

Weekly Market Analysis #441 — 20 January 2023

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This Week

Data on Wednesday showed retail sales, producer prices, and production at U.S. factories fell more than expected in December.

Retail sales slumped for the second straight month in December, marking their biggest decline of 2022 as inflation and rising interest rates made consumers less eager to spend during the 2022 holiday season. November sales were also revised lower, and sales are down in three of the past four months.

The National Association of Home Builders' index of builder confidence rose four points to a reading of 35. That's the first monthly increase in 12 months. The trade group said the market could be nearing its lows for single-family home-construction permits and starts.

Davos attendees have been talking about a "polycrisis" — a confluence of economic troubles, inflation, and geopolitical emergencies. Blackstone CEO Stephen Schwarzman told Barron's the developed world's economy is doing better than expected because of the huge amount of savings that households amassed during the pandemic.

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JC Parets at AllStarCharts.COM said:

EFA is one of the most important indexes to track for equities. This index is loaded up with European and Japanese stocks and serves as a great gauge for equities in developed countries outside North America.

The S&P500 has been held back from huge gains that we've seen elsewhere, in part because of its egregious exposure to Growth stocks. But both the S&P500 and Dow Jones Industrial Average remain below overhead supply. That still hasn't changed.

Last year we saw International Stocks outperform the U.S. for the first time in a while. U.S. investors, particularly those that got high on their growth stocks for so many year, are not used to this sort of thing. So remember, the U.S. underperformance is not just a 2023 thing. This started last year.

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There's a good, clear synopsis of what is very likely to be coming in a paper called the "[MSCM Quarterly Update](#)" by my colleague Grant Morris. He sums it all up in his first four paragraphs.

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A lot of people are thinking that once we hit bottom (which hasn't happened yet), then the markets will be back to business as usual. But the almost all the people I know who are doing long-term market analysis say the odds are strong that the markets will be in the dumps for several years.

My current opinion is that the markets are going to churn sideways for several years and it's going to be very hard to make much money. The value investors will spend their time bargain hunting. The quants will make steady but lower-than-normal returns. Most momentum and growth investors will struggle to make a profit.

[Market Barometers](#)

← Use this link to see all the market barometer charts

DIA is up. VTI, SPX, and IWM are close to rising. COMPQ is still down.



A Closer Look

The SPX went down hard on Wednesday. It tried to recover on Friday, but stalled at the 200-day average. The NYAD did better than the SPX. The SPXA200R and SPXA50R went down harder than the SPX on Wednesday and gained less on Friday.

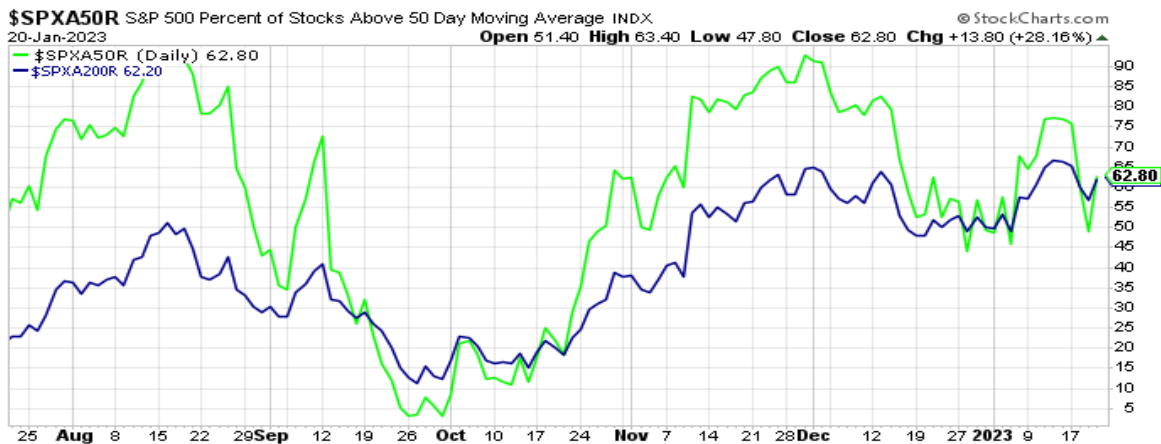


Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 Averages](#), [NewHigh-NewLows](#)

[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 20-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
VGK	FTSE EUROPE	ETF	UP	5.5:0.3	-UP-	38/1	0.7
IEFA	EUROPE/AUSTRALIA/FAR-EAST	ETF	UP	4.7:0.3	<<UP>>	38/1	0.7
IQLT	GLOBAL QUALITY	ETF	UP	4.5:0.3	UP	38/1	0.7
EEM	EMERGING MARKETS	ETF	UP	4.0:0.3	UP	31/1	0.6
IEMG	EMERGING MARKETS	ETF	UP	3.9:0.3	UP	31/1	0.6
MOAT	MORNINGSTAR WIDE MOAT	ETF	UP	1.7:0.3	-up-	0/1	0.7
RSP	UNWEIGHTED S&P 500	ETF	UP	1.6:0.3	=up=	0/2	0.3
DIA	DOW JONES INDUSTRIALS	ETF	UP	1.6:0.3	=up=	0/2	-0.1
IYT	DOW JONES TRANSPORTS	ETF	=UP=	1.2:0.3	<<UP>>	0/2	0.6
USMV	USA MIN VOLATILITY	ETF	UP	0.9:0.3	=up=	0/10	-0.2
VNQ	U.S. REIT INDEX	ETF	DN	0.5:0.3	=up=	1/1	0.6
SPX	S&P 500	INDEX	DN	0.4:0.3	<<UP>>	0/2	0.4
SPY	S&P 500 (LARGE-CAP)	ETF	DN	0.3:0.3	<<UP>>	0/2	0.4
VTI	TOTAL STOCK MARKET	ETF	DN	0.3:0.3	=up=	0/2	0.5
IWM	RUSSELL 2000 SMALL-CAP	ETF	DN	0.3:0.3	<<UP>>	0/1	0.7
IGV	SOFTWARE	ETF	DN	-0.1:0.3	UP	6/1	0.7
VGT	INFORMATION TECHNOLOGY	ETF	DN	-0.4:0.3	<<UP>>	5/1	1.0
VUG	LARGE CAP GROWTH	ETF	DN	-1.0:0.3	<<UP>>	5/1	1.0
COMPQ	NASDAQ COMPOSITE	INDEX	DN	-1.1:0.3	UP	5/1	1.0
QQQ	NASDAQ 100	ETF	DN	-1.2:0.3	<<UP>>	5/1	1.0
USL	US 12 Month Oil FUND	ETF	DN	-1.2:0.3	<<UP>>	9/1	0.9
DXY	US DOLLAR INDEX	INDEX	DN	-2.4:0.3	None	1/32	-0.1

VGK (Europe) and IEFA (Europe, Australia, Far East) show very similar patterns, which suggests there is an unseen factor driving both of them. My guess is that they are moving up together due to the decline in the US Dollar, which has made their currencies stronger and improved their international trade profiles.

[Bearish Universe](#)

← Use this link to get to the live summary table

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

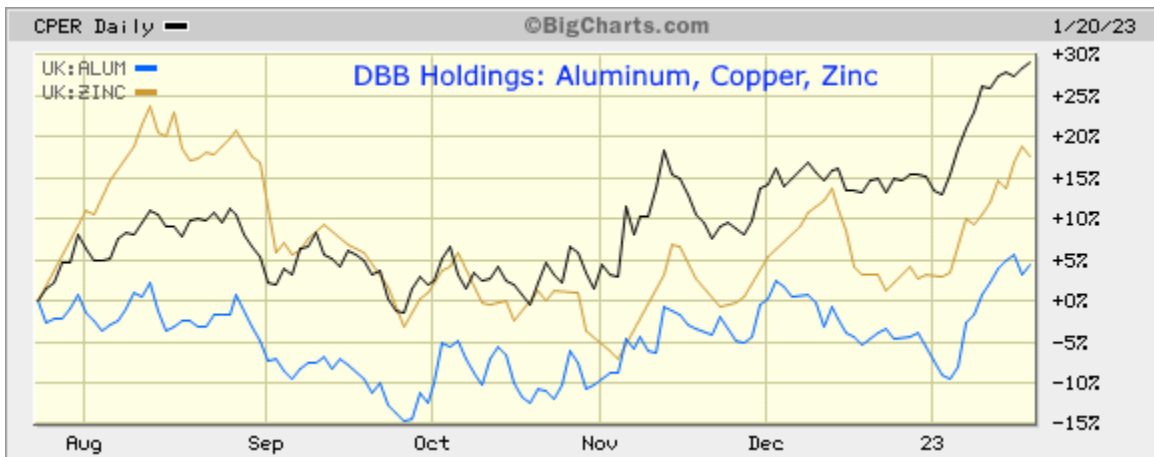
Bearish Universe Analysis for 20-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
PCY	EMERGING MARKET BONDS	ETF	UP	3.8:0.3	UP	22/0	0.6
SPYV	S&P 500 (VALUE)	ETF	UP	2.0:0.3	=up=	0/2	0.2
LQD	INVESTMENT GRADE CORP BOND	ETF	<<UP>>	1.9:0.3	<<UP>>	20/1	0.4
TLH	10-20 YEAR T-BOND INDEX	ETF	DN	1.8:0.3	UP	19/1	0.5
TLT	U.S. 20+ YEAR T-BOND	ETF	DN	1.8:0.3	UP	6/1	0.6
CBON	CHINESE BONDS	ETF	UP	1.6:0.3	<<up>>	0/2	0.1
USIG	USD INVESTMENT GRADE CORPORATE BOND	ETF	<<UP>>	1.6:0.3	-UP-	20/1	0.3
ANGL	FALLEN ANGEL HIGH YIELD BOND	ETF	=UP=	1.5:0.3	<<up>>	1/1	0.2
VTV	US LARGE CAP VALUE	ETF	UP	1.4:0.3	<<up>>	0/3	-0.1
MUB	MUNICIPAL BONDS	ETF	UP	1.3:0.3	≡up≡	23/0	0.2
BND	TOTAL BOND MARKET	ETF	DN	1.1:0.3	UP	19/1	0.3
BGRN	GLOBAL GREEN BOND	ETF	DN	1.1:0.3	UP	20/1	0.3
GOVT	U.S. TREASURY BOND	ETF	DN	0.8:0.3	<<up>>	19/1	0.2
PFF	S&P PREFERRED	ETF	DN	0.8:0.3	UP	18/0	0.9
IEI	3-7 YEAR TREASURY BOND	ETF	DN	0.7:0.3	UP	20/1	0.2
TIP	TIPS BOND	ETF	DN	0.2:0.3	UP	6/1	0.3
IWN	RUSSELL 2000 VALUE	ETF	<<UP>>	0.2:0.3	<<UP>>	0/1	0.7
SHV	CASH EQUIVALENT	ETF	DN	0.0:0.3	<<UP>>	32/0	0.0
BIL	CASH EQUIVALENT	ETF	UP	0.0:0.3	<<UP>>	7/1	0.0

[Inflation Universe](#)

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

Inflation Universe Analysis for 20-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
COPX	GLOBAL X COPPER MINERS	ETF	UP	9.9:0.3	=up=	31/1	0.7
GDV	MARKET VECTORS GOLD MINERS	ETF	UP	8.7:0.3	<<UP>>	0/2	0.3
SLV	SILVER TRUST	ETF	UP	7.3:0.3	<<dn>>	0/1	-0.4
CPER	US COPPER INDEX	ETF	UP	6.3:0.3	=DN=	31/0	1.2
DBB	BASE METALS	ETF	UP	4.2:0.3	UP	31/0	1.5
GLD	SPDR GOLD SHARES	ETF	UP	4.1:0.3	UP	38/1	0.4
SMH	SEMICONDUCTORS	ETF	=UP=	2.5:0.3	=up=	5/1	1.1
PAVE	INFRASTRUCTURE	ETF	UP	2.3:0.3	=DN=	0/2	0.2
IVE	S&P 500 VALUE	ETF	UP	1.9:0.3	=up=	0/2	0.2
URA	URANIUM	ETF	UP	1.5:0.3	<<UP>>	17/2	0.6
VIG	DIVIDEND APPRECIATION	ETF	UP	1.4:0.3	<<up>>	0/2	-0.1
INFL	INFLATION BENEFICIARIES	ETF	UP	1.2:0.3	<<UP>>	6/1	0.7
KBWB	BIG BANKS	ETF	DN	0.3:0.3	UP	0/2	0.5
DBA	DB AGRICULTURE INDEX	ETF	DN	-0.9:0.3	=DN=	2/25	-0.2
DBC	DB COMMODITY INDEX	ETF	DN	-1.7:0.3	<<UP>>	7/1	0.7
REMX	RARE EARTH METALS	ETF	DN	-3.4:0.3	UP	5/1	2.0
LIT	LITHIUM & BATTERY TECH	ETF	DN	-4.5:0.3	UP	5/1	1.7
UNG	UNITED STATES NATURAL GAS	ETF	DN	-21.1:0.3	DN	1/88	-2.1

If you're wondering what "base metals" are, here are the holdings for DBB. (I created this chart because I was curious about whether copper was driving DBB or not. It is.)



[Sector Universe](#)

← Use this link to get to the live summary table

SPX Sector Universe Analysis for 20-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XHB	HOMEBUILDERS	ETF	UP	3.6:0.3	=up=	0/2	0.3
XAR	SPACE & DEFENSE	ETF	UP	3.1:0.3	-up-	1/2	-0.1
XLB	MATERIALS	ETF	UP	2.5:0.3	<<UP>>	0/2	0.5
XLI	INDUSTRIALS	ETF	UP	2.5:0.3	<<up>>	0/3	-0.3
XLF	FINANCIALS	ETF	UP	1.7:0.3	<<UP>>	0/2	0.1
XLV	HEALTH CARE	ETF	UP	1.1:0.3	=up=	0/10	-0.2
XLU	UTILITIES	ETF	UP	1.0:0.3	=DN=	0/8	-0.6
XLC	COMMUNICATION SRVCS	ETF	DN	1.0:0.3	-UP-	18/2	1.1
XLP	CONSUMER STAPLES	ETF	UP	0.8:0.3	=DN=	1/10	-0.6
XLRE	REAL ESTATE	ETF	DN	0.8:0.3	<<up>>	1/1	0.6
XLE	ENERGY	ETF	UP	0.7:0.3	<<UP>>	7/1	0.6
XRT	RETAIL	ETF	DN	0.6:0.3	=up=	0/2	0.8
XTN	S&P TRANSPORTATION	ETF	<<UP>>	0.6:0.3	=DN=	9/1	1.4
XLK	TECHNOLOGY	ETF	DN	-0.5:0.3	<<UP>>	5/1	0.9
XLY	CONSUMER DISCRETIONARY	ETF	DN	-2.8:0.3	<<UP>>	6/1	0.8

Another approach to beating the market is to keep your money in the sectors that are going up the best (assuming there are any going up), and staying out of the sectors that are climbing weakly or going down. The sectors can be analyzed just like we analyze other ETFs.

Analysis of Top Sectors

[XHB](#) made an 20-week high moving up through \$65. All its short-term charts are up.

[XAR](#) powered up from \$110 to \$115, made a 35-week high, and all its short-term charts are up.

[XLI](#) made a 40-week high, closing above \$100. All its short-term charts are up.

[XLB](#) made a 30-week high. All 6 basic charts are up but it's facing overhead supply from \$85 to \$91.

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[XLV](#) has made 3 tries to break \$140 in the last 13 months. After the last try, it retreated to \$135 and stayed there. CMF popped up this week but it barely moved price.

[XLF](#)'s 6 short-term charts are positive but it's struggling to get above \$36.

[XLP](#) has been flat for 4 weeks. Its basic charts are somewhere between apathetic and indifferent.

[XLU](#) seems to be half-heartedly trying to get up through \$72.50.

[Auxiliary Universe](#)[← Use this link to get to the live summary table](#)

Auxiliary Universe Analysis for 20-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ITB	U.S. HOME CONSTRUCTION	ETF	UP	5.7:0.3	<<UP>>	0/1	0.3
XME	METALS AND MINING	ETF	UP	3.5:0.3	<<UP>>	0/1	1.0
PPH	PHARMACEUTICALS	ETF	UP	3.3:0.3	<<UP>>	0/2	-0.3
IHI	U.S. MEDICAL DEVICES	ETF	UP	2.8:0.3	UP	21/2	0.2
SOXX	PHLX SEMICONDUCTORS	ETF	-UP-	2.4:0.3	=up=	7/2	1.0
IBB	BIO-TECH & PHARMA	ETF	UP	2.0:0.4	<<UP>>	5/1	0.4
XBI	BIOTECHNOLOGY	ETF	≡UP≡	2.0:0.3	=up=	0/1	0.5
KIE	INSURANCE SECTOR	ETF	UP	1.9:0.3	<<UP>>	0/2	-0.0
FIW	POTABLE/WASTE WATER	ETF	UP	1.5:0.3	<<UP>>	0/2	0.3
WOOD	GLOBAL TIMBER & FORESTRY	ETF	DN	1.3:0.3	UP	0/1	0.4
SRVR	DATA & TRANSMISSION REIT	ETF	DN	0.9:0.3	=DN=	17/1	0.7
FIVG	FIFTH GENERATION NETWORKS	ETF	DN	0.7:0.3	<<UP>>	0/2	0.7
VDE	VANGUARD ENERGY ETF	ETF	UP	0.1:0.3	≡up≡	6/1	0.7
HACK	CYBER SECURITY	ETF	DN	-1.4:0.3	<<UP>>	4/1	0.3
ARKG	GENOMIC REVOLUTION	ETF	DN	-2.2:0.3	<<UP>>	9/1	1.5
ARKQ	AI & ROBOTICS	ETF	DN	-2.3:0.3	UP	6/1	1.6
ARKW	NEXT GENERATION INTERNET	ETF	DN	-3.0:0.3	UP	6/1	2.1
ARKK	DISRUPTIVE INNOVATION	ETF	DN	-3.2:0.3	<<UP>>	6/1	1.8
XOP	OIL & GAS EXP & PROD	ETF	DN	-3.3:0.3	<<UP>>	6/1	1.1

Investors are nervous about ITB because of the high mortgage rates. There are two things I've noticed. First, "homes" doesn't mean just single-family houses. "Homes" includes duplexes, triplexes, and larger multi-unit construction. According to one report, over 900,000 multi-unit projects are currently underway. ITB holdings include manufacturers, sellers, and distributors of home furnishings, homebuilding, house wares, specialty items, and materials.

Second, the big home builders are getting wily. They're writing and carrying their own 3% to 4% mortgages in order to keep buyers interested. Better to get the profit from selling their new homes and pick up a couple of extra percentage points by managing the mortgages, rather than have buyers walking away from their contracts because mortgage rates have doubled in the last 12 months.

[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 20-Jan-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
NVEC	NVE CORP	STOCK	UP	8.6:0.3	≡up≡	0/1	0.6
NEM	NEWMONT MINING	STOCK	UP	7.9:0.3	≡up≡	0/2	0.0
GTY	GETTY REALTY	STOCK	UP	5.3:0.3	«UP»	3/1	-0.0
LYB	LYONDELL BASELL INDUSTRIES	STOCK	UP	4.0:0.3	≡up≡	0/2	0.6
PM	PHILIP MORRIS INTL	STOCK	UP	3.5:0.3	«up»	1/7	-0.4
GUT	GABELLI UTILITY TRUST	CEF	UP	3.3:0.3	DN	0/3	-0.5
VZ	VERIZON COMMUNICATIONS	STOCK	DN	2.7:0.4	≡up≡	0/3	-1.0
XRX	XEROX	STOCK	=UP=	2.6:0.3	«UP»	20/1	1.2
SPOK	SPOK HOLDINGS	STOCK	UP	2.4:0.3	«UP»	1/1	-0.1
AM	US LOW VOL HIGH DIV	ETF	UP	2.2:0.3	≡up≡	0/2	0.3
NDMO	DYNAMIC MUNICIPAL OPPTY	CEF	DN	2.0:0.3	UP	18/1	1.4
MPW	MEDICAL PROPERTIES	STOCK	DN	1.3:0.3	UP	17/0	3.0
UTF	C&S INFRASTRUCTURE	CEF	DN	1.1:0.3	=DN=	0/2	0.1
UTG	REAVES UTILITY INCOME FUND	MUTUAL	DN	1.1:0.3	«up»	5/2	0.2
RMAX	REMAX	STOCK	DN	1.0:0.3	-UP-	0/1	1.6
KMI	KINDER MORGAN	STOCK	UP	1.0:0.3	«DN»	0/2	0.2

This Week's Selections

Decision for last week were: COPX 10%, EEM 10%, GDV 10%, ITB 10%, KIE 10%, NVEC 10%, PAVE 10%, SLV 10%, and BIL 40%.

Top ETFs By Slope

Sym	Slope	Long	Last
COPX	9.9 ↑↑	yes	\$41.28 ↑↑
GDV	8.7 ↑↑	yes	\$32.42 ↓
NVEC	8.6 ↑↑	yes	\$74.52 ↓
SLV	7.3 ↓↓	yes	\$22.02 ↓
ITB	5.7 ↑↑	yes	\$65.74 ↑↑
VGK	5.5 ↑↑	no	\$60.46 ↑↑
IEFA	4.7 ↑↑	no	\$66.59 ↑↑
IQLT	4.5 ↑	no	\$34.98 ↑↑
DBB	4.2 ↑↑	no	\$21.98 ↑↑
GLD	4.1 ↑↑	no	\$179.29 ↑↑
EEM	4.0 ↑↑	no	\$41.73 ↑↑
PAVE	2.3 —	yes	\$27.62 ↓
KIE	1.9 —	yes	\$41.81 ↓

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

Analysis

[COPX](#) made a 32-week high. All 6 basic charts are up. [GDV](#) lost 23 cents but still pushing up against \$32.50. Most basic charts are up. [NVEC](#) pulled back from \$75. Basic charts remain strong. [SLV](#) continues to bump up against \$22. [ITB](#) lost some ground but ended the week above \$65.

[VGK](#) made a 38-week new high and ended the week above \$60. Most basic charts are up. [IEFA](#) made another high and 5 out of 6 basic charts are up. [IQLT](#) made a new high and closed within 2 cents of \$35. [DBB](#) has been climbing rapidly and hit resistance near \$22 this week. All 6 basic charts are up. [GLD](#) made a 38-week high. All 6 basic charts are up. A close above \$180 will leave most resistance behind it.

[EEM](#) made a 31-week high and broke through \$40 level on the 9th. All 6 basic charts are up. [PAVE](#) fell back into its 10-week, horizontal channel as heavy selling sent its CMF below -3. [KIE](#) pulled back below \$42 on average volume.

Thoughts and Decisions

COPX, GDV, and NVEC continue to lead. Maintain \$20.85 stop on SLV. Buy ITB – it has strong price and strong slope (see notes on page 8). VGK (Europe) and IEFA (Europe, Australia, Far East) look good (see page 4). IQLT is facing resistance at \$35. PAVE and KIE seem to be stuck. So I think it's time to sell KIE and buy IEFA. So my decisions for this week are COPX 10%, EEM 10%, ITB 10%, GDV 10%, IEFA 10%, NVEC 10%, PAVE 10%, SLV 10%, and BIL 20%.

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