



Keys To This Week: US Stock Market

April 13th, 2020

Correction Protection Model (CPM): Risk On as of April 9th (from Risk Off on February 24th)

Our quantitative model for the US stock market, which uses the S&P 500 (SPX) as a proxy, shifts to “Risk On” (increasing market exposure) as of April 13th from “Risk Off” (reducing market exposure) on February 24th.

Conclusion, Investment Implications, Strategy

This week, the **Tactical** (near term) portion of our table below retains the previous two weeks’ Positive distribution of key market factors. Meanwhile, the **Strategic** (intermediate term) portion of the table shifts to a slightly Positive alignment of key longer term metrics, from a Negative one a week ago.

Despite this morning’s sharp decline, **both of our tactical models (CPM, Asbury 6) have moved back to a Risk On/Positive status**. This means market internals, which indicate the “under the hood” condition of the market, have improved to levels that have historically been near term positive for US equity prices. Actually, this morning’s decline is not surprising considering that both the benchmark **S&P 500** (SPX, see Chart 1 below) and tech bellwether **NASDAQ 100** (NDX,

Chart 2) finished last week just below very formidable overhead resistance levels, following a sharp rally from the late March lows. **It would take a sustained rise above these levels, at 2822 to 2856 in SPX and 8200 in NDX, amid a sustained Risk On/Positive status in our tactical models, to clear the way for further strength.**

The good news, from a Strategic standpoint, is that tech bellwether **Intel** (INTC) currently targets an additional 18% rise while stock prices are outperforming long term Treasury prices again, after underperforming since Feb 21st. As long as these conditions remain intact, it will suggest continued market strength this quarter. Moreover, a sustained rise above NDX 8200 would turn the major trend back to Positive (bullish) in that market-leading index.

Strategy: Investors/managers may now consider incrementally putting “sideline money” back to work as both of our tactical models have shifted back to a Risk On/Positive status over the past few sessions. We would view declines into underlying support areas, which include the 2725 area in SPX, as potential places to re-allocate capital. However, investors may consider waiting for evidence of a major bullish trend change before becoming fully invested.

THE US STOCK MARKET			
	POSITIVE FACTORS	NEGATIVE FACTORS	
TACTICAL (one to several weeks)	MARKET INTERNALS: ASBURY 6		FOR THE WEEK OF APRIL 13 2020
	PRICE MOMENTUM: MROC		
	SEASONALITY: SPX		
STRATEGIC (one to several months)	INFLUENTIAL STOCKS: INTC	PRICE & TREND: SPX	
	MARKET BREADTH: NYSE	PRICE & TREND: NDX	
	INVESTOR SENTIMENT: SPX	SEASONALITY: SPX	
	REL PERFORMANCE: SPY v TLT		
ASBURY RESEARCH KEYS TO THIS WEEK			

Table 1

Listed in the order of their importance and expected impact on market direction

- 1. Price & Trend: S&P 500 (SPX). NEAR TERM, INTERMEDIATE TERM BEARISH,**

MINOR DECISION POINT. Chart 1 below shows that SPX is in the midst of a rally from a Mar 23rd test of major support at 2193 and ended last week just below minor resistance at 2822 to 2856. The latter is the key level to focus on this week. The major trend remains down (bearish) below 3016, which is major overhead resistance at the 200-day moving average.

2. Price & Trend: NASDAQ 100 (NDX). NEAR TERM, INTERMEDIATE TERM

BEARISH, MAJOR DECISION POINT. Chart 2 below shows that NDX is in the midst of a rally from a Mar 23rd test of major support at 6806 and is currently testing major resistance at 8200, the current location of its 200-day moving average. NDX must get back above this major trend proxy to turn the major trend positive or bullish.

3. Influential Stocks: Intel Corp (INTC). INTERMEDIATE TERM BULLISH, MAJOR

DECISION POINT. Chart 3 below shows that tech bellwether INTC rose back above its 200-day MA last week and, in the process, confirmed a bullish chart pattern, an *inverse head and shoulders*. The pattern targets an additional 18% rise to \$68.50 that will remain valid as long as the 200-day MA, currently at \$54.60, now loosely contains as underlying support. INTC's very stable and nearly lockstep 35-year positive correlation to the S&P 500 suggests that as goes INTC, so is likely to go the US broad market.

4. Market Internals: Asbury 6. NEAR TERM BULLISH. Table 2 below shows that all

Asbury 6 key market internals finished last week in Positive territory. The model actually turned to Positive on April 7th as four of its six constituents turned green. When all Asbury 6 are positive, market internals are the most conducive to adding risk to portfolios.

"ASBURY 6" INTERNAL MARKET METRICS through 4/9/2020		
METRIC	POSITIVE AS OF:	NEGATIVE AS OF:
Rate Of Change: SPX	4-9-2020	
Rel Performance: Stocks v HiYld Bonds	4-2-2020	
Investor Asset Flows: SPY	4-6-2020	
Corporate Bond Spreads	4-7-2020	
Trading Volume: SPX	4-9-2020	
Market Breadth: NYSE	4-7-2020	
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Table 2

5. Price Momentum: Monthly Rate If Change (MROC), S&P 500 (SPX). NEAR TERM

BULLISH, MINOR DECISION POINT. Chart 4 below shows that the MROC shifted back to Positive on Friday after being Negative since Feb 24th. This is a bullish near term signal but, more important, indicates that this is an important near term decision point for the US market.

6. Options Volume: CBOE Put/Call Ratio. NEAR TO INTERMEDIATE TERM

BULLISH. **Chart 5** below shows that the CBOE Put/Call Ratio is currently reversing from a late March *most bearish* extreme, *indicating an historically high ratio of put volume versus call volume*, that had previously coincided with or closely led most of the significant bottoms in the S&P 500 since 2018.

7. Market Breadth: Percentage of NYSE Composite Constituents Trading <> Their 200-day Moving Average. INTERMEDIATE TERM BULLISH.

Chart 6 below shows that less than 20% of NYSE Composite stocks are current trading above their 200-day MA, and that previous instances of this have closely coincided with every major US broad market bottom since 2002.

8. Investor Sentiment: S&P 500 (SPX). INTERMEDIATE TERM BULLISH.

Chart 7 below shows that a survey of near to intermediate term oriented individual futures traders is retracting from an historic *least bullish* extreme on the S&P 500 that, as a contrary indicator, previously coincided with every significant intermediate term bottom in the broad market index since 2016.

9. Relative Performance: Stocks (SPY) vs. Bonds (TLT). INTERMEDIATE TERM

BULLISH. The rightmost green highlights in **Chart 8** below show that the SPDR S&P 500 ETF (SPY) began outperforming the iShares 20+ Year Treasury Bond ETF (TLT) as of April 6th. This has historically been positive for the US stock market.

10. Seasonality: S&P 500 (SPX). NEAR TERM BULLISH, INTERMEDIATE TERM

BEARISH. **Chart 9** below shows that April is the seasonally strongest month of the year in the S&P 500, based on data since 1957, and has historically posted a positive monthly close 71% of the time. The chart also shows that April immediately precedes a sustained period of mostly increasing seasonal weakness between May and September.



Chart 1

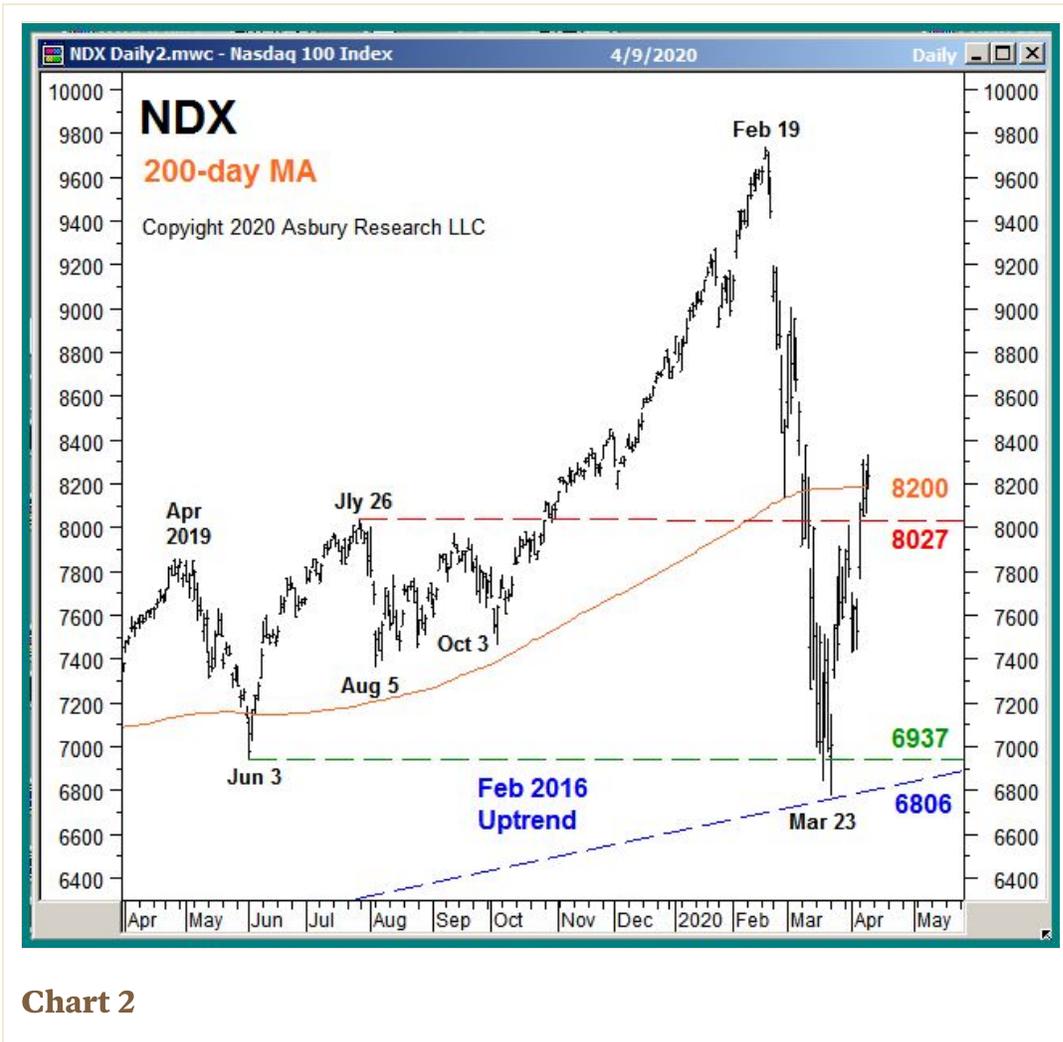


Chart 2



Chart 3

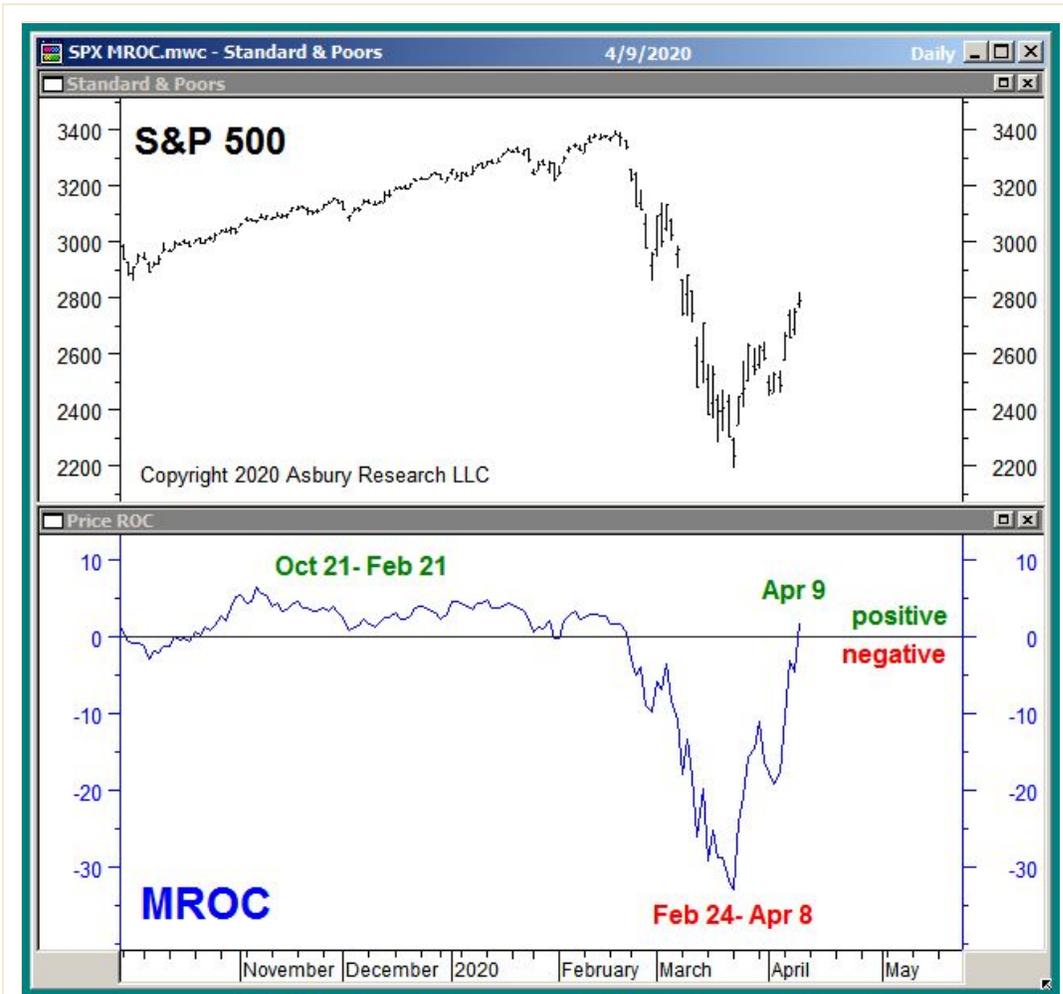


Chart 4

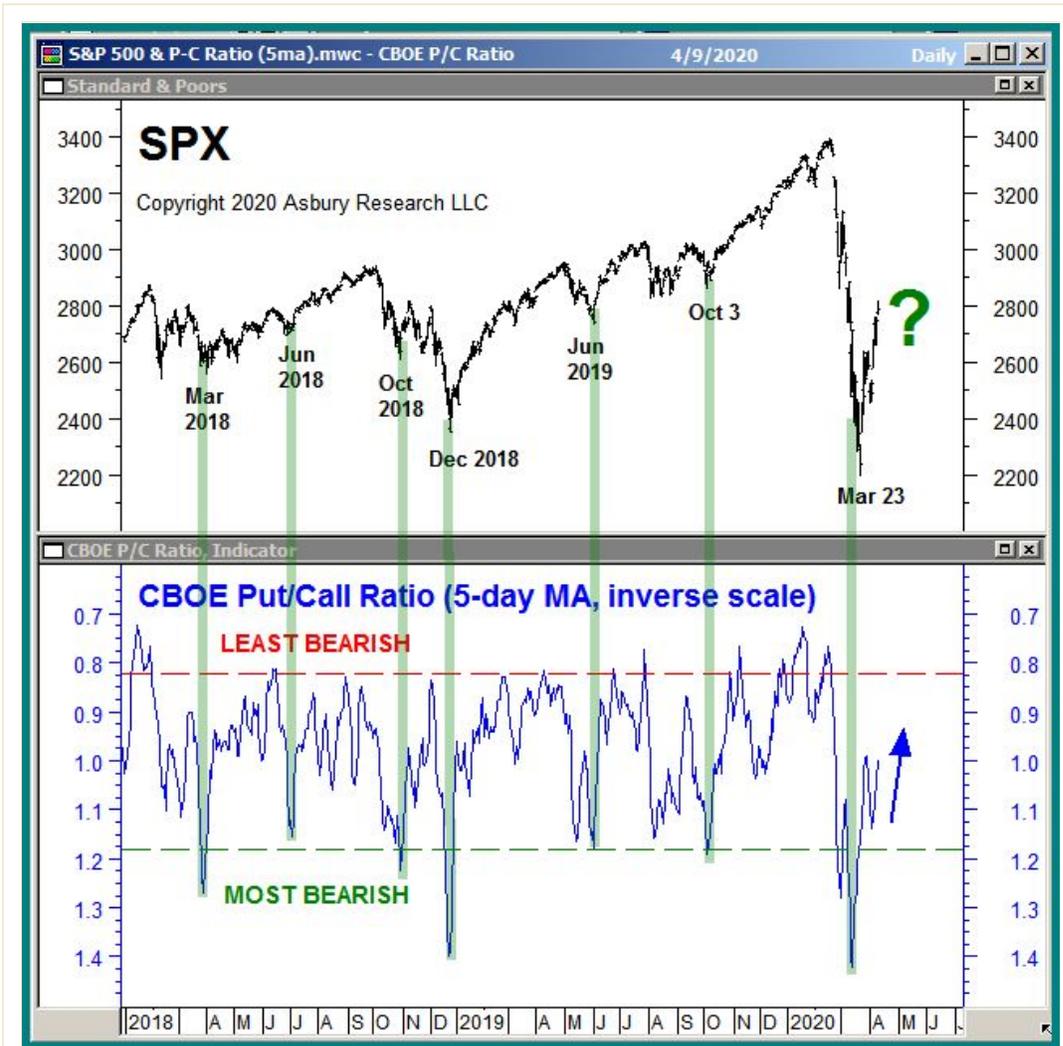


Chart 5



Chart 6



Chart 7

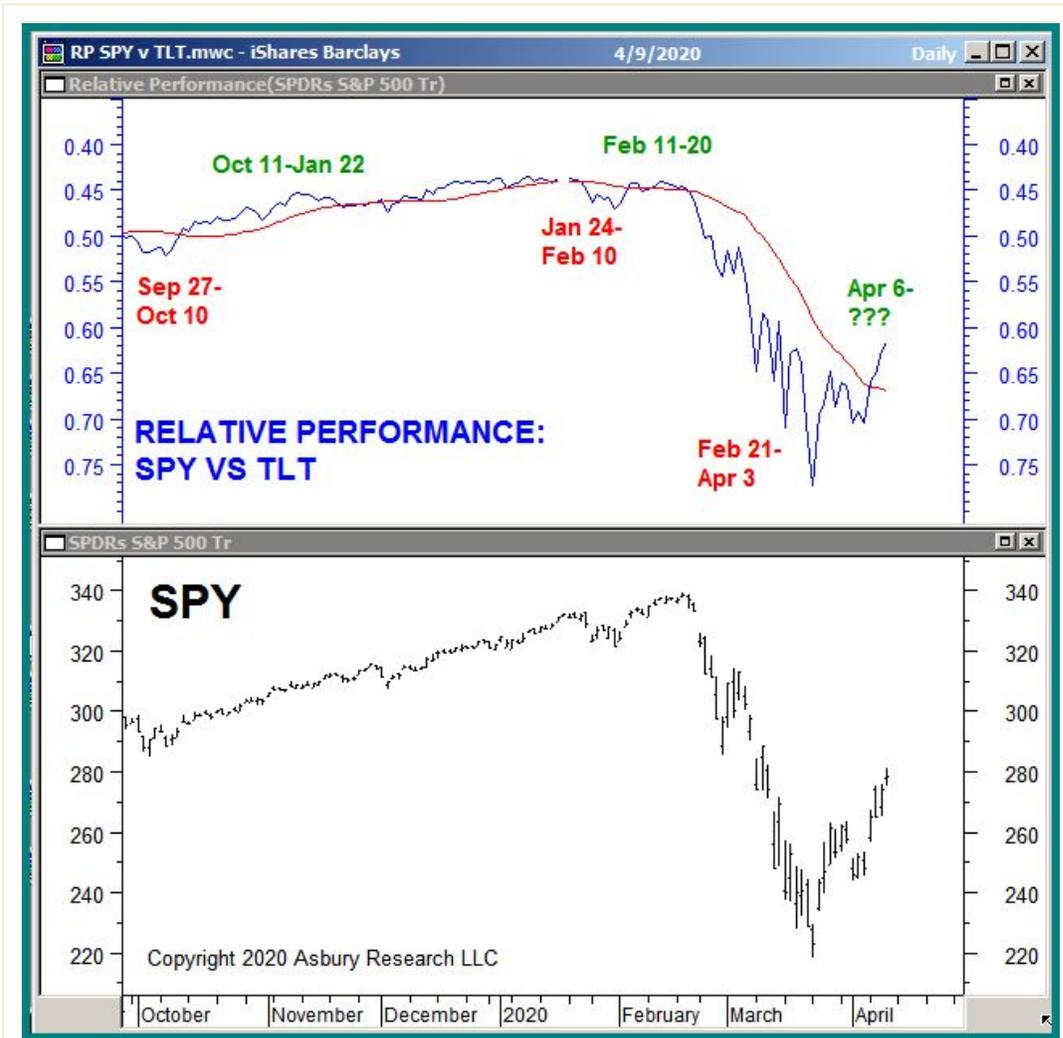


Chart 8

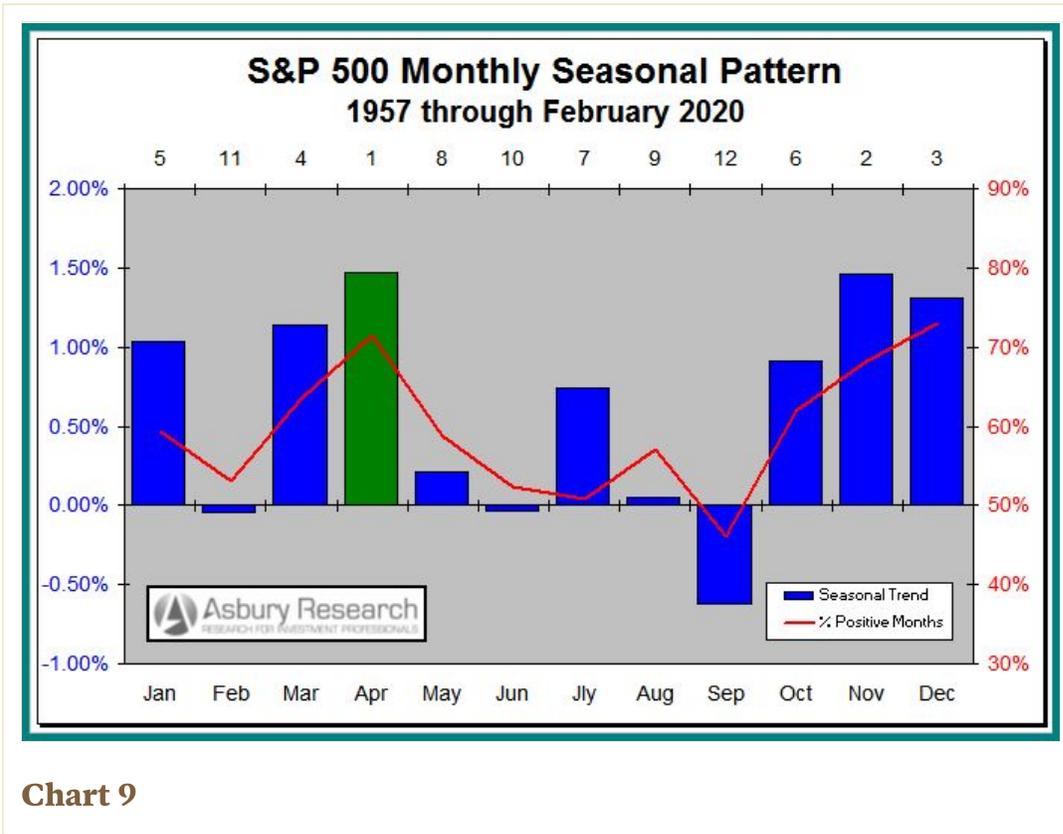


Chart 9

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