

Weekly Market Analysis #450 – 24 March 2023

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This Week

A Cautionary Tale for Individual Investors

This week Vitaliy Katsenelson observed:

Over the past decade, the Federal Reserve has manipulated asset prices by interfering with free markets by deciding what both short-term and long-term interest rates should be. This resulted in an increase in risk-taking behavior among investors. Risk became a four-letter word uttered only by curmudgeons; the only thing investors feared was being left out. The more risk you took, the more money you made – until you lost it all.

How do investors (big and small) get themselves into this kind of trouble?

One of the greatest weaknesses of human psychology is its on-going infatuation with the unlikely notion that current conditions, good or bad, will continue – just as they are – far into the future.

Silicon Valley Bank was paying their depositors very little interest (just like all the other banks). They were investing the depositors' money in mortgage-backed securities (MBS) that paid about 2% interest. With a few billion in assets to invest, then 2% per year is a nice chunk of change.

When you are paying almost zero interest to your clients and you are making 2%, this is good banking. When you are buying MBS with a 2% yield and you don't hedge your position, this is bad investing.

A hedge is like buying insurance. If you buy a house for \$500K, it's a smart move to pay a few percent every year to buy fire insurance...just in case. The folks at SVB thought interest rates would stay just as they were – far into the future – so they didn't buy any fire insurance.

If the Fed hadn't started raising interest rates like there was no tomorrow... If SVB had raised their investment interest rates... If their clients hadn't decided to move their money into more lucrative investments... If SVB had hedged their MBS positions... Then SVB would still be in business.

If the odds were 50-50 on all four of those occurrences, then there was only a 6.25% chance that all four of those what-ifs would all go the wrong way. But the Fed did raise rates, and SVB didn't. Clients did decide to move their money, and SVB wasn't hedged.

The lesson for individual investors is: Monitor your positions and monitor the investing environment. Good exit discipline is not usually thought of as a hedge, but it does protect your nest egg

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While many people are happy with low unemployment numbers, this week Barry Habib warned that based on other economic indicators, the US job growth engine is "out of gas."

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Don Kaufman said that high-tech stocks are likely to be the next sector to start declining. This poses a problem for the SPX since the 10 most-heavily weight stocks in the index are AAPL, MSFT, NVDA, GOOGL, GOOG, BRK.B, TSLA, META, and UNH. Together they account for more than 27% of the SPX index.

[Market Barometers](#)

← Use this link to see all the market barometer charts

COMPQ is up but the other four indexes are down.



A Closer Look

The SPX dropped on Wednesday after the Fed interest hike announcement. It tried to rally on Thursday but fell back by the end of the day. On Friday it was flat for the first hour but then climbed to end the week higher at \$3970.99, The advance-decline was a little less enthusiastic, as were the stocks above 50-day and 200-day, which are still below 50%.



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 24-Mar-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
VGT	INFORMATION TECHNOLOGY	ETF	UP	3.3:-0.1	UP	29/1	0.5
IGV	SOFTWARE	ETF	UP	3.0:-0.1	UP	5/1	0.4
QQQ	NASDAQ 100	ETF	UP	3.0:-0.1	<<UP>>	7/1	0.7
VUG	LARGE CAP GROWTH	ETF	UP	2.1:-0.1	<<UP>>	5/1	0.5
COMPQ	NASDAQ COMPOSITE	INDEX	UP	2.0:-0.1	<<UP>>	5/1	0.5
MOAT	MORNINGSTAR WIDE MOAT	ETF	UP	1.1:-0.1	<<UP>>	3/1	0.2
IEFA	EUROPE/AUSTRALIA/FAR-EAST	ETF	UP	0.8:-0.1	<<UP>>	2/1	0.1
IQLT	GLOBAL QUALITY	ETF	UP	0.6:-0.1	<<UP>>	3/1	0.4
SPY	S&P 500 (LARGE-CAP)	ETF	DN	0.0:-0.1	<<UP>>	2/1	0.1
SPX	S&P 500	INDEX	DN	0.0:-0.1	UP	3/1	0.2
VTI	TOTAL STOCK MARKET	ETF	DN	-0.1:-0.1	<<UP>>	2/1	0.0
VTI	TOTAL STOCK MARKET	ETF	DN	-0.1:-0.1	<<UP>>	2/1	0.0
IYT	DOW JONES TRANSPORTS	ETF	DN	-0.3:-0.1	<<dn>>	2/11	-0.7
DXY	US DOLLAR INDEX	INDEX	DN	-0.4:-0.1	None	1/7	-0.4
IEMG	EMERGING MARKETS	ETF	DN	-0.8:-0.1	<<UP>>	2/1	0.5
USMV	USA MIN VOLATILITY	ETF	DN	-1.2:-0.1	<<UP>>	3/2	0.2
DIA	DOW JONES INDUSTRIALS	ETF	DN	-1.3:-0.1	UP	2/1	0.1
IWM	RUSSELL 2000 SMALL-CAP	ETF	DN	-1.3:-0.1	DN	2/21	-0.7
RSP	UNWEIGHTED S&P 500	ETF	DN	-1.3:-0.1	<<UP>>	2/18	-0.4
VNQ	U.S. REIT INDEX	ETF	DN	-2.2:-0.1	<<dn>>	1/21	-1.0
USO	UNITED STATES OIL FUTURES	ETF	DN	-3.7:-0.1	UP	2/1	-0.6

[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 24-Mar-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
TLT	U.S. 20+ YEAR T-BOND	ETF	DN	0.6:-0.1	-dn-	7/2	0.4
TIP	TIPS BOND	ETF	DN	0.5:-0.1	«DN»	26/1	0.3
TLH	10-20 YEAR T-BOND INDEX	ETF	DN	0.5:-0.1	DN	7/2	0.5
GOVT	U.S. TREASURY BOND	ETF	«UP»	0.3:-0.1	«DN»	28/1	0.4
IEI	3-7 YEAR TREASURY BOND	ETF	-UP-	0.3:-0.1	«DN»	29/2	0.4
BGRN	GLOBAL GREEN BOND	ETF	DN	0.2:-0.1	«dn»	7/2	0.3
BND	TOTAL BOND MARKET	ETF	DN	0.2:-0.1	=dn=	7/1	0.4
SHV	CASH EQUIVALENT	ETF	UP	0.1:-0.1	up	68/1	0.0
CBON	CHINESE BONDS	ETF	DN	0.1:-0.1	dn	6/1	0.3
MUB	MUNICIPAL BONDS	ETF	=UP=	0.1:-0.1	-dn-	6/2	0.2
BIL	CASH EQUIVALENT	ETF	UP	0.1:-0.1	=UP=	277/1	0.0
USIG	USD INVESTMENT GRADE CORPORATE BOND	ETF	DN	0.0:-0.1	=dn=	7/1	0.4
LQD	INVESTMENT GRADE CORP BOND	ETF	DN	-0.1:-0.1	≡dn≡	7/1	0.6
ANGL	FALLEN ANGEL HIGH YIELD BOND	ETF	DN	-0.2:-0.1	-DN-	3/2	0.1
PCY	EMERGING MARKET BONDS	ETF	DN	-0.2:-0.1	UP	2/5	0.2
SPYV	S&P 500 (VALUE)	ETF	DN	-0.6:-0.1	UP	2/2	-0.1
PFF	S&P PREFERRED	ETF	DN	-1.6:-0.1	DN	1/151	-0.5
VTV	US LARGE CAP VALUE	ETF	DN	-1.8:-0.1	«UP»	2/21	-0.4
IWN	RUSSELL 2000 VALUE	ETF	DN	-2.2:-0.1	DN	1/24	-0.9
KBE	S&P BANK SECTOR	ETF	DN	-7.1:-0.1	«dn»	2/119	-2.1
KBWB	BIG BANKS	ETF	DN	-7.3:-0.1	=DN=	1/120	-2.7
KRE	KBW REGIONAL BANKS	ETF	DN	-9.0:-0.1	«dn»	1/119	-2.4

[Inflation Universe](#)

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

Inflation Universe Analysis for 24-Mar-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
SMH	SEMICONDUCTORS	ETF	UP	5.1:-0.1	=up=	49/1	0.6
GLD	SPDR GOLD SHARES	ETF	UP	2.0:-0.1	<<up>>	52/1	0.7
CPER	US COPPER INDEX	ETF	UP	1.3:-0.1	-up-	3/1	0.4
PAVE	INFRASTRUCTURE	ETF	UP	0.4:-0.1	<<UP>>	2/1	-0.9
DBA	DB AGRICULTURE INDEX	ETF	DN	0.2:-0.1	<<dn>>	2/8	-0.2
GDX	MARKET VECTORS GOLD MINERS	ETF	=UP=	-0.1:-0.1	UP	7/1	2.3
IVE	S&P 500 VALUE	ETF	DN	-0.6:-0.1	=up=	2/2	-0.1
COPX	GLOBAL X COPPER MINERS	ETF	-DN-	-0.6:-0.1	<<UP>>	2/1	0.2
GDXJ	JUNIOR GOLD MINERS	ETF	-UP-	-0.8:-0.1	UP	7/1	2.3
VIG	DIVIDEND APPRECIATION	ETF	DN	-1.0:-0.1	<<UP>>	2/1	0.1
DBB	BASE METALS	ETF	DN	-1.2:-0.1	=UP=	2/1	0.3
SLV	SILVER TRUST	ETF	-UP-	-1.5:-0.1	dn	7/1	2.3
DBC	DB COMMODITY INDEX	ETF	DN	-2.5:-0.1	-up-	2/1	-0.1
INFL	INFLATION BENEFICIARIES	ETF	DN	-2.6:-0.1	<<UP>>	2/1	0.4
URA	URANIUM	ETF	DN	-3.4:-0.1	dn	2/35	-0.6
LIT	LITHIUM & BATTERY TECH	ETF	DN	-3.7:-0.1	UP	2/1	0.2
REMX	RARE EARTH METALS	ETF	DN	-5.1:-0.1	<<UP>>	2/1	-0.4
KBWB	BIG BANKS	ETF	DN	-7.3:-0.1	=DN=	1/120	-2.7
UNG	UNITED STATES NATURAL GAS	ETF	DN	-23.7:-0.1	<<DN>>	1/318	-1.2

[Sector Universe](#)

← Use this link to get to the live summary table

SPX Sector Universe Analysis for 24-Mar-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLK	TECHNOLOGY	ETF	UP	3.4:-0.1	UP	29/1	0.6
XLC	COMMUNICATION SRVCS	ETF	UP	2.9:-0.1	UP	6/1	0.8
XHB	HOMEBUILDERS	ETF	UP	1.5:-0.1	<<dn>>	2/1	-0.3
XAR	SPACE & DEFENSE	ETF	UP	1.2:-0.1	<<up>>	2/1	-0.7
XLY	CONSUMER DISCRETIONARY	ETF	DN	0.6:-0.1	UP	3/1	0.1
XLI	INDUSTRIALS	ETF	<<DN>>	-0.2:-0.1	<<dn>>	2/18	-0.7
XTN	S&P TRANSPORTATION	ETF	DN	-0.7:-0.1	dn	1/11	-1.1
XLP	CONSUMER STAPLES	ETF	DN	-0.9:-0.1	<<UP>>	4/2	0.2
XLB	MATERIALS	ETF	DN	-1.2:-0.1	<<dn>>	2/1	-0.5
XRT	RETAIL	ETF	DN	-1.7:-0.1	<<dn>>	1/12	-0.7
XLRE	REAL ESTATE	ETF	DN	-2.1:-0.1	<<dn>>	1/21	-0.9
XLU	UTILITIES	ETF	DN	-2.3:-0.1	<<dn>>	1/21	-0.1
XLV	HEALTH CARE	ETF	DN	-2.3:-0.1	UP	3/2	0.5
XLF	FINANCIALS	ETF	DN	-3.1:-0.1	<<dn>>	1/1	-1.1
XLE	ENERGY	ETF	DN	-3.9:-0.1	<<UP>>	2/1	-0.6

The top five SPX sectors were unchanged except for XLY rising to position #5.

1. XLK
2. XLC
3. XHB
4. XAR
5. XLY

[Auxiliary Universe](#)

← Use this link to get to the live summary table

Auxiliary Universe Analysis for 24-Mar-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ARKW	NEXT GENERATION INTERNET	ETF	DN	7.1:-0.1	-up-	5/1	-0.1
ARKK	DISRUPTIVE INNOVATION	ETF	DN	3.8:-0.1	<<up>>	3/2	-0.2
ARKQ	AI & ROBOTICS	ETF	=DN=	3.0:-0.1	<<UP>>	2/1	-0.1
ITB	U.S. HOME CONSTRUCTION	ETF	UP	2.7:-0.1	=DN=	5/1	0.1
HACK	CYBER SECURITY	ETF	DN	1.0:-0.1	UP	2/1	0.1
FIVG	FIFTH GENERATION NETWORKS	ETF	DN	0.3:-0.1	<<UP>>	2/1	0.2
FIW	POTABLE/WASTE WATER	ETF	DN	-0.6:-0.1	=DN=	1/11	-0.3
IHI	U.S. MEDICAL DEVICES	ETF	DN	-0.7:-0.1	<<UP>>	3/1	0.5
XME	METALS AND MINING	ETF	≡DN≡	-1.0:-0.1	<<dn>>	2/1	-0.8
PPH	PHARMACEUTICALS	ETF	DN	-1.1:-0.1	-up-	3/1	0.6
RWR	DOW JONES REIT	ETF	DN	-1.8:-0.1	<<dn>>	1/22	-1.4
SRVR	DATA & TRANSMISSION REIT	ETF	DN	-1.9:-0.1	DN	1/18	-0.1
WOOD	GLOBAL TIMBER & FORESTRY	ETF	DN	-2.1:-0.1	<<UP>>	2/1	-0.4
IBB	BIO-TECH & PHARMA	ETF	DN	-2.3:-0.1	<<UP>>	1/2	0.3
KIE	INSURANCE SECTOR	ETF	DN	-2.4:-0.1	<<dn>>	2/1	-1.0
XBI	BIOTECHNOLOGY	ETF	DN	-3.3:-0.1	<<dn>>	1/38	-1.1
ARKG	GENOMIC REVOLUTION	ETF	DN	-3.5:-0.1	=DN=	1/2	0.1
VDE	VANGUARD ENERGY ETF	ETF	DN	-3.9:-0.1	<<UP>>	2/1	-0.6
XOP	OIL & GAS EXP & PROD	ETF	DN	-4.9:-0.1	<<dn>>	2/1	-0.6

[Special Security Universe](#)

← Use this link to get to the live summary table

This is the top 10 securities in this universe.

Special Security Universe Analysis for 24-Mar-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
NVDA	NVIDIA	STOCK	UP	18.6:-0.1	<<up>>	49/1	0.7
SPOK	SPOK HOLDINGS	STOCK	UP	9.3:-0.1	up	2/1	-1.2
UWMC	UWM HOLDINGS CORP	STOCK	UP	6.3:-0.1	UP	58/2	0.3
NVEC	NVE CORP	STOCK	UP	4.4:-0.1	<<UP>>	3/1	0.0
GTY	GETTY REALTY	STOCK	UP	0.9:-0.1	DN	1/14	-0.5
MO	ALTRIA GROUP	STOCK	<<DN>>	0.5:-0.1	DN	1/23	-0.8
EPD	ENTERPRISE PRODUCTS PARTNERS LP	STOCK	-DN-	0.3:-0.1	<<dn>>	2/11	-0.3
INTC	INTEL	STOCK	DN	0.3:-0.1	-UP-	1/2	0.9
NDMO	DYNAMIC MUNICIPAL OPPTY	CEF	DN	0.3:-0.1	DN	1/11	-0.7
LYB	LYONDELL BASELL INDUSTRIES	STOCK	DN	0.1:-0.1	<<UP>>	2/1	-0.5
BSTZ	SCIENCE AND TECHNOLOGY	CEF	DN	0.0:-0.1	<<dn>>	2/1	-0.0

This Week's Selections

My choices for last week were: NVEC 10% and BIL 90%.

Top ETFs By Slope

Current Holdings

Sym	Slope	Long	Last
NVEC	4.4 ↓↓	yes	\$77.22 ↑

Other High-Slope ETFs

Sym	Slope	Long	Last
SMH	5.1 ↑	Buy	\$250.32 ↑
ARKQ	3.0 ↓↓	no	\$47.06 ↑
VGT	3.3 ↑	no	\$366.09 ↑
QQQ	3.0 ↑	no	\$305.36 ↑
IGV	3.0 —	no	\$286.13 ↑
ITB	2.7 ↓↓	no	\$67.74 ↑
VUG	2.1 —	no	\$237.56 ↑
GLD	2.0 ↑	Buy	\$183.65 ↑

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

Analysis

[NVEC](#) closed higher Monday-Thursday, then sold off 9 cents on Friday. [ARKQ](#) is showing a negative MTA but I checked the numbers and it looked like a glitch to me. I'll check it out later.

[SMH](#)'s closed above \$253.60 on Tuesday and it made a 49 week high on Thursday. [ARKQ](#) is making lower lows and lower highs and its RSI just bounced down off the 50 level. [VGT](#) made a 29-week high but it still seems stuck near \$370. [QQQ](#) came up to \$310 and then parked there for the week.

[IGV](#) still may be turning up, but it also seems to be stuck around \$290. [ITB](#) appears to be comatose under \$70. [VUG](#) found support near \$225 on the 10th, but it stalled this week. [GLD](#) made a 52-week high and all six basic charts are up.

Thoughts and Decisions

All six SMH basic charts are up, so even though I'm nervous about the market as a whole, this looks like it's worth a try...with close monitoring. I'm also monitoring NVEC. Since everybody else is nervous about stocks, lots of money is flowing into GLD, and it should be a good hedge if stocks go down.

By the way...BIL is paying a dividend of over 3% a year right now, so even though BIL's price is going nowhere, that position is still making money for us.

So this week my choices are still: GLD 10%, NVEC 10%, SMH 10%, and BIL 70%.