

Weekly Market Analysis #473 — 1 September 2023

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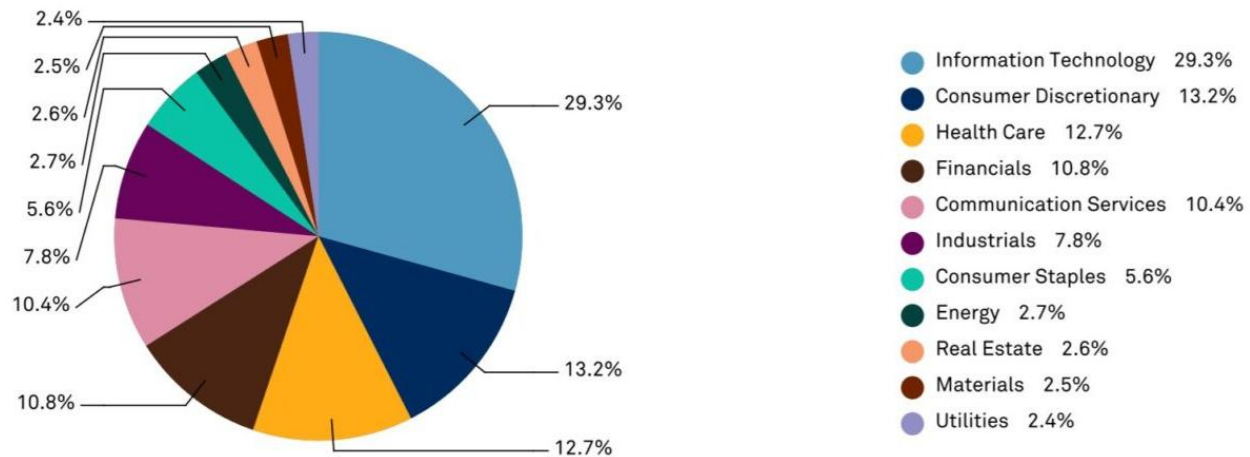
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This Week

Investing in the SPX has certain advantages. The SPX is where a lot of very large investors put their money. This creates an environment of increased volume and diminished volatility, because big money tends to move relatively slowly. If you buy the SPX 500 Index, you are invested in some of the biggest and most profitable companies in the world. Unfortunately, you are also invested in a lot of companies that are past their primes or are struggling to stay alive.

Fortunately, the people at the Standard and Poor's company have made it easy to invest in only those parts of the SPX that one prefers. They have thoughtfully divided the SPX into 11 sectors which have no fairly low correlation and zero overlap.

SPX Sectors



To these 11 SPX sectors, I have added 4 others that I think are important:

- ITA — Aerospace and Defense
- ITB — Home Builders
- IYT — Transportation
- XRT — Retail Sales

By doing nothing more than keeping my money in the sectors that are providing greater returns than the SPX itself, I am guaranteed to outperform the SPX because I am staying out of the sectors that are under performing (and weighing down) the index.

Depending on one's investing style, knowing which sectors are doing better than the SPX as a whole can be used to manage short-term, medium-term, or moderately long-term positions. I will be using DSA (Dynamic Sector Allocation) going forward and I will be discussing how to use it in different time frames.

Walmart.COM seems to be going after Amazon.com in a big way. I was looking for an item on line. It was priced at \$49 on Amazon. When I went back a few days later, the price had increased to \$68, thanks to Amazon pricing games. So I went to Walmart.com and got the identical item for \$38. Subsequent comparison shopping has revealed that Walmart.COM is anywhere from 15% to 50% cheaper than Amazon, and the prices don't creep up when you look at an item several times.

Market Barometers

← Use this link to see all the market barometer charts

All the major indexes advanced this week. VTI and SPX made 5-week highs. COMPQ made a 4-week high. DIA and IWM made 3-week highs. But it's worth noting that none of them have bested their July highs.



A Closer Look

The SPX got above its 50-day moving average on Tuesday and closed up every day this week except Thursday. NYAD confirmed price movements. The percentage of stocks above their 50-day and 200-day averages weren't quite as enthusiastic, but in general confirmed price action.

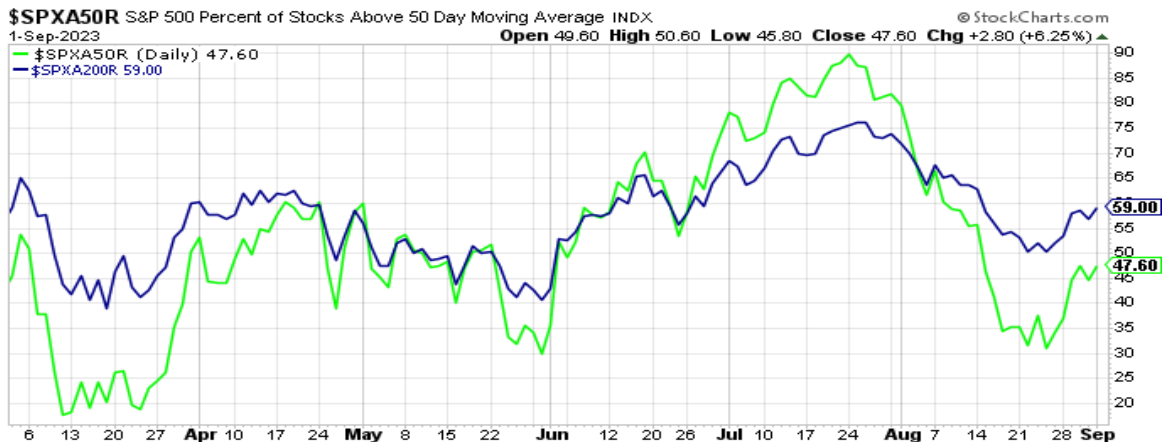


Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 Averages](#), [NewHigh-NewLows](#)

[Bullish Universe](#)

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[Bearish Universe](#)

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SPX Sector Universe Analysis for 01-Sep-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLE	CAP-WTD ENERGY (LG)	ETF	UP	4.22:1.11	=UP=	30/1	0.0
ITB	CAP-WTD HOME CONSTRUCTION (SML)	ETF	UP	3.70:1.11	≡UP≡	3/1	0.4
IYT	CAP-WTD TRANSPORT NDX	ETF	UP	3.68:1.11	dn	3/1	0.0
XLF	CAP-WTD FINANCIALS (XL)	ETF	UP	2.96:1.11	<<dn>>	3/1	0.2
XLY	CAP-WTD CONSUMER DISCR (XL)	ETF	UP	2.89:1.11	≡UP≡	4/1	0.6
XRT	EQU-WTD RETAIL (XS)	ETF	UP	2.64:1.11	dn	2/1	0.1
XLI	CAP-WTD INDUSTRIALS (LG)	ETF	UP	2.59:1.11	-dn-	3/1	0.2
XLC	CAP-WTD COMMUNICATION SRVCS	ETF	UP	2.56:1.11	<<dn>>	4/1	0.2
SPX	CAP-WTD S&P 500 INDEX	ETF	UP	1.93:1.11	<<DN>>	4/1	0.4
XLK	CAP-WTD INFO TECHNOLOGY (XXL)	ETF	UP	1.59:1.07	≡UP≡	5/1	1.1
XLB	CAP-WTD MATERIALS (MD)	ETF	UP	1.50:1.11	dn	4/1	0.4
XLV	CAP-WTD HEALTH CARE (XL)	ETF	UP	1.15:1.11	-DN-	3/1	-0.1
ITA	CAP-WTD SPACE & DEFENSE (SML)	ETF	UP	0.42:1.11	UP	3/1	0.2
XLRE	CAP-WTD REAL ESTATE (MD)	ETF	UP	0.28:1.11	-DN-	3/1	0.4
XLP	CAP-WTD CONSUMER STAPLES (LG)	ETF	DN	-0.63:1.11	dn	2/1	-0.1
XLU	CAP-WTD UTILITIES (MD)	ETF	DN	-1.69:1.11	-DN-	3/44	0.1

XLE jumped to the top of the top five, and discretionary spending, XLY, declined to 5th.

1. XLE — energy
2. ITB — home builders
3. IYT — transportation
4. XLF — financials
5. XLY — consumer discretionary

I tried to set up the Sector Universe with all cap-weighted ETFs but it didn't quite work. The cap-weighted RTH simply didn't have enough liquidity with a median volume of just 5000 shares per day. So I replaced RTH with XRT, which is much more liquid with a little over 5 million shares per day.

Sector Relative-Strength History

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

09 Jun	16 Jun	23 Jun	30 Jun	07 Jul	14 Jul	21 Jul	28 Jul	04 Aug	11 Aug	18 Aug	25 Aug	01 Sep
TECHS	TECHS	TECHS	TECHS	TECHS	TECHS	DISCR	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	ENRGY
COMMS	COMMS	COMMS	DISCR	DISCR	DISCR	BLDRS	DISCR	DISCR	TRANS	TRANS	TRANS	BLDRS
BLDRS	BLDRS	DISCR	COMMS	BLDRS	BLDRS	TECHS	TECHS	TRANS	DISCR	DISCR	ENRGY	TRANS
DISCR	DISCR	BLDRS	BLDRS	COMMS	COMMS	COMMS	TRANS	TECHS	TECHS	COMMS	DISCR	FINAN
SP500	SP500	SP500	SP500	SP500	SP500	TRANS	COMMS	COMMS	COMMS	FINAN	FINAN	DISCR
SALES	SALES	SALES	SALES	SALES	TRANS	SP500	SP500	SP500	INDUS	SALES	COMMS	INDUS
STAPL	STAPL	TRANS	TRANS	TRANS	SALES	SALES	SALES	SALES	SALES	TECHS	SALES	SALES
TRANS	TRANS	INDUS	INDUS	INDUS	INDUS	INDUS	INDUS	INDUS	SP500	INDUS	INDUS	COMMS

09 Jun	16 Jun	23 Jun	30 Jun	07 Jul	14 Jul	21 Jul	28 Jul	04 Aug	11 Aug	18 Aug	25 Aug	01 Sep	
BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	ENRGY	ENRGY
SP500	SP500	TECHS	TECHS	TECHS	TRANS	TRANS	TRANS	TRANS	TRANS	TRANS	BLDRS	BLDRS	
TECHS	TECHS	SP500	SP500	TRANS	TECHS	TECHS	INDUS	INDUS	ENRGY	ENRGY	TRANS	TRANS	
STAPL	TRANS	TRANS	TRANS	SP500	SP500	INDUS	TECHS	TECHS	INDUS	FINAN	FINAN	FINAN	
DISCR	STAPL	INDUS	INDUS	INDUS	INDUS	SP500	SP500	DISCR	DISCR	INDUS	INDUS	INDUS	
INDUS	INDUS	COMMS	COMMS	DISCR	DISCR	DISCR	DISCR	SP500	FINAN	SALES	SALES	SALES	
COMMS	COMMS	DISCR	DISCR	COMMS	COMMS	COMMS	COMMS	ENRGY	TECHS	DISCR	DISCR	SP500	
TRANS	DISCR	STAPL	DFEND	DFEND	DFEND	DFEND	SALES	SALES	SALES	TECHS	SP500	TECHS	

Legend

Cap-Wtd	Equal-Wtd	Synonym	Sector Name	Cap-Wtd	Equal-Wtd	Synonym	Sector Name
13. ITA 0.42	11. XAR 1.27	DFEND	AEROSPACE & DEFENSE	6. XLI 2.59	5. RSPN 2.78	INDUS	INDUSTRIALS
8. XLC 2.56	13. RSPC 0.92	COMMS	COMMUNICATION SRVCS	11. XLB 1.50	10. RSPM 1.58	MATER	MATERIALS
5. XLY 2.89	9. RSPD 1.66	DISCR	CONSUMER DISCR	14. XLRE 0.28	12. RSPR 1.07	REALE	REAL ESTATE
15. XLP -0.63	15. RSPS -1.20	STAPL	CONSUMER STAPLES	7. RTH 2.58	6. XRT 2.64	SALES	RETAIL
1. XLE 4.22	1. RSPG 6.39	ENRGY	ENERGY	9. SPX 1.93	7. SPX 1.93	SP500	S&P 500
4. XLF 2.96	4. RSPF 3.67	FINAN	FINANCIALS	10. XLK 1.59	8. RSPT 1.71	TECHS	TECHNOLOGY
12. XLV 1.15	14. RSPH 0.06	HLTHY	HEALTH CARE	3. IYT 3.68	3. XTN 3.77	TRANS	TRANSPORTATION
2. ITB 3.70	2. XHB 4.60	BLDRS	HOMEBUILDERS	16. XLU -1.69	16. RSPU -1.27	UTILS	UTILITIES

Alphabetically, the top 5 In the Cap-Weighted Sector ETFs are Builders, Discretionary Spending, Energy, Financials, and Transports, which is the same as the top 5 last week.

This Week's Selections

My choice for last week was: BIL 100%

Top ETFs By Slope

Current Holdings				High-Slope Sectors ETFs			
Sym	Slope	Stop	Last	Sym	Slope	Long	Last
BIL	0.00%	\$90.85	\$91.47	XLE	4.22% ↑↑	BUY	\$90.74 ↑
				ITB	3.70% ↓↓	no	\$87.53 ↑
				IYT	3.68% ↓↓	no	\$250.43 ↑
				XLF	2.96% ↓↓	no	\$34.69 ↑
				XLY	2.89% ↓↓	no	\$169.67 ↑
				XRT	2.64% ↓↓	no	\$64.61 ↑
				XLI	2.59% ↓↓	no	\$108.80 ↑
				XLC	2.56% ↓↓	no	\$67.10 ↑

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

Analysis

Despite all 8 of the top sectors going up in price, all but XLE show 2 weeks of slope decline. This is the result of the steep 4-week decline in the market, the shallower 2-week advance in the market, and the 10-day (2-week) lag in the slope indicator. If the market had gone through a shallow 4-week decline followed by a strong 2-week advance, the slope indicator would be up by now.

[XLE](#) made a 30-week high, closed above \$90, its MACD+ just turned up, and its CMF turned positive on Wednesday. Also, it's **RSI bounced up off the 50 area, which is frequently a good rally continuation signal.** [ITB](#)'s MACD turned up on Thursday, its CMF turned up on Tuesday, and its RSI came up out of the oversold area. However, there are 4 weeks of trading between \$87.50 and \$90.00 back in July and August which means there is some overhead supply. [IYT](#)'s MACD turned up on Friday. It's CMF is still below zero but the blue line has turned up which is promising. It's RSI is up out of the oversold area. [XLF](#)'s MACD turned up on Wednesday, its CMF average is rising, and its RSI climbed from the 20s to 50. Lots of historical resistance around \$35.

[XLY](#)'s MACD turned up on Wednesday, its CMF is positive, and it's RSI has risen from the teens to almost 50. [XRT](#)'s MACD turned up on Friday. It's CMF has climbed close to zero and its RSI is rising. [XLI](#)'s MACD turned up on Wednesday, its CMF is almost positive, and it's RSI has risen from the 20 to above 50. There's some historical resistance near \$110 but not too much. [XLC](#)'s MACD turned up on Wednesday. The MACD and the other indicators seem to lack conviction. It will become interesting if breaks out to a new high, which isn't far away.

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Thoughts and Decisions

XLE, with a 30-week high and all basic charts up, is a buy. I'm going to wait for ITB to get through historical and psychological resistance and break \$90. IYT wait for more MACD+ Histogram green bars and CMF rising toward zero. XLF wait for price to get above \$35. XLY is very attractive but I am going to wait for price to above \$170. XRT is similar...wait for price > \$65. And wait for XLI > \$110.

My **sense** is that this market is going to drive upward through September. but there is **evidence** that says it could also retreat, so my choices for this week are 80% in BIL 100% and 20% in XLE.

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