

Weekly Market Analysis #488 – 15 December 2023

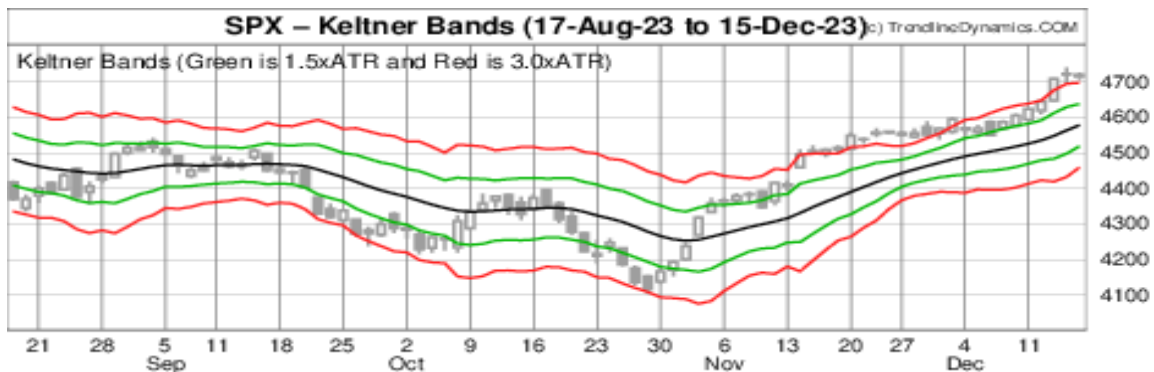
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This Week

[Joseph Brusuelas](#) said, "The Federal Reserve signaled at its meeting on Wednesday that it is done raising its policy rate and is poised to reduce it by 75 basis points next year, with more cuts after that. " Robert Eisenbeis gave a thoughtful analysis of [the Fed meeting this week](#).

I removed Heikin Ashi from the 6 basic charts and replaced it with a Keltner Band chart. Heikin Ashi looked nice at first but it's noisy and smoothing introduced too much delay.



Keltner Bands are similar to Bollinger Bands, but Bollinger uses standard deviations (sigma) and Keltner uses Average True Range (ATR). I never cared for Bollinger Bands because of their very large width variations (that I have trouble interpreting). Keltner Bands are quieter and I think easier to read.

The original Keltner Bands were based on "Typical Price" $[(O+H+C)/3]$, which was a relic of 1960s newspaper market data that only showed the Open, High, and Closing price for each ticker. I replaced Typical Price with the smoother median of the Open, High, Low, Close.

I also expanded the number of bands from two to four. The original indicator had an upper band at $EMA(20) + ATR \times 2$ and $EMA(20) - ATR \times 2$. I put in two upper bands $EMA(20) + ATR \times 1.5$ and $EMA(20) + ATR \times 3$, and two lower bands $EMA(20) - ATR \times 1.5$ and $EMA(20) - ATR \times 3$. (I originally tried three upper lines with ATR times 1, 2, and 3, and three lower lines, but it seemed too busy and was hard to read.)

The 20-day average is a good trend gauge. Price moves that touch or cross the upper 3xATR indicate overbought conditions and price moves that touch the lower 3xATR line indicate oversold conditions.

In late September SPX price touched the lower red line. In mid-October, price tested the black centerline but failed to break it. Then in late October it returned to the lower red line before turning up for the big November/December rally.

Here's a good essay on calculating and interpreting [Keltner Bands](#).

[Market Barometers](#)

← Use this link to see all the market barometer charts

All five of the major indexes are up.



A Closer Look

The SPX made a 97-week high this week. The advance-decline largely confirmed price. And stocks above their 50-day and 200-day averages were both above 75, with the stocks above their 50-day averages touching 90 on Wednesday and Thursday (indicating a broadly-based advance).



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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[Sector Universe](#)

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SPX Sector Universe Analysis for 15-Dec-2023							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ITB	CAP-WTD HOME CONSTRUCTION (SML)	ETF	UP	6.66:2.73	UP	887/1	1.7
XRT	EQU-WTD RETAIL (XS)	ETF	UP	4.41:2.73	=UP=	42/1	1.2
ITA	CAP-WTD SPACE & DEFENSE (SML)	ETF	UP	4.37:2.73	UP	887/1	0.3
XLK	CAP-WTD INFO TECHNOLOGY (XXL)	ETF	UP	4.32:2.73	UP	999/1	0.1
XLRE	CAP-WTD REAL ESTATE (MD)	ETF	UP	4.16:2.73	<<up>>	43/1	1.0
XLF	CAP-WTD FINANCIALS (XL)	ETF	UP	3.62:2.73	UP	84/1	0.5
IYT	CAP-WTD TRANSPORT NDX	ETF	UP	3.26:2.73	=UP=	19/1	0.7
XLY	CAP-WTD CONSUMER DISCR (XL)	ETF	UP	2.74:2.73	UP	83/1	0.5
XLI	CAP-WTD INDUSTRIALS (LG)	ETF	UP	2.55:2.73	UP	999/1	0.7
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	2.47:2.73	UP	97/1	0.3
XLC	CAP-WTD COMMUNICATION SRVCS	ETF	UP	2.13:2.73	≡UP≡	93/1	0.0
XLB	CAP-WTD MATERIALS (MD)	ETF	UP	1.87:2.73	=UP=	19/1	0.5
XLU	CAP-WTD UTILITIES (MD)	ETF	≡UP≡	1.84:2.73	-up-	19/1	0.2
XLV	CAP-WTD HEALTH CARE (XL)	ETF	UP	0.83:2.73	<<up>>	17/1	0.4
XLP	CAP-WTD CONSUMER STAPLES (LG)	ETF	DN	0.55:2.73	-up-	13/1	0.1
XLE	CAP-WTD ENERGY (LG)	ETF	≡DN≡	-2.40:2.73	-UP-	2/23	0.4

All but two sectors have positive MTAs now.

Sector Relative-Strength History

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

Capital-Weighted Sector ETFs Relative Strength History													22-Sep-2023 to 15-Dec-2023	
22 Sep	29 Sep	06 Oct	13 Oct	20 Oct	27 Oct	03 Nov	10 Nov	17 Nov	24 Nov	01 Dec	08 Dec	15 Dec		
ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	TECHS	TECHS	TECHS	BLDRS	BLDRS		
FINAN	FINAN	FINAN	FINAN	COMMS	COMMS	COMMS	COMMS	COMMS	DFEND	DFEND	TECHS	SALES		
DISCR	COMMS	COMMS	COMMS	FINAN	FINAN	HLTHY	HLTHY	DFEND	COMMS	BLDRS	DFEND	DFEND		
COMMS	DISCR	DISCR	HLTHY	HLTHY	HLTHY	FINAN	FINAN	BLDRS	COMMS	SALES	TECHS	TECHS		
INDUS	SP500	SP500	SP500	SP500	SP500	SP500	SP500	DFEND	SP500	FINAN	FINAN	REALE		
SP500	INDUS	HLTHY	MATER	MATER	MATER	MATER	SP500	BLDRS	SP500	SP500	FINAN	FINAN		
TRANS	MATER	MATER	DISCR	INDUS	INDUS	TECHS	TECHS	SALES	SALES	SALES	COMMS	TRANS		
BLDRS	HLTHY	INDUS	INDUS	DISCR	TECHS	DFEND	MATER	UTILS	UTILS	REALE	SP500	DISCR		
MATER	TRANS	TECHS	TECHS	TECHS	SALES	INDUS	SALES	INDUS	DISCR	DISCR	DISCR	INDUS		
SALES	TECHS	TRANS	SALES	SALES	DISCR	SALES	INDUS	DISCR	REALE	UTILS	TRANS	SP500		
HLTHY	SALES	SALES	TRANS	TRANS	DFEND	STAPL	STAPL	HLTHY	INDUS	INDUS	INDUS	COMMS		
TECHS	BLDRS	BLDRS	REALE	DFEND	TRANS	DISCR	UTILS	ENRGY	MATER	MATER	UTILS	MATER		
REALE	REALE	REALE	DFEND	REALE	STAPL	UTILS	DISCR	REALE	STAPL	TRANS	MATER	UTILS		
DFEND	DFEND	DFEND	BLDRS	STAPL	REALE	TRANS	REALE	MATER	HLTHY	STAPL	STAPL	HLTHY		
STAPL	UTILS	STAPL	STAPL	UTILS	UTILS	REALE	TRANS	STAPL	TRANS	HLTHY	HLTHY	STAPL		
UTILS	STAPL	UTILS	UTILS	BLDRS	BLDRS	BLDRS	BLDRS	TRANS	ENRGY	ENRGY	ENRGY	ENRGY		

Legend							
Cap-Wtd	Equal-Wtd	Synonym	Sector Name	Cap-Wtd	Equal-Wtd	Synonym	Sector Name
3. ITA 4.37	2. XAR 4.92	DFEND	AEROSPACE & DEFENSE	9. XLI 2.55	8. RSPN 2.59	INDUS	INDUSTRIALS
11. XLC 2.13	10. RSPC 2.30	COMMS	COMMUNICATION SRVCS	12. XLB 1.87	13. RSPM 1.85	MATER	MATERIALS
8. XLY 2.74	7. RSPD 2.76	DISCR	CONSUMER DISCR	5. XLRE 4.16	6. RSPR 3.47	REALE	REAL ESTATE
15. XLP 0.55	15. RSPS 0.48	STAPL	CONSUMER STAPLES	2. XRT 4.41	3. XRT 4.41	SALES	RETAIL
16. XLE -2.40	16. RSPG -1.86	ENRGY	ENERGY	10. SPX 2.47	9. SPX 2.47	SP500	S&P 500
6. XLF 3.62	4. RSPF 4.38	FINAN	FINANCIALS	4. XLK 4.32	5. RSPT 3.75	TECHS	TECHNOLOGY
14. XLV 0.83	14. RSPH 0.85	HLTHY	HEALTH CARE	7. IYT 3.26	12. XTN 1.90	TRANS	TRANSPORTATION
1. IIB 6.66	1. XHB 5.71	BLDRS	HOMEBUILDERS	13. XLU 1.84	11. RSPU 2.13	UTILS	UTILITIES

The top 6 sectors remained the same, this week although the order changed a little with Technology stocks and Retail Sales switching places.

This Week's Selections

My choices for last week were: ITA 10%, ITB 10%, XLC 10%, XLF 10%, XLK 10%, and BIL 50%.

Top ETFs By Slope

Current Holdings

Sym	Slope	Stop	Last
ITA	4.37%	\$119.65	\$124.91 ↑
XLK	4.32%	\$187.65	\$191.70 ↑
XLF	3.62%	\$35.85	\$37.35 ↑
XLC	2.13%	\$69.85	\$71.02 ↑
ITB	6.66% ↑↑	BUY	\$100.92↑↑
BIL	0.00%	\$90.85	\$91.63 —

High-Slope Sectors ETFs

Sym	Slope	Long	Last
XRT	4.41% ↑↑	no	\$70.85 ↑↑
XLRE	4.16% ↑↑	BUY	\$40.00 ↑↑
IYT	3.26% ↑↑	no	\$264.53 ↑
XLY	2.74% ↑↑	no	\$179.21 ↑↑
XLI	2.55% ↑↑	BUY	\$113.02 ↑
SPX	2.47%	Index	\$4719.19↑↑
XLB	1.87%	no	\$85.17 ↑↑
XLU	1.84%	no	\$63.97 ↑

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

Analysis

[ITA](#), [XLK](#), [XLF](#), [XLC](#), and [ITB](#) made another all-time high and all 6 basic charts are up.

[XRT](#) made a 42-week high, gapping up above \$70 and all 6 basic charts are up. [XLRE](#) made a 43-week high, gapping up above \$40 on Thursday. Basic charts are up. [IYT](#) jumped over resistance at \$260 as money flow turned back up. [XLY](#) powered up to an 83-week high as CMF climbed above its Nov 30 high and price consumed overhead supply from highs in July and September. [XLI](#) made an all-time high and all 6 basic charts are up as price broke through psychological and historical resistance at \$110. [SPX](#) made an 97-week high and pushed up through \$4700 on Wednesday. All 6 basic charts are up. [XLB](#)'s price jumped with the rest of the market, but CMF is barely positive.

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Thoughts and Decisions

I'm still not thrilled about XRT. I think XLRE will continue to climb because of the decline in the cost of credit. I also think XLI has formed a stronger trend (even though it's at a lower slope than IYT and XLY). So I'm going to buy XLRE and XLI.

My sector choices for this week are: ITA 10%, ITB 10%, XLC 10%, XLI 10%, XLF 10%, XLK 10% XLRE 10%, and BIL 30%.

Other Securities You May Find Interesting

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

Possible turn up (?)

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

Nope

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

Just broke lower stop.

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

Wait for close above \$30

[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

Back below \$29. Thursday.