

Weekly Market Analysis #436 — 16 December 2022

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This Week

As expected, the [Fed bumped the base interest rate](#) another 50 basis points on Wednesday, but the market did not celebrate the announcement.

Looking at the macro picture, Howard Marks said the end of 40-year era of falling interest rates will create a crucial ["sea change" for investors](#). He said in the future, "The only assets to own will be the shares of companies which produce essentials in the affected economies and sell them around the world, or the shares of true multinationals, which both produce and sell in local markets everywhere." (I read this as global companies focusing on consumer staples, durable goods, and so on.)

Howard Marks is the co-founder and co-chairman of Oaktree Capital Management and the kind of financial expert that other financial experts look up to. John Mauldin quotes Howard, and Warren Buffett said, "When I see memos from Howard Marks in my mail, they're the first thing I open and read. I always learn something.

His "memos" (essays) can get pretty technical in places. As I read them, I gloss over the parts where he wanders off into the deep end of the pool and then refocus when he's back to stuff I understand. To me it's worth to read his memos from end to end (even though I have to skip some parts) because the parts I do understand make the trip well worth it.

One of the places that get really interesting in this memo starts with the header line that simply says "The Outlook".

Jared Dillian said:

It's time to shift to neutral... From a tactical trading standpoint, I was less than enthusiastic about the price action after the release of the CPI number on Tuesday. The S&P 500 kissed the 4,100 level and then collapsed into the close. It's one of the oldest truisms in trading—when something underperforms on good news, it's not a good time to be long.

[Market Barometers](#)

← Use this link to see all the market barometer charts

All the indexes are below their MTA averages except DIA, and it's not far behind.



A Closer Look

SPX was a bundle of nerves on Tuesday ahead of the Fed meeting on Wednesday. Price responded badly to the CPI report. It tried to rally on Wednesday and then crumbled in the last few hours of the session. Thursday fell to \$3900. On Friday the SPX tried to rally in the afternoon but couldn't overcome the morning's losses.



Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 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 16-Dec-2022							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
VGK	FTSE EUROPE	ETF	UP	6.5:1.8	=DN=	27/3	-1.1
IQLT	GLOBAL QUALITY	ETF	UP	5.7:1.8	=DN=	2/3	-1.0
IEFA	EUROPE/AUSTRALIA/FAR-EAST	ETF	UP	5.5:1.8	-DN-	2/4	-1.1
DIA	DOW JONES INDUSTRIALS	ETF	UP	3.8:1.8	up	2/5	-0.9
EEM	EMERGING MARKETS	ETF	DN	3.0:1.8	≡DN≡	1/3	-0.9
RSP	UNWEIGHTED S&P 500	ETF	UP	2.9:1.8	=DN=	2/5	-0.8
IEMG	EMERGING MARKETS	ETF	DN	2.9:1.8	≡DN≡	1/3	-0.8
MOAT	MORNINGSTAR WIDE MOAT	ETF	UP	2.9:1.8	-DN-	2/5	-0.7
USMV	USA MIN VOLATILITY	ETF	UP	2.6:1.8	≡up≡	2/5	-0.8
IYT	DOW JONES TRANSPORTS	ETF	UP	2.5:1.8	up	2/5	-0.9
SPY	S&P 500 (LARGE-CAP)	ETF	UP	1.9:1.8	=DN=	2/5	-0.9
SPX	S&P 500	INDEX	UP	1.8:1.8	-DN-	2/5	-0.8
VTI	TOTAL STOCK MARKET	ETF	UP	1.8:1.8	=DN=	2/5	-0.8
VGT	INFORMATION TECHNOLOGY	ETF	DN	1.4:1.8	=DN=	2/5	-0.8
IWM	RUSSELL 2000 SMALL-CAP	ETF	<<DN>>	1.2:1.8	DN	2/8	-1.0
VNQ	U.S. REIT INDEX	ETF	DN	0.7:1.8	=DN=	13/5	-0.5
QQQ	NASDAQ 100	ETF	DN	0.5:1.8	=DN=	2/5	-0.8
VUG	LARGE CAP GROWTH	ETF	DN	0.2:1.8	≡DN≡	2/5	-0.8
IGV	SOFTWARE	ETF	DN	0.1:1.8	-DN-	2/1	-0.3
COMPQ	NASDAQ COMPOSITE	INDEX	DN	-0.1:1.8	-DN-	2/5	-0.8
DXY	US DOLLAR INDEX	INDEX	DN	-2.3:1.8	None	1/26	0.1
USL	US 12 Month Oil FUND	ETF	DN	-3.2:1.8	≡dn≡	2/1	-0.1

[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 16-Dec-2022							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
PCY	EMERGING MARKET BONDS	ETF	≡UP≡	4.5:1.8	«DN»	2/2	-0.5
VTV	US LARGE CAP VALUE	ETF	UP	3.4:1.8	=DN=	2/5	-0.8
SPYV	S&P 500 (VALUE)	ETF	UP	3.3:1.8	DN	2/5	-0.8
LQD	INVESTMENT GRADE CORP BOND	ETF	DN	2.0:1.8	up	1/2	-0.2
TLT	U.S. 20+ YEAR T-BOND	ETF	DN	1.8:1.8	up	1/1	0.1
TLH	10-20 YEAR T-BOND INDEX	ETF	DN	1.6:1.8	up	1/1	0.1
USIG	USD INVESTMENT GRADE CORPORATE BOND	ETF	DN	1.5:1.8	up	1/2	-0.1
IWN	RUSSELL 2000 VALUE	ETF	«DN»	1.4:1.8	DN	1/8	-1.1
MUB	MUNICIPAL BONDS	ETF	UP	1.1:1.8	DN	1/3	-0.1
ANGL	FALLEN ANGEL HIGH YIELD BOND	ETF	DN	1.0:1.8	up	14/1	0.0
BND	TOTAL BOND MARKET	ETF	DN	0.9:1.8	-up-	14/2	0.0
BGRN	GLOBAL GREEN BOND	ETF	DN	0.9:1.8	up	14/2	-0.0
GOVT	U.S. TREASURY BOND	ETF	DN	0.5:1.8	up	1/2	0.0
IEI	3-7 YEAR TREASURY BOND	ETF	DN	0.4:1.8	=up=	14/2	0.0
TIP	TIPS BOND	ETF	DN	0.1:1.8	up	1/3	-0.3
BIL	CASH EQUIVALENT	ETF	UP	0.0:1.8	-dn-	2/263	0.0
SHV	CASH EQUIVALENT	ETF	DN	0.0:1.8	-UP-	2/753	-0.0
PFF	S&P PREFERRED	ETF	DN	0.0:1.8	«dn»	2/5	-0.3
CBON	CHINESE BONDS	ETF	DN	-0.3:1.8	≡DN≡	1/2	0.1

[Inflation Universe](#)

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

Inflation Universe Analysis for 16-Dec-2022							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
COPX	GLOBAL X COPPER MINERS	ETF	UP	9.9:1.8	≡DN≡	26/2	-0.8
GDV	MARKET VECTORS GOLD MINERS	ETF	UP	8.4:1.8	-DN-	2/3	-1.1
SLV	SILVER TRUST	ETF	UP	7.9:1.8	up	33/1	0.1
SMH	SEMICONDUCTORS	ETF	UP	5.4:1.8	«DN»	2/5	-1.0
KRBN	GLOBAL CARBON	ETF	UP	5.0:1.8	DN	16/2	-0.2
PAVE	INFRASTRUCTURE	ETF	UP	4.6:1.8	=DN=	2/5	-1.2
CPER	US COPPER INDEX	ETF	UP	4.3:1.8	DN	5/3	-0.3
DBB	BASE METALS	ETF	UP	3.8:1.8	up	25/3	-0.5
INFL	INFLATION BENEFICIARIES	ETF	UP	3.6:1.8	DN	2/5	-0.9
VIG	DIVIDEND APPRECIATION	ETF	UP	3.5:1.8	-DN-	2/5	-0.8
IVE	S&P 500 VALUE	ETF	UP	3.1:1.8	=DN=	2/5	-0.9
GLD	SPDR GOLD SHARES	ETF	UP	2.5:1.8	≡DN≡	24/2	-0.2
REMX	RARE EARTH METALS	ETF	DN	0.5:1.8	≡DN≡	1/9	-1.7
KBWB	BIG BANKS	ETF	DN	0.3:1.8	-dn-	2/8	-1.1
DBA	DB AGRICULTURE INDEX	ETF	DN	-1.0:1.8	DN	2/1	0.1
URA	URANIUM	ETF	DN	-1.1:1.8	«UP»	2/9	-0.5
DBC	DB COMMODITY INDEX	ETF	DN	-1.9:1.8	DN	2/1	-0.0
LIT	LITHIUM & BATTERY TECH	ETF	DN	-2.1:1.8	DN	1/31	-0.8
UNG	UNITED STATES NATURAL GAS	ETF	DN	-7.8:1.8	-dn-	3/1	1.3

[Sector Universe](#)

← Use this link to get to the live summary table

SPX Sector Universe Analysis for 16-Dec-2022							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLB	MATERIALS	ETF	UP	5.1:1.8	≡DN≡	2/5	-1.3
XLI	INDUSTRIALS	ETF	UP	4.9:1.8	≡DN≡	2/5	-0.9
XLV	HEALTH CARE	ETF	UP	3.6:1.8	≡up≡	34/4	-0.5
XAR	SPACE & DEFENSE	ETF	UP	3.4:1.8	«dn»	2/6	-0.6
XLF	FINANCIALS	ETF	UP	3.4:1.8	=DN=	2/6	-1.1
XHB	HOMEBUILDERS	ETF	UP	3.3:1.8	≡up≡	16/1	-0.2
XRT	RETAIL	ETF	DN	3.1:1.8	-DN-	1/5	-1.6
XLP	CONSUMER STAPLES	ETF	UP	3.1:1.8	≡up≡	2/4	-0.7
XLE	ENERGY	ETF	UP	2.5:1.8	«dn»	2/1	-0.8
XLK	TECHNOLOGY	ETF	DN	1.7:1.8	-DN-	2/5	-0.8
XTN	S&P TRANSPORTATION	ETF	DN	1.6:1.8	≡DN≡	2/6	-1.2
XLU	UTILITIES	ETF	UP	1.3:1.8	up	12/3	-0.2
XLRE	REAL ESTATE	ETF	DN	0.7:1.8	=DN=	13/5	-0.5
XOP	OIL & GAS EXP & PROD	ETF	«DN»	-0.3:1.8	-dn-	2/1	-0.8
XLC	COMMUNICATION SRVCS	ETF	DN	-0.5:1.8	≡DN≡	2/5	-0.8
XLY	CONSUMER DISCRETIONARY	ETF	DN	-2.1:1.8	«DN»	1/5	-1.0

[Auxiliary Universe](#)

← Use this link to get to the live summary table

Auxiliary Universe Analysis for 16-Dec-2022							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ITB	U.S. HOME CONSTRUCTION	ETF	UP	5.0:1.8	<<up>>	17/1	0.0
SOXX	PHLX SEMICONDUCTORS	ETF	DN	4.7:1.8	-DN-	2/5	-1.0
IBB	BIO-TECH & PHARMA	ETF	UP	4.5:1.8	≡up≡	2/3	-0.5
XME	METALS AND MINING	ETF	UP	4.4:1.8	DN	1/5	-1.4
PPH	PHARMACEUTICALS	ETF	UP	3.9:1.8	up	27/3	-0.3
FIW	POTABLE/WASTE WATER	ETF	UP	3.4:1.8	=DN=	2/5	-1.0
KIE	INSURANCE SECTOR	ETF	UP	3.3:1.8	=DN=	1/5	-0.8
WOOD	GLOBAL TIMBER & FORESTRY	ETF	DN	2.8:1.8	≡DN≡	2/5	-1.0
IHI	U.S. MEDICAL DEVICES	ETF	UP	2.8:1.8	<<DN>>	17/3	-0.4
VDE	VANGUARD ENERGY ETF	ETF	UP	2.1:1.8	<<dn>>	2/1	-0.9
FIVG	FIFTH GENERATION NETWORKS	ETF	DN	1.5:1.8	DN	2/5	-0.9
XBI	BIOTECHNOLOGY	ETF	DN	0.7:1.8	<<UP>>	2/1	-0.2
HACK	CYBER SECURITY	ETF	DN	0.5:1.8	<<up>>	2/5	-0.3
SRVR	DATA & TRANSMISSION REIT	ETF	DN	0.1:1.8	=DN=	2/5	-0.6
ARKG	GENOMIC REVOLUTION	ETF	DN	-2.5:1.8	≡DN≡	1/25	-0.4
ARKQ	AI & ROBOTICS	ETF	DN	-2.9:1.8	≡DN≡	1/131	-0.9
ARKK	DISRUPTIVE INNOVATION	ETF	DN	-3.3:1.8	≡DN≡	2/5	-0.8
ARKW	NEXT GENERATION INTERNET	ETF	DN	-3.7:1.8	≡DN≡	2/5	-0.7

[Special Security Universe](#)

← Use this link to get to the live summary table

This is the top half (or so) of the universe.

Special Security Universe Analysis for 16-Dec-2022							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
UWMC	UWM HOLDINGS CORP	STOCK	UP	16.2:1.8	up	2/3	-1.9
IIPR	INNOVATIVE INDUSTRIAL PROPERTIES	STOCK	DN	11.0:1.8	<<UP>>	1/5	-1.6
NVEC	NVE CORP	STOCK	UP	9.6:1.8	<<UP>>	3/1	-0.2
WBA	WALGREENS BOOTS ALLIANCE	STOCK	UP	7.5:1.8	-DN-	2/5	-2.0
GTY	GETTY REALTY	STOCK	UP	6.7:1.8	=UP=	269/1	0.0
PM	PHILIP MORRIS INTL	STOCK	UP	4.8:1.8	up	2/2	-0.7
IRM	IRON MOUNTAIN	STOCK	UP	4.4:1.8	<<DN>>	13/4	-0.8
NEM	NEWMONT MINING	STOCK	DN	3.5:1.8	≡DN≡	1/3	-1.3
AM	US LOW VOL HIGH DIV	ETF	UP	3.1:1.8	-UP-	2/1	-0.7
SPOK	SPOK HOLDINGS	STOCK	UP	2.8:1.8	≡DN≡	3/2	-0.2
BTI	BRITISH AMERICAN TOBACCO	STOCK	UP	2.5:1.8	<<UP>>	1/3	-0.7
XRX	XEROX	STOCK	DN	2.4:1.8	=DN=	2/5	-1.0
MO	ALTRIA GROUP	STOCK	UP	2.2:1.8	up	2/1	-0.0
CSQ	CALAMOS STRATEGIC	CEF	DN	2.0:1.8	DN	2/5	-1.1
UTG	REAVES UTILITY INCOME FUND	MUTUAL	DN	1.6:1.8	<<DN>>	12/4	-0.7
LYB	LYONDELL BASELL INDUSTRIES	STOCK	DN	1.2:1.8	≡DN≡	2/5	-0.9
NDMO	DYNAMIC MUNICIPAL OPPTY	CEF	DN	1.1:1.8	<<dn>>	2/4	-1.0
KMI	KINDER MORGAN	STOCK	UP	1.1:1.8	<<UP>>	2/1	-0.8
GUT	GABELLI UTILITY TRUST	CEF	UP	1.0:1.8	-UP-	2/1	-0.0

This Week's Selections

Last week's choices were: COPX 10%, KIE 10%, NVEC 10%, PAVE 10% , SPOK 10%, and BIL 50%.

Top ETFs By Slope

Sym	Slope	Long	Last
COPX	9.9 ↑↑	yes	\$35.72
NVEC	9.6 ↓↓	yes	\$66.40
GDX	8.4 ↑↑	no	\$28.60
SLV	7.9 ↑↑	no	\$21.37
VGK	6.5 ↑	no	\$55.54
IQLT	5.7 ↑↑	no	\$32.43
IEFA	5.5 ↑↑	no	\$61.42
SMH	5.4 ↑↑	no	\$213.58
KRBN	5.0 ↑	no	\$45.93
ITB	5.0 ↑	no	\$61.39
PAVE	4.6 ↓	yes	\$26.61
KIE	3.3 ↓↓	yes	\$40.42
SPOK	2.8 ↓↓	yes	\$7.85

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

Analysis

[COPX](#) declined but remains above \$35. [NVEC](#) is flirting with \$65. [GDX](#) pulled back near \$28. It won't become interesting until it closes above \$30. [SLV](#) made a 33-week high then pulled back near support at \$21, but with positive CMF and OBV. [VGK](#) pulled back to support near \$55.

[IQLT](#) fell 4.6% on four black candles from Tuesday's high to Friday's close and its CMF is negative. [IEFA](#) fell further than IQLT on four black candles. [SMH](#) followed the same pattern as IQLT and IEFA. [KRBN](#) followed the same pattern. [ITB](#) touched a 32-week high trendline and quickly retreated.

Last week I said sell [PAVE](#) if it closed below \$26.50. It ended the week at \$26.61, so I'm still waiting. [KIE](#) touched \$40 on Friday but ended the day up at \$40.42. [SPOK](#) – same pattern – four black candles.

My Decisions

I'm going to set a hard stop on COPX for any close below \$34.60. NVEC has been flat for 8 weeks. I'm setting a hard stop on it for any close below \$62. Wait for GDX to close above \$30. If SLV bounces up off \$21, I'll probably buy it mid-week. Watch VGK for a bounce up off \$55. IQLT, IEFA, SMH, KRBN, and ITB — caution. Hard stop on PAVE for any close below \$26.30. Hard stop on KIE for any close below \$39.45. Sell SPOK.

My decisions for this week are COPX 10%, KIE 10%, NVEC 10%, PAVE 10%, and BIL 60%.

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