

Weekly Market Analysis #495 — 2 February 2024

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This Week

The Chinese stock market is in a widespread decline and the Chinese government has decided to fight the decline by issuing restrictions against short selling. Of course, these restrictions send an unmistakable signal to traders that the market is in deep trouble and is very likely to send the Chinese stock market into free fall. Oops.

New York Community Bancorp's fourth-quarter write-down of commercial real estate assets sparked concerns about another crisis a year after three bank collapses sent shock waves through the industry. Commercial real estate, especially for office space, has taken a hit since the pandemic, pressuring regional banks that hold many of those loans.

The so-called "Magnificent Seven" accounts for almost 30% of the SPX, while the remaining ~70% is divided among the other 493 stocks. The increasing popularity of passive indexing results in more and more money going into the Big 7. This drives their prices higher and higher, whether or not their fundamentals warrant it. It also means that if just one or two of the Big 7 go into a decline, they may possibly take the entire index down with them.

This makes me wonder if the boring, equally-weighted RSP isn't a smarter way to invest in the S&P 500.



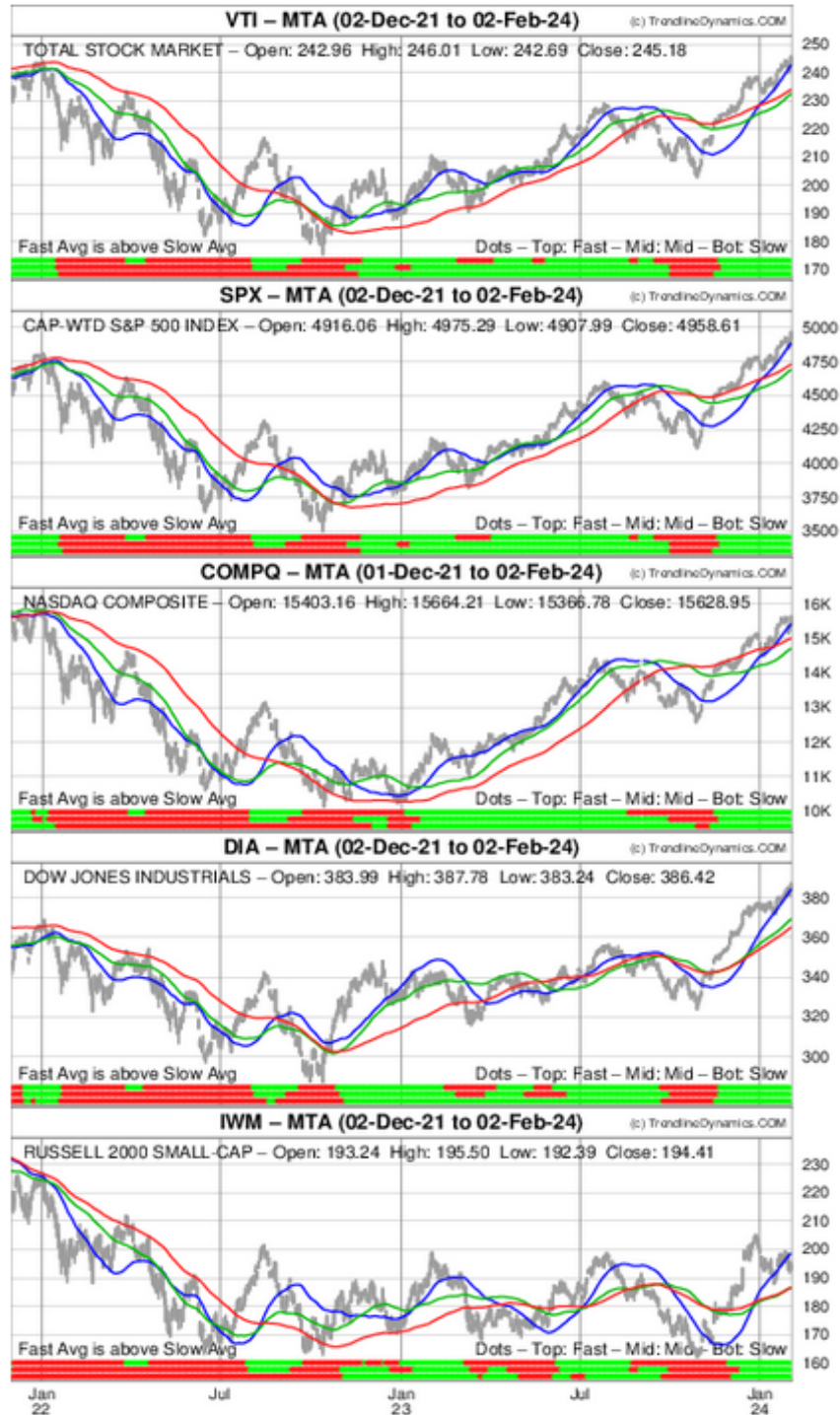
One last note about diversification

A long-time reader reminded me about strategy diversification – the practice of using 5 or so non-correlated investing strategies. Quite a number of investing experts (including credible investing trainers like Van Tharp) recommend strategy diversification, and I agree. It is one of the most effective ways to deal with different market types or phases.

[Market Barometers](#)

← Use this link to see all the market barometer charts

VTI, SPX, and DIA made all-time highs. COMPQ made a 105-week high. IWM has been between \$190 and \$200 for 5 weeks.



A Closer Look

Price made all-time highs on Monday and again on Friday. The advance-decline didn't do quite as well. And neither did the stocks above their 50-day and 200-day averages.

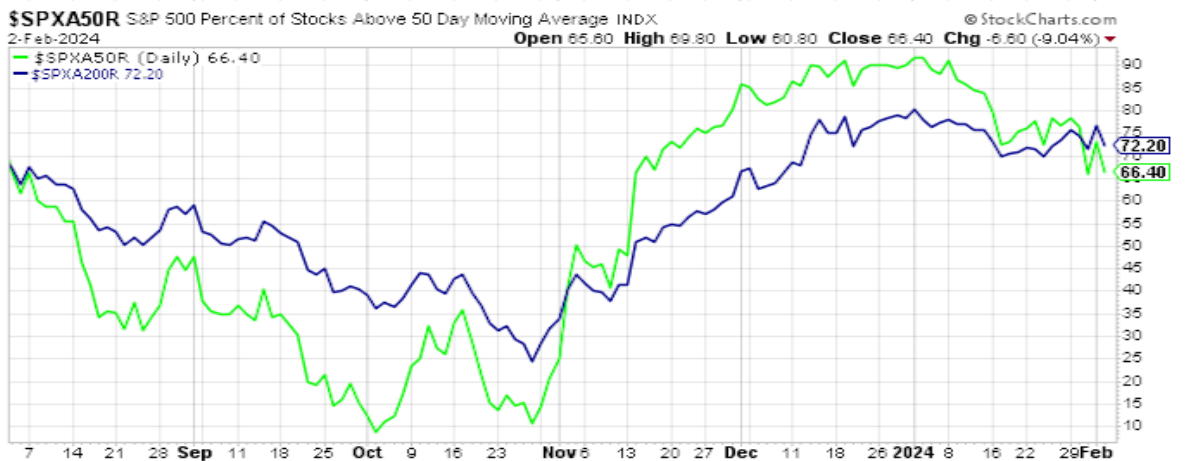


Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 Averages](#), [NewHigh–NewLows](#)

[Bullish Universe](#)

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SPX Sector Universe Analysis for 02-Feb-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
SMH	SEMICONDUCTORS	ETF	UP	6.99:3.33	up	1/2	-0.0
ITB	CAP-WTD HOME CONSTRUCTION	ETF	UP	6.51:3.33	«UP»	2/1	-0.4
XLK	CAP-WTD INFO TECHNOLOGY	ETF	UP	4.35:3.33	up	1/2	-0.0
XLF	CAP-WTD FINANCIALS	ETF	UP	4.17:3.33	-UP-	93/1	0.2
XLC	CAP-WTD COMMUNICATION SRVCS	ETF	UP	4.14:3.33	≡up≡	111/2	0.4
XRT	EQU-WTD RETAIL	ETF	UP	3.73:3.33	-UP-	4/2	0.1
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	3.32:3.33	«UP»	999/2	0.1
XLV	CAP-WTD HEALTH CARE	ETF	UP	3.13:3.33	«up»	91/1	-0.1
IYT	CAP-WTD TRANSPORT NDX	ETF	UP	3.09:3.33	UP	26/2	-0.0
XLRE	CAP-WTD REAL ESTATE	ETF	UP	2.89:3.33	-dn-	2/7	-0.5
XLI	CAP-WTD INDUSTRIALS	ETF	UP	2.83:3.33	-UP-	999/1	0.2
ITA	CAP-WTD SPACE & DEFENSE	ETF	UP	2.08:3.33	-dn-	4/1	0.2
XLP	CAP-WTD CONSUMER STAPLES	ETF	UP	1.75:3.33	-UP-	24/1	0.4
XLY	CAP-WTD CONSUMER DISCR	ETF	UP	1.42:3.33	-UP-	5/1	0.1
XLB	CAP-WTD MATERIALS	ETF	UP	1.17:3.33	-UP-	3/1	0.1
XLU	CAP-WTD UTILITIES	ETF	UP	-0.08:3.33	-UP-	3/1	0.1
XLE	CAP-WTD ENERGY	ETF	DN	-1.50:3.33	UP	4/1	0.3

I added the Semiconductor subsector to the sector universe this week. I am going to add some other subsectors over the next few weeks to give us a little bit broader spectrum of investments. The theory of using just 15 sectors sounded good, but I think we're missing out on some opportunities.

Sector Relative-Strength History

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

Capital-Weighted Sector ETFs Relative Strength History

10-Nov-2023 to 02-Feb-2024

10 Nov	17 Nov	24 Nov	01 Dec	08 Dec	15 Dec	22 Dec	29 Dec	05 Jan	12 Jan	19 Jan	26 Jan	02 Feb
ENRGY	TECHS	TECHS	TECHS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS
COMMS	COMMS	DFEND	DFEND	TECHS	SALES	SALES	SALES	SALES	SALES	SALES	SALES	TECHS
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	COMMS
DFEND	SP500	FINAN	FINAN	REALE	REALE	TECHS	TRANS	TRANS	TRANS	TRANS	REALE	SALES
SP500	BLDRS	SP500	SP500	FINAN	FINAN	TRANS	TECHS	FINAN	DFEND	TECHS	COMMS	SP500
TECHS	SALES	SALES	SALES	COMMS	TRANS	FINAN	FINAN	TECHS	INDUS	DFEND	TRANS	HLTHY
MATER	UTILS	UTILS	REALE	SP500	DISCR	DISCR	DISCR	INDUS	TECHS	INDUS	SP500	TRANS
SALES	INDUS	DISCR	DISCR	DISCR	INDUS	INDUS	INDUS	DISCR	DISCR	SP500	HLTHY	REALE
INDUS	DISCR	REALE	UTILS	TRANS	SP500	SP500	SP500	MATER	SP500	HLTHY	INDUS	INDUS
STAPL	HLTHY	INDUS	INDUS	INDUS	COMMS	MATER	MATER	SP500	HLTHY	COMMS	DFEND	DFEND
UTILS	ENRGY	MATER	MATER	UTILS	MATER	COMMS	COMMS	COMMS	MATER	DISCR	DISCR	STAPL
DISCR	REALE	STAPL	TRANS	MATER	UTILS	UTILS	UTILS	HLTHY	COMMS	MATER	MATER	DISCR
REALE	MATER	HLTHY	STAPL	STAPL	HLTHY	HLTHY	HLTHY	UTILS	UTILS	STAPL	STAPL	MATER
TRANS	STAPL	TRANS	HLTHY	HLTHY	STAPL	STAPL	STAPL	STAPL	STAPL	UTILS	UTILS	UTILS
BLDRS	TRANS	ENRGY	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 2.08	12. XAR 1.96	DFEND	AEROSPACE & DEFENSE	10. XLI 2.83	9. RSPN 3.03	INDUS	INDUSTRIALS
4. XLC 4.14	10. RSPC 2.89	COMMS	COMMUNICATION SRVCS	14. XLB 1.17	14. RSPM 1.28	MATER	MATERIALS
13. XLY 1.42	7. RSPD 3.16	DISCR	CONSUMER DISCR	9. XLRE 2.89	8. RSPR 3.05	REALE	REAL ESTATE
12. XLP 1.75	13. RSPS 1.29	STAPL	CONSUMER STAPLES	5. XRT 3.73	5. XRT 3.73	SALES	RETAIL
16. XLE -1.50	16. RSPG -1.80	ENRGY	ENERGY	6. SPX 3.32	6. SPX 3.32	SP500	S&P 500
3. XLF 4.17	3. RSPF 4.56	FINAN	FINANCIALS	2. XLK 4.35	2. RSPT 4.64	TECHS	TECHNOLOGY
7. XLV 3.13	4. RSPH 3.83	HLTHY	HEALTH CARE	8. IYT 3.09	11. XTN 2.14	TRANS	TRANSPORTATION
1. ITB 6.51	1. XHB 6.01	BLDRS	HOMEBUILDERS	15. XLU -0.08	15. RSPU -0.05	UTILS	UTILITIES

It's not easy to make additions to the program that produces the sector history table. I will have to rewrite it to make it more flexible. SMH would be at the top of the table this week.

This Week's Selections

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

Top ETFs By Slope

Current Holdings

Sym	Slope	Stop	Last
ITB	6.51% ↓↓	\$99.35	\$102.10 ↑
XLK	4.35% ↑↑	\$188.37	\$202.24 —
XLF	4.17% —	\$36.85	\$38.98 —
XLC	4.14% ↑↑	\$71.03	\$79.74 ↑↑
XLI	2.83% —	\$111.37	\$115.58 ↑↑
BIL	0.00% —	\$90.85	\$91.44 —

High-Slope Sectors ETFs

Sym	Slope	Long	Last
SMH	6.99% ↑↑	no	\$191.22 ↑
XRT	3.73% ↓↓	no	\$70.74 ↑
SPX	3.32% ↑	Index	\$4958.6 ↑↑
XLV	3.13% ↑↑	BUY	\$141.99 ↑
IYT	3.09% ↓↓	no	\$264.94 ^
XLRE	2.89% ↓↓	no	\$38.31 ↓↓
XLP	1.75% ↑↑	no	\$74.17 ↑↑
XLY	1.42% ↓↓	no	\$177.32 ↑
XLB	1.17% ↓↓	no	\$83.09 —

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

Analysis

[ITB](#) has been flat for 7 weeks and is hovering above \$100. [XLK](#) fell back to the \$200 area but money flow is positive. [XLF](#) made a 93-week high and money flow is strong. [XLC](#) had a burst of volatility this week, gapping down and then gapping up. Lots of action but little useful information. [XLI](#) made a new all-time high, closing above \$115 on positive money flow.

[SMH](#) made an all-time high last week and wandered around \$190 this week. Looks like mild profit-taking. Money flow is good and RSI bounced up off 50 which is usually a positive sign. [XRT](#) looks like it may be turning up. CMF is positive. An open and a close above \$70 would be a positive sign. [SPX](#) made two more all-time highs on Monday and Friday. RSI+ and MACD+ are just above their "zero" lines. [XLV](#) made a 91-week high on Thursday. KB, ATS, RSI, and CMF are all positive. MACD and OBV are neutral. [IYT](#) is right up against 2 high trendlines, a 25-month and a 6 month. KB up, ATS flat, RSI flat, MACD flat, CMF up, OBV flat.

[XLRE](#) has all 6 basic charts either down or neutral. [XLP](#) is rising but its long-term slope is about half of the SPX's. [XLY](#)'s basic charts are mixed. [XLB](#) — All 4 basic price charts are neutral while CMF and OBV are positive.

Thoughts and Decisions

Despite its long-term slope being slightly below the SPX, with 5 out of 6 basic charts up, I'm going to buy XLV.

So my sector choices for this week : ITA 10%, ITB 10%, XLC 10%, XLI 10%, XLF 10%, XLV 10%, and BIL 40%.

