
The single most important development in the market...

1 message

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Worth Charting

By our work, the single most important development in the market is the improving relative performance of small cap stocks to large cap stocks.

The 4 identical charts below, tell the tale.

The 'Pair Trade' that makes sense, here and now, is to be long iShares Russell 2000 ETF (IWM) and short SPDR S&P 500 ETF (SPY).

The preceding 14-month underperformance...

	Mar 12, 2021
	to
	May 11, 2022
SPY:	UNCH
IWM:	-26.50%

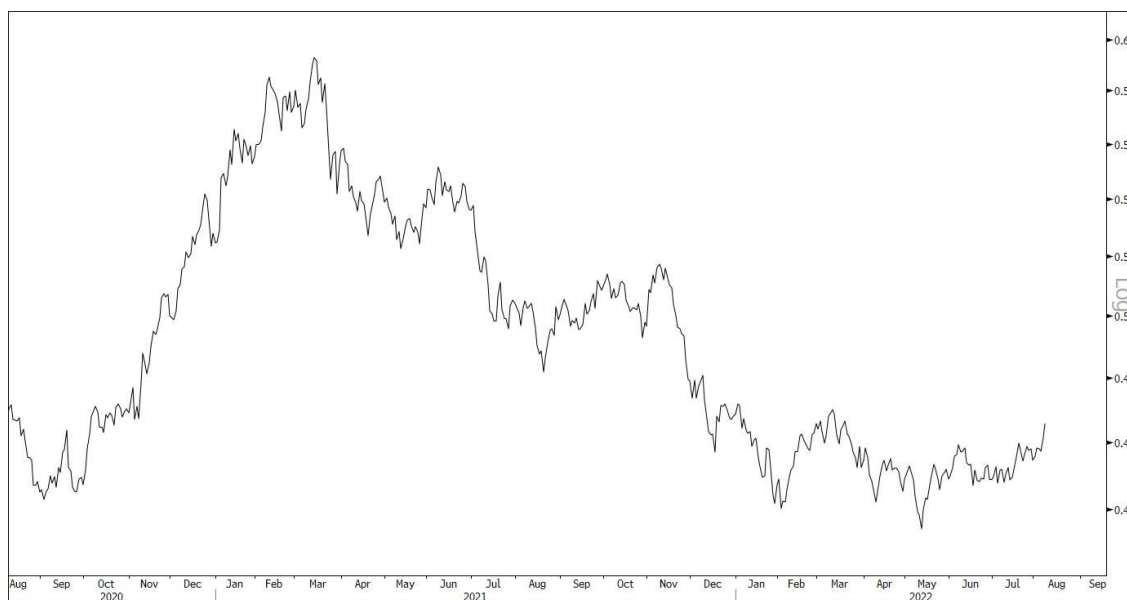
The recent 3-month outperformance...

May 11, 2022	
to	
Aug 8, 2022	
SPY:	+5.6%
IWM:	+13.3%

Identical Ratio Chart 1 of 4:

Russell 2000 Index's relative performance to the S&P 500 Index
iShares Russell 2000 ETF's relative performance to SPDR S&P 500 ETF
(IWM/SPY)

No lines or arrows drawn...



Identical Ratio Chart 2 of 4:

Russell 2000 Index's relative performance to the S&P 500 Index

iShares Russell 2000 ETF's relative performance to SPDR S&P 500 ETF

(IWM/SPY)

A move above the well-defined downtrend line in effect since March 2021



Identical Ratio Chart 3 of 4:

Russell 2000 Index's relative performance to the S&P 500 Index
iShares Russell 2000 ETF's relative performance to SPDR S&P 500 ETF
(IWM/SPY)

A move above the smoothing mechanism (the 150-day moving average) and more importantly, said moving average is on the cusp of inflecting (the definition, officially, of a "Bearish-to-Bullish" Reversal Buy).



Identical Ratio Chart 4 of 4:

Russell 2000 Index's relative performance to the S&P 500 Index
iShares Russell 2000 ETF's relative performance to SPDR S&P 500 ETF
(IWM/SPY)

Charts 2 & 3, above, combined...



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