

# Weekly Market Analysis #498 — 23 February 2024

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## This Week

An RSI reading of 70 is overbought and calls for caution. Jeff Bierman says 150 stocks of 500 companies on the S&P 500 have an RSI reading of 80, indicating extremely overbought conditions. More than 100 are at 88. Now, any trader will tell you, overbought can always become...more overbought, but be careful out there. The unwind will be spectacular.

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On Thursday Jason Goepfert observed: "Unusual situation developing. The Nasdaq Composite is up nearly 3%, with fewer than 55% of issues advancing." This market is beginning to look more and more like it did between 1999-2001.

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David Hickson's cycle analysis suggests there is likely to be a selloff starting very soon and making a low around March 20<sup>th</sup>.

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And financial expert Jeremy Grantham recently observed, "Sustainable bull markets don't start with a Shiller P/E of 33 and full employment."

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John Mauldin recently wrote, "The energy usage from AI is going to be a massive game changer that is not in the price or even in the narrative today. We will look back in ten years and ask, 'How did we miss it?'"

This week the Boston Consulting Group said it expects data centers' share of electricity use to triple to 7.5% by 2030, driven in large part by the expansion of AI.

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Despite painting a bearish picture of the U.S. government's finances, Jeffrey Gundlach sees opportunities in bonds.

Speaking at the Exchange conference in Miami Beach, Florida, the founder of DoubleLine Capital laid out an extensive case for why **the United States' debt load is on an unsustainable path.**

"We're a hedge fund that hopes we don't get a margin call," he said, as he ran through dozens of slides illustrating the debacle that the U.S. government could find itself in if interest rates stay elevated.

But despite that pessimistic take, Gundlach told the audience that they should consider bonds. It's a somewhat puzzling, counter-intuitive piece of advice considering Gundlach's downbeat assessment of the U.S. fiscal position. But presumably, he believes that bonds are better positioned to weather any potential economic storm than stocks.

[Market Barometers](#)

← Use this link to see all the market barometer charts

SPX, VTI, and DIA made all-time highs. COMPQ made a 2-year high. IWM has essentially been flat for 19 weeks.



## A Closer Look

SPX made a new all-time high on Thursday, then eked out another on Friday, closing a whole \$1.77 higher. The advance-decline line basically followed the SPX but was a little less enthusiastic than the index. The stocks above their 50-day and 200-day averages did well, rising Wednesday–Friday.

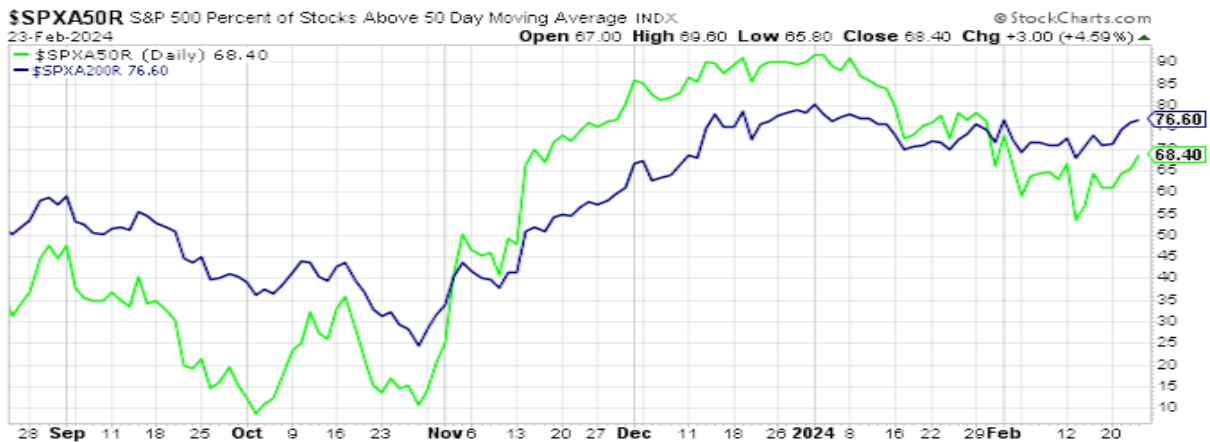


Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 Averages](#), [NewHigh–NewLows](#)

[Bullish Universe](#)

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| SPX Sector Universe Analysis for 23-Feb-2024 |                             |       |       |            |        |       |        |
|--|-----------------------------|-------|-------|------------|--------|-------|--------|
| Symbol                                       | Description                 | Instr | MTA 3 | RelStr     | CMF    | NH/NL | MCHist |
| <a href="#">SMH</a>                          | SEMICONDUCTORS              | ETF   | UP    | 8.94:3.57  | <<up>> | 999/2 | 0.0    |
| <a href="#">XLC</a>                          | CAP-WTD COMMUNICATION SRVCS | ETF   | UP    | 4.88:3.57  | <<dn>> | 1/1   | -0.3   |
| <a href="#">ITB</a>                          | CAP-WTD HOME CONSTRUCTION   | ETF   | UP    | 4.86:3.57  | UP     | 896/0 | 0.2    |
| <a href="#">PAVE</a>                         | INFRASTRUCTURE              | ETF   | UP    | 4.54:3.57  | -UP-   | 351/1 | 0.4    |
| <a href="#">XLK</a>                          | CAP-WTD INFO TECHNOLOGY     | ETF   | UP    | 4.34:3.58  | =UP=   | 2/3   | -0.3   |
| <a href="#">XLF</a>                          | CAP-WTD FINANCIALS          | ETF   | UP    | 4.05:3.57  | <<up>> | 102/1 | 0.3    |
| <a href="#">IYT</a>                          | CAP-WTD TRANSPORT NDX       | ETF   | UP    | 3.98:3.57  | up     | 999/1 | 0.5    |
| <a href="#">SPX</a>                          | CAP-WTD S&P 500 INDEX       | INDEX | UP    | 3.62:3.57  | <<up>> | 999/1 | 0.0    |
| <a href="#">XLV</a>                          | CAP-WTD HEALTH CARE         | ETF   | UP    | 3.58:3.57  | =UP=   | 999/1 | 0.3    |
| <a href="#">XRT</a>                          | EQU-WTD RETAIL              | ETF   | UP    | 3.56:3.57  | -UP-   | 91/1  | 0.6    |
| <a href="#">XLI</a>                          | CAP-WTD INDUSTRIALS         | ETF   | UP    | 3.41:3.57  | =UP=   | 999/1 | 0.3    |
| <a href="#">ITA</a>                          | CAP-WTD SPACE & DEFENSE     | ETF   | UP    | 1.95:3.57  | UP     | 7/1   | 0.1    |
| <a href="#">XLP</a>                          | CAP-WTD CONSUMER STAPLES    | ETF   | UP    | 1.91:3.57  | =UP=   | 27/0  | 0.2    |
| <a href="#">XLY</a>                          | CAP-WTD CONSUMER DISCR      | ETF   | UP    | 1.57:3.57  | <<up>> | 93/1  | 0.4    |
| <a href="#">XLB</a>                          | CAP-WTD MATERIALS           | ETF   | UP    | 1.03:3.57  | =UP=   | 86/1  | 0.9    |
| <a href="#">XLRE</a>                         | CAP-WTD REAL ESTATE         | ETF   | UP    | 0.88:3.57  | <<up>> | 3/1   | 0.4    |
| <a href="#">XLE</a>                          | CAP-WTD ENERGY              | ETF   | DN    | -0.24:3.57 | <<UP>> | 15/1  | 0.4    |
| <a href="#">XLU</a>                          | CAP-WTD UTILITIES           | ETF   | DN    | -1.00:3.57 | UP     | 3/1   | 0.5    |

Seven sectors again showed greater relative strength than the SPX. I'm planning on moving KIE (insurance) into the sector universe.

## Sector Relative-Strength History

13 weeks of slope history for 17 sector ETFs and the SPX.

|       | 01 Dec | 08 Dec | 15 Dec | 22 Dec | 29 Dec | 05 Jan | 12 Jan | 19 Jan | 26 Jan | 02 Feb | 09 Feb | 16 Feb | 23 Feb |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| TECHS | BLDRS  | BLDRS  | BLDRS  | BLDRS  | BLDRS  | BLDRS  | BLDRS  | BLDRS  | BLDRS  | SEMIS  | SEMIS  | SEMIS  | SEMIS  |
| SEMIS | TECHS  | SEMIS  | SALES  | SALES  | SALES  | SALES  | SALES  | SALES  | SEMIS  | BLDRS  | BLDRS  | BLDRS  | COMMS  |
| DFEND | DFEND  | SALES  | SEMIS  | REALE  | REALE  | REALE  | SEMIS  | SALES  | TECHS  | COMMS  | COMMS  | BLDRS  |        |
| BLDRS | SEMIS  | DFEND  | REALE  | SEMIS  | SEMIS  | SEMIS  | REALE  | TECHS  | FINAN  | TECHS  | TECHS  | INFRA  |        |
| COMMS | SALES  | TECHS  | DFEND  | DFEND  | DFEND  | FINAN  | FINAN  | FINAN  | COMMS  | FINAN  | INFRA  | TECHS  |        |
| FINAN | REALE  | REALE  | TECHS  | TRANS  | INFRA  | INFRA  | INFRA  | REALE  | SALES  | INFRA  | FINAN  | FINAN  |        |
| SP500 | FINAN  | FINAN  | TRANS  | INFRA  | TRANS  | TRANS  | TRANS  | INFRA  | INFRA  | SP500  | TRANS  | TRANS  |        |
| SALES | COMMS  | TRANS  | FINAN  | TECHS  | FINAN  | DFEND  | TECHS  | COMMS  | SP500  | HLTHY  | SP500  | SP500  |        |
| REALE | SP500  | DISCR  | INFRA  | FINAN  | TECHS  | INDUS  | DFEND  | TRANS  | HLTHY  | TRANS  | HLTHY  | HLTHY  |        |
| DISCR | DISCR  | INDUS  | DISCR  | DISCR  | INDUS  | TECHS  | INDUS  | SP500  | TRANS  | SALES  | SALES  | SALES  |        |
| UTILS | TRANS  | INFRA  | INDUS  | INDUS  | DISCR  | DISCR  | SP500  | HLTHY  | REALE  | INDUS  | INDUS  | INDUS  |        |
| INDUS | INDUS  | SP500  | SP500  | SP500  | SP500  | SP500  | HLTHY  | INDUS  | INDUS  | STAPL  | DFEND  | DFEND  |        |
| MATER | INFRA  | COMMS  | MATER  | MATER  | MATER  | HLTHY  | COMMS  | DFEND  | DFEND  | DFEND  | STAPL  | STAPL  |        |
| INFRA | UTILS  | MATER  | COMMS  | COMMS  | COMMS  | MATER  | DISCR  | DISCR  | STAPL  | REALE  | DISCR  | DISCR  |        |
| TRANS | MATER  | UTILS  | UTILS  | UTILS  | HLTHY  | COMMS  | MATER  | MATER  | DISCR  | DISCR  | REALE  | MATER  |        |
| STAPL | STAPL  | HLTHY  | HLTHY  | HLTHY  | UTILS  | UTILS  | STAPL  | STAPL  | MATER  | MATER  | MATER  | REALE  |        |
| 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  | UTILS  |        |

### Details

| Symbol   | Slope | Synonym | Sector Name         |
|----------|-------|---------|---------------------|
| 1. SMH   | 8.94  | SEMIS   | SEMICONDUCTORS      |
| 2. XLC   | 4.88  | COMMS   | COMMUNICATION SRVCS |
| 3. ITB   | 4.86  | BLDRS   | HOMEBUILDERS        |
| 4. PAVE  | 4.54  | INFRA   | INFRASTRUCTURE      |
| 5. XLK   | 4.34  | TECHS   | TECHNOLOGY          |
| 6. XLF   | 4.05  | FINAN   | FINANCIALS          |
| 7. IYT   | 3.98  | TRANS   | TRANSPORTATION      |
| 8. SPX   | 3.62  | SP500   | S&P 500             |
| 9. XLV   | 3.58  | HLTHY   | HEALTH CARE         |
| 10. XRT  | 3.56  | SALES   | RETAIL SALES        |
| 11. XLI  | 3.41  | INDUS   | INDUSTRIALS         |
| 12. ITA  | 1.95  | DFEND   | AEROSPACE & DEFENSE |
| 13. XLP  | 1.91  | STAPL   | CONSUMER STAPLES    |
| 14. XLY  | 1.57  | DISCR   | CONSUMER DISCR      |
| 15. XLB  | 1.03  | MATER   | MATERIALS           |
| 16. XLRE | 0.88  | REALE   | REAL ESTATE         |
| 17. XLE  | -0.24 | ENRGY   | ENERGY              |
| 18. XLU  | -1.00 | UTILS   | UTILITIES           |

The top 7 sectors remained the same this week, but in a different order.

## This Week's Selections

My choices for last week were: ITA 10%, ITB 10%, PAVE 10%, SMH 10%, XLC 10%, XLI 10%, XLF 10%, XLV 10%, and BIL 20%.

## Top ETFs By Slope

### Current Holdings

| Sym  | Slope    | Stop     | Last       |
|------|----------|----------|------------|
| SMH  | 8.94% ↑↑ | \$198.65 | \$208.62 ↑ |
| XLC  | 4.88% —  | \$78.25  | \$79.72 ↑  |
| ITB  | 4.86% ↓↓ | \$99.70  | \$105.72 ↑ |
| PAVE | 4.54% ↑↑ | 35.85    | \$37.09 ↑↑ |
| XLK  | 4.34% ↓↓ | \$199.25 | \$205.29 ↑ |
| XLF  | 4.05% —  | \$36.85  | \$40.30 ↑↑ |
| XLV  | 3.58% ↑↑ | \$141.76 | \$147.86↑↑ |
| XLI  | 3.41% ↑↑ | \$117.49 | \$120.22↑↑ |
| BIL  | 0.00% —  | \$90.85  | \$91.71 —  |

### High-Slope Sectors ETFs

| Sym  | Slope    | Long  | Last        |
|------|----------|-------|-------------|
| IYT  | 3.98% ↑  | no    | \$281.22 ↑↑ |
| SPX  | 3.62% —  | Index | \$5088.8 ↑  |
| XRT  | 3.56% ↑  | no    | \$74.63 ↑↑  |
| ITA  | 1.95% ↑  | no    | \$126.42 ↑↑ |
| XLP  | 1.91% ↑↑ | no    | \$74.78 ↑   |
| XLY  | 1.57% ↑  | no    | \$181.29 ↑  |
| XLB  | 1.03% ↑  | no    | \$86.83 ↑↑  |
| XLRE | 0.88% ↓↓ | no    | \$38.72 ↑   |

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

## Analysis

[SMH](#) gapped up to a new all-time high. CMF is up but OBV is down. RSI+ and MACD+ are both neutral. [XLC](#) has been flat for 3 weeks trying to break psychological and historical resistance at \$80 this week. [ITB](#) Imade a 17-year high. 4 basic charts are up. RSI and MACD+ are neutral. [PAVE](#) made another 6¾ year high on strong money flow. All 6 basic charts are up.

[XLK](#) has mostly been between \$200 and \$210 for 5 weeks. Basic charts are mixed. [XLF](#) made another ~2-year high and made 2 closes above \$40. [XLV](#) made another all-time high on Friday on strong money flow. [XLI](#) continues to make all-time highs. KB is flirting with being overbought. CMF is also overbought. I'm raising my stop to track the ATS at \$117.49.

[IYT](#) made another all-time high (by 9 cents). If I were holding it, I would use the ATS as my sell stop. [SPX](#) made yet another all-time high, but its RSI+ and MACD+ remain neutral. [XRT](#)'s 10-year chart shows it went way up during COVID (2021) then it fell back to \$55. In 2022 and 2023 it ranged between \$60 and \$75. The question is: is it breaking out after forming a base, or is it just at the top of a swing within the \$60-\$75 range? [ITA](#) — no change, still needs to get above \$126.60 to break out.

[XLP](#) broke its February 1<sup>st</sup> high, but now needs to break \$75. [XLY](#) broke \$180 and broke its Dec high to make a 93-week high. [XLB](#) — Last week's pop carried through. Price moved up and away from \$85 and CMF has been rising steadily since December. [XLRE](#) price turned up from the \$38 level on heavy positive money flow. Somebody bought about 20 million shares (3 times average daily volume) when price got below \$37.50. They're already up about 3.4%.

## Thoughts and Decisions

No changes this week except to tighten up a couple of stops.

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

No useful change

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

This week price got high enough to qualify as a touch point on the existing 86-week, high trendline.



86-week converging, upward-sloping channel. High trendline touch score is 3. High trendline is currently at \$27.77. Low trendline touch score is 3.9. Low trendline is currently at \$26.24 and tomorrow it will be at \$26.25. Centerline is at \$27.00.

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

Price is up to \$49.32 at this point. If I were holding it, I would loosen my stop to at least \$47.84 (the close on Jan 30) because if price bounces off psychological resistance at \$50, I wouldn't want to get stopped out while it bounces around getting ready for another run at \$50.

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

Still declining

[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.

Still needs to get above \$75.

[UUP](#) — US Dollar ETF

Flirting with \$28.