Hi Mount

RESEARCH

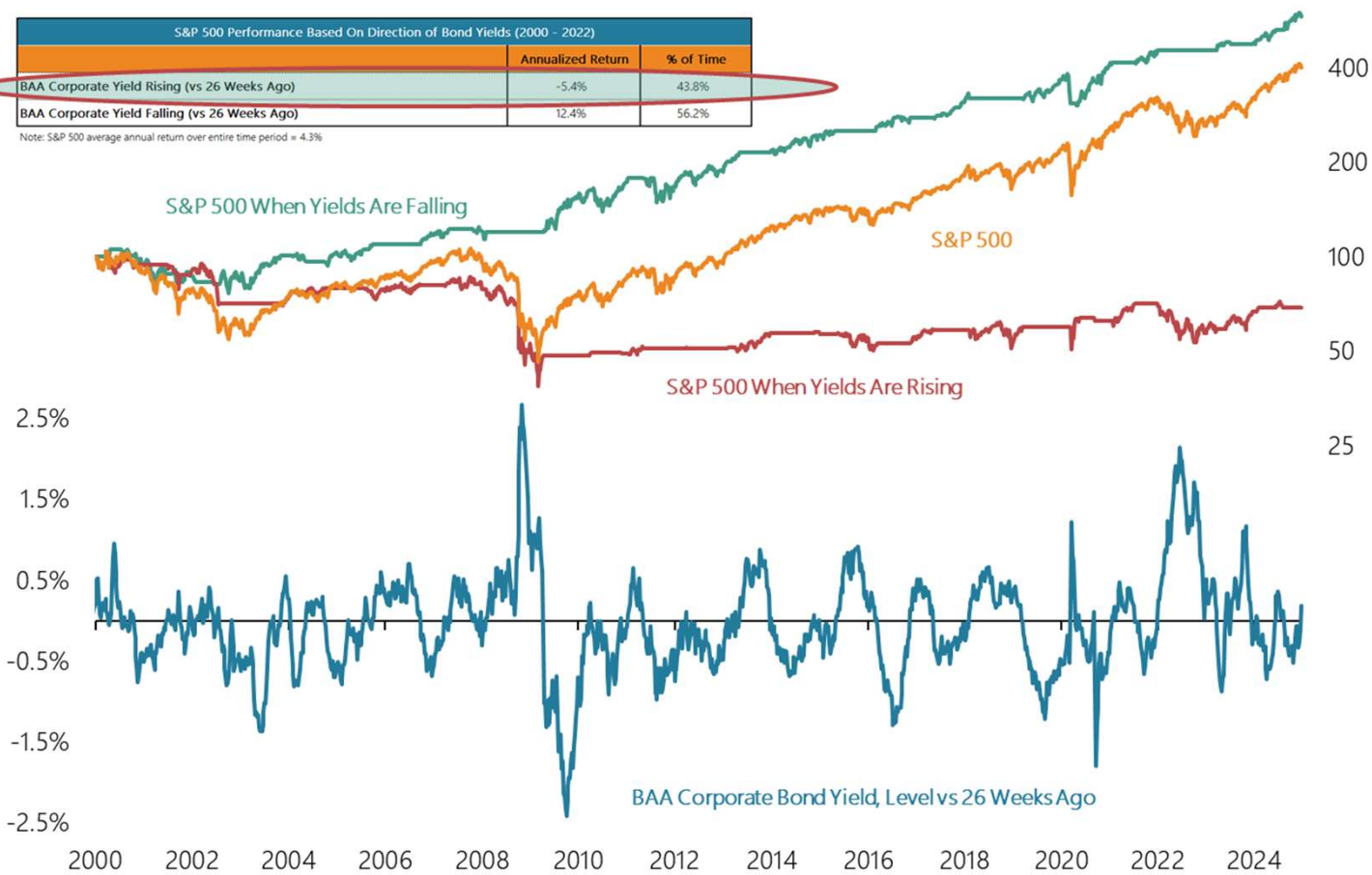# FED CUTING RATES BUT BOND YIELDS RISE
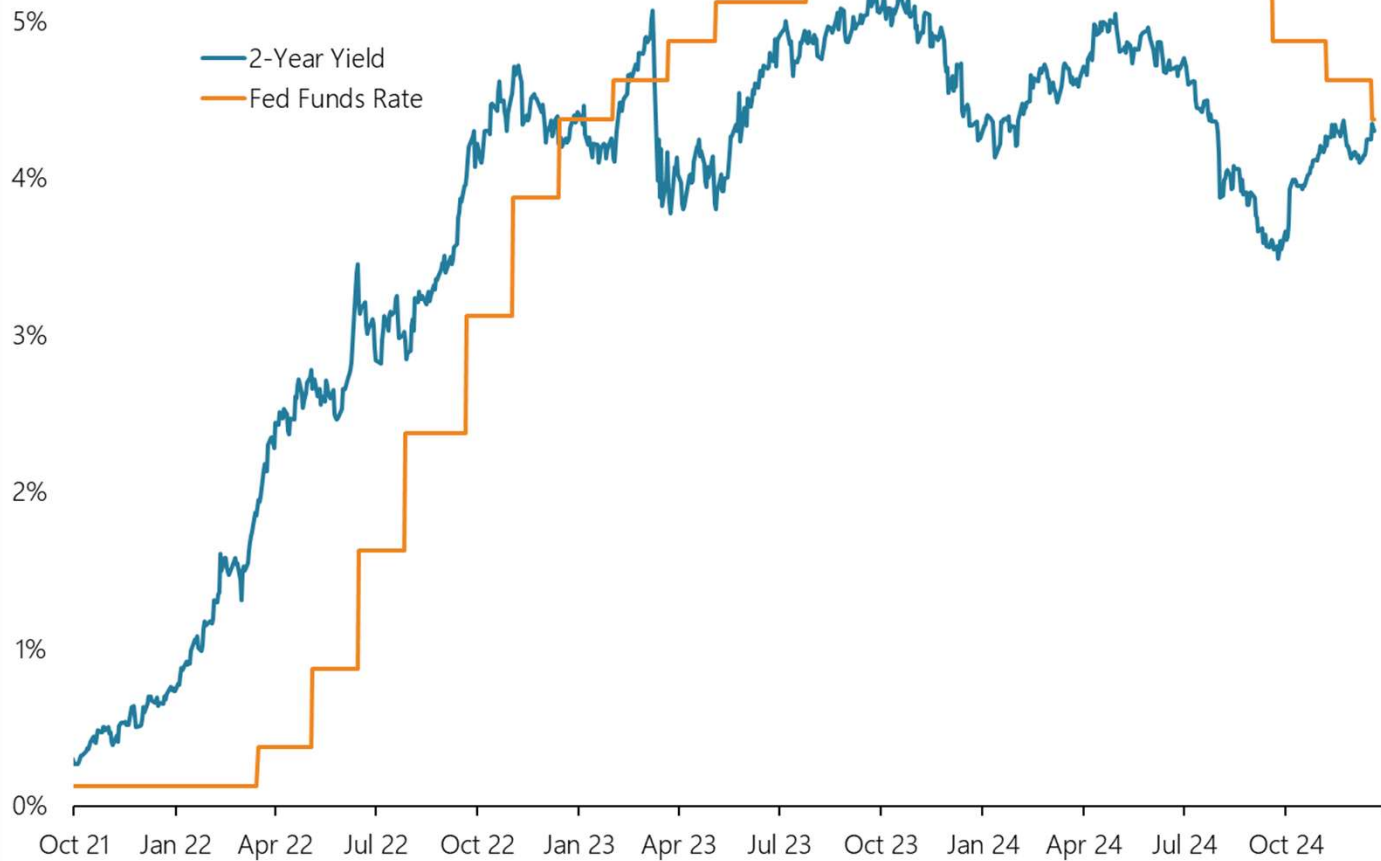
The Fed delivered another 25-basis point rate cut last week but bond yields have been moving higher ever since the Fed started its easing cycle. Now the 2-yearT-Note yield and Fed Funds Rate have converged as the market suggests that the Fed is (or should be) done cutting rates.

STOCKS STRUGGLE WHEN BOND YIELDS BOUNCE

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 When Yields Are Falling

S&P 500

S&P 500 When Yields Are Rising

BAA Corporate Bond Yield, Level vs 26 Weeks Ago

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

Powered by YCHARTS

Not only has the bond market re-priced the likelihood of future rate cuts, but upward pressure on corporate bond yields has become a direct headwind for stocks. BAA corporate bond yields are now higher than they were 6-months ago and all the net gains for stocks in recent decades have come when bond yields have been moving lower, not higher.

NYSE DAILY VOLUME RATIO

Up Volume / Down Volume

Down Volume / Up Volume

12.0
4.8
15.1
14.8
13.1
23.2
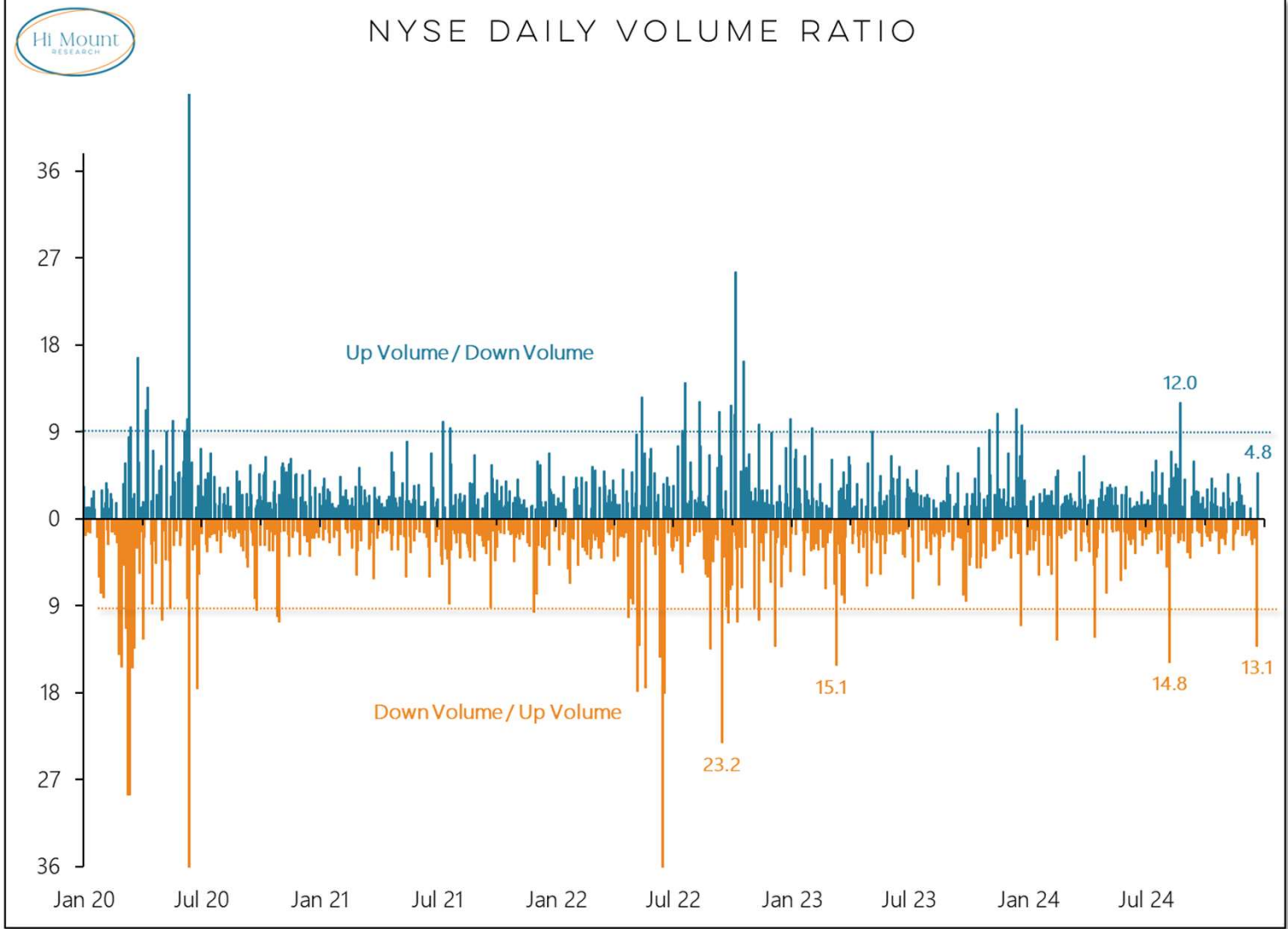
Expectations and action in the bond market pressured equities last week. This led to a 13-1 down volume day on Wednesday (when the Fed announced its rate cut) and even though stocks bounced on Friday, the volume flows were less than convincing.

S&P 500 AND MARKET BREADTH STREAKS
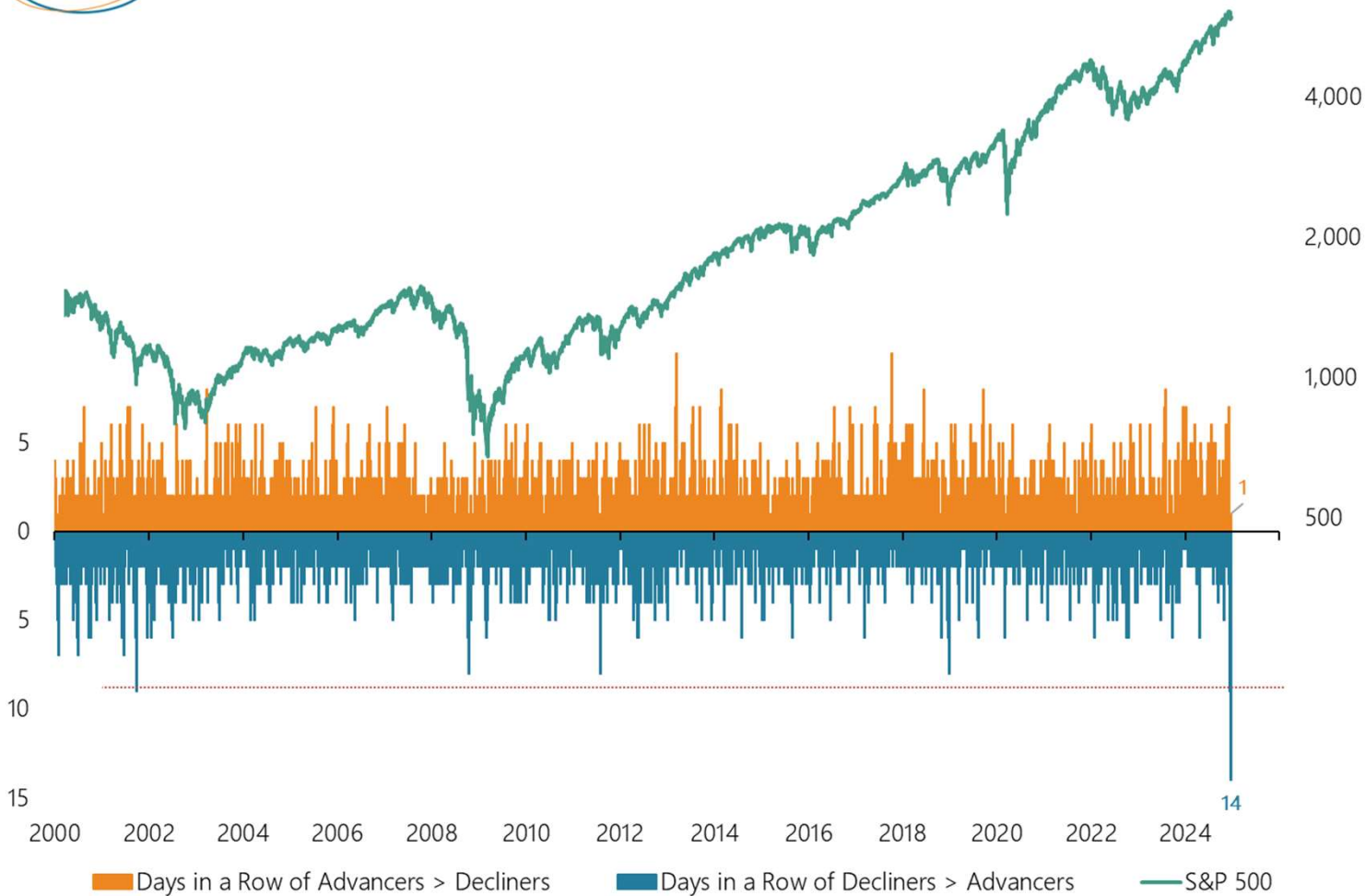
Friday did produce the first positive breadth day of the month for the S&P 500. 14 down days in a row is the worst stretch of breadth that I have ever personally witnessed. While it has now ended, it has left weakness in its wake.

NET NEW HIGHS AND S&P 500

NYSE + NASDAQ New Highs Less New Lows — S&P 500 (right)

New Highs > New Lows =
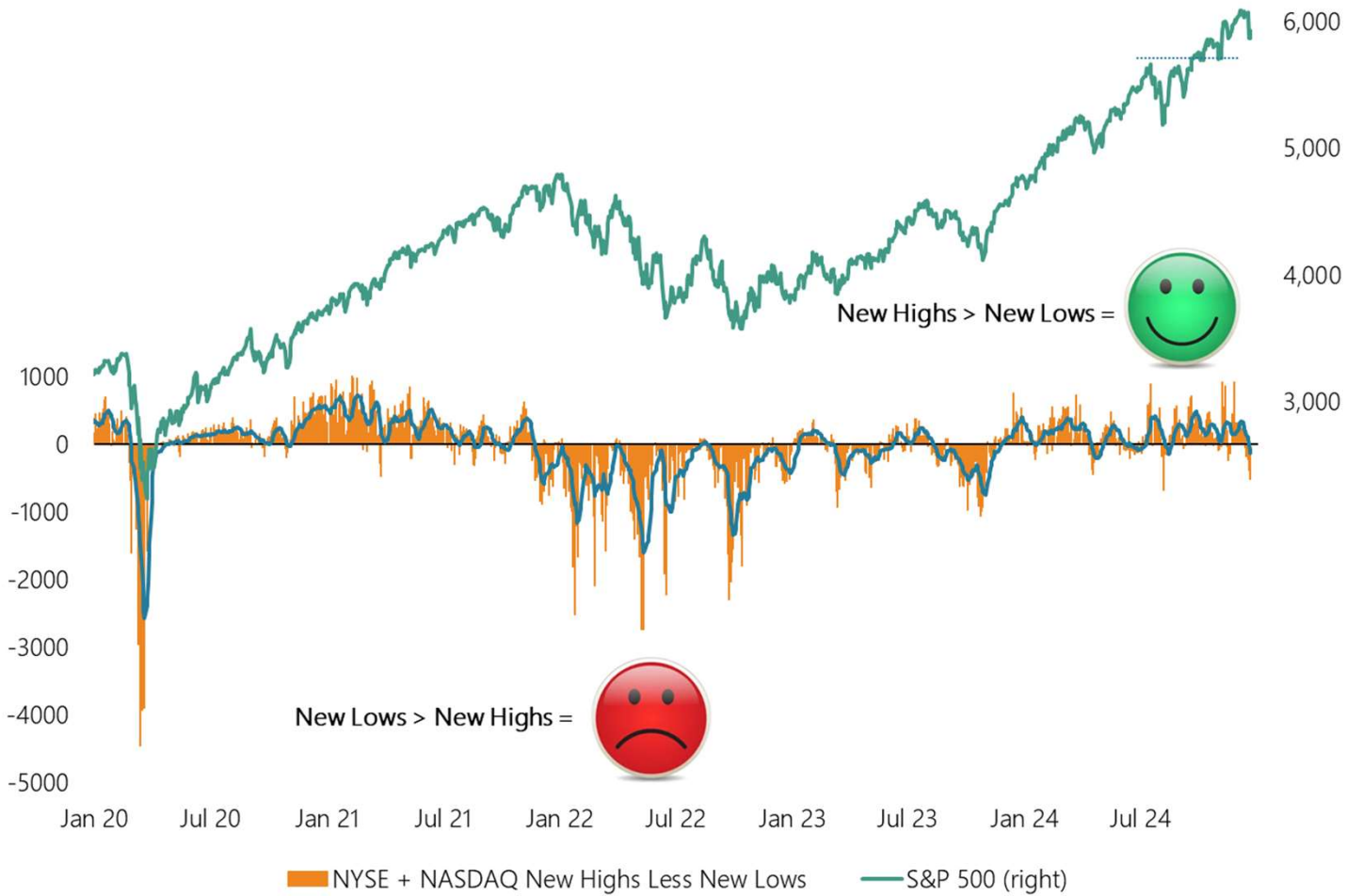
New Lows > New Highs =

In terms of new highs versus new lows, we are back to a frowny-face market. This is another headwind for overall strength from equities.

BULL MARKETS BUILD ON QUIET STRENGTH

Market Quiet: Consecutive Days With S&P 500 Moving Less Than 1%

Market Noisy: Consecutive Days With S&P 500 Moving More Than 1%

Market Strong: Consecutive Days With NYSE+NASDAQ New Highs > New Lows

Market Weak: Consecutive Days With NYSE+NASDAQ New Lows > New Highs
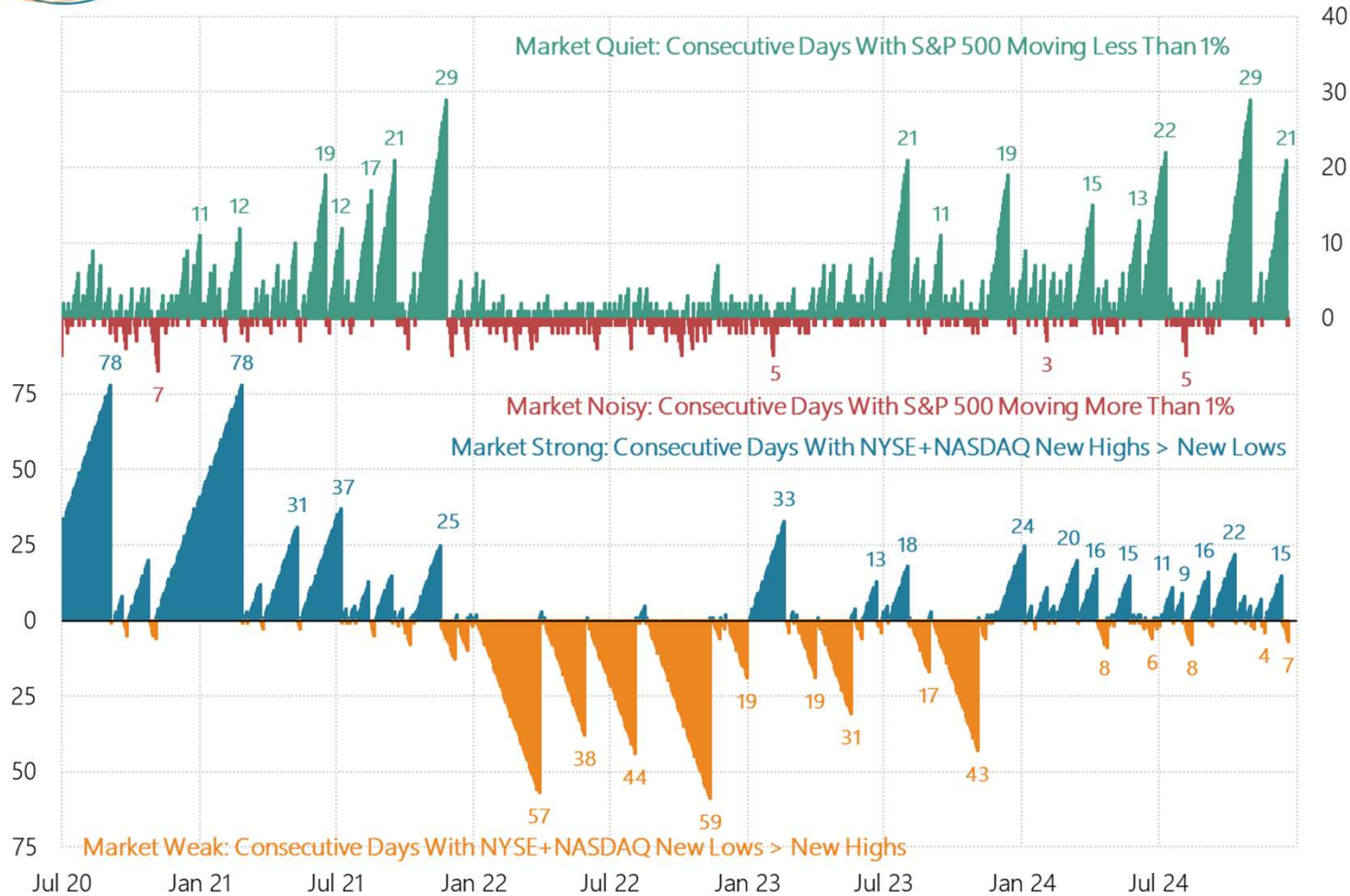
Wednesday's swoon was the first 1%+ move in either direction in more than a month. Overall, last week was neither quiet (2 1%+ moves) nor strong (new lows > new highs every day).

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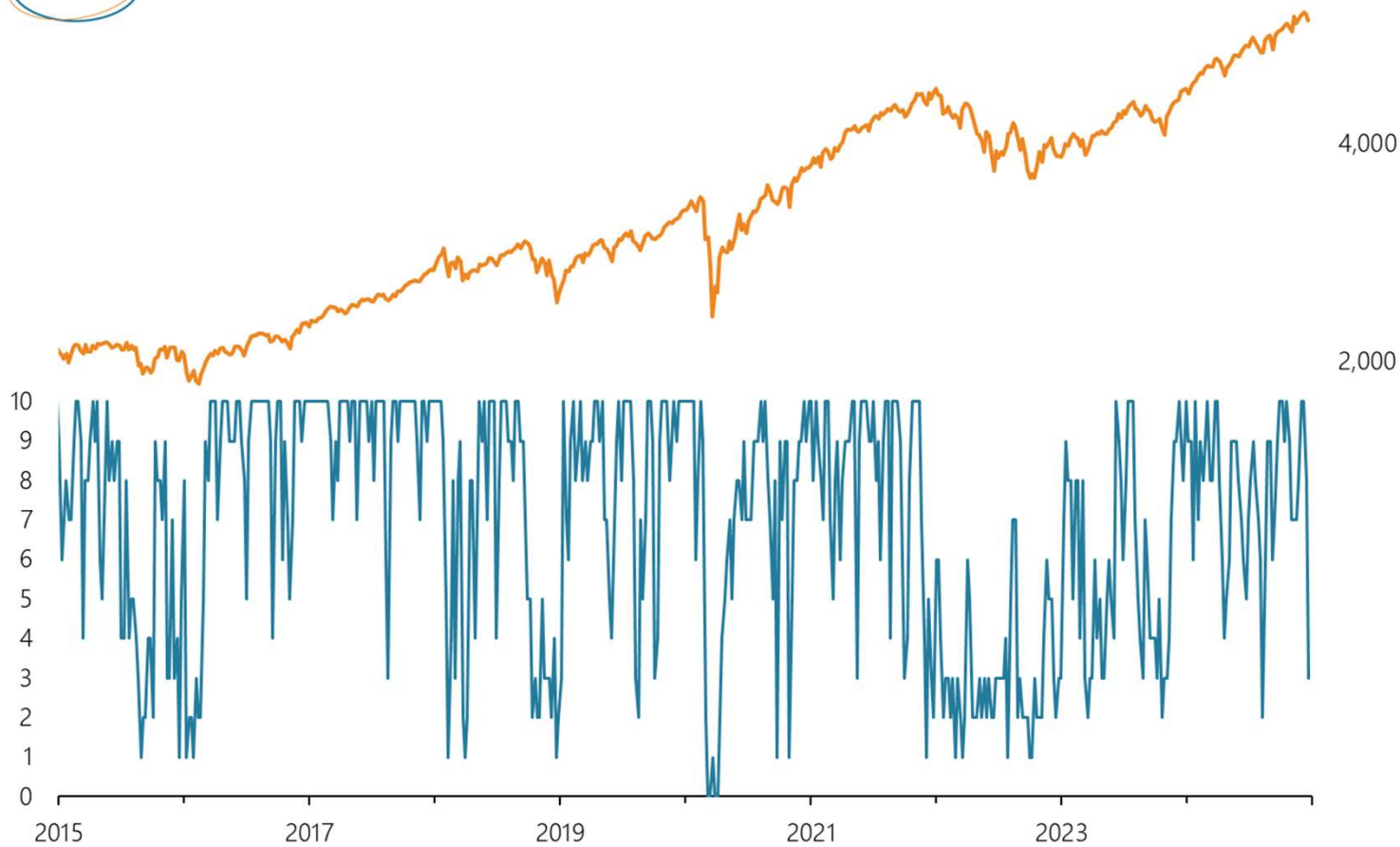
Note: The quiet strength indicator is the sum of the number of days in the past week with a less than 1% swing on the S&P 500 and the number of days with new highs > new lows.

Quiet Strength Indicator

S&P 500 (right)

The corollary to "bull markets feature quiet strength" is noise and weakness are characteristic of bear markets. If Santa-related strength is going to show up over the next couple of weeks, the best case for bulls is that it is quiet on the surface and strong beneath the surface.

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	Less Than 0 (1 Consecutive Week)	No
Net New High A/D Line NYSE + NASDAQ	Rising	Falling (3 Days in a Row)	No
% of Global Markets Above Their 50-Day Average	More Than 70%	Less Than 70% (56 Days in a Row)	No
ACWI Long-Term Trend	Rising	Rising (87 Consecutive Weeks)	Yes
S&P 500 200-Day Average (Level vs 10-Days Ago)	Rising	Rising (388 Days in a Row)	Yes
Value Line Geometric Index Long-Term Trend	Rising	Rising (14 Consecutive Weeks)	Yes

(data as of 12/20/2024)   Total: 3/6

S&P 500 AND BULL BEHAVIOR INDICATOR
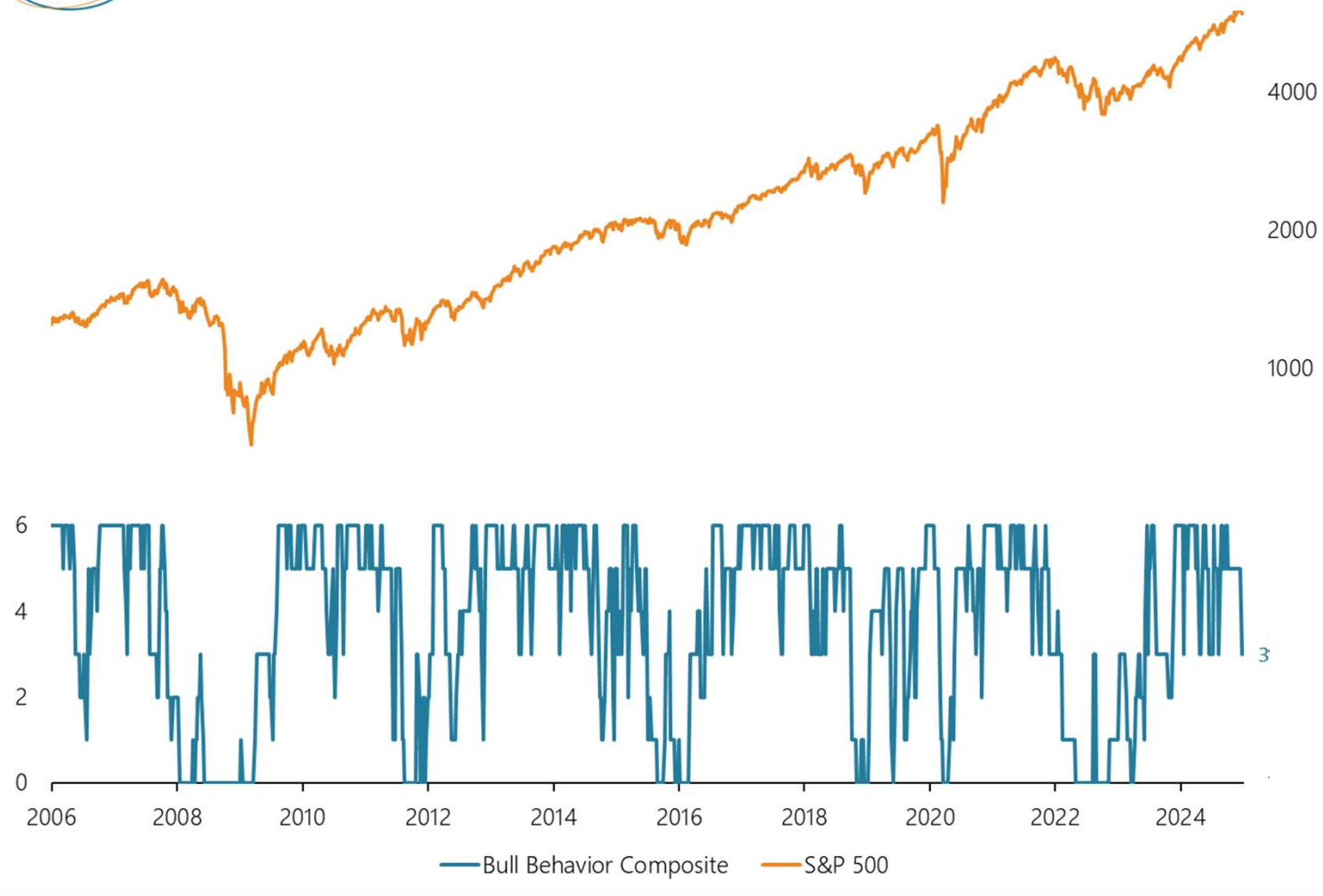
Overall, bull market behavior is less evident. Our bull behavior composite has pulled back to its lowest level of 2024. Breadth has broken down, but price trends have remained resilient.

ACWI & GLOBAL BREADTH
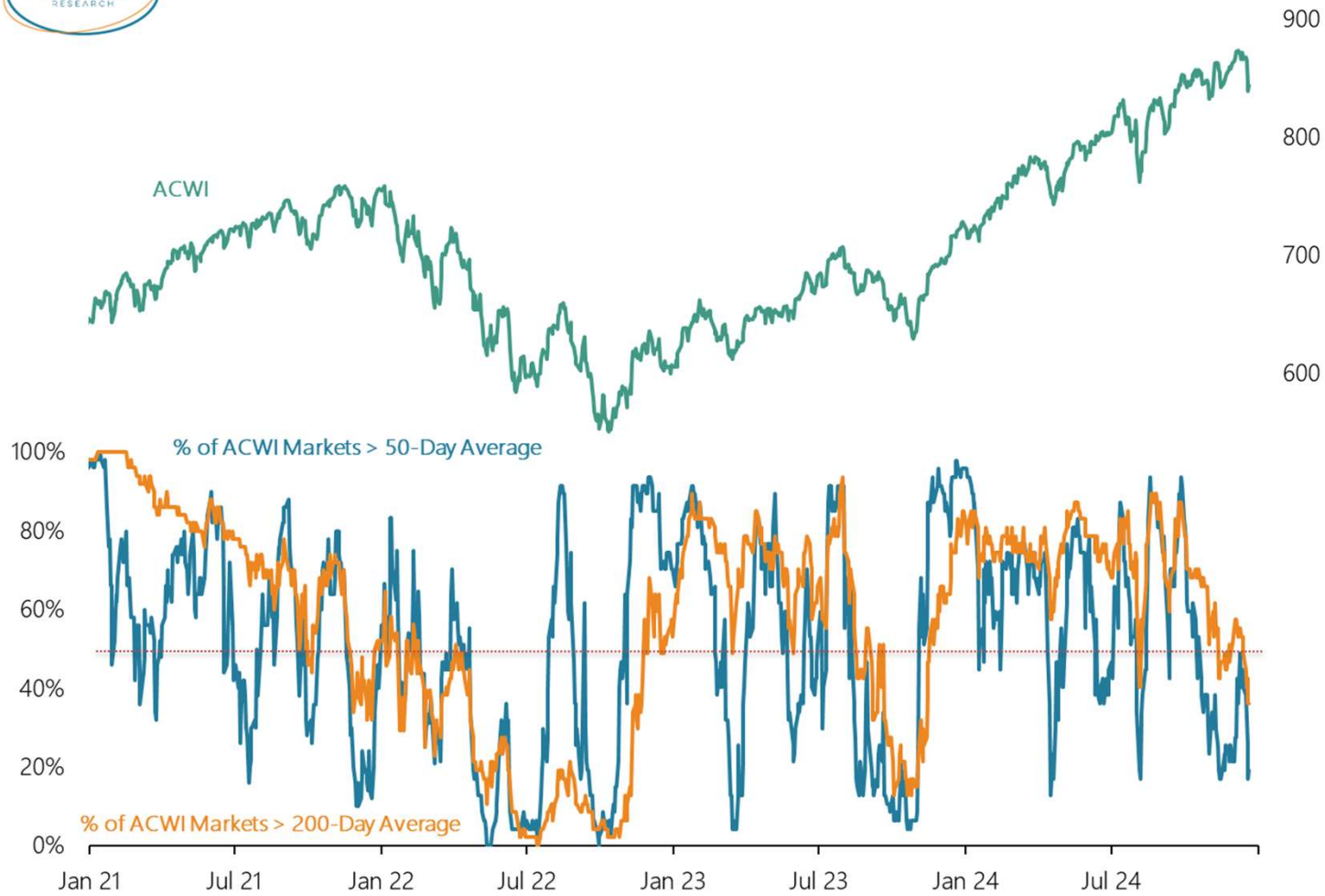
Global weakness led the deterioration and has not yet signaled improvement. The percentage of ACWI markets above their 50-day averages or 200-day averages are near their lowest levels of the year. Without a domestic breadth thrust regime to provide a tailwind, US stocks are increasingly dependent on global rally participation – and that is not coming through right now.

FEAR OR STRENGTH MODEL COMPONENTS

S&P 500 Performance Based On "Fear Or Strength" Model (1990 - 2023)		
	Annualized Return	% of Time
Model Positive (VIX > 28.5 or 10-Day Net New High A/D Line Rising)	12.0%	75.9%
Model Negative (VIX < 28.5 and 10-Day Net New High A/D Line Falling)	-4.2%	24.1%

Note: S&P 500 annualized return over entire time period = 7.9%

VIX
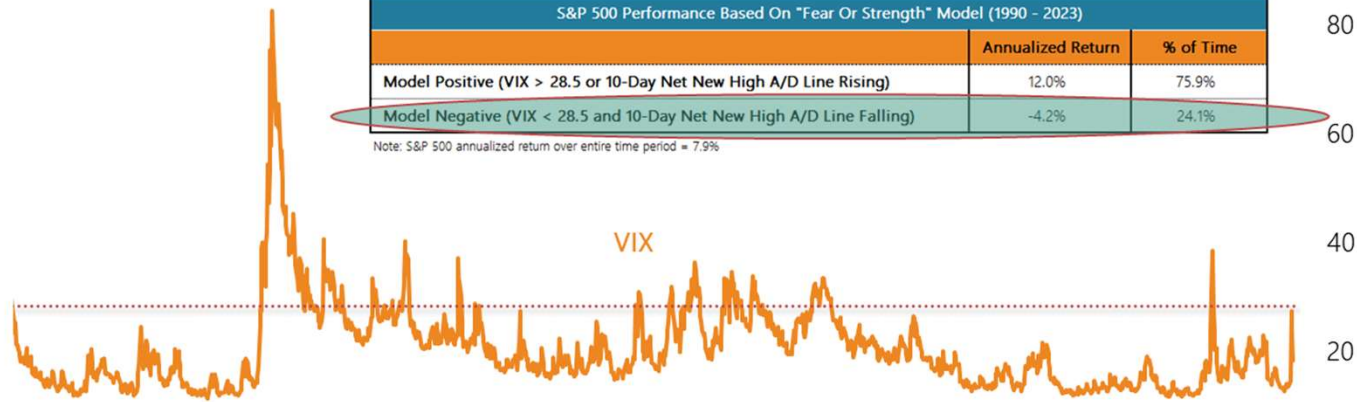
Model is positive if market is exhibiting **Fear (VIX > 28.5)** *or* **Strength (Net New High A/D Line is rising)**. Otherwise it is negative.

NYSE+NASDAQ Net New High A/D Line (Smoothed)
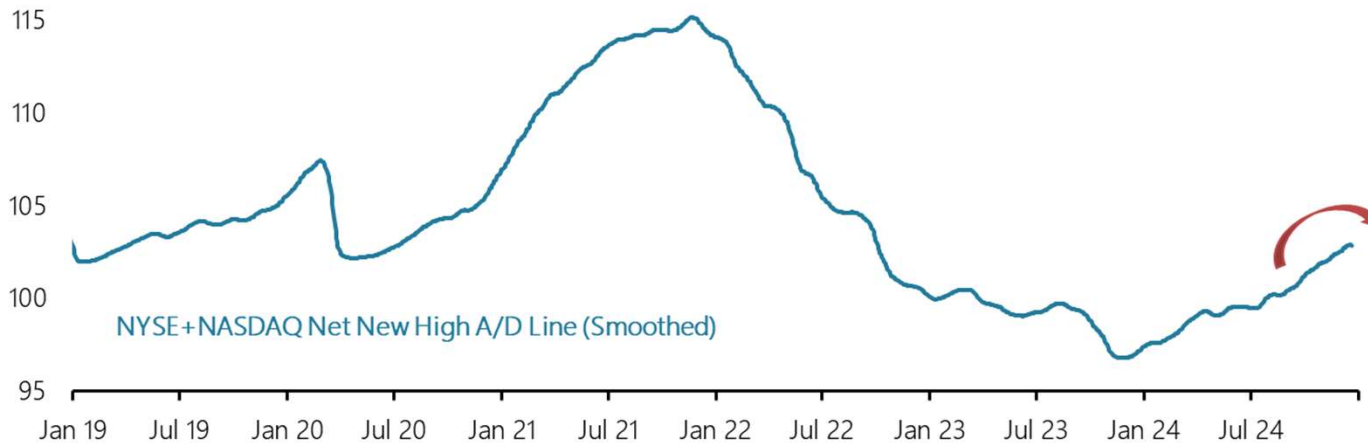
In terms of the cyclical weight of the evidence, both liquidity and breadth are under pressure. From a tactical perspective, our fear or strength model has turned negative. It is true that stocks rise 75% of the time, but the data suggests we are currently in the 25% of the time during which stocks struggle to even tread water.

	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	Neg	Neg	Neg	Neg	Neg	Neg	-6
Materials	Neg	Neg	Neg	Neg	Neg	Neg	-6
Industrials	Neg	Neg	Neg	Pos	Neg	Neg	-4
Consumer Discretionary	Neg	Neg	Pos	Pos	Neg	Neg	-2
Consumer Staples	Neg	Neg	Neg	Neg	Neg	Neg	-6
Health Care	Neg	Neg	Neg	Neg	Neg	Neg	-6
Financials	Neg	Neg	Pos	Pos	Neg	Neg	-2
Information Technology	Neg	Neg	Pos	Pos	Neg	Pos	0
Communication Services	Neg	Pos	Pos	Pos	Neg	Pos	2
Utilities	Neg	Neg	Neg	Neg	Neg	Neg	-6
Real Estate	Neg	Neg	Neg	Neg	Neg	Neg	-6
Indicator Summary (-22 to +22)	-20		-4		-18		-42

Data as of: 12/20/2024

Sector-level momentum, price and breadth trends reflect the deterioration that has occurred this month. At the end of November, this was a sea of green. Now it is a sea of red..

SECTOR STRENGTH AND S&P 500
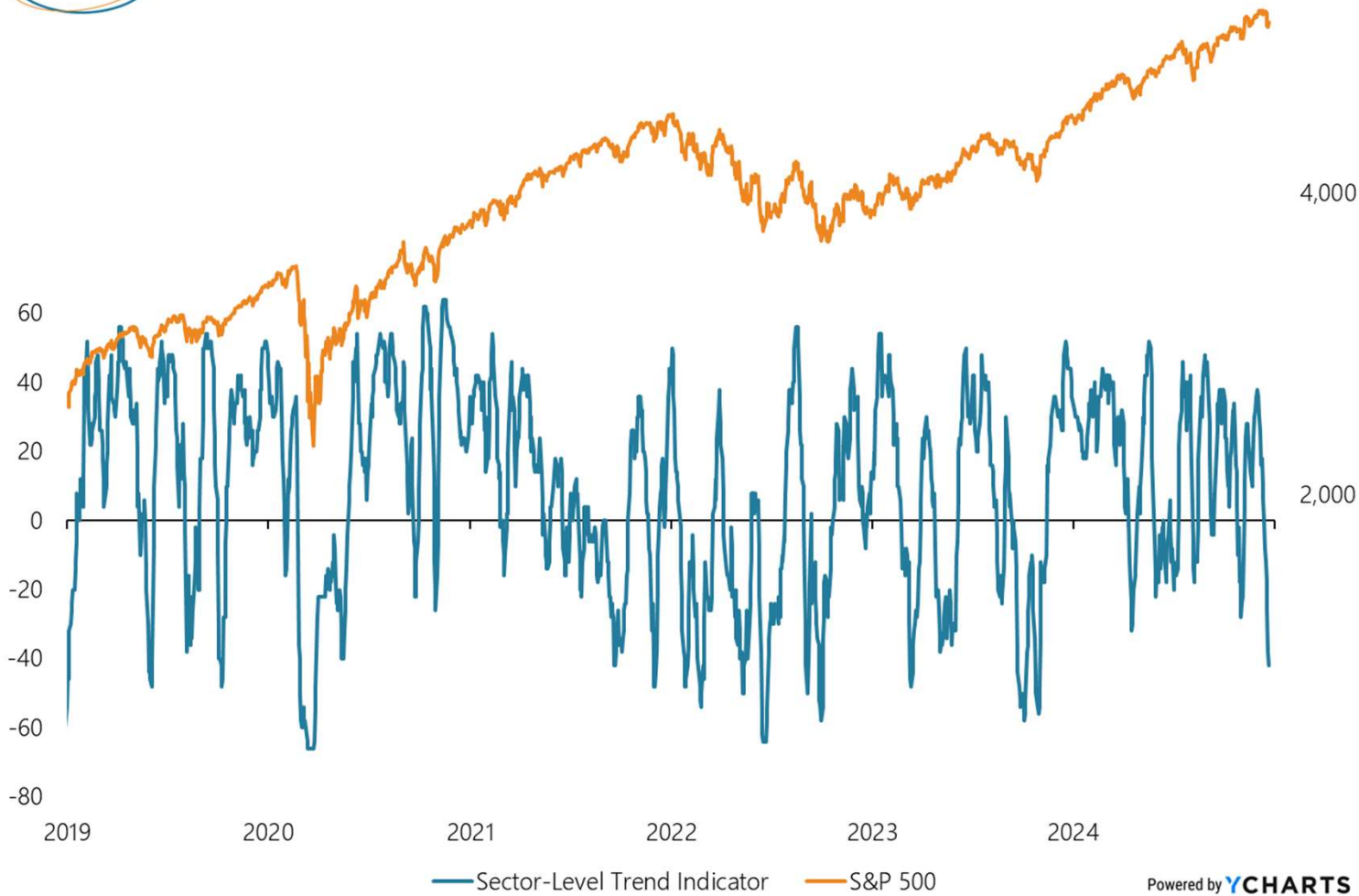
In aggregate, sector-level trends are finishing the year at their worst levels of the year.

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%
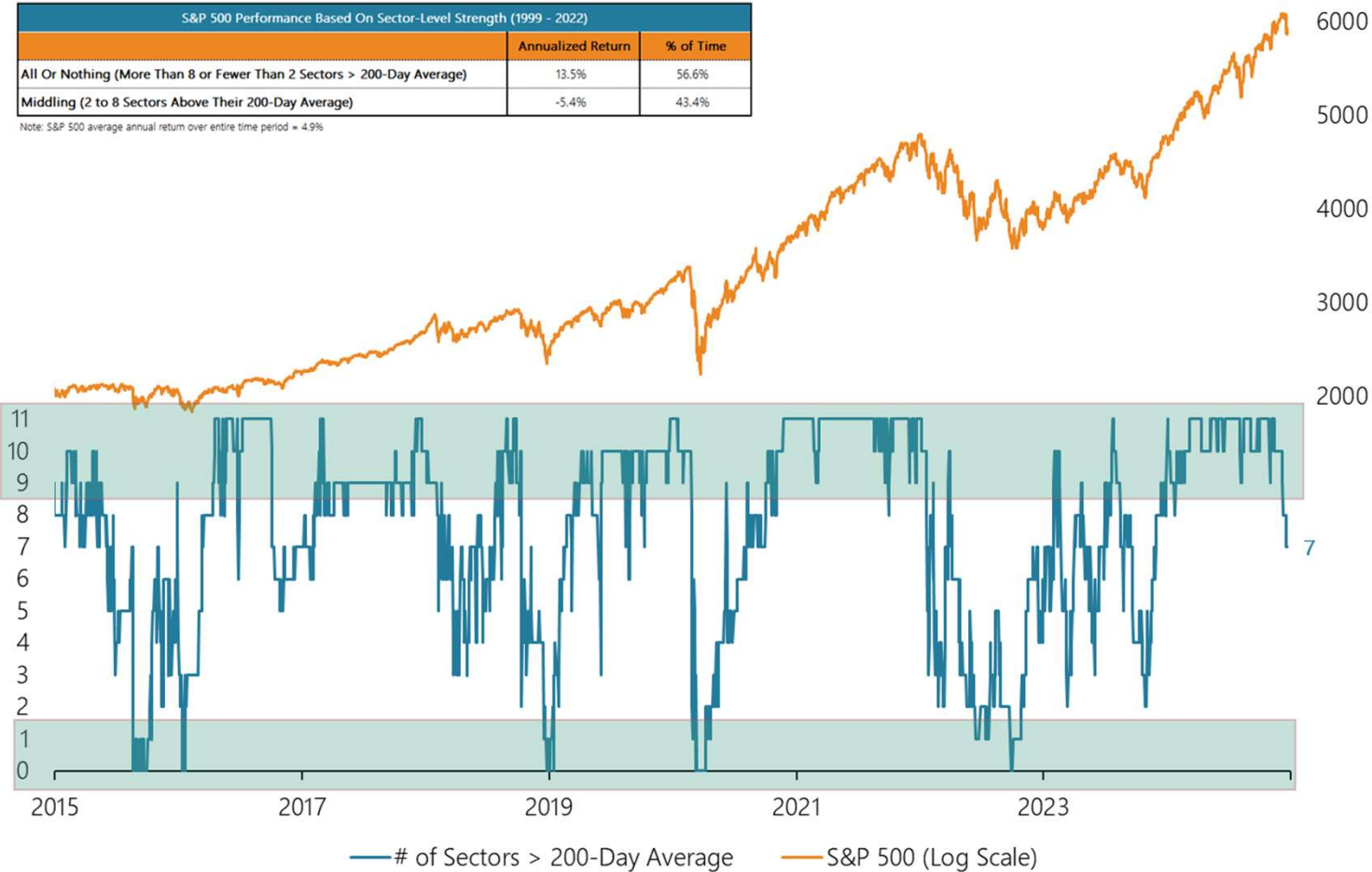
The number of sectors holding above their 200-day averages continues to shrink. In this middling environment, the S&P 500 tends to muddle along.

— # of Sectors > 200-Day Average   — S&P 500 (Log Scale)

RANKINGS & TRENDS: MACRO (ETF)

December 20, 2024

		Heat Map		Relative Strength Rankings				Trend Indicators				Highs & Lows	
		Direction	Level	Overall	Short	Medium	Long	10-Wk Avg	40-Wk Avg	Close vs 10	10 vs 40	13-Week	52-Week
US LC Growth	IVW		Top	1	4	1	2	+	+	+	+		
US LC Value	IVE			10	13	13	6	-	+	-	+	New Low	
US MC	IJH		Top	4	16	6	5	-	+	-	+		
US SC	IJR		Top	5	19	8	3	-	+	-	+		
Canada	EWC			6	17	12	4	-	+	-	+	New Low	
Emerging Markets	IEMG	Deteriorating		13	12	17	9	-	+	-	+	New Low	
Europe ex-UK	EZU		Bottom	18	10	15	18	-	-	-	-		
United Kingdom	EWU		Bottom	19	15	18	15	-	+	-	-	New Low	
Pacific Ex-Japan	EPP	Deteriorating	Bottom	16	18	19	9	-	+	-	+	New Low	
Japan	EWJ			14	14	14	12	-	-	-	-	New Low	
Long-Term Treasuries	TLT		Bottom	20	11	16	20	-	-	-	-	New Low	
Short-Term Treasuries	SHY	Improving		8	3	4	14	-	+	-	+	New Low	
Munis	MUB	Improving		12	9	5	17	-	-	-	+	New Low	
Corporate	VCIT			11	5	10	12	-	+	-	+	New Low	
Global ex USD	BNDX	Improving	Top	2	1	2	8	+	+	+	+		
High-Yield	HYG			9	6	7	11	-	+	-	+	New Low	
Real Estate	IYR	Deteriorating		15	20	20	7	-	+	-	+	New Low	
Commodities	PDBC		Bottom	17	6	11	19	-	-	-	-		
Gold	GLD	Deteriorating	Top	3	6	9	1	-	+	-	+		
T-Bills	BIL	Improving		7	2	3	15	-	-	-	-	New Low	New Low

SECTOR RELATIVE STRENGTH RANKINGS

	S&P 500	S&P 500 EW	S&P 400	S&P 600
Energy	10	7	8	11
Materials	11	9	11	10
Industrials	7	2	7	1
Consumer Discretionary	1	5	6	2
Consumer Staples	5	10	4	7
Health Care	9	11	9	5
Financials	4	1	3	4
Information Technology	3	8	1	6
Communication Services	2	3	2	3
Utilities	6	4	5	9
Real Estate	8	6	10	8

Rankings Key: 1 =strongest sector; 11=weakest sector

12/20/24

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RANKINGS & TRENDS: S&P SECTORS

December 20, 2024

			Relative Strength Rankings				Trend Indicators				Highs & Lows	
		RS Leader	Overall	Short	Medium	Long	10-Wk Avg	40-Wk Avg	Close vs 10	10 vs 40	13-Week	52-Week
S&P 500	Energy		10	11	9	11	-	-	-	-	New Low	
	Materials		11	9	11	10	-	-	-	+	New Low	
	Industrials	Leader	7	8	6	6	-	+	-	+	New Low	
	Consumer Discretionary	Leader	1	3	1	1	+	+	+	+		
	Consumer Staples		5	4	5	7	-	+	-	+		
	Health Care		9	7	9	9	-	-	-	-	New Low	
	Financials	Leader	4	4	4	4	+	+	-	+		
	Information Technology	Leader	3	1	3	3	+	+	+	+		
	Communication Services	Leader	2	2	2	2	+	+	+	+		
	Utilities		6	6	7	5	-	+	-	+	New Low	
	Real Estate		8	10	8	8	-	+	-	+	New Low	
S&P 400	Energy		8	9	6	10	-	-	-	+		
	Materials	Leader	11	11	11	10	-	-	-	+	New Low	
	Industrials	Leader	7	10	8	6	-	+	-	+	New Low	
	Consumer Discretionary		6	4	4	8	+	+	-	+		
	Consumer Staples	Leader	4	7	2	5	+	+	-	+		
	Health Care		9	2	8	9	-	+	-	+		
	Financials	Leader	3	8	5	1	+	+	-	+		
	Information Technology		1	3	1	4	+	+	+	+		
	Communication Services		2	1	3	3	+	+	-	+		
	Utilities		5	5	7	2	-	+	-	+		
	Real Estate		10	6	10	7	-	+	-	+	New Low	
S&P 600	Energy		11	10	11	11	-	-	-	-	New Low	New Low
	Materials	Leader	10	11	10	10	-	+	-	+	New Low	
	Industrials	Leader	1	6	4	3	+	+	-	+		
	Consumer Discretionary		2	1	3	5	+	+	-	+		
	Consumer Staples		7	4	2	8	+	+	-	+		
	Health Care		5	1	4	5	+	+	-	+		
	Financials	Leader	4	9	6	2	+	+	-	+		
	Information Technology		6	3	1	8	+	+	-	+		
	Communication Services	Leader	3	6	7	1	+	+	-	+		
	Utilities		9	5	7	7	-	+	-	+	New Low	
	Real Estate		8	8	9	4	-	+	-	+	New Low	

RANKINGS & TRENDS: S&P INDUSTRY GROUPS

December 20, 2024

		Heat Map		Relative Strength Rankings				Trend Indicators				Highs & Lows	
		Direction	Level	Overall	Short	Medium	Long	10-Wk Avg	40-Wk Avg	Close vs 10	10 vs 40	13-Week	52-Week
S&P 500	Energy		Bottom	70	65	66	65	-	-	-	-	New Low	
	Materials		Bottom	71	55	72	63	-	-	-	+	New Low	
	Capital Goods			35	27	42	25	-	+	-	+		
	Commercial & Professional Services			38	45	40	31	-	+	-	+		
	Transportation		Bottom	63	42	59	62	-	-	-	+	New Low	
	Automobiles & Components		Top	1	8	1	2	+	+	+	+		
	Consumer Durables & Apparel			53	33	42	58	-	-	-	+	New Low	
	Consumer Services			16	20	16	24	+	+	-	+		
	Retailing		Top	7	7	5	13	+	+	+	+		
	Food & Staples Retailing		Top	6	13	9	6	+	+	+	+		
	Food Beverage & Tobacco			56	19	57	53	-	+	-	+	New Low	
	Household & Personal Products	Improving		48	13	40	50	-	+	-	+		
	Health Care Equipment & Services			62	38	65	56	-	-	-	+	New Low	
	Pharmaceuticals Biotechnology and Life Sciences		Bottom	69	15	71	60	-	-	-	-		
	Banks		Top	8	32	13	5	+	+	-	+		
	Diversified Financials		Top	9	12	18	9	+	+	-	+		
	Insurance			42	29	49	27	-	+	-	+	New Low	
	Software & Services	Improving		23	9	17	34	+	+	+	+		
	Technology Hardware & Equipment		Top	2	1	7	4	+	+	+	+	New High	New High
	Semiconductors & Semiconductors Equipment			25	4	33	21	-	+	-	+		
	Telecommunication Services			21	47	29	17	+	+	-	+		
	Media & Entertainment		Top	5	3	6	8	+	+	+	+		
	Utilities			41	22	53	22	-	+	-	+	New Low	
	Real Estate			58	58	67	49	-	+	-	+	New Low	

RANKINGS & TRENDS: S&P INDUSTRY GROUPS

		Heat Map		Relative Strength Rankings				Trend Indicators				Highs & Lows	
		Direction	Level	Overall	Short	Medium	Long	10-Wk Avg	40-Wk Avg	Close vs 10	10 vs 40	13-Week	52-Week
S&P 400	Energy			45	60	29	56	-	-	-	+		
	Materials	Deteriorating	Bottom	66	71	67	60	-	-	-	+	New Low	
	Capital Goods	Deteriorating		46	62	45	43	-	+	-	+	New Low	
	Commercial Professional Services			59	43	70	47	-	+	-	+	New Low	
	Transportation			40	69	37	37	+	+	-	+		
	Automobiles & Components		Bottom	67	59	58	72	-	-	-	-	New Low	New Low
	Consumer Durables & Apparel		Bottom	68	61	64	66	-	-	-	-	New Low	
	Consumer Services			32	41	35	29	+	+	-	+		
	Retailing	Improving		12	6	3	30	+	+	+	+		
	Food & Staples Retailing		Top	4	49	9	3	+	+	-	+		
	Food Beverage & Tobacco		Bottom	64	51	55	67	-	-	-	-	New Low	New Low
	Household & Personal Products	Improving		37	33	2	68	+	-	+	-		
	Health Care Equipment & Services			52	25	52	48	-	+	-	+	New Low	
	Pharmaceuticals Biotechnology and Life Sciences			54	11	47	54	-	-	-	+		
	Banks			14	69	26	10	+	+	-	+		
	Diversified Financials	Deteriorating		15	40	23	15	+	+	-	+		
	Insurance			17	54	27	17	-	+	-	+		
	Software & Services		Top	3	15	4	7	+	+	+	+		
	Technology Hardware & Equipment	Deteriorating		20	20	21	25	+	+	+	+		
	Semiconductors & Semiconductors Equipment			61	30	50	71	-	-	-	-		
	Telecommunication Services			19	5	36	10	-	+	-	+		
	Media & Entertainment			28	10	19	38	+	+	+	+		
	Utilities			31	39	39	23	-	+	-	+		
	Real Estate			57	46	63	52	-	+	-	+	New Low	

RANKINGS & TRENDS: S&P INDUSTRY GROUPS

		Heat Map		Relative Strength Rankings				Trend Indicators				Highs & Lows	
		Direction	Level	Overall	Short	Medium	Long	10-Wk Avg	40-Wk Avg	Close vs 10	10 vs 40	13-Week	52-Week
S&P 600	Energy		Bottom	72	66	67	69	-	-	-	-	New Low	New Low
	Materials			60	71	62	55	-	+	-	+	New Low	
	Capital Goods			43	62	47	32	+	+	-	+		
	Commercial & Professional Services			22	37	20	28	+	+	-	+		
	Transportation			11	23	12	16	+	+	-	+		
	Automobiles & Components		Bottom	65	67	61	64	-	-	-	+	New Low	
	Consumer Durables & Apparel	Deteriorating		51	56	55	43	-	+	-	+	New Low	
	Consumer Services		Top	10	18	8	20	+	+	+	+		
	Retailing	Improving		34	2	15	50	+	+	+	+		
	Food & Staples Retailing			26	28	14	41	+	+	+	+		
	Food Beverage & Tobacco	Improving		29	26	25	35	-	+	-	+		
	Household & Personal Products	Improving		44	52	23	59	+	-	-	+		
	Health Care Equipment & Services	Improving		36	17	29	41	+	+	-	+		
	Pharmaceuticals Biotechnology and Life Sciences	Improving		47	31	44	45	+	+	-	+		
	Banks			18	68	32	12	+	+	-	+		
	Diversified Financials	Deteriorating		33	48	45	19	-	+	-	+		
	Insurance			13	57	22	14	+	+	-	+		
	Software & Services			24	35	11	40	+	+	+	+		
	Technology Hardware & Equipment			30	24	28	33	-	+	-	+		
	Semiconductors & Semiconductors Equipment			55	36	38	69	-	-	-	-		
	Telecommunication Services	Deteriorating		27	64	54	1	+	+	-	+		
	Media & Entertainment			39	44	33	39	+	+	-	+		
	Utilities	Deteriorating		49	52	60	35	-	+	-	+	New Low	
	Real Estate			50	49	51	46	-	+	-	+	New Low	

RANKINGS & TRENDS: MSCI ALL WORLD

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December 20, 2024

		Heat Map		Relative Strength Rankings				Trend Indicators				Highs & Lows	
		Direction	Level	Overall	Short	Medium	Long	10-Wk Avg	40-Wk Avg	Close vs 10	10 vs 40	13-Week	52-Week
Canada	Americas		Top	10	36	16	8	-	+	-	+	New Low	
United States	Americas		Top	5	16	7	5	+	+	+	+		
Austria	EMEA		Top	4	3	4	6	+	+	+	+		
Belgium	EMEA			17	15	25	12	-	+	-	+	New Low	
Denmark	EMEA		Bottom	47	47	47	47	-	-	-	-	New Low	New Low
Finland	EMEA		Bottom	42	32	40	39	-	-	-	-	New Low	New Low
France	EMEA			36	16	28	41	-	-	-	-		
Germany	EMEA			12	19	12	14	-	+	-	+		
Ireland	EMEA			33	10	37	25	-	-	-	-	New Low	
Israel	EMEA		Top	1	2	1	1	+	+	+	+	New High	New High
Italy	EMEA			27	25	26	23	-	-	-	-		
Netherlands	EMEA			32	12	20	38	-	-	-	-		
Norway	EMEA			35	43	31	36	-	-	-	-	New Low	New Low
Portugal	EMEA		Bottom	43	32	42	43	-	-	-	-	New Low	New Low
Spain	EMEA	Deteriorating		29	35	35	18	-	+	-	+	New Low	
Sweden	EMEA		Bottom	41	34	39	37	-	-	-	-	New Low	
Switzerland	EMEA			37	30	36	33	-	-	-	-	New Low	
United Kingdom	EMEA			22	27	23	23	-	+	-	-	New Low	
Australia	AsiaPac	Deteriorating		34	44	38	28	-	-	-	+	New Low	
Hong Kong	AsiaPac			23	22	29	19	-	+	-	+	New Low	
Japan	AsiaPac			21	29	19	26	-	-	-	-		
New Zealand	AsiaPac			25	14	21	28	-	+	-	-		
Singapore	AsiaPac		Top	3	21	3	2	+	+	+	+		

Developed Markets

RANKINGS & TRENDS: MSCI ALL WORLD

December 20, 2024

		Heat Map		Relative Strength Rankings				Trend Indicators				Highs & Lows	
		Direction	Level	Overall	Short	Medium	Long	10-Wk Avg	40-Wk Avg	Close vs 10	10 vs 40	13-Week	52-Week
Brazil	Americas		Bottom	46	41	45	46	-	-	-	-	New Low	New Low
Chile	Americas			24	11	14	35	-	-	-	-		
Colombia	Americas			26	19	15	34	-	-	-	-		
Mexico	Americas			38	22	30	44	-	-	-	-		
Peru	Americas	Deteriorating		30	38	33	20	-	-	-	+	New Low	
Czech Republic	EMEA	Improving	Top	9	7	6	17	+	+	+	+		
Egypt	EMEA	Improving		28	4	18	32	-	-	-	+		
Greece	EMEA	Improving		13	7	9	21	-	-	+	-		
Hungary	EMEA		Top	8	26	11	11	-	+	-	+		
Kuwait	EMEA	Improving		11	9	4	21	+	-	+	-		
Poland	EMEA			39	28	32	42	-	-	-	-		
Qatar	EMEA		Top	7	6	9	12	-	+	-	+		
Saudi Arabia	EMEA	Improving		20	13	12	30	-	-	-	-		
South Africa	EMEA	Deteriorating		19	39	34	7	-	+	-	+	New Low	
Turkey	EMEA			15	36	8	27	+	+	+	-		
United Arab Emirates	EMEA	Improving	Top	2	1	2	3	+	+	+	+	New High	New High
China	AsiaPac		Top	6	4	17	3	-	+	-	+		
India	AsiaPac			18	31	24	14	-	+	-	+		
Indonesia	AsiaPac	Deteriorating	Bottom	44	46	46	39	-	-	-	-	New Low	
Korea	AsiaPac		Bottom	45	39	44	45	-	-	-	-	New Low	New Low
Malaysia	AsiaPac			16	18	26	10	-	+	-	+	New Low	
Philippines	AsiaPac	Deteriorating		40	42	43	31	-	-	-	+	New Low	
Taiwan	AsiaPac	Deteriorating		14	24	22	8	-	+	-	+		
Thailand	AsiaPac	Deteriorating		31	45	41	16	-	+	-	+	New Low	

Emerging Markets