

## Weekly Market Analysis #519 — 19 July 2024

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### This Week

It appears that CrowdStrike committed a huge mistake this week by doing a "cold release" of an update to their cybersecurity system. A *cold release* is when a company fails to test the update on multiple, diverse, in-house testing machines before pushing the change onto their clients' systems. I believe this will prove to be a costly and long-remembered bit of negligence.

On Friday CRWD shares gapped down significantly, opening below \$300 after setting an all-time high near \$400 on July 11th.

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On Tuesday Barron's said:

Markets are now pricing in an 86% chance of a reduction in September, according to the CME FedWatch tool. Another quarter-point cut in December is also fully priced in.

It's no coincidence that the increased certainty of rate cuts is corresponding to a strong run in smaller companies' stocks. While big technology names like Nvidia, Microsoft, Tesla, and Apple are taking a breather from the artificial intelligence hype, firms that are sensitive to lower rates are taking off.

The S&P 500 equal-weight index, which ignores a company's market value in price moves, is up 2.8% over the past week, more than twice as much as the overall S&P. The Russell 2000 index of small-cap stocks jumped 1.8% yesterday to close at its highest since 2022. Lower interest rates help most companies, especially those reliant on bond sales to expand, by making it cheaper to borrow money.

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Vic Lederman at Chaikin Powerfeed wrote:

The average price of a new car was around \$30,000 in 2012. Last year, it was almost \$48,000. That's 60% inflation. Ouch.

The problem is twofold...We've rarely had enough supply of new cars rolling off the factory floors. Plus, carmakers have introduced a lot of more expensive models in recent years.

If your budget is \$20,000, you can only really afford a subcompact sedan today. I'm talking about a car that's smaller than a Honda Civic or a Toyota Corolla.

We also need to consider our current interest-rate environment...If you have good credit, the current rate for a new-car loan is about 7.2%. So a \$20,000 car loan stretched over five years would cost the buyer about \$400 per month.

That's a key number...According to industry giant Cox Automotive, only half of U.S. households can afford a \$400 monthly car payment these days.

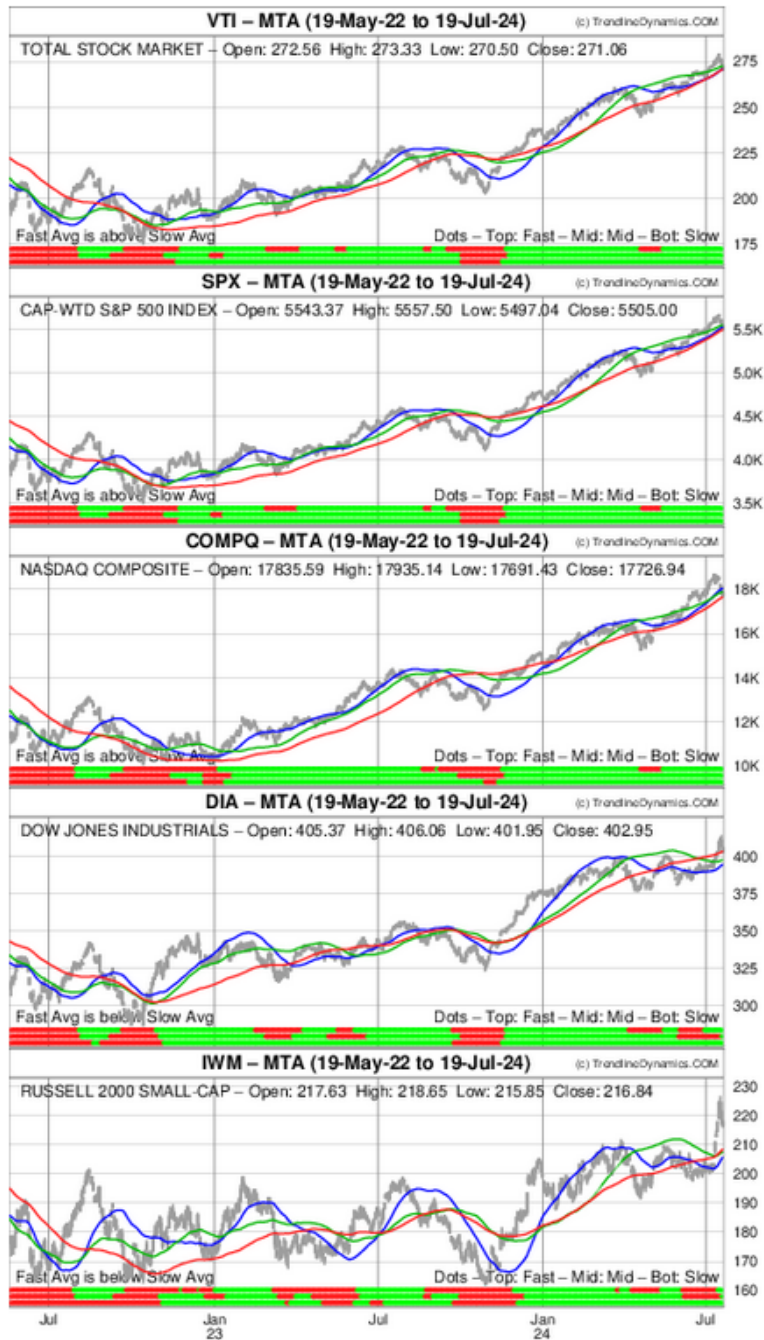
Americans are already saddled with a record of nearly \$1.6 trillion in outstanding car loans. So it's getting harder every year to entice more buyers into the market.

Folks, my point is simple...The outlook for the U.S. car industry is bleak.

## Market Barometers

← Use this link to see all the market barometer charts

VTI, SPX, and DIA made all-time highs; however, VTI and SPX finished the week lower. DIA managed to hold onto a small gain. COMPQ dropped fast after Tuesday. IWM also dropped fast after Tuesday, but managed to hold on to a respectable gain of 1.7% for the week.



Week-over-week: VTI: -1.7%, SPX: -2.0%, COMPQ: -3.6%, DIA: 0.7%, IWM: 1.7%,

## A Closer Look

The SPX closed at \$5667 on Tuesday, then fell to \$5505 on Friday. The advance-decline matched price action. So did the stocks above their 50-day averages. The stocks above their 200-day averages turned down a day later, but other than that they also confirmed price action.

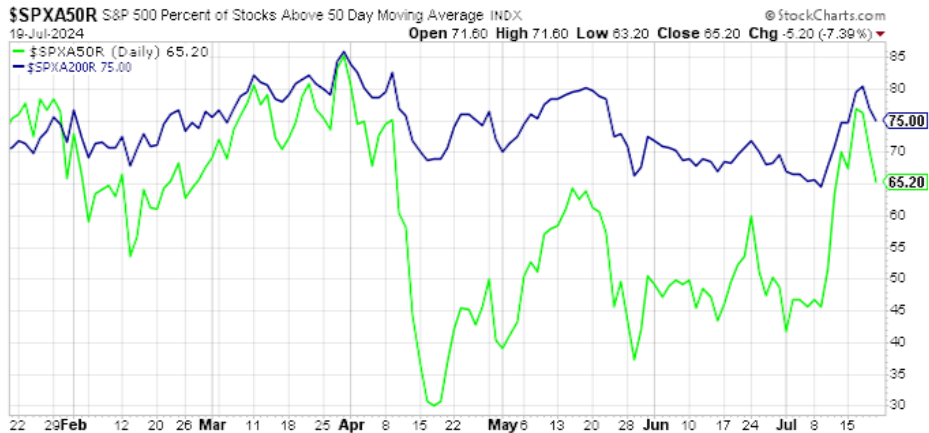


Chart links: [SPX Price](#), [Advances Minus Declines](#), [Stocks Above 50&200 Averages](#), [NewHigh-NewLows](#)

[Bullish Universe](#)

← Use this link to get to the live summary table

[Bearish Universe](#)

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[Inflation Universe](#)

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[Special Security Universe](#)

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[Sector Universe](#)

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SPX Sector Universe Analysis for 19-Jul-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
<a href="#">SMH</a>	SEMICONDUCTORS	ETF	UP	6.69:2.49	DN	1/6	-2.0
<a href="#">IGM</a>	EXPANDED TECH SECTOR	ETF	UP	4.38:2.49	=DN=	1/5	-1.1
<a href="#">SPX</a>	CAP-WTD S&P 500 INDEX	INDEX	UP	2.81:2.49	-DN-	999/3	-0.3
<a href="#">XLY</a>	CONSUMER DISCR	ETF	UP	2.61:2.49	-DN-	126/2	-0.2
<a href="#">XLC</a>	COMMUNICATION SRVCS	ETF	UP	2.21:2.49	≡DN≡	1/4	-0.4
<a href="#">XLRE</a>	REAL ESTATE	ETF	-UP-	1.64:2.49	-up-	73/1	0.8
<a href="#">XLF</a>	FINANCIALS	ETF	UP	1.02:2.49	-up-	999/1	0.4
<a href="#">XLV</a>	HEALTH CARE	ETF	UP	0.93:2.49	-up-	999/1	0.2
<a href="#">XLU</a>	UTILITIES	ETF	UP	0.93:2.49	-DN=	1/1	0.4
<a href="#">XLP</a>	CONSUMER STAPLES	ETF	UP	0.76:2.49	-DN-	112/2	0.3
<a href="#">KIE</a>	INSURANCE SECTOR	ETF	UP	0.47:2.49	<<DN>>	940/1	0.5
<a href="#">ITA</a>	SPACE & DEFENSE	ETF	UP	0.38:2.49	-DN=	6/1	0.2
<a href="#">XRT</a>	RETAIL	ETF	UP	0.25:2.49	-DN-	116/1	0.3
<a href="#">XLI</a>	INDUSTRIALS	ETF	UP	0.07:2.49	-DN-	999/1	0.4
<a href="#">BIL</a>	CASH EQUIVALENT	ETF	UP	0.00:2.49	<<dn>>	3/1	0.0
<a href="#">XLB</a>	MATERIALS	ETF	UP	-0.44:2.49	<<DN>>	8/1	0.5
<a href="#">XLE</a>	ENERGY	ETF	DN	-0.55:2.49	<<up>>	8/1	0.9
<a href="#">IYT</a>	TRANSPORT NDX	ETF	DN	-0.56:2.49	-up-	14/1	0.4
<a href="#">ITB</a>	HOME CONSTRUCTION	ETF	DN	-0.70:2.49	-DN-	16/1	1.5
<a href="#">PAVE</a>	INFRASTRUCTURE	ETF	UP	-0.77:2.49	=DN=	371/1	0.7

The week-over-week price changes for the top 5 sectors are: SMH: -9.6%, IGM: -4.6%, XLY: -1.9%, XLC: -1.4%, XLRE: 1.3%.

The Big 7 did not do well either: AAPL: -2.7%, AMZN: -5.8%, GOOGL: -4.0%, META: -4.4%, MSFT: -3.6%, NFLX: -2.2%, TSLA: -3.6%. (The average decline was -3.78%.)

## Sector Relative-Strength History

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

Relative Strength History 26-Apr-2024 to 19-Jul-2024

26 Apr	03 May	10 May	17 May	24 May	31 May	07 Jun	14 Jun	21 Jun	28 Jun	05 Jul	12 Jul	19 Jul
ENRGY	ENRGY	UTILS	UTILS	UTILS	UTILS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS
SEMIS	UTILS	ENRGY	SEMIS	SEMIS	SEMIS	UTILS	UTILS	TECHS	TECHS	TECHS	TECHS	TECHS
INFRA	SEMIS	SEMIS	ENRGY	DFEND	DFEND	DFEND	TECHS	UTILS	SP500	SP500	SP500	SP500
UTILS	INFRA	DFEND	DFEND	STAPL	TECHS	TECHS	DFEND	SP500	UTILS	COMMS	COMMS	DISCR
MATER	INDUS	INFRA	INFRA	TECHS	STAPL	STAPL	SP500	COMMS	COMMS	UTILS	DISCR	COMMS
INDUS	MATER	INDUS	STAPL	INFRA	SP500	SP500	COMMS	DFEND	STAPL	DISCR	UTILS	REALE
FINAN	DFEND	MATER	INDUS	FINAN	INFRA	COMMS	STAPL	STAPL	DFEND	STAPL	STAPL	FINAN
COMMS	FINAN	FINAN	FINAN	ENRGY	FINAN	SALES	SALES	SALES	HLTHY	HLTHY	REALE	UTILS
DFEND	COMMS	STAPL	MATER	INDUS	INSUR	FINAN	HLTHY	HLTHY	SALES	DFEND	HLTHY	HLTHY
TECHS	STAPL	COMMS	SP500	SP500	COMMS	INSUR	FINAN	FINAN	DISCR	REALE	DFEND	STAPL
SP500	SP500	SP500	INSUR	MATER	MATER	MATER	INSUR	REALE	REALE	SALES	FINAN	INSUR
BLDRS	TECHS	INSUR	TECHS	INSUR	INDUS	INFRA	MATER	INSUR	FINAN	FINAN	SALES	DFEND
INSUR	INSUR	TECHS	COMMS	COMMS	ENRGY	INDUS	INDUS	MATER	INSUR	INSUR	INSUR	SALES
STAPL	BLDRS	BLDRS	SALES	SALES	SALES	HLTHY	REALE	DISCR	INDUS	INDUS	INDUS	INDUS
SALES	SALES	SALES	BLDRS	HLTHY	HLTHY	ENRGY	INFRA	INDUS	MATER	MATER	MATER	MATER
TRANS	HLTHY	HLTHY	HLTHY	BLDRS	BLDRS	REALE	DISCR	INFRA	INFRA	ENRGY	ENRGY	ENRGY
HLTHY	DISCR	DISCR	DISCR	DISCR	DISCR	DISCR	ENRGY	ENRGY	ENRGY	INFRA	TRANS	TRANS
DISCR	TRANS	TRANS	REALE	REALE	REALE	BLDRS	BLDRS	BLDRS	TRANS	TRANS	INFRA	BLDRS
REALE	REALE	REALE	TRANS	TRANS	TRANS	TRANS	TRANS	TRANS	BLDRS	BLDRS	BLDRS	INFRA

### Details

Symbol	Slope	Synonym	Sector Name	Symbol	Slope	Synonym	Sector Name
1. SMH	6.69	SEMIS	SEMICONDUCTORS	11. KIE	0.47	INSUR	INSURANCE
2. IGM	4.38	TECHS	TECHNOLOGY	12. ITA	0.38	DFEND	AEROSPACE & DEFENSE
3. SPX	2.81	SP500	S&P 500	13. XRT	0.25	SALES	RETAIL SALES
4. XLY	2.61	DISCR	CONSUMER DISCR	14. XLI	0.07	INDUS	INDUSTRIALS
5. XLC	2.21	COMMS	COMMUNICATION SRVCS	15. XLB	-0.44	MATER	MATERIALS
6. XLRE	1.64	REALE	REAL ESTATE	16. XLE	-0.55	ENRGY	ENERGY
7. XLF	1.02	FINAN	FINANCIALS	17. IYT	-0.56	TRANS	TRANSPORTATION
8. XLU	0.93	UTILS	UTILITIES	18. ITB	-0.70	BLDRS	HOMEBUILDERS
9. XLV	0.93	HLTHY	HEALTH CARE	19. PAVE	-0.77	INFRA	INFRASTRUCTURE
10. XLP	0.76	STAPL	CONSUMER STAPLES				

The first five sectors remained essentially the same, although Consumer Discretionary and Communication Services switched places.

## This Week's Selections

My sector choices for last week were: 10% IGM, 10% SMH, 10% XLC, 10% XLY, and BIL 60%.

### Top ETFs By Slope

#### Current Holdings

Sym	Slope	Sell Stop	Last
SMH	6.69% ↓	\$267.65	\$248.14 ↓
IGM	4.38% ↓	\$94.65	\$92.48 ↓
XLY	2.61% ↑↑	\$188.35	\$187.81 ↓
XLC	2.21% ↓	\$84.85	\$85.11 ↓
BIL	0.00% —	\$90.85	\$91.67 —

#### Other Sectors

Sym	Slope	Long	Last
SPX	2.81% —	Index	\$5,505.00 ↓
XLRE	1.64% ↑↑	no	\$40.51 ↑↑
XLF	1.02% ↑↑	no	\$42.85 ↑↑
XLV	0.93% ↑	no	\$147.87 —
XLU	0.93% ↓↓	no	\$70.13 ↓
XLP	0.76% —	no	\$78.09 ↑
KIE	0.47% ↑	no	\$51.35 —
ITA	0.38% —	no	\$133.90 ↑
XRT	0.25% ↑	no	\$75.59 ↓

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

### Analysis

[SMH](#) has all basic charts down and price closed below the sell stop on Wednesday. The RSI is oversold, so one could argue that price should turn back up. But the smart thing to do is protect the principal and reenter **IF** price turns back up. [IGM](#) looks a lot like SMH. Again, it's better to protect the principal and wait for the market to tell us when IGM is going up. [XLY](#) stopped 15 cents above the KB centerline. The basic charts are mixed with RSI still above 55 and the MACD histogram at neutral-. Even though price closed below my stop, I'm willing to give XLY another 60 minutes. If it opens down on Monday or it's not above my stop of \$188.35 an hour after the open on Monday, then I'm going to sell it immediately. [XLC](#) has most basic charts down but price is still above my \$84.85 stop. So I'm going to give it 60 minutes, too.

[XLRE](#) broke up through psychological and historical resistance at \$40 on Monday and made a 73-week high. While the rest of the market was falling (SPX -2.0%), XLRE gained 1.3% week over week and remained above \$40.50. All basic charts are up. [XLF](#) broke above historical resistance near \$42.49 and made an all-time high. It lost some ground on Thursday and Friday but ended the week 1.1% higher. All basic charts are up except CMF which is 2-days down but still positive. [XLV](#) made an all-time high before the market dragged it down Thursday. It needs to get back above \$150 before it becomes interesting. [XLU](#) did well to hold onto \$70 all week but it needs to get above historical resistance near \$72.50.

[XLP](#) made a 2-year high and managed to stay above \$78 on Friday. [KIE](#) made an 18-year high then gave back the week's gains on Friday. [ITA](#) ended the week lower. It needs to get above \$137.50 and that's a long way from Friday's close. [XRT](#) made a 2-year high before ending the week lower.

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### Thoughts and Decisions

Sell SMH and IGM. The deciding factor for XLY and XLC really comes down to what the SPX does Monday morning. If the SPX opens to the upside, then XLY and XLC will probably rise with it. If the SPX is down in overnight trading on Sunday, then XLY and XLC will probably open to the downside.

My choices for this week are: 10% XLC, 10% XLY, and 80% BIL. But I'm going to closely watch XLC and XLY at the open on Monday and I will sell either or both of them if they don't rise in early trading.

## Other Securities

It seems I broke the program that generates this table (although I did fix the bug that was causing duplicate entries in the corresponding table at the bottom of the [All Charts](#) navigation page). I tried to fix the problem this morning but made it worse. >:-(-

### Murphy's Laws for Programmers

Constants aren't. Variables won't.

There are two kinds of bugs:

- a. Subtle (those you have yet to find)
- b. Obvious (those you have already found)

Corrections don't eliminate bugs, they only move them.

Any attempt to patch a bug will make it worse.

Patching the operating system while it's running only works if:

1. there are no witnesses; and,
2. there are no user jobs running at the time.

Statements that are obviously correct and cannot possibly cause problems will.

If what you see happening can't possibly be happening, it isn't.

Et cetera,

Et cetera,

Et cetera.

I'll fix this page later this week. Sorry.