

Weekly Market Analysis #456 — 5 May 2023

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This Week

The Fed raised their interest rate the expected 25 basis points to about 5.25%. The market went down on Wednesday and Thursday, but climbed back up on Friday.

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David Rosenberg said that everything he is looking at is telling him the recession has started. He also said the recession will be harder and last longer due to the Fed's mistake of tightening into the inverted yield curve and ignoring the supply curve.

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Steve Blumenthal said, "The hard truth is we sit at a challenging point in the credit/debt/market/economic cycle. How do we know? Look at this next data point: There have been 70 major bankruptcies in the last four months, with Bed Bath and Beyond making the latest addition to the list. Only 2009 (the Great Financial Crisis) and 2020 (Covid) were worse."

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On Friday, Barrons said:

Is the regional banking crisis contained? Despite soothing words from the Fed, the truth is: not yet.

First Republic Bank was taken into receivership by the FDIC. Stock and bondholders were wiped out. JPMorgan won the bid for what was left.

At end-of-day yesterday, Thursday, May 4, shares of PacWest were down over 70% just in the last five days. Next to collapse?

Arizona-based Western Alliance shares also dropped more than 50% in the last five days. They're denying reports that they're exploring a sale—also TBD.

The Fed seems to believe the banking crisis may help them accomplish their goals (cooling the economy and bringing inflation under control), apparently without causing a painful recession. Hubris? The Fed hiked rates another 0.25% on Wednesday, and its assessment of the banking system did not change from its March policy meeting.

On the surface, central bankers don't seem worried.

Yet, they must be sweating on the inside. It's the regional banks that know their local markets best. Given less capital, lending dries up

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Master technician Robert Ferrall warned, "Not only are we going to retest the October lows of last year, we're probably going to go through them and then rally in 2024."

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I feel like this market is on the edge of a razor. It could go up, but some seemingly meaningless piece of bad news could drive it down. I suggest you pick stop-loss levels for each your holdings and monitor them daily for a while. If this market comes apart, you don't want to be the last one out the door.

Market Barometers

← Use this link to see all the market barometer charts

VTI fell a little. SPX fell about 0.8%. COMPQ rose a little. DIA fell a little. IWM was almost flat, but ended the week with the MTA turning solid red.

All five indexes are showing easily identified wedge-shaped channels. COMPQ is near the top of the wedge. IWM is near the bottom. The other three are near the middle of their respective wedges.



A Closer Look

The SPX stalled on Monday, dropped on Tuesday through Thursday, then rose to almost neutral on Friday. The NYAD followed the same pattern but ended significantly lower. The percentage of stocks above their 50-day averages and their 200-day averages declined a lot and ended the week just above the neutral 50 level.



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

[Bullish Universe](#)

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SPX Sector Universe Analysis for 05-May-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLC	COMMUNICATION SRVCS	ETF	UP	4.3:1.2	=DN=	1/1	-0.3
XLK	TECHNOLOGY	ETF	UP	3.8:1.2	<<up>>	36/1	-0.1
XHB	HOMEBUILDERS	ETF	UP	2.3:1.2	=up=	1/1	0.3
XLP	CONSUMER STAPLES	ETF	UP	2.1:1.2	<<UP>>	51/1	-0.1
XLY	CONSUMER DISCRETIONARY	ETF	UP	1.4:1.2	<<up>>	1/1	-0.2
XLV	HEALTH CARE	ETF	UP	1.1:1.2	≡up≡	2/1	-0.3
XLU	UTILITIES	ETF	UP	1.0:1.2	-up-	2/4	-0.4
ITA	U.S. AEROSPACE & DEFENSE	ETF	UP	0.3:1.2	=DN=	2/6	-0.5
XLB	MATERIALS	ETF	UP	0.0:1.2	-DN-	1/5	-0.3
XLI	INDUSTRIALS	ETF	UP	-0.2:1.2	=DN=	2/1	-0.1
XLRE	REAL ESTATE	ETF	DN	-0.8:1.2	≡DN≡	1/1	0.0
XTN	S&P TRANSPORTATION	ETF	DN	-0.9:1.2	-DN-	2/1	0.2
XLE	ENERGY	ETF	-DN-	-1.0:1.2	=DN=	1/6	-1.0
XLF	FINANCIALS	ETF	DN	-2.2:1.2	<<up>>	1/5	-0.3
XRT	RETAIL	ETF	DN	-2.2:1.2	<<dn>>	1/18	-0.2

A lot more green MTAs showing but in the top 5 the only change was XLP and XHB trading places.

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

This Week's Selections

My choices for last week were right in the tables but wrong in the final list. They should have been: GLD 10%, IHI 10%, ITB 10%, VGT 10%, and BIL 60%.

Top ETFs By Slope

Current Holdings				Other High-Slope ETFs			
Sym	Slope	Stop	Last	Sym	Slope	Long	Last
ITB	4.8 ↑↑	\$72.40	\$75.51 ↓	SLV	6.0 ↑	no	\$23.57 ↑
VGT	3.5 ↓↓	\$372.85	\$386.18↑↑	QQQ	3.8 ↓↓	no	\$322.89—
GLD	3.1 ↓↓	\$183.75	\$187.46 ↑	VUG	3.3 ↓	no	\$252.09—
IHI	3.0 ↑↑	\$54.85	\$56.15 ↓	NVEC	3.2 ↑	no	\$87.49 ↑
				IGV	3.0 ↓↓	no	\$293.21↓↓
				IQLT	2.8 —	no	\$36.27 —
				IEFA	2.6 —	no	\$69.05 ↑
				COPX	2.6 ↓	no	\$40.09 ↑

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

Analysis

[ITB](#) is wandering around \$75. [VGT](#) looks like it may start climbing away from \$380. [GLD](#) broke above \$190 and finished the week up a bit. [IHI](#) retreated a bit but closed above \$56.

[SLV](#) continues down. [QQQ](#) bounced off \$310 on Tuesday and made a 35-week high on Friday. [VUG](#) bounced off \$243 on Tuesday and made a 34-week high above \$250 on Friday. [NVEC](#) jumped 16% this week. This doesn't mean it was a mistake to sell it near \$76. We buy when the reward/risk ratio is favorable, and sell when the reward/risk ratio is against us. In the long run, that's how we make money.

[IGV](#) is below \$300 and the majority of its basic charts are negative. [IQLT](#) has been horizontal for 3.mumble weeks and it's still hanging around \$36.[IEFA](#) has both a 28-week and a 13 week trendline above it. If it gets above \$70 then it will become interesting. [COPX](#) is having trouble getting up through \$40.

Thoughts and Decisions

SLV has overhead supply at \$24. VUG and QQQ both made new weekly highs by a matter of pennies. Buying a security that just made a big gap upward (NVEC) is generally a sucker bet because gaps have a nasty habit of falling shut. IEFA needs to break through \$70 and COPX is peeking over the wall at \$40 but it's not clear of that level yet.

So this week my choices are still: GLD 10%, IHI 10%, ITB 10%, VGT 10%, and BIL 60%.