10-Year below 4% and its Implications for Stocks- Short & Long Term

Yields

The U.S. 10-Year Yield has fallen below 4% this morning (chart 1). TPA has been telling clients that rates were heading lower and the first level; of support was 4%. **We have always said, however, that rates would move even lower.** The bear market in bonds that pushed yields from 1% to almost 5% occurred with historic speed. Chart 2 shows that the rapid march higher has left the 10-Year Yield with no proximate support.

Stocks

The FED had pushed rates higher to stem inflation. Inflation has moved much lower in the wake of FED hikes. The stock market had been concerned that this tightening would push the economy into a recession, but that worry has proved fruitless. Now, lower rates will continue to push stocks higher as recession worries continue to fade. **TPA has been saying that the S&P500 would not only hit 4600, but move higher to reach 4800.** Yesterday, the S&P500 closed at 4707 and futures are higher this AM.

Sectors

In the TPA-RRG reports, TPA has been explaining that the new leaders will be rate-sensitive stocks. Especially those that have been hit hard throughout the FED?s inflation battle. Those sectors have gained relative price and relative momentum ? **Home Builders, Regional Banks, and REITs**. The losers will be the most volatile parts of the **Energy sector (E&P and Drillers).** Chart 3 shows the relative performance of Home Builders, Regional Banks, REITs, E&P, and Drillers recently, while chart 5 shows the relative performance of those sectors in the past 2 years. The positive sectors have a lot of catching up to do, while the negative sectors have room to fall.

US 10-YEAR YIELD

US 10-YEAR YIELD – 3 YEARS

S&P500

RELATIVE PERFORMANCE HOME BUILDERS, REGIONAL BANKS, REITS, E&P, AND DRILLERS – 1 MONTH

RELATIVE PERFORMANCE HOME BUILDERS, REGIONAL BANKS, REITS, E&P, AND DRILLERS – 2 YEARS

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TPA MARKETSCOPE *(most indicators use Top 1000 stocks, detailed explanation below)*

Since 2009, TPA has used the indicators below to identify extreme inflection points in the market for institutional clients.

Thursday, December 14, 2023

TURNING POINT ANALYTICS

| INDICATORS	TODAY	EXTREME LIMITS LOW	EXTREME LIMITS HIGH	ALERT	HISTORICAL IMPORTANCE
Short Term Market Score (SPY, see below)	4.4745	-3.50	4.00	STRONG SELL	Works better for the BUY side - accurate on the BUY side 4 out of 5 times since 2010.
Percent Stocks Above 2 STD DEV Bollinger Band	40.95%		40%	SELL	Valid short term indicator of an overbought market.
Percent Stocks Below 2 STD DEV Bollinger Band	0.40%	40%			Valid short term indicator of an oversold market.
Percent Stocks Above 50DMA	88.23%	15%	85%	Extreme	Very accurate on the BUY side. Effective irregularly on the SELL side.
Percent Stocks RSI above 70	40.74%		30%	SELL	Mildly successful on predicting short term tops.
Percent Stocks RSI below 30	0.30%	55%			Valid indicator of short term lows.
Percent Stocks 50DMA > 200DMA	40.24%	25%	70%		Medium term indicator of a low extreme and high extreme. (see note below)
Percent R1000 @ bottom 10% of 2 Std Dev BB Band	0.20%		40%		Monitor
Percent R1000 @ top 10% of 2 Std Dev BB Band	11.70%	40%			Monitor

TPA 30 DAY MARKET EXTREME SIGNAL

EXPLANATION OF TPA MARKET SCORE: A daily analysis of S&P 500 relative to the normal distribution using the 2 standard deviation Bollinger Band. TPA then adjusts the SCORE by the amount of overbought or oversold as measured by RSI.

	SPY LAST	470.5
	TPA MARKET SCORE	4.47453
	TPA MARKET SIGNAL	STRONG SELL
	VALUE OF 1 STD DEV (SPX POINTS)	4.91
	14 DAY RSI	78.78
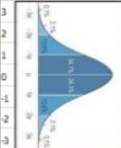
KEY	
SCORE	SIGNAL
3	STRONG SELL
2	SELL
1	OVERBOUGHT
0	NEUTRAL
0	NEUTRAL
0	NEUTRAL
-1	OVERSOLD
-2	BUY
-3	STRONG BUY

BOLLINGER BAND LEVELS	NORMAL PROBABILITY SPY	NORMAL PROBABILITY DISTRIBUTION	POSITION		Normal Bell Curve
3 STD DEV UPPER BB	471.29	2.10%		3	
2 STD DEV UPPER BB	466.38	13.60%	470.50	2	
1 STD DEV UPPER BB	461.47	34.10%		1	
BB MID	456.56	–		0	
1 STD DEV LOWER BB	451.65	34.10%		-1	
2 STD DEV LOWER BB	446.74	13.60%		-2	
3 STD DEV LOWER BB	441.83	2.10%		-3	