

Weekly Market Analysis #479 – 13 October 2023

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This Week – The Smoothed Heikin Ashi

The Smoothed Heikin Ashi chart is very easy to read. When the candles turn green, you buy. When they turn red, you exit. However, I never take a position based on a single indicator. The SHA (Smoothed Heikin Ashi) can be confirmed directly by the ATS, the RSI, the MACD. Less directly, it can be confirmed by money flow (CMF and OBV).



There is an important note in the upper right hand corner of the chart. The simple Heikin Ashi does not display price, just patterns, and with the addition of moving averages, the Smoothed Heikin Ashi is even more divorced from price.

At the bottom of the SHA chart is data on how well it has performed for this particular security (AAPL) for the last 5 years. "WC" is Win Count as a percentage. LC is Loss Count. It turns out that for AAPL, SHA has had 81% winning trades and 19% losing trades. "AW" is Amount Won on the average trade as a percentage. "AL" is the amount lost.

With these four percentages, you can figure out the expectation for the indicator. 81% winners is very good. So is making an average of 9.1% on the average winning position and losing only 0.2% on the average losing position. (Notice that the ATS WC is only 54% and the average AW/AL ratio is "only" 2.97. This means the ATS is a money making system, but it pales in comparison to the SHA for AAPL.)

When I matched the ATS with the SHA (in order to show the difference between price and what the SHA displays) I didn't realize that the red and green ATS dots exactly matched the SHA bar colors for this particular time period. It was just a coincidence.

[Market Barometers](#)

← Use this link to see all the market barometer charts

COMPQ is edging toward having a negative MTA, following the other indexes.



A Closer Look

Despite rallying Monday–Wednesday, the SPX closed just 0.45% higher than it did last week. The NYAD (advance-decline line) only rose Monday and Tuesday, but it largely confirmed price action. Stocks above their 50-day averages moved like price, and stocks above their 200-day averages acted more like NYAD.



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

[Bullish Universe](#)

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[Sector Universe](#)

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SPX Sector Universe Analysis for 13-Oct-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLE	CAP-WTD ENERGY (LG)	ETF	UP	4.13:-1.30	=UP=	2/1	-0.4
XLF	CAP-WTD FINANCIALS (XL)	ETF	UP	0.23:-1.30	UP	2/1	0.2
XLC	CAP-WTD COMMUNICATION SRVCS	ETF	UP	0.00:-1.30	<<up>>	10/1	0.7
XLV	CAP-WTD HEALTH CARE (XL)	ETF	DN	-0.60:-1.30	-up-	3/1	0.3
SPX	CAP-WTD S&P 500 INDEX	INDEX	DN	-0.84:-1.30	UP	3/1	0.6
XLB	CAP-WTD MATERIALS (MD)	ETF	DN	-0.96:-1.30	dn	3/1	0.3
XLY	CAP-WTD CONSUMER DISCR (XL)	ETF	UP	-1.00:-1.30	UP	3/2	0.3
XLI	CAP-WTD INDUSTRIALS (LG)	ETF	DN	-1.24:-1.30	≡UP≡	3/1	0.7
XLK	CAP-WTD INFO TECHNOLOGY (XXL)	ETF	UP	-1.65:-1.31	UP	4/1	1.0
XRT	EQU-WTD RETAIL (XS)	ETF	DN	-1.79:-1.30	dn	2/1	0.2
IYT	CAP-WTD TRANSPORT NDX	ETF	DN	-1.91:-1.30	UP	3/19	0.6
XLRE	CAP-WTD REAL ESTATE (MD)	ETF	DN	-2.79:-1.30	UP	3/1	0.7
ITA	CAP-WTD SPACE & DEFENSE (SML)	ETF	DN	-2.84:-1.30	UP	5/1	1.1
ITB	CAP-WTD HOME CONSTRUCTION (SML)	ETF	DN	-2.89:-1.30	dn	2/2	0.4
XLP	CAP-WTD CONSUMER STAPLES (LG)	ETF	DN	-3.02:-1.30	<<UP>>	1/130	-0.4
XLU	CAP-WTD UTILITIES (MD)	ETF	DN	-3.36:-1.30	UP	2/1	-0.0

The top three once more remained the same. From four on down, they all had negative slopes. And XLC looks even more anemic as its less slope declined to 0%.

1. XLE — energy
2. XLF — financials
3. XLC — Communication Services

Sector Relative-Strength History

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

21 Jul	28 Jul	04 Aug	11 Aug	18 Aug	25 Aug	01 Sep	08 Sep	15 Sep	22 Sep	29 Sep	06 Oct	13 Oct
DISCR	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY
BLDRS	DISCR	DISCR	TRANS	TRANS	TRANS	BLDRS	TRANS	FINAN	FINAN	FINAN	FINAN	FINAN
TECHS	TECHS	TRANS	DISCR	DISCR	ENRGY	TRANS	BLDRS	DISCR	DISCR	COMMS	COMMS	COMMS
COMMS	TRANS	TECHS	TECHS	COMMS	DISCR	FINAN	FINAN	TRANS	COMMS	DISCR	DISCR	HLTHY
TRANS	COMMS	COMMS	COMMS	SALES	FINAN	DISCR	DISCR	BLDRS	INDUS	SP500	SP500	SP500
SP500	SP500	SP500	INDUS	FINAN	SALES	SALES	INDUS	COMMS	SP500	INDUS	HLTHY	MATER
INDUS	INDUS	INDUS	SALES	TECHS	COMMS	INDUS	COMMS	INDUS	TRANS	MATER	MATER	DISCR
MATER	FINAN	SALES	SP500	INDUS	INDUS	COMMS	SALES	SALES	BLDRS	HLTHY	INDUS	INDUS

Legend

Cap-Wtd	Equal-Wtd	Synonym	Sector Name	Cap-Wtd	Equal-Wtd	Synonym	Sector Name
13. ITA -2.84	10. XAR -2.32	DFEND	AEROSPACE & DEFENSE	8. XLI -1.24	6. RSPN -1.37	INDUS	INDUSTRIALS
3. XLC -0.01	8. RSPC -1.78	COMMS	COMMUNICATION SRVCS	6. XLB -0.96	4. RSPM -0.94	MATER	MATERIALS
7. XLY -1.00	13. RSPD -2.68	DISCR	CONSUMER DISCR	12. XLRE -2.79	11. RSPR -2.51	REALE	REAL ESTATE
15. XLP -3.02	16. RSPS -4.43	STAPL	CONSUMER STAPLES	10. XRT -1.79	9. XRT -1.79	SALES	RETAIL
1. XLE 4.13	1. RSPG 4.19	ENRGY	ENERGY	5. SPX -0.84	3. SPX -0.84	SP500	S&P 500
2. XLF 0.23	2. RSPF 0.59	FINAN	FINANCIALS	9. XLK -1.65	5. RSPT -1.00	TECHS	TECHNOLOGY
4. XLV -0.60	12. RSPH -2.57	HLTHY	HEALTH CARE	11. IYT -1.91	14. XTN -2.97	TRANS	TRANSPORTATION
14. ITB -2.89	7. XHB -1.55	BLDRS	HOMEBUILDERS	16. XLU -3.36	15. RSPU -3.07	UTILS	UTILITIES

The top 3 didn't change. Energy, Financials, and Communication Services are still there. Health Care moved up to #4 while Discretionary Spending fell even further.

This Week's Selections

My choice for last week was: BIL 100%

Top ETFs By Slope

Current Holdings

Sym	Slope	Stop	Last
BIL	0.00% —	\$90.85	\$91.62

High-Slope Sectors ETFs

Sym	Slope	Long	Last
XLE	4.13% ↓↓	no	\$89.59 ↑
XLF	0.23% ↓↓	no	\$33.21 —
XLC	0.00% ↓↓	no	\$67.07 —
XLV	-0.60% ↓↓	no	\$130.19 —
SPX	-0.84% ↓↓	Index	\$4327.78 —
XLB	-0.96% ↓↓	no	\$77.64 —
XLY	-1.00% ↓↓	no	\$158.97 ↓
XLI	-1.24% ↓↓	no	\$101.75 ↑

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

Analysis

[XLE](#)'s SHA, ATS, and RSI are positive (RSI was oversold and then made higher low). OBV has turned up and, importantly, CMF came off a low spike (-3.5 on 22-Sep) and is now positive. [XLF](#) has positive SHA, ATS, RSI, and MACD; however, CMF and OBV are both hinting at turning back down after a sudden rally from Oct 4 to Oct 11. [XLC](#)'s fall on Thursday and Friday were more pronounced than XLF's. A day with an open and a close above \$69 would make XLC interesting.

[XLV](#) – MTA and Slope are down. SHA, ATS, RSI, and MACD are all positive but that could be the prelude to a weak, counter-trend rally. A break of the high trendline between the highs of Aug 30 and Sep 11 might make XLV interesting. [XLB](#) has been in a decline since the high in July. MTA and Slope are down. [XLY](#) – MTA is still up but it has been in a decline since its high in July. [XLI](#) – MTA and Slope down...in a decline since the high in late July.

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Thoughts and Decisions

All the basic charts for XLE are up except for MACD+ (which has more lag in sharp reversals). The deep low in CMF on Sep 22 followed by a fairly rapid climb out says there's a lot of buying. I would normally wait until price broke through the \$90 area, but I expect the MACD to turn positive on Monday. (All price has to do is remain above \$89.34 for the MACD to turn up.) If that happens, I will buy XLE just before the market closes.

So I am tentatively staying 100% in BIL; **HOWEVER**, if XLE:

1. opens above \$90 and remains above it throughout the day (strong performance), **OR**
2. is above \$89.34 during the last hour of trading (weaker but acceptable performance)

then I will buy a 20% position in XLE and reduce my BIL position to 80%.

Other Securities You May Find Interesting

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

Decline of CMF below -4 on Sep 2nd looks like a selling climax, and the volume chart confirms it. Price gapped up on Friday, so it could fall back down on Monday, or it could climb more. Watch DBC near the end of the market day.

[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 looks like a buy to me.

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

KIE looks good. The only thing I am concerned about is that CMF and OBV are both flat...

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

URA remained above \$25 as its RSI dropped from 70 to 35. If price pulls up away from \$25, I'll probably buy this.

[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.

CMF is zero, OBV is falling slowly. I'll look at this again when the SHA turns up.

[UUP](#) — US Dollar ETF

I think UUP needs some time to consolidate after that big 11-week rally.

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