



Market Observations - as of May 6, 2022

By Carl Jorgensen - For Objective Traders - For educational purposes only. Not Financial Advice.

In the prior week we saw two examples of 'failed rallies' that each delivered lower lows the following day. This week we saw another failed rally that also delivered lower lows the following day.

This week began with continued selling on Monday that found support and rallied a little the last hour. Tuesday saw a mild rally and pause that only recovered about half of the prior drop from the highs late last Thursday. Wednesday saw the pause continued until the Fed meeting minutes were released. The initial reactions were sporadic until Jay Powell began to speak and a strong fast rally fired off the last 80 min. of Wednesday's session. This rally failed as the Markets opened Thursday with a small gap down that turned into powerful broad based selling the first 2.5 hours of the day and then slowed and paused for the rest of the day. The lows Thursday exceeded the lows from the prior two days, delivering a 'lower low' as is often the case after a 'failed' rally. Friday saw selling continue at the open before finding support in the first half hour. Friday the Nasdaq delivered a new 2022 lows and the S&P nearly retested its 2022 lows seen on Monday. After support was found early Friday we saw a mild bounce back up to the chop zone seen in the latter half of the prior day.

We will look at 15 min charts of both the S&P and Nasdaq composite this (below) where we can clearly see and compare the series of 3 failed rallies last week and this week. Each of these 3 failed rallies began from similar highs, but each progressively saw larger declines the following day(s). The largest decline was seen this week right after the failed rally from Wednesday's highs.

The strong selling days showed us the greatest momentum, volume and breadth again this week which primarily occurred on Thursday this week. The 80 min rally seen on Wednesday from the pre-FOMC levels to the close was all given back in the first 35 minutes of trading on Thursday. That shows us both the volatility and momentum of those wild moves. On Thursday we saw rare extreme levels in Volume Breadth and Advance Decline breadth.

We clearly continue to be within a 'Bear' market with elevated Volatility. If you only trade Bullish positions, this is a good time to sit it out and study the markets, or, only trade the few opportunities mostly found in the Energy sector. If you trade both Bullish and Bearish markets, then this time has provided plenty of Bearish opportunities by selling failed rallies and covering when support is found. As an Options Trader, we have elevated Volatility that can also add value to our Trading Opportunities when used properly.

Oil continued higher this week as Gold pulled back early this week and only saw a mild bounce. The US Dollar continued to grow stronger and hit record highs this week. Yield rates rose this week with most of the increases seen after the Fed's meeting notes were released.

Let's look at the charts to see what they are telling us about the markets this week.



S&P 500 weekly chart as of May 6, 2022 - We see a 5th week of decline with a smaller drop this week as compared to last week. We see lower lows and lower highs this week with a new 2022 low this week.



S&P 500 daily chart as of May 6, 2022 - Here we see the 3 failed rallies, 2 last week and one this week. Note how nearly every day last week and this week saw larger than average daily True Ranges. The S&P closed this week down -0.21%.

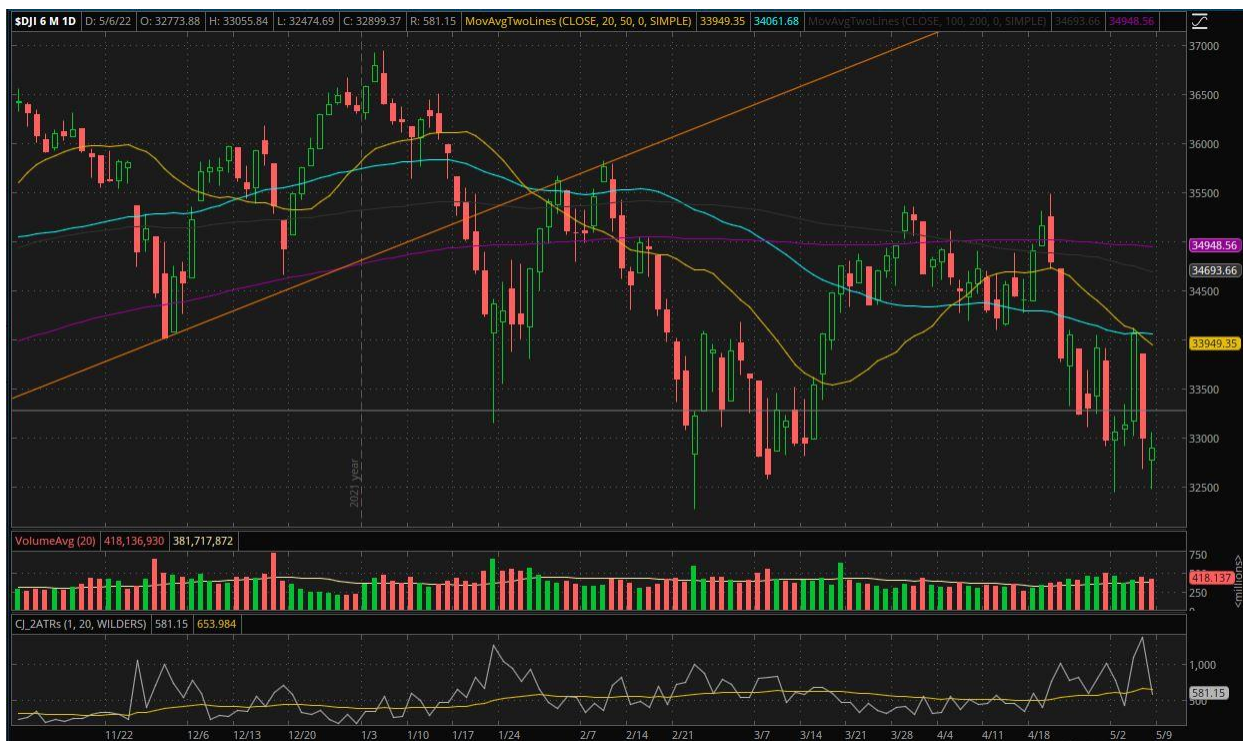


S&P 500 15 min. chart as of May 6, 2022 - Here we can compare the 3 failed rallies. Last week we saw a rally Monday from “A” to “B” that reversed the next day (Tuesday) and exceeded the lows of the prior day. Selling continued early Wednesday down to support at “C” followed by a bounce that could only recover about half of the prior Decline where it paused for a day. The first 1/3 of Thursday saw the ‘Pause’ continued. The latter 2/3 of Thursday saw the next rally from “D” to “E” that returned to and slightly exceeded the prior highs from “B”. Yes, the next day (Friday) we saw STRONG selling all day to deliver lower lows. The selling from last Friday continued on Monday this week to deliver new lows for 2022 in the S&P. The buyers showed up the last hour on Monday to recover most of that day’s losses. Tuesday continued higher the first 1/3 of the day to “G” to recover about half of the prior decline from “E” to “F”. We saw a pause and mild drift lower the latter 2/3 of Tuesday and into Wednesday down to “H” before a mild bounce before the Fed meeting. The Range defined between “G” and “H” is a pause or chop zone where the market trend takes a rest. After the Fed meeting we saw a VERY SHARP rally the last 80 min of Wednesday’s session up to “J”. Another Failed Rally as the next day gapped down and saw VERY STRONG selling for about 2.5 hours before slowing and pausing. The lows Thursday again broke below the prior day’s lows, delivering the lower lows after the failed rally. Friday saw a brief sell off the first hour to find support at “K” that was just a little above the prior low at “F” on Monday this week. The bounce Friday returned to the prior day’s ‘pause’ zone and oscillated the rest of the day. Friday’s ‘bounce’ barely recovered 1/3 of the prior ‘Decline’ from “J” to “K” to end the week with greater convictions (Momentum) shown this week by the Bears than the Bulls.

As we compare these 3 Failed Rallies, we see similarities with the next day reversal from similar highs (Resistance area) that broke below the prior day’s lows and were followed with a weak bounce of 1/3 to ½ of the size of the prior Decline where we next see a ‘pause’ for a day or so. Violent moves both up and down are common within Bear markets. We will do a similar analysis of the Nasdaq’s failed rallies last week and this week, but there are a few key differences between these two major indexes.



DJIA weekly chart as of May 6, 2022 - The Dow Industrials saw a 5th week of decline this week that was not as big as the prior two weeks and did not deliver a new 2022 low this week.



DJIA daily chart as of May 6, 2022 - Here we also see the 3 failed rallies where each took out the lows of the prior day. The Industrials closed this week down -0.24% without making new 2022 lows.



NASDAQ weekly chart as of May 6, 2022 - We see 5 declining weeks in a row, with this week delivering lower lows for 2022 and breaking below the 2021 lows (grey line).



NASDAQ daily chart as of May 6, 2022 - We saw new 2022 lows on both Monday and Friday this week as the swings down after each failed rally have grown last week and this week. This week the Nasdaq composite closed down -1.54% which is more than the other major indexes did this week.



NASDAQ 15 min. chart as of May 6, 2022 - Here we see a similar pattern as we saw in the S&P 15min. chart above. Note the sizes of each failed rally and the size of the following decline. Also note the bounce after support is found that struggles to be 50% of the size of the prior Decline. Note a pause for a day or so after the small bounce before the next failed rally begins.

Compare the size of each failed rally: From “1” to “2”, then from “6” to “7” and from “11” to “12”. Note how each was larger than the prior rally. Note that each rally found Resistance in a similar are, near 13,000 (Green line). Then note the size of the decline the day after the rally and where the decline found support the day after that. Compare the Decline from “2” to “4” to the decline from “7” to “9” and then the decline from “12” to “14”. The highs before each decline were from the 13000 area, but the size of each Decline grew bigger than the prior Decline. The Bounce Friday stalled out in the 12300 area near the same chop zone from late on the prior day.

It’s too early to ‘assume’ that Friday saw the end of the declines and defined a bottom for this year. It could be ‘the’ bottom, but the charts (evidence) are suggesting that the Bear Market has not yet changed its character. Sometimes the clues come from what we do NOT see. We may, or may not, see the same pattern of ‘Failed Rallies’ followed by “Lower Lows” continue next week. All we do know is based upon what we see in the charts. Until I see clear confirmation that the Bear Trend is over, I plan to continue to sell failed rallies until that no longer works. This is the higher odds strategy for now for me.

You must make your own decisions as to what ‘Evidence’ you need to see before you decide that the Bear Trend has ended and it is time to change to a Bullish strategy. There is no perfect answer, only a statistically supported decision that you choose to make knowing the odds.



Russell 2000 weekly chart as of May 6, 2022 - Here we see four weeks of declines with one week of a 'pause' during the past 5 weeks. We also see a new 2022 and 2021 low delivered this week.



Russell 2000 daily chart as of May 6, 2022 - Here we see a large rally Wednesday that exceeded the highs of the prior failed rally late last week. However Thursday reversed and delivered lower lows. Friday continued lower to deliver new 2022 and 2021 lows, ending the week down -13.2%.

Note that all 4 of the above major indexes continue to be below all 3 or their key SMAs on their daily charts (20 day, 50 day and 200 day SMAs).

Next we will look at a few key 'Market Internals' to better understand how overall market breadth acted this week.



McClellan Summation Index weekly chart as of May 6, 2022 - Last week we saw a strong decline down to -486.31 on this Index. This week the decline continued but with less acceleration down to -594.95. This Index measures the acceleration of changes in breadth.



McClellan Summation Index daily chart as of May 6, 2022 - We see a continued decline Monday, then a small pause Tuesday and Wednesday before resuming the decline Thursday and Friday this week.



NYSE Percent above 200 day SMA daily chart as of May 6, 2022 - Last week ended with 30.52% of NYSE listed stocks above their 200 day SMA. This week saw a 'failed' bounce then resumed the decline the last half of this week to end this week with only 28.46% of listed stocks above their 200 day SMA.



NYSE Percent above 50 day SMA daily chart as of May 6, 2022 - Last week ended with only 22.76% of listed stocks above their 50 day SMAs. This week saw a 'failed' rally up to about 36% that reversed and quickly fell back down Thursday and Friday to end this week with 22.97%, very close to where last week ended.



VIX daily chart as of May 6, 2022 - The VIX remains elevated with only a brief dip below 29 on Wednesday and Thursday that was quickly reversed on Thursday. Note that Friday saw a higher range than the prior 3 days, but not as high as the VIX got to on Monday this week.



VVIX daily chart as of May 6, 2022 - Similar to the VIX, the VVIX (Volatility of the VIX) saw a brief dip below 112 Wednesday that reversed on Thursday. Friday's highs exceeded the prior 3 days but not as high as was seen on Monday this week.



SKEW daily chart as of May 6, 2022 - Options 'SKEW' reached an extreme low on Friday, showing us that participants are willing to pay high premiums of those Out-of-the-money Put Options. Options SKEW is a way to measure differences in Implied Volatility between different Strikes in an options series. SKEW changes as Supply and Demand change for Out-of-the-Money, At-the-Money and In-the-Money Options. You can read about how Options SKEW is measured at the CBOE web site.

Next we will look at a few key Commodities, Currency and Treasuries.



Oil daily chart as of May 6, 2022 - Oil pulled back a little on Monday with a wider range day. Tuesday saw a pause near the 50 day SMA followed by a rally the rest of this week to end the week near \$110.20.



Gold daily chart as of May 6, 2022 - Gold prices dropped on Monday, paused Tuesday, and then saw a mild rally Wednesday and Thursday just to give part of the rally back on Thursday and Friday. Gold remains near its 100 day SMA (Grey).



US Dollar Index monthly chart as of May 6, 2022 - The US Dollar grew stronger again this week and delivered new 20 year highs. The monthly chart above shows this week reached a level not seen since Dec. 2002 which was late in the 2001-2002 'Dot Com' crash.



US Dollar Index daily chart as of May 6, 2022 - Both Thursday and Friday of this week we saw new 20 year highs as the dollar grows 'relatively' stronger than the other currencies it is compared to.



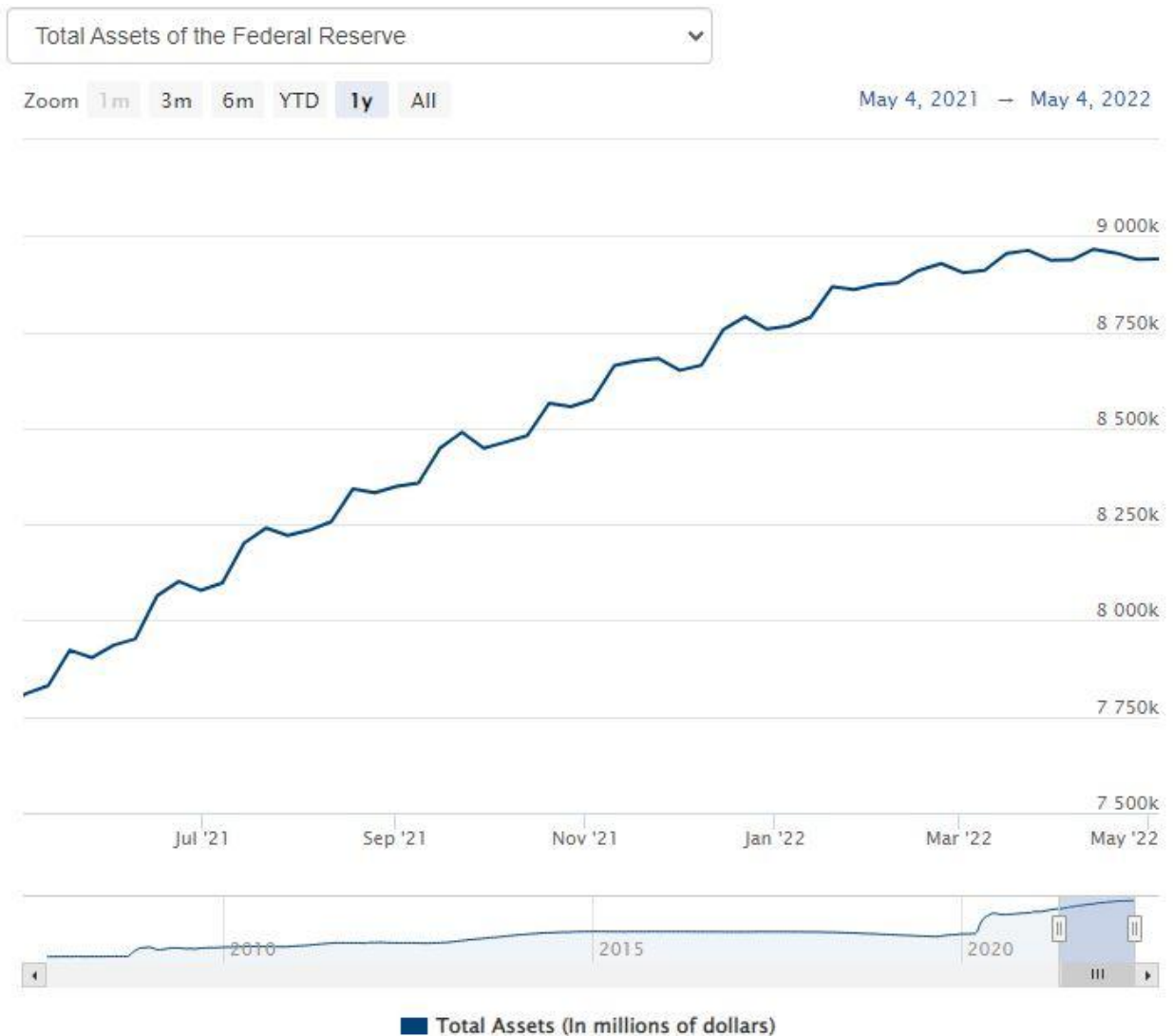
US 10 year Treasury daily chart as of May 6, 2022 - We saw a pause this week until after the Wednesday Fed meeting, then a sharp decline on Thursday and Friday this week to new 2022 lows.



US 10 year Yield daily chart as of May 6, 2022 - The 10 year Yields rose Monday and paused until after the Fed meeting this week. Thursday and Friday saw yields jump up well above 3.1% to end the week at 3.123%.

Date	1 Mo	2 Mo	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
05/02/2022	0.41	0.71	0.90	1.49	2.10	2.73	2.93	3.01	3.04	2.99	3.26	3.07
05/03/2022	0.48	0.77	0.91	1.45	2.16	2.78	2.95	3.01	3.03	2.97	3.21	3.03
05/04/2022	0.49	0.74	0.89	1.44	2.07	2.66	2.85	2.93	2.97	2.93	3.21	3.01
05/05/2022	0.49	0.71	0.85	1.37	2.08	2.71	2.91	3.01	3.07	3.05	3.35	3.15
05/06/2022	0.48	0.72	0.85	1.41	2.08	2.72	2.94	3.06	3.13	3.12	3.43	3.23

US Treasury Yields table as of May 6, 2022 - Here we see the 10 year break above 3.0% on Thursday and Friday. Most all of the longer terms ended this week higher or at new highs for 2022 while the shorter terms changed very little. This week would be described as a steepening yield curve.



FOMC Balance Sheet weekly chart as of May 4, 2022 - The Fed's Balance Sheet increased a little this week, from \$8.939199 Trillion last week to \$8.939972 Trillion this week, an increase of \$0.773 Billion in Total Assets.

The Fed's statement released this week on Wednesday indicated that monthly declines in their Balance Sheet would be limited to no more than \$47.5 Billion. Do the math yourself. At that rate (-\$47.5B/Mo) it would take 100 months to reduce the Balance Sheet back down to pre-Covid levels near \$4.2 Trillion in Total Assets. 100 months would be 8.3 years to reverse just what the Fed added in the past 2 years. I am not sure if this is their idea of a 'soft landing'. Time will tell if this actually happens or not. They said it would begin in June 2022. We will continue to 'verify' their Balance Sheet each week.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of May 6, 2022 - The Transports saw a failed rally Wednesday that was fully reversed on Thursday and continued lower on Friday to end the week up +0.24%.



XLE daily chart as of May 6, 2022 - The Energy sector rallied each day this week, except for Thursday, after the dip we saw last Friday. The XLE delivered new 7-year highs on Wed. Thur. and Fri and ended this week up +10.34% making it the strongest sector on my list this week.



XLF daily chart as of May 6, 2022 - The Financial sector saw new 2022 lows on Monday with a rally Tuesday and Wednesday that failed and pulled back on Thursday and Friday, ending the week up +0.67%.



QQQ daily chart as of May 6, 2022 - The Nasdaq-100 saw 3 failed rallies last week and this week with new lows for 2022 seen Monday and Friday this week. The QQQ ended the week down -1.28%.



SOXX daily chart as of May 6, 2022 - The Semiconductor sector saw both a higher high and a higher low this week as compared to last week. The rally Wednesday broke above its 20 day SMA then crossed back below the 20 day SMA the next day. Friday saw lower lows and lower highs than the prior day to end the week up +2.08%. Note the lows from last week, Monday this week and Friday this week were each higher than the prior Low. The SOXX saw the low of 2022 last week but did 'Not' exceed those lows this week. In the past months we have often seen this sector alternate between being one of the strongest as well as being one of the weakest sectors which makes it one of the more volatile sectors.



XLC daily chart as of May 6, 2022 - The Communication Services sector did 'Not' make a new 2022 low this week, and the gains from the failed rally on Wednesday were all given back on Thursday and Friday, ending the week up 0.52%.



XLY daily chart as of May 6, 2022 - The Consumer Discretionary sector did deliver new 2022 lows on Mon. Thur. and Fri. this week, ending the week down -2.90%. This sector is mostly weighted by TSLA and AMZN that combined represent about 39% of the value of this ETF.

INDEXes	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
SECTORS	3/25/2022	4/1/2022	4/8/2022	4/14/2022	4/22/2022	4/29/2022	5/6/2022
\$SPX	1.79%	0.06%	-1.27%	-2.13%	-2.75%	-3.27%	-0.21%
\$INDU	0.31%	-0.12%	-0.28%	-0.78%	-1.86%	-2.47%	-0.24%
\$COMPQ	1.98%	0.65%	-3.86%	-2.63%	-3.83%	-3.93%	-1.54%
\$RUT	-0.39%	0.63%	-4.62%	0.52%	-3.21%	-3.95%	-1.32%
QQQ	2.36%	0.70%	-3.51%	-3.07%	-3.85%	-3.73%	-1.28%
\$TRAN	-0.68%	-5.34%	-6.71%	2.58%	1.50%	-1.34%	0.24%
XLE	7.61%	-2.15%	3.21%	0.40%	-4.57%	-1.38%	10.34%
XLF	1.73%	-3.29%	-0.86%	-2.64%	-1.95%	-4.59%	0.67%
XLK	2.22%	0.15%	-3.82%	-3.79%	-2.43%	-1.16%	-0.60%
SOXX	2.53%	-4.37%	-7.61%	-3.01%	-1.28%	-2.38%	2.08%
XLV	-0.21%	1.32%	3.45%	-2.93%	-3.58%	-2.53%	-0.39%
XLY	0.97%	1.02%	-3.10%	-0.60%	-1.45%	-7.36%	-2.90%
XRT	-2.52%	-2.77%	0.70%	0.79%	-4.50%	-3.79%	-1.17%
XLI	1.19%	-1.48%	-2.52%	0.34%	-1.51%	-3.34%	0.40%
XLU	3.47%	3.74%	1.93%	-1.13%	-2.42%	-4.03%	1.33%
XME	8.25%	-1.44%	-1.68%	7.30%	-11.28%	-3.78%	-3.65%
XLP	1.60%	2.15%	2.70%	0.15%	0.51%	-2.02%	-1.18%
XLB	4.09%	-0.24%	-0.66%	0.66%	-3.73%	-0.83%	-0.59%
XLC	1.65%	0.16%	-1.75%	-2.35%	-7.76%	-3.69%	0.52%
XHB	-8.58%	-2.84%	-3.52%	-0.03%	-0.18%	-0.08%	0.11%

Weekly Percent Change US Indexes and Sectors table as of May 6, 2022 - Note that the Nasdaq was the weakest Index this week, while the S&P and Dow Industrial only made a small decline. This suggests we look at Big Tech for some of this weakness.

The strongest sectors this week included: XLE by a large margin with SOXX, XLU and XLF showing much smaller gains this week. The weakest sectors this week included: XME, XLY, QQQ, XLP and XRT.

INDEXes	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
SECTORS	End of Day	End of Day	End of Day	End of Day	End of Day	End of Day	End of Day	End of Day	End of Day	End of Day
	04/25/22	04/26/22	04/27/22	04/28/22	04/29/22	05/02/22	05/03/22	05/04/22	05/05/22	05/06/22
\$SPX	0.57%	-2.81%	0.21%	2.48%	-3.63%	0.57%	0.48%	2.99%	-3.56%	-0.57%
\$INDU	0.70%	-2.38%	0.19%	1.84%	-2.77%	0.26%	0.20%	2.81%	-3.12%	-0.30%
\$COMPQ	1.29%	-3.95%	-0.01%	3.06%	-4.17%	1.63%	0.22%	3.19%	-4.99%	-1.40%
\$RUT	0.70%	-3.26%	-0.34%	1.80%	-2.81%	1.01%	0.85%	2.69%	-4.04%	-1.69%
QQQ	1.28%	-3.77%	-0.12%	3.55%	-4.50%	1.67%	0.11%	3.38%	-5.04%	-1.20%
\$TRAN	1.10%	-3.18%	1.25%	2.62%	-3.00%	0.31%	1.06%	3.08%	-2.89%	-1.21%

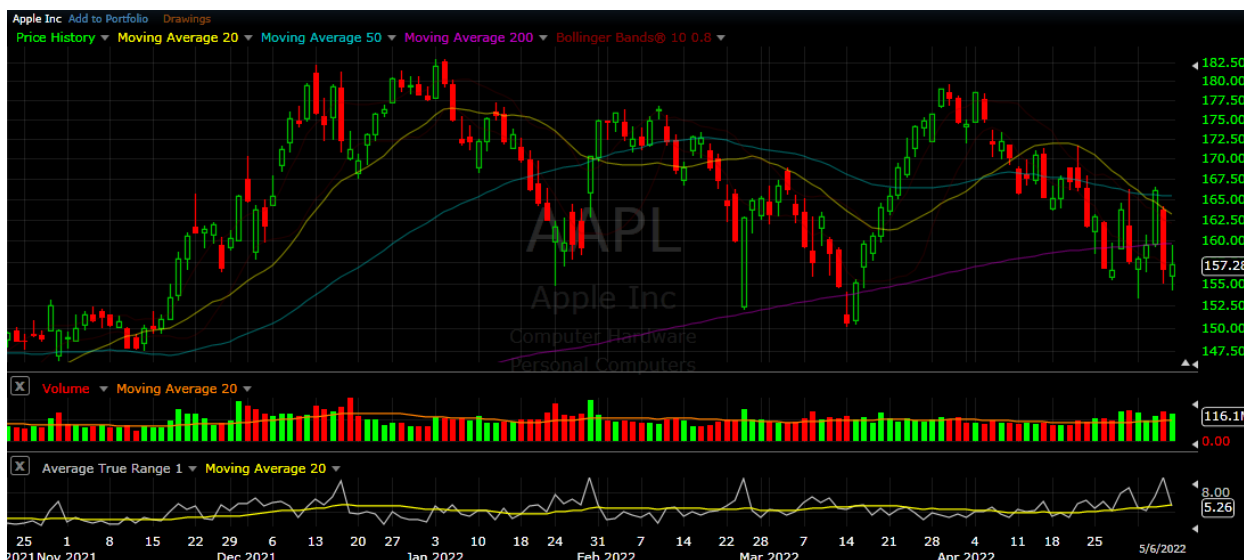
Daily Percent Change US Indexes table as of May 6, 2022 - Note how the QQQ alternated between the strongest and weakest nearly every other day this week. The Transports were strong 2 day and little Russell was weakest on 2 days this week.

We can also see Sector Leadership change DAILY by looking at the 3 strongest sectors and the 3 weakest sectors shown at the end of each day this week.

	Monday	Tuesday	Wednesday	Thursday	Friday
Strongest	SOXX	XLE	XLE	XLU	XLE
↑	XRT	XME	SOXX	XLE	XLU
	XLC	XLF	XLK	XLP	XLP
↓	XLU	QQQ	XLP	QQQ	XME
	XLP	XLY	XLU	XME	XRT
Weakest	XME	XLP	IBB	XLY	IBB

Note how the XLE was the strongest 3 days this week and the 2nd strongest 1 day this week. Note how the XLP and XLU oscillated between weakness and strength this week. On the strongest selling day this week (Thursday) the XLY, XME and QQQ led that day down. By watching leadership change each day, and recognizing when the strongest remains often the strongest (or weakest remains weakest) that those tend to be good clues of where to look for either Bullish, or Bearish trade opportunities with higher odds.

Next we will look at a few key Stocks.



AAPL daily chart as of May 6, 2022 - Apple saw a wider range week this week as compared to last week, with both higher highs and lower lows this week. The failed Rally Wednesday briefly broke above the 20 day and 50 day SMA just to give its all back and cross below all 3 key SMAs on Thursday. Friday saw a narrower range day just below all 3 of its key SMAs, ending the week nearly unchanged at -0.09%.



MSFT daily chart as of May 6, 2022 - Microsoft saw a very similar range week this week as was seen last week. The Failed rally on Wed. briefly broke above its 20 day SMA just to give it all back and a little more on Thursday. Friday saw lower lows and lower highs to end the week down -1.01%.



GOOGL daily chart as of May 6, 2022 - Alphabet saw a failed rally on Wednesday that was all given back the next day. Friday saw a lower low and lower high to end the week up +1.43%.



AMZN daily chart as of May 6, 2022 - Amazon only saw a tiny bounce early this week after the big gap down last week after Earnings. The rally Wednesday was hardly noticed as it failed to exceed its prior day's highs. Thursday did see strong selling to new 2022 lows that continued lower on Friday, ending the week down -7.65%.



TSLA daily chart as of May 6, 2022 - Tesla rallied Monday back to its 200 day SMA where it mostly remained the next day. Wednesday saw a failed rally above its 50 day SMA that was all given back with more on Thursday as TSLA crossed back below its 50 day and 200 day SMAs. Friday saw lower lows and lower highs to end the week down -0.59%.

Note that ALL 5 of the above biggest companies have remained below all 3 of their key SMAs this week.



FB daily chart as of May 6, 2022 - Meta saw a gap up last week after Earnings and paused at these higher levels last Friday. Monday saw a rally above its 20 day and 50 day SMAs that remained 'Inside' the prior day's range. Tuesday saw a pause near the prior day's highs. Wednesday saw a rally up to the \$224 are that was all given back the next day. Friday saw lower lows and lower highs as FB crossed back below its 50 day SMA and closed the day on its 20 day SMA ending the week up +1.65%.



NVDA daily chart as of May 6, 2022 - Nvidia mostly remained 'Inside' of last week's range this week with only a brief break out above seen on Wednesday and a brief break down below on Friday, ending the week up +0.69%.



NFLX daily chart as of May 6, 2022 - Netflix continued its drift lower after the huge drop after Earnings on April 20th. The decline from last week paused Monday and Tuesday this week, saw a tiny rally Wednesday that failed as selling resumed Thursday and Friday, ending this week down -4.93%. It looks like the dip buyers last week cried 'Uncle' and may have bailed out this week.



JPM daily chart as of May 6, 2022 - JP Morgan saw a steady decline last week that continued early Monday before finding support with new lows for 2022 followed by a higher close for the day. A bounce Tuesday and Wednesday saw JPM reach its 20 day SMA as Resistance. Thursday gapped down but did not close the day below the prior day's lows. Friday saw a brief dip lower that was recovered before the end of the day, ending the week up +3.65%.



AA daily chart as of May 6, 2022 - Alcoa saw Resistance in the \$64.27 area in Jan. (Grey line) and that area provided Support on Mon. Tue. and Wed. this week. The small rally Wed. was all giving back and Support broke on Thursday. Friday saw continued selling to lower lows and lower highs, ending the week down -9.97%.



WMT daily chart as of May 6, 2022 - Wal-Mart broke below its 20 day SMA last week and continued lower on Monday. Tuesday saw an 'Inside' doji day. Wednesday saw a failed rally that failed to exceed Monday's highs. Thursday saw mild selling with an 'Inside' day. Friday saw a gap down and much stronger selling (note above average volume Friday) to test its 50 day SMA where it found support. Wal-Mart ended the week down -1.89%.



MA daily chart as of May 6, 2022 - MasterCard continues in a horizontal trend, near all 3 of its key SMAs. MA saw a slightly lower range week this week as compared to last week, ending this week down - 4.47%. As a trend follower, I am looking for the next 'momentum' move, and a non-trending stock is of little interest until it shows a serious change in character.



VLO daily chart as of May 6, 2022 - Valero broke above its April 19th highs (Orange line) late last week to 'Resume' the prior bullish trend seen since early March. Last Friday saw a minor pull back with an 'Inside' day that did not negate the prior day's 'Break Out'. VLO delivered higher highs every day this week. Thursday saw a minor pull back with a lower close day that did NOT break below the prior day's lows. VLO saw new all time highs Wed., Thur. and Friday this week, ending the week up +15.88%. Note the huge volume on Wednesday this week.



OXY daily chart as of May 6, 2022 - Occidental saw a strong rally in early March then paused in the \$55-\$60 area for 6 weeks. We saw a brief dip to the 50 day SMA support April 21, 22 & 25th that respected the 50 day SMA as support without closing below this SMA. Monday of this week we saw a strong rally above the 20 day SMA that suggests a possible resumption of the bullish rally. Every day this week we saw higher highs with OXY delivering new 3-year highs on both Thursday and Friday. OXY ended the week up +17.88%.

We have seen a few examples of ‘Outliers’ above and these were in the Energy sector. An Outlier is a stock that is doing its own thing as it seems to ignore the trend of the overall markets or the trend of its sector. In this case, the Energy sector has been one of the strongest sectors this year, and has often pointed us to high odds opportunities, even within a mostly Bearish market.

It is not a surprise that some of the best trades I’ve seen this year have been with Options on stocks in the Energy sector. This is why I use my ‘Top-Down’ market analysis process every day, and this ‘Market Observations’ publication is a model of that same process.

We have no idea what will happen next week, so we prepare like we always do for multiple scenarios, Bullish, Bearish and Neutral markets. We let the evidence in the charts direct our way as we look for ‘higher odds’ opportunities.

I strongly suggest you do your own work, your own ‘Weekly Observations’ as a way to improve your chart reading skills. The only way to develop a skill is with lots of practice, practice, practice. I hope this helps.

Trade Smart,

CJ