

Weekly Market Analysis #493 — 19 January 2024

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This Week

Last week's "[60 Minutes](#)" talked about how the decline in office space demand is going to have broad ramifications, especially in big cities. They used the term "commercial real estate" but the focus was on empty office space. Among other things, I'm sure there will be a lot of self-annointed "financial experts" who will advise their readers to avoid REITs. On the surface of it, this will seem sensible. However, there are a large number of REITs that do not invest in office space real estate. For example, REITs that invest in cell towers, warehouses, retail space, self-storage, and so on. I suspect that widespread selling of "real estate" ETFs will create buying opportunities in non-office-space REITs.

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Diversification

[Harry Markowitz](#) was an economics professor and the father of MPT (Modern Portfolio Theory). One of the pillars of MPT is diversification (i.e., buying a small amount of many different kinds of investments instead of putting all your money in one big investment).

Harry Markowitz' advice on diversification included five classes of investments — stocks, bonds, real estate, commodities, and cash. This list has been "conveniently" trimmed to two, stocks and bonds, by companies who only have stock and bond funds to offer us (e.g., 401K plan management companies).

If you want to see what the masters of diversification do, read *The Ivy Portfolio* by Mebane Faber and Eric Richardson. It's about how the top college endowment funds quietly and deliberately invest their money.

By the way, 401k plan management companies are not your friends. They spend huge amounts of money on marketing, and almost nothing on managing your money. The goal of their marketing is to convince you dollar cost averaging is your only hope and that you **must** stay invested all the time. (See: *The Great 401(k) Hoax* by Wolman and Colamosca)

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Things that could go south and spoil things:

- [The Fourth Turning is Here](#) (in case you're wondering why some people, especially young people, are running amok these days).
- The collapse of the office-space market
- Decline in shipping revenues due to the new on-shoring/near-shoring trends
- The mountain of business and personal debt that John Mauldin often writes about
- Global geopolitical conflicts (Ukraine vs Russia, Israel vs Hamas, Iran vs almost everybody...)

Then again, Keith Fitz-Gerald reminds us: "Investing in optimism beats pessimism every time." And he's right.

Market Barometers

← Use this link to see all the market barometer charts

SPX and DIA made all-time highs. VTI and COMPQ made 103-week (2 year) highs. And IWM is down, both this week and year-to-date.



A Closer Look

Price fell for two days and then powered up Thursday and Friday. The advance-decline line was big on the down days and weak on the up days. The stocks above their 50-day and 200-day averages confirmed the move in the A-D line, and they're both pointing to late December or early January as a local high.



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 19-Jan-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ITB	CAP-WTD HOME CONSTRUCTION	ETF	UP	8.87:3.27	UP	3/2	-0.9
XRT	EQU-WTD RETAIL	ETF	UP	5.43:3.27	≡UP≡	0/5	-1.6
XLRE	CAP-WTD REAL ESTATE	ETF	UP	4.87:3.27	≡DN≡	0/5	-1.4
XLF	CAP-WTD FINANCIALS	ETF	UP	4.22:3.27	≡UP≡	2/4	-0.6
IYT	CAP-WTD TRANSPORT NDX	ETF	UP	3.74:3.27	«UP»	1/6	-0.7
XLK	CAP-WTD INFO TECHNOLOGY	ETF	UP	3.56:3.27	UP	999/1	0.5
ITA	CAP-WTD SPACE & DEFENSE	ETF	UP	3.29:3.27	«UP»	0/7	-1.0
XLI	CAP-WTD INDUSTRIALS	ETF	UP	3.20:3.27	-UP-	2/5	-0.6
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	3.10:3.27	=UP=	999/2	-0.1
XLV	CAP-WTD HEALTH CARE	ETF	UP	3.09:3.27	-UP-	0/2	-0.3
XLC	CAP-WTD COMMUNICATION SRVCS	ETF	UP	2.90:3.27	=UP=	99/2	0.1
XLY	CAP-WTD CONSUMER DISCR	ETF	UP	2.72:3.27	-UP-	1/6	-0.6
XLB	CAP-WTD MATERIALS	ETF	UP	2.26:3.27	-UP-	0/6	-0.9
XLP	CAP-WTD CONSUMER STAPLES	ETF	UP	1.61:3.27	-UP-	0/2	-0.3
XLU	CAP-WTD UTILITIES	ETF	UP	1.27:3.27	DN	0/9	-0.9
XLE	CAP-WTD ENERGY	ETF	DN	-1.86:3.27	«dn»	0/27	-0.8

12 out of the 15 sectors had positive money flow.

Sector Relative-Strength History

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

Capital-Weighted Sector ETFs Relative Strength History

20-Oct-2023 to 12-Jan-2024

20 Oct	27 Oct	03 Nov	10 Nov	17 Nov	24 Nov	01 Dec	08 Dec	15 Dec	22 Dec	29 Dec	05 Jan	12 Jan
ENRGY	ENRGY	ENRGY	ENRGY	TECHS	TECHS	TECHS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS
COMMS	COMMS	COMMS	COMMS	COMMS	DFEND	DFEND	TECHS	SALES	SALES	SALES	SALES	SALES
FINAN	FINAN	HLTHY	HLTHY	DFEND	COMMS	BLDRS	DFEND	DFEND	REALE	REALE	REALE	REALE
HLTHY	HLTHY	FINAN	FINAN	FINAN	BLDRS	COMMS	SALES	TECHS	DFEND	DFEND	DFEND	FINAN
SP500	SP500	SP500	DFEND	SP500	FINAN	FINAN	REALE	REALE	TECHS	TRANS	TRANS	TRANS
MATER	MATER	MATER	SP500	BLDRS	SP500	SP500	FINAN	FINAN	TRANS	TECHS	FINAN	DFEND
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	DISCR
SALES	DISCR	SALES	INDUS	DISCR	REALE	UTILS	TRANS	SP500	SP500	SP500	MATER	SP500
TRANS	DFEND	STAPL	STAPL	HLTHY	INDUS	INDUS	INDUS	COMMS	MATER	MATER	SP500	HLTHY
DFEND	TRANS	DISCR	UTILS	ENRGY	MATER	MATER	UTILS	MATER	COMMS	COMMS	COMMS	MATER
REALE	STAPL	UTILS	DISCR	REALE	STAPL	TRANS	MATER	UTILS	UTILS	UTILS	HLTHY	COMMS
STAPL	REALE	TRANS	REALE	MATER	HLTHY	STAPL	STAPL	HLTHY	HLTHY	HLTHY	UTILS	UTILS
UTILS	UTILS	REALE	TRANS	STAPL	TRANS	HLTHY	HLTHY	STAPL	STAPL	STAPL	STAPL	STAPL
BLDRS	BLDRS	BLDRS	BLDRS	TRANS	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY

Legend

Cap-Wtd	Equal-Wtd	Synonym	Sector Name	Cap-Wtd	Equal-Wtd	Synonym	Sector Name
6. ITA 4.16	8. XAR 4.26	DFEND	AEROSPACE & DEFENSE	7. XLI 3.58	10. RSPN 3.73	INDUS	INDUSTRIALS
13. XLC 2.74	13. RSPC 2.93	COMMS	COMMUNICATION SRVCS	12. XLB 2.87	11. RSPM 3.38	MATER	MATERIALS
9. XLY 3.26	6. RSPD 4.73	DISCR	CONSUMER DISCR	3. XLRE 5.66	4. RSPR 5.61	REALE	REAL ESTATE
15. XLP 1.56	15. RSPS 1.81	STAPL	CONSUMER STAPLES	2. XRT 6.39	2. XRT 6.39	SALES	RETAIL
16. XLE -1.31	16. RSPG -1.18	ENRGY	ENERGY	10. SPX 3.17	12. SPX 3.17	SP500	S&P 500
4. XLF 4.62	3. RSPF 5.65	FINAN	FINANCIALS	8. XLK 3.45	5. RSPT 4.76	TECHS	TECHNOLOGY
11. XLV 2.93	9. RSPH 4.21	HLTHY	HEALTH CARE	5. IYT 4.29	7. XTN 4.65	TRANS	TRANSPORTATION
1. ITB 9.35	1. XHB 8.24	BLDRS	HOMEBUILDERS	14. XLU 1.88	14. RSPU 2.01	UTILS	UTILITIES

The top three are the same as last week. The second three are the same sectors, but in reverse order.

This Week's Selections

My choices for last week were: ITB 10%, XLC 10%, XLI 10%, XLF 10%, XLK 10%, XLRE 10%, and BIL 40%

Top ETFs By Slope

Current Holdings

Sym	Slope	Stop	Last
ITB	8.87% ↓↓	\$99.35	\$102.37↑↑
XLRE	4.87% ↓↓	\$38.85	\$38.70 ↓
XLF	4.22% ↓↓	\$36.85	\$37.93 ↑
XLK	3.56% —	\$188.37	\$200.17↑↑
XLI	3.20% ↓↓	\$111.37	\$112.45—
XLC	2.90% ↑↑	\$71.03	\$74.83 ↑↑
BIL	0.00% —	\$90.85	\$91.66 —

High-Slope Sectors ETFs

Sym	Slope	Long	Last
XRT	5.43% ↓↓	no	\$68.68 —
IYT	3.74% ↓↓	no	\$258.82 ↑↑
ITA	3.29% ↓↓	no	\$121.71 ↓↓
SPX	3.10% ↓↓	Index	\$4,839.8↑↑
XLV	3.09% ↑↑	no	\$139.46 ↓
XLY	2.72% ↓↓	no	\$174.89 ↑↑
XLB	2.26% ↓↓	no	\$82.23 ↓↓
XLP	1.61% ↑↑	no	\$72.05 ↓
XLU	1.27% ↓	no	\$60.98 ↓↓

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

Analysis

[ITB](#) has essentially been flat for 5 weeks; however, its CMF is rising. [XLRE](#) is below my stop and all 6 basic charts are down. [XLF](#) has also been flat for 5 weeks and, like the home builders, its CMF has turned up. [XLK](#) made an all-time high and all 6 basic charts are up.

[XLI](#) has been in a slow decline since the end of December but it looks like it may be turning up. [XLC](#) made a 99-week high. Its MACD and OBV are neutral but the other 4 basic charts are up.

[XRT](#) — 5 out of 6 basic charts are down, but CMF was up this week. [IYT](#)'s and [ITA](#)'s basic charts are all either down or neutral. [SPX](#) made an all-time high on Friday. [XLV](#) has 4 of 6 basic charts up. MACD and OBV are down a little.

[XLY](#)'s basic charts are all either down or neutral. [XLB](#) has all basic charts down except CMF. [XLP](#)'s basic charts are all either down or neutral. [XLU](#) made a 9-week low and all basic charts are down.

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Thoughts and Decisions

Sell XLRE and keep an eye on XLI.

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

Other Securities You May Find Interesting

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

Price is flirting with \$22 but this is still a no.

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

Range-bound between \$26 and \$27 since October.

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

Price made a 17½ year high and all basic charts are up.

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

CMF is up, OBV turned down. MACD+ is up, RSI is neutral. KB and ATS are up. I would consider buying this with a hard stop around \$29.21 or so.

[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.

This may become interesting if it gets over \$70.

[UUP](#) — US Dollar ETF

Seems to have found support near \$27.

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