

SPECIAL REPORT

## **US Broad Market Testing Major Support**

Posted on: Tuesday, August 6th, 2019

In <u>Friday's (August 3rd) Weekly Wrap-Up</u>, and again in <u>Monday's (August 5th) Keys To This Week</u>, we said that a breakdown in the benchmark S&P 500 (SPX) below primary support at 2928 to 2889 would indicate the minor trend had turned negative (bearish) and would clear the way for a potential test of major support at 2817 to 2790.

Chart 1 below shows that SPX gapped below primary support at at 2928-2889 on Monday and then declined all they way down to 2822 on an intraday basis. We view this as a test of major underlying support at 2817 to 2790.

Moreover, in overnight futures trading, the market initially continued sharply lower — equating to a test of the lower boundary of major support at SPX 2790 — before recovering early this morning after China's central bank indicated it wanted its currency to trade at a higher level than expected against the dollar. This eased tensions about the nation using its currency as a weapon in the trade war.

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**Chart 1** 

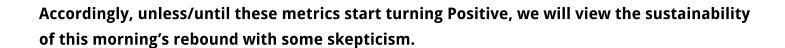
Although the news out of China certainly helped, **major support levels like 2817-2790 are very seldom broken without at least a near term rebound first** — due to short covering and "bottom fishing". The news just gave the market a reason to do it perhaps a little more aggressively than usual.

Meanwhile, however, **Table 1** below shows that our **Asbury 6 key market internals still remain in Negative territory**.

ASBURY 6" INTERNAL MARKET METRICS		through 8/5/2019
METRIC	POSITIVE	NEGATIVE
Monthly Rate Of Change: SPX		Х
Rel Performance: SPY vs. JNK		Х
Total Net Assets: SPY		X
High Yield Corp Bond Spread		Х
On Balance Volume: SPX		Х
Market Breadth: NYSE		Х

Table 1

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