

Weekly Market Analysis #475 — 15 September 2023

Richard "Doc" Ahrens

© All Rights Reserved

This Week

At least once a year I include this reminder in the Weekly Analysis:

When you are evaluating a position, you are an analyst. Once you are in the position, you have to become a risk manager. An investment is not like Ron Popeil's Rotisserie Oven. You can't just set it and forget it. A lot of people are good at analysis, but if you can't make the transition to risk manager once a position is open, you are unlikely to make much money in the market.

When you buy a security, potential comes from the purchase but profit comes from the sale. It takes both a buy AND a sell to put money in your pocket. Regardless of your average holding period, the three most important aspects of successful investing are consistent process, position sizing, and risk management.

Another thing to think about — a lot of people think investing is good and trading is bad; however,

Investing is the exposure of capital to risk in the pursuit of profit.

Trading is the exposure of capital to risk in the pursuit of profit.

Most "explanations" of the difference between investing trading center around how long one holds their positions, but I find that argument vague and unsatisfying. Others say that *investing* is becoming a partial owner of the company and you can participate in managing it. This is a better argument, but few stockholders actually vote their shares, so the *participation* argument doesn't always hold, either.

Now I'm going to say something that will probably irritate the heck out of a lot of readers.

Professional gambling is the exposure of capital to risk in the pursuit of profit.

By "professional", I'm talking about people who make their living playing cards or other games in which skill is a major factor in the outcome. Roulette doesn't count because (on a fair casino table) the result is thoroughly randomized by the design of the equipment and the technique of the person operating the wheel. No amount of skill or experience can skew the odds at roulette.

Ed Thorpe was a professional gambler whose skills got him banned from one casino after another. When he wasn't allowed to play in the casinos any longer, he got interested in the stock market. Jeff Yass became a highly successful option trader after being banned from horse racing tracks. Ralph Vince's *Optimal-f* formula for determining position size is used by both professional traders and professional gamblers. And Howard Marks, co-founder of the very successful Oaktree Capital Management, is a professional investor who spends a lot of his off-hours gambling. [Howard wrote](#), "Oaktree's investment philosophy...emphasizes risk control and consistency above all."

Some people dislike drawing any parallels between investing/trading and gambling; however, keep in mind that both pursuits have three areas in common, consistent process, position sizing, and risk management. And a number of top professional gamblers have written books about how they approach these subjects.

Information is where you find it. Don't overlook useful information just because you don't approve of how the writer makes their living.

This week's memo from [Howard Marks to his Oaktree Clients](#) is titled "You Bet!" It's kind of long at 13 pages, but contains many useful insights.

Market Barometers

← Use this link to see all the market barometer charts

All the market barometer indexes were essentially flat this week, each of them declining slightly less than 0.2%.



A Closer Look

The SPX bounced around but closed this week with a down move on Friday that cancelled the rest of the week. NYAD confirmed price. Stocks above their 50-day and 200-day averages did marginally better than price.

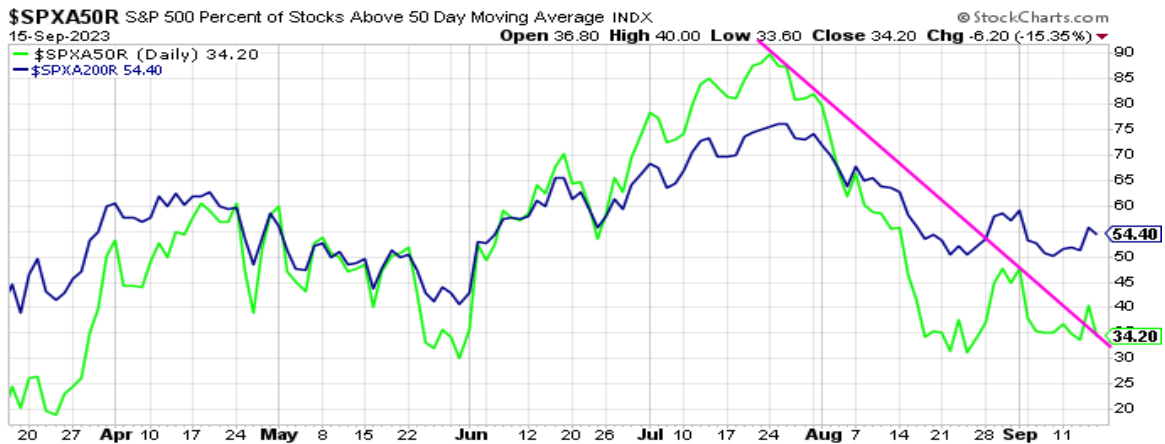


Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 Averages](#), [NewHigh-NewLows](#)

[Bullish Universe](#)

← Use this link to get to the live summary table

[Bearish Universe](#)

← Use this link to get to the live summary table

[Inflation Universe](#)

← Use this link to get to the live summary table

[Auxiliary Universe](#)

← Use this link to get to the live summary table

[Special Security Universe](#)

← Use this link to get to the live summary table

[Sector Universe](#)

← Use this link to get to the live summary table

SPX Sector Universe Analysis for 15-Sep-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLE	CAP-WTD ENERGY (LG)	ETF	UP	4.85:0.71	«DN»	42/2	0.3
XLF	CAP-WTD FINANCIALS (XL)	ETF	UP	2.20:0.71	«dn»	5/1	0.3
XLY	CAP-WTD CONSUMER DISCR (XL)	ETF	UP	1.90:0.71	«up»	8/1	0.6
IYT	CAP-WTD TRANSPORT NDX	ETF	UP	1.87:0.70	=dn=	2/11	-0.1
ITB	CAP-WTD HOME CONSTRUCTION (SML)	ETF	UP	1.85:0.70	≡DN≡	2/12	-0.4
XLC	CAP-WTD COMMUNICATION SRVCS	ETF	UP	1.74:0.70	«DN»	6/1	0.2
XLI	CAP-WTD INDUSTRIALS (LG)	ETF	UP	1.70:0.71	-dn-	1/11	-0.2
XRT	EQU-WTD RETAIL (XS)	ETF	UP	1.28:0.70	-dn-	2/14	-0.1
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	1.24:0.70	«DN»	2/3	0.0
XLB	CAP-WTD MATERIALS (MD)	ETF	UP	0.99:0.71	«DN»	2/3	0.0
XLK	CAP-WTD INFO TECHNOLOGY (XXL)	ETF	UP	0.90:0.68	≡up≡	1/3	-0.3
XLV	CAP-WTD HEALTH CARE (XL)	ETF	UP	0.70:0.71	dn	2/1	-0.1
ITA	CAP-WTD SPACE & DEFENSE (SML)	ETF	=DN=	0.00:0.71	-UP-	1/15	-0.5
XLRE	CAP-WTD REAL ESTATE (MD)	ETF	UP	-0.27:0.71	-dn-	2/3	0.2
XLP	CAP-WTD CONSUMER STAPLES (LG)	ETF	DN	-1.38:0.71	«dn»	2/1	0.1
XLU	CAP-WTD UTILITIES (MD)	ETF	DN	-2.26:0.71	≡UP≡	6/1	0.7

The top five jostled around with financial rising to second place and consumer discretionary to third.

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

Sector Relative-Strength History

13 weeks of slope history for the 15 sector ETFs and the SPX.

Capital-Weighted Sector ETFs Relative Strength History

23-Jun-2023 to 15-Sep-2023

23 Jun	30 Jun	07 Jul	14 Jul	21 Jul	28 Jul	04 Aug	11 Aug	18 Aug	25 Aug	01 Sep	08 Sep	15 Sep
TECHS	TECHS	TECHS	TECHS	DISCR	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	ENRGY	ENRGY	ENRGY
COMMS	DISCR	DISCR	DISCR	BLDRS	DISCR	DISCR	TRANS	TRANS	TRANS	BLDRS	TRANS	FINAN
DISCR	COMMS	BLDRS	BLDRS	TECHS	TECHS	TRANS	DISCR	DISCR	ENRGY	TRANS	BLDRS	DISCR
BLDRS	BLDRS	COMMS	COMMS	COMMS	TRANS	TECHS	TECHS	COMMS	DISCR	FINAN	FINAN	TRANS
SP500	SP500	SP500	SP500	TRANS	COMMS	COMMS	COMMS	FINAN	FINAN	DISCR	DISCR	BLDRS
SALES	SALES	SALES	TRANS	SP500	SP500	SP500	INDUS	SALES	COMMS	INDUS	INDUS	COMMS
TRANS	TRANS	TRANS	SALES	SALES	SALES	SALES	SALES	TECHS	SALES	SALES	COMMS	INDUS
INDUS	INDUS	INDUS	INDUS	INDUS	INDUS	INDUS	SP500	INDUS	INDUS	COMMS	SALES	SALES

Equal-Weighted Sector ETFs Relative Strength History

23-Jun-2023 to 15-Sep-2023

23 Jun	30 Jun	07 Jul	14 Jul	21 Jul	28 Jul	04 Aug	11 Aug	18 Aug	25 Aug	01 Sep	08 Sep	15 Sep
BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	ENRGY	ENRGY	ENRGY	ENRGY
TECHS	TECHS	TECHS	TRANS	TRANS	TRANS	TRANS	TRANS	TRANS	BLDRS	BLDRS	BLDRS	BLDRS
SP500	SP500	TRANS	TECHS	TECHS	INDUS	INDUS	ENRGY	ENRGY	TRANS	TRANS	FINAN	FINAN
TRANS	TRANS	SP500	SP500	INDUS	TECHS	TECHS	INDUS	FINAN	FINAN	FINAN	TRANS	INDUS
INDUS	INDUS	INDUS	INDUS	SP500	SP500	DISCR	DISCR	INDUS	INDUS	INDUS	INDUS	TRANS
COMMS	COMMS	DISCR	DISCR	DISCR	DISCR	SP500	FINAN	SALES	SALES	SALES	SALES	SALES
DISCR	DISCR	COMMS	COMMS	COMMS	COMMS	ENRGY	TECHS	DISCR	DISCR	SP500	SP500	TECHS
STAPL	DFEND	DFEND	DFEND	DFEND	SALES	SALES	SALES	TECHS	SP500	TECHS	TECHS	SP500

Legend

Cap-Wtd	Equal-Wtd	Synonym	Sector Name	Cap-Wtd	Equal-Wtd	Synonym	Sector Name
13. ITA -0.04	10. XAR 0.67	DFEND	AEROSPACE & DEFENSE	7. XLI 1.70	4. RSPN 1.72	INDUS	INDUSTRIALS
6. XLC 1.74	13. RSPC 0.16	COMMS	COMMUNICATION SRVCS	10. XLB 0.99	9. RSPM 0.98	MATER	MATERIALS
3. XLY 1.90	11. RSPD 0.44	DISCR	CONSUMER DISCR	14. XLRE -0.27	12. RSPR 0.30	REALE	REAL ESTATE
15. XLP -1.38	16. RSPS -2.20	STAPL	CONSUMER STAPLES	8. RTH 1.63	6. XRT 1.28	SALES	RETAIL
1. XLE 4.85	1. RSPG 6.48	ENRGY	ENERGY	9. SPX 1.24	8. SPX 1.24	SP500	S&P 500
2. XLF 2.20	3. RSPF 2.77	FINAN	FINANCIALS	11. XLK 0.90	7. RSPT 1.26	TECHS	TECHNOLOGY
12. XLV 0.70	14. RSPH -0.76	HLTHY	HEALTH CARE	4. IYT 1.87	5. XTN 1.41	TRANS	TRANSPORTATION
5. ITB 1.85	2. XHB 2.98	BLDRS	HOMEBUILDERS	16. XLU -2.26	15. RSPU -1.95	UTILS	UTILITIES

Alphabetically, the top 5 in the Cap-Weighted Sector ETFs are still Builders, Discretionary Spending, Energy, Financials, and Transports.

The cap-weighted Consumer Discretionary ETF is doing much better than the equal-weighted one, which says the big companies in consumer discretionary are driving performance. In the Industrials, equal-weighted stocks are doing better than the cap-weighted, which implies the big industrial companies are pulling the sector down.

Cap-weighted Retails are doing better than equal-weighted, but neither one can quite make it into the top 5 sectors.

