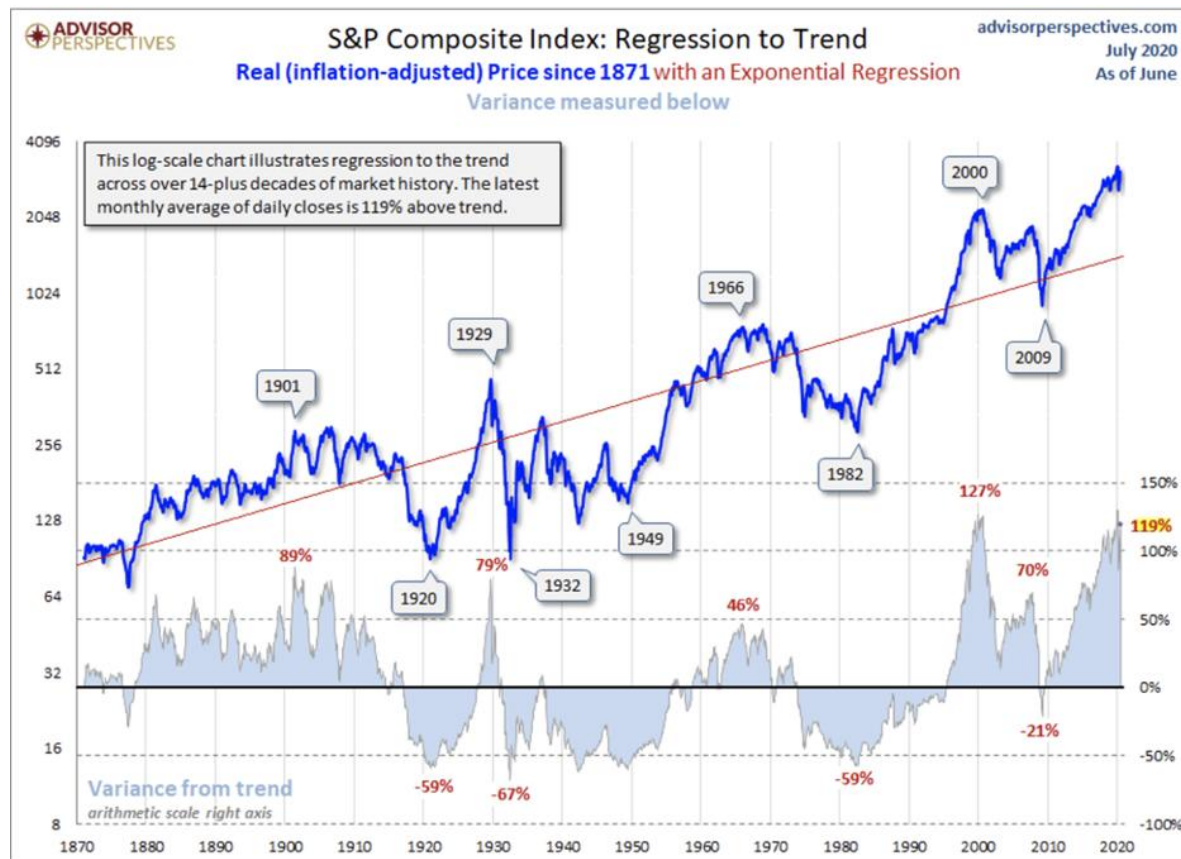


## Weekly Market Analysis #311 – 24 July 2020

### Richard "Doc" Ahrens

#### This Week

The Advisor Perspectives website was started by Doug Short many years ago. When Doug retired, Jill Mislinski took his place, and she has done an admirable job of maintaining the service's high standards. Here is a chart from her of the last 150 years of market history. The red linear regression line shows the long-term market trend. Bull market highs and bear market lows are marked.



Here is Jill's explanation of what the chart is showing:

The light blue graphic plots how far above or below the market was at any time from its long-term trend. The peak in 2000 marked an unprecedented 129% overshooting of the trend — substantially above the overshoot in 1929. The index had been above trend for two decades, with one exception: it dipped about 15% below trend briefly in March of 2009. At the beginning of July 2020, it is 119% above trend.

To make a long story short: If you don't have a plan for protecting your investments against 5-10 years of declining market prices, then the odds are exceptionally high that you are not going to be happy during the coming decade.

## [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.*

COMPQ stubbed its toe this week as the Titans of Technology — the 5 biggest holdings in the index — declined more than 5% ([see the bottom section of the long-term charts page for the Titans of Tech](#)). Even so, all four major US indexes remain solid green for now.



## A Closer Look

The SPX had a strong open this week and then gave it all back Thursday and Friday, maybe due to expectations of a poor earnings season. NYAD did somewhat better than the SPX and the VIX rose only slightly on the end of week decline.



| Core Universe Analysis for 24-Jul-2020 |                      |       |       |          |      |       |        |
|--|----------------------|-------|-------|----------|------|-------|--------|
| Symbol                                 | Description          | Instr | MTA 3 | RelStr   | CMF  | NH/NL | MCHist |
| <a href="#">BND</a>                    | Total Bond Market    | ETF   | UP    | 0.8:2.3  | -up- | 520/0 | 0.0    |
| <a href="#">EEM</a>                    | Emerging Markets     | ETF   | UP    | 3.3:2.3  | UP   | 0/1   | -0.3   |
| <a href="#">EFA</a>                    | Euro/Aust/Asia       | ETF   | UP    | 1.4:2.3  | UP   | 0/1   | 0.1    |
| <a href="#">GLD</a>                    | Gold                 | ETF   | UP    | 3.0:2.3  | UP   | 446/0 | 0.5    |
| <a href="#">IBB</a>                    | Bio-Tech & Pharma    | ETF   | UP    | 4.6:2.3  | -up- | 0/4   | -0.3   |
| <a href="#">IGV</a>                    | Software             | ETF   | UP    | 5.9:2.3  | -up- | 0/1   | -0.4   |
| <a href="#">ILF</a>                    | Latin America        | ETF   | DN    | -1.1:2.3 | «dn» | 0/0   | 0.5    |
| <a href="#">IWM</a>                    | R2000 Index          | ETF   | UP    | 1.3:2.3  | UP   | 6/0   | 0.3    |
| <a href="#">IYT</a>                    | Transportation       | ETF   | UP    | 1.3:2.3  | «DN» | 0/1   | 0.3    |
| <a href="#">MINT</a>                   | CASH SURROGATE       | ETF   | UP    | 0.3:2.3  | UP   | 20/0  | -0.0   |
| <a href="#">PFF</a>                    | S&P Preferred Stocks | ETF   | DN    | 0.2:2.3  | UP   | 7/0   | 0.1    |
| <a href="#">QQQ</a>                    | NASDAQ 100 Index     | ETF   | UP    | 5.7:2.3  | UP   | 0/3   | -0.3   |
| <a href="#">SPY</a>                    | S&P 500 Index        | ETF   | UP    | 2.2:2.3  | UP   | 0/1   | 0.0    |
| <a href="#">TLT</a>                    | 20+ Year T-Bond      | ETF   | UP    | 1.6:2.3  | -UP- | 13/0  | 0.3    |
| <a href="#">USMV</a>                   | US Min Volatility    | ETF   | UP    | 0.3:2.3  | UP   | 0/1   | 0.2    |
| <a href="#">VGK</a>                    | FTSE Europe          | ETF   | UP    | 1.8:2.3  | -up- | 0/1   | 0.1    |
| <a href="#">VNQ</a>                    | US Real Estate Sctr  | ETF   | DN    | -1.1:2.3 | DN   | 0/0   | -0.0   |
| <a href="#">VTI</a>                    | Total Market         | ETF   | UP    | 2.3:2.3  | UP   | 0/1   | 0.0    |

[Sector Charts](#)

Last week's Dynamic Asset Allocations were: 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).

BND continues to climb, making another new all-time high. EEM is in a consolidation. I'm going to move my EEM stop up to \$41.85, a little higher than the 5% stop of \$41.53 but not much. GLD came up to an 8.5 year new high which raised its 5% stop to \$169.76. IBB fell for the last 4 days, breaking down through the 5% stop and my stop of \$136.76 so it's time to close that position for now. IGV has the strongest RelStr of 5.9 but it is also in a consolidation. I'm going to leave its stop at \$283.35. QQQ got knocked down every day except Monday. I'm going to leave its stop at \$249.40. (That stop was originally based on the close on June 23<sup>rd</sup>, \$248.84, which was the highest close that month.)

Sell IBB. I'm not ready to put more than 10% in EEM so put half the money from IBB into GLD and put half into MINT (our cash surrogate). That will make this week's selections are: BND 20% (my stop \$87.85), EEM 10% (my stop \$41.85), GLD 20% (my stop moved up to \$166.19), IGV 20% (my stop still \$283.35), QQQ 20% (adjusted stop \$249.40), and MINT 10%. (Don't worry that changes in your holdings don't work out as exact percentages. We're going for reasonable approximations, not fine-toothed accuracy.)

[Sector Universe](#)

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

| <b>Sector Universe Analysis for 24-Jul-2020</b> |                       |       |       |          |      |       |        |
|---|-----------------------|-------|-------|----------|------|-------|--------|
| Symbol  | Description           | Instr | MTA 3 | RelStr   | CMF  | NH/NL | MCHist |
| <a href="#">XAR</a>                             | Space & Defense Sctr  | ETF   | DN    | -1.8:2.2 | dn   | 0/0   | 0.7    |
| <a href="#">XLB</a>                             | Materials Sctr        | ETF   | UP    | 3.2:2.2  | UP   | 0/0   | 0.3    |
| <a href="#">XLC</a>                             | Communication Sctr    | ETF   | UP    | 3.2:2.2  | UP   | 0/2   | -0.1   |
| <a href="#">XLE</a>                             | Energy Sctr           | ETF   | DN    | -4.5:2.2 | «up» | 0/0   | 0.7    |
| <a href="#">XLF</a>                             | Financial Sctr        | ETF   | DN    | -1.5:2.2 | =UP= | 5/0   | 0.5    |
| <a href="#">XLI</a>                             | Industrial Sctr       | ETF   | UP    | 0.4:2.2  | «up» | 0/0   | 0.5    |
| <a href="#">XLK</a>                             | Technology Sctr       | ETF   | UP    | 4.8:2.2  | «UP» | 0/3   | -0.3   |
| <a href="#">XLP</a>                             | Consumer Staples Sctr | ETF   | UP    | 0.5:2.2  | «up» | 20/0  | 0.2    |
| <a href="#">XLRE</a>                            | Real Estate Sctr      | ETF   | DN    | -0.5:2.2 | =UP= | 0/0   | -0.1   |
| <a href="#">XLU</a>                             | Utilities Sctr        | ETF   | DN    | -1.0:2.2 | «up» | 6/0   | 0.5    |
| <a href="#">XLV</a>                             | Health Care Sctr      | ETF   | UP    | 1.7:2.2  | «up» | 0/1   | 0.3    |
| <a href="#">XLY</a>                             | Consumer Discret Sctr | ETF   | UP    | 3.9:2.2  | UP   | 0/1   | 0.0    |
| <a href="#">XRT</a>                             | Retail Sctr           | ETF   | UP    | 4.7:2.2  | UP   | 0/0   | 0.3    |
| <a href="#">XTN</a>                             | Transportation Sctr   | ETF   | UP    | 0.9:2.2  | DN   | 0/2   | 0.1    |

[Auxiliary Universe Charts](#)

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

[Auxiliary Universe](#)

← Use this link to get to the live Auxiliary Universe Table

| <b>Auxiliary Universe Analysis for 24-Jul-2020</b> |                          |       |       |           |      |       |        |
|--|--------------------------|-------|-------|-----------|------|-------|--------|
| Symbol   | Description              | Instr | MTA 3 | RelStr    | CMF  | NH/NL | MCHist |
| <a href="#">FIVG</a>                               | 5G Networking Sctr       | ETF   | UP    | 3.5:2.3   | «up» | 0/1   | 0.0    |
| <a href="#">HACK</a>                               | Cyber Security           | ETF   | UP    | 3.6:2.3   | ≡DN≡ | 0/1   | 0.1    |
| <a href="#">IHI</a>                                | U.S. Medical Devices     | ETF   | UP    | 2.6:2.3   | ≡DN≡ | 520/0 | 0.5    |
| <a href="#">IYT</a>                                | Transportation           | ETF   | UP    | 1.3:2.3   | «DN» | 0/1   | 0.3    |
| <a href="#">QTUM</a>                               | Quantum Computing Sctr   | ETF   | UP    | 4.6:2.3   | UP   | 0/1   | -0.1   |
| <a href="#">ROBO</a>                               | Robot/Automation Sctr    | ETF   | UP    | 4.2:2.3   | «up» | 0/1   | 0.1    |
| <a href="#">SLV</a>                                | Silver Trust             | ETF   | UP    | 5.9:2.3   | UP   | 0/0   | 2.7    |
| <a href="#">SNSR</a>                               | Internet of Things       | ETF   | UP    | 4.7:2.3   | UP   | 0/1   | 0.0    |
| <a href="#">SOXX</a>                               | Semiconductor Sctr       | ETF   | UP    | 4.9:2.3   | UP   | 0/2   | -0.2   |
| <a href="#">SRVR</a>                               | Data & Transmission REIT | ETF   | UP    | 2.6:2.3   | -DN- | 0/1   | -0.1   |
| <a href="#">USO</a>                                | US Oil                   | ETF   | DN    | -22.6:2.3 | «UP» | 0/0   | 0.2    |
| <a href="#">XBI</a>                                | Bio-Tech Sctr            | ETF   | UP    | 7.1:2.3   | «up» | 0/2   | -0.5   |
| <a href="#">XHB</a>                                | Homebuilders Sctr        | ETF   | UP    | 4.5:2.3   | UP   | 0/0   | 0.8    |
| <a href="#">XHE</a>                                | Healthcare Equip Sctr    | ETF   | UP    | 3.8:2.3   | =up= | 0/1   | 0.3    |
| <a href="#">XME</a>                                | Metals & Mining Sctr     | ETF   | =UP=  | 0.9:2.3   | UP   | 0/0   | 0.8    |
| <a href="#">XOP</a>                                | Oil+Gas Expl+Prod        | ETF   | DN    | -4.1:2.3  | «DN» | 0/0   | 0.8    |
| <a href="#">XPH</a>                                | Pharmaceuticals Sctr     | ETF   | UP    | 1.9:2.3   | -DN- | 0/2   | -0.1   |

[Core Universe Charts](#)

The 5% stop for SOXX is now at \$272.05. The stop was raised to that level on July 20<sup>th</sup> when price closed at \$286.37. Price has since declined to \$277.06 but sell stops only move up or sideways. Once a level is reached, they do not down even though price drops, so the stop remains at its last high until broken.

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