



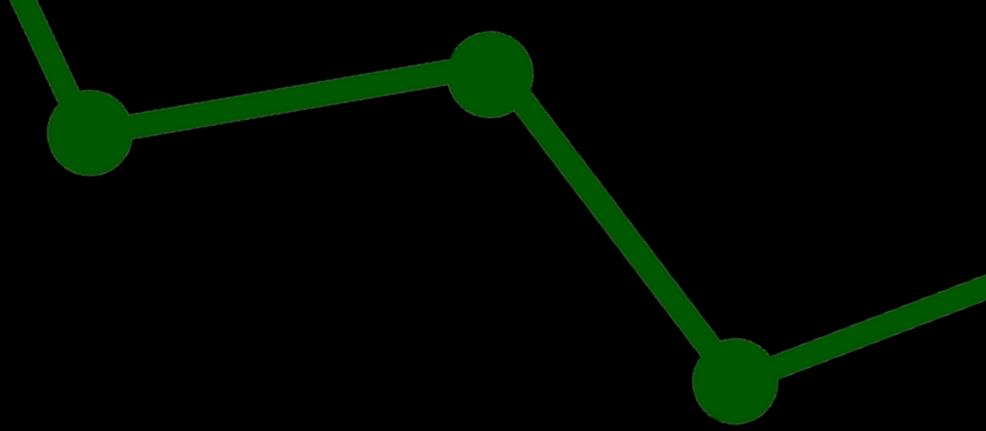
Sentiment Indicators



Introduction

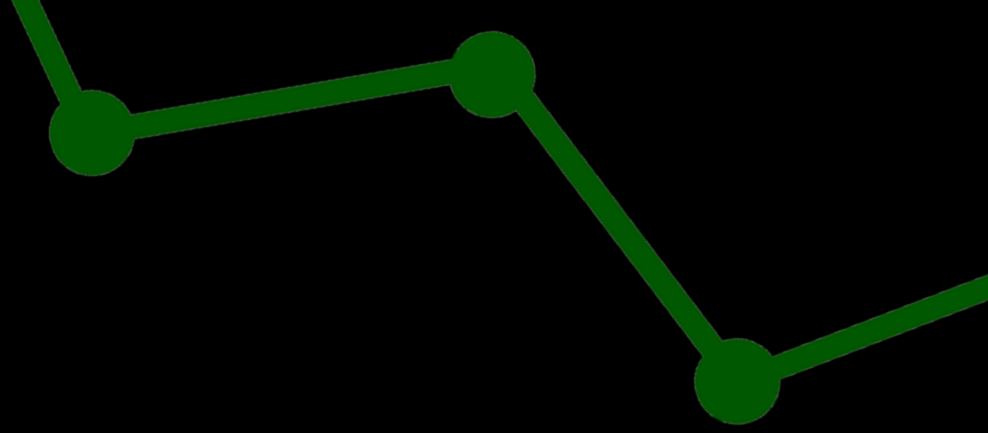
I am of the belief that markets are driven by supply and demand and through extension, sentiment of market participants. Sentiment at its extremes can be an extremely useful tool to analyze financial markets and has been one deployed in weekly Thrasher Analytics letters since inception. While there are many gauges of market sentiment, there are not great indicators of sentiment for individual sectors.

That's why I developed the Thrasher Analytics Sentiment Indicator. A tool works to uncover the underlying sentiment of each stock sector and potentially provide insight into upcoming changes in trend of those sectors.



All of the sector sentiment charts are laid out the same way. The goal here was to produce a chart that gave a complete look at the analysis for each sector.

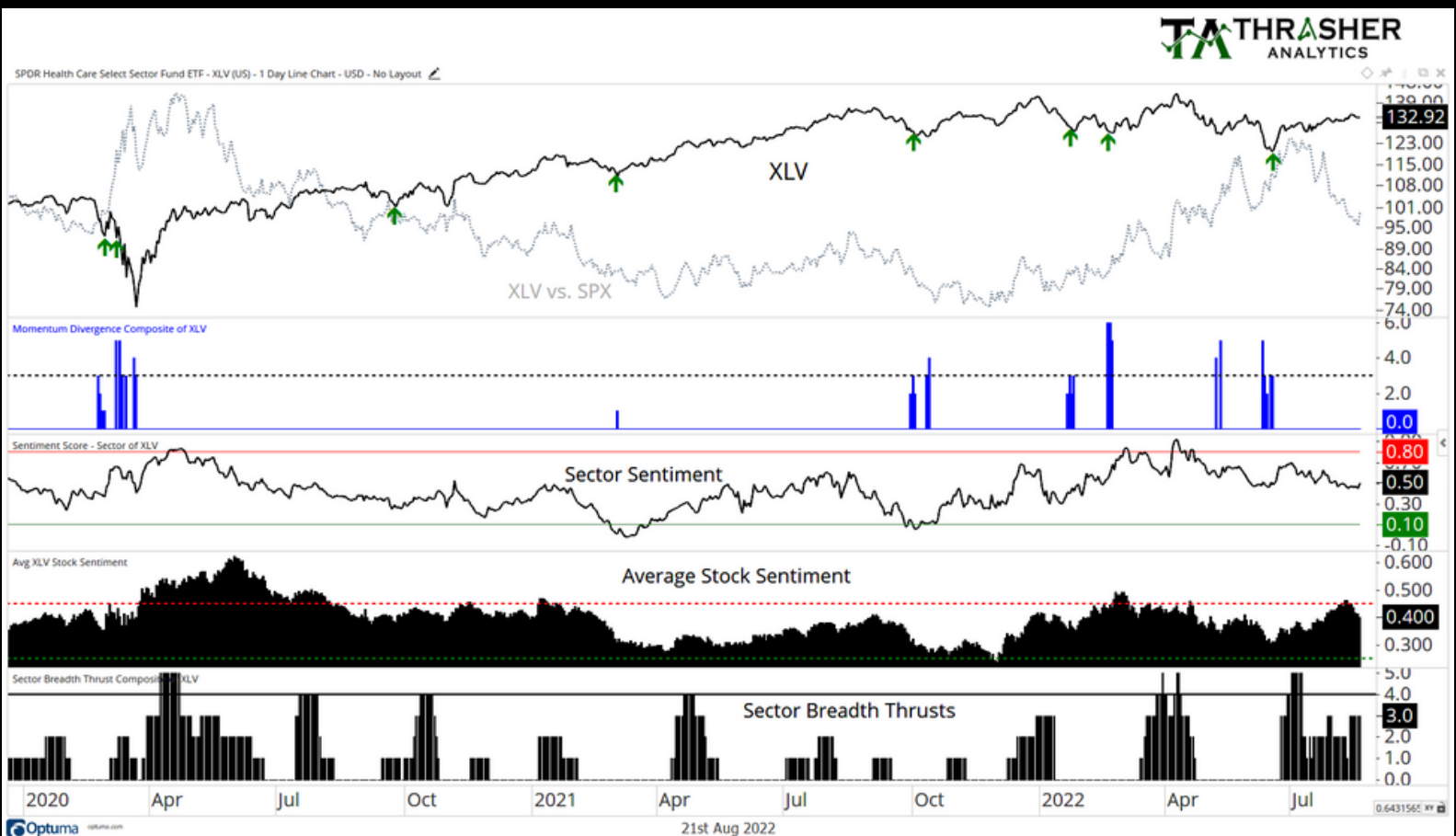
- In the top panel we have the absolute (black) and relative (gray) historical price action.
- In the second panel (blue) is a composite of momentum divergences for the sector. Here we're looking for when there's clusters of 3 or more bullish divergences to signal possible trend changes.
- In the third panel (black line) is the sentiment score for the sector. This score is created based on multiple inputs that include performance for the sector:
 - Distance from a 52-week high relative to the broad market's distance to its high.
 - Relative performance against the broad over a specific period of time.
 - Several volume-specific characteristics



- The fourth panel (black histogram) takes the sentiment score using the same above criteria except each stock is compared to not just the broad market but to its respected sector as well. The average score is then accumulated.
- The fifth panel shows clusters of breadth thrusts for the sector. Just as I believe breadth thrusts are extremely useful for the broad market and are just as helpful for each sector to identify periods of strength.

The above-mentioned data sets are used to create quantitative signals to identify potential opportunities of the sector showing relative and/or absolute strength. These are marked with green arrows in the top panel. What qualifies as a bullish signal for the sectors based on sentiment?

In the example of XLV below, we can see in early 2022 as price was moving lower, the Sector Sentiment was making higher-lows along with the average stock's sentiment also making higher-lows. This suggested a possible bottom in XLV which did occur and XLV began to show both strong relative and absolute performance of the following weeks. We can also combine the sentiment scores with bullish momentum divergences, which can also produce a bullish signal for a sector.



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>.