

Weekly Market Analysis #316 — 28 August 2020

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This Week

U.S. and Chinese trade negotiators are once again talking about the trade deal for the first time since May.

Teledoc (TDOC) is buying Livongo (LVGO), top provider of remote care to people with chronic conditions.

Honeywell and IBM are battling it out to see who can create the world's most powerful quantum computer. Honeywell achieved a quantum volume of 64 in June. At that time, IBM's quantum computer had a volume of 32, but this month it caught up.

Taiwan Semiconductor (TSM) has surpassed Intel (INTC) as the world leader in semiconductors. Actually, Intel is now in fourth position after TSM, Samsung, and US-based Nvidia.

The Dow Jones Industrial Average dropped Exxon (XOM), Pfizer (PFE), and Raytheon (RTX) and replaced them with Salesforce (CRM), Amgen (AMGN), and Honeywell (HON).

Fed Chairman Powell's says that the FOMC will keep interest rates low to help prop up the pandemic ravaged economy even if inflation rises above its target level of 2% for "periods of time".

It is becoming more and more clear to me that the Fed's plan for fixing the excessive debt in the economy is to create more debt and let inflation neutralize the debt. In case you are scratching your head and wondering what that means, you're not alone. It's like trying to put out a fire by pouring gasoline on it.

The Fed talks about inflation as if they have a big dial that they can use to control it. The Japanese government tried the same thing and it didn't work. Japan's economy is a mess. There is no big dial. It's more of a roll of the dice. And no matter which way the dice land, it's average folks like you and I that's will pay the price for their tinkering.

The good news is that they are finally admitting that the Philips Curve (based on the idea that inflation and unemployment have a stable and inverse relationship) doesn't work.

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If you'd like to read more about these issues, have a look at this week's [On My Radar](#) by Steve Blumenthal.

[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.*

IWM is still the slowpoke but the other indexes are making new highs.



A Closer Look

The SPX closed at another new all-time high. The NYAD came along, but not with a great deal of enthusiasm. The NYAD is still lower than it was 3 weeks ago. The VIX edged higher to close near 23.

The [CNN Fear and Greed Index](#) is now at 78 which indicates the market is overheated. (I don't watch CNN television but there are some useful things on their website.)



Core Universe Analysis for 28-Aug-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
BND	Total Bond Market	ETF	UP	0.5:3.9	DN	0/9	-0.1
EEM	Emerging Markets	ETF	UP	3.9:3.9	UP	31/0	0.0
EFA	Euro/Aust/Asia	ETF	UP	2.2:3.9	UP	0/1	-0.0
GLD	Gold	ETF	UP	4.5:3.9	-DN-	2/0	-0.7
IBB	Bio-Tech & Pharma	ETF	UP	1.5:3.9	≡UP≡	1/0	-0.2
IGV	Software	ETF	UP	5.2:3.9	≡UP≡	520/0	1.2
ILF	Latin America	ETF	DN	-0.5:3.9	«dn»	3/0	-0.3
IWM	R2000 Index	ETF	UP	3.9:3.9	up	2/0	-0.4
IYT	Transportation	ETF	UP	6.1:3.9	UP	31/0	-0.0
MINT	CASH SURROGATE	ETF	UP	0.2:3.9	UP	520/0	-0.0
PFF	S&P Preferred Stocks	ETF	UP	1.5:3.9	-up-	0/1	-0.1
QQQ	NASDAQ 100 Index	ETF	UP	6.4:3.9	UP	520/0	0.8
SPY	S&P 500 Index	ETF	UP	3.8:3.9	UP	520/0	0.3
TLT	20+ Year T-Bond	ETF	UP	0.8:3.9	-DN-	0/10	-0.5
USMV	US Min Volatility	ETF	UP	1.6:3.9	UP	25/0	0.0
VGG	FTSE Europe	ETF	UP	2.7:3.9	UP	0/1	-0.1
VNQ	US Real Estate Sctr	ETF	DN	0.6:3.9	«UP»	10/0	-0.0
VTI	Total Market	ETF	UP	3.9:3.9	UP	520/0	0.2

[Sector Charts](#)

Last week's selections were: 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%.

QQQ (6.4) remains very strong by all measures. IYT (6.1) closed above \$200 and has strong money flow. IGV (5.2) gapped up this week on strong money flow. GLD (4.5) is holding above \$180 but its money flow is mostly flat. EEM (3.9) ended the week solidly above \$45 with strong money flow and its MACD+ just turned up. VTI (3.9) just made a new all-time high on strong money flow. BND is barely hanging above its \$88.15 market stop with poor money flow, negative MACD+ and weak RSI. I think it's time to pull the plug on BND, at least for now. Even though it's hovering above its market stop price, I think we can make more money with less risk elsewhere.

Sell our 30% position in MINT and our 20% position in BND.

This week's allocations are: QQQ 20% (5% stop \$277.90). New IYT 20% (5% stop \$190.71). IGV 20% (5% stop \$308.74). EEM 20% (5% stop \$43.27). VTI 20% (5% stop \$168.80).

The decision to add IYT was influenced by the SPX sector XTN exceeding the SPX RelStr and making a new 26-week high. (Next Page)

[Sector Universe](#)

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

Sector Universe Analysis for 28-Aug-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XAR	Space & Defense Sctr	ETF	DN	0.7:3.7	=DN=	0/0	-0.3
XLB	Materials Sctr	ETF	UP	4.2:3.7	UP	130/0	-0.1
XLC	Communication Sctr	ETF	UP	4.6:3.7	UP	0/0	0.6
XLE	Energy Sctr	ETF	DN	-2.5:3.7	≡DN≡	0/0	-0.7
XLF	Financial Sctr	ETF	DN	0.8:3.7	-dn-	11/0	0.1
XLI	Industrial Sctr	ETF	UP	3.6:3.7	up	26/0	-0.0
XLK	Technology Sctr	ETF	UP	6.2:3.7	UP	520/0	0.9
XLP	Consumer Staples Sctr	ETF	UP	2.5:3.7	UP	520/0	-0.0
XLRE	Real Estate Sctr	ETF	UP	0.7:3.7	≡UP≡	4/0	-0.0
XLU	Utilities Sctr	ETF	UP	0.2:3.7	≡DN≡	0/0	-0.4
XLV	Health Care Sctr	ETF	UP	2.3:3.7	UP	520/0	-0.1
XLY	Consumer Discret Sctr	ETF	UP	5.7:3.7	UP	520/0	0.3
XRT	Retail Sctr	ETF	UP	8.8:3.7	-up-	0/1	-0.5
XTN	Transportation Sctr	ETF	UP	3.8:3.7	≡up≡	26/0	0.2

[Auxiliary Universe Charts](#)

XRT continues to lead leads with a relative strength of 8.8 followed by XLK, XLY, XLC, XLB, and XTN.

Auxiliary Universe Analysis for 28-Aug-2020							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
FIVG	5G Networking Sctr	ETF	UP	4.6:3.9	up	2/0	-0.4
HACK	Cyber Security	ETF	UP	4.4:3.9	«up»	0/0	0.1
IHI	U.S. Medical Devices	ETF	UP	3.9:3.9	UP	520/0	-0.0
IYT	Transportation	ETF	UP	6.1:3.9	UP	31/0	-0.0
QTUM	Quantum Computing Sctr	ETF	UP	5.2:3.9	UP	100/0	-0.4
ROBO	Robot/Automation Sctr	ETF	UP	5.0:3.9	UP	345/0	-0.3
SLV	Silver Trust	ETF	UP	16.8:3.9	up	2/0	-1.9
SNSR	Internet of Things	ETF	UP	5.6:3.9	up	0/1	-0.6
SOXX	Semiconductor Sctr	ETF	UP	5.9:3.9	«UP»	520/0	-0.2
SRVR	Data & Transmission REIT	ETF	UP	2.2:3.9	-dn-	3/0	-0.1
USO	US Oil	ETF	DN	-17.1:3.9	UP	0/0	-0.1
XBI	Bio-Tech Sctr	ETF	UP	3.3:3.9	«UP»	0/10	-0.8
XHB	Homebuilders Sctr	ETF	UP	8.4:3.9	«up»	0/1	-0.5
XHE	Healthcare Equip Sctr	ETF	UP	3.8:3.9	=UP=	3/0	-0.2
XME	Metals & Mining Sctr	ETF	UP	5.6:3.9	up	2/0	-0.6
XOP	Oil+Gas Expl+Prod	ETF	DN	0.1:3.9	«dn»	0/0	-0.7
XPH	Pharmaceuticals Sctr	ETF	UP	1.6:3.9	UP	0/4	-0.2

[Core Universe Charts](#)

Despite a RelStr of 16.8, SLV has spent almost a month around the \$25 level. IHI and SOXX have both made new all-time highs, but XHB has the second highest RelStr at 8.4.

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