

## Weekly Market Analysis #480 — 20 October 2023

Richard "Doc" Ahrens

© All Rights Reserved

### This Week

Rande Howell observed:

The ancient part of your brain, called the Emotional Brain, operates outside the awareness of your Thinking Brain. It does not appear to be this way. But in trading, things are not the way they seem. Hardly ever. Yet you keep attempting to force trading to conform to the way you perceive the world. The problem is that most of the decisions that you make, especially under pressure, are not made by your Thinking Brain. No, 95% of the decisions you make under pressure are assigned to your Emotional Brain – of which you are not aware. And what's important to the Emotional Brain is survival of the organism (that's you) in the short term. Thinking does not even enter the equation in these cases. And these are the vast number of cases that you experience as a trader, making decisions about probability with money on the line.

— — — — — — — — —

This week I noticed a small problem (something less than optimal) with the Smoothed Heikin Ashi charts. I'm going to do some tuning of the parameters to see if I can improve the responsiveness.

— — — — — — — — —

Keith Fitz-Gerald pointed out:

This is a bad joke. Powell says he's "resolute" when it comes to reaching the Fed's inflation target of 2%.

Would somebody please tell him that's a fool's errand.

Seriously.

Many people are totally flabbergasted to learn that the Fed's 2% target was created out of thin air in 1990 by the Reserve Bank of New Zealand and has no basis in any sort of academic study whatsoever. In fact, it came from an off-the-cuff remark made during a TV interview with Roger Douglas, New Zealand's finance minister at the time, who said that he'd "ideally" want an inflation rate between 0% and 1%.

The 2% you hear today as a target was originally intended as a "boundary"—nothing more—for inflationary bias that was estimated to be just 0.75% at the time.

And the rest, as they say, is history.

Canada and England followed, as did other central banks. The Fed officially adopted the policy in January 2012 under then-Chairman Ben "Helicopter" Bernanke.

[Market Barometers](#)

← Use this link to see all the market barometer charts

COMPQ is edging ever-closer to having a negative MTA, following the other 4 indexes.



## A Closer Look

SPX went up a little on Monday, but Tuesday through Friday it lost \$171 (almost 3.9%). The advance-decline line went down harder than price. Stocks above their 200-day averages looked a lot like NYAD while stocks above their 50-day averages looked more like price.

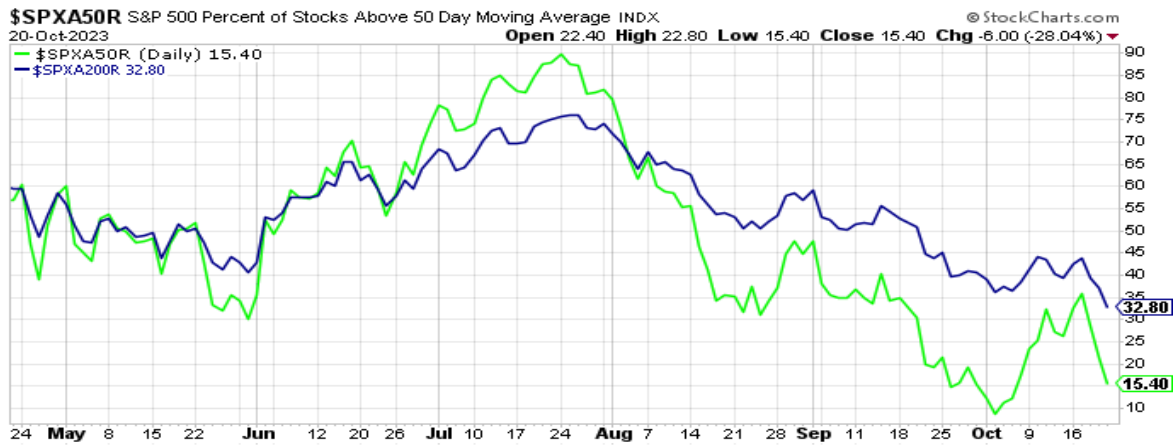


Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 Averages](#), [NewHigh–NewLows](#)

[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 20-Oct-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
<a href="#">XLE</a>	CAP-WTD ENERGY (LG)	ETF	UP	3.54:-1.46	UP	3/1	0.5
<a href="#">XLC</a>	CAP-WTD COMMUNICATION SRVCS	ETF	UP	-0.12:-1.46	-DN-	1/2	0.3
<a href="#">XLF</a>	CAP-WTD FINANCIALS (XL)	ETF	UP	-0.29:-1.46	=DN=	4/20	0.3
<a href="#">XLV</a>	CAP-WTD HEALTH CARE (XL)	ETF	DN	-0.73:-1.46	=DN=	4/2	0.2
<a href="#">SPX</a>	CAP-WTD S&P 500 INDEX	INDEX	DN	-1.22:-1.46	-DN-	1/20	0.3
<a href="#">XLB</a>	CAP-WTD MATERIALS (MD)	ETF	DN	-1.41:-1.46	=DN=	4/20	0.0
<a href="#">XLI</a>	CAP-WTD INDUSTRIALS (LG)	ETF	DN	-1.69:-1.46	=DN=	1/20	0.4
<a href="#">XLY</a>	CAP-WTD CONSUMER DISCR (XL)	ETF	UP	-1.78:-1.46	-DN-	1/20	-0.2
<a href="#">XLK</a>	CAP-WTD INFO TECHNOLOGY (XXL)	ETF	UP	-1.96:-1.47	<<DN>>	1/3	0.3
<a href="#">XRT</a>	EQU-WTD RETAIL (XS)	ETF	DN	-2.22:-1.46	-DN-	5/1	0.8
<a href="#">IYT</a>	CAP-WTD TRANSPORT NDX	ETF	DN	-2.55:-1.46	=DN=	1/20	0.1
<a href="#">ITA</a>	CAP-WTD SPACE & DEFENSE (SML)	ETF	DN	-2.96:-1.46	-DN-	1/2	0.9
<a href="#">XLRE</a>	CAP-WTD REAL ESTATE (MD)	ETF	DN	-3.28:-1.46	-DN-	1/172	0.5
<a href="#">XLP</a>	CAP-WTD CONSUMER STAPLES (LG)	ETF	DN	-3.46:-1.46	-DN-	2/1	0.6
<a href="#">XLU</a>	CAP-WTD UTILITIES (MD)	ETF	DN	-3.81:-1.46	-up-	3/2	0.7
<a href="#">ITB</a>	CAP-WTD HOME CONSTRUCTION (SML)	ETF	DN	-3.91:-1.46	=DN=	1/26	-0.3

The top three once more remained the same, although XLC overtook XLF, and all sectors except XLE now have negative slopes.

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

## Sector Relative-Strength History

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

Capital-Weighted Sector ETFs Relative Strength History 28-Jul-2023 to 20-Oct-2023

28 Jul	04 Aug	11 Aug	18 Aug	25 Aug	01 Sep	08 Sep	15 Sep	22 Sep	29 Sep	06 Oct	13 Oct	20 Oct
BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY
DISCR	DISCR	TRANS	TRANS	TRANS	BLDRS	TRANS	FINAN	FINAN	FINAN	FINAN	FINAN	COMMS
TECHS	TRANS	DISCR	DISCR	ENRGY	TRANS	BLDRS	DISCR	DISCR	COMMS	COMMS	COMMS	FINAN
TRANS	TECHS	TECHS	COMMS	DISCR	FINAN	FINAN	TRANS	COMMS	DISCR	DISCR	HLTHY	HLTHY
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	MATER
INDUS	INDUS	SALES	TECHS	COMMS	INDUS	COMMS	INDUS	TRANS	MATER	MATER	DISCR	INDUS
FINAN	SALES	SP500	INDUS	INDUS	COMMS	SALES	SALES	BLDRS	HLTHY	INDUS	INDUS	DISCR
SALES	FINAN	FINAN	ENRGY	SP500	SP500	SP500	SP500	MATER	TRANS	TECHS	TECHS	TECHS
MATER	MATER	MATER	SP500	TECHS	TECHS	MATER	MATER	SALES	TECHS	TRANS	SALES	SALES
REALE	REALE	ENRGY	MATER	MATER	MATER	TECHS	TECHS	HLTHY	SALES	SALES	TRANS	TRANS
HLTHY	ENRGY	REALE	REALE	HLTHY	HLTHY	HLTHY	HLTHY	TECHS	BLDRS	BLDRS	REALE	DFEND
DFEND	HLTHY	HLTHY	HLTHY	REALE	DFEND	DFEND	DFEND	REALE	REALE	REALE	DFEND	REALE
ENRGY	DFEND	DFEND	DFEND	DFEND	REALE	REALE	REALE	DFEND	DFEND	DFEND	BLDRS	STAPL
STAPL	STAPL	STAPL	STAPL	STAPL	STAPL	STAPL	STAPL	STAPL	STAPL	UTILS	STAPL	STAPL
UTILS	UTILS	UTILS	UTILS	UTILS	UTILS	UTILS	UTILS	UTILS	STAPL	UTILS	UTILS	BLDRS

### Legend

Cap-Wtd	Equal-Wtd	Synonym	Sector Name	Cap-Wtd	Equal-Wtd	Synonym	Sector Name
12. IIA -2.96	9. XAR -2.41	DFEND	AEROSPACE & DEFENSE	7. XLI -1.69	6. RSPN -1.87	INDUS	INDUSTRIALS
2. XLC -0.12	7. RSPC -2.06	COMMS	COMMUNICATION SRVCS	6. XLB -1.41	4. RSPM -1.40	MATER	MATERIALS
8. XLY -1.78	14. RSPD -3.39	DISCR	CONSUMER DISCR	13. XLRE -3.28	12. RSPR -3.04	REALE	REAL ESTATE
14. XLP -3.46	16. RSPS -5.00	STAPL	CONSUMER STAPLES	10. XRT -2.22	8. XRT -2.22	SALES	RETAIL
1. XLE 3.54	1. RSPG 3.62	ENRGY	ENERGY	5. SPX -1.22	3. SPX -1.22	SP500	S&P 500
3. XLF -0.29	2. RSPF 0.08	FINAN	FINANCIALS	9. XLK -1.96	5. RSPT -1.46	TECHS	TECHNOLOGY
4. XLV -0.73	11. RSPH -2.90	HLTHY	HEALTH CARE	11. IYT -2.55	15. XTN -3.74	TRANS	TRANSPORTATION
16. ITB -3.91	10. XHB -2.49	BLDRS	HOMEBUILDERS	15. XLU -3.81	13. RSPU -3.38	UTILS	UTILITIES

Comms and Financials switched places, but the top 4 are still Energy, Communication Services, Financials, and Healthcare.

I stopped showing the equal-weighted ETFs because they didn't seem to be adding much overall.

## This Week's Selections

My choice for last week was: BIL 100% with the possibility of adding 20% XLE.

### Top ETFs By Slope

#### Current Holdings

Sym	Slope	Stop	Last
BIL	-1.46%	\$90.85	\$91.72
XLE	3.54%	\$88.87	\$90.26

#### High-Slope Sectors ETFs

Sym	Slope	Long	Last
XLC	-0.12% ↓↓	no	\$66.52 ↓
XLF	-0.29% ↓↓	no	\$32.20 ↓
XLV	-0.73% ↓↓	no	\$128.06 ↓
SPX	-1.22% ↓↓	Index	\$4224.16 ↓
XLB	-1.41% ↓↓	no	\$ 75.30 ↓
XLI	-1.69% ↓↓	no	\$ 98.70 ↓
XLY	-1.78% ↓↓	no	\$151.69 ↓↓
XLK	-1.96% ↓↓	no	\$163.94 ↓

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

### Analysis

[XLE](#) managed to remain above \$90 even though the SPX went down hard this week. I was surprised by the tiny 2-cent move on Monday so I didn't buy XLE until near the close on Tuesday. [XLC](#) was up on Monday and Tuesday, then fell on Wednesday through Friday. [XLF](#) made a 20-week low on Friday. [XLV](#) is down by almost all measures.

[XLB](#), [XLI](#), and [XLY](#) made 20-week lows on Friday. [XLK](#) — MTA is still up but it has been in a decline since its high in July.

— — — — — — — — — —

### Thoughts and Decisions

XLE did not remain above \$90 throughout the day on Monday and was flat on the day so I didn't buy it. However, it did well on Tuesday so I bought it then.

So this week my holdings are 80% BIL and 20% XLE.

## Other Securities You May Find Interesting

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

All 6 basic charts are up and price broke up through psychological and historical resistance near \$25. This makes DBC a buy.

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

Money flow has started to turn down, but the other four basic charts are still up. If I were holding this I would continue to hold for now.

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

Has been rising since early April and it made a 17-year high before getting pulled down by the SPX.

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

URA remained above \$25 and advanced this week despite the drop in the SPX. The basic charts are mixed but price is up away from \$25, so I'll be watching this one for an entry.

[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.

All six basic charts are up and USO broke up through \$80 so this is a buy.

[UUP](#) — US Dollar ETF

Price is still in a consolidation just below \$30 after that big 11-week rally.

©2023 Trendline Dynamics ("TLD") is not a registered investment advisor. The purpose of this educational newsletter is to impart technical analysis and trading skills by showing how they are used in real time and on real securities. The contents of this newsletter are only my opinions and descriptions of how I trade. No mention of a particular security, index, derivative, or other instrument in the newsletter constitutes a recommendation to buy, sell, or hold that or any other security, nor does it constitute an opinion on the suitability of any security, index, or derivative for anyone other than myself. TLD hereby expressly disclaims any and all representations and warranties that: (a) the content of its newsletters is correct, accurate, complete, or reliable; (b) any of its newsletters will be available at any particular time or place, or in any particular medium; and (c) that any omission or error in any of its newsletters will be corrected. TLD's newsletter is published and distributed in accordance with applicable United States and foreign copyright and other laws. Without the prior written consent of TLD, no person or entity, directly or indirectly, may copy, reproduce, recompile, decompile, disassemble, reverse engineer, distribute, publish, display, perform, modify, upload to create derivative works from, transmit, or in any way exploit all or any part of TLD's website, its newsletter, or any other material belonging to TLD. At any given time TLD's principals may or may not have a financial interest in any or all of the securities, funds, bonds, and/or commodities mentioned.