

Weekly Market Analysis #310 – 17 July 2020

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This Week

Fellow market analyst and expert technician, J.C. Parets, mentioned that the US Dollar made a 52-week new low this week. I brought up this chart of the US Dollar Index and, sure enough, the US Dollar ended this week lower than it has been since January 2019. That's down over 6.5% since the March high.



What does this mean? A declining dollar will raise the prices of precious metals, which explains some of the rise in gold since its March lows. It will also cause an increase in imports and many commodity prices. The good news for us is that it will drive up EEM, the Emerging Markets ETF.

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Mohamed El-Erian, commenting on the developing Covid-19 Debt Crunch

The potential damage is not limited to finance. Disruptions in capital markets could also undermine the already sluggish economic recovery by making consumers more thrifty, as they worry about their job prospects, and by encouraging companies to postpone investment plans pending a clearer economic outlook...Liquidity-driven rallies are deceptively attractive and tend to result in excessive risk-taking. This time, retail investors are front and center. But it is the next stage that we should already be thinking about. That requires much more careful scrutiny from investors than the past few months have demanded.

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This week Mitch Zacks warned, "...tailoring your investment strategy to the 'new economy' may mean chasing past performance and/or over-concentrating your portfolio in one sector..."

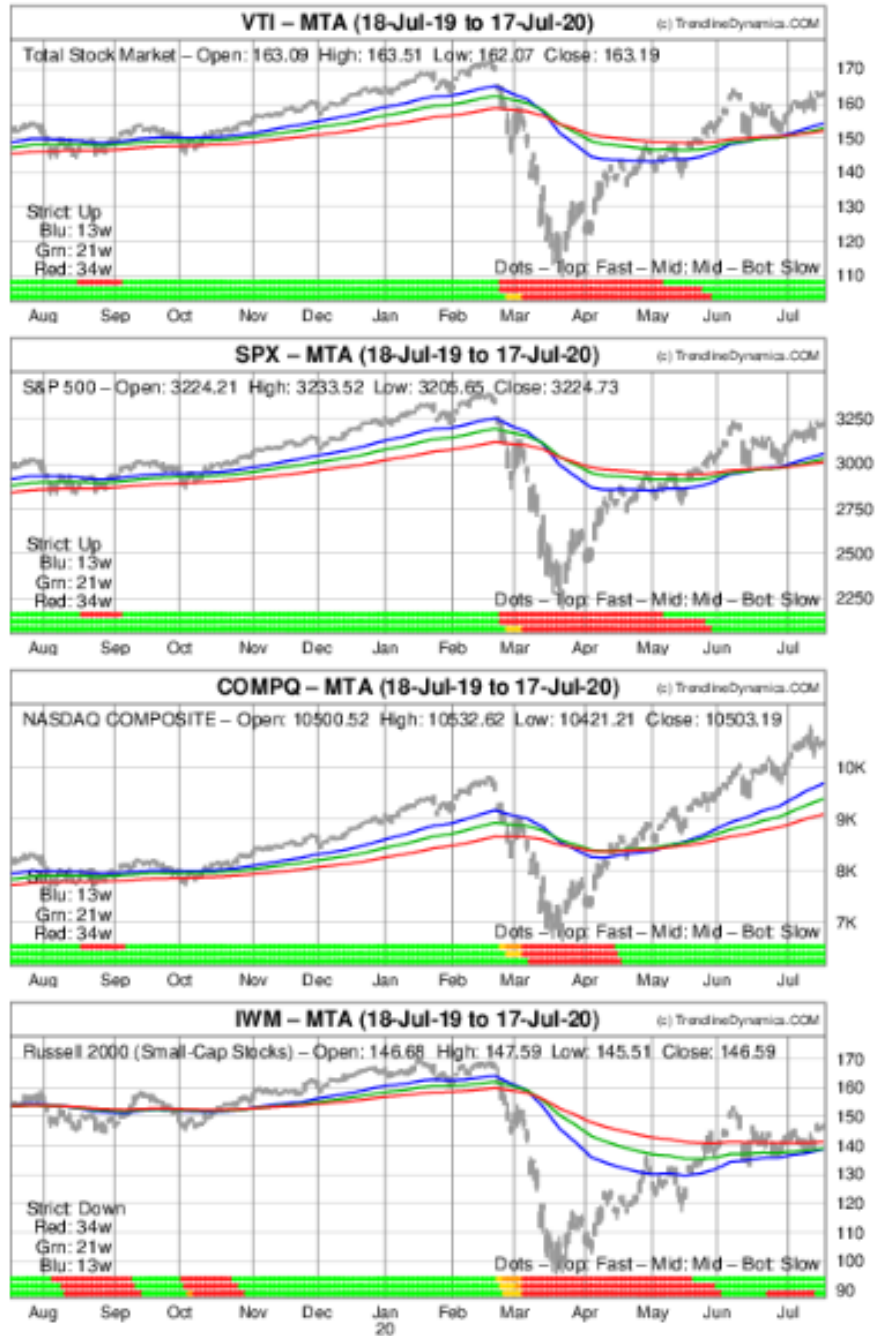
This is why DAA (Dynamic Asset Allocation) avoids chasing past performance and works to keep investments diversified.

[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.*

All four indexes are up, and the NASDAQ Composite continues to lead the way.



A Closer Look

The SPX closed above \$3150 on Monday and every day after that, ending the week at \$3224.73. However, SPX still remains below the June 8th close of \$3232, and it is a fairly long way from the February high of \$3386. NYAD strongly confirmed the SPX advance. The VIX also confirmed the advance in price, declining to 25.68.



Core Universe Analysis for 17-Jul-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
BND	Total Bond Market	ETF	UP	0.8:1.9	UP	520/0	0.0
EEM	Emerging Markets	ETF	UP	2.8:1.9	UP	0/2	-0.1
EFA	Euro/Aust/Asia	ETF	UP	1.0:1.9	«UP»	0/0	0.2
GLD	Gold	ETF	UP	2.7:1.9	UP	0/2	0.0
IBB	Bio-Tech & Pharma	ETF	UP	4.8:1.9	≡UP≡	520/0	0.1
IGV	Software	ETF	UP	6.1:1.9	«UP»	0/3	-0.8
ILF	Latin America	ETF	DN	-2.0:1.9	DN	0/0	-0.1
IWM	R2000 Index	ETF	UP	0.9:1.9	=UP=	0/0	0.3
IYT	Transportation	ETF	=UP=	0.5:1.9	=UP=	6/0	0.8
MINI	CASH SURROGATE	ETF	=UP=	0.3:1.9	≡UP≡	19/0	-0.0
PFF	S&P Preferred Stocks	ETF	DN	-0.0:1.9	≡UP≡	5/0	0.1
QQQ	NASDAQ 100 Index	ETF	UP	5.6:1.9	≡UP≡	0/0	-0.1
SPY	S&P 500 Index	ETF	UP	1.8:1.9	≡UP≡	0/0	0.2
TLT	20+ Year T-Bond	ETF	UP	1.4:1.9	-up-	1/0	0.4
USMV	US Min Volatility	ETF	UP	-0.1:1.9	≡UP≡	5/0	0.2
VGK	FTSE Europe	ETF	UP	1.4:1.9	≡UP≡	6/0	0.2
VNQ	US Real Estate Sctr	ETF	DN	-1.1:1.9	DN	2/0	-0.3
VTI	Total Market	ETF	UP	1.9:1.9	≡UP≡	0/0	0.2

[Sector Charts](#)

Last week's allocation were: 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).

GLD and QQQ had consolidations this week (the term *consolidation* means their short-term trend was horizontal). EEM lost some ground but its money flow is still positive. IGV declined to \$286.16. Meanwhile IBB and BND made new all-time highs.

BND closed the week at \$88.85 and a stop at \$87.85 still seems appropriate. EEM ended at \$42.77 and its stop at \$40.80 stands. GLD is having trouble getting above resistance at \$170 but moving its stop up to the true 5% level of 161.61 makes sense. IBB also makes sense with a true 5% stop at \$136.76. We'll keep IGV's stop at \$283.35 and move QQQ's stop up just a little to \$249.40.

So this week's allocations are: BND 20% (stop \$87.85), EEM 10% (5% stop \$40.80), GLD 10% (5% stop \$161.61), IBB 20% (5% stop \$136.76), IGV 20% (previous stop \$283.35), QQQ 20% (adjusted stop \$249.40).

[Sector Universe](#)

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

Sector Universe Analysis for 17-Jul-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XAR	Space & Defense Sctr	ETF	DN	-2.2:1.9	-dn-	3/0	0.1
XLB	Materials Sctr	ETF	UP	2.4:1.9	≡UP≡	27/0	0.6
XLC	Communication Sctr	ETF	UP	3.0:1.9	UP	1/0	0.2
XLE	Energy Sctr	ETF	DN	-4.6:1.9	≡dn≡	0/0	0.2
XLF	Financial Sctr	ETF	DN	-1.9:1.9	«up»	4/0	0.5
XLI	Industrial Sctr	ETF	UP	-0.2:1.9	-UP-	5/0	0.5
XLK	Technology Sctr	ETF	UP	4.8:1.9	≡UP≡	0/0	-0.2
XLP	Consumer Staples Sctr	ETF	≡UP≡	0.0:1.9	-UP-	19/0	0.3
XLRE	Real Estate Sctr	ETF	DN	-0.5:1.9	«dn»	1/0	-0.2
XLU	Utilities Sctr	ETF	DN	-1.7:1.9	UP	5/0	0.4
XLV	Health Care Sctr	ETF	UP	1.2:1.9	≡UP≡	520/0	0.4
XLY	Consumer Discret Sctr	ETF	UP	3.5:1.9	UP	0/0	0.2
XRT	Retail Sctr	ETF	UP	4.1:1.9	≡UP≡	20/0	0.3
XTN	Transportation Sctr	ETF	UP	0.4:1.9	DN	5/0	0.7

[Auxiliary Universe Charts](#)

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

Auxiliary Universe Analysis for 17-Jul-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
FIVG	5G Networking Sctr	ETF	UP	3.3:2.0	≡UP≡	69/0	-0.0
HACK	Cyber Security	ETF	UP	3.4:1.9	«dn»	1/0	-0.1
IHI	U.S. Medical Devices	ETF	UP	1.7:1.9	=UP=	520/0	0.4
IYT	Transportation	ETF	=UP=	0.5:1.9	=UP=	6/0	0.8
QTUM	Quantum Computing Sctr	ETF	UP	4.4:2.0	-UP-	0/0	-0.2
ROBO	Robot/Automation Sctr	ETF	UP	3.9:1.9	UP	0/0	0.1
SLV	Silver Trust	ETF	UP	3.8:1.9	-up-	0/0	0.5
SNSR	Internet of Things	ETF	UP	4.4:1.9	UP	193/0	0.2
SOXX	Semiconductor Sctr	ETF	UP	4.8:1.9	≡UP≡	0/0	-0.1
SRVR	Data & Transmission REIT	ETF	UP	2.7:2.0	=DN=	1/0	-0.2
USO	US Oil	ETF	DN	-23.4:1.9	≡UP≡	0/0	0.3
XBI	Bio-Tech Sctr	ETF	UP	7.3:1.9	≡UP≡	520/0	-0.1
XHB	Homebuilders Sctr	ETF	UP	3.7:1.9	≡UP≡	20/0	0.7
XHE	Healthcare Equip Sctr	ETF	UP	3.2:1.9	UP	477/0	0.4
XME	Metals & Mining Sctr	ETF	DN	-0.1:1.9	≡UP≡	0/0	0.9
XOP	Oil+Gas Expl+Prod	ETF	DN	-4.4:1.9	≡dn≡	0/0	0.1
XPH	Pharmaceuticals Sctr	ETF	UP	1.8:1.9	-dn-	0/0	0.2
Core Universe Charts							

If you are holding SOXX, based on its closing price of \$280.82, I would suggest a 5% stop at \$266.78

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