

Weekly Market Analysis #430 – 4 November 2022

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This Week

After the Fed meeting, [Dr. Robert Eisenbeis at Cumberland Advisors said](#), in part:

Markets initially responded positively to the FOMC's 75-basis-point increase in the federal funds rate. However, the message delivered by Chairman Powell at the press conference was more hawkish than expected and a bit confusing, ending on a down note. The down note was triggered by his answer to the last question of the conference, asking whether the window had narrowed for a soft landing. Powell indicated that it had because the committee had not yet seen the expected decline in inflation and so rates are likely to remain higher for a longer period. He noted that while goods inflation had moderated, services inflation was actually increasing, and this was not what had been expected given the tightening that had previously taken place.

The basic message that Powell delivered was that the committee was both committed and determined to bring inflation down. Further, he argued that rates would have to be higher than previously thought in order to bring inflation down, but he didn't know how much higher would be. He stated that the answer was more important now than the pace of rate increases. Additionally, given the lack of anticipated progress on inflation, to pause tightening at this time was premature and posed the risk that inflation might become even more ingrained in the economy, making it even more difficult to bring inflation down to the Fed's 2% target.

In fact, Powell argued that it would be better to err on the side of raising rates higher than needed than to err on the side of stopping too soon. What Powell missed, and what many at the press conference were trying to ascertain, was what the pace of continued tightening might look like. He did suggest that this issue would be on the table for the next meeting for discussion, but as yet no plan was in place.

Left unsaid was this question: Given the uncertain outlook and recession risks, would prudent risk management imply that, while rates might continue to go up, it might be less risky to slow the pace of increases to give the economy time to digest the increases and for the improvement to be reflected in the incoming inflation numbers?

Had there been a more focused discussion on the potential for easing the pace of increases to either 50 bps and/or 25 bps and on when that might begin, then the market might have had quite a different reaction to information imparted at the press conference. This was truly a lost opportunity to convey a more nuanced approach to policy, especially given the recession risks that are now more dominant in people's thinking.

[Market Barometers](#)

← Use this link to see all the market barometer charts

The Dow slipped back below its red (slow) moving average while the other four averages are below all three averages.



A Closer Look

By Thursday the SPX had fallen enough to briefly touch the AB trendline. On Friday there was a lackluster rally. The touch on Thursday made the AB trendline a confirmed (ABC) trendline. In case you didn't already know, "touches" can come from candles or bars on either side of a trendline. The SPXA50R moved with price this week while the NYAD seemed a little more optimistic.



Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above Their 50-day Averages](#), [NewHigh-NewLows](#)

[Bullish Universe](#)

← Use this link to get to the live summary table

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

| Bullish Universe Analysis for 04-Nov-2022 | | | | | | | |
|---|---------------------------|-------|--------|-----------|--------|-------|--------|
| Symbol | Description | Instr | MTA 3 | RelStr | CMF | NH/NL | MCHist |
| EEM | EMERGING MARKETS | ETF | DN | -4.9:-2.2 | <<UP>> | 4/2 | 1.0 |
| IEFA | EUROPE/AUSTRALIA/FAR-EAST | ETF | DN | -2.7:-2.2 | <<UP>> | 7/2 | 0.8 |
| IEMG | EMERGING MARKETS | ETF | DN | -4.7:-2.2 | -UP- | 4/2 | 1.0 |
| IGV | SOFTWARE | ETF | DN | -3.6:-2.2 | =DN= | 1/127 | -0.6 |
| IQLT | GLOBAL QUALITY | ETF | DN | -2.6:-2.2 | <<dn>> | 7/2 | 0.7 |
| IWM | RUSSELL 2000 SMALL-CAP | ETF | DN | -1.1:-2.2 | <<dn>> | 8/2 | 0.6 |
| IYT | DOW JONES TRANSPORTS | ETF | DN | -3.5:-2.2 | <<UP>> | 7/2 | 0.9 |
| MOAT | MORNINGSTAR WIDE MOAT | ETF | DN | -3.1:-2.2 | ≡DN≡ | 1/2 | 0.3 |
| QQQ | NASDAQ 100 | ETF | DN | -4.1:-2.2 | ≡DN≡ | 1/115 | -0.2 |
| RSP | UNWEIGHTED S&P 500 | ETF | DN | -1.8:-2.2 | <<dn>> | 1/2 | 0.7 |
| SPY | S&P 500 (LARGE-CAP) | ETF | DN | -2.3:-2.2 | ≡DN≡ | 1/2 | 0.3 |
| USL | US 12 Month Oil FUND | ETF | DN | -1.8:-2.2 | <<UP>> | 10/2 | 0.8 |
| USMV | USA MIN VOLATILITY | ETF | DN | -1.7:-2.2 | =DN= | 1/2 | 0.5 |
| VGK | FTSE EUROPE | ETF | DN | -2.5:-2.2 | <<UP>> | 7/2 | 0.7 |
| VGT | INFORMATION TECHNOLOGY | ETF | DN | -3.9:-2.2 | ≡DN≡ | 1/3 | -0.0 |
| VNQ | U.S. REIT INDEX | ETF | DN | -6.4:-2.2 | <<UP>> | 1/2 | 1.2 |
| VTI | TOTAL STOCK MARKET | ETF | DN | -2.2:-2.2 | ≡DN≡ | 1/2 | 0.4 |
| VUG | LARGE CAP GROWTH | ETF | DN | -4.0:-2.2 | ≡DN≡ | 1/117 | -0.3 |
| COMPQ | NASDAQ COMPOSITE | INDEX | DN | -3.9:-2.2 | ≡DN≡ | 1/3 | -0.2 |
| DIA | DOW JONES INDUSTRIALS | ETF | <<UP>> | -0.1:-2.2 | <<UP>> | 1/1 | 0.7 |
| DXY | US DOLLAR INDEX | INDEX | UP | 1.3:-2.2 | | 2/1 | -0.2 |
| SPX | S&P 500 | INDEX | DN | -2.3:-2.2 | DN | 1/2 | 0.1 |

Since its high on Sep 26th, DXY has been making lower highs and lower lows, which is good news for stocks. It may not be powerful enough to offset other forces, but it's still a positive.

[Bearish Universe](#)

← Use this link to get to the live summary table

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

| Bearish Universe Analysis for 04-Nov-2022 | | | | | | | |
|---|-------------------------------------|-------|-------|-----------|--------|-------|--------|
| Symbol | Description | Instr | MTA 3 | RelStr | CMF | NH/NL | MCHist |
| ANGL | FALLEN ANGEL HIGH YIELD BOND | ETF | DN | -1.8:-2.2 | -UP- | 1/2 | 0.2 |
| BGRN | GLOBAL GREEN BOND | ETF | DN | -2.3:-2.2 | <<dn>> | 1/2 | 0.2 |
| BND | TOTAL BOND MARKET | ETF | DN | -2.5:-2.2 | DN | 1/2 | 0.3 |
| CBON | CHINESE BONDS | ETF | DN | -2.5:-2.2 | DN | 1/293 | 0.0 |
| GOVT | U.S. TREASURY BOND | ETF | DN | -2.2:-2.2 | DN | 1/2 | 0.2 |
| IEI | 3-7 YEAR TREASURY BOND | ETF | DN | -1.6:-2.2 | -UP- | 1/2 | 0.2 |
| IWN | RUSSELL 2000 VALUE | ETF | DN | -1.4:-2.2 | -UP- | 8/2 | 0.8 |
| LQD | INVESTMENT GRADE CORP BOND | ETF | DN | -3.3:-2.2 | -UP- | 1/2 | 0.6 |
| MUB | MUNICIPAL BONDS | ETF | DN | -1.5:-2.2 | <<dn>> | 2/461 | 0.1 |
| PCY | EMERGING MARKET BONDS | ETF | DN | -4.0:-2.2 | -UP- | 4/2 | 1.0 |
| PFF | S&P PREFERRED | ETF | DN | -3.7:-2.2 | DN | 1/132 | 0.1 |
| SPYV | S&P 500 (VALUE) | ETF | DN | -0.9:-2.2 | ≡DN≡ | 1/1 | 0.7 |
| TIP | TIPS BOND | ETF | DN | -2.8:-2.2 | ≡DN≡ | 1/4 | 0.2 |
| TLH | 10-20 YEAR T-BOND INDEX | ETF | DN | -4.8:-2.2 | dn | 1/2 | 0.5 |
| TLT | U.S. 20+ YEAR T-BOND | ETF | DN | -5.9:-2.2 | =DN= | 1/2 | 0.7 |
| USIG | USD INVESTMENT GRADE CORPORATE BOND | ETF | DN | -2.8:-2.2 | <<DN>> | 1/2 | 0.4 |
| VTV | US LARGE CAP VALUE | ETF | DN | -0.6:-2.2 | <<UP>> | 1/1 | 0.7 |
| BIL | CASH EQUIVALENT | ETF | UP | 0.0:-2.2 | <<UP>> | 1/258 | -0.0 |
| SHV | CASH EQUIVALENT | ETF | DN | 0.0:-2.2 | DN | 1/747 | -0.0 |

Nothing much going on here, although BIL issued a very large monthly dividend on Monday (large for BIL anyway at 21 cents) which caused price to drop from Monday's close of \$91.59 to Tuesday's open at \$91.41.

That "big" drop in BIL's price on the 1st of every month is caused by the dividend payment. For the last 5 years its dividend has averaged 10.4 cents per month (~1.3% per year).



[Inflation Universe](#)

These are ETFs that are likely to do well during strong inflation.

| Inflation Universe Analysis for 04-Nov-2022 | | | | | | | |
|---|----------------------------|-------|--------|------------|--------|-------|--------|
| Symbol | Description | Instr | MTA 3 | RelStr | CMF | NH/NL | MCHist |
| COPX | GLOBAL X COPPER MINERS | ETF | DN | -2.3:-2.2 | <<UP>> | 10/2 | 1.6 |
| CPER | US COPPER INDEX | ETF | DN | -1.6:-2.2 | <<UP>> | 18/2 | 1.0 |
| DBA | DB AGRICULTURE INDEX | ETF | DN | -1.4:-2.2 | dn | 3/1 | 0.2 |
| DBB | BASE METALS | ETF | DN | -3.2:-2.2 | <<UP>> | 7/6 | 0.6 |
| DBC | DB COMMODITY INDEX | ETF | DN | -1.1:-2.2 | UP | 10/2 | 0.6 |
| GDX | MARKET VECTORS GOLD MINERS | ETF | DN | -3.0:-2.2 | <<dn>> | 1/6 | 0.1 |
| GLD | SPDR GOLD SHARES | ETF | DN | -2.3:-2.2 | <<dn>> | 4/2 | 0.2 |
| INFL | INFLATION BENEFICIARIES | ETF | <<UP>> | -0.4:-2.2 | <<dn>> | 8/2 | 0.6 |
| IVE | S&P 500 VALUE | ETF | DN | -1.0:-2.2 | <<UP>> | 1/1 | 0.7 |
| KBWB | BIG BANKS | ETF | DN | -2.0:-2.2 | DN | 7/2 | 0.8 |
| KRBN | GLOBAL CARBON | ETF | DN | -3.3:-2.2 | -UP- | 1/2 | 0.8 |
| LIT | LITHIUM & BATTERY TECH | ETF | DN | -3.9:-2.2 | =up= | 6/2 | 1.3 |
| PAVE | INFRASTRUCTURE | ETF | -UP- | -0.2:-2.2 | UP | 8/2 | 0.7 |
| PPLT | PLATINUM | ETF | =UP= | 1.7:-2.2 | <<UP>> | 12/2 | 0.2 |
| REMX | RARE EARTH METALS | ETF | DN | -3.6:-2.2 | <<dn>> | 6/2 | 1.5 |
| SLV | SILVER TRUST | ETF | DN | -0.4:-2.2 | <<UP>> | 5/2 | 1.0 |
| SMH | SEMICONDUCTORS | ETF | DN | -6.5:-2.2 | <<dn>> | 1/2 | 1.0 |
| UNG | UNITED STATES NATURAL GAS | ETF | DN | -13.0:-2.2 | UP | 3/1 | 1.8 |
| URA | URANIUM | ETF | DN | -2.4:-2.2 | DN | 1/2 | 0.2 |
| VIG | DIVIDEND APPRECIATION | ETF | DN | -1.4:-2.2 | <<UP>> | 1/2 | 0.6 |

Platinum is showing signs of life.

[Sector Universe](#)

← Use this link to get to the live summary table

| SPX Sector Universe Analysis for 04-Nov-2022 | | | | | | | |
|--|------------------------|-------|-------|-----------|--------|-------|--------|
| Symbol | Description | Instr | MTA 3 | RelStr | CMF | NH/NL | MCHist |
| XAR | SPACE & DEFENSE | ETF | DN | -0.8:-2.2 | <<UP>> | 8/1 | 1.0 |
| XHB | HOMEBUILDERS | ETF | DN | -2.2:-2.2 | <<UP>> | 1/2 | -0.0 |
| XLB | MATERIALS | ETF | DN | -1.9:-2.2 | DN | 8/2 | 0.7 |
| XLC | COMMUNICATION SRVCS | ETF | DN | -5.0:-2.2 | DN | 1/130 | -1.0 |
| XLE | ENERGY | ETF | UP | 4.9:-2.2 | -UP- | 21/1 | 0.5 |
| XLF | FINANCIALS | ETF | DN | -0.3:-2.2 | DN | 1/1 | 0.8 |
| XLI | INDUSTRIALS | ETF | DN | -0.5:-2.2 | <<UP>> | 8/1 | 1.2 |
| XLK | TECHNOLOGY | ETF | DN | -3.9:-2.2 | =DN= | 1/3 | 0.0 |
| XLP | CONSUMER STAPLES | ETF | DN | -1.6:-2.2 | <<dn>> | 1/2 | 0.6 |
| XLRE | REAL ESTATE | ETF | DN | -6.8:-2.2 | <<dn>> | 1/2 | 1.3 |
| XLU | UTILITIES | ETF | DN | -5.2:-2.2 | <<dn>> | 1/1 | 1.6 |
| XLV | HEALTH CARE | ETF | ≡UP≡ | 0.3:-2.2 | -UP- | 1/2 | 0.3 |
| XLY | CONSUMER DISCRETIONARY | ETF | DN | -4.1:-2.2 | =DN= | 1/3 | -0.1 |
| XOP | OIL & GAS EXP & PROD | ETF | UP | 3.4:-2.2 | =up= | 21/2 | 0.4 |
| XRT | RETAIL | ETF | DN | -1.7:-2.2 | ≡DN≡ | 1/2 | 0.6 |
| XTN | S&P TRANSPORTATION | ETF | DN | -2.5:-2.2 | <<dn>> | 7/2 | 0.8 |

XLE continues to lead with XOP close behind.

[Auxiliary Universe](#)

← Use this link to get to the live summary table

| Auxiliary Universe Analysis for 04-Nov-2022 | | | | | | | |
|---|---------------------------|-------|--------|-----------|--------|-------|--------|
| Symbol | Description | Instr | MTA 3 | RelStr | CMF | NH/NL | MCHist |
| ARKG | GENOMIC REVOLUTION | ETF | DN | -2.7:-2.2 | =DN= | 4/2 | 0.8 |
| ARKK | DISRUPTIVE INNOVATION | ETF | DN | -5.6:-2.2 | <<up>> | 1/3 | 0.4 |
| ARKQ | AI & ROBOTICS | ETF | DN | -6.3:-2.2 | =DN= | 1/2 | 0.9 |
| ARKW | NEXT GENERATION INTERNET | ETF | DN | -4.9:-2.2 | =DN= | 1/3 | 0.3 |
| FIVG | FIFTH GENERATION NETWORKS | ETF | DN | -4.7:-2.2 | ≡DN≡ | 1/2 | 0.8 |
| FIW | POTABLE/WASTE WATER | ETF | DN | -0.6:-2.2 | =DN= | 8/2 | 0.5 |
| HACK | CYBER SECURITY | ETF | DN | -2.2:-2.2 | =up= | 1/3 | -0.2 |
| IBB | BIO-TECH & PHARMA | ETF | -UP- | 1.3:-2.2 | <<UP>> | 11/1 | 0.7 |
| IHI | U.S. MEDICAL DEVICES | ETF | DN | -2.2:-2.2 | <<UP>> | 7/2 | 0.3 |
| ITB | U.S. HOME CONSTRUCTION | ETF | DN | -1.6:-2.2 | =up= | 1/2 | 0.1 |
| KIE | INSURANCE SECTOR | ETF | UP | 1.6:-2.2 | <<UP>> | 28/1 | 0.6 |
| PPH | PHARMACEUTICALS | ETF | DN | -1.5:-2.2 | UP | 1/2 | 0.5 |
| SOXX | PHLX SEMICONDUCTORS | ETF | DN | -6.6:-2.2 | <<UP>> | 1/2 | 0.9 |
| SRVR | DATA & TRANSMISSION REIT | ETF | DN | -8.9:-2.2 | <<UP>> | 1/2 | 1.6 |
| VDE | VANGUARD ENERGY ETF | ETF | UP | 4.6:-2.2 | <<up>> | 21/1 | 0.5 |
| WOOD | GLOBAL TIMBER & FORESTRY | ETF | DN | -3.4:-2.2 | DN | 7/2 | 0.5 |
| XBI | BIOTECHNOLOGY | ETF | DN | -0.3:-2.2 | DN | 1/2 | 0.4 |
| XME | METALS AND MINING | ETF | <<UP>> | -0.6:-2.2 | <<UP>> | 8/2 | 0.3 |

SOXX is still flat. VDE is doing well. KIE made another local high on Monday but the rest of the week it looked like the SPX. IBB did the same.

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[Stock Universe](#) Top 10 Stocks (with positive slopes) sorted by slope on November 4

1. NVEC 9.6 ↑↑
2. SPOK 8.3 ↑↑
3. DVN 5.0 ↑↑
4. PXD 3.3 ↑↑
5. ET 2.9 ↑↑
6. BP 2.5 ↑↑
7. PRU 1.9 ↑↑
8. PAA 1.9 ↑↑
9. AM 1.8 ↑↑
10. ABBV 0.6 ↑↑

This Week's Selections

Last week's choices were: SPOK 10%, VDE 10%, and BIL 80%.

Top 10 (minus 1) ETFs By Slope

| Sym | Slope | Long | Last |
|------|--------|------|----------|
| NVEC | 9.6 ↑↑ | no | \$63.95 |
| SPOK | 8.3 ↑↑ | yes | \$8.81 |
| DVN | 5.0 ↑↑ | no | \$71.48 |
| VDE | 4.6 ↑↑ | yes | \$128.23 |
| XOP | 3.4 ↑↑ | no | \$155.52 |
| BP | 2.5 ↑↑ | no | \$33.92 |
| PRU | 1.9 ↑↑ | no | \$105.06 |
| GTY | 1.9 ↑↑ | no | \$31.86 |
| AM | 1.8 ↑↑ | no | \$10.89 |

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

This Week

XLE's slope is a little above VDE, but I already own VDE so I'm won't change unless a big shift happens.

Analysis

[NVEC](#) was pushed back below \$65 by overhead supply. A close above \$65 could make it interesting again, but it is pretty thinly traded. [SPOK](#) made a 34-week high this week but there is some resistance coming up near \$9. [DVN](#) made a new high on Monday near historic resistance near \$78, then lost ground rapidly as the market fell, losing more than 5% this week. [VDE](#) made a 21-week high on Thursday and ended the week higher than it was a week before. [XOP](#) moved with VDE and ended the week at \$155.52, ending the week up \$6.25.

[BP](#) made a new 21-week high on Friday, ending the week less than 30 cents short of a multi-year high. [PRU](#) ended this week largely unchanged (down 21 cents from the previous Friday). [GTY](#) made a 43-week high at \$31.86, but it is facing historical resistance between \$32 and \$34. [AM](#) rose 3.8% this week making a new 21-week high, but it faces overhead supply (historical resistance) until it gets above \$11.68.

My Decisions

This is an interesting situation. DVN, VDE, XOP, and BP are all involved in energy. So is GTY but to a lesser degree. Since I already hold VDE, then to avoid concentrating my money in energy (petroleum) that leaves me with choosing between the lower volume NVEC, or the lower slope PRU. Despite its lower average volume of 21K shares per day, I'm going to take a position in NVEC.

So my picks for this week are NVEC 10%, SPOK 10%, VDE 10%, and BIL 70%.

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