

United States

Michelle Meyer

US Economist

BofAS

No pressure, Chair Powell

- We believe Fed Chair Powell will have to strike the right balance between a more upbeat assessment of the outlook and the asymmetric FAIT reaction function.
- SEP: focus on the 2023 forecasts which should reveal an above-target inflation forecast and median expectations for a hike.
- The Fed will “talk about talking about” the path for asset purchases. But do not look for specifics in the meeting; possibly more details in the minutes.

2023: hike

The FOMC meeting on the 17th will be one of the most critical events for the Fed in some time. We believe Fed Chair Powell will have to strike the right balance between a more upbeat assessment of the outlook and the asymmetric FAIT reaction function. The result will be an acknowledgement that liftoff is earlier than believed back in mid-December but that it is still later than markets currently believe. Look out for three focal points:

1. **Forecast upgrade:** growth will likely be revised up significantly this year and to a lesser extent in the out years. We expect a nudge up in core inflation with an overshoot of the target in 2023. The dots will likely price one hike in 2023. We will play “name the dots” and evidence that the Big Three (Powell, Clarida and Brainard) have penciled in a hike would be significant.
2. **The shift in goalposts:** With the unemployment rate well below NAIRU by 2023 (likely by end of 2022) and with inflation at or above target during this period, why is the Fed only hiking once in 2023? Look for Fed Chair Powell to stress two factors: underweight the output gap (GDP improvement given the “sugar high” from stimulus) and overweight the “broad” measures of maximum employment. On inflation, he will likely stress that an increase to target and above is welcome but without evidence of “troublesome” inflation, the Fed can be patient.
3. **Balance sheet:** We believe the Fed statement will reiterate that the Fed is committed to fostering market functioning. In the press conference, Powell will likely be asked about the tools the Fed might use to adjust the balance sheet if faced with a market functioning issue. We think he will be reluctant to offer specifics and reiterate that they have “the tools.” When asked more broadly about the path of asset purchases, Powell will likely note that it is based on substantial progress towards the desired outcomes and that the Fed will give sufficient guidance before changing the purchase program. But unlike the last meeting, Powell will likely signal a comfort in “talking about talking about the path of asset purchases.” Look out for the minutes in 3 weeks for more details.

The forecasts, explained

The Summary of Economic Projections (SEP) will serve as one major communication tool for the Fed to acknowledge the better medium-term economic outlook. Indeed, we expect the latest projections to show material upward revisions from the December SEP. We expect growth this year to be revised by at least 1.5ppt to a range of 5.7% - 6.0% 4Q/4Q reflecting the effects of the American Rescue Plan and the improving outlook on the virus situation. Growth in 2022 should also be revised higher, albeit by a much more modest amount than in 2021 reflecting the fading effects of stimulus.

The unemployment rate is likely to be revised down across the forecast horizon, showing a faster reduction in labor market slack. However, it will be relatively modest compared to the upgrade in growth, suggesting a stronger labor force recovery. This will in turn support modest upward revisions to core PCE inflation such that the 2023 forecast will show an overshoot of the Fed's target. These ingredients — the unemployment rate at pre-pandemic levels and inflation modestly above target — will be enough to warrant one hike by the Fed in 2023.

For the dot-plot to show one hike in 2023, there will need to be at least 5 more forecasters penciling in a hike. This is because Governor Waller will submit his first forecasts at this meeting, bringing the total number of FOMC participants up to 18 (so pay attention to the 10th dot). It will also be important to “name the dots” and determine whether the Big Three (Powell, Clarida and Brainard) have penciled in a hike for 2023. We can assume that at least three dots won't move given the dovish leanings of three regional Fed presidents: Kashkari, Daly and Evans. If the consensus is otherwise for a hike, we can assume that Powell is in the hike camp. If it is a close call with only 10 hikes, it is likely the case that the Big Three didn't shift.

Exhibit 7: Expectations for the March Summary of Economic Projections (SEP)

We expect median fed forecasts to show a rosier economic outlook in March than in December and for the median federal funds rate dot to show 1 hike in 2023

	2021	2022	2023	Longer Run
Change in real GDP				
Expectations for March SEP	5.7	3.7	2.4	1.8
December SEP	4.2	3.2	2.4	1.8
BofA forecasts	7.3	3.4	—	—
Unemployment rate				
Expectations for March SEP	4.8	4.00	3.5	4.1
December SEP	5.0	4.2	3.7	4.1
BofA forecasts	5.0	4.1	—	—
PCE inflation				
Expectations for March SEP	2.0	2.0	2.1	3.0
December SEP	1.8	1.9	2.0	2.0
BofA forecasts	2.3	1.8	—	—
Core PCE inflation				
Expectations for March SEP	1.9	2.0	2.1	—
December SEP	1.8	1.9	2	—
BofA forecasts	1.8	2.0	—	—
Federal funds target rate (midpoint)				
Expectations for March SEP	0.125	0.125	0.375	2.5
December SEP	0.125	0.125	0.125	2.5
BofA forecasts	0.125	0.125	0.375	—

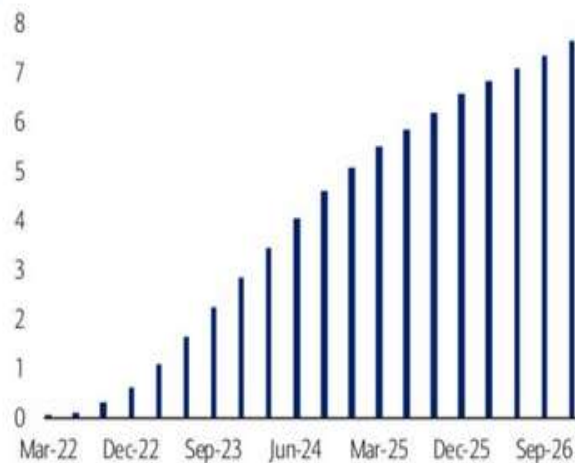
Source: Federal Reserve Board. Note: Green text denotes expectations for a positive revision relative to the December SEP

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In the press conference, Powell will do his best to downplay the dot plot. A lot can happen over the next three years after all and as economic conditions evolve, so will the policy path. But he will emphasize that the Fed will be lifting off the ZLB later than in prior cycles, all else equal, given the new FAIT regime. Of course, markets are already pricing in nearly 3 hikes by the end of 2023 so 1 hike in 2023 shouldn't come as a surprise (Exhibit 8) — see [Global Rates Weekly: Cat and mouse 11 March 2021](#). And, importantly, we do not think that Powell will actively try to push back on current market pricing given that the differential in policy expectations is far in the future.

Exhibit 8: Number of 25 bp rate hikes implied by the market

First rate hike in early '23, nearly 3 total hikes expected by end '23

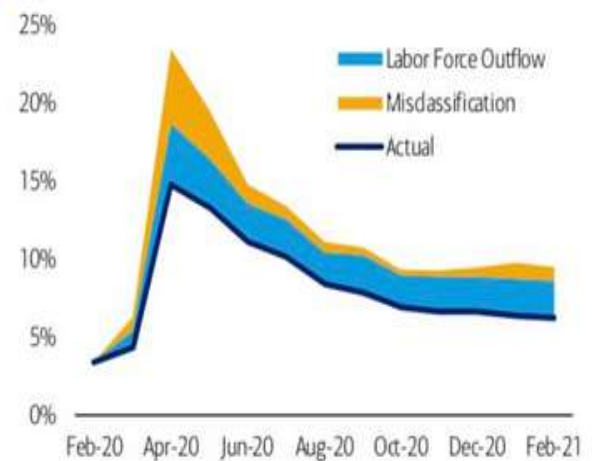


Source: BofA Global Research, Bloomberg

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Exhibit 9: Alternative unemployment rates (%)

Taking into account workers who have left the labor force and misclassification errors would argue for a much higher unemployment rate.



Source: BLS

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Redefining the goalposts

In the past year, the Fed has made significant changes to its longer-run goals and monetary policy strategy. The maximum employment goal is now “broad and inclusive” and policy decisions now respond only to “shortfalls” instead of “deviations” from maximum employment.

These changes, in our view, mean that the Fed is discounting the signal from the official U3 unemployment rate, which has fallen dramatically. Indeed, Brainard and other Fed officials have referenced an alternate unemployment rate that adjusts for workers who have left the labor force since the pandemic as well as misclassification errors (Exhibit 9). As of February, this alternate u-rate was 9.5%, compared to the 6.2% U3 rate, suggesting significantly more slack to work off. Other metrics that officials have referenced include prime-age employment-to-population ratios and the differences in unemployment rates between races. In short, the maximum employment calculus has gotten a lot more complicated and allows for a more significant tightening of the labor market than in prior cycles.

The Fed has also changed the risks around inflation, targeting an overshoot of the 2% inflation target to offset the extended period of undershooting. This means that inflation is welcome: the Fed wants to shift inflation expectations higher after the stubbornly low expectations over the prior cycle. To do so, the Fed has to sit tight while the labor market tightens and achieve a broad-based improvement in employment where wages are rising across income groups. When lower income workers realize wage growth we can see a push into underlying consumer prices. As Alex Lin notes in the [hot topic](#), we expect core inflation to accelerate but we do not think conditions are being set for “troublesome” or runaway inflation. This will allow the Fed to look past transient increases in inflation and allow inflation dynamics to turn more positive.

Talk about talking about the B/S

Fed officials have been hesitant to mention the “T”-word in recent communications. Both the January meeting minutes and Powell’s press conference showed that tapering was anything but top of mind among Fed officials.

In December, the Fed had just introduced objective based guidance tied to its asset purchase program making the following underlined change to its policy statement:

“In addition, the Federal Reserve will continue to increase its holdings of Treasury securities by at least \$80 billion per month and of agency mortgage backed securities by at least \$40

billion per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals."

Then in January the minutes showed that the majority, if not all, of the FOMC participants considered the economy to be a long way away from the Fed's objectives.

"With the economy still far from those goals, participants judged that it was likely to take some time for substantial further progress to be achieved."

Though the minutes were released three weeks after the January meeting, Powell made it clear in his presser that talks around adjustments to its asset purchase program were "premature." Here is his response to one question on the subject:

"You know, in terms of—in terms of tapering, it's just premature. We just created the, the guidance. We said we'd want to see substantial further progress toward our goals before we modify our, our asset purchase guidance. It's just too early to be talking about dates, which we should be focused on, on progress. We'll need to see actual progress. And when, when we see ourselves getting to that point, we'll communicate clearly about it to, to the public so nobody will be surprised when the time comes. And we'll do that well in advance of actually considering what will be a pretty gradual taper."

From that statement, it's clear that the Fed has a "prove-it-to-me" attitude when it comes to adjusting its policy stance. This means that the Fed will likely respond to actual data rather than adjustments to its forecasts. We see two reasons for this: (1) the failure to meet its inflation target last business cycle and (2) there is still too much uncertainty about the pandemic.

Either way, we can also see from Powell's statements that the Fed is promising a few things about changes to its asset purchase program:

1. Transparency: there will be no surprises and the Fed will try their best to avoid a 2013 taper-tantrum scenario where Bernanke caught markets off-guard.
2. Foresight: the timing will be made clear to the public well in advance of it happening.
3. Gradual: the Fed will slowly reduce the pace of its asset purchases-an elevated balance sheet is here to stay.

So what will be the tea leaves to watch for? In recent history the Fed has used the minutes as a good way to preview potential policy changes, particularly around the balance sheet. We expect the minutes of this meeting to give insight about the conversation around the table regarding the balance sheet.

Global economic calendar

The week ahead

Next week attention will be on the US FOMC Rate Decision, retail sales, industrial production and housing data. Monetary policy meeting in England and Japan. CPI inflation across the Euro area and Canada. In Emerging Markets, there are monetary policy meetings in Brazil, Russia, Turkey, Indonesia, Taiwan and Egypt. IP data in China.

Key events in the week ahead

NYT	Country	Data/Event	For	BofAe	Cons.	Previous
Monday, 15 March						
8:00	Brazil	Economic Activity MoM	Jan	0.50%	0.20%	0.64%
8:30	US	Empire Manufacturing	Mar	13.0	14	12
16:00	US	Net Long-term TIC Flows	Jan	—	—	\$121.0bn
Tuesday, 16 March						
2:45	France	CPI EU Harmonized (F, mom)	Feb	0.0%	--	0.0%
4:00	Italy	CPI EU Harmonized (F, yoy)	Feb	1.0%	--	1.0%
8:30	US	Retail Sales Less Autos	Feb	-2.3%	0.2%	5.9%
8:30	US	Retail Sales Less Autos and Gas	Feb	-2.9%	-0.4%	6.1%
8:30	US	Core Control	Feb	-3.0%	-0.5%	6.0%
9:00	Poland	Current account (EURmn)	Jan	n.a.	n.a.	430mn
9:00	Poland	Core CPI (yoy)	Feb	3.5%	n.a.	0
9:15	US	Industrial Production	Feb	0.3%	0.6%	0.9%
9:15	US	Manufacturing Production	Feb	-0.2%	0.4%	1.0%
9:15	US	Capacity Utilization	Feb	75.8%	75.4%	75.6%
Wednesday, 17 March						
5:00	Euro area	CPI (F, mom)	Feb	0.2%	--	0.2%
8:30	US	Housing Starts	Feb	1500k	1570k	1580k
8:30	US	Building Permits	Feb	1750k	1723k	1886k
8:30	Canada	CPI NSA MoM	Feb	0.60%	--	0.60%
14:00	US	FOMC Rate Decision (mid-point)	Mar 17	0.125%	0.125%	0.125%
17:00	Brazil	Selic Rate	17-Mar	2.50%	2.50%	2.00%
17:45	New Zealand	GDP SA QoQ	4Q	0.8%		14.0%
Thursday, 18 March						
3:20	Indonesia	Bank Indonesia Policy Rate Decision	-	3.50%		3.50%
5:00	Euro area	Trade Balance (sa)	Jan	n.a.	--	27.5bn
5:00	Poland	Industrial production (yoy)	Feb	n.a.	n.a.	0.90%
7:00	UK	Bank of England Bank Rate	18-Mar	0.10%	--	0.10%
7:00	UK	BOE Corporate Bond Target	Mar	20bn	--	20bn
7:00	UK	BOE Asset Purchase Target	Mar	875bn	--	875bn
7:00	Turkey	CBT rates decision	-	18%	n.a.	0.2
19:30	Japan	Nationwide CPI Ex Fresh Food YoY	Feb	-0.4%		-0.6%
-	Taiwan	CBC Policy Rate Decision	-	1.125%		1.125%
-	Egypt	CBE rates decision	-	8.25%	n.a.	8.25%
Friday, 19 March						
6:30	Russia	CBR rates decision	-	4.3%	4.3%	4.3%
-	Japan	BoJ policy rate decision (Policy Balance Rate)		-0.1%		-0.1%
-	Japan	BoJ policy rate decision (10-Yr Yield Rate)		0.00		0.00

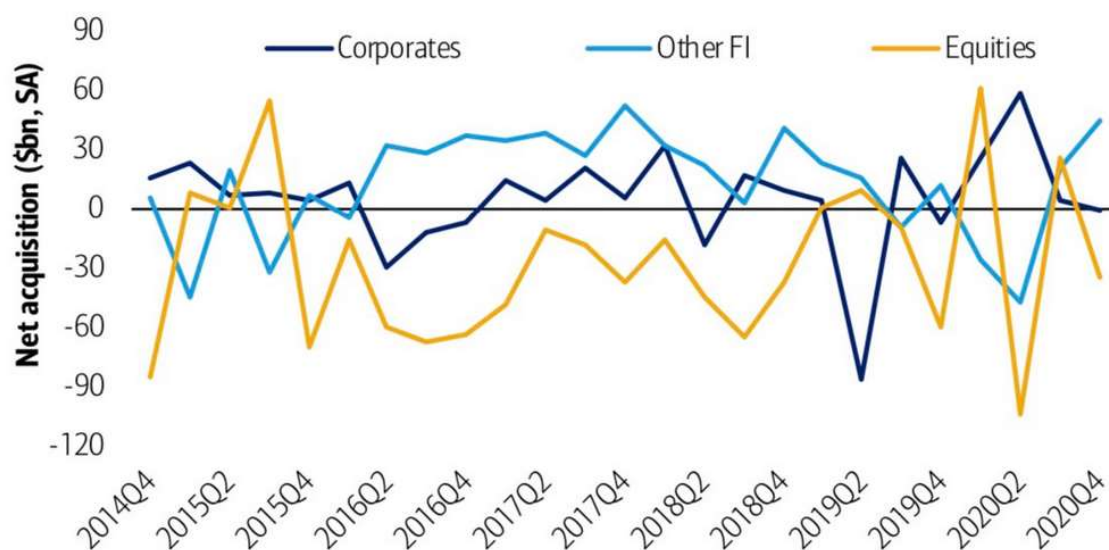
Source: Bloomberg, BofA Global Research

Private, state and local pension funds

Private, state and local pension funds net sold \$0.9bn of corporate bonds in 4Q20 after net buying \$4.4bn in 3Q20, net bought \$44.7bn of other fixed income assets in 4Q after net buying \$21.0bn in 3Q, and net sold \$35.0bn of equities in 4Q after net buying \$26.2bn in 3Q (Figure 44).

Figure 35: Private, state and local pension funds: net acquisition of financial assets

Private, state and local pension funds net sold \$0.9bn of corporate bonds and \$35.0bn of equities, and net bought \$44.7bn of other fixed income assets in 4Q20



Note: seasonally adjusted annual rates divided by four.

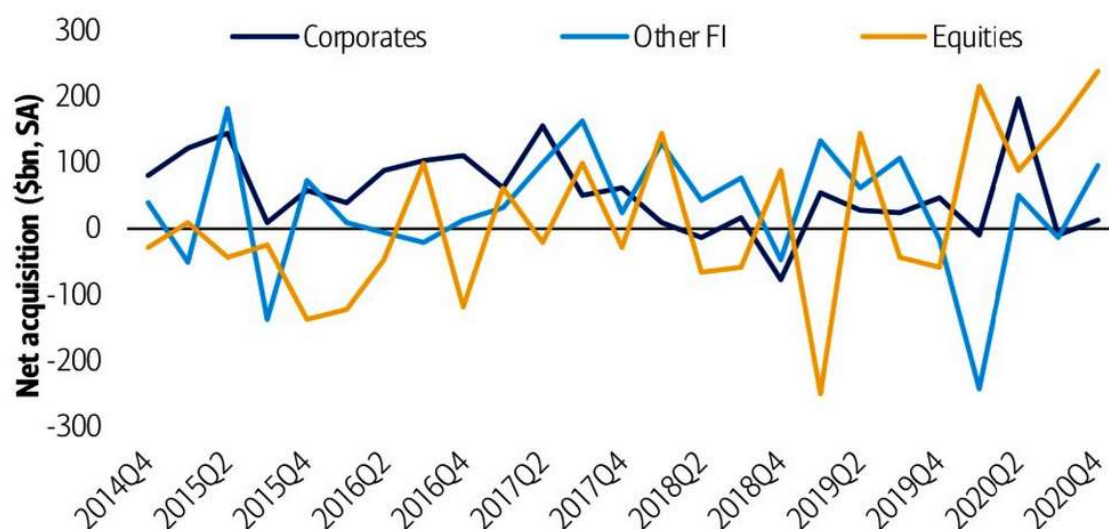
Source: Federal Reserve Flow of Funds

Rest of the world

Foreign investors net bought \$14.4bn of US corporate bonds in 4Q20 after net selling \$9.3bn in 3Q20. They also net bought \$94.9bn of other fixed income securities including \$57.1bn of Treasuries in 4Q, after net selling \$11.1bn of other fixed income securities but net buying \$42.1bn of Treasuries in 3Q, while increasing net buying of equities to \$238.8bn in 4Q from \$155.1bn in 3Q (Figure 46).

Figure 37: Rest of the world: net acquisition of financial assets

Foreign investors net bought \$14.4bn of US corporate bonds, \$94.9bn of other fixed income securities including \$57.1bn of Treasuries, and \$238.8bn of equities in 4Q20

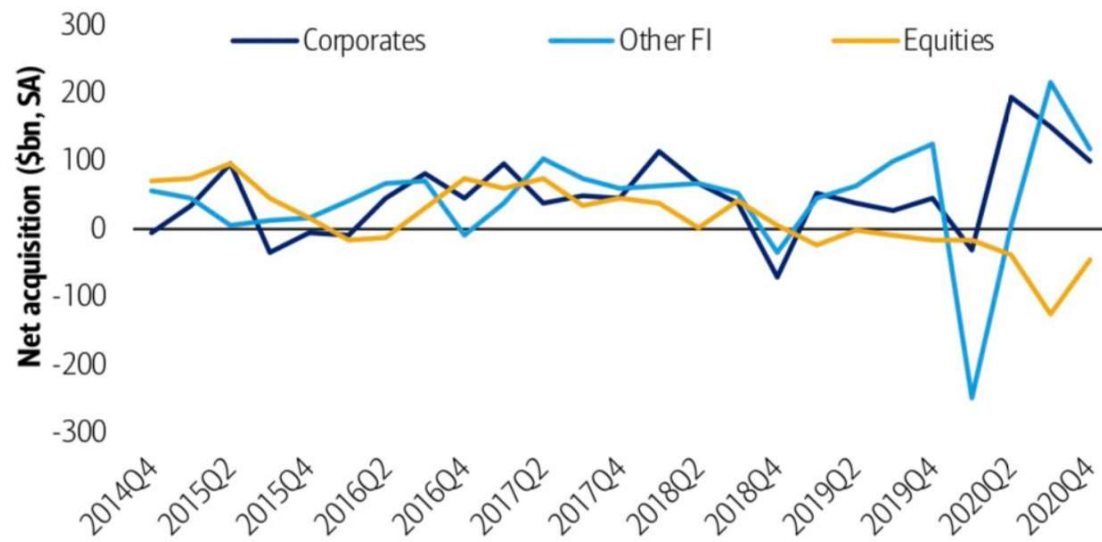


Note: seasonally adjusted annual rates divided by four.

Source: Federal Reserve Flow of Funds

Figure 34: Mutual funds: net acquisition of financial assets

Mutual funds and ETFs net bought \$98.9bn of corporate bonds and \$117.4bn of other fixed income assets including \$34.5bn of Treasuries, and net sold \$46.3bn of equities in 4Q20



Note: seasonally adjusted annual rates divided by four.

Source: Federal Reserve Flow of Funds

The Fed's communication challenge

The economic surprise index has now exceeded zero for more than nine months, a new record, but was mostly above 50 which is close to tops in previous cycles (Figure 1). What this means is that economists have continued to underestimate the strength of the US economy by an unprecedented amount for an unprecedented period of time. Consensus GDP growth for 2021 was 3.9% at the beginning of this year and has since risen steadily to 5.5% on fiscal stimulus and a better than feared trajectory for the Coronavirus outbreaks (Figure 2). However our economists expect much higher growth of 6.5% and that's a forecast based on only a \$1.7bn fiscal stimulus package vs. \$1.9bn actual, no infrastructure plan later in the year and another spike in Covid-19 cases. Given (so far) just a short period of flat lining cases late February/early March followed by resumed decline, clearly it would appear that investors should be prepared for the risk of a situation with perhaps 7%+ growth in 2021, i.e. much higher than consensus.

FOMC meeting the next challenge

Communication in an environment of super rapid growth, where the data continues to come in much better than expected, has to be a formidable challenge for the Fed. The first sign of this was Fed Chair Powell's interview with the WSJ Thursday last week where he failed to acknowledge tightening financial conditions as long term interest rates rise. The next challenge will be the FOMC meeting this coming Wednesday where the Fed no doubt will continue to push a view that the US economy remains far from maximum employment, even as their new economic projections acknowledge an improved trajectory and possibly dots are pulled forward. We think a relevant risk from that mix is another bout of higher interest rates and rates vol and wider credit spreads.

Figure 1: Better than expected US economic data for more than 9 mths

Economic surprise index has exceeded zero for more than 9 months, a new record, but was mostly above 50 which is close to tops in previous cycles.

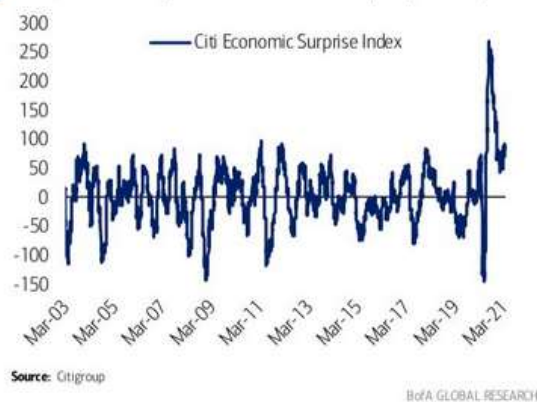
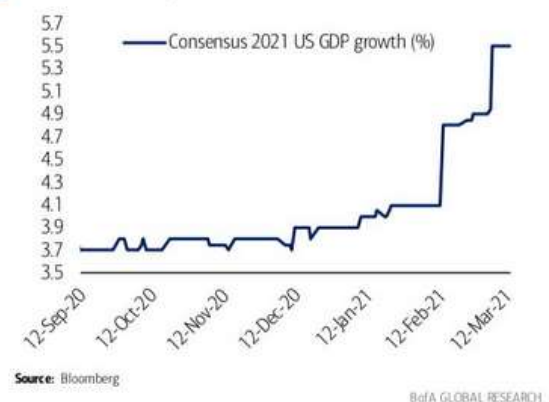


Figure 2: Consensus US 2021 GDP growth has risen to 5.5%

Consensus GDP growth for 2021 was 3.9% at the beginning of this year and has since risen steadily to now 5.5%.

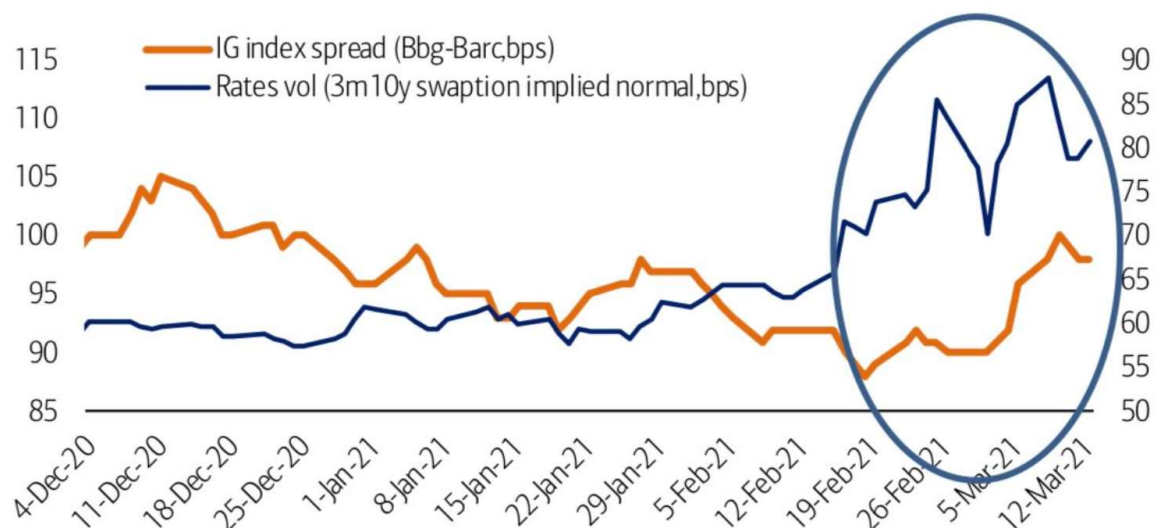


Remain tactically underweight

IG credit spreads are 98bps (Bloomberg-Barclays), or 10bps off the recent tights. We remain tactically underweight IG - not targeting a specific spread level but waiting for some further spike in rates vol and wider spreads before the Fed intervenes (Figure 3), either through word-of-mouth or actual action. We still consider this a short term trade as the Fed will not tolerate much tighter financial conditions with still too much Corona around, investors can only sit on the sidelines for so long, cash levels are near records (see: [Mar '21 Credit Investor Survey 05 March 2021](#)) and issuance volumes taper.

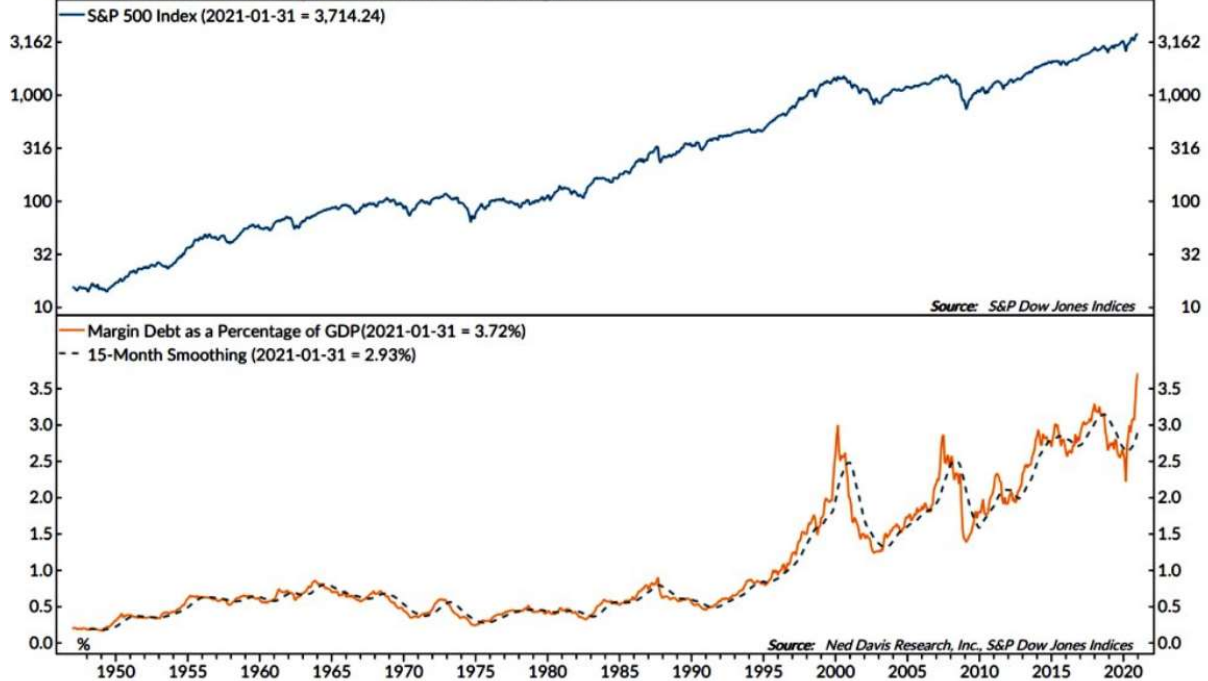
Figure 3: Higher rates vol driving IG credit spreads wider

When interest rate volatility increased starting in the last part of February IG credit spreads widened out



S&P 500 Index vs. Margin Debt as a Percentage of GDP

Monthly Data 1947-01-31 to 2021-01-31



Margin Debt = \$798.61 Billion = 3.72%
GDP = \$21487.90 Billion

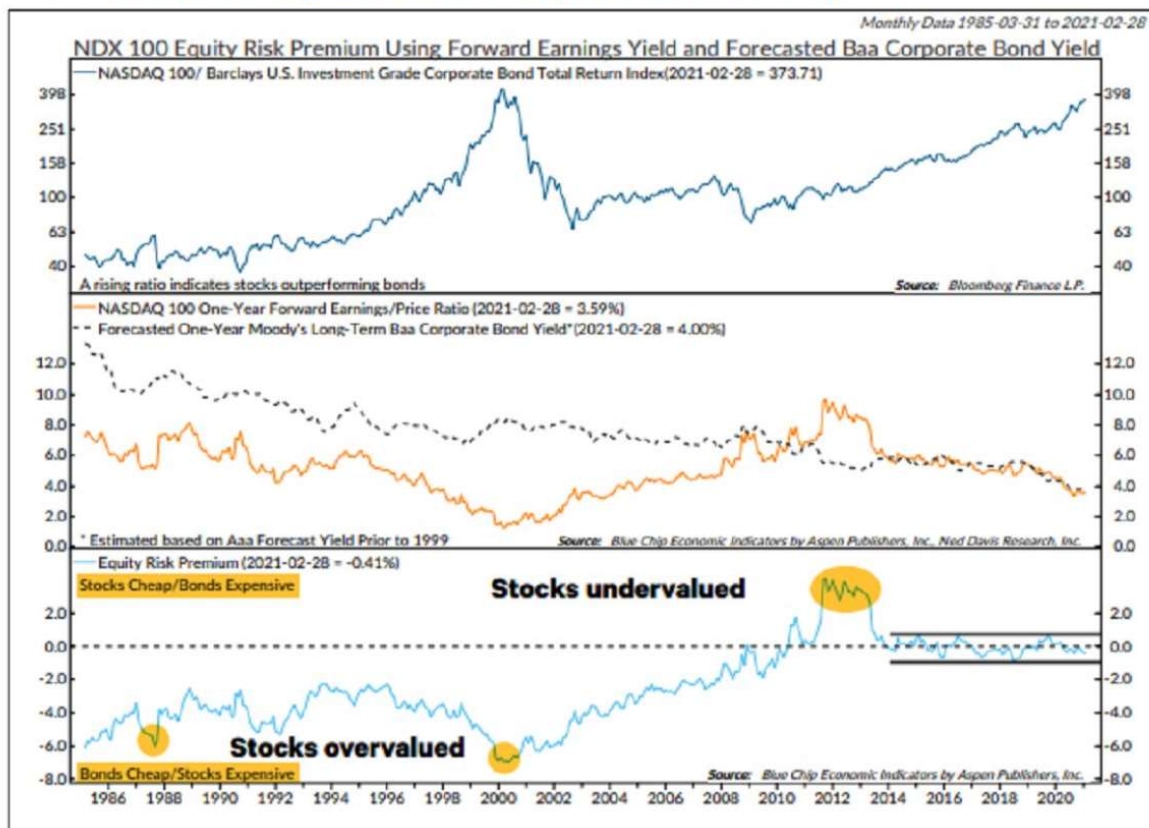
S&P 500 Index Performance Full History: 1947-01-31 to 2021-01-31		
Margin Debt to GDP is	% Gain/ Annum	% of Time
Above 15-Month Moving Average	11.84	58.17
Below 15-Month Moving Average	2.23	41.83
Buy/Hold = 7.66% Gain/Annum		

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NDX could fall by 20% if bond yields rise 50 bp



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Top 50 NASDAQ Jumps in Shorts										
Symbol	Issue	Price 03/12/21	Seasonal Juice 20-Day Lookahead	Seasonal Cycle R	CHANGE	Erlanger Short Ratio	Trend	PER Group	Mkt Cap (mil)	
AAPL	APPLE INC	\$121.03	18.2124	.96	12470074	0.73	DOWNTREND	Computer Hardware	2016750	
DBX	DROPBOX	\$27.06	9.1053	-.04	10070001	3.88	UPTREND	Internet Software/Serv	9560	
WKHS	WORKHORSE GROUP	\$16.87	-19.8939	-.21	9270005	1.56	DOWNTREND	Automobile Mfg	1790	
AZN	ASTRAZENECA PLC	\$48.42	18.8078	.80	8380083	11.75	RALLY	Pharmaceuticals	125600	
INO	INOVIO PHARMACEUTICALS INC	\$10.50	12.1619	-.01	7139924	1.93	PULLBACK	Biotechnology	1900	
INTC	INTEL CORP	\$62.90	24.8453	.44	4919959	1.89	PULLBACK	Semiconductors	236990	
BMBL	BUMBLE	\$69.26			4650000	0.90		Application Software	6880	
KDMN	KADMON HOLDINGS	\$4.44	.6447	-.30	4470087	13.19	DOWNTREND	Pharmaceuticals	797	
FLDM	FLUIDIGM CORP DEL	\$4.52	-19.0805	.04	4440076	3.93	DOWNTREND	Life Sciences Tools/Serv	299	
NBEV	NEWAGE	\$3.04	-42.5262	.12	4290032	3.75	DOWNTREND	Food Distributors	322	
OCGN	OCUGEN	\$10.00	-2.4414	.70	4270036	0.47	PULLBACK	Biotechnology	1690	
IQ	IQIYI	\$26.44	-30.6417	-.36	4129922	6.70	UPTREND	Movies & Entertainment	18800	
LI	LI AUTO	\$25.69			3780014	0.82	RALLY	Automobile Mfg	20190	
BLNK	BLINK CHARGING	\$39.31	-22.6198	-.69	3470024	1.95	DOWNTREND	Auto Parts & Equipment	1260	
ADI	ANALOG DEVICES INC	\$149.54	12.7792	.48	3339995	12.43	DOWNTREND	Semiconductors	53310	
FIZZ	NATIONAL BEVERAGE CORP	\$50.71	37.4700	.75	3250064	12.13	PULLBACK	Soft Drinks	4560	
CLVS	CLOVIS ONCOLOGY	\$5.94	-15.9855	-.64	3179988	5.95	DOWNTREND	Biotechnology	592	
FGEN	FIBROGEN	\$35.15	-.8293	-.19	3049920	13.02	DOWNTREND	Pharmaceuticals	3090	
RIDE	LORDSTOWN MOTORS	\$14.78			3029958	0.89	DOWNTREND	Automobile Mfg	2930	
WOOF	PETCO HEALTH AND WELLNESS	\$22.71			2930000	5.49		Specialty Stores	4180	
MVIS	MICROVISION INC DEL	\$17.47	29.0539	-.08	2909981	1.33	PULLBACK	Electronic Equipment Mfg	1940	
BNGO	BIONANO GENOMICS	\$9.38	-23.9649	.16	2870011	0.89	DOWNTREND	Life Sciences Tools/Serv	1250	
FISV	FISERV INC	\$124.13	11.2123	.84	2860025	3.12	UPTREND	Data Processing Services	77360	
CRIS	CURIS INC	\$10.92	5.1821	-.47	2659988	0.82	PULLBACK	Biotechnology	751	
XERS	XERIS PHARMACEUTICALS	\$4.81	-3.0651	.12	2619974	4.29	DOWNTREND	Pharmaceuticals	242	
GT	GOODYEAR TIRE & RUBR CO	\$18.17	19.9936	-.43	2560012	2.49	PULLBACK	Tires & Rubber	4250	
RPRX	ROYALTY PHARMA	\$46.92			2549998	4.56	RALLY	Pharmaceuticals	25710	
RWLK	REWALK ROBOTICS	\$3.13	-10.2022	.79	2479649	2.58	PULLBACK	Health Care Technology	95	
SOLO	ELECTRAMECCANICA VEHICLES	\$5.83	-16.1191	-.46	2380029	1.11	DOWNTREND	Automobile Mfg	529	
RP	REALPAGE INC	\$87.13	-10.4449	-.49	2370033	10.33	PULLBACK	Application Software	8870	
AFRM	AFFIRM HOLDINGS	\$79.57			2320000	1.39		IT Consulting	21740	
MXIM	MAXIM INTEGRATED PRODS INC	\$87.98	18.8775	-.61	2290013	5.51	DOWNTREND	Semiconductors	23150	
VG	VONAGE HLDGS CORP	\$12.26	-5.6399	-.27	2210005	5.96	DOWNTREND	Alternative Carriers	3160	
AMKR	AMKOR TECHNOLOGY INC	\$22.60	26.6356	-.46	2199939	3.82	PULLBACK	Semiconductor Equipment	5050	
FB	FACEBOOK	\$268.40	-9.5188	.67	2150008	1.11	RALLY	Internet Software/Serv	733670	
RXT	RACKSPACE TECHNOLOGY	\$20.55			2049962	5.53	DOWNTREND	Systems Software	4200	
PLUG	PLUG POWER INC	\$47.25	41.9750	-.46	1999979	1.43	DOWNTREND	Electrical Components/Equip	20110	
CHNG	CHANGE HEALTHCARE	\$22.90	-14.5592	.00	1980051	4.68	DOWNTREND	Health Care Technology	6840	
BIDU	BAIDU INC	\$264.25	9.4087	-.16	1929959	2.58	PULLBACK	Internet Software/Serv	88880	
ABNB	AIRBNB	\$206.74			1880043	1.51	PULLBACK	Internet Software/Serv	108000	
AMAT	APPLIED MATLS INC	\$114.29	13.0736	-.74	1879933	1.45	PULLBACK	Semiconductor Equipment	99330	
ISBC	INVESTORS BANCORP INC	\$15.01	-.6234	-.16	1869975	7.80	UPTREND	Regional Banks	3400	
SSYS	STRATASYS INC	\$28.34	10.2079	-.88	1840016	3.71	DOWNTREND	Computer Hardware	1380	
LAZR	LUMINAR TECHNOLOGIES	\$27.46	-3.7449	.00	1829995	0.55	DOWNTREND	Diversified Capital Markets	7600	
AUTL	AUTOLUS THERAPEUTICS	\$6.70	13.8013	-.52	1800035	17.05	DOWNTREND	Pharmaceuticals	413	
CINF	CINCINNATI FINL CORP	\$107.61	11.1692	.26	1799973	7.37	UPTREND	Property & Casualty Insurance	16100	
ATNF	180 LIFE SCIENCES	\$6.38			1678809	1.27	UPTREND	Biotechnology	95	
EBON	EBANG INTERNATIONAL HOLDINGS	\$10.40			1630018	0.73	UPTREND	Computer Hardware	771	
XEL	XCEL ENERGY INC	\$62.08	18.9519	.87	1589933	2.10	RALLY	Multi-Utilities	31680	
PAAS	PAN AMERICAN SILVER CORP	\$32.07	28.9463	-.76	1569928	1.38	PULLBACK	Precious Metals & Minerals	6500	

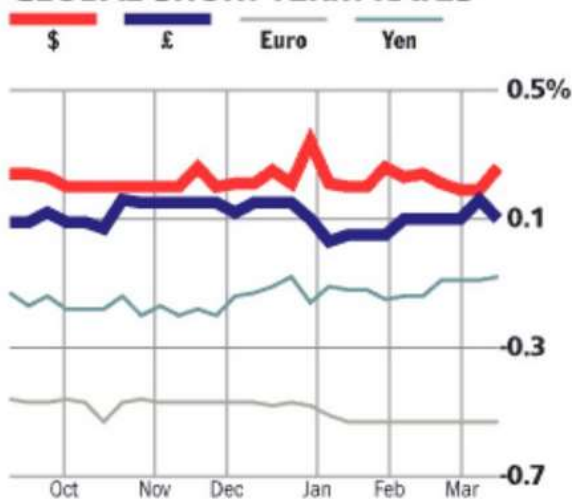
(C) 2021 Phil Edwards Research Co., Inc.

Market Sentiment LAST +1.16

Citigroup Panic/Euphoria Model



GLOBAL SHORT-TERM RATES



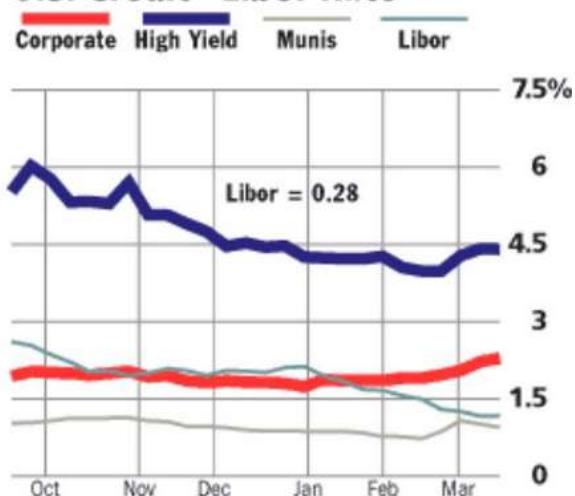
GLOBAL LONG-TERM RATES



U.S. TREASURY YIELD CURVE



U.S. Credit - Libor Rate

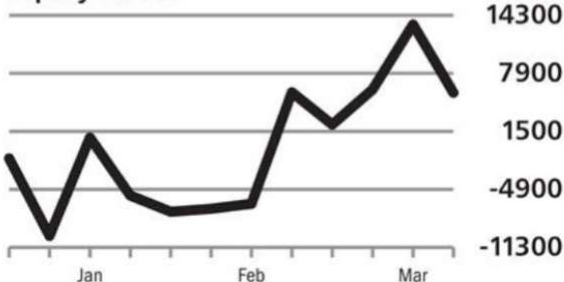


Source: Barrons Statistics / Tradeweb ICE US Treasury Close

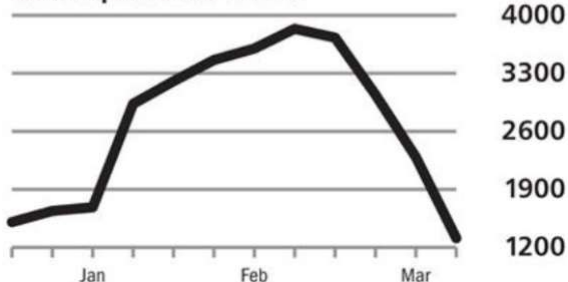
CASH TRACK

Out, Out: Investors pulled cash from equity funds, dropping the last month's average weekly inflow to \$5.8 billion. Taxable-bond inflows also dropped to \$3.9 billion, as did muni-bond fund inflows, to \$1.3 billion. But money-market funds took in \$19.3 billion.

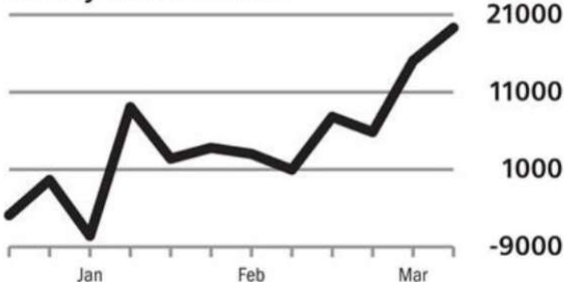
Equity Funds



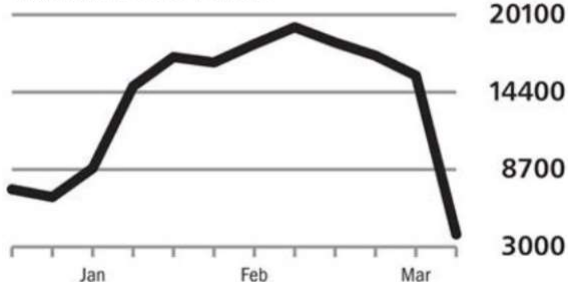
Municipal Bond Funds



Money Market Funds



Taxable Bond Funds



The charts above show four-week moving averages of net cash flow in millions of dollars.

BARRON'S • Lipper FMI

DELTA MARKET SENTIMENT INDICATOR

The Delta MSI measures the position of ~1,800 stocks relative to an intermediate-term moving average crossover (MAC) point. When greater than 50% of the stocks followed are above this MAC point, the market is bullish and equities are attractive. When the indicator is below 50%, risk is elevated and stock exposures should be reduced. Manager uses discretion on asset allocation when MSI is 50% +/- 3%.

Current Sentiment	Last Week	2 Weeks Ago	3 Weeks Ago
BULLISH	63.3%	70.7%	78.1%

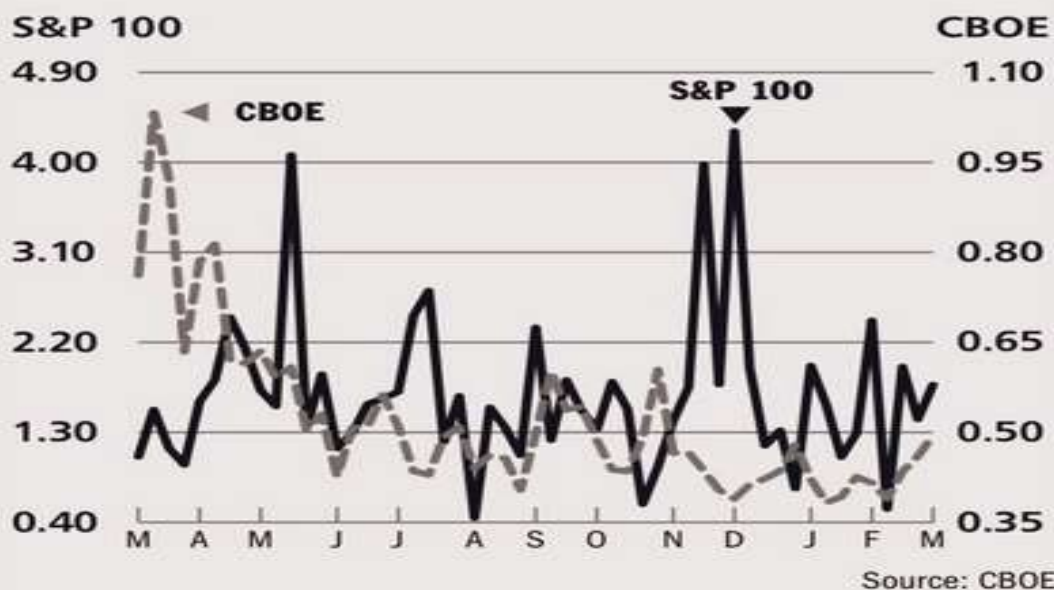
Current Market Exposure: 100% Equities, 0% Bonds, 0% Cash

Source: Delta Investment Management

www.deltaim.com, (415) 249-6337

CBOE PUT/CALL RATIO vs S&P 100

Readings in the CBOE equity put-call ratio of 60:100 and in the S&P 100 of 125:100 are considered bullish, for instance. Bearish signals flash when the equity put-call level reaches the vicinity of 30:100 and the index ratio hits 75:100.

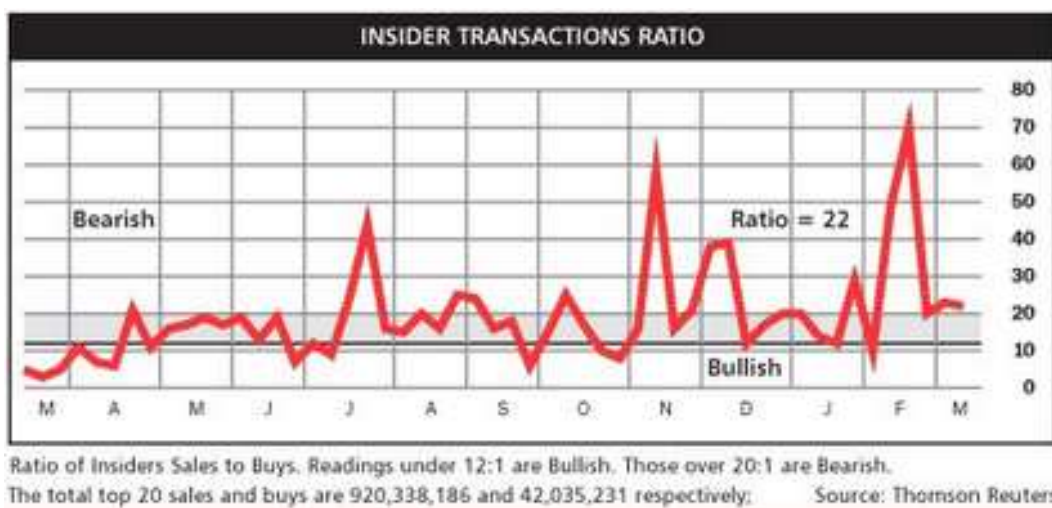


INVESTOR SENTIMENT READINGS

High bullish readings in the Consensus stock index or in the Market Vane stock index usually are signs of Market tops; low ones, market bottoms.

	Last Week	2 Weeks Ago	3 Weeks Ago
Consensus Index			
Consensus Bullish Sentiment	71%	71%	70%
Source: Consensus Inc., P.O. Box 520526, Independence, Mo. Historical data available at (816) 373-3700. editor@consensus-inc.com			
AAll Index			
Bullish	49.4%	40.3%	45.9%
Bearish	23.5	25.3	23.8
Neutral	27.1	34.4	30.3
Source: American Association of Individual Investors, 625 N. Michigan Ave., Chicago, Ill. 60611 (312) 280-0170.			
Market Vane			
Bullish Consensus	48%	48%	49%
Source: Market Vane, P.O. Box 90490, Pasadena, CA 91109 (626) 395-7436.			
TIM Group Market Sentiment			
Indicator	48.4%	40.2%	45.9%
Source: TIM Group, 3 Columbus Circle, Suite 1592 New York, NY 10019 (844) 207-1445. timsupport@timgroup.com			

TRADERS' COMMITMENTS					
March 9, 2021					
This report, from the Commodity Futures Trading Commission, is updated weekly and released on Friday afternoon. The CFTC requires any person or firm trading a certain number of contracts to report that trading. The number of contracts that triggers the reporting requirement varies by commodity. A commercial hedger is a large trader who also deals in the commodity on a cash basis. A large speculator is a non-commercial trader who has no dealings in the underlying commodity. The number of contracts traded by small traders is derived by subtracting the positions of larger traders and commercial hedgers from the total of all positions.					
Number of Contracts and Changes from Previous Week					
Contract/Category	Long		Chg.	Short	Chg.
Copper					
Large Speculator	114,067	-	18,077	62,688	- 3,439
Commercial Hedger	70,402		3,067	133,252	- 11,850
Small Trader	22,575	-	364	11,104	- 85
Corn					
Large Speculator	582,449		4,403	79,051	4,770
Commercial Hedger	839,209	-	9,577	1,317,424	- 7,570
Small Trader	153,176		1,898	178,359	- 476
Crude Oil					
Large Speculator	692,508		4,279	155,070	- 14,140
Commercial Hedger	811,737	-	1,531	1,406,368	15,264
Small Trader	113,153		5,004	55,960	6,628
Eurodollars					
Large Speculator	2,490,606		222,256	1,749,631	87,680
Commercial Hedger	5,708,260	-	63,355	6,128,471	48,335
Small Trader	596,502		51,439	917,266	74,325
Gold					
Large Speculator	254,839	-	10,694	79,676	3,781
Commercial Hedger	104,656		9,812	312,536	- 4,511
Small Trader	54,516		1,106	21,799	954
Live Cattle					
Large Speculator	123,289	-	899	39,413	- 1,143
Commercial Hedger	121,160		288	194,567	886
Small Trader	32,398		3,141	42,867	2,787
S&P 500					
Large Speculator	6,175		3,709
Commercial Hedger	13,717		22,116
Small Trader	9,640		3,707
S&P 500 (E-Mini)					
Large Speculator	399,052		3,442	381,261	8,840
Commercial Hedger	2,029,232	-	19	2,057,234	25,471
Small Trader	274,048	-	4,357	263,837	- 35,245
Silver (Comex)					
Large Speculator	71,445	-	3,480	35,296	- 13
Commercial Hedger	47,998		2,102	103,166	- 1,930
Small Trader	28,909	-	1,801	9,890	- 1,236
Soybeans					
Large Speculator	265,874		3,524	41,129	2,441
Commercial Hedger	399,748		5,818	615,617	8,009
Small Trader	66,705		2,182	75,581	1,074
Sugar (No. 11)					
Large Speculator	267,363	-	3,458	54,430	6,629
Commercial Hedger	513,936		16,211	793,548	1,617
Small Trader	109,192		192	42,513	4,699
T-Bonds (Chicago)					
Large Speculator	116,329	-	4,155	295,135	- 15,683
Commercial Hedger	924,857	-	14,790	705,988	- 1,205
Small Trader	149,104	-	576	189,167	- 2,633
Wheat (Chicago)					
Large Speculator	121,874	-	7,628	95,788	- 3,783
Commercial Hedger	152,794	-	2,747	165,956	- 6,393
Small Trader	32,296	-	167	45,220	- 366
Yen					
Large Speculator	64,027		2,768	57,513	15,524
Commercial Hedger	122,099		20,312	111,283	- 1,817
Small Trader	20,013	-	1,850	37,343	7,523
All data as of latest Tuesday.					



NASDAQ 100 and NASDAQ Comp

Bear trap = failed H&S top = bullish for the NDX

As highlighted in our [Market Analysis Comment: Solid breadth suggests rotational correction, not a big top 09 March 2021](#), the old adage is "there is nothing more bullish than a failed head and shoulders top". The NASDAQ 100 (NDX) has pushed back above the pattern neckline at 12,764-12,845 to setup a false breakdown or bear trap that suggests a failed head and shoulders top. This is bullish and places the focus on the shoulder highs, as well as a downside gap, in the 13,312 to 13,564 area. Staying above the 12,845-12,764 range would maintain our conviction in a failed top on the NDX.

Chart 6: NASDAQ 100 (NDX): Daily chart with moving averages and retracement levels

NDX: The break above 12,764-12,845 sets up a failed head and shoulders with immediate upside potential to the shoulder highs at 13,312 to 13,564.



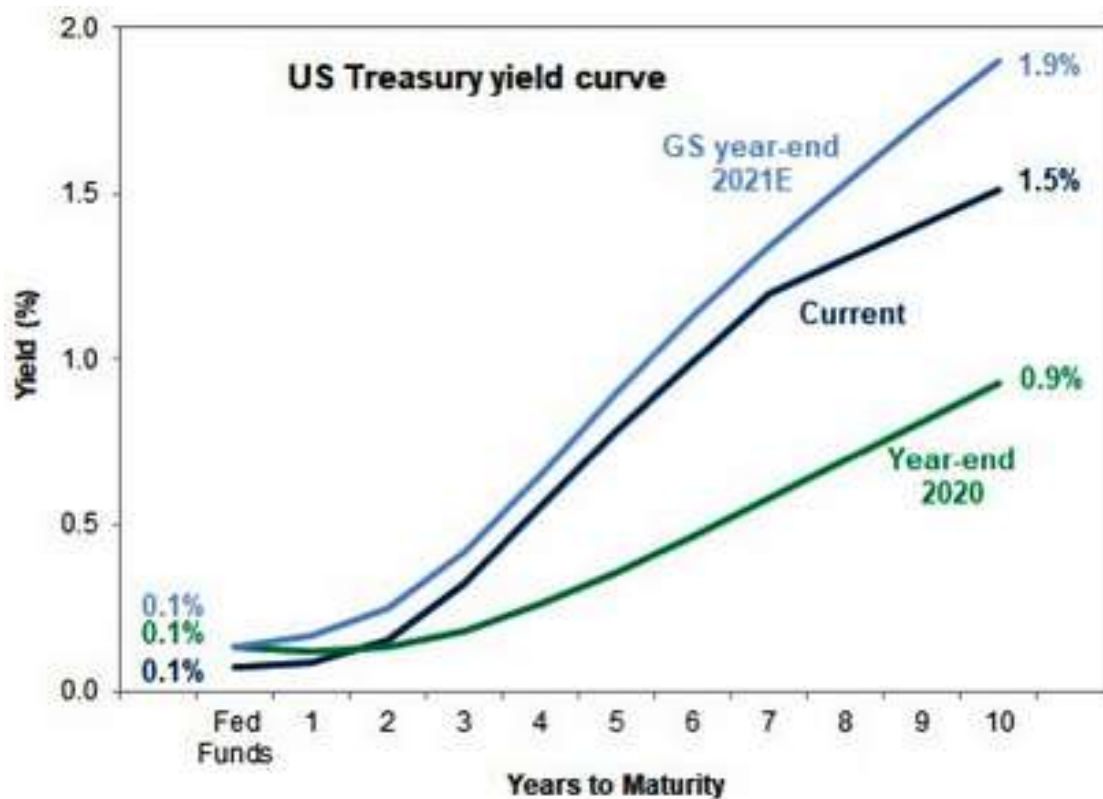
Source: BofA Global Research, Bloomberg

An even more convincing failed top on NASDAQ Comp

The NASDAQ Comp broke down from a textbook head and shoulders top on the move below 13,000. Regaining the top neckline at 13,000 suggests a bear trap and failed top with immediate upside potential to the shoulder peaks at 13,600-13,730. Staying above the 13,000 area would maintain our conviction in a failed top on the NASDAQ Comp.

Chart 7: NASDAQ Comp (CCMP): Daily chart with moving averages and retracement levels

CCMP: The break above 13,000 sets up a failed head and shoulders top (bear trap) with immediate upside potential to the shoulder highs at 13,600-13,730.



Bullish internals = bullish leading indicator

Market breadth indicators remain solid

Our latest Market Comment highlighted that [solid breadth suggests rotational correction, not a big top](#). Even with a daily tug-o-war between Growth and Value, market internals have remained solid so far this week with new highs for the NYSE stocks and S&P 500 (SPX) advance-decline lines as well as bullish breakouts for the percentage of SPX stocks above 50-day MAs and SPX cumulative net up volume. We view improving breadth and volume signals as positive leading indicators for US equities.

Chart 2: S&P 500 (top) with advance-decline line (bottom)

New highs for the A-D line are a leading indicator for new SPX highs.



Source: BofA Global Research, Bloomberg

BoFA GLOBAL RESEARCH

Chart 3: S&P 500 (top) with cumulative net up volume (bottom)

An upside breakout for cumulative up volume is bullish for the SPX.



Source: BofA Global Research, Bloomberg

BoFA GLOBAL RESEARCH

Chart 4: NYSE stocks advance-decline line

New highs for the NYSE stocks A-D line are a bullish signal for US equities.

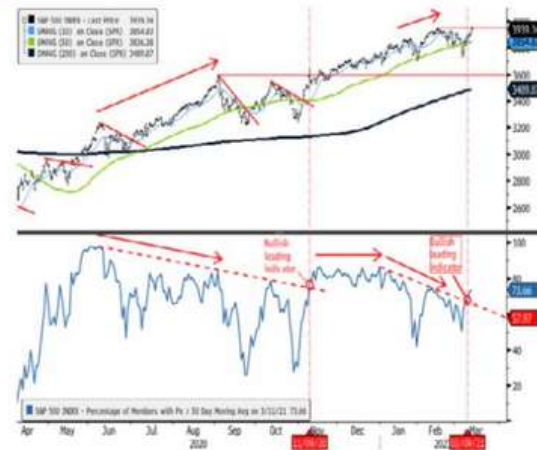


Source: BofA Global Research, Bloomberg

BoFA GLOBAL RESEARCH

Chart 5: S&P 500 (top) with % of stock above 50-day MAs (bottom)

Bullish breakout for % stocks above 50-day MAs is bullish for the SPX.



Source: BofA Global Research, Bloomberg

BoFA GLOBAL RESEARCH

Is New-Era “Peaking Out” Or “Breaking Out?”

Paulsen



It might seem like a silly question. After all, recently, New-Era stocks have clearly rolled over and fallen out of favor. Stronger economic growth (fueled by policy stimulus and reopenings) certainly benefits investments that are more sensitive to improved economic-recovery speed. This includes small caps, cyclical sectors, value stocks, and international equities.

Global Macro Snapshot

Survey says: US inflation in the pipeline

Exhibit 1: "If companies have raised prices, is it due to strong demand, higher costs, or both?" (% of BofA analysts by region)

Companies are raising prices due to both higher costs and strong demand



Source: BofA Global Research
BofA GLOBAL RESEARCH

COVID-19



- Global COVID-19 cases have passed 118mn and deaths are around 2.6mn.
- The 7-day average of new cases in the US has dropped to 52k. The US has doubled its orders of the J&J vaccine.
- The case count in the big-five European economies has risen to 64k, led by a surge in cases in Germany.
- A handful of Asian countries, including Japan and Australia, have recently started vaccinations. [We see](#) China and India as the dominant players in the region, with large-scale production.

GLOBAL



- Investors are increasingly focused on inflation. A [survey of our analysts](#) suggests that there are more signs of cost and price pressures than are normal in the early stages of a recovery.
- In general, US analysts saw more signs of inflation than their EMEA and PacRim counterparts.
- We forecast 5.6% and 4.5% global GDP growth in 2021 and 2022, respectively.

US



- The FOMC meeting next week will be critical. Chair Powell will have to strike a balance between a more upbeat assessment of the outlook and the asymmetric FAIT reaction function.
- The result will be an acknowledgement that liftoff is earlier than believed back in mid-December but that it is still later than markets currently believe.
- The core CPI increased by 0.1%mom in Feb, bringing the yoy rate down by a tenth to 1.3%. There were positive developments in OER/rent prices.
- [We expect](#) GDP growth to come in at 6.5% this year and 5.0% in 2022.

CHINA



- [The BofA China Financial Condition Indicator](#) eased marginally in Feb, as lower nominal interest rates and higher total social financing were largely offset by faster yoy CNY appreciation.
- The annual National People's Congress started last week. [Policymakers set the 2021 growth target at "above 6%"](#). This target is seemingly low, but it is in line with the pre-COVID trend.
- Economic activity should further normalize in 2021, [with 8.5% GDP growth for the year](#). We see balanced risks to this forecast.

EURO AREA



- The ECB will ramp up its asset purchases for the next three months. ECB sources suggested the scale will be well above €60bn but below €100bn on a monthly basis.

UK



- The spread of the B.1.1.7 variant is posing a challenge to reopening plans in the Euro area.
- We forecast GDP growth of 3.0% in 2021 and 3.4% in 2022.
- [We recently looked at the BoE's toolkit](#). In our view, a 25bp Bank Rate cut could have the same inflation impact as £35bn QE, or a 50bp cut to mortgage spreads.
- We think the market should focus on future stimulus via enhanced TFS, QE and mortgage market regulations rather than Bank Rate cuts.
- The UK government announced a stimulus package worth £59bn, or 2.7% of GDP. As a result, [we raised our growth forecasts](#) to 4.4% for 2021 and 6.8% for 2022 (from 4.3% and 6.4%).
- However, fiscal policy will tighten significantly post 2022, with corporate and personal tax hikes on the way.

JAPAN



- [We have modeled scenarios for vaccines and the virus in Japan](#).
- In our base case, the vaccine rollout is smooth and virus variants only have a minor impact. GDP returns to pre-COVID highs by mid-2022.
- The risk is that the vaccine rollout is delayed and transmission picks up again on the back of more contagious virus strains.
- The revised 4Q GDP print showed little change, with a 2.8% annualized qoq increase. We maintain our 2021 and 2022 GDP growth forecasts of 3.0% and 2.8%, respectively.

INDIA



- We [think](#) higher oil prices should keep the RBI on hold during FY22. Oil tax cuts might be needed to reduce the impact on consumers.
- Our [BofA India Activity Indicator](#) rose by 1.7% in December after declining for nine months. The data support our call for a 6.7% growth contraction in FY21.

POLICY



- In our view, the Fed will likely wait to see close to a year of 2% core PCE inflation, with signs of persistently higher inflation, before hiking. We expect the first hike to be in 2H 2023.
- The ECB announced that it will step up the pace of asset purchases for now but reassess the outlook in three months. However, its reaction function remains unclear.
- The BoE remained on hold at its Feb policy meeting. We think negative rates are now the marginal policy tool, with risks of implementation later this year.
- [The BoJ remained on hold in Jan](#), as expected. The Board kept intact its medium-term recovery view for growth and prices.

EQUITIES



- Savita Subramanian and team's [2021 yearend S&P 500 target is 3800](#). They expect S&P 500 EPS to be \$165 in 2021, slightly above the prior peak of \$163 in 2019.
- Their [Regime Indicator](#) shifted from "Recovery" to "Mid-Cycle": a period of continued growth, where capex typically outpaces consumption, rates rise and "good inflation" picks up.
- As the US public and private sector catch up to environment-friendly policies, the net positive impact on the US economy will likely translate into a boost to corporate profits.

BONDS



- Mark Cabana and team think yields are headed higher unless the Fed uses its balance sheet to stem the rate increase.
- Balance sheet policy will likely be designed to address market functioning and liquidity issues rather than macroeconomic ones.
- They continue to see the 10-year US Treasury yield at 1.75% by year-end, driven by further improvement in longer-run growth and inflation expectations.

FX



- Athanasios Vamvakidis and team expect USD to gradually strengthen this year against the backdrop of US outperformance and the eventual Fed policy normalization.
- They see EUR/USD at 1.15 by year-end, with the US decoupling from the Euro area due to stronger US fiscal support and vaccination progress.
- They expect USD/JPY to come in lower in 1H on low US real rates and Japan's healthy balance of payments, but higher in 2H on more outward Japanese M&A flows.
- They see more GBP upside in the near term given the fast UK vaccination rate but are long-term bearish since Brexit reduces the UK's growth potential.

COMMODITIES



- In their [updated medium-term outlook](#), Francisco Blanch and team expect Brent prices to average \$50-\$70/bbl out to 2026, despite the 2020 turmoil.
- The forecast revisions were primarily driven by 1) improving micro oil supply/demand fundamentals, 2) exceptional global fiscal and monetary stimulus, and 3) strong demand from China.
- They now think Brent oil prices will average \$60 this year and \$55 in 2022.
- In their view, the next three years will be a window of strong oil demand, with consumption rising at a stellar pace. However, the oil consumption recovery should not extend much past 2026.

Growth vs Value: IWF vs IWD

Mixed trading cycle for the R1K Growth ETF (IWF)

The iShares Russell 1000 Growth ETF (IWF) has a mixed trading cycle. The absolute chart has a bullish cycle with rising 26 and 40-week MAs that have held as support in the 233 to 223 range, but the relative chart for IWF vs the SPX shows its first loss for leadership on a decisive break below its 26 and 40-week MAs since late 2018. While IWF is bouncing from its absolute price MA supports, the weak relative chart provides a bearish divergence with resistance at the relative price MAs vs the SPX. The risk is that a weak relative trend caps absolute price upside.

Tactical bounce for IWF off support

IWF has deeply tested support at the mid December breakout point near 235-234 and rising 26-week MA near 233. If this support down to last week's low at 226.77 holds, bullish a breakout and retest from a September-December triangle pattern favors upside to 257 (July breakout count) and 265 (triangle breakout count). A weekly close above the 13-week MA near 243 would increase our bullish conviction. The rising 40-week MA offers additional support near 223.

Chart 8: iShares Russell 1000 Growth ETF (IWF) (top) and relative to the S&P 500 (bottom): Weekly chart with moving averages

IWF: A bullish breakout and retest pattern is intact above 235-226.77 with tactical upside potential to 257 and 265. A weak relative price chart vs SPX is a risk for IWF.



Bullish trading cycle for the R1K Value ETF (IWD)

While IWD has begun to rally off support, we would not give up on the Value trade. The iShares Russell 1000 Value ETF (IWD) has a bullish trading cycle with rising 26 and 40-week MAs on both an absolute and relative price basis. This suggests the emergence of Value leadership as IWD has broken out from an early 2020-early 2021 base and a base going back to early 2018. This suggests plenty of upside potential for Value longer term.

Big base suggests more upside on IWD longer-term

The big base breakouts on IWD are firmly in place above supports at 143-142 and 136-134 with longer-term upside counts to 165 and 190. Rising 26 and 40-week MAs near 133 and 127 underpin this bullish chart.

Chart 9: iShares Russell 1000 Value ETF (IWD) (top) and relative to the S&P 500 (bottom): Weekly chart with moving averages

The big base breakouts on IWD are firmly in place above supports at 143-142 and 136-134 with longer-term upside counts to 165 and 190. Rising 26 and 40-week MAs at 133 to 127 underpin this bullish chart.

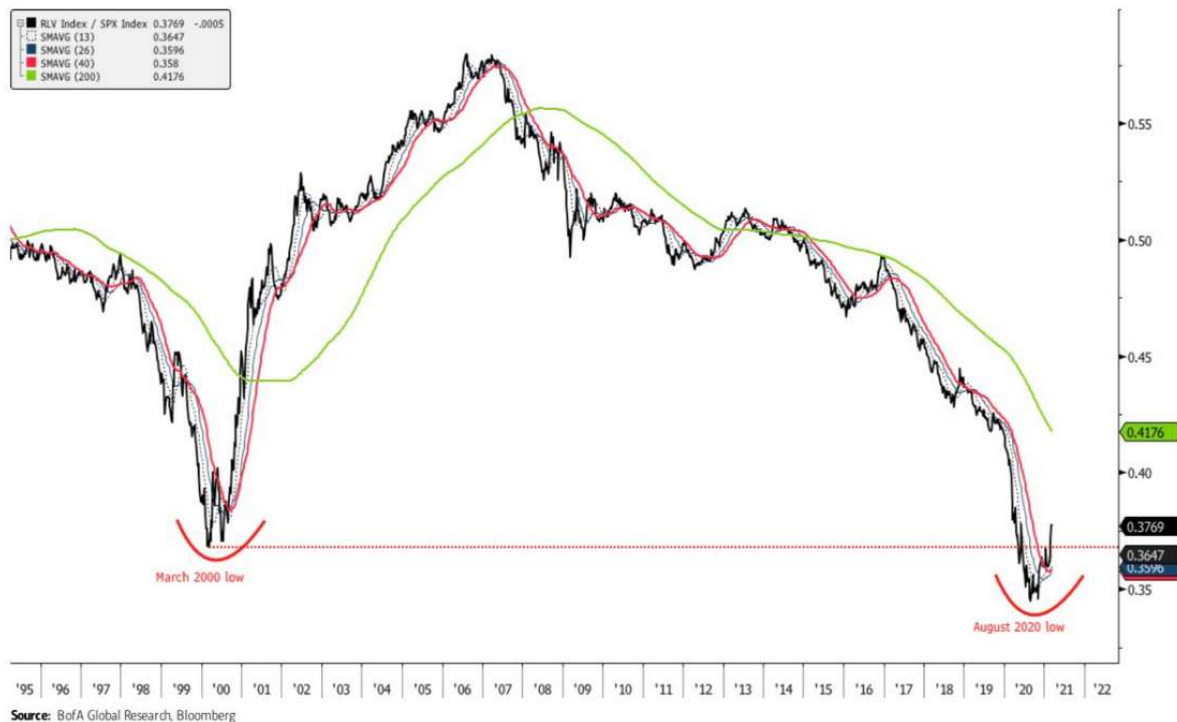


Value vs SPX: 2020 bottom breaks resistance at 2000 low

The long-term relative chart suggests that 2020 could have put in the most significant bottom for Value relative to the SPX since the March 2000 relative low. Strength for Value vs the SPX in 2013 and late 2016 stalled near the declining 200-week MA. The late February upside breakout for Value back above the prior relative low from March 2000 suggests that 2020 was a bear trap with plenty of room for Value leadership vs the SPX until the 200-week MA.

Chart 10: Russell 1000 Value relative to the S&P 500: Weekly chart with moving averages

The long-term relative chart suggests that 2020 could have put in the most significant bottom for Value relative to the SPX since the March 2000 relative low.



Growth vs SPX: Defends prior peaks from 2000 as support

Russell 1000 Growth has lagged the SPX since topping in early November, but support at the prior peaks from March 2000 and July 2000 is holding so far, which is similar to the support on the weekly Russell 1000 Growth vs Russell 1000 Value chart highlighted in ([Sectors and stocks on the move: Revisiting the rotation 03 March 2021](#)). This sets up a tactical bounce for Growth relative to both Value and the SPX.

Chart 11: Russell 1000 Growth relative to the S&P 500: Weekly chart with moving averages

Russell 1000 Growth is holding support relative to the S&P 500 at the peaks from March 2000 and July 2000. This supports the case for a tactical bounce for Growth vs the SPX.



Follow The Flow

Flows still struggle

IG funds still suffer from the rise in rates vol

The mini bond tantrum from a week or so ago continued to put pressure on fixed income funds. IG, HY and EM debt funds all recorded outflows. However we think that the ECB's dovish stance will allow fixed income markets to recoup these outflows as rates vol has receded since. As we highlighted last week, the vol spike markets experienced a couple of weeks ago, could keep flows into credit funds "relatively" [suppressed](#) in the short-term, but central banks' policies will keep the need for quality yield in demand.

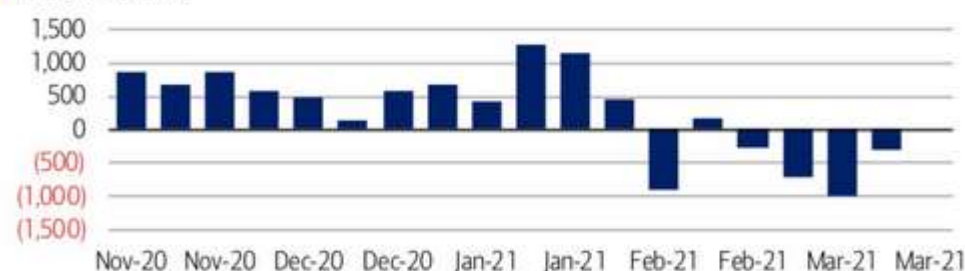
Over the past week...

High grade funds recorded a sizable outflow of \$13.8bn last week. However this was predominantly linked to a small number of fund closures (AUM dropped to zero), distorting the usual weekly figures to the tune of \$10.7bn. Away from these outliers, outflows remained in IG at the same pace as the previous week. **High yield** funds also suffered an outflow last week, the fifth in six weeks. However we should note that the w-o-w pace has improved significantly (chart below). Looking into the domicile breakdown (chart 12), while Global- and especially US-focused funds suffered outflows, Euro-focused funds actually recorded an inflow.

Government bond funds recorded a marginal inflow post a sizable outflow the previous week, on the back of sharply rising sovereign yields. **Money market** funds on the other side, have recorded outflows. Overall, **fixed income** funds suffered another sizable outflow, at par to that a week ago (after adjusting for the aforementioned outliers). **Equity funds** interestingly managed to recover posting a marginal inflow, after three weeks of outflows.

HY fund flows managed to see improving trends over the past week

Weekly flows (\$mn)



Source: EPFR

BofA GLOBAL RESEARCH

Global EM debt funds flows continued to suffer remaining on negative territory for a second week. **Commodity** funds recorded another outflow, the second in a row.

On the **duration front**, long-term IG funds recorded another sizable outflow last week, the largest in 14 weeks. Similar story for the belly of the credit curve, with mid-term funds suffering their worst outflow since last March. However, [short-term funds](#) have recorded healthy inflows last week (after adjusting for the aforementioned outliers).

Flow chart book

Chart 1: IG flows by maturity

Cumulative weekly flows (% of AUM)

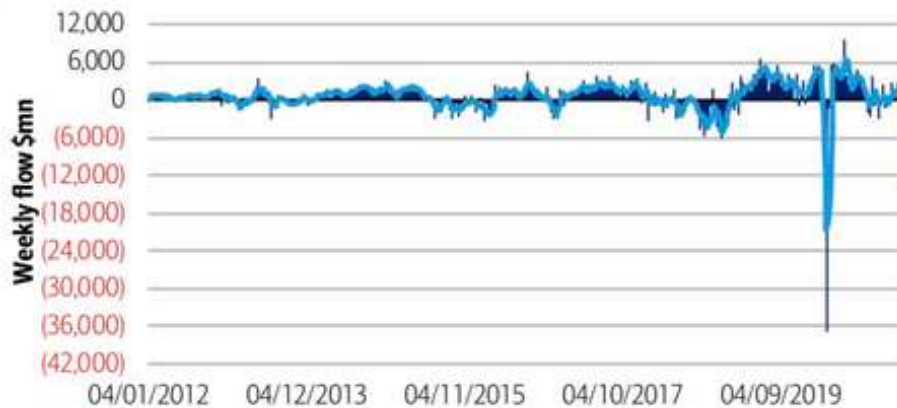


Source: EPFR Global. Maturity segments: short-term funds: up to 4yr; mid-term funds: 4-6yr; long-term funds: 6yr +

BofA GLOBAL RESEARCH

Chart 2: High-grade weekly inflows/outflows

Blue line is 4wk average

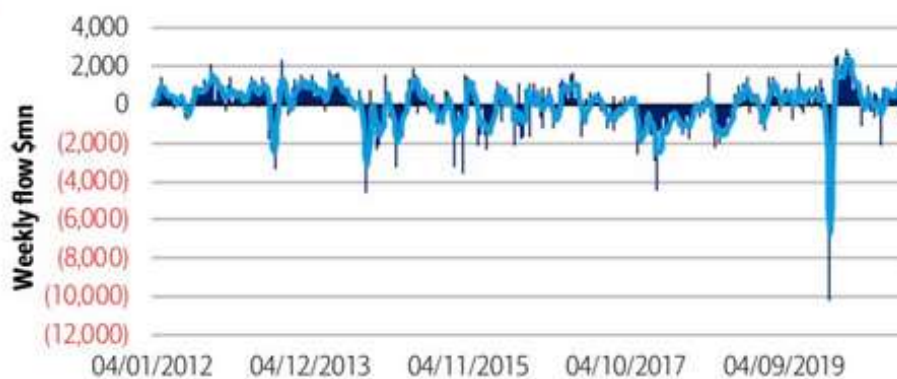


Source: EPFR Global

BofA GLOBAL RESEARCH

Chart 3: High-yield weekly inflows/outflows

Blue line is 4wk average



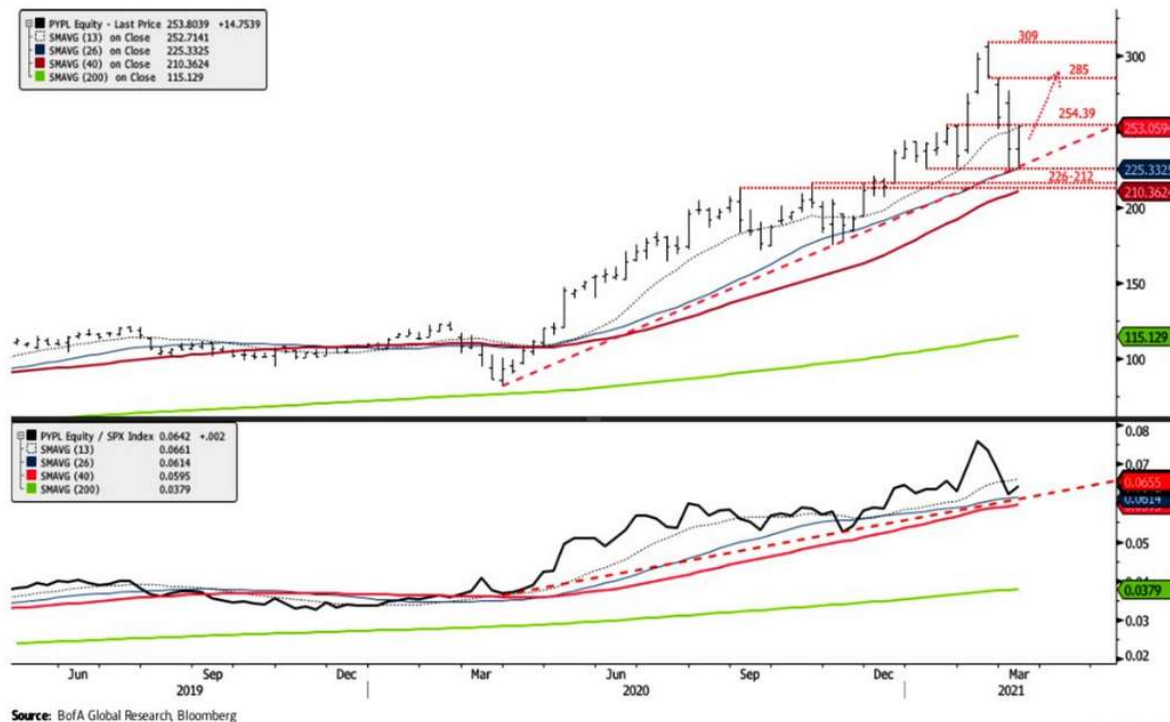
Source: EPFR Global

PayPal (PYPL): Bullish as supports within uptrend hold

PYPL corrected within a bullish trend or trading cycle as defined by rising 26 and 40-week MAs on both an absolute price basis and relative to the SPX. The rising 26-week MA and uptrend support from March 2020 (both absolute and relative) are holding so far to increase the potential for a rally. Staying above the 226-212 area support would maintain this stock's bullish trend with upside potential back to the weekly downside gap near 285 and the recent high of 309. A push above 254.39 would regain tactical resistance and the rising 13-week MA to increase our bullish conviction.

Chart 16: PayPal (PYPL) (top) and relative to the S&P 500 (bottom): Weekly chart with moving averages

PYPL: Staying above the 226-212 area support would maintain this stock's bullish trend with upside potential back to the weekly downside gap near 285 and the recent high of 309. A push above 254.39 would regain tactical resistance and the rising 13-week MA to increase our bullish conviction.

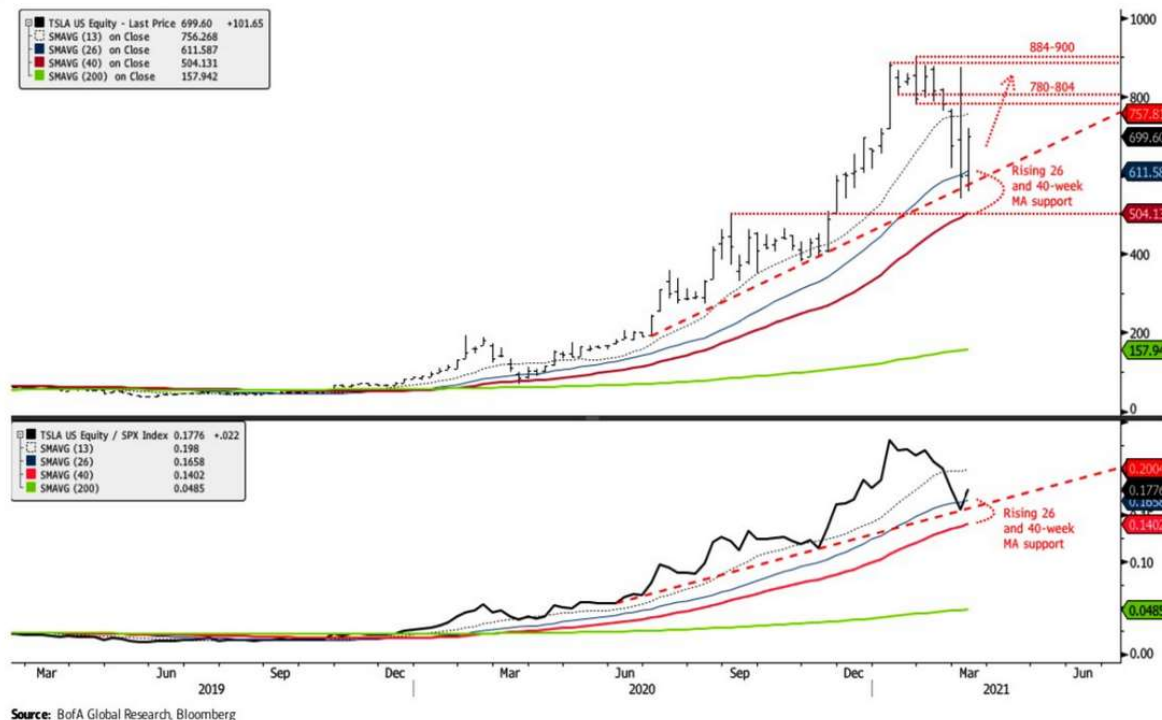


Tesla (TSLA): Held uptrend support, bounce could see 800s

TSLA broke below tactical supports near 800 and 780 and quickly declined to test the range between the rising 26 and 40-week MAs near 612-504 as support, which is backed up by uptrend support from last July. Given the bullish trading cycle (rising 26/40-week MAs on both an absolute and relative price basis), holding support means that TSLA can rally to resistances at 780-804 to 884-900.

Chart 19: Tesla (TSLA) (top) and relative to the S&P 500 (bottom): Weekly chart with moving averages

TSLA: Given the stock's bullish trading cycle, holding support in the 612-504 range means that TSLA can rally to resistances at 780-804 to 884-900.



Raiders of the lost ARKK

ARK Innovation ETF (ARKK) holds key weekly MA support

Unlike Russell 1000 Growth, the ARK Innovation ETF (ARKK) has a bullish trading cycle with rising 26 and 40-week MAs on both an absolute price and relative price basis. ARKK is holding these MAs as support in the 118.85 to 104.74 range so far with a bounce into the key retracements for the mid February to early March decline in the 126.67 (38.2%), 132.98 (50%) and 139.28 (61.8%). Beyond the 13-week MA and 61.8% retracement would setup a move to the recent highs at 149.80-150.93 to 159.70 range.

Chart 12: ARK Innovation ETF (ARKK) (top) and relative to the S&P 500 (bottom): Weekly chart with moving averages



Source: BofA Global Research, Bloomberg

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Seven stocks charts from the ARKK ETF

CRSP, EXAS, FATE, PYPL, PSTG, TER and TSLA are seven stock charts in the ARKK ETF that have upside potential after holding support within bullish trading cycles.

Table 6: Stocks mentioned in this report

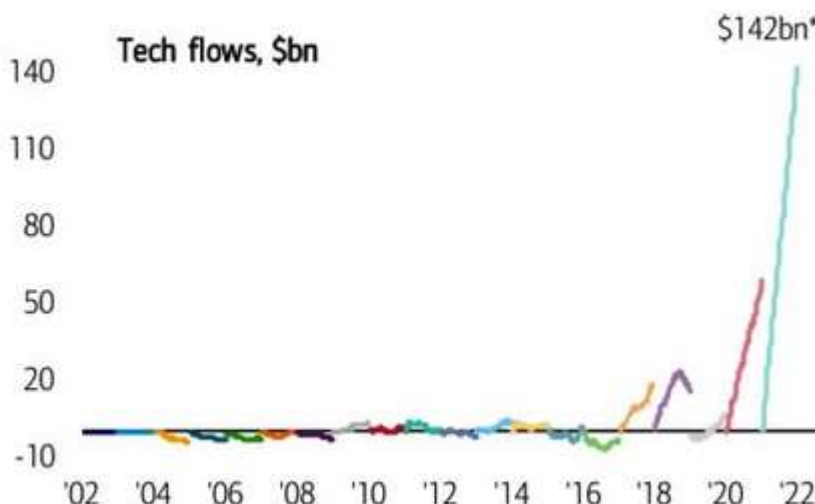
CRSP, EXAS, FATE, PYPL, PSTG, TER and TSLA are seven stock charts in the ARKK ETF that have upside potential after holding support within bullish trading cycles.

Ticker	Company Name	BofA Rating	Price	Dividend Yield	Sector	Market Cap (\$m)
CRSP	CRISPR THERAPEUT	C-1-9	133.88		Health Care	10,098
EXAS	EXACT SCIENCES	C-1-9	131.53		Health Care	22,241
FATE	FATE THERAPEUTIC	C-1-9	97.66		Health Care	9,159
PYPL	PAYPAL HOLDINGS	B-1-9	253.83		Information Technology	297,280
PSTG	PURE STORAGE-A	C-1-9	22.74		Information Technology	6,204
TER	TERADYNE INC.	B-1-7	113.86	0.35	Information Technology	18,980
TSLA	TESLA INC.	C-2-9	699.60		Consumer Discretionary	671,514

Source: BofA Global Research, Bloomberg

Chart 5: Inflows to tech funds annualizing >\$140bn YTD

Annual inflows to tech, \$bn

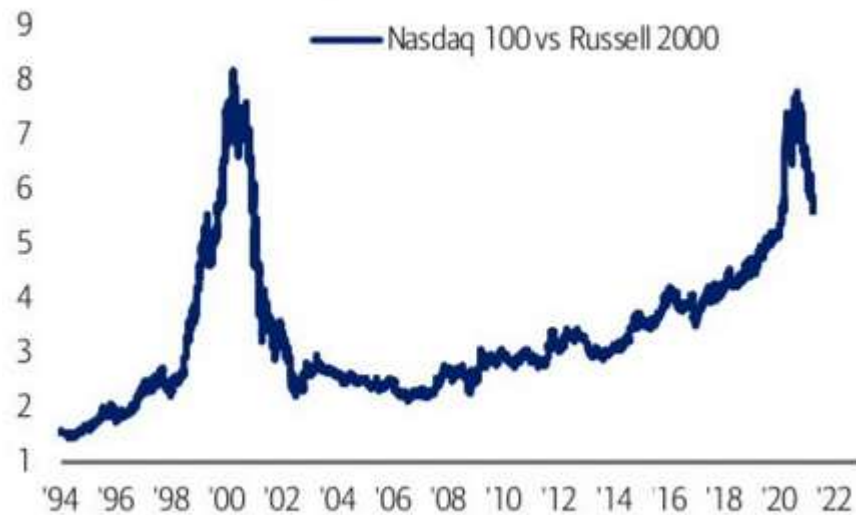


Source: BofA Global Investment Strategy, EPFR Global; *2021 annualized

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Chart 7: Epic reversal in deflationary Nasdaq vs. inflationary Russell

Nasdaq 100& Russell 2000 price relative



Source: BofA Global Investment Strategy, Bloomberg
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BofA Bull & Bear Indicator (B&B)

Our BofA Bull & Bear Indicator is at 7.2, signal is Neutral.

Chart 18: BofA B&B Indicator (scale 0 to 10)

BofA B&B graphic



Source: BofA Global Investment Strategy
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Table 6: Components of BofA B&B Indicator

BofA Bull & Bear current component readings

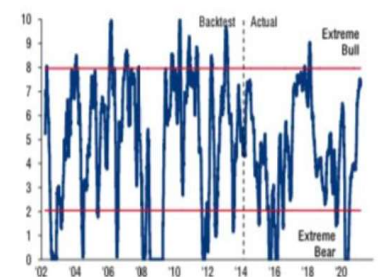
Components	Percentile	Sentiment
HF positioning	43%	Bullish
Credit mkt technicals	66%	Bullish
Equity market breadth	77%	Bullish
Equity flows	66%	Bullish
Bond flows	52%	Bullish
LO positioning	100%	V. Bullish

Source: BofA Global Investment Strategy, Bloomberg, EPFR Global, Lipper FMI, Global FMS, CFTC, MSCI

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Chart 19: BofA Bull & Bear Indicator history

BofA Bull & Bear Indicator since 2002



Source: BofA Global Investment Strategy, EPFR Global, FMS, CFTC, MSCI