



Market Observations - as of May 13, 2022

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

Last week we saw the decline continue Monday, a rally up to and after the Fed meeting on Wednesday failed and was all given back the next day on Thursday. Friday saw a pause near the lows of the week.

This week we saw the decline continue Monday, pause for a day and a half, then continue lower the 2nd half of Wednesday and most all of Thursday. New 2022 lows and support were found late Thursday followed by a mild rally the last hour of that day. Friday saw a gap up and rally the first half of the day that failed to deliver new highs for the week.

We saw several Extremes this week with various Market Internals indicating that selling breadth and volume was highly correlated downward on Monday, and then highly correlated upward on Friday, but with only about half of the strength seen Friday as compared to Monday. We will see some indications of this in the charts and tables below.

Oil dropped Monday and Tuesday, and then rallied the rest of this week back up to where it ended last week.

The US Dollar Index continued to slowly increase this week with a strong move higher seen on Thursday with only a small decline on Friday.

Gold declined significantly each day this week with only a brief pause seen on Wednesday.

With a stronger US Dollar, the drop in Gold is what we would expect to see this week. HOWEVER, this is NOT what we saw in Oil this week (another US Dollar priced commodity). Remember: Key 'clues' can come from what should happen, does NOT happen. We should have seen Oil drop each day this week as the US Dollar increased in strength, but that is NOT what we saw. What this suggests is that 'if' the US Dollar has been flat this week, then Oil may have gone up much higher than what we saw this week. Maybe the stronger dollar reduced the size of the rise in Oil prices this week, at least the last 3 days this week? Maybe Oil is about to shoot higher and potentially lift the XLE sector with it? Time will tell. In the mean time we will keep a close eye on Oil, the US Dollar, and the XLE sector names.

Over the past 6 weeks we have seen multiple examples of Failed Rallies, with each one delivering lower lows the following day. It is possible that the Rally seen on Friday this week may fail and we see lower lows early next week. It is also possible that the lows seen on Thursday were the 'bottom' and we see the Friday rally continue higher next week and begin to break above prior highs. It is also possible that next week oscillates within a range for a while as trends may 'pause' before resuming. Out of those 3 possible scenarios for next week, so far the evidence stacks up more for the bears than the bulls (or Neutral), so we will continue to sell failed rallies until that stops working or we get a confirmation of a change in Trend. No predictions, just a clear plan based upon the odds going forward.

Let's look at the charts to see what clues they gave us this week.



S&P 500 weekly chart as of May 13, 2022 - We see a 6th week of a decline with a long lower tail (or wick) in this week's candle, suggesting support and a bounce.



S&P 500 daily chart as of May 13, 2022 - We saw lower lows and lower highs every day this week except on Friday. Most all of this week's price action was fully below the prior 2022 lows seen on May 2nd (Grey line) which were also near the lows from May 2021. After delivering a new 52 week Low on Thursday the bounce late Thursday that continued early Friday failed to reach the prior support level (Grey line) nor did the highs Friday exceed the highs seen this week on Mon. Tue. and Wed. The S&P ended the week down -2.41%.



S&P 500 15 min. chart as of May 13, 2022 - Here we see the decline Monday that paused Tuesday and the first part of Wednesday before resuming its decline. Thursday the decline continued to new 52 week lows where support was found late in the day. The last hour Thursday saw a mild rally that failed to end the day with any positive gain but a small -0.13% loss. Friday saw a gap up and rally the first 2.5 hours then paused and oscillated the rest of the day as it failed to break above the prior highs seen this week on Mon. Tue. and Wed.

Note the size of the swing after the Fed Wednesday Highs last week to the Lows seen on Thursday this week. That \$448 drop represents just over a -10% decline in 6 days. Not shown, but over the same time period, the Nasdaq composite dropped by \$1,876 for a decline of over -14.4% in 6 days.



DJIA weekly chart as of May 13, 2022 - Here we see 7 weeks in a row of declines with this week dropping below the 100 week SMA (Grey) and delivering new 52 week lows.



DJIA daily chart as of May 13, 2022 - Here we see a classic pattern with price breaking below its 20 day and 50 day SMAs on the same day (Apr 22nd) and continues lower for a week before it bounces back up to its 50 day and 20 day SMAs (May 4th) to Respect Resistance there. A strong decline follows from the 50 day SMA failure that delivers lower lows every day since. New 52 week lows are seen on Thursday as support is found with a mild bounce the last hour of the day. Friday saw a gap up and rally that failed to exceed the highs from Mon. Tue. and Wed. of this week. The Industrials ended this week down - 2.14%.



NASDAQ weekly chart as of May 13, 2022 - Here we see 6 weeks in a row of a decline, breaking below 12,000 this week and finding support at \$11,108.76 before the bounce lat on Thursday and Friday.



NASDAQ daily chart as of May 13, 2022 - Here we see the decline continue this week with lower lows and lower highs every day but on Friday this week. The 15 min. chart for the Nasdaq looks similar to the S&P this week, with a bounce the last hour Thursday and gap up and rally the first 2.5 hours Friday that stalled and failed to deliver new highs for this week, ending the week down -2.80%.



Russell 2000 weekly chart as of May 13, 2022 - Here we see a series of declining weeks over the past 6 weeks from the 20 week SMA Resistance with the 2nd week showing a pause before resuming the decline with 4 weeks in a row lower. This week the Russell briefly broke below its 200 week SMA (Purple) then bounced back above.



Russell 2000 daily chart as of May 13, 2022 - Here we see a series of lower lows and lower highs every day this week except on Friday. Note the Failed rallies that tested the 50 day SMA and 20 day SMA on April 20th and another test of the 20 day SMA Resistance on May 4th that were each followed by a strong down day. Another classic chart behavior example on both the weekly and daily charts above that respected the 20 period SMA Resistance. The Russell ended this week down -2.55%.

Next we will look at 'Market Internals' to better understand overall market breadth this week.



McClellan Summation Index weekly chart as of May 13, 2022 - Last week we saw a 5th week of a decline that dropped down to -594.95. This week we saw the decline accelerate to end this week at -856.49 making new 2-year lows.



McClellan Summation Index daily chart as of May 13, 2022 - Here we see the sharp decline continue this week with a slight pause seen on Friday. This Index is created from the sum of McClellan Oscillator values each day and helps see the acceleration of changes in market Breadth.

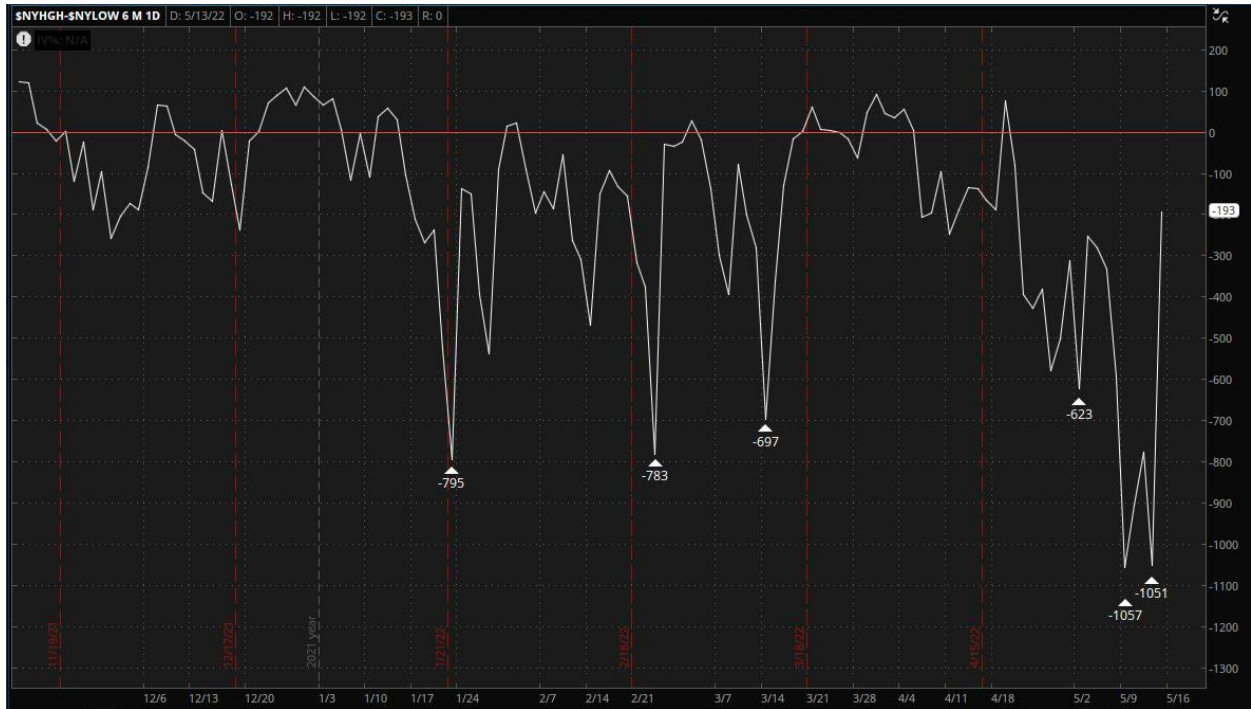


NYSE Percent above 200 day SMA daily chart as of May 13, 2022 - Last week ended with 28.46% of listed stocks above their 200 day SMA. This week we saw a drop each day down to 21.77% on Thursday with a small bounce up Friday to end this week at 24.85%.



NYSE Percent above 50 day SMA daily chart as of May 13, 2022 - Last week ended at 22.97% after several failed rallies. This week the decline continued to a new 2-year low on Wednesday of 11.84% then a small bounce Thursday and Friday to end this week at 17.84%.

We saw several 'Extreme' events this week with some of the other 'Market Internal' indicators we watch but do not usually include in the weekly 'Market Observations' publication. Let's look at some of those 'other' charts.



NYSE 52wk New Highs minus 52wk New Lows Index daily chart as of May 13, 2022 - Last week's decline continued on Monday this week with the NH-NL difference showing an extreme of -1057 that day. Tuesday and Wednesday did not see much of a bounce with another extreme low seen on Thursday at -1051 this week. Friday saw a bounce up to end this week at -193. The low seen on Monday (-1057) was the lowest seen since March 2020.



NYSE Advancing Volume vs. Declining Volume ratios as of May 13, 2022 - The upper panel shows the Advancing Volume minus the Declining Volume during each day as the day unfolds and restarts each day. If the total number of shares traded so far for Advancing stocks is greater than the total number of shares traded so far for Declining stocks, then the plotted difference is a positive value in the upper panel of this chart. The lower panel shows the Ratio of Advancing Volume to Declining Volume during each day. Note the VERY strong declining Volume Ratios last Thursday and Monday of this week that hit -28:1 and -24:1 ratios on those two days. Compare those strong selling days to Friday of this week where we saw strong Buying that peaked at about a +14:1 ratio. Monday saw only about half of the Volume Breadth Ratio as was seen on the selling side last week on Thursday. This study is not predictive, but it is worth noting the relative Strength and Breadth differences seen last week and this week on those 3 extreme days between the Bears and the Bulls. Normal 'quiet' days we see these ratios often stay within a +2:1 and a -2:1 range (yellow dash lines).



VIX daily chart as of May 13, 2022 - The Options Market again mostly stayed elevated above 30 all this week except for Friday where the VIX slid down below 30 to end the day at 28.85. Don't be lulled into complacency since a VIX of 28 is still a very Volatile market.



VVIX daily chart as of May 13, 2022 - The VVIX remained well above 112 all this week, indicating elevated 'Uncertainty' persists.

Let's look at Options SKEW this week since we saw an extreme low.



SKEW daily chart as of May 13, 2022 - Last week we saw the SKEW dip to 126.21. The decline continued this week to see Thursday deliver an Options SKEW as low as 119.91 and then bounced up a little on Friday to end the week at 122.09. Thursday was the lowest SKEW seen since March or October of 2020. The SKEW is calculated by the CBOE once each day after the US Options markets close.

SKEW is a way to measure how much Options Implied Volatility changes with Out-of-the-money Call and Put Options as compared to At-the-money Options. A way to see the extreme SKEW is look at an Options Chain (prices) to see how the Implied Volatility changes with different strikes. Below are 3 SPX Options quotes from the end of the day on May 13th for the Options that expire on May 31st. We will compare the Implied Volatility numbers for SPX Calls and Puts that are each \$400 Out-of-the-money.

SPX S&P 500 INDEX 4023.89 +93.81 (+2.39%) B: 3958.50 A: 4067.25																	
Underlying																	
		Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low							
		4023.89	+93.81	3958.50	4067.25	0 x 0	0	3963.90	4038.88	3963.90							
Option Chain																	
Filter: Off Spread: Single Layout: Last X, Delta, Volume, Open Interest, I... Theo Price: 05/14/2022 Stock: 0.005 Vol: 0.00%																	
CALLS																	
Strikes: 250																	
PUTS																	
Last X	Delta	Vol...	Op...	Imp...	The...	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Last X	Delta	Vol...	Op...	Imp...	The...
31 MAY 22	(17)	100 (Weeklys)							3625	9.50	10.00	10.68	-0.07	131	1,174	33.86%	9.75

SPX Options Chain May 31 Expiration as of May 13, 2022 - The SPX closed at \$4023.89 on Friday. The May 31st Out-of-the-Money 3625 strike Puts are 400 out of the money and their Implied Volatility is at 33.86%.

SPX Options Chain May 31 Expiration as of May 13, 2022																		
Underlying																		
Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low										
4023.89	+93.81	3958.50	4067.25	0 x 0	0	3963.90	4038.88	3963.90										
Option Chain																		
Filter: Off Spread: Single Layout: Last X, Delta, Volume, Open Interest, I... Theo Price: 05/14/2022 Stock: 0.00\$ Vol: 0.00%																		
CALLS																		
Last X	Delta	Vol...	Op...	Imp...	The...	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Last X	Delta	Vol...	Op...	Imp...	The...	
31 MAY 22	(17)	100 (Weeklys)																28.13% (+196.452)
96.60	.57	11	14	25.61%	107.65	107.00	108.00	31 MAY 22	3990	81.90	83.20	78.66	.43	18	224	28.59%	82.55	
96.03	.57	15	31	25.55%	104.70	104.00	105.00	31 MAY 22	3995	83.90	85.20	84.92	.44	2	181	28.50%	84.55	
108.00	.56	834	578	25.49%	101.80	101.00	102.00	31 MAY 22	4000	86.00	87.30	87.58	.45	1,217	10,657	28.43%	86.65	
94.20	.55	24	14	25.43%	98.95	98.30	99.60	31 MAY 22	4005	88.20	89.50	97.80	.46	5	78	28.38%	88.85	
95.33	.54	20	27	25.36%	96.10	95.40	96.80	31 MAY 22	4010	90.30	91.60	92.66	.46	36	360	28.29%	90.95	
95.30	.53	25	56	25.31%	93.35	92.70	94.00	31 MAY 22	4015	92.60	93.90	92.70	.47	38	112	28.24%	93.25	
92.90	.52	37	40	25.23%	90.55	89.90	91.20	31 MAY 22	4020	94.80	96.10	94.20	.48	96	64	28.15%	95.45	
91.34	.51	121	172	25.16%	87.85	87.20	88.50	31 MAY 22	4025	97.10	98.40	102.00	.49	50	217	28.09%	97.75	
90.00	.50	33	177	25.09%	85.20	84.60	85.80	31 MAY 22	4030	99.40	100.00	108.00	.50	19	288	28.01%	100.05	
82.75	.49	15	27	25.02%	82.55	81.90	83.20	31 MAY 22	4035	101.00	103.00	101.00	.50	15	171	27.95%	102.46	
78.28	.48	32	135	24.95%	80.00	79.40	80.60	31 MAY 22	4040	104.00	105.00	105.00	.51	56	406	27.89%	104.90	
73.80	.47	1	38	24.88%	77.45	76.80	78.10	31 MAY 22	4045	106.00	108.00	104.00	.52	25	237	27.82%	107.35	
76.80	.47	1,812	1,780	24.80%	74.95	74.30	75.60	31 MAY 22	4050	103.00	116.00	110.00	.53	123	2,487	27.76%	109.90	
70.94	.46	33	104	24.73%	72.50	71.90	73.10	31 MAY 22	4055	105.00	119.00	107.00	.54	9	63	27.71%	112.50	
53.13	.45	0	25	24.66%	70.10	69.50	70.70	31 MAY 22	4060	107.00	121.00	112.00	.55	29	296	27.47%	114.50	

SPX Options Chain May 31 Expiration as of May 13, 2022 - At-the-Money Calls and Puts have an Implied Volatility of 25.16% and 28.09% respectively. (It is common for Puts to be a little higher IV.)

SPX Options Chain May 31 Expiration as of May 13, 2022																		
Underlying																		
Last X	Net Chng	Bid X	Ask X	Size	Volume	Open	High	Low										
4023.89	+93.81	3958.50	4067.25	0 x 0	0	3963.90	4038.88	3963.90										
Option Chain																		
Filter: Off Spread: Single Layout: Last X, Delta, Volume, Open Interest, I... Theo Price: 05/14/2022 Stock: 0.00\$ Vol: 0.00%																		
CALLS																		
Last X	Delta	Vol...	Op...	Imp...	The...	Bid X	Ask X	Exp	Strike	Bid X	Ask X	Last X	Delta	Vol...	Op...	Imp...	The...	
31 MAY 22	(17)	100 (Weeklys)																28.13% (+196.444)
1.77	.02	21	449	19.99%	1.42	1.30	1.35	31 MAY 22	4399	370.00	391.00	463.00	.91	0	30	30.04%	300.00	
1.80	.02	134	3,798	19.92%	1.32	1.20	1.45	31 MAY 22	4400	375.00	395.00	410.00	.91	1	1,736	30.02%	385.40	
1.57	.02	126	291	19.90%	1.22	1.10	1.35	31 MAY 22	4405	380.00	401.00	309.00	.91	0	63	30.44%	390.60	
1.45	.02	0	1,128	19.99%	1.17	1.05	1.30	31 MAY 22	4410	384.00	405.00	376.00	.91	3	268	30.41%	395.15	
1.80	.02	6	243	19.94%	1.07	.95	1.20	31 MAY 22	4415	390.00	411.00	422.00	.91	0	63	31.15%	400.80	
1.02	.02	38	1,046	20.81%	1.02	.90	1.15	31 MAY 22	4420	395.00	415.00	497.00	.91	0	201	31.15%	405.40	
1.60	.02	22	509	20.00%	1.499	.85	1.05	31 MAY 22	4425	399.00	420.00	363.00	.91	0	333	31.39%	410.35	
1.20	.01	110	392	20.06%	1.899	.80	1.00	31 MAY 22	4430	405.00	426.00	402.00	.91	0	246	31.85%	415.60	
1.00	.01	0	292	20.02%	1.824	.70	.95	31 MAY 22	4435	409.00	430.00	451.00	.91	0	62	31.84%	420.20	
.97	.01	142	82	20.14%	1.799	.70	.90	31 MAY 22	4440	415.00	435.00	410.00	.91	12	44	32.30%	425.45	
2.12	.01	0	182	20.16%	1.749	.65	.85	31 MAY 22	4445	419.00	440.00	425.00	.92	2	94	32.31%	430.10	
.80	.01	137	5,480	20.17%	1.699	.60	.80	31 MAY 22	4450	424.00	445.00	430.00	.91	2	917	32.81%	435.40	
1.25	.01	2	170	20.18%	1.649	.55	.75	31 MAY 22	4455	429.00	450.00	425.00	.92	0	33	32.79%	440.00	
1.72	.01	0	320	20.16%	1.599	.50	.70	31 MAY 22	4460	435.00	456.00	436.00	.91	0	146	33.91%	446.15	
.64	.01	0	122	20.35%	1.599	.50	.70	31 MAY 22	4465	439.00	460.00	480.00	.92	0	64	33.29%	449.95	

SPX Options Chain May 31 Expiration as of May 13, 2022 - Out-of-the-Money 4425 strike Calls show an Implied Volatility of 20.00%.

The Low SKEW indicates that the Out-of-the-money Puts have a much higher IV than do similar Out-of-the-money Calls. This can happen when 'Demand' for Puts gets high and Put prices rise as a result. Or when a lot of traders are all selling Out-of-the-money Calls and that excessive 'Supply' drives the Call prices lower. Or both of these conditions may occur at the same time that can create a low SKEW..

An extremely low SKEW is not predictive. It is an indication of significant Hedging activity as traders and fund managers put on, take off, or adjust their Hedges.

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



Oil daily chart as of May 13, 2022 - Oil has been in a 'consolidation' pattern for two months. Note how price straddles the horizontal and clustered 20 day and 50 day SMAs. Monday and Tuesday saw a drop in Oil prices that were about fully recovered with the rally seen Wed. Thur. and Friday this week. Note the comments made on page 1 of this publication about Oil and the US Dollar.



Gold weekly chart as of May 13, 2022 - Gold has seen 4 weeks of a decline, crossing below its 20 week SMA last week and below its 50 week SMA this week. Support was found this week near the prior Resistance Trend Line (Yellow line) drawn between the highs from 2020 and the highs from Q4 of 2021 (Yellow arrows). Gold broke above this Trend Line on Feb. 11th this year and now is testing prior Resistance as possible new Support.



Gold daily chart as of May 13, 2022 - We saw Gold deliver lower lows every day this week, with a brief test of Support at its 200 day SMA (Purple) that was broke below on Thursday. Friday continued down and seemed to respect prior Resistance as new Support (Yellow line).

As you look at the US Dollar Index chart below, note how the US Dollar often has an inverted relationship with the price of Gold. Gold goes up when the Dollar goes down, and Gold goes down when the Dollar goes up.



US Dollar Index monthly chart as of May 13, 2022 - The US Dollar Index made 19-year new Highs this week. The US Dollar index was created by the Fed in 1973 as a way to track the Dollar's value. It is computed with a formula that weighs each of 6 different currency pairs against the US Dollar base. About half of the Index's value is measured against the Euro. The other five currencies include the Japanese Yen, the British Pound, the Canadian Dollar, the Swedish Krona and the Swiss Franc.



US Dollar Index daily chart as of May 13, 2022 - Here we see the US Dollar paused for a few days then resumed its 'strengthening' Thursday this week with only a small pull back on Friday. A stronger US Dollar tends to lower most US Dollar priced commodities.



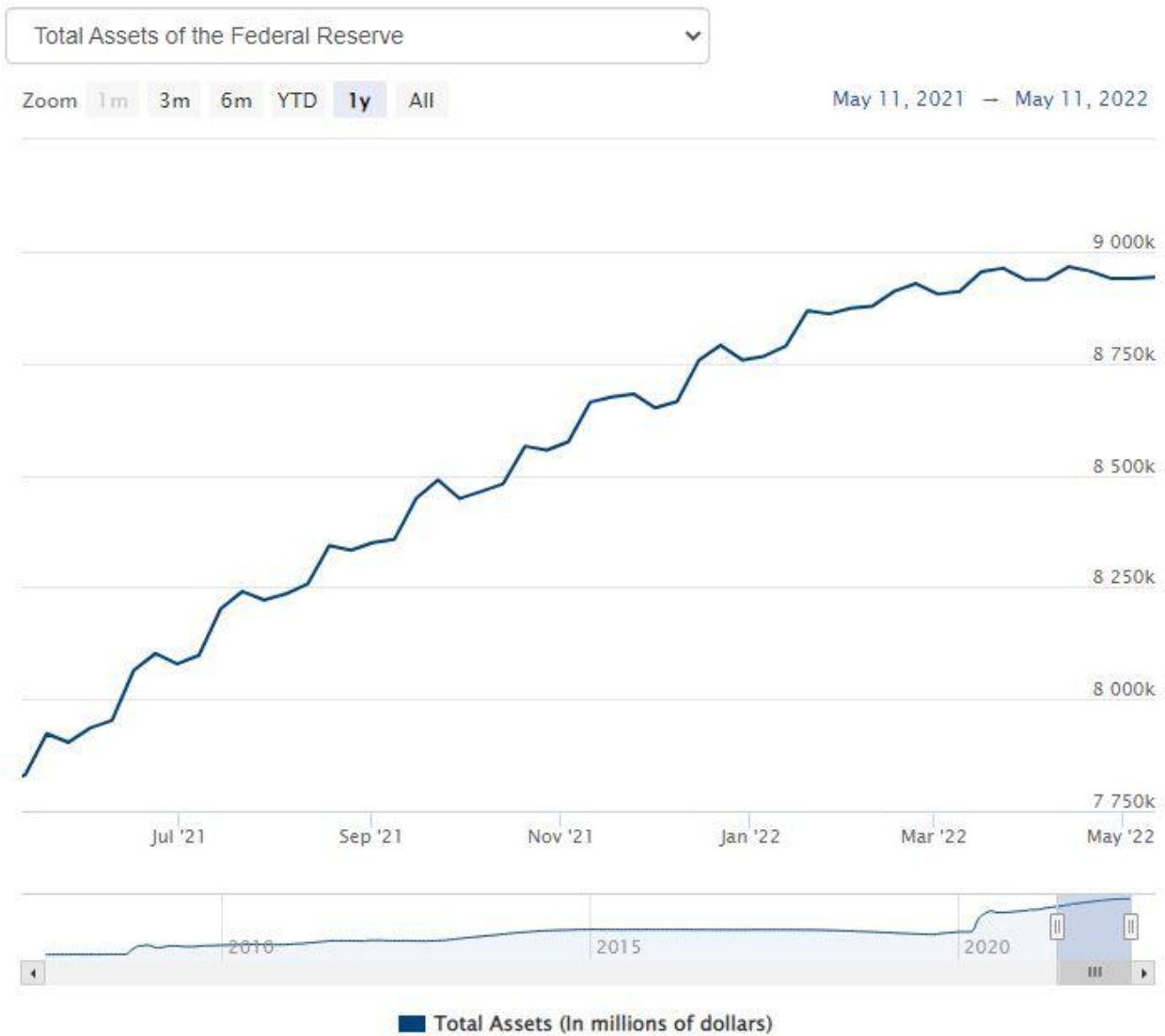
US 10 year Treasury daily chart as of May 13, 2022 - We saw strong volume moving into Treasuries, including the 10 year, this week with the exception of some Selling seen on Friday.



US 10 year Yield daily chart as of May 13, 2022 - The 10 year peaked at 3.13% early Monday then declined as the 10 yr was bought up this week. The Yields declined each day except on Friday.

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
05/09/2022	0.51	0.73	0.92	1.43	1.99	2.61	2.81	2.95	3.04	3.05	3.38	3.19
05/10/2022	0.57	0.75	0.89	1.44	2.01	2.62	2.81	2.91	2.99	2.99	3.31	3.12
05/11/2022	0.59	0.77	0.91	1.43	1.99	2.66	2.81	2.89	2.94	2.91	3.25	3.05
05/12/2022	0.61	0.77	0.96	1.44	1.96	2.56	2.73	2.81	2.86	2.84	3.22	3.00
05/13/2022	0.67	0.79	1.03	1.47	2.04	2.61	2.79	2.89	2.95	2.93	3.32	3.10

US Treasury Yields table as of May 13, 2022 - Here we see the longer terms peak at the end of last week and pulled back a little this week. The Shorter terms continue to rise each day this week.



FOMC Balance Sheet weekly chart as of May 11, 2022 - The Fed seems to have not yet begun the selling of Assets yet. We see a small increase in the Balance Sheet of +\$2.036 Billion added to bring the total to \$8.942008 Trillion as of Wednesday.

Next we will look at a few key Sectors.



Dow Transportation Index daily chart as of May 13, 2022 - We saw lower lows and lower highs every day this week except on Friday. The Transports ended the week down -2.98% and delivered new 2022 lows this week.



XLE daily chart as of May 13, 2022 - The Energy sector dropped Monday and Tuesday as Oil prices dropped. Wednesday saw a small bounce followed by a pause on Thursday. Friday saw a gap up and rally to recover a portion of this week's decline, ending the week down -2.58%.



XLF daily chart as of May 13, 2022 - The Financial sector saw lower lows and lower highs every day this week except on Friday. The XLF ended the week down -3.48%.



QQQ daily chart as of May 13, 2022 - The Nasdaq-100 ETF continued its decline this week on Monday, paused with an inside day on Tuesday then resumed selling lower on Wednesday and Thursday. Support was found late Thursday with a mild rally the last hour. Friday saw a gap up and rally the first 2.5 hours then oscillated the rest of the day to end the week down -2.36%.



SOXX daily chart as of May 13, 2022 - The Semiconductor sector gapped down Monday, paused Tuesday, then resumed selling Wednesday and Thursday before finding support followed by a mild rally the last hour on Thursday. Friday saw a gap up and rally to end the week down only -0.39% and nearly at its 20 day SMA (Yellow).



XLC daily chart as of May 13, 2022 - The Communications Services sector saw a gap down on Monday, a pause Tuesday followed by more selling Wednesday and Thursday. Once support was found on Thursday we saw a mild rally the last hour. Friday saw a gap up and rally to end the week down -0.61%.



XME daily chart as of May 13, 2022 - The Metals and Mining sector gapped down Monday and delivered lower closes every day this week except on Friday. Support was found Thursday near the 200 day SMA (Purple). The gap up Friday and small rally only recovered a small portion of this week's decline, ending the week down -7.18% as the weakest sector on my list this week.

INDEXes	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending	Week Ending
SECTORS	4/1/2022	4/8/2022	4/14/2022	4/22/2022	4/29/2022	5/6/2022	5/13/2022
\$SPX	0.06%	-1.27%	-2.13%	-2.75%	-3.27%	-0.21%	-2.41%
\$INDU	-0.12%	-0.28%	-0.78%	-1.86%	-2.47%	-0.24%	-2.14%
\$COMPQ	0.65%	-3.86%	-2.63%	-3.83%	-3.93%	-1.54%	-2.80%
\$RUT	0.63%	-4.62%	0.52%	-3.21%	-3.95%	-1.32%	-2.55%
QQQ	0.70%	-3.51%	-3.07%	-3.85%	-3.73%	-1.28%	-2.36%
\$TRAN	-5.34%	-6.71%	2.58%	1.50%	-1.34%	0.24%	-2.98%
XLE	-2.15%	3.21%	0.40%	-4.57%	-1.38%	10.34%	-2.58%
XLF	-3.29%	-0.86%	-2.64%	-1.95%	-4.59%	0.67%	-3.48%
XLK	0.15%	-3.82%	-3.79%	-2.43%	-1.16%	-0.60%	-3.35%
SOXX	-4.37%	-7.61%	-3.01%	-1.28%	-2.38%	2.08%	-0.39%
XLV	1.32%	3.45%	-2.93%	-3.58%	-2.53%	-0.39%	-0.91%
XLY	1.02%	-3.10%	-0.60%	-1.45%	-7.36%	-2.90%	-3.69%
XRT	-2.77%	0.70%	0.79%	-4.50%	-3.79%	-1.17%	-2.49%
XLI	-1.48%	-2.52%	0.34%	-1.51%	-3.34%	0.40%	-2.53%
XLU	3.74%	1.93%	-1.13%	-2.42%	-4.03%	1.33%	-1.08%
XME	-1.44%	-1.68%	7.30%	-11.28%	-3.78%	-3.65%	-7.18%
XLP	2.15%	2.70%	0.15%	0.51%	-2.02%	-1.18%	0.30%
XLB	-0.24%	-0.66%	0.66%	-3.73%	-0.83%	-0.59%	-2.41%
XLC	0.16%	-1.75%	-2.35%	-7.76%	-3.69%	0.52%	-0.61%
XHB	-2.84%	-3.52%	-0.03%	-0.18%	-0.08%	0.11%	-0.10%

Weekly Percent Change US Indexes and Sectors table as of May 13, 2022 - Note how the Nasdaq composite was the weakest major index this week, only the Dow Transports did worse. That even after the gap up and rally on Friday.

The 'only' positive sector this week was the XLP (Consumer Staples) which is a common flight to safety sector. Other relatively stronger sectors, those with the smallest decline include: XHB, SOXX and XLC.

The Weakest sectors this week included: XME, XLY, XLF, and XLK. Note how often the XME has been the weakest sector over the past 4 weeks.

Out of the 18 Sectors I track, you can see how they reflect the market's daily changes in overall Breadth by counting the number of sectors at the end of each day that are closing the day 'Up' or 'Down'.

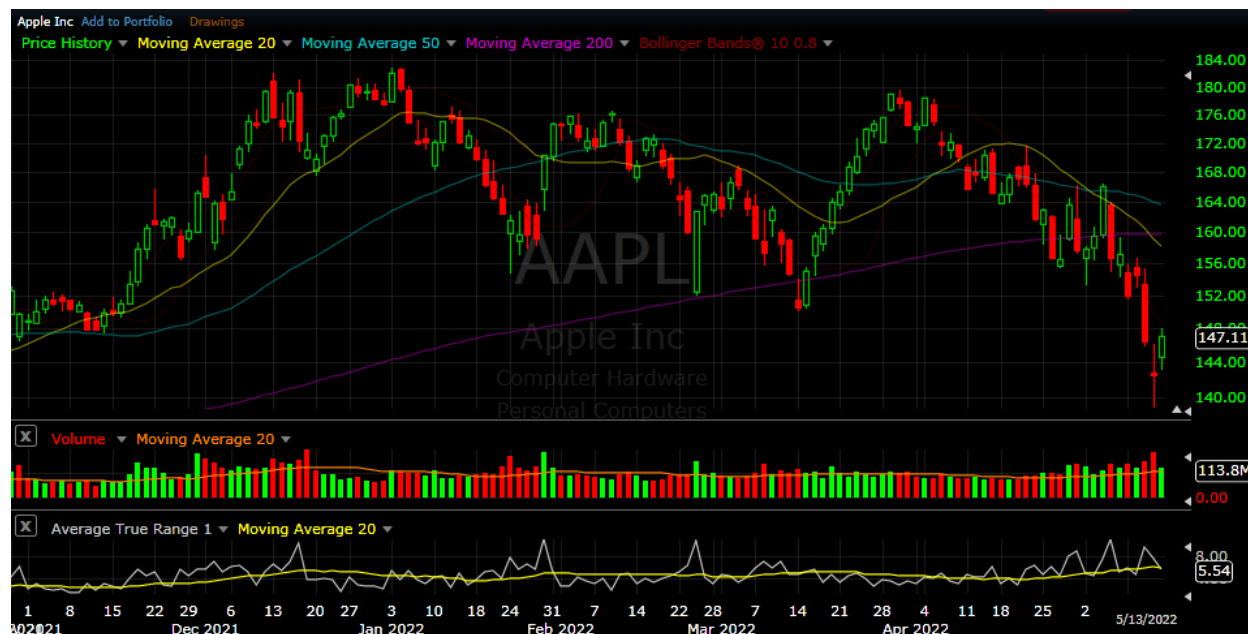
	UP	DOWN
Monday:	0	18
Tuesday:	8	10
Wednesday:	3	15
Thursday:	10	8
Friday:	18	0

Note how every sector was down on Monday and every sector was up on Friday this week. This indicates when we have BROAD market participation when all sectors are correlated in the same direction that day.

	Mon	Tue	Wed	Thur	Fri	Mon	Tue	Wed	Thur	Fri
INDEXes	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
SECTORs	05/02/22	05/03/22	05/04/22	05/05/22	05/06/22	05/09/22	05/10/22	05/11/22	05/12/22	05/13/22
\$SPX	0.57%	0.48%	2.99%	-3.56%	-0.57%	-3.20%	0.25%	-1.65%	-0.13%	2.39%
\$INDU	0.26%	0.20%	2.81%	-3.12%	-0.30%	-1.99%	-0.26%	-1.02%	-0.33%	1.47%
\$COMPQ	1.63%	0.22%	3.19%	-4.99%	-1.40%	-4.29%	0.98%	-3.18%	0.06%	3.82%
\$RUT	1.01%	0.85%	2.69%	-4.04%	-1.69%	-4.21%	-0.02%	-2.48%	1.24%	3.06%
QQQ	1.67%	0.11%	3.38%	-5.04%	-1.20%	-3.91%	1.21%	-2.99%	-0.24%	3.71%
\$STRAN	0.31%	1.06%	3.08%	-2.89%	-1.21%	-2.89%	-0.06%	-1.18%	0.20%	0.95%

Daily Percent Change US Indexes table as of May 13, 2022 - Note how the Dow Industrials got whipsawed this week with alternating strongest and weakest days this week. The Nasdaq composite was the weakest index on Monday and Wednesday, the saw the strongest bounce on Friday. This shows us again that the Nasdaq and the Tech sector often leads the markets down as well as up.

Next we will look at a few key Stocks.



AAPL daily chart as of May 13, 2022 - Apple saw decline Monday, a failed bounce Tuesday followed by the strongest selling Wednesday and Thursday to break below \$140 before bouncing the last hour. Friday saw a gap up and small rally to end the week down -6.47%. That is a significant decline for Apple and for the overall markets with Apple being the Biggest company in the markets.



MSFT daily chart as of May 13, 2022 - Microsoft saw a sharp decline Monday, a failed bounce Tuesday followed by strong selling (with volume) Wed. and Thursday. The bounce late Thursday was small. Friday saw a gap up and rally that stalled out after an hour and oscillated the rest of the day, ending the week down -4.95%.



GOOGL daily chart as of May 13, 2022 - Alphabet oscillated near its 2022 lows the first 3 days of this week, then dropped to new 2022 lows on Thursday before bouncing the last hour. Friday saw a gap up and rally the first half of the day then pulled back to end the week up +0.26%.



AMZN daily chart as of May 13, 2022 - Amazon gapped down Monday and continued lower before finding support early on Thursday and recovered about half of the prior day's losses. Friday gapped up and rallied to end the week down -1.50%.



TSLA daily chart as of May 13, 2022 - Tesla gapped down Monday and continued with lower lows every day this week except on Friday. Thursday saw new 2022 lows for TSLA. Friday saw a gap up and only a mild rally to end the week down -11.10%.



FB daily chart as of May 13, 2022 - Meta crossed back below its 20 day SMA Monday and continued lower with lower lows each day this week except on Friday. FB found support early on Thursday and retested that area late on Thursday. Friday saw a mild rally back up to its 20 day SMA, ending the week down - 2.53%.



NVDA daily chart as of May 13, 2022 - Nvidia saw a strong decline Monday, paused Tuesday, then resumed its decline Wednesday and Thursday before finding support late in the day followed by a mild rally the last hour Thursday. Friday saw a gap up and rally to end the week down -5.19%. We've often seen NVDA as either the strongest or the weakest stock in the SOXX sector.



NFLX daily chart as of May 13, 2022 - Netflix saw a steady decline continue most of this week with support found early on Thursday and the bounce continued on Friday to end the week up +3.69%.



JPM daily chart as of May 13, 2022 - JP Morgan saw a pause Monday near the lows of the prior day. Tuesday saw a strong decline that continued lower Wednesday and Thursday to find support late on Thursday followed by a mild rally the last hour. Friday saw a small gap up without any follow through to end the week down -3.74%. JPM has remained below its declining 20 day SMA (Yellow) for over a month.



HD daily chart as of May 13, 2022 - HomeDepot had been in a horizontal range for nearly a month, then broke lower late last week on Thursday and Friday. HD saw a failed rally Monday followed by selling Tuesday and Wednesday to lower lows. Thursday found support early and bounced to recover most of the prior day's losses. The bounce continued Friday to end the week up +0.58%.



COST daily chart as of May 13, 2022 - Costco gapped down Monday to lower lows. Tuesday saw a gap up and failed rally that tested its 200 day SMA (Purple) as Resistance before closing down. Selling continued Wednesday and Thursday before finding support late Thursday. Friday saw a gap up with a very small rally to end the week down -1.21%.



WMT daily chart as of May 13, 2022 - Walmart tested its 50 day SMA Support on Monday and Tuesday and eventually broke below on Wednesday to lower lows. Thursday saw a lower low late in the day near the prior Resistance from Dec 2021 highs (Orange line) as new Support. Friday saw a retest of the new Support and a slightly higher close to end the week down -1.01%.

With the XLP (Consumer Staples) sector showing some mild strength this week, it is a good reminder of the Weighting of the major component stocks in this sector ETF. PG at 15%, KO at 10%, PEP at 10%, COST at 9.3%, PM at 4.9%, MDLZ at 4.6% and WMT at 4.4%. At Friday's close some of the strongest names in the XLP that day were: COST, PEP, KO, MO, CL and PG.



JNJ daily chart as of May 13, 2022 - Johnson & Johnson has been in a horizontal range this week after finding support late last week. Most of this week straddled the rising 50 day SMA, ending this week up +0.27%.



AMD daily chart as of May 13, 2022 - AMD saw a failed rally last week followed by a strong decline on Monday this week. Tuesday saw a pause with a failed rally on Wednesday. Thursday saw lower lows for 2022 early in the day that were retested late in the day. Friday saw a strong rally back above its 20 day SMA to end the week almost even, down -0.23%.



MU daily chart as of May 13, 2022 - Micron also saw a failed rally last week that continued lower on Monday. Tuesday saw an inside day below the 20 day SMA Resistance. Wednesday and Thursday saw lower lows followed by a strong rally on Friday above its 20 day SMA to end the week up +2.23%.

We continue to be in a Bear Trend, with failed rallies that are followed by lower lows. The rally on Friday this week was strong, but not as strong as was the selling last Thursday and Monday this week. We will see next week if the bounce Friday continues higher, or is met with another round of selling.

We continue to see the odds favor a 'continuation' of the trend, so we trade appropriately until the evidence in the charts confirm a change in Trend.

We saw several 'Extreme' conditions this week that show the strong convictions of the Bears. Those extremes do NOT mean that the Trend will change next. The Bears can quickly show us even greater strength that we saw this week. The data only means what the facts are at the time. The key to successful trading is being well prepared with a variety of possible scenarios that you have mentally rehearsed in my mind. That you are better prepared for whatever the market throws at you, and will more likely react appropriately with objective decisions you recognize since you practiced them.

As objective traders, we study the charts and probabilities, and are flexible to change as the markets change, based on the facts we see in the charts.

Hope this helps.

Trade Smart,

CJ