

Weekly Market Analysis #494 — 26 January 2024

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This Week

Brian Schreiner said:

Uranium has continued its historic run as global demand for nuclear energy is on the rise. Politicians around the world who are committed to reducing CO2 emissions now realize that wind and solar aren't enough to reach their targets. Meanwhile, supply woes have pushed uranium to 16-year highs. The world's biggest uranium miner warned of a production shortfall.

I would add that climate and energy experts argue that Net Zero carbon reduction goals cannot be met without new nuclear energy projects. Solar and wind power capacity is expected to continue its accelerated growth pace, but neither one offers the consistency and high-capacity potential of nuclear power.

Large reactors cost \$10-\$20 billion to build while SMRs (Small Modular Reactors) are estimated to cost less about \$0.9 billion. Large reactors cost about \$9,000 per kilowatt while SMRs should cost about \$3,000 per kilowatt.

The first working SMRs are expected to come on line by 2030. Companies working on SMR technology include US Westinghouse Electric, UK's Rolls-Royce, and Canada's Terrestrial Energy. The only publicly traded company so far is NuScale Power (ticker "SMR") in Oregon. At about \$2 per share. SMR might be a good, very long-term bet on SMRs.

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Other Opinions on Diversification

Warren Buffett: Wide diversification is only required when investors do not understand what they are doing.

Richard W. Halsey: Diversification is often used as a poor substitute for good research. Five well researched companies will provide greater rewards than twenty "diversified" picks.

Peter Druckenmiller: I think diversification and all the stuff they're teaching at business school today is probably the most misguided concept everywhere.

John Mauldin: The market can be in a bear cycle for 20 years...[Diversification] is all well and good in a bull market, but in a bear market, you are simply diversifying your losses.

Keith Fitz-Gerald: Most investors are still thinking in terms of diversification, which is like playing not to lose. The world's best investors, on the other hand, are thinking about being "in to win" -- something we talk about frequently because it implies concentration.

Jared Dillian: Most people don't insure their portfolios, and if they do, they do it through diversification, where they add some low-returning assets to go with their high-returning assets. This results in lower returns, and it doesn't do much in the way of insurance. In times of market stress, [stock] correlations go to 1.0 [100%], and you lose money anyway.

[Market Barometers](#)

← Use this link to see all the market barometer charts

SPX and DIA again made all-time highs. VTI and COMPQ made 104-week (2 year) highs. All 5 major indexes have positive MTAs.



A Closer Look

Price made an all-time high on Thursday then edged downward (less than 0.1%) on Friday. The advance-decline perked up on Thursday and Friday but still lags price. In a somewhat unusual move, the stocks above their 50-day and 200-day averages went in different directions on Friday. SPX money flow was positive this week.



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

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[Sector Universe](#) ← Use this link to get to the live summary table

SPX Sector Universe Analysis for 26-Jan-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ITB	CAP-WTD HOME CONSTRUCTION	ETF	UP	7.75:3.28	=DN=	893/6	-1.3
XRT	EQU-WTD RETAIL	ETF	UP	4.52:3.28	<<up>>	2/1	-0.5
XLF	CAP-WTD FINANCIALS	ETF	UP	4.16:3.28	-UP-	92/1	0.1
XLK	CAP-WTD INFO TECHNOLOGY	ETF	UP	4.15:3.28	-up-	999/1	0.7
XLRE	CAP-WTD REAL ESTATE	ETF	UP	3.95:3.28	DN	2/6	-1.0
XLC	CAP-WTD COMMUNICATION SRVCS	ETF	UP	3.47:3.28	-UP-	104/1	0.6
IYT	CAP-WTD TRANSPORT NDX	ETF	UP	3.42:3.28	-UP-	4/1	0.1
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	3.23:3.28	<<up>>	999/1	0.2
XLV	CAP-WTD HEALTH CARE	ETF	UP	3.09:3.28	-UP-	2/4	-0.6
XLI	CAP-WTD INDUSTRIALS	ETF	UP	2.98:3.28	-UP-	4/1	-0.1
ITA	CAP-WTD SPACE & DEFENSE	ETF	UP	2.60:3.28	≡DN≡	3/1	-0.2
XLY	CAP-WTD CONSUMER DISCR	ETF	UP	1.98:3.28	-UP-	1/7	-0.5
XLB	CAP-WTD MATERIALS	ETF	UP	1.61:3.28	<<up>>	2/7	-0.4
XLP	CAP-WTD CONSUMER STAPLES	ETF	UP	1.56:3.28	up	2/4	-0.2
XLU	CAP-WTD UTILITIES	ETF	UP	0.37:3.28	-dn-	1/10	-0.6
XLE	CAP-WTD ENERGY	ETF	DN	-1.89:3.28	=UP=	3/1	0.3

11 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.

03 Nov	10 Nov	17 Nov	24 Nov	01 Dec	08 Dec	15 Dec	22 Dec	29 Dec	05 Jan	12 Jan	19 Jan	26 Jan
ENRGY	ENRGY	TECHS	TECHS	TECHS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS
COMMS	COMMS	COMMS	DFEND	DFEND	TECHS	SALES	SALES	SALES	SALES	SALES	SALES	SALES
HLTHY	HLTHY	DFEND	COMMS	BLDRS	DFEND	DFEND	REALE	REALE	REALE	REALE	REALE	FINAN
FINAN	FINAN	FINAN	BLDRS	COMMS	SALES	TECHS	DFEND	DFEND	DFEND	FINAN	FINAN	TECHS
SP500	DFEND	SP500	FINAN	FINAN	REALE	REALE	TECHS	TRANS	TRANS	TRANS	TRANS	REALE
MATER	SP500	BLDRS	SP500	SP500	FINAN	FINAN	TRANS	TECHS	FINAN	DFEND	TECHS	COMMS
TECHS	TECHS	SALES	SALES	SALES	COMMS	TRANS	FINAN	FINAN	TECHS	INDUS	DFEND	TRANS
DFEND	MATER	UTILS	UTILS	REALE	SP500	DISCR	DISCR	DISCR	INDUS	TECHS	INDUS	SP500
INDUS	SALES	INDUS	DISCR	DISCR	DISCR	INDUS	INDUS	INDUS	DISCR	DISCR	SP500	HLTHY
SALES	INDUS	DISCR	REALE	UTILS	TRANS	SP500	SP500	SP500	MATER	SP500	HLTHY	INDUS
STAPL	STAPL	HLTHY	INDUS	INDUS	INDUS	COMMS	MATER	MATER	SP500	HLTHY	COMMS	DFEND
DISCR	UTILS	ENRGY	MATER	MATER	UTILS	MATER	COMMS	COMMS	COMMS	MATER	DISCR	DISCR
UTILS	DISCR	REALE	STAPL	TRANS	MATER	UTILS	UTILS	UTILS	HLTHY	COMMS	MATER	MATER
TRANS	REALE	MATER	HLTHY	STAPL	STAPL	HLTHY	HLTHY	HLTHY	UTILS	UTILS	STAPL	STAPL
REALE	TRANS	STAPL	TRANS	HLTHY	HLTHY	STAPL	STAPL	STAPL	STAPL	STAPL	UTILS	UTILS
BLDRS	BLDRS	TRANS	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY

Legend

Cap-Wtd	Equal-Wtd	Synonym	Sector Name	Cap-Wtd	Equal-Wtd	Synonym	Sector Name
11. ITA 2.60	12. XAR 2.63	DFEND	AEROSPACE & DEFENSE	10. XLI 2.98	9. RSPN 3.17	INDUS	INDUSTRIALS
6. XLC 3.47	11. RSPC 2.64	COMMS	COMMUNICATION SRVCS	13. XLB 1.61	13. RSPM 1.88	MATER	MATERIALS
12. XLY 1.98	7. RSPD 3.55	DISCR	CONSUMER DISCR	5. XLRE 3.95	5. RSPR 4.11	REALE	REAL ESTATE
14. XLP 1.56	14. RSPS 1.34	STAPL	CONSUMER STAPLES	2. XRT 4.52	4. XRT 4.52	SALES	RETAIL
16. XLE -1.89	16. RSPG -1.97	ENRGY	ENERGY	8. SPX 3.23	8. SPX 3.23	SP500	S&P 500
3. XLF 4.16	2. RSPF 4.87	FINAN	FINANCIALS	4. XLK 4.15	3. RSPT 4.83	TECHS	TECHNOLOGY
9. XLV 3.09	6. RSPH 4.02	HLTHY	HEALTH CARE	7. IYT 3.42	10. XTN 2.83	TRANS	TRANSPORTATION
1. ITB 7.75	1. XHB 6.94	BLDRS	HOMEBUILDERS	15. XLU 0.37	15. RSPU 0.42	UTILS	UTILITIES

The top two are the same as last week. Finance edged up into 3rd place and Techs moved higher, dropping Real Estate to 5th.

Other Securities You May Find Interesting

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

Price broke away from \$22 and all 6 basic charts are up. The longer term MTA and smoothed slope are both negative, so this would be a very speculative position that would require daily monitoring.

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

All 6 basic charts are up. Slope has risen to neutral and MTA appears to be turning up. If price gets above \$28, this might become interesting, but right now the little voice in the back of my head says there is something wrong with these charts. (Not very scientific, but I wouldn't buy this right now.)

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

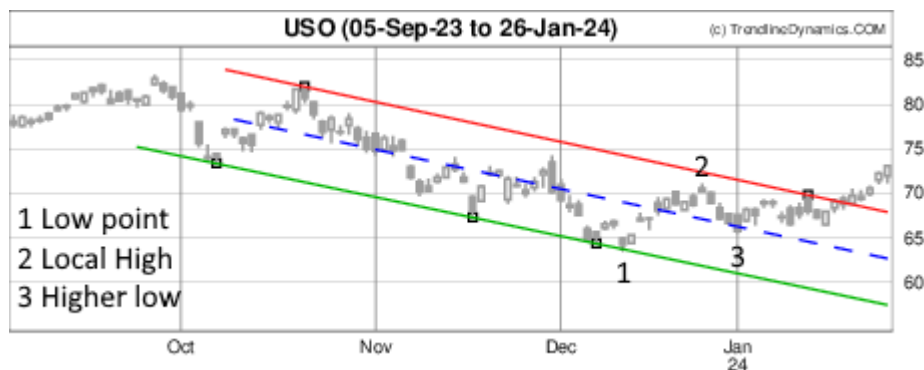
Price made another 17½ year high and all basic charts are up.

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

In the short-term, URA is choppy, so it is probably better to think of it as a long-term position. The hard stop I mentioned last week (\$29.21) is based on historical support/resistance (past price action) between November 20th and December 21st. The big upward gap in the second week of January has essentially finished closing this week, but price has not closed below \$29.21 yet. I'm going to stick with that level. If you are holding URA I would also say a close below \$29 would be a very loud "get out and wait for the smoke to clear" signal.

[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 did, indeed, break up through \$70. It also completed a 1-2-3 setup. (It's not the greatest 1-2-3 setup I've seen, but it's valid.) The textbook entry for this would have been a few days earlier but the 13-week high trendline will do. The break above \$70 and all 6 basic charts being up improve the picture.



[UUP](#) — US Dollar ETF — Climbing slowly this month.

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