



WEEKLY CHART PACK, 5/31/23

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# IN TODAY'S DECK:

- Indexes Argue For A Bull Market, Breadth Disagrees
- Global Strength Being Tested
- Industry Group Trends Fading
- Sector Struggles Suggest A Test Of March Lows
- Bond Yields Biased Higher
- Liquidity Is Shrinking But Inflation Is Sticky
- Hard To Have A Bull Market Without Bulls

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# BULL MARKET BEHAVIOR CHECKLIST

	Current Reading	Criteria	Bull Market Behavior?
Weekly New High - New Lows (As % of NYSE + NASDAQ Issues Traded)	-2%	Greater Than 0	No
Net New High A/D Line NYSE + NASDAQ	Falling (61 Days In a Row)	Rising	No
% of Global Markets Above Their 50-Day Average	34%	Greater Than 70%	No
ACWI Long-Term Trend	Rising (5 Consecutive Weeks)	Rising	Yes
S&P 500 200-Day Average (Level vs 10-Days Ago)	Rising (39 Days In a Row)	Rising	Yes
Value Line Geometric Index Long-Term Trend	Falling (68 Consecutive Weeks)	Rising	No

(data as of 5/26/2023)

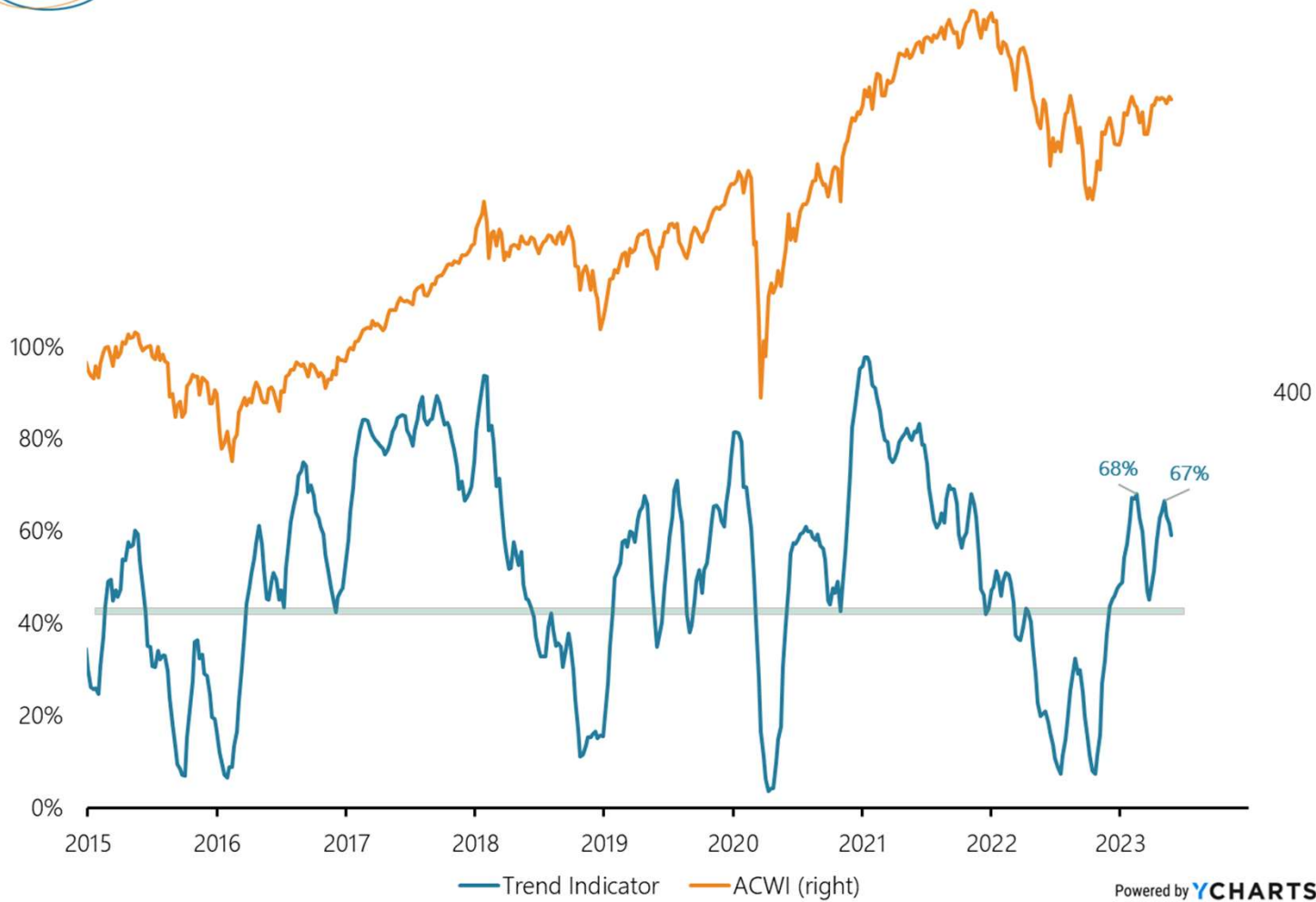
Total: 2/6

The cap-weighted index components of our bull market behavior checklist have improved, but breadth is providing bullish confirmation.



# GLOBAL STOCK MARKET TRENDS

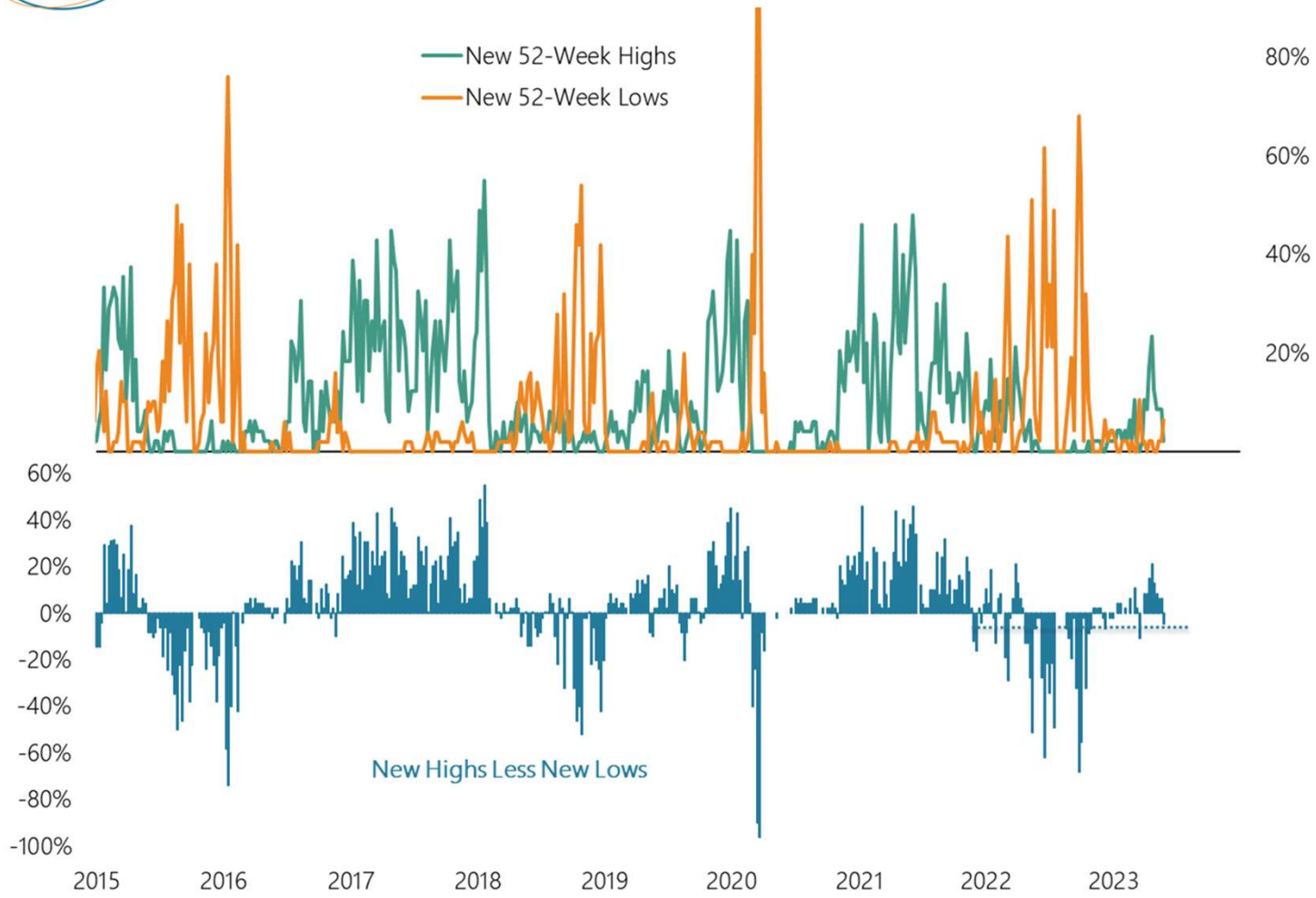
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Global trend improvement has run out of gas and our trend indicator has turned lower after failing to surpass its February peak. This is driven mostly by deteriorating conditions in Developed Markets.



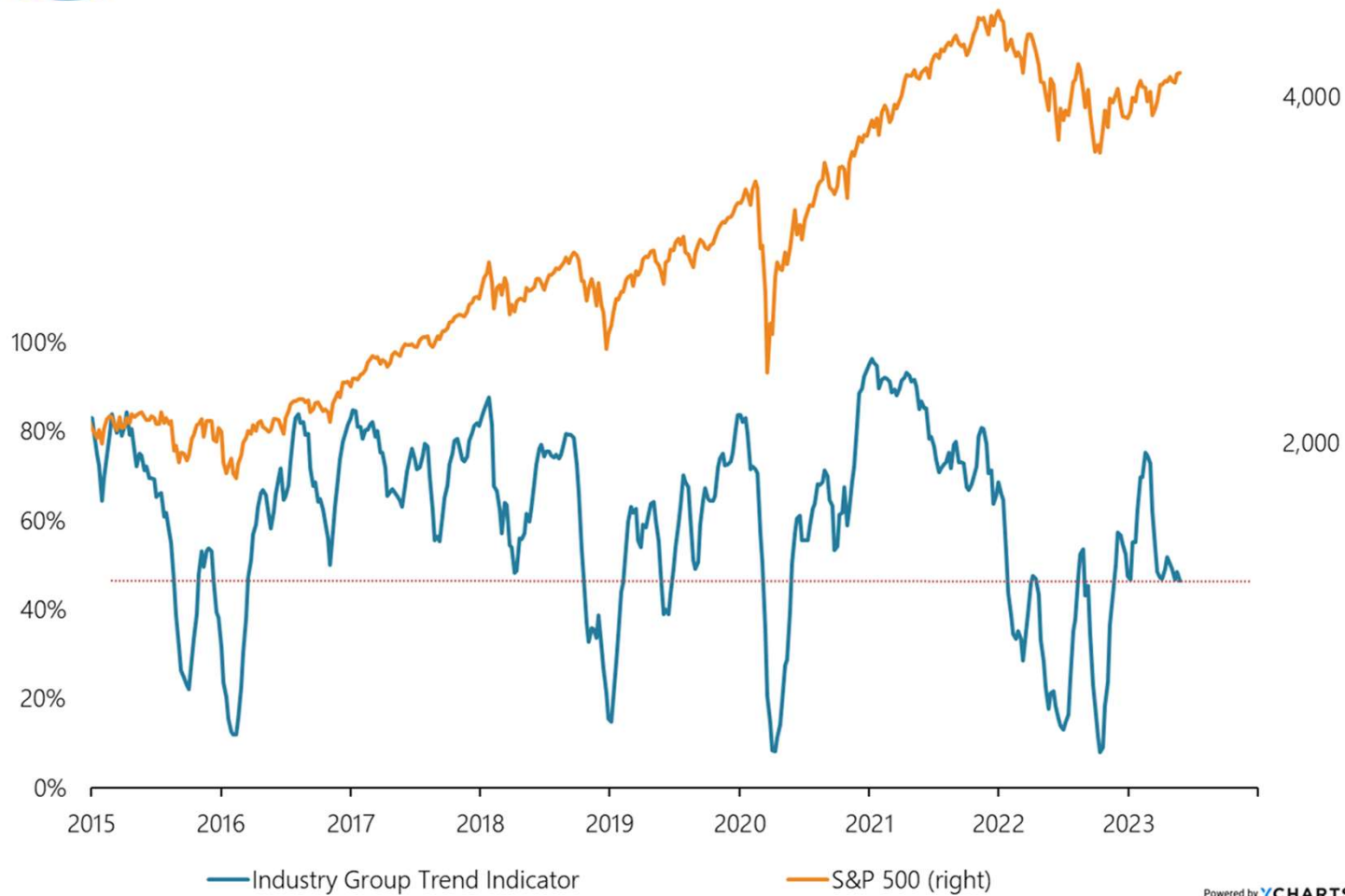
# % OF ACWI MARKETS AT NEW HIGHS & NEW LOWS



For the first time in 10 weeks and only the second time this year, more global markets made new lows than new highs last week.



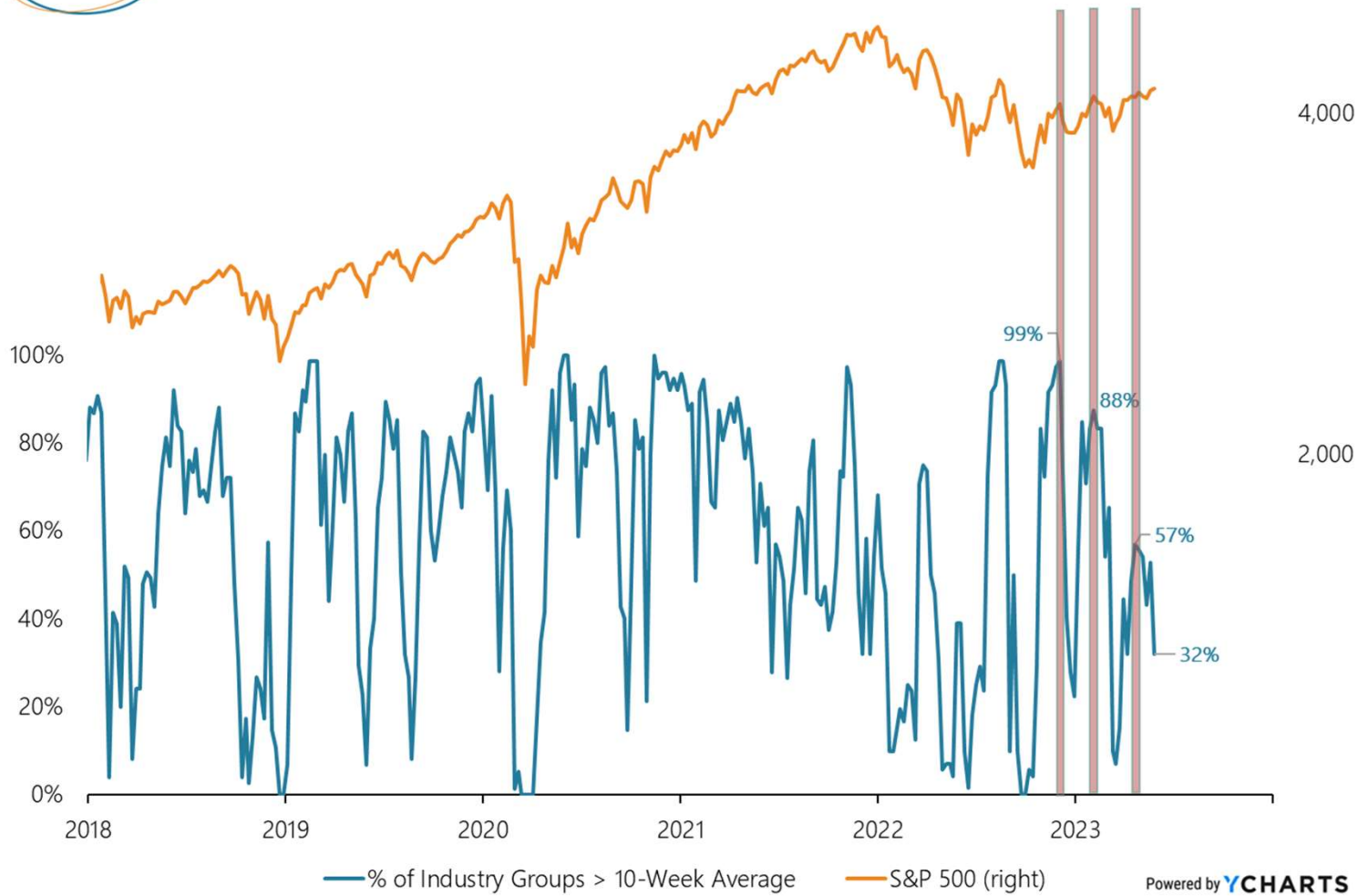
# US INDUSTRY GROUP TRENDS



Our industry group trend indicator is on the cusp of breaking down even as the S&P 500 has tested its early year highs.



# INDUSTRY GROUP TRENDS AND S&P 500



Going back to late 2022, every test of the highs on the S&P 500 has come with a smaller percentage of industry groups trading above their 10-week averages. Last week, this dropped to 32%.



	Momentum		Price		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	Neg	Neg	Neg	Neg	-2
Materials	Neg	Neg	Neg	Neg	Neg	Neg	-6
Industrials	Neg	Neg	Neg	Neg	Neg	Neg	-6
Consumer Discretionary	Pos	Pos	Pos	Pos	Neg	Neg	2
Consumer Staples	Neg	Neg	Neg	Pos	Neg	Neg	-4
Health Care	Neg	Neg	Neg	Neg	Neg	Neg	-6
Financials	Neg	Pos	Neg	Neg	Neg	Neg	-4
Information Technology	Pos	Pos	Pos	Pos	Pos	Neg	4
Communication Services	Pos	Pos	Pos	Pos	Pos	Neg	4
Utilities	Neg	Neg	Neg	Neg	Neg	Neg	-6
Real Estate	Neg	Neg	Neg	Neg	Neg	Neg	-6
<b>Indicator Summary (-22 to +22)</b>	-4		-8		-18		-30

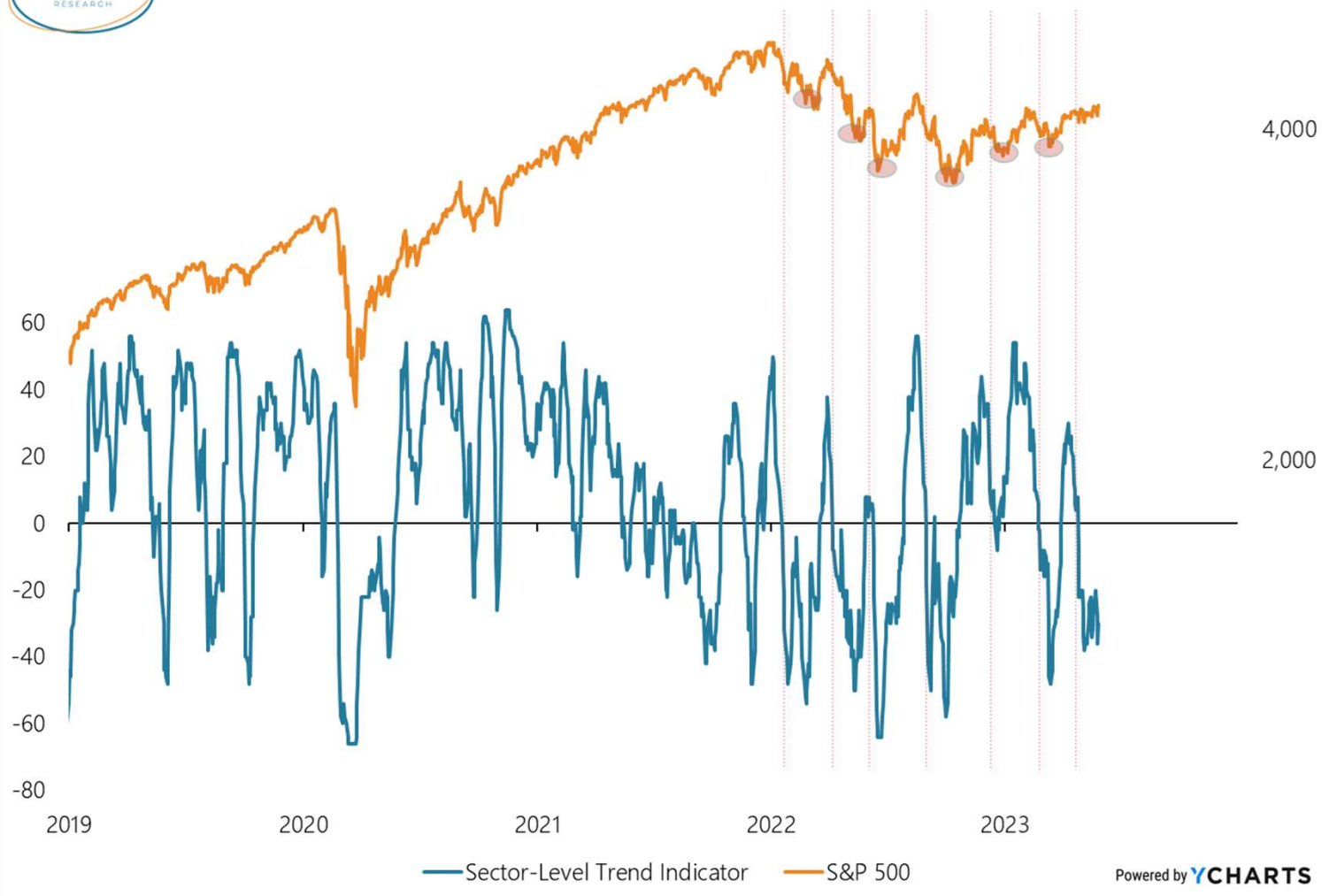
Data as of: 5/26/2023

Sector-level trends paint a picture of weakness beneath the surface, especially if the price and momentum trends for Consumer Discretionary, Information Technology and Communication Services are taken with a grain of salt (those trends are heavily influenced by the handful of mega-caps that have supported index-level strength this year).





# SECTOR STRENGTH AND S&P 500



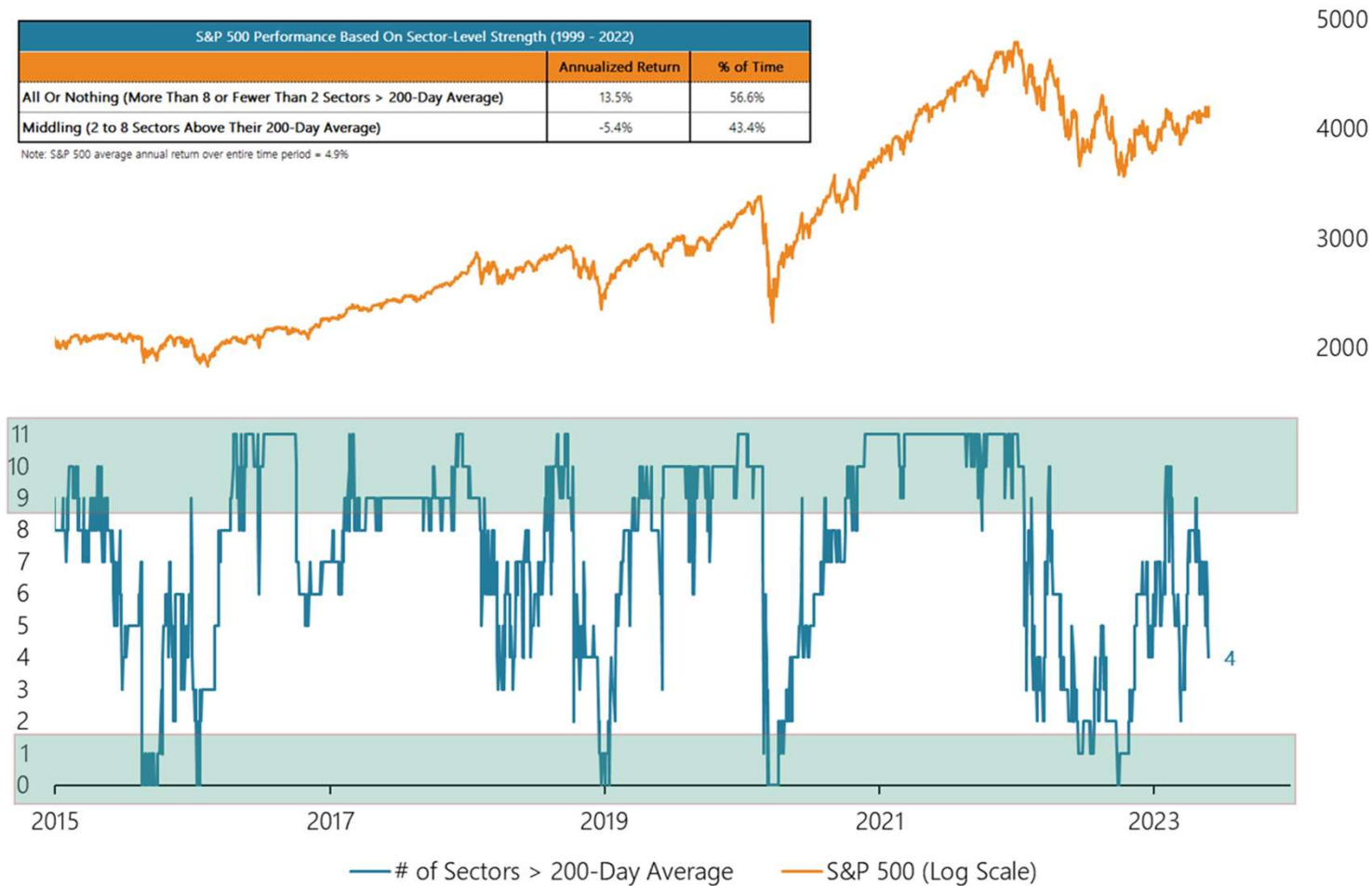
Until December, every time last year that our sector-level trend indicator moved into negative territory, the S&P 500 made a lower low. That trend indicator is hanging out in negative territory right now, so that change in character has another chance to prove itself.



# STOCKS SHINE WHEN SECTOR STRENGTH IS ALL OR NOTHING

S&P 500 Performance Based On Sector-Level Strength (1999 - 2022)		
	Annualized Return	% of Time
All Or Nothing (More Than 8 or Fewer Than 2 Sectors > 200-Day Average)	13.5%	56.6%
Middling (2 to 8 Sectors Above Their 200-Day Average)	-5.4%	43.4%

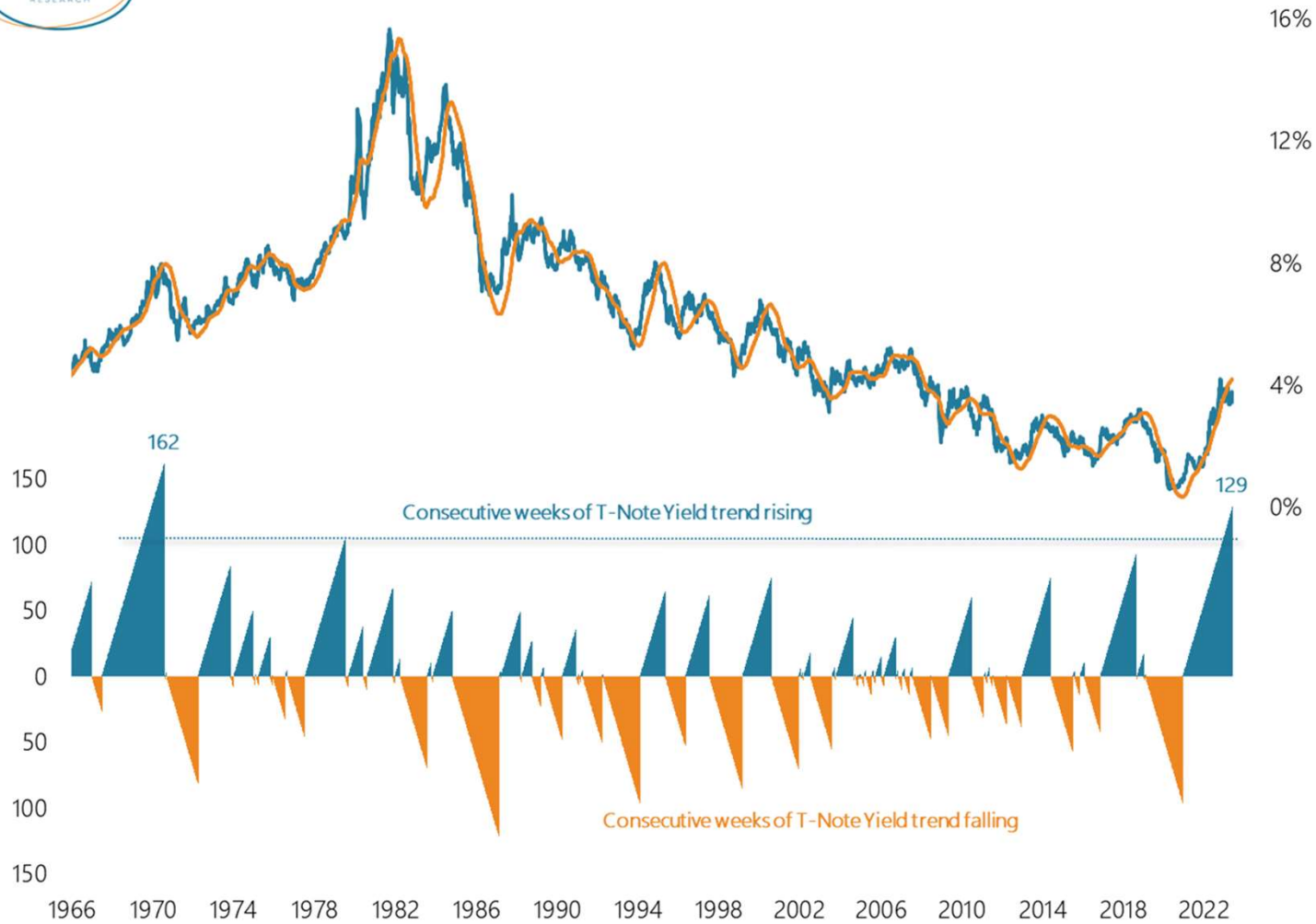
Note: S&P 500 average annual return over entire time period = 4.9%



As the S&P 500 has pushed higher in recent weeks, the number of sectors above their 200-day averages has fallen. It's not currently at a level where the S&P 500 tends to produce positive returns.



# 10-YEAR T-NOTE YIELD



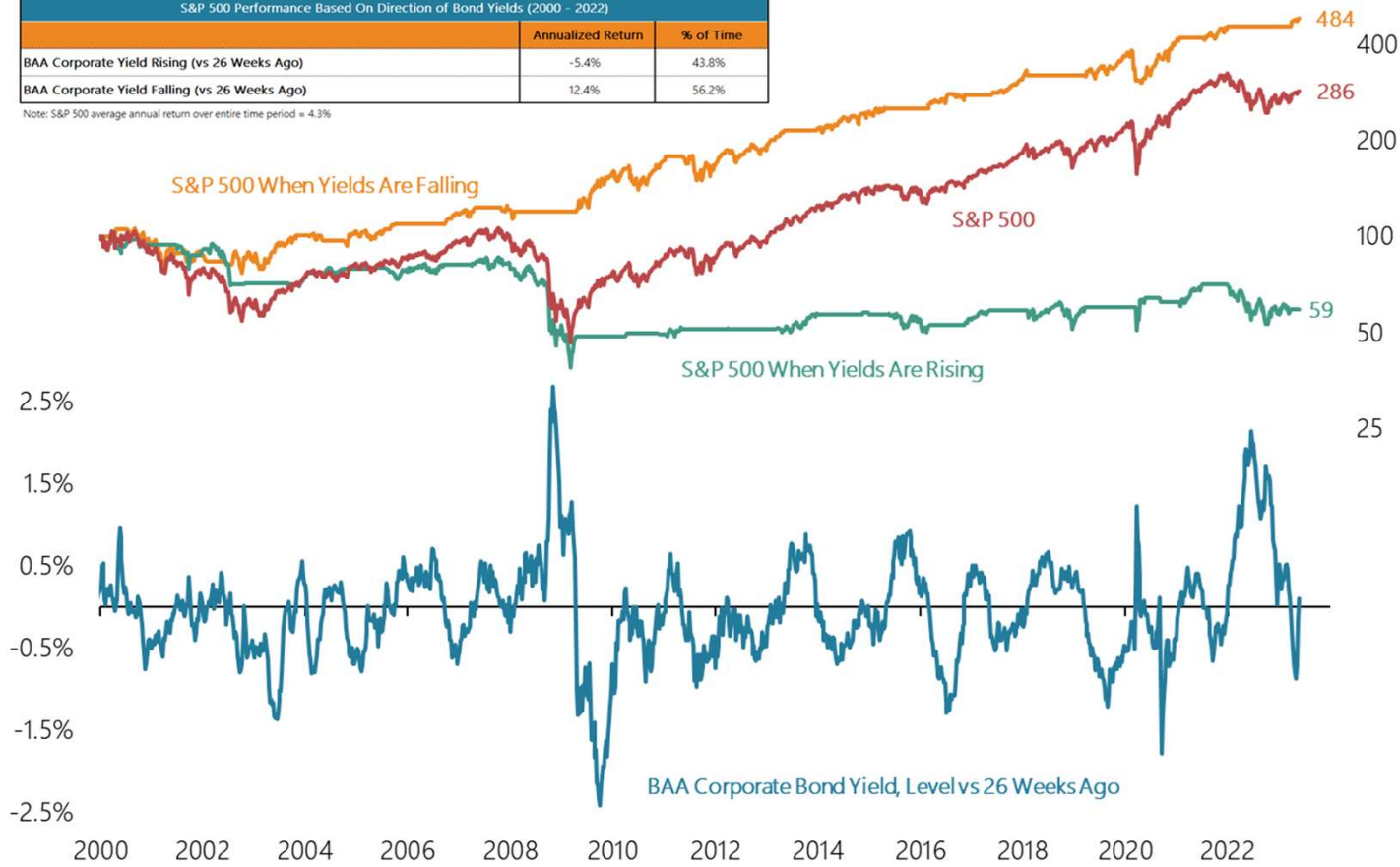
Despite several months of consolidation, the long-term trend for the 10-year T-Note yield remains higher.



# S&P 500 PERFORMANCE WHEN BOND YIELDS ARE RISING VS FALLING

S&P 500 Performance Based On Direction of Bond Yields (2000 - 2022)		
	Annualized Return	% of Time
BAA Corporate Yield Rising (vs 26 Weeks Ago)	-5.4%	43.8%
BAA Corporate Yield Falling (vs 26 Weeks Ago)	12.4%	56.2%

Note: S&P 500 average annual return over entire time period = 4.3%



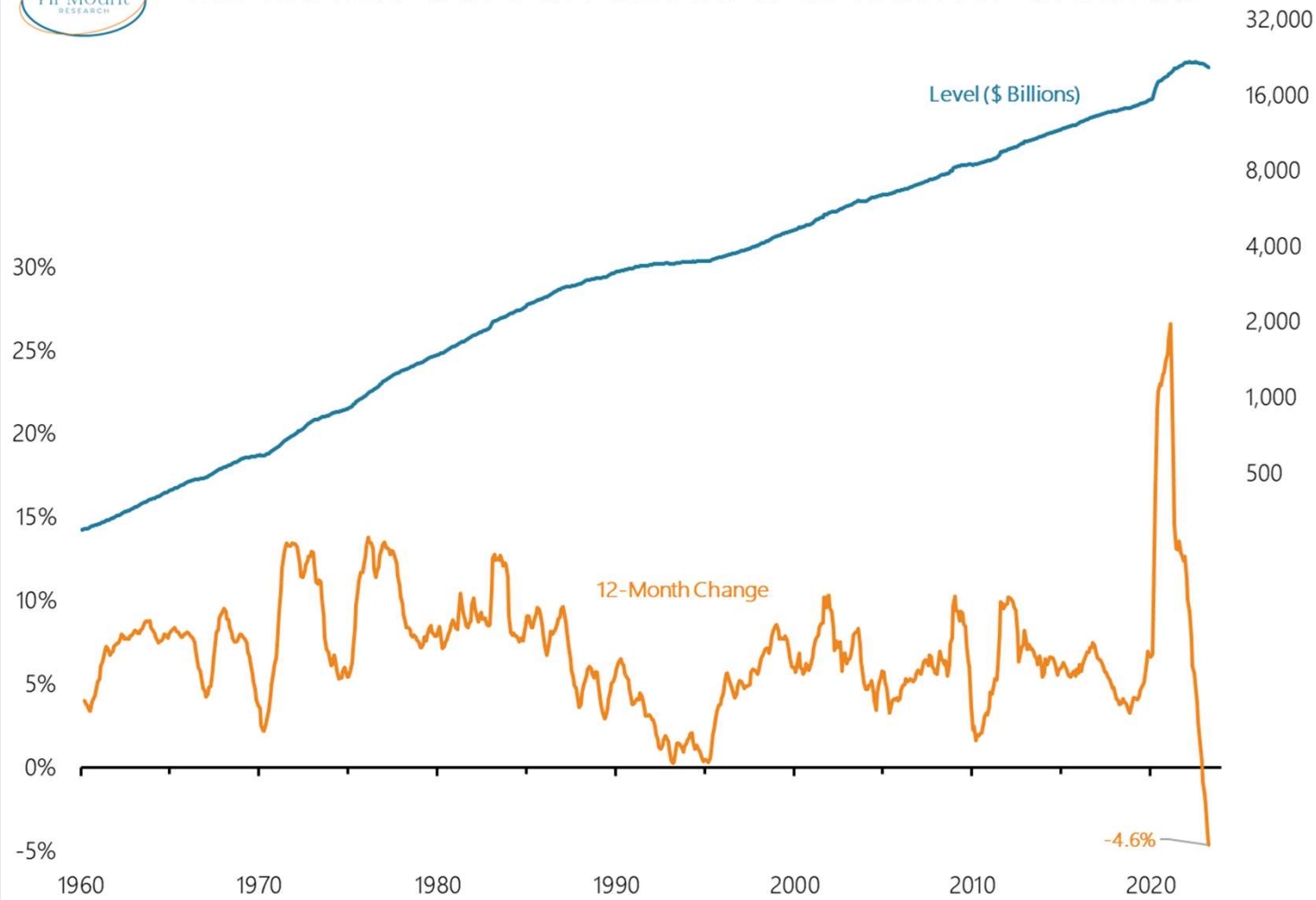
S&P 500 series indexed to Dec 31, 1999 = 100.

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Yields consolidating last year's surge provided an improving liquidity backdrop off the March lows, but that has faded. Rising corporate bond yields are a headwind for stocks.



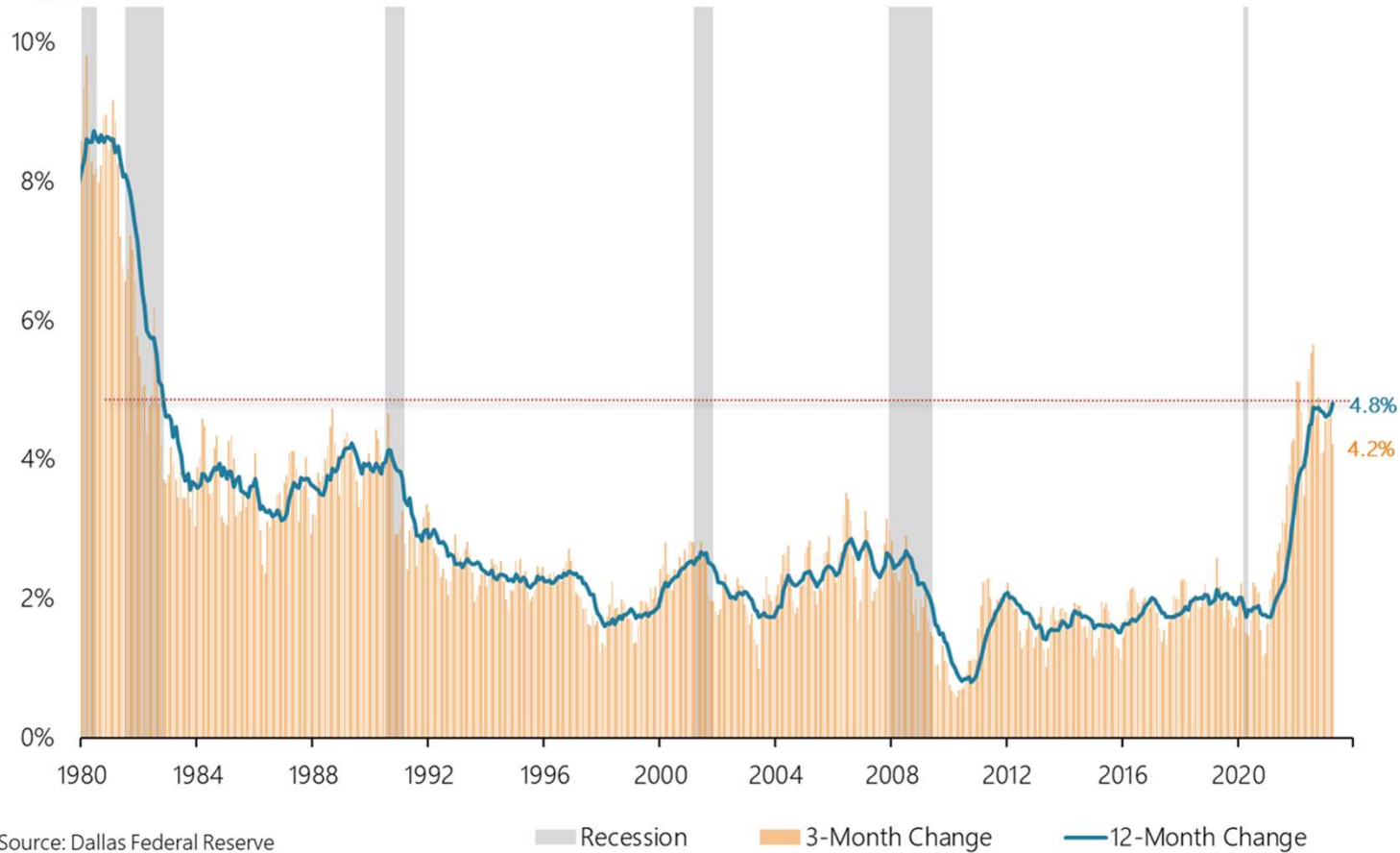
# M2 MONEY SUPPLY: LEVEL & 12-MONTH CHANGE



The 4.6% year-over-year decline in M2 money supply is unprecedented but may not immediately lead to a disinflationary environment. Money supply is still 30% higher than it was prior to COVID. Similarly, the Fed's balance sheet is falling but is still twice its pre-COVID peak.



## TRIMMED-MEAN PCE PRICE INDEX



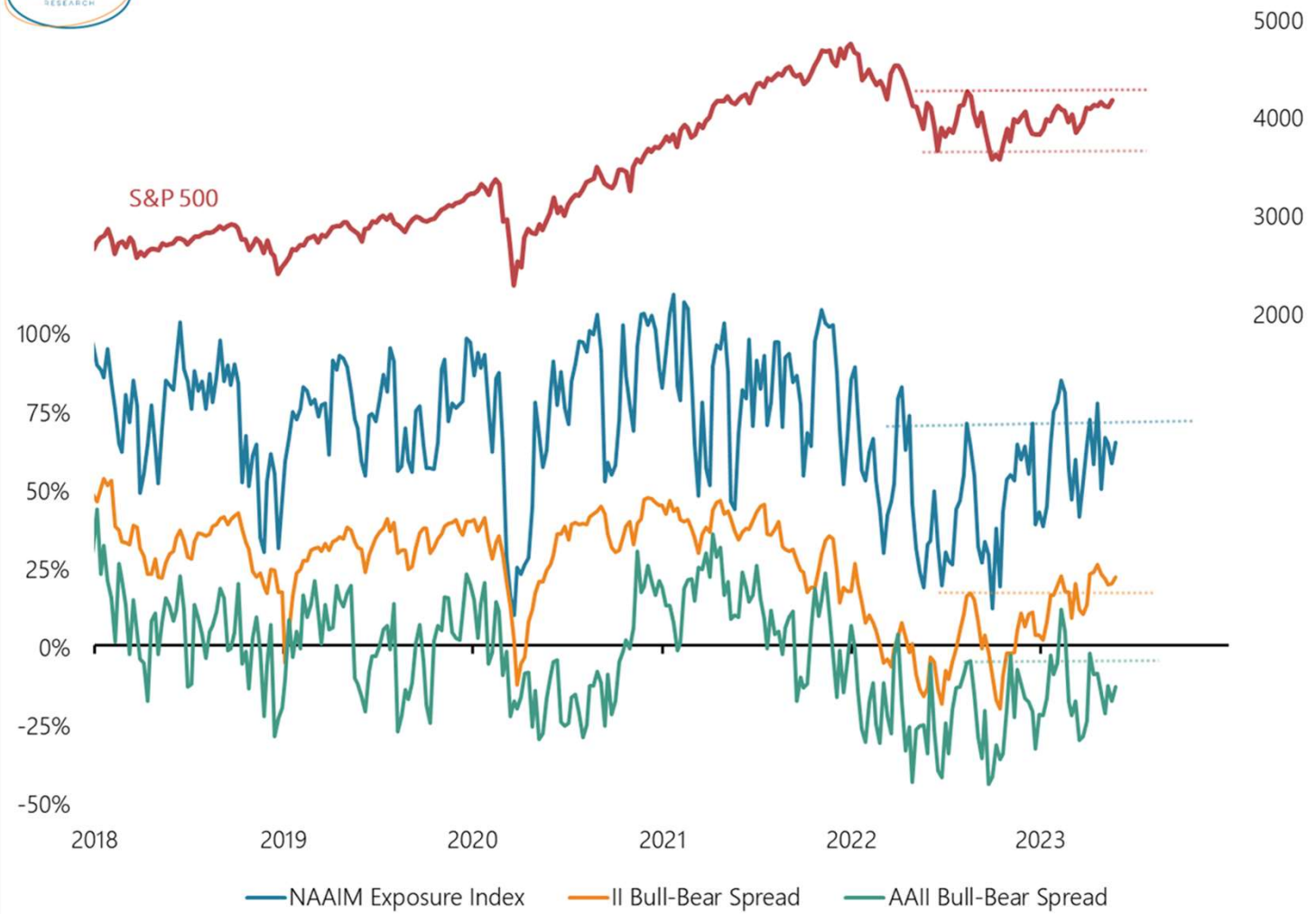
Headline inflation indicators tend to be more noise than news. Central-tendency measures (like the Dallas Fed Trimmed-Mean PCE index) have been sticky. In fact, inflation based on the Dallas Fed's measure just hit a new 40-year high.

HI MOUNT RESEARCH SENTIMENT SUMMARY				
	Frequency	Current	Last Week/Month	Market Indication
<b>TACTICAL ACTIVITY (COMPLACENCY VS FEAR)</b>				
CBOE 10-Day Put/Call Ratio <i>Below 75% is complacency. Above 90% is fear.</i>	Daily	92%	93%	Fear
CBOE 5-Day Equity Put/Call Ratio <i>Below 45% is complacency. Above 58% is fear.</i>	Daily	59%	62%	Fear
VIX Volatility Index <i>Below 13 is complacency. Above 28 is fear.</i>	Daily	17.8	16.8	Neutral
<b>CYCLICAL VIEWS (OPTIMISM VS PESSIMISM)</b>				
Investors Intelligence Bull-Bear Spread <i>Above 35% is optimism. Below 0% is pessimism.</i>	Weekly	23%	21%	Neutral
Consensus Inc. Bullish Sentiment <i>Above 75% is optimism. Below 40% is pessimism.</i>	Weekly	55%	56%	Neutral
NAAIM Exposure Index <i>Above 80% is optimism. Below 30% is pessimism.</i>	Weekly	66%	59%	Neutral
AAll Bull-Bear Spread <i>Above 20% is optimism. Below -20% is pessimism.</i>	Weekly	-12%	-17%	Neutral
Four-Week Total of Equity ETF Flows <i>Adjusted for total assets. Above 6bps is optimism. Below 2.5bps is pessimism.</i>	Weekly	0.6bps	0.2bps	Pessimism
<b>STRATEGIC POSITIONING (RISK VS OPPORTUNITY)</b>				
Median Trailing P/E ratio <i>Above 20x is risk. Below 20x is opportunity.</i>	Monthly	22.1x	22.7x	Risk
Median Forward P/E ratio <i>Above 18x is risk. Below 14x is opportunity.</i>	Monthly	18.8x	18.8x	Risk
Median Expected Earnings Growth <i>Above 14% is risk. Below 3% is opportunity.</i>	Monthly	16.6%	15.8%	Risk
AAll Asset Allocation Survey - Equity Exposure <i>Above 68% is risk. Below 55% is opportunity.</i>	Monthly	64.3%	64.7%	Neutral
Household Equity Allocation <i>Upper quartile equity exposure is risk. Lower quartile equity exposure is opportunity.</i>	Quarterly	Stock/Bond allocation retreating but still in top decile	Stock/Bond allocation just below highest level ever	Risk

From strategic positioning & valuation perspective, this is a high-risk sentiment environment. That could be mitigated if investors would embrace index-level strength, but cyclical optimism remains in short-supply.



# STOCKS: PRICE & SENTIMENT



The II bull-bear spread remains above last summer's high (and at a level consistent with bull market behavior), but active managers (NAAIM) and individual investors (AII) show an unhelpful level of skepticism.