



\$NDX Nasdaq 100 Index INDX
19-Feb-2025 11:37 am

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Open 22121.73 High 22149.70 Low 22045.75 Last 22142.94 Chg -21.66 (-0.10%)

22200
22000
21800
21600
21400
21200
21000
20800
20600
20400
20200
20000
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Chart Trader Market Regime Report

(trend, breadth, yield spreads, interest rates)

Wednesday - 19 February 2025

The weight of the evidence continues to support a bull market in stocks. All three major index ETFs are in long-term uptrends and all nine breadth indicators are on bull signals (%Above 200-day SMA, %Above 150-day SMA, High-Low Percent). The breadth indicators weakened into January as the market corrected, but then rebounded into February with Nasdaq 100 breadth leading the way. The junk bond yield spread remains at narrow levels so there are no signs of stress in the credit markets. Short-term rates remain in a downtrend and the Fed has yet to turn hawkish. There is some concern with the 10-yr Treasury Yield and its wedge breakout so I will be watching this closely.

The long-term evidence remains bullish for stocks (bull market).
SPY, QQQ and RSP in long-term uptrends (Bollinger Band signals).
SPX, NDX and S&P 1500 breadth indicators are long-term bullish.
SPX %Above 200-day and %Above 150-day indicators improve
NDX leads as %Above 150-day exceeds 70% and new highs expand.
S&P 1500 breadth lags and reflects small-mid cap performance.
The Junk bond spread shows no stress in credit markets.
The Fed went on hold, but has yet to turn hawkish.
The 10-yr Yield turned volatile, but wedge breakout remains.

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



\$SPX S&P 500 Large Cap Index INDXX
19-Feb-2025 11:36am

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Open 6117.76 High 6128.98 Low 6111.15 Last 6128.53 Chg -1.05 (-0.02%)

6128.53
6100
6050
6000
5950
5900
5850
5800
5750
5700
5650
5600
5550
5500
5450
5400
5350
5300
5250
5200
5150
5100
5050
5000
4950
4900
4850
4800
4750
4700
4650
4600
4550

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.

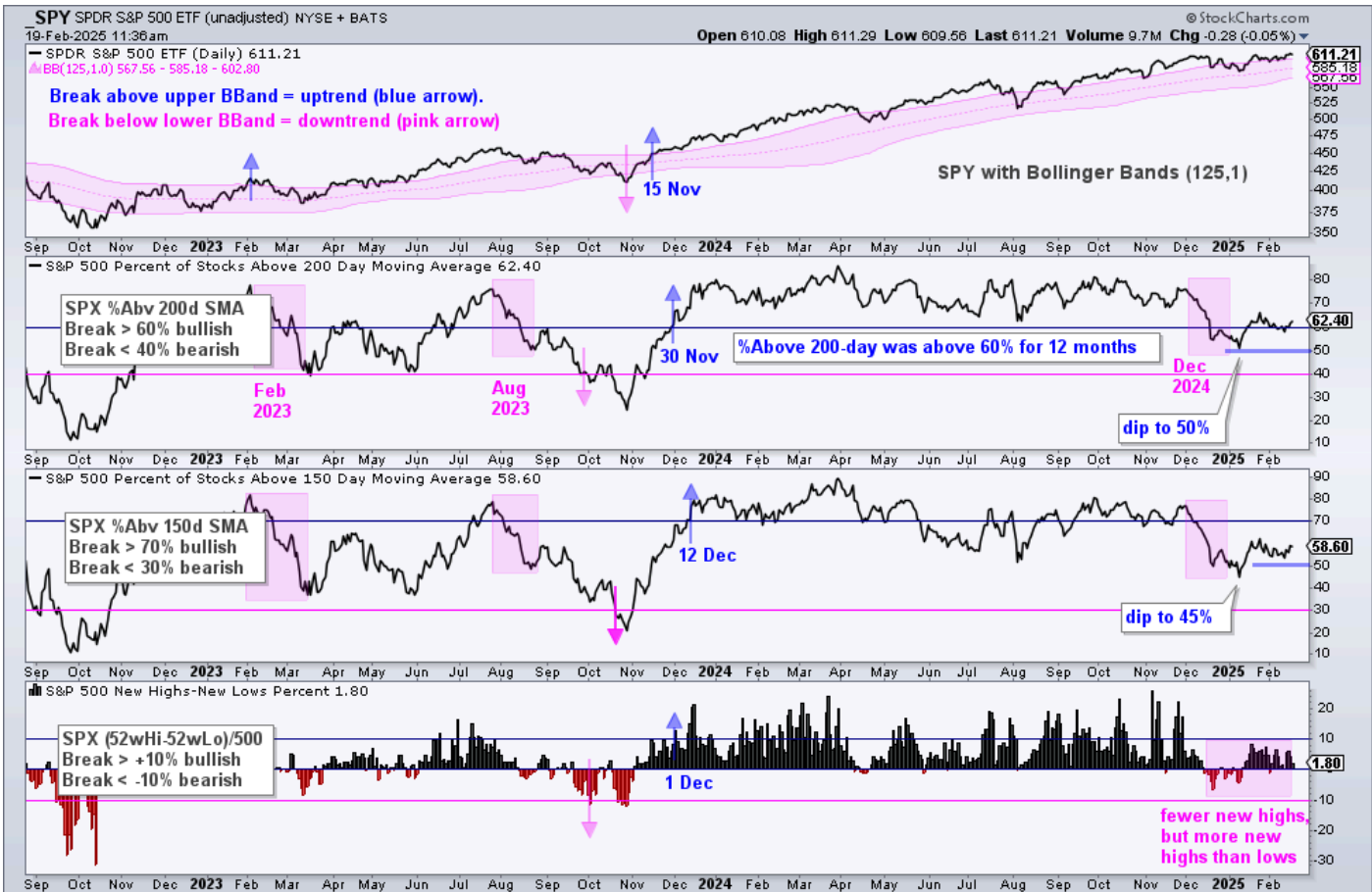
Each breadth indicator comes with signal thresholds to identify significant shifts and reduce whipsaws. The %Above 200-day SMA indicators turn bullish with a move above 60% and remain bullish until a move below 40%, which triggers a bearish signal. Signal thresholds are at 70% and 30% for the %Above 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.

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

8110 Long-term Trend & Breadth SPX

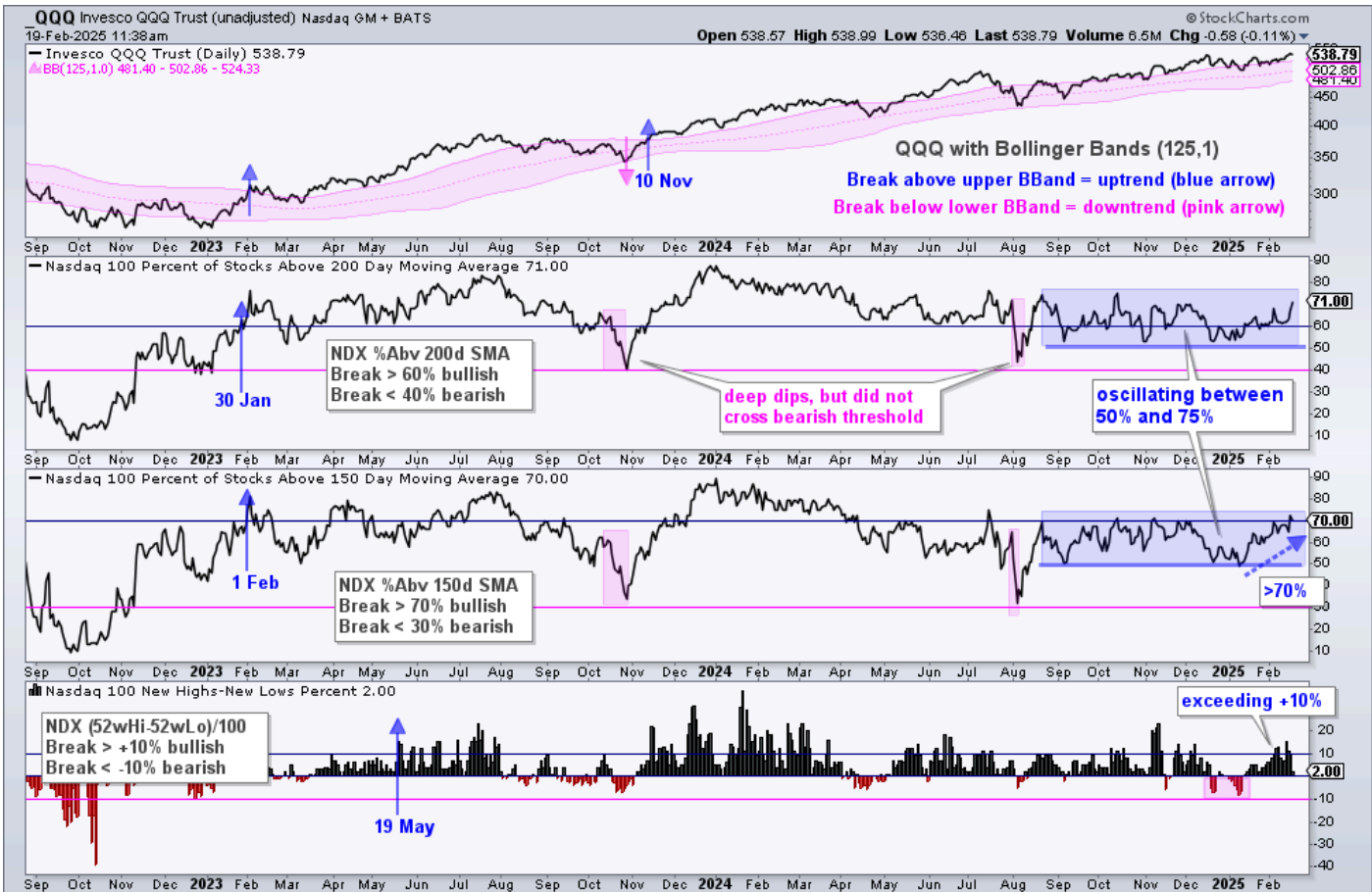


SPY Trend and S&P 500 Breadth // SPY remains in an uptrend and all three breadth indicators are bullish. SPY started its uptrend with the Bollinger Band breakout on 15-November-2023 and the three breadth indicators turned bullish in November-December 2023 (blue arrows).

The breadth indicators were hit hard in December 2024 (pink shading), but they recovered somewhat in January and remain strong enough here in February. S&P 500 Percent Above 200-day SMA (\$\$SPXA200R) was above 60% for 12 months and then fell to 50% in January. The indicator recovered with a move back above 60% and remains near the 60% level. The cup is clearly half full as long as more than 50% of S&P 500 stocks are above their 200 and 150 day SMAs. Moves below 50% would be negative.

The bottom window shows High-Low Percent dipping into negative territory in December and returning to positive territory in January. It remains largely positive, but did not get back above +10% this year. Even though this shows a leadership deficit, new highs are still outpacing new lows and this indicator is still bullish.

8111 Long-term Trend & Breadth NDX



QQQ Trend and Nasdaq 100 Breadth // QQQ remains in an uptrend and all three breadth indicators are bullish. QQQ signaled an uptrend when it broke the upper Bollinger Band in November 2023 and the breadth indicators triggered bullish in January, February and May 2023 (blue arrows).

Nasdaq 100 breadth improved this year with NDX %Above 200-day SMA moving above 65% and NDX %Above 150-day SMA exceeding 70%. The blue shadings show both oscillating between 50 and 75 percent. They continue to hold above 50% and keep the cup half full when it comes to the percentage of stocks in long-term uptrends.

The bottom window shows High-Low Percent exceeding 10% in February as new highs expand within the Nasdaq 100. As a percentage of total issues, the Nasdaq 100 shows the most leadership in the market.

8112 Long-term Trend & Breadth RSP



RSP Trend and S&P 1500 Breadth // The S&P 500 EW ETF (RSP) remains in an uptrend and all three breadth indicators are bullish. RSP started its uptrend with a Bollinger Band breakout in December 2023 and the breadth indicators also triggered bullish in December 2023 (blue arrows).

S&P 1500 breadth remains net bullish as S&P 1500 %Above 200-day SMA and S&P 1500 %Above 150-day SMA hold above 50%. S&P 1500 breadth is not as strong as S&P 500 and Nasdaq 100 breadth, which means mid-caps and small-caps are weaker than large-caps. Despite less strength, the cup is half full as long as both remain above 50%.

The bottom window shows S&P 1500 High-Low Percent oscillating between positive and negative since mid December. A move above +10% would show upside leadership expanding (bullish), while a move below -10% would show downside leadership expanding (bearish).

8900 Yield Spreads

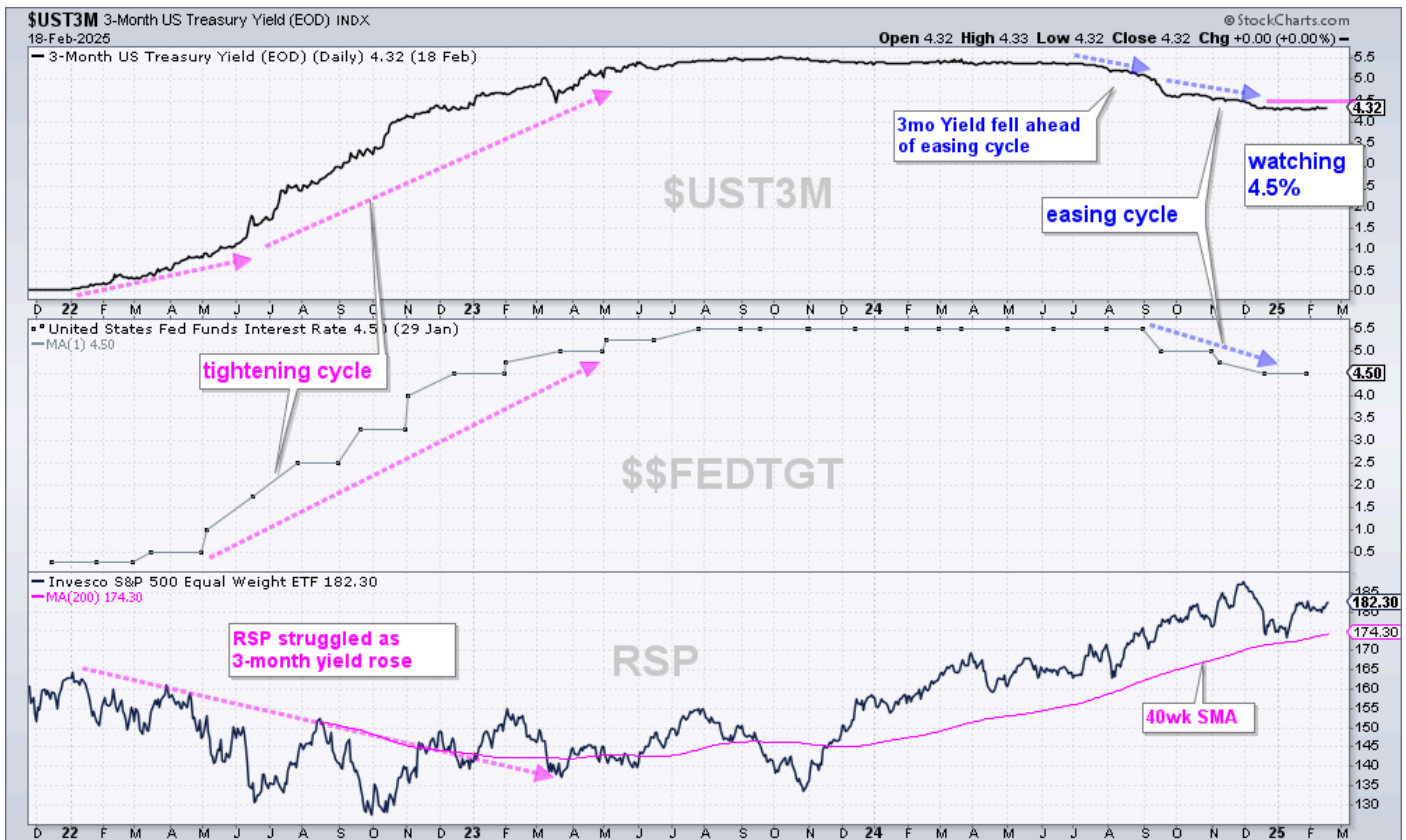


Junk Bond Yield Spread // The middle window on the chart above shows the Junk Bond Yield Spread (\$\$HYIOAS) narrowing since 2023 (blue arrow-line) and hovering near its low here in February 2025. There are no signs of stress in the credit markets and this is net positive for stocks.

It is almost impossible to predict a credit scare, but I will set a line in the sand. A surge above the December high and 200-day SMA would show an increase in stress levels (>3.02). This would be negative for stocks and likely coincide with some sort of pullback or correction. For now, the long-term trend is down (narrowing) and we have yet to see a move that threatens this downtrend.

The pink shadings show three sharp widening periods when the Junk bond yield spread broke out and exceeded its 200-day SMA. The Silicon Valley Bank collapse triggered a panic in March 2023 and the Yen carry-trade fiasco created a scare in August 2024. The blip in September-October 2023 coincided with a deep decline in stocks and a break below the 200-day SMA in SPY.

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. I am watching the 4.5 percent level going forward. A break above this level would show an upturn in short-term rates and this could foreshadow a shift in Fed policy.

Powell to the Senate Banking committee on February 11th: With our policy stance now significantly less restrictive than it had been and the economy remaining strong, we do not need to be in a hurry to adjust our policy stance. This puts the Fed on hold. The next FOMC meeting is March 18-19.

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.

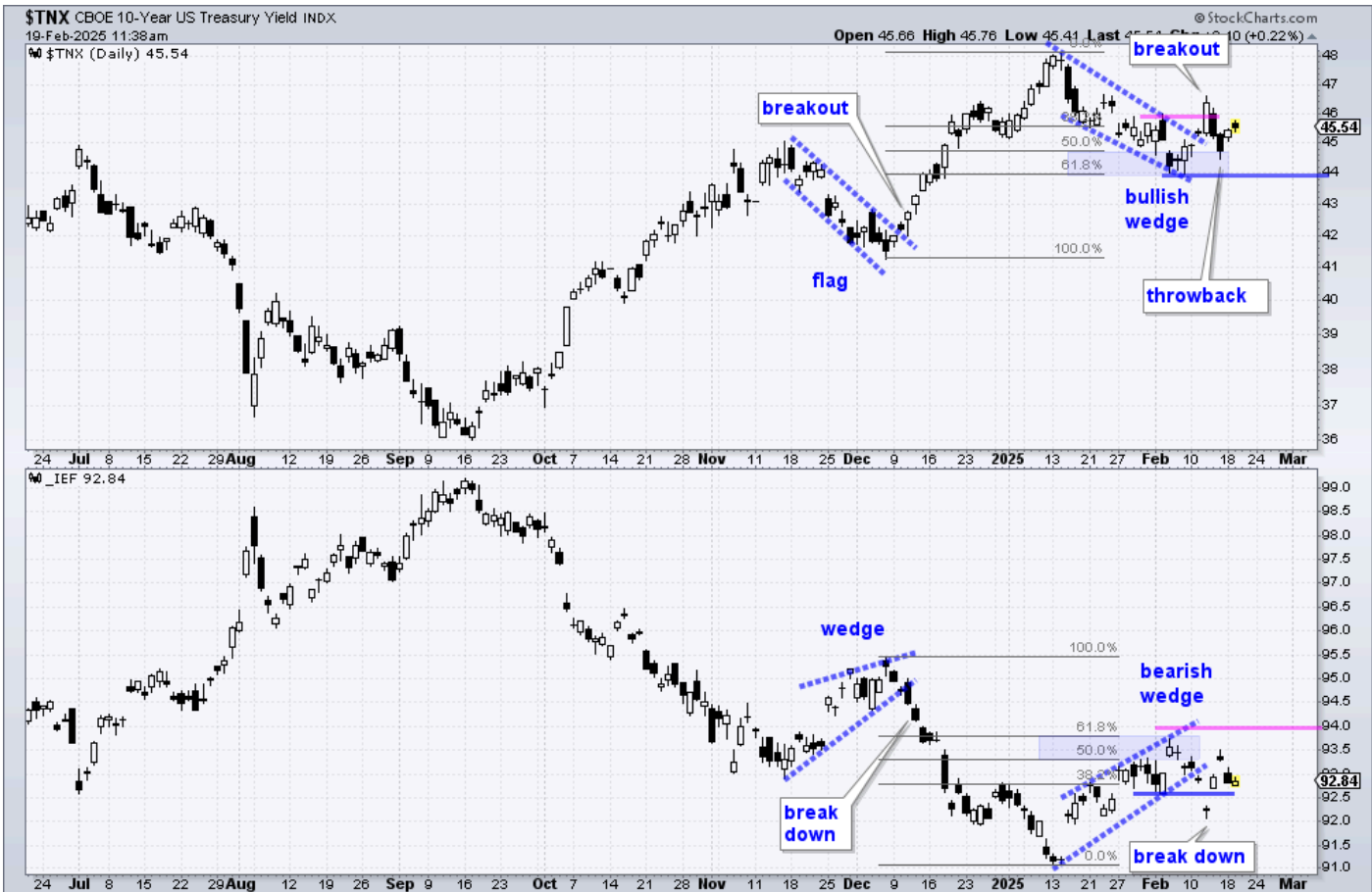
8930 10-yr Treasury Yield W



10-yr Treasury Yield // Even though the Fed is on hold, the chart above shows the 10-yr Treasury Yield breaking out of a large falling channel in mid December. Long term, the December breakout is bullish and argues for a move towards the 5% area. This is a concern because a similar move weighed on stocks in summer 2023 (Period 2).

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



10-yr Treasury Yield Breaks Out and Turns Volatile // The 10-yr Treasury Yield hit a new high near 48 (4.8%), corrected with a falling wedge and broke out with a surge above 46 (4.6%). This breakout did not hold long as the yield immediately fell back. However, I view this as a volatile throwback and remain bullish on yields. The wedge was a correction within a bigger uptrend and breakout has yet to be negated. The February lows mark support at 44 and a break below this level would negate the wedge breakout. This would also reverse the uptrend in the 10-yr Treasury Yield and be quite positive for small-caps, banks and, possibly, home builders.

The bottom window shows the 7-10 Yr Treasury Bond ETF (IEF) with a mirror image. IEF is in a downtrend with a new low in January and the rising wedge is a counter-trend bounce. Notice that the wedge retraced 61.8% of the prior decline, which is normal for a counter-trend bounce. IEF broke wedge support with a sharp decline below 92.5, but this break did not last long as the ETF moved back above the break. Even so, I view the break as bearish because it has yet to be negated and the bigger trend is down. Resistance is set at 94 and a breakout here would be bullish for IEF.