



SPECIAL REPORT

US Broad Market Testing Major Support

Posted on: **Tuesday, August 6th, 2019**

In [Friday's \(August 3rd\) Weekly Wrap-Up](#), and again in [Monday's \(August 5th\) Keys To This Week](#), 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.



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		X
Rel Performance: SPY vs. JNK		X
Total Net Assets: SPY		X
High Yield Corp Bond Spread		X
On Balance Volume: SPX		X
Market Breadth: NYSE		X

Table 1

Accordingly, unless/until these metrics start turning Positive, we will view the sustainability of this morning's rebound with some skepticism.

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