



Asbury Research

## Improve Your Investing With Asbury Research

*How A Data-Driven Approach Helps You Make Better Decisions*

October 15<sup>th</sup>, 2020



# About Asbury Research

## *Who We Are*

### John Kosar, CMT, Chief Market Strategist

John has 40 years of experience and insight in analyzing and forecasting global financial markets. John 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 US financial markets work from the inside out. This practical experience, early in his career, became the foundation for his unique analytical approach, is, understanding of intermarket relationships, and global perspective. John incorporates a comprehensive blend of technical and quantitative metrics, plus Asbury Research's own proprietary models, which collectively tend to be more intuitive and forward-looking than the typical Wall Street approach.

John is a contributor to **Forbes** and is frequently quoted in the financial press, in both the US and abroad, including **The Wall Street Journal**, **MarketWatch.com**, **Barron's**, **Yahoo! Finance**, **CNBC.com**, and **Reuters**. He can regularly be seen on U.S. financial television including **CNBC**, **Fox Business**, and **Bloomberg**, and is a frequent speaker at financial seminars and events across the country presented by national organizations including the **Chartered Financial Analyst (CFA) Society**, the **National Association of Active Investment Managers (NAAIM)**, the **CMT (Chartered Market Technician) Association**, and the **American Association of Individual Investors (AAII)**.

Throughout his career, John has been consistently recognized as a top U.S. financial market analyst and was awarded the **Chartered Market Technician (CMT)** designation in 1999. He served as Vice President of the CMT Association from 2004 to 2006 and was a member of its Board of Directors from 2002-2006. During his career he has been a trader, analyst, and strategist for **Shearson American Express**, **NatWest Markets**, **Greenwich Capital Markets**, and **Deutsche Bank**.

# About Asbury Research

## *What We Do*

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We utilize decades of investment experience and our own **proprietary models** to provide clients and subscribers with **forward-looking, actionable market intelligence and investment ideas**.

**Our approach is purely data driven** and focused on finding patterns and signals contained in our own very large and broad database of market information. These signals, hidden behind the daily talking points we hear about in the financial media, typically lead important changes in the direction of financial asset prices.

**Our metrics and methodology help our subscribers become more successful investors by identifying:**

- **when** it's time to be aggressive and fully invested (Risk On),
- **when** it's time to be defensive and protecting capital (Risk Off),
- **where** the opportunities in global stock markets exist,
- **what** parts of the US financial landscape are performing best,
- **which** sectors, industry groups, and individual stocks to buy, and
- **where** the best opportunities exist in a broad array of ETFs.

# About Asbury Research

## *How We Do It*

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### The Metrics We Use To Forecast Financial Asset Prices

- Price, trend, and chart patterns
- Our **Correction Protection Model (CPM)**
- Our **Asbury 6** key market internals
- **Global** intermarket relationships
- Our **stock and ETF selection** models (Asbury Momentum, Asbury Value)
- Market volatility
- Investor sentiment
- Seasonality
- Relative performance
- **Investor asset flows**
- **Sector and Industry group selection**
- **Size** (Small, Mid, or Large Cap) & **Style** (Growth or Value)

# Navigating Covid and the Election with Data-Driven Investing

**Summary: October 15<sup>th</sup>, 2020**

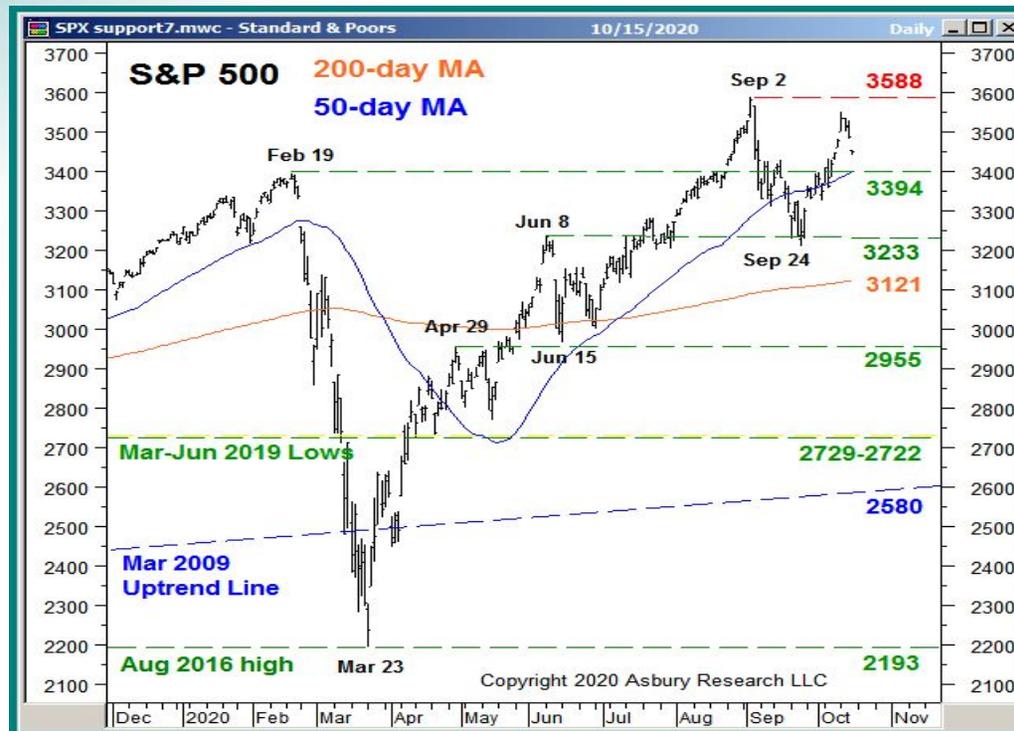
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Our **Tactical** bias moved back to **Risk On** as of **October 5<sup>th</sup>**, from Risk Off on Sep 17<sup>th</sup>, while our **Strategic** bias remains Positive as of late May. However, a **sustained rise above the 2020 highs appears unlikely** without at least a corrective decline first.

- Our **Asbury 6 Model** (Risk Management) is **Positive** as of Oct 5<sup>th</sup>.
- Our **Correction Protection Model (CPM, Wealth Preservation)** is **Risk On** as of Oct 5<sup>th</sup>.
- Our **Stock Selection Models** have existing long ideas in **TECH** and **HD**.
- Our **CARP Model** suggests a recently **increasing appetite for risk** as **Stocks** are outperforming Bonds, **High Beta** is outperforming Low Volatility, **Growth** is outperforming Value, and **High Yield** Bonds are outperforming Corporates.
- Our **US vs. the World Model** indicates **5 global stock markets** from multiple continents around the world are outperforming the US, 3 from **East Asia**.
- Our **SEAF Model** indicates a continued trend of inflows into **Industrials** and a more recent trend of inflows into **Consumer Discretionary**. The data also show a continued trend of outflows from **Energy** and an emerging trend of outflows from **Technology**.

# US Stock Market

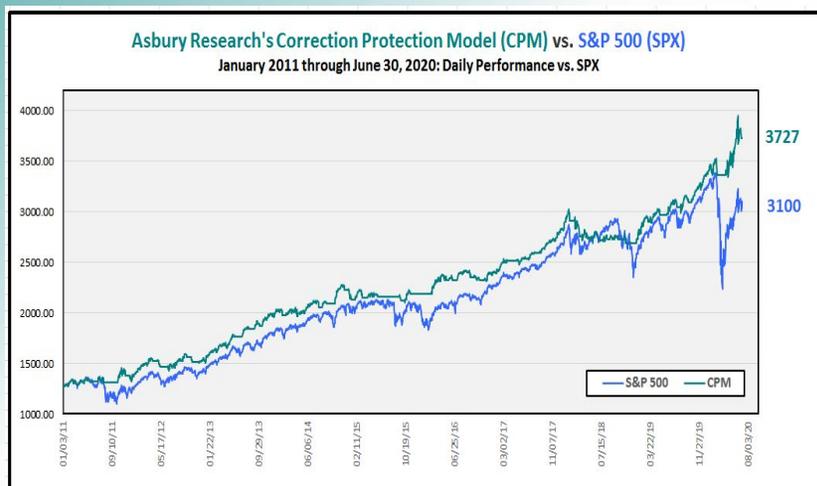
## Price & Trend: Know Your US Broad Market Levels



**“The Game Board”.** This regularly-updated chart helps our clients determine/risk reward based on the **Risk On/Risk Off** and **Where To Be Invested** signals generated by our quantitative models.

# Asbury's Correction Protection Model (CPM)

## Wealth Preservation: When To Be Invested



## Purpose & Key Features

- Protects investors against significant market declines
- without sacrificing long term performance under a variety of market conditions,
- while **greatly reducing market risk** as measured by actual time invested and by volatility of returns (low beta).

CPM v SPX: Performance Comparison By Year			
Year	S&P 500	CPM	CPM Rel Perf
2011	0.00%	9.78%	9.78%
2012	13.41%	12.17%	-1.24%
2013	29.60%	35.31%	5.71%
2014	11.39%	9.07%	-2.32%
2015	-0.73%	-0.86%	-0.13%
2016	9.54%	8.83%	-0.71%
2017	19.42%	20.16%	0.74%
2018	-6.24%	-4.76%	1.48%
2019	29.24%	27.23%	-2.01%

## Performance Highlights Since 2011

- CPM has a **beta of 0.31** vs. 1.0 for SPX.
- CPM has averaged **5 signals per year**.
- CPM has only been **in the market 65% of the time**, significantly reducing risk.
- CPM has a **maximum drawdown of 9.5%** compared to 27.6% for SPX.

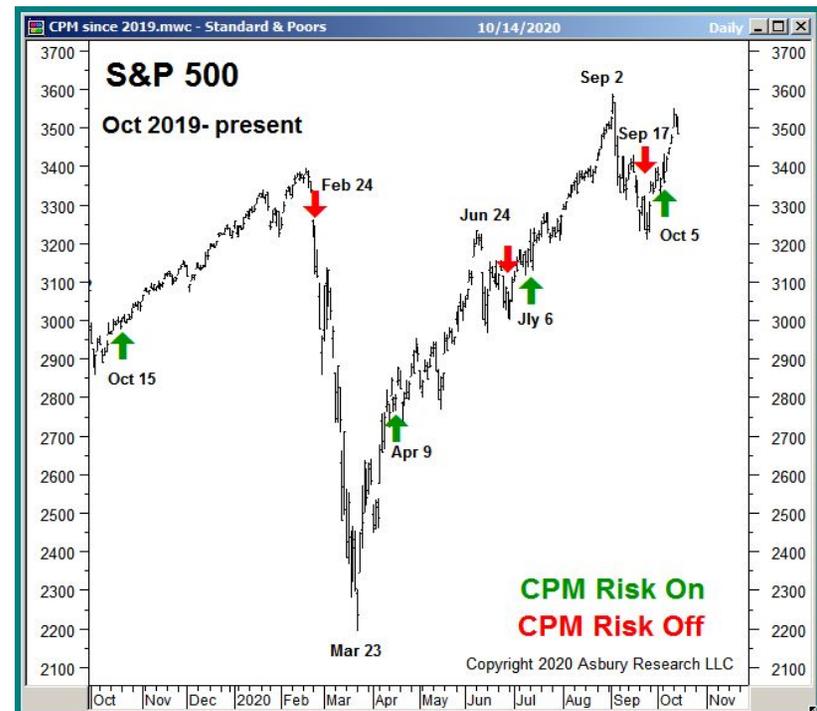
# Asbury's Correction Protection Model (CPM)

*Wealth Preservation: "Risk On" As Of October 5<sup>th</sup>*

## About CPM

- The Correction Protection Model (CPM) is our own **proprietary defensive model** for the S&P 500. It is **quantitative, objective, and data driven**.
- **CPM is binary: it is either Risk On or Risk Off.**
- **CPM is not a returns-driven model, but rather a wealth preservation tool.** It was designed to **protect investor assets during potentially dangerous market conditions** while also taking advantage of the market's historical upward bias.
- We use CPM as a key indication of **when to increase market exposure (Risk On) and when to be risk-averse (Risk Off).**

## CPM Since 2019



### 2020 Year To Date Performance

**Correction Protection Model (CPM): +23.4%**

**S&P 500 (SPX): +7.6%**

**CPM Relative Outperformance: +15.8%**

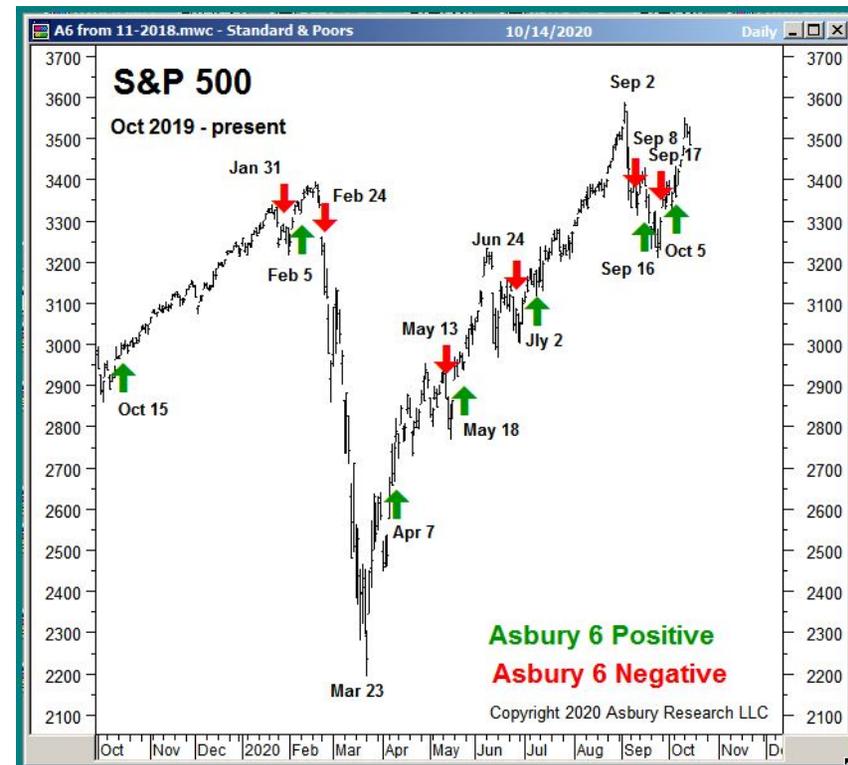
# The Asbury 6 Key Market Internals

## *Risk Management: When To Be Invested*

### The Asbury 6:

- the monthly rate of change in the S&P 500
- the relative performance of equity prices versus high yield bond prices,
  - investor asset flows
- corporate bond spreads
  - trading volume
  - market breadth

### “A6” Signals Since Late 2018



# The Asbury 6 Key Market Internals

***Risk Management: Positive Since October 5<sup>th</sup>***

<b>"ASBURY 6" INTERNAL MARKET METRICS through 10/13/2020</b>		
<b>METRIC</b>	<b>POSITIVE AS OF:</b>	<b>NEGATIVE AS OF:</b>
Rate Of Change: SPX	10-7-2020	
Rel Performance: Stocks v HiYld Bonds	9-30-2020	
Investor Asset Flows: SPY	10-7-2020	
Corporate Bond Spreads	10-5-2020	
Trading Volume: SPX	10-7-2020	
Market Breadth: NYSE	10-1-2020	

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**The Asbury 6 is a daily assessment of the US stock market's vital signs.**

Four or more metrics in one direction, either Positive (green) or Negative (red), indicate a tactical bias.

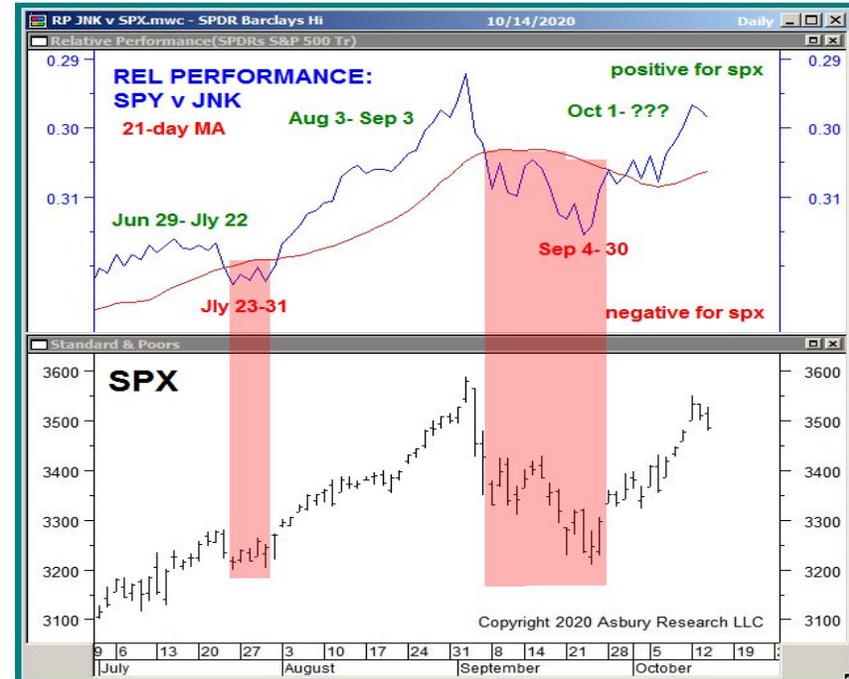
When all Asbury 6 are positive, market internals are the most conducive to adding risk to portfolios. Each negative reading adds an additional element of risk to participating in existing or new investment ideas.

# The Asbury 6 Key Market Internals

**SPY Asset Flows, Relative Performance Near Term Positive**



The total net assets invested in the SPDR S&P 500 ETF shifted back to a trend of *monthly expansion* on Oct 7<sup>th</sup>, characteristic of Tactical broad market advances.



Stocks (SPY) have been outperforming High Yield Corporate Bonds (JNK) on a monthly basis since Oct 1<sup>st</sup>. Also Tactically positive for the US broad market.

# Asbury Research Stock & ETFs Ideas

## *Quantitative Stock Selection*

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**Asbury Research uses a quantitative, repeatable, multi-step process to identify trending stocks with favorable market internals, low initial risk, and exceptional risk/reward ratios.**

We use our own proprietary models, **Asbury Momentum** which buys strength and **Asbury Value** which buys weakness, to scan over 6,000 US stocks and about 200 ETFs every business day. Of those identified as trade candidates, we only consider those:

- **with a market capitalization greater than \$2 billion**
- **with an initial risk of 5% or less**
- **with a risk/reward ratio of 1:3 or greater** (the reward must be 3 times the risk).

We then adjust the protective stop throughout the trade to either further mitigate risk or to lock in open trade profits. Protective stops are only moved in the direction of the trade.

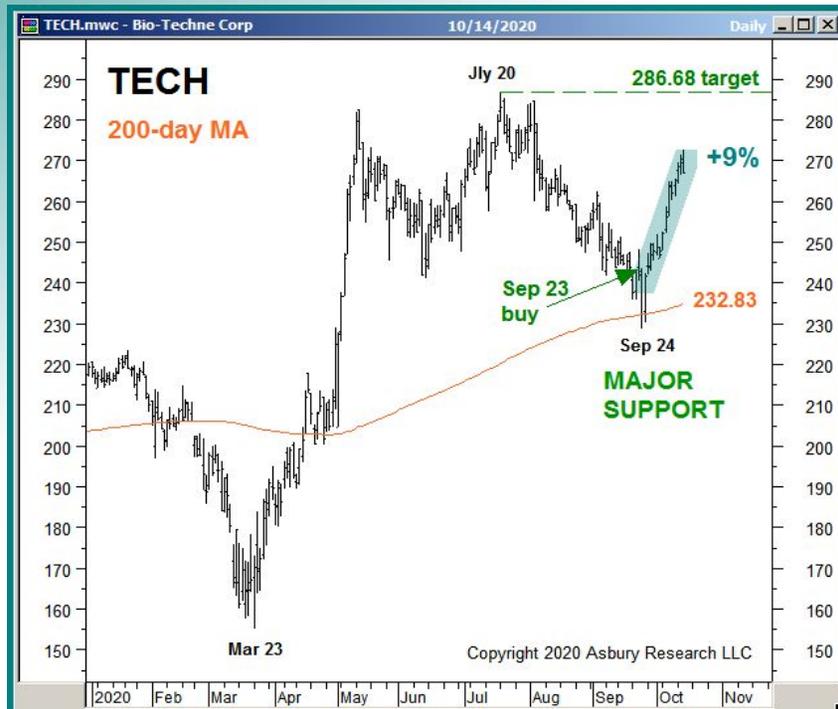
# Asbury Research Stock & ETFs Ideas

## Quantitative Stock Selection: Our Current Stock Picks

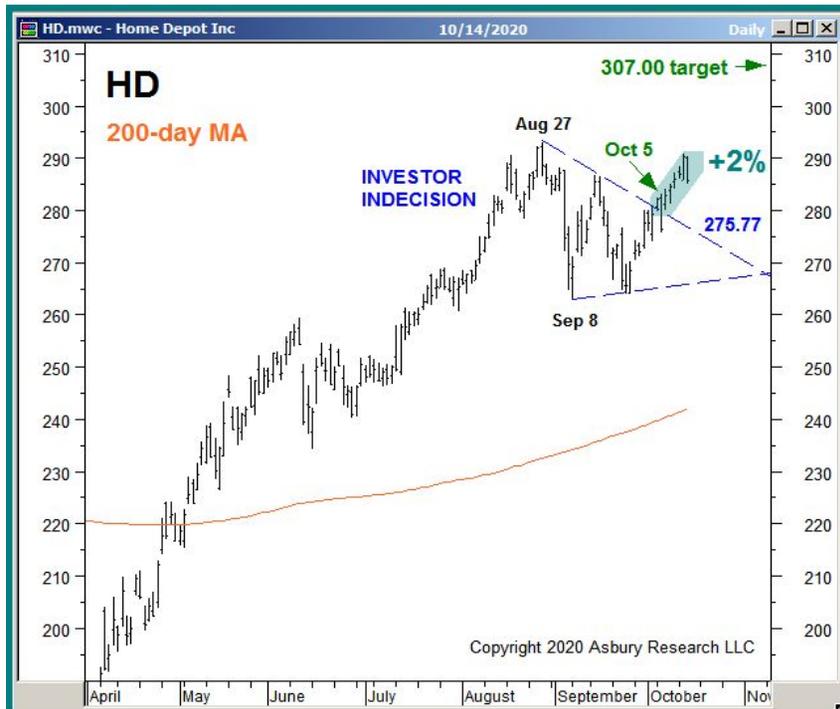
ASBURY RESEARCH TRADE IDEAS & PRICE TARGETS												updated 10/14/2020
Entry Date	Asset	Ticker	Type	Long/Short	Earnings Date	Entry Price	Target	Initial Reward vs Risk	Initial % Risk	Stop Loss	Exit Price	Exit Date
<b>SPECIFIC IDEAS IN STOCKS / ETFs</b>												
10/14/2020	Papa Joh's International	PZZA	Value	Long	11/4/2020	82.93	102.25	5.3 to 1	4.4%	79.27		new
10/9/2020	Royal Gold	RGLD	Value	Long	11/4/2020	119.84	147.64	5.7 to 1		275.77		
10/6/2020	Home Depot	HD	Momentum	Long	11/17/2020	281.08	307.00	3.7 to 1		414.39		
10/1/2020	Roper Technologies	ROP	Value	Long	10/28/2020	399.03	455.72	3.0 to 1		256.06		
9/23/2020	Bio-Techne Corp	TECH	Value	Long	11/3/2020	245.81	286.68	4.0 to 1				
<b>PRICE TARGETS IN GLOBAL INDEXES</b>												
9/4/2020	iShares MSCI Chile Index ETF	ECH	Negative			25.74	22.70	+7%	-5%	24.44		* positive correlation to SPX
<b>CLOSED TRADE IDEAS</b>												
Entry Date	Asset	Ticker	Type	Entry Price	Target			days in trade	Exit Price	Exit Date	% Profit//Loss	
8/28/2020	Nisource Inc.	NI	Momentum	22.04	16.00			30	22.64	10/12/2020	-3%	
10/1/2020	Whirlpool Corp	WHR	Momentum	183.31	200.50			7	201.84	10/9/2020	10%	
9/15/2020	Crown Castle International	CCI	Value	162.50	180.00			7	157.00	9/23/2020	-3%	
9/15/2020	United Therapeutics	UTHR	Value	106.90	127.79			5	103.58	9/21/2020	-3%	
9/1/2020	Stryker Corp	SYK	Momentum	198.16	232.00			14	200.53	9/21/2020	1%	
8/10/2020	CSX Corporation	CSX	Momentum	73.96	82.50			30	77.38	9/21/2020	5%	
8/5/2020	Caterpillar Inc.	CAT	Momentum	133.68	160.30			33	148.36	9/21/2020	11%	
8/5/2020	Xylem, Inc.	XYL	Momentum	74.48	91.70			33	83.31	9/21/2020	12%	
7/26/2020	Phillip Morris	PM	Momentum	77.67	88.00			40	77.89	9/21/2020	0%	
8/25/2020	RealPage, Inc.	RP	Value	61.98	69.79			8	62.08	9/3/2020	0%	
7/20/2020	Costco Wholesale Corp.	COST	Momentum	324.55	372.25			34	358.85	9/3/2020	11%	
8/14/2020	Dow Inc.	DOW	Momentum	44.32	51.50			15	49.20	9/3/2020	11%	
8/6/2020	Ball Corporation	BLL	Momentum	74.55	83.50			31	83.50	9/2/2020	12%	
7/22/2020	Dollar Tree	DLTR	Momentum	95.90	106.50			28	96.74	8/28/2020	1%	
8/7/2020	Microchip Technology	MCHP	Momentum	99.29	84.30			3	100.60	8/11/2020	-1%	

# Asbury Research Stock & ETFs Ideas

**Bio-Techne, Home Depot Target 7% Advances**



Biotech stock Bio-Techne's recovery from major support has already resulted in a 9% advance and targets an additional 7% rise to \$286.68. An **Asbury Value** idea.



Cons Discretionary stock Home Depot's Oct 5<sup>th</sup> resumption of its April advance has triggered a 2% rise and targets another 7% rise to \$307.00. An **Asbury Momentum** idea.

# US Stock Market

**Strategic Momentum: Intermediate Term Negative**



SPX moved to as much as 13.3% above its 200-day MA on Oct 12<sup>th</sup>, which is an historically over-extended extreme. This is a Strategic indication that the March advance is over-extended and vulnerable to a corrective decline.

# Relative Performance

## Cross Asset Investing (CARP) Model: Risk Appetite Increasing Again

CROSS ASSET RELATIVE PERFORMANCE (CARP): WHAT IS OUTPERFORMING?							thru October 9th 2020	
Asset Comparison	Tickers	Trading (weekly)	Since	Tactical (monthly)	Since	Strategic (quarterly)	Since	
US Stocks or Bonds	SPY vs AGG	STOCKS	9/25	STOCKS	10/1	STOCKS	9/28	
High Beta or Low Volatility Stocks	SPHB vs SPLV	HIGH BETA	10/2	HIGH BETA	10/7	HIGH BETA	10/2	
Large Cap or Small Cap	SPY vs IWM	SMALL CAP	9/28	SMALL CAP	10/1	SMALL CAP	10/2	
Growth or Value Stocks (Russell 1000)	IWF vs IWD	GROWTH	10/9	GROWTH	9/25	GROWTH	9/21	
US or Developed Markets	SPY vs VEA	US	10/7	US	9/30	US	9/25	
US or Emerging Markets	SPY vs VWO	US	10/9	US	10/7	US	9/22	
Govt or Corporate Bond Prices	GOVT v LQD	CORPORATE	9/28	CORPORATE	10/7	GOVT	9/21	
High Yld or Corporate Bond Prices	HYG vs LQD	HIGH YIELD	9/24	HIGH YIELD	9/30	HIGH YIELD	8/13	
Short Term or Long Term Bond Prices	SCHO vs TLT	SHORT TERM	9/30	SHORT TERM	9/30	SHORT TERM	9/4	

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The table above highlights which segments of the US financial market are outperforming in both equities and fixed income. The green highlights identify changes in trend, and the date they occurred, in 3 different time frames:

- **TRADING (weekly, yellow column)**, the most sensitive to changes in relative market direction
- **TACTICAL (monthly, blue column)**, which we use to enter or exit an investment strategy
- **STRATEGIC (quarterly, red column)**, which we use to identify intermediate term opportunity.

Our **CARP Model** suggests a recently **increasing appetite for risk** as risk as **Stocks** are outperforming Bonds, **High Beta** is outperforming Low Volatility, **Small Cap** is outperforming Large Cap, **Growth** is outperforming Value, and **High Yield** Bonds are outperforming Corporates. Note, however, **these trends are quite new**.

# Relative Performance

## Global Relative Performance (1): The US vs. The World

S&P 500 vs THE WORLD: WHICH COUNTRY IS OUTPERFORMING? thru October 9th 2020							
S&P 500 (SPY) vs:	Ticker	Trading (weekly)	Since	Tactical (monthly)	Since	Strategic (quarterly)	Since
<a href="#">Chile</a>	ECH	US	10/5	US	9/22	US	7/30
<a href="#">New Zealand</a>	ENZL	<b>NEW ZEALAND</b>	<b>10/2</b>	<b>NEW ZEALAND</b>	<b>10/2</b>	<b>NEW ZEALAND</b>	<b>10/9</b>
<a href="#">Peru</a>	EPU	US	10/7	US	9/23	US	8/20
<a href="#">Australia</a>	EWA	AUSTRALIA	10/5	AUSTRALIA	10/8	US	8/21
<a href="#">Hong Kong</a>	EWH	US	10/8	US	9/25	US	9/24
<a href="#">Italy</a>	EWI	US	10/8	US	9/25	US	8/20
<a href="#">Japan</a>	EWJ	US	10/7	US	10/5	US	10/9
<a href="#">Switzerland</a>	EWL	US	10/6	US	9/28	US	9/25
<a href="#">Malaysia</a>	EWM	US	10/7	US	10/7	US	8/3
<a href="#">Spain</a>	EWP	US	10/9	US	9/22	US	7/30
<a href="#">France</a>	EWQ	US	10/7	US	9/22	US	9/21
<a href="#">Singapore</a>	EWS	US	10/8	US	10/8	US	11/19
<a href="#">Taiwan</a>	EWT	<b>TAIWAN</b>	<b>10/6</b>	<b>TAIWAN</b>	<b>9/8</b>	<b>TAIWAN</b>	<b>9/29</b>
<a href="#">United Kingdom</a>	EWU	US	10/7	US	9/25	US	12/20
<a href="#">Mexico</a>	EWV	<b>MEXICO</b>	<b>10/2</b>	<b>MEXICO</b>	<b>10/2</b>	<b>MEXICO</b>	<b>10/7</b>
<a href="#">South Korea</a>	EWY	<b>SOUTH KOREA</b>	<b>9/29</b>	<b>SOUTH KOREA</b>	<b>9/8</b>	<b>SOUTH KOREA</b>	<b>9/8</b>
<a href="#">Brazil</a>	EWZ	BRAZIL	10/8	US	9/22	US	8/12
<a href="#">MSCI EMU (Eurozone) Index</a>	EZU	US	10/7	US	9/25	US	9/21
<a href="#">India</a>	INDA	US	10/8	<b>INDIA</b>	<b>9/8</b>	<b>INDIA</b>	<b>6/22</b>
<a href="#">China</a>	MCHI	US	10/7	<b>CHINA</b>	<b>9/30</b>	<b>CHINA</b>	<b>9/30</b>
<a href="#">Russia</a>	RSX	<b>RUSSIA</b>	<b>9/29</b>	<b>RUSSIA</b>	<b>9/29</b>	<b>RUSSIA</b>	<b>10/8</b>
<a href="#">Thailand</a>	THD	US	10/9	US	9/22	US	7/8
<a href="#">Vanguard FTSE Pacific ETF</a>	VPL	US	9/25	US	10/1	US	10/9
<a href="#">Vanguard Emerging Mkts ETF</a>	VWO	US	10/9	US	10/7	US	9/22

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This model shows that, through last week, **5 global stock markets** from multiple continents around the world are outperforming the US – 3 from East Asia. **India** is the oldest of these trends, outperforming the S&P 500 by 12% since mid June.

# US Market Sectors: SEAF Model

Investor Assets Moving Into Industrials & Cons Discretionary, Out Of Energy & Tech

ASBURY RESEARCH: SECTOR ETF ASSET FLOWS (SEAF) MODEL				October 12th 2020
Sector (Symbol)	As of 10-8-2020	Trading (weekly)	Tactical (monthly)	Strategic (quarterly)
FINANCIALS (XLF)	11.4%	since 10/8	11.7%	11.1%
ENERGY (XLE)	5.6%	5.3%	since 8/27	since 9/10
TECHNOLOGY (XLK)	21.8%	since 10/8	since 9/24	22.1%
UTILITIES (XLU)	7.6%	7.5%	7.9%	7.7%
INDUSTRIAL (XLI)	8.3%	since 10/8	since 8/27	since 8/13
CONSUMER STAPLES (XLP)	8.7%	9.0%	9.1%	8.8%
CONSUMER DISCRETIONARY (XLY)	10.4%	10.5%	since 10/8	since 9/24
HEALTH CARE (XLV)	15.1%	since 10/8	15.1%	15.8%
MATERIALS (XLB)	2.8%	2.5%	2.4%	2.8%
REAL ESTATE (XLRE)	1.5%	1.5%	1.5%	since 8/20
COMMUNICATION SERVICES (XLC)	6.7%	6.7%	6.7%	6.6%

Biggest inflows during period shown    
 Biggest outflows during period shown    
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Trends in investor asset flows, across multiple time periods typically coincide with, and often lead, directional moves in outright and relative performance.

The latest data in multiple time frames show a continued trend of **inflows into Industrials** and a more recent trend of **inflows into Consumer Discretionary**. The data also show a continued trend of **outflows from Energy** and an emerging trend of **outflows from Technology**.



Asbury Research

## Contact Us For Services & Pricing Info

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