

# Weekly Market Analysis #487 – 8 December 2023

Richard "Doc" Ahrens

© All Rights Reserved

## This Week

The 10-year Treasury yields have completely retraced highs from this fall. They are down to 4.125%, the lowest yield since August. This is good news for interest-sensitive businesses.

- - - - -

Felix Zulauf said:

...the bond market bulls are now in charge, and the consensus on soft landing is extreme. And when forecasts and experts agree to such an extreme degree, then something else is usually going to happen. That's Bob Farrell's rule, and I think he's right on that. And I see that the positioning in the treasury market is the most extreme ever. JP Morgan did a survey at the treasury desk among their clients, and their clients have never been as long treasuries as they are now in the whole history. In the whole history. So it's the most extreme.

- - - - -

Talking about money market funds, JC Parets remarked:

Another \$73 Billion came in last week, as investors decide they would rather sit in in cash collecting an inflation-adjusted, after tax profit of around 1%. We're hitting new records in Money Market Funds, now approaching \$6 Trillion in assets. This historic cash position is be built by both Institutional (\$3.6 Trillion) and retail investors (\$2.2 Trillion).

- - - - -

Marc Chakin cautioned:

I've seen multiple cheery headlines this week, all celebrating how we've narrowly avoided a recession. If you're raising your eyebrows at this news... There's something you need to see.

A big reason for this newfound optimism is that the earnings recession that has plagued U.S. corporations for the past year has finally come to an end. And it's true... In Q3, companies reported much higher-than-expected profits.

Great news! On the surface... But as forensic accountant Joel Litman and I covered this week... when you dig into these companies' balance sheets and uncover the truth... These merry earnings reports tell a very different story.

You see, Q3's record-high profits did NOT come from increased sales. In fact, corporate revenues just notched a 10-year low. Instead, they came from extreme, drastic measures to cut costs.

Public companies spent Q3 quietly pulling the plug on new projects... implementing hiring freezes... and continuing the extreme wave of layoffs we've seen crashing over corporate America. In other words, public companies aren't growing – they're tightening their belts!

[Market Barometers](#)

← Use this link to see all the market barometer charts

All up except IWM.



## A Closer Look

The SPX closed up a paltry 0.2%, but it did cross the \$4600 level to make an 86-week high. The advance-decline line didn't do quite as well as price. The stocks above their 50-day and 200-day averages did even less well than the advance-decline line.



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 08-Dec-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
<a href="#">ITB</a>	CAP-WTD HOME CONSTRUCTION (SML)	ETF	UP	4.31:1.91	UP	184/1	0.6
<a href="#">XLK</a>	CAP-WTD INFO TECHNOLOGY (XXL)	ETF	UP	3.68:1.91	«UP»	999/3	-0.3
<a href="#">ITA</a>	CAP-WTD SPACE & DEFENSE (SML)	ETF	UP	3.43:1.91	UP	886/1	0.3
<a href="#">XRT</a>	EQU-WTD RETAIL (XS)	ETF	UP	2.69:1.91	≡up≡	40/1	0.6
<a href="#">XLRE</a>	CAP-WTD REAL ESTATE (MD)	ETF	UP	2.66:1.91	UP	19/1	0.4
<a href="#">XLF</a>	CAP-WTD FINANCIALS (XL)	ETF	UP	2.61:1.91	«UP»	1/1	0.1
<a href="#">XLC</a>	CAP-WTD COMMUNICATION SRVCS	ETF	UP	1.88:1.91	«UP»	2/4	-0.3
<a href="#">SPX</a>	CAP-WTD S&P 500 INDEX	INDEX	UP	1.78:1.91	«UP»	86/2	-0.1
<a href="#">XLY</a>	CAP-WTD CONSUMER DISCR (XL)	ETF	DN	1.66:1.91	=up=	12/1	0.2
<a href="#">IYT</a>	CAP-WTD TRANSPORT NDX	ETF	UP	1.59:1.91	≡up≡	16/1	0.7
<a href="#">XLI</a>	CAP-WTD INDUSTRIALS (LG)	ETF	UP	1.43:1.91	=up=	17/1	0.3
<a href="#">XLU</a>	CAP-WTD UTILITIES (MD)	ETF	DN	1.14:1.91	UP	11/1	0.1
<a href="#">XLB</a>	CAP-WTD MATERIALS (MD)	ETF	UP	1.03:1.91	≡DN≡	1/2	-0.0
<a href="#">XLP</a>	CAP-WTD CONSUMER STAPLES (LG)	ETF	DN	0.06:1.91	«up»	11/1	-0.1
<a href="#">XLV</a>	CAP-WTD HEALTH CARE (XL)	ETF	=UP=	0.00:1.91	UP	12/1	0.3
<a href="#">XLE</a>	CAP-WTD ENERGY (LG)	ETF	UP	-2.26:1.91	≡DN≡	1/20	-0.3

ITB jumped to the top of the list. My guess is that this is due to the decline in interest rates, which also brought XLRE up to number 5.

1. ITB — Home Builders pushed Communication Services out of the top 3.
2. XLK — Technology
3. ITA — Defense and Aerospace

## Sector Relative-Strength History

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

15 Sep	22 Sep	29 Sep	06 Oct	13 Oct	20 Oct	27 Oct	03 Nov	10 Nov	17 Nov	24 Nov	01 Dec	08 Dec
ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	TECHS	TECHS	TECHS	BLDRS
FINAN	FINAN	FINAN	FINAN	FINAN	COMMS	COMMS	COMMS	COMMS	COMMS	DFEND	DFEND	TECHS
DISCR	DISCR	COMMS	COMMS	COMMS	FINAN	FINAN	HLTHY	HLTHY	DFEND	COMMS	BLDRS	DFEND
TRANS	COMMS	DISCR	DISCR	HLTHY	HLTHY	HLTHY	FINAN	FINAN	FINAN	BLDRS	COMMS	SALES
BLDRS	INDUS	SP500	SP500	SP500	SP500	SP500	SP500	DFEND	SP500	FINAN	FINAN	REALE
COMMS	SP500	INDUS	HLTHY	MATER	MATER	MATER	MATER	SP500	BLDRS	SP500	SP500	FINAN
INDUS	TRANS	MATER	MATER	DISCR	INDUS	INDUS	TECHS	TECHS	SALES	SALES	SALES	COMMS
SALES	BLDRS	HLTHY	INDUS	INDUS	DISCR	TECHS	DFEND	MATER	UTILS	UTILS	REALE	SP500
SP500	MATER	TRANS	TECHS	TECHS	TECHS	SALES	INDUS	SALES	INDUS	DISCR	DISCR	DISCR
MATER	SALES	TECHS	TRANS	SALES	SALES	DISCR	SALES	INDUS	DISCR	REALE	UTILS	TRANS
TECHS	HLTHY	SALES	SALES	TRANS	TRANS	DFEND	STAPL	STAPL	HLTHY	INDUS	INDUS	INDUS
HLTHY	TECHS	BLDRS	BLDRS	REALE	DFEND	TRANS	DISCR	UTILS	ENRGY	MATER	MATER	UTILS
DFEND	REALE	REALE	REALE	DFEND	REALE	STAPL	UTILS	DISCR	REALE	STAPL	TRANS	MATER
REALE	DFEND	DFEND	DFEND	BLDRS	STAPL	REALE	TRANS	REALE	MATER	HLTHY	STAPL	STAPL
STAPL	STAPL	UTILS	STAPL	STAPL	UTILS	UTILS	REALE	TRANS	STAPL	TRANS	HLTHY	HLTHY
UTILS	UTILS	STAPL	UTILS	UTILS	BLDRS	BLDRS	BLDRS	BLDRS	TRANS	ENRGY	ENRGY	ENRGY

### Legend

Cap-Wtd	Equal-Wtd	Synonym	Sector Name	Cap-Wtd	Equal-Wtd	Synonym	Sector Name
3. ITA 3.43	1. XAR 4.02	DFEND	AEROSPACE & DEFENSE	11. XLI 1.43	10. RSPN 1.38	INDUS	INDUSTRIALS
7. XLC 1.88	8. RSPC 1.54	COMMS	COMMUNICATION SRVCS	13. XLB 1.03	12. RSPM 0.83	MATER	MATERIALS
9. XLY 1.66	11. RSPD 0.96	DISCR	CONSUMER DISCR	5. XLRE 2.66	6. RSPR 1.84	REALE	REAL ESTATE
14. XLP 0.06	14. RSPS -0.46	STAPL	CONSUMER STAPLES	4. XRT 2.69	4. XRT 2.69	SALES	RETAIL
16. XLE -2.26	16. RSPG -1.49	ENRGY	ENERGY	8. SPX 1.78	7. SPX 1.78	SP500	S&P 500
6. XLF 2.61	3. RSPF 3.13	FINAN	FINANCIALS	2. XLK 3.68	5. RSPT 2.37	TECHS	TECHNOLOGY
15. XLV -0.01	15. RSPH -0.62	HLTHY	HEALTH CARE	10. IYT 1.59	13. XTN -0.21	TRANS	TRANSPORTATION
1. ITB 4.31	2. XHB 3.59	BLDRS	HOMEBUILDERS	12. XLU 1.14	9. RSPU 1.46	UTILS	UTILITIES

Home Builders jumped two places to #1 and Real Estate jumped 3 places to #5. Technology and Defense both dropped one place, and did Finance, and Communications dropped 3.

## This Week's Selections

My choices for last week were: ITA 10%, XLC 10%, XLF 10%, XLK 10%, and BIL 60%..

### Top ETFs By Slope

#### Current Holdings

Sym	Slope	Stop	Last
XLK	3.68%	\$181.89	\$186.66 –
ITA	3.43%	\$117.37	\$122.28 ↑
XLF	2.61%	\$35.58	\$36.13 –
XLC	1.88%	\$69.77	\$70.48 ↑
BIL	0.00%	\$90.85	\$91.53 –

#### High-Slope Sectors ETFs

Sym	Slope	Long	Last
ITB	4.31% ↑↑	BUY	\$93.50 ↑↑
XRT	2.69% ↑↑	no	\$67.08 ↑↑
XLRE	2.66% ↑↑	no	\$37.90 ↑↑
SPX	1.78%	Index	\$4604.37 ↑↑
XLY	1.66% ↑↑	no	\$173.19 ↑↑
IYT	1.59% ↑↑	no	\$253.98 —
XLI	1.43% ↑↑	no	\$108.96 —
XLU	1.14% ↑↑	no	\$63.41 —

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

### Analysis

[XLK](#) has largely been flat for three weeks, but it ended the week with another all-time high. Its MACD is still down, but both CMF and OBV are up. Price barely broke down through the low ATS on Tuesday, then it broke up through the high ATS on Friday. [ITA](#) made another high, its MTA is positive, and all basic charts are still up. [XLF](#)'s MTA is up. It is in a 6-day consolidation. 5 basic charts are up and 1 is neutral. [XLC](#) bounced off support near the Oct 11<sup>th</sup> high and rose back above \$70. All 6 basic charts appear to be turning back up.

[ITB](#) made an all-time high closing the week at \$93.50. All 6 basic charts are up. [XRT](#) has been rising since the end of October and made a 40-week high; however, the last two year-end rallies fizzled, so I'm concerned about the durability of this one. CMF looks like it is turning down. [XLRE](#) has paused near \$38. Most of the basic charts are up but money flow (CMF and OBV) peaked on Tuesday. The 10-year Treasury bond yield fell from 4.7% in mid-October to 4.125% this Friday, which could buoy real estate. [SPX](#) made an 86-week high and edged up through \$4600 on Friday. Money flow is positive and more or less flat for the last 3 weeks, and price has only risen about 1% in the last 3 weeks.

[XLY](#) rose rapidly from late October to mid-November. It has continued to rise since mid-November, but at a slower pace. CMF peaked on Nov 30. There is overhead supply from highs in July and September. [IYT](#) rose nicely from late October till now. There is historical and psychological resistance near \$260. Money flow seems to be rolling over. [XLI](#)'s slope is climbing and all 6 basic charts are up. There is psychological and some historical resistance near \$110. [XLU](#) is rising slowly but it's going to have trouble getting through a lot of historical resistance at \$65.

---

### Thoughts and Decisions

ITB is above \$90 and looks strong so I'll buy it.

My sector choices for this week are: ITA 10%, ITB 10%, XLC 10%, XLF 10%, XLK 10%, and BIL 50%.

I need to make checking for 1-2-3 setups a regular part of my analysis. I missed several of them in October and November just because I wasn't paying close enough attention.

## Other Securities You May Find Interesting

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

\$24 didn't hold. Maybe \$23 will (?)

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

Rising away from Declining back toward \$26.

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

Effectively flat for 11 days.

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

Having trouble getting over \$29.

[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.

Still declining.

[UUP](#) — US Dollar ETF

Was seriously overbought. Looks like it found support near \$29. ATS and MACD+ turned up, but there's overhead supply (historical resistance) between \$29.50 and \$30.00. Wait for a 1-2-3 setup or other reliable signal.