



Maestro Model

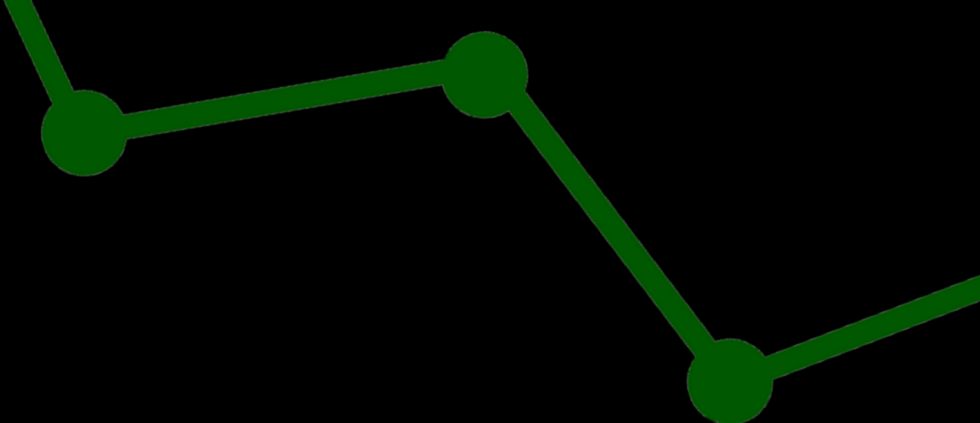


Introduction

I've very excited to introduce an updated version of the primary equity model at Thrasher Analytics.

Previously, the Market Health Report (MHR) relied on inputs separated between four categories: Sentiment, Trend, Momentum, Breadth, and Volatility. Some of these categories remain, some have been combined and one has been added in order to create the new **Maestro Model**.

In musical terms, the Maestro is the conductor, interpreting the score of music (data) and communicating adjustments to draw out the best sound possible from the performers. I've named this model the Maestro Model as it interprets the data from the market and economy, communicating in a clear and concise message the necessary adjustments being call for with regards to risk and market direction.



The major changes from MHR are the combining of several categories and the introduction of a new category of inputs. Volatility and Sentiment will be one category and Momentum and Trend have been merged into a single category. A new category, economic, has been added to measure higher frequency economic data that's market-sensitive. A Capitulation Gauge has also been added.

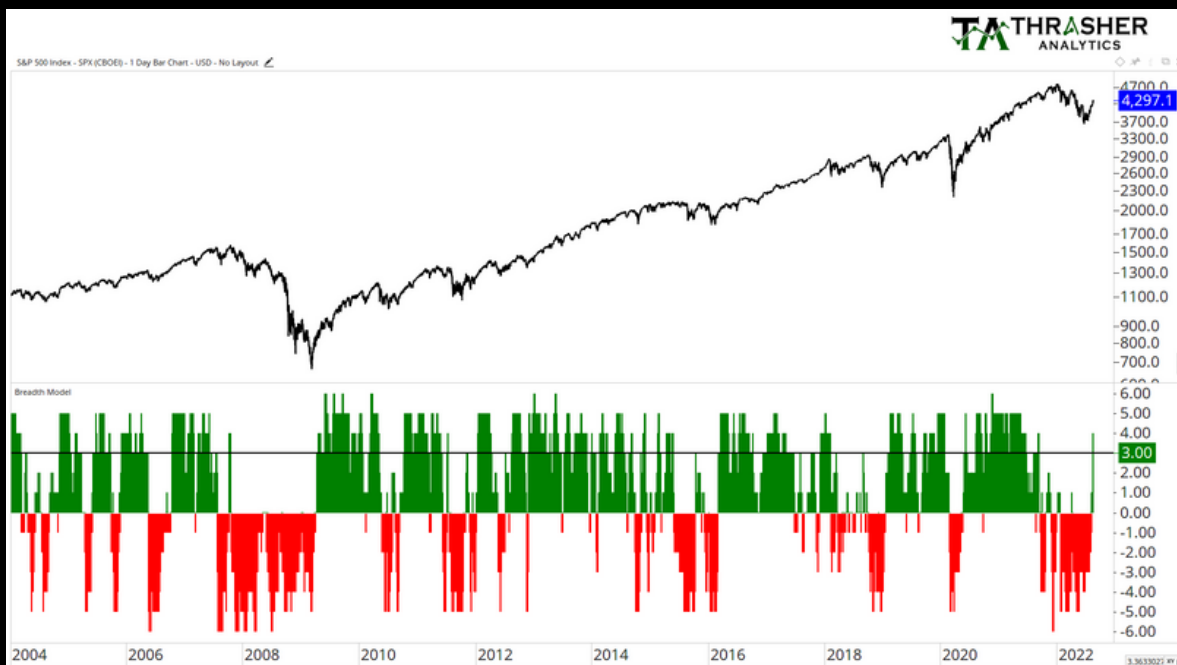
Each category contains more inputs than the MHR. The full model has a range of -27 to +27. The MHR relied on signals occurring at 15-day lows, Maestro no longer has such constraint. The new model also incorporates other proprietary indicators and models developed at Thrasher Analytics, including for example, the VIX Top Composite and Breadth Thrust Composite. Maestro also gives two sets of signals: Aggressive and Conservative.

In the rest of this document, we'll look a little deeper into each category as well as how to best interpret and read the charts and their respective signals. There is also a table included at the bottom of each page that shows historically how often the market was higher 3-months later based on the score of each category and the Model as a whole. In the creation of the Maestro Model, it was important that each category be strong enough on its own, adding to the collective strength of the entire model.

BREADTH CATEGORY

I believe breadth is the most important piece of market data and lens of market history available to financial analysts, traders, and portfolio managers. Because of its importance, the Breadth Category is given double weighting within the Maestro Model. The stock market truly is a market of individual stocks and breadth data allows us to measure and analyze the degree of trend participation of an index. By understanding if more stocks are rising with an underlying index or diverging lower, we can evaluate the health of the market and if there's potential of a major trend change within the index itself.

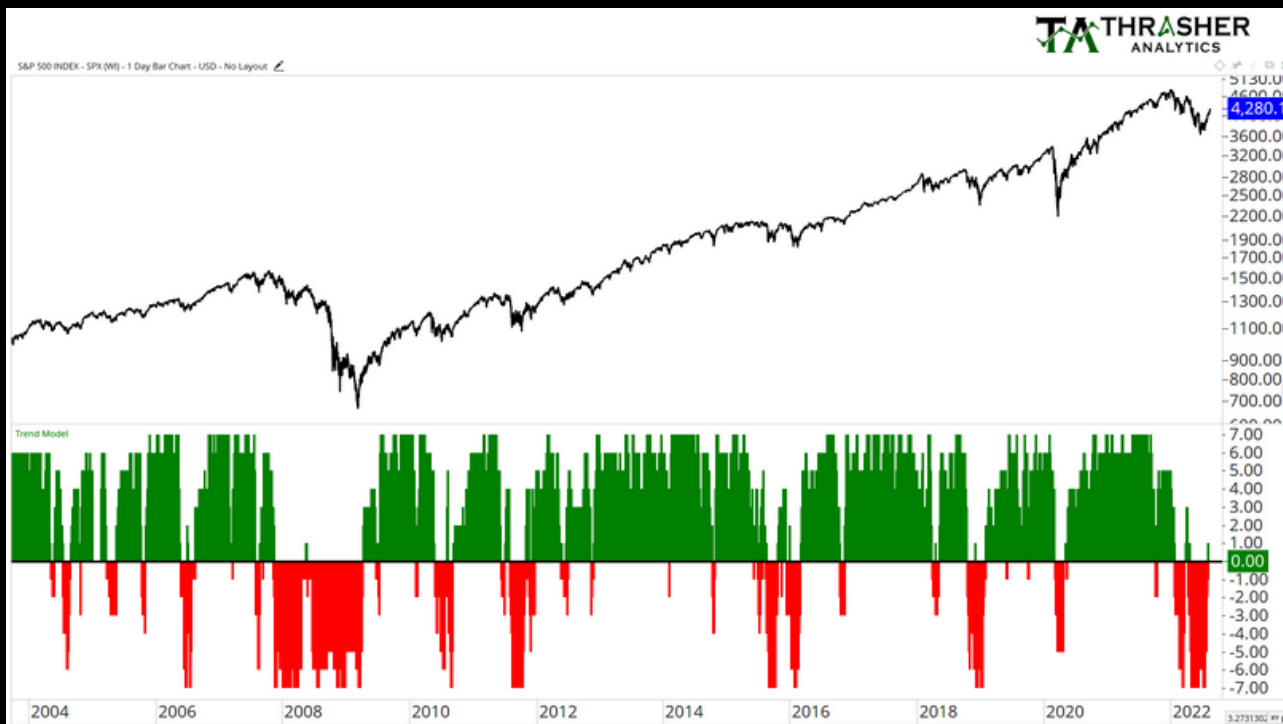
The Breadth Category of the Maestro Model incorporates (among others), the average stocks relationship its a series of moving averages, the percentage of global equity markets that are rising or falling, the number of stocks making new highs or new lows, as well as the development of Hindenburg Omens in major indices, to name a few



BREADTH SCORE	% HIGHER IN 3 MONTH
3 OR HIGHER	78.5%
ABOVE 0	76.7%
BELOW 0	64.5%
ALL DAYS	75.0%
RESULTS FROM 1/1/09-8/14/22	

TREND/MOMENTUM CATEGORY

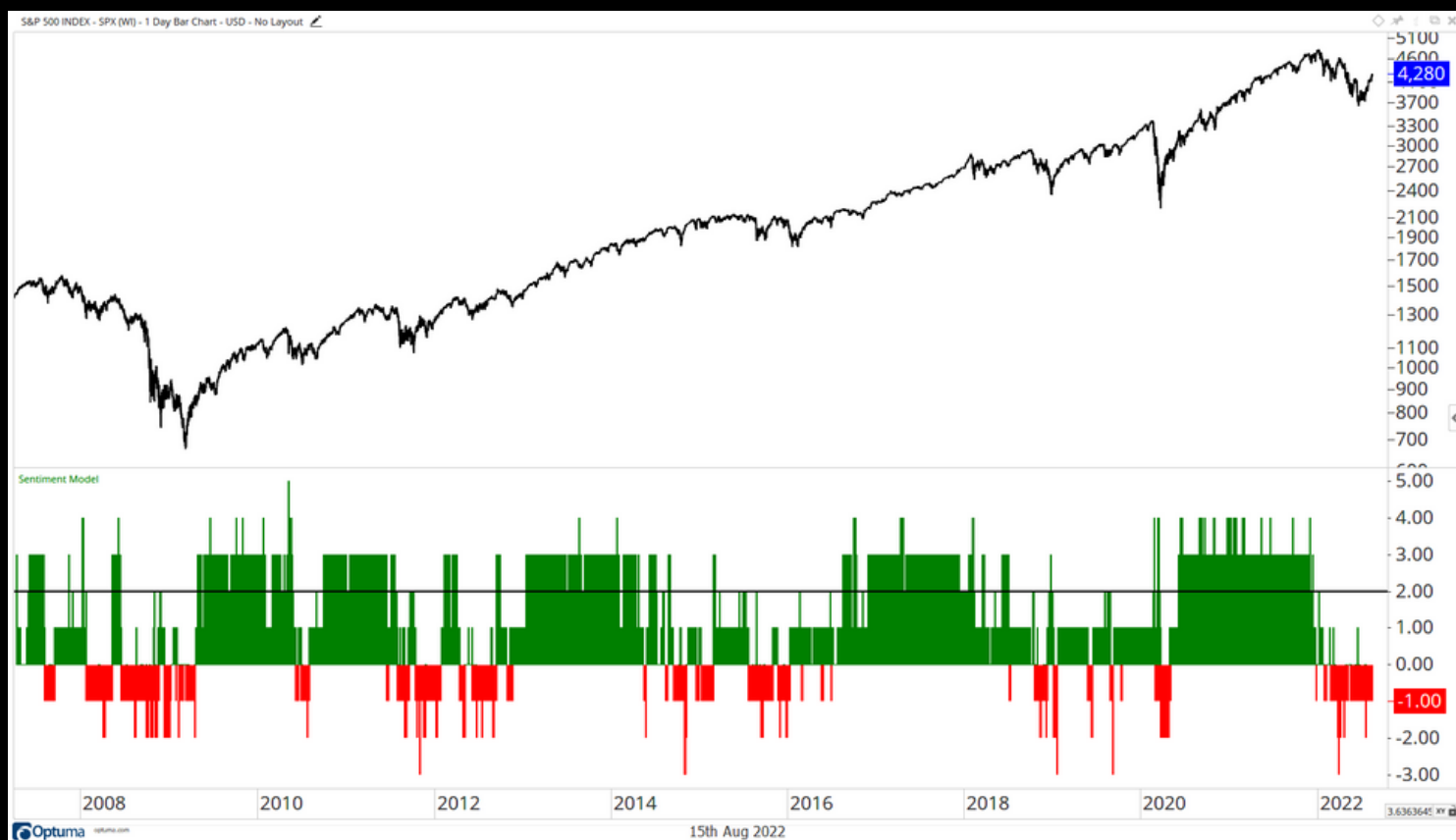
Understanding what kind of trend the market is in is critical. Because of the strength in momentum to drive prices higher when they are already moving up or push prices even further down when they are already declining, trends have historically persisted. Through multiple inputs of price and momentum indicators, the trend category of the Maestro model looks at not only traditional momentum indicators like rate of change and Stochastics but also custom indicators like Volatility Adjusted Momentum as well as proprietary gauges of investor supply and demand based on the volume profile of individual equities and finally, the number of stocks that are showing bearish or bullish momentum divergences.



TREND/MOMENTUM SCORE	% HIGHER IN 3 MONTH
ABOVE 0	71.1%
BELOW 0	64.2%
ALL DAYS	69.5%
RESULTS FROM 1/1/04-8/14/22	

SENTIMENT/VOLATILITY CATEGORY

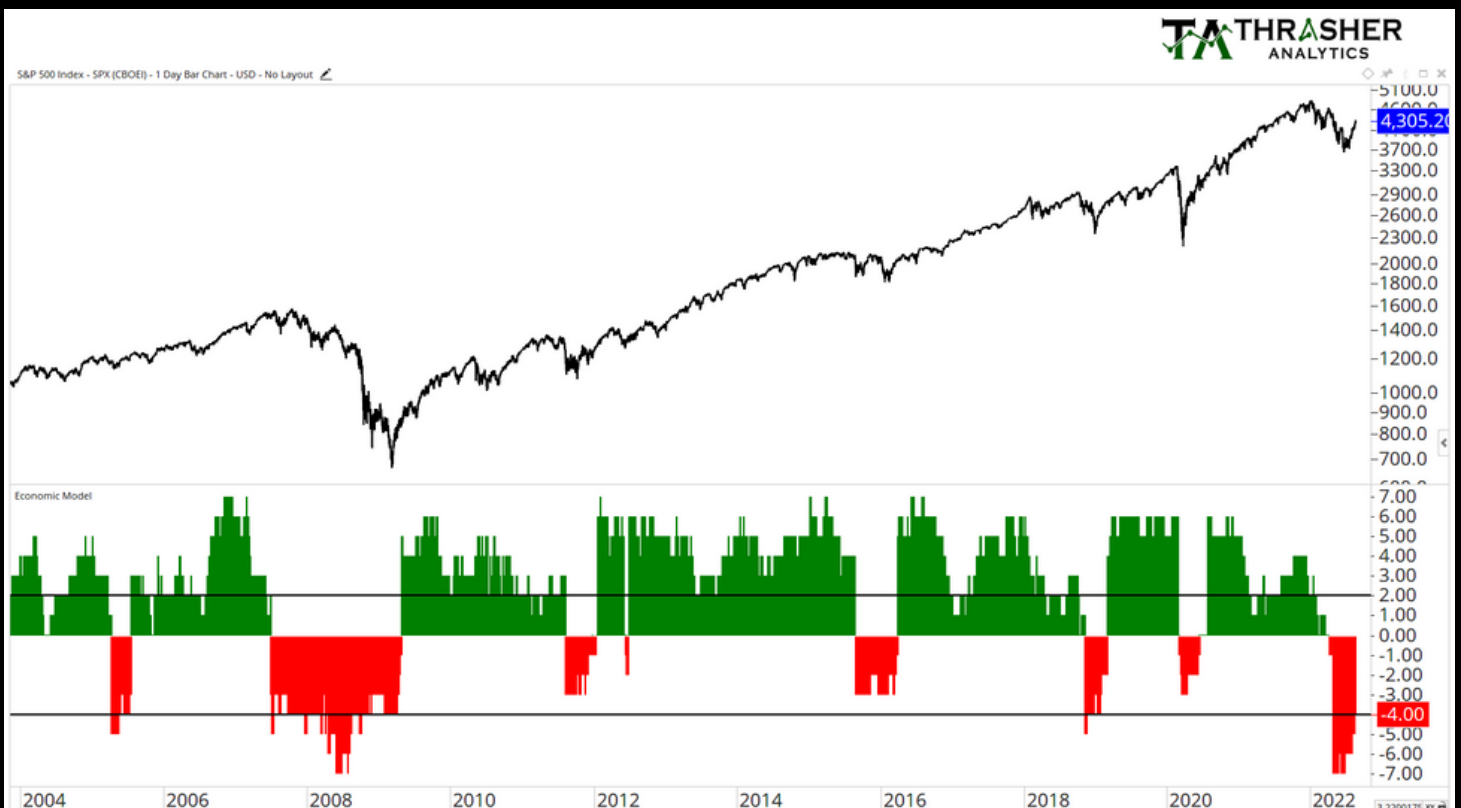
The stock market is driven by the emotions and actions of those the involved participants. Many attempts to evaluate sentiment and volatility fail to understand their real usage and applications. Through my extensive study of volatility markets, which helped in the winning of the 2017 Charles Dow Award for my paper, 'Forecasting a Volatility Tsunami' I've developed a deep understanding of the proper ways incorporate sentiment and volatility data within a market viewpoint. This category of the model incorporates Risk Appetite, Daily Sentiment Index (DSI) bullish scores, The proprietary VIX Top Composite, TRIN, and the relationship of volatility to equities.



SENTIMENT/VOLATILITY SCORE	% HIGHER IN 3 MONTH
2 OR HIGHER	81.4%
ABOVE 0	71.5%
BELOW 0	60.0%
ALL DAYS	75.0%
RESULTS FROM 1/1/09-8/14/22	

ECONOMIC CATEGORY

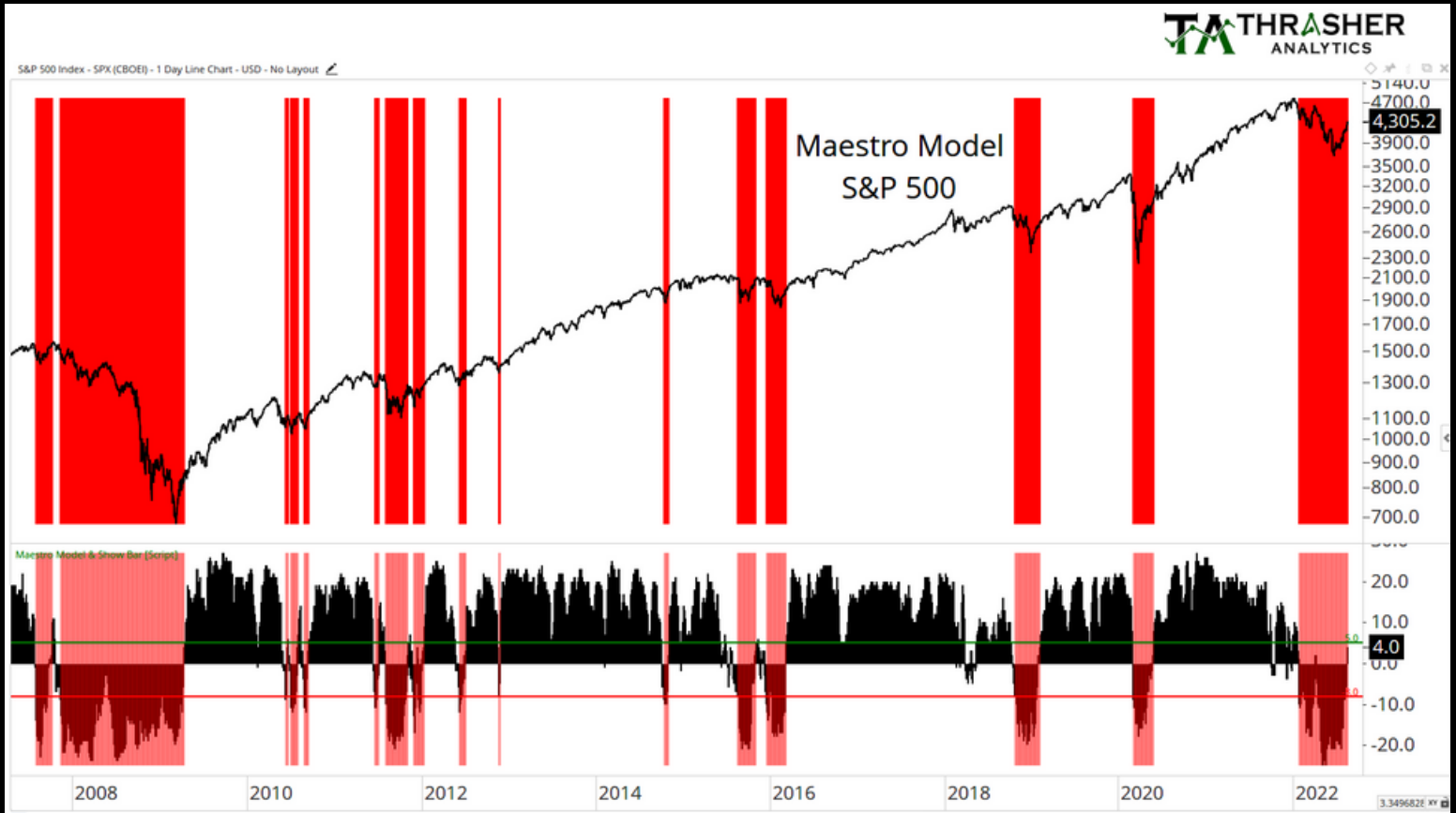
The final category of inputs into the Maestro Model are economic data series. While the primary focus of the Model relies on price-oriented data sets, we cannot ignore the significance of the headwinds and tailwinds provided by the changes within the U.S. economy. This does not imply that all economic data are relevant in our pursuit but with a focus on the specific economic inputs that are most impactful to financial markets. Such as, growth of the money supply, trends in inflation-sensitive assets, changes in interest rates, among others.



ECONOMIC SCORE	% HIGHER IN 3 MONTH
2 OR HIGHER	75.1%
ABOVE 0	68.8%
BELOW 0	64.0%
ALL DAYS	75.0%
RESULTS FROM 1/1/09-8/14/22	

MAESTRO MODEL

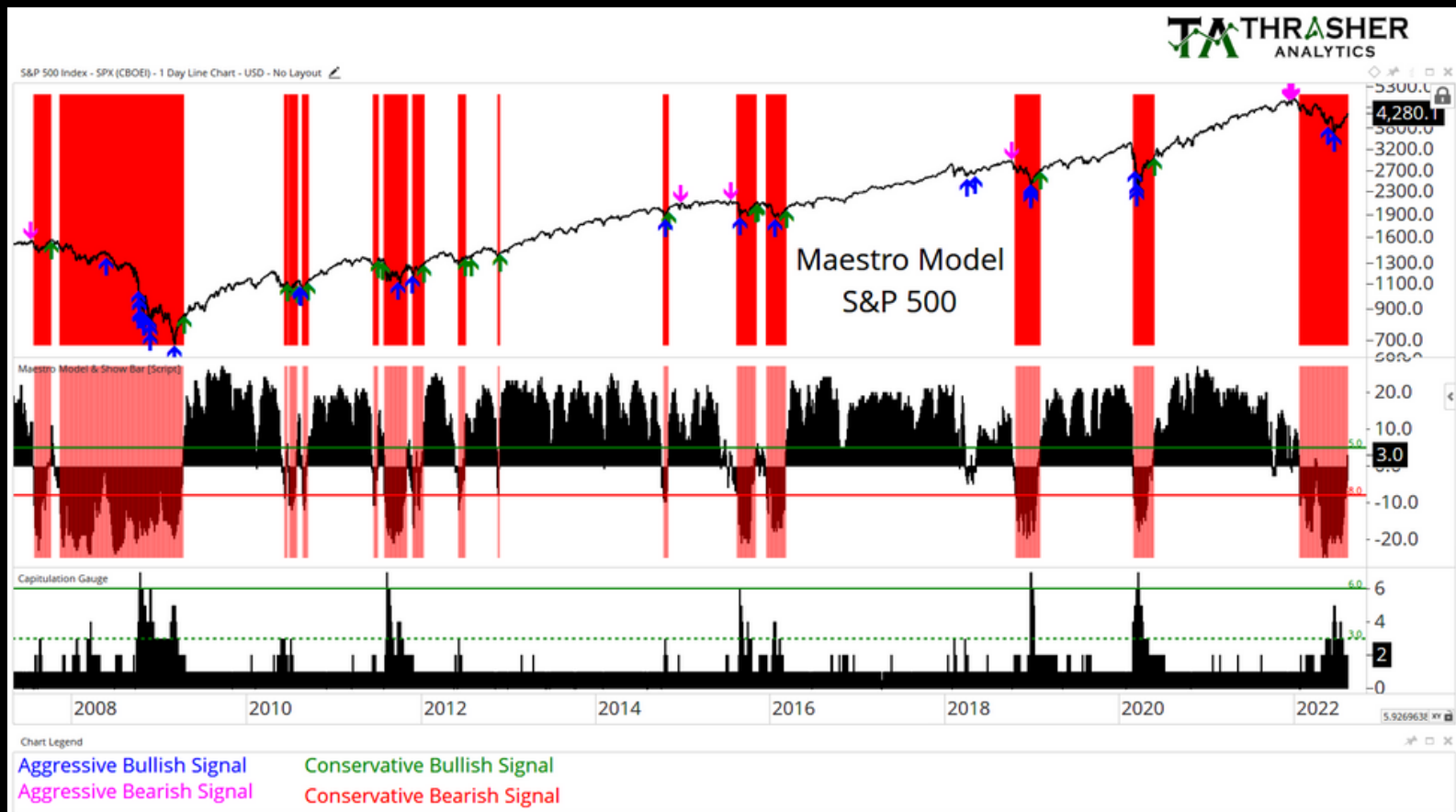
All of the above mention categories and their respective inputs are combined to create the Maestro Model. Each input is evenly weighted except for the Breath Category which is given double weighting. The model turns bullish when the combined score is +5 or higher and turns bearish when the combined score falls to -8 or below.



MAESTRO MODEL	% HIGHER IN 3 MONTH
5 OR HIGHER	76.8%
ABOVE 0	75.4%
BELOW 0	54.3%
ALL DAYS	69.7%
RESULTS FROM 7/1/07-8/14/22	

MAESTRO MODEL SIGNALS

With the introduction of the Maestro Model is the Capitulation Gauge. This is a quantitative tool to gauge when the market has potentially capitulated on the downside, signaling a possible low in equities that is used within the Aggressive Bullish signal. This allows subscribers more options of using the model with both Aggressive and Conservative signals.



- **Aggressive Bearish**: Highest SPX close in 6-months with the model at less than +9 and at least one of category negative.
- **Aggressive Bullish**: Lowest SPX in 3-weeks with the model off its low by 10-25% and the Capitulation Gauge at a +2 or higher or the model higher by 50% or more and the Capitulation Gauge is above zero.
- **Conservative Bullish**: Model is greater than +5 and has less than two categories negative.
- **Conservative Bearish**: Model is less than -8.

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