

Weekly Market Analysis #524 — 23 August 2024

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This Week

The endless and pointless speculation on what the Fed might or might not do was quieted this week when the Fed's J. Powell announced, "The time has come for policy to adjust." He also said, "After a pause earlier this year, progress toward our 2% objective has resumed. My confidence has grown that inflation is on a sustainable path back to 2%."

Opinion: It seems to me that the COVID epidemic came along at a very opportune time for the Fed. It allowed the Fed to blame COVID for the recent years of inflation and save them from being taken to task for the decade of "quantitative easing" that distorted the markets (and ultimately the economy). In my opinion, QE was the real cause of the inflation. COVID was just the catalyst.

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From Bloomberg on Thursday:

The Fed is indeed expected to start cutting rates in a few weeks, making it cheaper for companies and banks to borrow money while leaving investors happy and savers glum. Just for affirmation, two central bank officials at the economic conclave in Jackson Hole, Wyoming, said that they believe it's appropriate for the Fed to begin lowering interest rates soon, and that the pace of subsequent cuts should be "gradual" and "methodical."

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John Mauldin observed:

I can't remember a time when it was so hard to look out over the next six months and make a prediction. I have been wrong on a few occasions, but at least I felt comfortable making a prediction about the direction of the economy. That is just not the case today. There are too many conflicting signals. For once in my lifetime, the Fed might actually be ahead of the curve if they start the interest rate cut cycle. The American consumer hasn't come close to throwing in the towel.

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Jared Dillian Commodities:

...what is going to be the catalyst for commodities? I suspect it will be the election, or maybe something will happen sooner. If you think about it, both candidates are good for commodities. Both candidates are good for the curve steepener. Both candidates are economically illiterate in their own ways. I think that once we psychologically get to the point that one of them is going to win, then we will get our catalyst.

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If you're considering the question of when it's a good time to sign up to start taking your Social Security benefits, [here's a useful guide](#).

[Market Barometers](#)

← Use this link to see all the market barometer charts

All 5 indexes advanced this week and continue to have bullish MTAs. In fact, all 5 have solid green dots back again.



Week-over-week: VTI: 1.6%, SPX: 1.4%, COMPQ: 1.4%, DIA: 1.3%, IWM: 3.7%

A Closer Look

The SPX rose on Monday, Wednesday, and Friday, ending the week at a 6-week new high of \$5634.61. The advance-decline line confirmed price. The stocks above their 50-day averages and the stocks above their 200-day averages also confirmed price, and the 50-day crossed above the 200-day for the first time in 7 months.



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

[Bullish Universe](#)

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SPX Sector Universe Analysis for 23-Aug-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
KBE	S&P BANK SECTOR	ETF	UP	4.22:0.67	UP	3/1	0.3
ITB	HOME CONSTRUCTION	ETF	UP	4.12:0.67	«UP»	922/1	0.5
XLRE	REAL ESTATE	ETF	UP	4.09:0.67	UP	98/1	0.2
XLU	UTILITIES	ETF	UP	3.21:0.67	«up»	98/1	0.1
KIE	INSURANCE SECTOR	ETF	UP	2.63:0.67	UP	945/1	0.4
ITA	SPACE & DEFENSE	ETF	UP	2.62:0.67	UP	922/1	0.2
XLV	HEALTH CARE	ETF	UP	1.97:0.67	UP	999/1	0.5
XLP	CONSUMER STAPLES	ETF	UP	1.76:0.67	UP	999/1	0.4
XLF	FINANCIALS	ETF	UP	1.66:0.67	UP	999/1	0.3
XLI	INDUSTRIALS	ETF	UP	0.93:0.67	UP	999/1	0.3
XLC	COMMUNICATION SRVCS	ETF	UP	0.69:0.67	UP	6/1	0.4
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	0.65:0.67	UP	6/1	0.6
XLB	MATERIALS	ETF	UP	0.18:0.67	UP	19/1	0.3
XRT	RETAIL	ETF	UP	0.00:0.67	«UP»	3/1	0.5
BIL	CASH EQUIVALENT	ETF	DN	0.00:0.67	-up-	3/1	0.0
PAVE	INFRASTRUCTURE	ETF	UP	0.00:0.67	=UP=	3/1	0.3
XLY	CONSUMER DISCR	ETF	-UP-	-0.23:0.67	UP	5/1	0.9
IYT	TRANSPORT NDX	ETF	DN	-0.44:0.67	«UP»	5/1	0.6
IGM	EXPANDED TECH SECTOR	ETF	UP	-0.47:0.67	UP	6/1	1.2
XLE	ENERGY	ETF	DN	-0.88:0.67	≡DN≡	3/2	0.1
SMH	SEMICONDUCTORS	ETF	UP	-2.34:0.67	UP	5/1	2.1

The week-over-week price changes for the top 5 sectors are: KBE: 4.3%, ITB: 7.9%, XLRE: 3.6%, XLU: 1.3%, KIE: 1.8%.

In the Big 7 NFLX, TSLA, and GOOGL led: AAPL: 0.3%, AMZN: -0.0%, GOOGL: 1.6%, META: 0.1%, MSFT: -0.4%, NFLX: 1.9%, TSLA: 1.9%.

Sector Relative-Strength History

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

Relative Strength History

31-May-2024 to 23-Aug-2024

31 May	07 Jun	14 Jun	21 Jun	28 Jun	05 Jul	12 Jul	19 Jul	26 Jul	02 Aug	09 Aug	16 Aug	23 Aug
UTILS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	BANKS	BANKS	BANKS	BANKS
SEMIS	UTILS	UTILS	TECHS	TECHS	TECHS	TECHS	TECHS	BANKS	BLDRS	REALE	REALE	BLDRS
DFEND	TECHS	TECHS	UTILS	UTILS	SP500	SP500	SP500	TECHS	REALE	BLDRS	BLDRS	REALE
TECHS	DFEND	DFEND	SP500	SP500	COMMS	COMMS	DISCR	SP500	SEMIS	UTILS	UTILS	UTILS
BANKS	SP500	SP500	COMMS	COMMS	UTILS	DISCR	BANKS	DISCR	TECHS	INSUR	DFEND	INSUR
STAPL	COMMS	COMMS	DFEND	STAPL	DISCR	UTILS	COMMS	REALE	UTILS	DFEND	INSUR	DFEND
INFRA	STAPL	STAPL	STAPL	DFEND	STAPL	STAPL	REALE	COMMS	SP500	FINAN	HLTHY	HLTHY
SP500	SALES	SALES	SALES	SALES	DFEND	HLTHY	UTILS	FINAN	INSUR	HLTHY	FINAN	STAPL
FINAN	FINAN	FINAN	HLTHY	HLTHY	HLTHY	REALE	FINAN	UTILS	FINAN	STAPL	STAPL	FINAN
INSUR	BANKS	HLTHY	FINAN	FINAN	SALES	DFEND	HLTHY	BLDRS	DISCR	SP500	COMMS	INDUS
COMMS	INSUR	INSUR	INSUR	DISCR	FINAN	FINAN	STAPL	HLTHY	DFEND	COMMS	SP500	COMMS
MATER	MATER	MATER	MATER	INSUR	REALE	BANKS	DFEND	INSUR	HLTHY	INDUS	INDUS	SP500
INDUS	INFRA	INDUS	INDUS	REALE	INSUR	SALES	INSUR	DFEND	COMMS	DISCR	MATER	MATER
ENRGY	INDUS	BANKS	REALE	INDUS	INDUS	INSUR	SALES	STAPL	STAPL	TECHS	INFRA	SALES
SALES	HLTHY	INFRA	DISCR	MATER	BANKS	INDUS	INDUS	INDUS	INDUS	INFRA	SALES	INFRA
HLTHY	ENRGY	REALE	INFRA	BANKS	MATER	MATER	MATER	SALES	SALES	MATER	TECHS	DISCR
BLDRS	REALE	DISCR	BANKS	INFRA	ENRGY	ENRGY	ENRGY	INFRA	INFRA	SALES	DISCR	TRANS
DISCR	DISCR	ENRGY	ENRGY	ENRGY	INFRA	INFRA	INFRA	MATER	MATER	ENRGY	ENRGY	TECHS
REALE	BLDRS	BLDRS	BLDRS	BLDRS	TRANS	TRANS	TRANS	ENRGY	ENRGY	SEMIS	TRANS	ENRGY
TRANS	TRANS	TRANS	TRANS	TRANS	BLDRS	BLDRS	BLDRS	TRANS	TRANS	TRANS	SEMIS	SEMIS

Details

Symbol	Slope	Synonym	Sector Name	Symbol	Slope	Synonym	Sector Name
1. KBE	4.22	BANKS	BANKS	11. XLC	0.69	COMMS	COMMUNICATION SRVCS
2. ITB	4.12	BLDRS	HOMEBUILDERS	12. SPX	0.65	SP500	S&P 500
3. XLRE	4.09	REALE	REAL ESTATE	13. XLB	0.18	MATER	MATERIALS
4. XLU	3.21	UTILS	UTILITIES	14. XRT	0.05	SALES	RETAIL SALES
5. KIE	2.63	INSUR	INSURANCE	15. PAVE	0.00	INFRA	INFRASTRUCTURE
6. ITA	2.62	DFEND	AEROSPACE & DEFENSE	16. XLY	-0.23	DISCR	CONSUMER DISCR
7. XLV	1.97	HLTHY	HEALTH CARE	17. IYT	-0.44	TRANS	TRANSPORTATION
8. XLP	1.76	STAPL	CONSUMER STAPLES	18. IGM	-0.47	TECHS	TECHNOLOGY
9. XLF	1.66	FINAN	FINANCIALS	19. XLE	-0.88	ENRGY	ENERGY
10. XLI	0.93	INDUS	INDUSTRIALS	20. SMH	-2.34	SEMIS	SEMICONDUCTORS

The top 9 were again the same, but a number of them swapped places. Home Builders and Real Estate switched, as did Defense and Insurance, and Consumer Staples and Financials. Meanwhile, the slope of the SPX Index was pushed down to 12th place.

Other than some minor jockeying for position among the leaders, the overall stability among the top sectors is a good sign for the market as a whole.

This Week's Selections

My sector choices for last week were: 10% ITA, 10% XLV, and 80% BIL. Then mid-week I bought 10% XLP as it pushed up through \$80.60. That purchase lowered the BIL position to about 70%.

Top ETFs By Slope

Current Holdings

Sym	Slope	Sell Stop	Last
ITA	2.62% ↑↑	\$142.58	\$144.87 ↑↑
XLV	1.97% ↑↑	\$152.83	\$155.45 ↑↑
XLP	1.76% ↑↑	\$80.47	\$81.84 ↑↑
BIL	0.00% —	\$90.85	\$91.73 —

Other Sectors

Sym	Slope	Long	Last
KBE	4.22% ↓↓	no	\$53.48 ↑
ITB	4.12% ↑	no	\$123.15 ↑
XLRE	4.09% ↑↑	no	\$43.37 ↑
XLU	3.21% ↑↑	no	\$75.42 ↑
KIE	2.63% ↑↑	no	\$55.14 ↑
XLF	1.66% ↑	no	\$44.43 ↑↑
XLI	0.93% ↑↑	no	\$129.28 ↑↑
XLC	0.69% ↑	no	\$87.50 ↑↑
SPX	0.65% ↑	INDEX	\$5,634.61 ↑↑

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

Analysis

[ITA](#) made another new high and peeked above \$145 for a short time on Friday. All basic charts are up. [XLV](#) made another all-time high, ended the week above \$155, and all basic charts are up. [XLP](#) also made an all-time high, got above \$80.60 on Tuesday, and stayed there. All basic charts are currently up.

[KBE](#) broke through \$52.50, but that only gives it a 3-week high. All basic charts are up. [ITB](#) made a 17.7-year high. Basic charts are all up. [XLRE](#) made a 1.9-year high and all the basic charts are up except for MACD which is neutral+. [XLU](#)'s also made a 1.9-year high as price got above \$75. Most basic charts are up but OBV is kind of flat and MACD is neutral+.

[KIE](#) is peeking over the \$55 level and made an 18.2-year high. All basic charts are up. [XLF](#) got above historical resistance near \$44 and made an all-time high. Basic charts are all up, although OBV could be stronger. [XLI](#) made an all-time high ending the week at \$129.28. Like XLF, basic charts are all up, but OBV could be a little stronger. [XLC](#) made a 6-week high <yawn>. Again, all the basic charts are up even though OBV could be stronger.

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Thoughts and Decisions

I'm going to buy ITB and XLRE. I would buy KBE but it had kind of a lackluster recovery from the August 5th low and I won't buy it until it gets above \$55.

My sector choices for this week are 10% ITA, 10% ITB, 10% XLP, 10% XLRE, 10% XLV, and 50% BIL.

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Keep in mind that these position sizes almost never work out exactly. Purchases are usually pretty close to their intended 10%, but they soon start to drift as prices change. In Dynamic Sector Allocation here is no rebalancing of the sector positions, just entries and exits. And I use BIL as my "cash" position. BIL is the source of cash for purchases and the recipient of proceeds from sales, so it tends to drift around its nominal amount.

Like Yogi Berra said, "In theory, there is no difference between practice and theory. In practice, there is."

New Highs

6 new all-time highs this week, plus KIE, ITA, and ITB with over 17-years highs.

SYMBOL	COMPANY	INSTR	MTA	SLOPE	WEEKS
RSP	EQU-WTD S&P 500 INDEX	ETF	UP	1.07	999
WMT	WALMART STORES	STOCK	UP	3.65	999
XLF	FINANCIALS	ETF	UP	1.64	999
XLI	INDUSTRIALS	ETF	UP	0.92	999
XLP	CONSUMER STAPLES	ETF	UP	1.71	999
XLV	HEALTH CARE	ETF	UP	1.86	999
KIE	INSURANCE SECTOR	ETF	UP	2.45	945
ITA	SPACE & DEFENSE	ETF	UP	2.49	922
ITB	HOME CONSTRUCTION	ETF	UP	3.67	922
USMV	USA MIN VOLATILITY	ETF	UP	2.36	647
FIW	POTABLE/WASTE WATER	ETF	UP	1.37	390
VIG	DIVIDEND APPRECIATION	ETF	UP	1.47	386
IVE	S&P 500 VALUE	ETF	UP	1.28	384
IQLT	GLOBAL QUALITY	ETF	UP	-0.09	381
SPYV	S&P 500 (VALUE)	ETF	UP	1.22	381
VTV	US LARGE CAP VALUE	ETF	UP	1.35	381
XAR	EQU-WTD SPACE & DEFENSE	ETF	UP	2.30	378
MOAT	MORNINGSTAR WIDE MOAT	ETF	UP	2.01	359
PM	PHILIP MORRIS INTL	STOCK	UP	7.40	358
IRM	IRON MOUNTAIN	STOCK	UP	10.61	354
GLDM	GOLD MINISHARES	ETF	UP	2.22	310
AZN	ASTRAZENECA	STOCK	UP	3.73	278
NVS	NOVARTIS	STOCK	UP	4.11	278
SAP	SAP AG	STOCK	UP	3.66	278
VGK	FTSE EUROPE	ETF	UP	0.00	277
WMB	WILLIAMS	STOCK	UP	2.65	273
ABBV	ABBVIE INC	STOCK	UP	6.20	257
JPM	JPMORGAN CHASE	STOCK	UP	2.16	257
INFL	INFLATION BENEFICIARIES	ETF	UP	3.21	182
PLTR	PALANTIR	STOCK	UP	9.54	178

'CEF' is a Closed End Fund

'HLD' is a Holding Company

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