



## KEYS TO THIS WEEK / WEEKLY WRAP UP

# The Weekly Wrap-Up: June 29th, 2019

Posted on: **Saturday, June 29th, 2019**

## Market Begins Next Week With A Positive Bias, But Watch Volatility

**Correction Protection Model (CPM): Risk On as of June 11th**  
(from Risk Off on May 7th)

Our quantitative model for the US stock market, which uses the S&P 500 (SPX) as a proxy, shifted to "Risk On" as of June 11th from "Risk Off" on May 7th.

## Conclusion, Investment Implications, Strategy

Positive market internals amid last week's leadership from the Semiconductor space sets the stage for more US broad market strength next week. However, we will be keeping a close eye on market volatility, via the VIX, as the benchmark S&P 500 (SPX) continues its recent test of overhead resistance at 2941 to 2954.

## From Last Week's Research

*"...as good as the market looks heading into this week, there are still a couple hurdles that need to be cleared and both pertain to market leadership. Since small cap stocks have been underperforming for the past four months, **leadership from the technology space is necessary to keep the 2019 broad market advance going.** To accomplish this, we are looking for two things to occur: 1) a sustained rise above **1439 in the PHLX Semiconductor (SOX) Index** which would turn its minor trend positive, and 2) increasing investor assets moving into the Technology Sector...to fuel that necessary leadership."*

[Keys To This Week](#)

## Weekly Summary / Overview

The benchmark **S&P 500 (SPX)** finished Friday's session down slightly for the week, by just 8.70 points or -0.30%, as the US broad market continues its 2-month struggle to rise and remain above its 2941 October 2018 all-time high — this amid plummeting long term US interest rates and continued concerns about an emerging trade war with China.

## The Positives Heading Into Next Week

On the plus side, our [Correction Protection Model \(CPM\)](#) remains in a **Risk On** status, as of June 11th. In addition, **Table 1** below shows that our **Asbury 6** key market internals finished the week in positive (bullish) territory. When all Asbury 6 are positive, market internals are the most conducive to adding risk to portfolios.

<b>"ASBURY 6" INTERNAL MARKET METRICS</b>		<b>through 6/28/2019</b>
<b>METRIC</b>	<b>POSITIVE</b>	<b>NEGATIVE</b>
Monthly Rate Of Change: SPX	X	
Rel Performance: SPY vs. JNK	X	
Total Net Assets: SPY	X	
High Yield Corp Bond Spread	X	
On Balance Volume: SPX	X	
Market Breadth: NYSE	X	

**Table 1**

**Another positive factor from last week** is outright strength, as well as relative outperformance versus the broad market, from the **Semiconductor** space, which we had mentioned as a key factor heading into the week. Since semiconductors tend to lead Technology, and Technology typically leads the broad market, we were looking for the PHLX Semiconductor (SOX) Index to have a good week. And it did.

**Chart 1** below plots the **SOX daily** since Q4 2018 along with its 200- and 50-day moving averages, widely-watched major and minor trend proxies. The green highlights show that, after testing and holding the 200- day MA as underlying support in late May to keep the 2019 major uptrend intact, the SOX also moved back above its 50-day MA at the end of last week.

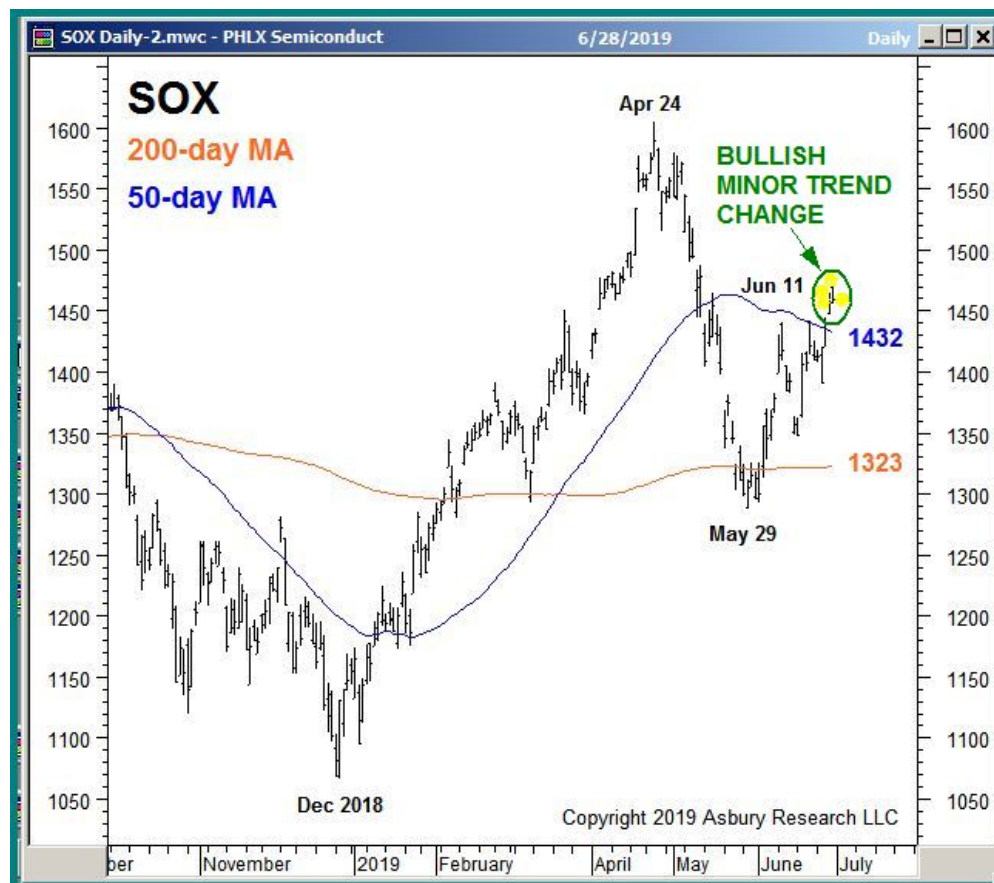


Chart 1

This move back above the 50-day turns the SOX's minor trend positive, which helps confirm that its major uptrend has resumed. **As long as the SOX remains above its 50-day MA, currently at 1432, while continuing to outperform the S&P 500, the US broad market probably has the necessary leadership to continue rising in the 3rd Quarter.**

### Potential Potholes To Watch Out For

**Chart 2** below plots the **S&P 500 daily** since September 2018 along with its 200- and 50-day moving averages. The chart shows that SPX is above both moving averages, indicating that **its major and minor trends are up.**



Chart 2

However, the benchmark index must make a sustained rise above the 2941 to 2954 area, which it has been negotiating since June 20th, to clear the way for significantly higher prices in the weeks and months ahead. More simply stated, despite positive market internals and some recent leadership by semis, **the US broad market is not quite out of the woods yet.**

One of the most sensitive indications that would indicate the market may be stalling at SPX 2941 to 2954 would be an increase in volatility. The lower panel of **Chart 3** below plots the **CBOE Volatility Index (VIX) daily** since mid April along with its 21-day moving average, the latter which we use to determine its monthly (our tactical time period) trend.



Chart 3

The rightmost green highlights on the chart show that **the VIX has been in a trend of decreasing volatility since June 5th**, which has coincided with a sharp move higher in the S&P 500 (upper panel). **As long as the VIX remains below its 21-day MA next week, currently situated at 15.97, we will expect SPX to remain firm, and to eventually rise and remain above 2941 to 2954 resistance.**

A sustained rise above the VIX 16.00 area, however, would indicate that investors are becoming apprehensive, and would warn that another corrective decline from the SPX 2941 area is emerging.

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