%	% from 52Wk High	% from 52Wk Low	% From 20MA	% From 50MA	% From 200MA	
- Index		AVG: -0.51%			AVG: 5.87%			AVG: 20.29%			AVG: -1.67%		
DJI	Dow Jones Industrial Average	-0.29%	1.61%	-0.29%	1.43%	4.25%	4.47%	1.95%	21.35%	0.55%	1.16%	3.94%	
SPX	S&P 500 INDEX	-1.87%	0.00%	-1.87%	-0.21%	6.30%	7.32%	2.94%	26.61%	-0.73%	0.05%	6.22%	
IWM	iShares Russell 2000 ETF	-2.87%	-1.02%	-2.87%	-3.58%	-3.22%	-3.44%	11.61%	5.49%	-1.48%	-4.44%	-3.52%	
NDY	NASDAQ 100 Index	-4.46%	-2.64%	-4.46%	-4.49%	4.67%	5.28%	6.99%	27.72%	-3.33%	-3.45%	4.56%	
- Sectors		AVG: 1.52%			AVG: 3.99%			AVG: 31.49%			AVG: 1.53%		
XLE	SPDR Energy Select Sector Fund ETF	10.52%	12.63%	10.52%	7.11%	11.77%	17.85%	0.26%	57.52%	8.87%	8.14%	16.18%	
XLF	SPDR Financial Select Sector Fund ETF	5.43%	7.44%	5.43%	4.76%	6.03%	13.07%	0.24%	42.80%	4.89%	4.42%	9.01%	
XLI	SPDR Industrial Select Sector Fund ETF	0.64%	2.56%	0.64%	1.43%	5.48%	3.07%	1.29%	26.01%	1.82%	1.58%	3.38%	
XLP	SPDR Consumer Staples Select Sector Fund ETF	0.40%	2.32%	0.40%	6.07%	10.39%	10.58%	0.97%	22.91%	1.74%	4.93%	8.49%	
XLB	SPDR Materials Select Sector Fund ETF	-1.45%	0.43%	-1.45%	1.62%	9.40%	8.24%	3.26%	27.55%	0.53%	1.48%	5.53%	
XLC	SPDR Communication Services Select Sector ETF	-1.60%	0.28%	-1.60%	-0.35%	-6.07%	-6.58%	11.48%	17.99%	-1.09%	-2.32%	-4.09%	
XLU	SPDR Utilities Select Sector Fund ETF	-1.63%	0.24%	-1.63%	2.13%	7.91%	8.81%	1.98%	20.83%	0.15%	2.83%	5.66%	
XLY	SPDR Consumer Discretionary Select Sector Fund ETF	-2.43%	-0.57%	-2.43%	-3.46%	8.73%	10.06%	7.24%	33.30%	-1.22%	-2.31%	7.71%	
XLK	SPDR Technology Select Sector Fund ETF	-4.57%	-2.75%	-4.57%	-3.82%	8.79%	9.71%	6.28%	33.05%	-3.40%	-1.86%	8.38%	
XLV	SPDR Health Care Select Sector Fund ETF	-4.64%	-2.82%	-4.64%	1.17%	5.31%	4.16%	5.37%	22.21%	-2.65%	-0.40%	4.03%	
XLRE	SPDR Real Estate Select Sector Fund ETF	-4.90%	-3.09%	-4.90%	-0.18%	9.22%	8.64%	5.56%	42.19%	-1.98%	0.39%	7.54%	

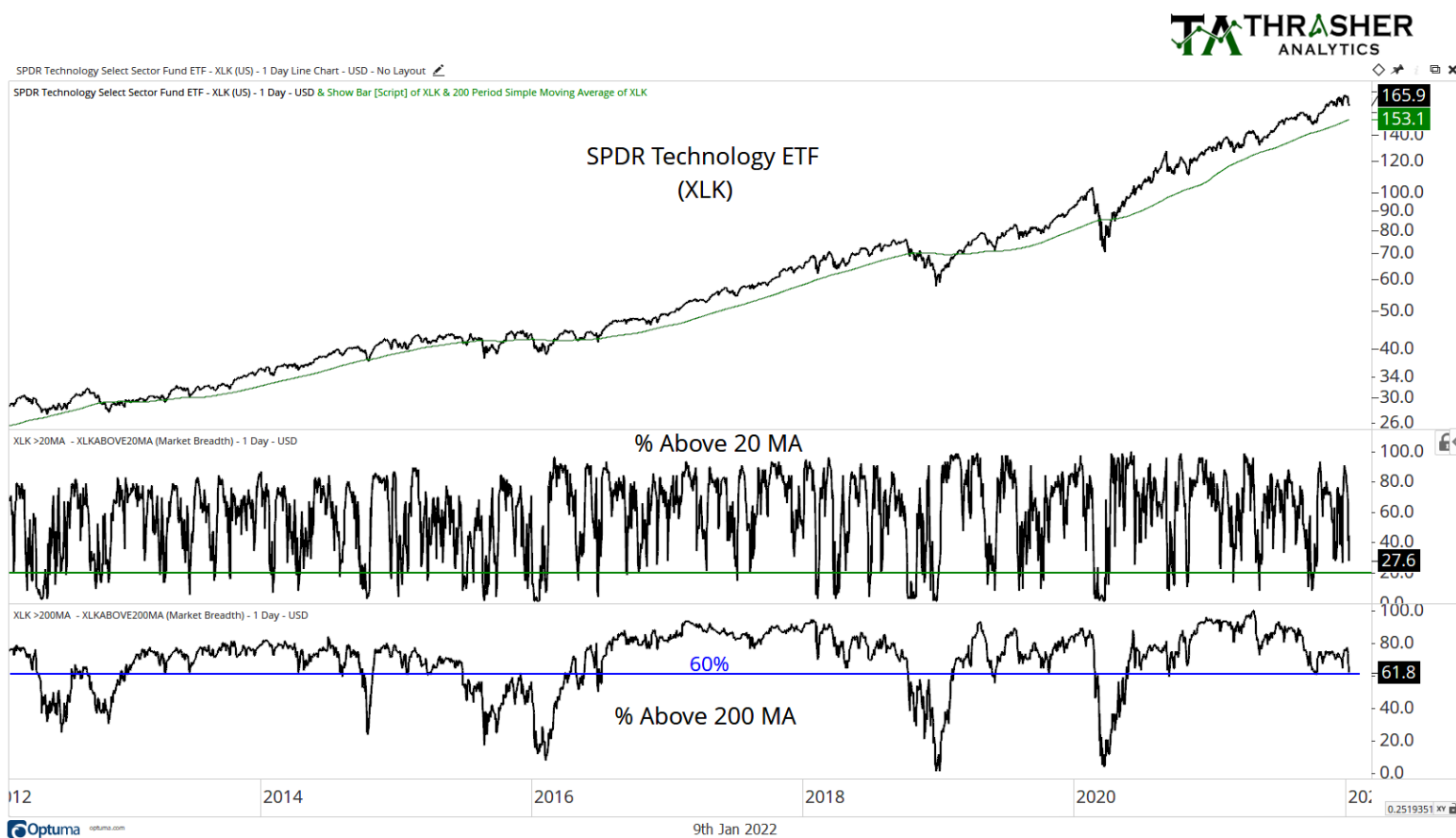
# SECTOR - CONSUMER STAPLES



Consumer Staples have been extremely strong recently. With that strength, momentum is now getting stretched to the upside for many of the individual names. 34% of Staple stocks have an RSI greater than 70. As you can see on the chart below, when we see over 30% 'Overbought' RSI levels, staples have seen at least a short-term pullback.



The Tech sector breadth, % above the 200-day moving average, has steadily been declining after about every stock was above the long-term moving average. We now have "just" 61.8% above the 200-MA, still a strong figure, rarely do we see less stocks above the 200-MA outside of a material pullback that exceeds the minor dip buying pullbacks that were the theme of 2021. This becomes the "make or break" point for tech breadth... short-term breadth is near washout level at just 27.6% are still above the 20-day MA, under 20% we often see dip buyers rush in but when stocks begin breaking that 200-day MA, selling can pick up and overwhelm those short-term dip buyers as we saw in Q4 '18. We need to keep a close eye on tech in the coming weeks.

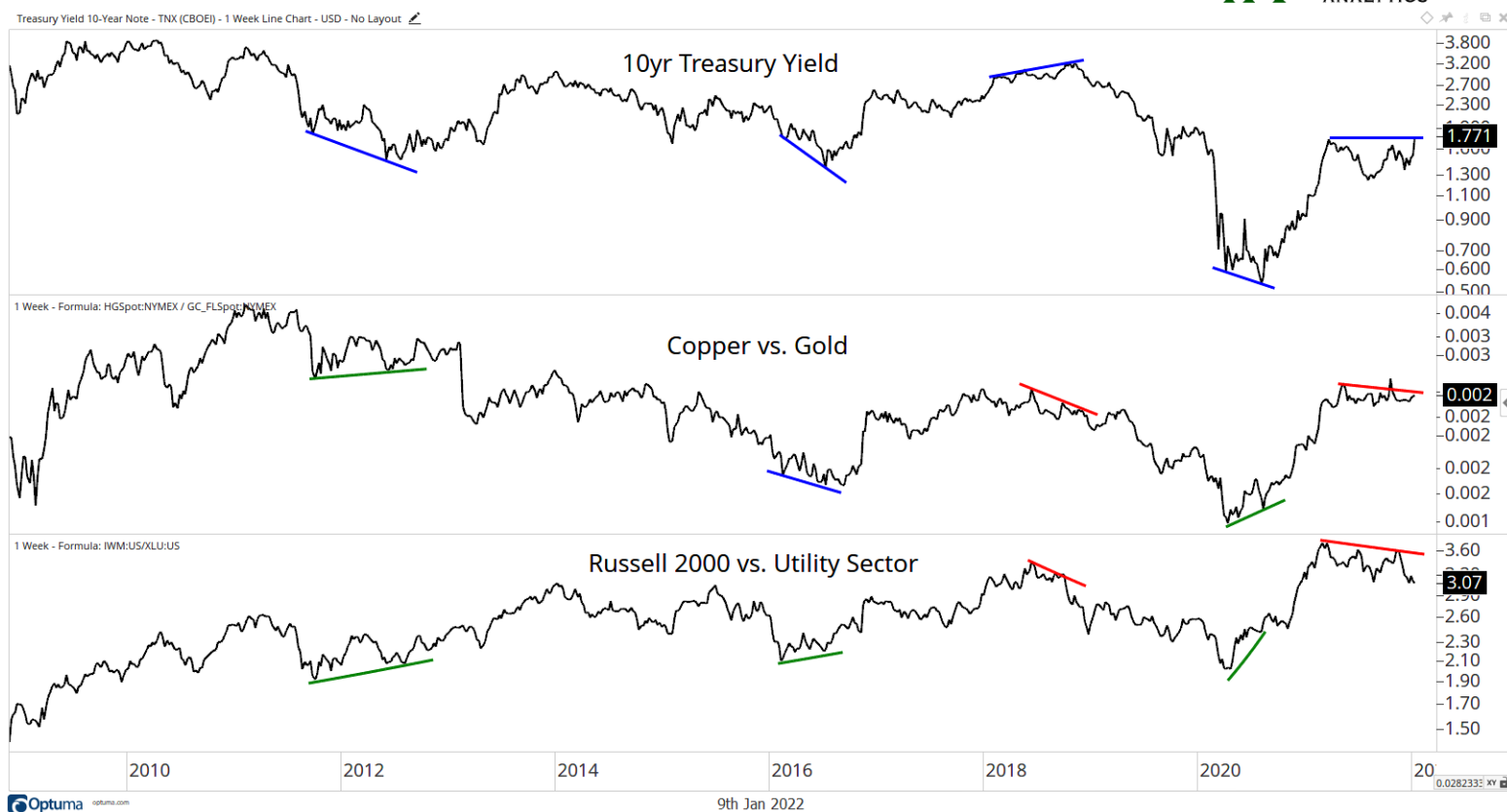


# FIXED INCOME - CONFIRMATION



There's a growing disagreement between asset classes right now. The 10yr yield is rising, which we typically see confirmed by the outperformance of copper vs. gold and small caps vs. utilities, but that's not happening right now. Historically, when commodities and stocks go one way, rates soon follow. Most recently, we saw this happen at the 2020 low, the 2018 high, and the 2016 low. Now we have TNX moving closer to a multi-month new high but copper is struggling relative to gold and small caps aren't keeping up with utilities. I think part of the small cap story is the anchor of growth stocks pulling the Russell down. The top stock in the Russell 2000 is AMC Entertainment after all.

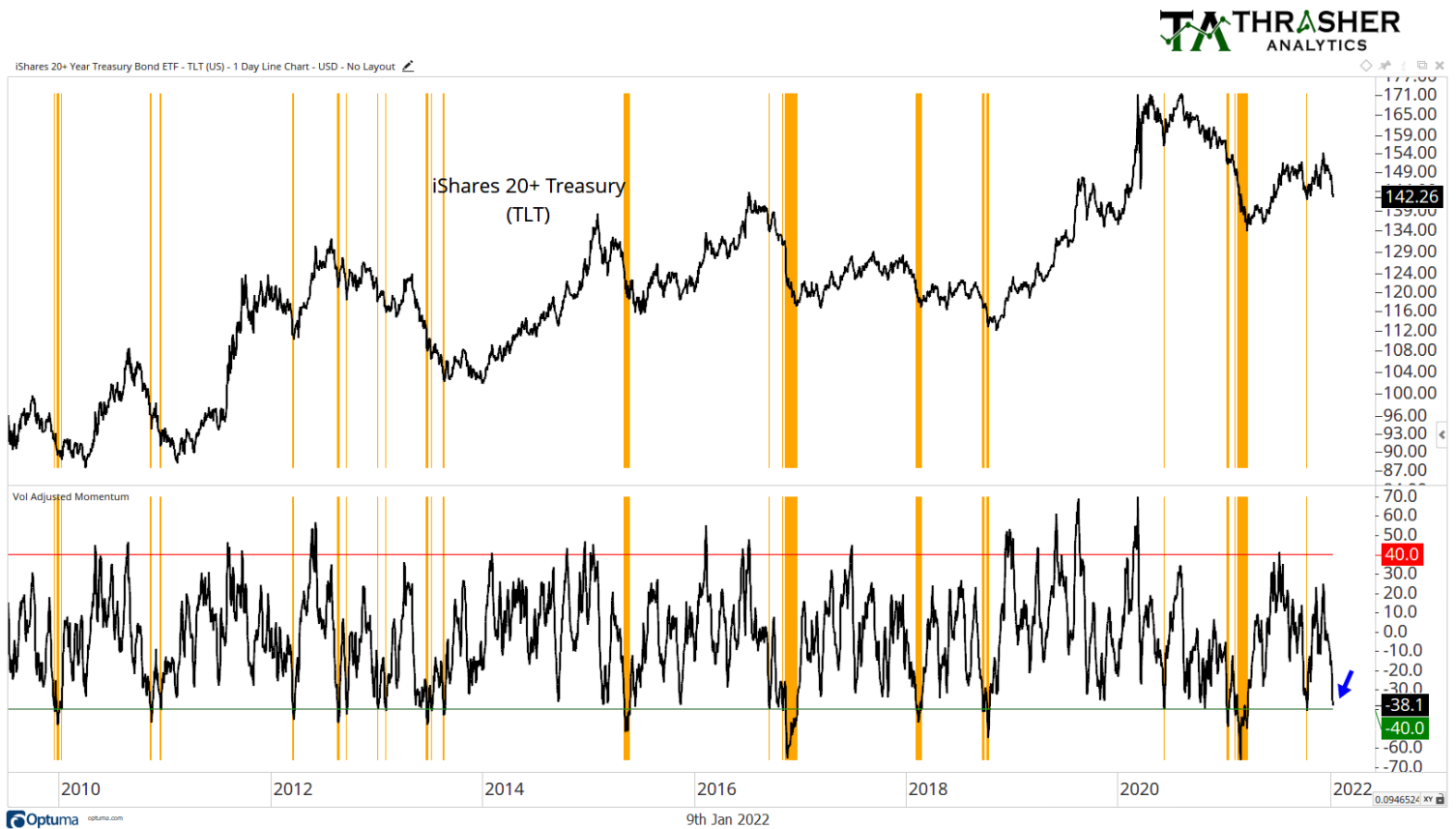
If rates are right, then we should see copper strength and ideally small caps as well. If rates are wrong, and bond prices begin to strengthen, then gold and utilities should continue their leadership.



# FIXED INCOME - BOND REVERSION



Volatility adjusted Momentum (VaM) for the 20+ Year Treasury bond ETF, TLT is nearing an 'oversold' level. I've put orange lines to show previous times we've seen (VaM) under -40, which often gets followed by at least a relief rally in bond prices. Further downside in bonds could soon be met with an attempt at mean reversion should VaM keep moving lower.

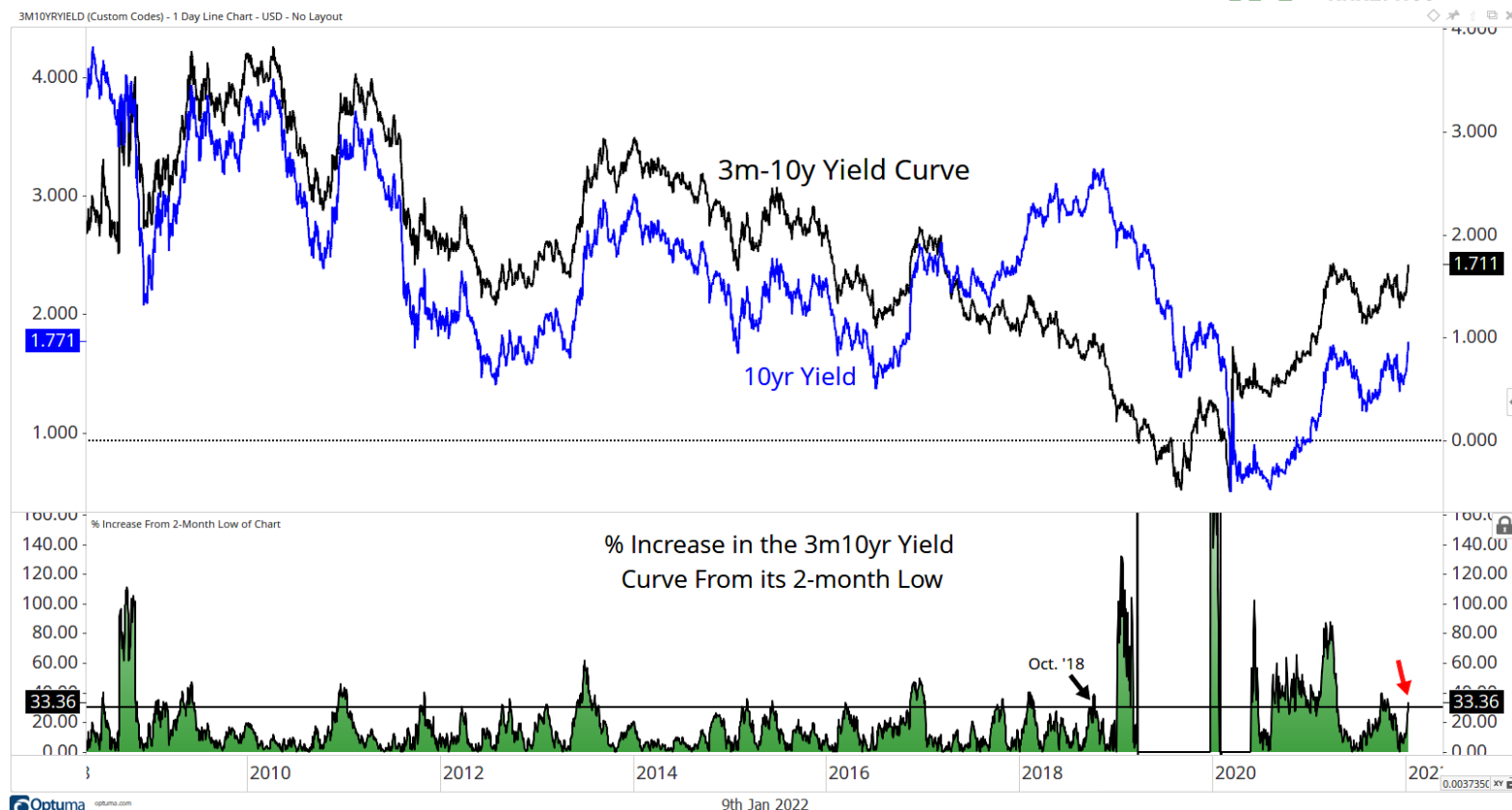


# FIXED INCOME - YIELD CURVE



We are reaching a 'make or break' point for the bond market. With the 10yr trying to breakout and the rise in the Yield Curve advancing, fixed income is drawing everyone's attention. The market seems set to replicate the Q4 2018 playbook. We're seeing Nasdaq stocks take a punch (discussed earlier) and just like in Oct. '18, the 3m-10yr curve has risen over 30%. As you can see on the chart, we haven't seen this sizable 2-month advance in the curve very often (I've taken out the period around the inversion as it causes the math to get funky w/ the negative curve).

If the curve continues to steepen as the market prices in an aggressive Fed policy, then the playbook of the last decade will get thrown out, because it currently is telling us the 10yr yield has finished its run and this is far as the curve is going to go in the short-term. Just like in '18 when stocks dropped, and took the 10yr Yield with them, Powell cried uncle and backed off his plan to tighten. Will the FOMC continue to march to a March increase, taking TNX higher? The curve should sniff out the market's expectations and if it moves to a 2% spread, the market is telling Powell it's fully convinced he's going to be aggressive, equity market be damned.



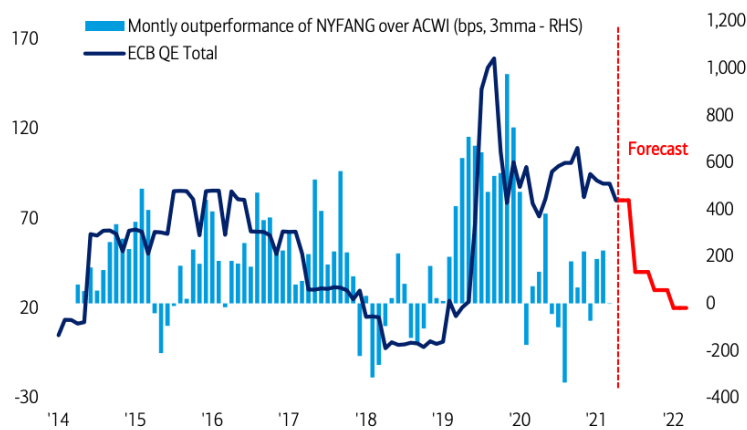


On Thursday, Michael Hartnett of Bank of America made a great comment about one surprise this year he doesn't believe the market is focusing yet on. And that is rate hikes/QT in Europe and Japan. European inflation rose to 5% in December, the highest level in over a decade and largely due to the energy crisis plaguing the area right now. Hartnett shared the chart below, showing the relative performance of the FANG stocks vs. All-Cap World Index along with the ECB's QE program.

He makes the argument that part of what's driven U.S. equities is the need for assets to find a home and the ultra low (negative in some cases) rate environment in European and Japan has send cash flowing into U.S. stocks. But now, like in the U.S. with inflation rising in Europe and Japan, the Fed may not be alone in its plan to tighten policy and wind down quantitative easing programs.

**Chart 2: ECB/BoJ "Rates Shock" = most underappreciated risk in 2022**

ECB/BoJ financial repression has caused capital flight from Europe/Asia to US growth stocks

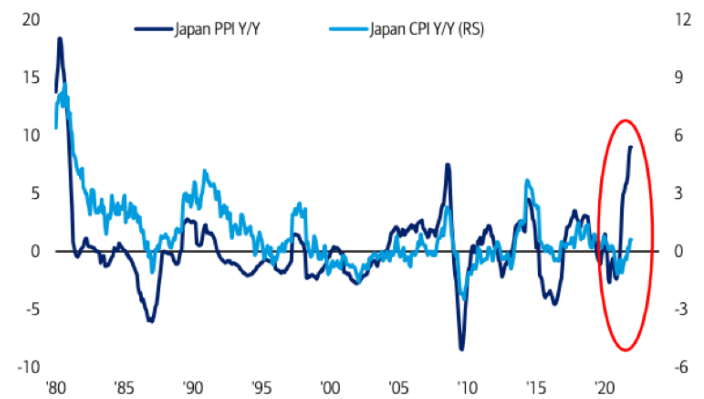


Source: BofA Global Investment Strategy, Bloomberg  
 Note: ECB QE total = ECB purchases, QE \$8.5tn in '20, \$2.0tn in '21, -\$0.6tn in '22 refers to G4 net purchases

BofA GLOBAL RESEARCH

**Chart 11: Japan PPI 9% Y/Y to pull CPI >2%**

Japan PPI and CPI



Source: BofA Global Investment Strategy, Bloomberg

BofA GLOBAL RESEARCH

# TA MEAN REVERSION INDICATOR



*Below are short-term, intermediate, and major signals produced from improvements in the Thrasher Analytics Mean Reversion Indicator. Please refer to the summery PDF in the newsletter archive on the website for more details.*

New TAMRI Signals:	
Blue (short-term):	--
Orange (intermediate):	--
Green (major):	--

# DAILY SENTIMENT INDEX



1 Day - Watch List - No Layout

Code	% Bullish ▲	5-day MA	History
Sugar DSI	13	17	
Bitcoin DSI	14	20	
Lean Hog DSI	18	22	
VIX DSI	23	21	
Platinum DSI	23	30	
Silver DSI	27	34	
Yen DSI	28	26	
Gold DSI	33	38	
Cattle DSI	33	33	
10Y DSI	37	45	
Palladium DSI	38	35	
Euro DSI	38	34	
Swiss Franc DSI	40	41	
Wheat DSI	44	43	
Cocoa DSI	44	40	
Natural Gas DSI	47	43	
Australian Dollar DSI	47	47	
5YR DSI	49	54	

1 Day - Watch List - No Layout

Code	% Bullish ▲	5-day MA	History
Nikkei DSI	51	63	
Nasdaq DSI	51	64	
Cotton DSI	55	58	
British Pound DSI	55	52	
SPX DSI	56	66	
Copper DSI	56	58	
Orange Juice DSI	59	61	
EuroDollar DSI	59	61	
CRB Index DSI	63	61	
US Dollar DSI	67	69	
Crude Oil DSI	67	65	
Mexican Peso DSI	68	64	
Soybean DSI	71	69	
Corn DSI	72	67	
Heating Oil DSI	73	71	
Gasoline DSI	76	79	
Coffee DSI	83	74	
Lumber DSI	84	81	

Source: trade-futures.com

# DAILY SENTIMENT INDEX



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# DAILY SENTIMENT INDEX



# DAILY SENTIMENT INDEX



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# DAILY SENTIMENT INDEX

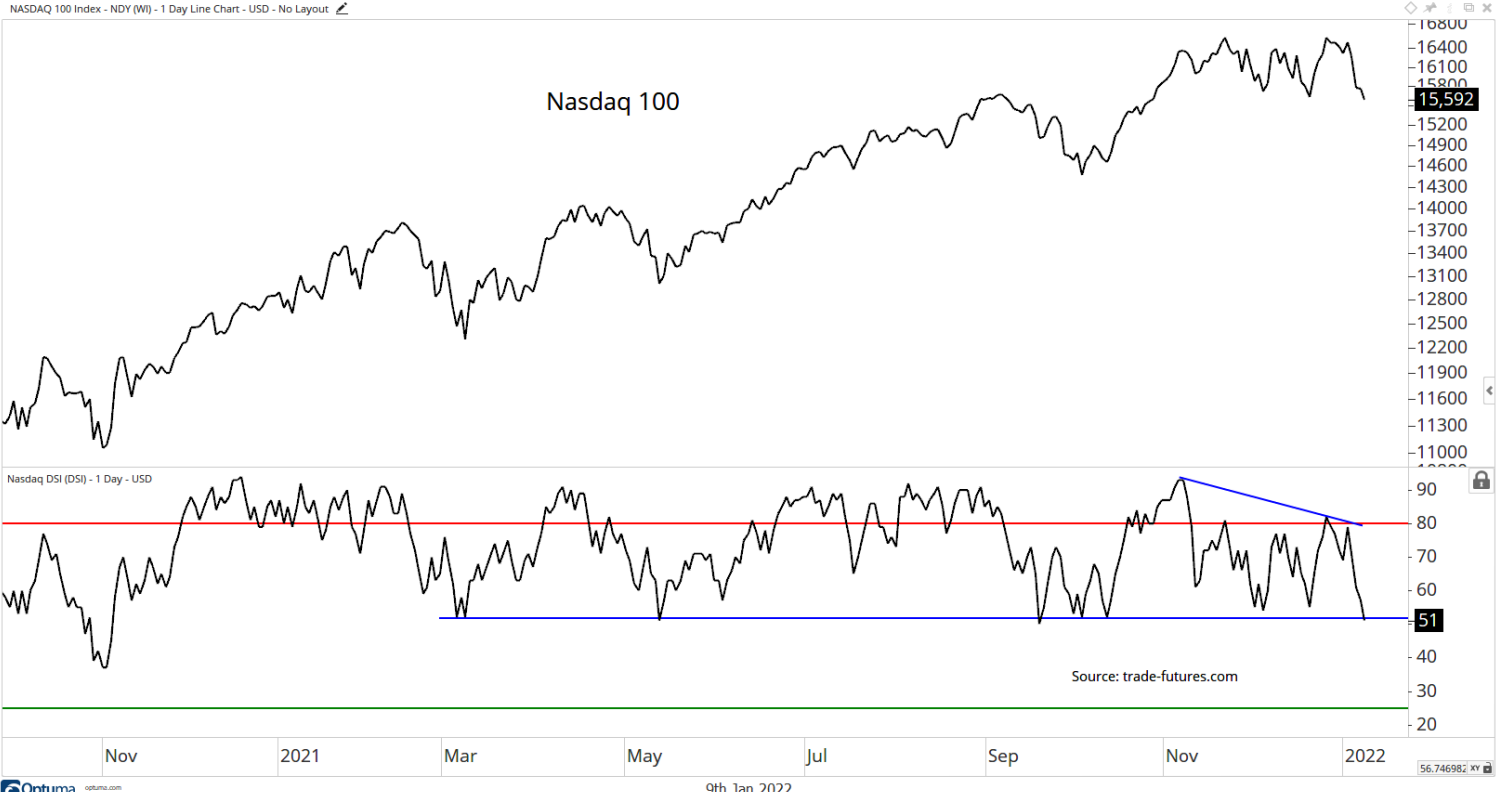


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Gold Futures - GCSpot (NYMEX) - 1 Day Line Chart - USD - No Layout



# DAILY SENTIMENT INDEX





# DAILY SENTIMENT INDEX



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



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9th Jan 2022

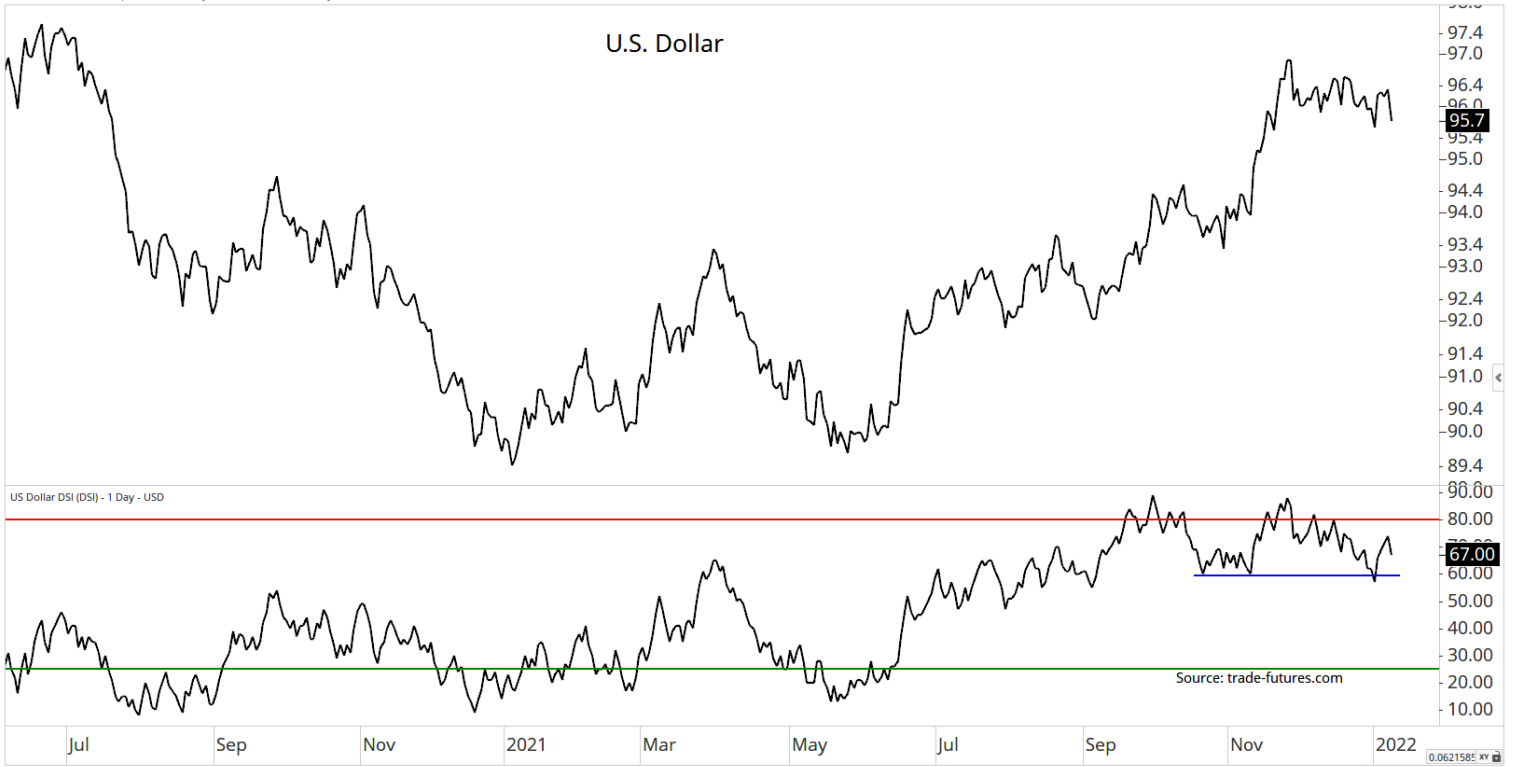
15.943930 NY

# DAILY SENTIMENT INDEX



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

U.S. Dollar



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9th Jan 2022

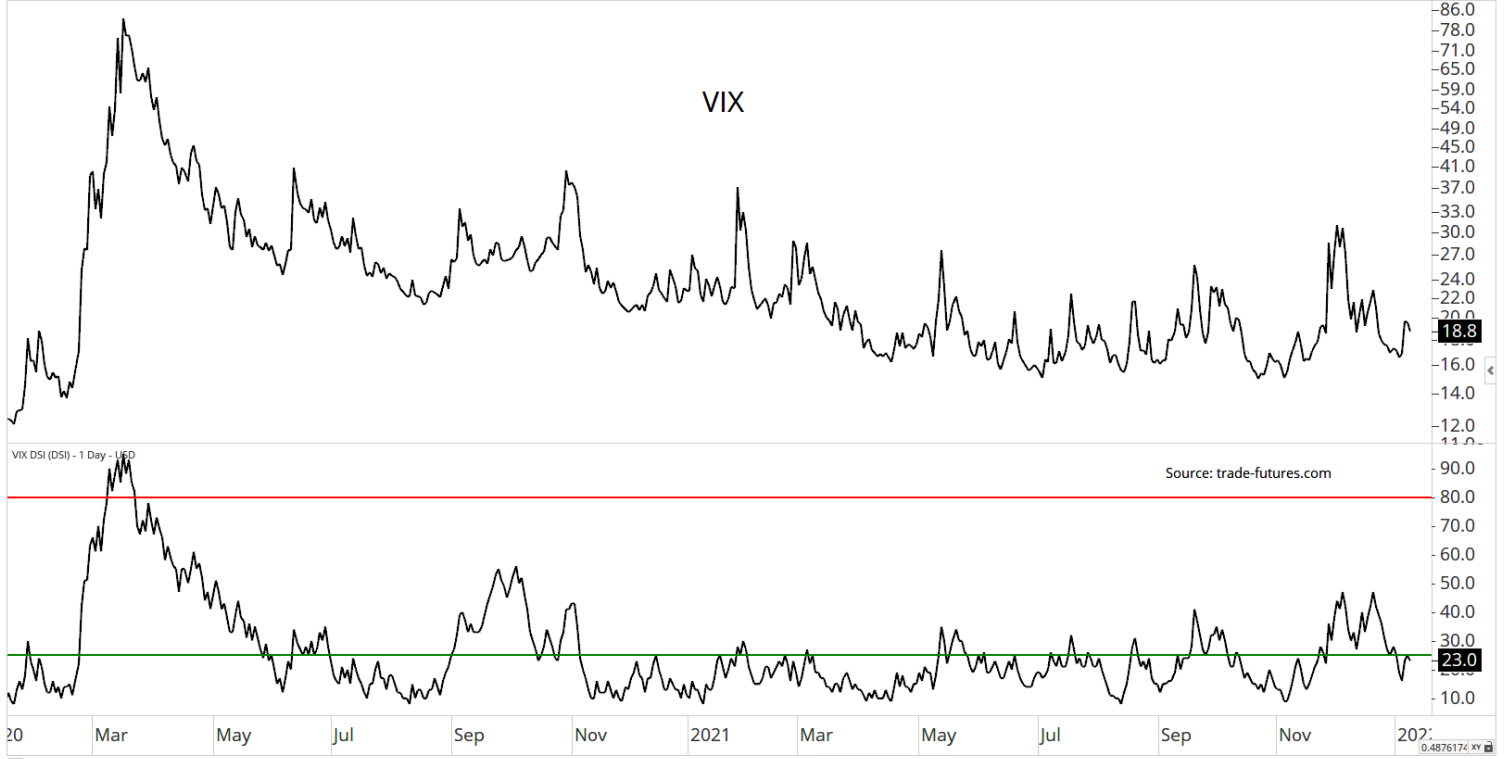
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# DAILY SENTIMENT INDEX



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



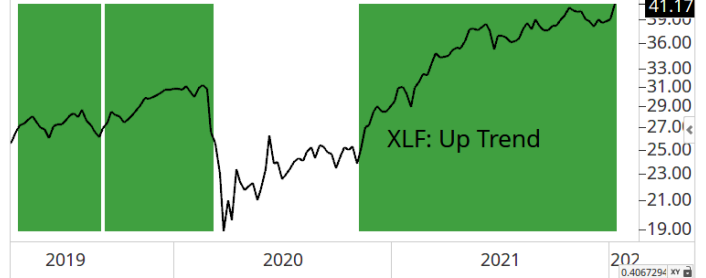
# TREND MODELS



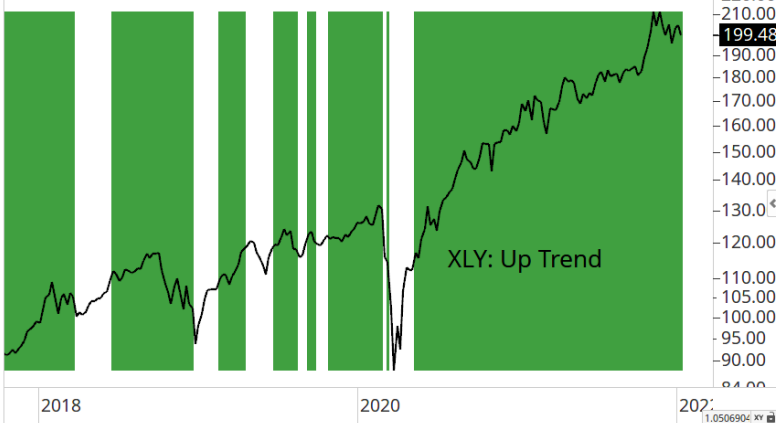
S&P 500 INDEX - SPX (W) - 1 Week Line Chart - USD - No Layout



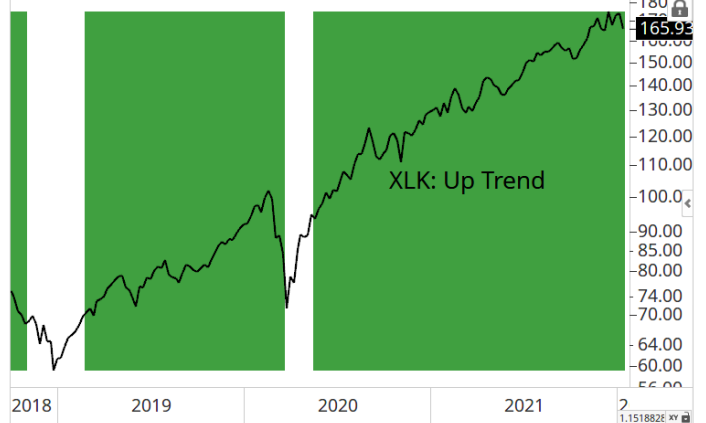
SPDR Financial Select Sector Fund ETF - XLF (US) - 1 Week Line Chart - USD - No Layout



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



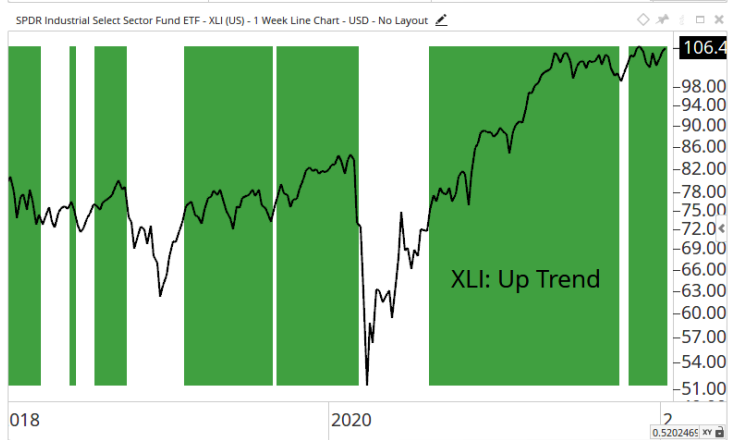
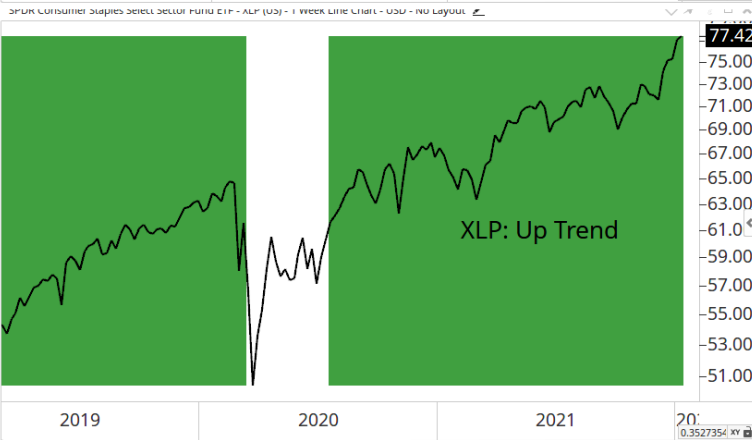
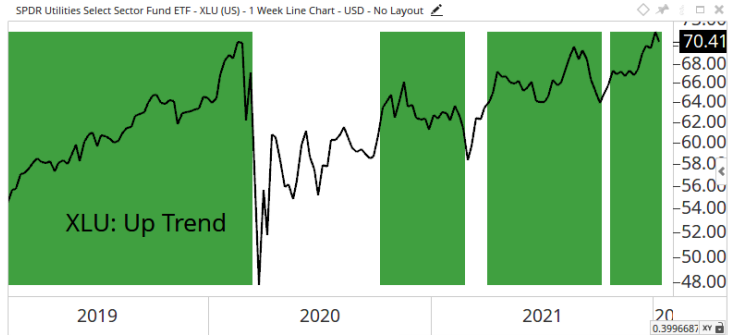
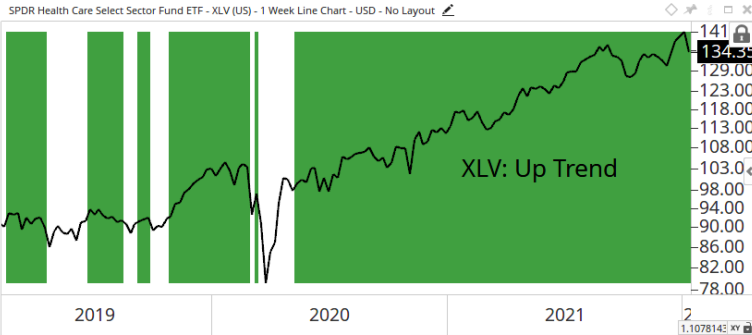
SPDR Technology Select Sector Fund ETF - XLK (US) - 1 Week Line Chart - USD - No Layout



# TREND MODELS



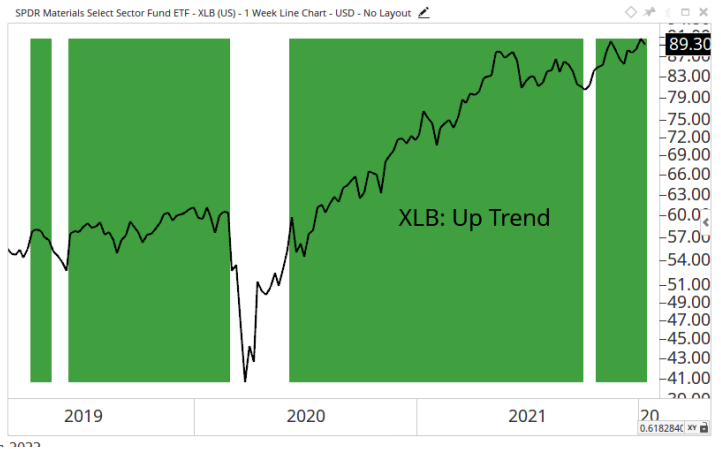
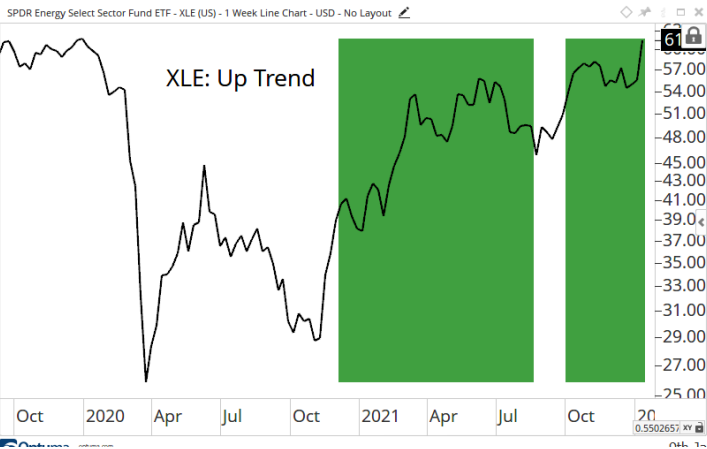
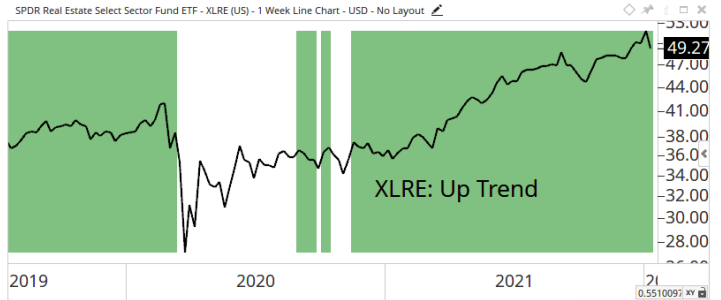
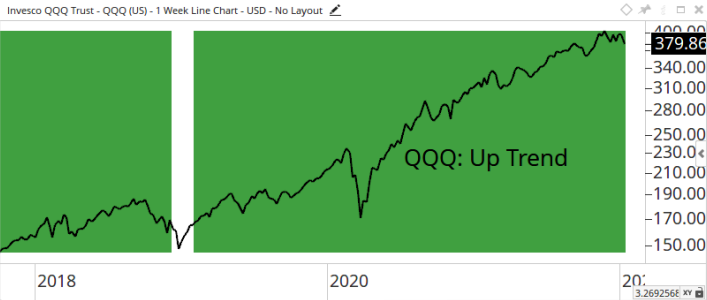
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# TREND MODELS



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<http://thrasheranalytics.com/terms-of-service-agreement>.