

Weekly Market Analysis #508 — 3 May 2024

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This Week

On Wednesday, Keith Fitz-Gerald noted:

CVS Health is getting hammered after missing on both the top and bottom lines. That's not the real story.

Operating income dropped 60% YoY.

Sixty flipping percent!

That takes some talent.

Management is blaming the drop on increased Medicare utilization, which is undoubtedly correct, but not the right attribution in my mind. Management didn't manage higher costs properly.

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A combination of lower job growth and a small increase in the size of the labor force caused the unemployment rate to edge up to 3.9%. The uptick in unemployment seems to fit right in with the slower growth in the GDP.

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Most psychologists who work with traders agree that paper trading is largely a waste of time. There's nothing at risk. It's too easy to "overlook" losses, and it's way too easy — in hindsight — to think you could have done better. Dr. Rande Howell says this about the difference between paper trading and trading with real money (even if you're only trading single-share positions):

You don't see it coming, but the moment you put your hard-earned capital at risk (particularly if you have already taken a loss), the game of trading changes. Before this moment, trading is all hypothetical theory. It's a mental exercise about probability. No money is on the line — yet. But after your order fills, when the money is real, a door to an unseen world opens. And it happens so fast (nanoseconds — faster than the blink of your eye) that your Thinking Brain (the one you want to trade with) doesn't even sense it. Suddenly, your ancient, instinctive, Emotional Brain (often called the Caveman Brain) wakes up and takes over. And it has a completely different agenda than that of your Thinking Brain. The problem is that the Thinking Brain doesn't sense the presence of the Emotional Brain.

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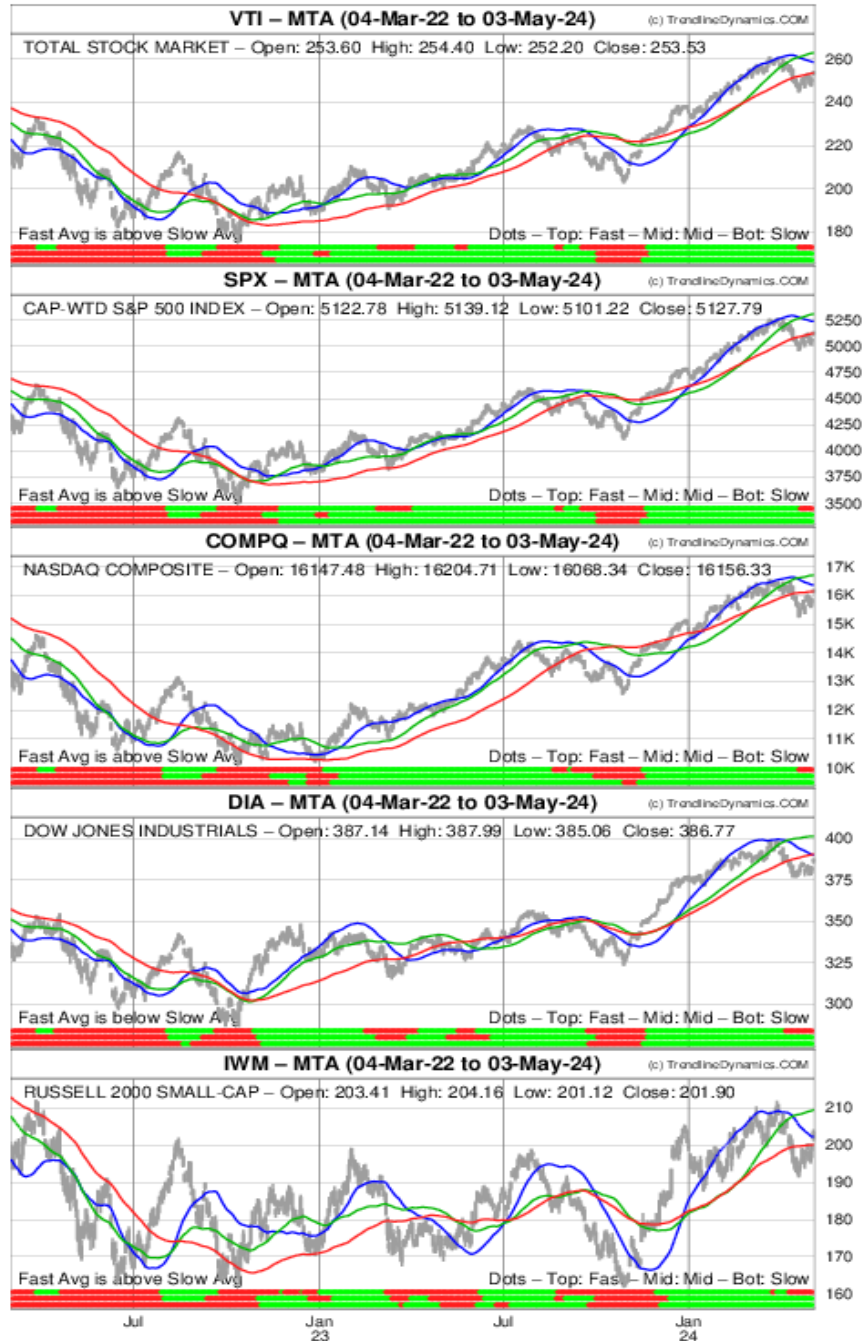
About 2% of the population has a natural aptitude for trading or investing. That means that just one person in 50 is truly comfortable putting their money at risk when they know they have no control over what will happen next. This 1-in-50 statistic is based on people with a rational expectation of making money and does not include compulsive gamblers.

People like you and I, who aren't one of the 1-in-50, have to work hard in order to change our brains so we can survive and then profit in the market. As Rande Howell says, "You have a brain built for short term control and you are asking it to manage long term probability. Trading is the [average] brain's worst nightmare."

[Market Barometers](#)

← Use this link to see all the market barometer charts

The MTA is up for all 5 indexes, although the Fast MTA (blue) Average remains down for all of them.



Week-over-week: All the indexes advanced this week – VTI: 0.7%, SPX: 0.5%, COMPQ: 1.4%, DIA: 1.2%, IWM: 1.8%.

A Closer Look

The SPX rose 0.5% week-over-week, but the path there included a significant decline on Tuesday. Price ended the week within \$2 of its 50-day average. Overall, the advance-decline line confirmed price action and the stocks above their 50 and 200 day averages did, too. But it is worth noting that the stocks above their 50-day averages fell very rapidly from April 10–17, and have not been above 50% since. This implies the small caps and mid caps are struggling.



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

[Bullish Universe](#)

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[Sector Universe](#)

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SPX Sector Universe Analysis for 03-May-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLE	ENERGY	ETF	UP	4.16:0.54	«up»	1/7	-1.4
XLU	UTILITIES	ETF	UP	2.81:0.54	UP	40/1	0.4
SMH	SEMICONDUCTORS	ETF	UP	2.26:0.54	-dn-	3/2	0.2
PAVE	INFRASTRUCTURE	ETF	UP	1.96:0.54	UP	3/2	-0.0
XLI	INDUSTRIALS	ETF	UP	1.68:0.54	-dn-	3/2	-0.1
XLB	MATERIALS	ETF	UP	1.55:0.54	«dn»	3/1	-0.1
ITA	SPACE & DEFENSE	ETF	UP	1.42:0.54	dn	906/1	0.3
XLF	FINANCIALS	ETF	UP	1.36:0.54	=DN=	1/2	-0.1
XLC	COMMUNICATION SRVCS	ETF	UP	1.03:0.54	-UP-	1/13	-0.2
XLP	CONSUMER STAPLES	ETF	UP	0.83:0.54	UP	1/2	0.2
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	0.72:0.54	-dn-	3/2	0.1
KIE	INSURANCE SECTOR	ETF	UP	0.48:0.54	«UP»	1/1	0.2
ITB	HOME CONSTRUCTION	ETF	UP	0.32:0.54	«DN»	3/2	0.5
XRT	RETAIL	ETF	UP	-0.25:0.54	-dn-	3/2	0.5
XLV	HEALTH CARE	ETF	UP	-0.67:0.54	dn	1/1	0.5
XLY	CONSUMER DISCR	ETF	UP	-0.70:0.54	«DN»	3/1	0.5
XLK	INFO TECHNOLOGY	ETF	=DN=	-0.73:0.54	«dn»	3/2	0.2
IYT	TRANSPORT NDX	ETF	UP	-0.95:0.54	«DN»	1/15	-0.2
XLRE	REAL ESTATE	ETF	DN	-2.27:0.54	«DN»	3/2	0.6

10 sectors did better than the SPX this week.

Sector Relative-Strength History

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

09 Feb	16 Feb	23 Feb	01 Mar	08 Mar	15 Mar	22 Mar	28 Mar	05 Apr	12 Apr	19 Apr	26 Apr	03 May
SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	ENRGY	ENRGY	ENRGY
BLDRS	BLDRS	COMMS	INFRA	INFRA	INFRA	INFRA	INFRA	INFRA	ENRGY	SEMIS	SEMIS	UTILS
COMMS	COMMS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	INFRA	INFRA	INFRA	SEMIS
TECHS	TECHS	INFRA	COMMS	SALES	SALES	SALES	SALES	ENRGY	BLDRS	MATER	UTILS	INFRA
FINAN	INFRA	TECHS	TRANS	TRANS	TRANS	INDUS	INDUS	MATER	MATER	INDUS	MATER	INDUS
INFRA	FINAN	FINAN	SALES	FINAN	INDUS	FINAN	MATER	SALES	INDUS	COMMS	INDUS	MATER
SP500	TRANS	TRANS	TECHS	INDUS	FINAN	INSUR	FINAN	INDUS	FINAN	BLDRS	FINAN	DFEND
HLTHY	SP500	SP500	FINAN	COMMS	INSUR	MATER	INSUR	FINAN	COMMS	FINAN	COMMS	FINAN
TRANS	HLTHY	HLTHY	INDUS	TECHS	COMMS	TRANS	ENRGY	INSUR	INSUR	UTILS	DFEND	COMMS
SALES	SALES	SALES	SP500	INSUR	TECHS	SP500	SP500	COMMS	SALES	SP500	SP500	STAPL
INDUS	INDUS	INDUS	INSUR	SP500	SP500	COMMS	COMMS	SP500	SP500	INSUR	BLDRS	SP500
INSUR	INSUR	INSUR	HLTHY	HLTHY	MATER	TECHS	TRANS	TRANS	DFEND	DFEND	INSUR	INSUR
STAPL	DFEND	DFEND	DFEND	DFEND	HLTHY	ENRGY	TECHS	DFEND	UTILS	SALES	STAPL	BLDRS
DFEND	STAPL	STAPL	DISCR	MATER	DFEND	HLTHY	DFEND	TECHS	TECHS	TECHS	SALES	SALES
REALE	DISCR	DISCR	STAPL	DISCR	STAPL	DFEND	HLTHY	UTILS	TRANS	STAPL	TRANS	HLTHY
DISCR	REALE	MATER	MATER	STAPL	DISCR	STAPL	STAPL	STAPL	STAPL	TRANS	TECHS	DISCR
MATER	MATER	REALE	REALE	REALE	ENRGY	DISCR	DISCR	HLTHY	HLTHY	HLTHY	HLTHY	TECHS
UTILS	ENRGY	ENRGY	ENRGY	ENRGY	REALE	REALE	UTILS	DISCR	DISCR	DISCR	DISCR	TRANS
ENRGY	UTILS	UTILS	UTILS	UTILS	UTILS	UTILS	REALE	REALE	REALE	REALE	REALE	REALE

Details

Symbol	Slope	Synonym	Sector Name
1. XLE	4.16	ENRGY	ENERGY
2. XLU	2.81	UTILS	UTILITIES
3. SMH	2.26	SEMIS	SEMICONDUCTORS
4. PAVE	1.96	INFRA	INFRASTRUCTURE
5. XLI	1.68	INDUS	INDUSTRIALS
6. XLB	1.55	MATER	MATERIALS
7. ITA	1.42	DFEND	AEROSPACE & DEFENSE
8. XLF	1.36	FINAN	FINANCIALS
9. XLC	1.03	COMMS	COMMUNICATION SRVCS
10. XLP	0.83	STAPL	CONSUMER STAPLES
11. SPX	0.72	SP500	S&P 500
12. KIE	0.48	INSUR	INSURANCE
13. ITB	0.32	BLDRS	HOMEBUILDERS
14. XRT	-0.25	SALES	RETAIL SALES
15. XLV	-0.67	HLTHY	HEALTH CARE
16. XLY	-0.70	DISCR	CONSUMER DISCR
17. XLK	-0.73	TECHS	TECHNOLOGY
18. IVT	-0.95	TRANS	TRANSPORTATION
19. XLRE	-2.27	REALE	REAL ESTATE

All sector slopes are declining, but Technology, Transportation, and Real Estate are leading in the race to the bottom.

The slope of Energy is declining least slowly, so this week the top five sectors are XLE (Energy), XLU (Utilities), SMH (Semiconductors), PAVE (Infrastructure), and XLI (Industrials).

This Week's Selections

My sector choices for last week were: 10% XLU and BIL 90%.

Top ETFs By Slope

Current Holdings				Other Sectors			
Sym	Slope	Sell Stop	Last	Sym	Slope	Long	Last
XLU	2.81% ↑↑	\$66.16	\$68.41 ↑↑	XLE	4.16% ↓↓	no	\$92.57 ↓
				SMH	2.26% ↓↓	no	\$217.73 —
				PAVE	1.96% ↓↓	no	\$38.28 —
				XLI	1.68% ↓↓	no	\$122.77 —
				XLB	1.55% ↓↓	no	\$89.53 —
				ITA	1.42% —	no	\$132.56 ↑↑
				XLF	1.36% ↓↓	no	\$40.55 —
				XLC	1.03% ↓↓	no	\$80.21 —
BIL	0.00% —	\$90.85	\$91.48 —	XLP	0.83% ↑↑	no	\$75.88 —

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

Analysis

[XLU](#) made a 40-week high and all basic charts are positive.

[XLE](#) has the 4 price charts (KB, ATS, RSI, & MACD) down but the two money flow charts are basically neutral. [SMH](#) has all basic charts neutral and it's still below psychological resistance at \$220. [PAVE](#)'s KB and ATS are neutral. RSI and MACD are down. CMF is up but OBV is indifferent as price ended the week near \$38. [XLI](#)'s basic charts are still neutral to down. [XLB](#) — all basic charts are still neutral to down.

[ITA](#) made a 17.4-year high. The 4 price charts are up. CMF has risen to neutral while OBV is already up. [XLF](#) — all basic charts are either neutral or down. [XLC](#) basic charts are mostly pointing to a turn up. We'll see if it happens. [XLP](#) bounced up off \$75 and actually looks stronger than XLC.

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Thoughts and Decisions

I'm going to take a position in ITA and, as usual, keep an eye on it.

My choices for this week are: 10% ITA, 10% XLU, and BIL 80%.

Other Securities You May Find Interesting

[COPX](#) — Global Copper Miners — tracks global companies involved in the copper mining industry

COPX made a 12.25-year high. 5 out of 6 of basic charts are up. MACD is still negative. I am still waiting for the next leg up.

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

All basic charts are negative.

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

DBC moved further away from \$24 instead of toward it.

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

EPD made a 9-week low.

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

Whether I like DBC or not, it has tons of assets under management, and its yield minus expense ratio is better. So PDBC is out.

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

URA is now above \$30 and 5 out of 6 basic charts are up and CMF is +neutral at 0.30.

[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.

All basic charts are down.

[UUP](#) — US Dollar ETF

5 out of 6 basic charts are down.