

Weekly Market Analysis #521 — 2 August 2024

Richard "Doc" Ahrens

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This Week

Thoughts on dividend-paying stocks from Keith Fitz-Gerald:

People think about dividends purely in terms of income. That's great, but it's not the whole picture. Dividend stocks tend to fall less, stabilize faster, and come roaring back more quickly than their non-dividend paying counterparts. That's why they're a great place to hang out if you're in search of stability for whatever reason. And, not for nothing, if you like cold hard cash the way I do.

Companies that boost their dividends tend to outperform over the next six months.

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In an interview with Ed D'Agostino, renowned economist [William White mentioned](#):

What's the cost of letting climate change rip and what's the cost of doing something about it? When you look at the numbers, the cost of doing something about it is huge. But the costs of not doing something about it are vastly higher...You don't want to be in this situation of having to do something, but we do have to do something.

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Berkshire Hathaway significantly reduced its stake in Apple, selling approximately half of its holdings. Despite sales of about 500 million shares in first and second quarters of 2024, Apple remains Berkshire's largest stock holding. Buffett's decision to sell appears to have been influenced by a number of factors, including potential tax implications and a strategic reassessment of the company's investment portfolio. Additionally, Berkshire's cash reserves have increased to nearly \$277 billion, indicating a cautious stance towards the current economic environment.

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On Thursday Barron's mentioned:

Individual investors have been pouring money into the stock market even after the big run-up. The Investment Company Institute reports a surge of buying of mutual funds and exchange-traded funds that invest in U.S. stocks in the week to July 17.

What's more, people have been buying stocks with borrowed money, in the hope of making a fast buck in a booming market. Margin debt had already risen 15% this year through the end of June. And people have been using call options — speculative derivatives that make money only if the stock market goes up — for the same reason.

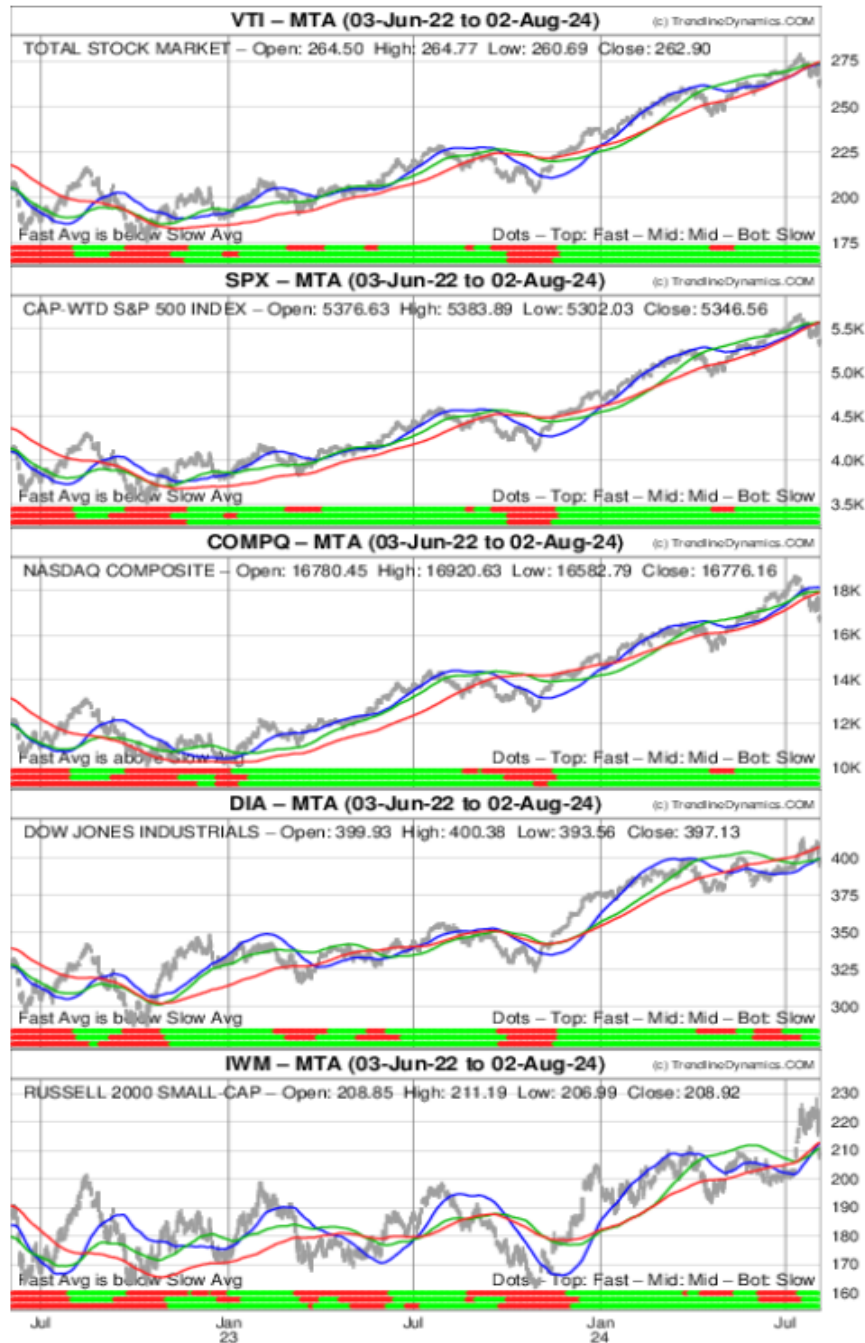
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The sudden Wall Street rotation out of Big Tech plunged the Nasdaq 100 Index into correction territory, as the index has lost more than 10% since early July.

Market Barometers

← Use this link to see all the market barometer charts

All 5 major indexes declined. They all gapped down from Thursday's close to Friday's open, and ended the week below their respective MTAs. However, all 5 MTAs are still solid green because the slopes of the 3 MTA averages are still positive. The only question is how long the slopes of the MTA averages will remain positive.



Week-over-week: VTI: -2.5%, SPX: -2.1%, COMPQ: -3.4%, DIA: -2.2%, IWM: -6.8%

A Closer Look

For four days the SPX was down this week. Wednesday was an up day, but it was followed by a massive Bearish Engulfing day. The advance-decline line was down but did better than price. The stocks above their 50-day averages and 200-day averages did about the same as price.



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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[Sector Universe](#)

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SPX Sector Universe Analysis for 02-Aug-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
KBE	S&P BANK SECTOR	ETF	UP	6.10:1.57	=DN=	1/3	-0.9
ITB	HOME CONSTRUCTION	ETF	UP	3.35:1.57	=DN=	919/1	0.2
XLRE	REAL ESTATE	ETF	UP	3.03:1.57	<<up>>	95/1	0.3
KIE	INSURANCE SECTOR	ETF	UP	1.85:1.57	<<dn>>	942/1	0.3
XLF	FINANCIALS	ETF	UP	1.77:1.57	DN	999/3	-0.2
XLY	CONSUMER DISCR	ETF	UP	1.74:1.57	<<dn>>	2/8	-1.2
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	1.73:1.57	DN	2/8	-0.5
XLU	UTILITIES	ETF	UP	1.71:1.57	=UP=	94/1	1.0
IGM	EXPANDED TECH SECTOR	ETF	UP	1.63:1.57	<<dn>>	2/11	-1.2
ITA	SPACE & DEFENSE	ETF	UP	1.60:1.57	DN	919/1	0.3
XLV	HEALTH CARE	ETF	UP	1.38:1.57	-UP-	999/1	0.1
SMH	SEMICONDUCTORS	ETF	UP	1.38:1.57	<<dn>>	2/13	-2.8
XLC	COMMUNICATION SRVCS	ETF	UP	1.19:1.57	<<DN>>	3/1	-0.1
XLP	CONSUMER STAPLES	ETF	UP	0.85:1.57	=UP=	114/1	0.2
XLI	INDUSTRIALS	ETF	UP	0.63:1.57	DN	3/3	-0.1
XRT	RETAIL	ETF	UP	0.48:1.57	<<dn>>	3/3	-0.1
PAVE	INFRASTRUCTURE	ETF	UP	0.44:1.57	DN	373/3	-0.2
XLB	MATERIALS	ETF	UP	0.18:1.57	=DN=	10/1	0.1
BIL	CASH EQUIVALENT	ETF	UP	0.00:1.57	-UP=	9/30	-0.0
XLE	ENERGY	ETF	DN	-0.16:1.57	=DN=	2/7	-0.5
IYT	TRANSPORT NDX	ETF	DN	-0.38:1.57	DN	2/34	-0.6

The week-over-week price changes for the top 5 sectors are: KBE: -8.7%, ITB: -2.7%, XLRE: 2.8%, KIE: -0.3%, XLF: -3.1%.

The Big 7 were mixed, but mostly down: AAPL: 0.9%, AMZN: -8.0%, GOOGL: -0.2%, META: 4.8%, MSFT: -3.9%, NFLX: -2.8%, TSLA: -5.5%.

Sector Relative-Strength History

13 weeks of slope history for 19 sector ETFs and the SPX.

Relative Strength History 10-May-2024 to 02-Aug-2024

10 May	17 May	24 May	31 May	07 Jun	14 Jun	21 Jun	28 Jun	05 Jul	12 Jul	19 Jul	26 Jul	02 Aug
UTILS	UTILS	UTILS	UTILS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	BANKS	BANKS
ENRGY	SEMIS	SEMIS	SEMIS	UTILS	UTILS	TECHS	TECHS	TECHS	TECHS	TECHS	SEMIS	BLDRS
SEMIS	ENRGY	DFEND	DFEND	DFEND	TECHS	UTILS	SP500	SP500	SP500	SP500	TECHS	REALE
DFEND	DFEND	BANKS	TECHS	TECHS	DFEND	SP500	UTILS	COMMS	COMMS	DISCR	SP500	INSUR
INFRA	BANKS	STAPL	BANKS	SP500	SP500	COMMS	COMMS	UTILS	DISCR	BANKS	DISCR	FINAN
INDUS	INFRA	TECHS	STAPL	STAPL	COMMS	DFEND	STAPL	DISCR	UTILS	COMMS	REALE	DISCR
MATER	STAPL	INFRA	SP500	COMMS	STAPL	STAPL	DFEND	STAPL	STAPL	REALE	COMMS	SP500
FINAN	INDUS	FINAN	INFRA	SALES	SALES	SALES	HLTHY	HLTHY	REALE	FINAN	FINAN	UTILS
BANKS	FINAN	ENRGY	FINAN	FINAN	HLTHY	HLTHY	SALES	DFEND	HLTHY	HLTHY	BLDRS	TECHS
STAPL	MATER	INDUS	INSUR	INSUR	FINAN	FINAN	DISCR	REALE	DFEND	UTILS	HLTHY	DFEND
COMMS	SP500	SP500	COMMS	BANKS	INSUR	REALE	REALE	SALES	FINAN	STAPL	UTILS	HLTHY
SP500	INSUR	MATER	MATER	MATER	MATER	INSUR	FINAN	FINAN	BANKS	INSUR	INSUR	SEMIS
INSUR	TECHS	INSUR	INDUS	INFRA	INDUS	MATER	INSUR	INSUR	SALES	DFEND	DFEND	COMMS
TECHS	COMMS	COMMS	ENRGY	INDUS	REALE	DISCR	INDUS	INDUS	INSUR	SALES	STAPL	STAPL
BLDRS	SALES	SALES	SALES	HLTHY	BANKS	INDUS	MATER	BANKS	INDUS	INDUS	INDUS	INDUS
SALES	BLDRS	HLTHY	HLTHY	ENRGY	INFRA	INFRA	BANKS	MATER	MATER	MATER	SALES	SALES
HLTHY	HLTHY	BLDRS	BLDRS	REALE	DISCR	BANKS	INFRA	ENRGY	ENRGY	ENRGY	INFRA	INFRA
DISCR	DISCR	DISCR	DISCR	DISCR	ENRGY	ENRGY	ENRGY	INFRA	TRANS	TRANS	MATER	MATER
TRANS	REALE	REALE	REALE	BLDRS	BLDRS	BLDRS	TRANS	TRANS	INFRA	BLDRS	ENRGY	ENRGY
REALE	TRANS	TRANS	TRANS	TRANS	TRANS	TRANS	BLDRS	BLDRS	BLDRS	INFRA	TRANS	TRANS

Details

Symbol	Slope	Synonym	Sector Name	Symbol	Slope	Synonym	Sector Name
1. KBE	6.10	BANKS	BANKS	11. XLV	1.38	HLTHY	HEALTH CARE
2. ITB	3.35	BLDRS	HOMEBUILDERS	12. SMH	1.38	SEMIS	SEMICONDUCTORS
3. XLRE	3.03	REALE	REAL ESTATE	13. XLC	1.19	COMMS	COMMUNICATION SRVCS
4. KIE	1.85	INSUR	INSURANCE	14. XLP	0.85	STAPL	CONSUMER STAPLES
5. XLF	1.77	FINAN	FINANCIALS	15. XLI	0.63	INDUS	INDUSTRIALS
6. XLY	1.74	DISCR	CONSUMER DISCR	16. XRT	0.48	SALES	RETAIL SALES
7. SPX	1.73	SP500	S&P 500	17. PAVE	0.44	INFRA	INFRASTRUCTURE
8. XLU	1.71	UTILS	UTILITIES	18. XLB	0.18	MATER	MATERIALS
9. IGM	1.63	TECHS	TECHNOLOGY	19. XLE	-0.16	ENRGY	ENERGY
10. ITA	1.60	DFEND	AEROSPACE & DEFENSE	20. IYT	-0.38	TRANS	TRANSPORTATION

The addition of the bank ETF to our sector universe happened during a week where there was also a major rotation in the other sectors. As KBE (banks) took over the #1 spot, SMH dropped to about the middle of the sector table as home builders and real estate took over the #2 and #3 spots, respectively. These were followed by insurance and financials.

This Week's Selections

My sector choice for last week was: BIL.

Top ETFs By Slope

Current Holdings

Sym	Slope	Sell Stop	Last
BIL	0.00% —	\$90.85	\$91.47 —

Other Sectors

Sym	Slope	Long	Last
KBE	6.10% ↑↑	no	\$49.93 ↓
ITB	3.35% ↑↑	no	\$115.88 ↓
XLRE	3.03% ↑↑	no	\$41.86 ↑
KIE	1.85% ↑↑	no	\$53.07 —
XLF	1.77% ↑↑	no	\$42.06 ↓
XLY	1.74% ↓↓	no	\$176.16 ↓↓
SPX	1.73% ↓↓	INDEX	\$5,346.56 ↓↓
XLU	1.71% ↑	no	\$74.22 ↑↑
IGM	1.63% ↓↓	no	\$86.73 ↓↓

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

Analysis

[KBE](#) fell 8.7% this week. All 6 basic charts are down. [ITB](#) declined 2.7% since the previous Friday. KB is still up. ATS is neutral+. RSI is up. MACD is neutral+. CMF is neutral-. And OBV turned down. [XLRE](#) gained 2.8% this week and made a 95-week high. All basic charts are up and money flow is positive. [KIE](#) made an 18-year high and lost only 2.3% from its July 30th close. Its smoothed slope is still rising, but remember it's a long-term indicator and the smoothing introduces a 9-day delay (which isn't bad for a 6-month moving average). KB, ATS, RSI, and MACD are still positive, but CMF and OBV are down.

[XLF](#) basic charts are all down. [XLY](#) is down almost 10% since July 16th, and the basic charts are down. [XLU](#)'s basic charts are all up and it powered it way up through historical resistance near \$72.50 to end the week at \$74.22. [IGM](#) still has all basic charts down. The RSI is oversold so there might a turn up pretty soon.

Possibilities from Page 7 — [ITA](#) made a 17.66-year high before losing about 4.4% on Thursday and Friday. If it gets back above \$140 it will be worth another look. [XLV](#) made an all-time high and broke up through \$150 while the rest of the market was getting pommeeled. Despite its low slope of 1.38, this one is worth watching. [KIE](#)'s money flow is weak but the rest of the basic charts don't look too bad. The might become interesting if it gets back above \$154.

Thoughts and Decisions

On Tuesday ITB made an open and a close above \$120, so I started looking for a good opening on Wednesday. But Wednesday fizzled so I didn't buy it. ITB may have found support near \$115 (?)

The only sectors worth considering this week are XLV, XLRE, and XLU, in that order. XLV has been rising since mid-May and was unperturbed by 3 weeks of SPX weakness, making an all-time high this week. XLRE bounced up off \$40 on July 25th. There's historical resistance all the way up to \$51.80. This all looks pretty good, but the 5-year chart on page 8 reveals a reason for caution. And XLU needs to clear \$75 before it becomes a buy.

My sector choices for this week are: 10% XLV and 90% BIL

New Highs

This week's decline took down last week's potentially interesting ETFs: ITA, IWN, and KBE.

SECURITIES MAKING NEW HIGHS					
SYMBOL	COMPANY	INSTR	MTA	SLOPE	WEEKS
XLF	FINANCIALS	ETF	UP	1.77	999
XLV	HEALTH CARE	ETF	UP	1.38	999
KIE	INSURANCE SECTOR	ETF	UP	1.85	942
ITA	SPACE & DEFENSE	ETF	UP	1.60	919
ITB	HOME CONSTRUCTION	ETF	UP	3.35	919
DFS	DISCOVER FINANCIAL SERVICES	STOCK	UP	5.05	863
USMV	USA MIN VOLATILITY	ETF	UP	1.73	644
HTGC	HERCULES CAPITAL	STOCK	UP	4.07	387
IVE	S&P 500 VALUE	ETF	UP	1.18	381
SPYV	S&P 500 (VALUE)	ETF	UP	1.09	378
VTV	US LARGE CAP VALUE	ETF	UP	1.40	378
XAR	EQU-WTD SPACE & DEFENSE	ETF	UP	1.87	375
PAVE	INFRASTRUCTURE	ETF	UP	0.44	373
MOAT	MORNINGSTAR WIDE MOAT	ETF	UP	1.03	356
IRM	IRON MOUNTAIN	STOCK	UP	9.12	351
PM	PHILIP MORRIS INTL	STOCK	UP	5.63	347
AZN	ASTRAZENECA	STOCK	UP	2.07	275
NVS	NOVARTIS	STOCK	UP	3.65	275
ABBV	ABBVIE INC	STOCK	=UP=	3.01	254
INFL	INFLATION BENEFICIARIES	ETF	UP	3.89	179
UWMC	UWM HOLDINGS CORP	HLD	UP	5.27	156
COF	CAPITAL ONE FINANCIAL	STOCK	UP	1.69	122
XLP	CONSUMER STAPLES	ETF	UP	0.85	114
MO	ALTRIA GROUP	HLD	UP	4.68	109
HYG	HIGH-YIELD CORP BOND (HD)	ETF	UP	0.55	99
KBWB	BIG BANKS	ETF	UP	3.84	99
USIG	USD INVESTMENT GRADE CORPORATE BOND	ETF	UP	0.60	99
XLRE	REAL ESTATE	ETF	UP	3.03	95
XLU	UTILITIES	ETF	UP	1.71	94
IIPR	INNOVATIVE INDUSTRIAL PROPERTIES	STOCK	UP	5.68	84

'CEF' is a Closed End Fund

'HLD' is a Holding Company

5-Year chart of XLRE shows significant historical resistance (trading activity) resistance between \$40 and \$42, the area where price is right now. This says patience may be a good idea.



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