

Weekly Market Analysis #491 — 5 January 2024

Richard "Doc" Ahrens

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This Week

Vitaliy Katsenelson is the quintessential value investor. I'm not a value investor, but his writing is so good that I am a subscriber to his weekly eletter and read it from beginning to end as soon as it arrives. His writing makes me think.

Once a year he assembles all the essays and articles he has written during the previous year into a single document and makes them available to readers. If you want to learn how to do value investing right, you can't do much better than study Vitaliy's writings. You can download the PDF of his "Article Almanac for 2023" by clicking [here](#).

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Nguyen Tu noted:

The Canadian economy is slipping into no-growth territory. In December, Canada lost 23,500 full-time jobs, replaced by a gain of 23,600 part-time positions.

Still, the mixed signals that dominated the latter half of last year have not given way to more unanimous signs of a stalling economy.

The unemployment rate remained steady at 5.8%, but underemployment is undermining both economic growth and productivity gains.

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Ed D'Agostino wrote a thoughtful article named "[What Comes Next?](#)".

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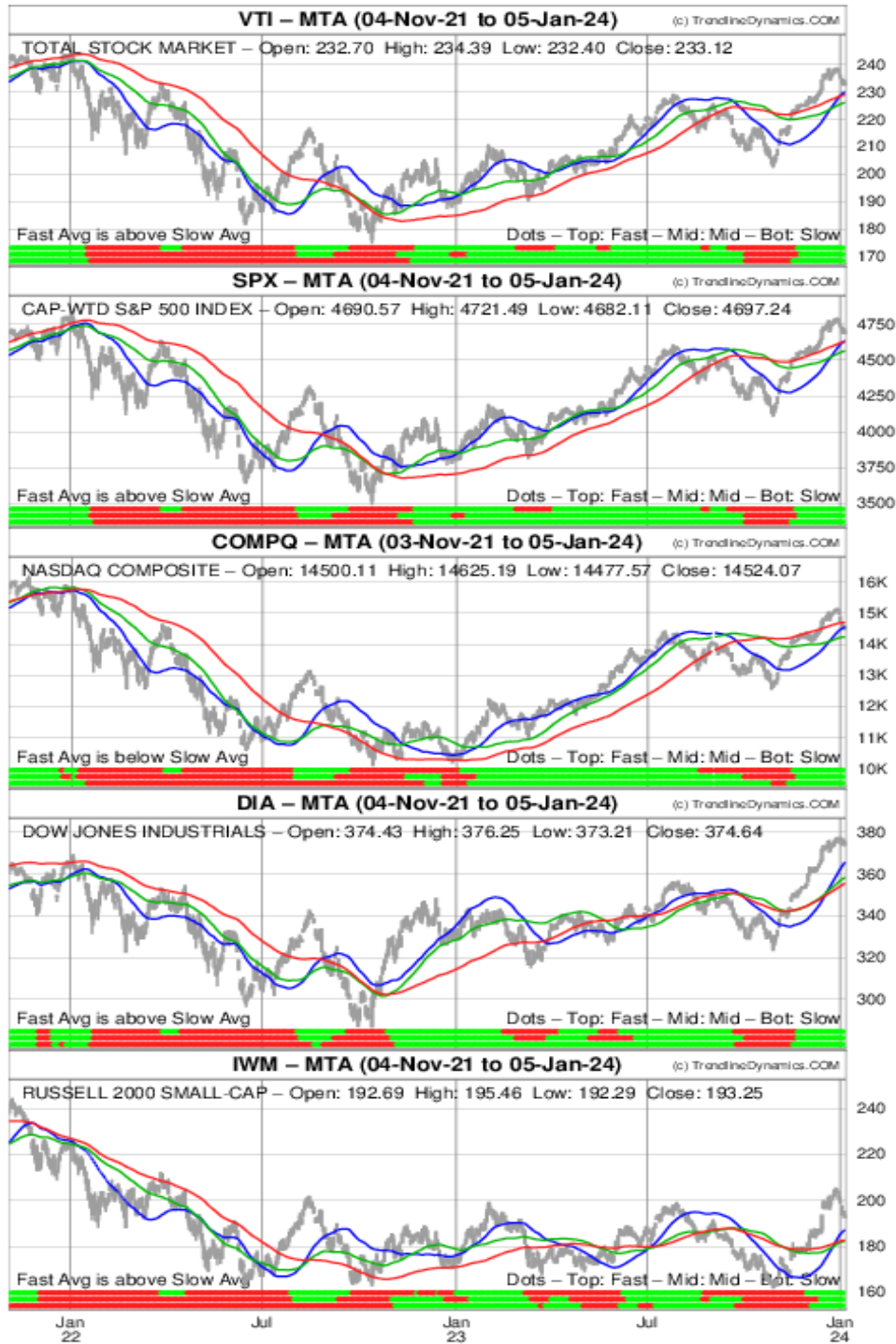
Thought

It is an easy misstep from thinking "everyone is entitled to an opinion" to thinking "everyone's opinion is useful/meaningful/valid". The greatest danger of "social media", angervision, and clickbait is that there are so many people who have never learned critical thinking skills. As a result, they cannot distinguish between the truth and convincingly worded lies.

[Market Barometers](#)

← Use this link to see all the market barometer charts

All major indexes are still up.



A Closer Look

The high on 28-Dec-2023 of \$4793.30 exceeded the close on 29-Dec-2021 by 24 cents before price turned back down. The last day in December broke the rally that started at the end of October. This week confirmed the break. The advance-decline line started down a few days before price, while stocks above their 50-day and 200-day averages turned down a little later than price.

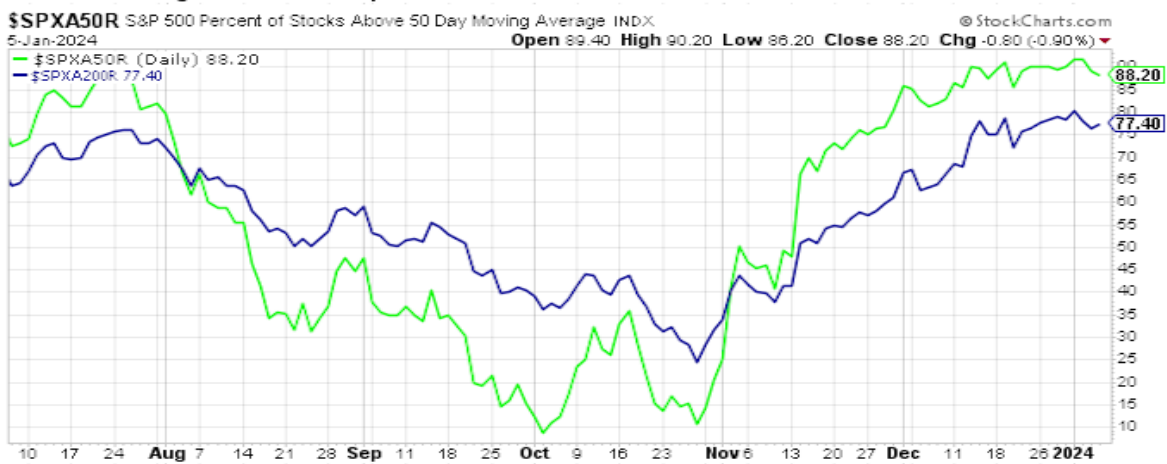


Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 Averages](#), [NewHigh–NewLows](#)

[Bullish Universe](#)

← Use this link to get to the live summary table

[Bearish Universe](#)

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[Inflation Universe](#)

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[Sector Universe](#)

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SPX Sector Universe Analysis for 05-Jan-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ITB	CAP-WTD HOME CONSTRUCTION	ETF	UP	9.50:3.53	-DN-	0/3	-1.8
XRT	EQU-WTD RETAIL	ETF	UP	6.96:3.53	=DN=	0/3	-1.8
XLRE	CAP-WTD REAL ESTATE	ETF	UP	5.95:3.53	=up=	1/2	-1.1
ITA	CAP-WTD SPACE & DEFENSE	ETF	UP	5.02:3.53	=DN=	0/3	-1.2
IYT	CAP-WTD TRANSPORT NDX	ETF	UP	4.68:3.53	≡DN≡	0/4	-1.4
XLF	CAP-WTD FINANCIALS	ETF	UP	4.67:3.53	=up=	86/2	-0.4
XLK	CAP-WTD INFO TECHNOLOGY	ETF	UP	3.99:3.53	-DN-	0/4	-1.1
XLI	CAP-WTD INDUSTRIALS	ETF	UP	3.82:3.53	=DN=	0/3	-0.9
XLY	CAP-WTD CONSUMER DISCR	ETF	UP	3.75:3.53	=DN=	0/4	-1.2
XLB	CAP-WTD MATERIALS	ETF	UP	3.23:3.53	-up-	0/2	-0.7
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	3.23:3.53	<<DN>>	0/3	-0.6
XLC	CAP-WTD COMMUNICATION SRVCS	ETF	UP	2.66:3.53	-DN-	0/2	-0.2
XLV	CAP-WTD HEALTH CARE	ETF	UP	2.27:3.53	=up=	53/0	0.4
XLU	CAP-WTD UTILITIES	ETF	UP	1.86:3.53	≡UP≡	3/0	0.1
XLP	CAP-WTD CONSUMER STAPLES	ETF	<<UP>>	1.32:3.53	=up=	18/1	0.1
XLE	CAP-WTD ENERGY	ETF	DN	-1.19:3.53	DN	8/0	0.2

The slower slope calculations make it look like 14 out of 15 sectors are doing fine. The faster CMF doesn't paint quite such a rosy picture. We shall see.

Sector Relative-Strength History

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

13 Oct	20 Oct	27 Oct	03 Nov	10 Nov	17 Nov	24 Nov	01 Dec	08 Dec	15 Dec	22 Dec	29 Dec	05 Jan
ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	TECHS	TECHS	TECHS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS
FINAN	COMMS	COMMS	COMMS	COMMS	COMMS	DFEND	DFEND	TECHS	SALES	SALES	SALES	SALES
COMMS	FINAN	FINAN	HLTHY	HLTHY	DFEND	COMMS	BLDRS	DFEND	DFEND	REALE	REALE	REALE
HLTHY	HLTHY	HLTHY	FINAN	FINAN	FINAN	BLDRS	COMMS	SALES	TECHS	DFEND	DFEND	DFEND
SP500	SP500	SP500	SP500	DFEND	SP500	FINAN	FINAN	REALE	REALE	TECHS	TRANS	TRANS
MATER	MATER	MATER	MATER	SP500	BLDRS	SP500	SP500	FINAN	FINAN	TRANS	TECHS	FINAN
DISCR	INDUS	INDUS	TECHS	TECHS	SALES	SALES	SALES	COMMS	TRANS	FINAN	FINAN	TECHS
INDUS	DISCR	TECHS	DFEND	MATER	UTILS	UTILS	REALE	SP500	DISCR	DISCR	DISCR	INDUS
TECHS	TECHS	SALES	INDUS	SALES	INDUS	DISCR	DISCR	DISCR	INDUS	INDUS	INDUS	DISCR
SALES	SALES	DISCR	SALES	INDUS	DISCR	REALE	UTILS	TRANS	SP500	SP500	SP500	MATER
TRANS	TRANS	DFEND	STAPL	STAPL	HLTHY	INDUS	INDUS	INDUS	COMMS	MATER	MATER	SP500
REALE	DFEND	TRANS	DISCR	UTILS	ENRGY	MATER	MATER	UTILS	MATER	COMMS	COMMS	COMMS
DFEND	REALE	STAPL	UTILS	DISCR	REALE	STAPL	TRANS	MATER	UTILS	UTILS	UTILS	HLTHY
BLDRS	STAPL	REALE	TRANS	REALE	MATER	HLTHY	STAPL	STAPL	HLTHY	HLTHY	HLTHY	UTILS
STAPL	UTILS	UTILS	REALE	TRANS	STAPL	TRANS	HLTHY	HLTHY	STAPL	STAPL	STAPL	STAPL
UTILS	BLDRS	BLDRS	BLDRS	BLDRS	TRANS	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY

Legend

Cap-Wtd	Equal-Wtd	Synonym	Sector Name	Cap-Wtd	Equal-Wtd	Synonym	Sector Name
4. IIA 5.02	0. XAR 0.00	DFEND	AEROSPACE & DEFENSE	8. XLI 3.82	-99. RSPN -99.00	INDUS	INDUSTRIALS
12. XLC 2.66	0. RSPC 0.00	COMMS	COMMUNICATION SRVCS	10. XLB 3.23	-99. RSPM -99.00	MATER	MATERIALS
9. XLY 3.75	0. RSPD 0.00	DISCR	CONSUMER DISCR	3. XLRE 5.95	-99. RSPR -99.00	REALE	REAL ESTATE
15. XLP 1.32	0. RSPS 0.00	STAPL	CONSUMER STAPLES	2. XRT 6.96	-99. XRT -99.00	SALES	RETAIL
16. XLE -1.19	0. RSPG 0.00	ENRGY	ENERGY	11. SPX 3.23	-99. SPX -99.00	SP500	S&P 500
6. XLF 4.67	0. RSPF 0.00	FINAN	FINANCIALS	7. XLK 3.99	-99. RSPT -99.00	TECHS	TECHNOLOGY
13. XLV 2.27	0. RSPH 0.00	HLTHY	HEALTH CARE	5. IYT 4.68	-99. XTN -99.00	TRANS	TRANSPORTATION
1. ITB 9.50	0. XHB 0.00	BLDRS	HOMEBUILDERS	14. XLU 1.86	-99. RSPU -99.00	UTILS	UTILITIES

The top 5 sectors remain unchanged. In positions 6 and 7, Techs and Finance switched places.

This Week's Selections

My choices for last week were: ITA 10%, ITB 10%, XLC 10%, XLI 10%, XLF 10%, XLK 10% XLRE 10%, XLY 10%, and BIL 20%.

Top ETFs By Slope

Current Holdings				High-Slope Sectors ETFs			
Sym	Slope	Stop	Last	Sym	Slope	Long	Last
ITB	9.50% ↓	\$98.83	\$98.58 ↓	XRT	6.96% ↓	no	\$69.40 ↓
XLRE	5.95% —	\$38.26	\$39.29 ↓	IYT	4.68% ↓	no	\$255.63 ↓
ITA	5.02% ↓	\$123.93	\$123.84 ↓	XLB	3.23% —	no	\$84.34 ↓
XLF	4.67% —	\$36.85	\$37.75 ↑	SPX	3.23% ↓	Index	\$4697.24 ↓
XLK	3.99% ↓	\$188.37	\$184.12 ↓	XLV	2.27% ↑	no	\$139.12 ↑↑
XLI	3.82% —	\$110.65	\$111.43 ↓	XLU	1.86% ↑	no	\$64.53 ↓
XLY	3.75% ↓	\$178.50	\$172.62 ↓	XLP	1.32% ↑	no	\$72.01 —
XLC	2.66% ↓	\$71.03	\$72.04 ↓				
BIL	0.00% —	\$90.85	\$91.47 —				

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

Analysis

[ITB](#) edged below my stop. Its ATS and MACD+ are negative and the other 4 basic charts fell to neutral. [XLRE](#)'s basic charts are either down or neutral. Price is 3 cents above my stop. [ITA](#) is a few cents below its stop. The basic charts are all either down or neutral. [XLF](#) made an 86-week high and ended the week slightly up while most sectors lost ground. 5 of 6 basic charts are up.

[XLK](#) broke convincingly down through my stop and all 6 basic charts are down. [XLI](#) has 4 basic charts down and two (RSI and KB) neutral. Price is close to its stop. [XLY](#) declined below its stop and all 6 basic charts are down. [XLC](#) held up fairly well this week. KB, RSI, and CMF are down but in neutral territory. So far price is making higher highs and higher lows.

[XRT](#) is down where it was on Dec 12th. made another 46-week high. 4 out of 6 basic charts are down, 2 are neutral. [IYT](#)'s CMF, ATS, and MACD are down. It's showing some support near \$255. [XLB](#) doesn't look too bad compared with other sectors. [SPX](#) may have found some support near \$4700. It's RSI and CMF are neutral.

[XLV](#) made a 53-week high and all 6 basic charts are up. [XLU](#)'s 5 of 6 basic charts are up and MACD is neutral+. [XLP](#) has all basic charts either mildly or strongly up and it's making higher highs and higher lows.

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Thoughts and Decisions

I'm going to sell XLK and XLY. I'm going to check ITB, XLRE, ITA, and XLI on a daily basis and almost certainly sell if there is any further drop in price. I will also sell XLF and/or XLC if they break their stops, but I am more confident in them.

My sector choices for this week are: ITA 10%, ITB 10%, XLC 10%, XLI 10%, XLF 10%, XLRE 10%, and BIL 40%.

Other Securities You May Find Interesting

I will analyze these later.

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