

Weekly Market Analysis #315 – 21 August 2020

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This Week

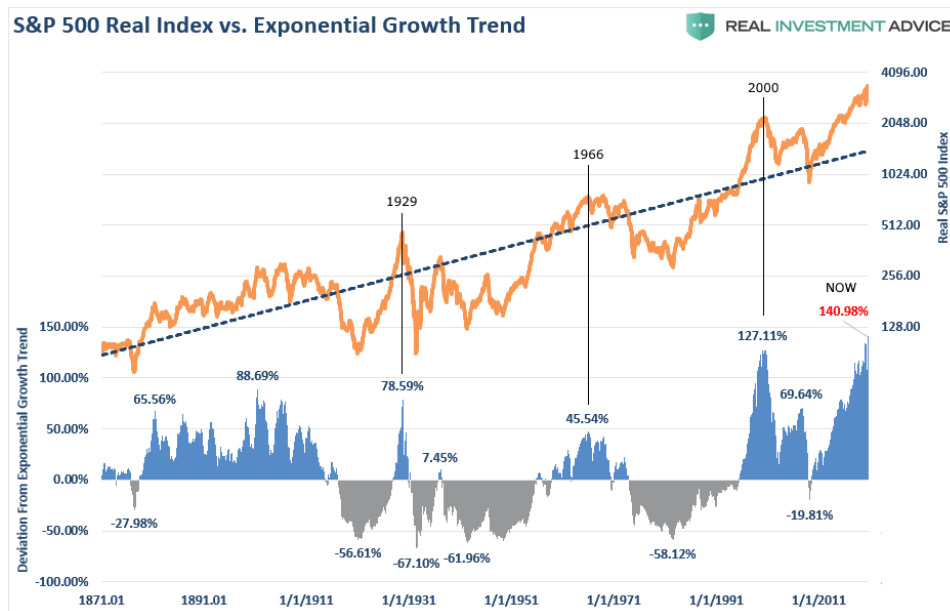
The market is getting more and more out of balance. At this point the 10 biggest companies account for 60% of the NASDAQ Index and 30% of the SPX Index.

JP Morgan estimates that today's valuations imply flat to slightly negative stock returns over the next four years. Jeremy Grantham estimates that today's valuations imply flat to slightly negative stock returns over the next **ten** years.

I think JP Morgan is trying to put a brave face on the situation because they don't want customers getting overly nervous. Grantham, on the other hand, has a solid track record of forecasting market returns and he doesn't much care what other people think about what he says.

Grantham's assessment of the situation is more credible. This has important implications for people in or close to retirement who are counting on making sufficient returns to meet their financial goals, or even just covering expenses. And passive investing is unlikely to be profitable.

Legendary investor George Soros has withdrawn his money from the stock market because he says we are in a bubble fueled by Fed liquidity. This chart shows why.



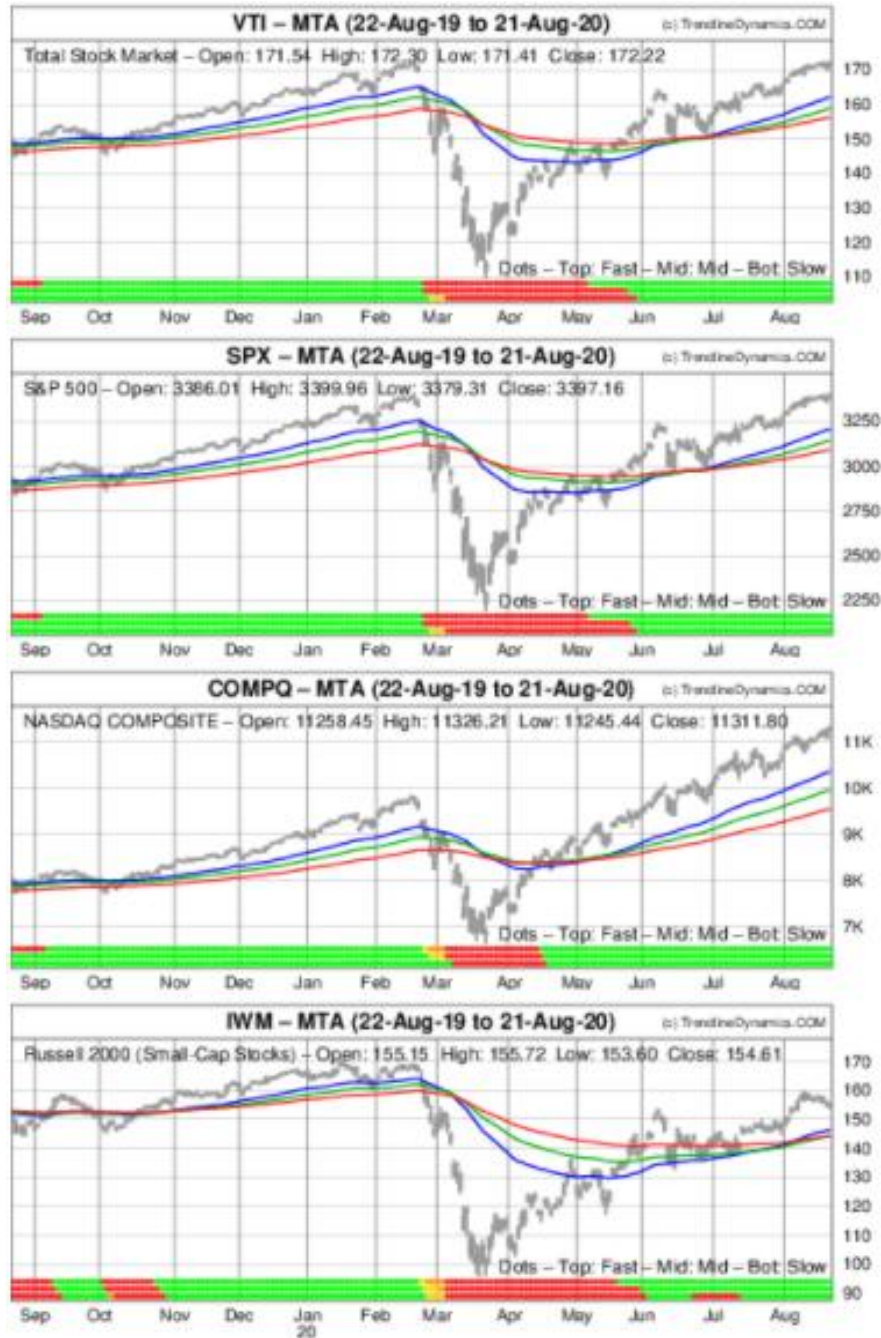
This is a logarithmic graph of the SPX since 1871. The orange line is the SPX. The dark dashed line is a linear regression line (LRL) through the SPX since 1871. The blue areas in the bottom graph show how far price is above the LRL. In 1929, it was 79%. In 2000 it was 127%. Now it is 141%, higher than it has ever been before. (Full size graph is on page 7)

[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.*

VTI made a new all-time high, so did the SPX. COMPQ also made a new high, while IWM continues its slower climb. Even so, all four are solid green.



A Closer Look

This week the SPX closed at a new all-time high; however, there were two warning signals. First, the volume on the SPX was unusually low, well below average. Second, the advance-decline line (NYAD) did not confirm the upward movement in price. In fact, the NYAD went down every day this week (except for a tiny rise on Monday).

The VIX advanced to 22.5. An increase on rising price is unusual, but the move is so small that it could be just statistical noise.



Core Universe Analysis for 21-Aug-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
BND	Total Bond Market	ETF	UP	0.7:3.5	DN	2/0	-0.1
EEM	Emerging Markets	ETF	UP	3.8:3.5	UP	0/2	-0.4
EFA	Euro/Aust/Asia	ETF	UP	2.0:3.5	-UP-	0/2	-0.1
GLD	Gold	ETF	UP	5.1:3.5	DN	0/1	-1.0
IBB	Bio-Tech & Pharma	ETF	UP	2.0:3.5	«UP»	0/2	-0.5
IGV	Software	ETF	UP	4.8:3.5	-UP-	520/0	0.2
ILF	Latin America	ETF	DN	0.1:3.5	DN	0/6	-0.8
IWM	R2000 Index	ETF	UP	3.6:3.5	=up=	0/2	-0.3
IYT	Transportation	ETF	UP	5.1:3.5	-UP-	0/0	-0.0
MINT	CASH SURROGATE	ETF	UP	0.2:3.5	DN	24/0	-0.0
PFF	S&P Preferred Stocks	ETF	UP	1.4:3.5	up	0/0	-0.0
QQQ	NASDAQ 100 Index	ETF	UP	5.8:3.5	UP	520/0	0.2
SPY	S&P 500 Index	ETF	UP	3.3:3.5	UP	520/0	-0.1
TLT	20+ Year T-Bond	ETF	UP	1.3:3.5	=DN=	2/0	-0.5
USMV	US Min Volatility	ETF	UP	1.5:3.5	«UP»	0/2	-0.2
VGK	FTSE Europe	ETF	UP	2.6:3.5	«UP»	0/2	-0.3
VNQ	US Real Estate Sctr	ETF	DN	0.5:3.5	=up=	0/0	-0.3
VTI	Total Market	ETF	UP	3.5:3.5	UP	520/0	-0.1

[Sector Charts](#)

Last week's selections were: BND 20% (5% stop at \$85), EEM 10% (5% stop still at \$42.55), GLD out, IGV out, QQQ 20% (5% stop at \$260.91), and MINT 50%.

QQQ (RelStr 5.8) is still climbing. IYT has good RelStr (5.1) but wait for a breakout from current consolidation or a break above \$200. GLD (5.1) is still showing weakness. IGV (4.8) looks strong overall. EEM (3.8) is having trouble getting up through \$45 area. IWM (3.6) is unimpressive. BND got thumped last week but didn't break its 5% stop. We will watch it closely this week.

This week's allocations are: QQQ 20% (5% stop at \$267.78), IGV 20% (5% stop \$287.37), EEM 10% (5% stop \$42.56), BND 20% (5% stop at \$85), and MINT 30%.

(I started listing the weekly choices in Relative Strength order, the same order as they appear in the analysis list, because I think it's a little easier if you want to jump back to the analysis to check on the reason for a given allocation. Let me know if this is easier or harder to read.)

[Sector Universe](#)

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

Sector Universe Analysis for 21-Aug-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XAR	Space & Defense Sctr	ETF	DN	0.2:3.3	≡up≡	0/3	-0.3
XLB	Materials Sctr	ETF	UP	4.1:3.3	-UP-	0/2	-0.4
XLC	Communication Sctr	ETF	UP	3.9:3.3	-UP-	110/0	0.1
XLE	Energy Sctr	ETF	DN	-2.6:3.3	-DN-	0/6	-0.5
XLF	Financial Sctr	ETF	DN	0.4:3.3	≡DN≡	0/3	-0.4
XLI	Industrial Sctr	ETF	UP	2.9:3.3	up	0/2	-0.1
XLK	Technology Sctr	ETF	UP	5.4:3.3	UP	520/0	0.1
XLP	Consumer Staples Sctr	ETF	UP	2.3:3.3	UP	0/2	-0.1
XLRE	Real Estate Sctr	ETF	UP	0.8:3.3	=up=	0/0	-0.2
XLU	Utilities Sctr	ETF	UP	0.5:3.3	«dn»	0/5	-0.4
XLV	Health Care Sctr	ETF	UP	2.4:3.3	UP	0/2	-0.1
XLY	Consumer Discret Sctr	ETF	UP	5.1:3.3	UP	0/1	0.2
XRT	Retail Sctr	ETF	UP	8.3:3.3	-up-	0/1	-0.2
XTN	Transportation Sctr	ETF	UP	3.0:3.3	up	1/0	-0.0

[Auxiliary Universe Charts](#)

XRT leads with a relative strength of 8.3 followed by XLK, XLY, XLB, and XLC.

[Auxiliary Universe](#)

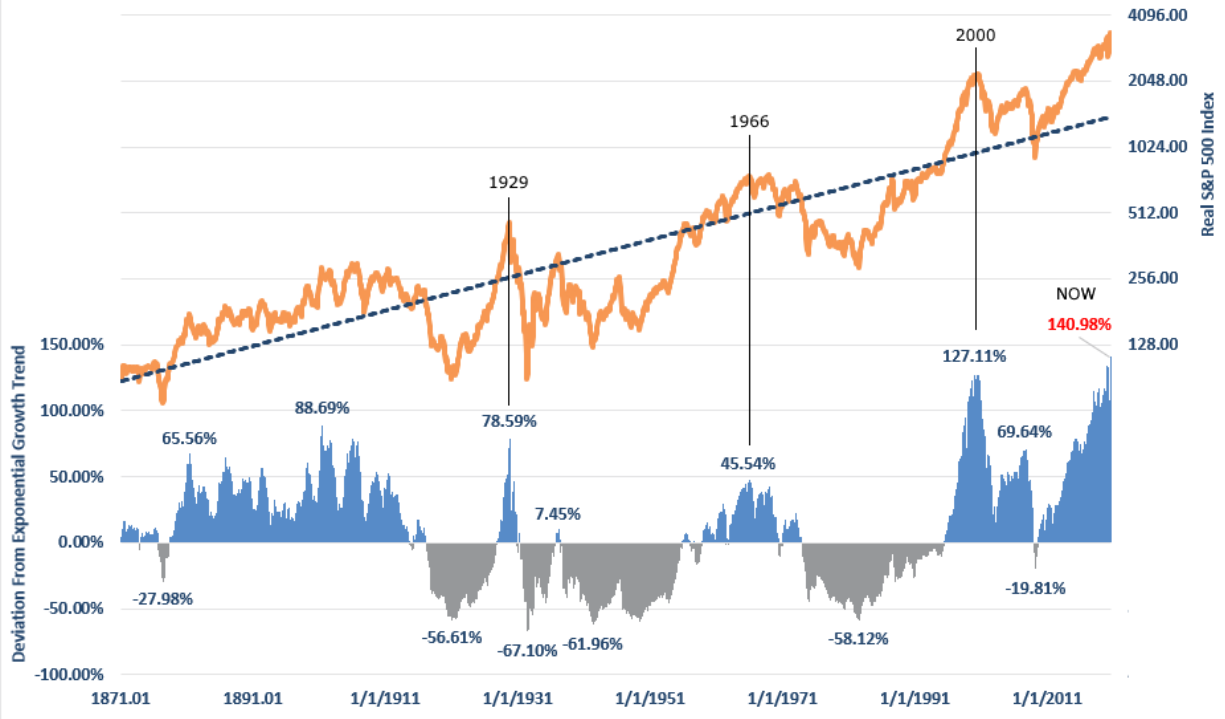
← Use this link to get to the live Auxiliary Universe Table

Auxiliary Universe Analysis for 21-Aug-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
FIVG	5G Networking Sctr	ETF	UP	4.6:3.5	up	0/3	-0.6
HACK	Cyber Security	ETF	UP	4.5:3.5	«DN»	2/0	-0.6
IHI	U.S. Medical Devices	ETF	UP	4.1:3.5	UP	0/1	-0.4
IYT	Transportation	ETF	UP	5.1:3.5	-UP-	0/0	-0.0
QTUM	Quantum Computing Sctr	ETF	UP	5.2:3.5	UP	0/2	-0.7
ROBO	Robot/Automation Sctr	ETF	UP	5.0:3.5	UP	0/3	-0.6
SLV	Silver Trust	ETF	UP	17.2:3.5	up	0/0	-2.1
SNSR	Internet of Things	ETF	UP	5.6:3.5	≡up≡	0/3	-0.8
SOXX	Semiconductor Sctr	ETF	UP	5.8:3.5	«UP»	0/2	-0.5
SRVR	Data & Transmission REIT	ETF	UP	2.6:3.5	DN	0/0	-0.3
USO	US Oil	ETF	DN	-18.4:3.5	UP	0/2	-0.4
XBI	Bio-Tech Sctr	ETF	UP	3.9:3.5	-UP-	0/1	-0.2
XHB	Homebuilders Sctr	ETF	UP	8.1:3.5	UP	520/1	-0.2
XHE	Healthcare Equip Sctr	ETF	UP	4.2:3.5	=DN=	0/2	-0.5
XME	Metals & Mining Sctr	ETF	UP	5.3:3.5	=up=	0/3	-0.5
XOP	Oil+Gas Expl+Prod	ETF	DN	-0.3:3.5	«DN»	0/3	-0.5
XPH	Pharmaceuticals Sctr	ETF	UP	1.6:3.5	UP	0/3	-0.1

[Core Universe Charts](#)

SLV is consolidating near \$25 and SOXX is consolidating near \$300.

S&P 500 Real Index vs. Exponential Growth Trend



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