

Weekly Market Analysis #477 — 29 September 2023

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This Week

A lot of people like to use the term "contrarian investor" to describe the notion of an independent thinker. To me, the word "contrarian" implies dogmatic reaction instead of pragmatic analysis. I prefer the term "Agnostic Investor" and here's what it means to me.

1. Agnostic Investors do not pretend to know what will happen next. They accept the fact that the future is unknowable and current information is limited (or flawed). So they do not attempt to predict anything. They listen to what the market is telling them and follow it closely.
2. Agnostic Investors think of every potential position in terms of the possibilities, and then figure out the **probabilities** for each possibility. At a bare minimum, the questions they ask themselves are:
 - a. What are the odds price will go up?
 - b. What are the odds price will go down?Then they make a plan for each of the possible scenarios, so no matter what the market does, they already know what they are going to do.
3. Agnostic investors accept the fact that present events can seldom be understood as they are happening. There is an old Vietnamese saying "History can only be understood from a distance." Every once in a while, what is going on in the market is obvious, but most of the time it takes weeks or even months to understand what happened on any given day.

Agnostic investors avoid wasting too much time on trying to "understand" what is moving the market. They invest based on what they **see** happening, rather than what they think "should" happen.

4. Agnostic Investors buy securities that are going up, and sell them when they stop going up (or see warning signs indicating risk is starting to outweigh further reward). Is it really that simple? Yes. Novices try to make investing a big, complicated process, and they lose money.

As David Keller advises:

Position for the most probable scenario, but plan for alternative scenarios. As investors, we often become very tied to a particular narrative. Market history is filled with events that wise and experienced investors never thought would happen. So how do we combat this reality of the financial markets?

A novice investor becomes married to an investment thesis, goes all in with their positioning, and assumes they'll be right. An experienced investor thinks through alternative scenarios, positions their portfolio to profit from the most likely scenarios, but also develops a good game plan in case their alternate hypothesis become reality.

[Market Barometers](#)

← Use this link to see all the market barometer charts

This week was basically flat. VTI edged down -0.6% and SPX -0.7%. COMPQ was up a tiny 0.06% and DJIA declined -1.4%. IWM wiggled sideways, ending Friday up a scant 0.04%.



A Closer Look

The SPX made a 16-week low. It was up a little on Monday, down big on Tuesday, then flat on Wednesday. Thursday looked good, but on Friday the market opened higher...and then fell fast until the last hour of trading. Closing above \$4300 would have been a hopeful sign, but the SPX closed at \$4288. NYAD largely mirrored price. Stocks above their 50-day average made a 49-week low.



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

[Bullish Universe](#)

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SPX Sector Universe Analysis for 29-Sep-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLE	CAP-WTD ENERGY (LG)	ETF	UP	5.20:-0.48	=dn=	2/1	-0.5
XLF	CAP-WTD FINANCIALS (XL)	ETF	UP	1.56:-0.48	<<DN>>	1/13	-0.7
XLC	CAP-WTD COMMUNICATION SRVCS	ETF	UP	0.90:-0.49	=dn=	1/12	-0.7
XLY	CAP-WTD CONSUMER DISCR (XL)	ETF	UP	0.86:-0.48	DN	1/16	-1.3
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	0.40:-0.49	<<DN>>	1/16	-0.9
XLI	CAP-WTD INDUSTRIALS (LG)	ETF	=DN=	0.29:-0.48	DN	1/16	-0.6
XLB	CAP-WTD MATERIALS (MD)	ETF	-DN-	0.19:-0.48	<<DN>>	1/17	-0.6
XLV	CAP-WTD HEALTH CARE (XL)	ETF	-DN-	0.12:-0.48	<<DN>>	1/17	-0.2
IYT	CAP-WTD TRANSPORT NDX	ETF	<<DN>>	-0.11:-0.49	-dn-	1/16	-0.6
XLK	CAP-WTD INFO TECHNOLOGY (XXL)	ETF	UP	-0.28:-0.51	DN	1/18	-0.9
XRT	EQU-WTD RETAIL (XS)	ETF	UP	-0.39:-0.49	-dn-	2/16	-0.3
ITB	CAP-WTD HOME CONSTRUCTION (SML)	ETF	<<DN>>	-0.47:-0.49	DN	1/16	-1.1
XLRE	CAP-WTD REAL ESTATE (MD)	ETF	=DN=	-1.10:-0.48	DN	1/169	-1.2
ITA	CAP-WTD SPACE & DEFENSE (SML)	ETF	DN	-1.42:-0.48	DN	1/46	-0.5
XLU	CAP-WTD UTILITIES (MD)	ETF	DN	-1.99:-0.48	DN	1/130	-0.7
XLP	CAP-WTD CONSUMER STAPLES (LG)	ETF	DN	-2.02:-0.48	DN	1/47	-0.4

The top five jostled around some more with energy and financials staying on top. Industrials fell below the SPX.

1. XLE — energy
2. XLF — financials
3. XLC — Communication Services
4. XLY — consumer discretionary
5. XLI — Industrials

Sector Relative-Strength History

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

Capital-Weighted Sector ETFs Relative Strength History 07-Jul-2023 to 29-Sep-2023

07 Jul	14 Jul	21 Jul	28 Jul	04 Aug	11 Aug	18 Aug	25 Aug	01 Sep	08 Sep	15 Sep	22 Sep	29 Sep
TECHS	TECHS	DISCR	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY
DISCR	DISCR	BLDRS	DISCR	DISCR	TRANS	TRANS	TRANS	BLDRS	TRANS	FINAN	FINAN	FINAN
BLDRS	BLDRS	TECHS	TECHS	TRANS	DISCR	DISCR	ENRGY	TRANS	BLDRS	DISCR	DISCR	COMMS
COMMS	COMMS	COMMS	TRANS	TECHS	TECHS	COMMS	DISCR	FINAN	FINAN	TRANS	COMMS	DISCR
SP500	SP500	TRANS	COMMS	COMMS	COMMS	SALES	FINAN	DISCR	DISCR	BLDRS	INDUS	SP500
TRANS	TRANS	SP500	SP500	SP500	INDUS	FINAN	SALES	SALES	INDUS	COMMS	SP500	INDUS
INDUS	INDUS	INDUS	INDUS	INDUS	SALES	TECHS	COMMS	INDUS	COMMS	INDUS	TRANS	MATER
HLTHY	MATER	MATER	FINAN	SALES	SP500	INDUS	INDUS	COMMS	SALES	SALES	BLDRS	HLTHY

Equal-Weighted Sector ETFs Relative Strength History 07-Jul-2023 to 29-Sep-2023

07 Jul	14 Jul	21 Jul	28 Jul	04 Aug	11 Aug	18 Aug	25 Aug	01 Sep	08 Sep	15 Sep	22 Sep	29 Sep
BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY
TECHS	TRANS	TRANS	TRANS	TRANS	TRANS	TRANS	BLDRS	BLDRS	BLDRS	BLDRS	FINAN	FINAN
TRANS	TECHS	TECHS	INDUS	INDUS	ENRGY	ENRGY	TRANS	TRANS	FINAN	FINAN	BLDRS	BLDRS
SP500	SP500	INDUS	TECHS	TECHS	INDUS	FINAN	FINAN	FINAN	TRANS	INDUS	INDUS	SP500
INDUS	INDUS	SP500	SP500	DISCR	DISCR	INDUS	INDUS	INDUS	INDUS	TRANS	SP500	TECHS
DISCR	DISCR	DISCR	DISCR	SP500	FINAN	SALES	SALES	SALES	SALES	SALES	TECHS	INDUS
COMMS	COMMS	COMMS	COMMS	ENRGY	TECHS	DISCR	DISCR	SP500	SP500	TECHS	MATER	MATER
DFEND	DFEND	DFEND	SALES	SALES	SALES	TECHS	SP500	TECHS	TECHS	SP500	SALES	SALES

Legend

Cap-Wtd	Equal-Wtd	Synonym	Sector Name	Cap-Wtd	Equal-Wtd	Synonym	Sector Name
14. ITA -1.42	11. XAR -0.81	DFEND	AEROSPACE & DEFENSE	6. XLI 0.29	6. RSPN 0.21	INDUS	INDUSTRIALS
3. XLC 0.90	9. RSPC -0.67	COMMS	COMMUNICATION SRVCS	7. XLB 0.19	7. RSPM 0.15	MATER	MATERIALS
4. XLY 0.86	13. RSPD -0.99	DISCR	CONSUMER DISCR	13. XLRE -1.10	10. RSPR -0.72	REALE	REAL ESTATE
16. XLP -2.02	16. RSPS -3.16	STAPL	CONSUMER STAPLES	11. XRT -0.39	8. XRT -0.39	SALES	RETAIL
1. XLE 5.20	1. RSPG 5.98	ENRGY	ENERGY	5. SPX 0.40	4. SPX 0.40	SP500	S&P 500
2. XLF 1.56	2. RSPF 1.95	FINAN	FINANCIALS	10. XLK -0.28	5. RSPT 0.28	TECHS	TECHNOLOGY
8. XLV 0.12	14. RSPH -1.68	HLTHY	HEALTH CARE	9. IYT -0.11	12. XTN -0.97	TRANS	TRANSPORTATION
12. ITB -0.47	3. XHB 0.75	BLDRS	HOMEBUILDERS	15. XLU -1.99	15. RSPU -1.86	UTILS	UTILITIES

Energy and Financials are still at the top of the list. Communication Services moved up again to reach #3. Discretionary Spending declined again to #4, and the SPX wound up as #5.

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	\$91.82	XLE	5.20% —	no	\$90.39 ↑
				XLF	1.56% ↓↓	no	\$33.17↓↓
				XLC	0.90% ↓↓	no	\$65.57—
				XLY	0.86% ↓↓	no	\$160.98—
				SPX	0.40% ↓↓	Index	\$4288.05↓↓
				XLI	0.29% ↓↓	no	\$101.38↓↓
				XLB	0.19% ↓↓	no	\$78.55—
				XLV	0.12% ↓↓	no	\$128.74↓↓

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

Analysis

[XLE](#) found support near \$90. In the basic charts, Its SHA (Smoothed Heikin Ashi) and ATS are up. RSI and OBV are neutral. MACD and CMF are down. [XLE](#), [XLC](#) and [XLY](#) – all 6 basic charts are down. [XLI](#), [XLB](#), and [XLV](#) – all 6 basic charts are still down.

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Thoughts and Decisions

This week's choppy market may have been the result of investors unnerved by debt ceiling bickering among dysfunctional, obstructionist politicians (on both sides) who have forgotten that their jobs are to represent their constituents and not their parties. (Pardon my umbrage, but I'm fed up.)

Anyway...

There's a lot right about XLE, but it's not quite soup yet. It found support near \$90. Its SHA has turned green. Its CMF looks like it's turning up, but it's still kind of flat. Its RSI touched 50 but eased back to 48. XLE's low ATS is active, but it's also horizontal. And all the other sectors with slopes above SPX are meh.

So my choice for this week is to stay 100% in BIL until something breaks out to the upside (which could happen in the next few days).

Other Securities You May Find Interesting

[DBC](#) — DB Commodity Index ETF — tracks a diversified commodity index

DBC is currently in a 4-week consolidation.

[EPD](#) — Enterprise Products Partners — provider of midstream energy services to producers of natural gas, natural gas liquids (NGLs), crude oil, petrochemicals and refined products

EPD just made a 65-week high. All basic charts are up except CMF.

[KIE](#) — SPDR S&P Insurance Sector ETF

KIE has fallen back to its July highs.

[URA](#) — Uranium — global uranium mining industry ETF

URA made a 74-week new high. The softening of the 6 basic charts implies that the current rally is running out of steam, but that doesn't mean a new rally won't start once a period of consolidation is over. Demand for uranium produced by US allies is rapidly gaining momentum.

[USO](#) — United States Oil Fund — invests primarily in futures contracts for light, sweet crude oil, other types of crude oil, diesel-heating oil, gasoline, natural gas, and other petroleum-based fuels.

USO made a 63 week high but it's also in a 2-week consolidation.

[UUP](#) — US Dollar ETF

Last week I was looking at the rally in DXY (US Dollar Index) but didn't mention it because I didn't think there were many people who would be interested in trading the dollar on FOREX. Then one of my readers (Thanks John) wrote and reminded me that there's an ETF for that. So I downloaded the UUP data and added it to the inflation universe.

UUP made a 45-week high on strong money flow; however, at this point it has been going up for 10 weeks in a row, so this is **not** a good time to jump in. It's approaching psychological and historical resistance at \$30, which may create enough consolidation to make the next rally (assuming there is one) profitable.