

Weekly Market Analysis #464 — 30 June 2023

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This Week

This is a major holiday week. Especially with the 4th on Tuesday, a large number of the senior traders are going to take the entire week off, and the junior traders who get left minding the store will have been told not to break anything (i.e., maintain the status quo unless something goes really wrong).

The title of John Mauldin's "Thoughts from the Frontline" eletter this week is "[Endless Intervention](#)". As usual, John hits the nail on the head. Here's an excerpt:

National leaders are (or should be) reluctant to enter wars because, once begun, they are often hard to end. You could be bogged down for years, vainly trying plan after plan as the damage accumulates.

Monetary policy works the same way. Central bankers think they can handle a situation and fire the artillery. It always has an effect... but ultimately it is rarely the effect they wanted. Doing nothing at all might have been better but that wasn't an option. They're trapped in an endless spiral of intervention. Not because it's the best policy, but because it's what they have been taught.

We don't need ancient history to discern this. Just go back to 2008. The Federal Reserve attacked a housing-driven recession and financial crisis by dropping rates to zero. When that didn't work, they tried the massive bond purchases we now call "quantitative easing." The economy stabilized, though it's still not clear QE is what did the trick. I personally believe, both practically and philosophically, that the recovery was the result of a million entrepreneurs figuring out how to manage their own businesses in the midst of crisis.

But the resulting financial cease-fire—consisting of low growth and minimal inflation—didn't end the conflict. Every attempt to reduce or remove the interventions set off more fireworks. Finally, COVID forced the Fed to double down. Powell and crew launched a 2008-style intervention on steroids. Like the last one, it restored stability but with major side effects, this time inflationary.

Now here we are, with a "soft landing" narrative increasingly making people believe the Fed saved us all. While I see much to celebrate (we will visit the positives below), I also see slowing growth, still-high inflation, Fed officials still aggressively intervening and little reason to think they have improved their skills.

I wish the Fed would declare victory and bow out. I doubt we'll be that lucky.

[Market Barometers](#)

← Use this link to see all the market barometer charts

All five indexes are up although IWM is still dragging its anchor.



A Closer Look

The SPX made 60-week new high. NYAD confirmed price, but it only made a 20-week high. The percentage of stocks above their 50-day and 200-day averages are in very positive territory, but lagging the SPX in the long-term. However, the [Advance-Decline](#) line (not shown here) made an 84-week high.



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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[Sector Universe](#)

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SPX Sector Universe Analysis for 30-Jun-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLK	TECHNOLOGY (SPX 11)	ETF	UP	6.5:3.0	=UP=	2/3	-0.3
XLY	CONSUMER DISCR (SPX 11)	ETF	UP	4.8:3.0	up	43/3	-0.1
VOX	COMMUNICATION SRVCS	ETF	UP	3.7:3.0	«up»	2/3	-0.2
XHB	HOMEBUILDERS	ETF	UP	3.5:3.0	UP	73/1	0.5
SPX	S&P 500	INDEX	UP	2.5:3.0	-UP-	60/3	0.0
XTN	TRANSPORTATION	ETF	UP	1.6:3.0	-up-	58/1	0.7
XLI	INDUSTRIALS (SPX 11)	ETF	UP	0.5:3.0	≡UP≡	999/1	0.3
XLV	HEALTH CARE (SPX 11)	ETF	DN	-0.2:3.0	UP	7/2	0.1
XLP	CONSUMER STAPLES (SPX 11)	ETF	DN	-0.4:3.0	UP	1/2	0.2
ITA	U.S. AEROSPACE & DEFENSE	ETF	DN	-0.9:3.0	UP	10/3	0.1
XLU	UTILITIES (SPX 11)	ETF	DN	-1.0:3.0	«dn»	1/4	-0.1
XLB	MATERIALS (SPX 11)	ETF	UP	-1.1:3.0	UP	16/1	0.3
XLRE	REAL ESTATE (SPX 11)	ETF	DN	-1.2:3.0	=UP=	2/1	0.2
XLF	FINANCIALS (SPX 11)	ETF	DN	-1.4:3.0	-UP-	16/4	0.1
XRT	RETAIL	ETF	DN	-2.5:3.0	«UP»	12/1	0.3
XLE	ENERGY (SPX 11)	ETF	DN	-2.8:3.0	≡UP≡	3/1	0.2
XTL	TELECOM (SPX 11)	ETF	DN	-2.8:3.0	-dn-	10/1	0.4

No changes at all in the top five this week.

1. XLK
2. XLY
3. VOX
4. XHB
5. SPX

This Week's Selections

My choices for last week were: ITB 10%, QQQ 10%, VUG 10%, and BIL 70%.

Top ETFs By Slope

Current Holdings				Other High-Slope ETFs			
Sym	Slope	Stop	Last	Sym	Slope	Long	Last
QQQ	6.5 ↑↑	\$363.85	\$369.42↑↑	SMH	7.1	no	\$152.25 ↑
VUG	5.3 ↑↑	\$274.85	\$282.96↑↑	XLK	6.5	no	\$173.86 ↑
ITB	4.2 ↑↑	\$82.88	\$85.44 ↑↑	VGT	6.2	no	\$442.16 ↑
				IGV	6.0	no	\$345.91 ↑
				ARKG	5.2	no	\$34.09 ↑
				XLY	4.8	no	\$169.81 ↑
				ARKQ	4.8	no	\$56.34 ↑
				ARKK	4.4	no	\$44.14 ↑

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

Analysis

[QQQ](#) rose well and I tightened its stop in case this rally evaporates. [VUG](#) made a 62-week high and has strong money flow. [ITB](#) made a 161-week high and continues its climb.

[SMH](#) moved above \$150 but its money flow — CMF and OBV together — are weak. [XLK](#) moved up with the market and its money flow is strong. [VGT](#) is facing psychological and historical resistance at \$450. [IGV](#) is coming up against psychological and strong historical resistance at \$350.

[ARKG](#) has been trying to form a base for the last 8-10 months but it hasn't started a credible climb-out yet. [XLY](#) made a 43-week high and money flow remains strong. I may buy it back next week if it keeps climbing. [ARKQ](#) will become really interesting if it gets above \$60. [ARKK](#) has psychological and trendline resistance near \$45.

Thoughts and Decisions

XHB and ITB have a lot of overlap, so I'm going to keep ITB and pass on XHB. Since this is a major holiday week, I'm not going to make any changes for now.

My choices for this week are still: ITB 10%, QQQ 10%, VUG 10%, and BIL 70%.

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