

Weekly Market Analysis #502 — 22 March 2024

Richard "Doc" Ahrens

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This Week

If you would like to read the unvarnished truth about market analysis, my long-time mentor, Greg Morris, has written a series of articles on the subject. A good starting point in the series is "[Why Some Make Stock Market Forecasts](#)".

On March 20th, Bank of America CEO Brian Moynihan warned Jerome Powell: "Be 'mindful' of relying on consumers to prop up the economy, because they're beginning to burn out."

David Bahnsen said:

Predictions are fun. They are not, though, at the heart of the investment business. They can be very important in the methodology and process of some speculators, and they can even be marginally additive for some investors. But "predictions" are not quite the same as "calculations," and they are categorically different from "belief systems."

At the core of all good investors lies a philosophy. I find it an unimprovable joy in life to study the investing philosophies of great investors. I never, ever, ever find one who relies on "feel" or "just has that Midas touch." That very thinking is for simpletons and know-nothings.

Great investors execute well off of a cogent philosophy. Bad investors either fail to execute or have an improperly-formed philosophy (or, worst of all, they have no discernible philosophy at all).

The Bank of Japan on Tuesday raised interest rates for the first time in 17 years, becoming the last major central bank to reverse negative borrowing costs. The move will create ripples beyond Japan.

The BOJ's caution is the result of decades of deflation after the country's real estate bubble burst in the early 1990s. But now inflation has held above the 2% target for two years and wages appear to be picking up.

It was a modest step, but an important one. The central bank lifted its key rate to a range of 0% to 0.1% from a previous level of minus 0.1%, where it had been since 2016. It also ditched policies under which it bought government bonds and funds that invested in real estate and stocks.

The Invesco S&P 500 equally-weighted ETF (RSP), has risen more than 3% over the past month. The fact that RSP has been keeping up with the cap-weighted SPX implies that the "Magnificent Seven" stocks are waning. Some people see this as a positive development. The other side of the coin is that when the big 7 tech stocks turn down in earnest, they are likely to take the rest of the market down with them.

[Market Barometers](#) ← Use this link to see all the market barometer charts

All index MTAs are up. SPX, VTI, COMPQ, and DIA made all-time highs on Tuesday. IWM made a 100-week high!



Week-over-week: VTI +1.89%, SPX +2.29%, COMPQ +2.85%, DIA +1.95%, IWM +1.31%.

A Closer Look

SPX broke out on Wednesday, then again on Thursday, even though Thursday ended as a down day. The advance-decline, the stocks above their 50-day averages, and the stocks above their 200-day averages confirmed price action.

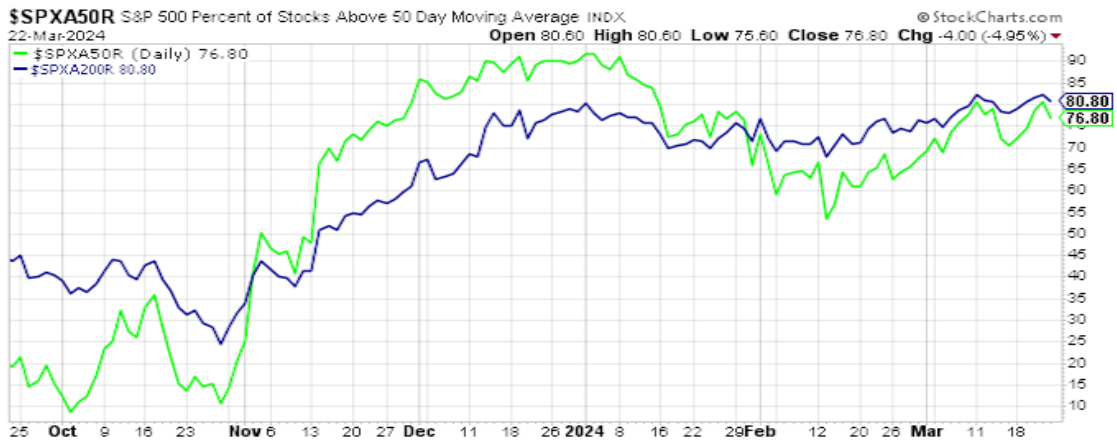


Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 Averages](#), [NewHigh-NewLows](#)

[Bullish Universe](#)

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[Bearish Universe](#)

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SPX Sector Universe Analysis for 22-Mar-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
SMH	SEMICONDUCTORS	ETF	UP	10.41:3.64	-DN-	2/3	-0.6
PAVE	INFRASTRUCTURE	ETF	UP	6.01:3.64	<<up>>	355/1	0.1
ITB	CAP-WTD HOME CONSTRUCTION	ETF	UP	5.54:3.64	=UP=	900/1	0.3
XRT	EQU-WTD RETAIL	ETF	UP	4.91:3.64	≡UP≡	97/1	-0.0
XLI	CAP-WTD INDUSTRIALS	ETF	UP	4.29:3.64	<<up>>	999/2	0.1
XLF	CAP-WTD FINANCIALS	ETF	UP	4.24:3.64	UP	999/1	0.1
KIE	INSURANCE SECTOR	ETF	UP	4.10:3.64	-up-	923/2	-0.1
XLB	CAP-WTD MATERIALS	ETF	UP	4.01:3.64	<<up>>	999/2	0.0
IYT	CAP-WTD TRANSPORT NDX	ETF	UP	3.71:3.64	≡dn≡	999/5	-0.1
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	3.63:3.64	-DN-	999/1	0.0
XLC	CAP-WTD COMMUNICATION SRVCS	ETF	UP	3.58:3.64	-DN-	122/1	0.2
XLK	CAP-WTD INFO TECHNOLOGY	ETF	UP	3.36:3.64	-up-	2/1	-0.1
XLE	CAP-WTD ENERGY	ETF	UP	3.03:3.64	UP	26/1	0.6
XLV	CAP-WTD HEALTH CARE	ETF	UP	2.76:3.64	<<up>>	1/5	-0.3
ITA	CAP-WTD SPACE & DEFENSE	ETF	UP	2.44:3.64	<<up>>	900/1	0.1
XLP	CAP-WTD CONSUMER STAPLES	ETF	UP	2.27:3.64	<<up>>	1/1	-0.1
XLY	CAP-WTD CONSUMER DISCR	ETF	UP	1.95:3.64	≡dn≡	3/1	0.0
XLRE	CAP-WTD REAL ESTATE	ETF	UP	1.39:3.64	<<up>>	1/4	-0.4
XLU	CAP-WTD UTILITIES	ETF	DN	1.15:3.64	-DN-	1/2	0.1

9 sectors did better than the SPX this week. 8 sectors made 17 or more year highs, and there were 5 all-time highs.

Sector Relative-Strength History

13 weeks of slope history for 18 sector ETFs and the SPX.

Capital-Weighted Sector ETFs Relative Strength History

29-Dec-2023 to 22-Mar-2024

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

Details

Symbol	Slope	Synonym	Sector Name
1. SMH	10.41	SEMIS	SEMICONDUCTORS
2. PAVE	6.01	INFRA	INFRASTRUCTURE
3. IIB	5.54	BLDRS	HOMEBUILDERS
4. XRT	4.91	SALES	RETAIL SALES
5. XLI	4.29	INDUS	INDUSTRIALS
6. XLF	4.24	FINAN	FINANCIALS
7. KIE	4.10	INSUR	INSURANCE
8. XLB	4.01	MATER	MATERIALS
9. IYT	3.71	TRANS	TRANSPORTATION
10. SPX	3.63	SP500	S&P 500
11. XLC	3.58	COMMS	COMMUNICATION SRVCS
12. XLK	3.36	TECHS	TECHNOLOGY
13. XLE	3.03	ENRGY	ENERGY
14. XLV	2.76	HLTHY	HEALTH CARE
15. ITA	2.44	DFEND	AEROSPACE & DEFENSE
16. XLP	2.27	STAPL	CONSUMER STAPLES
17. XLY	1.95	DISCR	CONSUMER DISCR
18. XLRE	1.39	REALE	REAL ESTATE
19. XLU	1.15	UTILS	UTILITIES

The top 4 sectors remained unchanged. Industrials moved up into the top 5.

This Week's Selections

My sector choices for last week were: KIE 10%, PAVE 10%, XLF 10%, XLI 10%, XLK 10%, BIL 50%.

Top ETFs By Slope

Current Holdings				Other Sectors			
Sym	Slope	Sell Stop	Last	Sym	Slope	Long	Last
PAVE	6.01% ↑↑	\$38.17	\$39.37 ↑	SMH	10.41% ↓	no	\$227.64 ↑
XLI	4.29% ↑↑	\$122.09	\$125.21 ↑	ITB	5.54% ↑	no	\$113.86 ↑
XLF	4.24% —	\$40.70	\$41.42 ↑↑	XRT	4.91% —	no	\$77.23 ↑
KIE	4.10% ↑↑	\$50.22	\$50.65 —	XLB	4.01% ↑↑	no	\$91.37 ↑↑
XLK	3.36% ↓↓	\$205.68	\$209.91 ↑	IYT	3.71% ↓↓	no	\$70.51 ↑
				SPX	3.63% —	Index	\$5234.2 ↑
				XLC	3.58% ↓↓	no	\$81.82 ↑
				XLE	3.03% ↑↑	no	\$92.40 ↑↑
BIL	0.00% —	\$90.85	\$91.71 —	XLV	2.76% ↓↓	no	\$145.44 —

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

Analysis

[PAVE](#) made a 6.8-year high. 5 of the basic charts are up and the MACD just crossed above zero.

[XLI](#) made an all-time high. 5 of the basic charts are up and the MACD just crossed above zero.

[XLF](#) also made an all-time high. 5 of the basic charts are up and the MACD just crossed above zero.

[KIE](#) made another 17¾-year high. 5 basic charts are up. MACD is further below zero, which means it bears watching. [XLK](#) is having trouble getting above \$210. Price is above its 21-day average (KB). Its ATS is flat for 3 weeks. RSI is down. MACD is neutral to down since Feb 1. CMF has been making lower highs since Dec 13. OBV continues its gradual climb.

[SMH](#) rose \$10 this week, but remains below its Mar 7th high. CMF has been zero for 2 weeks. OBV is below its Feb high. MACD and RSI are down. KB is up. ATS is mostly flat. [ITB](#) made a 17.3-year high. RSI is neutral+ (between 50 and 55) and its MACD Histogram is neutral+ (0 to 0.5). CMF and OBV are both mildly rising. KB and ATS are both up, so this could be the start of a new upswing. [XRT](#) made a 97-week high. KB and ATS are up. RSI is up, MACD Hist is below zero. CMF and OBV turned up last week. [XLB](#) made another all-time high. KB and ATS continue to rise. RSI and MACD are below their Mar 14 highs. CMF is positive but falling, while OBV has made a small turn up.

[IYT](#) made an unimpressive all-time high, one penny higher than Mar 7th. KB and ATS are up (for 3 whole days). RSI, MACD, CMF, and OBV have turned up. [SPX](#) made an all-time high. Its KB and ATS are up. The Adjusted RSI is dead neutral at 50. MACD is positive but the Histogram is neutral. CMF is negative after falling for 4 weeks. OBV has been neutral for 6 weeks. [XLC](#) made a 2-year high. It has been drifting higher since Feb 5th despite negative money flow. [XLE](#) is within 50 cents of a 68-week, confirmed, high trendline after a 9-week advance. Money flow is positive, as are the other 4 basic charts. ("Money flow" means "CMF and OBV"). [XLV](#)'s price has been flat for 5 weeks. RSI, MACD, and OBV are clearly negative. CMF is very slightly positive at 0.37.

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Thoughts and Decisions

Last week I sold SMH, ITB, and XLV. Selling ITB was the right thing to do last week, but I'm thinking strongly about buying it again. I wish its CMF was stronger, so I may wait a couple of days. But it's definitely on my radar.

My sector choices for this week are: KIE 10%, PAVE 10%, XLF 10%, XLI 10%, XLK 10%, BIL 50%.

Other Securities You May Find Interesting

[DBA](#) — DB Agricultural Index ETF — tracks agricultural commodity index

Price made another 7-year high. Basic charts are all up and money flow is remarkably strong.

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

DBC is in a very strong, 90-week, confirmed, descending channel. Price bounced down off historical resistance near \$23.

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

CMF is down but OBV is up. Price is up against historical and psychological resistance between \$29 and \$30. (See [CHART](#))

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

Money flow is positive. Price is up against psychological resistance near \$30 and historical resistance up to \$32. (See [CHART](#))

[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.

Charts are pretty noisy. If you want to play with energy, you should [read this](#).

x [UUP](#) — US Dollar ETF

The MACD chart is mangled because of the big price drop in December so it's hard to read. The trend/channel finder is also struggling. Price is in a rising trend since late December. The other charts have recovered. Money flow is up.