



## 06/27/2021: 2018 Redux?

Back in April, I wrote about a few of the signposts we can use to identify the end of a Buy Climax in a note titled [Very Dangerous](#). Specifically, we discussed using the 250-day z-score of SPX's price and an SQN reading above 1.75 (or 2.5 for larger cyclical tops).

The last 'relaxed' signal (SQN > 1.75) triggered on April 16th which immediately preceded the most recent 2-months of sideways chop. This sideways regime has helped cool the tape and the SPX's z-score is now back to 1.66 and its SQN is firmly in Bull Quiet at 1.34 (yellow dots mark relaxed climax signals).



Additionally, the crypto market and more specifically the Alts pulled in large amounts of retail speculative flows at the start of the year, stealing the equity market's thunder. Which I outlined in the note [Crypto Killed The Equity Star](#).

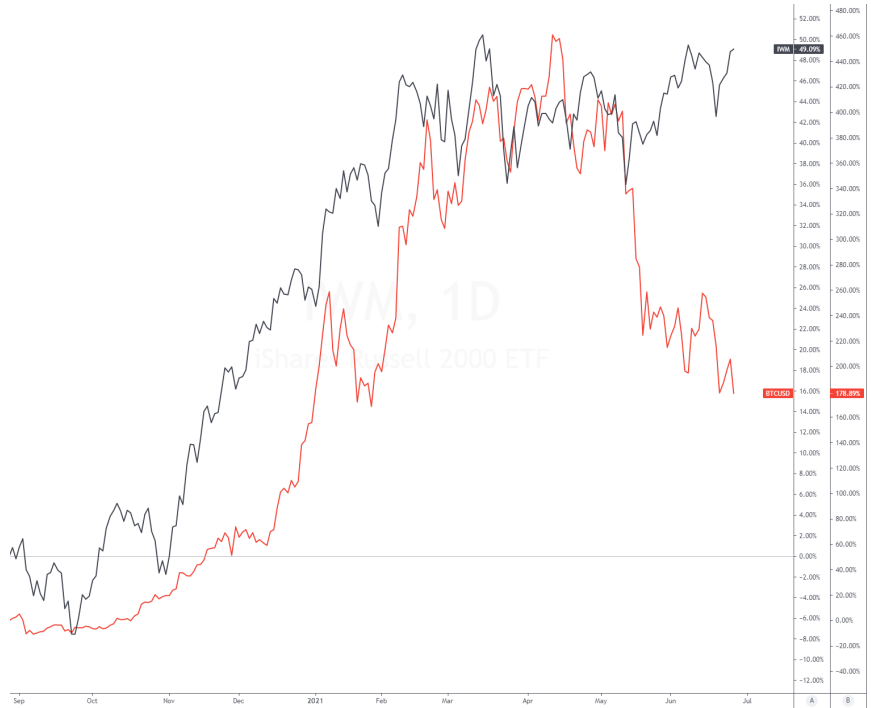
All this has kept the climax from *climaxing*, trend fragility from turning *critical*, and the general investor base from hitting that "over their skis" moment which often typifies the ends of these intermediate bull trends.



Meanwhile, we've seen the laser-eyed sh\*t coin speculative orgy deflate (red line). While equities have, rather impressively, stayed buoyant (IWM = black line).

We now have crypto at a potential oversold technical bottom. Breadth supportive and turning up from local lows. And credit (LQD/IEF) confirming the bull trend in risk-assets.

This gives us a supportive short-term backdrop for stocks. The noise we've been seeing the last few weeks looks to be converging on a bullish breakout. Raising the odds we may get a proper Buy Climax after all...

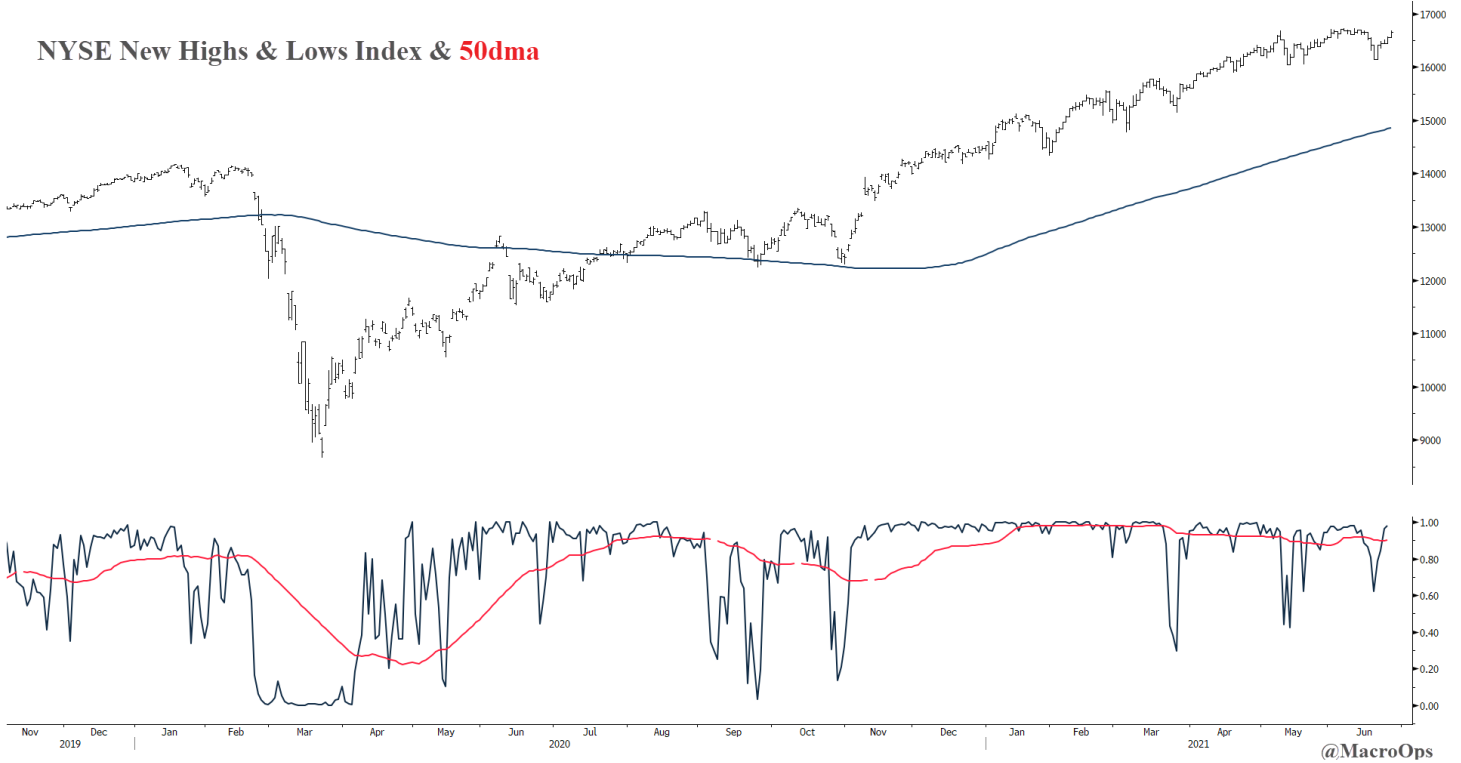


Nasdaq New Highs & Lows Index & 50dma



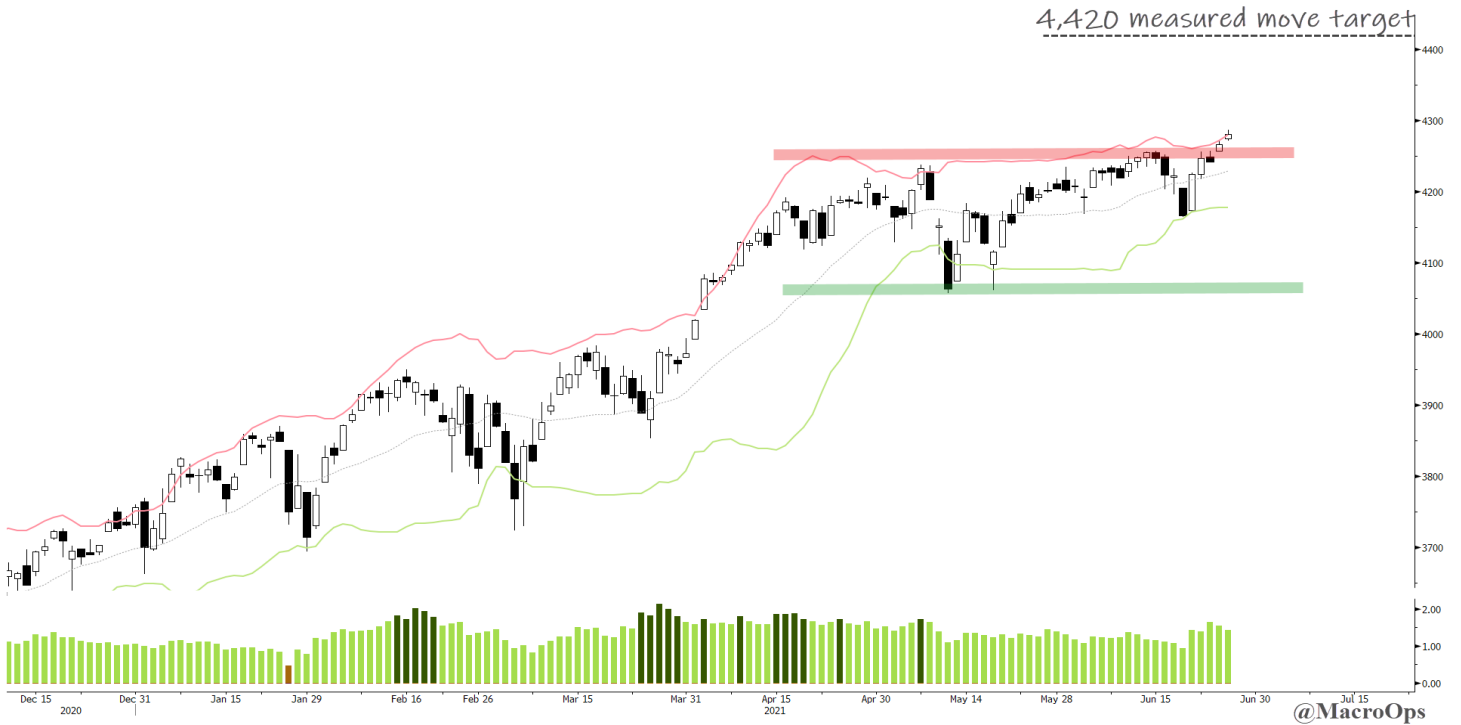


### NYSE New Highs & Lows Index & 50dma



SPX broke out above its 2-month sideways range last week. The Elon Musk approved measured move target is 4,420 or just over 3% above current levels.

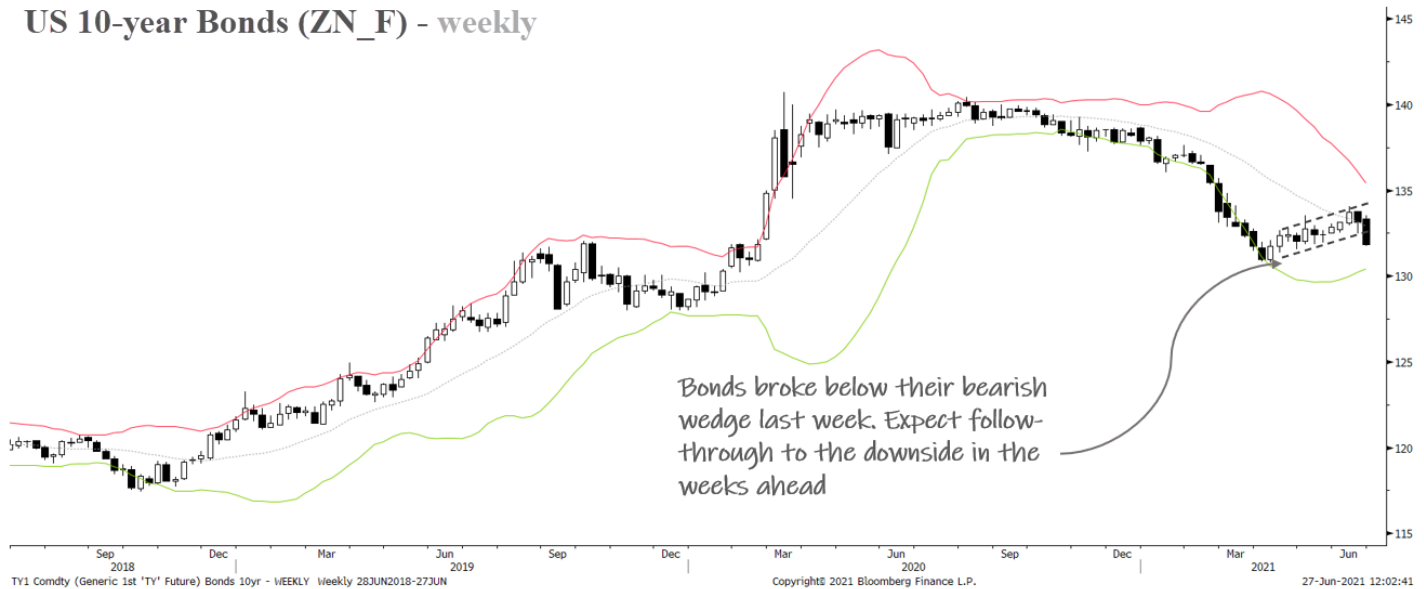
### SPX - daily





Bonds broke below their bear channel on Friday. We'll likely see downside follow-through this week (yields up). We'll be cutting our long bond hedge position on the open tomorrow.

## US 10-year Bonds (ZN\_F) - weekly



An interesting development to watch over the coming weeks is how swiftly the [narrative pendulum](#) swings back to a consensus focus on strong economic growth and away from any negative concerns, such as COVID and the vaccine rollout.

I'm already beginning to see this bullish brain worm spread in the Twittersphere and within the mainstream news.

**US economy grows 6.4% in Q1, and it's likely just the start**

By MARTIN CRUTSINGER June 24, 2021

**BUSINESS**

7 minute read

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ASSOC **The US economy is set to grow at the fastest pace since 1984 thanks to stimulus and the rapid vaccine rollout, the OECD said**

Harry Robertson May 31, 2021, 8:02 AM

June 24, 2021  
12:18 PM CDT  
Last Updated 4 days ago

**Business**

**U.S. labor market healing; businesses boost spending as profits rebound**

Lucia Mutikani

President Biden's Economic Plan is Working – World Bank Projections for U.S. Growth Almost Double Since January 2021

June 9, 2021

The narrative itself is correct. The economy *should* do very well in the year ahead as supply bottlenecks get resolved and excess savings begin to get drawn down.



But, in markets, **it's not about what's true but about how much of that truth is being priced in.** We haven't hit peak "growth" narrative yet but we're definitely picking up momentum in that direction.

In many ways, the current macro backdrop reminds me of late 2017. Back then markets had enjoyed a year plus of relentlessly grinding higher. The move was fueled by a large credit impulse out of China helping put a floor under global demand.

Eventually, by late 2017, the entirety of non-believers had been converted over to the bull side. Sentiment followed the price as it always does... And going into the turn of the year, the term "melt-up" was on everyone's tongue.

The narrative pendulum had swung to a consensus... That consensus was all: *Economic growth would continue to run hot, yields had only one way to go - higher, and stocks would melt, melt, melt up...*

Equities *did* of course melt-up and yields *did* run higher at least until they didn't and the stock market triggered a cyclical Buy Climax signal at the end of Jan 18'. It then rolled over into a volatile 18-month sideways regime.

It's impossible to know when we'll hit a similar extreme on the narrative pendulum. It all depends on how steadily the market rises — sooner if it goes vertical and later if we keep seeing these minor corrections and sideways regimes.

So while trend fragility is high, it can remain so for days, weeks, or even months. Trend fragility needs a catalyst to trigger and that catalyst nearly always comes in the form of higher rates or unexpected slower growth. In this case, the former is more likely.

### **Update on the precious metals (PMs) trade**

With only three days left in the trading month, it looks as though both gold and silver will have a weak close for June.



## Gold Monthly

*Big reversal from its bull flag breakout. There are 3-trading days left in the month and gold needs to bounce here or else odds rise we go back into an extended sideways range before the next leg up*



Combine this with the current risk-on breakout we're seeing in stocks and the odds are high we see PMs consolidate and chop sideways to slightly lower for the time being. On a positive note, this will help wash out long positioning that had become somewhat crowded.

I still love this trade longer-term and we'll look to add to our position once this Buy Climax has run its course. But, in the meantime, we'll be taking profits on our Hecla Mining (HL) position while raising the stops on our long gold (GC\_F) to break even.

This week we'll be looking at making some additions/changes to our energy book and updating our bullish Nat Gas thesis as well as commenting on our holding Antero Resources (AR) aka. *The Juggernaut*. Also, we may get back into our long Russell 2k (RTY\_F) trade or buy some S&P futures here. We'll be sending out a trade alert if and when we do.

### The MO Heads Up Display (MO HUD)

*We are drowning in information while starving for wisdom. The world henceforth will be run by synthesizers, people able to put together the right information at the right time, think critically about it, and make important choices wisely. ~ Edward O. Wilson*

We're soft-launching the dashboard (aka the MO HUD) that the team and I have been working on since the start of the year. You can find the [link to it here](#).

This is still very much an early V1. We're making changes and adding new features and will be sharing updates as they roll out.



Our aim with the HUD is to build a dashboard that has all the critical information needed to make a positive EV trade and nothing more.

And to be honest, we're building it out for somewhat selfish reasons. We want to be able to perform unique multi-faceted analysis on an asset without having to log in to our Bloomberg terminal and wait for the clunky UI to load each of the pertinent charts. Plus, with the HUD we're able to create custom graphs and indicators that just aren't possible to make on the terminal.

Over the coming weeks, we'll be putting out writeups and videos walking the group through how we use each tool to build out context in an effort to make better decisions.

The HUD is for all of us. So if there's ever something you think would be really cool to have. Just let me or @Octavio or @Steve Hallett know and we'll see if we can cook it up.

Stay safe and keep your head on a swivel!

Your Macro Operator,

Alex