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# The Weekly Wrap-Up

July 23rd, 2023

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## **Market's Upside Potential Appears Limited Without A Correction First**

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### **Conclusion, Investment Implications, Strategy**

**The benchmark S&P 500 (SPX) finished Friday's session at 4536, up 31 points or 0.7% for the week. SPX is currently situated in between formidable overhead resistance 2.5% above the market at 4637, the March 2022 benchmark high, and primary Tactical support at 4449 which is 1.9% below the market. As long as our Tactical models (Asbury 6, Correction Protection Model) remain Positive/Risk On, our near-term outlook will remain bullish. However, extremes in a number of more Strategic metrics including investor sentiment and standard deviation**

**suggest that a rise above 4637 is unlikely without at least a minor corrective decline first.**

**Editor's Note: See our newly-updated [Asbury Market Monitor \(AMM\)](#) for a one-page composite of current Asbury Research existing trading / investing ideas.**

## From Our Recent Research

*"**Tactically**, our bias remains near-term Positive due to the current Positive status in the **Asbury 6** (since May 18th), low volatility, increasing volume, expanding ETF asset flows in key ETFs, and bullish price trends. **Strategically**, however, current extremes in investor sentiment, market breadth, standard deviation, and seasonality collectively warn that the S&P 500's current Jun 1st rise from six months of sideways investor indecision is probably within weeks of beginning an overdue corrective decline."*

### **Keys To This Week**

Asbury Research

July 19th, 2023

## Weekly Summary / Key Levels To Watch



### Chart 1

**The benchmark S&P 500 (SPX)** finished Friday's session at 4536, up 31 points or 0.7% for the week. The US broad market index is currently up 697 points or 18.2% for the year and has risen by 19.2% since Mar 13th.

The red highlights on **Chart 1** show that SPX is currently situated 2.5% below **the next formidable overhead resistance level at 4637**, the March 2022 benchmark high, and 1.9% above primary Tactical support at 4449, the 21-day moving average which has defined the near term trend in the index since March.

A clear breach of either of these levels would be necessary to signal the next significant directional move in the S&P 500, up or down. Our bias favors a downside resolution because the market has become technically overextended by a number of metrics including investor sentiment and standard deviation. But a negative shift in our Tactical models ([Asbury 6, Correction Protection Model](#)) would be necessary to confirm that an overdue corrective decline is underway.

## The Asbury 6: Positive As Of May 18th

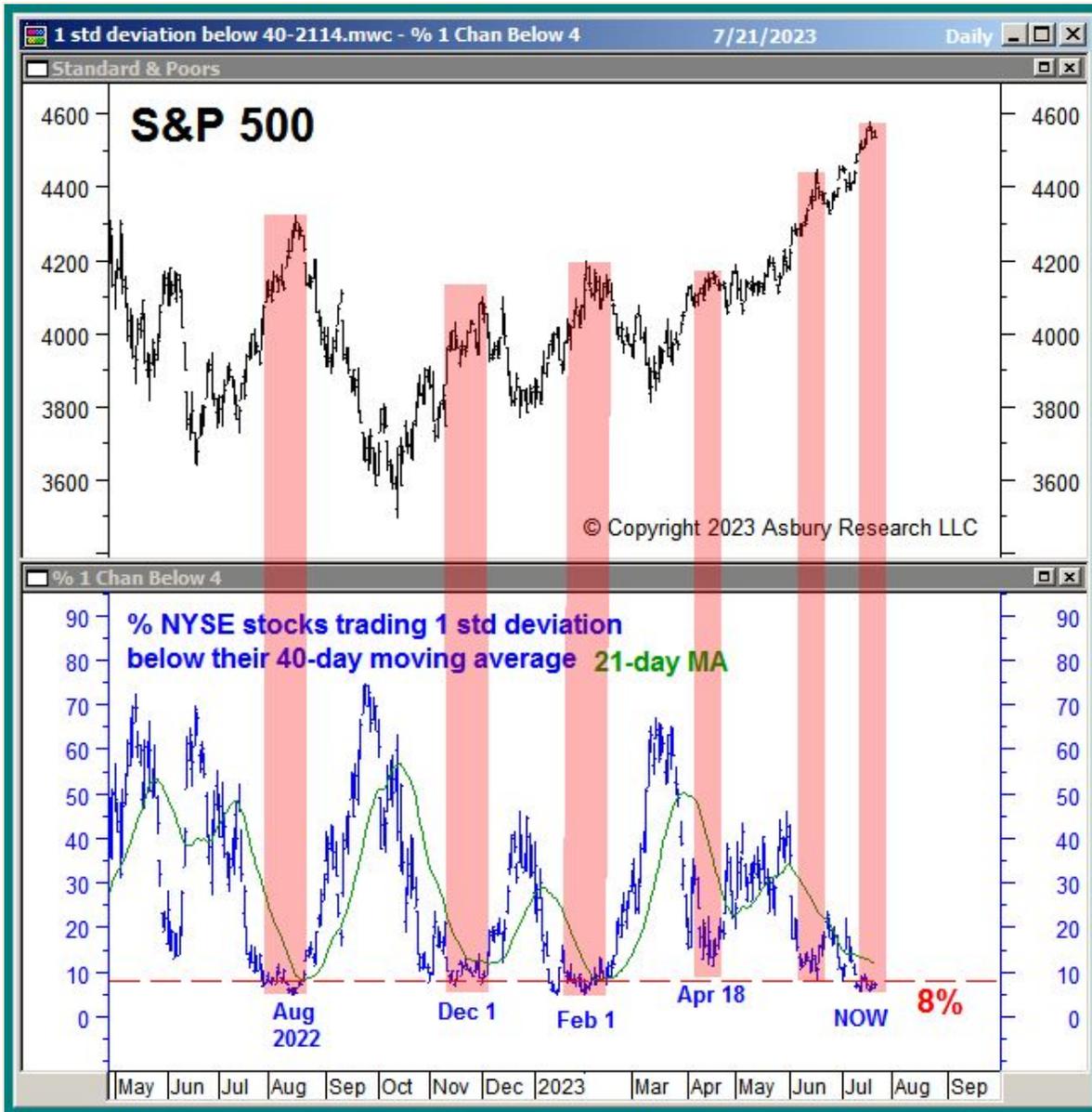
"ASBURY 6" INTERNAL MARKET METRICS through 7/21/2023		
METRIC	POSITIVE AS OF:	NEGATIVE AS OF:
Rate Of Change: SPX	5/17/2023	
Rel Performance: Stocks v HiYld Bonds	5/4/2023	
Investor Asset Flows: SPY	5/5/2023	
Corporate Bond Spreads	6/27/2023	
Trading Volume: SPX	7/17/2023	
Market Breadth: NYSE	6/27/2023	
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**Table 1**

**Table 1** shows that, through Friday, July 21st, all [Asbury 6](#) constituent metrics are green (positive). **The "A6" model itself has been Positive since May 18th** and SPX has risen by as much as 9.1% since then.

Four or more constituent metrics in one direction, either Positive (green) or Negative (red), indicate a tactical bias. The dates in each cell indicate when each individual constituent of the "A6" turned either positive (green) or negative (red). When all Asbury 6 constituent metrics are positive, market internals are the most conducive to adding risk to portfolios.

# Standard Deviation Characteristic Of An Emerging Market Top



**Chart 2**

The red highlights in **Chart 2** show that **the percentage of NYSE stocks trading one standard deviation below their 40-day moving average** is hovering at a low extreme of 8% that has previously coincided with or closely led every Tactical peak in the S&P 500 (upper panel) since 2022.

*Note that this is currently not a Tactical sell signal but rather an indication that the market has reached an extreme that has historically warned of increased vulnerability to a stock market correction.*

**We would view a sustained rise in this indicator from its current low extreme of 8% as evidence that at least a corrective decline is beginning in the US broad market** — especially if combined with a Negative shift in the Asbury 6. Until then, this metric simply suggests that the market is probably within a few weeks of a Tactical top — and that overhead resistance at SPX 4637 is unlikely to be broken to the upside without a correction first.

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## ASBURY RESEARCH

| Chatham Centre | 1901 N. Roselle Road, | Suite 800 | Schaumburg, IL 60195

[888.960.0005](tel:888.960.0005) | [Email Us](#)

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