

Weekly Market Analysis #511 – 24 May 2024

Richard "Doc" Ahrens

© All Rights Reserved

This Week

Utilities are traditionally thought of as boring companies. The utility sector represents a very small part (just 2.6%) of the S&P 500, but XLU has a dividend yield of 3.0%, more than twice that of the S&P 500's rather paltry 1.3%. Surprisingly, this year XLU is up 15.2% year-to-date versus 10.5% for QQQ.

In the world of institutional investing, utilities have long been considered a surrogate for bonds. So why are utility stocks suddenly at the top of the sector heap?

My guess is that there are two reasons. First, they're benefiting from our country's increased infrastructure spending and development. But I suspect the second driving force is AI. Large scale Artificial intelligence server farms are going to require sizable amounts of electricity, and I think institutional investors are betting on the fast-approaching increase in demand for power.

During the week of the 17th, billionaire investor Stanley Druckenmiller revealed a big bet on the Russell 2000. In a surprising move, Druckenmiller's Duquesne Family Office firm cut its Nvidia stake. If he's right, the coming days will reveal that the market is about to see a significant shift.

On Wednesday, Nvidia's earnings report hit it out of the park (again), for a 6th straight quarter. Numerous analysts are saying investors should be cautious because competitors are catching up. But in overnight trading, the stock broke \$1000, just like Keith Fitz-Gerald predicted weeks and week ago.

In his column "The Mindful Investor" on May 24th, David Keller wrote about "[Dow Theory Flashes Bear Signal](#)". Dave is the Chief Market Strategist at StockCharts.com, and one very sharp technical analyst.

In an interesting aside, Marc Chaikin mentioned, "Last quarter, central banks – led by China – bought more gold than at any other time in history."

Rob Isbitts observed:

...when it comes to the history of the Nasdaq 100 Index, it is hard to escape the similarities between the bursting of the dot-com bubble in 2000 and the environment we have today.

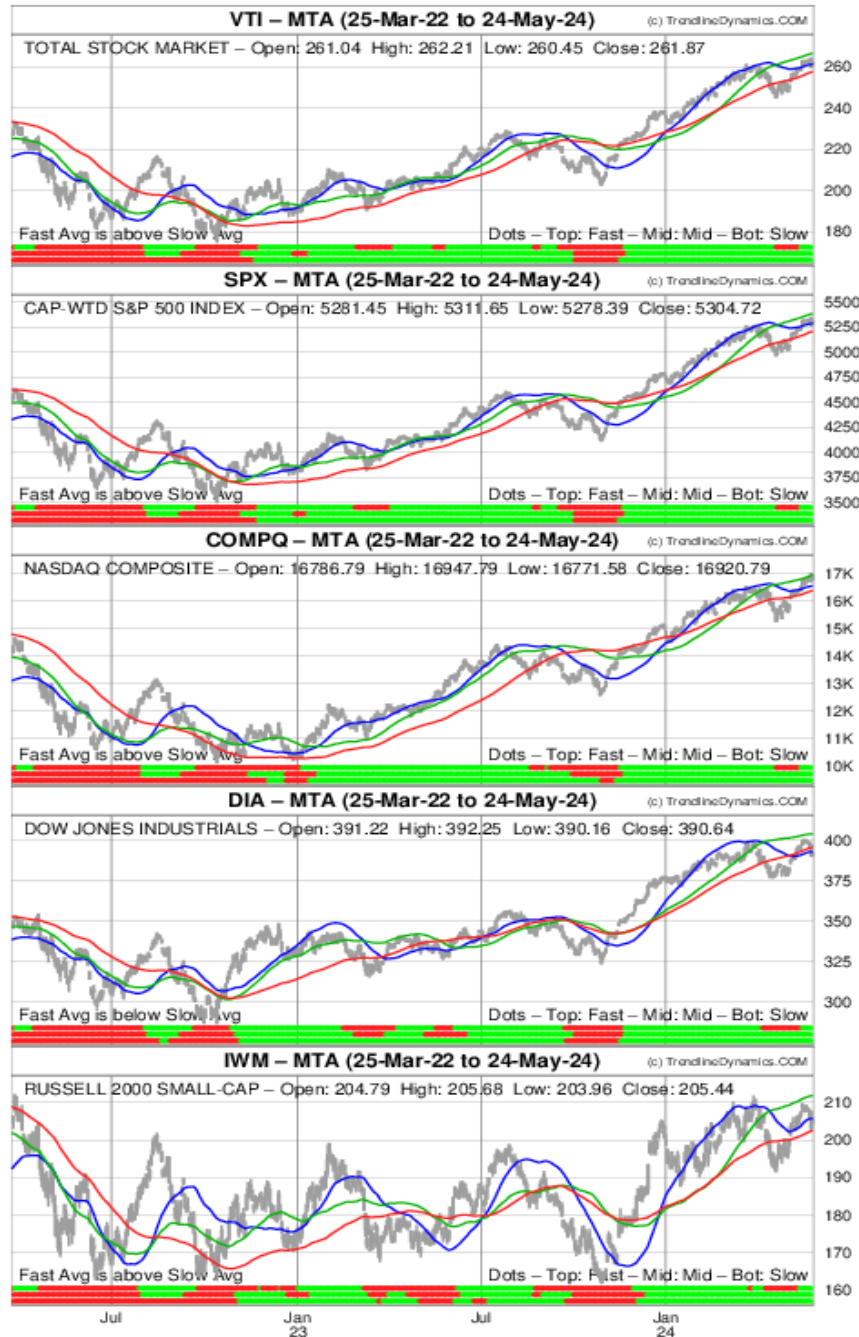
And Barron's reported:

National Oceanic and Atmospheric Administration forecasters are warning of an extremely busy Atlantic hurricane season this year, an ominous sign for property insurers and homeowners in affected regions after last year's busy season. The number of named storms is the most it has ever forecast in May.

Market Barometers

← Use this link to see all the market barometer charts

VTI, SPX, and COMPQ made all-time highs this week, while DIA and IWM fizzled. All 5 indexes still have solid green MTAs. But only COMPQ closed noticeably up for the week.



Week-over-week: This week was a mixed bag — VTI: -0.2%, SPX: 0.0%, COMPQ: 1.8%, DIA: -2.3%, IWM: -1.3%.

A Closer Look

The SPX was essentially flat this week, other than having a terrible day on Thursday. It actually closed up \$1.45 (a measly 3/100 of one percent). The advance-decline line did worse than price, as did the stocks above their 50-day and 200-day averages. This drove the number of stocks above their 50-day averages just below 50%.

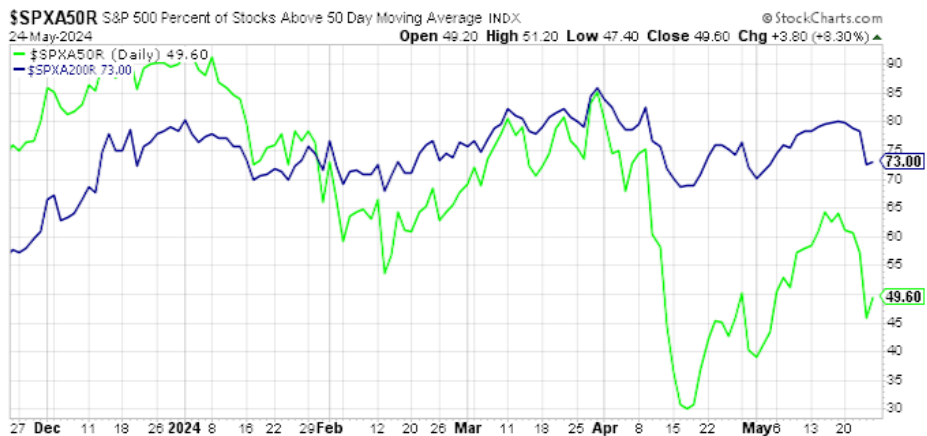


Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 Averages](#), [NewHigh-NewLows](#)

[Bullish Universe](#)

← Use this link to get to the live summary table

[Bearish Universe](#)

← Use this link to get to the live summary table

[Inflation Universe](#)

← Use this link to get to the live summary table

[Auxiliary Universe](#)

← Use this link to get to the live summary table

[Special Security Universe](#)

← Use this link to get to the live summary table

[Sector Universe](#)

← Use this link to get to the live summary table

SPX Sector Universe Analysis for 17-May-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLU	UTILITIES	ETF	UP	4.83:1.00	up	72/1	0.6
XLE	ENERGY	ETF	UP	2.42:1.00	<<UP>>	3/1	-0.0
SMH	SEMICONDUCTORS	ETF	UP	2.42:1.00	UP	10/1	1.3
ITA	SPACE & DEFENSE	ETF	UP	2.08:1.00	<<UP>>	908/1	0.1
PAVE	INFRASTRUCTURE	ETF	UP	1.70:1.00	-up-	6/1	0.3
XLP	CONSUMER STAPLES	ETF	UP	1.59:1.00	<<up>>	103/1	0.4
XLI	INDUSTRIALS	ETF	UP	1.53:1.00	-DN-	1/1	0.2
XLF	FINANCIALS	ETF	UP	1.46:1.00	<<UP>>	999/1	0.4
XLB	MATERIALS	ETF	UP	1.37:1.00	<<UP>>	6/1	0.3
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	1.06:1.00	UP	999/1	0.5
KIE	INSURANCE SECTOR	ETF	UP	1.00:1.00	<<UP>>	7/1	0.4
XLC	COMMUNICATION SRVCS	ETF	UP	0.92:1.00	UP	5/1	0.6
XRT	RETAIL	ETF	UP	0.55:1.00	DN	7/1	0.8
ITB	HOME CONSTRUCTION	ETF	UP	0.21:1.00	-dn-	7/1	0.5
XLK	INFO TECHNOLOGY	ETF	<<UP>>	0.00:1.00	-dn-	999/1	1.0
XLV	HEALTH CARE	ETF	UP	-0.18:1.00	UP	7/1	0.7
XLY	CONSUMER DISCR	ETF	UP	-0.44:1.00	<<UP>>	1/2	0.2
XLRE	REAL ESTATE	ETF	DN	-1.26:1.00	-DN-	6/1	0.9
IYT	TRANSPORT NDX	ETF	DN	-1.32:1.00	-DN-	3/1	0.5

9 sectors did better than the SPX this week.

Sector Relative-Strength History

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

Capital-Weighted Sector ETFs Relative Strength History						01-Mar-2024 to 24-May-2024						
01 Mar	08 Mar	15 Mar	22 Mar	28 Mar	05 Apr	12 Apr	19 Apr	26 Apr	03 May	10 May	17 May	24 May
SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	ENRGY	ENRGY	ENRGY	UTILS	UTILS	UTILS
INFRA	INFRA	INFRA	INFRA	INFRA	INFRA	ENRGY	SEMIS	SEMIS	UTILS	ENRGY	ENRGY	SEMIS
BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	INFRA	INFRA	INFRA	SEMIS	SEMIS	SEMIS	DFEND
COMMS	SALES	SALES	SALES	SALES	ENRGY	BLDRS	MATER	UTILS	INFRA	DFEND	DFEND	STAPL
TRANS	TRANS	TRANS	INDUS	INDUS	MATER	MATER	INDUS	MATER	INDUS	INFRA	INFRA	INFRA
SALES	FINAN	INDUS	FINAN	MATER	SALES	INDUS	COMMS	INDUS	MATER	INDUS	STAPL	FINAN
TECHS	INDUS	FINAN	INSUR	FINAN	INDUS	FINAN	BLDRS	FINAN	DFEND	MATER	INDUS	ENRGY
FINAN	COMMS	INSUR	MATER	INSUR	FINAN	COMMS	FINAN	COMMS	FINAN	FINAN	FINAN	INDUS
INDUS	TECHS	COMMS	TRANS	ENRGY	INSUR	INSUR	UTILS	DFEND	COMMS	STAPL	MATER	SP500
SP500	INSUR	TECHS	SP500	SP500	COMMS	SALES	SP500	SP500	STAPL	COMMS	SP500	MATER
INSUR	SP500	SP500	COMMS	COMMS	SP500	SP500	INSUR	BLDRS	SP500	SP500	INSUR	INSUR
HLTHY	HLTHY	MATER	TECHS	TRANS	TRANS	DFEND	DFEND	INSUR	INSUR	INSUR	COMMS	COMMS
DFEND	DFEND	HLTHY	ENRGY	TECHS	DFEND	UTILS	SALES	STAPL	BLDRS	BLDRS	SALES	TECHS
DISCR	MATER	DFEND	HLTHY	DFEND	TECHS	TECHS	TECHS	SALES	SALES	SALES	BLDRS	SALES
STAPL	DISCR	STAPL	DFEND	HLTHY	UTILS	TRANS	STAPL	TRANS	HLTHY	HLTHY	TECHS	HLTHY
MATER	STAPL	DISCR	STAPL	STAPL	STAPL	STAPL	TRANS	TECHS	DISCR	TECHS	HLTHY	BLDRS
REALE	REALE	ENRGY	DISCR	DISCR	HLTHY	HLTHY	HLTHY	TECHS	TECHS	DISCR	DISCR	DISCR
ENRGY	ENRGY	REALE	REALE	UTILS	DISCR	DISCR	DISCR	DISCR	TRANS	TRANS	REALE	REALE
UTILS	UTILS	UTILS	UTILS	REALE	REALE	REALE	REALE	REALE	REALE	REALE	TRANS	TRANS

Details

Symbol	Slope	Synonym	Sector Name
1. XLU	5.39	UTILS	UTILITIES
2. SMH	3.39	SEMIS	SEMICONDUCTORS
3. ITA	2.40	DFEND	AEROSPACE & DEFENSE
4. XLP	1.82	STAPL	CONSUMER STAPLES
5. PAVE	1.58	INFRA	INFRASTRUCTURE
6. XLF	1.54	FINAN	FINANCIALS
7. XLE	1.53	ENRGY	ENERGY
8. XLI	1.42	INDUS	INDUSTRIALS
9. SPX	1.36	SP500	S&P 500
10. XLB	1.34	MATER	MATERIALS
11. KIE	1.27	INSUR	INSURANCE
12. XLC	1.07	COMMS	COMMUNICATION SRVCS
13. XLK	0.87	TECHS	TECHNOLOGY
14. XRT	0.74	SALES	RETAIL SALES
15. XLV	0.32	HLTHY	HEALTH CARE
16. ITB	-0.07	BLDRS	HOMEBUILDERS
17. XLY	-0.49	DISCR	CONSUMER DISCR
18. XLRE	-0.75	REALE	REAL ESTATE
19. IYT	-1.76	TRANS	TRANSPORTATION

Energy dropped to 7th place as Staples advanced to 4th. Aerospace and Defense has advanced for 9 week.

This Week's Selections

My sector choices for last week were: 10% ITA, 10% XLF, 10% XLP, 10% XLU, and BIL 60%.

Top ETFs By Slope

Current Holdings

Sym	Slope	Sell Stop	Last
XLU	5.39% ↑↑	\$70.65	\$71.50 ↓
ITA	2.40% ↑↑	\$133.84	\$135.55 —
XLP	1.82% ↑↑	\$76.88	\$77.10 ↓
XLF	1.54% ↑↑	\$40.85	\$41.61 ↓
BIL	0.00% —	\$90.85	\$91.77 —

Other Sectors

Sym	Slope	Long	Last
SMH	3.39% ↑↑	no	\$244.26 ↑↑
PAVE	1.58% ↓	no	\$39.11 —
XLE	1.53% ↓↓	no	\$91.37 ↓
XLI	1.42% ↓	no	\$124.46 ↓↓
SPX	1.36% —	Index	\$5304.72—
XLB	1.34% —	no	\$91.36 ↓
KIE	1.27% ↑↑	no	\$50.81 ↓
XLC	1.07% ↑↑	no	\$82.95 ↑↑
XLK	0.87% ↑↑	no	\$215.19 ↑↑

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

Analysis

[XLU](#) made an 85-week high. MACD and ATS turning down. Sell if it closes below \$70.65. [ITA](#) made a 17.48-year high. MACD and ATS turning down. Maintain \$133.84 stop. [XLP](#) all charts are down except CMF which is declining and is now at neutral+. Sell XLP. [XLF](#)'s basic charts are 4 down and 2 neutral.

[SMH](#) made an all-time high and basic charts are all up. [PAVE](#) — no positive movement. [XLE](#) has all basic charts down. [XLI](#) is below \$125. Basic charts are 3 down and 3 neutral.

[XLB](#) — charts are mixed. Wait for new high of 52 weeks or more. [KIE](#) — The insurance sector ETF is losing ground. [XLC](#) made a 2.6-year high. Money flow is up. KB and MACD are up. [XLK](#) has 5 basic charts up and CMF is neutral+.

— — — — — — — — — —

Thoughts and Decisions

Sell XLP. It appears that SMH's recent decline (that bottomed out on Apr 19th) was a rather large retracement. But SMH recovered the lost ground and made a new high.

So my choices for this week are: 10% ITA, 10% SMH, 10% XLF, 10% XLU, and BIL 60%.

Other Securities You May Find Interesting

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

COPX made a 12.4-year high on Monday and then dropped below \$50 by Wednesday.

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

Last week I said DBA was flirting with \$23.50, but I didn't notice the pattern. See Detailed Analysis on page 8.

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

Charts are mixed. My best guess is to wait until DBC closes above \$24.

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

All basic charts are down. Slope is still falling.

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

Made a 7.25-year high, then fell right back below \$32. Also, the CMF has been near zero for 6 weeks, which doesn't exactly fill me with confidence.

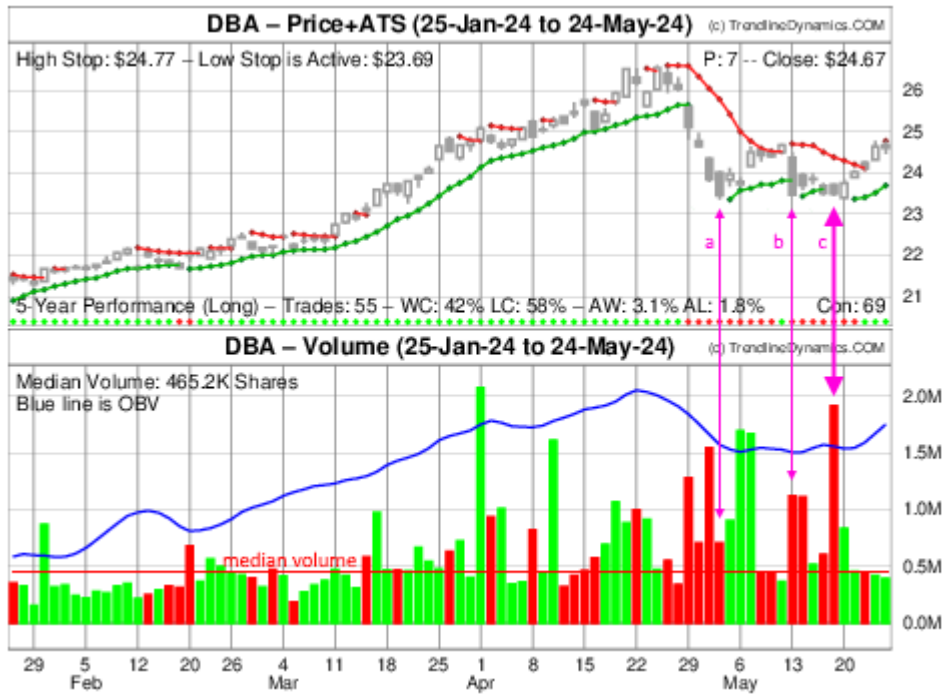
[USO](#) — United States Oil Fund — invests primarily in futures contracts for light, sweet crude oil, other types of crude oil, diesel-heating oil, gasoline, natural gas, and other petroleum-based fuels.

USO is back in the doldrums.

[UUP](#) — US Dollar ETF

Basic charts are either down or neutral.

Detail of DBA



Someone with deep pockets is buying DBA every time it gets below \$23.50. On May 2nd (a) buying stopped the day's decline at \$23.45. On May 13th (b) they bought enough to stop the decline at \$23.47 and push the daily volume to more than double the median volume. And on May 17th they bought with conviction, stopping the decline at \$23.49. Volume on the 17th was 4 times the median.

On the 18th, price formed an outside day, starting a 5-day steady advance.