

Weekly Market Analysis #467 — 21 July 2023

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This Week

QQQ is the ETF (exchange-traded fund) that tracks the Nasdaq 100 Index. QQQ is the fifth-largest ETF in the world and it currently holds more than \$200 billion in assets under management. It is one of the most traded ETFs, also. Its median volume over the last 4 months is 48 million shares per day. Right now the 5 biggest businesses — MSFT, AAPL, GOOG/GOOGL, NVDA, and AMZN — make up almost 47% of the Nasdaq 100.

This weekend the company in charge of the index are going to make a "special rebalance" of the index so that the top five companies will only account for 38.5% of the index. In other words, they are going to reduce the weight of the top 5 by about 17.56%. This means that in order to continue tracking the index, the QQQ ETF will have to reduce its holdings in the top 5 businesses, it will have to sell off about \$35B worth of stock. The big five also figure prominently in other indexes, so there will be some contagious selling by people who panic.

\$35B is a lot of money, but it's only a little over 10% of the **daily average dollar volume** traded in the US stock exchanges. As such, the adjustment in the NASDAQ 100 Index is going to generate some volatility, but this is just a good-sized wave, not a tsunami.

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A Fed decision is coming on Wednesday, which may be the last interest-rate hike in an unprecedented series of monetary policy tightening.

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Keith Fitz-Gerald mentioned:

The Fed has launched FedNow, an instant payment service that it says will make everyday payments more convenient and faster. So far, 35 early adopters, including JPMorgan Chase and Wells Fargo, two of the four largest banks in the US, have signed up. So have another 16 institutions providing services for banks and credit unions...If you think banks will offer this service for free, I've got a bridge to sell you.

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Seven top AI companies—including Amazon, Anthropic, Google, Inflection, Meta, Microsoft, and OpenAI—all signed a set of voluntary commitments intended to make AI safer, more transparent. ([See Details Here](#))

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Bank of America US Equity Strategist Savita Subramanian is more bullish than ever, saying the market is "better than it was over the past 10 years." However, Bank of America Chief Investment Strategist Michael Hartnett is calling for a crash. He believes the market looks "like 2008, a big rally before a big collapse." Go figure.

Elon Musk was more succinct, "One day, it seems like the world's economy is falling apart and the next day everything's fine. I don't know what the hell is going on." Tesla has taken the initiative in these challenging times. The electric-vehicle maker has cut prices despite inflation. Its goal is to grow volume and market share.

[Market Barometers](#)

← Use this link to see all the market barometer charts

All five indexes are up.



A Closer Look

SPX made a 65-week high on Wednesday, then retreated on Thursday, and recovered a little on Friday. NYAD confirmed price action. The Percentage of stocks above their 50-day and 200-day averages did a little better than price, ending the week at 88 and 75 respectively.



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 21-Jul-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLY	CONSUMER DISCR (SPX 11)	ETF	UP	6.4:3.7	-DN-	62/2	-0.7
XLK	TECHNOLOGY (SPX 11)	ETF	UP	6.1:3.6	<<DN>>	999/1	-0.0
XHB	HOMEBUILDERS	ETF	UP	5.9:3.6	-up-	78/2	-0.1
XTN	TRANSPORTATION	ETF	UP	5.3:3.7	≡UP≡	66/1	-0.2
VOX	COMMUNICATION SRVCS	ETF	UP	4.0:3.6	DN	1/2	-0.1
SPX	S&P 500	INDEX	UP	3.2:3.6	<<DN>>	65/1	0.1
XLI	INDUSTRIALS (SPX 11)	ETF	UP	2.5:3.7	<<up>>	999/1	0.0
XLB	MATERIALS (SPX 11)	ETF	UP	0.8:3.6	=up=	19/1	0.1
XLF	FINANCIALS (SPX 11)	ETF	<<UP>>	0.8:3.6	≡UP≡	19/1	0.7
XRT	RETAIL	ETF	=UP=	0.5:3.7	-up-	20/1	0.2
XLRE	REAL ESTATE (SPX 11)	ETF	UP	0.5:3.7	up	1/2	0.1
ITA	U.S. AEROSPACE & DEFENSE	ETF	UP	0.2:3.6	<<DN>>	1/3	-0.1
XLV	HEALTH CARE (SPX 11)	ETF	DN	0.2:3.7	<<UP>>	28/1	0.5
XTL	TELECOM (SPX 11)	ETF	DN	-0.3:3.7	=UP=	1/4	-0.6
XLP	CONSUMER STAPLES (SPX 11)	ETF	DN	-0.4:3.7	=UP=	8/1	0.3
XLU	UTILITIES (SPX 11)	ETF	DN	-0.7:3.7	-UP-	9/2	0.5
XLE	ENERGY (SPX 11)	ETF	DN	-0.9:3.6	-UP-	12/2	0.3

XLY and XLK swapped places.

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

Sector Relative-Strength History

13 weeks of slope history for the 16 sector ETFs and the SPX.

Sector Relative Strength History													28-Apr-2023 to 21-Jul-2023		
Apr 28	May 05	May 12	May 19	May 26	Jun 02	Jun 09	Jun 16	Jun 23	Jun 30	Jul 07	Jul 14	Jul 21			
XLK	XLK	XLK	XLK	XLK	XLK	XLK	XLK	XLK	XLK	XLK	XLK	XLK	XLY		
VOX	VOX	VOX	VOX	VOX	VOX	VOX	VOX	XLY	XLY	XLY	XLY	XLY	XLK		
XLY	XLY	XLY	XLY	XLY	XLY	XLY	XLY	VOX	VOX	XHB	XHB	XHB			
SPX	XHB	XHB	XHB	XHB	XHB	XHB	XHB	XHB	XHB	VOX	XTN	XTN			
XHB	SPX	SPX	XLP	XLP	SPX	SPX	SPX	SPX	SPX	SPX	VOX	VOX			
XLP	XLP	XLP	SPX	SPX	XLP	XLP	XLP	XTN	XTN	XTN	SPX	SPX			
ITA	XLU	XLU	XLU	XLU	XLV	XLV	XTN	XLI	XLI	XLI	XLI	XLI			
XLU	ITA	XLV	XLV	XLV	XLU	XTN	XLV	XLP	XLV	XLV	XLB	XLB			
XLV	XLV	ITA	ITA	XTN	XTN	XLU	XLI	XLV	XLP	XLP	XLV	XLF			
XLI	XLI	XLI	XLI	XLI	XLI	XLI	XLU	XLU	ITA	ITA	ITA	XRT			
XLB	XLB	XLB	XLRE	ITA	ITA	ITA	ITA	ITA	XLU	XLB	XLF	XLRE			
XLRE	XLRE	XLRE	XTN	XLRE	XLRE	XLRE	XLRE	XLRE	XLB	XLRE	XLRE	ITA			
XTN	XTN	XTN	XLB	XLB	XLB	XLB	XLB	XLB	XLRE	XLF	XLP	XLV			
XLE	XLE	XLE	XLE	XRT	XLF	XLF	XLF	XLF	XLF	XLU	XRT	XTL			
XRT	XRT	XRT	XRT	XLF	XRT	XLE	XLE	XLE	XRT	XRT	XLU	XLP			
XTL	XTL	XLF	XLF	XLE	XLE	XRT	XRT	XRT	XLE	XTL	XTL	XLU			
XLF	XLF	XTL	XTL	XTL	XTL	XTL	XTL	XTL	XTL	XLE	XLE	XLE			

Legend and Most Recent Slopes

ITA 0.2 U.S. AEROSPACE & DEFENSE	XLI 2.5 INDUSTRIALS	XLY 6.4 CONSUMER DISCR
XHB 5.9 HOMEBUILDERS	XLK 6.1 TECHNOLOGY	XRT 0.5 RETAIL
XLB 0.8 MATERIALS	XLP -0.4 CONSUMER STAPLES	XTL -0.3 TELECOM
VOX 4.0 COMMUNICATION SRVCS	XLRE 0.5 REAL ESTATE	XTN 5.3 TRANSPORTATION
XLE -0.8 ENERGY	XLU -0.7 UTILITIES	SPX 3.2 S&P 500
XLF 0.8 FINANCIALS	XLV 0.2 HEALTH CARE	-----

XLK and XLY are still leading. XLF crept up into 9th place — the middle of the sectors.

This Week's Selections

My choices for last week were: IGV 10%, QQQ 10%, VUG 10%, XLK 10%, XLY 10%, and BIL 50%.

Top ETFs By Slope

Current Holdings

Sym	Slope	Stop	Last
XLY	6.4 ↑↑	\$168.75	\$170.98 ↓
QQQ	6.4 —	\$368.35	\$375.63↓↓
IGV	6.3 ↑↑	\$354.75	\$358.90—
XLK	6.1 ↓↓	\$174.35	\$176.13—
VUG	5.4 —	\$281.75	\$286.97—

Other High-Slope ETFs

Sym	Slope	Long	Last
SMH	7.1	no	\$153.79 ↓
ARKW	7.1	no	\$64.00 ↓
ARKQ	6.8	no	\$57.09 —
ARKK	6.8	no	\$47.93 —
ARKG	6.7	no	\$37.11 ↑
ITB	6.1	no	\$86.77 ↓
VGT	6.0	no	\$447.90—
XHB	5.9	no	\$82.49 ↓

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

Analysis

[XLY](#) made a 62-week high but declined rapidly Thursday and Friday so I put a tight stop on it.

[QQQ](#) made a 76-week high but declined rapidly on Thursday and Friday, possibly because of the approaching rebalancing.

[IGV](#) made a 76-week high but I'm keeping a tight stop on it, too.

[XLK](#) made an all-time high.

[VUG](#) made a 65-week high and then underwent a power decline on Wed, Thu, Fri.

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I'm not going to analyze the other high-slope ETFs this week because I'm not going to buy anything, anyway.

Thoughts and Decisions

ARKW had a good open on Monday but it didn't feel right so I passed. I'm not going to buy anything this week because it seems like the Chicken Littles of the world have taken control of the market. Once the dust settles then I'll take a serious look at the market.

My choices for this week are still: IGV 10%, QQQ 10%, VUG 10%, XLK 10%, XLY 10%, and BIL 50%.

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