

Weekly Market Analysis #439 — 6 January 2023

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This Week

The SPX moved up 2.28% on Friday. It also stayed comfortably within the \$3800 and \$3900 range where it has spent the vast majority of its time since December 15th. And the "big" move on Friday was made on thoroughly average volume. So despite some reporters describing Friday as Jurassic Park, what we really got was Mr. Rogers Neighborhood.

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There's a problem with buying major indexes. The problem is that when you buy an index, you have to buy the woofers (dogs) with the winners. If you are buying a capital-weighted index like the SPX, there are lots of woofers in an index where the price of the index is generally driven by a relatively small group of winners.

Fortunately, the SPX has been conveniently divided into sectors, and the sectors move fairly independently most of the time. Have a look at the analysis at the bottom of the sectors page (7).

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I don't think we're going to see many multi-year rallies in the near future. This is going to mean paying more attention to shorter term indicators like the MACD+ to capture profits and avoid losses.

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Protecting Principal and Capturing Profits

Buying is easy. Selling is an art. You have to make the sell decision based on the reward to risk balance. If you calculate reward to risk as a ratio, then as long as the result is greater than 1, you should hold the position. When the reward to risk ratio drops below 1, it's time to get out.

Setting a stop is a sell decision. "If price drops below X, then reward to risk ratio has shifted against me and it's time to get out." Since price never goes anywhere in a straight line, a sell stop has to be wide enough to let price wiggle around some. But it also has to be close enough to protect your money.

In a rally, the last local low is a good place to put a stop. It gives price some wiggle room but it also captures profit if price turns down too far. In a flat market or a consolidation, picking the stop level takes more thought. Looking at historic price action and support can help.

Never put a stop order on a round number. That's where the amateurs place their stops, and it sets you up to get hit. If you want to get out near \$35, put your stop at \$34.85 or so.

I prefer holding my own stops because I don't want to get stopped out by transient lows (i.e., downward spikes). I don't want to exit unless price closes below my stop level. (The exception is if there has been steady selling for several hours. Then I'll sell during the last hour of trading because price may open even lower the next day. This is especially true on Fridays. Monday opening prices can be brutal.)

[Market Barometers](#)

← Use this link to see all the market barometer charts

DIA remains above all three averages. VTI, SPX, and IWM pulled back up toward the lowest of the tree averages. Only COMPQ remains stubbornly below all 3 of its averages.



A Closer Look

On Friday the SPX burst upwards...sort of. On Friday it closed within 70 cents of the Dec 15th close. So overall, Friday's "jump" was a non-event. The SPX closed just below its 50-day average and below the middle of the Aug-16/Oct-12 price range. The NYAD broke a 20-week descending trendline and the zero line at the same time. Both the SPXA200R and the SPXA50R closed above the 50% mark. So the internals were more positive than price.

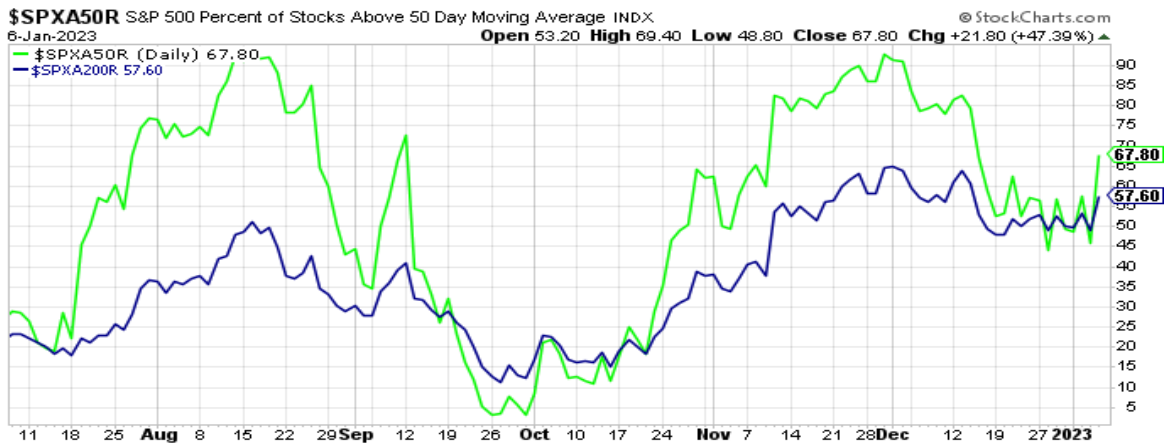


Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 Averages](#), [NewHigh-NewLows](#)

[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 06-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
VGK	FTSE EUROPE	ETF	UP	4.7:0.0	=dn=	29/0	0.2
IEFA	EUROPE/AUSTRALIA/FAR-EAST	ETF	UP	4.1:0.0	<<dn>>	29/0	0.0
IQLT	GLOBAL QUALITY	ETF	UP	4.0:0.0	<<UP>>	3/0	-0.0
EEM	EMERGING MARKETS	ETF	DN	2.5:0.0	<<UP>>	18/0	0.5
IEMG	EMERGING MARKETS	ETF	DN	2.5:0.0	<<UP>>	18/0	0.5
DIA	DOW JONES INDUSTRIALS	ETF	UP	1.9:0.0	UP	3/1	-0.0
USMV	USA MIN VOLATILITY	ETF	UP	1.3:0.0	<<UP>>	3/1	-0.0
RSP	UNWEIGHTED S&P 500	ETF	DN	1.2:0.0	UP	3/1	0.2
MOAT	MORNINGSTAR WIDE MOAT	ETF	DN	0.8:0.0	UP	3/0	0.1
IYT	DOW JONES TRANSPORTS	ETF	DN	0.3:0.0	<<UP>>	3/0	0.2
SPX	S&P 500	INDEX	DN	0.2:0.0	<<UP>>	3/1	-0.0
SPY	S&P 500 (LARGE-CAP)	ETF	DN	0.1:0.0	UP	3/1	-0.0
VTI	TOTAL STOCK MARKET	ETF	DN	0.0:0.0	UP	3/1	-0.0
VNQ	U.S. REIT INDEX	ETF	DN	-0.5:0.0	<<UP>>	3/1	-0.0
IWM	RUSSELL 2000 SMALL-CAP	ETF	DN	-0.8:0.0	=UP=	3/1	0.2
IGV	SOFTWARE	ETF	DN	-0.9:0.0	<<UP>>	2/1	-0.1
VGT	INFORMATION TECHNOLOGY	ETF	DN	-0.9:0.0	<<UP>>	2/1	-0.3
VUG	LARGE CAP GROWTH	ETF	DN	-1.7:0.0	<<UP>>	2/1	-0.2
QQQ	NASDAQ 100	ETF	DN	-1.7:0.0	<<UP>>	2/1	-0.2
COMPQ	NASDAQ COMPOSITE	INDEX	DN	-2.0:0.0	<<UP>>	2/1	-0.1
DXY	US DOLLAR INDEX	INDEX	DN	-2.2:-0.1	None	4/0	0.3
USL	US 12 Month Oil FUND	ETF	DN	-2.7:0.0	UP	0/4	-0.3

[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 06-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
PCY	EMERGING MARKET BONDS	ETF	UP	3.6:0.0	=dn=	3/0	-0.2
VTV	US LARGE CAP VALUE	ETF	UP	1.7:0.0	UP	3/1	0.1
SPYV	S&P 500 (VALUE)	ETF	UP	1.5:0.0	UP	3/0	0.3
LQD	INVESTMENT GRADE CORP BOND	ETF	DN	1.4:0.0	<<UP>>	3/0	-0.1
TLH	10-20 YEAR T-BOND INDEX	ETF	DN	1.3:0.0	<<dn>>	3/0	-0.1
USIG	USD INVESTMENT GRADE CORPORATE BOND	ETF	DN	1.2:0.0	=UP=	3/0	-0.1
TLT	U.S. 20+ YEAR T-BOND	ETF	DN	1.2:0.0	-dn-	2/0	-0.2
MUB	MUNICIPAL BONDS	ETF	UP	1.0:0.0	UP	3/0	-0.0
ANGL	FALLEN ANGEL HIGH YIELD BOND	ETF	DN	0.9:0.0	-UP-	3/0	0.0
BGRN	GLOBAL GREEN BOND	ETF	DN	0.8:0.0	<<UP>>	3/0	-0.1
BND	TOTAL BOND MARKET	ETF	DN	0.8:0.0	-dn-	3/0	-0.1
CBON	CHINESE BONDS	ETF	DN	0.6:0.0	<<dn>>	16/0	0.3
GOVT	U.S. TREASURY BOND	ETF	DN	0.4:0.0	-dn-	3/0	-0.0
IEI	3-7 YEAR TREASURY BOND	ETF	DN	0.4:0.0	-dn-	3/0	-0.0
SHV	CASH EQUIVALENT	ETF	DN	0.0:0.0	≡up≡	3/0	0.0
BIL	CASH EQUIVALENT	ETF	UP	0.0:0.0	UP	3/1	0.0
TIP	TIPS BOND	ETF	DN	0.0:0.0	<<dn>>	3/0	-0.0
PFF	S&P PREFERRED	ETF	DN	-0.6:0.0	<<UP>>	5/0	0.4
IWN	RUSSELL 2000 VALUE	ETF	DN	-0.7:0.0	<<UP>>	3/1	0.3

[Inflation Universe](#)

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

Inflation Universe Analysis for 06-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
SLV	SILVER TRUST	ETF	UP	8.4:0.0	≡DN≡	1/2	-0.9
COPX	GLOBAL X COPPER MINERS	ETF	UP	8.0:0.0	«UP»	29/0	0.0
GDV	MARKET VECTORS GOLD MINERS	ETF	UP	7.5:0.0	=UP=	29/0	0.9
CPER	US COPPER INDEX	ETF	UP	3.8:0.0	=dn=	27/5	-0.0
GLD	SPDR GOLD SHARES	ETF	UP	3.0:0.0	«UP»	29/0	0.2
DBB	BASE METALS	ETF	UP	2.2:0.0	«dn»	1/8	-0.4
PAVE	INFRASTRUCTURE	ETF	UP	2.1:0.0	«UP»	3/1	-0.1
VIG	DIVIDEND APPRECIATION	ETF	UP	1.8:0.0	«UP»	3/1	-0.1
IVE	S&P 500 VALUE	ETF	UP	1.5:0.0	«UP»	5/0	0.3
SMH	SEMICONDUCTORS	ETF	DN	1.4:0.0	«UP»	2/1	-0.2
INFL	INFLATION BENEFICIARIES	ETF	UP	1.4:0.0	«UP»	0/9	-0.6
DBA	DB AGRICULTURE INDEX	ETF	DN	-0.5:0.0	=DN=	0/23	-0.2
KBWB	BIG BANKS	ETF	DN	-1.1:0.0	UP	5/0	1.0
URA	URANIUM	ETF	DN	-1.5:0.0	=UP=	5/1	0.9
DBC	DB COMMODITY INDEX	ETF	DN	-2.5:0.0	UP	0/14	-0.2
REMX	RARE EARTH METALS	ETF	DN	-5.2:0.0	=dn=	3/90	0.4
LIT	LITHIUM & BATTERY TECH	ETF	DN	-5.9:0.0	dn	2/90	-0.1
UNG	UNITED STATES NATURAL GAS	ETF	DN	-15.1:0.0	≡UP≡	0/78	-4.5

[Sector Universe](#)

← Use this link to get to the live summary table

SPX Sector Universe Analysis for 06-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLI	INDUSTRIALS	ETF	UP	2.8:0.0	UP	3/0	0.1
XAR	SPACE & DEFENSE	ETF	UP	2.5:0.0	=UP=	8/1	0.4
XHB	HOMEBUILDERS	ETF	UP	2.3:0.0	UP	18/0	0.4
XLV	HEALTH CARE	ETF	UP	2.2:0.0	<<UP>>	0/7	-0.3
XLB	MATERIALS	ETF	UP	2.2:0.0	=UP=	3/1	-0.1
XLP	CONSUMER STAPLES	ETF	UP	1.8:0.0	-up-	3/7	-0.2
XLU	UTILITIES	ETF	UP	1.4:0.0	<<up>>	1/6	-0.3
XLF	FINANCIALS	ETF	<<UP>>	1.3:0.0	UP	5/0	0.5
XLE	ENERGY	ETF	UP	0.1:0.0	UP	1/2	0.3
XLRE	REAL ESTATE	ETF	DN	-0.4:0.0	<<UP>>	3/1	0.1
XRT	RETAIL	ETF	DN	-0.4:0.0	=UP=	3/1	0.5
XLK	TECHNOLOGY	ETF	DN	-0.8:0.0	<<UP>>	2/8	-0.4
XLC	COMMUNICATION SRVCS	ETF	DN	-1.0:0.0	UP	3/0	0.9
XTN	S&P TRANSPORTATION	ETF	DN	-1.3:0.0	<<UP>>	3/1	0.4
XOP	OIL & GAS EXP & PROD	ETF	DN	-3.9:0.0	UP	0/13	-0.1
XLY	CONSUMER DISCRETIONARY	ETF	DN	-4.1:0.0	<<UP>>	3/1	0.2

Another approach to beating the market is to keep your money in the sectors that are going up the best (assuming there are any) and out of the sectors that are climbing weakly or going down. Right now we have 5 sectors that have a positive MTA and strong slopes: XLI, XAR, XHB, XLV, and XLB. These can be analyzed just like we analyze the top ETFs.

Analysis of Top 8 Sectors

[XLI](#) has all 6 short-term charts up. Price just closed above \$100. I'd like to see an open and a close above \$100 on the same day before I would buy this. [XAR](#) just made a 19-week high and all its short-term charts are up. [XHB](#) just made an 18-week high and all its short-term charts are up. [XLV](#) has a big rally from mid-October to Early December but it has gone flat for the last three weeks. [XLB](#) has been flat for three weeks. It popped on Friday, moved by the market, but that wasn't enough to turn the MACD up. [XLP](#) has been in a 5-week decline. [XLU](#) has been flat for 7-weeks except for a small hump in mid-December. [XLF](#)'s MTA just turned up and all 6 short-term charts are positive. It's above \$35, but it really needs to clear historic resistance from \$35 to a little over \$36,

[Auxiliary Universe](#)

← Use this link to get to the live summary table

Auxiliary Universe Analysis for 06-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ITB	U.S. HOME CONSTRUCTION	ETF	UP	4.6:0.0	=UP=	40/0	0.2
PPH	PHARMACEUTICALS	ETF	UP	3.7:0.0	UP	31/0	-0.1
IHI	U.S. MEDICAL DEVICES	ETF	UP	2.5:0.0	<<UP>>	3/0	0.2
IBB	BIO-TECH & PHARMA	ETF	UP	2.3:0.0	=UP=	2/1	-0.1
XME	METALS AND MINING	ETF	UP	1.9:0.0	=UP=	5/2	0.3
KIE	INSURANCE SECTOR	ETF	UP	1.9:0.0	UP	5/1	0.2
FIW	POTABLE/WASTE WATER	ETF	UP	1.3:0.0	<<UP>>	3/1	-0.1
SOXX	PHLX SEMICONDUCTORS	ETF	DN	1.2:0.0	<<UP>>	3/1	-0.1
WOOD	GLOBAL TIMBER & FORESTRY	ETF	DN	1.0:0.0	dn	3/0	0.2
XBI	BIOTECHNOLOGY	ETF	DN	0.6:0.0	UP	5/1	0.3
FIVG	FIFTH GENERATION NETWORKS	ETF	DN	-0.4:0.0	UP	3/0	0.3
VDE	VANGUARD ENERGY ETF	ETF	UP	-0.5:0.0	UP	0/2	0.2
SRVR	DATA & TRANSMISSION REIT	ETF	DN	-0.6:0.0	≡UP≡	3/0	0.3
HACK	CYBER SECURITY	ETF	DN	-0.9:0.0	<<UP>>	2/8	-0.3
ARKQ	AI & ROBOTICS	ETF	DN	-4.7:0.0	<<UP>>	3/1	0.3
ARKG	GENOMIC REVOLUTION	ETF	DN	-5.5:0.0	<<UP>>	2/1	0.1
ARKW	NEXT GENERATION INTERNET	ETF	DN	-6.6:0.0	<<UP>>	2/1	0.2
ARKK	DISRUPTIVE INNOVATION	ETF	DN	-6.7:0.0	<<UP>>	2/1	0.2

[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 06-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
NVEC	NVE CORP	STOCK	UP	6.5:0.0	≡UP≡	54/0	0.4
GTY	GETTY REALTY	STOCK	UP	5.9:0.0	up	1/1	-0.5
NEM	NEWMONT MINING	STOCK	DN	5.3:0.0	≡UP≡	24/0	1.8
PM	PHILIP MORRIS INTL	STOCK	UP	4.4:0.0	-UP-	5/2	-0.3
UWMC	UWM HOLDINGS CORP	STOCK	DN	3.0:0.0	≡dn≡	2/0	-1.2
GUT	GABELLI UTILITY TRUST	CEF	UP	2.6:0.0	=up=	15/0	0.4
IIPR	INNOVATIVE INDUSTRIAL PROPERTIES	STOCK	DN	2.5:0.0	<<UP>>	0/10	-1.1
SPOK	SPOK HOLDINGS	STOCK	UP	2.3:0.0	-up-	2/0	0.5
WBA	WALGREENS BOOTS ALLIANCE	STOCK	≡DN≡	2.3:0.0	<<UP>>	1/10	-1.9
BTI	BRITISH AMERICAN TOBACCO	STOCK	UP	1.9:0.0	up	2/0	-0.4
MO	ALTRIA GROUP	STOCK	UP	1.8:0.0	up	1/5	-0.2
AM	US LOW VOL HIGH DIV	ETF	UP	1.5:0.0	-up-	5/2	0.3
LYB	LYONDELL BASELL INDUSTRIES	STOCK	DN	1.0:0.0	UP	18/0	1.6
IRM	IRON MOUNTAIN	STOCK	DN	0.8:0.0	<<UP>>	3/10	-0.4
UTG	REAVES UTILITY INCOME FUND	MUTUAL	DN	0.5:0.0	=dn=	3/0	-0.1
VZ	VERIZON COMMUNICATIONS	STOCK	DN	0.5:0.0	UP	16/0	2.5
XRX	XEROX	STOCK	DN	0.3:0.0	-UP-	3/0	1.2
NDMO	DYNAMIC MUNICIPAL OPPTY	CEF	DN	0.2:0.0	≡dn≡	3/0	0.6
KMI	KINDER MORGAN	STOCK	<<UP>>	0.2:0.0	UP	5/1	0.4
UTF	C&S INFRASTRUCTURE	CEF	DN	0.1:0.0	=UP=	5/0	0.4

This Week's Selections

Decision for last week were: COPX 10%, KIE 10%, NVEC 10%, PAVE 10%, SLV 10%, and BIL 50%.

Top ETFs By Slope

Sym	Slope	Long	Last
SLV	8.4 —	yes	\$21.92
COPX	8.0 ↓↓	yes	\$38.36
GDX	7.5 ↑	no	\$31.56
NVEC	6.5 ↓↓	yes	\$69.47
VGK	4.7 ↓↓	no	\$58.20
ITB	4.6 ↑↑	no	\$63.74
IEFA	4.1 ↓	no	\$63.91
IQLT	4.0 ↓	no	\$33.55
CPER	3.8 —	no	\$23.79
PPH	3.7 —	no	\$79.63
PCY	3.6 ↓↓	no	\$19.34
GLD	3.0 ↑↑	no	\$173.71
PAVE	2.1 ↓↓	yes	\$27.29
KIE	1.9 ↓↓	yes	\$44.25

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

Analysis

[SLV](#) is down 10 cents, putting it back on the wrong side of \$22. [COPX](#) made a 29-week high. All 6 basic charts are up. [GDX](#) made a 29-week high. All 6 basic charts (short-term indicators) are up. [NVEC](#) made a 54-week high. All 6 basic charts are up. [VGK](#) made a 29-week high. All 6 basic charts are up except CMF, which rose through the week.

[ITB](#) made a 40-week high. All 6 basic charts are up. [IEFA](#) made a 29-week high. All 6 basic charts are up except CMF, which rose, but is still below -1. [IQLT](#) is just coming out of a 3-week consolidation. Several basic charts are up but MACD is still red and CMF is just up to 0. [CPER](#) made a 27-week high with a full candle above \$23. Several basic charts are up but money flow (OBV & CMF) are down. [PPH](#) made another try for \$80. All 6 basic charts are up but it's still below \$80.

[PCY](#) has 3 basic charts up and 3 down. [GLD](#) made a 29-week high. All 6 basic charts are up. [IBB](#) is struggling a little and still below \$135, so I didn't include in the list above. [PAVE](#) basic charts are mixed. RSI, MACD, and OBV are flat. [KIE](#) has 5 positive basic charts and just broke up through \$42. Volume has been declining since Oct and its OBV is down.

Thoughts and Decisions

All of the top ETFs are up except SLV, which lost a dime. As it often happens, a month ago it was hard to find anything worth buying. Now we're buried in choices. Remember that this week's positive shift was mostly driven by one big up day in the SPX. This rise could evaporate next week.

PAVE and KIE are weak holdings. If either one closes below its low ATS, dump it. Looking at the charts today, I think buying PAVE was a mistake. Everybody makes mistakes, so when you make one yourself, don't beat yourself up about it.

My guess about SLV isn't working out yet. I'm going to set a hard stop on that at \$20.85. COPX is good for now. I will watch the COPX ATS and MACD for any warning signs. GDV made an open & close above \$30 for 3 days in a row. Buy GDV. NVEC is moving nicely. We may get a bounce down off resistance at \$70. VGK has weak CMF so pass for now.

I think ITB is just being carried up by the market. Let's see what happens next week. IEFA and IQLT have weak CMF. CPER rose, but I'm already holding COPX and I don't want to double up on anything right now. Wait for PPH to close above \$80,

PCY has bad money flow. GLD is getting really strong but I'm buying GDV instead. I'm going to use the ATS as a stop on PAVE and KIE. KIE also looks like it is turning back up, but I'm still going to sell if it closes below \$39.80.

My decisions for this week are COPX 10%, GDV 10%, KIE 10%, NVEC 10%, PAVE 10%, SLV 10%, and BIL 40%.

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