

Weekly Market Analysis #482 — 3 November 2023

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This Week

A Synopsis of Wave Phase Analysis

1. Market prices never goes anywhere in a straight line. It moves in waves — big waves, medium waves, small waves...
2. Waves exhibit "spectral dilation" (i.e., long-term waves have bigger vertical range, short-term waves have smaller vertical range).
3. Co-trend price movements (aka, impulse moves) are price changes in the same direction as the dominant trend.
4. Counter-trend movements (aka, correction moves) are price changes that go against the dominant trend.
5. On average, co-trend movements tend to last longer and have a shallower slope. While counter-trend movements tend to be steeper and shorter.

The "zigzag" overlay on StockCharts.com's "sharp charts" is an easy way to objectively display these waves. I colored the up moves green and the down moves red to make them easier to see on this chart.



Some information can be gleaned by looking at any two adjacent moves. For example, a short rise followed by a long decline is bearish. A long decline followed by a short rise is also bearish. A short fall followed by a long rise is bullish. A long rise followed by a short fall is also bullish.

Arthur Merrill cataloged 4-move (5 turning-point) groups into "W" patterns and "M" patterns. (See [Merrill's M & W Wave Patterns](#).) The Elliott Wave Principle introduced a highly complex approach to wave analysis. Some people like diving deeply into Elliott Wave theory, others prefer to stick to just the basics of it. Thomas Bulkowski provides some useful perspectives on his excellent website [ThePatternSite.com](#).

[Market Barometers](#)

← Use this link to see all the market barometer charts

All five indexes currently have negative MTAs.



A Closer Look

SPX went up every day this week, breaking through a short-term descending trendline and the 50-day moving average. The advance-decline line mimicked price, as did the stocks above their 50-day and 200-day averages.



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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[Inflation Universe](#)

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[Auxiliary Universe](#)

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[Special Security Universe](#)

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[Sector Universe](#)

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SPX Sector Universe Analysis for 03-Nov-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLE	CAP-WTD ENERGY (LG)	ETF	UP	2.10:-2.09	<<DN>>	2/1	-0.6
XLC	CAP-WTD COMMUNICATION SRVCS	ETF	UP	-0.78:-2.09	<<UP>>	2/1	-0.3
XLV	CAP-WTD HEALTH CARE (XL)	ETF	DN	-1.40:-2.09	≡dn≡	2/1	-0.3
XLF	CAP-WTD FINANCIALS (XL)	ETF	DN	-1.55:-2.09	≡dn≡	6/1	0.4
SPX	CAP-WTD S&P 500 INDEX	INDEX	DN	-2.17:-2.09	≡dn≡	3/1	0.1
XLB	CAP-WTD MATERIALS (MD)	ETF	DN	-2.62:-2.09	≡dn≡	3/1	0.4
XLK	CAP-WTD INFO TECHNOLOGY (XXL)	ETF	≡DN≡	-2.63:-2.10	=UP=	7/1	0.2
ITA	CAP-WTD SPACE & DEFENSE (SML)	ETF	DN	-2.71:-2.09	=dn=	9/1	0.7
XLI	CAP-WTD INDUSTRIALS (LG)	ETF	DN	-2.81:-2.09	≡dn≡	3/1	0.1
XRT	EQU-WTD RETAIL (XS)	ETF	DN	-2.91:-2.09	-UP-	7/1	0.4
XLP	CAP-WTD CONSUMER STAPLES (LG)	ETF	DN	-3.75:-2.09	<<dn>>	5/1	0.7
XLY	CAP-WTD CONSUMER DISCR (XL)	ETF	DN	-3.76:-2.09	-UP-	3/1	0.4
XLU	CAP-WTD UTILITIES (MD)	ETF	DN	-4.04:-2.09	<<up>>	6/1	0.8
IYT	CAP-WTD TRANSPORT NDX	ETF	DN	-4.21:-2.09	≡dn≡	3/1	-0.1
XLRE	CAP-WTD REAL ESTATE (MD)	ETF	DN	-4.33:-2.09	<<dn>>	6/1	0.7
ITB	CAP-WTD HOME CONSTRUCTION (SML)	ETF	DN	-5.89:-2.09	<<UP>>	7/1	1.6

The top two are the same again, but XLV nudged XLF out of 3rd place.

1. XLE — energy
2. XLC — Communication Services
3. XLV — Health Care

Capital-Weighted Sector ETFs Relative Strength History

11-Aug-2023 to 03-Nov-2023

11 Aug	18 Aug	25 Aug	01 Sep	08 Sep	15 Sep	22 Sep	29 Sep	06 Oct	13 Oct	20 Oct	27 Oct	03 Nov
BLDRS	BLDRS	BLDRS	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY
TRANS	TRANS	TRANS	BLDRS	TRANS	FINAN	FINAN	FINAN	FINAN	FINAN	COMMS	COMMS	COMMS
DISCR	DISCR	ENRGY	TRANS	BLDRS	DISCR	DISCR	COMMS	COMMS	COMMS	FINAN	FINAN	HLTHY
TECHS	COMMS	DISCR	FINAN	FINAN	TRANS	COMMS	DISCR	DISCR	HLTHY	HLTHY	HLTHY	FINAN
COMMS	SALES	FINAN	DISCR	DISCR	BLDRS	INDUS	SP500	SP500	SP500	SP500	SP500	SP500
INDUS	FINAN	SALES	SALES	INDUS	COMMS	SP500	INDUS	HLTHY	MATER	MATER	MATER	MATER
SALES	TECHS	COMMS	INDUS	COMMS	INDUS	TRANS	MATER	MATER	DISCR	INDUS	INDUS	TECHS
SP500	INDUS	INDUS	COMMS	SALES	SALES	BLDRS	HLTHY	INDUS	INDUS	DISCR	TECHS	DFEND
FINAN	ENRGY	SP500	SP500	SP500	SP500	MATER	TRANS	TECHS	TECHS	TECHS	SALES	INDUS
MATER	SP500	TECHS	TECHS	MATER	MATER	SALES	TECHS	TRANS	SALES	SALES	DISCR	SALES
ENRGY	MATER	MATER	MATER	TECHS	TECHS	HLTHY	SALES	SALES	TRANS	TRANS	DFEND	STAPL
REALE	REALE	HLTHY	HLTHY	HLTHY	HLTHY	TECHS	BLDRS	BLDRS	REALE	DFEND	TRANS	DISCR
HLTHY	HLTHY	REALE	DFEND	DFEND	DFEND	REALE	REALE	REALE	DFEND	REALE	STAPL	UTILS
DFEND	DFEND	DFEND	REALE	REALE	REALE	DFEND	DFEND	DFEND	BLDRS	STAPL	REALE	TRANS
STAPL	STAPL	STAPL	STAPL	STAPL	STAPL	STAPL	UTILS	STAPL	STAPL	UTILS	UTILS	REALE
UTILS	UTILS	UTILS	UTILS	UTILS	UTILS	UTILS	STAPL	UTILS	UTILS	BLDRS	BLDRS	BLDRS

Legend

Cap-Wtd	Equal-Wtd	Synonym	Sector Name	Cap-Wtd	Equal-Wtd	Synonym	Sector Name
8. ITA -2.71	4. XAR -2.24	DFEND	AEROSPACE & DEFENSE	9. XLI -2.81	9. RSPN -3.18	INDUS	INDUSTRIALS
2. XLC -0.78	6. RSPC -2.71	COMMS	COMMUNICATION SRVCS	6. XLB -2.62	5. RSPM -2.70	MATER	MATERIALS
12. XLV -3.76	14. RSPD -4.90	DISCR	CONSUMER DISCR	15. XLRE -4.33	12. RSPR -4.21	REALE	REAL ESTATE
11. XLP -3.75	15. RSPS -5.49	STAPL	CONSUMER STAPLES	10. XRT -2.91	8. XRT -2.91	SALES	RETAIL
1. XLE 2.10	1. RSPG 2.51	ENRGY	ENERGY	5. SPX -2.17	3. SPX -2.17	SP500	S&P 500
4. XLF -1.55	2. RSPF -1.22	FINAN	FINANCIALS	7. XLK -2.63	7. RSPT -2.90	TECHS	TECHNOLOGY
3. XLV -1.40	11. RSPH -3.91	HLTHY	HEALTH CARE	14. IYT -4.21	16. XTN -5.69	TRANS	TRANSPORTATION
16. ITB -5.89	13. XHB -4.60	BLDRS	HOMEBUILDERS	13. XLU -4.04	10. RSPU -3.49	UTILS	UTILITIES

Sector Relative-Strength History

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

In the top 6 the only thing that changed was XLF and XLV traded places.

A reader pointed out that Consumer Staples (XLP) has been rising steadily since Sep 29th. (Hat tip to John for catching that.)

This Week's Selections

My choices for last week were: BIL 100%.

Top ETFs By Slope

Current Holdings

Sym	Slope	Stop	Last
BIL	0.00%	\$90.85	\$91.81

High-Slope Sectors ETFs

Sym	Slope	Long	Last
XLE	2.10% ↓	no	\$86.68 ↑
XLC	-0.78% ↓↓	no	\$67.56 ↑
XLV	-1.40% ↓↓	no	\$127.41 ↑
XLF	-1.55% ↓↓	no	\$33.78 ↑
SPX	-2.17% ↓↓	Index	\$4358.34 ↑
XLB	-2.62% ↓↓	no	\$78.79 ↑
XLK	-2.63% ↓↓	no	\$171.76 ↑
ITA	-2.71% ↓↓	no	\$113.42 ↑

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

Analysis

[XLE](#)'s HA, ATS, and RSI are up. MACD looks like it is turning up, but money flow is neutral.

[XLC](#) has 5 out of 6 basic charts up and MACD is turning up.

[XLV](#)'s MTA is down but 5 out of 6 basic charts are up.

[XLF](#), [XLB](#), [XLK](#), and [ITA](#) have 6 out of 6 basic charts up but all their MTAs are down.

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Thoughts and Decisions

I won't buy XLE until it gets above psychological and historical resistance at \$90. I'd like to see [XLC](#) above \$68 before buying. The others have negative MTAs, so I need to see some very strong turn-up patterns or a 123 setup on positive money flow before I'll buy.

My guess is that we hit a local low on Oct 27th, but I won't take a position based on that guess alone. If the SPX closes convincingly above \$4400 (which could easily happen in a matter of days), that will go a long way to convincing me this advance has legs.

Other Securities You May Find Interesting

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

DBC is in a 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

Bounced off \$26 and closed above its 50-day average, but there's some historical resistance near \$27.

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

A close above \$44 would make this one interesting.

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

[MTA + 6 charts up looks promising.](#) I'll take a half position on Monday and buy the other half when we get an open and a close (on the same day) above \$28.

[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 is flirting with \$75.

[UUP](#) — US Dollar ETF

The dollar is consolidating below \$30. Negative CMF and flat OBV call for caution.

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