ACTIONABLE IDEAS FOR THE ACTIVE INVESTOR

ALPHA INSIGHTS

VOLUME 4 ~ REVIEW & OUTLOOK ~ ISSUE 12

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Executive Summary: Top-Down

❑ The S&P 500 index posted a new all-time record high during the month of November, but then reversed lower to end the month down 0.69%. YTD, the benchmark index has logged a total return of 23.18%. Technology and Consumer Discretionary made the largest contributions during the month, while Communications and Financials were the biggest detractors. The Nasdaq 100 gained 2.00% for the month, while the Russell 2000 declined 4.33%. 10-year Treasury yields fell by 12 basis points to close the month at 1.44%.

❑ U.S. market participation has utterly collapsed in November. The percentage of NYSE stocks now trading above their 200-DMA fell to under 45%. The same measure for the Nasdaq plunged to just 28%, while new 52-week lows on the index rose to 628, the highest level since the March 2020 lows. On the one hand, it's possible this strange coincidence is indicating that the broad market has reached a deep oversold level. On the other hand, a high number of new 52-week lows piled up even as the Nasdaq Composite was scaling its all-time record highs just last week. Both the all-issues version of the Advance-Decline Line and the common stocks only version failed to confirm the S&P's price action in November, and both have since rolled over. S&P 500 internals have turned decidedly negative.

❑ Valuations continue to defy reason. Total US Market Cap-to-GDP closed the month of November near an all-time record extreme at 206%. That compares to a prior cycle peak of 143% recorded in March of 2000. The Shiller Cyclically-Adjusted Price-to-Earnings ratio (CAPE) closed the month above 40x for the first time since the Dot-Com Bubble. The S&P 500 Dividend Yield remains a paltry 1.2%, while the Price-to-Sales ratio for the benchmark index posted a new all-time record extreme of 3.2x, even exceeding its March 2000 extreme -- this is due in large part to the exorbitant valuations of the FANGMT mega-cap darlings and their > 20% weight in the index.

❑ Q3 earnings growth came in at half their Q2 growth rate, while upside EPS surprises compressed dramatically vs. Q1 and Q2. Analyst's estimates are finally catching up to reality, which leaves very little margin for error going into Q4. Moreover, GDP growth expectations for this year and next have slipped further to 5.5% and 3.5%, respectively. Inflation, continues to run hot, breaking out to levels not seen in over 30 years on some measures. Inflation expectations, as measured by the 5-year TIPS breakeven rate, continue to edge higher, hitting a record 2.99% in November. Meanwhile, Fed Chairman Jerome Powell, after receiving the nomination for a 2nd term, indicated that the central bank would discuss accelerating the time table for tapering asset purchases at the December FOMC meeting.

❑ Our weight of the evidence methodology continues to highlight a number of important fundamental and technical warning signals, which have kept us alert to the risk of a potential market top. However, based upon the strength of the long-term trend, we are maintaining our bullish strategic outlook for US equity markets at this time, and reiterating our target prices as follows: SPX 4800, MID 3000, SML 1600. We have posted a bearish alternate count in our Elliott Wave analysis this month as a food-for-thought exercise only.

Executive Summary: Bottom-Up

❑ Our Strategic Risk Allocation Model continues to overweight equities, following the monthly bullish signal triggered in December 2020. Our Strategic Stock/Bond portfolio allocation remains at 80/20. Looking forward, the 2021 cycle composite consisting of the historical one-year seasonal cycle, the four-year Presidential cycle, and the 10-year decennial cycle projects a period of high volatility into year-end, but ultimately the market appears poised to end the year higher. We highlight Montgomery's turn dates.

❑ Our monthly analysis of the eleven S&P 500 sectors ranks Energy, Discretionary and Technology as core leadership. Financials remain strong, but have weakened over the past several weeks. Materials and Industrials are showing significant improvement. Laggard sectors now include REITs, Staples, Utilities, Health Care, and Communications in descending order. We downgraded Communications to Neutral this month following a breach of key support.

❑ Large-cap growth handily outperformed everything, but smid-cap value outperformed smid-cap growth during the month. From a factor perspective, High Quality held up best, followed by Low Valuation, ESG, and Low Volatility, but nothing really led. Liquidity and Momentum were the biggest losers during the month, followed by High Dividend, Small Market Cap, and High Beta.

❑ We detail our complete list of S&P 500 leaders and laggards by sector. Herein, we identify those issues that we expect to outperform, and those that we expect to underperform during the month of December based upon their RS-Momentum score in November. Historically, this strategy has consistently generated positive alpha since its inception in August of 2018.

❑ We have highlighted several actionable bullish trade set-ups, where we consider the shares of SRTS, JNPR, ANSS, CME, and GWW to be timely for new long positions. We have also highlighted several actionable bearish trade set-ups, where we consider the shares of PDD, JOBS, FVRR, BEPC, and XBI to be timely sources of funds.

❑ Overseas markets broadly underperformed US markets by about 350 bps in November. Switzerland held up best (-0.90%), while Spain (-10.2%) was the largest detractor. We recommend overweight exposure to India, Russia, Canada, France, and Italy. We recommend underweight exposure to China, Spain, Germany, South Korea, and Brazil. We downgraded Germany to Neutral.

❑ On the macro front, commodities got pummeled last month led by a 20% collapse in WTI crude oil. Crypto saw mixed results during the month. We upgraded our opinion on the US Dollar index to Bullish and established a price target of 115. EURUSD is essentially the reciprocal of the US Dollar index, but we remain neutral for now, along with JPYUSD. 10-year Treasury Notes caught a bid as global equities came under pressure last month, but we are maintaining our Bearish view in light of the Fed's tapering plans.

SUMMARY OF OUR MACRO TILTS

Changes are highlighted in **bold italics**.

- Overweight Equities <u>vs</u> Fixed-Income

- Overweight **Mid**-Cap vs Large-Cap

- Overweight Growth <u>vs</u> Value

- Overweight High Beta <u>vs</u> Low Valuation

- Overweight Domestic <u>vs</u> Foreign

- Overweight Developed <u>vs</u> Emerging

- Overweight: Energy, Discretionary, **Tech**

- Underweight: **Comm, Health Care,** Utilities

- Overweight Short <u>vs</u> Long Duration

- Overweight Inflation Protected <u>vs</u> Fixed-Rate

- Overweight Corporate <u>vs</u> Government

- Overweight High Quality <u>vs</u> Low Quality

- Overweight U.S. Dollar <u>vs</u> Non-Dollar

- Overweight Crypto <u>vs</u> Foreign Exchange

- Overweight Commodities <u>vs</u> Cash

- Overweight Industrial <u>vs</u> Precious Metals
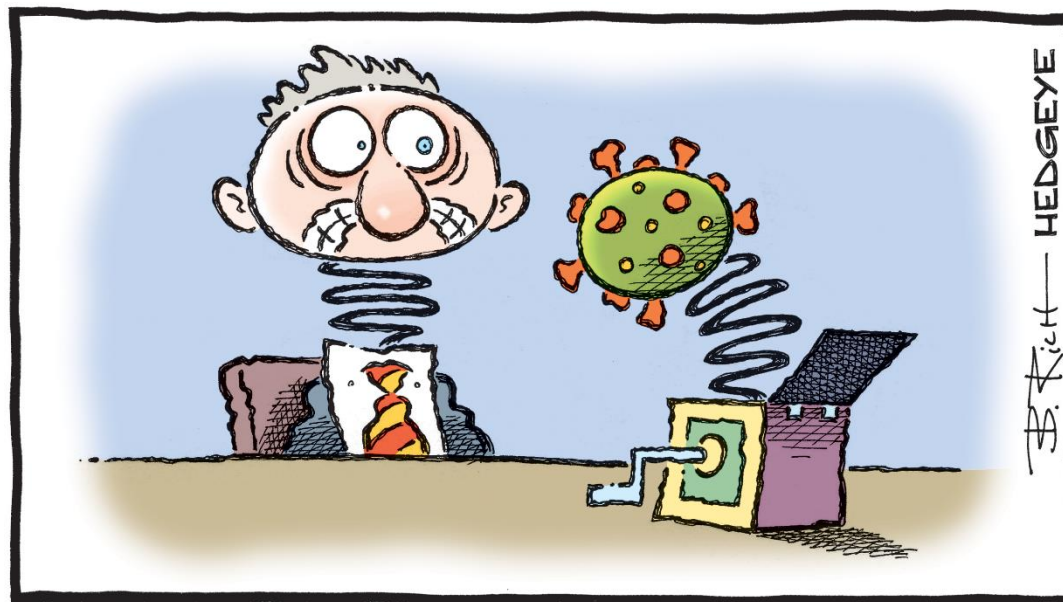
Source: Hedgeye.com

U.S. Equity Markets

❑ Strategic Risk Allocation Model

❑ Large-Cap

❑ Mid-Cap

❑ Small-Cap

❑ Asset Class, Factor, & Style Box Leadership

❑ Breadth, Sentiment, Valuation, Earnings, Margin Debt, Fiscal & Monetary Policy, Yield Curve, & Inflation

Strategic Risk Allocation: 80/20

The model seeks to optimize portfolio exposure to equity assets relative to fixed-income assets across three potential strategic Stock/Bond allocation preferences: Risk-On = 80/20; Neutral = 50/50; and Risk-Off = 20/80. The current model condition is Risk-On as of 12/31/20. A decline of 5.5% in the model (basis monthly close) would trigger a Neutral signal.

Risk-On / Risk-Off Model

Model Condition: **Risk-On**
Latest Signal: **12/31/20**
Risk Allocation: **80/20**

30-Nov-2021 Open 1.189 High 1.223 Low 1.154 Close 1.155 Chg -0.029 (-2.44%)
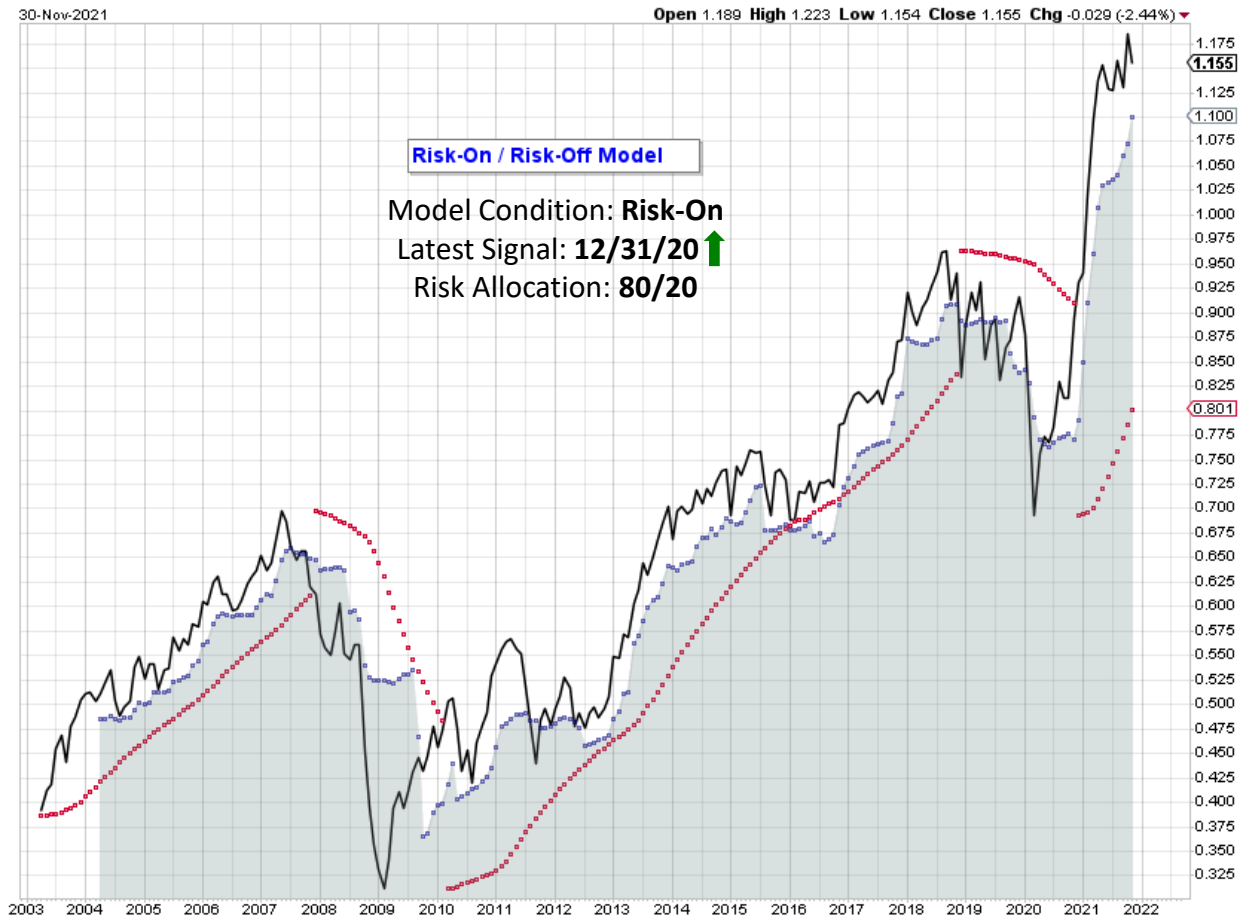
Source: StockCharts.com

2021 Cycle Composite: Volatility

The S&P 500 posted an interim high on September 2nd, three weeks after the August 6th peak projected by the Cycle Composite line. The index then proceeded to decline into what can now be defined as its October 4th swing low before rallying aggressively to new all-time highs. The cycle composite line now projects a series of abrupt peaks and troughs into year-end. The November 26th/30th lows align with the projected November trough. The next peak is slated for early-December. This coincides with a *major* Montgomery cycle turn date on **December 4th**, followed by a projected mid-December trough, which coincides with a *minor* Montgomery cycle turn date on **December 18th**. A final peak is projected at year-end, ahead of yet another *minor* Montgomery cycle turn date on **January 2nd** (+/- 1 trading day for all cycle turn dates).
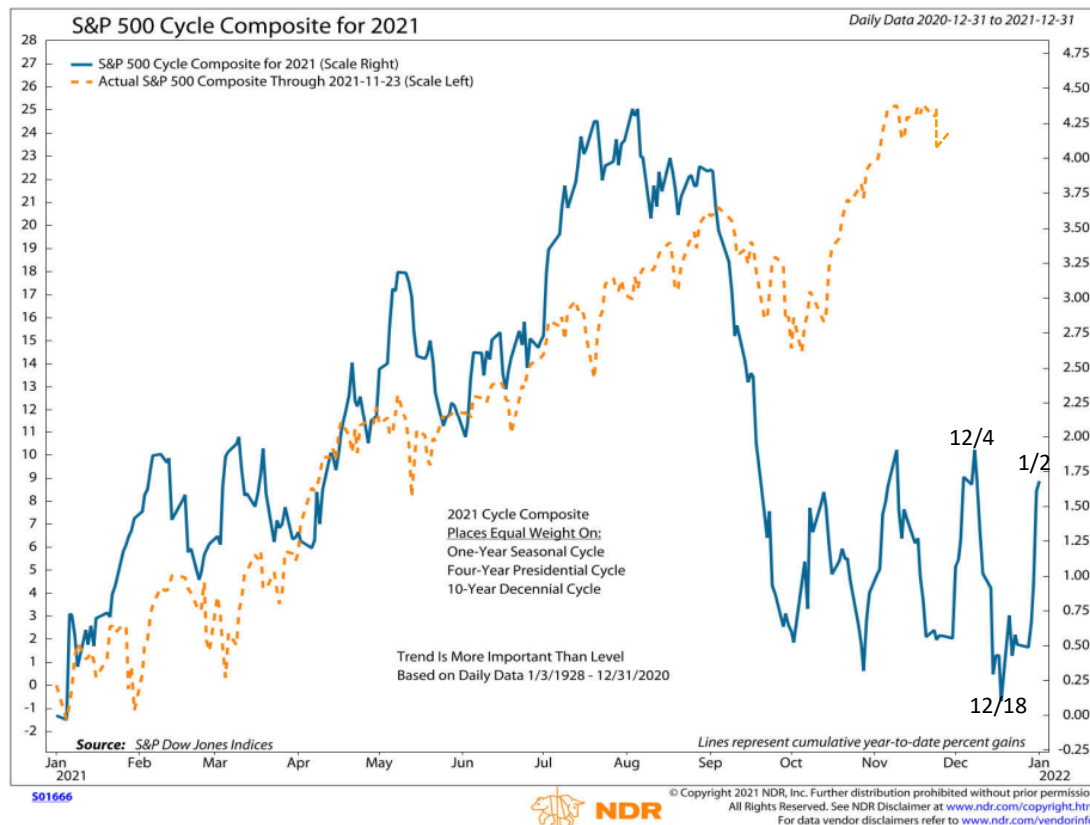
Source: Ned Davis Research

ELLIOTT WAVE ANALYSIS: NEAR THE TOP?

Cycle degree *wave V* began on March 9, 2009…Primary degree *wave (5)* began on March 23, 2020.

Preferred Count:

Wave (5) of V Up in Progress

Alternate Count:

Wave (5) of V Up Complete

Source: StockCharts.com

U.S. Large Cap S&P 500 Index
Bullish (+21.59% YTD)

Observations:

- **Price** closed November down 0.83% after posting a new all-time high. A primary uptrend remains intact.

- **Momentum** is decidedly positive, but remains below trend resistance, after posting a new 20-year high in April. As such, a negative divergence persists.

- **Relative strength** of large-cap stocks vs. the S&P Composite 1500 has resumed its bullish reversal after collapsing from a 10-year high last September.

- **Trend Bullish: Above 4278**

- **Trend Bearish: Below 3588**

Conclusions:

- **Benchmark weight.** The long-term trend remains constructive, and the new all-time high supports the strategic bull case. Yet, the weak monthly close and negative divergence evident in the structural momentum study gives us some cause for concern. Our detailed analysis of fundamental and economic data points to additional potential risks. Maintaining our Bullish technical view for now. A monthly close below 4278 would move our view to neutral. A close below chart support at 3588 would warrant a downgrade to bearish.

- **Target = 4800**

Source: StockCharts.com

U.S. Mid Cap
S&P 400 Index
Bullish (+17.43% YTD)

Observations:

❑ **Price** closed November down 3.06% after posting a new all-time high. A primary uptrend remains intact.

❑ **Momentum** remains positive after a sharp reversal lower from the all-time record high in April. As such, a negative divergence persists.

❑ **Relative strength** vs. S&P Composite 1500 has rolled-over after staging an impressive bullish reversal from a 15-year low in 2020.

❑ **Trend Bullish: Above 2619**

❑ **Trend Bearish: Below 2109**

Conclusions:

❑ **Overweight.** The long-term trend remains constructive, and the new all-time high supports the strategic bull case. Its relative performance drag vs. the senior index may improve if the dominance of large-cap tech begins to fade. We're maintaining our bullish technical view, and would favor mid-caps over large-caps. A monthly close below 2619 would move our rating to neutral. A close below structural support at 2109 would warrant a downgrade to bearish.

❑ **Target = 3000**

$MID S&P 400 Mid Cap Index INDX   © StockCharts.com
30-Nov-2021   Open 2800.77 High 2925.93 Low 2703.36 Close 2708.65 Volume 65.7B Chg -85.46 (-3.06%) ▼

Source: StockCharts.com

U.S. Small Cap
S&P 600 Index
Bullish (+20.04% YTD)

Observations:

- ❑ **Price** closed November down 2.42%, posting a new all-time high. A primary uptrend remains intact.

- ❑ **Momentum** remains positive and may have arrested its decline, after reversing sharply lower to penetrate trend support from the February all-time record high.

- ❑ **Relative strength** vs. S&P Composite 1500 has rolled-over after staging an impressive bullish reversal from a 15-year low in 2020.

- ❑ **Trend Bullish: Above 1301**

- ❑ **Trend Bearish: Below 1098**

Conclusions:

- ❑ **Underweight.** The long-term trend is still constructive. Small-caps are relatively under-owned and under-valued when compared to large-cap stocks. While the relative strength of small-cap stocks has been under pressure in recent months, a rising rate environment could benefit financials, which dominate the index. A monthly close below 1301 would move our view to neutral. Monthly close below chart support at 1098 would warrant a downgrade to bearish.

- ❑ **Target = 1600**

Source: StockCharts.com

GLOBAL ASSET CLASS LEADERSHIP

△	Global Asset Class Rank	NOV Return	TTM Return
↑	1. U.S. Equities (VTI)	- 1.5%	+ 26.8%
	2. Commodities (GCC)	- 5.5%	+ 19.5%
	3. U.S. Real Estate (VNQ)	- 2.1%	+ 31.6%
	4. Benchmark (AOR)	**- 1.2%**	**+ 11.9%**
↑	5. Gold Bullion (GLD)	- 0.7%	- 0.7%
↑	6. Int'l Fixed-Inc (BNDX)	+ 1.1%	- 1.2%
↓	7. U.S. Fixed-Inc (BND)	+ 0.2%	- 1.4%
	8. Int'l Equities (VEU)	- 4.3%	+ 10.4%
	9. Int'l Real Estate (VNQI)	- 4.0%	+ 6.4%

Global Asset Rotation Model

Source: StockCharts.com

Benchmark: 60% MSCI All-Country World Index / 40% Barclay's Global Aggregate Bond Index
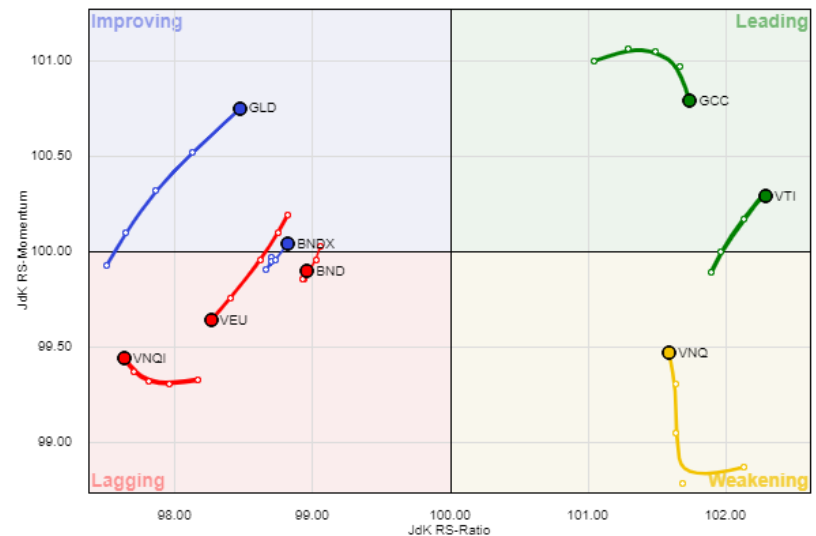
U.S. Factor Leadership

U.S. Factor Rank	NOV Return	TTM Return
1. High Beta (SPHB)	- 2.6%	+ 45.5%
2. Momentum (MTUM)	- 4.0%	+ 17.8%
↑ 3. Env/Soc/Gov (SUSA)	- 1.5%	+ 28.8%
4. Benchmark (VTI)	**- 1.5%**	**+ 26.8%**
5. High Quality (QUAL)	- 0.6%	+ 27.2%
6. High Liquidity (VFLQ)	- 4.5%	+ 25.0%
↓ 7. Small Market Cap (SIZE)	- 2.7%	+ 24.6%
8. Low Volatility (USMV)	- 2.1%	+ 15.7%
9. High Dividend (HDV)	- 3.8%	+ 13.2%
10. Low Valuation (VLUE)	- 1.0%	+ 23.0%

Benchmark: CRSP U.S. Total Market Index

U.S. Factor Rotation Model
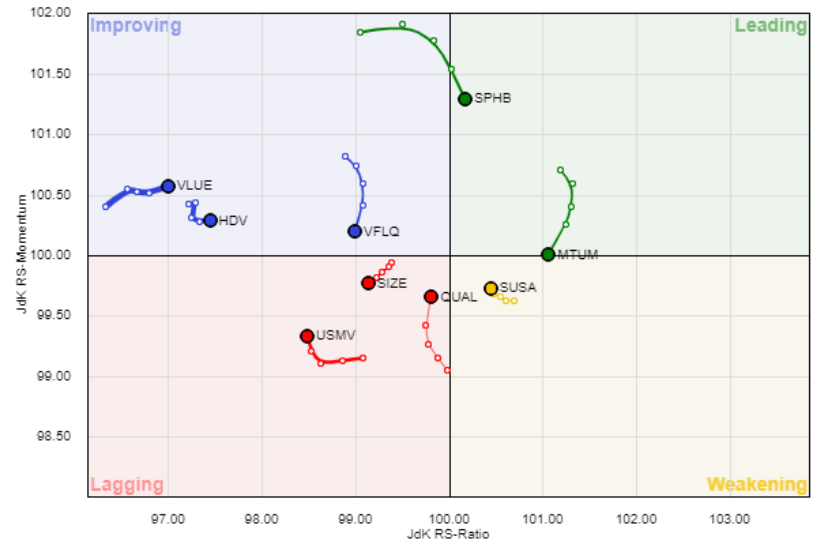
Source: StockCharts.com

U.S. Style Box Leadership

U.S. Style Box Rotation Model

△ U.S. Style Box Rank	NOV Return	TTM Return
1. Large-Cap Growth (IWF)	+ 0.6%	+ 30.5%
2. Small-Cap Value (IWN)	- 3.6%	+ 32.8%
3. Benchmark (IWV)	**- 1.4%**	**+ 26.3%**
4. Mid-Cap Value (IWS)	- 3.1%	+ 26.0%
5. Mid-Cap Growth (IWP)	- 4.3%	+ 17.5%
6. Large-Cap Value (IWD)	- 3.6%	+ 21.9%
7. Small-Cap Growth (IWO)	- 5.0%	+ 11.6%

Source: StockCharts.com

***Benchmark:** Russell 3000 Index*
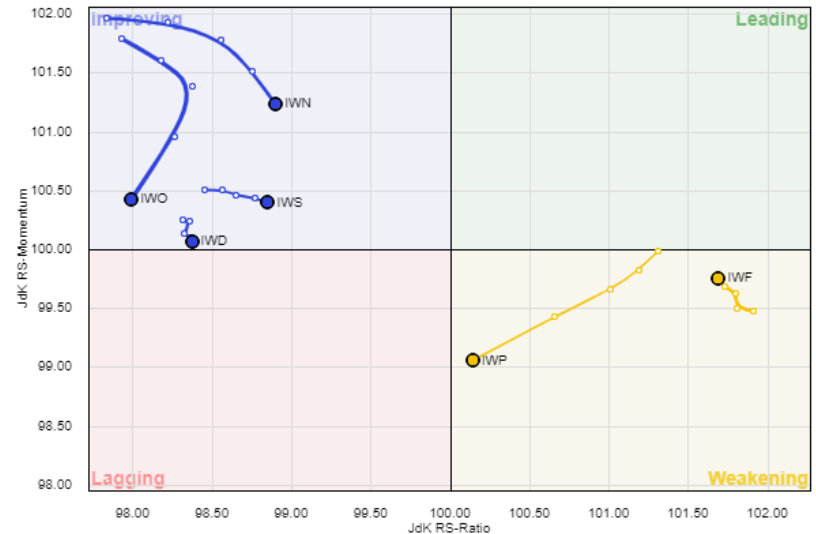
Market Participation: Collapsing

NYSE % Stocks Above 200-DMA

NASDAQ % Stocks Above 200-DMA
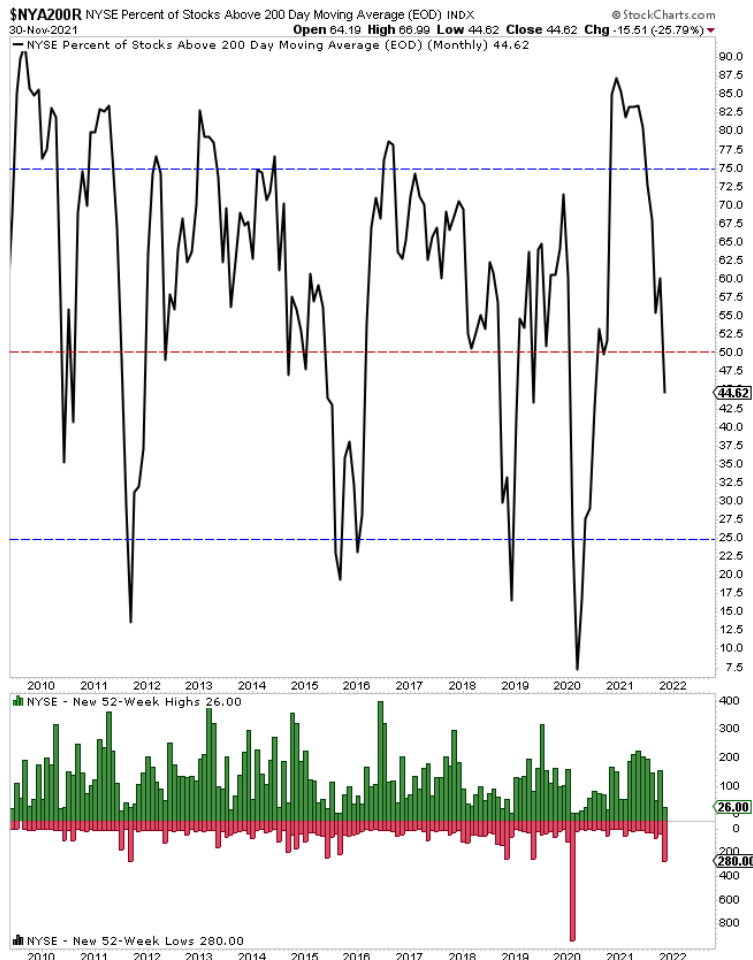
New
52-Week
Highs
and
Lows
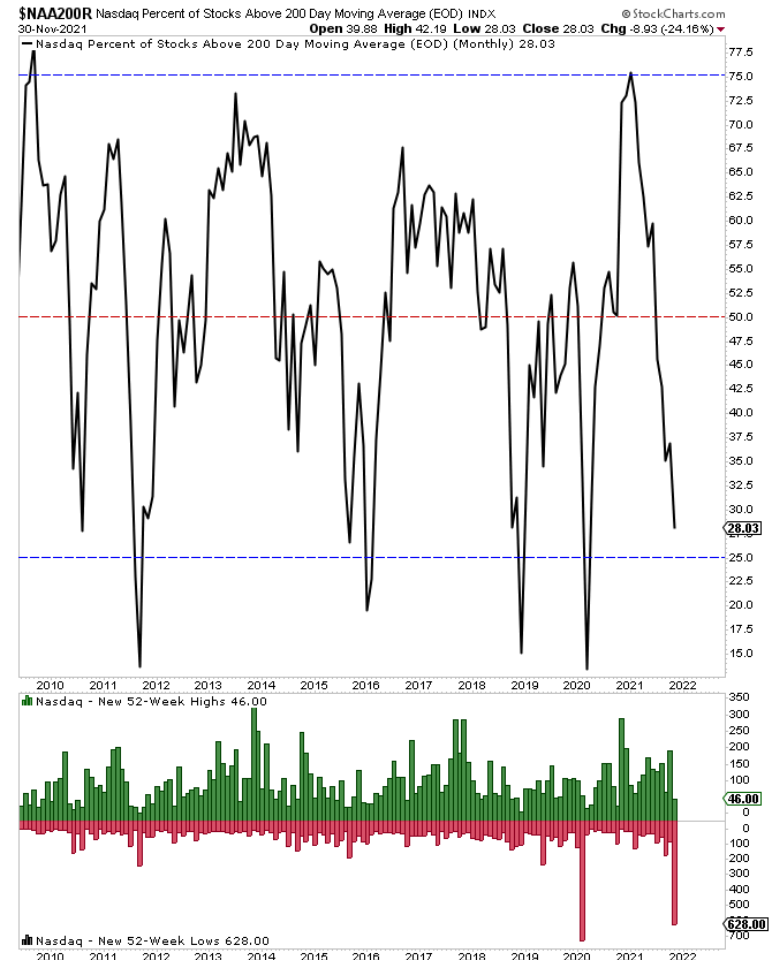
Source: StockCharts.com

Advance-Decline Line: Breakdown!

While the All-Issues version of the A/D Line logged a new ATH in November, the Common Stocks Only version failed to confirm the recent new ATH in the S&P 500 index. This non-confirmation between the two indicators also constitutes a Negative divergence. Since then, these key breadth indicators have turned sharply lower, both breaching their respective 50-DMAs.

Source: StockCharts.com

S&P 500 Internals: Remain Weak

The 5-week breadth, momentum, and net advancing volume measures remain weak. Breadth and momentum have both turned negative after failing to confirm the recent new ATHs in price. These glaring negative divergences illustrate a weakening in the underlying strength of the market's uptrend. The up/down volume ratio closed the month at a paltry 0.08x, and averaged just 0.70x over the past 5 weeks.
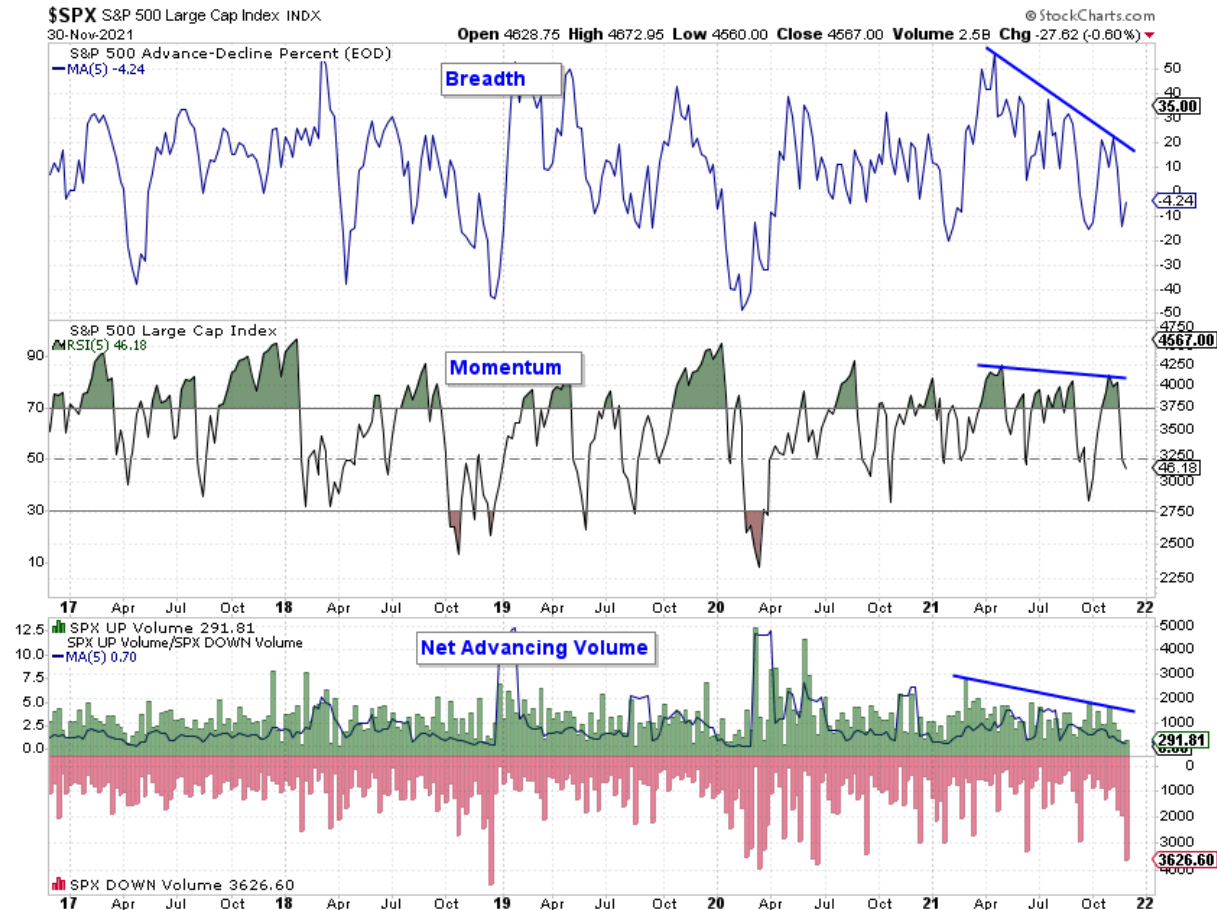
Source: StockCharts.com

Volatility: Rising

Volatility, as measured by the VIX, has reversed back above the lower boundary of the neutral zone. The trend since March 2020 has been defined by a series of lower highs and lower lows; but since mid-2017, by a series of higher highs and higher lows. While optimism had been building over the past year, the index never reached its prior bull market extremes. Indeed, the VIX has been diverging negatively (*i.e. posting a higher low*) even as the S&P 500 index made its latest ATH in November, a potential bearish signal.

Source: StockCharts.com

Investor Sentiment: Optimistic

The Equity Put/Call Ratio's 10-DMA remains deep in the zone of optimism, but has yet to test its prior bull market extremes. Historically, past lows have tended to correspond to important market tops, making this a potential contrarian bearish signal to watch.
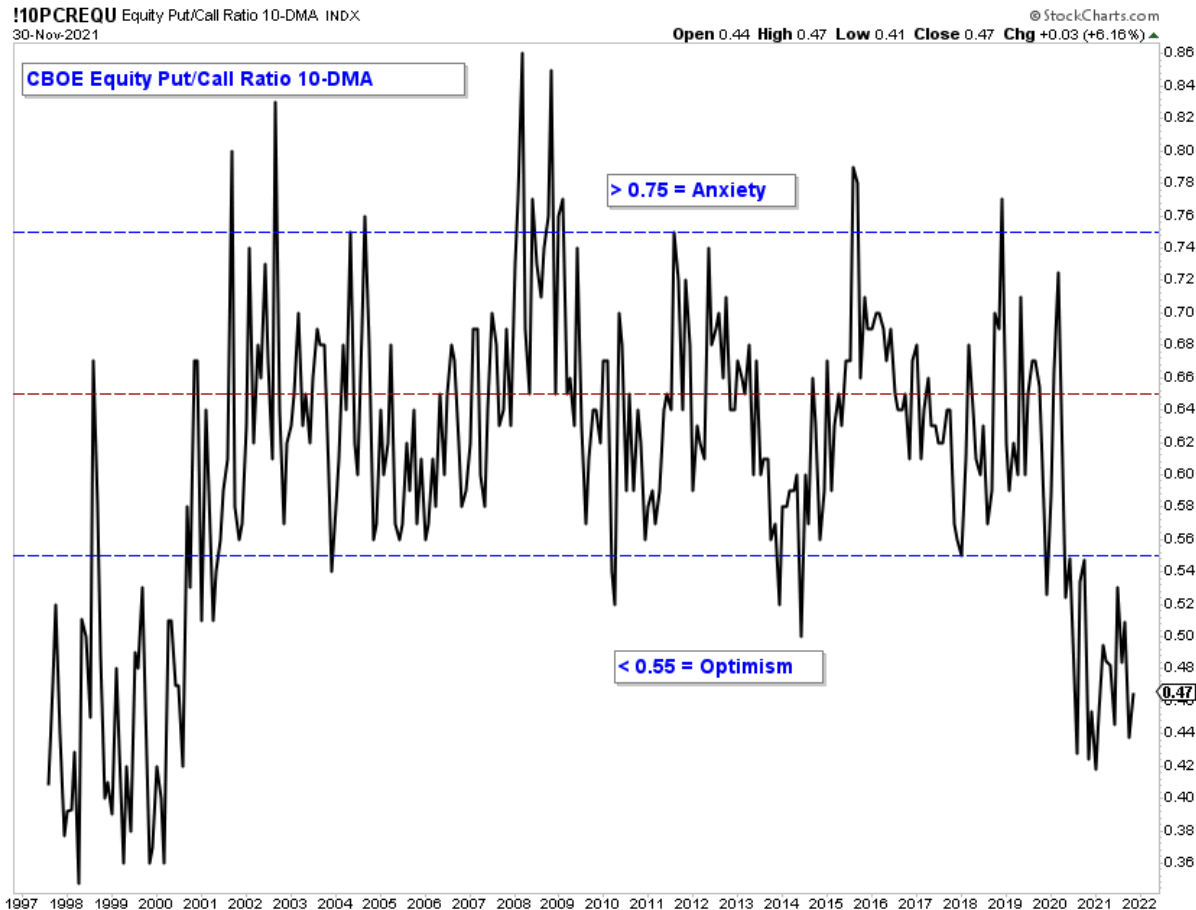
Source: StockCharts.com

Margin Debt: ROC Peaked/reversed

Total margin debt jumped by $30.8B to $935.9B in October to a new all-time record high. Y/Y growth actually peaked in March at 71% and has since reversed lower to just 39%. As a percent of total market cap, margin debt is back up above 2%, but is still holding well-below its March 2000 and October 2007 peaks.
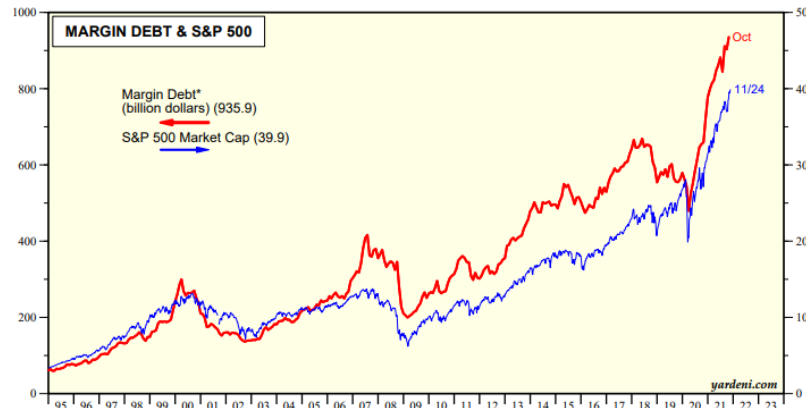
Source: Yardeni.com as of 11/25/21

Valuations: Historically Extreme

Total U.S. Market Cap-to-GDP closed the month at 206.5%, just below its all-time record extreme. That compares with its prior cycle high of 142.9% recorded in March of 2000. In addition, the Shiller Cyclically-Adjusted Price-to-Earnings ratio (CAPE) closed the month at 40.3x vs. its March 2000 record high of 44.2x, and a historical average of 17.2x. The S&P 500 Dividend Yield continues to plumb the year 2000 lows, while its Price-to-Sales ratio remains at an all-time record high of 3.2x, exceeding the March 2000 extreme by > 50%.
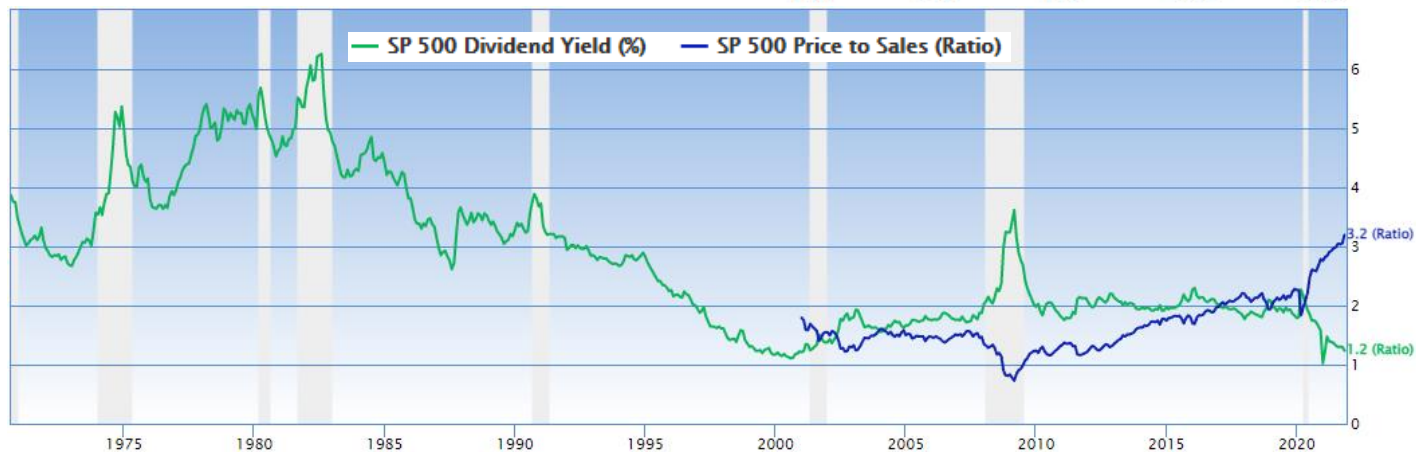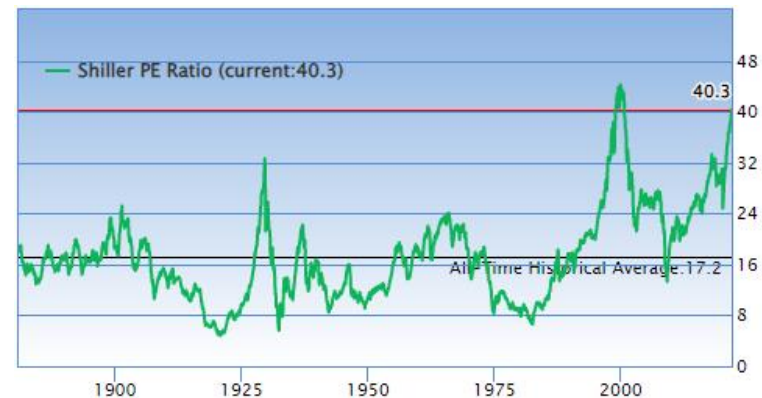
Source: GuruFocus.com as of 11/30/21

GROWTH & EARNINGS: ESTIMATES PEAKING

According to FactSet, >95% of the companies in the S&P 500 have reported actual 3Q21 quarterly results. Of those, 82% beat consensus EPS estimates by an average of 10.0%, for a y/y growth rate of 39.6% vs. analyst estimates for 27.4% bottom line growth. In terms of revenues, 75% of S&P 500 companies have beat expectations by an average of 2.8%, for a y/y growth rate of 17.8% vs. analyst estimates for 14.9% top line growth. Since January 1st, consensus estimates have moved up from $165 to $206 for 2021, and from $192 to $222 for 2022. Our above consensus EPS estimates remain unchanged since last month. We believe upside earnings surprises peaked in Q2, and will continue to mean-revert over the next several quarters. Net margins slipped by 20 bps in Q3, but price increases appear to be sticking, thus margins should hold near current levels through year-end, even if real GDP growth has peaked for the cycle.

US Real GDP Growth Estimates

	Consensus		Alpha Insights	Mkt Cap / GDP+Fed
2021e	5.5% ↓		6.0%	150%
2022e	3.5% ↓		4.0%	145%

S&P 500 Op-EPS Estimates

	Consensus		Alpha Insights	P/E Ratio
2021e	$206 ↑		$210	21.9
2022e	$222 ↑		$230	20.0

Sources: *JWH Investment Partners, The Conference Board, Yardeni.com as 11/22/21*

Economic Cycle Model: Peaking?

Our proprietary ECM examines US economic activity (red) within a short and long-term cyclical framework (blue). Our short-term framework attempts to capture the 6-year business cycle. Our long-term framework attempts to capture the 18-year inflation/deflation cycle. While imperfect, the model suggests that there is a discernable cyclical rhythm to economic activity which, based upon our interpretation of the data, appears to be running somewhat long-in-the-tooth.
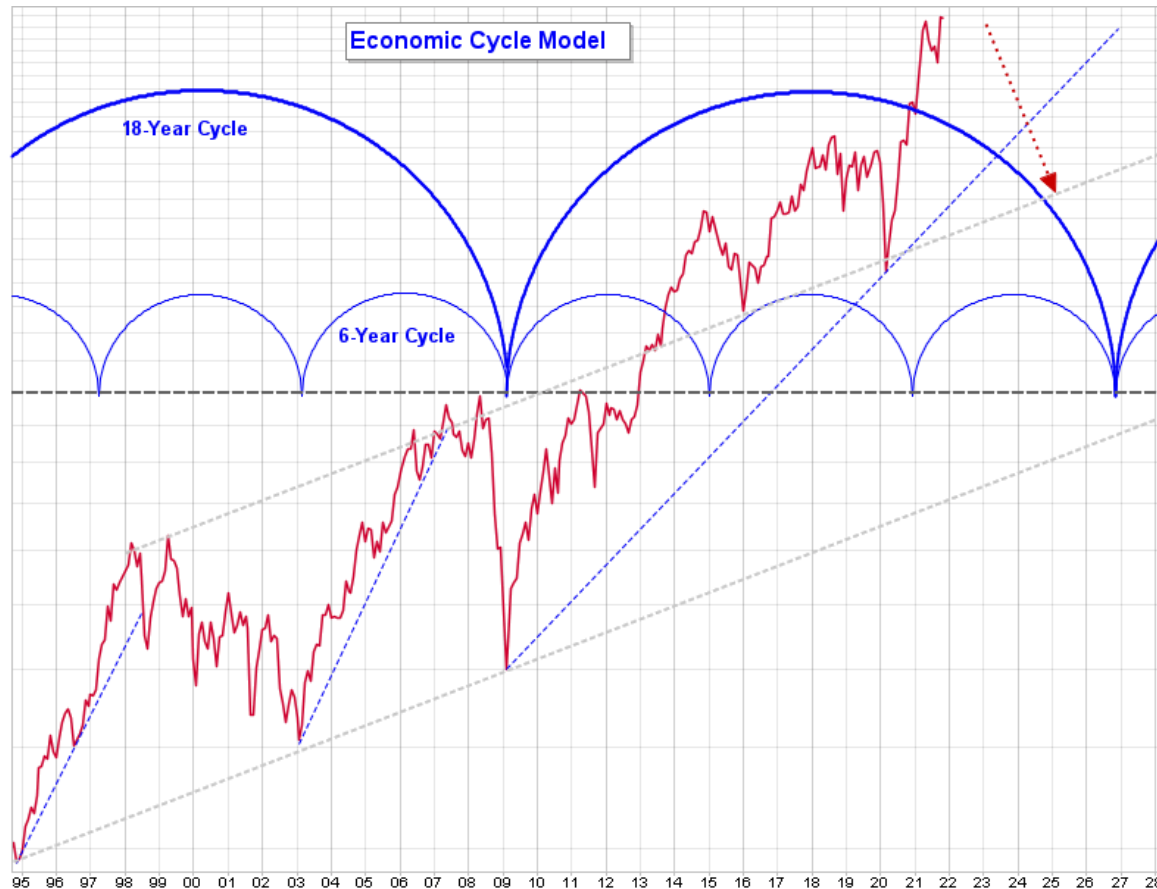
Source: *JWH Investment Partners*

Fed Watch: Taper Acceleration

On October 22nd, Fed Chairman Jerome Powell indicated that the central bank would likely launch its highly-anticipated QE "tapering" process following the November FOMC meeting, with a $15 Billion reduction to Fed asset purchases of MBS and Treasury securities. This reduction is expected to continue in like increments each month through June 2022. The Fed Funds rate, however, is not widely expected to increase until December. Importantly, Powell was nominated for a second term as Fed Chairman, giving him the go ahead to take a more aggressive stance toward inflation. Indeed, during his November 30th testimony to the Senate Banking Committee, despite market angst related to the emergence of a new COVID variant now known as "omicron," Powell eluded to the potential need to accelerate the schedule for tapering of asset purchases. This hawkish pivot may prove an unwelcome surprise to growth investors.

FRED — Assets: Total Assets: Total Assets (Less Eliminations from Consolidation): Wednesday Level

Fed Balance Sheet = $8.681 Trillion

Shaded areas indicate U.S. recessions.   Source: Board of Governors of the Federal Reserve System (US)   fred.stlouisfed.org
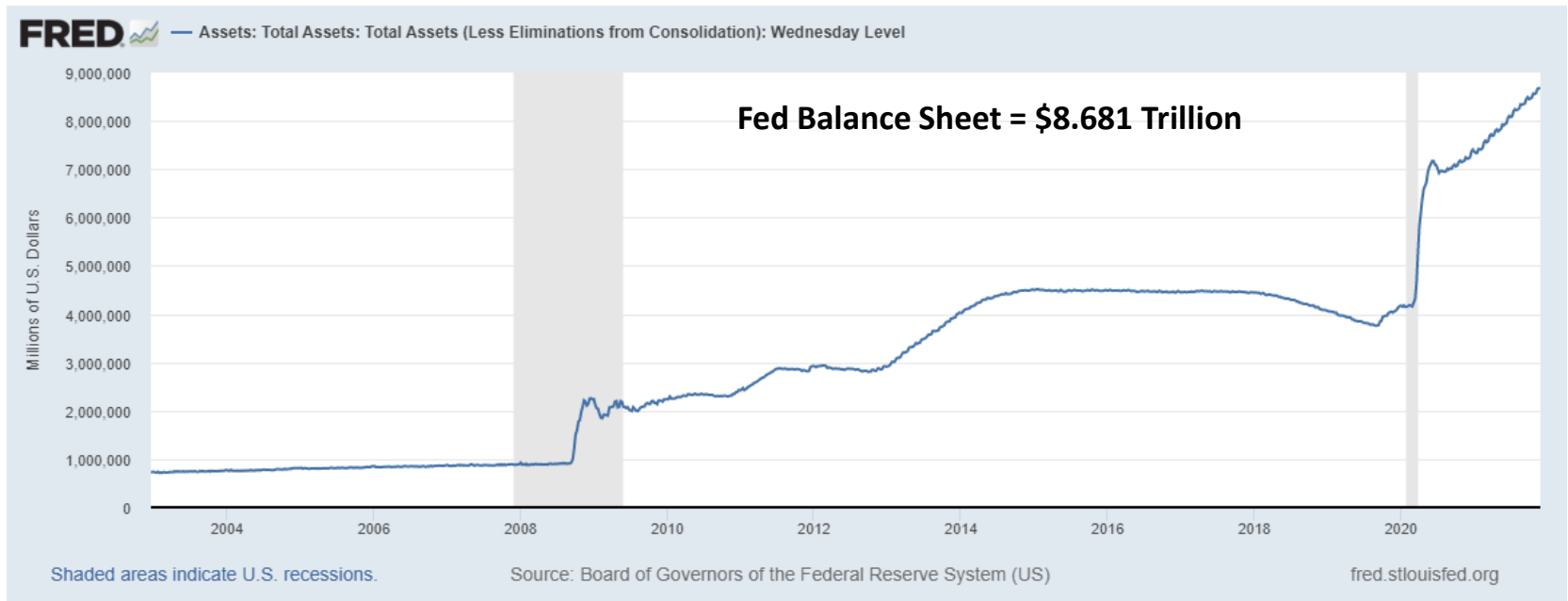
Source: *fred.stlouisfed.org as of 11/26/21*

Inflation Watch: Breakout!

While 10-year Treasury yields have rallied sharply off their August low of 1.13%, reaching a high 1.69% in November, the debate rages on among market participants over the risk of future inflation. Yet, the October CPI report made it clear that the inflation genie is now officially out of the bottle. As illustrated by the 5-year breakeven inflation rate, the market is now pricing in the highest 5-year forward inflation expectations witnessed in the history of the data, exceeding the prior extreme in 2005. Importantly, Fed Chairman Jerome, during his November 30th testimony on Capitol Hill, stated that the use of the word "transitory" no longer accurately describes the inflation situation. In our view, the use of word "stagflation" may enter the lexicon if these conditions persist.

5-Year Treasury Yield – 5-Year TIPS Yield = 2.99%
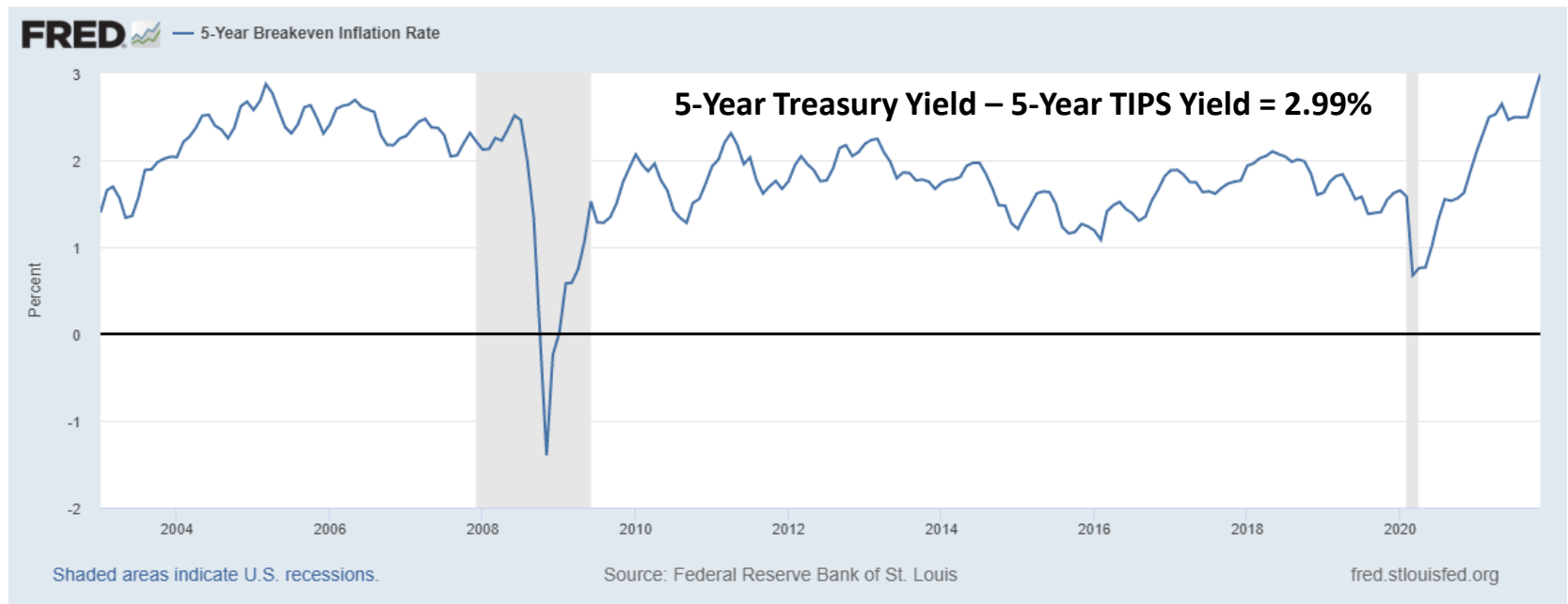
Source: fred.stlouisfed.org as of 11/29/21

Yield Curve: Steepening on Pause

The shortest recession in US history has ended. Current reflationary policies should yield a steady recovery. Any sustained rise in interest rates at this point in the cycle likely reflects improving growth expectations, not inflation. However, the longer the Fed maintains its emergency-based monetary policies, the greater to potential for them to lose control of the yield curve.
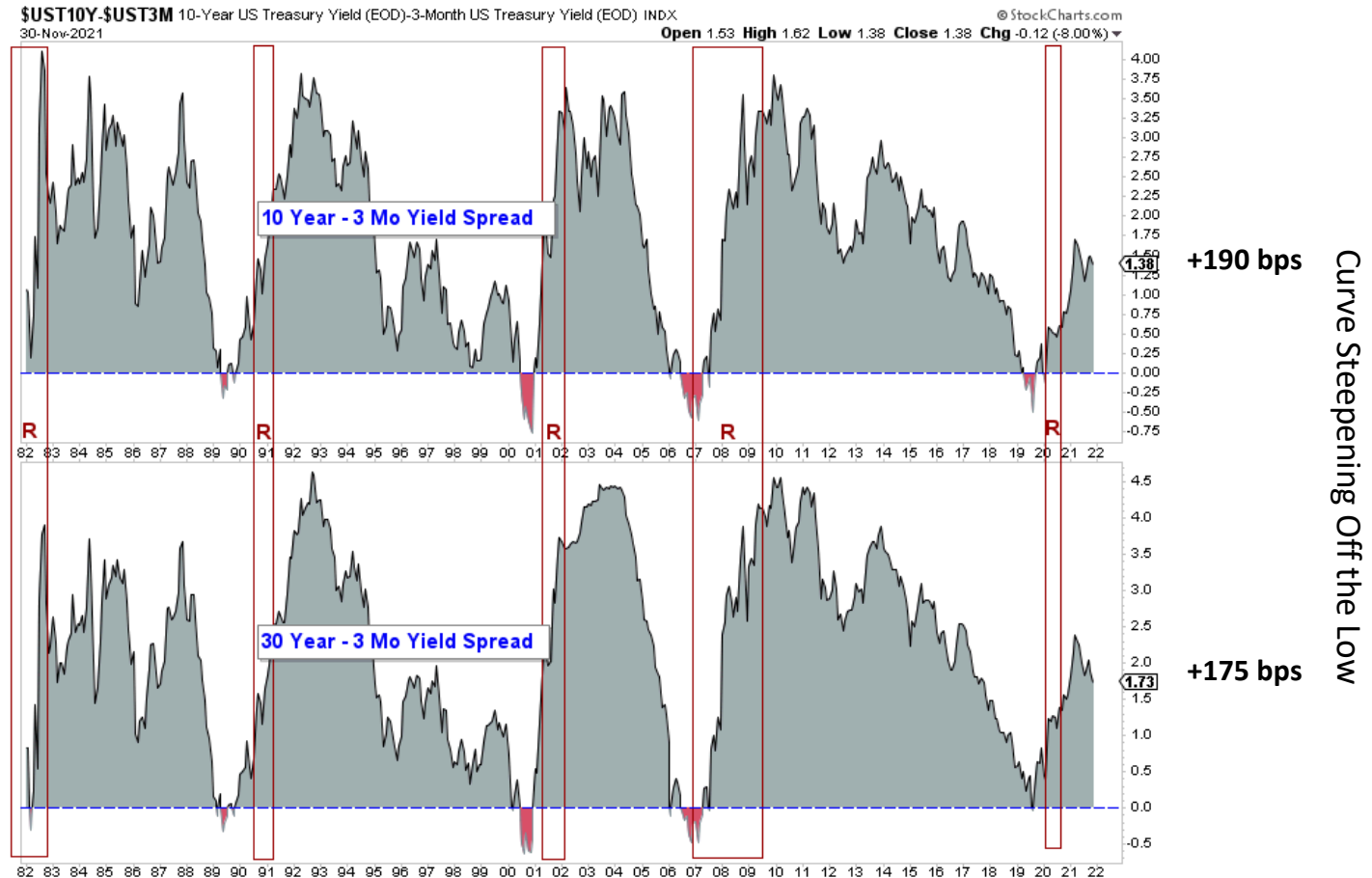
Source: StockCharts.com

High Quality vs. High Yield

Our model continues to favor **High Quality** bonds over High Yield bonds.

Source: StockCharts.com

Short Duration vs. Long Duration

Our model continues to favor **Short Duration** bonds over Long Duration bonds.

Source: StockCharts.com

Inflation-Protected vs. Fixed-Rate

Our model continues to favor **Inflation-Protected** bonds over Fixed-Rate bonds.

Source: StockCharts.com
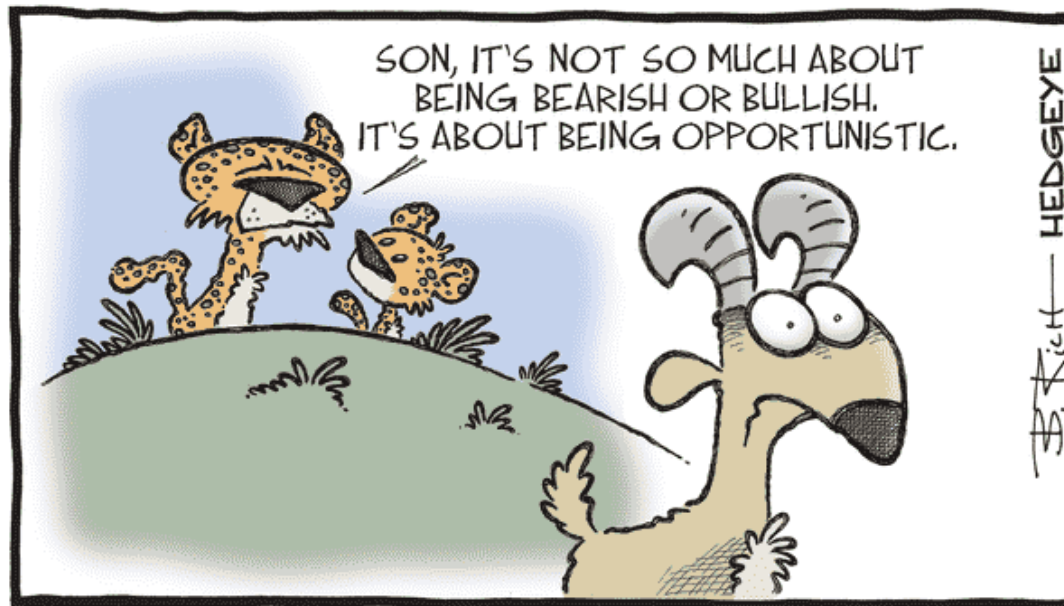
Source: Hedgeye.com

Sector Rotation

❑ S&P 500 Sector Leadership

   ❑ Cap-Weight Sector RS-Momentum Rank
   ❑ Cap-Weight Sector Technical Analysis

U.S. Cap-Weight Sector Leadership

△ U.S. Sector Rank		NOV Return	TTM Return
1.	Energy (XLE)	- 5.0%	+ 55.5%
2.	Discretionary (XLY)	+ 1.6%	+ 30.8%
↑ 3.	Technology (XLK)	+ 4.5%	+ 37.7%
4.	Financials (XLF)	- 5.7%	+ 38.6%
5.	**Benchmark (SPY)**	**- 0.8%**	**+ 27.6%**
↑ 6.	Materials (XLB)	- 0.6%	+ 21.4%
↓ 7.	Real Estate (XLRE)	- 0.9%	+ 34.4%
↑ 8.	Industrials (XLI)	- 3.6%	+ 16.0%
9.	Staples (XLP)	- 1.6%	+ 7.9%
10.	Utilities (XLU)	- 1.7%	+ 8.0%
11.	Healthcare (XLV)	- 3.1%	+ 20.0%
12.	Comm Svcs (XLC)	- 6.1%	+ 16.0%

U.S. Sector Rotation Model
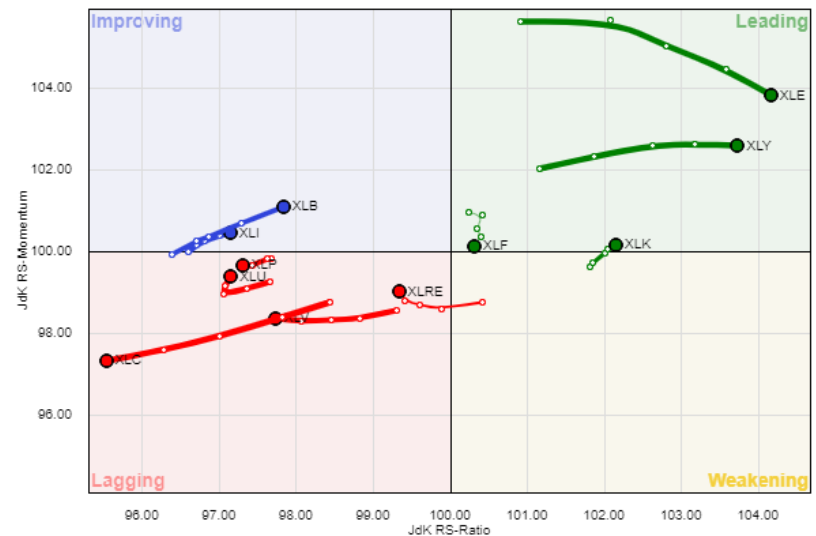
Source: StockCharts.com

Benchmark: S&P 500 Total Return Index

S&P 500 Sector
Energy
Bullish (+48.84% YTD)

Observations:

- ❑ **Price** closed November down 5.01%, stalling out at prior resistance, but holding above the 200-DMA. A recovery uptrend remains intact.

- ❑ **Momentum** remains positive after surging above a 7-year resistance structure in February, and appears at risk of breaching trend support.

- ❑ **Relative strength** vs. the S&P 500 has improved substantially after posting a multi-decade low last year, and now appears poised to challenge chart resistance.

- ❑ **Trend Bullish: Above $66**

- ❑ **Trend Bearish: Below $50**

Conclusions:

- ❑ Energy held at the **#1 rank** in our sector RS-Momentum work this month.

- ❑ **Overweight.** A recovery uptrend remains intact. Despite some consolidation of prior gains, the recent recovery high, sustained positive momentum, and improving RS support our tactically bullish technical view. A monthly close above $66 would confirm our bullish rating. A monthly close below $50 would warrant a downgrade to bearish.

- ❑ **Target = $68**

Source: StockCharts.com

S&P 500 Sector Discretionary
Bullish (+27.74% YTD)

Observations:

☐ **Price** closed November up 1.64% to post a new all-time and monthly closing high. A primary uptrend remains intact.

☐ **Momentum** is decidedly positive, having penetrated trend resistance, but a negative divergence persists.

☐ **Relative strength** vs. the S&P 500 posted a new all-time record high in November.

☐ **Trend Bullish: Above $181**

☐ **Trend Bearish: Below $150**

Conclusions:

☐ Discretionary advanced one position to the **#2 rank** in our sector RS-Momentum work this month.

☐ **Overweight.** The long-term trend remains constructive. Robust price action, strong momentum, and accelerating RS support our bullish technical view. A monthly close below the 200-DMA at $181 would move our view to neutral. A close below trend support at $150 would warrant a downgrade to bearish.

☐ **Target = $241**

Source: StockCharts.com

S&P 500 Sector Technology
Bullish (+30.51% YTD)

Observations:

- ❑ **Price** closed November up 4.45% to post a new all-time and monthly closing high. A primary uptrend remains intact.

- ❑ **Momentum** remains positive and has turned up from a nearby low, challenging trend resistance. A persistent large-degree negative divergence remains evident.

- ❑ **Relative strength** vs. the S&P 500 posted a new all-time record high in November.

- ❑ **Trend Bullish: Above $148**

- ❑ **Trend Bearish: Below $124**

Conclusions:

- ❑ Technology advanced one position to the **#3 rank** in our sector RS-Momentum work this month.

- ❑ **Overweight**. The long-term trend remains constructive. Robust price action and strong momentum and accelerating RS support our bullish technical view. A monthly close below the 200-DMA at $148 would move our view to neutral. A monthly close below chart support at $124 would warrant a downgrade to bearish.

- ❑ **New Target = $183**

Source: StockCharts.com

S&P 500 Sector Financials
Bullish (+30.41% YTD)

Observations:

☐ **Price** closed November down 5.71%, failing to post a new high, but holding above the 200-DMA. A primary uptrend remains intact.

☐ **Momentum** remains positive, but has turned down after surging to an all-time high in February, leaving a negative divergence in place.

☐ **Relative strength** vs. the S&P 500 turned down after rallying into key resistance, and has since breached trend support.

☐ **Trend Bullish: Above $36**

☐ **Trend Bearish: Below $31**

Conclusions:

☐ Financials slipped two positions to the **#4 rank** in our RS-Momentum work this month.

☐ **Market weight.** The long-term trend remains constructive. Weak price action, momentum and RS suggests a period of consolidation may be underway. A monthly close below the 200-DMA at $36 would warrant a downgrade to neutral. A monthly close below trend support at $31, a downgrade to bearish.

☐ **Target = $45**

Source: StockCharts.com

S&P 500 Sector Materials
Bullish (+18.45% YTD)

Observations:

- ❑ **Price** closed November down 0.55% after posting a new all-time high. A primary uptrend remains intact.

- ❑ **Momentum** remains positive after bouncing at the zero bound, but has rolled over, plunging through trend support since posting an all-time high in May.

- ❑ **Relative strength** vs. the S&P 500 is attempting to stabilize, following a breach of nearby trend support; a reversal after penetrating a 10-year downtrend line.

- ❑ **Trend Bullish: Above $78**

- ❑ **Trend Bearish: Below $62**

Conclusions:

- ❑ Materials vaulted six positions the **#5 rank** in our sector RS-Momentum work this month.

- ❑ **Market weight**. The long-term trend remains constructive, but recent choppy price action, coupled with lackluster momentum and RS raise near-term concerns. Maintaining our bullish technical view for now. A monthly close below key support at $78 would move our view to neutral. A monthly close below structural support at $62 would warrant a downgrade to bearish.

- ❑ **New Target = $100**

Source: StockCharts.com

S&P 500 Sector
Real Estate
Bullish (+32.50% YTD)

Observations:

- ❑ **Price** closed November down 0.90% after posting a new all-time high. A primary uptrend remains intact.

- ❑ **Momentum** remains positive, but turned down below trend support after surging above a 10-year resistance structure in April. A negative divergence is evident.

- ❑ **Relative strength** vs. the S&P 500 has been range bound in a structural downtrend for the past decade. It recently ricocheted higher after finding trend support.

- ❑ **Trend Bullish: Above $44**

- ❑ **Trend Bearish: Below $38**

Conclusions:

- ❑ Real Estate slipped one position to the **#6 rank** in our sector RS-Momentum work for the month.

- ❑ **Market Weight.** The long-term trend remains constructive. Robust price action, positive momentum, and improving RS all support our bullish technical view. A monthly close below the 200-DMA at $44 would warrant a downgrade to neutral. A monthly close below trend support at $38 would warrant a downgrade to bearish.

- ❑ **Target = $59**

Source: StockCharts.com

S&P 500 Sector
Industrials
Bullish (+14.88% YTD)

Observations:

- [ ] **Price** closed November down 3.56% after posting a new all-time high. A primary uptrend remains intact.

- [ ] **Momentum** remains positive after bouncing at the zero bound, but has rolled over, breaching trend support, since posting an all-time high in April.

- [ ] **Relative strength** vs. the S&P 500 was rejected at trend resistance and has since breached key support levels.

- [ ] **Trend Bullish: Above $98**

- [ ] **Trend Bearish: Below $85**

Conclusions:

- [ ] Industrials jumped three positions to the **#7 rank** in our RS-Momentum work this month.

- [ ] **Market weight.** The long-term trend remains constructive, but recent choppy price action, coupled with lackluster momentum and deteriorating RS suggest a period of consolidation remains unresolved. Maintaining our bullish technical view for now. A monthly close below $98 would move our view to neutral. A monthly close below structural support at $85 would warrant a downgrade to bearish.

- [ ] **Target = $120**
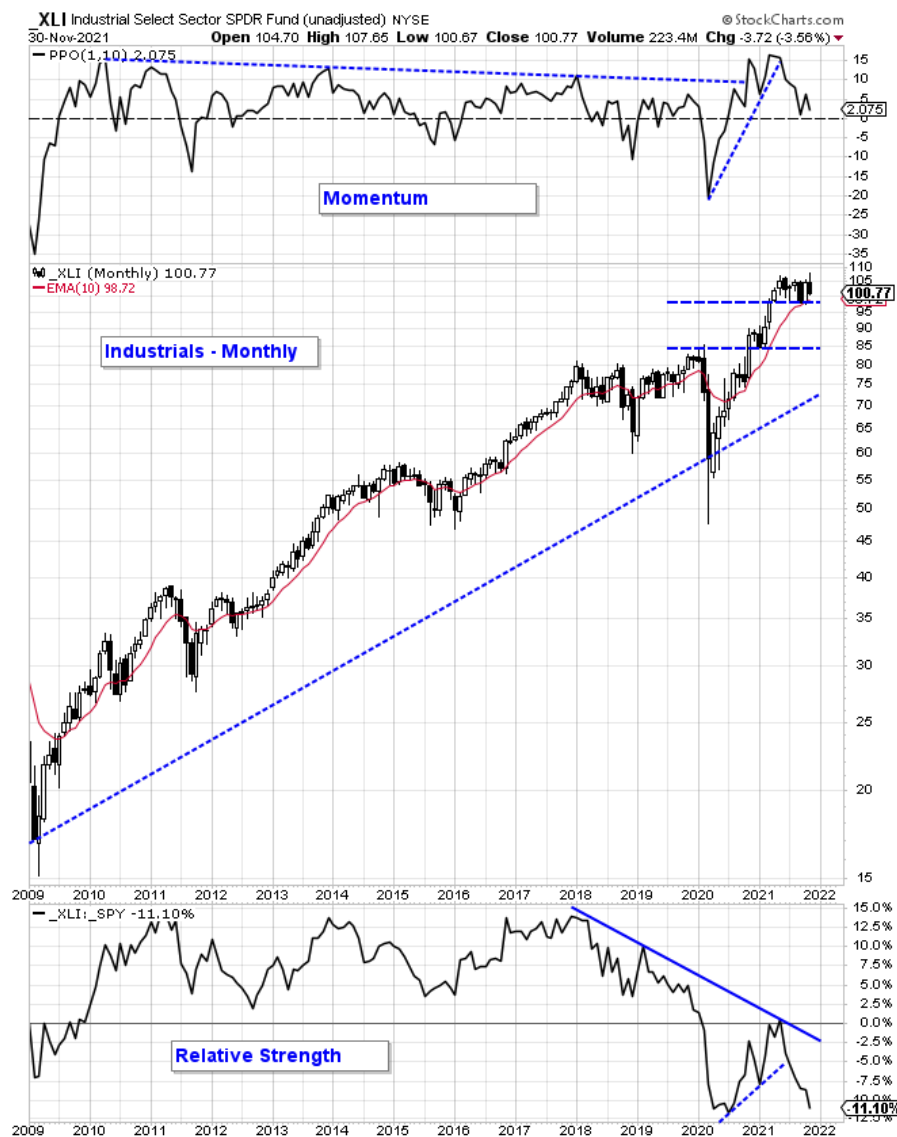
Source: StockCharts.com

S&P 500 Sector
Staples
Neutral (+6.11% YTD)

Observations:

- ❑ **Price** closed November down 1.35% after posting a new all-time high. A primary uptrend remains intact.

- ❑ **Momentum** remains positive, after bouncing at the zero bound, but has turned down breaching trend support. A negative divergence persists.

- ❑ **Relative strength** vs. the S&P 500 posted a new a 20-year low in October.

- ❑ **Trend Bullish: Above $73**

- ❑ **Trend Bearish: Below $63**

Conclusions:

- ❑ Staples held at the **#8 rank** in our sector RS-Momentum work this month.

- ❑ **Market weight.** The long term trend remains constructive, but choppy price action, exceedingly weak RS, and the negative momentum divergence support a neutral technical view. A new monthly closing high, confirmed by momentum would permit an upgrade to bullish. A monthly close below trend support at $63 would move our view to bearish.

- ❑ Target = N/A

Source: StockCharts.com

S&P 500 Sector Utilities
BULLISH (+7.31% YTD)

Observations:

❑ **Price** closed November down 1.70%, again failing to post a new recovery high, but holding the 200-DMA. A primary uptrend remains intact.

❑ **Momentum** remains slightly positive, but continues to vacillate within a well-defined, 8-year, lateral channel structure.

❑ **Relative strength** vs. the S&P 500 posted a new 20-year low in November.

❑ **Trend Bullish: Above $69**

❑ **Trend Bearish: Below $62**

Conclusions:

❑ Utilities maintained the **#9 rank** in our sector RS-Momentum work this month.

❑ **Underweight.** The long-term trend remains constructive, but recent choppy price action, lackluster momentum, and persistent structural weakness in RS suggest the period of consolidation remains unresolved. Maintaining our tactically bullish technical view for now. A monthly close below the 200-DMA at $65 would move our opinion back to neutral. A monthly close below $62 would warrant a downgrade to bearish.

❑ **Target = $75**

Source: StockCharts.com

S&P 500 Sector
Health Care
Bullish (+15.61% YTD)

Observations:

☐ **Price** closed November down 3.06%, again failing to post a new high with the market, but held the 200-DMA. A primary uptrend remains intact.

☐ **Momentum** remains positive, but has turned down following a sharp reversal from a 7-year high and breach of trend support in August.

☐ **Relative strength** vs. the S&P 500 has breached channel support to post a fresh new 8-year low in November.

☐ **Trend Bullish: Above $126**

☐ **Trend Bearish: Below $110**

Conclusions:

☐ Health Care dropped four positions to the **#10 rank** in our sector RS-Momentum work this month.

☐ **Underweight.** The long-term trend remains constructive, but the failure to make a new high with the market, coupled with lackluster momentum, deteriorating RS suggest the period of consolidation remains unresolved. Maintaining our bullish technical opinion for now. A monthly close below $126 would move our view to neutral. A close below chart support at $110 would warrant a downgrade to bearish.

☐ **Target = $149**

Source: StockCharts.com

S&P 500 Sector Communications
Neutral (+12.28% YTD)

Observations:

- ❑ **Price** closed November down 6.14%, breaching chart support and the 200-DMA. A primary uptrend remains intact.

- ❑ **Momentum** has breached the zero bound for the first time since 2020. A negative divergence persists.

- ❑ **Relative strength** vs. the S&P 500 has turned sharply lower, breaching both chart and trend support.

- ❑ **Trend Bullish: Above $77**

- ❑ **Trend Bearish: Below $63**

Conclusions:

- ❑ **Downgrading to Neutral** from Bullish.

- ❑ Communications dropped four positions to the **#11 rank** in our sector RS-Momentum work this month.

- ❑ **Underweight.** The long-term trend remains constructive. But recent weak price action, plunging momentum and RS all suggest a period of consolidation remains unresolved supporting a neutral technical view at best. A new monthly closing high would move our view back to bullish. A close below key support at $63 would warrant a downgrade to bearish.

- ❑ Target = N/A

Source: StockCharts.com
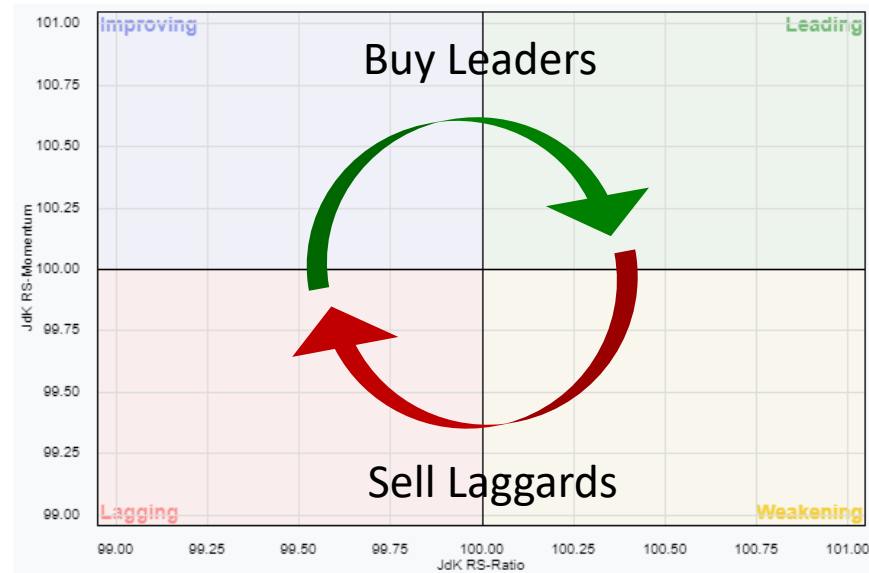
Source: StockCharts.com

Portfolio Positioning

Buying the prior month leaders and selling the prior month laggards has been a consistent means of generating positive alpha.

❑ Leaders and Laggards
- ❑ Top 5 Ranked RS-Momentum Leaders by Sector
- ❑ Bottom 5 Ranked RS-Momentum Laggards by Sector

Energy

November Leaders vs. Laggards
Long/Short Spread = +13.1%

chart	visible	tail	symbol	name	sector	industry	price	%chg
⊹♯♯	☑	▬	DVN	Devon Energy Corp.	Energy	Exploration & Production	42.06	▪ 4.9
⊹♯♯	☑	▬	FANG	Diamondback Energy, Inc.	Energy	Exploration & Production	106.73	∣ 0.0
⊹♯♯	☑	▪	CVX	Chevron Corp.	Energy	Integrated Oil & Gas	112.87	∣ -0.3
⊹♯♯	☑	▬	APA	APA Corporation	Energy	Exploration & Production	25.77	▪ -1.7
⊹♯♯	☑	▬	PXD	Pioneer Natural Resources Co.	Energy	Exploration & Production	178.32	▪ -3.0
⊹♯♯			XLE	Energy Select Sector SPDR Fund			54.59	▪ -5.0
⊹♯♯	☑	▪	MPC	Marathon Petroleum Corp.	Energy	Integrated Oil & Gas	60.85	▪ -6.9
⊹♯♯	☑	▪	HES	Hess Corp.	Energy	Integrated Oil & Gas	74.52	▬ -9.7
⊹♯♯	☑	▪	SLB	Schlumberger Ltd.	Energy	Oil Equipment & Services	28.68	▬ -10.7
⊹♯♯	☑	▬	NOV	National Oilwell Varco, Inc.	Energy	Oil Equipment & Services	11.92	▬ -15.0
⊹♯♯	☑	▬	FTI	TechnipFMC Plc	Energy	Oil Equipment & Services	5.67	▬ -23.1

Source: StockCharts.com

Consumer Discretionary

November Leaders vs. Laggards
Long/Short Spread = +27.6%

chart	visible	tail	symbol	name	sector	industry	price	%chg
	☑		DLTR	Dollar Tree, Inc.	Consumer Discretionary	Specialty Retailers	133.83	24.2
	☑		F	Ford Motor Co.	Consumer Discretionary	Automobiles	19.19	12.9
	☑		ETSY	Etsy Inc.	Consumer Discretionary	Special Consumer Services	274.58	9.5
	☑		HD	Home Depot, Inc.	Consumer Discretionary	Home Improvement Retailers	400.61	7.8
	☑		LOW	Lowes Companies, Inc.	Consumer Discretionary	Home Improvement Retailers	244.59	4.6
			XLY	Consumer Discretionary Select Sector SPDR Fund			204.44	1.6
	☑		EBAY	eBay, Inc.	Consumer Discretionary	Special Consumer Services	67.46	-11.8
	☑		BKNG	Booking Holdings Inc.	Consumer Discretionary	Travel & Tourism	2101.85	-13.2
	☑		MGM	MGM Resorts International	Consumer Discretionary	Gambling	39.58	-16.1
	☑		RCL	Royal Caribbean Cruises	Consumer Discretionary	Recreational Services	69.82	-17.3
	☑		CCL	Carnival Corp.	Consumer Discretionary	Recreational Services	17.62	-20.5

Source: StockCharts.com

Technology

November Leaders vs. Laggards
Long/Short Spread = +43.1%

chart	visible	tail	symbol	name	sector	industry	price	%chg
♦♦♀	☑	▬	QCOM	QUALCOMM Inc.	Technology	Telecom Equipment	180.56	35.7
♦♦♀	☑	▬	AMD	Advanced Micro Devices, Inc.	Technology	Semiconductors	158.37	31.7
♦♦♀	☑	▬	NVDA	NVIDIA Corp.	Technology	Semiconductors	326.76	27.8
♦♦♀	☑	▬	XLNX	Xilinx, Inc.	Technology	Semiconductors	228.45	27.2
♦♦♀	☑	▬	TER	Teradyne, Inc.	Technology	Semiconductors	152.87	10.7
♦♦♀			XLK	Technology Select Sector SPDR Fund			168.72	4.5
♦♦♀	☑	▬	SWKS	Skyworks Solutions Inc.	Technology	Semiconductors	151.66	-8.9
♦♦♀	☑	▬	FLT	FleetCor Technologies Inc.	Technology	Computer Services	207.13	-16.3
♦♦♀	☑	▬	GPN	Global Payments, Inc.	Technology	Software	119.04	-16.7
♦♦♀	☑	▬	ADSK	Autodesk, Inc.	Technology	Software	254.19	-20.0
♦♦♀	☑	▬	PYPL	PayPal Holdings, Inc.	Technology	Computer Services	184.89	-20.5

Source: StockCharts.com

Financials

November Leaders vs. Laggards
Long/Short Spread = +8.9%

chart	visible	tail	symbol	name	sector	industry	price	%chg
	☑		MTB	M&T Bank Corp.	Financial	Banks	146.61	0.4
	☑		CME	CME Group Inc.	Financial	Investment Services	220.52	-0.0
	☑		CFG	Citizens Financial Group Inc.	Financial	Banks	47.27	-0.2
	☑		KEY	Keycorp	Financial	Banks	22.44	-2.7
	☑		AJG	Gallagher Arthur J & Co.	Financial	Property-Casualty Insurance	162.90	-2.8
			XLF	Financial Select Sector SPDR Fund			37.96	-5.7
	☑		GS	Goldman Sachs Group, Inc.	Financial	Investment Services	380.99	-7.8
	☑		C	Citigroup, Inc.	Financial	Banks	63.70	-7.9
	☑		TRV	The Travelers Cos., Inc.	Financial	Property-Casualty Insurance	146.95	-8.7
	☑		ALL	Allstate Corp.	Financial	Property-Casualty Insurance	108.72	-11.5
	☑		MKTX	MarketAxess Holdings Inc.	Financial	Investment Services	352.69	-13.6

Source: StockCharts.com

Basic Materials

November Leaders vs. Laggards
Long/Short Spread = +10.9%

chart	visible	tail	symbol	name	sector	industry	price	%chg
	☑		CF	CF Industries Holdings, Inc.	Materials	Specialty Chemicals	60.59	7.2
	☑		DD	DuPont de Nemours, Inc.	Materials	Specialty Chemicals	73.96	6.7
	☑		CTVA	Corteva Inc.	Materials	Specialty Chemicals	45.00	4.6
	☑		MLM	Martin Marietta Materials	Industrial	Building Materials	403.51	2.9
	☑		VMC	Vulcan Materials Co.	Industrial	Building Materials	191.64	1.0
			XLB	Materials Select Sector SPDR Fund			84.65	-0.6
	☑		PKG	Packaging Corp Of America	Materials	Containers & Packaging	130.59	-4.9
	☑		LYB	LyondellBasell Industries NV	Materials	Commodity Chemicals	87.13	-5.0
	☑		AMCR	Amcor plc	Materials	Containers & Packaging	11.32	-5.3
	☑		IP	International Paper Co.	Materials	Paper	45.52	-7.5
	☑		WRK	WestRock Co.	Materials	Containers & Packaging	43.39	-9.3

Source: StockCharts.com

REAL ESTATE

November Leaders vs. Laggards
Long/Short Spread = +10.9%

chart	visible	tail	symbol	name	sector	industry	price	%chg
◊♦♥	☑	▮	WY	Weyerhaeuser Co.	Real Estate	Specialty REITs	37.61	▮ 5.3
◊♦♥	☑	▮▮	SPG	Simon Property Group, Inc.	Real Estate	Retail REITs	152.84	▮ 4.3
◊♦♥	☑	▮▮	DRE	Duke Realty Corp.	Real Estate	Industrial & Office REITs	58.33	▮ 4.2
◊♦♥	☑	▮▮	PLD	ProLogis, Inc.	Real Estate	Industrial & Office REITs	150.75	▮ 4.0
◊♦♥	☑	▮▮	EXR	Extra Space Storage Inc.	Real Estate	Specialty REITs	200.00	▮ 1.3
◊♦♥			XLRE	Real Estate Select Sector SPDR Fund			47.39	▮ -0.9
◊♦♥	☑	▮	VNO	Vornado Realty Trust	Real Estate	Industrial & Office REITs	40.14	▮ -4.7
◊♦♥	☑	▮	BXP	Boston Properties, Inc.	Real Estate	Industrial & Office REITs	107.84	▮ -5.1
◊♦♥	☑	▮	PEAK	Healthpeak Properties Inc	Real Estate	Specialty REITs	32.86	▮ -6.6
◊♦♥	☑	▮	AMT	American Tower Corp.	Real Estate	Specialty REITs	262.48	▮ -6.9
◊♦♥	☑	▮▮	VTR	Ventas, Inc.	Real Estate	Specialty REITs	46.92	▮ -12.1

Source: StockCharts.com

Industrials

November Leaders vs. Laggards
Long/Short Spread = +10.7%

chart	visible	tail	symbol	name	sector	industry	price	%chg
	✅		GWW	WW Grainger, Inc.	Industrial	Industrial Suppliers	481.41	4.3
	✅		ODFL	Old Dominion Freight Line, Inc.	Industrial	Trucking	355.17	4.1
	✅		FAST	Fastenal Co.	Industrial	Industrial Suppliers	59.17	3.7
	✅		PH	Parker Hannifin Corp.	Industrial	Industrial Machinery	302.06	2.2
	✅		ITW	Illinois Tool Works, Inc.	Industrial	Industrial Machinery	232.15	1.9
			XLI	Industrial Select Sector SPDR Fund			100.77	-3.6
	✅		BA	Boeing Co.	Industrial	Aerospace	197.85	-4.4
	✅		HON	Honeywell International, Inc.	Industrial	Diversified Industrials	202.24	-7.1
	✅		TDG	TransDigm Group Inc.	Industrial	Aerospace	578.05	-7.3
	✅		EMR	Emerson Electric Co.	Industrial	Diversified Industrials	87.84	-9.0
	✅		GE	General Electric Co.	Industrial	Diversified Industrials	94.99	-9.4

Source: StockCharts.com

Consumer Staples

November Leaders vs. Laggards
Long/Short Spread = +9.1%

chart	visible	tail	symbol	name	sector	industry	price	%chg
	☑		COST	Costco Wholesale Corp.	Consumer Staples	Personal Products	539.38	9.7
	☑		STZ	Constellation Brands, Inc.	Consumer Staples	Distillers & Vintners	225.33	4.3
	☑		SJM	The J. M. Smucker Co.	Consumer Staples	Food Products	126.47	3.7
	☑		CHD	Church & Dwight Co, Inc.	Consumer Staples	Nondurable Home Products	89.38	2.6
	☑		EL	Estee Lauder Cos.	Consumer Staples	Personal Products	332.07	2.6
			XLP	Consumer Staples Select Sector SPDR Fund			70.29	-1.3
	☑		MNST	Monster Beverage Corp.	Consumer Staples	Soft Drinks	83.78	-1.4
	☑		MO	Altria Group Inc.	Consumer Staples	Tobacco	42.64	-3.3
	☑		WBA	Walgreens Boots Alliance, Inc.	Consumer Staples	Drug Retailers	44.80	-3.8
	☑		CAG	ConAgra Brands, Inc.	Consumer Staples	Food Products	30.55	-5.1
	☑		PM	Philip Morris Intl Inc.	Consumer Staples	Tobacco	85.94	-9.1

Source: StockCharts.com

Utilities

November Leaders vs. Laggards
Long/Short Spread = +7.2%

chart	visible	tail	symbol	name	sector	industry	price	%chg
◊♦♥	☑	■	ED	Consolidated Edison, Inc.	Utilities	Conventional Electricity	77.64	■ 4.0
◊♦♥	☑	■	EIX	Edison Intl, Inc.	Utilities	Conventional Electricity	65.28	■ 3.7
◊♦♥	☑	■	NEE	NextEra Energy Inc.	Utilities	Conventional Electricity	86.78	■ 2.1
◊♦♥	☑	■	CNP	CenterPoint Energy, Inc.	Utilities	Multiutilities	25.91		0.1
◊♦♥	☑	■	NI	Nisource, Inc.	Utilities	Gas Distribution	24.51		-0.6
◊♦♥			XLU	Utilities Select Sector SPDR Fund			65.77	■ -1.7
◊♦♥	☑	■	LNT	Alliant Energy Corp.	Utilities	Conventional Electricity	54.79	■ -3.1
◊♦♥	☑	■	AEP	American Elec Pwr Co., Inc.	Utilities	Conventional Electricity	81.05	■ -3.4
◊♦♥	☑	■	DTE	DTE Energy Co.	Utilities	Conventional Electricity	108.34	■ -4.4
◊♦♥	☑	■	SRE	Sempra Energy	Utilities	Multiutilities	119.87	■ -6.1
◊♦♥	☑	■	NRG	NRG Energy Inc.	Utilities	Conventional Electricity	36.02	■ -9.7

Source: StockCharts.com

Health Care

November Leaders vs. Laggards
Long/Short Spread = +19.0%

chart	visible	tail	symbol	name	sector	industry	price	%chg
◊♦⦶	☑	▬	PFE	Pfizer, Inc.	Health Care	Pharmaceuticals	53.73	▬ 23.9
◊♦⦶	☑	▬	MCK	McKesson Corp.	Health Care	Pharmaceuticals	216.76	▪ 4.5
◊♦⦶	☑	▬	ZTS	Zoetis Inc.	Health Care	Pharmaceuticals	222.04	▪ 2.7
◊♦⦶	☑	▪	ABBV	AbbVie Inc.	Health Care	Biotechnology	115.28	▎0.5
◊♦⦶	☑	▬	CNC	Centene Corp.	Health Care	Health Care Providers	71.41	▎0.2
◊♦⦶			XLV	Health Care Select Sector SPDR Fund			129.73	▪ -3.1
◊♦⦶	☑	▪	SYK	Stryker Corp.	Health Care	Medical Equipment	236.63	▬ -11.1
◊♦⦶	☑	▬	BIIB	Biogen Inc.	Health Care	Biotechnology	235.74	▬ -11.6
◊♦⦶	☑	▪	BSX	Boston Scientific Corp.	Health Care	Medical Equipment	38.07	▬ -11.7
◊♦⦶	☑	▬	ILMN	Illumina, Inc.	Health Care	Biotechnology	365.33	▬ -12.0
◊♦⦶	☑	▬	TFX	Teleflex, Inc.	Health Care	Medical Supplies	297.42	▬ -16.6

Source: StockCharts.com

Communications Services

November Leaders vs. Laggards
Long/Short Spread = +19.5%

chart	visible	tail	symbol	name	sector	industry	price	%chg
♦♦♥	☑	▬	LUMN	Lumen Technologies Inc	Communication Services	Fixed Telecommunications	12.34	▬ 6.0
♦♦♥	☑	▬	LYV	Live Nation Entertainment, Inc.	Communication Services	Entertainment	106.65	▬ 5.4
♦♦♥	☑	▬	OMC	Omnicom Group, Inc.	Communication Services	Media Agencies	67.31	▮ -1.1
♦♦♥	☑	▬	GOOGL	Alphabet Inc.	Communication Services	Internet	2837.95	▬ -4.2
♦♦♥	☑	▬	NWS	News Corp.	Communication Services	Publishing	21.55	▬ -4.5
♦♦♥			XLC	Communication Services Select Sector SPDR Fund			75.37	▬ -6.1
♦♦♥	☑	▬	DIS	Walt Disney Co.	Communication Services	Entertainment	144.90	▬ -14.3
♦♦♥	☑	▬	VIAC	ViacomCBS Inc	Communication Services	Entertainment	30.95	▬ -14.5
♦♦♥	☑	▬	TWTR	Twitter, Inc.	Communication Services	Internet	43.94	▬ -17.9
♦♦♥	☑	▬	DISH	DISH Network Corp.	Communication Services	Entertainment	31.25	▬ -23.9
♦♦♥	☑	▬	ATVI	Activision Blizzard Inc.	Communication Services	Internet	58.60	▬ -25.1

Source: StockCharts.com
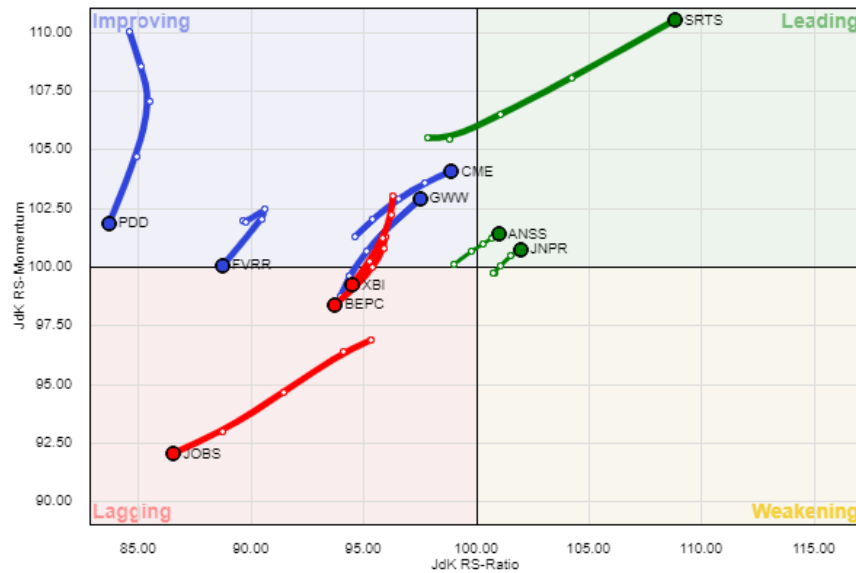
Source: StockCharts.com

ACTIONABLE TRADE IDEAS

Targeting a minimum 15% appreciation potential over 3-6 months with a 3:1 positive risk skew.

Top Bullish Trade Set-Ups:
- ☐ Sensus Healthcare (SRTS)
- ☐ Juniper Networks (JNPR)
- ☐ ANSYS (ANSS)
- ☐ CME Group (CME)
- ☐ WW Grainger (GWW)

Top Bearish Trade Set-Ups:
- ☐ Pinduoduo (PDD)
- ☐ 51job (JOBS)
- ☐ Fivrr International (FVRR)
- ☐ Brookfield Renewable Corp (BEPC)
- ☐ SPDR S&P Biotech ETF (XBI)

Sensus Healthcare

Reports 4Q21 February 3rd @ 4:00 PM ET

Bullish inflection above $5.00, if sustained, projects a measured move to approximately $8.50...Stop-loss $5.00

Source: StockCharts.com

Juniper Networks

Reports 4Q21 January 25th @ 4:15 PM ET

Source: StockCharts.com

ANSYS

Source: StockCharts.com

CME Group

Reports 4Q21 January 26th @ 7:00 AM ET

Source: StockCharts.com

WW Grainger

Reports 4Q20 January 28th @ 8:00 AM ET

Bullish inflection above $480, if sustained, projects a measured move to approximately $570...Stop-loss $462

Source: StockCharts.com

Pinduoduo ADR

Reported 3Q21 November 26th @ 6:30 AM ET

Source: StockCharts.com

51JOB

Reports 3Q21 December 24ᵗʰ @ 6:00 AM ET

Source: StockCharts.com

Fiverr International

Reports 4Q21 February 9th @ 1:00 AM ET

Source: StockCharts.com

Brookfield Renewable Corp

Reports 4Q21 February 8th @ 6:50 AM ET

Source: StockCharts.com

SPDR S&P Biotech ETF

https://www.ssga.com/us/en/institutional/etfs/funds/spdr-sp-biotech-etf-xbi
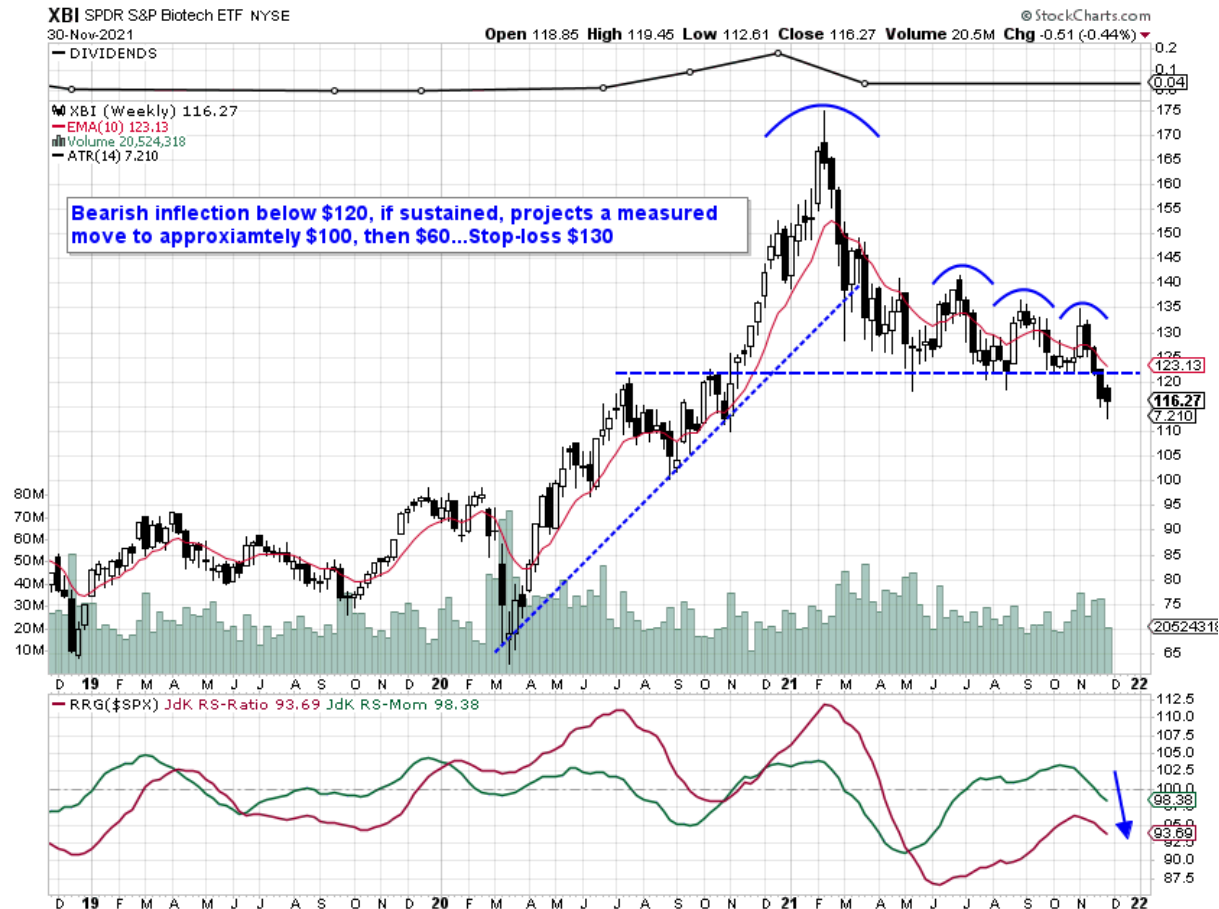
Source: StockCharts.com

Source: Hedgeye.com

Foreign Equity Markets

❑ Developed
- ❑ Canada, Australia, UK, Germany, Switzerland, France, Netherlands, Italy, Spain, and Japan

❑ Emerging
- ❑ China, India, Brazil, Russia, and South Korea

MSCI Foreign Market Leadership

	MSCI Foreign Market Rank	NOV Return	TTM Return
1.	India (INDY)	- 4.1%	+ 27.2%
2.	Russia (RSX)	- 11.6%	+ 28.1%
3.	Canada (EWC)	- 4.6%	+ 25.8%
4.	France (EWQ)	- 3.9%	+ 18.19%
5.	Italy (EWI)	- 6.0%	+ 12.4%
6.	United Kingdom (EWU)	- 4.9%	+ 16.6%
7.	Netherlands (EWN)	- 5.6%	+ 27.6%
8.	Switzerland (EWL)	- 0.9%	+ 18.3%
9.	**Benchmark (ACWX)**	**- 4.2%**	**+ 10.0%**
10.	Australia (EWA)	- 7.6%	+ 10.1%
11.	Japan (EWJ)	- 3.0%	+ 4.2%
12.	China (FXI)	- 5.3%	- 17.3%
13.	Spain (EWP)	- 10.2%	- 2.1%
14.	Germany (EWG)	- 5.8%	+ 6.7%
15.	South Korea (EWY)	- 4.7%	- 0.1%
16.	Brazil (EWZ)	- 1.1%	- 10.8%

MSCI Country Rotation Model
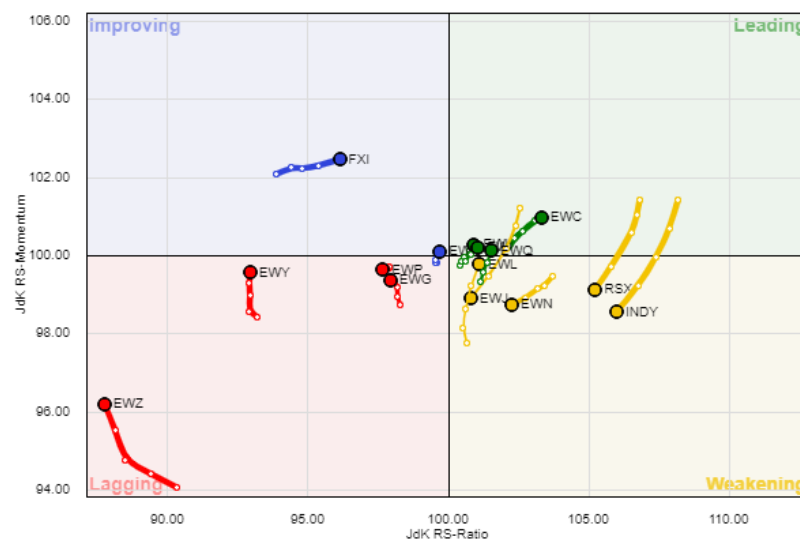
Source: StockCharts.com

Benchmark: MSCI All-Country ex-US Index

DEVELOPED VS. EMERGING

Developed Markets ex-US

Emerging Markets

Source: StockCharts.com

Developed Markets
Australia
Neutral (+3.57% YTD)

Observations:

☐ **Price** closed November down 7.56%, holding above chart support, but breaching the 200-DMA. A primary uptrend remains intact.

☐ **Momentum** has turned negative since turning down from a 10-year high. A negative divergence persists.

☐ **Relative Strength** vs. developed markets has been trending lower and range bound since 2013. A sustained break in either direction would be telling.

☐ **Trend Bullish Above: $27**

☐ **Trend Bearish Below: $22**

Conclusions:

☐ **Market Weight.** The long-term trend remains constructive, but the break of the 200-DMA, plus lackluster momentum and RS all suggest that the consolidation may be unresolved, hence our neutral technical view. A new all-time high would move our view to bullish. A monthly close below chart support at $22 would warrant a downgrade to bearish.

☐ Target: N/A

Source: StockCharts.com

Developed Markets
Canada
Bullish (+21.95% YTD)

Observations:

- [ ] **Price** closed November down 4.59% after posting a new all-time high. A primary uptrend remains intact.

- [ ] **Momentum** remains positive, but has pulled back from its May high, leaving a negative divergence in place.

- [ ] **Relative Strength** vs. developed markets has resumed advance after turning-up to penetrate trend resistance in early 2021.

- [ ] **Trend Bullish: Above $36**

- [ ] **Trend Bearish: Below $28**

Conclusions:

- [ ] **Overweight.** The long-term trend remains constructive, and new all-time high supports our bullish technical view. A monthly close below the 200-DMA at $36 would move our view to neutral. A monthly close below chart support at $28 would warrant a downgrade to bearish.

- [ ] **Target: $42**

Source: StockCharts.com

Developed Markets
United Kingdom
Bullish (+11.24% YTD)

Observations:

- ❑ **Price** closed November down 4.87%, failing to post a new high, but holding above the 200-DMA. A primary uptrend remains intact.

- ❑ **Momentum** remains slightly positive, but appears poised to test the zero bound after pulling back from a 17-year high in May.

- ❑ **Relative strength** vs. developed markets has stabilized following an all-time low in 2020, and is now challenging the lower boundary of a 9-year descending trend channel.

- ❑ **Trend Bullish: Above $32**

- ❑ **Trend Bearish: Below $27**

Conclusions:

- ❑ **Market Weight.** The long-term trend remains constructive. Choppy price action, plus lackluster momentum and RS all suggest that the multi-month consolidation remains unresolved. Maintaining our bullish technical view for now. A monthly close below the 200-DMA at $32 would move our view to neutral. A monthly close below chart support at $27 would warrant a downgrade to bearish.

- ❑ **Target: $43**

Source: StockCharts.com

Developed Markets
Germany
Neutral (+1.83% YTD)

Observations:

☐ **Price** closed November down 5.80%, breaching both chart support and the 200-DMA. A primary uptrend remains intact.

☐ **Momentum** has turned negative since turning down from a 8-year high in May.

☐ **Relative strength** vs. developed markets posted a fresh new all-time record low in November.

☐ **Trend Bullish: Above $33**

☐ **Trend Bearish: Below $24**

Conclusions:

☐ **Downgrading to Neutral** from Bullish.

☐ **Underweight.** The long-term trend remains constructive. Weak price action, momentum, and RS all suggest that a multi-month consolidation remains unresolved, supporting a neutral technical rating at best. A new monthly closing high would warrant a upgrade to bullish. A monthly close below trend support at $24 would move our view to bearish.

☐ Target: N/A

Source: StockCharts.com

Developed Markets
France
Bullish (+14.88% YTD)

Observations:

- ❑ **Price** closed November down 3.87% after posting a new all-time high. A primary uptrend remains intact.

- ❑ **Momentum** remains slightly positive, but appears poised to test the zero bound after turning down from an 11-year high in May.

- ❑ **Relative strength** vs. developed markets has resumed its advance after turning up from a higher low to penetrate trend resistance.

- ❑ **Trend Bullish: Above $37**

- ❑ **Trend Bearish: Below $32**

Conclusions:

- ❑ **Overweight.** The long-term trend remains constructive. Despite lackluster momentum, a new all-time high and improved RS support our bullish technical view. A monthly close below 200-DMA at $37 would move our view to neutral. A monthly close below chart support at $32 would warrant a downgrade to bearish.

- ❑ **Target: $45**

Source: StockCharts.com

Developed Markets
Italy
Bullish (+8.16% YTD)

Observations:

- ❑ **Price** closed November down 6.03% after posting a new recovery high. A recovery uptrend remains intact.

- ❑ **Momentum** remains slightly positive, but appears poised to test the zero bound after turning down from a recent high in May to penetrate trend resistance.

- ❑ **Relative strength** vs. developed markets has turned up from an all-time low in 2020, and is now struggling at trend resistance.

- ❑ **Trend Bullish: Above $30**

- ❑ **Trend Bearish: Below $22**

Conclusions:

- ❑ **Overweight.** A recovery uptrend remains intact. Choppy price action, weak momentum and lackluster RS all suggest that the multi-month consolidation remains unresolved. Maintaining our bullish technical view for now. A monthly close below chart support at $30 would warrant a downgrade to neutral. A monthly close below trend support at $22 would move our view to bearish.

- ❑ **Target: $38**

Source: StockCharts.com

Developed Markets
Spain
Neutral (-4.80% YTD)

Observations:

- ❑ **Price** closed November down 10.22%, posting an outside down month to breach nearby support and the 200-DMA. The trend remains flat.

- ❑ **Momentum** is now decidedly negative since turning down from a 7-year high in May.

- ❑ **Relative strength** vs. developed markets posted a fresh new all-time low in November.

- ❑ **Trend Bullish: Above $32**

- ❑ **Trend Bearish: Below $21**

Conclusions:

- ❑ **Underweight.** The long-term trend remains flat. With price, momentum, and RS all holding below trend resistance we are maintaining our neutral technical view. A monthly close above chart resistance at $32 would warrant a upgrade to bullish. A monthly close below trend support at $21 would move our view to bearish.

- ❑ Target: N/A

Source: StockCharts.com

Developed Markets
Switzerland
Bullish (+12.56% YTD)

Observations:

- ❏ **Price** closed November down 0.90% after posting a lower high, but held well-above chart support and the 200-DMA. A primary uptrend remains intact.

- ❏ **Momentum** remains positive after bouncing at the zero bound, but has turned down since failing to sustain a breakout above structural resistance.

- ❏ **Relative strength** vs. the developed markets is attempting to stage a bullish reversal after penetrating trend resistance.

- ❏ **Trend Bullish: Above $46**

- ❏ **Trend Bearish: Below $38**

Conclusions:

- ❏ **Market Weight.** The long-term trend remains constructive. Despite accelerating RS, choppy price action and lackluster momentum suggest that a multi-month consolidation remains unresolved. Maintaining our bullish technical view for now. A monthly close below chart support at $46 would move our view to neutral. A monthly close below trend support at $38 would warrant a downgrade to bearish.

- ❏ **Target: $54**

Source: StockCharts.com

Developed Markets Netherlands
Bullish (+19.73% YTD)

Observations:

- [ ] **Price** closed November down 5.62% after failing to post a new high, but held above the 200-DMA. A primary uptrend remains intact.

- [ ] **Momentum** remains positive, but appears poised to test the zero bound after turning down from an all-time high in April. A negative divergence persists.

- [ ] **Relative strength** vs. developed markets posted a new all-time high in August, and is consolidating above trend support.

- [ ] **Trend Bullish: Above $48**

- [ ] **Trend Bearish: Below $34**

Conclusions:

- [ ] **Market weight.** The Netherlands has some of the most constructive technical credentials on the European continent, but like much of the rest of Europe, the evidence suggests the consolidation remains unresolved. Maintaining our bullish technical view. A monthly close below the 200-DMA at $48 would warrant a downgrade to neutral. A monthly close below key support at $34, would see a downgrade to bearish.

- [ ] **Target: $59**

Source: StockCharts.com

Developed Markets
Japan
Bullish (-1.10% YTD)

Observations:

☐ **Price** closed November down 3.03%, but held above the chart support and the 200-DMA. A recovery uptrend remains intact.

☐ **Momentum** is now slightly negative since turning down from a 8-year high last year. A negative divergence persists.

☐ **Relative strength** vs. developed markets has turned down from a 10-year high, breaching trend support, but may be attempting to stabilize.

☐ **Trend Bullish: Above $66**

☐ **Trend Bearish: Below $59**

Conclusions:

☐ **Market weight.** The recovery uptrend remains intact, but the choppy price action, coupled with deteriorating momentum and RS, suggests the consolidation may still be unresolved. Maintaining our bullish technical view for now. A monthly close below nearby support at $66 would move our view to neutral; A monthly close below chart support at $59 would warrant a downgrade to bearish.

☐ **Target: $82**

Source: StockCharts.com

Emerging Markets
China
Neutral (-17.48% YTD)

Observations:

- ❑ **Price** closed November down 5.31%, holding above trend support, but failing to recover the 200-DMA. The LT trend remains flat.

- ❑ **Momentum** remains negative after breaching trend support, following a failed challenge of a 9-year resistance structure. A multi-year negative divergence remains in place.

- ❑ **Relative strength** vs. emerging markets may be attempting to stabilize after collapsing to an all-time low in September.

- ❑ **Trend Bullish: Above $50**

- ❑ **Trend Bearish: Below $36**

Conclusions:

- ❑ **Underweight.** The LT trend remains flat. A persistent failure to recover the 200-DMA suggests that the recovery may be in trouble. Maintaining our neutral technical rating for now. A sustained monthly close above chart resistance at $50 would warrant a upgrade to bullish. A monthly close below trend support at $36 would move our view to bearish.

- ❑ Target: N/A

Source: StockCharts.com

Emerging Markets
India
Bullish (+16.84% YTD)

Observations:

☐ **Price** closed November down 4.06% after failing to post a new high, but held above nearby support and the 200-DMA. A primary uptrend remains intact.

☐ **Momentum** remains positive, but appears poised to test the zero bound after turning down from a 10-year high in 2020. A negative divergence persists.

☐ **Relative strength** vs. emerging markets posted an all-time record high in September and is holding above chart support.

☐ **Trend Bullish: Above $47**

☐ **Trend Bearish: Below $39**

Conclusions:

☐ **Overweight.** The long-term trend remains constructive. Despite strong RS, recent choppy price action and lackluster moment suggest a period of consolidation may be underway. Maintaining our bullish technical view for now. A monthly close below the 200-DMA at $47 would move our view to neutral. A monthly close below chart support at $39 would warrant a downgrade to bearish.

☐ **Target: $57**

Source: StockCharts.com

Emerging Markets
Brazil
Neutral (-20.60% YTD)

Observations:

- ❑ **Price** closed November down 1.13%, holding above trend support, but failing to recover the 200-DMA. A primary downtrend remains intact.

- ❑ **Momentum** remains deeply negative, having breached trend support after a failed challenge of structural resistance.

- ❑ **Relative strength** vs. emerging markets posted a fresh new all-time low in September.

- ❑ **Trend Bullish: Above $46**

- ❑ **Trend Bearish: Below $26**

Conclusions:

- ❑ **Underweight.** The long-term trend remains down. Weak price action, momentum and RS support a neutral technical rating at best. A monthly close above chart resistance at $46 would move our view to bullish. A monthly close below $26 would warrant a downgrade to bearish.

- ❑ Target: N/A

Source: StockCharts.com

Emerging Markets
Russia
Bullish (+17.10% YTD)

Observations:

- ❑ **Price** closed November down 11.62%, erasing the past 5-months' gains, but holding above the 200-DMA. The recovery uptrend remains intact.

- ❑ **Momentum** is now slightly negative after turning down from a 10-year high in May. A negative divergence persists.

- ❑ **Relative strength** vs. emerging markets has corrected after penetrating the upper boundary of a multi-year lateral consolidation rang.

- ❑ **Trend Bullish: Above $25**

- ❑ **Trend Bearish: Below $18**

Conclusions:

- ❑ **Overweight.** The recovery uptrend is now in question. The collapse in price and momentum raise serious concerns about the viability of our bullish technical view. A monthly close below chart support at $25 would warrant a downgrade to neutral. A monthly close below trend support at $18 would move our view to bearish.

- ❑ **Target: $39**

Source: StockCharts.com

Emerging Markets
South Korea
Neutral (-11.99% YTD)

Observations:

❑ **Price** closed November down 4.73%, holding above chart support, but well-below the 200-DMA. The primary uptrend still remains intact.

❑ **Momentum** remains negative, after plunging from an 18-year high last year.

❑ **Relative strength** vs. emerging markets turned sharply lower after posting a 15-year high in July.

❑ **Trend Bullish: Above $95**

❑ **Trend Bearish: Below $75**

Conclusions:

❑ **Underweight.** The long-term trend remains constructive, but weak price action, momentum, and RS deterioration support a neutral technical view at best. A new all-time and monthly closing high would move our view back to bullish. A monthly close below chart support at $75 would warrant a downgrade to bearish.

❑ Target: N/A

Source: StockCharts.com

Source: Hedgeye.com

Macro Perspectives

❑ Macro Leadership & Rotation Model

❑ Commodities: CRB Index, Copper, Gold Bullion, WTI Crude Oil

❑ Crypto: Bitcoin, Ethereum

❑ Currencies: U.S. Dollar Index, EURUSD, JPYUSD

❑ Rates: 10-Year U.S. Treasury Note

Macro Asset Leadership

	Macro Asset Rank	NOV Return	TTM Return
	1. Bitcoin ($BTCUSD)	- 7.2%	+ 189.4%
	2. Ethereum ($ETHUSD)	+ 7.9%	+ 651.6%
	3. WTI Crude ($WTIC)	- 20.8%	+ 46.0%
↓	4. CRB Index ($CRB)	- 7.8%	+ 36.9%
	5. Benchmark ($SPX)	**- 0.8%**	**+ 26.1%**
↓	6. U.S. Dollar ($USD)	+ 2.0%	- 5.0%
	7. Copper ($Copper)	- 2.0%	+ 24.5%
	8. Gold ($Gold)	- 0.4%	- 0.7%
	9. 10-Year T-Note ($UST)	+ 0.7%	- 5.5%
↓	10. Euro ($EURUSD)	- 1.9%	- 1.0%
↓	11. Japanese Yen ($JPYUSD)	+ 0.7%	- 7.8%

Macro Rotation Model

Source: StockCharts.com

Benchmark: *S&P 500 Index*
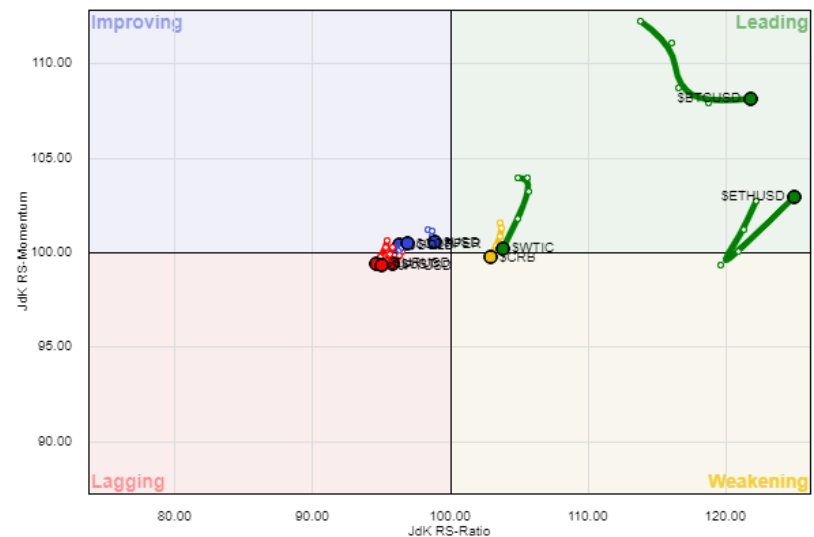
Commodity
R/J CRB Index
Neutral (+30.63% YTD)

Observations:

- ❑ **Price** closed November down 7.79%, consolidating past gains, but holding well-above chart support and the 200-DMA. A recovery uptrend remains intact.

- ❑ **Momentum** remains positive, but has pulled back from a 13-year high. A negative divergence persists.

- ❑ **Relative strength** vs. the S&P 500 index has been in decline since mid-2008, but has stabilized around a 50-year low established in 2020.

- ❑ **Trend Bullish: Above 211**

- ❑ **Trend Bearish: Below 153**

Conclusions:

- ❑ **Benchmark Weight.** Given the price action in the oil patch since April 2020, it's likely that the CRB has made a low. Last year's momentum surge is probably confirming a durable trend reversal. Once we have identified a high confidence bullish set-up, we'll position to take advantage of a what could be a more sizable bounce. That would include some notable improvement in RS, in addition to the evolution of a readable ST price pattern followed by a breakout.

- ❑ **Target** = N/A

Source: StockCharts.com

Commodity
Copper
Bullish (+21.63% YTD)

Observations:

☐ **Price** closed November down 2.01%, holding above chart support and the 200-DMA, but again failing to post a new high. A primary uptrend remains intact.

☐ **Momentum** remains slightly positive after bouncing at the zero bound, following a steep decline off a 10-year high in March. A negative divergence persists.

☐ **Relative strength** vs. the other 18 commodities that make up the CRB index has turned down after posting an all-time high in May, but may be attempting to stabilize.

☐ **Trend Bullish: Above $4.10**

☐ **Trend Bearish: Below $3.32**

Conclusions:

☐ **Overweight.** The trend remains up. However, the choppy price action, and sharp reversal in momentum and RS, suggest that a multi-month consolidation remains underway. Maintaining our bullish technical view for now. A monthly close below chart support at $4.10 would move our view to neutral. A monthly close below trend support at $3.32 would warrant a downgrade to bearish.

☐ **New Target = $5.80**

Source: StockCharts.com

Commodity
Gold Bullion
Neutral (-6.26% YTD)

Observations:

- ❑ **Price** closed November down 0.41% despite a near 7% range, to hold above chart and trend support, but again failing to recover the 200-DMA. The primary uptrend remains in question.

- ❑ **Momentum** remains slightly negative, but has turned up and is holding above trend support.

- ❑ **Relative strength** vs. the other 18 commodities that make up the CRB index has bounced following a successful test of trend and chart support.

- ❑ **Trend Bullish: Above $1,924**

- ❑ **Trend Bearish: Below $1,715**

Conclusions:

- ❑ **Benchmark Weight.** We've been looking for a compelling reason to upgrade gold, but can't seem to find one. The long-term trend is now flat. We would expect gold to continue to move higher if inflationary pressures following the myriad monetary stimulus initiatives sponsored by global central banks turn out to be something more than transitory. A monthly close above $1,924 would put us back in the bullish camp. A monthly close below $1715 would warrant a downgrade to bearish.

- ❑ Target = N/A

Source: StockCharts.com

Commodity
WTI Crude Oil
Bullish (+36.40% YTD)

Observations:

☐ **Price** closed November down 20.81%, holding above chart support, but breaching the 200-DMA. A recovery uptrend remains intact.

☐ **Momentum** turned slightly negative following a steep decline from a 15-year high to test the zero bound. A negative divergence persists.

☐ **Relative strength** vs. the other 18 commodities that make up the CRB index has rolled over following a failed challenge of chart resistance.

☐ **Trend Bullish: Above $66**

☐ **Trend Bearish: Below $33**

Conclusions:

☐ **Overweight.** A new long-term uptrend has likely been established, but the collapse in price and momentum raise serious concerns about the viability of our bullish technical view. A monthly close below chart support at $66 would move our opinion back to neutral. A monthly close below $33 would warrant a downgrade to bearish.

☐ **Target = $147**
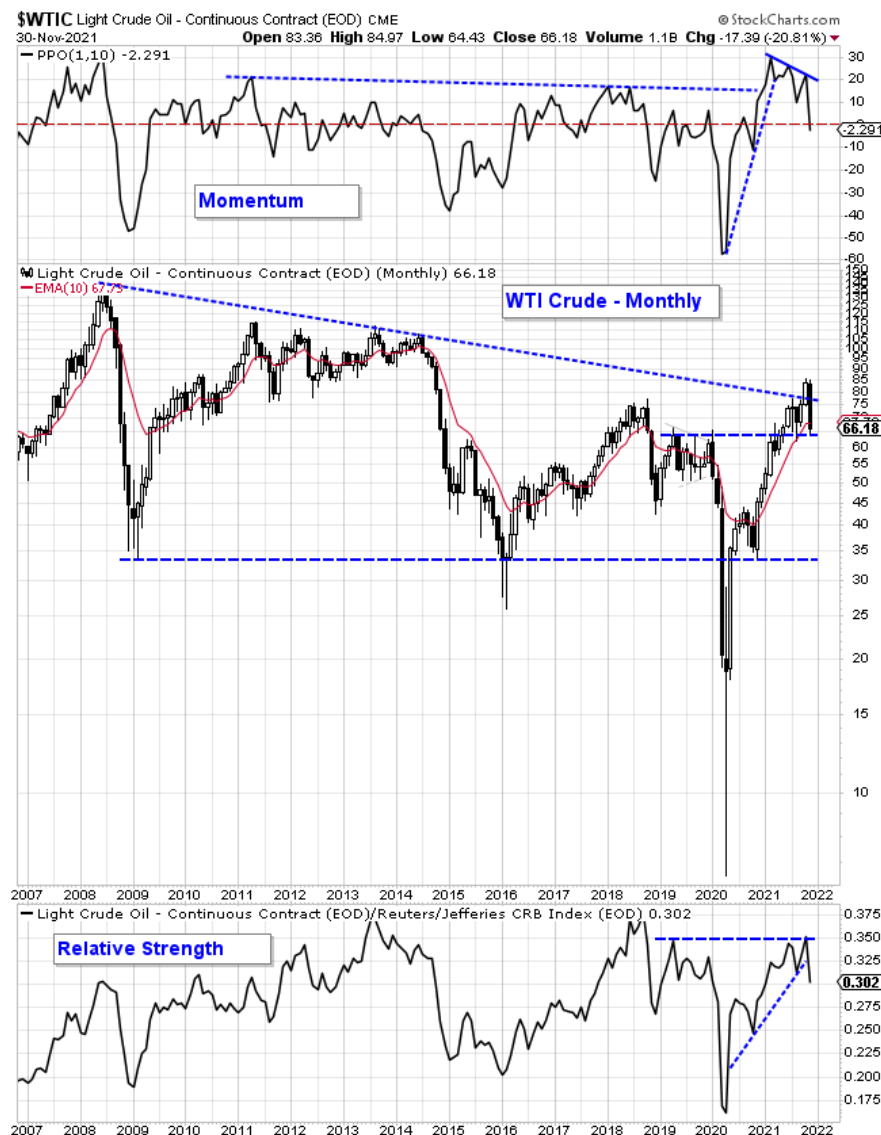
Source: StockCharts.com

Cryptocurrency Bitcoin/US Dollar
Bullish (+96.65% YTD)

Observations:

- [ ] **Price** closed November down 7.13% after posting a new all-time high. A primary uptrend remains intact.

- [ ] **Momentum** remains decidedly positive, having stabilized above trend support, and now appears poised to reassert itself.

- [ ] **Relative Strength** vs. the 19 most widely traded commodities, as illustrated by the CRB index, posted an all-time high in March, then plunged by > 50%. It now appears poised to accelerate to the upside.

- [ ] **Trend Bullish: Above $43,829**

- [ ] **Trend Bearish: Below $28,908**

Conclusions:

- [ ] **Benchmark Weight.** The long-term trend is up, but the deterioration in price action, momentum, and RS suggest that the consolidation may require more time before an advance can resume. Maintaining our bullish technical view for now. A monthly close below $43,829 would move view to neutral. A monthly close below chart support at $28,908 would warrant a downgrade to bearish.

- [ ] **Target: $100,000**

Source: StockCharts.com

CRYPTOCURRENCY
ETHEREUM/US DOLLAR
BULLISH (+528.24% YTD)

Observations:

❑ **Price** closed November up 7.95%, to post a new all-time and monthly closing high. A primary uptrend remains intact.

❑ **Momentum** remains decidedly positive and appears poised to stabilize above trend and chart support.

❑ **Relative Strength** vs. Bitcoin resolved above a classic patterned base formation, and appears to further its advance following a brief period of consolidation.

❑ **Trend Bullish: Above $2,935**

❑ **Trend Bearish: Below $1,422**

Conclusions:

❑ **Benchmark Weight.** The long-term trend remains constructive, and the robust price action, coupled with stable momentum and improving RS support our bullish technical view. A monthly close below the 200-DMA at $2,935 would move our view to neutral. A monthly close below chart support at $1,422 would warrant a downgrade to bearish.

❑ **Target: $7,000**

Source: StockCharts.com

Foreign Exchange
US Dollar Index
Bullish (+6.80% YTD)

Observations:

- ❑ **Price** closed November up 2.00%, penetrating chart resistance. The long-term trend remains up, and the decline since the 2017 high appears countertrend.

- ❑ **Momentum** remains positive, and is accelerating higher after penetrating a key trendline to resolve the 5-year resistance structure.

- ❑ **Relative Strength** vs. the G10 Currency Harvest Index is attempting to stage a bearish-to-bullish reversal after breaching a 6-year shelf of support.

- ❑ **Trend Bullish: Above 93.50**

- ❑ **Trend Bearish: Below 88.15**

Conclusions:

- ❑ **Upgrading to Bullish** from Neutral.

- ❑ **Overweight.** The close above key resistance at 94.80 suggests that a bearish-to-bullish reversal was in progress. If sustained, the bullish resolution projects a measured move to approximately 115. A monthly close below the 200-DMA at 93.50 would move our view back to neutral. A monthly close below chart support at 88.15 would warrant a downgrade to bearish.

- ❑ **New Target = 115**

Source: StockCharts.com

Foreign Exchange
Euro/US Dollar
Neutral (-7.22% YTD)

Observations:

☐ **Price** closed November down 1.90%, after failing to recover the 200-DMA last month. While the long-term trend remains down, the recent advance appears to have been part of a larger degree countertrend rally.

☐ **Momentum** remains negative, but had been coiling around the zero bound since 2016. Last month's breach of the lower channel boundary implies potential further weakness ahead.

☐ **Relative Strength** vs. the G10 Currency Harvest Index broke trend support to post a fresh 5-year low in October.

☐ **Trend Bullish: Above 1.24**

☐ **Trend Bearish: Below 1.09**

Conclusions:

☐ **Benchmark Weight.** Price action in this currency pair is essentially the mirror image of the DXY. On the one hand, a close below key support would suggest a new leg of the decline was underway. A bearish resolution would project a measured move to approximately 0.80. On the other hand, a monthly close above key resistance would suggest a test of the 2014 high.

☐ Target = N/A

Source: StockCharts.com

Foreign Exchange
Yen/US Dollar
Neutral (-8.72% YTD)

Observations:

- ❑ **Price** closed November up 0.74%, holding well-below the 200-DMA. The intermediate trend remains flat.

- ❑ **Momentum** plunged into negative territory in January after coiling around the zero bound for the prior 3-years. It is now attempting to stabilize.

- ❑ **Relative Strength** vs. the G10 Currency Harvest Index appears poised to test its 2014 low, having breached trend support after failing at an 8-year shelf of resistance.

- ❑ **Trend Bullish: Above 0.99**

- ❑ **Trend Bearish: Below 0.86**

Conclusions:

- ❑ **Benchmark Weight.** Following a breach of trend and nearby chart support, continued weak price action, with deteriorating momentum and RS raises the probability for a test of the lower channel boundary. A monthly close above 0.99 would move our opinion to Bullish. A monthly close below 0.86 would warrant a downgrade to bearish.

- ❑ Target = N/A

Source: StockCharts.com

Interest Rates
10-Year US Treasury Note
Bearish (-4.90% YTD)

Observations:

- ❑ **Price** closed November up 0.68%, failing to hold below broken chart support. On-again/off-again inflation concerns have increased the volatility around 10-year Treasury yields.

- ❑ **Momentum** has remains negative after failing at the zero bound, but appears poised to challenge trend resistance.

- ❑ **Fed** funds rate will likely remain in the zero to 25 bps range until at least mid-2022. The FOMC has begun tapering asset purchases, and Jerome Powell has been nominated for a 2nd term as Fed Chairman. This could accelerate the Fed's policy tightening schedule.

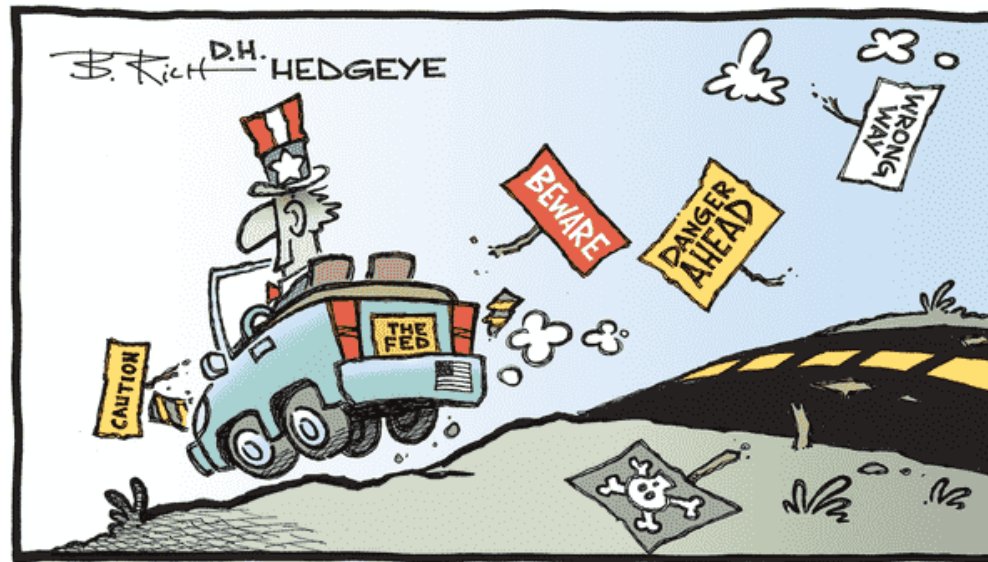- ❑ **Trend Bullish: Above 135**

- ❑ **Trend Bearish: Below 132**

Conclusions:

- ❑ **Underweight.** A new long-term downtrend has been established. Weak price action and deteriorating momentum support our bearish view. A monthly close above the 200-DMA at 132 would move our view to neutral. A monthly close above 135 would warrant an upgrade to bullish.

- ❑ **Target = 120**

$UST CME CBOT 10-Year US Treasury Note Price (EOD) INDX
30-Nov-2021 **Open** 129.85 **High** 131.03 **Low** 128.95 **Close** 130.78 **Chg** +0.88 (+0.68%) ▲
— PPO(1,10) -1.109

Momentum

CME CBOT 10-Year US Treasury Note Price (EOD) (Monthly) 130.78
— EMA(10) 132.24

10-Year Treasury Note - Monthly

CBOE 10-Year US Treasury Yield 14.43

10-Year Treasury Yield

Source: StockCharts.com

Source: Hedgeye.com

Appendix

- ❑ Methodology
- ❑ Analyst Bio
- ❑ Disclaimer

Methodology

❑ The analysis contained herein utilizes data visualization techniques related to historical monthly and weekly price and volume statistics for publicly traded securities and popular indexes.

❑ The analysis employs an evidence-based approach to identify change and to evaluate the sustainability of long-term price trends for a variety of broad markets, their sub-sectors, and the constituents that comprise their indexes.

❑ Emphasis has been placed on the use of equal-weight index data to conduct this analysis where appropriate in order to reduce the influence of more heavily weighted large-cap issues and their ability to skew the results of a given study.

❑ Relative strength (RS) measures the performance of one or more variables vs. a benchmark. Of all the factors that have ever been tested, RS has consistently demonstrated the greatest efficacy in terms of its predictive value. Our analysis considers both the RS factor and its 2nd derivative, the momentum of the RS factor over a specified time period.

❑ Observations are objective, based upon the body of knowledge that comprises the subject of technical analysis as defined by the CMT Association, but conclusions are subjective and are based upon the judgement and experience of this analyst.

❑ Ratings reflect this analyst's opinion: Bullish / Bearish / Neutral. A Bullish rating indicates that the data support further improvement. A Bearish rating indicates that the data support further deterioration. A Neutral rating indicates that the data is currently inconclusive.

❑ The use of plain language where possible has been given preference over industry jargon in order to simplify the explanation and interpretation of this analysis. A glossary of terms specific to the discipline of technical analysis can be found at: Technical Analysis Glossary of Terms

❑ Some readers may be unfamiliar with the use of Relative Rotation Graphs. A detailed discussion of this subject can be found at: Relative Rotation Graphs 101

Analyst Bio

❑ Jeffrey W. Huge, CMT has over 30 years of investment industry experience across global equity and debt capital markets. He is Founder & Chief Investment Strategist at JWH Investment Partners, an independent investment research firm.

❑ Prior to launching his own firm, Mr. Huge was Managing Director of The Leuthold Group and Leuthold Management, where he co-managed a global macro hedge fund alongside respected contrarian-value investor Steve Leuthold.

❑ Previously, he held senior level positions in institutional sales, trading, and portfolio management at several top investment banks including Oppenheimer, Citigroup, and Merrill Lynch, where he specialized in equity markets, technical analysis, and global macro strategy.

❑ Mr. Huge earned his MBA in Finance from the University of St. Thomas, and holds a Bachelor's degree in Economics from the University of Minnesota. He completed advanced training and was certified in portfolio management under the instruction of Professor Emanuel Derman, Ph.D. at Columbia University's Center for Financial Engineering.

❑ Mr. Huge is a CMT Charterholder and has been a member of the CMT Association since 2005.

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