



Asbury Research

Near Term Keys For The US Stock Market

plus the Energy Sector, CMG, TSS

Excerpts From Our Latest Research

October 8th, 2015

About Asbury Research:

Research, Methodology, & Clientele

- **Our Research:** Asbury Research, established in 2005, produces unique and proprietary **technical, quantitative and behavioral financial market research** for professional investors. We help our clients to navigate the investment seas on a daily, weekly and monthly basis -- charting a course, and changing direction when necessary, to maximize returns and minimize portfolio risk. Our research focuses on the **US stock market and market sectors, US interest rates, the US Dollar, and economically influential commodities like copper and crude oil**, but our scope is global as it integrates a broad spectrum of non-US asset prices that are statistically correlated to our domestic markets. This intermarket component of our research **more comprehensively and correctly reflects global market conditions**, which results in more forward looking and accurate investment strategies.
- **Our Methodology:** Our analysis is derived from a comprehensive list of **strategic inputs** including investor asset flows, intermarket relationships, market volatility, investor sentiment, seasonality, price patterns and trend analysis, market breadth, and relative performance, all which are geared toward **determining upcoming market direction 1-2 quarters in advance**. We then implement a conservative, consistent and repeatable **tactical methodology** to **generate entry and exit points** within that larger *strategic* bias.
- **Our Clients:** The typical Asbury Research client is a portfolio manager, hedge fund, or Registered Investment Advisor. However, our macro scope and breadth of financial assets covered has attracted a diverse clientele that includes corporate investment committees, money center banks, and Commodity Trading Advisors.

About Asbury Research

John Kosar, Director of Research



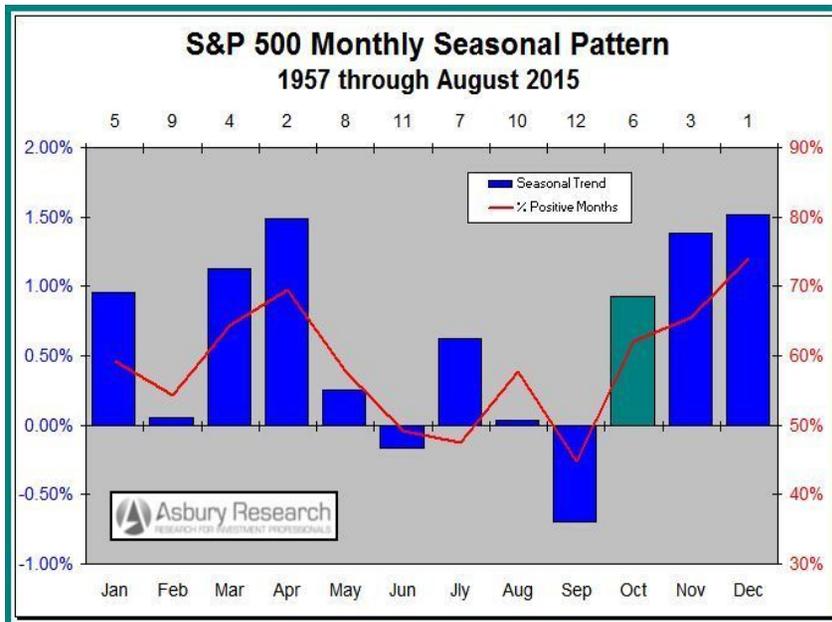
John, a 30-plus year veteran of the US financial markets, spent the first half of his career on the trading floor of the Chicago futures exchanges ,where he had the opportunity to learn how the financial markets work from the inside out while being directly involved with many different types of financial assets. This experience, early in his career, became the foundation for the unique analysis, insight, and global intermarket perspective that defines Asbury Research.

John is frequently quoted in the media and regularly appears on financial television. He was awarded the Chartered Market Technician (CMT) designation in 1999, is a former Vice President of the Market Technicians Association (MTA), and served on the MTA's Board of Directors between 2002 and 2006.



US Stock Market: Favorable Conditions For A 4th Quarter Rally

Seasonality, Investor Sentiment Suggest An Important Bottom Is Emerging



October follows the seasonally weakest month of the year in the S&P 500, and **on average closes 0.93% higher for the month and posts a positive monthly close 62% of the time.**

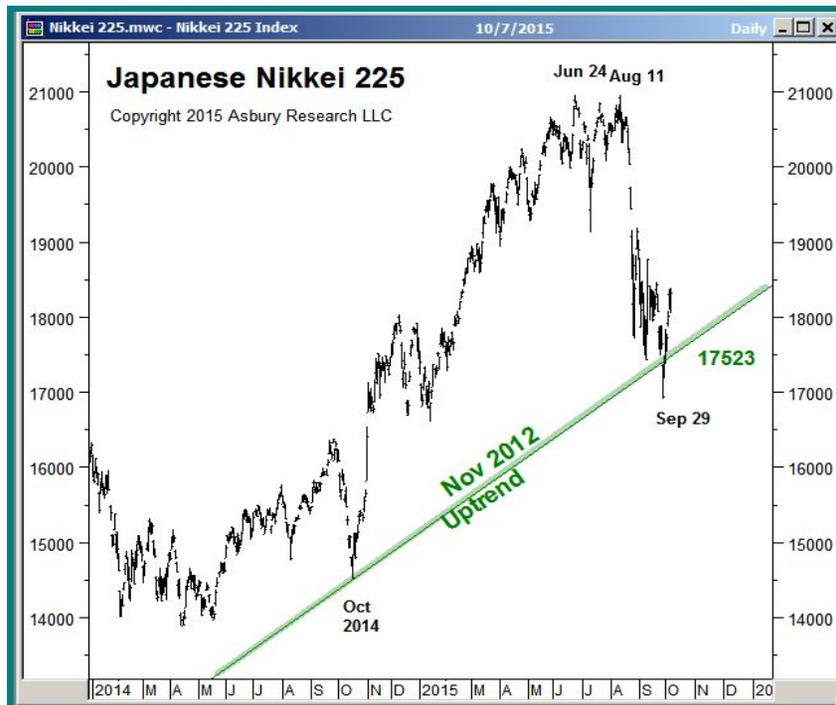


In addition, a survey of active investment managers has reached a *least bullish* extreme that **has previously coincided with every important bottom in SPX since 2008.**



US Stock Market: The Global Recession Argument

Japan and Europe Are Two Places To Look For China Contagion



The Nikkei 225 broke its 2012 uptrend line for just one day, on September 29th, before roaring back above it since then.

Positively correlated to the S&P 500.

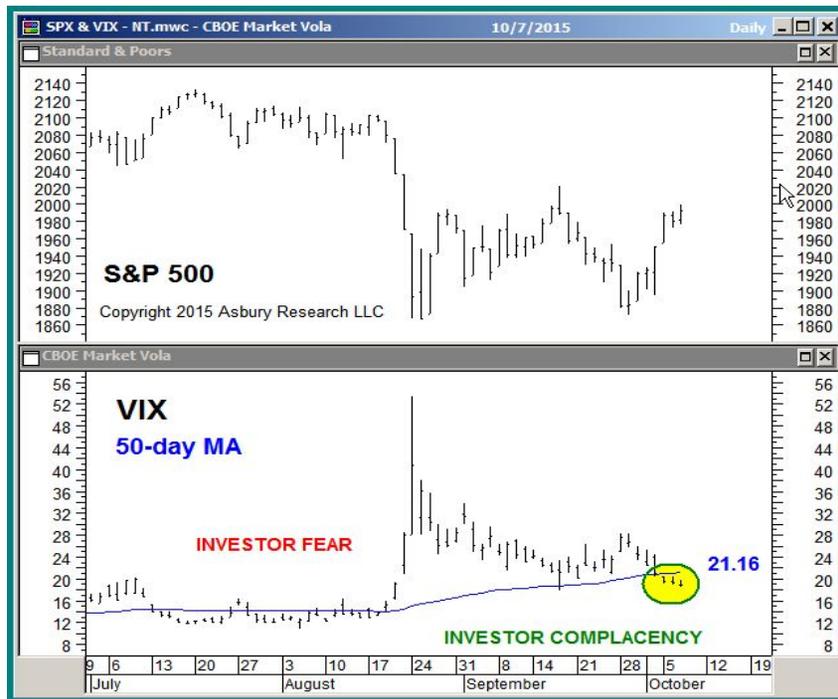


The also-positively correlated DAX tested and held its 2011 uptrend line twice in August-September and is aggressively rebounding from it. **Bullish for the US.**

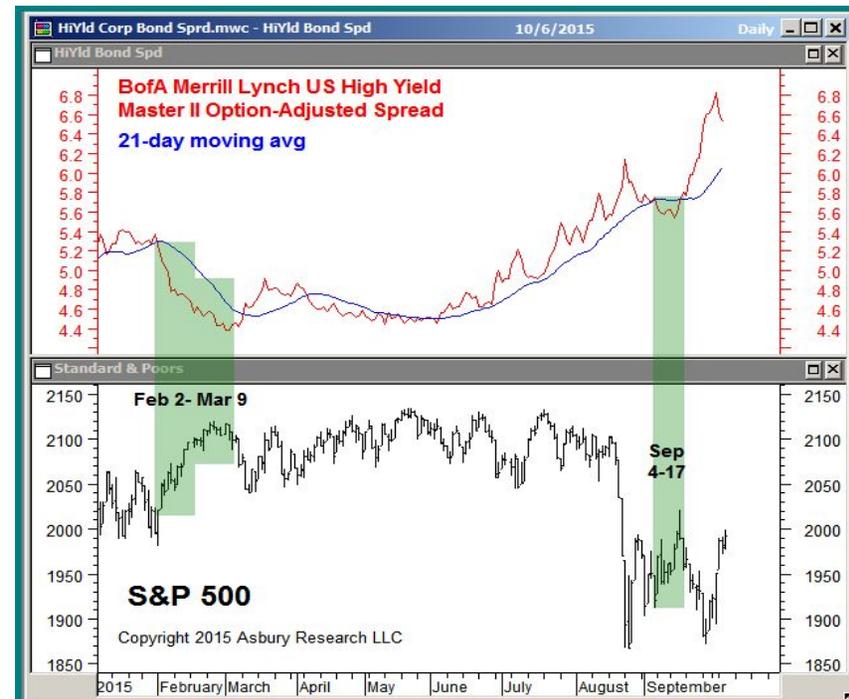


US Stock Market: The Fear Factor

Volatility Is Abating, But The Bond Market Is Still Too Nervous For A Sustainable Rally



The VIX has declined below its 50-day moving average this week, a sign that **the market is complacent enough to support a stock market rally.**



However, widening corporate bond spreads indicate **the prescient and more forward-looking bond market sees more economic trouble ahead.**



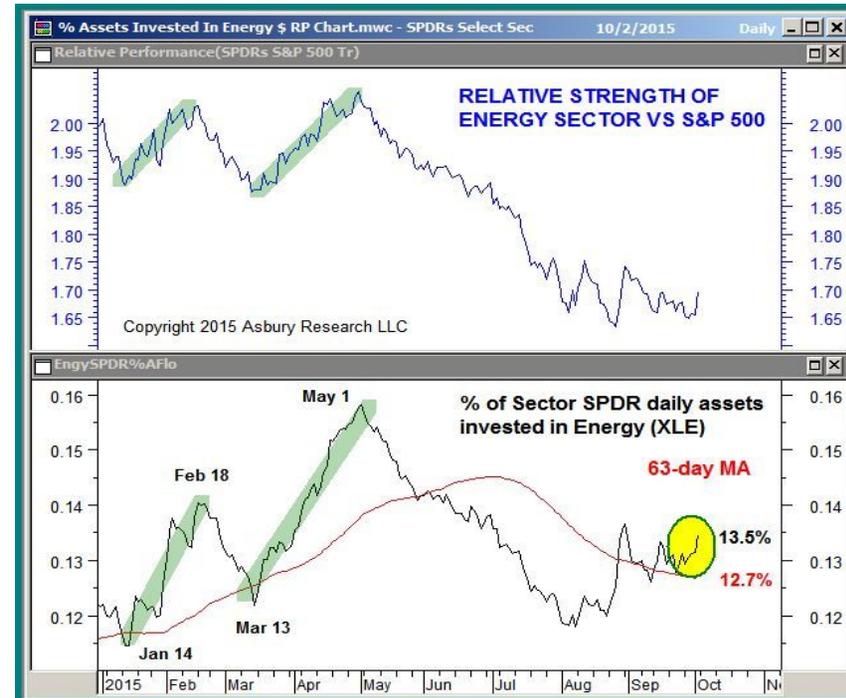
US Market Sectors: Energy Showing 4th Quarter Potential

Investor Asset Flows Are Fueling Recent Relative Outperformance

ASBURY RESEARCH: Composition Of Sector Bet Universe As Defined By Sector SPDR ETFs: Oct 5th, 2015				
Sector (Symbol)	As of 10-02-2015	1 Week Ago	1 Month Ago	3 Months Ago
FINANCIALS (XLF)	19.8%	20.2%	20.4%	21.2%
ENERGY (XLE)	13.5%	13.1%	13.0%	13.6%
TECHNOLOGY (XLK)	13.3%	13.6%	13.1%	13.9%
UTILITIES (XLU)	7.7%	7.5%	7.4%	6.1%
INDUSTRIAL (XLI)	7.3%	7.2%	7.1%	7.6%
CONSUMER STAPLES (XLP)	8.7%	8.5%	8.7%	7.8%
CONSUMER DISCRETIONARY (XLY)	11.9%	12.0%	11.5%	11.0%
HEALTH CARE (XLV)	15.5%	15.5%	16.3%	16.2%
MATERIALS (XLB)	2.3%	2.5%	2.5%	2.6%

Biggest inflows during period shown Biggest outflows during period shown Copyright 2015 Asbury Research LLC

The green highlights show that **the biggest percentage inflow of investor assets over the past 1 week and 1 month periods**, according to our own ETF-based metric, went to Energy.



The same data series plotted daily shows a new trend of *quarterly expansion in assets* that **has historically fueled intermediate term relative sector outperformance.**



Emerging Trade Idea: CMG

Mid-August Investor Indecision Likely To Provide A New Trading Opportunity



Consumer Discretionary stock Chipotle Mexican Grill has been coiling sideways for 2 months following a strong rally from the July lows, indicating *temporarily investor indecision*. **80% of the time these patterns break out higher which in this case would target a rise to \$807.00** An atypical bearish breakdown would target \$635.00.



Emerging Trade idea: TSS

Wednesday's Collapse Targets An Additional 5% Decline



Financial Services stock Total System Services has also been coiling sideways for months following a strong January rally, again indicating investor indecision and the probable springboard for the next trend. **The more probable rise above \$47.73 would target \$53.00.** An atypical breakdown below \$44.14 would target \$38.00.



Asbury Research

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