Keys To This Week: US Stock Market

June 14th, 2021

Correction Protection Model (CPM): Risk On as of May 27th (from Risk Off on May 12th)

Our quantitative model for the US stock market, which uses the S&P 500 (SPX) as a proxy, shifted to "Risk On" (increasing market exposure) as of the close on May 27th from "Risk Off" (decreasing market exposure) on May 12th.

Conclusion, Investment Implications, Strategy

This week, the **Tactical** (monthly) portion of **Table 1** below retains the **Positive** distribution of near-term market factors that has been in place for most of the past 3 months. Meanwhile, the **Strategic** (quarterly) portion of the table shifts to a **Positive** alignment of intermediate-term market factors, from the Negative one that had also previously been in place for most of the past 3 months.

The key takeaway heading into this week is that **this is an important Tactical decision point for the US stock market, but with an upward bias**. The upward bias comes from currently positive Tactical and Strategic trends in the major US indexes amid a Risk On / Positive status in our Tactical models (**Asbury 6**, **Correction Protection Model**). However, to confirm this bias, and to set the stage for another leg higher in the overall US market, several things should happen (in no particular order):

- the **NASDAQ Composite (COMP)** should rise above 14,175 amid Strategic relative outperformance versus the S&P 500
- **Apple (AAPL)** should continue to rise from major support at $124.45 amid Strategic relative outperformance versus the S&P 500
- the **VanEck Vectors Semiconductor ETF (SMH)** should rise above 255.58 amid Strategic relative outperformance versus the S&P 500
- the **SPDR S&P 500 ETF (SPY)** must begin outperforming the iShares 20+ Year Treasury Bond ETF (TLT) on a Tactical basis

Conversely, **the bearish resolution to this decision point would be that SPX declines below Tactical support at 4168 (which is less than 2% below the market) on a Risk Off / Negative shift in our Tactical models**.

Finally, although the current uptrend remains intact — and we will ride it as long as it persists — in our view this *is not* a typical, healthy bull market for a number of technical and quantitative reasons, and remains vulnerable to a long overdue corrective decline.

Strategy: Our Tactical bias remains cautiously Risk On/Positive as of May 27th, but more conservative/risk-averse managers/investors should consider avoiding the aggressive addition of new or sideline money to the market unless/until current technical conditions improve. Our longer-term Strategic bias remains Positive as of late May 2020.

THE US STOCK MARKET

FOR THE WEEK OF JUNE 14 2021

	POSITIVE FACTORS	NEGATIVE FACTORS
TACTICAL (one to several weeks)	PRICE & TREND: SPX	REL PERFORMANCE: SPY v TLT
	MARKET INTERNALS: ASBURY 6	
	ETF ASSET FLOWS: QQQ	
	VOLATILITY: THE VIX	
	REL PERFORMANCE: NDX?	
STRATEGIC (one to several months)	PRICE & TREND: SPX	SEASONALITY: SPX
	CHART PATTERNS: SMH?	
	INFLUENTIAL STOCKS: AAPL?	

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 BULLISH. Chart 1** below shows that the benchmark SPX remains in the midst of major and minor uptrends. The minor, Tactical trend remains intact this week above 4166, which Is currently less than 2% below the market. Minor overhead resistance is situated just above the market at 4238, the May 7th all-time high, and the index has been (thus far unsuccessfully) trying to rise and remain above it since then.

2. **Chart Patterns, Relative Performance: VanEck Vectors Semiconductor ETF (SMH). INTERMEDIATE TERM BULLISH, STRATEGIC DECISION POINT. Chart 2** below shows that SMH, which emulates the market-leading PHLX Semiconductor (SOX) Index, is in the midst of a 4-month period of sideways investor indecision but *leaning toward a bullish resolution*. A sustained rise above the upper boundary of the indecision area at 255.58 (upper panel), accompanied by a new trend of Strategic relative outperformance versus the S&P 500 (lower panel) would be necessary to confirm this. Such a positive

resolution would be seen as being Strategically bullish for the US broad market.

3. **Influential Stocks: Apple (AAPL). INTERMEDIATE TERM BULLISH, STRATEGIC DECISION POINT.** **Chart 3** below shows that influential Tech bellwether AAPL, the largest stock in terms of market cap, is currently rebounding from a 3-week test of major underlying support at its 200-day MA — currently at 124.45. This is intermediate term bullish for the US broad market but needs confirmation from Strategic (quarterly) relative outperformance versus the S&P 500 (lower panel). AAPL has been *underperforming* SPX on a Strategic basis since Feb 12th.

4. **Market Internals: Asbury 6. NEAR TERM BULLISH.** **Table 2** below shows that, through June 11th, all **Asbury 6** constituent metrics are positive (green). The "A6" model itself has been on an overall Positive status since March 27th. 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 current or new investment ideas.

"ASBURY 6" INTERNAL MARKET METRICS through 6/11/2021		
METRIC	POSITIVE AS OF:	NEGATIVE AS OF:
Rate Of Change: SPX	6/9/2021	
Rel Performance: Stocks v HiYld Bonds	5/24/2021	
Investor Asset Flows: SPY	6/4/2021	
Corporate Bond Spreads	5/27/2021	
Trading Volume: SPX	5/27/2021	
Market Breadth: NYSE	5/26/2021	
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Table 2

5. **ETF Asset Flows: Invesco QQQ Trust (QQQ). NEAR TERM BULLISH.** The rightmost green highlights in the lower panel of **Chart 4** below show that the total net assets invested in QQQ, which tracks the NASDAQ 100 (NDX), have since May 24th been above their 21-day MA. This indicates a trend of monthly asset expansion that is characteristic of Tactical advances in the market-leading NDX.

6. **Volatility: CBOE Volatility Index (VIX). NEAR TERM BULLISH, TACTICAL DECISION POINT. Chart 5** below shows that the VIX has been below its 21-day MA since May 24th, which indicates near term investor complacency and is Tactically positive for stocks. It would take a sustained rise above the 21-day MA by the VIX, currently situated at 18.14, to indicate the market has become apprehensive enough to trigger or help fuel a corrective US market decline.

7. **Relative Performance: Stocks (SPY) vs. Bonds (TLT). NEAR TERM BEARISH. Chart 6** below shows that the SPDR S&P 500 ETF (SPY) has been underperforming the iShares 20+ Year Treasury Bond ETF (TLT) on a Tactical monthly basis since Jun 8th. Historically, relative underperformance by SPY (stocks) versus TLT (bonds) has been negative for the US stock market.

8. **Trend, Relative Performance: NASDAQ Composite (COMP). NEAR TERM BULLISH, TACTICAL DECISION POINT. Chart 7** below shows that the market-leading COMP is currently testing overhead resistance at 14,175 (upper panel), its Feb 16th all-time high, while also testing its Feb 25th trend of Strategic relative *underperformance* versus the S&P 500 (lower panel). It would take a sustained rise above 14,175 by COMP, amid a new trend of Strategic relative *outperformance* versus SPY, to indicate that a new sustainable trend higher, for both COMP and the US broad market it tends to lead, is underway.

9. **Seasonality: S&P 500 (SPX). NEAR TO INTERMEDIATE TERM BEARISH. Chart 8** below, which displays 2nd Quarter seasonality in the benchmark S&P 500, shows that the final 3 weeks of June include the 3 seasonally weakest of the entire 2nd Quarter.

10. **Growth vs Value: SPDR Portfolio S&P 500 Value ETF (SPYV). TURNING INTERMEDIATE TERM NEGATIVE FOR VALUE, STRATEGIC DECISION POINT.** The rightmost red highlights in the upper panel of **Chart 9** below show that the daily relative performance line between the S&P 500 Value ETF (SPYV) and SPDR S&P 500 ETF (SPY) has since Jun 10th moved below its 63-day moving average. This warns — *but does not yet confirm* — that the previous Feb 19th trend of Strategic relative outperformance by Value is ending and a new trend of relative outperformance by Growth is emerging in its place.


SPX support13.mwc - Standard & Poors
6/14/2021
Daily
S&P 500
200-day MA
50-day MA
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May 7
4238
4168
Jun 3
4166
May 13, 19
4057
Mar 17
3984
Feb 16
3950
Mar 25
3854
3785
Mar 4
3723 - 3694
Jan 2020
2021
February
March
April
May
June

Chart 1

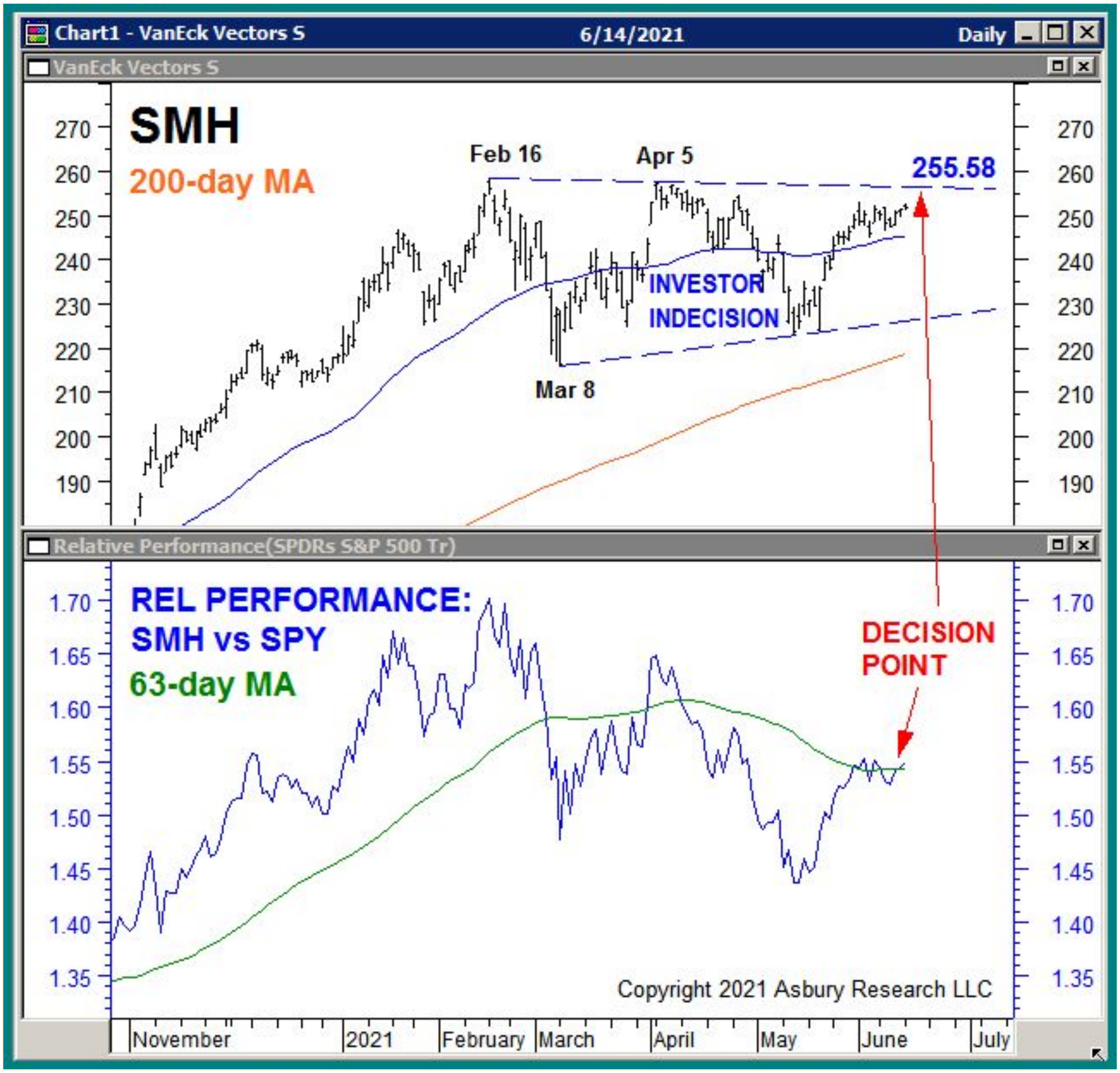
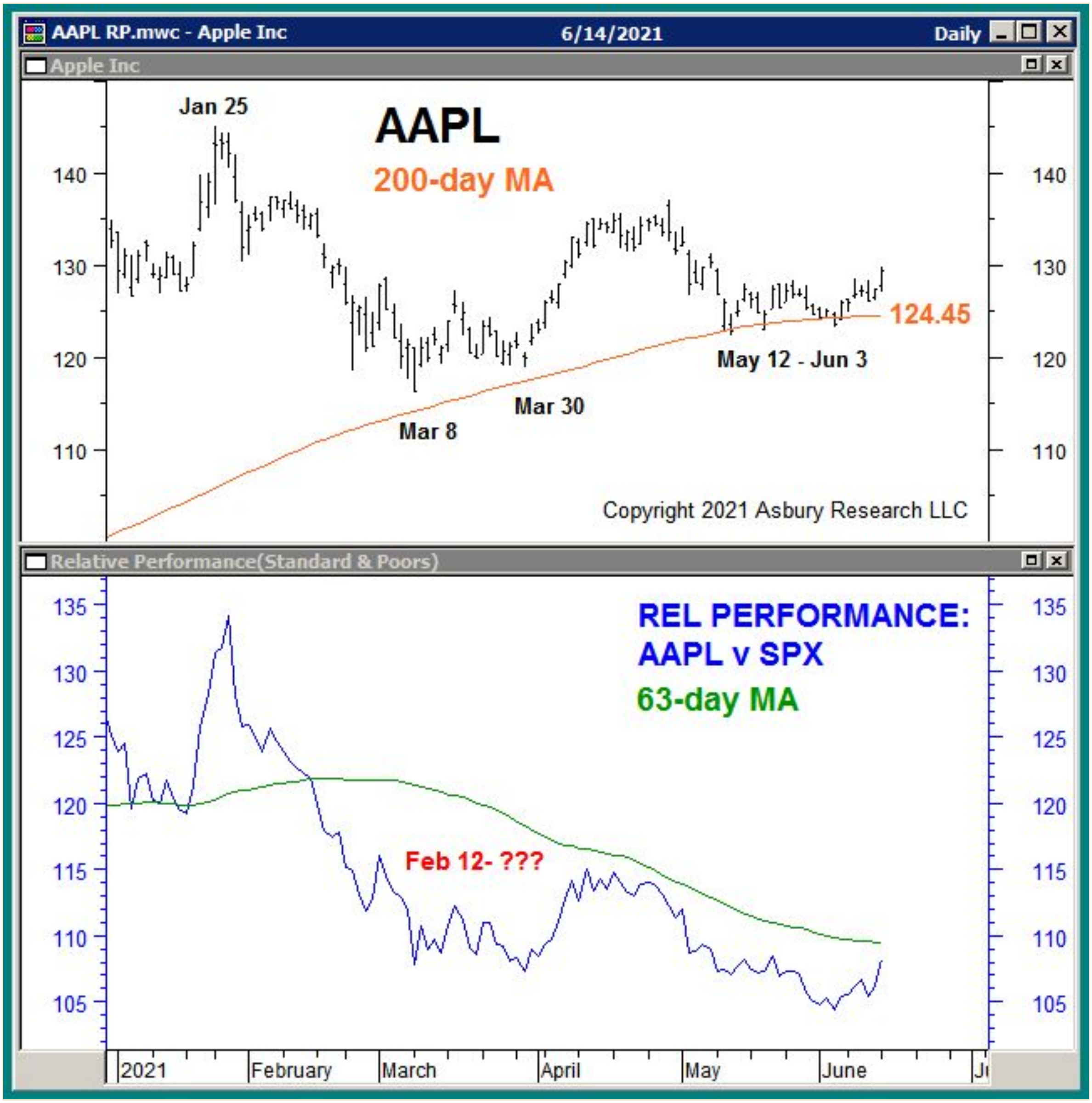


Chart1 - VanEck Vectors S
6/14/2021
Daily
VanEck Vectors S
SMH
200-day MA
Feb 16
Apr 5
255.58
INVESTOR INDECISION
Mar 8
Relative Performance(SPDRs S&P 500 Tr)
REL PERFORMANCE: SMH vs SPY
63-day MA
DECISION POINT
Copyright 2021 Asbury Research LLC
November
2021
February
March
April
May
June
July

Chart 2


AAPL RP.mwc - Apple Inc
6/14/2021
Daily
Apple Inc
Jan 25
AAPL
200-day MA
124.45
May 12 - Jun 3
Mar 30
Mar 8
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Relative Performance(Standard & Poors)
REL PERFORMANCE:
AAPL v SPX
63-day MA
Feb 12- ???
2021
February
March
April
May
June

Chart 3


NDX & QQQ TotAssts3.mwc - Nasdaq 100 Index
6/14/2021
Daily
Nasdaq 100 Index
NDX
14000
13500
13000
12500
Copyright 2021 Asbury Research LLC
QQQ TA
QQQ Total Net Assets
21-day MA
17000
16500
16000
15499
14999
14500
14000
x10000000
Nov 5- Feb 22
Mar 16- Apr 29
May 24- ???
Jun 3
Apr 30- May 21
Feb 23- Mar 15
2021
February
March
April
May
June

Chart 4


SPX & VIX - NT2.mwc - CBOE Market Vola
6/14/2021
Daily
Standard & Poors
S&P 500
4200
4100
4000
3900
3800
3700
Copyright 2021 Asbury Research LLC
CBOE Market Vola
35
30
25
20
15
Feb 25- Mar 9
VIX
21-day MA
INVESTOR FEAR
Apr 20- May 21
18.14
Feb 3- 24
Mar 10- Apr 19
May 24- ???
INVESTOR COMPLACENCY
1 8 16 22 1 8 15 22 29 12 19 26 3 10 17 24 1 7 14 21
February
March
April
May
June

Chart 5


RP SPY v TLT.mwc - iShares Barclays
6/14/2021
Daily
Relative Performance(SPDRs S&P 500 Tr)
RELATIVE PERFORMANCE:
SPY VS TLT
21-day MA
Mar 24
Apr 22
May 5, 12
May 25
Jun 8-
???
SPDRs S&P 500 Tr
SPY
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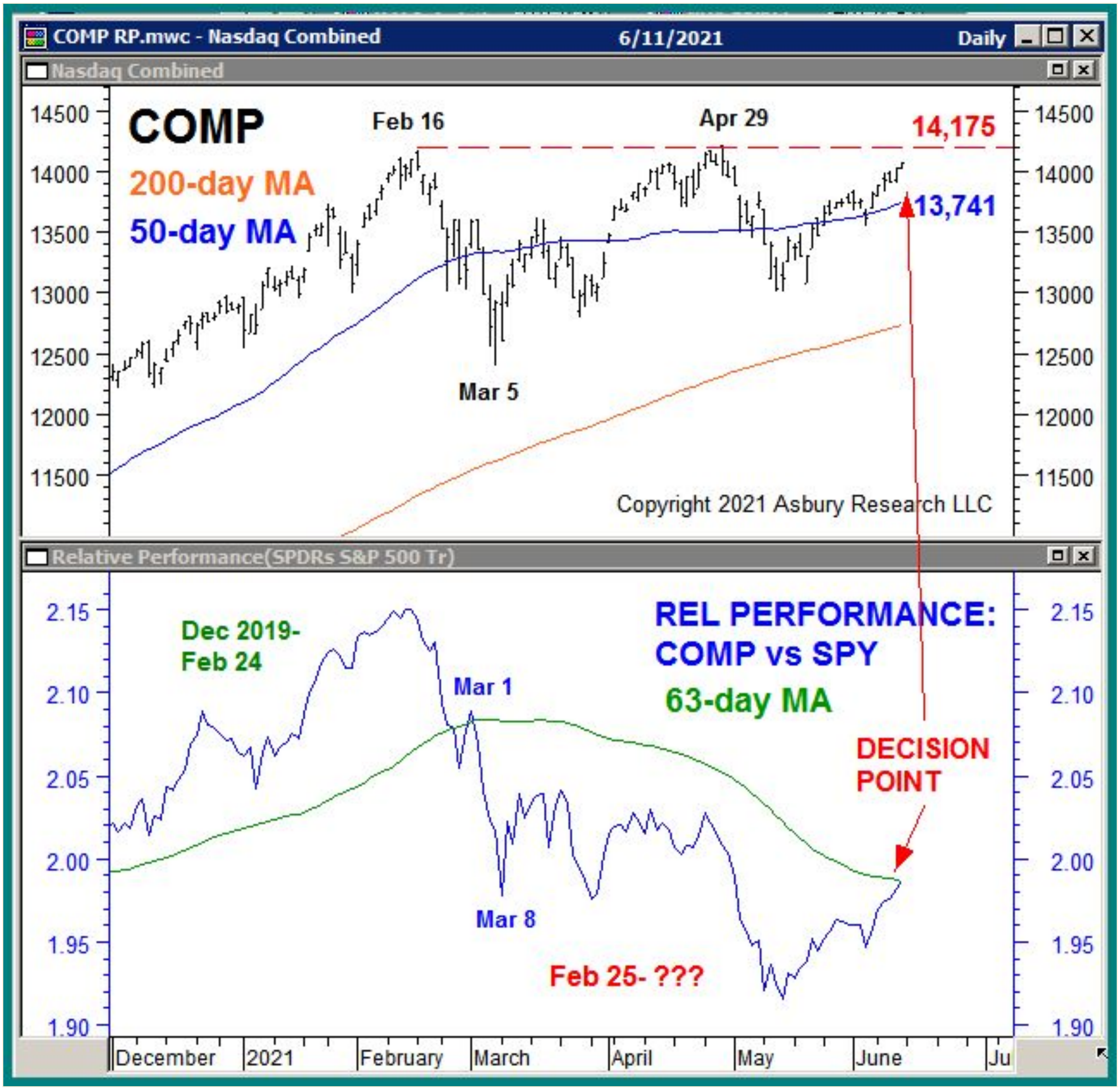
March
April
May
June

Chart 6


COMP RP.mwc - Nasdaq Combined
6/11/2021
Daily
Nasdaq Combined
COMP
200-day MA
50-day MA
Feb 16
Apr 29
14,175
13,741
Mar 5
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Relative Performance(SPDRs S&P 500 Tr)
Dec 2019-
Feb 24
Mar 1
Mar 8
REL PERFORMANCE:
COMP vs SPY
63-day MA
DECISION
POINT
Feb 25- ???
December
2021
February
March
April
May
June
Ju

Chart 7

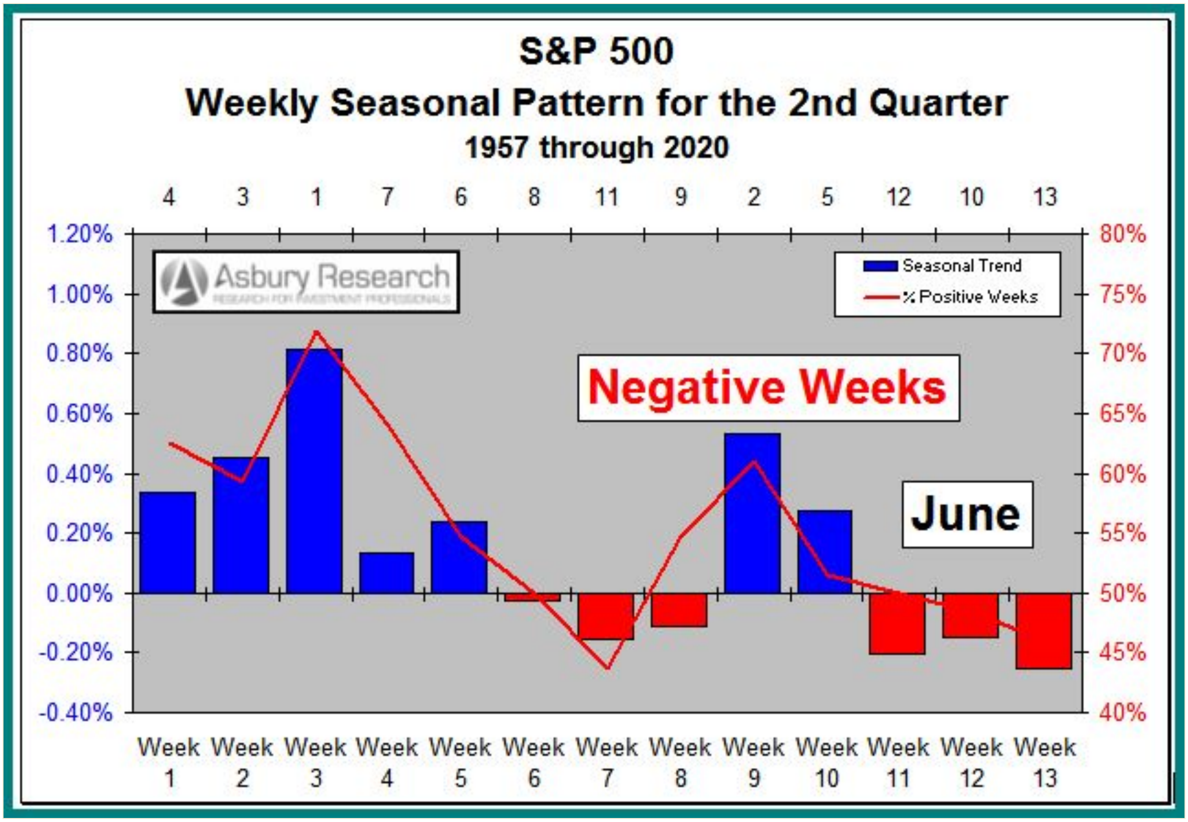
S&P 500
Weekly Seasonal Pattern for the 2nd Quarter
1957 through 2020
4 3 1 7 6 8 11 9 2 5 12 10 13
1.20%
1.00%
0.80%
0.60%
0.40%
0.20%
0.00%
-0.20%
-0.40%
80%
75%
70%
65%
60%
55%
50%
45%
40%
Asbury Research
Seasonal Trend
% Positive Weeks
Negative Weeks
June
Week 1
Week 2
Week 3
Week 4
Week 5
Week 6
Week 7
Week 8
Week 9
Week 10
Week 11
Week 12
Week 13

Chart 8

Chart 9

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