

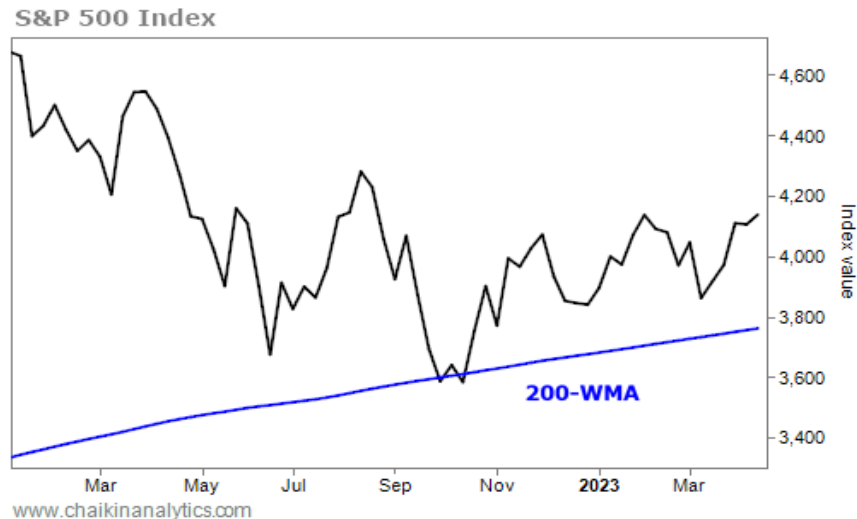
Weekly Market Analysis #454 — 21 April 2023

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This Week

Marc Chaikin (inventor of Chaikin Money Flow and quite a number of other tools) has been a market professional for over 50 years. His expertise is beyond question. This week he published a fascinating chart. It shows the weekly closes of the SPX (the black line) versus the 200-week moving average of the SPX (the blue line). The weekly SPX has now been above the 200-WMA for 25 weeks.



In Marc's own words:

According to research from Fundstrat Global Advisors, this signal has happened 12 times since 1950. And every time, it led to positive returns over the next year. . . That's a 100% win rate.

These are all facts. Now, what are the chances of the signal succeeding again? That is, what are the odds the SPX again moving higher 12 months from now? In other words, what is the risk? Based on these facts, what are the chances of the SPX ending lower 12 months from now?

The usual approach for calculating this is $E = z * (s / \sqrt{c})$ where E is the expected error, z is the z-score for the data set, s is the standard deviation, and c is the sample size. But there are some problems with our data. Since all the samples are "wins" and without any information about how big the wins have been, then $z = 0$ and $s = 0$, which makes $E = 0$. But expecting the same outcome on the 13th trial just because the previous 12 turned out the same way is naïve.

If our possible results are 1 or 0, and we have 12 1s [1,1,1,1,1,1,1,1,1,1,1,1], then it is reasonable to assume that the chance of the next sample being a zero are about $12 / 13 = 92.3\%$. There are more sophisticated ways of calculating this, but most return even worse odds of a 13th win.

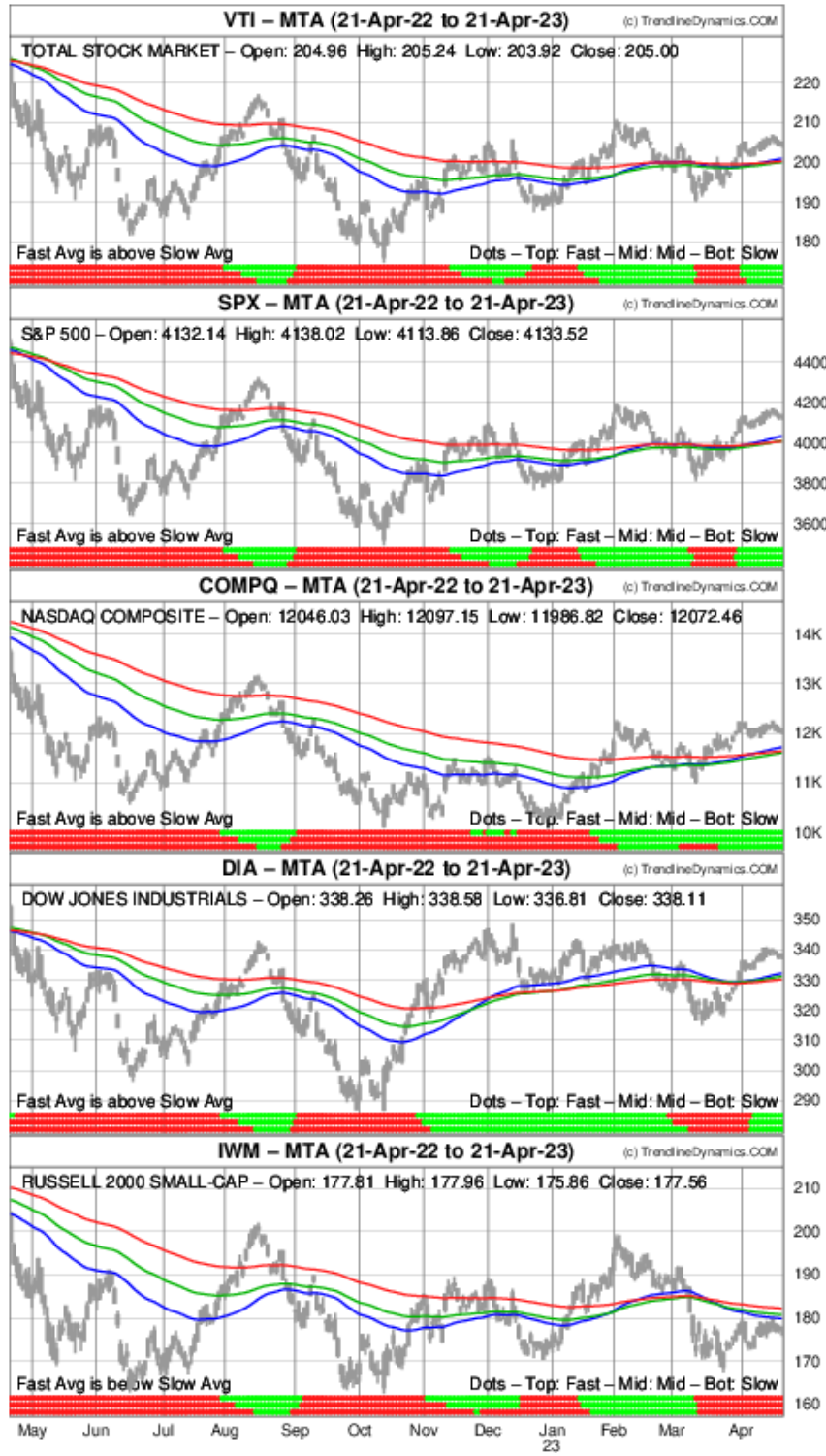
Why is this important? Some gullible investors will see the fact "100% win rate" and bet their whole account on the SPX going up.

- Marc Chaikin himself warns about putting too much credence in any one indicator.
- Roland Barach warned "If you don't see any risk in a position, that's a warning sign all by itself."
- In 1983 my first market mentor, Jim Galford, told me, "Never bet more than you can afford to lose." (Keep your individual position sizes small so if one of them blows up, you don't get killed.)

[Market Barometers](#)

← Use this link to see all the market barometer charts

All the indexes fell a little this week.



A Closer Look

This week the SPX closed slightly lower than last week, and just about even with where it did on February 3rd. The NYAD went down a little more than price this week. The percentage of stocks above their 50-day averages and their 200-day averages declined also.



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

Last week I removed the universe summary tables because I had the feeling nobody was looking at them. Since no one objected, they will remain as links.

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

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

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

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

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

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

SPX Sector Universe Analysis for 21-Apr-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLC	COMMUNICATION SRVCS	ETF	UP	4.7:1.0	up	1/3	-0.6
XLK	TECHNOLOGY	ETF	UP	4.5:1.0	up	2/1	-0.4
XLY	CONSUMER DISCRETIONARY	ETF	DN	1.3:1.0	«UP»	3/1	0.1
XLP	CONSUMER STAPLES	ETF	UP	1.3:1.0	«up»	18/1	0.1
XHB	HOMEBUILDERS	ETF	UP	1.1:1.0	UP	9/1	0.9
ITA	U.S. AEROSPACE & DEFENSE	ETF	UP	0.8:1.0	«up»	7/1	0.1
XLU	UTILITIES	ETF	UP	0.5:1.0	UP	1/1	0.1
XLV	HEALTH CARE	ETF	UP	0.4:1.0	-UP-	1/2	0.1
XLB	MATERIALS	ETF	UP	-0.2:1.0	UP	6/1	0.3
XLI	INDUSTRIALS	ETF	-UP-	-0.3:1.0	UP	3/1	0.3
XLE	ENERGY	ETF	UP	-1.0:1.0	=UP=	1/3	0.1
XLRE	REAL ESTATE	ETF	DN	-1.5:1.0	UP	6/1	0.5
XTN	S&P TRANSPORTATION	ETF	DN	-1.8:1.0	-up-	6/1	0.9
XRT	RETAIL	ETF	DN	-2.3:1.0	«dn»	2/1	0.4
XLF	FINANCIALS	ETF	DN	-3.4:1.0	UP	6/1	1.0

Home Builders nudged Aerospace and Defense out of 5th place.

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

This Week's Selections

My choices for last week were: GLD 10%, NVEC 10%, SMH 10%, VGT 10%, and BIL 60%.

Top ETFs By Slope

Current Holdings

Sym	Slope	Long	Last
NVEC	5.0 ↑↑	yes	\$80.15 ↓
VGT	4.2 ↓	yes	\$378.17 ↓
SMH	4.1 ↓↓	yes	\$248.34 ↓
GLD	3.7 —	yes	\$184.25 ↓
		\$378.17 ↓	

Other High-Slope ETFs

Sym	Slope	Long	Last
SLV	5.6 ↑↑	no	\$22.98 —
ARKW	5.1 ↓↓	no	\$49.74 ↓
QQQ	4.3 —	no	\$316.61 ↓
IGV	4.2 —	no	\$300.87 —
VUG	3.5 ↑↑	no	\$248.53 —
ITB	3.3 ↑↑	no	\$73.92 ↑↑
IQLT	2.5 ↑↑	no	\$36.24 —
IEFA	2.2 ↑↑	no	\$68.75 —

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

Analysis

[NVEC](#) fell back to an 8-year area of heavy historic activity near \$80. [VGT](#) appears to be getting pulled back into a 28-month area of historic activity near \$375, although its CMF remains positive. [SMH](#) fell below psychological and historical support. All but one basic chart are negative. [GLD](#) touched \$190 7 days ago but is now in the 3-year historic activity area around \$185.

[SLV](#)'s basic charts are turning down, which could be a consolidation in a longer term rally. [ARKW](#) looks like its horizontal run may be turning into a slow decline. [QQQ](#)'s money flow is still positive, but the other basic charts are weak. If [IGV](#) can break up and away from \$300 then it will become interesting.

[VUG](#) has strong money flow and made a 31-week high, but it needs to break through \$250. [ITB](#) broke away from \$70, made a 64-week high, and all 6 basic charts are up. [IQLT](#) is up again this week and very close to the 26-week, confirmed trendline at \$36.62. It looks like the current rally has run its course, but what may follow could be a consolidation rather than a reversal. [IEFA](#) made a 52-week high. Its rally was blunted by a weak market, but all 6 basic charts are up.

Thoughts and Decisions

I think it's time to put stops under GLD, NVEC, SMH, and VGT in case this is a top. IQLT and ITB are the only two that look good. Despite psychological resistance at \$75, ITB looks better than IQLT.

So this week my choices are: GLD 10%, ITB 10%, NVEC 10%, SMH 10%, VGT 10%, and BIL 50%.

My stops: GLD \$178.45, NVEC \$77.85, SMH \$246.45, \$373.30 — these are thumbnail estimates based on current price and what I see as volatility on the charts. If price gets down near them then I will reevaluate what the charts are saying and make a sell/keep decision then.

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