



Asbury Research

Monthly Investment Compass

Charting The Course Of The Markets

August 19th, 2020

Monthly Investment Compass

1) Executive Summary: August 19th, 2020

- **U.S. Stock Market:** Both **major and minor trends are up in the major indexes** amid an early July Risk On / Positive status in our tactical models ([Correction Protection Model](#), [Asbury 6](#)). Moreover, some US indexes and correlated markets are suggesting **near term targets 5% to 6% above the market** and intermediate term targets anywhere between 9% and 15% higher. Despite all of this, however, **the market is also historically over-extended** according to price momentum, options volume, and investor sentiment, while seasonality is negative through September – all while the benchmark S&P 500 (SPX) is testing its February all-time high. This warns **the next Risk Off signal by our tactical models could precede a decline in the 10% plus category**, rather than the more modest 5% to 6% variety that we saw throughout the summer of 2019.

Size: Small Cap is in the midst of an early August Tactical (monthly) and Strategic (quarterly) trend of relative outperformance versus Large Cap.

- **Style:** The S&P 500 **Growth** ETF (SPYG) retains its December 2019 trend of Strategic relative outperformance versus the SPDR S&P 500 ETF (SPY).

Monthly Investment Compass

2) Executive Summary: August 19th, 2020

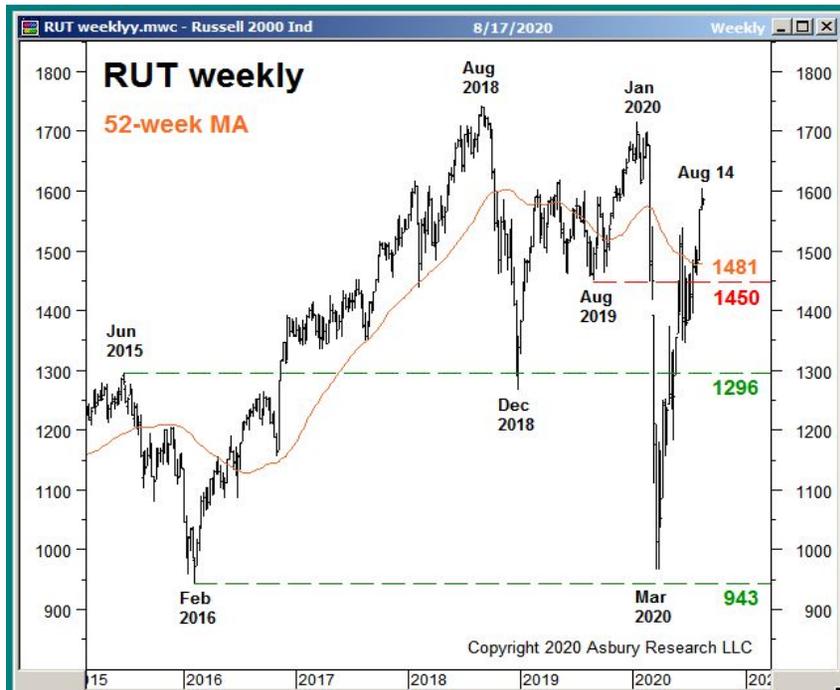
- **Cross Asset:** Our **CARP Model** suggests a recently increasing appetite for risk as **Stocks** are outperforming Bonds, **High Beta** stocks are outperforming Low Volatility, **Small Cap** is outperforming Large Cap, and **Growth** is outperforming Value.
- **Global Relative Performance:** Only **South Korea** and **Russia** are currently outperforming the S&P 500.
- **US Interest Rates:** The yield of the benchmark **10-Year Treasury Note** is at multi-generational lows but leaning higher on a Tactical basis.
- **Gold:** The **SPDR Gold Shares ETF (GLD)** is testing secular overhead resistance at its 2011 highs and needs a new surge of investor assets to sustainably move past that level.

US Stock Market

Price & Trend (1): Blue Chip, Small Cap Stocks Reestablish Major Uptrends



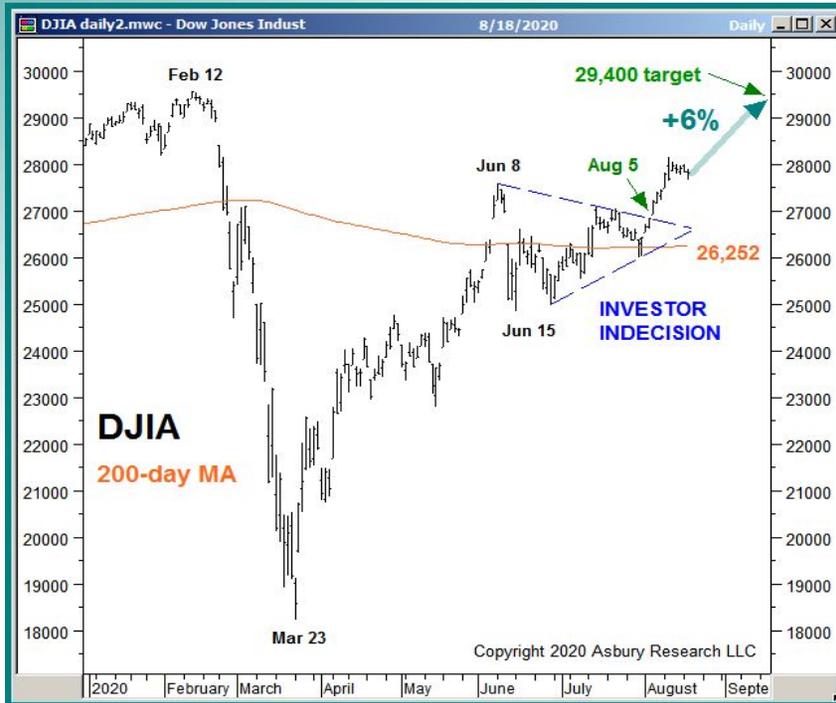
The NYSE Composite has since June moved back above its 2009 secular uptrend line and 52-week MA, reestablishing its long term and major uptrends.



The small cap Russell 2000 moved back above its 52-week MA as of August and has been outperforming the benchmark S&P 500 since late April.

US Stock Market

Price & Trend (2): Dow Targets 6% Rise, SPX Testing Major Resistance



The Aug 5th breakout higher in the bellwether Dow Industrials targets a 6% rise to 29,400 that will remain valid above 26,252.



The benchmark SPX is testing its 3394 February all-time high after rising by 55% from the March lows. Minor support is at 3233 to 3206. Major support is at 3069.

US Stock Market

Intermarket Relationships (1): JNK At Major Decision Point, Pointing Higher

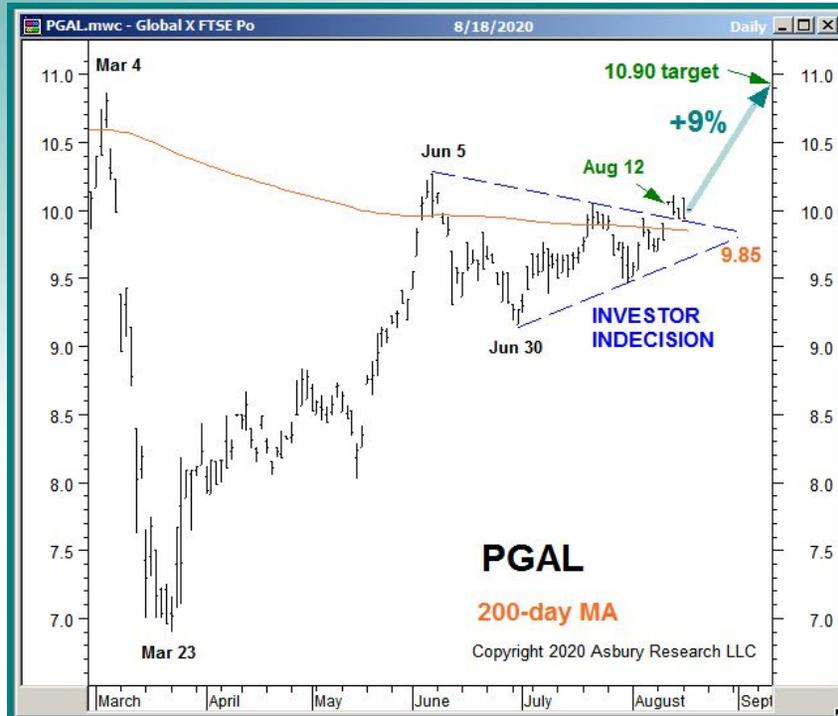


The SPDR Bloomberg Barclays High Yield Bond (JNK) is edging above its 200-day MA to indicate a major bullish trend change. Watch total net assets.

JNK has maintained a significant and stable positive correlation to the S&P 500 throughout the past 10 years. Thus, as goes JNK so is likely to go the US broad market.

US Stock Market

Intermarket Relationships (2): Portugal ETF Targets 9% Rise



The Global X FTSE Portugal 20 ETF's Aug 12th breakout from investor indecision targets an additional 9% rise to 10.90. Emerging major bullish trend change.



PGAL has maintained a significant and stable positive correlation to the S&P 500 throughout the past 5 years. Thus, *as goes Portugal so is likely to go the US market.*

US Stock Market

Intermarket Relationships (3): Watch For Bullish Breakout In China ETF



The SPDR S&P China ETF is on the verge of an upside breakout from investor indecision. A sustained move above 119.77 would target an 8% rise to 128.50.



GXC has maintained a significant and stable positive correlation to the S&P 500 throughout the past 10 years. Thus, *as goes China so is likely to go the US market.*

US Stock Market

Influential Stocks (1): GOOG At Major Decision Point



Tech bellwether Alphabet is testing major resistance at its May 1st high while also situated just above minor support at its 50-day MA. *Major decision point. GOOG, the 4th largest US stock, is positively correlated to the S&P 500.*

US Stock Market

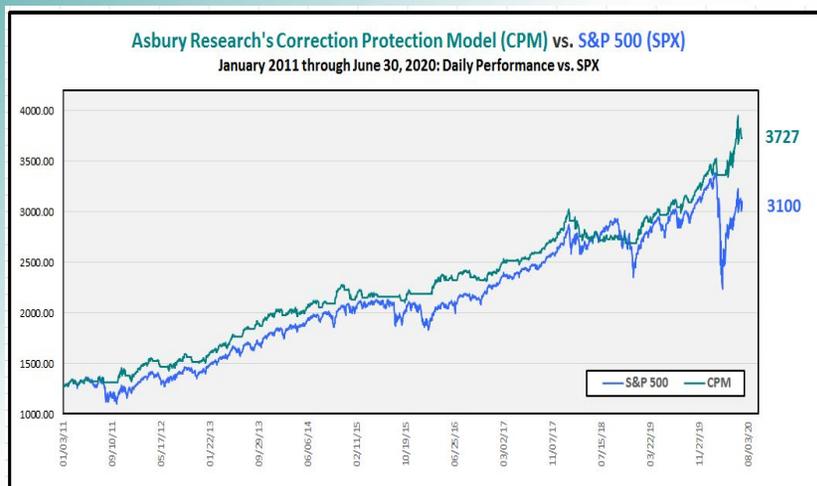
Influential Stocks (2): MSFT Testing Minor Support



Microsoft, another Tech bellwether and the 2nd largest US stock, is also situated just above minor support at its 50-day MA. *Another minor decision point.*

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 a **beta of 0.31** vs. 1.0 for SPX.
- CPM has averaged **5 signals per year**.
- CPM has only been **in the market 65% of the time**, significantly reducing risk.
- CPM has a **maximum drawdown of 9.5%** compared to 27.6% for SPX.

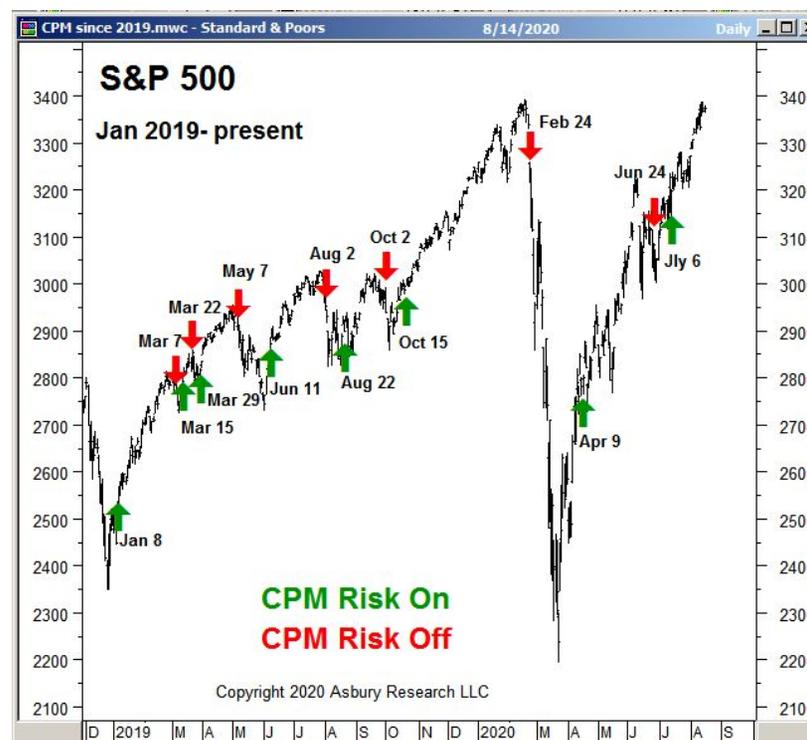
Asbury's Correction Protection Model (CPM)

Wealth Preservation: "Risk On" As Of July 6th

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: Positive Since July 2nd

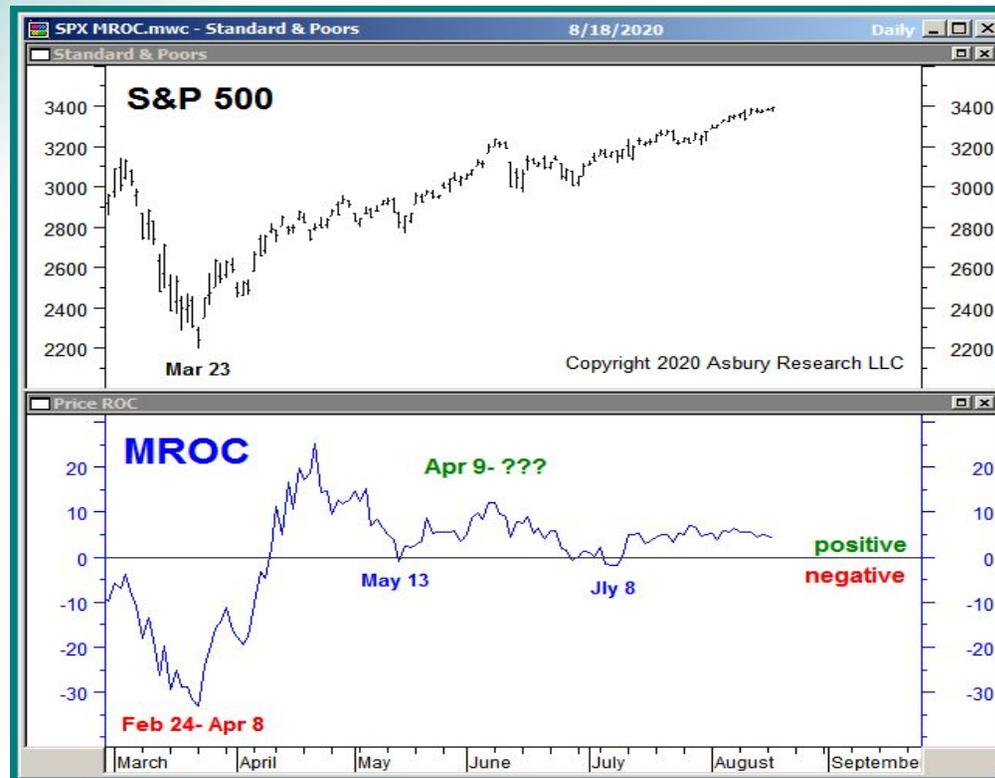
"ASBURY 6" INTERNAL MARKET METRICS through 8/18/2020		
METRIC	POSITIVE AS OF:	NEGATIVE AS OF:
Rate Of Change: SPX	7-13-2020	
Rel Performance: Stocks v HiYld Bonds	8-3-2020	
Investor Asset Flows: SPY	7-2-2020	
Corporate Bond Spreads		8-14-2020
Trading Volume: SPX	7-1-2020	
Market Breadth: NYSE	7-14-2020	
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Four or more metrics in one direction, either Positive (green) or Negative (red), indicate a tactical bias.

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.

The Asbury 6 Key Market Internals

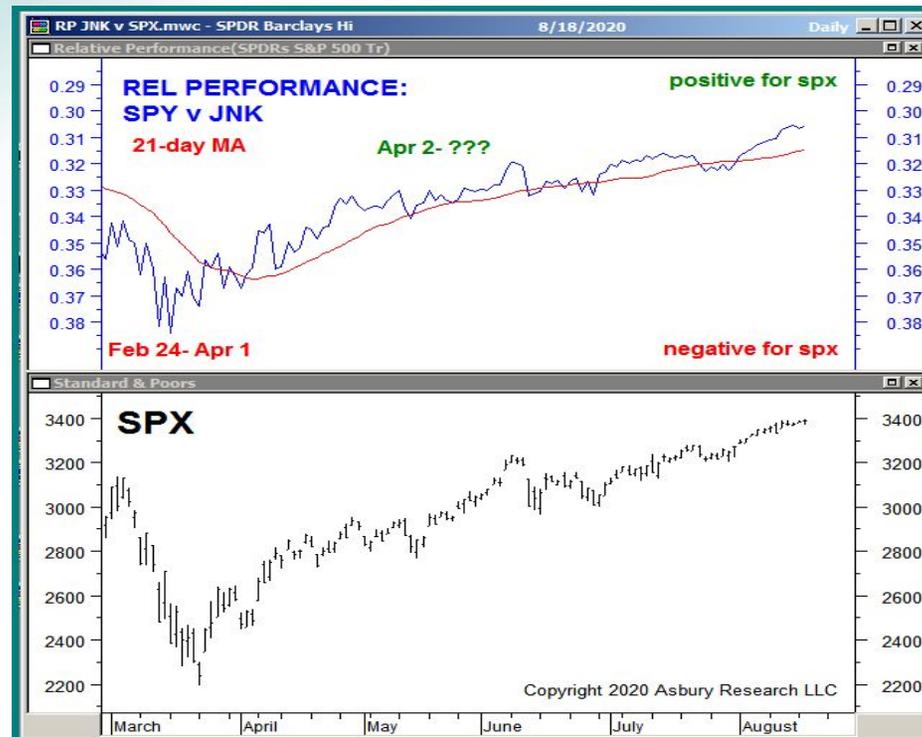
Momentum: Near Term Positive



SPX's 1-month rate of change, a *near term* momentum gauge, has essentially been *positive* since April 9th.

The Asbury 6 Key Market Internals

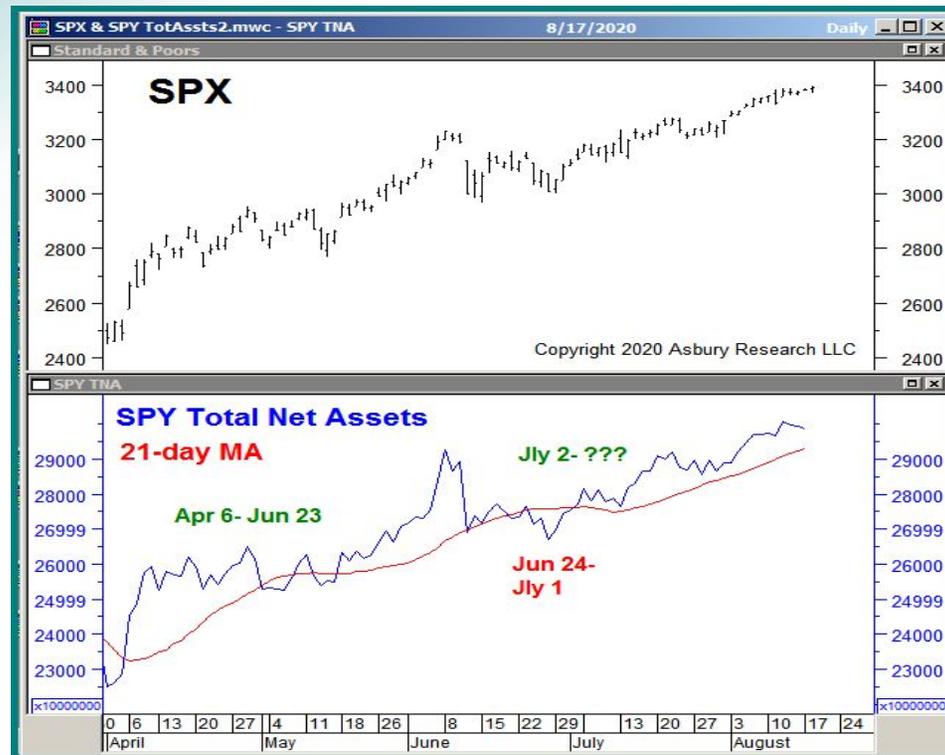
Relative Performance: Near Term Positive



The green highlights show the S&P 500 (SPY) has essentially been in a trend of *monthly relative outperformance* versus junk bond prices (JNK) since April 2nd. This outperformance has historically coincided with near term stock market strength.

The Asbury 6 Key Market Internals

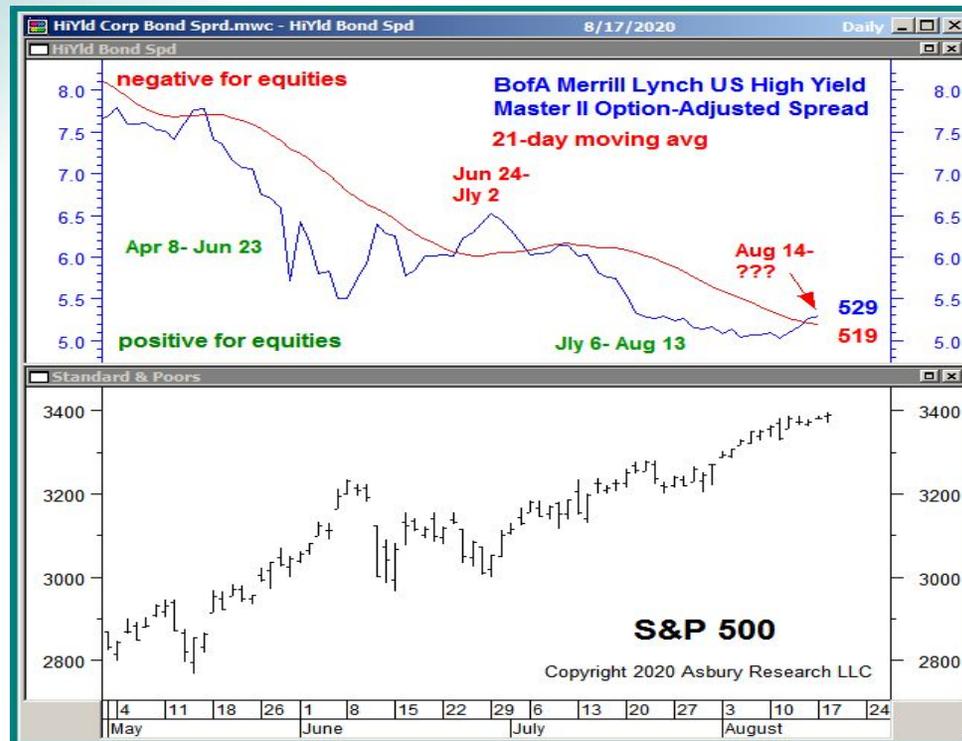
ETF Asset Flows: Near Term Positive



The total net assets invested in the SPDR S&P 500 ETF shifted back to a trend of *monthly expansion* on July 2nd. This is characteristic of near term market advances.

The Asbury 6 Key Market Internals

Corporate Bond Spreads: Near Term Negative

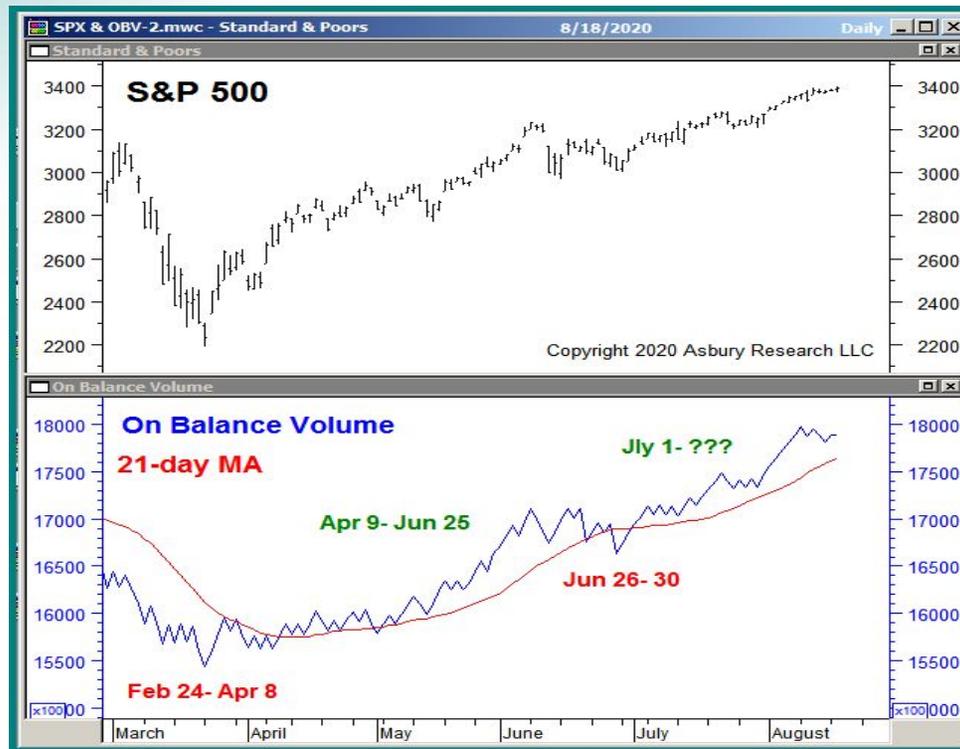


High yield corporate bonds shifted to a trend of *monthly widening* on August 14th, indicating the bond market is becoming more apprehensive about current economic conditions. This has historically been coincident with stock market declines.

Tactical decision point.

The Asbury 6 Key Market Internals

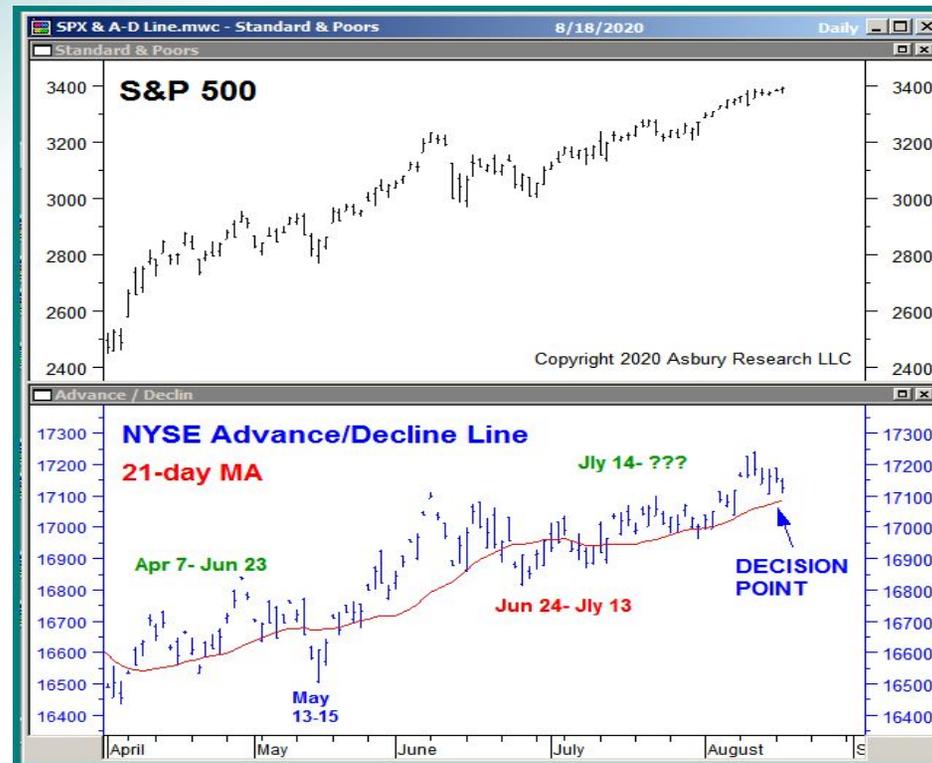
Volume: Near Term Positive



On Balance Volume (OBV) has been above its 21-day moving average since July 1st, indicating a trend of *monthly expansion* that is historically characteristic of near term stock market advances.

The Asbury 6 Key Market Internals

Market Breadth: Near Term Positive



The NYSE Composite's A/D line has been in a rising monthly trend since July 14th., indicating a trend of improving market breadth characteristic of near term market advances. ***Tactical decision point.***

Asbury Research Stock & ETFs Ideas

Quantitative Stock Selection

Asbury Research uses a quantitative, repeatable, multi-step process to identify trending stocks with favorable market internals, low initial risk, and exceptional risk/reward ratios.

We use our own proprietary models, **Asbury Momentum** which buys strength and **Asbury Value** which buys weakness, to scan over 6,000 US stocks and about 200 ETFs every business day. Of those identified as trade candidates, we only consider those:

- **with a market capitalization greater than \$2 billion**
- **with an initial risk of 5% or less**
- **with a risk/reward ratio of 1:3 or greater** (the reward must be 3 times the risk).

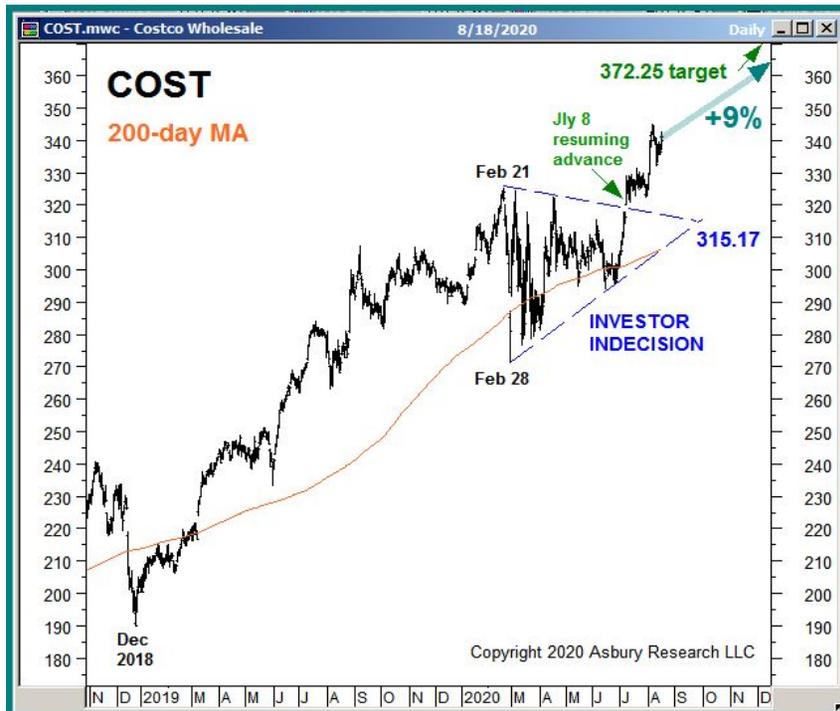
We then adjust the protective stop throughout the trade to either further mitigate risk or to lock in open trade profits. Protective stops are only moved in the direction of the trade.

Asbury Research Stock & ETFs Ideas

XYL Targets Additional 15% Advance, COST Targets 9% Rise



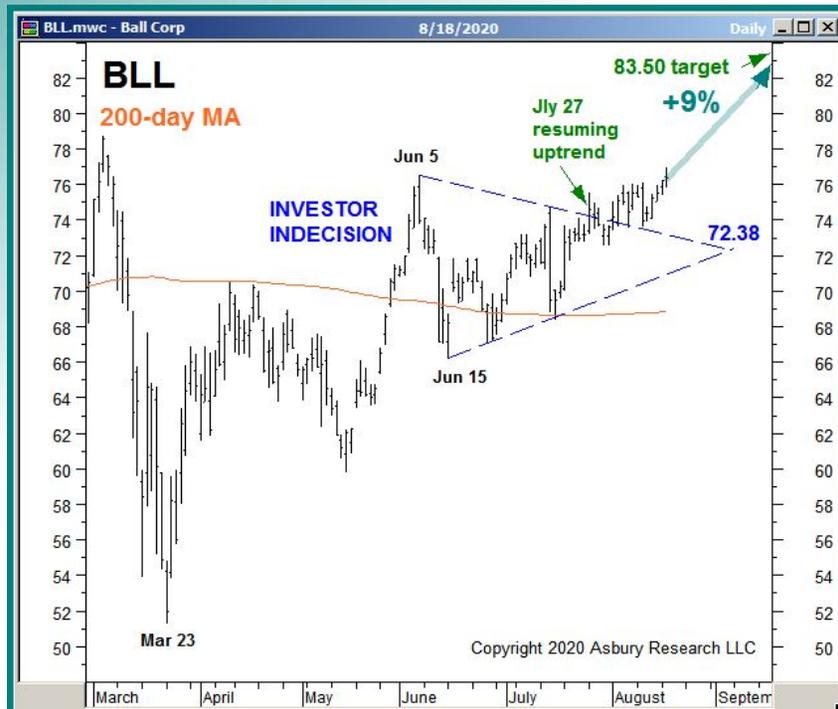
Industrial stock Xylem's mid July breakout from 4 months of investor indecision targets an additional 15% rise to \$91.70.
Positively correlated to the S&P 500.



Consumer Staples stock Costco's July 8th breakout from almost 5 months of investor indecision targets a 9% rise to \$372.25.

Asbury Research Stock & ETFs Ideas

BLL Targets Additional 9% Advance, CSX Targets 11% Rise



Consumer Discretionary stock Ball Corp's late July breakout from 7 weeks of investor indecision targets an additional 9% rise to \$83.50.



Industrials stock CSX Corp's Aug 7th breakout from 2 months of investor indecision targets an 11% rise to \$82.50. *Positively correlated to the S&P 500.*

US Stock Market

Volatility: Near Term Positive



The VIX has been below its 21-day MA since Jly 1st, indicating a monthly trend of decreasing volatility that has historically been near term positive for stocks.

Tactical decision point.

US Stock Market

Options Volume: Near Term Negative



The CBOE Put/Call Ratio is hovering at *least bearish* extremes, indicating an historically low ratio of put volume versus call volume. Similar extremes have previously coincided with or closely led near term peaks in the S&P 500.

US Stock Market

Stocks vs Bonds: Near Term Positive



The SPDR S&P 500 ETF (SPY) has been in a monthly trend of relative outperformance versus the iShares 20+ Year Treasury Bond ETF (TLT) since Jly 6th. Relative outperformance by equities has historically been positive for the US stock market.

US Stock Market

Strategic Momentum: Intermediate Term Negative



SPX is currently 10.5% above its 200-day MA and quickly closing in on an historically over-extended extreme of 12.0%. This is a Strategic indication that the March advance is over-extended and vulnerable to a corrective decline.

US Stock Market

Overbought/Oversold: Near Term Negative, Intermediate Term Positive



The S&P 500 is hovering at *monthly* overbought extremes that warn of an upcoming *near term* decline.



Meanwhile, SPX continues to rise from March *quarterly* oversold extremes that have historically coincided with *intermediate term* US market bottoms.

US Stock Market

Market Breadth: Near Term Negative, Intermediate Term Positive



The percentage of NYSE stocks trading above their *40-day MA* is starting to retract from a high extreme that has historically been characteristic of *near term* market tops.



The percentage of NYSE stocks trading above their *200-day MA* is rising from a March low extreme that is characteristic of *intermediate term* market bottoms.

US Stock Market

Investor Sentiment: Intermediate Term, Long Term Negative



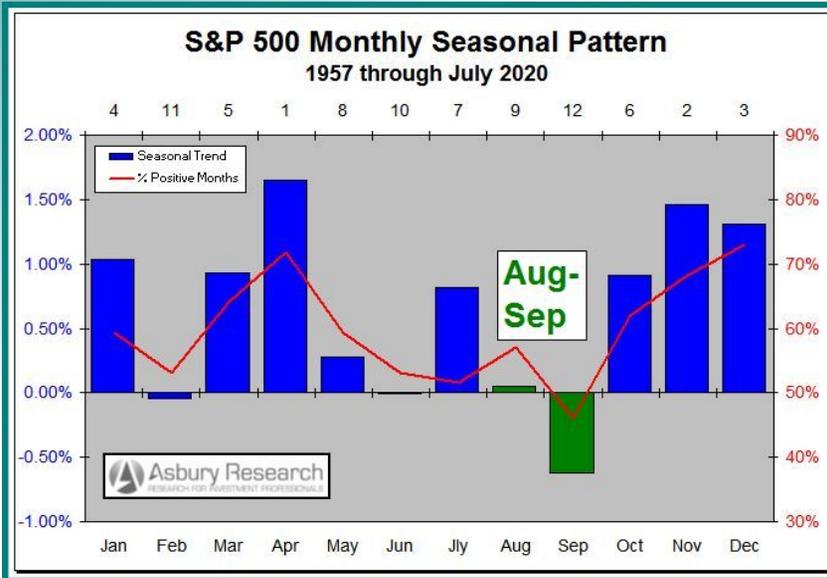
A survey of retail futures traders is hovering at *most bullish* extremes that have historically coincided with *near to intermediate term* stock market peaks.



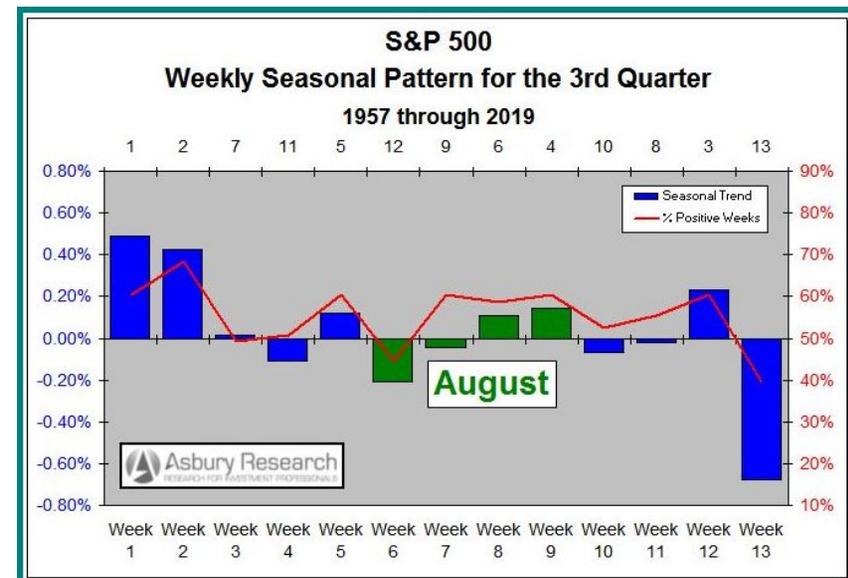
A survey of stock market newsletter writers is also hovering at *most bullish* extremes that are characteristic of *intermediate to long term* market peaks.

US Stock Market

Seasonality: Near Term, Intermediate Term Negative



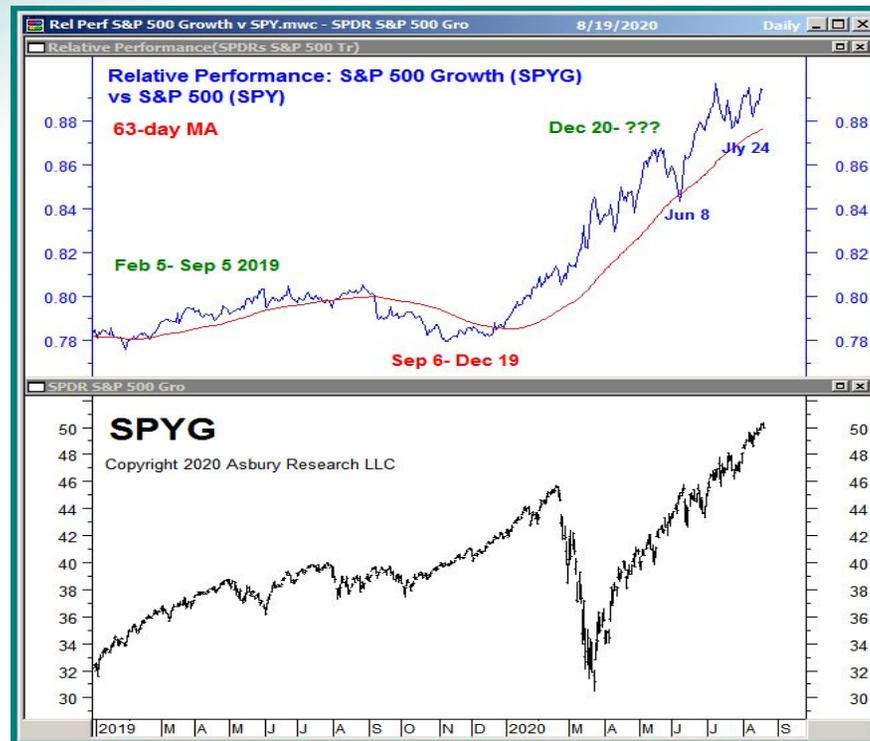
This annual chart shows that August and September are the 4th and 1st weakest months of the year in the S&P 500, based on data since 1957.



This quarterly chart shows that, following a modest recovery in late July, August includes 3 of the 6 weakest months of the entire 3rd Quarter. Also note that the final week of September is by far the weakest of the entire quarter.

US Stock Market

Style: Late 2019 Quarterly Outperformance By Growth Remains Intact



The S&P 500 Growth (SPYG) remains in a late December 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 (CARP Model): Risk Appetite Increasing

CROSS ASSET RELATIVE PERFORMANCE (CARP): WHAT IS OUTPERFORMING?							thru August 14th 2020	
Asset Comparison	Tickers	Trading (weekly)	Since	Tactical (monthly)	Since	Strategic (quarterly)	Since	
US Stocks or Bonds	SPY vs AGG	STOCKS	7/29	STOCKS	7/6	STOCKS	5/7	
High Beta or Low Volatility Stocks	SPHB vs SPLV	HIGH BETA	8/5	HIGH BETA	8/5	HIGH BETA	8/10	
Large Cap or Small Cap	SPY vs IWM	SMALL CAP	8/5	SMALL CAP	8/3	SMALL CAP	8/3	
Growth or Value Stocks (Russell 1000)	IWF vs IWD	GROWTH	8/13	GROWTH	8/13	GROWTH	6/10	
US or Developed Markets	SPY vs VEA	US	8/14	US	7/30	US	7/31	
US or Emerging Markets	SPY vs VWO	US	8/7	US	7/30	US	8/13	
Govt or Corporate Bond Prices	GOVT v LQD	GOVERNMENT	8/11	GOVERNMENT	8/13	CORPORATE	5/14	
High Yld or Corporate Bond Prices	HYG vs LQD	HIGH YIELD	8/12	HIGH YIELD	7/21	HIGH YIELD	8/13	
Short Term or Long Term Bond Prices	SCHO vs TLT	SHORT TERM	8/7	SHORT TERM	8/11	SHORT TERM	8/13	

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

Our **CARP Model** shows a recently increasing appetite for risk as **Stocks** are outperforming Bonds, **High Beta** stocks are outperforming Low Volatility, **Small Cap** is outperforming Large Cap, and **Growth** is outperforming Value.

Relative Performance

Global Relative Performance (1): The US vs. The World

S&P 500 vs THE WORLD: WHICH COUNTRY IS OUTPERFORMING? thru August 14th 2020							
S&P 500 (SPY) vs:	Ticker	Trading (weekly)	Since	Tactical (monthly)	Since	Strategic (quarterly)	Since
Chile	ECH	US	7/30	US	7/30	US	7/30
New Zealand	ENZL	US	7/31	US	7/31	US	8/10
Peru	EPU	PERU	8/13	US	8/11	PERU	8/13
Australia	EWA	US	8/13	US	7/31	US	8/13
Hong Kong	EWK	HONG KONG	8/11	HONG KONG	8/12	US	4/24
Italy	EWI	US	8/14	US	7/30	ITALY	6/3
Japan	EWJ	JAPAN	8/11	JAPAN	8/13	US	6/30
Switzerland	EWL	SWITZERLAND	8/12	US	7/31	US	7/31
Malaysia	EWM	US	7/31	US	7/31	US	8/3
Spain	EWP	US	8/14	US	7/29	US	7/30
France	EWQ	US	8/14	US	7/30	US	8/14
Singapore	EWS	SINGAPORE	8/12	US	6/16	US	11/19
Taiwan	EWT	US	8/7	US	8/7	TAIWAN	6/19
United Kingdom	EWU	US	8/14	US	7/30	US	12/20
Mexico	EWV	MEXICO	8/5	MEXICO	8/11	US	7/30
South Korea	EWY	US	8/14	SOUTH KOREA	8/4	SOUTH KOREA	6/1
Brazil	EWZ	US	7/31	US	8/3	US	8/12
MSCI EMU (Eurozone) Index	EZU	US	8/14	US	7/30	EUROZONE	8/11
India	INDA	US	8/13	US	8/13	INDIA	6/22
China	MCHI	US	8/7	US	7/22	CHINA	6/23
Russia	RSX	RUSSIA	8/12	RUSSIA	8/11	RUSSIA	8/10
Thailand	THD	US	8/14	US	6/15	US	7/8
Vanguard FTSE Pacific ETF	VPL	PACIFIC	8/11	PACIFIC	8/12	US	7/1
Vanguard Emerging Mkts ETF	VWO	US	8/7	US	7/31	EMERGING	6/19

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This model shows, with few exceptions, the US stock market is outperforming the rest of the world. This follows widespread relative underperformance by the US earlier this summer and could represent a bet on US economic recovery from COVID 19.

US Market Sectors: SEAF Model

Investor Assets Moving Into Industrials, Out Of Health Care

ASBURY RESEARCH: SECTOR ETF ASSET FLOWS (SEAF) MODEL				August 17th 2020
Sector (Symbol)	As of 8-13-2020	Trading (weekly)	Tactical (monthly)	Strategic (quarterly)
FINANCIALS (XLF)	11.8%	since 8/13	11.8%	11.0%
ENERGY (XLE)	6.8%	6.8%	6.7%	6.8%
TECHNOLOGY (XLK)	22.2%	since 8/13	21.9%	since 6/26
UTILITIES (XLU)	7.7%	7.7%	7.7%	8.0%
INDUSTRIAL (XLI)	7.2%	since 8/13	since 8/13	since 8/13
CONSUMER STAPLES (XLP)	8.9%	9.0%	9.2%	since 8/13
CONSUMER DISCRETIONARY (XLY)	9.8%	9.7%	since 7/9	8.3%
HEALTH CARE (XLV)	15.3%	since 8/6	since 8/13	since 7/16
MATERIALS (XLB)	2.2%	2.2%	2.1%	3.1%
REAL ESTATE (XLRE)	1.5%	1.5%	since 7/16	2.8%
COMMUNICATION SERVICES (XLC)	6.6%	6.8%	6.6%	6.0%

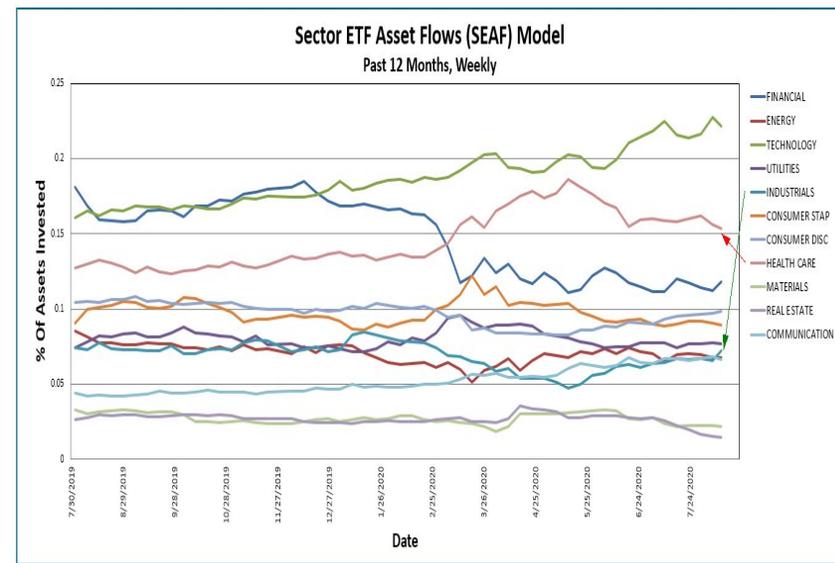
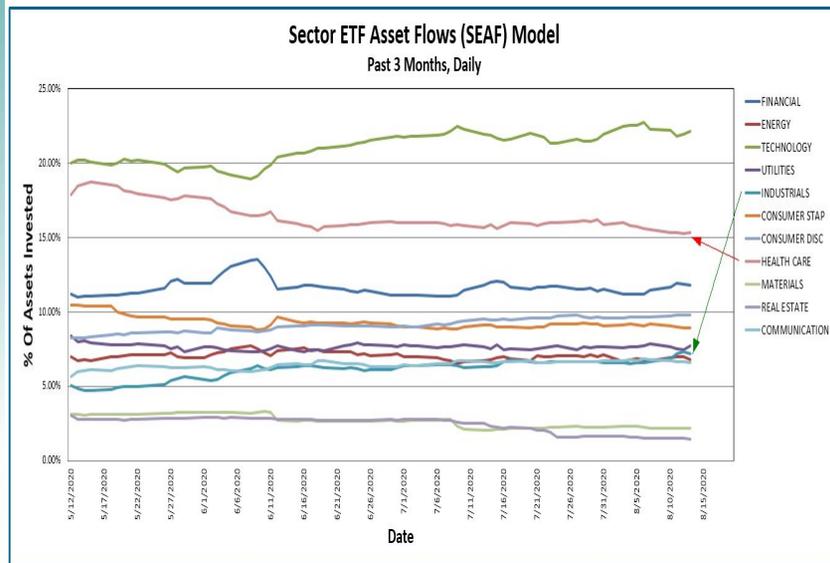
Biggest inflows during period shown
 Biggest outflows during period shown
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Trends in investor asset flows across multiple time periods typically coincide with, and often lead, directional moves in outright and relative sector performance.

SEAF Model: The latest data in multiple time frames show a new trend of **inflows into Industrials** and a resuming trend of **outflows from Health Care**.

US Market Sectors: Trends In Relative Asset Flows

Plotting Trends Of Relative Asset Flows In The Sectors Of The S&P 500



These charts plot our **SEAF Model**:

- **daily over the past 3 months** (left) and
- **weekly over the past 12 months** (left) for all 11 Sector SPDR ETFs.

The green arrows point out the quarterly and annual trends of assets invested in the **Industrials (XLI)** Sector.

The red arrows point out these trends in the **Health Care (XLV)** Sector.

US Market Sectors & Industry Groups

Asbury Research's Current Price Targets

SECTOR / INDUSTRY SELECTOR: CURRENT PRICE TARGETS							August 18th 2020
Asset	Ticker	Date Initiated	Pos (Neg)	Target	Valid Abv (Below)	Asbury Performance	
SPDR Factset Innovative Technology ETF	XITK	8/3/2020	Positive	171.00	154.30	-4%	
Consumer Staples Select Sector SPDR ETF	XLP	4/17/2020	Positive	64.00 target met		+6%	

The green highlights indicate ETFs with positive (bullish) price targets.

The red highlights indicate ETFs with negative (bearish) price targets.

US Market Sectors & Industry Groups

Consumer Staples Meets Our April Target



Our April 17th 64.00 upside target in the SPDR Consumer Staples Sector ETF was met this week to capture a 6% advance in 4 months.
Positively correlated to the S&P 500.

US Market Sectors & Industry Groups

Innovative Technology Group Targets 5% Advance



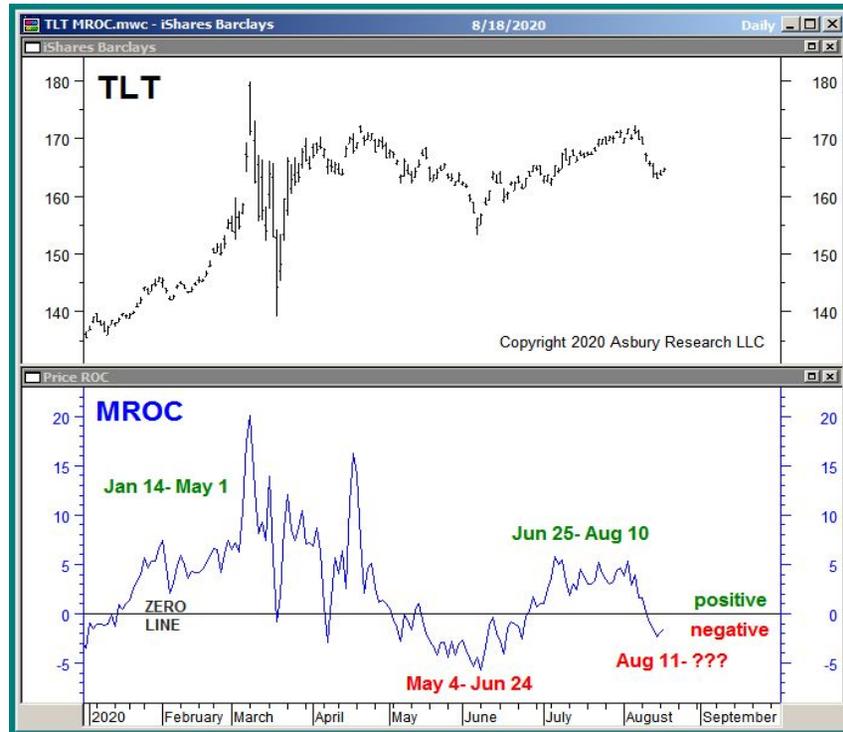
The Jly 31st breakout from weeks of investor indecision in the SPDR FactSet Innovative Technology ETF (XITK) targets an additional 5% rise to 171.00 that will remain valid above 154.57. *Positively correlated to the S&P 500.*

US Interest Rates

Long Term Interest Rates Testing Quarterly Trend, Leaning Higher



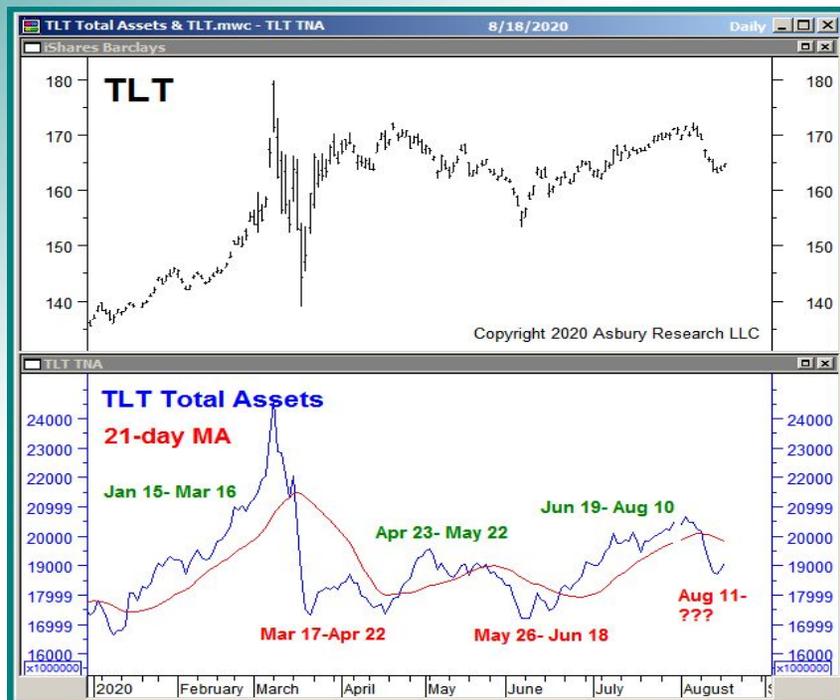
This weekly chart shows the yield of the US 10-Year Note is hovering near its 13-week MA at 0.67%. First overhead yield resistance is at 1.22%, then 1.37%.



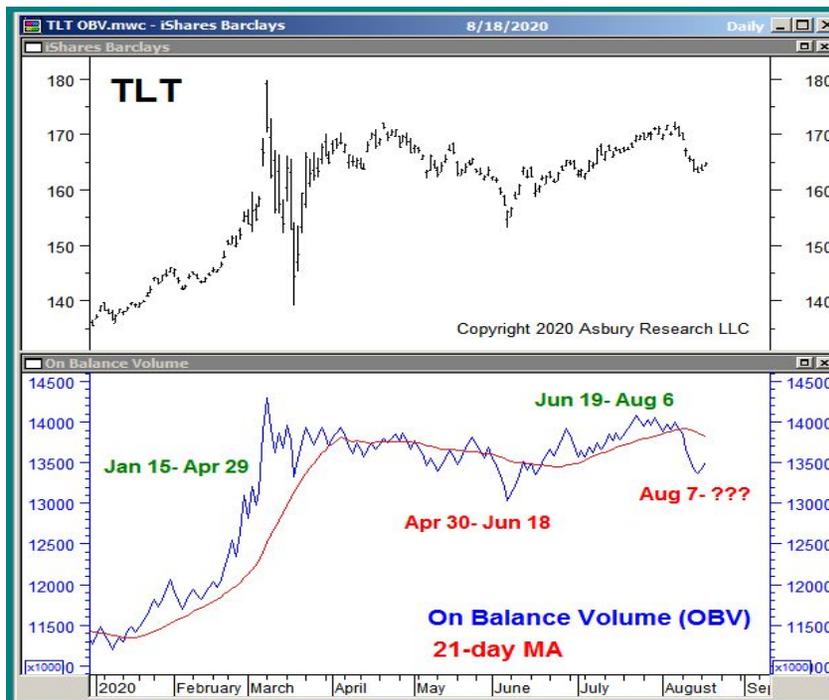
The iShares 20+ Year Treasury Bond ETF's 1-month rate of change turned *negative* on Aug 11th. *Tactically positive for long term US interest rates.*

US Interest Rates

Asset Flows, Volume Tactically Positive For Long Term Rates



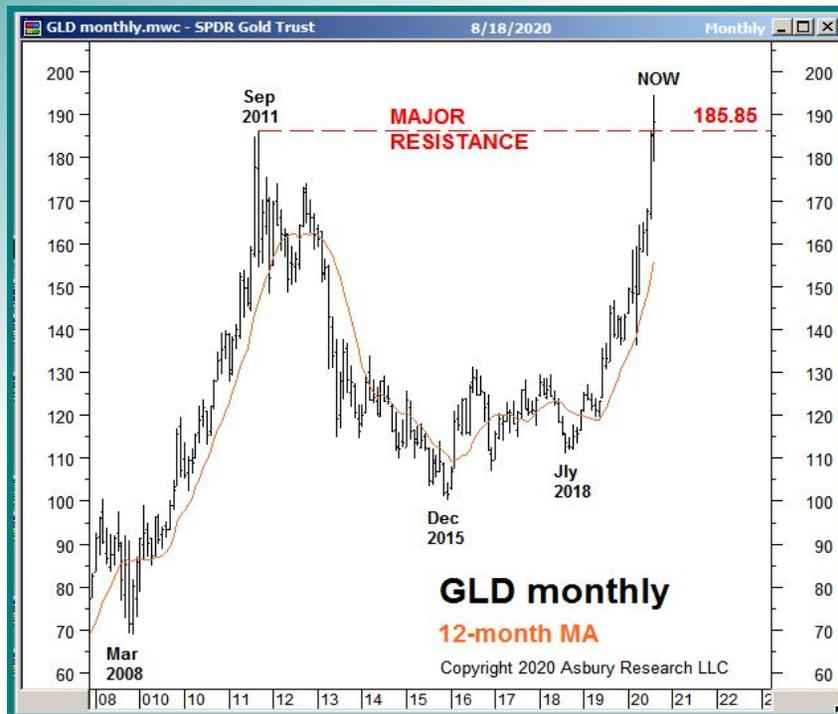
The total net assets invested in TLT shifted to a monthly trend of *contraction* on Aug 11th. *Tactically positive for long term US interest rates.*



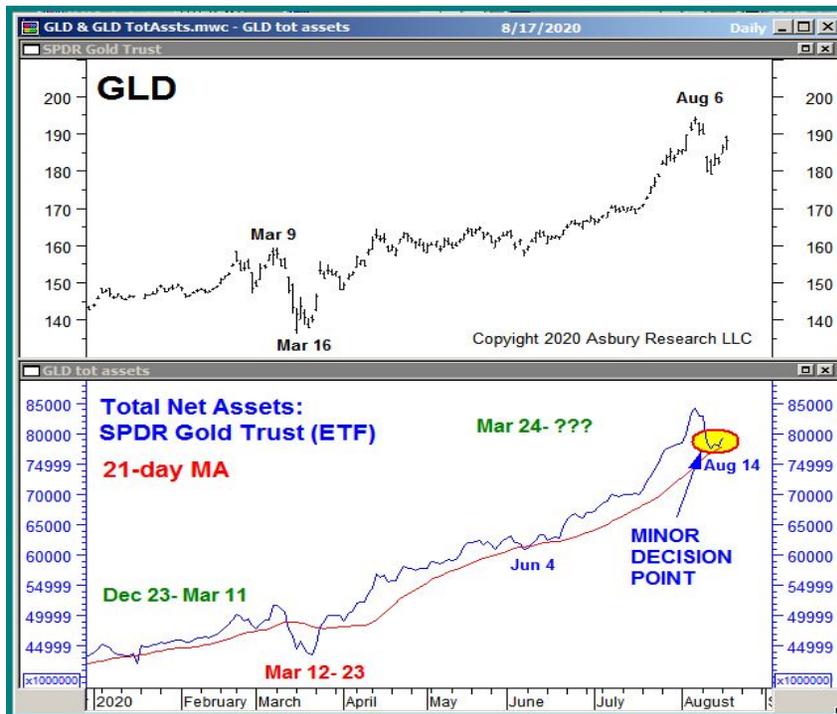
On Balance Volume in TLT has been decreasing on a monthly basis since Aug 7th. *Also tactically positive for long term US interest rates.*

Gold

Testing Secular Overhead Resistance, Watch Asset Flows



The SPDR Gold Shares ETF (GLD) is attempting to break major resistance at its September 2011 all-time high. *Major decision point for gold prices.*



Meanwhile, the total net assets invested in GLD have been in a trend of monthly expansion since Mar 24th, but that trend is currently being tested.



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