

Weekly Market Analysis #309 — 10 July 2020

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This Week

On Thursday SOXX, the [Philadelphia Stock Exchange Semiconductor ETF](#), broke out to a new all-time high. It reached \$270 in the middle of February and then declined with the rest of the market; however, this week it broke convincingly up through that resistance level.



What's driving SOXX higher? In general, it is Artificial Intelligence (AI). But more specifically, it's a side-effect of lots of computer vision projects. It turns out that GPUs, graphic processing units, are ideally suited to doing the kind of high-speed image processing needed to facilitate computer vision. Chips that were designed to generate images are also very useful for decomposing and analyzing images, which is the heart of the computer vision puzzle.

SOXX doesn't have enough liquidity (consistent volume) to qualify for a place in our Core Universe. But if you wanted to put a little money into AI and graphic signal processing, this looks like a reasonably low-risk opportunity to put your toe in the water.

Some people are debating about whether the market is overvalued or not. The answer is that the market is seriously overvalued — but nobody is paying attention. Matthew Buckley often says, "The market doesn't care until it cares". That may seem like a strange thing to say. Even so, right now many market participants are well aware that things are badly overpriced, but no one seems to care.

[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 continues to steam upward. The other indexes are also green, except for IWM.



A Closer Look

Since June 16th, \$3150 has been an important level for the SPX. It served as support every day this week. The SPX 50-day average crossed a little above the 200-day average. The NYAD (advance-decline line) lost some ground even though the SPX was flat. The VIX declined just a bit, calmed by the horizontal trend of the SPX this week.



| Core Universe Analysis for 10-Jul-2020 | | | | | | | |
|--|----------------------|-------|-------|----------|------|-------|--------|
| Symbol | Description | Instr | MTA 3 | RelStr | CMF | NH/NL | MCHist |
| BND | Total Bond Market | ETF | UP | 0.8:1.8 | UP | 520/0 | 0.0 |
| EEM | Emerging Markets | ETF | UP | 2.1:1.8 | UP | 20/0 | 1.3 |
| EFA | Euro/Aust/Asia | ETF | UP | 0.8:1.8 | «UP» | 0/1 | -0.2 |
| GLD | Gold | ETF | UP | 2.4:1.8 | UP | 0/0 | 0.2 |
| IBB | Bio-Tech & Pharma | ETF | UP | 4.4:1.8 | «up» | 0/1 | 0.2 |
| IGV | Software | ETF | UP | 6.1:1.8 | =UP= | 520/0 | 0.5 |
| ILF | Latin America | ETF | DN | -2.4:1.8 | DN | 0/0 | -0.5 |
| IWM | R2000 Index | ETF | UP | 0.7:1.8 | «dn» | 0/2 | -0.7 |
| IYT | Transportation | ETF | DN | -0.0:1.8 | DN | 0/2 | -0.3 |
| MINT | CASH SURROGATE | ETF | DN | 0.3:1.8 | ≡up≡ | 0/3 | -0.1 |
| PFF | S&P Preferred Stocks | ETF | DN | -0.1:1.8 | =UP= | 2/0 | -0.1 |
| QQQ | NASDAQ 100 Index | ETF | UP | 5.2:1.8 | -UP- | 520/0 | 0.7 |
| SPY | S&P 500 Index | ETF | UP | 1.6:1.8 | -UP- | 4/0 | 0.1 |
| TLT | 20+ Year T-Bond | ETF | UP | 1.3:1.8 | UP | 10/0 | 0.6 |
| USMV | US Min Volatility | ETF | UP | -0.3:1.8 | «UP» | 0/1 | 0.0 |
| VGK | FTSE Europe | ETF | UP | 1.1:1.8 | =UP= | 0/1 | -0.2 |
| VNQ | US Real Estate Sctr | ETF | DN | -0.7:1.8 | «dn» | 0/2 | -0.7 |
| VTI | Total Market | ETF | UP | 1.8:1.8 | =UP= | 4/0 | 0.0 |

[Sector Charts](#)

Last week's selections were: 20% in BND (stop at \$87.45), 20% in QQQ (5% stop at \$239.45), 20% in IBB (5% stop at \$131.57), 20% in IGV (5% stop at \$274.55), 10% in GLD (5% stop at \$158.65) and 10% in MINT. [I made a typo in last week's analysis. I meant to say move "half of the MINT position" into GLD but what I typed was "half of BND" — although the final position numbers were actually correct.]

This week BND, IGV, and QQQ made all-time new highs. IBB remained above its 5% stop. It money flow is strong and its new 5% stop is \$132.25. GLD advanced again and its new 5% stop is \$160.70.

I've been watching EEM for a few weeks as its RelStr moved up and its money flow moved into positive territory. I think this is the time to let go of the last piece of our highly conservative position in MINT and get all our capital into actively advancing funds. This week we'll take our last 10% from MINT and move it into EEM with a ~5% stop at \$40.80.

In alphabetical order, this week's selections are BND 20% (stop \$87.85), EEM 10% (5% stop \$40.80), GLD 10% (5% stop \$160.70), IBB 20% (5% stop \$132.25), IGV 20% (5% stop \$283.35), QQQ 20% (stop \$248.80).

[Sector Universe](#)

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

| Sector Universe Analysis for 10-Jul-2020 | | | | | | | |
|---|-----------------------|-------|-------|----------|------|-------|--------|
| Symbol | Description | Instr | MTA 3 | RelStr | CMF | NH/NL | MCHist |
| XAR | Space & Defense Sctr | ETF | DN | -1.8:1.6 | DN | 0/7 | -1.8 |
| XLB | Materials Sctr | ETF | UP | 1.8:1.6 | «UP» | 0/1 | 0.1 |
| XLC | Communication Sctr | ETF | UP | 2.9:1.7 | UP | 104/0 | 0.4 |
| XLE | Energy Sctr | ETF | DN | -4.1:1.6 | DN | 0/11 | -1.9 |
| XLF | Financial Sctr | ETF | DN | -2.0:1.6 | «dn» | 2/2 | -0.7 |
| XLI | Industrial Sctr | ETF | UP | -0.4:1.6 | DN | 0/2 | -0.8 |
| XLK | Technology Sctr | ETF | UP | 4.7:1.6 | «UP» | 520/0 | 0.3 |
| XLP | Consumer Staples Sctr | ETF | DN | -0.3:1.6 | «UP» | 4/1 | 0.2 |
| XLRE | Real Estate Sctr | ETF | DN | -0.2:1.6 | -UP- | 0/1 | -0.3 |
| XLU | Utilities Sctr | ETF | DN | -1.7:1.6 | =UP= | 1/1 | -0.0 |
| XLV | Health Care Sctr | ETF | UP | 0.8:1.6 | =UP= | 0/1 | 0.2 |
| XLY | Consumer Discret Sctr | ETF | UP | 3.3:1.6 | =UP= | 520/0 | 0.2 |
| XRT | Retail Sctr | ETF | UP | 3.7:1.6 | «UP» | 0/1 | -0.2 |
| XTN | Transportation Sctr | ETF | UP | 0.1:1.6 | DN | 0/2 | -0.5 |

[Auxiliary Universe Charts](#)

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

| Auxiliary Universe Analysis for 10-Jul-2020 | | | | | | | |
|--|--------------------------|-------|-------|-----------|------|-------|--------|
| Symbol | Description | Instr | MTA 3 | RelStr | CMF | NH/NL | MCHist |
| FIVG | 5G Networking Sctr | ETF | UP | 3.3:1.8 | =UP= | 0/0 | -0.0 |
| HACK | Cyber Security | ETF | UP | 3.4:1.8 | -dn- | 285/0 | 0.3 |
| IHI | U.S. Medical Devices | ETF | UP | 1.2:1.8 | -dn- | 0/0 | 0.4 |
| IYT | Transportation | ETF | DN | -0.0:1.8 | DN | 0/2 | -0.3 |
| QTUM | Quantum Computing Sctr | ETF | UP | 4.3:1.8 | DN | 93/0 | -0.0 |
| ROBO | Robot/Automation Sctr | ETF | UP | 3.7:1.8 | =UP= | 0/0 | 0.0 |
| SLV | Silver Trust | ETF | UP | 3.0:1.8 | =UP= | 0/0 | 0.6 |
| SNSR | Internet of Things | ETF | UP | 4.2:1.8 | -UP- | 192/0 | 0.0 |
| SOXX | Semiconductor Sctr | ETF | UP | 4.6:1.8 | =UP= | 520/0 | 0.3 |
| SRVR | Data & Transmission REIT | ETF | UP | 2.8:1.8 | UP | 0/0 | 0.1 |
| USO | US Oil | ETF | DN | -24.2:1.8 | up | 0/1 | 0.6 |
| XBI | Bio-Tech Sctr | ETF | UP | 6.7:1.8 | UP | 0/0 | 0.3 |
| XHB | Homebuilders Sctr | ETF | UP | 3.4:1.8 | «UP» | 0/1 | -0.5 |
| XHE | Healthcare Equip Sctr | ETF | UP | 2.6:1.8 | =UP= | 0/1 | 0.3 |
| XME | Metals & Mining Sctr | ETF | DN | -0.5:1.8 | «dn» | 3/2 | -0.6 |
| XOP | Oil+Gas Expl+Prod | ETF | DN | -3.2:1.8 | DN | 0/8 | -2.4 |
| XPH | Pharmaceuticals Sctr | ETF | UP | 1.5:1.8 | DN | 0/1 | 0.1 |

[Core Universe Charts](#)

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