

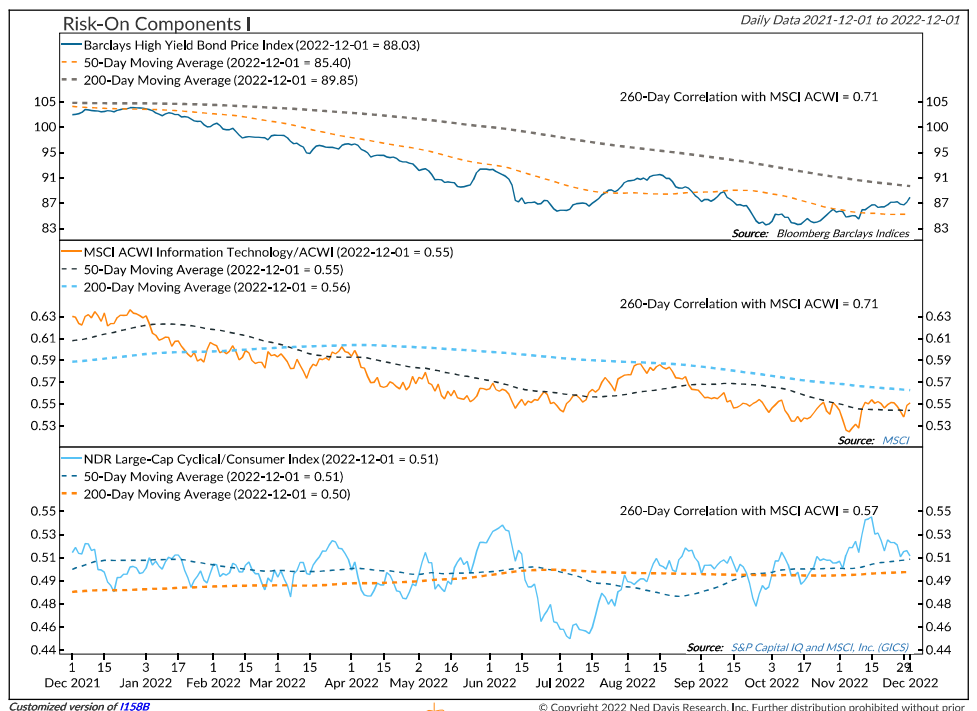


# RO/RO trends to follow global breadth improvement?

## Key Takeaways

- Most risk-on proxies are above their 50-day smoothings but not above their 200-day.
- The 50-day diffusion index is positive, but not the 200-day.
- Most stocks and markets are above their 50-day and 200-day smoothings.

## Most risk-on proxies above 50-day smoothings



While trend analysis is based on the concept that the trend is your friend, the trend assessment doesn't have to be limited to the index in question. The trend conditions of different but positively correlating markets, ratios or relative strength lines can be used as indicators, as can the trend status of inverse correlators.

With that in mind, we monitor the indicators in our [Risk-On/Risk-Off](#) report, which includes six positively correlating risk-on components and six inversely correlated risk-off proxies. Confirmation of an uptrend is provided when risk-on indices are at least as strong as the benchmark while the risk-off indices are weakening.

## Watching risk-on proxy trends

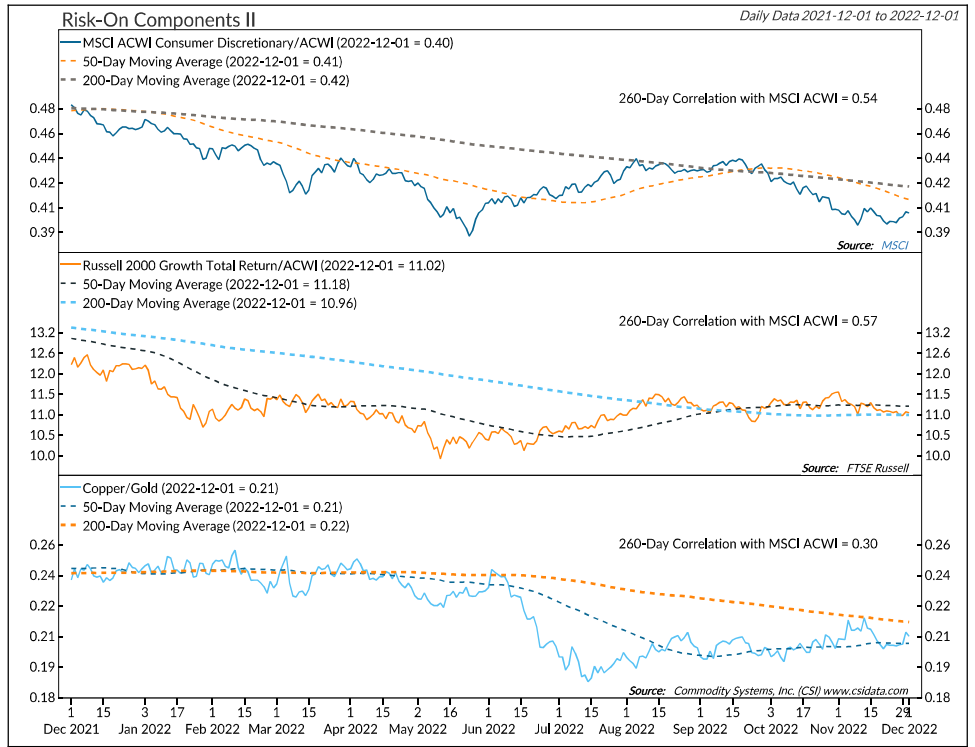
Now that the S&P 500 and broader All Country World Index have both crossed above their 50-day and 200-day moving averages, we can look to see how many of the risk-on proxies have followed suit. Most are now above their 50-day smoothings but not their 200-day averages.

As shown above, the 50-day moving averages have been crossed by the Barclays High Yield Bond Price Index (top clip), the relative strength of the ACWI Technology sector (middle clip), and the Large-Cap Cyclical/Consumer Ratio (bottom clip).

But only the latter is above its 200-day smoothing.

Featuring the other three risk-on proxies, the chart at the top of Page 2 shows that the relative strength line of the ACWI Consumer Discretionary sector is below both its 50-day and 200-day moving averages (top clip), while the Russell 2000 Growth Index's relative strength is below its 50-day moving average but above its 200-day smoothing (middle clip). The copper/gold ratio is above its 50-day smoothing but below its 200-day smoothing (bottom clip).

### Most risk-on proxies below 200-day smoothings

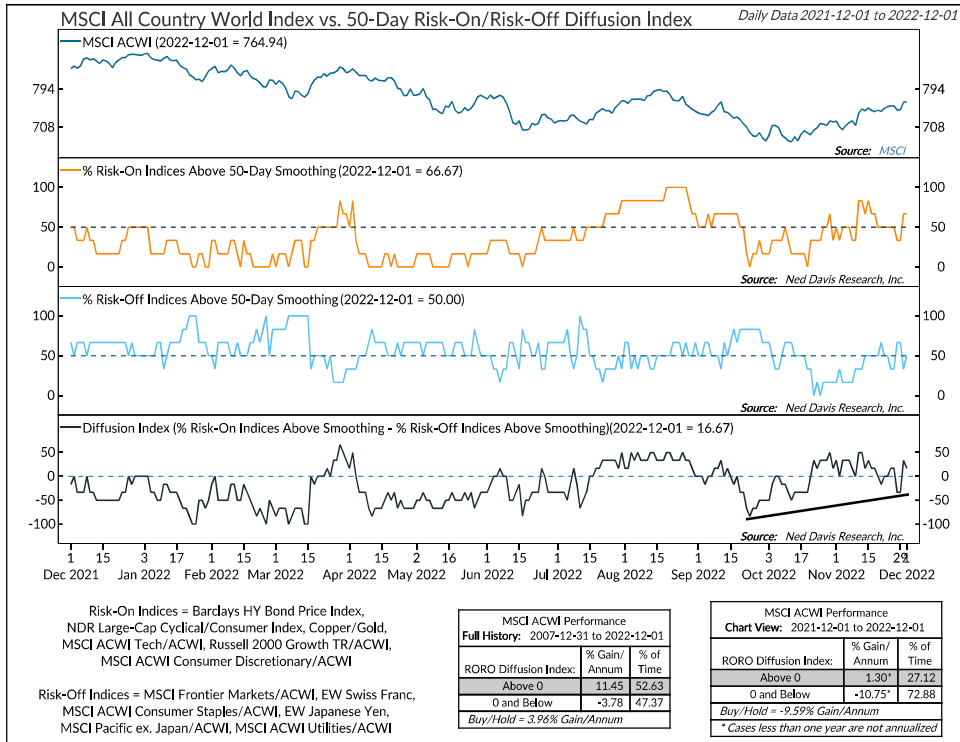


Customized version of [I158C](#) © Copyright 2022 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at [www.ndr.com/copyright.html](http://www.ndr.com/copyright.html). For data vendor disclaimers refer to [www.ndr.com/vendorinfo/](http://www.ndr.com/vendorinfo/).

Among the inversely correlating risk-off proxies, the Pacific ex. Japan relative strength line and equal-weighted Swiss franc are still providing a risk-off message in holding **above** their 50-day and 200-day moving averages, while the equal-weighted Japanese yen is above its 50-day but below its 200-day.

The ACWI Consumer Staples sector's relative strength line is **below** the 50-day but above the 200-day. And the relative strength lines of Frontier Markets and the ACWI Utilities sector are below both of their smoothings.

### Positive 50-Day RO/RO Diffusion Index



Customized version of [I158C](#) © Copyright 2022 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at [www.ndr.com/copyright.html](http://www.ndr.com/copyright.html). For data vendor disclaimers refer to [www.ndr.com/vendorinfo/](http://www.ndr.com/vendorinfo/).

### Watching diffusion indices

To sort this out, we can turn to our Risk-On/Risk-Off Diffusion Indices, which compare the percentages of risk-on and risk-off indices above their smoothings.

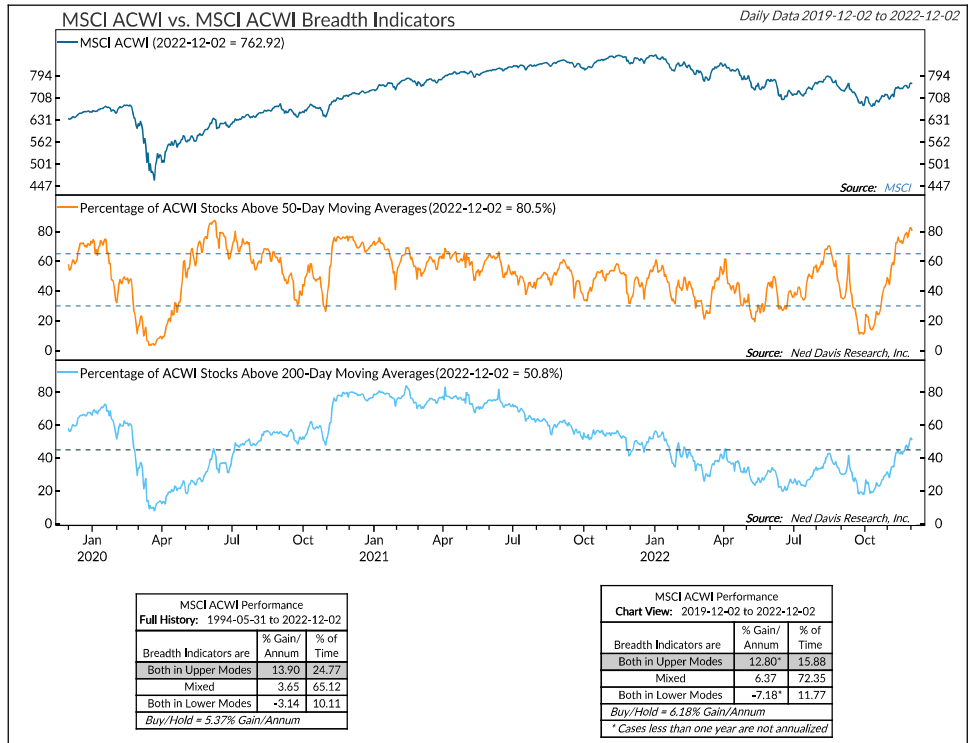
The chart at left shows that the 50-day index is now positive and in a mode in which the ACWI has risen at a double-digit pace since 2007. But the **200-day** index is not confirming, instead remaining in its neutral mode.

### Strengthening global breadth

As shown at right, a more bullish picture is already provided by the percentage of ACWI stocks above their 200-day smoothings (bottom clip), which has now followed the percentage of stocks above their 50-day smoothings (middle clip) in rising above 50%.

When both percentages have been in their upper modes at the same time, the ACWI has risen at a double-digit pace since 1994 and over the three-year period shown in the chart.

## Most stocks above smoothings

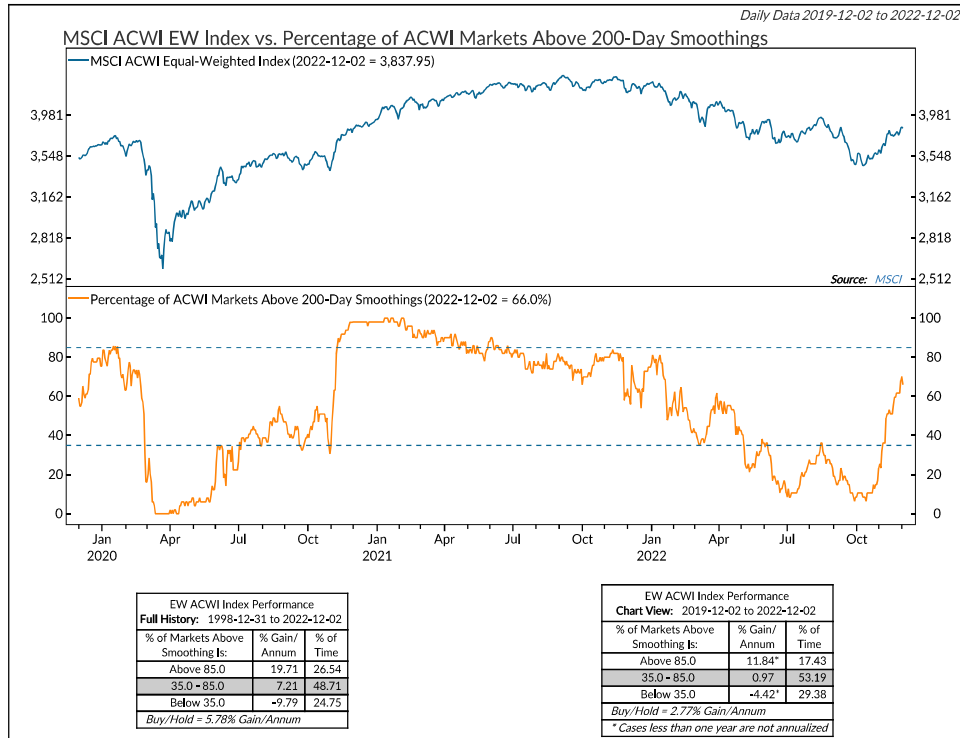


Customized version of IGP2000



© Copyright 2022 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at [www.ndr.com/copyright.html](http://www.ndr.com/copyright.html). For data vendor disclaimers refer to [www.ndr.com/vendorinfo/](http://www.ndr.com/vendorinfo/)

## Most markets above smoothings



Customized version of I5205



© Copyright 2022 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at [www.ndr.com/copyright.html](http://www.ndr.com/copyright.html). For data vendor disclaimers refer to [www.ndr.com/vendorinfo/](http://www.ndr.com/vendorinfo/)

The percentage of markets above their 200-day smoothings has also followed the [50-day indicator](#) in exceeding 50%. If it reaches 85% in the chart at left, the indicator will turn green in our [Rally Watch](#) report.

Across global market indices and component stocks, the breadth improvement has been decisive. If that could also be said about the trends of the risk-on and risk-off proxies, it would provide strong support for the case that a new bull market has gotten underway.

## NED DAVIS RESEARCH

NDRsales@ndr.com  
www.ndr.com  
(800) 241-0621

### NOKOMIS

2520 North Tamiami Trail  
Nokomis, FL 34275  
(941) 412-2300

### NEW YORK

1120 Avenue of the Americas  
6<sup>th</sup> Floor  
New York, NY 10036  
(646) 810-7270

### MONTREAL

1001 de Maisonneuve West  
Suite 1510  
Montreal, QC, Canada H3A 1X8  
+1 800 724 2942, +1 514 499 9550

### LONDON

8 Bouverie Street  
Temple, London  
EC4Y 8AX  
+44 (0) 20 7779-8682

### HONG KONG

12/F, V-Point, 18 Tang Lung Street,  
Causeway Bay  
Hong Kong  
+852 3416 6676

### AUSTRALIA

Suite 305, 3 Spring St  
Sydney, Australia  
+61282491867

### SINGAPORE

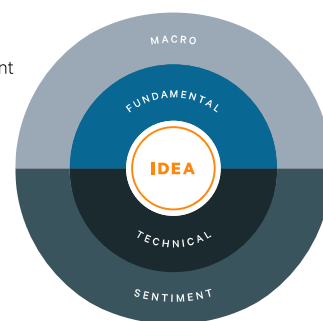
1 Marina Boulevard,  
Level 20 Suite #2020,  
Singapore 018989



**NDR**  
NED DAVIS RESEARCH

## See the signals.™

Founded in 1980, Ned Davis Research Group is a leading independent research firm with clients around the globe. With a range of products and services utilizing a 360° methodology, we deliver award-winning solutions to the world's leading investment management companies. Our clients include professionals from global investment firms, banks, insurance companies, mutual funds, hedge funds, pension and endowment funds, and registered investment advisors.



## Important Information and Disclaimers

NDR (Ned Davis Research) uses the weight of the evidence and a 360-degree approach to build up to market insights. When we say “evidence,” we mean processing millions of data series to fuel a historical perspective, build proprietary indicators and models, and calm investors in a world full of bull/bear news hype and hysteria. We believe that no client is too big or too small to benefit from NDR's insights.

The data and analysis contained in NDR's publications are provided “as is” and without warranty of any kind, either expressed or implied. The information is based on data believed to be reliable, but it is not guaranteed. **NDR DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE.**

NDR's reports reflect opinions of our analysts as of the date of each report, and they will not necessarily be updated as views or information change. All opinions expressed therein are subject to change without notice, and you should always obtain current information and perform due diligence before trading. NDR or its affiliated companies or their respective shareholders, directors, officers and/or employees, may have long or short positions in the securities discussed in NDR's publications and may purchase or sell such securities without notice.

NDR uses and has historically used various methods to evaluate investments which may, at times, produce contradictory recommendations with respect to the same securities. When evaluating the results of prior NDR recommendations or NDR performance rankings, one should also consider that **NDR may modify the methods it uses to evaluate investment opportunities from time to time, that model results do not impute or show the compounded adverse effect of transaction costs or management fees or reflect actual investment results, that other less successful recommendations made by NDR are not included with these model performance reports, that some model results do not reflect actual historical recommendations, and that investment models are necessarily constructed with the benefit of hindsight. Unless specifically noted on a chart, report, or other device, all performance measures are purely hypothetical, and are the results of back-tested methodologies using data and analysis over time periods that pre-dated the creation of the analysis and do not reflect tax consequences, execution, commissions, and other trading costs. For these and for many other reasons, the performance of NDR's past recommendations and model results are not a guarantee of future results.**

Using any graph, chart, formula, model, or other device to assist in deciding which securities to trade or when to trade them presents many difficulties and their effectiveness has significant limitations, including that prior patterns may not repeat themselves continuously or on any particular occasion. In addition, market participants using such devices can impact the market in a way that changes the effectiveness of such devices. NDR believes no individual graph, chart, formula, model, or other device should be used as the sole basis for any investment decision and suggests that all market participants consider differing viewpoints and use a weight of the evidence approach that fits their investment needs. Any particular piece of content or commentary may or may not be representative of the NDR House View, and may not align with any of the other content or commentary that is provided in the service. Performance measures on any chart or report are not intended to represent the performance of an investment account or portfolio, as some formulas or models may have superior or inferior results over differing time periods based upon macro-economic or investment market regimes. NDR generally provides a full history of a formula or model's hypothetical performance, which often reflects an “all in” investment of the represented market or security during “buy”, “bullish”, or similar recommendations. This approach is not indicative of the intended usage of the recommendation in a client's portfolio, and for this reason NDR does not typically display returns as would be commonly stated when reporting portfolio performance. Clients seeking the usage of any NDR content in a simulated portfolio back-test should contact their account representative to discuss testing that NDR can perform using the client's specific risk tolerances, fees, and other constraints.

NDR's reports are not intended to be the primary basis for investment decisions and are not designed to meet the particular investment needs of any investor. The reports do not address the suitability of any particular investment for any particular investor. The reports do not address the tax consequences of securities, investments, or strategies, and investors should consult their tax advisors before making investment decisions. Investors should seek professional advice before making investment decisions. The reports are not an offer or the solicitation of an offer to buy or to sell a security.

Further distribution prohibited without prior permission. Full terms of service, including copyrights, terms of use, and disclaimers are available at <https://www.ndr.com/web/ndr/terms-of-service>. For data vendor disclaimers, refer to [www.ndr.com/vendorinfo](http://www.ndr.com/vendorinfo).

Copyright 2022 (c) Ned Davis Research, Inc. All rights reserved.