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\$SPX S&P 500 Large Cap Index INDXX  
22-Jan-2025 11:26am

Open 6081.39 High 6092.96 Low 6076.13 Last 6092.67 Chg +43.43 (+0.72%)

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6092.67

## About the Market Regime Charts and Indicators

The charts and indicators on this page define the market regime and answer the most important question for stock market traders. Are we in a bull or bear market? Traders want to take on risk and look for bullish trades in a bull market. Conversely, traders want to reduce risk and raise cash during bear markets. These charts cover the long-term trends for the major indexes, breadth, yield spreads, Fed policy and the 10-yr Treasury Yield.

The first three charts cover the long-term trends and breadth indicators for the S&P 500, Nasdaq 100 and S&P 1500. Bollinger Bands (125,1) define the long-term trends and three breadth indicators measure internal performance. An uptrend signals when price breaks the upper Bollinger Band and remains in place until a break below the lower band. Blue up arrows mark bullish signals, while pink down arrows mark bearish signals.

Each breadth indicator comes with signal thresholds to identify significant shifts and reduce whipsaws. The %Above 200-day SMA indicators turn bullish with a move above 60% and remain bullish until a move below 40%, which triggers a bearish signal. Signal thresholds are at 70% and 30% for the %Above 150-day SMA indicators. Thresholds are at +10% and -10% for the High-Low Percent indicators (percentage of 52-week highs less the percentage of 52-week lows). Blue up arrows mark bullish signals, while pink down arrows mark bearish signals.

The Junk Bond yield spread (ICE BofA High Yield Index Option-Adjusted Spread) measures the difference between junk bond yields and comparable yields for US Treasury bonds. This spread captures the mood of the credit markets. Spreads widen (rise) when there is stress, and this is bearish for stocks. Spreads narrow (fall) when there is confidence, and this is bullish for stocks.

The Fed Funds target rate (\$FEDTGT) tells us the latest moves at the Fed (easing or tightening). We also show the 3-month Treasury Yield, which sometimes leads the Fed by rising ahead of a tightening cycle or falling ahead of a loosening cycle. The 10-yr Treasury Yield reflects the outlook for economic growth, the prospects for inflation and/or supply/demand dynamics in the Treasury bond market.

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Nov Dec 2024 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2025 Feb

# 8110 Long-term Trend & Breadth SPX



SPY Trend and S&P 500 Breadth // SPY remains in an uptrend since it broke the upper Bollinger Band on 15-November-2023 and all three breadth indicators are on bullish signals (blue arrows in November-December 2023). SPY fell back into the Bollinger Band zone and I view this as a correction within a bigger bullish environment. The pink shading shows breadth deteriorating since mid December, but not triggering a bearish signal. All three breadth indicators improved in January as SPX Percent Above 200-day moved back above 60 Percent (blue shading) and SPX High-Low Percent turned positive.

# 8111 Long-term Trend & Breadth NDX



QQQ Trend and Nasdaq 100 Breadth // QQQ remains in an uptrend since it broke the upper Bollinger Band on 10-November-2023 and all three breadth indicators are on bullish signals (blue arrows in December 2023). The blue shading shows NDX Percent Above 200-day and NDX Percent Above 150-day moving sharply higher the last two weeks and exceeding 60 Percent. Breadth is back on the rebound. NDX High-Low Percent also turned positive and exceeded 5 percent recently.

# 8112 Long-term Trend & Breadth RSP



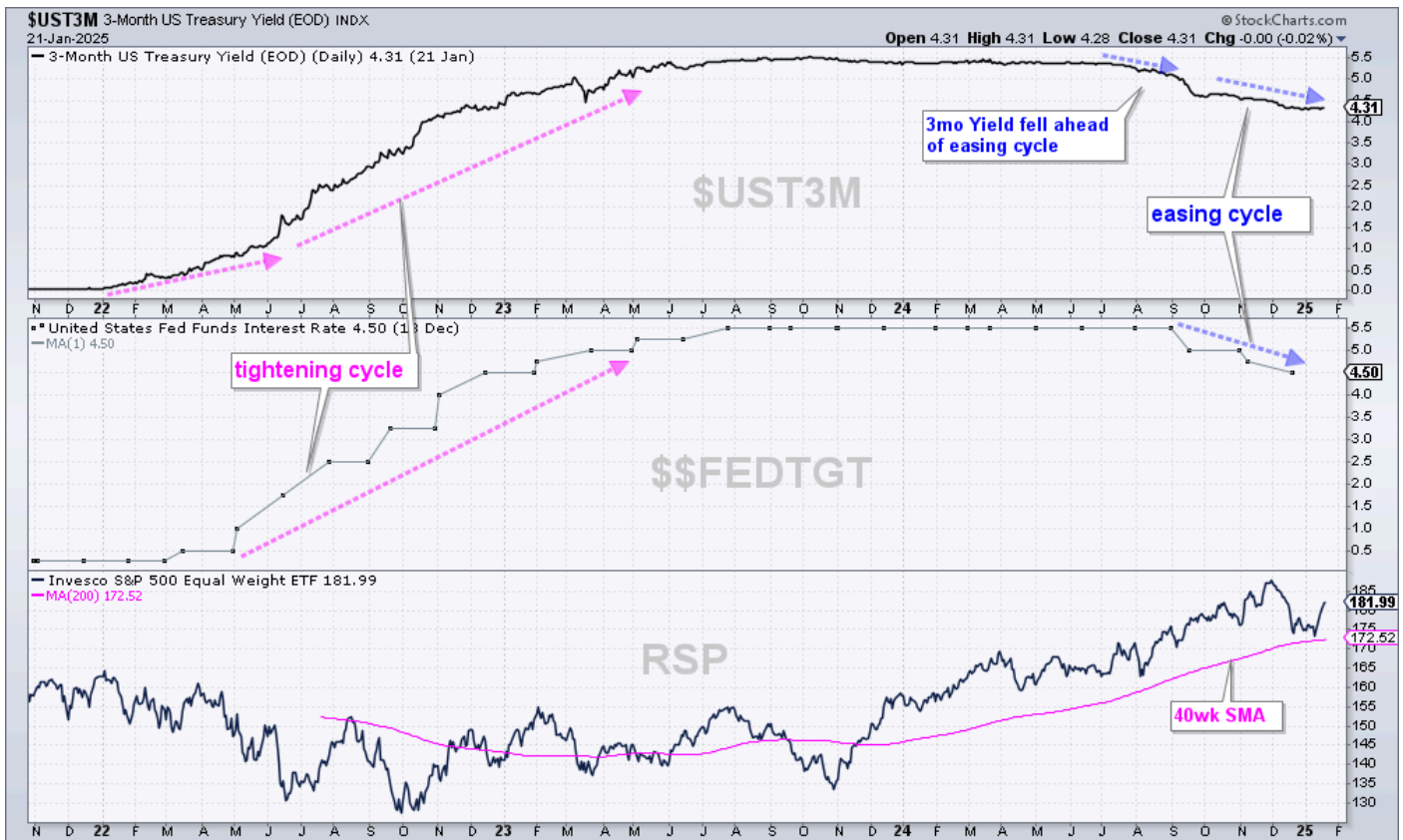
S&P 500 EW ETF Trend and S&P 1500 Breadth // RSP remains in an uptrend since is broke the upper Bollinger Band on 12-December-2023 and all three breadth indicators are on bullish signals (blue arrows in December 2023). The December deterioration (pink shading) was the most pronounced here because the S&P 1500 includes mid-caps and small-caps. These stocks also rebounded in mid January with Percent Above 200-day and Percent Above 150-day moving above 60 Percent.

# 8900 Yield Spreads



Junk Bond Yield Spread // The middle window on the chart above shows the Junk Bond Yield Spread (\$\$HYIOAS) falling (narrowing) in January 2025 and near a new low. There are clearly no signs of stress in the credit markets. Overall, this spread fell (narrowed) since March 2023 with a couple blips along the way. These were the Silicon Valley Bank scare in March 2023 and Yen carry-trend fiasco in August 2024.

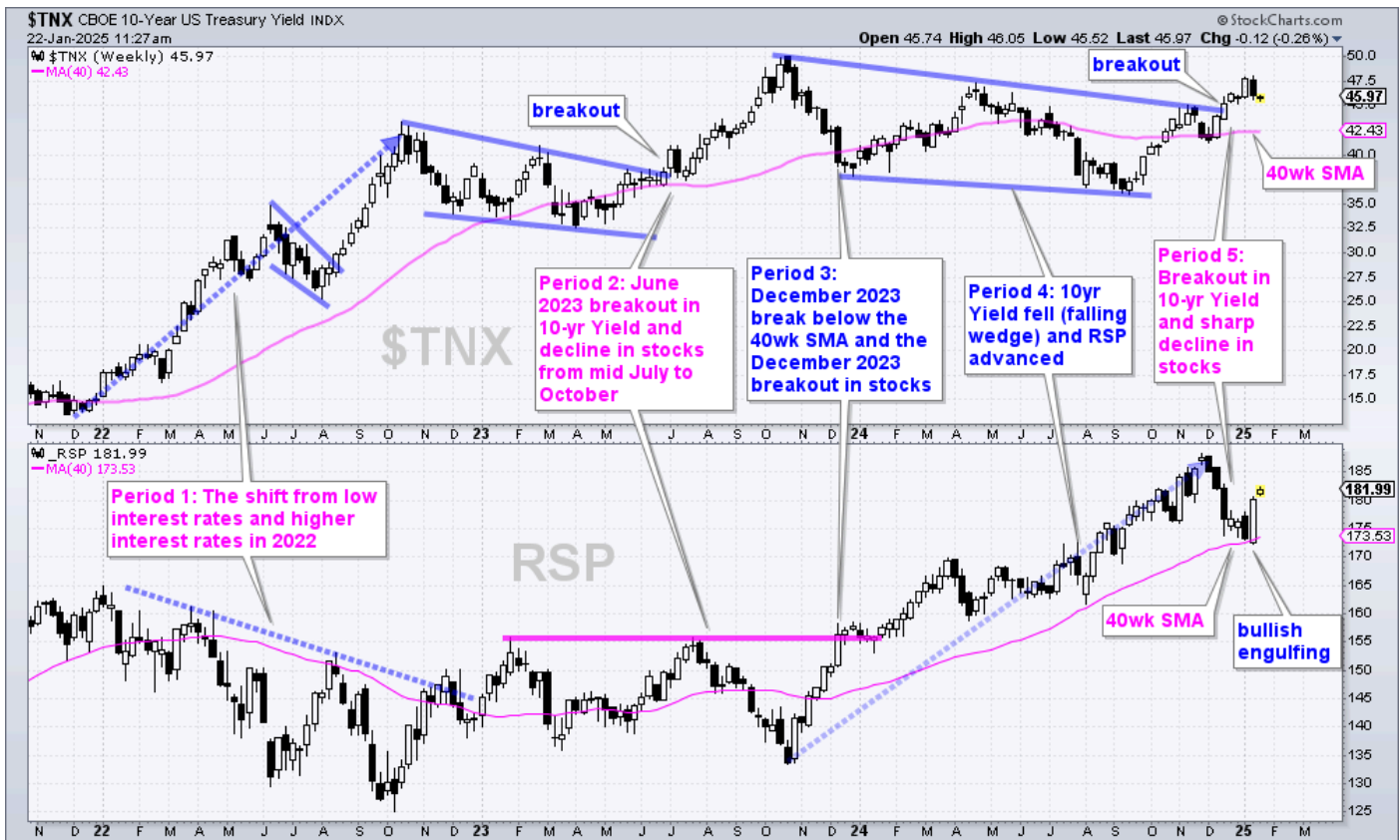
## 8910 Fed Funds Rate (Fed Policy)



Fed Policy // The chart above shows the Fed Funds Target Rate (\$FEDTGT) falling since September as the Fed embarked on an easing cycle. A dovish Fed is net positive for stocks. Notice that the 3-month Treasury Yield (\$UST3M) peaked in July and fell before the Fed made its first rate cut, which was on September 16th.

There are many drivers when it comes to the US Treasury market. These include the economic outlook, inflation expectations, government policies and supply/demand dynamics. Short-term Treasury yields are also influenced by these factors, but they are more closely aligned with Fed policy and the Fed funds rate.

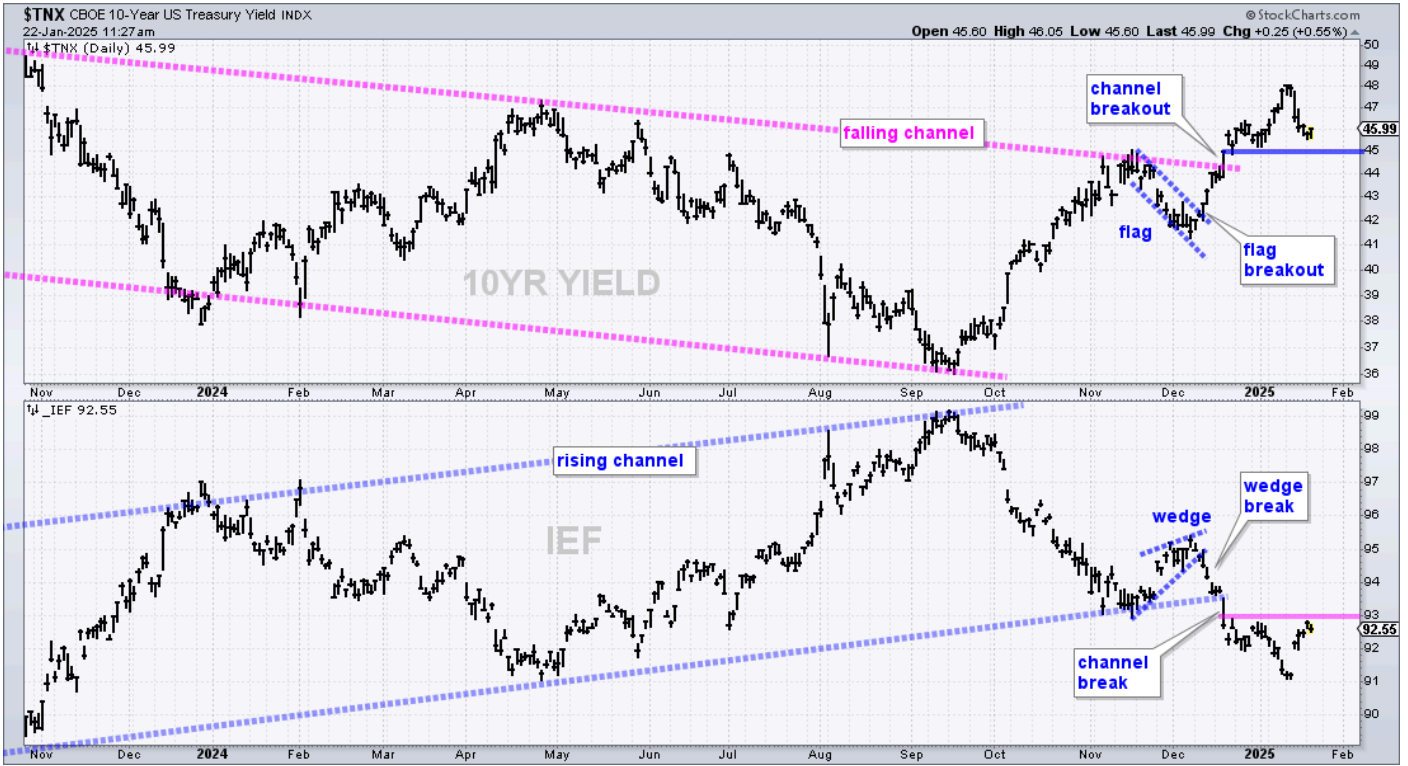
# 8930 10-yr Treasury Yield W



10-yr Treasury Yield // Even though the Fed is in easing mode, the chart above shows the 10-yr Treasury Yield breaking out of a large falling channel in mid December. This breakout argues for a move towards the 5% area and a similar move weighed on stocks in summer 2023 (Period 2). After a five week advance to 48 (4.8%), the yield fell back to the 46 area (4.6%). This is a small pullback after a big advance so I am not going to read too much into it just yet. Further weakness below 45 (4.5%) would provide the first sign that the breakout is failing.

There are four distinct periods on this chart. Period 1 shows the shift from low interest rates to higher interest rates in 2022, and the 2022 bear market. Period 2 shows the wedge breakout in June 2023 and the move to 5% (50 on the chart). Stocks peaked in mid July 2023 and fell sharply into October. We then have the dramatic decline in the 10-yr Treasury Yield in November-December (Period 3) and the continued decline into September 2024 (Period 4). Stocks advanced into November 2023 and then moved sharply lower in December as the 10-yr Treasury Yield broke out near 4.5% (45).

# 8931 10-yr Treasury Yield D



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