



Keys To This Week: US Stock Market

July 13th, 2020

Correction Protection Model (CPM): Risk On as of July 6th (from Risk Off on June 24th)

Our quantitative model for the US stock market, which uses the S&P 500 (SPX) as a proxy, shifts to “Risk On” (increasing market exposure) as of July 6th from “Risk Off” (decreasing market exposure) on June 24th.

Conclusion, Investment Implications, Strategy

This week, the **Tactical** portion of our table below retains the previous week’s Positive bias, one that has existed for most of the past three months. Meanwhile, the **Strategic** portion of the table retains the previous week’s Negative bias.

Bullish chart patterns in the benchmark **S&P 500 (SPX)** and market-leading **PHLX Semiconductor (SOX) Index**, amid the current Risk On / Positive status of our tactical models ([Correction Protection Model](#), [Asbury 6](#)) and low volatility, target an additional 4% to 5% rise over the near term.

From a Strategic standpoint, however, **the sustainability of the current rally is suspect** for a

number of reasons including historically low put-to-call ratios, recent weakness in high yield bond prices, too-bullish investor sentiment, and upcoming acute seasonal weakness during August and September. ←

Strategy: Our Tactical bias has now shifted back to cautiously Positive above SPX 3046 to 3027, as long as our tactical models maintain their current Risk On / Positive status. Our Strategic bias remains Positive as of late May.

THE US STOCK MARKET				
		POSITIVE FACTORS	NEGATIVE FACTORS	FOR THE WEEK OF JULY 13 2020
TACTICAL (one to several weeks)		PRICE & TREND: SPX	VOLATILITY: THE VIX	
		PRICE & TREND: RUT	INTERMARKET: JNK	
		CHART PATTERNS: SPX, SOX		
		MARKET INTERNALS: ASBURY 6		
		VOLATILITY: THE VIX		
		SEASONALITY: SPX		
STRATEGIC (one to several months)		PRICE & TREND: SPX	PRICE & TREND: RUT	
			INVESTOR SENTIMENT	
			SEASONALITY: SPX	
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, MAJOR DECISION POINT.** The colored highlights in **Chart 1** below show that the benchmark SPX begins this week above major and minor underlying support at 3027 to 2955, and just below primary overhead resistance at 3215 to 3233. This is a major decision point/inflection point for the US broad market index, from which its next significant directional move is likely to begin.
- 2. Price & Trend: Russell 2000 (RUT). NEAR TERM BULLISH, INTERMEDIATE TERM BEARISH, MAJOR DECISION POINT.** The colored highlights in **Chart 2** below show that RUT begins this week just below major overhead resistance at 1460 to 1472, and just above minor underlying support at 1373. This is a major decision point/inflection point for the US small cap index, from which its next significant directional move is likely to begin.

- 3. Chart Patterns: S&P 500 (SPX). NEAR TERM BULLISH.** The green highlights in **Chart 3** below show that the Jly 2nd breakout higher from several weeks of sideways investor indecision targets an additional 5% rise to 3340 that will remain valid above 3046 to 3027 support.
- 4. Chart Patterns: PHLX Semiconductor (SOX) Index. NEAR TERM BULLISH.** The green highlights in **Chart 4** below show that the Jly 6th breakout higher from several weeks of sideways investor indecision targets an additional 4% rise to 2150 that will remain valid above 1975 support.
- 5. Market Internals: Asbury 6. NEAR TERM BULLISH.** **Table 2** below shows that five of the **Asbury 6** constituents finished last week in Positive territory. The “A6” has been on a Positive status since July 2nd. 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 current or new investment ideas.

"ASBURY 6" INTERNAL MARKET METRICS through 7/10/2020		
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	7-10-2020	
Copyright 2020 Asbury Research LLC		

Table 2

- 6. Volatility: CBOE Volatility Index (VIX). NEAR TERM BULLISH, MINOR DECISION POINT.** The rightmost green highlights in **Chart 5** below show that the VIX declined below its 21-day moving average on Jly 1st and remains below it to begin the week. *This indicates a monthly trend of decreasing volatility that has historically coincided with rising equity prices.* As long as the VIX remains below its 21-day MA, currently at 31.95, the US broad market is likely to remain stable to higher.
- 7. Options Volume: CBOE Put/Call Ratio. NEAR TERM BEARISH.** The red highlights in **Chart 6** below show that the CBOE Put/Call Ratio is hovering at a multi-year *least bullish* extreme, *indicating a low ratio of put volume versus call volume*, that previously coincided with or closely led many of the near term peaks in the S&P 500 since 2019.
- 8. Intermarket Relationships: High Yield Bond Prices: NEAR TERM,**

INTERMEDIATE TERM NEGATIVE: The upper panel of **Chart 7** below shows that the **SPDR Bloomberg Barclays High Yield Bond ETF (JNK)** has been below its 200-day moving average since late February to indicate a major downtrend. The lower panel shows that the total net assets invested in JNK have been in a *monthly trend of contraction* since Jun 19th — indicative of Tactical weakness. Since JNK and the S&P 500 have maintained a nearly lockstep positive correlation to one another throughout the past 30 years, the current weakness in JNK indicates the bond market is not corroborating/confirming the recent strength in the stock market.

9. Investor Sentiment: S&P 500 (SPX) & Futures Trader Survey. NEAR TO

INTERMEDIATE TERM BEARISH. **Chart 8** below shows that a daily survey of retail futures traders has since Jun 8th been hovering at *most bullish* extremes that historically precede one to several month market declines.

10. Seasonality: S&P 500 (SPX). NEAR TERM BULLISH, INTERMEDIATE TERM

BEARISH. **Chart 9** below shows that, following a modest one-month recovery in July, August and September are the 4th and 1st seasonally weakest months of the year in the S&P 500.



Chart 1



Chart 2



Chart 3



Chart 4



Chart 5



Chart 6



Chart 7



Chart 8

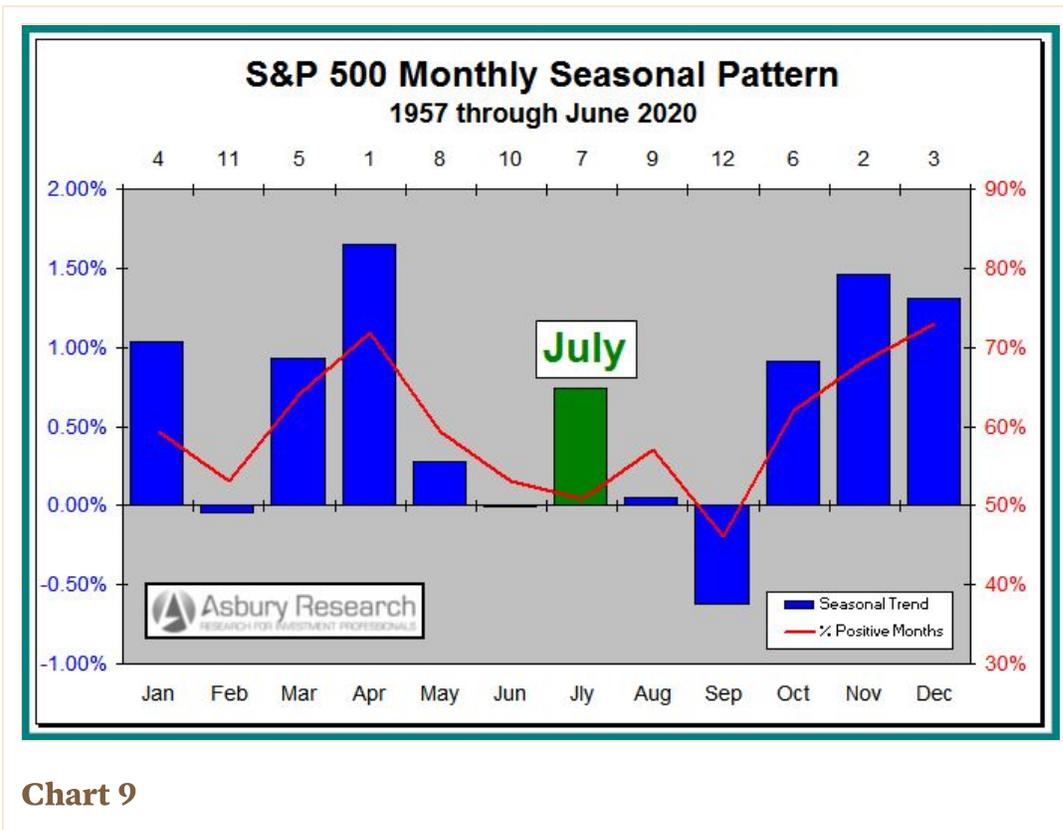


Chart 9

[Research Center](#) | [↑ Back to Top](#)

All Contents © Copyright 2005-2020 Asbury Research LLC. The contents of all material available on this Internet site are copyrighted by Asbury Research LLC. unless otherwise indicated. All rights are reserved by Asbury Research LLC., and content may not be reproduced, downloaded, disseminated, published, or transferred in any form or by any means, except with the prior written permission of Asbury Research LLC., or as indicated below. Members of Asbury Research LLC. may download or print web pages for personal or academic use, consistent with their user agreement. However, no part of such content may be otherwise or subsequently reproduced, downloaded, disseminated, published, or transferred, in any form or by any means, except with the prior written permission of and with express attribution to Asbury Research LLC. Copyright infringement is a violation of federal law subject to criminal and civil penalties.

ASBURY RESEARCH | Chatham Centre | 1901 N. Roselle Road, | Suite 800 | Schaumburg, IL 60195 © Copyright 2020 All Rights Reserved. [888.960.0005](tel:888.960.0005) | [Email Us](#)