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# The Weekly Wrap-Up

May 2nd, 2020

## US Broad Market At A Major Decision Point

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### Conclusion, Investment Implications, Strategy

The benchmark S&P 500 (SPX) will begin next week just below major overhead resistance at 2938 to 3005, which was tested and held last week. This sets up a major decision point for the US stock market. How SPX responds to this area over the next week or so will be seen as a key indication of whether the current late March rebound in the US stock market is the resumption of its previous 2009 secular uptrend, or just a corrective bounce in an uncompleted major downtrend.

### From Our Recent Research



*“The key tactical market factor to be aware of this week is that the benchmark S&P 500 (SPX) has been testing minor overhead resistance at 2808 to 2856 since early April. Although our tactical models ([CPM](#), [Asbury 6](#)) remain on an early April Risk On/Positive status, a sustained rise above this resistance area is necessary to turn the minor trend positive (bullish) – which would then clear the way for a potential, additional 6% rise to test major overhead resistance at 3008.”*

### **Keys To This Week**

Asbury Research

April 27th, 2020

## **Weekly Summary / Overview**

The benchmark

### **S&P 500**

**(SPX)** finished

Friday’s session

at 2831, down

just 6 points or

0.2% for the

week. The

colored

highlights in

**Chart 1** show a

likely reason

the late March

rebound stalled

last week: **SPX**

**is testing**

**major**

**overhead**

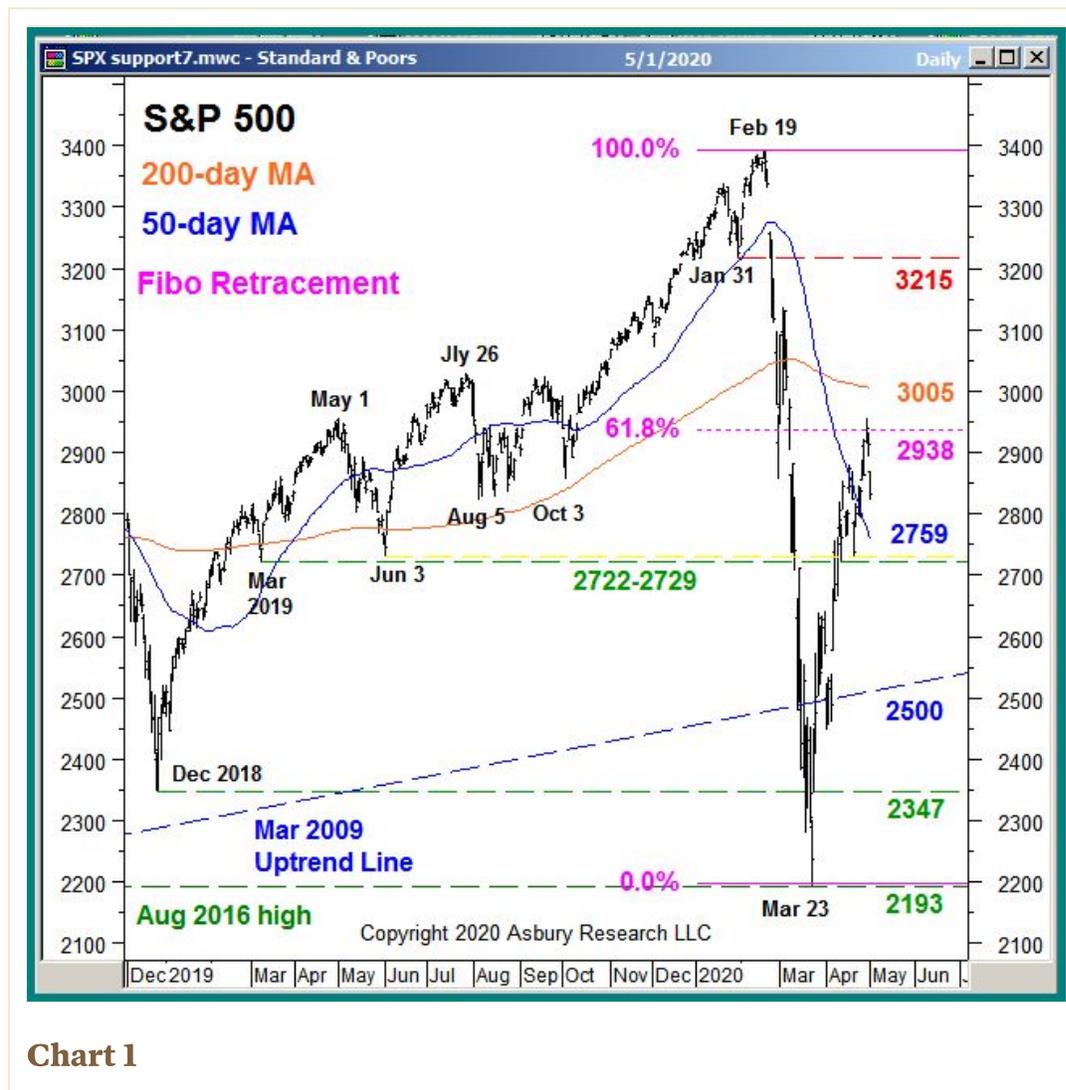
**resistance at**

**2938 to 3005**

which represents the 61.8% retracement of its February decline (pink) and the US broad market index's 200-day moving average (orange, major trend proxy).

**If the current March rally is just a corrective rebound within an unfinished major downtrend** —

and a retest of the late March lows is on the horizon — **then this is where it should resume.**



**Chart 1**

Below the market, **primary support next week is at 2759 to 2722** which represents the 50-day moving average (blue, minor trend proxy) and the June and March 2019 benchmark lows (green). **Above this support, the current minor uptrend remains intact. Below it, the larger February downtrend is resuming — setting up a potential retest of the 2009 secular uptrend line at 2500.**

## The Asbury 6: Positive As Of April 7th

**Table 1** shows

that five of the **Asbury 6** key market internals finished Friday's session in

### Positive

territory. The A6 initially shifted to a Positive status on April 7th.

| <b>"ASBURY 6" INTERNAL MARKET METRICS through 5/1/2020</b> |                        |                        |
|--|------------------------|------------------------|
| <b>METRIC</b>  | <b>POSITIVE AS OF:</b> | <b>NEGATIVE AS OF:</b> |
| 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  |                        | 5-1-2020               |
| Market Breadth: NYSE                                       | 4-22-2020              |                        |
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**Table 1**

**As long as the**

**A6 retains its Positive status, we will expect the current late March rally in the US stock market to continue.**

## Volatility: VIX At A Tactical Decision Point

Now that we have determined the S&P 500 is at a Strategic decision point as it tests overhead resistance at 2938 to 3005, day-to-day market volatility becomes particularly important.

The blue line in the lower panel of **Chart 2** plots **the VIX**

daily since February along with its 21-day moving average, the latter which we use to define its monthly (our Tactical time period) trend. The red highlights show that the VIX initially moved below its 21-day MA on March 31st, which closely coincided with the late March rally in the S&P 500. The chart also shows that **the VIX finished last**



**week just below its 21-day moving average -- currently at 40.51 -- which sets up a tactical decision point for this metric.**

**If the VIX remains below its 21-day MA next week, then SPX is likely to stabilize and rise from primary support at SPX 2759 to 2722 (Chart 1). This would keep the US broad market index's current minor uptrend intact and set the stage for another test of major overhead resistance at 2938 to 3005. A sustained rise above the VIX's 21-day MA, however — especially amid a shift to Risk Off/Negative in our tactical models [CPM](#) and [Asbury 6](#), would suggest the February major downtrend is still intact and is resuming.**

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