

*The best trades are the ones in which you have all three things going for you: fundamentals, technical, and market tone. ~ Michael Marcus*

## S&P 500

The SPX had a strong weekly close near the top of its weekly range. It has so far rejected every sell setup which is typical of bull quiet regimes. Sentiment also remains depressed: AAll Bull-Bear Spread is near record lows, Put/Call ratios are neutral, and the broader investing public appears skeptical of this rally — though there are signs of improving retail sentiment/participation. Odds favor higher prices over the short-term. The play is to buy dips until the market action notably changes.

## GOLD

Gold has formed two consecutive inside weekly bars (ii) and is still trading within its month long coiling wedge on a daily timeframe. Gold is in breakout mode. The long-term momentum favors a continuation of the trend higher, though we could see a spike lower over the short-term to wash out some of the speculative activity that has been building up on the bull side. The commodities/bond ratio is at levels that have tended to mark bottoms in relative performance in the past suggesting an uptick in inflation.

## UST 10Y

Bonds are in a long-term uptrend but have been trading sideways on a weekly and daily basis. While the increase in coming UST issuance is a net negative it's likely to be counteracted by the structural global demand for safe assets along with the Fed's QE. Bond indicators are inconclusive which suggests we should expect further sideways chop for now.

## EURUSD

EURUSD is in a down to sideways trading range on a monthly and weekly basis. It's in a tight coil on a daily basis and like gold, is in breakout mode. The trend in yield differentials, positioning, and relative growth suggest the odds favor a breakout higher at some point. On a short-term basis, the market continues to sell the rips and buy the dips and we should expect this to continue until there's a confirmed breakout.

## Chart in Focus

### **BofA Bull & Bear Indicator (B&B)**

Our BofA Bull & Bear Indicator is at 0.0, signal is Buy.

**Chart 20: BofA B&B Indicator (scale 0 to 10)**



Source: BofA Global Investment Strategy

**Table 7: Components of BofA B&B Indicator**

Components	Percentile	Sentiment
HF positioning	21%	Bearish
Credit mkt technicals	4%	V. bearish
Equity market breadth	1%	V. Bearish
Equity flows	41%	Neutral
Bond flows	4%	V. Bearish
LO positioning	3%	V. Bearish

Source: BofA Global Investment Strategy, Bloomberg, EPFR Global, Lipper FMI, Global FMS, CFTC, MSCI

SPX Monthly



SPX Weekly

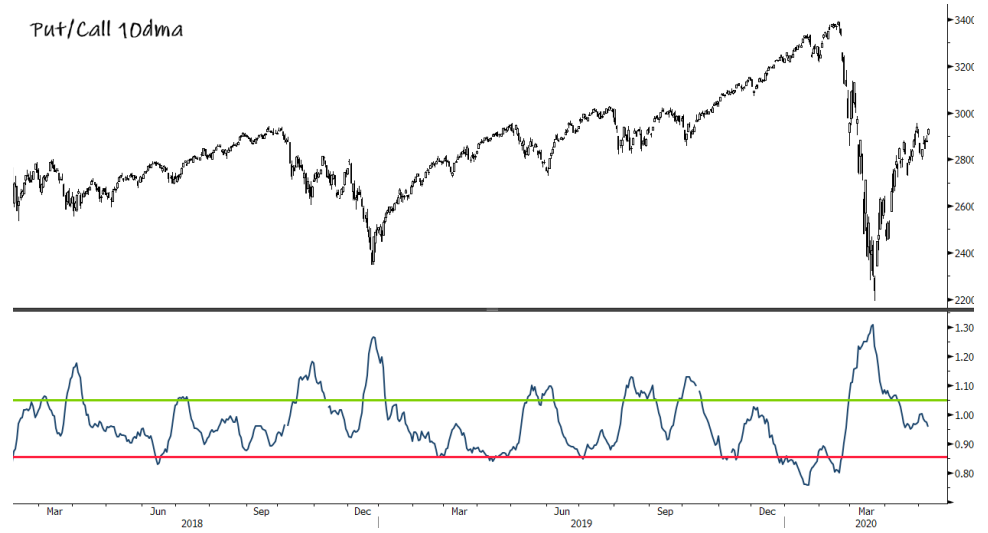


SPX Daily



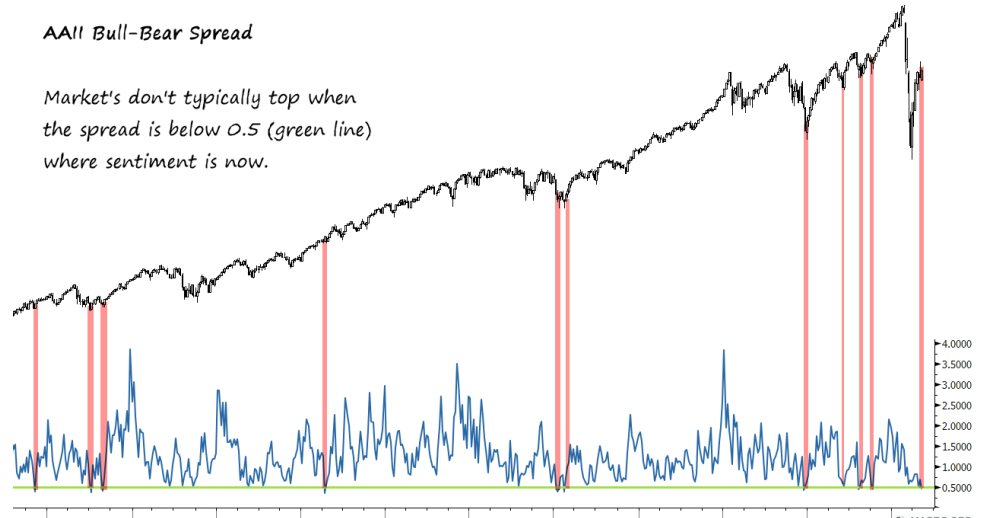
Put/Call 10dma

Positioning in options has been coming down from the extreme levels hit at the bottom of last month's selloff. The 10dma PC ratio is currently in neutral territory but will likely trigger a sell signal within the next few weeks if the market continues to move higher.



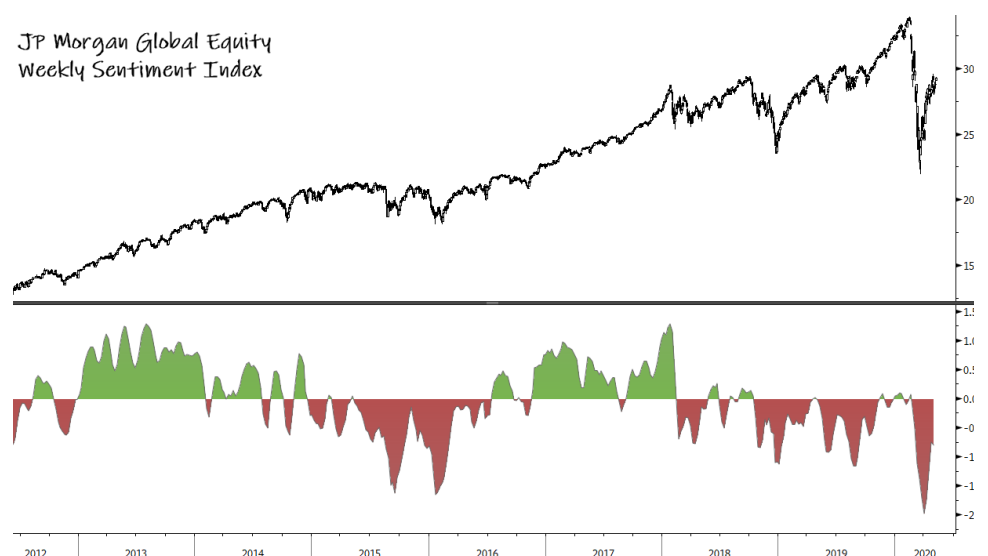
AAII Bull-Bears Ratio

Sentiment has not followed prices higher. In fact, they remain near historical lows. This shows that investors aren't buying into this rally which means there's still plenty of bears to fuel this run up.



JP Morgan Global Equity Sentiment Index

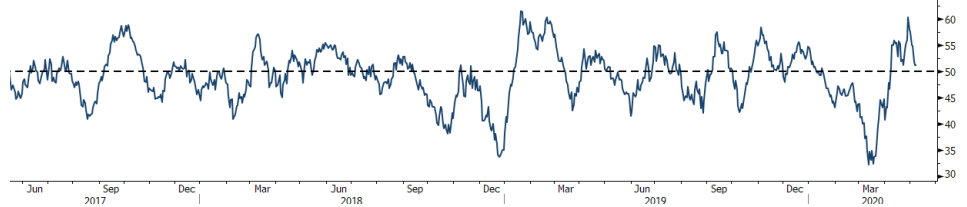
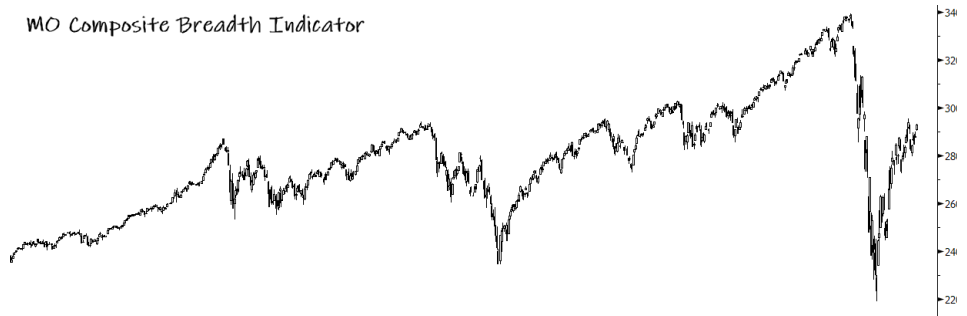
This is an aggregate measure of global sentiment measuring technical conditions, flows, volatility, positioning, and sentiment. When the moving avg is above 0 it is a broadly favorable environment for equities, and vice-versa. This is true except for when the indicator hits extremes in which case it should be used as a contra. The indicator is currently coming off bearish extremes and improving. This is bullish.



MO Breadth Indicator

Our breadth indicator is showing positive breadth (blue line above the mid-line). This indicator will roll over and go negative before a major turn in the market.

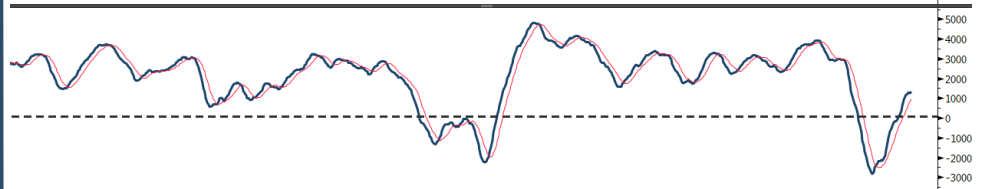
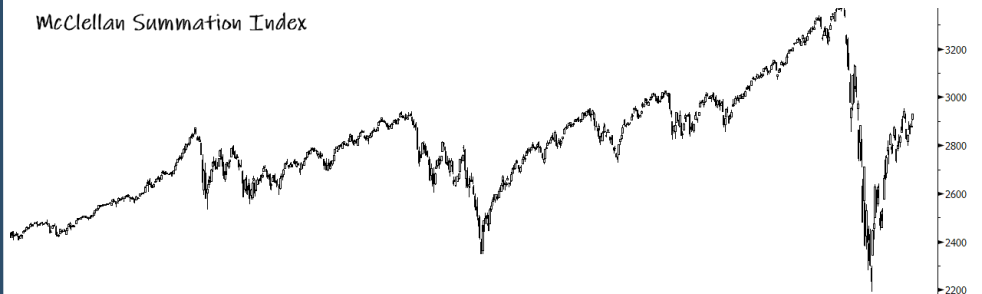
MO Composite Breadth Indicator



McClellan Summation Index

Is a breadth indicator that measures the running total of McClellan Oscillator values (net advances). The blue line is the index and the red line is a 10dma. We can use this indicator in two ways (1) look for divergences between the market and the indicator and (2) look for MA crossovers which typically mark or precede turning points. The indicator is trending up and favors higher prices.

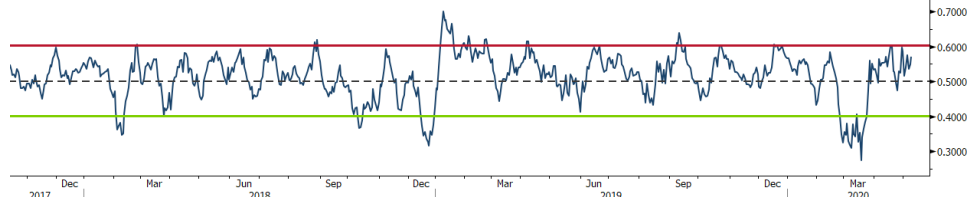
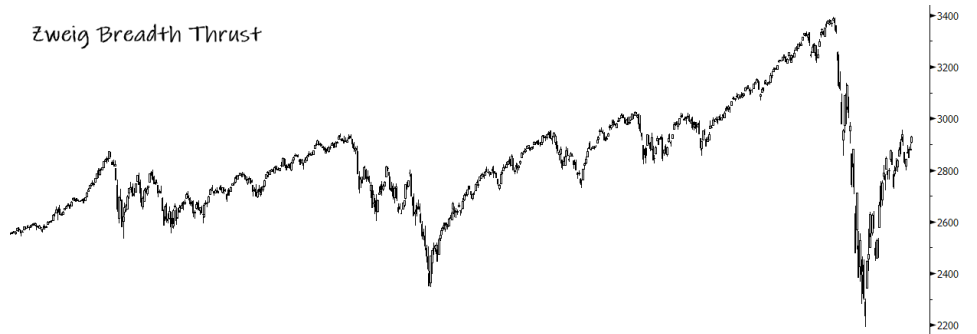
McClellan Summation Index



Zweig Breadth Thrust

Named after the famed market technician who devised this indicator, the Zweig Breadth Thrust indicator. This indicator tracks advancing issues in the market relative to the aggregate. The indicator is positive and supporting higher prices.

Zweig Breadth Thrust



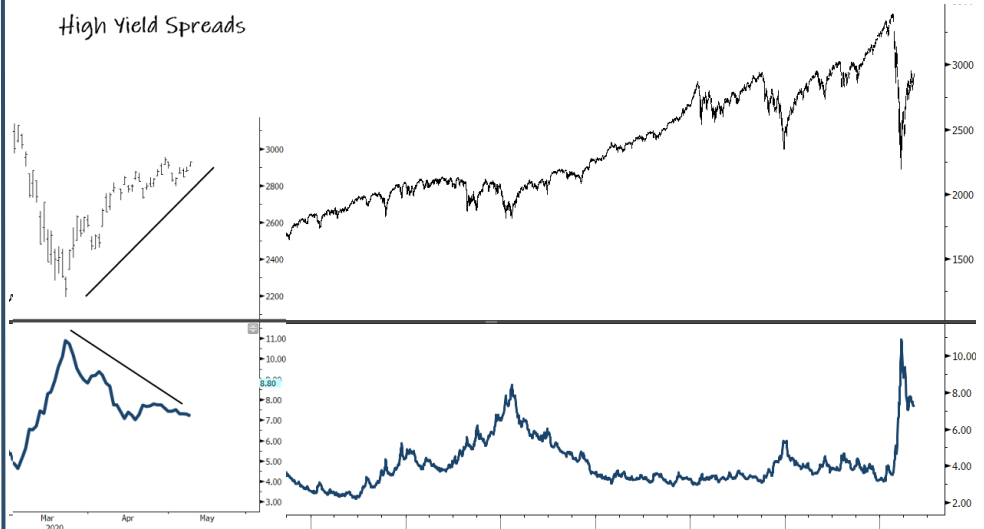
Stock/Bond Ratio

Stocks and bonds compete for capital flows and there's a circular relationship that drives the pricing of these two assets. Currently, stocks are at one of their cheapest levels relative to bonds in history. This may not mean much in the short-to-intermediate term but LT it should help keep a floor under equities.



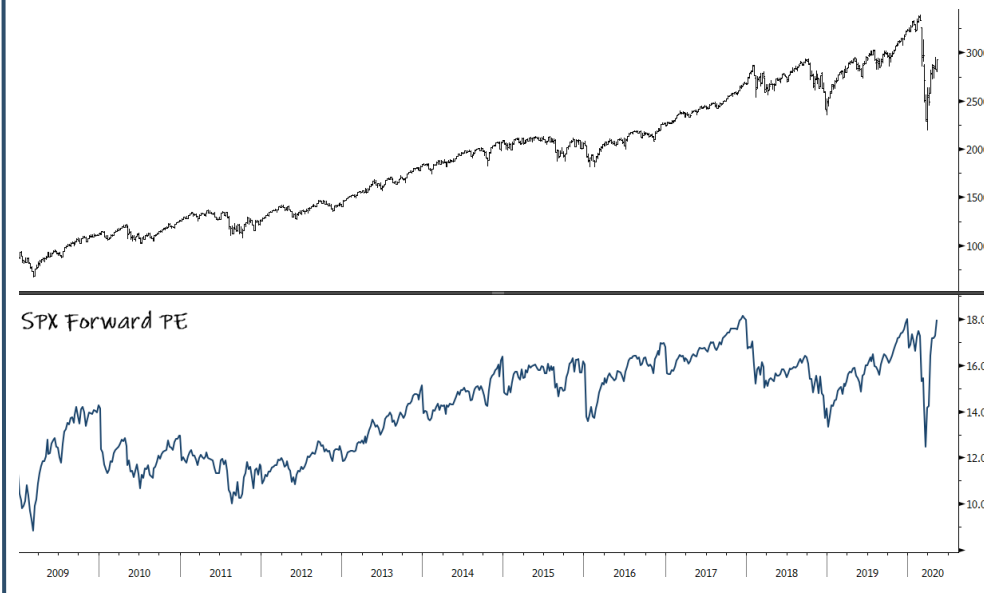
High-Yield Spreads

Credit leads equities. And high-yield spreads are narrowing at the moment, from extreme wides, which is overall supportive of the trend higher in equities.



Forward PE Ratio

The SPX's Forward PE Ratio spiked to 18, on the back of weaker earnings and higher prices. The market is expensive and this is a headwind for stocks going forward unless earnings dramatically recover in coming quarters.



UST 10yr Bonds Monthly (ZN\_F)



UST 10yr Bonds Weekly (ZN\_F)

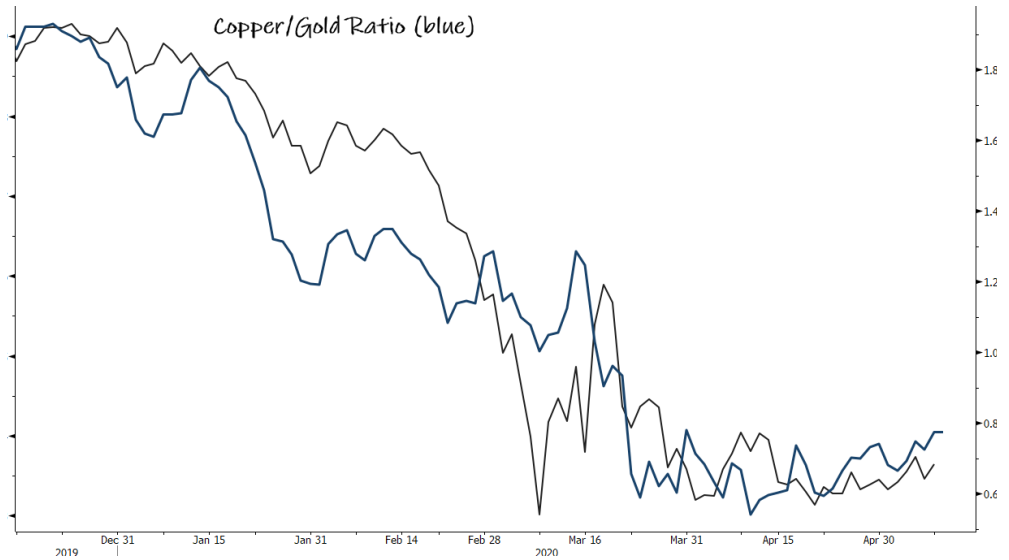


UST 10yr Bonds Daily (ZN\_F)



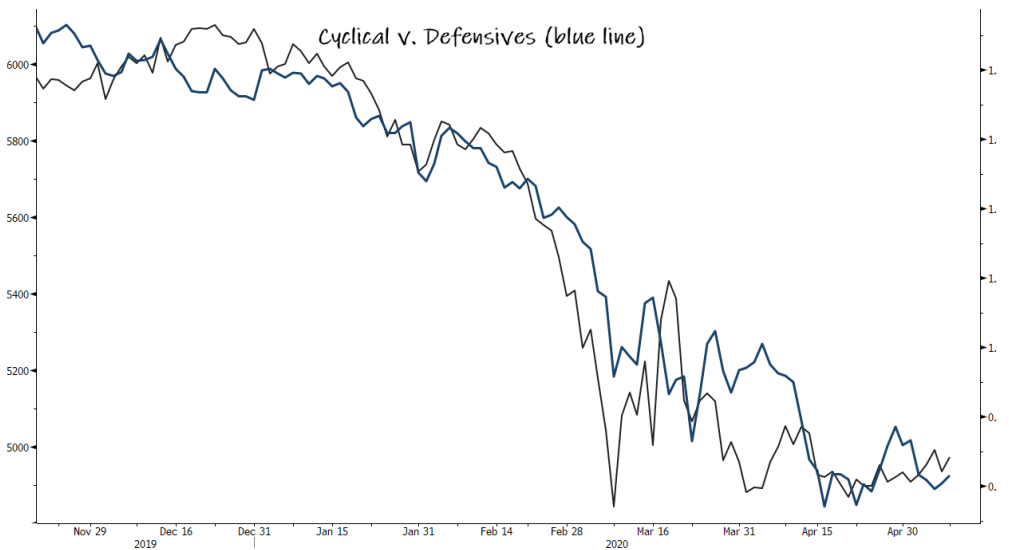
Copper/Gold Ratio

In the hierarchy of markets metals sit at the top, right above bonds. Metals tend to sniff out changes in economic conditions before other markets. This is why the copper/gold ratio often leads yields. Currently, the ratio is slightly diverging higher from yields. It's too early to call for a turn but this needs to be watched.



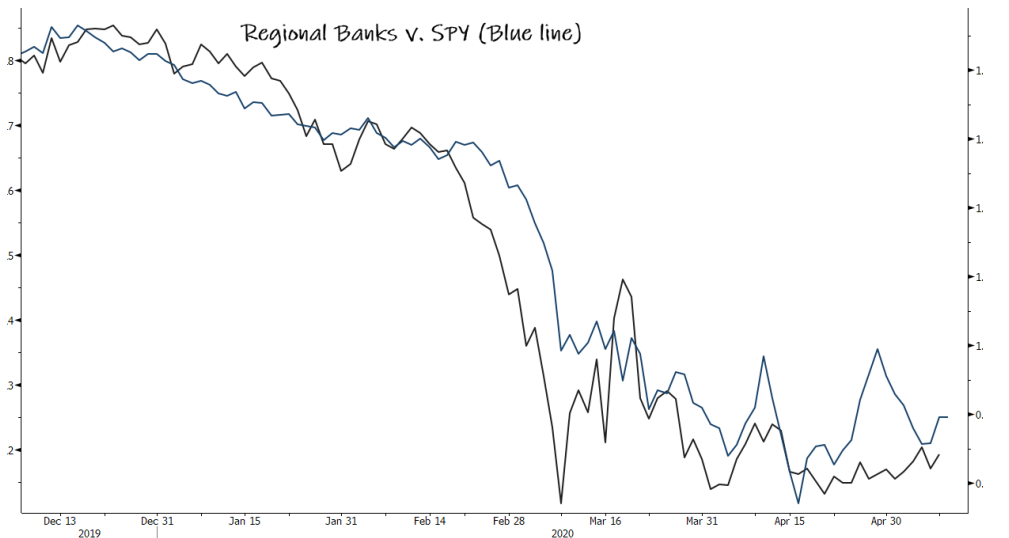
Cyclical vs. Defensive

This indicator is neutral.



Regional Banks vs SPX

Bank stocks relative performance often leads yields at major turning points. This indicator is currently neutral.







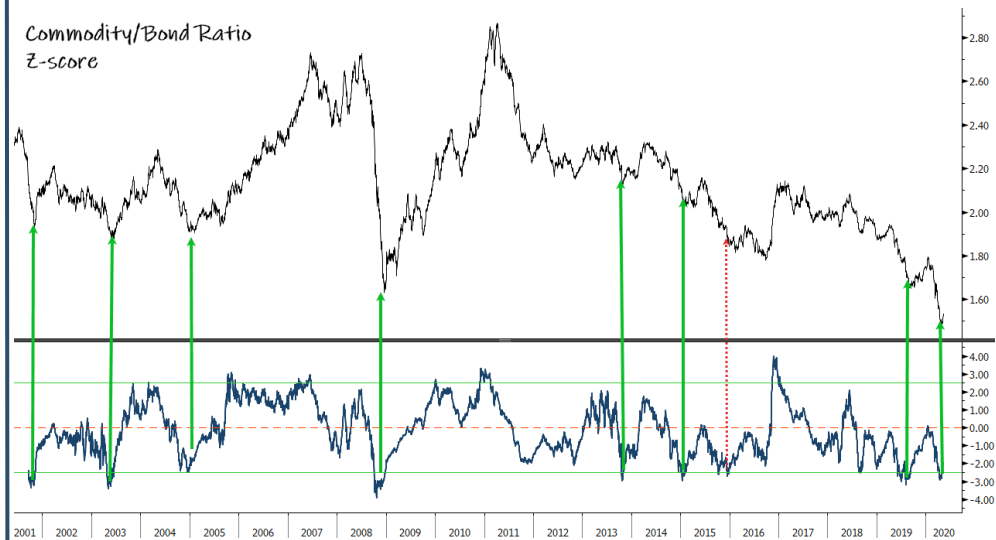
CoT Small Specs Z-score

Small specs are long gold and the positioning is a little crowded but not at extremes that have marked major tops in the past. A spike above the upper green line typically coincides with a short-term top in prices.



Commodity/Bond Ratio Z-score

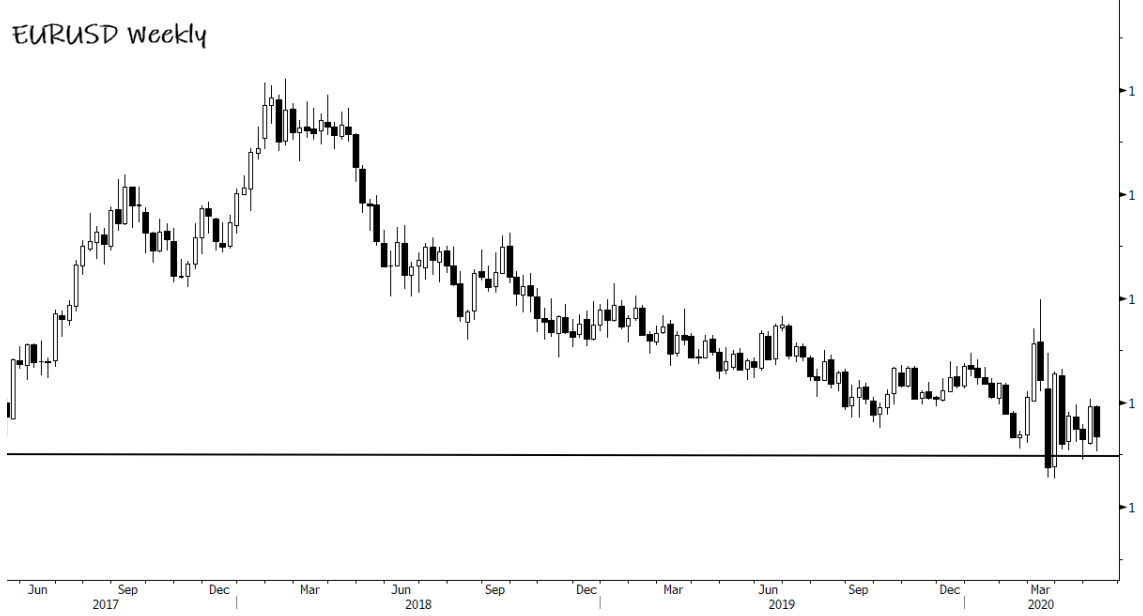
The commodity/bond ratio is over 2.5 std below its long-term avg. Historically, when this ratio became this over-sold it has marked or preceded a significant bottom. This is an inflationary indicator developed by long-time market technician Martin Pring. A turn in this ratio would indicate a change in the inflationary regime.



Gold Fund Flows Z-score

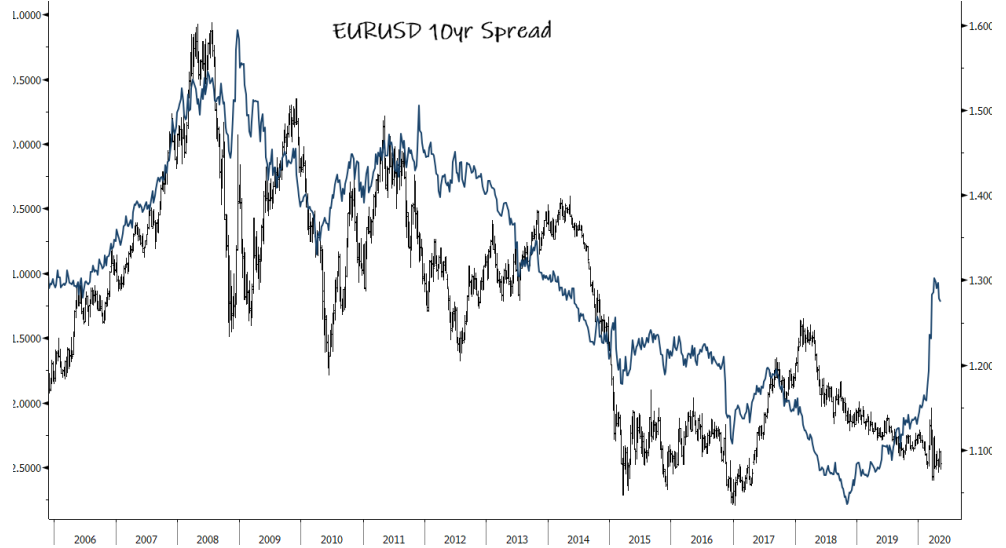
Strong positive fund flows are a characteristic of a durable bullish regime. And vice-versa for a bearish one. Only at extremes, should this indicator be used as a contra. Currently, fund flows into gold are positive but not at extremes. This supports the move higher in gold.





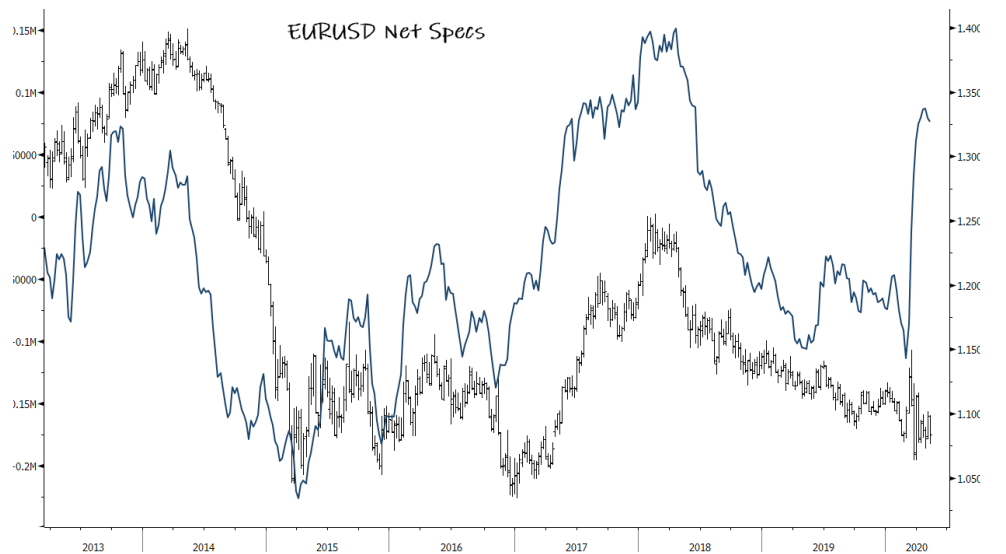
EURUSD 10yr Spread

Yield differentials drive FX trends over the long-term. The 10yr spread is the real anchor of FX. Trend direction rather than absolute levels are what matter. The spread has been trending in the euro's favor over the last 18m-months.



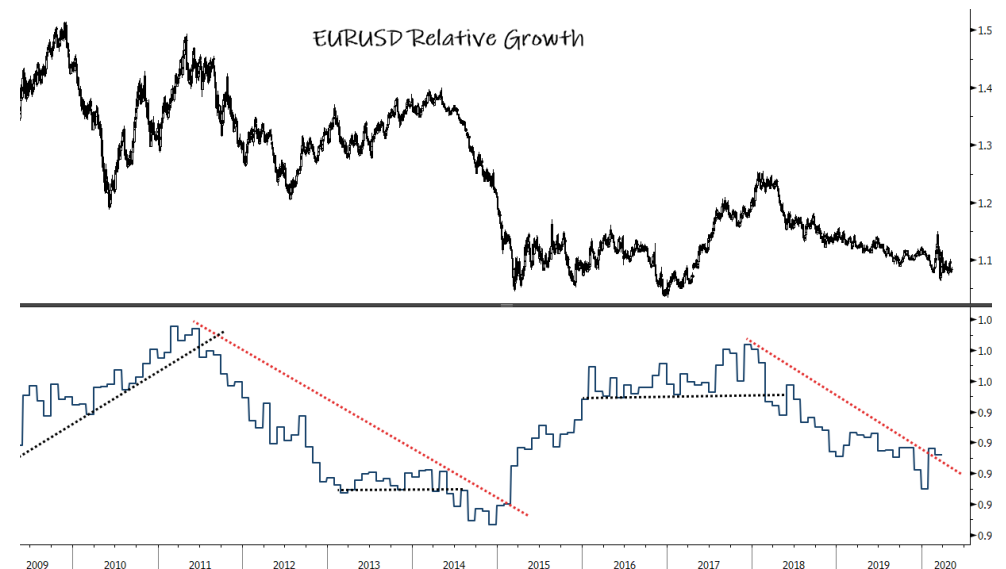
CoT Net Specs

Net specs have become very bullish over the last few months and are nearing cycle highs in positioning.



EURUSD Relative Growth

Growth is a big factor in bond pricing (yields) which are part of the total return equation which drives speculative flows that create FX trends. Lower relative growth is bearish and vice versa. The blue line below shows that EU-RUSD relative growth may have based and could be turning higher which would be supportive of a higher EU-RUSD price.



<b>The Four Pillars Portfolio</b>		<u>YTD Return</u>				
		10.08%				
<b>The Core</b>	<u>Allocation</u>					
<b>Large Cap Equities (/ES_M or VOO)</b>	25%					
<b>Short-term Bills (/ZT_M or VGSH)</b>	25%					
<b>Long-term Bonds (/ZB_M or TLT)</b>	25%					
<b>Gold (/GC_M or GLD)</b>	25%					
<b>Big Bets</b>	<u>Thematic</u>	<u>Cost Basis</u>	<u>At Risk</u>	<u>Notional %</u>	<u>Risk Point</u>	<u>Last Price</u>
Teekay Tankers (TNK)	Deep Value/Cyclical	\$20.30	100bps	4%	\$15.20	\$18.30
Overseas Shipholding Group (OSG)	Deep Value/Cyclical	\$2.27	200bps	9%	\$1.70	\$2.47
Cameco (CCJ)	Deep Value/Cyclical	\$7.25	Above B/E	10%	\$8.50	\$10.74
Bolloré (BOL)	Hidden Deep Value	\$2.46	100bps	10%	\$2.26	\$2.53
MXNUSD (6MM2020)	Swing	0.04191	100bps	--	0.04045	0.04189