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## ***Special Update***

I wanted to share a few updates after yesterday's strong move higher, I'll try and keep it brief!

-The Market Health Report saw a big improvement

- The average drawdown for large cap stocks moved above -10%, closing Monday at -9.2%... you'll remember that we want to see this figure in single digits.

-For the first time since November, cap weighted S&P 500, equal weighted S&P 500, and FAAMG all closed at a new 52-week high on the same day, a sign sign that buyers are broadening out.

- More than 89% of large cap stock closed above their 20-day moving average yesterday, a rather unique and strong level. I'll share the chart below with more comments.

-We closed more than 2 standard deviations above the 50-day and 200-day moving average, more on this below.

### **Market Health Report Update**

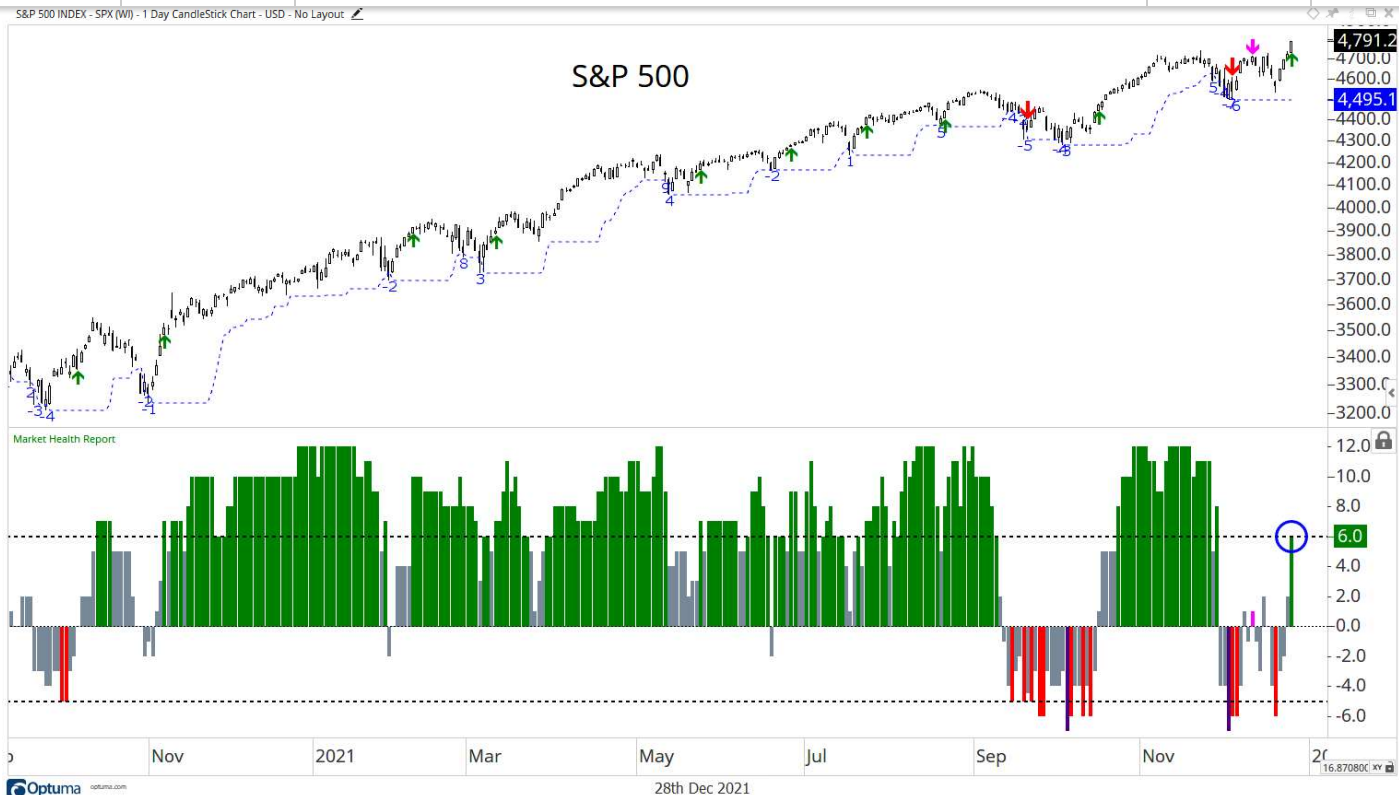
The MHR moved to +6 as of Monday,

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### Strong Short-Term Breadth

89.9% of S&P 500 stocks finished above their short-term 20-day moving average, this is the most since October 2020. When looking at when more than 89% are above the 20-day MA on a day the index finishes at a new 52-week high, it hasn't done that since 2019. The other occurrences can be seen on the chart below. This has often been followed by brief pullbacks and was a fairly common development during the strong market action in 2013.

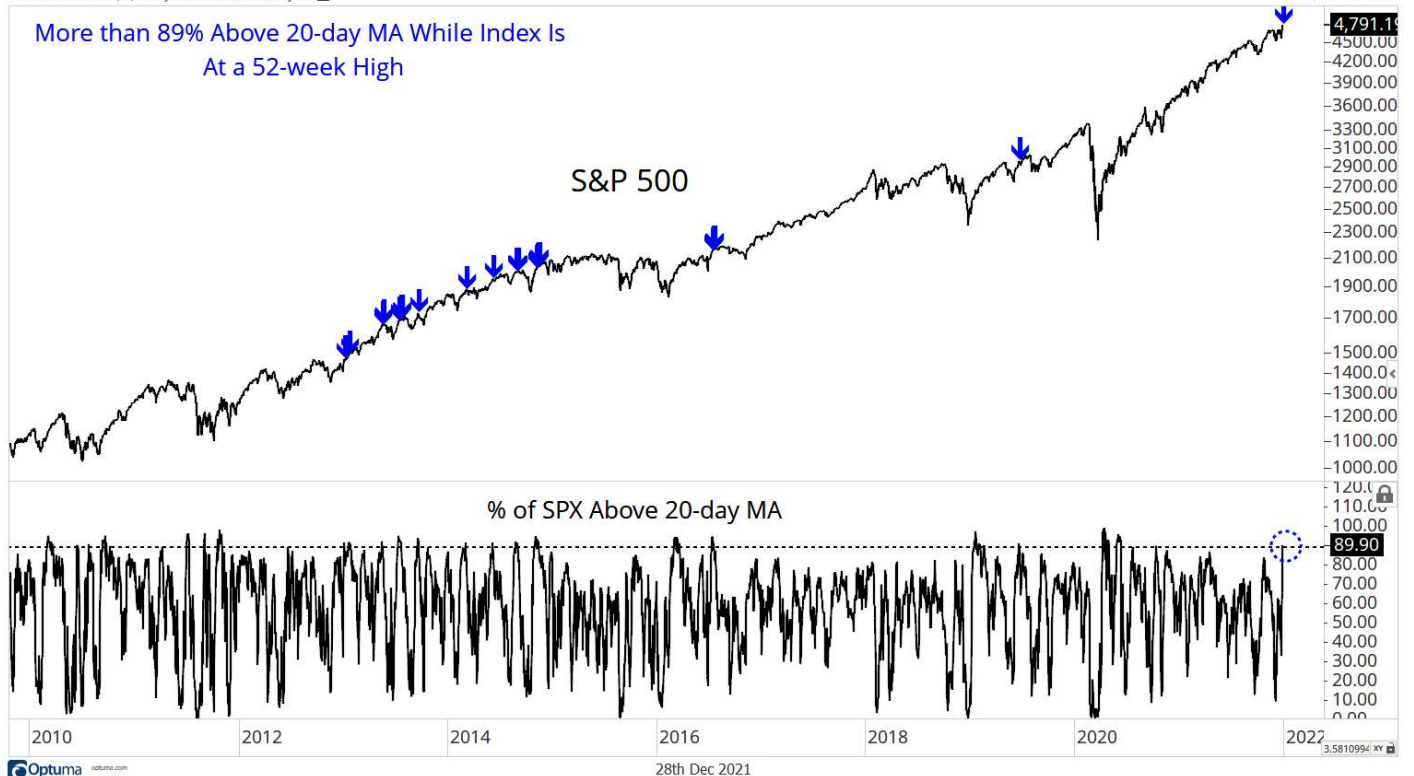
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### Stretched Price Action

For the first time since mid-April, the S&P 500 is more than 2-sigma (standard deviations) above both the 50- and 200-day moving average. Nearly all prior occurrences were often followed by minor pullbacks. Most of the pullbacks presented bulls dip buying opportunities but some saw more material declines (Covid Crash, Q4 '18, Feb. '18 most recently).

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**Conclusion**

The market made very bullish improvements during yesterday's trading. The caveat being it happened when many traders were still on vacation and likely didn't receive a lot of inst'l support being year-end. Its encouraging to see the Market Health Report back at +6 but we may be getting a little ahead of ourselves as we finish out 2021. In the short-term a slight profit-taking pullback wouldn't be a big surprise but the longer-term data is improving and that's a good sign as we head into the new year.

I'll be back Sunday evening with next week's letter.

All the best,

Andrew Thrasher, CMT

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