

Weekly Market Analysis #533 — 25 October 2024

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This Week

A plan for a trade is like suit of armor. It won't stop bad things from happening, but it can keep them from killing you. But you have to remember to put your armor on BEFORE you enter the fray. Once you're in the thick of it, it's too late.

In the stock market, when you buy a stock, you can control how much you lose if the price of the stock declines. You do this by choosing an exit/stop level and committing to get out if price closes below that level. This is one part of your plan for the trade. It's a limit on how much you are willing to lose before you accept the fact that this trade is not working.

Stops

Used correctly, choosing a good stop level can do two things for you. It can help you:

- Avoid losing any more money than necessary if price moves against you, or
- Capture profits when a rally has run its course and price is starting to decline.

Some people call a stop level a *contingency plan*, a *bail out point*, an *emergency exit*, a *loss control strategy*, or a *principal protection exit*. But it all boils down to the same thing, it's a line in the sand. It's the point at which you say, "This is not working and I need to get out."

Like any tool, a stop can be misused and cost you money. If you place a stop too close to price, then your placement may guarantee that you get stopped out at a loss. Let's say price is swinging back and forth between \$105 and \$95, you buy it at \$100, and place a stop at \$99. This will get you stopped out, losing a dollar a share almost every time.

One way of selecting a stop level is to use a fixed percentage of price. There was a very successful mutual fund that used a 7% stop on all of their holdings. For me, 8% is about right. Anytime price is down 8%, it's time to get what's left of my money back.

You may prefer to use a stop that automatically adapts to the volatility of the security. There are several ways to do this. One useful method is Welles Wilder's ATR (Average True Range). Wilder's "true range" is designed to include outliers due to price gaps. It is easily calculated as $(\text{Max}(\text{yesterdays_close}, \text{todays_high}) - \text{Min}(\text{yesterdays_close}, \text{todays_low}))$. A 28-bar EMA of the ATR data gives you the same result as Wilder's "14" bar ATR.

Adjusting Your Stop Level

As soon as you decide on your initial stop level, then the security's price moves. I adjust my stop level at the end of each day. If price closes higher, then I move my stop up according to how much price has advanced. If price closes lower, then there's nothing to do. In this way, your stop follows after price as it rises. It can advance but it never goes down, which is why it's called a "trailing stop".

If a position is moving against you, then your stop level lets you exit with a predetermined amount of loss. If the position moves in your favor, the stop follows it up until it reaches a peak and declines. In this case, the trailing stop lets you capture profits without worrying about when to get out. It's all determined before you even open the position.

When 8 ≈ 10

An 8% trailing stop will generally get you out of a losing position with about a 10% loss, or a 10% "give back" on a winning position. If you're holding the stop yourself and exit when price closes below the stop (or is clearly below the stop in the last 30 minutes of trading), then on average, your sell price will be about 2% past the stop. (I avoid securities that tend to gap up or down. It's too easy for them to blow past my trailing stop and cost me more.)

[Market Barometers](#) ← Use this link to see all the market barometer charts

All 5 MTAs remain up and solid green, although none made new highs. Week-over-week, only COMPQ advanced (see below).

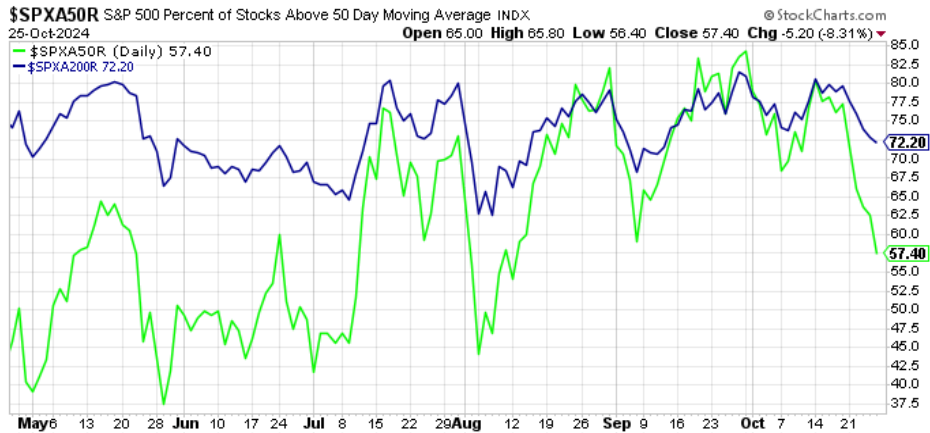


Week-over-week: VTI: -1.2%, SPX: -1.0%, COMPQ: 0.2%, DIA: -2.7%, IWM: -3.0%.

Month-over-month: VTI: 1.2%, SPX: 1.2%, COMPQ: 2.2%, DIA: -0.4%, IWM: -0.7%.

A Closer Look

Looking at the closing prices, the SPX declined on Monday through Wednesday. It rose a bit on Thursday but declined a little on Friday. The Advance-Decline line confirmed price action. And the stocks above their 200-day averages fell about 7% but the stocks above their 50-day averages fell more than twice as much.



[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 25-Oct-2024							
Symbol	Description	Instr	MTA 3	RelStr	CMF	NH/NL	MCHist
XLU	UTILITIES	ETF	UP	4.09:2.08	<<DN>>	1/2	-0.2
ITB	HOME CONSTRUCTION	ETF	UP	3.43:2.08	DN	1/6	-1.0
ITA	SPACE & DEFENSE	ETF	UP	3.39:2.08	≡DN≡	930/4	-0.5
PAVE	INFRASTRUCTURE	ETF	UP	3.27:2.08	up	1/2	-0.5
XLI	INDUSTRIALS	ETF	UP	3.23:2.08	up	1/3	-0.5
KBE	S&P BANK SECTOR	ETF	UP	2.96:2.08	≡UP≡	1/2	-0.1
KIE	INSURANCE SECTOR	ETF	UP	2.92:2.08	<<DN>>	1/3	-0.4
XLY	CONSUMER DISCR	ETF	UP	2.89:2.08	<<up>>	4/5	-0.2
XLF	FINANCIALS	ETF	UP	2.88:2.08	<<up>>	1/2	-0.0
XLRE	REAL ESTATE	ETF	UP	2.49:2.08	-up-	1/2	0.0
IYI	TRANSPORT NDX	ETF	UP	2.36:2.08	<<up>>	1/2	-0.2
IGM	EXPANDED TECH SECTOR	ETF	UP	2.25:2.08	<<up>>	2/3	-0.3
XLC	COMMUNICATION SRVCS	ETF	UP	2.17:2.08	<<up>>	1/2	-0.2
SPX	CAP-WTD S&P 500 INDEX	INDEX	UP	2.11:2.08	<<up>>	1/2	-0.2
XLB	MATERIALS	ETF	UP	2.09:2.08	<<DN>>	1/5	-0.5
SMH	SEMICONDUCTORS	ETF	UP	1.12:2.08	DN	2/1	-0.3
XLP	CONSUMER STAPLES	ETF	UP	0.95:2.08	<<up>>	1/3	-0.1
XRT	RETAIL	ETF	UP	0.47:2.08	<<DN>>	1/2	-0.2
XLE	ENERGY	ETF	DN	0.30:2.08	up	1/4	-0.3
XLV	HEALTH CARE	ETF	UP	0.21:2.08	<<DN>>	1/11	-0.5
BIL	CASH EQUIVALENT	ETF	DN	0.00:2.08	<<UP>>	4/1	0.0

WoW price changes for the top 5 sectors were: XLU: -1.9%, ITB: -7.4%, ITA: -3.4%, PAVE: -2.9%, XLI: -2.8%.

MoM price changes for the top 5 sector were: XLU: -0.0%, ITB: -5.5%, ITA: 0.7%, PAVE: 0.6%, XLI: 0.4%.

MOM changes for the Big 7 were: AAPL: 1.6%, AMZN: -0.1%, GOOGL: 0.8%, META: 1.0%, MSFT: 0.0%, NFLX: 6.7%, TSLA: 3.4%.

Sector Relative-Strength History

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

Relative Strength History 02-Aug-2024 to 25-Oct-2024

02 Aug	09 Aug	16 Aug	23 Aug	30 Aug	06 Sep	13 Sep	20 Sep	27 Sep	04 Oct	11 Oct	18 Oct	25 Oct
BANKS	BANKS	BANKS	BANKS	BANKS	REALE	REALE	REALE	REALE	BLDRS	UTILS	BLDRS	UTILS
BLDRS	REALE	REALE	REALE	REALE	BANKS	UTILS	BLDRS	BLDRS	UTILS	BLDRS	UTILS	BLDRS
REALE	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	BLDRS	UTILS	UTILS	REALE	REALE	DFEND	DFEND
SEMIS	UTILS	UTILS	UTILS	UTILS	UTILS	INSUR	INSUR	INSUR	INSUR	DFEND	INDUS	INFRA
TECHS	INSUR	DFEND	DFEND	INSUR	INSUR	BANKS	BANKS	BANKS	DISCR	DISCR	DISCR	INDUS
UTILS	DFEND	INSUR	INSUR	DFEND	DFEND	STAPL	STAPL	DFEND	DFEND	INSUR	INFRA	BANKS
SP500	FINAN	HLTHY	HLTHY	HLTHY	STAPL	DFEND	FINAN	STAPL	INDUS	INDUS	INSUR	INSUR
FINAN	HLTHY	FINAN	STAPL	STAPL	FINAN	FINAN	DFEND	DISCR	BANKS	INFRA	REALE	DISCR
INSUR	STAPL	STAPL	FINAN	FINAN	HLTHY	HLTHY	HLTHY	FINAN	FINAN	FINAN	BANKS	FINAN
DISCR	SP500	COMMS	INDUS	INDUS	INDUS	INDUS	INDUS	INDUS	STAPL	BANKS	FINAN	REALE
DFEND	COMMS	SP500	SP500	SP500	SP500	SP500	DISCR	HLTHY	MATER	MATER	TRANS	TRANS
HLTHY	INDUS	INDUS	COMMS	COMMS	COMMS	DISCR	SP500	MATER	INFRA	COMMS	MATER	TECHS
COMMS	DISCR	MATER	MATER	MATER	MATER	MATER	MATER	SP500	SP500	SP500	TECHS	COMMS
STAPL	TECHS	INFRA	SALES	SALES	DISCR	COMMS	COMMS	TRANS	COMMS	STAPL	COMMS	SP500
INDUS	INFRA	SALES	INFRA	INFRA	TRANS	TRANS	TRANS	INFRA	TRANS	TRANS	SP500	MATER
SALES	MATER	TECHS	TECHS	TECHS	SALES	INFRA	INFRA	COMMS	HLTHY	TECHS	STAPL	SEMIS
INFRA	SALES	DISCR	DISCR	DISCR	INFRA	TECHS	TECHS	TECHS	TECHS	HLTHY	SEMIS	STAPL
MATER	ENRGY	ENRGY	TRANS	TRANS	TECHS	SALES	SALES	SALES	SALES	SALES	HLTHY	SALES
ENRGY	SEMIS	TRANS	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	ENRGY	SEMIS	SEMIS	SALES	ENRGY
TRANS	TRANS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	SEMIS	ENRGY	ENRGY	ENRGY	ENRGY	HLTHY

Details

Symbol	Slope	Synonym	Sector Name	Symbol	Slope	Synonym	Sector Name
1. XLU	4.09	UTILS	UTILITIES	11. IYT	2.36	TRANS	TRANSPORTATION
2. ITB	3.43	BLDRS	HOMEBUILDERS	12. IGM	2.25	TECHS	TECHNOLOGY
3. ITA	3.39	DFEND	AEROSPACE & DEFENSE	13. XLC	2.17	COMMS	COMMUNICATION SRVCS
4. PAVE	3.27	INFRA	INFRASTRUCTURE	14. SPX	2.11	SP500	S&P 500
5. XLI	3.23	INDUS	INDUSTRIALS	15. XLB	2.09	MATER	MATERIALS
6. KBE	2.96	BANKS	BANKS	16. SMH	1.12	SEMIS	SEMICONDUCTORS
7. KIE	2.92	INSUR	INSURANCE	17. XLP	0.95	STAPL	CONSUMER STAPLES
8. XLY	2.89	DISCR	CONSUMER DISCR	18. XRT	0.47	SALES	RETAIL SALES
9. XLF	2.88	FINAN	FINANCIALS	19. XLE	0.30	ENRGY	ENERGY
10. XLRE	2.49	REALE	REAL ESTATE	20. XLV	0.21	HLTHY	HEALTH CARE

The first 2 sectors switched places again while Defense remained steady and the Industrials declined to 5th. Real estate moved down from 8th place to 10th.

This Week's Selections

My sector choices last week were: 10% ITA, 10% IYT, 10% KIE, 10% PAVE, 10% XLB, 10% XLF, 10% XLI, 10% XLU, and BIL 20%.

Top Sector ETFs By Slope

Symbol	MTA	Slope	8%-Stop	21D-Stop	Close	Position
XLU	UP	4.09	\$73.95	\$80.64	\$80.38	Watch-
ITB	UP	3.43	\$110.22	\$124.18	\$119.80	No
ITA	UP	3.39	\$137.65	\$151.45	\$149.62	SELL
PAVE	UP	3.27	\$37.94	\$41.40	\$41.24	Watch-
XLI	UP	3.23	\$124.57	\$136.44	\$135.40	Watch-
KBE	UP	2.96	\$49.44	\$53.94	\$53.74	No
KIE	UP	2.92	\$51.92	\$57.25	\$56.43	Watch-
XLY	UP	2.89	\$184.75	\$197.36	\$200.81	No
XLF	UP	2.88	\$42.90	\$46.48	\$46.63	Hold
XLRE	UP	2.49	\$40.54	\$44.08	\$44.07	No
IYT	UP	2.36	\$64.00	\$69.49	\$69.57	Watch-
IGM	UP	2.25	\$89.88	\$96.90	\$97.70	No
XLC	UP	2.17	\$83.58	\$90.29	\$90.85	No
SPX	UP	2.11	\$5,343.47	\$5,788.74	\$5,808.12	INDEX
XLB	UP	2.09	\$86.44	\$95.61	\$93.96	SELL

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

Notes

Keep in mind that selling a security is not a terminal event. (i.e., it's not the end of anything except that particular position). If price turns back up, that security could become a sensible buy again.

Analysis

[XLU](#) – put a hard stop at \$79.75. [ITB](#) came back up and made a 930-week high. It also hit psychological and historical resistance near \$130, so I'd like to see it get above that before buying it. [ITA](#) made a 929-week high and is in a small consolidation near \$155. [PAVE](#) – set a hard stop at \$40.65. [XLI](#) may find support at \$135 while its underlying index, DJIA, is close to psych and hist support at \$42,000. I'm going to set a hard stop at the Oct 3rd close of \$134.57.

[KBE](#) is back below \$55 and basic charts are mixed. [KIE](#) – I'm going to set a hard stop at the Oct 7th close of \$55.65. [XLY](#) made an open and a close above \$200 on Friday, but it wasn't a particularly impressive day since it only rose 0.1%. [XLF](#) opened high and then fell all day on Friday after making an all-time high last week. Basic charts are mixed. [XLRE](#) still needs to get above \$45 to become interesting.

[IYT](#) basic charts are mixed but price is still above 21d stop. Keep an eye out for a further decline. [IGM](#) made a run at \$100 last week but didn't make it. [XLC](#) made a 6 year high last week, then retreated a little, but found support near \$90. If it makes a new high it will become interesting. [XLB](#) sliced down through the \$95 level and the 6 original basic charts are down.

Thoughts and Decisions

The market had a bumpy ride this week. I'm going to sell ITA and XLB. And I'm going to monitor IYT, KIE, PAVE, XLI, and XLU. In alphabetical order, my choices for this week are 10% IYT, 10% KIE, 10% PAVE, 10% XLF, 10% XLI, 10% XLU, and BIL 40%.

New Highs

None of the big indexes made new highs this week. But ITA, the Aerospace and Defense ETF, made an almost 18-year high.

SECURITIES MAKING NEW HIGHS ON 25-Oct-2024					
SYMBOL	COMPANY	INSTR	MTA	SLOPE	WEEKS
AAPL	APPLE	STOCK	UP	2.49	999
NVDA	NVIDIA	STOCK	UP	5.58	999
WMT	WALMART STORES	STOCK	UP	4.87	999
ITA	SPACE & DEFENSE	ETF	UP	3.39	930
SLV	SILVER TRUST	ETF	UP	4.36	598
VUG	LARGE CAP GROWTH	ETF	UP	2.02	399
XAR	EQU-WTD SPACE & DEFENSE	ETF	UP	3.29	387
PM	PHILIP MORRIS INTL	STOCK	UP	3.10	382
IRM	IRON MOUNTAIN	STOCK	UP	6.95	363
KMI	KINDER MORGAN	STOCK	UP	6.71	363
GLDM	GOLD MINISHARES	ETF	UP	3.70	319
SAP	SAP AG	STOCK	UP	3.75	287
WMB	WILLIAMS	STOCK	UP	6.41	282
GDX	MARKET VECTORS GOLD MINERS	ETF	UP	4.56	213
PLTR	PALANTIR	STOCK	UP	15.86	205
INFL	INFLATION BENEFICIARIES	ETF	UP	4.64	191
T	A T & T	STOCK	UP	4.63	173
COF	CAPITAL ONE FINANCIAL	STOCK	UP	3.64	140
ARCC	ARES CAP	STOCK	UP	0.97	127
ARKQ	AI & ROBOTICS	ETF	UP	4.56	127
UTG	REAVES UTILITY INCOME FUND	CEF	UP	4.93	110
ETV	TAX-MANAGED BUY-WRITE	CEF	UP	1.55	100
GILD	GILEAD SCIENCES	STOCK	UP	6.52	95
D	DOMINION ENERGY	STOCK	UP	3.48	87
GTY	GETTY REALTY	STOCK	UP	2.54	63
IONQ	IONQ INC.	STOCK	UP	26.23	56
TSLA	TESLA MOTORS	STOCK	UP	4.12	56

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