



MONTHLY CALL, 8/3/23

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IN TODAY'S DECK:

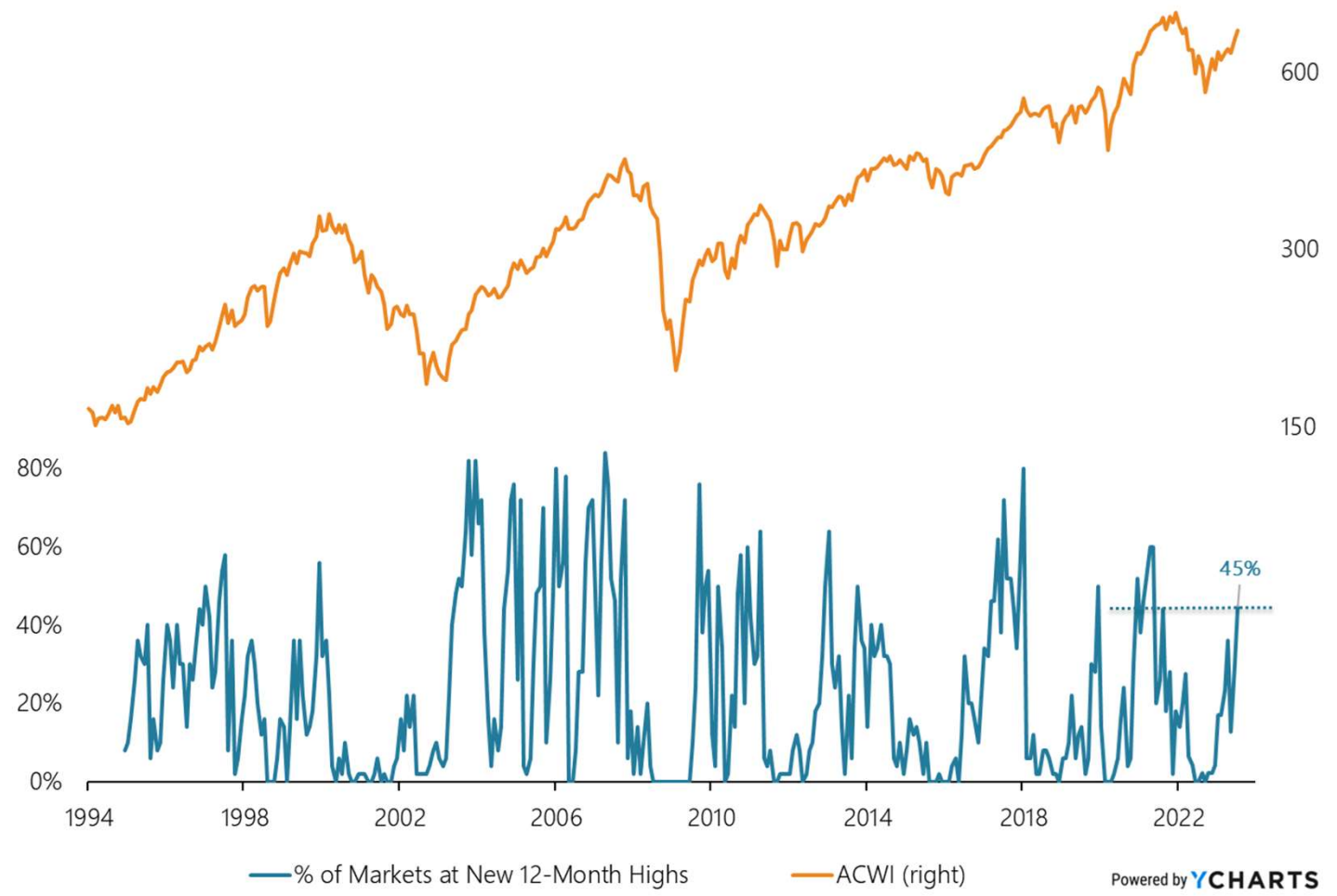
- Global Markets Get In Gear
- Breadth Thrusts Revisited
- A Pause In Quiet Strength
- Bull Market Behavior Still Present
- Tactical Tailwinds But Secular Struggles
- Inflation Trend: Cooling But Not All Clear
- Equities Yet To Reckon With New Bond Realities
- Excessive Optimism & Speculative Behavior
- Tests Reveal Strength: What To Watch In Weeks Ahead

MONTHLY CALL, 8/3/23





GLOBAL NEW HIGHS AND ACWI



— % of Markets at New 12-Month Highs

— ACWI (right)

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GLOBAL STOCK MARKET TRENDS



S&P 500 FOLLOWING DEGRAAF BREADTH THRUSTS

Date	% of Stocks at 20-Day Highs	Subsequent S&P 500 Returns:				
		1-Month	2-Month	3-Month	6-Month	12-Month
1/5/1979	59%	-1.0%	-0.7%	4.2%	4.5%	7.5%
8/23/1982	55%	6.8%	19.8%	18.0%	27.5%	41.2%
10/11/1982	63%	6.4%	4.1%	9.2%	15.4%	27.0%
8/2/1984	55%	5.5%	3.5%	5.1%	13.7%	21.6%
2/11/1991	63%	1.6%	3.2%	2.2%	5.3%	12.3%
12/30/1991	61%	-1.2%	-0.6%	-2.9%	-1.5%	5.8%
5/5/1997	69%	1.2%	10.4%	14.5%	10.2%	34.4%
3/4/2002	57%	-2.5%	-6.0%	-9.8%	-20.6%	-28.8%
3/21/2003	66%	1.7%	3.1%	11.2%	15.7%	22.3%
6/4/2003	59%	-0.1%	-0.3%	4.1%	8.2%	13.2%
9/2/2003	58%	-0.4%	2.4%	4.7%	12.6%	8.2%
11/4/2004	62%	2.5%	1.9%	3.6%	0.8%	5.0%
3/23/2009	64%	2.5%	7.9%	8.5%	29.4%	42.7%
7/23/2009	67%	5.1%	9.8%	10.8%	11.8%	12.9%
9/16/2009	90%	2.6%	2.3%	3.7%	9.1%	5.2%
3/5/2010	66%	4.5%	2.4%	-6.5%	-4.3%	16.0%
7/26/2010	59%	-5.7%	0.9%	6.1%	15.8%	19.9%
9/20/2010	66%	2.0%	3.1%	8.9%	13.6%	5.4%
7/1/2011	76%	-6.4%	-9.0%	-15.5%	-6.1%	1.9%
10/21/2011	56%	-3.7%	0.4%	6.2%	10.8%	15.8%
9/13/2012	56%	-2.2%	-7.2%	-3.2%	6.1%	16.8%
12/18/2012	58%	2.7%	4.5%	6.8%	9.8%	25.1%
7/11/2013	57%	1.0%	0.5%	-1.1%	9.7%	17.5%
9/18/2013	67%	0.4%	4.2%	3.2%	8.5%	16.6%
10/31/2014	57%	2.4%	2.0%	1.6%	3.5%	4.3%
1/18/2019	73%	4.3%	6.9%	8.9%	11.8%	24.3%
6/3/2020	69%	0.2%	5.5%	12.9%	17.3%	34.3%
7/28/2022	56%	-0.4%	-10.4%	-5.9%	0.0%	12.5%
10/28/2022	59%	1.5%	-1.3%	4.5%	5.6%	?



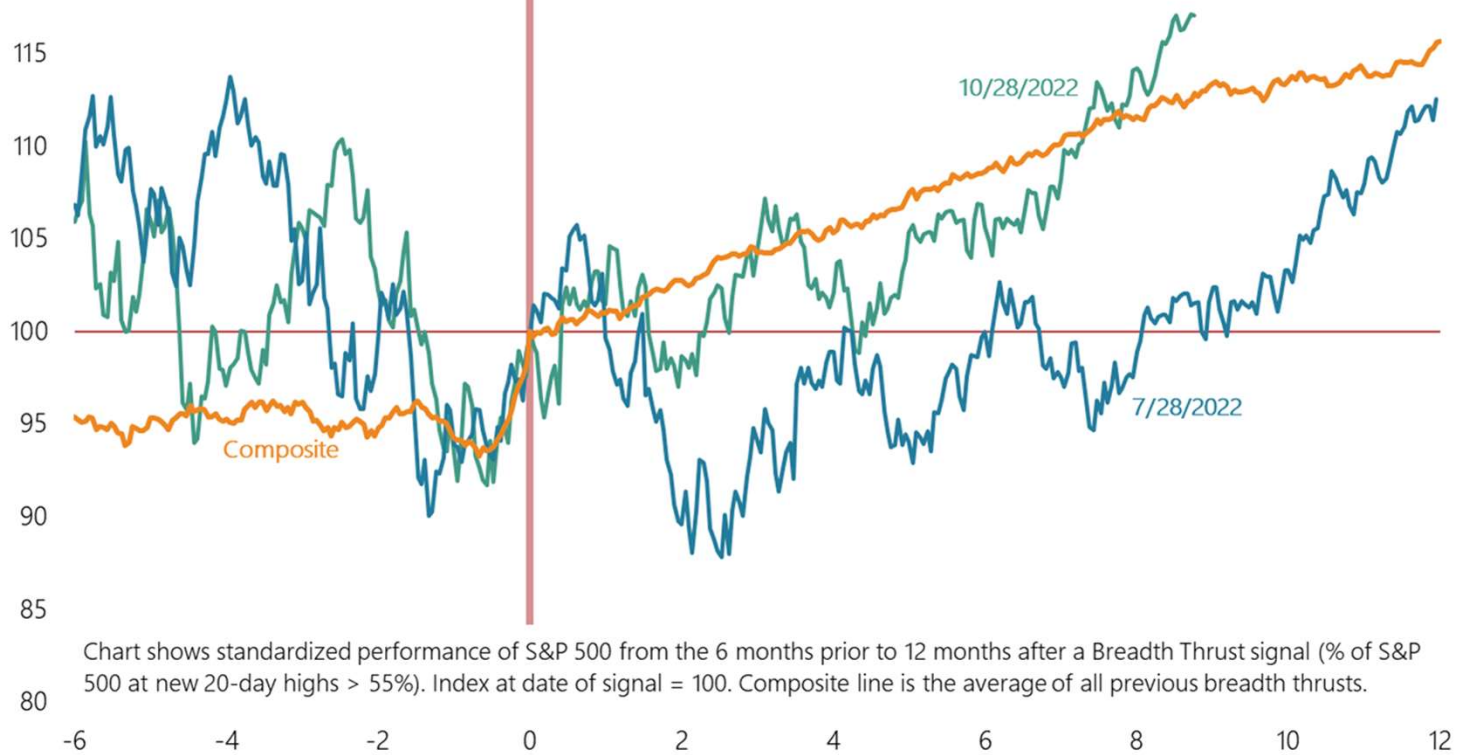
	% of Stocks at 20-Day Highs	Subsequent S&P 500 Returns:				
		1-Month	2-Month	3-Month	6-Month	12-Month
Median	61.5%	1.4%	2.4%	4.4%	9.8%	15.9%
Average	63.0%	1.1%	2.3%	3.9%	8.5%	15.7%
% Positive		64%	75%	75%	82%	96%



STOCK MARKET AROUND BREADTH THRUSTS

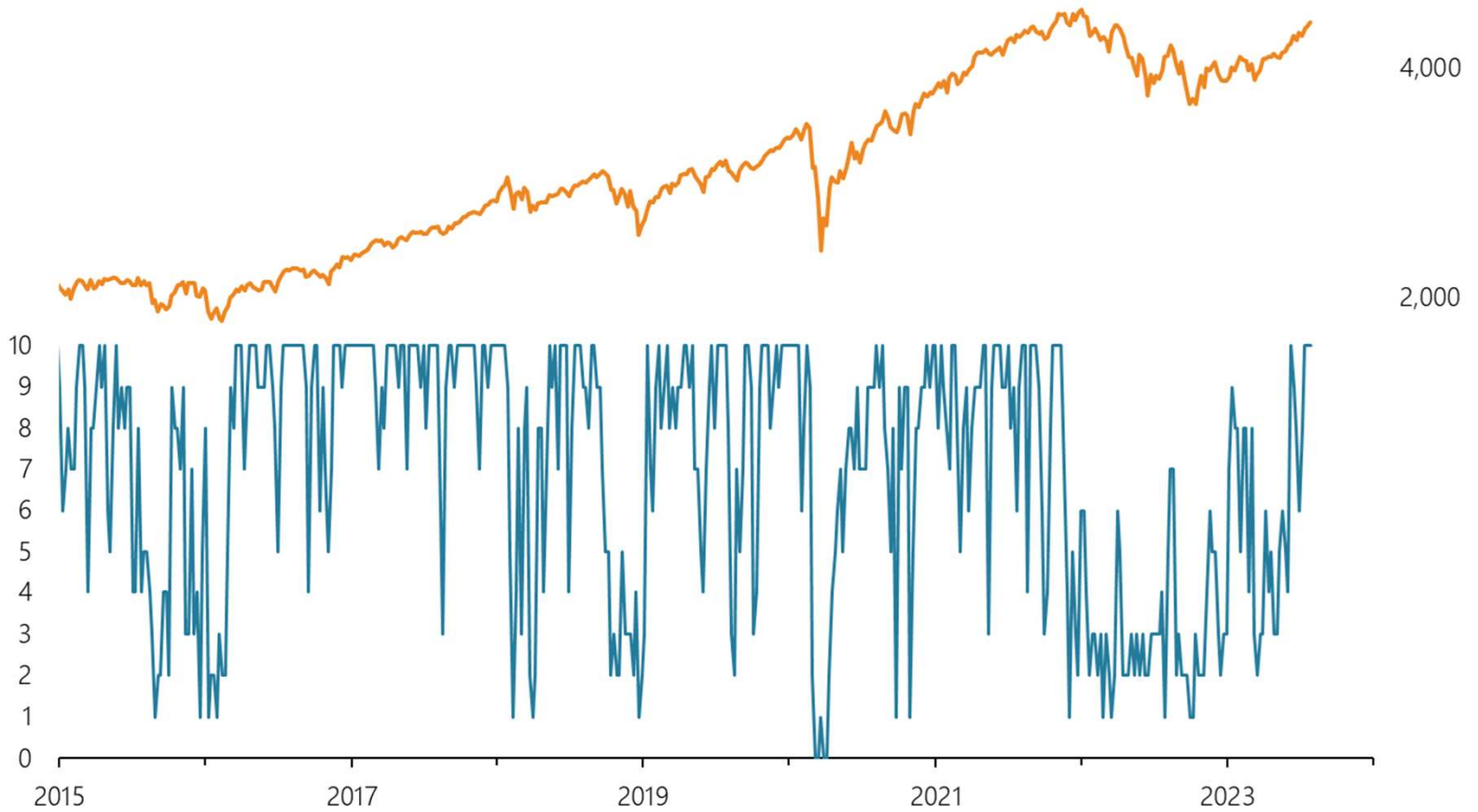
	% of Stocks at 20-Day Highs	Subsequent S&P 500 Returns:				
		1-Month	2-Month	3-Month	6-Month	12-Month
Median	61.5%	1.4%	2.4%	4.4%	9.8%	15.9%
Average	63.0%	1.1%	2.3%	3.9%	8.5%	15.7%
% Positive		64%	75%	75%	82%	96%

Summary statistics reflect 28 breadth thrust signals between Jan 1979 and Jul 2022.





BULL MARKETS FEATURE QUIET STRENGTH

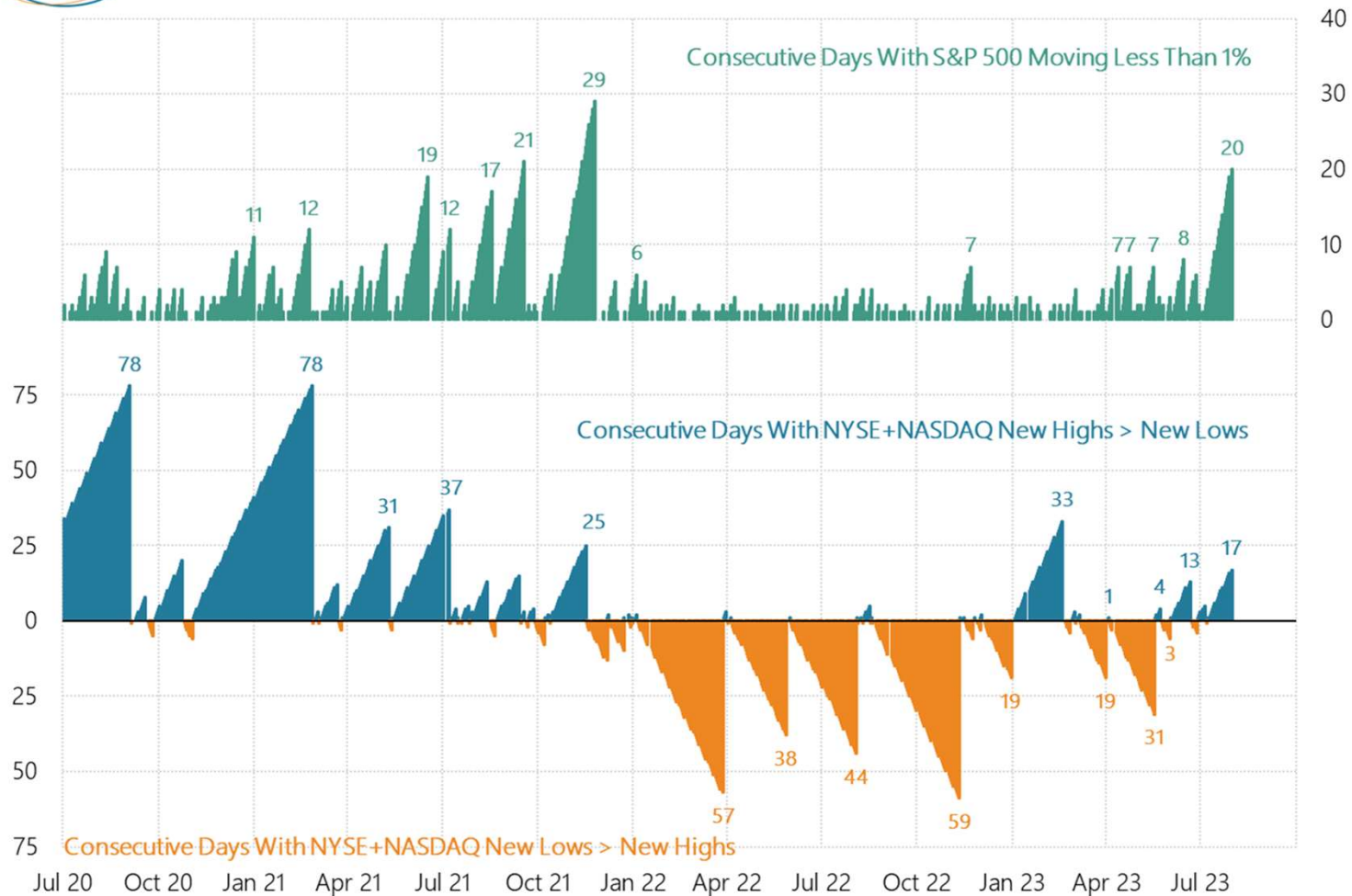


Note: The quiet strength indicator is the sum of the number of days in the past week with a less than 1% swing on the S&P 500 and the number of days with new highs > new lows.

— Quiet Strength Indicator
— S&P 500 (right)

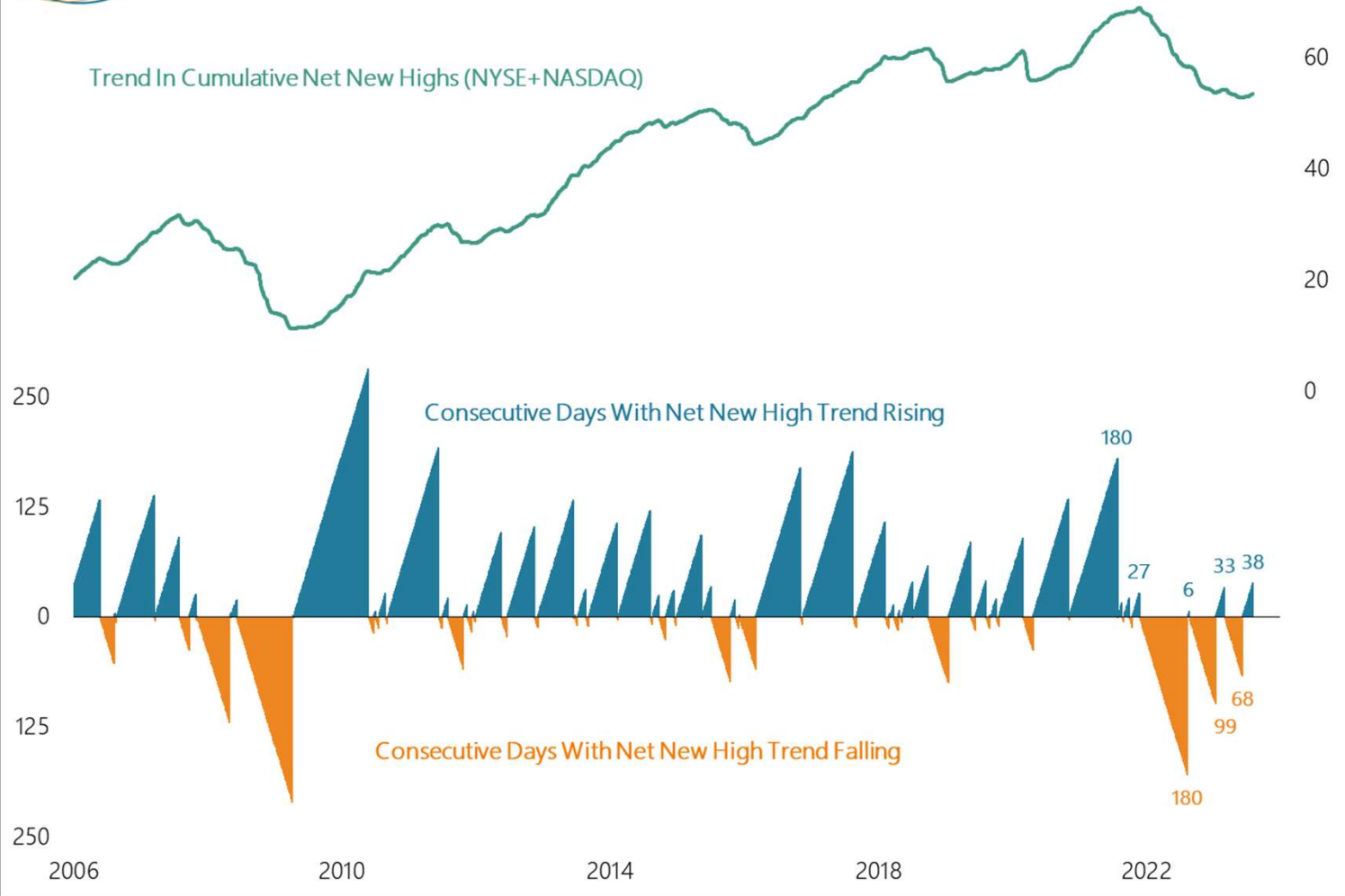


MARKET BENEFITING FROM QUIET STRENGTH





STOCK MARKET BREADTH

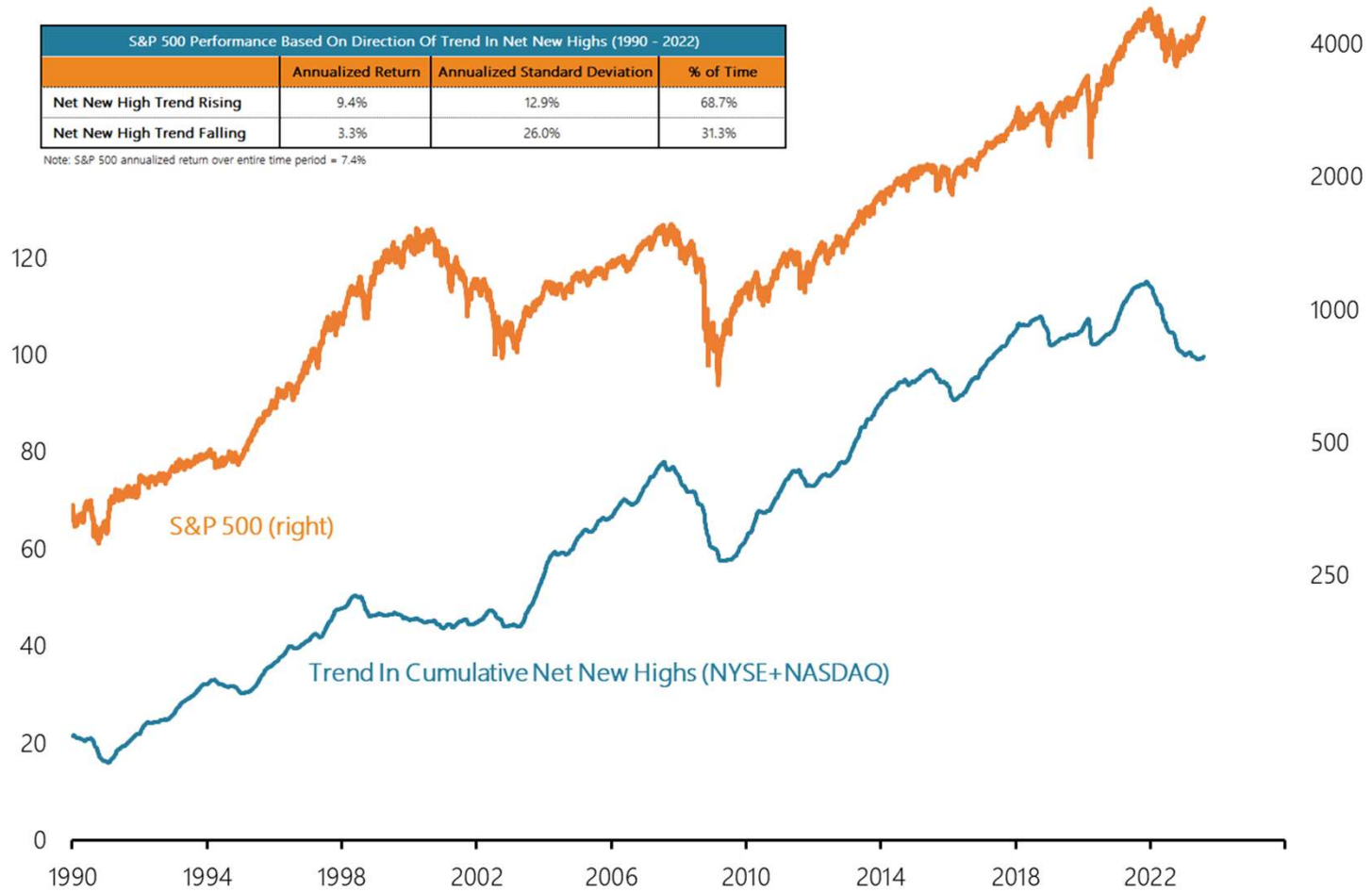




DON'T FIGHT THE TAPE

S&P 500 Performance Based On Direction Of Trend In Net New Highs (1990 - 2022)			
	Annualized Return	Annualized Standard Deviation	% of Time
Net New High Trend Rising	9.4%	12.9%	68.7%
Net New High Trend Falling	3.3%	26.0%	31.3%

Note: S&P 500 annualized return over entire time period = 7.4%



BULL MARKET BEHAVIOR CHECKLIST

	Bull Market Criteria	Current Reading	Bull Market Behavior?
Weekly New High - New Lows (As % of NYSE + NASDAQ Issues Traded)	Greater Than 0	Greater Than 0 (5 Consecutive Weeks)	Yes
Net New High A/D Line NYSE + NASDAQ	Rising	Rising (35 Days in a Row)	Yes
% of Global Markets Above Their 50-Day Average	Greater Than 70%	Greater Than 70% (13 Days in a Row)	Yes
ACWI Long-Term Trend	Rising	Rising (14 Consecutive Weeks)	Yes
S&P 500 200-Day Average (Level vs 10-Days Ago)	Rising	Rising (35 Days in a Row)	Yes
Value Line Geometric Index Long-Term Trend	Rising	Rising (5 Consecutive Weeks)	Yes

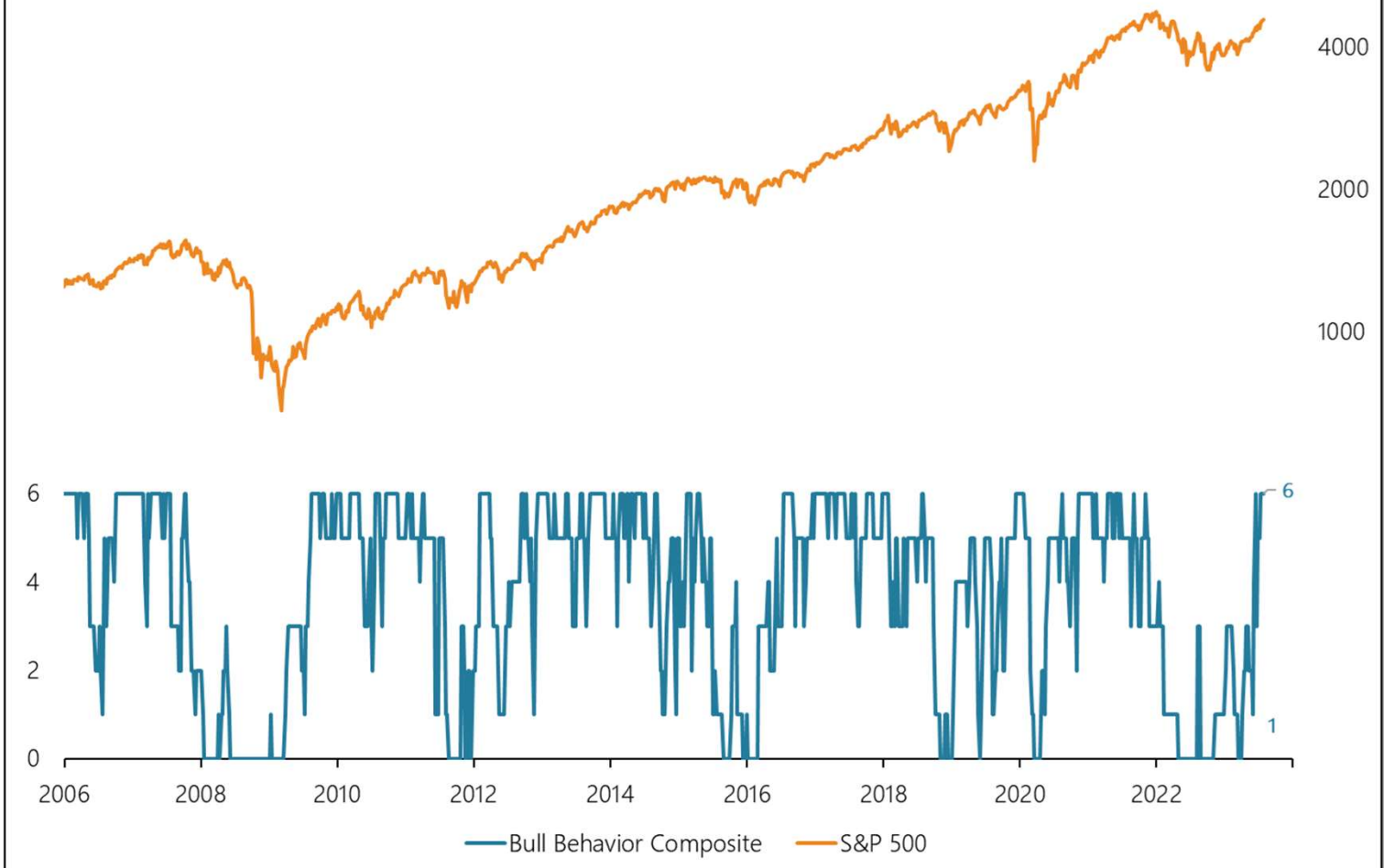
(data as of 7/31/2023)

Total:

6/6



S&P 500 AND BULL BEHAVIOR INDICATOR



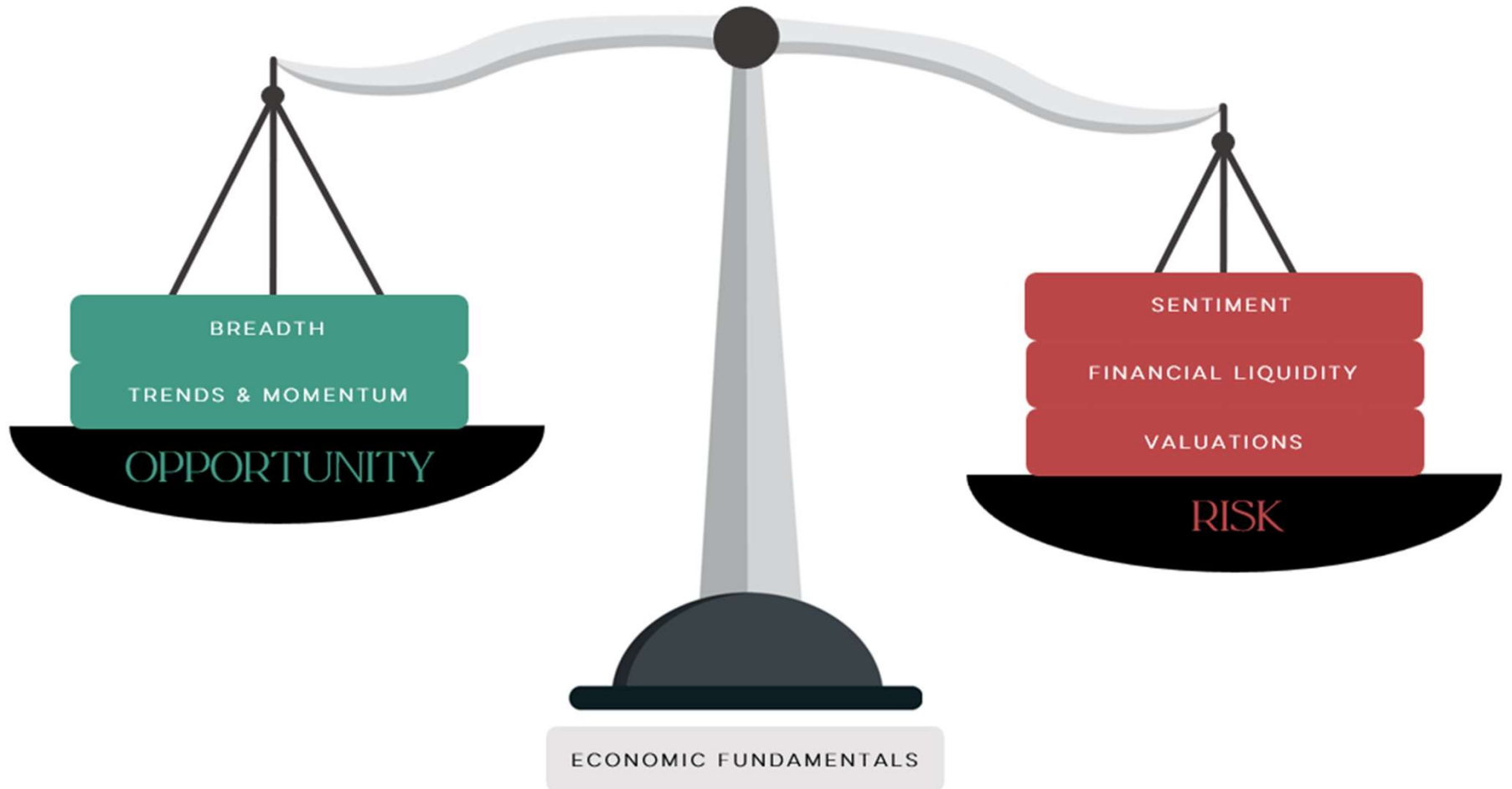


VALUE LINE GEOMETRIC INDEX: "RUNNING OVER THE SAME OLD GROUND"



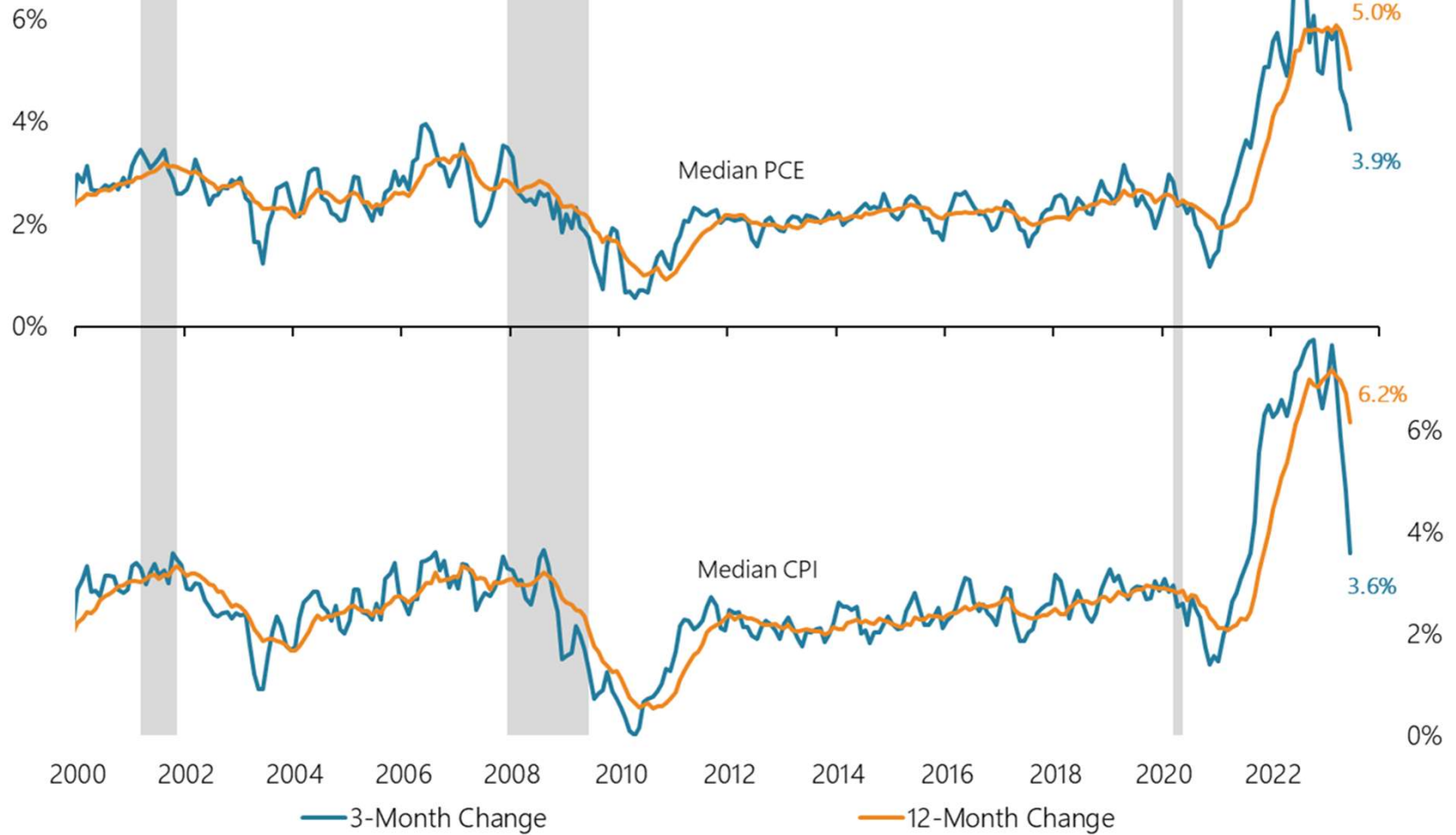


Weighing the Evidence



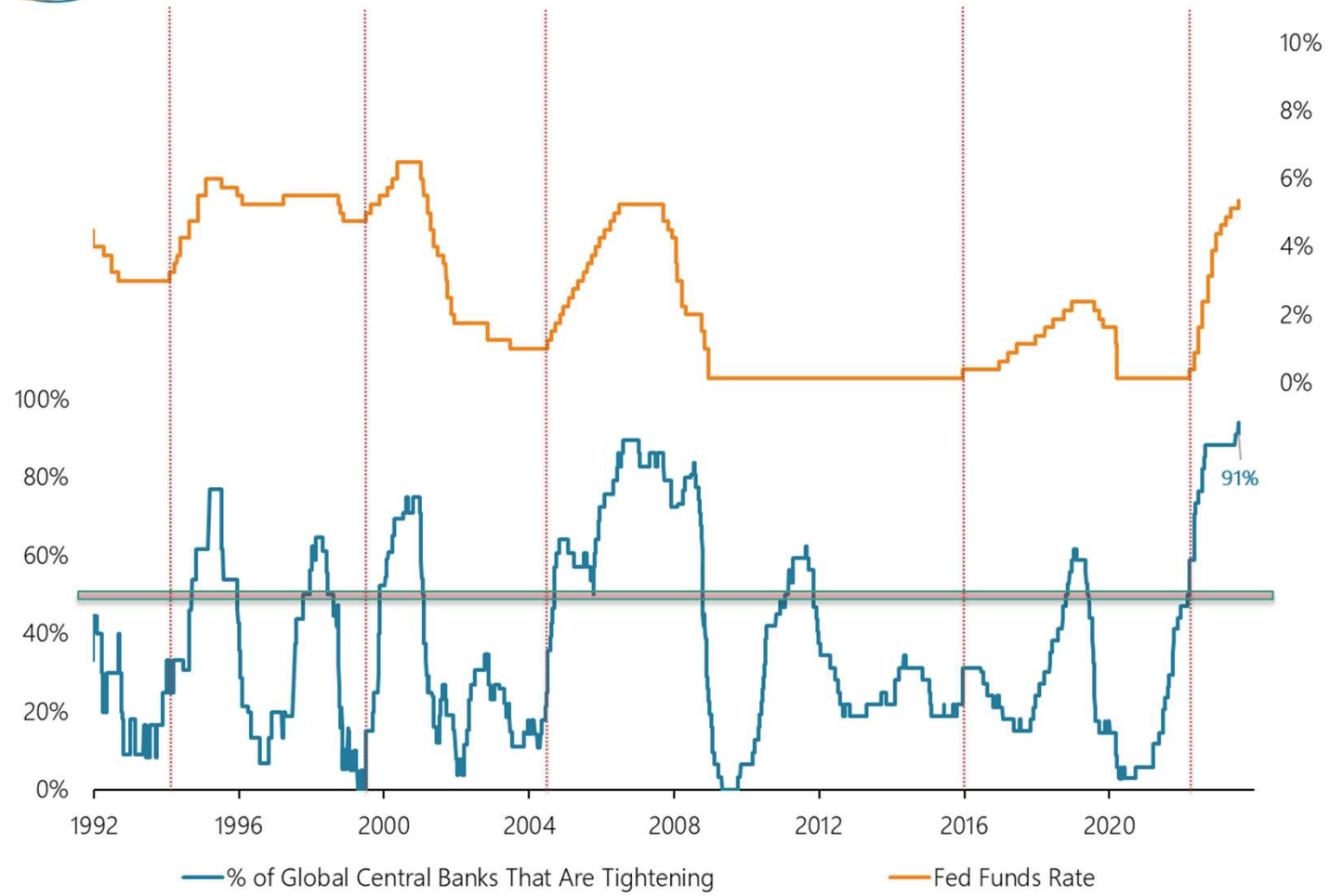


MEDIAN INFLATION HAS ROLLED OVER



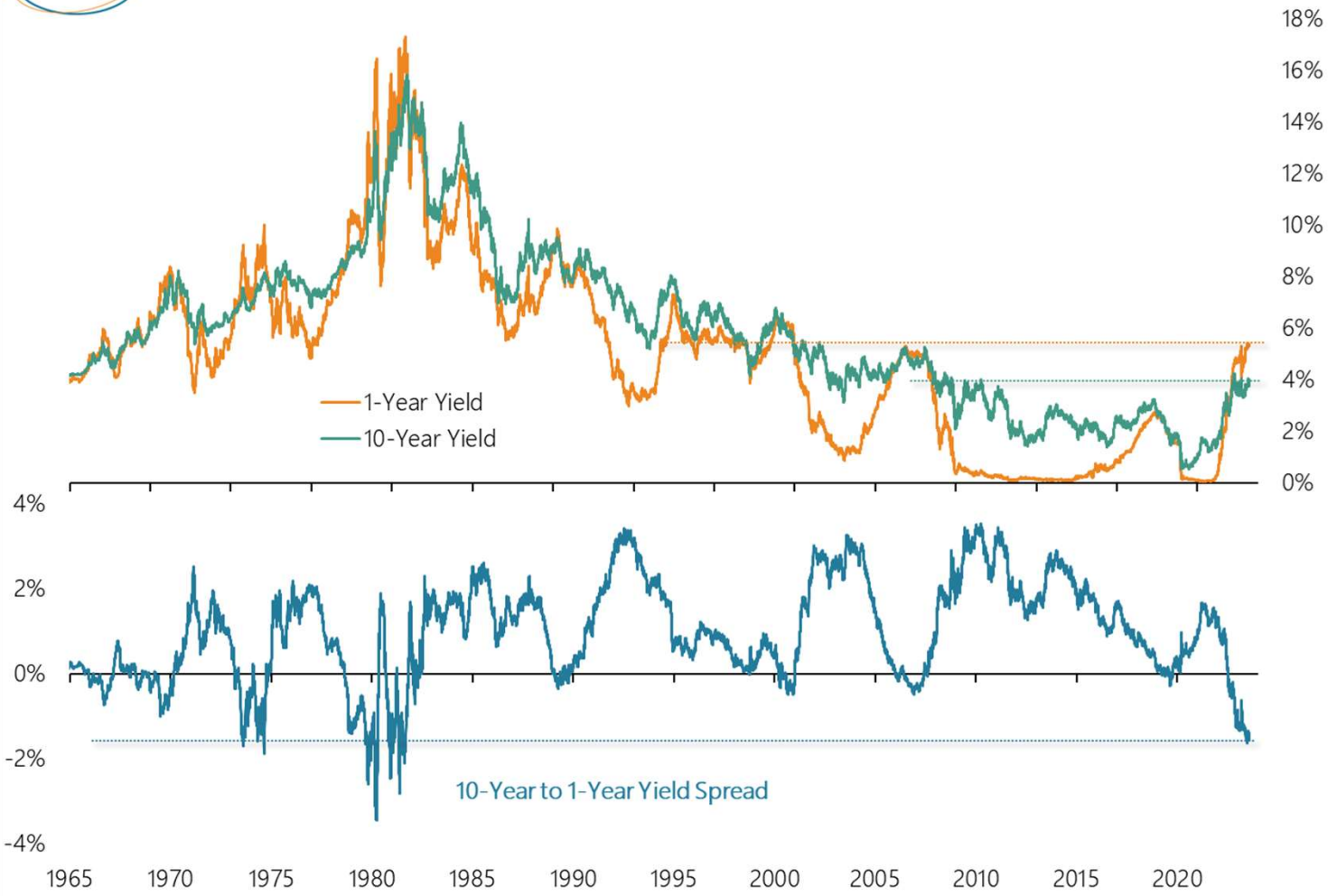


CENTRAL BANK POLICY: US VS REST OF WORLD



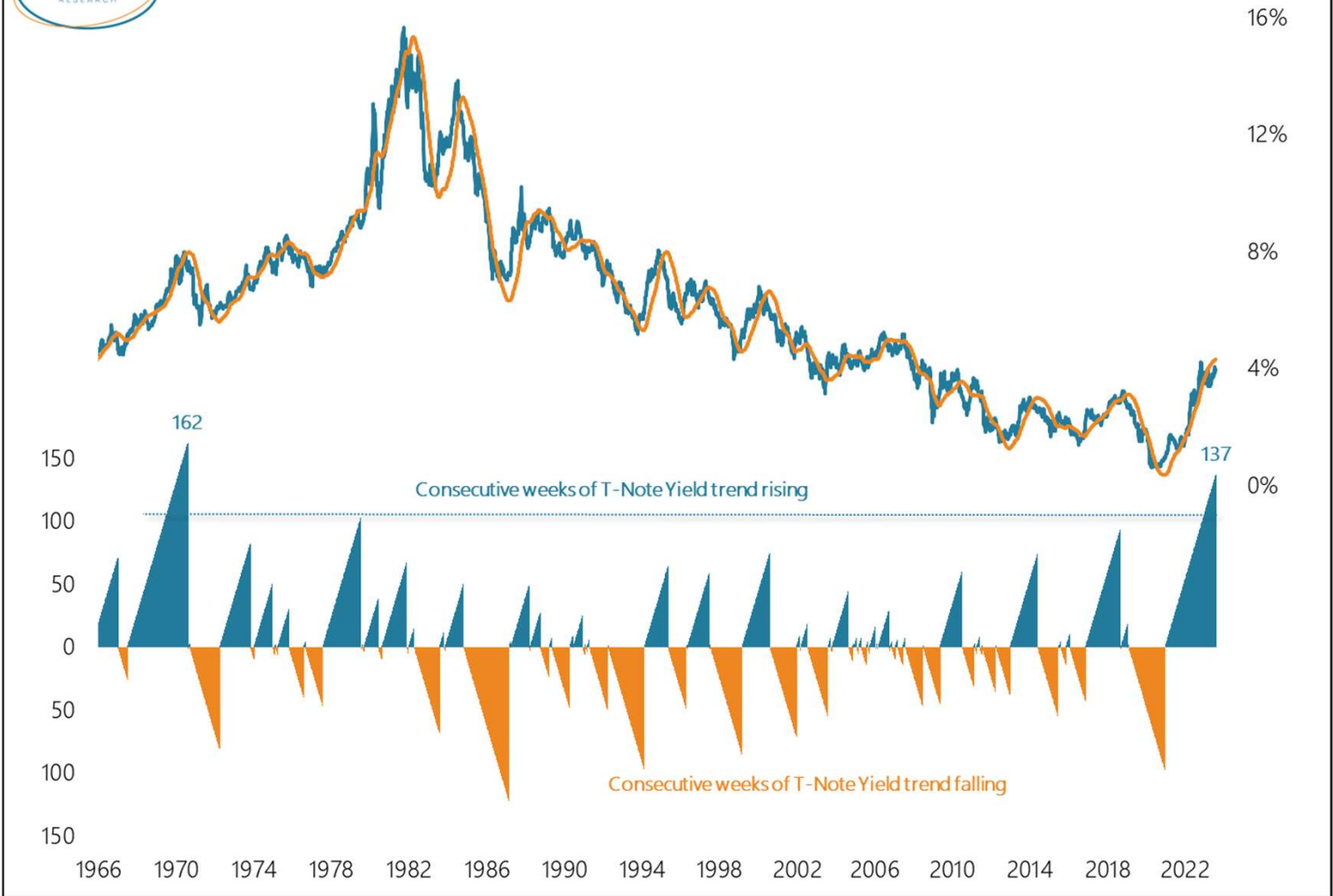


US TREASURY YIELDS



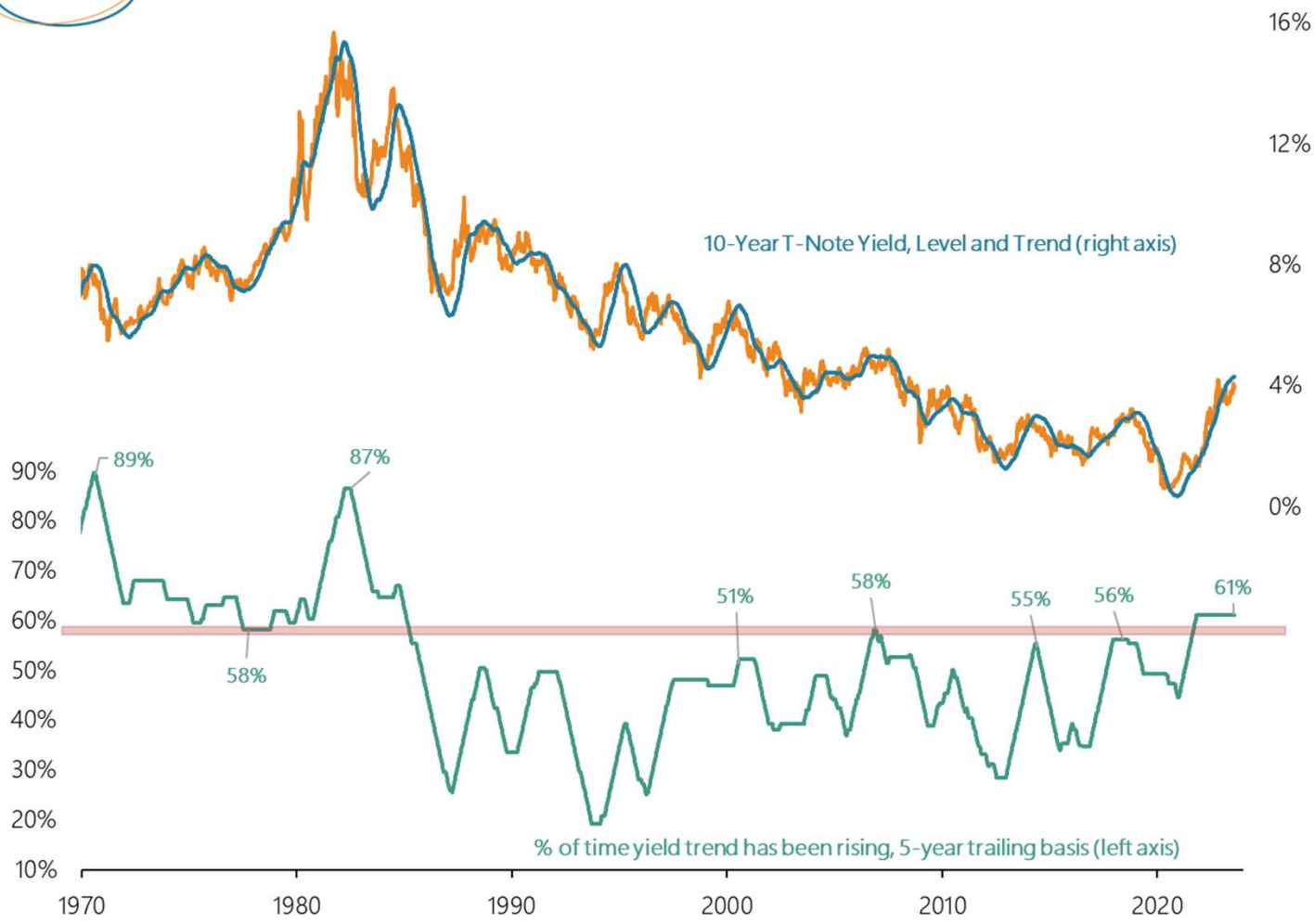


10-YEAR T-NOTE YIELD





LONG-TERM TREND ENVIRONMENT SHIFTING





WHO OWNS TREASURIES?

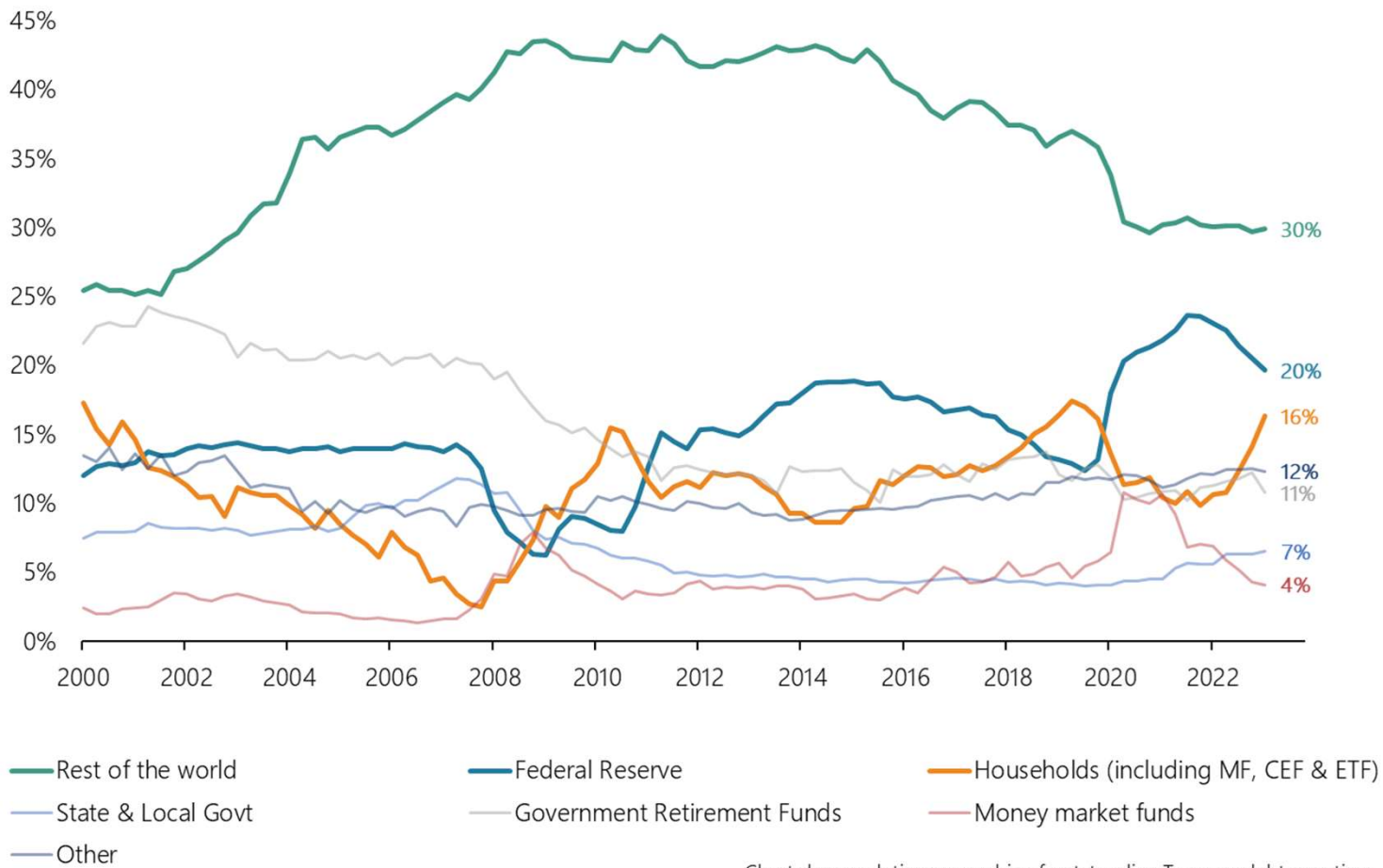
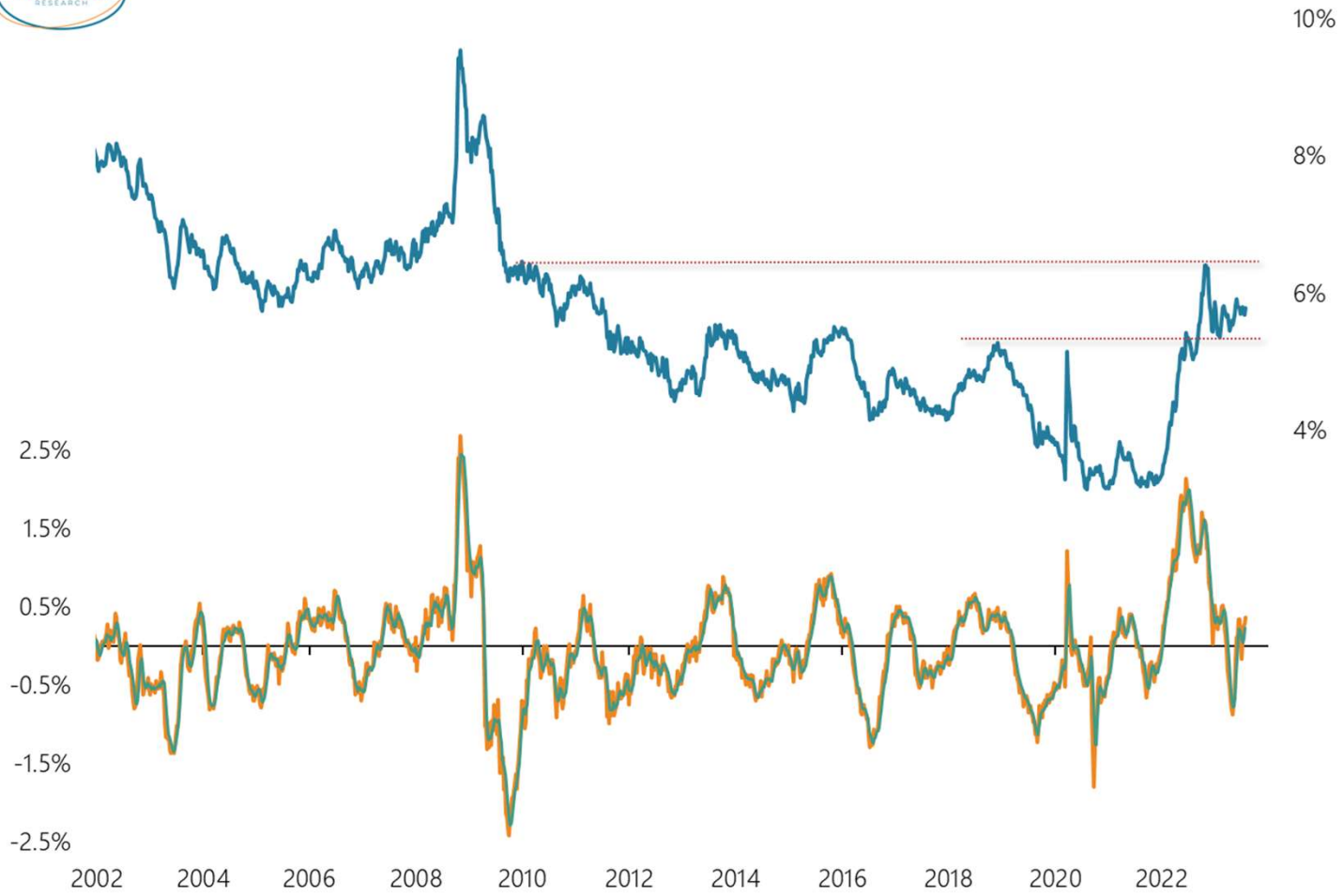


Chart shows relative ownership of outstanding Treasury debt over time.



CORPORATE BOND YIELDS



— Level vs 26 Weeks Ago

— BAA Corporate Bond Yield, Current Level (right)

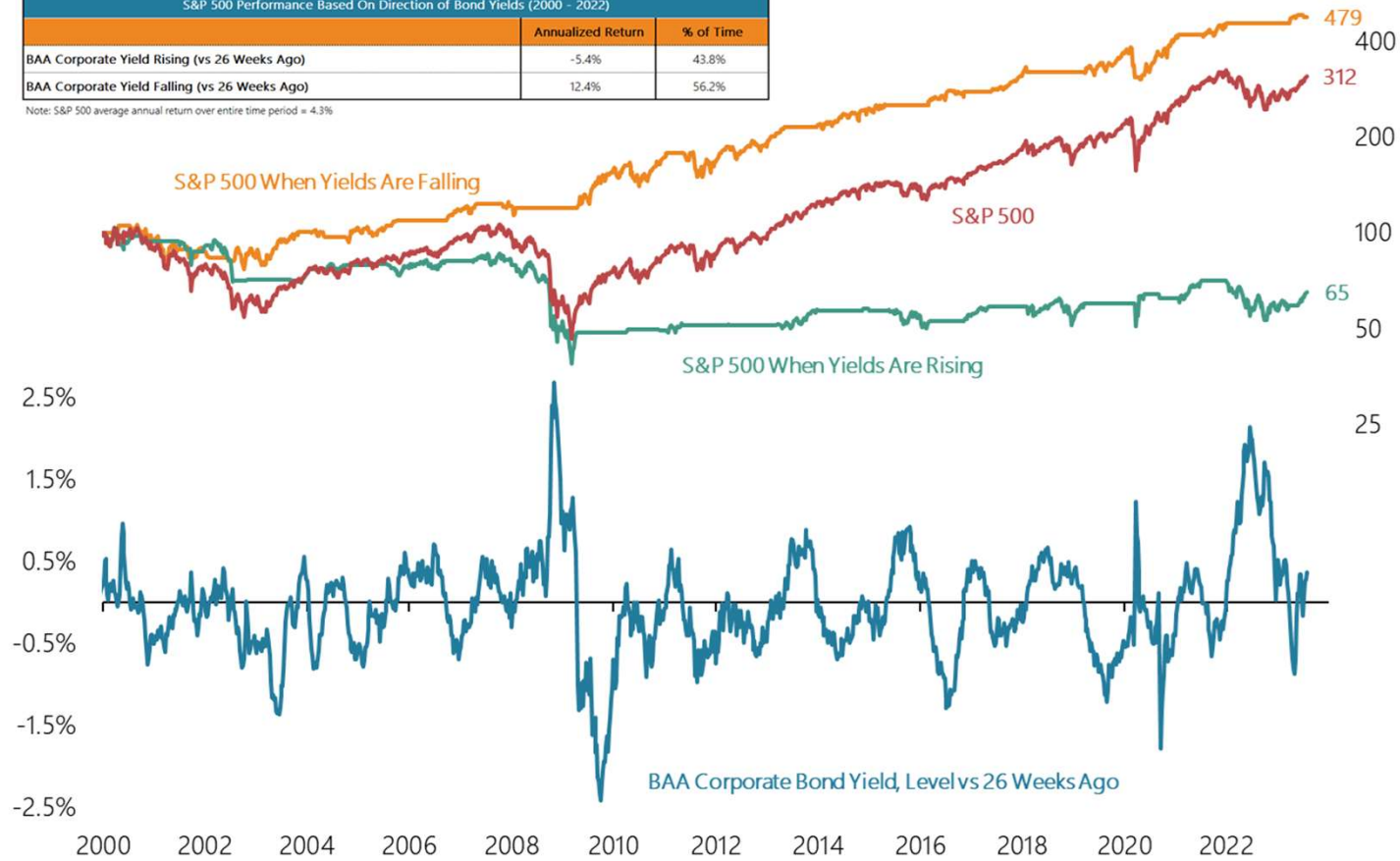
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S&P 500 PERFORMANCE WHEN BOND YIELDS ARE RISING VS FALLING

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%

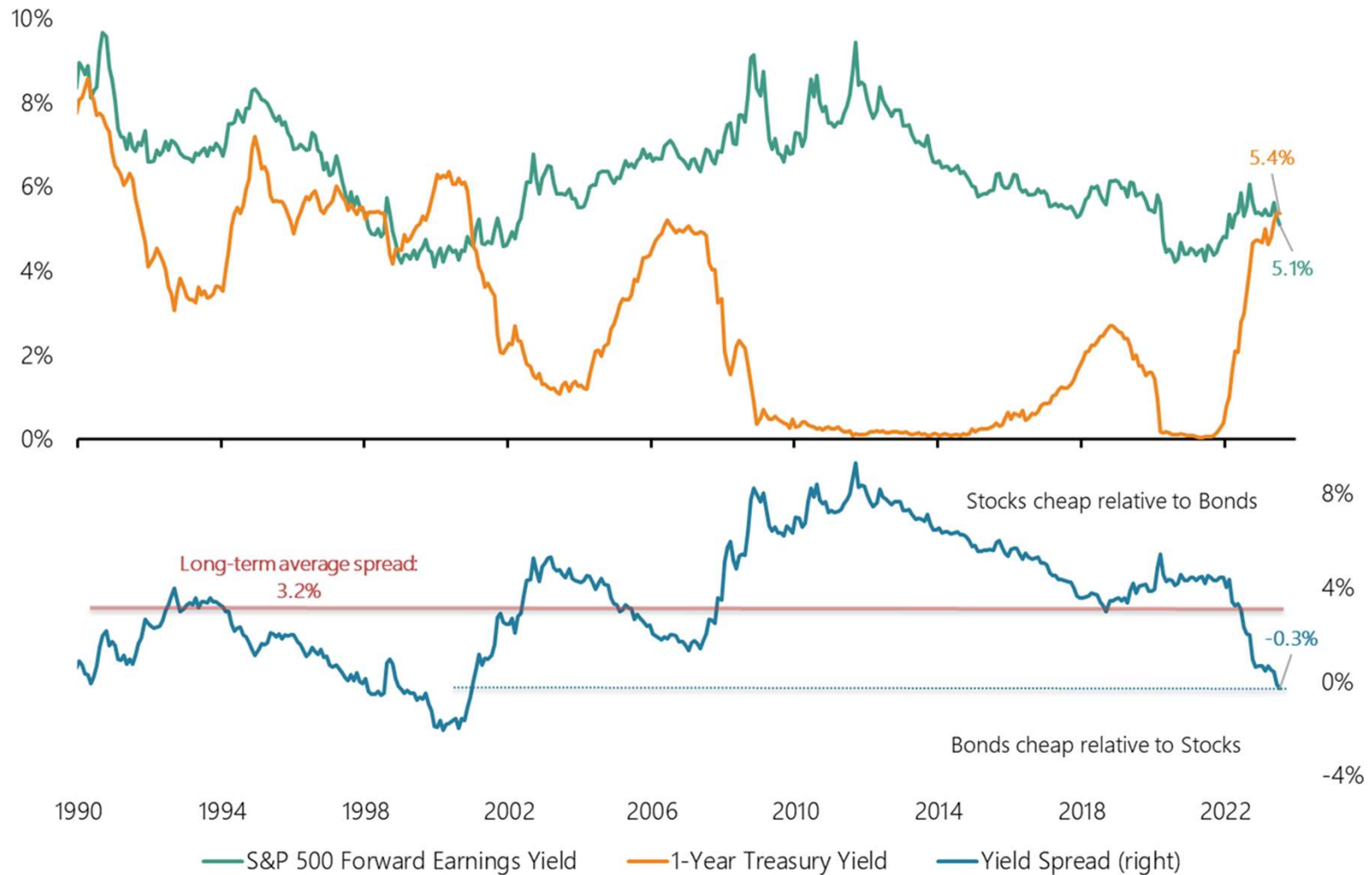


S&P 500 series indexed to Dec 31, 1999 = 100.

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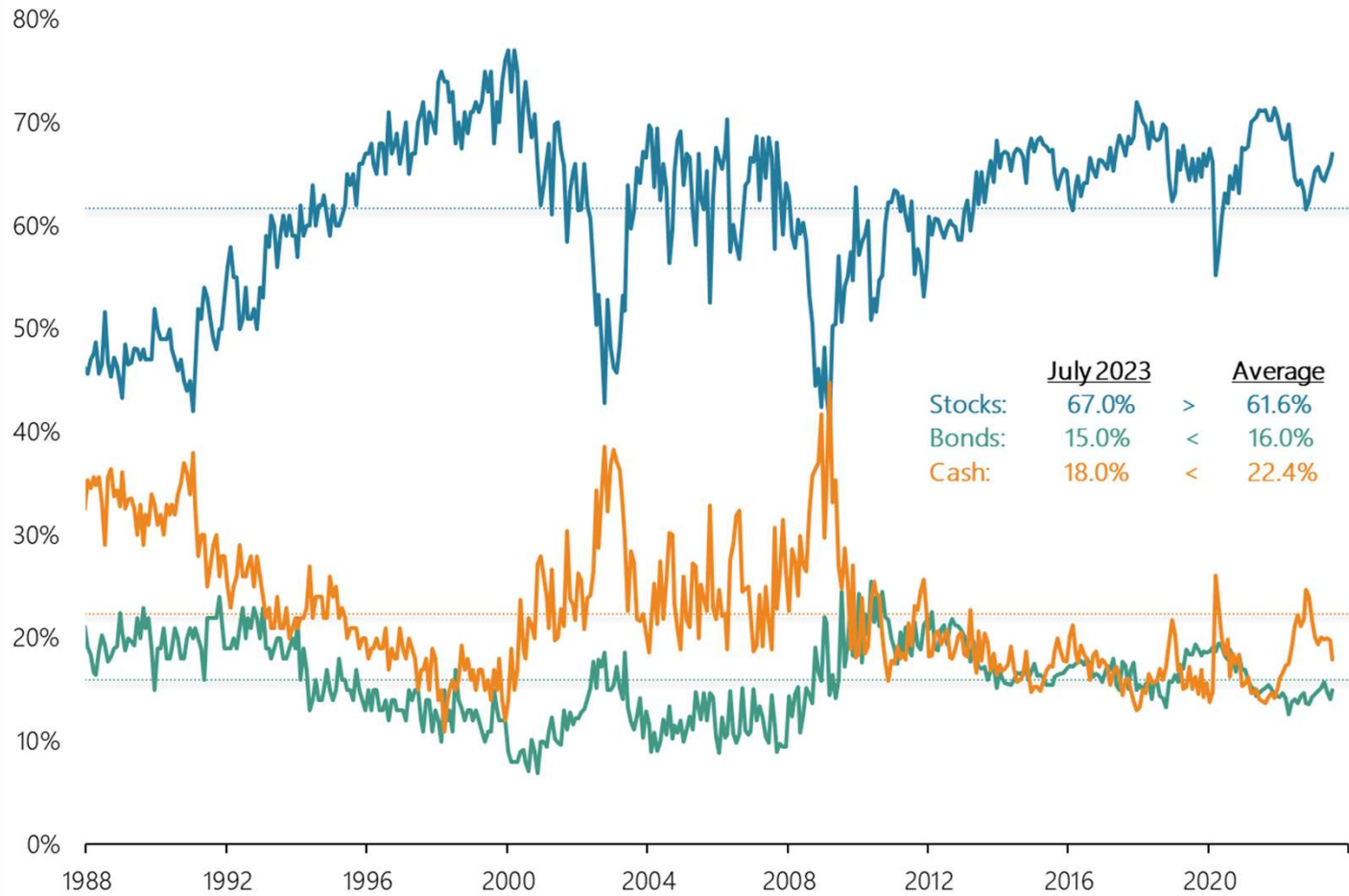


STOCKS VS BONDS, RELATIVE VALUATIONS



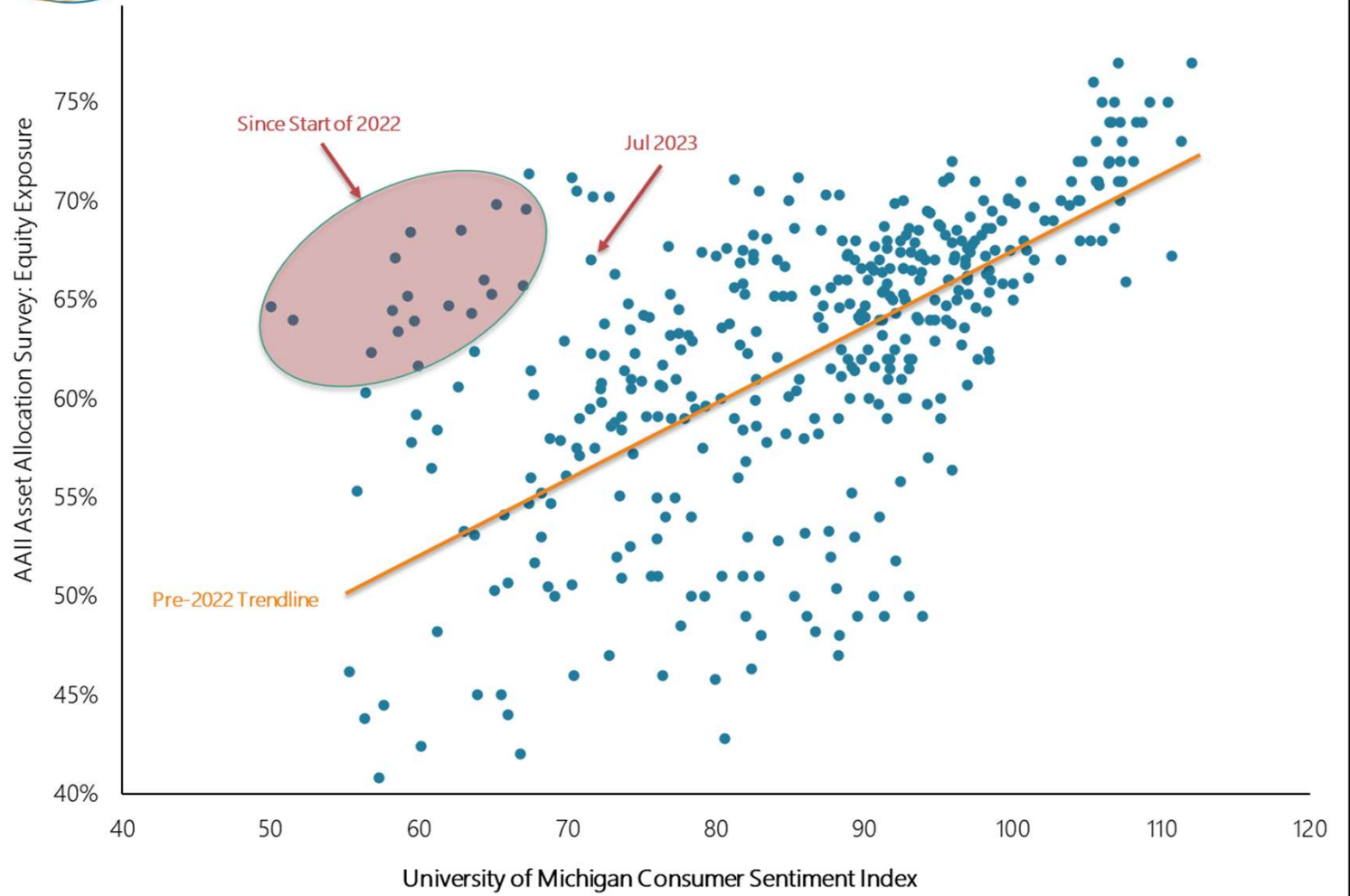


AAII ASSET ALLOCATION SURVEY



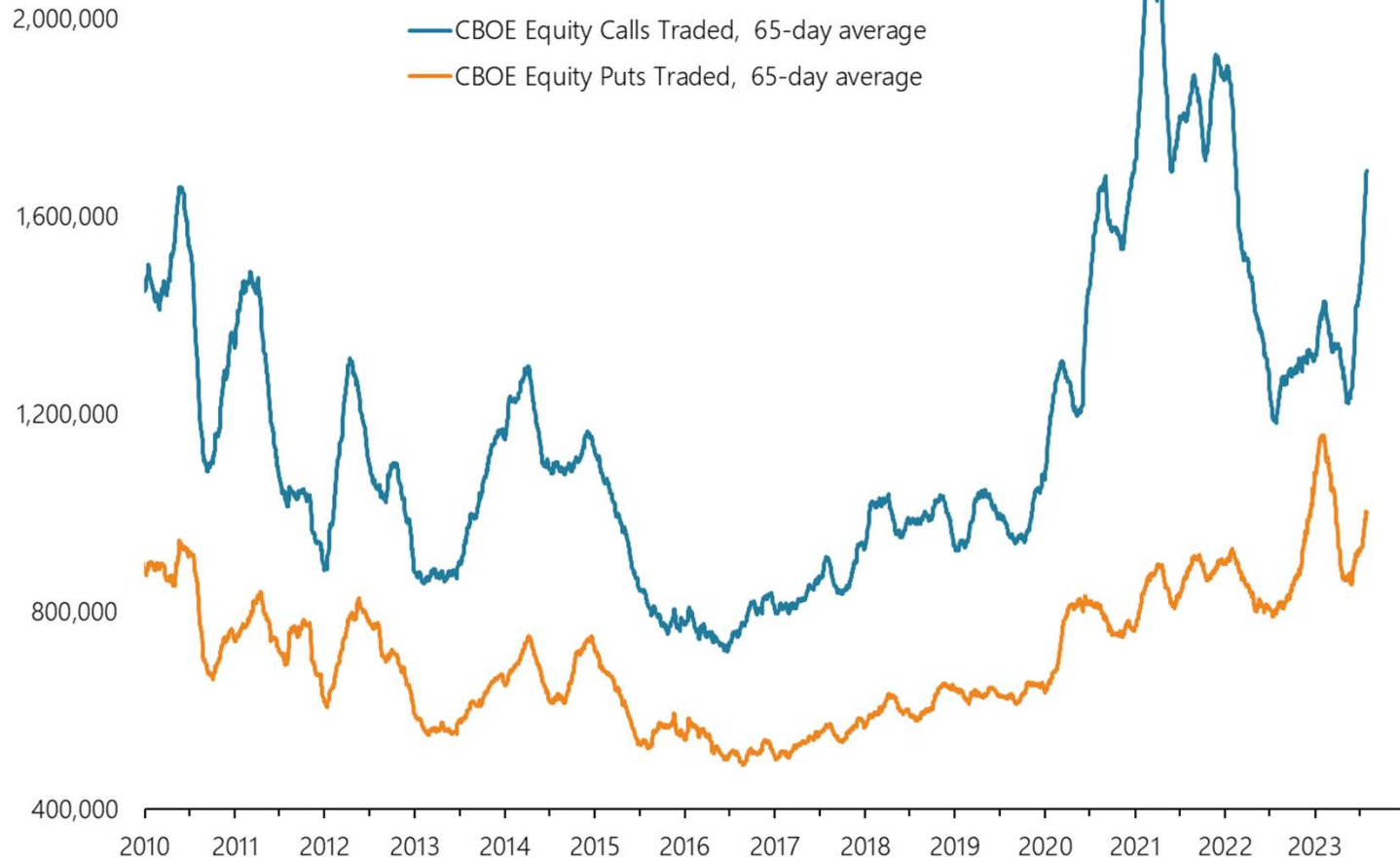


SENTIMENT VS POSITIONING, 1990 - 2023



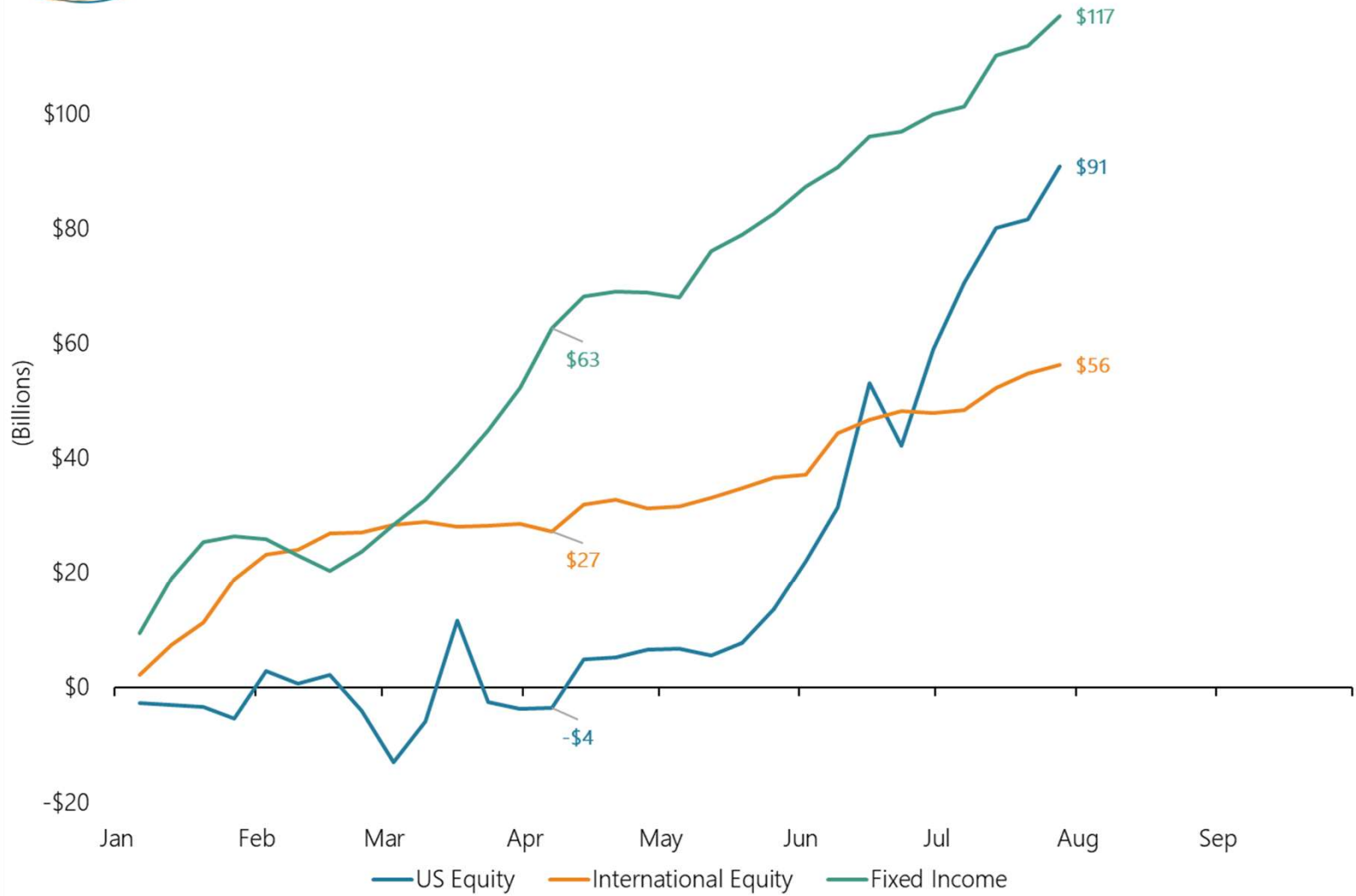


CBOE EQUITY OPTIONS ACTIVITY



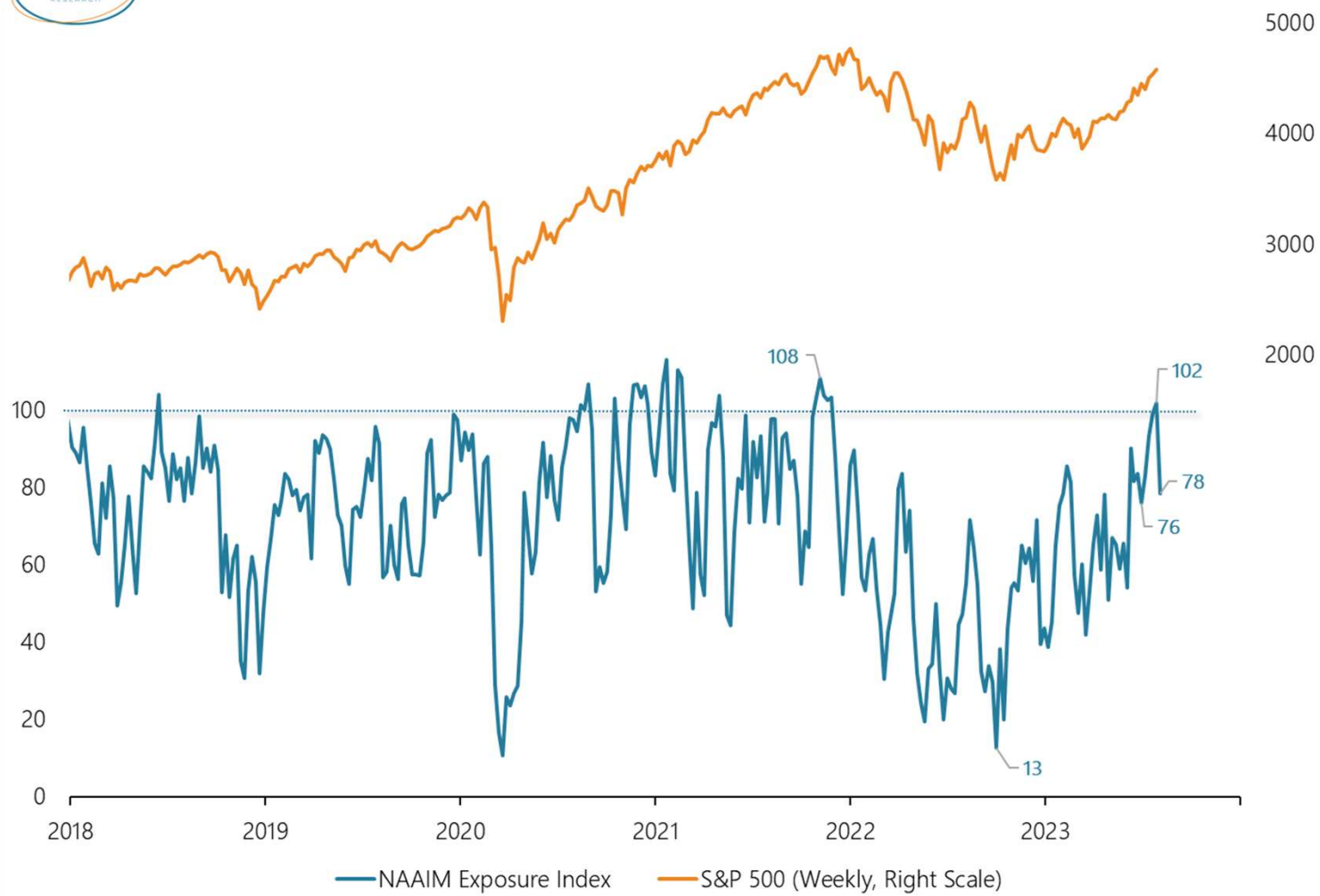


CUMULATIVE YTD ETF FLOWS: 2023



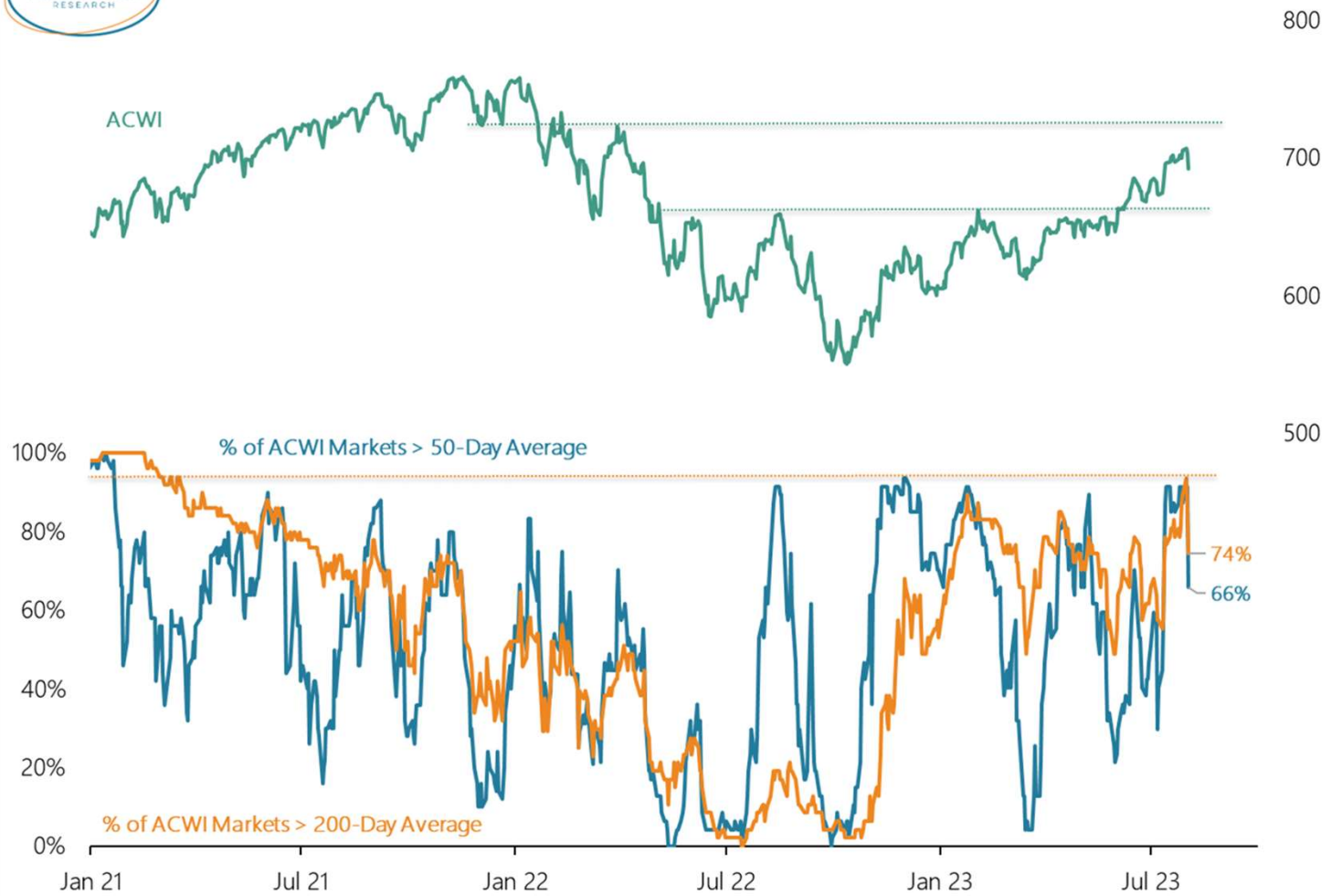


STOCKS AND INVESTOR SENTIMENT



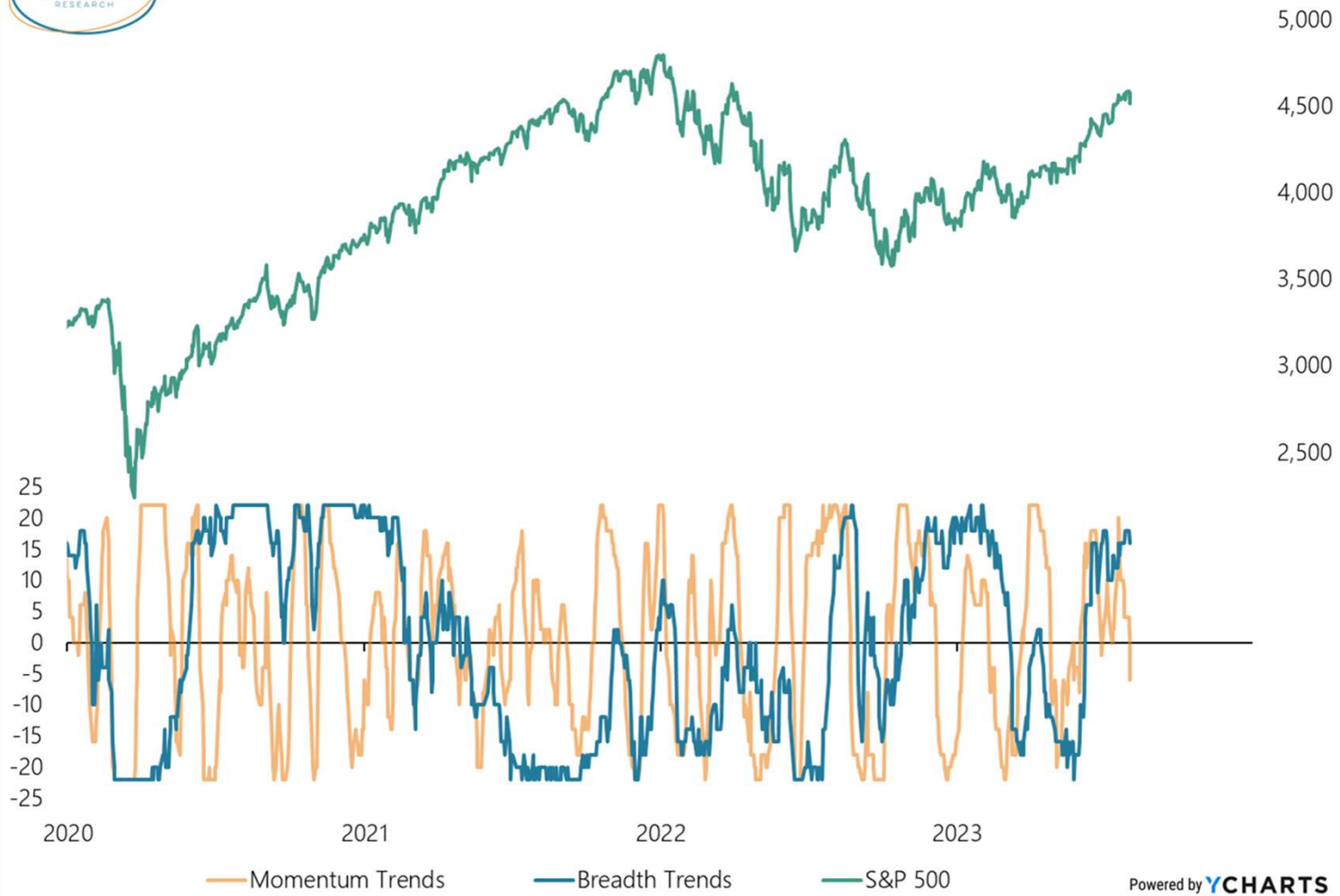


ACWI & GLOBAL BREADTH



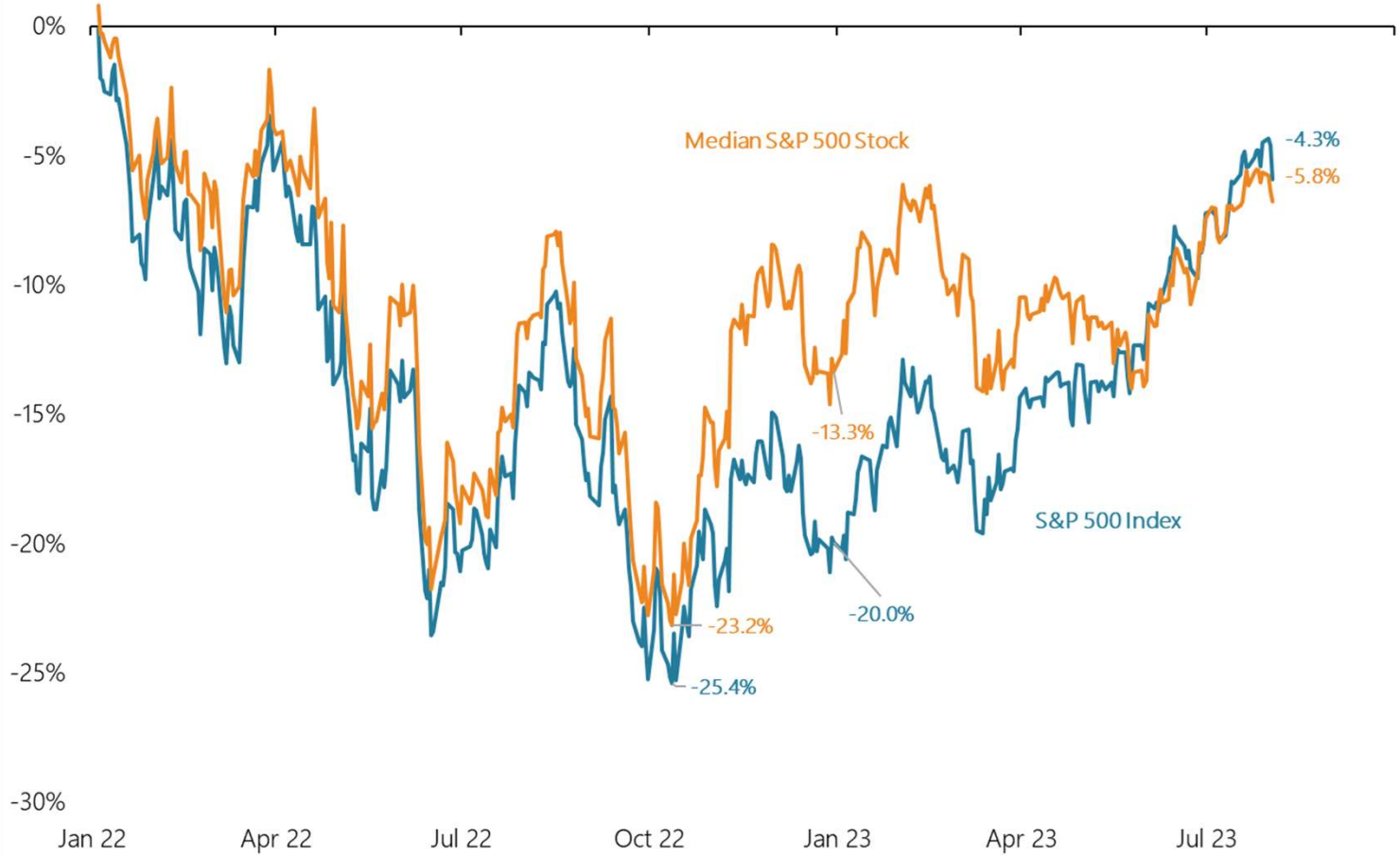


SECTOR-LEVEL TRENDS AND S&P 500





CUMULATIVE RETURNS SINCE 2022

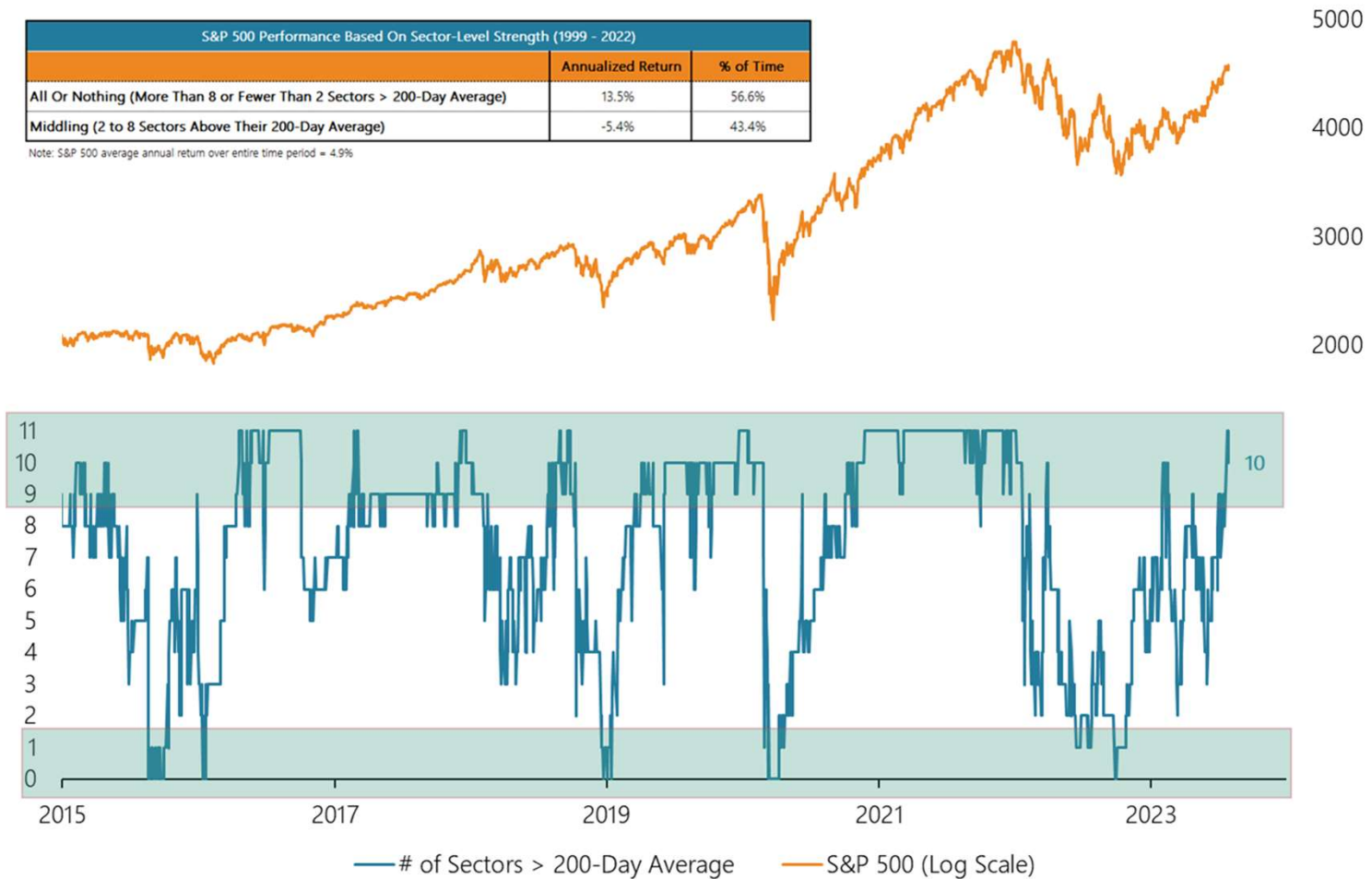




STOCKS SHINE WHEN SECTOR STRENGTH IS ALL OR NOTHING

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%





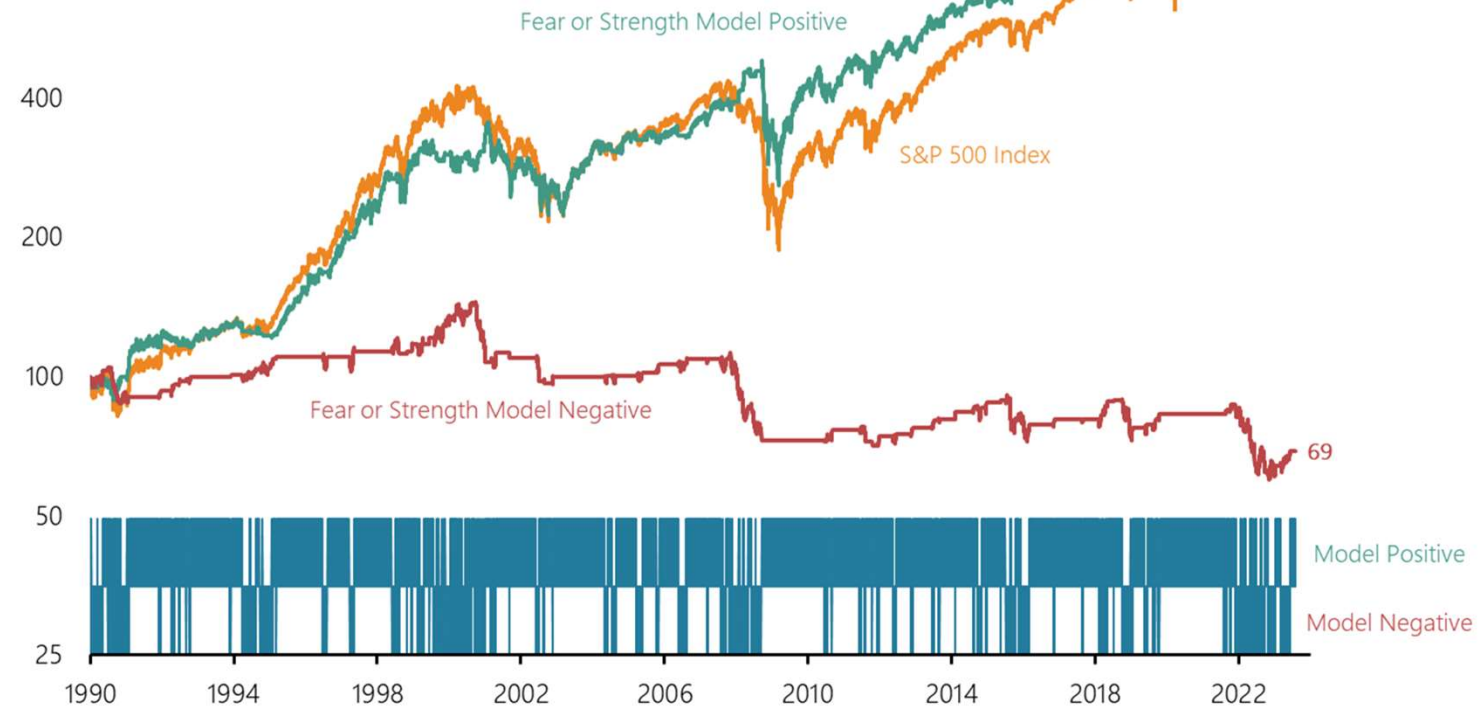
S&P 500 VS FEAR OR STRENGTH MODEL

1600

S&P 500 Performance Based On "Fear Or Strength" Model (1990 - 2022)		
	Annualized Return	% of Time
Model Positive (VIX > 28.5 or 10-Day Net New High A/D Line Rising)	11.9%	77.0%
Model Negative (VIX < 28.5 and 10-Day Net New High A/D Line Falling)	-6.1%	23.0%

Note: S&P 500 annualized return over entire time period = 7.4%

800



S&P 500 and model results indexed to Dec 31, 1989 = 100.

ALLOCATION MODEL - ASSET CLASS								
7/28/2023	Min	Average	Max	Current	UW	OW	Absolute Trend	
Stocks (ACWI)	27%	54%	75%	71%			79%	Rising
Bonds (BB Aggregate)	11%	29%	54%	29%			2%	Rising
Commodities (CRB)	0%	17%	43%	0%	-100%			Falling

ALLOCATION MODEL - GLOBAL EQUITY								
7/28/2023	Min	Average	Max	Current	UW	OW	Absolute Trend	
United States	41%	54%	71%	52%	-19%			Rising
Canada	0%	4%	13%	3%	-33%			Rising
Emerging Markets	3%	9%	17%	10%			18%	Rising
Europe ex-UK	5%	13%	24%	17%			37%	Rising
United Kingdom	0%	6%	13%	5%	-7%			Rising
Pacific Ex-Japan	0%	6%	12%	4%	-38%			Rising
Japan	0%	8%	15%	9%			13%	Rising

ALLOCATION MODEL - US EQUITY								
7/28/2023	Min	Average	Max	Current	UW	OW	Absolute Trend	
Large-Cap Growth	8%	28%	49%	29%			3%	Rising
Large-Cap Value	8%	24%	49%	25%			7%	Rising
Mid-Cap Growth	4%	14%	29%	17%			21%	Rising
Mid-Cap Value	4%	14%	35%	12%	-18%			Rising
Small-Cap Growth	0%	11%	29%	10%	-6%			Rising
Small-Cap Value	0%	10%	26%	7%	-30%			Rising

ALLOCATION MODEL - FIXED INCOME								
7/28/2023	Min	Average	Max	Current	UW	OW	Absolute Trend	
T-Bills	0%	17%	52%	13%	-21%			Rising
ST Govt/Credit	0%	16%	39%	12%	-26%			Rising
LT Govt/Credit	0%	12%	31%	11%	-11%			Rising
Credit	0%	13%	27%	14%			8%	Rising
High Yield	0%	15%	52%	18%			7%	Rising
Munis	0%	15%	39%	16%			5%	Rising
Global ex USD	0%	11%	39%	15%			15%	Rising