



Asbury Research

Monthly Investment Compass

Charting The Course Of The Markets

March 27th, 2020

Monthly Investment Compass

1) Executive Summary: March 27th, 2020

- **U.S. Stock Market:** Almost every intermediate term metric we track indicates **the US stock market made “a” significant bottom on March 23rd**. This can be seen in major underlying support levels being tested in the major US indexes, in many positively correlated foreign indexes, and in a number of influential individual US stocks. In addition, investor sentiment, market volatility, and options volume corroborate this. However, this emerging bottom **will not become actionable for us until confirmed by a Risk On/Positive shift in our tactical models** (Correction Protection Model, Asbury 6) – which could still be a few more good days away. Bigger picture, we won’t be able to determine if this is “the” bottom until major indexes start breaking significant overhead resistance levels and stocks start outperforming bonds again.
- **Size: Large Cap (S&P 500)** has been outperforming Small Cap (S&P 600) on a strategic (quarterly) basis since the beginning of the year.
- **Style:** The S&P 500 **Growth** ETF (SPYG) has been outperforming the SPDR S&P 500 ETF (SPY) on a strategic basis since December 20th.
- **Cross Asset:** Investors are defensively positioned, favoring **bonds over stocks** since late February. Equities show outperformance in **low volatility, large cap, and growth** while **government bonds** are favored on the fixed income side.

Monthly Investment Compass

2) Executive Summary: March 27th, 2020

- **Global Relative Performance:** Many different **Asian equity markets** are currently outperforming the S&P 500.
- **US Market Sectors:** The latest data in multiple time frames show a trend of **inflows into defensive Consumer Staples and Health Care** and **outflows from Financials, Energy, and Consumer Discretionary**.
- **US Interest Rates:** The benchmark **10-Year Treasury Note** is at multi-generational lows and well below initial yield resistance at 1.38% to 1.47%. Recent steepening in the 2-year/10-year yield curve is largely due to a major spending package by the Federal Reserve, aimed at curbing the economic impact of COVID 19.
- **Gold:** Recent price strength amid expanding investor assets suggests a potential new buying opportunity.

US Stock Market

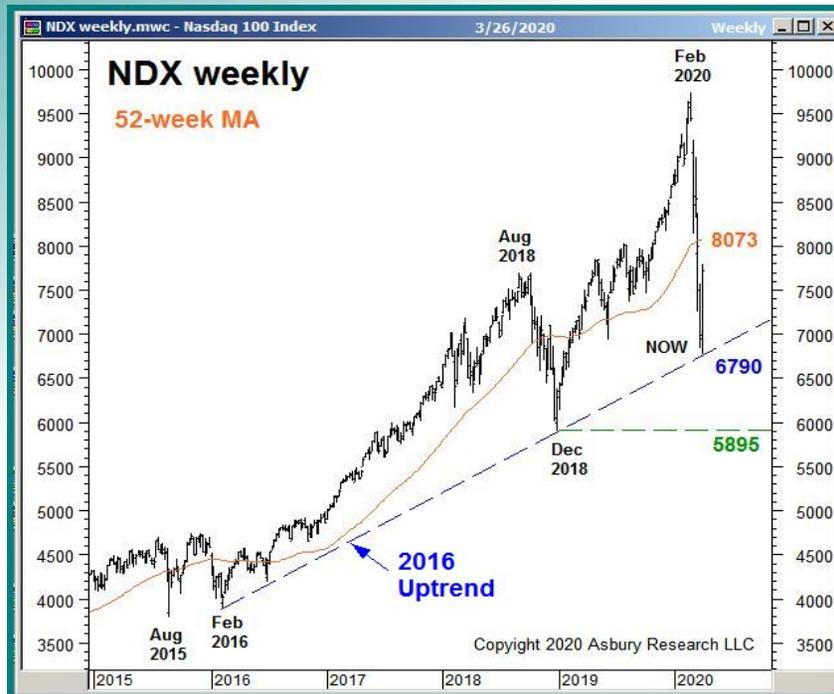
Price & Trend (1): SPX Testing Formidable Support But Major Trend Down



This weekly chart shows the benchmark S&P 500's rebound from formidable underlying support at 2193 to 2133 and its current attempt to get back above the 2009 uptrend line at 2509. The major trend remains down below 3003.

US Stock Market

Price & Trend (2): Tech, Semis Testing Major Support Levels



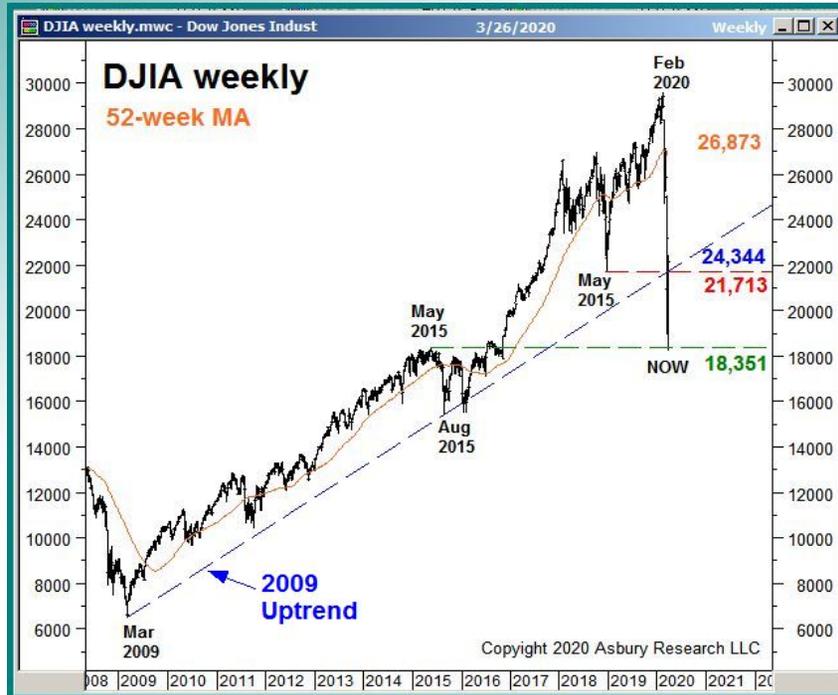
The NASDAQ 100 is currently testing and rebounding from its 2016 uptrend line. Major inflection point for market leading technology stocks.



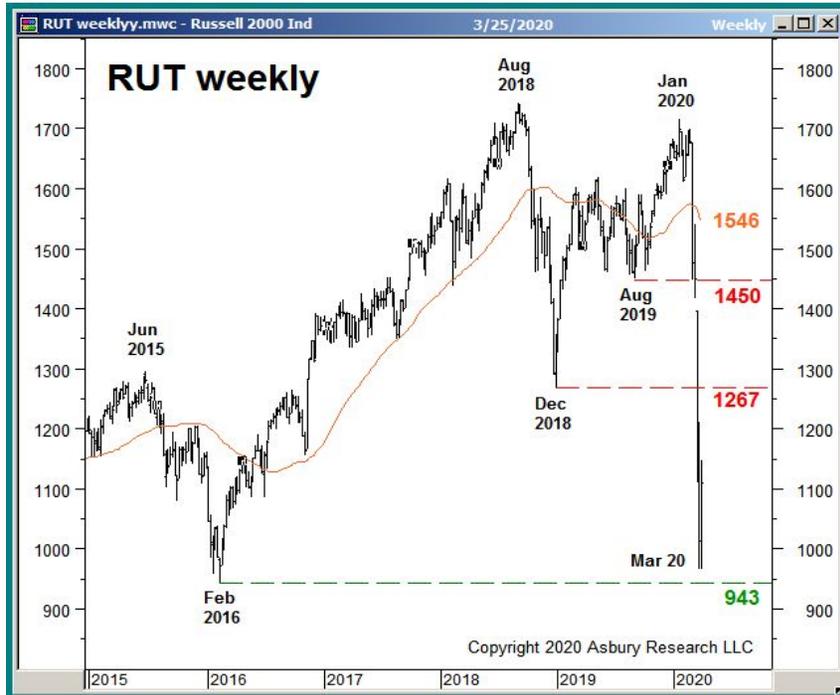
The PHLX Semiconductor Index is also rebounding from a test of its 2016 uptrend line and May 2019 benchmark low. Another major inflection point.

US Stock Market

Price & Trend (3): Industrials, Small Cap Also Testing Major Support



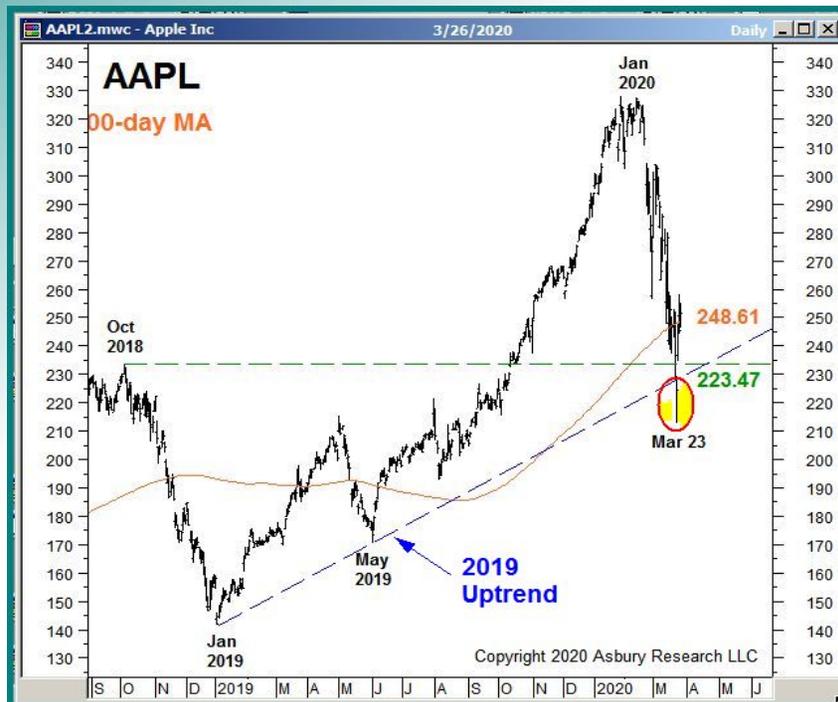
The Dow Jones Industrial Avg broke down below its 2009 uptrend line earlier this month, but is testing and holding its March 2015 benchmark high at 18,351.



Meanwhile, the small cap Russell 2000 is testing and rebounding from its 943 February 2016 benchmark low. Another major decision point.

US Stock Market

Influential Stocks (1): AAPL, JNJ Testing Major Support Levels



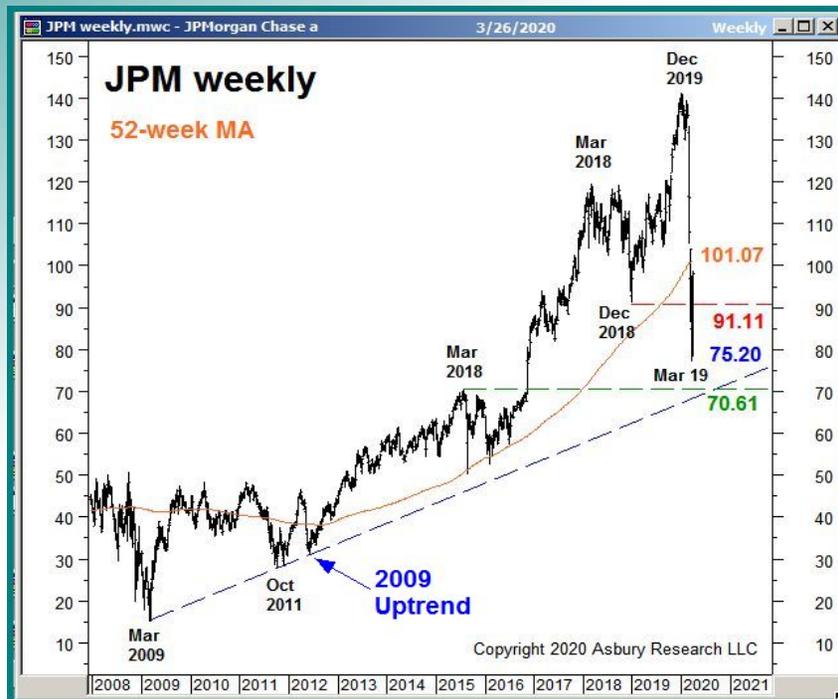
Apple Inc. (Technology) is testing, and trying to remain above, a cluster of major support at \$248.61 to \$223.47. Major decision point. *Positively correlated to the S&P 500.*



Johnson & Johnson (Health Care) is testing and rebounding from major support at \$109.49. Another major decision point. *Positively correlated to the S&P 500.*

US Stock Market

Influential Stocks (2): JPM, MA Also Testing Major Support Levels



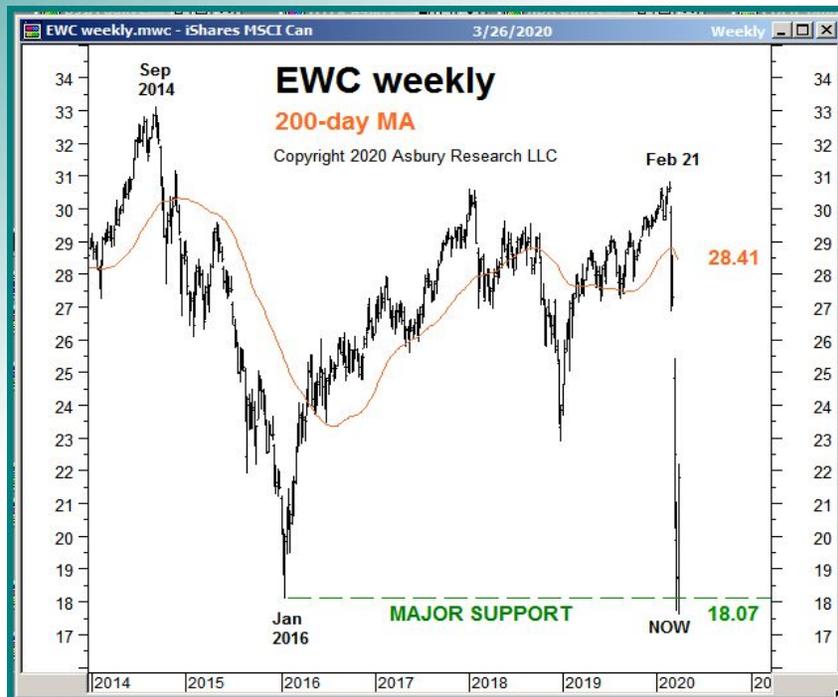
JP Morgan Chase (Financials) is also testing major support, at \$75.20 to \$70.61. Yet another major decision point. Also *positively correlated to the S&P 500*.



Mastercard (Financials) is testing/rebounding from major support at \$225.35 to \$215.68. Another major decision point. *Positively correlated to the S&P 500*.

US Stock Market

Intermarket Analysis (1): Canada ETF Testing Major Support



The iShares MSCI Canada ETF is testing major support at its January 2016 benchmark low. *Major decision point.*



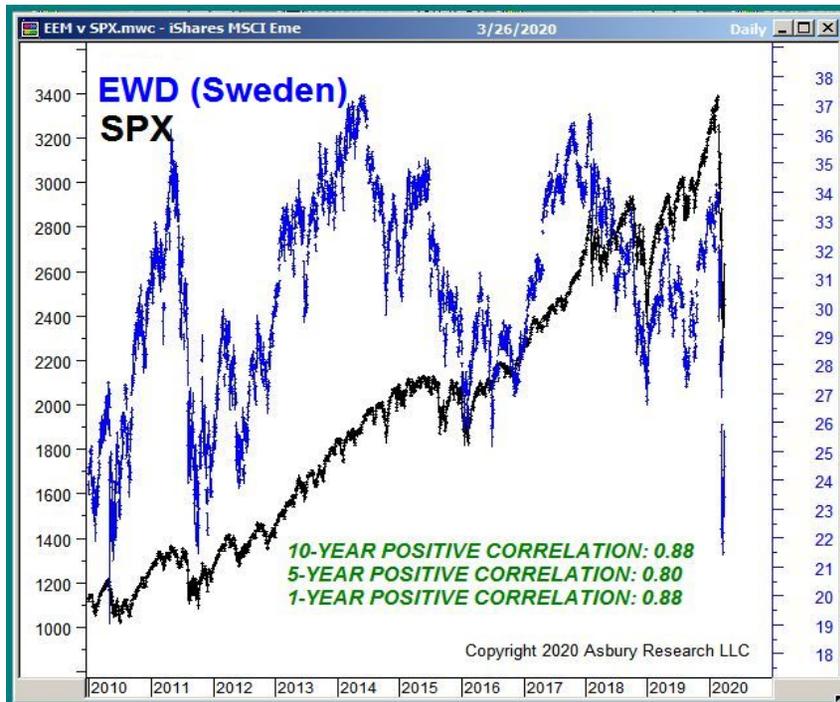
The tight and stable long term positive correlation between EWC and the S&P 500 suggests that *as goes Canada, so is likely to go the US broad market.*

US Stock Market

Intermarket Analysis (2): Sweden ETF Testing Major Support



The iShares MSCI Sweden ETF is testing major support at its September 2011 benchmark low. *Another major decision point.*



The tight and stable long term positive correlation between EWD and the S&P 500 suggests that *as goes Sweden, so is likely to go the US broad market.*

US Stock Market

Intermarket Analysis (3): Italy ETF Testing Major Support



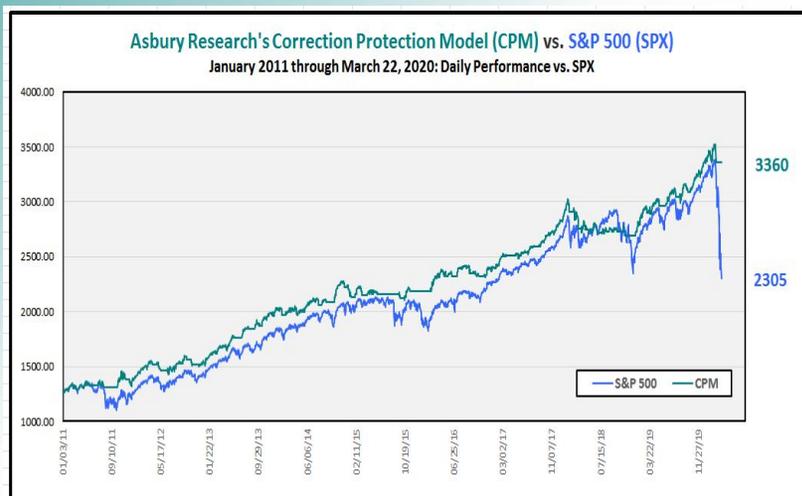
The iShares MSCI Italy Index is testing major support at its 2003 benchmark low. Major decision point for a country hit particularly hard by COVID 19.



The tight and stable long term positive correlation between EWI and the S&P 500 suggests that *as goes Italy, so is likely to go the US broad market.*

Asbury's Correction Protection Model (CPM)

Wealth Preservation: When To Be Invested



Purpose & Key Features

- Protects investors against significant market declines
- without sacrificing long term performance under a variety of market conditions,
- while greatly reducing market risk as measured by actual time invested and by volatility of returns (low beta).

CPM v SPX: Performance Comparison By Year

Year	S&P 500	CPM	CPM Rel Perf
2011	0.00%	9.78%	9.78%
2012	13.41%	12.17%	-1.24%
2013	29.60%	35.31%	5.71%
2014	11.39%	9.07%	-2.32%
2015	-0.73%	-0.86%	-0.13%
2016	9.54%	8.83%	-0.71%
2017	19.42%	20.16%	0.74%
2018	-6.24%	-4.76%	1.48%
2019	29.24%	27.23%	-2.01%

Performance Highlights Since 2011

- CPM has averaged 5 signals per year.
- CPM has **only been in the market 65% of the time**, significantly reducing risk.
- The table at left shows that **CPM has outperformed the S&P 500** in 4 of the past 9 years.

Asbury's Correction Protection Model (CPM)

Wealth Preservation: "Risk Off" As Of February 24th

About CPM

- The Correction Protection Model (CPM) is our own **proprietary defensive model** for the S&P 500. It is **quantitative, objective, and data driven**.
- **CPM is binary: it is either Risk On or Risk Off.**
- **CPM is not a returns-driven model, but rather a wealth preservation tool.** It was designed to protect investor assets during potentially dangerous market conditions while also taking advantage of the market's historical upward bias.
- We use CPM as a key indication of **when to increase market exposure (Risk On) and when to be risk-averse (Risk Off).**

CPM Since 2019



The Asbury 6 Key Market Internals

Risk Management: When To Be Invested

The Asbury 6:

- the monthly rate of change in the S&P 500
- the relative performance of equity prices versus high yield bond prices,
 - investor asset flows
- corporate bond spreads
 - trading volume
 - market breadth

“A6” Signals Since Late 2018



The Asbury 6 Key Market Internals

Risk Management: Negative Since February 24th

"ASBURY 6" INTERNAL MARKET METRICS updated thru 3/26/2020		
METRIC	POSITIVE AS OF:	NEGATIVE AS OF:
Rate Of Change: SPX		2-24-2020
Rel Performance: Stocks v HiYld Bonds	3-24-2020	
Investor Asset Flows: SPY	3-26-2020	
Corporate Bond Spreads		2-24-2020
Trading Volume: SPX		2-24-2020
Market Breadth: NYSE		2-24-2020

Copyright 2020 Asbury Research LLC

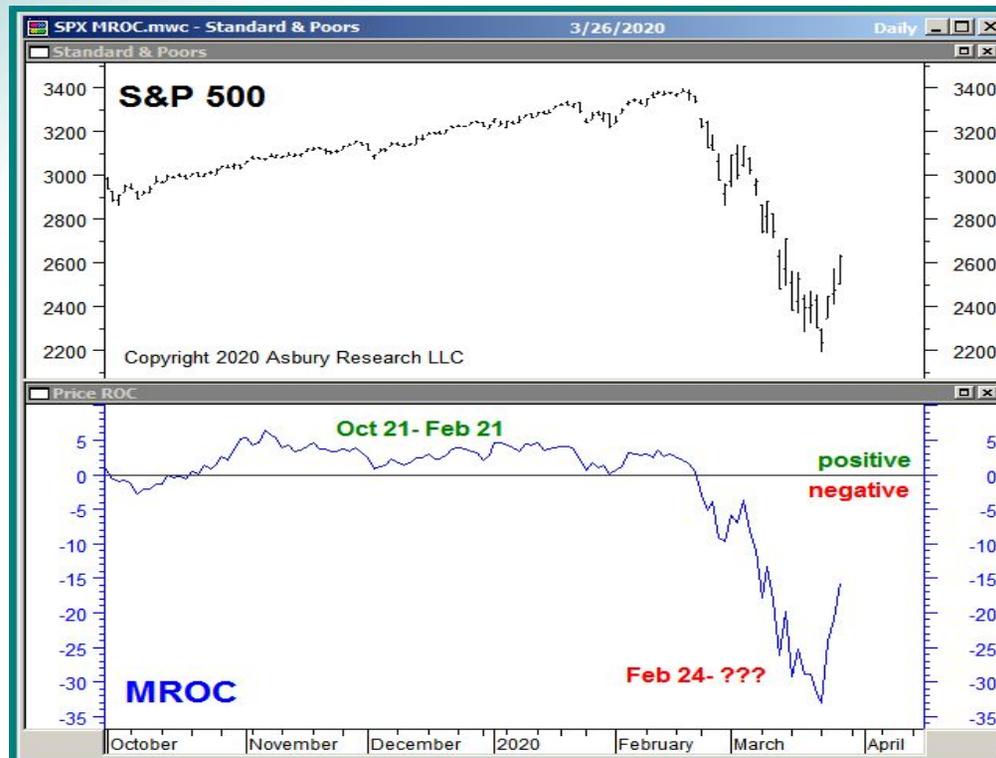
When all Asbury 6 are positive, market internals are the most conducive to adding risk to portfolios.

Each negative reading adds an additional element of risk to participating in existing or new investment ideas.

Four or more constituents indicate a directional signal.

The Asbury 6 Key Market Internals

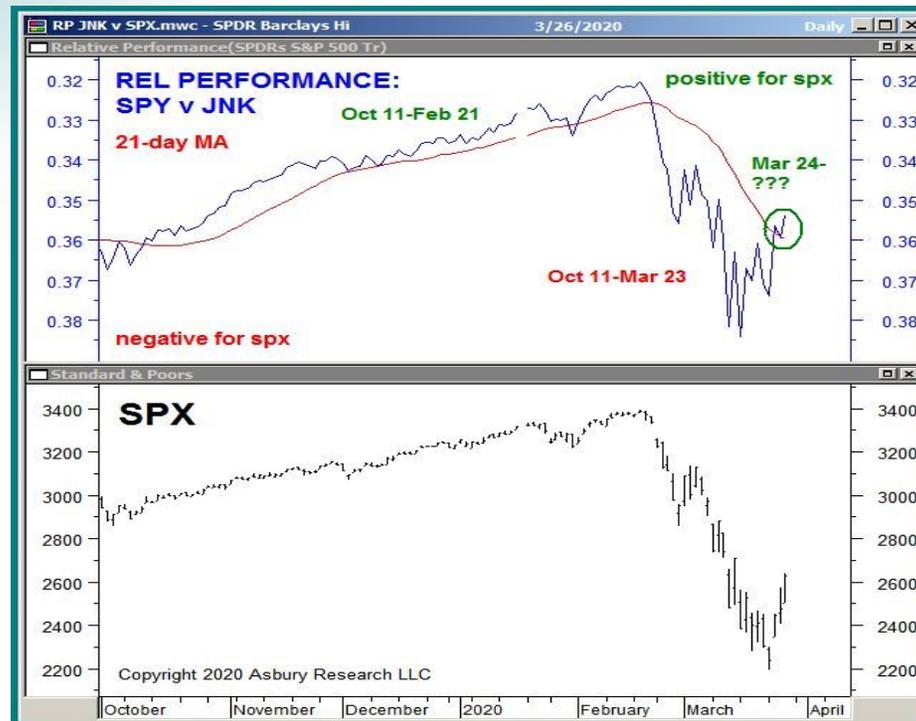
Momentum: Near Term Negative



SPX's 1-month rate of change, a *near term* momentum gauge, has been *negative* since February 24th.

The Asbury 6 Key Market Internals

Relative Performance: Near Term Positive

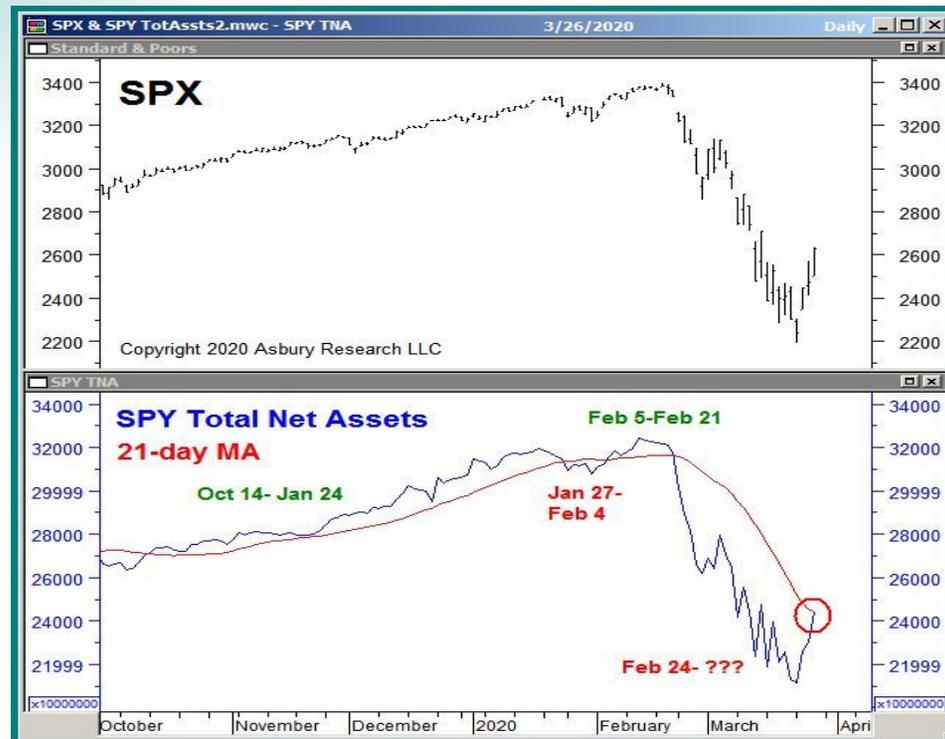


The rightmost green highlights show the S&P 500 (SPY) turned back to a trend of *monthly relative outperformance* versus junk bond prices (JNK) on March 24th.

This has historically coincided with near term strength in the S&P 500.

The Asbury 6 Key Market Internals

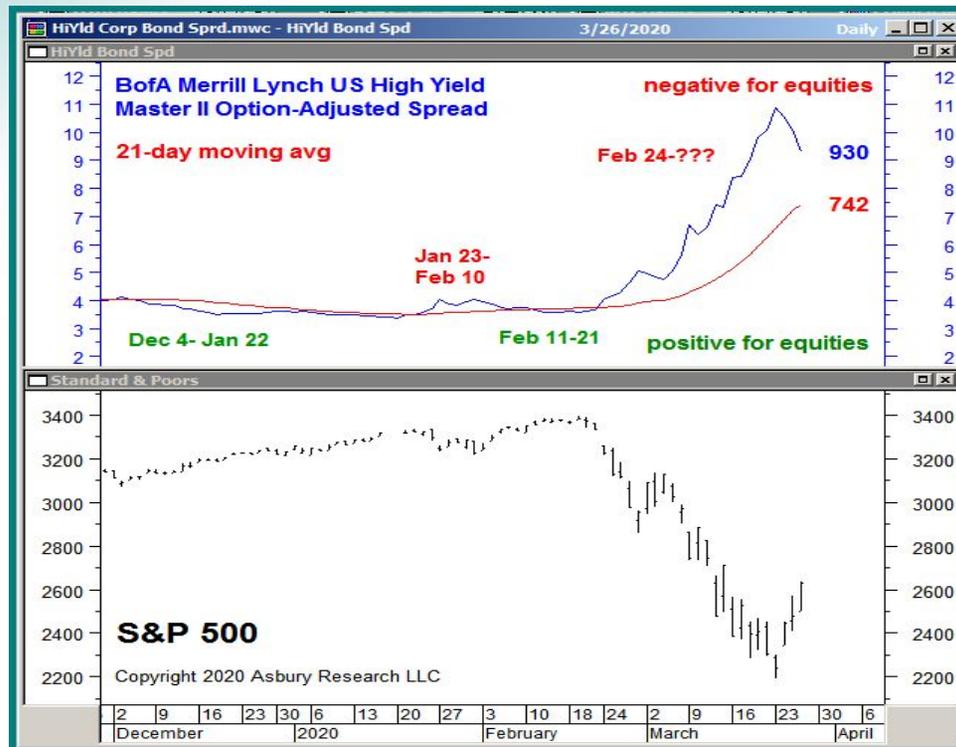
ETF Asset Flows: Near Term Negative



The total net assets invested in the SPDR S&P 500 ETF moved to a trend of *monthly contraction* on February 24th, which is characteristic of market declines. However, that trend is currently being tested.

The Asbury 6 Key Market Internals

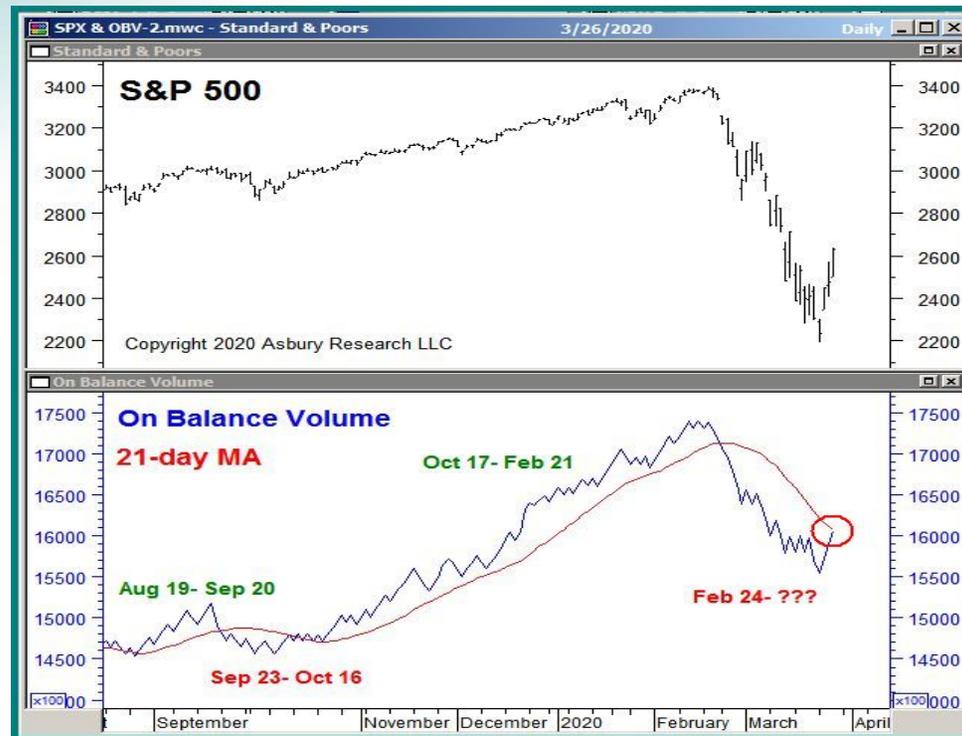
Corporate Bond Spreads: Near Term Negative



High yield corporate bond spreads shifted to a trend of *monthly widening* on February 24th. Widening indicates the bond market is becoming more concerned about the economy and has historically been coincident with stock market declines.

The Asbury 6 Key Market Internals

Volume: Near Term Negative

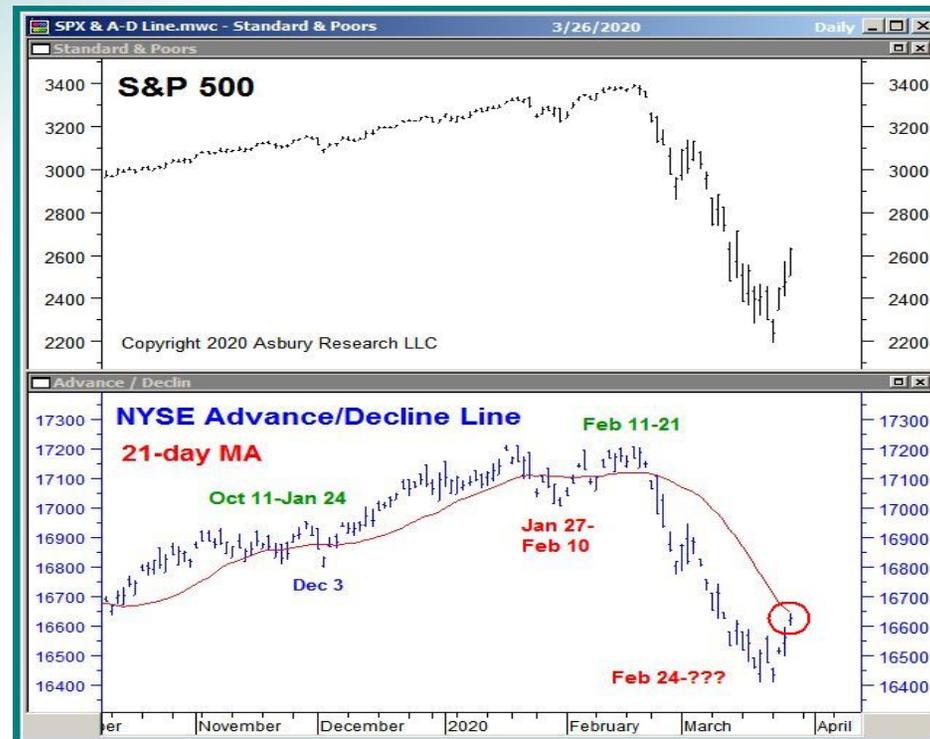


On Balance Volume (OBV) has been below its 21-day moving average since February 24th, indicating a trend of *monthly contraction* that has historically been characteristic of near term stock market declines.

However, that trend is currently being tested.

The Asbury 6 Key Market Internals

Market Breadth: Near Term Negative



The NYSE Composite's A/D line moved below its 21-day MA on February 24th, indicating a monthly trend of weakening market breadth that has historically coincided with near term broad market declines. However, that trend is currently being tested.

US Stock Market

Volatility: Turning Near, Intermediate Term Positive?



The CBOE Volatility Index (VIX) is testing its 79.43 March 2009 high extreme, which closely coincided with a major bottom in the S&P 500.



A sustained move below the VIX's 21-day MA, currently at 55.87, would indicate a new monthly trend of declining volatility.

US Stock Market

Options Volume: Near Term Positive



The CBOE Put/Call Ratio is currently retracting from previous most bearish extremes, indicating an historically high ratio of put volume versus call volume. Similar extremes have previously coincided with significant bottoms in the S&P 500.

US Stock Market

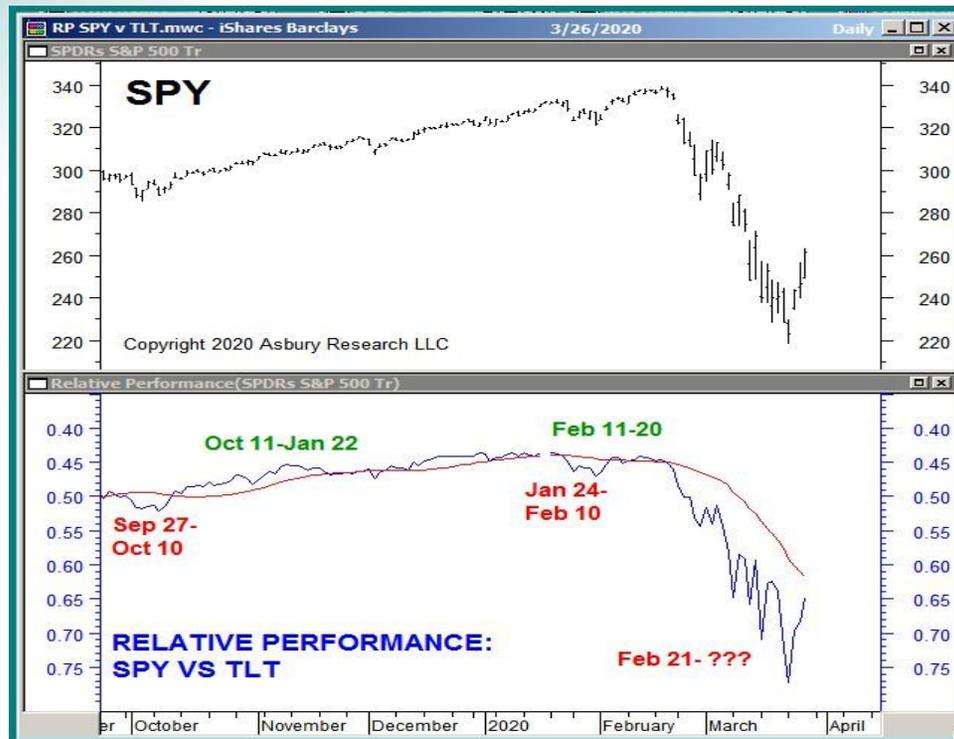
Strategic Momentum: Intermediate Term Positive



SPX is currently 18% below its 200-day MA, an historically negative extreme that had previously been reached only twice since 2000. This is a strategic indication that the current decline is over-extended and may be coming to an end.

US Stock Market

Relative Performance, Stocks vs Bonds: Intermediate Term Negative



The SPDR S&P 500 ETF (SPY) has been underperforming the iShares 20+ Year Treasury Bond ETF (TLT) since February 21st, which has historically been negative for the US stock market.

US Stock Market

Investor Sentiment: Near Term Positive, Intermediate Term Negative



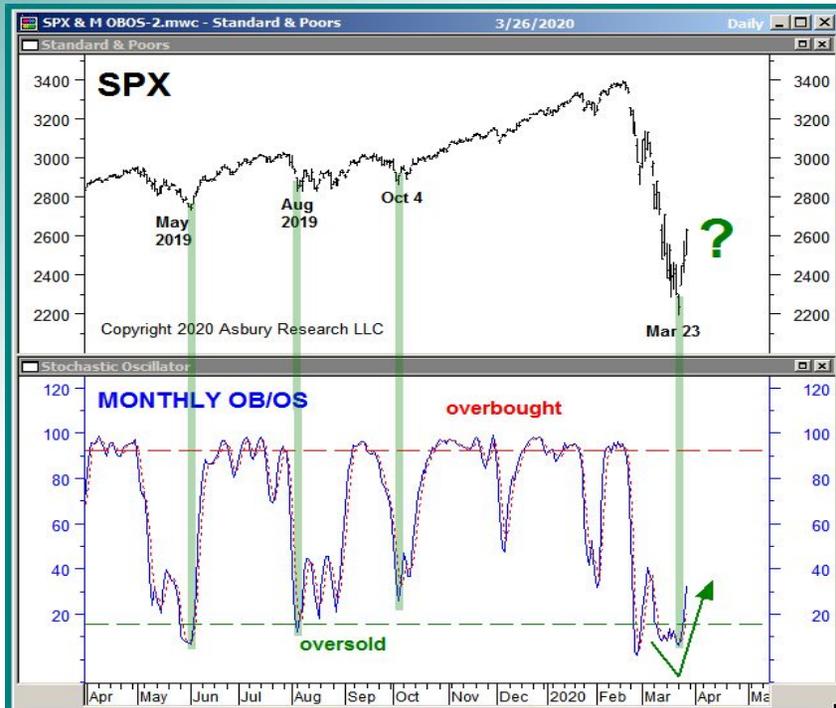
A survey of retail futures traders has recently reached previous *least bullish* extremes that have historically coincided with or led *near to intermediate term* stock market bottoms.



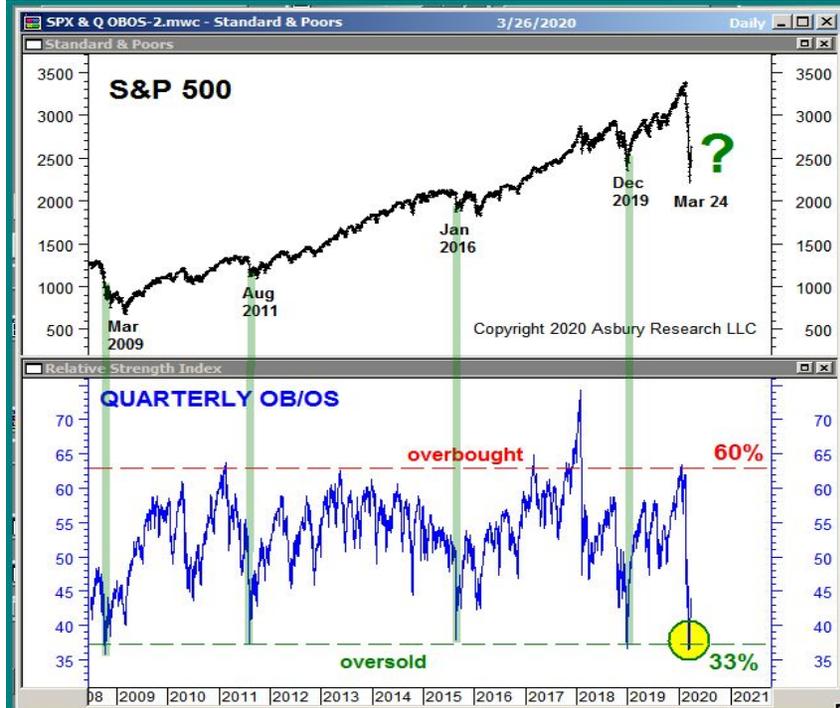
A survey of *intermediate to long term oriented* stock market newsletter writers has not yet reached historic *least bullish* extremes, however, warning of more market weakness.

US Stock Market

Overbought/Oversold: Near Term, Intermediate Term Positive



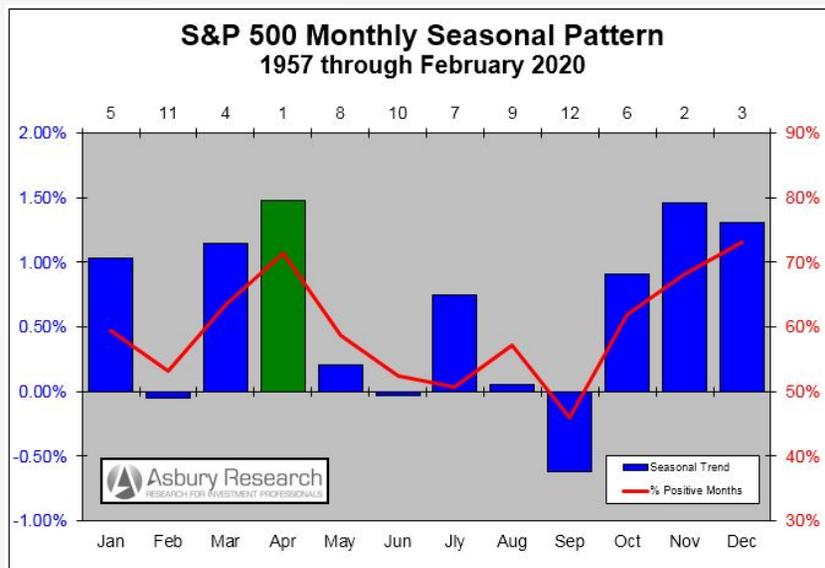
SPX is rebounding from *monthly oversold* extremes that have historically coincided with or led *near term* US market bottoms.



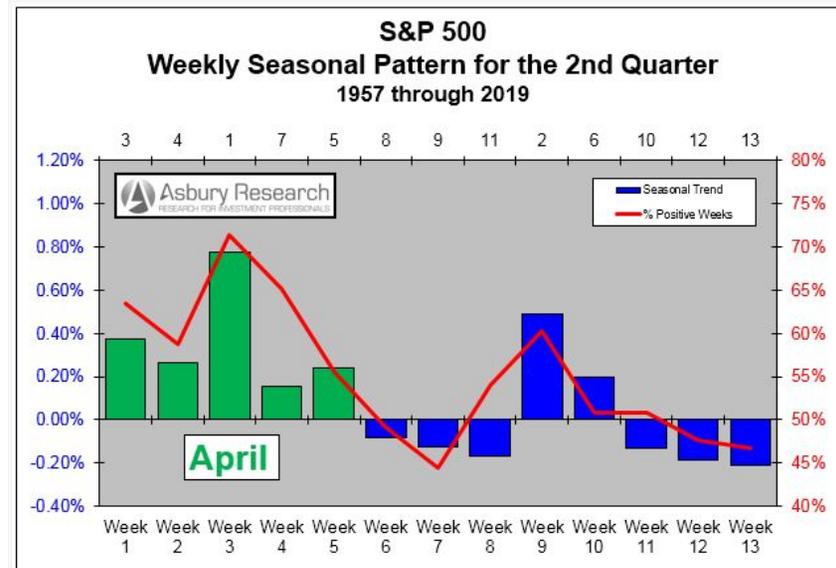
Meanwhile, SPX is also rebounding from *quarterly oversold* extremes that have historically coincided with *intermediate term* broad market bottoms.

US Stock Market

Seasonality: Near Term Positive, Intermediate Term Negative



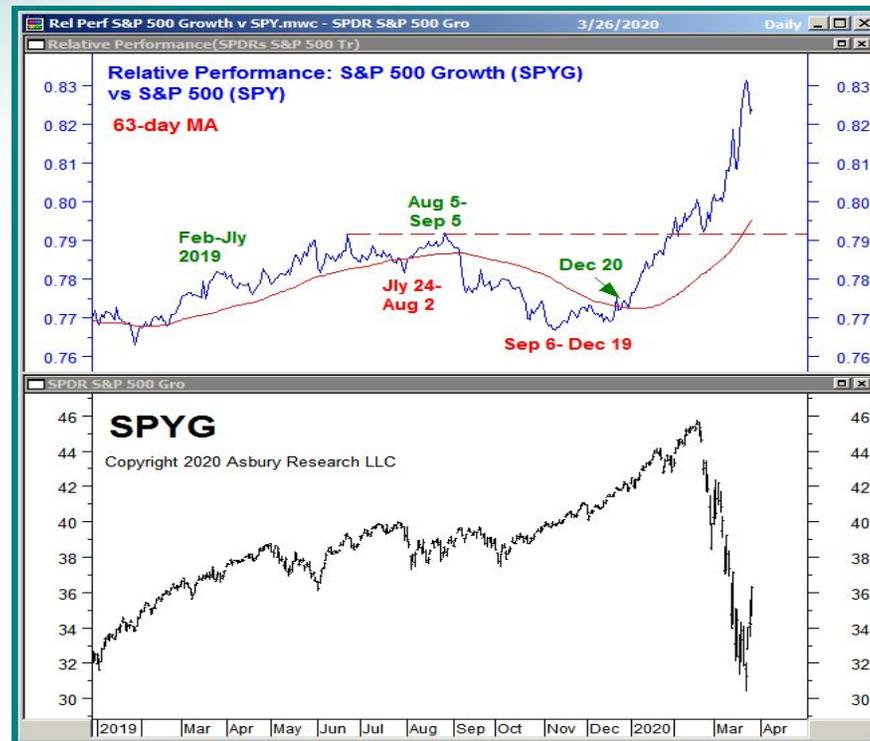
This annual chart shows that April is the seasonally strongest month of the year in the S&P 500, based on data since 1957, and that it leads into a sustained period of mostly increasing seasonal weakness between May and September.



This quarterly chart shows the first 3 weeks of April include 3 of the 4 strongest of the entire 2nd Quarter, and that the final 3 weeks of June include 3 of the 4 weakest of the quarter.

US Stock Market

Style: Late 2019 Quarterly Outperformance By Growth Remains Intact



The S&P 500 Value ETF (SPYV) remains in a December 20th trend of *quarterly relative outperformance* versus the SPDR S&P 500 ETF (SPY). Growth stocks typically outperform in healthy market environments as investors seek strong earnings growth.

Relative Performance

Cross Asset Investing: Investors Favor Bonds, Mostly Defensive On Equities

CROSS ASSET RELATIVE PERFORMANCE (CARP): WHAT IS OUTPERFORMING?							thru March 20th 2020	
Asset Comparison	Tickers	Trading (weekly)	Since	Tactical (monthly)	Since	Strategic (quarterly)	Since	
US Stocks or Bonds	SPY vs AGG	BONDS	3/16	BONDS	2/24	BONDS	2/24	
High Beta or Low Volatility Stocks	SPHB vs SPLV	HIGH BETA	3/20	LOW VOL	2/21	LOW VOL	1/27	
Large Cap or Small Cap	SPY vs IWM	SMALL CAP	3/20	LARGE CAP	2/28	LARGE CAP	1/2	
Growth or Value Stocks (Russell 1000)	IWF vs IWD	GROWTH	2/26	GROWTH	2/26	GROWTH	11/14	
US or Developed Markets	SPY vs VEA	DEVELOPED	3/20	US	3/10	US	11/14	
US or Emerging Markets	SPY vs VWO	EMERGING	3/20	EMERGING	3/20	EMERGING	3/20	
Govt or Corporate Bond Prices	GOVT v LQD	GOVERNMENT	3/5	GOVERNMENT	2/21	GOVERNMENT	2/24	
High Yld or Corporate Bond Prices	HYG vs LQD	HIGH YIELD	3/17	HIGH YIELD	3/18	CORPORATE	3/20	
Short Term or Long Term Bond Prices	SCHO vs TLT	LONG TERM	3/20	LONG TERM	3/20	LONG TERM	3/19	

Copyright 2020 Asbury Research LLC

The table above highlights which segments of the US financial market are outperforming in both equities and fixed income. The green highlights identify changes in trend, and the date they occurred, in 3 different time frames:

- **TRADING (weekly, yellow column)**, which is the most sensitive to changes in relative market direction,
- **TACTICAL (monthly, blue column)**, which we use to enter or exit an investment strategy, and
- **STRATEGIC (quarterly, red column)**, which we use to identify intermediate term opportunity.

Relative Performance

Global Relative Performance: The US vs. The World

S&P 500 vs THE WORLD: WHICH COUNTRY IS OUTPERFORMING? thru March 20th 2020							
S&P 500 (SPY) vs:	Ticker	Trading (weekly)	Since	Tactical (monthly)	Since	Strategic (quarterly)	Since
Chile	ECH	CHILE	3/20	US	3/10	US	10/21
New Zealand	ENZL	US	3/12	US	3/16	US	3/16
Peru	EPU	PERU	3/20	US	3/12	US	1/8
Australia	EWA	US	3/16	US	2/28	US	10/31
Hong Kong	EWK	HONG KONG	3/20	HONG KONG	2/25	HONG KONG	3/5
Italy	EWI	ITALY	3/18	US	3/2	US	3/2
Japan	EWJ	JAPAN	3/16	JAPAN	3/16	JAPAN	3/18
Switzerland	EWL	SWITZERLAND	3/18	SWITZERLAND	2/26	SWITZERLAND	2/25
Malaysia	EWM	MALAYSIA	3/20	MALAYSIA	3/20	MALAYSIA	3/20
Spain	EWP	SPAIN	3/19	US	3/5	US	11/8
France	EWQ	FRANCE	3/20	US	3/6	US	11/27
Singapore	EWS	SINGAPORE	3/20	US	3/13	US	11/19
Taiwan	EWT	TAIWAN	3/20	TAIWAN	3/20	TAIWAN	3/20
United Kingdom	EWU	UNITED KINGDOM	3/20	US	3/2	US	12/20
Mexico	EWV	US	3/13	US	3/4	US	3/4
South Korea	EWY	SOUTH KOREA	3/20	US	3/16	US	3/13
Brazil	EWZ	BRAZIL	3/20	US	1/8	US	1/15
MSCI EMU (Eurozone) Index	EZU	EUROZONE	3/20	US	3/5	US	11/25
India	INDA	INDA	3/20	US	3/16	US	2/28
China	MCHI	CHINA	3/19	CHINA	2/18	CHINA	2/25
Russia	RSX	RUSSIA	3/19	US	2/28	US	1/23
Thailand	THD	THAILAND	3/17	THAILAND	3/20	US	7/23
Vanguard FTSE Pacific ETF	VPL	PACIFIC	3/18	PACIFIC	3/17	PACIFIC	3/20
Vanguard Emerging Mkts ETF	VWO	EMERGING	3/20	EMERGING	3/20	EMERGING	3/20

Copyright 2020 Asbury Research LLC

Asian markets are currently outperforming the S&P 500 as world economies are rocked by COVID 19. This could indicate expectations that these countries will come out the other side faster, or stronger.

US Market Sectors: Investor Asset Flows

**Investor Assets Moving Into Consumer Staples & Health Care,
Out Of Financials, Energy, & Consumer Discretionary.**

ASBURY RESEARCH: ASSET FLOWS in MARKET SECTOR ETFs				March 23rd 2020
Sector (Symbol)	As of 3-19-2020	Trading (weekly)	Tactical (monthly)	Strategic (quarterly)
FINANCIALS (XLF)	19.4%	12.4%	since 2/6	since 2/6
ENERGY (XLE)	7.8%	since 3/12	6.7%	since 1/30
TECHNOLOGY (XLK)	18.3%	20.3%	19.8%	18.4%
UTILITIES (XLU)	7.8%	10.1%	8.5%	7.8%
INDUSTRIAL (XLI)	7.6%	7.2%	8.1%	7.8%
CONSUMER STAPLES (XLP)	9.9%	since 3/12	since 3/19	since 3/19
CONSUMER DISCRETIONARY (XLY)	10.1%	since 3/19	since 3/19	10.5%
HEALTH CARE (XLV)	13.9%	since 3/5	since 3/12	since 3/12
MATERIALS (XLB)	2.6%	2.6%	2.9%	2.7%
REAL ESTATE (XLRE)	2.6%	2.9%	2.6%	2.6%

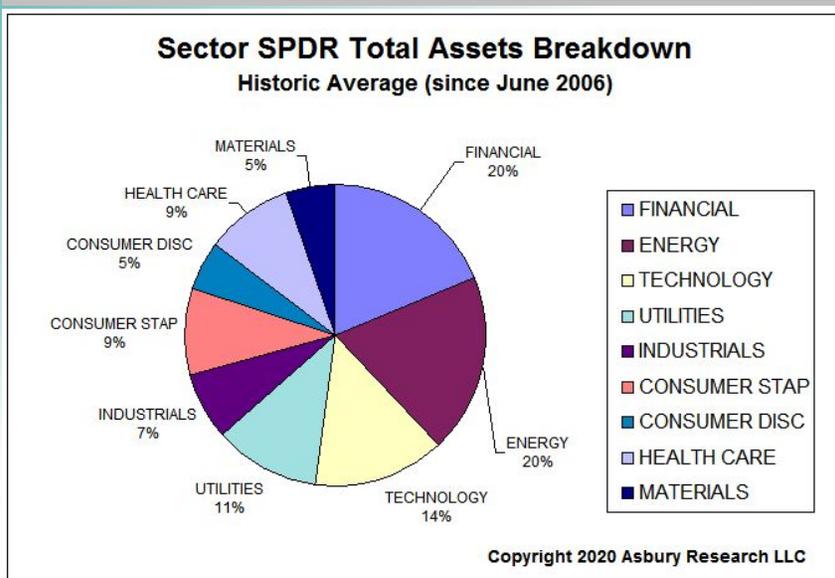
Biggest inflows during period shown **Biggest outflows during period shown** Copyright 2020 Asbury Research LLC

Trends in investor asset flows across multiple time periods typically coincide with, and often lead, directional moves in outright and relative sector performance.

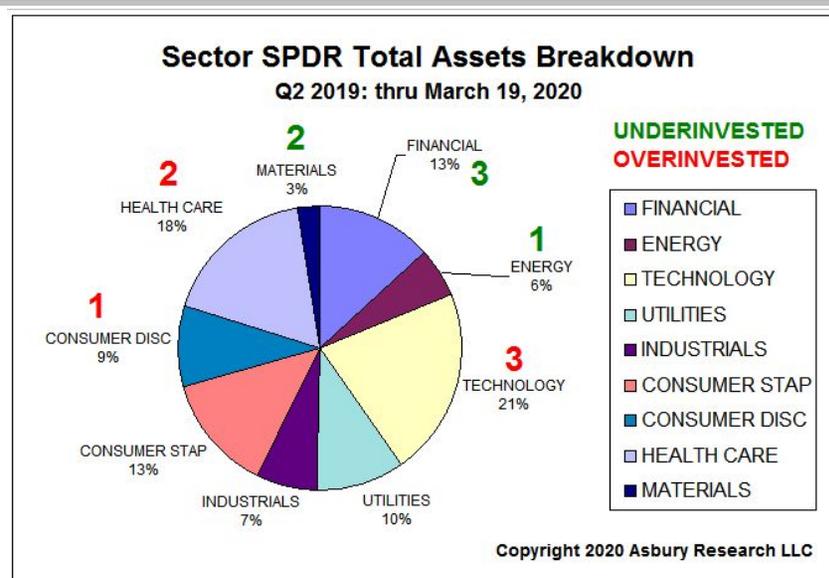
The latest data in multiple time frames show a trend of **inflows into defensive Consumer Staples and Health Care** and **outflows from Financials, Energy, and Consumer Discretionary**.

US Market Sectors: Long Term Asset Flows

**Energy, Materials, Financials Under-Invested.
Cons Discretionary, Health Care, Technology Over-Invested.**



This chart shows the *historic* daily average distribution of assets invested in the original 9 Sector SPDR ETFs since the series began in June 2006.



This chart shows the *current* distribution of these assets through March 19th. The most *under-invested* sectors are **1) Energy, 2) Materials, and 3) Financials**.

The most *over-invested* sectors are **1) Consumer Discretionary, 2) Health Care, and 3) Technology**.

US Interest Rates

Long Term Interest Rates At Multi-Generational Lows



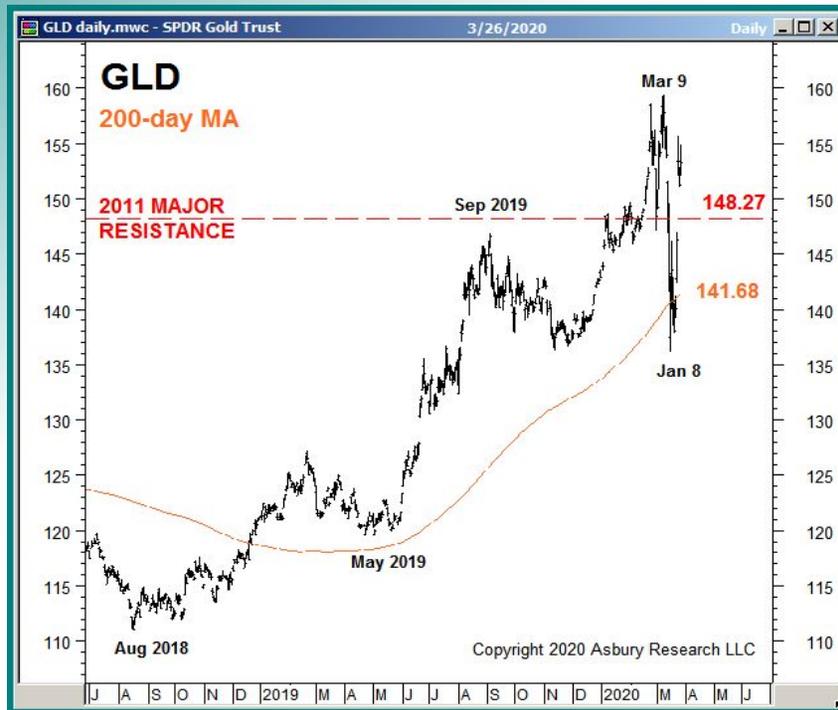
The yield of the benchmark US 10-Year Note is at multi-generational lows. Above the market, the first tangible yield resistance is at 1.38% to 1.47%.



The 2s/10s yield curve has been in an annual steepening trend since November, but recent steepening due to major spending package aimed at curbing economic impact of COVID 19.

Gold

Emerging New Buying Opportunity?



The SPDR Gold Shares ETF (GLD) has moved back above 2011 major resistance following a successful test of its 200-day MA. Intermediate term positive.



Meanwhile, the total net assets invested in GLD have jumped back above their 21-day MA, indicating an emerging trend of bullish monthly expansion.



Asbury Research

Contact Us:

Phone: 1-888-960-0005

Email: info@asburyresearch.com

On The Web: <https://asburyresearch.com/>