Weekly Market Analysis #367 — 20 August 2021
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This Week

One of the most seductive notions in market analysis is this: "If I can just collect enough data, if I can just develop a good enough algorithm, then I can know which trades will be profitable." This, of course, is a disguised version of:, "If I am truly sincere and work hard enough, I can see the future." Oops. Nobody gets to see previews of tomorrow.

Rande Howell estimates that about 2% of the population is quite comfortable with decision making under uncertainty. For the other 98% of us, it takes a lot of training to come to terms with it and embrace it. The primary objectives of that training are that you must:

1. accept the fact that you can never know which of your positions will win or lose.
2. have a method that maximizes gains and minimizes losses on each position, and
3. be able to rigorously apply the rules of that method to managing your positions.

This will give you a mathematical edge that will lead to profit over a large number of trades.

The rational C-system knows that you cannot foresee the future. But the 5-year-old running the emotional X-system stubbornly refuses to let go of the fairy tale that there must be a way…(if I can just collect enough data, et cetera, et cetera, et cetera).

Buy-and-hold is easily accepted by the 98-percenters because it panders to their X-system biases and desires. Buy-and-hold pats you on the head and says, "If you just hold on long enough, your wishes will come true and your investments will grow." It slyly suggests you won't ever really have to sell and it pushes your showdown with reality — selling your securities — far enough into the future that you can ignore it for a very long time.

In a growing economy, buy-and-hold usually works out, unless a) you get started too late, b) you don't save enough, c) you get weak-kneed in a bear market and bail out, or d) you have the bad luck retire at the wrong time.

For example, if you retired in 1972, you would have seen your nest-egg drop by 50% in 2 years, and not get back to break even on an inflation-adjusted basis until 1986. People who retired around 1999 or 2009 didn't fare well either for quite some time. And I have a suspicion that people who retire in the next few years are going to have a tough time, also.

By the way, the people recommending buy-and-hold investing habitually fudge (or at least seriously underestimate) what's called a "safe" time horizon*****. Almost all of them will tell you that a 20-year time horizon will protect you from the negative effects of market declines. But if you review the last hundred years of market data, you'll find that 40 years is a much more realistic number.

* *Time horizon* refers to the amount of time an investment will be held before the investor stops contributing money and needs to start withdrawing it.

> I will be first to admit that charts do NOT forecast price – they show path of least resistance and provide an excellent risk management tool. — Peter Brandt

All four indexes lost ground during the first part of the week. VTI, SPX, and COMPQ recovered some on Thursday and Friday, but IWM recovered only a little.
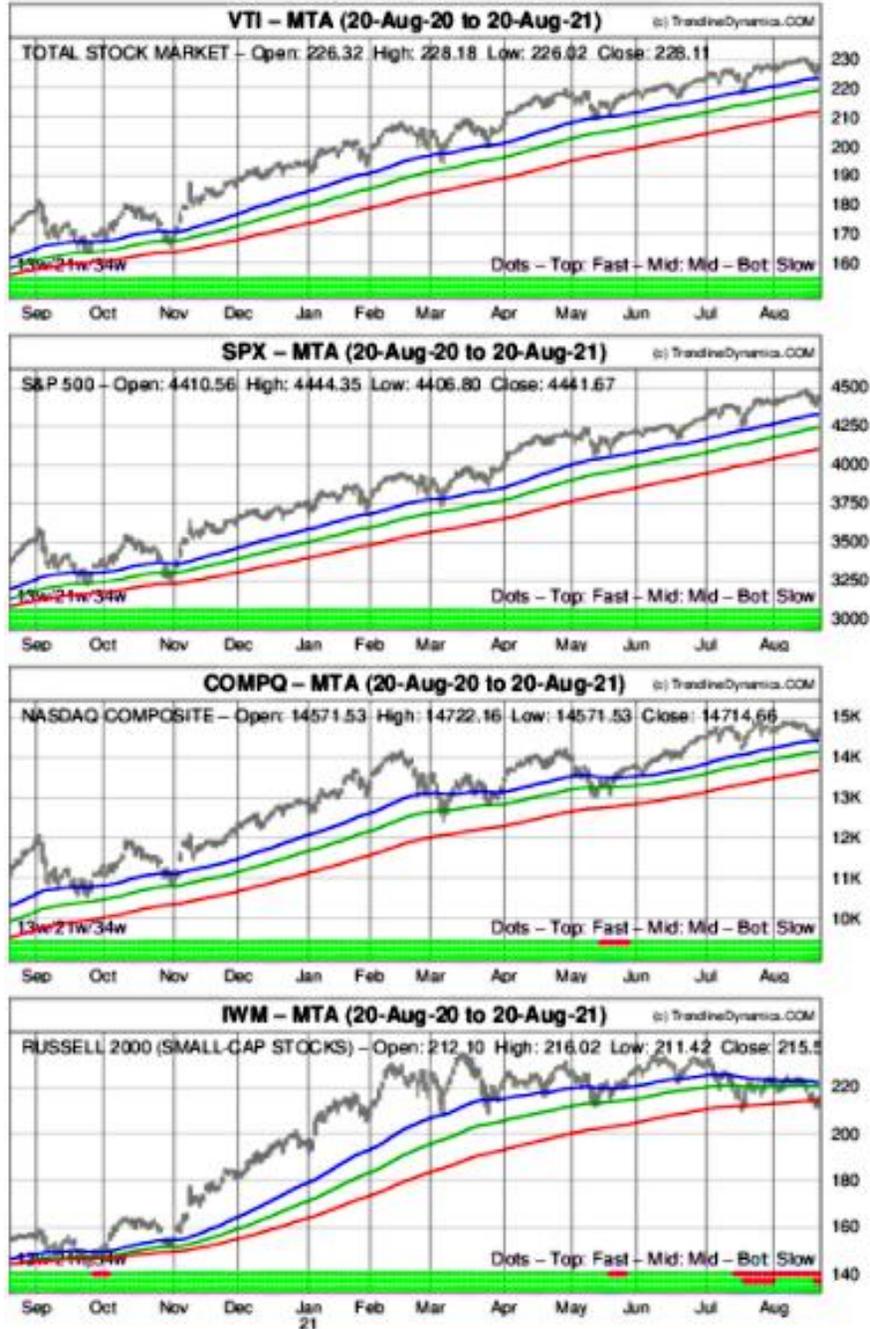
A Closer Look

The SPX made a new high on Monday but ended the week lower. The advance-decline line fell significantly and only recovered a little on Friday, and the number of stocks above their 50-day averages lost 9% this week.

V

These are ETFs that are likely to do well during bull markets.

Bullish Universe Analysis for 20-Aug-2021

Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ARKK	DISRUPTIVE INNOVATION	ETF	UP	-0.8:1.6	=DN=	1/10	-1.4
EEM	EMERGING MARKETS	ETF	DN	-2.5:1.6	«UP»	1/36	-0.6
EFA	EUROPE/AUSTRALIA/FAR-EAST	ETF	UP	0.3:1.6	UP	1/4	-0.3
IBB	BIO-TECH & PHARMA	ETF	UP	2.7:1.6	=up=	2/4	-0.7
IGV	SOFTWARE	ETF	UP	3.4:1.6	UP	2/4	-0.5
IWM	RUSSELL 2000 (SMALL-CAP STOCKS)	ETF	UP	-1.4:1.6	«UP»	1/5	-0.4
IYT	DOW JONES TRANSPORTS	ETF	UP	-1.6:1.6	UP	4/2	0.2
QQQ	NASDAQ 100	ETF	UP	2.7:1.6	UP	2/4	-0.4
USMV	USA MIN VOLATILITY	ETF	UP	2.3:1.6	UP	495/1	-0.1
VGK	FTSE EUROPE	ETF	UP	0.9:1.6	UP	1/3	-0.2
VNQ	U.S. REIT INDEX	ETF	UP	2.5:1.6	–UP–	1/2	-0.2
VTI	TOTAL STOCK MARKET	ETF	UP	1.6:1.6	UP	520/4	-0.2
	Bearish Universe Charts						

Last week's choices were: IBB 20%, IGV 20%, QQQ 20%, USMV 20%, VNQ 20%. (I forgot to include the new week's choice list last week, although I did describe them in the analysis.)

Top 10 ETFs from the Bullish and Bearish Universes

Sym	MTA	RelStr	Long	High-15%	High-7.5%	Last	Notes
IGV	↑	3.4 ↓	yes	$349.75	$380.61	$408.97	
QQQ	↑	2.7 ↓	yes	$314.22	$341.94	$367.73	
IBB	↑	2.7 ↓	yes	$149.78	$162.99	$167.16	
VNQ	↑	2.5 ↓↓	yes	$91.03	$99.07	$106.59	
USMV	↑	2.3 →	yes	$65.91	$71.77	$77.58	
TLT	↑	2.2 ↓↓	no	$128.74	$140.10	$150.55	watch for > $151.25
VTI	↑	1.6 ↓	no	$195.70	$212.97	$228.11	
VGK	↑	0.9 →	no	$59.82	$65.10	$68.83	
DBC	↑	0.9 ↓↓	no	$16.67	$18.14	$17.90	
USIG	↑	0.6 →	no	$52.13	$56.73	$60.97	

Legend: Up: ↑, Down: ↓, Flat/Stable: →

IGV continues to ride psychological support at $400 on strong money flow. QQQ is in the upper half of a 40-week, rising channel and still trying to get through psychological

resistance at $370. IBB pulled back from a $175 high to $167 but is still in a 72-week, rising channel. VNQ is riding historic support at $105. USMV held up well against this week's volatility and made a new 10-year high this week on strong OBV and CMF.

TLT closed above $150 on Thursday and Friday. VTI is in the top half of a 26-week, rising channel and has strong CMF and OBV. VGK bounced back down from historic+psychological resistance at $70. DBC dropped steadily this week. USIG has weak relative strength and negative CMF.

This week's choices remain: IBB 20%, IGV 20%, QQQ 20%, USMV 20%, VNQ 20%.

These are ETFs that are likely to do well during bear markets.

Bearish Universe Analysis for 20-Aug-2021

Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ANGL	FALLEN ANGEL HIGH YIELD BOND	ETF	UP	0.4:1.6	«UP»	3/2	-0.1
BND	TOTAL BOND MARKET	ETF	UP	0.4:1.6	–dn–	2/1	-0.0
DBC	DB COMMODITY INDEX	ETF	UP	0.9:1.6	«up»	1/16	-1.2
GLD	SPDR GOLD SHARES	ETF	DN	-0.8:1.6	UP	2/1	0.2
GOVT	U.S. TREASURY BOND	ETF	UP	0.6:1.6	«DN»	2/1	-0.0
HYG	HIGH-YIELD CORP BOND (HD)	ETF	UP	-0.1:1.6	–dn–	3/2	-0.0
JMUB	MUNICIPAL BONDS	ETF	UP	0.3:1.6	DN	1/5	-0.0
MAAX	MUNICIPAL ALLOCATION	ETF	UP	0.3:1.6	UP	2/1	-0.1
PFF	S&P PREFERRED STOCKS	ETF	UP	0.4:1.6	≡up≡	1/2	-0.1
SHV	CASH SURROGATE	ETF	DN	-0.0:1.6	DN	2/78	-0.0
TIP	TIPS BOND	ETF	UP	0.6:1.6	«up»	2/2	-0.1
TLT	U.S. 20+ YEAR T-BOND	ETF	UP	2.2:1.6	–UP–	2/1	0.0
USIG	USD INVESTMENT GRADE CORPORATE BOND	ETF	UP	0.6:1.6	«DN»	2/1	-0.0
VICI	VICI PROPERTIES	ETF	UP	-1.0:1.6	up	1/18	-0.6

Sector Universe Charts

Top bearish funds doing better than VTI. Sorted by relative strength:

1   TLT 2.2

If your goal is to beat the market, invest in the sectors that are doing better than the market while the market is going up. Pay attention to RelStr (relative strength). As more sectors turn down, shift more and more money into SHV. Jean Strouse told us "Money changes direction like a school of fishes." Move with the flow.

SPX Sector Universe Analysis for 20-Aug-2021

Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XAR	SPACE & DEFENSE	ETF	UP	-1.9:1.6	=DN=	1/28	-0.6
XLB	MATERIALS	ETF	UP	0.3:1.6	UP	1/2	-0.2
XLC	COMMUNICATION SRVCS	ETF	UP	1.8:1.6	UP	3/3	-0.2
XLE	ENERGY	ETF	«DN»	-2.8:1.6	«dn»	1/26	-0.9
XLF	FINANCIALS	ETF	UP	1.2:1.6	UP	1/2	-0.1
XLI	INDUSTRIALS	ETF	UP	0.5:1.6	=up=	1/5	-0.2
XLK	TECHNOLOGY	ETF	UP	3.1:1.6	UP	520/4	-0.3
XLP	CONSUMER STAPLES	ETF	UP	1.2:1.6	–UP–	520/1	0.1
XLRE	REAL ESTATE	ETF	UP	3.0:1.6	–UP–	295/1	-0.1
XLU	UTILITIES	ETF	UP	1.9:1.6	UP	75/1	0.3
XLV	HEALTH CARE	ETF	UP	3.1:1.6	UP	520/1	0.0
XLY	CONSUMER DISCRETIONARY	ETF	UP	1.0:1.6	≡up≡	1/8	-0.6
XRT	RETAIL	ETF	UP	0.2:1.6	«dn»	1/5	-0.3
Auxiliary Universe Charts							

SPX Sectors with slopes better than or equal to the VTI Index:

1   XLV 3.1
2   XLK 3.1
3   XLRE 3.0
4   XLU 1.9
5   XLC 1.8

Auxiliary Universe Analysis for 20-Aug-2021

Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ARKQ	AI & ROBOTICS	ETF	UP	-1.8:1.6	=DN=	1/13	-0.6
ARKW	NEXT GENERATION INTERNET	ETF	UP	-0.2:1.6	«dn»	1/5	-1.0
BIZD	BDC INCOME	ETF	UP	0.4:1.6	«UP»	1/5	-0.2
FIVG	FIFTH GENERATION NETWORKS	ETF	UP	1.0:1.6	UP	1/4	-0.5
HACK	CYBER SECURITY	ETF	UP	1.3:1.6	≡up≡	1/5	-0.6
IHI	U.S. MEDICAL DEVICES	ETF	DN	-35.6:1.6	UP	5/1	4.8
ITB	U.S. HOME CONSTRUCTION	ETF	UP	1.0:1.6	«UP»	1/3	-0.3
LIT	LITHIUM & BATTERY TECH	ETF	UP	8.2:1.6	up	1/4	-1.5
SLV	SILVER TRUST	ETF	DN	-4.2:1.6	−DN−	2/36	-0.5
SOXX	PHLX SEMICONDUCTORS	ETF	UP	1.5:1.6	«UP»	1/4	-0.7
SRVR	DATA & TRANSMISSION REIT	ETF	UP	1.8:1.6	UP	10/2	0.1
USO	UNITED STATES OIL FUTURES	ETF	UP	1.4:1.6	«up»	1/13	-1.6
XBI	BIOTECHNOLOGY	ETF	DN	-3.3:1.6	=DN=	1/40	-0.4
XHB	HOMEBUILDERS	ETF	UP	1.5:1.6	«UP»	1/3	-0.3
XME	METALS AND MINING	ETF	UP	0.4:1.6	−up−	1/5	-0.9
XOP	OIL & GAS EXP & PROD	ETF	−DN−	-4.4:1.6	DN	1/27	-1.3

Bullish Universe Charts

Auxiliary Sector ETFs with slopes better than the VTI Index:

1   LIT 8.2
2   USO 1.8