

## Weekly Market Analysis #459 — 26 May 2023

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### This Week

McCarthy and Biden have come to an agreement in principle on the debt ceiling issue.

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#### The Real Danger of AI

People keep talking about the dangers of Artificial Intelligence. The greatest danger posed by AI is not chatbots. The danger is that there are so many people who lack the mental skills to tell the difference between convincing lies and the truth.

A chatbot harvests data from the internet to build its knowledge base. A lot of what is on the internet is incorrect (and some is outright dishonest). The old computer rule called GIGO (Garbage In, Garbage Out) still applies. Answers based on flawed information will, of course, be flawed.

The biggest problem is the millions of people out there who think that everything coming out of computers is factual. One keen observer put it this way, "This is symptomatic of generations who were not taught critical thinking."

Dr. Gary Marcus, professor emeritus of psychology and neural science at New York University, is a cognitive scientist and AI researcher. A few months ago he was being interviewed on 60 Minutes by Leslie Stahl about AI developments. He summed up his considered opinion about the current state of chatbots in four words, "Chatbots create authoritative bullshit."

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#### Factors to Consider When Analyzing Solar Companies

Simply Wall Street pointed out that when investing in solar, there are three important aspects to keep in mind.

- The business model: There are a few different types of companies in the industry. Equipment manufacturers, companies that do residential installations and utility type companies have very different business models each with their own strengths and weaknesses.
- Customer base: The residential market is probably more profitable at times, but also more cyclical than the large scale utilities market. First Solar as an example, supplies panels to large scale projects which are more stable.
- Competitive advantage: The price of solar panels has fallen dramatically, and there's a danger that manufacturers without unique intellectual property could end up with very little margin.

Many home solar suppliers are carrying so much long-term debt that they are zombie companies [not bringing in enough money to cover their debt payments].

JP Morgan Asset and Wealth Management recently published a very detailed paper, [Growing Pains: The Renewable Transition in Adolescence](#)

[Market Barometers](#)

← Use this link to see all the market barometer charts

SPX and COMPQ are still green. VTI is showing a trace of red. DIA is showing more red. IWM is still solid red.



## A Closer Look

SPX made a 39-week high, closing slightly above \$4200 for the first time since August of last year. NYAD was far less enthusiastic than price this week, and the number of stocks above their 50-day and 200-day averages went negative, noticeably below the 50% level.



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

[Bullish Universe](#)

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[Bearish Universe](#)

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[Special Security Universe](#)

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[Sector Universe](#)

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Sector names followed by "(SPX 11)" are members of the 11 major SPX sectors.

SPX Sector Universe Analysis for 26-May-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
<a href="#">XLC</a>	COMMUNICATION SRVCS	ETF	UP	4.3:1.2	«UP»	54/1	0.2
<a href="#">XLK</a>	TECHNOLOGY (SPX 11)	ETF	UP	4.2:1.2	-UP-	68/2	0.6
<a href="#">XHB</a>	HOMEBUILDERS	ETF	UP	3.0:1.2	«up»	1/4	-0.6
<a href="#">XLY</a>	CONSUMER DISCR (SPX 11)	ETF	UP	1.9:1.2	≡up≡	1/2	0.1
<a href="#">XLP</a>	CONSUMER STAPLES (SPX 11)	ETF	UP	1.1:1.2	«up»	1/9	-0.7
<a href="#">XLV</a>	HEALTH CARE (SPX 11)	ETF	=DN=	0.1:1.2	=DN=	2/8	-0.6
<a href="#">XTN</a>	TRANSPORTATION	ETF	DN	-0.2:1.2	«up»	1/2	0.1
<a href="#">XLI</a>	INDUSTRIALS (SPX 11)	ETF	UP	-0.4:1.2	«UP»	1/4	-0.1
<a href="#">XLU</a>	UTILITIES (SPX 11)	ETF	DN	-0.5:1.2	«dn»	1/9	-0.8
<a href="#">ITA</a>	U.S. AEROSPACE & DEFENSE	ETF	UP	-1.0:1.2	=DN=	1/18	-0.2
<a href="#">XLRE</a>	REAL ESTATE (SPX 11)	ETF	DN	-1.1:1.2	«dn»	1/9	-0.7
<a href="#">XLB</a>	MATERIALS (SPX 11)	ETF	DN	-1.2:1.2	≡DN≡	1/10	-0.4
<a href="#">XLF</a>	FINANCIALS (SPX 11)	ETF	DN	-1.7:1.2	«UP»	1/3	-0.1
<a href="#">XRT</a>	RETAIL	ETF	DN	-2.5:1.2	≡DN≡	1/30	-0.6
<a href="#">XLE</a>	ENERGY (SPX 11)	ETF	DN	-3.0:1.2	=dn=	4/1	0.2
<a href="#">XTL</a>	TELECOM (SPX 11)	ETF	DN	-4.9:1.2	UP	4/2	0.8

Consumer Staples and consumer discretionary switched places, but other than that, there were no changes in the top 5 this week.

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

## This Week's Selections

My choices for last week were: IHI 10%, ITB 10%, QQQ 10%, VGT 10%, XLC 10%, XLK 10%, and BIL 40%.

## Top ETFs By Slope

### Current Holdings

Sym	Slope	Stop	Last
ITB	4.7 ↓	\$72.85	\$74.05 ↓
XLC	4.3 —	\$59.85	\$62.16 ↑↑
QQQ	4.3 ↑↑	\$332.85	\$348.40↑↑
XLK	4.2 ↑↑	\$154.14	\$154.78↑↑
VGT	4.0 ↑	\$393.13	\$418.53↑↑
IHI	1.5 ↓↓	\$54.85	\$53.05↓↓

### Other High-Slope ETFs

Sym	Slope	Long	Last
VUG	3.7 ↑	no	\$265.68↑↑
IGV	3.2 ↑↑	BUY	\$323.40↑↑
XHB	3.0 ↓	no	\$70.20 ↓
MOAT	1.8 —	no	\$75.48 —
SLV	1.7 ↓↓	no	\$21.38 ↓↓
IEFA	1.7 ↓↓	no	\$67.34 ↓
IQLT	1.6 ↓↓	no	\$35.44 ↓
SPY	1.5 —	no	\$420.02↑↑

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

## Analysis

[ITB](#) fell for 3 days, found support at \$73.50 on Wednesday, and rose gradually. [XLC](#) fell some then pulled up fast to make a 54-week high on Friday. [QQQ](#) made a 57-week high on Friday. [XLK](#) made a 68-week high on Friday. [VGT](#) made a 58-week high powered up to 400. [IHI](#)'s decline accelerated this week. Time to sell IHI.

[VUG](#) made a 39-week high and all 6 basic charts are up. [IGV](#) made a 56-week high and all 6 basic charts are up. [XHB](#) fell below \$70 on Tuesday and barely made it back above \$70 on Friday. [MOAT](#) advanced 30 cents this week <yawn>.

[SLV](#) has declined steadily since its May 4<sup>th</sup> high. [IEFA](#) fell out of its 6-week trading range this week. [IQLT](#) has been losing ground since its April 13<sup>th</sup> high. [SPY](#) made a 39-week new high, but also stopped right at its 16-week high trendline.

## Thoughts and Decisions

The only ETFs that are interesting this week are VUG and IGV. I'm reticent to go more than 70% invested at this time. VUG formed a double bottom with lows in Oct and Dec. IGV made a low in Oct, then a higher low in late Dec, so technically IGV has been rising since its Oct low. Other than that IGV and VUG are about equal. I'm going to buy IGV

My choices for this week remain: IGV 10%, ITB 10%, QQQ 10%, VGT 10%, XLC 10%, XLK 10%, and BIL 40%.