The StockCharts.com Market Message

Featuring our commentators, John Murphy and Arthur Hill

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STOCKS REBOUND FROM SUCCESSFULL TEST OF 50-DAY AVERAGES -- ECONOMICALLY-SENSITIVE STOCKS LEAD WHILE STAPLES AND UTILITIES LAG -- BOND PRICES WEAKEN WHILE HIGH YIELD BONDS REBOUND -- GOLD AND THE EURO MEET RESISTANCE AT 200-DAY LINES AS DOLLAR REBOUNDS -- RISK ASSETS REBOUND AS SAFE HAVEN RALLY WEAKENS

By John Murphy

STOCK ETFS REBOUND OFF 50-DAY AVERAGE ... Yesterday's message showed major stock indexes stabilizing at their 50-day averages. Today, they're rebounding impressively today off that rising support line. Chart 1 shows the **Dow Jones Industrial SPDR (DIA)** having its best day in a month. Chart 2 shows **S&P 500 SPDR (SPY)** doing the same. The SPY is trading at the highest level in a week. Economically-sensitive market sectors are leading the day's rally, while defensive groups are lagging. The day's strongest groups are financials (banks), energy (coal and oil services), basic materials (copper, aluminum, and steel), industrials, technology, and cyclicals (autos). Transports are also having a strong day. Bond proxies like utilities are the only sector in the red. That's due mainly to the best rebound in bond yields in two weeks, and a pullback by bond prices from overhead resistance. High yields bonds are also rebounding. The dollar is bouncing off support while gold is pulling back from resistance. It looks like the counter-trend rallies in safe havens (like bonds and gold) may have run their course, while risk assets are getting a second wind.

(click to view a live version of this chart)

Chart 1

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Chart 2

BOND PRICES FALL WHILE JUNK BONDS RALLY ... Yesterday's messsage showed the **U.S. Aggregate Bond iShares (AGG)** testing overhead resistance at its February high. Chart 3 shows the AGG falling sharply today in a possible rally failure. Falling bond prices at an important resistance point suggests that the bond rally may have run its course, which is good for stocks. It's also good for high yield bonds. Chart 4 shows **iBoxx High Yield Corporate Bond iShares (HYG)** rebounding off chart support along its October high. That's the only bond category in the black today. That's because high yield (junk) bonds are more closely tied to stocks than bonds. A bouncing HYG supports the view that the pullback in riskier assets (including stocks) may have run its course.

(click to view a live version of this chart)

Chart 3

(click to view a live version of this chart)

Chart 4

GOLD AND EURO BACK OFF FROM 200-DAY LINES ... Gold is another safe haven that's starting to meet resistance. Chart 5 shows the **Gold SPDR (GLD)** pulling back from resistance at its February high and 200-day average. Gold miners (which usually lead the price of gold) are falling 3% today. The dollar is also rebounding off its 200-day moving average as the Euro and yen weaken. Chart 6 shows the **Euro** pulling back from its 200-day line. The Euro and gold trend in the same direction (and in the opposite direction of the dollar). A rally failure by the Euro would signal strength in the dollar and more selling in gold. Yesterday's message suggested that the counter-trend safe haven rally may have run its course, which would boost stocks and other risk assets. Today's intermarket action appears to support that view. In other words, the Trump rally is still in play.

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Chart 5

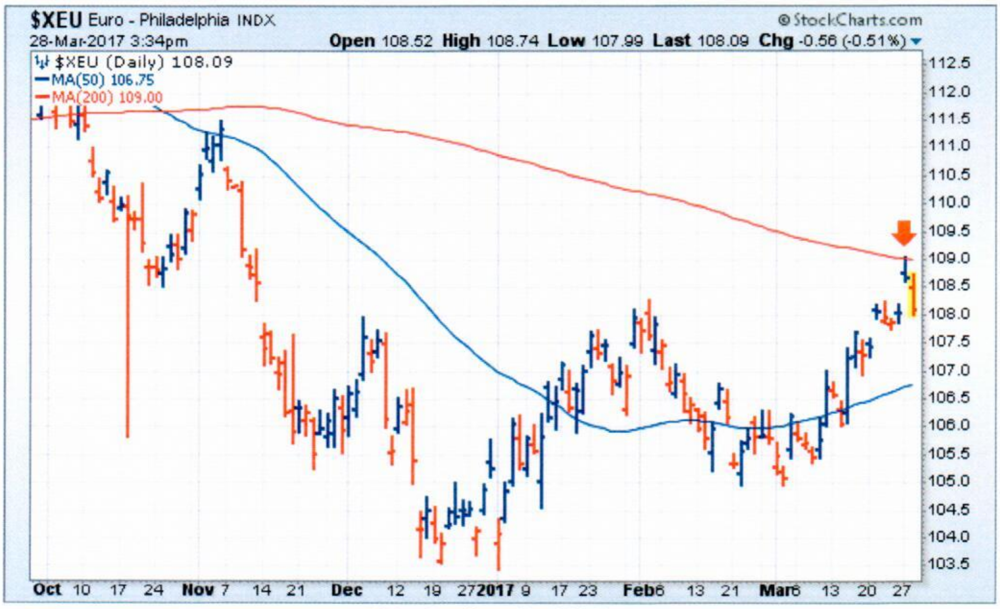

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Chart 6

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