



# Weekly Market Notes & Breadth Trends

02/08/2021

The information, opinions, and other materials contained in this presentation is the property of Allstarcharts Holdings, LLC and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by Allstarcharts Holdings, LLC based on information from sources considered to be reliable. We make no representation or warranty, express, or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities. This document may include estimates, projections and other "forward-looking" statements, due to numerous factors, actual events may differ substantially from those presented. Opinions and estimates offered herein constitute Allstarcharts Holdings, LLC's judgment and are subject to change without notice, as are statements of financial market trends which are based on current market conditions. Any investment is subject to loss of capital and is only appropriate for persons who can bear that risk and the nature of an investment. Any comments or statements made herein do not necessarily reflect those of Allstarcharts Holdings, LLC or its affiliates (collectively, "Allstarcharts") and do not constitute investment advice. These materials are not intended to constitute legal, tax, or accounting advice or investment recommendations. Prospective investors should consult their own advisors regarding such matters. See full

terms and conditions: <http://allstarcharts.com/terms/>

# Market Notes

Key Takeaway: Financials & bond yields finished last week at new recovery highs. They were joined by the most stocks ever on the NYSE + NASDAQ making new 52-week highs. Small-cap leadership is intensifying as stocks reflect better than expected earnings and optimism about the path of economic growth.

After multiple failed attempts, the Financials sector rallied to a new high last week. Given this sector's tendency to lead the market overall, this is seen as a bullish development. It was accompanied by a new high in the 10-year T-Note yield, which closed above 1.2% for the first time since February of last year. The trend in bond yields has started to turn higher, suggesting this may be sustained and is not just a reflexive bounce within the context of a longer-term trend lower in yields. At some point, higher yields will likely force an equity market reckoning, but with Financials finally breaking out, it seems premature to position for weakness right now.

It's not just Financials that moved to new highs last week. Nearly 60% of the industry groups in the S&P 1500 moved to new highs, with the new high list being dominated by mid-cap and small-cap groups. Moreover, last week saw the most daily new highs ever on the NASDAQ and the weekly NYSE + NASDAQ new high list was its highest on record. Add in another breadth thrust last week (with the 10-day Advance/Decline ratio exceeding 1.9) and conditions appear to favor continued strength rather than imminent reversal.

Last week's economic data was somewhat mixed. Consumer sentiment fell for the third time in four months and 1-year inflation expectations reached their highest level since 2012. Initial jobless claims dropped last week (though not as much as had been expected) and they remain elevated from a historical perspective. However, both overall economic data and Q4 earnings for the S&P 500 have continued to come in better than expected. According to FactSet, earnings were expected to decline nearly 10% in Q4, but have actually risen close to 3%. Revenue, which was expected to be flat in the quarter, is now seen rising nearly 3% as well.

Willie Delwiche, CMT, CFA  
Investment Strategist | All Star Charts

# Relative Strength Rankings & Breadth Trends

	S&P 500 Sector Relative Strength Rankings						Current Ranking	
	Current Ranking	Short-term	Mid-Term	Long-Term	Last Week	Change	S&P 400	S&P 600
Energy	4	1	1	8	6	2	5	2
Materials	5	9	7	3	5	0	8	5
Industrials	7	5	9	5	8	1	6	8
Consumer Discretionary	6	7	5	6	1	-5	2	1
Consumer Staples	10	10	11	10	10	0	7	7
Health Care	8	8	7	7	9	1	4	4
Financials	2	4	2	2	4	2	3	9
Information Technology	1	2	3	1	2	1	1	3
Telecom Services	3	3	3	3	3	0	9	6
Utilities	11	11	10	11	11	0	11	11
Real Estate	9	6	6	9	7	-2	10	10

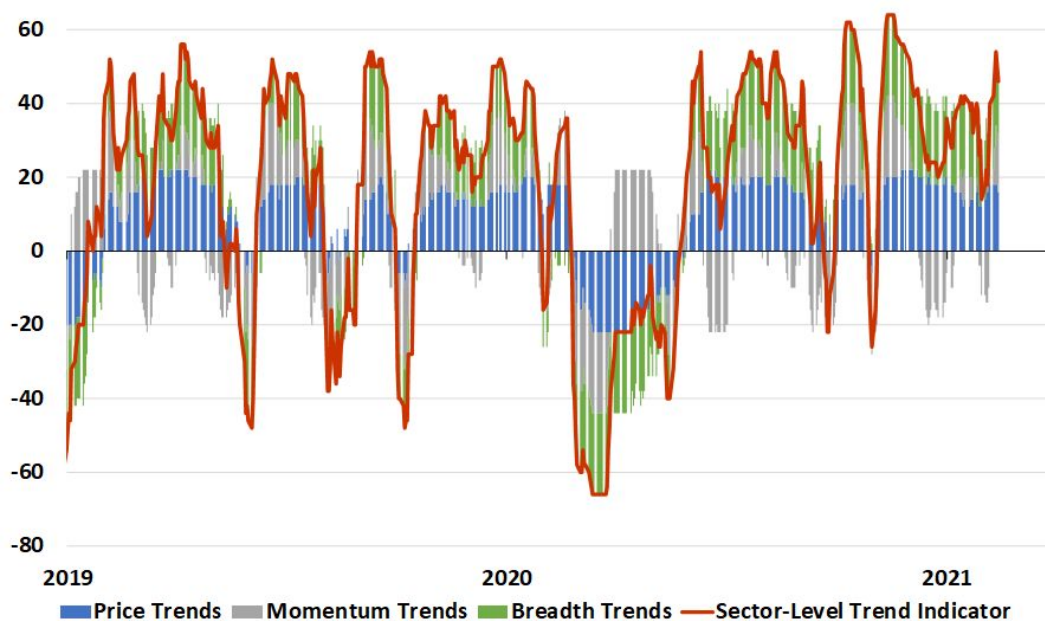
Financials and Energy climbed in our S&P 500 relative strength rankings last week. Curiously, among small-cap sectors, Financials have been more of a laggard than a leader. With Consumer Discretionary slipping in this week's rankings, Technology has moved back into the top spot. Small-caps dominating large-caps in our industry group relative strength rankings is not too surprising given that the top nine groups on a YTD return basis come from the small-cap index and the bottom four groups all come from the large-cap index.

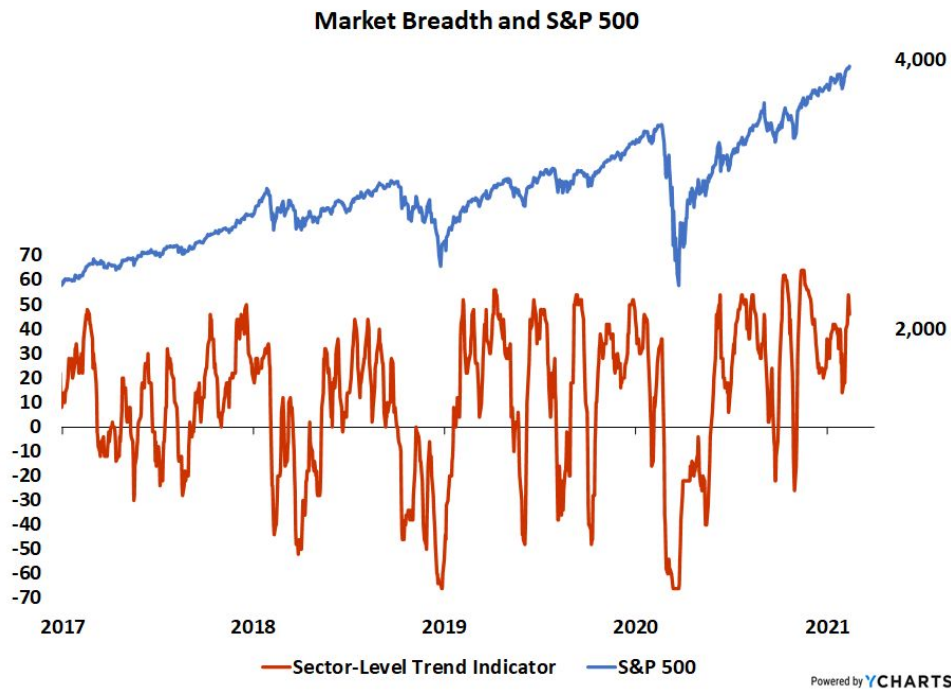
Industry Groups	Improving/Deteriorating			Top/Bottom		
	S&P 500	S&P 400	S&P 600	S&P 500	S&P 400	S&P 600
Energy						TOP
Materials						
Capital Goods						
Commercial Services & Supplies			IMP	BOT		
Transportation						
Automobiles & Components		DET				
Consumer Durables & Apparel						TOP
Hotels, Restaurants & Leisure						TOP
Media						TOP
Retailing						TOP
Food & Staples Retailing		IMP				
Food, Beverage & Tobacco		IMP	IMP	BOT		
Household & Personal Products		DET		BOT		TOP
Health Care Equipment & Services						
Pharmaceuticals, Biotechnology & Life Sciences						
Banks		IMP				
Diversified Financials						
Insurance						
Real Estate	IMP					
Software & Services						TOP
Technology Hardware & Equipment						TOP
Semiconductors & Semiconductor Equipment					TOP	TOP
Telecommunication Services		IMP		BOT		
Utilities				BOT	BOT	BOT

	Price		Momentum		Breadth		Sector Trend Score (-6 to +6)
	Current vs. Trend	Trend Direction	Current vs. Trend	Trend Direction	Current vs. Trend	Trend Direction	
Energy	Pos	Pos	Pos	Pos	Pos	Pos	6
Materials	Pos	Pos	Pos	Pos	Pos	Pos	6
Industrials	Pos	Pos	Pos	Pos	Pos	Pos	6
Consumer Discretionary	Pos	Pos	Neg	Pos	Neg	Pos	2
Consumer Staples	Neg	Pos	Pos	Pos	Neg	Pos	2
Health Care	Pos	Pos	Neg	Neg	Pos	Pos	2
Financials	Pos	Pos	Pos	Pos	Pos	Pos	6
Information Technology	Pos	Pos	Pos	Pos	Pos	Pos	6
Telecom Services	Pos	Pos	Pos	Pos	Pos	Pos	6
Utilities	Neg	Neg	Neg	Pos	Neg	Pos	-2
Real Estate	Pos	Pos	Pos	Pos	Pos	Pos	6
Indicator Summary (-22 to +22)	16		14		16		<b>46</b>

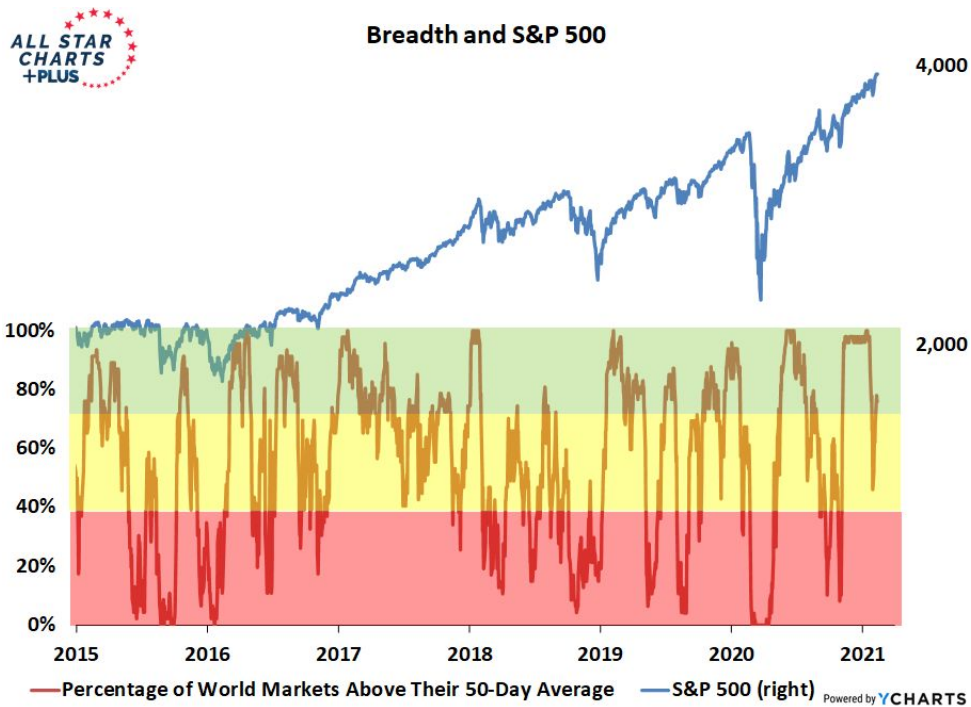
There can be a tendency to over-interpret every squiggle that appears on a chart. The late January sell off at the index-level was accompanied by deteriorating momentum at the sector level (that has now decisively reversed course). Price, breadth and momentum trends at the sector level have turned positive and suggest still healthy levels of rally participation. The sectors with the weakest trends (with the notable exception of Consumer Discretionary) are those that you would expect to lag in periods of broader strength.

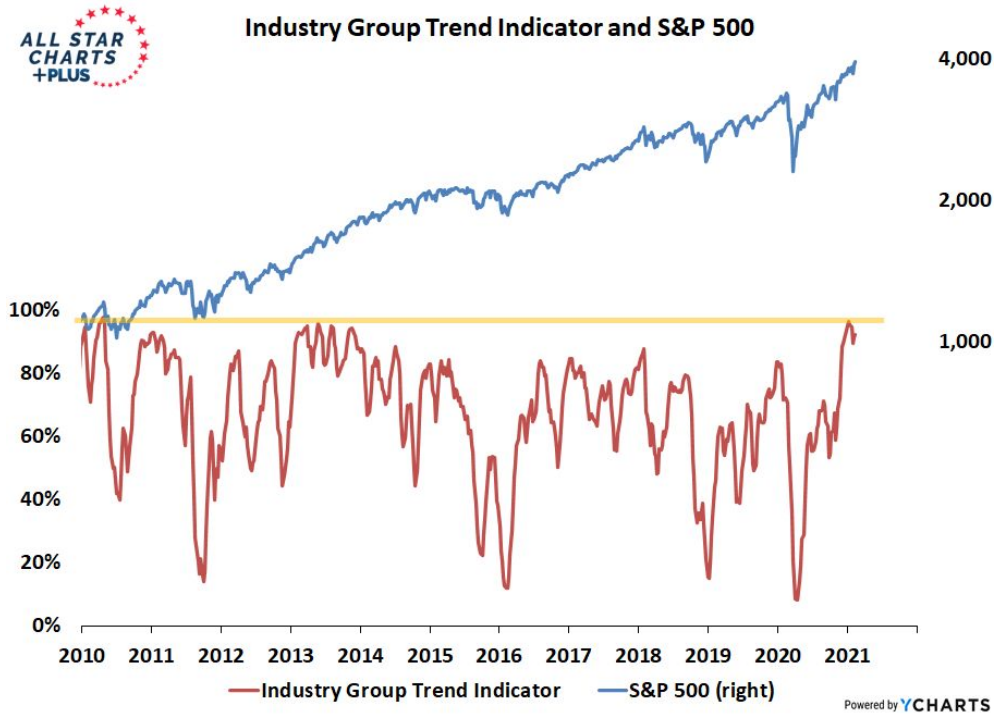
### Sector-Level Trend Indicator Detail





Our overall sector-level trend indicator has not just shown resiliency as price and breadth did not follow momentum lower, but last week it surpassed its January peak. Sustained periods of weakness have tended to be anticipated by lower highs in this indicator and are accompanied by sub-zero readings. Higher highs speak to sustainability of a rally. Likewise, the percentage of global markets trading above their 50-day averages has climbed back above 70%. As we mentioned last week, breadth that bends but does not break is typically bullish.





Overall industry group trends remain robust and our industry group trend indicator ticked higher again this week. In an interesting reversal from the experience of the past few years, there is much broader strength being seen at the small-cap and mid-cap level than at the large-cap level. Case in point: fewer than 30% of large-cap groups made new 52-week highs last week, while more than 70% of the small-cap and mid-cap groups did so. With that, it's little surprise that small-caps continue to gain strength versus large-caps at both the index and industry group level.

