



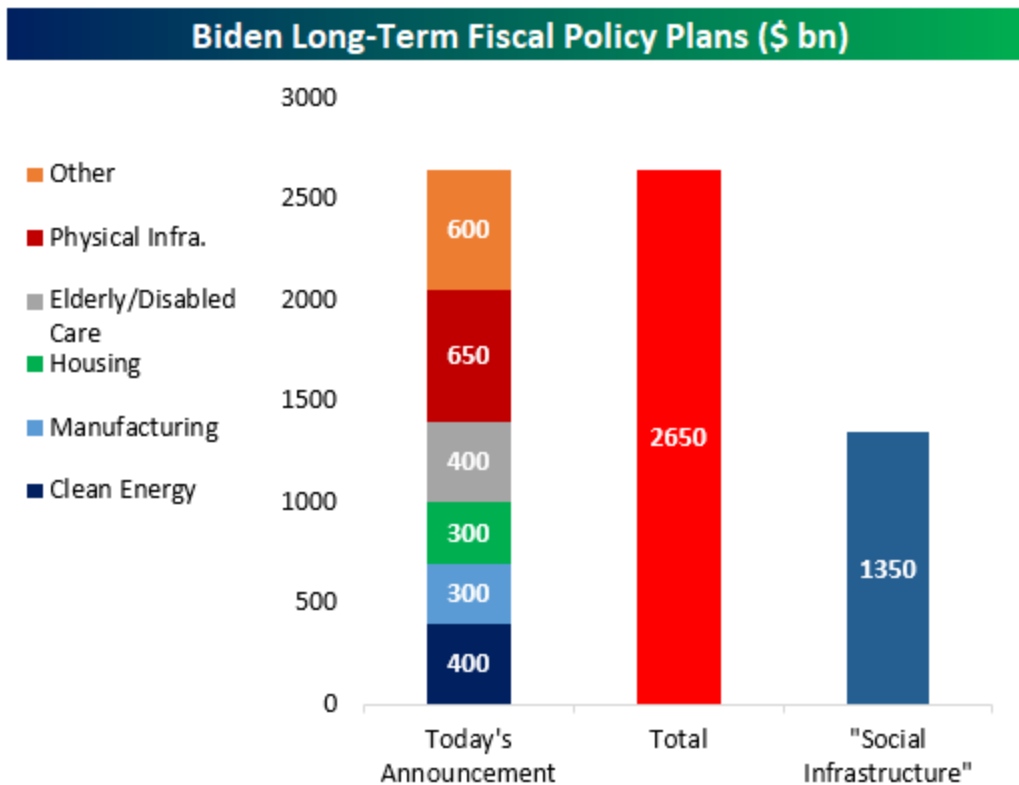
03/31/2021: Inflection Points Abound...

Hey gang, here's a quick note on some of the action going down today.

Biden will introduce his infrastructure bill in a speech this afternoon. It's important to remember that this is just a proposal. The details and numbers will change as it works its way through the belly of Congress. But the broad scope and path set by Biden does provide us a good idea on where Dems will drive this thing.

At first glance, it looks like the Dems are going for broke and acting as if they'll lose their majority in the coming midterms, which is probably the right move.

Biden's proposal is massive and calls for over \$2trn in spending spread out over 8-years with tax hikes paying for it over 15-years (here's the [Press Release from the White House](#)). There's zero chance this thing gets support from Republicans, so Dems will have to pass it through reconciliation (chart via Bespoke).





From a market perspective, this is additional fuel to the [bullish fiscal boost](#). We'll look to comment more as it makes its way through Congress.

It's still early in the day and we need to see how the afternoon plays out. But if the Nasdaq holds strong into the close, it'll be a good signal that the market is kicking off into the [Buy Climax](#) we discussed at the start of the week.

So far, broad measures of breadth are holding up but are not yet showing a ton of strength. We'd want to see these improve to confirm a bullish move in the indices.

Russell 3,000 (RAY Index) Short-term breadth



Another example here.

It's possible we see the indices go into a multi-week rally while internals (breadth and credit) slowly deteriorate. With trend fragility as high as it already is, this is something we need to be mindful of and on the lookout for.

Bloomberg NYSE New-High/Lows Sentiment Index





NQ and SPX are both in a [Bull Quiet Regime](#) while small-caps lag in an extended Bull Volatile, and continue their relative underperformance of the last few weeks.

Our TL Score improved from -2 to -1 yesterday, getting a boost on the liquidity side from improving credit spreads, shown here with LQD/IEF rebounding.

LQD/IEF & SPX



The reflation trade will probably continue to somewhat underperform growth and the Qs as long as yields don't get jumpy again.

So far, the overextension and positioning in bonds that I wrote about in "[Watch Your Six](#)" has kept yields at bay and supportive of another move higher in risk assets.

The steadying in yields is driving reals back down, which is putting a

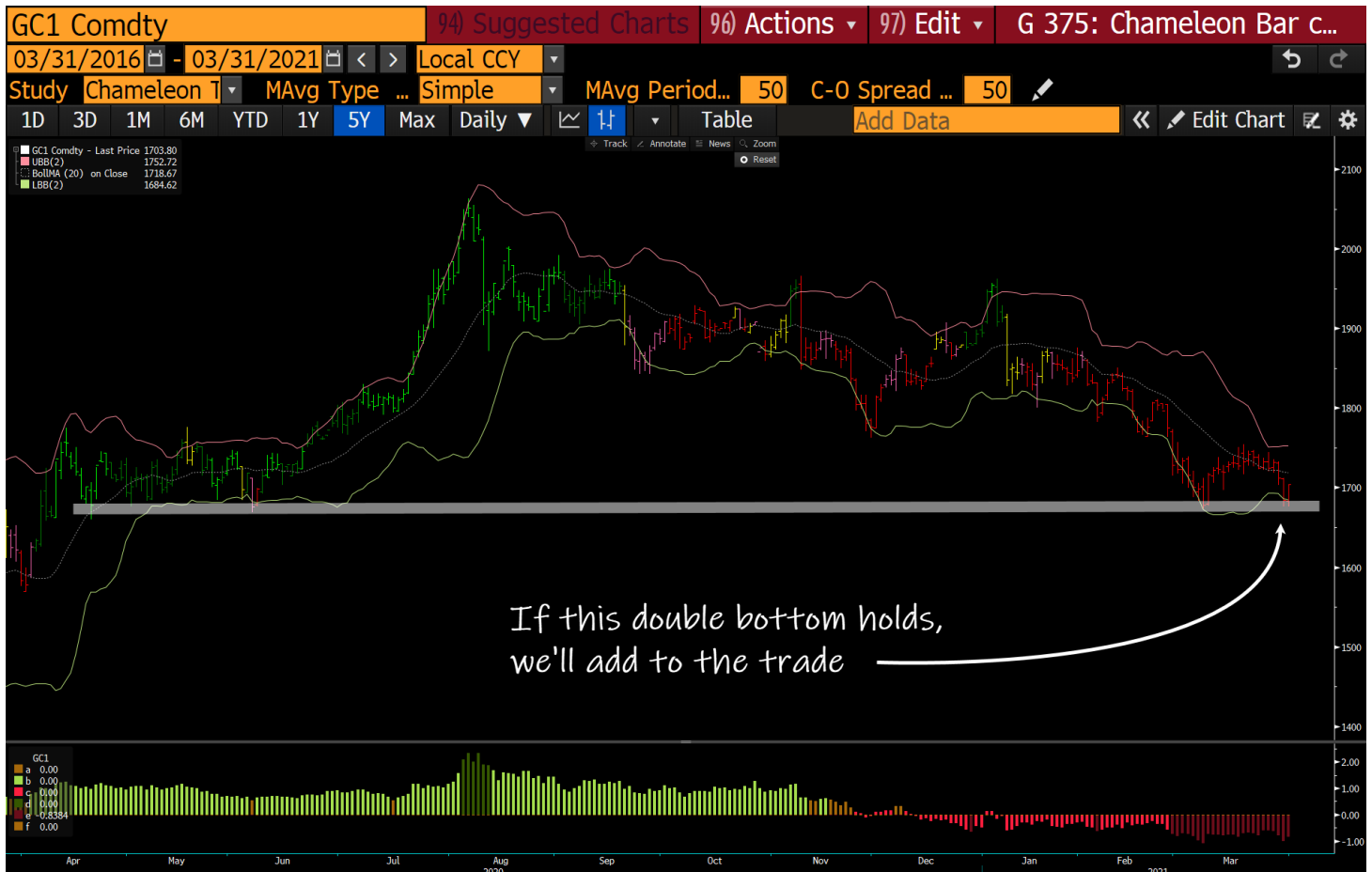
Gold & Real 30-year Yield (inverted) - daily





bid back under gold. It looks like we may get that textbook double-bottom that I pointed out in our last Trifecta Report and [Monday Dozen](#).

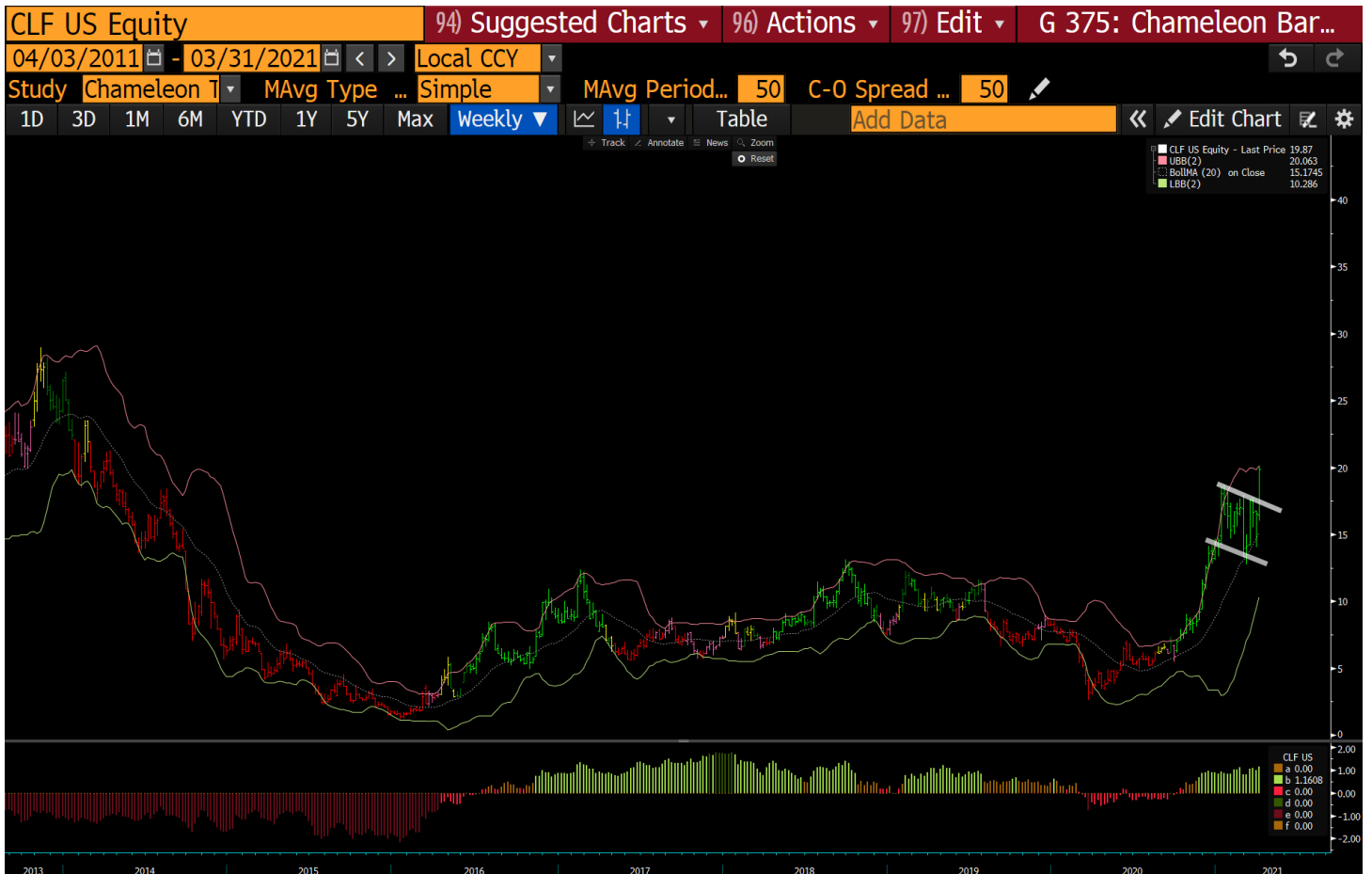
This morning gave us a great inflection point to enter. If price fails to hold this line, then the long trade gets sidelined for a while. But if it stays strong into tomorrow then we may look to add.



For those of you interested in playing this trade on the equity side, I suggest taking a look at Harmony Gold (HMY) and Newmont Corp (NEM). Both have great technicals and strong relative strength.

Steel producers are breaking out while in a clear primary uptrend. They are obvious beneficiaries of a major infrastructure package. We bought a small starter in Cleveland Cliffs (CLF) this morning.

The stock is trading cheap and has a great tape.



The counter-trend bull move in the US dollar is showing signs of exhaustion, while positioning has been fully reset.

We're going to start looking to test some USD shorts and one pair I'm eyeing is MXNUSD.

It's in a Neutral Regime and looks close to completing an inverted H&S bottom. There's a number of secular reasons to like this play. I'll be out with a note later this week outlining the longer-term bull case for the peso.



One last thing...

I shared this one in the CC last night. It's a daily chart of Ethereum (ETHUSD). It's coiled tight and looks ready to pop. We can't trade this one in the MO port. But I'm loading up on this in my personal account.



That's it for now. Hit me up in the CC if you've got any questions or comments.

Your Macro Operator,

Alex