Breadth, Dealers Don't Buy, Mexican Labor, Canada Surveys, TICS

- With the S&P 500 falling off recent highs today, now is as good a time as any to check up on breadth.
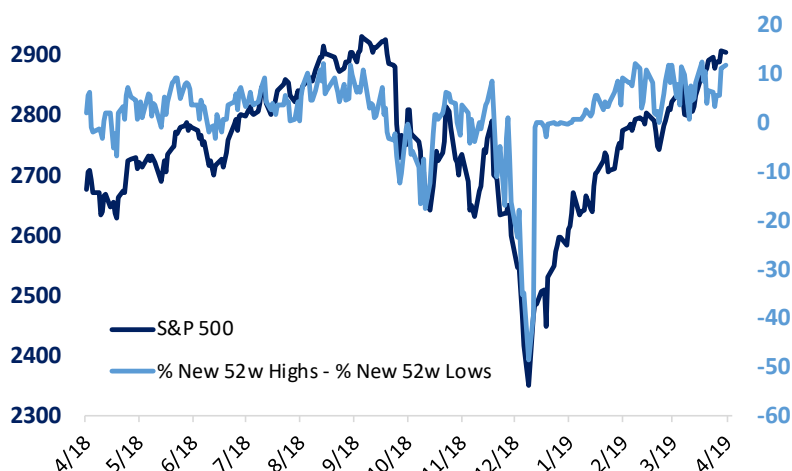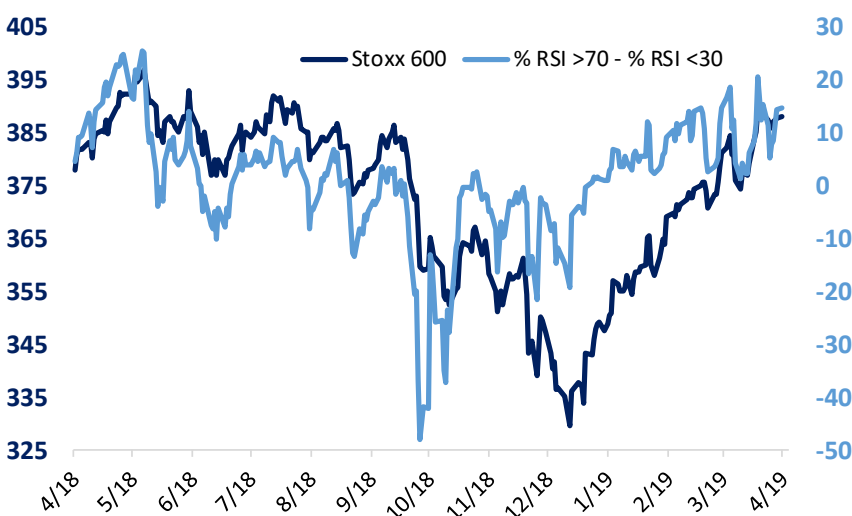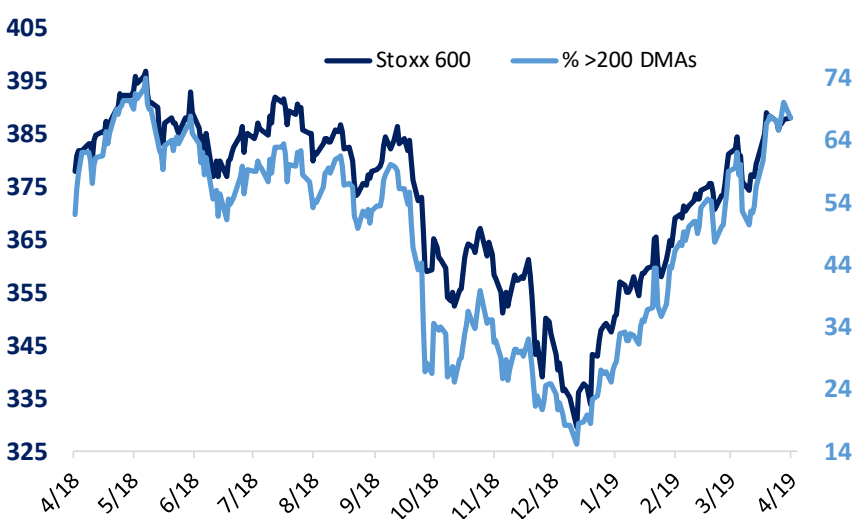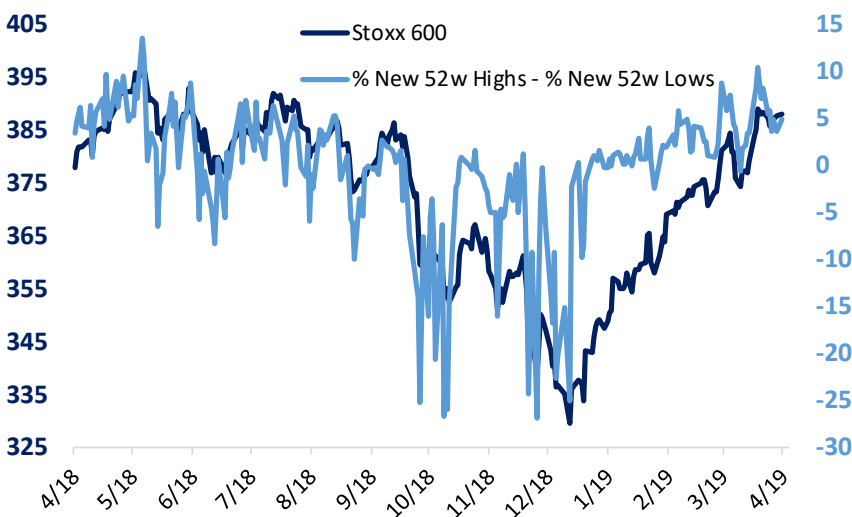
- As shown in the chart at right, the prevalence of 52 week highs has been consistent with strong equity prices.

- A net 10% of the S&P 500 made new 52-week highs today (net of 52-week lows), about as strong as that metric has been in the past year.

- Almost 70% of the index is above its 200-day moving average, just below recent highs which were stronger than the index ever got at the Q3 peaks.

- That number did take a leg lower today, but not enough to merit real concern over the breadth of the index's advance.

- It's also a good sign that extreme overbought conditions aren't prevalent.

- While the net percentage of stocks with overbought RSI readings is well below the peak from February, the 10% net overbought RSI reading is consistent with strong sustainable breadth, as opposed to extremely high readings that would justify concern.

S&P 500 Breadth Checkup

(Top chart) S&P 500; % New 52w Highs - % New 52w Lows

(Middle chart) S&P 500; % >200 DMAs

(Bottom chart) S&P 500; % RSI >70 - % RSI <30

For Personal Use Only—Do Not Forward
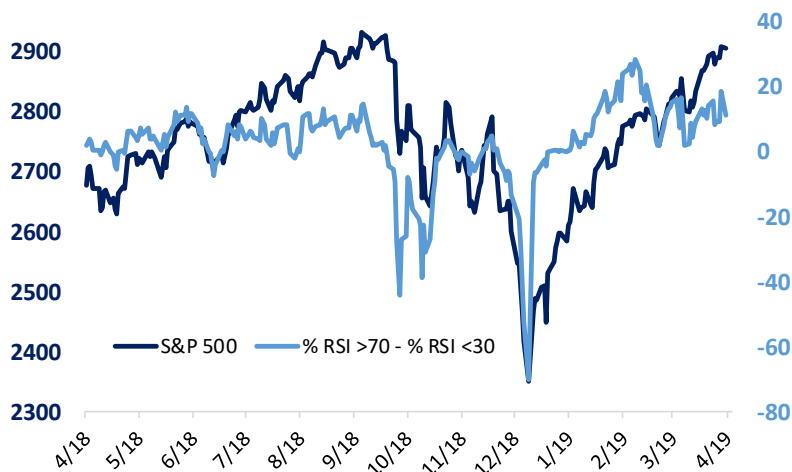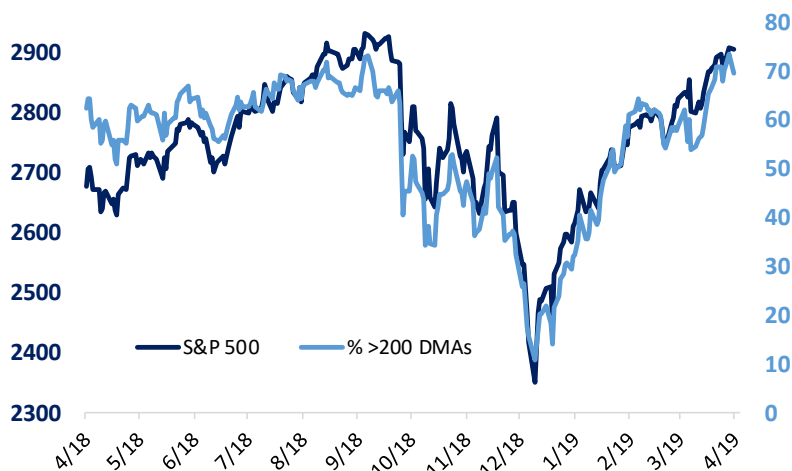
Stoxx 600 Breadth Checkup

- We can run the same analysis for the European Stoxx 600 to get a broader view of global equity market breadth.

- The net percentage making 52-week highs is off the best levels we've seen recently, but still trending up in line with the advance of the broad market.

- Similarly, the share of stocks above their long-term trend (200-DMA) is near the best levels of the past year and took a small leg down over the last couple of days.

- Recently a net of more than 20% of the index had an RSI reading over 70, a number that's pretty hard to sustain.

- Generally upticks above 20% have been very hard to sustain for the index, but at its current level of 11.1%, breadth is not excessively elevated at this point.

- Similar to the S&P 500, the Stoxx 600 is seeing strong breadth consistent with a sustained rally.

For Personal Use Only—Do Not Forward

- Turning to interest rate markets, we've seen a concern that the current rush of UST issuance funding large federal deficits is crowding out dealer demand for other securities and therefore broader risk assets; this theory argues that because dealers are forced to take up auctions, they're being stuffed with paper.

- We are skeptical; as shown in the first chart below, dealers have been buying a record *volume* of USTs at auction.

- If dealers were really being stuffed with paper at auctions, they would be winning a growing share of auction value, not just a growing *dollar amount* of auctions.

- As shown, dealer shares of auction amounts have trended steadily down over the past five years.

- In other words, there is *no* evidence that dealer balance sheets are being crowded out because they are being forced to take down rising UST issuance at auction.

UST Issuance Has Ramped Up, But Dealers Aren't Winning Auctions

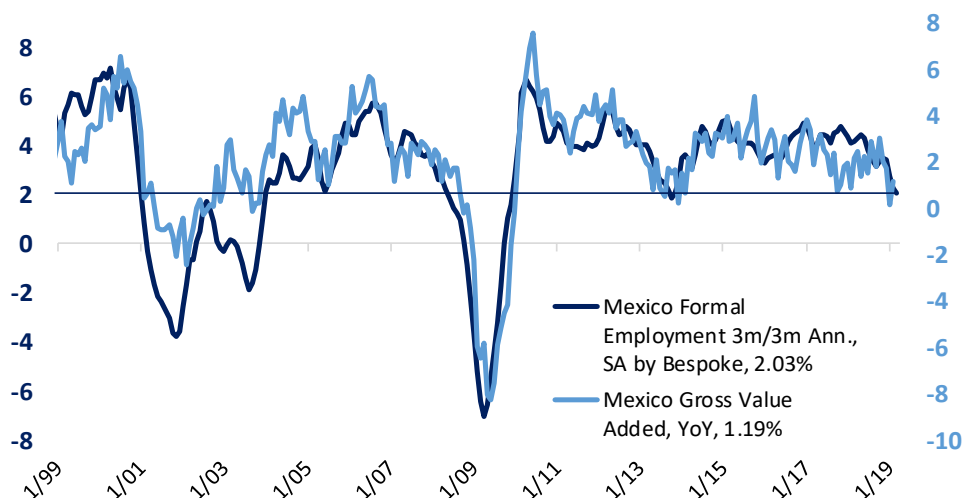**For Personal Use Only—Do Not Forward**
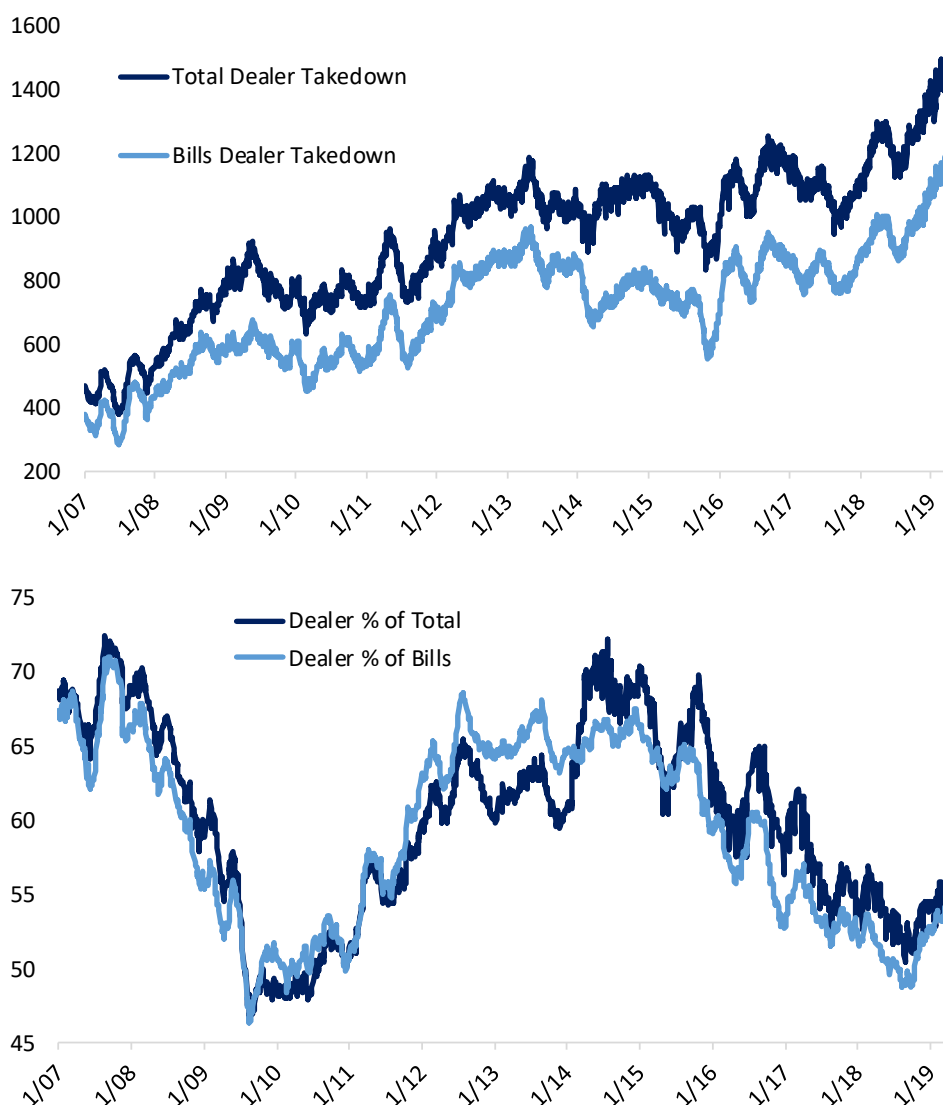
- Turning to economic data, we're going to head south of the border.

- Today Mexican formal employment rose by 47.2k (after our seasonal adjustment) or 0.23%.

- While that number isn't horrible, it's been part of a significant slowdown in employment growth.

- 3m/3m annualized formal employment is down to 2%, the lowest since late in 2013.

- Other than that small period in Q4, this is the slowest formal employment has grown since the financial crisis.

- It's also come with a modest uptick in the unemployment rate, which printed below 3.2% twice in 2018 but is now above 3.4%.

- The uptick in unemployment and slowdown in employment growth are consistent with a slower Mexican economy, and the trend of gross value added slowing to just 1.2% YoY is about what you would expect given the employment deterioration.
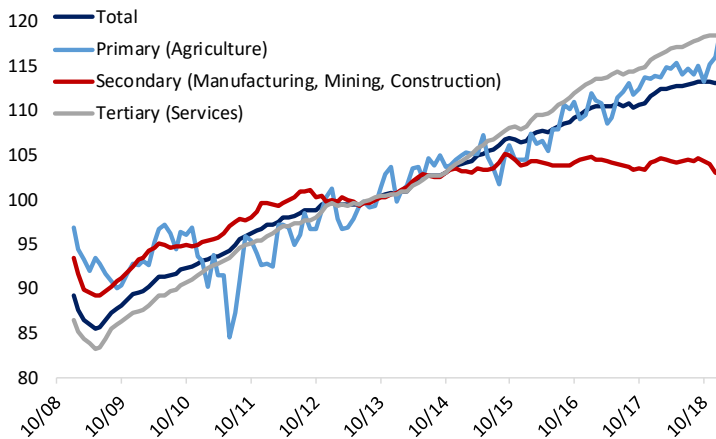

Unemployment Has Ticked Up Moderately

Mexico Unemployment Rate SA, 3.42%
Legacy Mexico Unemployment Rate SA By Bespoke
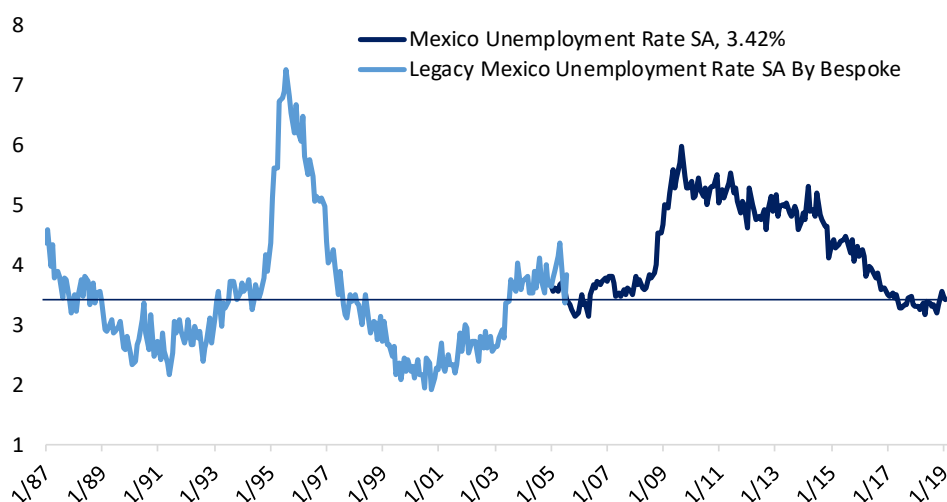
Mexican Employment Growth Has Weakened Substantially

Mexico Formal Employment 3m/3m Ann., SA by Bespoke, 2.03%
Mexico Gross Value Added, YoY, 1.19%

Mexican Industry Lagging Badly (Real GVA, 3m Avg, 2013 = 100)

Legend: Total, Primary (Agriculture), Secondary (Manufacturing, Mining, Construction), Tertiary (Services)

US vs Mexico Industrial Production (1993 = 100)

Legend: Manufacturing, Total

<- Mexico Outperforming   US Outperforming ->

US Manufacturing Trade Deficit With Mexico Still Small

Legend: US Trade Deficit In Manufactures With Mexico (% of US GDP)

• Speaking of Mexican gross value added, in the chart at left we show indices of gross value added broken out by sector.

• The primary sector (agriculture) has been doing very well of late and output for that part of the economy is at a record high in real terms.

• Tertiary (services) output has also been pretty good but slowed a little bit of late.

• Secondary industries (manufacturing, mining, and construction) is another story entirely.

• As shown, that index is at 5+ year lows.

• The biggest driver has been the slowing of crude output.

• As shown in the second chart at left, US industrial production has risen 10% relative to Mexico's since November of 2016.

• Manufacturing has seen US output rise faster than Mexico too, but to a much less dramatic degree.

• The more reasonable performance of Mexican manufacturing has also been visible in the US trade deficit versus Mexico.

• As shown at left, after stabilizing from roughly 2015 through the end of 2018, the US trade deficit with Mexico in manufactured goods has once again started to deteriorate and is now running at around 45 bps of GDP.
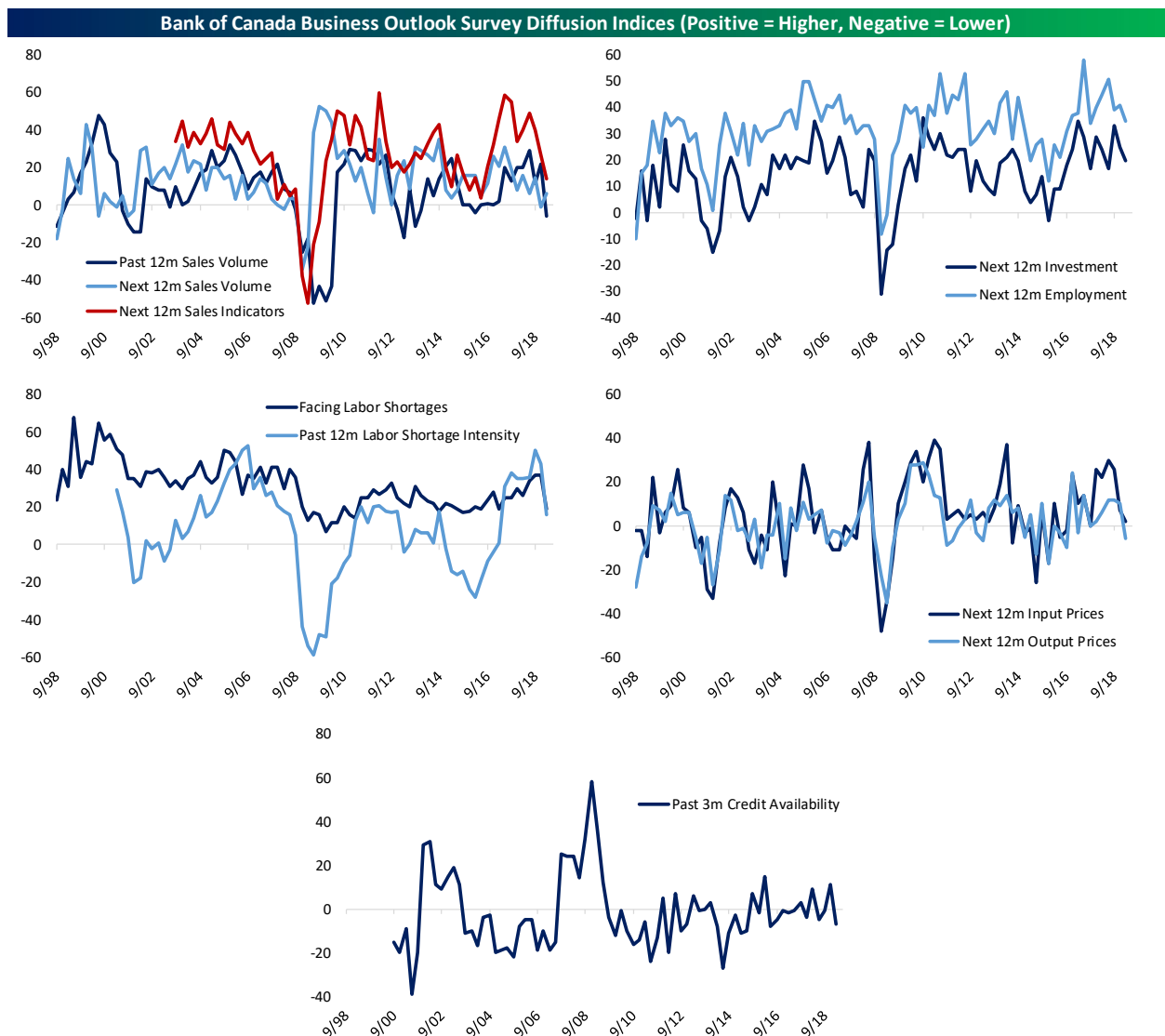
• That's not the end of the world, but it does show the Mexican manufacturing industry is seeing solid demand from the US.

- Today the Bank of Canada released its quarterly survey of businesses.

- The results were not good: sales volumes were reported at the lowest level since Q3 of 2013 while sales indicators were reported as falling dramatically.

- Investment and employment reports remain at relatively firm levels, but have been falling over the last few quarters.

- Labor market results were probably the weakest results: diffusion index for businesses reporting labor shortages fell by the most since Q3 of 1999, while the intensity of reported labor market shortages fell by the most since Q4 of 2008.

- Prices have also seen pretty dramatic deceleration over the last couple of quarters.

- All-told, this was not a good report for the economic outlook in Canada.

Bank of Canada Business Outlook Survey Diffusion Indices (Positive = Higher, Negative = Lower)

For Personal Use Only—Do Not Forward

- The BoC also released a quarterly survey of loan officers for Q1 today.

- Contrary to the Business Outlook survey, the Senior Loan Officer Survey saw conditions loosen notably in Q1.

- Overall conditions are still tightening, with a reading below zero, but sequentially the index moved quite dramatically towards loosening.

- Both pricing of loans (i.e., the rate) and non-pricing factors (such as covenants or other forms of credit conditions) saw less tight conditions sequentially.

- Mortgage lending conditions have been largely neutral, with all three categories of lending conditions unchanged while non-mortgage lending conditions loosened materially in terms of pricing and overall.

Bank of Canada Senior Loan Officer Survey Diffusion Indices (Positive = Tighter, Negative = Looser)
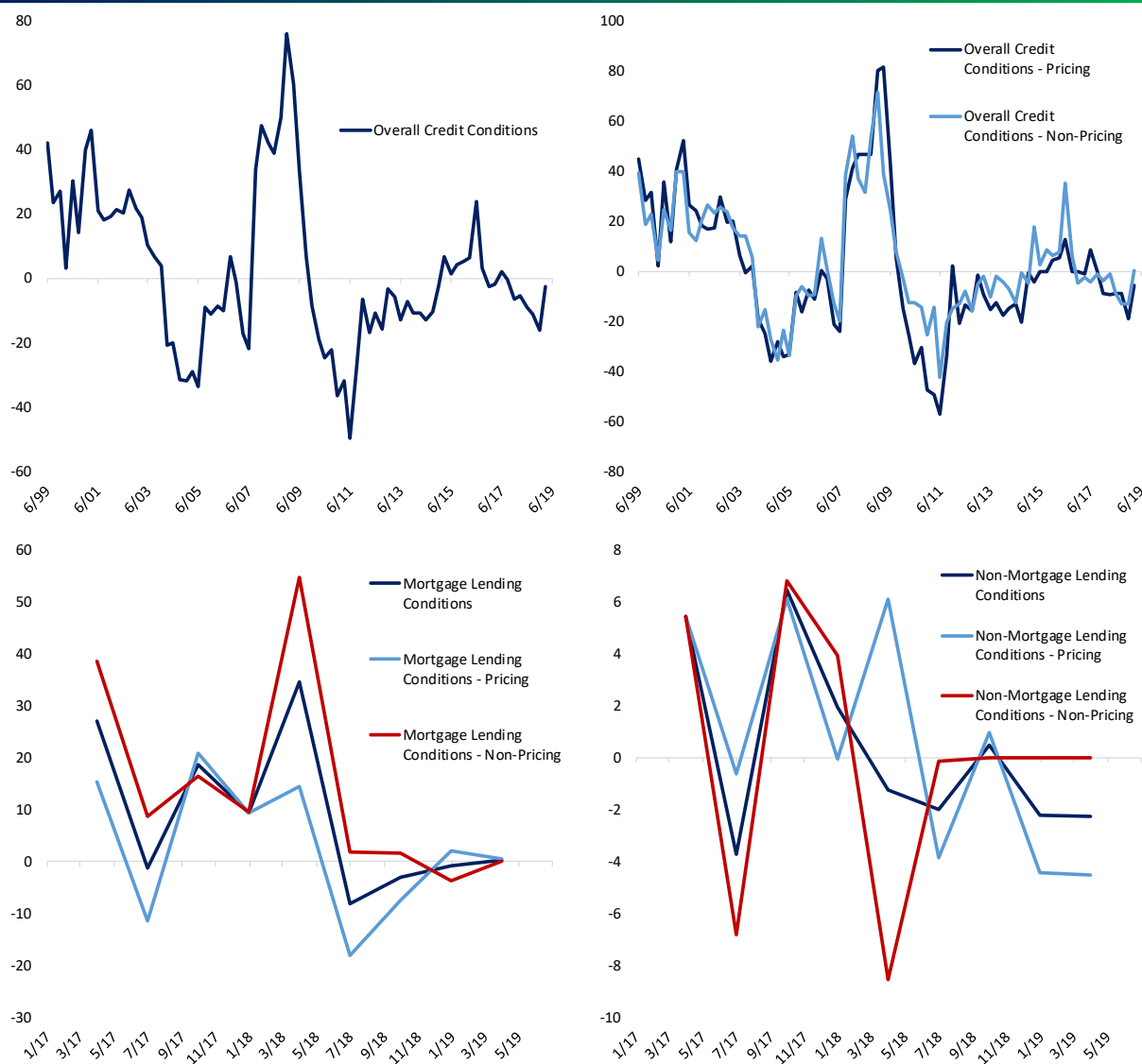
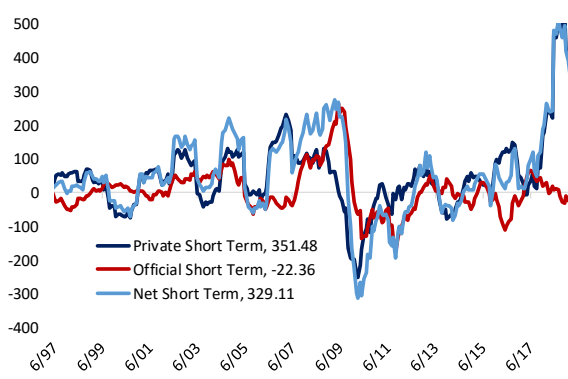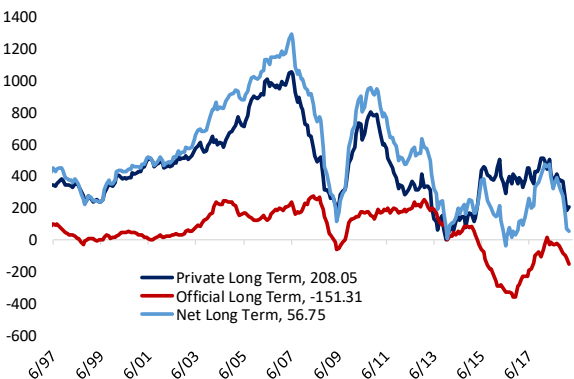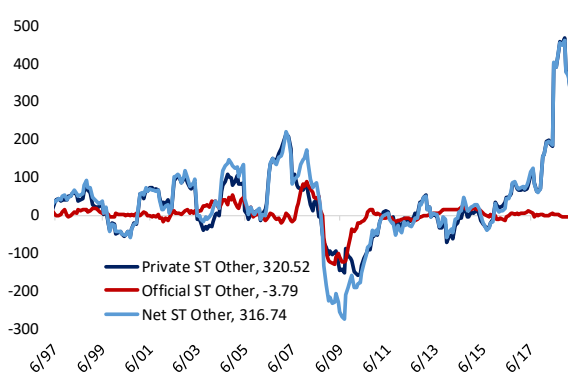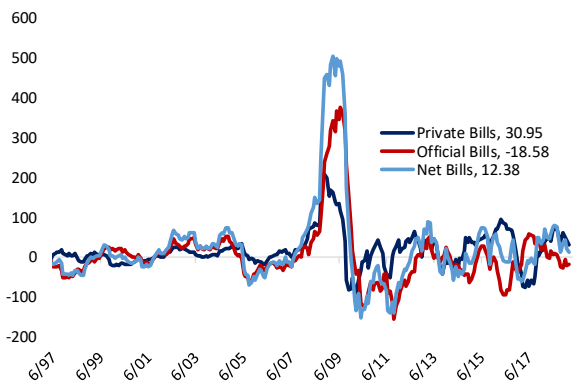| TIC Flows Summary (bn USD)			
Type	Feb-19	3m Sum	12m Sum
Private Equity	-9.00	-60.00	-66.64
Official Equity	-1.67	-0.12	-13.12
Net Equity	*-10.67*	*-60.12*	*-79.76*
Private Corporate Bonds	12.25	5.28	65.80
Official Corporate Bonds	-1.57	-4.81	-4.23
Net Corporate Bonds	*10.68*	*0.47*	*61.57*
Private UST	36.40	-3.80	223.74
Official UST	-16.49	-65.63	-160.69
Net UST	*19.91*	*-69.44*	*63.05*
Private Agency	13.10	36.25	139.26
Offical Agency	9.38	24.26	92.24
Net Agency	*22.48*	*60.51*	*231.49*
Private Bills	*-3.56*	*-7.27*	*60.78*
Official Bills	10.20	3.53	-27.77
Net Bills	*6.64*	*-3.74*	*33.01*
Private ST Other	*-17.29*	*-2.72*	*465.69*
Official ST Other	*-0.38*	*-1.26*	*-4.03*
Net ST Other	*-17.67*	*-3.98*	*461.66*
Total	**31.38**	**-76.30**	**771.02**
Private Short-Term	*-20.85*	*-9.98*	*526.47*
Official Short-Term	*9.83*	*2.26*	*-31.80*
Net Short-Term	*-11.03*	*-7.72*	*494.67*
Private Long-Term	*52.76*	*-22.28*	*362.16*
Official Long-Term	*-10.36*	*-46.30*	*-85.81*
Net Long-Term	*42.40*	*-68.58*	*276.35*

- International investors hate the US equity market.

- Over the 3 months ended February, private investors sold $60bn worth of the US equity market, almost as much as they sold over the last 12 months.

- Typically, those flows would be offset elsewhere, and in the case of private investors they have been.

- Private buyers gobbled up $60.5bn of US agency (almost entirely mortgage-backed security) bonds over the last three months.

- On the other hand, official investors (central banks) have also been selling, this time in UST.

- Total net sales of UST over the last 3 months were more than $65bn, with a 12 month total over more than $160bn in net sales.

- Even as US deficits have surged, overseas investors have been selling the asset class, forcing domestic buyers (other than dealers; see page 3) to pick up the slack.

- At the front end, private investors sold bills in February, while other short-term investments were sold in size by the private sector.
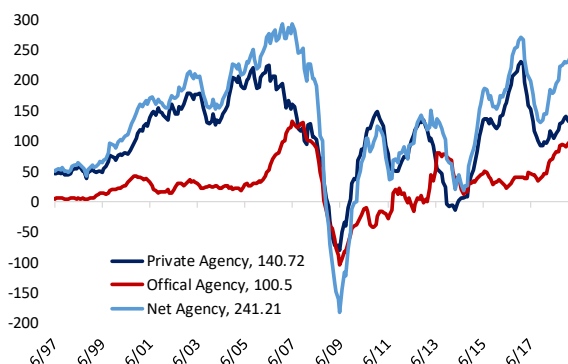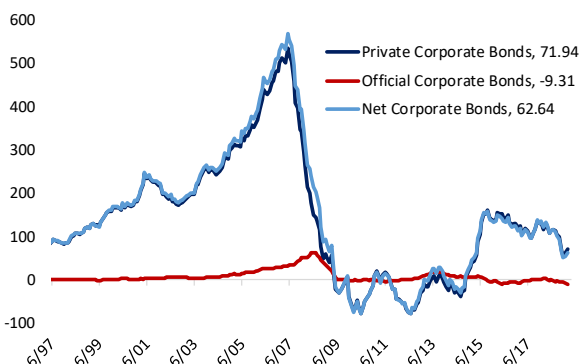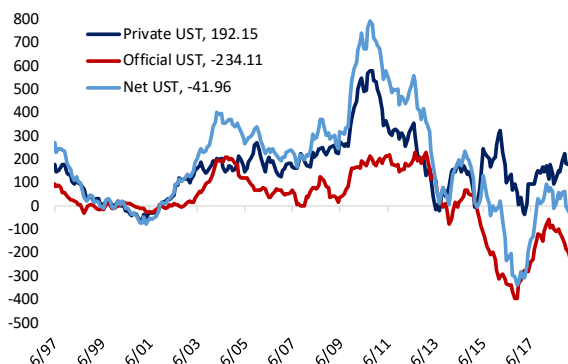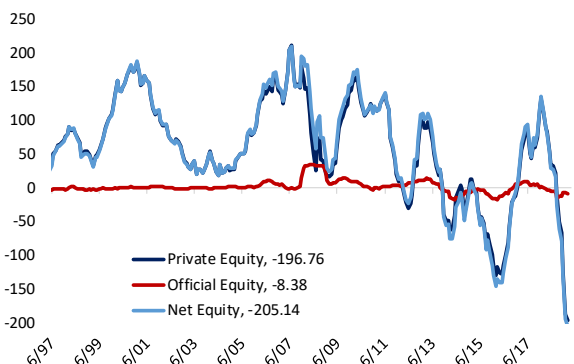
- Below we show total securities flows on a rolling 12 month basis across investor types and all maturities: in general, total purchases of domestic US financial assets has fallen off a cliff versus their multi-year high from 2018.

- On the next page we chart rolling 12m flows by asset class and investor type.

Rolling 12m Total TIC Flows (bn USD)

Legend: Total Private, 528.58 — Total Offical, -155.09 — Total, 373.49

Private Equity, -196.76
Official Equity, -8.38
Net Equity, -205.14

Private UST, 192.15
Official UST, -234.11
Net UST, -41.96

Private Corporate Bonds, 71.94
Official Corporate Bonds, -9.31
Net Corporate Bonds, 62.64

Private Agency, 140.72
Offical Agency, 100.5
Net Agency, 241.21

Private Bills, 30.95
Official Bills, -18.58
Net Bills, 12.38

Private ST Other, 320.52
Official ST Other, -3.79
Net ST Other, 316.74

Private Long Term, 208.05
Official Long Term, -151.31
Net Long Term, 56.75

Private Short Term, 351.48
Official Short Term, -22.36
Net Short Term, 329.11

For Personal Use Only—Do Not Forward

Assets across the board declined today as equities slid today following mixed earnings out of the big banks before the open. Goldman Sachs (GS) dragged the Dow 10bps lower; the Nasdaq fell equally. Treasury yields across the curve fell as oil settled at $63.51.

After a slow day today, economic data picks back up with Chinese Home Sales, Japan's Tertiary Index, and UK Employment data being some of the major releases. ZEW Surveys for the Eurozone and Germany will also be out ahead of US Industrial Production. Economic scorecard link.

Don't forget to keep an eye on what the FOMC is saying with our *Fedspeak Monitor* (link) and stay up-to-date with central bank meeting dates with our *Global Central Bank Monitor* (link). These are regularly updated along with our economic scorecard to keep you on top of major developments.

Major Asset Class Dashboard

	Asset	Level	Change (bps)	5d Chg	3m Chart		Asset	Level	Change (bps)	5d Chg	3m Chart
Equity Futs	S&P 500	2910.50	-6.9	39.7		**Commodity**	Gold	1290.80	-34.0	-83.0	
	Russell	1583.80	-34.0	-4.4			Silver	14.94	-15.4	-184.0	
	VIX Fut	14.70	-50.8	-552.7			WTI	63.55	-53.2	-141.2	
	TSX	986.00	27.5	95.2			Copper	293.40	-40.7	0.0	
Trsy Yields	2 Year	238.95	-0.2	2.8		**Int'l Equity**	Nikkei	22169.11	136.5	187.2	
	5 Year	237.19	-0.8	4.5			CSI 300	3975.52	-32.8	-201.4	
	10 Year	255.43	-1.1	3.2			ASX 200	6251.44	0.2	48.4	
	30 Year	296.82	-0.9	4.1			Stoxx 600	388.10	14.7	15.2	
Curves/BE	2s10s	16.28	-0.7	0.4		**FX**	BBG USD	1193.30	6.2	-10.7	
	5s30s	59.46	0.0	-0.4			EURUSD	1.1303	3.5	35.5	
	5 Yr BE	186.70	-0.8	184.9			USDJPY	112.05	2.7	51.1	
	10 Yr BE	195.17	-1.2	193.2			EM FX	63.18	-13.6	9.3	
Eurodollars	Jun '19	97.42	-0.5	-2.0		**Credit**	CDX IG	56.48	-0.5	-3.5	
	Sep '19	97.45	-1.0	-2.5			iTraxx IG	57.88	-1.0	-3.7	
	Dec '19	97.45	-1.0	-5.0			CDX HY	323.53	-1.0	-14.3	
	Mar '20	97.55	-0.5	-5.5			iTraxx HY	247.76	-0.5	-11.0	

For Personal Use Only—Do Not Forward

Closing Charts & Tweets

Popular Tweets From @bespokeinvest on Twitter

"It's extremely uncommon for manufacturers in the NY region to be this dour on the six-month outlook." — 3:27

"The Dogs of the Dow are outperforming the non-Dogs by just 17 bps so far this year. $IBM and CSCO are the best performing Dogs at this point" — 2:17

"Record streak of days without a decline in gas prices continued over the weekend." — 1:07

"The S&P has done very well over the next 3 months from a seasonal perspective over the last 10 years. Median gain of 4.72% as shown in this snapshot from our Seasonality tool." — 9:31

S&P 1500 Biggest Movers

Price (%)				Volume vs Historical Avg (%)			
Most Up		Most Down		Most Up		Most Down	
EFII	29.25	ADS	-9.34	EFII	2106.56	WRE	-82.53
ADNT	14.47	CUTR	-6.84	ADS	439.83	LLY	-79.62
CTLT	13.12	BBBY	-6.17	CTLT	392.03	FFIN	-78.69
BGG	8.29	ESV	-5.77	ADNT	301.95	MYRG	-77.95
MDSO	7.50	SAH	-5.66	APC	262.21	POWL	-75.83
DF	7.48	AAOI	-5.58	WTW	254.14	ACA	-75.45
PATK	5.81	DNR	-5.04	MDSO	243.56	FOE	-74.74
WTW	5.42	CBL	-4.79	BGG	211.38	MNTA	-73.87
SCVL	4.53	NKTR	-4.72	ESV	205.28	CFX	-73.56
TLRD	4.03	LKSD	-4.55	WTR	197.84	AVD	-73.24
ANTM	3.97	ORN	-4.38	OXY	189.41	NGVT	-72.81
FIX	3.55	GME	-4.08	ERA	142.69	RWT	-72.39
BELFB	3.46	WPG	-3.95	OSUR	141.71	LION	-72.28
USPH	3.40	EA	-3.91	ANTM	141.39	HWKN	-72.03
CAL	3.21	FTR	-3.91	FIX	137.11	STAR	-71.89

The Tale of The Tape: S&P 500 (Left) vs Regional Bank ETF (KRE) (Right)
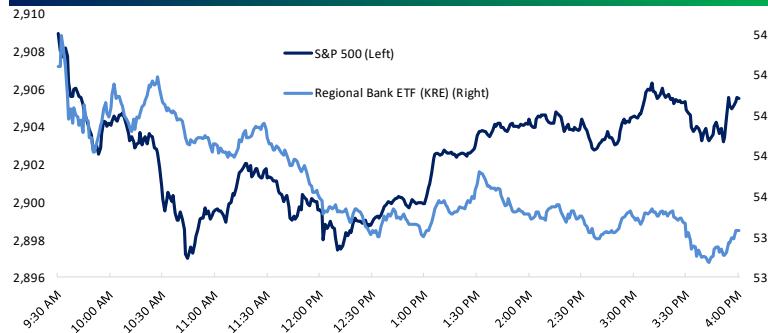
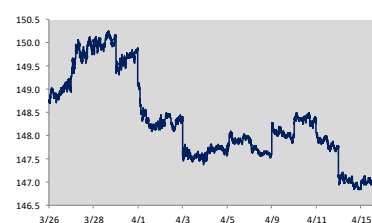Oil Future: Last 15 Trading Days
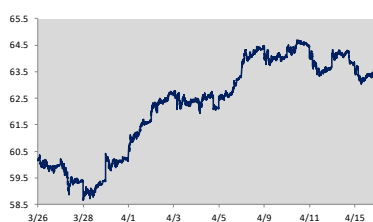
Gold Front Month Future: Last 15 Trading Days

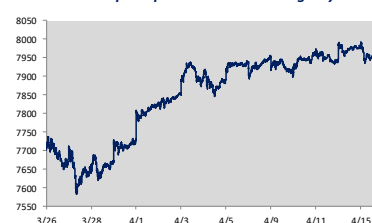BBG US Dollar Index: Last 15 Trading Days
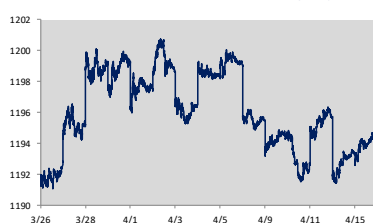
Long Bond Future Intraday: Last 15 Trading Days

S&P 500 Intraday: Last 15 Trading Days

Nasdaq Composite: Last 15 Trading Days

Key ETFs (1 Day % Change)

Ticker	Name	Change	Last 6 Mos
SPY	S&P 500	-0.07	
IJH	S&P 400	-0.17	
IJR	S&P 600	-0.39	
DIA	Dow 30	-0.10	
QQQ	Nasdaq	0.02	
IWB	Russell 1000	-0.06	
IWM	Russell 2000	-0.32	
XLF	Financials	-0.63	
XLB	Materials	-0.46	
XLE	Energy	-0.59	
XLI	Industrials	-0.56	
XLY	Cons. Cyclical	0.20	
XLP	Cons. Staples	0.59	
XLV	Health Care	0.40	
IYZ	Telecom	-0.03	
XLK	Technology	-0.04	
XLU	Utilities	-0.02	
GDX	Gold Miners	0.05	
XME	Metals & Mining	-0.40	
XRT	Retail	0.11	
XHB	Homebuilders	0.10	
IYR	US Real Estate	-0.51	
KRE	Regional Banks	-1.66	
IWD	Russell 1000 Value	-0.23	
IWF	Russell 1000 Growth	0.03	
VIXY	VIX	-1.16	
AGG	Total Bond Mkt	-0.02	
TLT	20+ Yr Treasuries	0.25	
MUB	Muni. Bonds	0.14	
LQD	Invest. Gr. Bonds	-0.16	
JNK	High Yield Bonds	-0.11	
BKLN	Senior Loan	0.04	
GLD	Gold	-0.19	
SLV	Silver	0.07	
USO	Oil	-0.45	
UNG	Natural Gas	-2.36	
VT	Total World	-0.16	
CWI	World Ex-US	-0.19	
VEA	Developed Mkts	0.05	
EEM	Emerging Mkts	-0.52	
EZU	Eurozone	0.05	
DXJ	Japan JPY Hdg'd	-0.10	
EWZ	Brazil	0.74	
FXI	China	-1.12	
EWT	Taiwan	-0.08	
EWH	Hong Kong	-1.05	
EWW	Mexico	-0.52	

For Personal Use Only—Do Not Forward

Bespoke Market Timing Model: 4/15/19

| | Bearish | | Neutral | | | Bullish | |

		Current Level		Average S&P 500 Performance (%)		
Sentiment	Indicator	Direction	vs Historical	One Week	Two Weeks	One Month
CBOE Call Volume	3.2	↑	4.6	0.03	0.21	**0.89**
NYSE Up vs Total Volume (%)	57.6	↑	1.1	**-0.07**	0.19	0.53
Nasdaq Up vs Total Volume (%)	58.7	↑	1.3	**0.26**	0.36	0.56
Index vs Equity PC Ratio	1.7	↑	0.9	0.20	**0.38**	0.49
VIX 50-Day ROC (%)	-25.7	↑	-0.8	**0.20**	0.38	0.49
VIX 10-Day ROC (%)	-10.2	↑	-0.6	0.03	0.33	**0.20**
Investors Intelligence Bullish (%)	53.9	↑	0.7	0.01	**0.15**	**0.18**
Investors Intelligence Bearish (%)	19.2	↑	-0.7	0.10	**0.40**	0.60
Inv Intell. Bull Bear Spread	34.7	↑	0.8	**-0.01**	0.16	0.36
AAII Bullish (%)	40.3	↑	0.2	0.03	**0.11**	0.34
AAII Bearish (%)	20.4	↑	-1.3	0.15	0.36	**0.72**
AAII Bull Bear Spread	19.9	↑	0.8	0.10	0.18	0.64
Overall Sentiment		↑	**0.6**	**0.07**	**0.27**	**0.51**
Technical						
S&P 500 10-Day Avg. Spread (%)	0.6	↓	0.3	0.11	0.29	0.62
S&P 500 50-Day Avg. Spread (%)	3.6	↓	0.8	0.15	0.35	0.57
S&P 500 200-Day Avg. Spread (%)	5.1	↑	0.4	0.06	0.27	0.69
S&P 500 Monthly ROC (%)	2.9	↓	0.5	0.16	0.27	0.41
S&P 500 Weekly ROC (%)	0.3	↓	0.1	0.05	0.17	0.43
S&P 500 Quarterly ROC 1 (%)	11.3	↓	1.3	**-0.16**	**-0.05**	**1.38**
Group 10-Day A/D Line	71.0	↓	1.3	**0.37**	**0.44**	**0.22**
Group 50-Day A/D Line	242.0	↑	1.8	-0.06	**0.04**	0.27
S&P 500 10-Day A/D Line	735.0	↓	0.8	0.01	0.26	0.34
S&P 500 50-Day A/D Line	3258.0	↓	1.6	**-0.11**	0.05	**0.07**
NYSE TRIN Index	1.2	↑	0.1	**0.51**	**0.60**	**0.81**
Overall Technical		↓	**0.9**	**0.06**	**0.27**	**0.43**
Fundamental/Monetary						
Corporate Spreads (10-Day ROC)	-9.0	↓	-0.6	0.16	0.36	0.65
Corporate Spreads (50-Day ROC)	-21.0	↔	-0.4	**0.19**	0.38	**0.69**
High Yield Spreads (10-Day ROC)	-40.0	↓	-0.7	**0.18**	**0.45**	0.69
High Yield Spreads (50-Day ROC)	-68.0	↓	-0.4	0.17	**0.39**	0.65
S&P 500 P/S Ratio	2.2	↑	1.9	0.13	0.13	**0.70**
S&P 500 P/E Ratio	19.1	↑	0.4	**-0.05**	**-0.04**	**0.25**
S&P 500 P/B Ratio	3.4	↑	1.9	**0.00**	**-0.07**	**0.26**
Yield Curve (50-Day ROC)	-9.4	↑	-0.1	0.07	0.18	0.44
Yield Curve (10-Day ROC)	12.7	↑	0.7	0.17	0.28	0.52
Overall Fundamental		↓	**0.3**	**0.16**	**0.28**	**0.65**
Bottom Line		↑	**0.6**	**0.10**	**0.27**	**0.53**
Average S&P 500 Performance (All Days)				0.13	0.25	0.51

For Personal Use Only—Do Not Forward

Bespoke Market Timing Model – Explained

Sentiment	Current Level			Average S&P 500 Performance (%)		
	Indicator	Direction	vs Historical	One Week	Two Weeks	One Month
CBOE Call Volume	1.7	⬆	0.6	0.13	-0.22	-0.44
Overall Sentiment		⬆	0.3	0.14	0.16	0.28
Bottom Line		⬆	**0.3**	**0.12**	**0.21**	**0.27**
Average S&P 500 Performance (All Days)				0.12	0.24	0.50

The **Bespoke Market Timing Model** is a compilation of some widely (and not so widely) followed market indicators. While most investors have one or two indicators they rely on, we all recognize that no indicator by itself is correct all of the time. With this in mind, we set out to create a series of indicators from multiple disciplines in order to see what the 'crowd' of indicators are telling us. Just as no individual is bigger than the market, we contend that no single indicator is more accurate at forecasting the market than the sum of them all. What follows below is an explanation of the various fields in our report.

Indicator: Current level of the given indicator. In this example, CBOE call volume is 1.7 times CBOE put volume.

Direction: Change in the indicator (positive or negative) over the last week. In this example, calls relative to puts have increased during the last week.

vs Historical: This field measures the distance in standard deviations that the indicator is currently at versus its average over the last five years. In the above example, the volume of calls relative to puts is 0.6 standard deviations above its historical average.

Average S&P 500 Performance: This field displays the average performance of the S&P 500 following previously occasions when the indicator was at similar levels to the present. Values highlighted in green indicate the two indicators for that group which are predicting the biggest gains, while indicators highlighted in red highlight the indicators which are signaling the most negative returns going forward.

Overall Scores: Averages all the indicators for a given category. In the example above, overall sentiment is 0.3 standard deviations from its long-term average. At similar levels in the past, the S&P 500 has gone up an average of 0.14% over the next week, 0.16% over the next two weeks, and 0.28% over the next month.

Bottom Line: This line shows the average of all the indicators in the study. In the example above, the aggregate level of all the indicators is currently 0.3 standard deviations above the historical average, and based on prior experiences, the S&P 500 has gone up an average of 0.12% in the next week, 0.21% in the next two weeks, and 0.27% in the next month. Values highlighted in red indicate returns that underperform the S&P 500 over the entire period covered (regardless of the indicator level), while green highlights indicate that they outperformed the overall average S&P 500 performance.

Average S&P 500 Performance (All Days): This line measures the average historical performance of the S&P 500 over all periods for one week, two week, and one month time frames. These levels are then compared to the average level the indicators are predicting.in the next two weeks, and 0.27% in the next month. Values highlighted in red indicate returns that underperform the S&P 500 over the entire period covered (regardless of the indicator level), while green highlights indicate that they outperformed the overall average S&P 500 performance.