

Weekly Market Analysis #530 — 4 October 2024
Richard "Doc" Ahrens
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This Week

[Keith Fitz-Gerald's](#) Monday Investing Tip

Every investment involves risk but where most investors screw up is that not all risks are worth the investment. If you can't explain what the company does in terms a 5-year-old can understand, do NOT buy it. Simple as that.

On Thursday [Jared Dillian](#) wrote:

The jobs market data has been deteriorating for some time. As you know, the unemployment rate has risen from 3.5% to 4.2%. The Fed is confusing this labor market weakness with overall economic weakness when really what is going on is a normalization of the labor market since the excesses of the pandemic. We pumped \$3 trillion into the economy and had massive labor shortages. Those excesses have been worked off, and we have returned to something resembling a normal labor market.

But the Fed thinks this is an indication that we are headed into a recession. So, the Fed is cutting rates when it really shouldn't, which will lead to more inflation down the road. That is my thesis in a paragraph.

Now, if the Fed is cutting rates when everything is basically fine, then this is going to have some direct capital market impacts. Stocks will go up. Commodities will go up. Long-duration bonds will go down, and the yield curve will steepen. That is the thesis for the next three to six months.

Not to mention the fact that we have an election coming up, where both candidates are perceived to be inflationary. Recently, in this letter, I predicted that commodities had bottomed and would rise. That has come to pass. This is only the beginning.

[Steve Blumenthal](#) Explains "Inverted Yield Curve"

An inverted yield curve is one of those things that sounds complicated, but it's really just a red flag for the economy, signaling that investors are worried about the future. Usually, when you lend the government money for a longer period of time—say, ten years—you expect to get paid more interest than if you lend money for just a short period, like six months or two years. This makes sense: longer loans = more risk but also more reward.

But when the economic outlook gets worrisome to investors and the yield curve inverts, that more-risk-more-reward logic inverts, too. Short-term bonds become a better, more profitable investment than long-term bonds. When investors are worried about the near future, they're willing to accept lower returns for long-term investments because they think something bad, like a recession, might be near. Like having a fever signals that you're sick and your body's fighting off illness, an inverted yield curve signals that the economy is not well and a recession is likely ahead.

David Keller is a very down-to-earth guy who recently launched "[Market Misbehavior](#)" which offers training and on-going market analysis. This week he said:

If your runway is long enough, and your investment horizon is a couple years out or more...don't worry so much about short-term moves, and focus more on long-term wealth creation.

If you look back through market history, the biggest drawdowns have ended up providing the best buying opportunities...

Mindful investors recognize that there's a balance between maintaining a proper long-term focus on trends and upside potential, with the goal of limiting drawdowns when the bear wakes up.

[Market Barometers](#)

← Use this link to see all the market barometer charts

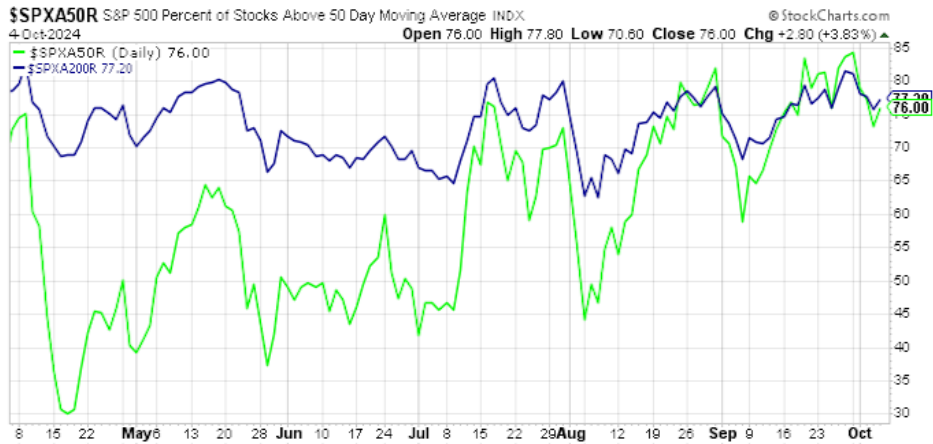
All 5 MTAs are up and solid green. SPX, and DIA made all-time high. None of the indexes advanced more than 0.2%.



Week-over-week: VTI: 0.2%, SPX: 0.2%, COMPQ: 0.1%, DIA: 0.1%, IWM: -0.5%.

A Closer Look

The SPX rose a little on Monday and then fell back close to \$5700 on Tuesday. Wednesday and Thursday hovered near \$5700, and Friday brought it back up to \$5750. The Advance-Decline line largely moved with price. The stocks above their 50-day and 200-day averages roughly followed the SPX. Both averages finished the week above 75, which is quite strong.



[S&P Price Chart](#)

[Advance-Decline Line](#)

[Stocks Above Averages](#)

[Bullish Universe](#)

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[Bearish Universe](#)

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SPX Sector Universe Analysis for 04-Oct-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
ITB	HOME CONSTRUCTION	ETF	UP	4.79:1.72	«up»	2/3	-0.4
XLU	UTILITIES	ETF	UP	4.66:1.72	UP	999/1	0.0
XLRE	REAL ESTATE	ETF	UP	4.33:1.72	«UP»	2/5	-0.6
KIE	INSURANCE SECTOR	ETF	UP	3.24:1.72	«UP»	951/1	-0.1
XLY	CONSUMER DISCR	ETF	UP	3.08:1.72	«UP»	1/2	-0.3
ITA	SPACE & DEFENSE	ETF	UP	3.05:1.72	«UP»	927/1	0.2
XLI	INDUSTRIALS	ETF	UP	2.67:1.72	«UP»	999/1	0.0
KBE	S&P BANK SECTOR	ETF	UP	2.60:1.72	DN	2/3	-0.3
XLF	FINANCIALS	ETF	UP	2.35:1.72	UP	2/1	-0.1
XLP	CONSUMER STAPLES	ETF	UP	2.28:1.72	DN	1/6	-0.5
XLB	MATERIALS	ETF	UP	1.99:1.72	«up»	1/2	-0.1
PAVE	INFRASTRUCTURE	ETF	UP	1.95:1.72	≡UP≡	382/1	0.1
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	1.70:1.72	≡UP≡	999/2	-0.0
XLC	COMMUNICATION SRVCS	ETF	UP	1.65:1.72	UP	317/1	0.2
IYT	TRANSPORT NDX	ETF	UP	1.45:1.72	DN	2/3	-0.3
XLV	HEALTH CARE	ETF	UP	1.44:1.72	«dn»	2/7	-0.5
IGM	EXPANDED TECH SECTOR	ETF	UP	1.04:1.72	«UP»	11/2	0.2
XRT	RETAIL	ETF	UP	0.19:1.72	«UP»	1/3	-0.1
BIL	CASH EQUIVALENT	ETF	UP	0.00:1.72	«up»	5/9	-0.0
SMH	SEMICONDUCTORS	ETF	DN	-0.87:1.72	«UP»	1/2	0.6
XLE	ENERGY	ETF	DN	-1.11:1.72	≡UP≡	9/1	0.7

WoW price changes for the top 5 sectors are: ITB: -2.4%, XLU: 1.1%, XLRE: -1.7%, KIE: 2.0%, XLY: -1.3%.

The WoW changes for the Big 7 were mixed again: AAPL: -0.4%, AMZN: -0.8%, GOOGL: 1.9%, META: 5.0%, MSFT: -2.8%, NFLX: 1.7%, TSLA: -4.0%

Sector Relative-Strength History

13 weeks of slope history for 20 sector ETFs and the SPX.

Relative Strength History													12-Jul-2024 to 04-Oct-2024
12 Jul	19 Jul	26 Jul	02 Aug	09 Aug	16 Aug	23 Aug	30 Aug	06 Sep	13 Sep	20 Sep	27 Sep	04 Oct	
SEMIS	SEMIS	SEMIS	BANKS	BANKS	BANKS	BANKS	BANKS	REALE	REALE	REALE	REALE	BLDRS	
TECHS	TECHS	BANKS	BLDRS	REALE	REALE	REALE	REALE	BANKS	UTILS	BLDRS	BLDRS	UTILS	
SP500	SP500	TECHS	REALE	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	UTILS	UTILS	REALE	
COMMS	DISCR	SP500	SEMIS	UTILS	UTILS	UTILS	UTILS	UTILS	INSUR	INSUR	INSUR	INSUR	
DISCR	BANKS	DISCR	TECHS	INSUR	DFEND	DFEND	INSUR	INSUR	BANKS	BANKS	BANKS	DISCR	
UTILS	COMMS	REALE	UTILS	DFEND	INSUR	INSUR	DFEND	DFEND	STAPL	STAPL	DFEND	DFEND	
STAPL	REALE	COMMS	SP500	FINAN	HLTHY	HLTHY	HLTHY	STAPL	DFEND	FINAN	STAPL	INDUS	
HLTHY	UTILS	FINAN	INSUR	HLTHY	FINAN	STAPL	STAPL	FINAN	FINAN	DFEND	DISCR	BANKS	
REALE	FINAN	UTILS	FINAN	STAPL	STAPL	FINAN	FINAN	HLTHY	HLTHY	HLTHY	FINAN	FINAN	
DFEND	HLTHY	BLDRS	DISCR	SP500	COMMS	INDUS	INDUS	INDUS	INDUS	INDUS	INDUS	STAPL	
FINAN	STAPL	HLTHY	DFEND	COMMS	SP500	SP500	SP500	SP500	SP500	DISCR	HLTHY	MATER	
BANKS	DFEND	INSUR	HLTHY	INDUS	INDUS	COMMS	COMMS	COMMS	DISCR	SP500	MATER	INFRA	
SALES	INSUR	DFEND	COMMS	DISCR	MATER	MATER	MATER	MATER	MATER	MATER	SP500	SP500	
INSUR	SALES	STAPL	STAPL	TECHS	INFRA	SALES	SALES	DISCR	COMMS	COMMS	TRANS	COMMS	
INDUS	INDUS	INDUS	INDUS	INFRA	SALES	INFRA	INFRA	TRANS	TRANS	TRANS	INFRA	TRANS	
MATER	MATER	SALES	SALES	MATER	TECHS	TECHS	TECHS	SALES	INFRA	INFRA	COMMS	HLTHY	
ENRGY	ENRGY	INFRA	INFRA	SALES	DISCR	DISCR	DISCR	INFRA	TECHS	TECHS	TECHS	TECHS	
INFRA	INFRA	MATER	MATER	ENRGY	ENRGY	TRANS	TRANS	TECHS	SALES	SALES	SALES	SALES	
TRANS	TRANS	ENRGY	ENRGY	SEMIS	TRANS	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	SEMIS	SEMIS	
BLDRS	BLDRS	TRANS	TRANS	TRANS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	ENRGY	ENRGY	

Details

Symbol	Slope	Synonym	Sector Name	Symbol	Slope	Synonym	Sector Name
1 ITB	4.79	BLDRS	HOMEBUILDERS	11 XLB	1.99	MATER	MATERIALS
2 XLU	4.66	UTILS	UTILITIES	12 PAVE	1.95	INFRA	INFRASTRUCTURE
3 XLRE	4.33	REALE	REAL ESTATE	13 SPX	1.70	SP500	S&P 500
4 KIE	3.24	INSUR	INSURANCE	14 XLC	1.65	COMMS	COMMUNICATION SRVCS
5 XLY	3.08	DISCR	CONSUMER DISCR	15 IYT	1.45	TRANS	TRANSPORTATION
6 ITA	3.05	DFEND	AEROSPACE & DEFENSE	16 XLV	1.44	HLTHY	HEALTH CARE
7 XLI	2.67	INDUS	INDUSTRIALS	17 IGM	1.04	TECHS	TECHNOLOGY
8 KBE	2.60	BANKS	BANKS	18 XRT	0.19	SALES	RETAIL SALES
9 XLF	2.35	FINAN	FINANCIALS	19 SMH	-0.87	SEMIS	SEMICONDUCTORS
10 XLP	2.28	STAPL	CONSUMER STAPLES	20 XLE	-1.11	ENRGY	ENERGY

This week, the first 4 sectors are the same but in a different order. Aerospace and Defense held steady in 6th place.

This Week's Selections

My sector choices last week were: 10% ITA, 10% ITB, 10% KIE, 10% XLB, 10% XLI, 10% XLP, 10% XLRE, 10% XLU, and BIL 20%.

Top Sector ETFs By Slope

Symbol	MTA	Slope	8%-Stop	21D-Stop	Close	Position
ITB	UP	4.79	\$113.82	\$124.37	\$123.72	SELL
XLU	UP	4.66	\$74.81	\$79.35	\$81.31	Hold
XLRE	UP	4.33	\$40.04	\$44.22	\$43.52	SELL
KIE	UP	3.24	\$53.02	\$56.27	\$57.63	Hold
XLY	UP	3.08	\$182.32	\$195.27	\$198.17	No
ITA	UP	3.05	\$139.66	\$147.89	\$151.80	Hold
XLI	UP	2.67	\$124.67	\$132.98	\$135.51	Hold
KBE	UP	2.6	\$48.16	\$52.27	\$52.35	No
XLF	UP	2.35	\$42.00	\$45.01	\$45.65	No
XLP	UP	2.28	\$74.95	\$82.53	\$81.47	SOLD
XLB	UP	1.99	\$87.56	\$94.56	\$95.17	Hold
PAVE	UP	1.95	\$37.76	\$40.09	\$41.04	No
SPX	UP	1.7	\$5,290.98	\$5,674.86	\$5,751.07	INDEX

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

Actions

I sold XLP on Thursday. I should have sold XLRE, too, but I got busy with something else and forgot to check it.

Analysis

[ITB](#) broke below \$125 and then its fast trailing stop on Friday. Most basic charts are turning down. [XLU](#) made an all-time high on Tuesday and has been above \$80 for 6 days. [XLRE](#) is below its 21-day stop, and most basic charts are down. [KIE](#) is above both stops and made an 18-year high.

[XLY](#) fell back below \$200. Basic charts are mixed. [ITA](#) broke up through \$150 on Tuesday and made a 927-week high on Friday. [XLI](#) made an all-time high. 7 out of 8 basic charts are up. [KBE](#) is in a 9-week converging channel.

[XLF](#) is still flirting with \$45. Maybe Friday's jump above it will be the start of a rally... [XLP](#) continues to decline. [XLB](#) declined through the week, but is above its fast stop and may have found support near \$95. [PAVE](#) although it made a 382-week high, it appears to be in a consolidation after its rapid rise from \$37 to \$41.

Thoughts and Decisions

Sell ITB and XLRE. Listing sectors in alphabetic order, my choices for this week are 10% ITA, 10% KIE, 10% XLB, 10% XLI, 10% XLU, and BIL 50%.

New Highs

4 of the first 5 all-time highs were indexes this week.

SECURITIES MAKING NEW HIGHS ON 04-Oct-2024					
SYMBOL	COMPANY	INSTR	MTA	SLOPE	WEEKS
DIA	DOW JONES INDUSTRIALS	ETF	UP	2.04	999
IGV	SOFTWARE	ETF	UP	1.76	999
RSP	EQU-WTD S&P 500 INDEX	ETF	UP	2.19	999
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	1.70	999
SPY	S&P 500 (LARGE-CAP)	ETF	UP	1.68	999
XLI	INDUSTRIALS	ETF	UP	2.67	999
XLU	UTILITIES	ETF	UP	4.66	999
KIE	INSURANCE SECTOR	ETF	UP	3.24	951
ITA	SPACE & DEFENSE	ETF	UP	3.05	927
DFS	DISCOVER FINANCIAL SERVICES	STOCK	UP	1.82	872
META	METaverse	ETF	UP	3.98	623
FIW	POTABLE/WASTE WATER	ETF	UP	1.42	396
IVE	S&P 500 VALUE	ETF	UP	1.94	390
SPYV	S&P 500 (VALUE)	ETF	UP	1.91	387
VTV	US LARGE CAP VALUE	ETF	UP	2.19	387
XAR	EQU-WTD SPACE & DEFENSE	ETF	UP	2.75	384
PAVE	INFRASTRUCTURE	ETF	UP	1.95	382
IBM	INTERNATIONAL BUSINESS MACHINES	STOCK	UP	6.99	371
MOAT	MORNINGSTAR WIDE MOAT	ETF	UP	2.79	365
IRM	IRON MOUNTAIN	STOCK	UP	7.75	360
KMI	KINDER MORGAN	STOCK	UP	3.32	360
XLC	COMMUNICATION SRVCS	ETF	UP	1.65	317
WMB	WILLIAMS	STOCK	UP	3.17	279
PLTR	PALANTIR	STOCK	UP	13.16	202
INFL	INFLATION BENEFICIARIES	ETF	UP	3.51	188
IEMG	EMERGING MARKETS	ETF	UP	2.20	132
COF	CAPITAL ONE FINANCIAL	STOCK	UP	1.43	131
EEM	EMERGING MARKETS	ETF	UP	2.32	131
ARKQ	AI & ROBOTICS	ETF	UP	2.76	124
JEPI	JPMORGAN EQUITY PREMIUM INCOME	ETF	UP	1.55	123

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