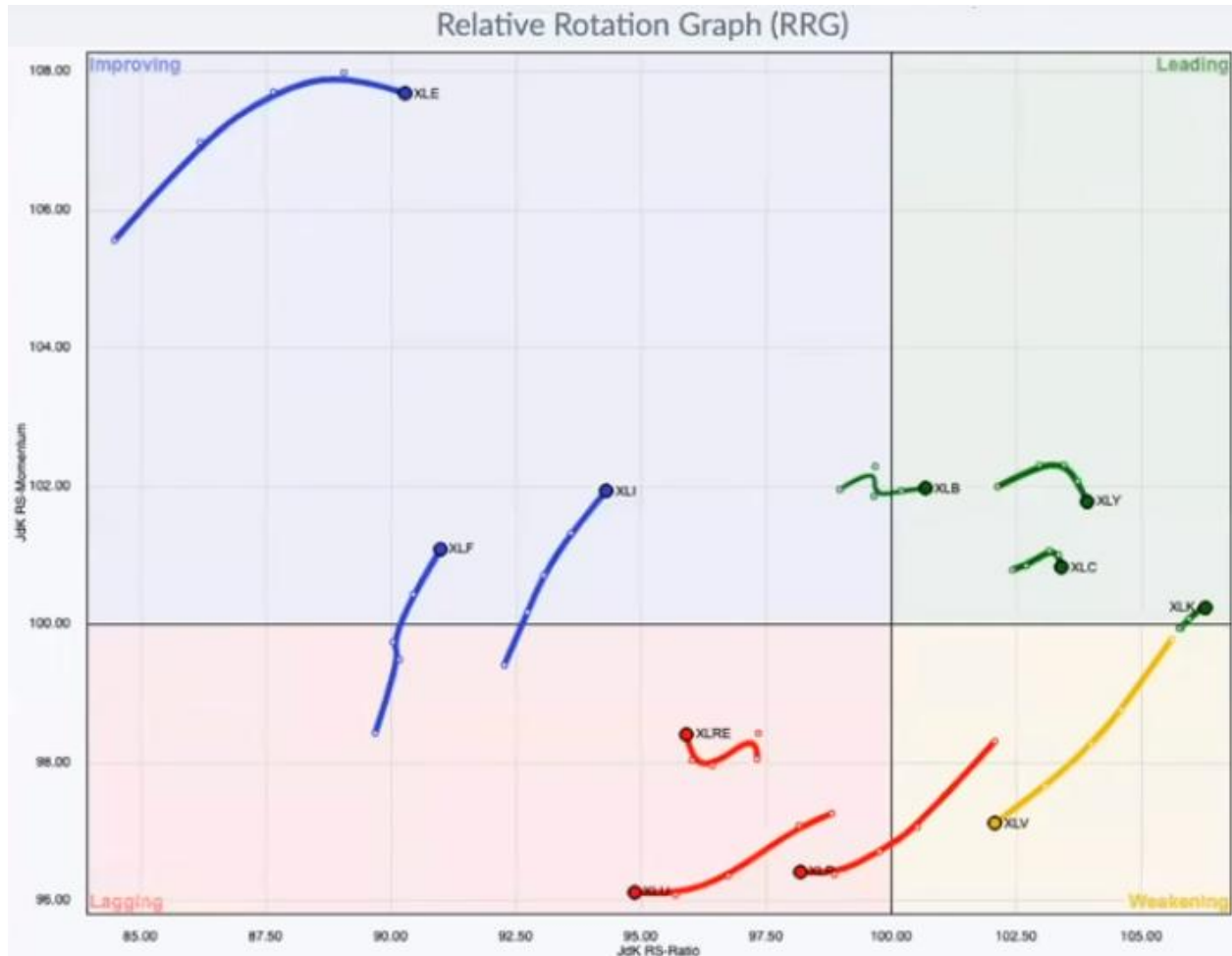


Weekly Market Analysis #308 — 3 July 2020 Richard "Doc" Ahrens

This Week

Here is a Relative Rotation Graph of the 11 SPX Sectors. This chart was invented by Julius de Kempnaer. It shows the relative strength of each of the eleven sectors simultaneously. The upper left section is sectors that are Improving. Upper right is Leading. Lower right is Weakening, and lower left is lagging. This 4-week chart was generated on June 29th.



From this chart we can see that by Kempnaer's metrics: XLK (Technology) is just starting to weaken. XLV (Health Care) is weakening rapidly. XLP (Consumer Staples) has already slid from Weakening to Lagging. XLU (Utilities) is lagging. XLRE (Real Estate) is weak but trying to turn up. XLF (Financial) and XLI (Industrial) have moved up into Improving. XLE (Energy) has improved and may be headed for leading. While XLY (Consumer Discretionary), XLC (Communication), and XLB (Materials) are leading.

Charts like this provide a unique perspective and can be found on StockCharts.COM.

[Long-Term Trends](#)

← Use this link to see all the market barometer charts

Markets do not change course overnight. Speculating about the future is a waste of time, but markets trend and *understanding what is happening now tells us what is most likely to happen next.*

The NASDAQ Composite made another new high and the Russell 2000 continues to drag. Meanwhile, the S&P 500 and the VTI are still moving more or less sideways.



A Closer Look

The SPX rose every day this week on relatively low volume. Neither of these things was surprising because the SPX consistently rises during the days just before and just after July 4th and volume was lower because many of the big traders take vacation during the weeks before and after the holiday. The advance-decline line is not keeping up with price, which is not a good sign.



Core Universe Analysis for 02-Jul-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
BND	Total Bond Market	ETF	UP	0.7:1.9	=UP=	520/0	0.0
EEM	Emerging Markets	ETF	UP	1.5:1.9	=UP=	17/0	-0.5
EFA	Euro/Aust/Asia	ETF	UP	1.0:1.9	<<DN>	1/0	-1.1
GLD	Gold	ETF	UP	2.2:1.9	UP	0/0	0.2
IBB	Bio-Tech & Pharma	ETF	UP	4.1:1.9	=UP=	1/0	0.1
IGV	Software	ETF	UP	5.6:1.9	UP	520/0	0.0
ILF	Latin America	ETF	DN	-2.1:1.9	DN	1/0	-2.5
IWM	R2000 Index	ETF	UP	1.1:1.9	-DN-	0/0	-0.8
IYT	Transportation	ETF	DN	0.4:1.9	-DN-	2/0	-0.8
MINT	CASH SURROGATE	ETF	DN	0.2:1.9	UP	0/1	-0.0
PFF	S&P Preferred Stocks	ETF	DN	0.1:1.9	-UP-	1/0	-0.5
QQQ	NASDAQ 100 Index	ETF	UP	4.8:1.9	<<up>	520/0	-0.2
SPY	S&P 500 Index	ETF	UP	1.8:1.9	<<DN>	2/0	-0.6
TLT	20+ Year T-Bond	ETF	UP	1.0:1.9	-UP-	0/1	0.5
USMV	US Min Volatility	ETF	UP	-0.0:1.9	<<DN>	2/0	-0.3
VGK	FTSE Europe	ETF	UP	1.2:1.9	-dn-	1/0	-1.2
VNQ	US Real Estate Sctr	ETF	DN	-0.2:1.9	<<up>	2/0	-0.9
VTI	Total Market	ETF	UP	1.9:1.9	<<up>	1/0	-0.7

[Sector Charts](#)

Last week's selections were: 20% in BND (stop \$86.40), 20% in QQQ (stop \$229.66), 20% in IBB with a 5% stop (\$128.40), 20% in IGV with a 5% stop, and 20% in MINT.

BND moved up enough to make a new all-time high while spinning off small monthly dividends. QQQ also made a new all-time high. GLD RelStr has turned up again on strong positive money flows (CMF and OBV). IBB's RelStr remains above 4 and IGV posted a new all-time high as its RelStr moved up a notch to 5.6.

I moved IBB and IGV into the core universe because of their continued strong performance. I also removed SBRA because of its prolonged weakness.

This week's choices are mostly unchanged from last week: 20% in BND, moving the stop up to \$87.45, 20% in QQQ with a 5% stop at \$239.45, 20% in IBB with a 5% stop at \$131.57, 20% in IGV with a 5% stop at \$274.55. Since we already have a fairly conservative BND position, instead of putting 20% in BND I think it's reasonable to move half the MINT position into the now-rising GLD. That will give us 10% in MINT and 10% in GLD with a 5% stop at \$158.65.

[Sector Universe](#)

← Use this link to get to the live Sector Universe Table and column descriptions

Sector Universe Analysis for 02-Jul-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XAR	Space & Defense Sctr	ETF	DN	-0.7:1.8	«DN»	0/0	-1.9
XLB	Materials Sctr	ETF	UP	2.0:1.8	-dn-	3/0	-0.5
XLC	Communication Sctr	ETF	UP	2.9:1.8	≡UP≡	1/0	-0.9
XLE	Energy Sctr	ETF	DN	-2.5:1.8	DN	0/0	-2.5
XLF	Financial Sctr	ETF	DN	-1.2:1.8	DN	0/0	-1.8
XLI	Industrial Sctr	ETF	UP	0.3:1.8	DN	1/0	-1.3
XLK	Technology Sctr	ETF	UP	4.5:1.8	«DN»	520/0	-0.3
XLP	Consumer Staples Sctr	ETF	DN	-0.2:1.8	DN	2/0	-0.3
XLRE	Real Estate Sctr	ETF	DN	0.2:1.8	=UP=	2/0	-0.5
XLU	Utilities Sctr	ETF	DN	-1.2:1.8	-dn-	2/0	-0.6
XLV	Health Care Sctr	ETF	UP	0.9:1.8	=UP=	3/0	0.1
XLY	Consumer Discret Sctr	ETF	UP	3.4:1.8	«DN»	3/0	-0.7
XRT	Retail Sctr	ETF	UP	3.9:1.8	«DN»	3/0	-0.9
XTN	Transportation Sctr	ETF	UP	0.7:1.8	DN	0/0	-1.6

[Auxiliary Universe Charts](#)

The sectors with the greatest relative strength this week are XLK, XRT, XLY, XLC, and XLB.

You may notice differences between my Relative Strength calculations and Kempenaer's. I use Marc Chaikin's RelStr algorithm which I would guess uses a longer period than Kempenaer. That makes it a somewhat smoother but a little slower to respond to changes.

Auxiliary Universe Analysis for 02-Jul-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
FIVG	5G Networking Sctr	ETF	UP	3.5:2.0	<<DN>>	3/0	-0.6
HACK	Cyber Security	ETF	UP	3.5:1.9	<<DN>>	2/0	-0.6
IHI	U.S. Medical Devices	ETF	UP	1.2:1.9	<<up>>	4/0	0.1
IYT	Transportation	ETF	DN	0.4:1.9	-DN-	2/0	-0.8
QTUM	Quantum Computing Sctr	ETF	UP	4.3:2.0	-DN-	3/0	-0.9
ROBO	Robot/Automation Sctr	ETF	UP	3.9:1.9	<<DN>>	3/0	-0.8
SLV	Silver Trust	ETF	UP	2.7:1.9	≡UP≡	0/0	-0.4
SNSR	Internet of Things	ETF	UP	4.3:1.9	DN	0/0	-1.1
SOXX	Semiconductor Sctr	ETF	UP	4.7:1.9	-up-	0/0	-0.8
SRVR	Data & Transmission REIT	ETF	UP	2.7:2.0	≡UP≡	18/0	-0.0
USO	US Oil	ETF	DN	-24.8:1.9	-UP-	2/0	0.9
XBI	Bio-Tech Sctr	ETF	UP	6.0:1.9	UP	1/0	0.4
XHB	Homebuilders Sctr	ETF	UP	3.7:1.9	<<DN>>	0/0	-1.7
XHE	Healthcare Equip Sctr	ETF	UP	2.4:1.9	-UP-	475/0	0.4
XME	Metals & Mining Sctr	ETF	DN	0.3:1.9	<<DN>>	0/0	-1.5
XOP	Oil+Gas Expl+Prod	ETF	DN	-0.6:1.9	DN	0/0	-3.7
XPH	Pharmaceuticals Sctr	ETF	UP	1.5:1.9	DN	1/0	0.1

[Core Universe Charts](#)

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