

The cover features a dark background with a geometric, faceted sphere on the left side. The text '360° WEEKEND REPORT' is centered in a large, white, sans-serif font. On the right side, the letters 'MSA' are written vertically in a white, sans-serif font.

360° WEEKEND REPORT

MSA

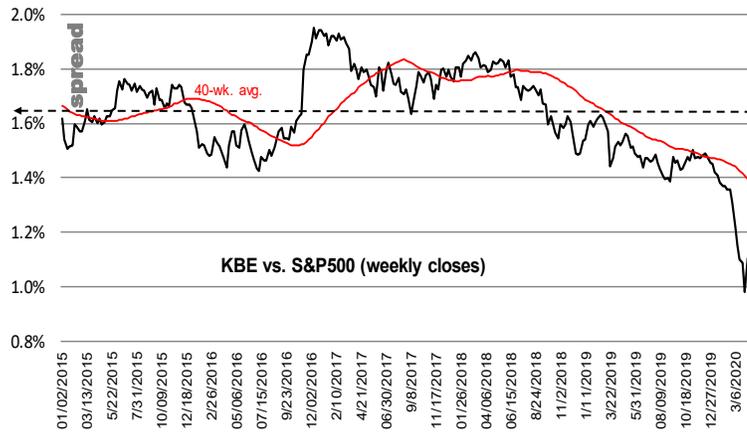
April 19, 2020

S&P 500 vs. sectors (spread relationships often speak volumes)

The focus of this weekend report is on the relative performance between the S&P 500 and various sectors.

MSA has learned over the years that much information is imparted by relative performance/spread trends. Spreads speak volumes, yet most analysts often only see them as merely secondary factors, while being so impressed by the major indices' price actions.

Our analysis will include momentum of the spreads if the momentum action offers clear information relevant to the relative performance trends.



KBE (SPDR S&P Bank ETF)

The horizontal line traces back to the 2009 financial crisis “lows” for this spread at 1.65%.

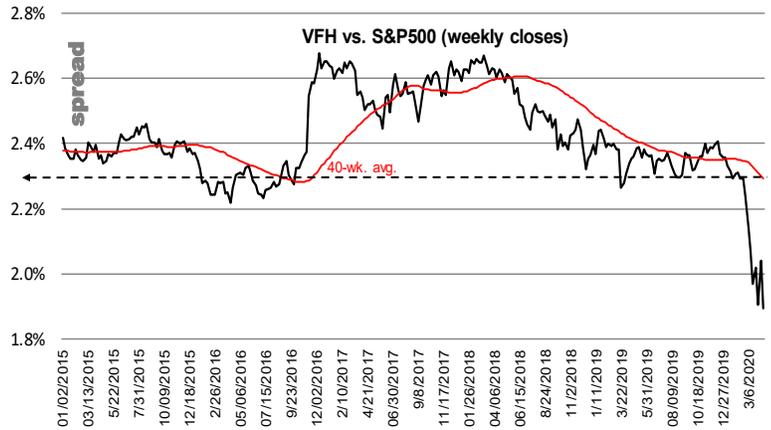
Many experts tell us the banking sector began this recent drop in much better shape than it was in 2008. No worries.

Now there is a sharp resumption of the collapse both in the relative performance/ spread and in price (not shown). Oh, yes, note also that KBE dropped sharply last week in net price while the S&P 500 was up nicely.

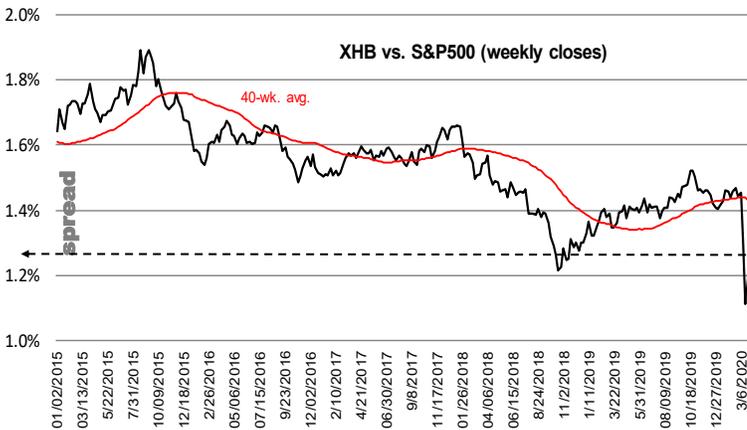
VFH (Vanguard Financial Sector ETF)

The dashed line traces back to the 2009 financial crisis lows (2.3%) for this spread.

As for net price action, last week this **broad financial sector** was down 4.5% while the S&P 500 was up 3%. Don't they know the Fed has this sector's back?! Or do investors not believe that this time around?

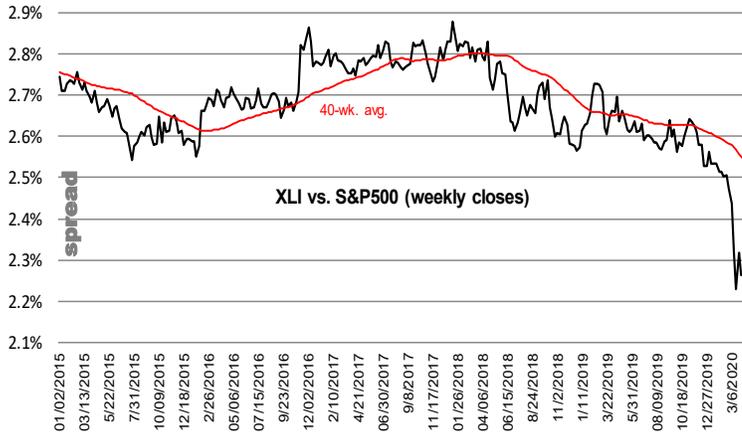


XHB (SPDR S&P Homebuilders ETF)



Oh, yes, and this sector was at the core of the 2008 and 2009 drop. 2009 low noted by the horizontal arrow. New all-time spread chart lows occurred in late 2018. Then came a tepid spread rally by XHB during the broad market's 2019 price advance. But now we have all-time new performance lows!

Like banks and financials, last week's net price for XHB was down sharply (3%).



XLI (Industrial Sector SPDR ETF)

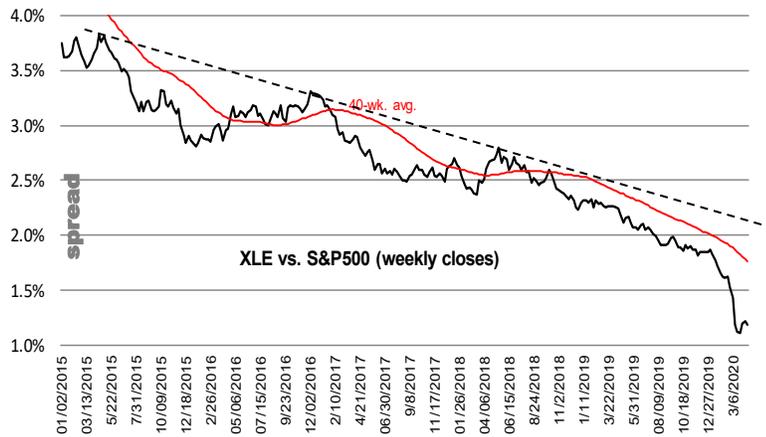
In full collapse performance mode.
 Even the industrials have taken out their 2009 relative performance low of 2.31%.

XLE (Energy Sector SPDR ETF)

While this sector could establish a low both in net price and relative performance, we don't see the technical set-up *at this point* for more than a bounce. And even that event we're not sure of now.

We think it will require some basing action/ structure-building by momentum before a turn here might sustain. Such as a rally in the momentum readings to resistance (a trading-type rally only) and then another clear pullback from that area. Time and work, in other words.

For now, definitely weak vs. the broad market.



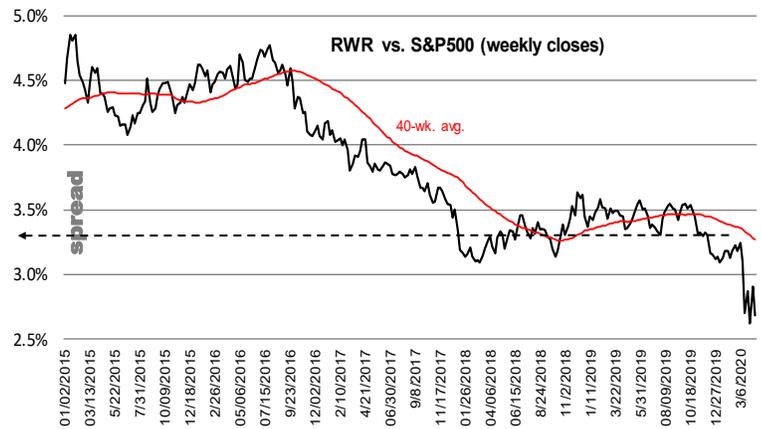
XLV (Health Care Sector SPDR ETF)

Positive performer. We prefer to see readings remain above the broad channel, however.



RWR (SPDR Dow Jones REIT Index ETF)

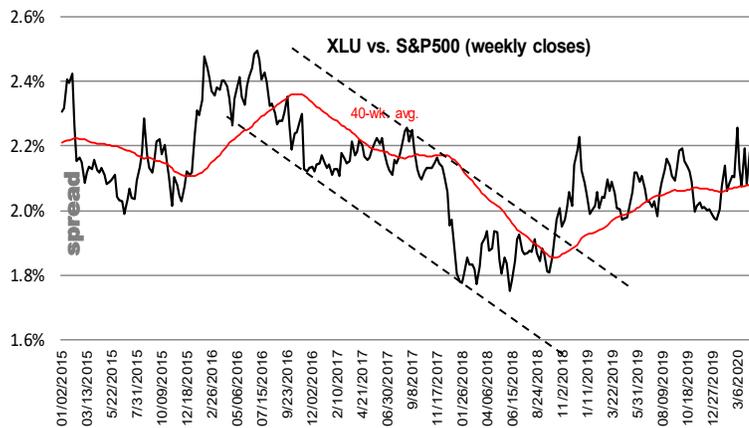
3.3% was the low reading in early 2009 on this spread. It was taken out in 2018, followed by an anemic bounce. Now it's decisively into new performance lows below those of the financial crisis.



XLU (Utilities Sector SPDR ETF)

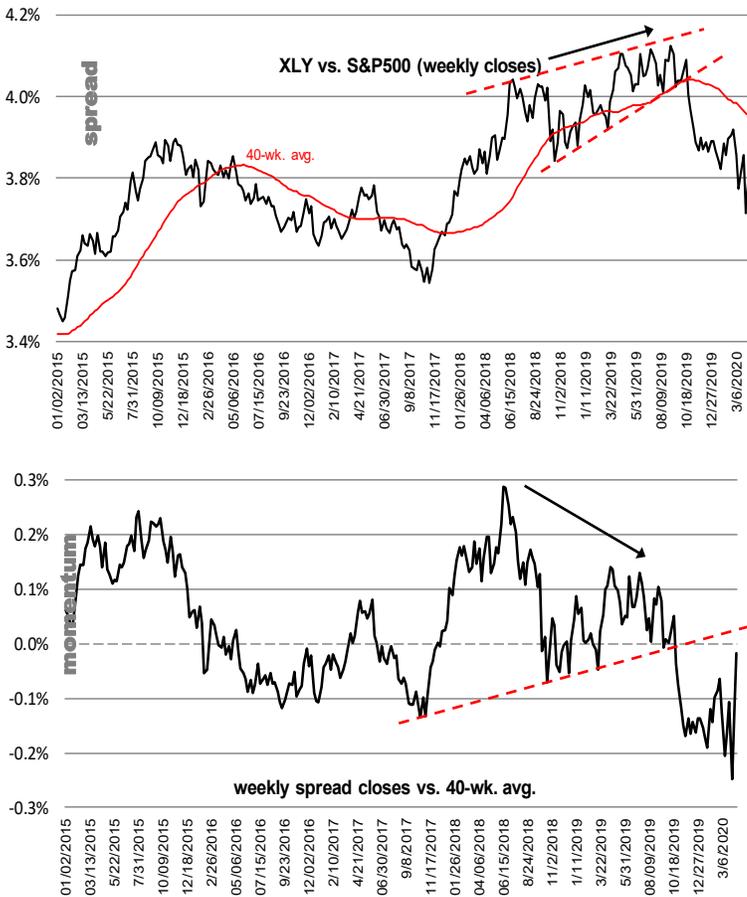
As the S&P 500 was putting in price chart highs in the latter half of 2018 (before the drop into December 2018), this spread was bottoming.

In that late 2018 sharp drop by the S&P 500, those investors seeking safety were rewarded by holding utilities instead of the S&P 500. What's curious, and we've noted it before, is that during the grand "recovery" move in 2019, this spread did not collapse back to its lows. After all, the S&P 500 was into glorious new



price highs later in 2019! All was well again, right? No need for risk-off. Or so most thought.

Instead, those seeking risk-off stuck with XLU and were correct in doing so. Utilities remain a moderate outperformer and have held their ground well once again—despite the recent S&P 500 rally. The spread is speaking.



XLY (SPDR Consumer Discretionary ETF)

You have to factor in the fact that this ETF is essentially an **AMZN proxy ETF** (AMZN is nearly 25% of its holdings by weight).

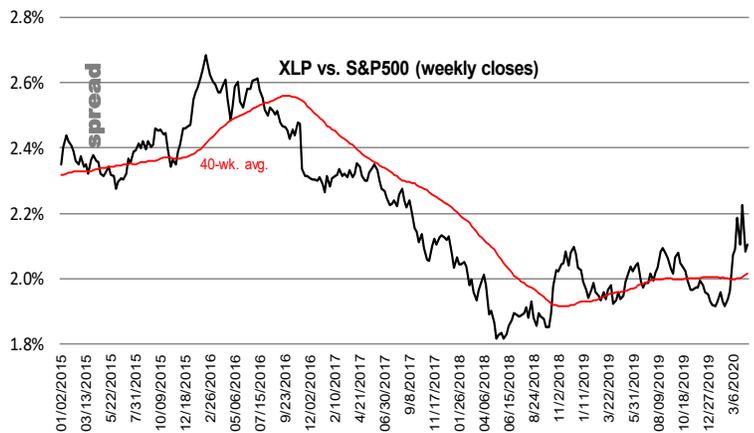
No doubt that's what gave XLY its sharp upticks during the past two weeks.

However, when looking at the spread chart or its momentum, we have to be skeptical of the rebound—due to where it's occurring on both charts. All does not look well here despite the bounce.

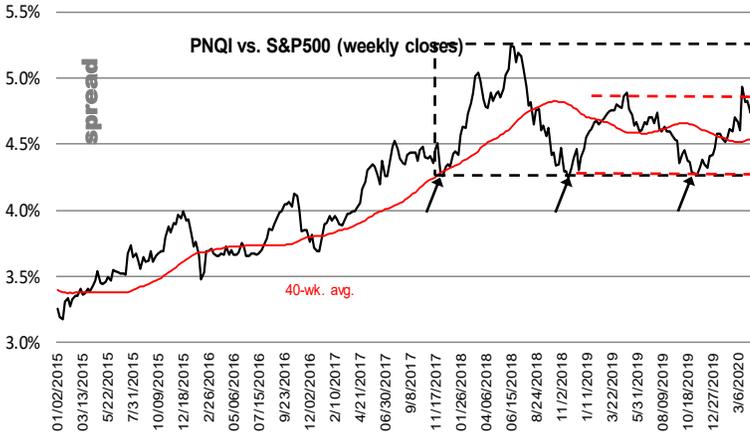
The black arrows note the obvious momentum non-confirmation that occurred *before* the sharp downturn that began in late 2019.

XLP (SPDR Consumer Staples ETF)

XLP's performance has been advancing since summer 2018. You'd think that given the S&P 500's rebound from the December 2018 low to early this year, this risk-off sector would have collapsed in performance back to its mid-2018 lows (when the S&P 500 was at a price high). Apparently some investors did not believe that glorious final leg of the bull market of 2019 would last, so they stayed with safety. They were right.



PNQI (Powershares NASDAQ Internet ETF)



Up front in this ETF are four of the five **FAANG** leadership stocks: FB, AMZN, NFLX, AND GOOGL, but not AAPL.

PNQI has enjoyed recent strength in performance for sure.

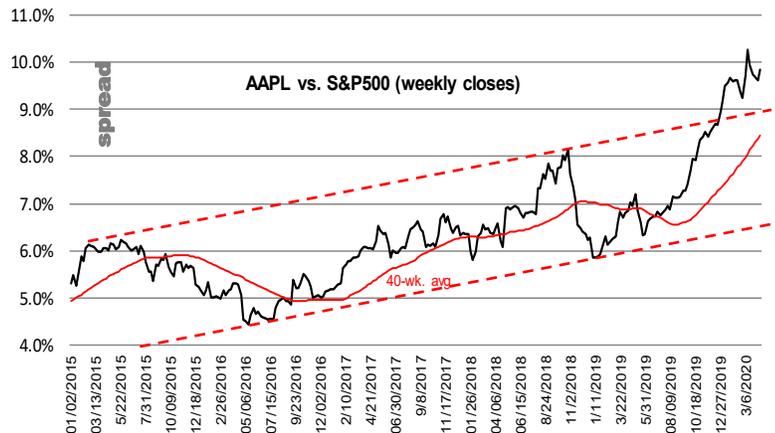
We note two broad ranges of action. The larger one (black) encompasses readings since late 2017. The lower end of that range coincides with the bottom end of the more recent range (red lines) since late 2018. Three major lows coincide. A major structure is thus defined.

The spread recently took out the secondary high of early 2019 (upper red line). We suggest that if the spread drops credibly below the low of two weeks ago, thus putting itself well back inside the 2018 to 2020 range, then the recent “breakout” should be seen as a false, unsustainable effort. That would open the door for an exploration of the range bottom—a bad idea after three hits there already.

Numbers: a weekly spread close at **4.73%** would put the action well back into the red range—a warning signal. Last week’s spread close was **4.95%**. If you ever see a weekly spread close at **4.23%**, then a major downside breakout is underway.

AAPL

The past five years of relative performance action have defined a broad parallel uptrend channel. The recent action has “accelerated” the angle of advance. You don’t want to see a weekly close below the channel top—a major abort signal. For now that means don’t close a week at 8.9% or lower (that adjusts marginally higher over time). The current spread is 9.8%. Enjoy it for now, but watch the channel top. It’s curtains if aborted.



GDX (VanEck Vectors Gold Miner ETF)

The gold miners have been schizo over whether they should trend coincident with the S&P 500 or with gold. Investors in this sector only seem to remember 2008 when the S&P 500, gold and miners dropped together.

And so in mid-March as the S&P 500 was in full collapse mode—margin calls everywhere—GDX collapsed big. (*MSA had predefined the drop as a likely major bear trap.*) And even GDX's spread vs. the S&P 500 dropped sharply. But then it dusted itself off—quickly—and decided it was

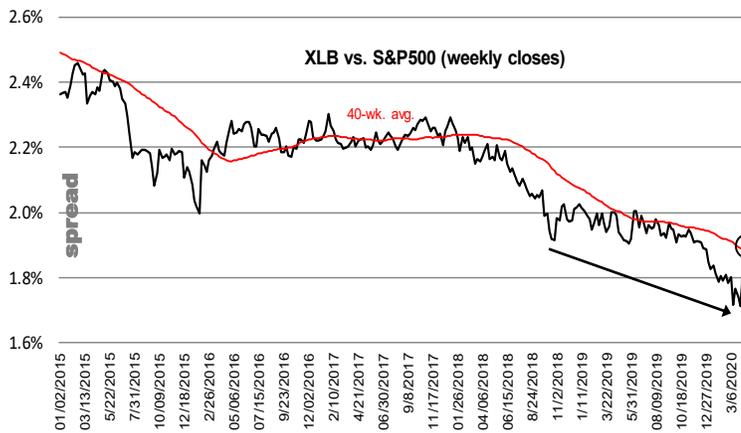


already into an outperform mode vs. the S&P 500 and that's where it belonged. Back up it went. Whoosh! No doubt leaving behind many stopped-out longs.

Last week's spread close was a marginal new high for this spread since mid-2017. And it did that even with gold having a down week (2.7%) last week. GDX's net price last week was up 3.4%. (The XAU Index enjoyed a 6.1% up week.)

Oh, yes, and if you go back to the spread lows in late 2015 (up arrows) and do some math, you'll find something that the forever longs will never believe. GDX's price at that last up arrow was 13.4 and the S&P 500 then was 2089. Had you shorted the S&P 500 then and gone long an equal position in GDX (a market neutral position), you'd be losing 37.5% on the S&P 500 short side, but gaining 123.5% in your GDX long position (at the down arrow). So many things are lost in the noise.

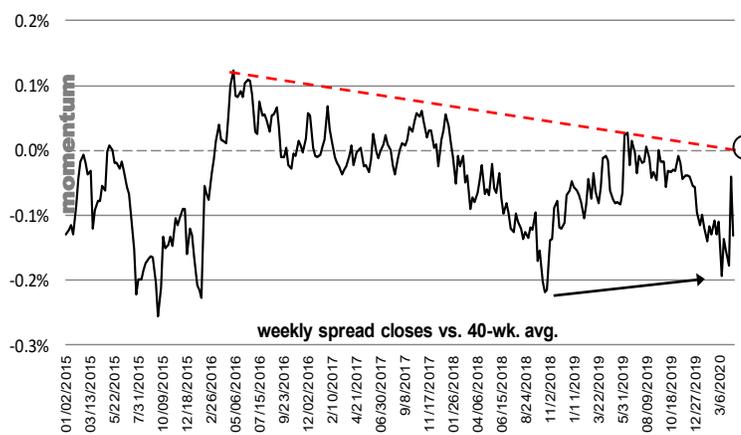
XLB (SPDR Basic Materials sector ETF)



A commodity-related sector.

The trend is obviously down in performance, but there are two major technical features to note.

First, the recent new lows on the spread aren't confirmed by momentum. Second and more important, a clear downtrend structure is now set up above the momentum action. Any close above that momentum downtrend should reverse this trend fully and in a large way.



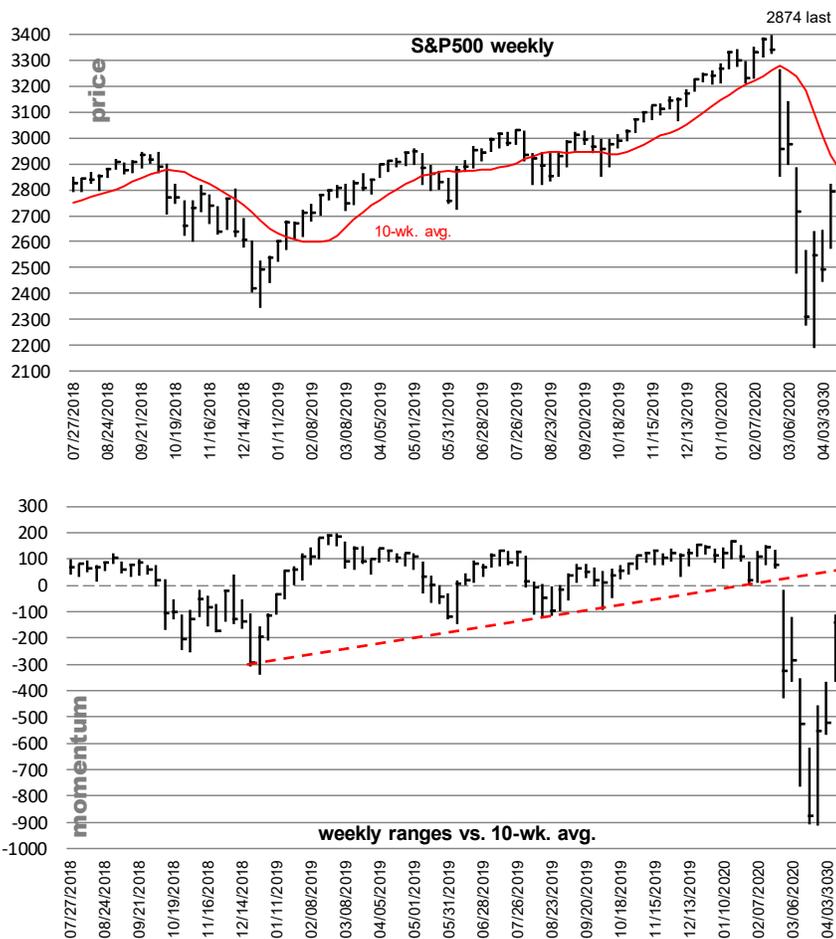
A weekly close on the spread back above the falling 40-wk. avg./zero line will break momentum out over that four-year-old downtrend structure.

Right now that's not an issue, but looking out for example to the end of May, if the XLB vs. S&P spread closed at 1.85%, then a breakout would be achieved. Currently the spread is 1.748%.

This is a major trend situation worth watching. It's likely that a turn here will be fairly coincident with an upturn in the broader commodity

category as well.

One of the telling features of the relative performance downturns in the financials, banks, consumer discretionary (a risk-on sector) as well as the industrials is that those spread downturns were underway in late 2019 and very early 2020 — weeks before any awareness of coronavirus was around. Well before. Those who wish to define this broad market collapse as being solely tied to that event (which only became a seemingly minor issue at first in late January) are perhaps deluding themselves regarding what's actually going on here.



S&P500—intermediate net trend

Last Sunday's report (April 12th) with the S&P at 2789, MSA suggested that it's probably best to at least allow the index to connect with its falling 10-wk. avg. before assuming downside vulnerability might begin to set-in again.

Last week's traded high was three points short of the 10-wk. avg. (2879.22 vs. the 10-wk. avg. at 2882.88). But this week the 10-wk. avg. drops to 2835. So by default the index will have reached that falling average, and then some.

At this point going forward MSA will be focusing in on lesser time-scales of trend measure looking for any development of a trend structure that could signal downside resumption. But at least the thin air rally has now accomplished what we suspect might be a minimal upside goal.

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