Weekly Market Analysis #457 — 12 May 2023
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This Week

Last week two giants of financial analysis both announced they had noticed a "rolling recession" in the economy. Marc Chaikin sent out a report about it and a day later Dr. Ed Yardeni sent out his own analysis. Differences in their explanations suggest they independently arrived at the same conclusion.

In 2008-2009, the economy went through a normal recession. The bottom fell out of everything at essentially the same time. A "rolling recession" is where one sector after another has a big decline while the rest of the market continues to look pretty strong.

It's easy to think of the stock market as a single, unified entity, and sometimes it does appear to work that way. But the "stock market" has identifiable subdivisions (sectors), and the sectors have subdivisions (subsectors), and so on. As I have mentioned before, on the smallest scale, each stock is a market.

The evidence of a rolling recession clearly illustrates the fact that the "one big market" theory is not very productive.

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The Fed may use stabilizing the banking industry as a plausible justification for pausing rate hikes…

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Somebody told me that during a CNN town hall meeting Trump suggested the US should default on the national debt. Of course! What could possibly go wrong…other than derailing the global economy?

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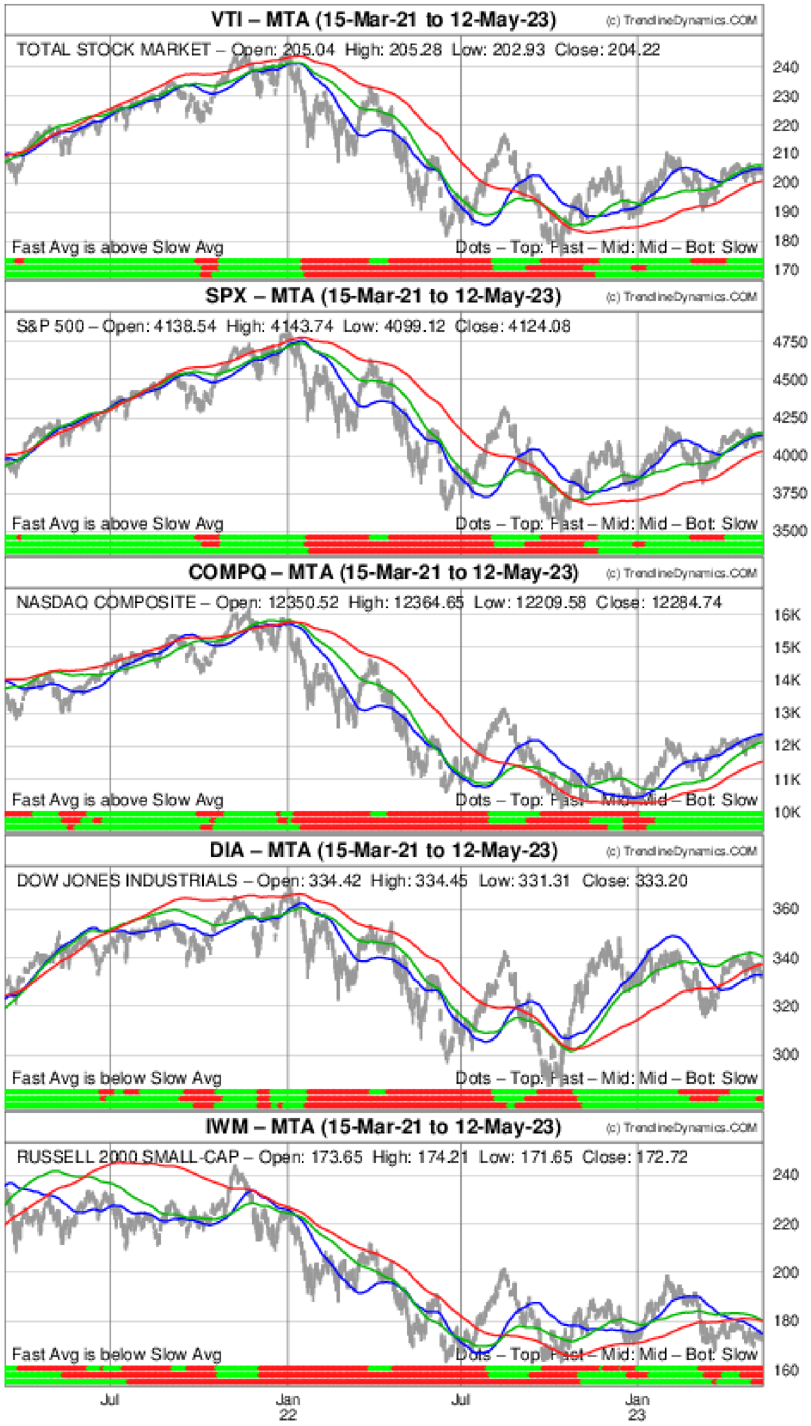
This week dividend investor Kelly Green said:

> Investors are hoarding cash at record levels. Money market fund assets have hit a record $5.3 trillion. Over the past 10 weeks, the surge into these accounts has surpassed the $500 billion inflows seen after the Lehman Brothers collapse in 2008.
>
> The low-risk return of over 4% may be tempting, as many investors are bearish on stocks. But while I wouldn't call myself bullish on the market, I am bullish on the success of a long-term dividend strategy. And I think that 2024 is going to be a great year for the markets, which means I want to get in now.
>
> So far, 85% of the S&P 500 companies have reported first-quarter earnings. And most of them have reported a positive EPS or revenue surprise.
>
> I spend quite a bit of time looking through earnings call transcripts. Since the bottom of 2020, I've been looking for the signs of the new normal.
>
> The excuses are finally clearing, and transformative plans are locking into place. Companies are emerging with a clear view of the future, and 2024 is going to be the year that lines investors' pockets.
>
> If we wait until then, it will be too late.
>
> Instead of selling in May, use this time to set up for the future. Remember, a lower entry price means a higher dividend yield. That's our goal as we head into 2024 and beyond.

[Market Barometers](#) ⟵ **Use this link to see all the market barometer charts**

VTI rose a little. SPX rose a little. COMPQ rose a tiny bit. DIA fell a little. IWM fell a little. As Don Kaufman says, "The markets were massively unchanged."



A Closer Look

For the last few weeks, the SPX has been stuck between [$4055 and $4170](), except for an island reversal on Thursday, May 4th (gap down near $4060 then gap back up into range on Friday, May 5th). The NYAD and the percentage of stocks above their 50-day averages and their 200-day averages revealed more about market direction, which overall was down.

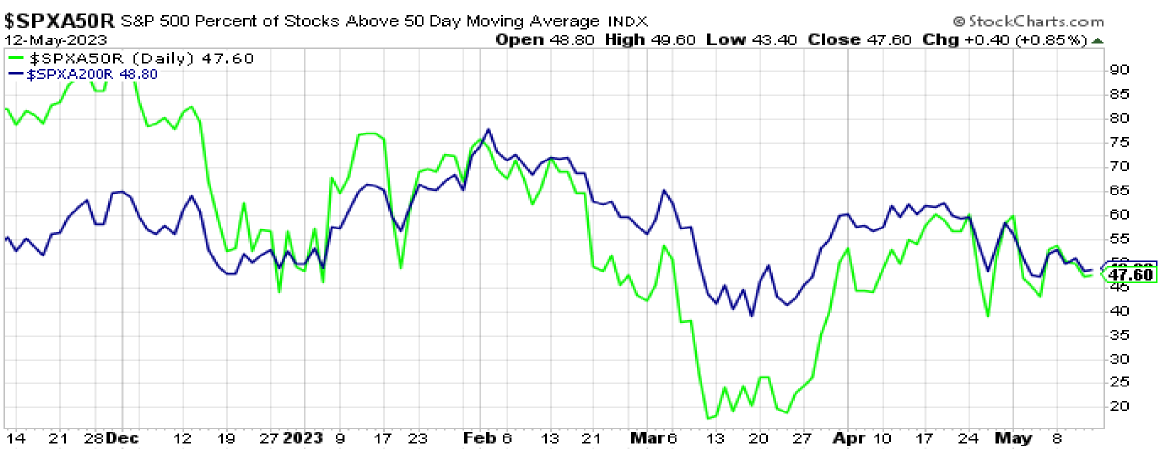


Chart links: [SPX Price](), [Advances Minus Declines](), [Stocks Above 50&200 Averages](), [NewHigh–NewLows]()

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

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

SPX Sector Universe Analysis for 12-May-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLC	COMMUNICATION SRVCS	ETF	UP	4.1:1.2	−dn−	2/1	0.1
XLK	TECHNOLOGY (SPX 11)	ETF	UP	3.6:1.2	=UP=	55/1	0.0
XHB	HOMEBUILDERS	ETF	UP	2.9:1.2	«up»	14/1	0.0
XLP	CONSUMER STAPLES (SPX 11)	ETF	UP	2.2:1.2	−UP−	1/1	-0.2
XLY	CONSUMER DISCR (SPX 11)	ETF	UP	1.6:1.2	UP	6/1	0.1
XLU	UTILITIES (SPX 11)	ETF	UP	1.1:1.2	−up−	3/1	-0.2
XLV	HEALTH CARE (SPX 11)	ETF	UP	1.1:1.2	−UP−	1/2	-0.4
XLB	MATERIALS (SPX 11)	ETF	DN	-0.2:1.2	DN	1/6	-0.4
XLI	INDUSTRIALS (SPX 11)	ETF	UP	-0.2:1.2	−UP−	1/1	-0.1
ITA	U.S. AEROSPACE & DEFENSE	ETF	UP	-0.2:1.2	«DN»	2/1	-0.3
XLRE	REAL ESTATE (SPX 11)	ETF	DN	-0.4:1.2	«UP»	1/1	0.0
XTN	TRANSPORTATION	ETF	DN	-0.6:1.2	up	1/2	-0.2
XLE	ENERGY (SPX 11)	ETF	DN	-1.8:1.2	DN	2/1	-0.7
XLF	FINANCIALS (SPX 11)	ETF	DN	-2.0:1.2	DN	2/1	-0.2
XRT	RETAIL	ETF	DN	-2.0:1.2	UP	3/1	0.2
XTL	TELECOM (SPX 11)	ETF	DN	-4.7:1.2	=dn=	1/127	-0.4

No change this week.

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

Sym	Slope	Stop	Last
ITB	5.3 ↑↑	$72.40	$75.87 —
VGT	3.4 —	$372.85	$385.55—
IHI	2.9 —	$54.85	$55.60 ↓↓
GLD	2.9 ↓↓	$183.75	$186.73—

Other High-Slope ETFs

Sym	Slope	Long	Last
QQQ	3.7 ↓↓	no	$325.03 ↑
IQLT	2.6 ↓	no	$35.77 ↓
IEFA	2.5 —	no	$68.37 ↓
MOAT	1.9 —	no	$73.20 —
VTI	1.2 —	no	$204.22—
USMV	1.2 —	no	$73.46 —
VIG	1.1 —	no	$155.32 ↓
IBB	0.5 —	no	$130.18 ↓

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

Analysis

ITB held above $75 all week. VGT is flat near $385. IHI declined for a second wee but remained above $55. GLD was flat for the week above $185. (As GLD went down 2% from its May 4th high, SLV fell 8%. I didn't find any credible news for the drop SLV did form a double top on Apr 14 and May 4.)

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QQQ made a 37-week high on Thursday and managed to close just above $325 Friday. IQLT has been flat for a month near $36. IEFA has also been flat for a month near $68.50. MOAT is flat near $73.

VTI is flat just above $200. USMV peaked on April 13th and has been gradually declining since. VIG's last peak was in mid-December. IBB is in 46-week, 22-week, and 9-week converging channels. They all have rising centerlines, but IBB isn't going anywhere right now.

Thoughts and Decisions

VTI is a whole-market index. When a big index shows up in the middle of the top scoring ETFs, it says that either the market is going flat or there is a lot of volatility. With VIX at 17, it's not very volatile. What I'm seeing in the top ETF charts is a lack of energy. There is movement, but it's very subdued. I might buy a small position in QQQ next week, but not until it starts showing some life.

My choices for this week remain: GLD 10%, IHI 10%, ITB 10%, VGT 10%, and BIL 60%. But I'm going to be watching these positions pretty carefully.