



Asbury Research

Monthly Investment Compass

Charting The Course Of The Markets

July 9th, 2020

Monthly Investment Compass

1) Executive Summary: July 9th, 2020

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- **U.S. Stock Market:** The key takeaway right now is that **the US stock market is at a major decision point** from which its next one to several month directional move is likely to begin. It is situated just above **major underlying support** in the benchmark S&P 500 (SPX) amid a Risk On / Positive status in our tactical models ([Correction Protection Model](#), [Asbury 6](#)) with near term targets between **5% and 7%** above the market. However, it is **far from a “blue sky” environment** due to recent weakness in high yield bond prices, too-bullish investor sentiment, and upcoming acute seasonal weakness during August and September. If SPX cannot remain above major support amid these conditions, it would warn of another emerging, significant decline.
 - **Size: Large Cap** is resuming an early June trend of Tactical (monthly) relative outperformance versus Small 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: July 9th, 2020

- **Cross Asset:** Our **CARP Model** indicates a cautious risk-on condition as **Stocks** are outperforming **Bonds** on a Tactical basis but **Low Volatility** and **Large Cap** stocks are outperforming.
- **Global Relative Performance:** **8** of the 24 **global stock markets** that are currently **outperforming the S&P 500** have 5 to 26 times fewer COVID cases than the Americas region.
- **US Interest Rates:** The yield of the benchmark **10-Year Treasury Note** is at multi-generational lows and leaning even lower.
- **Gold:** Total net assets are expanding in the **SPDR Gold Shares ETF (GLD)** with the next overhead resistance levels **3% and 9% above the market**.

US Stock Market

Price & Trend (1): Tech Leading The Market, Semis Target 5% Rise



The market-leading NASDAQ Composite is setting new all-time highs following a successful March test of its 2016 uptrend. Minor support is at 9838 - 9532.



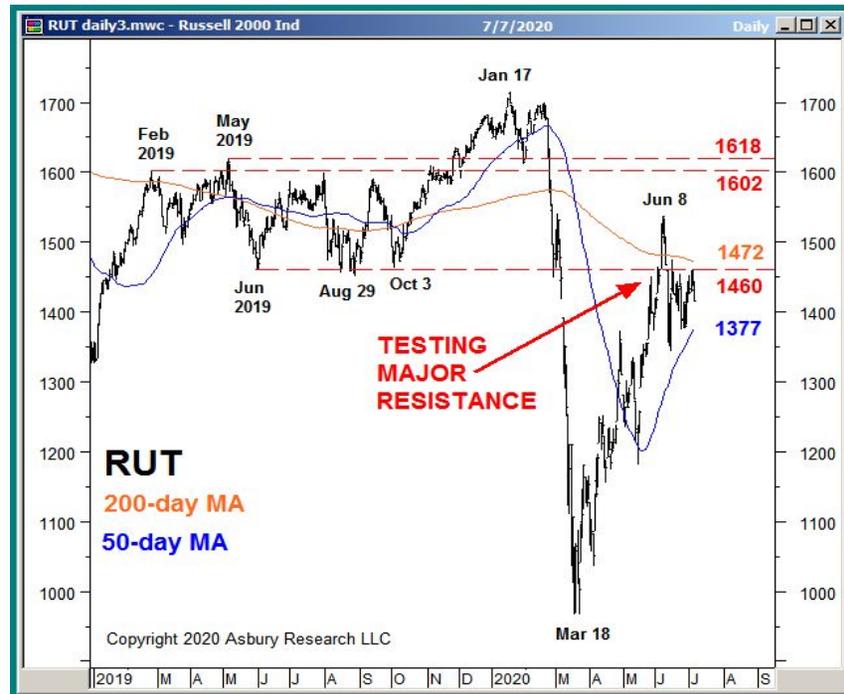
The Jly 6th breakout higher in the market-leading PHLX Semiconductor Index targets a 5% rise to 2150 that will remain valid above 1975.

US Stock Market

Price & Trend (2): NYSE, RUT Testing Major Overhead Resistance



The NYSE Composite is re-testing its 2009 secular uptrend line and 52-week MA as resistance after breaking down below them in March. *Major decision point.*



The small cap Russell 2000 is testing its Jun 2019 low and 52-week MA as major resistance following its March collapse. *Major decision point.*

US Stock Market

Price & Trend (3): SPX Targets 5% Rise, Testing Major Support



The Jly 2nd breakout higher in the broad market SPX targets a 5% rise to 3340 that will remain valid above 3072-3025.



SPX is positioned right on top of a cluster of major support at 3025 to 2955, where the March recovery and 2009 secular uptrend should resume if still valid.

US Stock Market

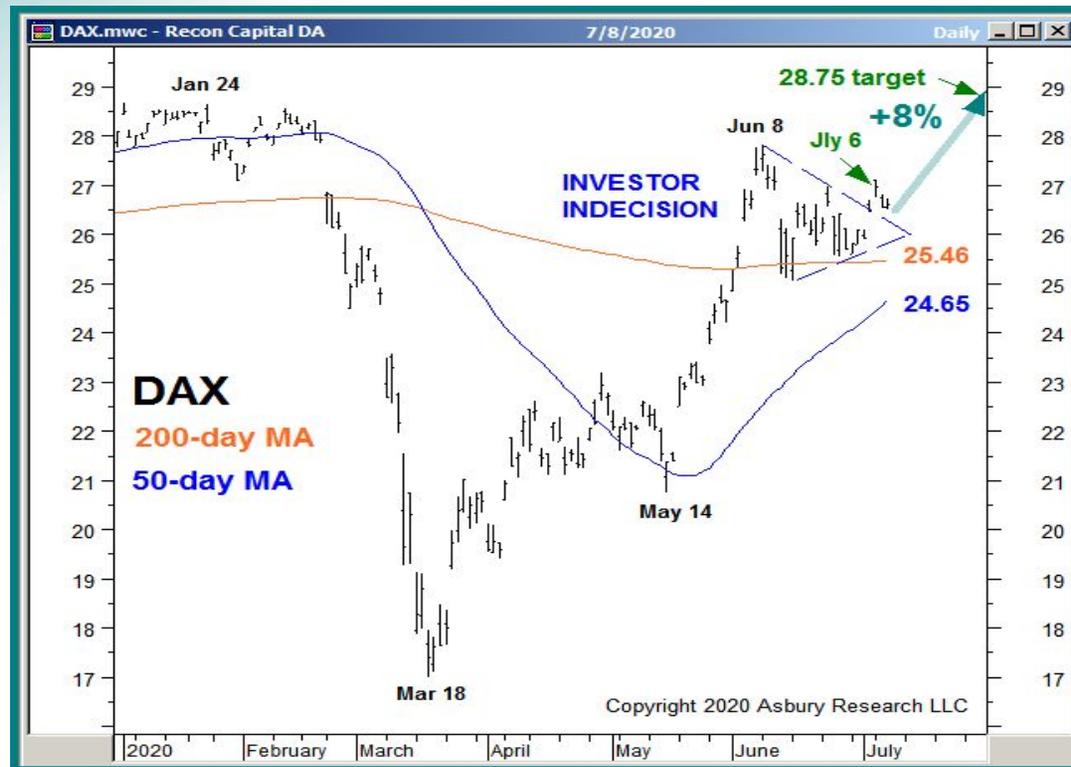
Intermarket Relationships (1): JNK Warns Of More Weakness



The SPDR Bloomberg Barclays High Yield Bond (JNK) has been in the midst of a major downtrend since late February, and its total net assets have been in a monthly trend of contraction since Jun 19th. This is negative for JNK. *This high yield bond ETF has been positively correlated to the S&P 500 throughout the past decade.*

US Stock Market

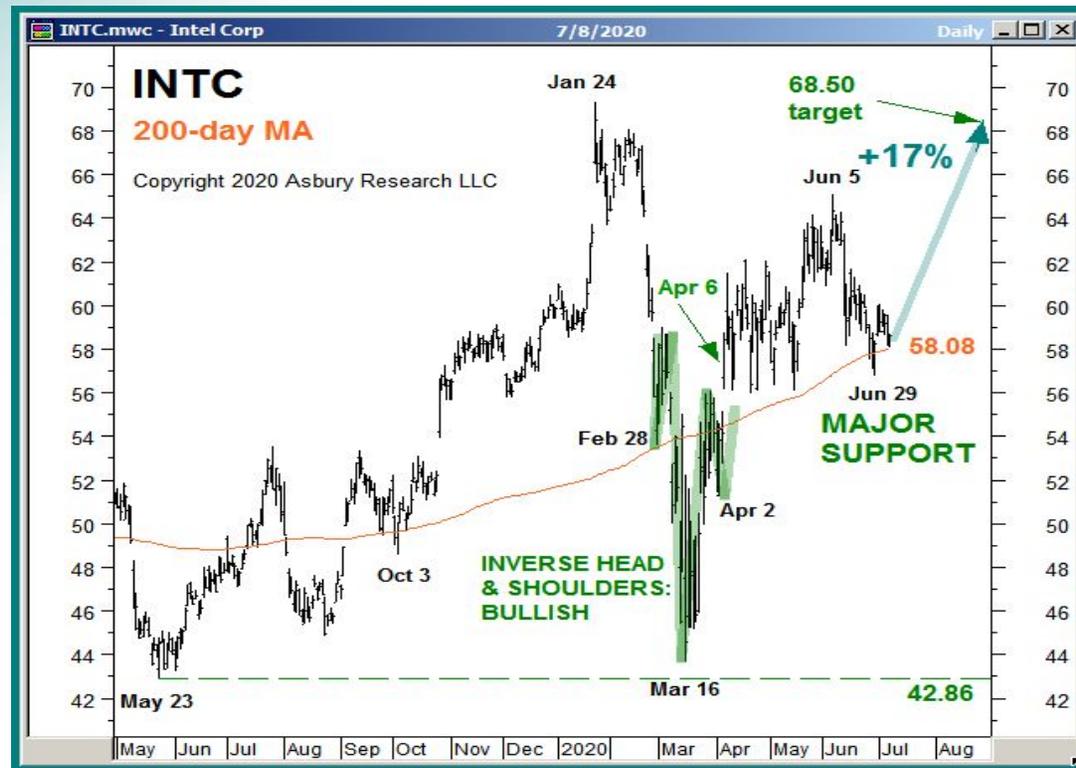
Intermarket Relationships (2): German DAX Targets An 8% Rise



The Jly 6th breakout higher in the German DAX targets an 8% rise to 28.75 that will remain valid above the 25.46 area. *Positively correlated to S&P 500.*

US Stock Market

Influential Stocks (1): INTC Targets Additional 17% Advance



Tech bellwether Intel's Apr 6th breakout targets a 17% rise to \$68.50 that will remain valid above major support at the \$58.08 area. *Positively correlated to S&P 500.*

US Stock Market

Influential Stocks (2): JNJ Targets Additional 15% Rise

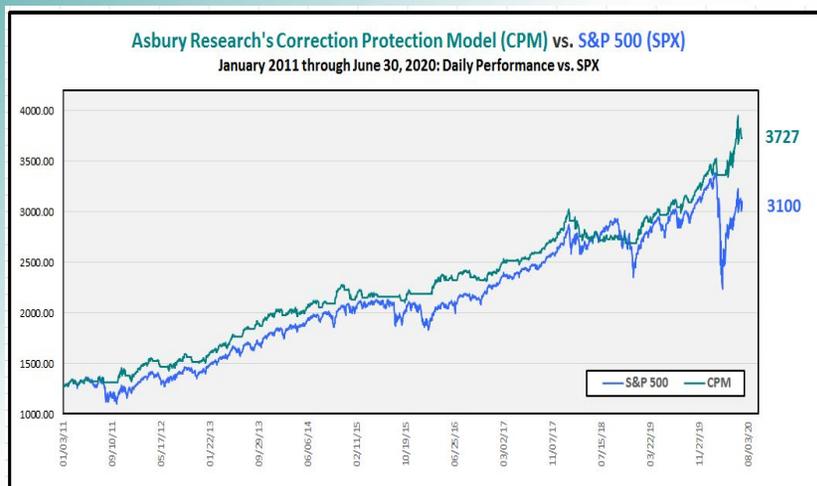


Health Care bellwether Johnson & Johnson's Apr 6th breakout targets a 15% rise to \$163.75 that will remain valid above major support at the \$140.66 area.

Also positively correlated to the S&P 500.

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

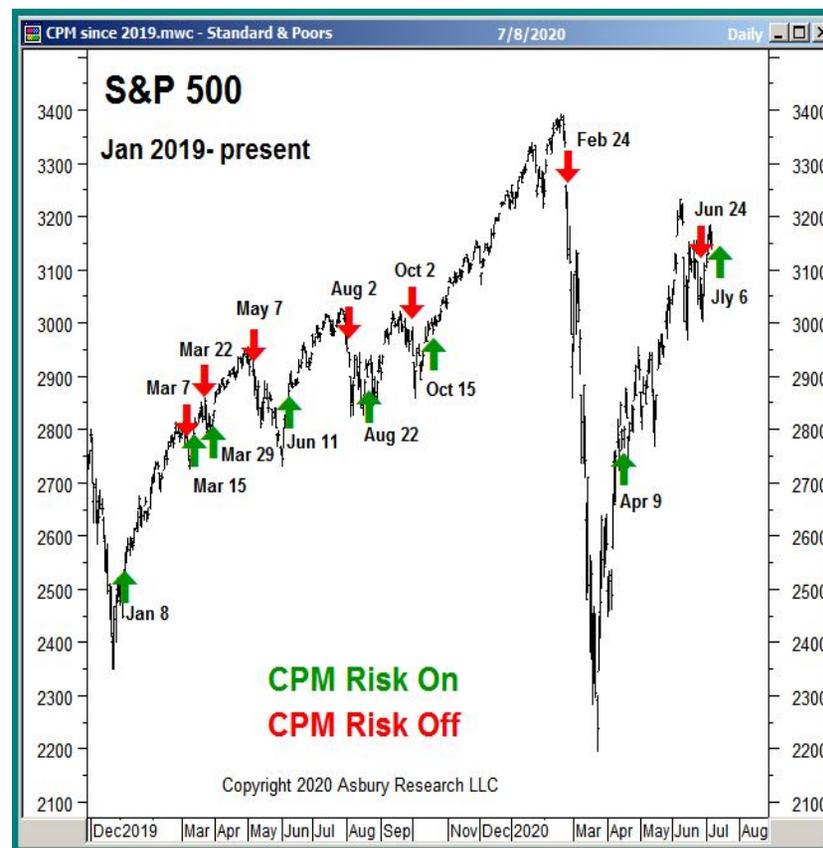
- CPM has a **beta of 0.31** vs. 1.0 for SPX.
- CPM has averaged **5 signals per year**.
- CPM has only been **in the market 65% of the time**, significantly reducing risk.
- CPM has a **maximum drawdown of 9.5%** compared to 27.6% for SPX.

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).**



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 7/7/2020		
METRIC	POSITIVE AS OF:	NEGATIVE AS OF:
Rate Of Change: SPX		7-7-2020
Rel Performance: Stocks v HiYld Bonds	6-29-2020	
Investor Asset Flows: SPY	7-2-2020	
Corporate Bond Spreads	7-6-2020	
Trading Volume: SPX	7-1-2020	
Market Breadth: NYSE		7-7-2020

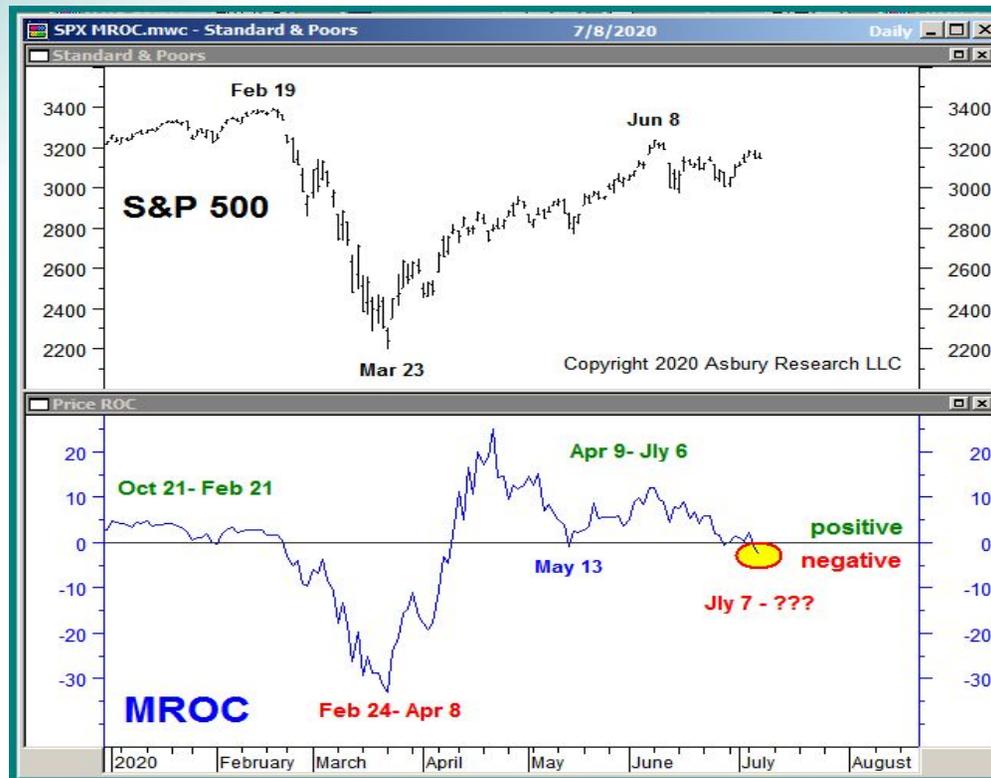
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Four or more metrics in one direction, either Positive (green) or Negative (red), indicate a tactical bias.

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

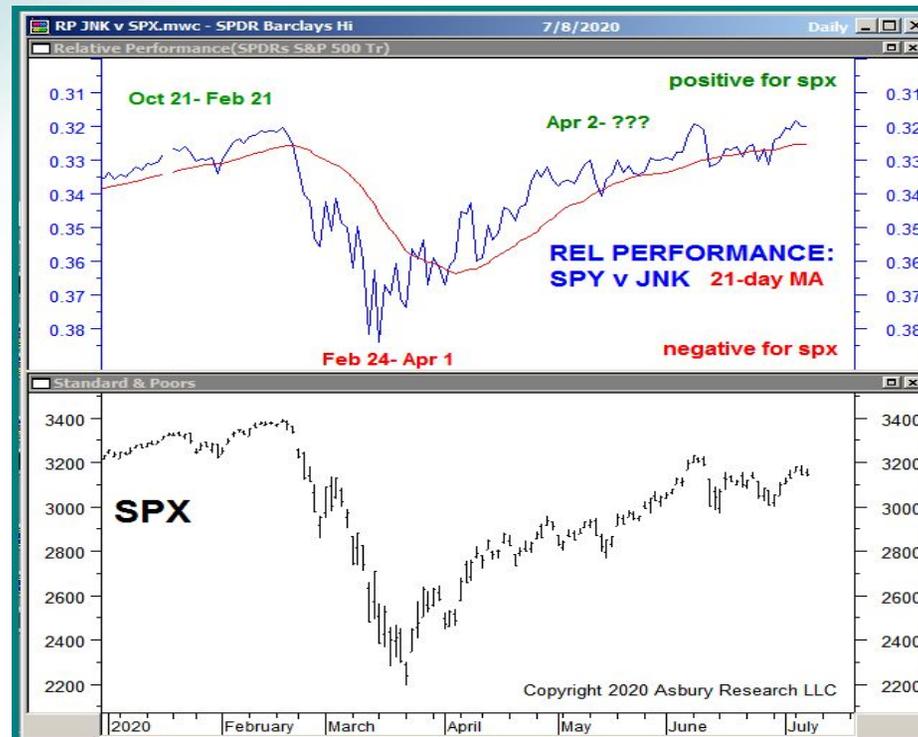
Momentum: Near Term Negative



SPX's 1-month rate of change, a *near term* momentum gauge, has been *negative* since July 7th. **Tactical inflection point.**

The Asbury 6 Key Market Internals

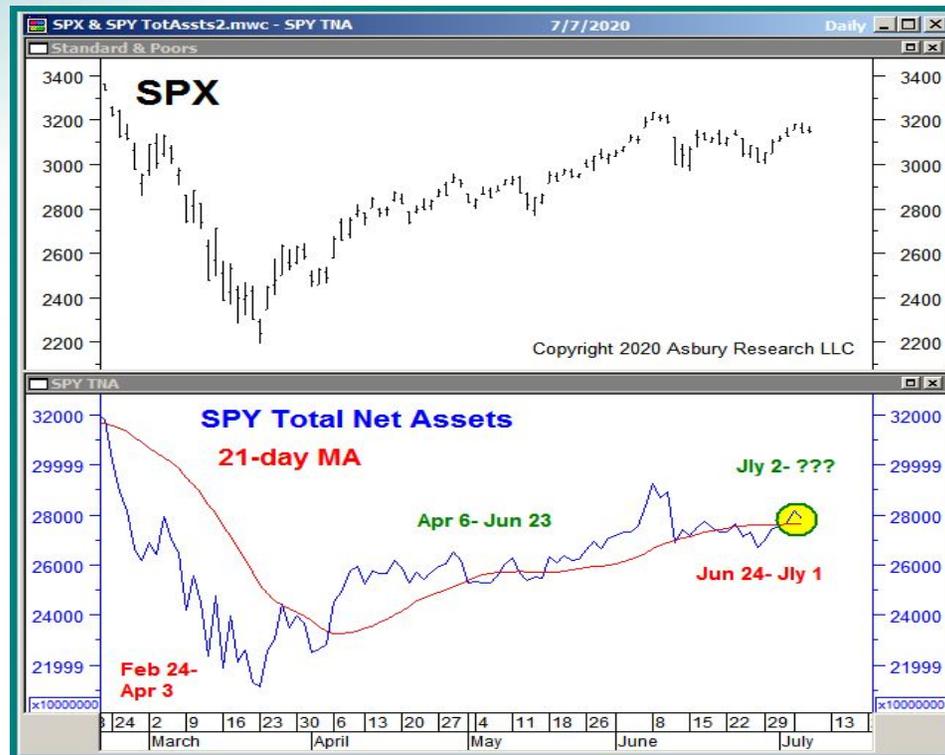
Relative Performance: Near Term Positive



The rightmost green highlights show the S&P 500 (SPY) has been in a trend of *monthly relative outperformance* versus junk bond prices (JNK) essentially 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

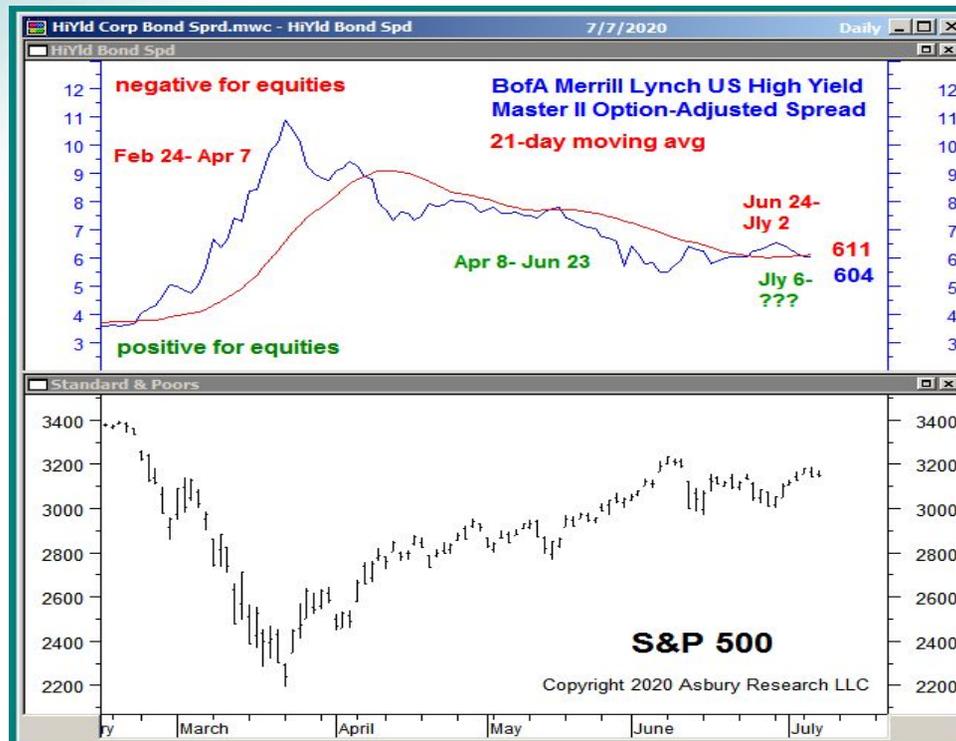


The total net assets invested in the SPDR S&P 500 ETF shifted back to a trend of *monthly expansion* as of July 2nd. This is characteristic of near term market advances.

Tactical inflection point.

The Asbury 6 Key Market Internals

Corporate Bond Spreads: Near Term Positive

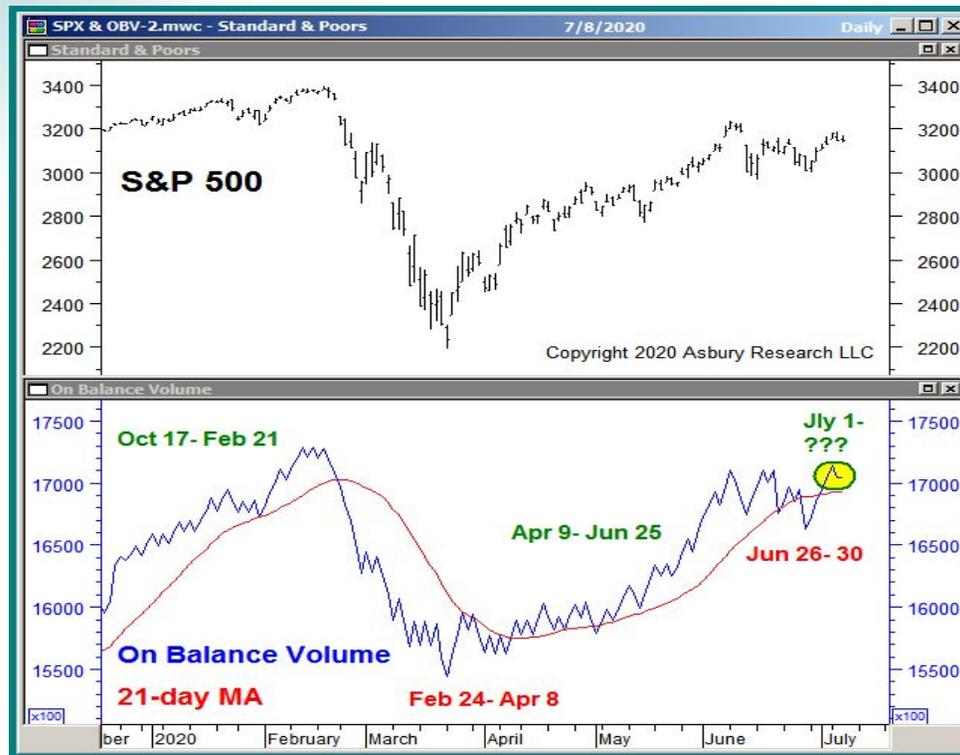


High yield corporate bonds shifted back to a trend of *monthly narrowing* on July 6th, indicating the bond market is becoming more sanguine about current economic conditions. This has historically been coincident with stock market advances.

Tactical inflection point.

The Asbury 6 Key Market Internals

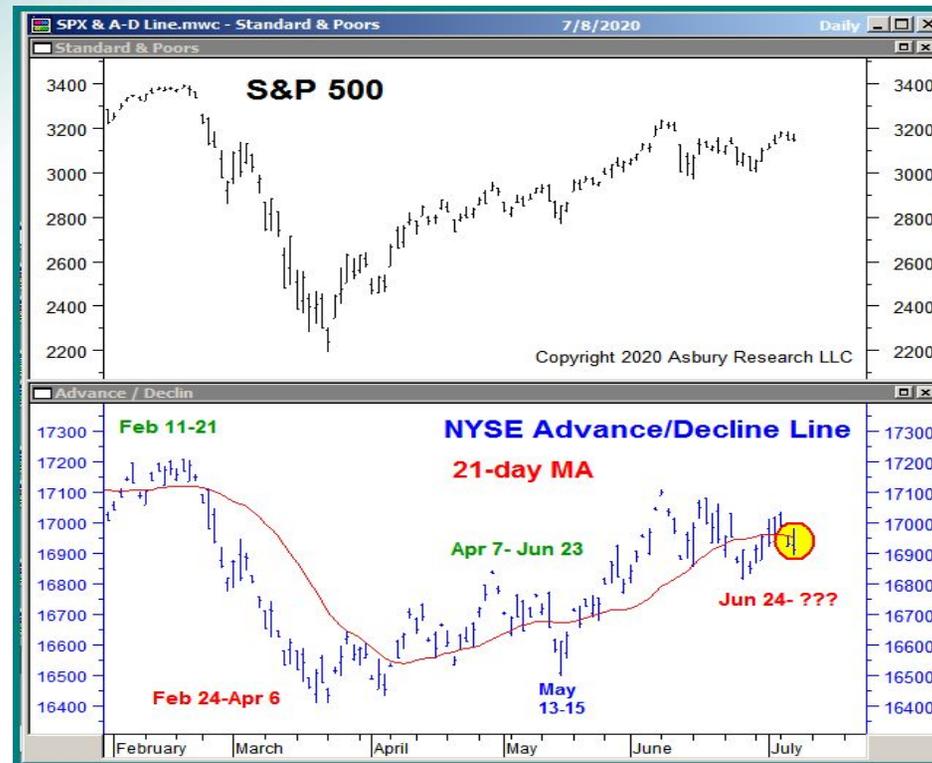
Volume: Near Term Positive



On Balance Volume (OBV) moved back above its 21-day moving average on July 1st, indicating a trend of *monthly expansion* that is historically characteristic of near term stock market advances. ***Tactical inflection point.***

The Asbury 6 Key Market Internals

Market Breadth: Near Term Negative



The NYSE Composite's A/D line has been in a declining monthly trend essentially since Jun 24th. This indicates a trend of deteriorating market breadth characteristic of near term market declines. ***Tactical inflection point.***

US Stock Market

Volatility: Near Term Positive

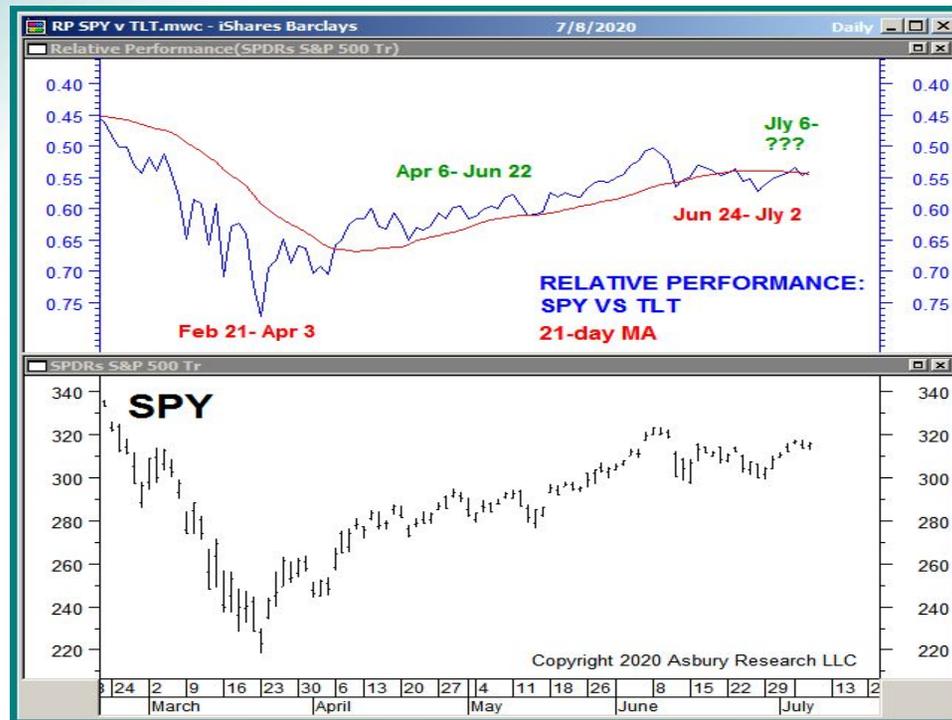


The VIX's recent decline below its 21-day MA indicates an emerging monthly trend of decreasing volatility that has historically been near term positive for stocks.

Tactical inflection point.

US Stock Market

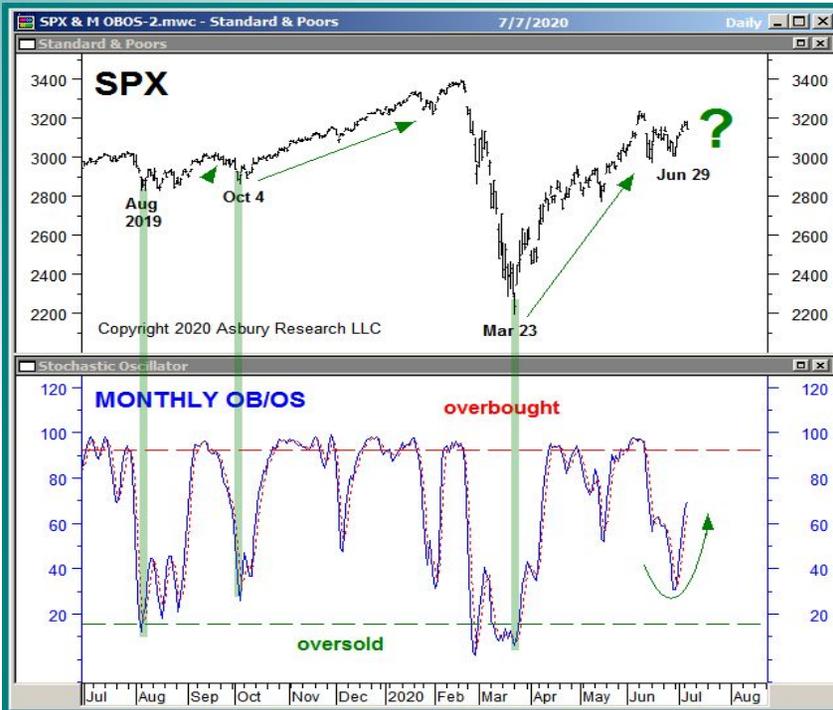
Stocks vs Bonds: Near Term Positive



The SPDR S&P 500 ETF (SPY) shifted back to a monthly trend of relative outperformance versus the iShares 20+ Year Treasury Bond ETF (TLT) on July 6th – but just barely. Relative outperformance by equities has historically been positive for the US stock market. ***Tactical inflection point.***

US Stock Market

Overbought/Oversold: Near Term, Intermediate Term Positive



The S&P 500 appears to be reversing upward from late June near term oversold conditions. *Turning near term bullish for stocks?*



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 declining from a Jun 8th high extreme that has 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 Negative, Long Term Positive



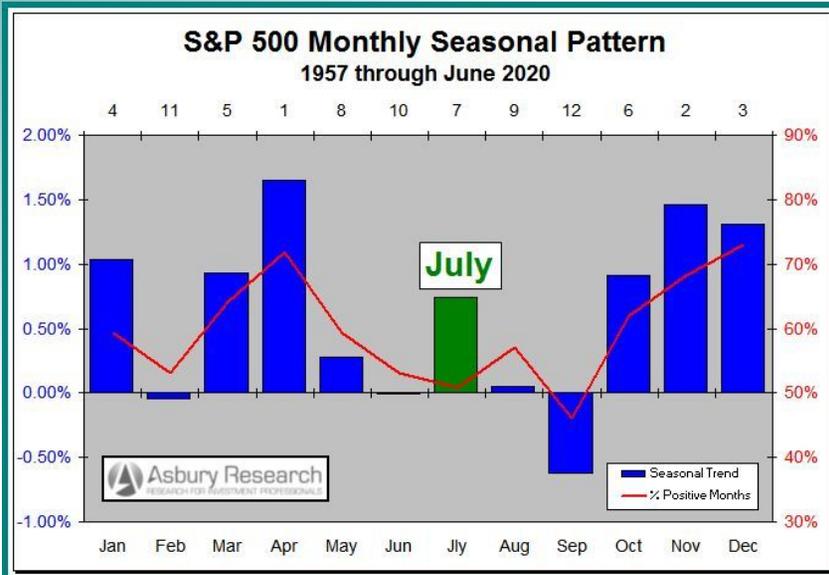
A survey of retail futures traders is hovering at *most bullish* extremes that have historically coincided with *near to intermediate term* stock market peaks.



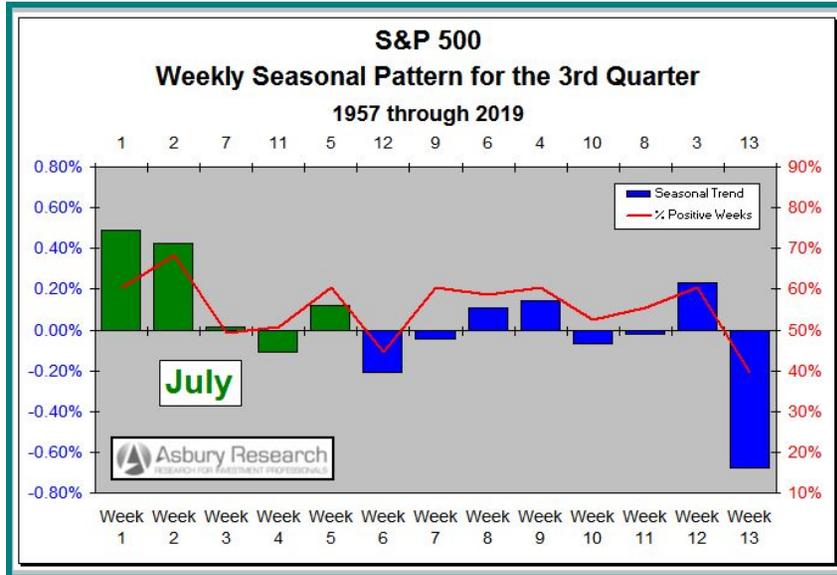
A survey of individual investors is hovering at *least bullish* extremes that have historically coincided with *intermediate to long term* stock market bottoms.

US Stock Market

Seasonality: Near Term, Intermediate Term Negative



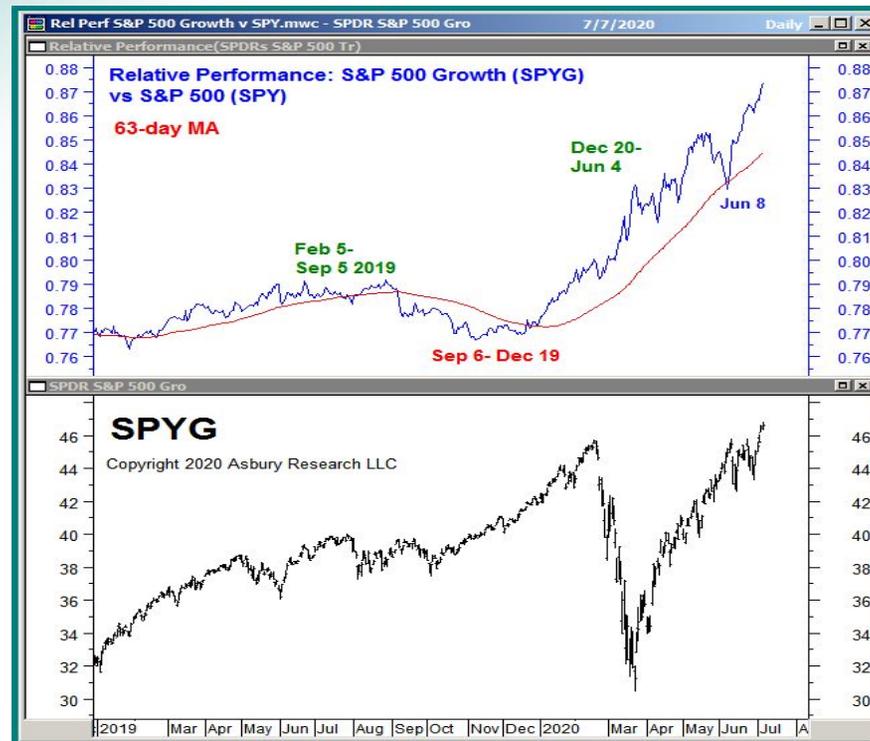
This annual chart shows that July, the 7th strongest month of the year in the S&P 500, represents a modest one-month rebound that leads into more acute weakness in August and September, the 4th and 1st weakest months.



This quarterly chart shows that the first two weeks of July are by far the seasonally strongest of the entire 3rd Quarter, after which the index remains weak through September.

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): Investors Turning Cautious?

CROSS ASSET RELATIVE PERFORMANCE (CARP): WHAT IS OUTPERFORMING?							thru July 2nd 2020	
Asset Comparison	Tickers	Trading (weekly)	Since	Tactical (monthly)	Since	Strategic (quarterly)	Since	
US Stocks or Bonds	SPY vs AGG	STOCKS	6/30	STOCKS	7/2	STOCKS	5/7	
High Beta or Low Volatility Stocks	SPHB vs SPLV	LOW VOL	6/17	LOW VOL	6/22	HIGH BETA	4/29	
Large Cap or Small Cap	SPY vs IWM	LARGE CAP	7/1	LARGE CAP	7/1	SMALL CAP	5/20	
Growth or Value Stocks (Russell 1000)	IWF vs IWD	GROWTH	7/1	GROWTH	6/11	GROWTH	6/10	
US or Developed Markets	SPY vs VEA	US	6/30	US	6/30	DEVELOPED	6/1	
US or Emerging Markets	SPY vs VWO	EMERGING	7/2	EMERGING	6/1	EMERGING	6/17	
Govt or Corporate Bond Prices	GOVT v LQD	CORPORATE	6/30	CORPORATE	6/30	CORPORATE	5/14	
High Yld or Corporate Bond Prices	HYG vs LQD	HIGH YIELD	7/2	CORPORATE	6/11	CORPORATE	6/19	
Short Term or Long Term Bond Prices	SCHO vs TLT	SHORT TERM	7/1	LONG TERM	6/18	SHORT TERM	6/30	

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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 that , even though **Stocks** are outperforming **Bonds** again on a Trading and Tactical basis, this move has been a cautious one as **Low Volatility** and **Large Cap** stocks are outperforming in these more sensitive time frames. Moreover, recent outperformance by **Emerging Markets** suggests investors may be betting the US is overvalued, or becoming more vulnerable.

Relative Performance

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

S&P 500 vs THE WORLD: WHICH COUNTRY IS OUTPERFORMING?							thru July 2nd 2020
S&P 500 (SPY) vs:	Ticker	Trading (weekly)	Since	Tactical (monthly)	Since	Strategic (quarterly)	Since
Chile	ECH	CHILE	7/2	CHILE	7/2	CHILE	7/2
New Zealand	ENZL	NEW ZEALAND	6/24	NEW ZEALAND	6/17	NEW ZEALAND	6/17
Peru	EPU	US	6/30	US	6/30	US	7/2
Australia	EWA	AUSTRALIA	6/22	AUSTRALIA	7/2	AUSTRALIA	6/1
Hong Kong	EWK	HONG KONG	7/2	HONG KONG	7/2	US	4/24
Italy	EWI	ITALY	7/2	ITALY	7/2	ITALY	6/3
Japan	EWJ	US	6/30	US	6/30	US	6/30
Switzerland	EWL	US	6/30	SWITZERLAND	6/17	US	5/14
Malaysia	EWM	MALAYSIA	7/2	US	6/15	US	6/15
Spain	EWP	SPAIN	7/2	US	6/18	SPAIN	7/2
France	EWQ	US	6/30	FRANCE	7/2	FRANCE	6/3
Singapore	EWS	US	6/29	US	6/16	US	11/19
Taiwan	EWT	TAIWAN	7/2	TAIWAN	6/10	TAIWAN	6/19
United Kingdom	EWU	US	6/30	US	6/15	US	12/20
Mexico	EWV	MEXICO	7/2	US	6/16	US	3/4
South Korea	EWY	US	6/30	SOUTH KOREA	7/2	SOUTH KOREA	6/1
Brazil	EWZ	US	7/2	US	6/26	BRAZIL	6/4
MSCI EMU (Eurozone) Index	EZU	US	6/30	EUROZONE	7/2	EUROZONE	6/2
India	INDA	INDIA	7/2	INDIA	6/18	INDIA	6/22
China	MCHI	CHINA	7/2	CHINA	6/11	CHINA	6/23
Russia	RSX	US	6/29	US	6/30	RUSSIA	5/20
Thailand	THD	THAILAND	7/2	US	6/15	THAILAND	5/12
Vanguard FTSE Pacific ETF	VPL	US	6/30	US	6/30	US	7/1
Vanguard Emerging Mkts ETF	VWO	EMERGING	7/2	EMERGING	6/1	EMERGING	6/19

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This model shows an **emerging trend of relative outperformance by non-US markets** over just the past several weeks, across multiple continents. Relative outperformance by non-US markets is often an indication that investors believe the US market is overvalued.

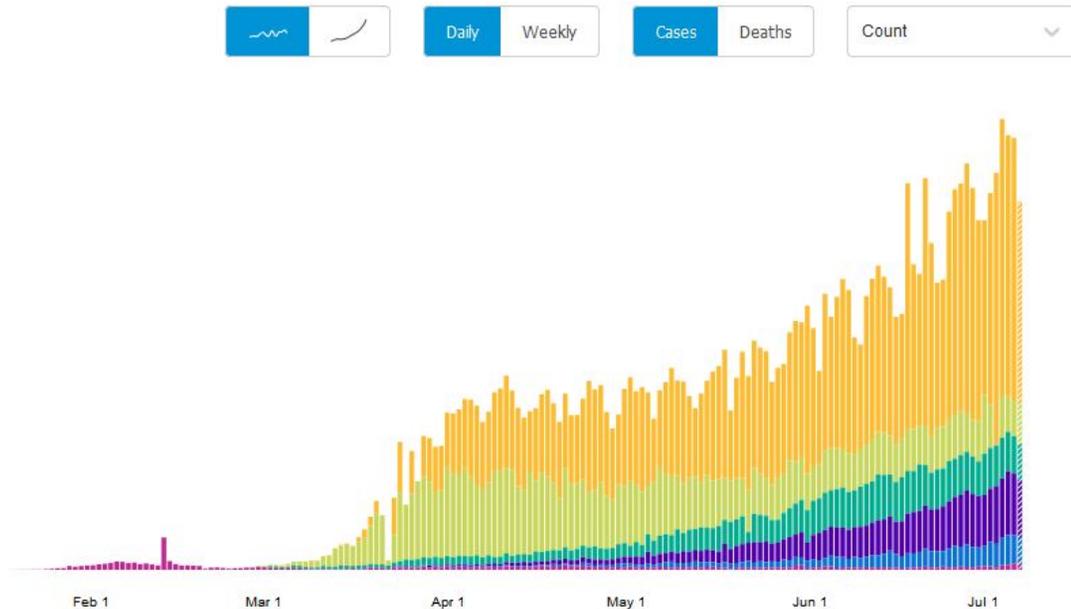
Relative Performance

Global Relative Performance (2): Is COVID Driving Relative Performance?

Situation by WHO Region

Americas	5,915,551 confirmed
Europe	2,809,848 confirmed
Eastern Mediterranean	1,187,620 confirmed
South-East Asia	974,389 confirmed
Africa	382,563 confirmed
Western Pacific	229,590 confirmed

Source: World Health Organization
Data may be incomplete for the current day or week.



This latest **World Health Organization** chart breaks down COVID cases by country. It shows most of the countries whose stock markets have recently been outperforming the US market, per our US vs. The World table on the previous page, are in the lower half of the regions listed – with 5 to 26 times fewer COVID cases than the Americas region.

US Market Sectors: SEAF Model

**Investor Assets Moving Into Technology & Industrials,
Out Of Financials & Consumer Staples.**

ASBURY RESEARCH: SECTOR ETF ASSET FLOWS (SEAF) MODEL				July 6th 2020
Sector (Symbol)	As of 7-2-2020	Trading (weekly)	Tactical (monthly)	Strategic (quarterly)
FINANCIALS (XLF)	11.1%	since 6/11	since 7/1	since 6/26
ENERGY (XLE)	7.0%	7.1%	6.9%	since 6/4
TECHNOLOGY (XLK)	21.8%	since 6/11	since 6/18	since 6/26
UTILITIES (XLU)	7.8%	7.9%	7.7%	8.8%
INDUSTRIAL (XLI)	6.4%	since 7/1	since 6/11	6.0%
CONSUMER STAPLES (XLP)	9.0%	since 7/1	9.5%	since 6/11
CONSUMER DISCRETIONARY (XLY)	9.0%	9.1%	8.6%	8.7%
HEALTH CARE (XLV)	16.0%	15.9%	since 6/11	16.3%
MATERIALS (XLB)	2.7%	2.6%	3.2%	1.9%
REAL ESTATE (XLRE)	2.8%	2.7%	2.9%	2.4%
COMMUNICATION SERVICES (XLC)	6.5%	6.5%	6.3%	5.7%

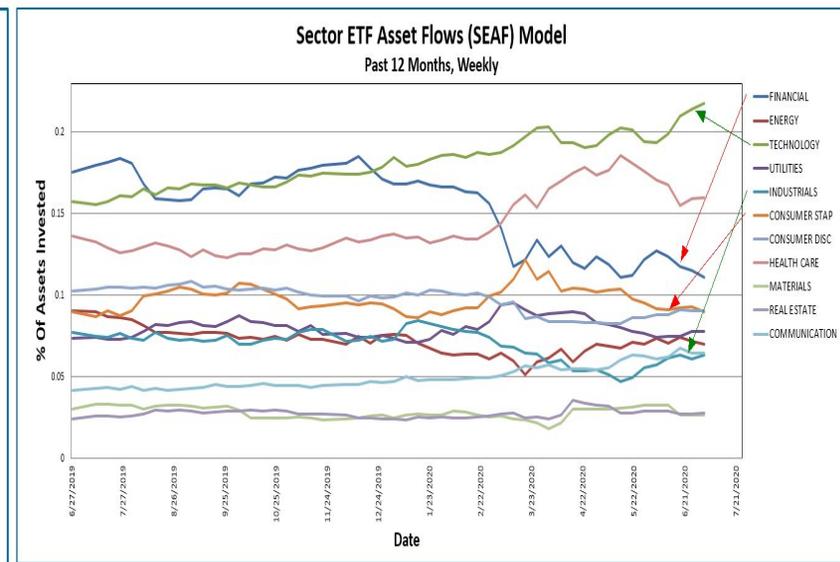
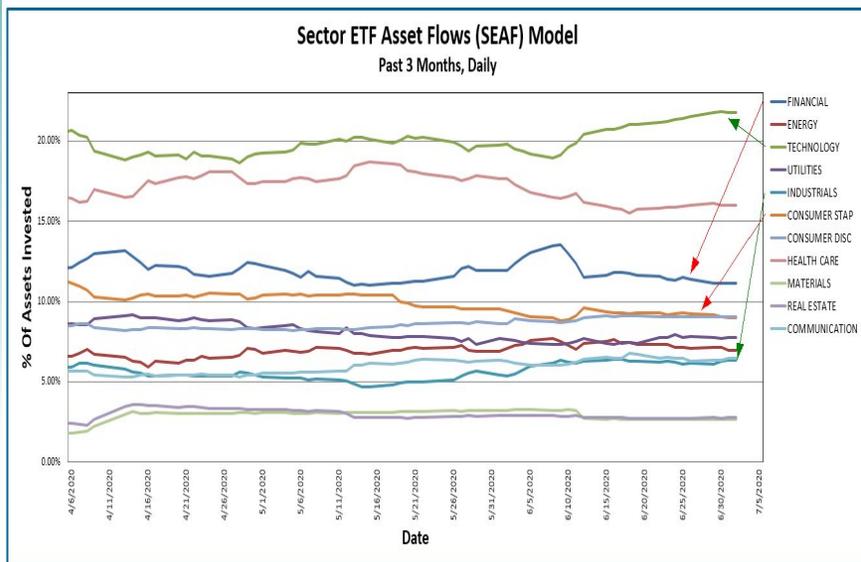
Biggest inflows during period shown **Biggest outflows during period shown** Copyright 2020 Asbury Research LLC

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

SEAF Model: The latest data in multiple time frames show a **trend of inflows into Technology and Industrials** amid a **trend of outflows from Financials and Consumer Staples.**

US Market Sectors: Trends In Relative Asset Flows

Plotting Relative Asset Flow Trends 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 trend of assets invested in the **Technology & Industrials** Sectors. The red arrows point out this trend of assets invested in the **Financials & Consumer Staples (XLP)** Sectors.

US Market Sectors & Industry Groups

Asbury Research's Current Price Targets

SECTOR / INDUSTRY SELECTOR: CURRENT PRICE TARGETS							July 6th 2020
Asset	Ticker	Date Initiated	Pos (Neg)	Target	Valid Abv (Below)	Asbury Performance	
Consumer Discretionary Select Sector SPDR ETF	XLY	7/6/2929	Positive	138.50	127.68	NEW	
SPDR S&P Bank ETF	KBE	6/29/2020	Negative	24.20	(33.45)	-2%	
Consumer Staples Select Sector SPDR ETF	XLP	4/17/2020	Positive	64.00	57.00	-3%	

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 Discretionary Sector Targets A 5% Advance



A bullish chart pattern in the SPDR Consumer Discretionary Sector ETF targets an additional 5% rise to 138.50 that will remain valid above the 126.96 area. *Positively correlated to the S&P 500.*

US Market Sectors & Industry Groups

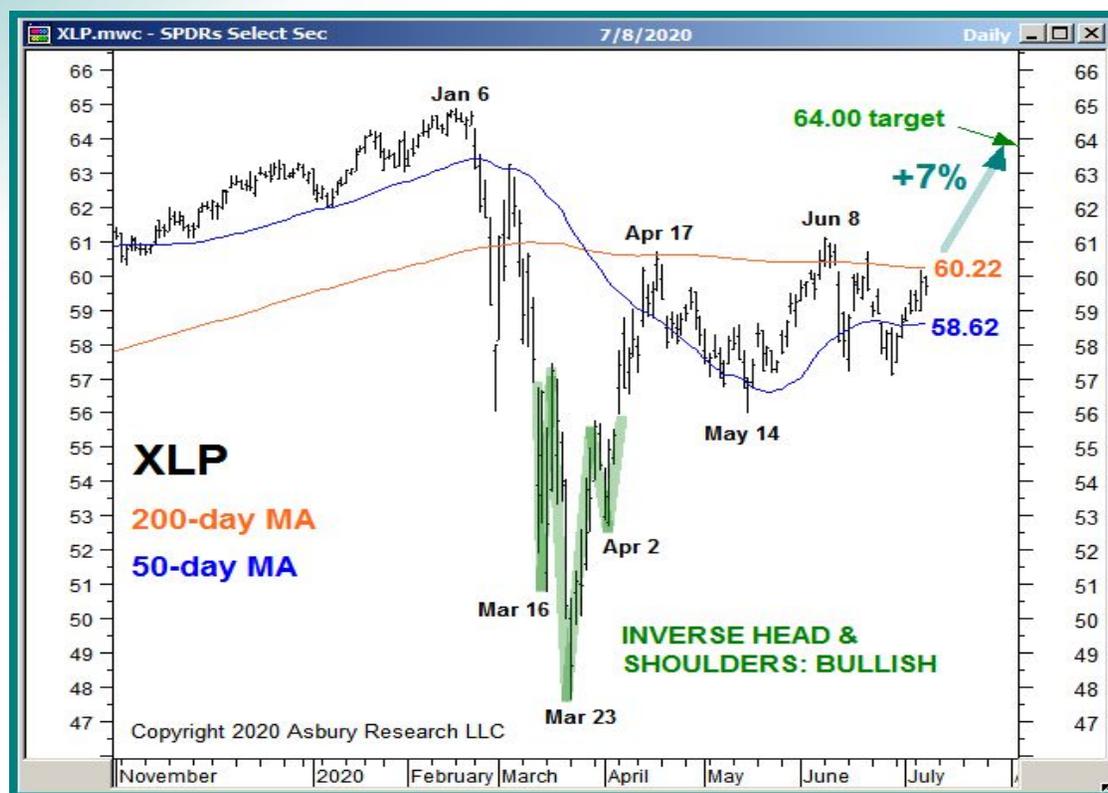
Banking Industry Group Targets An 18% Decline



A bearish chart pattern in the SPDR S&P Bank ETF (KBE) ETF targets an additional 18% decline to 24.20 that will remain valid below the 31.14 area.

US Market Sectors & Industry Groups

Consumer Staples Sector Targets A 7% Advance



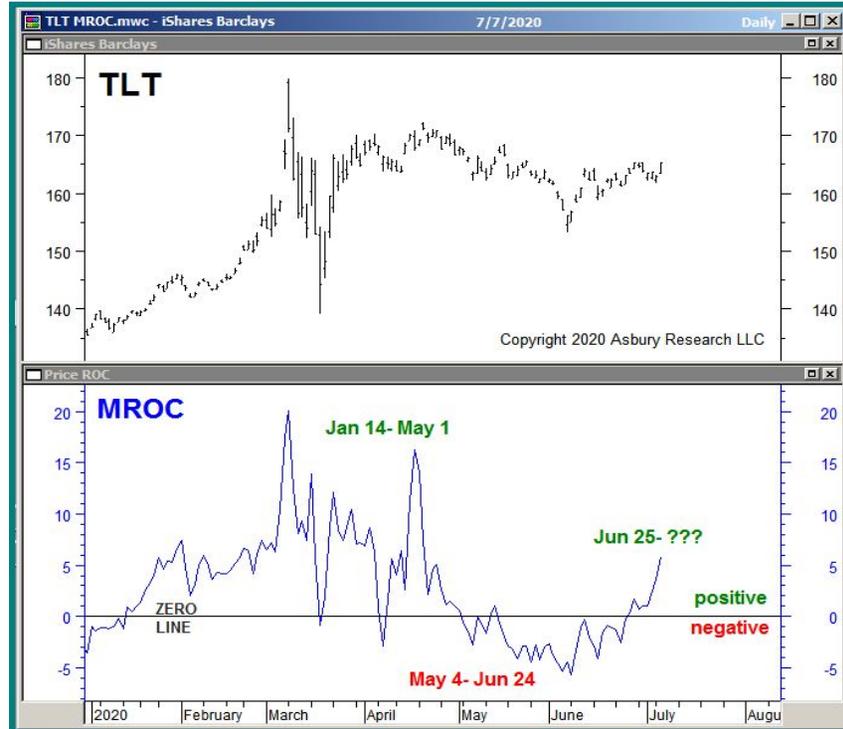
A bullish chart pattern in the SPDR Consumer Staples Sector ETF targets an additional 7% rise to 64.00 that will remain valid above the 60.22 area. *Positively correlated to the S&P 500.*

US Interest Rates

Long Term Interest Rates Testing Quarterly Trend, Leaning Lower



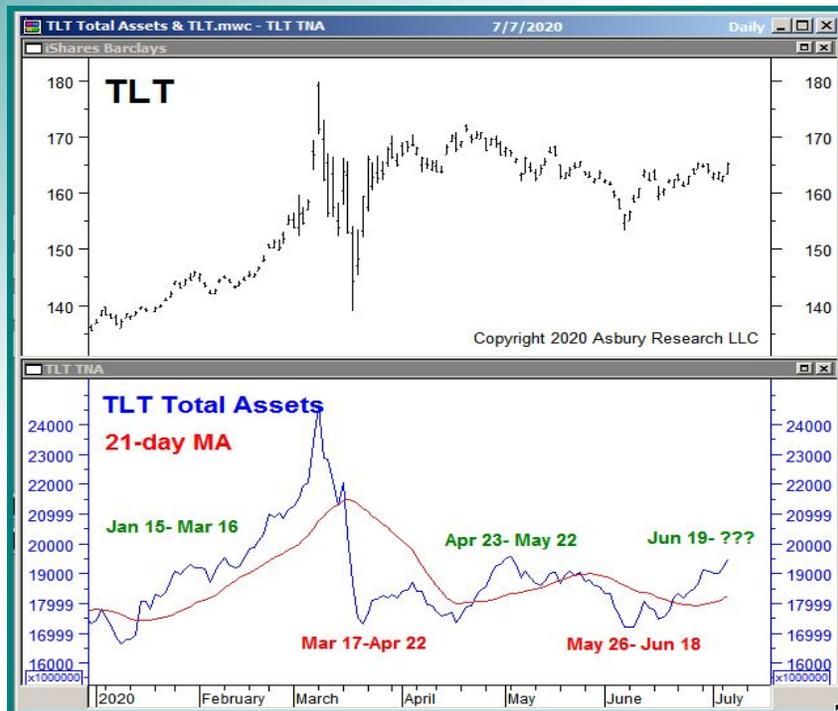
This weekly chart shows the yield of the benchmark US 10-Year Note is hovering near its 13-week MA at 0.68%. Above there, the next level is near 1.42%.



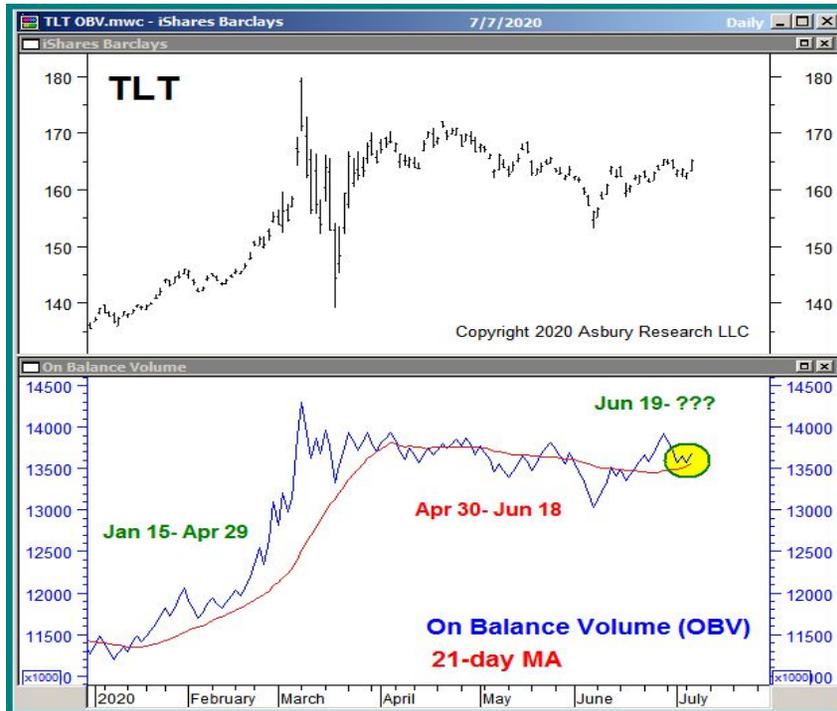
The iShares 20+ Year Treasury Bond ETF's 1-month rate of change has been *positive* since June 25th. *Tactically negative* for long term US interest rates.

US Interest Rates

Asset Flows, Volume Tactically Negative For Long Term Rates



The total net assets invested in TLT have been in a monthly trend of expansion since Jun 19th. *Tactically negative for long term US interest rates.*



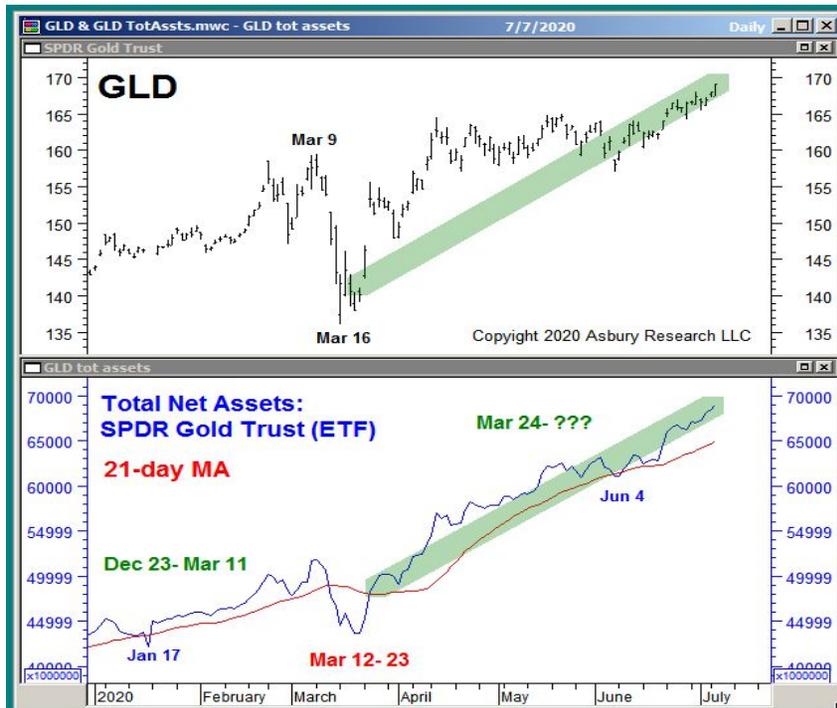
On Balance Volume in TLT has also been increasing on a monthly basis since June 19th. *Also tactically negative for long term US interest rates.*

Gold

Expanding Asset Flows Suggest The Potential For Another 3%-9% Rise



The SPDR Gold Shares ETF (GLD) has been in a major uptrend since 2019 and is currently 3% and 9% below the next two formidable overhead resistance levels.



Meanwhile, the total net assets invested in GLD have been in a trend of monthly expansion since Mar 24th and that trend appears to be accelerating.



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