

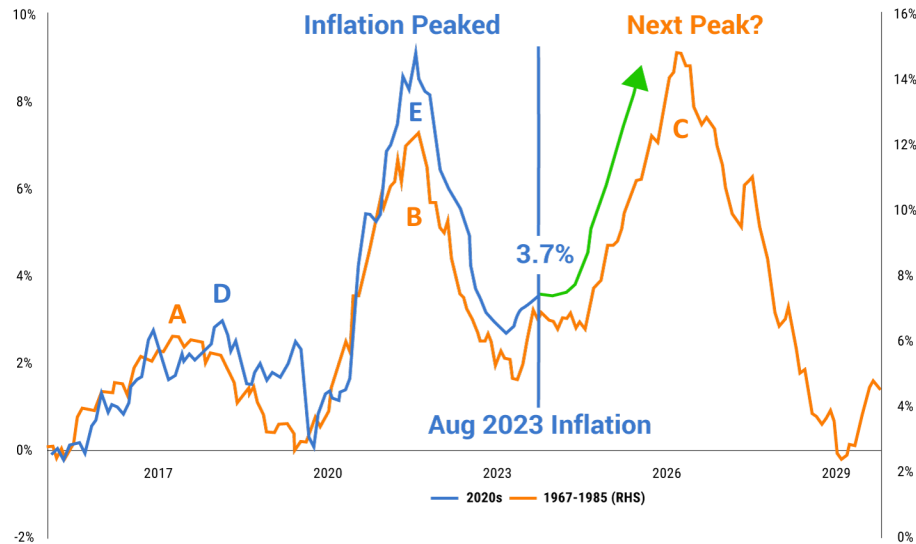
# Weekly Market Analysis #497 — 16 February 2024

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## This Week

Don Kaufman at Theotrade published this chart comparing inflation today to what happened in the past. Interestingly enough, this is not the first time I have seen a chart like this. In the last 9 months, at least 4 respected analysts have written about the same thing. The orange line is what happened from 1967 to 1985.



Notice that in the past there were three peaks — A, B, and C — each one higher than the one before. In 2018 we had peak D and in 2022 we had a higher peak E. If the pattern holds, the next peak will arrive in 2-3 years, and it will be devastating.

The Magnificent 7 tech stocks that have been a driving force behind the S&P 500's rally to record highs have a European rival. A new group dubbed the GRANOLAS by Goldman Sachs includes some of the largest European companies by market capitalization and may warrant a look.

The collective performance of GSK, Roche, ASML, Nestlé, Novartis, Novo Nordisk, L'Oréal, LVMH, AstraZeneca, SAP, and Sanofi has been astonishing over the past few years, even if it hasn't been nearly as eye-catching as the Magnificent 7, which include Tesla, Apple and Nvidia.

The GRANOLAS accounted for 60% of all gains over the past year in Europe, where the stocks make up a quarter of the market capitalization of the pan-European Stoxx 600 index, Goldman Sachs analyst Guillaume Jaisson wrote in a Monday note. He added the 11 stocks have delivered better returns for less risk than the Magnificent 7.

While the group trades at a premium 20 times price-to-earnings ratio, it's a 30% discount to the Magnificent 7—at 30 times—and below their historical discount. The GRANOLAS also offer an average dividend yield of 2.5%, which is much higher than the S&P 500's average 1.5% and the meager 0.3% dividend offered by the Magnificent 7.

[Market Barometers](#)

← Use this link to see all the market barometer charts

All indexes have positive MTAs again, and IWM has actually had two up weeks in a row. If IWM could get above \$205, it would make a 94-week high.



## A Closer Look

Despite an all-time high on Thursday, the SPX had a slightly down week. The advance-decline line did better than price, but the stocks above their 50-day and 200-day averages largely agreed with price.



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 16-Feb-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
<a href="#">SMH</a>	SEMICONDUCTORS	ETF	UP	8.71:3.56	-up-	1/1	0.1
<a href="#">ITB</a>	CAP-WTD HOME CONSTRUCTION	ETF	UP	5.14:3.56	UP	896/2	-0.0
<a href="#">XLC</a>	CAP-WTD COMMUNICATION SRVCS	ETF	UP	4.94:3.56	<<DN>>	113/2	-0.2
<a href="#">XLK</a>	CAP-WTD INFO TECHNOLOGY	ETF	UP	4.65:3.56	<<up>>	1/2	-0.3
<a href="#">PAVE</a>	INFRASTRUCTURE	ETF	UP	4.20:3.56	<<up>>	350/2	0.5
<a href="#">XLF</a>	CAP-WTD FINANCIALS	ETF	UP	4.00:3.56	UP	101/3	0.0
<a href="#">IYT</a>	CAP-WTD TRANSPORT NDX	ETF	UP	3.68:3.56	<<up>>	999/2	0.7
<a href="#">SPX</a>	CAP-WTD S&P 500 INDEX	INDEX	UP	3.61:3.56	UP	999/2	-0.1
<a href="#">XLV</a>	CAP-WTD HEALTH CARE	ETF	UP	3.49:3.56	-UP-	999/2	0.1
<a href="#">XRT</a>	EQU-WTD RETAIL	ETF	UP	3.33:3.56	UP	52/1	0.8
<a href="#">XLI</a>	CAP-WTD INDUSTRIALS	ETF	UP	3.19:3.56	UP	999/2	0.3
<a href="#">ITA</a>	CAP-WTD SPACE & DEFENSE	ETF	UP	1.87:3.56	UP	7/2	0.2
<a href="#">XLP</a>	CAP-WTD CONSUMER STAPLES	ETF	UP	1.81:3.56	-up-	1/3	-0.4
<a href="#">XLY</a>	CAP-WTD CONSUMER DISCR	ETF	UP	1.40:3.56	UP	7/2	0.4
<a href="#">XLRE</a>	CAP-WTD REAL ESTATE	ETF	UP	1.11:3.56	UP	1/2	-0.0
<a href="#">XLB</a>	CAP-WTD MATERIALS	ETF	UP	0.66:3.56	<<up>>	6/2	0.5
<a href="#">XLE</a>	CAP-WTD ENERGY	ETF	DN	-0.80:3.56	up	6/3	0.3
<a href="#">XLU</a>	CAP-WTD UTILITIES	ETF	-DN-	-1.08:3.56	UP	2/13	0.2

Seven sectors showed greater relative strength than the SPX this week.

## Sector Relative-Strength History

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

24 Nov	01 Dec	08 Dec	15 Dec	22 Dec	29 Dec	05 Jan	12 Jan	19 Jan	26 Jan	02 Feb	09 Feb	16 Feb
TECHS	TECHS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	SEMIS	SEMIS	SEMIS
SEMIS	SEMIS	TECHS	SEMIS	SALES	SALES	SALES	SALES	SALES	SEMIS	BLDRS	BLDRS	BLDRS
DFEND	DFEND	DFEND	SALES	SEMIS	REALE	REALE	REALE	SEMIS	SALES	TECHS	COMMS	COMMS
COMMS	BLDRS	SEMIS	DFEND	REALE	SEMIS	SEMIS	SEMIS	REALE	TECHS	FINAN	TECHS	TECHS
BLDRS	COMMS	SALES	TECHS	DFEND	DFEND	DFEND	FINAN	FINAN	FINAN	COMMS	FINAN	FINAN
FINAN	FINAN	REALE	REALE	TECHS	TRANS	TRANS	TRANS	TRANS	REALE	SALES	SP500	TRANS
SP500	SP500	FINAN	FINAN	TRANS	TECHS	FINAN	DFEND	TECHS	COMMS	SP500	HLTHY	SP500
SALES	SALES	COMMS	TRANS	FINAN	FINAN	TECHS	INDUS	DFEND	TRANS	HLTHY	TRANS	HLTHY
UTILS	REALE	SP500	DISCR	DISCR	DISCR	INDUS	TECHS	INDUS	SP500	TRANS	SALES	SALES
REALE	DISCR	DISCR	INDUS	INDUS	INDUS	DISCR	DISCR	SP500	HLTHY	REALE	INDUS	INDUS
DISCR	UTILS	TRANS	SP500	SP500	SP500	SP500	SP500	HLTHY	INDUS	INDUS	STAPL	DFEND
INDUS	INDUS	INDUS	COMMS	MATER	MATER	MATER	HLTHY	COMMS	DFEND	DFEND	DFEND	STAPL
MATER	MATER	UTILS	MATER	COMMS	COMMS	COMMS	MATER	DISCR	DISCR	STAPL	REALE	DISCR
HLTHY	TRANS	MATER	UTILS	UTILS	UTILS	HLTHY	COMMS	MATER	MATER	DISCR	DISCR	REALE
STAPL	STAPL	STAPL	HLTHY	HLTHY	HLTHY	UTILS	UTILS	STAPL	STAPL	MATER	MATER	MATER
TRANS	HLTHY	HLTHY	STAPL	STAPL	STAPL	STAPL	STAPL	UTILS	UTILS	UTILS	UTILS	ENRGY
ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	UTILS

### Details

Symbol	Slope	Synonym	Sector Name
1. SMH	8.71	SEMIS	SEMICONDUCTORS
2. ITB	5.14	BLDRS	HOMEBUILDERS
3. XLC	4.94	COMMS	COMMUNICATION SRVCS
4. XLK	4.65	TECHS	TECHNOLOGY
5. XLF	4.00	FINAN	FINANCIALS
6. IYT	3.68	TRANS	TRANSPORTATION
7. SPX	3.61	SP500	S&P 500
8. XLV	3.49	HLTHY	HEALTH CARE
9. XRT	3.33	SALES	RETAIL SALES
10. XLI	3.19	INDUS	INDUSTRIALS
11. ITA	1.87	DFEND	AEROSPACE & DEFENSE
12. XLP	1.81	STAPL	CONSUMER STAPLES
13. XLY	1.40	DISCR	CONSUMER DISCR
14. XLRE	1.11	REALE	REAL ESTATE
15. XLB	0.66	MATER	MATERIALS
16. XLE	-0.80	ENRGY	ENERGY
17. XLU	-1.08	UTILS	UTILITIES

The top five sectors remained the same this week.

## This Week's Selections

My choices for last week were: ITA 10%, ITB 10%, SMH 10%, XLC 10%, XLI 10%, XLF 10%, XLV 10%, and BIL 30%.

## Top ETFs By Slope

### Current Holdings

Sym	Slope	Stop	Last
SMH	8.71% ↑↑	\$198.65	\$201.75—
ITB	5.14% ↓↓	\$99.70	\$102.43 ↓
XLC	4.94% ↑↑	\$78.25	\$78.95 —
XLK	4.65% ↑↑	\$199.25	\$202.57 ↓
XLF	4.00% —	\$36.85	\$39.63 ↑
XLV	3.49% ↑↑	\$141.76	\$145.62↑↑
XLI	3.19% ↑↑	\$114.85	\$118.03↑↑
BIL	0.00% —	\$90.85	\$91.63 —

### High-Slope Sectors ETFs

Sym	Slope	Long	Last
PAVE	4.20% ↑	BUY	\$36.40 ↑↑
IYT	3.68% —	no	\$276.52 ↑↑
SPX	3.61% ↑↑	Index	\$5005.6 ↓
XRT	3.33% ↓↓	no	\$73.57 ↑↑
ITA	1.87% ↓↓	no	\$125.64 ↑↑
XLP	1.81% ↑↑	no	\$73.28 ↓↓
XLY	1.40% ↓↓	no	\$179.02 —
XLRE	1.11% ↓↓	no	\$38.35 —
XLB	0.66% ↓↓	no	\$85.17 ↑

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

## Analysis

[SMH](#) is holding steady above \$200. [ITB](#) lost a little ground but is holding above \$100 with positive money flow. [XLC](#) took another try at breaking \$80 this week but didn't make it. CMF has been declining for a couple of weeks and is now negative, so I raised my stop to \$78.25. [XLK](#) is holding steady above \$200 with positive money flow.

[XLF](#) made a ~2-year high and rose close to the \$40 level with strong positive money flow. [XLV](#) made an all-time high on Friday even though the SPX fell. Its money flow remains strong and steady. [XLI](#) made yet another all-time high on Thursday. XLI's CMF is strongly up but it's also in overbought territory so I raised my stop to \$114.85.

[PAVE](#) made a 6¾ year high on strong money flow. [IYT](#) proceeded to an all-time high. All 6 basic charts are up; **however**, its CMF was seriously overbought at over 6. Also, there is a low-liquidity warning on the volume chart. A median volume of 106K shares isn't terribly low, but it means IYT could drop fast if the big players start selling it. [SPX](#) made another all-time high and is holding above \$5000 but its CMF is overbought while its RSI and MACD histogram are both neutral. This looks like the start of a consolidation, if not a decline. [XRT](#) broke \$72.50. It also broke a 12-month, confirmed high trendline and made a 52-week high. Its money flow is strong but the CMF is a little overheated.

[ITA](#) still needs to get above \$126.60 to break out, although it does have good money flow. [XLP](#) is declining away from its February 1<sup>st</sup> high. [XLY](#) is still below historical and psychological resistance at \$180. [XLRE](#) continues its steady decline. Money flow is up but price is not listening yet. [XLB](#) — Price popped a little bit this week, finally responding to the 2-month rise in CMF. If price stays above \$85, we may have a rally.

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## Thoughts and Decisions

I'm going to take a position in PAVE, but with a tight stop at \$35.56 in case the market declines and takes PAVE down with it. So my sector choices for this week : ITA 10%, ITB 10%, PAVE 10%, SMH 10%, XLC 10%, XLI 10%, XLF 10%, XLV 10%, and BIL 20%.

## Other Securities You May Find Interesting

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

Still near \$22

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

Still awaiting turn up.



There is a 25-month, confirmed (3-touch) trendline underneath EPD. The black squares at point A, B, and C, are actual touch points. The little black dots on the trendline at m, n, and o are place where price got close to the trendline but didn't quite touch it.

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

Up to \$49 at this point. If I were holding it, I would use the ATS to tell me when to exit.

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

Money flow is quite negative. Volatility is increasing — 4 sizable gaps since late December.

[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.

Rising but there is significant historical and psychological resistance ahead at \$75.

[UUP](#) — US Dollar ETF

Was at \$29.50 in early December. Gapped down 5.5% in mid-December and bottomed out near \$27.50. At this point it has recovered about half way.

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